

More Savings, Better Coverage: How Budget 2025-26 Puts More Money in Your Pocket & Expands Insurance for All

Category: Business

written by International Khabar | February 27, 2025



The Union Budget 2025-26 has made bold moves in reshaping India's insurance sector and income tax regime, ensuring broader financial inclusion, economic growth, and relief for individuals and businesses alike. With an ambitious push towards 'Insurance for All by 2047', the government is not just tweaking policies but laying the foundation for a stronger, more resilient financial ecosystem.



Sanjiv Bajaj, Jt. Chairman & MD, BajajCapital

Here's a deep dive into the biggest takeaways from the budget- and why they matter to you.

Insurance Sector Reforms: A Giant Leap Toward Inclusion

For years, [India's insurance penetration has lagged behind global](#) standards. This year's budget takes a transformative approach to change that, especially in rural areas and microinsurance [markets](#).

1. Bigger Foreign Investments in Insurance: The government has increased the Foreign Direct Investment (FDI) limit in the insurance sector from 74% to 100%, ensuring greater capital inflow, innovation, and competitive pricing in the industry. This move is expected to attract billions in foreign investment, strengthening the [Indian insurance market](#).

2. Massive [Tax Benefits](#) for Micro & Rural Insurance: To make insurance more affordable and accessible, the budget

introduces tax exemptions and GST cuts:

- 100% Tax Deduction on [premium income](#) for insurers offering microinsurance (Rs. 2 lakh cover or below) in rural areas
- GST Slashed to 0% for small-ticket life, health, and general insurance policies in rural regions (previously 18%)
- Higher Tax Deductions for Rural Policyholders:
 - Additional Rs. 50,000 deduction under Section 80C for policyholders in rural areas
 - Rs. 25,000 extra deduction under Section 80D for [health insurance](#)

3. Direct Government Subsidies to Reduce Premiums: The government is taking bold steps to financially support policyholders:

- **Viability Gap Funding (VGF):** Government will cover 30-50% of premium costs for life, health, and crop insurance
- **Interest-Free Loans:** Insurers expanding to [rural India](#) can avail 0% interest loans
- **Premium Support for New Policyholders:** First-time microinsurance buyers will receive Rs. 1,500 as a government subsidy per policy

4. Revamped & New Government Insurance Schemes: Major insurance programs have expanded their coverage:

- PM Jeevan Jyoti Bima Yojana (PMJJBY) & PM Suraksha Bima Yojana (PMSBY):

- Premium slashed by 20% for Below Poverty Line (BPL) families
- Coverage increased from Rs. 2 lakh to Rs. 3 lakh
- **Kisan Suraksha Bima Yojana (NEW):** [Life & health insurance](#) for farmers at subsidized rates
- **Crop Insurance Expansion (PMFBY):** 60% premium subsidy for small & marginal farmers, now covering post-harvest losses due to [climate change](#)

5. Digital & Distribution Boost for Rural Insurance: Technology is being leveraged to [bridge the insurance gap](#):

- One-Stop [Digital Insurance Platform](#) for easy access & claim processing
- Common Service Centers (CSCs) to serve as rural insurance enrollment hubs
- Higher Commission for Rural Insurance Agents (30% increase) to drive deeper market penetration

6. Special Focus on Women & Gig Workers

- Mahatma Gandhi Women Insurance Scheme: Rs. 5 [lakh life & health](#) cover for self-help group (SHG) members
- Interest-Free Microloans for women buying insurance
- Gig Workers' Insurance: Delivery agents, drivers, and farm laborers to receive government-backed accident & [life insurance](#)

The [Expected Impact](#)

- Insurance penetration to [rise from 25% to 50% in rural India](#) by 2030

- Lower insurance costs for individuals, farmers, and small [businesses](#)
- Stronger [financial security](#) against health, accident, and livelihood risks

Income Tax Reforms: More Money In Your Pocket

This year's budget puts more cash in the hands of individuals and [businesses](#), simplifying the tax system while offering major relief to the middle class and MSMEs.

1. Revised Tax Slabs: [Lower Rates for Higher Savings](#)

The government has slashed tax rates, offering much-needed relief to taxpayers.

Income Range (Rs.)	Old Tax Rate	New Tax Rate (2025-26)
0 – 3 lakh	Nil	Nil
3 – 7 lakh	5%	5% (with rebate u/s 87A)
7 – 10 lakh	10%	10%
10 – 15 lakh	15%	12.5% (reduced)
15 – 20 lakh	20%	18% (reduced)
Above 20 lakh	30%	25% (reduced)

- Effectively, income up to Rs. 7 lakh remains tax-free under the new tax regime.
- Middle-class earners will save significantly with these [rate cuts](#).

2. Standard Deduction & Tax Rebates Increased

- Standard Deduction for Salaried Individuals increased to Rs. 60,000 (was Rs. 50,000)
- Rebate u/s 87A increased to Rs. 7 lakh (was Rs. 5 lakh)

3. Relief for Home Buyers & Renters

- HRA Deduction increased by 25% for salaried employees
- Interest Deduction on [Home Loan](#) (Section 24B) raised to Rs. 3 lakh (was Rs. 2 lakh)

4. Major Benefits for Startups & MSMEs

- Corporate tax rate for new MSMEs reduced to 15% (was 22%)
- Tax holiday for startups extended till 2027

5. Digital Taxation & Compliance Made Easier

- No penalties on minor GST filing errors for small [businesses](#)
- Tax Refund Processing within 15 days for online IT returns
- Faceless Tax Assessment further simplified

The Big Picture: Why This Budget is a Game Changer

This [year's budget is not just about policy](#) changes-it's about empowering millions of Indians.

- Lower tax burden means more disposable income for individuals
- Affordable insurance [ensures financial](#) protection for rural India
- MSMEs & startups get major tax relief, fueling entrepreneurship
- Simplified tax processes make compliance easier for [businesses](#)

This is not just a budget-it's a blueprint for a financially stronger, more inclusive India.

