

# UNION BUDGET 2025 - TAX PROPOSALS

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## **FOREWORD:**

The provisions of Finance Bill, 2025 (hereafter referred to as "the Bill"), relating to direct taxes seek to amend the Income-tax Act, 1961 (hereafter referred to as 'the Act'), to continue reforms in direct tax system through tax reliefs, removing difficulties faced by taxpayers and rationalisation of various provisions. The Bill also seeks to amend the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 [UTI Repeal Act, 2002].

With a view to achieve the above, the various proposals for amendments are organized under the following heads: —

- Rates of Income-Tax
- Measures to promote investment and employment
- Simplification and Rationalisation
- Socio economic welfare measures
- Tax administration

We have made our best effort to summarise the key changes in simpler manner under this budget highlights. Trust the same would be found useful in understanding the taxation proposals.

Best Regards,

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## EXECUTIVE SUMMARY

SI No	Section	Description	Particulars	Reference (Click on the link for detailed analysis)								
1	Rates of income tax	The detailed annexure of rates of income tax for all categories of assessees.	Proposed slab rate in the new scheme of individual taxation u/s 115BAC: <table border="1"><tr><td><b>Total income</b></td></tr><tr><td>Up to 4,00,000</td></tr><tr><td>From Rs. 4,00,001 to Rs. 8,00,000</td></tr><tr><td>From Rs. 8,00,001 to Rs. 12,00,000</td></tr><tr><td>From Rs. 12,00,001 to Rs. 16,00,000</td></tr><tr><td>From Rs. 16,00,001 to Rs. 20,00,000</td></tr><tr><td>From Rs. 20,00,001 to Rs. 24,00,000</td></tr><tr><td>Above Rs. 24,00,000</td></tr></table>	<b>Total income</b>	Up to 4,00,000	From Rs. 4,00,001 to Rs. 8,00,000	From Rs. 8,00,001 to Rs. 12,00,000	From Rs. 12,00,001 to Rs. 16,00,000	From Rs. 16,00,001 to Rs. 20,00,000	From Rs. 20,00,001 to Rs. 24,00,000	Above Rs. 24,00,000	<a href="#">A</a>
<b>Total income</b>												
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From Rs. 20,00,001 to Rs. 24,00,000												
Above Rs. 24,00,000												
2	87A	Tax rebate	Proposal to increase the income limit threshold for full rebate under the new tax regime (115BAC(1A)) from ₹7 lakh to ₹12 lakh.	<a href="#">A1</a>								
3	17(2)	Perquisites	Proposal to increase in the limits of the income of the employees for the purpose of calculating perquisites.	<a href="#">A2</a>								
4	80CCD (1B)	Contribution to NPS Vatsalya	a. 50,000 deductions in the year of contribution b. Exemptions subject to few conditions in case of death / withdrawal.	<a href="#">A3</a>								
5	80CCA	Taxability of withdrawals from NSS scheme	Withdrawals made on or after August 29, 2024, relating to deposits made before April 1, 1992 in the NSS scheme will be exempted from tax.	<a href="#">A4</a>								
6	23	Annual value of self-occupied property	It is proposed to allow the benefit of claiming zero annual value two self-occupied properties without any condition.	<a href="#">A5</a>								
7	Chapter XVII B	TDS threshold for various sections	Rationalization of tax deducted at source (TDS) rates	<a href="#">A6</a>								

8	44BBD – new section	Presumptive taxation to few non-residents	Proposed to provide a presumptive taxation regime for non-residents who provide services to a resident company that is establishing or operating an electronics manufacturing facility	<a href="#">A7</a>
9	10(23FE)		To promote funding from Sovereign Wealth Funds and Pension Funds to the infrastructure sector, it is proposed to extend the date of making an investment by five more years, to 31 <sup>st</sup> March 2030.	<a href="#">A8</a>
10	115V, 115VD	Extension of benefits of tonnage tax scheme to inland vessels	It is proposed that the benefits of existing tonnage tax scheme to be extended to inland vessels registered under the Indian Vessels Act, 2021 to promote Inland Water Transportation in the country	<a href="#">A9</a>
11	<u>12, 12A,</u> <u>12AB, 13</u>	Rationalisation And Simplification of The Provisions of Charitable Trusts and Institutions	<ul style="list-style-type: none"> <li>➤ Proposed to reduce the compliance burden for small charitable trusts/institutions by increasing their period of registration from 5 years to 10 years.</li> <li>➤ It is also proposed that disproportionate consequences do not arise for minor defaults, such as incomplete applications filed by charitable entities.</li> </ul>	<a href="#">A10</a>
12	115UA	Rationalisation in taxation of Business trusts	It is proposed to provide that the total income of a business trust which is charged to tax at the maximum marginal rate, shall be subject to the provisions of section 112A of the Act as well, as it is subject to provisions of section 111A and section 112 of the Act.	<a href="#">A11</a>
13	9	Harmonisation of Significant Economic Presence applicability with Business Connection	It is proposed to provide that significant economic presence of a non-resident in India shall not include the transactions or activities which are confined to the purchase of goods in India for the purpose of export.	<a href="#">A12</a>

14	10(10D)	Bringing clarity in income on redemption of Unit Linked Insurance Policy	It is proposed to clarify that the profit and gains from the redemption of unit linked insurance policies to which exemption under section 10(10D) does not apply, shall be charged to tax as capital gains.	<a href="#">A13</a>
15	2(14), 115UB	Amendment of Definition of 'Capital Asset'	In order to bring clarity on the chargeability of income arising out of transfer of capital asset being securities held by an investment fund as referred to in section 115UB of the Act, the definition of capital asset is proposed to be amended.	<a href="#">A14</a>
16	80-IAC	Extension of timeline for tax benefits to start-ups	It is proposed to extend the benefit provided under Section 80-IAC to startups for another period of five years, i.e. the benefit will be available to eligible start-ups incorporated before 01.04.2030	<a href="#">A15</a>
17	115AD	Rationalisation of taxation of capital gains on transfer of capital assets by non-residents	<ul style="list-style-type: none"> <li>➤ To bring uniformity, the tax rate for long-term capital gains on such securities for FII's &amp; specified funds is proposed to be increased from 10% to 12.5%.</li> <li>➤ This applies to securities not covered under Section 112A (such as certain debt instruments and unlisted shares).</li> </ul>	<a href="#">A16</a>
18	206C (1)	Definition of "forest produce" rationalised	<p>Proposed TCS rates</p> <ul style="list-style-type: none"> <li>➤ Timber or any other forest produce (excluding tendu leaves) obtained under a forest lease – 2%TCS.</li> <li>➤ Timber obtained by other means – 2% TCS (reduced from 2.5%).</li> </ul>	<a href="#">A17</a>
19	206C(1H)	Reduction in compliance burden by omission of TCS on sale of specified goods	Section 206C(1H) (TCS on sales above ₹50 lakh) is proposed to be removed from April 1, 2025.	<a href="#">A18</a>

20	Chapter XIV B	Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B	It is proposed to add the term "virtual digital asset" to the said definition of undisclosed income of the block period. The time-limit for completion of block assessment is proposed to be made as twelve months from end of the quarter in which the last of the authorisations for search or requisition has been executed.	<a href="#">A19</a>
21	271AAB	Non-applicability of Section 271AAB of the Act	Proposed to exclude the cases assessed under 158BC (Block assessment) from this section.	<a href="#">A20</a>
22	132 and 132B	Amendments proposed in sections 132 and 132B for rationalizing provisions	<p><b><u>Proposed changes:</u></b></p> <p>Approval to retain seized documents must be taken before 1 month from the end of the quarter in which assessment order is passed.</p> <ul style="list-style-type: none"> <li>➤ The word authorization in the definition of "Execution of search" shall be changed to authorizations.</li> <li>➤ Section 132B will now refer to Section 158B (instead of 158BE) for the definition of "execution of search or requisition".</li> </ul>	<a href="#">A21</a>
23	275	Time limit to impose penalties rationalized	Penalty orders must be passed within 6 months from the end of the quarter from the date of order.	<a href="#">A22</a>
24	144BA, 153, 153B, 158BE, 158BFA, 263, 264, and Rule 68B	Clarification regarding commencement date and the end date of the period stayed by the Court	The definition of the stayed period shall include the date of the stay order granted by the court and shall end on the date the tax department receives the certified copy of the order lifting the stay.	<a href="#">A23</a>
25	72 and 72A	Rationalization of provisions related to carry forward of losses in case of amalgamation	The loss cannot be carried forward for more than 8 years from the year it was first recorded by the original company (predecessor entity).	<a href="#">A24</a>

26	92CA and 155	Rationalization of transfer pricing provisions for carrying out multi-year arm's length price determination	<ul style="list-style-type: none"> <li>➤ Taxpayers must opt for this block assessment.</li> <li>➤ If the ALP is determined for one year, the same ALP will apply for similar transactions in the next two years.</li> <li>➤ AO must recompute total income for the two future years based on the ALP fixed by the TPO.</li> </ul>	<a href="#">A25</a>
27	206AB and 206CCA	Removal of higher TDS/TCS for non-filers of return of income	Sections 206AB & 206CCA – proposed to be removed entirely (no higher TDS/TCS for non-filers).	<a href="#">A26</a>
28	285BAA and 2(47A)	Obligation to furnish information in respect of crypto asset	<ul style="list-style-type: none"> <li>➤ Reporting entities must submit a statement on crypto transactions.</li> <li>➤ Rectification of furnishing of inaccurate information must be done within 30 days.</li> <li>➤ Central Government has power to regulate Crypto-Asset Reporting.</li> <li>➤ Virtual Digital Asset definition is broadened to include any crypto asset that is a digital representation of value which uses cryptographic security and distributed ledger technology or similar technology to validate and secure transactions, whether or not already covered under existing VDA definitions.</li> </ul>	<a href="#">A27</a>
29	115VP	Increasing time limit available to pass order under section 115VP	The Joint Commissioner will have 3 months from the end of the quarter in which the application was received to pass an order.	<a href="#">A28</a>
30	206C(7A)	Excluding the period such as court stay etc. for calculating time limit to pass an order	The time limit to treat a person as an assessee in default excludes the periods when proceedings were paused due to court orders staying process or other delays covered under Section 153 of the Act.	<a href="#">A29</a>

31	Proviso to 206C (3)	Exemption from prosecution for delayed payment of TCS in certain cases	Prosecution will not be initiated if the taxpayer deposits the TCS before the due date for filing the quarterly TCS statement.	<a href="#">A30</a>
32	271C, 271CA, 271D, 271DA, 271DB, and 271E	Certain penalties to be imposed by the Assessing Officer	<ul style="list-style-type: none"> <li>➤ The Assessing Officer will impose penalties under these sections instead of the Joint Commissioner</li> <li>➤ If the penalty amount exceeds the limit specified in Section 274(2), the AO must get approval from the Joint Commissioner before passing the penalty order.</li> </ul>	<a href="#">A31</a>
33	271BB-	Omission of the section		<a href="#">A32</a>
34	270AA	Extending the processing period of application seeking immunity from penalty and prosecution	The Assessing Officer's time limit to process the immunity application is extended from 1 month to 3 months.	<a href="#">A33</a>
35	92CA, 144C, 253, and 255	Removing date restrictions on framing the schemes in certain cases	No more deadlines for faceless schemes. The government will have the freedom to introduce faceless schemes whenever needed, even beyond March 31, 2025.	<a href="#">A34</a>
36	139	Extending the time-limit to file the updated return	<ul style="list-style-type: none"> <li>➤ Time limit is extended from 24 months to 48 months (4 years).</li> <li>➤ Revised additional tax payable: <ul style="list-style-type: none"> <li>a. 60% of tax + interest if filed after 24 months but within 36 months.</li> <li>b. 70% of tax + interest if filed after 36 months but within 48 months.</li> </ul> </li> </ul>	<a href="#">A35</a>
37		Extension of exemption to Specified Undertaking of Unit Trust of India (SUUTI)	The tax exemption is now extended further until March 31, 2027.	<a href="#">A36</a>



38	<b>Various incentives to International Financial Services Centre</b>		<a href="#">A37</a>
39	<b>Customs law – changes</b>	Amendments in the Customs Act, 1962	<a href="#">B1</a>
40	<b>Customs – duty rates changes, review of exemptions</b>		<a href="#">B2</a>
41	<b>Central excise – amendments</b>		<a href="#">B3</a>
42	<b>Service tax – amendments</b>		<a href="#">B4</a>
43	<b>GST – amendments</b>		<a href="#">B5</a>

## **DIRECT TAXES**

### **A. RATES OF TAXES – FINANCIAL YEAR 2025-26**

#### **For Individuals [other than mentioned below], Hindu Undivided Family, Association of Persons, Body of Individuals, Artificial Judicial Person**

The rates provided in **sub-section (1A) of section 115BAC of the Act shall be applicable, as a default**, for determining the income-tax payable in respect of the total income. These rates are given in the following table upon satisfaction of certain conditions as per the provisions of section 115BAC.

<b>Total income</b>	<b>Tax rate</b>
Up to 4,00,000	Nil
From Rs. 4,00,001 to Rs. 8,00,000	5%
From Rs. 8,00,001 to Rs. 12,00,000	10%
From Rs. 12,00,001 to Rs. 16,00,000	15%
From Rs. 16,00,001 to Rs. 20,00,000	20%
From Rs. 20,00,001 to Rs. 24,00,000	25%
Above Rs. 24,00,000	30%

If 115BAC is not opted, then the tax rates for Individuals [other than mentioned below], Hindu Undivided Family, Association of Persons, Body of Individuals, Artificial Judicial Person are as below:

<b>Total income</b>	<b>Tax rate</b>
Up to 2,50,000	Nil
From Rs. 2,50,001 to Rs. 5,00,000	5%
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

#### **For Resident Individuals who are of the age of 60 years or more but less than 80 years at any time during the previous year**

<b>Total income</b>	<b>Tax rate</b>
Less than or equal to Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 5,00,000	5%
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

**For Resident Individuals who are of the age of 80 years or more at any time during the previous year.**

<b>Total income</b>	<b>Tax rate</b>
Less than or equal to Rs. 5,00,000	Nil
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

**Surcharge**

**The amount of income-tax computed as per the above-mentioned provisions ( Both the schemes) shall be increased by surcharge. The rates of surcharge are as under:**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Rate of surcharge for old tax regime</b>	<b>Rate of surcharge for new tax regime ( 115BAC- default scheme)</b>
1.	If the total income of the person exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore	10% of income tax	10% of income tax
2.	If the total income of the person exceeds Rs. 1 crore but does not exceed 2 crores	15% of income tax	15% of income tax
3.	If the total income of the person exceeds Rs. 2 crores but does not exceed 5 crores (excluding the income by way of dividend or income under the provisions of section 111A, 112 and 112A of the Act)	25% of income tax	25% of income tax
4.	If the total income of the person exceeds Rs. 5 crores (excluding the income by way of dividend or income under the provisions of section 111A, 112 and 112A of the Act)	37% of income tax	25% of income tax

**Note:**

- For the income by way of **dividend or income under the provisions of section 111A,112 and 112A** of the Act, the maximum surcharge would be restricted to 15%.
- For the persons who have opted tax slab under section 115BAC (new tax regime) of the Act, the maximum surcharge on the income other than income from dividend and capital gain would be restricted to 25% as against 37%.

- In the case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of Income-tax shall not exceed 15%.
- Health and Education Cess – 4% of income-tax including surcharge.
- **Illustration: Tax Benefits for various categories of taxpayers**

Total Income	Tax payable (after rebate)		Tax Saving
	Existing rates	Proposed rates	
10 lakhs	52,000	Nil	52,000
12 lakhs	83,200	Nil	83,200
15 lakhs	1,45,600	1,09,200	36,400
20 lakhs	3,01,600	2,08,000	93,600
25 lakhs	4,57,600	3,43,200	1,14,400
50 lakhs	12,37,600	11,23,200	1,14,400
1 crore	30,77,360	29,51,520	1,25,840

**For Cooperative Societies**

Total income	Tax rate
Less than or equal to Rs. 10,000	10%
From Rs. 10,001 to Rs. 20,000	20%
Above Rs. 20,000	30%

**Additional Points:**

- The amount of income-tax computed as per the above-mentioned provisions shall be increased by surcharge. In case the total income of the co-operative society exceeds Rs. 1 crore and does not exceed Rs. 10 crores, surcharge would be 7% of such income tax. If the total income exceeds Rs. 10 crores then the surcharge would be 12% of such income-tax.
- Health and Education Cess – 4% of income-tax including surcharge.

**Note:**

A co-operative society resident in India shall have the option to pay tax at 22% for assessment year 2021-22 onwards as per the provisions of section 115BAD, subject to fulfilment of certain conditions. However, the surcharge would be charged at 10% in such cases.

Further, under proposed new section 115BAE of the Act, a new manufacturing co-operative society set up on or after 01.04.2023, which commences manufacturing or production on or before 31.03.2024 and does not avail of any specified incentive or deductions, may opt to pay tax at a concessional rate of 15% for assessment year 2024-25 onwards. However, the surcharge would be charged at 10% in such cases.

#### **For Firm or Local Authority**

<b>Total income</b>	<b>Tax rate</b>
On the whole of the total income	30%

#### **Additional Points:**

- The amount of income-tax computed as per the above-mentioned provisions shall be increased by surcharge. In case the total income of the firm or local authority exceeds Rs. 1 crore – 12% of such income-tax.
- Health and Education Cess – 4% of income-tax including surcharge.

#### **For Companies**

<b>Particulars</b>	<b>Basis</b>	<b>Tax Rate</b>
Domestic Company	Where its total turnover or the gross receipt in the financial year 2023-24 does not exceed Rs. 400 crores.	25%
Domestic Company	Companies other than those referred Above	30%
Domestic Company	Companies opting Section 115BAA subject to fulfillment of certain conditions	22%
Domestic Company	New Manufacturing Companies opting Section 115BAB subject to fulfillment of certain conditions	15%
Foreign Company	Total Income	35%
Minimum Alternate Tax	Book Profits	15%

#### **Additional Points:**

The rates of surcharge are as under:

<b>Particulars</b>	<b>Domestic Company</b>	<b>Foreign Company</b>
Total Income less than Rs. 1 crore	0%	0%
Total Income more than Rs. 1 crore but less than Rs. 10 crores	7%	2%

Total Income more than Rs. 10 crores	12%	5%
Companies opting taxation u/s 115BAA and 115BAB (irrespective of the total income)	10%	NA

Health and Education Cess – 4% of income-tax including surcharge.

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## **DETAILED ANALYSIS**

### **1. Rebate under section 87A**

#### ➤ **Current Rebate Under Section 87A:**

- a. If a resident individual's total income is ₹5 lakh or less, they get a 100% rebate on income tax, meaning they pay zero tax.
- b. Under the new tax regime (Section 115BAC(1A)), individuals with an income of up to ₹7 lakh get a rebate of ₹25,000, effectively making them tax-free.
- c. Marginal relief is available for income slightly above ₹7 lakh to ensure they do not more tax than someone earning ₹7 lakh.

#### ➤ **Proposed Changes from Assessment Year 2026-27:**

- a. Higher rebate limit:
- b. The income threshold for full rebate under the new tax regime (115BAC(1A)) will increase from ₹7 lakh to ₹12 lakh.
- c. The maximum rebate amount will also increase from ₹25,000 to ₹60,000.
- d. New rule to prevent excess rebate: A new condition ensures that the rebate cannot exceed the actual income tax payable as per 115BAC(1A).

#### ➤ **Rebate Not Available on Special Income (No Change):**

- a. Tax on capital gains (like under Sections 111A, 112) will not be eligible for rebate.
- b. This means individuals earning from stock market gains, mutual funds, or other capital assets will still need to pay tax on such income.

#### ➤ **Purpose of the Amendment:**

- a. Provide higher tax relief to middle-income taxpayers under the new tax regime.
- b. Ensure that individuals earning up to ₹12 lakh benefit from lower taxes while keeping special tax incomes outside the rebate scope.

- #### ➤ **Effective Date:** These changes will apply from April 1, 2026, for assessment year 2026-27 and onwards.

## **2. Increase in Income Limits for Perquisites Calculation for salaried employees (Section 17)**

### **Current Provisions:**

#### **Perquisite (Section 17(2))**

- Perquisites are benefits or amenities given by an employer free of cost or at a concessional rate to an employee.
- Currently, such benefits are not treated as perquisites if the employee's salary does not exceed ₹50,000 per year (set in 2001).

#### **Medical Treatment Abroad (Proviso to Section 17(2)):**

If an employer pays for an employee or their family's medical treatment abroad, it is not treated as a perquisite if the employee's gross total income does not exceed ₹2 lakh (set in 1993).

### **Why the Change is Needed:**

- These income limits (₹50,000 for perquisites & ₹2 lakh for medical travel) were set decades ago and do not reflect current living standards or economic conditions.
- With rising inflation and salaries, these limits need revision to ensure fairness.

### **Proposed Amendment:**

- The government will now have the power to set and revise these income limits through rules, instead of keeping them fixed in the law.
- Higher income limits will be prescribed, ensuring that:
  - a. More employees can receive tax-free perquisites.
  - b. Medical travel expenses for treatment abroad paid by employers will not be treated as taxable perquisites.

### **Purpose of the Amendment:**

- a. Reduce the tax burden on employees receiving employer-provided benefits.
- b. Make tax rules more flexible by allowing future revisions based on economic conditions.

**Effective Date:** The changes will apply from April 1, 2026 (for assessment year 2026-27 and onwards).



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

**Background:** NPS Vatsalya Scheme was launched in September 2024, allows parents/guardians to open an NPS account for minors, which continues after the minor turns 18.

#### **Proposed Amendment:**

**Deduction:** Parent/guardian can claim up to Rs. 50,000 as deduction for contributions to the minor's NPS Vatsalya account under Section 80CCD(1B).

**Tax on Withdrawal:** Amounts deducted under Section 80CCD(1B) will be taxed upon withdrawal.

**Exemption on Death:** Contributions withdrawn due to the minor's death will not be taxed in the parent/guardian's hands.

**Partial Withdrawal:** Income from partial withdrawals (for specific contingencies) will not be taxed if it's  $\leq 25\%$  of the parent's contribution.

**Effective Date:** These amendments will take effect on April 1, 2026, for assessment year 2026-27 onwards.

### 4. Exemption for Withdrawals from National Savings Scheme (Section 80CCA)

#### **Current provisions:**

Section 80CCA provides a deduction to an individual, HUF for any amount deposited in the National Savings Scheme (NSS). Withdrawals along with accrued interest are taxable except in cases of death. However, no such deduction is allowed after April 1, 1992.

#### **Proposed Amendment:**

Withdrawals made on or after August 29, 2024, which relate to deposits made before April 1, 1992 will be exempted from tax.

**Effective Date:** These amendments will have retrospective effect from August 29, 2024.

### 5. Simplification of Annual Value for Self-Occupied Property (Section 23)

#### **Current Provisions:**

**Section 23:** Determines annual value of house property for tax purposes:

- **Sub-section 2 -** where house property is self-occupied or vacant due to certain specific reasons, the annual value of such house property shall be taken to be nil.
- **Sub-section 4 –** Sub-section 2 applies only to a maximum of two self-occupied properties.

**Proposed Amendments:** Simplify provisions to apply nil annual value to two self-occupied properties or those unoccupied due to any reason.

**Effective Date:** These amendments will take effect on April 1, 2025, for assessment year 2025-26 onwards.

## 6. **Rationalization of tax deducted at source (TDS) rates**

There are various provisions of Tax Deduction at Source (TDS), with different thresholds and multiple rates. To improve ease of doing business and better compliance by taxpayers, it is proposed to rationalize certain rates of TDS and to increase threshold limit for applicability of the TDS provisions.

### a. **TDS rate reduction for section 194LBC**

➤ **Current Tax Deduction at Source (TDS) for Securitisation Trusts (Section 194LBC):**

a. When a **securitisation trust** pays income to an **investor**, it must **deduct TDS** before making the payment.

b. **Current TDS rates:**

- **25%** for individuals & Hindu Undivided Families (HUFs).
- **30%** for other entities (companies, firms, etc.).

➤ **Proposed Change:** The **TDS rate will be reduced to 10% for all investors.**

➤ **Reason for the Change:**

- a. The **securitisation sector** is now **well-regulated and organized.**
- b. A lower TDS rate will help improve **liquidity and cash flow for investors.**

➤ **Effective Date:** This change will apply from **April 1, 2025.**

### b. **TDS threshold rationalization**

TDS provisions have various thresholds of amount of payment or amount of income, beyond which tax is required be deducted. It is proposed to rationalize these thresholds as below:

<b><u>Section</u></b>	<b><u>Current threshold</u></b>	<b><u>Proposed threshold</u></b>
193 - Interest on securities	Nil	Rs. 10,000/-

194A - Interest other than Interest on securities	Rs. 50,000/- for senior citizen. Rs. 40,000/- in case of others when payer is bank, cooperative society and post office Rs. 5,000/- in other cases	Rs. 1,00,000/- for senior citizen. Rs. 50,000/- in case of others when payer is bank, cooperative society and post office Rs. 10,000/- in other cases
194 - Dividend for an individual shareholder	Rs. 5,000/-	Rs. 10,000/-
194K - Income in respect of units of a mutual fund or specified company or undertaking	Rs. 5,000/-	Rs. 10,000/-
194B - Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction
194BB - Winnings from horse race		
194D - Insurance commission	Rs. 15,000/-	Rs. 20,000/-
194G - Income by way of commission, prize etc. on lottery tickets	Rs. 15,000/-	Rs. 20,000/-
194H - Commission or brokerage	Rs. 15,000/-	Rs. 20,000/-
194-I Rent	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month
194J - Fee for professional or technical services	Rs. 30,000/-	Rs. 50,000/-
194LA - Income by way of enhanced compensation	Rs. 2,50,000/-	5,00,000/-

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

**India's Push for Electronics & Semiconductor Manufacturing:**

The Indian government has launched schemes to boost semiconductor and electronics manufacturing under the Ministry of Electronics and IT.

**Role of Non-Residents:**

Foreign companies (non-residents) will help set up these facilities by providing technology and support services.

**Need for Tax Certainty & Incentives:** To attract foreign technology providers and service companies, the government wants to ensure a clear and favourable tax regime.

**Proposed Presumptive Taxation (New Section 44BBD):**

A fixed percentage (25%) of the total payments received by a foreign company for providing technology or services will be considered as their taxable profit. This means they will effectively pay less than 10% tax on their total revenue in India.

**Effective Date:** This new rule will apply from April 1, 2026 (for assessment year 2026-27 and onwards).

8. **Extension of date of making investment by Sovereign Wealth Funds, Pension Funds & others and rationalisation of tax exemptions**

Current Tax Exemption for Sovereign Wealth Funds (SWF) & Pension Funds (PF) (Section 10(23FE)):

- a. Certain foreign Sovereign Wealth Funds (SWFs) and Pension Funds (PFs) can invest in India's infrastructure sector without paying tax on income from dividends, interest, or long-term capital gains.
- b. These funds must be approved by the government and notified in the Official Gazette.

➤ **Current Investment Deadline:** To qualify for the tax exemption, investments must be made between April 1, 2020, and March 31, 2025.

➤ **Concerns Raised:**

- a. Need for More Time: Since infrastructure investments are long-term, investors need more time and stability to plan their investments.
- b. Tax on Unlisted Debt Securities:
- c. A recent tax change (Section 50AA) classifies all gains from unlisted debt securities as short-term capital gains, meaning they will now be taxable.
- d. Previously, long-term capital gains from such investments were exempt for SWFs and PFs.

➤ **Proposed Changes:**

- a. Extend Tax Exemption for Long-Term Capital Gains: Even if unlisted debt securities are now classified as short-term capital gains, they will still be tax-free for eligible SWFs and PFs.
- b. Extend the Investment Deadline: The last date to make tax-exempt investments will be extended from March 31, 2025, to March 31, 2030.

➤ **Effective Date:** These changes will apply from April 1, 2025.

**9. Extension of benefits of tonnage tax scheme to inland vessels**

**Tonnage Tax Scheme:** Introduced in 2004, this scheme allows shipping companies to pay tax based on the tonnage (capacity) of their ships instead of normal corporate tax. This was meant to promote the Indian shipping industry.

**Request to Include Inland Vessels:**

- Industry representatives asked the government to extend this scheme to inland water transport vessels.
- Reason: India lacks a strong fleet of inland vessels, and higher investment is needed in this capital-intensive sector.

**Proposed Change:**

- The tonnage tax scheme will now also apply to inland vessels that are registered under the Inland Vessels Act, 2021.
- Definition of inland vessels will be added to Section 115V of the Income Tax Act.
- Section 115VD will be updated to include inland vessels as "qualified ships" eligible for the scheme.

**Purpose of This Change:**

- Encourage investment in inland water transport.
- Reduce tax burden on companies operating inland vessels.
- Promote growth and modernization of inland waterways in India.

**Effective Date:** These changes will apply from April 1, 2026 (for assessment year 2026-27 and onwards).

**10. RATIONALISATION AND SIMPLIFICATION OF THE PROVISIONS OF CHARITABLE TRUSTS AND INSTITUTIONS**

**A. Simplification of tax provisions for charitable trusts/institutions**

**Tax Exemption for Trusts & Institutions (Section 12AB):**

Trusts and institutions registered under Section 12AB can claim tax exemption on their income under Sections 11 and 12, provided they meet certain conditions.

**Procedure for Registration (Section 12A):** Trusts and institutions must apply for registration under Section 12A to become eligible for tax exemptions.

**Approval & Cancellation Rules (Section 12AB):** Section 12AB outlines the approval process for tax-exempt status and the conditions under which the registration can be cancelled.

**When Exemption is Denied (Section 13):** If a trust or institution fails to meet the required conditions, it loses its tax exemption benefits under Sections 11 and 12.

**Purpose of These Provisions:**

- Ensure that only genuine charitable & non-profit institutions receive tax benefits.
- Prevent misuse of tax exemptions by organizations that do not follow the rules.

**B. Rationalisation of 'specified violation' for cancellation of registration of trusts or institutions**

**Background:** Section 12AB (4) allows the Principal Commissioner/ Commissioner to cancel the registration of a trust or institution if "specified violations" are noticed during any previous year.

"Specified violation" includes situations where the application for registration under section 12A (1) (ac) is incomplete or contains false/incorrect information.

**Current situation:** Even minor issues with the completeness of the application could lead to the cancellation of registration, making the trust liable to tax on accreted income under Chapter XII-EB.

**Proposed Amendment:** The Explanation to sub-section (4) will be amended to clarify that incomplete applications will not be treated as specified violations.

**Effective date:** The amendment will take effect from April 1, 2025.

### **C. Increase in validity of registration of smaller trusts or institutions**

**Background:** Section 12AB provides that trusts or institutions can be registered for a period of 5 years or can avail a provisional registration of 3 years if activities haven't commenced.

**Current situation:** At the expiry of registration or if activities begin for a provisional registration, trusts or institutions must apply for further registration which increases compliance burden, especially for smaller trusts or institutions.

**Proposed Amendment:** To reduce the compliance burden, the registration period will be extended from 5 to 10 years for trusts or institutions that:

- Apply under sub-clause (i) to (v) of section 12A (1) (ac).
- Have total income of less than Rs. 5 crores in each of the two previous years before the application.

**Effective date:** The change will be effective from April 1, 2025.

### **D. Rationalisation of persons specified under sub-section (3) of section 13 for Trusts or Institutions**

**Background:** Section 13 provides that sections 11 and 12 do not apply to trusts or institutions if income or property is used for the benefit of certain persons, including:

- Persons who have made a substantial contribution (over Rs. 50,000).
- Relatives of these persons.
- Concerns where these persons have a substantial interest.

**Current situation:** Taxpayers are having difficulty in providing details about persons other than founders, trustees, etc., who made a substantial contribution, particularly regarding their relatives and concerns in which they have a substantial interest.

#### **Proposed Amendments:**

- "**Substantial contribution**": The threshold is raised to Rs. 1,00,000 during the year and Rs. 10,00,000 in aggregate upto the end of the year.

- **Exclusion of Relatives:** Relatives of such persons are not to be included as specified persons.
- **Exclusion of Concerns:** Concerns in which these persons have substantial interest will not be included in persons specified under section 13(3).

**Effective Date:** These changes will take effect from 1<sup>st</sup> April 2025.

## 11. **Rationalisation in taxation of Business trusts**

**Background:** Finance (No.2) Act, 2014 introduced a special taxation regime for Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT) in order to address financing and investment challenges in infrastructure.

### **Current situation:**

Section 115UA Provides a pass-through status to business trusts for interest income, dividend income from SPVs (both REIT and InvIT), and rental income (for REIT). These incomes are taxable in the hands of unit holders unless exempted.

Sub-section (2) of Section 115UA provides that total income of a business trust is taxed at the maximum marginal rate, subject to sections 111A and 112.

### **Proposed Amendment:**

- Sub-section (2) of Section 115UA to include reference to section 112A (tax on LTCG from equity shares, equity-oriented funds, or units of business trusts) in addition to sections 111A and 112.
- This ensures that total income of a business trust is taxed at the maximum marginal rate, subject to sections 111A, 112, and 112A wherein certain specific rates are provided.

**Effective Date:** Amendments will take effect from April 1, 2026, applying to the assessment year 2026-27 and subsequent years.

## 12. **Harmonisation of Significant Economic Presence applicability with Business Connection**

**Section 9:** Section 9 of the Income Tax Act states that income arising from a business connection in India is taxable in India, even for non-residents.

**Current Exemption for Export Purchases:** Clause (b) of Explanation 1 in Section 9 clarifies that if a non-resident only purchases goods in India for export, it is not considered a business connection and is not taxed in India.



**Concern Due to "Significant Economic Presence" Rule:** Explanation 2A defines "significant economic presence" (SEP) as when a non-resident carries out transactions in India, which can lead to taxation in India.

**Issue:** Because SEP includes transactions related to goods, there was confusion on whether non-residents purchasing goods for export would still be exempt.

**Proposed Amendment:**

- The law will be clarified to state that purchasing goods in India for export will not be treated as significant economic presence.
- This ensures non-residents engaged only in export-related purchases will not be taxed in India.

**Purpose of the Amendment:**

- Avoid unintended taxation of non-residents engaged purely in export activities.
- Ensure consistency between different parts of Section 9.

**Effective Date:**

The amendment will apply from April 1, 2026 (for assessment year 2026-27 and onwards).

**13. Bringing clarity in income on redemption of Unit Linked Insurance Policy**

**Current Tax Exemption for Life Insurance Payouts (Section 10(10D)):** Life insurance payouts, including bonuses, are tax-free if the annual premium does not exceed 10% of the sum assured.

**Restrictions Introduced in 2021 for High-Premium ULIPs:**

- From February 1, 2021, if the premium for Unit Linked Insurance Policies (ULIPs) exceeds ₹2.5 lakhs per year, the payout is not tax-free.
- These high-premium ULIPs are treated as capital assets and taxed as capital gains when redeemed.

**Difference in Tax Treatment Between ULIPs & Traditional Life Insurance:**

- ULIPs (when not exempt) are considered capital assets, and gains from redemption are taxed as capital gains.
- Traditional life insurance (non-ULIP) payouts, when not exempt, are taxed under "Income from Other Sources" instead of capital gains.

### **Proposed Changes for Clarity & Consistency:**

- All non-exempt ULIPs will be formally classified as "capital assets" under Section 2(14).
- Profits from redemption of such ULIPs will be taxed as capital gains under Section 45(1B).
- Non-exempt ULIPs will now be included in the definition of "equity-oriented funds" under Section 112A, making them eligible for long-term capital gains (LTCG) tax treatment.

### **Purpose of the Amendment:**

- Ensure consistency in taxation of ULIPs.
- Provide clarity on how non-exempt ULIPs are taxed.

**Effective Date:** The changes will apply from April 1, 2026 (for assessment year 2026-27 and onwards).

## **14. Amendment of Definition of 'Capital Asset'**

### **Capital Asset (Section 2(14))**

- A capital asset includes any property held by a person, except stock-in-trade or personal assets.
- Securities held by Foreign Institutional Investors (FIIs) are already classified as capital assets, meaning gains from their sale are taxed as capital gains, not business income.

### **Uncertainty for Investment Funds (Section 115UB):**

- Investment funds (like Alternative Investment Funds - AIFs) invest in securities as per SEBI regulations.
- Confusion: Whether profits from selling securities should be taxed as capital gains or business income?

### **Proposed Change for Clarity:**

- All securities held by investment funds (under Section 115UB) will be treated as capital assets.
- This means any gains from selling these securities will be taxed as capital gains (instead of business income).

### **Purpose of the Amendment:**

- Eliminate confusion on how to tax investment funds' income.
- Ensure consistent tax treatment across investment funds and foreign institutional investors (FIIs).

**Effective Date:** The amendment will apply from April 1, 2026 (for assessment year 2026-27 and onwards).

#### **15. Extension of timeline for tax benefits to start-ups**

**Current Tax Benefit for Startups (Section 80-IAC):** Eligible startups can claim 100% tax deduction on their profits for 3 consecutive years within their first 10 years of incorporation.

**Conditions to qualify:**

- Turnover must be ₹100 crore or less.
- Must have a certification from the Inter-Ministerial Board.
- Must be incorporated between April 1, 2016, and March 31, 2025.

**Proposed Change:**

- The eligibility period for startups is being extended by 5 more years.
- Startups incorporated until March 31, 2030, will now be eligible for this tax benefit.

**Purpose of the Amendment:**

- a. Encourage more startup growth by providing tax incentives for a longer period.
- b. Support India's startup ecosystem and boost entrepreneurship.

- **Effective Date:** The change will apply from April 1, 2025.

#### **16. Rationalisation of taxation of capital gains on transfer of capital assets by non-residents**

**Current Taxation of Foreign Institutional Investors (FIIs) & Specified Funds (Section 115AD):**

- FIIs & specified funds pay tax at 10% on long-term capital gains from securities (except certain units under Section 115AB).
- The Finance Act (No.2), 2024 increased the general long-term capital gains tax rate to 12.5% for all taxpayers, but this change did not apply to securities not covered under Section 112A for FIIs & specified funds.

**Issue Identified:**

- The long-term capital gains tax for FIIs and specified funds on certain securities remained at 10%, while for other investors, it was raised to 12.5%.

- This created a tax rate difference between FIs & residents for some types of long-term capital gains.

**Proposed Change:**

- To bring uniformity, the tax rate for long-term capital gains on such securities for FIs & specified funds will be increased from 10% to 12.5%.
- This applies to securities not covered under Section 112A (such as certain debt instruments and unlisted shares).

**Purpose of the Amendment:**

- Ensure tax parity between residents and non-residents on long-term capital gains.
- Align FI taxation with the Finance (No.2) Act, 2024 changes.

**Effective Date:** The amendment will apply from April 1, 2026 (for assessment year 2026-27 and onwards).

**17. Definition of “forest produce” rationalised**

**Current Tax Collection at Source (TCS) on Forest Products (Section 206C (1)):**

- Sellers must collect TCS (Tax Collected at Source) when selling certain forest products.
- Current TCS rate: 2.5% on:
  - a. Timber obtained under a forest lease.
  - b. Timber obtained by other means.
  - c. Any other forest produce (excluding tendu leaves).

**Issues Raised & Proposed Changes:**

**Lack of Definition:**

- a. The term "forest produce" is not defined in the Income Tax Act, causing confusion.
- b. New Definition: "Forest produce" will now have the same meaning as in the Indian Forest Act, 1927, or any applicable State law.

**Clarification on TCS for Traders:**

- Only forest produce obtained under a forest lease will be subject to TCS.
- This excludes traders who buy forest produce from sources other than forest leases.

➤ **Revised TCS Rates:**

- a. Timber or any other forest produce (excluding tendu leaves) obtained under a forest lease – 2%TCS.
- b. Timber obtained by other means – 2% TCS (reduced from 2.5%).

➤ **Purpose of the Amendment:**

- a. Provide clarity on taxation rules for forest products.
- b. Ensure that traders who are not directly obtaining forest produce under a lease are not unnecessarily taxed.

➤ **Effective Date:** These changes will apply from April 1, 2025.

**18. Reduction in compliance burden by omission of TCS on sale of specified goods**

**Current Rule on TCS (Section 206C(1H)):** A seller must collect tax at source (TCS) at 0.1% if they receive more than ₹50 lakh in a year from a buyer for selling goods.

**Current Rule on TDS (Section 194Q):** A buyer must deduct tax at source (TDS) at 0.1% if they purchase goods worth more than ₹50 lakh in a year from a seller.

**Issue:**

- Both TDS (by buyer) and TCS (by seller) apply on the same transaction.
- While the law states that TCS is not required if the buyer deducts TDS, sellers find it difficult to verify whether buyers have actually deducted TDS.
- This leads to double taxation and compliance burden for businesses.

**Proposed Change:**

- Section 206C(1H) (TCS on sales above ₹50 lakh) will be removed from April 1, 2025.
- This means only TDS under Section 194Q (collected by the buyer) will apply, not TCS by the seller.

**Purpose of the Amendment:**

- Reduce compliance burden for sellers.
- Eliminate confusion and avoid double taxation on the same transaction.
- Make business transactions smoother.

**Effective Date:** This change will apply from April 1, 2025.

**19. Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B**

**Block Assessment**

- Block assessment is a special method of assessing undisclosed income when a search or requisition is conducted under Section 132 or 132A of the Income Tax Act.
- Introduced via the Finance (No. 2) Act, 2024, it applies to searches initiated on or after September 1, 2024.

**Key Proposed Changes:**

**A. Inclusion of Virtual Digital Assets (VDAs) as Undisclosed Income**

- "Virtual digital assets" (like cryptocurrencies) will now be considered "undisclosed income" if found during a search.
- This means tax authorities can assess and tax hidden crypto-related income under block assessment.

**B. Clarification on Abatement and Revival of Pending Cases (Section 158BA)**

- When a search is conducted, all pending tax assessments/reassessments on that date are stopped ("abated").
- If an earlier block assessment is annulled in appeal, related cases will be revived, including assessments, recomputations, and references.
- The wording is being adjusted to explicitly cover recomputation, reference, or orders that may arise after annulment.

**C. Assessment Timing for Subsequent Searches (Section 158BA (4))**

- a. If a person has an ongoing assessment and another search is conducted later, the first assessment will be completed first, and then the second search will be assessed separately.
- b. The word "pending" is being replaced, ensuring that assessments must be completed even if they were not technically pending at the time of the second search.

**D. Refinements in Computing Block Period Income (Section 158BB)**

- Income reported in tax returns before a search (under Sections 139, 142(1), or 148) will now be explicitly included in the block period's total income.
- Instead of "total income," the term "undisclosed income" will be used for clarity.
- If a search occurs before the due date of filing a tax return, income from books of accounts for that period will be taxed under normal provisions, not block assessment.

**E. Treatment of International & Domestic Transfer Pricing Transactions (Section 158BB (3))**

- Income from international or specified domestic transactions (such as transfer pricing cases) will be taxed under normal assessment, not block assessment.
- This is because transfer pricing cases require full-year data to determine arm's length pricing, which is difficult to assess for part-period searches.

**F. Extension of Time Limit for Block Assessment (Section 158BE)**

- a. Currently, block assessments must be completed within 12 months from the end of the month in which the last search was conducted.
- b. **New Rule:** The deadline will now be 12 months from the end of the quarter in which the last search was conducted.
- c. **Purpose:** This will help coordinate group cases, avoid multiple deadlines, and simplify investigations in large business groups.

**G. Purpose of These Amendments:**

- a. Increase clarity in tax assessments.
- b. Ensure fair taxation of virtual digital assets.
- c. Simplify tax administration in cases involving multiple searches and large business groups.
- d. Prevent tax avoidance through complex transactions or late filings.

**H. Effective Date:** These changes will apply from February 1, 2025.

## **20. Non-applicability of Section 271AAB of the Act**

### **Provisions of Section 271AAB:**

- Section 271AAB imposes penalties on undisclosed income found during a search operation.
- It applies to searches initiated after December 15, 2016, under Section 132 of the Income Tax Act.

### **Proposed changes:**

#### Introduction of Block Assessment (From September 1, 2024)

- Finance Act 2024 introduced the 'Block Assessment' system under Chapter XIV-B for searches conducted on or after September 1, 2024.
- This new system replaces the existing regular assessment procedures for search cases.

### **Reason for amendment of Section 271AAB**

- a. Currently, Section 271AAB does not apply to cases assessed under Section 158BC (Block Assessment).
- b. However, there could be confusion about whether it still applies to searches conducted after September 1, 2024.
- c. To avoid any ambiguity, it is explicitly clarified that Section 271AAB will NOT apply to searches conducted on or after September 1, 2024.

### **Impact of the Change:**

- a. Clarifies that penalties under Section 271AAB will not apply to new search cases from September 1, 2024.
- b. Ensures consistency with the newly introduced Block Assessment system.
- c. Prevents misinterpretation and legal disputes regarding penalty applicability.

**Effective date of change:** Effective from September 1, 2024 - Only applicable to searches conducted on or after this date.

## **21. Amendments proposed in sections 132 and 132B for rationalising provisions**

### **Provisions of Section 132:**

- Section 132 deals with search and seizure operations conducted by the Income Tax Department.
- It allows tax officers to seize books of accounts, documents, and other materials during a search.



## **Proposed changes:**

### **Change in Time Limit for Retaining Seized Documents (Section 132(8))**

#### a. Current Rule (Before April 1, 2025)

- Approval for retaining seized documents must be taken within 30 days from the date of assessment / reassessment / recomputation order.
- Problem:
  - In group cases (multiple assessees in the same search), assessment orders may be completed at different times, making tracking deadlines difficult.
  - Some documents may be needed for ongoing assessments of related entities.

#### b. New Rule (From April 1, 2025)

The new deadline for approval to retain seized documents will be one month from the end of the quarter in which the assessment order is passed.

#### c. Impact

- Makes it easier to track deadlines.
- Avoids unnecessary paperwork for separate approval dates.
- Allows retention of documents for related pending cases.

### **Clarification on Definition of “Execution of Search” (Section 132 Explanation 1)**

#### a. Current Issue

The law refers to "authorisation" in singular, which can create confusion in cases where multiple search authorisations are issued.

#### b. New Rule (From April 1, 2025)

The term “authorisation” will be changed to “authorisations” to make it clear that the last executed search in a series of searches will be considered.

### **Updating Reference for Search Execution Definition (Section 132B Explanation 1)**

#### a. Current Issue

- Section 132B refers to Section 158BE for the meaning of "execution of search".
- However, Section 158BE was amended in Finance Act 2024, and this definition was moved to Section 158B.

b. New Rule (From April 1, 2025)

Section 132B will now refer to Section 158B (instead of 158BE) for the definition of "execution of search or requisition".

**Impact of the Changes:**

- Simplifies deadline tracking for retaining seized documents.
- Prevents unnecessary re-approvals for documents needed in related cases.
- Clarifies legal definitions to avoid interpretation issues.
- Updates references to match the latest legal amendments.

**Effective date of change:** Effective from April 1, 2025.

**22. Time limit to impose penalties rationalised**

**Provisions of Section 275:**

- Section 275 sets the time limit for imposing penalties under Chapter XXI of the Income Tax Act i.e., Penalties imposable.
- Currently, there are multiple deadlines for different cases, depending on whether an appeal is filed with:
  - a. ITAT (Income Tax Appellate Tribunal)
  - b. JCIT (Appeals) or Commissioner (Appeals)
  - c. Other authorities

**Proposed changes:**

**Current Problem (Before April 1, 2025)**

- Different deadlines apply in different cases, making it confusing and difficult to track time limits for penalty orders.
- This complicates tax administration and increases compliance challenges.

**New Rule (From April 1, 2025):**

- A uniform time limit is introduced: Penalty orders must be passed within 6 months from the end of the quarter in which:
  - a. The related tax proceeding is completed, or

- b. The appeal order is received by the Principal Commissioner/Commissioner, or
- c. The order for revision is passed, or
- d. The penalty notice is issued (whichever is applicable).

- Consequential changes will be made in Section 246A to align appeal provisions with this amendment.

**Purpose of the amendment:**

- Simplifies the penalty imposition process by setting a uniform deadline.
- Reduces confusion and administrative burden for tax authorities and taxpayers.
- Ensures faster resolution of tax penalty cases.

**Effective date of change:** Effective from April 1, 2025.

**23. Clarification regarding commencement date and the end date of the period stayed by the Court**

**Sections covered under the clarification provided:**

- Sections 144BA, 153, 153B, 158BE, 158BFA, 263, 264, and Rule 68B of Schedule-II deal with time limits for completing tax assessments, reassessments, appeals, revisions, and recovery of taxes.
- These sections allow exclusion of time periods when court orders stay the tax proceedings.

**Proposed changes:**

A. Current Issue (Before April 1, 2025)

- When a tax proceeding is stayed by a court order, the "stayed period" is excluded from the total time allowed to complete the case.
- Ambiguity existed about when this period starts and ends, leading to confusion and disputes.

B. New Rule (From April 1, 2025)

- Clear definition of the "stayed period":
- Starts from the date the stay order is granted by the court.
- Ends on the date the tax department (Principal Commissioner or Commissioner) receives the certified copy of the order lifting the stay.

**Benefits from the proposed change:**

- Removes confusion about start and end dates of the stay period.

- Ensures fair calculation of time limits for tax proceedings.
- Prevents legal disputes over when the stay period should be excluded.

**Effective date of change:** Effective from April 1, 2025.

#### **24. Rationalisation of provisions related to carry forward of losses in case of amalgamation**

##### **Provisions of Sections 72A & 72AA:**

- These sections allow a company (successor entity) to carry forward and set off losses of another company (predecessor entity) in case of amalgamation or business reorganization.
- The successor company can treat the accumulated losses of the old company as its own and set them off against future profits.

##### **Proposed changes:**

###### Current Rule (Before April 1, 2026)

- A company can carry forward business losses for up to 8 years from the year the loss was originally computed (as per Section 72).
- However, in cases of multiple amalgamations, losses from one company can be passed on repeatedly, leading to indefinite tax benefits (evergreening of losses).

###### New Rule (Effective from April 1, 2026)

- The 8-year carry forward limit will now also apply to losses transferred during amalgamations.
- The loss cannot be carried forward for more than 8 years from the year it was first recorded by the original company (predecessor entity).
- This ensures that losses do not continue indefinitely across multiple mergers.

##### **Purpose of the proposed change:**

- Prevents misuse of tax benefits by companies merging repeatedly just to keep losses alive.
- Ensures fairness by aligning with the general rule in Section 72 (8-year limit for loss carry forward).
- Brings clarity to tax laws regarding amalgamations and business reorganizations.

##### **Effective date of change:**

- Applies to any amalgamation or business reorganization taking place on or after April 1, 2025.
- Effective from April 1, 2026, for Assessment Year 2026-27 and onwards.

**25. Rationalisation of transfer pricing provisions for carrying out multi-year arm's length price determination**

**Transfer Pricing (TP):**

- Transfer Pricing (TP) ensures that international transactions and certain domestic transactions between related parties (like subsidiaries and parent companies) are priced fairly at "Arm's Length Price (ALP).
- Sections 92 to 92F govern TP rules.

**Current Process for TP Assessment:**

- Assessing Officer (AO) refers the case to the Transfer Pricing Officer (TPO) for determining the ALP.
- TPO calculates the ALP and sends it to the AO.
- AO then uses this ALP to compute the total income of the assessee.

**Proposed changes: Block Transfer Pricing Assessments Introduced:**

- a. If the ALP is determined for one year, the same ALP will apply for similar transactions in the next two years.
- b. This reduces repeated TP assessments for similar transactions each year.

**Process on how the proposed changes will be implemented: New Process for Transfer Pricing Assessment (Section 92CA Amendments):**

- Taxpayer must opt for this block assessment (file an application in a prescribed manner within such time period).
- TPO will review and declare the option as "valid" within 1 month subject to prescribed conditions.
- Once the option is approved:
  - a. The ALP for the current year will apply for the next two years.
  - b. The TPO will conduct a one-time review for all three years.
  - c. No separate references will be made for the next two years for the same transaction.
- These provisions shall not apply to any proceedings under Chapter XIV-B i.e., Special procedure for assessment of search cases.
- If difficulties arise, the CBDT can issue guidelines to clarify the process.

### **Income Recalculation by AO (Section 155 Amendments)**

- AO must recompute total income for the two future years based on the ALP fixed by the TPO.
- This re-computation must be completed within 3 months from the end of the month in which the first year's assessment was completed.
- In case such re-computation is not made as mentioned above, then it shall be made within a period of 3 months from the end of the month in which order of assessment or any intimation or deemed intimation is made.

#### **Impact of the Change:**

- Less Compliance Burden: No need for annual TP assessments for similar transactions.
- Faster Processing: AO & TPO can handle multiple years in a single review.
- Certainty for Taxpayers: Fixed ALP for 3 years reduces disputes.
- Eases Administrative Work: Reduces repeated TP audits for the same set of transactions.

**Effective date of change:** These amendments take effect from April 1, 2026, applicable for Assessment Year 2026-27 and onwards.

### **26. Removal of higher TDS/TCS for non-filers of return of income**

#### **Provisions of Sections 206AB & 206CCA:**

- Section 206AB: Required TDS (Tax Deducted at Source) at a higher rate if the recipient (deductee) had not filed their income tax return.
- Section 206CCA: Required TCS (Tax Collected at Source) at a higher rate if the buyer (collectee) had not filed their income tax return.
- These sections applied only to specified non-filers under certain conditions.

#### **Issues faced due to 206AB and 206CCA:**

- Difficult for tax deductors / collectors to verify whether a person had filed their tax return.
- Led to unnecessary higher TDS/TCS rates, blocking funds for individuals and businesses.
- Increased compliance burden on tax deductors/collectors.

#### **Proposed changes:**

- Sections 206AB & 206CCA will be removed entirely (no more higher TDS/TCS for non-filers).
- Deductors and collectors no longer need to verify tax return filing status before deducting/collecting tax.

**Impact of the change:**

- Simplifies tax deduction and collection process for businesses.
- Reduces compliance burden for tax deductors/collectors.
- Prevents unnecessary capital blocking due to high TDS/TCS rates.

**Effective date of change:** These amendments take effect from April 1, 2025.

**27. Obligation to furnish information in respect of crypto asset**

**Reporting entity:** Certain entities, as may be notified, must submit reports on crypto transactions.

**Details to be reported:** These entities must submit transaction details in a prescribed form and manner to the Income Tax Department.

**Key Provisions of the New Section 285BAA:**

- Reporting Obligation (Sub-section 1): Certain reporting entities must submit a statement on crypto transactions within a specified time in the form and manner and to such income-tax authority as may be specified.
- Correction of Defective Reports (Sub-section 2):
  - a. If the tax department finds errors in the report, they will notify the entity.
  - b. The entity must correct the mistake within 30 days, or it will be treated as furnishing of inaccurate information.
- Non-Submission of Report (Sub-section 3): If a required entity fails to submit the report, the tax department can send a notice to comply, and the reporting entity shall furnish the statement within the time specified.
- Correction of Inaccurate Information (Sub-section 4): If an entity realizes later that its report was incorrect, it must notify the tax department and provide the correct information.
- Government Power to Regulate Crypto-Asset Reporting (Sub-section 5): The Central Government can set rules on:
  - a. The persons to be registered with the income-tax authority.
  - b. The nature and manner in which such information will be maintained by the persons.
  - c. Due diligence to be carried out by such persons for the identification of any crypto-asset user or owner.

### **Expansion of VDA Definition (Amendment to Section 2(47A)):**

A new sub-clause (d) will be added to broaden the definition of Virtual Digital Assets (VDA).

Now includes any crypto asset that:

- a. Is a digital representation of value.
- b. Uses cryptographic security and distributed ledger technology (like blockchain) or similar technology to validate and secure transactions.
- c. Whether or not already covered under existing VDA definitions.

**Effective date of change:** These amendments will take effect from April 1, 2026.

### **28. Increasing time limit available to pass order under section 115VP**

#### **Provisions of Section 115VP:**

- This section deals with the tonnage tax scheme for shipping companies.
- Tonnage tax scheme: A special tax system where shipping companies are taxed based on the tonnage (capacity) of their ships instead of regular income tax.
- Companies must apply to the Joint Commissioner of Income Tax to opt for this scheme.

#### **Current Rule (Before April 1, 2025):**

- The Joint Commissioner has only 1 month to:
  - a. Verify documents and ship details.
  - b. Allow or reject the tonnage tax application.
  - c. Give the company a hearing before rejecting.

**Problem with the Current Rule:** 1 month is too short for proper verification, including physical ship inspections if needed.

**Proposed Change (From April 1, 2025):** More time for decision-making: Instead of 1 month, the Joint Commissioner will now have 3 months from the end of the quarter in which the application was received.

#### **Impact of the Change:**

- Better review and verification of applications.
- Ensures fairness and accuracy in approving or rejecting applications.



**Effective date of change:** This amendment applies to applications received on or after April 1, 2025.

## 29. Excluding the period such as court stay etc. for calculating time limit to pass an order

### **Background of Section 206C(7A):**

- This section sets a time limit for treating a person as an “assessee in default” for failing to collect Tax Collected at Source (TCS).
- Current time limit:
  - a. 6 years from the end of the financial year in which TCS was due, or
  - b. 2 years from the financial year in which a correction statement was filed (whichever is later).

**Proposed changes:** The time limit will now exclude periods when proceedings were paused due to:

- a. Court orders staying the process.
- b. Other delays covered under Section 153 of the Income Tax Act.

### **Impact of the Change:**

- Ensures fairness by stopping the clock during legal delays.
- Gives tax authorities more time to act if proceedings were interrupted.

**Effective date of change:** This amendment will take effect from April 1, 2025.

## 30. Exemption from prosecution for delayed payment of TCS in certain cases

### **Current provisions of Section 276BB:**

- Section 276BB deals with prosecution for failure to deposit Tax Collected at Source (TCS) with the government.
- Current penalty: If TCS is not deposited, the responsible person faces rigorous imprisonment of 3 months to 7 years and a fine.

**Proposed changes:** New Relaxation: Prosecution will not be initiated if the taxpayer deposits the TCS before the due date for filing the quarterly TCS statement (as per Section 206C (3), Proviso).

### **Impact of the Change:**

- Gives a second chance to deposit TCS before facing criminal prosecution.
- Encourages voluntary compliance instead of immediate legal action.

**Effective date of change:** This change will take effect from April 1, 2025.

**31. Certain penalties to be imposed by the Assessing Officer:**

**Details of the current rule:**

- Penalties under Sections 271C, 271CA, 271D, 271DA, 271DB, and 271E are currently imposed by the Joint Commissioner.
- However, the Assessing Officer (AO) is responsible for assessments, creating a disconnect in the process.

**Proposed changes:**

- Now, the Assessing Officer will impose penalties under these sections instead of the Joint Commissioner.
- Exception: If the penalty amount exceeds the limit specified in Section 274(2), the AO must get approval from the Joint Commissioner before passing the penalty order.

**Additional Change in Section 246A:** A related amendment is being made in Section 246A(1)(n) to align the appeals process with the above changes.

**32. Omission of Section 271BB (Obsolete Penalty Rule):**

- Section 271BB penalized failure to subscribe to certain capital issues under Section 88A.
- But Section 88A was removed in 1996, making Section 271BB irrelevant.
- Now, Section 271BB is being omitted.

**Effective date of change:** These amendments will take effect from April 1, 2025.

**33. Extending the processing period of application seeking immunity from penalty and prosecution**

**Background of Section 270AA:**

- This section allows taxpayers to apply for immunity from penalty and prosecution if certain conditions are met.
- The Assessing Officer (AO) decides whether to accept or reject the application.

**Current Rule (Before April 1, 2025):**

- A taxpayer must apply for immunity within 1 month after receiving the relevant tax order.
- The Assessing Officer must decide on the application within 1 month after receiving it.

**Problem Faced by Taxpayers:** 1-month processing time is too short, making it difficult for taxpayers to prepare and present their case properly.

**Proposed Change (From April 1, 2025):**

- The Assessing Officer's time limit to process the immunity application is extended from 1 month to 3 months.
- This gives more time for a fair review of the taxpayer's request.

**Effective date of change:** The new rule will be effective from April 1, 2025.

**34. Removing date restrictions on framing the schemes in certain cases**

**The purpose of this change:**

- The government is making tax processes electronic to reduce direct interaction between taxpayers and tax officers.
- This helps in improving efficiency, reducing corruption, and making assessments team-based with dynamic jurisdiction.

**Definition / Meaning of Faceless Schemes:**

- Faceless schemes allow tax assessments, appeals, and dispute resolution to be conducted electronically without physical meetings.
- They were introduced for specific tax-related processes under Sections 92CA, 144C, 253, and 255 of the Income Tax Act.

**Previous Deadlines for Implementation:** The government had set deadlines for notifying faceless schemes, but due to challenges in implementation, the deadlines were extended multiple times:

- Originally set for 31.03.2024 (Finance Act, 2022).
- Extended to 31.03.2025 (Finance Act, 2024).

**Proposed Change (From April 1, 2025):**

- No more deadlines for faceless schemes.

- The government will have the freedom to introduce faceless schemes whenever needed, even beyond March 31, 2025.
- This ensures continuous improvements in tax administration without legal restrictions on timelines.

**Effective date of change:** This amendment will take effect from April 1, 2025.

### **35. Extending the time-limit to file the updated return**

#### **Definition / Meaning of Updated Return:**

- A taxpayer could file an updated income tax return (ITR) if they missed or made mistakes in their original return.
- This encourages voluntary tax compliance but comes with an additional tax penalty.

#### **Current Rule (Before April 1, 2025):**

- Time limit to file an updated return: Up to 24 months after the end of the relevant assessment year.
- Additional tax payable:
  - a. 25% of tax + interest if filed within 12 months.
  - b. 50% of tax + interest if filed after 12 months but within 24 months.

#### **Proposed Change (From April 1, 2025):**

- Time limit is extended from 24 months to 48 months (4 years).
- Revised additional tax payable:
  - a. 60% of tax + interest if filed after 24 months but within 36 months.
  - b. 70% of tax + interest if filed after 36 months but within 48 months.

#### **Restriction on Filing Updated Returns (New Rule):**

- A taxpayer cannot file an updated return if a show-cause notice under Section 148A (for reassessment) has been issued after 36 months from the relevant assessment year.
- However, if the tax department later decides not to reassess under Section 148, the taxpayer can file an updated return up to 48 months.

**Effective date of change:** These changes will take effect from April 1, 2025.

### **36. Extension of exemption to Specified Undertaking of Unit Trust of India (SUUTI)**

#### **Definition / Meaning of SUUTI:**

- SUUTI (Specified Undertaking of Unit Trust of India) was created in 2002 after the restructuring of the old Unit Trust of India (UTI).
- Its main job is to manage and settle the government's financial liabilities related to the old UTI.

#### **Previous Tax Exemption for SUUTI:**

- SUUTI was exempted from paying income tax until March 31, 2023, under Section 13(1) of the UTI Repeal Act, 2002.
- Finance Act, 2023 extended this tax exemption until March 31, 2025.

#### **Requirement of another extension:** SUUTI still has ongoing work such as:

- a. Redeeming investment schemes,
- b. Making final payments, and
- c. Handling pending legal disputes.

Since these tasks will continue beyond March 31, 2025, SUUTI needs more time to complete its operations without tax liability.

#### **Proposed Change (Finance Act, 2025):**

- The tax exemption is now extended further until March 31, 2027.
- SUUTI will not have to pay any income tax or any other tax on its income, profits, or receipts during this period.

**Effective date of change:** The new tax exemption extension will take effect from April 1, 2025.

### **37. Incentives to International Financial Services Centre**

- International Financial Services Centre (IFSC) is a jurisdiction that provides financial services to non-residents and residents, to the extent permissible under the current regulations, in any currency except Indian Rupee.
- In order to promote the development of world-class financial infrastructure in India, several tax concessions have been provided to units located in IFSC, under the Act, over the past few years.
- In order to further incentivize operations from IFSC, it is proposed to make the following amendments: -

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

**Extension of Tax Benefits** – The government is extending tax concessions for businesses operating in International Financial Services Centres (IFSC).

**Relocation of Funds** – Tax benefits for moving funds to IFSC will also be extended.

**Applicable Sections** – The extension applies to specific sections of the Income Tax Act (80LA, 10, and 47).

**New Deadline** – The deadline to start operations or relocate funds to avail these benefits is now March 31, 2030.

**Effective Date** – These changes will be applicable from April 1, 2025.

b. **Exemption on life insurance policy from IFSC Insurance offices**

**Tax Exemption on Life Insurance Payouts** – Money received from a life insurance policy, including bonuses, is usually tax-free under Section 10(10D) of the Income Tax Act.

**Applies to IFSC Insurance** – This exemption also applies to insurance policies issued by IFSC Insurance Offices.

**Current Premium Limit for Exemption** – Right now, if the annual premium exceeds ₹2.5 lakhs for unit-linked insurance policies (ULIPs) or ₹5 lakhs for other life insurance policies, the tax exemption does not apply.

**Change for Non-Residents** – To make it fair for non-residents buying insurance from IFSC insurers (compared to other foreign insurers), the new rule will remove the premium limit condition for policies issued by IFSC insurance offices.

**Effective Date** – These changes will be applicable from April 1, 2025.

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

**Current Tax Exemption for Aircraft Leasing** –

- Non-residents and IFSC units engaged in **aircraft leasing** do not have to pay capital gains tax on selling shares of IFSC-based aircraft leasing companies.
- Dividend income received from such companies is also tax-free.

**Request for Similar Exemption in Ship Leasing** –

Since ship leasing follows a similar business model, industry representatives requested **the same tax benefits** for it.

**Proposed Changes:**

- **Capital Gains Exemption** – Non-residents and IFSC units engaged in **ship leasing** will not have to pay capital gains tax when selling shares of IFSC-based ship leasing companies.
- **Dividend Exemption** – Dividends received by IFSC-based ship leasing companies from another IFSC-based ship leasing company will also be tax-free.

**Effective Date** – These changes will apply from **April 1, 2025**.

d. **Rationalisation of definition of ‘dividend’ for treasury centres in IFSC**

**Deemed Dividend** Generally, if a company gives a loan or advance to a major shareholder (owning 10% or more) or to a related entity, it is treated as a dividend. This is called a "deemed dividend" and is taxable.

**Existing Exemption:** Loans given in the ordinary course of business by companies whose main business is lending money are not treated as dividends.

**Concern Raised:** Companies in IFSC acting as corporate treasury centers for their global groups were worried that borrowing money from related entities could be considered a deemed dividend, leading to extra taxes.

**Proposed Change:** To address this, it is proposed that loans or advances between two related entities (where one is a Finance Company or Finance Unit in IFSC) will not be treated as dividends, provided:

The IFSC entity acts as a global or regional treasury center.

- The parent company of this group is listed on a stock exchange outside India (except in certain restricted countries).
- The specific definitions of “group entity,” “principal entity,” and “parent entity” will be provided later.

**Effective Date:** These changes will apply from April 1, 2025.

e. **Simplified regime for fund managers based in IFSC**

**Current Rule for Fund Managers in India (Section 9A):**

- If a fund manager in India manages a foreign investment fund, it **does not create a business connection** (i.e., tax liability in India) **if certain conditions are met.**

- One condition is that **Indian residents cannot invest more than 5% of the fund's total corpus.**

**Existing Relaxation for IFSC Fund Managers:**

The government can modify or relax some of these conditions for fund managers **based in IFSC**, but only if they **started operations before March 31, 2024.**

**Proposed Changes: Easier Compliance for All Funds:**

- Instead of checking the 5% Indian investment limit at all times, it will now be checked **twice a year (April 1 and October 1).**
- If the condition is not met on these dates, funds will get **4 months** to fix it.

**No Special Relaxation for This Condition:**

Since the rule is now more flexible, **no special modification will be given** for funds with IFSC-based managers.

**Longer Window for IFSC-Based Fund Managers:**

- Other conditions (apart from the 5% rule) can still be relaxed for funds managed from IFSC.
- The deadline for IFSC fund managers to start operations and qualify for these relaxations is extended to March 31, 2030 (instead of March 31, 2024).

**Effective Date:** These changes will apply from April 1, 2025.

f. **Amendment of Section 10 related to Exempt income of Non-Residents**

**Current Tax Exemption (Section 10(4E)):** Non-residents do **not** have to pay tax on income from **transferring certain financial instruments** (e.g., non-deliverable forward contracts, offshore derivatives, or OTC derivatives) if they deal with an **Offshore Banking Unit in IFSC.**

**Proposed Change:** The same **tax exemption** will now be extended to **non-residents dealing with Foreign Portfolio Investors (FPIs) that are IFSC units.** This is meant to **further boost trading and investments in IFSC.** Certain conditions will apply, which will be specified later.



**Effective Date:** This change will apply from **April 1, 2026** (for the assessment year 2026-27 and onwards).

**g. Inclusion of retail schemes and Exchange Traded Funds (ETFs) in the existing relocation regime of funds of IFSCA**

- **Current Tax Exemption for Fund Relocation (Section 47(viiaad)):** When investors **move their investments** (shares, units, or interests) from an **existing fund** to a new **Alternative Investment Fund (AIF) in IFSC**, it is considered a **tax-neutral transaction** (no capital gains tax).
- The new fund (resultant fund) must be registered as **Category I, II, or III AIF** in IFSC.

**Proposed Changes:**

- **Include Retail Schemes & ETFs in Tax Exemption:** Retail investment schemes and **Exchange-Traded Funds (ETFs) in IFSC**, which were already given tax benefits in **Finance Act 2024**, will now also be included in the definition of "**resultant fund**" under **Section 47(viiaad)**.
- This means that **moving investments into these funds will also be tax-neutral**, just like AIFs.

**Purpose:** This change aims to **encourage more investment activity in IFSC** by making it easier and tax-free to relocate funds.

**Effective Date:** These changes will apply from **April 1, 2026** (for the **assessment year 2026-27** and onwards).

## **INDIRECT TAXES**

### **Union Budget 2025 – Changes Proposed under Indirect Taxes:**

#### **A. CUSTOMS**

##### **I. Amendments in the Customs Act, 1962:**

###### **➤ Amendment of Section 18 of the Customs Act, 1962**

- i. A new sub-section (1B) is being inserted in Section 18 of the Customs Act, 1962 to provide definite time limit of two years for finalization of provisional assessment. It also provides that this time period may be extended by the Commissioner of Customs for a further period of one year if the sufficient cause is shown. Further, it also provides that, for the pending cases, the time-limit shall be reckoned from the date of assent of the Finance Bill.
- ii. A new sub-section (1C) is being inserted to provide for certain grounds on which the time-limit of two years for finalizing provisional assessment shall remain suspended.

###### **➤ Insertion of new Section 18A of the Customs Act, 1962**

A new Section 18A is being inserted after Section 18 of 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 and allow payment of duty or treat the revised entry as a refund claim under Section 27. It also provides for certain cases where this section will not apply.

###### **➤ Amendment of Section 27 of the Customs Act, 1962**

A new explanation is being inserted in sub-section 1 of Section 27 to clarify that the period of limitation of the claim of refund consequent to the revised entry under Section 18A or amendment under Section 149 of the Customs Act, 1962, shall be one year from the date of payment of duty or interest.

###### **➤ Amendment of Section 28 of the Customs Act, 1962**

A new clause is being inserted in Explanation 1 of Section 28 to provide that the relevant date in case where duty is paid under the revised entry under Section 18A is the date of payment of duty or interest.

➤ **Amendment of Section 127A to 127H of the Customs Act, 1962**

Amendments have been made to make suitable changes to enable the Interim Board to carry out the functions of the Settlement Commission.

**II. Amendments to the First Schedule to Customs Tariff Act, 1975**

<b>Sl. No</b>	<b>Amendment</b>	<b>Clause of the Finance Bill, 2025</b>
	<b>Amendments not affecting rates of duty</b>	
	<p>The First Schedule to the Customs Tariff Act, 1975 is being amended with effect from 01.05.2025 to,</p> <p>create new tariff items based on process (parboiled, others) and on variety (rice recognized by Geographical Identification Registry, basmati, others) under sub-heading 1006 30</p> <p>create new tariff items under 'Makhana' products (popped, flour and powder, others) and consequent re-numbering of existing entries under sub heading 2008 19</p> <p>create new tariff items to separately identify waste oils containing different levels of concentration of levels of polychlorinated biphenyls (PCBs), polychlorinated terphenyls (PCTs) or polybrominated biphenyls (PBBs) under sub-heading 2710 91</p> <p>create new tariff items for identification of certain dual-use chemical for non-pesticidal use in chapter 28</p> <p>create new tariff items and supplementary notes for identification of certain dual-use chemical for non-pesticidal use and certain goods covered by international conventions in chapter 29</p> <p>create new tariff items and supplementary notes for identification of certain technical-grade pesticides and certain goods covered by international conventions in chapter 38</p> <p>create new tariff lines to distinguish precious metals - containing 99.9% or more by weight of silver, containing 99.5% or more by</p>	<p>[98(b) read with Third Schedule]</p>

weight of gold, containing 99% or more by weight of platinum under headings 7106, 7108 and 7110 respectively	
changes in heading 8112 to align with WCO HS 2022	
changes in sub-heading note 2 to chapter 85 to align with WCO HS 2022	

**III. AMENDMENTS TO DUTY RATES IN FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975**

<b>A.</b>	<b>Increase in Tariff rate (to be effective from 02.02.2025)</b>		<b>Rate of Duty</b>	
	* [Clause 98 (a) of the Finance Bill, 2025]			
	*Will come into effect immediately through a declaration under the Provisional Collection of Taxes Act, 2023			
<b>S. No.</b>	<b>Tariff item</b>	<b>Commodity</b>	<b>From</b>	<b>To</b>
	<b>Textile</b>			
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 Rs115/kg, whichever is higher

	<b>IT &amp; Electronics sector</b>			
2.	8528 59 00	Interactive Flat Panel Displays (Completely Built Units)	10%	20%
<b>B.</b>	<b>Decrease in Tariff rate (to be effective from 01.05.2025 unless otherwise specified) * [Clause 98 (b) of the Finance Bill, 2025]</b>		<b>Rate of Duty</b>	
	Note: These changes will be effective from 2 <sup>nd</sup> February, 2025 by issuance of notification.			
<b>S. No.</b>	<b>Heading, sub-heading, item</b>	<b>Commodity</b>	<b>From</b>	<b>To</b>

1.	25151100 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 sub- heading 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%
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' ware's 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%
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%
<b>C.</b>	<b>Tariff rate changes (without change in existing effective rate of duty) to be effective from 01.05.2025 unless otherwise specified [Clause 98 (b) of the Finance Bill, 2025]</b>		<b>Rate of Duty</b>	
<b>S. No.</b>	<b>Heading, sub-heading tariff item</b>	<b>Commodity</b>	<b>From</b>	<b>To</b>
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.	27 11 19 10	LPG (for non-automotive purpose)	15%	5%
14.	2711 19 20	LPG (for automotive purpose)	15%	5%



15.	2711 19 90	Other liquified 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
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 weight	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

**IV. OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES IN NOTIFICATIONS**

A. Changes in Basic Customs Duty (to be effective from 02.02.2025)		Rates of Duty		
S. No.	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
		<b>Aquafarming &amp; Marine Exports</b>		
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%
		<b>Leather</b>		
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

		<b>Gems and Jewellery Sector</b>		
4.	7113	Platinum Findings	25%	5%
		<b>p &amp; Lithium-Ion Battery Waste and Scrap</b>		
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
		<b>IT and Electronics Sector</b>		
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
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	10%
		<b>Automobile</b>		
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%
		<b>Toys</b>		
24.	9503 00 91	Parts of electronic toys for manufacture of electronic toys	25%	20%

<b>B.</b>	<b>Changes in Export Duty (To be effective from 2<sup>nd</sup> February, 2025)</b>		<b>Rate of Duty</b>	
<b>S. No.</b>	<b>Tariff item</b>	<b>Commodity</b>	<b>From</b>	<b>To</b>
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

**V. AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC)**

Notification No. 11/2021 – Customs, dated 01.02.2021 is being amended to revise the AIDC rates on the following goods (w.e.f. 02.02.2025):

S. No.	Heading, sub-heading, tariff item	Commodity	Rate	
			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	Nil	20%
11.	7113	Platinum findings	Nil	1.4%
12.	8541 42 00	Solar Cells	Nil	7.5%
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 USD 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%

#### VI. SOCIAL WELFARE SURCHARGE (SWS)

<b>AMENDMENT TO NOTIFICATION NO. 11/2018 – CUSTOMS, DATED 02.02.2018 (w.e.f. 02.02.2025)</b>	
<b>S. No.</b>	<b>Description</b>
	<b>Following goods are being exempted from levy of Social Welfare Surcharge</b>

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 <i>vide</i> 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
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## VII. Review of Customs duty Exemptions

### A. Review of conditional exemption rates of BCD prescribed in notification No. 50/2017- Customs dated 30.6.2017:

A comprehensive review has been undertaken in respect of 25 conditional exemptions/concessional rate entries in Notification No. 50/2017-Customs dated 30<sup>th</sup> June, 2017 whose validity is expiring by 31.3.2025. After review, 24 entries are being continued for varying periods with modification in few entries and 1 entry is being lapsed.

#### (1) The details of exemptions/concessional rates being extended with or without modifications:

S.No	Description	Entry No	End date
1	Ships and vessel for breaking up	S. No. 555A	31.3.2035
2	Raw materials, components, consumables or parts, for use in the manufacture of ships/vessels	S. No. 559	31.3.2035

S.No	Description	Entry No	End date
3	Bulk drugs for manufacture of drugs or medicines [A separate entry is being created for Drugs, medicines, diagnostic kits specified in List 3 with modifications in the list]	S. No. 166	31.3.2029
4	Bulk drugs used in the manufacture of polio vaccine and Monocomponent insulins	S. No. 166A	31.3.2029
5	Bulk drugs used in the manufacture of life saving drugs or medicines [A separate entry is being created for Drugs, medicines, diagnostic kits specified in List 4 with modifications in the list]	S. No. 167	31.3.2029
6	Drugs, Medicines or Food for Special Medical Purposes (FSMP) used for treatment of rare disease	S. No. 167A S. No. 607B	31.3.2029
7	Good specified in List 36 imported by testing agencies specified in List 37, for the purpose of testing and/or certification	S. No. 532A	31.3.2029
8	Crude Glycerin for use in manufacture of Epichlorohydrin	S. No. 81A	31.3.2027
9	Denatured ethyl alcohol for use in manufacture of industrial chemicals	S. No. 104B	31.3.2027
10	Fish meal for use in manufacture of aquatic feed	S. No. 104C	31.3.2027

11	Goods for the manufacture of telecommunication grade optical fibres or optical fibre cables	S. No. 168, S. No. 341, S. No. 341A	<b>31.3.2027</b>
12	Textile machinery <i>(with addition of two new machinery)</i>	S. No. 460 S. No. 460A S. No. 460B S. No. 460C S. No. 460D	<b>31.3.2027</b>
13	Parts and components for use in manufacturing of textile machineries	S. No. 460E	<b>31.3.2027</b>
14	Goods for use in the manufacture of Open cell of LCD and LED TV panel	S. No. 515B	<b>31.3.2027</b>
15	Seeds for use in manufacturing of rough Lab-Grown Diamonds <i>[IGCR condition removed]</i>	S. No. 345B	<b>31.3.2026</b>
16	Parts of wind operated electricity generators, for the manufacture or the maintenance of wind operated electricity generators <i>[The entry has also been modified]</i>	S. No. 405	<b>31.3.2026</b>
17	Permanent magnets for manufacture of PM synchronous generators above 500KW for use in wind operated electricity generators	S. No. 406	<b>31.3.2026</b>

Note: Description of entries is indicative. Notification may be referred to for complete description.

(2) The following entry is being allowed to lapse with effect from 01.04.2025:

S. No.	S. No. of 50/2017-Customs	Description
1.	489AA	Heat Coil for use in the manufacture of Electric Kitchen Chimneys falling under tariff item 84146000

(3) **Other Changes in notification No. 50/2017 -Customs dated 30.6.2017**

Certain entries are being modified as under:

S. No.	S. No. of 50/17-Cus	Brief Description
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. The time period for export of the handicraft items is also being 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

Note: Description of entries is indicative. Notification may be referred to for complete description.

**B. Amendment of Notifications Nos. 16/2017-Customs dated 20.04.2017 and 153/94-Customs dated 13.07.1994**

Notification No.	Brief Description
16/2017-customs dated 20.04.2017	The notification exempts specified drugs and medicines from the whole of the duty of customs leviable thereon subject to their being supplied free to cost to patients under Patient Assistance Programme (PAP) run by the pharmaceutical companies.

Notification No.	Brief Description
	37 new drugs and 13 patient assistance programmes are being added to the list
153/94-customs dated 13.07.1994	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 imported for such purpose has been increased from 6 months to 1 year further extendable by 1 year

Note: Description of entries is indicative. Notification may be referred to for complete description.

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

Rules 6 and 7 are being amended to increase the time limit for fulfilling end use from current six months to one year. Further, the importers will now have to file only a quarterly statement instead of monthly statement.

Union Budget 2025

**CENTRAL EXCISE****1. Implementation of higher excise duty on sale of unblended Diesel**

The additional excise duty of Rs 2 per litre notified to be levied on unblended Diesel *vide* Notification No. 11/2017-Central Excise dated 30.06.2017, as amended, is being deferred till 31st March, 2026.

**2. Amendments in the Central Excise Act, 1944:**

It is proposed to abolish the Customs, Central Excise and Service Tax Settlement Commission (CCESC for short) constituted under Section 32 of the Central Excise Act, 1944, with effect from 01.04.2025. The pending applications as of 31.03.2025 shall be dealt with by the Interim Boards for Settlement.

**SERVICE TAX****SPECIAL PROVISION FOR EXEMPTION FROM SERVICE TAX IN CERTAIN CASES:**

Services provided or agreed to be provided by insurance companies by way of reinsurance services under the Weather Based Crop Insurance Scheme (WBCIS) and the Modified National Agricultural Insurance Scheme (MNAIS) are proposed to be exempted from service tax retrospectively for the period commencing from 1<sup>st</sup> April, 2011 and ending with 30<sup>th</sup> June, 2017 *vide* Clause 130 of the Finance Bill, 2025.

**GOODS AND SERVICES TAX****1. Amendments in Section 2 of the CGST Act, 2017:**

- (i) Clause (61) is being amended to explicitly provide for distribution of input tax credit by the Input Service Distributor in respect of inter-state supplies on which tax has to be paid on reverse charge basis, by inserting reference to sub-section (3) and sub-section (4) of Section 5 of Integrated Goods and Services Tax Act. This amendment will be effective from 1st April, 2025.
- (ii) Clause (69) (c) is being amended to insert an Explanation to provide for definitions of the terms 'Local Fund' and 'Municipal Fund' used in the definition of "local authority" under the said clause so as to clarify the scope of the said terms.
- (iii) A new clause (112A) is being inserted to provide definition of Unique Identification Marking for implementation of Track and Trace Mechanism

**2. Amendments in Section 12 and 13 of the CGST Act, 2017**

Sub-section (4) of Section 12 and sub-section (4) of Section 13 relating to time of supply in respect of Vouchers is being omitted.

**3. Amendments in Section 17 of the CGST Act, 2017**

Clause (d) of sub-section (5) is being amended to substitute the words "plant or machinery" with the words "plant and machinery" with effect from 1st July, 2017.

This amendment has been carried out to nullify the effect of the Supreme Court decision in the case of Safari Retreat.

**4. Amendments in Section 20 of the CGST Act, 2017**

Section 20(1) and Section 20(2) are being amended to explicitly provide for distribution of input tax credit by the Input Service Distributor in respect of inter-state supplies, on which tax has to be paid on reverse charge basis, by inserting reference to sub-section (3) and sub-section (4) of Section 5 of Integrated Goods and Services Tax Act in sub-section (1) of section 20. The amendment will be effective from 1st April, 2025.

**5. Amendments in Section 34 of the CGST Act, 2017**

The Proviso to sub-section (2) is being amended to explicitly provide for requirement of reversal of corresponding input tax credit in respect of a credit-note, if availed, by the registered recipient, for the purpose of reduction of tax liability of the supplier in respect of the said credit note.

**6. Amendments in Section 38 of the CGST Act, 2017**

- a) Section 38(1) is being amended to omit the expression "auto-generated".
- b) Section 38(2) is being amended to omit the expression "auto-generated" and to insert the expression "including" after the words "by the recipient" in clause (b) to make the said clause more inclusive
- c) Section 38(2) is also being amended to insert a new clause (c) to provide an enabling clause to prescribe other details to be made available in statement of input tax credit

**7. Amendments in Section 39 of the CGST Act, 2017**

Section 39(1) is being amended to provide an enabling clause to prescribe certain conditions and restriction for filing of return

**8. Amendments in Section 107 and 112 of the CGST Act, 2017**

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

**9. Insertion of a new section 122B of the CGST Act, 2017**

A new Section 122B is being inserted to provide penalties for contraventions of provisions related to the Track and Trace Mechanism provided under Section 148A

**10. Insertion of a new Section 148A of the CGST Act, 2017**

Section 148A is being inserted to provide for enabling mechanism for a Track and Trace Mechanism for specified commodities.

**11. Amendments in Schedule III of the CGST Act,2017 Schedule III is being amended, w.r.e.f. 01.7.2017 to, -**

- (i) insert a new Entry (aa) in paragraph 8 to provide that the supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area shall be treated neither as supply of goods nor as supply of services.
- (ii) Amend Explanation 2, w.e.f. 01.07.2017 to clarify that the said explanation would be applicable in respect to entry (a) of paragraph 8.
- (iii) Insert Explanation 3 to define the terms 'Special Economic Zone', 'Free Trade Warehousing Zone' and 'Domestic Tariff Area', for the purpose of the proposed entry (aa) in paragraph 8.
- (iv) To provide that no refund of tax already paid will be available for the transactions referred above

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