Budget Highlights

FY 2025-2026

Partners & Directors

Vineet Rathi	Monank Shah	Sanket Shah	Chintan Upadhyay	Vinay Rathi

Senior Team Members

Jimi Swaly	Madhav Laddha	Sahil Jotsingani	Stuti Dholakia	Sakshi Sodani
Sreejitha Sarma	Kiran Bochiwal	Vraj Patel	Akshay Tita	Pratima Parmar
Khushboo Shah	Dhvani Panchal	Razzak Quraishi	Bhavin Prajapati	Khushal Makani
Prashant Mandalia	Devanshi Mistry	Het Patel	Krupali Vyas	Manav Shah
Romik Parmar	Anis Tolat	Tirth Mistry	Madan Singh Rathore	
Zinkal Raulji				

SPECIAL THANKS TO THE FOLLOWING INDIVIDUALS FOR THEIR INVALUABLE CONTRIBUTIONS TO THE CREATION OF OUR BUDGET BOOK.

Omprakash Rathi	Ruchi Rathi	Darshil Surana	Kushal Dalal	Jeet Bhavsar
Ashok Panchariya	Ram Bheda	Bhargav Dave		

Part-A

Plans & Schemes for Different Engines

1st Engine,

Agriculture

'Prime Minister Dhan-Dhaanya Krishi Yojana' in partnership with states covering **100 districts** to increase productivity, adopt crop diversification, augment post-harvest storage, improve irrigation facilities, and facilitate availability of long-term and short-term credit.

A comprehensive multi-sectoral **'Rural Prosperity and Resilience' programme** will be launched in partnership with states to address underemployment in agriculture through skilling, investment, technology, and invigorating the rural economy. The goal is to **generate ample opportunities in rural areas**, with focus on rural women, young farmers, rural youth, marginal and small farmers, and landless families.

Government will launch a **6-year "Mission for Aatmanirbharta in Pulses"** with special focus on **Tur**, **Urad** and **Masoor**. Central agencies (NAFED and NCCF) will be ready to procure these 3 pulses, as much as offered during the next 4 years from farmers.

The Budget has outlined measures pertaining to **the Comprehensive Programme for Vegetables & Fruits**, **National Mission on High Yielding Seeds**, and **a five-year Mission for Cotton Productivity** amongst other measures to promote agriculture and allied activities in a major way.

Increase in loan limits from **Rs. 3 lakh** to **Rs. 5 lakh** for loans taken through **Kisan Credit Cards** under modified interest subvention scheme.

2nd Engine,

MSMEs

To help MSMEs achieve higher efficiencies of **scale**, **technological upgradation** and **better access to capital**, the investment and turnover limits for classification of all MSMEs enhanced to 2.5 and 2 times, respectively.

	Investment (in Cr)		Turnover (in Cr)	
	Previous	Amended	Previous	Amended
Micro	1	2.5	5	10
Small	10	25	50	100
Medium	50	125	250	500

A new scheme was launched for 5 lakh women, Scheduled Castes and Scheduled Tribes first-time entrepreneurs. This will provide term loans up to Rs. 2 crore during the next 5 years.

Government will also implement a scheme to make India a global hub for toys representing the 'Made in India' brand. She added that the Government will set up a National Manufacturing Mission covering small, medium and large industries for furthering "Make in India".

3rd Engine,

Investment

Under the **investment in people**, the Finance Minister, Nirmala Sitaraman announced that **50,000 Atal Tinkering Labs** will be set up in Government schools in next 5 years.

Broadband connectivity will be provided to all Government secondary schools and primary health centers in rural areas under the Bharatnet project.

Bharatiya Bhasha Pustak Scheme will be implemented to provide **digital-form Indian language books** for school and higher education.

Five National Centres of Excellence for skilling will be set up with global expertise and partnerships to equip our youth with the skills required for **"Make for India, Make for the World"** manufacturing.

A **Centre of Excellence in Artificial Intelligence** for education will be set up with a total outlay of **500 crore**.

Government will arrange for **Gig workers' identity cards**, their registration on the **e-Shram portal** and healthcare under **PM Jan Arogya Yojana.**

Under the investment in Economy, Infrastructure-related ministries will come up with a **3-year pipeline of projects in PPP mode**.

Outlay of **Rs 1.5 lakh crore** was proposed for the 50-year interest free loans to states for capital expenditure and incentives for reforms.

Gyan Bharatam Mission, for survey, documentation and conservation of more than **1 crore manuscripts** with academic institutions, museums, libraries and private collectors.

A **National Digital Repository** of Indian **knowledge systems** for knowledge sharing is also proposed.

The 2nd **Asset Monetization Plan 2025-30** to plough back capital of **Rs 10 lakh crore** in new projects.

The **Jal Jeevan Mission** was extended till **2028** with focus on the quality of infrastructure and Operation & Maintenance of rural piped water supply schemes through **"Jan Bhagidhari"**.

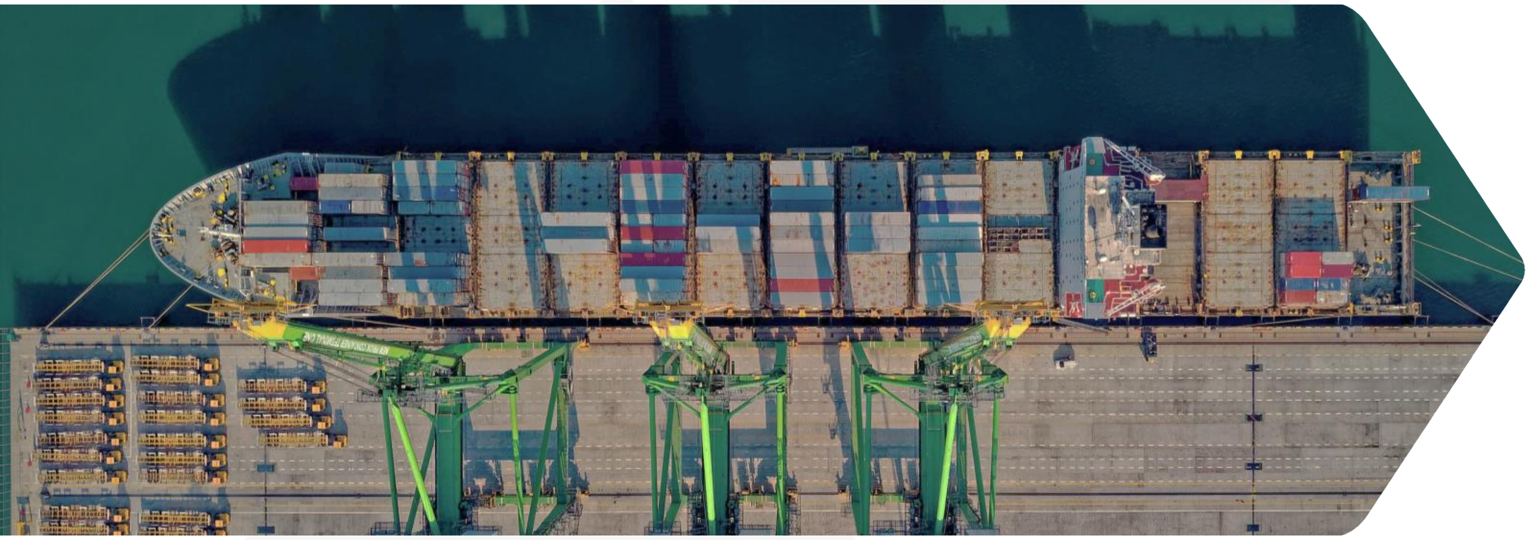
Government will set up an **Urban Challenge Fund of Rs.1 lakh crore** to implement the proposals for **'Cities as Growth Hubs'**, **'Creative Redevelopment of Cities'** and **'Water and Sanitation'**.

Under the **Investment in Innovation**, an allocation of **Rs 20,000 crore** is announced to implement private sector driven **Research**, **Development** and **Innovation** initiative.

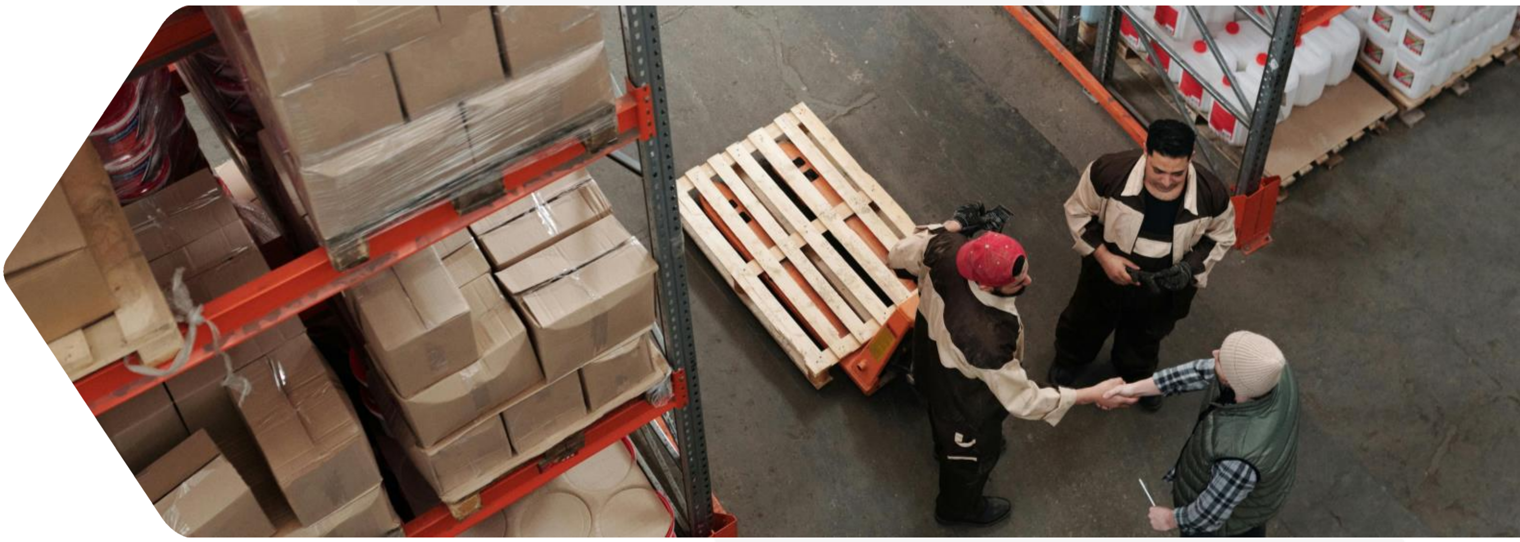
Finance Minister proposed **National Geospatial Mission** to develop foundational **Geospatial Infrastructure** and data which will benefit urban planning.

4th Engine,
Exports

Digital Public Infrastructure, **'Bharat Trade Net' (BTN)** for international trade was proposed as a unified platform for trade documentation and financing solutions.



Support will be provided to develop **domestic manufacturing capacities** for our economy's integration with global supply chains. The government will support the **domestic electronic equipment industry** for leveraging the opportunities related to **Industry 4.0**. A National Framework has also been proposed for **promoting Global Capability Centers** in **emerging tier 2 cities**.



The government will facilitate **upgradation of infrastructure and warehousing** for **air cargo** including **high value perishable horticulture produce**.

Financial Sector Reforms and Development

In a demonstrated steadfast commitment of the Government towards **'Ease of Doing Business'**, the Union Finance Minister proposed changes across the length and breadth of the financial landscape in India to **ease compliance**, **expand services**, **build strong regulatory environment**, **promote international and domestic investment**, and **decriminalization of archaic legal provisions**.

The **Union Finance Minister** proposed to raise the **Foreign Direct Investment (FDI)** limit for the insurance **from 74 to 100 per cent**, to be available for those companies that invest the entire premium in India.

Smt. Sitharaman proposed a light-touch regulatory framework based on principles and trust to **unleash productivity** and **employment**. She proposed **four specific measures** to develop this modern, flexible, people-friendly, and trust-based regulatory framework for the 21st first century, viz.:

1. High Level Committee for Regulatory Reforms

- To review all **non-financial sector regulations, certifications, licenses, and permissions.**
- To strengthen **trust-based economic governance** and take transformational measures to enhance **'ease of doing business'**, especially in matters of inspections and compliance.
- To make recommendations within a year.
- States will be encouraged to be onboarded.

2. Investment Friendliness Index of States

- An **Investment Friendliness Index of States** will be launched in 2025 to further the spirit of competitive cooperative federalism.

3. Mechanism under the Financial Stability and Development Council (FSDC)

- Mechanism to evaluate impact of the current financial regulations and subsidiary instructions.
- Formulate a framework to enhance their responsiveness and development of the financial sector.

4. Jan Vishwas Bill 2.0

- To decriminalize more than **100 provisions** in various laws.

Fiscal Consolidation

The Revised Estimate 2024-25 of fiscal deficit is **4.8 per cent of GDP**, while the Budget Estimates 2025-26 is estimated to be **4.4 per cent of GDP**.

Revised Estimates FY 2024-25

The Minister said that the Revised Estimate of the total receipts other than borrowings is **₹31.47 lakh crore**, of which the net tax receipts are **₹25.57 lakh crore**. She added that the Revised Estimate of the total expenditure is **₹47.16 lakh crore**, of which the capital expenditure is about **₹10.18 lakh crore**.

Budget Estimates FY 2025-26

For FY 2025-26, the Union Finance Minister stated that the total receipts other than borrowings and the total expenditure are estimated at **₹34.96 lakh crore** and **₹50.65 lakh crore** respectively. The net tax receipts are estimated at **₹28.37 lakh crore**.

Part-B

Plans & Schemes for Different Engines

Direct Taxation

Personal Taxation Changes

Changes Proposed in Salary Slab Rates:

Tax Rates for Individuals/HUF/BOI & AJP /AOP (Other than Co-Operative Society)			
Existing Slabs	**Existing Tax Rates**	**Proposed Slabs**	**Proposed Tax Rates**
Net Taxable Income (INR)	**Slab Rate**	**Net Taxable Income (INR)**	**Slab Rate**
Up to 3,00,000	NIL	Up to 4,00,000	NIL
3,00,001 – 7,00,000	5%	4,00,001 – 8,00,000	5%
7,00,001 – 10,00,000	10%	8,00,001 – 12,00,000	10%
10,00,001 – 12,00,000	15%	12,00,001 – 16,00,000	15%
12,00,001 – 15,00,000	20%	16,00,001 – 20,00,000	20%
Above 15,00,000	30%	20,00,001 – 24,00,000	25%
		Above 24,00,000	30%

Notes:

- Surcharge @ 10% if income exceeds INR 50 Lakhs but not exceeding INR 1 Crore.
- Surcharge @ 15% if income exceeds INR 1 Crore but not exceeding INR 2 Crores.
- Surcharge @ 25% if income exceeds INR 2 Crores.
- Health and Education Cess @ 4% of Tax +
- Surcharge.
- Maximum rebate of INR 60,000 available to resident individuals with total income up to INR 12,00,000.
- Rebate not available on Capital Gain (LTCG,STCG)

The amendment proposes an **increase in the rebate limit** under section 87A for individuals opting for the new tax regime. The limit has been enhanced from **INR 25,000** to **INR 60,000**, allowing a rebate where no tax is payable for total income up to **INR 12 Lakhs**. This benefit is not available for income charged at special rates. There is **no change for** individuals opting for the **old tax regime**.

Tax Rates for Foreign Companies					
Particulars	**Existing Tax**	**Proposed Tax**	**Surcharge**	**Cess**	**Total**
Income upto INR 1 Crore	40%	35%	-	4%	36.40%
Income exceeding INR 1 Crore but not exceeding than INR 10 Crores	40%	35%	2%	4%	37.13%
Income exceeding INR 10 Crores	40%	35%	5%	4%	38.22%

Notes:

- Health and Education Cess @ 4% of Tax + Surcharge

Changes Proposed in TDS/ TCS Rates:

Rates of Tax Deduction at Source						
Section	Nature of Payments made to Resident	Threshold Limits		Payee		Notes
		Present (INR)	Proposed (INR)	Company, Partnership Firm/LLP/ Co–op Soc./ Local Auth.	Individual, HUF, AOP & BOI	
				Rates	Rates	
192	Salary	N.A.	-	N.A.	Refer N2	N2
193	Interest on Securities	-	10,000	10%	10%	N3
194	Dividends for individual shareholder	5,000	10,000	10%	10%	-
194-A	Other Interest	5,000	10,000 / 50,000 / 1,00,000	10%	10%	N1, N4
194-B	Winning from Lotteries or crossword puzzle, etc.	Aggregate >10,000	10,000 in respect of single transaction	30%	30%	-
194-BB	Winnings from Horse races	Aggregate >10,000	10,000 in respect of single transaction	30%	30%	-
194-D	Insurance Commission	15,000	20,000	10% - (company) 2% - (other than company)	2%	-
194-G	Commission etc. on the sale of lottery tickets	15,000	20,000	2%	2%	-
194-H	Commission/ Brokerage	15,000	20,000	2%	2%	N1
194–I	Rent of machinery, plant or equipment	2,40,000	50,000/month or part of month	2%	2%	N1
194-I	Rent of land, building, or furniture	2,40,000		10%	10%	N1

Rates of Tax Deduction at Source						
Section	Nature of Payments made to Resident	Threshold Limits		Payee		Notes
				Company, Partnership Firm/LLP/ Co–op Soc./ Local Auth.	Individual, HUF, AOP & BOI	
		Present (INR)	Proposed (INR)	Rates	Rates	
194-J	Professional Fees	30,000	50,000	10% / 2%	10% / 2%	N1, N5
194-K	Payment to resident for income in respect of units of Mutual fund or Administrator of Specified Undertaking or Specified Company	5,000	10,000	10%	10%	N6
194–LA	Compensation or Consideration for Compulsory Acquisition of Immovable Property (other than agricultural land)	2,50,000	5,00,000	10%	10%	N7
194-LBC	Income from securitization trust	-	-	10% (Earlier 30%)	10% (Earlier 25%)	-
94T	Payment of salary, remuneration, interest, bonus or commission by partnership firm	20,000	20,000	10%	-	-

S.No.	Note
N1	The provisions of following TDS / TCS Sections shall apply if the Gross Receipts / Turnover is INR 1 Crore or more for Business and INR 50 Lakhs or more for Profession of deductor being Individual or HUF in relation to deduction under following sections: • Section 194A, 194C, 194H, 194I, 194J, 194R and • Section 206C
N2	At the rates applicable to particular slab of income including applicable Surcharge and Health & Education Cess.

S.No.	Note
N3	Threshold limit for interest paid on debentures is INR 5,000. Threshold limit for interest on 7.75% GOI Savings (Taxable) Bonds, 2018 is INR 10,000. Threshold Limit for interest paid on Floating Rate Savings Bonds (FRSB) 2020 (Taxable) is INR 10,000 w.e.f. 1st Oct 2024. Tax will be deducted on interest on securities which is listed on recognized stock exchange.
N4	The threshold limit for TDS on interest income from Bank and Post office deposits for Senior Citizens is INR 1,00,000 and in any other cases INR 50,000.
N5	1. Rate of TDS is 2% instead of 10% if the payee is engaged only in the business of operation of call center. TDS on Remuneration to Director which is not in the nature of Salary to be deducted @ 10%. 2. TDS under section 194J for payment of fees for technical services (except professional services) is to be deducted @ 2% & for professional services is to be deducted @ 10%.
N6	Units of Mutual Fund have been specified under section 10(23D) of Income Tax Act, 1961. Administrator, specified company, and specified undertaking are specified u/s 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002.
N7	No tax will be deducted if payment is made in respect of any award or agreement which has been exempted from levy of income-tax u/s 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.

Rates of Tax Collection at Source

Section	Nature of Receipt by Seller	Threshold Limits		Rate	
		Present (INR)	Proposed (INR)	Present (INR)	Proposed (INR)
206C(1)	Timber obtained by any other mode	N.A.	N.A.	2.5%	2%
206C(1)	Any other forest produce not being a timber or tendu leave (Refer Note 3)	N.A.	N.A.	2.5%	2%
206C(1G)	TCS on remittance under LRS for purchase of overseas tour program package (w.e.f 1st April 2025)	Upto 7,00,000	Upto 10,00,000	5%	5%
		In excess of 7,00,000	In excess of 10,00,000	20%	20%
206C(1G)	TCS on remittance under LRS for purpose other than educational loan or medical treatment (w.e.f 1st April 2025)	In excess of 7,00,000	In excess of 10,00,000	20%	20%
	TCS on remittance under LRS for educational loan taken from financial institutions	In excess of 7,00,000	NA	0.5%	Nil

Other Changes in TCS:

It is proposed to **widen the scope** of present provision of TCS Collection and include **forest lease** with effect from **1st April 2025**

Removal of TCS on sale of specified goods

The proposal aims to **remove the requirement for sellers to collect Tax Collected at Source (TCS)** under Section 206C(1H) **on sales exceeding INR 50 lakhs** in a financial year.

Currently, if a transaction falls under both Section 194Q (TDS on purchase of goods) and Section 206C(1H), the buyer must deduct TDS, and the seller is not required to collect TCS. If the seller collects TCS before the buyer deducts TDS, the buyer doesn't need to deduct tax again.

Despite removing TCS under Section 206C(1H), the TDS provisions under Section 194Q will still apply for **purchases exceeding INR 50 lakhs.**

Removal of higher TDS/TCS for Non-filers of Income Tax return

The proposal aims to **remove the higher tax deduction and collection** rates currently applicable to **non-filers of income tax returns** under Sections 206AA (TDS) and 206CC (TCS).

These higher rates are imposed when the recipient (deductee) or payee is a non-filer. By deleting this provision, the tax deductor/collector will no longer face the compliance burden associated with identifying non-filers, while ensuring compliance with existing provisions under Section 206AA.

TCS under LRS: Increase In Threshold

The proposal suggests increasing the threshold for Tax Collected at Source (TCS) under the **Liberalized Remittance Scheme (LRS)** and for payments made by tour package sellers for **overseas travel packages.**

Currently, TCS is required when the amount exceeds **INR 7 Lakhs.** The proposed change will **raise this threshold to INR 10 Lakhs.**

Loans for the Purpose of Education

The proposal suggests that no Tax Collected at Source (TCS) will be required on remittances made out of loans obtained from specified financial institutions for the purpose of education. Currently, **TCS at 0.5%** is collected **if the remittance exceeds INR 7 Lakhs** in a financial year. This change **aims to eliminate TCS in such cases**.

Other Changes in Direct Taxes:

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

The NPS Vatsalya Scheme, launched on **18th September 2024**, allows parents/guardians to open and manage **NPS accounts** for their minor children.

The account will be transferred to the child's name upon reaching adulthood, with the accumulated corpus shifted to an NPS-Tier 1 Account or another non-NPS account.

The proposal extends tax benefits under Section 80CCD to contributions made to NPS Vatsalya accounts, as follows:

- Parents/guardians can claim a deduction under Section 80CCD(1B) for contributions to the NPS Vatsalya account, up to a cap of **INR 50,000**.
- The amount deducted under Section 80CCD(1B), along with any accrued amount, will be taxed upon withdrawal, except in cases **where the account is closed due to the minor's death**, in which case it will not be taxable.
- **Partial withdrawals for specific situations**, such as education, medical treatment, or disability (over 75%) of the minor, **will be exempt from tax under Section 10(12BA)**, up to 25% of the total contribution.

Exemption to withdrawals by Individuals from National Savings Scheme from taxation

The proposal aims to provide relief to taxpayers affected by the **discontinuation of interest on National Savings Scheme (NSS) deposits**, as announced by the Department of Economic Affairs, which will **take effect after 1st October 2024**.

Currently, under Section 80CCA, **taxpayers can claim a deduction for amounts deposited in NSS**, but **no benefit** is available **for deposits made after 1st April 1992**. If the deduction was previously claimed and the amount or accrued interest is withdrawn, it becomes taxable.

To ease the tax implications of withdrawals from NSS accounts, the proposed amendment will **exempt withdrawals made by individuals from deposits made before 1st April 1992**, provided the deduction was previously availed. This relief **will apply to withdrawals made after 29th August 2024** and will be retrospectively effective from that date.

Changes Proposed in House Property:

Annual value of the self-occupied property simplified

The proposal aims to simplify the taxation of house properties **by removing the condition that non-occupancy must be due to employment, business, or profession**.

Currently, the annual value of **up to two house properties** is **considered Nil** if the owner occupies them for **residence** or **cannot occupy** them **due to employment/business** at another location.

With the proposed amendment, the annual value of up to two house properties will be considered Nil if the owner occupies the property for residence or **cannot occupy it for any reason**, not just due to employment or business.

This change will be **effective from AY 2025-26**.

Changes Proposed in Capital Gains:

Bringing clarity in income on redemption of ULIP

The proposal clarifies the tax treatment of **Unit Linked Insurance Policies (ULIPs)** that are **not eligible for** exemption under Section 10(10D) due to **certain conditions**, such as a premium exceeding INR 2,50,000 or 10% of the sum assured.

Under the proposed changes:

- All ULIPs where Section 10(10D) exemption does not apply **will be treated as capital assets.**
- These ULIPs will be categorized as **equity-oriented funds.**
- **Long-term capital gains** from such ULIPs will be taxed under **Section 112A at a rate of 12.5%.**
- **Short-term capital gains** will be taxed under **Section 111A at a rate of 20%.**

Securities held by Category I & II AIF treated as capital Asset

The proposal aims to amend the definition of capital assets to include securities held by **Investment Funds** as defined under **SEBI regulations**. This means that **securities** held by Investment Funds **will be treated as capital assets**, and the income derived from them will be considered as capital gains.

An **"Investment Fund"** is defined as a fund established or incorporated in India, either as a **trust**, **company**, **LLP**, or **body corporate**, and registered as a **Category I or II Alternative Investment Fund (AIF)** under **SEBI or IFSC regulations**.

Direct Taxation

International Taxation Changes

Scheme of presumptive taxation extended for Non-Resident Providing Services to Electronics Manufacturing Facility

The proposal introduces a **presumptive taxation scheme** for **non-residents** providing services or technology in India for the establishment or operation of **electronics manufacturing facilities.**

Key points of the scheme:

- Non-residents providing services related to electronics manufacturing or production will be eligible for presumptive taxation, **subject to prescribed conditions under a notified scheme**.
- Instead of calculating actual profits, **25% of the total payment received or receivable** for such services **will be treated as taxable income.**
- The taxpayer will **not be allowed** to set off **unabsorbed depreciation** or **brought forward losses** from previous years.
- This results in an **effective tax rate of less than 10%** on the gross receipts.

This **simplifies the taxation process** for **non-residents involved in electronics manufacturing** services in India.

Harmonization of Significant Economic Presence with Business Connection

The proposal aims to **clarify the scope of Significant Economic Presence (SEP)** in India for **non-residents**.

Currently, income arising from operations confined to purchasing goods in India for export is **not considered to be accrued or arising** in India, as it **doesn't constitute a business connection**. However, such activities are **not specifically excluded from the scope of SEP**.

The amendment proposes that **transactions or activities** of a non-resident that are **solely related to the purchase of goods** in India **for export** will **not be considered** as **Significant Economic Presence** in India. This change provides clarity and **ensures that such activities are not subject to SEP taxation** in India.

Rationalization of taxation of capital gains for FII & Specified Funds

The proposal aims to amend the tax rate on **Long-Term Capital Gains (LTCG)** for **Foreign Institutional Investors (FIIs)** and certain specified funds.

Under the **Finance (No. 2) Act, 2024**, the tax rate on LTCG for all taxpayers is set at **12.5%**.

However, FIIs and certain specified funds were **previously paying a 10% tax rate on LTCG** for securities, excluding listed equity shares, equity-oriented mutual funds, and units of business trusts, subject to certain conditions.

The amendment proposes to **align the tax rate for FIIs** and specified funds with that of other taxpayers**, increasing the LTCG tax rate from 10% to 12.5% on all securities.**

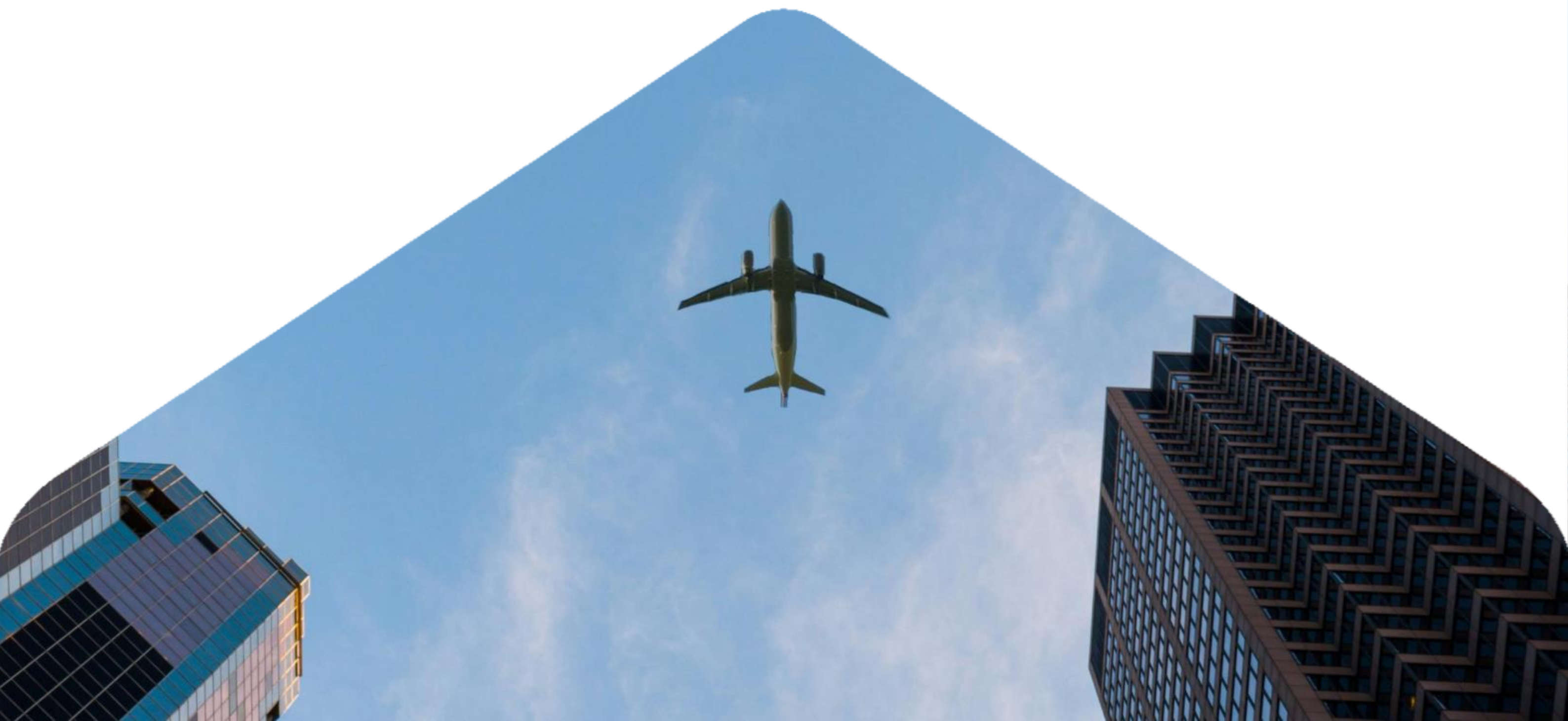
Rationalization of Transfer Pricing provisions for carrying out Multi-Year Arm's Length Price Determination

The proposal introduces a **block assessment scheme** for **Transfer Pricing (TP)** to reduce compliance and administrative burdens. Assessees can choose to determine the **Arm's Length Price (ALP)** for an international transaction or **Specified Domestic Transaction (SDT)** in a given year and apply it to similar transactions in the next two consecutive years, subject to certain conditions.

Once the TPO validates this option, the AO cannot refer the case to the TPO again. The provisions **do not apply** to **search assessments**, and the **AO will have the power to re-compute the total income** based on the ALP determined for the two consecutive years.

Regulatory Simplification & Enhanced Flexibility for Fund Managers

The proposal simplifies the regime for **non-resident funds managed by eligible fund managers** in India by determining the **5% limit** for aggregate participation on 1st April and 1st October, with a **grace period for non-compliance**, and relaxing other conditions for eligible investment funds with operations **starting on or before 31st March, 2030**. These amendments will **take effect from AY 2025-26**.



Direct Taxation

IFSC – GIFT CITY

Extension of Sunset Dates for several Tax Concessions pertaining to IFSC

The proposal extends the **sunset date** for the **commencement of operations of IFSC units** and the **relocation of funds to IFSC to 31st March 2030** for several tax concessions.

These include **deductions for income on the transfer of aircraft or ships leased by IFSC units**, exemptions for certain incomes such as income on asset transfers by non-residents on **recognized stock exchanges in IFSC**, and **exemptions for royalty** or **interest income** on the lease of aircraft or ships. Additionally, **exemptions** are provided for **capital gains** from the transfer of **equity shares of domestic companies** by non-residents or IFSC units engaged in leasing, as well as the relocation regime for specified funds to IFSC.

Exemption on life insurance policy from IFSC Insurance offices

The proposal **exempts any sum received under a life insurance policy** issued by an **IFSC insurance intermediary**, including bonuses, without any premium limits (e.g**., INR 2.5 lakhs for ULIPs and INR 5 lakhs for other policies**). However, the **premium for each year must not exceed 10% of the actual capital sum assured**.

Relaxation from Deemed Dividend for treasury centers in IFSC

The proposal seeks to **exclude payments** made by way **of advance or loan** between two group entities from being treated as deemed dividends **if one of the group companies** is a finance company or finance **unit in an IFSC set up** as a **global or regional corporate treasury**. Additionally, the **parent or principal entity** of the group **must be listed** on a **stock exchange** in a **country or territory outside India** (excluding any specified countries). This aims to facilitate centralized cash and risk management within the group.

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

The proposal **extends existing exemptions** on **capital gains** and **dividends** to **non-residents and IFSC units engaged in ship leasing**. The capital gains tax exemption will apply to the **transfer of shares** of domestic companies **involved in ship leasing and located in IFSC**, provided they **commence operations** by **31st March, 2030**. Additionally, **dividends paid by an IFSC unit** engaged **in ship leasing to another IFSC unit** in the same business will also be **exempt**. These amendments will be effective from AY 2025-26.

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

The proposal expands the definition of **"resultant fund"** to **include Retail Schemes** and **Exchange Traded Funds (ETFs)** regulated under **IFSCA (Fund Management)** Regulations 2022, making the **relocation** of such funds or their **overseas SPVs** to India **tax-neutral**, subject to certain conditions.

Exemption to non resident for income from FPI IFSC unit:

The proposal aims to **extend tax exemptions** to non-residents on income from the **transfer of non-deliverable forward contracts**, offshore derivative instruments, over-the-counter contracts, and the distribution of income on such instruments, when entered into with **Foreign Portfolio Investors (FPIs)** that are **units of IFSC.**

Direct Taxation

Assessment

The proposal extends the concept of the **Updated Return**, allowing taxpayers to **rectify omissions or errors in their** **original return** by filing an updated return **within 48 months** from the end of the relevant assessment year, **up from the current 24 months**. This can be done by paying additional income tax. However, **no updated return can be filed** **if a notice under Section 148A has been issued after 36 months** from the end of the relevant assessment year, unless a subsequent order under Section 148A(3) deems it not a fit case for issuing a notice. This amendment will apply from **AY 2025-26**.

The proposal seeks to **extend the time limit** for completing **block assessments** in **search and seizure cases**. Currently, the time limit is **12 months from the end of the month** in which the last authorization for a search is executed. Given the complexity of coordinating investigations involving multiple related entities, the new time limit will be extended to **12 months from the end of the quarter** in which the last authorization for search or requisition is executed. This change will be effective from **1st February, 2025**.

The proposal seeks to **simplify the retention of seized books and documents** in **group search cases**. Currently, seized documents can be retained for **30 days** from the date of the assessment/reassessment/re-computation order. However, in cases involving multiple individuals, assessments may occur at different times, creating administrative challenges. To ease this burden, **the retention period will be extended to** **one month from the end of the quarter** in which the assessment order is passed. This change will be effective from **AY 2025-26.**

The proposal aims to clarify the **computation of the stay period** for **pending proceedings** under various sections of the **Income Tax Act (e.g., Sections 144BA, 153, 158BE).** The stay period will now be calculated from the commencement date (when the court issues the stay) to the end date (when the certified copy of the order vacating the stay is received by the relevant authority). This clarification is intended to remove any confusion regarding the stay period. The changes will be effective from **AY 2025-26.**

The proposal **removes the fixed deadline of 31st March, 2025**, for implementing faceless schemes related to **transfer pricing assessments (Section 92CA)**, **Dispute Resolution Panel (DRP) proceedings (Section 144C)**, **Income Tax Appellate Tribunal (ITAT) appeals (Section 253)**, and **ITAT functioning (Section 255)**. This change gives the government flexibility to introduce and improve faceless schemes beyond this date, enabling ongoing digital tax reforms without being constrained by a fixed timeline. These amendments will be effective from **AY 2025-26.**

Direct Taxation
Penalty & Prosecution

The proposed amendments introduce several changes:

1. **Relaxation of TCS Prosecution:** Prosecution for **failure to pay TCS is relaxed** if payment is made before the TCS statement deadline. This will apply from **AY 2025-26**.
2. **Penalty on Search Cases:** Penalty provisions will not apply to taxpayers in cases where a search is initiated under Section 132 on or after 1st September 2024.
3. **Shifting Penalty Authority:** The **authority** for imposing penalties under specific sections **(271C, 271CA, etc.)** is shifted from the Joint Commissioner to the **Assessing Officer**, with prior approval required for penalties over Rs. 10,000. This change takes effect from AY 2025-26.
4. **Immunity Application Processing:** The time for processing immunity applications is extended from **1 to 3 months**, effective from **AY 2025-26**.
5. **Uniform Penalty Order Time Limit:** A uniform **6-month time limit** is introduced for passing penalty orders, starting from **AY 2025-26**.

Direct Taxation
Charitable Trust

The proposed amendments are as follows:

1. **Trust Registration Violations:** Minor procedural errors, such as incomplete registration applications, will no longer be classified as "specified violations" leading to the cancellation of registration. This will be effective from **AY 2025-26**.

2. **Extension of Trust Registration Validity:** The validity of trust registration will be extended from **5 years to 10 years** for trusts with income not exceeding INR 5 crores in the last two years, reducing compliance burdens. This will be effective from **AY 2025-26**.

3. **Trusts Losing Tax Exemption:** The definition of "specified persons" under Section 13 will be amended. **Contributions exceeding INR 1 lakh** in the relevant year, **or INR 10 lakh in total**, **will trigger restrictions**. Additionally, relatives and concerns of these contributors will no longer be considered specified persons. This will be effective from **AY 2025-26**.

Direct Taxation

Others

The proposed amendments include the following key changes:

1. **Losses from Predecessor Entity:** Losses and unabsorbed depreciation from the predecessor entity in cases of amalgamation, business reorganization, or conversion must now be utilized within 8 years from when the losses were originally computed. This applies to amalgamations, conversions of firms to companies, and conversions of private companies to LLPs from 1st April 2025.
2. **Startup Tax Benefits Extension:** The deduction for eligible startups, which allows 100% of profits for 3 consecutive years within the first 10 years of incorporation, will now be available for startups incorporated before 1st April 2030. This will be effective from AY 2025-26.
3. **REITs and InVITs Taxation:** To align the tax treatment of long-term capital gains from listed stocks and mutual funds, the amendment will now include Section 112A for REITs and InVITs, ensuring capital gains are taxed at applicable rates instead of the Maximum Marginal Rate. This will take effect from AY 2025-26.
4. **Tonnage Tax Scheme Expansion:** The benefits of the Tonnage Tax Scheme will be extended to inland vessels registered under the Inland Vessels Act, 2021. Additionally, the time limit for JCIT to approve applications under the scheme will be increased to 3 months from 1st April 2025.
5. **VDA (Crypto-Asset) Reporting:** New provisions will require the reporting of crypto-asset transactions under Section 285BAA. The definition of Virtual Digital Assets (VDAs) will be expanded to include crypto-assets using cryptographically secured distributed ledgers, such as blockchain, ensuring greater transparency in VDA transactions.

Indirect Taxation

Goods & Service Tax

Here's a summary of the proposed amendments:

1. **Vouchers:** Tax liability on vouchers will arise only when actual goods or services are supplied. The provisions regarding the time of supply for vouchers will be removed, and issuing or purchasing a voucher will not create a tax liability. This change aligns with the 2024 CBIC circular.

2. **Track and Trace Mechanism:** A new system for tracking specified goods through unique identification marks will be implemented. Non-compliance will attract a penalty of ₹1 lakh or 10% of the tax payable. This system will take effect from 1st April 2025.

3. **Input Tax Credit (ITC) Distribution:** The definition of Input Service Distributor (ISD) will be amended to include ITC distribution for inter-state supplies where tax is paid on a reverse charge basis. This change will be mandatory from 1st April 2025.

4. **Credit Note Adjustments:** Suppliers can reduce their tax liability for a credit note only if the recipient reverses the associated ITC. In B2B transactions, if the recipient does not reverse the ITC, the supplier cannot reduce their liability.

5. **Input Tax Credit on Construction:** Section 17(5)(d) will be amended retrospectively from 1st July 2017 to clarify that "plant and machinery" includes buildings in certain cases, in line with the Supreme Court's judgment in the Safari Retreat case.

6. **Pre-deposit for Penalties:** A 10% pre-deposit for penalties will be required for appeals before the Appellate Authority and Appellate Tribunal when the demand is solely for a penalty and not for tax.

7. **SEZ and Free Trade Warehousing Zones:** The supply of goods stored in an SEZ or Free Trade Warehousing Zone, before being cleared for export or domestic sale, will be considered neither a supply of goods nor services. This change is retrospective from 1st July 2017, with no refunds for taxes already paid on such transactions.

Indirect Taxation

Customs

Here's a summary of the proposed legislative changes in Customs:

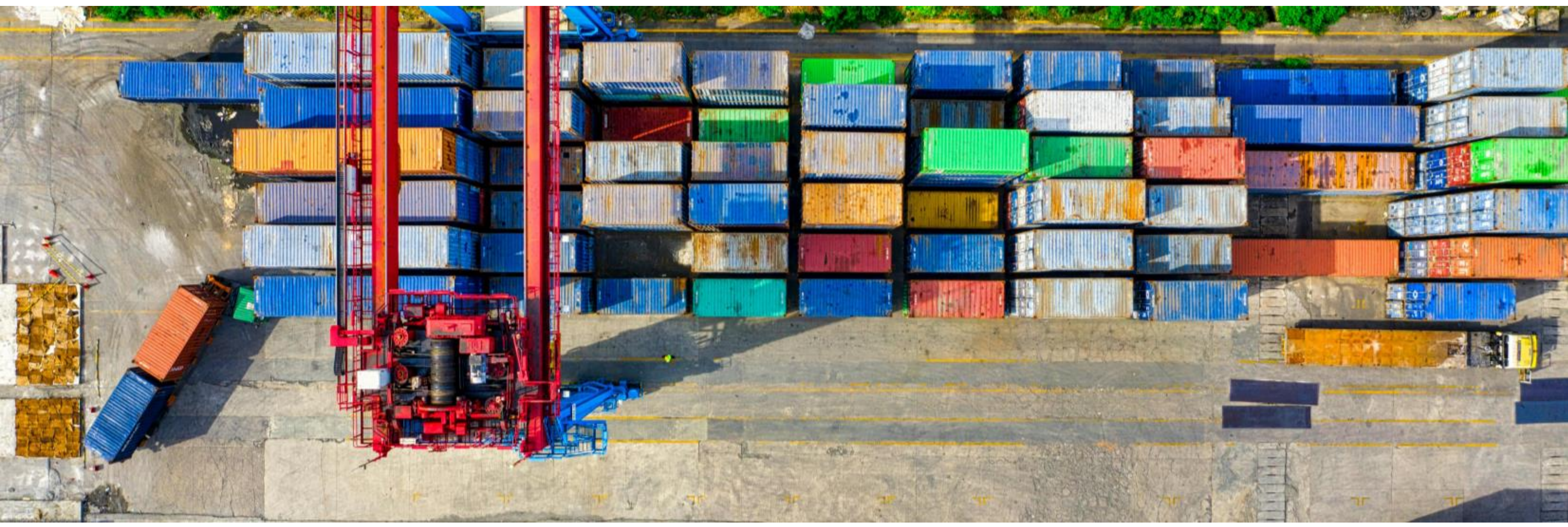
1. **Voluntary Revision of Entry (Section 18A):** Importers and exporters will be allowed to voluntarily revise entries after goods clearance, enabling self-assessment for duty payment and refund claims under Section 27.

2. **Time Limit for Finalizing Provisional Assessment (Section 18):** A two-year time limit will be introduced for finalizing provisional assessments, extendable by one year if sufficient cause is shown. This will apply to pending cases from the date the Finance Bill 2025 receives assent.

3. **Refund Claims (Section 27):** The limitation period for claiming refunds due to revised entries under Section 18A will be one year from the date of duty or interest payment.

4. **Revised Tariff Rates:** Tariff rates on certain industrial items will be reduced from higher slabs (150%, 70%, and 35%) to lower rates to streamline the tariff structure.

5. **New Tariff Lines and Supplementary Notes:** 178 new tariff entries will be added, while 63 entries will be deleted or substituted in specific chapters to align with the WCO classification for better identification of goods.



6. **Exemptions and Concessions:**

- Life-Saving Medicines: 37 new drugs and 13 patient assistance programs will be added to the exemption list.
- Satellite and Launch Vehicle Goods: BCD exemption will be extended to imports for ground installations and spares for satellites and launch vehicles.

7. **Trade-Related Measures:**

- Extension of Export Time: The export time for handicrafts made using duty-free inputs will be extended from 6 months to 1 year, with a possible 3-month extension.
- Simplification under IGCR Rules: The time limit for fulfilling end-use obligations will be increased from 6 months to 1 year, and monthly filings will be replaced with quarterly filings for certain importers.

These amendments aim to enhance flexibility, efficiency, and alignment with international standards in customs processes.

4th Floor, 4th Building, 73 East Avenue, near Genda Circle,
Subhanpura, Vadodara
+91 256 4613020