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Tax Alert - Key announcements
of Union Budget 2025



Union BUDGET 2025-26

Telecom Sector | Accelerating Digital Connectivity

Budget 2025's boost to India's Telecom growth



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India's telecom sector continues to be a cornerstone of digital transformation, with significant strides in connectivity, infrastructure, and innovation. The record-breaking 5G rollout and expansion of BharatNet underscore the Government's commitment to bridging the digital divide, particularly in rural and remote areas.

Budget 2025 reinforces this vision with a total outlay of INR81,005 crores, prioritizing BharatNet expansion and domestic telecom manufacturing. The reduction in Basic Customs Duty on Carrier Grade Ethernet Switches from 20% to 10%, along with duty exemptions on inputs, parts / sub-parts used in the manufacture of cellular mobile phones and on-ground installations for satellite, launch vehicles, is expected to boost local manufacturing and enhance new technology in communication.

With India's data centre market poised for exponential growth, telecom remains the backbone for emerging technologies such as AI, IoT, and cloud computing. Domestic Incentivization scheme and duty rationalization measures further incentivize domestic production, supporting India's ambition to become a global telecom manufacturing hub.

Overall, Budget 2025 strengthens India's telecom ecosystem, fostering affordability, infrastructure development, and self-reliance while paving the way for next-gen digital services. The continued emphasis on network expansion, fiscal incentives, and ease of doing business sets the stage for sustained growth and innovation in the sector.

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Key amendments

Policy updates:

- Significant Investment commitment of INR22,000 crores via Bharatnet Project towards creation of telecom infrastructure for broadband connectivity to Gram Panchayats and rural areas.
- Enhanced allocation to Domestic Industry Incentivisation Scheme (including PLI scheme) to stimulate domestic value addition.
- Allocation of INR20,000 crores to implement private sector driven Research, Development and Innovation initiative.
- Allocation of INR2,000 crores to AI Mission to establish a robust AI ecosystem through strategic programs and partnerships across the public and private sector.
- Enhancement of investment and turnover limits to 2.5 and 2 times respectively for classification of all MSMEs.

Direct Tax:

- New income tax bill to be introduced next week.
- Rationalisation of TDS and TCS provisions effective 1 April 2025:
 - Threshold limit for TDS increased such as for commission or brokerage, fee for professional or technical services, rent.
 - TCS on sale of goods to be abolished.
 - Delayed payment of TCS to be decriminalised.
 - Higher TDS/ TCS rate for non-filers of income tax return to be omitted.
- Presumptive taxation regime for non-resident engaged in providing services or technology, to a resident company which is establishing or operating electronics manufacturing facility or connected facility.
- Transactions of non-resident which are confined to purchase of goods in India for the purpose of export not to constitute significant economic presence.
- Provision introduced to determine ALP of international transaction for a block period of three years, to align with global best practices.
- Scope of safe harbour rules to be expanded.

Indirect Tax:

Customs

- BCD reduced from 20% to 10% on Carrier Grade ethernet switches making it at par with Non-Carrier Grade ethernet switches.
- BCD exempted on various inputs, parts or sub-parts used in the manufacturing of PCBA, camera module, connectors and other specified parts of cellular mobile phones.
- Extension of BCD exemption on goods for manufacture of telecommunication grade optical fibre to 31 March 2027, earlier set to expire on 31 March 2025.

Highlights



India Ranks 2nd Largest Exporter in the World in Telecommunications, Computer, & Information Services



New income tax bill to be introduced next week



Reduction in custom duty on Carrier Grade Ethernet Switches

- BCD exemption is being extended to imports of ground installations for satellites and goods used in building of launch vehicles.
- BCD exempted on import of certain capital goods for use in manufacturing of lithium-ion battery of mobile phones.
- Time frame under IGCR extended from the existing six (6) months to one (1) year for meeting the end-use conditions.

Goods and Services Tax:

- Enabling provisions for Invoice Management System ('IMS') proposed.
- Retrospective amendment with effect from 1 July 2017 introduced to block ITC and nullify the Supreme Court judgment pronounced recently in the case of Safari Retreats.

Impact analysis

The Union Budget 2025-26 presents a pivotal opportunity for India's telecommunications sector, which is the backbone of transformative digital growth for India. According to the Economic Survey 2024-25, India ranks as the second-largest telecommunications market, boasting over 1.8 billion telephone subscribers and a tele-density of 84%. The country's record-breaking 5G rollout, the fastest globally, underscores its technological leadership in the sector.

Though the budgeted receipt of Government in FY26 is 33% lesser as compared to FY25 potentially indicating lower collection of SUC and one-time spectrum fees, nonetheless the continued north trend in allocation towards BharatNet, aimed at connecting Government-run schools and healthcare centers in rural India, will help bridge the digital divide and create inclusive digital growth. The reduction of customs duty on carrier-grade Ethernet switches from existing 20% to 10% will lower costs and accelerate the deployment of high-speed networks. In addition to the same, custom duty rationalisation measures introduced in the Budget shall provide impetus to domestic manufacturing of mobile phones and satellite-based services.

The direct tax measures such as new income tax bill, presumptive taxation regime for non-residents providing services to resident companies involved in electronics manufacturing, and rationalisation of TDS/ TCS shall enhance ease of doing business and tax certainty. Moreover, enhanced allocation of budget towards disbursement of PLI incentives signifies north trend in domestic telecom equipment manufacturing, strengthening India's position as a manufacturing hub in telecom sector.

In a nutshell, the budget strikes a balance between fiscal prudence and industry growth, ensuring that India remains at the forefront of 5G, AI, data centers, and digital connectivity while fostering innovation, local value addition, and investment in telecom infrastructure.

Glossary

Act - Income-tax Act, 1961

AI - Artificial Intelligence

ALP - Arm's Length Price

BCD - Basic Customs Duty

BSNL - Bharat Sanchar Nigam Limited

IFSC - International Financial Services Centre

IGCR - Import of Goods at Concessional Rate of duty

IoT - Internet of Things

MSME - Micro, Small and Medium Enterprises

PCBA - Printed Circuit Board Assembly

PLI - Production Linked Incentive

SUC - Spectrum Usage Charges

TDS - Tax Deducted at Source

TCS - Tax Collected at Source



For details on other sectors and solutions visit our website [Union Budget 2025](#)

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