



VIEWS OF

**AGARWAL &
DHANDHANIA**

CHARTERED ACCOUNTANTS

BUDGET 2025-26



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Foreword

Dear Reader,

Finance Minister Nirmala Sitharaman presented her 8th Budget in total & second in Modi 3.0 government on 01st Feb 2025. She emphasized on four engines of growth, Viz Agriculture, MSME, Investments and Exports. She outlined that “A country is not just its soil, a country is its people.” to Ensure the aspiration of Viksit Bharat emphasis was given on accelerate growth, Secure Inclusive Development, Enhance Spending Power of India’s Rising Middle Class, Invigorate Private Sector Investments and Uplift Household Sentiments. This Union Budget focused on development measures on Garib, Youth, Annadata and Nari.

Good to see that the fiscal deficit has shown a continuous decline trend from 6.7 % of GDP (20-21) to 4.4% GDP (2025-26).

On the Direct Taxation front, a major relief was given by increasing the threshold limit of income to Rs 12 Lacs as exempted from Income Tax. Also, the much-awaited introduction of Direct Tax code was announced to be elaborated in next few days.

The influence of Allies was visible in the budget speech in the form of various schemes and benefits to Bihar state.

Overall, one common feel is that government is successful in leaving impression of progress and development in the country towards a well-defined goal.

This publication has majorly covered all direct and indirect tax proposals in detail. We hope that this should be a useful reading to decode budget proposals.

Knowledge Management Team
01.02.2025

Key Statistics of the Budget 2025

Fiscal Deficit

- fiscal deficit for FY25 is projected at 4.8% of GDP, with a target of 4.4% for FY26. According to the fiscal consolidation plan, the government had aimed to reduce this to 4.5% of GDP by FY26. For FY25, the number was revised to 4.8% from 4.9% of the GDP.

Capital Expenditure

- The capital expenditure was lowered to Rs 10.18 lakh crore from Rs 11.11 lakh crore estimated earlier for FY25.

Borrowing:

- The government's gross borrowing target for FY26 was revised upwards 5.7% to Rs 14.82 lakh crore. Earlier, it was set at Rs 14.01 lakh crore for FY25.

Direct Tax:

- The revised estimate of the total receipts other than borrowings is Rs 31.47 lakh crore of which the net tax receipts were at Rs 25.57 lakh crore.

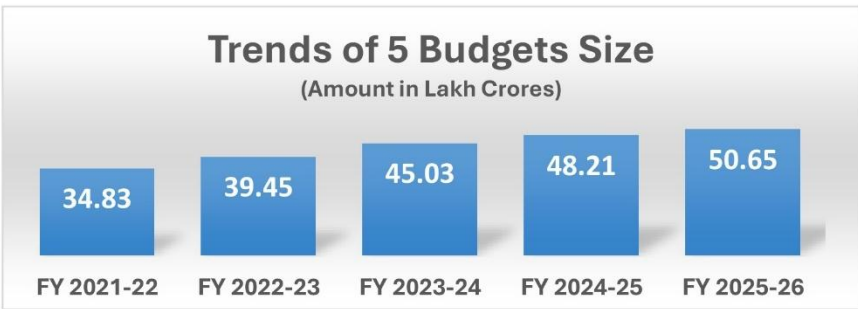
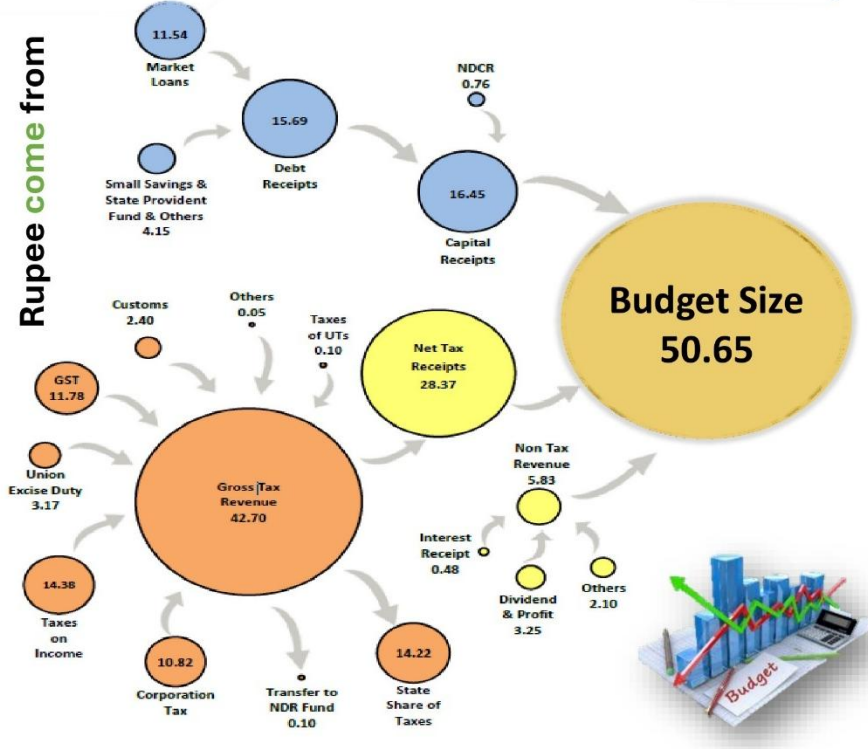
Nominal GDP

- Budget 2025-26 has set a nominal GDP growth target of 10.1% for FY26, slightly above the 9.7% achieved in the ..

Disinvestment & Asset Monetisation:

- Asset monetisation plan 2025-30 will be launched to infuse Rs 10 lakh crore capital in new projects, announced Sitharaman. The FY25 Budget pegged miscellaneous capital receipts (including disinvestment and asset monetisation proceeds) at Rs 50,000 crore.

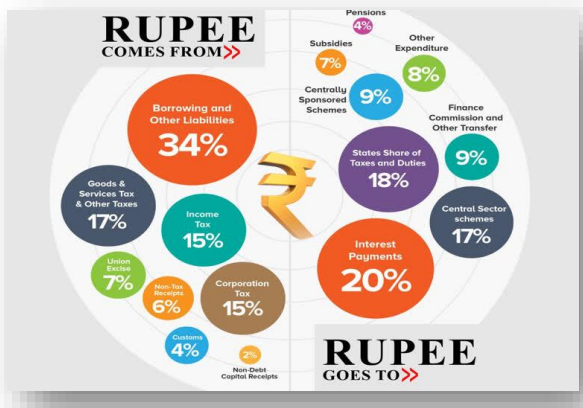
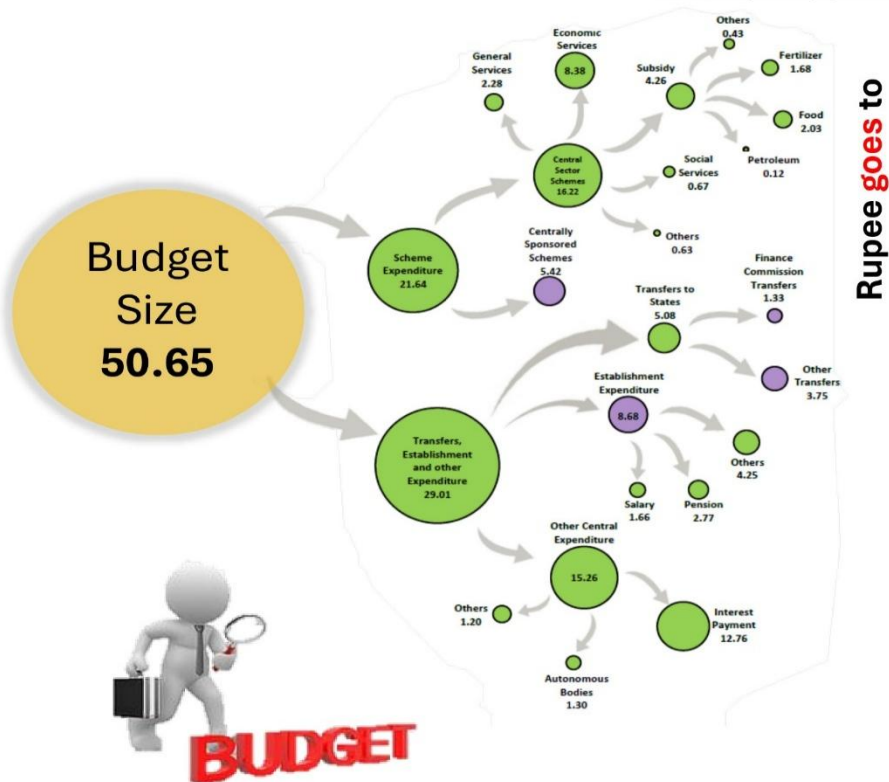
Budget Profile – INR 50.65 Lakh Crores



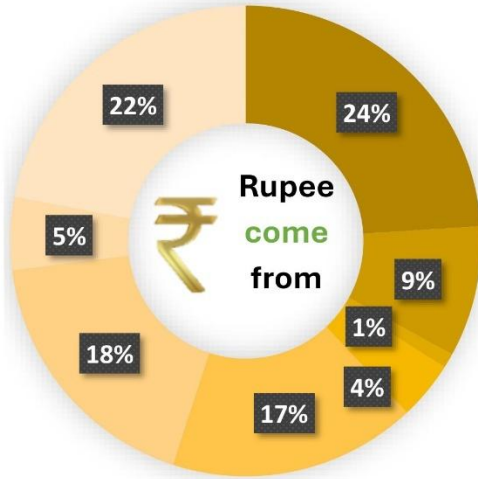
Amount in Lakh Crores
Source: Union Budget 2025-26 (Budget Documents)

Budget Profile – INR 50.65 Lakh Crores

Amount in Lakh Crores
Source: Union Budget 2023-24 (Budget Documents)

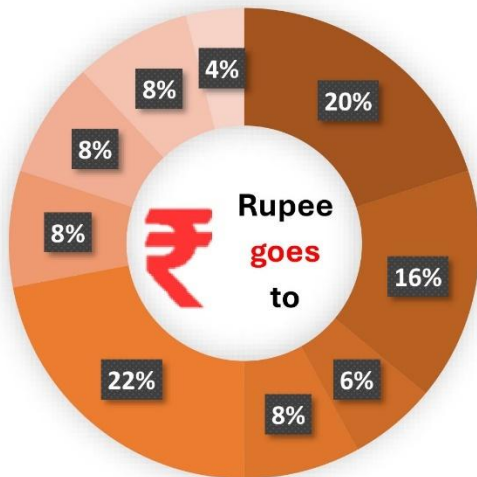


BUDGET AT A GLANCE – Rupee Come from & Goes to

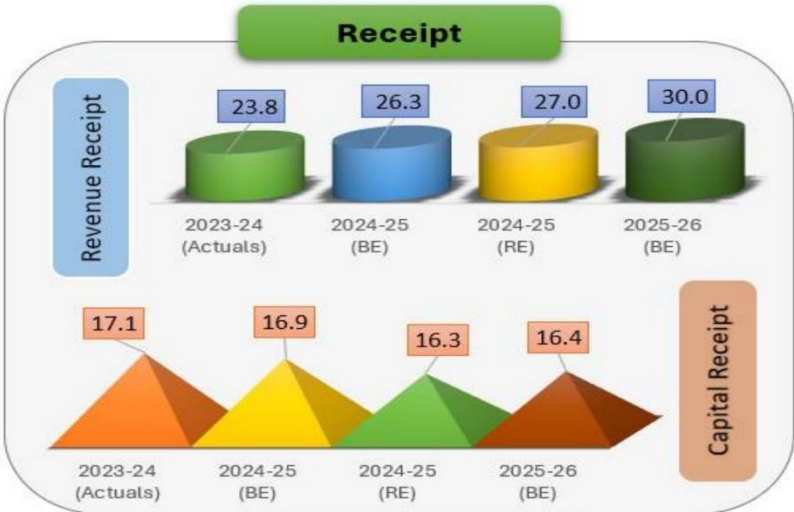


- Borrowing & Other Liabilities -24%
- Non Tax Receipts -9%
- Non Debt Capital Receipt -1%
- Customs -4%
- Corporation Tax -17%
- GST & Others -18%
- Excise Duty -5%
- Income Tax -22%

- Interest Payments -20%
- Central Sector Scheme - 16%
- Major Subsidies -6%
- Defence -8%
- States' share of Taxes and Duties -22%
- Finance Commission & other transfers -8%
- Centrally Sponsored Scheme -8%
- Other Expenditure -8%



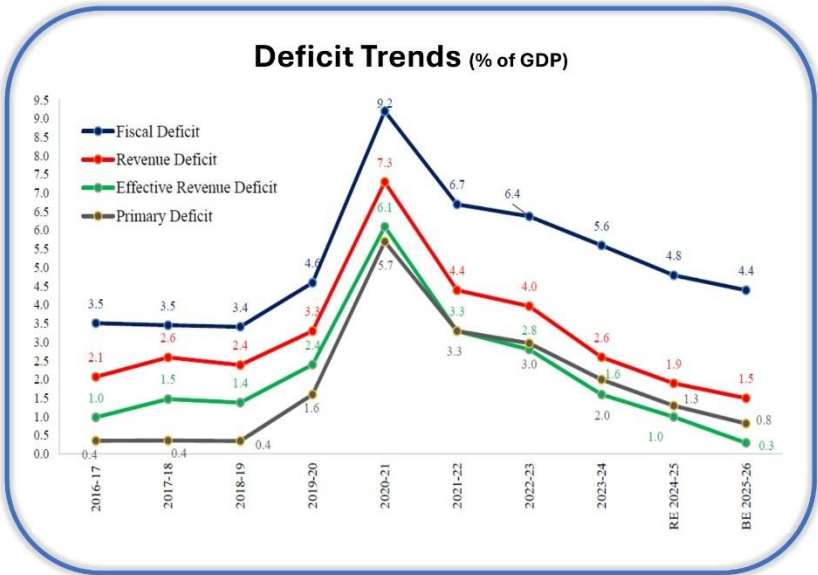
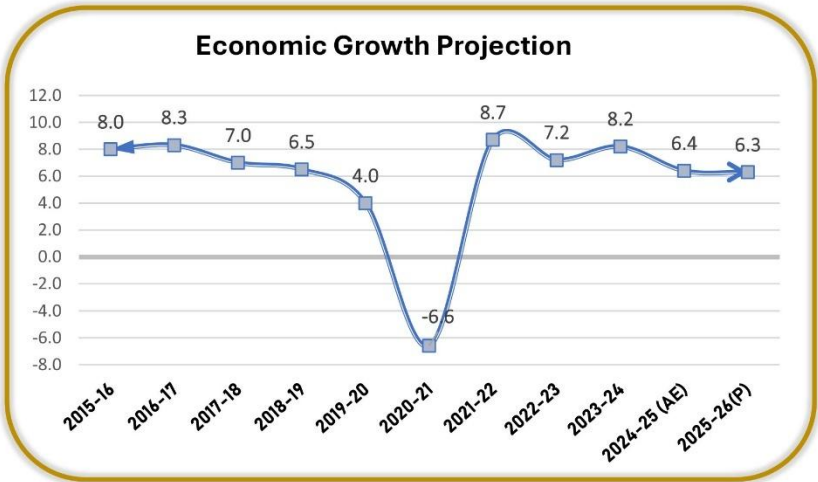
BUDGET AT A GLANCE (All Figure in Lakh Crore)



Source – Budget Document
Amount in Lakhs Crore

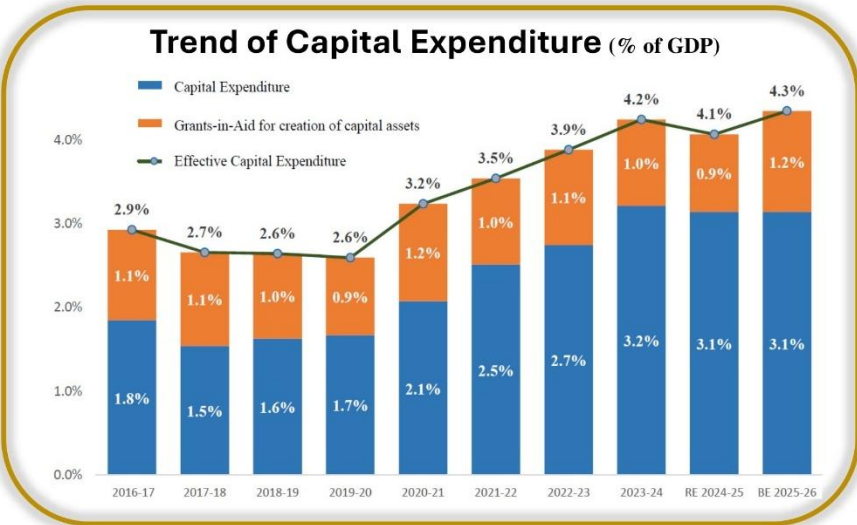
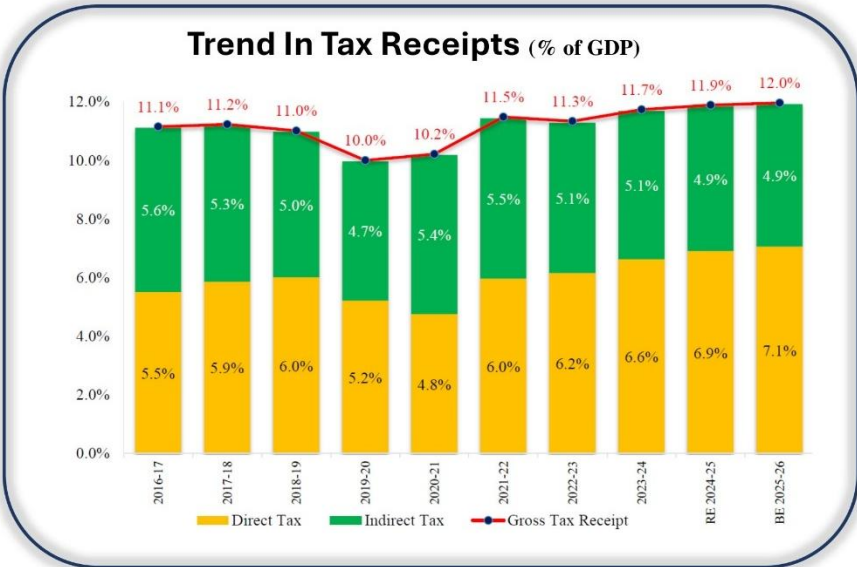
BUDGET AT A GLANCE

Source – Budget Document













BUDGET AT A GLANCE

Source – Budget Document

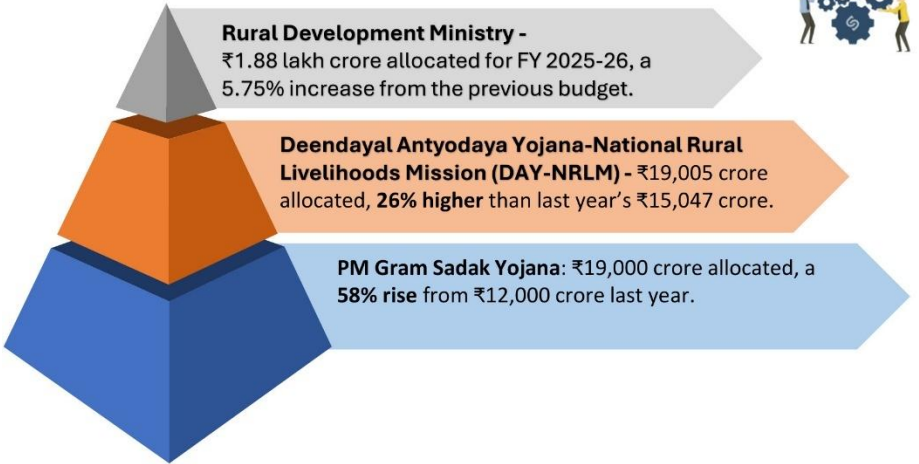


Department /Ministry wise allocation of Fund (At a glance)

Amount in Lakh Crores

FY 2024-25	Name of Ministry	FY 2025-26
4.55	 Ministry of Defence	4.92
2.66	 Rural Development	2.67
1.51	 Home Affairs	2.33
1.52	 Agriculture and Allied Activities	1.72
1.25	 Education	1.29
0.99	 Health	0.98
0.82	 Urban Development	0.97
1.37	 IT and Telecom	0.95
0.44	 Energy	0.81
0.22	 MSME	0.23

Agriculture & Rural



PM Dhan-Dhaanya Krishi Yojana - Developing Agri Districts Programme

- ❖ To cover 100 districts and likely to help 1.7 crore farmers.
- ❖ The scheme aims to boost agricultural productivity, promote crop diversification and sustainability, enhance post-harvest storage, improve irrigation, and increase credit access.

Mission for Cotton Productivity

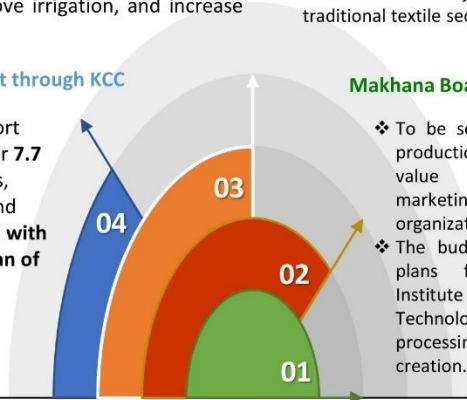
- ❖ 5-year mission to facilitate improvements in productivity and sustainability of cotton farming
- ❖ The mission will focus on the production of extra-long staple cotton varieties, aiming to enhance quality cotton and rejuvenate India's traditional textile sector,

Enhanced Credit through KCC

- ❖ Facilitate short term loans for **7.7 crore** farmers, fishermen, and dairy farmers with **enhanced loan of ₹5 lakh.**

Makhana Board in Bihar

- ❖ To be set up to improve production, processing, value addition, and marketing and organization of FPOs
- ❖ The budget also includes plans for a National Institute of Food Technology to boost food processing and job creation.



Investing in people: Education, Health & Innovation



Emphasized on Saksham Anganwadi and Poshan 2.0

Significant increase in funding (earmarked Rs 21,960 crore) for this schemes, aimed at improving the nutritional support for vulnerable sections of society.

5 IITs earmarked for expansions which includes the addition of hostels and academic spaces & accommodate an additional 6,500 students

Expansion of Capacity in IITs



Day Care Cancer Centres in all District Hospitals

Facilitate the establishment of Day Care Cancer Centres in all 759 district hospitals over the next three years. Two hundred centres will be set up in 2025-26.

Bharatiya Bhasha Pustak Scheme provide digital form Indian language books for school and higher education by providing study materials in regional languages.

Bharatiya Bhasha Pustak Scheme



National Centres of Excellence for skilling

Establishment of **five** National Centres of Excellence for skilling. These centres will offer world-class training in partnership with global experts

50,000 Atal Tinkering Labs (ATLs are innovation workspaces set up under the AIM of NITI Aayog) will be established in government schools across India over the next five years.

50,000 Atal Tinkering Labs to be set up



Centre of Excellence in Artificial Intelligence

Fund an Artificial Intelligence Centre of Excellence (AI CoE) with an outlay of ₹500 crore.

Central government will extend broadband connectivity to all government-run secondary schools and primary healthcare centres (PHCs) in rural areas through the BharatNet initiative.

Broadband connectivity to be provided to all government Schools



Expansion of medical education

10,000 additional seats will be added in medical colleges and hospitals, towards the goal of adding 75,000 seats in the next 5 years,

This has benefited over 68 lakh street vendors by providing relief from high-interest informal loans. The revamped scheme will offer higher bank loans, UPI-linked credit cards with a 30K limit

Revamping of PM SVANidhi for benefit of street vendors



Welfare of Online Platform Workers

Bring 1 crore gig workers under PM Jan Arogya Yojana healthcare scheme besides offering them identity cards and registration on the e-Shram portal

MSME & Make In India

Credit Cards for Micro Enterprises

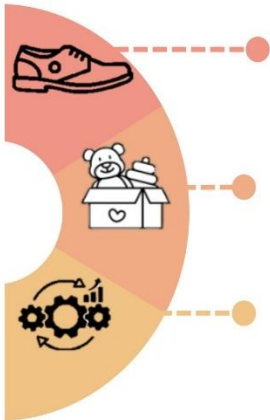
Customised **Credit Cards with a ₹ 5 lakh limit** for micro enterprises registered on Udyam portal. In the first year, 10 lakh such cards will be issued.

Fund of Funds for Startup

Launched a new Fund of Funds Scheme with a Rs 10,000 crore corpus for Startups with an expanded scope.

Scheme for first time Entrepreneurs

For 5 lakh first-time entrepreneurs, including women, Scheduled Castes and Scheduled Tribes, a new scheme, to be launched, to provide term loans up to ₹ 2 crore during the next 5 years.



Product Scheme for Footwear & Leather Sectors

Scheme is expected to facilitate employment for 22 lakh persons, generate turnover of ₹ 4 lakh crore and exports of over ₹ 1.1 lakh crore.

Measures for the Toy Sector

will launch a new scheme to boost the toy manufacturing ecosystem in the country to make India a global hub for toys

Support for Food Processing in Bihar

Establishment of a National Institute of Food Technology in Bihar, enhanced income for the farmers and skilling, entrepreneurship and employment opportunities for the youth.

Revision in classification criteria of MSME

Micro Enterprises
Inv. From 1Cr to 2.5 Cr
Turnover from 5 Cr to 10 Cr

Small Enterprises
Inv. From 10Cr to 25 Cr
Turnover from 50 Cr to 100 Cr

Medium Enterprises
Inv. From 50Cr to 125 Cr
Turnover from 250 Cr to 500 Cr

Broader Economy & Business

Urban Challenge Fund
₹ 1 lakh crore to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water & Sanitation'

UDAN
Regional connectivity to 120 new destinations and carry 4 crore passengers in the next 10 years.

Future needs of Bihar
Greenfield airports, Financial support for the Western Koshi Canal ERM Projects

Jal Jeevan Mission
To achieve 100% coverage, the mission extended till 2028 with an enhanced total outlay.



Asset Monetization Plan 2025-30:
Launched to plough back capital of ₹ 10 lakh crore in new projects.

Support to States for Infrastructure
With an outlay of ₹ 1.5 lakh crore, 50-year interest free loans to states for capital expenditure and incentives for reforms.

Maritime Development Fund With a corpus of ₹25,000 crore for long-term financing with up to 49% contribution by the government

Power Sector Reforms
Incentivize distribution reforms and augmentation of intra-state transmission. Additional borrowing of 0.5% of GSDP to states, contingent on these reforms.

Tourism for employment-led growth



1

Development of Top 50 Tourist Destinations

The government plans to enhance 50 prime tourist sites in collaboration with state governments. States are expected to provide land for essential infrastructure, and hotels in these areas will be included in the harmonized master list of infrastructure.

2

Incentive Skill Development Programs to Youth

Specialized training programs will be organized for youth, particularly in Institutes of Hospitality Management, to improve skills in tourism and hospitality.

3

MUDRA loans to Financial Support for Homestays

To encourage local businesses and community-driven tourism, the government will offer MUDRA loans to homestay owners.

4

State-Level Performance-Linked Incentives

The government will provide performance-linked incentives to states that enhance tourist facilities, maintain cleanliness, and implement effective marketing strategies.



5

Simplified Visa Processes and Medical Tourism Promotion

A streamlined e-visa system with fee waivers will attract international tourists, while the 'Heal in India' initiative, in partnership with the private sector, boosts medical tourism.

6

Enhanced Connectivity & Ease of Travel

Transport and logistics upgrades will enhance access to popular destinations through improved road, rail, and air connectivity, benefiting both domestic and international travelers.



Reforms as the fuel

Financial Sector Reforms and Development

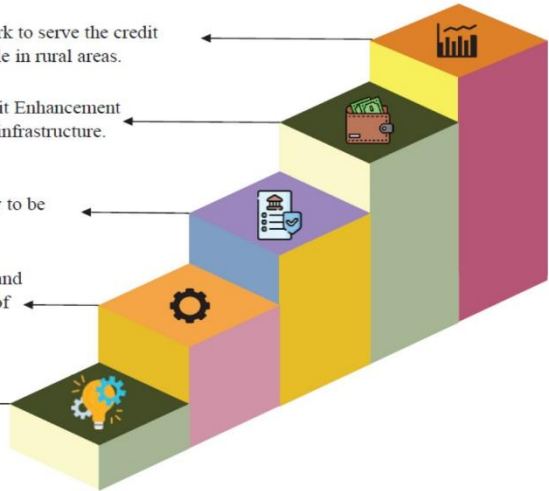
'Grameen Credit Score' framework to serve the credit needs of SHG members and people in rural areas.

NaBFID to set up a 'Partial Credit Enhancement Facility' for corporate bonds for infrastructure.

Revamped Central KYC registry to be rolled out in 2025.

Rationalisation of requirements and procedures for speedy approval of company mergers.

FDI limit for the insurance sector will be raised from 74 to 100 per cent.



Promoting Exports



- ➔ **Export Promotion Mission:** With sectoral and ministerial targets to facilitate easy access to export credit, cross-border factoring support, and support to MSMEs to tackle non-tariff measures in overseas markets.
- ➔ **BharatTradeNet:** A digital public infrastructure, 'BharatTradeNet' (BTN) for international trade will be set-up as a unified platform for trade documentation and financing solutions. Support for integration with **Global Supply Chains**.
- ➔ **National Framework for GCC:** As guidance to states for promoting Global Capability Centres in emerging tier 2 cities.
- ➔ **Warehousing facility for air cargo:** To facilitate upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce.

Indirect Tax : Custom Updates

Rationalization of Customs Tariff Structure for Industrial Goods

To Remove Seven Customs Tariff Rates For Industrial Goods Exemption



Apply not more than one cess or surcharge, leads to exempt social welfare surcharge (SWS) on 82 tariff lines that currently also attract a cess.

Exemption of 36 more Life Saving Medicines for Cancer and other rare Diseases from Basic Customs Duty & 6 medicines attracts only 5% duty list;



Boost domestic manufacturing, the budget included 35 additional capital goods for EV battery manufacturing, and 28 additional capital goods for **mobile phone battery manufacturing** in the list of exempted capital goods.

Make in India-

- Exemption to open cell for LED/LCD TV, looms for textiles, capital goods for lithium ion battery of mobile phones and EVs.

Promotion of MRO

- Exemption for 10 years on goods for ship building and ships for breaking, extension of time limit for export of railway goods imported for repairs

Export promotion

- Free inputs for handicraft and leather sectors.

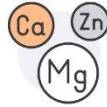
Trade Facilitation

- Provisional assessment finalization now has a fixed time limit. Voluntary declaration allows duty payment with interest but no penalty. IGCR Rules extend the time limit to one year with quarterly filing.

Reduction in Custom Duty



Cancer Medicines



Critical Minerals



**Mobile Phone
Chargers**



**Domestic Electronic
Equipment**



**Fish & shrimp Feed
frozen fish paste**



Wet blue leather



Technical Textiles

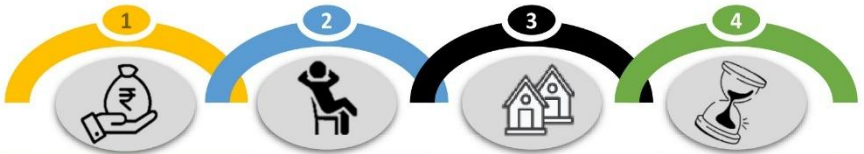


EV Batteries

Category	Item	Customs Duty Change	Impact
Cheaper	Mobile Phone Batteries and Components	28 items in battery production exempted from customs duty	Reduced cost for mobile phones and accessories
Cheaper	LED/LCD TVs	Duty reduction on open cells and components	Lower production costs for TVs
Cheaper	EV Batteries and Components	Lower duties on lithium-ion scrap, cobalt, and key materials	Reduced cost for electric vehicles
Cheaper	Life-saving Drugs	36 critical medicines, including cancer drugs, exempted from BCD	Lower cost of essential medicines
Cheaper	Medical Equipment	Various medical tools and devices exempted from BCD	Lower cost of medical equipment
Cheaper	Wet Blue Leather	Exempt from BCD	Reduced cost for leather goods
Cheaper	Shipbuilding Raw Materials	Exempt from BCD for an additional 10 years	Lower cost for shipbuilding
Cheaper	Frozen Fish Paste (Surimi)	BCD reduced from 30% to 5%	Lower cost for seafood exports
Cheaper	Knitted Fabrics (Technical Textiles)	Reduced duties on certain textile machinery	Lower cost of domestic production of textiles
Costlier	Interactive Flat Panel Displays	Increased customs duty from 10% to 20%	Higher cost for interactive screens
Costlier	Knitted Fabrics	Duty increase from "10% or 20%" to "20% or 115 per kg"	Higher cost for textile products

Tax Reforms

Changes in direct taxes and proposal to introduced the **New Income Tax Bill**



1

- Tax deduction limit for senior citizens doubled from ₹ 50,000 to ₹ 1 lakh
- The annual limit of ₹2.40 lakh for TDS on rent increased to ₹ 6 lakh.

2

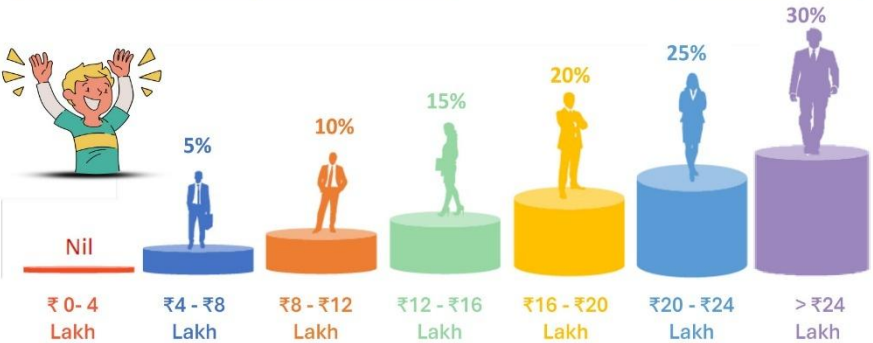
Extension of time-limit to file updated returns, from the current limit of two years, to four years.

3

Taxpayers to be allowed to claim the annual value of 02 self occupied properties (previously 01) without any conditions (previously conditions attached).

4

Reduced compliance for small charitable trusts/ institutions by increasing their period of registration from 5 years to 10 years.



**Tax Savings Comparison: Existing vs Proposed Slabs
(under new Tax Regime)**

Total Income (Other than special Income)	Tax as per existing slab	Tax as per proposed slab	Benefit under new proposed tax
8 lakh	₹ 30,000	₹ 0	₹ 30,000
9 lakh	₹ 40,000	₹ 0	₹ 40,000
10 lakh	₹ 50,000	₹ 0	₹ 50,000
11 lakh	₹ 65,000	₹ 0	₹ 65,000
12 lakh	₹ 80,000	₹ 0	₹ 80,000
13 lakh	₹ 100,000	₹ 75,000	₹ 25,000
14 lakh	₹ 120,000	₹ 90,000	₹ 30,000
15 lakh	₹ 140,000	₹ 105,000	₹ 35,000
16 lakh	₹ 170,000	₹ 120,000	₹ 50,000
17 lakh	₹ 200,000	₹ 140,000	₹ 60,000
18 lakh	₹ 230,000	₹ 160,000	₹ 70,000
19 lakh	₹ 260,000	₹ 180,000	₹ 80,000
20 lakh	₹ 290,000	₹ 200,000	₹ 90,000
21 lakh	₹ 320,000	₹ 225,000	₹ 95,000
22 lakh	₹ 350,000	₹ 250,000	₹ 100,000
23 lakh	₹ 380,000	₹ 275,000	₹ 105,000
24 lakh	₹ 410,000	₹ 300,000	₹ 110,000
25 lakh	₹ 440,000	₹ 330,000	₹ 110,000

► The existing income tax slabs under the old tax regime remain unchanged. Taxpayers can continue to opt for the old regime if it is more beneficial for their financial situation.



Comparison of TDS Provisions

Section	Current Threshold	Proposed Threshold
193 - Interest on securities	Nil	Rs. 10,000/-
194A - Interest other than Interest on securities	(i) Rs. 50,000/- for senior citizen; (ii) Rs. 40,000/- for 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/- for others when payer is bank, cooperative society and post office (iii) Rs. 10,000/- in other cases
194 - Dividend for an individual shareholder	Rs. 5,000/-	Rs. 10,000/-
194K - Income in respect of units of a mutual fund or specified company or undertaking	Rs. 5,000/-	Rs. 10,000/-
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
194BB - Winnings from horse race	Rs. 10,000/-	Rs. 10,000/-
194D - Insurance commission	Rs. 15,000/-	Rs. 20,000/-
194G - Income by way of commission, prize etc. on lottery tickets	Rs. 15,000/-	Rs. 20,000/-
194H - Commission or brokerage	Rs. 15,000/-	Rs. 20,000/-
194-I Rent	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month
194J - Fee for professional or technical services	Rs. 30,000/-	Rs. 50,000/-
194LA - Income by way of enhanced compensation	Rs. 2,50,000/-	Rs. 5,00,000/-

Announcement in Direct taxes

Direct Tax Rates

Changes in Income Tax Rates



Existing: Old Tax Regime (AY 2024-25):

Income Range (Rs.)	Tax Rate
Up to 3,00,000	Nil
3,00,001 – 7,00,000	5%
7,00,001 – 10,00,000	10%
10,00,001 – 12,00,000	15%
12,00,001 – 15,00,000	20%
Above Rs. 15,00,000	30%

Proposed: New Tax Regime (AY 2025-26 onwards):

Income Range (Rs.)	Tax Rate
Up to 4,00,000	Nil
4,00,001 – 8,00,000	5%
8,00,001 – 12,00,000	10%
12,00,001 – 16,00,000	15%
16,00,001 – 20,00,000	20%
20,00,001 – 24,00,000	25%
Above 24,00,000	30%

Implication:

There will be a reduction in tax liabilities based on the revised slabs. Individuals with yearly income up to **Rs. 12,00,000** (Rs. 12,75,000 in case of salaried individual) can now get a full tax rebate.

W.e.f 1st April, 2026.

The registration process for trusts and institution seeking tax exemption under section 11 and 12.

Section: 12 AB of the Income tax Act, 1961.

Existing Provision: Subject to the provision of income tax Act, 1961. Where the application is made under sub-clause (i) of the said clause, pass an order in writing registering the trust or institution for a period of five years.

Proposed Provision: The application is made under sub-clauses (i) to (v) of the said clause, and the total income of such trust or institution, without giving effect to the provisions of sections 11 and 12, does not exceed rupees five crores during each of the two previous years, preceding the previous year in which such application is made, the provisions of this sub-section shall have effect as if for “ten years.

Implication:

- Reduced compliance burden: Smaller trusts get relief from the frequent renewal.
- Fairer Process: Trust will not lose registration due to minor application issues.

W.e.f. 1st April 2025.

Taxability on Contributor who contribute in charitable and religious trusts and making donation.

Section: 13(3) (b), (d), (e) of Income Tax Act 1961 .

Existing Provision: Anyone who has donated **more than Rs.50,000** in a financial year shall be treated as Substantial Contributors as per section 13(3)(b) of Income Tax Act 1961 .

13(3)(d) Any relative of any such author, founder, person, [member, trustee or manager].

13(3)(e) Any concern in which any of the persons referred to in clauses (a), (b), [(c), (cc)]

Proposed Provision: – As per new Finance bill a person is now considered as substantial contributor as per 13(3)(b), if they:

- Instead of more than 50,000 donation, more than **Rs.1 lakh shall be threshold in a single financial year**, or
- Have contributed **Rs.10 lakh or more in total** over the years.

As per section 13(3)(d) The word "**person**" has been removed, which could change how tax authorities interpret the rule.

Clause (e) of section 13(3) A reference to **Clause (b)** has been deleted, possibly impacting how exemptions are applied.

Implication:-

- **Stricter Oversight on Large Donations:** Trusts receiving significant contributions will now be subject to additional scrutiny, ensuring that tax exemptions are not misused.
- **Higher Compliance Requirements:** Charitable institutions will need to maintain detailed records of donors and contributions to comply with the revised provisions.
- **Potential Challenges:** Increased documentation and regulatory checks may create an additional administrative burden for trusts.

W.e.f. 1st April 2025

Changes in Taxation of Perquisites and fixed cap of salary exemption

Section: Section 17 of the **Income-tax Act, 1961**, defines what constitutes **salary** and includes various **perquisites (non-cash benefits)** provided by employers to employees. These perquisites can be in the form of **housing, transport, meal coupons, employer contributions to pension schemes, and other allowances**. Some of these benefits are tax-exempt up to a certain limit, while others are fully taxable.

Existing Provision: The exemption limit for certain perquisites was **Rs.50,000 per year**. Additionally, some benefits had a fixed tax-free cap, such as a **Rs.2 lakh limit on specific employer-provided allowances**. Meal coupons, widely used by employees, also enjoyed tax-free treatment within prescribed limits.

Proposed Provision: The **Finance Bill, 2025** modifies Section 17(2) by:

1. **Removing the fixed Rs.50,000 exemption limit** for certain perquisites. Instead, the government has **set new fixed exemption limit of Rs.75000**.
2. **Altering the Rs.2 lakh cap on specific benefits**, making it **flexible** and subject to change based on economic needs.
3. In case of meal coupons Government will set new limits through notifications.

Implication:

- **More Flexibility:** The government can **adjust perquisite exemptions** without changing the law.
- **Potential Increase in Tax:** If the new prescribed limits are lower, employees may **pay more tax on benefits** they currently enjoy tax-free.
- **Employer Responsibility:** Companies must **track and adjust salary structures** based on revised limits

W.E. F: 1st April 2026

Changes in Tax Treatment of Self-Occupied Property.

Section: 23(2) of the Income Tax Act, 1961.

Existing Provision:

If a property is used by the owner for their own residence or cannot be occupied due to employment, business, or profession at another location, its annual value is considered nil. This benefit is limited to two houses owned by the taxpayer. For any additional houses, the

annual value is determined based on notional rent or actual rent received, as per Section 23(1).

Proposed Provision: The amendment proposes to change Section 23(2) as follows:

- The annual value of a house or part of a house will be considered nil if the owner uses it for their own residence or cannot occupy it for any reason (not just employment, business, or profession).
- The restriction limiting this benefit to two houses is removed. Now, the benefit of nil annual value can apply to any number of houses owned by the taxpayer, provided they are used for self-occupation or remain unoccupied for any reason.

Implication:

- **For Individual Taxpayers:** Annual value of 2 self-occupied properties will be treated as nil for taxation purpose
- **For the Real Estate Market:** The amendment may encourage individuals to invest in more residential properties without worrying about the tax implications of notional rent.

W.e.f. 1st April 2025

Special Taxation for Non-Residents in the Electronics Sector.

Section: 44BBD of the Income Tax Act, 1961 .

Existing Provision: Before this amendment, there was **no specific tax provision** for non-residents providing technology or services for **manufacturing electronics**. Such entities were taxed under **general business income provisions**, requiring them to maintain **detailed accounts and claim deductions** under Sections 28 to 43A.

Proposed Provision: The **new Section 44BBD** simplifies taxation for non-residents engaged in **electronics manufacturing support** by

1. **Presumptive Taxation** – Instead of being taxed on net profit, a **flat 25% of total receipts** from Indian companies will be considered as **taxable business income**.
2. **No Deductions Allowed** – Non-residents opting for **Section 44BBD cannot claim deductions** for expenses, depreciation, or brought-forward losses.
3. **Applicability** – This applies only to payments received from **Indian companies setting up electronics manufacturing facilities under a government-notified scheme** .

Implication:

- **Simplified Compliance** – Non-residents no longer need to maintain **detailed accounts or claim deductions**; they pay tax on a fixed percentage of revenue.
- **Encouragement for Electronics Sector** – The move **incentivizes foreign tech firms** to collaborate with Indian electronics manufacturers.
- **Potential Higher Tax Liability** – Some non-residents who had **low actual profits** may now face a **higher tax burden** since they must pay tax on **presumptive profits (25% of receipts)** rather than actual profits.

W.e.f. 1st April 2026

No capital gains on amount received under ULIP

Section: 45(1B)

Existing Provision:

Section 45(1B) provides that when a person receives an amount under Unit Linked Insurance Policies (ULIP), to which exemption under Section 10(10D) does not apply, any profits arising from such receipt shall be chargeable to tax under the head capital gains.

Proposed Provision:

The omission of the words “on account of the applicability of the fourth and fifth provisos thereof” in section 45(1B) is significant for tax regulations concerning capital gains.

Implication: The omission will decrease the capital gains resulting from amounts received under a ULIP.

W.e.f. 1st April 2026

Exemption from Tax on Withdrawals under Section 80CCA retrospectively from 29.08.2024

Section 80CCA of the Income Tax Act deals with deductions for deposits made under the National Savings Scheme (NSS) or payments towards specified deferred annuity plans.

Existing Provision: Subject to the provisions of sub-section (2) of this act, any withdrawals from these schemes, including the interest accrued, were treated as taxable income in the year of withdrawal.

Proposed Provision: Subject to the provisions of sub-section (2), withdrawals made by individuals on or after August 29, 2024, from NSS accounts (including accrued interest) will no longer be taxed.

Implication: This change provides relief to individuals holding long-standing NSS accounts, particularly those withdrawing funds due to the discontinuation of interest payments after October 1, 2024. This reduces the financial burden on senior citizens and others who had retained such investments.

W.e.f Retrospectively effective from August 29, 2024

Tax Deduction for Contributions to NPS Vatsalya

Section 80CCD of the Income Tax Act provides deductions for contributions to the National Pension Scheme (NPS). It allows individuals, whether salaried or self-employed, to claim deductions for their own contributions or those made by their employer towards their NPS account.

Existing Provision: Under the current law, individuals can claim a deduction of up to Rs.50,000 under Section 80CCD(1B) for voluntary contributions to NPS, in addition to the Rs.1.5 lakh limit under Section 80C. This deduction is available only for contributions made to the individual's own NPS account.

Proposed Provision: The Finance Bill, 2025 introduces an amendment to extend the benefits of Section 80CCD to contributions made to the newly launched NPS Vatsalya Scheme. The key changes are:

- **Deduction for Minor's Account:** Parents or guardians can claim a deduction up to Rs.50,000 annually for contributions made to the NPS account of their minor children.
- **Taxability on Withdrawal:** If the amount (or accrued interest) for which deduction was claimed is withdrawn before maturity, it will be taxable.
- **Exemption on Death of Minor:** In the unfortunate event of the minor's death, the amount received by the parent or guardian will not be treated as taxable income.
- **Partial Withdrawal Exemption:** Partial withdrawals from the minor's account for education, medical treatment, or disability-related expenses (exceeding 75%) will be tax-exempt up to 25% of the contributions made.

Implication: After considering all deductions, the total aggregate deduction for an individual taxpayer under Section 80CCD remains at a maximum of Rs.50,000 per year, including any contributions made to the NPS Vatsalya account

W.e.f. 1st April 2026

Extension of Tax Benefits for Eligible Start-ups under Section 80-IAC

Section 80-IAC of the Income Tax Act provides tax deductions to eligible start-ups. It aims to promote entrepreneurship by offering income tax benefits to new businesses engaged in innovation, development, or improvement of products, services, or scalable business models.

Existing Provision: As per the provision, Start-ups incorporated between April 1, 2016 and March 31, 2025 were eligible for a 100% deduction on profits derived from eligible businesses. This deduction could be claimed for any three consecutive assessment years out of the first ten years from incorporation, provided the turnover did not exceed Rs.100 crore in any of those years.

Proposed Provision: As proposed by the finance bill 2025 it extends the eligibility period for this tax benefit by five years. Now, start-ups incorporated up to March 31, 2030 can avail 100% deduction on profits for three consecutive assessment years out of ten.

Implication: This amendment is expected to foster the growth of new start-ups by providing tax relief for a longer duration. It is particularly beneficial for Small businesses with high initial investment costs and low margins.

W.e.f. 01.04.2025

Tax incentives to Offshore Banking Units (OBUs) and financial institutions operating in International Financial Services Centres (IFSCs)

Section 80LA allows a deduction on income earned by these entities from eligible activities such as banking, fund management, and leasing operations.

Existing Provision: Subject to the provisions of sub-section (2), eligible IFSC units and OBUs that commenced operations **on or before March 31, 2025** were granted a **100% tax deduction on their income for 10 consecutive years** out of the first 15 years of operation.

Proposed Provision: Subject to the provisions of sub-section (2), The deadline has now been extended to March 31, 2030.

Implication: Such extended deadline will encourage more financial institutions, hedge funds, and fin-tech firms to establish operations in IFSCs like GIFT City.

W.e.f. 1st April 2025

Enhanced Rebate Under Section 87A

Section 87A of the Income Tax Act provides a rebate to individual taxpayers, reducing their tax liability if their total income falls within a specified threshold.

Existing Provision: A resident individual in India with total income up to Rs.500,000 is eligible for a tax deduction of up to Rs.12,500. For individuals opting for the new tax regime under Section 115BAC, The rebate is applicable if income doesn't exceed Rs.7,00,000 upto maximum rebate of Rs.25,000.

Proposed Provision: A resident individual opting for the new tax regime having total income upto Rs. 12,00,000 will now be eligible for a rebate of maximum upto Rs.60,000 i.e. total tax payable or Rs.60,000 whichever is lower. Additionally, a new provision ensures that the rebate **cannot exceed the total tax payable as per Section 115BAC**.

Implication: This amendment significantly benefits middle-class taxpayers under the new tax regime, effectively reducing their tax burden.

W.e.f. 01.04.2026

Changes in determination of ALP in Transfer Pricing.

Section 92CA of the Income-tax Act

Existing Provision: The AO can refer every previous year's international or specified domestic transaction to the TPO for ALP computation. This means that even if a company's transaction pricing remains consistent across multiple years, it may still be subject to fresh scrutiny every year,

Proposed Provision: The Finance Bill, 2025, introduces a **multi-year ALP determination system** to reduce repeated assessments. Key changes:

- **No reference to TPO** if the ALP has been determined for the same transaction in the previous year and the taxpayer opts to apply the same ALP for the next **two consecutive years**.
- The taxpayer must formally **exercise this option**, and the **TPO must validate it** within a month.
- The AO will **re-compute income** for these years based on the ALP already determined.
- The **CBDT can issue guidelines** to remove difficulties in implementing this system.

Implication: Quicker tax resolution, Companies gain certainty in tax planning. Using the same ALP for three years reduces compliance burden and litigation costs.

W.e.f. 1st April 2026

Increased Tax on Foreign Investors' Long-Term Gains from Non-Equity Securities for Fair and Uniform Taxation

Section 115AD of the Income-tax Act

Existing Provision: Under the current provision, FIIs and specified funds are taxed on long-term capital gains (LTCG) from the transfer of securities not covered under Section 112A at a concessional rate of 10%. This applies to capital gains arising from securities other than equity shares and units of equity-oriented mutual funds, which are taxed under Section 112A.

Proposed Provision: The Finance Bill, 2025, proposes to increase the tax rate on LTCG for FIIs and specified funds from 10% to 12.5% for securities not covered under Section 112A. This change aligns the tax rate for foreign investors with the taxation of domestic taxpayers, ensuring uniformity.

Implication: Higher Tax for Foreign Investors, Increased Tax Burden on Foreign Institutional Investors (FIIs), ensures fair taxation between domestic and foreign investors.

W.e.f 1st April 2026

TDS exemption threshold from ₹2.5 lakh to ₹5 lakh for compensation on compulsory acquisition of immovable property.

Section: - 194LA TDS on compensation payments for the acquisition of certain immovable properties

Existing Provision: - Under Section 194LA, when a person (such as the government or a company) pays compensation to a resident individual for acquiring immovable property (like land or buildings), they are required to deduct TDS at a rate of 10% if the compensation exceeds ₹2,50,000. This means that if you receive compensation above this threshold, 10% of the amount will be withheld as tax before you receive the payment.

Proposed Provision: - The Finance Bill 2025 proposes an increase in the threshold for TDS deduction under Section 194LA from ₹2,50,000 to ₹5,00,000 in a financial year. This means tax will be deducted at 10% only if the compensation amount exceeds ₹5,00,000

Implication: - This change will benefit individuals receiving lower compensation amounts, as they will no longer have TDS deducted if the total compensation paid during the financial year is below ₹5 lakh. It reduces the compliance burden for smaller compensation payments, ensuring TDS applies only to larger sums, while maintaining the same tax treatment for larger compensations.

W.e.f: This amendment is applicable from April 1, 2025.

Change of TDS Rates from 25% (if payee is Individual or HUF) & 30%(if payee is any other person) to Uniform rate of 10%

Section: Section 194LBC of the Income Tax Act, 1961, deals with the **Tax Deduction at Source (TDS)** on income earned from investments in **securitization trusts**. It mandates that when such income is paid

to a resident investor, the entity making the payment must deduct TDS at specified rates.

Existing Provision: Under the existing provisions, the TDS rates varied based on the type of investor. Specifically, a **TDS of 25%** was applicable if the payee was **individuals and Hindu Undivided Families (HUFs)**, while a higher rate of **30%** was applicable if payee were other entities such as **companies, firms, trusts**, etc.

Proposed Provision: The Finance Bill, 2025 proposes a significant change by reducing the TDS rate to a uniform 10% for all categories of taxpayers, irrespective of whether the payee is an individual, HUF, or any other entity

Implication: This amendment simplifies the TDS structure and reduces the tax burden on investors in securitization trusts.

W.e.f.: 1st April 2025.

Removal of Exemption for Transactions Under Section 206C(1H)

Section: 194Q mandates TDS on payments made by a buyer (whose total sales, gross receipts, or turnover exceeds ₹10 crores in the preceding financial year) **to a resident seller for the purchase of goods if the transaction value exceeds ₹50 lakh in a financial year.**

Existing Provision: Section 194Q required the buyer to deduct TDS at 0.1% on the sum exceeding Rs.50 lakh. However, there was an exemption from this provision for transactions where Tax Collected at Source (TCS) under Section 206C(1H) was applicable, creating overlapping compliance requirements.

Proposed Provision: The bill proposes to **omit the exception for Section 206C(1H)** from Section 194Q. This means the exemption from TDS under Section 194Q will no longer apply to transactions covered under Section 206C(1H). Essentially, TDS under Section

194Q will now be applicable even if TCS was previously required under Section 206C(1H).

Implication: This amendment aims to simplify compliance by eliminating dual provisions that created confusion. Now, buyers must deduct TDS under Section 194Q regardless of TCS obligations under Section 206C(1H), reducing ambiguity.

Example: If Company A buys goods worth ₹70 lakh from Seller B, earlier, if TCS under 206C(1H) applied, TDS under 194Q did not. Post-amendment, Company A must deduct TDS even if TCS applies.

W.E.F: 1st April 2025.

Omission of Reference to Section 206AB in Sec 194S

Section 194S deals with the TDS on transactions involving the transfer of virtual digital assets (VDAs). This includes cryptocurrencies like Bitcoin and other similar assets. It mandates that any person paying consideration for the transfer of a VDA to a resident must deduct 1% TDS at the time of payment or credit, whichever is earlier.

Existing Provision: Under the current law, Section 194S(2) states that the provisions of **Sections 203A** (regarding Tax Deduction and Collection Account Number) **and 206AB** (higher TDS rates for non-filers of income tax returns) shall not apply to a specified person. This meant that higher TDS rates applied to payments for VDAs if the recipient was a non-compliant taxpayer under Section 206AB.

Proposed Provision: The bill proposes to **omit the reference to Section 206AB** in Sec 194S(2). This means that taxpayers who were earlier exempted from the higher TDS rate provisions under Section 206AB may now be subjected to them.

Implication: For Individual Taxpayers and Investors: Those engaging in crypto transactions may now be subject to higher TDS rates if they are classified as non-filers under Section 206AB.

For Exchanges and Platforms: Cryptocurrency exchanges and payment platforms facilitating VDA transactions must adjust their compliance processes accordingly.

W.e.f: 1st April 2025.

Omission of Sec 206AB

Section 206AB of the Income-tax Act mandated higher Tax Deduction at Source (TDS) rates for individuals or entities who had not filed their income tax returns for specified periods.

Existing Provision: Before the amendment, **Section 206AB** required deductors (such as employers, banks, and businesses) to verify whether the recipient had filed their ITR. If the recipient was a **non-filer**, a **higher TDS rate** was applied.

The rate of deduction was the **higher of Twice the applicable TDS rate**, or **5%**.

Proposed Provision: The **bill** proposes to **completely remove Section 206AB**. This means that **higher TDS rates for non-filers will no longer apply**.

Implication: This change significantly reduces the compliance burden for businesses and deductors, who previously had to verify the tax return filing status of every payee. It also prevents unnecessary cash flow blockages due to high TDS rates for non-filers. However, it may reduce the pressure on habitual non-filers to comply with return-filing obligations.

W.e.f: **1st April 2025**.

Section 206C Changes in Tax Collection at Source for Timber, Forest Produce, and Other Transactions

Section: 206C of the Income Tax Act deals with the collection of tax at source (TCS) on various goods like alcoholic liquor, forest produce, scrap, etc., during sales transactions.

Existing Provision: Under the existing law, a seller is required to collect tax at source from the buyer at specific rates for certain goods, including timber obtained under a forest lease and timber obtained by any other means. The tax rate for such transactions is set at 2.5%. Additionally, tax is also required to be collected on large sales exceeding ₹50 lakhs, at a rate of 0.1% of the amount over ₹50 lakhs.

Proposed Provision: The Finance Bill proposes several key changes:

Updates the definition of "timber" to include all forest produce (except tendu leaves) and reduces the tax rate to 2%.

Increases the educational remittance limit from ₹7 lakh to ₹10 lakh and exempts remittances for educational loans.

Specifies that provisions will not apply after 1st April 2025.

Applies certain time limits starting 1st April 2025.

Adjusts cross-references for clarity.

Implication: The changes lower tax rates on forest produce, increase remittance limits for educational loans, and introduce clearer timelines for tax procedures.

W.e.f: 1stApril 2025.

Exemption from higher rate of TCS for specified classes of person.

Section: 206CCA of the Income-tax Act, 1961.

Existing Provision: This section states to collect TCS at higher rates than usual when making payments to specified person (who has not filed income tax return of preceding year and total amount of TCS in last FY is Rs.50000 or more). Specifically, non-filers were subject to a TCS rate twice the applicable rate or 5%, whichever was higher.

Proposed Provision: - Section 206CCA of the Income-tax Act shall be omitted.

Implication: Removal of tax from the businesses or entities responsible for tax collection will reduce the tax burden.

W.e.f: 1ST April 2025.

Expansion of Tonnage Tax Benefits to Inland Vessels

Section: 115V and 115VB of the Income-tax Act, 1961

Existing Provision: Prior to the amendment, Section 115VB limited the definition of a qualifying ship to **ocean-going vessels**, which meant that inland water transport companies could not avail of the tonnage tax benefits.

Proposed Provision: The Finance Bill, 2025, expands the definition of "operating a ship" to include inland vessels (boats and ships used in rivers, lakes, and inland waterways).

Now, companies operating inland vessels will also qualify for the tonnage tax scheme. However, the restriction on bareboat charters exceeding three years will apply to inland vessels as well.

Implications: Lower Taxes for Inland Vessel, Simplified Taxation, Boost to the Inland Waterway Sector.

W.e.f: 1st April 2026.

Inclusion of Section 112A for Capital Gains Taxation under Section 115UA

Existing Provision: Currently, sub-section (2) of Section 115UA states that a business trust's total income is taxed at the maximum marginal rate, subject to the provisions of Section 111A (short-term capital gains on equity shares) and Section 112 (long-term capital gains on certain assets). However, Section 112A (long-term capital gains on listed equity shares, units of equity-oriented funds, and units of business trusts exceeding ₹1 lakh) is not included in Section 115UA.

Proposed Provision: The Finance Bill, 2025, proposes to amend sub-section (2) of Section 115UA to include Section 112A along with Sections 111A and 112. This means that long-term capital gains covered under Section 112A will now be taxed as per its provisions instead of the maximum marginal rate.

Implications: Greater tax clarity. Potential tax benefits. More investor-friendly regulations

W.e.f: 1st April 2026.

Expand the definition Qualifying Ships.

Section: 115VD, 115VG, 115V-I, 115VK, 115VX and 115VZA of the Income-tax Act in relation to taxation of income from shipping or inland vessels.

Existing Provision: The sections applied specifically to shipping operations, meaning only income from ships operating on the high seas or in international waters was considered under these provisions.

Proposed Provision: As per the latest amendment in the Finance Bill, 2025, Inclusion of Inland Vessels after the words "being ships" as the case may be shall be inserted.

Implication: This amendment is designed to boost the inland water transport sector by aligning the tax benefits for both ships and inland vessels. Businesses involved in inland vessels can benefit from lower tax rates and a streamlined taxation process, potentially leading to cost savings and increased investment in the sector.

W.e.f: 1st April 2026

Retention Period of Seized Documents

Section: 132 of the Income Tax Act deals with the procedures and powers related to search and seizure operations conducted by tax authorities.

Existing Provision:

A) Limits the retention of seized books or documents to a maximum of 30 days unless approved by higher authorities. This period can only be extended with justification and approval.

B) Explanation 1, Clause (a) refers to the requirement that tax authorities must have an authorization (or approval) to conduct a search and seize documents or assets during an investigation. This ensures that their actions are legally backed.

Proposed Provision:

A) Changes the retention period for seized documents. Instead of 30 days from the assessment or reassessment order, authorities now have one month from the end of the quarter in which the order is made to retain them.

B) The word "authorisation" to "authorisations" in Explanation 1, Clause (a) of Section 132. This means that multiple approvals or authorizations can now be referred to, instead of just one.

Implication: This change aims to provide a more structured and timely process for the retention of seized assets. The change from

"authorisation" to "authorisations" means multiple approvals may be required for conducting a search or seizure, ensuring more checks and balances in the process.

W.e.f: 1st April 2025

Section 132B: Clarification on Execution of Authorisation for Search or Requisition

Existing Provision: Under the current law, the term "execution of an authorisation for search or requisition" was linked to Explanation 2 of Section 158BE. This provision defined how the timeline for completing assessments related to seized assets was calculated.

Proposed Provision: The Finance Bill amends Explanation 1 of Section 132B by replacing the reference to "Explanation 2 to Section 158BE" with "Explanation to Section 158B." This change clarifies the definition of "execution of an authorisation for search or requisition" by aligning it with the explanation provided in Section 158B.

Implications: This amendment simplifies the interpretation of timelines and procedures related to search and requisition operations. For taxpayers, it ensures greater clarity on how the period for completing assessments is calculated, reducing potential disputes.

W.e.f: 01 April 2025

Extension of Time Limit for Filing Updated Returns

Section: 139 of the Income Tax Act outlines the procedures and timelines for filing income tax returns in India. It specifies who must file returns, the deadlines for submission, and the consequences of late filing.

Existing Provision: Under the current law, taxpayers are required to file their income tax returns by July 31st of the assessment year. If a taxpayer fails to meet this deadline, they can still file a belated return

by December 31st of the same assessment year. However, filing a belated return may attract a penalty, and the taxpayer may lose certain benefits, such as carrying forward losses.

Proposed Provision: The recent amendment to Section 139 introduces a provision for filing an updated return. This allows taxpayers to file a revised return to correct any omissions or errors in the original return. The key change is the extension of the time limit for filing such updated returns from the existing 24 months to 48 months from the end of the relevant assessment year. This means that taxpayers now have a longer period to rectify mistakes or provide additional information in their tax returns.

Implication: Previously, the 24-month window for filing updated returns was relatively short, which could be challenging if errors or omissions were discovered later. With the extension to 48 months, taxpayers have more time to ensure their returns are accurate and complete.

W.e.f: 1st April 2025.

Additional Tax on the Updated Returns for Assessee.

Section: 140B(3) of the Income Tax Act 1962 clause(iii) is newly inserted provision

Existing Provision: Newly Inserted Clause in the section 140B(3).

Proposed Provision: As newly inserted clause(iii) states if a tax return is filed after 24 but before 36 months after the end of the relevant assessment year, then 60% of the total tax and interest payable, as determined in sub-section (1) or (2), will be applicable.

As newly inserted clause(iv) states if a tax return is filed after 36 but before 48 months after the end of the relevant assessment year, then 70% of the total tax and interest payable, as determined in sub-section (1) or (2), will be applicable.

Implication: However assessee will be liable to pay additional tax if he is Filing a tax return after 24 but before 36 Months results in a higher penalty of 60% of the total tax & interest but if Assessee is Filing a return after 36 month but before 48 months after the end of the relevant assessment year results penalty of 70% of the total tax and interest payable.

W.e.f: 01st April 2025

Expanded definition of Undisclosed income under special procedure for assessment of search cases u/s 158B

Section: 158B of the Income tax Act, 1961 deals with definitions under special procedure for assessment of search cases

Existing Provision: Clause (b) of the said section states about the definition of “Undisclosed income”, said definition includes any money, bullions, jewellery, or other valuable articles or things that were not disclosed to the tax authorities.

Proposed Provision: In the proposed provision the definition of Undisclosed Income also includes virtual digital Asset.

Implication: This section wider the term “Undisclosed Income”.

W.e.f: 1st February 2025

Increase in TDS Threshold for Interest on Securities

Section: 193 of the Income Tax Act.

Existing Provision: Any person responsible for paying interest on securities to a resident had to deduct TDS at the applicable rates at the time of credit or payment, whichever was earlier.

There was no minimum threshold for TDS deduction, meaning tax had to be deducted even on small amounts of interest.

Additionally, interest on debentures issued by a public company was exempt up to ₹5,000 per year if paid to an individual or HUF via an account payee cheque.

Proposed Provision: Introduction of ₹10,000 Threshold: TDS will now be deducted only if the total interest on securities paid during the financial year exceeds ₹10,000. This means small investors earning interest below this limit will no longer face TDS deductions.

Increase in Exemption for Debenture Interest: The exemption limit for interest on debentures issued by public companies has been doubled from ₹5,000 to ₹10,000 per year for individuals and HUFs.

Implication: Benefit to Small Investors: Those earning interest below ₹10,000 on securities will not have TDS deducted, avoiding the hassle of claiming refunds through tax returns.

Reduced Compliance Burden: Companies and other interest payers will now have to deduct TDS only for investors earning above ₹10,000, simplifying compliance.

W.e.f: 1st April 2025

Increase in TDS Exemption Limit on Dividend Income

Section: 194 of the Income Tax Act.

Existing Provision: Companies must deduct 10% TDS on dividends paid to resident shareholders.

Exemption: The dividend is not paid in cash, and

The total dividend paid to an individual shareholder does not exceed ₹5,000 per financial year.

Proposed Provision: The exemption limit for TDS-free dividend payments is increased from ₹5,000 to ₹10,000 per financial year.

Implication: Benefit to Small Investors: Investors receiving dividends up to ₹10,000 per year will now receive full payment without TDS, reducing the need to file tax refund claims.

Ease for Companies: Companies will need to deduct TDS for fewer shareholders, simplifying compliance.

W.e.f: 1st April 2025

Increase in TDS Exemption Limit on Interest Income

Section: 194A of the Income Tax Act

Existing Provision: Subject to provision of this section, any person (except individuals and HUFs) must deduct **TDS on interest** at applicable rates.

Exemption Limits: ₹40,000 for banks, co-op banks, and post offices.

₹50,000 for senior citizens on interest from banks, co-op banks, and post offices.

₹5,000 in other cases.

Proposed Provision:

Increase in Exemption Thresholds:

For banks, co-op banks, and post offices, the exemption limit increases from ₹40,000 to ₹50,000.

For senior citizens, the exemption limit doubles from ₹50,000 to ₹1,00,000.

In other cases, the exemption limit increases from ₹5,000 to ₹10,000.

Implication: Relief for Small Investors: More individuals, especially senior citizens, will receive interest income without TDS deductions, reducing the need for tax refund claims.

Reduced Compliance Burden: Fewer taxpayers will need to file returns just to claim TDS refunds.

W.e.f: 1st April 2025

TDS on Lottery and Gambling Winnings Based on Single Transaction

Section: 194B of the Income Tax Act.

Existing Provision: TDS at 30% is deducted if total winnings exceed ₹10,000 in a financial year. If winnings are wholly or partly in kind, tax must be paid before release. Online game winnings are taxed separately under Section 115BBJ from April 1, 2023.

Proposed Provision: TDS will now apply to a single transaction exceeding ₹10,000, instead of the aggregate winnings in a financial year.

The reference to "during the financial year" has been removed, meaning each qualifying transaction will be taxed separately.

Implication: Immediate TDS Deduction: Even a one-time win exceeding ₹10,000 will now attract TDS at 30%, instead of waiting for the total annual winnings to exceed the limit.

Stronger Compliance: Lottery companies, casinos, and gaming platforms must ensure TDS is deducted per transaction, making it harder to bypass tax by splitting winnings.

W.e.f: 1st April 2025

Change in the threshold limit for TDS deduction under Section 194-I from ₹2,40,000(aggregate) to ₹50,000/month.

Section: 194-I TDS on Rent

Existing Provision: Under Section 194I, Any person (Individuals/HUF if in preceding F.Y, the turn over exceeds Rs. 1 Cr. In business or Rs. 50 Lakhs in profession) responsible for paying rent to a resident is required to deduct TDS if the total rent paid or payable in a financial year exceeds ₹2,40,000. The TDS rates were:

2% for rent of plant and machinery.

10% for rent of land, building, furniture, or fittings

Proposed Provision: Section 194-I of the Income-tax Act has been amended to exempt TDS deduction on rent payments not exceeding Rs. 50,000 per month or part thereof.

Implication: This amendment simplifies tax compliance by introducing a monthly threshold, making it easier to track deductions. For tenants paying rent above ₹50,000 per month, TDS will now be applicable immediately, rather than on an annual basis.

W.e.f: 1st April 2025.

The Threshold limit of exemption under Section 194-J has been increased from ₹ 30,000 to ₹50,000.

Section: 194-J TDS on professional or technical services

Existing Provision: Section 194J of the Income Tax Act mandates that when a person or entity pays for professional or technical services, they must deduct tax at source (TDS). The standard TDS rate is 10% for most services. However, for technical services, the rate is 2%. This deduction applies when the annual payment to a service provider exceeds ₹30,000 (As per 194 (1)(b))

Proposed Provision: The proposed amendment to Section 194J raises the exemption threshold, stating no TDS will be deducted if the monthly payment for specified income does not exceed ₹50,000.

Implication: - Increasing the threshold will benefit independent professionals, freelancers, and consultants as fewer individuals will be subject to TDS further small businesses making occasional payments for professional or technical services below ₹50,000 will not have to deduct tax, simplifying their compliance burden

W.e.f: 1st April 2025

The Threshold limit of exemption under Section 194-K has been increased from ₹ 5,000 to ₹ 10,000

Section: - 194K TDS on income from mutual fund units

Existing Provision: - Section 194K mandates a 10% TDS on income from mutual fund units, specified companies, or undertakings, with exemptions for payments below ₹5,000 or capital gains.

Proposed Provision: - The amendment to Section 194K increases the TDS exemption threshold from ₹5,000 to ₹10,000 for income from mutual fund units or specified companies.

Implication: This change will benefit investors receiving smaller income from such sources, as they will no longer be subject to TDS if their annual income from these investments does not exceed ₹10,000. It reduces the compliance burden for individuals with smaller investment incomes, while ensuring that TDS continues to apply to higher earnings.

W.e.f: 1st April 2025

Amendment to Define Stay Period for Limitation Calculation in Revision Orders

Section 263 of the Income-tax Act Revision of orders prejudicial to revenue.

Existing Provision: Revision orders under **Section 263(1)** must be passed within **two years** from the end of the financial year in which the original order was made. No clear definition of the **stay period** exclusion for limitation calculation.

Proposed Provision: The stay period will now be counted **from the date the court grants a stay until the date the certified copy of the stay vacation order is received** by the Principal Commissioner or Commissioner.

Implication: Provides clarity on the excluded period, reducing disputes & Ensures fair calculation of the limitation period. Taxpayers may face delayed revision orders if stays are lengthy. Requires taxpayers to track court orders and communicate promptly with tax authorities.

W.e,f 1st April 2025

Increased clarity in time period for revision of certain tax orders.

Section 264 (6) of the Income Tax Act.

Existing Provision: Subject to the provisions of sub-section (6), it allows taxpayers to request revision of certain tax orders by the Principal Chief Commissioner or other senior tax authorities, within specific time limits and conditions for filing applications and revisions but the **law excluded the period** during which proceedings were stayed by a court order.

Proposed Provision: Subject to the provisions of sub-section (6), the amendment now **specifies that the exclusion period** that will be calculated from the date the stay is granted to the date the jurisdictional Principal Commissioner or Commissioner receives the certified copy of the order that vacates the stay.

Implication: This amendment provides a clearer and more precise method of calculating the exclusion period for stays of proceedings in the revision process. Taxpayers benefit as this change ensures that the time during which a stay order is in effect will be accurately accounted for, preventing any potential disadvantage due to delays in receiving court orders, ensuring fairer treatment of taxpayers.

W.e.f 1st April, 2025

Deadline for Search-Related Penalties Extended

Section 271AAB (1A) of the Income Tax Act.

Existing Provision: Subject to the provisions of sub-section 271AAB (1A), deals with penalties for undisclosed income discovered during a search. Penalty rates range from 10% to 60%, depending on the taxpayer's admission, substantiation, and timely payment of tax and interest.

Proposed Provision: Subject to the provisions of sub-section 271AAB (1A), the amendment introduces a time-specific clause, stating that the provisions apply to cases where the search took place before September 1, 2024. This clause was deemed effective from September 1, 2024. The penalty rates remain uncertain for now.

Implication: The amendment provides a clear timeline for taxpayers and authorities regarding the application of penalties in cases involving undisclosed income discovered during searches. For example, if a search happens before September 1, 2024, the current penalties apply. After this date, new rules (which are yet to be announced) could be enforced with better penalty structure.

W.e.f: 1st September, 2024

Omission of Section 271BB – Removal of Penalty for Non-Subscription

Section: 271BB of the Income Tax Act.

Existing Provision: Subject to the provisions of section 271BB, imposes a penalty of 20% on individuals who fail to subscribe to the required amount of units under a scheme within six months, as specified in Section 88A.

Proposed Provision: The amendment **removes Section 271BB entirely**, meaning that the penalty provision for failing to subscribe to the required units under Section 88A will no longer apply.

Implication: This change reduces the compliance burden and potential penalties for individuals who may have missed the deadline for investment in such schemes.

However, it also removes a mechanism intended to encourage timely investment in these schemes.

W.e.f: 1st April, 2025

Transfer of Penalty Imposition (For TDS and TCS) Powers from JCIT to Assessing Officer under Section 271C and Section 271CA

Section 271C (TDS) and Section 271CA (TCS) deals with penalties for failure to deduct tax at source (TDS) and collect tax collected at source as required under the Act. If a person responsible for deducting TDS or for collecting TCS fails to do so, they are liable to pay a penalty equal to the amount of TDS not deducted or TCS not collected.

Existing Provision: Currently, only the Joint Commissioner of Income-tax (JCIT) has the power to impose a penalty under Section 271C or Section 271CA if a taxpayer fails to deduct TDS or collect TCS.

Proposed Provision: The Finance Bill, 2025, proposes an amendment to Section 271C and Section 271CA, transferring the authority to impose penalties from the Joint Commissioner (JCIT) to the Assessing Officer (AO). However, this change is subject to Section 274(2), meaning that if the penalty amount exceeds a certain threshold, the AO must seek prior approval from the Joint Commissioner before passing the penalty order.

Implications: Faster Penalty Proceedings, Greater Efficiency, Potential Risk for Taxpayers

W.e.f. April 1, 2025

CUSTOM -

Time Limit for Provisional assessment of duty.

Section: 18 of the Custom Act, 1962

Existing Provision: - Section 18(1): The proper officer may direct provisional assessment of duty under certain conditions, In such cases, the importer or exporter must provide security for any potential duty deficiency between the provisional and final assessment.

Section 18(1A): The importer or exporter must submit the required materials within the prescribed time.

Proposed Provision: -

In sub-section (1), for the words “the proper officer may direct that the duty leviable on such goods, be assessed provisionally,” the following shall be substituted: “the proper officer may assess the duty leviable on such goods, provisionally.”

In sub-section (1A), for the words “within such time and in such manner,” the words “in such manner” shall be substituted.

After sub-section (1A), new sub-sections (1B) and (1C) are inserted:

(1B) The proper officer shall finalize the duty provisionally assessed, within two years from the date of such assessment under sub-section (1). However, the Principal Commissioner or Commissioner of Customs may extend the said period for a further one year with sufficient cause.

(1C) If the proper officer cannot finalize the duty within the specified time due to specific reasons, such as pending legal matters, stay orders, or pending applications, the proper officer must inform the

concerned importer or exporter. The time frame for finalization will apply from the date the reason for non-finalization ceases.

Implication:

The amendment clarifies that the proper officer has the authority to actively assess the duty provisionally, rather than merely directing its provisional assessment. Time Limits have been specified for provisional assessments, with certain cases where the time limit can be extended. If the provisional assessment cannot be finalized, clear reasons must be provided to the importer or exporter.

W.E.F: 1st April, 2025

Voluntary Post-Clearance Revision and Self-Assessment.

Insertion of New Section: 18A of the Customs Act, 1962

Section 18A introduces the ability for importers or exporters to revise an entry after clearance, subject to prescribed conditions and timeframes. The importer or exporter must self-assess the duty when revising the entry. No revision is allowed in specific cases, including audits, searches, or cases requiring refund after reassessment.

Implication: - This provision allows post-clearance revisions of entries and self-assessments, providing flexibility for importers and exporters to correct duties, but with clear procedures for payment or refunds.

W.E.F: - 1st April, 2025

Claim for refund of duty.

Section: 27 of the Custom Act, 1962.

Existing provision: - Section 27 deals with the claim of refund of duty or interest and prescribes a one-year limitation period for such claims. The provision does not specifically address the computation of the limitation period in the context of claims under section 18A or amendments under section 149.

Proposed Provision: - The Explanation in sub-section (1) of section 27 is amended:

Explanation 2 is inserted, clarifying that the one-year limitation period for refund claims under section 18A(3)(b) or document amendments under section 149 will be computed from the date of payment of duty or interest.

Implication: - This amendment provides clarity on the computation of the one-year limitation period for refund claims related to provisional assessments under section 18A(3)(b).

W.E.F: 1st April, 2025

Recovery of duties not levied or not paid or short-levied or short-paid or erroneously refunded: -

Section : - 28 of the Custom Act, 1962.

Existing Provision: - Explanation 1 under section 28 deals with the computation of the date of payment for duty or interest in cases of demand and recovery of duties. It does not address specific provisions for duty paid under section 18A(3).

Proposed Provision: - A new clause is inserted in Section 28 as follows:

In cases where the revised entry leads to duty short-levied, not levied, short-paid, or not paid, the date of payment of duty or interest will be considered.

Implications: - This amendment clarifies that when duty is paid voluntarily by the importer or exporter due to underpayment or non-payment after the revision of an entry under section 18A(3)(a), the date of such payment will be used for computation under section 28 for recovery or demand purposes.

W.E.F: 1st April, 2025

Definition relevant to Custom disputes

Section 127A: - of the Custom Act, 1962.

Existing Provision: - Section 127A provides definitions relevant to the settlement of customs disputes.

Proposed provisions: - The amendment to Section 127A adds clauses defining "Interim Board" (under Section 31A of the Central Excise Act) and "pending application" (filed under Section 127B before April 1, 2025, with specific conditions).

Implication: - The Budget 2025 amendments to Section 127A improve clarity, efficiency, and transparency in the settlement process by defining key terms like "Interim Board" and "pending application," ensuring continuity in ongoing cases.

W.E.F: April 1, 2025.

Application for settlement of cases: -

Section 127B: - of the Custom Act, 1962.

Existing Provision: - Section 127B deals with the procedure for filing applications for settlement of customs disputes.

Proposed provisions: - The amendment to Section 127B prohibits applications after April 1, 2025, with pending applications handled by the Interim Board from their previous stage before its constitution.

Implication: - The Budget 2025 amendment to Section 127B limits settlement applications after April 1, 2025, transferring pending cases to the Interim Board, streamlining dispute resolution and enhancing system predictability.

W.E.F: April 1, 2025.

Insertion of sub-section to propose Structural Shift to Interim Board and Timeline Adjustment for Adjudication Process

Section: 127C of the Customs Act, 1962

Proposed Provision:

Sub-section (11) shall be inserted with the provisions of subsections (2) to (8) of Section 32F will apply to pending applications, replacing "Settlement Commission" with "Interim Board." Additionally, "seven days from the date of order" in subsection (3) will change to "seven days from the date of receipt of the order," and "Bench" in subsection (7) will be replaced with "Interim Board." Subsection (10) will also be updated to include both "Settlement Commission and Interim Board."

Implication:

Starting 1st April 2025, the Interim Board will replace the Settlement Commission for adjudication and decision-making.. This adjustment ensures clearer and more efficient processing of pending applications.

W.E.F: 1st April, 2025

Insertion of sub-section to propose Transfer of Powers and Functions

Section: 127D, 127F, 127G, and 127H of the Customs Act, 1962

Proposed Provision:

On or after the 1st day of April, 2025, the powers/functions of the Settlement Commission under sections 127D, 127F, 127G, and 127H shall be exercised/performed by the Interim Board, and the provisions of these sections shall mutatis mutandis apply to the Interim Board as they apply to the Settlement Commission.

Implication: The powers and functions of the Settlement Commission under sections 127D, 127F, 127G, and 127H will be transferred to the Interim Board.

W.E.F: 1st April, 2025

Taxability of Interim Board and Pending Application

Section: 31 of the Central Excise Act, 1944

Existing Provision:

Section 31 of the Central Excise Act, 1944 defines various terms related to excise matters, which outline the specific terminologies used in the Act.

Proposed Provision: The following two terms are introduced in existing provision:

1. Interim Board: means the Interim Board for Settlement constituted under section 31A,

2. Pending application: means an application filed under section 32E before the 1st day of April

W.E.F: 1st April, 2025

Interim Board for Settlement

Insertion of New Section 31A under the Central Excise Act, 1944

Proposed Provision::

The Central Government will form one or more **Interim Boards** to settle pending applications. Each Board will consist of three senior officers, nominated by the Central Board of Indirect Taxes and Customs. The Board will make decisions based on majority opinion and be assisted by Central Excise Officers.

Implication:

This provision establishes an Interim Board for Settlement, composed of senior officers nominated by the Central Board of Indirect Taxes and Customs, to efficiently resolve pending applications. It also outlines the decision-making process in case of differing opinions among members.

W.E.F: Date to be notified by the Central Government

Customs and Central Excise Settlement Commission

Section: 32 of the Central Excise Act, 1944

Existing Provision:

Section 32 of the Central Excise Act deals with the powers and procedures related to the Settlement Commission, which is responsible for the settlement of cases under the Act. The section outlines various provisions for the functioning of the Commission, including its powers and composition.

Proposed Provision:

The Settlement Commission so constituted under this section shall cease to operate on or after the 1st day of April, 2025.”

Implication:

This amendment stipulates that the Settlement Commission, as constituted under section 32, will cease to function after 1st April 2025. This marks the conclusion of the Commission’s role, which could have significant implications for how settlements are handled beyond that date.

W.E.F: 1st April, 2025

Amendment of Sections 32A, 32B, 32C, of the Central Excise Act, 1944

Section: 32A, 32B, 32C of the Central Excise Act, 1944

Existing Provision:

These sections cover the operations of the Settlement Commission, including the procedures for settling excise-related cases and handling applications for settlement.

Proposed Provision:

Sections 32A, 32B, 32C, of the Central Excise Act shall not apply after 1st April, 2025.

Implication:

This amendment means that the Settlement Commission will no longer operate under these sections after 1st April 2025, and the relevant provisions will no longer be applicable.

W.E.F: 1st April, 2025

Decision to be Made by majority.

Section. 32 D of the Central Excise Act, 1944.

Existing Provision: Subject to the provisions of section 32 D, In case of differing opinions among Bench members, the majority opinion prevails. If equally divided, the Chairman will either decide or refer the issue to other Members for resolution.

Proposed Provision: This section is not applicable on or after 1st April, 2025 .

Implication: The amendment would improve dispute resolution efficiency, reduce delays, enhance fairness, and ensure timely decisions, leading to a more transparent and robust system in tax-related matters.

W.E.F: 1st April, 2025

Application for settlement of cases.

Section. 32 E of the Central Excise Act, 1944.

Existing Provision: Subject to the provision of section 32 E, An assessee can apply to the Settlement Commission for case settlement before adjudication, provided they meet certain conditions, including disclosure of liability, acceptance of additional duty, and payment of dues.

Proposed Provision: This section is not applicable on or after 1st April, 2025

Implication: The amendment to Section 32E streamlines the settlement process, encourages compliance, resolves excise duty disputes faster, and reduces judicial burden, benefiting both assesses and tax authorities.

W.E.F: 1st April, 2025

Procedure on receipt of an application under section 32 E.

Section. 32 F of the Central Excise Act, 1944.

Existing Provision: Subject to the provision of section 32 F, the procedure for processing applications under Section 32E, including notice issuance, report collection, investigation, and hearing, leading to a decision by the Settlement Commission on the application.

Proposed Provision: Section 32F amendments replace "Settlement Commission" with "Interim Board" in various sub-sections, extend application timelines, and allow the Interim Board to grant time extensions up to 12 months.

Implication: The amendments restructure responsibilities from the Settlement Commission to the Interim Board, offering flexibility in timelines and allowing more time for investigations and hearings.

W.E.F: 1st April, 2025

Power of Settlement Commission to order provisional attachment to protect revenue.

Section 32 G of the Central Excise Act, 1944.

Existing Provision: Subject to the provision of section 32 G, grants the Settlement Commission the power to provisionally attach the applicant's property to protect revenue, which ceases once the dues are paid and evidence is submitted.

Proposed Provision: The Interim Board will exercise the powers of the Settlement Commission under Section 32G, with provisions applying mutatis mutandis to the Interim Board.

Implication: The amendment ensures the Interim Board assumes responsibility for provisional attachments, protecting revenue and

ensuring process continuity, aligning with administrative restructuring for improved tax dispute resolution efficiency.

W.E.F: 1st April, 2025

Powers and procedure of Settlement Commission.

Section. 32 I of the Central Excise Act, 1944.

Existing Provision: Subject to the provision of section 32 I, grants the Settlement Commission powers similar to those of a Central Excise Officer, allowing it exclusive jurisdiction over cases once proceedings begin, and the ability to regulate its own procedure.

Proposed Provision: Transfer the powers and functions of the Settlement Commission to the Interim Board, effective from April 1, 2025, with provisions applying mutatis mutandis to the Interim Board.

Implication: assigns excise duty dispute functions to the Interim Board, enhancing administrative efficiency and streamlining tax dispute resolution, aligning with Union Budget 2025 goals to reduce delays and improve clarity.

W.E.F: 1st April, 2025

Inspection, Reports etc.

Section 32 J of the Central Excise Act, 1944.

Existing Provision: restricts access to reports made by Central Excise Officers to the Settlement Commission, but allows applicants to obtain certified copies on request and payment of a prescribed fee, for rebuttal purposes.

Proposed Provision: The amendment designates the Interim Board to perform the functions of the Settlement Commission under

Section 32J from April 1, 2025, ensuring continuity and alignment with the new administrative structure.

Implication: The amendment designates the Interim Board to handle inspection and report access, streamlining excise duty processes, improving efficiency, and ensuring continuity during the administrative restructuring.

W.E.F: 1st April, 2025

Power of Settlement Commission to grant immunity from prosecution and penalty.

Section 32 K of the Central Excise Act, 1944.

Existing Provision: the Settlement Commission authority to offer immunity from prosecution and penalties to individuals who fully disclose liabilities and cooperate, with conditions. Immunity can be revoked for non-compliance or falsehoods.

Proposed Provision: Transfer the powers and functions of the Settlement Commission to the Interim Board, effective from April 1, 2025, with provisions applying mutatis mutandis to the Interim Board.

Implication: The amendment transfers powers to the Interim Board, streamlining excise dispute resolution, improving efficiency, and encouraging compliance, aligning with the Union Budget 2025's focus on administrative reform.

W.E.F: 1st April, 2025

Power of Settlement Commission to send a case back to the Central Excise Officer.

Section 32 L of the Central Excise Act, 1944.

Existing Provision: This section allows the Settlement Commission to return a case to the Central Excise Officer if the applicant fails to cooperate, enabling the officer to proceed with the case using all relevant materials and information.

Proposed Provision: The amendment to Section 32L shifts the authority from the Settlement Commission to the Interim Board, ensuring continuity in handling cases referred back to Central Excise Officers starting April 1, 2025.

Implication: The amendment in the Union Budget 2025 shifts authority for sending cases to Central Excise Officers from the Settlement Commission to the Interim Board, ensuring continuity, efficiency, and streamlined dispute resolution.

W.E.F: 1st April, 2025

Order of settlement to be conclusive.

Section 32 M of the Central Excise Act, 1944.

Existing Provision: This section establishes that the order of settlement under Section 32-F(5) is final and conclusive on the matters addressed, preventing reopening of those matters in any future proceedings unless specified otherwise.

Proposed Provision: the provisions of this section apply equally to the Interim Board as they previously applied to the Settlement Commission.

Implication: This section transfers the Settlement Commission's powers to the Interim Board from April 1, 2025, ensuring continuity, streamlining excise dispute resolution, and enhancing administrative efficiency.

W.E.F: 1st April, 2025

Bar on subsequent application for settlement in certain cases.

Section 32 O of the Central Excise Act, 1944.

Existing Provision: This section prohibits subsequent settlement applications under Section 32E if a penalty is imposed for concealment, a conviction occurs, or the case is sent back to the Central Excise Officer.

Proposed Provision: This section transfers the authority to the Interim Board, ensuring the same provisions apply to it as they did to the Settlement Commission.

Implication: The amendment transfers the responsibility of handling barred settlement applications from the Settlement Commission to the Interim Board, ensuring continuity, efficiency, and consistency in excise dispute resolution post-restructuring.

W.E.F: 1st April, 2025

Proceedings before Settlement Commission to be judicial proceedings.

Section 32 P of the Central Excise Act, 1944.

Existing Provision: Proceedings before the Settlement Commission are deemed judicial proceedings under Sections 193, 228, and 196 of the Indian Penal Code, ensuring legal accountability and authority.

Proposed Provision: This section transfers the judicial authority from the Settlement Commission to the Interim Board, effective April 1, 2025, ensuring continuity in the legal framework for proceedings.

Implication: The amendment shifts judicial authority from the Settlement Commission to the Interim Board, ensuring continuity in excise duty proceedings and aligning with the Union Budget 2025's restructuring goals.

W.E.F: 1st April, 2025

Time of supply of goods.

Section: 12 (4) of the Central Goods and Services Tax

Existing Provision: In case of supply of vouchers by a supplier, the time of supply shall be-

- (a) The date of issue of voucher, if the supply is identifiable at that point; or
- (b) The date of redemption of voucher, in all other cases.

Proposed Provision: This sub-section(4) of the section 12, shall be omitted.

Implication: The determination of the time of supply for vouchers will no longer depend on either the issue or redemption date, which may result in ambiguity regarding the timing of GST liability.

W.E.F: 1st April, 2025

Time of supply of Services.

Section :13 (4) of the Central Goods and Services Tax

Existing Provision: In case of supply of vouchers by a supplier, the time of supply shall be-

- (a) The date of issue of voucher, if the supply is identifiable at that point; or
- (b) The date of redemption of voucher, in all other cases.

Proposed Provision: This sub-section (4) of the section 13, shall be omitted.

Implication: The determination of the time of supply for vouchers will no longer depend on either the issue or redemption date, which may result in ambiguity regarding the timing of GST liability.

W.E.F: 1st April, 2025

Apportionment of credit and blocked credits.

Section: Section 17(5) of the Central Goods and Services Tax Act.

Existing Provision: ITC is blocked in the following case: 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.

Proposed Provision: In the above Section the words “plant or machinery” shall be substituted by “plant and machinery”.

Implication: This amendment clarifies that the reference to "plant or machinery" in Clause (d) will now and retrospectively be considered as "plant and machinery," resolving any ambiguity or conflicting judgments.

W.E.F: 1st July 2017

Manner of distribution of credit by input service distributor

Section: section 20(1) & 20(2) of the Central Goods and Services Tax Act.

Existing Provision: The Input Service Distributor (ISD) distributes input tax credit to its recipients based on a proportional formula, usually tied to turnover. It must file GSTR-6 and maintain records to support the distribution process

Proposed Provision In sub-section (1) & (2), after the words “section 9,” the following will be inserted of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017.”

Implication: This amendment expands the reference to include provisions under the Integrated Goods and Services Tax Act, 2017, in addition to Section 9 of the Central Goods and Services Tax Act.

W.E.F: 1st April 2025

Credit and debit notes

Section: section 34(2) of the Central Goods and Services Tax Act.

Existing Provision: Section 34 deals with the issuance of credit notes and the reduction of output tax liability in cases where supplies are returned or adjusted.

Proposed Provision: In sub-section (2), the existing proviso will be substituted with the following:

“Provided that no reduction in output tax liability of the supplier shall be permitted, if the—

(i) input tax credit attributable to such a credit note has not been reversed by the recipient, where the recipient is a registered person; or

(ii) incidence of tax on such supply has been passed on to any other person, in other cases.”

Implication: This amendment ensures that suppliers cannot reduce their output tax liability if the recipient has not reversed the corresponding input tax credit or if the tax burden has been passed on to another person.

W.E.F: 1st April 2025

Communication of details of inward supplies and input tax credit

Section: In section 38(1) & 38(2) of the Central Goods and Services Tax Act

Existing Provision: Section 38 deals with the filing and submission of statements related to the returns under GST.

Proposed Provision:

In section 38, sub-section (1) will replace "an auto-generated statement" with "a statement." In sub-section (2), "auto-generated statement under" will be changed to "statement referred in." The word "and" in clause (a) will be omitted, and "including" will be added in clause (b) after "by the recipient." A new clause (c) will be inserted to include "such other details as may be prescribed."

Implication: These changes clarify the nature of the statement required and expand the details to be provided in the statement, allowing for additional prescribed information to be included.

W.E.F: 1st April 2025

Furnishing of returns

Section: In section 39(1) of the Central Goods and Services Tax Act

Existing Provision: Section 39 deals with the filing of returns under the Central Goods and Services Tax Act.

Proposed Provision: In sub-section (1), the words “and within such time” will be substituted with “within such time, and subject to such conditions and restrictions.”

Implication: This amendment introduces conditions and restrictions in addition to the time frame for filing returns, providing more flexibility and control over the return filing process.

W.E.F: 1st April 2025

Appeals to Appellate Authority

Section: In section 107(6) of the Central Goods and Services Tax Act

Existing Provision: Section 107 deals with the filing of appeals under the Central Goods and Services Tax Act.

Proposed Provision: In sub-section (6), the existing proviso will be substituted in case of any order demanding penalty without involving the demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty has been paid by the appellant.

Implication: This amendment makes it mandatory to pay 10% of the penalty amount before filing an appeal against an order that demands a penalty without a tax demand.

W.E.F: 1st April 2025

Appeal To Appellate Tribunal

Section: 112 of the Integrated Goods and Services Tax

Existing Provision: An appeal cannot be filed unless the appellant has paid the admitted tax, interest, fine, penalty, and 20% of the disputed tax amount, up to a maximum of Rs.50 crore.

Proposed Provision: Section 112(8) of the CGST Act is amended to mandate a **10% pre-deposit of the penalty** before appealing penalty-only orders, in addition to the amount under Section 107(6).

Implication: This amendment strengthens **tax enforcement**, minimizes **unnecessary appeals**, and ensures **timely penalty payments**, ultimately improving tax administration efficiency.

W.E.F: 1ST April 2025

Insertion for new section 122B

Penalty For Failure to comply with track & trace mechanism

Proposed Provision: Any person referred to in clause (b) of sub section (1) of section 148A, of integrated goods and service tax, the person violates the section than the penalty will be either Rs. 1 Lakhs or 10% of the tax payable on the goods involved in the violation. The person will have to pay whichever of these two amounts is higher, in addition to any other penalties they might face under other parts of the law.

Implication: The proposed provision emphasizes greater business accountability in GST compliance, particularly in goods tracking, potentially boosting tax revenue while urging businesses to avoid penalties through enhanced adherence to regulations.

W.E.F: 1ST April 2025

Budget Publication Team



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