Union Budget 2025-26: Consumption boost!

February 1st, 2025

Economic Policy & Research Department

Summary

- **A balanced budget:** Strikes a balance between economic growth, fiscal consolidation, and social well-being with reforms across six key sectors—taxation, power, urban development, mining, financial sector, and regulatory frameworks.
- **Enhanced spending power of middle class:** No tax for income up to Rs 12 lakh (addl. Rs 0.75 lakh for salaried employees), boosting household consumption, savings and investments; wider tax slabs for all tax-payers.
- **Growth engines:** Agriculture, MSMEs, investments, and exports positioned as major growth engines. Enhanced credit access for MSMEs and start-ups, support for exports, labour-intensive sectors, and clean-tech manufacturing, along with interest-free loans to states, will help sustain India's status as the fastest-growing major economy.
- **Ease of doing business:** Simplification of regulatory framework, rationalisation of tax regime to further reduce compliance burden and litigation, enhancement in FDI limit in insurance to 100%, fast-track merger approvals, and trust-based economic governance
- **Impetus to social and infra capex**: Capex budgeted to increase by 10% to Rs 11.2 lakh crore, focusing on roads, railways, housing, and defence. A slew of steps taken to invest in India's most valuable asset—its people—including strengthened social security for gig workers, increased credit for the self-employed, urban worker upliftment, and term loans for first-time women entrepreneurs.
- **Fiscal prudence with clear roadmap:** Fiscal deficit targeted at 4.4% of GDP for FY26, with FRBM guidelines outlining a consolidation path to reduce debt-to-GDP to around 50% by 2031 (from 55% currently), supporting long-term macroeconomic stability and credit rating improvement.
- **Funding mix:** Market borrowings (gross: Rs 14.8 lakh crore) to fund 73.5% of the deficit, with 21.9% funded by small savings.

Salient points

- ✓ **Vision:** The Union Budget FY26 represents a continuation of the Government's strategic vision for *Viksit Bharat 2047 through four engines of development: Agriculture, MSMEs, Investment and Exports.* It seeks to do so through inclusive development, boosting domestic demand, deepen employment intensity, develop human capital, adopt a 'saturation approach' to social welfare. Such an approach is sustainable by prudent and transparent public finances.

- ✓ **Fiscal Math:** Nominal FY26 GDP at Rs 357 lakh crore, assuming 10.1% growth over FY25RE. Total receipts growth reasonable at 11.1%, led by 11% growth in net tax receipts. Expenditure growth modest at 7.4% YoY, thanks to a mere 6.7% growth in revenue expenditure, while capex growth is pegged at a slightly higher 10.1%. Gross market borrowings up 5.8% YoY to Rs 14.82 lakh crore—in line with market expectations, even as net borrowings are up 7.4%, thanks to higher repayments in FY25RE (Funding 73.5% of the deficit). Overall, the fiscal math looks credible.

- ✓ **Fiscal strategy:** Fiscal prudence during and after the pandemic has helped. Striking a balance between demand support, capex-led growth and welfare, amidst increasing global uncertainty, while ensuring fiscal restraint. Fiscal deficit has been the sole operational fiscal anchor and has been kept sub-4.5% by FY26 as per the glide path planned in FY22.

- ✓ The Debt-GDP ratio provides more operational flexibility, and is now the new fiscal anchor, and the medium-term fiscal policy stance is to keep the fiscal deficit such that the Govt debt/GDP ratio maintains a downward trajectory, for a target of 50+/-1% by FY31.

Ten focus areas

The Budget outlines development measures spanning across 10 broad areas.

- ✓ **Spurring agricultural growth and productivity:** PM Dhan-Dhaanya Krishi Yojana and Aatmanirbharta in Pulses to boost productivity, crop diversification, and credit access.
- ✓ **Building rural prosperity and resilience:** Employment creation, reduced migration, and rural economy support through skilling and investment.
- ✓ **Inclusive growth:** PM SVANidhi expansion, gig worker security, and urban upliftment.
- ✓ **Boosting manufacturing and Make in India:** National Manufacturing Mission and clean-tech initiatives to promote domestic industries, including food processing and toys.
- ✓ **Supporting MSMEs:** Revised MSME classification, enhanced credit guarantees, and tailored credit cards to improve capital access and growth.
- ✓ **Enabling employment-led development:** Focus on tourism, labour-intensive sectors, and skill development programs like Atal Tinkering Labs to drive job creation.
- ✓ **Investing in people, economy and innovation:** Expanded education, healthcare infrastructure, and enhanced allocation for R&D and technological innovation
- ✓ **Securing energy supplies:** Nuclear Energy Mission and clean tech investments to strengthen energy security and support sustainable growth.
- ✓ **Promoting exports:** Export Promotion Mission and BharatTradeNet to improve export competitiveness and global trade integration.
- ✓ **Nurturing innovation:** National Geospatial Mission, Gyan Bharatam Mission, and funding for deep-tech and research to foster innovation and knowledge economy.

Figure 1: Annual fiscal deficit trend (% of GDP)

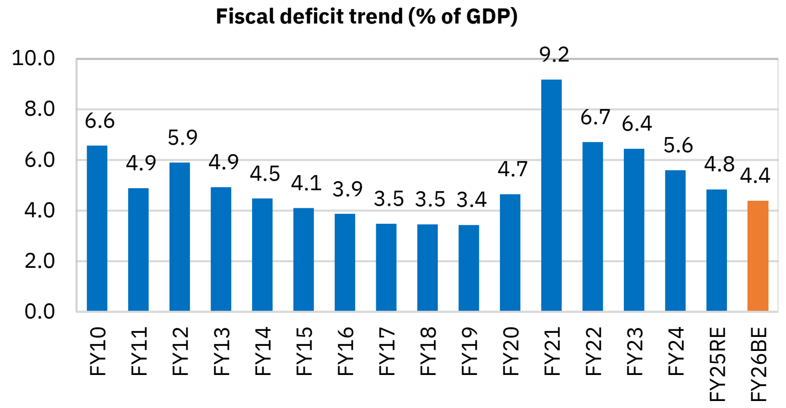


Table 1: A quick glance at fiscal balances

Rs lakh crore	FY25RE	%YoY	FY26BE	%YoY
Net tax revenues	25.6	9.9	28.4	11.0
Non-tax revenues	5.3	32.2	5.8	9.8
Non-debt cap receipts	0.6	-1.3	0.8	28.8
Total receipts	**31.5**	**12.8**	**35.0**	**11.1**
Revenue Expenditure	37.0	5.8	39.4	6.7
Capital Expenditure	10.2	7.3	11.2	10.1
Total expenditure	**47.2**	**6.1**	**50.7**	**7.4**
Fiscal deficit	**15.7**	**-5.1**	**15.7**	**0.0**
% GDP	**4.8**		**4.4**	

Source: Budget Documents, NSE EPR. BE – Budget Estimate, RE – Revised Estimate

Fiscal deficit snapshot

Table 2: Fiscal math

Items (Rs lakh crore)	FY24	FY24 (% YoY)	FY25RE	FY25RE (% YoY)	% change from FY25BE	FY26BE	FY26BE (% YoY)
Central govt. net tax revenue	**23.3**	**10.9**	**25.6**	**9.9**	**-1.0**	**28.4**	**11.0**
Gross tax revenues	**34.7**	**13.5**	**38.5**	**11.2**	**0.3**	**42.7**	**10.8**
Of which:							
Direct Tax	**19.6**	**17.9**	**22.4**	**14.4**	**1.4**	**25.2**	**12.7**
Corporation tax	9.1	10.3	9.8	7.6	-3.9	10.8	10.4
Income tax	10.4	25.4	12.6	20.3	5.9	14.4	14.4
Indirect Tax	**15.1**	**8.2**	**16.2**	**7.1**	**-1.0**	**17.5**	**8.3**
Goods and service tax	9.6	12.7	10.6	10.9	-	11.8	10.9
Custom Duties	2.3	9.3	2.4	0.8	-1.2	2.4	2.1
Excise Duties	3.1	-4.3	3.1	-0.1	-4.4	3.2	3.9
States Share	-11.3	19.1	-12.9	13.9	3.2	-14.2	10.5
Transferred to NCCD	-0.1	9.7	-0.1	9.5	1.6	-0.1	8.0
Non-Tax Revenue	**4.0**	**40.8**	**5.3**	**32.2**	**-2.7**	**5.8**	**9.8**
Dividends and profits	1.7	71.0	2.9	69.3	0.1	3.3	12.3
Central govt. revenue receipts	**27.3**	**14.5**	**30.9**	**13.2**	**-1.3**	**34.2**	**10.8**
Non-Debt Capital Receipts	0.6	-17.2	0.6	-1.3	-24.4	0.8	28.8
Divestment proceeds	0.3	-28.1	0.3	-0.4	-34.0	0.5	42.4
Total Receipts	**27.9**	**13.6**	**31.5**	**12.8**	**-1.9**	**35.0**	**11.1**
Revenue Expenditure	34.9	1.2	37.0	5.8	-0.3	39.4	6.7
Interest Payments	10.6	14.6	11.4	7.0	-2.1	12.8	12.2
Subsidy outgo	4.3	-24.7	4.3	-1.6	-0.1	4.3	-0.4
Capital Expenditure	9.5	28.3	10.2	7.3	-8.3	11.2	10.1
Total Expenditure	**44.4**	**6.0**	**47.2**	**6.1**	**-2.2**	**50.7**	**7.4**
Fiscal Deficit	**16.5**	**-4.8**	**15.7**	**-5.1**	**-2.7**	**15.7**	**0.0**
Fiscal Deficit/GDP	**5.6**		**4.8**			**4.4**	

Source: Budget Documents, NSE EPR. BE – Budget Estimate, RE – Revised Estimate. Growth in FY26BE figures are on revised estimates for FY25 (FY25BE)

Fiscal deficit snapshot (% of GDP)

Table 3: Fiscal math (% of GDP)

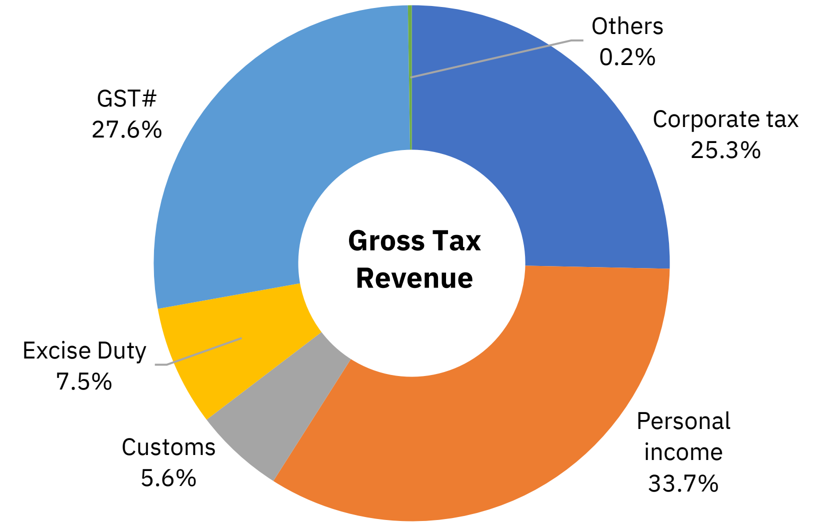
Items (% of GDP)	FY23	FY24	FY25BE	FY25RE	FY26BE
Central govt. net tax revenue	**7.8**	**7.9**	**7.9**	**7.9**	**7.9**
Gross tax revenues	**11.3**	**11.7**	**11.8**	**11.9**	**12.0**
Of which:					
Direct Tax	**6.2**	**6.6**	**6.8**	**6.9**	**7.1**
Corporation tax	3.1	3.1	3.1	3.0	3.0
Income tax	3.1	3.5	3.6	3.9	4.0
Indirect Tax	**5.2**	**5.1**	**5.0**	**5.0**	**4.9**
Goods and service tax	3.2	3.2	3.3	3.3	3.3
Custom Duties	0.8	0.8	0.7	0.7	0.7
Excise Duties	1.2	1.0	1.0	0.9	0.9
States Share	-3.5	-3.8	-3.8	-4.0	-4.0
Transferred to NCCD	0.0	0.0	0.0	0.0	0.0
Non-Tax Revenue	**1.1**	**1.4**	**1.7**	**1.6**	**1.6**
Dividends and profits	0.4	0.6	0.9	0.9	0.9
Central govt. revenue receipts	**8.8**	**9.2**	**9.6**	**9.5**	**9.6**
Non-Debt Capital Receipts	0.3	0.2	0.2	0.2	0.2
Divestment proceeds	0.2	0.1	0.2	0.1	0.1
Total Receipts	**9.1**	**9.4**	**9.8**	**9.7**	**9.8**
Revenue Expenditure	12.8	11.8	11.4	11.4	11.0
Interest Payments	3.4	3.6	3.6	3.5	3.6
Subsidy outgo	2.1	1.5	1.3	1.3	1.2
Capital Expenditure	2.7	3.2	3.4	3.1	3.1
Total Expenditure	**15.6**	**15.0**	**14.8**	**14.6**	**14.2**
Fiscal Deficit	**6.4**	**5.6**	**4.9**	**4.8**	**4.4**

Source: Budget Documents, NSE EPR. BE – Budget Estimate, RE – Revised Estimate

Revenue receipts budgeted to grow at 11%

- Total receipts are budgeted to grow at 11.1% to Rs 35 lakh crore in FY26, translating into a five-year CAGR of 15.6%.
- Net tax revenues account for 81% (Rs 28.4 lakh crore) of the total receipts, growing at 11% (last five-year CAGR: 14.7%).
- Personal income taxes is estimates to contribute 33.7% to gross tax revenues, followed by GST collections at 27.6% and Corporate tax at 25.3%.

Figure 2: Components of gross tax revenue receipts in FY26BE



Note: Here, GST includes GST Compensation Cess. Others include taxes of Union Territories and service tax.

Figure 3: Annual trend of total receipts

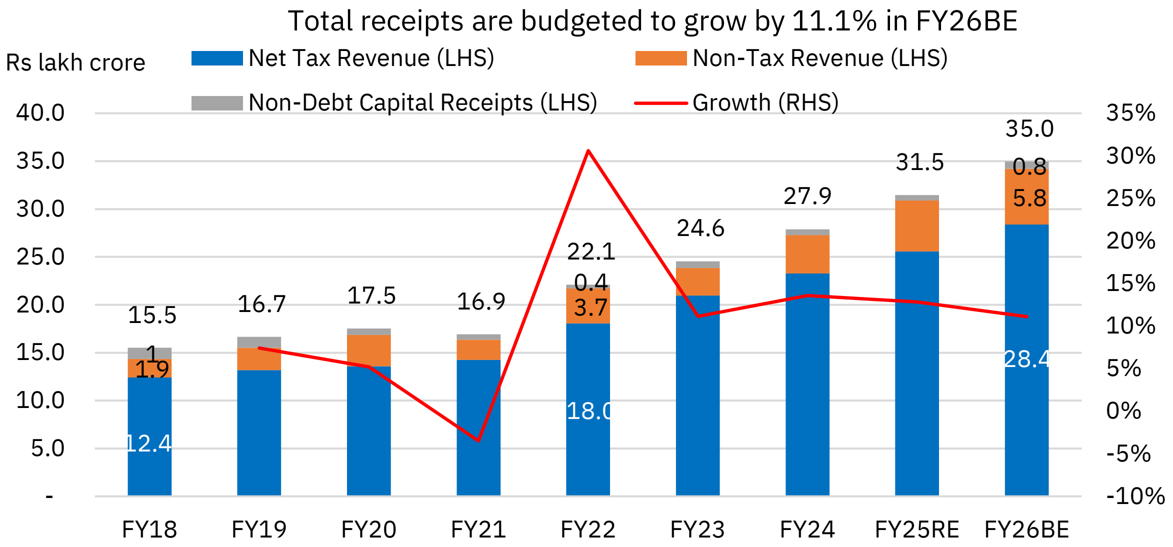
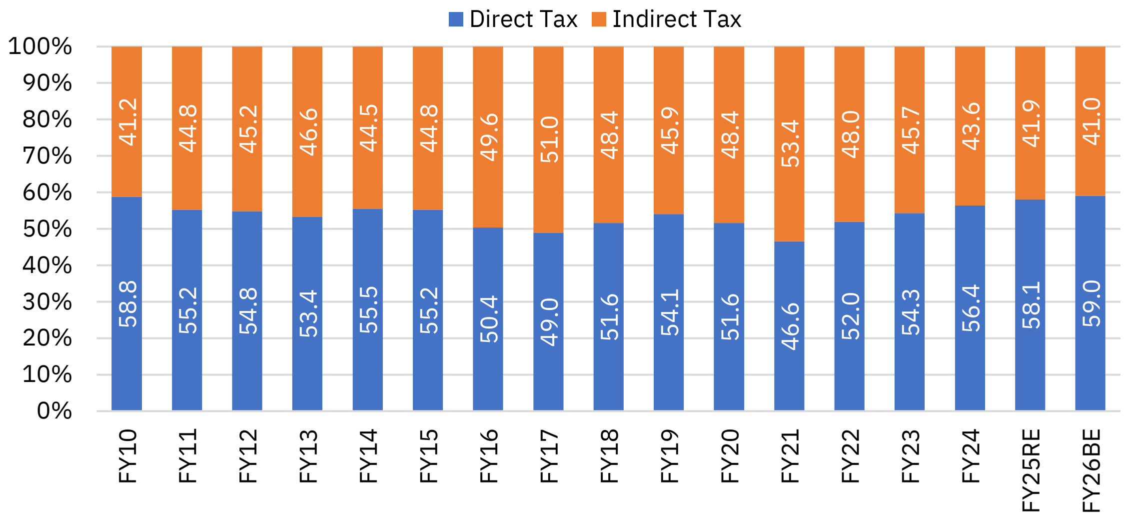


Figure 4: Break-up of gross tax revenues into direct and indirect tax



Source: Budget Documents, NSE EPR.
RE – Revised Estimate, BE – Budget Estimate

Tax collections to remain robust

- ❖ Gross tax collections budgeted to grow by 10.8% to Rs 42.7 lakh crore in FY26, led by robust direct tax collections (+12.7%) and sustained growth in GST collections (+10.9%).
- ❖ Mix of tax receipts has also been improving, with the share of direct tax collections at 59% of gross tax receipts being the highest ever, reflecting rising incomes and improving compliance.
- ❖ Direct tax to GDP ratio is pegged at 7.1% in FY26BE—the highest ever, with a tax buoyancy of 1.2 for direct tax vs. 0.8 for indirect tax.

Figure 5: Annual net tax collections trend

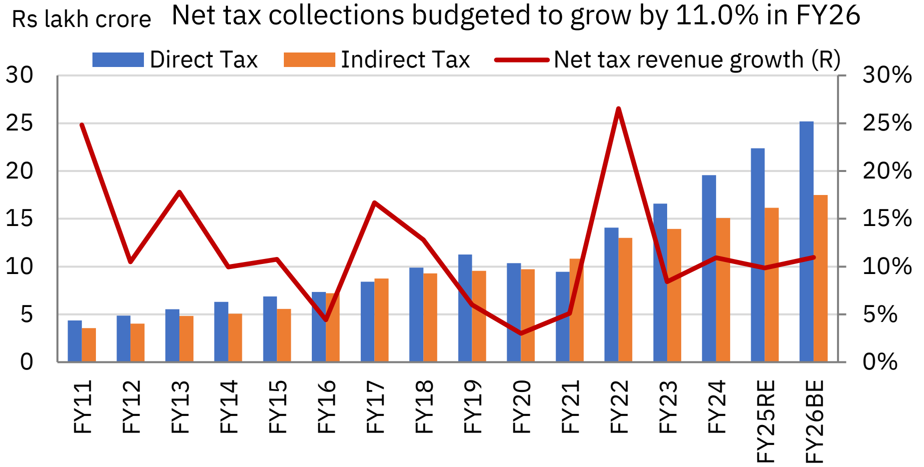


Table 4: Tax revenue assumptions seem realistic and achievable

	FY24		FY25RE			FY26BE	
	Rs lakh crore	% YoY	Rs lakh crore	% YoY	% chg. from BE	Rs lakh crore	% YoY (over FY25RE)
Direct Tax	**19.6**	**17.9%**	**22.4**	**14.4%**	**1.4%**	**25.2**	**12.7%**
Corporation tax	9.1	10.3%	9.8	7.6%	-3.9%	10.8	10.4%
Income tax	10.4	25.4%	12.6	20.3%	5.9%	14.4	14.4%
Indirect Tax	**15.1**	**8.2%**	**16.2**	**7.1%**	**-1.0%**	**17.5**	**8.3%**
GST	9.6	12.7%	10.6	10.9%	0.0%	11.8	10.9%
Customs	2.3	9.3%	2.4	0.8%	-1.2%	2.4	2.1%
Union excise duty	3.1	-4.3%	3.1	-0.1%	-4.4%	3.2	3.9%
Gross tax collections	**34.7**	**13.5%**	**38.5**	**11.2%**	**0.3%**	**42.7**	**10.8%**
Net tax collections	**23.3**	**10.9%**	**25.6**	**9.9%**	**-1.0%**	**28.4**	**11.0%**

Source: Budget Documents, NSE EPR. BE – Budget Estimate, RE – Revised Estimate. Growth in FY26BE is based on revised estimates for FY25

Non-tax revenues in FY26 to find support from higher dividends

- Non-tax revenues is budgeted to grow by 9.8% in FY26BE, on top of an average growth of 36.5% over the previous two years, to Rs 5.8 lakh crore.
- More than two-third of this increase is expected to come from dividends and profits from RBI/PSUs—budgeted to grow 12.3% to record-high of Rs 3.25 lakh crore.
- Receipts from communication services, on the other hand, are budgeted to drop by 33.2% to Rs 82,443 crore, after registering a strong 36.1%/39.8% growth in FY25RE/FY24.

Figure 6: Annual non-tax collections trend

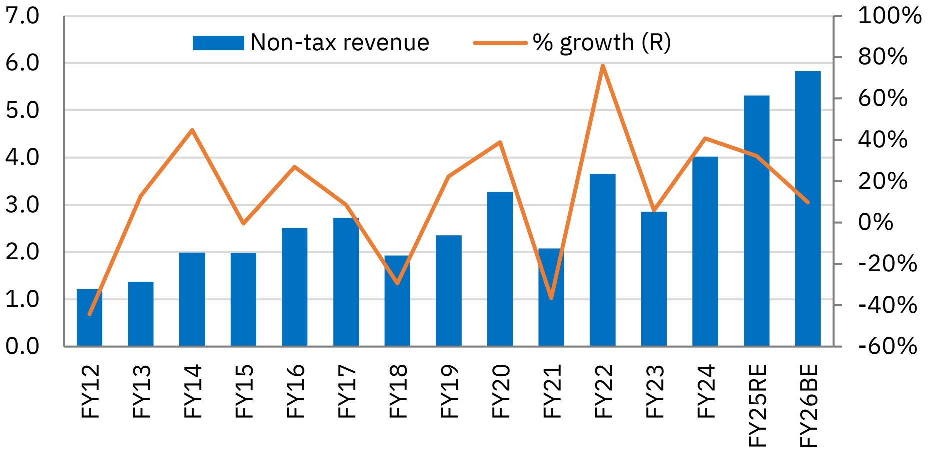


Table 5: Surge in interest receipts and dividend & profits to result in a steady growth in non-tax revenues in FY26

Rs crore	FY24	FY24 (% YoY)	FY25RE	FY25RE (% YoY)	% change from BE	FY26BE	FY26BE (% YoY)
Non-tax revenue	**4,01,785**	**40.8%**	**5,31,000**	**32.2%**	**-2.7%**	**5,83,000**	**9.8%**
Interest receipt	38,261	37.4%	34,042	-11.0%	-10.9%	47,738	40.2%
Dividends and profits	1,70,877	71.0%	2,89,285	69.3%	0.1%	3,25,000	12.3%
Other non-tax revenue	1,92,648	22.2%	2,07,674	7.8%	-4.9%	2,10,262	1.2%

Source: Budget Documents, NSE EPR. BE – Budget Estimate, RE – Revised Estimate,. Growth in FY26BE is based on the revised estimate for FY25

Disinvestments budgeted at Rs 47,000 crore in FY26

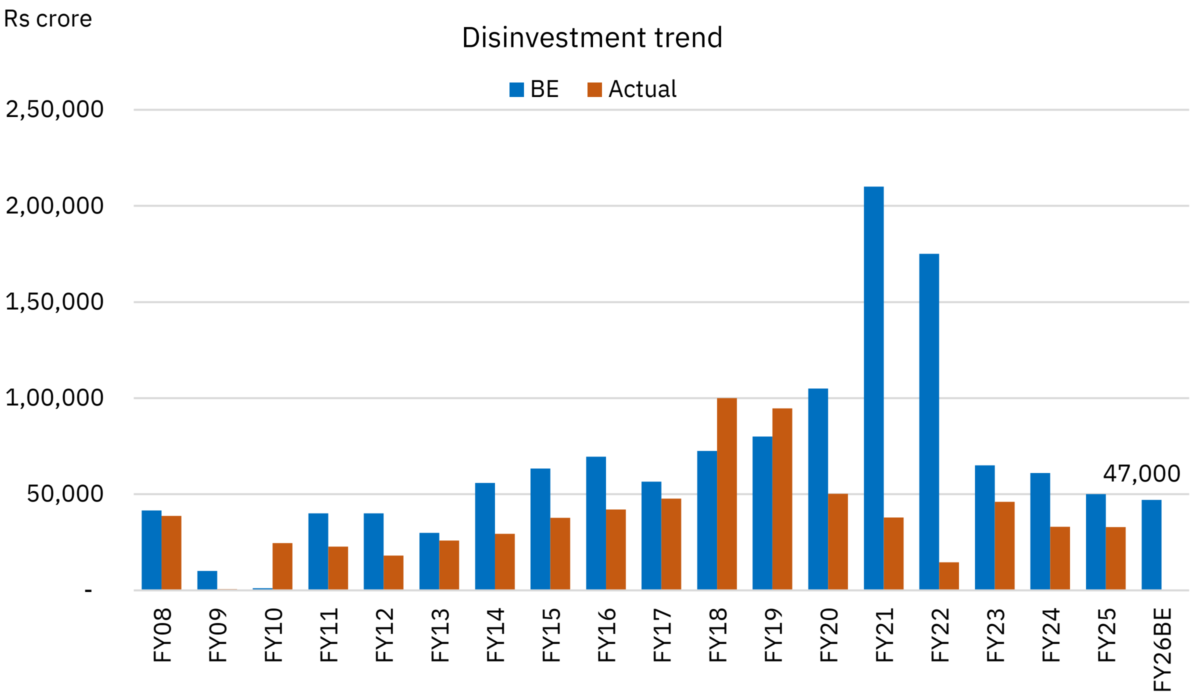
- Disinvestment in FY25RE at Rs 33,000 crore are expected to fall short by 34% from the budgeted estimate
- This, however, is still much higher than Rs 8,994 crore garnered in the first nine months of the fiscal, as per the monthly accounts.
- In FY26, the Government aims to raise Rs 47,000 crore through divestments—the lowest budgeted amount in the last 13 years.

Table 6: Key disinvestments in FY25 (Apr'24-Jan'25)

Name	% of Govt. stake sold	Method	Receipts (Rs cr)	Govt. stake post disinvestment
Others (Remittance from SUUTI)	0.0	Others	815.0	0.0
General Insurance Corporation of India	3.4	Offer for sale	2,345.6	82.4
Cochin Shipyard Ltd.	5.0	Offer for sale	2,015.3	67.9
Others (HZL)	1.6	Offer for sale	3,449.2	27.9
Ferro Scrap Nigam Ltd.	0.0	Strategic disinvestment	0.0	0.0
Total			**8625.1**	

Source: DIPAM

Figure 7: Annual trend of revenue proceeds through the disinvestment route



Source: Budget Documents.
Note: The Actual number for FY25 is the revised estimate from the Budget Document

Continued thrust on capex

- Capex continues to remains a key focus, with a 10.1% YoY increase in outlay to Rs 11.2 lakh crore, translating into an annualized growth of 20.3% since the pre-pandemic period (FY19-26BE).
- As a % of GDP, capex has been sustained at 3.1%, consistent with FY25 revised estimates, and much higher than the pre-pandemic levels.
- The expenditure mix has been improving, with the share of capex in total expenditure at 22.1% being the highest in the last 31 years.
- Primary focus areas include Roads, Railways, Defence, Telecommunications and Housing & Urban Affairs, accounting for 72% of the total FY26BE capex.
- Roads received the largest allocation of Rs 2.7 lakh crore for FY26.

Figure 8: Annual revenue and capital expenditure trend

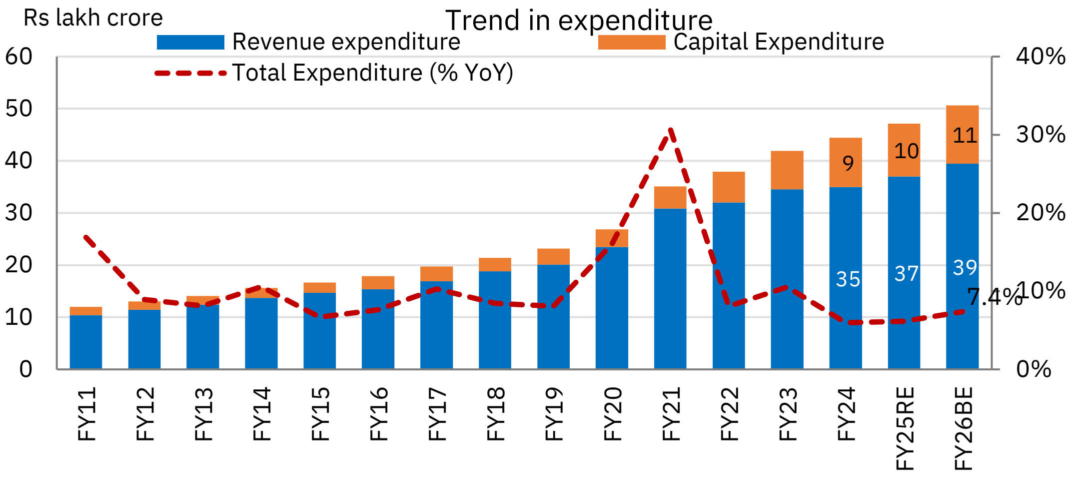


Figure 9: Share of capex in overall expenditure has improved meaningfully…

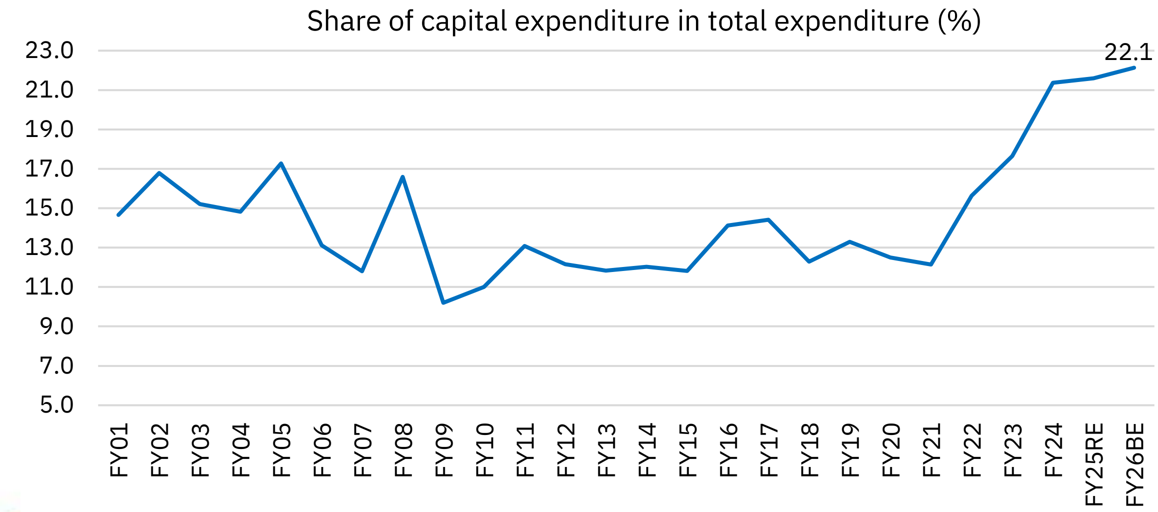
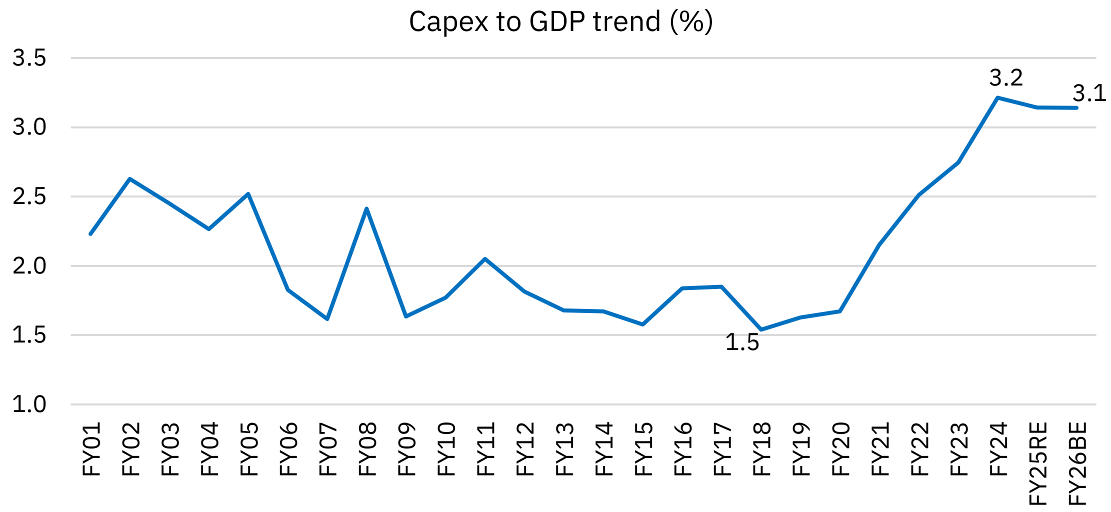


Figure 10: …And so as a % of GDP



Source: Budget Documents, NSE EPR.
RE – Revised Estimate, BE – Budget Estimate

Ministry-wise outlay

Table 7: Ministry-wise total outlay (includes Internal and Extra Budgetary Resources, IEBR)

(Rs crore)	FY23			FY24			FY25RE			FY26BE				
Departments	Revenue	Capital	IEBR	Revenue	Capital	IEBR	Revenue	Capital	IEBR	Revenue	Capital	IEBR	Total outlay	%YoY
Food and Public Distribution	2,81,733	2,011	0	2,21,334	10,889	48,277	2,05,366	109	25,500	2,11,386	20	28,723	2,40,129	4.0
Road Transport & Highways	11,104	2,05,986	0	12,074	2,63,912	0	8,038	2,72,481	0	15,092	2,72,241	0	2,87,333	2.4
Railways	3,154	1,59,256	44,727	3,213	2,42,579	19,568	3,348	2,52,000	13,000	3,445	2,52,000	13,000	2,68,445	0.0
Defence	4,22,202	1,50,896	2,809	4,44,945	1,64,559	3,221	4,70,575	1,70,485	3,554	4,88,823	1,92,388	4,064	6,85,274	6.3
Rural Development	1,76,837	0	0	1,61,929	2	0	1,73,908	4	0	1,87,750	4	0	1,87,755	8.0
Telecommunications	64,232	54,729	0	27,504	59,380	1,050	49,413	74,995	698	29,220	51,785	765	81,770	-34.6
Power	9,290	23	57,384	16,202	125	54,446	18,718	1,127	70,710	21,189	658	85,838	1,07,685	18.9
New and Renewable Energy	7,550	13	18,249	7,918	11	37,828	17,291	7	31,701	26,542	7	35,460	62,009	26.5
Housing & Urban Affairs	50,432	26,878	16,512	42,124	26,441	23,384	32,008	31,662	42,095	59,154	37,623	62,207	1,58,984	50.3
Labour and Employment	14,757	38	0	11,354	31	0	18,269	38	0	32,607	39	0	32,646	78.3
Health and Family Welfare	70,258	3,051	54	78,295	1,997	92	84,033	2,550	70	92,333	3,624	93	99,951	10.8
MSMEs	23,135	406	150	21,189	594	135	16,718	589	240	22,452	716	270	23,438	33.6
Drinking Water & Sanitation	59,655	0	0	76,568	3	0	29,915	2	0	74,225	1	0	74,226	148.1
Others	22,58,793	1,36,738	2,23,236	23,69,604	1,78,671	2,01,966	25,70,456	2,12,382	1,94,874	26,76,137	3,09,981	2,01,171	31,87,289	7.2
Total	**34,53,132**	**7,40,025**	**3,63,120**	**34,94,252**	**9,49,195**	**3,89,966**	**36,98,058**	**10,18,429**	**3,82,441**	**39,44,255**	**11,21,090**	**4,31,591**	**54,96,936**	**7.8**

Source: Budget Documents, NSE EPR.
IEBR – Internal and Extra Budgetary Resources
RE – Revised Estimate, BE – Budget Estimate

Revenue expenditure grows at a steady pace

- Focus on containing revenue expenditure has continued to achieve fiscal prudence, with the figure for FY26 budgeted to grow at a steady 6.7% to Rs 39.4 lakh crore, marking the fifth year in a row of single-digit growth (CAGR: +5.0%).
- Subsidy expenditure, a key component of revenue expenditure, remained largely stable in absolute terms at Rs 4.26 lakh crore in FY26BE (vs. Rs 4.28 lakh crore in FY25RE). However, it has declined sharply by 44% from its peak in FY21.
- However, the share of subsidies in overall expenditure has been on a steady decline since the pandemic, reaching a 25-year low of 8.4% in FY26BE

Figure 11: Annual revenue expenditure trend

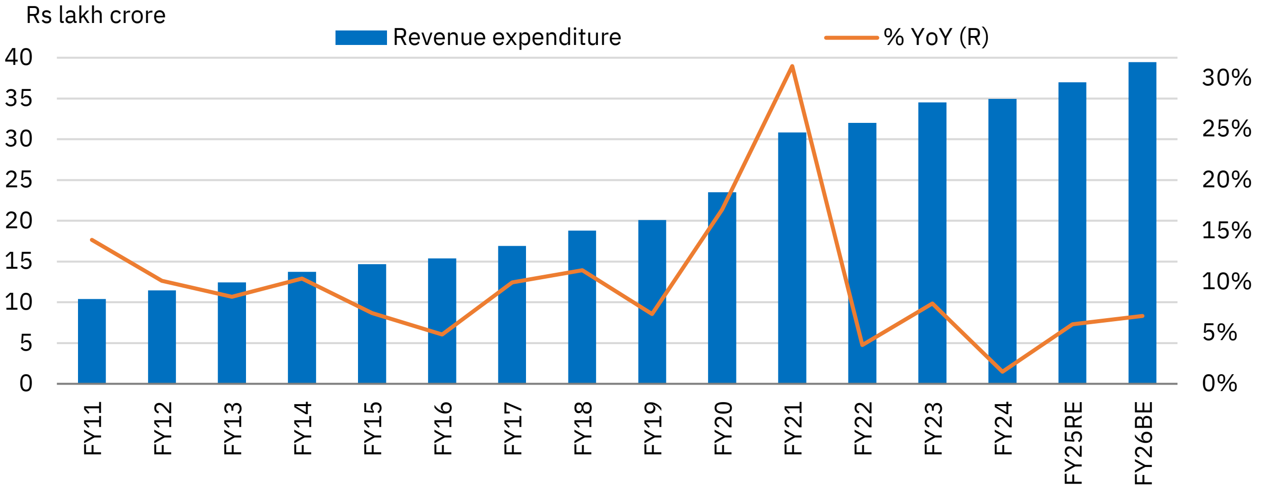


Figure 12: Mix of government revenue expenditure across major items (%)

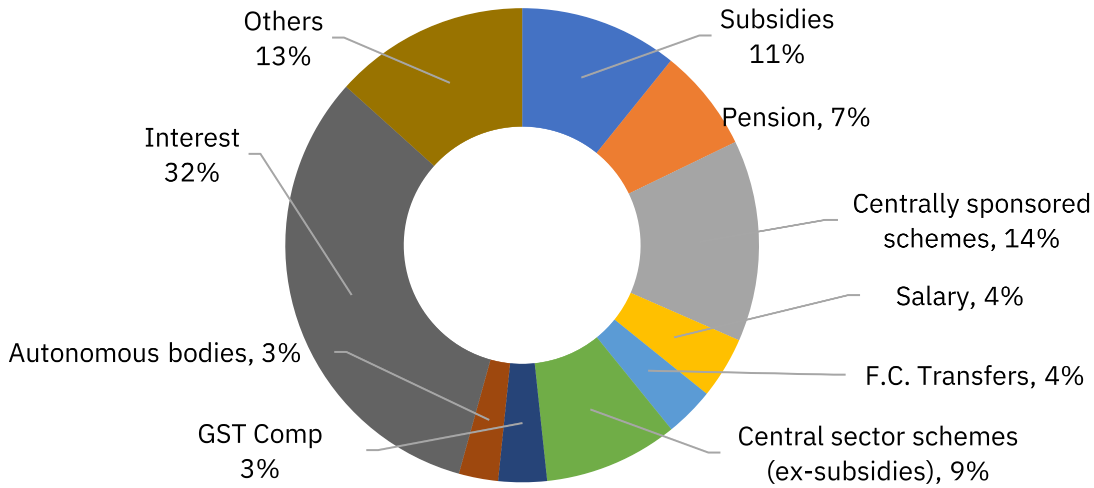
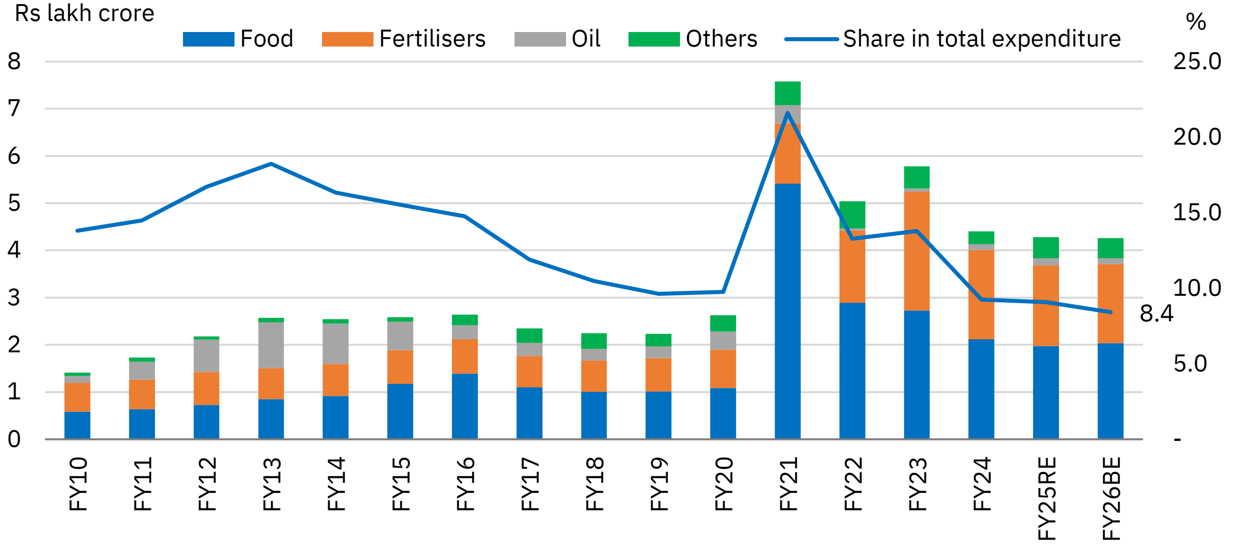


Figure 13: Subsidy expenditure budgeted to decline by 0.4% in FY26BE



Source: Budget Documents, NSE EPR.
RE – Revised Estimate, BE – Budget Estimate

Spending in social programs see a rise

Figure 14: Rural employment (MGNREGS Scheme)

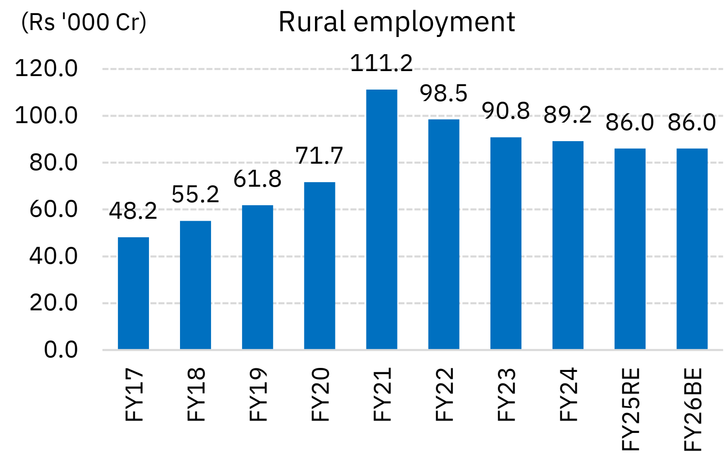


Figure 15: Housing for All (PMAY*)

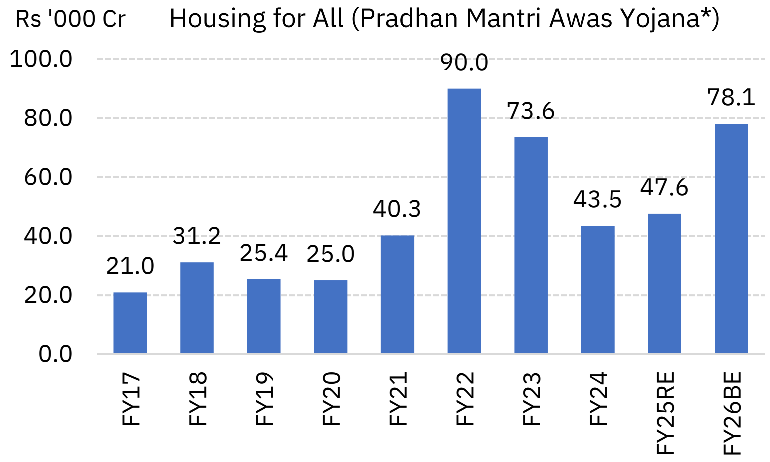


Figure 16: Rural Infrastructure (PMGSY)

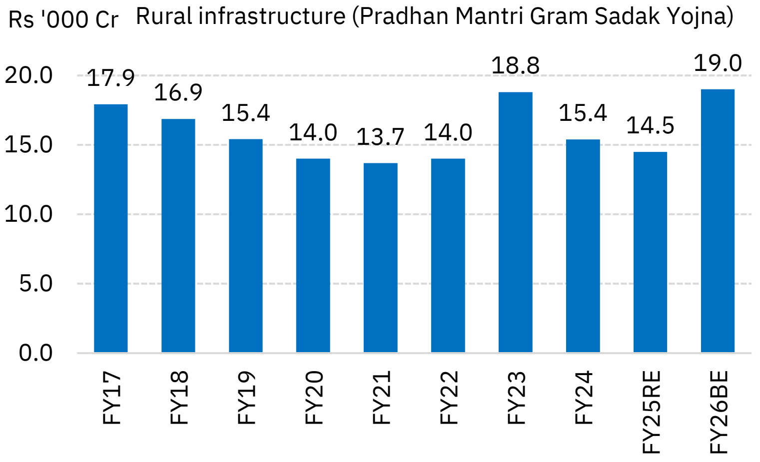


Figure 17: Education (NEM)

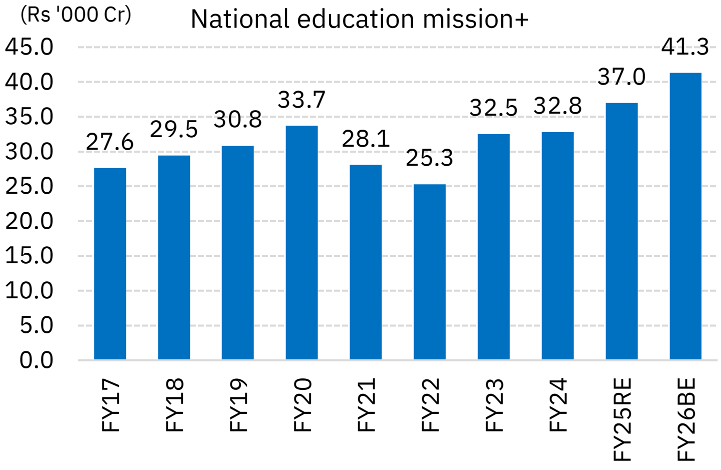


Figure 18: Swachh Bharat Mission

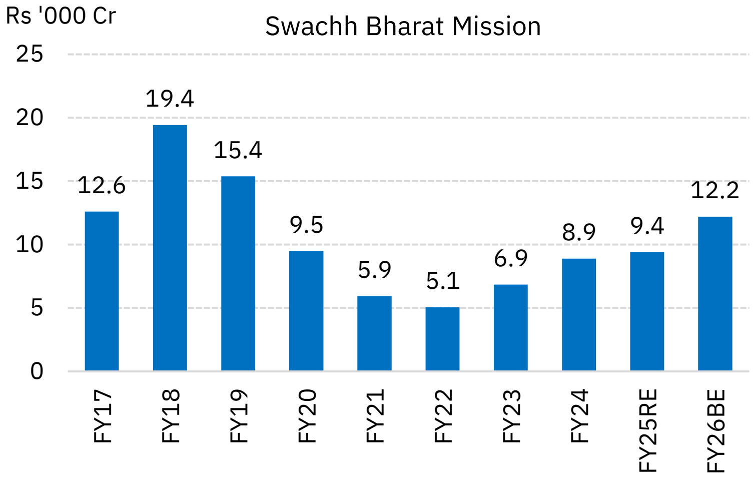
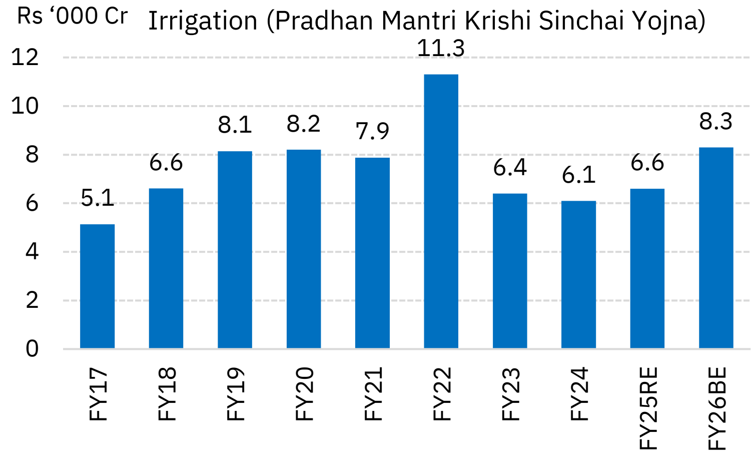


Figure 19: Irrigation (PMKSY)



NSE

Source: Budget Documents, NSE EPR
* Includes Rural and Urban (1.0,2.0); + referred to as Samagra Shiksha
RE – Revised Estimate, BE - Budget Estimate

Reliance on IEBR remains low

- The Government has continued to focus on bringing transparency in finances by reducing reliance on off balance sheet items including internal and extra budgetary resources (IEBR).
- The share of capex through IEBR has moderated in the years since the pandemic, with a marginal uptick to 27.8% in FY26BE
- The effective capital spending of the Government (excluding IEBR) stands at Rs 15.5 lakh crore for FY26BE, up 17.4% YoY.

Figure 20: Trend of capital outlay breakup

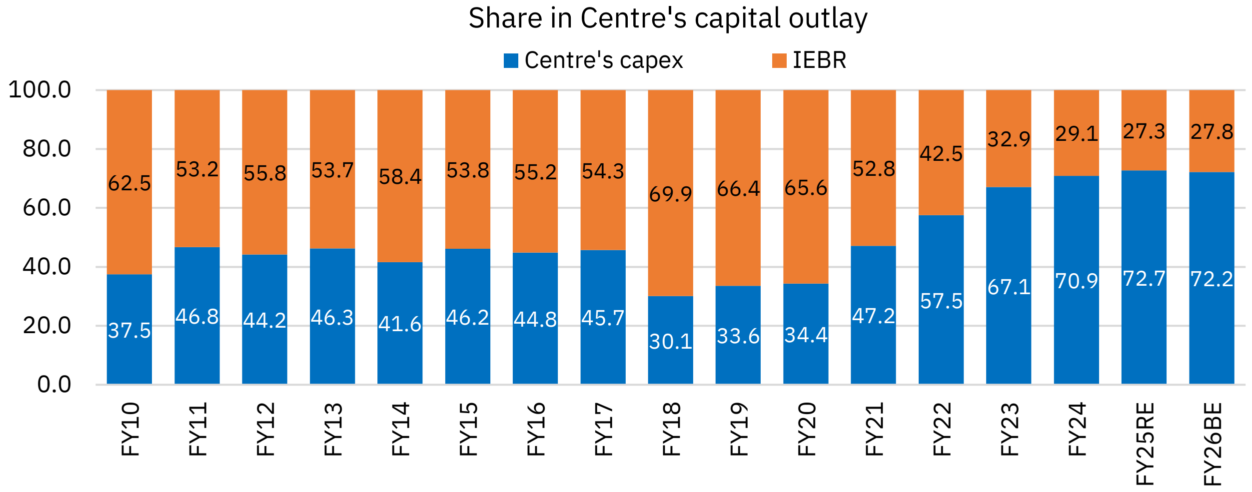


Table 8: Centre's total capital outlay

Rs crore	FY22	FY23	FY24	FY25RE	FY26BE
1. Budgetary capex	**5,92,874**	**7,40,025**	**9,49,195**	**10,18,429**	**11,21,090**
% YoY	*39.1%*	*24.8%*	*28.3%*	*7.3%*	*10.1%*
2. Grant in aid for creation of capital assets	2,42,646	3,06,264	3,03,916	2,99,891	4,27,192
% YoY	*5.1%*	*26.2%*	*-0.8%*	*-1.3%*	*42.4%*
3. Effective capex (1 + 2)	**8,35,520**	**10,46,289**	**12,53,111**	**13,18,320**	**15,48,282**
% YoY	*27.1%*	*25.2%*	*19.8%*	*5.2%*	*17.4%*
4. IEBR	4,37,600	3,63,120	3,89,966	3,82,441	4,31,591
% YoY	*-8.4%*	*-17.0%*	*7.4%*	*-1.9%*	*12.9%*
5. Total capex (3 + 4)	**12,73,120**	**14,09,409**	**16,43,077**	**17,00,761**	**19,79,873**
% YoY	*12.2%*	*10.7%*	*16.6%*	*3.5%*	*16.4%*

Source: Budget Documents, NSE EPR. Growth in FY26BE figures are over revised estimates for FY25.
IEBR – internal and Extra Budgetary Resources. RE – Revised Estimate,, BE – Budget Estimate

Market loans and small savings to fund 95% of fiscal deficit

- Gross market borrowings are pegged to increase by 5.8% to Rs 14.8 lakh crore in FY26BE, with implications for bond markets.
- Net market borrowings have inched up by a slightly higher 7.4% to Rs 11.5 lakh crore, thanks to higher repayments in the FY25RE.
- Market borrowings to fund 73.5% of the deficit in FY26, with small savings to fund another 22% (vs. 26.2% in FY25RE). Nearly 9% of the deficit was funded by draw-dawn of cash balances in FY25RE.
- Nearly 59% of the Centre's debt is set to mature over the next 10 years, with the share of maturities in 20+ years bucket rising from 15% in FY19 to 24% in FY26BE.

Table 9: Sources of funding the deficit

Rs lakh crore	FY23	FY24	FY25RE	% of total	FY26BE	% of total	% YoY
Gross market borrowings*	14.2	15.4	14.0		14.8	6%	
Net market borrowings	11.1	11.8	10.7	68.5	11.5	7%	73.5
Short-term borrowings	1.1	0.5	-1.2	-7.6	-	-100%	0.0
External assistance (net)	0.4	0.6	0.3	2.0	0.2	-27%	1.5
Small savings (net)	4.0	4.5	4.1	26.2	3.4	-17%	21.9
State provident funds (net)	0.1	0.1	0.1	0.3	0.1	0%	0.3
Draw down of cash balance	-0.0	0.0	1.4	8.9	0.0	-98%	0.2
Other capital receipts	0.8	-0.9	0.3	1.7	0.4	57%	2.6
Total	**17.4**	**16.5**	**15.7**		**15.7**		

Note: Net market borrowings in FY25RE is after adjusting for switching of securities and buyback

Figure 21: Nearly 2/5th of Centre's debt has maturity beyond 10 years

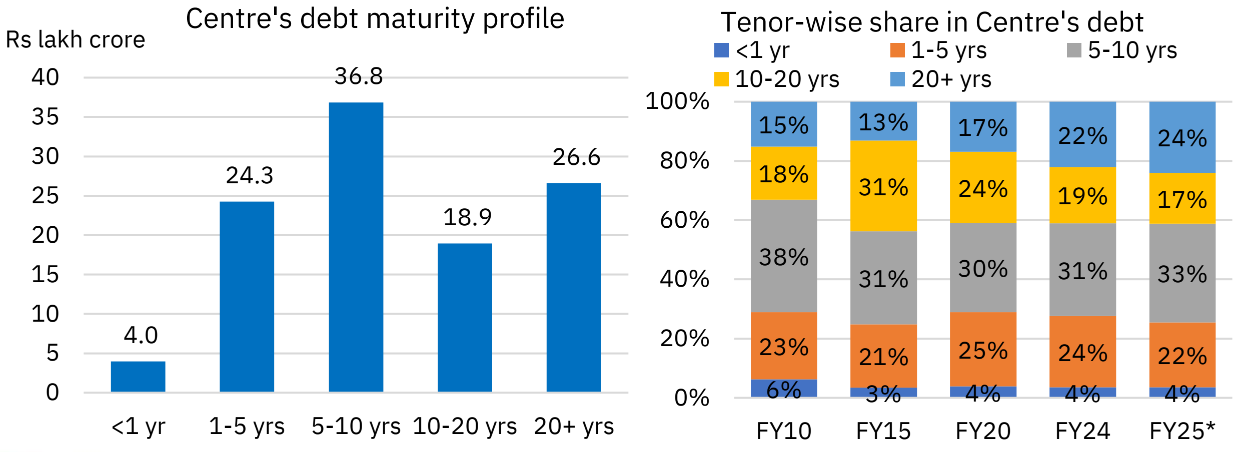
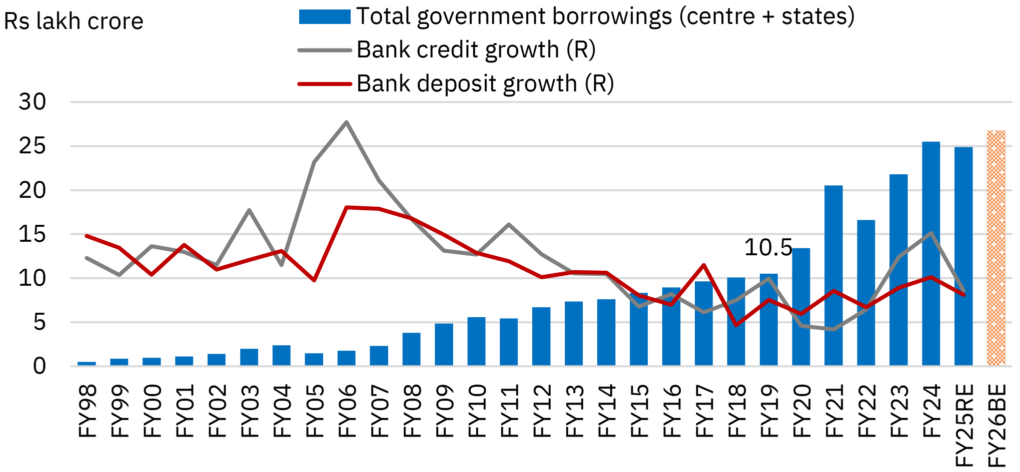


Figure 22: Centre's gross borrowings pegged at Rs 14.8 lakh crore in FY26



Notes: State borrowing for FY26BE is assumed to grow by 10% (vs. 8.1% in FY25) to ~Rs 12 lakh crore.

NSE Source: Budget Documents, RBI, CMIE, NSE EPR. *Excludes switching of securities.
*As of January 27th, 2024. 2025BE – Budget Estimate, RE – Revised Estimate

Debt to GDP projected to follow a declining path

- FRBM guidelines prescribe a declining trend in the Centre's debt to GDP **to ~50% +/- 1%** by FY2031 (vs. **55.1%** in FY26)
- That said, general government liabilities (Centre + states) to GDP ratio has increased by almost **11.5pp** since FY19 to ~85% in FY25.
- Since FY21, rising debt levels have translated into an increase in effective interest rates along with higher average 10Y GSec yields.

Figure 23: Central debt to GDP for India relative to peers

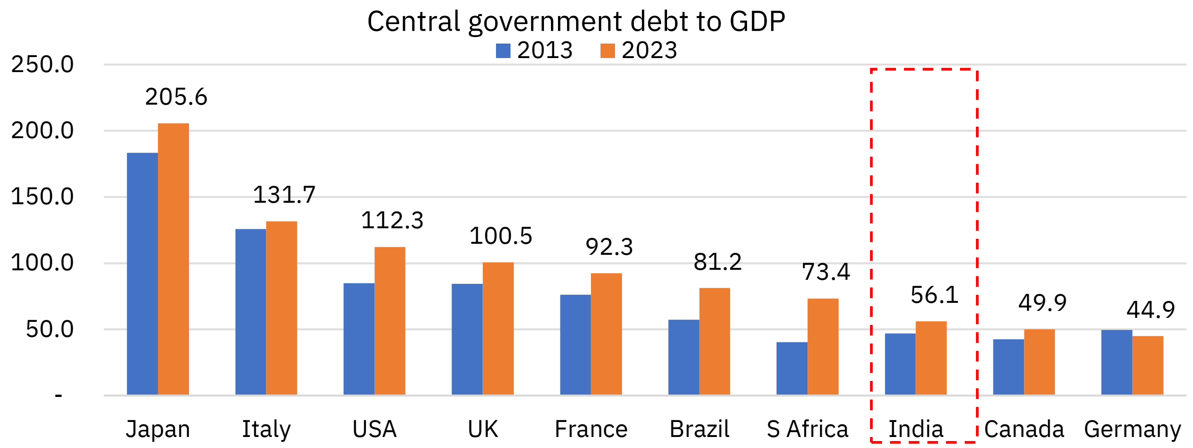


Figure 24: Centre's OS liabilities and effective interest rates

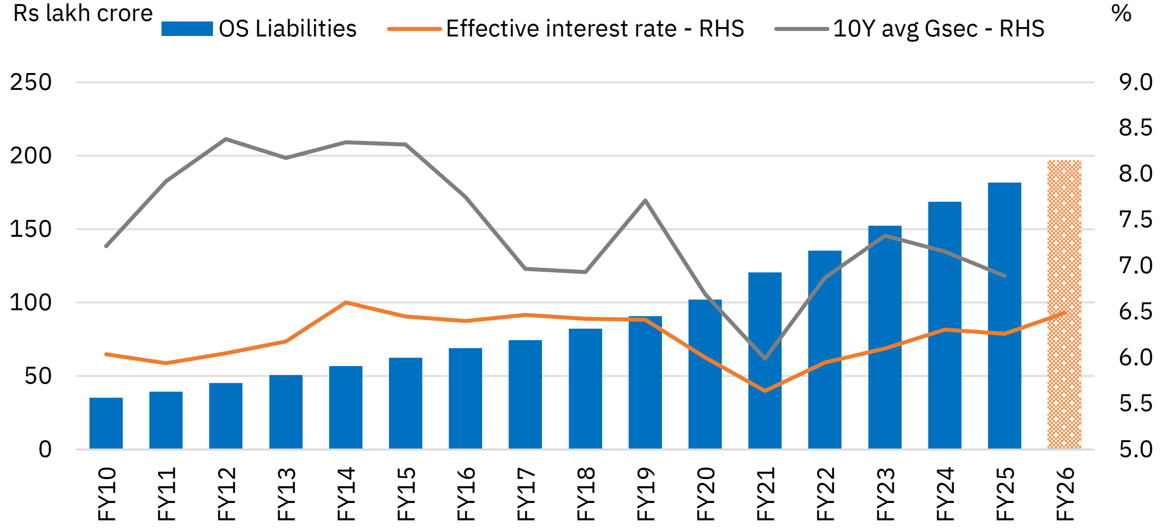
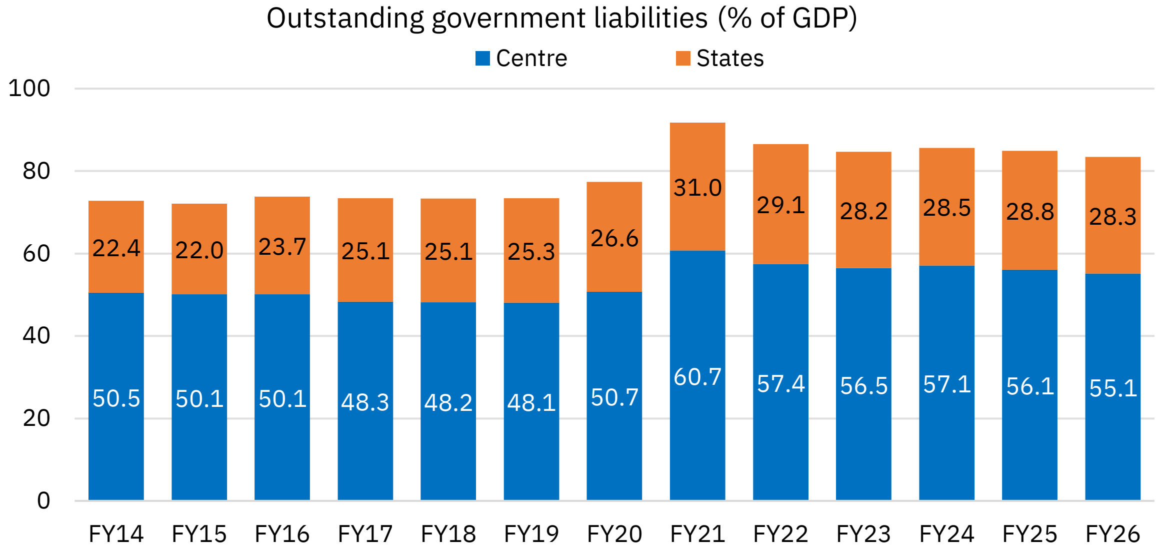


Figure 25: General Government liabilities to GDP ratio is tapering off gradually



Source: Budget Documents, RBI, CMIE, IMF, NSE EPR. *Excludes switching of securities.
10Y average GSec yield for FY25 is till Jan 31st, 2025

Note: Assuming the state's debt to GSDP will be reduced by 0.5 pp in FY26

India’s debt levels are lower than advanced economies

Figure 26:India’s break-up of debt to GDP across categories

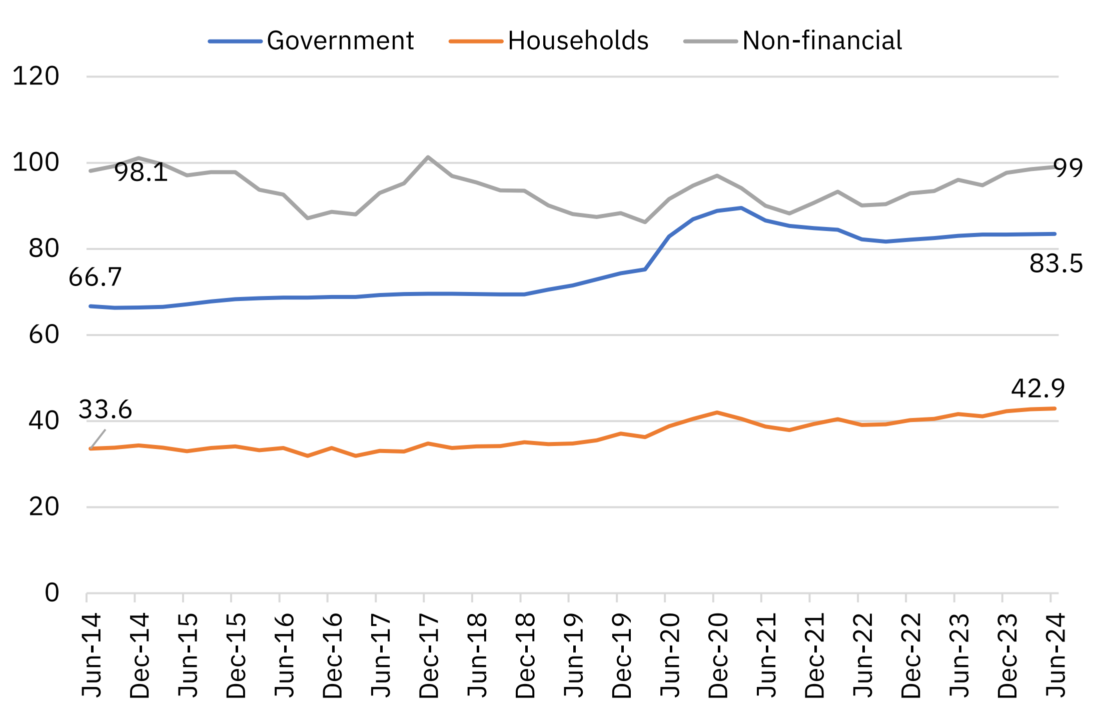
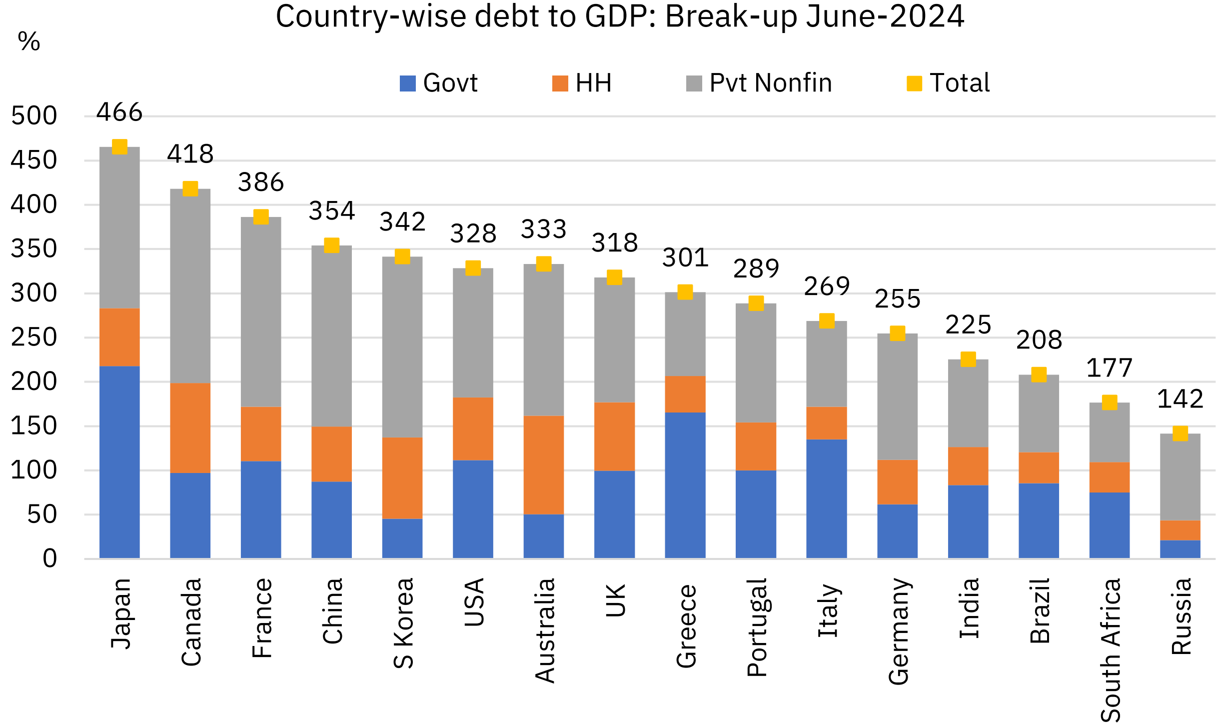


Figure 27: Country-wise, category-wise debt to GDP (%)



- India’s overall debt levels at around **225%** of GDP as of June 2024, has been lower than many of the advanced economies
  - **Japan:** 466%; **France:** 386%; **China:** 354%; **USA:** 328%; **UK:** 318%
- General government debt, which had peaked to **~90%** in March 2021, has tapered off since but continues to remain elevated
- In the last decade (since June 2014), household and government debt has increased by around **9.3 pp** and **16.8 pp** respectively, while debt to the non-financial sector has remained volatile

Source: LSEG Datastream, NSE EPR; Note: Country-wise debt figures for UK, France , South Korea, Brazil, South Africa, Italy, Greece and Portugal is as of quarter ended March 2024

Direct tax measures

- New income tax bill has been proposed.
- Nil income tax for total income upto Rs 12 lakh for resident individuals under the new regime. This limit is Rs 12.75 lakh for salaried taxpayers, due to standard deduction of Rs 75,000.

Table 10: Revised income tax slabs under the new tax regime for FY26

Income slabs	Upto Rs 4 lakh	4-8 lakh	8-12 lakh	12-16 lakh	16-20 lakh	20-24 lakh	Above 24 Lakh
Tax rate	NIL	5%	10%	15%	20%	25%	30%

- The limit for tax deduction on interest for senior citizens is increased from Rs 50,000 to Rs 1 lakh.
- The limit for TDS on rent is increased from Rs 2.40 lakh per year to Rs 50,000 per month.
- The threshold to collect tax at source (TCS) on remittances under RBI's Liberalized Remittance Scheme (LRS) is proposed to be increased from Rs 7 lakh to Rs 10 lakh.
- No TCS on remittances for education purpose , where such remittance is out of a loan taken from a specified financial institution.
- No TCS on any transaction relating to sale of goods. However, higher TDS deduction will be applicable only in non-PAN cases.
- Extend the time-limit to file updated returns for any assessment year to four years from existing two years.
- Exemption from prosecution for delayed payment of TCS.

Personal income tax: Marginal savings to taxpayers

Table 11: Tax benefits in the revised tax slabs under the new tax regime (For income of Rs 25 lakhs)

Existing			Proposed		
Tax Slabs (Rs)	**Rate (%)**	**Tax (Rs)**	**Tax Slabs (Rs)**	**Rate (%)**	**Tax (Rs)**
Upto Rs 3 lakh	Nil	0	Upto Rs 4 lakh	Nil	0
Rs 3 - 7 lakh	5	20,000	Rs 4 - 8 lakh	5	20,000
Rs 7 - 10 lakh	10	30,000	Rs 8 - 12 lakh	10	40,000
Rs 10 - 12 lakh	15	30,000	Rs 12 - 16 lakh	15	60,000
Rs 12 - 15 lakh	20	60,000	Rs 16 - 20 lakh	20	80,000
Rs 15 - 25 lakh	30	3,00,000	Rs 20 - 24 lakh	25	1,00,000
			Rs 24 -25 lakh	30	30,000
Total tax		**4,40,000**			**3,30,000**
Total tax saving					**1,10,000**

Figure 28: Annual income limit for nil tax increased

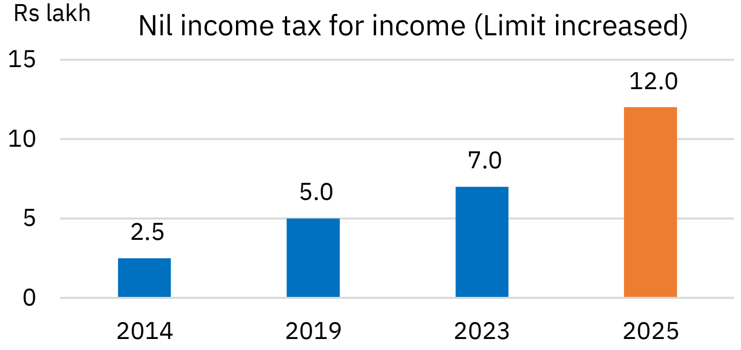


Table 12: Summary of tax benefits

Annual income	Tax benefits	Summary
Rs 12 lakh	Rs 80,000	100% saving of tax payable
Rs 18 lakh	Rs 70,000	30% saving of tax payable
Rs 25 lakh	Rs 1,10,000	25% saving of tax payable

- Nil tax slab increased to Rs 12 lakh annual income from existing Rs 7 lakh.
- Under the new tax regime:
  - A taxpayer with income of Rs 12 lakh will save Rs 80,000 – saving of 100% of tax payable as per existing rates.
  - A taxpayment with income of Rs 18 lakh will save Rs 70,000 – saving of 30% of the tax payable as per existing rates.
  - A taxpayer with income of Rs 24 lakh will save Rs 1.1 lakh – saving of 25% of the tax payable as per existing rates.

Indirect tax measures

Table 13: Export related measures

Products	Measures
Handicraft	▪ Extension of export window from six (6) months to one (1) year (extended by another three (3) months) ▪ Addition of nine (9) items to duty-free input list to promote exports.
Leather Sector	▪ Full BCD exemption on Wet Blue leather for domestic value addition and employment generation ▪ Exemption of crust leather from 20% export duty to facilitate exports by small tanners
Marine Products	▪ Reduction in BCD on Frozen Fish Paste (Surimi) from 30% to 5% ▪ Reduction in BCD from 15% to 5% on fish hydrolysate for manufacture of fish and shrimp feeds
Railway Goods	▪ Extension of 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 for railway goods.

Tariff simplification:

- Removed seven (7) tariff rates; only eight (8) including zero rate remain
- Apply appropriate cess to maintain effective duty incidence
- Exempted Social Welfare Surcharge on 82 tariff lines

Trade facilitation:

- Introduced 2-year deadline (extendable by 1 year) to finalise assessments, reducing trade uncertainty
- Allowed importers/exporters to voluntarily declare material facts and pay duty with interest, but no penalty, after goods clearance.
- Extended the time limit for the end-use of imported inputs from six (6) months to one (1) year with quarterly filing

Indirect tax measures (contd.)

Table 14: Import related measures

Products	Measures
Healthcare	▪ **36** life savings drugs/medicines added to fully Basic Custom Duty (BCD) exemption ▪ **6** life savings medicines to receive **5%** BCD ▪ **37** more medicines and **13** more new patient assistance programmes are fully exempted from BCD
Critical Minerals	▪ Full BCD exemption on cobalt powder and waste, the scrap of lithium-ion battery, Lead, Zinc and 12 more critical minerals
Textiles	▪ **2 more shuttle-less looms** added to fully exempted textile machinery to promote production of technical textile products ▪ BCD on knitted fabrics revised from **"10% or 20%"** to **"20% or Rs 115 per kg**, whichever is higher"
Electronic Goods	▪ BCD on Interactive Flat Panel Displays **(IFPD)** increased from **10% to 20%** ▪ BCD on Open Cell and other components **reduced to 5%** ▪ Parts of Open Cell are fully exempted from BCD
Lithium-Ion Battery	▪ Addition of **35 capital goods** for promoting EV manufacturing and **28 for mobile phone** battery manufacturing in the list of exempted capital goods
Shipping Sector	▪ Extension of BCD exemption on raw materials, components, consumables or parts for the manufacture of ships and shipbreaking for another ten years
Telecommunication	▪ Reduction of BCD from **20% to 10%** on Carrier Grade ethernet switches to prevent classification dispute

NSE

Key sector-wise announcements and implications

Sector	Announcement Highlights	Implications
Agriculture	▪ PM Dhan-Dhaanya Krishi Yojana for 100 low-productivity districts ▪ Mission for Aatmanirbharta in Pulses focusing on Tur, Urad, and Masoor ▪ Comprehensive Programme for Vegetables & Fruits ▪ Makhana Board in Bihar ▪ National Mission on High Yielding Seeds ▪ Urea plant in Assam with annual capacity of 12.7 lakh metric tons ▪ Mission for Cotton Productivity	▪ Increase agricultural productivity and better credit access ▪ Enhance self-sufficiency in pulses, better procurement ▪ Improve nutrition, processing, and farmer incomes ▪ Boost to makhana production and marketing ▪ Strengthen research, climate-resilient crops ▪ Increase urea production ▪ Increase cotton yields, support for farmers and textile sector
MSMEs & Manufacturing	▪ Revision of MSME classification criteria ▪ Term loans up to Rs 2 crore for first time entrepreneurs (Women, SC, ST) during the next five years ▪ Focused product schemes for footwear and leather sectors ▪ Enhanced credit guarantee for MSMEs & startups ▪ Manufacturing Mission for Make in India ▪ National Action Plan for Toys	▪ Greater scale efficiencies and credit access for MSMEs ▪ Increase employment opportunities ▪ To create 22 lakh jobs and generate turnover of Rs 4 lakh crore ▪ Increase funding for businesses and employment generation ▪ Support for clean tech, solar PVs, and EV batteries ▪ Boost to indigenous toy industry, job creation
Infrastructure & Investment	▪ Public-Private Partnership (PPP) pipeline for infrastructure projects ▪ Asset Monetization Plan 2025-30 to invest Rs 10 lakh crore in new projects ▪ Jal Jeevan Mission extended to 2028 ▪ Urban Challenge Fund of Rs 1 lakh crore for city development ▪ Rs 1.5 lakh crore interest free loans to states for capex and reforms	▪ More private sector participation, improved project execution ▪ Unlocks additional capital for infrastructure spending ▪ Increase coverage of potable water access in rural India ▪ Enhance urban infrastructure and governance reforms ▪ Support to states for infrastructure growth

Key sector-wise announcements and implications (Contd..)

Sector	Announcement Highlights	Implications
Rural Development	▪ Rural Prosperity and Resilience Programme ▪ India Post to act as a rural economic catalyst	▪ Job creation, reduced migration from rural areas ▪ Expand financial inclusion and logistics for small businesses
Energy & Power	▪ Nuclear Energy Mission - Development of 100 GW nuclear power by 2047 ▪ Power Sector Reforms - Incentives for DISCOM improvements	▪ Strengthen energy security, reduced carbon footprint ▪ Financially healthier electricity distribution companies
Education & Skilling	▪ Expansion of IITs and 10,000 additional medical seats ▪ National Centres of Excellence for Skilling	▪ Strengthen higher education and healthcare workforce ▪ Improve workforce readiness for future jobs
Technology & Innovation	▪ PM Research Fellowship - 10,000 fellowships in IITs & IISc ▪ Deep Tech Fund of Funds for startups ▪ National Geospatial Mission	▪ Boost to R&D and cutting-edge research ▪ Support for next-gen tech startups in AI, biotech, etc. ▪ Improve urban planning, logistics and reduce land disputes
Exports & Global Trade	▪ Export Promotion Mission with sectoral targets ▪ BharatTradeNet – Digital public infrastructure for trade	▪ Growth in India's exports and global trade competitiveness ▪ Faster, transparent international trade processes
Tourism & Culture	▪ Top 50 tourist destinations to be developed via PPP ▪ Medical tourism & Heal in India program	▪ Boost to tourism-led employment and economy ▪ Enhance foreign patient inflow, growth in healthcare services

Financial, IFSC and Banking sectors

- FDI limit in insurance sector to be increased from 74% to 100% for companies investing the entire premium in India.
- Services of India Post Payment Bank to be expanded to enhance financial inclusion in rural areas.
- Grameen Credit Score framework to be developed by PSU banks to cater to credit needs of SHGs and rural population.
- Capital gains on Non-residents, incl. FPIs to be taxed at 12.5% from the current 10%.
- NaBFID to set up ‘Partial Credit Enhancement Facility’ for corporate bonds focused on infrastructure.
- Forum for regulatory coordination and development of pension products to be set up
- Central KYC Registry to be revamped to be simplify KYC process and reduce compliance burden.
- Bilateral Investment Treaties (BIT) model to be revamped to encourage sustained foreign investments in India.
- A new mechanism under the Financial Stability and Development Council (FSDC) to evaluate and enhance the responsiveness of financial regulations.
- Focus on light-touch regulatory framework that is modern, flexible and people-friendly.
- Special benefits to ship-leasing units, insurance offices and treasury centres in IFSCs. Cut-off date for commencement in IFSC extended to March 31st, 2030 to claim benefits.
- Special tax exemption scheme for global Sovereign Wealth Funds (SWFs) and Pension funds investing in the infrastructure sector extended till March 31st, 2030.

Economic Policy and Research

Tirthankar Patnaik, PhD	tpatnaik@nse.co.in	+91-22-26598149
Prerna Singhvi, CFA	psinghvi@nse.co.in	+91-22-26598316
Prosenjit Pal	ppal@nse.co.in	+91-22-26598163
Ashiana Salian	asalian@nse.co.in	+91-22-26598163
Sushant Hede	shede@nse.co.in	+91-22-26598237
Anand Prajapati	aprajapati@nse.co.in	+91-22-26598163
Sounak Ghosh	sounakg@nse.co.in	
Gautam Sodani	gsodani@nse.co.in	
Sumiti Manchanda	smanchanda@nse.co.in	
Aratrik Chakraborty	aratrikc@nse.co.in	

We acknowledge the contribution of Shantanu Sharma, Mihir Raravikar, Dhruvi Shah, Ranjeet Singh, Shashidharan Sharma and Eshita Verma to this publication