

POLITY

PRE-CONTEXT

BUDGET 2025-26

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News: "Budget 2025-26 presented in the Parliament."

About Budget:

- **Art. 112:**
 - **President of India** to present **Annual Financial Statement** for each Financial Year (FY) before both Houses of Parliament
- Term "**Budget**" is no where mentioned in the Constitution.
- **Dept. of Economic Affairs** under Ministry of Finance prepares Budget.
- No money can be withdrawn from **Consolidated Fund of India** except under appropriation made by law.
- **Without recommendation of President:**
 - No demand for a grant can be made.
 - No money bill imposing tax can be introduced.
- **Under FRBM Act 2003: following documents presented along with the Budget annually to Parliament**
 - Macroeconomic Framework Statement.
 - Medium Term Fiscal Policy Statement.
 - Fiscal Policy Strategy statement.

Expenditure Budget

Expenditure: The government is estimated to spend **Rs 50,65,345 crore** in 2025-26, 7.4% higher than the revised estimate of 2024-25.

Capital Receipts

- **For FY 2025-26: Capital receipts (excluding borrowings) are targeted at Rs 76,000 crore.**
- These receipts are essentially two way transactions.
 - **Debt capital receipts:** Money coming from borrowings i.e Internal & External borrowings.
 - **Internal borrowings:**
 - Market Loans (Dated govt. securities).
 - Treasury Bills issued by Govt. to RBI.
 - Funded Securities, Cash Management Bills, Ways and Means Advance, Market Stabilisation Scheme, securities against Small Savings Funds etc.
 - **External Borrowings:**
 - Multilateral Borrowings, Bilateral Loans.
 - Other Liabilities.
 - **Non debt capital receipts:**
 - **Money coming from recovery of loans & advances.**
 - **Disinvestment** shares of govt. *other than PSUs.*
 - **For FY 2025-26: Disinvestment targets have reduced for the fifth consecutive year and have not been achieved in any of these years.**
 - **Disinvestment proceeds of PSUs** will be credited to the existing 'Public Account' under the head of **National investment fund.**

Capital Expenditure

- **Central Sector Schemes: Rs. 16 lakh crore.**
 - Eg. PM-FBY, PM-AASHA, PM-KISAN, PM-KMDY etc.
- **Centrally Sponsored Schemes: Rs. 5 lakh crore.**
 - Eg. PM-KVY, PM POSHAN, PM SHRI, AMRUT, PM GSY etc.

Finance Commission Grants:

- Rural Local Bodies.
- Urban Local Bodies.
- Grants for Health Sector.
- Incubation of new cities.
- Disaster Management Grants.
- Revenue Deficit Grants.

Other Grants.

Loans to State for capital expenditure.

Revenue Budget

Receipts: The receipts (other than borrowings) in 2025-26 are estimated to be Rs 34,96,409 crore, about 11.1% higher than the revised estimate of 2024-25.

Tax revenue which forms major part of the receipts is also expected to increase by 11% over the revised estimate for 2024-25.

Revenue Receipts

- Revenue receipts are those receipts which need not to be paid again to the payee by the govt. (one way transactions).
- **Tax receipts:** Money generated from different taxes.
 - **For FY 2025-26: Gross tax revenue is budgeted to increase by 10.8% in 2025-26**
 - **Direct Taxes:**
 - Income Tax (Personal income tax).
 - Wealth Tax.
 - Corporate Tax.
 - Capital Gains Tax.
 - **Indirect Taxes:**
 - **Union Excise Duties:** on the following goods manufactured or produced in India, Crude oil, Natural gas, tobacco etc.
 - **Goods and Service Tax:** tax on the supply of goods and services with few exceptions petroleum, electricity, meat, newspapers etc.
 - **Customs Duties:** tax on export and import of commodities from and to the country.
 - **Other Taxes and Duties.**
 - **Non Tax receipts:** Money generated from non taxes.
 - **Profits and dividends** from public sector enterprises and other investments, dividend/surplus of RBI.
 - Interests received on loans given by India.
 - **Fiscal services** (currency printing, stamp printing, coin minting) etc.
 - **Grants in Aid Contributions** from foreign governments, multilateral bodies.

Revenue Expenditure

- Expenditure incurred to meet day to day and regular needs of govt.
 - Pensions and Salaries, Interest Payments, Grants to States & UTs, Subsidies (Food, Fertiliser, Interest subsidy) etc.
- **For FY 2025-26: Interest payments account for 25% of the total expenditure, and 37% of revenue receipts.**
- **For FY 2025-26: Devolution to states from centre's tax revenue is estimated to be Rs 14 lakh crore**
- **For FY 2025-26: total expenditure on subsidies is estimated to be Rs 4 lakh crore.**
- **Note:** Loan recovery is part of capital receipts.

Deficits

- **Fiscal deficit:**
 - **Fiscal Deficit = Total Expenditure – Total Receipts except Borrowing and Other liabilities.**
 - It indicates total borrowing's and other liabilities made by the government.
 - **For FY 2025-26: Fiscal deficit in 2025-26 is targeted at 4.4% of GDP**
- **Primary deficit:**
 - **Primary Deficit = Fiscal Deficit – Interest Payments.**
 - Indicate how much of the borrowed money government is using for interest payments instead of focusing on long-term growth.
 - **For FY 2025-26: It is estimated to be 0.8% of GDP.**
- **Revenue deficit (RD):**
 - **Revenue Receipts minus Revenue Expenditure.**
 - Second five year plan was a revenue surplus.
 - **For FY 2025-26: Revenue deficit in 2025-26 is targeted at 1.5% of GDP.**
- **Effective Revenue deficit (ERD):**
 - **Effective Revenue Deficit = Revenue Deficit – Grants in aid for creation of capital assets.**
 - Eg: grants forwarded for implementation of Centrally Sponsored schemes Eg: PMGSY, AIBP, JNNURM etc.
- **Monetised deficit:**
 - Govt borrows from RBI to finance budget deficit rather than borrowing from Public (Sale of Govt. Securities in open market).

Public Debt

The Central Govt. **aims** to reduce its outstanding liabilities to **around 50% of GDP by March 2031.**

- **Trends of Public debt:**
 - Which was 80% of GDP in 2005, During **COVID 19**, Govt. borrowed heavily to support economy **Public debt reached 90% of GDP** back to 80% of GDP in 2022-23.
 - Currently, **Union Govt. Debt** accounts for 60% of Public Debt and 20% by **States (combined)** in 2023.
 - **For 2025-26: Public debt are estimated to be 56.1% of the GDP.**
- **It includes both Internal debt + External debt.**
 - **Internal debt:**
 - **Market Securities** (Dated, Treasury, Cash management Bills).
 - **Non Marketable securities** (securities given to Intl. Fin Institutions etc).
 - **Currently Internal debt** accounts for 90% of overall Public debt.
 - **External debt:**
 - **Loans from multilateral agencies** like World Bank, IMF, ADB etc.
 - External debt currently accounts for 10% of overall Public debt.

Important Highlights of Budget 2025-26

- **GDP:**
 - The government has estimated a **nominal GDP growth rate of 10.1% in 2025-26** (i.e., real growth plus inflation).
- **Changes in new income tax regime:**
 - Tax slabs under the new tax regime have been modified.
 - **Annual income of up to Rs 12 lakh will receive 100% rebate on the taxable income.** Earlier, this only applied to income of up to seven lakh rupees. The old tax regime remains unchanged.
- **Finance and Economy:**
 - **The FDI limit for the insurance sector will be increased from 74% to 100%** for companies which invest their entire premium in India.
- **Governance:**
 - **A high-level committee for regulatory reforms** will be set up for reviewing all non-financial sector regulations, certifications, licenses, and permissions.
 - An **investment friendliness index of states** will be launched in 2025.
 - **Jan Vishwas Bill 2.0** will be introduced to decriminalise over 100 provisions across multiple laws.
- **Infrastructure:**
 - Each infrastructure-related ministry will formulate a **three-year pipeline of projects** that can be implemented in public-private partnership mode.
 - A **second asset monetisation plan** will be launched for 2025-30.
 - **National Geospatial Mission** will be started to modernise land records and urban planning.
 - A **modified UDAN scheme** will be launched to improve connectivity to 120 new destinations and carry four crore passengers in next 10 years.
 - A **Maritime Development Fund** with a corpus of Rs 25,000 crore will be set up, with 49% contribution by the government.
 - **Broadband connectivity** will be provided to all government secondary schools and primary health centres in rural areas.
- **Agriculture:**
 - The central government will launch a six-year mission to achieve **self-reliance in pulses.**
 - Central agencies will **procure three pulses, as much as offered, from farmers over the next four years.**
 - **Prime Minister Dhan-Dhaanya Krishi Yojana** will be implemented to improve productivity and crop diversification in 100 low-productivity districts.
- **Energy:**
 - The Atomic Energy Act and the Civil Liability for Nuclear Damage Act will be amended to **allow private sector partnerships for development of nuclear energy.**

- A **Nuclear Energy Mission** will be launched for the **development of small modular reactors** with an outlay of Rs 20,000 crore.

Urban and Rural Development:

- **Urban Challenge Fund** of **one lakh crore rupees** will **be set up** to implement projects for development of cities.

Labour and Employment:

- **PM SVANidhi Scheme** to provide affordable loans to street vendors will be **revamped to provide UPI-linked credit cards** with Rs 30,000 limit.
- **Gig workers** will be provided **access to healthcare under Ayushman Bharat**.
- A scheme will be launched to provide **loans up to two crore rupees** to **five lakh women, scheduled castes, and scheduled tribes first-time entrepreneurs**.
- Another scheme for **socio-economic upliftment of urban workers** will be implemented to help improve incomes.

Education:

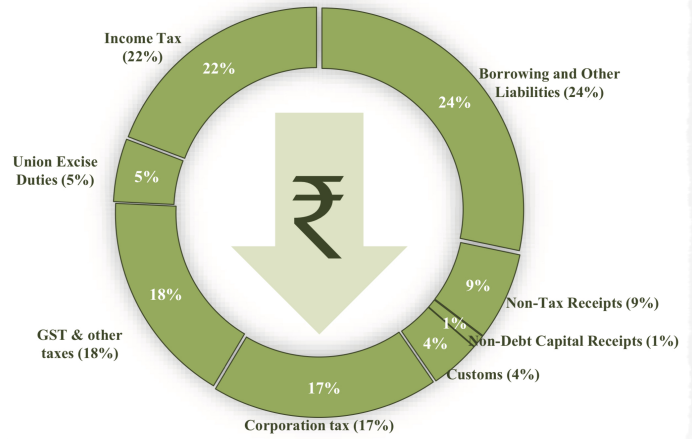
- In the next year, **10,000 additional seats** will be added in **medical colleges and hospitals** with a goal of adding 75,000 seats in next five years.

Industry and Commerce:

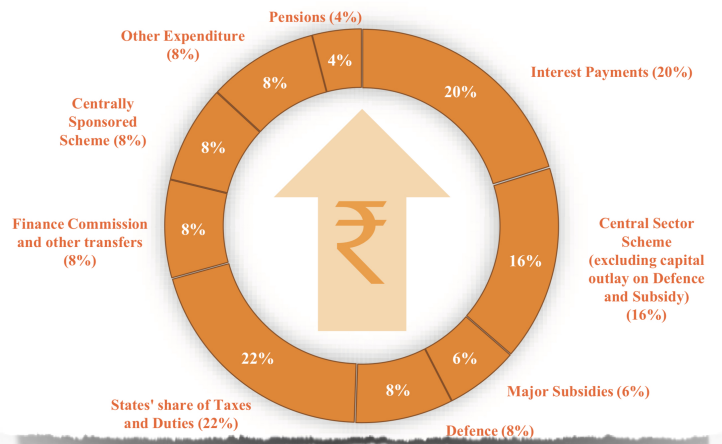
- Improved credit access, credit guarantee cover to MSMEs, Startup's.

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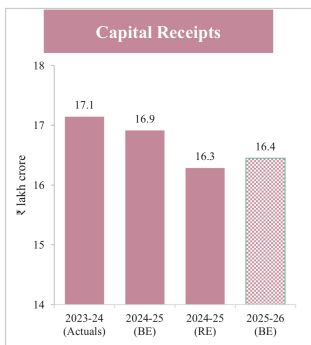
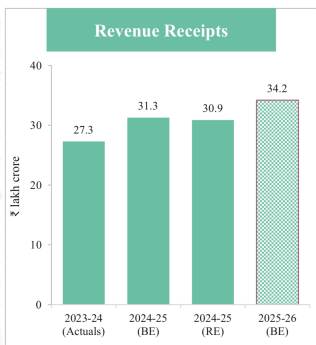
Rupee Comes From



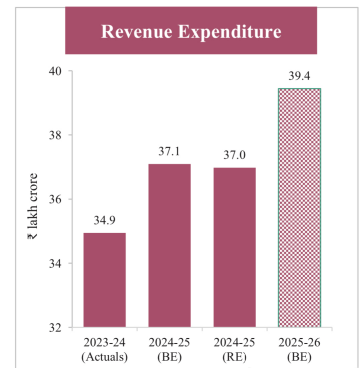
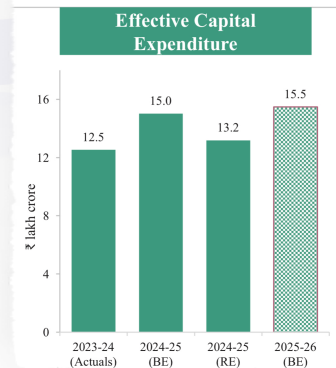
Rupee Goes To



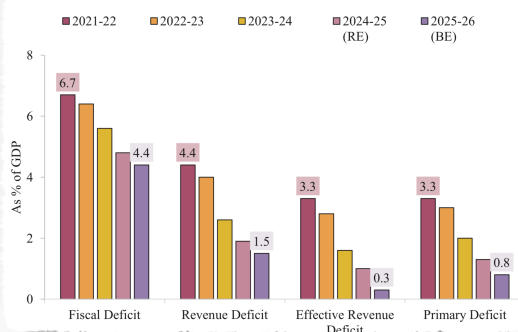
Receipts



Expenditure



Deficit Trends



Thank you!