



BUDGET 2025

Direct Tax Proposals

TAX RATES

- No Change in Tax Rates for taxpayers opting for the Old Tax Regime.
- Tax Rates for New Tax Regime u/s 115BAC for FY 2025-26:

| Total income | Rate of tax |
|----------------------|-------------|
| Up to 4,00,000 | Nil |
| 4,00,001– 8,00,000 | 5% |
| 8,00,001– 12,00,000 | 10% |
| 12,00,001– 16,00,000 | 15% |
| 16,00,001– 20,00,000 | 20% |
| 20,00,001– 24,00,000 | 25% |
| Above 24,00,000 | 30% |

- Rebate u/s 87A will be available to Resident Individual up to Rs.60,000/-, if total income does not exceed Rs.12,00,000/-.
- No Rebate from the Tax liability on Special income like STCG, LTCG, etc.

Section 2: Dividend for treasury centers in IFSC

Existing Provision

Section 2(22)(e) provides that dividend includes any sum by way of advance or loan to a shareholder paid by a company (not being a company in which the public are substantially interested). It excludes any advance or loan made to a shareholder or the said concern by a company in the ordinary course of its business, where the lending of money is a substantial part of the business of the company.

Proposed Amendment

Any advance or loan between two group entities, 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 ‘principal entity’ of such ‘group entity’ is listed on stock exchange in a country or territory outside India, other than the country or territory outside India as may be specified by the Board in this behalf, shall not be treated as ‘dividend’.

Section 9: Significant Economic Presence

Existing Provision

Clause (b) of Explanation 1 to clause (i) of sub-section (1) of section 9 provides that in the case of a non-resident, income earned from operations which are confined to the purchase of goods in India for the purpose of export shall not be deemed to accrue or arise in India.

Explanation 2A to clause (i) of sub-section (1) of section 9, states that the significant economic presence of a non-resident in India shall constitute business connection in India and significant economic presence includes transaction in respect of any goods, services or property carried out by a non-resident with any person in India.

Proposed Amendment

To align with the provisions of section 9 of the Act, it is proposed to amend the Explanation 2A of section 9 so that the transactions or activities of a non-resident in India which are confined to the purchase of goods in India for the purpose of export shall not constitute significant economic presence of such non-resident in India.

Section 10(10D) : Life insurance policy from IFSC

Existing Provision

Section 10(10D) provides exemption to sum received under a life insurance policy including the sum allocated by way of bonus on such policy, subject to the conditions specified therein. The said provisions are also applicable to insurance policies issued by IFSC Insurance Offices.

Proposed Amendment

Any proceeds received on life insurance policy issued by IFSC insurance intermediary office shall be exempted without the condition related to the maximum premium payable on such policy.

Section 10(10D) & 112A: Taxation of ULIP

Existing Provision

Section 10(10D) provides for income tax exemption on the sum received under a ULIP. However, the Finance Act, 2021, made amendments to clause (10D) of section 10 to provide that the exemption under this clause shall not apply with respect to any policy issued on or after the 01.02.2021, if the amount of premium or aggregate amount of premium payable during the term of such policy or policies exceeds Rs. 2,50,000.

Proposed Amendment

- ULIPs to which exemption u/s 10(10D) does not apply, is a capital asset.
- The surplus from the redemption of ULIPs to which exemption u/s 10(10D) does not apply, shall be chargeable to tax as capital gains as like equity-oriented fund. So, the same will be taxable @10% without indexation.

Section 10(12BA) & 80CCD: NPS Vatsalya Scheme

Existing Provision

Under NPS Vatsalya Scheme, parents and guardians can contribute to the NPS account for their children. This scheme is exclusively for minors. When the minor attains majority, the account will continue to be operational and transferred to child's name.

Proposed Amendment

- Contribution made by an assessee to the NPS Vatsalya account will be eligible for deduction u/s 80CCD(1B) of the act.
- The maximum deduction u/s 80CCD(1B) is available up to Rs.50,000. The limit of Rs.50,000/- is the combined limit for contribution to own NPS account and contribution to NPS Vatsalya account.
- Withdrawal from the NPS Vatsalya account is chargeable to tax. However, if received on death of minor, it will be exempt.
- Any withdrawal from NPS Vatsalya Account for certain situation like education, treatment of specified illnesses and disability of the minor will be treated as exempt income up to 25% of contribution made.

Section 12AB: Charitable Trusts/Institutions

Existing Provision

Currently, Registration of trust or institution is valid for a period of 5 years. At the expiry of such period, the trust or institution is again required to make an application for further registration.

Where the application for registration of trust or institution is not complete, then it shall be treated as specified violation and accordingly, registration of such trust or institution may be cancelled in such cases.

Proposed Amendment

- Where gross income of the trust does not exceed Rs. 5 crores during the two previous years, preceding to the previous year in which application under section 12A has been made, **the registration will be valid for 10 years.**
- Where the application for registration of trust or institution is not complete **registration shall not be cancelled in such cases.**

Section 13(3): Specified Person for Trust

Existing Provision

Currently, following persons are treated as specified person (Related Party) u/s 13:

- Author or founder of the Trust;
- Any person whose total contribution up to the end of the relevant previous year exceeds Rs.50,000/-;
- Where such Author, Founder or person is a HUF, a member of HUF
- Trustee of the Trust
- Any relative of above person;
- Any concern in which any of the above referred person has a substantial interest.

Proposed Amendment

- Author or founder of the Trust;
- Any person whose total contribution during the relevant previous year exceeds Rs.1,00,000/- or in aggregate up to the end of the relevant previous year exceeds Rs.10,00,000/-; (specified Donor)
- Where such Author, Founder or person is a HUF, a member of HUF
- Trustee of the Trust
- Any relative of above person; (However, relative of specified donor will not be covered)
- Any concern in which any of the above referred person has a substantial interest. (However, concern of specified donor will not be covered).

Section 23: Annual value of SOP (AY 2025-26)

Existing Provision

Currently, where house property is in the occupation of the

- (i) owner for the purposes of his residence; or
- (ii) owner cannot actually occupy it due to his employment, business or profession carried on at any other place

in such cases, the value for the same is considered as NIL.

Proposed Amendment

Where house property is in the occupation of the

- (i) owner for the purposes of his residence; or
- (ii) owner cannot actually occupy it due to **any reason**

in such cases, the value for the same is considered as NIL.

Section 44BBD: Presumptive Taxation for NR

Existing Provision

Currently, there is NO provision under the Act for computing profits and gains under presumptive taxation for non-residents engaged in the business of providing services or technology to the resident company for establishing electronics manufacturing facility in India.

Proposed Amendment

- A new section 44BBD has been proposed.
- **Applicable to non-resident** engaged in the business of providing services or technology, to a resident company which are establishing or operating electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods, article or thing in India.
- **25%** of the aggregate amount received/receivable by, or paid/payable to the non-resident on account of providing such services or technology **shall be deemed to be income of the non-resident.**

Section 72A & 72AA: C/F of Loss in case of Amalgamation

Existing Provision

Currently, accumulated loss of the amalgamating entity or predecessor entity shall be deemed to be the loss of the amalgamated entity or the successor entity from the previous year in which amalgamation or business reorganization has been effected or brought into force. Hence, the same can be carried forward for 8 fresh years from the year of amalgamation.

Proposed Amendment

- To prevent indefinite carry forward of losses through successive amalgamations, any losses carried forward by the successor entity shall be subject to the same eight year which is to be counted from the assessment year in which the loss was originally computed for the predecessor entity.

Section 80CCA: National Saving Scheme

Existing Provision

- National Saving scheme (NSS) was in operation till 01.04.1992. Certain taxpayers are still having deposits in this scheme.
- In August 2024, government announced that w.e.f. 01.10.2024 no interest will be given on the balance amount. Due to this reason, the taxpayers have to withdraw the amounts available in the scheme.
- However, as per the current provision, any amount withdrawn from the scheme is liable to tax.

Proposed Amendment

- To provide the relief to the taxpayers, it is proposed that any amount withdrawn by an individual on or after 29.08.2024, will not be liable to tax.

Section 80-IAC & 80LA: Extension of Time limit

Existing Provision

Currently, for the eligible startups which are incorporated between 01.04.2016 to 31.03.2025, 100% of the profit for 3 consecutive years out of 10 years is allowed as deduction u/s 80-IAC.

The sunset date u/s 80LA for commencement of operations of IFSC units for several tax concessions is expires on 31.03.2025.

Proposed Amendment

- The benefit u/s 80-IAC will be available to **eligible start-ups incorporated before 01.04.2030.**
- The **sunset date** for commencement of operations of IFSC units for several tax concessions are proposed to be **extended to 31.03.2030.**

Section 92CA: Determination of ALP

Existing Provision

Currently,

- The Assessing Officer may refer international and specified domestic transactions to the Transfer Pricing Officer (TPO) for determining Arm's Length Price (ALP) for the year for which matter is selected
- The TPO, determines the ALP and communicates it to both the AO and the assessee, after which the AO computes the total income as per the ALP.

Proposed Amendment

- **ALP determined** for an international or specified domestic transaction **will be applicable to the two consecutive previous years**, subject to-
 - The assessee shall be required to exercise an option or options for the above effect in the form, manner and within such time as may be prescribed.
 - The TPO declare that the option is valid subject to the prescribed conditions.

Section 115AD: Capital Gain for NR

Existing Provision

Currently, where the total income of a specified fund or Foreign Institutional Investor includes-

- (a) income received in respect of securities (other than units referred to in section 115AB) or
- (b) income by way of short-term or long-term capital gains arising from the transfer of such securities,

the tax on such income by way of long-term capital gains referred to in clause (b), shall be calculated at the rate of 10%.

Proposed Amendment

- Tax on the income by way of long-term capital gains on transfer of securities (other than units referred to in section 115AB) not referred to in section 112A, if any, included in the total income, shall be calculated at the **rate of 12.5%**.

Section 115UA: Taxation of Business Trusts

Existing Provision

- Section 115UA provides that the total income of a business trust shall be charged to tax at the maximum marginal rate, subject to the provisions of section 111A and section 112. Reference of section 112A is not mentioned.

Proposed Amendment

- Total income of a business trust shall be charged to tax at the maximum marginal rate, subject to the provisions of section 111A, section 112 **as well as section 112A.**

Section 115V to 115VZA: Tonnage Tax Scheme

Existing Provision

- Currently, qualifying shipping companies were given the choice to opt for the tonnage tax regime or continue to remain within the normal corporate tax regime.

Proposed Amendment

- It is proposed to extend the benefits of tonnage tax scheme to Inland Vessels registered under Inland Vessels Act, 2021.
- Inland vessels have been included in the section 115VD for being eligible to be a qualified ship.
- Corresponding amendments regarding definition of operating ship, qualifying ship, tonnage income of a ship, shipping income, depreciation, method and time of opting for tonnage tax scheme, transfer of profits to tonnage tax reserve account, limit for charter in of tonnage, determination of tonnage, effect of temporarily ceasing to operate qualifying ships, has been proposed.

Section 139(8A): Updated Return

Existing Provision

- Currently, updated return can be filed within 24 months from the end of the relevant AY.

Proposed Amendment

- Updated return can be filed within 48 months from the end of the relevant AY.
- Additional tax payable for updated return will be as under:

| Updated Return Filed within | Additional Tax Payable |
|---|--|
| 12 months from end of AY | 25% of aggregate of tax and interest payable |
| After expiry of 12 months but before the end of 24 months | 50% of aggregate of tax and interest payable |
| After expiry of 24 months but before the end of 36 months | 60% of aggregate of tax and interest payable |
| After expiry of 36 months but before the end of 48 months | 70% of aggregate of tax and interest payable |

- No updated return can be filed in cases where show cause notice u/s 148A has been issued after 36 months from end of relevant AY however it can be filed up-to 48 months if order subsequently reversed that it is not fit case to issue notice u/s 148 of the Act.

Section 158B to 158BI: Search & Seizure

Existing Provision

- Virtual digital assets like cryptocurrencies are not included in the definition of undisclosed income u/s 158B of the Act.
- The block assessment related to the search must be completed within 12 months from the end of the month when the last search authorization was executed.
- The existing provisions of section 271AAB(1A) of the Act relates to penalty in respect of searches initiated after 15.12.2016.

Proposed Amendment

- Virtual digital assets like cryptocurrencies **to be included** in the definition of undisclosed income. (01.02.2025)
- Time limit for completion of block assessment will be 12 months **from the end of the quarter** in which the last search authorizations has been executed. (01.02.2025)
- Section 271AAB of the Act shall not be applicable to the assessee in whose case search has been initiated on or after the 01.09.2024. (01.09.2024)
- Computation of undisclosed income mechanism has also been changed.

TDS & TCS Provisions

| Section | Existing Provision | Proposed Amendment |
|---|---|--|
| 193 Interest on securities | There is no Threshold for TDS deduction. | Threshold of Rs.10,000/- |
| 194 Dividend for an individual shareholder | Rs.5,000/- | Rs.10,000/- |
| 194A Interest other than interest on securities | i. When the payer is bank, Co-operative society or post office <ul style="list-style-type: none"> Rs.50,000/- for senior citizen; Rs.40,000/- in case of others ii. Rs.5,000/- in other cases | i. When the payer is bank, Co-operative society or post office <ul style="list-style-type: none"> Rs.1,00,000/- for senior citizen; Rs.50,000/- in case of others ii. Rs.10,000/- in other cases |
| 194B Winning from lottery, crossword puzzle, etc | Aggregate of amounts exceeding Rs. 10,000/- <u>during the financial year</u> | Rs. 10,000/- in respect of a <u>single transaction</u> |

TDS & TCS Provisions

| Section | Existing Provision | Proposed Amendment |
|--|--|--|
| 194BB Winnings from horse race | Aggregate of amounts exceeding Rs. 10,000/- <u>during the financial year</u> | Rs. 10,000/- in respect of a <u>single transaction</u> |
| 194D Insurance commission | Rs.15,000/- | Rs.20,000/- |
| 194G Income by way of commission, prize etc. on lottery tickets | Rs.15,000/- | Rs.20,000/- |
| 194H Commission / brokerage | Rs.15,000/- | Rs.20,000/- |
| 194 I Rent | Rs. 2,40,000/- during the financial year | Rs. 50,000/- per month or part of a month |

TDS & TCS Provisions

| Section | Existing Provision | Proposed Amendment |
|--|---|--------------------|
| 194J Fee for professional or technical services | Rs.30,000/- | Rs.50,000/- |
| 194K Income in respect of Units of a Mutual Funds | Rs.5,000/- | Rs.10,000/- |
| 194LA Income by way of enhanced compensation | Rs.2,50,000/- | Rs.5,00,000/- |
| 194LBC Securitization trust | 25% - if the payee is an individual or a HUF 30% - if the payee is any other person. | 10% |

TDS & TCS Provisions

| Section | Existing Provision | Proposed Amendment |
|---|--|---|
| 206C TCS on Timber or any other forest produce | 2.5% | 2% |
| 206C(1G) TCS on foreign remittances under Liberalized remittance scheme. | <ul style="list-style-type: none">• No TCS if amount of remittance is less than Rs. 7 lakhs in a financial year.• TCS @ 0.5% was applicable in respect of remittance out of loan obtained from any financial institution as defined in 80E, for the purpose of education. | Proposed Limits: <ul style="list-style-type: none">• TCS on remittance under LRS: 10 lakhs;• TCS on remittance out of loan for educational purpose: NIL. |
| 206C(1H) TCS on sale of goods. | 0.1% | Section omitted. No TCS on sale of goods. |

TDS & TCS Provisions

Existing Provision

- 206AB & 206CCA- In case of Non-filers of return of income, higher rate of TDS/ TCS is applicable.

Proposed Amendment

- Section 206AB & 206CCA will be omitted. So, no higher TDS/TCS for Non-return filers.

Section 270AA: Immunity from Penalty

Existing Provision

- Application for granting immunity from imposition of penalty shall be made within one month from the end of the month in which the order has been received by the assessee.
- AO shall pass an order, either accepting or rejecting the application, within a period of one month from the end of the month in which the application requesting immunity had been received by the Assessing Officer.

Proposed Amendment

- AO shall pass an order, either accepting or rejecting the application, within a period of three month from the end of the month in which the application requesting immunity had been received by the Assessing Officer.

Section 275: Limitation for imposing penalties

Existing Provision

- Currently, there is multiple time limits for imposing penalties in various cases.

Proposed Amendment

- Time limit for imposing penalties will now be 6 months from the end of the quarter in which the related proceedings are completed.

Section 276BB: Prosecution in case of TCS

Existing Provision

- Currently, as per section 276BB, if a person fails to pay to credit of the Central Government, the TCS collected, he shall be punished with rigorous imprisonment for a term of 3 months to 7 years and with fine.

Proposed Amendment

- It is proposed to amend section 276BB of the Act to provide that prosecution shall not be instituted against a person if the payment of the TCS collected has been made before filing the quarterly return.

Section 285BAA: SFT Reporting of VDA transaction

Existing Provision

- Currently, there is no such provision.

Proposed Amendment

- Any person, being a reporting entity, as may be prescribed, in respect of crypto asset, is required to furnish information in respect of a transaction in VDA in a statement, for such period, within such time, in such form and manner and to such income-tax authority, as may be prescribe.

Change in MSME Classification

Existing Provision

- Currently, following is the limit for classification of an enterprise:

| Category | Investment in P&M | Turnover |
|--------------------|-------------------|---------------|
| Micro Enterprises | Rs. 1 Crore | Rs. 5 Crore |
| Small Enterprises | Rs. 10 Crore | Rs. 50 Crore |
| Medium Enterprises | Rs. 50 Crore | Rs. 250 Crore |

Proposed Amendment

- Following is the Revised limit for classification of an enterprise:

| Category | Investment in P&M | Turnover |
|--------------------|-------------------|---------------|
| Micro Enterprises | Rs. 2.5 Crore | Rs. 10 Crore |
| Small Enterprises | Rs. 25 Crore | Rs. 100 Crore |
| Medium Enterprises | Rs. 125 Crore | Rs. 500 Crore |

- More Vendors will be covered u/s 43B(h) of the act, results in increase in compliance.

THANK YOU

I thank you for your continued support in my efforts
for contribution towards latest updates regarding
Income Tax.

