



 **AngelOne[®]**

**Union
Budget 2025**

Report



Focus on fiscal consolidation and consumption; however, capital expenditure push intact

Fiscal deficit for FY2026 at 4.4%.

The Government has fixed the deficit for FY2026 at 4.4% of the GDP that is below the earlier set target of 4.5%. The revised deficit figure of 4.8% for FY2025 was marginally lower than budgeted.

Maintained its fiscal discipline path.

The Government expenditure for FY2025 was revised downwards to ₹47.1 lakh Cr. from the budget estimate of ₹48.2 lakh Cr. This was led primarily on account of lower capex due to the election year. Capital expenditure for the year stood at ₹10.18 lakh Cr, lower than budget estimates of ₹11.1 lakh Cr.

Capital Expenditure

For FY26, the budget has set the CAPEX target of ₹11.2 Lakh Cr, a growth of 10% over the revised estimates, which is in line with the nominal GDP growth estimates. But this is just marginally up from the FY24 budgeted figure. For continuing the capex push, this budget has proposed an outlay of Rs 1.5 Lakh Cr for the 50-year interest-free loans to states for capital expenditure and incentives for reforms.

Key Highlights of the Budget

The Union Budget clearly has a focus towards revitalizing demand, Rural Development, Agriculture & Allied Activities, SMEs and skill development. Key measures announced by the Government are:

Tax relief for Middle class

- The budget has provided tax relief to the middle class by offering rebates for individuals with incomes up to ₹ 12 Lakh under the new regime. We believe that an individual in the ₹ 12 Lakh salary bracket will save roughly ₹ 80-90 thousand per year. This is expected to spur Urban consumption, which has been a cause for concern for multiple quarters.

Push for Rural, Agriculture, MSMEs

- Focus on Rural and Skill Development: The budget puts emphasis on Rural Development and Agriculture & Allied Activities, with a total outlay of ₹ 2.66 Lakh Cr and ₹ 1.71 Lakh Cr respectively. The focus of the budget has been on ways to improve productivity by various means including credit availability, R&D and supply chain improvements.
- The budget also focuses on MSMEs such as footwear, leather, and toys. New ₹ 10,000 Cr fund-of-funds for tech upgradation in MSMEs and startups. Formalization of the gig economy is attempted through provision of social security, including health care coverage and linkage with the e-Shram portal. There is a push for Tourism as an employment generation sector, with plan to develop 50 destinations in cooperation with states.
- Allocation to Railways and Roads is relatively unchanged at ₹ 2.55 Lakh Cr and ₹ 2.72 Lakh Cr, respectively. Maritime development fund of 25,000cr is announced for shipping sector growth. New UDAAN scheme to connect 120 destinations over the next 10 years.

Changes in Income Tax regime

This budget is the first full-year budget after the general election. Over the past decade, the government has tried to adopt a supply-side reform approach. But due to general concerns regarding falling demands, some focus is diverted to the demand side of the economy.

This year's budget provides meaningful tax relief to the middle class. The Government further modified the income tax slabs under the new tax regime. The rebate limit is increased to INR 12 Lakh from INR 7 Lakh under the new regime. Thus, people with incomes up to 12.75 Lakh (considering standard deduction of 75,000) will not have to pay any income tax. On the consumption front, this could put some extra money in taxpayers' hands and support consumption demand and increase private investments. The revision is expected to impact Government's revenue by approx. INR 1 Lakh Cr annually.

Apart from that the budget tries to rationalize TDS and TCS rates in certain sections.

Earlier- Slab		Revised-Slab	
Income	Tax Rate	Income	Tax Rate
0-3 lakh	Nil	0-4 lakh	Nil
3-7 lakh	5%	4-8 lakh	5%
7-10 lakh	10%	8-12 lakh	10%
10-12 lakh	15%	12-16 lakh	15%
12-15 lakh	20%	16-20 lakh	20%
15+ lakh	30%	20-24 lakh	25%
		24+ lakh	30%

Tax revenue assumptions for FY2026 appear slightly optimistic

Gross tax collections for FY2026 are expected to grow at 10.8%, which is slightly above the nominal GDP growth estimate of 10.1%. Net tax collections growth is expected to be at 11% in FY2026.

Indirect tax collections excluding GST are expected to grow by 3% YoY. GST collections are expected to grow by 10.9% yoy while customs duties are expected to grow by 2.1% YoY. Excise duties are expected to grow by 3.9% YoY.

Tax revenue estimates seem to be slightly optimistic wrt the nominal growth expected in FY26.

Key Fiscal Indicators (% of GDP)

	FY24RE	FY24A	FY25BE	FY25RE	FY26BE
Gross Tax Revenue	11.6%	11.7%	11.8%	11.9%	12.0%
Devolution to States	3.8%	3.9%	3.9%	4.0%	4.0%
Net Tax to Centre	7.8%	7.9%	7.9%	7.9%	7.9%
Direct Taxes	6.6%	6.6%	6.8%	6.9%	7.1%
Indirect taxes	5.0%	5.1%	5.0%	5.0%	4.9%
Capital Receipt (ex-borrowing)	0.2%	0.2%	0.2%	0.2%	0.2%
Revenue Expenditure	11.8%	11.7%	10.7%	10.9%	10.2%
Subsidies	1.4%	1.5%	1.3%	1.3%	1.2%
Total Capital Expenditure	3.4%	2.5%	3.1%	2.9%	3.1%
Total Expenditure	15.1%	15.0%	14.8%	14.6%	14.2%
Revenue Deficit	2.8%	2.6%	1.8%	1.9%	1.5%
Fiscal Deficit	5.8%	5.6%	4.9%	4.8%	4.4%
Primary Deficit	2.3%	2.0%	1.4%	1.3%	0.8%

Source: Budget documents, Angel Research

Exhibit 2: Budget 2025-26 at a glance

Particular	Budget (₹ Cr)				YOY (%)	
	FY24A	FY25BE	FY25RE	FY26BE	FY25RE	FY26BE
(A) Revenue Receipts (1+2)	27,29,036	31,29,200	30,87,960	34,20,409	13.2	10.8
Gross Tax Revenue (a+b)	34,65,519	38,40,170	38,53,455	42,70,233	11.2	10.8
Devolution to States/Trf to NCCD	11,38,268	12,56,671	12,96,495	14,32,824	13.9	10.5
%	32.85%	32.72%	33.65%	33.55%		
1) Tax Revenue (Net to Centre)	23,27,251	25,83,499	25,56,960	28,37,409	9.9	11.0
a) Direct Taxes	19,56,234	22,07,000	22,37,000	25,20,000	14.4	12.7
Income Tax	10,44,757	11,87,000	12,57,000	14,38,000	20.3	14.4
Corporate Tax	9,11,055	10,20,000	9,80,000	10,82,000	7.6	10.4
Others	422					
b) Indirect taxes	15,09,285	16,33,170	16,16,455	17,50,233	7.1	8.3
Custom Duties	2,33,119	2,37,745	2,35,000	2,40,000	0.8	2.1
Excise Duties	3,05,362	3,19,000	3,05,000	3,17,000	-0.1	3.9
Service Tax	425	100	100	100	-76.5	0.0
GST	9,57,208	10,61,899	10,61,899	11,78,000	10.9	10.9
Others	13,171	14,426	14,456	15,133	9.8	4.7
2) Non Tax Revenue	4,01,785	5,45,701	5,31,000	5,83,000	32.2	9.8
(B) Capital Receipts (3+4+5)	17,14,411	16,91,312	16,28,527	16,44,936	-5.0	1.0
3) Recovery of Loans	26,646	28,000	26,000	29,000	-2.4	11.5
4) Disinvestment	33,122	50,000	33,000	47,000	-0.4	42.4
5) Borrowings and Other Liabilities	16,54,643	16,13,312	15,69,527	15,68,936	-5.1	0.0
Total Receipt (A+B)	44,43,447	48,20,512	47,16,487	50,65,345	6.1	7.4
(C) Revenue expenditure	34,94,252	37,09,401	36,98,058	39,44,255	5.8	6.7
6) Of which interest payments	10,63,872	11,62,940	11,37,940	12,76,338	7.0	12.2
(D) Capital expenditure	9,49,195	11,11,111	10,18,429	11,21,090	7.3	10.1
Total Expenditure (C+D)	44,43,447	48,20,512	47,16,487	50,65,345	6.1	7.4
(E) Fiscal Deficit (C+D-A-3-4)	16,54,643	16,13,312	15,69,527	15,68,936	-5.1	0.0
(F) Revenue Deficit (C-A)	7,65,216	5,80,201	6,10,098	5,23,846	-20.3	-14.1
(G) Primary Deficit (E -6)	5,90,771	4,50,372	4,31,587	2,92,598	-26.9	-32.2
GDP	2,95,35,667	3,26,36,912	3,24,11,406	3,56,97,923	9.7	10.1
Fiscal Deficit (% of GDP)	5.6%	4.9%	4.8%	4.4%		

Source: Company, Budget documents, Angel Research

Exhibit 3: Subsidy to plateau at around Rs. 4.26 lakh Cr

Subsidy Break-down (₹ Cr)	FY20A	FY21A	FY22A	FY23A	FY24A	FY25BE	FY25RE	FY26BE
Major Subsidies	2,28,341	7,07,707	4,46,150	5,30,959	4,12,346	3,81,175	3,83,419	3,83,407
Fertilizer Subsidy	81,124	1,27,922	1,53,758	2,51,339	1,88,292	1,64,000	1,71,299	1,67,887
yoy growth (%)	14.90%	59.90%	20.20%	63.46%	-25.08%	-12.90%	-9.02%	-1.99%
Food Subsidy	1,08,688	5,41,330	2,88,969	2,72,802	2,11,814	2,05,250	1,97,420	2,03,420
yoy growth (%)	7.30%	193.80%	-46.60%	-5.59%	-22.36%	-3.10%	-6.80%	3.04%
Petroleum Subsidy	38,529	38,455	3,423	6,817	12,240	11,925	14,700	12,100
yoy growth (%)	55.10%	2.60%	-91.10%	99.16%	79.54%	-2.57%	20.10%	-17.69%
Interest Subsidy	23,702	30,216	41,251	41,676	19,516	29,550	28,156	27,840
yoy growth (%)	18.50%	15.70%	36.50%	1.03%	-53.17%	51.42%	44.27%	-1.12%
Other Subsidy	10,260	20,243	16,506	5,281	3,037	17,698	16,294	14,969
yoy growth (%)	66.10%	95.70%	-18.50%	-68.01%	-42.50%	482.79%	436.58%	-8.14%
Total Subsidy	2,62,304	7,58,165	5,03,908	5,77,916	4,34,899	4,28,423	4,27,868	4,26,216
yoy growth (%)	17.60%	124.20%	-33.50%	14.69%	-24.75%	-1.49%	-1.62%	-0.39%
% to GDP	1.30%	3.80%	2.10%	2.12%	1.47%	1.31%	1.32%	1.19%

Source: Company, Budget documents, Angel Research

Key Sectoral Highlights

Agriculture

- The loan limit under Kisan Credit Card scheme has been increased from Rs 3 lakh to Rs 5 lakh per account.
- PM Dhana Dhaanya Krishi Yojana has been announced with the aim of improving farm productivity and the diversification of crops. Focus also on high-yield seeds and cotton production.
- A six-year mission of pulses has been announced with the aim of self-sufficiency and procurement in Urad, Massor and Tur.

Auto & EVs

- Exemption of basic custom duties for 35 additional capital goods which are used in manufacturing EV batteries. Cost of EV batteries and EV automobiles can reduce in the long run.
- The scheme expenditure for PLI-Auto has been hiked and is likely to have expenditure of Rs 2,818 crore in FY26 – around eight times the amount spent over the last fiscal as per revised estimates of FY25.
- National Manufacturing Mission for MSME with focus on the manufacturing of clean technology

Consumer Staples, Consumer discretionary

- Lower taxes for individuals mean more disposable incomes in the hands of consumers - positive for FMCG, Retail, discretionary spending like appliances.

Infrastructure and Shipbuilding

- Announcement of a Rs 25,000 crore Maritime Development Fund has been made with the intention of supporting domestic ship manufacturing and related blue water infrastructure projects.
- Large Ships have been added to the Harmonized Master List to facilitate easier ship purchases. Customs duty exemption has also been announced for certain ship manufacturing materials.
- The revamped Shipbuilding Financial Assistance Policy will address cost disadvantages.

Energy

- Rs 20,000 crore outlay for the R&D of modular reactors with the aim of supporting clean energy goals.
- Announcement of Nuclear Energy Mission with the aim of developing 100GW of nuclear energy by 2047.

Textiles

- Total allocation has been increased to Rs 5,272 crore in the FY26 Budget (estimate) – this is up from Rs 3,342 crore in the FY25 Budget (revised estimate).
- Nearly 186% increase in the allocation to capacity building and research – including R&D, PLI scheme and others – from Rs 679 crore to Rs 1,948 crore.

Aviation

- Announcement of the addition of 120 new destinations under the new UDAN scheme.
- Announcement of a new greenfield airport project in Bihar along with the expansion of Patna airport.
- Revival of 22 airports to be undertaken and addition helipads and smaller airports to be developed with a focus on North-East India.

Insurance

- FDI limit has been raised from 74% to 100% for insurers that invest the entire premium amount in India.
- Announced tax exemption for life insurance policy proceeds which are issued by IFSC insurance offices without any premium amount cap.
- Conditionalities for foreign investments will be reviewed with aim of simplification.

Tourism

- Top 50 tourist destinations in the country to be developed in partnership with the states with a focus on infrastructure.
- MUDRA loans to be extended for homestays, skill development programs in hospitality and to improve tourism connectivity.
- Special focus on destination associated with Lord Buddha.

Technology and Manufacturing

- Exemption of custom duties for 35 addition capital goods used in EV batter manufacturing and 28 capital goods used in mobile phone battery manufacturing to extend support to local lithium-ion battery manufacturing.
- National Framework for the promotion of Global Capability Centers (GCCs) in tier-2 cities.
- Duty on parts pertaining to open cells of LCD and LED TVs is exempt with the aim of promoting local production.

Banking

- Customized credit cards with a limit of Rs 5 lakh announced for micro enterprises registered on Udyam portal to ensure quicker credit availability.
- Increase credit guarantee limits for small businesses – limit doubled to Rs 10 crore. Further, the credit guarantee cover for startups has been doubled to Rs 20 crore.
- Increased limit of Rs 5 lakh under Kisan Credit Card scheme.
- These measures can increase the customer base of banks aiding cross selling opportunities

Healthcare

- Setting up of 200-day care cancer centers within the next 3 years.
- 10,000 additional seats to be added to medical colleges and hospital in the next year with the aim of 75,000 new seats over the next five years.
- Gig workers included under Ayushman Bharat Pradhan Mantri Jan Arogya Yojana.

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