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Analysis of Union Budget 2025

Part I – Decoding the Direct Tax Proposals (Income Tax)

Part II - Decoding the Indirect Tax Proposals (GST)

From the desk of the Managing Partner ..

At the P Chhajed & Co LLP, Chartered Accountants, I would like to extend my utmost gratitude to teammates of the firm who worked tirelessly in preparation of the Budget Analysis every year.

It was really challenging to prepare the Budget Presentation on both the aspects i.e. Income Tax and GST in a mere span of only two days with coverage of almost all the proposals.

Our firm tries to share the updates on various taxation and other laws in the as detailed manner as possible but presenting the Budget Analysis is truly an amazing feeling.

As per the speech of the Hon'ble FM, a new income tax bill is to be presented in the session in this week. So, these changes may be in line with the new bill. Let's wait for the same before jumping to any conclusion.

Also, the Hon'ble FM proposed to revise the limit for MSMEs and we also covered the same herewith.

Further, I would like to thank the readers whose feedback and the appreciation motivates us to present the Budget Analysis each year in the short time.

Regards,
CA Pinkesh Chhajed (FCA, MBA (Finance), LLB, Ph.D (Purs.))

Revised limits for MSME

MSME Classification as per Union Budget 2025		
Enterprise Category	**Investment Limit (₹ Crore)**	**Turnover Limit (₹ Crore)**
Micro Enterprises	Up to 2.5	Up to 10
Small Enterprises	Up to 25	Up to 100
Medium Enterprises	Up to 125	Up to 500

These revised limits aim to help MSMEs achieve higher efficiencies of scale, technological upgradation, and better access to capital, thereby fostering growth and employment generation.

PART I – DECODING THE DIRECT TAX PROPOSALS (INCOME TAX)

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Index for Direct Access

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Income Tax Rates including changes of rates in new tax regime

Income Tax Rates

Individual / HUF / AOI (except Co OP Soc.) / BOI / Artificial Judicial Person.
for F Y 2025-26

New Regime (Section 115BAC (1))	
Total Income	**Rate of Tax**
Up to ₹ 4,00,000	Nil
From ₹ 4,00,001 to ₹ 8,00,000	5 per cent
From ₹ 8,00,001 to ₹12,00,000	10 per cent
From ₹ 12,00,001 to ₹ 16,00,000	15 per cent
From ₹ 16,00,001 to ₹ 20,00,000	20%
Above ₹ 20,00,000 to ₹ 24,00,000	25%
Above ₹ 24,00,000	30%

Old Regime with deductions	
Total Income	**Rate of Tax**
Up to ₹ 2,50,000*	Nil
From ₹ 2,50,001 to ₹ 5,00,000	5 per cent
From ₹ 5,00,001 to ₹10,00,000	20 per cent
Above ₹ 10,00,000	30 per cent
*To be replaced by ₹ 3,00,000 and ₹ 5,00,000 for senior citizen and super senior citizen respectively.	

Income Tax Rates

Individual / HUF / AOI (except Co OP Soc.) / BOI / Artificial Judicial Person.
New Regime (Section 115BAC (1) comparison) – Change in slab

New Regime (Section 115BAC (1))	
Total Income	**Rate of Tax**
Up to ₹ 4,00,000	Nil
From ₹ 4,00,001 to ₹ 8,00,000	5 per cent
From ₹ 8,00,001 to ₹12,00,000	10 per cent
From ₹ 12,00,001 to ₹ 16,00,000	15 per cent
From ₹ 16,00,001 to ₹ 20,00,000	20%
Above ₹ 20,00,000 to ₹ 24,00,000	25%
Above ₹ 24,00,000	30%

FY 2024-25 (AY 2025-26)	
Total Income	**Rate of Tax**
Up to ₹ 3,00,000	Nil
From ₹ 3,00,001 to ₹ 7,00,000	5 per cent
From ₹ 7,00,001 to ₹10,00,000	10 per cent
From ₹ 10,00,001 to ₹ 12,00,000	15 per cent
From ₹ 12,00,001 to ₹ 15,00,000	20 per cent
Above ₹ 15,00,000	30 per cent

Income Tax Rates

Few things which are still applicable as compared to previous year i.e. FY 24-25

New Regime	Old Regime
No exemption or deduction available as mentioned in Section 115BAC(2)(i) except following: - Standard deduction – Sec. 16(ia) - Family pension – Sec. 57(iia) - Agniveer Corpus – Sec. 80CCH(2)	Exemptions / deductions will be available.
New Regime will be the default regime.	Old regime will not be default regime.
General Surcharge: - > 50 Lacs – 1 Crore – 10% - > 1 Crore – 2 Crore – 15% - > 2 Crore – 25%	General Surcharge: - > 50 Lacs – 1 Crore – 10% - > 1 Crore – 2 Crore – 15% - > 2 Crore – 5 Crore - 25% , > 5 Crore – 37%

Income Tax Rates – Other than individuals

Before	After
In the case of co-operative societies - 10% up to ₹ 10,000; 20% between ₹ 10,001 and ₹ 20,000; and 30% in excess of ₹ 20,000	No Change
Local Authorities / Firms - 30%	No Change
Companies – 25% of the total income, if the total t/o or gross receipts of the PY 2023-24 does not exceed 400 crore rupees and where the companies continue in section 115BA regime – 25% - In Other cases – 30% - Opt for 115BAA – 22%, 115BAB – 15% (With surcharge of 10% in both cases) - Other than domestic company – 40% -	35%
Surcharge	No Change

Rebate u/s 87A

Income Tax Rates – Rebate u/s 87A – Applicable only for resident individuals

New Regime (FY 25-26)	New Regime (FY 24-25)
In case of individual, a rebate of 100% of the tax payable (Up to ₹ 60K) if total income not exceeding 12,00,000	In case of individual, a rebate of 100% of the tax payable (Up to ₹ 25K) if total income not exceeding 7,00,000
A specific proviso is being provided for not allowing rebate on special rate of income (i.e. STCG u/s 111A etc.)	With income tax utility changed on 05/07/2024, rebated is not allowed for special rate of income

Income Tax Rates – Rebate u/s 87A

New Regime (FY 25-26)	New Regime (FY 24-25)
Insertion of a new proviso in sec. 87A so as to provide that the deduction under the first proviso, shall not exceed the amount of income-tax payable as per the rates provided in sub-section (1A) of section 115 BAC.	-

A rebate is to understood as a tax concession only if the total income doesn't exceed the specified limit (7 Lac / 12 Lac). Further, no concession if the income exceeds the limit of 7 Lac / 12 Lac. In that case, the tax rate of slab will be applicable. Also if individual earns any special rate of income (eg. Short term capital gain of shares) then also no tax concession is available even if total income is below 12 Lac

Examples – FY 25-26

Particulars	Situation 1	Situation 2	Situation 3
Normal Income	₹ 1200000	₹ 1250000	₹ 1300000
Tax	₹ 60000 (0% till ₹ 4 L, ₹ 20K for ₹4-8 L, ₹ 40K for ₹ 8-12 L)	₹ 67500 (0% till ₹ 4 L, ₹ 20K for ₹4-8 L, ₹ 40K for ₹ 8-12 L, ₹ 7.5K for 50K)	₹ 75000 (0% till ₹ 4 L, ₹ 20K for ₹4-8 L, ₹ 40K for ₹ 8-12 L, ₹ 15K for 12-13L)
Rebate u/s 87A	₹ 60000	₹ 0 (As income exceeds ₹ 12 Lacs)	
Effective Tax	0	₹ 67500	₹ 75000
Marginal Relief	0	₹ 12500 (the tax should not exceed the amount exceeding ₹ 12 L)	0
Net Tax payable	0	₹ 50000	₹ 75000
Cess Payable	0	₹ 2000	₹ 3000

Extending the time-limit to file the updated return (ITR U)

Extending the time-limit to file the updated return (Those who missed original / belated return)– w.e.f 1st April 2025

Present		Proposed	
Time Period from the end of the relevant AY	**Additional Tax**	**Time Period from the end of the relevant AY**	**Additional Tax**
Up to 12 Months	25%	Up to 12 Months	25%
From 13 -24 Months	50%	From 13 -24 Months	50%
		From 25 – 36 Months	60%
		From 37 – 48 Months	70%

Extending the time-limit to file the updated return (Those who missed original / belated return)– w.e.f 1st April 2025

- It is further proposed to provide that no updated return shall be furnished by any person where any notice to show-cause under section 148A of the Act has been issued in his case after thirty-six months from the end of the relevant assessment year.

- However, where subsequently an order is passed under sub-section (3) of section 148A of the Act determining that it is not a fit case to issue notice under section 148 of the Act, updated return may be filed up to 48 months from the end of the relevant assessment year.

Certain Benefits for the persons having income under the head 'Income from Salary'.

Change in Standard Deduction and Family Pension

FY 2025-26 (AY 2016-27)	FY 2024-25 (AY 2025-26)
Same as FY 24-25. Thus, for FY 24-25, effectively no tax if a person is having salary income up to ₹ 12.75 Lacs p.a. with increase in Rebate u/s 87A.	Old regime – ₹ 50K / New Regime –₹ 75K.
Same as FY 24-25	Section 57(iia) – Family Pension deduction as lower of the following; - 1/3rd of the pension or - ₹ 25,000

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

- Present limit for non taxation of perquisites;

- Value of any benefit / amenity provided free of cost or at concessional rate – Employee whose salary as a monitory benefit doesn't exceed ₹ 50000.

- Travelling outside India on the medical treatment of an employee / family – Salary doesn't exceed ₹ 200000

- It is proposed to amend the said limits as the same is old for more than 20 years and 30 years respectively.

Proposal affecting the person reporting income under the head 'Income from House Property

Annual value of the self-occupied property simplified – W.e.f AY 25-26

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

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

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

Proposals affecting the persons having income under the head 'Profits and Gains from Business or Profession'.

Harmonisation of Significant Economic Presence applicability with Business Connection for Non Residents – AY 26-27

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

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

Harmonisation of Significant Economic Presence applicability with Business Connection for Non Residents – AY 26-27

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

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

Proposals affecting the persons having income under the head 'Income from Capital Gain'.

Amendment of Definition of 'Capital Asset'– AY 26-27

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

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

Rationalisation of taxation of capital gains on transfer of capital assets by non-residents– AY 26-27

- The existing provisions of Section 115AD of the Act provide that where the total income of a specified fund or Foreign Institutional Investor includes—

(a) income received in respect of securities (other than units referred to in section 115AB); or

(b) income by way of short-term or long-term capital gains arising from the transfer of such securities,

- the income-tax on the income by way of long-term capital gains referred to in clause (b), if any, included in the total income, shall be calculated at the rate of 10%.

- It is proposed to amend the provisions of section 115AD to provide that income-tax on the income by way of long-term capital gains on transfer of securities (other than units referred to in section 115AB) not referred to in section 112A, if any, included in the total income, shall be calculated at the rate of 12.5%.

Set of and carry forward of losses

Set of and carry forward of losses in case of amalgamation – w.e.f 01.04.25

Earlier provision	Proposed amendment
Accumulated loss of the amalgamating entity / predecessor entity shall be deemed to be loss of the amalgamated entity / successor entity for the previous year in which the amalgamation or business organization has been effected and thus eligible for further period of 8 years from the year of amalgamating.	Accumulated losses of the predecessor entity, which is deemed to be the loss of the successor entity, such loss shall be eligible for carry forward not more than 8 assessment years immediately succeeding the assessment year for which such loss was first computed for the original predecessor entity.

Transfer pricing provisions

Rationalisation of transfer pricing provisions for carrying out multi-year's length price determination – w.e.f AY 26-27

- In may cases, for computation of arm's length price, there are similar international transactions or specified domestic transactions for various years, same facts like enterprises with whom such transaction is done, proportionate quantum of transaction, location of associated enterprises etc.

- The same arm's length analysis are repeated every year, creating compliance burden on the assessee as well as administrative burden on the TPOs.

- In view of the same, in such situations, it is proposed to carry out TP assessments in a block by amending the various provisions.

Changes related to TDS and TCS threshold / rates along with other applicable changes

Change in TDS Threshold / Rates – w.e.f 01.04.2025

Sr. No.	Nature of Income	Current Threshold	Proposed Threshold
1.	193 - Interest on securities	Nil	₹ 10,000
2.	194A - Interest other than Interest on securities	(i) ₹ 50,000/- for senior citizen; (ii) ₹ 40,000/- in case of others when payer is bank, cooperative society and post office (iii) ₹ 5,000/- in other cases	(i) ₹ 1,00,000/- for senior citizen (ii) ₹ 50,000/- in case of others when payer is bank, co-operative society and post office (iii) ₹ 10,000/- in other cases

Change in TDS Threshold / Rates – w.e.f 01.04.2025

Sr. No.	Nature of Income	Current Threshold	Proposed Threshold
3.	194 – Dividend for an in individual shareholder	₹ 5000	₹ 10,000
4.	194K – Income in respect of units of a mutual fund or specified banking company or undertaking	₹ 5000	₹ 10,000
5.	194B – Winning from lottery, crossword puzzles etc.	Aggregate of amounts exceeding ₹ 10,000/- during the financial year	₹ 10,000/- in respect of a single financial transaction.
6.	194BB - Winning from horse race		

Change in TDS Threshold / Rates – w.e.f 01.04.2025

Sr. No.	Nature of Income	Current Threshold	Proposed Threshold
7.	194D / 194G / 194H - Commission or brokerage	₹ 15000	₹ 20,000
8.	194I – Rent	₹ 2,40,000 during the financial year	₹ 50,000 per month or part thereof
9.	194J – Fees for technical or professional services	₹ 30,000	₹ 50,000
10.	194LA – Income by way of enhanced compensation	₹ 2,50,000	₹ 5,00,000
11.	194LBC	Rate – 25% / 30%	Rate – 10%

Change in TCS rates – w.e.f 01.04.2025

Sr. No.	Nature of goods	Current Rate	Proposed Rate
1.	Non Applicability of Section 206C (1H) – TCS on sale of specified goods (Limit of ₹ 50 Lakhs / ₹ 10 Crores)	0.1%	NA
2.	Timber or any other forest produce (not being tendu leaves) obtained under a forest lease	2.5%	2%
3..	Timber obtained by any mode other than under a forest lease	2.5%	2%

TCS on 'Forest produce' – w.e.f 01.04.25

- Under sub-section (1) of section 206C of the Act, presently TCS at 2.5 per cent is required to be collected on sale of goods of the following nature: -

- (I) Timber obtained under a forest lease
- (II) Timber obtained by any mode other than under a forest lease
- (III) Any other forest produce not being timber or tendu leaves

It is proposed that "forest produce" shall have the same meaning as defined in any State Act for the time being in force, or in the Indian Forest Act, 1927.

Further, it is proposed that to address the applicability of TCS on traders of forest produce, only such other forest produce (not being timber or tendu leaves) which is obtained under forest lease will be covered under TCS.

Removal of Higher TDS / TCS for non-filers of ITR – w.e.f 01.04.2025

- Section 206AB requires deduction of tax at higher rate when the deductee specified therein is a non-filer of income tax return.

- Similarly, Section 206CCA requires for collection fo tax at higher rate when the collectee specified therein is a non-filer of income tax return.

- It is very difficult to verify whether ITRs have been filed by the deductee / collectee, resulting in application of higher rates of deduction / collection and thus blocking of capital and increased compliance burdern.

- Thus, it is proposed to omit both these sections and no higher TDS / TCS is required to be complied with for non-filer deductee / collectee.

Proposals aiming at reducing litigations.

Non-applicability of Section 271AAB of the Act – w.e.f 01.09.2024

- Section 271AAB of the Act relates to the penalty in respect of searches initiated after 15.12.2016.

- However, vide Finance Act, 2024, provisions of 'Block Assessment' (Chapter XIV-B) (for more information, you may refer to our Budget Presentation of 2024) were introduced for searches initiated under section 132 of the Act on or after the 1st day of September, 2024.

- Thus, to remove ambiguity, it is hereby proposed to amend Section 271aAB of the Act to provide that its provisions shall NOT be applicable to the assessee in whose case search has been initiated u/s 132 on or after 1st Day of September, 2024.

- It is clarificatory in nature so it is proposed to be amended retrospectively from 1st Day of September, 2024

Section 132 – Retention of the seized books of accounts / documents – w.e.f 01.04.2025

- Section 132(8) of the Act states the last date for taking approval for retention of seized books of accounts or other documents is 30 days form the date of assessment / reassessment / recomputation.

- In the course of search proceedings in group cases, the assessment orders of one assessee may be passed earlier than the assessment orders of another assessee.

- Further, the segmentation of seized books of accounts / documents pertaining to various assesses is also very difficult.

- Therefore, it is proposed to amend Section 132(8) of the Act to provide the time limit for taking approval shall be one month from end of the quarter in which the assessment / reassessment / recomputation order has been made.

Section 275 – Time limit to impose penalties – w.e.f 01.04.2025

- Section 275 provides for the bar of limitation for imposing penalties.

- Presently, Section 275 of the Act is having multiple timelines for imposing of penalties in various case like where a case is in appeal before ITAT, JCIT (Appeal), or CIT (Appeal) etc.

- To streamline the same, it is being proposed to amend Section 275 of the Act to provide a common time limit that any order of imposing penalty shall NOT be passed after the expiry of six months from;
  - the end of the quarter in which the connected proceedings are completed or
  - the order of appeal is received by the Pr. Commi., Commi. Or the order of revision is passed or order the notice for imposition of penalty is issued.

Certain penalties to be imposed by the Assessing Officer– w.e.f 01.04.2025

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

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

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

Extending the processing period of application seeking immunity from penalty and prosecution– w.e.f 01.04.2025

- Sub-section (2) of the said section provides that an application for granting immunity from imposition of penalty shall be made within one month from the end of the month in which the order referred to in clause (a) of sub-section (1) of the said section has been received by the assessee. Sub-section (4) of the said section provides that Assessing Officer shall pass an order accepting or rejecting the application, within a period of one month from the end of the month in which the application requesting immunity is received.

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

Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B – w.e.f 01.02.2025

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

- Sub-section (2) and sub-section (3) of section 158BA of the Act provide that any assessment or reassessment or recomputation or a reference or an order pertaining to any assessment year falling in the block period pending on the date of initiation of the search or making of requisition, shall abate.

- Further, sub-section (5) of the said section provides that if any proceeding initiated under Chapter XIV- B has been annulled in appeal or any other legal proceeding, then, the assessment or reassessment relating to any assessment year which has abated under sub-section (2) or sub-section (3), shall revive.

- It is proposed to align the said sub-sections by adding the words "recomputation", "reference" or "order" in sub-section (5) of the said section.

Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B – w.e.f 01.02.2025

- Sub-section (4) of section 158BA of the Act provides that where any assessment under Chapter XIV-B is pending in the case of an assessee in whose case a subsequent search is initiated, or a requisition is made, such assessment shall be duly completed, and thereafter, the assessment in respect of such subsequent search or requisition shall be made under the provisions of Chapter XIV-B.

- It is proposed to substitute the word "pending" with the phrase as 'required to be made'.

Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B – w.e.f 01.02.2025

- Section 158BB of the Act provides the methodology for computation of total income of block period. It is proposed to amend clause (i) of the sub-section (1) of the said section to substitute reference to 'total income disclosed' with "undisclosed income" which has been declared in return.

- Consequential amendment is also proposed in sub-section (6) of the said section to reflect this change.

- It is further proposed to amend clause (iii) of the sub-section (1) to specify that any income declared in the return of income filed under section 139 or in response to a notice under sub-section (1) of section 142 or section 148, prior to the date of initiation of the search or the date of requisition, shall form part of the total income of the block period for which credit would be given while charging the tax for the said period.

- It is also proposed to omit the word total from 'total income' in clause (ii) and (iii) of the sub-section (1).

Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B – w.e.f 01.02.2025

- It is also proposed to amend clause (iv) of sub-section (1) to provide the clarity over computation of the income pertaining to the previous year which has ended but the due date for furnishing the return for such year has not expired prior to the date of initiation of the search or requisition so that income pertaining to books of account maintained in normal course for the said period is taxed under the normal provisions.

Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B – w.e.f 01.02.2025

- Sub-section (3) of section 158BB of the Act proposes to tax under the normal provisions any income which relates to any international transaction or specified domestic transaction, pertaining to the period beginning from the 1st day of April of the previous year in which last of the authorisations was executed and ending with the date on which last of the authorisations was executed.

- This was provided as it may be difficult to assess arm's length price of part period transactions.

- It is proposed to amend the said sub-section to provide that the income pertaining to any international transaction or specified domestic transaction shall not be considered in the income of the block period.

- Therefore, in the said sub-section, it is proposed to provide the reference to such income instead of evidence as provided earlier.

Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B – w.e.f 01.02.2025

- Section 158BE of the Act provides the time-limit for completion of block assessment as twelve months from end of the month in which the last of the authorisations for search has been executed. Search and seizure proceedings are more often than not conducted in a group of cases which require coordinated investigation and assessments.

- However, the present time-limit results in multiple time barring dates in one group of cases which leads to challenges in taking the cases to a logical conclusion.

- Hence, the time-limit for completion of block assessment is proposed to be made as twelve months from end of the quarter in which the last of the authorisations for search or requisition has been executed.

Proposals applicable for Charitable Trust and Institutions.

Rationalisation of 'specified violation' for cancellation of registration of trusts or institutions – w.e.f 01.04.25

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

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

- It is noted that even minor default, where the application referred to in Section 12A(1)(ac) is not complete, may lead to cancellation of registration of trust or institution, and such trust or institution becomes liable to tax on accreted income as per provisions of Chapter XII-EB of the Act.

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

Period of registration for smaller trusts – w.e.f 01.04.25

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

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

- To reduce the compliance burden for the smaller trusts or institutions, it is proposed to increase the period of validity of registration of trust or institution from 5 years to 10 years, in cases where the trust or institution made an application under sub-clause (i) to (v) of the clause (ac) of sub-section (1) of section 12A, and the total income of such trust or institution, without giving effect to the provisions of sections 11 and 12, does not exceed ₹ 5 crores during each of the two previous year, preceding to the previous year in which such application is made.

Rationalisation of persons specified under sub-section (3) of section 13 for trusts or institutions – w.e.f 01.04.25

- Section 13 of the Act, inter alia, provides that section 11 or section 12 shall not apply to exclude any income from the total income of trust of institution, if such income endures, or such income or any property of the trust or the institution is used or applied, directly or indirectly for the benefit of any person referred to in sub-section (3), which inter alia are as following –
  - any person who has made a substantial contribution to the trust or institution, that is to say, any person whose total contribution up to the end of the relevant previous year exceeds ₹ 50K;
  - any relative of any such person as aforesaid;
  - any concern in which any such person as aforesaid has a substantial interest.

Rationalisation of persons specified under sub-section (3) of section 13 for trusts or institutions – w.e.f 01.04.25

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

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

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

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

Bringing clarity in income on redemption of Unit Linked Insurance Policy

Bringing clarity in income on redemption of Unit Linked Insurance Policy– AY 26-27

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

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

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

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

Proposals affecting the Start Ups

Extension of timeline for tax benefits to start-ups

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

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

It is proposed to amend the above section so as to extend the benefit for another period of five years, i.e. the benefit will be available to eligible start-ups incorporated before 01.04.2030

Proposals for IFSC (International Financial Services Centre)

Proposals for IFSC (International Financial Services Centre)

- Extension of sunset dates for several tax concessions pertaining to IFSC.
- Exemption on life insurance policy from IFSC Insurance offices.
- Exemption to capital gains and dividend for ship leasing units in IFSC
- Rationalisation of definition of 'dividend' for treasury centres in IFSC
- Simplified regime for fund managers based in IFSC
- Amendment of Section 10 related to Exempt income of Non-Residents
- Inclusion of retail schemes and Exchange Traded Funds (ETFs) in the existing relocation regime of funds of IFSCA
- Extension of date of making investment by Sovereign Wealth Funds, Pension Funds & others and rationalisation of tax exemptions

Miscellaneous Proposals

Miscellaneous

- Clarification regarding commencement date and the end date of the period stayed – period commencing on the date on which stay was granted by an order or injunction of any court and ending on the date on which certified copy of order vacating the stay was received by the jurisdiction Pri. Commi, Commi.

- Deduction u/s 80CCD for contributions made to NPS Vatsalya.

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

- Obligation to furnish information in respect of crypto-asset

- Increasing time limit available to pass order under section 115VP

- Excluding the period such as court stay etc. for calculating time limit to pass an order – Section 206C(7A).

Miscellaneous

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

- Scheme of presumptive taxation extended for non-resident providing services for electronics manufacturing facility

- Extension of benefits of tonnage tax scheme to inland vessels

PART II – DECODING THE INDIRECT TAX PROPOSALS (GST)

The proposals will be effective from the date of its notification. Unless specified otherwise.

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Click on the relevant topic of this slide to read directly those applicable topics.

Index for Direct Access

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Input Service Distributor (ISD)

Including the RCM of IGST – w.e.f 01.04.2025

- **Section 2(61)**

- Present definition;

"Input Service Distributor" means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20;]

- It is proposed to explicitly provide for distribution of ITC by ISD in respect of Inter-state supplies on which tax has to be paid on RCM basis by inserting ref. to Section 5(3) / 5(4) of the IGST Act.

- Further, in line of the same, similar amendments will be made in Section 20(1) and 20(2).

Unique Identification Marking for implementation of Track and Trace Mechanism.

Unique Identification Marking for implementation of Track and Trace Mechanism.

- The 55th GST Council meet provided the above mechanism.
- This will aid with the installation of systems for tracking certain commodities along the supply chain and will offer a legal basis for creating such a system.
- By monitoring the complete supply chain, it will reduce the possibility of tax evasion.
- Additionally, it makes it simpler to identify production, shipping, or sales irregularities.
- A new clause (116A) is being inserted in Section 2 for the same which will be as below;

"unique identification marking" means the unique identification marking referred to in clause (b) of sub-section (2) of section 148A and includes a digital stamp, digital mark or any other similar marking, which is unique, secure and non-removable;';

Unique Identification Marking for implementation of Track and Trace Mechanism.

- Section 122B is being inserted to provide penalty for contraventions of provisions related to the Track and Trace Mechanism provided under section 148A.

"Notwithstanding anything contained in this Act, where any person referred to in clause (b) of sub-section (1) of section 148A acts in contravention of the provisions of the said section, he shall, in addition to any penalty under Chapter XV or the provisions of this Chapter, be liable to pay a penalty equal to an amount of one lakh rupees or ten per cent. of the tax payable on such goods, whichever is higher."

Unique Identification Marking for implementation of Track and Trace Mechanism.

- Section "148A.

- (1) The Government may, on the recommendations of the Council, by notification, specify,– Track and trace mechanism for certain goods. (a) the goods; (b) persons or class of persons who are in possession or deal with such goods, to which the provisions of this section shall apply.

- (2) The Government may, in respect of the goods referred to in clause (a) of sub-section (1),––

    - (a) provide a system for enabling affixation of unique identification marking and for electronic storage and access of information contained therein, through such persons, as may be prescribed; and
    - (b) prescribe the unique identification marking for such goods, including the information to be recorded therein.

- (3) The persons referred to in sub-section (1), shall,––

Unique Identification Marking for implementation of Track and Trace Mechanism.

(a) affix on the said goods or packages thereof, a unique identification marking, containing such information and in such manner;

(b) furnish such information and details within such time and maintain such records or documents, in such form and manner;

(c) furnish details of the machinery installed in the place of business of manufacture of such goods, including the identification, capacity, duration of operation and such other details or information, within such time and in such form and manner;

(d) pay such amount in relation to the system referred to in sub-section (2), as may be prescribed.

Time of Supply of vouchers (Goods / Services) – Section 12(4) / 13(4)

- Section 12(4) reads as below;

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.

- Section 13(4) reads as below;

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.

- Both these sections i.e. 12(4) and 13(4) to be deleted.

“Plant or Machinery” to be replaced by “Plant and Machinery” – Section 17(5)(d)

- In the case of M/s Safari Retreats Private Ltd. & Ors (CIVIL APPEAL NO. 2948 OF 2023), the Hon’ble Apex Court allowed the ITC on the interpretation of the term ‘Plant or Machinery’ in Section 17(5)(d).

- However, Clause (d) of sub-section (5) of section 17 is being amended to substitute the words "plant or machinery" with words "plant and machinery".

- Further, this amendment will be effective retrospectively from 1st July 2017

- Further, an explanation will be inserted which will further clarify the “or” vs “and” as notwithstanding anything to the contrary contained in any judgment, decree or order of any court or any other authority.

Credit Note – Reduction of liability – Section 34(2)

- Section 34(2) deals with the issuance of credit note wherein the supplier of goods or services or both will reduce his outward tax liability.

- The present proviso states as below;

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

It is proposed to add a further condition in the proviso that

"input tax credit as is attributable to such a credit note, if availed, has not been reversed by the recipient, where such recipient is a registered person; "

Thus, there will be an additional compliance to the supplier of goods or services or both who issues credit note.

Communication of details of inward supplies and input tax credit – Section 38

- (1) The details of outward supplies furnished by the registered persons under sub-section (1) of section 37 and of such other supplies as may be prescribed, and an auto-generated statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed. Will be replaced with 'a statement'

- (2) The auto-generated statement under sub-section (1) shall consist of--Will be replaced with '"statement referred in'

(a) details of inward supplies in respect of which credit of input tax may be available to the recipient; and – 'and' to be omitted

(b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, on account of the details of the said supplies being furnished under sub-section (1) of section 37,-- Will be replaced with 'including'

Clause (c) will be inserted to provide such other details as may be prescribed

Furnishing of Returns – Section 39

- 39 Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52 shall, for every calendar month or part thereof, furnish, a return, electronically, of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars, in such form and manner, and within such time, as may be prescribed: Will be replaced with 'within such time, and subject to such conditions and restrictions'.

Pre-Deposit of Penalty for appellate proceedings

First Appellate Authority – Section 107 (6)

- Presently Section 107(6) reads as under;

No appeal shall be filed under sub-section (1), unless the appellant has paid—

(a) in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him; and
(b) a sum equal to ten per cent of the remaining amount of tax in dispute arising from the said order, [subject to a maximum of [twenty] crore rupees,] in relation to which the appeal has been filed:

Proviso - Provided that no appeal shall be filed against an order under sub-section (3) of section 129, unless a sum equal to twenty-five per cent of the penalty has been paid by the appellant.

First Appellate Authority – Section 107 (6)

- The proposed amendment is as under;

- for the existing proviso, the following proviso shall be substituted, namely:––

"Provided that in case of any order demanding penalty without involving 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.".

First Appellate Authority – Section 107 (6)

Implications;

- Presently, only 10% of the diposuted tax was required to be paid before filing the appeal with the first appellate authority u/s 107(6).

- It means in case of a demand order involving only interest or penalty, no pre-deposit was required to be made.

- It is proposed that in now in case of any demand order not involving any amount of tax, a pre-deposit of 10% of the amount of penalty is required to be made before filing an appeal.

- It seems to be a draconian provision which will be unfair to the honest taxpaye₹

- Also, there is a benefit that for filing appeal against an order u/s 129(3), a pre-deposit is required to be made of 10% instead of present limit of 25%.

Appeals to Appellate Tribunal– Section 112 (8)

- Presently Section 112(8) reads as under;

No appeal shall be filed under sub-section (1), unless the appellant has paid—

(a) in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him, and

(b) a sum equal to [ten per cent.] of the remaining amount of tax in dispute, in addition to the amount paid under sub-section (6) of section 107, arising from the said order, subject to a maximum of [twenty crore rupees],] in relation to which the appeal has been filed.

Appeals to Appellate Tribunal– Section 112 (8)

- The proposed amendment is as under;

- the following proviso shall be newly inserted, namely:––

"Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty, in addition to the amount payable under the proviso to sub-section (6) of section 107 has been paid by the appellant.".

Appeals to Appellate Tribunal– Section 112 (8)

Implications;

- Presently, only additional 10% of the diposuted tax was required to be paid before filing the appeal with the Appellate Tribunal in addition to the 10% tax paid u/s 107(6) i.e. effectively 20% of the tax in dispute.

- It means in case of a demand order involving only interest or penalty, no pre-deposit was required to be made.

- It is proposed that in now in case of any demand order not involving any amount of tax, an additional pre-deposit of 10% of the amount of penalty is required to be made before filing an appeal in addition to the 10% penalty paid u/s 107(6) i.e. effectively 20% of the penalty in dispute if 10% pre-deposit was required to be made u/s 107(6).

- It seems to be a draconian provision which will be unfair to the honest taxpaye₹

Summary of Pre-Deposit – Section 107(6) and 112(8)

Sr. No.	Nature of Income	Current Threshold for Pre-Deposit	Proposed Threshold for Pre-Depsoit
1.	Section 107(6) – First Appeal – Having an order demanding tax (and / or) penalty	10% of the disputed Tax	10% of the disputed tax (no change)
2.	Section 107(6) – First Appeal – Having an order demanding penalty without demand of tax	0% of disputed penalty	10% of disputed penalty
3.	Section 112(8) – Appeal to Appellate Tribunal – Having an order demanding tax (and / or) penalty	20% of the disputed Tax	20% of the disputed tax (no change)
4.	Section 112(8) – Appeal to Appellate Tribuanl – Having an order demanding penalty without demand of tax	0% of disputed penalty	20% of disputed penalty

Changes in Schedule III of CGST Act – retrospective amendment w.e.f 01.07.2017

- Inserting a new clause (aa) in paragraph 8 of Schedule III of the Central Goods and Services Tax Act, 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.

- It further seeks to amend Explanation 2 of Schedule III of the Central Goods and Services Tax Act, w.e.f. 01.07.2017 to clarify that the said explanation would be applicable in respect of clause (a) of paragraph 8 of the said Schedule.

- It further seeks to amend Schedule III of CGST Act, w.e.f. 01.07.2017 by inserting Explanation 3 to define the terms 'Special Economic Zone', 'Free Trade Warehousing Zone' and 'Domestic Tariff Area', for the purpose of the proposed clause (aa) in paragraph 8 of said Schedule.

- Further, no refund of tax already paid will be available for the aforesaid activities or transactions referred to in above clauses.

Miscellaneous Proposals

Miscellaneous Proposals

- Section 2(69)(c) – 'Municipal or local fund" to be replaced with "municipal fund or local fund"

Thank you !!

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