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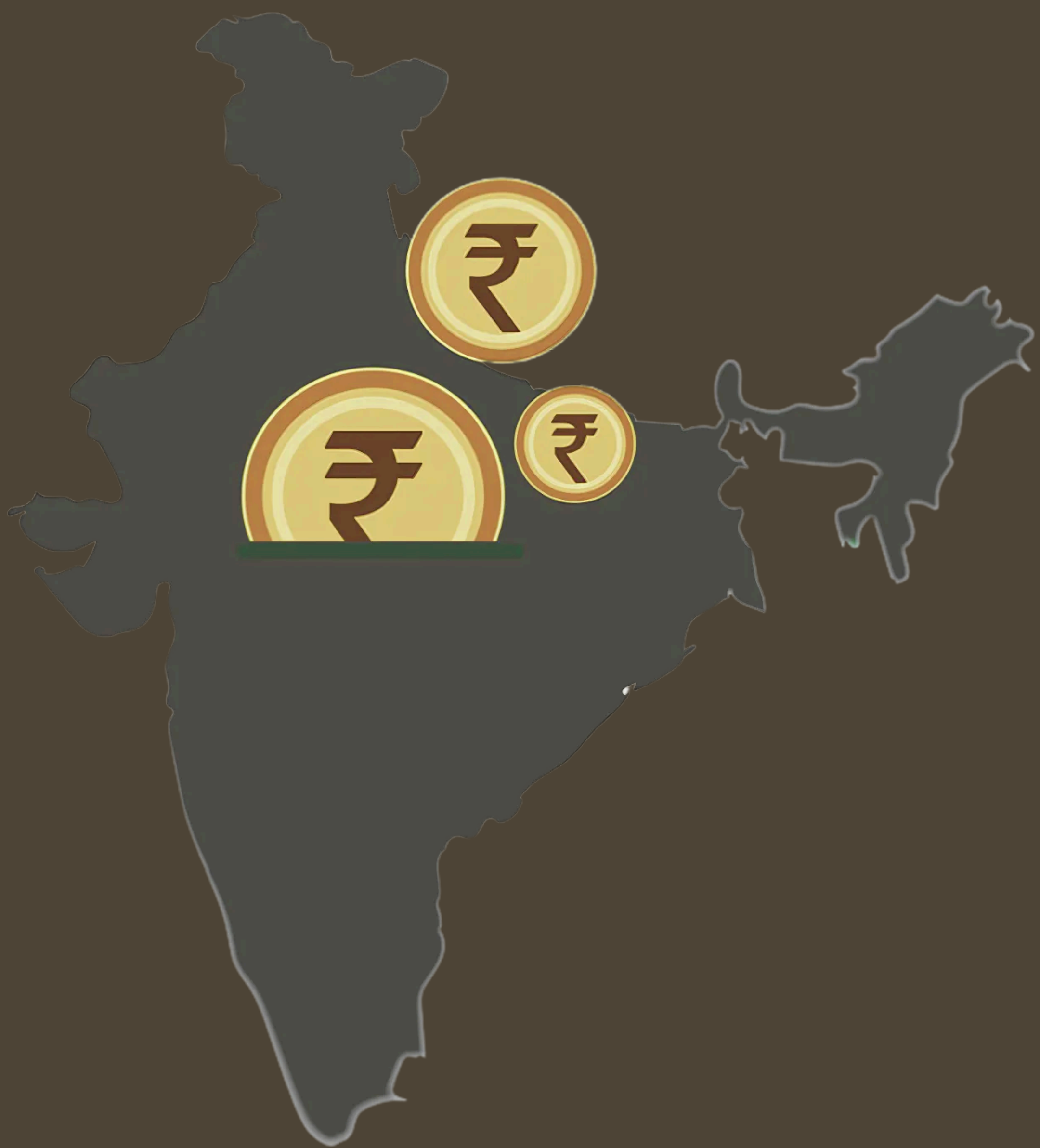

UNION BUDGET 2025

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DIRECT TAX PROPOSALS

RATES OF INCOME TAX

1. Rates of income-tax in respect of income liable to tax for the assessment year 2025-26.

In respect of income of all categories of assessees liable to tax for the assessment year 2025-26, the rates of income-tax have either been specified in specific sections of the Act (like section 115BAA or section 115BAB for domestic companies, section 115BAC for individual/HUF/AOP (other than a co-operative society)/BOI/AJP and section 115BAD or section 115BAE for cooperative societies) or have been specified in Part I of the First Schedule to the Bill. There is no change proposed in tax rates either in these specific sections or in the First Schedule. The rates provided in sections 115BAA or 115BAB or 115BAC or 115BAD or 115BAE of the Act for the assessment year 2025-26 would be same as already enacted. Similarly rates laid down in Part III of the First Schedule to the Finance (No. 2) Act, 2024, for the purposes of computation of “advance tax”, deduction of tax at source from “Salaries” and charging of tax payable in certain cases for the assessment year 2025-26 would now become Part I of the First Schedule. Part III would now apply for the assessment year 2026-27.

Income Tax Rates under Section 115BAC –New Regime

For assessment year 2025-26, as per the provisions of sub-section (1A) of section 115BAC of the Act, an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2, has to pay tax in respect of the total income at following rates:

Total Income	Tax Rate
Upto Rs. 3,00,000	NIL

From Rs. 3,00,001 to Rs. 7,00,000	5 per cent
Rs. 7,00,001 to 10,00,000	10 per cent
Rs. 10,00,001 to 12,00,000	15 per cent
Rs. 12,00,001 to 15,00,000	20 per cent
Above Rs. 15,00,000	30 per cent

2. The above mentioned rates shall apply, unless an option is exercised as per provisions of sub- section (6) of section 115BAC. Thus, rates specified in sub-section (1A) of section 115BAC of the Act are the default rates.

3.

- In respect of income chargeable to tax under clause (ii) of sub-section (1A) of section 115BAC of the Act, the income-tax for the assessment year 2025-26 shall be increased by a surcharge, for the purposes of the Union, computed, in the case of every individual or Hindu undivided family or association of persons, or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act,-

    (i) having a total income (including the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;

    (ii) having a total income (including the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding one crore rupees but not exceeding two crore rupees, at the rate of 15% of such income-tax;

    (iii) having a total income (excluding the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding two crore rupees, at the rate of 25% of such income-tax;

    (iv) having a total income (including the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding two crore rupees, but is not covered under clause (iii) above, at the rate of 15% of such income-tax;

- In case where the provisions of sub-section (1A) of section 115BAC are applicable and the total income includes any income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act, the rate of surcharge on the income-tax in respect of that part of income shall not exceed 15%.

- Further, in the case of an association of persons consisting of only companies as its members, and having its income chargeable to tax under sub-section (1A) of section 115BAC, the rate of surcharge on the income-tax shall not exceed 15%.
- Marginal relief shall be provided in such cases.

4. Tax rates under Part I of the First Schedule applicable for the assessment year 2025-26

a) **Individual, HUF, AOP, BOI and AJP-**

Paragraph A of Part-I of First Schedule to the Bill provides following rates of income-tax:—

- The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause(31) of section 2 of the Act (not being a case to which any other Paragraph of Part I applies) are as under:—

Total Income	Tax Rate
Upto Rs. 2,50,000	NIL
Rs. 2,50,001 to 5,00,000	5 per cent
Rs. 5,00,001 to 10,00,000	20 per cent
Above Rs. 10,00,000	30 per cent

- In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year —

Total Income	Tax Rate
Upto Rs. 3,00,000	NIL
Rs. 3,00,001 to 5,00,000	5 per cent
Rs. 5,00,001 to 10,00,000	20 per cent
Above Rs. 10,00,000	30 per cent

- in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year,—

Total Income	Tax Rate
Upto Rs. 5,00,000	NIL
Rs. 5,00,001 to 10,00,000	20 per cent
Above Rs. 10,00,000	30per cent

b) **Co-operative Societies:** In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part I of the First Schedule to the Bill. They remain unchanged at (10% up to Rs. 10,000; 20% between Rs. 10,001 to Rs. 20,000; and 30% when income excess Rs. 20,000).

c) **Firms:** In the case of firms, the rate of income-tax has been specified in Paragraph C of Part I of the First Schedule to the Bill. They remain unchanged at 30%.

d) **Local Authorities:** In the case of local authority, the rate of income-tax has been specified in Paragraph D of Part I of the First Schedule to the Bill. They remain unchanged at 30%.

e) **Companies:**

- In the case of companies, the rates of income-tax have been specified in Paragraph E of Part I of the First Schedule to the Bill and remain unchanged vis-à-vis those for the AY 2024-25. In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the previous year 2022-23 does not exceed four hundred crore rupees and in all other cases the rate of income-tax shall be 30% of the total income.

- In the case of companies other than domestic companies, the rate of income-tax shall be 35%, on the total income other than income chargeable at special rates.

➢ **Surcharge on Income Tax**:

The rates of surcharge on the amount of income-tax for the purposes of the Union are the same as that specified for the AY 2024-25. The surcharge shall not apply on income-tax computed on income of specified fund (referred to in clause (c) of the Explanation to clause (4D) of section 10) that is chargeable under clause (a) of sub-section (1) of section 115AD of the Act. Further, for person whose income is chargeable to tax under sub-section (1A) of section 115BAC of the Act, the surcharge at the rate of 37% on the income or aggregate of income of such person (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding five crore rupees is not applicable. In such cases the surcharge is restricted to 25%.

f) **Marginal Relief :**

Marginal relief has also been provided in all cases where surcharge is proposed to be imposed.

g) **Education Cess :**

For assessment year 2025-26, "Health and Education Cess" is to be levied at the rate of 4% on the amount of income-tax so computed, inclusive of surcharge wherever applicable, in all cases. No marginal relief shall be available in respect of such cess.

5. Rates for deduction of income-tax at source during the financial year 2025-26 from certain incomes other than "Salaries".

a) The rates for deduction of income-tax at source during the FY 2025-26 under the provisions of section 193, 194A, 194B, 194BB, 194D, 194LBA, 194LBB, 194LBC and 195 have been specified in Part II of the First Schedule to the Bill.
b) It is proposed that the rates in force for deduction of income-tax at source on income by way of insurance commission shall be reduced from 5% to 2%, in view of the amendments made vide Finance (No. 2) Act, 2024 in section 194D (Payment of insurance commission) with effect from 1st day of April, 2025.
c) For sections specifying the rate of deduction of tax at source, the tax shall continue to be deducted as per the provisions of the relevant sections of the Act.
d) Apart from the above, the rates will remain the same as those specified in Part II of the First Schedule to the Finance (No. 2) Act, 2024, for the purposes of deduction of income-tax at source during the FY 2024-25.
e) The surcharge on the amount of income-tax for the purposes of the Union is the same as that specified for the FY 2024-25.
f) "Health and Education Cess" shall continue to be levied at the rate of four per cent. of income tax including surcharge wherever applicable, in the cases of persons not resident in India including company other than a domestic company.

Comments:
In view of the amendments made vide Finance (No. 2) Act, 2024 in section 194D (Payment of

insurance commission), TDS on income by way of insurance commission has been reduced from 5% to 2%.

6. Rates for deduction of income-tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the FY 2025-26 (Assessment Year 2026-27).

The rates for deduction of income-tax at source from "Salaries" or under section 194P of the Act during the FY 2025-26 and also for computation of "advance tax" payable during the said year in the case of all categories of assessees have been specified in Part III of the First Schedule to the Bill. These rates are also applicable for charging income-tax during the FY 2025-26 on current incomes in cases where accelerated assessments have to be made, for instance, provisional assessment of shipping profits arising in India to non-residents, assessment of persons leaving India for good during the financial year, assessment of persons who are likely to transfer property to avoid tax, assessment of bodies formed for a short duration, etc. The salient features of the rates specified in the said Part III are indicated in the following paragraphs-

A. Individual, HUF, association of persons, body of individuals, artificial juridical person.

With effect from assessment year 2026-27, it is proposed that the following rates provided under the proposed clause (iii) of sub-section (1A) of section 115BAC of the Act shall be the rates applicable for determining the income-tax payable in respect of the total income of a person, being an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2:—

Sl. No.	Total Income	Rate of Tax
1	Upto Rs. 4,00,000	Nil
2	From Rs. 4,00,001 to Rs. 8,00,000	5 per cent
3	From Rs. 8,00,001 to Rs. 12,00,000	10 per cent
4	From Rs. 12,00,001 to Rs. 16,00,000	15 per cent

5	From Rs. 16,00,001 to Rs. 20,00,000	20 per cent
6	From Rs. 20,00,001 to Rs. 24,00,000	25 per cent
7	Above Rs. 24,00,000	30 per cent

2. However, if such person exercises the option under sub-section (6) of section 115BAC of the Act, the rates as provided in Part III of the First Schedule shall be applicable.
3. Paragraph A of Part III of the First Schedule to the Bill provides following rates of income- tax:—

(i) The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act (not being a case to which any other Paragraph of Part III applies) are as under:—

1	Upto Rs. 2,50,000	Nil
2	From Rs. 2,50,001 to Rs. 5,00,000	5%
3	From Rs. 5,00,001 to Rs. 10,00,000	20%
4	Above Rs. 10,00,000	30%

(ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year,—

1	Upto Rs. 3,00,000	Nil
2	From Rs. 3,00,001 to Rs.5,00,000	5%
3	From Rs. 5,00,001 to Rs.10,00,000	20%
4	Above Rs. 10,00,000	30%

(iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year,—

1	Upto Rs. 5,00,000	Nil
2	From Rs. 5,00,001 to Rs.10,00,000	20%
3	Above Rs. 10,00,000	30%

4.

- The amount of income-tax computed in accordance with the preceding provisions of this Paragraph (including capital gains under section 111A, 112 and 112A), shall be increased by a surcharge at the rate of,—

(a) having a total income (including the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;

(b) having a total income (including the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding one crore rupees, at the rate of 15% of such income-tax;

(c) having a total income (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding two crore rupees but not exceeding five crore rupees, at the rate of 25% of such income-tax;

(d) having a total income (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding five crore rupees, at the rate of 37% of such income-tax;

(e) having a total income (including the income by way of dividend or income under the provisions of section 111A, 112 and section 112A of the Act) exceeding two crore rupees, but is not covered under clauses (c) and (d), shall be applicable at the rate of 15% of such income-tax.

- Provided that in case where the total income includes any income by way of dividend or income chargeable under section 111A, section 112 and section 112A of the Act, the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed 15%.
- Provided further that in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-

tax shall not exceed 15%.

- Further, for person whose income is chargeable to tax under sub-section (1A) of section115BAC of the Act, the surcharge at the rate 37% on the income or aggregate of income of such person (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding five crore rupees shall not be applicable. In such cases, the surcharge shall be restricted to 25%.
- Marginal relief is provided in cases of surcharge.

Comments:

- *Finance Bill, 2025 brings substantial tax relief for the middle class. The income tax rebate under the new tax regime has been raised w.e.f. A.Y. 2026-27, allowing resident individuals with total income up to Rs 12 lacs to pay no tax. Furthermore, marginal relief will remain in place for those whose income slightly exceeds this threshold. Previously, the rebate under the new regime ensured zero tax liability for individuals earning up to Rs 7 lacs.*

- *Around One Crore assesses who were earlier required to pay tax in the range Rs. 20,000-80,000 will now be paying Nil tax.*

- *An assessee who was earlier required to pay a tax of Rs. 80,000 (in the new regime) on an income of Rs. 12 Lacs, will now be required to pay zero tax on such Income.*

- *A rebate of Rs. 60,000 is available u/s 87A. This rebate is not available on Income from Capital Gains or Lotteries or any other income on which special rates of taxes are applicable. It is available only on the tax payable as per the slabs under the New Regime.*

- *The benefit of zero tax liability upto Rs. 12 Lacs is available only in the new tax regime, which is the default regime. This can be exercised while filing the return of Income.*

- *Since Standard Deduction of Rs 75,000 is available to a salaried taxpayer in the new Regime, no tax is payable on a Salary income of Rs 12.75 Lacs. For the old scheme Standard deduction remains at Rs. 50,000.*

- *With these consumption-centric strategic reforms, the government aims to create a more robust, inclusive, and future-ready economy to stimulate economic expansion.*

B. Co-operative Societies

1. In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part III of the First Schedule to the Bill. These rates will continue to be the same as those specified for FY 2024-25. The amount of income-tax shall be increased by a surcharge at the rate of 7% of such income-tax in case the total income of a co-operative society exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% of such income-tax shall continue to be levied in case of a co-operative society having a total income exceeding ten crore rupees.

2. Marginal relief is provided in cases of surcharge.

3. On satisfaction of certain conditions, a co-operative society resident in India shall have the option to pay tax at 22% as per the provisions of section 115BAD. Surcharge would be at 10% on such tax.

Comments:
The tax rate remains unchanged for A.Y. 2026-27.

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for FY 2024-25. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a firm having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

Comments:
The tax rate remains unchanged for A.Y. 2026-27.

D. Local Authorities

The rate of income-tax in the case of every local authority has been specified in Paragraph D of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for the FY 2024-25. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a local authority having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

Comments:
The tax rate remains unchanged for A.Y. 2026-27.

E. Companies

The rates of income-tax in the case of companies have been specified in Paragraph E of Part III of the First Schedule to the Bill. In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the previous year 2023-24 does not exceed four hundred crore rupees and where the companies continue in section 115BA regime. In all other cases the rate of income-tax shall be 30% of the total income. However, domestic companies also have an option to opt for taxation under section 115BAA of the Act on fulfillment of conditions contained therein. The rate of income-tax rate is 22% in section 115BAA. Surcharge would be at 10% on such tax.

2. In the case of a company other than a domestic company, the rates of income-tax shall be 35% of the total income, on income other than income chargeable at special rates.

3. Surcharge at the rate of 7% shall continue to be levied in case of a domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act), if the total income of the domestic company exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% shall continue to be levied, if the total income of the domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act) exceeds ten crore rupees.

4. In case of companies other than domestic companies, the existing surcharge of 2% shall continue to be levied, if the total income exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 5% shall continue to be levied, if the total income of the company other than domestic company exceeds ten crore rupees.

5. Marginal relief is provided in surcharge in all cases.

6. In other cases [including sub-section (2A) of section 92CE, 115QA, 115R, 115TA or 115TD], the surcharge shall be levied at the rate of 12%

7. For FY 2025-26, additional surcharge called the "Health and Education Cess on income-tax" shall be levied at the rate of 4% on the amount of tax computed, inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such cess.

Comments:
The tax rate remains unchanged for A.Y. 2026-27.

7. Rebate under Section 87A

Under the provisions of section 87A of the Act, an assessee, being an individual resident in India, having total income not exceeding Rs 5 lakh, is provided a rebate of 100 per cent of the amount of income-tax payable i.e., an individual having income till Rs 5 lakh is not required to pay any income- tax.
2. Finance Act, 2023 inserted proviso to the said section, to provide rebate of income-tax in cases where the total income of such assessee is chargeable to tax under sub-section (1A) of section 115BAC. Proviso to section 87A provides the rebate of income-tax in cases of such individuals, upto Rs.25,000/- where the total income does not exceed Rs. 7,00,000/- (clause (a) of the said proviso) and marginal relief where the total income exceeds Rs. 7,00,000/- (clause (b) of the said proviso) to income chargeable to tax under sub-section (1A) of section 115BAC.
3. The provisions of sub-section (1A) of section 115BAC are subject to the other provisions of Chapter XII i.e. determination of tax in certain special cases. Hence, proviso to section 87A clearly provides that tax on incomes chargeable at special rates (for e.g.: capital gains u/s 111A, 112 etc.) as specified under various provisions of Chapter XII, are not included while determining the rebate of income-tax under the first proviso to section 87A.
4. From assessment year 2026-27 onwards, for an assessee, being an individual resident in India whose income is chargeable to tax under the sub-section (1A) of section 115BAC, it is proposed to,–

(i) enhance the limit of total income for rebate in clause (a) and (b) of first proviso under section 87A, on which the income-tax is payable as per the rates of income-tax under sub-section (1A) of section 115BAC, from Rs. 7,00,000/- to Rs. 12,00,000/- and the limit of rebate in clause (a) of first proviso to section 87A from Rs. 25,000/- to Rs. 60,000/-.

(ii) rationalise the first proviso to section 87A by inserting a new proviso so as to provide that the deduction under the first proviso, shall not exceed the amount of income-tax payable as per the rates provided in sub-section (1A) of section 115BAC.

5. Further, as mentioned in para. 4 above, such rebate of income-tax is not available on tax on incomes chargeable at special rates (for e.g.: capital gains u/s 111A, 112 etc.).

Comments:

- *The new Income Tax limit of Rs. 12 Lakh is achieved through the increased limit of rebate in S. 87A rebate from Rs. 25,000/- to Rs. 60,000/-, for Income ranging from Rs. 7,00,000/- to Rs. 12,00,000/- .*

- *As per budget documents, the government will directly forego around Rs 1 lakh crore as a result of this. However, it is hoped that this will be directly beneficial for revival in domestic consumption.*

- *A new second proviso is proposed to be inserted in section 87A rebate section, to provide that rebate under this section will be available only for incomes taxable at normal rate income and not special rate income. The Explanatory Memorandum also clarifies this. So, the increased rebate amount of Rs. 60,000 u/s 87A, pursuant to an increase in threshold limit of income from Rs 7 lacs to Rs 12 lacs in the new personal tax regime, applicable w.e.f. FY 2025-26, will be available only in respect of incomes taxable at normal rates and all special rates incomes including short term capital gains income shall be excluded for calculating rebate u/s 87A.*

- *Since, this proviso is applicable from 1.4.2025, so for FY 2024-25 & before, rebate u/s 87A shall be available for special rate incomes also excluding long term capital gains income.*

MEASURES TO PROMOTE INVESTMENT AND EMPLOYMENT

1. Incentives to International Financial Services Centre

International Financial Services Centre (IFSC) is a jurisdiction that provides financial services to non-residents and residents, to the extent permissible under the current regulations, in any currency except Indian Rupee. In order to promote the development of world-class financial infrastructure in India, several tax concessions have been provided to units located in IFSC, under the Act, over the past few years.

a) Extension of sunset dates for several tax concessions pertaining to IFSC

- The sunset dates for commencement of operations of IFSC units for several tax concessions, or relocation of funds to IFSC, in clause (d) of sub-section (2) of section 80LA, clause (4D), clause (4F), clause (4H) of section 10 and clause (viiad) of section 47, is proposed to be extended to 31st day of March, 2030.
- These amendments will take effect from the 1st day of April, 2025

Comments:

- *In order to promote the development of world-class financial infrastructure in India, several tax concessions have been provided to units located in IFSC (exemptions, deductions or relocation of funds to IFSC, under the Income-tax Act, 1961) over the past few years.*
- *Under the existing provisions, the sunset dates are such as 31.03.2024, 31.03.2025 or 31.03.2026 for various tax incentives provided to IFSC. However, as per the Finance Bill 2025, sunset dates for commencement of operation have been extended in all cases.*
- *The sunset dates for commencement of operations of IFSC units for several tax concessions, or relocation of funds to IFSC, etc. is proposed to be extended to 31st day of March, 2030. The sunset dates have been revised in following sections:-*

80LA(2)(d)	*Deductions in respect of certain incomes of Offshore Banking Units and International Financial Services Centre 10(4D)*
10(4D)	*Exemption to certain incomes including income on transfer of assets as per section 47(viiab)*
10(4F)	*Exemption to income of a non-resident by way of royalty or interest, on account of lease of an aircraft or a ship, paid by a unit of IFSC*
10(4H)	*Exemption to income of a non-resident or a unit of IFSC, engaged primarily in the business of leasing, by way of capital gains arising from the transfer of equity shares of domestic company, being a unit of IFSC*

47(viiad)	*Transactions which are not regarded as transfers for the purposes of capital gains as provided in section 45*

b) Exemption on life insurance policy from IFSC Insurance offices

- Clause (10D) of section 10 provides exemption to sum received under a life insurance policy including the sum allocated by way of bonus on such policy, subject to the conditions specified there in. The said provisions are also applicable to insurance policies issued by IFSC Insurance Offices.
- Provisos (fourth, fifth, sixth and seventh provisos) to the said clause, inter alia, provide that the exemption under the said clause is not available if annual amount of premium or aggregate of premiums payable is above Rs. 2.5 lakhs for unit linked insurance policies, and Rs. 5 lakhs for life insurance policies other than unit linked insurance policies.
- In order to provide parity to non-residents availing life insurance from insurance office in IFSC vis a vis other foreign jurisdiction, it is proposed to amend the clause (10D) of section 10 so as to provide that proceeds received on life insurance policy issued by IFSC insurance intermediary office shall be exempted without the condition related to the maximum premium payable on such policy as mentioned above.
- These amendments will take effect from the 1st day of April, 2025

Comments:

- *Clause (10D) of section 10 is proposed to be amended so as to provide that proceed received on life insurance policy, issued by insurance intermediary office located in IFSC, shall be exempted without any condition on premium amount (i.e. Rs. 2,50,000 for ULIPs and Rs.5,00,000 for other policies). However, the premium payable for any of the year during the term of policy should not be more than 10 percent of the actual capital sum assured.*

- *This is a welcome amendment and applies from 1.4.2025.*

c) Exemption to capital gains and dividend for ship leasing units in IFSC

- Clause (4H) of section 10 provides exemption to non-residents or unit of IFSC engaged in aircraft leasing on capital gains tax on transfer of equity shares of domestic companies being units of IFSC, engaged in aircraft leasing. Further, clause (34B) of section 10 provides exemption to dividend paid by a company being a unit of IFSC engaged in aircraft leasing, to a unit of IFSC engaged in aircraft leasing.

- It has been represented that similar to aircraft leasing business, in the ship leasing business, separate special purpose vehicles (SPVs) are created for one or more vessels to safeguard the investors. Therefore, on the lines of aircraft leasing, it is proposed to extend the exemption in,–
- Clause (4H) of section 10 to non-residents or units of IFSC engaged in ship leasing on capital gains tax on transfer of equity shares of domestic companies being units of IFSC, engaged in ship leasing.
- Clause (34B) of section 10 to dividend paid by a company being a unit of IFSC engaged in ship leasing, to a unit of IFSC engaged in ship leasing.
- These amendments will take effect from the 1st day of April, 2025.

Comments:

- *Exemption on capital gains tax is provided to non-residents or unit of IFSC (being engaged in aircraft leasing) on transfer of equity shares of domestic companies (being units of IFSC) who are also engaged in aircraft leasing [Section 10(4H)].Further, exemption is provided on dividend paid by a company (being a unit of IFSC) engaged in aircraft leasing, to another unit of IFSC who is also engaged in aircraft leasing.*

- *Exemption provided to aircraft leasing units on capital gains under Section 10(4H) and dividend under Section 10(34B) have been extended to ship leasing units in IFSC as well.*

d) Rationalisation of definition of 'dividend' for treasury centres in IFSC

- Sub-clause (e) of clause (22) of section 2, inter alia, provides that dividend includes any sum by way of advance or loan to a shareholder paid by a company (not being a company in which the public are substantially interested), where shareholder is the beneficial owner of shares holding not less than 10% of the voting power, or to any concern in which such shareholder is a member or a partner and in which he has a substantial interest or any payment by any such company on behalf, or for the individual benefit, of any such shareholder, to the extent to which the company in either case possesses accumulated profits.
- Sub-clause (ii) of clause (22) of section 2 excludes from the definition of dividend (may be referred to as deemed dividend) any advance or loan made to a shareholder or the said concern by a company in the ordinary course of its business, where the lending of money is a substantial part of the business of the company.

- Suggestions have been received that borrowings by the corporate treasury centre in IFSC from any group entities could trigger deemed dividend provisions in the hands of the shareholder.
- It is proposed to amend clause (22) of section 2 to provide that any advance or loan between two group entities, where one of the group entity is a "Finance company" or a "Finance unit" in IFSC set up as a global or regional corporate treasury centre for undertaking treasury activities or treasury services and the 'parent entity' or 'principal entity' of such 'group entity' is listed on stock exchange in a country or territory outside India, other than the country or territory outside India as may be specified by the Board in this behalf, shall not be treated as 'dividend'. The conditions for a 'group entity', 'principle entity' and the 'parent entity' shall be prescribed.
- These amendments will take effect from the 1st day of April, 2025.

Comments:

- *Under the present provision, deemed dividend would be applicable to Treasury centres. Finance Bill proposes that the provisions of deemed dividend shall not apply to Treasury centres in IFSC on any advance or loan between two group entities, -*

  a) where one of the group entity is a "Finance company" or a "Finance unit" in IFSC set up as a global or regional corporate treasury centre for undertaking treasury activities or treasury services; and
  b) the parent entity or principal entity of such group is listed on stock exchange in a country or territory outside India, (other than that as specified by the Board).

- *This exemption may discourage multinational corporations from setting up treasury centers in the IFSC.*

e) Simplified regime for fund managers based in IFSC

- Section 9A inter alia provides that the fund management activity carried out through an eligible fund manager acting on behalf of eligible investment fund shall not constitute business connection in India, subject to the conditions mentioned therein.
- One of the conditions at clause (c) of sub-section (3) of section 9A inter alia provides that the eligible investment fund shall fulfil the condition that the

aggregate participation or investment in the fund, directly or indirectly, by persons resident in India does not exceed five per cent of the corpus of the fund.

- Sub-section (8A) of section 9A inter alia provides that the Central Government may by notification specify that any one or more of the conditions specified in sub-section (3) or sub-section (4), shall not apply or shall apply with such modifications, in case of an eligible investment fund and its eligible fund manager, if such fund manager is located in an IFSC and has commenced its operations on or before the 31st day of March, 2024.
- It has been represented that there a need to provide a specific simplified regime for IFSC based fund managers, managing funds situated in other jurisdiction so that fund managers in IFSC are at par with the fund management entities in competing foreign jurisdiction.
- It is proposed to amend the provisions of section 9A so that –
- The condition at clause (c) of sub-section (3) of section 9A is rationalised for all the eligible investment funds whether or not their eligible fund managers are based in IFSC, by determining the aggregate participation or investment in the fund as on the 1st day of April and the 1st day of October of the previous year and in case the said condition at clause (c) is not satisfied on either of the said days, it shall be provided that it will satisfy the same condition within four months of the said days;
- In view of the rationalisation above, the condition at clause (c) of sub-section (3) of section 9A shall not be modified for any eligible investment fund and its eligible fund manager; and
- The other conditions (a) to (m) can be relaxed for a eligible investment fund where the date of commencement of operations by its eligible fund manager located in IFSC for the purposes of sub-section (8A) of section 9A is on or before 31st day of March, 2030.
- These amendments will take effect from the 1st day of April, 2025.

Comments:

- *Under A safe harbor is a regime wherein for an assessee that fulfils specific conditions as prescribed, the conduct or transactions of such an assessee may be accepted. In the proposed Bill, the condition for residency in respect of aggregate participation or investment in the eligible investment fund of a resident under clause (c) of section 9A has been relaxed.*

- *Existing provisions - Section 9A of the Act provides that fund management activities carried out through an eligible fund manager in case of eligible investment fund, shall* *not constitute business connection of the said fund in India. Conditions for eligible investment fund and eligible fund manager have been provided respectively in section 9A(3) and section 9A(4).*

- *New provisions - Condition at clause (c) of section 9A is being relaxed for all the investment funds whether or not its fund manager is located in IFSC, by determining the aggregate participation or investment in the fund as on the 1st day of April and the 1st day of October of the previous year.*

- *Further, all conditions other than (c) can be relaxed by the Central Government for investment fund whose fund manager located in IFSC commences operations before 31.03.2030. This date was earlier 31.03.2024.*

- *In case the condition at clause (c) of section 9A is not satisfied on either of the said dates, a grace period is provided to satisfy the same condition within four months of the said dates.*

f) Amendment of Section 10 related to Exempt income of Non-Residents

- The existing provisions of clause (4E) of section 10 of the Act provide that any income accrued or arisen to, or received by a non-resident on account of transfer of non-deliverable forward contracts or offshore derivative instruments or over the-counter derivatives, or distribution of income on offshore derivative instruments entered into with an offshore banking unit of an International Financial Services Centre referred to in sub-section (1A) of section 80LA shall not be included in the total income of the non-resident.
- In order to further incentivize operations from the IFSC, it is proposed to amend clause (4E) of section 10 to provide that the income of a non-resident on account of transfer of non-deliverable forward contracts or offshore derivative instruments or over the-counter derivatives, or distribution of income on offshore derivative instruments, entered into with Foreign Portfolio Investors being an IFSC unit shall also not be included in the total income subject to certain conditions as may be prescribed.
- This amendment will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

Comments:

- *The exemption for transactions in derivatives was limited to the transactions made by non-residents with Offshore Banking Units. By the Finance Bill 2025, these benefits are now also being extended to such transactions, made with a Foreign Por�olio Investor (FPIs) being a unit in the IFSC.*

- *The non-residents who enter into such transactions are benefited as the income from the aforementioned transactions is exempt. This will also benefit the FPIs in that there will be more investments from non-residents because of the certainty provided in the domestic tax law.*

g) Inclusion of retail schemes and Exchange Traded Funds (ETFs) in the existing relocation regime of funds of IFSCA

- The existing provisions of clause (viiad) of Section 47 of the Act provide that any transfer by a shareholder or unit holder or interest holder, in a relocation, of a capital asset being a share or unit or interest held by him in the original fund in consideration for the share or unit or interest in the resultant fund shall not be regarded as transfer for the purposes of calculating capital gains. The Explanation to the clause inter-alia, provides that "resultant fund" means a fund established or incorporated in India, which has been granted a certificate of registration as a Category I or Category II or Category III Alternative Investment Fund, is located in any International Financial Services Centre and is subject to certain conditions provided therein. Thus, the relocation of original funds to the resultant fund in the IFSC is a tax-neutral transaction.
- The income of retail schemes and Exchange Traded Funds (ETFs) located in the IFSC and, inter alia, is regulated under the International Financial Services Centres Authority Act, 2019 was granted exemption along with previously exempted specified funds as per section 10(4D) of the Act vide the Finance (No.2) Act, 2024. It is proposed to include such retail schemes or Exchange Traded Funds (ETF) within the definition of resultant fund for the purposes of clause (viiad) of section 47 of the Act so that relocation of original funds to such funds in the IFSC is also a tax-neutral transaction.
- This amendment will take effect from the 1st day of April, 2026, and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

Comments:

- *The transfer of assets of a fund (that is the original fund) or of its wholly owned Special Purpose Vehicle that is overseas, to a resultant fund in India is called relocation subject to certain conditions.*

- *A "resultant fund" means a fund to which the assets of the original fund are transferred, subject to certain conditions and which is established or incorporated in India*

- *The 'resultant fund' was limited to a fund that had been granted a certificate of registration as a Category I or II or III Alternative Investment Fund (AIF) and is regulated under the SEBI (AIF) Regulations, 2012 or regulated under the IFSCA (Fund Management) Regulations, 2022.*

- *With the Finance Bill 2025, the Retail schemes and Exchange Traded Funds (ETFs) that are regulated under the IFSCA (Fund Management) Regulations,2022 have also been added to the definition of 'resultant fund' subject to certain conditions.*

- *The relocation of an original fund to a resultant fund (being a Retail schemes and Exchange Traded Funds) is now also a tax neutral transaction subject to the conditions mentioned in 47(viiad). This amendment will encourage more funds, being retails schemes or ETFs to relocate to the IFSC.*

2) Extension of date of making investment by Sovereign Wealth Funds, Pension Funds & others and rationalisation of tax exemptions

- Clause (23FE) of section 10 of the Act provides for the exemption to specified persons from the income in the nature of dividend, interest, long-term capital gains or certain other incomes arising from an investment made by it in India. Specified persons inter alia are Sovereign Wealth Fund (SWF), Pension Fund (PF) which fulfills conditions prescribed therein and are specified for this purpose by the Central Government through notification in the Official Gazette. This provision was introduced through the Finance Act, 2020 to encourage investments of SWF and PF into infrastructure sector of India.
- Sub-clause (i) of clause (23FE) of section 10, inter alia, provides that investment is made on or after the 1st day of April, 2020 but on or before the 31st day of March, 2025.
- Suggestions have been received that given the long-term nature of infrastructure investments and the role of foreign SWFs and PFs in financing such projects, the

deadline for investment under clause (23FE) of section 10 be extended. This will provide the stability and time frame necessary for global investors to make substantial contribution to India's infrastructure development.

- Further, the amendments to section 50AA by Finance (No. 2) Act, 2024, have re-classified all the capital gains from unlisted debt securities as short-term capital gains, irrespective of the holding period. This will result in the long term capital gains from investment in unlisted debt investments to be taxable in the hands of SWFs and PFs. Prior to the said amendments, notified SWFs or PFs were eligible for exemptions on long-term capital gains from unlisted debt securities under clause (23FE) of section 10.
- It is, therefore, proposed to amend clause (23FE) of section 10, so as to provide that, – long-term capital gains (whether or not such capital gains are deemed as short-term capital gains under section 50AA) arising from an investment made by it in India, shall inter alia not be included in the total income of a specified person under clause (23FE) of section 10; and the date of investment under the said clause shall extended from 31st day of March, 2025 to 31st day of March, 2030.
- These amendments will take effect from the 1st day of April, 2025.

Comments:

Extension of the date of making investments in Sovereign Wealth Funds and Pension Funds by five more years, to 31st March, 2030, is a welcome amendment to promote funding from them to the infrastructure sector.

3) Scheme of Presumptive Taxation extended for non-resident providing services for electronics manufacturing facility

- In order to position India as the global hub for Electronics System Design and Manufacturing, a comprehensive program for the development of semiconductors and display manufacturing ecosystem in India was approved by Government of India. Ministry of Electronics and Information Technology has notified Schemes for setting up of such facilities in India.
- In this context, it has been represented that non-residents will be providing support in setting up of such electronics manufacturing facilities by deploying the technology and providing support services.
- In order to ensure certainty and promotion of this industry, it is proposed to provide a presumptive taxation regime for non-residents engaged in the business of providing services or technology, to a resident company which are establishing

or operating electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods, article or thing in India, under a scheme notified by the Central Government in the Ministry of Electronics and Information Technology and satisfies such conditions as prescribed in the rules.

- It is, therefore, proposed, to insert a new section 44BBD, which deems twenty-five per cent of the aggregate amount received/ receivable by, or paid/ payable to, the non-resident, on account of providing services or technology, as profits and gains of such non-resident from this business. This will result in an effective tax payable of less than 10% on gross receipts, by a non-resident company.
- This amendment will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

Comments:

- *Presumptive taxation is a simplified method of calculating taxes for eligible taxpayers.*

- *The main motive is to bring tax certainty to certain specified businesses. This reduces compliance costs and promotes ease of doing business.The profits of the business are deemed to be certain percentage of sales/turnover or receipts.*

- *Prior to the proposed amendment, a non-resident or a foreign company was liable to tax as business income on the profits from this activity at the applicable rates. There was no separate scheme for presumptive taxation for such activity/person.*

- *As per new section 44BBD, 25% of the aggregate amount received/ receivable by, or paid/ payable to, the non-resident, on account of provision of services or technology, are deemed as profits and gains of such non-resident from this business.*

- *The provision directly applies to non-resident companies which are offering services or technology to electronic Manufacturing industry in India. The certainty provided in terms of taxation to such companies will promote development of manufacturing Industry in India in the electronics sector.*

4) Extension of benefits of tonnage tax scheme to inland vessels

- Tonnage tax scheme in Chapter XII-G of the Act was brought vide Finance Act, 2004 in order to promote Indian shipping industry wherein the qualifying shipping companies were given the choice to opt for the tonnage tax regime or continue to remain within the normal corporate tax regime.
- Representations were received to extend tonnage tax scheme to inland vessels to promote inland water transportation industry. It is stated that at present, India is short of inland water transport vessels fleet and require higher investments in the sector which is capital intensive. Therefore, to provide a boost to inland water transportation, it was represented to include inland vessels under the ambit of tonnage tax scheme.
- Therefore, to promote inland water transportation in the country and to attract investments in the sector, it is proposed to extend the benefits of tonnage tax scheme to Inland Vessels registered under Inland Vessels Act, 2021. Accordingly inland vessels have been included in the section 115VD for being eligible to be a qualified ship. Further, inland vessels have been defined in section 115V of the Act in the same manner as provided in the Inland Vessels Act, 2021. Other corresponding amendments have been made to extend the tonnage tax scheme to inland vessels.
- These amendment will take effect from the 1st day of April, 2026 and shall, accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

Comments:

- *Chapter XII-G of the Income tax Act 1961 provides special provisions relating to income of the shipping companies. Tonnage tax scheme, as provided in the Chapter XII-G, is a presumptive tax scheme for shipping companies which allows them to compute their profits on presumptive basis.*

- *At present, shipping companies which operate 'qualifying sea going ships' registered under the Merchant Shipping Act, 1958, are eligible to avail tonnage tax scheme.*

- *The Finance Bill 2025 proposes to extend the benefit of taxation under the Tonnage tax scheme to the inland vessels registered under the Inland Vessels Act, 2021. Therefore, henceforth companies engaged in the business of inland water transportation can also avail benefits of tonnage tax scheme.*

- *Tonnage tax scheme has provided certainty to the industry about their tax liability. Companies involved in inland water transportation can avail benefit from such scheme. The amendment shall encourage the inland water transportation in the country.*

SIMPLIFICATION AND RATIONALISATION

1) Simplification of tax provisions for charitable trusts/institutions

Income of any trust or institution registered under section 12AB of the Act is exempt subject to the fulfilment of the conditions provided in the Act. Section 12A provides for procedure to make application for the registration of the trust or institution to claim exemption under section 11 and 12. Section 12AB, provides for the procedure related to approval and cancellation of the registration for the trust or institution making application under section 12A. Section 13 provides that exemption under section 11 and 12 shall not be available to a trust or institution if such trust or institution does not fulfill the conditions specified therein.

2) Rationalisation of 'specified violation' for cancellation of registration of trusts or institutions

- Sub-section (4) of the section 12AB inter alia provides that where registration or provisional registration of a trust or an institution has been granted and subsequently, the Principal Commissioner or Commissioner has noticed occurrence of one or more specified violations during any previous year, the Principal Commissioner or Commissioner shall, pass an order in writing, cancelling the registration of such trust or institution if he is satisfied that one or more specified violations have taken place.

- Explanation to sub-section (4) of the said section provides that "specified violation" inter alia means the cases where the application referred to in clause (ac) of sub-section (1) of section 12A is not complete or it contains false or incorrect information.

- It is noted that even minor default, where the application referred to in clause (ac) of sub-section

- (1) of section 12A is not complete, may lead to cancellation of registration of trust or institution, and such trust or institution becomes liable to tax on accreted income as per provisions of Chapter XII-EB of the Act.

- It is, therefore, proposed to amend the Explanation to sub-section (4) of section 12AB so as to provide that the situations where the application for registration of trust or institution is not complete, shall not be treated as specified violation for the purpose of the said sub-section.

- These amendments will take effect from the 1st day of April, 2025.

Comments:

- *Under current provision an 'incomplete' application for registration is treated as specified violation. This may result in cancellation of registration and consequently, fair market value of the assets becomes chargeable to tax under the Act.*
- *In order to prevent harsh consequences for default of filing incomplete application, the above amendment has been carried out. The trust or institution shall be able to complete the application and the same shall be considered for the purposes of registration.*

3) Period of registration of smaller trusts or institutions

- Section 12AB provides registration of trust or institution for a period of 5 years or provisional registration (where activities have not commenced at the time of filing application for registration) for a period of 3 years. At the expiry of such registration or provisional registration, or in case of provisional registration, if the activities of the trust or institution have commenced, the trust or institution is required to make application for further registration.

- It has been noted that applying for registration after every 5 years, increases the compliance burden for trusts or institutions, especially for the smaller trusts or institutions.

- To reduce the compliance burden for the smaller trusts or institutions, it is proposed to increase the period of validity of registration of trust or institution from 5 years to 10 years, in cases where the trust or institution made an application under sub-clause (i) to (v) of the clause (ac) of sub-section (1) of section 12A, and the total income of such trust or institution, without giving effect to the provisions of sections

11 and 12, does not exceed Rs. 5 crores during each of the two previous year, preceding to the previous year in which such application is made.

- These amendments will take effect from the 1st day of April, 2025.

Comments:

- *Under the current provisions of section 12AB of the Income Tax Act, 1961, registration shall be valid for a period of 5 years or 3 years (where activities of the trust or institution have not commenced).*

- *The period of validity of registration of trust or institution with income below Rs 5 Crore has been increased from 5 years to 10 years in certain cases.*

- *The amended provisions shall be applicable to certain small trusts or institution whose total income does not exceed Rs. 5 crores in each of the two previous years, preceding the previous year in which application is made.*

4) Rationalisation of persons specified under sub-section (3) of section 13 for trusts or institutions

- Section 13 of the Act, inter alia, provides that section 11 or section 12 shall not apply to exclude any income from the total income of trust of institution, if such income enures, or such income or any property of the trust or the institution is used or applied, directly or indirectly for the benefit of any person referred to in sub-section (3), which inter alia are as following –

    - any person who has made a substantial contribution to the trust or institution, that is to say, any person whose total contribution up to the end of the relevant previous year exceeds fifty thousand rupees;

    - any relative of any such person as aforesaid;

    - any concern in which any such person as aforesaid has a substantial interest.

- Suggestions have been received that there are difficulties in furnishing certain details of persons other than author, founder, trustees or manager etc. who have made a 'substantial contribution to the trust or institution', that is to say, any person whose total contribution up to the end of the relevant previous year exceeds fifty thousand rupees. These details are about their relatives and the concerns, in which they are substantially interested.

- It is, therefore, proposed to amend the sub-section (3) of section 13 to provide that,–

    - persons referred to in clause (b) of sub-section (3) of section 13, shall be any person whose total contribution to the trust or institution, during the relevant previous year exceeds one lakh rupees, or, in aggregate up to the end of the relevant previous year exceeds ten lakh rupees, as the case may be;

    - relative of any such person as mentioned in (i) above, shall not be included in persons specified in sub-section (3) of section 13; and

    - any concern in which any such person as mentioned in (i) above has a substantial interest, shall not be included in persons specified in sub-section (3) of section 13.

- These amendments will take effect from the 1st day of April, 2025.

Comments:

- *Current provision provides that if any income of trust or institution is applied for the benefit of a 'specified person' (other than founder, author or trustee, member or manager), or his relative or the concern in which he has substantial interest, such income shall not be exempted under section 11 and 12 of the Income Tax Act, 1961.*

- *Presently 'specified persons' also include a person who has contributed an amount of Rs 50,000 in aggregate, i.e upto the end of the previous year, to the trust. The threshold limit for considering a contribution as 'substantial contribution' to the trust or institution has been changed from total contribution exceeding fifty thousand rupees up to the end of the relevant previous year to one lakh rupees during the relevant previous year, or exceeding ten lakh rupees in aggregate up to the end of the relevant previous year. The amendment, as above, shall be applicable to person other than author, founder, trustee, member or manager of the trust.*

- *Further, amendment has been made so as to not consider 'relative' and 'concern in which such person has substantial interest' as specified person under section 13(3) of the Income tax Act, 1961.*

- *It is clarified the relaxation shall not apply to author, founder of trust, trustees, member or manager of the trusts*

5) Rationalization in taxation of Business trusts

- Finance (No.2) Act, 2014 introduced a special taxation regime for Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InVIT) [commonly referred to as business trusts]. The special regime was introduced in order to address the challenges of financing and investment in infrastructure. The business trusts invest in special purpose vehicles (SPV) through equity or debt instruments.

- Keeping in mind the business structure, the special taxation regime under section 115UA of the Act, inter-alia, provides a pass-through status to business trusts in respect of interest income, dividend income received by the business trust from a special purpose vehicle in case of both REIT and InvIT and rental income in case of REIT. Such income is taxable in the hands of the unit holders unless specifically exempted.

- Sub-section (2) of section 115UA provides that the total income of a business trust shall be charged to tax at the maximum marginal rate, subject to the provisions of section 111A and section 112.

- It has been noted that reference of section 112A is not mentioned in sub-section (2) of section 115UA. Section 112A provides tax on long-term capital gains in certain cases of long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust.

- It is proposed to amend sub-section (2) of section 115UA to provide that the total income of a business trust shall be charged to tax at the maximum marginal rate, subject to the provisions of section 111A, section 112 as well as section 112A.

- This amendment will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

Comments:

- *Business trusts (Infrastructure Investment Trusts or Real Estate Investment Trust) have been given a pass-through status in respect of interest income, dividend income and rental income from a special purpose vehicle i.e. exempted in the hands of business trusts and taxed in the hand of investor (unit holder).*

- *The income other than the above income of a business trust, is charged to tax in the hands of business trust at the maximum marginal rate.*

- *The income under the head Capital Gain is therefore not a pass-through income but is chargeable in the hands of the business trust itself. Such income is however presently charged to tax at rate under sections 111A and 112 of the Income Tax Act, 1961.*

- *The reference of income under the head 'capital gains', of the nature, chargeable under section 112A of the Income Tax Act, 1961 was missing in provisions relating to Business Trusts. The said reference has now been introduced by amendment of section 115UA.*
- *Now, the income of Business Trusts, chargeable under section 112A, shall also be charged at the rate provided under said section and not at maximum marginal rate.*

6) Harmonisation of Significant Economic Presence applicability with Business Connection

- Section 9 of the Act provides for income which shall be deemed to accrue or arise in India. Clause (i) of section 9, inter alia, provides that all income accruing or arising, whether directly or indirectly, through or from any business connection in India shall be deemed to accrue or arise in India.

- Clause (b) of Explanation 1 to clause (i) of sub-section (1) of section 9 provides that in the case of a non-resident, no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of export.

- Explanation 2A to clause (i) of sub-section (1) of section 9, inter alia, provides that the significant economic presence of a non-resident in India shall constitute "business connection" in India and "significant economic presence" for this purpose shall inter alia mean transaction in respect of any goods carried out by a non-resident with any person in India.

- Suggestions have been received that owing to definition of significant economic presence provided in Explanation 2A, the specific exclusion provided in the case of a non-resident, for income arising through or from operations which are confined to the purchase of goods in India for the purpose of export may be denied and such income may also be treated as income deemed to accrue or arise in India.

- It is, therefore, proposed to amend the Explanation 2A of section 9 so that the transactions or activities of a non-resident in India which are confined to the purchase of goods in India for the purpose of export shall not constitute significant economic presence of such non-resident in India. This will bring it in coherence with the Explanation 1 to clause (i) of sub-section (1) of section 9 for business connection.

- These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

Comments:
Under the current provisions, income through or from operations which are confined to the purchase of goods in India for the purpose of export was not considered as accrued or arising in India as it does not constitute a 'business connection' in India. However, due to operation of current provisions relating to 'significant economic presence such transactions or activities could have been deemed to accrue or arise in India. This has now been corrected.

7) Bringing clarity in income on redemption of Unit Linked Insurance Policy

- Clause (10D) of section 10 provides for income-tax exemption on the sum received under a life insurance policy, including bonus on such policy. There is a condition that the premium payable for any of the years during the terms of the policy should not exceed ten per cent of the actual capital sum assured.

- It may be pertinent to note that to restrict the benefit of exemption under clause (10D) of section 10, to small and genuine cases of life insurance, the Finance Act, 2021, inter alia, made amendments to clause (10D) of section 10 to provide that the exemption under this clause shall not apply with respect to any unit linked insurance policy or policies issued on or after the 01.02.2021, if the amount of premium or aggregate amount of premium payable during the term of such policy or policies exceeds Rs. 2,50,000;

- It is noted that ULIP is a capital asset only when the exemption under clause (10D) of section 10 does not apply on such policies on account of the applicability of the 4th and 5th proviso and accordingly, taxation as capital gains in case of only such ULIPs. However, in case of life insurance policy (other than a ULIP), the sum received is chargeable to income-tax under "Income from other sources" for any such policy to which exemption under clause (10D) of section 10 does not apply.

- Further, any sum received under an insurance policy as provided in sub-clauses (a) to (d) read with the provisos to clause (10D) to section 10 are not eligible for exemption under clause (10D) of section 10. Such sub-clauses are applicable to unit-linked insurance policy as well.

- It is, therefore, proposed to rationalise the provisions for unit-linked insurance policies, so as to provide that,–

  - ULIPs to which exemption under clause (10D) of section 10 does not apply, is a capital asset [clause (14) of section 2];

  - the profit and gains from the redemption of ULIPs to which exemption under clause (10D) of section 10 does not apply, shall be charged to tax as capital gains [sub-section (1B) of section 45]; and

  - ULIPs to which exemption under clause (10D) of section 10 does not apply, shall be included in the definition of equity oriented fund [clause (a) of Explanation to section 112A]

- These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

Comments:

In the present provisions, in the case of Unit Linked Insurance Policy, even where payable premium exceeded 10 percent of the sum assured, the sum received on redemption was not being charged to tax as 'capital gain' under sub-section (1B) of section 45. Even though it was not exempt, there was ambiguity regarding the head of chargeability. The current amendment has now made the tax treatment given to all ULIP policies consistent. Thus, if exemption under Section 10(10D) does not apply, the sum received under both ULIP and other insurance policy shall be chargeable to tax under the head 'capital gains' or 'income from other sources', respectively.

8) Amendment of Definition of 'Capital Asset'

- Section 2(14) of the Act defines the term "capital asset" to include property of any kind held by an assessee, whether or not connected with his business or profession, but does not include any stock- in-trade or personal assets as provided in the definition. The securities held by a Foreign Institutional Investor which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) are also defined as capital assets.

- There is some uncertainty in characterization of income arising from transaction in securities as to whether it is capital gain or business income for investment funds (specified in clause (a) of Explanation 1 to section 115UB in the Act).

- With a view of providing certainty in respect of the above, it is proposed to amend the Act to provide that any security held by investment funds referred to in Section 115UB which has invested in such security in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 would be treated as capital asset only so that any income arising from transfer of such security would be in the nature of capital gain.

- This amendment will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

Comments:

- *The definition of capital asset in section 2(14) has been amended to include the securities that are held by the Investment funds as well.*

- *As a consequence of the amendment bringing securities held by investment fund as a capital asset, the transfer of such securities shall be taxed as capital gains.Consequently, the income shall be a pass-through to be taxed in the hands of unit holder and not the investment fund. The income will be treated as capital gains.*

-

9) Extension of timeline for tax benefits to start-ups

- The existing provisions of Section 80-IAC of the Act, inter alia, provide for a deduction of an amount equal to hundred percent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years, beginning from the year of incorporation, at the option of the assessee subject to the condition that ,–

- the total turnover of its business does not exceed one hundred crore rupees,
- it is holding a certificate of eligible business from the Inter-Ministerial Board of Certification, and
- it is incorporated on or after the 1st day of April, 2016 but before the 1st day of April, 2025.

- It is proposed to amend the above section so as to extend the benefit for another period of five years, i.e. the benefit will be available to eligible start-ups incorporated before 01.04.2030.
- This amendment will take effect from the 1st day of April 2025.

Comments:

- *The benefit u/s 80-IAC has been extended for another period of 5 years.*
- *Thus, the benefit will therefore now be available to eligible start-ups incorporated before 1.4.2030.*
- *This amendment add to the measures undertaken by the government in the recent times to boost the ease of doing business for startups.*

10) Rationalisation of taxation of capital gains on transfer of capital assets by non-residents

- The existing provisions of Section 115AD of the Act provide that where the total income of a specified fund or Foreign Institutional Investor includes—
  - income received in respect of securities (other than units referred to in section 115AB); or
  - income by way of short-term or long-term capital gains arising from the transfer of such securities,
  - the income-tax on the income by way of long-term capital gains referred to in clause (b), if any, included in the total income, shall be calculated at the rate of ten per cent.
- Certain amendments were carried out in the above provisions by the Finance (No.2)

Act, 2024. The rate of taxation on long-term gains arising from the transfer of capital assets was amended to twelve and one-half per cent in the case of all assessees, whether resident or non-resident, with effect from 23.07.2024. It was seen that while the rates of taxation in the case of specified fund or FIIs in case of long-term gains referred to in section 112A have been brought to parity with the rates applicable for residents, the rate of income-tax calculated on the income by way of long-term capital gains not referred to in section 112A were retained at ten per cent vide Finance (No.2) Act, 2024.

- It is proposed to amend the provisions of section 115AD to provide that income-tax on the income by way of long-term capital gains on transfer of securities (other than units referred to in section 115AB) not referred to in section 112A, if any, included in the total income, shall be calculated at the rate of twelve and one-half per cent.
- These amendments will take effect from the 1st day of April, 2026, and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

Comments:

- *The tax rate for income by way of long-term capital gains on transfer of securities (other than units referred to in section 115AB) by the FIIs that are not covered u/s 112A is 10%.*
- *The tax rate for income by way of long-term capital gains arising from the transfer of the aforementioned securities by FIIs is now proposed to be 12.5%. With this amendment, long term capital gains for all securities except for those referred in Section 115AB (i.e. which have been provided in Foreign Exchanges) shall be taxed at 12.5%.*
- *The benefit of Rs 1.25 Lakhs is provided only for the capital gains from the transfer of long-term capital asset referred to in section 112A of the Income Tax Act [i.e. where payment of STT is involved (Ref. 112A(1) of the Income taxAct, 1961].*
- *The tax rate for income by way of the aforementioned long-term capital that are not under section 112A, for the period of 23.07.2024 to 31.03.2025, shall remain 10%.*

11) Rationalization of tax deducted at source (TDS) rates

There are various provisions of Tax Deduction at Source (TDS), with different thresholds and multiple rates. To improve ease of doing business and better compliance by taxpayers, it is proposed to rationalize certain rates of TDS and to increase threshold limit for applicability of the TDS provisions

- **TDS rate reduction for section 194LBC**

  - Section 194LBC of the Act requires that where any income is payable by a securitisation trust to an investor, being a resident, in respect of an investment in a securitisation trust as specified therein, the person responsible for making the payment shall, deduct income-tax, at the rate of 25%, if the payee is an individual or a Hindu undivided family and 30%, if the payee is any other person.

  - It is proposed that TDS rate under section 194LBC of the Act be reduced from 25% and 30% to 10% as this sector is sufficiently organized and regulated.

  - This amendment will take effect from the 1st day of April 2025.

- **TDS and TCS threshold rationalization**

TDS and TCS provisions have various thresholds of amount of payment or amount of income, beyond which tax is required be deducted. It is proposed to rationalize these thresholds as below –

S. No	Section	Current threshold	Proposed threshold
1.	193 - Interest on securities	Nil	Rs. 10,000/-

2.	194A - Interest other than Interest on securities	(i) Rs. 50,000/- for senior citizen; (ii) Rs. 40,000/- in case of others when payer is bank, cooperative society and post office (iii) Rs. 5,000/- in other cases	(i) Rs. 1,00,000/- for senior citizen (ii) Rs. 50,000/- in case of others when payer is bank, co-operative society and post office (iii) Rs. 10,000/- in other cases
3.	194 - Dividend for an individual shareholder	Rs. 5,000/-	Rs. 10,000/-
4.	194K - Income in respect of units of a mutual fund or specified company or undertaking	Rs. 5,000/-	Rs. 10,000/-
5.	194B – Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction
6.	194BB – Winnings from horse race		
7.	194D - Insurance commission	Rs. 15,000/-	Rs. 20,000/-
8.	194G - Income by way of commission, prize etc. on lottery tickets	Rs. 15,000/-	Rs. 20,000/-
9.	194H - Commission or brokerage	Rs. 15,000/-	Rs. 20,000/-
10.	194 I - Rent	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month

11.	194J - Fee for professional or technical services	Rs. 30,000/-	Rs. 50,000/-
12.	194LA - Income by way of enhanced compensation	Rs. 2,50,000/-	5,00,000/-

Following changes are proposed in the rates of TDS and TCS:

S. No.	Section of the Act	Existing TDS/TCS Rate	Proposed TDS/TCS Rate
1.	Section 194LBC - Income in respect of investment in securitization trust	25% if payee is Individual or HUF and 20% otherwise	10%
2.	Sub-section (1) of section 206C – TCS on timber or any other forest produce (not being tendu leaves) obtained under a forest lease and timber obtained by any mode other than under a forest lease	2.5%	2%
3.	Sub-section (1G) of section 206C – TCS on remittance under LRS for purpose of education, financed by loan from financial instituion	0.5% after Rs. 7 lakh	Nil

The aforementioned amendments shall take effect from 1st day of April 2025.

12) Reduction in compliance burden by omission of TCS on sale of specified goods

- Sub-section (1H) of section 206C of the Act, requires any person being a seller who receives consideration for sale of any goods of the value or aggregate of value exceeding Rs 50 lakhs in any previous year, to collect tax from the buyer at the rate of 0.1% of the sale consideration exceeding Rs 50 lakhs, subject to certain conditions.
  Section 194Q of the Act, requires any person being a buyer, to deduct tax at the rate of 0.1%, on payment made to a resident seller, for the purchase of any goods of the value or aggregate of value exceeding fifty lakh rupees in any previous year .

- Sub-section (1H) of section 206C mandates tax collection at source (TCS) by a seller while Section 194Q provides for tax deduction at source (TDS) by a buyer on the same transaction.

- Further, it is provided in sub-section (1H) of section 206C of the Act that the provision will not apply, if the buyer is liable to deduct TDS under any other provision of this Act on the goods purchased from the seller and has deducted such amount. Representations have been received that it becomes difficult for the seller to check whether the buyers have ensured the compliance of TDS deduction under 194Q of the Act. This results in both TDS and TCS being made applicable on the same transaction.

- Therefore, to facilitate ease of doing business and reduce compliance burden on the taxpayers, it is proposed that provisions of sub-section (1H) of section 206C of the Act will not be applicable from the 1st day of April, 2025.

- These amendments will take effect from the 1st day of April 2025.

Comments:

- *Every seller who receives any amount as consideration for sale of any goods (other than goods exported outside India, or goods covered in sub-section (1) or (1F) or (1G) of section 206C) of the value or aggregate of such value exceeding fifty lakh rupees in any previous year shall collect TCS at the rate of 0.1%.*

- *TDS is also applicable u/s 194Q of the Act at the rate of 0.1% of sale consideration at the time of sale of goods. The existing TCS provisions provide that TCS is not to be collected if TDS is deducted on the same transaction. However, at times the collector (seller) is not aware of the fact whether TDS has been done by the buyer on such transaction. This results in both TDS and TCS being applied on the same transaction. It* *is therefore proposed that provisions of TCS on sale of goods will not be applicable from 01.04.2025 onwards.*

- *Removal of TCS on sale of goods would provide certainty to the buyer as well as seller and reduce compliance burden on the seller (collector). This will also result in avoidable blockage of liquidity.*

13) Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B

- Vide Finance (No. 2) Act, 2024, the concept of block assessment was introduced by amending provisions of Chapter XIV-B (sections 158B to 158BI of the Act) to be made applicable where a search under section 132 of the Act is initiated or requisition under section 132A of the Act is made, on or after 01st September, 2024.

- Section 158B of the Act defines “undisclosed income” for the purposes of Chapter XIV-B. It is proposed to add the term “virtual digital asset” to the said definition.

- Sub-section (2) and sub-section (3) of section 158BA of the Act provide that any assessment or reassessment or recomputation or a reference or an order pertaining to any assessment year falling in the block period pending on the date of initiation of the search or making of requisition, shall abate. Further, sub-section (5) of the said section provides that if any proceeding initiated under Chapter XIV- B has been annulled in appeal or any other legal proceeding, then, the assessment or reassessment relating to any assessment year which has abated under sub-section (2) or sub-section (3), shall revive. It is proposed to align the said sub-sections by adding the words “recomputation”, “reference” or “order” in sub-section (5) of the said section.

- Sub-section (4) of section 158BA of the Act provides that where any assessment under Chapter XIV-B is pending in the case of an assessee in whose case a subsequent search is initiated, or a requisition is made, such assessment shall be duly completed, and thereafter, the assessment in respect of such subsequent search or requisition shall be made under the provisions of Chapter XIV-B. It is proposed to substitute the word “pending” as the assessment is ‘required to be made’ though it may not be pending when the subsequent search is initiated.

- Section 158BB of the Act provides the methodology for computation of total income of block period. It is proposed to amend clause (i) of the sub-section (1) of the said section to substitute reference to ‘total income disclosed’ with “undisclosed income” which has been declared in return. Consequential amendment is also proposed in sub-section (6) of the said section to reflect this change. It is further proposed to amend clause (iii) of the sub-section (1) to specify that any income declared in the return of income filed under section 139 or in response to a notice under sub-section (1) of section 142 or section 148, prior to the date of initiation of the search or the date of requisition, shall form part of the total income of the block period for which credit would be given while charging the tax for the said period. It is also proposed to omit the word total from 'total income' in clause (ii) and (iii) of the sub-section (1). It is also proposed to amend clause (iv) of sub-section (1) to provide the clarity over computation of the income pertaining to the previous year which has ended but the due date for furnishing the return for such year has not expired prior to the date of initiation of the search or requisition so that income pertaining to books of account maintained in normal course for the said period is taxed under the normal provisions.

- Sub-section (3) of section 158BB of the Act proposes to tax under the normal provisions any income which relates to any international transaction or specified domestic transaction, pertaining to the period beginning from the 1st day of April of the previous year in which last of the authorisations was executed and ending with the date on which last of the authorisations was executed. This was provided as it may be difficult to assess arm's length price of part period transactions. It is proposed to amend the said sub-section to provide that the income pertaining to any international transaction or specified domestic transaction shall not be considered in the income of the block period. Therefore, in the said sub-section, it is proposed to provide the reference to such income instead of evidence as provided earlier.

- Section 158BE of the Act provides the time-limit for completion of block assessment as twelve months from end of the month in which the last of the authorisations for search has been executed. Search and seizure proceedings are more often than not conducted in a group of cases which require coordinated investigation and assessments. However, the present time-limit results in multiple time barring dates in one group of cases which leads to challenges in taking the cases to a logical conclusion. Hence, the time-limit for completion of block assessment is proposed to be made as twelve months from end of the quarter in which the last of the authorisations for search or requisition has been executed.

- These amendments will take effect from the 1st day of February, 2025.

Comments:

- *The assessment or reassessment or re-computation or a reference or an order relating to any assessment year which has abated under sub-section (2) or sub section (3), shall revive. The term "virtual digital asset" has been added in the definition of undisclosed income in section 158B of Income Tax Act,1961 in Finance Bill 2025.*

- *The computation under section 158BB (1) of the Income Tax Act,1961 has been clarified to provide appropriate treatment for income based on books of account maintained in normal course. Reference to income declared by a taxpayer in the block return under section 158BC(1)(a) has been provided as 'undisclosed income declared'.*

- *The said section has been simplified to reiterate that income relating to international transaction or specified domestic transaction and pertaining to the part period of the previous year in which last of the authorisations of search is executed or requisition is made is kept out of the income of the block period.*

14) Non-applicability of Section 271AAB of the Act

- The existing provisions of sub-section (1A) of section 271AAB of the Act relates to penalty in respect of searches initiated after 15.12.2016.
- Vide Finance Act, 2024, provisions of 'Block Assessment' (Chapter XIV-B) were introduced for searches initiated under section 132 of the Act on or after the 1st day of September, 2024. Although section 271AAB of the Act is clear that its provisions are not applicable to proceedings conducted under section 158BC of the Act, it is proposed to remove any ambiguous interpretation of its applicability to searches conducted on or after 01.09.2024.
- Therefore, it is proposed to amend section 271AAB of the Act to provide that its provisions shall not be applicable to the assessee in whose case search has been initiated under section 132 on or after the 1st day of September, 2024.
- This amendment will take effect from the 1st day of September, 2024.

Comments:

- *Penalty under section 271AAB is not applicable for searches conducted on or after 01.09.2024.*

- *Penalty @50% as per section 158BFA shall be leviable on an assessee in whose case search has been initiated under section 132 on or after the 01.09.2024.*

15) Amendments proposed in sections 132 and 132B for rationalising provisions

- Section 132 of the Act relates to search and seizure. As per the provisions of sub-section (8) of section 132 of the Act the last date for taking approval for retention of seized books of account or other documents is 30 days from the date of the assessment or reassessment or recomputation order. In the course of search assessment proceedings in group cases, the assessment orders of one assessee may be passed earlier than the assessment orders of another assessee. Further, the segregation of seized books of account or other documents pertaining to various assesses is also very difficult in case the searched premise is same. It is also the case that the seized books of account or other documents pertaining to the completed assessment cases may be required for assessment of ongoing/pending assessment cases. Since, the time limit of taking approval for retention will be different for different cases, the Assessing Officers are required to have constant vigil on the floating time-barring dates for taking the approval for retention of the seized books of account or other documents, the burden of which is avoidable.
- Therefore, it is proposed to amend sub-section (8) of section 132 of the Act to provide that the time limit for taking approval for retention shall be one month from end of the quarter in which the assessment or reassessment or recomputation order has been made.
- Explanation 1 to section 132 of the Act defines the circumstances in which last of the authorisation for search is to be deemed as to have been executed. In order to align the same with the other provisions of the Act, It is proposed to substitute the word “authorisation” with “authorisations”.
- Explanation 1 to the section 132B of the Act provides that “execution of an authorisation for search or requisition” shall have the same meaning as assigned to it in Explanation 2 to section 158BE of the Act. Vide Finance (No. 2) Act, 2024 the concept of block assessment was introduced by amending provisions of Chapter XIV-B (sections 158B to 158BI of the Act). As per amended provisions, “execution of an authorisation for search or requisition” is now defined in Explanation to section 158B of the Act. In order to reflect this change, it is proposed to amend clause (ii) of Explanation 1 to the section 132B of the Act to update referencing to section 158B of the Act instead of the present section 158BE of the Act.
- These amendments will take effect from the 1st day of April, 2025.

Comments:

- *Before Finance Bill, 2025, AO could retain seized books of account or other documents for 30 days from the date of the assessment or reassessment or re-computation order. The conditions for recording the reasons in writing by the AO for retaining the seized books of account or other documents for additional period and prior approval from higher authorities in this regard shall continue to apply as earlier.*

- *Section 132(8) of Income Tax Act, 1961 has been amended to provide that the Assessing Officer can retain seized books of account or other documents for a period of one month from end of the quarter in which assessment or reassessment or re-computation order has been made. The conditions for recording the reasons in writing by the AO for retaining the seized books of account or other documents for additional period and prior approval from higher authorities in this regard shall continue to apply as earlier.*

- *The Finance Bill 2025 proposes an amendment to section 72A of the Income Tax Act against the evergreening of the tax losses post-amalgamation. The law now provides that loss carry forward shall not exceed an overall period of 8 years. Thus, a parity is now introduced with the provision of a period for carrying forward losses in amalgamation with demerger. The proposed amendment applies to "amalgamation or business reorganisation, as the case may be, is effected on or after the 1st April 2025". The proposed amendment to section 72AA applicable to banks refers to the term "brought in force". Thus, whether the section would apply where the appointed date is before 1 April 2025 would be a matter of interpretation.*

16) Time limit to impose penalties rationalized

- The existing provisions of section 275 of the Act, inter-alia, provide for the bar of limitation for imposing penalties. Section 275 of the Act is having multiple timelines for imposition of penalties in various cases e.g. where a case is in appeal before the ITAT, time limit to impose penalty is end of the financial year in which the connected proceeding has been completed or six months from end of the month in which the appellate order is received, whichever is later. Similarly, different time-limits for imposition of penalty have been provided for cases in appeal to the JCIT(Appeal) or Commissioner (Appeal). This makes it difficult to keep track of multiple time barring dates for effective and efficient tax administration.

- In view of the foregoing, it proposed to amend section 275 of the Act to provide that any order imposing a penalty under Chapter XXI shall not be passed after the expiry of six months from the end of the quarter in which the connected proceedings are completed, or the order of appeal is received by the jurisdictional Principal Commissioner or Commissioner, or the order of revision is passed, or the notice for imposition of penalty is issued, as the case maybe. Consequential amendment is also proposed in section 246A of the Act to update reference of the amended section 275 of the Act.
- These amendments will take effect from the 1st day of April, 2025.

Comments:

- *Section 275 of the Income-tax Act, 1961 provide for the bar of limitation for imposing penalties.*

- *Section 275 has been amended to provide that any order imposing a penalty under Chapter XXI shall not be passed after the expiry of six months from the end of the quarter in which the connected proceedings are completed. Prior to Finance Bill 2025, there were multiple time-limits to impose penalties. Thus, this amendment has brought clarity on the time-limits to impose penalty and has provided single time-limit to impose penalties.*

17) Clarification regarding commencement date and the end date of the period stayed by the Court

- Section 144BA, section 153, section 153B, section 158BE, section 158BFA, section 263, section 264 and Rule 68B of Schedule-II of the Act, inter-alia, provide that period during which the proceedings under respective provisions are stayed by an order or injunction of any court shall be excluded in computing the time limit for conclusion of the proceedings.
- However, there was an ambiguity regarding the commencement date and the end date of the period stayed by an order or injunction of any court which was required to be excluded.
- With a view to removing any ambiguity, it is proposed to amend the said provisions of the Act so as to exclude the period commencing on the date on which stay was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the jurisdictional Principal Commissioner or Commissioner (Approving panel in case of

section 144BA of the Act).

- This amendment will take effect from the 1st day of April, 2025.

Comments:

- *As per existing provisions (Clause (ii) of Explanation 1) in section 153 of the Income Tax Act,1961 following period shall be excluded in computation of time limits in respective sections: - "the period during which the assessment proceeding is stayed by an order or injunction of any court".*

- *As per Finance Bill 2025 amendment, as per clause (ii) of Explanation 1 of section 153 of the Income Tax Act,1961 following period shall be excluded in computationof time limit for completion of assessment, reassessment and recomputation: -"the period commencing on the date on which stay on the assessment proceeding was granted by an order of any court and ending on the date on which certified copy of the order vacating the stay is received by the jurisdictional Principal Commissioner or Commissioner."*

- *Sections 144BA,153,153B,158BE,158BFA,263,264 and Rule 68B of Schedule II of the Income Tax Act,1961 has been amended to clarify the commencement and end date for exclusion of time period of limitation of respective sections.*

18) Rationalisation of provisions related to carry forward of losses in case of amalgamation

- Section 72A and 72AA of the Act provide provisions relating to carry forward and set-off of accumulated loss and unabsorbed depreciation allowance in cases of amalgamation or business reorganization as specified therein.
- Section 72A and 72AA provide that accumulated loss of the amalgamating entity or predecessor entity shall be deemed to be the loss of the amalgamated entity or the successor entity for the previous year in which amalgamation or business reorganisation has been effected or brought into force. Further, section 72 of the Act provides that no loss (other than loss from speculation business) under the head "Profits and gains from business or profession" shall be carried forward for more than 8 assessment years immediately succeeding the assessment years for which the loss was first computed.
- In order to bring clarity and parity with the provisions of section 72 of the Act, it is proposed to amend section 72A and section 72AA of the Act to provide that any loss forming part of the accumulated loss of the predecessor entity, which is

deemed to be the loss of the successor entity, shall be eligible to be carried forward for not more than eight assessment years immediately succeeding the assessment year for which such loss was first computed for original predecessor entity. The proposed amendment is aimed to prevent evergreening of the losses of the predecessor entity resulting from successive amalgamations and also to ensure that no carry forward and set off of accumulated loss is allowed after eight assessment years from the immediately succeeding the assessment year for which such loss was first computed for original predecessor entity.

- The aforesaid amendments shall apply to any amalgamation or business re-organisation which is effected on or after 01.04.2025.
- These amendments will take effect from the 1st day of April, 2026.

Comments:

- *Sections 72A and 72AA of the Act provide that in case of specified amalgamation or business reorganization, the accumulated loss of the predecessor entity is deemed to be the loss of successor entity for the previous year in which amalgamation or business reorganization is effected or brought into force.*

- *The accumulated loss of the predecessor entity can be carried forward for eight assessment years from the previous year in which amalgamation or business reorganization is effected.*
- *It is proposed that loss of the predecessor entity will be allowed to be carried forward for eight assessment years from the assessment year in which such loss was first computed for the predecessor entity.*

- *Therefore, after amendment the period of carry forward of loss shall be computed from the year of its first occurrence in the hands of the first predecessor entity in which such loss had occurred instead of the previous year in which amalgamation for business reorganization has been effected.*

- *The present provisions may result in indefinite carry forward of losses if there is a series or chain of amalgamations. The amended provision plug this loophole for amalgamations after 01.04.2025.*

- *The Finance Bill 2025 proposes an amendment to section 72A of the Income Tax Act against the ever-greening of the tax losses post-amalgamation. The law now provides that loss carry forward shall not exceed an overall period of 8 years. Thus, a parity is* *now introduced with the provision of a period for carrying forward losses in amalgamation with demerger. The proposed amendment applies to "amalgamation or business reorganisation, as the case may be, is effected on or after the 1st April 2025". The proposed amendment to section 72AA applicable to banks refers to the term "brought in force". Thus, whether the section would apply where the appointed date is before 1 April 2025 would be a matter of interpretation.*

19) Rationalisation of transfer pricing provisions for carrying out multi-year arm's length price determination

- Transfer pricing provisions enable computation of income arising from an international transaction or a specified domestic transaction with regard to an arm's length price. These provisions are contained in sections 92 to 92F.
- Section 92CA provides the procedure governing reference of an international transaction or a specified domestic transaction to the Transfer Pricing Officer (TPO), for computation of their arm's length price (ALP). Section 92C provides for computation of arm's length price in relation to an international transaction or a specified domestic transaction.
- The determination of ALP in transfer pricing provisions *inter alia* proceeds in the following manner –
    - the Assessing Officer (AO) may, refer the computation of the ALP with the previous approval of the Principal Commissioner or Commissioner, in relation to an international transaction or a specified domestic transaction entered in any previous year, to the TPO;
    - the TPO determine the ALP in relation to the said transaction in accordance with sub-section (3) of section 92C and sends a copy of his order to the AO and to the assessee;
    - the AO shall proceed to compute the total income of the assessee for such previous year under sub-section (4) of section 92C in conformity with the ALP as so determined by the TPO.
- It has been noted that in reference under section 92CA for computation of arm's length price, in many cases, there are similar international transactions or specified transactions for various years, same facts like enterprises with whom such transaction is done, proportionate quantum of transaction, location of associated enterprises etc., and same arm's length analysis are repeated every year, creating compliance burden on the assessee as well as administrative burden on the TPOs. In view of the same, in such situations, it is proposed to carry out TP

assessments in a block.

- It is, therefore, proposed to provide that the ALP determined in relation to an international transaction or a specified domestic transaction for any previous year shall apply to the similar transaction for the two consecutive previous years immediately following such previous year. For the same, it is proposed to make the following amendments,–

- Reference to TPO

(I) the assessee shall be required to exercise an option or options for the above effect in the form, manner and within such time period as may be prescribed [new sub-section (3B) in section 92CA];

(II) the TPO may by an order within one month from the end of the month in which such option is exercised, declare that the option is valid subject to the prescribed conditions [new sub-section (3B) in section 92CA];

(III) if the TPO declares that the option exercised by the assessee is valid,–

- the ALP determined in relation to an international transaction or a specified domestic transaction for any previous year shall apply to the similar international transaction or the specified domestic transaction for the two consecutive previous years immediately following such previous year [new sub-section (3B) in section 92CA];
- the TPO shall examine and determine the ALP in relation to such similar transaction for such consecutive previous years, in the order referred to in sub-section (3) of section 92CA [new sub- section (4A) in section 92CA];
- on receipt of such order from the TPO, the AO shall recompute the total income of the assessee for such consecutive previous years as per the provisions of sub-section (21) of section 155 [new sub-section (4A) in section 92CA];
- no reference for computation of ALP in relation to such transaction shall be made [new first proviso to sub-section (1) of section 92CA];
- if any reference is made in such scenarios, before or after the above declaration by the TPO, the provisions of sub-section (1) of section 92CA shall have the effect as if no reference is made for such transaction [new second proviso to sub-section (1) of section 92CA];

(IV) the provisions of exercising option mentioned above and consequent proceedings, shall not apply to any proceedings under Chapter XIV-B [proviso to new sub-section (3B) in section 92CA];

(V) If any difficulty arises in giving effect to the provisions of sub-section (3B) and sub-section (4A) of section 92CA, the Board may, with the previous approval of the Central Government, issue guidelines for the purpose of removing the difficulty and every guideline issued by the Board shall be laid before each House of Parliament, and shall be binding on the income-tax authorities and the assessee [new sub-section (11) in section 92CA].

<u>Recomputation of income under section 155</u>

A new sub-section (21) shall be inserted in section 155, so that where the ALP determined for an international transaction or a specified domestic transaction for any previous year and the TPO has declared an option exercised by the assessee as valid option in respect of such transaction for two consecutive previous years immediately following such previous year, then the AO shall recompute the total income of the assessee for such consecutive previous years, by amending the order of assessment or any intimation or deemed intimation under sub-section (1) of section 143,–

- in conformity with the ALP so determined by the TPO under sub-section (4A) of section 92CA in respect of such transaction;
- taking into account the directions issued under sub-section (5) of section 144C, if any, for such previous year;

(VI) such recomputation shall be done within three months from the end of the month in which the assessment is completed in the case of the assessee for such previous year;

(VII) the first and second proviso to sub-section (4) of section 92C shall apply to such recomputation;

(VIII) such recomputation shall be made within three months from the end of the month in which order of assessment or any intimation or deemed intimation is made, in case that is not made before the period of three months as mentioned above.

- These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent *assessment* years.

Comments:

- *The assessee will have option to get the ALP, determined in relation to an international transaction or a specified domestic transaction for any previous year, applied to a similar transaction for the two consecutive previous years immediately following such previous year.*

- *In effect, the ALP determined in addition to such transaction for a year can be valid for similar transactions for the next 2 years. This shall reduce multiple proceedings for determining ALP for similar transactions.*

- *The taxpayer shall submit the option in a prescribed Form and the manner of filing this Form shall also be provided in the Rules. The assessee shall give this option to the TPO during the course of TP proceeding for determination of ALP. The exact timeline will be prescribed in the Rules. For transactions of different assessment years, option may be exercised separately. Thus, multiple options can be exercised for one assessment year.*

- *The TPO may by an order within one month from the end of the month in which such option is exercised, declare that the option is valid subject to the prescribed conditions. For determining validity he will examine whether the transactions of the subsequent years are similar transactions or not.*

- *A reference will not be made again for the transaction for which valid option is exercised.Even if any reference is made in respect of such transaction, it shall have the effect as if no reference is made for such transaction provided the TPO has passed order determining the option as valid in respect of such transactions.*
- *The AO shall recompute the total income of the assessee for such consecutive previous years as per the provisions of sub-section (21) of section 155.*

- *The AO shall recompute the total income of the assessee for such consecutive previous years, by amending the order of assessment or any intimation,- i. in conformity with the ALP so determined by the TPO under sub-section (4A) ofsection 92CA in respect of such transaction (being a similar transaction); ii. considering the directions issued under sub-section (5) of section 144C, if any on the referred transaction.*

- *At first glance, the newly proposed transfer pricing amendments seem to reduce administrative efforts, yet the details tell a different story. Rather than letting Transfer Pricing Officers (TPOs) assess three consecutive years in one go—truly cutting down on administrative workload—the onus falls on the assessee to opt for a three-year block assessment. Given the often aggressive stance TPOs adopt for even straightforward transactions, taxpayers have little motivation to volunteer for a multi-year audit when subsequent periods might not be flagged under the usual or risk-based routes. In* *contrast, several other jurisdictions streamline the process by empowering tax authorities to automatically test a set number of years—say three or five—without placing the entire burden of choice on the taxpayer. As things stand, the proposed approach risks adding layers of complexity instead of delivering the intended simplicity or efficiency. Further thoughts need to be undertaken on the dispute resolution process post such block assessments and also the timelines for selection, given the reduced timelines now for closure of transfer pricing cases. For example, transfer pricing for year ended 31 March 2024 needs to close before 31 January 2027, in short for the year ended 31 January 2026 (3rd year), the TPO will be left with only 2 months after filing of return of income, provided returns are filed within the due date.*

- *The Budget 2025 amendment pertaining to arms length price (ALP) determination in Transfer Pricing, provides an option to the assessee to opt for the ALP determination in relation to similar transactions for a period of 3 years.*

- *Prima facie it appears to be a well intended initiative but at the groundlevel implementation, may turn out to be a "double-edged sword", for such assessees. Opting for such ALP determination will make them vulnerable for next two years also, if the TPO & AO ends up in making adjustments in the first year, even if in normal course their cases for subsequent two years may not get selected for TPO reference or for that matter scrutiny at all.*

- *Also, amendment has been proposed only in section 92CA but not in sections 92D requiring preparation and maintenance of TP documentation and 92E providing for TP audit report. So, even if the the same ALP will be applicable for three years, but still the asseessees and businesses will be required to prepare and maintain their TP documentation and also obtain the TP audit report every year.*

20) Removal of higher TDS/TCS for non-filers of return of income

- Section 206AB of the Act, requires deduction of tax at higher rate when the deductee specified therein is a non-filer of income-tax return. Section 206CCA of the Act, requires for collection of tax at higher rate when the collectee specified therein is a non-filer of income-tax return. This is subject to other conditions specified in the two sections.
- Representations were received from various stakeholders that it is difficult for the deductor/collector, at the time of deduction/collection, to verify whether returns have been filed by the deductee/collectee, resulting in application of higher rates of deduction/collection, blocking of capital and increased compliance burden.

- Accordingly, to address this issue and reduce compliance burden for the deductor/collector, it is proposed to omit section 206AB of the Act and section 206CCA of the Act.
- These amendments will take effect from the 1st day of April, 2025.

Comments:

- *Section 206AB of the Act, mandates deduction of tax at higher rate where the deductee is a non-filer of Income Tax Return.*

- *Section 206CCA of the Act, mandates collection of tax at higher rate where the collectee is a non-filer of Income Tax Return.*

- *It is proposed to omit these sections from 01.04.2025 onwards.*

- *For any deductor/collector it is difficult to ascertain whether a return has been filed ornot filed by the deductee/collectee. Therefore in case of uncertainty and to avoid default,higher tax is deducted/collected by the deductor/collector. This change will provide certaintyand will improve ease of doing business and reduce compliance burden of thedeductors/collectors of TDS/TCS taxpayers. However, the higher rates of TDS/TCS in event ofinvalid PAN or no-PAN shall continue to apply.*

SOCIO ECONOMIC WELFARE MEASURES

1. Increase in the limits on the income of the employees for the purpose of calculating perquisites

- The existing provisions of clause (2) of section 17 provide, inter-alia, that 'perquisite' includes the value of any benefit or amenity granted or provided free of cost or at concessional rate by any employer (including a company) to an employee whose income under the head "Salaries" as a monetary benefit does not exceed fifty thousand rupees. This upper limit on income was determined by the Finance Act 2001.
- Further, the proviso to clause (2) of section 17 provides that any expenditure incurred by the employer for travel outside India on the medical treatment of an employee or any member of the employee's family shall not be included in 'perquisite', subject to the condition that the gross total income of such employee does not exceed two lakh rupees. This upper limit on income was determined by

the Finance Act, 1993.

- These limits on the income of the employees for the purpose of calculating perquisites were put in place more than 20 and 30 years ago respectively. Thus, there is a need to adjust these limits accordingly to take into account changes in standard of living and economic conditions.
- It is proposed that the provisions of section 17 may be amended so that the power to prescribe rules may be obtained to increase the limit on the gross total income of the employees so that,-

(I) the amenities and benefits received by such employees would be exempt from being treated as perquisites.

(II) the expenditure incurred by the employer for travel outside India on the medical treatment of such employee or his family member would not be treated as a perquisite.

- These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

Comments:

- *The present provisions provide for an upper limit on salary beyond which the following will be treated as perquisites and taxed in the hands of the employees -*

(a) the amenities and benefits (in general) received from employers.

(b) the expenditure incurred by the employer for travel outside India on the medical treatment of an employee or his family member.

- *There are 2 changes proposed to specify the limit on salary so that:*

(a) The amenities and benefits (in general) received by employees with a salary below certain limit would be exempt from being treated as perquisite. The limits, presently at Rs 50,000/- per annum, can now be prescribed by the Central Government.

(b) The expenditure incurred by the employer for travel outside India on the medical treatment of an employee with a salary below a certain limit, or for his family member would not be treated as a perquisite. Such limits, presently at Rs 2,00,000/- per annum, can now be prescribed by the Central Government.

- *In case of a director of the company or a person who has a substantial interest in the company, these amenities and benefits will continue to be treated as perquisites irrespective of the salary earned.*

- *Therefore, the limit on salary specified shall only be applicable for an employee who is not a director nor a person who has a substantial interest, in the employer company.*

2. Deduction under section 80CCD for contributions made to NPS Vatsalya

a. The NPS Vatsalya Scheme, officially launched on 18 September 2024, enables parents and guardians to start a National Pension Scheme (NPS) account for their children. This savings-cumpension scheme is designed exclusively for minors and will be operated by the guardian for the exclusive benefit of the minor till they attain majority. When a minor attains 18 years, the account will continue to be operational, transferred to the child's name with the accumulated corpus and will be shifted into the NPS-Tier 1 Account - All Citizen Model or other non-NPS scheme account.

b. It is proposed to extend the tax benefits available to the National Pension Scheme (NPS) under Section 80CCD of the Act to the contributions made to the NPS Vatsalya accounts, as follows:

(I) A deduction to be allowed to the parent/guardian’s total income, of the amount paid or deposited in the account of any minor under the NPS to a maximum of Rs 50,000/- overall as mandated under sub-section (1B) of section 80CCD;

(II) The amount on which deduction has been allowed under sub-section (1B) of section 80CCD or any amount accrued thereon, will be charged to tax when such amount is withdrawn, in the case where deposit was made in the account of a minor; and

(III) The amount on which deduction has been allowed and is received on closure of the account due to the death of the minor shall not be deemed to be the income of the parent/guardian;

c. The NPS Vatsalya Scheme also allows for partial withdrawal from the minor’s account to address certain contingency situations like education, treatment of specified illnesses and disability (of more than 75%) of the minor. Accordingly, it is also proposed to insert a clause (12BA) in section 10 of the Act, which provides that any income received on partial withdrawal made out of the minor’s account, shall not be included in the total income of the parent/guardian to the extent it does not exceed 25% of the amount of contributions made by him and in accordance with the terms and conditions, specified under the

Pension Fund Regulatory and Development Authority Act, 2013 (23 of 2013) and the regulations made thereunder.

d. These amendments will take effect from the 1st day of April, 2026, and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years

Comments:

-Section 80CCD allows for a deduction to income for the contributions made to the National Pension Scheme either by an employer and an employee or by any assessee.

-The withdrawal of the contributions is taxable subject to certain conditions. Scope of section 80CCD is proposed to be extended:

- Deduction shall now be allowed to the parent/guardian under the old taxation regime for amount deposited in the account of any minor child (up to 2 children) under the NPS-Vatsalya also.

-Proposed deduction shall be allowed u/s 80CCD(1B).

-Overall cap of Rs. 50,000 under the said sub-section (cumulatively for self and such minor child (up to 2 children) shall continue as earlier. Taxation of contribution in NPS-Vatsalya when the amount is Withdrawn.

- Partial withdrawal upto 25% of contribution, in accordance with the Scheme is allowed exemption u/s 10(12BA) by Finance Bill 2025.

- When the contribution is finally withdrawn, the amount on which deduction is allowed earlier, will be charged to tax

3. Exemption to withdrawals by Individuals from National Savings Scheme from taxation

a. Section 80CCA, *inter-alia*, provides for a deduction to an individual, or a Hindu undivided family, for any amount deposited in the National Savings Scheme (NSS). It is also provided that no deduction would be allowed in relation to such amount on or after the 1st day of April, 1992.

b. Sub-section (2) of section 80CCA, inter-alia, provides that where such amount, together with the interest accrued on such amount standing to the credit of the assessee under the scheme is withdrawn, it shall be deemed to be the income of the assessee and shall be chargeable to tax. Since this provision has been sunset from 01.04.1992, the amounts taxable on withdrawal are those which were deposited in financial year 1991-92 and earlier, and on which deduction had been claimed. Further, Circular No 532 issued on 17.03.1989 provided that the withdrawal on closure of account due to death of the depositor was not chargeable to tax in the hands of the legal heirs.

c. The Department of Economic Affairs issued a Notification dated 29.08.2024 providing that no interest would be paid on the balances in the NSS after 01.10.2024. Representations were received to suitably amend section 80CCA to provide relief to individuals facing hardship who were compelled to withdraw as a result of this Notification.
d. It is therefore proposed to amend section 80CCA to provide exemption to the withdrawals made by individuals from these deposits for which deduction was allowed, on or after 29th day of August,2024. This exemption is provided to the deposits, with the interest accrued thereon, made before 01.04.1992 as these are the amounts in respect of which a deduction has been allowed.
e. This amendment shall be made with retrospective effect from the 29th day of August, 2024.

Comment:

- Section 80CCA has been amended to allow tax exemption in respect of amounts withdrawn by individual on or after 29.8.2024.

- The exemption has been provided only in respect of NSS deposits for which deduction u/s 80CCA was allowed earlier.

- This shall enable the NSS depositor to withdraw their funds lying in the NSS without any tax liability.

- The benefit will be available to individuals who withdraw funds from their NSS accounts on or after 29.8.2024.

4. Annual value of the self-occupied property simplified

a. Section 23 of the Act relates to determination of annual value. Sub-section (2) of the said section provides that where house property is in the occupation of the owner for the purposes of his residence or owner cannot actually occupy it due to his employment, business or profession carried on at any other place, in such cases, the annual value of such house property shall be taken to be nil.

b. Further, sub-section (4) of the said section provides that provisions of sub-section (2) of the Act will be applicable in respect of two house properties only, which are to be specified by the owner.

c. With a view to simplifying the provisions, it is proposed to amend the sub-section (2) so as to provide that the annual value of the property consisting of a house or any part thereof shall be taken as nil, if the owner occupies it for his own residence or cannot actually occupy it due to any reason. The provision of sub-section (4) of section 23 of the Act which allows this benefit only in respect of two of such houses shall continue to apply as earlier.

d. This amendment will take effect from the 1st day of April, 2025 and shall accordingly apply for assessment year 2025-26 onwards.

Comment:

- *The taxation of self-occupied property has been simplified. The conditions provided in Section 23(2) of Income-tax Act,1961 for determining annual value of self-occupied property as Nil have been relaxed. Prior to Finance Bill 2025, annual value of a self-occupied property was taken as nil if it was occupied by the owner for his own residence or if he cannot reside therein due to reasons of his business, profession or employment.*

- *The annual value of a self-occupied property is now to be taken as nil if it is occupied by the owner for his own residence or if he cannot occupy it due to any reason. Therefore, additional condition of not being able to reside therein due to his business or employment or profession has been done away with.*

- *For two self-occupied house properties, which the owner can specify, the annual value can be taken as NIL.*

5. Obligation to furnish information in respect of crypto-asset

1. Vide Finance Act 2022, taxation of virtual digital assets (VDA) has been introduced in the Income-tax Act, 1961 ('the Act'), under section 115BBH of the Act in which the transfer of VDA is to be taxed at the rate of 30% with no deduction in respect of expenditure (other than cost of acquisition) to be allowed. To define VDA, Clause (47A) was inserted in section 2 of the Act. Further, to capture VDA transaction details, section 194S has been inserted in the Act to provide for deduction of tax on payment for transfer of VDA at the rate of 1% of transaction value including cases where the transaction occurs in kind or partly in cash.

2. It is now proposed to insert section 285BAA in the Act, being the Obligation to furnish information of crypto-asset, wherein –

(I) Sub-section (1) of section 285BAA of the Act states any person, being a reporting entity, as may be prescribed, in respect of crypto asset, shall furnish information in respect of a transaction in such crypto asset in a statement, for such period, within such time, in such form and manner and to such income-tax authority, as may be prescribed;

(II) Sub-section (2) of said section states that where prescribed income-tax authority considers that the statement furnished is defective, he may intimate the defect to the person who has furnished such statement and give him an opportunity of rectifying the defect within a period of thirty days from the date of such intimation or such further period as may be allowed, and if the defect is not rectified within the aforesaid period allowed, the provisions of this Act shall apply as if such person had furnished inaccurate information in the statement;

(III) Sub-section (3) of said section states that where a person who is required to furnish a statement has not furnished the same within the specified time, the prescribed income-tax authority may serve upon such person a notice requiring him to furnish such statement within a given time period and he shall furnish the statement within the time specified in the notice;

(IV) Sub-section (4) of said section states that if any person, having furnished a statement, or in 45 pursuance of a notice issued, comes to know or discovers any inaccuracy in the information provided in the statement, he shall within a given period inform the income-tax authority, the inaccuracy in such statement and furnish the correct information in such manner as prescribed;

(V) Sub-section (5) of said section states that the Central Government may, by rules specify the persons to be registered with the prescribed income-tax authority, the nature of information and the manner in which such information shall be maintained by the persons and the due diligence to be carried out by such persons for the purpose of identification of any crypto-asset user or owner;

3. *It is also proposed to amend clause (47A) of section 2 to insert sub-clause (d) which states that the definition of virtual digital asset also includes any crypto-asset being a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions, whether or not already included in the definition of virtual digital asset or not.*

4. *These amendments will take effect from the 1st day of April, 2026.*

Comments:

- *Crypto asset has been defined in secon 2(47A) of the Act under the existing definition of Virtual Digital Asset.*

- *Entities including crypto exchanges are to disclose transaction details related to crypto assets, strengthening the compliance requirements for the crypto stakeholders post Finance Bill, 2025.*

- *While the budget did not bring tax relief, the inclusion of VDA governance in the Finance Bill is a step toward better regulation. It reflects the growing adoption of digital assets and acknowledges their impact on the economy.*

6. Increasing time limit available to pass order under section 115VP

1. Section 115VP of the Act pertains to method and time of opting for tonnage tax scheme, under which the tonnage income of an assessee shall be computed in accordance with the provisions of Chapter XII-G. Sub-section (1) of section 115VP of the Act provides that a qualifying company may opt for the tonnage tax scheme by making an application to the Joint Commissioner having jurisdiction over the company, as prescribed, for such scheme.

2. Sub-section (3) of the said section requires that the Joint Commissioner on receipt of such application may call for information or documents from the company as deemed fit and after satisfying themselves about the eligibility of such company to make an option for tonnage tax scheme, pass an order in writing, approving the option for tonnage tax scheme or if not so satisfied, refuse such approval, after providing reasonable opportunity of being heard. Sub-section (4) of the said section requires for order under sub-section (3) of section 115VP of the Act, whether approving or rejecting the application to exercise option of tonnage tax scheme, to be passed before the expiry of one month from the end of the month in which the application was received under sub-section (1) of said section.

3. It is seen that very less time is available under sub-section (4) of section 115VP of the Act with the Joint Commissioner of Income-tax for verification of information and documents, including physical inspection of the ships if necessary, providing an opportunity of being heard and then passing a reasoned order approving or rejecting the application.

4. Accordingly, to address this issue, it is proposed to amend sub-section (4) of section 115VP to provide that for application received under sub-section (1) on or after the 1st

day of April, 2025, order under sub-section (3) shall be passed before the expiry of three months from the end of the quarter in which such application was received.

5. This amendment will take effect from the 1st day of April, 2025.

Comments:

-A qualifying shipping company may opt for tonnage tax scheme by making an application under this section to the jurisdictional Joint Commissioner of Income-tax.

-The current time limit to pass an order under this section granting or refusing the approval of the
option given by the taxpayer for the tonnage tax scheme is within one month from end of the month in which application was received.

-The new time limit as per Finance Bill, 2025 is three months from end of the quarter in which application has been received.

- The time limit will be applicable for all the application received on or after 01.04.2025.

7. Excluding the period such as court stay etc. for calculating time limit to pass an order

1. Sub-section (7A) of section 206C of the Act provides that no order shall be made deeming a person to be an assessee in default for failure to collect the whole or any part of the tax from any person, after the expiry of six years from the end of the financial year in which tax was collectible or two years from the end of the financial year in which the correction statement is delivered under subsection (3B) of section 206C of the Act, whichever is later.

2. While computing the time limit under sub-section (7A) of section 206C of the Act, exclusion of the time period such as period for which proceedings were stayed by an order of any court, etc. is required to be provided.

3. It is proposed that sub-section (7A) of section 206C of the Act is to be amended to provide that relevant provisions of section 153 of the Act would apply to the time limit prescribed in sub-section (7A) of section 206C of the Act.

4. The amendment will take effect from the 1st day of April, 2025.

8. Exemption from prosecution for delayed payment of TCS in certain cases

1. Section 276BB of the Act provides for prosecution in case of failure to pay the tax collected at source to the credit of Central Government. The provision of the said section states that if a person fails to pay to the credit of the Central Government, the tax collected by him as required under the provisions of section 206C of the Act, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.

2. It is proposed to amend section 276BB of the Act to provide that the prosecution shall not be instituted against a person covered under the said section, if the payment of the tax collected at source has been made to the credit of the Central Government at any time on or before the time prescribed for filing the quarterly statement under proviso to sub-section (3) of section 206C of the Act in respect of such payment.

3. This amendment will take effect from the 1st day of April, 2025.

Comments:

- *Earlier the tax department used to prosecute tax payers for delay in depositing the collected TCS.*

- *Now after the amendment, only penal interest will be imposed, prosecution will not take place, provided TCS is deposited before the due date to file TCS return.*

9. Certain penalties to be imposed by the Assessing Officer

1. Sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Act, inter-alia, provide that penalty under these sections shall be imposed by the Joint Commissioner. Though, assessment in such cases were being made by the Assessing Officer, penalty under these sections were being imposed by the Joint Commissioner.

2. In order to rationalize the process, it is proposed to amend sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Act so that penalties under these sections shall be levied by the Assessing Officer in place of Joint Commissioner, subject to the provisions of sub-section (2) of section 274 of the Act. Thus, Assessing Officer shall

take the prior approval of Joint Commissioner for the passing of penalty order, where penalty amount exceeds the limit specified in sub-section (2) of section 274 of the Act.

3. It is further proposed to make consequential amendment in clause (n) of sub-section (1) of section 246A of the Act.

4. Section 271BB of the Act provides the penalty for the failure to subscribe to the eligible issue of capital. It further provides that, any person who fails to subscribe any amount of subscription to the units issued under any scheme referred to in sub-section (1) of section 88A of the Act to the eligible issue of capital under that sub-section within the period of six months specified therein, may be directed by the Joint Commissioner to pay, by way of penalty, a sum equal to twenty per cent of such amount. However, section 88A has already been omitted vide Finance (No. 2) Act, 1996 with retrospective effect from 1st April, 1994. In the absence of the parent section, relevance of the penalty section in the case of any failure does not exist. Therefore, it is proposed to omit the section 271BB of the Act.

5. These amendments will take effect from the 1st day of April, 2025.

***Comments**:*

\ - Prior to Finance Bill, 2025, penalties under sections 271C, 271CA, 271D, 271DA,271DB and 271E of the Income Tax Act, 1961, were imposed by the Joint Commissioner. Vide Finance Bill, 2025, penalties under these sections shall be levied by the Assessing Officer in place of Joint Commissioner. However, where penalty amount exceeds the limit specified in section 274(2) of the Income Tax Act,1961, such penalties shall be imposed only after the approval of Joint Commissioner.

10. Removing date restrictions on framing the schemes in certain cases

1. The Central Government has undertaken a number of measures to make certain processes under the Act, electronic, by eliminating person to person interface between the taxpayer and the Department to the extent technologically feasible, and provide for optimal utilization of resources and a team-based assessment with dynamic jurisdiction. A series of futuristic reforms have been introduced in the domain of Direct Tax administration for the benefit of taxpayers and economy.

2. In this regard, enabling provision for notifying faceless schemes under sections 92CA, 144C, 253 of the Act were introduced in the Act through TOLA with effect from 01.11.2020 and under section 255 of the Act, was inserted through Finance Act, 2021 with effect from 01.04.2021. Further, vide Finance Act, 2022, time limit for notification was extended to 31.03.2024 due to challenges in implementation. Further, vide Finance Act, 2024, time limit for notification was further extended to 31.03.2025 due to various challenges in the formation of the scheme under these sections.

3. In this regard, it is proposed that end date prescribed for notifying faceless schemes under sections 92CA, 144C, 253 and 255 of the Act may be omitted so as to provide that Central Government may issue directions beyond the cut-off date of 31st day of March, 2025, if required.

4. These amendments will take effect from the 1st day of April, 2025.

11. Extending the processing period of application seeking immunity from penalty and prosecution

1. Section 270AA of the Act provides, inter-alia, procedure of granting immunity by the Assessing Officer from imposition of penalty or prosecution, subject to fulfillment of certain conditions as mentioned therein. Sub-section (2) of the said section provides that an application for granting immunity from imposition of penalty shall be made within one month from the end of the month in which the order referred to in clause (a) of sub-section (1) of the said section has been received by the assessee. Sub-section (4) of the said section provides that Assessing Officer shall pass an order accepting or rejecting the application, within a period of one month from the end of the month in which the application requesting immunity is received.

2. Inputs have been received from the stakeholders that tax-payers are facing challenges to represent their case within this limited period and therefore the period for processing their applications may be increased.

3. In view of the same, it is proposed to amend the sub-section (4) of section 270AA of the Act so as to extend the processing period to three months from the end of the month in which application for immunity is received by the Assessing Officer.

4. This amendment will take effect from the 1st day of April, 2025.

Comments:

- As per existing provisions, assessee should apply for immunity within one month from the end of the month in which the assessment or reassessment order has been received by him subject to fulfilment of prescribed conditions.

-Vide Finance Bill, 2025, the Time-limit for processing application of the assessee under section 270AA has been increased from 1 month to 3 months from the end of the month in which application of assessee for immunity is received by the Assessing Officer.

12. Extending the time-limit to file the updated return

1. Sub-section (8A) of section 139 of the Act, relates to furnishing of updated return. As per the present provisions, an updated return can be filed upto 24 months from the end of the relevant assessment year. The facility of updated return has promoted voluntary compliance against payment of additional income-tax of 25% of aggregate of tax and interest payable for updated return filed upto 12 months from the end of the relevant assessment year. For updated return filed after expiry of 12 months and upto 24 months from the end of the relevant assessment year, the additional income-tax of 50% of aggregate of tax and interest is to be paid.

2. With a view to further nudging voluntary compliance, it is proposed to amend the said subsection so as to extend the time-limit to file the updated return from existing 24 months to 48 months from the end of relevant assessment year. Rate of additional income-tax payable for updated return filed after expiry of 24 months and upto 36 months from the end of the relevant assessment year shall be 60% of aggregate of tax and interest payable. The additional income-tax payable for updated return filed after expiry of 36 months and upto 48 months from the end of the relevant assessment year shall be 70% of aggregate of tax and interest payable.

3. It is further proposed to provide that no updated return shall be furnished by any person where any notice to show-cause under section 148A of the Act has been issued in his case after thirty-six months from the end of the relevant assessment year. However, where subsequently an order is passed under sub-section (3) of section 148A of the Act determining that it is not a fit case to issue notice under section 148 of the Act, updated return may be filed upto 48 months from the end of the relevant assessment year.

4. These amendments will take effect from the 1st day of April, 2025.

***Comments*:**

-Post Finance Bill, the updated return can be filed up to 48 months from the end of relevant assessment year. For example- For the Financial year 2021-22 the relevant assessment year is FY-2022-23. So, the taxpayer can file the updated return within the Financial Year 2026-27.

- The extension of the updated return filing period to four years in the Union Budget 2025 is a progressive step toward a more taxpayer friendly compliance framework. This reform encourages voluntary compliance, reducing the fear of excessive scrutiny.

-Rate of additional Income tax payable for updated return shall be as follows:

If return has been filed within 12 months from the end of the relevant assessment year	*25%*
If return has been filed within 24 months from the end of the relevant assessment year	*50%*
If return has been filed within 36 months from the end of the relevant assessment year	*60%*
If return has been filed within 48 months from the end of the relevant assessment year	*70%*

- This is in line with the philosophy of 'Trust First'. The facility of updated return up to 48 months will enhance voluntary compliance. It is intended that voluntary compliances are increased and taxpayers should come forward with true disclosure of their income and should utilise the facility of filing updated return instead of going through the prolonged process of assessment/reassessment proceedings. This will also reduce litigation cost and time of taxpayers and Income Tax Department.

13. Extension of exemption to Specified Undertaking of Unit Trust of India (SUUTI)

1. SUUTI was created by the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 [UTI Repeal Act, 2002]. It is the successor of the erstwhile Unit Trust of India (UTI) and is mandated to liquidate the Government liabilities on account of erstwhile UTI.

2. As per sub-section (1) of section 13 of the UTI Repeal Act, 2002, SUUTI has been exempted from payment of income-tax up to 31st day of March, 2023. Finance Act, 2023 amended the UTI Repeal Act, 2002, to extend such date to 31st day of March, 2025.

3. It has been represented that the work of SUUTI pertaining to the redemption of schemes, payments of entire amounts, pending litigation etc. is expected to extend beyond 31st day of March, 2025, i.e., beyond the time limit till which the income-tax exemption has been provided.

4. In view of the above, it is proposed to amend the UTI Repeal Act, 2002, by way of amendment of sub–section (1) of section 13, so as to provide that notwithstanding anything contained in the Income-tax Act, 1961 (43 of 1961) or any other enactment for the time being in force relating to tax on income, profits or gains, no income-tax or any other tax shall be payable by the Administrator in relation to the specified undertaking for the period beginning on the appointed day and ending on the 31st day of March, 2027 in respect of any income, profits or gains derived, or any amount received in relation to the specified undertaking.

5. This amendment will take effect from the 1st day of April, 2025.

Comments:

- *Specified Undertaking of unit trust of India has been exempted from payment of Income Tax up to 31St March, 2023. Post Finance Bill, the exemption has been extended up to 31st March, 2025.*

INDIRECT TAX PROPOSALS

GOODS AND SERVICES TAX

1. Amendments in various definitions

a) **Input Service Distributor** – As per Section 2(61) of the CGST Act, 2017, an Input Service Distributor" means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20.

The above definition was notified through Notification No. 16/2024-CT dt. 06.08.2024 w.e.f. 01.04.2025.

Now, the Finance Bill 2025 has proposed to amend to above definition to explicitly provide for distribution of IGST paid on Reverse Charge Mechanism (RCM) by including reference to Section 5(3) and 5(4) of the IGST Act, 2017.

Similar amendments have also been proposed to Section 20(1) and 20(2) that deals with manner of distribution of credit by an ISD to give effect to the above.

These amendments will be effective from 1st April, 2025.

b) **Local authority** – As per Section 2(69) "local authority" means––

(a) a "Panchayat" as defined in clause (d) of article 243 of the Constitution;

(b) a "Municipality" as defined in clause (e) of article 243P of the Constitution;

(c) a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund;

(d) a Cantonment Board as defined in section 3 of the Cantonments Act, 2006;

(e) a Regional Council or a District Council constituted under the Sixth Schedule to the Constitution;

(f) a Development Board constituted under article 371 and 10[article 371J] of the Constitution; or

(g) a Regional Council constituted under article 371A of the Constitution;

The Finance Bill 2025 has proposed to amend sub clause (c) of Section 2(69) to substitute the term "municipal or local fund" with the term "municipal fund or local fund" and to insert an explanation after the said sub-clause to provide for definitions of the terms 'Local Fund' and 'Municipal Fund'.

2. Introduction of Track and Trace mechanism

a) The Finance Bill 2025 proposes to insert a new Clause 116A in Section 2 so as to define the expression “unique identification marking” to mean a mark that is unique, secure and nonremovable, for implementation of track and trace mechanism.

3. Time of Supply

a) As per Section 12(4), the time of supply of goods in case of supply of vouchers by a supplier is the date of issue of voucher, if the supply is identifiable at that point; or the date of redemption of voucher, in all other cases.

b) Similarly, as per Section 13(4) the time of supply of services in case of supply of vouchers by a supplier is the date of issue of voucher, if the supply is identifiable at that point; or the date of redemption of voucher, in all other cases.

c) The Finance Bill 2025 proposes to omit both the above sub section with a view to remove the provision for time of supply in respect of transaction in vouchers, as the same being neither supply of goods nor supply of services.

d) As a result of this amendment, the vouchers are taxable only upon redemption and issuance date no longer determines the tax liability.

4. Retrospective amendment to Section 17(5)

a) As per Section 17(5)(d) input tax credit shall not be available in respect of goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account, including when such goods or services or both are used in the course or furtherance of business.

b) The Finance Bill 2025 proposes to substitute the expression “plant or machinery” with the expression “plant and machinery”. This is with retrospective effect from 1st July, 2017. This was recommended in the 55th GST Council meeting held in December, 2024.

c) As a result of this amendment, the wording under the Section 17(5)(d) now aligns with the explanation mentioned at the end of Section 17 and that ITC is not available for plant construction.

5. ITC Reversal on Credit Notes

a) Section 34(2) of the CGST Act, 2027 reads as under

Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than the thirtieth day of November following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed:

Provided that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.

b) The above Proviso to Section 34(2) is proposed to be amended to explicitly provide for requirement of reversal of corresponding input tax credit in respect of a credit-note, if availed, by the registered recipient, for the purpose of reduction of tax liability of the supplier in respect of the said credit note.

c) It may be noted that the current GSTR-3B mechanism automatically reduces the auto populated ITC of the recipient to the extent of credit notes in case where the supplier has issued any credit note.

5. Penalties

a) **Section 107(6) of the CGST Act 2017** provides that appeal under this section shall be filed to appellate authority only when in full, such part of the amount of tax, interest, fine, fee and penalty, as is admitted by him; and a sum equal to ten per cent of the remaining amount of tax in dispute arising from the said order, subject to a maximum of twenty crore rupees in relation to which the appeal has been filed has been paid.

As per Proviso to this section, appeal shall be filed against an order under sub-section (3) of section 129, only when a sum equal to twenty-five per cent of the penalty has been paid by the appellant.

Section 129(3) provides that the proper officer detaining or seizing goods or conveyance shall issue a notice within seven days of such detention or seizure, specifying the penalty payable, and thereafter, pass an order within a period of seven days from the date of service of such notice, for payment of penalty.

The Finance Bill 2025 proposes to substitute this proviso to Section 107(6) to provide for 10% mandatory pre-deposit of penalty amount for appeals before Appellate Authority instead of erstwhile penalty of 25% in cases involving only demand of penalty without any demand for tax. This means for cases under Section 129(3) involving demand of penalty without tax demand, now 10% of penalty has to be deposited as pre-deposit.

b) **Section 112(8) of CGST Act 2017** provides that appeal can be filed before Appellate Tribunal only when in full, such part of the amount of tax, interest, fine, fee and penalty, as is admitted by him, and a sum equal to ten per cent of the remaining amount of tax in dispute, in addition to the amount paid under sub-section (6) of section 107, arising from the said order, subject to a maximum of twenty crore rupees has been paid.

The Finance Bill 2025 proposes to insert a proviso to sub-section (8) of section 112 of Central Goods and Services Tax Act 2017 to provide for the requirement of pre-deposit of 10% of the penalty amount for filing an appeal before the Appellate Tribunal against an order which involves demand of penalty without involving any demand of tax.

6. New Sections introduced

a) In the 55th GST Council Meet Dated 21.12.2024 it was recommended to insert an enabling provision in CGST Act, 2017 through Section 148A so as to empower the Government to enforce the Track and Trace Mechanism for specified evasion prone commodities. The system shall be based on a Unique Identification Marking which shall be affixed on the said goods or the packages thereof. This will provide a legal framework for developing such a system and will help in implementation of mechanism for tracing specified commodities throughout the supply chain.

The Finance Bill 2025 seeks to insert new Section 122B in the Central Goods and Services Tax Act 2017 to provide for penal provisions for contraventions of the provision relating to track and trace mechanism for specified commodities provided under Section 148A of the CGST Act 2017.

b) The Finance Bill 2025 seeks to insert new Section 148A in the Central Goods and Services Tax Act 2017 to provide for an enabling provision for implementation of track and trace mechanism for ensuring effective monitoring and control of supply of specified commodities.

The introduction of a track and trace system will ensure real-time visibility of the movement of specified commodities across the supply chain. Businesses dealing with such goods will likely be required to comply with digital tracking mechanisms such as QR codes, RFID tags or similar mechanisms. This will reduce tax evasion, underreporting of sales, and fraudulent invoicing.

7. Retrospective amendment in Schedule III

a) Clause 128 of the Finance Bill 2025 seeks to insert a new clause (aa) in paragraph 8 of Schedule III of the Central Goods and Services Tax Act to specify that the supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area (DTA) shall be treated neither as supply of goods nor as supply of services.

b) Companies operating in SEZs and FTWZs often store goods before final clearance for export or DTA sale. This change will reduce compliance burdens by avoiding unnecessary GST obligations on interim movements.

c) The Bill also seeks to insert an Explanation 3 in the said Schedule to define the expressions “Special Economic Zone”, “Free Trade Warehousing Zone” and “Domestic Tariff Area”, for the purpose of the proposed clause (aa) in paragraph 8 of said Schedule.

d) This Bill has also proposed that in case tax has already been for the aforesaid activity to be inserted under Clause (aa) of Paragraph 8 of Schedule III of CGST Act 2017, no refund will be available to the taxpayers.

8. Miscellaneous

a) The word “auto generated” has been removed from Section 38(1) and 38(2) allowing manual verification of ITC claims. Moreover, a new clause 38(2)(c) is proposed to be inserted to prescribe other details to be made available in the statement of ITC.

b) Amendments have been proposed in Section 39(1) to provide for an enabling clause to prescribe conditions and restriction for filing of return under the said sub-section.

SERVICE TAX

a) Clause 130 of the Bill seeks to provide retrospective exemption from service tax to reinsurance services provided by insurance companies under the Weather Based Crop Insurance Scheme and Modified National Agricultural Insurance Scheme for the period from 1st day of April, 2011 to 30th day of June, 2017 (both days inclusive).

CUSTOMS

1. Tariff Changes proposed in the Finance Bill 2025

- **AMENDMENTS TO DUTY RATES IN FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975 [Increase in Tariff rate (to be effective from 02.02.2025) [Clause 98 (a) of the Finance Bill, 2025] Will come into effect immediately through a declaration under the Provisional Collection of Taxes Act, 2023]**

COMMODITY	FROM	TO
Knitted Fabrics	20%/10%	20% or Rs115/kg, whichever is higher
Interactive Flat Panel Displays (Completely Built Units)	10%	20%

- **Decrease in Tariff rate (to be effective from 01.05.2025 unless otherwise specified) * [Clause 98 (b) of the Finance Bill, 2025] Note: These changes will be effective from 2nd February, 2025 by issuance of notification.**

COMMODITY	FROM	TO
Footwear under Heading, subheading, tariff 6402,6403,6404,5405	35%	20%
Articles of Jewellery and parts thereof	25%	20%
Articles of goldsmiths' and silversmiths' ware's and parts thereof	25%	20%
Laboratory Chemicals	150%	70%
All dutiable articles, imported by a passenger or a member of a crew in his baggage	100%	70%
All dutiable goods imported for personal use	35%	20%
Copper Waste and Scrap	2.5%	NIL
Electricity meters for alternating current (Smart meter)	25%	20%
Parts of electronic toys	70%	20%

- **Changes in Basic Customs Duty (to be effective from 02.02.2025)**

COMMODITY	FROM	TO
Wet Blue leather	**10%**	**NIL**
Inputs or Parts/sub-parts for use in the manufacture of the Printed Circuit Board Assembly, Camera module and connectors of cellular mobile phones and inputs and raw materials for use in the manufacture of specified parts of cellular mobile phones i.e on Wired Headset, Microphone and Receiver, USB Cable and Fingerprint reader/Scanner of Cellular Mobile Phone.	2.5%	NIL
Inputs and Parts of the Open Cells for use in the manufacture of Television Panels of LED/LCD TV.	2.5%	NIL
Platinum Findings	25%	5%

2. Other Miscellaneous amendments

a) Relief on import of Drugs/Medicines 36 lifesaving drugs and medicines fully exempted from Basic Customs Duty (BCD). 6 lifesaving medicines to attract concessional customs duty of 5%. Specified drugs and medicines under Patient Assistance Programmes run by pharmaceutical companies fully exempted from BCD; 37 more medicines added along with 13 new patient assistance programmes.

b) Agriculture infrastructure and development cess introduced on various products on which BCD have been reduced.

c) Lithium Ion Battery: 35 additional capital goods for EV battery manufacturing, and 28 additional capital goods for mobile phone battery manufacturing exempted.