

New FY set to bring key tax, pension, MSME reforms

Significant changes from Apr 1 likely to boost consumption, security, business growth

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A host of financial and regulatory changes set to take effect from April 1, marking the start of the 2025-26 financial year, is expected to boost consumption, strengthen social security and expand business opportunities for small enterprises. These include revised income tax slabs, a unified pension scheme (UPS) for central government employees, and enhanced turnover ceilings for micro, small and medium enterprises (MSMEs).

The new tax regime will see the basic exemption limit raised from ₹3 lakh to ₹4 lakh, while the tax rebate under Section 87A has been enhanced to reduce the burden on middle-income taxpayers. Under these revisions, individuals earning a taxable income of ₹12 lakh from April 1, 2025, onwards will save ₹83,200 (including cess) in taxes.

Madan Sabnavis, chief economist at Bank of Baroda, said the impact of the tax cut would become evident once consumer

spending picks up. It is unlikely to be noticeable in April, as demand typically remains subdued during this period, except for weddings and post-harvest spending, he said, adding, "Early summer may provide a temporary boost to sales of air conditioners and seasonal products, but sustained consumer spending is more likely to emerge after August. Many individuals prefer to let their savings accumulate before making significant purchases."

Charan Singh, CEO of EGROW Foundation, believes the enhanced income tax rebate -- unexpected in its scale -- should drive higher consumption starting in April, as individuals factor in the anticipated tax benefits. Additionally, improved liquidity conditions and lower interest rates should further support spending on both durable and non-durable goods, Singh further said.

The (UPS), approved by the central government last August, will be implemented from April 1. It guarantees a pension equivalent to 50 per cent of an employee's average basic pay over the last 12 months



ILLUSTRATION: AJAYA MOHANTY

before retirement, provided they have completed at least 25 years of service.

The Pension Fund Regulatory and Development Authority (PFRDA) is preparing to roll out the UPS for National Pension Scheme (NPS) members, including new joiners and retirees. The scheme also covers individuals whose spouses are deceased.

A senior PFRDA official said the first beneficiaries would likely be retirees and surviving spouses. However, concerns remain about its early adoption across states, as only a few — such as Delhi, Madhya

CHANGES IN THE OFFING

I-T revisions: Basic exemption limit increased from ₹3 lakh to ₹4 lakh

Consumption boost: Early effects of tax cuts expected in late August as consumer spending picks up

UPS: Guaranteed pension for retirees with 25+ years of service, equivalent to 50% of last 12 months' basic pay

MSME reforms: Turnover limit for micro and medium enterprises raised to ₹10 cr (from ₹5 cr) and ₹500 cr (from ₹125 cr), respectively

Pradesh, Maharashtra and Odisha — have shown interest.

"There is uncertainty about whether the government will introduce any modifications to the scheme, and adoption rates may vary across states," said the official.

One key concern is that opting into the UPS is irreversible, raising doubts among employees. Experts also predict that the application process could take more than three months, adding to participants' concerns.

From April 1, the government will revise turnover and investment criteria for classifying MSMEs,

expanding the eligibility for various incentives. For micro enterprises, investment and turnover ceilings will rise from ₹1 crore and ₹5 crore to ₹5 crore and ₹10 crore, respectively. Similarly, the limits for medium enterprises will increase from ₹50 crore and ₹125 crore to ₹250 crore and ₹500 crore.

Anil Bhardwaj, secretary general of the Federation of Indian Micro and Small & Medium Enterprises (FISME), said the MSME definition, last updated in 2020, needed revision. "Inflation had to be factored in after nearly five years. Second, raising the thresholds will allow enterprises to continue benefiting from MSME status in government procurement, priority sector lending and credit guarantee covers for a longer period," he said.

However, Vinod Kumar, president of the India SME Forum, said the change was necessary to align India's definition of SMEs with global standards. "With the Carbon Border Adjustment Mechanism (CBAM) and other trade barriers springing up worldwide, it was imperative to offer similar protections to our MSME exporters as those available to SMEs in developed markets," he said.

