

# INFRASTRUCTURE AND LOGISTICS

AN INDIA UNION BUDGET UPDATE  
2025





## Part 1: Business implications

### What The Industry Asked For?

- ▶ **Increased Budget Allocation for Infrastructure Projects:**
  - The capital expenditure allocation for infrastructure in the fiscal year 2024-25 was INR 11.1tn (3.4% of GDP), up from INR 10tn in the fiscal year 2023-24.
  - A further increase is required to sustain growth, accelerate project execution, and attract private investment.
- ▶ **Diversification of Infrastructure Funding Sources:**
  - Expanding alternative funding mechanisms, including the Toll-Operate-Transfer (TOT) model and financing for Hybrid Annuity Model (HAM) projects, would enhance private sector participation.
  - Such diversification would lead to more efficient project execution and reduce the financial burden on the Government.
- ▶ **Fiscal Incentives for Electric Vehicles (EVs) and Related Infrastructure:**
  - Fiscal benefits and incentives for electric trucks and related infrastructure, such as EV charging stations, would promote sustainable transportation.
  - Increased allocations to schemes such as Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) and incentives for charging infrastructure are needed.
- ▶ **Enhanced Support for the Aviation Sector:**
  - Increased allocations for the Ude Desh Ka Aam Naagrik (UDAN) scheme to improve regional connectivity through greenfield airports.
  - Incentives for sustainable aviation fuels to promote environmental sustainability.
- ▶ **Smart Cities and Sustainable Infrastructure:**
  - Higher budget allocation for smart cities to develop sustainable infrastructure and green initiatives for urban development.
  - Homebuyers and developers request enhanced tax benefits, including revised dimensions, cost thresholds, and income limits for affordable housing in urban areas.
  - Affordable housing stakeholders demand higher funding for Pradhan Mantri Awas Yojana to meet national housing goals.
- ▶ **Infrastructure Status for the Shipping Sector:**

Granting infrastructure status to the shipping sector and extending the Production-Linked Incentive (PLI) scheme to container manufacturing to enhance logistical capabilities.
- ▶ **Simplification of Land Acquisition and Approvals:**

Streamlining land acquisition processes and expediting approvals for logistics and warehousing projects to accelerate construction and operational timelines.
- ▶ **Incentives for Green Warehousing and Sustainable Building Practices:**

Incentives to promote green warehousing and sustainable construction across the real estate sector.
- ▶ **Development of Integrated Industrial Parks:**

Support for integrated industrial parks and export hubs, particularly for micro, small, and medium enterprises (MSMEs), to align with the Make in India initiative.
- ▶ **Strengthening Domestic and Cross-Border Supply Chains:**

Government assistance in enhancing domestic supply chains and enabling cross-border logistics to create resilient and efficient infrastructure networks.





## What Budget Gave?

### ► Budget allocation for Infrastructure

- The capital expenditure allocation for infrastructure in the fiscal year 2024-25 was INR 11.11tn (3.4% of GDP), up from INR 10tn in the fiscal year 2023-24.
- Will develop a three-year PPP project pipeline, with states encouraged to do the same, supported by the IIPDF scheme for PPP proposal preparation.

### ► Urban Infrastructure:

- Allocation of INR 100.0bn towards AMRUT (Atal Mission for Rejuvenation and Urban Transformation focusing on development of basic infrastructure, covering water supply and infrastructure, green spaces and parks and non-motorised urban transport).
- Allocation of INR 12.50bn towards National Urban Digital Mission aiming to digitise municipal services across the country.
- Allocation of INR 100.0bn towards Urban Challenge Fund to address land and development challenges, support social infrastructure, and expand Smart Cities and Urban Corridors.
- Additionally, INR 1.5tn in 50-year interest-free loans will be provided to states for large-scale urban infrastructure projects.

### ► Rural Infrastructure:

- Allocation of INR 670.0bn towards National Jal Jeevan Mission / National Rural Drinking Water Mission.
- Allocation of INR 71.9bn towards Swachh Bharat Mission (Gramin).
- Allocation of INR 190.0bn towards Pradhan Mantri Gram Sadak Yojana.

### ► Airports & Aviation:

- Modified UDAN scheme to be launched to cover 120 destinations and carry 40 million passengers in the next 10 years also covering helipads and smaller airports in the hilly, aspirational and N-E region.
- Allocation of INR 5.3bn in 2025-26 in UDAN.
- Patna airport expansion and brownfield airport in Bihta.
- Upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce

### ► Roads:

- Allocation of INR 2.8tn towards national highway development programs.
- Allocation of INR 71.4bn towards works under Border roads development program to strengthen access between mainland and border areas

### ► Railways:

- Scheme for time limit for export of foreign origin goods that were imported for repairs extended to 1 year (from 6 months currently) extended to Railway Goods (MRO for Railways).
- Allocation of INR 2.1tn towards capital expenditure to enhance capacity, safety and capability to enhance its usage and drive modal shift from road.

### ► Marine and Waterways:

- Shipbuilding Financial Assistance Policy to be revamped for addressing cost disadvantages including credit notes for shipbreaking in Indian yards to promote a circular economy.
- Shipbuilding clusters will be facilitated to increase the range, categories and capacity of ships.
- Maritime development fund with corpus of INR 250.0bn to be set up with 49% contribution from the government and balance from the ports and private sector.

### ► Logistics:

- Enhancing digital public infrastructure through “Bharat Trade Net” for international trade as a unified platform for trade documentation, financing solutions and complement with the Unified Logistics interface Platform (ULIP) in line with international practices.
- For furthering PPPs and assisting the private sector in project planning, access to relevant data and maps from the PM Gati Shakti portal will be provided.

### ► Urban Transport:

- Allocation of INR 312.4bn towards Metro projects to continue the development and promotion low-cost public transport in urban areas.

### ► Other Infrastructure including Housing:

- Allocation of INR 24.8bn towards Northeast Special Infrastructure Development Scheme.
- Allocation of INR 22.9bn towards Prime Minister’s Development Initiative for Northeast Region.
- Allocation of INR 55.9bn towards border infrastructure and management.
- Pradhan Mantri Awas Yojana: INR 781.3bn v/s INR 475.9bn in Budget 2024.
- SWMIH Fund 2 (Affordable and Mid – Income Housing): INR 150.0bn with aim to complete construction of 1 lakh housing units.
- Scheme for industrial housing: INR 25.0bn (New).
- PM – Ajay: INR 21.4bn v/s INR 8.0bn in Budget 2024.
- Defence Construction Works: INR 114.5bn v/s INR 105.6bn in Budget 2024.
- For promoting funding from Sovereign Wealth Funds and Pension Funds in the infrastructure sector, the sunset clause for investment has been extended by another 5 years till 31 March 2030.



## How It Impacts The Industry?

- ▶ Budget continues the focus on infrastructure sector with highest allocations across all sectors totalling ~ INR 11.2tn.
- ▶ Supports downstream demand for key commodities such as cement, steel and other building materials while also providing enhanced employment opportunities across the infrastructure value chain.
- ▶ Showcases continued policy stability towards infrastructure spending and presents potential investment and growth opportunities across sectors also driving investor confidence.
- ▶ Growing focus and allocation for schemes such as Urban Digital Mission, Bharat Trade Net Urban Challenge Fund showcases growing openness towards innovation and digitisation presenting opportunities even for startups to support pathbreaking initiatives.

## Our Point Of View

- ▶ Budget has taken a balanced approach to cover a multi-dimensional approach to infrastructure development with significant focus on urban development, water and transport sectors.
- ▶ In line with its vision of Viksit Bharat, the Government has proposed to introduce new income-tax bill aimed at simplifying and streamlining the law, ensuring greater clarity, tax certainty, and reducing litigation. The budget proposal on tax exemptions, extension of cut-off date for investment in infrastructure or for commencement of operations by IFSC units, providing certainty of tax to AIF demonstrate the Government's commitment to boost infrastructure sector and enhancing the ease of doing business for global companies operating in India.
- ▶ Overall, the Budget is well positioned to support long term infrastructure development while also providing opportunities for private sector to actively participate through PPP, EPC and digital solutions.

## Part 2: Tax implications

### What The Industry Asked For?

- ▶ **Incentives for Green Warehousing and Sustainable Building Practices:**
  - Tax benefits to promote green warehousing and sustainable construction across the real estate sector.
- ▶ **Tax Holiday Extension for Foreign Investors:**
  - Foreign sovereign wealth funds (SWFs) and pension funds currently benefit from tax exemptions on investments in India's infrastructure sector.
  - The current sunset clause for investments is set to expire on 31 March 2025.
  - Extending these tax holidays would attract long-term foreign capital, strengthening the financial base for large-scale infrastructure projects.
- ▶ Non-residents enjoy exemption in respect of royalty or interest on account of lease of an aircraft or ship paid by a unit in IFSC which has commenced operations before 31 March 2025. Further, extension of this sunset clause of 31 March 2025 would encourage promotion of IFSC and development of the aviation and shipping industry.





## What Budget Gave?

### Direct tax

- ▶ Extension of sunset clause for making investment from 31 March 2025 to 31 March 2030
  - for investment into infrastructure sector by SWF and pension funds.
  - for commencement of operations of IFSC units in respect of Royalty or interest on account of lease of an aircraft or ship paid by a unit in IFSC to non-residents.
- ▶ Exemption for income in respect of ship leasing – IFSC Unit
  - Exemption from capital gains tax now extended to non-residents or units of IFSC engaged in ship leasing, on transfer of equity shares of domestic companies being units of IFSC and engaged in ship leasing, on same lines as available for aircraft leasing.
  - Similarly, tax exemption extended to dividend paid by a company being a unit of IFSC engaged in ship leasing, to a unit of IFSC engaged in ship leasing.
- ▶ Exemption from tax to specified investors also extended for long term capital gains from unlisted debt securities.
- ▶ To promote inland water transportation industry, the Tonnage Tax Scheme is proposed to be extended to Inland Vessels registered under Inland Vessels Act, 2021.
- ▶ The definition of capital asset is amended to provide certainty of taxation to Category – I and Category – II AIFs undertaking investments in infrastructure sector. Accordingly, any income from transfer of security would be in the nature of capital gains.
- ▶ **Multi-year Arm's length determination for Intra-group transactions:** Budget has proposed to introduce a progressive approach in transfer pricing assessments, by determining the Arm's Length Price (ALP) covering three consecutive years. This proposal seeks to shift to a more streamlined multi-year approach, where companies have transactions with their group companies by opting towards determination of ALP for three consecutive years as against for each year. Additionally, the scope of safe harbour rules is proposed to be expanded.

### Indirect tax

- ▶ Exemption from Basic Customs Duty to waste and scrap of lithium-ion battery and capital goods used in the manufacture of Lithium-ion battery of EVs.
- ▶ Exemption from basic customs duty on ships and vessels for breaking up and raw materials, components, consumables or parts for manufacture of ships/ vessels extended for another 10 years.
- ▶ Period of re-export for railway goods imported duty-free (classified under chapter 86) for Maintenance, Repair and Overhaul extended from 6 months to 1 year
- ▶ Definitive time limit of 2 years introduced to finalise Bill of entries provisionally assessed, subject to conditions.
- ▶ Provisions introduced to voluntarily revise bill of entry and pay duty with interest, subject to conditions.
- ▶ Retrospective amendment in provisions dealing with blocked input tax credit (ITC) under GST law proposed to replace the phrase 'plant or machinery' with 'plant and machinery', which would result in restricting ITC of GST charged on construction of immovable structures qualifying as plant, to overcome the Supreme Court's ruling in Safari Retreats which allowed such ITC.
- ▶ Taxpayer allowed to reduce output tax liability in case of issuance of credit notes to a registered recipient only if ITC reversed by the recipient.
- ▶ Enabling provisions for invoice management system to claim ITC and adjustment of outward liability introduced.
- ▶ Input service distributor (ISD) mechanism to also govern distribution of ITC by ISD in respect of inter-state supplies on which tax has to be paid under reverse charge mechanism from 1 April 2025.



## How It Impacts The Industry?

- ▶ Extension of cutoff date, from 31 March 2025 to 31 March 2030, for making investments by SWFs and pension funds investing in India's infrastructure sector and for commencement of operations by IFSC Unit would boost investor confidence, aid development of IFSC and stimulate investments in the shipping and the aviation industry.
- ▶ The logistics industry has been marred with extensive litigation on the Transfer Pricing front. The Finance Bill provides an option to taxpayers to carry forward the transfer pricing assessment findings (including post litigation) of one year to two subsequent years. This reduces the transfer pricing litigation burden on the taxpayers and lends certainty for the covered years.
- ▶ Extension of exemption from customs duty for manufacture of EV batteries would support the domestic manufacturing of EV batteries.
- ▶ The retrospective amendment in GST law relating to blocked credits can lead to higher costs of construction for immovable structures, which qualify as plant, used for provision of various services.

## Our Point Of View

- ▶ In line with its vision of Viksit Bharat, the Government has proposed to introduce new income-tax bill aimed at simplifying and streamlining the law, ensuring greater clarity, tax certainty, and reducing litigation. The budget proposal on tax exemptions, extension of cut-off date for investment in infrastructure or for commencement of operations by IFSC units, providing certainty in of tax to AIF demonstrate the Government's commitment to boost infrastructure sector and enhancing the ease of doing business for global companies operating in India.





## ABOUT BDO

### ABOUT BDO GLOBAL

BDO is a leading professional services organisation and are global leaders of the mid-tier, with a presence in 166 countries and 119,611 people working out of 1,800 offices. We endeavour to deliver an exceptional client experience through a tailored solutions approach, while partnering with our employees and clients globally

### ABOUT BDO INDIA

BDO in India offers Assurance, Tax, Advisory, Managed Services, Technology Products & Solutions, and Digital Services for both domestic and international clients across industries. The team at BDO in India consists of over 11,000\* professionals led by more than 350 partners and directors operating out of 19 offices, across 14 key cities.



\*Includes employees from BDO RISE and BDO EDGE

### Contact Us

**MUNJAL ALMOULA**  
Partner & Head  
Tax & Regulatory Services  
[munjalalmoula@bdo.in](mailto:munjalamoula@bdo.in)

**SAMIR SHETH**  
Partner & Head  
Deal Advisory Services  
[samirsheth@bdo.in](mailto:samirsheth@bdo.in)

**NIRANJAN GOVINDEKAR**  
Partner  
Tax & Regulatory Services  
[niranjangovindekar@bdo.in](mailto:niranjangovindekar@bdo.in)

**SAVIO MONTEIRO**  
Partner - Strategy & Commercial Due Diligence  
Deal Advisory Services  
[saviomonteiro@bdo.in](mailto:saviomonteiro@bdo.in)

**SANIL MHATRE**  
Director - Energy  
Business Advisory Services  
[sanilmhatre@bdo.in](mailto:sanilmhatre@bdo.in)

For queries regarding our services, please [get in touch](#) with us

For any other queries or feedback, kindly write to us at [marketing@bdo.in](mailto:marketing@bdo.in)

Ahmedabad | Bengaluru | Bhopal | Chandigarh | Chennai | Coimbatore | Delhi | Goa | Hyderabad | Kochi | Kolkata | Mumbai | Pune | Vadodara

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO India LLP to discuss these matters in the context of your particular circumstances. BDO India LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO India LLP or any of its partners, employees or agents.

BDO India LLP, a limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Copyright © 2025 BDO India LLP. All rights reserved. Published in India.

Visit us at [www.bdo.in](http://www.bdo.in)