

NEXT IAS



UNION BUDGET 2024-25



Key Highlights by **NEXT IAS**

UNION BUDGET 2024-25

Recently, Finance Minister **Nirmala Sitharaman** presented the **Union Budget during the current session of Parliament.**

About

- **Annual Financial Statement:**
 - ♦ The Budget is an annual financial statement presented by the central government, detailing its proposed expenditures and revenues for the upcoming fiscal year, FY25, which spans from April 1, 2024, to March 31, 2025.
 - ♦ Under **Article 112 of the Constitution**, the President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, in this Part referred to as the "**annual financial statement**".
 - ♦ Annual Financial Statement is the main Budget document and is commonly referred to as the Budget Statement.
- **Review of Past Achievements:** It highlights the government's accomplishments over the past financial year, providing a summary of what has been achieved.
- **Future Goals and Allocations:** The Budget sets out the goals and financial allocations for the next fiscal year, aiming to meet the needs of various policies, programs, and plans.
- **Planning and Policy Requirements:** It serves as a blueprint for the government's financial strategy, outlining the requirements for policies and plans to be implemented in the forthcoming year.
- **Demands for Grants:**
 - ♦ The expenditure estimates from the Consolidated Fund included in the Budget Statements, which require approval by the Lok Sabha, are submitted as Demands for Grants.
 - ♦ Typically, a separate demand is presented for each major service managed by a Ministry or Department.
 - ♦ Each demand generally encompasses the total provisions needed for a service, including revenue expenditure, capital expenditure, grants to States and Union Territories, and loans and advances related to that service.

ADDITIONAL INFORMATION

- **Historic Achievement:** Nirmala Sitharaman has made history as the first finance minister to deliver seven consecutive Budget speeches, marking a significant milestone in her career.
- **Surpassing Previous Record:** She has now surpassed the record set by former Prime Minister Morarji Desai, who presented six consecutive budgets as finance minister from 1959 to 1964.

KEY HIGHLIGHTS

- **Roadmap for Viksit Bharat:**
 - ♦ Focus on '**Garib**' (Poor), '**Mahilayen**' (Women), '**Yuva**' (Youth) and '**Annadata**' (Farmer).
 - ♦ For Annadata, Minimum Support Prices for all major crops of at least a 50 per cent margin over costs.
 - ♦ Pradhan Mantri Garib Kalyan Anna Yojana was extended for five years, benefitting more than 80 crore people.
- **Budget Theme:** Focus on employment, skilling, MSMEs, and the middle class.



Nine Priorities for Viksit Bharat

1. Productivity and resilience in Agriculture
2. Employment & Skilling
3. Inclusive Human Resource Development and Social Justice
4. Manufacturing & Services
5. Urban Development
6. Energy Security
7. Infrastructure
8. Innovation, Research & Development
9. Next Generation Reforms

Priority 1: Productivity and resilience in Agriculture

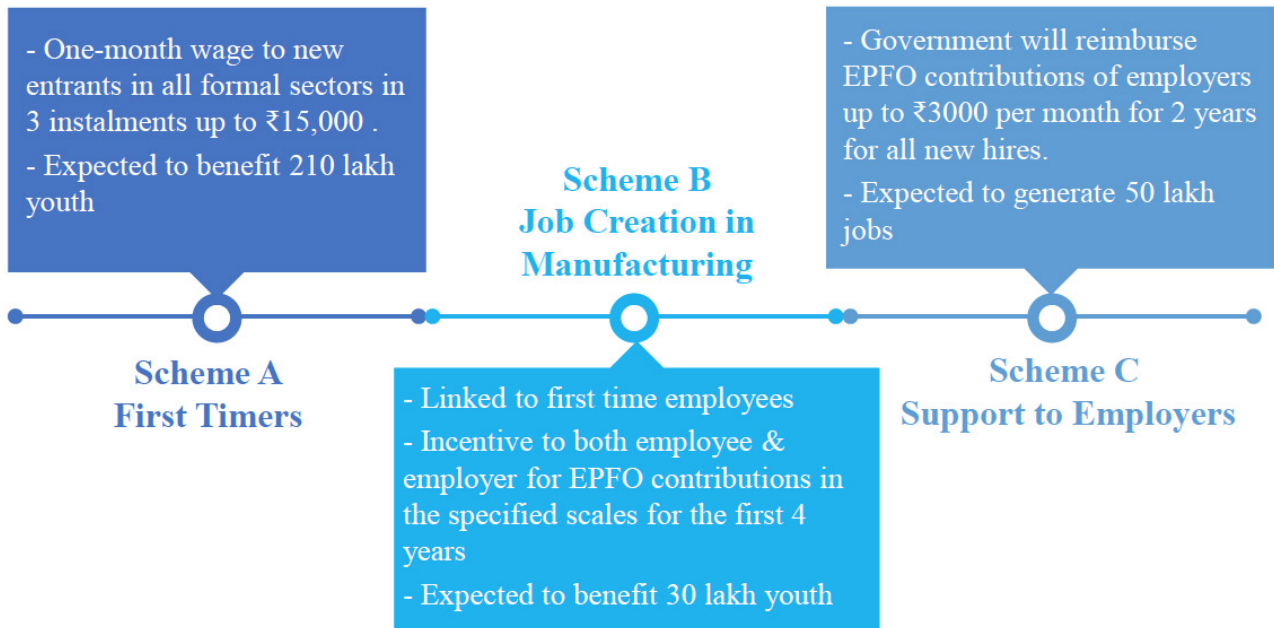
- **Transforming Agriculture Research**
 - ♦ Comprehensive review of the agriculture research setup to focus on raising productivity and developing climate-resilient varieties.
 - ♦ Funding will be provided in challenge mode, including to the private sector.
 - ♦ Oversight by domain experts from both government and outside.
- **Release of New Varieties:** Release of **109 high-yielding and climate-resilient varieties** of 32 field and horticulture crops for cultivation by farmers.
- **Natural Farming:**
 - ♦ Initiate **1 crore farmers** into natural farming within the next two years.
 - ♦ Support through certification and branding.
 - ♦ Implementation through scientific institutions and willing gram panchayats.
 - ♦ Establishment of **10,000 need-based bio-input** resource centers.
- **Missions for Pulses and Oilseeds:**
 - ♦ Strengthen production, storage, and marketing to achieve self-sufficiency in pulses and oilseeds.
 - ♦ Strategy to achieve '**Atma Nirbharta**' for oil seeds such as **mustard, groundnut, sesame, soybean, and sunflower**.
- **Vegetable Production & Supply Chains:**
 - ♦ Development of large-scale clusters for vegetable production closer to major consumption centers.
 - ♦ Promotion of **Farmer-Producer Organizations, cooperatives, and start-ups** for vegetable supply chains including collection, storage, and marketing.
- **Digital Public Infrastructure for Agriculture:**
 - ♦ Implementation of the **Digital Public Infrastructure (DPI) in agriculture** in partnership with the states within 3 years.
 - ♦ Digital crop survey for Kharif using DPI in **400 districts** this year.
 - ♦ Details of **6 crore farmers** and their lands to be brought into farmer and land registries.

- ♦ Issuance of Jan Samarth based Kisan Credit Cards in 5 states.
- **Shrimp Production & Export:**
 - ♦ Financial support for setting up a network of **Nucleus Breeding Centres** for Shrimp Broodstocks.
 - ♦ Financing for shrimp farming, processing, and export through **NABARD**.
- **National Cooperation Policy:**
 - ♦ Introduction of a National Cooperation Policy for systematic, orderly, and all-round development of the cooperative sector.
 - ♦ Goal of fast-tracking growth of the rural economy and generating employment opportunities on a large scale.
- **Provision for Agriculture and Allied Sector:** Allocation of **₹1.52 lakh crore** for the agriculture and allied sector.

Priority 2: Employment & Skilling

- **Employment Linked Incentive:** Implementation of three schemes based on enrolment in the EPFO, focusing on first-time employees, and support for employees and employers.
- **Scheme A: First Timers**
 - ♦ One-month wage for all persons newly entering the workforce in all formal sectors.
 - ♦ Direct benefit transfer of one-month salary in 3 installments to first-time employees, up to ₹15,000.
 - ♦ **Eligibility limit:** salary of ₹1 lakh per month.
 - ♦ Expected to benefit 210 lakh youth.
- **Scheme B: Job Creation in Manufacturing**
 - ♦ Incentivize additional employment in the manufacturing sector linked to first-time employees.
 - ♦ Incentive provided at specified scale directly to both employee and employer regarding their EPFO contribution for the first 4 years of employment.
 - ♦ Expected to benefit 30 lakh youth and their employers.
- **Scheme C: Support to Employers**
 - ♦ Covers additional employment in all sectors.
 - ♦ Government will reimburse up to ₹3,000 per month for 2 years towards EPFO contribution for each additional employee within a salary of ₹1 lakh per month.

PM's Package (3 schemes for Employment Linked Incentive)



- ◆ Expected to incentivize additional employment of 50 lakh persons.
- ◆ **Participation of Women in the Workforce:**
 - ◆ Facilitate higher participation of women through working women hostels in collaboration with industry and establishing creches.
 - ◆ Organize women-specific skilling programmes and promote market access for women SHG enterprises.
- ◆ **Skilling Programme:**
 - ◆ New centrally sponsored scheme for skilling in collaboration with state governments and industry.
 - ◆ 20 lakh youth will be skilled over a 5-year period.
 - ◆ Upgrade 1,000 **Industrial Training Institutes** in hub and spoke arrangements with outcome orientation.
 - ◆ Align course content and design to industry skill needs and introduce new courses for emerging needs.
- ◆ **Skilling Loans:**
 - ◆ Revised **Model Skill Loan Scheme** to facilitate loans up to ₹7.5 lakh with a guarantee from a government-promoted Fund.
 - ◆ Expected to help 25,000 students every year.
- ◆ **Education Loans:**
 - ◆ Financial support for loans up to ₹10 lakh for higher education in domestic institutions.
 - ◆ E-vouchers for annual interest subvention of 3% of the loan amount, given directly to 1 lakh students every year.
- ◆ **Priority 3: Inclusive Human Resource Development and Social Justice**
- ◆ **Saturation Approach:**
 - ◆ Commitment to all-round, all-pervasive, and all-inclusive development, particularly for farmers, youth, women, and the poor.
 - ◆ Adoption of the saturation approach to cover all eligible people through various programmes for education and health.
- ◆ **Support for Economic Activities:**
 - ◆ Stepping up implementation of schemes supporting craftsmen, artisans, self-help groups, scheduled caste, scheduled tribe and women entrepreneurs, and street vendors.
 - ◆ **Key schemes:** PM Vishwakarma, PM SVANidhi, National Livelihood Missions, and Stand-Up India.

- **Purvodaya:**
 - ◆ Formulation of a plan for the all-round development of the eastern region (Bihar, Jharkhand, West Bengal, Odisha, and Andhra Pradesh).
 - ◆ Focus on human resource development, infrastructure, and generation of economic opportunities.
 - ◆ Support for development of an industrial node at Gaya on the Amritsar Kolkata Industrial Corridor.
 - ◆ **Development of road connectivity projects:** Patna-Purnea Expressway, Buxar-Bhagalpur Expressway, Bodhgaya, Rajgir, Vaishali and Darbhanga spurs, and an additional 2-lane bridge over river Ganga at Buxar.
 - ◆ Setting up of a new 2400 MW power plant at Pirpainti.
 - ◆ Construction of new airports, medical colleges, and sports infrastructure in Bihar.
 - ◆ Additional allocation for capital investments and expedited external assistance from multilateral development banks.
 - **Andhra Pradesh Reorganization Act:**
 - ◆ Special financial support through multilateral development agencies for the state's capital.
 - ◆ Arrangement of ₹15,000 crore in the current financial year, with additional amounts in future years.
 - ◆ Commitment to financing and early completion of the Polavaram Irrigation Project.
 - ◆ Funds for essential infrastructure in Kopparthi node on the Visakhapatnam-Chennai Industrial Corridor and Orvakal node on the Hyderabad-Bengaluru Industrial Corridor.
 - ◆ Grants for backward regions of Rayalaseema, Prakasam, and North Coastal Andhra.
 - **PM Awas Yojana:** Announcement of three crore additional houses in rural and urban areas with necessary allocations.
 - **Women-Led Development:** Allocation of more than ₹3 lakh crore for schemes benefiting women and girls to enhance their role in economic development.
 - **Pradhan Mantri Janjatiya Unnat Gram Abhiyan:**
 - ◆ Launch of the Pradhan Mantri Janjatiya Unnat Gram Abhiyan to improve the socio-economic condition of tribal communities.
 - ◆ Coverage of 63,000 villages benefiting 5 crore tribal people.
 - **Bank Branches in North-Eastern Region:** Establishment of more than 100 branches of India Post Payment Bank in the NorthEast region to expand banking services.
 - **Rural Development:** Provision of ₹2.66 lakh crore for rural development, including rural infrastructure.
- Priority 4: Manufacturing & Services**
- In the Indian economy, MSMEs contribute around 30% of the GDP, 48% of exports, and provide employment to more than 110 million in rural and urban areas.*
- **Support for Promotion of MSMEs:**
 - ◆ Special attention to MSMEs and manufacturing, particularly labour-intensive manufacturing.
 - ◆ Package covering financing, regulatory changes, and technology support for MSMEs.
 - **Credit Guarantee Scheme for MSMEs in the Manufacturing Sector:**
 - ◆ Introduction of a credit guarantee scheme for MSMEs for term loans to purchase machinery and equipment without collateral or third-party guarantee.
 - ◆ Pooling of credit risks of MSMEs and guarantees cover up to ₹100 crore.
 - **New Assessment Model for MSME Credit:** Public sector banks to build in-house capability to assess MSMEs for credit, develop a new credit assessment model based on digital footprints.
 - **Credit Support to MSMEs During Stress Period:** New mechanism for continuation of bank credit to MSMEs during their stress period, supported through a government-promoted fund.
 - **Mudra Loans:** Enhancement of Mudra loan limit to ₹20 lakh from ₹10 lakh for entrepreneurs who have availed and successfully repaid previous loans under the 'Tarun' category.
 - **Enhanced Scope for Mandatory Onboarding in TReDS:**
 - ◆ Reduction of turnover threshold for buyers for mandatory onboarding on the TReDS platform from ₹500 crore to ₹250 crore.
 - ◆ Inclusion of 22 more CPSEs and 7000 more companies on the platform, with medium enterprises included as suppliers.

- **SIDBI Branches in MSME Clusters:** SIDBI to open new branches to serve all major MSME clusters within 3 years, with 24 branches this year, expanding service coverage to 168 out of 242 major clusters.
 - **MSME Units for Food Irradiation, Quality & Safety Testing:**
 - ◆ Financial support for setting up 50 multi-product food irradiation units in the MSME sector.
 - ◆ Facilitation of 100 food quality and safety testing labs with NABL accreditation.
 - **E-Commerce Export Hubs:** Establishment of E-Commerce Export Hubs in public-private-partnership (PPP) mode for MSMEs and traditional artisans to sell products internationally.
 - **Measures for Promotion of Manufacturing & Services:**
 - ◆ **Internship in Top Companies**
 1. Comprehensive scheme for providing internship opportunities in 500 top companies to 1 crore youth in 5 years.
 2. Internship allowance of ₹5,000 per month and a one-time assistance of ₹6,000, with companies bearing training costs and 10% of internship costs from CSR funds.
 - ◆ **Industrial Parks**
 1. Facilitation of development of investment-ready “plug and play” industrial parks with complete infrastructure in or near 100 cities, in partnership with states and private sector.
 2. Sanctioning of twelve industrial parks under the National Industrial Corridor Development Programme.
 - **Rental Housing:** Facilitation of rental housing with dormitory-type accommodation for industrial workers in PPP mode with VGF support and commitment from anchor industries.
 - **Shipping Industry:** Implementation of ownership, leasing, and flagging reforms to improve the share of the Indian shipping industry and generate more employment.
 - **Critical Mineral Mission:**
 - ◆ Setting up of a Critical Mineral Mission for domestic production, recycling, and overseas acquisition of critical mineral assets.
 - ◆ Mandate includes technology development, skilled workforce, extended producer responsibility framework, and suitable financing mechanism.
 - ◆ **Offshore Mining of Minerals:** Launch of the auction of the first tranche of offshore blocks for mining, building on previous exploration.
 - **Digital Public Infrastructure Applications:** Development of DPI applications at population scale for productivity gains, business opportunities, and innovation in credit, e-commerce, education, health, law and justice, logistics, MSME, services delivery, and urban governance.
 - **Integrated Technology Platform for IBC Ecosystem:** Setting up an Integrated Technology Platform to improve outcomes under the Insolvency and Bankruptcy Code (IBC) for consistency, transparency, timely processing, and better oversight.
 - **Voluntary Closure of LLPs:** Extension of services of the Centre for Processing Accelerated Corporate Exit (C-PACE) for voluntary closure of LLPs to reduce closure time.
 - **National Company Law Tribunals:**
 - ◆ Resolution of more than 1,000 companies under IBC, resulting in direct recovery of over ₹3.3 lakh crore to creditors.
 - ◆ Disposal of 28,000 cases involving over ₹10 lakh crore before admission.
 - ◆ Appropriate changes to IBC, reforms and strengthening of tribunal and appellate tribunals to speed up insolvency resolution.
 - ◆ Establishment of additional tribunals, with some notified to decide cases exclusively under the Companies Act.
 - **Debt Recovery:** Reforms and strengthening of debt recovery tribunals, with establishment of additional tribunals to speed up recovery.
- Priority 5: Urban Development**
- **Cities as Growth Hubs:** Development of ‘Cities as Growth Hubs’ through economic and transit planning and the orderly development of peri-urban areas using town planning schemes.

- **Creative Redevelopment of Cities:** A framework will be formulated for creative brownfield redevelopment of existing cities with transformative impacts, utilizing enabling policies, market-based mechanisms, and regulation.
- **Transit Oriented Development:** Transit Oriented Development plans for 14 large cities with populations **above 30 lakh** will be formulated, along with an implementation and financing strategy.
- **Urban Housing:** The PM Awas Yojana Urban 2.0 will address the housing needs of 1 crore urban poor and middle-class families with an investment of **₹10 lakh crore**, including **₹2.2 lakh crore** central assistance over the next five years, and an interest subsidy to facilitate affordable loans.
- **Rental Housing:** Enabling policies and regulations for efficient and transparent rental housing markets with enhanced availability will also be implemented.
- **Water Supply and Sanitation:** Promotion of water supply, sewage treatment, and solid waste management projects for **100 large cities** through bankable projects, which will also use treated water for irrigation and filling tanks in nearby areas.
- **Street Markets:** Building on the success of the PM SVANidhi Scheme, a scheme to support the development of 100 weekly 'haats' or street food hubs in select cities each year for the next five years.
- **PM Surya Ghar Muft Bijli Yojana:** Launched to install rooftop solar plants and provide free electricity up to 300 units per month to 1 crore households.
- **Pumped Storage Policy:** For promoting pumped storage projects for electricity storage and facilitating the integration of renewable energy into the overall energy mix.
- **Research and Development of Small and Modular Nuclear Reactors:** Collaboration with the private sector for setting up Bharat Small Reactors, researching and developing Bharat Small Modular Reactors, and developing new nuclear energy technologies.
- **Advanced Ultra Super Critical Thermal Power Plants**
 - ♦ An 800 MW commercial plant using **Advanced Ultra Super Critical (AUSC)** technology will be set up by a joint venture between NTPC and BHEL, supported by government fiscal support.
 - ♦ This will also develop indigenous capacity for high-grade steel and other advanced materials.
- **Roadmap for 'Hard to Abate' Industries:** A roadmap for moving 'hard to abate' industries from energy efficiency to emission targets will be formulated, transitioning these industries to the 'Indian Carbon Market' mode.

Priority 6: Energy Security

PM Surya Ghar Muft Bijli Yojana

- 1 crore Households obtain free electricity
- Up to 300 Units every month
- 1.28 crore Registrations and 14 lakh applications so far

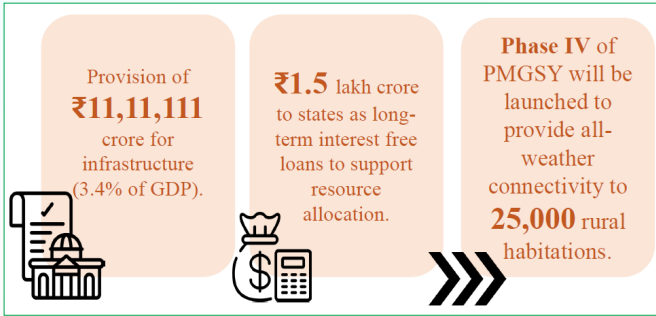
- **Energy Transition:** A policy document on appropriate energy transition pathways balancing employment, growth, and environmental sustainability will be brought out.

CLIMATE FINANCE TAXONOMY

- A climate finance taxonomy is a classification system that identifies which sectors of the economy can be marketed as sustainable investments.
- This system aids investors and banks in channeling trillions of dollars into investments that have a significant positive impact on climate change mitigation and adaptation.
- Taxonomies provide a structured framework that categorizes economic activities based on their environmental sustainability.
- The European Union, South Africa, and Canada have developed their own climate finance taxonomies to guide sustainable investments within their respective regions.

Priority 7: Infrastructure

- **Infrastructure Investment by Central Government:** The Central Government has provided **11.11 lakh crore** for capital expenditure, which is 3.4% of the GDP, to maintain strong fiscal support for infrastructure over the next five years.



- **Infrastructure Investment by State Governments:** A provision of ₹1.5 lakh crore for long-term interest-free loans to support state resource allocation.
- **Private Investment in Infrastructure:** Promotion of Private sector investment in infrastructure through viability gap funding and enabling policies and regulations, with a market-based financing framework being developed.
- **Pradhan Mantri Gram Sadak Yojana (PMGSY):** Phase IV of PMGSY will be launched to provide all-weather connectivity to **25,000 rural habitations** that have become eligible due to population increase.
 - ♦ **First Phase:** The first phase of the PMGSY was launched on December 25, 2000, by the Prime Minister Atal Bihari Vajpayee.
 - ♦ **Second Phase:** The second phase of PMGSY was initiated in 2013, continuing the effort to improve rural road connectivity.
 - ♦ **RCPLWEA Component:** In 2016, a new component called the **Road Connectivity Project for Left Wing Extremism Affected Areas** (RCPLWEA) was introduced to build rural roads in areas affected by left-wing extremism.
 - ♦ **Third Phase:** The third phase of PMGSY began in 2019. To date, approximately 8 lakh kilometers of rural roads have been constructed under the scheme.
- **Irrigation and Flood Mitigation:**
 - ♦ Financial support for flood control and irrigation projects in Bihar, including the Kosi-Mechi intra-state link and other schemes totaling **₹11,500 crore**.
 - ♦ Assistance will be provided to Assam for flood management and related projects.
 - ♦ Himachal Pradesh will receive assistance for reconstruction and rehabilitation after extensive flood losses.

- ♦ Uttarakhand will receive assistance for cloudburst and landslide recovery.
- ♦ Assistance will be provided to Sikkim for recovery from devastating flash floods and landslides.
- **Tourism:**
 - ♦ Development of **Vishnupad Temple Corridor** and **Mahabodhi Temple Corridor** in Bihar.
 - ♦ Comprehensive development of Rajgir, with its religious significance for Hindus, Buddhists, and Jains.
 - ♦ Support for developing Nalanda as a tourist center and reviving Nalanda University.
 - ♦ Assistance for developing Odisha's tourist attractions, including temples, monuments, wildlife sanctuaries, landscapes, and beaches.

Priority 8: Innovation, Research & Development

- **Anusandhan National Research Fund:**
 - ♦ It will be operationalized for basic research and prototype development.
 - ♦ Setting up a mechanism for private sector-driven research and innovation at a commercial scale with a financing pool of **₹1 lakh crore**.
- **Space Economy:** A venture capital fund of **₹1,000 crore** to expand the space economy fivefold in the next 10 years.
 - ♦ Although India is a prominent space-faring nation, its share in the global space market is approximately 2%.
 - ♦ In 2020, the Indian space sector was opened to private players with the goal of increasing India's presence in the global market.
 - ♦ This shift allows the Indian Space Research Organisation (ISRO) to concentrate on scientific missions like Chandrayaan-3, Aditya-L1, and Gaganyaan, while private entities can pursue commercial opportunities.

Priority 9: Next Generation Reforms

- **Economic Policy Framework:**
 - ♦ It will be formulated to set the scope for the next generation of reforms, facilitating employment opportunities and sustaining high growth.

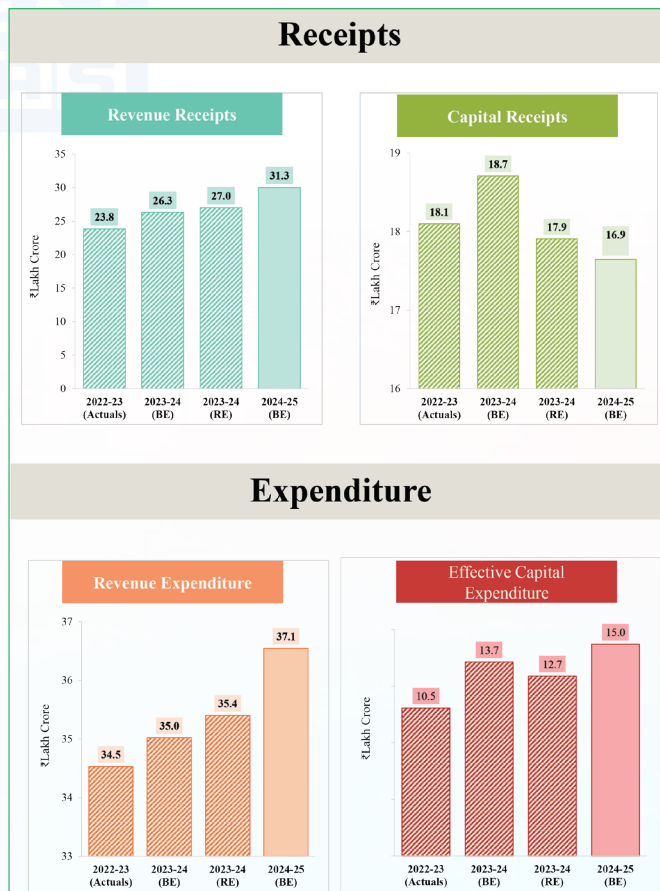
- Reforms to improve the productivity of factors of production and facilitate market and sector efficiency will be initiated.
- These will cover land, labor, capital, entrepreneurship, and technology as an enabler of improving total factor productivity and bridging inequality.
- Collaboration between the Union and states for effective implementation of these reforms, incentivizing states with a significant part of the 50-year interest-free loan.
- **Land-Related Reforms by State Governments:** Land-related reforms in rural and urban areas through fiscal support for completion within the next three years.
- **Urban Land-Related Actions:** Digitization of Urban land records with GIS mapping, and an IT-based system for property record administration and tax administration to improve the financial position of urban local bodies.
- **Labour-Related Reforms:**
 - Comprehensive services, including employment and skilling, for labor through the integration of the e-shram portal with other portals.
 - Shram Suvidha and Samadhan portals to be revamped to enhance ease of compliance for industry and trade.
- **Capital and Entrepreneurship-Related Reforms:**
 - A financial sector vision and strategy document will be brought out to meet the financing needs of the economy over the next five years.
 - A taxonomy for climate finance will be developed to enhance the availability of capital for climate adaptation and mitigation.
 - Legislative approval will be sought for a 'variable capital company structure' to finance the leasing of aircraft and ships and pooled funds of private equity.
 - Simplification of Rules and regulations for Foreign Direct Investment and Overseas Investments to facilitate investments, prioritize, and promote the use of the Indian Rupee for overseas investments.
 - **NPS-Vatsalya**, a plan for contributions by parents and guardians for minors, will be started and can

be converted into a normal NPS account upon reaching the age of majority.

- **Ease of Doing Business:** The **Jan Vishwas Bill 2.0** to enhance Ease of Doing Business, and states will be incentivized for implementing their Business Reforms Action Plans and digitalization.
- **Data and Statistics:** Utilization of Sectoral databases established under the Digital India mission for improving data governance, collection, processing, and management.

BUDGET ESTIMATES 2024-25

- **Receipts and Expenditure:**
 - For the year 2024-25, the total receipts other than borrowings are estimated at ₹32.07 lakh crore, and the total expenditure is estimated at ₹48.21 lakh crore.
 - The net tax receipts are estimated at ₹25.83 lakh crore.
 - The fiscal deficit is estimated at 4.9% of GDP.



- **Market Borrowings:**
 - ♦ The gross market borrowings through dated securities during 2024-25 are estimated at ₹14.01 lakh crore.
 - ♦ The net market borrowings through dated securities during 2024-25 are estimated at ₹ 11.63 lakh crore.
 - ♦ Both estimates are less than the borrowings in 2023-24.
- **Fiscal Consolidation:**
 - ♦ The fiscal consolidation path announced in 2021 has benefited the economy significantly.
 - ♦ The goal is to achieve a deficit below 4.5% next year.
 - ♦ From 2026-27 onwards, the aim will be to maintain a fiscal deficit that ensures the Central Government debt is on a declining path as a percentage of GDP.
- **Solar Energy:** The exemption for solar glass and tinned copper interconnects is not extended due to sufficient domestic manufacturing capacity.
- **Marine Products:** To boost competitiveness, BCD on certain broodstock, polychaete worms, shrimp, and fish feed reduced to 5%. Customs duty will be exempted on inputs for manufacturing shrimp and fish feed.
- **Leather and Textile:**
 - ♦ BCD on real down filling material from duck or goose will be reduced to enhance export competitiveness.
 - ♦ Additional exemptions to be made for goods used in the manufacture of leather and textile garments and footwear.
 - ♦ Duty inversion to be addressed by reducing BCD on Methylene Diphenyl Diisocyanate (MDI) for spandex yarn manufacture from 7.5% to 5%.

Indirect Taxes

- **Goods and Services Tax (GST):** GST has successfully decreased tax incidence on the common man, reduced compliance burdens, lowered logistics costs, and enhanced revenues for central and state governments.
- **Customs Duties:** Customs duty proposals aim to support domestic manufacturing, increase local value addition, promote export competitiveness, and simplify taxation while considering the public and consumer interests.
- **Precious Metals:** Customs duties on gold and silver will be reduced to 6% and on platinum to 6.4%.
- **Electronics:** To enhance domestic value addition, BCD on oxygen-free copper for resistors to be removed.
- **Chemicals and Petrochemicals:** To support new and existing capacities, BCD on ammonium nitrate to be increased from 7.5% to 10%.
- **Plastics:** To address environmental concerns, BCD on PVC flex banners raised from 10% to 25%.
- **Telecommunication Equipment:** To promote domestic manufacturing, BCD on PCBA of specified telecom equipment increases from 10% to 15%

Sector-Specific Customs Duty Proposals

- **Medicines and Medical Equipment**
 - ♦ To aid cancer patients, three additional medicines will be fully exempt from customs duties.
 - ♦ Changes will be made to the Basic Customs Duty (BCD) on x-ray tubes and flat panel detectors for medical x-ray machines to align with domestic capacity.
- **Mobile Phones and Related Parts:** The BCD on mobile phones, mobile PCBAs, and mobile chargers will be reduced to 15%.
- **Critical Minerals:** Customs duties on 25 critical minerals to be fully exempted, and the BCD on two will be reduced to support the processing and refining of minerals essential for various strategic sectors.

Direct Taxes

- **Simplified Tax Regimes:**
 - ♦ Measures have been taken to simplify taxation, including the introduction of simplified tax regimes for corporate tax and personal income tax.
 - ♦ In FY 2022-23, 58% of corporate tax came from the simplified regime, and over two-thirds of personal income taxpayers availed the new regime.
- **Comprehensive Review of the Income-tax Act, 1961:**
 - ♦ It is planned to make it concise, easy to understand, and reduce disputes and litigation. This review is expected to be completed in six months.

- ◆ Initial simplifications include changes in tax regimes for charities, TDS rate structures, reassessment provisions, search provisions, and capital gains taxation.
- **Simplification for Charities and TDS:**
 - ◆ Two tax exemption regimes for charities will be merged into one.
 - ◆ TDS rates will be consolidated: 5% rate will merge into the 2% rate, and the 20% TDS rate on mutual fund unit repurchases will be withdrawn.
 - ◆ TDS rate on e-commerce operators will be reduced from 1% to 0.1%.
 - ◆ TCS credit will be given in TDS deducted on salary.
 - ◆ Delay in TDS payment will be decriminalized up to the due date of the statement. A standard operating procedure for TDS defaults and rationalization of compounding guidelines will be introduced.
- **Simplification of Reassessment:**
 - ◆ Assessments can only be reopened beyond three years if escaped income is ₹ 50 lakh or more, for a maximum period of five years.
 - ◆ In such cases, the time limit will be reduced from ten years to six years before the search year.
- **Simplification and Rationalisation of Capital Gains:**
 - ◆ **Short-term capital gains** on certain financial assets will be taxed at 20%, while gains on other assets will continue at applicable rates.
 - ◆ **Long-term gains** on all assets will be taxed at 12.5%. The exemption limit for capital gains on certain financial assets will be increased to ₹1.25 lakh per year.
 - ◆ Listed financial assets held for over a year will be considered long-term; unlisted financial assets and non-financial assets will need to be held for at least two years.
 - ◆ Unlisted bonds, debentures, debt mutual funds, and market-linked debentures will attract tax on capital gains at applicable rates.
- **Litigation and Appeals:**
 - ◆ The Vivad Se Vishwas Scheme, 2024, will address income tax disputes.
 - ◆ Monetary limits for appeals in direct taxes, excise, and service tax will be increased to ₹60 lakh, ₹2 crore, and ₹5 crore, respectively.
 - ◆ Safe harbor rules and transfer pricing assessment procedures to be expanded and streamlined to reduce litigation and provide certainty in international taxation.
- **Employment and Investment:**
 - ◆ A simpler tax regime will be introduced for foreign shipping companies operating domestic cruises.
 - ◆ Safe harbor rates will be provided for foreign mining companies selling raw diamonds in India.
 - ◆ The corporate tax rate for foreign companies will be reduced from 40% to 35%.
- **Deepening the Tax Base:**
 - ◆ Security Transactions Tax on futures and options will be increased to 0.02% and 0.1%, respectively.
 - ◆ Income from share buybacks will be taxed in the hands of the recipient.
- **Other Proposals:**
 - ◆ Employer deductions for NPS expenditure will be increased from 10% to 14% of the employee's salary. Private sector and public sector bank employees opting for the new tax regime will receive a similar deduction.
 - ◆ Non-reporting of movable foreign assets up to ₹20 lakh will be de-penalized.
- **Personal Income Tax:**
 - ◆ In the new tax regime, the standard deduction for salaried employees will be increased from ₹50,000 to ₹75,000. The deduction for family pensions will be increased from ₹15,000 to ₹25,000.
- **Revenue Impact:** The proposals are expected to forgo revenue of about ₹37,000 crore (₹29,000 crore from direct taxes and ₹8,000 crore from indirect taxes) while mobilizing an additional ₹30,000 crore, resulting in a net revenue forgone of about ₹7,000 crore annually.

Direct Tax Proposals

To reduce the compliance burden, promote entrepreneurial spirit and provide tax relief to citizens

Rationalisation of capital gains

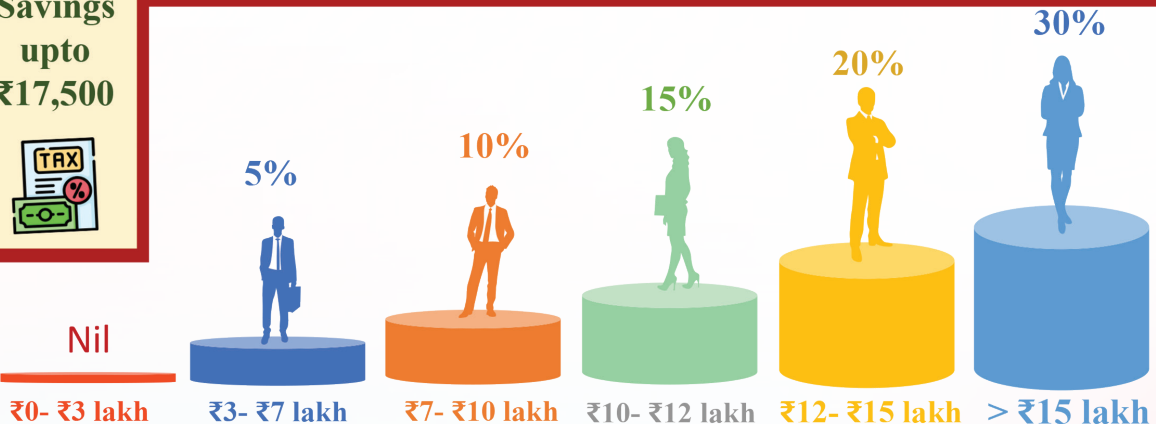
- Short term gains of financial assets to attract **20%** tax rate
- Long term gains on all financial and non-financial assets to attract a tax rate of **12.5%**
- Increase in limit of exemption of capital gains on financial assets to ₹1.25 lakh per year

- Abolish **ANGEL tax** for all classes of investors.
- Simpler tax regime to operate **domestic cruise**
- Provide for **safe harbour rates** for foreign mining companies (Selling raw diamonds)
- Corporate tax rate on foreign companies reduced from 40% to **35%**

Investment and Employment

Simplifying New Tax Regime

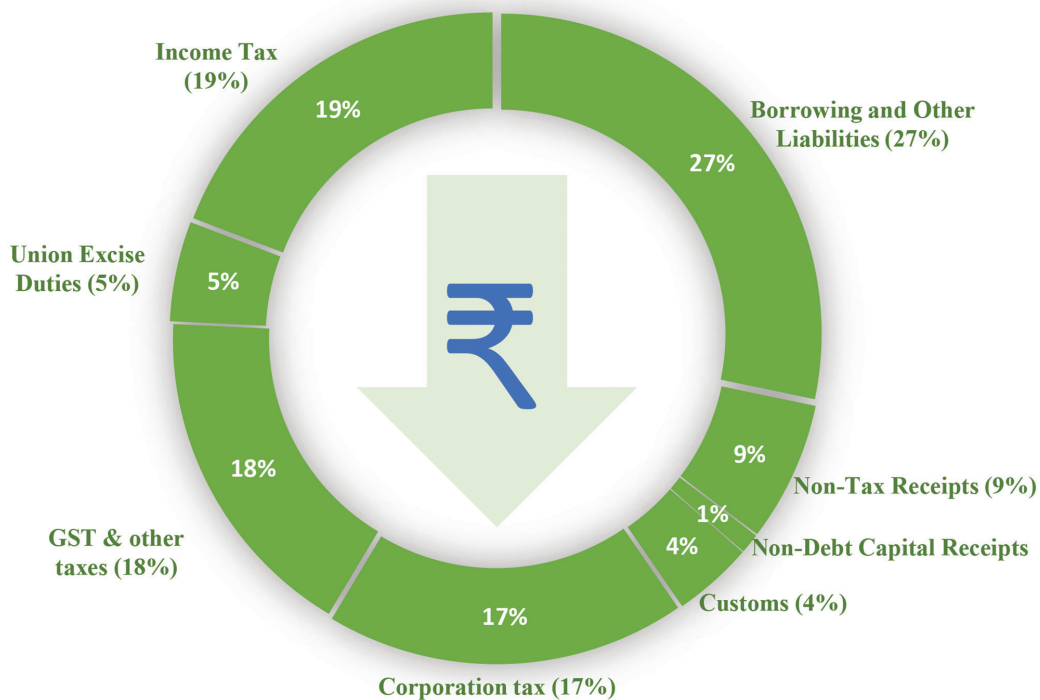
Savings
upto
₹17,500



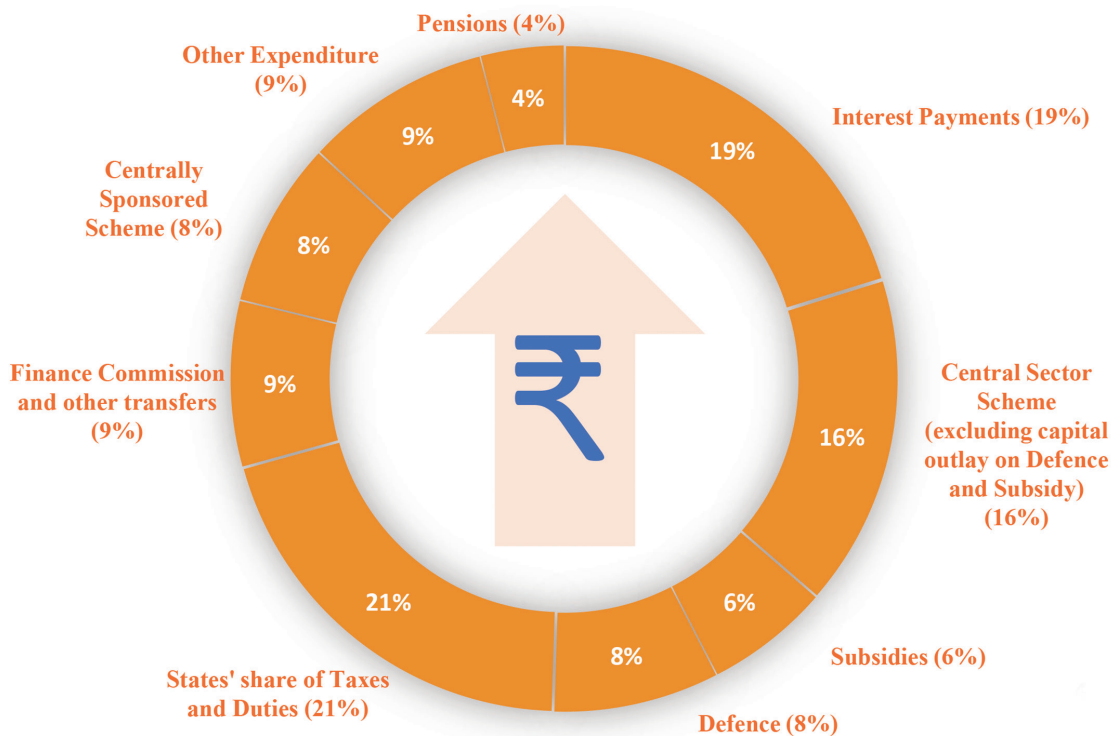
Standard Deduction for salaried employees increased from ₹50,000 to ₹75,000

Deduction on family pension for pensioners increased from ₹15,000 to ₹25,000

Rupee Comes From



Rupee Goes To



Allocation to Major Schemes (in ₹ crore)

MGNREGA



2023-24(BE)

2024-25(BE)

Research and Development Projects



2023-24(BE)

2024-25(BE)

Nuclear Power Projects



2023-24(BE)

2024-25(BE)

PLI for Pharmaceutical Industry



2023-24(BE)

2024-25(BE)

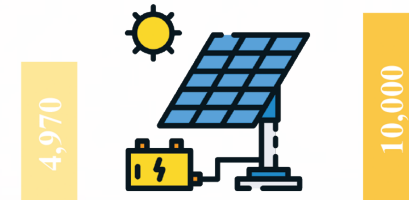
Development of Semiconductors and Display Manufacturing



2023-24(BE)

2024-25(BE)

Solar Power (Grid)



2023-24(BE)

2024-25(BE)

Direct Benefit Transfer- LPG



2023-24(BE)

2024-25(BE)

Lines of Credit under IDEA Scheme

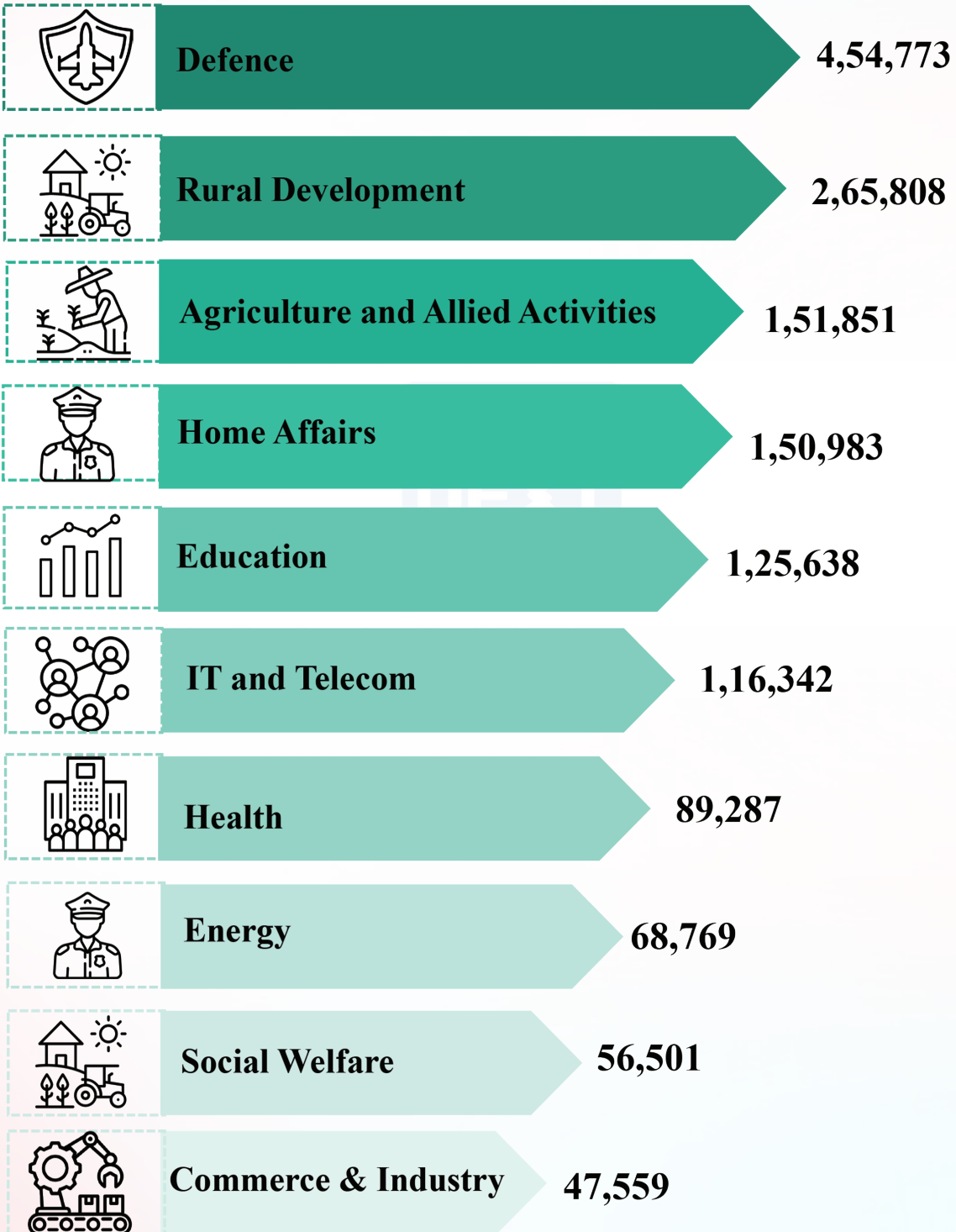


2023-24(BE)

2024-25(BE)

Expenditure of Major Items

in ₹ Crore



BASICS ABOUT THE BUDGET

• Introduction

- ♦ **Origin:** The term 'budget' originates from the Old French word 'bougette', meaning a pouch or bag.
- ♦ **Traditional Presentation:** Budget documents were traditionally carried in a leather bag or briefcase.
- ♦ **Definition:** Budget is the government's estimated financial statement for a year, running from April 1 to March 31.
- ♦ **Official Term:** Known officially as the Annual Financial Statement, not explicitly called 'budget' in the Constitution.
- ♦ **Responsible Division:** The Budget Division of the Department of Economic Affairs, Ministry of Finance, prepares the Budget.

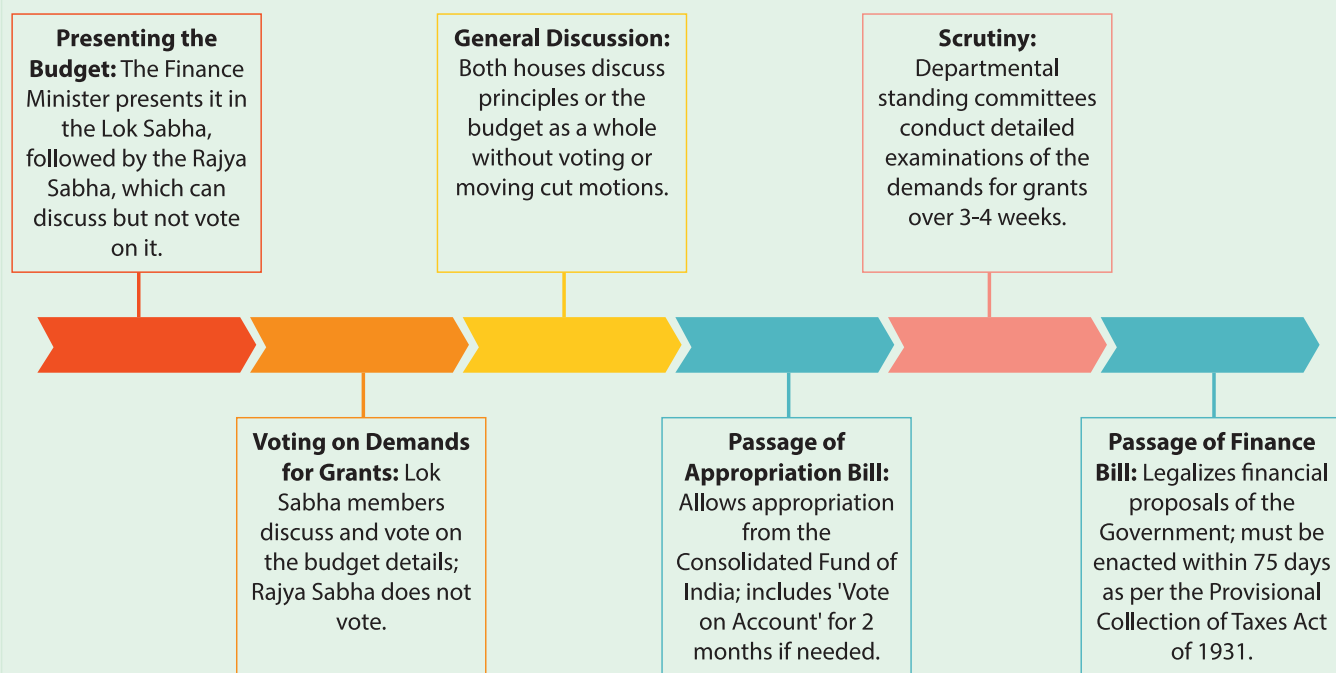
• Old and New Trends:

- ♦ **Change in Tradition:** From 2019, the briefcase was replaced with a 'Bahi-Khata' or a traditional ledger wrapped in red cloth.
- ♦ **Merger of Rail and General Budget:** The Rail Budget was merged with the Union Budget from 2017-18, based on the recommendations of the Bibek Debroy Committee. This ended a 92-year-old practice initiated by the Acworth Committee in 1924.

- **Constitutional Provisions:** Annual Financial Statement is provided for under Article 112 of Part V of the Constitution.

NOTE: If the Lok Sabha fails to pass the annual Union Budget, the Prime Minister tenders the resignation of the Council of Ministers.

STAGES OF PASSING OF THE BUDGET



DIFFERENCE BETWEEN REGULAR AND INTERIM BUDGET

Definition	A detailed financial statement for a full fiscal year.	A temporary financial statement, usually in an election year. There is no constitutional provision for an interim budget.
Purpose	Outlines the government's revenue and expenditure for the entire year.	Primarily for seeking Parliament's approval for essential expenditure for a part of the year.
Duration	Covers the entire financial year.	Covers a part of the fiscal year, until a new government presents the full budget.
Expenditure	Includes a complete account of expenses and allocations.	Only essential expenditures are covered.
Policy Decisions	Contains major policy decisions, new schemes, and long-term plans.	Generally avoids major policy decisions or new schemes.
Typical Occurrence	Usually presented at the beginning of the financial year.	Occurs when the tenure of the current government is ending and new elections are due.

KEY TERMS

Capital Expenditure	<ul style="list-style-type: none"> Expenditure of a capital nature is broadly defined as expenditure incurred with the object of either increasing concrete assets of a material and permanent character or of reducing recurring liabilities.
Capital Receipt	<ul style="list-style-type: none"> Capital receipt comprises of loans raised by the Government, borrowing from the Reserve Bank of India and loans taken from foreign Governments/institutions. It also embraces recoveries of loans advanced by the Government and sale proceeds of government assets, including those realized from divestment of Government equity in PSUs.
Effective Revenue Deficit	<ul style="list-style-type: none"> Effective Revenue Deficit is the difference between revenue deficit and grants for creation of capital assets. It can be interpreted as the difference between the government's current expenditure (on revenue account) and revenue receipts less grants for creation of capital assets which is recorded as revenue expenditure. Effective Revenue Deficit = Revenue Expenditure - Grants for Capital Expenditure
Fiscal Deficit	<ul style="list-style-type: none"> Excess of total disbursements from the Consolidated Fund of India, excluding repayment of debt over total receipts in the Fund, excluding the debt receipts, during a financial year. Fiscal Deficit = Total Expenditure - Total Revenue (excluding borrowings)
Revenue Deficit	<ul style="list-style-type: none"> Excess of revenue expenditure over revenue receipts.
Revenue Expenditure	<ul style="list-style-type: none"> Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order and also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses are classified as revenue expenditure. Grants given to State/UT Government and other entities are also treated as revenue expenditure, even if some of the grants may be meant for creating capital assets.
Revenue Receipts	<ul style="list-style-type: none"> These include proceeds of taxes and duties levied by the Government, interest and dividend on investments made by the Government, fees and other receipts for services rendered by the Government.
Primary Deficit	<ul style="list-style-type: none"> It is a financial metric that assesses a government's fiscal health by focusing on the fiscal gap excluding interest payments on existing debt. It indicates the government's ability to meet its current spending needs without relying on additional borrowing to cover interest expenses. Primary Deficit = Fiscal Deficit - Interest Payments on Previous Borrowings