DPNC GLOBAL

BRIEF HIGHLIGHTS OF THE UNION BUDGET 2025

(Direct & Indirect Tax)

A. KEY HIGHLIGHTS OF DIRECT TAX AMENDMENTS:

- The Budget 2025-26 revamped the tax rates under Section 115BAC as follows:

Proposed Income Slab under new tax regime (in Rs)	Slab Tax Rates	Existing Income Slab under new tax regime (in Rs)	Slab Tax Rates
Up to 4L	NIL	Up to 3L	NIL
4L - 8L	5%	3L - 7L	5%
8L – 12L	10%	7L – 10L	10%
12L – 16L	15%	10L – 12L	15%
16L – 20L	20%	12L – 15L	20%
20L- 24L	25%	Above 15L	30%
Above 24L	30%		

- Rebate u/s 87A under New Tax Regime of Rs. 60,000/- is proposed compared to existing rebate of Rs. 25,000/-. However, no rebate shall be available against income taxable at special rate as specified in chapter XII of the Act.

Key Tax Implications of amendments proposed in slab rates for new tax regime and amendments proposed in section 87A applicable for Resident Individual in summarized form are as under:

- No Tax payable if income earned is up to Rs. 12 Lakh for a person earning income other than salary income like business income, professional income, rental income, other source income etc. Rebate u/s 87A will be available in such case.
- No Tax payable if income earned is up to Rs. 12.75 Lakh for a person earning salary income as well as other incomes like business income, professional income, rental income, other source income etc. because of standard deduction of Rs 75,000 allowed from salary income.
- Rebate u/s 87A shall not be available if total income exceeds Rs. 12 Lakh (excluding income taxable at special rate i.e. special rate income will not be clubbed in the other income for purpose of calculating limit of Rs. 12 lakh for rebate purposes). In such case, total income (other than special rate income) shall be chargeable to tax as per applicable slab rates subject to marginal relief.
- Marginal Relief available if income (other than special rate income) exceeding Rs. 12 Lakh is lower than tax applicable on total income (other than special rate income). Tax payable in such case will be restricted to income (other than special rate income) exceeding Rs. 12 lakh.
- Rebate u/s 87A shall not be available on the income taxable at special rate like STCG taxable @15%, LTCG taxable @12.5% etc. Applicable tax at special rate income is to be paid even if total income including special rate income is within Rs. 12 lakh limit. However, no tax on other income in such case due to rebate u/s 87A.

- **New Income Tax Bill to be tabled next week**

- **Extension of timeline for tax benefits to start-ups**
  Currently, this benefit is available for start-ups incorporated before 01/04/2025. The proposed amendment extends this period by five years, allowing startups incorporated before 01/04/2030 to avail of the tax benefit.

- **Rationalization of the Self-occupied property taxation**
  The proposed amendment to Section 23(2) allows the annual value to be nil if the owner either occupies the property or cannot do so for any reason, removing the specific condition related to business or employment.

- **Extending the time-limit to file the updated return**
  It is proposed to extend the filing period for updated returns from 24 to 48 months from the end of the relevant assessment year. With this extension, additional tax rates are prescribed.

- **Carry forward of losses in case of amalgamation and business reorganization**
  Sections 72A and 72AA are proposed to be amended to limit the carry-forward period of accumulated losses in cases of amalgamation and business reorganization. It is proposed that the successor entity can carry forward such losses for up to 8 assessment years from when they were first computed for the predecessor entity.

- **Presumptive taxation for non-resident providing services for electronics manufacturing facility**
  A new Section 44BBD is proposed to introduce presumptive taxation for non-residents providing services or technology to Indian companies setting up or operating electronics manufacturing facilities. Their business income will be deemed as 25% of the total amount received or paid for such services, resulting in an effective tax rate of less than 10% on gross receipts for the non-resident company.

- **Harmonization of Significant Economic Presence applicability with Business Connection**
  A proviso is proposed to be added to Section 9 Explanation 2A, clarifying that a non-resident’s transactions or activities in India solely for purchasing goods for export will not constitute a Significant Economic Presence (SEP) in India.

- **Rationalization of transfer pricing provisions for carrying out multi-year arm’s length price determination**
  Transfer pricing provisions are proposed to be amended so that once the Arm’s Length Price (ALP) is determined for a year, it will automatically apply to similar transactions for the next two years. Assessees can opt for this scheme within a prescribed timeframe, subject to approval by the Transfer Pricing Officer (TPO) to ensure consistency.

- **Obligation to furnish information in respect of crypto-asset**
  A new Section 285BAA is proposed to enhance compliance and transparency in crypto transactions by requiring prescribed reporting entities to submit details of crypto-asset transactions within a specified timeframe and format.

- **Deduction under section 80CCD for contributions made to NPS Vatsaly**
  Section 80CCD is proposed to be amended to extend tax benefits to contributions made to NPS Vatsalya accounts. Parents/guardians can claim a deduction of up to ₹50,000 under Section 80CCD(1B) for contributions to a minor's NPS account. Withdrawals from the minor's account, including accrued amounts, will be taxed. However, if the account is closed due to the minor’s death, the amount received will not be considered income for the parent/guardian.

- **Clarity on redemption of Unit Linked Insurance Policy**
  Section 10(10D) exempts sums received under a life insurance policy if the annual premium does not exceed 10% of the sum assured, with a cap of ₹2.5 lakh. It has been clarified that ULIPs not eligible for this exemption will be treated as capital assets, and any gains from their redemption will be taxed as capital gains.

- **Relaxation in Registration provisions for Trusts: Incomplete Applications No Longer a "Specified Violation“**
  Section 12AB(4) currently allows for the cancellation of a trust or institution's registration for "specified violations," including incomplete or false applications, which can lead to tax liability on accreted income. The proposed amendment seeks to exclude incomplete applications from being classified as a "specified violation," preventing cancellation for minor issues.

- **Period of registration of smaller trusts or institutions proposed to be increased from 5 years to 10 years**
  The proposed amendment suggests extending the registration validity to 10 years for trusts with income under ₹5 crores in the past two years and that meet certain criteria.

- **Rationalization of persons specified under sub-section (3) of section 13 for trusts or institutions**
  The current provisions deny exemptions under Sections 11 and 12 if a trust's income benefits a "specified person" (excluding founders, trustees, members, or managers) or their related entities. Previously, a person contributing ₹50,000 was considered a "specified person." The amendment raises this threshold to ₹1 lakh in the relevant year or ₹10 lakh in total up to the end of the year. It also removes relatives and entities with substantial interest from being classified as "specified persons" under Section 13(3), applying to persons other than the trust's author, founder, trustee, member, or manager.

- **Amendment proposed in definition of 'Capital Asset' to include 'Securities held by Investment Fund'**
  It is proposed that securities held by investment funds, in line with SEBI regulations, will be treated as capital assets, and income from their transfer will be classified as capital gains.

- **Time limit for imposing penalties rationalized**
  To streamline it is proposed to amend Section 275 to set a single time limit for penalty imposition. The new deadline would be 6 months from the end of the quarter in which any of the following occur- the connected proceedings are completed or the appeal order is received by the jurisdictional Principal Commissioner or Commissioner or the revision order is passed or the penalty notice is issued.

- **Certain penalties to be imposed by the Assessing Officer and not by Joint Commissioner**
  Sections 271C, 271CA, 271D, 271DA, 271DB, and 271E of the Act currently require penalties to be imposed by the Joint Commissioner (JCIT), even though the assessment is carried out by the Assessing Officer (AO). To streamline the process, it is proposed to amend these sections so that penalties will be levied by the AO instead of the JCIT. However, the AO will need prior approval from the JCIT under Section 274(2).

- **Revision in time limit for approval for retention of books of seized books of account or other documents:**
  Under the existing provisions of Section 132(8), the Assessing Officer (AO) must obtain approval to retain seized books of account or documents within 30 days of the assessment, reassessment, or re-computation order. The proposed amendment extends this time limit to one month from the end of the quarter in which the assessment, reassessment, or re-computation order is made.

- **Revision of certain TDS/TCS threshold (applicable with effect from ('w.e.f.') 1st April 2025)**

<table>
<tr><th>Section</th><th>Nature of Payment</th><th>Existing Threshold (in Rs.)</th><th>Proposed Threshold (in Rs.)</th></tr>
<tr><td>193</td><td>Payment of interest on securities</td><td>NIL</td><td>10,000</td></tr>
<tr><td>194</td><td>Payment of dividend to an individual shareholder</td><td>5,000</td><td>10,000</td></tr>
<tr><td rowspan="4">194A</td><td colspan="3">Payment of interest other than interest on securities</td></tr>
<tr><td>By Bank, co-operative bank and post office to person other than senior citizen</td><td>40,000</td><td>50,000</td></tr>
<tr><td>By Bank, co-operative bank and post office to senior citizens</td><td>50,000</td><td>1,00,000</td></tr>
<tr><td>By any other person to any person</td><td>5,000</td><td>10,000</td></tr>
<tr><td>194B</td><td>Winnings from Lottery, crossword puzzle, etc.</td><td rowspan="2">10,000/FY</td><td rowspan="2">10,000/ transaction</td></tr>
<tr><td>194BB</td><td>Winnings from horse race</td></tr>
</table>

Section	Nature of Payment	Existing Threshold (in Rs.)	Proposed Threshold (in Rs.)
194D	Payment of Insurance Commission	15,000	20,000
194G	Payment of commission, prize etc. on sale of lottery tickets	15,000	20,000
194H	Payment of commission or brokerage	15,000	20,000
194I	Payments of rent	2,40,000/ FY	50,000/month
194J	Fees for professional or technical services	30,000	50,000
194K	Payment of Income in respect of units of a mutual fund or specified company or undertaking	5,000	10,000
194LA	Payment in respect of compulsory acquisition of land	2,50,000	5,00,000
206C(1G)	Remittance under LRS and for overseas tour program package	7,00,000	10,00,000

- **Changes proposed in TDS and TCS rates (to be effective from 1st April, 2025) :**

TDS			
S. No.	**Section of the Act**	**Existing TDS/TCS Rate**	**Proposed TDS/TCS Rate**
1	Section 194LBC - Income in respect of investment in securitization trust	25% if payee is Individual or HUF and 30% otherwise	10%
TCS			
2	Section 206C(1) – TCS on timber or any other forest produce (not being tendu leaves) obtained under a forest lease and timber obtained by any mode other than under a forest lease	2.50%	2%
3	Section 206C(1G) – TCS on remittance under LRS for purpose of education financed by loan from financial institution	0.50% post Rs. 7 lakh	Nil

- **Extending the processing period of application seeking immunity from penalty and prosecution**
  It is proposed to extend the period for passing an order from one month to three months from the end of the month in which the application is received.

- **Reduction in compliance burden by omission of TCS on sale of specified goods:**
  To reduce the compliance burden on sellers, it is proposed that Section 206C(1H) will be removed from 1st April 2025.

- **Exemption from prosecution for delayed payment of TCS in certain cases**
  The proposed amendment seeks to exempt prosecution if the TCS is deposited before filing the quarterly TCS return.

- **Removal of higher TDS/TCS for non-filers of return of income**
  Sections 206AB and 206CCA were introduced to enforce tax return filing by individuals with taxable income by imposing higher tax deduction/collection rates on non-filers. However, tax deductors/collectors face challenges verifying tax filing status, resulting in higher rates, capital blockage, and increased compliance. To ease this burden, it is proposed to remove both sections, effective from 1st April 2025.

- **Exemption on life insurance policy from IFSC Insurance offices**
  Sum received by non-residents availing life insurance from IFSC Insurance office shall be exempt.

- **Deemed dividend exemption to corporate treasury centres in IFSC**
  Loans or advances between group entities will not be treated as dividend if an entity is set up as a corporate treasury center in IFSC and the parent/ principal entity of such group is listed on a stock exchange outside India.

- **New tax incentives for ship leasing units in IFSC**
  Exemption from capital gains and dividend available for IFSC unit engaged in aircraft leasing also extended to IFSC unit engaged in ship leasing.

- **Simplified regime for fund managers based in IFSC**
  The condition under Section 9A(c) is being relaxed for all investment funds, regardless of whether their fund manager is in IFSC, by assessing aggregate participation or investment on April 1 and October 1 of the previous year.

- **Extension of sunset dates for several tax concessions pertaining to IFSC**

Section	Applicable to	Deduction/benefit available	Sunset clause
80LA	Aircraft / Ship leasing companies in IFSC	Income arising from transfer of a leased aircraft or ship by an IFSC unit is exempt from tax.	The sunset clause for commencement of operations of such aircraft/ship leasing IFSC units for the purpose of this exemption has been extended from 31 March 2025 to 31 March 2030
9A	Fund managers in IFSC	Fund management activities carried out by an eligible fund manager in IFSC for on behalf of an eligible investment fund shall not constitute business connection in India	The sunset clause for commencement of operations of such IFSC fund manager for the purpose of this exemption has been extended from 31 March 2025 to 31 March 2030
47(viiad)	Tax neutral relocation of funds to IFSC	Income from transfer of assets from an offshore fund to a resultant fund in IFSC has been exempted from tax.	The sunset clause for transfer of assets for the purpose of this exemption has been extended from 31 March 2025 to 31 March 2030
10(4D)	Investment Division of non-resident IBU	Income from foreign securities, capital gains from Indian securities (other than equity shares), capital gains from securities listed on IFSC exchanges, business income from securitisation trust.	The sunset clause for commencement of investment operations by such IBUs has been extended from 31 March 2025 to 31 March 2030
10(4F)	Non-residents leasing aircraft/ship to IFSC unit	Income of a non-resident by way of royalty or interest on account of lease of an aircraft/ship paid by a unit of an IFSC is exempt from tax.	The sunset clause for commencement of operations of such aircraft/ship leasing IFSC units for the purpose of this exemption has been extended from 31 March 2025 to 31 March 2030
10(4H)	Capital gain tax exemption on sale of an IFSC unit engaged in aircraft leasing	Capital gain tax exemption for a non-resident shareholder or unit of an IFSC engaged primarily in aircraft leasing, from the transfer of equity shares of domestic company, being an IFSC Unit engaged primarily in aircraft leasing	The sunset clause for commencement of operations of such aircraft leasing IFSC units for the purpose of this exemption has been extended from 31 March 2026 to 31 March 2030

B. KEY INDIRECT TAX AMENDMENTS

Central Goods and Service Tax Act amendment (effective from the date to be notified)

- **Input Service Distributor changes**
  Section 2(61) is being amended to enable the Input Service Distributor (ISD) to distribute input tax credit for inter-state supplies subject to reverse charge mechanism (RCM). This amendment will be effective from 1st April 2025. This will allow ISD to distribute IGST credit on supplies covered under RCM.

- **Blocked Credit:**
  Section 17(5)(d) is being amended to replace "plant or machinery" with "plant and machinery." This amendment, effective retrospectively from 1st July 2017, aims to address the recent observations made by the Hon'ble Supreme Court in the case of Safari Retreat (Civil appeal no. 2948 of 2023), overriding any contrary court rulings, any reference to “plant or machinery” shall be construed and shall always be deemed to have been construed as a reference to “plant and machinery”.

- **10% Pre- deposit in case involving only penalty amount for appeals-**
  Section 107(6) and 112(8) is being amended to provide for 10% mandatory pre-deposit of penalty amount for appeals before Appellate Authority/ Tribunal respectively in cases involving demand of penalty without involving demand of any tax.

- **Special Economic Zone or Free Trade Warehousing Zone-**
  Schedule III of CGST Act is being amended, w.e.f. 01.7.2017 by inserting a new clause (aa) in paragraph 8 of Schedule III, to provide that the supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area shall be treated neither as supply of goods nor as supply of services.

- **Unique Identification Marking-**
  A new clause (116A) is being inserted in section 2 to provide definition of Unique Identification Marking (UIM) for implementation of Track and Trace Mechanism. Further, section 148A is being inserted to provide for an enabling mechanism for Track and Trace Mechanism for specified commodities and section 122B is being inserted to provide penalty for contraventions of provisions related to the Track and Trace Mechanism.

Custom Act, 1962 and Custom tariff Act,1975

- **Time Limit for Provisional Assessment-**
  Section 18 of the Custom Act is amended , to provide time limit of two years for finalization of provisional assessment, provided that the Principal commissioner of custom may, extend the said period of two year to a further period of one year. Further, a new sub-section (1C) is being inserted to provide for certain grounds on which the time-limit of two years for finalizing provisional assessment shall remain suspended.

- **Voluntary revision of entry post clearance-**
  A new section 18A has been inserted, where the importer or exporter of the goods, after the clearance, may revise an entry already made in relation the goods ,in such form and manner, within such time and subject to such conditions as may be prescribed.

- **Rationalization of Tariff rates-**
  The First/Second Schedule is being amended to reduce the tariff rates on certain tariff items to implement rationalization of customs tariff structure and reduction of rate slabs alongside creation of new tariff items for better identification of goods and to align tariff lines with World Customs Organization classification.

- **Interim Board for settlement**-
  Interim Board is constituted for dispute settlement and settlement commission will cease from 1st April,2025 and all pending application before settlement commission will be taken over by interim board.

- **Changes in tariff notification-**
  - AIDC rates on 32 tariff line items are revised and 82 tariff lines have been exempted from levy of Social welfare surcharge with the objective to levy not more than one cess or surcharge.
  - 36 lifesaving drugs and medicines are added to the list of medicines fully exempted from Basic Customs Duty.
  - 6 lifesaving medicines are added to the list attracting concessional customs duty of 5%.
  - 37 more medicines are added in fully exempt from BCD list under Patient Assistance Programmes run by pharmaceutical companies and 13 more such programmes are added in the list.
  - Cobalt powder and waste, the scrap of lithium-ion battery, Lead, Zinc and 12 more critical minerals exempted from BCD to secure their availability for manufacturing in India
  - 35 additional capital goods for EV battery manufacturing, and 28 additional capital goods for mobile phone battery manufacturing added in list of exempted capital goods
  - BCD on Interactive Flat Panel Display (IFPD) increased from 10% to 20% and BCD on Open Cell and other components reduced to 5%
  - Exemption of BCD on raw materials, components, consumables or parts for the manufacture of ships extended for another ten years

Disclaimer

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UNION BUDGET 2025

For complete details, please refer our comprehensive analysis of the Union Budget 2025. Should you require any further clarification or additional information regarding the Budget proposals, please feel free to contact us

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