

## Impact of Budget 2025 on Logistics Sector

Budget 2025 finds marginal mention for developments in logistics sector. Lets look at the hits and misses in this budget

Header	Key Points	Points for Action (Redrafted)
<b>Faster Trade, but Heavier Compliance for Freight Forwarders</b>	<p>Streamlining customs procedures and trade documentation with Bharat Trade Net (BTN) and ULIP.</p> <p>Increased scrutiny on compliance due to reassessments and customs powers.</p>	<p><b>What should logistics providers do?</b></p> <p>Leverage BTN and ULIP for faster document processing and better trade data exchange.</p> <p>Strengthen compliance systems to avoid penalties from reassessments.</p> <p>Adopt digital customs clearance solutions to manage regulatory changes.</p> <p>For logistics and freight forwarding, this translates to: Quicker processing times for trade documentation but increased scrutiny on compliance.</p> <p>Increased efficiency but a higher likelihood of audits and customs re-evaluations.</p> <p><b>What should businesses expect?</b></p> <p>Faster trade clearance but also a higher regulatory burden and potential cost escalations.</p> <p>More connected and transparent systems for international trade.</p> <p>What should businesses do?</p> <p>Use BTN and ULIP to speed up documentation.</p> <p>Strengthen internal compliance to avoid penalties.</p> <p><b>Why does this matter?</b></p> <p>The shift to digital platforms enhances speed but raises the need for stricter compliance checks.</p> <p><b>What does this mean for logistics?</b></p> <p>Faster documentation processing but also heightened compliance and scrutiny to ensure accurate duty valuations.</p>
<b>Maritime Development Fund &amp; Shipbuilding Boost: A Turning Point for Shipping?</b>	<p>Government ₹25,000 crore Maritime Development Fund (MDF) to modernize port infrastructure and boost Indian-flagged vessels and shipbuilding capacities.</p>	<p><b>What should logistics providers do?</b></p> <p>Monitor developments in maritime financing and assess how new domestic shipbuilding capacities could impact shipping operations.</p> <p>Explore cost-effective shipping options, especially in light of the Maritime Development Fund (MDF).</p> <p>For logistics and freight forwarding, this translates to: More financing options for shipping companies, which could lead to reduced ocean freight costs.</p> <p><b>What should businesses expect?</b></p> <p>Reduction in shipping costs as more domestic ships are built.</p> <p>Enhanced capacity for coastal shipping, reducing dependence on road transport.</p> <p><b>What should businesses do?</b></p> <p>Invest in domestic shipping routes as part of the supply chain.</p>

		<p>Keep an eye on developments regarding the MDF.</p> <p><b>Why does this matter?</b> Lower ocean freight costs for exports and imports can significantly reduce logistics costs.</p> <p><b>What does this mean for logistics?</b> More domestic shipping capacity leads to reduced freight rates and better supply chain efficiency, particularly for coastal shipping.</p>
<p><b>A Missed Opportunity: No Incentives for AI and Automation</b></p>	<p>Lack of direct tax incentives for AI, automation, and blockchain technologies despite their potential to streamline freight operations and improve trade security.</p>	<p><b>What should logistics providers do?</b> Invest in AI-driven logistics solutions to streamline freight operations, even without direct tax incentives. Advocate for policy changes through industry associations to promote AI-based tax benefits. For logistics and freight forwarding, this translates to: The need to adopt automation and AI technology to stay competitive globally, even without fiscal incentives.</p> <p><b>What should businesses expect?</b> Increased demand for AI-powered systems in logistics for cargo tracking and operational efficiency. Blockchain solutions to improve security and reduce fraud in trade documentation.</p> <p><b>What should businesses do?</b> Push for policies that support AI and automation technology investments. Implement AI and automation solutions in operations to improve overall efficiency.</p> <p><b>Why does this matter?</b> Without incentives, companies may hesitate to invest in these technologies, putting them at a disadvantage in the global logistics landscape.</p> <p><b>What does this mean for logistics?</b> AI and blockchain adoption are critical for streamlining freight operations, securing trade data, and increasing efficiency in operations.</p>
<p><b>Tonnage Tax Scheme Extended to Inland Vessels</b></p>	<p>Extension of Tonnage Tax Scheme to inland vessels, promoting cost-effective, greener inland water transport as an alternative to road transport.</p>	<p><b>What should logistics providers do?</b> Invest in inland water transport by purchasing vessels or utilizing public-private partnerships (PPP) for infrastructure development. Promote greener and cost-effective alternatives to road logistics by investing in inland waterway services. <b>For logistics and freight forwarding, this translates to:</b> A growing shift towards inland waterways for freight transport, providing a more fuel-efficient alternative to road transport.</p> <p><b>What should businesses expect?</b> Reduced logistics costs due to a cheaper and more sustainable transport method. Increased competition among freight operators providing inland water transport services.</p> <p><b>What should businesses do?</b> Consider using inland waterways for long-distance</p>

---

freight to reduce costs and improve sustainability. Invest in sustainable logistics practices to stay aligned with long-term transportation goals.

**Why does this matter?**

Shifting to inland waterways offers a cost-effective and environmentally friendly alternative to road transport.

**What does this mean for logistics?**

More efficient and greener logistics alternatives, especially for bulk goods transportation.

---

**India Post's Role as a Logistics Powerhouse**

India Post expanding logistics services through its rural network, providing affordable last-mile delivery and supporting MSMEs and rural development.

**What should logistics providers do?**

Leverage India Post network for last-mile delivery in rural and underserved regions.

Work with India Post to enhance the speed and efficiency of rural logistics.

For logistics and freight forwarding, this translates to: A new focus on last-mile delivery solutions targeting rural areas, driven by India Posts expanded services.

**What should businesses expect?**

More affordable logistics solutions for SMEs and e-commerce players looking to expand into rural markets. Faster delivery times for e-commerce in underserved regions.

**What should businesses do?**

Partner with India Post to reduce logistics costs for last-mile delivery.

Leverage rural logistics improvements to increase market reach.

**Why does this matter?**

With over 1.5 lakh rural post offices, India Post offers vast potential for last-mile delivery solutions.

**What does this mean for logistics?**

Reduced last-mile delivery costs and faster service times, especially for SMEs in rural regions.

---

**India's Integration with Global Supply Chains**

Strengthening domestic manufacturing to integrate India with global supply chains, leading to increased demand for warehousing and freight solutions.

**What should logistics providers do?**

Prepare for increased demand in warehousing and freight services as domestic manufacturing expands.

Optimize logistics infrastructure to support the increased demand from local manufacturers.

**For logistics and freight forwarding, this translates to:**

More warehousing and freight operations needed as the manufacturing sector grows.

**What should businesses expect?**

More demand for warehousing and domestic freight solutions to support growing production capabilities.

Increased export and import volumes as India integrates into global supply chains.

**What should businesses do?**

Ensure scalable logistics infrastructure to manage the increased demand for industrial logistics.

Optimize global trade routes to capitalize on new

---

---

manufacturing hubs.

**Why does this matter?**

Strengthening domestic manufacturing will require a shift in logistics focus towards more robust warehousing and freight solutions.

**What does this mean for logistics?**

Significant increase in demand for logistics services driven by both domestic production and global trade expansion.

---

## **Next Steps**

Budget 2025 introduces some reforms aimed at transforming India's logistics sector, focusing on maritime expansion, trade digitization, and rural connectivity.

Initiatives like Bharat Trade Net (BTN) and Unified Logistics Interface Platform (ULIP) will streamline trade documentation, while the ₹25,000 crore Maritime Development Fund (MDF) supports growth in domestic shipbuilding and coastal shipping, reducing logistics costs and improving service quality.

However, the lack of incentives for AI-driven automation remains a concern. Without direct tax benefits, businesses may hesitate to invest in technologies that streamline operations, improve tracking, and enhance security. To stay competitive, businesses must adopt digital solutions and advocate for policy changes to support AI adoption.

The industry's future depends on how well companies integrate digital transformation, improve compliance, and explore cost-effective transport alternatives. Those who proactively embrace these changes will lead India's logistics sector into a new era of efficiency and global competitiveness.