Grant Thornton

Union Budget 2025

Union Budget 2025

Pre-budget expectations survey

#GTBharat

SHAPING VIBRANT INDIA

Contents

Optimism for economic growth; reforms key to sustaining momentum

As India prepares for Union Budget 2025, the economic outlook remains positive, reflecting a shared confidence among businesses in the nation's growth trajectory. India's goal of becoming a USD 5 trillion economy calls for policies that promote sustainable and inclusive growth. Grant Thornton Bharat's pre-budget survey provides a glimpse into the reforms that would help drive investment, encourage innovation, and strengthen the economy.

India is on track to become the fourth-largest global economy by 2026, marking a significant milestone. As the country progresses towards this goal, the focus shifts to building an ecosystem capable of sustaining the growth momentum while maintaining fairness and inclusivity across all sectors.

Our pre-budget survey shows that respondents are optimistic about India's economic outlook, with majority expecting growth between 6-6.9% in FY 2025-26. About 22% of respondents anticipate a stronger growth rate in the range of 7-7.9%.

Survey respondents believe that technological advancements and reforms to improve the ease of doing business will be pivotal to driving India's growth in the upcoming fiscal year. By aligning fiscal policies with these priorities, Budget 2025 can act as a catalyst for growth, while ensuring equity and efficiency in the economy.

The survey highlights key industries that Grant Thornton Bharat believes will be the growth drivers, including agriculture and food processing, automotive, consumer and retail, healthcare and pharmaceuticals, technology, financial services, real estate, and energy and renewables. These sectors are expected to play an important role in India's economic expansion, contributing to a sustainable and inclusive future.

What is your outlook for India’s economic growth in FY 2025-26?

Between 6 - 6.9%	59%
Between 7 - 7.9%	22%
Below 6%	18%

What factors will have the greatest impact on India's economic growth in the next fiscal year?

Ease of doing business reforms	68%
Inflation and monetary policy management	57%
Increase in FDI and strong trade agreements with major global economies	54%
Government incentives and subsidies to boost domestic consumption	51%
Technological advancements	49%
Other	11%

Which of the following corporate tax reforms should be prioritised in the 2025 Union Budget?

Reduction in corporate tax rates for small and medium enterprises	30%
Streamlining of GST compliance procedures 44	28%
Enhanced measures for resolving tax disputes	15%
Introduction of more tax incentives for startups	14%
Introduction of new tax incentives for research and development (R&D)	13%

Agriculture and food processing

The agriculture sector is a cornerstone of India's economic growth. Contributing over 18% to the nation's GDP and supporting more than half of the population, the sector must evolve to drive sustainable growth, ensure food security, and address the challenges of climate change.

The Union Budget 2024-25, with an INR 1.52 lakh crore allocation towards the sector, made significant strides in productivity, research, and resilience. But, to establish India as a global leader in agriculture, the upcoming budget will need to focus on several key areas.

Grant Thornton Bharat's pre-budget survey has identified several measures to improve the agriculture sector, such as streamlining exports, improving supply chains, expanding access to credit, empowering women in agriculture and promoting sustainable practices. In addition to these, the following initiatives would significantly impact the sector.

Investing in agricultural research

India currently allocates only 0.3% of agricultural GDP to the Department of Agriculture Research and Education (DARE). Increasing this allocation to at least 1%, as seen in countries such as Brazil, can improve productivity and enhance climate resilience. The upcoming budget must prioritise funding for innovative, climate-resilient agricultural solutions, including sustainable farming practices and precision agriculture technologies.

Reducing dependence on imports

Focusing on self-reliance, particularly in oilseeds and pulses, will help reduce India's dependence on imports. Global supply chain disruptions have worsened dependence on imports, particularly in the agriculture sector. Investing in the entire agricultural value chain—production, processing, and marketing—will increase exports and improve India's global competitiveness.

Promoting public-private partnerships

Encouraging public-private partnerships in research and development should be a central priority. These collaborations can encourage innovation, increase productivity, and build resilience, helping India establish itself as a global agricultural powerhouse by 2047.

"The government envisions an inclusive and climate-smart development of the agriculture sector, achievable through targeted interventions that address key gaps in the support ecosystem. These gaps include farmers' access to quality inputs in agriculture and animal husbandry, extension services, credit, post-harvest infrastructure, direct market access, and relevant policies. Farmer Producer Organisations (FPOs) play a pivotal role in bridging these gaps, making their promotion essential for sustainable growth in the sector."

Padmanand V
Partner and Agriculture Industry Leader

Consumer and retail

The consumer industry is focused on reforms that can simplify compliance, drive innovation, and sustain growth across manufacturing and retail. Targeted measures in tax policy, technological enablement, and demand stimulation will play a pivotal role in reinforcing economic momentum

Tax rationalisation

The industry continues to advocate for a simplified tax structure, such as a single or dual-rate system, to reduce compliance burdens and improve affordability. Rationalising tax rates, particularly for essential goods, will be critical to sustaining demand and alleviating the pressure on manufacturers and consumers alike.

Accelerated tax incentives for technology enablement

Industries integrating technology into consumer products should receive enhanced tax incentives, such as deductions for capital or R&D expenditure and broader profit-linked deductions. This would encourage tech adoption, boost productivity, and drive growth in sectors like electronics, smart appliances, and digital systems.

Strengthening manufacturing growth

With the sunset of the 15% concessional tax rate for new manufacturing units under Section 115BAB of the Income Tax Act, introducing alternative incentives such as enhanced R&D deductions, accelerated depreciation, or sector-specific Production Linked Incentive (PLI) schemes can ensure India remains a top destination for manufacturing investments. Additionally, reducing customs duties on raw materials and encouraging local manufacturing would support domestic production and lower dependency on imports.

Stimulating domestic demand

Measures to increase disposable income in underserved areas, such as improving rural infrastructure and direct benefit transfers, can significantly impact consumption patterns.

GST simplification for small vendors

Recent GST notices to small vendors receiving UPI payments highlight the need for compliance reforms. Leveraging fintech intermediaries to track transactions can streamline reporting and reduce burdens on small businesses. Simplified tax reconciliation through fintech could encourage digital adoption and prevent unexpected tax issues for vendors.

Sustainability as a growth driver

As businesses integrate sustainability into their strategies, the industry seeks targeted tax benefits for green manufacturing and eco-friendly products. Proposals such as a Green Innovation Fund and accelerated deductions for sustainable materials will encourage eco-conscious practices and strengthen India's global position in sustainable commerce.

While these initiatives hold great promise, challenges such as managing fiscal constraints and ensuring effective implementation remain. Striking a balance between growth-focused incentives and fiscal discipline will be critical to achieving the sector's long-term goals.

> As India prepares for the Union Budget, it is vital to address the complexities shaping the consumer industry. Strengthening consumer confidence through transparent pricing and robust protection laws will be crucial. Investing in digital literacy and infrastructure can empower informed choices in an increasingly tech-driven market. Additionally, fostering public-private partnerships to drive innovation and sustainability can build a resilient and future-ready consumer ecosystem. By aligning fiscal measures with the industry's evolving needs, the Budget can pave the way for sustainable and inclusive growth.

Naveen Malpani
Partner and Consumer Industry Leader

Automotive

The Indian automotive and electric vehicle (EV) industry is poised for transformative growth driven by sustainability, innovation, and consumer preferences. With the upcoming Union Budget 2025, industry stakeholders hope for policy measures that will boost domestic production, encourage EV adoption, and position India as a global automotive hub.

Key expectations focus on taxation reforms, enhanced incentives for manufacturing, and significant investments in infrastructure and research and development (R&D). As the government prepares for the FY 2025-26 budget, survey results highlight key expectations, especially regarding EV adoption and increased support for manufacturing, infrastructure, and R&D.

Incentivising indigenous production

Expanding the Production Linked Incentive (PLI) scheme for the auto and EV sectors is critical to enhancing India's manufacturing ecosystem. The industry seeks increased subsidies, rationalised rates, and strategic investments in EV ecosystem components. Strengthening indigenous production capabilities will help India achieve self-reliance and global competitiveness while driving green mobility forward.

Enhanced R&D support

The industry looks forward to enhanced tax deductions for R&D expenditure, focusing on battery advancements, energy storage solutions, and hydrogen fuel technologies. Accelerating innovation will improve vehicle performance and sustainability and solidify India’s role in the global EV supply chain. Respondents strongly support increased investment in electric mobility, with many also advocating for funding for hydrogen fuel technology and advanced safety measures.

Infrastructure development

The industry recognises the importance of accelerating the rollout of charging infrastructure, with 54% of surveyed respondents prioritising this initiative. Investments in robust, accessible charging networks are essential to driving EV penetration in urban and rural areas alike. Similarly, supporting battery manufacturing infrastructure will strengthen the supply chain and reduce import dependencies. There is also strong consensus on the need for additional support for battery manufacturing or recycling infrastructure, with a clear expectation that the government will address this issue.

Skill development

Addressing skill gaps within the auto industry workforce is a priority. Most respondents believe the government should establish comprehensive training programmes, offer incentives for hiring and upskilling, and promote collaboration with academic institutions for R&D. A holistic approach that includes all these measures is crucial to meeting the sector's evolving demands.

Taxation reforms

Stakeholders urge rationalising the taxes for the EV ecosystem, particularly for EV charging services, EV-leasing and battery-leasing. Initiatives to promote leasing models over purchases would lower upfront costs encourage adoption. This will also simplify end-of-life management.

Encouraging international trade

Respondents express concern about international trade barriers, such as carbon border adjustment mechanisms (CBAM). Many foresee the need for government support to counter these challenges and ensure the competitiveness of the Indian auto sector in the global market.

"The auto and EV industry is eagerly anticipating a forward-looking Union Budget 2025 that will accelerate sustainable mobility and boost domestic manufacturing. Key expectations include enhancing R&D incentives to drive innovation in battery technology, further pushing the Production Linked Incentive (PLI) scheme to attract fresh investments and rationalising tax structure for EV charging services and leasing to encourage greater adoption. Additionally, expanding the scope of policies, such as the EV policy rolled out in March 2024, that promote local production of EVs, especially in the price-sensitive passenger vehicle segment, will be crucial for making India a global hub for green automotive technologies. A strategic focus on these areas will strengthen India's position in the global EV value chain while fostering long-term growth and energy independence."

Saket Mehra
Partner and Auto & EV Industry Leader

Technology

In 2024, the technology sector faced an economic slowdown, funding constraints, valuation dips, and workforce reductions. Technology risks surged, with cyber incidents and ethical concerns surrounding Gen AI usage taking centre stage. Despite these hurdles, India's IT industry crossed revenues of USD 250 billion, growing at 3.8% in FY24, and remains a global leader due to its vast engineering talent and digital transformation expertise.

Survey respondents believe the upcoming budget should prioritise improving technology infrastructure, focusing on strengthening data security and protection measures through updated legislation and policy. This is a critical step in addressing the growing demand for data centres and ensuring their protection.

Establishing a single nodal agency to clear and monitor data centres and funding for advanced data-related infrastructure are also important areas of focus. In terms of tech R&D, respondents advocate for more funding in Artificial Intelligence (AI), semiconductor manufacturing, and cybersecurity, which are seen as key areas for future innovation.

For space technology development, respondents believe that the primary focus should be on improving rocketry and satellites to reduce foreign reliance, alongside supporting local satellite development like Starlink. Expanding the coverage of PLI schemes to include sectors like data centres, defence, and electronics is also strongly supported.

Cybersecurity remains a high priority, with the consensus that the government must move beyond audits and testing towards real-time management of security issues. On AI, respondents believe that AI regulation should focus on establishing clear ethical guidelines, promoting AI-driven public services for efficiency, strengthening data privacy laws, and encouraging AI research and innovation for economic growth.

Primary government focus on improving tech infrastructure

Enhancing data security	50%
Incentivising data centers	22%
Funding in advance data related infrastructure	17%
Setting up a single nodal agency to clear and monitor Data centers	11%

Key priorities for space technology development in the upcoming budget

Improve rocketry and satellites to reduce foreign alliances	56%
Supportive researchers like starlink	22%
Offer incentives for local satellites	11%
Fair competition for satellite communication	11%

Addressing AI regulation in the upcoming budget

Encourage AI research and innovation for economic growth	38%
Promote AI-driven public services for better efficiencies	31%
Create laws with clear guidelines for ethical use of AI	19%
Strengthen data privacy laws to protect citizens information	13%

Looking ahead to 2025, emerging opportunities in Gen AI, quantum computing, GCCs, engineering services, M&A revival, and tighter data privacy regulations signal a dynamic growth phase. The technology sector hopes that the Union Budget 2025-26 will introduce transformative initiatives focused on sustainable and responsible growth, including:

01 Strengthening technology infrastructure

The government must implement stringent data protection laws, invest in IT upgrades, and advance cloud technologies and data management systems. These actions will ensure security, compliance, and public trust while aligning with global standards to support digital transformation.

02 Boosting technology R&D and AI innovation

The sector seeks a dedicated AI research fund, tax incentives for robotics and AI deployment, and investments in AI-driven public services. These measures can accelerate innovation, improve efficiency, and enhance service delivery. Strategic R&D funding will address challenges in healthcare, education, and sustainability, fostering a more equitable economy.

03 Streamlined AI regulations

Clear ethical guidelines and a strong AI governance framework are essential to balancing innovation with responsibility. The government should introduce dedicated AI research funds, tax reliefs, and startup-focused loans. These steps will drive innovation while promoting ethical use. AI-driven public services will enhance governance efficiency and citizen satisfaction.

04 Expanding PLI schemes

The government should expand PLI schemes to include data centres, defence, and electronics. These actions will encourage manufacturing, reduce import dependency, and strengthen supply chains, positioning the country as a global market leader.

05 Advancing space technology

Investing in local research and promoting public-private partnerships in space ventures will drive innovation, create high-tech jobs, and position the country as a global space leader.

06 Skilling for a future-ready workforce

Public-private partnerships and targeted skilling programmes in advanced technologies like AI, IoT, and cybersecurity are crucial to addressing talent gaps, driving innovation, and ensuring global competitiveness.

07 Enhancing cybersecurity

Transitioning to real-time cybersecurity management and streamlining regulations under DPDPA 2025, supported by government funding for IT upgrades and compliance, will strengthen defenses against sophisticated threats.

08 Simplifying tariff structures

Reducing tariff slabs from seven to five will streamline trade, cut compliance costs, and attract investments, encouraging a business-friendly environment and boosting exports.

09 Strengthening hardware-software ecosystems

Addressing the semiconductor shortage through investments in local manufacturing and incentives for data centres will bolster supply chain resilience, robotics, and technological self-sufficiency.

> "Key expectations include ethical guidelines for AI, a robust governance framework, and a dedicated AI research fund. Building on 2024 subsidies, further targeted measures and tax incentives for robotics and AI adoption, along with startup-focused funding, are critical for driving innovation. Investments in skilling programs, public-private partnerships, and easing access to international markets will help startups and MSMEs scale, attract capital, and create jobs. Streamlined data protection regulations under DPDPA 2025, supported by IT upgrades and government subsidies, are vital for compliance. The abolition of the angel tax in 2024 is known to boost investor confidence, and further simplifying compliance will enhance funding access and foster innovation. These measures can propel the tech sector to global leadership and sustainable growth."

Raja Lahiri
Partner and Technology Leader

Financial services

Despite numerous challenges such as inflation, geopolitical tensions, and supply chain disruptions, the financial services sector has shown resilience and growth, driven by improved asset quality, technological advancements, and robust credit demand and is expected to continue with the momentum in the coming year as well.

The survey findings highlight key priorities within the financial services sector, including banking, NBFCs, asset management, and insurance. A significant portion of respondents foresee enhanced incentives for sustainable investments and transition finance measures to support carbon-friendly industries. There is a strong call to align with global environmental goals by incentivising green projects and introducing transition finance frameworks that facilitate the shift toward sustainability.

The **insurance industry** is anticipating key announcements from the budget that could energise the sector. Key expectations include income tax breaks or GST exemptions for term insurance, health insurance, pensions, and annuities, which would promote financial protection and long-term savings. The industry also calls for regulating healthcare delivery to govern treatment protocols, improve transparency, and contain spiraling healthcare costs, which would ultimately lead to a reduction in insurance premiums.

The **banking industry** anticipates key measures and reforms to increase financial inclusion, such as the Central Bank's Backed Digital Currency program, digital public infrastructure, SME lending, and regulatory oversight. Expectations include expanding banking services in rural areas and enhancing digital literacy through educational programs. The industry also expects continuing measures to boost lending to SMEs, such as credit guarantees and interest subsidies, and incorporating more banks in India and SAARC countries into the Central Bank Backed Digital Currency program.

The industry also seeks formal inter-regulation cooperation among banking, securities, insurance, and IFSC regulators for better coordination. It also anticipates tax rebates or funds to enhance banking infrastructure using cloud computing, AI, and centralised registries, alongside clarity on a broader AI regulatory framework.

As the budget season approaches, the **Non-banking financial companies (NBFCs)** sector expects key measures to drive growth, including tax exemptions on priority sector lending, subsidised funding for technology upgrades (AI, cybersecurity), and grants for digital lending platforms.

The NBFC sector seeks centralised fraud detection databases, relaxed digital KYC norms, interest subvention schemes for agri-loans, and expanded refinance facilities via SIDBI or NABARD. The industry also calls for tax incentives for bond issuances, bad-loan securitisation platforms, and green financing inclusion under priority sector lending. These measures could strengthen the NBFC sector and drive economic growth.

The **asset management industry** expects the Budget to simplify compliance requirements for fund managers, especially those operating in GIFT City, to facilitate ease of doing business. The industry also anticipates enhanced incentives for investments in sustainable and green projects, aligning with global environmental goals and promoting financial inclusion to boost overall economic growth.

The **fintech industry**, a critical player in the financial services sector and a key driver of India's economic growth looks forward to key announcements from the upcoming Union Budget that will balance innovation and growth within the fintech ecosystem. The industry expects easy and affordable access to capital and funding through fintech-specific funds, subsidised loans, and grants for new-age technology development such as blockchain and AI.

Additionally, the industry expects tax and regulatory reliefs for digital services and transactions, including digital lending platforms and rural payment solutions, and streamlined KYC/AML requirements. These measures will help promote financial inclusion more effectively, resulting in overall growth of the financial services sector and economic development.

"The survey findings clearly suggest that the market expects the 2025 Union Budget to introduce transformative reforms in the financial services sector, driving growth and innovation. The key anticipated measures include simplifying regulatory frameworks, incentivising technological advancements and investments in sustainable and green projects, investing in infrastructure, and enhancing financial inclusion. Additionally, reforms around ease of doing business at IFSC GIFT City, capital market and insurance sector reforms, will be helpful in positioning India as a global financial hub, laying a strong foundation for a resilient and inclusive financial ecosystem."

Vivek Iyer
Partner and NBFC Industry Leader

Healthcare and pharmaceuticals

Ahead of the FY 2025-26 budget, there is widespread anticipation for a substantial increase in the overall allocation for the healthcare sector. Many experts expect a focus on preventive care and strengthening primary healthcare centers (PHCs) to improve access in underserved areas.

The healthcare industry also expects significant investments in telemedicine, AI, and digital health platforms to improve service delivery. It strongly supports new Public-Private Partnership (PPP) models to enhance the management and delivery of healthcare infrastructure.

On the policy front, many anticipate an increased financial outlay for the Production Linked Incentive (PLI) scheme in the pharmaceutical and medical device sectors to reduce import dependency. The industry also expects a reduction in the GST rate on health insurance and rationalisation of custom duty rates on life-saving drugs and medical devices.

Do you expect the government to substantially increase the overall budget allocation for the healthcare sector in FY 2025-26 compared to FY 2024-25?

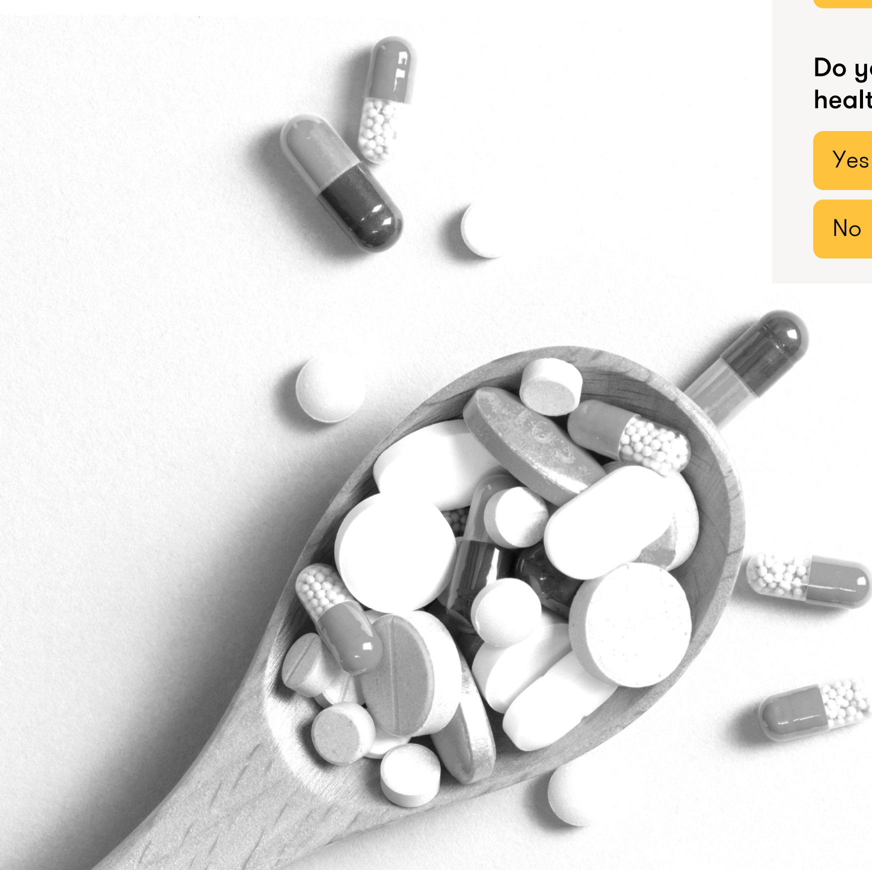
Yes	68%
No	32%

Do you believe the budget will emphasise investments in technologies like telemedicine, AI, and digital health platforms to improve service delivery?

Yes	53%
Maybe	37%
No	11%

Do you expect the government to reduce GST rate on health insurance?

Yes	84%
No	16%



The healthcare sector anticipates measures to address systemic challenges and accelerate progress toward universal health coverage. The following are some key budget expectations:

Increased public health spending

Increasing healthcare spending to 2.5% of GDP will enhance primary healthcare with skilled personnel, diagnostics, preventive care, and digital technologies like telemedicine. As out-of-pocket expenditure (OOPE) declines, further public investment will ease financial burdens and make quality care more affordable and equitable.

Decreasing the customs duty on essential medicines

Reducing customs duties on essential drugs and critical medical equipment will enhance affordability and equity in healthcare, ensuring broader access to essential medications. Previous reductions in cancer medicines in the Union Budget significantly improved in-patient care. High import taxes drive up costs and limit care for vulnerable populations.

Decreasing the GST on healthcare

While healthcare services are largely exempt from GST, hospitals and clinical establishments cannot claim the input tax credit on inward supplies. This increases procurement costs, which are passed on to patients through higher charges. The industry has long advocated for zero-rating healthcare services to eliminate input tax costs. Alternatively, the industry has proposed a lower GST rate of 5% to unlock input tax credit for offsetting output GST. Additionally, reducing GST on clinical trials and research activities, alongside recent measures for health insurance, would further promote affordable and accessible healthcare.

Incentivising innovation and enhancing PPP

Improving Primary Healthcare Centers (PHCs) is key to equitable healthcare and sustainable infrastructure. Prioritising R&D and emerging technologies will boost service delivery and bridge accessibility gaps. Public-private partnerships (PPPs) can also enhance healthcare management and infrastructure.

Key focus areas for the pharmaceuticals industry

Capacity expansion

Increasing financial support will drive capacity expansion and enable the sector to advance in the value chain, particularly in high-potential areas such as Active Pharmaceutical Ingredients (APIs), Contract Development and Manufacturing Organisations (CDMOs), and biotechnology.

Strengthening API manufacturing through PLI schemes

An increased allocation under the PLI Scheme is imperative to strengthen domestic API production and reduce India's heavy reliance on imports, particularly from China. Enhanced PLI support for the biotechnology sector will further accelerate growth in this sub-segment.

Driving innovation and growth in R&D and biotechnology

Introduce a Research Linked Incentive (RLI) scheme to bridge the R&D gap and promote innovation in drug discovery while allocating more funds to the biotechnology sector under the PLI scheme. This will stimulate innovation in biosimilars, gene therapies, and personalised medicine, complementing India's strengths in generics and enabling it to capture emerging opportunities.

"Healthcare in India is on the brink of transformative growth. Increasing spending to 2.5% of GDP will empower the sector to expand infrastructure and strengthen Primary Healthcare Centers, particularly in underserved regions. Investments in advanced digital health technologies like telemedicine and AI-driven solutions can bridge accessibility gaps and enhance service delivery. Additionally, scaling preventive care initiatives will address health challenges at their root and create a more resilient healthcare system. Further, reducing GST on health insurance premiums is another vital step toward alleviating financial burdens and making healthcare more affordable for millions."

Bhanu Prakash Kalmath
Partner and Healthcare Industry Leader

Real estate

The real estate sector has been seeking "industry" status for the last two budget sessions and is prioritising it again this year. Granting industry status to the housing sector would improve access to cost-effective funding and attract more investments, particularly for affordable housing projects. This would stimulate construction activities, generate employment, and contribute to economic growth. In addition to this, other expectations from the real estate industry are:

Increase in housing loan deduction limit

The government needs to raise the tax deduction limit on home loan interest payments from the current INR 2 lakh to INR 5 lakh. This increase would make homeownership more affordable, particularly for middle-income groups. Besides this, the deduction for the home loan principle should be placed outside the limited window of Section 80C to make it more attractive.

Direct tax incentives for developers

The government should reinstate the tax deduction for affordable housing projects. Reviving these tax breaks could incentivise developers to operate in this space, which is critical to achieving the government's ambitious 'Housing for All' mission.

Enhancement of monetary limit of affordable housing

The industry is pressing for an increase in the monetary cap for affordable housing from the current INR 45 lakh to INR 75-100 lakh, considering rising construction costs and inflation.

Simplification of GST laws

Rationalising input credits to developers under GST would reduce project costs, improve working capital efficiency for developers, and potentially lower property prices for consumers.

Tokenisation of Real Estate transactions

Integration of Real Estate sector with tokenisation using blockchain technology is way forward. This would require encouraging innovation and investment, developing clear regulations for tokenisation of real estate transactions, records, etc.

Encourage Rental Housing

To meet growing housing demand and high ownership costs, the government should prioritise funding and incentives for rental housing development. This will increase affordable rental options, benefit a broader segment of society, and encourage private sector investment to address housing shortages and improve urban affordability.

Making Real Estate Investment Trusts (REITs) attractive

Following proposals can significantly enhance the attractiveness of REITs, fostering greater investment and growth in the sector.

Capital gains exemption for asset transfers

Transfer of shares of asset-holding SPVs to REITs are exempt from capital gains tax when REIT units are issued in exchange. However, direct transfer of assets to REITs or their SPVs in exchange of REIT units is not exempt. An exemption should be provided for these direct transfers.

Capital gains tax rate on specified listed securities

Capital gains from specified listed securities held by REITs are taxed at a maximum marginal rate instead of a concessional 12.5% rate.

Facilitating diversified investments in REITs by Sec.11 entities

Allowing investments in REITs and SM REITs will enable charitable and religious institutions to diversify portfolios, reducing risk and increasing returns. This extension helps REITs raise funds effectively, promoting competition and sector growth.

Facilitating diversified investments in REITs by Sec.11 entities

Allowing investments in REITs and SM REITs will enable charitable and religious institutions to diversify portfolios, reducing risk and increasing returns. This extension helps REITs raise funds effectively, promoting competition and sector growth.

Incentives for asset monetisation

To promote the efficient monetisation of real estate assets, particularly those forming part of non-core assets of public sector companies and government undertakings, a concessional rate of income tax and stamp duty for investors in these assets should be considered.

Capital gains exemption on swap of other securities

Transfers of shares of asset-holding SPVs to REITs are exempt from capital gains tax when REIT units are issued in exchange. However, transfer of debentures to REITs or their SPVs is not exempt. An exemption should be provided for transfer of debentures.

Withholding tax discrepancy

REITs must withhold tax at 5% on interest income distributed to investors, while FPIs are subject to tax at 20% or the relevant tax treaty rate.

Exemption for dividend received by unitholders from REIT

Section 10(23FD) provides exemption for dividend income received by unitholders from REIT where SPV has not opted for concessional tax regime under Section 115BAA. It is recommended to provide exemption for dividend income received by unitholders even where SPV has opted for concessional tax regime u/s 115BAA.

Extend certain provisions available to companies to REITs

The current provisions exclude subsidiaries of listed REITs, creating inconsistency. Extending provisions to include subsidiaries of listed REITs ensures equitable tax treatment, fostering a more competitive and fair business environment.

Extending tax neutrality to transfers between REITs and their SPVs simplifies reorganisation, promotes operational efficiency, and fosters business growth.

"The Union Budget 2025 comes at a pivotal time for the real estate sector, amid urban slowdown, rising fiscal deficits, and global uncertainties. Simplifying GST on under-construction properties, rationalizing stamp duties, and enhancing tax incentives for affordable housing are essential to boost demand. Encouraging rental housing, REITs, and FDI can improve liquidity and catalyse investments. Strengthening urban infrastructure, smart cities, and digitised land records will enhance transparency and operational efficiency. Promoting ESG policies and sustainable construction will align the sector with global standards. The budget must address these challenges to unlock housing accessibility, support long-term growth, and leverage real estate's potential to drive India's economy in a complex macroeconomic landscape."

Shabala Shinde
Partner and Real Estate Industry Leader

Energy and renewables

Renewable energy development and support measures

India aims to achieve 500 GW of renewable energy capacity by 2030, requiring the addition of around 50 GW annually—nearly three times the post-COVID annual capacity. This ambitious transition will demand an investment of about USD 1 trillion over the next decade. Stakeholders are anticipating key policy initiatives, incentives, and duty reductions on critical raw materials in the upcoming budget.

Support for turbine production and manufacturing ecosystem

A dedicated Production-Linked Incentive (PLI) scheme for original equipment manufacturers (OEMs) and component manufacturers is essential to boost large-scale turbine production. The offshore wind market can strengthen local manufacturing, and the budget should focus on supporting this ecosystem through PLI, tax holidays, concessional corporate tax, accelerated depreciation, and extending concessional duties beyond March 2025, possibly up to FY27. This will help reduce the cost of wind turbine generators (WTGs) and resulting tariffs.

Customs duty reductions and GST standardisation

Lowering customs duties on imported materials and standardising GST at 5% for wind and solar projects will simplify processes and reduce costs for renewable energy projects. Incentives for Battery Energy Storage Systems (BESS)Including Battery Energy Storage Systems (BESS) under the Project Import Scheme with a uniform 5% customs duty will eliminate classification challenges and support renewable energy adoption. Further clarity on the GST applicability for BESS contracts will help streamline the sector's development.

Tax clarity for renewable energy and certification

Providing clarity on the tax applicability for voluntary Renewable Energy Certificates (RECs) not validated by the UNFCCC will create long-term clarity on revenue generation. Extending the concessional 15% tax rate under Section 115BAB for onshore renewables, including green hydrogen and derivatives, until 2030 will incentivise renewable energy investment, along with a five-year extension for offshore wind projects.

Power sector performance and challenges

The power sector's recent performance has shown limited improvement despite significant reforms and initiatives. The implementation of Late Payment Surcharge (LPS) rules in 2022 reduced outstanding dues to GENCOs by approximately 65%, bringing them down to around INR 50,000 crore. However, the level of pending dues remains considerably high. To address these issues, targeted interventions from the government can yield better outcomes.

Enhancing smart meter participation

Increasing the Government's Buy-in Scheme (GBS) share in smart meters can boost participation in the sector. By offering increased liquidity through upfront payments, GBS can reduce working capital and debt burdens for participants, improving overall sector dynamics.

Incentives for smart meter manufacturers

To tackle the low participation of AMISPs in the Revamped Distribution Sector Scheme (RDSS), the budget can introduce 'PLI-based support' for smart meter manufacturers/OEMs. This incentive would encourage greater participation in smart meter manufacturing, helping to minimise the demand-supply gap.

Privatisation of power distribution utilities

The government continues to focus on privatising power distribution utilities, aiming to improve their financial and operational performance and governance.

Asset modernisation and disaster-resilient infrastructure

Immediate actions are needed to accelerate asset modernisation and monitor progress. The government could create a climate-resilient infrastructure budget for states that are highly vulnerable to disasters, ensuring better preparedness.

Single window clearance for power projects

Introducing a single-window clearance mechanism would expedite the approval process for power projects across states, streamlining operations and accelerating progress.

Strengthening cybersecurity in power utilities

Cybersecurity is a top priority for utilities, and funding allocations to enhance cybersecurity measures can enforce stronger protections. This will ensure that data within the sector remains secure while supporting the implementation and monitoring of security protocols across utilities.

Climate mitigation and energy efficiency initiatives

To accelerate large-scale energy efficiency projects across sectors such as industry (large and SMEs), buildings (commercial, public, and residential), municipalities (street lighting and water pumping), and agriculture, the following measures should be considered in the upcoming budget:

Boosting public-private partnerships and start-ups

Accelerating public-private partnerships (PPPs) through Super ESCOs can facilitate shared financing in large-scale energy efficiency projects, while streamlining financial support for clean energy start-ups, will foster innovation in low-carbon technologies.

Promoting carbon capture and green investments

The budget should focus on leveraging the potential for Carbon Capture, Utilisation, and Storage (CCUS) to drive decarbonisation in hard-to-abate sectors while introducing innovative financial instruments to attract private sector investments in green projects. Establishing a green taxonomy will ensure transparency and consistency in classifying and financing these projects.

Launching of carbon market

Launching a carbon market can provide a platform for incentivising emissions reduction and support the transition to a low-carbon economy.

Incentivising energy-efficient appliances and sustainable construction

Encouraging the adoption of energy-efficient appliances, such as super-efficient air conditioners and LED lights, and incentivising sustainable construction practices and materials, like energy-efficient windows and green roofs, will reduce energy consumption and carbon footprints.

“With the ongoing transformation in India’s climate ecosystem, enhancing environmental sustainability and contributing towards global climate goals are two of the main objectives this year. To achieve these goals, the 2025 Union Budget can be a pivotal opportunity to accelerate India's transition journey towards net zero emissions by prioritising clean energy, climate finance, strengthening and developing robust power infrastructures, establishing a carbon market, promoting energy efficiency, and encouraging adoption of emerging technologies, paving the way for a sustainable and resilient future.”

Amit Kumar
Partner and Energy and Renewables Leader

We are Shaping Vibrant Bharat

A member of Grant Thornton International Ltd., Grant Thornton Bharat is at the forefront of helping reshape the values in the profession. We are helping shape various industry ecosystems through our work across Assurance, Tax, Risk, Transactions, Technology and Consulting, and are going beyond to shape a more **#VibrantBharat.**

Our offices in India

- Ahmedabad
- Bengaluru
- Chandigarh
- Chennai
- Dehradun
- Goa
- Gurugram
- Hyderabad
- Indore
- Kochi
- Kolkata
- Mumbai
- New Delhi
- Noida
- Pune

Scan QR code to see our office addresses

www.grantthornton.in

Connect with us on

@Grant-Thornton-Bharat-LLP

@GrantThorntonBharat

@GrantThornton_Bharat

@GrantThorntonIN

@GrantThorntonBharatLLP

GTBharat@in.gt.com

10517 | MM | SH | SM