

Beneath  
the  
*Canopy*



**INDIA  
BUDGET  
2025**



**K C Mehta & Co** LLP

---

Chartered Accountants

## Beneath the *Canopy*

This year's KCM budget publications' theme is an ode to the vast and diverse animal kingdom of India. Ours is a country with a strong influence of animals and birds into the tapestry of our culture, lores and poetry. Our country is home to 106 national parks that protect the wildlife and the biodiversity of our forests. With the world moving towards sustainability and conservation, it was a natural choice to look into the jungles of India - let us be inspired by their resilience, their strength and their sheer beauty. Pictures are courtesy of our Partner, **Mr. Dhaval Trivedi** who is a wildlife enthusiast and has taken up photography as a means to capture the beauty of the animal kingdom.

Pictures in this publication are from the following Reserves/ Parks:

1. Pench Tiger Reserve, Madhya Pradesh
2. Tadoba-Andhari Tiger Reserve, Maharashtra
3. Ranthambore Tiger Reserve, Rajasthan
4. Blackbuck National Park, Velavadar, Gujarat
5. Gir National Park, Gujarat
6. Jawai Bandh, Rajasthan

# INDIA BUDGET 2025



A **spotted deer** is a given in any jungle. This Spotted Deer with antlers gave a good pose at Pench Tiger Reserve, Madhya Pradesh.





# CONTENTS

## STATE OF ECONOMY 05

## DIRECT TAX 19

Personal Taxation	20
Non-resident Taxation	25
Transfer Pricing	28
Corporate Re-organisation	30
Business Tax	32
Funds & Business Trusts	34
IFSC	36
TDS & TCS Provisions	39
Compliances & Procedures	42
Charitable Trusts	48

## INDIRECT TAX 50

Goods & Services Tax	51
Customs	56
Central Excise Act	66
Service Tax	66

## REFERENCES 67



# STATE OF ECONOMY

*In midst of their natural habitat,  
a **leopard** decided to display  
its beautiful rosettes at  
Jawai Bandh, Rajasthan.*

**INDIA  
BUDGET  
2025** *Beneath  
the  
Canopy*

# State of Economy

## Background

The Economic Survey tabled by the Hon'ble Finance Minister ('the FM'), Mrs. Nirmala Sitharaman on July 22, 2024 was in the backdrop of the third consecutive win by the incumbent NDA coalition government, led by Bhartiya Janta Party (BJP), being the single largest party and supported by its allies the Janta Dal (United) of Sh. Nitish Kumar and the Telegu Desam Party (TDP) led by Sh. Chandrababu Naidu and other smaller regional parties. As was expected, coalition dharma has played its part in the policy actions and decisions taken by the NDA government since coming back to power in 2024. India is no longer an island of economic safety and prosperity standing tall in the global geo-political turmoil but at the same time being more entwined with the vagaries of ever changing political and economic situation across the globe. The Economic Survey 2024-25 tabled by Mrs. Nirmala Sitharaman on Friday, January 31, 2025 is at such a critical juncture, where India has to forge its own growth path in the rapidly changing business environment where geo-economic fragmentation is going to play a major part is determining the economic policies of nations across the globe.

World Economic Outlook (WEO) January 2025 report released by the International Monetary Fund (IMF) pegs the global growth at 3.3 percent for both 2025 and 2026 which is 10 percent below the historical (2000–19) average of 3.7 percent. The forecast for 2025 has largely remained unchanged from that in the October 2024 World Economic Outlook (WEO) with the upward revision in the economic situation in the United States offsetting the downward revisions in major economies, including China and India.

The WEO for 2025 has identified four forces shaping the outlook of the global economy in the year ahead and will continue to play a pivotal role in the global economic situation going forward.

Global GDP growth for the third quarter of 2024 was 0.1 percent below the WEO October 2024 estimate, primarily on account of weaker economic conditions in Europe and Asia. Growth in China at 4.7 percent which was below expectation

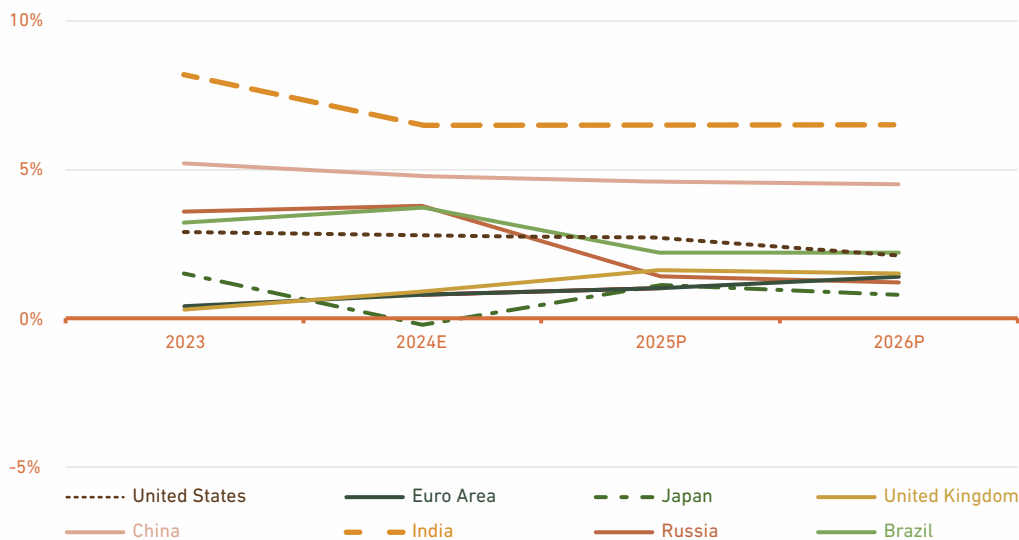
but managed well by better than anticipated export growth offsetting the slowdown in consumption and delayed recovery of the property market. Growth in India also slowed more than expected led by a sharper-than-expected deceleration in industrial activity. Germany's performance in the euro zone was much weaker on account of weak manufacturing, primarily on account of woes in the automobile sector. In contrast economic momentum in the United States, expanded at a rate of 2.7 percent in the third quarter, led by strong consumption.

Global disinflation continues on account of persistent inflation leading central banks to continue with the hardline stance of maintaining higher interest rates to curb any additional inflationary pressures. However, these inflated interest rates are taking on a toll on the economic activity in major economies where progress is faltering. With one eye on inflation, central banks are taking a cautious stance in easing the interest rate cycle by keeping a close eye on activity and labour market as well as the exchange rate movements.

Global financial conditions have remained open and accommodative, but divergence can be seen across global equities markets. Whereas the equities have rallied in the advanced economies on expectations of business-friendly policies in the United States, the markets in emerging market and developing economies have been subdued, largely on account of a broad-based strengthening of the US dollar.

Economic policy uncertainty has increased on the trade and fiscal fronts, primarily on account of newly elected governments in 2024. Political instability in Asian and European countries along with the geo-political situation in Middle East and Europe is going to keep global trade in a state of flux.

### IMF World Economic Outlook - GDP - Jan '25 Report



## Key Highlights of the Economy Survey 2024-25

- Real Gross Domestic Product (GDP) and Gross Value Added (GVA) growth estimated at 6.4 percent in FY25 (First Advance Estimates).
- Current account deficit (CAD) stood at 1.2 percent of GDP in Q2 of FY25, propped by rising net services receipts and an increase in private transfer receipts.
- Services Export growth has jumped from 12.8 percent during April–November FY25 from 5.7 percent in FY24.
- Agriculture and Allied Activities Sector have contributed ~16 percent of GDP for FY24 (Provisional Estimates) at current prices.
- Retail Headline Inflation has come down from 5.4 percent in FY24 to 4.9 percent for the period April–December 2024.
- Foreign exchange reserves stood at USD 640.3 Billion as of January 03, 2025 which is sufficient to cover ~11 months of Imports and 90 percent of External Debt.
- Gross Non Performing Assets (GNPA) of Scheduled Commercial Banks have declined to a 12-year low of 2.6 percent.
- Foreign Direct Investment (FDI) inflows showed a minor revival in FY25, by increasing to USD 55.6 billion in the first eight months of FY25 against USD 47.2 billion during the same period of FY24.
- India has an installed electricity generation capacity of 2,13,701 megawatts from non-fossil fuel sources, which now accounts for 46.8 percent of the total capacity.
- Government health expenditure has increased from 29.0 percent to 48.0 percent resulting in the out-of-pocket expenditure (in the total health expenditure) declining from 62.6 percent to 39.4 percent.
- Possibility of a major market correction in the US stock markets in 2025 which will result in a cascading effect on India, should serve as a warning to the slew of new investors riding the booming Indian market but have never faced major market corrections.
- The Survey has once again highlighted that the “minimum government maximum governance” through systematic deregulation is critical for sustainable development and creating employment opportunities.

- As per the Survey, the way forward to absorb the growing labour force, create investments in infrastructure and encourage innovation is by creating viable Mittelstand (i.e.) India's SME sector.
- Survey highlighted the efforts of Union Government in de-bottlenecking and creating facilitatory mechanisms like the National Infrastructure Pipeline, National Monetisation Pipeline and PM-Gati Sakti. However, private participation is required to support efforts of the Government in many critical infrastructure programs through a variety of PPP models such as build operate-transfer (toll and annuity), design-build-finance-operate-transfer, hybrid annuity model and toll-operate-transfer.
- Based on the National Guidelines on Responsible Business Conduct (NGRBC) by the government, SEBI introduced new reporting mandates on ESG parameters - the Business Responsibility and Sustainability Report (BRSR) - for the top 1000 listed companies, mandatory from FY23. The BRSR norms were further expanded in FY23, with the introduction of BRSR core for assurance and ESG disclosures for value chains by the listed entities. From FY26, the top 500 listed entities are mandated to report under BRSR core, which will be expanded to the top 1000 listed entities from FY27 onwards.

## State of the Indian Economy

- Global Economy has seen an imbalanced growth in 2024 as a result of slowdown in global manufacturing along with supply chain disruptions and weak external demand. Services sector has performed better though service led inflation is seen on the higher side but softening is expected in the near term.
- India once again has displayed a much better economic performance than many leading economies ably supported by healthy mix of growth in both the agriculture and services sector.
- Manufacturing sector in India was on the backfoot on account of weak global demand and seasonal domestic conditions such as above normal monsoon leading to less productive days along with variation in timing of festival season but is now seeing an uptick on increased rural demand.
- Real GDP growth of 6.0 percent in the first half of the current fiscal is on account of private consumption growth in the rural areas as indicated by higher offtake in 2-wheeler and 3-wheeler sales and tractor sales.
- On the other hand, the contributor to weaker growth in real GDP was urban demand as indicated by growth of passenger vehicle sales which slowed to 4.2 percent during April – November 2024 as compared to 9.2 percent in the corresponding period of previous year.
- The tapering of the real GDP growth can be seen from the considerably lower growth in Gross Fixed Capital Formation (GFCF) from 10.1 percent in H1 FY24 to 6.4 percent in H1 FY25.
- Slowdown in capital expenditure at the government was on account of focus on the general elections in the early part of the year whereas the private sector investment growth is yet to pick up stream on account of pre-poll uncertainty, weak global demand and overcapacities.
- Export of goods and non-factor services at constant prices increased by 5.6 per cent in H1 FY25 against a contraction of 2.9 percent in imports of goods and services, thereby leading to a net positive effect on the real GDP growth.
- Retail inflation, measured in terms of Consumer Price Index (CPI) has come down from 5.4 percent in FY24 to 4.9 percent in April–December 2024 on account of reduction in core (non-food, non-fuel) inflation. The slightly higher level than the comfort benchmark 4.0 percent of RBI is led by food inflation which has remained at high levels due to supply chain disruptions and vagaries of nature.
- India's external sector has been a mixed bag with lower than expected exports on account of lower

commodity prices affecting the merchandise export for petroleum goods. Merchandise imports have increased thereby leading to a widening of India's merchandise trade deficit.

- Services led trade surplus along with remittances from abroad have ensured that Current Account Deficit (CAD) is contained to 1.2 percent of the GDP for Q2FY25.
- India's foreign exchange reserves which shot up to USD 704.9 billion in September 2024 have come down to USD 634.6 billion as on January 03, 2025 on account of recent selloff by foreign portfolio investors (FPIs) seeking safer and greener pastures post US elections.
- Banking and financial services sectors have remained stable and well capitalized, led by decline in asset impairments, enhanced capital buffers and a steady credit growth especially to the housing sector.
- The gross non-performing assets (NPAs) in the banking system have declined to a 12-year low of 2.6 percent of gross loans and advances but a cause of concern seen by the RBI is the stress on unsecured credit, i.e. personal loans and credit cards, which as of September 2024 have seen a 51.9 percent addition to the stock of NPAs.
- On the employment front, as per the 2023-24 Annual Periodic Labour Force Survey (PLFS) report, unemployment rate for individuals aged 15 years and above has seen a decline from 6 percent in 2017-18 to 3.2 percent in 2023-24.
- The Economic Survey has reiterated the possible disruptive impact of Artificial Intelligence (AI) on the labour market in India. Prioritizing education and skill development will be crucial to equipping India's labour force with the competencies to not only survive but thrive in an AI-augmented landscape.
- Looking into the periscope going forward and for navigating the way ahead, Sh. V. Anantha Nageswaran, Chief Economic Advisor, Government of India has the following observations -
- Global growth will remain robust but at levels lower than the normal trend. Manufacturing will

remain weak on account of structural issues in Europe but will be offset by stronger than normal services led growth, especially in India.

- Inflation is expected to come down gradually over a period of time leading to Central Banks across countries easing their hardline monetary stance.
- On the domestic front, rural demand is expected to remain robust on account of sustainable growth in the agriculture sector leading to higher consumption.
- Global energy and commodity prices are expected to come down on account of easing of tensions in the Middle East and a possible truce in Russo-Ukraine conflict. This will positively impact core inflation.
- Capacity utilization in the manufacturing sector has seen an uptick in the private sector on the back of robust order book but the global overcapacities might hamper further investments in capex by the private players.
- Agriculture production has been good and with a bumper rabi production in the first half of FY26 and decent kharif harvest now can lead to softening of food inflation.
- On the whole the domestic front has seen considerable improvement in the economic scenario but downsides still persist due to global political and economic uncertainties.
- To maintain a steady GDP growth in the range of 6.5 – 7.0 percent, India will have to navigate the headwinds with constructive and proactive policy management and pushing for improving the domestic fundamentals.



A Nilgai grazing at Velavadar National Park, Gujarat.

## Monetary and Financial Sector Developments: The Cart and the Horse

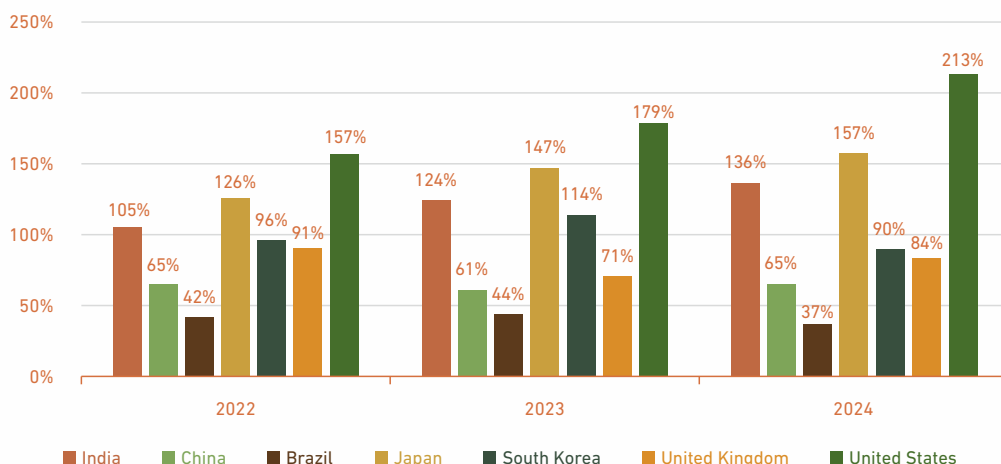
India's financial sector has seen strong growth in FY25, with steady bank credit expansion, improved profitability, and progress in financial inclusion. The capital markets have performed well, and sectors like insurance and pensions are advancing but rising consumer credit, unsecured lending, and increased young investor participation pose regulatory challenges.

- During the first nine months of FY25, the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) decided to keep the policy repo rate unchanged at 6.5 percent.
- The credit growth outpaced the nominal GDP growth for two successive years with the credit-GDP gap narrowed to (-) 0.3 percent in Q1 of FY25 from (-) 10.3 percent in Q1 of FY23 which reflects the sustainable bank credit growth.
- The Gross Non-Performing Assets (GNPA) ratio of Scheduled Commercial Bank (SCBs) declined

from its peak in FY18 to 2.6 percent at the end of September 2024 due to lower slippages, recoveries, upgradations, and write-offs.

- Till September 2024, 1068 resolution plans approved under the Insolvency and Bankruptcy Code, 2016 (IBC) have resulted in creditors realising INR 3.6 lakh crore.
- The CAGR of Nifty 50 for the past ten years since March 2014, stand at 8.8 percent (adjusted for USD), above China's Shanghai Composite indices of 3.2 percent but trailing below the US NASDAQ composite index of 15.3 percent and US Dow Jones of 9.2 percent.
- The debt market in India remains under-capitalised. The corporate bond market as a percentage of GDP is only 18 percent in India against 80 percent in Korea and 36 percent in China.

Market Capitalisation to GDP ratios across countries (in %)



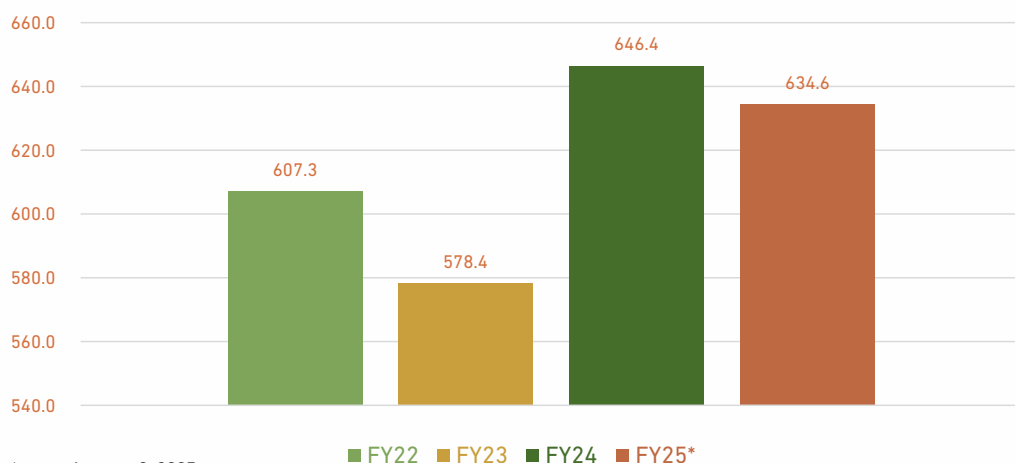
- India's total insurance premiums grew by 7.7 percent in FY24, reaching INR 11.2 lakh crore despite decline in insurance penetration from 4 percent in FY23 to 3.7 percent in FY24.

- India's pension sector showed growth, with the total number of pension subscribers growing by 16 percent (YoY) as of September 2024.

## External Sector: Getting FDI Right

- India's external sector has remained resilient amid global economic uncertainties with steady export growth and a 6.9 percent rise in imports driven by domestic demand. To still enhance competitiveness, India needs to focus on reducing trade-related costs and strengthening export facilitation. While foreign portfolio investments have shown mixed trends, strong macroeconomic fundamentals have kept FPI flows net positive.
- India's total exports witnessed a positive momentum in April-December 2024 reaching USD 602.6 billion, with a YoY growth of 6 percent while the total imports during the said period reached USD 682.2 billion, with a YoY growth of 6.9 percent.
- India's share in global services exports has more than doubled, reaching around 4.3 percent in the year 2023 from 1.9 percent in the year 2005.
- According to a report, the global B2C e-commerce market is expected to grow from USD 5.7 trillion in 2022 to USD 8.1 trillion by 2026 at a CAGR of 9.1 percent while India's B2C e-commerce market which was worth USD 83 billion in 2022 is anticipated to grow to USD 150 billion by 2026, reflecting a CAGR of 15.9 percent.
- India's current account deficit (CAD) moderated slightly to 1.2 percent of GDP in Q2 of FY25 against 1.3 percent of the GDP recorded in Q2 of FY24.
- FDI recorded a revival in FY25, with gross FDI inflows increasing from USD 47.2 billion in the first eight months of FY24 to USD 55.6 billion in the same period of FY25, a YoY growth of 17.9 percent.
- There has been tremendous growth in equity market with the Investor participation (number of investors) growing from 4.9 crore in FY20 to 13.2 crore as of December 31, 2024.
- India's foreign exchange reserves have come down to USD 640.3 billion as of the end of December 2024. The reserves are adequate to cover approximately 90 percent of India's external debt of USD 711.8 billion as of September 2024.

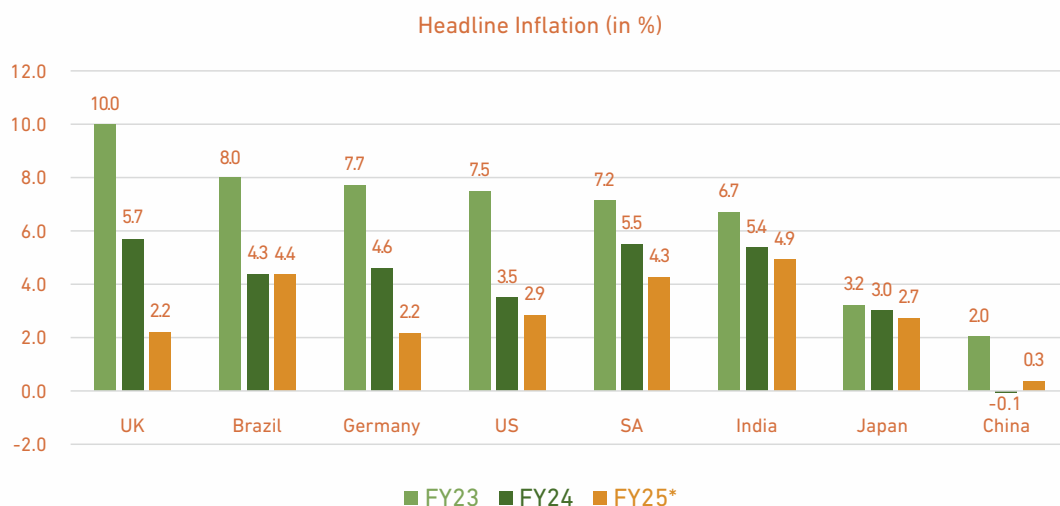
Foreign Exchange Reserves (in USD Billion)



- The external debt to GDP ratio rose slightly from 18.8 percent of the GDP at the end of June 2024 to 19.4 percent at the end of September 2024.

## Prices and Inflation: Understanding the Dynamics

- Global inflation has declined since its peak in 2022, and in India, retail inflation eased in FY25 due to timely government and RBI interventions. Despite challenges in food inflation, especially with onions, tomatoes, and pulses, measures like procurement, stocking, and imports are being actively used to stabilize prices.
- Global inflation, which peaked at 8.7 percent in 2022 moderated to 5.7 percent in 2024. In India, retail inflation moderated from 5.4 percent in FY24 to 4.9 percent in April-December 2024. The headline inflation for various countries is as under –



\* Inflation rate for FY25 is for April to December 2024, except for Japan, Malaysia and South Africa is until November 2024.

Source: Bloomberg and Consumer Price Indices released by CSO, MoSPI, IMF WEO Database Oct 2024 and Jan 2025 update, Central bank policy rates, BIS

- India's headline inflation, measured by the Consumer Price Index (CPI), has moderated in April-December 2024, as compared to FY24, primarily due to a significant decrease in core inflation by 0.9 percentage points.
- The RBI and the IMF have projected that India's consumer price inflation will over a period of time align towards the targeted inflation by FY26. In December 2024, RBI's Monetary Policy Committee report revised its inflation projection from 4.5 percent to 4.8 percent in FY25. The RBI expects headline inflation to be 4.2 percent in FY26.

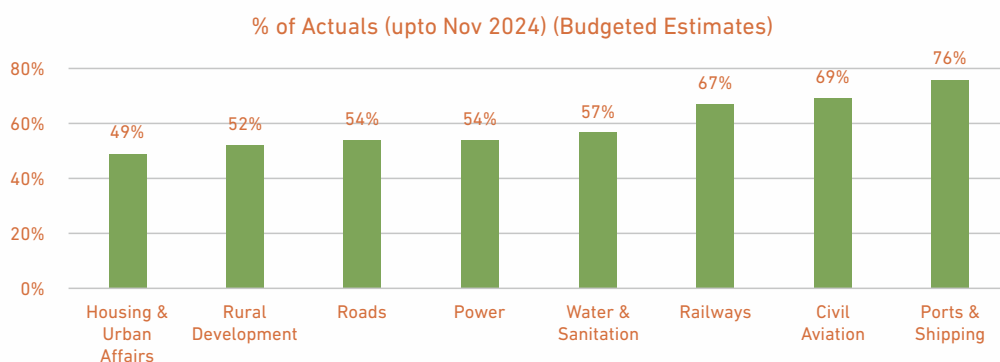
## Medium Term Outlook: Deregulation drives growth

- India needs to achieve a growth rate of around 8 percent at constant prices, on average, for about a decade or two to realise its economic aspirations of becoming Viksit Bharat by the time of the centenary of independence. The World Economic Outlook (WEO) of the International Monetary Fund (IMF) projects India to become a USD 5 trillion economy by FY28 and reach a size of USD 6.307 trillion by FY30.

- Indian economy is in the middle of a transitional phase that poses both an economic challenge and opportunity. Geo-Economic Fragmentation (GEF) is now replacing globalization, leading to imminent economic realignments and readjustments with more protectionist policies across economies.
- The Medium-term growth outlook for India has to take cognizance of the new global realities – GEF, China's manufacturing prowess, and dependency of efforts for energy transition in China.
- India has to focus on systematic deregulation to strengthen the domestic levers of growth and empower individuals and organizations to pursue economic activities with ease.
- Focus of reforms and economic policy must now be on systematic deregulation under Ease of Doing Business 2.0 and creation of a viable Mittelstand i.e. India's SME sector.
- The States must work towards liberalizing standards and controls, setting legal safeguards for enforcement, reducing tariffs and fees and applying risk-based regulations.

## Investment and Infrastructure: Keep it going

- Building infrastructure – physical, digital and social has been a central focus area for the Government in the last five years. The public capital alone cannot meet the demands of upgrading the country's infrastructure. Enhanced private participation in infrastructure by improving their capacity and revenue-sharing mechanisms, contract management, conflict resolution and project closure is the need of the hour.
- The capital expenditure by the Union government on major infrastructure sectors has been increased at a rate of 38.8 percent from FY20 to FY24.
- India needs a continued step-up of infrastructure investment over the next two decades to sustain a high rate of growth.
- The capital expenditure by the Government in infrastructure sector is depicted in the chart below –



Source: Monthly Accounts of the Union Government, Controller General of Accounts

- There was 15.8 percent increase in renewable energy capacities of solar and wind power upto December 2024 as compared to December 2023 and the share of renewable energy in India's total installed capacity currently stands at 47 percent.
- Jal Jeevan Mission (JJM), aiming to ensure long-term water security for rural households by providing reliable access to safe piped drinking water, covers 79.1 percent of rural households as of November 26, 2024.

- The Smart Cities Mission aims to develop smart cities with essential infrastructure, good quality of life and a sustainable environment. As of

January 13, 2025, 8,058 projects worth INR 1.64 lakh crore have been proposed with 7,479 projects worth INR 1.50 lakh crore completed.

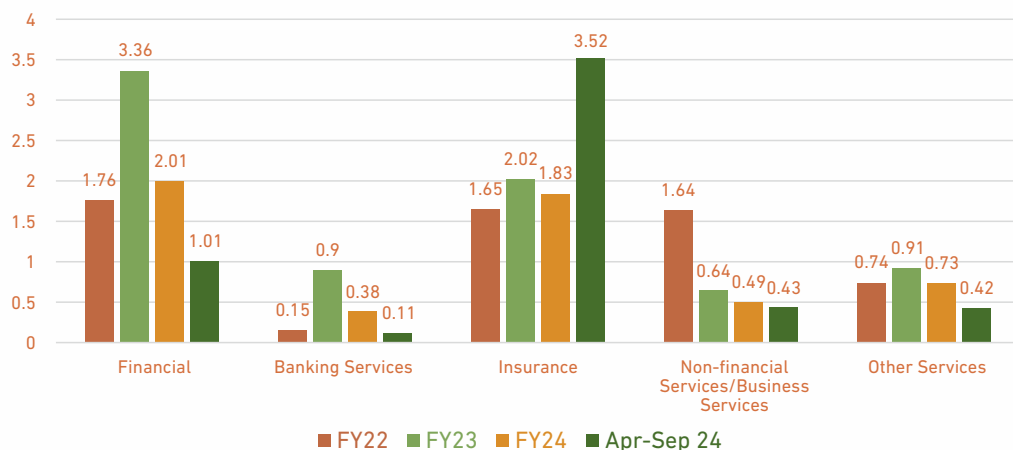
## Industry: All About Business Reforms

- The global manufacturing landscape has undergone profound transformations over the past decade, with India emerging as a key player, progressively occupying the space relinquished by developed economies.
- India's global manufacturing contribution is 2.8 percent with significant potential to increase its industrial GDP share compared to its peers.
- The industrial sector, impacted by the pandemic in FY21, is set for a 6.2 percent growth in FY25, driven by the electricity and construction sectors.
- The automobile industry saw a 12.5 percent growth in domestic sales in FY24, with the Production-Linked Incentive (PLI) scheme extended by one more year to support continued growth.
- The electronics manufacturing sector grew significantly, with production rising to INR 9.52 lakh crore in FY24 with a 17.5 percent CAGR and now 99 percent of smartphones are made domestically.
- India's pharmaceutical industry, the third largest globally by volume, achieved INR 4.17 lakh crore turnover in FY24, with 50 percent from exports. The medical devices sector which is growing at a 15 percent CAGR now ranks fourth in Asia.
- The MSME sector is crucial for economic growth, supported by initiatives like Udyam Registration, Self-Reliant India Fund, and the revamped Credit Guarantee Scheme, addressing operational challenges and promoting entrepreneurship.

## Services: New Challenges for the Old War Horse

- The service sector is driving India's growth and supporting GDP despite headwinds for the manufacturing sector due to weak global merchandise trade. It has been the most consistent contributor to Gross Value Added (GVA), with its share rising from 50.6 percent in FY14 to 55 percent in FY25. Services exports strengthen the external balance, with logistics and digital technologies enhancing user experiences.
- Despite a brief setback in FY21 due to the pandemic, the sector has grown robustly, averaging over 6 percent annually in the last decade, with post-pandemic growth accelerating to 8.3 percent (FY23-FY25).
- FDI equity inflows for FY25 (April-September) were USD 29.8 billion, with the services sector attracting USD 5.7 billion. Insurance services accounted for over 62 percent of sectoral FDI, followed by financial services at 18 percent.
- The tourism sector's GDP contribution was 5 percent in FY23 with 7.6 crore new jobs added. International tourist arrivals rebounded, accounting for 1.45 percent of global ITAs in 2023.
- India's IT industry continues to lead globally, with FY24 revenues of USD 254 billion, driven by 3.3 percent growth in tech exports and 5.9 percent expansion in the domestic market and accounting for 11-12 percent of the total services GVA during FY13 to FY23.
- Reforms such as abolishing angel tax and the equalisation levy, along with streamlined tax policies have aimed to enhance competitiveness, boost IT exports, and foster innovation.

FDI inflow within service sector (in USD billion)



Source: Quarterly Fact Sheet on FDI Inflow

## Agriculture and Food Management Sector of The Future

- The Agriculture Sector has been the cornerstone of India's economy since independence, serving as a key driver of national income and employment. Its resilience stems from sustained growth, proactive government initiatives, and efforts to enhance productivity, diversify crops, and uplift farmers' livelihoods.
- The agriculture sector contributes 16 percent to India's GDP (FY24), supporting 46.1 percent of the population. Growing at 5 percent annually (FY17-FY23), it saw a 3.5 percent rise in Q2 FY25, driven by policy support and sustainability.
- The government has prioritized irrigation and water conservation through initiatives like the Per Drop More Crop (PDMC) and the Micro Irrigation Fund (MIF), covering 95.58 lakh hectares with INR 21,968.75 crore allocated since FY16.
- The Kisan Credit Card (KCC) scheme, introduced to provide farmers with hassle-free access to working capital, has led to 7.75 crore operational accounts with INR 9.81 lakh crore in loans by March 2024.
- India's food processing industry is a major employer, contributing 12.41 percent to organized sector employment. In FY24, agri-food exports reached USD 46.44 billion, with processed food exports rising from 14.9 percent in FY18 to 23.4 percent.
- The One Nation, One Ration Card scheme and the Credit Guarantee Scheme for e-NWR-based financing further enhance accessibility and support farmers' income.

## Climate And Environment: Adaptation Matters

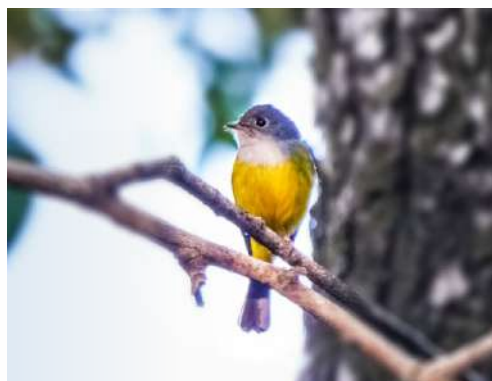
- India aims for robust economic growth and developed nation status by 2047, focusing on inclusive, sustainable development and low-carbon growth. Despite challenges in renewable energy deployment and climate change vulnerability, the country is prioritizing adaptation strategies and initiatives.
- India's goal of becoming a developed nation by 2047 is rooted through sustainable development, balancing low-carbon growth with energy security and job creation. Despite progress in renewable energy, challenges remain in scaling resources due to limited storage technology and access to essential minerals.
- India is focusing on climate-resilient seeds, groundwater preservation, and sustainable farming practices to address heat and water stress and enhance food security.
- There have been significant strides in mitigation, with 46.8 percent of its electricity generation capacity from non-fossil fuel sources, aiming for 50 percent by 2030.
- Several ambitious initiatives have been launched to promote renewable energy, including the New Solar Power Scheme for tribal and PVTG habitations, PM Surya Ghar Yojana to install rooftop solar in one crore households, and Viability Gap Funding for offshore wind projects.
- Additionally, the Green Energy Corridor and National Bioenergy Programme are enhancing grid infrastructure and promoting sustainable energy solutions, with significant progress in solar parks, biogas plants, and waste-to-energy projects.

## Social Sector – Extending Reach and Driving Empowerment

- India has always believed in the economic growth with strong emphasis on inclusivity and welfare of all its citizens. The foundations of empowerment to citizens lies in providing good education, robust healthcare and ample opportunities to grow and thrive. In fact, the virtuous cycle of economic and social development lies in sustainable and inclusive economic prosperity.
- Government's social services expenditure (SSE) has shown a rising trend, with the SSE as a percentage of total expenditure (TE) increasing from 23.3 percent in FY21 to 26.2 percent in FY25 (Budgeted Expenditure).
- Results of the Household Consumption Expenditure Survey (HCES) 2023-24 shows a narrowing of the urban-rural gap in consumption expenditure.
- The average monthly per capita expenditure (MPCE) in rural and urban India in 2023-24 is estimated at INR 4,122 and INR 6,996, respectively.
- Food subsidies constitute the largest fiscal outlay by the Union Government in terms of total budget outlay. For 2022-23, the Union government spent 6.5 percent of the total budget by way of PM Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) to provide free and subsidized food rations.
- In terms of education, the India's school education system caters to 24.8 crore students through 14.72 lakh schools and 98 lakh teachers (Unified District Information System for Education - UDISE+ 2023-24). Of the total, Government schools make up 69 percent of the total with enrollment of 50 percent of students and employing 51 per cent of the teachers.
- In terms of healthcare, National Health Accounts statistics for 2021-22 released in September 2024 shows the Total Health Expenditure (THE) in FY22 estimated to be INR 9,04,461 crore (3.8 percent of GDP and the per capita expenditure (at constant prices) is also seen on an increasing trend since FY19.

- Government-supported voluntary insurance scheme, the Ayushman Bharat- Pradhan Mantri Jan Arogya Yojana (AB PM-JAY) has provided health coverage to ~55 crore individuals, being the world's largest health assurance scheme, offering benefits of up to INR 5 lakh per family annually for secondary and tertiary care.
- Growth in rural areas and providing infrastructure is the way to inclusive and sustainable development. In keeping with this thought the initiative of Government in terms of Pradhan Mantri Gram Sadak Yojana (PMGSY) has resulted in 7,70,983 kms of road length being completed (as of January 09, 2025) against road length sanctioned of 8,34,695 kms.
- 12.2 crore households provided with tap water connections under Jal Jeevan Mission (as of January 27, 2025) and 68,843 Amrit Sarovars

(ponds) have been constructed under Mission Amrit Sarovar initiative.



*Grey-headed Canary Flycatchers are known to forage actively and have a long, squeaky song. This tiny bird was pictured at Pench Tiger Reserve, Madhya Pradesh.*

## Employment and Skill Development – Existential Priorities

- India has a huge labour market and to capitalize on the demographic dividend it is imperative to provide quality employment and job opportunities. The aim is to provide quality workforce which can cater to the global demands in terms of employability. The workforce suitable for global demands can be met through reskilling, upskilling, and new-skilling as well as boosting women workforce participation for equitable employment opportunities.
- As per the last released Economic Survey 2023-24, the Indian economy needs to generate, on average, 78.5 lakh non-farm jobs annually until 2030 to productively engage its growing working population.
- The All-India annual unemployment rate (UR) for individuals aged 15 years and above (usual status) has seen a steady decline from 6 percent in 2017-18 to 3.2 percent in 2023-24.
- The proportion of self-employed in the workforce has grown from 52.2 percent in 2017-18 to 58.4 per cent in 2023-24. This shift reflects the growing aspirational needs and a

blooming entrepreneurial mindset alongwith a strong preference for flexible work arrangements, post COVID-19 pandemic.

- As per Periodic Labour Force Survey (PLFS) 2023-24, the agriculture sector still remains the single largest employer, with its share rising from 44.1 percent in 2017-18 to 46.1 percent in 2023-24. The share of both industry and services sectors saw declines in employment share, with manufacturing falling from 12.1 percent to 11.4 percent and services declining from 31.1 percent to 29.7 percent during the same period.
- Women in workforce is also seen a major empowerment tool and Government initiatives in this regard include providing assistance in form of marketing support, subsidies on sanctioned loans, setting aside a percentage of procurement in CPSEs for women owned MSMEs. An initiative of Union government, SANKALP has trained 32,262 women (67 per cent of beneficiaries) in entrepreneurship between 2021 to 2024.

- There has been a formalization of job market as can be observed from the EPFO subscriptions which have more than doubled, rising from 61 lakh in FY19 to 131 lakh in FY24.
- The eShram portal was launched by the Ministry of Labour and Employment (MoLE) in August 2021 to recognise unorganised workers and have seen over 30.51 crore unorganised workers having been registered till December 2024.

## Labour in AI – Crisis or Catalyst?

- The tremendous upheaval that Artificial Intelligence (AI) has created in is unprecedented in scale and scope. AI presents not only unlimited opportunities and but can also pose serious challenges for the labour markets across the globe. A glimpse of the disruptive nature of AI can be seen as recently as Monday, 27 January 2025 which saw more than USD 1 trillion being wiped out in terms of market capitalization on the NYSE and Nasdaq in the US with the news of introduction of DeepSeek, an AI app launched by a startup in China.
- As per the Economic Survey, there is a growing concern amongst policy makers that AI has a strong possibility of outperforming humans in key decision-making processes in areas such as healthcare, criminal justice, education, business and financial services.
- With AI research and development still limited to large corporates and high entry barriers, blatant adoption of AI adoption in place of humans can present a palpable risk of concentrating the benefits of automation.
- The International Labour Organisation has estimated that ~75 million jobs globally are at complete risk of automation due to AI. Estimates for the UK show that 7 percent of the existing UK jobs face a serious risk of automation in the near term, rising to ~18 percent within the next 10 years.
- As per a Survey done by IIM Ahmedabad, 68 percent of the surveyed white-collar employees expect their jobs to be partially or fully automated by AI within the next five years. Forty percent of the surveyed employees believed that AI will make their skills redundant.
- As per the Economic Survey, policy makers have to recognize the opportunities and the threats posed by AI and structural changes have to be made from the nascent stage (i.e.) education to ensure that the labour force not only faces upto the challenges and threats posed by AI but to ensure that it creates opportunities for enhancing productivity and building a more able workforce.



*Being Nocturnals, they are generally hard to catch a glimpse of. This **Jackal** was clicked at Ranthambore National Park, Rajasthan.*

# DIRECT TAX

*Safaris are perceived to be successful only if you get a glimpse of the Ferocious **Tiger** (National Animal). And boy, it does not disappoint. This is Choti Madhu Tigress at Tadoba Andhari Tiger Reserve, Maharashtra.*

**INDIA  
BUDGET  
2025** Beneath  
the  
*Canopy*

# Personal Taxation

## Change in slab tax rates under default tax regime u/s. 115BAC

Effective from AY 2021-22, the Government introduced a new regime of taxation for individuals and HUF u/s. 115BAC of the Act, which provided for reduced tax rates if the taxpayers were not claiming exemption, deduction, or incentives excepting a few. The benefits of the new regime were also extended to AOP, BOI and artificial juridical persons from AY 2024-25. New

regime is now the 'default' tax regime unless the taxpayer chooses to opt for the old tax regime.

The Bill proposes substantial relief for the taxpayers opting for the new tax regime. Comparison of tax slabs proposed for AY 2026-27 with that of AY 2025-26 below reflects substantial relief provided by the FM in relation to personal taxation.

Rate of tax	Total Income (AY 2025-26)	Total Income (AY 2026-27)
Nil	Up to INR 3,00,000	Up to INR 4,00,000
5%	From INR 3,00,001 to INR 7,00,000	From INR 4,00,001 to INR 8,00,000
10%	From INR 7,00,001 to INR 10,00,000	From INR 8,00,001 to INR 12,00,000
15%	From INR 10,00,001 to INR 12,00,000	From INR 12,00,001 to INR 16,00,000
20%	From INR 12,00,001 to INR 15,00,000	From INR 16,00,001 to INR 20,00,000
25%	N.A.	From INR 20,00,001 to INR 24,00,000
30%	Above INR 15,00,000	Above INR 24,00,000

No changes have been proposed to surcharge and health & education cess applicable on the income tax. Apart from the changes in tax slabs, relief u/s. 87A has been increased to INR 60,000 from INR 25,000. This effectively would mean that any resident individual having income up to INR 12,00,000 would not be required to pay any tax. However, taxpayers with income more than INR 12,00,000 would be required to pay tax as per above slab rates subject to benefit of marginal relief as per section 87A.

Considering the provision of marginal relief as provided in section 87A, the tax liability on total income as computed considering the provision of section 115BAC shall be restricted up to INR 75,000 for a taxpayer earning total income up to INR 12,75,000.

The benefits which one may avail under new tax slab rates as applicable for AY 2026-27 as compared to tax rates applicable to AY 2025-26 at different level of income is shown below:

Amount in INR

Total Income*	Tax liability u/s. 115BAC		Rebate u/s. 87A		Net Tax Payable		Benefit (Excluding cess)
	AY 2025-26	AY 2026-27	AY 2025-26	AY 2026-27	AY 2025-26	AY 2026-27	
7,00,000	20,000	15,000	20,000	15,000	-	-	-
10,00,000	50,000	40,000	-	40,000	50,000	-	50,000
12,00,000	80,000	60,000	-	60,000	80,000	-	80,000
16,00,000	1,70,000	1,20,000	-	-	1,70,000	1,20,000	50,000
20,00,000	2,90,000	2,00,000	-	-	2,90,000	2,00,000	90,000
24,00,000	4,10,000	3,00,000	-	-	4,10,000	3,00,000	1,10,000
25,00,000	5,00,000	3,90,000	-	-	5,00,000	3,90,000	1,10,000
50,00,000	11,90,000	10,80,000	-	-	11,90,000	10,80,000	1,10,000

\* after considering standard deduction

[Note that for income which is subject to special rate of taxation under Chapter XII e.g., 111A, 112, 112A etc., tax is required to be computed in accordance with the rates provided in such sections and not basis the above slab rates]

Considering the above, the tax liability of individuals earning INR 16,00,000 would now be slashed by almost 1/3rd of their existing liability. Individuals earning more than INR 24,00,000 would save personal income-tax ranging from INR 1,14,400 to INR 1,43,000 (inclusive of applicable surcharge and cess) depending upon their income levels based on these proposals.

It is to be noted that the persons offering income to tax as per tax slab rates prescribed u/s. 115BAC shall continue to avail standard deduction u/s. 16 of INR 75,000 and deduction against family

pension income of INR 25,000 u/s. 57. However, if a taxpayer is eligible to claim a substantial amount of deduction / exemption which is otherwise not available under above 'default' tax regime, it is advisable to compare the tax liability under old tax regime (no change has been proposed in old tax regime) to decide which tax regime is beneficial to them before filing the return of income. They can opt out from the 'default' tax regime in accordance with the provisions of section 115BAC.

Considering tax rebate available u/s. 87A of the Act, one may not have tax liability for income up to INR 12,00,000. However, this does not mean that such person is not liable to file income tax return. The requirement to furnish return of income in accordance with provision of section 139 is regardless of tax liability.

## Rebate u/s. 87A

Considering the above revision in slab-based tax rates u/s. 115BAC for AY 2026-27, the Bill proposes to amend provisions of section 87A of the Act to grant rebate of entire tax liability to resident individual if total income does not exceed INR 12,00,000. Also, benefit of marginal relief has been proposed to continue to be applicable for amount of tax payable if it exceeds the amount of income in excess of INR 12,00,000.

The Bill also proposes to clarify that the rebate under 87A shall not exceed the amount of income tax payable as per rates provided in section 115BAC(1A) of the Act. The Memorandum explaining provisions of the Bill also clarifies that rebate of income u/s. 87A shall not be available on income chargeable to tax at special rates (for e.g., Capital Gains u/s. 112, u/s. 111A etc.)

It would be interesting to note that the tax department's return preparation utility for AY 2024-25 did not allow a rebate against such income taxable at special rates and consequently, the matter was also litigated before the Hon'ble High Court of Bombay in Public Interest Litigation (PIL) No 32465 of 2024. The High Court in its order dated January 24, 2025 has kept such legal question open for examination by lower tax authorities, however, directed the tax department to allow the taxpayers to make claim of rebate u/s. 87A in return of income which may later be examined by the tax department regarding its allowability while processing returns. While the issue has not reached finality, the Bill has proposed to bring clarity on the issue by way of necessary amendment in section 87A of the Act.



*Black is beautiful. **Eurasian Coot** creating a wave in the waters at Pench Tiger Reserve, Madhya Pradesh, gives a soothing view.*

## Rationalization of conditions relating to applicability of tax-free perquisites

Under the existing provisions of section 17 dealing with taxation of salary income, it is provided that salary shall include perquisites in form of any benefit or amenity granted free-of-cost or at a concessional rate by an employer to an employee whose income under the head 'Salaries' (excluding value of non-monetary perquisites) exceeds INR 50,000. Such threshold was prescribed twenty years ago and accordingly, considering the increased cost of living, it has been proposed to amend the provisions to give a power to the CBDT to notify this threshold from time to time.

Similarly, under the existing law, perquisites shall not include an expenditure incurred by an employer on medical treatment of an employee or any family member outside India including travel & stay expenses if such expenditure is to the extent permitted by RBI and the gross total income of such employee does not exceed INR 2,00,000. The Bill also proposes to remove this threshold of INR 2,00,000 and proposes to give a power to the CBDT to notify this threshold from time to time.

## Relaxation in determination of annual value for self-occupied property

Section 23 governs the determination of annual value for self-occupied house property. Presently, the annual value is considered as 'nil' if the house is self-occupied or if the owner cannot occupy it due to employment, business, or profession in another location.

The Bill now proposes to allow the annual value to

be considered as 'nil' for self-occupied property regardless of the reason of non-occupation. The restriction limiting this benefit to two houses has remained unchanged.

This amendment will be effective from April 1, 2025, and be applicable for AY 2025-26 onwards.

## Exemption for withdrawals from National Savings Scheme (NSS)

Section 80CCA allowed deduction for deposits made in the National Savings Scheme (NSS). This deduction was discontinued for deposits made on or after April 1, 1992, and withdrawal of deposits that were previously claimed as deductions (as well as interest thereon) were made taxable.

Since the Department of Economic Affairs issued a notification on August 29, 2024, stating that no interest will be paid on NSS balances after October 1, 2024, many account holders faced hardship and were forced to withdraw their deposits. As a consequence, the Bill proposes to exempt from taxation - any withdrawals (including accrued interest) made on or after August 29, 2024, if the deposits were made before April 1, 1992, and had previously qualified for deductions.

This amendment will have retrospective effect from August 29, 2024, ensuring tax relief for affected individuals.



**National Bird - Indian peafowl.** The beautiful bird looks even more beautiful when it spreads its feathers. And to add to it, the reflection in water only adds to the colours, at Tadoba Andhari Tiger Reserve, Maharashtra.

## Deduction for Contributions to NPS Vatsalya Scheme for Minors u/s. 80CCD

The NPS Vatsalya Scheme, launched on September 18, 2024, allows parents and guardians to open National Pension Scheme (NPS) accounts for minors. The guardian manages the account until the child turns 18, after which it is transferred to the child's name and converted into an NPS Tier-1 account or other non-NPS scheme account.

To promote savings for children's future, the Bill proposes a deduction u/s. 80CCD for contributions made to NPS Vatsalya by parents or guardians. The proposed amendments regarding such provisions are as under:

- Contributions made by parents/guardians will be eligible for deduction up to INR 50,000 u/s. 80CCD(1B).
- Any amount for which a deduction was claimed,

along with accrued interest, will be taxable at the time of withdrawal.

- If the account is closed due to the minor's death, the amount received by parents / guardians or nominee will not be treated as income of the parent / guardian / nominee and not be made liable to tax.
- A new clause (12BA) in Section 10 exempts up to 25% of contributions withdrawn for contingencies like education, medical treatment, or severe disability (above 75%) of the minor as per PFRDA Guidelines.

These amendments will take effect from April 1, 2026, be applicable for AY 2026-27 onwards.

[Note that deduction u/s.80CCD can only be claimed where a taxpayer has opted for taxation under the old regime]

## Certainty provided to taxation of redemption proceeds of Unit Linked Insurance Policies (ULIP)

ULIPs are inherently insurance-cum-investment products and accordingly, they were made ineligible [from AY 2021-22] for exemption available u/s. 10(10D) relating to insurance proceeds received during the lifetime of the insured. Above said exclusion in respect of ULIP was applicable where aggregate premium payable in any of the year is more than INR 250,000 (for policies issued after February 1, 2021). The law provides for taxing such ULIP proceeds in form of Capital Gains.

However, even prior to that amendment, exemption was not available to any insurance policies where premium payable in any of the year is more than 10% of the sum assured (for policies issued after April 1, 2012) [20% in case of policies issued on or after April 1, 2003 but before April 1, 2012]. Where the annual premium under any life insurance policy (other than ULIP) exceeds 10% / 20% of sum assured, net gain from such policies are taxed as Income from Other Sources u/s. 56(2)(xiii).

While making number of amendments in relation

to taxing proceeds received on life insurance policies, it created a disconnect between two provisions. This effectively led to position that where taxation of proceeds on ULIP where annual premium exceeds 10% / 20% of sum assured may not get taxed due to absence of computational mechanism. In order to plug this, the Bill now provides that ULIP not eligible for exemption u/s. 10(10D) [under either of the above scenarios] would be considered as capital asset and all proceeds from redemption thereof would be subject to tax as 'Capital Gains'.

It may be noted that as per Rule 8AD, broadly the receipts would be taxed after allowing a deduction of the amount of premiums paid. It would also be noteworthy here that ULIPs are considered as equivalent to units of equity oriented mutual funds and therefore any short-term capital gains thereon would be taxed at 20% [plus applicable surcharge and cess] u/s. 111A and long-term capital gains would be taxed at 12.5% [plus applicable surcharge and cess].

The amendment shall be effective from AY 2026-27.

## Reporting requirement for crypto exchanges

Following a widespread adoption of crypto currencies by taxpayers across jurisdictions, there was a rising concern regarding the utilization of crypto assets for illicit activities including money laundering, terrorist funding or tax evasion. Accordingly, Crypto-Asset Reporting Framework (CARF) was established by the OECD that aims at promoting exchange of information among countries about crypto currencies and digital assets. India, being one of the 'relevant' jurisdictions for the purpose of CARF, reporting requirements are introduced by the Bill to enable the Government to collect relevant information from crypto-asset service providers (e.g., crypto-exchanges, etc.) for sharing with other jurisdictions part of the CARF mechanism.

Consequently, the FM has proposed to introduce reporting requirements for 'reporting entities' to report the prescribed information for crypto assets in such form & manner and within such timeline as may be prescribed by the CBDT

through Rules to be notified in this regard. The proposed amendments also provide for other related procedural aspects including intimation of defect by a tax officer, rectification of such defects by the reporting entity, etc.

The FM also proposed that 'virtual digital asset' should be included in defining undisclosed income, under which income from gambling, horse racing, crypto trading used to be reported so far.

In addition to the above aspects, the definition of 'virtual digital asset' has been expanded to include 'digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions' whether or not it was included hitherto.

These amendments are proposed to be effective from April 1, 2026.



*The famous **Blackbucks**. Female backbucks at Velavadar National Park, Gujarat.*

# Non-resident Taxation

## Significant Economic Presence (SEP)

As per existing clause (b) of Explanation 1 to section 9(1) of the Act, in 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 section 9(1)(i) provides that Significant Economic Presence shall constitute Business Connection. It further provides for definition of Significant Economic Presence to mean, *inter alia*, *transaction in respect of any goods, services or property carried out by a non-resident with any person in India*.

While the language of Explanation 2A does not expressly indicate so, based on the sequence of events that led up to introduction of SEP provisions, it was largely understood that provisions of SEP were introduced to cover cases pertaining to sale of goods by non-residents to persons in India, without their having any operations / presence in India. This also appeared logical as assuming SEP definition to cover within its ambit cases where the non-resident had certain operations in India could have resulted in an overlap between the provisions of clauses (a) and (b) of section 9(1)(i) and Explanation 2A, resulting in an unintended consequence of taxpayers arguing no taxability even in cases where there were operations in India, if the income did not breach the threshold provided for determination of SEP.

Another interesting nuance that exists is that considering the plain language of Explanation 2A, it appears that the definition does not restrict itself to transactions of sale by non-residents with a person in India but also covers transactions in the nature of purchases by non-residents with a person in India. Accordingly, based on this school of thought, even if the transactions were merely that of purchases by non-residents from a person in India, it could trigger SEP. In such a situation, the provision of clause (b) of Explanation 1 to section 9(1) may not come to the rescue as the said exclusion is provided only in cases where non-

residents have operations in India in the first place. Accordingly, this could lead to an unintended consequence of identifying income attributable to transactions of purchase of goods from India.

In order to clarify on this issue, an exclusion similar to clause (b) has been proposed in the Bill by way of insertion of a proviso to Explanation 2A. Pursuant to the amendment, *transactions or activities which are confined to purchase of goods in India for the purpose of export* shall not constitute significant economic presence.

It is important to note that the language proposed is exactly the same as is provided in clause (b) to Explanation 1 to section 9(1)(i) except that the word "operations" has been replaced with "transactions or activities". Certain questions arise from the proposed language:

- In absence of a physical presence / nexus of a non-resident in India (which is the underlying understanding in SEP), how would it be possible for a non-resident to purchase goods "in" India?
- In absence of a physical presence / nexus of a non-resident in India, is it possible for a non-resident to then export goods?
- Does the amendment actually intend to cover only those cases of purchase by non-residents where ownership of goods is passed on to the non-residents within India and then the non-resident "exports" the same outside India?
- Does the amendment open a Pandora's box so as to cover purchase transactions where goods are purchased by non-residents from India but then sold to a customer in India? Would this not lead to double jeopardy in computing the aggregate value of transactions?
- What was the need to cover "activities" within the purview of the new proviso considering that the term "activities" has been used in the definition of SEP only for the second limb of systematic and continuous soliciting of business activities and not along with transactions.

We believe that this requires reconsideration, and the proviso should be redrafted so as to clarify the exact intent behind this amendment. A simpler language providing for an exclusion for *transactions which are confined to mere purchase of goods by a non-resident from any person in India*

*without any operation in India* may serve the intended purpose.

This provision is proposed to be applicable with effect from AY 2026-27.

## Presumptive taxation for non-resident services providers for electronics manufacturing facility

As part of the Government's initiatives under the Make in India goals and with a view to making India a hub for electronic manufacturing, specifically semiconductors and display systems and designs, the Bill proposes to introduce special provisions for computing profits and gains of non-residents engaged in providing services or technology for setting up an electronic manufacturing facility or in connection with manufacturing electronic goods or articles in India.

The Bill proposes to introduce presumptive taxation for non-residents providing services to a resident company that is establishing or operating either an electronic manufacturing facility or any connected facility. The profits or gains from such services provided by the non-resident shall be deemed to be 25% of the aggregate of the following:

- (a) amount paid or payable to the non-resident or to any person on his behalf on account of providing services or technology,
- (b) amount received or deemed to be received by the non-resident or by any person on his behalf on account of providing services or technology.

Under the current provisions, income from such services or technology is chargeable to tax as Fees for Technical Services as defined u/s. 9(1)(vii) of the Act. Accordingly, it is taxed in India in the hands of the non-resident at the special rate of 20% (plus cess and surcharge as applicable) as per the provisions of Section 115A. However, this rate can be reduced (to 15% or 10% or any other rate) if the non-resident is eligible to claim

benefits under the Double Tax Avoidance Agreement (DTAA) between the country of residence of such person and India.

Provisions of Section 44DA provide for taxation of profits instead of gross receipts in the case of non-residents having a permanent establishment in India. However, this option is not available to non-residents without a permanent establishment, who are required to pay tax at 20% (as per the Act) or 10% (in the case of most of the DTAA's) on gross receipts.

The Bill proposes to insert a new section 44BBD, providing for presumptive tax wherein the profit of an eligible non-resident shall be deemed to be 25%. The non-resident shall be eligible if:

- The non-resident is providing services or technology to a resident company that is establishing or operating an electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods, articles, or things in India, under a scheme notified by the Central Government in the Ministry of Electronics and Information Technology (MeitY)
- The resident company to which such services or technology are provided by the non-resident must also satisfy certain conditions, which are yet to be prescribed

Currently, such services are chargeable to tax at the rate of 20% (assuming no DTAA benefits are available) on a gross receipt basis in the hands of the non-resident (other than a company) or a foreign company. The rate of tax on gross receipts at 20% presumes that the foreign company has profits from such activity to the tune of 57% of the

total receipts if the foreign company is chargeable to tax on a net profit basis at the rate of 35%.

The proposed section 44BBD shall provide reduced rate of tax which is effectively 8.75% (35% of profit at 25% of gross receipt) compared to 20% under the current provisions of Act without DTAA benefits or 10% with DTAA benefits. However, the proposed presumptive taxation may not be beneficial to non-residents having a permanent establishment where the profit attributable to such a permanent establishment is lower than 25%. In such cases, the provisions of Section 44DA shall be more beneficial; however, the claim of lower attributable profit shall be subject to assessment and compliance in the form of maintenance of books of accounts and other records in support of such a claim.

It is also proposed that if eligible non-resident taxpayer declares profits as per the provisions of Section 44BBD, unabsorbed depreciation or carry forward losses, if any, shall not be allowed to be set off for the year in which presumptive taxation have been opted for.

The proposed provision shall provide certainty and even lower tax rate for eligible non-residents and shall also provide hassle free flow of technical services or technology for resident company which are establishing or operating electronics manufacturing facility or a connected facility for manufacturing electronic goods, article or thing in

India. This move seems to have been made in order to attract technology partners from countries such as Taiwan, Japan and South Korea, who would help Indian companies setup an ecosystem for semi-conductors and electronics by sending technical personnel and providing technology for setting up high-end manufacturing facilities.

Certain issues that may crop up are:

- Whether the provision of section 44BBD is to be applied mandatorily? If so, will the taxpayer never be allowed to claim a lower income or a loss?
- Whether the said provision would override section 115A and section 44DA, in absence of a provision similar to the one provided for in section 44BB?
- Does the non-resident now have an option to be governed by either 44DA or 44BBD or 115A, depending upon the provision that is beneficial to it, in absence of clarity as has been provided for in section 44BB?

It is imperative that the Government clarifies the above by bringing in suitable modifications before the Bill is passed by both the Houses of Parliament.

This provision is proposed to be applicable with effect from AY 2026-27.



A herd of **blackbucks** looking over the horizon at Velavadar National Park, Gujarat.

## Rationalisation of Tax Rates for Foreign Institutional Investors (FIIs)

Finance (No. 2) Act, 2024 brought about a sea-change in the Capital Gains Tax Regime in India. Largely, the capital gains tax rate on long term capital gains has been brought to 12.5% for all taxpayers. Similarly, even in case of FIIs, a proviso was introduced to section 115AD(1)(iii) so as to provide for a tax rate of 12.5% where transfer of asset took place on or after July 23, 2024.

However, the way the section is currently drafted, it provides for a tax rate of 10% in respect of long-

term capital gains (other than those covered by section 112A). In order to bring parity in the tax treatment of capital gains covered u/s. 112A and not covered u/s. 112A, in the hands of non-residents, the Bill now proposes to increase the tax rate from 10% to 12.5%.

This provision is proposed to be applicable with effect from AY 2026-27.

## Transfer Pricing

### Alterations in the Transfer Pricing Assessment Framework

The FM has proposed long awaited amendment to the transfer pricing ('TP') assessment process to streamline the process and align with global best practices. The proposed amendments create a possibility for a deviation from the current yearly TP assessments and introduce a 'block TP assessment' for a period of three years, subject to conditions.

These proposed changes will apply from April 1, 2026 i.e., taking effect from AY 2026-27 onwards.

#### *Background*

As is well understood, transfer pricing is applied to transactions within group companies to ensure that they are undertaken on an arm's length basis and does not lead to a shift in taxable profits from one jurisdiction to another. It is also now understood that supply chains within an MNE group are usually designed to create efficiencies and thus, add value to the overall group. Which means that majority of the transactions subject to transfer pricing are actually undertaken repetitively on a year-on-year basis, and agreements are entered into after careful consideration of arm's length principle. The functions performed, assets employed, and risks undertaken as part of these intra-group arrangements remain largely consistent across years.

The unsurprising consequence of this is that transfer pricing evaluation for such agreements should be undertaken taking a long-term horizon in consideration, rather than year-on-year evaluations. This could potentially save time & effort at all ends – planning, compliance, assessment and litigation.

Following this, many countries have already introduced the concepts of update studies and multi-year audits (assessments) to reduce the compliance & litigation burden. These provisions recognize that long-term transfer pricing arrangements do not undergo significant structural changes each year, making annual exercises redundant.

For example, countries like United Kingdom, Germany, Canada, Australia and Singapore among others allow roll forward of benchmarking search with just update of financial information of comparables. These countries recognize that benchmarking studies and economic analyses do not need to be redone every year unless there is a significant change in the business model or market conditions. Similarly, countries like Germany, Australia, China, United Kingdom and the United States among others have adopted the concept of multi-year assessments, where tax authorities conduct examination of multiple years

together, rather than assessing each year separately.

However, the current compliance, assessment and litigation process followed in India does not align with the multi-year practice as of now. In order to align with global best practices, the FM proposed to incorporate multi-year transfer pricing assessments (for a 'block' of three years) at the option of the taxpayer into the current assessment framework.

#### *Proposed amendment*

The existing provisions pertaining to TP assessment contained in Section 92CA provide for an annual assessment exercise as under –

- Based on the Computerised Audit & Assessment Selection ('CAAS') or if the Assessing Officer ('AO') deems necessary, a reference is given to the Transfer Pricing Officer ('TPO')
- A separate assessment is carried out by the TPO to evaluate the arm's length nature of international (and specified domestic) transactions entered into by a taxpayer
- The AO computes the total income of the taxpayer in conformity with the ALP as determined by the TPO, and any order passed by the TPO is incorporated in the final assessment order passed by the AO

In furtherance of the objective of rationalizing the process & aligning with global best practices, following amendments are proposed –

- *Option for Multi-Year Assessment* - Taxpayers can opt for multi-year assessment in a prescribed form and timeline. While the modalities on the point of time at which such option can be exercised will form part of Rules, it appears that such option would be exercisable within specified time limit after the end of the three years which have a similar fact-pattern as per the taxpayer.
- *Order by TPO declaring the 'option' as valid* - The TPO will evaluate and pass an order in writing declaring the validity of the option within one month from the end of the month in which such option is exercised by the taxpayer.

- *Applicability of arm's length result determined for Year 1 to Years 2 & 3* – Once declared as valid, arm's length price determined for Year 1 shall be applicable to Years 2 & 3. No separate reference to TPO would be made for Years 2 & 3 and where such reference has already been made before the TPO declaring the 'option' as valid, the reference shall be deemed to have never been made.
- *Encompassing the DRP proceedings within multi-year framework* – While exact procedure to be followed will be clarified after the Rules are notified, from the reading of proposed amendments, it appears that the exercise of 'option' by a taxpayer would be open until end of time-period for the completion of DRP proceedings and hence, directions of the DRP for Year 1 would also be encapsulated for Years 2 & 3 at the time of recomputation of income for Years 2 & 3 by the AO.
- *Publication of guideline for removal of difficulties, if any* – The CBDT may publish guidelines for the removal of difficulties faced in implementation of this multi-year assessment framework.

While incorporating multi-year assessments for transfer pricing is a welcome move, several issues remain unaddressed –

- *TP Compliance* – The multi-year framework only addresses the assessment (and dispute resolution) part of the entire TP process – compliance part still remains unaddressed and it seems that a fresh benchmarking would still be required on a year-on-year basis.
- *Subjectivity in approving the multi-year applicability* – The provisions as they are produced imply that the applicability of multi-year assessment would be dependent on an order in writing by the TPO and accordingly, no objective criteria are provided. In absence thereof, the possibility of revenue-bias forming part of the approval process cannot be ruled out.
- *Possibility of multi-year assessment for a period longer than three years* – As discussed, in transactions forming part of global supply chains, inter-company agreements are entered

into after careful evaluations and hence, they are consistently applied for a longer period, spanning more than three years in many cases. The amendments proposed by the Bill do not currently envisage applicability of multi-year framework for a period longer than three years.

- *Possible litigation on order declaring the validity of option* – Since the TPO is required to pass an order declaring the validity of the option after careful evaluation of fact-pattern, would it be an appealable order and, in such a case, would the hierarchy of appeal remain the same in case of all TP orders?
- *Litigation in cases where multi-year framework is opted* – From the reading of provisions as are

proposed, it seems that only two levels are encompassed within it i.e., (i) TP assessment and (ii) DRP. After the receipt of final assessment order, if the taxpayer chooses to appeal against the same, a separate chain of appeal for each year forming part of the multi-year assessment would begin.

While this proposed amendment is a step towards reducing separate transfer pricing assessments for repetitive transactions, the real impact will depend on how the Government addresses these unaddressed questions in the final Rules and / or Guidelines. Until then, taxpayers must wait for further clarifications to assess whether this truly (and materially) eases compliance as is intended.

## Corporate Re-organisation

### Limiting carry-forward of loss in case of amalgamation and succession of business

Currently, where any company (say A Ltd) amalgamates with another (say B Ltd), accumulated business loss of the amalgamating company (A Ltd) is treated as business loss of the current year of the amalgamated company (B Ltd) (subject to certain conditions). Based on its treatment as current year loss, the amalgamated company (B Ltd) is entitled to carry forward and set-off such loss up to eight years from the year in which the amalgamation was effected irrespective of when the loss was incurred by the amalgamating company (A Ltd). The Bill now proposes to limit such carry forward in the hands of amalgamated company (B Ltd) only for such period as would have been carried forward by the amalgamating company (A Ltd) which now ceases to exist. With amalgamation, business losses of amalgamating company (A Ltd) used to get fresh lease of life of eight years for carry forward and set-off which has now been proposed to be restricted and such carry forward will be allowed maximum for eight years subsequent to the year in which such loss was incurred by amalgamating company (A Ltd).

Important to note that the limitation does not apply in relation to unabsorbed depreciation as the same can be carried forward and set-off indefinitely.

It is also important to note that such restriction would be applicable for any amalgamation or business reorganization that is effected on or after April 1, 2025 and hence it does not impact losses inherited through amalgamation or reorganizations completed before that date. Under the Companies Act 2013, the amalgamation would be operative upon filing the order sanctioning amalgamation with the Registrar of Companies (referred herein as 'Operative Date') but where the scheme of amalgamation provides so, it can be made effective from any other date (including date prior to its sanction by relevant authorities) herein referred to as 'Appointed Date'. Interesting question could arise as to whether the restrictions would apply based on Operative Date or Appointed Date as referred here. If NCLT sanctions the scheme on or after April 1, 2025 but if the same is effective from a date prior to April 1,

2025 (say January 1, 2025), whether the restriction proposed would be applicable.

Supreme Court in the case of **Marshall Sons & Co (India) Ltd v. ITO [1997] 223 ITR 809 (SC)** has held that an undertaking would stand transferred to the amalgamated company from the Appointed Date and all profits subsequent to the Appointed Date would be subject to tax in the hands of amalgamated company in its own capacity (and not as a successor of business of amalgamating company). Similarly, Gujarat High Court in case of **PCIT v. Intas Pharmaceuticals Limited [2023] 151 taxmann.com 447 (Guj.)** had held that for the purpose of Section 72A, business loss and unabsorbed depreciation of the amalgamating company would become business loss and unabsorbed depreciation of the amalgamated company in the year of Appointed Date and not Operative Date. It may be mentioned that in reaching to the said conclusion, Gujarat High Court had relied upon its earlier decision in case of **IRM Ltd. v. Dy. CIT (2016) 72 taxmann.com 288 (Guj.)** and Supreme Court's decision in case of **Marshall Sons & Co (supra)**. Hon'ble Supreme Court has rejected Special Leave Petition of the Department in case of **PCIT v. Intas Pharmaceuticals Limited [2023] 293 Taxman 496 (SC)** and therefore the phrase 'amalgamation was effected' as used u/s. 72A(1) would mean Appointed Date. Proposed Section 72A(6B) restricting benefit of carry forward and set-off also uses the phrase 'amalgamation is effected' and hence considering the Supreme Court decisions in case of **Marshall Sons & Co (supra)** and **Intas Pharmaceuticals Limited (supra)**, it should be possible to take a view that scheme of amalgamation even if sanctioned on or after April 1, 2025 should not be subject to the proposed restrictions if the relevant authorities approves the same with Appointed Date being prior to April 1, 2025.

However, there is another school of thought that if the amalgamation was sanctioned on or after April 1, 2025, the amalgamating company separately existed on April 1, 2025 and hence it cannot be said that amalgamation was completely effectuated prior to April 1, 2025 and accordingly the restriction should apply to such schemes as

well. If this view is taken, it is quite possible that this would even impact the amalgamations for which petitions have been already filed before NCLT factoring benefits on account of carry forward and set-off of losses up to 8 years. Both the positions have their own merits and demerits and it would be interesting to see how this controversy settles in future.

At the same time, it may be noted that relevant authorities may challenge any scheme of amalgamation providing for Appointed Date prior to April 1, 2025 on the ground of possible sidestep to the proposed amendment. Also, in case of fast-track mergers involving retroactive Appointed Date, the companies should evaluate possibility of authorities invoking general anti-avoidance rules.

Similar restrictions would also be applicable in cases where (i) a firm or proprietorship concern is succeeded by a company in accordance with conditions of Section 47 (ii) a private company or an unlisted public company is converted into a limited liability partnership in accordance with conditions of Section 47, and (iii) amalgamation of certain banks and / or insurance company as specified in Section 72AA. Currently, in these cases of reorganization also, counter of eight years for set-off of losses was reset in the year of reorganization. While the loss would be continued to be carried forward to the new entity, it shall lapse after a period of eight years subsequent to the year in which such loss was incurred.



# Business Tax

## Increase in limit for classification of MSME and implication under the Act

The FM in her budget speech stated that share of Micro, Small and Medium Enterprises (MSME) is than 36% of our total manufacturing sector and out of total exports, MESE contribute more than 45%. To further improve higher efficiencies of scale, technological upgradation and better access to capital, necessary amendment will be

made in MSME Act to cover more entities under such Act by way of substantially increasing limit for classification of an entity into MSME. We wish to highlight that both the criteria (investment & turnover) have to be fulfilled. The limit will be increased as under –

Particulars	Investment Limit (INR in Cr.)		Turnover Limit (INR in Cr.)	
	Current	Proposed	Current	Proposed
Micro Enterprises	1	2.5	5	10
Small Enterprises	10	25	50	100
Medium Enterprises	50	125	250	500

In view of the increase in such limit, more entities will be covered within the provision of MSME Act.

There are various beneficial provisions relating to MSME under various law e.g. income tax act, GST, customs etc. Further various financial and non-financial benefits are available by banks, public financial institution etc, to such entities. Hence increase in the above turnover limit will surely provide benefits to new entities which will now be covered within the provision of MSME Act.

Further under the Act, any sum payable to Micro and Small Enterprises as per MSME Act shall be allowed as deduction in the year of payment as provided in section 43B of the Act. Further interest payable Micro, Small & Medium Enterprises under MSME Act is not allowable as deduction. In view of the increase in turnover limit, more entities will be covered within such provision and therefore it is necessary for a taxpayer to have proper system in place to identify its vendors and compliance with such provisions under the Act.

## Start-ups

### *Extension of sunset clause for Tax Holiday*

Government of India has been continuously taking steps to promote the Start-up ecosystem in India. One of the major tax incentives available to start-ups is a tax holiday u/s. 80-IAC wherein a deduction of hundred percent of profits from business is available for three consecutive years out of ten years beginning from the year in which eligible start-up is incorporated. This incentive was introduced in 2017 with an initial sunset date of incorporation as March 31, 2019. The Government continued to amend the sunset date so as to extend this date almost every year and the

way the provision currently stands, the sunset date is March 31, 2025. Such annual amendments did not provide for certainty; rather showcased the incentive as a short-term measure to begin with. In order to provide stability and continue with the incentive, the Bill proposes to extend the date to March 31, 2030. Accordingly, a start-up incorporated on or before March 31, 2030 shall now be eligible to claim the tax holiday u/s. 80-IAC, subject to fulfilment of other conditions.

This provision is proposed to be applicable with effect from April 1, 2025.



*Cubs are pretty, are they not? What a view when they playfully roam around?  
These **Lion Cubs** gave us a beautiful time at Gir National Park, Gujarat.*

## Tonnage Taxation

### *Scope expanded to include inland vessels*

Under the current scheme of the Act, option in the form of a special tax regime is provided for a qualifying company operating sea-going ships and computation modalities are provided for determining daily tonnage income with certain procedural aspects.

In order to boost inland water transportation and to attract investments in the sector, the Bill provides for amendments to various provisions dealing with Tonnage Taxation so as to include "inland vessels" as defined in Inland Vessels Act, 2021 within the purview of Tonnage Taxation.

This provision is proposed to be applicable with effect from AY 2026-27.

### *Time Limit for approval*

Under the existing provisions, once an application is received from a qualifying company seeking approval to opt for Tonnage Taxation, Joint Commissioner has to pass an order in writing within one month from the end of the month in which application is received. Considering that the time limit of one month is too less for verification of all data and documents, the Bill proposes to extend the time limit to three months from the end of the quarter in which the application is received.

This provision is proposed to be applicable with effect from AY 2026-27.

# Funds & Business Trusts

## Securities held by Investment Funds to be treated as Capital Assets

Finance Act 2015 introduced a specific scheme for Category I and II Alternative Investment Funds ('Investment Funds') accorded a pass-through status to income (other than Profits and Gains from Business or Profession) of Investment Funds, thereby taxing the same in the hands of unit holders. Profits and Gains from Business or Profession continues to be taxed in the hands of Investment Funds.

Under the current provisions of section 2(14)(b), any securities held by a Foreign Institutional Investor which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) shall be treated as a 'Capital Asset'. Accordingly, it has been clear that any income from transfer of such securities shall be treated as 'Capital Gains'. However, in case of Investment Funds, no such specific provision is available in the law. Lack of a specific provision led to a possible interpretation that income from transfer of securities held by Investment Funds is taxable as Profits and Gains from Business or Profession, especially considering that the main activity of Investment Funds is that of making investments. This interpretation could have unintended consequences, in taxing all the income from

securities as Profits and Gains from Business or Profession in the hands of the Investment Funds without according a pass-through status, which was never the intention of the law as is evident from the Memorandum explaining provisions of the Bill. Tax authorities in certain cases had issued notices to Investment Funds, seeking to tax income from securities in their hands, resulting into unnecessary litigation.

After 10 years of introduction of this regime, the Bill proposes to amend section 2(14)(b) to include securities held by Investment Funds categorically within the purview of "capital asset", thereby putting to rest the possible controversy of categorisation of income of Investment Funds. This amendment brings certainty that any income from transfer of securities by Investment Funds shall be taxable as 'Capital Gains' thereby being accorded a pass-through status and exempt in the hands of the Investment Funds.

This amendment is proposed to be applicable from AY 2026-27. Considering that this is a prospective amendment, it casts doubt on pending litigation on the issue. A retrospective amendment in the given situation would have been more welcome.



Masters of camouflage. Spot the **Leopard**. Clicked at Ranthambore National Park, Rajasthan.

## Sovereign Wealth Funds, Pension Funds and other Funds

Finance Act 2020 inserted section 10(23FE) in the Act in order to provide for exemption in respect of income of certain Sovereign Wealth Funds (SWFs), Pension Funds (PFs), etc., being income in the nature of dividend, interest, long term capital gains, etc., on fulfilment of specified conditions. However, such exemption is provided only if investments are made till March 31, 2025. The primary purpose of providing this incentive was to attract more investments from these funds in the infrastructure sector in India.

Lately, a lot of funds from outside India including from the Middle East have shown great interest in investing in the evolving infrastructure space in India. This amendment has also been made taking into consideration that infrastructure investments are generally long-term in nature and a short timeframe till March 31, 2025 may act as a hindrance to such investors and investments. In order to encourage more investments from these funds, the timeline for making investments has been extended till March 31, 2030.

This amendment has been made effective from April 1, 2025.

One of the common modes of investments by these funds is in the form of unlisted debt

securities. Last year, vide Finance (No. 2) Act, 2024, unlisted debt securities have been brought within the purview of section 50AA so as to tax the income from transfer of such securities as 'short term capital gains', irrespective of period of holding. This led to a possible interpretation that though the nature of the gain would be 'long term' considering the period of holding, it would still not be exempt u/s. 10(23FE) because it got taxed as "short term capital gains" u/s. 50AA, thereby creating uncertainty and a possible denial of a legitimate incentive. The Bill proposes to remove this anomaly by amending section 10(23FE) and providing that any long-term capital gains (even if deemed to be short term u/s. 50AA) shall now be exempt u/s. 10(23FE). This amendment, in a way, reiterates the settled principle that a deeming provision (in this case, deemed short term capital gains u/s. 50AA) is to be read limited to the section / purpose for which it has been introduced and may not necessarily have to be read in other provisions (in this case, section 10(23FE)). We have undertaken a detailed discussion on this principle in our India Budget 2023 publication, when section 50AA was introduced.

This provision is proposed to be applicable with effect from April 1, 2025.

## Rationalisation of Business Trust Taxation

Currently, income of a Business Trust in the nature of interest income and dividend income (also rental income in case of a REIT) received from a Special Purpose Vehicle are accorded a pass-through status. Further, other income of a Business Trust is chargeable to tax at Maximum Marginal Rate. This taxability of Maximum Marginal Rate is however subject to the provisions of section 111A and 112. Considering that the special scheme of taxation for Business Trusts was introduced vide Finance (No. 2) Act, 2014, and section 112A was introduced vide Finance Act

2018, applicability of Maximum Marginal Rate was not made subject to section 112A. This seemed to be an inadvertent miss-out.

In order to rationalise the provisions, it is now proposed in the Bill that the total income of a Business Trust shall be chargeable to tax at Maximum Marginal Rate subject to the provisions of section 111A, 112 and 112A.

This provision is proposed to be applicable with effect from AY 2026-27.

# IFSC

## Shipping Business

Interesting amendments have been proposed by the Bill for ship leasing entities in IFSC. These amendments include exemption of capital gains on sale of shares of an IFSC entity, and dividend received from IFSC entities engaged in the business of ship leasing. Further, the timelines for being eligible for interest and royalty exemption have been extended.

*Exemption of income arising in form of royalty or interest from leasing of aircraft or ship to a non-resident*

Section 10(4F) exempts income arising to a non-resident by way of royalty or interest from lease of aircraft or ship which is paid by a unit in IFSC which has commenced its operations by March 31, 2025. The Bill has proposed to amend the date for commencement of operations for such unit in IFSC from March 31, 2025 to March 31, 2030.

*Exemption on income arising to a non-resident or unit in IFSC in form of capital gains on transfer of shares of company engaged in business of leasing of aircraft located in IFSC*

Section 10(4H) exempts income arising to a non-resident or unit located in IFSC from transfer of equity shares of a domestic company, being an IFSC Unit, engaged primarily in the business of leasing of an aircraft provided such company has commenced its operations till March 31, 2026. The Bill has now proposed to include the business of leasing of ships within its purview. Further, the date of commencement of operations for such company has been extended from March 31, 2026 to March 31, 2030.

*Exemption on income arising in form of dividend from a company located to a unit located in IFSC*

Section 10(34B) exempts income in form of dividend of an IFSC Unit engaged in leasing of aircraft, from a company being a Unit located in IFSC primarily engaged in the business of leasing of aircraft. The Bill has proposed to amend section 10(34B) in order to include business of leasing of ships as well.

All the above provisions are proposed to be applicable from April 01, 2025.

## Streamlining deemed dividend provisions for IFSC Global Treasury Centres (GTC)

IFSC provides framework for establishing GTCs, acting as in-house banks for multinational corporations, facilitating centralized fund management and global fund utilization within the group. Their key functions include intra-group financing, cash and liquidity management, and financial advisory services.

Section 2(22)(e) of the Act is applicable for inter corporate loans subject to fulfilment of the requirement of a common beneficial owner. However, it excludes from its applicability any advance or loan made to a shareholder or a concern by a company in the ordinary course of business, where lending is a substantial part of the business of the company. GTCs are generally registered as "Finance Units" or "Finance Companies" under IFSCA Regulations. Accordingly, while not specifically lending

business, the role of GTCs could be considered to be somewhat akin to lending business, no exclusion is provided u/s. 2(22) of the Act in respect of loans between GTCs and other group companies (both ways).

In order to provide relief similar to that provided for lending business, it has now been proposed that loans / advances between group entities shall not be covered u/s. 2(22)(e), provided that one of the group entities is a "Finance company" or a "Finance Unit" and the parent / principal entity of the GTC is listed outside India, other than a country or territory as may be specified by the Board.

This amendment aims to facilitate the treasury activities of GTCs and promote IFSC as a hub for global treasury operations. It is important to note that the exclusion is provided both ways, i.e. GTC

obtaining a loan from its group entity and group entity obtaining loan from GTC.

This provision is proposed to be applicable with effect from April 1, 2025.

## Relaxation of Eligibility Criteria for Investment Funds / Fund Managers

Overseas investment funds generally appoint fund managers who are based out of India to manage their funds. In order to promote such activities of fund managers in India and to ensure that there are no dampeners, Section 9A was introduced vide Finance Act 2015 to provide that notwithstanding the provisions of section 9(1), activities of a fund manager acting for an eligible investment fund shall not constitute Business Connection subject to the conditions and parameters provided for in section 9A.

For an investment fund to qualify as an eligible investment fund, one of the prescribed conditions [section 9A(1)(3)(c)] is that the aggregate participation or investment in the fund, directly, or indirectly, by persons resident in India does not exceed five per cent of the corpus of the fund. The current provisions do not clarify as to on what date should the condition be checked. Accordingly, a plain reading suggests that the condition is to be fulfilled at every point in time throughout the year. To provide for a simplified regime for fund

managers, it has been proposed in the Bill that the threshold of 5% of aggregate participation or investment in the fund, by Indian Residents should now be evaluated on 1st day of April and the 1st day of October of the previous year. Accordingly, the condition needs to be tested only on these two days of the year. Further, a proviso is proposed to be added to provide for a further relaxation in case the condition is not satisfied on either of the dates. It provides that in such a scenario, the condition should be fulfilled with four months from 1st day of April or 1st day of October of such previous year, as the case may be. Kindly note that on perusal of the bare provision read with the Memorandum, it appears that the second relaxation is allowed only if the condition is not fulfilled on either of the days and may not be available if the condition is not fulfilled on both the days.

The aforesaid relaxations are available for all eligible investment funds irrespective of whether the fund manager is located in IFSC or not. In that sense, this amendment is not specific to IFSC.

It is important to note that while section 9A(8A) provides for relaxation in conditions by Central Government, it has now been clarified that considering that the condition prescribed in section 9A(1)(3)(c) has now been relaxed for all, no further relaxation shall be provided in future for cases where fund managers located in IFSC.

The Bill additionally provides for an extension in time limit for fund managers to begin operations in IFSC for the fund and the manager to be eligible for relaxation u/s. 9A(8A) in respect of conditions prescribed in section 9A(3) or 9A(4). Currently, there was a sunset clause restricting the relaxations only to cases of fund managers who started operations on or before March 31, 2024. This time limit is now extended to March 31, 2030.

These provisions are proposed to be applicable from April 1, 2025.



While it looks cute, it can even take on the ferocious Tiger. In the heat of Rajasthan, this **Bear** came out of a waterbody at Ranthambore National Park, Rajasthan.

## Exemption in case of life insurance policies issued by IFSC Insurance Intermediary Office

Currently, under the provisions of section 10(10D), insurance policies issued to non-residents are also covered. Further, the same are subjected to the same tax treatment and conditions/parameters as are provided in the section, for example, in respect of the limit of premiums provided for in the fourth, fifth, sixth and seventh provisos.

Such non-residents may not be able to get full exemption from tax in India had they obtained such policies from outside India. In order to

provide parity on receipt of sum under life insurance policy including any bonus between policies issued by IFSC insurance intermediary and that of foreign jurisdiction, the Bill now proposes to provide exemption in respect of receipt of sum under a life insurance policy issued by an IFSC Insurance Intermediary Office without the condition of limit of premium.

This provision is proposed to be applicable from April 1, 2025.

## Other IFSC Amendments

Section 10(4E) provides exemption to non-residents in respect of income from transfer of non-deliverable forward contracts or offshore derivative instruments entered into with Offshore Banking Units (OBUs). It is proposed to extend this exemption to transactions involving Foreign Portfolio Investors (FPIs), being IFSC Unit.

In order to continue promoting IFSC operations, the Bill proposes to extend the sunset dates for commencement of operations by IFSC units to March 31, 2030 for several tax concessions. We are summarizing these provisions below (some are already covered above):

- Section 80LA(2)(d) – Tax Holiday for IFSC Units in respect of transfer of an asset being an aircraft or a ship

- Section 10(4F) – Exemption in respect of Royalty/Interest Income of a non-resident from lease of aircraft / ship leasing by IFSC unit
- Section 10(4H) – Exemption in respect of Gains of a non-resident of IFSC Unit on Transfer of Equity shares of IFSC unit engaged in Aircraft / ship leasing
- Section 10(4D) – Income accrued or arisen to or received by a specified fund on account of transfer of capital asset being bond or Global Depository Receipt, rupee denominated bond of an Indian company, derivative, or such other securities as may be notified by Central Government
- Section 47 (viia) – Relocation of Offshore Fund to IFSC



After gulping a deer, a **Freshwater crocodile** is having a sunbath at Tadoba National Park, Maharashtra.

# TDS & TCS Provisions

## Increase in threshold in various provisions relating to TDS / TCS

The relevant provisions relating to TDS / TCS provide various thresholds for payment during a FY up to which no tax is required to be deducted / collected at source. In order to rationalize the TDS

provisions, the Bill proposes to increase such thresholds limit in the following provisions with effect from April 1, 2025.

Section	Nature of Payment	Current Threshold (INR)	Proposed Threshold (INR)
193	Interest on securities being interest payable to individual or HUF resident in India on debentures issued by listed entity / company in which public are substantially interested	5000	10,000
193	Interest on Securities (other than above)	Nil	10,000
194	Dividend payable by a company to resident individual	5,000	10,000
194A	Interest other than interest on securities	50,000	1,00,000
	Interest payment to senior citizens by bank, co-operative society or post office	40,000	50,000
	Interest payment to any other person by bank, co-operative society or post office	5,000	10,000
194B	Lottery, Crossword, Gambling Winnings	10,000	10,000 per transaction
194BB	Horse race winnings	10,000	10,000 per transaction
194D	Insurance commission	15,000	20,000
194G	Commission on lottery tickets	15,000	20,000
194H	Commission or brokerage	15,000	20,000
194-I	Rent	2,40,000	50,000 per month or part of month
194J	Professional / technical fees / Royalty	30,000	50,000
194K	Income (other than Capital Gains) from units of mutual funds and others	5,000	10,000
194LA	Compensation on land acquisition	2,50,000	5,00,000
206C(1G)	Remittance under RBI's Liberalized Remittance Scheme (LRS)	7,00,000	10,00,000

## Reduction in withholding tax rate on income from securitisation trust

Currently, tax is required to be deducted at source @ 25% in case of individual / HUF and @ 30% in case of any other person on income in respect of investment in securitization trust as specified u/s.

115TCA of the Act. The Bill proposes to reduce this rate to 10% for all the classes of payees with effect from April 1, 2025.

## Reduction in withholding tax rate on insurance commission

Currently, tax is required to be deducted at source @ 5% in respect of payment made for commission for soliciting and procuring insurance business. The Bill, vide Part II of the First Schedule proposes

to reduce this rate to 2% in case the payment is made to a person resident in India, other than a company.

## Removal of provision relating to TCS on goods

As per section 206C(1H) of the Act, the seller of goods is required to collect tax at source if the buyer who is liable to deduct tax at source under any other provision of the Act fails to comply with such provision. Provision of section 194Q/1940 also requires the buyer of goods to deduct tax at source.

CBDT has further issued Circular which inter alia provides that consequences of non-compliance with provision of section 194Q shall not be applicable to buyer, if the seller of goods has collected tax at source.

It has been represented that this being large value of transaction undertaken in normal course of business, it is very difficult for a seller to comply with such provision. It is also difficulty for buyer to verify that seller has collected and paid tax at source. This has resulted into tax being deducted as well as collected at source on the same transaction.

In order to remove such difficulty, the Bill proposes that provision of section 206C(1H) relating to collection of tax on goods is not applicable with effect from April 1, 2025.

## No TCS on money sent for education purpose from educational loan

Currently, the authorized dealer is required to collect tax at source in cases where remittances are made outside India at a lower rate and where such remittances are made out of loan obtained from a financial institution for the purpose of

pursuing education. The Bill proposes to grant benefit in such cases by proposing that no tax is required to be collected by authorized dealer in such cases with effect from April 1, 2025.

## TCS on forest produce

Presently, tax is required to be collected at source @ 2.5% on sale of various types of timber and forest produce. However, there is no given definition of 'forest produce'. The Bill, therefore, proposes to define the term 'forest produce' as

defined in any State Act for the time being in force, or as per the Indian Forest Act, 1927. Further, the Bill propose to reduce the tax collection rate to 2% with effect from April 1, 2025.

## Removal of provisions of higher TDS / TCS in case of non-filers of income-tax return

The existing provisions of section 206AB (for TDS) and 206CCA (for TCS) require every deductor to make a deduction / collection of tax at higher rates as compared to normal TDS / TCS rates in cases where the deductee is a non-filer of income-tax returns for latest assessment year for which due date has expired on the date of deduction (in cases where tax is deductible / collectible at source for

an amount of INR 50,000 or more). Considering the practical difficulty to identify such type of deductee by deductor, the Bill proposes to omit these provisions with effect from April 1, 2025.

However, higher TDS / TCS consequent to non-availability of PAN as provided in section 206AA & 206CC shall continue to be applicable.

## Enabling period of limitation for order-giving-effect / set-aside orders in relation to TCS proceedings

The Finance Act 2024, vide provisions pertaining to section 206C(7A), has prescribed a period of limitation for passing order for deeming a person to be a taxpayer-in-default for failure to collect tax at source within six years from the end of the FY in which tax is collectible or two years from end of the FY in which correction statement is filed, whichever is later.

However, these existing provisions do not prescribe any time limit in scenarios where order-giving-effect is required to be passed due to order of appellate authorities, or where a fresh order is required consequent to order of revision u/s. 263 by Commissioner or order by appellate authority [Commissioner (Appeals) / ITAT etc.] or setting aside / cancelling assessment etc.

In order to remove these difficulties, the Bill proposes to amend provisions of section 206C(7A) to provide that the provisions of section 153 in that regard shall apply.

Further, there are certain period which are not required to be considered while computing such time limit for the purpose of making assessment as per Explanation 1 to section 153 e.g., time limit during pendency of writ petition etc. The Bill also provides to make these provisions applicable to timeline for passing an order u/s. 206(7A).

All the above provisions are proposed to be effective from April 1, 2025.

## Softening the prosecution provisions in case of failure to pay tax collected at source

The existing provisions of section 276BB provides for prosecution on failure to pay TCS to the credit of Central government within prescribed time limit by way of rigorous imprisonment for minimum term of three months to a maximum of seven years with fines.

The Finance (No. 2) Act 2024 has provided relief from the provision relating to prosecution u/s. 276B of the Act for late payment of TDS if tax

deduced is deposited within time specified in such provision. To extend such benefit for late payment of TCS, the Bill proposes to amend the provision of section 276BB to provide that provision of such section shall not apply if tax collected is deposited on or before the time specified for filing of TCS return in respect of such tax collected.

# Compliances & Procedures

## Updated Return

With a view to reduce litigation and provide certainty to the taxpayers, the Finance Act 2022 introduced the concept of 'updated income-tax return' for voluntary compliance by taxpayers who had omitted to report their correct income. As per the existing law, the taxpayer can update his tax return within twenty-four months (within two years from the end of the relevant AY) by paying additional tax.

To further enhance voluntary compliance and streamline the reassessment process, the Bill proposes to extend the timeline from twenty-four months to forty-eight months from the end of the relevant AY. Thus, the taxpayers can now update their ITR for any AY within the period of next four years by making additional payment of tax as under -

Updated Return filed during following period	Additional Tax as per current provisions	Additional Tax as per proposed amendment
Up to 12 months from the end of AY	25% of aggregate tax and interest payable	25% of aggregate tax and interest payable
After 12 months but within 24 months from the end of AY	50% of aggregate tax and interest payable	50% of aggregate tax and interest payable
After 24 months but within 36 months from the end of AY	Not Applicable	60% of aggregate tax and interest payable
After 36 months but within 48 months from the end of AY	Not Applicable	70% of aggregate tax and interest payable

In view of the above changes, a taxpayer can now file an updated return even for FY 2020-21 on or after April 1, 2025 (which is currently not possible).

It is also proposed that the benefit of filing an updated return for the relevant AY is not available where any show-cause notice u/s. 148A of the Act for making assessment u/s.148 of the Act has been issued after thirty-six months from the end of relevant AY and the AO subsequently passes an order u/s. 148A(3) for such year by holding that the case is fit for such assessment.

The amendment strives to strengthen the tax enforcement by ensuring that updated returns are filed before reassessment processes progress. Additionally, it provides relief to taxpayers by granting extended time to report any escaped income, whether from India or overseas, as well as to rectify omissions or non-disclosures in the original income tax return or in cases where the return was not filed u/s. 139(1) of the Act.

The amendment is proposed to be made applicable from AY 2026-27.

## Removal of cut-off date for floating schemes under faceless appeals

For making the assessment and appellate procedure devoid of any human interference and with a view to impart greater efficiency, transparency and accountability, faceless assessment schemes and faceless appeal schemes had been launched. In continuation, it was proposed to extend the faceless assessment

procedure for matters pertaining to transfer pricing assessments, and to extend faceless appeal schemes before the Appellate Tribunal and the High Court. Under the existing provisions of section 92CA, 253 and 255 of the Act, the time limit for notifying the faceless schemes was March 31, 2025.

With a view to relax the prescribed time limit for notifying the scheme, it is now proposed to remove such cut-off date to issue directions. Accordingly, the CBDT may now notify the faceless assessment

and faceless appeal scheme beyond March 31, 2025.

The amendment shall be effective from April, 01 2025.

## Exclusion of time pertaining to stay of proceedings while computing period of limitation

The Bill proposes an amendment in section 144BA, 153, 153B, 158BE, 158BFA, 263, 264, & 275 wherein it has been proposed that for computing the last date for passing the order by the relevant tax authorities under these sections, the period commencing on the date on which stay on any proceedings was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the jurisdictional Principal Commissioner or Commissioner shall be excluded.

The proposed amendment is aimed to bring clarity for exclusion of the period for the purpose of

computing the last date / limitation for passing any order under the Act. It may be noted that the Courts generally pronounce the order in the open court and the certified copy of the order reaches the taxpayer and the tax authority after a few days of pronouncement of the order in open court. The Department was computing the period of limitation from the date of receipt of the certified copy of the order though the decision of the Court was pronounced in the open court earlier. This led to a situation wherein most of the orders were passed beyond the period of limitation. The proposed amendment is brought to bring clarity and end litigation on this issue.

## Extension of time limit for immunity from imposition of penalty

Under the existing provisions of the Act, the taxpayer may file an application before the AO for granting immunity from imposition of penalty for underreporting of income or prosecution. This application is to be filed within one month from the end of month in which order of assessment is received, if the taxpayer does not challenge such order before any appellate authorities and pays tax and interest as computed in the assessment order. On receipt of the application, the AO is required to pass an order granting / rejecting immunity within one month from the end of month in which application is received.

In order to allow more time to the taxpayer for representing the case before the AO, the time limit for passing the order has been extended from one month to three months from the end of month in which application is received. It may be noted that the time limit for making an application for granting immunity before the AO by the taxpayer remains unchanged.

The amendment is proposed to be made effective from April 1, 2025.



Owls are lazy but cute. This **Scops Owl** was seen at Gir National Park, Gujarat.

## Jurisdiction of AO to impose penalty

Under the existing provisions of the Act, the power for imposing following penalties lied with the Joint Commissioner, though assessments were framed by the Assessing Officers lower than the rank of the Joint Commissioner –

- Penalty for failure to deduct tax at source and collect tax at source u/s. 271C & 271CA

- Penalty for failure to comply with the provisions of section 269SS, 269ST, 269SU, 269T, 271D, 271DA, 271DB and 271E

In order to rationalize the process of levying penalty, the Bill proposes to empower the AO to pass the penalty orders.



Known for hunting snakes, this **Crested Serpent Eagle** was spotted at Pench Tiger Reserve, Madhya Pradesh.

## Rationalization in time limits for imposition of penalties

As per the existing provisions of section 275 of the Act, several time limits are provided for imposition of penalty in various situations creating complexities for the income tax authorities in imposing penalty within the prescribed time limit.

With a view to simplify the period of limitation for imposing penalties, the Bill proposes to standardize the time limit by providing that the order of penalty can be passed within six months from the end of the quarter of passing of assessment order, appellate order, revision order and in any other case, within six months from the end of the quarter in which penalty notice is issued.

The Bill also provides for imposing, enhancing, cancelling, reducing or dropping the penalty

proceedings by revising the penalty order already passed in view of passing of appellate orders or order of revision within six months from the end of quarter in which such order is passed. It further provides for granting an opportunity of being heard to the taxpayer before revision of penalty including the right to appeal if the taxpayer is aggrieved by the revision in the penalty levied.

The existing provisions relating to seeking of approval of higher authorities as mandated u/s. 274(2) and the exclusions for computing limitation period in case opportunity of rehearing is granted on account of change of incumbent of the AO and where stay is granted by any Court would continue to apply.

## Administrative amendment relating to Search and Seizure

### *Retention of searched document*

Currently, the law provides that any books of accounts, documents, etc. impounded and seized during the search shall be retained up to thirty days from the date of the assessment or reassessment or recomputation order. It is practically observed that in a single search, multiple taxpayers are involved, and in all cases, the assessment orders are passed at different times and thus, the AO is compelled to segregate and keep track of seized records relating to each

taxpayer. The floating retention approval timeline adds extra burden on AOs.

Therefore, for the purpose of providing administrative convenience, the period for retention of the seized records has been extended/relaxed. The retention of seized books and documents must now be taken within one month from the end of the quarter in which the order of assessment or reassessment or recomputation is made.

## Amendments under Block Assessment

The provisions relating to search assessment were substantially amended by the Finance (No.2) Act, 2024 by re-introducing the concept 'block period' for making combined assessment instead of making individual assessment of relevant years.

### *What is included in 'undisclosed income'?*

The term 'undisclosed income' refers to any undisclosed 'money', 'bullion', 'jewelry', or 'any valuable article or thing' unearthed during the search operation. The scope is even wider to cover bogus claim of any expenditure or allowance, or exemption made in the tax return.

The Bill has proposed to widen the scope of undisclosed income by specifically including the 'virtual digital asset' (VDA) found during searches conducted after September 1, 2024. The term VDA is defined in section 2(47A) of the Act, and it explicitly mentions that a 'currency', either an Indian currency or foreign currency is not a VDA.

The definition of undisclosed income under chapter XIV-B of the Act only includes 'money'. Thus, VDA is not explicitly covered under any specific limb of undisclosed income. One may also take a view that the scope of undisclosed income is much wider as it would cover 'any valuable article or thing' unearthed during the search. The Hon'ble SC in **Civil Appeal No(s). 3738-3739 in the case of D. N. Singh v. CIT, Central (2023)** had an

occasion to decide what shall constitute 'any other valuable article or things' in the context of section 69A. The Hon'ble SC had held that any article having a 'value' is not material and the article or thing would be considered to be valuable if it is 'worth a good price' or 'worth a great deal of money'. This leads to involve subjectiveness and hence, leads to potential dispute.

To avoid any confusion or different interpretation, the Bill has enlarged the scope of undisclosed income by explicitly including any VDA unearthed during the search to provide clarity on the section. It is interesting to note that any overseas VDA would also be covered within the ambit of undisclosed income and therefore, the AO would be empowered to assess the said asset as per the scheme of chapter XIV-B of the Act.

### *Computation of total income for the block period*

Section 158BB provides the method of computation of total income for the block period. The existing provisions contain various anomalies, which were never envisaged / intended by the legislature.

The income shown in return filed u/s. 139 was taken into consideration twice – first, vide clause (i) of section 158BB and second, vide clause (ii)/(iii) of section 158BB. Further, the language of the existing law suggested that all the consequences of non-reporting of undisclosed income were also

made applicable to income already disclosed in return filed u/s.139 of the Act or assessed u/s.143(3) of the Act. This, however, was never the intent of the legislature. Also, regarding the income of the searched year, the existing language suggested taxing the income already recorded in the books prior to search.

The Bill proposes to remove such inconsistencies to provide that total income for the block period should first start from the amount of undisclosed income declared in the return furnished u/s. 158BC and income disclosed in return filed u/s. 139 or already assessed u/s. 143(3) are required to be added therein to compute total income for the block period. Necessary amendments have been proposed in section 158BB to correct these inconsistencies.

Further, necessary amendments have been proposed in Section 158BB so that income or transaction recorded in books of account in the normal course of business in respect of previous year ended before the date of search and where the due date of filing return of income has not expired on the date of search, income or transaction recorded up to the period up the date of search shall not be subjected to consequences as applicable to undisclosed income. Further the income or transaction recorded in books of account in normal course of business from the date of initiation of search and the date of closing of search shall also not be subjected to consequences relating to undisclosed income.

The total undisclosed income for the block period shall therefore be computed as under -

#	Particulars	Amount
(a)	Undisclosed income declared in the return filed u/s. 158BC of the Act	XXX
(b)	"Income" assessed u/s. 143(3) / 144 / 147 / 153A / 153C for any year covered by block years prior to date of initiation of search	XXX
(c)	"Income" declared in return filed u/s. 139 / 142(1) / 148 for any block years and not covered above	XXX
(d)	"Income" of the searched year determined on the basis of entries recorded in the books or other documents maintained	XXX
(e)	"Undisclosed Income" determined by AO u/s. 158BB(2)	XXX
	<b>Total Income</b>	<b>XXX</b>

The provisions now provide more clarity regarding the computation of total undisclosed income for the block years. The income already disclosed before the date of search is now explicitly carved out from the ambit of undisclosed income.

#### *Block assessment*

As per the existing scheme of block assessment, where any assessment under Chapter XIV-B is pending in the case of a taxpayer 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. The Bill

proposes to amend the provision of section 158BA to clarify that the assessment shall be required to be completed even if it is not pending when the subsequent search is initiated.

It is interesting to observe that as per the proposed amendment, the assessment pertaining to period covered by the first search would invariably be completed as per the scheme of chapter XIV-B of the Act even if the assessment is not pending on the date of second search. The scheme of computation of total undisclosed income (even post amendment) as per 158BB of the Act, however, does not provide any clarity whether the total undisclosed income of the first search

assessment would be required to be excluded from the purview of total undisclosed income of the second search assessment or not.

As per the existing scheme of section 158BB of the Act, the income from any international transaction or specified domestic transaction, based on the evidence found during the search, pertaining to the period beginning from the first day of April of the previous year in which last of the authorizations were executed and ending with the date on which last of the authorizations were executed shall be taxed under normal provisions. It is difficult to assess arm's length price of part period transactions and therefore, as per the amended block assessment scheme, the income pertaining to any international transaction or specified domestic transaction for the searched

year shall not be considered in the income of the block period.

#### *Period of limitation*

The Bill has further provided relaxation to the AO for passing the assessment order for the block years. As per the existing provisions, the AO is required to pass an order for block period within twelve months from the end of the month in which the search is completed. However, the AO shall now be required to complete the block assessment within twelve months from the end of the quarter in which search action is completed.

All the above amendments are proposed to be made applicable with effect from February 1, 2025.



A tiny cute **Indian Gazelle** at Gir National Park, Gujarat.

# Charitable Trusts

## Extension in period of validity of approval of small Trusts / Institutions registered u/s. 12AB

Under existing law, charitable trusts and institutions registered u/s.12AB are required to renew their registration every five years. Procedurally, such entity is required to apply for fresh registration u/s. 12AB at the end of every five years, subsequent to which, the Commissioner of Income Tax will again examine its affairs and books of accounts to grant the fresh registration.

In order to provide relief to small charitable organizations in the re-approval process, the Bill proposes to amend the provisions of section 12AB to extend validity of such approval from five years to ten years for trusts / institutions meeting the following criteria -

- The total income (before applying exemptions u/s. 11 and 12) of such trust / institution does not exceed INR 5 crores in each of the two financial years preceding the year in which application is / was made.
- The application for registration is / was filed under following categories prescribed in sub-clause (i) to (v) of Section 12A(1)(ac) of the Act.
- Trusts / institutions already registered u/s. 12A / 12AA for indefinite period prior to April 1, 2021 & made application for re-registration u/s. 12A up to June 30, 2024 or within time limit as extended by CBDT from time to time.

- Trusts / institutions already registered u/s. 12AB whose registration is set to expire, and application is made at least six months prior to such expiry.
- Trusts / institutions provisionally registered u/s. 12AB, applying for regularization of approval within six months prior to expiry of such approval or within six months of commencement of its activities, whichever is earlier.
- Trusts / institutions which have made an application for approval within specified time limit due to becoming inoperative as per proviso to section 11(7)
- Trusts / institutions which have made application due to modifications in objects clause of the trust deed within 30 days from the date of such modification.

This change will benefit smaller charitable institutions by reducing their administrative burden and providing them with long-term regulatory stability. These amendments are proposed to be made applicable from April 1, 2025.

## Incomplete application for registration u/s. 12AB not treated as specified violation

Currently, if the Commissioner finds a 'specified violation', the registration of a trust can be cancelled, making it liable for tax on accreted income under Chapter XII-EB.

One such 'specified violation' includes an incomplete application u/s. 12A. Considering the severe implications arising out of minor technical errors in application which may lead to

cancellation of registration and unwarranted tax liability, the Bill proposes to amend section 12AB(4) of the Act with effect from April 1, 2025 so that an incomplete application shall not be considered a 'specified violation'. This will prevent automatic deregistration and undue tax liabilities for minor lapses.



While cormorants are very common, it was a delight to capture this **Indian Cormorant** sunbathing at Pench Tiger Reserve, Madhya Pradesh. The reflection made this picture turn into a painting.

## Increase in threshold limit for a contributor to be regarded as a 'specified person' u/s. 13(3) of the Act

Under existing law, exemption u/s. 11 is denied if income of trusts or institutions have been applied unreasonably or inadequately for the benefits of certain specified persons, which includes any person who has contributed more than INR 50,000 to the trust, relatives of such contributors and any concern where such contributors have a substantial interest.

Considering the relatively lower threshold and for easing the compliance, the Bill proposes to increase the threshold from INR 50,000 to a substantial contribution of INR 1,00,000 in a single

transaction in a year, or an aggregate contribution exceeding INR 10,00,000 in a year.

Moreover, considering the difficulties in identifying relatives of substantial contributors and concerns where these contributors have a substantial interest, it has also been proposed to omit these two categories from the meaning of 'specified persons' u/s. 13(3) of the Act to reduce compliance requirements for trusts.

The above amendment shall take effect from April 1, 2025.

# INDIRECT TAX

# INDIA BUDGET 2025

Beneath  
the  
*Canopy*

*A **Male Lion** relaxing at  
Gir National Park, Gujarat.  
Now, you know why it is called  
the King of the Jungle!*

# Goods & Services Tax

For easy understanding of our readers, we have evaluated the proposed amendments to Goods & Services Tax (GST) Law by breaking it down in

three relevant sections (i) existing provision, (ii) proposed amendment, and (iii) implications thereof.

## Definition of Input Service Distributor (ISD)

### Earlier Definition

As per Section 2(61), "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.

### Proposed Change

"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, of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated

Goods and Services Tax Act, 2017 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.

### Explanation

Inclusion of inter-state Reverse Charge Mechanism (RCM) services under ISD was not explicitly mentioned before, now it's being clarified that the ISD will also handle the distribution of tax credits related to such inter-state reverse charge services.

In simple terms, before this amendment, there was no clear mention on how ISDs should deal with inter-state services taxed under reverse charge. Starting from April 1, 2025, ISD will have to ensure that the business gets the tax credits for those inter-state services under RCM and distributes them properly across its branches.

## Definition of Local authority

### Background

As per Section 2(69), sub-clause (c) of the definition, Local authority mentioned a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund.

### Proposed Change

The word '**fund**' is added after the words '**management of a municipal**'. So now, it will specifically refer to the '**management of a municipal fund**' (which is any fund controlled or managed by a municipal authority).

Further, an Explanation is added to clarify what '**local fund**', and '**municipal fund**' mean. Here's what it says:

'Local fund' refers to any fund managed by a local self-government (like a Panchayat) for civic functions in that area. The local self-government has the authority to levy and collect taxes or fees under the law.

'Municipal fund' refers to funds managed by a municipal authority (for cities or metropolitan areas). Again, this authority can collect taxes, duties, or fees according to the law.

## Introduction of definition of “Unique Identification Marking”

A new definition has been introduced via Section 2(116A) for ‘**Unique Identification Marking**’ which 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**.

## Time and value of supply in case of vouchers

### Background

In the 55th meeting of the GST Council, the GST Council made a recommendation to omit sections 12(4) and 13(4) from the CGST Act, 2017 and rule 32(6) from CGST Rules, 2017 to resolve ambiguities in the treatment of vouchers and to clarify on certain other issues related to vouchers.

### Proposed Change

Omission of Time of Supply provisions from the Act

*Circular No. 243/37/2024-GST was issued on 31st December 2024 clarifying that –*

**Vouchers** are defined as instruments that can be used as part of consideration for goods or services.

If a voucher is a **pre-paid instrument** recognized by the Reserve Bank of India (RBI), it is considered money and **not subject to GST** because money is excluded from the definition of goods and services

If the voucher is **not a pre-paid instrument** and is used as a claim to receive goods or services, it is considered an **actionable claim** (similar to a claim to a debt or beneficial interest) and is **not taxable under GST**.

Since vouchers are not subject to GST, the concept of **time of supply** for vouchers becomes **irrelevant**.

This is because, in the absence of a taxable supply, there is no need to determine a specific time for the supply of vouchers under GST provisions.

### Explanation

The amendment is proposed to be in line with the ruling passed by the **Hon’ble Karnataka High Court** in **Premier Sales Promotion Pvt. Ltd. Vs. The Union of India**. This will offer relief to businesses that utilize vouchers for promotional schemes.

## Blocked credit for construction of immovable property

### Background

Section 17(5) of the CGST Act, 2017, outlines provisions for ‘Blocked Credits’, which refer to certain input tax credits (ITC) that cannot be claimed.

Significant litigation has arisen regarding ITC on construction of Immovable property.

Section 17(5)(d) blocks input tax credit on goods and services received for construction of immovable property (**other than Plant or Machinery**) when such construction is done on

one’s own account for the purpose of use in the course or furtherance of business.

In several cases, immovable properties were not used for personal purposes but were rented out, with GST payable on the output renting services. Businesses argued that denying ITC in such instances unfairly increases costs since these properties are essential for generating taxable output.

**Hon’ble Supreme Court**, in the case of **Chief Commissioner of CGST Vs. Safari Retreats Pvt. Ltd.** had introduced the ‘functionality test’ to

determine whether a building qualifies as a "plant." This test requires the building to be used for manufacturing, processing, or producing goods or carrying out any other operations incidental to or in connection with such manufacturing, processing, or production.

The Hon'ble Court observed that the term 'plant' in Section 17(5)(d) could not be restricted to the definition of 'plant and machinery', which excludes land, buildings, or other civil structures thus holding that in certain cases, a building could be considered a plant, thereby making it eligible for ITC u/s. 17(5)(d).

#### *Proposed Change*

Section 17(5)(d) is proposed to be amended

retrospectively, w.e.f. July 1, 2017, to substitute '**Plant or Machinery**' with '**Plant and Machinery**' to align with the intent of the said section irrespective of any judgment, decree or order of any court or any other authority.

#### *Explanation*

In the briefing held after the 55th GST council meeting, the Chairman of CBIC said that this was only a drafting error which would be corrected and hence this amendment is proposed. With this retrospective amendment, the impact of the Hon'ble Supreme Court's decision in Safari Retreats stands nullified – A significant impact on the taxpayers who have followed the Apex Court's judgement and availed credit.

## Manner of distribution of credit by ISD

Sub-section (1) and (2) of Section 20 is proposed to be amended to explicitly include inter-state RCM transactions under the ISD mechanism. This amendment is proposed to be made to align with

the 55th GST council meeting dated December 31, 2024.

This amendment will take effect from April 1, 2025.

## Tax invoice, Credit and Debit Notes

#### *Background*

A registered person who issues a credit note must declare the details in their GST returns. This



*It is rare to catch hold of a Hare! This was picture perfect with sunlight falling on those long ears, making them shine. This Hare was clicked at Ranthambore National Park, Rajasthan.*

section included a proviso stating that **no reduction in output tax liability would be permitted if the tax incidence had been passed on to any other person**. This meant that supplier could not reduce their tax liability if they had already transferred the tax burden to another party.

#### *Proposed Change*

The proviso is amended to explicitly require that input tax credit attributable to a credit note must be reversed by the recipient to enable the supplier to reduce their output tax liability.

#### *Explanation*

This requirement was previously only implied and is now clearly stated. The requirement for ITC reversal may increase compliance obligation for supplier, as they need to take a declaration / certificate from recipient for reversing credit from output liability as per circular 212/6/2024 dated June 26, 2024.

## Details of inward supplies and input tax credit

### Background

Section 38 of the Central Goods and Services Tax (CGST) Act, 2017, outlines the requirements for registered taxpayers to provide details of their outward supplies. This section is crucial for the administration of GST, as it facilitates the verification of tax payments and the processing of (ITC) claims by recipients.

### Proposed Change

The Bill proposes amendments to section 38 (1) &

(2), removing the term "auto-generated" from the input tax credit (ITC) statement.

### Explanation

This change aligns with proposals from the 55th GST Council meeting, which introduced a legal framework for generating Form GSTR-2B based on taxpayer actions in the Invoice Management System (IMS). However, IMS is not made mandatory at present.

## Furnishing of Returns

### Background

This section provides that every registered taxpayer under GST, must file a monthly electronic return. This return includes details about goods and services bought and sold, input tax credits claimed, taxes owed, and taxes paid.

### Proposed Change

It is proposed that the returns be filed within such time, and subject to **conditions and restrictions**.

### Explanation

This change aims to ensure clarity and adherence to timely and correct GST returns. The purpose of this amendment is to require that Form GSTR-3B for a specific tax period can only be submitted after Form GSTR-2B is generated on the GST portal as recommended by the GST Council in its 55th GST Council meeting.

## Appeals to Appellate Authority

### Background

The proviso of section 107(6) of the CGST Act, 2017 outlines that an appeal to the appellate authority cannot be filed unless the appellant has paid:

- (a) The full amount of tax, interest, fine, fee, and penalty admitted by the appellant from the order
- (b) A sum equal to 10% of the remaining disputed tax amount from the order, subject to a maximum of INR 20 crores.

### Proposed Change

Section 107(6) is being amended for penalty-only cases, i.e., if an order imposes only a penalty (no tax demand), then the appellant must pay 10% of the penalty amount as a mandatory pre-deposit to file an appeal before the appellate authority.

### Explanation

Example: For a penalty order of INR 1,00,000, the appellant must now pay INR 10,000 while filing the appeal to the appellate authority.

Scenario	Before Amendment	After Amendment
Tax + Penalty Order	10% of tax required as pre-deposit	No change (10% of tax still applies)
Penalty Order (no tax demand)	No pre-deposit required	10% penalty must be paid upfront

## Appeals to Tribunal

### Background

The proviso of section 112(8) of the CGST Act, 2017 outlines an appeal to the Tribunal cannot be filed unless the appellant has paid –

- The full amount of tax, interest, fine, fee, and penalty admitted by the appellant from the order
- A sum equal to 10% of the remaining disputed tax amount from the order, subject to a maximum of INR 20 crore.

### Proposed change

Section 112(8) is being amended for Penalty-Only Cases, i.e. if an order imposes only a penalty (no tax demand), then the appellant must pay 10% of the penalty amount as a mandatory pre-deposit to file an appeal before the Tribunal.

### Explanation

Example: For a penalty order of INR 1,00,000, the appellant must now pay INR 10,000 while filing the appeal to the Tribunal.

Scenario	Before Amendment	After Amendment
Tax + Penalty Order	10% of tax required as pre-deposit	No change (10% of tax still applies)
Penalty Order (no tax demand)	No pre-deposit required	10% penalty must be paid upfront

## Track and Trace Mechanism

### Background

Track and Trace Mechanism for specified evasion prone commodities was recommended by the GST council in its 55th GST Council meeting.

### Proposed Change

Introduction of a new Section 148A to establish an enabling mechanism for the Track and Trace system for specified evasion prone commodities.

Also, insertion of Section 122B to penalize the person violating the provisions of section 148A by

levying penalty at INR one lakh, or 10% of the of the tax payable on such goods whichever is higher.

### Explanation

Via these provisions, the Government is empowered to enforce the Track and Trace Mechanism for specified evasion prone commodities as well as to penalise anyone violating the said mechanism. A notification is awaited for the list of such commodities.

## Activities / transactions - neither supply of goods / supply of services

### Proposed Change

It is proposed to add a new clause (aa) in Paragraph 8 following clause (a) stating that the supply of goods warehoused in a Special Economic Zone (SEZ) or a Free Trade Warehousing Zone (FTWZ) to any person, before clearance for exports or to the Domestic Tariff Area (DTA) shall be treated as neither supply of goods nor supply of services.

The SEZ, FTWZ and DTA shall have the same meaning as assigned to them in section 2 of The SEZ Act, 2005.

### Explanation

No refund of tax shall be made which has been collected, but which would not have been so collected.

# Customs

## Introduction of Time limit for Provisional Assessment

- Insertion of sub-section (1B) to Section 18 of the Customs Act, 1962, has been proposed to define the time limit of 2 years for finalization of provisional assessment. Such a time limit may be further extended by one year by the Commissioner of Customs on sufficient cause. Any cases where provisional assessment is pending, such time limit shall be considered from the date of assent to the Bill.
- Sub-section (1C) to Section 18 has been proposed to be inserted which provides for certain ground basis which time limit mentioned under 1(B) shall remain suspended.
- Introduction of Voluntary Revision of Bill of Entries
  - Section 18A of the Customs Act, 1962, has proposed to introduce the voluntary revision of bill of entry allowing importers and

exporters to revise their post-clearance entries on self-assessment basis.

- After such revision, any duty short-paid or not paid shall be paid along with interest. No such revision is permissible after initiation of audit/ assessment by the proper officer. In case of any excess duty paid, such excess duty shall be eligible for refund u/s. 27 of the Customs Act, 1962.
- Insertion of an explanation to Section 27(1) has been proposed to clarify that time limit to claim refund arising in case of voluntary revision is one year from the date of payment of duty.
- Introduction of Interim Board and pending applications
  - Insertion of sub clause (ea) to Section 127A has been proposed to include definition of "pending application" as an application filed u/s. 127B before April 1, 2025, allowed u/s. 127C and no order has been issued under sub section (5) of Section 127C on or before March 31, 2025.
  - Insertion of sub clause (da) to Section 127A has been proposed to define "Interim Board" as the board for settlement constituted u/s. 31A of the Central Excise Act, 1944.
  - Section 127B has been proposed to include provisos specifying that no new application can be filed under this section on or after April 1, 2025 and manner of dealing with any pending application by the Interim Board from its constitution.
  - By an introduction of the Interim Board, provisions under various sections such as 127C, 127D, 127F, 127G, 127H have been proposed to apply to Interim Board as they were applied to Settlement Commission. These sections majorly cover procedures on receipt of application, various duties, powers and functions of Settlement Commission.



*As kids, we always had this fascination of tracing the giant Vulture. This **Indian Vulture** was spotted from far away at Ranthambore National Park, Rajasthan.*

## Changes to IGCR (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2017

A welcoming amendment has been proposed to Rules 6 and 7 to increase the time limit for fulfilling end use from the current six months to one year. Further, the monthly filing of statements

by the importers has been proposed to be replaced with the filing of a quarterly statement to ease the compliance requirements.

## Amendment in Basic Customs Duty Rates in Notifications (to be effective from February 2, 2025)

#	Particulars	Rate of Duty	
I	Aquafarming & Marine Exports	From	To
1	Frozen Fish Paste (Surimi) for use in manufacture of Surimi Analogue products, for export	30%	5%
2	Fish Hydrolysate for use in manufacture of aquatic feed	15%	5%
II	Leather	From	To
1	Wet blue leather (hides and skins)	10%	Nil
III	Gems and Jewellery Sector	From	To
1	Platinum Findings	25%	5%
IV	Metal Scrap & Lithium-Ion Battery Waste and Scrap	From	To
1	Lead waste and scrap	5%	Nil
2	Zinc waste and scrap	5%	Nil
3	Cobalt powders	5%	Nil
4	Waste and scrap of Lithium-Ion Battery	5%	Nil
V	IT and Electronics Sector	From	To
1	Ethernet switches Carrier-grade	20%	10%
2	Open cell for Interactive Flat Panel Display Module with or without touch, Touch Glass Sheet and Touch Sensor PCB for the manufacture of the Interactive Flat Panel Display Module.	15%/10%	5%
3	Inputs and Parts of the Open Cells for use in the manufacture of Television Panels of LED/LCD TV.	2.50%	Nil
4	Inputs or Parts/sub-parts for use in the manufacture of the Printed Circuit Board Assembly, Camera module and connectors of cellular mobile phones and inputs and raw materials for use in the manufacture of specified parts of cellular mobile phones i.e. on Wired Headset, Microphone and Receiver, USB Cable and Fingerprint reader/Scanner of Cellular Mobile Phone.	2.50%	Nil

#	Particulars	Rate of Duty	
5	Add 35 capital goods for use in the manufacture of lithium-ion battery of EVs and 28 capital goods for use in the manufacture of lithium-ion battery of mobile phones in the list of exempted capital goods	As applicable	Nil
6	To amend entry S. No. 6D of Notification No. 57/2017-Customs and incorporate 'any chapter' in column (2) for goods used to manufacture mechanics of mobile phone	As applicable	10%
<b>VI</b>	<b>Automobile</b>	<b>From</b>	<b>To</b>
1	Motor vehicles for transport of 10 or more persons	25%/40%	20%
2	Motor cars and other motor vehicles with CIF value more than USD 40,000 or with engine capacity more than 3000 cc for petrol run vehicles and more than 2500 cc for diesel run vehicles or with both	100%	70%
3	Motor vehicles for transport of goods	25%/40%	20%
4	Motor cycles with engine capacity not exceeding 1600cc in CBU form	50%	40%
5	Motor cycles with engine capacity not exceeding 1600cc in SKD form	25%	20%
6	Motor cycles with engine capacity not exceeding 1600cc in CKD form	15%	10%
7	Motor cycles with engine capacity of 1600cc and above in CBU form	50%	30%
8	Motor cycles with engine capacity of 1600cc and above in SKD form	25%	20%
9	Motor cycles with engine capacity of 1600cc and above in CKD form	15%	10%
<b>VII</b>	<b>Toys</b>	<b>From</b>	<b>To</b>
10	Parts of electronic toys for manufacture of electronic toys	25%	20%

## Amendment in Customs Tariff rate

<b>A Increase in Tariff rate (to be effective from February 2, 2025)</b>		<b>Rate of Duty</b>	
<b>#</b>	<b>Particulars</b>	<b>From</b>	<b>To</b>
<b>I</b>	<b>Textile</b>	<b>Increase in Duty</b>	
1	Knitted Fabrics	20%/10%	20% or Rs115/kg, whichever is higher
<b>II</b>	<b>IT &amp; Electronics sector</b>	<b>From</b>	<b>To</b>
1	Interactive Flat Panel Displays (Completely Built Units)	10%	20%
<b>B</b>	<b>Decrease in Tariff rate (to be effective from May 1, 2025)</b>	<b>Decrease in Duty</b>	
<b>#</b>	<b>Particulars</b>	<b>From</b>	<b>To</b>
1	Marble and travertine, crude or roughly trimmed, merely cut into blocks, slabs and other	40%	20%
2	Granite, crude or roughly trimmed, merely cut into blocks, slabs and other	40%	20%
3	Other compounds containing a pyrimidine ring (whether or not hydrogenated) or piperazine ring in the structure	10%	7.50%
4	Synthetic flavouring essences and mixtures of odoriferous substances of a kind used in food and drink industries	100%	20%
5	Candles, tapers and the like	25%	20%
6	Reference Materials	30%	10%
7	Sorbitol other than that of sub-heading 2905 44	30%	20%
8	Other, plates, sheets, films, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials	25%	20%
9	Other plates, sheet, film, foil and strip of plastics	25%	20%
10	Waterproof footwear with outer soles and Uppers of Rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes	35%	20%
11	Other footwear with outer soles and uppers of rubber or plastics	35%	20%
12	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	35%	20%
13	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	35%	20%
14	Other footwear	35%	20%
15	Worked monumental or building stone	40%	20%

#	Particulars	From	To
16	Articles of Jewellery and parts thereof	25%	20%
17	Articles of goldsmiths' and silversmiths' wares and parts thereof	2.50%	Nil
18	Copper Waste and Scrap	5%	Nil
19	Tin Waste and Scrap	5%	Nil
20	Tungsten Waste and Scrap	5%	Nil
21	Molybdenum Waste and Scrap	5%	Nil
22	Tantalum Waste and Scrap	5%	Nil
23	Cobalt Waste and Scrap	5%	Nil
24	Waste and Scrap of Bismuth and Bismuth alloys	10%	Nil
25	Zirconium Waste and Scrap	2.50%	Nil
26	Antimony Waste and Scrap	5%	Nil
27	Beryllium Waste and Scrap	10%	Nil
28	Rhenium Waste and Scrap	5%	Nil
29	Cadmium Waste and Scrap	25%	20%
30	Solar Cells	40%	20%
31	Solar Module and Other semiconductor devices and photovoltaic cells	40%	20%
32	Motor vehicles for transport of 10 or more persons	125%	70%
33	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702)	40%	20%
34	Motor vehicles for transport of goods	100%	70%
35	Motorcycles and cycles fitted with an auxiliary motor with or without sidecar	35%	20%
36	Bicycles	25%	20%
37	Yachts and other vessels for pleasure or sports; rowing boats and canoes	25%	20%
38	Electricity meters for alternating current (Smart meter)	25%	20%
39	Seats (other than those of headings 9402), whether or not convertible into beds, and parts thereof	25%	20%
40	Other furniture and parts thereof	25%	20%
41	Mattress supports, articles of bedding and similar furnishing etc.	25%	20%
42	Luminaries and lighting fittings including searchlights and spotlights and parts thereof etc.	70%	20%
43	Parts of electronic toys	150%	70%
44	Laboratory Chemicals	100%	70%
45	All dutiable articles, imported by a passenger or a member of a crew in his baggage	35%	20%
46	All dutiable goods imported for personal use.	35%	20%

C #	Tariff rate changes (without change in existing effective rate of duty) to be effective from May 1, 2025	Decrease in Duty	
		From	To
1	Glycerol Crude, glycerol waters, glycerol lye	30%	20%
2	Copper Ores and Concentrates	2.50%	Nil
3	Cobalt Ores and Concentrates	2.50%	Nil
4	Tin Ores and Concentrates	2.50%	Nil
5	Tungsten Ores and Concentrates	2.50%	Nil
6	Molybdenum Ores and Concentrates	2.50%	Nil
7	Zirconium Ores and Concentrates	2.50%	Nil
8	Vanadium Ores and Concentrates	2.50%	Nil
9	Niobium or Tantalum Ores and Concentrates	2.50%	Nil
10	Antimony Ores and Concentrates	2.50%	Nil
11	Liquefied Propane	15%	2.50%
12	Liquefied Butane	15%	2.50%
13	LPG (for non-automotive purpose)	15%	5%
14	LPG (for automotive purpose)	15%	5%
15	Other liquified petroleum gas	15%	5%
16	Phosphoric Acid	20%	7.50%
17	Boric Acid	27.50%	7.50%
18	Other – Prepared Binders, chemical products and preparations of chemical or allied industries	17.50%	7.50%
19	OTS/MR type-flat rolled products of thickness less than 0.5 mm	27.50%	15%
20	Other flat rolled products of thickness less than 0.5 mm	27.50%	15%
21	Hot-rolled products in coils of thickness greater than or equal to 4.75 mm, but not exceeding 10 mm	22.50%	15%
22	Hot-rolled products in coils of thickness greater than or equal to 3 mm but less than 4.75 mm	22.50%	15%
23	Flat rolled products of stainless steel of width 600 mm or more - Other nickel chromium austenitic type	22.50%	15%
24	Flat rolled products of stainless steel of width 600 mm or more - Other sheets and plates	22.50%	15%
25	Flat-rolled products of other alloy steel - grain oriented, silicon electrical steel	20%	15%
26	Other tube or pipe fittings of stainless steel	25%	15%
27	Other fittings of iron or steel, non- galvanised	25%	15%
28	Other structure and parts of structures of iron and steel	25%	15%
29	Others-tanks and drums etc.	25%	15%
30	Other screws and bolts whether or with nuts or washers	25%	15%

#	Particulars	From	To
31	Threaded nuts	25%	15%
32	Other non-threaded articles	25%	15%
33	Other springs and leaves of iron/steel	25%	15%
34	Other cast articles of iron or steel	25%	15%
35	Others - forged or stamped articles of iron or steel but not further worked	25%	15%
36	Miscellaneous other articles of iron/steel	25%	15%
37	Unwrought Tin	5%	Nil
38	Unwrought tungsten, including bars and rods obtained simply by sintering	5%	Nil
39	Unwrought molybdenum, including bars and rods obtained simply by sintering	5%	Nil
40	Unwrought tantalum, including bars and rods obtained simply by sintering, powders	5%	Nil
41	Cobalt, unwrought	5%	Nil
42	Bismuth, unwrought	5%	Nil
43	Unwrought zirconium, powders, containing less than 1 part hafnium to 500 parts zirconium by weight	10%	Nil
44	Unwrought antimony, powders	2.50%	Nil
45	Beryllium unwrought, powders	5%	Nil
46	Hafnium unwrought, waste and scrap, powders	10%	Nil
47	Rhenium unwrought	10%	Nil
48	Cadmium unwrought, Powders	5%	Nil
49	Cadmium, wrought	5%	Nil

### Tariff rate changes in Export Duty (To be effective from February 2, 2025)

#	Particulars	Rate of Duty	
I	Changes in Export Duty	From	To
1	Crust leather (hides and skins)	20.00%	Nil

## Changes in Agriculture Infrastructure and Development Cess (AIDC) (To be effective from February 2, 2025)

#	Particulars	Rate of Duty	
I	Changes in Cess	From	To
1	Marble and travertine, crude or roughly trimmed, merely cut into blocks, slabs and other	Nil	20.00%
2	Granite, crude or roughly trimmed, merely cut into blocks, slabs and other	Nil	20.00%
3	Candles, Tapers and the like	Nil	7.50%
4	PVC Flex Films, PVC Flex Sheets, PVC Flex Banner	Nil	7.50%
5	Waterproof Footwear with outer soles and Uppers of Rubber or Plastics	Nil	18.50%
6	Other Footwear With Outer Soles And Uppers of Rubber or Plastics	Nil	18.50%
7	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	Nil	18.50%
8	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	Nil	18.50%
9	Other Footwear	Nil	18.50%
10	Marble Slab	Nil	20.00%
11	Platinum findings	Nil	1.40%
12	Solar Cells	Nil	7.50%
13	Solar Module and Other semiconductor devices and photovoltaic cells	Nil	20.00%
14	Motor vehicles for transport of 10 or more persons	Nil	20.00%
15	Motor vehicles for transport of 10 or more persons when imported under S. No. 524 (1) (b) of the notification No. 50/2017- Customs	Nil	5.00%
16	Motor vehicles for transport of 10 or more persons when imported under S. No. 524 (2) of the notification No. 50/2017- Customs	Nil	20.00%
17	Used Motor vehicles	Nil	67.50%
18	Motor cars and other motor vehicles principally designed for the transport of persons in other than Completely Knocked Down and Semi Knocked Down form with CIF value exceeding USD 40,000	Nil	40.00%
19	Motor vehicles for transport of goods	Nil	20.00%
20	Motor vehicles for transport of goods when imported under S. No. 525 (1) (b) of the notification No. 50/2017- Customs	Nil	5.00%
21	Motor vehicles for transport of 10 or more persons when imported under S. No. 525 (2) of the notification No. 50/2017- Customs	Nil	20.00%
22	Used motorcycles and cycles fitted with an auxiliary motor with or without side-car	Nil	40.00%
23	Bicycles	Nil	15.00%
24	Yachts and other vessels for pleasure of sports	Nil	7.50%

#	Particulars	Rate of Duty	
25	Electricity meters for alternating current (Smart meter)	Nil	7.50%
26	Seats (other than those of headings 9402), whether or not convertible into beds, and parts thereof	Nil	5.00%
27	Other furniture and parts thereof	Nil	5.00%
28	Mattress supports, articles of bedding and similar furnishing etc.	Nil	5.00%
29	Luminaries and lighting fittings including searchlights and spotlights and parts thereof etc.	Nil	5.00%
30	Parts of electronic toys	Nil	20.00%
31	Parts of electronic toys for manufacture of electronic toys (S. No. 591 of notification No. 50/2017-Customs dated 30.06.2017)	Nil	7.50%
32	Laboratory Chemicals (other than those attracting 10% BCD for specified end use)	Nil	70.00%

### Exemption granted from Social Welfare Surcharges

#	Particulars
1	Candles, tapers and the like
2	PVC Flex Films including Flex Banner and PVC flex Sheets under headings 3920 or 3921
3	Solar Cells
4	Yachts and other vessels for pleasure of sports
5	Electricity meters for alternating current (Smart meter)
6	Seats (other than those of headings 9402), whether or not convertible into beds, and parts thereof
7	Other furniture and parts thereof
8	Mattress supports, articles of bedding and similar furnishing etc.
9	Luminaries and lighting fittings including searchlights and spotlights and parts thereof etc.
10	Parts of electronic toys
11	Articles of gold/silver imported vide S. No. 356 and 357 of Notification No. 50/2017-customs dated 30.06.2017
12	Waterproof Footwear with outer soles and Uppers of Rubber or Plastics
13	Other Footwear with Outer Soles and Uppers of Rubber or Plastics
14	Footwear with Outer Soles of Rubber, Plastics, Leather or Composition Leather and Uppers of Leather
15	Footwear with Outer Soles of Rubber, Plastics, Leather or Composition Leather and Uppers of Textile Materials
16	Other Footwear
17	All dutiable goods imported for personal use and not exempted under any prohibition in respect of imports thereof under the Foreign Trade (Development and Regulations) (FTDR) Act, 1992.
18	Solar Module and Other semiconductor devices and photovoltaic cells
19	Motor vehicles for transport of 10 or more persons
20	Motor vehicles for transport of goods
21	Motor cars and other motor vehicles principally designed for the transport of persons in other than Completely Built Form with CIF value exceeding USD 40,000

#	Particulars
22	Motor cars and other motor vehicles which have been registered abroad before import into India i.e. Used Vehicles
23	Used motorcycles and cycles fitted with an auxiliary motor with or without sidecar
24	Laboratory Chemicals under CTH 9802 00 00 (other than those attracting 10% BCD for specified end use)
25	Dutiable articles imported by passenger or member of crew in his baggage classified under heading 9803

### Extension granted for the conditional exemption rates of BCD prescribed in notification No. 50/2017- Customs dated June 30, 2017

#	Particulars	Extended Date
1	Ships and vessel for breaking up	Mar-31-35
2	Raw materials, components, consumables or parts, for use in the manufacture of ships/vessels	Mar-31-35
3	Bulk drugs for manufacture of drugs or medicines [A separate entry is being created for Drugs, medicines, diagnostic kits specified in List 3 with modifications in the list]	Mar-31-29
4	Bulk drugs used in the manufacture of polio vaccine and Mono component insulins	Mar-31-29
5	Bulk drugs used in the manufacture of life saving drugs or medicines [A separate entry is being created for Drugs, medicines, diagnostic kits specified in List 4 with modifications in the list]	Mar-31-29
6	Drugs, Medicines or Food for Special Medical Purposes (FSMP) used for treatment of rare disease	Mar-31-29
7	Good specified in List 36 imported by testing agencies specified in List 37, for the purpose of testing and/or certification	Mar-31-29
8	Crude Glycerine for use in manufacture of Epichlorohydrin	Mar-31-27
9	Denatured ethyl alcohol for use in manufacture of industrial chemicals	Mar-31-27
10	Fish meal for use in manufacture of aquatic feed	Mar-31-27
11	Goods for the manufacture of telecommunication grade optical fibres or optical fibre cables	Mar-31-27
12	Textile machinery (with addition of two new machinery)	Mar-31-27
13	Parts and components for use in manufacturing of textile machineries	Mar-31-27
14	Goods for use in the manufacture of Open cell of LCD and LED TV panel	Mar-31-27
15	Seeds for use in manufacturing of rough Lab- Grown Diamonds [IGCR condition removed]	Mar-31-26
16	Parts of wind operated electricity generators, for the manufacture or the maintenance of wind operated electricity generators [The entry has also been modified]	Mar-31-26
17	Permanent magnets for manufacture of PM synchronous generators above 500KW for use in wind operated electricity generators	Mar-31-26

# Central Excise Act

With effect from April 1, 2025, sunset provisions have been proposed to be introduced for the Customs, Central Excise and Service Tax Settlement Commission constituted u/s. 32 of the Central Excise Act, 1944.

Section 31 has been proposed to be amended to define 'pending application' and 'Interim Board'.

Insertion of section 31A has been proposed to specify powers of Central Government to constitute one or more Interim Board for settlement of pending application.

A proviso to sub-section (1) of section 32 has been proposed to be inserted to provide effective date of cessation of CCESC as April 1, 2025.

A proviso to sub section (1) of section 32 has been proposed to be inserted specifying that no new application can be filed under this section on or after April 1, 2025.

By an introduction of the Interim Board, provisions under various sections such as 32F, 32G, 32I, 32J, 32K, 32L, 32M, 32O and 32P have been proposed to apply to Interim Board as they were applied to Settlement Commission. These sections majorly cover procedures on receipt of application, various duties, powers and functions of the Settlement Commission.

# Service Tax

## Retrospective exemption in case of certain reinsurance services

### *Background*

The general insurance services provided under the Weather Based Crop Insurance Scheme or the Modified National Agricultural Insurance Scheme, approved by the Government of India and implemented by the Ministry of Agriculture, were under the mega exemption list and exempted from the service tax. However, there was an ambiguity regarding the applicability of the exemption where a certain portion was re-insured with other insurance companies. The insurance companies providing re-insurance services have been probed by the Director General of Central Excise Intelligence (DGCEI) for non-payment of service tax on re-insurance premiums.

### *Proposed Change*

To provide a retrospective exemption in respect of taxable services provided by insurance companies by way of re-insurance under the Weather Based Crop Insurance Scheme and the Modified National Agricultural Insurance Scheme during the period commencing from April 1, 2011

till June 30, 2017 from the entire service tax and to grant a refund of the service tax which has been collected but which would not have been so collected had the proposed exemption been in force at all material times. The time limit for filing a refund application has been proposed as six months from the enactment of the Bill.

### *Explanation*

For the GST regime, the Government has provided specific exemptions on the aforementioned re-insurance services from January 25, 2018. Further, the GST Council in their 53rd Council meeting recommended regularizing the GST liability on the said re-insurance services for the period from July 1, 2017 till January 24, 2018 on an "as is where is" and later on the Circular No. 228/22/2024-GST was issued on July 15, 2024 in line with the recommendation of the GST council. By this proposal, the Government cleared the air from the long pending issue and synced the Service tax treatment with the GST law on the identical issue.

# REFERENCES

Harriers from Central Asia migrate to Velavadar National Park, Gujarat, India every year. This place has become the world's largest breeding place for Harriers. This is **Montagu's Harrier** feasting on a grasshopper.

**INDIA  
BUDGET  
2025** Beneath  
the  
*Canopy*

# Tax Rates\* for AY 2026-27

\*[To be increased by applicable surcharge and health & education cess (see Notes)]

## Default Tax regime for all Individual, HUF, AOP, BOI - Section 115BAC)

Taxable Income	All Individual, HUF, AOP, BOI
Upto Rs. 4,00,000	Nil
Rs. 4,00,001 to Rs. 8,00,000	5%
Rs. 8,00,001 to Rs. 12,00,000	10%
Rs. 12,00,001 to Rs. 16,00,000	15%
Rs. 16,00,001 to Rs. 20,00,000	20%
Rs. 20,00,001 to Rs. 24,00,000	25%
Rs. 24,00,001 and above	30%

This tax regime shall be exercised without claiming specified exemption or deductions except standard deduction u/s 16(ia) and deductions u/s 57(ia), 80CCD(2) & 80CCH(2).

## Optional Tax regime for Individual, HUF, AOP & BOI

Taxable Income	All Individual, HUF, AOP & BOI	Resident Individual of 60 years or more age	Resident Individual of 80 years or more age
Upto Rs. 2,50,000	Nil	Nil	Nil
Rs. 2,50,001 to Rs. 3,00,000	5%	Nil	Nil
Rs. 3,00,001 to Rs. 5,00,000	5%	5%	Nil
Rs. 5,00,001 to Rs. 10,00,000	20%	20%	20%
Rs. 10,00,001 and above	30%	30%	30%

This tax regime shall be adopted by exercising the option prescribed u/s 115BAC(6).

## Partnership Firm & Foreign Company

Particulars	General Tax Rate
Partnership Firm & LLP	30%
Foreign Company	35%

## Domestic Company

Particulars	General Tax Rate
Domestic Company with Turnover / Gross Receipts up to Rs. 400 Crores in FY 2023-24	25%
Domestic Company opted for taxation under section 115BA	25%
Domestic Company opted for taxation under Section 115BAA	22%
Domestic Manufacturing Company incorporated on or after 1st October 2019 opted for taxation under Section 115BAB	
- Income derived from Manufacturing or Production	15%
- Other income for which no specific rate of tax is specified	22%
- Short-term capital gain of a non-depreciable capital asset	22%
Domestic Company not covered above	30%

Optional tax regime u/s. 115BAA & 115BAB shall be exercised by the Company without claiming any exemption or deductions as provided in respective section and filing prescribed Form as per relevant rule.

## Co-operative Society

Total Income	General Tax Rate
Upto Rs. 10,000	10%
Rs. 10,001 to 20,000	20%
Rs. 20,001 and above	30%

## Resident Co-operative Society (Section 115BAD)

Particulars	General Tax Rate
Co-operative Society opted for taxation u/s 115BAD	22%

This optional u/s 115BAD tax regime shall be exercised by co-operative society without claiming any exemption or deductions as provided in the Act and filing prescribed Form as per relevant rule.

## Resident Manufacturing Co-operative Society (Section 115BAE)

Particulars	General Tax Rate
Resident Manufacturing Co-operative Society	15%

## Special Rates of Tax

Nature of Income	Rate of Tax
Minimum Alternate Tax (Section 115JB) excluding company opted under section 115BAA and 115BAB.	15%
Alternate Minimum Tax (Section 115JC) excluding person opted for tax regime under section 115BAC, 115BAD and 115BAE.	
(1) If Co-operative society	15%
(2) Other than Co-operative society	18.5%
(3) If unit located in IFSC and derives income solely from convertible foreign exchange	9%
STCG on STT paid equity shares, units of equity oriented mutual funds, or a business trust (Section 111A)	20%
LTCG on listed equity shares, units of equity oriented mutual funds, units of business trust exceeding Rs. 1,25,000 (Section 112A)	12.5%
LTCG on assets other than listed securities and zero-coupon bonds derived by a <b>Resident</b> (Section 112)	12.5%
LTCG on assets other than securities, zero-coupon bonds derived by a <b>Non-Resident</b> (Section 112)	12.5%
LTCG on unlisted securities or shares of a company in which the public are not substantially interested derived by a <b>Non-Resident</b> (Section 112)	12.5%
LTCG on listed securities (other than units) or zero-coupon bonds (Section 112)	12.5%
Royalty & Fees for Technical Services derived by <b>Non-Resident</b> (Section 115A)	20%
Dividend derived by non-resident subject to tax treaty benefit	20%
LTCG payable by an Offshore Fund on income by way of transfer of units purchased in Foreign Currency (Section 115AB)	12.5%
LTCG payable by a Non-resident on the income by way of transfer of specified Bonds or Global Depositary Receipts (Section 115AC)	12.5%
LTCG payable by a specified resident employee on the income arising from transfer of specified Global Depositary Receipts (Section 115ACA)	12.5%
STCG on income of Specified Fund or FII from transfer of securities referred to in section 111A (Section 115AD)	20%
STCG on income from transfer of securities other than specified under Section 111A (Section 115AD)	30%
LTCG on income of Specified Fund or FII from transfer of securities referred to in section 112A in excess of Rs. 1,25,000	12.5%
LTCG on income from transfer of securities other than specified under Section 112A and 115AB (Section 115AD) – If transfer takes places after April 1, 2025.	12.5%
LTCG on income from assets other than specified assets of a Non-resident Indian (Section 115E)	12.5%
Income by way of Royalty in respect of a patent developed and registered in India derived by <b>Resident</b> (Section 115BBF)	10%
Tax on Virtual Digital Assets (Section 115BBH)	30%
Tax on Specified Income of Trusts and certain Institutions (Section 115BBI)	30%
Tax on winnings from Online games (Section 115BBJ)	30%

## Note 1: Rate of Surcharge on Income Tax

Nature of Income	Upto Rs.50 Lacs	Rs.50 Lacs to Rs.1 Cr.	Rs.1 Cr. to Rs.2 Cr.	Rs.2 Cr. to Rs.5 Cr.	Rs.5 Cr. to Rs.10 Cr.	Above Rs.10 Cr.
Individual / HUF/ AOP/ BOI - tax regime u/s 115BAC	Nil	10%	15%	25%**	25%**	25%**
Individual / HUF/ AOP/ BOI	Nil	10%	15%	25%**	37%**	37%**
Co-operative Society	Nil	Nil	7%	7%	7%	12%
Co-operative Society opted for tax regime u/s 115BAD & 115BAE	10%	10%	10%	10%	10%	10%
Partnership Firm / LLP	Nil	Nil	12%	12%	12%	12%
Foreign Company	Nil	Nil	2%	2%	2%	5%
<b>Domestic Company</b>						
Domestic Company (not opting for lower taxation u/s 115BAA & 115BAB)	Nil	Nil	7%	7%	7%	12%
Domestic Manufacturing Companies u/s 115BAA & 115BAB	10%	10%	10%	10%	10%	10%

**\*\* In case of AOP, the applicable surcharge would be 15% in case all the members of AOP are companies.** Further the above rate of increased surcharge shall not be applicable on tax payable on dividend and capital gains arising from transfer of certain securities u/s. 111A, 112, 112A for all classes of taxpayers.

**Note 2:** Health & Education Cess @ 4% will be charged to all assessee on the amount of Income Tax & Surcharge.

**Note 3:** In case where person is opting for taxation u/s. 115BAA/ 115BAB/ 115BAC /115BAD or 115BAE, tax payable on capital gains arising will be at the rate specified in section 111A, 112 & 112A in respect of capital asset covered within the scope of these sections.

**Note 4:** A non-resident including foreign company can also avail lower rate of tax, if any, specified under applicable tax treaty subject to compliance with treaty access provision as provided under the Act.

# TDS Rates for FY 2025-26

## Rates of Tax Deducted at Source (See Notes)

Section	Nature of Payment	Threshold Limit (Rs.)	Rate
192	Salary	As per Slab	As per Slab
192A	Provident Fund amount which is not exempt from tax	50,000	10%
193	Interest on Securities	10,000**	10%
194	Dividend (including deemed dividend) to Resident	10,000*	10%
194A	(1) Interest paid by Banking Company, Co-operative Society/Banks engaged in banking business, Post Office under a deposit scheme framed by Central Government	50,000***	10%
	(2) Interest other than Interest on Securities (Other than above)	10,000	10%
194B	Winning from Lotteries (Excluding Online Games)	10,000 per transaction	30%
194BA	Net Winning from any Online Games	0	30%
194BB	Winnings from Horse Races	10,000 per transaction	30%
194C	Payments to Contractors		
	(1) Payment to Transporter covered by Section 44AE <sup>[2]</sup>	NA	NIL
	(2) Payment to Individual / HUF (other than above)	30,000 <sup>[3]</sup>	1%
	(3) Payment to Others (other than above)	30,000 <sup>[3]</sup>	2%
194D	Insurance Commission	20,000	2%
194DA	Income component received from LIC (including ULIP) which are not covered u/s 10(10D)	1,00,000	2%
194E	Non-Resident Sportsman /Sports Association / Entertainer	0	20% <sup>[1]</sup>
194EE	Payment of deposits under NSS to Resident / Non-Resident	2,500	10% <sup>[1]</sup>
194G	Commission on Sale of lottery tickets to Resident / Non- Resident	20,000	2% <sup>[1]</sup>
194H	Commission or Brokerage to Resident	20,000	2%
194I	Rent to Resident		
	(a) Rent for machinery / plant / equipment	50,000 p.m. or part of the month	2%
	(b) Rent for other than in (a)	50,000 p.m. or part of the month	10%
194-IA	Payment on transfer on certain immovable properties (Other than agricultural land)	50 Lacs	1%

Section	Nature of Payment	Threshold Limit (Rs.)	Rate
194-IB	Payment of Rent by certain Individuals or HUF (other than those who are covered u/s 194I) to a resident	50,000 p.m.	2% <sup>[4]</sup>
194-IC	Payment under specified agreement (in case of joint development agreement excluding payment in kind)	0	10%
194J	Payment to resident taxpayer for professional services, royalty, sum referred u/s 28(va) excluding fees for technical services	50,000	10%
	Payment to resident assessee for fees for technical services or payment to assessee engaged in the business of call centre	50,000	2%
	Remuneration, fees, commission paid to Director (other than those on which tax is required to be deducted u/s 192) which is not in the nature of Salary	0	10%
194K	Income/ Dividend in respect of Units of Mutual Fund registered u/s 10(23D) payable to resident	10,000	10%
194LA	Compensation to a resident on acquisition of immovable property (excluding compensation received under RFCTLAAR Act, 2013)	5,00,000	10%
194LB	Interest paid to a Non-Resident by the Notified Infrastructure Debt Fund	0	5% <sup>[1]</sup>
194LBA	Payment to a resident Unit Holder specified in Section 115UA (in respect of dividend if SPV opted for 115BAA)	0	10%
	Payment of Interest to a non- resident Unit Holder specified in Section 115UA	0	5% <sup>[1]</sup>
	Payment of Dividend to a non- resident Unit Holder specified in Section 115UA if SPV opted for 115BAA	0	10% <sup>[1]</sup>
194LBB	Income in respect of units of investment fund under Section 115UB		
	(1) In case of Payee being Resident (2) In case of Payee being Non-Resident	0 0	10% Rate in Force <sup>[1]</sup>
194LBC	Income distribution to an investor by Securitisation Trust in respect of Section 115TCA		
	(1) In case of Payee being Resident (2) In case of Payee being Non-Resident	0 0	10% Rate in Force <sup>[1]</sup>

## Rates of Tax Deducted at Source (See Notes)

Section	Nature of Payment	Threshold Limit (Rs.)	Rate
194LC	Interest paid by Specified Company to a Non-Resident on ECB	0	5% <sup>[1]</sup>
	Interest paid by Specified Company to a Non-Resident on Long term Bond or Rupee Denominated Bonds listed on recognized stock exchange in any IFSC	0	4% <sup>[1]</sup>
194LD	Interest payments to FII and QFI's on their Investment in Govt. Securities and RDB of an Indian Company, Municipal debt securities	0	5% <sup>[1]</sup>
194M	Payment by Individual/HUF for carrying out any work pursuant to contract, commission & fees for profession services (not covered by 194C, 194D & 194J)	50 lacs	2%
194N	TDS on cash withdrawal <ul style="list-style-type: none"> <li>- Person who did not file ITR for preceding three AYs &amp; time limit to file original ITR is expired and said person withdrawing cash not exceeding Rs. 1 Crore</li> <li>- Person who did not file ITR for preceding three AYs &amp; time limit to file original ITR is expired and said person withdrawing cash exceeding Rs. 1 Cr. (Rs. 3 Cr. In case of Co-Operative Society)</li> <li>- Any other person (Except Co-Operative Society)</li> <li>- Co- Operative Society</li> </ul>	20 lacs  On amount exceeding 1 Cr./ 3 Cr.  1 Cr. 3 Cr.	2%  5%  2% 2%
194O	Payment by e-commerce operator to e-commerce participant in respect of sale of goods or services	5 lacs <sup>[5]</sup>	0.1%
194P	TDS in case of resident senior citizen having age of 75 year or more and receiving only pension in the bank and interest income from the same bank.	As per Slab <sup>[6]</sup>	As per Slab <sup>[6]</sup>
194Q	TDS on payment for purchase of goods by specified buyer	50 lacs	0.1%
194R	TDS on benefits or perquisites in respect of business or profession to a resident assessee	20,000	10%
194S	TDS on payment for transfer of Virtual Digital Assets to a resident assessee		
	(1) Specified person <sup>[8]</sup>	50,000	1%
	(2) Other than Specified person	10,000	1%
194T	TDS on payment of any sum in nature of salary, remuneration, commission, bonus or interest to a partner of a firm (w.e.f April 1, 2025)	20,000	10%

Section	Nature of Payment	Threshold Limit (Rs.)	Rate
195	Payment of other sums to Non-Resident (Other than those specified in Section 194LB)	Rates specified under Part II of First Schedule of Bill, including applicable surcharge and health and education cess subject to rate	
196A	Income to non-residents in respect of units of MF as specified u/s 10(23D) or of specified company as specified u/s explanation of 10(35) <sup>[7]</sup>	0	20% <sup>[1]</sup>
196B	Income from units (including long term capital gain on transfer of such units) to an offshore fund		
	(1) Income from units referred in 115AB(1)(i)	0	10% <sup>[1]</sup>
	(2) LTCG from units referred in 115AB	0	12.5% <sup>[1]</sup>
196C	Income from foreign currency bonds or GDR (including long term capital gain on transfer of such Bonds or GDR) of Indian Company		
	(1) Income from bonds/units referred in 115AC	0	10% <sup>[1]</sup>
	(2) LTCG from bonds/units referred in 115AC	0	12.5% <sup>[1]</sup>
196D	Income of FII from securities not being long term and short-term capital gain	0	20% <sup>[1]</sup>

(\* in case of Resident Individual only)

(\*\* in case of Resident Individual / HUF only)

(\*\*\* Rs. 1,00,000 in case of Resident Senior Citizen)

<sup>[1]</sup> All rates of TDS for Non-Resident Assessee shall be increased by applicable Surcharge, Health & Education Cess

<sup>[2]</sup> Transporter means persons engaged in plying, hiring and leasing of Goods Carriages having Income u/s. 44AE and not owning more than 10 goods carriage. Nil rates will be applicable if the transporter quotes his PAN and furnishes prescribed declaration.

<sup>[3]</sup> This limit is for individual transaction. However, if aggregate payment to contractors during the year exceeds Rs.1,00,000 then tax will have required to be deducted even where individual transaction is less than the threshold limit of Rs. 30,000

<sup>[4]</sup> In case TDS is to be made as per section 206AA, TDS amount shall not exceed rent payable for the last month of financial year or last month of tenancy.

<sup>[5]</sup> This limit is provided to only e-commerce participant being resident individual or HUF whose gross amount from sale of services and goods does not exceed Rs. 5,00,000 and provided PAN or Aadhar card.

<sup>[6]</sup> Specified senior citizen need to submit declaration in the prescribed Form and manner to the Specified Bank. Accordingly, such specified senior citizen is not required to file ITR for the year in which TDS is deducted.

<sup>[7]</sup> No TDS will be withheld, in case where units have been acquired from UTI out of Non-Resident External account maintained in India or remittance of Funds in foreign currency as per FEMA regulations.

<sup>[8]</sup> Individuals or HUF whose Total Sales or Gross Receipts or Turnover does not exceed Rs. 1 Crore in case of Business or Rs. 50 lacs in case of Profession during the financial year immediately preceding the financial year in which such asset is transferred.

**Note 1:** A non-resident including foreign company is subject to lower withholding tax, if any, specified under applicable tax treaty subject to compliance with treaty access provision as provided under the Act.

**Note 2:** In order to strengthen the PAN/Aadhar Mechanism, as per section 206AA of the Act any person whose receipts are subject to TDS i.e. the deductee, shall furnish his PAN/Aadhar to the deductor failing which the deductor shall deduct tax at source at higher of the following rates:

- (i) prescribed in the Act;
- (ii) at the rate in force i.e. the rate mentioned in the Finance Act; or
- (iii) 20%

However, in the case TDS is required to be deducted u/s. 1940 and 194Q, the maximum TDS rate will be 5% instead of 20%. Further, in case of TDS deductible u/s. 192A where PAN is not furnished, TDS shall be deducted at 20%.

Further, 206AB of the Act provides higher rate of TDS in case where deductee who is non-filer of income-tax return (in respect of latest assessment year for which time limit for filing of tax return is already expired) excluding a non-resident not having PE in India. However, vide Finance Bill 2025, Section 206AB has been omitted with effect from April 1, 2025 which means that there shall not be any higher withholding of tax in the cases where deductee who is non-filer of income tax return.

# TCS Rates

## Rates of Tax Collected at Source

Section	Nature of Transaction	Threshold Limit (Rs.)	Rate
206C	Sale of alcoholic Liquor for human consumption & Indian made foreign Liquor	0	1%
206C	Sale of Timber or any other forest produce (not being Tendu leaves) obtained under a forest lease (w.e.f. April 1, 2025)	0	2%
206C	Sale of Timber obtained by any mode other than under a forest lease (w.e.f. April 1, 2025)	0	2%
206C	Sale of scrap	0	1%
206C	Parking Lot/Toll plaza/Mining and Quarrying	0	2%
206C	Sale of tendu leaves	0	5%
206C	Minerals, being coal or lignite or iron ore	0	1%
206C(1F)	Sale of Motor Car or any other goods as specified	10 lacs	1%
206C(1G)	Remittance out of India under the LRS for purpose other than educational, medical and overseas tour package.	10 lacs	20%
206C(1G)	Remittance out of India – Education Loan (Loan is taken from financial institution as defined u/s80E)		
	- Till March 31, 2025	7 lacs	0.5%
	- From April 1, 2025	NA	NA
206C(1G)	Remittance out of India – Medical treatment or Educational Purpose other than above	10 lacs	5%
206C(1G)	Sale of overseas Tour Package	Upto 10 lacs	5%
		Above 10 lacs	20%
206C(1H)	Sale of goods (not covered under any of the above provision) excluding the case where the buyer of goods is liable to deduct tax at source on such goods under any other provision and has deducted such TDS)		
	- Till March 31, 2025 <sup>[1]</sup>	50 lacs	0.1%**
	- From April 1, 2025	NA	NA

\*\*TCS will not be applicable in cases where the buyer being deductor has already deducted TDS from the consideration as per the provision of Chapter XVII-B.

<sup>[1]</sup> The provisions of section 206C(1H) is applicable to seller whose turnover exceeded Rs. 10 crore during the immediately preceding financial year. Further, certain specified buyer such as central or state government, local authority or any other person as specified are excluded from the provision of the said section.

**Note 1:** In order to strengthen the PAN/Aadhar Mechanism, as per section 206CC of the Act, any person who makes above nature of payment which is subject to TCS shall furnish his PAN/Aadhar to the seller failing which the seller shall collect tax at source at higher of the following rates:

- (i) at twice the rate specified in the section, or
- (ii) at the rate of 5%

Further, in a case where TCS need to be collected u/s 206C(1H) and buyer has not provided PAN or Aadhar Card, TCS will be collected at the rate of 1%.

Further, section 206CCA provides higher rate of TCS in case where buyer being non-filer of income-tax return excluding non-resident not having PE in India. However, vide Finance bills 2025, section 206CCA has been omitted with effect from April 1, 2025. Accordingly, there shall not be higher withholding of tax in case of non-filer of income tax return.

## Other Rates

### Rates of Equalisation Levy

Section	Nature of Transaction	Threshold Limit (Rs.)	Rate
165	Equalisation Levy in respect of Specified Services (e.g. online advertisement) provided by non-resident excluding case where services are not for business or profession.	1,00,000	6%

**K C Mehta & Co LLP**  
Chartered Accountants

Independent Member  
**kcm**  
NETWORK



**Vadodara**

Meghdhanush,  
Race Course,  
Vadodara, India - 390 007  
Phone: +91 265 2440 400



**Ahmedabad**

Level 11, Tower B,  
Ratnaakar Nine Square,  
Vastrapur,  
Ahmedabad, India - 380 015  
Phone: +91 79 4910 2200



**Mumbai**

315, The Summit Business Bay,  
Nr. WEH Metro Station,  
Andheri East,  
Mumbai, India - 400 069  
Phone: +91 22 2612 5834



**Bengaluru**

19/4, Between 7th & 8th Cross,  
Malleswaram,  
Bengaluru, India - 560 003  
Phone: +91 80 2356 1880

**Note:**

This booklet is prepared exclusively for the benefit and use of the clients of K C Mehta & Co LLP. This should not be used as a substitute for professional advice. Reasonable care has been taken for ensuring the accuracy and the authenticity of the contents of this booklet. However, we do not take any responsibility for any error or omission contained therein on any account. It is recommended that the readers should take professional advice before acting on the same.

The provisions contained in the Finance Bill, 2025 ("the Bill") are proposals and are likely to undergo amendments while passing through Houses of Parliament before being enacted.