

INDIA'S UNION BUDGET FY25:

Insights into Sectoral Changes and Economic Strategies

Nirmala Sitharaman, the Finance Minister who has been reappointed, is preparing the budget, which may include modifications to several industries and tax slabs. The presentation is scheduled for July 23.

So, what will the Finance Ministry focus on in FY25?

Let's look at some options based on government indications, ministerial speculation, news projections, and public expectations.

Nirmala Sitharaman will become the first finance minister to present seven consecutive Union Budgets, breaking Morarji Desai's previous record of six.

Predictions & Expectations



- The Interim Budget for 2024 was released in February. As Sitharaman stated, the agenda was not thoroughly reviewed or adjusted because it was the final budget of the administration. The Modi government, confident in achieving a third term, now has the problem of presenting the first budget of the next term in a month, which will most likely include key pronouncements to determine India's economic direction for the year.
- The budget is likely to determine Prime Minister Narendra Modi's new term and the country's budgetary trajectory.
- According to reports, the budget would follow Modi's 100-day plan, with an emphasis on immediate issues. Production-Linked Incentive (PLI) systems are expected to grow, particularly in job-creating industries such as leather.
- The agenda is ambitious, targeting agriculture, job creation, sustaining capital expenditure (capex), and revenue growth while maintaining fiscal discipline. Streamlining GST and easing tax compliances are also likely priorities.

Here are some particular expectations and projections for the Union Budget.



Financial Outlay and Sectoral Allocation

- According to the interim budget, non-financial Central Public Sector Enterprises (CPSEs) are expected to pay dividends of ₹48,000 crore in the current fiscal year.
- Updated predictions show an increase of approximately ₹53,000 crore, reflecting the government's revenue expectations for public sector firms.

Industry Perspectives and CapEx Boost

- Industry associations such as the Confederation of Indian Industry (CII) urge for significant increases in planned capex spending to boost economic growth. This accords with India's objective of becoming the world's third-largest economy by 2030.
- Continued emphasis on infrastructure development, including greater spending on roads, railroads, airports, and urban infrastructure to stimulate economic growth and connectivity.



Tribal Welfare

- Union Minister for Tribal Affairs Jual Oram announced a significant ₹5 trillion allocation for tribal welfare projects. This involves extending the Eklavya Model Schools and increasing revenue through the National Rural Livelihoods Mission.

Potential tax reforms

- Raising the standard deduction threshold (now ₹50,000) under the new tax regime could benefit salaried individuals and the middle class, while being fiscally responsible.



WHICH SECTORS ARE LIKELY TO GET UPDATES IN THE UNION BUDGET?



Agriculture and Rural Development

- **Increased Allocation:** Significant boost in funding for rural development and agricultural infrastructure.
- **Modernization Efforts:** Emphasis on modernizing agricultural practices through technology and innovation.
- **Support for Farmers:** Enhanced support schemes for farmers, including subsidies for fertilizers, seeds, and equipment.

Tax Reforms:

Tax reform has been in discussion for quite some time now since the last reformation took place in 2020.

- **GST Rationalisation:** Efforts to rationalise and simplify the Goods and Services Tax (GST) structure to reduce compliance burden and boost revenue collection.
- **Direct Tax Reforms:** Potential changes in income tax slabs, deductions, and exemptions to provide relief to taxpayers and stimulate consumption.



Infrastructure

- *Infrastructure Push:* Massive investment in roads, highways, and urban infrastructure projects.
- *Smart Cities:* Expansion of the Smart Cities initiative to improve urban living standards.
- *Green Energy Projects:* Increased funding for renewable energy projects, focusing on solar and wind energy.

Education and Healthcare

- *Education Reforms:* Greater allocation for digital education and skill development programs.
- *Healthcare Expansion:* Boost in healthcare spending to improve public health infrastructure and facilities.
- *Research and Development:* Encouragement of research and innovation in both education and healthcare sectors.

Job Creation and Skill Development:

Job Creation:

- Introduce policies to boost job creation in manufacturing, services, and new-age industries.
- Provide incentives for businesses to expand hiring.

Skill Development:



- Offer vocational training and skill development programs aligned with industry needs.
- Aim to bridge the skill gap and improve employability.

Technology and Innovation

- *Digital India:* Continued support for the Digital India initiative, aiming to increase internet penetration and digital literacy.
- *Startup Ecosystem:* Enhanced support for startups and small businesses, including tax incentives and funding opportunities.
- *AI and Robotics:* Investment in cutting-edge technologies like artificial intelligence and robotics to drive innovation.

Manufacturing and Industry

- *Make in India:* Strengthening of the 'Make in India' initiative to boost domestic manufacturing.
- *PLI Schemes:* Extension of Production-Linked Incentive (PLI) schemes to new sectors.
- *Ease of Doing Business:* Simplification of regulatory frameworks to attract foreign investment and enhance ease of doing business.



Renewable Energy and Green Transition

- The energy sector anticipates crucial reforms and policy support for achieving a comprehensive turnaround of power distribution companies (discoms). Measures may include extending the ISTS waiver, promoting energy storage solutions, and exploring technologies like Small Modular Nuclear Reactors to diversify the energy mix.

Conclusion

As expectations grow for the Union Budget 2024, it is clear that the government's priorities are focused on accelerating economic recovery and addressing sector-specific challenges.

The Budget announcement will not only set fiscal targets but will also provide key policy direction to guide India's economic development under Modi 3.