

# Union Budget 2025 - Impact Analysis

*‘Together, we embark on a journey to unlock our nation’s tremendous potential for greater prosperity and global positioning .....’ – Hon’ble Finance Minister Ms. Nirmala Sitharaman*

## FDI & FPI

The FDI limit for the insurance sector is proposed to be raised from 74% to 100% for companies investing the entire premium in India, along with simplification of the associated framework.

The capital gains tax exemption on income of non-resident entities from transfer of Non-deliverable forwards, Offshore derivative instrument, Over the counter derivatives is to be extended to FPIs set up as IFSC Units, in addition to banking units in IFSC.



The increase in the FDI limit for the insurance sector will open the sector to foreign investors, as now they are no more required to look for local partner. It is expected that startup in Insurance Sector will have greater access to funding.



Currently, any income earned by NRI via derivative trades or participatory notes is exempt from taxation. Now, the government has proposed to extend this benefit to NRIs who are investing through a FPI set up as IFSC Unit.

## Project & Assets Financing

An outlay of 1,50,000 Crores is proposed for the 50-year interest free loans to states for capital expenditure and incentives for reforms.

The ‘Shipbuilding Financial Assistance Scheme’ is proposed to be revamped and large vessels will be included in the harmonised master list of infrastructure sectors.

The ‘Maritime Development Fund’ is to be set up with a corpus of INR 25,000 Crores.

Infrastructure-related ministries to propose a 3-year pipeline of Public Private Partnership supported by the ‘India Infrastructure Project Development Fund (IIPDF) scheme’.

UDAN, the air connectivity scheme for tier 2 and tier 3 cities, has been further extended for 10 years. UDAN is proposed to be modified to include 120 new destinations for aircraft operations. It is expected that the scheme will lead to add 4 Crore passengers in the next 10 years.




The outlay for capital expenditure will help improvement in infrastructure development without placing an immediate fiscal burden.



The ‘Shipbuilding Financial Assistance Scheme’ will provide substantial financial support for the enhancement and expansion of the indigenous shipbuilding and other blue water infrastructure projects. The inclusion of large vessels in the harmonised master list of infrastructure sectors will allow developers in the sector access to debt at easier terms, longer tenor and low cost. Market players who focus on infrastructure lending are expected to show


more interest towards large vessel borrowers.

 The 'Maritime Development Fund' will ensure a dedicated maritime economy fund further improving access to funds for the shipping industry.

 UDAN 2.0 will lead to higher demands of aircrafts, which will ultimately lead to more financing in this sector.

## Fintech

A digital public infrastructure, BharatTradeNet for international trade shall be set-up as a unified platform for trade documentation and financing solutions. BharatTradeNet shall be aligned with international practices and shall complement the Unified Logistics Interface Platform.

 In continuation of the focus on digital infrastructure growth, BharatTradeNet is envisioned to work as a unified platform design that streamlines trade documentation with global standards and financing solutions for companies engaged in international trade.


## ESG and Sustainable Financing

Incentives for EV batteries and solar panels as a part of the clean tech manufacturing mission will support projects involved in domestic production of clean energy products. This will in turn incentivise

manufacturing industries to transition towards clean energy products.

**Cross border trade incentives announced** by reduction in tariff rates:

- ✓ In case of **solar cells** from 25% to 20%.
- ✓ In case of **solar modules** from 40% to 20%.


 As a commitment to move closer to the energy saving targets the manufacturing sectors will be incentivised to promote production of renewable energy products. This will also incentivise cross border trades on renewable energy products.

## MSMEs


The credit guarantees available to MSMEs, for their term loans or working capital borrowings, will be enhanced from the current limit of INR 5 Crores to INR 10 Crores.

The upper limits for investment and turnover for classification as MSMEs, have been increased by 2.5x and 2x, respectively, from the current limits as set out hereunder:

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

 The enhancement in limits of guarantee cover available to MSMEs is a significant positive development, which shall it easy for MSMEs to get access to capital.

Additionally, availability of credit card to MSMEs amplifies the credit availability for the MSMEs, providing a substantial boost to the borrowing capacity of MSMEs.

 The enhanced limits for classification for MSMEs are expected to boost employment, technology upgradation, and overall growth in the MSME sector.

### Tax

Currently tax incentives are applicable for operations having commencement dates up to 31<sup>st</sup> March 2024, 31<sup>st</sup> March 2025 and 31<sup>st</sup> March 2026. Now, the Tax concessions to IFSC Units are proposed to be extended till 31<sup>st</sup> March 2030. This includes tax deductions of profits for a specified period, tax exemption on royalty, and interest income of a non-resident on lease of aircrafts where such income is paid by an IFSC Unit.

Income tax exemptions available on any proceeds from life insurance policies issued by IFSC Insurance Offices. IFSC Insurance Offices will not have to comply with any threshold requirement with respect to maximum premium payable on such policies to avail the benefits under such exemption. However, the premium payable for any year during the term of the policy should not be more than 10% of capital sum assured.

Capital gains tax exemptions to:


- ✓ IFSC Units engaged in ship leasing on transfer of equity shares of domestic


companies to another IFSC unit engaged in ship leasing or dividends paid by such ship leasing companies.


- ✓ relocation of exchange traded funds and retail schemes set up in IFSC.


Exemption on advances or loans between group entities where one is an IFSC-based "Finance company" or "Finance unit" functioning as a global / regional treasury centre, and its parent / principal entity listed on a non-Indian stock exchange, which are otherwise considered as deemed dividend under section 2(22)(e) of the IT Act.

 New income tax bill to be introduced in the coming week.

 TDS on Income from investment in securitisation trust by a resident under section 194LBC is proposed to be reduced to 10% from existing 25% (for Individuals and HUFs) and 30% (for other persons).


 Benefit of 100% tax deduction for 3 (three) years on profits and gains of start-ups under Section 80-IAC of the IT Act, extended to start-ups that will be incorporated before 1<sup>st</sup> April 2030.

 A prescribed statement for disclosure of transactions in crypto-assets is proposed.

 The extension of sunset dates, providing clarificatory modifications to certain provisions are aimed to encourage ship or aircraft leasing, financial and capital market activities in IFSC.


## Banking and Financial Regulatory

An Export Promotion Mission is established to facilitate easy access to export credit, cross-border factoring support, and support to MSMEs to tackle non-tariff measures in overseas markets.

 The proposed Export Promotion Mission shall encourage competitiveness and productivity amongst various sectors and ministries to facilitate cross border trade and financing.

## Infrastructure


National Bank for Financing Infrastructure and Development to set up a partial credit enhancement Facility for corporate bonds for infrastructure.

 This move will increase the rating of the corporate bonds which are supported by the partial credit enhancement Facility. Accordingly, such bonds are expected to

witness wider investor base and lower cost of financing.


## Real Estate

National Framework for Global Capability Centres to be put in place, which provides guidance to states for promoting Global Capability Centres in emerging tier 2 cities.

 With a huge number of Global Capability Centres across sectors in India, they will form a huge part of the office leasing in India. This action will only make India more attractive to establish more Global Capability Centres, resulting in an impact on the real estate segment.

## Others

An Investment Friendliness Index of States will be launched in 2025 to further the spirit of competitive cooperative federalism.

 This will act as a guide for the foreign investors to assess which states in India are comparatively investor friendly.

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**Contact us:**

**MUMBAI OFFICES**

124 A, Jolly Maker Chamber II,  
12<sup>th</sup> Floor, Nariman Point,  
**Mumbai** - 400 0210, India  
Tel: +91 22 6720 5555

**NEW DELHI OFFICE**

502, 504 & 506, 5<sup>th</sup> Floor, Antriksh Bhawan,  
Kasturba Gandhi Marg,  
**New Delhi** - 110 001, India  
Tel: +91 11 4014 4100  
Fax: +91 11 4014 4122

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