KPMG

India Union Budget 2025-26

Point of view

#KPMGBudgetLIVE | #UnionBudget2025 | #Budget2025

Consumer Markets and E-commerce

KPMG. Make the Difference.

Key announcements for the sector

This Budget reflects the Government's steadfast commitment to fostering inclusive growth, driving private sector investment, and uplifting the middle class, building towards "Viksit Bharat". With India's economy emerging as the fastest-growing globally, the Budget prioritizes structural reforms and aims for balanced development across regions guided by the vision of zero poverty, universal access to quality education and healthcare, and gender parity in economic activities, it seeks to enhance agricultural productivity, strengthen MSMEs, and promote innovation. The focus on four key growth engines—Agriculture, MSMEs, Investment and Exports—empowers India to remain resilient in the face of global economic challenges, ultimately striving for global competitiveness and shared prosperity.

- Agricultural Growth and Rural Prosperity
  - PM Dhan Dhaanya Krishi Yojana to improve irrigation, storage, and credit availability for 17 crore farmers
  - Six-year mission for Atma Nirbharta in pulses (Masur, Udad, Tuwar) to boost crop diversification
  - Makhana board to be formed in Bihar to increase in production and supply of it – support to farmers and receive benefits for govt schemes
  - To further augment urea supply, a plant with annual capacity of 12.7 lakh MT will be set up at Assam
  - Enhanced food security initiatives under the Poshan 2.0 scheme
  - Rural Prosperity Program – improve rural economy to reduce migration – farmers, women, youth focus
  - Programs for vegetable, fruit and cotton production, promoting local agriculture and processing
  - Special Mission for increase in cotton productivity and sustainability of cotton farming – 5 years program to increase income of farmers and increase production
  - Increased farmer loan limits and support to 7.7 crore farmers and fishermen.
- MSMEs and Local Manufacturing Growth
  - Customized credit cards for micro enterprises will improve cash flow and supply buffers
  - MSME classification limits for investment and turnover doubled to foster expansion
  - Special incentives for local production in toys, leather, food processing and electronics
  - National Manufacturing Mission to enhance capacity and create jobs, especially in export sectors.

- Urban Development and Infrastructure Investment
  - Urban Challenge Fund of INR 1 lakh crore for city redevelopment, improving living standards and employment opportunities
  - Udaan scheme to connect multiple urban cities, boosting mobility and regional trade
  - Key initiatives to enhance tourism, driving consumption in hospitality and travel sectors.
- Export and Global Competitiveness
  - Enhanced export documentation and financing solutions to promote exports and global trade
  - Increased FDI limit in insurance from 74% to 100% to attract foreign capital and enhance insurance coverage.
- Innovation, R&D and Job Creation
  - R&D budget support for food, nutrition and other key sectors to drive innovation and domestic manufacturing
  - Skill development programs and the creation of new tech institutes to increase employment opportunities.
- Gig Economy and Healthcare
  - Quality enhancement for gig workers through healthcare support, benefiting quick commerce and food delivery sectors.
- Retail & E-commerce
  - BharatNet broadband expansion, enabling wider digital retail penetration
  - Startup and MSME credit enhancements, boosting small business participation in e-commerce.
- Leather, Footwear & Textile
  - BCD exempted on Wet blue leather (hides and skins)
  - Crust leather exempted from 20% export duty
  - Two types of shuttle-less looms added to the exempted textile machinery list
  - BCD on knitted fabrics (covered under nine tariff lines) revised from ‘10% or 20%’ to ‘20% or ₹115 per kg (whichever is higher)’
  - BCD exempted on certain products for manufacture of handicrafts for export purposes
  - A focus product scheme for footwear and leather sector will be implemented which will support design capacity, component manufacturing and machinery required for production
  - BCD on footwear reduced from 35% to 20%. However, AIDC levied at 18.5% on footwear with exemption of Social welfare surcharge.
- Electronic goods
  - BCD on Interactive Flat Panel Display (IFPD) increased from 10% to 20%
  - BCD on Open Cell and other components (Touch Glass Sheet, Touch Sensor, PCB) for manufacturing IFPD reduced to 5%
  - BCD exempted on
    - parts of Open Cell used in manufacture of LED/LCD TV
    - parts for Open Cell manufacturing
    - certain parts used for manufacture of mobile phones
    - certain capital goods used in manufacture of lithium-ion battery for mobile phones.

- Jewelry
  - New tariff lines introduced to distinguish precious metals containing 99.9% or more by weight of silver, 99% or more by weight of platinum and 99.5% or more by weight of Gold
  - BCD on articles of jewelry of precious metals reduced from 25% to 20%
  - BCD on platinum findings reduced from 25% to 5%
  - AIDC levied on platinum findings at 1.4%
  - BCD on footwear reduced from 35% to 20% However, AIDC levied at 18.5% on footwear with exemption of social welfare surcharge.
- Toys
  - BCD on parts of electronic toys reduced from 70% to 20%
  - AIDC levied at 20% on parts of electronic toys
  - Social welfare surcharge exempted on parts of electronic toys
  - Effective duty remains same for parts used for manufacture of electronic toys.

Direct Tax

- Corporate and Personal Taxes
  - New income tax bill to be introduced next week
  - New tax regime incentivized through simplification
  - Tax slab rates for individuals under the new scheme altered - Peak tax rate of 30% applicable for income above Rs. 24 Lacs instead of Rs. 15 Lacs earlier, no tax up to income of 12.75 lacs for salaried taxpayers- Middle class taxpayer to benefit significantly.
  - Further tax boost to start-ups - Time limit to incorporate eligible set-ups extended till 31 March 2030
  - Presumptive taxation to be introduced for a non-resident providing services or technology to a resident company that is establishing or operating electronic manufacturing facility or connected facility for manufacturing - 25% of the receipts shall be deemed to be income of non-resident; taxable at 35% plus applicable surcharge and cess to ease tax compliances
  - Increase in monetary thresholds for applicability of deduction of tax at source ('TDS') under various sections
  - Abolishment of collection of tax at source ('TCS') at rate of 0.1 per cent, on sale of goods
  - Previously both TDS and TCS were applicable on sale of goods to avoid duplicity of compliances, TCS on sale of goods has been omitted w.e.f. 1 April 2025
  - 'Significant Economic Presence' definition relaxed - Purchase of goods in India for life purpose of exports shall be excluded
  - Plugging the evergreening of carry-forward of losses on amalgamation
  - Faceless mode for Transfer Pricing Assessment and Dispute Resolution Panel, not yet initiated, however possibility retained in law without any specific time limit for implementation (earlier time limit was 31 March 2025).

- Transfer Pricing
  - Arm's length price determination for block period of three years - Applicable from FY 2025-26 and relevant for similar transactions
  - Option to be exercised by the taxpayer, whereby ALP determined by TPO in year 1 will become applicable for years 2 and 3
  - Does not apply to 'search' cases and timing, forms, process to be prescribed- Clarity required on several aspects
  - Safe Harbor provisions to be expanded to additional transactions – detailed rules awaited.

Indirect Tax

- Goods and Services Tax
  - New section 148A is being inserted to enable 'Track and Trace Mechanism' for specified commodities
  - Section 17(5)(d) revised retrospectively to replace "plant or machinery" with "plant and machinery," nullifying Apex Court ruling impact
  - For reduction of supplier tax liability, reversal of corresponding input tax credit required in respect of a credit-note, if availed, by the registered recipient
  - Requirement of 10% pre-deposit for appeals before the Appellate Authority, plus an additional 10% for the Appellate Tribunal in penalty-only cases introduced
  - Goods warehoused in SEZ/FTWZ, supplied before clearance for exports or to the Domestic Tariff Area, will not be treated as supply of goods or services (retrospective amendment). However, no refund of tax already paid shall be allowed
  - Changes proposed to enable implementation of Invoice Management System and it is expected that it would be mandated soon
  - In alignment with the recommendation of council, the provisions in relation to taxability of vouchers have been omitted vouchers would be treated as neither supply of goods nor supply of service.
- Customs Duty
  - New provisional assessments to be finalized within 2 years with an extendable of 1 year
  - New section introduced to allow the importer or exporter of the goods, to revise an entry already made in relation to the goods after the clearance within such time and manner as may be prescribed. No revision shall be allowed in cases of ongoing audit, search, seizure, summons and cases of refund where the proper officer has re-assessed the duty or already assessed
  - Establishment of Interim Board for Settlement to process pending applications. Application before settlement commission shall be made up to 31st March 2025. Existing applications to be cleared by Interim Board
  - End-use clause in IGCR extended up to 1 year
  - Filings under IGCR to be undertaken on quarterly basis (currently monthly basis).

Implications for the sector

One of the key takeaways from this budget is its consumer-centric approach. The government has recognized that for the economy to grow at a sustained high rate, increasing consumer spending and strengthening domestic manufacturing is essential This is evident in the various tax reliefs for the middle class, incentives for MSMEs, and enhanced agricultural investments, all of which contribute to an improved demand environment for consumer goods.

The consumer sector markets, spanning FMCG, retail, e-commerce, food & beverage, apparel, personal care and luxury goods, stands to benefit from higher disposable income, better supply chain infrastructure and reduced production costs due to rationalized taxes and subsidies Furthermore, rural prosperity programs, direct benefit transfers (DBT) and increased agricultural credit ensure that demand from semi-urban and rural India remains robust.

Additionally, this budget strengthens India's manufacturing ecosystem, ensuring that homegrown brands and businesses can meet rising domestic demand while also expanding their global footprint. Investments in logistics, digitization and trade facilitation will enable Indian businesses to become more competitive on an international scale.

Overall, this budget sets the stage for a consumer-led growth cycle, with increased spending power, better infrastructure and regulatory simplifications paving the way for an accelerated expansion of the consumer sector.

- Retail
  - An increase in disposable income through direct tax benefits and higher outlays on schemes like Dhan Dhaanya Krishi Yojana is likely lead to a significant boost in consumer spending, driving sales and revenue growth for retailers
  - The implementation of structural reforms such as reducing GST rates on essential goods is likely to have a positive impact on the retail sector, making it more competitive and attractive to consumers
  - Providing support to small retailers through regulation of targeted tax incentives could help provide level playing field with larger players and promoting a more diverse and vibrant retail ecosystem
  - Investing in logistics and transportation infrastructure, developing retail infrastructure and upgrading digital infrastructure is expected to improve supply chain efficiency, enhance the shopping experience and increase access to markets, ultimately driving growth and competitiveness in the retail sector.
- Boost to consumption
  - The revised in taxable slabs will increase the disposable income and drive strong consumer demands
  - Agriculture benefits would result in more income in the hands of farmers leading to increased spend in rural retail which is already growing faster than urban market
  - Duty exemptions will make locally manufactured goods more affordable, leading to increased availability of consumer products at competitive prices.
- Structural reforms
  - Reduction in GST rates on essential goods and thresholds for small retailers would stimulate demands
  - Omission of provisions in relation to taxability of vouchers is a welcome move and further brings clarity in alignment with recommendation made by GST council.
- Support for small retailers
  - MSME support in the form of extended loan guarantee schemes (eg. ECLGS) and tax breaks would provide boost for small retailers
  - Measures for handicraft, footwear and toys will improve exports from these sectors.

- Ease of doing business
  - — Exemption for LED/LCD TV, looms for textiles would boost exports
  - — Adoption of UPI / RuPay providing tax incentives for merchants would boost digital transformation
  - — With BharatNet's broadband expansion and increased credit availability for MSMEs and startups, small businesses and rural entrepreneurs will have better access to digital markets The e-commerce sector will see higher participation from rural sellers, while consumers will enjoy wider product availability.
- Infrastructure development
  - — Increased funding for highways, railways, and cold storage to improve supply chain efficiency
  - — Expansion of rural infrastructure including internet access and retail hubs would boost FMCG and agriculture, retail and service sector.
- Skill development
  - — Government initiatives in skill development is expected to lead to more availability of front-end employees thereby increasing retail sales.
- Tax reforms
  - — The introduction of a 3-year block assessment for transfer pricing cases might reduce overall costs of litigation
  - — Introduction of presumptive taxation for non-resident services in manufacturing will ease taxation compliances for foreign investment in semi-conductor and similar manufacturing set ups.

KPMG in India contacts:

Nikhil Sethi
Partner and National Head – Consumer Goods
E: nikhilsethi1@kpmg.com

Puneet Mansukhani
Partner - Digital Advisory and Sector Head – Retail
E: puneetm1@kpmg.com

Sunil Badala
National Head - Tax
E: sunilbadala@kpmg.com

Mustafa Surka
Partner - Risk Advisory Consumer Markets and Retail Lead
E: mustafasurka@kpmg.com

Rajeev Nayar
Partner
Business Consulting - Consumer Markets
E: rajeevnayar@kpmg.com

Ajay Mehra
Partner and Head
Tax Markets and Strategy
E: ajaymehra@kpmg.com

kpmg.com/in/socialmedia

KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.

Access Budget microsite