



BUILDING BLOCKS

How India reinforced its commitment to become
Viksit Bharat in Union Budget 2025-26



There are two words that encapsulate the big idea of India's Union Budget 2025-26.

**BUILDING
BLOCKS**



**BUILDING
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These two words indicate the creation and curation of multi-year growth platforms.

These platforms provide a basis for the sustainable growth of the Indian economy.

The existence of these platforms indicates strategic predictability, citizen confidence and investor appeal.



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THIS IS WHERE INDIA STANDS TODAY



Global economic catalyst



The fifth largest global economy



The fastest growing major economy



The world's largest middle-income population cluster



Among the most fiscally stable major global economies



The largest 'have nots' migrations to 'haves' anywhere



Politically stable economy providing a consistent policy outlook until 2029



The only country to have risen in rank in the last decade among the largest global economies



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THE BIG MESSAGES OF UNION BUDGET 2025-26

The strategic direction of India's economic policies remained unchanged

Disciplined spending would be the way forward



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THE MATURING OF INDIA'S POLICY MAKING

Responsive to structural global shifts.
Emphasising fiscal discipline at a time of
global economic slowdown

Responsive to Indian citizen needs.
Providing larger resources in the
taxpayer's hands



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OUR BIG PICTURE

The general impression is that if one is spending less then growth is bound to suffer; if one is spending more, this would be at the cost of fiscal discipline.

The argument: Growth versus Discipline.

If there is one achievement of Union Budget 2025-26, it is this: the Finance Minister balanced growth with discipline.

This is how.

Discipline: The government has targeted a fiscal deficit of 4.4% of GDP in FY26, lower than the previous year. If 4.3% is capital expenditure to GDP, and the projection for the fiscal deficit is 4.4% for the coming year, the inference is that all India's borrowing are going into capital expenditure (not debt servicing or principal repayment). Results: consolidated fiscal health, absence of excessive borrowing, lower inflation possibilities and restrained non-capital expenditure.

Growth: Lower taxes on middle-income households (relative to the erstwhile public capex-driven growth of the earlier years). The government has infused cash in hand across a productive economic population. This appears to be right decision at this stage of the country's economic journey.



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WHAT DO WE SEE IN INDIA'S UNION BUDGET 2025-26

We see a convergence of the following realities.

Consolidation

The FY25 fiscal deficit at 4.8% of GDP is expected to decline to 4.4% in FY26.

Cleaner national Balance Sheet.

Greater fiscal stability.

Enhanced international confidence and respect.

Consumption

The government has increased the zero tax limit from ₹700,000 to ₹12 lacs in one stroke, the most sizable in the country's history - almost five times the per capita income (compared to around 2-3x for most developing economies).

Expected to drive consumption bottom-up.

Likely to benefit direct consumer companies (FMCG, automotive, tourism and hotels) and indirect consumer companies (retailers, food tech, e-commerce etc.).

Likely to sustain national economic growth.

Capital expenditure

The national capex outlay for FY26 is estimated at ₹11 lac crore.

This will sustain the national economic momentum.

This will keep feeding capital expenditure programmes.

This was in line with GDP growth.



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WHAT ELSE WE HAVE IMPRESSED WITH

MSMEs

The Budget has increased the credit guarantee cover to ₹20 crore; it introduced ₹5 lac credit cards for micro enterprises to facilitate working capital access. The Budget revised upwards the investment and turnover limits employed for the classification of MSMEs by 2.5 and 2 times respectively, strengthening capital flows. This will ensure India's preparedness for 'Make In India', and 'Make In India for The World'.

Modernised agriculture

The PM Dhan Dhaanya Krishi Yojana will cover 100 districts with low agro productivity and moderate crop intensity. This will facilitate high-yielding seeds, better irrigation, better agriculture-related investment and product value-addition.



CORE VALUES

01 Dynamic & Innovative

We are constantly reinventing for the future—for our clients, employees and community. As industries evolve, so do the requirements of our clients. We curate solutions that go above and beyond your expectations to ensure sustainable, innovative growth for the future.

02 Ethical & Trusted

We have safeguarded the trust of our clients, regulators, and the public with integrity for over 73 years, and expect to do so across the foreseeable future.

03 Client-Centric & Value Focused

We position ourselves as your business partners to curate solutions that ensure your sustainable growth. Our business is more than a service - We approach our work with a collaborative mindset, teaming across businesses, geographies, and skill sets to deliver tangible, measurable, attributable impact.



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SECTION 1

FOREWORD

BUILDING BLOCKS

If the Union Budget of 2025-26 could be concised into one idea, it would be this: in a world where spending is seen as the opposite of fiscal conservatism, the recent Union Budget has achieved the different: balancing the need to stimulate the economy while remaining fiscally conservative.

Higher tax exemption

The Budget increased the income tax exemption slab for the millions of mid-income Indians. This means that this segment of Indians will now need to pay a lower tax. This would lead to higher disposable incomes.

The higher disposable incomes could accelerate product cum service consumption. When this transpires, India could return to its erstwhile GDP growth rate. The lower direct tax collection could possibly be over-compensated by increased indirect tax collection.

If this experiment succeeds, there is a possibility that India could proceed to progressively higher tax exemption slabs, shifting its focus from direct tax collection to indirect mobilization.

Fiscal conservatism

The Budget indicated a decline in fiscal deficit from 4.8% of GDP to 4.4% during FY 26. This indicates a government that is politically confident, not hostaged by populism and seeking to create a robust economic foundation that corresponds faithfully with its status as the world's fifth largest economy.

The decline in fiscal deficit is likely to moderate long-term inflation and national

indebtedness. This can reduce government borrowings. This can moderate interest rates (creating a lower cost base within the Indian economy). This can increase disposable incomes and personal consumption. This can strengthen the fundamentals of the national economy, attracting international investors.

Consistent infrastructure focus

The third leg of the Budget is the government's sustained focus on infrastructure expenditure. The fact that there was no appreciable increase under this head must be reinterpreted from being a disappointment into a positive: the fact that the government sustained high capital spending will continue to sustain national infrastructure expansion.

Platform

The fact that the Budget has addressed a number of areas indicates successful balancing without compromising the economy's core fundamentals.

This has sent out a message: 'We will sustain our growth by spending within our means.' This deepens the confidence that India is a safe economic haven while a number of countries – some developed – are in a state of economic slowdown.

This deepens the resilience of the country's building blocks, creating a platform for steady and sustainable economic growth.

Conclusion

If India were a scrip – as we had concluded our overview last year – we would continue to put out a 'Strong buy'.



SECTION 2

BUDGET SNAPSHOT DIRECT TAX - AT A GLANCE

Non-Corporate Assesseees

Regular Tax Regime:

- No changes have been proposed in basic exemption limit, slab rates and surcharge applicable to individual or HUF under the regular tax regime.

New Tax Regime:

- Tax Slab Rates:** Tax slab rates under new tax regime u/s 115BAC w.e.f. AY 2026-27 proposed to be revised as follows:-

Sl. No.	Total Income	Rate of Tax
1	Upto ₹4,00,000	Nil
2	From ₹4,00,001 to ₹8,00,000	5%
3	From ₹8,00,001 to ₹12,00,000	10%
4	From ₹12,00,001 to ₹16,00,000	15%
5	From ₹16,00,001 to ₹20,00,000	20%
6	From ₹20,00,001 to ₹24,00,000	25%
7	Above ₹24,00,000	30%

- Rebate:** 100% rebate of Income Tax allowed u/s 87A to resident individuals proposed to be increased from existing limit of total income of ₹7 lacs to ₹12 lacs computed under new tax regime u/s 115BAC. Above rebate shall not be available against any income chargeable at special rates like capital gains u/s 111A, 112 etc.
- Co-operative Society:** Tax rates for co-operative society both under regular tax regime as well as u/s 115BAD and 115BAE remains unchanged.

Firms & Local Authorities

- Tax rates for firms & local authorities remains unchanged.

Enhancement in limit of income of employees for computing perquisites [Sec. 17(2)]:

- Presently, Sec. 17(2) provides that the amenities and benefits received from the employer are not treated as perquisites in the hands of employees having salary income upto ₹50,000. Further, the expenditure incurred by the employer for travel outside India on the medical treatment of an employee or his family member are not treated as perquisites in the hands of employees having Gross Total Income upto ₹2,00,000.
- In order to give relief to the employees to not to treat the above amenities or benefits as

perquisites, it is proposed to increase the above limit, which shall be prescribed in due course.

Contribution made to NPS Vatsalya Scheme for minor eligible for deduction [Sec. 80CCD]:

- Sec. 80CCD allows for a deduction for the contributions made to the National Pension Scheme either by an employer and an employee or by any assessee. It is proposed to widen the scope of Sec. 80CCD(1B) to include deduction upto ₹50,000 to the assessee being parent/guardian of the minor under old taxation regime, for amount deposited in the account of minor under NPS Vatsalya Scheme. Overall cap of ₹50,000 (cumulatively for self and such minor child) shall continue to apply.

Exemption on withdrawals by individuals from National Savings Scheme (NSS) [Sec. 80CCA]:

- Presently, the amount withdrawn from the NSS Account in respect of deposits made prior to 01-04-1992 on which deduction u/s 80CCA was allowed, is taxable in the year of such withdrawal. It is now proposed that the amount along with interest accrued thereon, withdrawn from the NSS Account on or after 29-08-2024, shall not be chargeable to tax in the case of individual assessee.

Simplification in the provisions for determination of annual value of Self Occupied House Property [Sec. 23(2)] (w.r.e.f AY 2025-26):

- Hitherto, Sec. 23(2) provides that the annual value of the property consisting of a house or any part thereof shall be taken as Nil, if the owner occupies it for his own residence or cannot actually occupy it due to his employment, business or profession carried on at any other place and has to reside at that other place in a building that does not belong to him. In order to simplify the provisions, it is proposed to cover all those cases where the house property cannot be actually occupied due to any reason.

Income on redemption of Unit Linked Insurance Policy (ULIP) [Sec. 2(14), Sec. 45(1B) & Sec. 112A]:

- It is proposed to amend sub-clause (c) of Sec. 2(14) to treat ULIPs as capital asset in all cases where exemption u/s 10(10D) is not available because of any reason, instead of earlier provision of treating it as capital asset only when exemption u/s 10(10D) is not available due to invocation of fourth and fifth proviso thereof [i.e. when premium or aggregate premium exceeds ₹2.50 lacs].

- Consequential amendment has also been proposed in Sec. 45(1B) [charging section for capital gain of such ULIPs] and clause (a) of Explanation to Sec. 112A [defining equity oriented fund to cover such ULIPs].

Corporate Assesseees

Corporate Tax Rates:

- Corporate Tax Rates for domestic companies both under old and new tax regime proposed to remain unchanged. Corporate Tax Rate for foreign companies also remain unchanged.

Rationalisation of provisions related to carry forward of losses in case of amalgamation [Sec. 72A & 72AA]:

- Hitherto as per Sec. 72A & Sec. 72AA, losses of the amalgamating entity are allowed to be carried forward by the amalgamated entity for a fresh period of 8 years from the end of the assessment year in which the process of amalgamation is effected.
- It is proposed that the said losses shall be carried forward by the amalgamated entity for not more than 8 Ays immediately succeeding the AY in which such loss was first computed by the original amalgamating entity.
- Thus, post amendment, the benefit of carry forward of losses for a fresh period of 8 Ays succeeding the year of amalgamation shall no longer be available.

Other Relevant Proposals

New Income Tax Bill to be introduced:

- New Income Tax Bill to be introduced by next week.

Extension of time limit for incorporation of eligible start-ups for claiming tax benefits [Sec. 80IAC]:

- Presently, start-ups incorporated before 01-04-2025 are eligible for 100% deduction of profits & gains for 3 consecutive assessment years. It is proposed to extend the tax benefits to eligible startups which gets incorporated before 01-04-2030.

Extension of time limit for filing updated return [Sec. 139(8A)]:

- Presently, an assessee has an option to file an updated return beyond the due date prescribed for filing original or revised return at any time within 24 months from the end of assessment year in certain circumstances to ensure voluntary

compliance on payment of additional income tax @25% / 50%. It is now proposed to extend the time limit for filing such updated return to 48 months with payment of additional income tax @60% / 70%, depending on the period of delay.

Rationalisation of provisions relating to Charitable Trusts & Institutions [Sec. 12AB & Sec. 13]:

- It is proposed to amend clause (g) of Explanation to Sec. 12AB(4) so as to provide that minor default viz. incompleteness of application form filed u/s 12A(1)(ac) for registration of trust or institution shall not be treated as specified violation leading to cancellation of registration of Trust.
- It is proposed to insert proviso to Sec. 12AB(1) so as to increase the period of registration from 5 years to 10 years for smaller charitable trusts or institutions, whose total income before exemption u/s 11 & 12 does not exceed ₹5 Crs in each of 2 preceding PYs.
- It is proposed to amend Sec. 13(3) which defines specified person as referred u/s 13(1)(c) and Sec. 13(2), so as to increase the monetary limit of substantial contribution to the trust or institution from old limit of ₹50,000 upto the end of PY to new limit of ₹1 lac during the relevant PY or in aggregate upto ₹10 lacs upto the end of PY. Further, any relative of such substantial contributor or any concern in which substantial contributor has substantial interest will also not be treated as specified person.

Rationalisation in taxation of Business Trusts [Sec. 115UA]:

- It is proposed to amend Sec. 115UA(2) to include reference of Sec. 112A so as to avoid capital gains referred u/s 112A from being taxed at MMR in the hands of Business Trust, in line with earlier exclusions made for Sec. 111A and Sec. 112.

Modification in the definition of 'Capital Asset' [Sec. 2(14)]:

- Presently, there is some uncertainty on whether income arising from sale of securities held by Investment Funds as specified in Sec. 115UB shall be taxable as business income or capital gain.
- To settle this anomaly, it is proposed to amend the definition of 'capital asset', to provide that securities held by such Investment Funds shall be treated as 'capital asset' and hence income arising on sale of such securities shall be taxable under the head 'Capital Gains'.

- Consequentially, the income shall be pass through to be taxed in the hands of the unit holders & not the investment fund

Extension of last date of making investment by Specified Person for claiming exemption [Sec. 10(23FE)]:

- In order to boost long term investment in India's infrastructure development by Specified Persons [notified Sovereign Wealth Funds, Pension Funds & others fulfilling prescribed conditions], cut-off date of making investment has been proposed to be extended from 31-03-2025 to 31-03-2030 for availing exemption u/s 10(23FE). It is also proposed that Long term capital gains (whether deemed as short term capital gain u/s 50AA) arising from investment in unlisted bond/debenture shall continue to be exempt.

International Tax and Transfer Pricing

Tax Incentive to IFSC:

- Sunset date for commencement of operations of following IFSC units have been proposed to be extended to 31-03-2030:-
 - U/s 10(4D) by an investment division of a banking unit of a non-resident in an IFSC from 31-03-2025.
 - U/s 10(4F) by a unit of an IFSC obtaining an aircraft or ship on lease from 31-03-2025.
 - Sec. 10(4H) has been proposed to be amended to provide that any income of a non-resident or a unit of an IFSC, engaged primarily in the business of leasing of an aircraft or a ship, by way of capital gains arising from the transfer of equity shares of another unit of an IFSC which is also engaged primarily in the business of leasing of an aircraft or a ship which has commenced operations on or before 31-03-2030 (Extended from 31-03-2026).
 - U/s 80LA by a unit engaged in the operation of an aircraft or a ship from 31-03-2025.
 - Timeline for relocation of assets of an original fund to a resultant fund under Clause (c) to Explanation to Sec. 47(viiad) has been extended from 31-03-2025.
- Sum received under Life Insurance Policy including bonus issued by IFSC Insurance Intermediary Office is proposed to be exempt u/s 10(10D) without any restriction of maximum premium payable on any unit linked or life insurance policy.

- Exemption available u/s 10(4H) to non-residents or units of IFSC engaged in aircraft leasing business, on capital gains tax on transfer of equity shares of domestic companies being unit of IFSC engaged in similar business is now proposed to be extended to ship leasing business.

- Further, exemption u/s 10(34B) proposed to be extended to dividend paid by company being a unit of an IFSC engaged in ship leasing business to another unit of IFSC engaged in same business.

- Deemed dividend u/s 2(22) is proposed not to apply where any advance or loan is taken between two group entities where one of the group entity is "Finance Company" or "Finance Unit" in IFSC set up as a Treasury Centre and the Parent or Principal Entity of such group entities is listed on stock exchange in a country outside India (other than as specified by the Board).

- Any transfer by a shareholder or unit holder or interest holder in a relocation of capital asset being a share, unit or interest held by him in an original fund in consideration for such share, unit or interest in the Resultant fund is not regarded as 'transfer' u/s 47(viiad). The definition of 'Resultant Fund' in terms of Explanation to Sec. 47(viiad) has been proposed to be amended to include a retail scheme or an exchange traded fund which is regulated under the IFSCA (Fund Management) Regulations, 2022.

Harmonisation of 'Significant Economic Presence' applicability with 'Business Connection' [Sec. 9]:

- Second proviso to explanation 2A to Sec. 9(1) (i) is proposed to be inserted w.e.f. AY 2026-27 to exclude non-resident's activity of purchase of goods in India for export from the ambit of 'Significant Economic Presence' to align with the similar exclusion contained in Explanation 1 to Sec. 9(1)(i) in relation to 'Business Connection'.

Presumptive Taxation Scheme extended for non-residents providing services for electronics manufacturing facility [Sec. 44BBD]:

- Sec. 44BBD is proposed to be inserted to provide presumptive taxation scheme to non-resident engaged in providing services or technology in India to specified resident companies for the purpose of setting up electronics manufacturing facility or in connection with manufacturing of electronic goods, deeming profits @ 25% of the amount received or receivable.

Introduction of Block TP Assessment [Sec. 92CA & Sec. 155(21)]:

- Sec. 92CA is proposed to be amended providing the assessee the option(s) to determine the ALP of similar transactions for the consecutive two PYs immediately following such PY based on the ALP determined for such PY.
- Form, manner & time period of exercise of option(s) to be prescribed.
- The assessee cannot apply for the aforesaid option(s) for any proceedings under search cases -Chapter XIV-B.
- Further, Sec. 155(21) is proposed to be inserted to provide that AO shall re-compute the total income for such consecutive PYs by amending the assessment order/intimation/deemed intimation.

Rationalisation of capital gain taxation for Specified Funds & FIs [Sec. 115AD]:

- Sec. 115AD is proposed to be amended to tax long term capital gain, arising on transfer of securities (other than units referred to in Sec. 115AB) not referred to in Sec. 112A, in the hands of Specified Funds & FIs @ 12.50% (presently 10%).

Relaxation under TCS provisions [Sec. 206C(1G)]:

- Sec 206C(1G) is proposed to be amended to increase TCS exemption limit in respect of remittance under LRS & overseas tour program package from ₹7 Lacs to ₹10 Lacs. It is also proposed that TCS shall not be applicable on remittance under LRS for purpose of education, financed by loan from specified financial institution.

Extension of benefits of Tonnage Tax Scheme to inland vessels [Chapter XII-G]:

- It is proposed to extend the benefits of Tonnage Tax Scheme to inland vessels.

Increasing time limit for passing an order w.r.t. application filed under Tonnage Tax Scheme [Sec. 115VP]:

- It is proposed to increase the time limit for passing order under Tonnage Tax Scheme to three months from the end of the quarter in which application for opting Tonnage Tax Scheme is received by JCIT.

General and Administrative

Rationalisation of TDS threshold limit [w.e.f. 01-04-2025]:

- TDS threshold limits are proposed to be amended as below:

Sl. No.	Section	Threshold Limit	
		Present	Proposed
1.	Sec. 193 - Interest on securities	A. Debentures of widely held company - ₹5,000/-	₹10,000/-
		B. Other cases - Nil	
2.	Sec. 194 - Dividend to an individual shareholder	₹5,000/-	₹10,000/-
3.	Sec. 194A - Interest other than Interest on securities	A. When payer is bank, cooperative society and post office	
		(i) In case of senior citizen - ₹50,000/-	(i) In case of senior citizen - ₹1,00,000/-
		(ii) In case of others - ₹40,000/-	(ii) In case of others - ₹50,000/-
		B. Other cases - ₹5,000/-	B. Other cases - ₹10,000/-
4.	Sec. 194B - Winning from lottery, crossword puzzle	Aggregate of amounts exceeding ₹10,000/- during the financial year	₹10,000/- in respect of a single transaction
5.	Sec. 194BB - Winning from horse race		
6.	Sec. 194D - Insurance Commission	₹15,000/-	₹20,000/-

Sl. No.	Section	Threshold Limit	
		Present	Proposed
7.	Sec. 194G - Income by way of commission, prize, etc. on lottery tickets	₹15,000/-	₹20,000/-
8.	Sec. 194H - Commission or brokerage	₹15,000/-	₹20,000/-
9.	Sec. 194I - Rent	₹2,40,000/- during the financial year	₹50,000/- per month or part of a month
10.	Sec. 194J - Fee for professional or technical services	₹30,000/-	₹50,000/-
11.	Sec. 194K - Income in respect of units of a mutual fund or specified company or undertaking	₹5,000/-	₹10,000/-
12.	Sec. 194LA - Income by way of enhanced compensation	₹2,50,000/-	₹5,00,000/-

Reduction of TDS on income from securitisation trust [Sec. 194LBC]:

- It is proposed that TDS on income payable by a securitisation trust to an investor in respect of investment in a securitisation trust be reduced from 25% (Individual & HUF) and 30% (others) to 10%.

Rationalisation of definition of 'Forest Produce' for TCS [Sec. 206C(1I)]:

- Hitherto, 'Forest Produce' is not defined for TCS purpose. To provide clarity, it is proposed that 'Forest Produce' shall have the same meaning as defined in the respective State Act for the time being in force, or in the Indian Forest Act, 1927.
- TCS rate also proposed to be reduced on Timber or any other forest produce (other than tendu leaves) from 2.5% to 2%.

Reduction in compliance burden by omission of TCS on sale of specified goods [Sec. 206C(1H)]:

- Sec. 194Q requires deduction of TDS on the purchase of goods, if the value or aggregate value exceeds ₹50 lacs. Similarly, Sec. 206C(1H) provides for levy of TCS on the sale of goods, where the value or aggregate value exceeds ₹50 lacs, provided no TDS is done u/s 194Q. This results in possibility of both TDS and TCS being applied on the same transaction as it becomes difficult for seller to check whether TDS u/s 194Q is made. To reduce compliance burden, it is proposed to omit sub-section (1H) of Sec. 206C.

Reduction in compliance burden on tax deductor/collector [Sec. 206AB & 206CCA]:

- Presently, Sec. 206AB and 206CCA requires higher TDS/TCS for non-filers of income tax

returns. To reduce compliance burden, the said provisions is proposed to be omitted.

Non applicability of Penalty provisions in respect of searches conducted on or after 01-09-2024 [Sec. 271AAB] (w.e.f. 01-09-2024):

- Hitherto, Sec. 271AAB provides for levy of penalty on undisclosed income unearthed during the course of search.
- Vide Finance (No. 2) Act 2024, a separate Sec. 158BFA has been inserted for levy of penalty @50% in search cases. In order to remove any ambiguous interpretation of its applicability, it is proposed to bring clarity that the provisions of Sec. 271AAB shall not apply to cases where search has been initiated on or after 01-09-2024.

Extension of limitation period for passing order of immunity from penalty or prosecution [Sec. 270AA]:

- It is proposed to amend Sec. 270AA(4) so as to extend the time limit of passing order of accepting or rejecting immunity applications for penalty or prosecution from existing 1 month to 3 months from the end of the month in which application is received by the Assessing Officer, with a view to remove hardships faced by tax payers in representing their case.

Rationalisation of time limit for imposition of Penalty [Sec. 275]:

- Sec. 275 is proposed to be replaced to rationalise the time limit for imposition of penalty. Under the existing provision, there is different time limit for imposition of penalty depending on the status of appeal pending before ITAT or CIT(Appeals).

- The proposed amendment provides that no penalty orders shall be passed after the expiry of six months from the end of the quarter in which certain events like completion of connected proceedings, receipt of the order of appeal by the jurisdictional Principal Commissioner or Commissioner, passing of a revision order, or the issuance of a notice for the imposition of a penalty occur.

Rationalisation of the provisions for imposing Penalty [Sec. 271C, 271CA, 271D, 271DA, 271DB and 271E]:

- Hitherto, Sec. 271C, 271CA, 271D, 271DA, 271DB and 271E provides for levy of penalty by the Joint Commissioner. It is proposed to amend the aforesaid sections to provide for levy of penalty by the AO in place of Joint Commissioner. The AO shall take prior approval of the Joint Commissioner where penalty amount exceeds ₹10,000/- [in case of orders passed by Income Tax Officer] or ₹20,000/- [in case of orders passed by the Assistant or Deputy Commissioner] as required u/s 274(2).
- Sec. 271BB which provides for levy of penalty in case of failure to subscribe to eligible units issued under a scheme referred in erstwhile Sec. 88A proposed to be omitted as the said section had already become redundant on omission of Sec. 88A vide Finance (No.2) Act, 1996.

Rationalisation of Prosecution provisions [Sec. 276BB]:

- In order to align with the prosecution provisions of Sec. 276B applicable in case of default in deposit of tax deducted, it is proposed to amend Sec. 276BB [Prosecution for failure to pay tax collected at source to the credit of the Central Government] to provide that if tax collected at source in a quarter is deposited within the time limit prescribed for filing TCS statement of that quarter, then in such case, prosecution proceedings shall not be initiated.

Clarification in computing time limits where proceedings are stayed [Sec. 144BA, 153, 153B, 158BE, 158BFA, 263, 264 and Rule 68B of Schedule-III]:

- To remove the ambiguity in calculating the period to be excluded when legal proceedings are stayed by a court order, it is proposed to exclude the period from the date on which stay is granted by any court to the date the jurisdictional Principal

Commissioner (or Approving Panel in Sec. 144BA cases) receives the certified copy of the order vacating the stay.

Exemption to Specified Undertaking of UTI (SUUTI) extended [Sec. 13(1)]:

- SUUTI was created as successor of erstwhile Unit Trust of India. As per Sec. 13(1) of UTI Repeal Act, 2002 it is exempt from payment of income tax till 31-03-2025. It is now proposed to extend the exemption till 31-03-2027.

Rationalisation of the provisions of block assessment for search & requisition cases [Sec. 158B, 158BA, 158BB & 158BE] (w.e.f. 01-02-2025):

- It is proposed to enlarge the definition of 'undisclosed income' to include within its scope 'virtual digital assets'.
- Presently, where any assessment is 'pending' in the case of an assessee in whose case a subsequent search or requisition is initiated, such assessment shall be duly completed and thereafter assessment in respect of search or requisition shall be made. It is proposed to substitute the word assessment 'pending' with assessment 'required to be made'.
- It is proposed to rationalize the methodology of computation of total income of the block period as follows:-
 - Income of the previous year which has ended but the due date of furnishing the return of income has not expired prior to the date of initiation shall be computed on the basis of the income shown in the books of accounts maintained for the relevant period.
 - Income for the period commencing from 1st day of the previous year in which search is initiated and preceding the date of initiation of search and ending on the date of execution of last of authorization of search shall be computed on the basis of the income shown in the books of accounts maintained for the relevant period.
 - The term 'disclosed income' proposed to be replaced with 'undisclosed income' which is declared in the return filed pursuant to search
- Income pertaining to any international or specified domestic transaction for the period beginning from the 1st day of the previous year in which

last of the authorization of search was executed shall not be considered in the income of the block period.

- It is proposed to increase the time limit for completion of block assessment from 12 months from the end of the 'month' in which last of the authorization of search was executed to 12 months from the end of the 'quarter' in which last of the authorization of search was executed.

Extension of time limit for retention of books of accounts, etc. in search cases [Sec. 132 & 132B]:

- It is proposed to increase the time limit for retention of books of accounts or other documents seized in search cases from 30 days from the date of the order of assessment, re-assessment or re-computation to one month from the end of the quarter in which the order of assessment, re-assessment or re-computation is made.

Removing the cut-off date for issuing directions to implement faceless schemes:

- It is proposed to omit restriction specifying the cut-off date of 31-03-2025 for issuing directions

to implement faceless scheme w.e.f. 01-04-2025 in the following sections:-

- Proceedings before Transfer Pricing Officer as referred u/s 92CA ;
- Proceedings before Dispute Resolution Panel u/s 144C ;
- Filing of appeal before ITAT u/s 253 ;
- Appellate proceedings before ITAT u/s 255.

Obligation to furnish information in respect of Crypto-Asset [Sec.285BAA]:

- For swift implementation of Crypto Asset Reporting Framework (CARF) as adopted in G20 Declaration, new Sec. 285BAA is proposed to be introduced making obligatory for the prescribed reporting entities to furnish information on crypto asset u/s 285BAA. The Rules with respect to nature & manner of furnishing information and due diligence to be carried out for identification of any Crypto-Asset user or owner will be notified. Further, clause (d) to Sec. 2(47A) is proposed to be inserted to define and include 'Crypto Asset' within the ambit of "Virtual Digital Asset".





SECTION 2

BUDGET SNAPSHOT INDIRECT TAX - AT A GLANCE

Indirect Tax Proposals

Customs Act, 1962

Provisional assessment of duty- Providing definite time limit

- A new sub-section (1B) is being inserted in Section 18 of the Customs Act, 1962 so as to provide definite time limit of two years for finalisation of provisional assessment. This time period may be extended by the Commissioner of Customs for a further period of one year if sufficient cause is shown. Further, for the pending cases, the time-limit shall be reckoned from the date of assent of the Finance Bill.

Incentivising Voluntary Compliance

- A new section 18A is being inserted in the Customs Act, 1962 for voluntary revision of entry post clearance so that the importers and exporters may revise any entry that is made in relation to the goods within a prescribed time and according to certain conditions as may be prescribed. It also provides for treating such entry as self-assessment and allowing payment of duty or treating the revised entry as a refund claim under section 27.

Customs, Central Excise and Service Tax Settlement Commission to be made inoperative

- Customs, Central Excise and Service Tax Settlement Commission (CCESC) shall cease to operate on or after 1 April, 2025. Pending applications shall be processed by Interim Boards which will be established to deal with the pending application from the stage at which the applications stood immediately before its constitution. The Interim Board have been allowed to extend the time limit for disposing of pending applications up to 12 months from its constitution, with reasons to be recorded in writing.

Customs Tariff Act, 1975

- Seven tariff rates will be removed, in addition to the seven already eliminated in the 2023-24 Budget.
- A total of 36 essential life-saving drugs and medicines will now be included in the list of items that are fully exempt from Basic Customs Duty (BCD). An additional 6 life-saving medicines will now be subject to a concessional customs duty rate of 5% instead of the standard rate, making these essential treatments more accessible.

Further, the government has extended full Basic Customs Duty exemption to 37 additional medicines and 13 newly introduced patient assistance programs.

- The timeframe for exporting handicrafts has been increased from six months to one year, which is further extendable by another three months.
- Wet Blue leather will now be completely exempt from Basic Customs Duty (BCD).
- The Basic Customs Duty on Frozen Fish Paste (Surimi) has been lowered from 30% to 5%.
- The deadline for exporting foreign-origin goods imported for railway repairs has been extended from six months to one year, which is further extendable by another one year.
- Cobalt powder and waste, lithium-ion battery scrap, lead, zinc, and 12 other essential minerals will now be exempt from Basic Customs Duty (BCD).
- Two additional types of shuttle-less looms have been included in the list of textile machinery that is fully exempt from customs duties.
- Parts of open cells will now be exempt from Basic Customs Duty, supporting the electronics manufacturing sector.
- A total of 35 new goods for electric vehicle (EV) battery production and 28 additional items for mobile phone battery manufacturing will be added to the list of exempted capital goods.
- The exemption of Basic Customs Duty on raw materials, components, consumables, and parts used in ship manufacturing will continue for another 10 years.
- The Social Welfare Surcharge will be removed on 82 tariff lines that are subject to a cess.

Goods and Services Tax Act (GST)

Amendment to provide for distribution of ITC by ISD for inter-state supplies on which tax has been paid on Reverse charge basis

- This amendment to be made effective from 1st April, 2025 explicitly provides for distribution of Input Tax Credit by Input Service Distributor in respect of inter-state supplies on which tax has been paid on Reverse charge basis. Necessary amendment in this regard are being made in Section 2(61) and Section 20 of the CGST Act.

Mandatory Pre-deposit for filing appeals in cases involving only demand of penalty without any demand of tax

- Provisions relating to appeal before Appellate Authority and Appellate Tribunal in relation to cases involving only demand of penalty without any demand for tax are being amended to include mandatory pre-deposit for appeals before the said authorities. The mandatory pre-deposit before both the authorities is prescribed as 10%.

Mechanism of Track and Trace for specified commodities

- New section 148A is being inserted to provide for an enabling mechanism for Track and Trace for specified commodities. Under this mechanism, the government may, in respect of specified commodities, provide a system for enabling the affixation of unique identification markings and for electronic storage and access of information contained therein.

Amendment pertaining to Schedule III of the CGST Act

- Schedule III of the CGST Act is being amended w.e.f. 01-07-2017 by inserting a new clause (aa) in paragraph 8 of Schedule III of the CGST Act, to provide that the supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance of exports or to the Domestic Tariff Area shall be

treated neither as supply of goods nor as supply of services. It is also been clarified that no refund of tax already paid will be available for the aforesaid activities or transactions referred to above.

Amendments in pursuance to 55th GST Council Meeting

- Section 12(4) and Section 13(4) pertaining to Time of Supply provisions of vouchers are being deleted as transactions involving vouchers will not be considered to be a supply of goods or services.
- Retrospective amendment made to Section 17(5)(d) to substitute the words "plant or machinery" with the words "plant and machinery" notwithstanding anything to the contrary contained in any judgement, decree or order of any court or any other authority.

Service Tax

Special provision for retrospective exemption from service tax:

- Retrospective exemption of service tax is proposed for reinsurance services provided or agreed to be provided by insurance companies under Weather Based Crop Insurance Scheme (WBCIS) and Modified National Agricultural Insurance Scheme (MNAIS) during the period commencing from the 1st day of April, 2011 and ending with the 30th day of June, 2017 (both days inclusive).



SECTION 3

**ECONOMIC SURVEY
2024-25**

The Department of Economic Affairs, the Ministry of Finance presents the Economic Survey of India in Parliament every year, just before the India Budget. This document is submitted to both houses of Parliament during the Budget Session. The Economic Survey reviews the developments in the Indian economy and highlights the policy initiatives of the Government, summarizes the performance

on major development programs and shows the growth prospects of the economy. The Economic Survey gives an overview of various sectors in the current fiscal, which is a detailed report card on the economic performance. The Economic Survey 2024-25 was tabled during the Budget Session of the Parliament on 31st January, 2025 by the Hon'ble Finance Minister.

Improved agricultural prospects in FY25

Agriculture growth remained steady in H1 FY25, with Q2 showing a 3.5% increase. This was supported by strong Kharif production, above-normal monsoons, and good reservoir levels. Kharif food grain production is estimated at a record 1647.05 LMT, up 5.7% from FY24 and 8.2% above the five-year average, mainly due to higher rice, maize, coarse grains, and oilseeds output.

External sector stability safeguarded by services trade and record remittances

India's external sector showed mixed trends due to global volatility. Merchandise exports grew by 1.6% YoY in April-December 2024, with non-petroleum exports rising by 7.1% and non-petroleum, non-gems exports up by 9.1%. Imports grew by 5.2%, driven mainly by higher non-oil, non-gold imports and increased gold imports due to higher global prices and festive demand.

Robust Growth in Service Sector

The services sector showed strong performance in FY25, with a 7.1% growth in H1. All sub-sectors performed well, supported by expansion in PMI services, new orders, output, sales, and employment. The hospitality sector saw steady hotel occupancy, higher rates, and increased revenue, while air cargo and port traffic remained stable. IT companies outperformed the previous quarter.

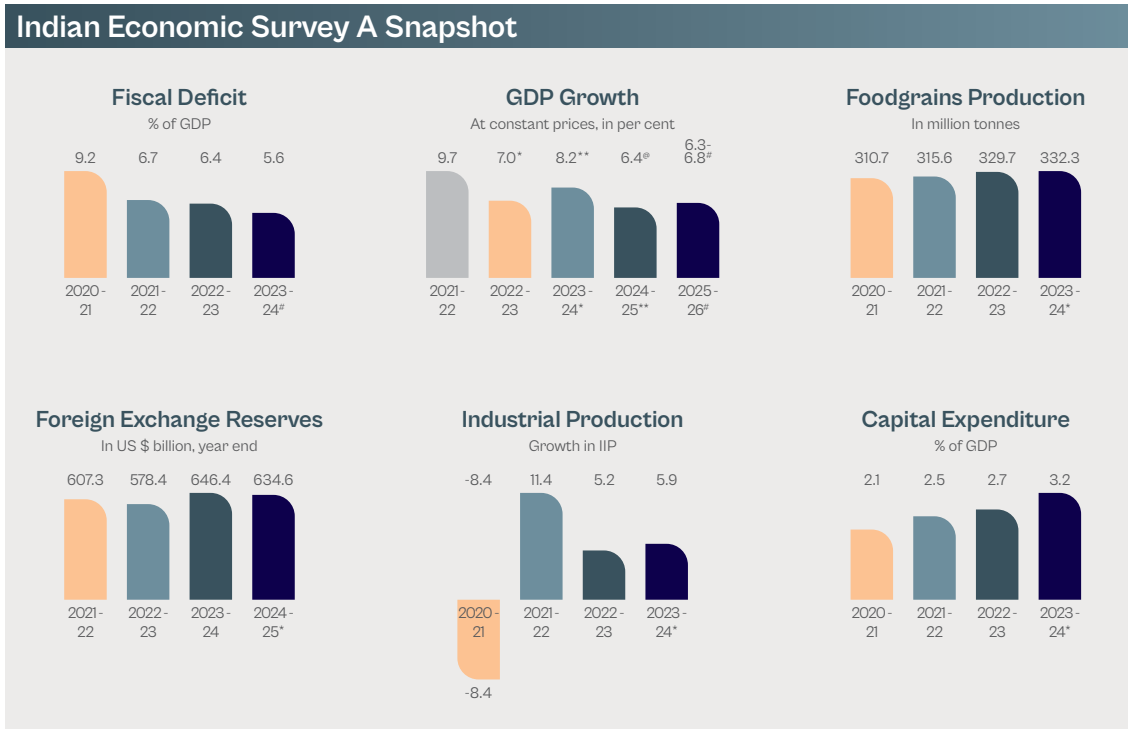
Outlook and Way Forward

The global economic outlook for 2024 shows steady growth, though regional variations exist. Global growth is expected to be slightly below trend, with the services sector leading expansion, especially in India. However, manufacturing in Europe faces challenges, and the trade outlook remains uncertain.

Domestic investment, output growth, and disinflation in FY26 have positive potential, though there are external challenges. Despite this, the domestic economy remains strong, supported by a solid external account, fiscal consolidation and stable consumption. Growth is expected to range between 6.3% and 6.8% in FY26.

Inflation

Retail headline inflation, as measured by the change in the Consumer Price Index (CPI), has softened from 5.4 % in FY24 to 4.9 % in April - Dec 2024. The decline is attributed to a 0.9 %point reduction in core (non-food, non-fuel) inflation between FY24 and April - December 2024.



Source: Press Information Bureau (PIB)

Key Indicators

State of the Economy

Growth of Indian economy remains close to the decadal average amidst the global uncertainties. India's real GDP is estimated to grow by 6.4% in FY25. India's GDP at constant (2011-12) prices grew by 6.7% and 5.4% in Q1 and Q2 FY25, respectively leading to a real GDP growth of 6.0% in the first half of the current fiscal.

Global Economic Scenario

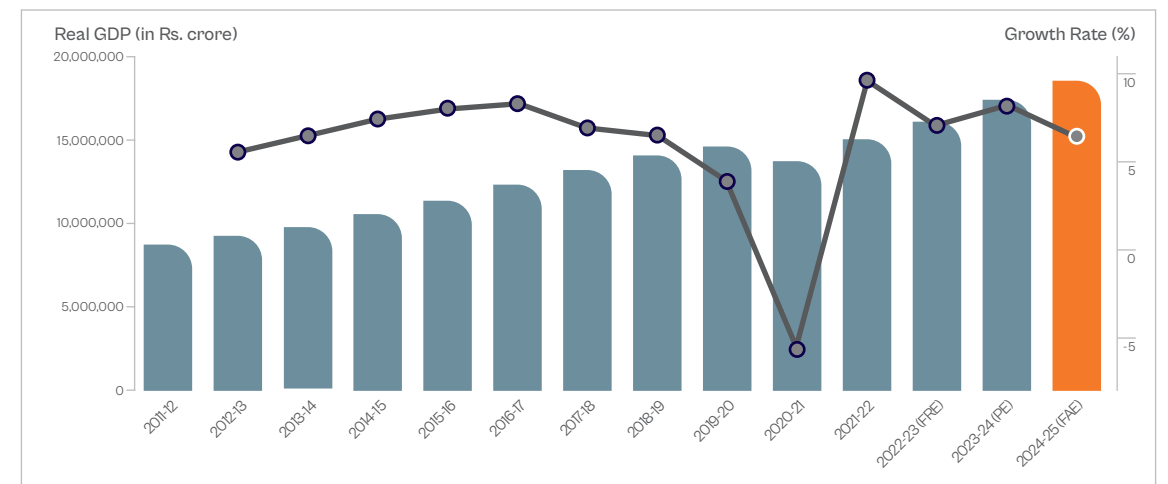
Global economy grew by 3.3% in 2023, with the International Monetary Fund (IMF) projecting 3.2% growth for 2024 and 3.3% for 2025. Over the next five years, growth is expected to average 3.2%, which is below historical averages.

Domestic Economy Remains Steady amidst Global Uncertainties

The National Statistical Office's first advance estimates project India's GDP growth for FY25 at 6.4%. Private final consumption expenditure (PFCE) is expected to rise by 7.3%, driven by rural demand, and will account for 61.8% of GDP, the highest share since FY03. Gross fixed capital formation (GFCF) is estimated to grow by 6.4%.

On the supply side, GVA is expected to grow by 6.4% in FY25. Agriculture is forecast to grow by 3.8%, industry by 6.2%, and services by 7.2%, driven by strong performance in financial, real estate, and other sectors. Growth trends are primarily based on H1 FY25 data.

Annual GDP Estimates (in INR Crore) and Growth Rates (%) at Constant Prices (Base 2011-12)



Source: National Accounts Data, MoSPI

Monetary and Financial Sector Developments

Indian monetary and financial sectors have performed well in first 9 months of FY25. Banking sector exhibits improvement in asset quality, robust capital buffers and strong operational performance. While India's financial industry has immensely

progressed over time, on most counts and the outlook for India's financial sector also appears bright, the Indian financial sector is at a turnpike moment. With the vision for India to evolve as a 'fintech nation', it has stepped into the world of Artificial Intelligence (AI) in credit risk assessment, fraud detection and chatbots.

Performance of the Banking Sector

Scheduled Commercial Banks have shown improved profitability with Gross Non-Performing Assets declining to 2.6%, a 12-year low and Capital-to-Risk Weighted Asset Ratio rising to 16.7%. The Provision Coverage Ratio improved to 77% from 74.9% in March 2023. Return on Assets and Return on Equity of SCBs improved to 1.4% and 14.1% respectively.

The Monetary Policy Committee kept the repo rate at 6.5% for first 9 months of FY25. In Dec 2024, the Cash Reserve Ratio was reduced to 4% (from 4.5%), injecting INR 1.16 lac Crs. liquidity into the banking system. Bank Deposits grew 11.1% YoY, as of Nov 2024. Bank Credit Growth slowed to 11.8% YoY from 15.2% a year ago.

Development in Capital Markets and Investor Participation

Indian stock markets outperformed its emerging market peers despite election-driven market volatility challenges. Investor participation surged, with demat accounts rising from 4.9 Crs. in FY20 to 13.2 Crs. as on Dec 2024. BSE-listed stocks surpassed USD 5 trillion for the first time on May 23, 2024. Number of IPOs rose to 32.1%. BSE market capitalisation to nominal GDP ratio stood at 136% at the end of Dec 2024, far higher than China (65%) and Brazil (37%).

In the mutual fund sector, assets under management has grown to INR 66.9 lac Crs. (25.3% growth from March 2024). Mutual Fund ownership in Indian stocks is 9.5% which is up from 8.7% in FY24. Corporate Bond Issuances has been at INR 7.3 lac Crs. (April-Dec 2024), mainly through private placements (99.1%).

Efficacy of Insolvency Law

Under the Insolvency and Bankruptcy Code (IBC), INR 3.6 lac Crs. has been recovered through resolution of 1,068 plans till Sep, 2024. Average resolution time has increased to 582 days vs. 330-day legal limit. As of Sep, 2024, pending NCLT cases is near to 4,723. IBC has improved bond market confidence and corporate credit spreads.

Development in the Insurance and Pension Sector

India's insurance market continued its upward trajectory, with total insurance premiums growing by 7.7% in FY24, reaching INR 11.2 lac Crs. India's pension sector experienced significant growth, with the total number of pension subscribers growing by 16% as of Sep 2024. Also, the pension sector experienced significant growth, with the total number of pension subscribers growing by 16%, Y-o-Y as of Sep 2024.

Sustained credit growth and capital market expansion expected in FY 2025-26. Geopolitical risks, U.S. market trends and regulatory challenges remain a major concern. There has been a huge need for deeper bond market reforms, stronger financial regulation and AI governance.

Foreign Direct Investment

India's external sector demonstrated resilience amid global uncertainties, including trade policy shifts and geopolitical challenges. To strengthen the country's competitiveness and further integrate into global supply chains, it can focus on reducing trade-related costs and enhancing export facilitation to create a more vibrant export sector.

Global Trade Performance

In the first 9 months of FY25, total exports (merchandise and services) grew by 6% to USD 602.6 Billion, while non-petroleum and non-gems/jewellery exports rose by 10.4%. Merchandise exports saw modest growth of 1.6%, influenced by a decline in petroleum product exports due to lower commodity prices. Meanwhile, in the same period, services exports expanded by 12.8%, up from 5.7% in FY24 propelling India to secure the seventh-largest share in global services exports. India also commands 10.2% of the global export market in 'Telecommunications, Computer & Information Services', ranking 2nd largest exporter in the world, as per UNCTAD.

Imports rose by 6.9% to USD 682.2 billion, driven by strong domestic demand. Notably, non-oil, non-gold imports rose, indicating a revival in capital goods and consumer demand. On the other hand, the merchandise imports rose by 5.2% resulting in the merchandise trade deficit to widen from USD 189.7 billion in previous year to USD 210.8 billion, an increase of 11.1%.

Performance of FDI Flows and Foreign Exchange Reserve

Gross FDI inflows increased from USD 47.2 billion in the first 8 months of FY 24 to USD 55.6 billion in the same period of FY25, a Y-o-Y growth of 17.9%. Moreover, the forex reserve stood at USD 640.3 billion as of end of Dec 2024, ranking 4th globally after China, Japan and Switzerland, which is sufficient to cover 10.9 months of imports and approximately 90% of external debt, well above the IMF's three-month benchmark.

Balance of Payments

On the capital front, foreign direct investment

showed signs of revival, but net inflows declined due to increased repatriation and disinvestment. Supported by net capital inflows, forex reserves grew by USD 27.1 billion in 2024, driven by foreign currency assets. A BoP surplus of USD 63.7 billion and valuation gains further strengthened reserve adequacy, enhancing India's resilience against external shocks.

Current Account and External Debt Position

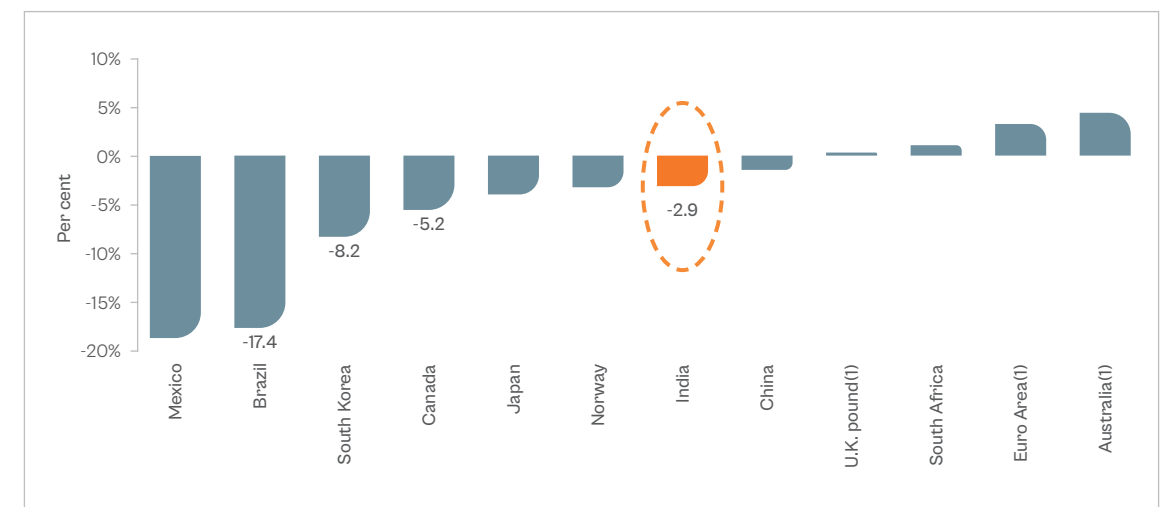
India's Current Account Deficit moderated slightly to 1.2% of GDP in Q2 FY25, down from 1.3% in Q2 FY24, despite a higher merchandise trade deficit of USD 75.3 billion. This was cushioned by strong net services receipts (USD 44.5 billion), rising remittances and private transfers. The Balance of Payments surplus of USD 63.7 billion in FY24 helped strengthen foreign exchange reserves, while capital inflows through FDI, FPI and external borrowings played a key role in financing the CAD. India's external debt remained

stable over the past few years, with the external debt to GDP ratio standing at 19.4% at the end of Sep 2024, supported by stable capital inflows and robust services exports, keeping the deficit manageable relative to other G20 economies.

Exchange Rate

The Indian Rupee follows a market-driven exchange rate, influenced by capital flows, crude prices, and global factors. Even amid USD strengthening due to geopolitical tensions and US election uncertainties, INR has shown better performance as compared to the other global currencies. In the first 9 months of FY25 (Upto Jan 6, 2025), INR has depreciated by 2.9%, better than the CAD (5.4%), KRW (8.2%), and BRL (17.4%). Despite external pressures, the Nominal Effective Exchange Rate for INR remained stable at 90-92, while the Real Effective Exchange Rate appreciated from 103.2 to 107.2, reflecting stronger purchasing power.

Changes in the bilateral exchange rates of the major countries against USD from April to December 2024



Source: IMF

Prices and Inflation

Inflation remains a critical factor influencing economic stability, consumer purchasing power and policy decisions. The global economy has witnessed significant shifts in inflation dynamics over recent years, peaking at 8.7% in 2022 due to supply chain disruptions and geopolitical tensions before declining to 5.7% in 2024 following coordinated monetary tightening by central banks.

Global food inflation

Global food inflation trended downward in FY25 due to improved supply conditions, strong harvests and favourable growing conditions. However, emerging market economies such as Brazil, India and China experienced diverging trends, with food price inflation remaining high due to domestic factors such as supply chain inefficiencies and weather-related disruptions.

Softening Core Inflation cools Headline Inflation

India's headline inflation, measured by the Consumer Price Index (CPI), moderated from 5.4% in FY24 to 4.9% in FY25 (Apr-Dec) due to a significant reduction in core inflation, which fell by 0.9 % points. Core inflation in services declined more than core goods inflation and a reduction in fuel prices further contributed to overall inflation moderation. Wholesale price inflation remained in the deflationary zone at -0.7% in FY24, continuing into FY25.

Domestic Food Inflation

Food inflation, measured by the Consumer Food Price Index (CFPI), remained firm despite the decline in global food prices. This was due to supply-side shocks, extreme weather events and production constraints in key food commodities. The report highlights that food inflation was largely driven by a few items, namely vegetables and pulses, which have a combined weightage of 8.42% in the CPI basket but contributed to 32.3% of total food inflation in FY25. Excluding these volatile items, the average food inflation rate in FY25 was significantly lower at 4.3%.

Outlook and Way Forward

The RBI and the International Monetary Fund (IMF) project that India's inflation rate will progressively align with the central bank's target by FY26. The RBI revised its FY25 inflation projection from 4.5% to 4.8%, while the IMF forecasted a decline to 4.4% in FY25 and 4.1% in FY26.

According to the World Bank's Commodity Markets Outlook (Oct 2024), global commodity prices are expected to decline by 5.1% in 2025 and 1.7% in 2026, primarily due to falling crude oil prices. This trend is expected to have a deflationary impact on India's imported inflation, aiding overall price stability. However, potential risks to inflation remain, particularly in the form of rising global vegetable oil prices, which may pose an upside risk to food inflation.

While monetary policy has successfully stabilized core inflation, food inflation remains a persistent challenge due to climate shocks, supply chain inefficiencies and structural constraints. The government's proactive fiscal and trade measures have helped contain inflationary pressures, but long-term solutions such as climate-resilient agriculture, enhanced storage infrastructure and digital price monitoring systems will be crucial in ensuring sustainable price stability in the coming years and mitigate the effects of extreme weather events and

achieve long-term price stability.

Investment and Infrastructure

The central focus of the Government in the last five years has been on increasing public spending on infrastructure and speeding up approvals and resource mobilization. In line with this commitment, the union government has increased capital expenditure on major infrastructure sectors at a trend rate of 38.8% from FY20 to FY24.

Road Transport: Under road network, 5,853 kilometres of National Highways was constructed in April, 2025 to Dec, 2025. The shift from project-based national highway development to corridor-based approach helped increase the highway length from 91,287 kms. in 2014 to 1.46 lac kms. in 2024.

Railways: During FY25 so far, the progress in the expansion of the railway network stayed at levels comparable to previous year. 2,031 kilometres of railway network has been commissioned between April and Nov, 2024. Also, 17 new pairs of Vande Bharat trains were introduced to the network between April, 2024 and Oct, 2024.

Civil Aviation: Airport operators and developers are pursuing a capital expenditure plan exceeding INR 91,000 Crs. from FY20 to FY25. About 91 % of this has been achieved by Nov 2024.

Ports and Shipping: Urban Waterways Projects, valued at INR1,303 Crs. , are underway, with 16 of 30 projects already completed. These developments have benefited over 35 lac passengers.

Power Sector: The power sector network continues to grow, with installed capacity increasing by 7.2% year-on-year, reaching 456.7 GW as of Nov 2024. Renewable energy now accounts for approx. 47% of India's total installed capacity. Government initiatives such as DDUGJY and SAUBHAGYA have enhanced electricity access in rural areas, electrifying 18,374 villages and providing power to 2.9 Crs. households. The daily average power supply in rural areas has risen from 12.5 hours in FY14 to 21.9 hours in FY24.

Telecommunications: The rollout of 5G services has significantly contributed to digital connectivity, with 5G now available in 779 out of 783 districts and over 4.6 lac 5G Base Transceiver Stations installed across the country.

Rural Drinking Water and Sanitation: Under the Jal Jeevan Mission, tap water connections have been extended to over 12.06 Crs. families, increasing the

total tap water connections to more than 15.30 Crs. families (79.1%) out of approx. 19.34 Crs. rural households as of Nov, 2024.

Under Swachh Bharat Mission-Grameen (Phase II), 1.92 lac villages were declared Open Defecation-Free Plus (ODF Plus) between April and Nov 2024, bringing the total number of ODF Plus villages to 3.64 lac. An ODF Plus village not only maintains its ODF status but also has systems in place for solid and liquid waste management, upholds visual cleanliness and displays messages related to ODF Plus information, education and communication.

Urban Housing, Urban Transport and Real Estate Development:

As of Nov 25, 2024, over 89 lacs houses have been completed under the Pradhan Mantri Awas Yojana - Urban. Metro rail and rapid rail transit systems are operational or under construction in 29 cities across India. As of Jan 5, 2025, 62.7 kms. were operationalised in FY25, and daily ridership reached 10.2 million. About 1.38 lac real estate projects have been registered under Real Estate Regulatory Authority and 1.38 lac complaints have been disposed of by the RERA across the country by Jan, 2025.

Space Infrastructure: India currently operates 56 active space assets. The government's Space Vision 2047 includes ambitious projects like the Gaganyaan mission and the Chandrayaan-4 Lunar Sample Return Mission.

Public sector investment alone would not be sufficient to meet infrastructure needs, making private sector participation essential to closing the gap. To encourage this involvement, the government has established initiatives like the National Infrastructure Pipeline and the National Monetisation Pipeline.

Industry

India has been one of the dynamic economies that gained greater presence in the space gradually vacated by developed countries in the global manufacturing landscape. Industrial sector grew by 6.2% in FY25, driven by robust growth in electricity and construction. However, industrial growth has declined to 3.6% in Q2 of FY25 on account of three major factors - sharp slowdown in manufacturing exports, unprecedented levels of monsoon and variation in timing of festivals between Sept and Oct in previous and current year.

The performance of key sectors and industrial intermediates has been analysed below:

- **Cement** - India is presently the 2nd largest cement producer in the world after China. The country's annual installed capacity stands at approx. 639 million tonnes, with a production of around 427 million tonnes in FY24. Domestic cement consumption is around 290 kg per capita, well below the global average of 540 kg per capita.
- **Steel** - Between April and Nov of FY25, the country's crude steel and finished steel production grew by 3.3% and 4.6%, respectively. Despite some month-to-month fluctuations, there has been an overall upward trend in steel production and consumption during this period.
- **Chemical and Petrochemical** - In FY23, the chemicals and chemical products sector accounted for 9.5% of the manufacturing sector's GVA (at 2011-12 prices). The country remains a net importer of these products, relying on imports for approx. 45% of petrochemical intermediates.
- **Capital Goods** - The production of capital goods experienced fluctuations between FY20 and FY23, but saw strong growth in FY24. However, due to technological gaps, this sector relies on imports for high-end machinery needed for manufacturing.
- **Automobiles** - In FY24, the industry recorded auto mobile domestic sales growth of 12.5%.
- **Electronics** - Domestic production of electronic goods has seen significant growth, rising from INR 1.90 lac crore in FY15 to INR 9.52 lac crore in FY24, reflecting a CAGR of 17.5%. India has greatly reduced its reliance on smartphone imports, with 99% of smartphones now being manufactured domestically.
- **Textiles** - India is 6th largest exporter of textiles having share of about 4% of global trade in this segment. India's export of textiles and apparel, including handicrafts, stood at USD 35.87 billion in FY24, compared to export of USD 36.69 billion in FY23.
- **Pharmaceuticals** - Indian pharmaceutical industry is world's 3rd largest by volume. Total annual turnover of pharmaceuticals in FY24 was INR 4.17 Lac Crs, growing at an average rate of 10.1% in last five years. Exports account for 50% of total turnover.

The Micro, Small, and Medium Enterprises (MSME) sector has become a dynamic and essential part of the Indian economy. To support equity funding for MSMEs with growth potential, the government

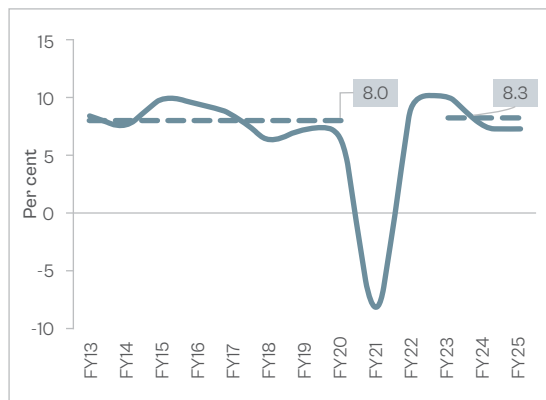
introduced the Self-Reliant India Fund, with a corpus of INR 50,000 Crs. Additionally, the government is rolling out the Micro and Small Enterprises-Cluster Development Programme to foster the development of clusters across the country.

Services

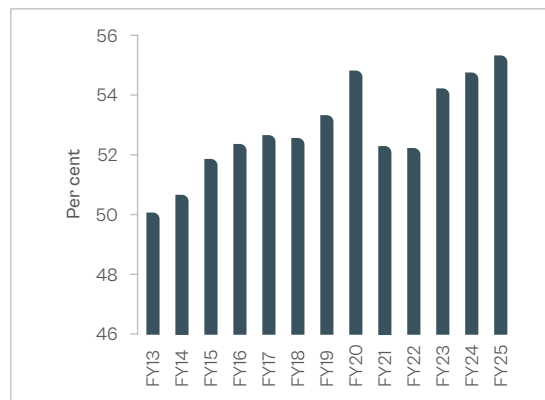
The services sector has consistently been the largest contributor to India's Gross Value Added (GVA), making up around 55% of the total GVA at current prices in FY25. It also employed about 30% of the workforce. So far in FY25, services have supported GDP growth as manufacturing has been

impacted by a slowdown in global merchandise trade. The growing importance of services exports in strengthening India's external balance, along with the rising "servicification" of the industrial sector, i.e. increased use of services in manufacturing and post-production processes, highlights its critical role in the economy. Over the past decade, the services sector experienced real growth rates exceeding 6% annually, except for the pandemic-affected FY 21. India's services export growth surged to 12.8% during April-Nov FY25, up from 5.7% in FY24. In 2023, India ranked 7th globally in services exports, accounting for 4.3% of global services exports.

Growth in Services GVA



Services sector share in GVA



Source: Ministry of Statistice and Programme Implementation, FY24 numbers are provisional estimates, FY 25 numbers are first advance estimates

Performance of various service sectors have been as under:

- **Information and Computer-Related Services** had the maximum buoyancy among the services, with their share of total GVA rising from 6.3% in FY13 to 10.9% in FY23.
- The **Indian Information Technology (IT) Services Industry** estimated revenues of USD 254 billion, marking a 3.8% YoY growth in FY24. Tech exports and domestic sales expanded by 3.3% and 5.9% respectively in FY24.
- **Computer and Business Services Exports** made up about 70% of India's total services exports.
- The **Aviation Sector** in India is the fastest-growing aviation market globally and Indian airlines have placed amongst the largest orders for aircraft globally.
- Passenger Traffic on **Indian Railways** achieved a growth of 8% over the previous year. Revenue earning freight achieved a growth of 5.2% in FY24.
- During FY23, **Road Transport** accounted for 78% of the total GVA of transport services.
- The **Tourism Industry** regained the pre-pandemic level of 5% contribution to GDP and created 7.6 Crs. jobs in FY 23. India received 1.8% of world tourism receipts and attained a rank of 14th worldwide in world tourism receipts during 2023.
- **Residential Real Estate** sales in India reached their highest level since 2013, with an 11% YoY growth in total sale across the top eight cities.
- India stands as the 2nd largest **Telecommunications Market**, with over 1.18 billion telephone subscribers, an overall tele-density of 84% and 941 million broadband users as of 31st Oct, 2024. The country also leads in mobile data consumption per subscriber and offers the world's most affordable data rates. India's **Tele-Density** (i.e. number of telephones per 100 population) rose from 75.2% in March 2014 to 85.7% in March 2024, while internet density increased to 68.2% in March 2024.

In the first half of FY25, around 45% of the total service sector GVA growth in India came from financial, real estate, rental, and professional services—nearly the same contribution seen over the past decade. Globally, services are now supporting growth in countries where manufacturing is slowing down due to a dip in merchandise trade. This opens up new opportunities for service exports and boosts the potential for domestic service sector growth.

Agriculture and Food Management

India's agricultural sector has demonstrated remarkable resilience in recent years, marked by consistent growth rates which can be largely attributed to various government initiatives to enhance productivity, promote crop diversification and increase farmers' income. A crucial factor influencing agricultural performance is the impact of weather conditions that can present significant challenges. Allied activities such as animal husbandry, horticulture, livestock, fisheries or agroforestry, can enable the farmers to mitigate the risks effectively.

Growth of the Agriculture Sector

The Agriculture and Allied Activities sector has long been the backbone of the Indian economy contributing approx. 16% in the country's GDP at current prices, supporting about 46.1% of the population. Income from Agriculture has increased at 5.23% annually over the past decade, compared to 6.24% for non-agricultural income and 5.80% for the overall economy.

In the Q2 of FY25, the agriculture sector recorded a growth rate of 3.5%, showing a significant recovery as compared to the previous four quarters, which

can be attributed to improved weather patterns, advancements in agricultural practices and government initiatives. The sector is expected to rebound to a growth rate of 3.8% in FY25.

The total Kharif food grain production is estimated at a record 1647.05 lac metric tonnes in 2024-25, higher by 5.7% compared to 2023-24 and 8.2% higher than the average food grain production in the past five years.

Agriculture Credit

As of March 2024, the country has 7.75 Crs. operational Kisan Credit Card (KCC) accounts with a loan outstanding of INR 9.81 lac Crs. KCCs coupled with some other measures, like the Modified Interest Subvention Scheme and the Prompt Repayment Incentive, have reduced the reliance on non-institutional credit sources from 90% in 1950 to around 25% in FY22.

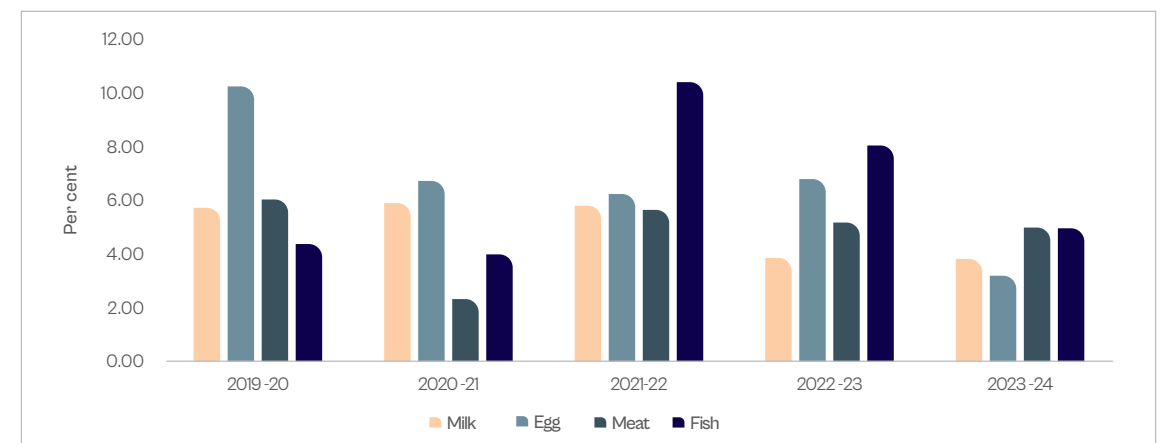
Agriculture Marketing Infrastructure

To promote private investment in agricultural marketing infrastructure, schemes like Agriculture Marketing Infrastructure have been introduced wherein subsidies up to 33% are provided to farmers for developing storage infrastructure. As of 31st Oct, 2024, 48,611 storage infrastructure projects have been sanctioned with INR 4,795 Crs. disbursed in subsidies

The Livestock Sector

The livestock sector is a cornerstone of agricultural prosperity and food security which has a significant impact on the economy with its output value reaching INR 17.75 lac Crs. in FY23 with the milk industry standing out the most.

Growth in the production of Milk, Meat, Eggs and Fish



Source: Department of Animal Husbandry and Dairying and Department of Fisheries

Food Management

The basic concept of food security is to ensure that there is access to basic food for active and healthy lives. While, this has been long tackled through the Public Distribution System (PDS) and Targeted PDS, the National Food Security Act, 2013 legally entitles up to 75% of the rural population and 50% of the urban population receive food grains free of cost.

As we look to the future, it's important to consider how changing dietary preferences, driven by rising incomes, will influence the agricultural sector's growth trajectory. The increasing consumption of non-food grains, particularly horticultural products, livestock and fisheries, will be significant. Given the perishable nature of these high-value commodities, effective post-harvest management and robust marketing infrastructure are essential. This endeavour should be supported by the active involvement of Farmer Producer Organizations (FPOs), cooperatives, and Self Help Groups (SHGs). Furthermore, substantial investment from the private sector would also be vital to aid small-scale farmers.

Climate and Environment

India is the seventh most vulnerable country to climate change. It suffers from weather extremes and hazards, slow onset events such as sea-level rise, biodiversity loss and water insecurity.

Growing Carbon sink of forests in India

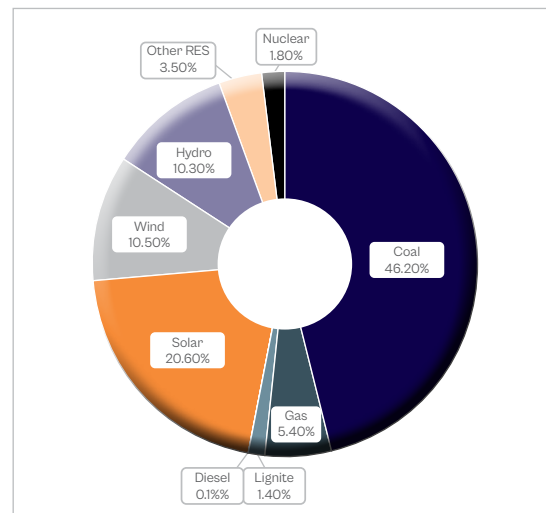
With increasing energy demands, India is also at the forefront of climate action, with the government taking steps to reduce emissions across the economy. As per the latest Forest Survey of India 2024, India is estimated to have a total carbon sink of 30.43 billion tonnes of CO₂ equivalent in 2023, as compared to 2005, when the carbon sink was estimated to be 28.14 billion tonnes of CO₂ equivalent.

Energy Transition

Coal plays a crucial role in India's path to sustainable development. Unlike many developed nations, India's primary reliable energy source is coal, as the country holds around 10% of the world's coal reserves but only 0.7% of global natural gas reserves.

India has successfully established a total installed electricity generation capacity of 213,701 megawatts from non-fossil fuel sources, which now accounts for 46.8% of the overall capacity as of 30 Nov 2024. The aim is to achieve 50% by 2030.

India's Installed Generation Capacity (fuel-wise) (30 November 2024)



Source: Internal calculation based on data from Ministry of Power https://powermin.gov.in/sites/default/files/uploads/power_sector_at_glance_nov_2024.pdf.

A key strategy for improving coal efficiency has been the use of super-critical (SC), ultra-super-critical (USC), and Advanced Ultra Super Critical (AUSC) technologies in power plants. India commissioned its first supercritical unit in 2010 and by mid-2024, had installed 65,290 MW (94 units) of supercritical and 4,240 MW (6 units) of ultra-supercritical capacity. Recently, NTPC and BHEL developed an indigenous AUSC technology and are building an 800 MW AUSC-based plant, which will reduce emissions by about 11% compared to supercritical plants.

Developments in financial regulation on Green Investments

Government of India has introduced Sovereign Green Bonds (SGrBs) as part of its market borrowings to fund green infrastructure. Following the established framework, it has issued SGrBs with maturities of 5, 10 and 30 years. In FY23, INR 16,000 Crs. in SGrBs were issued, followed by INR 20,000 Crs. in FY24. For FY25, INR 11,697.40 Crs. in 10-year SGrBs have been raised, with plans to raise INR 10,000 Crs. more in H2 FY25, split between 10-year and 30-year securities.

Optimising Lifestyles for Sustainable Development

The India-led Lifestyle for Environment (LiFE) movement boosts the country's sustainability efforts by promoting environmentally friendly practices like waste management, resource conservation and recycling. Mission LiFE also focuses on advancing

a circular economy through various policies and regulatory measures. By 2030, it is estimated that LiFE measures could save consumers around USD 440 billion globally through reduced consumption and lower prices.

Conclusion

India's climate goals are centered on achieving net-zero emissions by 2070, balancing low-carbon development with energy security, job creation, economic growth, and environmental sustainability. While being one of the lowest per capita greenhouse gas emitters, India has made significant progress in reducing emissions intensity, primarily through expanded renewable energy use and energy conservation efforts.

Social Sector: Extending Reach and Driving Empowerment

India's economic growth strategy is centred on promoting inclusivity and ensuring the welfare of all its citizens. The government's efforts are directed towards empowering individuals through education, healthcare, skill development and the enhancement of social infrastructure. Between FY21 and FY25, social services expenditure has grown at an annual rate of 15%.

National Health Accounts 2021-22: Government health expenditure increases from 29.0 % to 48.0 %; share of out-of-pocket expenditure in total health expenditure declines from 62.6 % to 39.4 %, reducing financial hardship endured by households. The Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB PM-JAY) has played a decisive role in the significant reductions in expenditure with over INR 1.25 lac Crs. in savings being recorded.

Household Consumption Expenditure Survey 2023-24: Government expenditure on social services has grown at a CAGR of 15% (combined for both Centre and states) from FY21 to FY25. The Gini coefficient, which measures inequality in consumption expenditure, has been declining in recent years. In rural areas, it decreased to 0.237 in 2023-24 from 0.266 in 2022-23, while in urban areas, it fell to 0.284 in 2023-24 from 0.314 in 2022-23. This decline reflects the positive impact of the government's initiatives in improving income distribution.

School Education: On the school education front, the government is striving to fulfil the objectives of National Education Policy 2020 through a range of

programmes and schemes. These inter-alia include the Samagra Shiksha Abhiyan, DIKSHA, STARS, PARAKH, PM SHRI, ULLAS, PM POSHAN, etc.

The Indian economy's growth strategy centers on enhancing welfare through government efforts to empower citizens and ensure effective delivery of welfare programs. While significant progress has been made in education and healthcare through various initiatives, there is a pressing need to improve delivery mechanisms. By reimagining these systems and integrating innovation and technology, benefits can be more effectively delivered to those who need them the most.

Employment and Skill Development

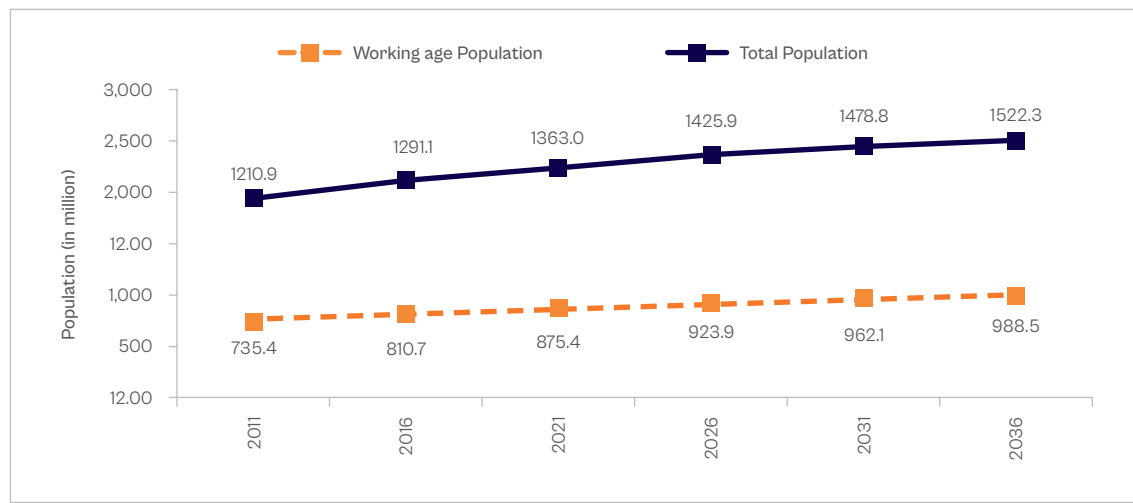
India's labour market has seen significant improvements in recent years, fuelled by a strong post-pandemic recovery, greater formalisation and a steady decline in unemployment. Additionally, labour force participation and the worker population ratio have shown positive trends. Further, the factory employment data highlights the manufacturing sector's resilience.

State of Employment

With approx. 65% of its population under the age of 35, India stands at the cusp of an once-in-a-lifetime demographic opportunity. As one of the world's youngest nations, maximising this demographic dividend requires a strong focus on creating quality jobs that provide sustainable livelihoods. To achieve this, the government is emphasizing reskilling, upskilling and new-skilling initiatives to align the workforce with global demands, enhancing employability both domestically and internationally. Additionally, streamlining compliances, promoting labour flexibility, and enhancing worker welfare are essential for fostering sustainable job growth.

In 2014, India was ranked as the tenth-largest economy in the world. Within a decade, India surpassed the United Kingdom to reach the fourth position and is poised to be the third largest economy by 2030. The currently young population, with a median age of around 28 years, compared to the ageing population of developed countries, is the key driver of the growth potential. The Economic Survey 2023-24 highlighted that the Indian economy must generate, on average, 78.5 lac non-farm jobs annually until 2030 to productively engage its growing working population.

Estimated number of people in the working age group and total population



Source: Report of the Technical Group on Population Projections for India and States 2011-2036, Ministry of Health & Family Welfare (MoHFW), July, 2020

The all-India annual unemployment rate for individuals aged 15 years and above has steadily declined from 6% in 2017-18 to 3.2% in 2023-24.

The urban unemployment rate has dropped from 6.6% in the 2nd quarter of FY24 to 6.4% in Q2 of FY25. This positive shift aligns with a broader strengthening of workforce metrics in urban areas, as the labour force participation rate increased from 49.3% to 50.4%, and the worker-to-population ratio rose from 46% to 47.2% during the same period.

Sectoral Distribution of Workforce

The proportion of self-employed workers in the workforce has risen from 52.2% in 2017-18 to 58.4% in 2023-24. This shift reflects growing entrepreneurial activity and a preference for flexible work arrangements.

According to the PLFS 2023-24, the agriculture sector remains dominant in employment, with its share rising from 44.1% in 2017-18 to 46.1% in 2023-24. The share of industry and services sectors saw declines in employment share, with manufacturing falling from 12.1% to 11.4%, and services from 31.1% to 29.7% during the same period.

Hydropower is the largest employer in India's renewable sector, providing approx. 4.53 lac jobs and accounting for 20% of the global total, ranking second only to China.

Rise in female Labour force participation rate

The share of female workers in agriculture has

increased significantly, from 57% in 2017-18 to 64.4% in 2023-24, whereas, male participation in agriculture decreased from 40.2% to 36.3%. From the gender perspective, the female labour force participation rate has been rising for seven years, i.e., from 23.3% in 2017-18 to 41.7% in 2023-24, driven mainly by the rising participation of rural women. However, the reins of ownership in entrepreneurship still remain dominantly male-held. Only 22% of all micro, small and medium enterprises (MSME) are owned by women entrepreneurs.

Trends in Wages and Earnings

The average monthly earnings for regular wage or salaried workers and self-employed workers grew at a CAGR of 5% during the period 2018-19 to 2023-24 and the daily wage of casual workers increased at a CAGR of 9% during the same period. Rural wages rose at above 4% every month, Y-o-Y.

Growing formal sector in India

Net additions to Employees' Provident Fund Organisation (EPFO) subscriptions have more than doubled, rising from 61 lac in FY19 to 131 lac in FY24, indicating that government initiatives are helping foster greater formalisation of the job market. During the first eight months of FY25, cumulative net additions reached 95.6 lac, marking a 3% Y-o-Y increase compared to the 92.9 lac recorded during the same period in FY24. EPFO membership stands at 32.7 Crs. as of March 2024, compared to 29.9 Crs. as of March 2023.

Role of Regulations

Labour regulations play a significant role in safeguarding worker rights and holding firms accountable for their working conditions. The regulatory framework not only shapes the business environment and the competitive dynamics of firms and factories but also ensures workers' well-being.

Employment opportunities through the digital economy

The digital economy has significantly broadened job opportunities. Hyperlocal service platforms have revolutionised the job landscape in transportation, food delivery and home services industries. These platforms have created flexible employment options by leveraging technology while transforming traditional service sectors into digitally driven ecosystems. Digital technologies have a dual effect on employment, as automation replaces human labour through a displacement effect but also boosts demand for new roles through a reinstatement effect in both automated and complementary sectors.

Need for Skill Development

Artificial Intelligence, digitalisation, and climate change, aligning the nation's skill development initiatives with the anticipated transformations in the labour market is vital. The Union Budget 2024-25 introduced a package of five key schemes aimed at benefiting 4.1 Crs. youth over five years with a central outlay of INR 2 lac Crs. to promote employment and skilling which includes Prime Minister's Internship Scheme wherein it is promised to provide internships to 1 Cr youth in 500 top companies in 5 years.

Future Prospects

There is likely to be a demand of 97 million new jobs globally in 2025 and India's demographic demand makes it a global talent hub, provided it can cultivate a workforce with employable, industry-relevant skills. To boost women's workforce participation, prioritising targeted skill development and providing entrepreneurial support is being pursued. Additionally, sectors like the digital economy and renewable energy offer vast potential for creating high-quality jobs, which is essential for achieving the Viksit Bharat's vision.

Labour in the AI Era: Crisis or Catalyst?

Concerns about AI disrupting labour markets have

grown as rapid advancements in the field show that machines will soon perform tasks typically done by humans.

The Labour Market Evolution

The founder of OpenAI recently stated that Artificial Intelligence (AI) workers could be ready for office roles by the end of 2025. Developers of AI promise to usher in a new age, where a bulk of the economically valuable work is automated.

AI is anticipated to surpass human performance in critical decision-making across various fields, including healthcare, research, criminal justice, education, business and financial services.

The Resource Challenge

Training AI models is becoming more expensive as high-quality data costs rise. For example, training Google's original Transformer model, which laid the foundation for ChatGPT, cost about USD 930, while in stark contrast training OpenAI's GPT-4 cost USD 78.4 million and Google's Gemini Ultra cost USD 191.4 million. As costs continue to rise, developers are considering using synthetic data, though it presents its own challenges.

Barriers to large-scale AI adoption persist in the present, which include concerns over reliability, resource inefficiencies, and infrastructure deficits. These challenges, along with AI's experimental nature, create a window for policymakers to act.

Fortunately, due to AI presently being in its infancy, India is afforded the time necessary to strengthen its foundations and mobilise a nation-wide institutional response.

Augmenting India's Services Sector

The future revolves around 'Augmented Intelligence', where the workforce integrates both human and machine capabilities. This approach aims to enhance human potential and improve overall efficiency in job performance, ultimately benefiting society as a whole.

Collaborative effort between government, private sector and academia is essential to minimise adverse societal effects of AI-driven transformation. Leveraging its young, dynamic, and tech-savvy population, India has the potential to create a workforce that can utilise AI to augment their work and productivity.



SECTION 4

TAX PROVISIONS APPLICABLE TO NON-CORPORATE ASSESSEE

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4.1 100% Rebate of Income Tax increased for resident individuals having income upto ₹12 lacs [AY 2026-27]

- Hitherto, Sec. 87A provides for 100% tax rebate to resident individuals having income upto ₹7 lacs computed under new tax regime specified in Sec. 115BAC(1A).
- It is now proposed to increase the income level for tax rebate u/s 87A to ₹12 lacs thereby increasing the maximum tax rebate to ₹60,000.
- It is also proposed to insert 2nd proviso to Sec. 87A to specifically restrict the rebate on tax payable computed as per the rate provided in Sec. 115BAC(1A) thereby, excluding all other income chargeable at special rates from benefit of tax rebate.

Comments

- Incidentally, the ITR utility for AY 2024-25 (updated on 05-07-2024) had created anomaly by not allowing this rebate against income taxable at special rates such as STCG at the time of filing return of income. This resulted in filing of Public

- Interest Litigations demanding corrective action from the Finance Ministry.
- In a recent judgement, Hon'ble Bombay High Court in Chamber of Tax Consultants -vs.- DGIT & others (PIL No. 32465 of 2024) while addressing the above issue has stated that the eligibility of claims should be assessed by Income Tax Authorities while processing the return and not blocked upfront in the online ITR utility. The Hon'ble Court directed the tax department to modify the utilities for filing of the return of income immediately, thereby allowing assesseees to make a claim of rebate u/s 87A.
- Since the amendment has been made prospectively from AY 2026-27, litigations on account of claim of rebate u/s 87A against special rate income shall continue for earlier assessment years.

- Cumulative impact of increase in rebate and change in tax slab rate under new regime u/s 115BAC(1A) can be summarised as under:

(Amount in ₹)

Sl. No.	Income Level	Tax#		Tax Benefit	Rebate u/s 87A*	Total Benefit	Tax After Rebate
		Present	Proposed				
1	7,00,000	20,000	15,000	5,000	15,000	20,000	0
2	8,00,000	30,000	20,000	10,000	20,000	30,000	0
3	9,00,000	40,000	30,000	10,000	30,000	40,000	0
4	10,00,000	50,000	40,000	10,000	40,000	50,000	0
5	11,00,000	65,000	50,000	15,000	50,000	65,000	0
6	12,00,000	80,000	60,000	20,000	60,000	80,000	0
7	13,00,000	1,00,000	75,000	25,000	0	25,000	75,000
8	14,00,000	1,20,000	90,000	30,000	0	30,000	90,000
9	15,00,000	1,40,000	1,05,000	35,000	0	35,000	1,05,000
10	16,00,000	1,70,000	1,20,000	50,000	0	50,000	1,20,000
11	17,00,000	2,00,000	1,40,000	60,000	0	60,000	1,40,000
12	18,00,000	2,30,000	1,60,000	70,000	0	70,000	1,60,000
13	19,00,000	2,60,000	1,80,000	80,000	0	80,000	1,80,000
14	20,00,000	2,90,000	2,00,000	90,000	0	90,000	2,00,000
15	21,00,000	3,20,000	2,25,000	95,000	0	95,000	2,25,000
16	22,00,000	3,50,000	2,50,000	1,00,000	0	1,00,000	2,50,000
17	23,00,000	3,80,000	2,75,000	1,05,000	0	1,05,000	2,75,000
18	24,00,000	4,10,000	3,00,000	1,10,000	0	1,10,000	3,00,000
19	25,00,000	4,40,000	3,30,000	1,10,000	0	1,10,000	3,30,000

*Rebate not available against any income chargeable at special rates like capital gains u/s 111A, 112, etc.

#Surcharge applicable where total income exceeds ₹50 lacs. Health & Education Cess @ 4% is applicable in all cases.

Marginal relief: Although there is no tax on resident individuals having income upto ₹12 lacs, individuals having income marginally higher than ₹12 lacs will be subject to tax based on slab rates on their income over the basic exemption limit of ₹4 lacs. However, such cases are eligible for marginal relief, which ensures that tax payable does not exceed the excess income over the threshold.

Marginal relief is computed as below (say on total income of ₹12.10 Lacs):

Step 1: Compute tax liability as per prescribed slab rates (say 'A') (i.e. Tax on ₹12.10 Lacs as per slabs which comes to ₹61,500)

Step 2: Compute excess income over and above the income upto which rebate is available (say 'B') (i.e. ₹12.10 Lacs - ₹12 Lacs which comes to ₹10,000)

Step 3: Marginal relief is ['A'-'B'] (i.e. ₹61,500 - ₹10,000 which comes to ₹51,500)

The impact of marginal relief under different income scenarios is as under:

Income	Tax without marginal relief	Tax actually payable with marginal relief
₹12,10,000	₹61,500	₹10,000
₹12,50,000	₹67,500	₹50,000
₹12,70,000	₹70,500	₹70,000
₹12,75,000	₹71,250	₹71,250 (No marginal relief)

4.2

Enhancement in limit of income of employees for computing perquisites [Sec. 17(2)] [w.e.f. AY 2026-27]

- Presently, amenities and benefits granted either free of cost or at concessional rate from the employer are not treated as perquisites in the hands of employees having salary income (excluding non-monetary benefits) upto ₹50,000. [Sec. 17(2)(iii)(c)]
- Further, any expenditure incurred by the employer on travel outside India for the medical treatment of an employee or his family member are not treated as perquisites in the hands of employee if his Gross Total Income (excluding such

expenditure) does not exceed ₹2 lacs [Sub-clause (vi) of proviso to Sec. 17(2)(viii)]

- It is proposed to increase the upper limit of the abovementioned income to give relief to the employees. The said increased limits shall be prescribed in due course.

Comments

- The above limits of ₹50,000 was determined by Finance Act, 2001 & ₹2 lacs by Finance Act, 1993. Hence, limit enhancement was required.

4.3

Contribution made to NPS Vatsalya Scheme for minor eligible for deduction [Sec. 80CCD & Sec. 10(12BA)] [w.e.f. AY 2026-27]

- Presently, Sec. 80CCD allows for deduction on the contributions made to NPS either by an employer or employee or by any other assessee.
- NPS Vatsalya Scheme was launched on 18-09-2024 for minors by the Pension Fund Regulatory and Development Authority, which allows parents and guardians to maintain NPS account for their minor children.
- To cover above scheme within the ambit of Sec. 80CCD, following amendment is proposed in sub section (1B) to Sec. 80CCD:
 - Deduction shall now be allowed to the parent/ guardian under the old regime for amount deposited in the account of any minor child under the NPS Vatsalya Scheme.

- Overall cap of ₹50,000 under the said sub-section (cumulatively for self and such minor child) shall continue to apply.

- It is further proposed that partial withdrawal from the minor's account upto 25% of contribution, in accordance with the Scheme shall be exempt u/s 10(12BA) in the hands of parent/ guardian. When the contribution is finally withdrawn, the amount on which deduction is allowed earlier, will be charged to tax, except when it is received due to the death of the minor.

Comments

- The proposal extending benefit of deduction u/s 80CCD(1B) for contribution to NPS Vatsalya Scheme is available to individual assessee who are paying tax under old regime and not under new regime.

4.4

Exemption on withdrawals by individuals from National Savings Scheme [Sec. 80CCA] [w.r.e.f. 29-08-2024]

- Upto AY 1992-93, Sec. 80CCA provided for a deduction to the extent of ₹40,000 to an individual or HUF, for any amount deposited in the National Savings Scheme (NSS).
- Sub-section (2) of Sec. 80CCA, inter-alia, provides that the amount withdrawn from NSS Account in respect of deposits made prior to 01-04-1992

on which deduction u/s 80CCA was allowed, is taxable in the hands of the assessee in the year of withdrawal.

- The Department of Economic Affairs (DEA) issued a Notification dated 29-08-2024 providing that no interest would be paid on the balances in the NSS Account after 01-10-2024.

- Vide Finance Bill, 2025, w.r.e.f. 29-08-2024, it is proposed to insert 2nd proviso to Sec. 80CCA(2) to provide that the principal amount along with interest accrued thereon, withdrawn from the NSS Account on or after 29-08-2024, shall not be chargeable to tax in the case of an individual.

Comments

- The proposed amendment shall enable the NSS depositor to withdraw funds lying in their NSS

Account without any tax liability. In order to avoid ambiguity as to whether such amount is not chargeable to tax in the hands of individual who have opted for new regime u/s 115BAC, needful clarification may be provided.

- The proposed amendment grants benefits only to an individual and not to HUF, which creates discrimination.

4.5
Simplification in the provisions for determination of annual value of Self Occupied House Property [Sec. 23] [w.r.e.f. AY 2025-26]

- Hitherto, as per Sec. 23(2), annual value of self-occupied house property is taken as Nil, if it is occupied by the owner for his own residence or if he cannot reside therein due to reasons of his business, profession or employment carried on at any other place and has to reside at that other place in a building that does not belong to him.
- It is proposed to amend Sec. 23(2) to cover all those cases where the house property cannot be actually occupied due to any reason. In other words, following additional conditions have been done away with :
 - assessee not being able to reside in his own residence due to business, employment or profession carried on in other place, and

- that other place where the assessee is residing does not belong to him
- As per existing Sec. 23(4) read with Sec. 23(2), the owner can take the annual value of two house properties as Nil subject to the fulfilment of the additional condition. In view of the amendment proposed in Sec. 23(2), the owner need not have to comply with the aforesaid additional condition and annual value of any two houses properties can be taken as Nil.

Comments

- To illustrate the impact of above, suppose assessee is posted in Kolkata for employment :

Situation / House	A -Kolkata	B- Mumbai	C-- Delhi	Treatment before amendment	Treatment post amendment
I	Self-Occupied	Occupied by parents	Occupied by son	Only A will be exempt u/s 23(2)(a)	Any two houses can be exempt
II	Rented premises	Occupied by parents	Occupied by son	Both B and C will be exempt u/s 23(2)(b)	Both B and C will be exempt u/s 23(2)(b)

4.6
Clarity in tax treatment of income on redemption of ULIP [Sec. 2(14), Sec. 45(1B), Sec. 112A] [w.e.f. AY 2026-27]

- Hitherto, as per Sec. 2(14)(c) 'Capital Asset' includes any Unit Linked Insurance Policy (ULIP) to which exemption u/s 10(10D) does not apply on account of the applicability of the fourth and fifth provisos to Sec. 10(10D) [ULIPs issued on/after 01-02-2021 where premium on an individual ULIP or aggregate of ULIPs in any PY exceeds ₹2.50 lacs other than on death]
- Accordingly, any profits or gains arising from redemption of such ULIPs were chargeable to tax under the head 'Capital Gains' u/s 45(1B). Further, Clause (a) to Explanation to Sec. 112A and Second proviso to the aforementioned Explanation provides the definition of 'Equity Oriented Fund' to include such ULIPs, subject to specified conditions.
- Further, any sum received under any insurance policy (including ULIPs) as provided in sub clauses (a) to (d) to Sec. 10(10D), other than on death, are not eligible for exemption.

- To rationalize the provisions for ULIPs, it is proposed to amend Sec. 2(14)(c) to include ULIPs to which exemption u/s 10(10D) does not apply [on account of the applicability of sub-clause (a),(c) to (d) to Sec. 10(10D)] also as 'Capital Asset'.
- Consequential amendment is also proposed to Sec. 45(1B) to include any amount arising from the redemption of such ULIPs as chargeable to tax under the head 'Capital Gains'.
- Consequential amendment has also been proposed in explanation to Sec. 112A as well.

Comments

- In order to streamline and rationalize the provisions for all types of ULIPs and to bring parity in the tax treatment, all ULIPs to which exemption u/s 10(10D) does not apply are now proposed to be considered as 'Capital Assets' and consequentially chargeable to tax under the head 'Capital Gains'.





SECTION 5

**TAX PROVISIONS
APPLICABLE TO
CHARITABLE INSTITUTIONS
& OTHER TRUSTS**

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5.1 Increase in period of registration of small charitable trusts or institutions from 5 years to 10 years [Sec. 12AB(1)] [w.e.f. 01-04-2025]

- Hitherto as per Sec. 12AB(1), validity of the registration granted to charitable trusts or institutions is for five years, except in the case of provisional registration which is for three years.
 - The registration granted u/s 12AB is required to be renewed before the expiry of period of earlier registration or provisional registration and same is applicable to all charitable trusts or institutions irrespective of their income.
 - Hence, it is proposed to insert proviso to Sec. 12AB(1) so as to increase the period of validity of registration from 5 years to 10 years, in case of small charitable trusts or institutions, whose total income before exemption u/s 11 & 12 does not exceed ₹5 Crs. in each of 2 preceding PYs and who has made an application under sub-clause (i) to (v) of Sec. 12A(1)(ac). The said amendment will not apply to trusts or institutions applying for registration for the first time u/s 12A(1)(ac)(vi), whether before or after commencing activities.
- burden for smaller trusts or institutions since the current process involves extensive compliance and documentation on the part of the trust or institution, as well as detailed due diligence, including field inquiries, by the revenue authorities.
- Since the above amendment is proposed w.e.f. 01-04-2025 in Sec. 12AB i.e. the section wherein registration is granted and not in Sec. 12A under which application is made by charitable trusts or institutions, the benefit of grant of registration for a period of 10 years shall be available to small charitable trusts or institutions who have made applications before 01-04-2025. However, the above amendment would not extend the time of registration of small charitable trusts or institutions who have already been granted registration before 01-04-2025.
 - Further, similar relaxation to small trust or institutions have not been granted u/s 80G where the compliance burden for renewing approval u/s 80G remains equally cumbersome.

Comments

- The above amendment will reduce compliance

5.2 Rationalisation of specified violation leading to cancellation of registration of Trust or Institution [clause (g) of Explanation to Sec. 12AB(4)] [w.e.f. 01-04-2025]

- Sec. 12AB(4) empowers the Pr. CIT/CIT to cancel registration of already registered trust or institution after conducting inquiry or calling for documents, if it notices any specified violations being done by them.
 - Explanation to Sec. 12AB(4) defines specified violations to cover various instances. Clause (g) of said Explanation provides that incomplete application or false or incorrect information in the application form filed u/s 12A(1)(ac) for registration of trust or institution will be treated as specified violation.
- Consequently, minor defaults, being incompleteness of application, may lead to

cancellation of registration of trust or institution and thereafter taxation of accreted income as per provisions of Chapter XII-EB of the Act.

- Hence, it is proposed to amend above clause (g) of Explanation, so as to provide that minor default viz. incompleteness of application form filed u/s 12A(1) (ac) shall not be treated as specified violation. Now, only when the application form contains false or incorrect information, the same shall be treated as specified violation.

Comments

- The proposed amendment is in accordance with various judicial decisions including decision in

case of Late Tilokchand Kuche Shikshan Prasarak Mandal Aurangabad -vs.- CIT(Exemptions), Pune [ITA No.1954/PUN/2024, dated 13-11-2024], wherein Hon'ble Tribunal relying on CBDT Circular No.07/2024 dated 25-04-2024 and decision in case of Shree Swaminarayan Gadi Trust Vadtal (SVG) -vs.- CIT (Exemptions) (2024) 231 TTJ 595 (Surat)] has held that error in selection of wrong section code by the assessee in application form for re-registration is not fatal so as to reject application and assessee should be granted opportunity to rectify its defects. Similar view has been taken in ARREDS Trust -vs.- CIT(E) [ITA no. 1665/Chny/2024 dated 08-01-2025].

5.3 Rationalisation of persons specified u/s 13(3) for trusts or institutions [w.e.f. 01-04-2025]

- Sec. 13(1)(c) provides that exemption u/s 11 or u/s 12 shall not be available in respect of such income of the trust or the institution, which is used or applied, directly or indirectly for the benefit of any person referred u/s 13(3) [i.e. specified person].
- Hitherto, Sec. 13(3) defines specified person to include inter alia the following:-
 - Any person whose total contribution to the trust or institution up to the end of the relevant PY exceeds ₹50,000/- [sub-clause (b)];
 - Any relative of above such person [sub-clause (d)];
 - Any concern in which above such person has a substantial interest [sub-clause (e)];
- It is proposed to amend the above sub-clauses of Sec. 13(3) to provide that-
 - Any person whose total contribution to the trust or institution during the relevant PY exceeds ₹1 lac or aggregate contributions up to the end of the relevant PY exceeds ₹10 lacs, as the case may be, shall be treated as specified person;

- Any relative of above such substantial contributor or any concern in which substantial contributor has substantial interest will not be treated as specified person [sub-clause (d) & (e)]

Comments

- The limit of aggregate contributions upto the end of PY was increased to ₹50,000 way back in 1994 and remained unchanged. While increase in the limit to ₹10 lacs will reduce some compliance burden of trusts or institutions, the retention of period of aggregate of donations from inception of the trust will be problematic for trust or institution which are several decades old.
- Earlier, addressing concerns raised by trusts or institutions, CBDT had issued Circular No. 17/2023, dated 09-10-2023 to clarify that for AY 2023-24, only those substantial contributors whose contributions during the relevant PY exceeds ₹50,000 need to be reported in Form 10B/10BB. Further, the details of relatives of such contributors and concerns in which these contributors hold substantial interests may be reported, if available.

5.4 Extending the benefit of concessional rate u/s 112A to Business Trusts [Sec. 115UA] [w.e.f AY 2026-27]

- The provisions relating to the taxation of business trusts (InvIT & REIT) were introduced vide Finance (No. 2) Act, 2014, to facilitate financing and investment in infrastructure and real estate.
- Special provisions of Sec. 115UA provides pass-through status to business trusts in respect of interest income and dividend income received by business trust from a special purpose vehicle in case of both REIT and InvIT [Sec. 10(23FC)] and rental income in case of REIT [Sec. 10(23FCA)] and these incomes are taxable in the hands of the unit holders and exempt in the hands of business trust.
- Apart from above pass through income, remaining income is taxable in the hands of Business Trust at MMR, except that capital gain u/s 111A or u/s 112 is taxable at concessional rates specified therein.
- Subsequently, Finance Act, 2018 introduced Sec. 112A to tax LTCG arising from the transfer of listed equity shares, units of equity-oriented funds, or units of business trusts, at concessional rate of 10%. However, Sec. 115UA which governs taxation of business trusts was not consequentially amended to include reference of Sec. 112A.
- Due to this unintended omission, LTCG referred u/s 112A in the hands of business trusts could be interpreted to be taxable at MMR instead

of the concessional rate u/s 112A, which seems inconsistent with the intended tax framework.

- To address this anomaly, it is proposed to amend Sec. 115UA(2) to include reference to Sec. 112A so as to avoid capital gains referred u/s 112A from being taxed in the hands of Business Trust at MMR, instead of concessional rate (previously 10% in excess of ₹1,00,000/-, now 12.5% in excess of ₹1,25,000/-).

Comments

- The intention of the legislature was never to treat capital gains u/s 112A taxable at MMR as evident from Memorandum to Finance (No. 2) Bill, 2014 which provides that "the income by way of capital gains on disposal of assets by the business trust shall be taxable in the hands of the business trust at applicable rate". Similarly, Memorandum to Finance Bill, 2020 while explaining the amendment in definition of 'Business trust' u/s 2(13A) of the Act, stated that "the total income of the trust, excluding capital gains income is charged at the maximum marginal rate."
- However, even after this legislative intent, it is surprising to note that amendment to rectify the above anomaly has been made effective only from AY 2026-27 which will result in uncertainty for earlier years.





CORPORATE TAXATION

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6.1 Corporate Income Tax Rates [For AY 2026-27]

Sl. No.	Particulars	Tax (%)	Surcharge# (%)	Health & Education Cess (%)	Effective Tax (%)	MAT Applicability [Rate @15%] (%)
A.	Domestic companies whose total turnover or gross receipts in FY 2023-24 is <= ₹400 Crs. & Domestic Manufacturing Companies covered u/s 115BA[^]					Applicable
1.	Total income <= ₹1 Cr.	25	-	4	26.00	15.60
2.	Total income > ₹1 Cr. but <= ₹10 Crs.	25	7	4	27.82	16.69
3.	Total income > ₹10 Crs.	25	12	4	29.12	17.47
B.	Domestic companies covered u/s 115BAA[^]					Not Applicable
4.	Total Income	22	10	4	25.17	-
C.	Domestic companies covered u/s 115BAB[^]					Not Applicable
5.	Income from manufacturing activities or incidental activities	15	10	4	17.16	-
6.	Business income from non-manufacturing activities ^{^^}	22	10	4	25.17	-
7.	STCG from depreciable assets incidental to manufacturing	15	10	4	17.16	-
8.	STCG from non-depreciable asset	22	10	4	25.17	-
9.	Income taxable under the head house property ^{^^}	22	10	4	25.17	-
10.	Excess Profits in arranged transactions determined by AO	30	10	4	34.32	-
11.	Any other income ^{^^}	22	10	4	25.17	-
D.	Other Domestic companies					Applicable
12.	Total income <= ₹1 Cr.	30	-	4	31.20	15.60
13.	Total income > ₹1 Cr. but <= ₹10 Crs.	30	7	4	33.38	16.69
14.	Total income > ₹10 Crs.	30	12	4	34.94	17.47
E.	Foreign Companies					
15.	Total income <= ₹1 Cr.	35	-	4	36.40	15.60
16.	Total income > ₹1 Cr. but <= ₹10 Crs.	35	2	4	37.13	15.91
17.	Total income > ₹10 Crs.	35	5	4	38.22	16.38

[^]Concessional tax rate as specified in Sec. 115BA, Sec. 115BAA and Sec. 115BAB is applicable only on income chargeable under these sections. For income covered by specific rates under other sections like Sec. 111A, Sec. 112 or Sec. 112A, rates specified therein shall be applicable to all domestic companies.

^{^^}No deduction/allowance in respect of any expenditure/allowance shall be allowed in computing such income.

#No surcharge shall apply on tax computed on income of specified fund [referred to in clause (c) of Explanation to Sec. 10(4D)] that is chargeable u/s 115AD(1)(a) of the Act.

#Marginal relief shall be provided in all cases where surcharge is imposed.

6.2 Rationalisation of provisions related to carry forward of losses in case of Amalgamation & Reorganisation of Business [Sec. 72A & Sec. 72AA][w.e.f. AY 2026-27]

- Hitherto as per Sec. 72A & Sec. 72AA, accumulated business loss of the amalgamating or predecessor entity are allowed to be carried forward by the amalgamated or successor entity for a fresh period of 8 AYs immediately succeeding the AY in which the amalgamation or business reorganization is effected.
- It is proposed to amend Sec. 72A & Sec. 72AA to provide that the accumulated business loss of the amalgamating or predecessor entity shall not be allowed to be carried forward by the amalgamated or successor entity for more than 8 AYs immediately succeeding the AY in which such loss was first computed by the original amalgamating or predecessor entity.
- The proposed amendment shall be applicable for any amalgamation or business reorganization which is effected on or after 01-04-2025.

Comments

- In view of the amendments proposed in Sec. 72A & Sec. 72AA, business loss of the amalgamating or predecessor entity will not get a fresh lease of life of 8 AYs from the end of the assessment year in which the amalgamation or business reorganization is effected and shall prevent evergreening of losses of the predecessor entity resulting from successive amalgamations or business reorganisation.



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7.1 Extension of sunset date for several tax concessions to IFSC [w.e.f 01-04-2025]

- Sec. 10(4D) provides exemption of any income from a securitisation trust which is chargeable under the head "Profits & Gains of Business or Profession", to the extent such income is attributable to units held by non-resident or is attributable to investment division of offshore banking unit.
As per Explanation (aa) to Sec. 10(4D), Investment Division of Offshore Banking Unit means an investment division of a banking unit of a non-resident located in IFSC which has commenced operation on or before 31-03-2025.
Sec. 10(4F) provides exemption of any income of a non-resident by way of interest or royalty on account of lease of an aircraft or ship in a PY, paid by a unit of IFSC if the unit has commenced its operations on or before 31-03-2025.
- Sec. 10(4H) provides exemption of capital gain arising to non-resident or unit of an IFSC engaged primarily in leasing of aircraft, on transfer of equity shares of domestic company being unit of IFSC engaged in similar business, if such business has commenced its operations on or before 31-03-2026.
- 100% deduction u/s 80LA(1A) is available to a unit of an IFSC of the income specified in Sec. 80LA(2) for 10 consecutive AY out of 15 years beginning with AY in which permission/ registration is obtained. Further, Sec. 80LA(2)(d) provides deduction of income arising from transfer of asset being aircraft or a ship which was leased by a unit of IFSC to a person, subject to the condition that the unit has commenced operation on or before 31-03-2025.
- Sec. 47(viiad) exempts capital gain arising on transfer by a shareholder/unitholder/ interest holder in a relocation of a capital asset being a share or unit or interest held by him in the original fund in consideration for the share in the resultant fund. Relocation means transfer of assets of the Original Fund to a Resultant Fund on or before 31-03-2025, subject to further conditions as prescribed.
- The definition of 'Resultant Fund' in terms of Explanation to Sec. 47(viiad) has been proposed to be amended to include a retail scheme or an exchange traded fund which is regulated under the IFSCA (Fund Management) Regulations, 2022.

- Vide the Finance Bill, 2025, such sunset date as prescribed above u/s 10(4D), 10(4F), 10(4H), 80LA(2)(d) & 47(viiad) is proposed to be extended to 31-03-2030.

Comments

- Above extension of sunset date would further incentivize operations from IFSC and promote its development as world class financial infrastructure in India.

7.2 Rationalisation of Exemption to insurance policies from IFSC Insurance offices [Sec. 10(10D)][w.e.f 01-04-2025]

- Sec. 10(10D) provides for exemption from tax of any sum received (including bonus) under a life insurance policy issued on or after 01-04-2012, if premium payable for any of the years during the term of such policy does not exceed 10% of the actual capital sum assured.
- Thereafter, vide fourth & fifth proviso to said section as inserted vide Finance Act 2021, it was provided that exemption shall not apply to proceeds of ULIP issued on or after 01-02-2021, if the amount of premium or aggregate of premium payable for such ULIPs in any of the PY during the term of such policy exceeds ₹2.5 Lacs.
- Similarly, vide sixth & seventh proviso to said section as amended vide Finance Act 2023, it was provided that any sum received under a Life Insurance Policy (other than ULIP) issued on or after 01-04-2023 shall not be exempt u/s 10(10D) if the annual premium/aggregate premium of such policies exceeds ₹5 lacs in any of the PYs.
- Further, eighth proviso to said section provided that fourth, fifth, sixth & seventh proviso shall not apply in cases where the sum is received on the death of a person.
- In absence of any such restriction of maximum premium payable as specified under fourth to

seventh proviso of Sec. 10(10D) on insurance policies taken by a non-resident in foreign jurisdiction, the above conditions u/s 10(10D) was causing disparity to similar insurance policies issued by an IFSC Insurance Intermediary Office.

- It has been proposed to amend eighth proviso to Sec 10(10D) to provide that the limitation of maximum premium payable as prescribed in fourth to seventh proviso shall not apply to any amount received under life insurance policies issued by IFSC Insurance Intermediary Office.
- Explanation inserted to eighth proviso to prescribe that "International Financial Services Centre Insurance Intermediary Office" shall have same meaning as assigned to in regulation 3(1)(s) of International Financial Services Centres Authority (Insurance Intermediary) Regulations, 2021, made under the International Financial Services Centres Authority Act, 2019.

Comments

- The condition that the premium payable for any of the year during the term of the policy should not be more than 10% of the actual capital sum assured shall continue to apply on insurance policy issued by IFSC Insurance Intermediary Office.

7.3 Extension of exemption to ship leasing business in IFSC [Sec. 10(4H) & Sec. 10(34B)] [w.e.f. 01-04-2025]

- Hitherto, Sec. 10(4H) provides for exemption of capital gain arising to a non-residents or a unit of an IFSC units engaged primarily in aircraft leasing business, on transfer of equity shares of domestic companies being unit in an IFSC engaged in similar business, subject to fulfilment of condition that such business commences operations on or before 31-03-2026.

- Similarly, Sec. 10(34B) provides for exemption of dividend income earned by a unit in IFSC primarily engaged in aircraft leasing business from a company being a unit of IFSC also engaged in similar business.
- To promote the business of ship leasing, Sec. 10(4H) & Sec. 10(34B) is now proposed to be

amended to extend such similar exemptions of capital gains and dividend income arising to the unit in IFSC primarily engaged in business of leasing of ship.

- "Ship" has been defined in Explanation to Sec. 10(4H) & 10(34B) as a ship or an ocean vessel, engine of a ship or ocean vessel, or any part thereof.

7.4 Rationalisation of definition of dividend for Treasury Centres in IFSC [Sec. 2(22)(e)] [w.e.f. 01-04-2025]

- Hitherto, Sec. 2(22)(e) provides that any payment of sum, by a closely held company, by way of loan or advances to its shareholder (holding 10% of voting power or more) or to any concern in which such shareholder is a member or a partner holding substantial interest (holding 20% voting power or more), or for the individual benefit of any such shareholder, shall be deemed to be dividend, to the extent such company possess accumulated profits.
- Further, clause (ii) to Sec. 2(22) excludes from the definition of Dividend, any advance or loan made to any shareholders or concern, as referred to in Sec. 2(22)(e), if such payment has been made in the ordinary course of its business & where lending of money is a substantial part of the business of the company.
- To provide benefit to the IFSC units, new clause (iia) is proposed to be introduced to Sec. 2(22) to exclude from the definition of Deemed Dividend, any loans or advances between two group entities where:-
 - One of the group entity is 'Finance company' or a 'Finance unit'; and
 - The parent entity or principal entity of such group is listed on stock exchange in a country outside India other than such country as may be specified by the Board.
- Explanation 3 to Sec 2(22) is proposed to be amended to insert new clause (c) to provide that "Finance Company" & " Finance Unit" shall have the same meaning as assigned to in clauses (e) & (f) of Regulation 2(1) of International Financial

Comments

- The proposed amendments would provide a flip to ship leasing business for setting up SPVs in IFSC by providing them exemption from certain income arising from ship leasing business.

Services Centres Authority (Finance Company) Regulations, 2021, made under the International Financial Services Centres Authority Act, 2019.

Such Finance Company or Finance Unit should be set up as a global or regional corporate treasury centre for undertaking treasury activities or treasury services as per the relevant regulations made by the International Financial Services Centres Authority established u/s 4 of the said Act.

- As per Regulation 2(1)(e) & (f) of International Financial Services Centres Authority (Finance Company) Regulations, 2021, a "Finance Company" and "Finance Unit" is a financial institution as defined u/s 3(1)(c) of the International Financial Services Centres Authority Act, 2019, & which are incorporated/set up to deal in one or more permissible activities (lending, factoring, investment, etc) as specified under regulation 5(1) & it does not accept public deposit and is not registered as a Banking Unit.
- Further, new clause (d) is also proposed to be inserted in Explanation 3 to Sec. 2(22) to provide that "Group Entity", "Parent Entity" and "Principal Entity" shall be such entities which satisfy such conditions as shall be prescribed.

Comments

- Proposed amendment shall provide exemption from deemed dividend u/s 2(22)(e) on any lending or borrowing undertaken by the corporate treasury centre in IFSC with any group entities. This would make it attractive for entities to set up their treasury centres in IFSC.

7.5

Relaxation of conditions for all eligible investment funds [Sec. 9A(3)(c) & Sec. 9A(8A)] [w.e.f. 01-04-2025]

For All eligible investment funds:

- To encourage the fund management activities of offshore funds from India, Sec. 9A was introduced vide Finance Act, 2015 which provided that the fund management activity of an Eligible Investment Fund carried out by an eligible fund manager acting on behalf of such fund shall not be considered as business connection in India and hence, the provisions of Sec. 9(1) "Income deemed to accrue or arise in India" shall not apply to such activity.
- Further, Sub-section (3) of Sec. 9A defines Eligible Investment Fund as fund established/registered outside India which collects funds from its members for their benefit and prescribes certain conditions required to be fulfilled.
- One of the conditions as prescribed under clause (c) of Sec. 9A(3) specifies that the aggregate participation or investment in the fund by a person resident in India directly or indirectly should not exceed 5 % of corpus of the said fund. However, no specific date or period has been prescribed in the said clause as to on which date, such prescribed threshold is required to be maintained.
- To rationalise such provision, it is now proposed to amend clause (c) of Sec. 9A(3) to prescribe that such condition of threshold of 5% is required to be met as on 1st day of April and 1st day of October of the PY.
- Further, 2nd proviso to Sec. 9A(3)(c) is proposed to be inserted to provide that where such condition of meeting threshold of 5% is not met as on 1st day of April and 1st day of October of the PY, it shall be deemed that the said conditions of clause (c) has been complied, if the same are met within four months from the said prescribed dates i.e as on 31st July and 31st January of the PY.

For Fund Managers located in IFSC:

- In order to encourage the fund management activities by Fund managers located in IFSC, Sec. 9A(8A) was introduced vide Finance Act, 2021 which granted powers to the CG to modify/ rationalise the conditions as laid down in clauses (a) to (m) of sub-section (3) (applicable to the eligible investment fund) or clauses (a) to (d) of sub-section (4) (applicable to fund manager), provided that such fund manager is located in IFSC and commences its operations on or before 31-03-2024.
- In line with said provisions, CBDT vide notification No. 59 of 2022 dated 06-06-2022 exempted conditions as prescribed under clause (e) to (g) of Sec. 9A(3) applicable to Eligible Investment Fund managed by fund managers in IFSC. Further, condition as prescribed under clause (k) of Sec. 9A(3) was also modified providing relaxation to such Eligible Investment Fund. However, no relaxation or modification in condition as prescribed in clause (c) to Sec. 9A(3) was provided as specified above.
- It is now proposed to amend Sec. 9A(8A) to state that no relaxation or modification in condition as prescribed in clause (c) to Sec 9A(3) shall be provided to any Eligible Investment Fund even if such fund is managed by fund manager located in IFSC specified u/s 80LA. Hence, the proposed amendment in 9A(3)(c) shall apply to the fund managers located in IFSC.
- The relaxations as stated u/s 9A(8A) was to be applied only to those Eligible Investment Fund and its eligible fund manager if such fund manager located in IFSC commences its operations on or before 31-03-2024. Vide the Finance Bill, 2025, it is now proposed to extend the said relaxations to fund managers located in IFSC which commences its operation on or before 31-03-2030.

7.6

Harmonisation of 'Significant Economic Presence' applicability with 'Business Connection' [Sec. 9(1)(i)] [w.e.f. AY 2026-27]

- Sec. 9(1)(i) states that all income accruing or arising, whether directly or indirectly, through or from any 'Business Connection' in India shall be deemed to accrue or arise in India. Explanation 1 to Sec. 9(1) clarifies that in case of a non-resident, no income shall be deemed to accrue or arise in India if it is derived solely from operations confined to the purchase of goods in India for export.
- Explanation 2A to Sec. 9(1)(i) is proposed to be amended to exclude non-resident's activity of purchase of goods in India for export from the ambit of 'Significant Economic Presence' to align with the similar exclusion contained in Explanation 1 to Sec. 9(1)(i) in relation to 'Business Connection'.

7.7

Scheme of presumptive taxation extended for non-resident providing services or technology for electronic manufacturing facility [Sec. 44BBD] [w.e.f. AY 2026-27]

- It is proposed to insert a new Sec. 44BBD to provide presumptive taxation scheme for non-resident engaged in providing services or technology in India for the purpose of setting up electronics manufacturing facility or in connection with manufacturing of electronic goods, to a resident company which is establishing or operating electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods, articles or thing in India under a scheme notified by the CG in the Ministry of Electronics and Information Technology and the resident company satisfies the conditions to be prescribed.
- Under the proposed scheme, a sum equal to 25% of the aggregate of the (i) amount paid or payable and (ii) the amount received or deemed to be received on account of providing such services or technology, shall be deemed to be the profits and gains of such business. Further, where a non-resident declares profits and gains of business for any PY u/s 44BBD, no set-off of unabsorbed depreciation and brought forward loss shall be allowed to the non-resident for such PY.

Comments

- Due to government's proactive policy framework initiatives such as 'Make in India', 'Production Linked Incentive (PLI)' scheme and 'Electronics Manufacturing Cluster (EMC)', India has emerged as a major global electronics manufacturing hub. Accordingly, based on the representations, presumptive taxation has been proposed to provide tax certainty to the non-residents providing services or technology to such sector subject to certain conditions.
- Presently, profits from services or technology provided by the non-residents (in case of Permanent Establishment) is liable to be taxed @ 35% (plus applicable surcharge & cess). The presumptive tax scheme proposes to provide tax certainty to such non-resident technology or service providers with reduction in effective tax rate to less than 10% of gross receipts. Further, non-resident may not be entitled to claim lower profits than 25% deemed profits in the absence of explicit provisions proposed in this regard.

7.8

Introduction of Block TP Assessment [Sec. 92CA & Sec. 155(21)] [w.e.f. AY 2026-27]

- Hitherto, Sec. 92CA provides that AO may refer the computation of ALP in relation to an International Transaction or a SDT to the TPO and after the same is determined by the TPO, the AO shall compute the total income of the assessee u/s 92C(4) in conformity with the ALP so determined by the TPO.
- Sec. 92CA(3B) is proposed to be inserted to provide that the assessee may exercise option(s), for any PY, for determination of ALP of similar International Transaction or SDT, for two consecutive PYs immediately following such PY, based on the ALP determined for such PY. Further, form, manner & time-period for exercising such option(s) shall be prescribed.
- TPO may by an order within one month from the end of the month in which such option(s) is exercised declare that such option(s) as valid subject to the prescribed conditions. Further, proviso to such section restricts the applicability of proposed amendment for any proceedings under search cases [Chapter XIV-B].
- Further, Sec. 92CA(4A) is proposed to be inserted to provide that when such an option(s) is exercised by the assessee in any PY for any transaction(s) and held to be valid, the TPO shall examine & determine the ALP in relation to such similar transaction(s) for two consecutive PYs in the order referred u/s 92CA(3).
- Further, Sec. 155(21) is proposed to be inserted to provide that AO shall re-compute the total income of the assessee for such two consecutive PYs by amending the assessment order/intimation/deemed intimation within three months from the end of the month in which the assessment is completed for such PY. Such amendment has to be in conformity with the ALP determined by the TPO u/s 92CA(4A) and taking into account the directions issued by DRP u/s 144C(5), if any, for such PY. However, if no assessment order/intimation/deemed intimation is passed within the aforesaid three months as mentioned above, such re-computation shall be made within three months from the end of the month in which assessment order/intimation/deemed intimation is passed.
- Also, first & second proviso to Sec. 92CA(1) are proposed to be inserted to provide that no reference shall be made to the TPO for the two consecutive PYs in relation to such transaction(s) and in case, any reference is made, the same shall be deemed as no reference is made for such transaction(s).
- Further, Sec. 92CA(11) & (12) are proposed to be inserted to provide that in case of any difficulty applying the proposed amendment, CBDT with the previous approval of the CG, issue guidelines for removing difficulty and such guidelines shall be laid before each House of Parliament.

Comments

- The proposed amendment in relation to carrying out TP assessments, in a block, aims to reduce the compliance burden on the assessee as well as administrative burden on the TPO since there are similar transaction(s) for various years with same facts like quantum, location of AEs, functions, assets and risks etc. and same ALP analysis are repeated every year. This amendment shall promote consistency in transfer pricing assessments and aligns with Global practice in other countries such as Germany, France, etc.
- However, the proposed amendment is expected to create uncertainty, as the assessee may choose not to opt for a multi-year TP assessment if the following consecutive years are unlikely to be flagged through standard or risk-based methods. Further, aggressive approach of Indian Tax Authorities may also be a deterrent for the assessee to opt for multi-period TP assessment.
- Unlike APAs that provide greater certainty for a longer period for International Transactions, it is not clear as to why a taxpayer would choose this alternative unless it entails distinct advantages.

7.9 Rationalisation of capital gain taxation for Specified Funds & FIs [Sec. 115AD] [w.e.f AY 2026-27]

- Hitherto, Sec. 115AD provides that where the total income of a Specified Fund or FIs includes income by way of LTCG arising from the transfer of securities (other than units referred to in Sec. 115AB) not referred to in Sec. 112A, shall be taxable @10%.
- It is now proposed to tax LTCG, arising on transfer of securities (other than units referred to in Sec. 115AB) not referred to in Sec. 112A, in the hands of Specified Funds & FIs @ 12.50%.

Comments

- Finance (No. 2) Act, 2024 w.e.f. 23-07-2024, changed the rate of taxation on long-term gains arising from the transfer of capital assets to 12.5% for all assessees. The proposed amendment is made to align the rates with those applicable in respect of income earned by way of LTCG, not covered u/s 112A. Further, the tax rate for income by way of the aforementioned LTCG that are not under Sec. 112A, for the period of 23-07-2024 to 31-03-2025, shall remain 10%.

7.10 Extension of benefits of tonnage tax scheme to inland vessels [Chapter XII-G] [w.e.f AY 2026-27]

- 'Tonnage Tax Scheme' (Chapter XII-G) provides an alternate method for computing the profits and gains of businesses operating qualifying ships. The scheme allows ship owners to pay tax based on the tonnage of the ships they operate, rather than on their total income under normal provisions, which helps reduce the tax burden and encourages investment in the maritime industry. Hitherto, shipping companies which operate 'qualifying sea going ships' registered under the Merchant Shipping Act, 1958, are eligible to avail 'Tonnage Tax Scheme'.
- It is proposed to extend the benefit of 'Tonnage Tax Scheme' to 'Inland Vessels' by amending

- Sec. 115V, 115VB, 115VD, 115VG, 115VI, 115VK, 115VT, 115VV, 115VX & 115VZA. Further, Sec. 115V(ea) has been inserted to provide definition of 'Inland Vessels' as provided under Indian Vessels Act, 2021.

Comments

- At present, India is short of inland water transport vessels fleet and require higher investments in the sector which is capital intensive. Therefore, to provide a boost to inland water transportation, it was represented to include 'Inland Vessels' under the ambit of 'Tonnage Tax Scheme'.

7.11 Increasing time limit for passing an order w.r.t. application filed under Tonnage Tax Scheme [Sec. 115VP] [w.e.f. 01-04-2025]

- A qualifying company may opt for the 'Tonnage Tax Scheme' by making an application to jurisdictional JCIT u/s 115VP(1). Upon receiving the application, the JCIT may request for additional information and pass a written order approving or refusing the application within one month from the end of the month in which the application was received.
- Sec. 115VP(4) is proposed to be amended to increase the time limit for passing order under 'Tonnage Tax Scheme' to three months from the

end of the quarter in which application for opting 'Tonnage Tax Scheme' is received by JCIT.

Comments

- The proposed amendment seeks to address the limited time available for JCIT to properly verify information and documents, including physical inspections of ships if necessary, along with providing an opportunity of being heard and passing an order for approving or rejecting the application.



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8.1 Rationalisation of TDS threshold limits [Sec. 193, Sec. 194, Sec. 194A, Sec. 194B, Sec. 194BB, Sec. 194D, Sec. 194G, Sec. 194H, Sec. 194I, Sec. 194J, Sec. 194K, Sec. 194LA] [w.e.f. 01-04-2025]

- Presently, there are various provisions for Tax Deduction at Source with different threshold limits up to which tax is not required to be deducted at source as required under the specified sections. It is proposed to rationalise these thresholds as below -

Sl. No.	Section	Threshold Limit	
		Present	Proposed
1.	Section 193 Deduction of tax at source on payment of any income by way of interest on securities to a resident.	Nil (Refer Note below)	₹10,000/-
2.	Section 194 Deduction of tax at source on payment of dividend (including dividend on Preference Shares) to an individual shareholder by the principal officer of a company.	₹5,000/-	₹10,000/-
3.	Section 194A Deduction of tax at source to a resident on any interest income other than interest income on securities.	A. when payer is bank, cooperative society and post office (i) In case of senior citizen - ₹50,000/- (ii) In case of others - ₹40,000/- B. Other cases - ₹5,000/-	(i) In case of senior citizen - ₹1,00,000/- (ii) In case of others - ₹50,000/- B. Other cases - ₹10,000/-
4.	Section 194B Deduction of tax at source by any person responsible for paying to any person any income by way of winnings from any lottery or crossword puzzle or card game and other game of any sort or from gambling or betting.	Aggregate of amounts exceeding ₹10,000/- during the financial year	₹10,000/- in respect of a single transaction
5.	Section 194BB Deduction of tax at source by any person responsible for paying to any person any income by way of winnings from horse races.		

Sl. No.	Section	Threshold Limit	
		Present	Proposed
6.	Section 194D Deduction of tax at source by any person who is responsible for paying to a resident person other than company, any income by way of remuneration or reward whether by way of commission or otherwise for soliciting or procuring insurance business.	₹15,000/-	₹20,000/-
7.	Section 194G Deduction of tax at source by any person responsible for paying to a resident any income by way of commission on sale of lottery tickets.	₹15,000/-	₹20,000/-
8.	Section 194H Deduction of tax at source by any person who is responsible for paying to a resident any income by way of commission (other than insurance commission referred to in Sec. 194D) or brokerage.	₹15,000/-	₹20,000/-
9.	Section 194I Deduction of tax at source by a person who is responsible for paying to a resident any income by way of rent.	₹2,40,000/- during the financial year	₹50,000/- per month or part of a month
10.	Section 194J Deduction of tax at source by a person who is responsible for paying to a resident any sum in the nature of fees for professional or technical services, royalty or any sum referred to in clause (va) of Sec. 28.	₹30,000/-	₹50,000/-
11.	Section 194K Deduction of tax at source by any person responsible for paying to a resident any income in respect of units of a Mutual Fund.	₹5,000/-	₹10,000/-
12.	Section 194LA Deduction of tax at source by any person responsible for paying to a resident any sum by way of compensation or enhanced compensation on account of compulsory acquisition of any immovable property.	₹2,50,000/-	₹5,00,000/-

Note

Threshold limit of ₹5,000/- is available in case of payment by an account payee cheque to a resident Individual or HUF of any interest on debenture issued by a company in which the public are substantially interested. With the proposed amendment, the threshold limit of ₹10,000/- shall apply in every case covered u/s 193.

8.2 Reduction in rate of TDS on income from securitisation trust [Sec. 194LBC] [w.e.f. 01-04-2025]

- Sec. 194LBC requires deduction of TDS at the time of credit or payment of any income in respect of investment made in a securitization trust as defined in Explanation to Sec. 115TCA. Hitherto, the rate of TDS specified in case of resident investors is 25% [payee being an individual or HUF] and 30% [in case of any other payee].
- Acknowledging the fact that the securitization sector is sufficiently regulated, it is proposed to reduce the rate of TDS u/s 194LBC to 10% in case of all resident payees.

8.3 Relaxation of TCS on foreign remittance [Sec. 206C(1G)] [w.e.f. 01.04.2025]

- Hitherto, Sec. 206C(1G) provides for a threshold limit of ₹7 lacs for collection of tax at source on remittances under LRS & overseas tour program package. Also, TCS @ 0.5% is levied on remittance under LRS for the purpose of education, financed by loan from specified financial institution above ₹7 lacs.
- The aforesaid sub-section is now proposed to be amended to increase the threshold limit to ₹10 lacs for remittance under LRS & overseas tour program package. Further, it is proposed to abolish TCS on remittance under LRS for the purpose of education, financed by loan from specified financial institution.

Comments

- The proposed amendment is aimed at providing relief to individuals making smaller foreign remittances for purposes such as education, travel, medical expenses and investments. Further, the amendment also seeks to provide affordable access to global education.



8.4 Insertion of definition of 'Forest Produce' and rationalisation of rate for TCS [Sec. 206C(1)] [w.e.f. 01-04-2025]

- Hitherto, sub-section (1) of Sec. 206C provides any person, being a seller, to collect TCS @ 2.5% on the sale of timber, whether obtained under a forest lease or by any mode other than under a forest lease or any other forest produce (not being timber or tendu leaves).
- The term "forest produce" was not defined in the Act. It is proposed to address this ambiguity and provide clarity by inserting a definition of "forest produce" which shall have the same meaning as defined in respective State Act for the time being in force, or in the Indian Forest Act, 1927.
- Earlier, TCS was applicable on sale of forest produce whether obtained under forest lease or not. Now, only such forest produce (other than timber or tendu leaves) which are obtained under a forest lease will be liable for TCS.
- It is also proposed to reduce the TCS rate from existing 2.5% to 2% on sale of timber or any other forest produce (excluding tendu leaves) obtained under a forest lease, as well as timber obtained by any means other than under a forest lease.

8.5 Omission of TCS on sale of specified goods [Sec. 206C(1H)] [w.e.f. 01-04-2025]

- Hitherto, sub-section (1H) of Sec. 206C requires any person, being a seller of goods, to collect TCS @ 0.1% of the sale consideration exceeding ₹50 lacs, where the value or aggregate value exceeds ₹50 lacs in a financial year, subject to certain conditions. Further, sub-section (1H) of Sec. 206C provides that the said provision will not apply, if the buyer is liable to deduct TDS under any other provision of the Act on the goods purchased from the seller and has deducted such amount.
- Similarly, Sec. 194Q requires any person, being a buyer of goods from a resident seller, to deduct TDS @ 0.1% on the purchase value of goods exceeding ₹50 lacs, if the value or aggregate value exceeds ₹50 lacs in a financial year.
- This results in possible applicability of both TDS and TCS on the same transaction since it becomes difficult for the sellers to verify whether buyers have complied with tax deduction u/s 194Q.
- To facilitate ease of doing business and to reduce the compliance burden on taxpayers, it is proposed that provisions of sub-section (1H) of Sec. 206C will not be applicable from 01-04-2025. Now, only the buyer has to comply with the provisions of Sec. 194Q and deduct tax.

8.6 Reduced compliance burden on tax deductor/collector [Sec. 206AB & Sec. 206CCA] [w.e.f. 01-04-2025]

- Presently, Sec. 206AB and Sec. 206CCA require higher TDS/TCS by Tax Deductor/Collector for non-filers of income tax returns.
- Since, it is difficult for any deductor/collector to ascertain whether a return has been filed or not by the deductee/collectee, it is proposed that the aforesaid sections shall not apply from 01-04-2025 onwards. The proposed change will provide certainty and will improve ease of doing business and reduce compliance burden of the deductors/collectors. However, the higher rates of TDS/TCS shall be applicable in case of invalid PAN or no PAN.



SECTION 9

OTHERS

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9.1

Introduction of New Income Tax Bill

- The Hon'ble Finance Minister in her speech on 01-02-2025 announced that the New Income Tax Bill shall be introduced next week which will carry forward the same spirit of "Nyaya".
- The new Bill will be clear and direct in text with close to half of the present law, in terms of both chapters and words. It will be simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation.

9.2

Extension of timeline for incorporation of eligible start-ups to avail Tax Holiday [Sec. 80-IAC] [w.e.f. 01-04-2025]

- Presently, start-ups incorporated before 01-04-2025 are eligible for 100% deduction of profits & gains for any 3 consecutive assessment years [out of 10 years beginning from the year in which start-ups is incorporated].
- In order to give a fillip to start-ups which would in turn nurture new innovations, create wealth and employment generation for the country, it is proposed to extend the deduction to eligible start-ups which are incorporated before 01-04-2030.

9.3 Time limit for filing updated return extended [Sec. 139(8A) & Sec. 140B] [w.e.f. 01-04-2025]

- Hitherto, an assessee has an option to file an updated return u/s 139(8A) beyond the due date prescribed for filing original or revised return at any time within 24 months from the end of the relevant AY in certain circumstances to ensure voluntary compliance on payment of additional income tax u/s 140B as under –
 - Upto 12 months - @ 25% of aggregate of tax & interest payable
 - After 12 months but before 24 months - @ 50% of aggregate of tax & interest payable
- It is now proposed to extend the time limit u/s 139(8A) for filing such updated return to 48 months from the end of the relevant AY with payment of additional income tax u/s 140B as under –
 - After 24 months but before 36 months - @ 60% of aggregate of tax & interest payable
 - After 36 months but before 48 months - @ 70% of aggregate of tax & interest payable
- Further, it is also proposed that no updated return shall be furnished by any person where any notice to show-cause u/s 148A has been issued after 36 months from the end of the relevant AY. However, where subsequently an order is passed u/s 148A(3) determining that it is not a fit case to issue notice u/s 148, updated return may be filed upto 48 months from the end of the relevant AY.

Comments

- The aim of proposed amendment is based on the government's philosophy to trust the taxpayer due to which voluntary compliances shall increase and taxpayers shall provide true disclosure of their income. Further, such facility of filing updated return shall reduce litigation cost along with time of taxpayers and Income Tax Department.

9.4 'Capital Assets' to include securities held by Investment Fund [Sec. 2(14)] [w.e.f. AY 2026-27]

- Presently, there is uncertainty on whether income arising from sale of securities held by Investment Funds as specified in Sec. 115UB shall be taxable as business income or capital gain.
 - To settle this anomaly, it is proposed to amend the definition of 'capital asset', to provide that securities held by such Investment Fund shall be treated as 'capital asset' and hence income arising on sale of such securities shall be taxable under the head 'Capital Gains'.
- 'Profits & Gains from Business & Profession', shall be exempt in the hands of the Investment Fund.
- Further, as per Sec. 10(23FBB), income of an Investment Fund computed under the head 'Profits & Gains from Business & Profession' which has already been taxed in the hands of the Investment Fund shall be exempt in the hands of the unit holder.
 - In view of the proposed amendment, income arising from transfer of securities will pass-through to unit holder and will be taxed as capital gains.

Comments

- As per Sec. 10(23FBA), income of an investment fund, other than income computed under the head

9.5 Extension of last date for making investment by specified persons for claiming exemption u/s 10(23FE) and rationalisation of tax exemption [Sec. 10(23FE)] [w.e.f. 01-04-2025]

- Sec. 10(23FE) as inserted vide Finance Act, 2020 provides exemption to specified persons [notified foreign Sovereign Wealth Funds, notified foreign Pension Funds & wholly owned subsidiary of Abu Dhabi Investment Authority (ADIA) fulfilling prescribed conditions] from income in the nature of dividend, interest, long-term capital gains etc. arising from their investment made in specified entities [Infrastructure Investment Trust, company engaged in business of infrastructure u/s 80-IA(4)(i), Category I or II AIF or domestic company or Infrastructure Finance company financing infrastructure sector] so as to attract substantial contribution to India's infrastructure development.
- Hitherto, sub-clause (i) of Sec. 10(23FE) provides sunset date of 31-03-2025 [extended from 31-03-2024 vide Finance (No. 2) Act 2024] for making investments by above Specified Persons.
- It is now proposed to amend sub-clause (i) of Sec. 10(23FE) to extend the sunset date by 5 years to 31-03-2030 so as to attract more capital for India's infrastructure development by providing stability and time frame to global investors.
- It is also proposed to amend Sec. 10(23FE) to clarify that LTCG (whether deemed as short term capital gain u/s 50AA or not) arising from investment in unlisted bond/debenture shall continue to be exempt. The said amendment

has been proposed to avoid unintended denial of exemption of LTCG to these entities consequent to amendment in Sec. 50AA vide Finance (No. 2) Act, 2024 which deems capital gains arising from transfer of investment in unlisted bond or unlisted debenture as STCG irrespective of period of holding.

Comments

- Till now, over 35 SWFs and/or Pension Funds have been notified by the Government. With the above amendment, Government has met the demands of these specified persons who were seeking an extension of the tax exemption and who have been playing a very vital role in financing infrastructure projects [road, rail and air and port connectivity, green energy etc.].
- However, the Government has not extended the exemption to offshore platforms and present exemption applies to only domestic platforms. It is a common practice among foreign funds to pool their investment outside India by forming consortium to make investments whereby offshore entity holds the SWF investment. Such an exemption is essential to provide long-term capital gains exemption to specified persons on their exits from such foreign platforms, where the Indian indirect transfer provisions get triggered.

9.6 Non applicability of penalty provisions in respect of searches conducted on or after 01-09-2024 [Sec. 271AAB] [w.r.e.f. 01-09-2024]

- Hitherto, Sec. 271AAB provides for levy of penalty on undisclosed income unearthed during the course of search.
- Vide Finance (No. 2) Act, 2024, a separate Sec. 158BFA has been inserted for levy of penalty

@50% in search cases. In order to remove any ambiguous interpretation of its applicability, it is proposed to bring clarity that provisions of Sec. 271AAB shall not apply to cases where search has been initiated on or after 01-09-2024.

9.7 Extension of limitation period for passing order of immunity from penalty and prosecution [Sec. 270AA] [w.e.f 01-04-2025]

- Hitherto, the time period available to the AO u/s 270AA(4) to process the application made by assessee u/s 270AA(1) to obtain immunity from imposition of penalty u/s 270A or initiation of prosecution proceedings u/s 276C & 276CC is one month from the end of the month in which the application is received.
- It is now proposed to amend Sec. 270AA(4) so as to extend the time limit of passing order for accepting or rejecting above immunity applications from existing 1 month to 3 months, with a view to remove challenges faced by tax payers in representing their case.
- In G.R. Infraprojects Ltd. -vs.- ACIT & Ors [D.B. WP No. 5594/2023, dated 02-01-2024], Hon'ble Rajasthan HC has quashed the penalty order, since petitioner's application for immunity u/s 270AA was never decided by AO within the prescribed time and straightaway penalty order was passed. It relied on similar decision in case of Ultimate Infratech Pvt. Ltd. -vs.- NFAC [2022(4) TMI 1086 - Delhi HC].
- Similarly in Terra Infra Development Ltd -vs.- ACIT (ITA No.297/Nag./2024)(dated 12-12-2024), ITAT held that AO was not justified in rejecting immunity application by not passing order within time and without giving opportunity of being heard to the assessee.

Comments

- The above amendment aims to encourage fast track settlement of disputes, recovery of tax and reduce protracted litigation.

9.8 Rationalisation of time limit for passing penalty orders [Sec. 275] [w.e.f. 01-04-2025]

- Hitherto, Sec. 275 prescribes multiple time limits for passing of penalty orders under various provisions of Chapter XXI.
- It is proposed to substitute Sec. 275 to rationalise the time limits as under:

Sl. No.	Case	Existing Time Limit	Proposed Time Limit
1.	The relevant assessment or other order is not subject matter of an appeal before CIT(A)/ITAT	Later of the following dates: (i) On or before end of the financial year in which the relevant assessment or other order is passed; (ii) 6 months from the end of the month in which notice for imposition of penalty is issued	6 months from the end of the quarter in which the relevant assessment or other order is passed.
2.	Relevant assessment or other order is subject matter of revision u/s 263/264	6 months from the end of the month in which the order u/s 263/264 is passed.	6 months from the end of the quarter in which the order u/s 263/264 is passed.

Sl. No.	Case	Existing Time Limit	Proposed Time Limit
3.	Order of CIT(A) passed and no further appeal is filed before the ITAT	Later of the following dates: (i) On or before end of the financial year in which the relevant assessment or other order is passed; (ii) One year from the end of financial year in which order of CIT(A) is received by the PCIT/CIT.	6 months from the end of the quarter in which the order of CIT(Appeals) is received by the jurisdictional PCIT/CIT.
4.	Order of ITAT passed where the relevant assessment or other order was subject matter of an appeal u/s 253	Later of the following dates: (i) On or before end of the financial year in which the relevant assessment or other order is passed; (ii) 6 months from the end of the month in which order of ITAT is received by the PCIT/CIT.	6 months from the end of the quarter in which the order of ITAT is received by the jurisdictional PCIT/CIT.
5.	In any other case	6 months from the end of the month in which notice for imposition of penalty is issued.	6 months from the end of the quarter in which notice for imposition of penalty is issued.

9.9 Rationalisation of provisions relating to levy of penalty [Sec. 271BB, Sec. 271C, Sec. 271CA, Sec. 271D, Sec. 271DA, Sec. 271DB, Sec. 271E] [w.e.f. 01-04-2025]

- Hitherto, Sec. 271C [contravention of provisions related to TDS], 271CA [contravention of provisions related to TCS], Sec. 271D [contravention of provisions of Sec. 269SS], Sec. 271DA [contravention of provisions of Sec. 269ST], Sec. 271DB [contravention of provisions of Sec. 269SU] and Sec. 271E [contravention of provisions of Sec. 269T] provides that penalty under the said sections shall be imposed by JCIT. It is proposed to amend the aforesaid sections to provide for levy of penalty by the AO in place of JCIT.
- Consequential amendment has been proposed in Sec. 246A(1)(n) [Appealable orders before Commissioner (Appeals)] to omit the reference of any specified authority as the orders under the aforesaid sections can be passed by any officer of the rank of AO.
- Sec. 271BB which provides for levy of penalty in case of failure to subscribe to eligible units

issued under a scheme referred in erstwhile Sec. 88A has been proposed to be omitted as the said section had already become redundant on omission of Sec. 88A vide Finance (No. 2) Act, 1996.

Comments

- The aforesaid amendment has been proposed to remove the anomaly in cases where assessment orders which form the basis of levy of such penalty though passed by an authority below the level of JCIT, however penalty in such cases are levied only by JCIT.
- However, in terms of the existing provisions of Sec. 274(2), the AO would be required to take prior approval of the JCIT where penalty amount exceeds ₹10,000/- [in case of orders passed by ITO] or ₹20,000/- [in case of orders passed by ACIT/DCIT].

9.10 Rationalisation of provision of prosecution for delay in deposit of TCS [Sec. 276BB] [w.e.f. 01-04-2025]

- Hitherto, Sec. 276BB provides that if a person fails to deposit TCS u/s 206C to the credit of CG within the prescribed time limit, then the person shall be punishable with imprisonment which shall be ranging from 3 months to 7 years and with fine.
- Henceforth, it is proposed to insert a new proviso to Sec. 276BB, to provide that prosecution proceedings shall not be initiated on an assessee, if TCS in a quarter is deposited to the credit of the CG within the time limit prescribed for filing TCS statement of that quarter.

Comments

- Vide Finance Act (No. 2), 2024, the provisions of Sec. 276B [prosecution for default in deposit of TDS] were relaxed to the effect that prosecution proceedings shall not be initiated on an assessee, if tax deducted at source in a quarter is deposited to the credit of the CG within the

time limit prescribed for filing TDS Statement of that quarter. In order to align the prosecution provisions for default in deposit of TCS with default in deposit of TDS, similar amendment has been proposed in Sec. 276BB.

- Presently, certain relaxation in application of Sec. 276BB is available in terms of CBDT Circular No. 24/2019 [F.NO. 285/08/2014-IT(INV. V)/349] dated 09-09-2019, which states that prosecution shall not be initiated under normal circumstances for cases where non-payment of TCS is ₹25 lacs or below, and the delay in deposit is less than 60 days from the due date subject to certain exceptions. However, in exceptional cases like, habitual defaulters, based on particular facts and circumstances of each case, prosecution may be initiated only with the approval of the collegium of two CCIT/DGIT rank officers.

9.11 Clarification in computing time limits where proceedings are stayed [Sec. 144BA, Sec. 153, Sec. 153B, Sec. 158BE, Sec. 158BFA, Sec. 263, Sec. 264 and Rule 68B of Schedule-II] [w.e.f. 01-04-2025]

- Hitherto, as per Sec. 144BA [reference to PCIT for invoking GAAR provisions], Sec. 153 [Scrutiny Assessment, Best Judgement & Reassessment], Sec. 153B [Search Assessment], Sec. 158BE [Block Assessment], Sec. 158BFA [Time period to levy interest and penalty for search cases], Sec. 263 [Revision by Revenue], Sec. 264 [Revision by assessee] and Rule 68B of Schedule-II [Time limit for sale of attached immovable property] provide that the period during which the proceedings are stayed by an order or injunction of any court has to be excluded for computing the time limit for conclusions of proceedings.
- Vide Finance Bill 2025, it is proposed to amend the above provisions to clarify the commencement and end date for exclusion of time period of limitation of respective sections. Accordingly, the excluded period will now be from the date on which stay is granted by any court to the date

the jurisdictional Principal Commissioner (or Approving Panel in Sec. 144BA cases) receives the certified copy of the order vacating the stay. Thus, the proposed amendment addresses ambiguity in calculating the period to be excluded when legal proceedings are stayed by a court order.

Comments

- The proposed amendment seeks to nullify the decisions of CIT -vs.- Chandra Bhan Bansal (2015) 273 CTR 450 (All) & Saheb Ram Om Prakash Marketing (P.) Ltd. -vs.- CIT (2017) 398 ITR 292 (Del) wherein the HCs have held that the period of limitation for assessment shall restart as soon as said order or injunction of Court is vacated, even though such order vacating injunction is not received by the Department. With the above proposal, the period of limitation for assessment will restart from the receipt of the order, vacating the stay, by the PCIT/CIT/Approving Panel.

9.12 Exemption to Specified Undertaking of UTI (SUUTI) extended [Sec. 13(1) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002] (UTITUR Act, 2002) [w.e.f. 01-04-2025]

- SUUTI was created by the UTITUR Act, 2002, as successor of erstwhile UTI, and is mandated to liquidate the Government liabilities on account of erstwhile UTI. In terms of Sec. 13(1) of the UTITUR Act, 2002, n.w. Finance Act, 2023, SUUTI has been exempted from payment of income tax till 31-03-2025.
- It is now proposed to amend Sec. 13(1) of the UTITUR Act, 2002, to extend the exemption till 31-03-2027 since the work of SUUTI pertaining to the redemption of schemes, payments of entire amounts, pending litigation etc. is expected to extend beyond 31-03-2025.

9.13 Rationalisation of the provisions of block assessment for search & requisition cases [Sec. 158B, Sec. 158BA, Sec. 158BB & Sec. 158BE] [w.e.f. 01-02-2025]

- Vide Finance (No. 2) Act, 2024 special procedure for block assessment in search case was reintroduced in Chapter XIV-B. As per the said Chapter where a search is initiated u/s 132 or books of accounts, etc. is requisitioned u/s 132A on or after 01-09-2024, assessment shall be conducted as per the amended provisions (consisting of Sec.s 158B to 158BI). Certain amendments are proposed in the abovementioned provisions of Chapter XIV-B of the Act.
- It is proposed to enlarge the definition of 'undisclosed income' to include within its scope 'virtual digital assets'.
- Hitherto, where any assessment is 'pending' in the case of an assessee in whose case a subsequent search or requisition is initiated, such assessment shall be duly completed and thereafter assessment in respect of search or requisition shall be made. It is now proposed to substitute the word assessment is 'pending' with assessment 'required to be made'. The proposed amendment has been made to cover assessment of those years where notice u/s 142(1)/143(2) has not yet been issued.
- It is proposed to rationalise the methodology of computation of total income of the block period [Sec. 158BB]. Aggregate of the following income shall be considered as the income of the block period:-

Sl. No.	Existing Provision	Proposed Amendment
1.	Total Income 'disclosed' in the return of income filed pursuant to search	Total 'disclosed income' to be replaced with total 'undisclosed income' declared in the return of income filed pursuant to search
2.	Total Income assessed u/s 143(3) or Sec. 144 or Sec. 147 or Sec. 153A or Sec. 153C prior to the date of initiation of search or the date of requisition	No change

Sl. No.	Existing Provision	Proposed Amendment
3.	Income declared in the return of income filed u/s 139 or in response to the notice u/s 142(1) or u/s 148 and not covered above	Income declared in the return of income filed u/s 139 or in response to the notice u/s 142(1) or u/s 148 prior to the date of initiation of search or the date of requisition and not covered above, and Income of the PY which has ended but the due date of furnishing the return of income of that PY has not expired prior to the date of initiation of search. Such income, shall be computed on the basis of the entries made in the books of accounts maintained for the relevant period.
4.	Income for the period commencing from the 1st day of the previous year in which search is initiated and ending on the date of execution of last of authorization of search shall be computed on the basis of the income shown in the books of accounts maintained for the relevant period.	Income for the period commencing from the 1st day of the PY in which search is initiated and preceding the date of initiation of search, and Income from the date of initiation of search and ending on the date of execution of last of authorization of search. Such income shall be computed on the basis of the entries made in the books of accounts maintained for the relevant period.
5.	Undisclosed income determined by the AO	No change

Hitherto, any evidence found in relation to a domestic or international transaction shall not be considered for the purpose of computing income of such domestic or international transaction. Henceforth, it is proposed that income relating to such international or specified domestic transaction for part period of the previous year (beginning from 1st April) in which last of the authorization of search was executed shall not be considered in the income of the block period.

It is proposed to increase the time limit for completion of block assessment from 12 months from the end of the 'month' in which last of the authorization of search or a requisition was executed to 12 months from the end of the 'quarter' in which last of the authorization of search or requisition was executed.

9.14 Extension of time limit for retention of books of accounts, etc. in search cases [Sec. 132 & Sec. 132B] [w.e.f. 01-04-2025]

Hitherto, books of accounts or other documents seized during the course of search can be retained for 30 days from the date of order of assessment or reassessment or re-computation.

It is proposed to increase the time limit for retention of books of accounts or other documents seized in search cases from 30 days to one month from the end of the quarter in which the order of assessment, re-assessment or re-computation is made.

Comments

The existing system can create confusion in managing such documents. Further, the AO is required to have constant vigil on the floating time barring dates for taking approvals for retention of books of accounts. Hence in order to bring uniformity, it is proposed to increase the time limit for retention of books of accounts, etc.

9.15 Removing the cut-off date for issuing directions to implement faceless schemes [Sec. 92CA, Sec. 144C, Sec. 253 & Sec. 255] [w.e.f 01-04-2025]

- Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 ["TOLA"] had introduced enabling provisions for notifying faceless schemes under various sections of the Act viz. Sec. 92CA, 130, 135A, 142B, 144C, 151A, 157A, 231, 253, 264A, 264B, 279, 293D etc.
- Further, enabling provisions for notifying faceless scheme for appellate proceedings before CIT(Appeals) and penalty proceedings were introduced vide Finance Act, 2020. Similarly, enabling provisions for notifying faceless scheme for appellate proceedings before ITAT u/s 255, e-Settlement Scheme by Interim Board u/s 245D, e-Advance Rulings Scheme u/s 245R were introduced vide Finance Act, 2021.
- All the above provisions specified a cut-off date beyond which no directions could be issued to implement the scheme. Subsequently, various faceless schemes have already been notified u/s 130, 135A, 142B, 151A, 245D, 245R, 250, 274 etc. and some are yet to be notified.
- Out of the various sections in respect of which Faceless Schemes were not notified, the cut-off date for faceless schemes u/s 92CA, 144B, 253 and 255 were extended to 31-03-2024 vide Finance Act, 2022. Vide Finance Act, 2024, cut-off date in these sections were further extended to 31-03-2025.
- Now it is proposed to omit proviso specifying the existing cut-off date of 31-03-2025 for issuing directions to implement faceless scheme in the below mentioned sections:

Sl. No.	Section	Faceless Scheme
1.	92CA(9)	Proceedings before Transfer Pricing Officer
2.	144C(14C)	Proceedings before Dispute Resolution Panel
3.	253(9)	Filing of appeal before ITAT
4.	255(8)	Appellate proceedings before ITAT

Comments

- The above amendment shall enable the Government to issue directions any time for implementation of the Faceless Schemes in the aforementioned sections.
- However, restriction of cut-off date for issuing directions in following provisions have not been omitted though the same has expired long ago, implying that same will be done in physical manner:

Sl. No.	Section	Faceless Scheme	Cut-off Date as per Act
1.	157A	Faceless rectification, amendments and issuance of notice of demand u/s 156	31-03-2022
2.	231	Faceless collection and recovery of tax	31-03-2022
3.	264A	Faceless revision of orders u/s 263 or u/s 264	31-03-2022
4.	264B	Faceless effect of orders	31-03-2022
5.	279	Faceless scheme for granting sanction for initiating prosecution or compounding the offence	31-03-2022
6.	293D	Faceless approval of registration	31-03-2022

- It seems that the above sections may have been missed to be amended, since it is not in sync with the speech of the Hon'ble Finance Minister wherein she has promised that all processes including giving effect to appellate orders shall be digitalized and made paper-less over the next two years.
- Though the Government has not come out with faceless rectification scheme as mentioned in Sec.

157A, however in the e-filing income tax portal, an assessee can file online rectification petition in the following situation:-

- for rectification of mistakes in the intimation u/s 143(1) or in the order u/s 154 passed by the CPC
- for rectification of mistakes in the assessment order or penalty order passed by the faceless assessment centre.

9.16 Amendment in the definition of Virtual Digital Asset to include Crypto Asset and Obligation to furnish information on transaction of Crypto Asset [Sec. 2(47A) & Sec. 285BAA] [w.e.f. AY 2026-27]

- Hitherto, in terms of Sec. 115BBH, income from transfer of Virtual Digital Asset (VDA) is liable to be taxed @ 30%. Further, in terms of Sec. 194S, Tax @ 1% of transaction value on transfer of VDA is required to be deducted. However, the definition of VDA prescribed u/s 2(47A) did not include Crypto Asset.
- It has been proposed to amend Sec. 2(47A) which provides for definition of VDA to include any Crypto Asset being a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions, whether or not already included in the definition of VDA.
- Sec. 285BAA has been proposed to be inserted w.e.f. AY 2026-27 wherein a reporting entity shall be required to furnish information pertaining to transactions in Crypto Assets for prescribed period in a prescribed statement and within prescribed time frame. Further, in respect of a defective statement, the Income Tax Authority shall intimate the reporting entity regarding the defect and provide an opportunity to rectify such defect within 30 days from the date of such intimation or such further period as may be allowed. If the defect is not rectified within such period, the provisions of the Act shall apply as if the reporting entity has furnished inaccurate information. In case of non-filing of such statement within the specified time, the Income Tax Authority may serve a notice upon the reporting entity to furnish such statement within a period not exceeding 30 days from the date of serving such

notice. In case the reporting entity comes to know or discovers any inaccuracy in the information provided in the statement, such reporting entity shall within 10 days inform the Income Tax Authorities regarding the inaccuracy and furnish the correct information in the prescribed manner.

- The CG may also by Rules prescribe reporting entity to obtain registration with the Income Tax Authorities, the nature of information pertaining to Crypto Assets and manner of maintenance of such information along with the manner of due diligence to be carried out by a Reporting Entity for identification of a Crypto Asset user or owner.

Comments

- Currently, investments in the form of VDA, Non-Fungible Tokens (NFTs) and Crypto Assets are on the rise due to the prevalence of digital economy worldwide. India has been included in the list of 52 "Relevant" jurisdictions for the purpose of Crypto Asset Reporting Framework (CARF). CARF provides for the Automatic Exchange of Tax-relevant Information (AEOI) on Crypto-Assets. The G20 Leader's New Delhi Declaration called for the swift implementation of the CARF. Accordingly, Sec. 285BAA has been proposed to be inserted in order to create reporting and vigilance mechanism for the Crypto Assets. Further, any income arising from transfer of Crypto Assets shall also be liable to be taxed u/s 115BBH and TDS @ 1% of transaction value u/s 194S shall also be applicable on the same.



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10.1 Amendments to Customs Act, 1962

10.1.1 Providing definite time limit for provisional assessment of duty [Sec.18(1B) & 18(1C) w.e.f. the date of enactment of Finance bill]

- New Sec. 18(1B) is proposed to be inserted in Customs Act, 1962 so as to provide a definite time limit of two years for finalisation of provisional assessment. This proposed amendment also gives power to the PO to carry out provisional assessment of duty.
- This time period may be extended by the Commissioner of Customs for a further period of one year if sufficient cause is shown. The time-limit shall be reckoned from the date of assent of the Finance Bill.
- A new sub-section (1C) is also proposed to be inserted to provide for certain grounds on which the time-limit of two years for finalizing provisional assessment shall remain suspended. These grounds are - information being sought

from authority outside India or appeal in similar matter pending before Appellate Tribunal, or High Court or Supreme Court or interim order of stay or similar matter being kept pending or matter pending before Settlement Commission.

Comments:

- The proposed amendment by way of the afore-said insertion of sub-section (1B) and (1C) in Sec. 18 are directed towards bringing certainty to the importers/exporters that their duty liability due to pending assessment comes to a finality in a fixed period.
- Further, the security (bond/bank guarantee) which was executed with Customs can accordingly be liquidated within timeframe.

10.1.2 Incentivising Voluntary Compliance [Sec. 18A w.e.f. the date of enactment of Finance bill]

- A new Sec. 18A is being proposed to be inserted in the Customs Act, 1962 for voluntary revision

of entry post clearance so that the importers and exporters may revise any entry that is made in relation to the goods within a prescribed time and according to certain conditions as may be prescribed.

- Such entry will be treated as self-assessment allowing payment of duty along-with interest or treating the revised entry as a refund claim u/s 27 of the Customs Act, 1962.
- Certain cases where this Sec. will not apply includes cases where audit or search, seizure or summons have been initiated, cases requiring refund where the PO has assessed/re-assessed the duty and any other case which the Board may specify by notification in the Official Gazette.

Comments:

- Revised self-assessment post clearance is a voluntary compliance mechanism for dealing with situations where an error has been detected internally by importers, and importer comes forward to rectify by making declaration.
- This proposed amendment will encourage importers to make voluntary disclosures and bring down litigation.
- **10.1.3 CCESC to be made inoperative [w.e.f. 01-04-25]**
- CCESC shall cease to operate on or after 1 April, 2025.

- No new application shall be made to CCESC on or after 1st April, 2025.
- Pending applications shall be processed by Interim Boards which will be established to deal with such applications from the stage at which the applications stood immediately before its constitution.
- The Interim Board have been allowed to extend the time limit for disposing off pending applications up to 12 months from its constitution, with reasons to be recorded in writing.

Comments:

- After 1st April 2025, no new settlement applications can be filed. Tax disputes will be handled through the normal adjudication process unless a new mechanism is introduced. The pending applications will be disposed off by the Interim Board to be created specifically for this purpose.
- The proposed amendment to the Central Excise Act and Customs Act, signify a pivotal shift in the process of settling tax disputes, aligning with the CG's broader objectives of enhancing transparency and fairness in tax administration. The CG's decision to abolish Settlement Commission addresses concerns about misuse and lack of transparency ensuring a more accountable system.

10.2 Amendments to Customs Tariff Act, 1975

10.2.1 Amendments to the First Schedule of CTA [w.e.f 01-05-2025]

- Reduction of tariff rates from 25%-40% to 20% and from 100%-150% to 70%.
- Reduction of tariff rates on specific items and alignment of effective rates in the Schedule.
- New Tariff Items for Rice: Classification based on process (parboiled, others) and variety (Geographical Indication (GI) recognized, basmati, others) under sub-heading 1006 30.
- New Tariff Items for Makhana: Creation of tariff lines for different forms (popped, flour/powder, others) under sub-heading 2008 19, with renumbering of existing entries.

- Waste Oils Classification: New tariff items to distinguish waste oils based on the concentration of PCBs, PCTs, or PBBs under sub-heading 2710 91.
- Dual-Use Chemicals in Chapter 28: Separate identification of certain non-pesticidal dual-use chemicals.
- Dual-Use Chemicals & International Conventions in Chapter 29: New tariff items and supplementary notes for specific chemicals under international regulations.
- Technical-Grade Pesticides in Chapter 38: Creation of tariff items and notes for pesticides and internationally regulated goods.

- Precious Metals Classification: New tariff lines for metals containing specified purity levels—99.9% or more for silver, 99.5% or more for gold, and 99% or more for platinum—under headings 7106, 7108, and 7110.
- Alignment with WCO HS 2022: Modifications in heading 8112 and sub-heading note 2 of chapter 85 to conform to WCO HS 2022 standards.

Comments:

- The above amendments are proposed with a view to implement rationalisation of customs tariff structure and reduction of slab rates.
- Furthermore such amendments will also enable better identification of goods to align tariff lines with WCO classification.

10.2.2 Amendments to Duty Rates in the First Schedule to CTA

- Increase in Tariff rates w.e.f. 02-02-2025:

Sl. No.	Tariff Item	Commodity	Rate of Duty	
			From	To
Textile				
1.	6004 10 00 6004 90 00 6006 22 00 6006 31 00 6006 32 00 6006 33 00 6006 34 00 6006 42 00 6006 90 00	Knitted Fabrics	20%/10%	20% or ₹ 115/kg, whichever is higher
IT & Electronics Sector				
2.	8528 59 00	Interactive Flat Panel Displays (Completely Built Units)	10%	20%

- Decrease in Tariff rates w.e.f. 01-05-2025:

Sl. No.	Tariff Item	Commodity	Rate of Duty	
			From	To
1.	2515 11 00 2515 12	Marble and travertine, crude or roughly trimmed, merely cut into blocks, slabs and other	40%	20%
2.	2516 11 00 2516 12 00	Granite, crude or roughly trimmed, merely cut into blocks, slabs and other	40%	20%
3.	2933 59	Other compounds containing a pyrimidine ring (whether or not hydrogenated) or piperazine ring in the structure	10%	7.5%
4.	3302 10	Synthetic flavouring essences and mixtures of odoriferous substances of a kind used in food and drink industries	100%	20%
5.	3406	Candles, tapers and the like	25%	20%
6.	3822 90	Reference Materials	30%	10%
7.	3824 60	Sorbitol other than that of subheading 2905 44	30%	20%
8.	3920	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.	3921	Other plates, sheet, film, foil and strip of plastics	25%	20%

Sl. No.	Tariff Item	Commodity	Rate of Duty	
			From	To
10.	6401	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.	6402	Other footwear with outer soles and uppers of rubber or plastics	35%	20%
12.	6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	35%	20%
13.	6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	35%	20%
14.	6405	Other Footwear	35%	20%
15.	6802 10 00 6802 21 10 6802 21 20 6802 21 90 6802 23 10 6802 23 90 6802 29 00 6802 91 00 6802 92 00 6802 93 00	Worked monumental or building stone	40%	20%
16.	7113	Articles of Jewellery and parts thereof	25%	20%
17.	7114	Articles of goldsmiths' and silversmiths' wares and parts thereof	25%	20%
18.	7404 00 12 7404 00 19 7404 00 22	Copper Waste and Scrap	2.5%	Nil
19.	8002	Tin Waste and Scrap	5%	Nil
20.	8101 97 00	Tungsten Waste and Scrap	5%	Nil
21.	8102 97 00	Molybdenum Waste and Scrap	5%	Nil
22.	8103 30 00	Tantalum Waste and Scrap	5%	Nil
23.	8105 30 00	Cobalt Waste and Scrap	5%	Nil
24.	8106 90 10	Waste and Scrap of Bismuth and Bismuth alloys	5%	Nil
25.	8109 31 00, 8109 39 00	Zirconium Waste and Scrap	10%	Nil
26.	8110 20 00	Antimony Waste and Scrap	2.5%	Nil
27.	8112 13 00	Beryllium Waste and Scrap	5%	Nil
28.	8112 41 20	Rhenium Waste and Scrap	10%	Nil
29.	8112 61 00	Cadmium Waste and Scrap	5%	Nil
30.	8541 42 00	Solar Cells	25%	20%
31.	8541 43 00 8541 49 00	Solar Module and Other semiconductor devices and photovoltaic cells	40%	20%
32.	8702	Motor vehicles for transport of 10 or more persons	40%	20%



Sl. No.	Tariff Item	Commodity	Rate of Duty	
			From	To
33.	8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702)	125%	70%
34.	8704	Motor vehicles for transport of goods	40%	20%
35.	8711	Motorcycles and cycles fitted with an auxiliary motor with or without side-car	100%	70%
36.	8712 00 10	Bicycles	35%	20%
37.	8903	Yachts and other vessels for pleasure or sports; rowing boats and canoes	25%	20%
38.	9028 30 10	Electricity meters for alternating current (Smart meter)	25%	20%
39.	9401	Seats (other than those of headings 9402), whether or not convertible into beds, and parts thereof	25%	20%
40.	9403	Other furniture and parts thereof	25%	20%
41.	9404	Mattress supports, articles of bedding and similar furnishing etc.	25%	20%
42.	9405	Luminaries and lighting fittings including searchlights and spotlights and parts thereof etc.	25%	20%
43.	9503 00 91	Parts of electronic toys	70%	20%
44.	9802 00 00	Laboratory Chemicals	150%	70%
45.	9803 00 00	All dutiable articles, imported by a passenger or a member of a crew in his baggage	100%	70%
46.	9804 00 00	All dutiable goods imported for personal use	35%	20%

■ Tariff rate changes (without change in existing effective rate of duty) w.e.f. 01-05-2025 unless otherwise specified:

Sl. No.	Tariff Item	Commodity	Rate of Duty	
			From	To
1.	1520 00 00	Glycerol Crude, glycerol waters, glycerol lye	30%	20%
2.	2603 00 00	Copper Ores and concentrates	2.5%	Nil
3.	2605 00 00	Cobalt Ores and concentrates	2.5%	Nil
4.	2609 00 00	Tin Ores and concentrates	2.5%	Nil
5.	2611 00 00	Tungsten Ores and concentrates	2.5%	Nil
6.	2613 00 00	Molybdenum Ores and concentrates	2.5%	Nil
7.	2615 10 00	Zirconium Ores and concentrates	2.5%	Nil
8.	2615 90 10	Vanadium Ores and concentrates	2.5%	Nil
9.	2615 90 20	Niobium or Tantalum Ores and concentrates	2.5%	Nil
10.	2617 10 00	Antimony Ores and Concentrates	2.5%	Nil
11.	2711 12 00	Liquefied Propane	15%	2.5%
12.	2711 13 00	Liquefied Butane	15%	2.5%
13.	2711 19 10	LPG (for non-automotive purpose)	15%	5%

Sl. No.	Tariff Item	Commodity	Rate of Duty	
			From	To
14.	2711 19 20	LPG (for automotive purpose)	15%	5%
15.	2711 19 90	Other liquefied petroleum gas	15%	5%
16.	2809 20 10	Phosphoric Acid	20%	7.5%
17.	2810 00 20	Boric Acid	27.5%	7.5%
18.	3824 99 00	Other - Prepared Binders, chemical products and preparations of chemical or allied industries	17.5%	7.5%
19.	7210 12 10	OTS/MR type-flat rolled products of thickness less than 0.5 mm	27.5%	15%
20.	7210 12 90	Other flat rolled products of thickness less than 0.5 mm	27.5%	15%
21.	7219 12 00	Hot-rolled products in coils of thickness greater than or equal to 4.75 mm, but not exceeding 10 mm	22.5%	15%
22.	7219 13 00	Hot-rolled products in coils of thickness greater than or equal to 3 mm but less than 4.75 mm	22.5%	15%
23.	7219 21 90	Flat rolled products of stainless steel of width 600 mm or more - Other nickel chromium austenitic type	22.5%	15%
24.	7219 90 90	Flat rolled products of stainless steel of width 600 mm or more - Other sheets and plates	22.5%	15%
25.	7225 11 00	Flat-rolled products of other alloy steel - grain oriented, silicon electrical steel	20%	15%
26.	7307 29 00	Other tube or pipe fittings of stainless steel	25%	15%
27.	7307 99 90	Other fittings of iron or steel, non-galvanised	25%	15%
28.	7308 90 90	Other structure and parts of structures of iron and steel	25%	15%
29.	7310 29 90	Others-tanks and drums etc.	25%	15%
30.	7318 15 00	Other screws and bolts whether or with nuts or washers	25%	15%
31.	7318 16 00	Threaded nuts	25%	15%
32.	7318 29 90	Other non-threaded articles	25%	15%
33.	7320 90 90	Other springs and leaves of iron/steel	25%	15%
34.	7325 99 99	Other cast articles of iron or steel	25%	15%
35.	7326 19 90	Others - forged or stamped articles of iron or steel but not further worked	25%	15%
36.	7326 90 99	Miscellaneous other articles of iron/steel	25%	15%
37.	8001	Unwrought Tin	5%	Nil
38.	8101 94 00	Unwrought tungsten, including bars and rods obtained simply by sintering	5%	Nil
39.	8102 94 00	Unwrought molybdenum, including bars and rods obtained simply by sintering	5%	Nil
40.	8103 20	Unwrought tantalum, including bars and rods obtained simply by sintering, powders	5%	Nil
41.	8105 20 20	Cobalt, unwrought	5%	Nil



Sl. No.	Tariff Item	Commodity	Rate of Duty	
			From	To
42.	8106 10 10	Bismuth, unwrought	5%	Nil
43.	8109 21 00	Unwrought zirconium, powders, containing less than 1 part hafnium to 500 parts zirconium by weigh	10%	Nil
44.	8110 10 00	Unwrought antimony, powders	2.5%	Nil
45.	8112 12 00	Beryllium unwrought, powders	5%	Nil
46.	8112 31	Hafnium unwrought, waste and scrap, powders	10%	Nil
47.	8112 41 10	Rhenium unwrought	10%	Nil
48.	8112 69 10	Cadmium unwrought, Powders	5%	Nil
49.	8112 69 20	Cadmium, wrought	5%	Nil

■ Tariff rate changes for BCD w.e.f. 02-02-2025

Sl. No.	Tariff Item	Commodity	Rate of Duty	
			From	To
		Aqua-farming & Marine Exports		
1.	0304 99 00	Frozen Fish Paste (Surimi) for use in manufacture of Surimi Analogue products, for export	30%	5%
2.	2301 20	Fish Hydrolysate for use in manufacture of aquatic feed	15%	5%
		Leather		
3.	4104 11 00 4104 19 00 4105 10 00 4106 21 00 4106 31 00 4106 91 00	Wet blue leather (hides and skins)	10%	Nil
		Gems and Jewellery Sector		
4.	7113	Platinum Findings	25%	5%
		Metal Scrap & Lithium-Ion Battery Waste and Scrap		
5.	7802	Lead waste and scrap	5%	Nil
6.	7902	Zinc waste and scrap	5%	Nil
7.	8105 20 30	Cobalt powders	5%	Nil
8.	8549 13 00 8549 14 00 8549 19 00	Waste and scrap of Lithium-Ion Battery	5%	Nil
		IT and Electronics Sector		
9.	8517	Ethernet switches Carrier grade	20%	10%
10.	8524 8529	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%
11.	8529	Inputs and Parts of the Open Cells for use in the manufacture of Television Panels of LED/LCD TV.	2.5%	Nil

Sl. No.	Tariff Item	Commodity	Rate of Duty	
			From	To
12.	Any Chapter	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.	2.5%	Nil
13.	Any Chapter	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
14.	Any Chapter	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	Nil
		Automobiles		
15.	8702	Motor vehicles for transport of 10 or more persons	25%/40%	20%
16.	8703	Motor cars and other motor vehicles with CIF value more than US \$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%
17.	8704	Motor vehicles for transport of goods	25%/40%	20%
18.	8711	Motor cycles with engine capacity not exceeding 1600cc in CBU form	50%	40%
19.	8711	Motor cycles with engine capacity not exceeding 1600cc in SKD form	25%	20%
20.	8711	Motor cycles with engine capacity not exceeding 1600cc in CKD form	15%	10%
21.	8711	Motor cycles with engine capacity of 1600cc and above in CBU form	50%	30%
22.	8711	Motor cycles with engine capacity of 1600cc and above in SKD form	25%	20%
23.	8711	Motor cycles with engine capacity of 1600cc and above in CKD form	15%	10%
		Toys		
24.	9503 00 91	Parts of electronic toys for manufacture of electronic toys	25%	20%

Comments:

- The tariff structure has been recalibrated to boost domestic manufacturing to align with the Government's "Make in India" initiative.
- Reduction of customs duty on critical minerals like lead and zinc from 5% to nil and lithium-ion battery scrap and other essential inputs supports will support domestic manufacturing by ensuring uninterrupted supply for Indian manufacturers.
- BCD has been exempted on 36 life-saving drugs and concessional 5% duties on 6 other life-saving drugs. These moves are aimed to make healthcare available and affordable to patients with chronic diseases.
- Rate rationalisation by addressing inverted duty structures have been sought to be achieved by revising the BCD rates on key inputs for technical textiles and electronic goods.

10.2.3 Tariff rate changes in Second Schedule of CTA read with Notification No. 46/2024-Customs dated 22.10.2024 [w.e.f. 02-02-2025]

- Increase in Tariff rates w.e.f. 02-02-2025:

Sl. No.	Tariff Item	Commodity	Rate of Export Duty	
			From	To
1.	4104 41 00 4104 49 00 4105 30 00 4106 22 00 4106 32 00 4106 92 00	Crust leather (hides and skins)	20%	Nil

Comments:

- The export of crust leather has now been made duty free benefitting small tanners engaged in exports. This move along-with exemption of BCD on wet blue leather is a move targeted to boost leather exports.

10.2.4 Changes in the AIDC Rates [w.e.f. 02-02-2025]

- Introduced in Budget 2021-22 to finance agricultural infrastructure projects, AIDC is levied on specific imports as well as on domestic petroleum products. The revenue so generated is used exclusively by the CG for agricultural development.

Sl. No.	Tariff Item	Commodity	AIDC Rates	
			From	To
1.	2515 11 00 2515 12	Marble and travertine, crude or roughly trimmed, merely cut into blocks, slabs and other	Nil	20%
2.	2516 11 00 2516 12 00	Granite, crude or roughly trimmed, merely cut into blocks, slabs and other	Nil	20%
3.	3406	Candles, Tapers and the like	Nil	7.5%
4.	3920 or 3921	PVC Flex Films, PVC Flex Sheets, PVC Flex Banner	Nil	7.5%
5.	6401	Waterproof Footwear with outer soles and Uppers of Rubber or Plastics	Nil	18.5%
6.	6402	Other Footwear With Outer Soles And Uppers of Rubber or Plastics	Nil	18.5%
7.	6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	Nil	18.5%
8.	6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	Nil	18.5%
9.	6405	Other Footwear	Nil	18.5%
10.	6802 10 00 6802 21 10 6802 21 20 6802 21 90 6802 91 00 6802 92 00	Marble Slab Marble Slab	Nil	20%
11.	7113	Platinum findings	Nil	1.4%
12.	8541 42 00	Solar Cells	Nil	7.5%

Sl. No.	Tariff Item	Commodity	AIDC Rates	
			From	To
13.	8541 43 00 8541 49 00	Solar Module and Other semiconductor devices and photovoltaic cells	Nil	20%
14.	8702	Motor vehicles for transport of 10 or more persons	Nil	20%
15.	8702	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%
16.	8702	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%
17.	8703	Used Motor vehicles	Nil	67.5%
18.	8703	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 US \$40,000	Nil	40%
19.	8704	Motor vehicles for transport of goods	Nil	20%
20.	8704	Motor vehicles for transport of goods when imported under S. No. 525 (1) (b) of the notification No. 50/2017- Customs	Nil	5%
21.	8704	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%
22.	8711	Used motorcycles and cycles fitted with an auxiliary motor with or without side-car	Nil	40%
23.	8712 00 10	Bicycles	Nil	15%
24.	8903	Yachts and other vessels for pleasure of sports	Nil	7.5%
25.	9028 30 10	Electricity meters for alternating current (Smart meter)	Nil	7.5%
26.	9401	Seats (other than those of headings 9402), whether or not convertible into beds, and parts thereof	Nil	5%
27.	9403	Other furniture and parts thereof	Nil	5%
28.	9404	Mattress supports, articles of bedding and similar furnishing etc.	Nil	5%
29.	9405	Luminaries and lighting fittings including searchlights and spotlights and parts thereof etc.	Nil	5%
30.	9503 00 91	Parts of electronic toys	Nil	20%
31.	9503 00 91	Parts of electronic toys for manufacture of electronic toys (S No. 591 of notification No. 50/2017-Customs dated 30.06.2017)	Nil	7.5%
32.	9802 00 00	Laboratory Chemicals (other than those attracting 10% BCD for specified end use)	Nil	70%

Comments:

- In Budget 2025, for many products, while the effective duty remains the same, the government has reduced BCD and transferred the difference to AIDC. This applies to marble, granite, crude,

candles, PVC flex films, footwear, marble slabs, solar cells, used motor cars, motorcycles, used motorcycles, bicycles, yachts and other vessels, electricity meters, and parts of electronic toys.

- AIDC is collected at the time of import by the CG to fund agricultural infrastructure in India but BCD is shared between the Centre and the States. Hence this move will generate more funds for the Centre to support agricultural initiatives of CG. However since the effective rate of collective import duty remains the same, no additional burden arises on the importer.

10.2.5 Exemption of SWS levied u/s 110 of Finance Act, 2018 [w.e.f. 02-02-2025]

- Social Welfare Surcharge is levied as a duty of Customs on the goods imported in India, to fulfil the commitment of the Government to provide education, health and social security.

Sl. No.	Commodities
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
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 side-car
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

Comments:

- SWS has been exempted on 82 tariff lines that are subject to cess. This decision aligns with the government's commitment to levy only one cess or surcharge, thereby reducing the cumulative tax burden.

10.2.6 Other Proposals

(A) Review of Customs Duty Concessions/ Exemptions

- A comprehensive review has been undertaken in respect of 25 conditional exemptions/concessional rate entries in Notification No 50/2017-cus dated June 30, 2017 whose validity is expiring by 31.03.2025.
- After review, 24 entries are being continued for varying periods with modification in few entries and 1 entry is being lapsed.

Sl. No.	Sl. No (of Notification No 50/2017-cus)	Commodities
		Extended for a further period from March 31, 2025 up-to March 31, 2035
1.	555A	Ships & vessels for breaking up
2.	559	Raw materials, components, consumable or parts, for use in the manufacture of ships/vessels
		Extended for a further period from March 31, 2025 up-to March 31, 2029
1.	166	Bulk drugs for manufacture of drugs or medicine [A separate entry is being created for drugs, medicines, diagnostic kits specified in List 3 with modifications in the list]
2.	166A	Bulk drugs used in the manufacture of polio vaccine & Monocomponent Insulin
3.	167	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]
4.	167A & 607B	Drugs, Medicines or Food for Special Medical Purposes (FSMP) used for treatment of rare disease
5.	532A	Good specified in List 36 imported by testing agencies specified in List 37, for the purpose of testing and/or certification
		Extended for a further period from March 31, 2025 up-to March 31, 2027
1.	81A	Crude Glycerin for use in manufacture of Epichlorohydrin
2.	104B	Denatured ethyl alcohol for use in manufacture of industrial chemicals
3.	104C	Fish meal for use in manufacture of aquatic feed
4.	168	Goods for the manufacture of telecommunication grade optical fibres or optical fibre cables
	341	
	341A	
5.	460	Textile machinery (with addition of two new machinery)
	460A	
	460B	
	460C	
	460D	
6.	460E	Parts and components for use in manufacturing of textile machineries
7.	515B	Goods for use in the manufacture of Open cell of LCD and LED TV panel
		Extended for a further period from March 31, 2025 up-to March 31, 2026
1.	345B	Seeds for use in manufacturing of rough Lab-Grown Diamonds [IGCR condition removed]

Sl. No.	Sl. No (of Notification No 50/2017-cus)	Commodities
2.	405	Parts of wind operated electricity generators, for the manufacture or the maintenance of wind operated electricity generators [The entry has also been modified]
3.	406	Permanent magnets for manufacture of PM synchronous generators above 500KW for use in wind operated electricity generators
Exemptions Lapsing on April 01, 2025		
1.	489AA	Heat Coil for use in the manufacture of Electric Kitchen Chimneys falling under tariff item 84146000

Comments:

- The duty benefits vide the above notification were granted to make raw material and components cheaper to boost domestic manufacturing. The said benefits were expiring on 31-03-2025. Therefore after comprehensive study, benefits of duty granted vide the above notification has been extended as detailed above with a view to further enhance domestic manufacturing.

(B) Modification in entries covered under Notification No. 50/2017-Customs dated June 30, 2017

Sl. No.	Sl. No (of Notification No 50/2017-cus)	Modifications
1.	257A	9 new groups of items such as sea shell, adhesive, etc. are being added to the list of duty free items for use in manufacture of handicrafts for export. Condition No.108- the time period for export of the handicraft items is increased from 6 months to 1 year, further extended by another three months.
2.	539	BCD exemption is being extended to imports of ground installations for satellites and payloads and its spares and consumables of such installations.
3.	539A	BCD exemption is being provided on goods for use in the building of launch vehicles and launching of satellites.

Comments:

- The above move will give a major boost to handicraft export and domestic manufacturing.

(C) Modifications in entries covered under Notification No. 16/2017-Customs dated April 20, 2017

Sl. No.	Sl. No (of Notification No 16/2017-cus)	Modifications
Exemption to specified drugs & medicines supplied free of cost to patients under PAP		
1.	-	37 new drugs and 13 PAP are being added to the list

Comments:

- In furtherance to the healthcare initiatives undertaken by the Government, the above amendment have been proposed. The same will benefit pharmaceutical companies under patients' assistance programs as 37 new medicines and 13 patients' assistance initiatives have been granted duty free status.

(D) Modifications in entries covered under Notification No. 153/94-Customs dated July 13, 1994

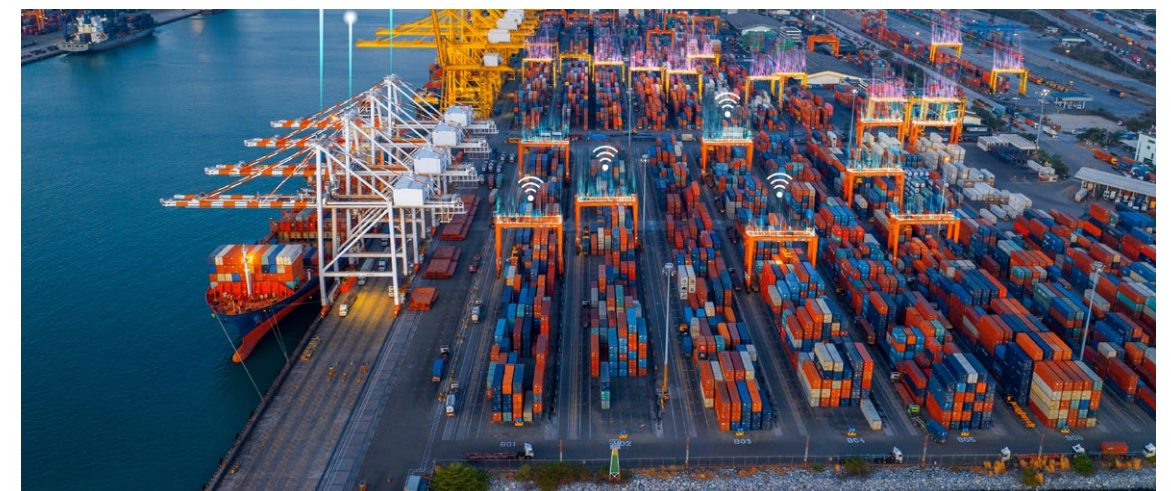
Sl. No.	Sl. No. (of Notification No 153/94-cus)	Modifications
Benefit of import of articles of foreign origin extended to railway goods		
1.	-	Currently, articles of foreign origin can be imported into India for maintenance, repair and overhauling subject to their export within six months extendable to 1 year. The duration for export in the case of railway goods [covered under Chapter 86 including items like tramway locomotives, railway track fixtures, fittings, etc.] imported for such purpose has been increased from 6 months to 1 year further extendable by 1 year

(E) Changes in IGCR

Sl. No.	Rule No.	Modifications
Extension of time limit		
1.	Rule 6 - Importer to maintain records	Time limit for fulfilling end use from current six months to one year.
2.	Rule 7 - Re-export or clearance of unutilized or defective goods	The importers will now have to file only a quarterly statement instead of monthly statement.

Comments:

- Importers now have an extended period to meet end use requirements reducing the pressure of shorter timelines. Furthermore, the shift from monthly to quarterly returns also reduces the administrative burden on importers.





SECTION 11

GOODS AND SERVICES TAX

Sl. No.	Sub points	Particulars	Page No.
11.1	-	Amendments to Central Goods and Services Tax Act, 2017	
	11.1.1	Provision for distribution of ITC by ISD for inter-state supplies on which tax has been paid under RCM	99
	11.1.2	Mandatory Pre-deposit for filing appeals in cases involving only demand of penalty without any demand of tax	99
	11.1.3	Mechanism of Track and Trace for specified commodities	99
	11.1.4	Amendment to Schedule III of the CGST Act	100
	11.1.5	Amendments in pursuance to 55th GST Council Meeting	100
	11.1.6	Reduction of output tax liability pursuant to issuance of credit note	100

11.1

Amendments to Central Goods and Services Tax Act, 2017

11.1.1 Provision for distribution of ITC by ISD for inter-state supplies on which tax has been paid under RCM [w.e.f. 01-04-2025]

- The amendment explicitly provides for distribution of ITC by ISD in respect of inter-state supplies on which tax has been paid under RCM.
- Necessary amendment in this regard is proposed to be made in Sec. 2(61) and Sec. 20 of the CGST Act, 2017.

Comments:

- Earlier, ISDs could only distribute ITC under RCM Services taxed under CGST Act. The proposed amendment expands the scope to cover RCM Services taxed under the IGST Act.
- The ISD will now be able to distribute the ITC related to RCM transactions of inter-state supplies ensuring smoother compliance and implementation. This proposed amendment ensures better ITC management for businesses with inter-state operations.

11.1.2 Mandatory Pre-deposit for filing appeals in cases involving only demand of penalty without any demand of tax

- Provisions relating to appeal before the Appellate Authority and Appellate Tribunal (Sec. 107 & 112 of the CGST Act) in relation to cases involving only demand of penalty without any demand for tax are proposed to be amended to include mandatory pre-deposit for appeals before the said authorities.

- The mandatory pre-deposit before both the authorities is prescribed as 10% vis-a-vis the earlier provision of 25% of penalty demanded only in cases pertaining to Sec. 129.

Comments:

- The introduction of pre-deposit requirement for cases where appeal is sought to be filed against penalty amount is a step towards enhancing streamlined compliance. This provision strikes a balance between safeguarding the rights of the appellant and ensuring the integrity of the adjudication process.

11.1.3 Mechanism of Track and Trace for specified commodities

- New Sec. 148A is proposed to be inserted to provide for an enabling mechanism for Track and Trace for specified commodities.
- Under this mechanism, the government may, in respect of specified commodities, provide a system for enabling the affixation of unique identification markings and for electronic storage and access of information contained therein.
- Contravention to the above will lead to further penal consequences amounting to one lac rupees or 10% of tax payable on such goods, whichever is higher. The said penalty would be levied under the newly proposed Sec. 122B of the CGST Act.

Comments:

- The track and trace mechanism is a new age mechanism aiming at reducing revenue leakages

by ensuring tracking and consequent tax payment at each stage. The same is in line with global best practices and targets curbing tax evasion.

- The list of specified goods is not yet notified by the government.

11.1.4 Amendment to Schedule III of the CGST Act [w.r.e.f. 01-07-2017]

- Schedule III of the CGST Act is being amended by inserting a new clause (aa) in paragraph 8 of Schedule III of the CGST Act, to provide that the supply of goods warehoused in a SEZ or in a FTWZ to any person before clearance of exports or to the DTA shall be treated neither as supply of goods nor as supply of services.
- It is also been clarified that no refund of tax already paid will be available for the aforesaid activities or transactions referred to above.

11.1.5 Amendments in pursuance to 55th GST Council Meeting

- Sec. 12(4) and Sec. 13(4) pertaining to TOS provisions of vouchers are being deleted as transactions involving vouchers will not be considered to be a supply of goods or services.
- The amendment is made w.r.e.f. 01-07-2017 to Sec. 17(5)(d) to substitute the words "plant or machinery" with the words "plant and machinery" notwithstanding anything to the contrary contained in any judgement, decree or order of any court or any other authority.

Comments:

- The amendment in Sec. 17(5)(d) aims to nullify the decision of the Hon'ble Supreme Court in the case of Safari Retreats, which will adversely affect availability of ITC with blocked credit related to buildings, civil structures, etc.

11.1.6 Reduction of output tax liability pursuant to issuance of credit note

- Presently the supplier who raises a credit note u/s 34 against invoices raised, reduces the output tax liability by uploading the said credit notes on the portal while filing GSTR-1.
- Amendment is proposed in proviso to sub-section 2 of Sec. 34 restricting the reduction of such output tax liability till the time the corresponding ITC claimed by the recipient is reversed. Further, in such cases where supply is made to an unregistered person, reduction of output tax liability pursuant to issue of credit note cannot be availed if the incidence of tax on such supply has been passed on to any other person.

Comments:

- This proposed amendment aligns with the IMS, wherein the credit notes issued by the supplier are verified by the recipient and either accepted or rejected. If the recipient accepts the credit note, the tax liability of the supplier will stand reduced. On the contrary, if the recipient rejects the credit note, the GST liability falls upon the supplier.



SECTION 12

SERVICE TAX

Sl. No.	Sub points	Particulars	Page No.
12.1	-	Amendments to Service Tax	
	12.1.1	Special provision for exemption under Service Tax	102

12.1 Amendments to Service Tax

12.1.1 Special provision for exemption under Service Tax [w.r.e.f. 01-04-2011 to 30-06-2017]

- Retrospective exemption of service tax is proposed for reinsurance services provided or agreed to be provided by insurance companies under WBCIS and MNAIS during the period commencing from the 1st day of April, 2011 and ending with the 30th day of June, 2017 (both days inclusive).
- Refund shall be made of all such service tax which has been collected, but which would not have been

so collected, had such exemption been in force at all material times.

- Provided that an application for the claim of refund of service tax shall be made within a period of six months from the date on which the Finance Bill, 2025 receives the assent of the President.

Comments:

- This proposed amendment grants retrospective tax reliefs to insurance companies that provided re-insurance services under above mentioned specified schemes to settle long standing disputes in the matter.



SECTION 13

DIRECT TAX RATE STRUCTURE

INCOME TAX RATES (FOR AY 2026-27)

For Individuals, HUF, AOP, BOI and Artificial Juridical Persons

Sl. No.	Income Tax Slabs (In ₹)		ETR under old regime [^] (including surcharge# and cess@)	Proposed ETR as per Sec. 115BAC [^] (including surcharge# and cess@)
	From	Up to		
1.	-	2,50,000*	Nil	Nil
2.	2,50,001	4,00,000+	5.20%	Nil
3.	4,00,001	5,00,000+	5.20%	5.20%
4.	5,00,001	8,00,000+	20.80%	5.20%
5.	8,00,001	10,00,000+	20.80%	10.40%
6.	10,00,001	12,00,000+	31.20%	10.40%
7.	12,00,001	16,00,000	31.20%	15.60%
8.	16,00,001	20,00,000	31.20%	20.80%
9.	20,00,001	24,00,000	31.20%	26.00%
10.	24,00,001	50,00,000	31.20%	31.20%
11.	50,00,001	1,00,00,000	34.32%	34.32%
12.	1,00,00,001	2,00,00,000	35.88%	35.88%
13.	2,00,00,001	5,00,00,000	39.00%	39.00%
14.	Above 5,00,00,000		42.74%	39.00%

*In case of resident individual of age 60 years or more (senior citizen) and age 80 years or more (very senior citizen), basic threshold limit of ₹3,00,000 and ₹5,00,000 respectively remains unchanged under the old regime.

+ For resident individuals under new regime, the maximum rebate available u/s 87A, whose total income does not exceed ₹12,00,000 has increased to ₹60,000 (rebate not available against any income chargeable at special rates like capital gains u/s 111A, 112, etc). For resident individuals under old regime whose total income does not exceed ₹5,00,000, maximum rebate amounting to ₹12,500 remains unchanged.

[^]Standard deduction under salaries for tax payers under new regime and old regime remains unchanged at ₹75,000 and ₹50,000 respectively.

#Surcharge is applicable at the following rates:

Total Income	Surcharge under old regime@	Surcharge under new regime u/s 115BAC@
For ₹50,00,001 - ₹1,00,00,000	10%	10%
For ₹1,00,00,001 - ₹2,00,00,000	15%	15%
For ₹2,00,00,001 - ₹5,00,00,000 [^]	25% [^]	25% [^]
Above ₹5,00,00,000 [^]	37% [^]	25% [^]

[^]Surcharge on Income by way of dividend and income chargeable u/s 111A (STCG on listed securities), u/s 112A (LTCG on listed securities), u/s 112 (LTCG other than those specified in Sec. 112A) or u/s 115AD (certain income of foreign institutional investors) shall not exceed 15%.

[^]Where Total Income exceeds ₹2 Crs. owing to inclusion of income by way of dividend and income chargeable u/s 111A (STCG on listed securities), u/s 112A (LTCG on listed securities), u/s 112 (LTCG other than those specified in 112A) or u/s 115AD (certain income of foreign institutional investors), surcharge shall be 15%.

[^]Surcharge applicable to AOP consisting of only companies as its members shall not exceed 15%.

#Marginal relief shall be provided in all cases where surcharge shall be imposed.

@Health & Education Cess @ 4% is applicable in all cases.

For Co-operative Societies

Particulars	Tax	Surcharge#	Health & Education Cess
A. Co-operative societies not opting for new regime u/s 115BAD			
Upto ₹10,000	10%	-	4%
From ₹10,001 - ₹20,000	₹1,000 + 20%	-	4%
From ₹20,001 - ₹1,00,00,000	₹3,000 + 30%	-	4%
₹1,00,00,000 - ₹10,00,00,000	₹29,97,000 + 30%	7%	4%
Above ₹10,00,00,000	₹2,99,97,000 + 30%	12%	4%
B. Resident Co-operative societies opting for new regime u/s 115BAD@			
Total Income	22%	10%	4%
C. Resident Co-operative societies opting for new regime u/s 115BAE[^]@			
Income from manufacturing activities or incidental activities	15%	10%	4%
Business income from non-manufacturing activities ^{^^}	22%	10%	4%
STCG from depreciable assets incidental to manufacturing	15%	10%	4%
STCG from non-depreciable asset	22%	10%	4%
Income taxable under the head house property ^{^^}	22%	10%	4%
Excess Profits in arranged transactions determined by AO	30%	10%	4%
Any other income ^{^^}	22%	10%	4%

#Marginal relief shall be provided in all cases where surcharge is imposed.

[^]Under Sec. 115BAE, the Co-operative society should be set up on or after 01-04-2023 and should commence manufacturing or production on or before 31-03-2024 and should not avail any specified incentive or deductions.

^{^^}No deduction/allowance in respect of any expenditure/allowance shall be allowed in computing such income.

@Concessional tax rate as specified in Sec. 115BAD & 115BAE is applicable only on income chargeable under these sections. For income covered by specific rates under other sections like Sec. 111A, 112 or 112A, rates specified therein shall be applicable.

For Local Authorities

Local authorities are taxable @ 30%. Surcharge remains unchanged at 12% where the Total Income exceeds ₹1,00,00,000. Health & education cess is applicable @ 4%.

For Partnership Firms including LLP

Partnership firms are taxable @ 30%. Surcharge remains unchanged at 12% where the Total Income exceeds ₹1,00,00,000. Health & education cess is applicable @ 4%.

Alternate Minimum Tax (AMT)

It is applicable on all persons other than companies

who has claimed deduction under chapter VIA [Sec. 80-IA to Sec. 80RRB (except Sec. 80P)], Sec. 10AA and Sec. 35AD. In case of Individual, HUF, AOP, BOI and Artificial Juridical Person, it applies only if Adjusted Total Income exceeds ₹20,00,000. Adjusted Total Income is computed by increasing Total Income by any deduction claimed under chapter VIA [Sec. 80-IA to Sec. 80RRB (except Sec. 80P)], Sec. 10AA and Sec. 35AD after allowing depreciation on assets for which deduction u/s 35AD was claimed.

AMT would be computed @ 18.5% on Adjusted Total Income. Surcharge and health & education cess shall be levied, as applicable.

In case of a unit located in an IFSC which derives its income solely in convertible foreign exchange, AMT shall be computed @ 9% and in case of Co-operative societies, AMT shall be computed @ 15%.

AMT shall not be applicable for individuals & HUF opting for new tax regime u/s 115BAC and co-operative societies opting for new tax regime u/s 115BAD & 115BAE.

For Corporates

Sl. No.	Particulars	Tax (%)	Surcharge# (%)	Health & Education Cess (%)	Effective Tax (%)	MAT Applicability [Rate @15%]
A.	Domestic companies whose total turnover or gross receipts in FY 2023-24 is <= ₹400 Crs. & Domestic Manufacturing Companies covered u/s 115BA[^]					Applicable
1.	Total income <= ₹1 Cr.	25	-	4	26.00	15.60
2.	Total income >₹1 Cr. but <= ₹10 Crs.	25	7	4	27.82	16.69
3.	Total income >₹10 Crs.	25	12	4	29.12	17.47
B.	Domestic companies covered u/s 115BAA[^]					Not Applicable
4.	Total Income	22	10	4	25.17	-
C.	Domestic companies covered u/s 115BAB[^]					
5.	Income from manufacturing activities or incidental activities	15	10	4	17.16	-
6.	Business income from non-manufacturing activities ^{^^}	22	10	4	25.17	-
7.	STCG from depreciable assets incidental to manufacturing	15	10	4	17.16	-
8.	STCG from non-depreciable asset	22	10	4	25.17	-
9.	Income taxable under the head house property ^{^^}	22	10	4	25.17	-
10.	Excess Profits in arranged transactions determined by AO	30	10	4	34.32	-
11.	Any other income ^{^^}	22	10	4	25.17	-
D.	Other Domestic companies					Applicable
12.	Total income <= ₹1 Cr.	30	-	4	31.20	15.60
13.	Total income >₹1 Cr. but <= ₹10 Crs.	30	7	4	33.38	16.69
14.	Total income >₹10 Crs.	30	12	4	34.94	17.47
E.	Foreign Companies					
15.	Total income <= ₹1 Cr.	35	-	4	36.40	15.60
16.	Total income >₹1 Cr. but <= ₹10 Crs.	35	2	4	37.13	15.91
17.	Total income >₹10 Crs.	35	5	4	38.22	16.38

[^]Concessional tax rate as specified in Sec. 115BA, Sec. 115BAA and Sec. 115BAB is applicable only on income chargeable under these sections. For income covered by specific rates under other sections like Sec. 111A, Sec. 112 or Sec. 112A, rates specified therein shall be applicable to all domestic companies.

^{^^}No deduction/allowance in respect of any expenditure/allowance shall be allowed in computing such income.

#No surcharge shall apply on tax computed on income of specified fund (referred to in clause (c) of Explanation to Sec. 10(4D)) that is chargeable u/s 115AD(1)(a) of the Act.

#Marginal relief shall be provided in all cases where surcharge shall be imposed.

Securities Transaction Tax

STT levied on the value of taxable securities transaction has been kept unchanged:

Sl. No.	Transactions	Rate	Payable by
1.	Purchase/Sale of equity shares or unit of business trust (delivery based and on recognised stock exchange)	0.1%	Purchaser/Seller
2.	Purchase of units of equity oriented mutual fund (delivery based)	Nil	N.A.
3.	Sale of units of equity oriented mutual fund (delivery based and on recognised stock exchange)	0.001%	Seller
4.	Sale of equity shares, units of equity oriented mutual fund or unit of business trust (non-delivery based and on recognised stock exchange)	0.025%	Seller
5.	Sale of an option in securities	0.1%	Seller
6.	Sale of an option in securities, where option is exercised	0.125%	Purchaser
7.	Sale of futures in securities	0.02%	Seller
8.	Sale of unit of equity oriented fund to mutual fund	0.001%	Seller
9.	Sale or surrender or redemption of a unit of an equity oriented fund to an insurance company, on maturity or partial withdrawal, with respect to unit linked insurance policy	0.001%	Seller
10.	Sale of unlisted equity shares/ unlisted unit of business trust under an offer for sale	0.2%	Seller

Commodities Transaction Tax

CTT levied on the value of taxable commodities transaction has been kept unchanged:

Sl. No.	Transactions	Price	Rate	Payable by
1.	Sale of commodity derivatives	Price at which the commodity derivative is traded	0.01%	Seller
2.	Sale of option on commodity derivative	Option Premium	0.05%	Seller
3.	Sale of option on commodity derivative, where option is exercised	Settlement price	0.0001%	Purchaser
4.	Sale of commodity derivatives based on prices or indices of prices of commodity derivatives	Price at which the commodity derivative is traded	0.01%	Seller
5.	Sale of option in goods	Option Premium	0.05%	Seller
6.	Sale of option in goods, where option is exercised resulting in actual delivery of goods	Settlement price	0.0001%	Purchaser
7.	Sale of option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods	Difference between the settlement price and the strike price	0.125%	Purchaser

Capital Gains

Particulars	STCG u/s 111A @20%*	LTCG @ 12.5% (without indexation)**
A. Individual, HUF, AOP, BOI & Artificial Judicial Persons		
Total Income < ₹50 Lacs [Surcharge: NIL; Cess: 4%]	20.80%	13.00%
Total Income > ₹50 Lacs but < ₹1 Cr. [Surcharge: 10%; Cess: 4%]	22.88%	14.30%
Total Income > ₹1 Cr [Surcharge: 15%; Cess: 4%]	23.92%	14.95%
B. Firm		
Total Income < ₹1 Cr. [Surcharge: NIL; Cess: 4%]	20.80%	13.00%
Total Income > ₹1 Cr. [Surcharge: 12%; Cess: 4%]	23.30%	14.56%
C. Domestic Company#		
Total Income < ₹1 Cr. [Surcharge: NIL; Cess: 4%]	20.80%	13.00%
Total Income > ₹1 Cr. but < ₹10 Crs. [Surcharge: 7%; Cess: 4%]	22.26%	13.91%
Total Income > ₹10 Crs. [Surcharge: 12%; Cess: 4%]	23.30%	14.56%

¹In case of resident individual and HUF, where land or building acquired prior to 23-07-2024 is transferred, lower of tax computed @ 20% after indexation or @ 12.5% without indexation shall be applicable on such asset.

*STCG on equity share, unit of equity oriented fund or unit of business trust subjected to STT shall be taxable @ 20% u/s 111A and other assets shall be taxable at applicable rates.

**The exemption limit for LTCG u/s 112A on transfer of equity shares or equity-oriented units or units of business trust is ₹1.25 Lacs.

[#]In case of Individual/HUF, AOP, BOI, Artificial Juridical person, income chargeable u/s 111A, 112 & 112A shall be subjected to maximum surcharge of 15%.

#For companies opting for new tax regime u/s 115BAA & 115BAB, surcharge shall be levied @ 10%.

Capital Gains for certain Non-residents

Sl. No.	Particulars	Short Term Capital Gains Tax u/s 111A ¹	Short Term Capital Gains Tax Others ¹	Long Term Capital Gains* ¹
1.	Overseas financial organizations specified in Sec. 115AB	20%	30% (non-corporate) 35% (corporate)	12.5%
2.	FIs as specified in Sec. 115AD	20%	30%	12.5% (u/s 112A), 10% (other cases) till 31-03-2025 & 12.50% thereafter
3.	Other Foreign Companies	20%	35%	12.5%

¹To be increased by surcharge (applicable, if any) and Cess.

*The exemption limit for LTCG u/s 112A on transfer of equity shares or equity-oriented units or units of business trust is ₹1.25 Lacs.

Special Rates for Non-Residents

Sl. No.	Particulars	Long Term Capital Gains ¹
1.	Dividend as referred in Sec. 115A	20%
2.	Interest received from infrastructure debt funds referred to in Sec.10(47) as referred in Sec. 194LB	5%
3.	Interest of the nature and extent referred to in Sec.194LC (except as mentioned in Sl. No. 5 & 6) and Sec. 194LD	5%
4.	Interest received on loans given in foreign currency to Indian concern or Govt. of India other than those referred in Sec. 194LB/LC/LD	20%
5.	Interest in respect of money borrowed by way of issue of long term debt or RDB before 01-07-2023 listed on a recognised stock exchange located in IFSC as referred to in Sec. 194LC	4%
6.	Interest in respect of money borrowed by way of issue of long term debt or RDB on or after 01-07-2023 listed on a recognised stock exchange located in IFSC as referred to in Sec. 194LC	9%
7.	Income received in respect of units purchased in foreign currency as referred in Sec. 115A	20%
8.	Royalty or fees for technical services	20%

¹To be increased by surcharge (applicable, if any) and Cess.



Glossary

ACIT	Assistant Commissioner of Income Tax	ETF	Exchange Traded Fund	LLP	Limited Liability Partnership	SEBI	Securities and Exchange Board of India
Addl CIT	Additional Commissioner of Income Tax	ETR	Effective Tax Rate	LRS	Liberalised Remittance Scheme	Sec.	Section
AE	Associated Enterprise	EV	Electrical Vehicle	LTCG	Long Term Capital Gain	SEP	Significant Economic Presence
AIDC	Agriculture Infrastructure Development Cess	FEMA	Foreign Exchange Management Act, 1999	MAT	Minimum Alternate Tax	SEZ	Special Economic Zone
AIF	Alternative Investment Fund	FII	Foreign Institutional Investor	MMR	Maximum Marginal Rate	SFT	Statement of Financial Transaction
ALP	Arm's Length Price	FMV	Fair Market value	MNAIS	Modified National Agricultural Insurance Scheme	SG	State Government
AO	Assessing Officer	FTC	Foreign Tax Credit	MSME	Micro, Small and Medium Enterprises	SGST	State Goods and Services Tax
AOP	Association of Persons	FTWZ	Free Trade Warehousing Zone	NAV	Net Asset Value	SPV	Special Purpose Vehicle
APA	Advance Pricing Agreement	FY	Financial Year	NBFC	Non- Banking Financial Company	STCG	Short Term Capital Gain
AY	Assessment Year	GAAR	General Anti-avoidance Rule	NCLT	National Company Law Tribunal	STT	Securities Transaction Tax
BCD	Basic Customs Duty	Govt.	Government	NFAC	National Faceless Assessment Centre	SUUTI	Specified Undertaking of Unit Trust of India
BOI	Body of Individuals	GST	Goods and Services Tax	NPS	National Pension Scheme	SWF	Sovereign Wealth Fund
CBDT	Central Board of Direct Taxes	GSTAT	GST Appellate Tribunal	NR	Non-Resident	SWS	Social Welfare Surcharge
CBIC	Central Board of Indirect Taxes and Customs	GSTN	Goods & Service Tax Number	PAN	Permanent Account Number	TCS	Tax Collection at Source
CCESC	Customs, Central Excise and Service Tax settlement Commission	HC	High Court	PAP	Patient Assistance Programme	TDS	Tax Deduction at Source
CCIT	Chief Commissioner of Income Tax	HSN	Harmonized System of Nomenclature	PCCIT	Principal Chief Commissioner of Income Tax	TOS	Time of Supply
CESTAT	Customs Excise and Service Tax Appellant Tribunal	HUF	Hindu Undivided Family	PCIT	Principal Commissioner of Income Tax	TP	Transfer Pricing
CG	Central Government	IFSC	International Financial Services Centre	PE	Permanent Establishment	TPO	Transfer Pricing Officer
CGST	Central Goods and Services Tax	IFSCA	International Financial Services Centre Authority	PGBP	Profits and gains of business or profession	ULIP	Unit Linked Insurance Plan
CIT	Commissioner of Income Tax	IGCR	Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods Rules, 2017	PIL	Public Interest Litigation	UTGST	Union Territory Goods & Services Tax Act
CIT(A)	Commissioner of Income Tax (Appeals)	IGST	Integrated Goods and Services Tax	PO	Proper Officer	UTI	Unit Trust of India
CPC	Centralised Processing Centre	IMS	Invoice Management System	Pr. CIT	Principal Commissioner of Income Tax	Vs.	Versus
CTA	Customs Tariff Act, 1975	InvIT	Infrastructure Investment Trust	PVC	Polyvinyl Chloride	w.e.f.	With Effect From
CTR	Central Tax Reporter	ISD	Input Service Distributors	PY	Present Year	w.r.e.f.	With Retrospective Effect From
CTT	Commodities Transaction Tax	IT	Information Technology	RBI	Reserve Bank of India	w.r.t.	With Respect To
DCIT	Deputy Commissioner of Income Tax	IT Act	Income Tax Act, 1961	RBD	Rupee Denominated Bond	WBCIS	Weather Based Crop Insurance Scheme
DGIT	Directorate General of Income Tax	IT Rules	Income Tax Rules, 1962	RCM	Reverse Charge Mechanism	WCO	World Customs Organization
DRP	Dispute Resolution Panel	ITAT	Income Tax Appellate Tribunal	REIT	Real Estate Investment Trust	WP	Writ Petition
DTA	Domestic Tariff Area	ITC	Input Tax Credit	SC	Supreme Court		
DTAA	Double Taxation Avoidance Agreement	ITO	Income Tax Officer	SCN	Show Cause Notice		
EOU	Export Oriented Unit	ITR	Income Tax Return	SDT	Specified Domestic Transaction		
		JCIT	Joint Commissioner of Income Tax				



OUR PRESENCE

Corporate Offices

Mumbai

701, Leela Business Park, Andheri Kurla Road,
Andheri (E), Mumbai 400059
Tel: +91 (22) 6672 9999

Kolkata

Constantia, "B" Wing, 7th floor,
11, Dr. U.N. Brahmachari Street, Kolkata - 700 017
Tel: +91 (33) 4002 1485

Branch Offices

Ahmedabad

RE11, Awfis Space, 2nd Floor,
Near Vikramnagar, Iskcon, Ambli,
Ahmedabad - 380 058
Tel: +91 99792 01702

Bengaluru

No. 45, 1st Floor, 2nd Main,
Sankey Road, (Above Indian Bank)
Lower Palace Orchards,
Bengaluru - 560 003
Tel: +91 80 4372 7175/76

Chennai

5B, A Block, 5th Floor,
Mena Kampala Arcade,
New No. 18 & 20, Thiagaraya Road,
T. Nagar,
Chennai - 600 017
Tel: +91 44 2815 4192

Hyderabad

Sreshta Marvel, 3rd Floor,
136, Kondapur Main Road,
Gachibowli
Hyderabad - 500 032
Tel: +91 98451 28220

Kolkata

Bagrodia Niket, 1st Floor,
19C, Sarat Bose Road,
Kolkata - 700 020
Tel: +91 98318 93398

Devarati, 1st Floor,

8. Dr. Rajendra Road,
Kolkata - 700 020
Tel: +91 33 4037 2700

Mumbai

42, Free Press House,
Nariman Point,
Mumbai - 400021
Tel: +91 22 2287 1806/1808

409, 4th Floor,

Goyal Trade Centre,
Shantivan, Borivali (East),
Mumbai - 400 066
Tel: +91 22 4016 9305

New Delhi

3rd Floor, 52-B,
Okhla Industrial Estate
New Delhi - 110 020
Tel: +91 11 4711 9999

Pune

Off. No. 7 & 12, 2nd Floor,
Shivdarshan Chambers,
Opposite Hotel Jayashree,
457, Market Yard Road,
Pune - 411 037
Tel: +91 98 2249 3924

Rajkot

Rupareliya House, 1st Floor, Astron
Chowk,
Near Railway Underpass,
Rajkot - 360 001
Tel: +91 97268 10285

Surat

SNS Atria, B-Wing, 1st Floor,
Maharana Pratap Road, Vesu,
Surat - 395 007
Tel: +91 261 3547260

Vadodara

204-207 Parshwa Complex,
Near Cash n Carry Ellora Park,
Vadodara - 390 023
Tel: +91 26 5239 2631

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