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## UNION BUDGET HIGHLIGHTS 2025:

### Income Tax Changes and Investment Products

The Union Budget 2025-26 has brought several key proposals that affect individuals, SMEs (Small and Medium Enterprises), corporates, and the broader financial ecosystem. Below is a detailed breakdown of the changes with a specific focus on income tax, investment products, and financial products.

### Income Tax Changes for Individuals, SMEs, and Corporates:

#### 1. For Individuals:

##### Revised Income Tax Slabs (New Regime):

- Up to ₹4 lakh: Nil
- ₹4 lakh to ₹8 lakh: 5%
- ₹8 lakh to ₹12 lakh: 10%
- ₹12 lakh to ₹16 lakh: 15%
- ₹16 lakh to ₹20 lakh: 20%
- ₹20 lakh to ₹24 lakh: 25%
- Above ₹24 lakh: 30%

##### Comparison with Old Tax Regime:

- The old tax regime had a basic exemption limit of ₹2.5 lakh.
- Tax rates under the old regime were:
  - Up to ₹2.5 lakh: Nil
  - ₹2.5 lakh to ₹5 lakh: 5%
  - ₹5 lakh to ₹10 lakh: 20%
  - Above ₹10 lakh: 30%
- The old regime also allowed deductions under various sections like 80C, 80D, HRA, and LTA, which are not available in the new regime.

### Increased Tax Deduction Limits for Senior Citizens:

- The basic exemption limit for senior citizens above the age of 60 has been raised to ₹5 lakh from ₹3 lakh.
- Senior Citizens Tax-Free Income Limit: Up to ₹5 lakh now.

### Rebate under Section 87A:

- The rebate has been enhanced for taxpayers in the income range of ₹4 lakh to ₹12 lakh, ensuring they pay no tax.
- For salaried taxpayers, this limit is effectively ₹12.75 lakh, considering the standard deduction of ₹75,000.

#### 2. For SMEs (Small and Medium Enterprises):

- Tax Deduction on MSME Loans:** Enhanced tax deductions for MSME sector, especially focusing on loans taken for expansion and technological upgrades.
- Reduction in Corporate Tax for SMEs:** SMEs with a turnover of up to ₹50 crore will continue to benefit from a lower corporate tax rate (around 25%).



- Ease of Compliance:** Streamlining the process of tax compliance for SMEs to help in reducing paperwork and facilitate digital reporting.

#### 3. For Corporates:

- Corporate Tax Cut for Large Companies:** The corporate tax rate for companies with an annual turnover of more than ₹400 crore has been reduced slightly, making India more competitive globally.
- Incentives for Green Investments:** Corporates that invest in green technologies and carbon reduction processes will receive tax incentives.
- R&D Investment Deduction:** Companies investing in research and development will continue to get extended tax deductions under section 35 of the Income Tax Act.
- Enhanced MAT (Minimum Alternate Tax):** MAT for large corporates is revised, with adjustments to reduce its impact on companies making significant investments in non-operating sectors.

### Investment Products:

#### 1. Mutual Funds:

- Capital Gains Tax on Mutual Funds:**
  - Short-Term Capital Gains (STCG) tax on equity mutual funds remains at 15%. Long-Term Capital Gains (LTCG) over ₹1 lakh will continue to be taxed at 10%.
  - For debt mutual funds, the tax treatment remains the same, with STCG taxed as per the individual's income tax slab and LTCG taxed at 20% with indexation.
- Increase in Tax-free Debt Mutual Fund Investment:** Higher cap on tax-free investments in certain government-sponsored bond funds to encourage debt mutual fund investments.

#### 2. Life Insurance:

- Tax-Free Life Insurance Payouts:**
  - The limit for tax-free payouts from life insurance policies has been raised. Premiums above ₹5 lakh per annum for ULIPs (Unit Linked Insurance Plans) will be taxed.
- Deduction for Life Insurance Premiums:**
  - The limit on premium payments for life insurance policies qualifying for tax deduction under Section 80C remains unchanged (₹1.5 lakh).
- Revised Tax Treatment for Group Insurance Plans:**
  - A new scheme for tax treatment of employer-funded group insurance policies has been

introduced, aiming to make such policies more tax-efficient for employees.

#### 3. Medical Insurance (Health Insurance):

##### Increased Deduction for Health Insurance Premium:

- The deduction for premiums paid for health insurance under Section 80D has been increased. For individuals under 60, it has been enhanced to ₹50,000, and for senior citizens (above 60), it is now ₹1 lakh.

##### Medical Expense Deduction:

- For individuals suffering from critical illnesses, an additional tax benefit of ₹50,000 has been provided for expenses incurred beyond insurance coverage.

#### 4. Other Investment Products:

##### National Pension Scheme (NPS):

- The government has proposed further tax incentives for NPS contributions, making it more attractive for salaried individuals. A higher tax-free limit for contributions has been introduced.

##### Sovereign Gold Bonds (SGBs):

- SGBs remain a popular tax-efficient investment, with no capital gains tax if held until maturity.

##### Tax-Free Government Bonds:

- Introduced more long-term government bonds with a tax-free status on interest earned, targeting long-term conservative investors.

##### Taxation on Virtual Assets:

- Gains from virtual assets like cryptocurrencies are now subject to a new tax regime, with a 30% tax on gains and a 1% TDS on transactions.

### Sources and Further Reading:

- Press Information Bureau (PIB) - Official government announcements
- Ministry of Finance Website - Detailed budget documents and press releases
- Economic Times/Business Standard - Analysis of the Union Budget and its implications
- Income Tax Department Website - Official notifications regarding tax changes
- Financial Newspapers & Blogs - Detailed breakdown and expert opinion on budgetary changes

The Union Budget 2025-26 aims to streamline tax processes, encourage long-term investments, and incentivize both individuals and businesses to invest in future-facing sectors like green technologies and health. Keep an eye on official announcements and notifications for any detailed guidelines or specific tax rule changes after the budget.

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# BUDGET 2025: TAX DEDUCTIONS, EXEMPTIONS UNDER NEW TAX REGIME AND OLD TAX REGIME FOR FY 2025-26

In Budget 2025, the government opted not to modify the existing tax regime or introduce any new deductions. Finance Minister Nirmala Sitharaman instead made adjustments to the slabs, rates, and rebates within the new regime. However, the Old Tax Regime was kept unchanged.

FM Nirmala Sitharaman kept the standard deduction at Rs 75,000 for 2025-26.

**Tax calculations:** The Centre has once again aimed to enhance the appeal of the New Tax Regime by introducing lower tax rates and reducing deductions. This restructuring aims to simplify taxation, while the Old Regime continues to provide tax benefits through various exemptions and deductions. The proposed income tax slabs in the Union Budget 2025 for the New Tax Regime include a rebate of Rs 60,000 for income up to Rs 12 lakh (Rs 12.75 lakh for salaried individuals) under Section 87A.

Despite these changes, taxpayers who have traditionally utilised tax-saving instruments may still prefer the Old Tax Regime.

## How much tax do I have to pay? Calculate now

In Budget 2025, the government opted not to modify the existing tax regime or introduce any new deductions. Finance Minister Nirmala Sitharaman instead made adjustments to the slabs, rates, and rebates within the new regime to ensure that income up to Rs 12 lakh remains tax-free. Here we look at the tax deductions and exemptions under both tax regimes for FY2025-26

### New Tax Regime 2025-26

FM Nirmala Sitharaman's tax relief proposals in Budget 2025-26 encompass a variety of measures, such as raising the tax-free income limit to Rs 12 lakh, adjusting tax brackets, and introducing a standard deduction of Rs 75,000.

In the upcoming Budget 2025-26, the rebate in the latest tax system has been increased to Rs 60,000, up from Rs 25,000, for individuals earning up to Rs 12 lakh, previously Rs 7 lakh.

### Deductions under New Tax Regime 2025-26

- Section 24(b): Allowance for Interest on Housing Loan for Let-out Property
- Section 80CCD(2): Deduction for Employer's Contribution to National Pension Scheme (NPS), capped at 14% of salary
- Section 80CCH: Deduction for Contributions to Agnipath Scheme.

Income tax slabs (Rs)	Income tax rate (%)
From 0 to 4,00,000	0
From 4,00,001 to 8,00,000	5
From 8,00,001 to 12,00,000	10
From 12,00,001 to 16,00,000	15
From 16,00,001 to 20,00,000	20
From 20,00,001 to 24,00,000	25
From 24,00,001 and above	30

### Old Tax Regime 2025-26

The Budget 2025 has kept the Old tax regime unchanged. Income up to Rs 5 lakh continues to be tax-free through rebates.

### Tax slabs under the old tax regime:

Income up to Rs 2,50,000: Nil
Income from Rs 2,50,001 to Rs 5,00,000: 5%
Income from Rs 5,00,001 to Rs 10,00,000: 20%
Income above Rs 10,00,000: 30%



The old tax system permits deductions in different categories, including:

**Section 80C:** Individuals can claim deductions of up to Rs 1,50,000 for investments in options such as PPF, ELSS, and LIC premiums.

**Section 80D:** Deductions are available for health insurance premiums.

**Section 24(b):** Individuals can claim deductions for interest on home loans up to Rs 2,00,000.

Other exemptions include benefits like HRA and LTA.

The list is as follows:

### Tax deductions and exemptions under the Old Tax Regime 2025-26

**Section 24(b) Deduction:** For self-occupied property, individuals can claim a deduction of up to ₹2 lakh on interest paid towards a housing loan.

**Section 80C Deduction:** A combined deduction of up to ₹1.5 lakh can be claimed for various payments such as life insurance premium, provident fund, ELSS, PPF, SCSS, National Savings Certificate, housing loan principal, tuition fees, etc.

**Section 80CCC Deduction:** Individuals can claim a deduction for contributions made towards an annuity plan of LIC or other insurer under the Pension Scheme.

**Section 80CCD(1) Deduction:** Deduction can be claimed for contributions made towards the Pension Scheme of the Central Government.

**Section 80CCD(1B) Deduction:** Individuals can claim a deduction of up to ₹50,000 for payments made to the National Pension System (NPS), excluding any deduction claimed under section 80CCD (1).

**Section 80CCD(2) Deduction:** Employers can claim a deduction for their contribution to the Pension Scheme of the Central Government.

**Section 80CCH Deduction:** Contributions made to the Agnipath Scheme are eligible for deduction under this section.

**Section 80D Deduction:** Individuals can claim a deduction for health insurance premium payments and preventive health check-ups.

**Section 80DD:** Allows for a deduction for the maintenance or medical treatment of a disabled dependent.

**Section 80DDB:** Provides a deduction for the medical treatment of specified diseases.

**Section 80E:** Offers a deduction for interest payments on a loan for higher education for self or a relative, allowing for the full amount paid towards interest to be claimed.

**Section 80EE:** Grants a ₹50,000 deduction for interest payments on a loan for a residential house property, as long as the loan was sanctioned between 1st April 2016 to 31st March 2017.

**Section 80EEA:** Provides a deduction of up to ₹1.5 lakh for interest payments on a loan for the first-time acquisition of a residential house property, granted between 1st April 2019 to 31st March 2022.

**Section 80EEB:** Allows for a deduction of up to ₹1.5 lakh for interest payments on a loan for the purchase of an Electric Vehicle, sanctioned between 1st April 2019 to 31st March 2023.

**Section 80G:** Allows for deductions on donations made to prescribed funds and charitable institutions.

**Section 80GG:** Provides deductions for rent paid by individuals who are self-employed or do not receive House Rent Allowance (HRA) as part of their salary.

**Section 80GGA:** Enables deductions for donations made towards scientific research or rural development.

**Section 80GGC:** Offers deductions for donations made to Political Parties or Electoral Trusts.

**Section 80TTA:** Allows for a deduction of up to ₹10,000 on interest received on savings bank accounts by Non-Senior Citizens.

**Section 80TTB:** Provides a deduction of up to ₹50,000 on interest received on deposits by resident senior citizens.

**Section 80U:** Allows for deductions for resident individual taxpayers with disabilities.

Source: <https://www.businesstoday.in>

# MUTUAL FUND EXPERTS ANALYZE UNION BUDGET 2025: WHAT IT MEANS FOR INVESTORS

## Synopsis

With the finance minister announcing the tax relief of up to 12 lakh under the new tax regime, the market experts said that this measure leaves more money in the hands of people which in turn could boost broking, AMC's as investments could increase with higher disposable income, which should go back to the economy.

**Here is how the mutual fund experts decode this Budget for the investors:**

### Venkat Chalasani, Chief Executive, AMFI

The Union Budget 2025 introduces progressive measures that will strengthen financial inclusion, simplify compliance, and foster economic growth. The rollout of the revamped Central KYC registry in 2025 is a significant step toward streamlining investor onboarding, reducing redundancies, and enhancing transparency in financial transactions. This and the government's continued emphasis on ease of doing business will create a more investor-friendly environment, making financial markets more accessible.

### Navneet Munot, MD & CEO, HDFC Asset Management Company

Simplification of tax structure and ease of compliance should aid in investor confidence and stimulate both, domestic and foreign investments. While short-term volatility could be par for the course due to the current global economic backdrop, the long-term direction rooted in policy prudence and support for growth should bolster Destination India's credentials for foreign and domestic investors alike.

### Deepak Ramaraju, Senior Fund Manager, Shriram AMC

Though the budget did not add any negativity to the capital gains, the markets may remain buoyant for the medium term. Cutting personal taxes may lead to higher savings, which might result in increased SIP flows, potentially supporting the markets further. Capital market-related sectors such as AMCs, and brokerage houses may expect higher retail participation.

### Feroze Azeez, Deputy CEO, Anand Rathi Wealth Limited

Investing in mutual funds is going to become more seamless post this budget with changes in CKYC norms, making it easier for individuals to participate in the markets. For the middle class, particularly those aged 25 to 40, higher disposable income of upto Rs 1.1L could have a dual effect as this will boost both consumption and investments. Today, almost 25% of the tax payers are in the bracket of 5-12L.

Now for the younger between 25-30 age group, the extra income is likely to drive higher spending, benefiting FMCG and consumer-driven sectors.

At the same time, an increase in EMIs and loans could positively impact banking and financial services. On the other hand those 30 and above, focusing on financial planning and stability, may channel their additional income into investments, with SIPs in mutual funds gaining traction.

With nominal GDP growth projected at 10.1%, domestic liquidity in equity markets is expected to remain strong, further supporting mutual fund inflows and long-term wealth creation.

### Adhil Shetty, CEO of Bankbazaar.com

The budget brings relief to small investors by doubling the TDS exemption on mutual fund income to Rs 10,000, reducing tax deductions at the source. This ensures higher post-tax returns for mutual fund investors, particularly those relying on dividend income. Foreign investors gain from a streamlined tax regime, aligning capital gains treatment with resident investors for a fairer playing field. While trading costs remain stable with no additional tax burden, expectations for broader capital gains tax reforms remain unmet. These changes enhance tax clarity and ease of investing, benefiting both retail and institutional investors, though structural reforms are still awaited.

### Mahendra Kumar Jajoo, CIO - Fixed Income, Mirae Asset Investment Managers (India)

"The budget is expected to provide a major boost to consumption with massive reliefs on the income tax front for the lower and middle class. At a time when the economic moment was slowing down, and incremental capex was beginning to generate a declining multiplier factor on the margin, as was desired by most analysts, the budget has delivered this mega booster for a renewed consumption boost. Along with sustained capex, the economy is expected to regain the lost momentum in a quick time. Continuing to adhere to the guided fiscal consolidation path even while providing tax relief is another positive feature that should help improve India's rating upgrade prospect. RBI is also likely to take note of the same, and a progressively more accommodative monetary policy is to be expected in the near term."

### Puneet Pal, Head-Fixed Income, PGIM India Mutual Fund

The government reiterates its resolve towards fiscal consolidation as it pegs the fiscal deficit at 4.40% for FY2026, lower than market expectations, and remains committed to bringing down the central government debt to GDP to 50% by 2031 from 57% currently. From the bond market perspective, the net borrowings at INR 11.5 trns in line with market expectations and we expect the bond yields to remain stable in the run up to the MPC meeting on 7th Feb

### Mahesh Patil, CIO, Aditya Birla Sun Life AMC

"Budget remains on a fiscal consolidation path. It focuses on simplification of tax structure to ensure ease of business. A big boost to consumption by more money in the hands of consumers. Thus, a balanced budget with focus on stimulating the demand side and continuing with investments. We believe this budget and the likely easing of liquidity in the monetary policy next week will pave the way for recovery in the economy.

### Anurag Mittal, Head of Fixed Income at UTI AMC

The budget continued the path of inclusive development by boosting personal spending while continuing the trajectory of fiscal consolidation. The borrowing number is marginally higher than bond market expectations as the Government has not kept any short-term borrowings. This is more positive for the short to medium end of the yield curve. The road map of debt/gdp to 50% by 2031 is positive from a medium-term structural perspective.

### Radhika Gupta, MD & CEO, Edelweiss MF

This budget boldly addresses the need of the hour: putting money into the hands of the middle class through meaningful tax reliefs. This will energise consumption and growth at a critical time for the Indian economy.

### Rajeev Radhakrishnan, CIO - Fixed Income, SBI Mutual Fund

There has been a conscious attempt to spur consumption by rationalising personal tax slabs with a revenue foregone of Rs 1 trillion. Apart from the overall focus to sustain capex and reforms in key thrust areas, the budget announcements have an intended focus on ensuring sustained economic growth. At the same time, the fiscal consolidation trajectory has sustained with FD estimated to reach 4.4% in FY26 in line with estimates. From a bond market perspective, the gross borrowing numbers at Rs 14.8tr is higher than market estimates and could be mildly negative. However, RBI liquidity operations such as OMO's should ensure a supportive environment for yields.

### Chirag Mehta, CIO, Quantum AMC

This year's budget marks a distinct shift from incremental capex push towards a direct attempt to boost consumption by giving tax relief to the middle class. Incremental capex was not yielding follow through employment and consumption increase and hence maintained at the same levels. This will help towards boosting urban consumption to an extent. Capex intensity seems to be moving towards a more labor-intensive SME sector as opposed to the significant Infra push of recent years.

Source : <https://economictimes.indiatimes.com>

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# CAPEX TO CONSUMPTION: BUDGET 2025 IS GROWTH FORMULA AMID GLOBAL HEADWINDS

**Budget 2025 Highlights:** The budget's emphasis on consumption-oriented measures, coupled with a relatively modest increase in capital expenditure allocation, signals a shift in focus

The Government Has Graciously Extended The Tax-Free Threshold To A Remarkable Rs 12.75 Lakh, Says Devarsh Vakil Of HDFC Securities

**Budget 2025 highlights:** The government's strategic pivot marks a fundamental shift in the economic policy, moving away from the traditional model of heavy infrastructure spending and capital-intensive investments. Instead of relying primarily on expanding industrial capacity and accelerating infrastructure projects, policymakers are now channelling resources toward stimulating consumer spending and domestic demand.

This transformation reflects a growing recognition that sustainable economic growth requires a robust consumer base along with infrastructure improvements. In a landmark fiscal measure designed to uplift the nation's backbone - its middle class - the government has graciously extended the tax-free threshold to a remarkable Rs 12.75 lakh (individual-salaried taxpayers) under the new tax regime. This magnanimous gesture translates into an unprecedented infusion of Rs 1 trillion into the hands of middle-class households nationwide. Such a substantial enhancement to disposable income promises to invigorate the marketplace, mainly benefitting the fast-moving consumer goods (FMCG) sector and durable goods manufacturers, as families find themselves empowered to fulfil their essential needs and aspirational purchases with renewed confidence.

The budget's emphasis on consumption-oriented measures, coupled with a relatively modest increase in capital expenditure allocation, signals a shift in focus from strengthening fiscal multipliers through capex to prioritising immediate economic gains. The government is banking on rekindling animal spirits and encouraging the private sector to take the lead in investments by prioritising consumption growth and strengthening the health of the agriculture sector.

With the immediate impact of the budget priced in, markets will now shift their focus back to global cues, closely tracking movements in international cues from equity, bond, and currency markets. Investors were lulled into a false sense of security when US President Donald Trump refrained, last week, from immediately imposing tariffs on major



trading partners, including China immediately after taking an oath of office.

Global markets, now, face significant turbulence following Trump's announcement of new tariffs: 25 per cent on Canadian and Mexican imports, and 10 per cent on Chinese goods. The US markets have fallen sharply in response, potentially setting the stage for a volatile time for global equities. Canada has swiftly retaliated with its own 25 per cent counter-tariff on US goods, affecting trade worth over \$100 billion.

The dollar has strengthened considerably against major currencies, with the Canadian dollar dropping to its lowest level since 2003 and the euro continuing its downward trend. This dollar rally reflects market expectations that the tariffs will boost inflation and maintain elevated US interest rates. Additionally, investors believe these measures will impact foreign economies more severely than the US, enhancing the dollar's appeal as a safe-haven currency.

The US Federal Reserve (US Fed) held interest rates steady last week, as expected, as core PCE remains above the 2 per cent target and the pace of disinflation has moderated.

The budget's emphasis on consumption-oriented measures, coupled with a relatively modest increase in capital expenditure allocation, signals a shift in focus from strengthening fiscal multipliers through capex to prioritising immediate economic gains. This shift has particularly benefited FMCG and automotive sectors, following significant adjustments to personal income tax structures.

Foreign portfolio investors maintained their exodus from Indian equities, marking their 22nd consecutive session of selling on the budget day.

With budget-related movements now largely priced in, market attention is returning to global factors. Additionally, all eyes will be on the Reserve Bank of India's (RBI's) policy meeting scheduled for February 7. Market participants will be keenly watching for any signals regarding RBI's stance on the interest rate decisions, inflation outlook, liquidity management, and the economic growth.

Indian equity markets have witnessed a notable correction in recent months, lagging behind their global counterparts amidst concerns over valuation and economic growth headwinds. The current market pullback presents selective opportunities as domestic economic indicators show green shoots of recovery, with improving manufacturing activity, credit growth, and consumption patterns.

While a sharp V-shaped recovery may be unlikely in the near term, the market appears to be forming a base at current levels, potentially setting the stage for steady appreciation over the longer horizon as fundamentals strengthen.

**Disclaimer:** Devarsh Vakil is Head of Prime Research at HDFC Securities. Views expressed are his own.

Source :<https://www.business-standard.com>

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