The Indian Budget 2025, presented by Finance Minister Nirmala Sitharaman, lays out a strategic vision aimed at fostering economic resilience, boosting private investment, and enhancing consumption-driven growth. The budget emphasizes four key pillars: agriculture, MSMEs, investments, and exports. With a significant focus on infrastructure development, social welfare, tax reforms, and digital transformation, the government aims to balance fiscal prudence with ambitious growth targets.

Fiscal Roadmap

Total Outlay & Fiscal Targets

- **Total Expenditure:** INR 47.1 trillion
- **Fiscal Deficit Target:** 4.4% of GDP for FY26, down from 4.8% in FY25
- **Gross Market Borrowing:** INR 14.82 trillion
- **Net Borrowing:** INR 11.54 trillion
- **Tax Revenue Projections:** INR 36.9 trillion
- **Non-Tax Revenue:** INR 5.83 trillion

The government aims to achieve fiscal consolidation through enhanced tax collections and strategic asset monetization while maintaining a strong capital expenditure push.

Capital Expenditure Focus

- **INR 15 trillion** allocated for infrastructure projects, including transportation, smart cities, and digital connectivity.
- **INR 1.5 trillion** interest-free loan support to states for infrastructure development.
- **Urban Development Fund:** INR 1 trillion to support smart cities and urban expansion.
- **INR 250 billion Maritime Development Fund** to strengthen port and shipping infrastructure.

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The **Union Budget 2025-26** introduced a series of **custom duty adjustments** aimed at promoting **domestic manufacturing, boosting exports, and reducing dependency on imports**. These changes impact a range of industries, including **electronics, telecom, pharmaceuticals, shipbuilding, renewable energy, and agriculture**.

The modifications in **Basic Customs Duty (BCD)** are categorized into **reductions (items that got cheaper)** and **increases (items that got costlier)** to either encourage domestic production or protect local industries from excessive foreign competition.

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1. Customs Duty Reductions & Exemptions

➢ Healthcare & Pharmaceuticals

- Customs duty exemption on 37 life-saving medicines, including cancer drugs and rare disease treatments.
- 36 drugs & medicines, including those for cancer, fully exempted from Basic Customs Duty.
- Custom duty on raw materials for certain drugs reduced to encourage domestic pharmaceutical production.

➢ Renewable Energy & Critical Minerals

India has scrapped customs duty on waste and scrap of a dozen critical minerals, Finance Minister Nirmala Sitharaman announced during her annual budget presentation on Saturday. This measure aims to enhance the availability of essential raw materials for domestic industries, particularly in sectors like renewable energy, electric vehicles, and high-tech manufacturing.

The exemption includes waste and scrap of antimony, cobalt, tungsten, and copper, along with lithium-ion battery waste and scrap of lead, zinc, and cobalt powder. These materials are crucial for India's push towards self-reliance in critical mineral processing and advanced technology manufacturing.

Prior to this exemption, the Basic Customs Duty (BCD) on these materials varied, with some minerals facing duties of up to 7.5%. The removal of these levies is expected to lower production costs, boost local manufacturing, and reduce dependence on imports.

- **Lithium-ion battery scrap – Fully exempted** from Basic Customs Duty to promote electric vehicle (EV) production.
- **Cobalt Powder & Zinc Scrap – Fully exempted** to support the development of clean energy storage solutions.
- **12 Critical Minerals – Fully exempted**, ensuring India's self-reliance in key raw materials needed for manufacturing.

➢ Manufacturing & Infrastructure

- **Shipbuilding materials – Fully exempted** from customs duty for **10 years** to promote domestic shipbuilding.
- **Customs duty on open cells for television panels – Reduced** to **boost local electronics assembly and production.**
- **Duty on raw materials used in making electric vehicle (EV) batteries – Reduced** to promote clean mobility.
- **Basic Customs Duty on raw materials for LED manufacturing – Exempted** to reduce costs in the lighting industry.

➢ Agriculture & Food Processing

- **Fish Pasteurii – Basic customs duty reduced from 30% to 5%.**
- **Customs duty exemption for high-quality fertilizers & agricultural equipment** to support farmers.

➢ Shipping & Logistics

- **Import duties on raw materials for ship manufacturing – Removed** to make India a global hub for shipbuilding and exports.
- **Duty exemption on certain logistics & warehousing equipment** to promote supply chain efficiency.

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2. Customs Duty Hikes

➢ Electronics & Consumer Goods

- **Interactive Flat Panel Displays (for TVs, smart displays, etc.) – Customs duty increased from 10% to 20%.**
- **Higher customs duty on certain electronic components & finished goods** to encourage domestic assembly.

➢ Telecom & IT Equipment

- **Telecom Equipment – Basic customs duty increased from 10% to 15%.**
- **Higher import duty on networking switches & routers** to boost local manufacturing.

➢ Plastics & Packaging Industry

- **Non-Biodegradable Plastics – Customs duty increased to 25%.**
- **Certain imported packaging materials – Customs duty increased to reduce plastic dependency.**

➢ Automobiles & Transport

- **Automobile components – Higher import duties imposed** to promote domestic auto part production.
- **Higher customs duty on select imported luxury cars** to support local automobile manufacturing.

➢ Luxury Goods & Imports

- **Increased import duty on high-end watches, jewelry, and designer accessories** to encourage local brands.
- **Certain imported liquor and alcoholic beverages – Higher duties imposed** to protect domestic producers.

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3. Why These Changes Were Made?

The government's approach to **custom duty rationalization** serves multiple objectives:

1. **Boost Domestic Manufacturing** – By **increasing import duties on electronics, telecom, and auto components**, the government aims to **strengthen the "Make in India" initiative**.
2. **Support Key Industries – Lowering duties on renewable energy materials, pharmaceuticals, and shipbuilding inputs** reduces costs for businesses in these critical sectors.
3. **Encourage Foreign Investment** – By **exempting certain raw materials** while **raising duties on finished products**, India becomes a more attractive destination for **global manufacturers**.
4. **Reduce Import Dependency** – With increasing geopolitical risks, **India aims to be self-sufficient in critical minerals, energy, and pharmaceuticals**.

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4. Expected Impact of Custom Duty Changes

Sector	**Impact**	**Who Benefits?**	**Who Loses?**
Electronics	Costlier imports, Local production boost	Domestic manufacturers	Importers, TV & display manufacturers relying on imports
Telecom & IT	Higher costs for imported components	Local telecom manufacturers	ISPs & networking companies
Pharmaceuticals	Cheaper raw materials, lower drug costs	Drug manufacturers, patients	None
Renewable Energy	Lower cost of clean energy materials	EV makers, solar & wind energy firms	None
Automobile Industry	More local production, costlier imports	Indian auto part suppliers	Luxury car importers
Luxury Goods	More expensive imports	Domestic brands	Foreign brands, high-end consumers

Shipbuilding	Boost in domestic manufacturing	Indian shipbuilders	Importers of foreign-built ships

5. Conclusion: A Balanced Strategy for Growth

The **custom duty revisions** in **Budget 2025-26** serve as a **strategic tool** for economic growth. By **lowering duties on essential materials and raising them on finished goods**, India aims to:

- **Encourage domestic manufacturing**
- **Import dependency**
- **Boost clean energy adoption**
- **Make essential medicines more affordable**

These changes align with India's **goal of becoming a $5 trillion economy** while ensuring sustainable growth in **critical sectors like healthcare, energy, and technology**.

As industries **adapt to these new tax structures**, the success of these policies will depend on **effective implementation, market response, and global trade dynamics**.

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