



VEDYA  
PARTNERS  
& ADVISORS

# UNION BUDGET 2025

Our point of view on the Union Budget  
2025 beyond taxes and our interpretation  
of the state of affairs of this great nation

A non-tax perspective of the  
Union Budget



## Preface

The annual Budget Speech in India probably the most highly viewed telecast in India by corporates and individuals alike. Both are glued to the screens to understand the new tax regime and health of the nation. The crescendo reaches boiling point when individual income tax rates are announced. The second peak (or gasp) is when Indirect tax rates are delivered to the nation.

However, in our considered view, the annual budgetary exercise for a nation is far beyond that of taxes. It is a great opportunity to look at the incomes and expenses / disbursements. An opportunity to see where our taxes are utilized. It reflects how our nation is run. When it comes to operating a ship as large as India, the expenditure determines the tax rates.

When it comes to individuals and corporates, the income projection determines how much expenditure would be made in the year to come. However, in the case of large nations like India, the disbursements and future initiatives determine how taxes are to be administered. That's why we have various cess and surcharge; and tax rates fluctuate. That's why new tax regimes are proposed. Of course, new tax regimes also result in ease of doing business.

This year, we attempt to deep dive into the Profit & Loss A/c of the nation. Our endeavour is to present a picture of what was (FY24), what is (FY25) and what will be (FY26). Which are the nation's income streams, and revenue and capital disbursements. This along with a few other performance metrics.

Creating this update has been an eye-opening journey for us. We hope you find it illuminating.



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## Indicators

(% of GDP)

	FY25 estimate	FY26 estimate
Fiscal deficit	4.8	4.4
Gross tax revenue	11.9	12.0
Central Government debt	57.1	56.1

Headline inflation	FY23	FY24	FY25
United Kingdom	10.0	5.7	2.2
Germany	7.7	4.6	2.2
USA	7.5	3.5	2.9
India	6.7	5.4	4.9
France	5.8	4.1	1.7
Japan	3.2	3.0	2.7
China	2.0	-0.1	0.3

Headline inflation is the raw inflation figure reported in relation to the CPI. The CPI reflects the cost of purchasing a fixed basket of goods. It is used to determine how much inflation is occurring in the broader economy.

(in USD billion)

	Gross FDI inflows	Repatriation	Net FDI inflow
FY18	41.8	-14.3	27.5
FY19	40.6	-11.3	29.3
FY20	47.7	-12.4	35.3
FY21	58.9	-16.8	42.0
FY22	55.3	-19.2	36.1
FY23	49.0	-19.9	29.1
FY24	47.2	-29.7	17.4
FY25	55.6	-39.6	16.0

(%)

Employment metrics	FY22	FY23	FY24
Labour force participation rate	55.2	57.9	60.1
Worker-to-population ratio	52.9	56.0	58.2
Unemployment rate	4.1	3.2	3.2

Food inflation	FY23	FY24	FY25
United Kingdom	14.0	11.5	1.9
Germany	16.3	7.9	2.0
USA	10.3	4.1	2.2
India	6.7	7.0	7.6
France	10.6	9.5	0.6
Japan	5.6	7.5	3.8
China	4.6	-2.0	0.3

Installed electricity generation capacity as of 30 November 2024		
Fossil – 53.2%	Coal	46.20%
	Lignite	1.40%
	Gas	5.40%
	Diesel	0.10%
Non-fossil – 46.8%	Hydro	10.30%
	Wind	10.50%
	Solar	20.60%
	Other RES	3.60%
	Nuclear	1.80%



## Indicators

Cargo handling capacity at airports (million tons)	
FY22	7.4
FY23	7.5
FY24	8.0

Operationalised airport and routes	FY24	FY25 (up to December)
UDAN Airports	84	88
UDAN Routes	545	619

Increased port capacity addition	Apr-Nov 2023	Apr-Nov 2024
Port capacity addition (million ton per annum)	3.00	20.60

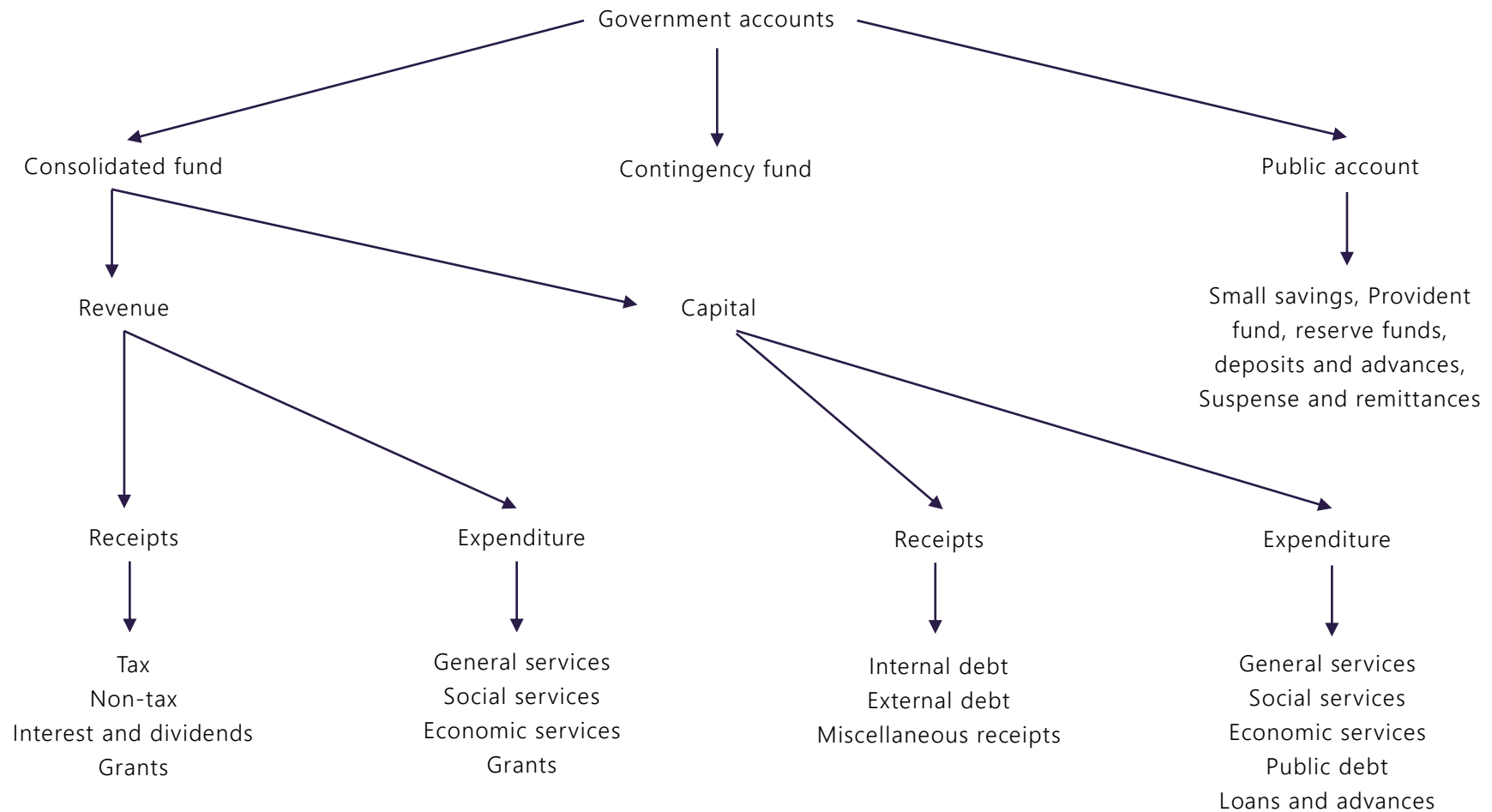
	Gross national income (INR crores)	Net national income (INR crores)	Per capita net national income (INR)
FY22	2,33,19,590	2,06,52,786	150,906
FY23 (revised estimate)	2,65,79,339	2,34,39,442	169,496
FY24 (provisional estimate)	2,91,04,354	2,56,96,663	184,205
FY25 (advance estimate)	3,19,09,037	2,81,82,828	200,162

Capacity addition in the power sector	Apr-Nov 2023	Apr-Nov 2024
Power Capacity Addition (MW)	9,943	15,008
Transmission lines added (km)	7,844	5,117
Transformation capacity addition (MVA)	32,961	38,805

Rupay cards and UPI Payments	Rupay cards				UPI payments	
	Value (INR crores)		Volume (in crores)		Value (INR crores)	Volume (in crores)
	POS	e-com	POS	e-com		
FY22	148,712	96,592	84.39	67.25	8,417,572	4,596.75
FY23	163,368	81,359	86.11	40.38	13,920,675	8,375.11
FY24	155,016	89,714	69.09	27.33	19,995,086	13,112.95
Apr – Dec 2024	123,437	97,906	45.95	19.17	19,035,214	13,446.23



## Structure of Government accounts





## Revenue account receipts and disbursements

(in INR crores)

Revenue heads	FY24	FY25 estimate	Change %	FY26 estimate	Change %
CGST	820,622.09	908,459.00	10.70	10,10,890.00	11.28
UTGST	5,497.16	4,940.00	-10.14	5,355.00	8.40
GST Compensation Cess	141,436.16	153,440.00	8.49	167,110.00	8.91
Corporation tax	911,055.01	980,000.00	7.57	10,82,000.00	10.41
Taxes on other incomes	10,82,000.00	11,99,300.00	10.84	13,57,000.00	13.15
Other taxes on incomes	14.89	2,700.00	18,032.98	3,000.00	11.11
Securities transaction tax	33,777.78	55,000.00	62.83	78,000.00	41.82
Customs duties	233,118.97	235,000.00	0.81	240,000.00	2.13
Central Excise duties	305,362.18	305,000.00	-0.12	317,000.00	3.93
Other taxes	3,929.08	5,000.00	27.26	5,000.00	0.00
Taxes of UTs without legislature	3,745.09	4,516.01	20.58	4,778.00	5.80
<i>Less: States' share in the above</i>	<i>11,29,493.71</i>	<i>12,86,885.44</i>	<i>13.93</i>	<i>14,22,444.11</i>	<i>10.53</i>
Tax revenue of Central Government	23,36,024.87	25,66,569.57	9.87	28,47,788.89	10.96
<i>Non-tax revenue</i>					
Fiscal services	1,858.12	1,473.82	-20.68	2,318.68	57.32
Interest, dividends and profits	249,528.99	372,557.09	49.30	415,237.98	11.46
Other non-tax revenue	499,749.92	544,093.05	8.87	568,748.44	4.53
Grants-in-aid and contributions	1,012.74	1,175.76	16.10	1,174.53	-0.10
<b>Revenue deficit (excess disbursements)</b>	<b>765,907.57</b>	<b>610,737.78</b>	<b>-20.26</b>	<b>524,433.89</b>	<b>-14.13</b>
<b>Total</b>	<b>38,54,082.21</b>	<b>40,96,607.07</b>	<b>6.29</b>	<b>43,59,702.41</b>	<b>6.42</b>

This gives us a good outline of how the revenue accounts have performed in our nation. Our monthly GST collections hover at INR 88,900 crores. And while we have seen a dip in the UTGST we are expected to recover in the next year. The overall increase in GST collection in the next year would be on account of increased activity and inflation. Which has a larger impact remains to be seen. The nation, however, is still largely dependent on the Income tax collections which outstrip all Indirect tax collections combined. Income tax collections are supposed to grow by over 10% in the year to come. While this is good news, one wonders how the Government and policy makers decide to cover up the INR 100,000 crore forgone on account of reduced tax burden on individuals.

Good news also comes in the form of reduced revenue deficit. It is encouraging to see that there has been a 20% dip compared to the past year. Though it still makes up for 17.52% of all revenue collections for FY25 and 13.67% for FY26.



Honourable mention goes to the Securities transaction tax. Collections for this levy have increased steadily over the years. This is a sign of how actively Indians investing in the securities markets. We have placed our faith in the nation's growth story. Both FY25 and FY26 are projected to see significant rise in collections.

(in INR crores)

Disbursement heads	FY24	FY25 estimate	Change %	FY26 estimate	Change %
<i>General services</i>					
Organs of State – Parliament, Heads of State, Council of Ministers, Justice, elections, etc.	13,283.76	14,107.08	6.20	12,737.04	-9.71
Tax collection	45,881.6	51,775.99	12.85	55,177.64	6.57
Interest and debt servicing	11,02,650.18	11,85,170.92	7.48	13,15,837.98	11.03
Administration – police, jails, Public Service Commission, stationery, secretariat, etc.	141,804.86	164,840.58	16.24	170,552.75	3.47
Pensions	273,542.41	320,886.63	17.31	308,118.68	-3.98
Defense services	297,738.47	304,863.41	2.39	318,723.58	4.55
<i>Social services</i>					
General education	55,215.06	39,031.96	-29.31	40,035.24	2.57
Technical education	16,044.20	19,465.61	21.32	21,663.68	11.29
Water supply and sanitation	71,061.78	21,260.01	-70.08	2,630.94	-87.62
Medical and public health	37,231.56	41,072.84	10.32	45,964.87	11.91
Other social services	67,424.00	67,987.04	0.84	88,285.45	29.86
<i>Economic services</i>					
Agriculture and allied activities	393,122.53	376,903.41	-4.13	371,912.35	-1.32
Rural development	93,414.83	89,653.20	-4.03	89,739.69	0.10
Energy	43,968.94	54,698.71	24.40	63,392.40	15.89
Industries and minerals	177,623.77	181,345.16	2.10	181,763.18	0.23
Transport	279,143.90	309,201.27	10.77	316,280.72	2.29
Science technology and environment	29,856.08	35,924.28	20.32	40,926.48	13.92
Other economic services	80,806.72	196,411.68	143.06	171,600.00	-12.63
<i>Grants-in-aid and contributions</i>	617,132.36	604,373.17	-2.07	726,567.55	20.22
<i>Disbursement to Union Territories without legislature</i>	15,973.07	16,392.93	2.63	16,660.19	1.63
<b>Total disbursements</b>	<b>38,54,082.21</b>	<b>40,96,607.07</b>	<b>6.29</b>	<b>43,59,702.41</b>	<b>6.42</b>





While our revenue account streams have shown a steady year-on-year growth, disbursement of said income is a mixed bag and requires closer analysis. What is alarming is the substantial reduction in FY25 in expense for general education and sanitation. While the general education budget is maintained for FY26, water supply and sanitation budgets have a further precipitous decline by 87% in FY26. Expenses for additional tax collections are an area where there could substantial savings by introductions of automated risk monitoring systems. However, the largest share in the pie belongs to interest and debt servicing costs. These costs are proposed to increase by INR 82,520 crores and INR 130,667 crores in FY25 and FY26, respectively. And as a tax paying citizen one would expect that the costs of Organs of State and Administration would be well curbed by now. Unfortunately, this is not the case to be.

Defense services, industries, minerals, and transport infrastructure are bound to see minimal increase in disbursements in FY25 and FY26.

Areas which have a positive socio-economic impact – energy, medical, public health, science, environment, and technical education – are bound to see substantial influx of funds in the year to come.

We are of the view that in FY26, our policy makers may elect to reduce expense on grants, contributions, administration and Organs of State. This should ease the pressure debt servicing. Maybe the Government should decide not to be a large and generous employer but one that is reliant on secure, automated systems.

### **India's debt position**

(in INR crores)

Debt heads	As on FY25	As on FY26	Change %
Internal debt and other liabilities <sup>1</sup>	1,75,55,988.60	1,90,14,852.01	8.31
External debt <sup>2</sup>	618,295.76	663,920.67	7.38
<b>Total</b>	<b>1,81,74,284.36</b>	<b>1,96,78,772.62</b>	<b>8.28</b>

Internal debt comprises loans raised in the open market, bonds, treasury bills (issued to State Governments, commercial banks and investors), as non-negotiable, non-interest-bearing INR securities issued to international financial institutions.

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<sup>1</sup> This does not include outstanding against Small Savings schemes, Provident Funds, securities issued to Industrial Development Bank of India, and Nationalized Banks, Oil marketing companies, Fertilizer companies, Food Corporation of India and deposits under the Special Deposit Scheme and depreciation and other interest bearing reserve funds of departmental commercial undertakings.

<sup>2</sup> External debt at historical rate of exchange. Calculating debt at current exchange rate and External Benchmark Rate, the total debt should be INR 185.11 lakh crore and INR 200.16 lakh crore as on FY25 and FY26, respectively.



## Capital account receipts and disbursements

Capital receipts can be both non-debt capital and debt capital receipts. These include loans from the general population, foreign governments, and the Reserve Bank of India. Capital receipts, in addition to non-recurring, are those non-routine receipts that improve the financial position of the nation.

Here we see a dramatic rise in internal debt of the Central Government in FY25 and FY26. All miscellaneous receipts, while they have dipped substantially in FY25, are projected to regain their position in FY26.

(in INR crores)

Revenue heads	FY24	FY25 estimate	Change %	FY26 estimate	Change %
<i>Public debt</i>					
Internal debt of Central Government	90,39,620.68	95,85,953.91	6.04	1,04,55,335.4	9.07
External debt	120,429.20	107,711.53	-10.56	111,013.36	3.07
<i>Recoveries of loans and advances</i>					
State Governments	92,856.68	135,595.97	46.03	84,847.61	-37.43
Union Territories	6,215.00	8,513.21	36.98	4,381.47	-48.53
Foreign Governments	231.41	206.53	-10.75	206.53	0.00
Other debt	17,670.53	55,538.30	214.30	57,314.40	3.20
<i>Miscellaneous capital receipts</i>	45,280.68	36,012.43	-20.47	47,000.00	30.51
<b>Total capital account receipts</b>	<b>93,22,304.18</b>	<b>99,29,531.88</b>	<b>6.51</b>	<b>1,07,60,098.77</b>	<b>8.36</b>
Revenue receipts <sup>3</sup>	30,88,174.64	34,85,869.29	12.88	38,35,268.52	10.02
<b>Consolidated fund of Indian receipts</b>	<b>1,24,10,478.82</b>	<b>1,34,15,401.17</b>	<b>8.10</b>	<b>1,45,95,367.29</b>	<b>8.80</b>

On the flip side, capital account disbursements while have an effect of lowering the 'cash position' of the nation, also reduce the liabilities in the form of public debt (internal and external). Capital disbursements are also required for asset creation in the long run. For example, large procurements for defense, infrastructure creation and special programmes for backward States. In this regard, substantial investments have been made in the northeast region of India – 24x more than in FY24. The investment levels proposed to be maintained in FY26. Defense procurements (one of the largest capital expenses for India) on the other hand were steady in FY25 but should see an upward spike in FY26. This would include completion of naval bases, missile procurement and weapons upgradation programmes.

Simultaneously, it is proposed to raise the investment in international financial institutions by 39x from FY25 levels. Also, substantial repayment of loans and external debt is proposed by the end of FY25 and for FY26.

<sup>3</sup> Excluding revenue deficit (excess disbursements) as mentioned earlier.  
India Inc's Profit & Loss A/c



(in INR crores)

Disbursement heads	FY24	FY25 estimate	Change %	FY26 estimate	Change %
<i>Capital account of general services</i>					
Defense	154,256.28	159,500.00	3.40	180,000.00	12.85
Others	23,231.37	23,091.24	-0.60	29,088.88	25.97
<i>Capital account of social services</i>	8,587.45	11,503.31	33.95	11,186.30	-2.76
<i>Capital account of economic services</i>					
Special area programmes for Northeast India	977.16	24,495.07	2,406.76	27,979.68	14.23
Indian railways – commercial lines	242,537.91	252,337.84	4.04	25,1950.81	-0.15
Roads and bridges	269,865.27	258,853.05	-4.08	25,9117.56	0.10
Investments in international financial institutions	7,309.77	1,539.22	-78.94	61,291.71	3,882.00
Other economic services	96,344.42	115,990.58	20.39	130,882.72	12.84
<i>Disbursement to Union Territories without legislature</i>	4,070.71	4,570.91	12.29	4,747.65	3.87
Internal debt	74,15,175.74	83,51,872.81	12.63	89,73,259.71	7.44
External debt	47,317.13	55,685.20	17.69	65,388.45	17.43
<i>Loans and advances</i>					
Loans and advances to State Governments	140,863.34	159,512.00	13.24	192,833.00	20.89
Loans for food, storage and warehousing	22,805.00	50,000.00	119.25	50,000.00	-
Other loans	27,641.33	31,465.05	13.83	55,396.02	76.06
<b>Total capital expenditure</b>	<b>84,60,982.88</b>	<b>95,00,416.28</b>	<b>12.29</b>	<b>1,02,93,122.49</b>	<b>8.34</b>
Revenue disbursements	38,54,082.21	40,96,607.07	6.29	43,59,702.41	6.42
<b>Disbursement of consolidated funds of India</b>	<b>1,23,15,065.09</b>	<b>1,35,97,023.35</b>	<b>10.41</b>	<b>1,46,52,824.9</b>	<b>7.76</b>



## External assistance (bilateral sources)

- > Japan is the largest bilateral donor to India. Japan has been extending official development assistance (ODA) to India since 1958. Japanese ODA in the form of loans, grants and technical assistance to India is received through JICA. JICA projects are spread across sectors like transport, power, irrigation, environment and investment promotion. Some of the major ongoing projects are Ahmedabad Metro Project, North-east Road Network Connectivity Improvement Project (Phase 1), Dedicated Freight Corridor Project and Mumbai Metro Line 3 Project.
- > Like Japan, Germany is providing financial and technical assistance to India since 1958. Development Bank and Technical Assistance Programmes are through GIZ. The present priority areas for bilateral development cooperation are energy, environmental policy, protection and sustainable use of natural resources, and sustainable economic development. Some of the major on-going projects through KfW assistance are environment friendly urban development programme in Ganga Basin, climate resilient reconstruction after flooding in Kerala (Phases 1 and 2), integrated and green urban mobility for the Mumbai Metropolitan Region, climate friendly modernization of bus services in major cities of Tamil Nadu (Phase 4), sustainable urban infrastructure development (Chennai Storm Water Management).
- > Development Corporation between India and the Russian Federation started in the early '60s. Kudankulam Nuclear Power Project (Units 1 and 2) have been built under an Inter-Governmental Agreement (IGA) signed in November 1988. Units 3 and 4 are under construction. A protocol was signed in July 2017 for construction of additional nuclear power plants (Units 5 and 6) at Kudankulam.
- > The Government of France has been extending development assistance to India since 1968. French development assistance is being provided through AFD. The priority areas for AFD financing in India are energy efficiency renewal energy, urban infrastructure (public transport, water). Some of the major on-going projects through AFD assistance are Credit Facility Agreement for Nagpur Metro, Smart City Project, Pune Metro Rail Project and Surat Metro.
- > South Korea and India have signed two loans agreement for establishment of Nagpur – Mumbai Super Communication Expressway and strengthening multimodal and integrated logistic ecosystem programme (SMILE).



## Key announcements and implementation

Announcement	Implementation
Andhra Pradesh Reorganization Act Recognizing the State's need for capital, facilitating special financial support. In the FY25 INR 15,000 crore will be arranged, with additional amounts in future years.	Department of Economic Affairs – The project has been taken up for external financing of USD 1.6 billion with World Bank and the Asian Development Bank. The legal agreements for the loan have been signed in December 2024.
Credit Guarantee Scheme for MSMEs in the Manufacturing Sector This is to facilitate term loans to MSMEs for purchase of machinery and equipment without collateral or third-party guarantee. A self-financing guarantee fund will provide, to each applicant, guarantee cover up to INR 100 crore. The borrower will have to provide an upfront guarantee and an annual guarantee fee on the reducing loan balance.	NCGTC, designated agency for the scheme, is formulating the scheme. A meeting was held on 13 December 2024.
Space economy	The Union Cabinet has approved the creation of a venture capital fund of INR 1,000 crore dedicated to the space sector under the supervision of Indian National Space Promotion and Authorisation Centre (IN-SPACe) Request for Proposal for selection of fund managers is floated. Four bids received are under evaluation.
Education Loans – Financial support for loans up to INR 10,00,000 for higher education in domestic institutions. Vouchers will be given to 100,000 students every year for annual interest subvention of 3%.	Department of Higher Education – The Union Cabinet has approved the PM Vidyaxmi scheme on 6 November 2024 to provide financial support to meritorious students. The scheme prescribes interest subvention of 3% annual interest on education loans up to INR 10,00,000. Indian Banks' Association has been advised to incorporate all points of the said scheme to the existing Model Education Loan Scheme.
Purvodaya – For the all-round development of Bihar, Jharkhand, West Bengal, Odisha and Andhra Pradesh. This will cover human resource	1. NITI Aayog is actively supporting the States for preparation of specific vision documents for 2047. 2. An Advisory Committee is to develop a plan / broad vision.



development, infrastructure, and generation of economic opportunities.	3. Under the ADP anchored by NITI Aayog, the progress made by 45 districts of the States are being monitored across 49 key performance indicators.
Development of an industrial node at Gaya on the Amritsar Kolkata Industrial Corridor.	DPIIT Cabinet Committee on Economic Affairs (CCEA) has approved Integrated Manufacturing Cluster Gaya on 28 August 2024.
First times scheme – Provide one-month wage to all persons newly entering the workforce in all formal sectors. The direct benefit will be up to INR 15,000. The scheme is expected to benefit 2.10 crore youth.	A Draft Cabinet Note on Employment Linked Incentive scheme is under process.
Job creation in manufacturing – An incentive will be provided at specified scale directly both to the employee and the employer with respect to their EPFO contribution in the first four years of employment. The scheme is expected to benefit 30 lakh youth.	DPIIT – Several meetings have been held with Ministry of Labour and Employment and CII.
Support to employers – All additional employment within a salary of INR 100,000 per month will be counted. Government will reimburse to employers up to INR 3,000 per month for two years towards their EPFO contribution for each additional employee.	As above



## Glossary

ADP	Aspirational District Programme
AFD	French Agency for Development
CGST	Central Goods and Service Tax
CII	Confederation of Indian Industry
CPI	Consumer price index
DPIIT	Department for Promotion of Industry & Internal Trade
GDP	Gross domestic product
JICA	Japan International Cooperation Agency
MSME	Micro, small and medium enterprise
MVA	Mega Volt Ampere
MW	Mega Watt
NCGTC	National Credit Guarantee Trustee Company Limited
One crore	10 million
POS	Point of sale
RES	Renewable energy sources
UTGST	Union Territory Goods and Service Tax



Karan Pandit

Managing Partner

## **Vedya Partners & Advisors**

X15, Hauz Khas

New Delhi – 110 016

[vedyapartners.com](http://vedyapartners.com)



*India Inc's Profit & Loss A/c*

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