

NEWSLETTER

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3 February 2025

3rd Edition



FINNOVA The Finance Club

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**Special
Budget Edition**



From the Editors' Desk

Dear Readers,

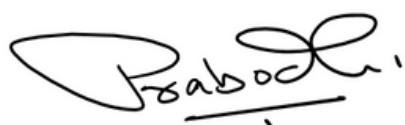
As the curtains lifted on Budget 2025 on February 1st 2025, the financial roadmap for the upcoming year was unveiled by our Finance Minister, Mrs. Nirmala Sitharaman, bringing with it a mix of opportunities, challenges, and policy shifts. This budget arrives at a crucial juncture when India is trying to be the 3rd largest economy in the world by 2027, balancing economic growth, fiscal prudence, and strategic reforms while addressing the aspirations of businesses, industries, and citizens alike.

In this special edition, we break down the key takeaways, sector-wise impacts, and policy directions set forth by the government. From tax reforms and infrastructure push to digital economy initiatives and social welfare measures, we provide expert analyses and insights to help you understand what lies ahead.

How will this budget shape investment trends? What are the implications for various industries? What reliefs or challenges does it bring for taxpayers? Our comprehensive coverage ensures that you stay informed and empowered to navigate the evolving economic landscape.

Join us as we decode Budget 2025, making complex financial insights accessible and actionable.

Happy Reading!



Best Regards,
Prof Prabodh B Nayak
(Assistant Professor – Senior Grade)



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(Student Editor and Content Development)

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BUDGET 2025 HIGHLIGHTS

1. For Investors

- Stock Market Impact: The tax cuts are expected to increase disposable income, potentially boosting SIP (Systematic Investment Plan) investments in mutual funds.
- Alternative Investment Funds (AIFs): Profits from Category 1 and 2 AIFs will now be treated as capital gains instead of business income, reducing the tax burden.
- Market Performance: The stock market showed a mixed reaction—while consumer-driven sectors gained, infrastructure-heavy stocks saw a sell-off due to a flat capex outlay.

2. For Industries

- MSMEs & Startups:
 - * A new MSME package was introduced, along with a ₹10,000 crore Startup Fund of Funds to encourage entrepreneurship.
 - * The government widened the MSME definition to include companies with revenues up to ₹500 crore.
 - * The credit guarantee scheme now covers up to ₹10 crore for MSMEs, helping small businesses access loans.
- Make in India:
 - * A ₹100 crore National Manufacturing Mission was launched to support domestic production of toys, footwear, and other goods.
 - * Clean-tech manufacturing incentives were expanded for solar cells, batteries, wind turbines, and shipbuilding.
- EV Sector:
 - * Full exemption on customs duty for EV battery components, reducing production costs.
 - * Incentives for local battery manufacturing to reduce dependence on imports.

3. For Taxpayers

- Major Tax Reliefs:
 - * Zero tax for taxable income up to ₹12 lakh (previously ₹7 lakh).
 - * The basic exemption limit raised from ₹3 lakh to ₹4 lakh.
 - * A new 25% tax slab was introduced for incomes between ₹20-24 lakh.
 - * Standard deduction for salaried individuals set at ₹75,000, effectively making the zero-tax limit ₹12.75 lakh.
 - * Senior citizens now exempted from TDS for interest income up to ₹1 lakh (earlier ₹50,000).
 - * Rental Income TDS exemption limit raised from ₹2.4 lakh to ₹6 lakh annually.
 - * Marginal tax relief for those earning slightly above ₹12 lakh, ensuring they don't face a sharp jump in tax liability.

BUDGET 2025 HIGHLIGHTS

4. For Education

- Tax Relief on Education Loans:
 - * TCS (Tax Collected at Source) removed for education loans financed by banks.
 - * TCS threshold increased from ₹7 lakh to ₹10 lakh for self-financed foreign education.
- Higher Education Investments
 - * More funds are allocated to digital learning initiatives and university research programs.

5. Economy

- Nominal GDP Growth Projection: 9.6% for the current fiscal, targeted at 11% for FY26.
- Consumption Boost:
 - * The government expects the tax cuts to fuel consumer spending, supporting demand in FMCG, electronics, and automobiles.
 - * Import duty cuts on high-end bikes, EVs, and jewellery to boost luxury spending.
- Trade & Exports:
 - A new trade package was introduced to support exports amid global uncertainties.

6. Business

- Ease of Doing Business:
 - * A new Income Tax Bill to simplify tax compliance for businesses.
 - * Regulatory reforms at the state level to reduce business costs.
- Infrastructure Investment:
 - * Increased public-private partnerships (PPP) to drive infrastructure development.
 - * Government focusing on monetizing ₹10 lakh crore worth of national infrastructure assets.
- Foreign Investment:
 - * 100% FDI allowed in insurance companies, up from 74%, to attract more global capital.

7. Fiscal Deficit

- Fiscal Deficit Target: 4.8% of GDP for FY25, aiming for 4.4% in FY26, meeting the fiscal consolidation goal.
- Government Borrowing: ₹11.5 lakh crore projected for FY26, slightly lower than ₹11.6 lakh crore in FY25.

F.M.'s Income Tax Bonanza



The **Budget 2025** tax reforms aim to **benefit middle-class** and high-income taxpayers, making the new tax regime more appealing while still allowing the old regime for those who rely on exemptions. The increase in disposable income is expected to drive economic growth, but taxpayers must carefully compare both tax regimes to choose the best option for them.

1. Major Benefits in the New Tax Regime

The government has introduced significant tax relief for individuals opting for the new tax system, aiming to increase disposable income:

- **Complete tax exemption for annual incomes up to ₹12 lakh.**
- Basic exemption limit raised from ₹3 lakh to ₹4 lakh.
- Tax slabs expanded for better tax optimization.
- A new 25% tax slab for incomes between ₹20 lakh and ₹24 lakh.

2. Impact on Different Income Groups

- Lower-income taxpayers (earning up to ₹12 lakh) pay zero tax, giving them more room for essential expenses like education, healthcare, and home loans.
- Middle-class taxpayers earning ₹24-30 lakh annually will save ₹1.1 lakh in tax.
- Upper middle-class taxpayers (earning ₹60-70 lakh) save ₹1.25 lakh annually.
- **Salaried individuals can claim a standard deduction of ₹75,000, effectively making ₹12.75 lakh tax-free.**

3. Differences Between the New & Old Tax Regime

- **New Regime Encouragement:** The government wants more people to shift to the new system, so it has made these changes attractive.
- **Old Regime Benefits:** Those using deductions and exemptions (like HRA, LTA, home loan interest, tax-saving investments, and medical insurance) may still find the old regime beneficial.
- **Example:** Someone earning ₹24 lakh and claiming ₹8.5 lakh in exemptions might pay less tax in the old system.

4. Other Tax Compliance Changes

- Updated tax return filing window extended from 2 years to 4 years, giving taxpayers more time to correct past filings.
- Penalty for late filings (over 2 years) increased from 25% to 60% on additional income declared.



Budget 2025 & Fiscal Deficit

The Budget 2025 maintains a balance between fiscal discipline and growth. By **lowering the fiscal deficit to 4.4% by FY26**, the government ensures economic stability, while strategic investments in infrastructure and industry will drive long-term growth.

The Fiscal Deficit represents the difference between the government's total revenue and total expenditure, indicating how much the government needs to borrow to cover its expenses.

Key Fiscal Deficit Figures from Budget 2025

- Fiscal Deficit for FY25 (2024-25): 4.8% of GDP
- Fiscal Deficit Target for FY26 (2025-26): 4.4% of GDP
- Reduction from Previous Years: This marks a steady reduction, in line with the government's fiscal consolidation strategy.

How This Budget Manages the Fiscal Deficit?

The government is balancing growth-oriented spending with fiscal discipline through the following measures:

✓ Revenue Generation

1. Higher tax collections expected from economic growth and improved compliance.
2. GST and Direct Tax Reforms to enhance tax efficiency.
3. Disinvestment and Asset Monetization: ₹10 lakh crore worth of national infrastructure assets to be monetized.
4. 100% FDI in Insurance expected to bring foreign investment inflows.

✓ Expenditure Control

1. Lower Market Borrowing: ₹11.5 lakh crore for FY26, slightly reduced from ₹11.6 lakh crore in FY25.
2. Capex Focus: Interest-free loans to states (₹1.5 lakh crore) to fund infrastructure, rather than excessive direct spending.
3. Reduced Subsidy Burden: No major increase in subsidies, ensuring controlled expenditure.

Overall Impact on Economy

- The controlled fiscal deficit ensures macroeconomic stability and maintains India's credit rating.
- With reduced fiscal pressure, the RBI may have room to cut interest rates, supporting business expansion.
- Continued capital expenditure (Capex) will stimulate growth without excessive borrowing.



Impact on Education Sector

1. Financial Relief for Students & Parents

✓ Tax Benefits on Education Loans

- TCS (Tax Collected at Source) on Education Loans Removed:
 - * Earlier, a 0.5% TCS was levied on foreign education loans exceeding ₹7 lakh.
 - * This has now been completely removed, reducing financial strain on the students studying abroad.
- Higher TCS Threshold for Self-Funded Education:
 - * The TCS limit increased from ₹7 lakh to ₹10 lakh, making overseas education more affordable for families paying out-of-pocket.



2. Increased Investment in Higher Education & Research

✓ More Funds for Research & Universities

- The government has allocated additional funding for universities and research institutes to strengthen India's position as an education hub.
- A push for AI, Robotics, and STEM education to align with the demand for next-gen technologies.

✓ Expansion of Digital Learning Initiatives

- Increased funding for e-learning platforms to improve access to education in rural areas.
- More investment in National Digital University, allowing students across India to pursue online degrees.

✓ Skill Development & Vocational Training

- Special emphasis on upskilling programs under Skill India Mission, focused on AI, cloud computing, and cybersecurity.
- Strengthening industry-academia collaboration to improve employment readiness.

3. Support for Affordable Education & Infrastructure

✓ Increased Funding for Primary & Secondary Education

- Higher budget allocation for government schools to improve infrastructure, teacher training, and digital resources.
- Continued focus on the PM Schools for Rising India (PM SHRI) initiative to modernize schools.

✓ Public-Private Partnerships (PPP) in Education

The government is encouraging private sector involvement in education to bridge funding gaps and enhance skill-based training.



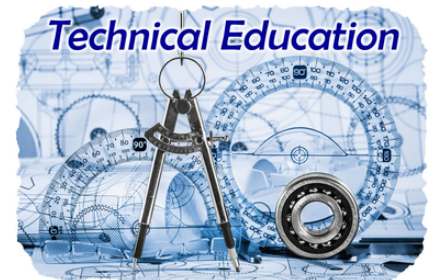
4. Special Benefits for Teachers & Institutions

✓ Higher Salary & Training for Teachers

- The budget proposes increased pay scales and better incentives for school and college teachers.
- More funds allocated for teacher training programs to improve the quality of education.

✓ Regulatory Reforms for Private Institutions

- Easier compliance for ed-tech companies & private universities, allowing for faster approvals and better industry alignment.




BUDGET 2025 ANALYSIS

A budget is a financial plan that outlines expected income and expenses over a specific period. It helps individuals, businesses, and governments allocate resources efficiently, control spending, and achieve financial goals. Union Finance Minister Nirmala Sitharaman presented her 8th budget on Saturday, February 1, 2025. The Budget announcement brought a series of key announcements for the nation's middle class.

TAX UPDATE:

Nirmala Sitharaman, in the Budget 2025 announcement, proposed revised tax rates, which highlights that income up to ₹12 lakh will draw zero income tax rates under the new tax regime post rebate. As per the proposal of the Budget 2025, Section 87A has been revised for resident individuals, the rebate limit has been increased from ₹7 lakh to ₹12 lakh and the maximum rebate from ₹25,000 to ₹60,000.



NEW TAX REGIME	
0 TO 4 LAKH	NIL
4 LAKH - 8 LAKH	5%
8 LAKH - 12 LAKH	10%
12 LAKH - 16 LAKH	15%
16 LAKH - 20 LAKH	20%
20 LAKH - 24 LAKH	25%
ABOVE 24 LAKH	30%

Income	Tax on Slabs and rates		Benefit of	Rebate benefit (for those earning below Rs.12 lakh)	Total Benefit	Tax after benefit
	Present	Proposed				
			Rate/Slab	Full rebate upto Rs. 12 lakhs		
Up to 8 lakh	30,000	20,000	10,000	20,000	30,000	0
9 lakh	40,000	30,000	10,000	30,000	40,000	0
10 lakh	50,000	40,000	10,000	40,000	50,000	0
11 lakh	65,000	50,000	15,000	50,000	65,000	0
12 lakh	80,000	60,000	20,000	60,000	80,000	0
16 lakh	1,70,000	1,20,000	50,000	0	50,000	1,20,000
20 lakh	2,90,000	2,00,000	90,000	0	90,000	2,00,000
24 lakh	4,10,000	3,00,000	1,10,000	0	1,10,000	3,00,000
50 lakh	11,90,000	10,80,000	1,10,000	0	1,10,000	10,80,000

BUDGET 2025 ANALYSIS

CAPEX:

India's capital expenditure (Capex) rises to ₹11.21 crore as per the budget estimates of FY2025-26, the budget estimates of FY2024-25 was at ₹11.11 lakh crore, according to the budget data.

BIHAR MAKHANA :

Budget 2025 announced India's plans to create a Makhana Board, which will be established in Bihar to improve the production, processing, value addition, and marketing of Makhana.

JOB SCHEME:

The Modi 3.0 government accounted its plans to generate 22 lakh jobs in the economy through this scheme. India aims to enhance the productivity, quality, and competitiveness of India's footwear and leather sector.

AGRICULTURE AND SUBSIDISED CREDIT:

To boost India's agriculture sector, FM Sitharaman announced multiple agriculture support schemes, expanded credit limit for farmers (increased to 5,00,000 from 3,00,000), MSMEs, and startups. There was a focus on boosting cultivation of pulses and cotton.

GIG WORKERS:

Finance Minister Nirmala Sitharaman included the gig economy workers to Centre's several employment welfare schemes. Now, gig economy workers can take the benefit of identity cards and be enrolled in a national registry to ensure their inclusion in welfare schemes.

INDIA'S NUCLEAR MOVE:

The government plans to launch a Nuclear Energy Mission for research and development of Small Modular Reactors (SMR). India allocated ₹20,000 crore for it to be set up and said that it will develop five SMRs, which would be operational by 2033.

IMPORTANT NUMBERS IN BUDGET:

1. Total receipts (excluding borrowings) - 31.47 lakh crore
2. Net tax receipts - 25.57 lakh crore
3. Total expenditure - 47.16 lakh crore
4. Capital expenditure - 10.18 lakh crore
5. Fiscal deficit - 4.8 per cent of GDP

BUDGET 2025 ANALYSIS

INCREASE IN FDI LIMIT:

The government of India increased the foreign direct investment (FDI) limit for the insurance sector from 74% to 100%. This move from the government comes to attract more foreign investment into the insurance sector in the Indian market. "This enhanced limit will be available for those companies which invest the entire premium in India," according to the Budget announcement.

MANUFACTURING AIMS

The Indian government aims to support "Clean Tech Manufacturing" to improve domestic value addition, jobs and build an ecosystem for solar PV cells, EV batteries, motors and controllers, electrolyzers, wind turbines, very high voltage transmission equipment and grid-scale batteries.

HEALTHCARE:

FM Nirmala Sitharaman announced the exemption of 36 lifesaving drugs and medicines from the basic customs duty (BCDs).

UREA PLANT IN ASSAM:

According to the Budget announcement, a new Urea plant is to be set up in Namrup, Assam. The plant is set to have an annual capacity of 12.7 lakh metric tonnes.

INDIA'S ENERGY ALLOCATION

According to the Union Budget data, India's allocation to Energy increased to ₹81,174 crore as per the budget estimates of FY2025-26, compared to ₹68,769 crore as per the budget estimates of FY2024-25.

UDAAN SCHEME:

The Indian government plans to launch a modified version of the UDAN Scheme, which aims to boost regional connectivity in India. The scheme aims to connect 120 new destinations and carry four crore passengers in the coming 10 years, according to the Budget announcement.

CUSTOMISED CREDIT CARD FOR MICRO ENTERPRISES:

The government will launch a 'Customized Credit Card' with ₹5 lakh limit for Micro Enterprises, registered on the Udyam portal. According to the budget announcement, the government plans to launch 10 lakh cards in the first year.

BUDGET 2025 ANALYSIS

DEFENCE BUDGET:

The Indian government pegged its Defence spending budget estimates at ₹4.91 lakh crore for FY2025-26. The government spent ₹4.56 lakh crore in the FY2024-25, as per the revised estimates.

CENTRE HIKES MSME INVESTMENT AND TURNOVER LIMITS:

The government hiked the MSME investment and turnover limits 2.5 and 2 times, respectively, in the Union Budget 2025 announcement. "This will give them the confidence to grow and generate employment for our youth," as per the budget announcement.

Rs. in Crore	Investment		Turnover	
	Current	Revised	Current	Revised
Micro Enterprises	1	2.5	5	10
Small Enterprises	10	25	50	100
Medium Enterprises	50	125	250	500

INDIA TO CREATE 22 LAKH JOBS:

According to the budget announcement, India aims to generate 22 lakh jobs in the economy through a newly launched "Focus Product Scheme" in the footwear and leather industry.

CREDIT FACILITY:

Union Budget 2025-26 outlined government's plans for to boost the nation's "Credit Guarantee Cover." Finance Minister Nirmala Sitharaman announced ₹1.5 lakh crore of additional credit for the next five years from ₹5 crore to ₹10 crore. They also announced that the Startups will get more credit from ₹10 crore to ₹20 crore with the guarantee fee moderated at 1% for loans in 27 key sectors outlined for Atmanirbhar Bharat, as per the announcement on Saturday. The government also approved term loans for MSME up to ₹20 crore.

DHAN-DHAANYA KRISHI YOJANA:

Prime Minister Narendra Modi's Dhan-Dhaanya Krishi Yojana, which is set to be launched, aims to help 1.7 crore farmers in India. This scheme will cover 100 districts with low productivity.

BUDGET 2025 ANALYSIS

ABCD OF BUDGET 2025:

- A - Aatmanirbhar Agriculture
- B - Bihar
- C - Consumption Boost
- D - Deep Tech
- E - Electric Vehicles
- F - Fund of Funds for Startups
- G - Gig Workers
- H - Heal in India
- I - Insurance
- J - Jal Jeevan Mission
- K - Knowledge Economy
- L - Labour-intensive sectors
- M - MSMEs
- N - Nuclear energy
- O - Overseas trade
- P - Poets and paeans
- Q - Quality over quantity
- R - Red tape
- S - Shipbuilding ahoy!
- T - Tourism
- U - UDAN
- V - View(s) from the Top
- W - Warehousing
- X - X-factor
- Y - Youth
- Z - Zen and the art of fiscal maintenance



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Tax-free up to ₹12 lakhs!!!

The middle class in India, which makes up about 31% of the country's population (about 432 million people), is greatly relieved by the government's recent decision to exempt taxable income up to ₹12 lakhs. This number is greater than the total population of the United States. This group makes approximately ₹1,500 to ₹8,700 every working day.

Dispute Regarding Tax Laws

The Finance Minister's taxation policies have been the subject of continuous controversy. These include the 28% GST imposed on caramel popcorn, which was deemed a luxury item, and the 18% rise in the sales tax on automobiles.

The declaration of "No taxable income up to ₹12 lakhs" on February 1st attracted national attention. Although there are unquestionable advantages to this approach, it also presents economic challenges. Unquestionably, this action has advantages, but it also

Pros of the Tax Exemption

Increased Disposable Income

Individuals earning up to ₹12 lakhs annually will have more money to spend on goods and services. Additionally, those earning up to ₹12.75 lakhs will only pay a marginal tax on the excess income rather than being taxed under the entire slab.

Encouraging EV Adoption

With the government removing import duties on 35 capital goods used for EV battery production—including critical minerals like cobalt powder and lithium-ion battery scrap—electric vehicle imports are expected to become cheaper, making EVs more accessible.

Boosting Investments

The middle-class workforce is likely to invest more in mutual funds, Systematic Investment Plans (SIPs), and the stock market, given their increased disposable income. This could lead to greater financial market participation and economic growth.

Tax-free up to ₹12 lakhs!!!

Challenges and Economic Impact

Revenue Loss for the Government

This policy is estimated to result in a revenue loss of approximately ₹10 lakh crore, which the government will need to compensate through alternative means, such as increased borrowings and higher indirect taxes.

Potential Inflation

With more money in people's hands, consumer spending is likely to rise, potentially driving inflation. The government will need to manage this carefully, especially amid global economic uncertainties and trade policies like the anticipated "Trump Tariffs."

Political Motivations?

This budget appears to favour Bihar, a state with upcoming elections, under the justification of "state development." This has raised concerns about whether economic policies are being influenced by political considerations.

Conclusion

While the tax exemption up to ₹12 lakhs offers substantial benefits to India's middle class, it also poses economic risks that must be managed effectively. The long-term success of this policy will depend on how the government balances revenue generation, inflation control, and economic growth.



Source::

Economic Times Budget 2025

Compiled By:

Dhanush Girish

(B. Com 1st Year)

Budget 2025 and Farmers

The Budget 2025 is farmer-friendly, focusing on higher credit, rural infrastructure, technology adoption, and income support. While MSP hikes and rural employment schemes provide short-term relief, investments in cold storage, irrigation, and agri-tech will help ensure long-term growth and stability for India's farmers.



1. Increased Credit & Financial Support

✓ Higher Credit for Farmers

- The Kisan Credit Card (KCC) loan limit increased to ₹5 lakh, benefiting 77 million farmers.
- Expansion of interest subvention schemes to lower borrowing costs for farmers.

✓ MSP & Procurement Strengthened

- Higher Minimum Support Price (MSP) allocations to ensure better income stability for farmers.
- Continued support for direct procurement by government agencies like FCI.

✓ Grameen Credit Score for SHGs & Small Farmers

- A new credit score system introduced for self-help groups (SHGs) and small farmers to make it easier for them to get loans from banks.

Budget 2025 and Farmers

2. Infrastructure & Irrigation Investments

- ✓ ₹1.5 Lakh Crore for Rural Development & Irrigation
 - Expansion of PM Krishi Sinchai Yojana to improve irrigation access.
 - Investments in micro-irrigation and watershed management to boost productivity.
- ✓ Cold Storage & Rural Logistics Development
 - ₹10,000 crore allocation to improve cold storage, rural warehouses, and agri-logistics, reducing post-harvest losses.



3. Technology & Modernization in Agriculture

- ✓ Boost to Agri-Tech & Digital Farming
 - Increased funding for AI & Drone Technology in farming for precision agriculture.
 - More investment in digital platforms for direct farmer-to-market sales.
- ✓ Organic & Sustainable Farming Support
 - Subsidies for organic fertilizers and natural farming methods to promote eco-friendly agriculture.
 - Special incentives for millet production under India's 'Superfood Initiative'.

Budget 2025 and Farmers



4. Farmer Welfare & Rural Employment

✓ PM-KISAN Scheme Continues

- ₹6,000 annual income support for small and marginal farmers under PM-KISAN remains unchanged.

✓ Boost to Rural Jobs under MGNREGS

- Increased allocation for Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) to provide employment in rural areas.

✓ Agricultural Export Promotion

- New trade policies to help farmers access global markets for products like spices, fruits, and dairy.

5. Support for Livestock & Fisheries

✓ Dairy & Fisheries Sector Gets a Boost

- Increased financial aid for dairy cooperatives and fisheries development to improve income sources for rural households.
- A new ₹1,000 crore Fisheries Infrastructure Fund for better storage & export facilities.



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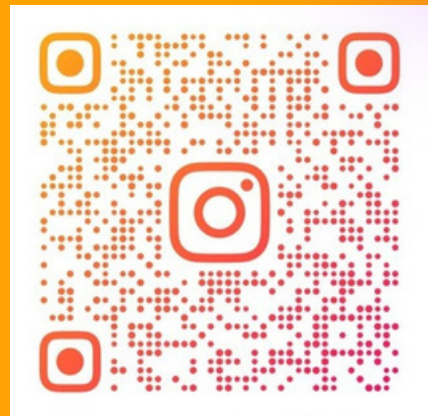
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