

POLITY
PRE & MAINS CONTEXT
BUDGET 2025-26
THE HINDU, PG.NO: 6.

News: "Beyond tax cuts, a closer read of the Union Budget."
News: "A Budget that is forward-looking and growth-oriented."

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 **nowhere 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- No money can be withdrawn from **Consolidated Fund of India** except under appropriation made by law.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).
 - **For 2025-26: estimated ₹11.54 lakh crore in net market borrowings risks crowding out private capital.**
 - **Non Marketable securities** (securities given to Intl. Financial 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 & Issues 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.
 - **Impact:**
 - This results in ₹1 lakh crore in foregone direct tax revenue, which, in turn, could constrain the government's ability to fund critical-developmental initiatives.
- **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.
 - Increase in the Kisan Credit Card (KCC) loan limit from ₹3 lakh to ₹5 lakh.
 - **Missed opportunities:**
 - Non addressal of Inefficiencies in agricultural markets.
 - Short-term loans dependency of farmers.
 - Issues of price volatility or market access.
 - Absence of concrete measures to promote agricultural exports particularly as India eyes leadership in millets and natural farming.
- **Climate Change:**
 - Budget's focus on supply-chain resilience —through incentives for **lithium-ion battery recycling, duty exemptions on critical minerals and support for domestic solar photovoltaic and battery manufacturing.**
 - **Missed opportunities:**
 - Without a parallel investment in grid modernisation, energy storage, and industrial decarbonisation, the transition to a low-carbon economy will remain fragmented.
- **Industry and Commerce:**
 - Enhanced credit facilities for MSMEs and the launch of a **National Manufacturing Mission:**
 - Aim is to **promote the 'Make in India' initiative by covering small medium, and large industries, providing policy support, improving ease of doing business, to foster a future-ready workforce, and**

promote clean-tech manufacturing in collaboration with central Ministries and States

- **Revision of MSME classification criteria** — increasing investment limits by 2.5x.
- **Missed opportunities:**
 - **Absence of concrete measures to boost industrial research and development** — currently at a dismal 0.64% of GDP — undermines India's ability to compete with innovation-driven economies such as China and Germany.
 - **Measures fall short of addressing core competitiveness issues** such as regulatory inefficiencies, infrastructure gaps, and low innovation capacity.

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, **boosts blue economy-related segments.**
- **Broadband connectivity** will be provided to all government secondary schools and primary health centres in rural areas.

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.**

P.T.O

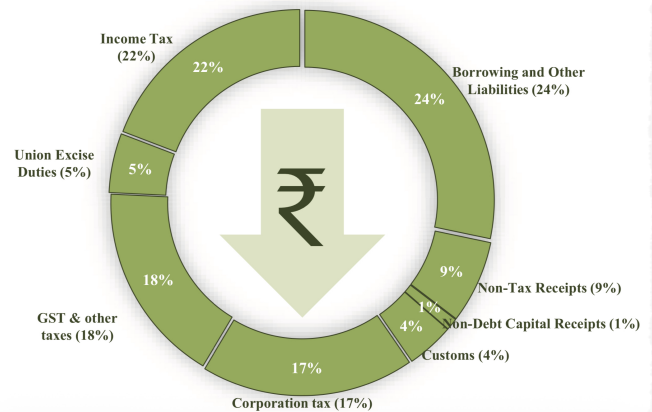
- A scheme will be launched to provide **loans up to two crore rupees to five lakh women, scheduled castes, and scheduled tribes first-time entrepreneurs.**
- Another scheme for **socio-economic upliftment of urban workers** will be implemented to help improve incomes.

Education:

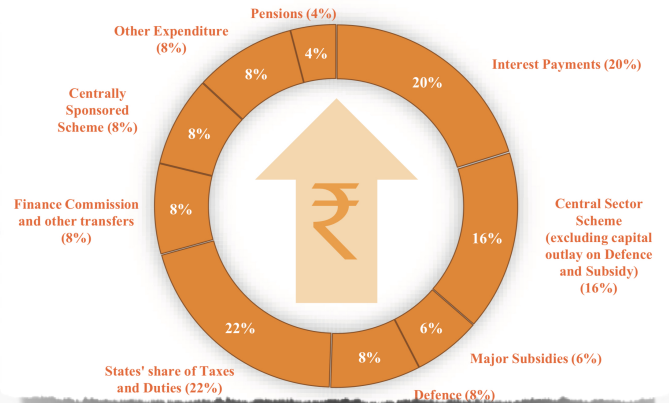
- In the next year, **10,000 additional seats will be added in medical colleges and hospitals** with a goal of adding 75,000 seats in next five years.

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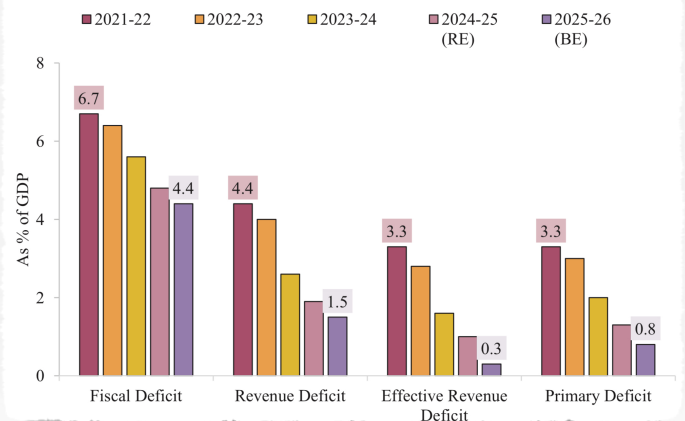
Rupee Comes From



Rupee Goes To

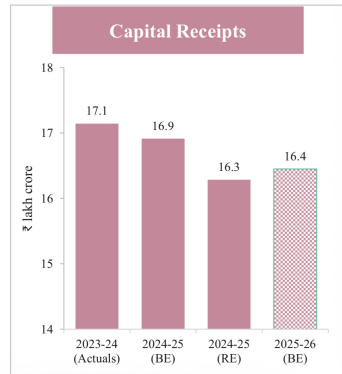
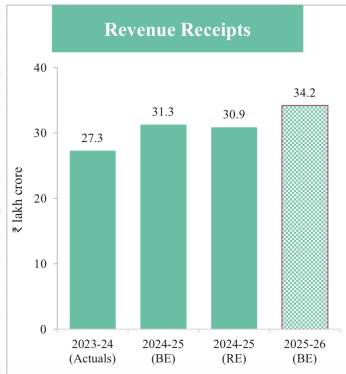


Deficit Trends

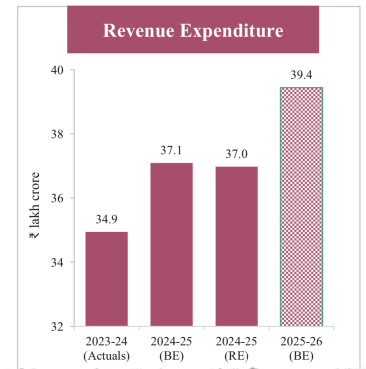
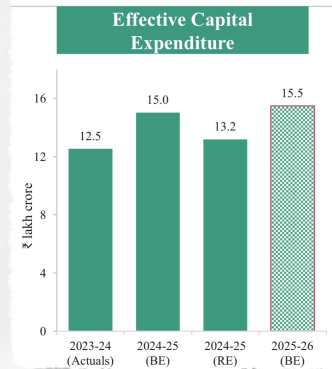


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Receipts



Expenditure



POLITY

PRE-CONTEXT

CITIZENSHIP

THE HINDU, PG.NO: 8.

News: "The legal systems under which citizenship is acquired."

Context: U.S. President Donald Trump issued an executive order stating that U.S. citizenship will be granted in the future only to children with parents holding U.S. citizenship or a U.S. green card.

About Citizenship in India:

"In India there is only one citizenship and one domicile."

- **Citizenship Act 1955:** deals with acquisition and loss of citizenship after 1950.
 - **Till June 1987**, India followed the 'jus soli' principle granting **automatic citizenship to anyone born in India**.
 - **Since December 2004**, both the parents had to be citizens or one parent is a citizen and the other not an illegal immigrant.
 - **Citizenship Amendment Act, 2019 (CAA)** provides accelerated citizenship to **Hindus, Christians, Sikhs, Jains, Buddhists, and Parsis** from neighbouring countries of **Pakistan, Afghanistan and Bangladesh** who have entered India before December 31, 2014.
 - India has differentiated on the basis of religion, by **excluding Muslims**. Critics argue that this is **against the basic structure of secularism** under the Indian Constitution.
 - Argument made by the govt. is that it is only to grant accelerated citizenship religious minorities of these three neighbouring countries **who have migrated to India owing to religious persecution in these countries** and hence not discriminatory.
 - The **Supreme Court will decide on the constitutional validity of this law**.
- **Fundamental Rights enjoyed by Aliens (Foreigners):** Art. 14, 17, 18, 20 to 28, 32.
- **Citizenship by Registration:**
 - This method is for **specific categories of people who are already residing in India** Eg. Women who are married to Indian citizens, Persons of Indian Origin etc.
 - Central govt. on application, register's any person as citizen.

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- One must take an oath of allegiance prescribed in second schedule.
- **Person who has renounced, been deprived** of, or had his Indian citizenship terminated under this Act **shall not be registered** as a citizen of India.
- **Citizenship by Naturalisation:**
 - This method allows a **foreign national** to acquire Indian citizenship.
 - The applicant must not be from country where Indians are not allowed to become citizens by naturalisation.
- **Illegal migrants:**
 - According to CAA 2019: **individuals who entered without passport or travel documents stay beyond permitted time**.

Grounds for losing citizenship:

- Renunciation, Termination, Deprivation.
- **Renunciation:** A person loses citizenship only when he renounces with awareness without any undue influence. This doesn't apply during war scenario.
- **Termination:** within 5 years after naturalisation if person imprisoned for more than 2 years, his citizenship terminates.
- **Continuously residing outside for 7 years.**
- Displaying **disloyalty to the Constitution of India**.
- **Note:**
 - **Minor child** can reclaim Indian citizenship after turning 18 years old.
 - **Sedition** is **no ground** for losing Indian citizenship.

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ENERGY

PRE-CONTEXT

SMALL MODULAR REACTORS

THE HINDU, PG.NO: 22.

News: "Small modular reactors: pocket N-plants."

Context: Finance Minister in budget speech 2025-25 announced **Nuclear Energy Mission** will be launched for the **development of small modular reactors** with an outlay of Rs 20,000 crore.

About Small Modular Reactors (SMRs):

- SMRs are reactors designed to be **smaller, more flexible, and easier to build** than traditional nuclear setups.
- Each SMR will produce less than **300 MW of power**.
- First generation of SMR designs **require low-grade uranium as nuclear fuel** to operate and thus will **need to be refuelled more often, which is not desirable**.
- Supports **net-zero target (2070)**.

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BIODIVERSITY

PRE-CONTEXT

POPPY FLOWER

THE HINDU, PG.NO: 12.

News: "After Manipur, Assam destroys poppy plantations"

Poppy flower:

- Also known as **Khus Khus**.
- Source of the narcotic drug mixture **opium**.
- Contains powerful medicinal alkaloids such as **morphine** etc.
- Production is regulated under **Narcotic Drugs Psychotropic Substances Act, 1985**.
- **Opium is legally cultivated only in 3 States** of India, viz. **Madhya Pradesh, Rajasthan and Uttar Pradesh**, for medicinal and scientific purposes.

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Thank you!