

PART B

Indirect Taxes

115. My proposals relating to Customs aim to rationalize tariff structure and address duty inversion. These will also support domestic manufacturing and value addition, promote exports, facilitate trade and provide relief to common people.

Rationalisation of Customs Tariff Structure for Industrial Goods

116. As a part of comprehensive review of Customs rate structure announced in July 2024 Budget, I propose to:

- (i) remove seven tariff rates. This is over and above the seven tariff rates removed in 2023-24 budget. After this, there will be only eight remaining tariff rates including 'zero' rate.
- (ii) apply appropriate cess to broadly maintain effective duty incidence except on a few items, where such incidence will reduce marginally.
- (iii) 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.

117. I shall now take up sector specific proposals.

Relief on import of Drugs/Medicines

118. To provide relief to patients, particularly those suffering from cancer, rare diseases and other severe chronic diseases, I propose to add 36 lifesaving drugs and medicines to the list of medicines fully exempted from Basic Customs Duty (BCD). I also propose to add 6 lifesaving medicines to the list attracting concessional customs duty of 5%. Full exemption and concessional duty will also respectively apply on the bulk drugs for manufacture of the above.

119. Specified drugs and medicines under Patient Assistance Programmes run by pharmaceutical companies are fully exempt from BCD, provided the medicines are supplied free of cost to patients. I propose to add 37 more medicines along with 13 new patient assistance programmes.

Support to Domestic Manufacturing and Value addition

Critical Minerals

120. In the July 2024 Budget, I had fully exempted BCD on 25 critical minerals that are not domestically available. I had also reduced BCD of 2 other such minerals to provide a major fillip to their processing especially by MSMEs. Now, I propose to fully exempt cobalt powder and waste, the scrap of lithium-ion battery, Lead, Zinc and 12 more critical minerals. This will help secure their availability for manufacturing in India and promote more jobs for our youth.

Textiles

121. To promote domestic production of technical textile products such as agro-textiles, medical textiles and geo textiles at competitive prices, I propose to add two more types of shuttle-less looms to the list of fully exempted textile machinery. I also propose to revise the BCD rate on knitted fabrics covered by nine tariff lines from “10% or 20%” to “20% or ₹ 115 per kg, whichever is higher”.

Electronic Goods

122. In line with our ‘Make in India’ policy, and to rectify inverted duty structure, I propose 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.

123. In 2023 -24 Budget, for the manufacture of Open Cells of LCD/LED TVs, I had reduced the BCD on parts of Open Cells from 5% to 2.5% . To further boost the manufacture of such Open Cells, the BCD on these parts will now stand exempted.

Lithium Ion Battery

124. To the list of exempted capital goods, I propose to add 35 additional capital goods for EV battery manufacturing, and 28 additional capital goods for mobile phone battery manufacturing. This will boost domestic manufacture of lithium-ion battery, both for mobile phones and electric vehicles.

Shipping Sector

125. Considering that shipbuilding has a long gestation period, I propose to continue the exemption of BCD on raw materials, components, consumables or parts for the manufacture of ships for another ten years. I also propose the same dispensation for ship breaking to make it more competitive.

Telecommunication

126. To prevent classification disputes, I propose to reduce the BCD from 20% to 10% on Carrier Grade ethernet switches to make it at par with Non-Carrier Grade ethernet switches.

Export Promotion

Handicraft Goods

127. To facilitate exports of handicrafts, I propose to extend the time period for export from six months to one year, further extendable by another three months, if required. I also propose to add nine items to the list of duty-free inputs.

Leather sector

128. I propose to fully exempt BCD on Wet Blue leather to facilitate imports for domestic value addition and employment. I also propose to exempt crust leather from 20% export duty to facilitate exports by small tanners.

Marine products

129. To enhance India's competitiveness in the global seafood market, I propose to reduce 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.

Domestic MROs for Railway Goods

130. In July 2024 Budget, to promote development of domestic MROs for aircraft and ships, I had extended the time limit for export of foreign origin goods that were imported for repairs, from 6 months to one year and further extendable by one year. I now propose to extend the same dispensation for railway goods.

Trade facilitation

Time limit for Provisional Assessment

131. Presently, the Customs Act, 1962 does not provide any time limit to finalize Provisional Assessments leading to uncertainty and cost to trade. As a measure of promoting ease of doing business, I propose to fix a time-limit of two years, extendable by a year, for finalising the provisional assessment.

Voluntary Compliance

132. I propose to introduce a new provision that will enable importers or exporters, after clearance of goods, to voluntarily declare material facts and pay duty with interest but without penalty. This will incentivise voluntary compliance. However, this will not apply in cases where department has already initiated audit or investigation proceedings.

Extended Time for End Use

133. For industry to better plan their imports, I propose to extend the time limit for the end-use of imported inputs in the relevant rules, from six months to one year. This will provide operational flexibility in view of cost and uncertainty of supply. Further, such importers will now have to file only quarterly statements instead of a monthly statement.

Direct Taxes

I now come to my Direct tax proposals.

134. In Part A, I have briefly underlined Taxation Reforms as one of key reforms to realize our vision of Viksit Bharat. In respect of criminal law, Our Government had earlier ushered in Bharatiya Nyaya Sanhita replacing Bharatiya Danda Sanhita. I am happy to inform this August House and the country that the new income-tax bill will carry forward the same spirit of “Nyaya”. The new bill will be clear and direct in text with close to half of the present law, in terms of both chapters and words. It will be simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation.

135. Reforms, however, are not a destination. They are a means to achieve good governance for our people and economy. Providing good governance primarily involves being responsive. The Thirukkural captures this in Verse 542, which reads:

வானோக்கி வாழும் உலகெல்லாம் மன்னவன்
கோல்நோக்கி வாழுங் குடி.

vaanokki vaalum ulakellaam mannavan

koalnokki vaalung kuti

Meaning:

Just as living beings live expecting rains,

Citizens live expecting good governance.

Our Government is committed to keeping an ear to the ground and a finger on the pulse, and responding while balancing our nation-building efforts. The following measures will detail just how our Government under the guidance of PM Modi has taken steps to understand and address the needs voiced by our citizens. My tax proposals are guided by this spirit.

136. The objectives of my proposals are as follows:

- (i) Personal Income Tax reforms with special focus on middle class
- (ii) Rationalization of TDS/TCS for easing difficulties
- (iii) Encouraging voluntary compliance
- (iv) Reducing compliance burden
- (v) Ease of doing business
- (vi) Employment and investment

I will come to my proposal on personal income tax towards the end.

TDS/TCS rationalization for easing difficulties

137. I propose to rationalize Tax Deduction at Source (TDS) by reducing the number of rates and thresholds above which TDS is deducted. Further, threshold amounts for tax deduction will be increased for better clarity and uniformity. The limit for tax deduction on interest for senior citizens is being doubled from the present ₹ 50,000 to ₹ 1 lakh. Similarly, the annual limit of ₹ 2.40 lakh for TDS on rent is being increased to ₹ 6 lakh. This will reduce the number of transactions liable to TDS, thus benefitting small tax payers receiving small payments.

138. The threshold to collect tax at source (TCS) on remittances under RBI's Liberalized Remittance Scheme (LRS) is proposed to be increased from ₹ 7 lakh to ₹ 10 lakh. I also propose to remove TCS on remittances for education purposes, where such remittance is out of a loan taken from a specified financial institution.

139. Both TDS and TCS are being applied on any transaction relating to sale of goods. To prevent such compliance difficulties, I propose to omit the TCS. I also propose that the provisions of the higher TDS deduction will now apply only in non-PAN cases.

140. In July 2024, the delay for payment of TDS up to the due date of filing statement was decriminalized. I propose to provide the same relaxation to TCS provisions as well.

Encouraging Voluntary Compliance

141. The Government under the leadership of Prime Minister Modi believes in “Sabka Saath, Sabka Vikas, Sabka Vishwas and Sabka Prayas”. In line with this, we brought in updated return facility in 2022 for voluntary compliance by taxpayers who had omitted to report their correct income. Our trust in taxpayers was proved right. Nearly 90 lakh taxpayers voluntarily updated their incomes by paying additional tax. Taking this trust further, I now propose to extend the time-limit to file updated returns for any assessment year, from the current limit of two years, to four years.

Reducing Compliance Burden

142. I propose to reduce the compliance burden for small charitable trusts/institutions by increasing their period of registration from 5 years to 10 years. It is also proposed that disproportionate consequences do not arise for minor defaults, such as incomplete applications filed by charitable entities.

143. Presently tax-payers can claim the annual value of self-occupied properties as nil only on the fulfilment of certain conditions. Considering the difficulties faced by taxpayers, it is proposed to allow the benefit of two such self-occupied properties without any condition.

Ease of Doing Business

144. To streamline the process of transfer pricing and to provide an alternative to yearly examination, I propose to introduce a scheme for determining arm's length price of international transaction for a block period of three years. This will be in line with global best practices.

145. With a view to reduce litigation and provide certainty in international taxation, the scope of safe harbour rules is being expanded.

146. A number of senior and very senior citizens have very old National Savings Scheme accounts. As interest is no longer payable on such accounts, I propose to exempt withdrawals made from NSS by individuals on or after the 29th of August, 2024. I am also proposing to allow similar treatment to NPS Vatsalya accounts as is available to normal NPS accounts, subject to overall limits.

147. In my speech in July 2024, I had promised that all processes including giving effect to appellate orders shall be digitalized and made paper-less over the next two years. I am happy to announce that digitalization is being made operational.

148. In July 2024, we brought in the Vivad Se Vishwas Scheme to resolve income tax disputes pending in appeal. The scheme has received a great response, with nearly 33,000 tax payers having availed of this scheme to settle their disputes.

Employment and Investment

149. I have a few proposals to promote investment and employment.

Tax certainty for electronics manufacturing Schemes

150. It is proposed to provide a presumptive taxation regime for non-residents who provide services to a resident company that is establishing or operating an electronics manufacturing facility. I further propose to introduce a safe harbour for tax certainty for non-residents who store components for supply to specified electronics manufacturing units.

Tonnage Tax Scheme for Inland Vessels

151. Presently the tonnage tax scheme is available to only sea going ships. The benefits of existing tonnage tax scheme are proposed to be extended to inland vessels registered under the Indian Vessels Act, 2021 to promote inland water transport in the country.

Extension for incorporation of Start-Ups

152. We continue to support the Indian start-up eco-system. I propose to extend the period of incorporation by 5 years to allow the benefit available to start-ups which are incorporated before 1.4.2030.

International Financial Services Centre (IFSC)

153. In order to attract and promote additional activities in the IFSC, I am *inter alia* proposing specific benefits to ship-leasing units, insurance offices and treasury centres of global companies which are set up in IFSC. Further, to claim benefits, the cut-off date for commencement in IFSC has also been extended by five years to 31.3.2030.

Alternate Investment Funds (AIFs)

154. Category I and category II AIFs are undertaking investments in infrastructure and other such sectors. I propose to provide certainty of taxation to these entities on the gains from securities.

Extension of investment date for Sovereign and Pension Funds

155. To promote funding from Sovereign Wealth Funds and Pension Funds to the infrastructure sector, I propose to extend the date of making an investment by five more years, to 31st March, 2030.

Personal Income- tax Reforms with special focus on middle class

156. Democracy, Demography and Demand are the key support pillars in our journey towards Viksit Bharat. The middle class provides strength for India's growth. This Government under the leadership of Prime Minister Modi has always believed in the admirable energy and ability of the middle class in nation building. In recognition of their contribution, we have periodically reduced their tax burden. Right after 2014, the 'Nil tax' slab was raised to ₹ 2.5 lakh, which was further raised to ₹ 5 lakh in 2019 and to ₹ 7 lakh in 2023. This is reflective of our Government's trust on the middle-class tax payers. I am now happy to announce that there will be no income tax payable upto income of ₹ 12 lakh (i.e. average income of ₹ 1 lakh per month other than special rate income such as capital gains) under the new regime. This limit will be ₹ 12.75 lakh for salaried tax payers, due to standard deduction of ₹ 75,000.

157. Slabs and rates are being changed across the board to benefit all tax-payers. The new structure will substantially reduce the taxes of the middle class and leave more money in their hands, boosting household consumption, savings and investment.

158. In the new tax regime, I propose to revise tax rate structure as follows:

0-4 lakh rupees	Nil
4-8 lakh rupees	5 per cent
8-12 lakh rupees	10 per cent
12-16 lakh rupees	15 per cent
16-20 lakh rupees	20 per cent
20- 24 lakh rupees	25 per cent
Above 24 lakh rupees	30 per cent

159. To tax payers upto ₹ 12 lakh of normal income (other than special rate income such as capital gains) tax rebate is being provided in addition to the benefit due to slab rate reduction in such a manner that there is no tax payable by them. The total tax benefit of slab rate changes and rebate at different income levels can be illustrated with examples. A tax payer in the new regime with an income of ₹ 12 lakh will get a benefit of ₹ 80,000 in tax (which is 100% of tax payable as per existing rates). A person having income of ₹ 18 lakh will get a benefit of ₹ 70,000 in tax (30% of tax payable as per existing rates). A person with an income of ₹ 25 lakh gets a benefit of ₹ 1,10,000 (25% of his tax payable as per existing rates).

160. Details of my tax proposals are given in the Annexure.

161. As a result of these proposals, revenue of about ₹ 1 lakh crore in direct taxes and ₹ 2600 crore in indirect taxes will be forgone.

Mr. Speaker Sir, with this, I commend the budget to this august House.

Jai Hind.