BOMBAY
CHARTERED
ACCOUNTANTS'
SOCIETY

PRE-BUDGET MEMORANDUM

2025-2026

BOMBAY
CHARTERED
ACCOUNTANTS'
SOCIETY

Date: January 09, 2025

Smt. Nirmala Sitharaman
The Finance Minister of India,
Ministry of Finance,
Government of India,
North Block,
New Delhi – 110001.

Subject: Submission of Pre-Budget Memorandum for Finance Act, 2025

Respected Madam,

On behalf of the Bombay Chartered Accountants' Society (BCAS), we are pleased to submit the Pre-Budget Memorandum for your consideration during the formulation of the Finance Act, 2025. Our memorandum addresses pressing tax issues and offers practical recommendations to simplify compliance and support economic growth.

We highlight the need for rationalizing tax rates for non-corporate entities, revisiting provisions related to Significant Economic Presence, and increasing the exemption limits for various sections to account for inflation and changing economic realities. Further, we have proposed measures to reduce litigation, promote ease of doing business, and encourage innovation through enhanced deductions for in-house R&D expenditure.

These recommendations aim to streamline tax policies, provide relief to taxpayers, and foster India's growth trajectory. We trust they will be given due consideration in the upcoming budget deliberations.

We thank you for your attention and remain at your disposal for any clarifications or further discussions on the memorandum.

Yours sincerely,
For Bombay Chartered Accountants' Society

A S Bathiya

CA Anand Bathiya	CA Deepak Shah	CA Anil Sathe
President	Chairman	Co-Chairman
	Taxation Committee of the BCAS	

Enclosure: Pre-Budget Memorandum for Finance Act, 2025 For Bombay Chartered Accountants' Society

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	Saroj Maniar	Ronak Rambhia
	Sharad Sheth	Rutvik Sanghvi
	Sonalee Godbole	

Executive Summary

1. Tax Rates Rationalization

- Reduce tax rates for non-corporate entities (including LLPs and AOPs) to 25%.
- Lower individual tax rates to a maximum of 30% (including surcharge and cess).

2. Simplifying Demerger Provisions

- Broaden the definition of ‘demerger’ to include shares held in subsidiary companies.
- Ensure tax neutrality for reorganizations to reduce litigation risks and enhance ease of doing business.

3. Residential Status Issues

- Repeal Section 6(1A) to address complexity and mitigate unintended consequences for Indian citizens abroad.
- Relax the stringent residential criteria for visiting Indian citizens and PIOs under Section 6(1)(c).

4. Digital Economy Taxation

- Restrict the scope of "Significant Economic Presence" provisions under Section 9 to cover only digital transactions, aligning with original legislative intent.

5. Capital Gains and Exemptions

- Increase the exemption limit for investments under Section 54EC from ₹50 lakhs to ₹2 crores to account for inflation.
- Amend Section 54 to avoid double taxation on the transfer of residential properties valued above ₹10 crores.

6. Support for MSMEs

- Allow deduction for payments to MSMEs if made before the income tax return filing date to avoid discouraging business with small enterprises.
- Align presumptive taxation under Section 44AD with MSME turnover thresholds.

7. Provisions for Research & Development

- Reinstate a 150% weighted deduction under Section 35(2AB) for in-house R&D to encourage innovation and boost R&D expenditure to match global standards.

8. Support for Disabled Taxpayers

- Increase deductions under Section 80U and conveyance allowances for disabled individuals.
- Introduce an additional allowance for caregiving or assistive devices.

9. Addressing Compliance Burdens

- Streamline rectification and appellate processes by implementing online systems with tracking mechanisms.
- Simplify TDS/TCS obligations under Sections 194Q and 206C(1H) for GST-registered taxpayers.

10. Enhancing Refund and Appeal Timelines

- Introduce penalties for delayed rectifications and refunds, mandating higher interest payouts to taxpayers.
- Make the disposal timeline for appeals under Section 250(6A) mandatory to reduce litigation delays.

Representation – Direct Taxation

#	Existing provision under the Income-tax Act, 1961	Difficulties / Obstacles / Hurdles faced/Redundant Provisions	Suggestions for Compliance and Litigation reduction and simplification of language
1	Tax rates for non-corporate tax payers	In recent years, tax rates for corporates have been reduced. However, the rates of tax for non-corporates, such as LLPs, partnership firms and AOPs, continue to be high. Similarly, the tax rates for individuals earning high income are also exceedingly high. Capital gains, other than those under section 111A, 112A or 115AD, are also subject to high surcharge applicable to individuals.	**Recommendation:** ✓ It is therefore suggested that the rate of tax (including surcharge and cess) for all non-corporate entities (including LLPs and AOPs) should be brought down to 25%. ✓ The tax rates for individuals should be reduced, say to maximum 30% (including surcharge and cess).
2	**Section 2(19AA)** Enabling demergers – need for rationalisation	Conceptually, any form of entity restructuring with virtually the same economic interest / beneficial ownership needs to be tax neutral. This concept is anyway there in the context of amalgamation, demerger, conversion of firm into company, but there are still several gaps which need to be bridged to facilitate Ease of Doing Business without loss to the revenue and it has become much more critical now due to Covid since several groups and entities are considering restructuring of operations to facilitate more efficient operations. Such tax neutrality was referred to in the Budget Speech of 1999-00 (231 ITR (st) 15, para 107) while introducing comprehensive amendments to make business reorganisations fully tax neutral. It is critical to ensure that these uncertainties are removed and exposure to litigation is reduced.	Recommendation: The definition of 'demerger' should be made less restrictive, and 'undertaking' should include shares, held in a subsidiary company (because that is simply a way of holding a business).

		A company often has various divisions and a demerger of such a division would be tax neutral, subject to satisfaction of conditions listed in Section 2(19AA). However, in certain situations, such as for commercial reasons or regulatory reasons, a business is carried out in the form of a subsidiary. Typical examples are companies dealing with infrastructure (eg. Roads) or financial services (eg a financial services entity having a drop-down Asset Management Company). The current definition of demerger is not clear as to whether in the hands of the holding company "undertaking" includes shares of a subsidiary.	
3	Section 6(1A) Deemed residential status for Indian Citizens	- It is proposed that Section 6(1A) should be deleted. - Section 6(1A) deems an Indian citizen to be a resident of India if certain conditions are met. These conditions are not based on stay in India. The conditions are that the total income (except income from foreign sources) exceeds INR 15 lakhs and that the individual is not liable to tax in any other country by reason of residence, domicile or any such similar criterion. Further, Section (6)(6)(d) provides that all such individuals shall be "Not Ordinarily Resident". In absence of Section 6(1A), such individuals would be non-residents. - A Not Ordinarily Resident is liable to tax in India on foreign incomes if such income is derived from a business controlled in India or a profession set up in India. It is understood that the marginal tax revenue by deeming a person as NOR instead of NR is limited. In fact, a person would be covered under the provisions of Section 6(1A) even if he has not stayed in India during the year for any day at all. Hence, the marginal tax revenue on account of Section 6(1A) is estimated to be quite nominal. - Section 6(1A) was introduced vide Finance Act 2020. It was stated in the Memorandum to the Finance Bill, 2020 that this provision was introduced to target stateless persons, i.e., such individuals who manage their affairs in such a fashion that they are not liable to tax in any country. However, the language of Section 6(1A) is such that persons who are permanently settled in a country which has no personal income-tax may also get covered inadvertently. An Indian Citizen who permanently resides in such a foreign country does not qualify a non-resident of India. This makes him ineligible to claim special benefits given to non-residents under the Income-tax Act. Further, claiming benefits under the DTAA also becomes a complex task since the person is a resident of India under its domestic law. In order to claim DTAA benefits as a non-resident of India, the person needs to go under the tie-breaker rules. There are several other adverse effects for such individuals who are treated as NOR instead of NR. - A threshold of total income (except income from foreign sources) of INR 15 lakhs has been prescribed. Section 2(45) provides that Total Income means the income referred under Section 5, determined as per the provisions of the Act. Section 5 provides the scope of total income qua the residential status of the assessee. This has led to a situation whereby in order to determine residential status, the total income needs to be computed; and in order to compute total income, the residential status needs to be determined. Misapplication of the provision would result in avoidable litigation. In addition thereto, applying the provisions of Section 6(1A) to practical situations of assessees is complex and ambiguous. It	

		has not just created difficulty in understanding the law; but also, a sense of ambiguity and insecurity amongst the NRI community at large. On the contrary, the tax collection on account of this provision is limited. **Hence, it is suggested that Section 6(1A) should be deleted.**
4	Explanation 1(b) to Section 6(1)(c)	- **It is proposed that the second limb inserted in Explanation 1(b) to Section 6(1)(c) vide Finance Act 2020 should be dropped.** - Normally, a person who stays in India during the relevant PY for 60 days or more and during the 4 preceding years for 365 days or more becomes a resident. Till Finance Act 2020, there was a relaxation from this provision for Indian citizens and PIOs, who being outside India, came on a visit to India. In such cases, the condition of 60 days mentioned above was substituted by 182 days, effectively making the condition of 365 days redundant. Essentially, Indian citizens and PIOs, being outside India, could come on a visit to India for upto 181 days in a year while still being Non-resident. - Finance Act 2020 made this relaxation stricter by reducing the number of days from 182 to 120 days. Indian citizens and PIOs, who being outside India, come on a visit to India and whose total income (except income from foreign sources) exceeds INR 15 lakhs will become resident of India if their stay in India during the relevant PY is 120 days or more and during the 4 preceding years is 365 days or more. Further, such individuals who become resident due to this particular provision are deemed to be Not Ordinarily Residents [Section 6(6)(c)]. In absence of these provisions, such an individual would have been a non-resident. - A Not Ordinarily Resident is liable to tax in India on foreign incomes if such income is derived from a business controlled in India or a profession set up in India. It is understood that the marginal tax revenue by deeming a person as NOR instead of NR is limited. Normally, persons operate business or professional activity through another entity like a company or a partnership for which there are detailed provisions for residential status. Hence, by deeming persons as NOR instead of NR, the marginal tax collection would be very limited. - An Indian Citizen who permanently resides in a foreign country does not qualify as a non-resident of India because of the deeming fiction. This makes him ineligible to claim special benefits given to non-residents under the Income-tax Act. Further, claiming benefits under the DTAA also becomes a complex task since the person is a resident of India under its domestic law. In order to claim DTAA benefits as a non-resident of India, the person needs to go under the tie-breaker rules. There are several other adverse effects for such individuals who are treated as NOR instead of NR. - A threshold of total income (except income from foreign sources) of INR 15 lakhs has been prescribed. Section 2(45) provides that Total Income means the income referred under Section 5, determined as per the provisions of the Act. Section 5 provides the scope of total income qua the residential status of the assessee. This has led to a situation whereby in order to determine residential status, the total income needs to be computed; and in order to compute total income, the residential status needs to be determined. There are several factors and tests involved in determining residential status of persons coming merely on a visit to India. On the contrary, the tax collection on account of this provision is limited. **It is therefore suggested that the second limb inserted in Explanation 1(b) to Section 6(1)(c) vide Finance Act 2020 should be deleted.**

5	**Section 6(3)(ii)** Place of Effective Management	- It is suggested that a Proviso be inserted to Section 6(3)(ii) stating that the provisions regarding **"place of effective management"** shall not apply to a company having turnover or gross receipts of Rs. 50 Crores or less in a financial year. - The threshold of Rs. 50 Crores for non-application of Section 6(3)(ii) is currently provided under Circular 8/2017 dated 23.02.2017. Adding the threshold to the law provides a certainty on non-application of place of effective management provisions to smaller entities.
6	**Section 9** Business Connection through Significant Economic Presence	- It is proposed that only digital transactions should be included for the purpose of Significant Economic Presence. - The concept of Significant Economic Presence had been introduced vide Finance Act 2020 through Explanation 2A to Section 9(1)(i). SEP was introduced to target incomes earned without any physical presence in a country through digital means. The Memorandum explaining the Finance Bill, 2020 also mentioned the same. - However, the language of the provision is wide. It covers all the transactions (not only digital) in respect of any goods, services or property carried out by a non-resident with a person in India. Further, for SEP the income attributable to the transactions has been deemed to accrue in India and not restricted to the operations or activity done in India. - A simple export by an Indian resident to a non-resident also gets covered under the ambit of SEP – which does not seem to be the intention. **Hence, it is suggested that the language of SEP provision under Explanation 2A to Section 9(1)(i) should be amended to restrict it to only digital transactions.** The language can be borrowed from Equalisation Levy provisions which were introduced vide Finance Act 2020 and deleted vide Finance Act (No. 2), 2024.
7	Section 9(1)(viii)	- It is proposed to delete Section 9(1)(viii). - Section 9(1)(viii) deems income arising outside India being gift of funds given by a resident to NR or NOR, as accruing in India. Such gifts are taxable as per Section 56(2)(x). - Income should be taxed in the country in which it has arisen. A gift received by a NR/NOR outside India should not be included in the ambit of Indian tax just because it is received from a resident. - Further, Section 56(2) has been added as an anti- avoidance provision to prevent assessees converting black money on the pretext of receiving gifts. **Hence, it is proposed to delete Section 9(1)(viii).**

8	**Section 9B** Section 9B deems the fair market value of the capital asset or stock in trade as prevailing on the date of its transfer as the full value of consideration received or accruing as a result of its deemed transfer by the specified entity for the purpose of computing the taxable income arising therefrom.	There is no corresponding provision whereby the fair market value so considered for the purpose of section 9B is treated as cost of acquisition in the hands of the specified person. In the absence of any express provision, the issue arises as to what is the cost of acquisition of the capital asset or stock in trade in the hands of the specified person when it has been received from the specified entity in connection with the reconstitution or dissolution.	**Recommendation:** To resolve these difficulties, we suggest- ✓ Insertion of specific provision within section 9B itself to provide that the fair market value as considered under sub-section (3) would be regarded as the cost of acquisition of the relevant capital asset or stock in trade in the hands of the specified person for the purposes of the Act including for the purpose of section 43(1) which defines 'actual cost'. ✓ It may be noted that this view has already been expressed in the Circular No. 14 of 2021 dated 2-7-2021.
9	**Sections 2(24), 10(10D) and 56** Sum received under life insurance policy	No exemption is available in respect of life insurance policies (excluding ULIP) issued on or after 01-04-2023 if the premium payable or aggregate premium payable for any year during the term of policy exceeds Rs. 5 lakhs. Further, such amount received under life insurance policies (other than ULIPs) is taxable under the head income from other sources. If any deduction has been claimed in respect of premium under any other provision of the Act, it shall not be included in the aggregate amount of premium to be deducted while computing income on receipt of money on maturity. Issues and Rationale Tax is payable on the sum received on maturity less sum paid towards the premium over the life of the policy. However, any sum claimed as deduction is not allowed as deduction. This has created practical difficulty in keeping record for calculating the income since a) the assessee might have claimed deduction u/s. 80-C only for few years of policy period. b) total yearly premium may not have been	**Recommendation:** ✓ The benefit of indexation should be provided and the sum received on maturity of life insurance policy should be taxed under the head capital gain and not income from other sources.

		claimed as deduction. If the payment on maturity of life insurance policy is received in installment, there would be difficulty in calculating the taxable income. Such income is taxed as other income. The assessee deposits the premium over many years and the sum is received on maturity after a long period of 15-20 years, difference between the money received and premium paid is taxed without giving any benefit of inflation.	
10	**Section 10(12)** Taxation of interest allowed by Recognized Provident Fund post retirement / termination of employment	On retirement, the accumulated balance with approved employee provident fund becomes due to employee and is exempt u/s 10(12). Rules permits member keep the accumulated balance for three years post-retirement. However, interest credited on balance of member after retirement is not exempt. In case of Government PF, interest credited on accumulated balance post retirement continue to enjoy exemption u/s 10 (11).	**Recommendation:** ✓ Tax treatment of interest earned on PF balance with Government Provident Fund and Recognized Provident Fund should be brought at par. ✓ Interest earned by an individual from recognized provident fund even after retirement or termination of employment should be exempt.
11	**Sections 13(2) and 13(3)** Meaning of 'Substantial Contributor'	**Issues:** A person who has made contribution of more than Rs. 50,000 to the Trust up to the end of the relevant to previous year, is defined as a 'substantial contributor'. If Trust uses or apples any part of its income or property for the benefit of such person or his relative or any concern in which he has substantial interest then the Trust loses its exemption	**Recommendations:** The amount of Rs. 50,000/- was fixed about 25 years ago, and is not substantial in the present age. Hence the limit of contribution should be increased to 50,00,000 Alternatively the threshold should be related to the gross receipts of a particular year.

12	Sub-section 1 to Section 23 Income from House Property	✓ It is proposed that rental income from actually let-out property should be taxed to the extent of actual rent received or receivable and not as per the 'annual value' determined as per sub-section 1 to section 23 to reduce the tax burden on assesses in genuine cases where the rental income received or receivable is lower than the annual value on account of multiple factors such as condition of the property being let-out, facilities available at the property being let-out etc. ✓ It is proposed that the concept of 'deemed let-out' be done away with. It is pertinent to note that the concept of deemed let-out property is artificial in nature since the assessee is not a recipient of any inflow of rental income but is in fact burdened with the liability of paying taxes on the same.	
13	Second proviso to Section 24(b) Interest Deduction from Income from House Property	✓ It is proposed that deduction/ loss with respect to interest on housing loan in case of self-occupied property should be allowed to the extent of actual interest paid. Alternatively, considering the high property prices in metro cities, the limit should be enhanced to INR 10 lac for metro cities and INR 5 lac for non-metro cities	
14	**Section 32** Characterisation of leasehold right acquired as intangible asset eligible for depreciation	To set up business, taxpayers acquire lease rights from government agencies. The terms of the lease require payment of upfront premium. Lease rights are very limited and on expiry of lease, the land is resumed back by authorities. It is not clear whether payment of lease premium for land is revenue or capital and is subject matter of dispute. Currently, there is no express provision under the Act which provides for any deduction of the lease premium.	**Recommendation:** ✓ The premium is paid for acquiring the rights to use the land and not the land itself as the ownership of the land vests with the lessor. ✓ Accordingly, it should be clarified that the lease rights acquired is an intangible asset eligible for depreciation under section 32 of the Act. ✓ Alternatively, pro-rata deduction of the premium paid should be allowed over tenure of the lease agreement

15	**Section 35(2AB)** Weighted deduction for in-house R&D	Section 35(2AB) allowed weighted deduction of 150% in respect of expenditure incurred on approved in-house R&D Centres. The Finance Act, 2016 withdrew this weighted deduction from AY 2021-22. Currently there is no tax benefit with respect to expenditure incurred towards carrying out in-house research and development activities. According to Ministry of Science and Technology Report, March 2023, India spent 0.64% of its GDP on R&D in 2020–21, while the same amongst other developing BRICS countries was—Brazil (1.3%), Russian Federation (1.1%), China (2.4%), and South Africa (0.6%). This ratio was 0.3% for Mexico. Most of the developed countries spent more than 2% of their Gross Domestic Product (GDP) on R&D. India's per capita R&D expenditure has increased to current PPP$ 42.0 in 2020–21 from current PPP$ 29.2 in 2007–08. NITI Aayog has said that India needs to boost this expenditure to at least be on a par with its BRICS or ASEAN counterparts like Russia ($285), Brazil ($173), and Malaysia ($293).	**Recommendation:** Weighted deduction of 150% u/s 35(2AB) with respect to expenditure incurred on in-house R&D should be reinstated for a period of 10 years.
16	**Section 43B** Deduction for payment made to MSME to be allowed on payment basis	• Section 43B(h) provides that any sum payable by the assessee to a Micro and small enterprise beyond the time limit specified in section 15 of MSMED Act 2006 shall be allowed as a deduction only in the year in which actual payment is made. Proviso to section 43B allowing deduction of amount if paid before the due date of filing of the return of income shall not apply to this clause. **Issues** • The assessee makes provision on last day of the year, for amounts payable, based on the reasonable estimate. The actual bills are received after the end of the year and the payment is made thereafter. In such cases, the payment may be made beyond the time limit specified in section 15 of MSMED Act 2006 and hence the assessee is not eligible for deduction of such amount, in the year in which provision is made, though the payment is made before the due date of filing of the return of income. • This has discouraged the assessees to execute transactions with Micro and	**Rationale:** • The section was introduced to promote timely payments to Micro and small enterprises. • Micro and Small enterprises, who do not pay other Micro and small enterprises, due to non-availability of funds etc during the year or within the time limit specified in section 15 of MSMED Act 2006, will not be eligible for deduction. **Recommendation:** • The proviso to Section 43B should apply to newly inserted clause (h), to

		small enterprises and the measure introduced to protect MSME sector has to an extent turned out to be counter productive	permit deduction, if payment is made before the due date of filing of the return of income. • This provision should not apply where payments are made by Micro and Small enterprises to other Micro and Small enterprises.
17	**Section 44AD** Rationalisation of provisions of presumptive taxation	Section 44AD offers a presumptive taxation scheme for small taxpayers. Presently, the scheme is applicable to taxpayers with an annual turnover not exceeding Rs. 2 crores (Rs. 3 crores where cash receipts do not exceed 5% of total receipts). Consequently, numerous micro and small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 which have turnover in excess of Rs. 2 crores are unable to avail benefit of this provision. The term eligible business covers all businesses except plying and hiring of goods carriages. Transactions in derivatives are also treated as eligible business. The margins in such businesses are often lower than 6% considering the contract size. This would result in applicability of mandatory tax audit	**Recommendation:** The turnover limit under section 44AD should be aligned with the turnover threshold of Rs. 5 crores (micro enterprises) and Rs. 50 crores (small enterprises) as per the Micro, Small and Medium Enterprises Development Act, 2006. The transactions in derivatives should be excluded from the definition of eligible business This will facilitate ease of doing business and encourage voluntary compliance.

18	**Section 54** Cost of new asset exceeding Rs. Ten crore shall not be taken into account for computing exemption under section 54	• Long Term capital gains arising on transfer of a residential house are exempt from tax (subject to fulfillment of certain conditions), if gains are invested in acquiring a new residential house. • As per provisions of Section 54(1)(i), if the amount of capital gains is more than the cost of new house, amount of capital gains equal to the cost of the new house will be treated as exempt. • Cost of new residential house exceeding rupees ten crore is to be ignored for the purpose of computing the exemption. **Issues** • As per section 54, since the cost of new residential house exceeding rupees ten crore shall be ignored, the maximum exemption available to the assessee will be rupees ten crore. • If exemption is claimed under section 54(1)(i) and subsequently, the residential house is transferred within a period of 3 years from the date of its purchase or construction, cost of the said new house is treated as NIL while computing capital gains arising on its transfer. • Since maximum exemption is restricted to rupees ten crore, treating cost of the new house as NIL, results in double taxation	**Issue /Rationale:** • The new residential house acquired is required to be held for 3 years. If the new house is transferred prior to 3 years, the exemption granted under section 54, on transfer of old residential house is to be withdrawn. And the cost of the new house is treated as NIL **Recommendation:** • To avoid double taxation, Section 54(1)(i) should be amended to provide that if the new residential house is transferred within a period of 3 years from the date of its purchase or construction, cost of said new house to the extent it exceeds ten crore be treated as its cost while computing capital gains arising on its transfer.
19	**Section 54EC** Deduction by way of investment in specified bonds	Under Section 54EC of Income-tax Act, 1961, Capital gains arising from the transfer of a long term capital asset are exempt to the extent of Rs. 50 lakhs if invested in certain Bonds. The said limit of Rs. 50 lakhs was fixed in year 2007 Considering the inflation over the years, the said limit of Rs. 50 lakhs is inadequate and does not provide commensurate relief to the tax payer.	Recommendation: The said exemption limit be increased from Rs. 50 lakhs to say Rs. 2 Crore

20	**Section 71(3A)** Loss from house property –	Section 71(3A) restricts set-off of loss from house property against other source of income upto Rs. 2 lacs. This restriction is affecting adversely genuine house buyers. This artificial limit is irrational.	**Recommendation:** ✓ Permit set-off of loss from house property against income from other sources without any limit. ✓ Alternatively, considering high property cost in metro cities, the limit should be enhanced to Rs. 10 lacs for metro cities.
21	**Sections 80U and 10(14)** Deduction u/s 80U for disabled individuals & for severely disabled individuals is Rs. 75,000 and Rs. 1,25,000 respectively Deduction for disabled individuals as conveyance allowance u/s 10(14) is Rs. 3,200/- p.m. or Rs. 38,400 p.a. Deductions u/s 10 (14) & 80U are not available under the New tax regime.	Currently there is no tax provision granting a deduction to the disabled taxpayers for purchase of assistive devices or engaging an attendant to help them in performing their daily living activities. A) Difficulties/ Obstacles/ Hurdles Faced: 1) The amounts available as deduction under both sections 10(14) & section 80U were last revised more than 10 years ago. During the last 10 years, the cost incurred by the disabled individuals for conveyance & for daily living has increased substantially. 2) Many disabled individuals need to purchase assistive devices or employ the services of an attendant or assistant to help them in their daily living activities & in their work. For example, blind individuals need to purchase screen reading software to work on computers, employ readers for reading hard-copy documents etc., 3) Government has introduced the New tax regime & has given indications that it is the preferred tax regime. Unfortunately by denying deductions under section 10 (14) & section 80U, the new tax regime has greatly disadvantaged the disabled taxpayers. Allowing these two deductions in the New tax regime will bring the disabled taxpayers much relief & compensate them for the extra cost incurred by them due to their disability 4) The revision of the deduction limits at regular intervals helps in ensuring the deductions keep pace with rising costs. But	**Recommendation:** ✓ Deduction u/s 80U for disabled & severely disabled individuals should be increased to Rs. 2,50,000/- & Rs. 5,00,000/- respectively. ✓ Deduction for conveyance allowance for disabled individuals should be increased to Rs. 5,000/- per month or Rs. 60,000/- per annum. ✓ Deductions u/s 10 (14) & 80U should be allowed under the New tax regime. ✓ An additional allowance named "Care-giver Allowance" or "Assistive devices Allowance" should be provided to disabled individuals & the deduction under this allowance should be Rs. 50,000/-. ✓ Deduction limits should be revised every 2 or 3 years to keep pace with rising expenses or alternatively, the Cost Inflation Index used for computation of capital gains should be made applicable for calculating

		the revision of these limits might get overlooked when preparing the budget & linking them to the Cost Inflation Index or another suitable index will automatically raise the deduction limits.	deductions with a suitable base year.
22	**Section 115BAB** Extension of terminal date of commencement of manufacturing for the purpose of opting for concessional tax regime	As per section 115BAB, a concessional tax regime of 15% is available to new manufacturing company setup on or after 1st October 2019 and having commenced manufacturing operations on or before 31 March 2024. Certain companies have incurred substantial capex for setting up manufacturing facilities, however, due to unavoidable reasons missed could not commence manufacturing operations by 31st March 2024.	**Recommendation:** In order to promote manufacturing under the Make in India initiative and provide an opportunity to newly set up companies who are still in the process of commencing manufacturing activity, the sunset date for commencement of manufacturing be extended from 31 March 2024 for a period of two years.
23	Explanation (f) to Section 115BBF – Patent Box Regime	- It is suggested to expand the definition of the term "patentee" to include an assignee under the Patents Act, 1970. - The benefit under Section 115BBF is available to the true and first inventor of the invention, being a patentee, whose name is entered on the patent register and includes all person in case more than one person is so registered. A Patentee shall also be a person resident in India for being an eligible assessee to avail benefit of Section 115BBF. - In multiple cases, it is possible that the employee of the company is marked as the 'true and first inventor' whereas the resources are spent by the companies. - Allowing the benefit to 'true and first inventor' who is an individual, is a condition imposed under the Income Tax Act. Due to this condition, the establishments, which incurs all the expenses for carrying out the R&D for the innovation are unable to avail the benefits of beneficial tax regime. - The BEPS Action Plan 5 does not exhibit any intent to restrict the benefit to only individuals. The BEPS Action Plan 5 report provides multiple examples of companies being eligible for preferential tax regime if they incur the expenditure on development of the patent. - In order to achieve the true objective of introducing the Patent Box regime, which is to incentivize R&D and innovation in India, it is imperative to extend the benefits to a person registered as patentee and is resident in India. Additionally a condition may be added that such patentee has incurred the expenditure in developing the patent. - Suggested language of Explanation (f) to Section 115BBF is given in red font below: *"patentee" means the person, being the true and first inventor of the invention, whose name is entered on the patent register as the patentee, in accordance with the Patents Act, and includes every such person, being the true and first inventor of the invention, where more than one person is registered as patentee under that Act in respect of that patent, or any other person, who is an assignee under the Patents Act and has incurred the expenditure for development of the patent*;	

24	Proposal to insert Clause (ga) in Explanation to Section 115BBF - Patent Box Regime	- It is proposed to insert clause (ga) under Explanation to Section 115BBF to define the term "registered in India" in respect of a patent. - Benefit under Section 115BBF is available on income by way of royalty in respect of a patent development and registered in India. The term "developed" is defined under clause (a) of Explanation to Section 115BBF. However, the term "registered in India" is not defined. - There can be situations where a Patent which is registered in India is also registered in other jurisdictions also. In such cases, a narrow view of the requirement for a patent to be registered in India could lead to an inference that benefit would not be allowed if the patent is registered in India and also in foreign countries. - If a person resident in India is earning income from foreign country out of the patents registered in multiple jurisdictions including India, such income will be chargeable to tax in India. The benefit under Section 115BBF shall be extended to worldwide income from Patents developed by a person resident in India. - It is proposed that an express definition of the term "registered in India" is inserted under Explanation to Section 115BBF, to include Patents which are registered in India as well as in other jurisdictions. - Suggested definition of the term "registered in India" is given in red font below: *(ga) "registered in India" in respect of a patent includes patents which are registered under the Patents Act and are registered as patents under the laws of any other country.*	
25	**Section 139(8A)** Updated Return	Vide Finance Act, 2022, a new sub-section (8A) to section 139 has been inserted which provides for filing of an 'updated return' by any person, whether or not he has filed a return previously for the relevant year. Such updated return is to be filed within 24 months from the end of the AY. The said return may be filed only on payment of tax and interest along with additional payment of 25% (if return is filed within 12 months from end of AY) / 50% (if return is filed within 24 months from end of AY) of such additional tax. Further, interest u/s 234A/ B/ C shall be computed having regard to the updated return filed. A taxpayer who may come across mistake in the return of income filed earlier and willing to pay appropriate taxes may not be able to file updated return of income post 24 months from end of the relevant assessment years. Further, the additional tax rate is very high so to encourage voluntary compliance for filing of updated return of income, the same needs to be reduced	**Recommendation:** To encourage more assessee filing the updated return of income, it is suggested to reduce the additional tax rate to 5% or 10%. Further, it is suggested that the assessee may be allowed to file updated return for all the years for which re-opening is permissible. Alternatively, it is suggested that the progressively incremental tax rate may be provided basis no. of years of delay. For e.g. additional tax of 5% on updated tax filed within 1 year post end of relevant financial year, 10% within 2 years, 15% within 3 years, and so on.

26	**Section 154** Rectification and Appeal Effect Matters	In practice, it is seen that applications filed by assessee for rectification and for giving effect to an order of appellate authority remains unattended. Assessee needs to keep following up the matters and face hardship as many times it is seen that due refunds of assessee is adjusted against demands, which in case rectification or appeal effect is done get deleted.	**Recommendation:** ✓ Department should introduce online system of filing of any rectification request or request to pass order giving effect to order of appellate authority. ✓ Each such request should be given a unique serial number. The AO should dispose such cases serially on first come first basis. ✓ This will bring transparency. Department authorities will come to know pendency of such requests and tenor of pendency.
27	**Sections 194Q and 206C(1H)** TDS on purchase of goods and TCS on sale of goods	In cases where turnover of the buyer is below threshold limit prescribed u/s. 194Q, the seller is required to collect TCS. Further, in a case where both section 194Q and section 206C(1H) is applicable and buyer makes a default in deducting TDS u/s. 194Q, seller is required to collect TCS u/s. 206C(1H). Considering the minimal rate of 0.1%, it is clear that the objective of section 194Q and 206C(1H) is not revenue collection but the objective is to create a trail of purchase & sale transactions, to track unaccounted transactions and to being them within the tax net. This data is already available with the Tax Department through GST returns. Imposing obligation on taxpayer to deduct / collect tax on purchase and sale of goods unnecessarily increases compliance burden of the taxpayer and it goes against the objective of ease of doing business.	**Recommendation:** Sections 194Q and 206C(1H) should not be applicable in the case of GST registered taxpayers.

28	**Section 196C** Rate of surcharge for TDS compliance on dividend on GDRs	In case of GDRs, identity of beneficial owner of GDR is not available with the deductor. The rate of surcharge is different for different categories of payees. Therefore, the deductor cannot determine the actual rate of surcharge on TDS on dividend paid to GDR holders. Vide Circular No. 3P dated 01-05-1966, it is clarified that, when shares are registered in the name of banking company, TDS should be deducted at the rates in force applicable to the banking company without regard to the beneficial owner of shares.	**Recommendation:** For the purpose of section 196C, it should be clarified that surcharge on TDS should be at the rate applicable to the custodian irrespective of the legal status of beneficiary.
29	**Section 244A** Higher interest on refunds arising pursuant to delayed rectification.	Section 244A(1A) provides for grant of additional interest @ 3% pa where the authorities fail to give effect to an appellate order and grant refund to the assessee within three months period. At times, the authorities pass order giving effect to the appellate order, but correct and full amount of refund is not released. Even after making rectification application, it requires great amount of follow up and invariably there is delay in passing rectification order and release of refund. Section 154 provides that rectification order should be passed in six-month time, but in practice, this time limit is not followed.	**Recommendation:** ✓ Section 244A(1A) be amended to cover that in case rectification request is not disposed within six months (time limit given in section 154), then the Department need to pay additional interest of 3% pa to the assessee on refund if any. ✓ This will make authorities accountable, and taxpayer need not to run around for legal dues.
30	**Section 250(6A) –** Time limit for disposal of appeal	Current provisions have directory provisions that CIT(A) may hear and pass order within one year from the date of filing the appeal. This provision should become mandatory. Currently matters are pending for 5 to 6 years also and that is increasing the litigation time and cost of the Government as well as tax-payers.	

31	**Section 254** Powers of ITAT to stay demand	ITAT may grant stay under the first proviso to section 254 subject to the condition that the assessee deposits not less than 20% of the total demand or furnish security of equal amount.	**Recommendation:** ✓ Amend section 254 and leave it to the discretion of the ITAT to decide the demand to be paid by the assessee depending on the case facts and issue involved. and stay the balance ✓ Such powers are given to the AO by the CBDT and there is no reason why ITAT should be denied this discretion when it is a judicial authority

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