



सत्यमेव जयते

GOVERNMENT OF INDIA

BUDGET 2025-2026

**SPEECH
OF
NIRMALA SITHARAMAN
MINISTER OF FINANCE**

February 1, 2025

PART B

Indirect Taxes

115. My proposals relating to Customs aim to rationalize tariff structure and address duty inversion. These will also support domestic manufacturing and value addition, promote exports, facilitate trade and provide relief to common people.

Rationalisation of Customs Tariff Structure for Industrial Goods

116. As a part of comprehensive review of Customs rate structure announced in July 2024 Budget, I propose to:

- (i) remove seven tariff rates. This is over and above the seven tariff rates removed in 2023-24 budget. After this, there will be only eight remaining tariff rates including 'zero' rate.
- (ii) apply appropriate cess to broadly maintain effective duty incidence except on a few items, where such incidence will reduce marginally.
- (iii) levy not more than one cess or surcharge. Therefore, I propose to exempt Social Welfare Surcharge on 82 tariff lines that are subject to a cess.

117. I shall now take up sector specific proposals.

Relief on import of Drugs/Medicines

118. To provide relief to patients, particularly those suffering from cancer, rare diseases and other severe chronic diseases, I propose to add 36 lifesaving drugs and medicines to the list of medicines fully exempted from Basic Customs Duty (BCD). I also propose to add 6 lifesaving medicines to the list attracting concessional customs duty of 5%. Full exemption and concessional duty will also respectively apply on the bulk drugs for manufacture of the above.

119. Specified drugs and medicines under Patient Assistance Programmes run by pharmaceutical companies are fully exempt from BCD, provided the medicines are supplied free of cost to patients. I propose to add 37 more medicines along with 13 new patient assistance programmes.

Support to Domestic Manufacturing and Value addition

Critical Minerals

120. In the July 2024 Budget, I had fully exempted BCD on 25 critical minerals that are not domestically available. I had also reduced BCD of 2 other such minerals to provide a major fillip to their processing especially by MSMEs. Now, I propose to fully exempt cobalt powder and waste, the scrap of lithium-ion battery, Lead, Zinc and 12 more critical minerals. This will help secure their availability for manufacturing in India and promote more jobs for our youth.

Textiles

121. To promote domestic production of technical textile products such as agro-textiles, medical textiles and geo textiles at competitive prices, I propose to add two more types of shuttle-less looms to the list of fully exempted textile machinery. I also propose to revise the BCD rate on knitted fabrics covered by nine tariff lines from “10% or 20%” to “20% or ₹ 115 per kg, whichever is higher”.

Electronic Goods

122. In line with our ‘Make in India’ policy, and to rectify inverted duty structure, I propose to increase the BCD on Interactive Flat Panel Display (IFPD) from 10% to 20% and reduce the BCD to 5% on Open Cell and other components.

123. In 2023 -24 Budget, for the manufacture of Open Cells of LCD/LED TVs, I had reduced the BCD on parts of Open Cells from 5% to 2.5% . To further boost the manufacture of such Open Cells, the BCD on these parts will now stand exempted.

Lithium Ion Battery

124. To the list of exempted capital goods, I propose to add 35 additional capital goods for EV battery manufacturing, and 28 additional capital goods for mobile phone battery manufacturing. This will boost domestic manufacture of lithium-ion battery, both for mobile phones and electric vehicles.

Shipping Sector

125. Considering that shipbuilding has a long gestation period, I propose to continue the exemption of BCD on raw materials, components, consumables or parts for the manufacture of ships for another ten years. I also propose the same dispensation for ship breaking to make it more competitive.

Telecommunication

126. To prevent classification disputes, I propose to reduce the BCD from 20% to 10% on Carrier Grade ethernet switches to make it at par with Non-Carrier Grade ethernet switches.

Export Promotion**Handicraft Goods**

127. To facilitate exports of handicrafts, I propose to extend the time period for export from six months to one year, further extendable by another three months, if required. I also propose to add nine items to the list of duty-free inputs.

Leather sector

128. I propose to fully exempt BCD on Wet Blue leather to facilitate imports for domestic value addition and employment. I also propose to exempt crust leather from 20% export duty to facilitate exports by small tanners.

Marine products

129. To enhance India's competitiveness in the global seafood market, I propose to reduce BCD from 30% to 5% on Frozen Fish Paste (Surimi) for manufacture and export of its analogue products. I also propose to reduce BCD from 15% to 5% on fish hydrolysate for manufacture of fish and shrimp feeds.

Domestic MROs for Railway Goods

130. In July 2024 Budget, to promote development of domestic MROs for aircraft and ships, I had extended 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. I now propose to extend the same dispensation for railway goods.

Trade facilitation**Time limit for Provisional Assessment**

131. Presently, the Customs Act, 1962 does not provide any time limit to finalize Provisional Assessments leading to uncertainty and cost to trade. As a measure of promoting ease of doing business, I propose to fix a time-limit of two years, extendable by a year, for finalising the provisional assessment.

Voluntary Compliance

132. I propose to introduce a new provision that will enable importers or exporters, after clearance of goods, to voluntarily declare material facts and pay duty with interest but without penalty. This will incentivise voluntary compliance. However, this will not apply in cases where department has already initiated audit or investigation proceedings.

Extended Time for End Use

133. For industry to better plan their imports, I propose to extend the time limit for the end-use of imported inputs in the relevant rules, from six months to one year. This will provide operational flexibility in view of cost and uncertainty of supply. Further, such importers will now have to file only quarterly statements instead of a monthly statement.

Direct Taxes

I now come to my Direct tax proposals.

134. In Part A, I have briefly underlined Taxation Reforms as one of key reforms to realize our vision of Viksit Bharat. In respect of criminal law, Our Government had earlier ushered in Bharatiya Nyaya Sanhita replacing Bharatiya Danda Sanhita. I am happy to inform this August House and the country that the new income-tax bill will carry forward the same spirit of “Nyaya”. The new bill will be clear and direct in text with close to half of the present law, in terms of both chapters and words. It will be simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation.

135. Reforms, however, are not a destination. They are a means to achieve good governance for our people and economy. Providing good governance primarily involves being responsive. The Thirukkural captures this in Verse 542, which reads:

வானோக்கி வாழும் உலகெல்லாம் மன்னவன்
கோல்நோக்கி வாழுங் குடி.

vaanokki vaalum ulakellaam mannavan

koalnokki vaalung kuti

Meaning:

Just as living beings live expecting rains,

Citizens live expecting good governance.