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Tax Alert - Key announcements
of Union Budget 2025



Union BUDGET 2025-26

Budget 2025 proposals likely to have positive impact for Indian Consumer & Retail Sector

Significant Consumption push through personal tax reliefs, and policies around Agriculture, MSMEs, Investment, Exports, and "Make in India"



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Budget 2025-26 is a testament to our Government's unwavering commitment to realizing the vision of a "Viksit Bharat," a developed India. It lays a strategic roadmap through identified engines of development namely, Agriculture, MSME, Investment and Exports, and, also promotes employment generation, skill development, and innovation. For the Indian consumer products and retail sector, this Budget is not just a fiscal statement but a blueprint for unlocking the potential of both rural markets (constituting ~40% of total consumer spends mainly on FMCG, mobile phones, e-commerce, and consumer durables) and urban markets (constituting ~60% of total spends with high expenditures in electronics, luxury goods, and digital services), fostering an environment ripe for consumption and growth.

The recalibration of the individual tax regime is a masterstroke that promises to enhance disposable incomes, thereby stimulating consumer spending – a welcome move for the retail and consumer products sector. Additionally, employment generation and 'Make in India' initiative gets further push especially for sectors like Electronics, Lithium Batteries, Footwear, Leather, etc (through custom duty modifications), and also for Toy sector, Footwear and leather sector etc (through focussed schemes). There is also a continued support for "Start-ups" through extension of incorporation timelines for availing tax holidays. Overall, Budget seems to be designed to create a virtuous cycle of investment, production, and consumption that could lead to sustained economic growth. By focusing on key sub sectors and providing incentives for spending and manufacturing, Government is aiming to develop a robust economy that can support its vision of a "Viksit Bharat".

#EYonBudget2025

How does the budget impact the retail and consumer products sector?

Highlights

Consumption Push

Policy

- Footwear & Leather - To enhance the productivity, quality and competitiveness of India's footwear and leather sector, a focus product scheme will be implemented to support design capacity, component manufacturing, and machinery required for production of non-leather quality footwear, besides the support for leather footwear and products. The scheme is expected to facilitate employment for 22 lakh persons, generate turnover of Rs 4 lakh crore and exports of over 1.1 lakh crore.
- Toy sector - To make India a global hub for toys, a scheme will be introduced for development of clusters, skills and a manufacturing ecosystem that will create high-quality, unique, innovative, and sustainable toys that will represent the 'Made in India' brand.
- Agriculture - Government will launch a six-year mission to enhance pulses through climate-resilient seeds, increased protein, improved productivity, and better post-harvest practices whilst ensuring fair prices for farmers. Makhana Board to be established in Bihar to improve production, processing, value addition, and marketing of makhana
- Tourism - Top 50 tourist destination sites in the country will be developed in partnership with states through a challenge mode
- Skilling - Five National Centres of Excellence for skilling to be set up with global expertise and partnerships to equip our youth with the skills required for 'Make for India, Make for the World' manufacturing

Tax

Under the proposed New Tax Regime, no income tax for an individual having income up to INR 12,00,000!

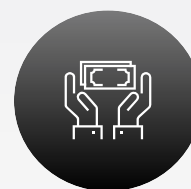
Revised tax slabs proposed for New Tax Regime effective Assessment Year 2026-27:

Total Income	Rate of Tax
Upto INR 4,00,000	NIL
From INR 4,00,001 to INR 8,00,000	5%
From INR 8,00,001 to INR 12,00,000	10%
From INR 12,00,001 to INR 16,00,000	15%
From INR 16,00,001 to INR 20,00,000	20%
Above INR 20,00,001 to INR 24,00,000	25%
Above INR 24,00,000	30%

This fiscal proposal is likely to foster a higher disposable income in the range of INR 30,000 to 1,10,000 annually for individuals, depending on the taxable income.



Footwear, Leather and Toys get "Make in India" push



Huge Consumption push through personal income tax reliefs

How does the budget impact the retail and consumer products sector?

Startups

Extension of incorporation timeline for start-ups to avail tax benefits

- Condition in relation to incorporation to avail start-up tax benefit has been extended from 01 April 2025 to 31 March 2030

“Make in India” Push

Electronics

- BCD increased from 10% to 20% on import of Interactive Flat Panel Displays (fully built)
- BCD reduced to 5% on Open Cell, Touch glass sheet and Touch sensor PCB for manufacture of Interactive Flat Panel Display module
- BCD reduced from 2.5% to Nil on inputs and parts (chip on film, PCBA, glass board/substrate cell) for manufacture of open cell of LCD/ LED television panels
- BCD reduced from 2.5% to Nil on inputs/paiis or sub parts for manufacture of PCBA, Camera Module, connector, wired headset, microphone and receiver, USB cable, Finger print reader/scanner of cellular mobile phone
- BCD exemption extended to 14 machinery for manufacture of Lithium Ion Battery of mobile phones and 17 machinery for manufacture of Lithium Ion Battery of Evs

Leather

- BCD reduced from 10% to Nil on wet blue leather (hides and skins).
- Further, export duty reduced from 20% to Nil on export of crust leather.

Highlights



Incorporations timelines for start-ups extended

10%  20%

BCD rate on Flat panel display

10%  0%

BCD reduced on wet blue leather

20%  0%

Export duty reduced on crust leather

How does the budget impact the retail and consumer products sector?

Customs Duty Rate (all inclusive - BCD, AIDC, SWS as applicable) change for the following commodities

Commodity	From	To
Frozen Fish Paste (Surimi) for use in the manufacture of Surimi Analogue products, for export	33.00%	5.50%
Fish Hydrolysate for use in the manufacture of aquatic feed	16.50%	5.50%
Other plates, sheets, films, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials (excluding PVC Flex Films, PVC Flex Sheets, PVC Flex Banner)	27.50%	22.00%
Other plates, sheet, film, foil and strip of plastics (excluding PVC Flex Films, PVC Flex Sheets, PVC Flex Banner)	27.50%	22.00%
Wet blue leather (hides and skins)	11.00%	Nil
Knitted Fabrics	22%/ 11%	22% or Rs 126.5/kg, whichever is higher
Articles of Jewellery and parts thereof (other than below entries)	25.00%	20.00%
Platinum Findings	25.00%	6.40%
Gold and Silver Findings	26.00%	21.00%
Articles of goldsmiths' and silversmiths' ware's and parts thereof (other than below entry)	25.00%	20.00%
(i) Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units, and gold coins having gold content not below 99.5%, imported by the eligible passenger (ii) Gold in any form other than (i), including tola bars and ornaments, but excluding ornaments studded with stones or pearls (iii) Silver, in any form including ornaments, but excluding ornaments studded with stones or pearls, imported by the eligible passenger	5.50%	5.00%
Open cell for Interactive Flat Panel Display Module with or without touch	16.50%/ 11%	5.50%
Interactive Flat Panel Displays (Completely Built Units)	11.00%	22.00%
Touch Glass Sheet and Touch Sensor PCB for the manufacture of the Interactive Flat Panel Display Module	16.50%/ 11%	5.50%
Inputs and Parts of the Open Cells for use in the manufacture of Television Panels of LED/LCD TV	2.75%	Nil
Seats (other than those of headings 9402), whether or not convertible into beds, and parts thereof	27.50%	25.00%
Other furniture and parts thereof	27.50%	25.00%
Mattress supports, articles of bedding and similar furnishing etc.	27.50%	25.00%
Luminaries and lighting fittings including searchlights and spotlights and parts thereof etc.	27.50%	25.00%
Parts of electronic toys	77.00%	27.50%
All dutiable goods imported for personal use	38.50%	20.00%
Inputs or Parts/sub-parts for use in the manufacture of the Printed Circuit Board Assembly, Camera module and connectors of cellular mobile phones and inputs and raw materials for use in the manufacture of specified parts of cellular mobile phones i.e. on Wired Headset, Microphone and Receiver, USB Cable and Fingerprint reader/Scanner of Cellular Mobile Phone	2.75%	Nil

How does the budget impact the retail and consumer products sector?

BCD exemption under Notification No. 50 /2017 -Customs is extended to

Sr. No. of Notification	Description of goods	Exemption extended up to
104C	Fish meal for use in manufacture of aquatic feed	31 March 2027
460, 460A, 460B, 460C, 460D	Textile machinery (with addition of two new machinery - Shuttle-less looms and parts for manufacture thereof)	31 March 2027
460E	Parts and components for use in manufacturing of textile machinery	31 March 2027
515B	Goods for use in the manufacture of Open Cell of LCD and LED TV panel	31 March 2027
345B	Seeds for use in manufacturing of rough Lab-Grown Diamonds [IGCR condition removed]	31 March 2026

Exemption extended to following products used in manufacture of handicrafts for export (time period of exports extended from 6 months to 1 year, with a further extension of three months if required)

- Electric parts for fitting on electric lamp, table lamp, wall lamp, ceiling lamp, door lamp, window lamp, garden lamp, wire roll, and Christmas ornamentation,
- Chemical/lacquer required for improved finish of export product
- Wood polish materials
- Sea shell, Mother of Pearl, cattle horn, and bone materials
- Clock movement
- Adhesive/glue
- Natural essential oils/aromatic chemicals
- Compact Fluorescent Lamps and bulbs of 120 volts
- Resins

Exemption on Heat Coil for use in the manufacture of Electric Kitchen Chimneys falling under tariff item 84146000 withdrawn with effect from 01 April 2025

To boost the growth of mobile phone manufacturing sector, basic customs duty exempted on 28 capital goods for manufacturing of batteries of mobile phones exempted

How does the budget impact the retail and consumer products sector?

Ease of doing business

Rationalisation of withholding tax [TDS] thresholds:

Section	Current threshold	Proposed threshold	Effective from
193 - Interest on securities	Nil	INR 10,000	01 April 2025
194A - Interest other than Interest on securities (other than payment to senior citizen and society)	INR 5,000	INR 10,000	
194 - Dividend for an individual shareholder	INR 5,000	INR 10,000	
194H - Commission or brokerage	INR 15,000	INR 20,000	
194I - Rent	INR 2,40,000 during the financial year	INR 50,000 per month	
194J - Fee for professional or technical services	INR 30,000	INR 50,000	

- Extension of time-limit to file the updated return
- Proposed to extend time limit for filing of updated tax return from 24 months to 48 months with increased additional tax - 60% additional tax beyond 2 years and up to 3 years and 70% above 3 years
- No prosecution for delayed payment of TCS
- There will be no prosecution, if TCS is paid before quarterly statement deadline
- Expansion of safe harbour rules
- Stated intent in the Budget Speech by the Finance Minister to expand safe harbour rules to reduce litigation and provide certainty around transfer pricing
- Indirect tax
- Time limit of 2 years introduced for finalisation of provisional assessments of Bill of Entry, which can be extended by 1 more year
- New provision introduced enabling importers and exporters, to voluntarily declare material facts and pay tax and interest without penalty, post clearance of goods

Highlights

Simplification of tax procedures - Promoting Ease of Doing Business



Rationalisation of TDS rates

2 years  **4 years**

Extension of time limit for filing the updated return



No Prosecution on delayed payment of TCS

How does the budget impact the retail and consumer products sector?

Ease of doing business

Abolishment of TCS on sale of goods:

- Section 206C(1H) and section 194Q provides for TDS and TCS on sale of goods on same transaction
- In order to facilitate ease of doing business Section 206C(1H) is omitted effective 01 April 2025

Harmonisation of Significant Economic Presence applicability with Business Connection:

- It is proposed to amend SEP provision to clarify that activities of non-resident confined to purchase of goods in India for export won't be considered as SEP

Introduction of "assessments in a block" for TP

- Currently, the TP audits are undertaken for each financial year (FY) on a standalone basis - Proposal to enable TP assessments/ audits in a block to cover a period of three FYs
- Amendment proposed to conform to international standards on TP audits
- Elective option provided to taxpayers upon reference made for a transfer pricing audit for a FY - **Option not available for cases involving search and seizures**
- Option to be exercised by taxpayers within such time frame and in such form as may be prescribed.
- This adjustment will be done within three months after the month when the assessment or audit is completed

Highlights

Abolishment of TCS on sale of goods

Proposal for block-based TP assessments/audits covering three fiscal years

Impact analysis

In essence, Budget 2025 proposes transformative reforms reflecting the Government's commitment to fostering "inclusive" growth, bolstering consumer confidence, and improving the economic stature of India's middle class

Budget strategically positions itself to stimulate the economy with pivotal initiatives promoting employment, manufacturing through "Make in India", etc. Further specific policies for Footwear & Leather sectors, Toy industry are poised to position India as a premier destination while strengthening India's footprints towards being a global hub for these products

Additionally, the emphasis on personal tax reforms and significant tax reliefs are anticipated to fuel middle-class expenditure, reviving demand and propelling India's consumption narrative, thereby stimulating broader economic expansion. Also Budget 2025 intends to improve Ease of doing business in India through TDS /TCS reforms, safe harbour provisions, import procedures, promoting start ups, etc.

In essence, Budget is designed to thoughtfully stimulate private consumption while prudently managing the fiscal deficit. The proposed easing of FDI regulations for multi-brand retail is yet on "wish list" though.

Overall, Budget 2025 is likely to have a positive effect for the Consumer and Retail Sector.

Glossary

AIDC - Automatic Identification and Data Capture

ALP - Arm's Length Price

AO - Assessing Officer

BCD - Basic Customs Duty

CBDT - Central Board of Direct Taxes

EV - Electronic Vehicle

FMCG - Fastest Moving Consumer Goods

FY - Financial Year

GST - Goods and Services Tax

MSME - Micro, Small and Medium Enterprise

PCBA - Printed Circuit Board Assembly

PVC - Poly Vinyl Chloride

SEP - Significant Economic Presence

SWS - Social Welfare Surcharge

TDS - Tax Deducted at Source

TCS - Tax Collected at Source

TP - Transfer Pricing

TPO - Transfer Pricing Officer



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

#EYonBudget2025

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