DIA, DEOGHAR IAS ACADEMY

Daily News Feed

D.N.F

02.02.2025

Sabaijor Complex, Near Jamunajor Pul, Castair Town
Deoghar, Mob:-9162500508

What citizenship laws do countries follow?

Why is Donald Trump trying to overturn more than a century of precedent on birthright citizenship? How will it affect Indian immigrants? What are the two principles followed around the world for granting citizenship? What is the law in India, and in the neighbourhood?

Priscilla Jebaraj

The story so far:

In the gale of executive orders announced after Donald Trump assumed office for a second term, the President issued one diluting birthright citizenship, which has been written into the U.S. Constitution since 1866. The order has been challenged in court in more than 20 States and a federal judge has temporarily blocked it. If implemented, it will mean that children born to illegal immigrants – as well as those legally in the U.S. on temporary visas for study, work or tourism purposes – will not be eligible for automatic U.S. citizenship. At least one parent must now be a U.S. citizen or legal permanent resident, the order says.

'Trump's move will certainly result in reduced immigration, both legal and illegal'

What is the history of birthright citizenship?

The 14th amendment to the U.S. Constitution, which granted citizenship to "all persons born or naturalized in the United States, and subject to the jurisdiction thereof" was enacted in 1866, against the backdrop of the Civil War which had just ended, and was an effort to guarantee equal civil and legal rights to Black citizens. It was meant to overturn the infamous U.S. Supreme Court ruling of 1857 in *Dred Scott vs Sandford*, which held that enslaved people brought to the U.S. and their descendents could not be citizens of the country.

The principle was challenged in the 1890s, a time of rising anti-immigrant sentiment, when Wong Kim Ark, born in the U.S. as the son of Chinese nationals, went to visit relatives in China and was denied re-entry into the U.S. on the grounds that he was not an American citizen. In 1898, the Supreme Court upheld his citizenship, establishing that "every citizen or subject of another country, while domiciled here, is within the allegiance and the protection, and consequently subject to the jurisdiction, of the United States". Over a century later, Mr. Trump is seeking to contest the court's interpretation of "jurisdiction", arguing in his executive order that the children of those "unlawfully present", or whose residence in the U.S. is "lawful but temporary", are not subject to U.S. jurisdiction. His supporters rail against the practice of birth tourism, or anchor babies, where foreign nationals seek to give birth in the U.S., in the hope that those babies will be able to help their families migrate to the country as well.

Massive shift: U.S. President Donald Trump issues executive orders in the Oval Office at the White House in Washington, U.S., on January 20. REUTERS

How do citizenship laws vary elsewhere?

The U.S. follows the principle of jus soli (the right of soil), based on geography regardless of parental citizenship, as opposed to jus sanguinis (the right of blood), which gives citizenship based on the nationality of the child's parents. According to the CIA's World Factbook, there are only 37 countries which currently enforce the jus soli principle, of which 29 are in the Americas. Of the other eight, two are in India's neighbourhood: Nepal and Pakistan, though the latter introduced a Bill seeking to end this.

Jus soli historically allowed colonisers to quickly outnumber native populations as citizens. "Countries that have traditionally built their national character through diverse immigrant populations have used jus soli as a way of integrating diversity into the common stream of nationhood," says Amitabh Mattoo, dean of the School of International Studies at Jawaharlal Nehru University, adding that countries protective of their culture and identity have generally followed the principle of jus sanguinis. Jus soli derives from English common law and, until anti-migrant backlash a few decades ago, was implemented in the U.K. and most of its former colonies, including India.

India offered automatic citizenship to all those born on Indian soil before 1987. Introducing the Citizenship Bill in Parliament in 1955, then-Home Minister Govind Ballabh Pant said, "The mere fact of birth in India invests with it the right of citizenship in India...we have taken a cosmopolitan view and it is in accordance with the spirit of the times, with the temper and atmosphere which we wish to promote in the civilised world." Three decades later, sentiments had changed, in the wake of unrest in Assam due to increasing migration from Bangladesh as well as the influx of refugees from Sri Lanka, following the civil war there. "The time has come to tighten up our citizenship laws...We cannot be generous at the cost of our own people, at the cost of our own development," said P. Chidambaram, Union Minister of State for Home Affairs, while introducing the Citizenship (Amendment) Bill in the Lok Sabha in 1986.

Will the order affect Indian immigrants?

"America once considered itself a melting pot, welcoming immigrants to become citizens, but has lately abandoned that metaphor for the salad bowl of distinct ethnicities. The rise of identity politics as well as political Islam has led to this desire to redefine citizenship," says Professor Mattoo. "It will certainly result in reduced immigration, both legal and illegal."

Of the 47.8 million immigrants living in the U.S. in 2023, 2.8 million were born in India, the second-largest group after those born in Mexico, according to data analysed by the Pew Research Center. About 1,45,000 people born in India are estimated to have arrived in the U.S. in 2022, legally and illegally. There are estimated to be 7,25,000 illegal immigrants from India living in the U.S. Every year, more than 70% of H1B visas – a temporary work visa that is often seen as a pathway to permanent residency – are issued to Indian citizens. There are more than 3,30,000 Indians in the U.S. on student visas, many of whom hope to apply for permanent residency. Over a million Indians, including dependents, are also waiting for employment-based green cards. For many of them, Mr. Trump's order comes as a blow. Reports have emerged of dozens of pregnant women on temporary visas seeking to give birth prematurely before the order comes into effect, so their children can be born as U.S. citizens.

Mission for manuscript conservation launched

Sreeparna Chakrabarty
NEW DELHI

The Union Budget 2025-26 announced a special mission for the survey, documentation, and conservation of India's manuscript heritage, launched as the 'Gyan Bharatam Mission'. This initiative aims to cover more than one crore manuscripts.

The 'Gyan Bharatam Mission' will focus on the "survey, documentation and conservation" of India's manuscript heritage held by academic institutions, museums, libraries, and private collectors, Union Finance Minister Nirmala Sitharaman said in her Budget speech.

An ancient manuscript being placed under the scanner to be digitised at a research centre in West Bengal. DEBASISH BHADURI

Sharp hike

To support this initiative, the Budget allocation for the National Mission for Manuscripts (NMM) has been increased from ₹3.5 crore to ₹60 crore. The NMM aims to identify and document manuscripts and make them accessible across the country.

The Hindu had reported last October that the Union Ministry of Culture planned to "revive and relaunch" the NMM and was mulling forming an autonomous body to help preserve ancient texts in India. Currently, National Mission for Manuscripts is a part of the Indira Gandhi National Centre for Arts. Established in 2003, it had not taken off as anticipated.

Welcoming the move, Union Culture Minister Gajendra Singh Shekhawat said that the new mission "announced by Finance Minister Nirmala Sitharaman will enable Bharat to preserve and protect the invaluable wisdom and knowledge held by these manuscripts found across the country".

The overall allocation for the Culture Ministry has been increased by approximately ₹100 crore with a total outlay of ₹3,360.96 crore as against the revised estimate of ₹3,260.93 crore in the current fiscal.

Reviving demand for industrial growth

The Budget attempts to revive growth by stimulating aggregate demand in the economy, with a crucial role assigned to the industrial sector

M. Suresh Babu

Director, Madras Institute of Development Studies. Views are personal

Assuming a conservative GDP growth rate of 10.1% for FY26, the Budget accords priority for fiscal consolidation. The 'cautious' GDP forecast appears to be realistic for tax revenue projections, given the uncertainties in the global economy and growth slowdown in the domestic economy.

Importantly, even with these moderate growth expectations, the government has shown resolution in lowering the fiscal deficit. There are two implications of this. First, there exists a possibility of pegging the fiscal deficit to below 4% in the medium term; and second, there is no room for concerns on liquidity in the financial system as an expanded borrowing programme would have caused disturbances in the market.

Given this fiscal path, the gross borrowings would be ₹14.8 trillion against ₹14 trillion in FY25. As the liquidity is under pressure currently, a higher level of borrowing could have caused disruptions in the market impacting investments. Given this macro fiscal stance, the Budget attempts to revive growth by stimulating aggregate demand in the economy, with a crucial role assigned to the industrial sector.

There are three aspects to note about the industrial sector. First, industrial growth, especially that of manufacturing, exhibits frequent fluctuations with sectoral and spatial growth differences often dampening employment creation and GDP growth. Second, despite numerous incentives, export growth has been sluggish, with low productivity growth, competitiveness, and research and development activity. Third, private investments are not keeping pace with governments efforts to encourage them through incentives and concessions.

Boosting industrial growth

Two broad sets of measures can be deciphered to boost industrial growth: (a) economy-wide measures to tackle supply bottlenecks and bolster demand and (b) sector-specific policies to enhance output and exports. In the first set, there has been a continued focus on capital expenditure (capex), which is targeted to be ₹11.2 lakh crore, higher than the revised numbers for FY25. The focus remains on roads, railways, and defence, which is expected to generate multiplier effects in the economy. Further, to step up investments, various measures have been announced across ministries focusing on fostering public-private partnership deals along with States. There is also an emphasis on investment in urban infrastructure with funding supported by issuance of bonds.

Women work at a garment unit in Madurai, Tamil Nadu. G. MOORTHY

In terms of stimulating demand, the government has attempted to tackle consumption through changes in income tax rates and has given major concessions for individuals. Complementing this is the focus on social welfare and development through programmes such as PM KISAN, MGNREGA, and PM Awas Yojana. A combination of tax relief and welfare provisioning along with continued capex is expected to generate higher demand and fuel industrial growth.

Regarding targeted measures for the manufacturing sector, the emphasis has been on three areas: employment and skills, MSMEs, and export promotion. The focus on manufacturing of electronics, toys, and footwear is important, as these are one of the biggest export baskets of China to the U.S. With the U.S. imposing more tariffs on China, it is prudent to focus on domestic production. The emphasis on leather products and production of toys by developing clusters and a manufacturing ecosystem is expected to generate employment in the industrial sector. Four initiatives have been announced for export promotion: an export promotion mission to be driven jointly by the Ministries of Commerce, MSME, and Finance; the BharatTradeNet a digital public infrastructure; a national framework to be formulated as guidance to States for promoting Global Capability Centres in emerging Tier 2 cities; and warehousing facility for air cargo to facilitate the upgradation of infrastructure. For MSMEs, the loan limit under the Modified Interest Subvention Scheme will be increased from ₹3 lakh to ₹5 lakh. Further, a new scheme will be launched for five lakh women entrepreneurs from Scheduled Castes and Scheduled Tribes.

Two aspects of the strategy to push industrial growth need careful examination. First, the emphasis on exports might not deliver in an era of global uncertainties and tariff wars. The old mantra of 'export-led growth' needs re-examination. Second, earlier models of skilling have not delivered enough. Given the rapid technological changes and changing needs of industry, a new template needs to be evolved. The PLI scheme also requires stocktaking.

Two challenges

The Economic Survey and the Budget say 'get out of the way', 'trust people', and speak of the need of having a "light touch regulatory framework based on principles and trust". The intent is to unleash productivity and employment in the manufacturing sector. However, this throws open two challenges: for the government to implement promises and for corporates to utilise the space left by the government getting out. Getting out then has to be in phases, recalibrating the nudges provided through incentives. This requires corporates to assume a larger role by stepping up investments, for which the economy has been waiting.

Agriculture is fiscally neglected in the Budget

Schemes and programmes are starved of resources, and the real issues that confront the farmers and the sector remain sidelined

R. Ramakumar

Professor at the Tata Institute of Social Sciences, Mumbai

A Budget is the response of a government to the challenges in the economy. The effort in the Economic Survey 2024-25 was to spin a positive narrative on the state of Indian agriculture. It claimed that Indian agriculture remained remarkably resilient owing to a rise in productivity, an expansion of crop diversification, and an increase in farmers' income. These claims were either suspect or highly exaggerated.

To begin with, there is no significant jump in crop productivity. A simple analysis based on index numbers shows that growth rates of yield between 2014-15 and 2022-23 were marginally lower in food grain crops and non-food grain crops than between 2004-05 and 2013-14. Second, there is no major evidence of crop diversification in India, other than marginal shifts in a few States in favour of pulses. If at all diversification is real, it took place outside the crop sector in the spheres of livestock and fisheries. But the share of households involved in the livestock and fisheries sectors is dwarfed by the corresponding share of households in the crop sector. Third, while the government continues to claim a rise in farmers' income, data show the opposite – there is either a stagnation or fall in farmers' real incomes in recent years.

The "resilience" of Indian agriculture, a la the Economic Survey, was not policy-induced but owing to a set of fortuitous factors, including the hardening of international prices and favourable weather conditions in the post-Covid years. At the same time, the more deep-seated problems, as evidenced by low productivity, slow growth of prices, shrinkage of profitability, falling real incomes and rural real wages, have continued to create conditions that militate against any growth stimulus emerging from agriculture.

Reduced allocations

From the commentaries prior to the Budget, one expected that the government would reverse its past fiscal neglect of agriculture, which was in large part seen as a penal action for the farmers' agitations after 2020. The rude shock that the rural electorate delivered to the BJP in June 2024 was also cited as a motivation for course correction. But the Budget belies these optimistic expectations. The fiscal neglect of agriculture continues.

A farmer with his beetroot crop on the outskirts of Amritsar, Punjab. ANI

Let us begin with agricultural research, which must be the centre of investment for efforts to raise crop yields alongside the development of climate resilience. The overall increase in spending on agricultural research and education between 2023-24 and 2025-26 is just ₹21 crore. Compare this with the pseudoscientific National Mission on Natural Farming, for which allocation was ₹30 crore in 2023-24 but is ₹616 crore for 2025-26. This is not just a reflection of inverted priorities, but also a shocking embrace of irrationality.

If we consider crop husbandry, which is an umbrella category for expenditures on schemes and institutions in agriculture, the allocation has fallen by ₹5,195 crore between 2023-24 and 2025-26. There has also been a drastic reduction in allocation by ₹3,622 crore for the Pradhan Mantri Fasal Bima Yojana, from which many States have withdrawn due to design failures, between 2024-25 and 2025-26. The allocations for most other central sector schemes are also either stagnant or have fallen.

Much was said in the Budget speech on the new crop-based missions, but the allocations for these are paltry. The allocation for the Cotton Technology Mission is ₹500 crore, the Mission for Pulses is ₹1,000 crore, the Mission for Vegetables and Fruits is ₹500 crore, and the National Mission on Hybrid Seeds is ₹100 crore. A new Makhana Board, with an allocation of ₹100 crore, has been announced for Bihar. But the already existing commodity boards are cash strapped. For example, between 2024-25 and 2025-26, allocation for the Coffee Board has remained unchanged, the Rubber Board's allocation has risen by just ₹40 crore, and allocation for the Spices Board has risen by just ₹24 crore. Allocation for the Coconut Development Board has been cut from ₹39 crore in 2023-24 to ₹35 crore in 2025-26.

Fiscally ignored sectors

Despite the claims in the Economic Survey on diversification into livestock and fisheries, these sectors also remain fiscally ignored. The total expenditure on fisheries would rise by just ₹87 crore between 2024-25 and 2025-26. Between 2024-25 and 2025-26, the expenditure on animal husbandry is set to fall by ₹407 crore while that on dairy is set to rise by just ₹321 crore. Considered together, the overall expenditure on all budget items in animal husbandry and dairy are to rise by a paltry ₹319 crore between 2024-25 and 2025-26. The Budget portrays these sectors as growth engines, but fiscally squeezes them.

A new scheme called Prime Minister Dhan-Dhaanya Krishi Yojana has been announced. This aims to target 100 districts with low productivity, moderate crop intensity, and below-average credit parameters - much in the model of the Aspirational Districts Programme. But agriculture is a State subject. While the Budget speech mentioned "partnership with States" in the description of this Yojana, it remains to be seen if its governance would be designed to be centralised, of a one-size-fits-all variety, and one that ends up fiscally burdening the States.

While the Budget speech mentioned agriculture several times, these were hardly matched by financial allocations. The schemes and programmes are starved of resources, and the real issues that confront the farmers and the sector remain sidelined.

The social sector is again the target of spending cuts

Budgets for most of the schemes and departments, such as education, health, social security pensions, and mid-day meals, are either stagnant or have increased only nominally

Dipa Sinha

Independent researcher and development economist

The Budget speech mentions six principles of 'Viksit Bharat': zero-poverty, quality education, comprehensive healthcare, meaningful employment, inclusion of women in economic activities, and farmers' well being. This is followed by 10 broad areas that the proposed development measures span. However, Budget figures show that these measures are not sufficiently backed by allocations. This is disappointing given that there is widespread acceptance of not only the economic slowdown, but also the slump in consumption demand. Academics, industry, and civil society have all been recommending demand-side measures to increase the disposable incomes of the poor, lower classes, and the middle class.

Reduced allocations

While agriculture is identified as an engine of growth, there is hardly any increase in allocation for the Department of Agriculture and Farmers' Welfare – from ₹1.22 lakh crore in 2024-25 (BE) to ₹1.27 lakh crore in 2025-26 (BE). In fact, the current year's allocation is even less than the RE for 2024-25 (₹1.31 crore). The national mission on oilseeds does not find a mention in the Agriculture budget figures and a measly ₹1,000 crore has been allocated for the mission for pulses. The allocation for food subsidy is also more or less the same as last year (₹2 lakh crore) indicating that there is no hope of pulses and oils being included in the public distribution system. This could have offered stable and affordable prices for consumers, allowing them to spend their incomes on other items. Even the budget for MGNREGS remains stagnant at ₹86,000 crore despite demands from workers' unions and also the corporate sector for an increase in wages under this scheme.

The Prime Minister's Package for Employment and Skilling announced last year also does not seem to have really taken off. The allocation for the PM Internship Scheme in 2024-25 was ₹2,000 crore, but reduced to ₹380 crore (RE). However, this year's allocation is significantly higher at ₹10,780 crore, which would be sufficient to cover about 18 lakh people. The number of registrations so far is only 1,25,000. The aim is to provide one crore internships in five years. Even if the targets are achieved, these internships only pay ₹5,000 per month and there is no guarantee of a job.

Students eat their mid-day meal at a school in Visakhapatnam. V. RAJU

It is interesting that the first issue that gets mention in 'investment' is 'investing in people' and within this, the announcement that the cost norms for the Saksham Anganwadi and Poshan 2.0 'will be enhanced appropriately'. Yet, there is hardly any increase for the Saksham Anganwadi – from ₹21,200 crore 2024-25 (BE) to ₹21,960 crore 2025-26 (BE). The actual expenditure for 2023-24, two years ago, was already ₹21,810 crore. These cost norms have not been updated since 2018 and just indexing them to inflation would require higher budgets. If the honorariums of Anganwadi workers and helpers are also increased, as they should be, even higher allocations would be needed.

The 'investing in the economy' part focusses mostly on infrastructure projects with an emphasis on public-private partnership mode. This has been tried, but does not seem to have contributed to either recovery in demand or in employment generation.

Reviving demand

While there is excitement over the tax-related announcements for the middle class, it is important to remember that a very small proportion of Indians pay personal income tax and this initiative might be nowhere enough to revive rural and urban demand. Given stagnant rural wages over the last decade and the recent concerns related to urban consumption demand, along with the reverse structural change being observed in the labour market where employment in agriculture is rising, it is clear that much larger amounts of resources need to be pumped into rural areas and towards the lower income classes. There is no point bemoaning the fact that private investment is not forthcoming even though profits have been rising, as the Economic Survey does, while doing nothing to increase incomes of the masses and demand. Investment will only come when there are prospects of added revenue, which clearly the industry is not very buoyant about currently.

What one would therefore have expected from this Budget if it was to make a difference to growth and equity is big spending towards schemes such as MGNREGA along with newer schemes for small and labour-intensive projects, supported by enhanced spending on the social sector. However, budgets for most of these schemes and departments (education, health, social security pensions, mid-day meals) are either stagnant or have increased nominally. The overall Budget figures are also telling: while what the economic situation asks for is an expansionary Budget, we see projected fiscal deficit being lower at 4.4% for 2025-26 from 4.8% for 2024-25 even after taking into account the estimated revenue forgone of ₹1 lakh crore because of the income tax reforms. The total expenditure as a proportion of GDP has also gone down from 14.6% in 2024-25 to 14.2% in 2025-26 with the share of capital expenditure in total expenditure increasing from 27.9% to 30.6%. Obviously, spending has been cut. Once again the target of these cuts is the social sector.

Viksit Bharat and the Budget's play with numbers

C.P. Chandrasekhar

is a former Professor of Economics, Jawaharlal Nehru University

The background to Budget 2025-26, as presented even by the official Economic Survey 2024-25, has posed a challenge to the Narendra Modi government that is settling into its third term. Growth is decelerating because of dampened consumption demand and slowing public capital expenditure, and private investment has not been making up for the slack. Meanwhile, global growth and policy trends, pre- and post-Trump, make it clear that external trade is not likely to be of much help. Any effort to reverse the slump in growth and ensure that the Viksit Bharat 2047 slogan, or 'the ambition to take India to developed country status', is not all hype, requires a revival of domestic demand.

Points to income disparity

The principal source of the problem seems to be the inadequate growth in mass consumption demand domestically, following the weakening of an unsustainable spell of credit-fuelled expansion. In a rather candid section on earnings trends, the Economic Survey notes that underlying subdued demand is a trend of rising income disparity. Stable growth, the Survey concludes, requires a fair distribution of income between capital and labour. But in a business-friendly new India, corporate profitability rose to a 15-year peak in 2023-24, with the biggest firms being disproportionate beneficiaries, while employment growth in the corporate sector was tepid and wage growth moderate.

The dampening of consumption demand driven by these trends was not neutralised by proactive government spending in the form of increased capital expenditure. In nominal terms, even the expansively defined "effective capital expenditure" through the central Budget (which includes grants in aid to the States for creation of capital assets) rose by 5%, which implies a fall in real terms. Budget 2024-25 had projected effective capital expenditure to rise from ₹12.5 lakh crore to ₹15 lakh crore, or by 20%. So, relative to plans, the revised figure reflects a sharp fall. This transpired despite the Centre's access to exceptional receipts such as revenues from cesses that are not shared with the States, receipts from sale of spectrum, special dividends from cash-rich public enterprises, and transfers of large "surpluses" from the Reserve Bank of India to the government. In practice, deficient revenues from taxes and fiscal conservatism kept government spending down and impacted capital expenditures adversely.

Depressed demand has meant that better profitability notwithstanding, private investment too has been deficient, aggravating the growth deceleration. The principal ask of the Finance Minister, therefore, was to lift the level of government expenditure relative to GDP, with a focus on a hike in the capital expenditures of the central government, and measures to boost employment and lower- and middle-income earnings in the medium term.

> Implicit in the Budget is the hope that tax concessions will result in spending and also reviving GDP growth, and 'incentivising' the corporate sector will revive private investment

The vote bank has been kept in mind

Raising expenditures requires mobilising additional resources. That, however, does not seem to be the emphasis in the Budget. Reticent to tax friendly corporates and bent on consolidating a middle-class vote bank mobilised by using a majoritarian agenda, tax forbearance and concessions seem to be the current objective of fiscal policy. Part B of the Budget speech 2025-26 reserved its punch for the end, providing significant direct tax benefits for the middle-income earners. The tax-free income level has risen from ₹7 lakh to ₹12.75 lakh and revised rates in different tax slabs give substantial benefits to those required to pay income taxes. A consequence, according to the Minister, is a loss of potential direct tax revenues of around ₹1 lakh crore.

In addition, as part of the commitment to keep the central government's borrowing relative to GDP constant, the Finance Minister has promised to reduce the fiscal deficit from 4.8% of GDP in 2024-25 to 4.4% in 2025-26. As a result of the sacrifice of revenues and the self-imposed restraint on the borrowing, the Budget for 2025-26 projects an increase in total nominal expenditure of just 7%.

However, the Budget promises to hike capital expenditure by 17% relative to revised estimates for 2024-25. That arithmetic works because of a willingness to record curtailed spending on social welfare. The food subsidy bill for an enhanced safety net under the National Food Security Act, having fallen from ₹27.3 lakh crore in 2022-23 to ₹19.7 lakh crore in 2024-25, is projected at just ₹20.3 lakh crore in 2025-26. Similarly, the outlay for the National Rural Employment Guarantee Scheme, having fallen from ₹90.8 thousand crore in 2022-23 to ₹86 thousand crore in 2024-25, is expected to stay at the same level. These are in any case not final figures and are likely to be even lower.

Despite the play with numbers, the government is clearly not convinced that all its claims will materialise. So, there are two bets implicit in the Budget. The first is that the tax concessions to the middle class will unleash a spending spree that would revive consumption demand and GDP growth. The other is that, even though booming corporate profits and stagnant worker earnings are, according to the Economic Survey, bad for demand, "incentivising" the corporate sector will help revive private investment.

So, domestically, the emphasis is on regulatory reform for the non-financial sector that will improve the "ease of doing business". This contradictory position involving the recognition that income disparity (driven by freedom for business) dampens demand and limits private investment, on the one hand, and the belief that freedom to corporates used to garnering larger profits even while capacity is underutilised would spur investment, on the other, was stark in the Economic Survey. It appears in the Budget as well.

The 'foreign angle'

Similar incentives are being extended to foreign investors as well. The ceiling on foreign ownership in the insurance sector has been hiked to 100% from 74%, despite the evidence that such firms can be ruthless with clients when pursuing profits. The government has also promised to dilute India's "model" bilateral investment treaty template and make it more investor friendly. Investment treaties are the means by which firms and sovereigns in less developed countries are held to ransom by transnational conglomerates. Giving them the freedom to do that in a grim world economic environment on the grounds that it can help deliver Viksit Bharat is not just an illusion, but a dangerous one.

A Union Budget that ticks most of the boxes

Vivek Kumar

is with QuantEco Research

Yuvika Singhal

is with QuantEco Research

The Union Budget for FY26 has been presented in the backdrop of a challenging domestic and global macroeconomic environment. The state of the economy appears to be in a cyclical slowdown led by weakening urban consumption, lacklustre job growth and an investment cycle by the private sector that is yet to turn broad-based. Further, the global geopolitical and geoeconomic environment has become extremely uncertain, with serious risks of disruption to global trade.

Nevertheless, India's macroeconomic strength remains uncompromised. GVA growth is expected to bounce-back in H2 FY25, core inflation appears to be benign, and the current account deficit has been lower than its long-term trend with structural support from a rising and buoyant services export. Last, but not least, India, unlike many other countries especially in Europe and Latin America, enjoys political and economic stability.

Promises have been kept

Against this somewhat half-glass full/half-glass empty macroeconomic backdrop, the Finance Minister rightly chose to retain a focus on macroeconomic stability with a display of prudent fiscal management.

At the outset, the Finance Minister not only sprung a positive surprise by revising the current year's fiscal deficit target lower by 10 bps to 4.8% of GDP, but also delivered on her promise of incremental consolidation and lowered the fiscal deficit target further by 40 bps to 4.4% of GDP in FY26. We note that, FY20 (which was partially impacted by the COVID-19 pandemic) had seen a higher fiscal deficit of 4.6% of GDP. Hence, it can now be inferred that a bulk of the post-pandemic fiscal stimulus has now been unwound. This will help India in preserving fiscal policy space, curb longer term inflationary pressures and take one step further towards a potential upgrade to its sovereign rating. International investors would welcome this tremendously at a time when fiscal policy could come under pressures in many countries, including the United States.

The Finance Minister has rightly chosen to retain a focus on macroeconomic stability with a display of prudent fiscal management

One distinguishing feature of recent fiscal compression has been the tight leash on revenue deficit, which in FY25 and FY26 is estimated and projected at 1.9% and 1.5% of GDP, respectively – both lower than the pre-COVID level of 2.4% seen in FY19. While a structural improvement in revenue receipts has helped in this journey, reduction in revenue deficit in FY26 is going to be achieved by the curbing of discretionary revenue expenditure – revenue spending, excluding interest, salary, pension, and subsidies, is budgeted to grow by just 3.2% in FY26, lower than the expected rate of inflation.

This appears to be a balancing act since the focal point of consumption stimulus in the FY26 Union Budget is the reduction in the personal income tax burden, which as per the Budget estimates would amount to ₹1 trillion of potential revenue forgone. We believe the actual support to consumption (predominantly urban) would be more than the accounting loss on account of the multiplier impact.

Focus on personal tax and implications

In fact when seen through the lens of optimism, the reduction in personal income-tax burden when juxtaposed with the upping of tax claim benefits for individuals for self-occupied houses (from one earlier to two from FY26 onwards) could trigger a much larger growth multiplier by channelling household savings to the real estate sector, which in turn is known to have a rich backward and forward linkage with the rest of the economy.

While there was some disappointment among market watchers with respect to the perceived cut in capex allocation, we are not perturbed. The capex allocation for FY25 was revised lower from 3.4% of GDP to 3.1%. However, the entire cut got front loaded due to the administrative exercise of the general election 2024 and government formation thereafter. We can now say that the lacklustre momentum in capex disbursals is behind us – notably, the central government disbursed ₹1.72 trillion in capex in December 2024, the highest monthly disbursal ever. For FY26, the capex budget has been maintained at 3.1% of GDP, giving a sense of continuity.

Notably, the capex-to-revex ratio, one of the key markers to judge quality of fiscal spending, is budgeted to increase to 28.4%, the highest in over two decades.

From an industry perspective, enhancement of classification thresholds for micro, small and medium enterprises, creation of national manufacturing and export promotion missions, establishing an investment friendliness index for States, and a focus on labour intensive sectors such as agriculture, leather, toys, and tourism and hospitality etc. would provide a fillip to sentiment.

The Economic Survey's influence

Further, a holistic feature of FY26 Budget lies beyond the numbers it projects. Intangible gains could be reaped, which if implemented and executed well, would boost productivity levels in the economy in the longer run. A focus on next generation ease of doing business measures, a simplification of the tax architecture (including various decriminalisation measures), and migration towards a light-touch regulatory framework in the non-financial sector are some of the steps that appear to have been imbibed from the Economic Survey.

While the Union Budget ticks most of the boxes, the long-term fiscal policy strategy remains less articulated. The central government is expected to switch to a debt targeting framework from FY27. As per the Budget documents, the endeavour would be to keep fiscal deficit in each year from FY27 such that the central government debt is on a declining path towards 49%-51% of GDP range by FY31 versus 56.1% projected for FY26. While this approach would impart operational flexibility in the conduct of fiscal policy, it could also infuse some volatility in market reaction function.

Jal Jeevan Mission extended till 2028 with 'enhanced outlay'

Jacob Koshy
NEW DELHI

Indicative of the challenges in executing the ambitious Jal Jeevan Mission, Prime Minister Narendra Modi's ambitious promise to provide potable tap water to all rural households by 2024, Union Finance Minister Nirmala Sitharaman, in her Budget speech on Saturday, said the scheme would now be completed by 2028.

Water woes: The Centre provisioned ₹70,000 crore for this fiscal, but, as of February, expects to spend only ₹22,694 crore. FILE PHOTO

Announcing an "enhanced outlay" without specifying an amount, she underlined that the mission's focus would be on the quality of infrastructure, operation, and management of rural piped water supply schemes through people's participation. So far, 80% of rural households have a piped water connection, up from the 15% in 2019.

To this end, the government has spent ₹3.6 lakh crore since 2019.

A perusal of the Budget documents shows that the nodal Jal Shakti Ministry expects to spend ₹67,000 crore in 2025-26. This is a little less than the ₹69,992 crore it actually spent in 2023-24. In 2024-25, the Ministry provisioned to spend ₹70,000 crore, but, as of February, expects to spend only ₹22,694 crore.

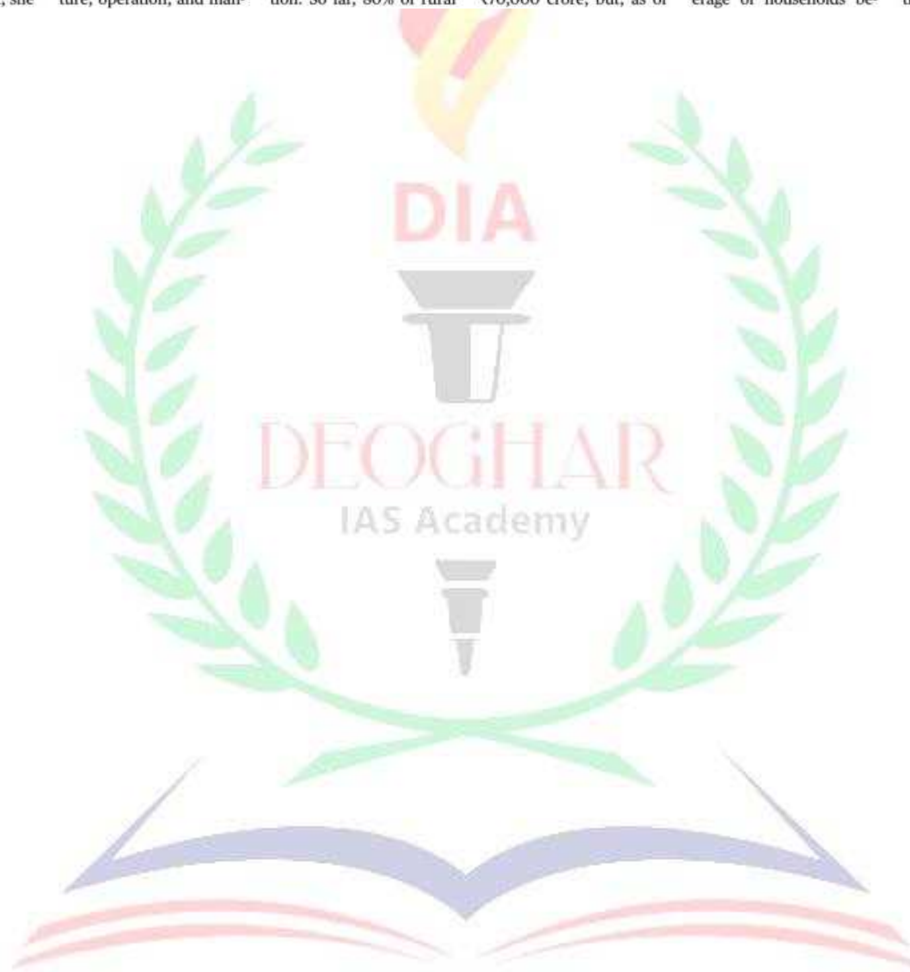
A source privy to the workings of the mission, requesting anonymity, told *The Hindu* that the scheme first targeted the "low hanging fruit" of ensuring water supply to places that had most of the infrastructure in place but no last-mile connectivity.

This approach pushed coverage up to 50%. Following this, increasing coverage of households became tougher, the source said.

Another challenge emerged during the pandemic and the Russian-Ukraine war, raising the prices of equipment.

"When the scheme was envisioned, the outlay was nearly ₹7 lakh crore, with half to be borne by States. Now we require nearly ₹4 lakh crore to complete the scheme," the source said.

This means the Jal Shakti Ministry requires nearly as much as it used from 2019 to 2024 to complete the remaining 20%.


DIA
DEOGHAR
IAS Academy

Centre banks on asset monetisation

Finance Minister says assets worth ₹10 lakh crore to be monetised for infrastructure growth; Ministry plans to bring in capital expenditure through PPP mode; sovereign wealth funds and pension funds given an extension of five years to make an investment in infrastructure

Ashokamithran T.
MUMBAI

Union Finance Minister Nirmala Sitharaman said on Saturday that ₹10 lakh crore worth of assets will be monetised in the next five years as a second instalment of the National Monetisation Plan.

"Regulatory and fiscal measures will be fine-tuned to support the plan," the Finance Minister said in her Budget speech in which she made other announcements to improve infrastructure development.

Seeking investment: Asset monetisation involves using existing public assets to encourage private investment. ISTOCKPHOTO

Asset monetisation involves using existing public assets to encourage private investment. The related departments that own these often "idle" assets can transfer them to private investors for a limited period of time and a concession can be granted to the private entities that want to utilise these assets.

The first proposal was made in 2021 and the target up to 2025 was ₹6 lakh crore. In addition to asset monetisation, the Finance Minister mentioned plans to bring in capital expenditure through the Public-Private Partnership (PPP), a method which had slowed down for a while.

The Finance Ministry suggested that all Ministries related to infrastructure prepare project pipeline for the next three years. This is expected to shake up the slowing investments in the PPP route. States will also be expected to prepare proposals for projects funded by loans from India Infrastructure Project Development Fund.

Moreover, Ms. Sitharaman promised to provide certainty regarding taxation of Alternate Investment Funds investing in infrastructure.

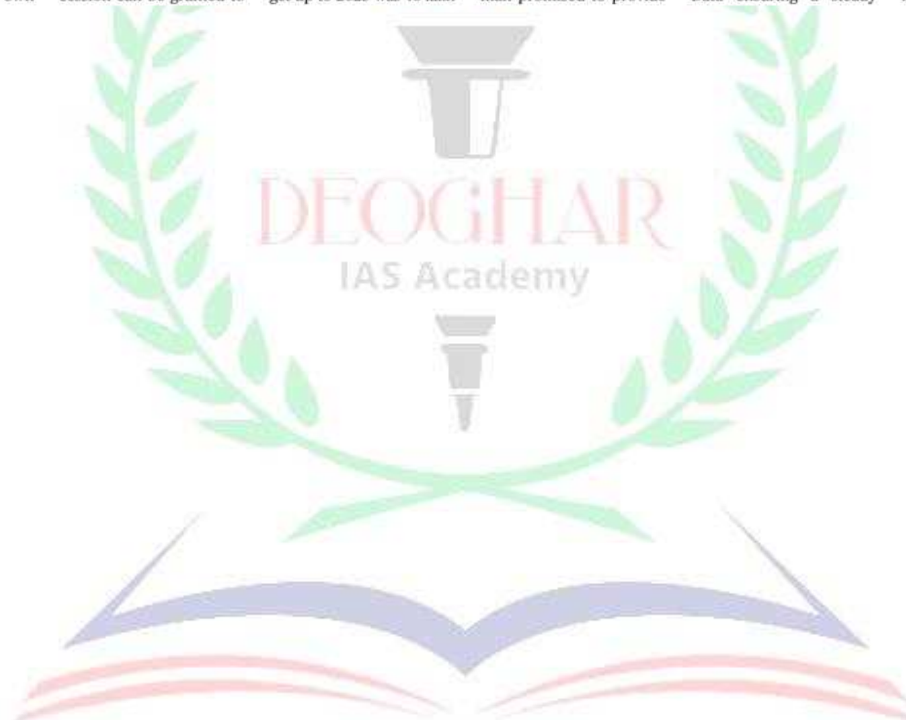
Sovereign wealth funds and pension funds have also been given an extension of five more years to make an investment in infrastructure.

"Although the government's capital expenditure allocation has increased moderately, the emphasis is likely to shift towards effective implementation through the Public-Private Partnership model. This is evident from initiatives aimed at creating a three-year pipeline of projects, annual monetisation plan, access to PM Gati Shakti Data ensuring a steady stream of investments and timely execution," said Vishal Kotecha, director and head, infrastructure group, India Ratings & Research.

Positive review

While some stakeholders are positive about the announcements to improve investment, experts, however, say that the potential of the announcements to yield results is too optimistic.

"This [increase in private investment] would require some kind of crowding in for private investment, which unfortunately has not happened, despite the capex," said Rohit Azad, an economist who teaches at Jawaharlal Nehru University.



In a big boost, PMJAY to now provide health cover for gig workers

Centre will arrange for their identity cards and registration on e-Shram portal; it is unclear whether benefits will be extended to family members

Bindu Shajan Perappadan
NEW DELHI

Union Finance Minister Nirmala Sitharaman on Saturday announced that gig workers would be provided healthcare under the Pradhan Mantri Jan Arogya Yojana (PMJAY).

This ensures that nearly one crore workers would get healthcare at designated medical care facilities across India. Gig workers enter into formal agreements with on-demand companies to provide services to the latter's clients. Brands such as Zomato, Swiggy, Amazon, and Flipkart employ them.

"Gig workers provide great dynamism to the new-age services economy. Recognising their contribution, our government will arrange for their identity cards and registration on the e-Shram portal," the Minister said in her Budget speech. Workers can avail themselves of healthcare under the scheme based on their registration and universal account number.

Helping hand: The Prime Minister says the welfare initiatives for gig workers show commitment to the dignity of labour. PTI

Prime Minister Narendra Modi said his government's welfare initiatives for gig workers underscored its commitment to the dignity of labour.

At present, there is no clarity on whether families of gig workers would be covered under the scheme. Dinker Vashisht, vice-president, corporate affairs at Swiggy, called the move encouraging. "Swiggy and several other platforms have been providing health and other forms of insurance to our delivery partners. We will await further details to understand how insurance can continue to be best provided," he said in a statement.

Trade union Bharatiya Mazdoor Sangh said registration on the e-Shram portal would ensure recognition for gig workers and aid their inclusion in the social security framework.

₹6.81 lakh crore set aside for defence

Of the total allocation, ₹1.8 lakh crore has been earmarked for capital expenditure and modernisation of armed forces, a meagre 4.65% increase from the previous Budget Estimate; allocation for the Indian Coast Guard and the Border Roads Organisation has increased

Dinakar Peri
NEW DELHI

The capital allocation for the Defence Ministry saw a meagre 4.65% increase to ₹1.8 lakh crore from the previous estimates, which is important considering inflation and currency fluctuations, as the armed forces are likely to return ₹12,500 crore from the Budget Estimate to the Revised Estimate of 2024-25.

Major boost: A glimpse of the 49th Raising Day celebrations of the Indian Coast Guard in Chennai on January 15. PTI

The total allocation to the Defence Ministry for 2025-26 stood at ₹6,81,210 crore, which represents a year-on-year increase of 9.53% and constitutes 13.45% of the Budget, the highest among the Ministries.

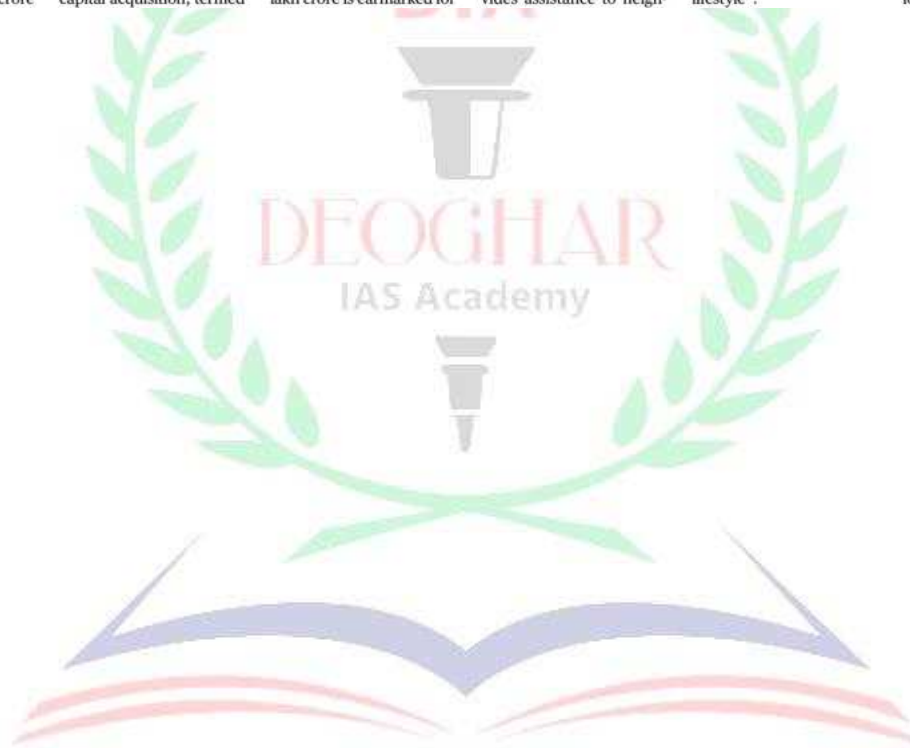
Of the ₹6,81,210.27-crore allocation for the next fiscal, revenue allocation was ₹3,11,732.30 crore, capital was ₹1.8 lakh crore, defence pensions stood at ₹1.6 lakh crore, and civil, ₹28,682.97 crore. "Of the ₹1.8 lakh crore, ₹1,48,722.80 crore is planned to be spent on capital acquisition, termed as modernisation budget of the Armed Forces and remaining ₹31,277.20 crore is for capital expenditure on Research & Development and creation of infrastructural assets across the country," the Defence Ministry said. Of the total capital allocation, ₹1.12 lakh crore is earmarked for procurement from domestic industries. The money to be returned by service highlights the long drawn and often protracted delays in the defence procurement process.

Hike for Coast Guard

The allocation for the Indian Coast Guard (ICG) saw a significant jump year-on-year; 26.5% overall and an even higher 43% in the capital budget. "This increase is primarily in line with the focus of the government on capability development of ICG and equipping them with modern equipment. The ICG not only strengthens coastal security, but also provides assistance to neighbouring countries and commercial ships during emergency," the Ministry said. Specifically on the steep hike in capital budget from ₹3,500 crore year-on-year to ₹5,000 crore, the Ministry said it will provide adequate financial space for acquisition of Advanced Light Helicopters, Dornier aircraft, fast patrol vessels, training ships, and interceptor boats.

Defence pensions got a 13.87% hike year-on-year going to ₹1.6 lakh core, which the Ministry said will take care of "inflationary trends and provide comfort to the Ex-Servicemen and their dependents for maintaining a better lifestyle".

The Border Roads Organisation (BRO) got ₹7,146 crore under the capital head, 9.74% higher than the Budget Estimate of 2024-25. The financial provision made for the FY 2025-26 for BRO will not only promote strategic interests of the nation in border areas by constructing tunnels, bridges and roads such as LGG-Damteng-Yangtse in Arunachal Pradesh, Asha-Cheema-Anita in J&K, but will also boost socio-economic development, the Ministry said. "The BRO has created employment opportunities by employing 70,000 local youths and has contributed to the local economies fostering long-term employability and skill development," it added.



Allocations for key agriculture schemes dip

Agriculture sector gets ₹1,27,290.16 crore; allocation for crop insurance scheme down by ₹3,621.73 crore from last revised estimates; cut in funds for fertilizers may hit subsidy; subsidised loan limit under Kisan Credit Card scheme that facilitates short-term loans for farmers increased to ₹5 lakh

The Hindu Bureau
NEW DELHI

Calling the agriculture sector the first engine of growth, Union Finance Minister Nirmala Sitharaman on Saturday announced schemes such as the Prime Minister Dhan-Dhaanya Krishi Yojana–a scheme that is likely to benefit 1.7 crore farmers in 100 districts with low crop production–for the sector in the Budget on Saturday.

Union Agriculture Minister Shivraj Singh Chouhan said the Budget will help in all-round development of the sector. Farmers' organisations, however, are unhappy with the budget announcements and said it will lead to further rise in the input costs involved in farming.

The allocation to the Department of Agriculture and Farmers Welfare has come down by ₹3,905.05 crore from the revised estimate of 2024-25. The allocation for the next financial year is ₹1,27,290.16 crore. In the revised estimates of 2024-25, the allocation for the Ministry was ₹1,31,195.21 crore.

For Pradhan Mantri Fasal Bima Yojana crop insurance scheme, the allocation this time has dropped by ₹3,621.73 crore. It has got ₹12,242.27 crore this time against ₹15,864 crore of the last revised estimates.

The allocations for the Fertilizers Department have been cut by ₹26,500.85 crore. From the last financial year's revised estimates of ₹1,83,003.29 crore, it has come down to ₹1,56,502.44 crore. This is likely to impact fertilizer subsidy.

Farmers harvest spinach from a field in Delhi on Saturday. AFP

It has also been announced that loan limit under the Modified Interest Subvention Scheme will be enhanced from ₹3 lakh to ₹5 lakh for loans taken through Kisan Credit Cards that facilitate short-term loans for 7.7 crore farmers, fishermen, and dairy farmers.

The Minister also announced the launch of a six-year-long mission for "Aatmanirbharta (self reliance) in Pulses" with a special focus on tur, urad and masoor varieties of pulses.

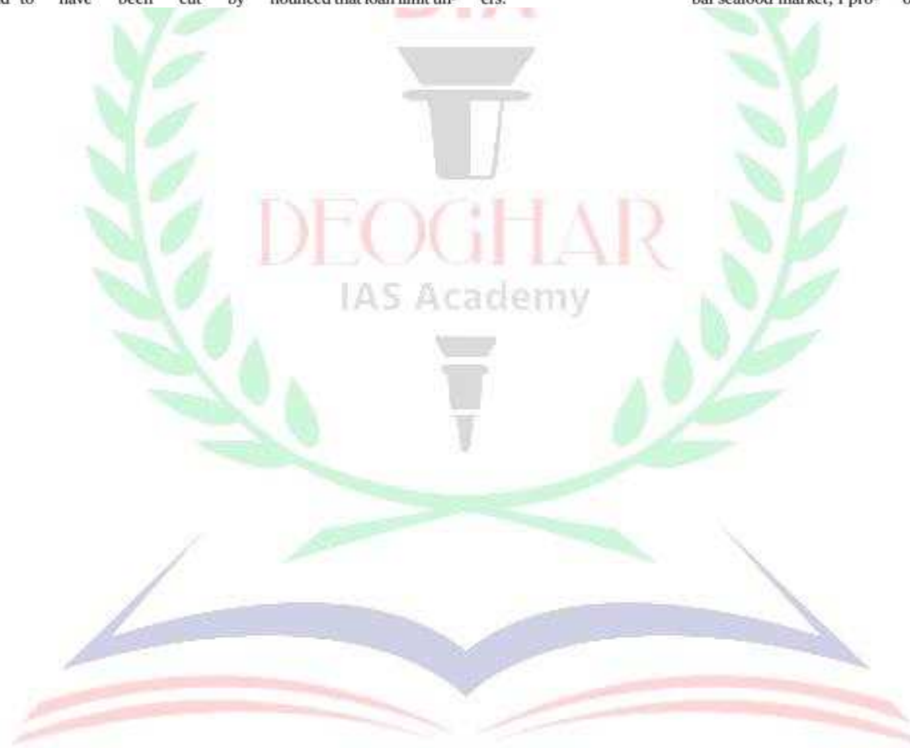
The Minister has allocated ₹100 crore to establish a Makhana Board in Bihar to improve production, processing, value addition, and marketing of makhana (fox seeds).

Boost for fisheries

Fisheries and Animal Husbandry departments will get about ₹1,500 crore more than the last revised estimates.

"To enhance India's competitiveness in the global seafood market, I propose to reduce basic customs duty (BCD) from 30% to 5% on frozen fish paste (Surimi) for manufacture and export of its analogue products. I also propose to reduce BCD from 15% to 5% on fish hydrolysate for manufacture of fish and shrimp feeds," she said.

The Samyukt Kisan Morcha said in a statement that the Budget was an attack on farmers and workers. It said the Budget neglected the demand for legalised minimum support price as per M.S. Swaminathan's formula and a comprehensive scheme to waive farm loans. It has announced a protest against the Budget on February 5.



Export Promotion Mission to be set up by Union govt.

The Hindu Bureau
COIMBATORE

The Mission will be driven jointly by the Ministries of Finance, MSMEs and Commerce

The Union Budget announced an Export Promotion Mission with an outlay of ₹2,250 crore to facilitate easy access to export credit, cross-border factoring support, and help MSMEs tackle non-tariff measures in overseas markets.

The Mission, with sectoral and ministerial targets, will be driven jointly by the Ministries of Commerce, MSMEs, and Finance.

Another major plan is to create the digital public infrastructure 'Bharat-TradeNet' (BTN) for international trade and it will be a unified platform for trade documentation and financing solutions. This will complement the Unified Logistics Interface Platform.

Institute in Bihar

In order to support food processing exports, a National Food Technology Institute will be set up in Bihar and it will enhance value addition, agri-exports, and job creation.

The duration for export of handicrafts manufactured from duty free inputs by bona fide exporters will be extended to one year, further extendable by 3 months.

A release from the Department of Commerce says India's trade deficit in maritime services is about $50 billion and development of Indian shipping lines is likely to address this trade deficit. Shipbuilding financial assistance policy will be revamped, including credit notes for ship-breaking to support a circular economy. The Maritime Development Fund of ₹25,000 crore will be used to finance long-term industry growth, with 49% government contribution.

In a move to integrate with global supply chains, the government will support development of domestic manufacturing capacities.

Export growth requires infrastructure development, and the Budget says the government will facilitate upgradation of infrastructure and warehousing for air cargo, including high value perishable horticulture produce.

In the services sector, the government will support growth of tourism and financial services. A national framework will be formulated to promote Global Capability Centres in tier-two cities, focusing on talent, infrastructure, and regulatory reforms.

Govt. to remove FDI cap for insurers

Current guardrails, conditionalities associated with foreign investment will be reviewed and simplified, Finance Minister Nirmala Sitharaman said in 2025-26 Budget speech; at the heart of the measures is the Centre's 'Insurance for All by 2047' goal

N. Ravi Kumar
HYDERABAD

Finance Minister Nirmala Sitharaman on Saturday said the foreign direct investment (FDI) limit for the insurance sector will be raised from 74% to 100%.

However, the "enhanced limit will be available for those companies which invest the entire premium in India," she said, announcing the proposal to remove the cap on FDI, on the condition, in Budget 2025-26 speech.

Current guardrails and conditionalities associated with foreign investment will be reviewed and simplified, she said.

The government in 2020 had permitted 100% FDI in insurance intermediaries such as insurance brokers.

Cover for all: The reform seeks to reshape the insurance landscape and give individuals and businesses protection. SUSHIL KUMAR VERMA

In November 2024, the Department of Financial Services had initiated the process of public consultation on raising FDI in Indian insurance companies from 74% to 100% as well as enabling an insurer to carry on one or more classes of insurance business and activities related/incidental to insurance.

At the heart of the measures is 'Insurance for All by 2047' goal being pursued by the government.

Insurance industry leaders and top executives were quick to welcome the Budget proposal.

Attract investors

"The decision to allow 100% FDI in the insurance sector will attract global investments, strengthen the industry and foster innovation. The move promotes healthy competition, leading to better services, more choices, and potentially lower premiums for consumers," said PB Fintech Joint Group CEO Sarbvir Singh.

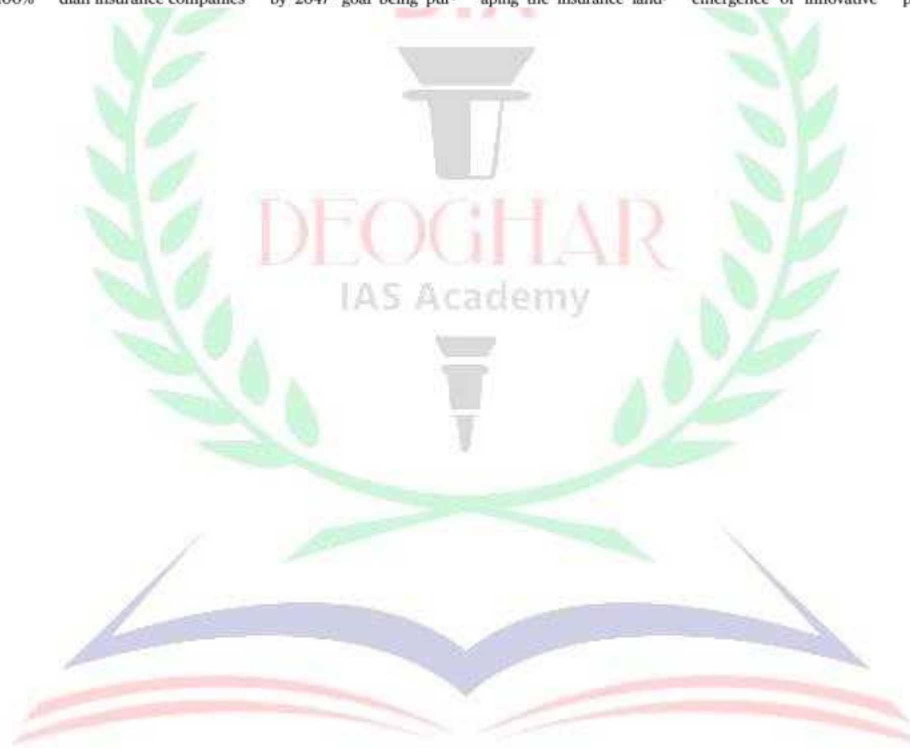
The reform is not just about increasing capital inflows – it is also about reshaping the insurance landscape to ensure every individual and business has access to risk protection. "As competition intensifies, we will see more transparency, faster claims processing and stronger trust in the industry," Bajaj Allianz General Insurance MD- CEO Tapan Singhel said.

The announcement comes even as wait for customers on reduction in the Goods and Services Tax on insurance, especially health covers, from existing 18% grew longer with the GST Council deciding on further deliberations before taking a decision.

"Global insurance companies can now invest fully and we anticipate the emergence of innovative products and services tailored to meet the diverse needs of Indian consumers," Universal Sompo General Insurance MD and CEO Sharad Mathur said.

The Budget raised the threshold to deduct or collect tax at source on insurance commission from ₹15,000 to ₹20,000. The rate of deduction of income tax at source on insurance commission will be cut from 5% to 2% with effect from April 1.

The Union government is also proposing to exempt the proceeds received on life insurance policy issued by International Financial Services Centre insurance intermediary office without the condition on maximum premium amount.



DEOGHAR
IAS Academy

VIEWPOINT

KUMAR MANGALAM BIRLA
Chairman, Aditya Birla Group

A clear road map for Viksit Bharat

Govt. has maintained focus on infrastructure while aviation, nuclear energy get due attention

Finance Ministers face a perennial balancing act when crafting Budgets. They must articulate the government's broader policy vision while maintaining fiscal discipline – a task that is as complex as it is consequential.

Nirmala Sitharaman's latest Budget achieves this with precision. It lays out a clear roadmap for Viksit Bharat while remaining steadfast in its commitment to fiscal consolidation. At its core is a renewed emphasis on consumption with a ₹1 lakh crore boost. Higher discretionary income will flow into sectors like housing, automobiles, consumer goods, and travel, providing a much-needed demand stimulus.

The Government has also maintained its consistent focus on infrastructure. A central pillar of this strategy is the expansion of the public-private partnership (PPP) model. The FM has directed all infrastructure-related Ministries to identify three-year project pipelines under the PPP framework, with States encouraged to participate. To accelerate this transition, the Government has earmarked ₹1.5 lakh crore in 50-year, interest-free loans to States for capital expenditure, incentivising them to align with national infrastructure priorities.

Asset monetisation stays key funding mechanism. The Government has announced a second Asset Monetisation Plan (2025-30), targeting ₹10 lakh crore, significantly larger than the ₹6 lakh crore goal of the first plan unveiled in 2021-22. This underscores the administration's strategy of recycling capital from existing public assets to finance new infrastructure development.

Modified UDAN aims to add 120 new destinations with four crore more passengers over the next decade

The Budget also focuses on power sector revitalisation, particularly in electricity distribution and intra-State transmission. States that implement crucial discom reforms will be permitted additional borrowing of up to 0.5% of the GSDP, reinforcing fiscal incentives to drive much-needed structural changes.

A notable shift is the mission-mode approach to nuclear energy. With an ambitious 100 GW nuclear power target by 2047, the Budget proposes amending Atomic Energy Act and the Civil Liability for Nuclear Damage Act, opening the sector to broader private participation. It also commits ₹20,000 crore for research and development of small modular reactors (SMRs), underscoring the importance of indigenous innovation in India's energy transition.

Aviation also gets due attention. The modified UDAN scheme aims to add 120 new destinations, targeting 4 crore additional passengers over the next decade. Meanwhile, private sector access to PM Gati Shakti portal data is expected to boost infrastructure planning, further integrating public investment with market-driven efficiency.

Ultimately, India's ambition to become a developed nation hinges on the quality of its infrastructure. This Budget makes clear Modi government's commitment to remove bottlenecks, unlock capital and accelerate development. It is a strategy in pragmatism–one that prioritises long-term investment over short-term populism and seeks to lay groundwork for sustained, high-quality growth.

Govt. slashes multiple customs duties

With Budget 25-26 doing away with seven tariff rates, there will just be eight rates, including zero, for industrial goods; move expected to boost domestic manufacturing, exports; FM proposes to exempt social welfare surcharge on 82 tariff lines that are subject to cess

M. Soundariya Preetha
COIMBATORE

Finance Minister Nirmala Sitharaman announced measures in the Union Budget to rationalise customs duty structure for industrial goods by removing seven tariff rates, and address duty inversion.

"This will also support domestic manufacturing and value addition, promote exports, facilitate trade, and provide relief to common people," the Finance Minister said while presenting the Budget.

Industrial goods will now have only eight tariff rates, including zero rate, as seven were removed in the 2023-24 Budget and seven more in the Budget announced on Saturday.

Battery booster: The list of exempted capital goods will also cover an additional 35 items for EV battery manufacturing. GETTYIMAGES

The FM also proposed to apply appropriate cess to "broadly maintain effective duty incidence" except on a few items where such incidence will reduce marginally, and levy not more than one cess or surcharge.

"Therefore, I propose to exempt social welfare surcharge on 82 tariff lines that are subject to a cess," she announced.

Further, in a move to encourage voluntary compliance, the Budget proposes introduction of a provision that will enable importers or exporters, after clearance of goods, to voluntarily declare material facts and pay duty with interest but without penalty. However, this will not apply in cases where the authorities had already initiated audit or investigation proceedings.

The time limit for the end-use of imported inputs in the relevant rules has been extended from six months to one year. And, such importers will have to file only quarterly statements instead of a monthly statement, the Finance Minister said.

For manufacturing industries and MSMEs, cobalt powder and waste, scrap of lithium ion batteries, lead, zinc and 12 more critical minerals will be added to the list announced in the Budget last July for complete basic customs duty (BCD) exemption.

While two types of shuttle-less looms will get into the list of BCD exemption, the BCD rate on knitted fabrics covered by nine tariff lines will be revised from "10% or 20%" to "20% or 115 per kg, whichever is higher".

On the inverted duty structure, the Finance Minister proposed to increase the BCD on interactive flat panel display (IFPD) from 10% to 20% and reduce the BCD to 5% on open cell and other components.

The exemption of BCD on raw materials, components, consumables or parts for the manufacture of ships and will continue for another 10 years.

Reacting to the proposals, the Global Trade Research Initiative (GTRI) said that the Union Budget reinforced a fiscal strategy the government had followed since 2021-22, which was reducing the BCD while increasing the Agriculture Infrastructure and Development Cess (AIDC).

The shift allows the Centre to retain more revenue because, while BCD is shared with States, AIDC is not. For instance, the BCD on marble slabs is 40%. It will now be 20% BCD plus 20% AIDC. For solar modules, the existing rate is 40% BCD and 4% social welfare surcharge. The new rate will be 20% BCD and 20% AIDC.

DEOGHAR
IAS Academy

4.4%
Estimated fiscal deficit at the end of FY26, which is a 0.4% points drop from 4.8% in FY25

1.8% points
Drop in allocation for infrastructure as a share of Budget in comparison to previous financial year

1.6% points
Rise in allocation for social sector as a share of Budget in comparison to previous year

Tax bonanza for the middle class

Income up to ₹12 lakh tax-free; people earning at least ₹25 lakh may get ₹1.1 lakh in tax savings; big push to increase spending and spur growth. Tax rate changes, new Income Tax Bill show the government is responsive to the 'voice of the people', says Nirmala Sitharaman

33.7%
Income tax's share in gross tax revenue in FY26 despite ₹1 lakh crore foregone as direct tax

TAX CUTS
CLEAN ENERGY
AGRICULTURE
MSME
EXPORT PROMOTION
MIDDLE CLASS
SOUMYADIP SINHA

For online coverage
Scan the code or go to the link
newsth.live/budget2025