32nd Year of Publication

THE UNION BUDGET 2025-26

- An Analysis

BOMBAY CHARTERED ACCOUNTANTS' SOCIETY

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About the Cover

India's Budget 2025: On the road to Viksit Bharat

The Indian economy is one of the fastest growing economies. The world has recognized India's ability to become a global player. The Government sees the next five years as an opportunity to achieve Sabka Vikas.

The goals on which the budget focuses are zero-poverty, quality education, comprehensive healthcare, enhancing employment opportunities, empowering women, enabling farmers to make India the food basket of the World.

Four engines drive this budget:

1. Agriculture
2. MSME
3. Investment
4. Export

The journey for the year is fuelled by reforms guided by the spirit of inclusivity, and the destination is Viksit Bharat.

The cover design is AI-assisted, depicting the rise of India in the field of Space, AI, Robotics, Green Energy, Agriculture and Infrastructure.

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The Union Budget
2025-26

Analysis of Important Amendments

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DIRECT TAXES

In this booklet, the proposals of the Finance Bill, 2025 are referred to as if the amendments have been actually made.

Unless otherwise specified, the reference to the words "the Act" used is to the Income-tax Act, 1961.

In this booklet the amendments which are of significant importance, made in Finance Bill, 2025, are covered.

1. TAX RATES

Default Tax Regime – Section 115BAC

The New Regime under section 115BAC would continue to be applicable to an Individual, HUF, Association of Persons (other than co-operative society), Body of Individuals and Artificial Juridical person. New regime under section 115BAC would apply by default unless the assessee exercises an option to opt for the Old Regime.

The rates applicable under the New Regime under section 115BAC, as well as those applicable under Old Regime, to Individuals, HUF and others are as under:

Total Income	Tax Rate [Old Regime] A.Y. 2025-26 and A.Y. 2026-27	Tax Rate [New Regime under section 115BAC (1A)] A.Y. 2025-26	Tax Rate [New Regime under section 115BAC(1A)] A.Y. 2026-27
Up to ₹ 2,50,000	Nil	Nil	Nil
₹ 2,50,001 to ₹ 3,00,000	5%	Nil	Nil
₹ 3,00,001 to ₹ 4,00,000	5%	5%	Nil
₹ 4,00,001 to ₹ 5,00,000	5%	5%	5%
₹ 5,00,001 to ₹ 7,00,000	20%	5%	5%

Total Income	Tax Rate [Old Regime] A.Y. 2025-26 and A.Y. 2026-27	Tax Rate [New Regime under section 115BAC (1A)] A.Y. 2025-26	Tax Rate [New Regime under section 115BAC(1A)] A.Y. 2026-27
₹ 7,00,001 to ₹ 8,00,000	20%	10%	5%
₹ 8,00,001 to ₹ 10,00,000	20%	10%	10%
₹ 10,00,001 to ₹ 12,00,000	30%	15%	10%
₹ 12,00,001 to ₹ 15,00,000	30%	20%	15%
₹ 15,00,001 to ₹ 16,00,000	30%	30%	15%
₹ 16,00,001 to ₹ 20,00,000	30%	30%	20%
₹ 20,00,001 to ₹ 24,00,000	30%	30%	25%
Above ₹ 24,00,000	30%	30%	30%

The conditions (foregoing of certain deductions/exemptions) specified under section 115BAC(1A) would have to be fulfilled, unless the assessee opts for the Old Regime by specifically exercising such option within the prescribed time and in the prescribed manner. There is no change in specified conditions prescribed under the New Regime under section 115BAC(1A).

For Rates of Surcharge refer page no. 9.

Provisions of sections 115JC and 115JD shall not apply where income is taxable under the new regime under section 115BAC(1A).

The rebate allowable under section 87A for a resident individual taxpayer under the New Regime under section 115BAC(1A) has been increased from ₹ 25,000 to ₹ 60,000. Thereby, in case of a resident individual with taxable income upto ₹ 12 Lakhs (earlier ₹ 7 Lakhs), rebate under section 87A shall be

computed as the lower of income tax payable or ₹ 60,000. As per the Explanatory Memorandum, the rebate shall not be allowed against income taxable at special rates of tax such as capital gains under section 111A, 112 and 112A, and income from winning from lotteries and horse races.

Marginal relief shall also be available to individuals with taxable income above ₹ 12 Lakhs.

Tax Rates for Individuals/HUF aged above 60/80 years under Old Regime

Resident individuals aged above 60 years but not more than 80 years

Total Income	Tax Rate A.Y. 2025-26	Tax Rate A.Y. 2026-27
Up to ₹ 3,00,000	Nil	There are no changes in the slabs and the rates.
₹ 3,00,001 to ₹ 5,00,000	5%	
₹ 5,00,001 to ₹ 10,00,000	20%	
Above ₹ 10,00,000	30%	

Resident individuals aged above 80 years

Total Income	Tax Rate A.Y. 2025-26	Tax Rate A.Y. 2026-27
Up to ₹ 5,00,000	Nil	There are no changes in the slabs and the rates.
₹ 5,00,001 to ₹ 10,00,000	20%	
Above ₹ 10,00,000	30%	

Since New Regime is the default regime, an assessee intending to opt for the Old Regime of tax has to exercise an option in a prescribed form keeping in view the following:-

In case of an assessee having income from business or profession, option has to be exercised on or before the due date of filing return under section 139(1) for an assessment year and once such option is exercised for any previous year, it can be withdrawn only once and thereafter the assessee shall not be eligible to again

opt for the Old Regime. In case of any other assessee, option can be exercised annually at the time of filing return of income under section 139(1) in the ITR form.

Surcharge applicable to Individuals/HUF/AOP/BOI

Total Income	Surcharge Rate A.Y. 2025-26	Surcharge Rate A.Y. 2026-27
Exceeding ₹ 50 Lakh but not exceeding ₹ 1 crore	10%	There are no changes in the rates.
Exceeding ₹ 1 crore but not exceeding ₹ 2 crore	15%	
Exceeding ₹ 2 crore but not exceeding ₹ 5 crore*	25%	There are no changes in the rates.
Exceeding ₹ 5 crore*	37%	
Effective tax rate (above 5 crore)	42.744%	

*Surcharge on income from dividend and capital gains taxable under sections 111A, 112 and 112A is restricted to 15%.

*In case of AOP having only corporate members, the rate of surcharge is restricted to 15%.

For AOP/BOI covered by section 167B, rate of tax will continue to be at maximum marginal rate as provided therein.

Rate of Cess on tax and surcharge continues to be 4% for Assessment Year 2026-27.

Tax Rates for Partnership Firms and LLPs

The effective tax rates (including surcharge and cess) for Assessment Year 2026-27 continue to be the same which are as under:

Person	Total Income (₹)	
	Upto ₹ 1 crore	Above ₹ 1 Crore
Partnership Firms, LLPs	31.20%	34.944%

Tax Rates for Co-operative Societies

Effective Tax rate (including surcharge and cess) for Assessment Year 2026-27 continues to be the same for Co-operative societies opting for taxation under section 115BAD at 25.168% and under section 115BAE at 17.16% subject to fulfilment of certain conditions which are similar to section 115BAB which is applicable for manufacturing companies.

Tax rates for Co-operative Societies other than those exercising option under sections 115BAD or 115BAE shall be as under:-

Effective Tax rates for Income above ₹ 30,000 including including surcharge and cess

Income above ₹ 30,000 upto ₹ 1 crore	Income above ₹ 1 crore but less than ₹ 10 crore	Income above ₹ 10 crore
31.20%	33.384%	34.944%

Tax rates for Income upto ₹ 30000 is as under:

Rates remain unchanged (10% up to ₹ 10,000; 20% between ₹ 10,000 to ₹ 20,000; and 30% in excess of ₹ 30,000).

Provisions of sections 115JC and 115JD shall not apply to co-operative societies opting for taxation under section 115BAD or section 115BAE. For other co-operative societies, rate of AMT under section 115JC continues to be 15%.

Tax Rates for Companies

Effective tax rates (including surcharge and cess) for Assessment Year 2026-27 continue to be the same, which are as under:

Types of Companies	Income not exceeding ₹ 1 crore		Income exceeding ₹ 1 crore and upto ₹ 10 crore		Income above ₹ 10 crore	
	Effective tax rate (normal)	Effective tax rate (MAT)	Effective tax rate (normal)	Effective tax rate (MAT)	Effective tax rate (normal)	Effective tax rate (MAT)
Domestic Company with turnover up to ₹ 400 crore in FY 2023-24 and not opting for special regime under sections 115BAA and 115BAD	26%	15.60%	27.82%*	16.69%*#	29.12%*	17.47%#
Other domestic company	31.20%	15.60%	33.384%*	16.69%*	34.944%*	17.47%
Domestic Company exercising option to pay tax as per section 115BAA	25.168%**	Nil	25.168%**	Nil	25.168%**	Nil
New domestic manufacturing companies exercising option to pay tax as per section 115BAB	17.16%**	Nil	17.16%**	Nil	17.16%**	Nil
Foreign Company	36.40%	15.60%#	37.128%^	15.912%^#	38.22%^	16.38%^#

* Includes surcharge at the rate of 7% in case of income from ₹ 1 crore upto ₹ 10 crore and 12% in case of income above ₹ 10 crore

** Includes surcharge at the rate of 10%. It is assumed that other provisions of Chapter XII are not attracted in these cases.

^ Includes surcharge at the rate of 2% in case of income from ₹ 1 crore upto ₹ 10 crore and 5% in case of income above ₹ 10 crore

\# If MAT is applicable to the foreign company (MAT applies if the foreign company has a PE or business connection in India)

2. CHARITABLE TRUSTS

Registration of Trusts or institutions and specified violation – Section 12AB

Section 12AB(1) provides registration to a trust or institution for a period of 5 years where the trust or institution makes an application under sub-clause (i) to (v) of section 12A(1)(ac) of the Act. The trust or institution is required to apply for re-registration before expiry of the period of 5 years.

To reduce the compliance burden for smaller trusts or institutions the period of validity of registration is increased from 5 years to 10 years. Smaller trusts or institutions mean the trusts or institutions whose total income without giving effect to the provisions of sections 11 and 12, does not exceed ₹ 5 crore during each of the two previous years, preceding the previous year in which such application is made.

This amendment applies to all approvals granted on or after 1st April, 2025. It appears as per one possible view that this amendment does not automatically extend the period of registration from 5 years to 10 years in case of a trust, to whom approval is already granted. The trusts whose approvals are valid till 31st March, 2026, need to apply for renewal before 30th September, 2025. Similar amendment unfortunately is not made in section 80G.

Section 12AB(4) grants power to the Principal Commissioner or Commissioner to cancel the registration or provisional registration granted to a trust or institution, if he is satisfied that one or more specified violations have taken place.

Explanation to section 12AB(4) provides that "specified violation" inter alia means the cases where the application made for registration under section 12A(1)(ac) is not complete. A trust or institution may lose its registration due to a minor default in completing the application. Explanation is amended to provide that incomplete application made under section 12A(1)(ac) for registration of a trust or institution shall not be treated as "specified violation". Providing false or incorrect information will continue to be treated as "specified violation".

These amendments are applicable with effect from 1st April, 2025.

Meaning of specified person - Section 13(3)

Exemption under section 11 or section 12 is not available to any income or property of the trust or institution, which is directly or indirectly, used or applied, for the benefit of any person referred to in section 13(3) of the Act.

Hitherto any person, who has made a substantial contribution to the trust or institution i.e whose total contribution upto the end of the relevant previous year exceeds ₹ 50,000, any relative of such person and any concern in which such person has a substantial interest were covered under section 13(3). Trust or institution faced several difficulties in gathering and providing details of a person, his relatives and such concerns who may have made substantial contribution to the trust.

Amendment is made to section 13(3)(b) to provide that, person referred to in section 13(3)(b) shall be any person whose total contribution to the trust or institution, during the relevant previous year exceeds ₹ 1 lakh or in aggregate upto the end of the relevant previous year exceeds ₹ 10 lakhs. Any relative of such person and any concern in which such person has a substantial interest shall not be included in persons specified in section 13(3).

This amendment is applicable with effect from 1st April, 2025.

3. SALARY

Increase in the limits on the Salary income for the perquisites calculation - Section 17

Presently, perquisites under section 17(2) are not taxable if the "Salary income" by way of monetary payment is less than ₹ 50,000 per annum. This threshold was fixed in 2001. Further, the proviso to section 17(2) provides that expenditure incurred by the employer for travel outside India on the medical treatment of an employee or his family member is exempt perquisite if "Gross Total Income" of such employee does not exceed ₹ 2,00,000. This limit was fixed in 1993.

Now the new monetary limits of "Salary Income" or "Gross Total Income" for such exempt perquisites would be prescribed in the Income Tax Rules. These perquisites continue to be taxable for Directors and for persons having substantial interest in the Company.

This amendment is applicable with effect from Assessment Year 2026-27.

4. INCOME FROM HOUSE PROPERTY

Annual value of self-occupied property – Section 23

Presently, section 23(2) allows the annual value of self-occupied property to be considered Nil if it is occupied by the owner for personal residence or if the owner cannot occupy it due to employment, business, or professional reasons at any other place.

To relax this condition, section 23(2) has been amended to allow the annual value to be Nil, even if the property cannot be occupied for any reason. This benefit remains applicable to a maximum of two houses owned by the assessee. Section 23(2) determines the annual value of house property, and subsection (4) limits this benefit to two properties, which the owner must specify. The amendment aims to simplify the provision while retaining the limitation on two properties for which the Nil annual value can be claimed.

This amendment is applicable with effect from Assessment Year 2025-26.

5. PROFITS AND GAINS FROM BUSINESS OR PROFESSION

Presumptive taxation for non-residents providing services and technology for electronic manufacturing facility in India – Section 44BBD

A presumptive tax scheme is introduced in section 44BBD for non-residents engaged in the business of providing services or technology in India to a resident company which is setting up or operating an electronic manufacturing facility or a connected facility for manufacture or production of electronic goods in India under a scheme notified by the Ministry of Electronics and Information Technology of the Central Government and such resident company satisfies prescribed conditions.

The scheme provides that 25% of the amount received by/deemed to be received by/paid to/payable to the non-resident or on behalf of the non-resident for providing the services or technology, shall be deemed to be the taxable profits under the head 'Profits and gains of business or profession'.

The scheme also provides that no set-off of unabsorbed depreciation or brought forward business loss shall be allowed once the profits are declared under this section.

This amendment is applicable with effect from Assessment Year 2026-27.

Extension of tonnage tax scheme to inland vessels – Sections 115V to 115VZA

The tonnage tax scheme in the Act, applicable to ships has been extended to inland vessels, registered under the Inland Vessels Act, 2021.

Accordingly, an inland vessel shall also be considered as a qualifying ship under section 115VD and the tonnage tax provisions would apply to such inland vessel if so opted by the assessee under section 115VP.

Section 115VP(3) provides that the Joint Commissioner having jurisdiction over the company is required to pass an order approving or rejecting the option for tonnage tax scheme filed by the taxpayer within 1 month from the end of the month in which the application for such option was received. This period to pass the order has been extended to 3 months from the end of the quarter in which the application was received in respect of an application received on or after 1st April, 2025.

These amendments are applicable with effect from Assessment Year 2026-27.

Timeline for incorporating eligible start-ups for availing tax relief - Section 80-IAC

Section 80-IAC provides for deduction of 100% of profits and gains derived from an eligible business by an eligible start-up for a period of 3 consecutive years out of 10 years, beginning from the date of incorporation, provided it meets the specified conditions. The conditions, inter-alia, included that the start-up should have been incorporated before 1st April, 2025. This date for incorporation of the start-up has now been extended to 1st April, 2030.

This amendment is applicable with effect from Assessment Year 2026-27.

6. CAPITAL GAINS

Taxability of income of investment funds under section 115UB-Amending the definition of capital asset – Section 2(14)

The definition of capital asset in section 2(14) is expanded to specifically include the securities held by an investment fund defined under section 115UB, i.e. Category I and Category II AIF and IFSC units set up under the relevant regulations of SEBI and International Financial Services Centres Authority (IFSCA) respectively. Consequently, the income from transfer of such securities shall be chargeable to tax as capital gains. This amendment is made with a view to removing uncertainty in characterising income from transactions undertaken by such investment funds.

This amendment is applicable with effect from Assessment Year 2026-27.

Tax treatment of amounts received under ULIPs ineligible for exemption under section 10(10D) - Sections 2(14), 45(1B) and 112A

As per the fourth and fifth proviso to section 10(10D), in case of any sum received under a unit linked insurance policy issued on or after 1st February, 2021 where the premium amount payable for any previous year during the term of that policy exceeds ₹ 2.50 lakhs, or in case there are more than one ULIP issued after that date, where the aggregate premium in any previous year during the terms of any of the policies exceeds ₹ 2.50 lakhs, the exemption under that clause is not available. In such a case, the ULIP not eligible for exemption as above is treated as a capital asset and all proceeds from redemption thereof are chargeable to tax as 'capital gains'. However, the existing provisions did not specify the tax treatment for sums received under ULIPs where the exemption under section 10(10D) was unavailable under other sub-clauses therein, for instance, where in respect of ULIPs issued on or after 1st April, 2012, the premium payable exceeds 10% of actual sum assured in any year during their term.

The reference to fourth and fifth proviso is now omitted, in the definition of the term "capital asset" and any sums received under ULIPs that are ineligible for exemption under section

10(10D) shall be chargeable as capital gains. Further, such ULIPs fall within the definition of "equity-oriented fund" subject to conditions and the long-term capital gains shall be chargeable to tax at 12.5% in excess of ₹ 1.25 lakhs in aggregate under section 112A.

This amendment is applicable with effect from Assessment Year 2026-27.

Rationalisation of tax on long term capital gains for specified funds and FII – Section 115AD

As per Section 115AD, any long-term capital gain arising to a specified fund or foreign institutional investor (now referred to as foreign portfolio investor) on transfer of any security is taxable at the rate of 10%. However, long term capital gains taxable under section 112A are subject to tax at the rate of 12.5%. The said tax rate on long term capital gain on transfer of securities (other than those covered under section 112A) arising to such a specified fund or foreign institutional investor is increased from 10% to 12.5% to bring it in line with the tax rates generally applicable to other residents and non-residents.

This amendment is applicable with effect from Assessment Year 2026-27.

7. TRANSFER PRICING

Optional Block period of 3 years in the course of proceedings before Transfer Pricing Officer - Section 92CA(3B)

Section 92CA(1) provides that Assessing Officer with the previous approval of CIT or the PCIT can make reference to Transfer Pricing Officer (TPO') for computation of arm's length price in respect of international transaction(s) and specified domestic transaction(s). The reference to TPO to be made in respect of a financial year corresponding to the relevant assessment year in assessment proceedings. TPO is required to pass an order under 92CA(3) determining the arm's length price.

New sub-section (3B) has been inserted to provide that the arm's length price determined in respect of a previous year shall also apply to two consecutive years immediately following the year for which reference has been made in respect of similar

international transaction(s) or specified domestic transaction(s) subject to each of the following conditions being fulfilled:

a) Assessee exercises an option or options for the said two consecutive years;

b) Option is exercised in the manner, form and time period to be prescribed in this regard;

c) TPO shall declare such option as valid within one month from the end of the month in which such option is exercised through an order in writing.

This option is not available in cases where assessment proceedings are initiated pursuant to search and seizure under Chapter XIV-B.

The existing scheme of assessment in respect of each previous year for which reference has been made to TPO requires Assessing Officer to compute total income of the assessee in conformity with the order of TPO passed under section 92CA(3). Now, a new sub-section (4A) is inserted in section 92CA to enable Assessing Officer to compute total income of the assessee in respect of period of 3 years as per provisions of section 155(21).

Corresponding amendments have been made in section 92CA(1) to exclude period covered under validly exercised option by the assessee as explained above for making fresh reference in the course of assessment proceedings initiated under section 143.

These amendments are applicable with effect from Assessment Year 2026-27.

Re-computation of income under section 155 in respect of block period of 3 years for which option is validly exercised by the assessee - Section 92CA(3B)

Sub-section (21) is inserted in section 155, to enable re-computation of total income where the TPO has declared an option exercised by the assessee under 92CA(3B) as valid option in respect of such transaction(s) for two consecutive previous years immediately following such previous year.

It provides that the Assessing Officer has to recompute the total income of the assessee for such consecutive previous years, by amending the order of assessment or any intimation or deemed intimation under section 143(1), in conformity with the ALP so

determined by the TPO under section 92CA(4A) in respect of such transaction. In case where objections have been filed before DRP, the re-computation is to be made after taking into account the directions issued by the DRP under section 144C(5).

Such re-computation is to be done within 3 months from the end of the month in which the assessment is completed or order of assessment or any intimation or deemed intimation is made, as the case may be.

These amendments are applicable with effect from Assessment Year 2026-27.

Expansion of Safe Harbour Rules

Hon'ble Finance Minister also announced in her speech that to reduce litigation and provide certainty in international taxation, the scope of safe harbour rules is being expanded.

8. SPECIAL CASES

Definition of crypto-assets introduced – Section 2(47A)

Section 2(47A) defines Virtual Digital Asset ('VDA') in specific terms through clauses (a), (b) and (c) whereby any information or code or number or token which provides a digital representation of value which can be transferred, stored or traded electronically is covered. Further, a non-fungible token and any other digital asset which is notified by the Central Government would also be covered under definition of VDA.

The definition is now amended to include the term 'crypto-asset'. Crypto-asset is defined as a 'digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions'. Such asset is included in the definition, whether or not it is included in sub-clauses (a), (b) or (c) of section 2(47A) as explained above.

This amendment also expands the scope of section 56(2)(x).

This amendment is applicable with effect from Assessment Year 2026-27.

Reporting requirements for crypto-assets introduced – Section 285BBA

Section 115BBH provides stringent provisions for taxation on transfer of Virtual Digital Assets (VDAs). The OECD has approved

the Crypto-Asset Reporting Framework which provides for the reporting of tax information on transactions in Crypto-Assets in a standardised manner, with a view to automatically exchanging such information. However, there were no requirements under the Act for furnishing information in respect of such crypto-assets.

Section 285BBA is introduced whereby prescribed reporting entities are required to furnish information about transactions in crypto-assets in such manner, form, time etc. to be prescribed under the rules. The provisions are in line with section 285BA where reporting for specified financial transactions is required to be made. Authority given to Central Government to frame rules for reporting of this information.

This amendment is applicable with effect from 1st April, 2025.

Significant Economic Presence (SEP) – Exclusion for purchasing operations for export - Section 9(1)(i)

Clause (i) to section 9(1) provides that all income accruing or arising through or from a business connection in India is deemed to accrue or arise in India. Specific provision is also made to exclude the income of a non-resident through or from operations which are confined to the purchase of goods in India for exports shall not be deemed to accrue or arise in India as provided therein.

Explanation 2A provides that significant economic presence of a non-resident shall constitute business connection in India. The meaning of the term 'significant economic presence' *inter-alia* includes transaction in respect of any goods, services or property carried out by a non-resident with any person in India.

With a view to ensure that a similar exclusion for purchasing activities in India for exports is available under the SEP provisions, it is now provided that the transaction or activities of a non-resident which are confined to purchase of goods in India for the purpose of export shall not constitute significant economic presence of such non-resident in India.

This amendment is applicable with effect from Assessment Year 2026-27.

Carry forward of loss in case of amalgamation – Sections 72A and 72AA

In case of amalgamation and certain business reorganizations, section 72A provides that the accumulated loss and the unabsorbed depreciation of the amalgamating company or the predecessor entity shall be deemed to be the loss or allowance for depreciation of the amalgamated company or the successor entity of the previous year in which the amalgamation or the business reorganization was effected. Thus, the business loss were allowed to be carried forward and set off in the hands of the amalgamated company or successor entity for a fresh period of eight assessment years.

Section 72A has been amended to provide that any loss forming part of the accumulated loss of the predecessor entity which is deemed to be the loss of the successor entity shall be carried forward in the hands of the successor entity for not more than eight assessment years immediately succeeding the assessment year for which such loss was first computed for original predecessor entity. Here, the 'original predecessor entity' means predecessor entity in respect of the first amalgamation or first business reorganization. The amended provisions shall apply where the amalgamation or business reorganization [succession of a firm (47(xiii) or a proprietary concern by a company (47(xiv), or succession of a private company or unlisted company by a limited liability partnership (47xiiib)]) is effected on or after 1st April, 2025.

Similar amendment has also been made in section 72AA dealing with the amalgamation of banks or banking companies etc.

This amendment is applicable with effect from Assessment Year 2026-27.

Deduction for contributions made to NPS Vatsalya - Section 80CCD

As per the NPS Vatsalya Scheme, parents or guardians can start an NPS accounts for their minor children, which will be transferred to the child's name on his attainment of majority. The Scheme also allows for partial withdrawal from the minors account to address certain contingency situations of the minor.

Currently, under the Old Tax Regime, an assessee is allowed a deduction under section 80CCD(1B) of a maximum amount of ₹ 50,000 for the contribution made into its own NPS account.

Now, the deduction under section 80CCD(1B) is extended to the parents/guardians for the contribution made to the NPS Vatsalya Scheme for their children. Further, a new sub-section 12BA is inserted in section 10 for allowing exemption in case of partial withdrawal out of the minor's account. The exemption is capped at 25% of the contribution made by the parents/guardian. Also, amount received on closure of pension scheme on death of a minor will be not taxed as income.

This amendment is applicable with effect from Assessment Year 2026-27.

Exemption to withdrawals from National Savings Scheme (NSS) by Individuals - Section 80CCA

Currently, withdrawals from NSS account after death of the depositor is exempt in the hands of the legal heirs as per circular no 532 dt. 17th March, 1989. All other withdrawals are liable to income tax. No deposits were permissible under this scheme after 01st April, 1992.

The Department of Economic Affairs issued a Notification dated 29th August, 2024 providing that no interest will be paid on the balances of NSS after 1st October, 2024. Therefore, investors are compelled to withdraw from their NSS accounts owing to this Notification.

Section 80CCA is now amended to provide exemption to the withdrawals after 29th August, 2024, made by individuals from these deposits for which deduction was allowed earlier.

This amendment is applicable retrospectively with effect from 29th August, 2024.

Expanding the scope of tax incentives to IFSCs – Sections 2(22), 9A, 10(4D), 10(4E), 10(4F), 10(4H), 10(10D), 10(34B), 47(viiad) and 80LA

Over the past few years, several tax concessions have been provided to units located in International Financial Services Centre (IFSC). With a view to provide further incentive to operations from IFSC, some more concessions have now been provided:

(i) The sunset dates for commencement of operations of IFSC Units for various tax concessions provided in clause (aa) of Explanation to sections 10(4D), 10(4F), 10(4H), 80LA(2)(d) and for relocation of funds to IFSC provided in clause (b) of

Explanation to section 47(viiad) have been extended from various dates to 31st March, 2030.

These amendments are applicable with effect from Assessment Year 2025-26.

(ii) Section 10(10D) provides exemption to any sum received under a life insurance policy including the sum allocated by way of bonus on such policy, subject to conditions specified therein. Accordingly, the exemption is not available if the annual amount of premium or the aggregate premiums payable exceed ₹ 2.5 lakhs for unit linked insurance policies and ₹ 5 lakhs for life insurance policies other than unit linked insurance policies.

The aforementioned conditions are also applicable to insurance policies issued by an IFSC Insurance Intermediary office. Generally, such policies are issued to the non-residents.

It is now provided that any sum received under a life insurance policy issued by an IFSC Insurance Intermediary office shall be exempt without reference to the conditions regarding the maximum amount of premium or aggregate amount of premium payable on such policy. However, the condition that the premium payable for any of the year during the term of the policy to not exceed 10% of the actual capital sum assured, continues to apply.

This amendment is applicable with effect from Assessment Year 2025-26.

(iii) Presently, section 10(4H) provides exemption to any income of a non-resident or a unit of an IFSC engaged primarily in the business of aircraft leasing, by way of capital gain on transfer of equity shares of domestic companies being units of IFSC engaged in aircraft leasing. Section 10(34B) provides exemption of any income by way of dividends paid by a company being a unit of IFSC engaged in aircraft leasing to a unit of IFSC engaged in aircraft leasing.

These exemptions, on the lines of aircraft leasing, have been extended to units of IFSC engaged in ship leasing.

This amendment is applicable with effect from Assessment Year 2025-26.

(iv) Section 2(22)(e), *inter alia*, provides that dividend includes any payment by a company (not being a company in which public are substantially interested) by way of advance or loan to a shareholder where shareholder is the beneficial owner of shares holding not less than 10% of the voting power; or to any concern in which such shareholder is a member or a partner and in which he has a substantial interest (i.e. beneficially entitled to not less than 20% of the income of such concern), to the extent to which the company in either case possesses accumulated profits.

Clause (iia) has been inserted to section 2(22) to provide that an advance or loan between two group entities shall not be deemed as dividend, where one of the group entity is a Finance Company or a Finance Unit in IFSC set up as a global or regional corporate treasury centre for undertaking treasury activities or treasury services and the parent entity or the principal entity of such group is listed on a stock exchange in a country or territory outside India, other than specified country or territory.

This amendment is applicable with effect from Assessment Year 2025-26.

(v) Section 9A, *inter alia*, provides that certain activities of eligible fund managers shall not constitute business connection of the said fund in India. For this purpose, one of the conditions provided in section 9A(3)(c) is that the aggregate participation or investment in the fund, directly or indirectly, by persons resident in India should not exceed 5% of the corpus of the fund.

It is now provided that (i) where the said aggregate participation or investment in the fund exceeds 5% as on the 1st April and the 1st October of the previous year' the condition mentioned in clause 9A(3)(c), shall be deemed to be satisfied if it is satisfied within 4 months of the first day of April or the first day of October of such previous year; (ii) the condition at section 9A(3)(c) shall not be modified for any eligible investment fund and its investment fund manager; and (iii) the other conditions specified in clauses (a) to (m) of section 9A(3) can be relaxed for a eligible investment fund where the date of commencement of operations by its eligible fund manager located in IFSC is on or before 31st March, 2030.

This amendment is applicable with effect from Assessment Year 2025-26.

(vi) Section 10(4E) provides exemption to a non-resident for any income accrued or arisen to or received by a non-resident on account of transfer of non-deliverable forward contracts or offshore derivative instruments or over-the-counter derivatives, or distribution of income on offshore derivative instruments, entered into with an offshore banking unit of an IFSC fulfilling prescribed conditions.

Such exemption has now been extended to contracts, instruments entered into with any foreign portfolio investor, being a unit of IFSC.

This amendment is applicable with effect from Assessment Year 2026-27.

(vii) Section 47(viiad) provides that transfer by a shareholder or unit holder or interest holder, in a relocation, of a capital asset being a share or unit or interest held by him in the original fund in consideration for the share or unit or interest in the resultant fund as defined in Explanation (c) to Section 47(viiad), shall not be regarded as transfer for the purposes of Capital Gains.

Section 10(4D) exempts any income accrued or arisen to, or received by a specified fund, which includes income of a retail scheme or an Exchange Traded Fund located in IFSC and regulated under the International Financial Centres Authority (Fund Management) Regulations, 2022.

The definition of resultant fund has been substituted to include a retail scheme or an Exchange Traded Fund for the purposes of section 47(iiad) so that relocation of assets of the original funds to resultant funds in IFSC, is tax neutral in the hands of a shareholder or unit holder or interest holder.

This amendment is applicable with effect from Assessment Year 2026-27.

Taxation of Business trust - Section 115UA

Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT) are referred to as Business Trusts. These trusts invest in special purpose vehicles (SPV) by way of equity or debt. Section 115UA provides pass through status in respect of interest income, dividend income received by REIT and InvIT from

a SPV and rental income in case of REIT. Such income is taxable in the hands of unit holders.

Hitherto, under provisions of section 115UA(2), total income of a business trust was chargeable to tax at maximum marginal rate, subject to the provisions of section 111A and 112. However, it was not subject to section 112A. And to include the same, the taxation of business trusts, section 115UA(2) is amended to provide that total income of a business trust shall be chargeable to tax at maximum marginal rate, subject to the provisions of section 111A, 112 and 112A.

This amendment is applicable with effect from Assessment Year 2026-27

9. TAX DEDUCTED AT SOURCE AND TAX COLLECTED AT SOURCE

Amendment of TDS provisions – various sections of Chapter XVII-B

There are several amendments made to rates and threshold limits for TDS provisions which are enumerated below.

1. Section 194LBC deals with deduction of tax at source from income payable to a resident in respect of investment in a Securitisation Trust which is taxable as per Section 115TCA. Presently, rate of deduction from payments made to a payee who is an Individual or a Hindu Undivided Family is 25%; while it is at 30% for any other person. This rate is reduced to 10% for payments made to any person.

   This amendment is applicable with effect from 1st April, 2025.

2. A number of TDS provisions are applicable only if the amount exceeds the threshold specified in the respective provisions. These thresholds have been raised as broadly tabulated below-

Sr. No.	Section	Current threshold	New threshold
1.	**193 - Interest on securities**	(i) Interest on securities (except for exceptions as specified in proviso) – Nil	₹ 10,000

Sr. No.	Section	Current threshold	New threshold
		(ii) Interest payable on debenture as specified in clause (v) of proviso to Section 193 – ₹ 5,000	
2.	**194 - Dividend to a resident individual shareholder**	₹ 5,000	₹ 10,000
3.	194A - Interest other than Interest on securities	(a) When payer is bank, co-operative society and post office: (i) ₹ 50,000 for senior citizen; (ii) ₹ 40,000 in case of others (b) In other cases: ₹ 5,000	(a) When payer is bank, co-operative society and post office: (i) ₹ 1,00,000 for senior citizen (ii) ₹ 50,000 in case of others (b) In other cases: ₹ 10,000
4.	**194B - Winnings from lottery, crossword puzzle, etc.**	Aggregate of amounts exceeding ₹ 10,000 during the financial year	₹ 10,000 in respect of a single transaction
5.	**194BB- Winnings from horse race**		
6.	**194D - Insurance Commission**	₹ 15,000	₹ 20,000

Sr. No.	Section	Current threshold	New threshold
7.	**194G - Income by way of commission, prize etc. on lottery tickets**	₹ 15,000	₹ 20,000
8.	**194H - Commission or Brokerage**	₹ 15,000	₹ 20,000
9.	**194-I Rent**	₹ 2,40,000 during the financial year	₹ 50,000 for a month[1] or part of a month
10.	**194J - Fee for professional or technical services or royalty or any sum received under clause (va) of Section 28**	₹ 30,000	₹ 50,000
11.	**194K - Income in respect of units of a mutual fund or specified company or undertaking**	₹ 5,000	₹ 10,000
12.	**194LA - Income by way of enhanced compensation**	₹ 2,50,000	₹ 5,00,000

These amendments are applicable with effect from 1st April, 2025.

1 This threshold should not be construed as an annual threshold of ₹ 6 lakhs.

TCS on LRS and Payment to tour operators relaxed – Section 206C(1G)

Provisions of TCS for remittances made under Liberalised Remittance Scheme of the Reserve Bank of India ("LRS Scheme") and for payments for overseas tour program package have been amended as under:

Sr. No.	Particulars	Present Provision	New Provision
a.	**All remittances under LRS Scheme other than (b) or (c) below**	Nil below amount of ₹ 7 lakhs 20% on amount exceeding ₹ 7 lakhs	Nil below amount of ₹ 10 lakhs 20% on amount exceeding ₹ 10 lakhs
b.	**Remittance under LRS Scheme for Education or Medical treatment other than (c) below**	5% on amount exceeding ₹ 7 lakhs	5% on amount exceeding ₹ 10 lakhs
c.	**Remittance under LRS Scheme for pursuing any education out of a loan obtained from any financial institution as defined in section 80E(3)(b).**	0.50% on amount exceeding ₹ 7 lakhs	Nil
d.	**Payment for an overseas tour program package**	5% below amount of ₹ 7 lakhs 20% on amount exceeding ₹ 7 lakhs	5% below amount of ₹ 10 lakhs 20% on amount exceeding ₹ 10 lakhs

Other conditions and relaxations continue as provided in Section 206C(1G).

These amendments are applicable with effect from 1st April, 2025.

TCS on sale of goods deleted – Section 206C(1H)

Presently, both TCS and TDS compliances are applicable on the same transaction of purchase or sale of any goods exceeding value of ₹ 50 lakhs through operation of Section 206C(1H) and Section 194Q.

Section 206C(1H) is now omitted. Provisions of section 194Q still remains applicable and hence buyer of goods will continue to deduct tax at source on payments made to seller on purchase of any goods of the value or aggregate of value exceeding ₹ 50 lakhs in any previous year at the rate of 0.1% as provided therein.

This amendment is applicable with effect from 1st April, 2025.

TCS on Timber and forest produce – Section 206C(1)

TCS is applicable on sale of Timber and other forest produce as per Section 206C(1). Following amendments are made in section 206C(1):

i. Presently, there is no definition provided for the term "forest produce". This term shall now have the same meaning as defined in any State Act, or in the Indian Forest Act, 1927, as applicable.

ii. Further, 'other forest produce (not being timber or tendu leaves)' which is obtained under forest lease is now covered under TCS.

iii. Rates of TCS are also reduced for certain goods as under:

Sr. No. as per Section	Nature of goods	Existing Rate (%)	New Rate (%)
(iii)	Timber obtained under a forest lease	2.5	2
(iv)	Timber obtained by any mode other than under a forest lease	2.5	2

These amendments are applicable with effect from 1st April, 2025.

Deletion of higher rate of TDS and TCS on non-filers – Sections 206AB and 206CCA

Sections 206AB and 206CCA require deduction and collection of tax, respectively, at higher rates when the deductee or collectee, as the case may be, is a non-filer of income-tax returns. Sections 206AB and 206CCA are now omitted. Higher rate of TDS/ TCS under Sections 206AA/206CC where PAN is not furnished still remains in operation.

These amendments are applicable with effect from 1st April, 2025.

Excluding certain time periods such as court stay etc. to arrive at time limit to pass TCS order for Assessee in default – Section 206C(7A)

Sub-section (7A) was introduced in Finance (No.2) Act, 2024 to section 206C providing that no order shall be made deeming a person as Assessee in default for failure to collect tax from any person after the expiry of 6 years from the end of the financial year in which tax was collected at source or 2 years from end of the financial year in which correction statement is delivered, whichever is later. Now, the sub-section is amended to exclude various time periods for which proceedings were stayed by an order of any court etc. For the purpose of the exclusions from the limitation period, all the time periods provided in Explanation 1 of section 153 shall apply to this section. Further, sub-sections (3), (5) and (6) of section 153 to the extent as they may apply, shall apply for the purposes of section 206C(7A).

This amendment is applicable with effect from 1st April, 2025.

No prosecution for delayed payment of TCS in certain cases – Section 276BB

Currently, if a person collects TCS but fails to pay it to the credit of government within the prescribed time, is punishable with rigorous imprisonment for a term of three months to seven years and with fine. Even a delay of one day attracts this current provision. Section 276BB is now amended to provide that prosecution shall not be instituted if the person makes payment of TCS so collected to the credit of Central Government before the prescribed time period for filing of quarterly statements under section 206C(3).

In the Finance Act No. 2, 2024, similar amendment was made w.e.f. 1st October, 2024 in section 276B which provides for prosecution in case of delay in payment of TDS.

This amendment is applicable with effect from 1st April, 2025.

10. ASSESSMENTS, REASSESSMENTS, APPEALS AND OTHERS

Retention of seized books of account or other documents – Section 132

Section 132(8) provides that the books of account or other documents seized during the course of search shall not be retained by the authorized officer for a period exceeding thirty days from the date of the assessment order passed under the applicable provisions of the Act. This period for which the authorized officer is allowed to retain the books of account or other documents which have been seized is now extended up to one month from the end of the quarter in which the relevant assessment order was passed.

This amendment is applicable with effect from 1st April, 2025.

Application of seized or requisitioned assets – Section 132B

Explanation 1 to section 132B which defines 'execution of an authorization for search or requisition' *inter alia* refers to its meaning as assigned in Explanation 2 to section 158BE. Chapter XIV-B as amended by the Finance (No. 2) Act, 2024 defines 'execution of an authorization for search or requisition' in Explanation to section 158B. Therefore, a consequential amendment has been made in section 132B to now refer to Explanation to section 158B for the meaning of 'execution of an authorization for search or requisition'.

This amendment is applicable with effect from 1st April, 2025.

Extension of time limits to file an updated return of income – Sections 139(8A) and 140B

Presently, assessee can file an updated return to disclose any additional income (subject to certain restrictions) within 24 months from the end of the relevant assessment year. This time-limit of 24 months has been increased to 48 months to encourage the voluntary compliance by taxpayers.

Presently, no updated return can be filed where any reassessment proceedings are pending or have been completed for that year. A proviso is now added to also exclude those cases where show cause notice for reassessment has been issued under section 148A for issuance of notice under section 148 after 3 years from the end of the relevant assessment year. However, if the order under section 148A(3) is passed determining that it is not a fit case to issue notice under section 148, then updated return can be filed.

The additional income tax payable on these updated returns will be now as under:

Return filing period	Additional Tax Rate
Within 12 months from the end of the relevant AY	25% of aggregate tax and interest payable
After 12 months but before 24 months from the end of relevant AY	50% of aggregate tax and interest payable
After 24 months but before 36 months from the end of relevant AY	60% of aggregate tax and interest payable
After 36 months but before 48 months from the end of relevant AY	70% of aggregate tax and interest payable

These amendments are applicable with effect from 1st April, 2025.

Period to be excluded while computing the time limit in a case where the proceedings are stayed by any court – Sections 144BA, 153, 153B, 158BE, 158BFA, 263, 264, 275 and Rule 68B of Second Schedule

Under several provisions of the Act, the period during which the relevant proceedings are stayed by an order or injunction of any court is excluded while computing the period within which that proceeding is otherwise required to be completed. The above provisions have been amended to provide that the period commencing on the date on which stay on the relevant proceeding was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the concerned authority shall be excluded.

These amendments are applicable with effect from 1st April, 2025.

Removal of cut-off date restrictions to introduce Faceless Schemes – Sections 92CA, 144C, 253, 255

The Government has introduced Faceless Schemes for various administrative procedures in the past. Enabling provisions to introduce Faceless Schemes were notified and cut-off dates was also notified for the following sections-

Section 92CA – Reference to Transfer Pricing Officer

Section 144C – Reference to Dispute Resolution Panel

Section 253 – Appeals to Income Tax Appellate Tribunal

Section 255 – Procedure of Appellate Tribunal

These cut-off dates were extended from time to time over the years, the last extension was made by the Finance Act, 2024 upto 31st March, 2025. These cut-off dates are now deleted in all these sections, thereby enabling the Central Government to introduce Faceless Schemes as and when required in future without adhering to any prescribed time limits.

These amendments are applicable with effect from 1st April, 2025.

Block assessment in cases of search or requisition – Sections 158B, 158BA, 158BB, 158BE

The provisions for making the block assessment in cases where the search has been initiated under section 132 or requisition has been made under section 132A on or after 1st September, 2024 were again introduced by the Finance Act (No.2), 2024. These provisions have been further amended as follows -

- The 'undisclosed income' as defined in section 158B shall now even include 'virtual digital asset' in addition to any money, bullion, jewellery or other valuable article or thing etc.
- Section 158BA(4) provides that any block assessment which is pending in a case where subsequent search has been initiated or requisition has been made shall be duly completed and, thereafter, the block assessment in respect of such subsequent search or requisition shall be made. This provision has been amended to refer the assessment 'required to be made' instead of the assessment which

was 'pending'. Therefore, not only the block assessment which had commenced and was pending but also the block assessment required to be made consequent to the search already conducted earlier shall be completed first before making the block assessment in respect of the subsequent search.

- Section 158BA(2) provides for the abatement of the assessment or reassessment or recomputation which is being conducted under any other provisions of the Act other than the block assessment and which is pending on the date of initiation of the search or making of the requisition. Also, section 158BA(3) provides for the abatement of reference made to the Transfer Pricing Officer under section 92CA(1) or the order passed by the Transfer Pricing Officer under section 92CA(3) during the course of such pending proceeding for assessment or reassessment or recomputation.

- Further, section 158BA(5) provides for the revival of such pending proceeding under any other provisions if the proceeding initiated for the block assessment under Chapter XIV-B or the order of assessment passed under section 158BC(1) is annulled in appeal or any other legal proceeding. However, this provision providing for revival refers only to the 'assessment' or 'reassessment' which had been abated under sections 158BA(2) or 158BA(3). Now, this provision has been amended to refer not only the 'assessment' or 'reassessment' but also to 'recomputation' or 'reference' or 'order'.

- Section 158BB(1) provides for the manner of computing the total income of the block period which is required to be assessed by the Assessing Officer. It provides that the total income shall be the aggregate of the different incomes as mentioned in its clauses (i) to (v). These clauses dealing with the components of the total income of the block period have been amended as follows –

Clause	Existing Provision	Amended Provision
(i)	'Total income' disclosed in the return furnished under section 158BC	'Undisclosed income' declared in the return furnished under section 158BC

Clause	Existing Provision	Amended Provision
(ii)	Total income assessed under section 143(3) or 144 or 147 or 153A or 153C prior to the date of initiation of search or the date of requisition	Income assessed under section 143(3) or 144 or 147 or 153A or 153C prior to the date of initiation of search or the date of requisition
(iii)	Total income declared in the return of income filed under section 139 or in response to a notice under section 142(1) or 148 and not covered under clause (i) or (ii)	Income declared in the return of income filed under section 139 or in response to a notice under section 142(1) or 148 prior to the date of initiation of search or the date of requisition and not covered under clause (i) or (ii)
(iv)	In respect of previous year which has not ended, the total income determined on the basis of entries relating to such income or transactions as recorded in the books of account and other documents maintained in the normal course on or before the date of last of the authorisations for the search or requisition relating to such previous year	The amended clause deals with determination of the income in respect of three different periods as follows - • Previous year which has ended and the due date for furnishing the return for such year has not expired prior to the date of initiation of search or the date of requisition • Period commencing from 1st April of the previous year in which the search is initiated or requisition is made and ending with the day immediately preceding the date of initiation of search or requisition

Clause	Existing Provision	Amended Provision
		• Period commencing from the date of initiation of the search or the date of requisition and ending on the date of the execution of the last of the authorisations for search or requisition In respect of the first two cases, the income shall be determined on the basis of entries relating to such income or transactions as recorded in the books of account and other documents maintained in the normal course before the date of initiation of search or the date of requisition. In respect of the last case, the income shall be determined on the basis of entries relating to such income or transactions as recorded in the books of account and other documents maintained in the normal course on or before the date of the execution of the last of the authorisations.
(v)	Undisclosed income determined by the Assessing Officer under section 158BB(2)	No change

- Section 158BB(6) provides that if the income determined under some of the clauses as mentioned above is a loss then it shall be ignored for the purpose of computing the

total income of the block period. Consequential amendment has been made to substitute the reference to the 'disclosed income' as referred to in clause (i) with the reference to the 'undisclosed income'. Therefore, now, the undisclosed loss declared in the return furnished under section 158BC shall be ignored.

- Section 158BB(3) provides that the evidences related to any international transaction or specified domestic transaction referred to in section 92CA pertaining to the period beginning from 1st April of the previous year in which last of the authorisations was executed and ending with the date on which last of the authorisations was executed shall not be considered for the purposes of determining the total income of the block period and such income shall be considered in the assessment made under the other provisions of this Act. This provision is amended to substitute the reference to the 'evidence' related to the international transaction or domestic transaction with the 'income' related to the international transaction or domestic transaction. Therefore, the income related to the international transaction or domestic transaction related to the previous year in which the last authorization was executed is excluded from the scope of the block assessment and it is assessable only in the assessment made under the other provisions of the Act.
- Section 158BE provides that the assessment order in respect of the block period shall be passed within twelve months from the end of the month in which the last of the authorisations for search was executed or requisition was made. This provision has been amended to provide the period of twelve months shall be reckoned from the end of the quarter in which such last authorization was executed or requisition was made.

These amendments are applicable with effect from 1st February, 2025.

11. PENALTIES AND PROSECUTIONS

Extending the time limit to process the application filed for seeking immunity from penalty and prosecution – Section 270AA

Presently, when the assessee has filed an application for seeking immunity from penalty under section 270A and prosecution under sections 276C or 276CC, the Assessing Officer is required to dispose of the application within one month from the end of the month in which such application is received. Now, this time limit for processing the application by the Assessing Officer is increased to three months from end of the month in which such application is received.

This amendment is applicable with effect from 1st April, 2025.

Penalty in search cases – Section 271AAB

Section 271AAB(1A) provides for levy of penalty in a case where search has been initiated under section 132. The provisions of block assessment as provided in Chapter XIV-B have been made applicable in respect of search initiated on or after 1st September, 2024. One of the provisions of this Chapter i.e. Section 158BFA deals with levy of penalty in respect of such cases of search initiated on or after 1st September, 2024. Therefore, section 271AAB(1A) has been made inapplicable to search initiated on or after 1st September, 2024.

This amendment is applicable with effect from 1st September, 2024.

Penalties to be imposed by the Assessing Officer instead of JCIT – Sections 271C, 271CA, 271D, 271DA, 271DB and 271E

Presently, the following sections provide that penalties shall be imposed by Joint Commissioner ('JCIT'):

— Section 271C – Penalty for failure to deduct tax at source

— Section 271CA – Penalty for failure to collect tax at source

— Section 271D - Penalty for failure to comply with provisions of section 269SS

— Section 271DA - Penalty for failure to comply with provisions of section 269ST

— Section 271DB - Penalty for failure to comply with provisions of section 269SU

— Section 271E - Penalty for failure to comply with provisions of section 269T

Since the assessments are completed by the Assessing Officer, these sections are amended to provide that, the penalties shall be imposed by the Assessing Officer instead of JCIT. In cases where the monetary limit of penalty exceeds ₹ 10,000 or ₹ 20,000, the Assessing Officer shall take prior approval from JCIT as required under section 274(2). Consequential amendments have also been made in section 246A for appealable orders.

These amendments are applicable with effect from 1st April, 2025.

Time limit to impose penalties – Section 275

Section 275 provides for the time limit within which any order imposing a penalty under Chapter XXI can be passed. This provision has been amended as follows –

Type of proceeding	Present time limit	Amended time limit
If the relevant assessment or other order is not the subject matter of an appeal under section 246 or 246A or 253	End of the financial year in which the proceedings, in the course of which action for the imposition of penalty has been initiated, are completed, or six months from the end of the month in which action for imposition of penalty is initiated, whichever is later	Six months from the end of the quarter in which the proceedings, in the course of which action for the imposition of penalty has been initiated, are completed

Type of proceeding	Present time limit	Amended time limit
If the relevant assessment or other order is the subject matter of an appeal under section 246 or 246A and no further appeal has been filed under section 253	End of the financial year in which the proceedings, in the course of which action for the imposition of penalty has been initiated, are completed, or one year from the end of the financial year in which the relevant appellate order is received by the Principal Commissioner or Commissioner, whichever is later	Six months from the end of the quarter in which the relevant appellate order is received by the jurisdictional Principal Commissioner or Commissioner
If the relevant assessment or other order is the subject matter of an appeal under section 253	End of the financial year in which the proceedings, in the course of which action for the imposition of penalty has been initiated, are completed, or six months from the end of the month in which the relevant appellate order is received by the Principal Commissioner or Commissioner, whichever is later	Six months from the end of the quarter in which the relevant appellate order is received by the jurisdictional Principal Commissioner or Commissioner
If the relevant assessment or other order is the subject matter of revision under section 263 or 264	Six months from the end of the month in which such order of revision is passed	Six months from the end of the quarter in which such order of revision is passed

Type of proceeding	Present time limit	Amended time limit
Any other case	End of the financial year in which the proceedings, in the course of which action for the imposition of penalty has been initiated, are completed, or six months from the end of the month in which action for imposition of penalty is initiated, whichever is later	Six months from the end of the quarter in which notice for imposition of penalty is issued

Further, in a case where the relevant assessment or other order was the subject matter of an appeal under section 246 or 246A or 253 or 260A or 261 or revision under section 263 or 264, the time limit for revising the earlier order of penalty on the basis of assessment as revised by giving effect to the relevant appellate order or order of revision has also been amended. Under the present provisions, this time limit was six months from the end of the month in which the relevant appellate order is received by the PCIT or CIT or the order of revision is passed. This time limit is changed to six months from the end of the quarter in which the relevant appellate order is received by the jurisdictional Principal Commissioner or Commissioner or the order of revision is passed.

These amendments are applicable with effect from 1st April, 2025.

12. CLASSIFICATION CRITERIA FOR MSMES REVISED – SECTION 43B(h)

Presently, section 43B(h) disallows deduction of expenses paid to a micro or small enterprise beyond the time limit specified in the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006) (MSME Act) if outstanding as on end of the year, and not paid as required under MSME Act. The MSME Act provides capital, investment and turnover thresholds for classification of entities as micro, small or medium enterprises.

The Finance Minister announced an increase in the investment and turnover limits for classification of MSMEs as follows:

Type of entity	Investment threshold		Turnover threshold	
	Present	Revised as announced	Present	Revised as announced
Micro Enterprise	₹ 1 crore	₹ 2.5 crore	₹ 5 crore	₹ 10 crore
Small Enterprise	₹ 10 crore	₹ 25 crore	₹ 50 crore	₹ 100 crore
Medium Enterprise	₹ 50 crore	₹ 125 crore	₹ 250 crore	₹ 500 crore

Therefore, as per section 43B(h), if any payment made to micro or small enterprise as per the revised limits and such payment is beyond the limit prescribed in the MSME Act, deduction shall be allowed only on payment basis

This amendment shall be effective after the MSME Act has been amended.

INDIRECT TAXES

Proposals related to Goods and Services Tax (GST)

General Notes:

1. The amendments proposed by the Finance Bill, 2025 pertaining to GST and Customs Law are analysed hereinafter. The amendments will be effective from a date to be notified after the enactment of the said Bill, unless specified otherwise.

2. For simplicity, this note refers to the provisions of the Central Goods and Services Tax Act, 2017, i.e. CGST Act 2017 (unless specifically mentioned otherwise).

1. Earlier, the Finance Act, 2024 had proposed an amendment to the definition of 'Input Service Distributor' u/s. 2(61) and section 20 which deals with the manner of distribution of credit by Input Service Distributor. The said amendments are applicable w.e.f. 01st April, 2025. However, a reference to sections 9(3) and 9(4) of the Integrated Goods and Services Tax Act (IGST Act) was inadvertently omitted from the said provisions. The current amendment proposes rectifying the said inadvertent omission by incorporating the said reference. Accordingly, input services governed by the reverse charge mechanism under the IGST Act, 2017 (including the import of services) would also be covered under the ISD Mechanism.

2. The definition of 'local authority' u/s. 2(69) is proposed to be amended to clarify, by way of insertion of Explanations defining 'local fund' and 'municipal fund'.

3. At the background of recommendations of the 55th Meeting of the GST Council, and consequent to the recent clarification issued by CBIC vide Circular No. 243/37/2024-GST dated. 31st December, 2024, that vouchers would constitute either 'money' or 'actionable claim' and not 'goods' or 'services', the provisions relating to 'time of supply' u/s. 12 and 13 of the Act for the point of taxation in case of supply of 'vouchers' is proposed to be deleted.

4. Section 17(5)(d) is proposed to be amended with retrospective effect from 01st July, 2017 to substitute the

phrase 'plant and machinery' for the currently appearing phrase 'plant or machinery'. Further, explanation 2 is inserted clarifying that irrespective of any judgment, decree, or order of the court, tribunal or other authority, any reference to 'plant or machinery' shall deemed to have been construed as a reference to 'plant and machinery'. The amendment is proposed to nullify the recent decision of the Hon'ble Supreme Court in the case of Safari Retreats (P.) Ltd [2024] 90 GSTL 3 (SC)/[2024] [OCTOBER 3, 2024] wherein it was held that the expression 'plant or machinery' used in section 17(5)(d) is distinct from the expression 'plant and machinery' used in section 17(5)(c) and hence is to be interpreted accordingly, as per its ordinary meaning in commercial terms, without referring to Explanation of 'plant and machinery' under section 17.

5. Section 34 of CGST Act, 2017 permits a self-adjustment of excess tax on account of issuance of credit notes to the customers in certain situations subject to certain conditions prescribed therein. One such situation pertains to the downward revision of value on account of post-supply discounts as permitted under section 15 resulting in reducing output tax liability. However, Section 15 also prescribes an additional condition that the downward adjustment would be allowed only if the recipient has reversed the corresponding input tax credit. However, except for credit notes governed by section 15, other credit notes did not require a demonstration that the recipient had reversed the input tax credit. The law is now proposed to be amended to require that in all cases of credit note adjustments resulting in a reduction in output tax liability, the adjustment of taxes would be permitted only if the recipient has reversed the input tax credit. The proviso to section 34(2) is amended accordingly.

6. Section 38 provides for generation of GSTR2B based on information furnished by the vendors in GSTR1. Currently, the law provides that the said statement shall be auto-generated. However, due to the recent introduction of the 'Invoice Management System', the said statement is generated consequent to actions taken on the IMS dashboard and can be regenerated multiple times till the time of filing GSTR3B. To provide legal backing to such procedural and system changes, sections 38 and 39 are sought to be suitably amended

7. Currently, the law requires a pre-deposit of the entire admitted demand (i.e. the amount of tax, interest and/or as the case may be penalty) and 10% of the disputed tax demand at the time of filing the first appeal. However, as per proviso to section 107(6), in cases where the orders pertain to penalty u/s. 129(3) (i.e. penalty in case of detention and seizure of the goods), the law requires a pre-deposit of 25% of the penalty. There is no requirement for payment of pre-deposit in case of other penalties. The said proviso is proposed to be amended requiring payment of 10% of the penalty, where any order is issued only demanding penalty, without involving payment of any tax, under any provisions of the Act. Similarly, u/s. 112(8) of the Act, a proviso is inserted to provide for mandatory pre-deposit of an additional 10% of the penalty before filing appeals against such penalty order before the Appellate Tribunal.

8. A new track and trace mechanism for certain notified goods handled by notified persons through electronic means is being introduced to avoid evasion by inserting Section 148A of the Act. The Government is empowered to provide a system for enabling unique identification marking (UIM) for such goods and require such persons to affix UIM on the said goods or packages thereof, furnish and maintain prescribed information or details of machinery and pay the specified amount. Penalty for failure to comply with track and trace mechanism is also proposed u/s. 122B. UIM is defined u/s. 2(116A) of the Act to include a digital stamp, digital marking or any other similar marking which is unique, secure and non-removable.

9. Schedule III of the CGST Act, 2017 excludes certain transactions from the scope of supply. A new clause is proposed to be inserted to provide that 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 as neither supply of goods nor supply of services. The insertion is proposed with retrospective effect from 01st July, 2017 to avoid any litigation. However, no refund shall be made if tax is already collected.

Key Customs Proposals

The amendments will be effective from the date of enactment of the Finance Bill 2025, unless specified otherwise.

1. Section 18 of the Customs Act, 1962 is proposed to be amended by inserted sub-section (1B) to provide a definite time limit of two years for finalisation of provisional assessment with further extension for a period of one year by the Commissioner of Customs if sufficient cause is shown. For the pending cases, the time limit shall be reckoned from the date of assent of the Finance Bill. A new sub-section (1C) is being inserted to provide for certain grounds on which the time limit of two years for finalising provisional assessment shall remain suspended.

2. A new section 18A is being inserted after Section 18 of the Customs [88] Act, 1962 for voluntary revision of entry post clearance so that the importers and exporters may revise any entry that is made in relation to the goods within a prescribed time and according to certain conditions as may be prescribed. It also provides for treating such entry as self-assessment and allowing payment of duty or treating the revised entry as a refund claim under section 27. It also provides for certain cases where this section will not apply.

3. A new clause is being inserted in Explanation 1 of section 28 of the Customs Act, 1962, wherein, the relevant date in the case where duty is paid under the revised entry under section 18A is the date of payment of duty or interest.

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ABOUT BCAS

The Bombay Chartered Accountants' Society (BCAS) is one of the largest and oldest independent and voluntary bodies of Chartered Accountants in India. With membership & subscribers exceeding 10,500 and a widespread presence across 350+ cities and towns in India, BCAS has been unwavering in its commitment towards the development of the profession since its inception in 1949.

BCAS's core mission is to provide its members with extensive opportunities for growth and advancement through a multifaceted approach to learning. Seminars, workshops, residential refresher courses, study circles, lecture meetings and distance learning programs provide over 5,00,000 hours of education annually, enabling members to enhance their skills and stay updated on industry trends, a testament to BCAS's pioneering spirit in this domain.

BCAS also has an exceptional track record in various publications, prominently showcased by the BCA Journal (BCAJ), a sought-after monthly periodical with over five decades of publication. BCAS also publishes the Referencer along with an easily readable e-book which is an indispensable tool for practicing professionals as well as those in the industry since last 60 years

BCAS's extensive outreach towards nation building is bolstered by its detailed representations to regulators and government authorities. The society has a comprehensive approach to professional development combined with its community-focused initiatives enabling a more robust and sustainable future.

BCAS operates as a not-for-profit organization, relying on the efforts of hundreds of dedicated volunteers who selflessly contribute their time and expertise while adhering to the highest ethical standards and professional integrity.

The BCAS Foundation is the social wing of the Bombay Chartered Accountants' Society. It was formed with the principal agenda to support various public charitable purposes such as relief to the poor, education, medical relief, rural development, tree plantations and other subjects of general public utility.

A pioneering thought-leader and a community enabler, BCAS continues to play a pivotal role in strengthening the accounting, tax, finance and economic fibre of India.

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2023-2024 | 2024-2025 | 2025-2026 | 2026-2027 | 2027-2028

1 REACH

- Increased Members, Learners & Followers
- Geographic reach
- Journal readership scale-up

2 PROFESSIONAL DEVELOPMENT

- Contemporary learning/event formats with relevant topics
- Publications and Research
- Digital learning and crowd sourcing queries

3 NETWORKING

- Embedded networking opportunities
- Digital networking initiative
- Enhanced engagement with industry/ professional associations

4 ADVOCACY

- Dedicated platform for focussed advocacy
- Research-based advocacy
- Engaging with regulators and tax authorities

5 YUVA SHAKTI

- Formalizing the BCAS youth platform
- Curated youth events (mixers, bootcamps, hackathon, etc.)
- Embedding more youth in the BCAS cadre/community

6 CHARTEREDS' FOR CHANGE

- Focussed efforts on financial literacy, education, etc.
- Supporting CA students – Reading room, scholarships
- Enabling NGOs

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