

A look at
**UNION BUDGET
2025-26**

Analysis by

Dr. GIRISH AHUJA • Dr. RAVI GUPTA
CA. ASHOK BATRA • CA. ARUN AHUJA



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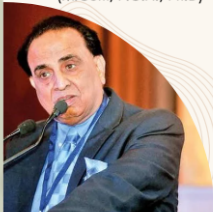
Team Members and association

Dr. Girish Ahuja is a fellow member of the ICAI and is a member of the Direct Tax Committee of the ICAI. He had been nominated by the Government of India as a member of the central council of the ICSI for six years. He has rich experience in the field of finance and taxation. He is also a renowned author of more than 23 books on Direct Taxes. He has addressed more than 8,500 seminars on various topics on Direct Taxes organized by various companies, institutes, and organizations. He is the chief patron of Tax Law Educare Society and the founder of it.

He is also appointed as Director of State Bank of India by the Government of India. He is also a member of a government-appointed task force for the report on the new Direct Tax Code, which seeks to replace the existing Income Tax Act.

DR. GIRISH AHUJA

(M.Com, F.C.A., Ph.D)



Dr. Ravi Gupta is a leading tax consultant and has vast practical experience in handling tax matters of trade and industry. He is the renowned author of more than 23 books on Direct Taxes. He has addressed around 3,700 seminars on various topics on Direct Taxes organized by various institutes and organizations. He is a founder member and president of the Tax Law Educare Society for the last 20 years. He was a government-appointed member of the Committee constituted for the Simplification of Income Tax Act. Presently, he is a government nominee member in Central Council of ICAI.

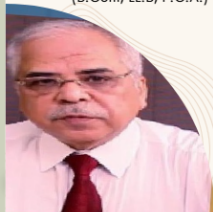
DR. RAVI GUPTA

(B.Com, LL.B, MBA, D.I.L.L., Ph.D)



CA. ASHOK BATRA

(B.Com, LL.B, F.C.A.)



CA. Ashok Batra is a Fellow member of the ICAI and is a Law Graduate. He has practical experience of more than 42 years in handling audit, tax, legal, and financial matters. He is a leading GST and Indirect Tax consultant and the author of several popular books on GST and Indirect Taxes.

CA. (DR.) ARUN AHUJA

(B.Com, F.C.A., D.I.S.A. [ICAI], Ph.D)



CA (Dr.) Arun Ahuja is a Fellow member of the ICAI and has practical experience of more than 35 years in handling audit, tax, management, legal, and financial matters. He is a founder member and the general secretary of the Tax Law Educare Society for the last 20 years. He is a qualified system auditor and has written various articles on audit and taxation matters.

CA MANISH GARG

(B.Com, F.C.A.)



CA Manish Garg is a Fellow member of the ICAI and has practical experience of more than 25 years in handling Income Tax Cases.

Quotes from the Hon'ble Finance Minister Budget Speech

"The Government under the leadership of Prime Minister Modi believes in "Sabka Saath, Sabka Vikas, Sabka Vishwas and Sabka Prayas".

135. Reforms, however, are not a destination. They are a means to achieve good governance for our people and economy. Providing good governance primarily involves being responsive. The Thirukkural captures this in Verse 542, which reads:

வானோக்கி வாழும் உலகெல்லாம் மன்னவன்
கோல்நோக்கி வாழுங் குடி.

vaanokki vaalum ulakellaam mannavan

koalnokki vaalung kuti

Meaning:

Just as living beings live expecting rains,

Citizens live expecting good governance.

"Democracy, Demography and Demand are the key support pillars in our journey towards Viksit Bharat."

REACTIONS TO BUDGET

- **Hon'ble PM India Narendra Modi:** "Today is an important milestone in India's development journey. This is the budget of aspirations of 140 crore Indians. This is a budget that fulfils the dreams of every Indian. We have opened many sectors for the youth. The common citizen is going to drive the mission of Viksit Bharat,"
- **Preetha Reddy, Vice Chairperson of Apollo Hospitals** welcomed the introduction of Day Care Cancer Centres and the exemption of cancer drugs from customs duty, viewing these measures as positive steps for the healthcare sector.
- **Tata Technologies CEO & MD Warren Harris:** The budget's focus on establishing a National Manufacturing Mission aligns with our goal of engineering in India for 'Make in India' and enhancing the nation's self-reliance in manufacturing.
- **Vedanta Chairman Anil Agarwal** called the Union Budget 2025 a 'visionary' budget which has stimulated a "perfect jugalbandi of robust consumption growth and accelerated investment"
- **Leader of Opposition. Sh. Rahul Gandhi:** A band-aid for bullet wounds! Amid global uncertainty, solving our economic crisis demanded a paradigm shift. But this government is bankrupt of ideas.
- **Congress MP Shashi Tharoor** also raised a critical point and added that without jobs, where will the income come from? "For you to benefit from income tax relief, you actually need jobs. Unemployment was not mentioned by the Finance Minister," he said. Tharoor highlighted that to benefit from tax relief, people need employment, a topic that was overlooked by the Finance Minister.
- **Former CM Delhi Mr. Kejriwal:** "A large part of the country's treasury is spent on waiving off the loans of a few rich billionaires. I had demanded that it be announced in the budget that from now on, the loans of any billionaire will not be waived off...I am sad this was not done,"
- **Former FM P. Chidambaram:** "Budget is full of new schemes, programmes; many of these beyond capacity of this govt."

Disclaimer

Budget 2025 proposals presented by the Finance Minister before the Parliament are analysed in this document. It should not be relied upon as a substitute for detailed advice or a basis for formulating business decisions.

The proposals are subject to amendment as the Finance Bill is yet to be passed by the Parliament.

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TEAM MEMBERS

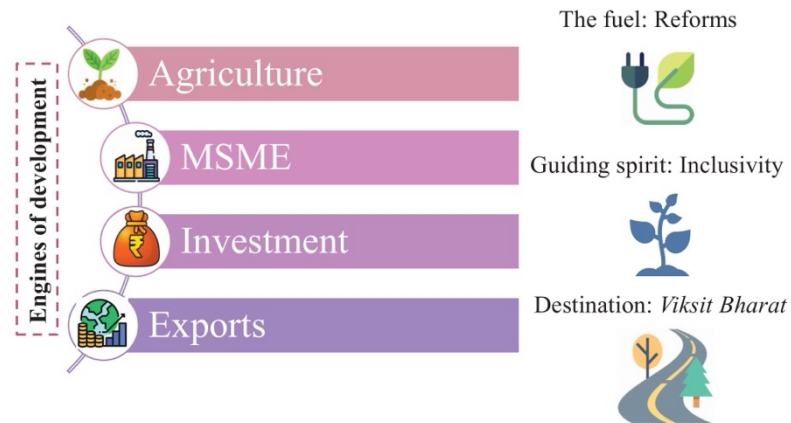
Dr. Girish Ahuja	9810015290
Dr. Ravi Gupta	9810060708
CA. (Dr.) Arun Ahuja	9811074486
CA Manish Garg	9999999818
Advocate Harshit Batra	7838828878
CA Rajesh Jain	9811132392
CA Shashank Gupta	9711012424
CA Sanjeev Singhal	9811565606
CA Gaurav Rakhecha	9910409994
CA Raghav Sharma	9555505571

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KEY FEATURES OF BUDGET 2025-26

Journey of Development



A country is not just its soil, a country is its people.



Development measures focusing on *Garib, Youth, Annadata and Nari*

Spurring Agricultural Growth & Building Rural Prosperity



Prime Minister Dhan-Dhaanya Krishi Yojana - Developing Agri Districts Programme

To cover 100 districts and
likely to help 1.7 crore farmers.

Enhanced Credit through KCC

Facilitate short term loans
for 7.7 crore farmers,
fishermen, and dairy
farmers with enhanced
loan of ₹5 lakh.

National Mission on High Yielding Seeds

Targeted development and
propagation of seeds with high
yield, pest resistance and
climate resilience.

Mission for Cotton Productivity

5-year mission to facilitate
improvements in
productivity and
sustainability of cotton
farming.

Makhana Board in Bihar

To be set up to improve
production, processing,
value addition, and
marketing and
organisation of FPOs.

Aatmanirbharta in Pulses

Launch a 6-year Mission with special focus
on Tur, Urad and Masoor, emphasising

- Development and commercial availability of climate resilient seeds
- Enhancing protein content
- Increasing productivity
- Improving post-harvest storage and management, assuring remunerative prices to the farmers.

India Post as a Catalyst for the Rural Economy

- Rural community hub co-location
- Institutional account services;
- DBT, cash out and EMI pick-up
- Credit services to micro enterprises
- Insurance; and
- Assisted digital services.

Development measures focusing on Garib, Youth, Annadata and Nari

Supporting MSMEs & Furthering Make in India



Credit Cards for Micro Enterprises: Customised Credit Cards with a ₹ 5 lakh limit for micro enterprises registered on Udyam portal. In the first year, 10 lakh such cards will be issued.

Scheme for first time Entrepreneurs: For 5 lakh first-time entrepreneurs, including women, Scheduled Castes and Scheduled Tribes, a new scheme, to be launched, to provide term loans up to ₹ 2 crore during the next 5 years.



Manufacturing mission with the mandate to focus on

- Ease and cost of doing business;
- Future ready workforce for in-demand jobs;
- A vibrant and dynamic MSME sector;
- Availability of technology;
- Quality products;
- Clean tech manufacturing for climate-friendly development.

Measures for Labour Intensive Sectors

- **Focus Product Scheme for Footwear & Leather Sectors:** scheme is expected to facilitate employment for 22 lakh persons, generate turnover of ₹ 4 lakh crore and exports of over ₹ 1.1 lakh crore.
- **Measures for the Toy Sector:** To focus on development of clusters, skills, and a manufacturing ecosystem that will create high-quality, unique, innovative, and sustainable toys to represent the 'Made in India' brand.
- **Support for Food Processing:** Establishment of a National Institute of Food Technology in Bihar, enhanced income for the farmers and skilling, entrepreneurship and employment opportunities for the youth.

Significant enhancement of credit availability with guarantee cover

₹ in Crore	Credit guarantee cover	
	Current	Revised
MSEs	5	10
Startups	10	20
Exporter MSMEs	For Term Loans Up To ₹ 20 Crore	

Revision in classification criteria for MSMEs



₹ in Crore	Investment		Turnover	
	Current	Revised	Current	Revised
Micro Enterprises	1	2.5	5	10
Small Enterprises	10	25	50	100
Medium Enterprises	50	125	250	500

Development measures focusing on *Garib, Youth, Annadata and Nari*

Investing in people, economy
and innovation



Saksham Anganwadi and Poshan 2.0

Expansion of Capacity in IITs

Day Care Cancer Centres in all District Hospitals

Bharatiya Bhasha Pustak Scheme: provide digital-form Indian language books for school and higher education.

05 National Centres of Excellence for skilling to be set up with global expertise and partnerships.

Atal Tinkering Labs: 50 Thousand Labs to be set up in government schools in next 5 years.

Centre of Excellence in Artificial Intelligence for education with a total outlay of ₹500 crore.

Broadband connectivity to be provided to all government secondary schools and primary health centres in rural areas.

Expansion of medical education: 10,000 additional seats with the goal of adding 75,000 seats in the next 5 years.

PM SVANidhi: To be revamped with enhanced loans from banks, UPI linked credit cards and capacity building support.

Welfare of Online Platform Workers: Registration on the e-Shram portal & healthcare under PM Jan Arogya Yojana.

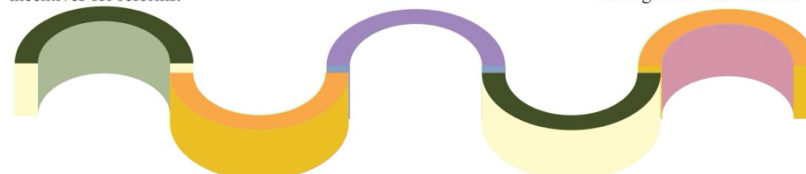
Development measures focusing on Garib, Youth, Annadata and Nari

Investing in people, economy and innovation

Support to States for Infrastructure: With an outlay of ₹ 1.5 lakh crore, 50-year interest free loans to states for capital expenditure and incentives for reforms.

Jal Jeevan Mission: To achieve 100 % coverage, the mission extended till 2028 with an enhanced total outlay.

Power Sector Reforms: Incentivize distribution reforms and augmentation of intra-state transmission. Additional borrowing of 0.5 % of GSDP to states, contingent on these reforms.



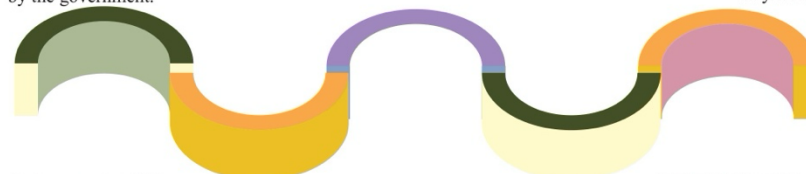
Asset Monetization Plan 2025-30: launched to plough back capital of ₹ 10 lakh crore in new projects.

Urban Challenge Fund
₹ 1 lakh crore to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water & Sanitation'.

Maritime Development Fund
with a corpus of ₹25,000 crore for long-term financing with up to 49 % contribution by the government.

Nuclear Energy Mission for Viksit Bharat: Amendments to the Atomic Energy Act and the Civil Liability for Nuclear Damage Act will be taken up for active partnership with the private sector.

UDAN: Regional connectivity to 120 new destinations and carry 4 crore passengers in the next 10 years.



Future needs of Bihar
Greenfield airports, Financial support for the Western Koshi Canal ERM Projects.

SWAMIH Fund-2
₹ 15,000 crore for expeditious completion of one lakh dwelling units through blended finance.



Development measures focusing on *Garib, Youth, Annadata and Nari*

Investing in people, economy and innovation

PM Research Fellowship

To provide ten thousand fellowships for technological research in IITs and IISc.

Gene Bank for Crops Germplasm

The 2nd Gene Bank with 10 lakh germplasm lines to be set up for future food and nutritional security.

Gyan Bharatam Mission

Documentation and conservation of our manuscript heritage to cover more than 1 crore manuscripts. National Digital Repository of Indian knowledge systems for knowledge sharing to be set up.

Research, Development & Innovation

Allocating ₹ 20,000 crore to implement private sector driven Research, Development and Innovation initiative.

National Geospatial Mission

To develop foundational geospatial infrastructure and data. Using PM Gati Shakti, facilitation of modernization of land records, urban planning, and design of infrastructure projects.

Promoting Exports



- ➔ **Export Promotion Mission:** With sectoral and ministerial targets to facilitate easy access to export credit, cross-border factoring support, and support to MSMEs to tackle non-tariff measures in overseas markets.
- ➔ **BharatTradeNet:** A digital public infrastructure, 'BharatTradeNet' (BTN) for international trade will be set-up as a unified platform for trade documentation and financing solutions. Support for integration with **Global Supply Chains**.
- ➔ **National Framework for GCC:** As guidance to states for promoting Global Capability Centres in emerging tier 2 cities.
- ➔ **Warehousing facility for air cargo:** To facilitate upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce.

Reforms as the fuel

Financial Sector Reforms and Development

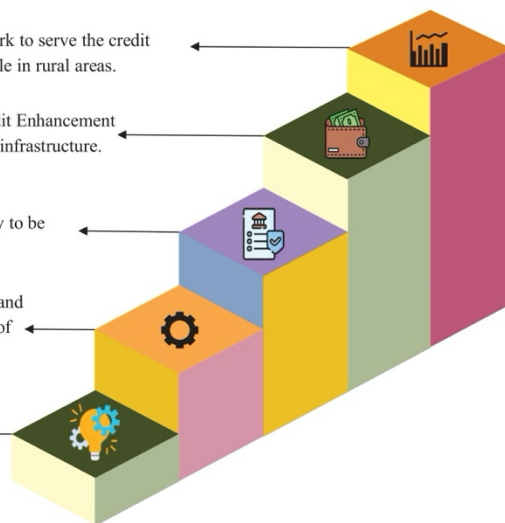
'Grameen Credit Score' framework to serve the credit needs of SHG members and people in rural areas.

NaBFID to set up a 'Partial Credit Enhancement Facility' for corporate bonds for infrastructure.

Revamped Central KYC registry to be rolled out in 2025.

Rationalisation of requirements and procedures for speedy approval of company mergers.

FDI limit for the insurance sector will be raised from 74 to 100 per cent.



Tax Reforms

Changes in direct taxes and proposal to introduced the **New Income Tax Bill**

Regulatory Reforms

Light-touch regulatory framework based on principles and trust to unleash productivity and employment

- **High Level Committee for Regulatory Reforms**
- **Investment Friendliness Index of States**
- **FSDC Mechanism:** to evaluate impact of the current financial regulations and subsidiary instructions along with a framework to enhance their responsiveness and development of the financial sector.
- **Jan Vishwas Bill 2.0:** to decriminalize more than 100 provisions in various laws.

Indirect Tax proposals

Rationalisation of Customs Tariff Structure for Industrial Goods



Removal of 07 tariff rates.



Apply not more than one cess or surcharge.



Apply equivalent cess to maintain effective duty incidence on most items and lower cess on certain items.

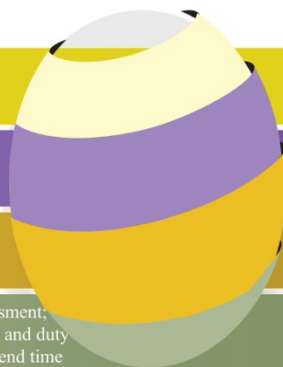
Sector specific proposals

Make in India- Exemption to open cell for LED/LCD TV, looms for textiles, capital goods for lithium ion battery of mobile phones and EVs.

Promotion of MRO – exemption for 10 years on goods for ship building and ships for breaking, extension of time limit for export of railway goods imported for repairs.

Export promotion – duty free inputs for handicraft and leather sectors.

Trade Facilitation: Time limit fixed for finalisation of provisional assessment; new provision for voluntary declaration of material facts post clearance and duty payment with interest but without penalty; IGCR Rules amended to extend time limit to 1 year and file quarterly statement instead of monthly.



Improved access to lifesaving medicines

Addition of:

- 36 lifesaving drugs/medicines in exempted list;
- 6 medicines in 5% duty list;
- 37 medicines and 13 new patient assistance programmes in exempt list.



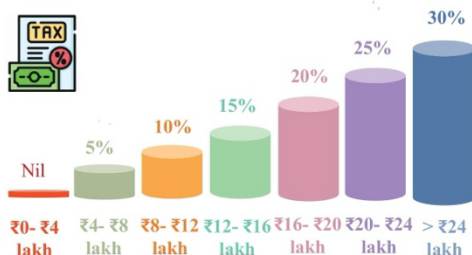
(Medicines for rare diseases, cancer, severe chronic diseases)

Direct Tax proposals

Ease of doing business

- Introduction of a scheme for determining arm's length price of international transaction for a block period of three years.
- Expansion of scope of safe harbour rules to reduce litigation and provide certainty in international taxation.

Personal Income Tax reforms with special focus on the middle class



Rationalization of TDS/TCS for easing difficulties

Tax deduction limit for senior citizens doubled from ₹ 50,000 to ₹ 1 lakh.

The annual limit of ₹2.40 lakh for TDS on rent increased to ₹ 6 lakh.

Encouraging voluntary compliance

Extension of time-limit to file updated returns, from the current limit of two years, to four years.

Reducing compliance burden

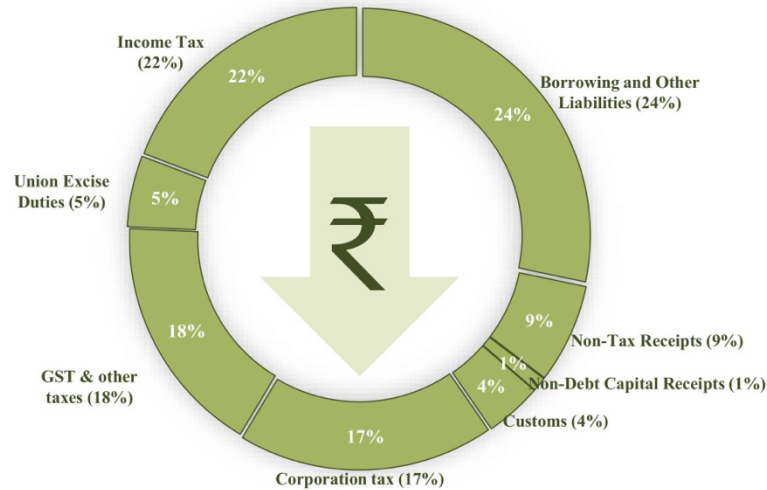
Reduced compliance for small charitable trusts/institutions by increasing their period of registration from 5 years to 10 years.

Tax payers to be allowed to claim the annual value of 02 self occupied properties (previously 01) without any conditions (previously conditions attached).

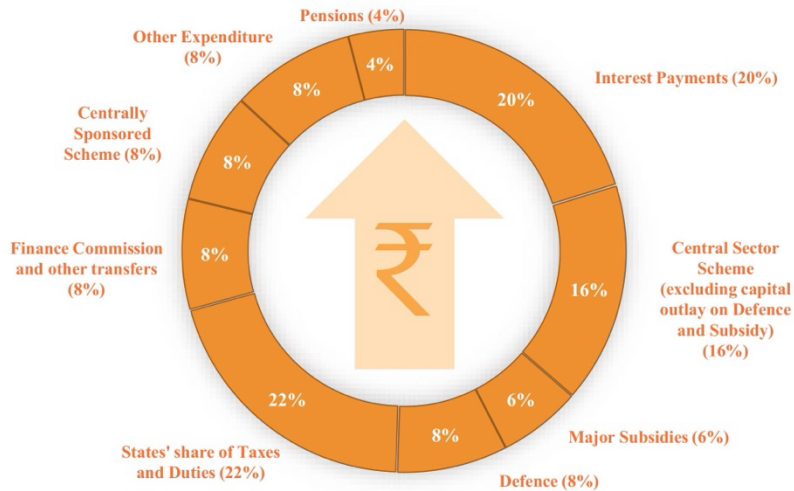
Employment and investment

- Tax certainty for electronics manufacturing Schemes
- Tonnage Tax Scheme for Inland Vessels
- Extension for incorporation by 5 years of Start-Ups
- Specific benefits to ship-leasing units, insurance offices and treasury centres of global companies which are set up in IFSC
- Certainty of taxation to Category I and category II AIFs, undertaking investments in infrastructure and other such sectors, on the gains from securities.

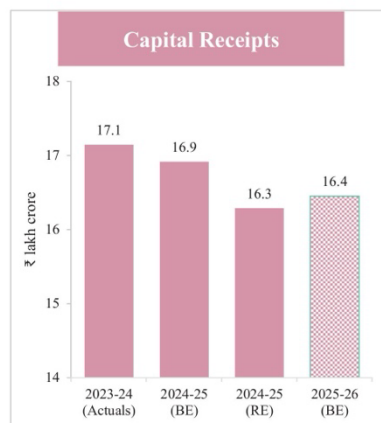
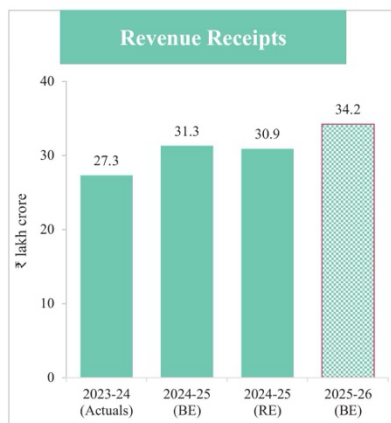
Rupee Comes From



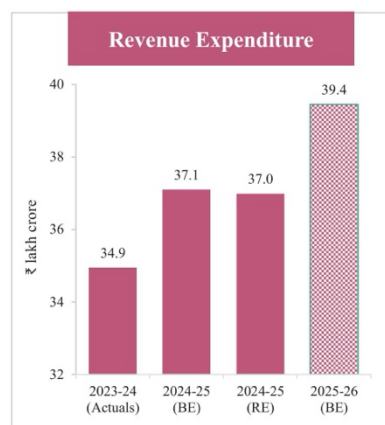
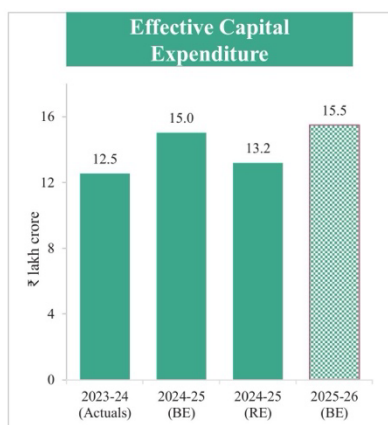
Rupee Goes To



Receipts

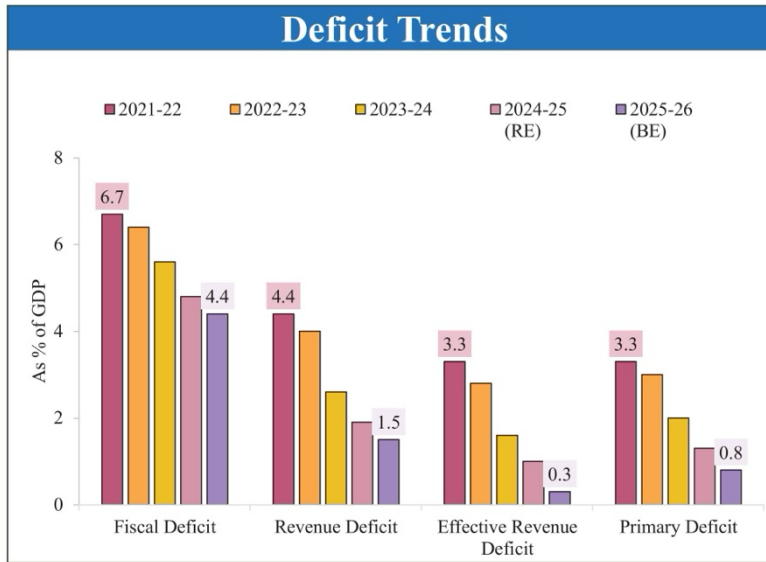


Expenditure

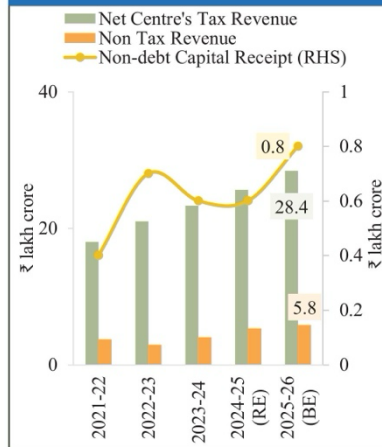


Robust Economic Foundations

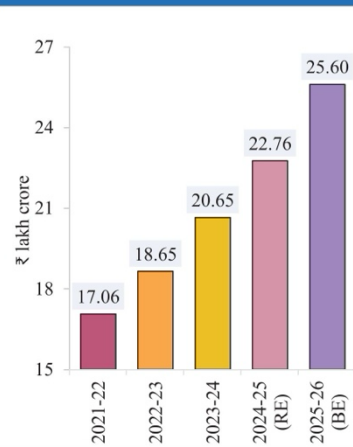
Deficit Trends



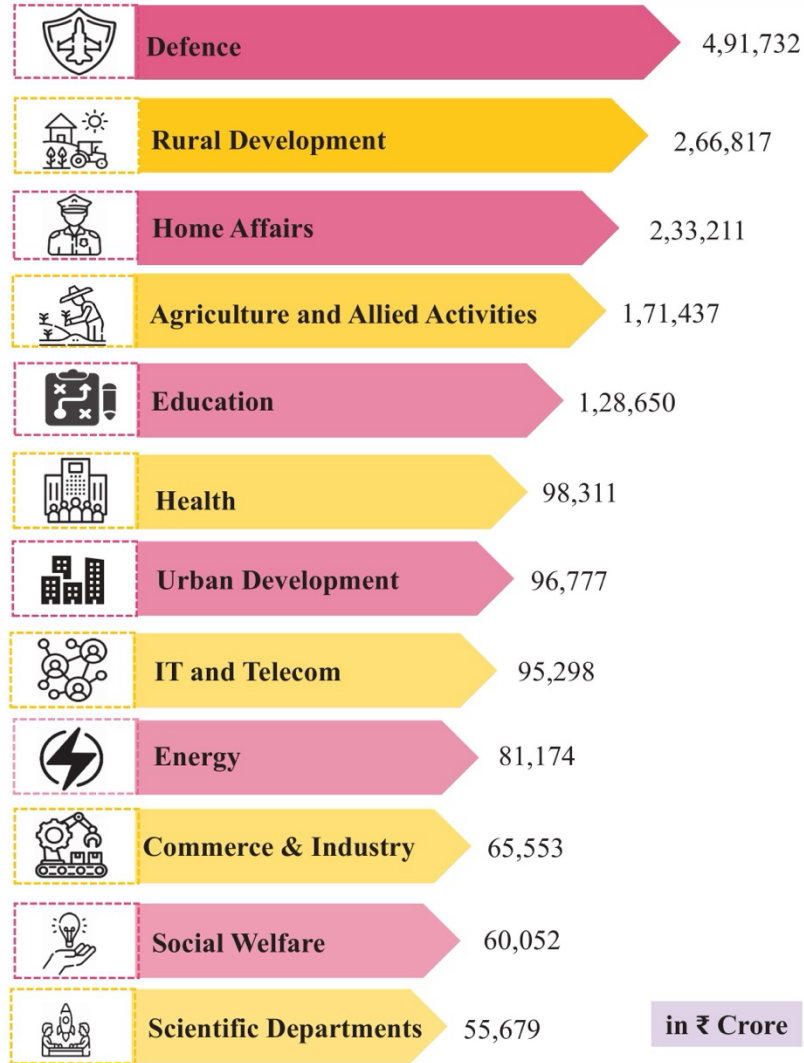
Trend in Net Receipt of the Centre



Total Transfers to States & UTs



Expenditure of Major Items



**DIRECT TAX PROPOSALS AS
PER THE FINANCE BILL, 2025**

DIRECT TAXES

Rates of income-tax for assessment years 2025-26 and 2026-27

Rates of Income Tax

(A) I. In the case of every Individual (other than those covered in part (II) or (III) below) or Hindu undivided family or AOP/BOI (other than a co-operative society) whether incorporated or not, or every artificial judicial (other than the person opt for taxation under the newly inserted section 115BAC of the Act — See para (A) IV below)

Upto ₹2,50,000	Nil
₹2,50,001 to ₹5,00,000	5%
₹5,00,010 to ₹10,00,000	20%
Above ₹10,00,000	30%

II. In the case of every individual, being a resident in India, who is of the age of 60 years or more but less than 80 years at any time during the previous year.

Upto ₹3,00,000	Nil
₹3,00,001 to ₹5,00,000	5%
₹5,00,001 to ₹10,00,000	20%
Above ₹10,00,000	30%

III. In the case of every individual, being a resident in India, who is of the age of 80 years or more at any time during the previous year.

Upto ₹5,00,000	Nil
₹5,00,001 to ₹10,00,000	20%
Above ₹10,00,000	30%

Surcharge

The amount of income-tax shall be increased by a surcharge for the purposes of the Union, calculated, in the case of every individual or Hindu undivided family or association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in section 2(31)(vii) of the Income-tax Act not having any income under section 115AD of the Act—

- (i) @10% of such tax, where the income or aggregate of income (including the income by way of dividend or income under the provisions of sections

111A, 112 and 112A of the Act) paid or likely to be paid and subject to the deduction exceeds fifty lakh rupees but does not exceed one crore rupees;

- (ii) @15% of such tax, where the income or aggregate of income (including the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) paid or likely to be paid and subject to the deduction exceeds one crore rupees but does not exceed two crores rupees;
- (iii) @25% of such tax, where the income or aggregate of income (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) paid or likely to be paid and subject to the deduction exceeds two crore rupees but does not exceed five crore rupees;
- (iv) @37% of such tax, where the income or aggregate of income (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) paid or likely to be paid and subject to the deduction exceeds five crore rupees;
- (v) @15% of such tax, where the income or aggregate of income (including the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) paid or likely to be paid and subject to the deduction exceeds two crore rupees, but is not covered under (iii) and (iv) above

Provided that in case where the total income includes any income by way of dividend or income chargeable under sections 111A, 112 and section 112A of the Act, the rate of surcharge on the amount of income-tax deducted in respect of that part of income shall not exceed 15%.

Provided further that in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of Income-tax shall not exceed 15%.

Marginal relief: Marginal relief has also been provided in all cases where surcharge is proposed to be levied.

Cess: 'Health and Education Cess on Income Tax' @ 4% on income tax (inclusive of surcharge, wherever applicable) shall be levied.

IV. Individual and HUF tax payers who opt for taxation under section 115BAC of the Act.

For assessment year 2025-26

Ravi Associates

Upto ₹3,00,000	Nil
From ₹3,00,001 to ₹7,00,000	5%
From ₹7,00,001 to ₹10,00,000	10%
From ₹10,00,001 to ₹12,00,000	15%
From ₹12,00,001 to ₹15,00,000	20%
Above ₹15,00,000	30%

For assessment year 2026-27

Upto ₹4,00,000	Nil
From ₹4,00,001 to ₹8,00,000	5%
From ₹8,00,001 to ₹12,00,000	10%
From ₹12,00,001 to ₹16,00,000	15%
From ₹16,00,001 to ₹20,00,000	20%
From ₹20,00,001 to ₹24,00,000	25%
Above ₹24,00,000	30%

1. The above-mentioned rates shall apply to all individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2, unless an option is exercised under proposed section 115BAC(6).

Thus, rates given in section 115BAC(1A) of the Act are the default rates.

Further, the income-tax payable in respect of the total income of the person [other than a person who has exercised an option under section 115BAC(6)], shall be computed without allowing for any exemption or deduction as provided under section 115BAC(2)(i) of the Act.

However:

- (i) standard deduction as provided under clause (ia) of section 16 of the Act,

- (ii) deduction in respect of income in the nature of family pension as provided under clause (iia) of section 57 of the Act, and
- (iii) deduction in respect of the amount paid or deposited in the Agniveer Corpus Fund as proposed to be provided under section 80CCH(2) of the Act,

shall be allowed for the purposes of computing the income chargeable to tax under section 115BAC(1A).

Surcharge

The amount of tax shall be increased by a surcharge, for the purposes of the Union, computed, in the case of every individual or Hindu undivided family or association of persons, or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act,—

- (i) having a total income (including the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such “advance-tax”;
- (ii) having a total income (including the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding one crore rupees but not exceeding two crore rupees, at the rate of 15% of such “advance-tax”; and
- (iii) having a total income (excluding the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding two crore rupees, at the rate of 25% of such “advance-tax”;
- (iv) having a total income (including the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding two crore rupees, but is not covered under clause (iii) above, at the rate of 15% of such “advance-tax”;
- (v) In case where the provisions of section 115BAC(1A) are applicable and the total income includes any income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act, the rate of surcharge on the “advance-tax” in respect of that part of income shall not exceed 15%.
- (vi) Further, in the case of an association of persons consisting of only companies as its members, and having its income chargeable to tax

under section 115BAC(1A), the rate of surcharge on the “advance-tax” shall not exceed 15%.

Marginal relief shall be provided in such cases.

Rebate under section 87A

From assessment year 2026-27 onwards, for an assessee, being an individual resident in India whose income is chargeable to tax under the section 115BAC(1A), it is proposed to,—

- (i) enhance the limit of total income for rebate in clause (a) and (b) of first proviso under section 87A, on which the income-tax is payable as per the rates of income-tax under section 115BAC(1A), from ₹7,00,000/- to ₹12,00,000/- and the limit of rebate in clause (a) of first proviso to section 87A from ₹25,000/- to ₹60,000/-.
- (ii) rationalise the first proviso to section 87A by inserting a new proviso so as to provide that the deduction under the first proviso, shall not exceed the amount of income-tax payable as per the rates provided in section 115BAC(1A).

Further, as mentioned above, such rebate of income-tax is not available on tax on incomes chargeable at special rates (for e.g.: capital gains u/s 111A, 112 etc.).

(B) In the case of every co-operative society

(other than those who opt for taxation under the newly inserted section 115BAD of the Act.)

(1) where the total income does not exceed ₹10,000	10% of the total income;
(2) where the total income exceeds ₹10,000 but does not exceed ₹20,000	₹1,000 <i>plus</i> 20% of the amount by which the total income exceeds ₹10,000;
(3) where the total income exceeds ₹20,000	₹3,000 <i>plus</i> 30% of the amount by which the total income exceeds ₹20,000.

Surcharge: The amount of income-tax shall be increased by a surcharge at the rate of 7% of such income-tax in case of a co-operative society having a total income exceeding ₹1 crore but not exceeding ₹10 crore and 12% if the total income exceeds ₹10 crore.

Marginal relief: The total amount payable as income-tax and surcharge on total income exceeding ₹1 crore shall not exceed the total amount payable as

income-tax on a total income of ₹1 crore by more than the amount of income that exceeds ₹1 crore.

Cess: 'Health and Education Cess on Income Tax' @ 4% on income tax (inclusive of surcharge, wherever applicable) shall be levied.

Resident co-operative societies have an option to opt for taxation under newly inserted section 115BAD of the Act.

On satisfaction of certain conditions, a co-operative society resident in India shall have the option to pay tax at 22% as per the provisions of section 115BAD. Surcharge would be at 10% on such tax.

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

(C) In case of any firm (including limited liability partnership) — 30%.

Surcharge: The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a firm having a total income exceeding ₹1 crore.

Marginal relief: The total amount payable as income-tax and surcharge on total income exceeding ₹1 crore shall not exceed the total amount payable as income-tax on a total income of ₹1 crore by more than the amount of income that exceeds ₹1 crore.

Cess: 'Health and Education Cess on Income Tax' @ 4% on income tax (inclusive of surcharge, wherever applicable) shall be levied.

(D) In the case of a company

(i) For domestic companies:

- | | |
|---|-----|
| (a) If the total turnover or gross receipts of the previous year 2023-24 does not exceed ₹400 crore | 25% |
| (b) In all other cases | 30% |

Surcharge: Surcharge at the rate of 7% shall continue to be levied in case of a domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act), if the total income of the domestic company exceeds ₹1 crore but does not exceed ₹10 crore. Surcharge @ 12% shall continue to be levied, if the total income of the domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act) exceeds ₹10 crore.

Marginal relief: However, the total amount payable as income-tax and surcharge on total income exceeding ₹1 crore but not exceeding ₹10 crore, shall

not exceed the total amount payable as income-tax on a total income of ₹1 crore, by more than the amount of income that exceeds ₹1 crore. The total amount payable as income-tax and surcharge on total income exceeding ₹10 crore, shall not exceed the total amount payable as income-tax and surcharge on a total income of ₹10 crore, by more than the amount of income that exceeds ₹10 crore.

Cess: 'Health and Education Cess on Income Tax' @ 4% on income tax (inclusive of surcharge, wherever applicable) shall be levied.

However, domestic companies also have an option to opt for taxation under section 115BAA or section 115BAB of the Act on fulfilment of conditions contained therein. The tax rate is 15% under section 115BAB and 22 % under section 115BAA. The Surcharge is 10 % in both the cases.

(E) For foreign company: 40%.

Surcharge: In case of companies other than domestic companies, the surcharge of 2% shall be levied if the total income exceeds ₹1 crore but does not exceed ₹10 crore.

The surcharge at the rate of 5% shall be levied if the total income of the company other than domestic company exceeds ₹10 crore.

Marginal relief: However, the total amount payable as income-tax and surcharge on total income exceeding ₹1 crore but not exceeding ₹10 crore, shall not exceed the total amount payable as income-tax on a total income of ₹1 crore, by more than the amount of income that exceeds ₹1 crore. The total amount payable as income-tax and surcharge on total income exceeding ₹10 crore, shall not exceed the total amount payable as income-tax and surcharge on a total income of ₹10 crore, by more than the amount of income that exceeds ₹10 crore.

Cess: 'Health and Education Cess on Income Tax' @ 4% on income tax (inclusive of surcharge, wherever applicable) shall be levied.

Amendments relating to Definitions

1. Definition of 'Capital Asset' [section 2(14)] [w.e.f. 2026-27]

Section 2(14) of the Act defines the term "capital asset" to include property of any kind held by an assessee, whether or not connected with his business or profession, but does not include any stock-in-trade or personal assets as provided in the definition. The securities held by a Foreign Institutional Investor which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 are also defined as capital assets.

There is some uncertainty in characterization of income arising from transaction in securities as to whether it is capital gain or business income for investment funds (specified in clause (a) of Explanation 1 to section 115UB in the Act).

With a view of providing certainty in respect of the above, the Act has been amended to provide that any security held by investment funds referred to in Section 115UB which has invested in such security in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 would be treated as capital asset only so that any income arising from transfer of such security would be in the nature of capital gain.

2. Definition of Virtual Digital Asset amended [Section 2(47A)] [w.e.f. A.Y. 2026-27]

Section 2(47A) has been amended to insert sub-clause (d) which states that the definition of virtual digital asset also includes any crypto-asset being a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions, whether or not already included in the definition of virtual digital asset or not.

Amendments relating to Scope of Total Income

3. Harmonisation of Significant Economic Presence applicability with Business Connection [Explanation 2A of section 9] [w.e.f. 2026-27]

Section 9 of the Act provides for income which shall be deemed to accrue or arise in India. Clause (i) of section 9, *inter alia*, provides that all income accruing or arising, whether directly or indirectly, through or from any business connection in India shall be deemed to accrue or arise in India.

Clause (b) of *Explanation 1* to clause (i) of section 9(1) provides that in the case of a non-resident, no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of export.

Explanation 2A to section 9(1)(i), *inter alia*, provides that the significant economic presence of a non-resident in India shall constitute “business connection” in India and “significant economic presence” for this purpose shall *inter alia* mean transaction in respect of any goods carried out by a non-resident with any person in India.

Suggestions have been received that owing to definition of significant economic presence provided in *Explanation 2A*, the specific exclusion provided in the case of a non-resident, for income arising through or from operations which

are confined to the purchase of goods in India for the purpose of export may be denied and such income may also be treated as income deemed to accrue or arise in India.

Therefore, the *Explanation* 2A of section 9 has been amended 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. This will bring it in coherence with the *Explanation* 1 to clause (i) of section 9(1) for business connection.

4. Simplified regime for fund managers based in IFSC [Section 9A] [w.e.f. A.Y. 2025-26]

Section 9A *inter alia* provides that the fund management activity carried out through an eligible fund manager acting on behalf of eligible investment fund shall not constitute business connection in India, subject to the conditions mentioned therein.

One of the conditions at clause (c) of section 9A(3) *inter alia* provides that the eligible investment fund shall fulfil the condition that the aggregate participation or investment in the fund, directly or indirectly, by persons resident in India does not exceed 5% of the corpus of the fund.

Section 9A(8A) *inter alia* provides that the Central Government may by notification specify that any one or more of the conditions specified in sub-section (3) or sub-section (4), shall not apply or shall apply with such modifications, in case of an eligible investment fund and its eligible fund manager, if such fund manager is located in an IFSC and has commenced its operations on or before the 31st day of March, 2024.

It has been represented that there a need to provide a specific simplified regime for IFSC based fund managers, managing funds situated in other jurisdiction so that fund managers in IFSC are at par with the fund management entities in competing foreign jurisdiction.

The provisions of section 9A have been amended –

- (i) The condition at clause (c) of section 9A(3) is rationalised for all the eligible investment funds whether or not their eligible fund managers are based in IFSC, by determining the aggregate participation or investment in the fund as on the 1st day of April and the 1st day of October of the previous year and in case the said condition at clause (c) is not satisfied on either of the said days, it shall be provided that it will satisfy the same condition within four months of the said days;
- (ii) In view of the rationalisation above, the condition at clause (c) of section

9A(3) shall not be modified for any eligible investment fund and its eligible fund manager; and

- (iii) The other conditions (a) to (m) can be relaxed for a eligible investment fund where the date of commencement of operations by its eligible fund manager located in IFSC for the purposes of section 9A(8A) is on or before 31st day of March, 2030.

Amendments relating to income exempt from tax

5. Exemption on life insurance policy from IFSC Insurance offices [Section 10(10D)] [w.e.f. A.Y. 2025-26]

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.

Provisos (fourth, fifth, sixth and seventh provisos) to the said clause, *inter alia*, provide that the exemption under the said clause is not available if annual amount of premium or aggregate of premiums payable is above ₹2.5 lakhs for unit linked insurance policies, and ₹5 lakhs for life insurance policies other than unit linked insurance policies.

In order to provide parity to non-residents availing life insurance from insurance office in IFSC vis a vis other foreign jurisdiction, it is proposed to amend the section 10(10D) so as to provide that 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 as mentioned above.

6. Bringing clarity in income on redemption of Unit Linked Insurance Policy [section 10(10D)] [w.e.f. 2026-27]

Clause (10D) of section 10 provides for income-tax exemption on the sum received under a life insurance policy, including bonus on such policy. There is a condition that the premium payable for any of the years during the terms of the policy should not exceed 10% of the actual capital sum assured.

It may be pertinent to note that to restrict the benefit of exemption under clause (10D) of section 10, to small and genuine cases of life insurance, the Finance Act, 2021, *inter alia*, made amendments to clause (10D) of section 10 to provide that the exemption under this clause shall not apply with respect to any unit linked insurance policy or policies 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 ₹2,50,000;

It is noted that ULIP is a capital asset only when the exemption under clause (10D) of section 10 does not apply on such policies on account of the applicability of the 4th and 5th proviso and accordingly, taxation as capital gains in case of only such ULIPs. However, in case of life insurance policy (other than a ULIP), the sum received is chargeable to income-tax under "Income from other sources" for any such policy to which exemption under clause (10D) of section 10 does not apply.

Further, any sum received under an insurance policy as provided in sub-clauses (a) to (d) read with the provisos to clause (10D) to section 10 are not eligible for exemption under clause (10D) of section 10. Such sub-clauses are applicable to unit-linked insurance policy as well.

Therefore, the provisions for unit-linked insurance policies have been rationalised, so as to provide that,–

- (i) ULIPs to which exemption under clause (10D) of section 10 does not apply, is a capital asset [clause (14) of section 2];
- (ii) the profit and gains from the redemption of ULIPs to which exemption under clause (10D) of section 10 does not apply, shall be charged to tax as capital gains [section 45(1B)]; and
- (iii) ULIPs to which exemption under clause (10D) of section 10 does not apply, shall be included in the definition of equity oriented fund [clause (a) of Explanation to section 112A]

7. Exemption to capital gains and dividend for ship leasing units in IFSC [Section 10(4H), 10(34B)] [w.e.f. A.Y. 2025-26]

Section 10(4H) provides exemption to non-residents or unit of IFSC engaged in aircraft leasing on capital gains tax on transfer of equity shares of domestic companies being units of IFSC, engaged in aircraft leasing. Further, section 10(34B) provides exemption to dividend paid by a company being a unit of IFSC engaged in aircraft leasing, to a unit of IFSC engaged in aircraft leasing.

It has been represented that similar to aircraft leasing business, in the ship leasing business, separate special purpose vehicles (SPVs) are created for one or more vessels to safeguard the investors. Therefore, on the lines of aircraft leasing, the exemption has been extended in–

- (i) Section 10(4H) to non-residents or units of IFSC engaged in ship leasing on capital gains tax on transfer of equity shares of domestic companies being units of IFSC, engaged in ship leasing.
- (ii) Section 10(34B) to dividend paid by a company being a unit of IFSC

engaged in ship leasing, to a unit of IFSC engaged in ship leasing.

8. Amendment of Section 10 related to Exempt income of Non-Residents [Section 10(4E)] [w.e.f. A.Y. 2026-27]

The existing provisions of clause (4E) of section 10 of the Act provide that 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 International Financial Services Centre referred to in section 80LA(1A) shall not be included in the total income of the non-resident.

In order to further incentivize operations from the IFSC, section 10(4E) has been amended to provide that the income of 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 Foreign Portfolio Investors being an IFSC unit shall also not be included in the total income subject to certain conditions as may be prescribed.

9. Extension of date of making investment by Sovereign Wealth Funds, Pension Funds & others and rationalisation of tax exemptions [section 10(23FE), 50AA] [w.e.f. A.Y. 2025-26]

Section 10(23FE) of the Act provides for the exemption to specified persons from the income in the nature of dividend, interest, long-term capital gains or certain other incomes arising from an investment made by it in India. Specified persons *inter alia* are Sovereign Wealth Fund (SWF), Pension Fund (PF) which fulfills conditions prescribed therein and are specified for this purpose by the Central Government through notification in the Official Gazette. This provision was introduced through the Finance Act, 2020 to encourage investments of SWF and PF into infrastructure sector of India.

Sub-clause (i) of clause (23FE) of section 10, *inter alia*, provides that investment is made on or after the 1st day of April, 2020 but on or before the 31st day of March, 2025.

Suggestions have been received that given the long-term nature of infrastructure investments and the role of foreign SWFs and PFs in financing such projects, the deadline for investment under clause (23FE) of section 10 be extended. This will provide the stability and time frame necessary for global investors to make substantial contribution to India's infrastructure development.

Further, the amendments to section 50AA by Finance (No. 2) Act, 2024, have re-classified all the capital gains from unlisted debt securities as short-term capital gains, irrespective of the holding period. This will result in the long term capital

gains from investment in unlisted debt investments to be taxable in the hands of SWFs and PFs. Prior to the said amendments, notified SWFs or PFs were eligible for exemptions on long-term capital gains from unlisted debt securities under clause (23FE) of section 10.

Therefore, Section 10(23FE) has been amended, so as to provide that–

- (i) long-term capital gains (whether or not such capital gains are deemed as short-term capital gains under section 50AA) arising from an investment made by it in India, shall *inter alia* not be included in the total income of a specified person under clause (23FE) of section 10; and
- (ii) the date of investment under the said clause shall extended from 31st day of March, 2025 to 31st day of March, 2030.

Amendments relating to Assessment of Trusts

10. Rationalisation of ‘specified violation’ for cancellation of registration of trusts or institutions [section 12AB(4)] [w.r.e.f. A.Y. 2025-26]

Section 12AB(4) *inter alia* provides that where registration or provisional registration of a trust or an institution has been granted and subsequently, the Principal Commissioner or Commissioner has noticed occurrence of one or more specified violations during any previous year, the Principal Commissioner or Commissioner shall, pass an order in writing, cancelling the registration of such trust or institution if he is satisfied that one or more specified violations have taken place.

Explanation to sub-section (4) of the said section provides that “specified violation” *inter alia* means the cases where the application referred to in clause (ac) of section 12A(1) is not complete or it contains false or incorrect information.

It is noted that even minor default, where the application referred to in clause (ac) of section 12A(1) is not complete, may lead to cancellation of registration of trust or institution, and such trust or institution becomes liable to tax on accreted income as per provisions of Chapter XII-EB of the Act.

The Explanation to section 12AB(4) has been amended so as to provide that the situations where the application for registration of trust or institution is not complete, shall not be treated as specified violation for the purpose of the said sub-section.

11. Period of registration of smaller trusts or institutions [Section 12AB] [w.r.e.f. A.Y. 2025-26]

Section 12AB provides registration of trust or institution for a period of 5 years or

provisional registration (where activities have not commenced at the time of filing application for registration) for a period of 3 years. At the expiry of such registration or provisional registration, or in case of provisional registration, if the activities of the trust or institution have commenced, the trust or institution is required to make application for further registration.

It has been noted that applying for registration after every 5 years, increases the compliance burden for trusts or institutions, especially for the smaller trusts or institutions.

To reduce the compliance burden for the smaller trusts or institutions, the period of validity of registration of trust or institution has been increased from 5 years to 10 years, in cases where the trust or institution made an application under sub-clause (i) to (v) of the clause (ac) of section 12A(1), and the total income of such trust or institution, without giving effect to the provisions of sections 11 and 12, does not exceed ₹5 crores during each of the two previous year, preceding to the previous year in which such application is made.

12. Rationalisation of persons specified under section 13(3) for trusts or institutions [section 13(e)] [w.r.e.f. A.Y. 2025-26]

Section 13 of the Act, *inter alia*, provides that section 11 or section 12 shall not apply to exclude any income from the total income of trust or institution, if such income enures, or such income or any property of the trust or the institution is used or applied, directly or indirectly for the benefit of any person referred to in sub-section (3), which *inter alia* are as following –

- any person who has made a substantial contribution to the trust or institution, that is to say, any person whose total contribution up to the end of the relevant previous year exceeds fifty thousand rupees;
- any relative of any such person as aforesaid;
- any concern in which any such person as aforesaid has a substantial interest.

Suggestions have been received that there are difficulties in furnishing certain details of persons other than author, founder, trustees or manager etc. who have made a 'substantial contribution to the trust or institution', that is to say, any person whose total contribution up to the end of the relevant previous year exceeds fifty thousand rupees. These details are about their relatives and the concerns, in which they are substantially interested.

Therefore, section 13(3) has been amended to provide that,–

- (i) persons referred to in clause (b) of section 13(3), shall be any person whose total contribution to the trust or institution, during the relevant

previous year exceeds one lakh rupees, or, in aggregate up to the end of the relevant previous year exceeds ten lakh rupees, as the case may be;

- (ii) relative of any such person as mentioned in (i) above, shall not be included in persons specified in section 13(3); and
- (iii) any concern in which any such person as mentioned in (i) above has a substantial interest, shall not be included in persons specified in section 13(3).

Amendments relating to Income under the Head "Salaries"

13. Increase in the limits on the income of the employees for the purpose of calculating perquisites [section 17(2)] [w.e.f. A.Y. 2026-27]

The existing provisions of clause (2) of section 17 provide, *inter-alia*, that 'perquisite' includes the value of any benefit or amenity granted or provided free of cost or at concessional rate by any employer (including a company) to an employee whose income under the head "Salaries" as a monetary benefit does not exceed fifty thousand rupees. This upper limit on income was determined by the Finance Act 2001.

Further, the proviso to clause (2) of section 17 provides that any expenditure incurred by the employer for travel outside India on the medical treatment of an employee or any member of the employee's family shall not be included in 'perquisite', subject to the condition that the gross total income of such employee does not exceed two lakh rupees. This upper limit on income was determined by the Finance Act, 1993.

These limits on the income of the employees for the purpose of calculating perquisites were put in place more than 20 and 30 years ago respectively. Thus, there is a need to adjust these limits accordingly to take into account changes in standard of living and economic conditions.

The provisions of section 17 have been amended so that the power to prescribe rules may be obtained to increase the limit on the gross total income of the employees so that,-

- (i) the amenities and benefits received by such employees would be exempt from being treated as perquisites.
- (ii) the expenditure incurred by the employer for travel outside India on the medical treatment of such employee or his family member would not be treated as a perquisite.

Amendments relating to "Income from House Property"

14. Annual value of the self-occupied property simplified [section 23] [w.e.f. A.Y. 2025-26]

Section 23 of the Act relates to determination of annual value. Sub-section (2) of the said section provides that where house property is in the occupation of the owner for the purposes of his residence or owner cannot actually occupy it due to his employment, business or profession carried on at any other place, in such cases, the annual value of such house property shall be taken to be nil. Further, sub-section (4) of the said section provides that provisions of sub-section (2) of the Act will be applicable in respect of two house properties only, which are to be specified by the owner.

With a view to simplifying the provisions, the sub-section (2) has been amended so as to provide that the annual value of the property consisting of a house or any part thereof shall be taken as nil, if the owner occupies it for his own residence or cannot actually occupy it due to any reason. The provision of section 23(4) of the Act which allows this benefit only in respect of two of such houses shall continue to apply as earlier.

Amendments relating to Income under the Head "Profits and Gains of Business or Profession"

15. Scheme of presumptive taxation extended for non-resident providing services for electronics manufacturing facility [section 44BBD] [w.e.f. A.Y. 2026-27]

In order to position India as the global hub for Electronics System Design and Manufacturing, a comprehensive program for the development of semiconductors and display manufacturing ecosystem in India was approved by Government of India. Ministry of Electronics and Information Technology has notified Schemes for setting up of such facilities in India.

In this context, it has been represented that non-residents will be providing support in setting up of such electronics manufacturing facilities by deploying the technology and providing support services.

A new section 44BBD has been inserted, which deems 25% of the aggregate amount received/ receivable by, or paid/ payable to, the non-resident, on account of providing services or technology, as profits and gains of such non-resident from this business. This will result in an effective tax payable of less than 10% on gross receipts, by a non-resident company.

Amendments relating to Income under the Head "Capital Gains"

16. Inclusion of retail schemes and Exchange Traded Funds (ETFs) in the existing relocation regime of funds of IFSCA [Section 47(viiad)] [w.e.f. A.Y. 2026-27]

The existing provisions of clause (viiad) of Section 47 of the Act provide that any 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 shall not be regarded as transfer for the purposes of calculating capital gains. The Explanation to the clause *inter-alia*, provides that "resultant fund" means a fund established or incorporated in India, which has been granted a certificate of registration as a Category I or Category II or Category III Alternative Investment Fund, is located in any International Financial Services Centre and is subject to certain conditions provided therein. Thus, the relocation of original funds to the resultant fund in the IFSC is a tax-neutral transaction.

The income of retail schemes and Exchange Traded Funds (ETFs) located in the IFSC and, *inter alia*, is regulated under the International Financial Services Centres Authority Act, 2019 was granted exemption along with previously exempted specified funds as per section 10(4D) of the Act vide the Finance (No.2) Act, 2024. Such retail schemes or Exchange Traded Funds (ETF) have been included within the definition of resultant fund for the purposes of clause (viiad) of section 47 of the Act so that relocation of original funds to such funds in the IFSC is also a tax-neutral transaction.

Amendments relating to Set off or Carry Forward and Set off of Losses

17. Rationalisation of provisions related to carry forward of losses in case of amalgamation [Section 72A and 72AA] [w.e.f. A.Y. 2026-27]

Section 72A and 72AA of the Act provide provisions relating to carry forward and set-off of accumulated loss and unabsorbed depreciation allowance in cases of amalgamation or business reorganization as specified therein.

Section 72A and 72AA provide that accumulated loss of the amalgamating entity or predecessor entity shall be deemed to be the loss of the amalgamated entity or the successor entity for the previous year in which amalgamation or business reorganisation has been effected or brought into force. Further, section

72 of the Act provides that no loss (other than loss from speculation business) under the head “Profits and gains from business or profession” shall be carried forward for more than 8 assessment years immediately succeeding the assessment years for which the loss was first computed.

In order to bring clarity and parity with the provisions of section 72 of the Act, section 72A and section 72AA of the Act have 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 eligible to be carried forward for not more than eight assessment years immediately succeeding the assessment year for which such loss was first computed for original predecessor entity. The proposed amendment is aimed to prevent evergreening of the losses of the predecessor entity resulting from successive amalgamations and also to ensure that no carry forward and set off of accumulated loss is allowed after eight assessment years from the immediately succeeding the assessment year for which such loss was first computed for original predecessor entity.

The aforesaid amendments shall apply to any amalgamation or business re-organisation which is effected on or after 01.04.2025.

Amendments relating to Deductions to be Made in Computing Total Income
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18. Exemption to withdrawals by Individuals from National Savings Scheme from taxation [Section 80CCA] [w.r.e.f. 29.8.2024]

Section 80CCA, *inter-alia*, provides for a deduction to an individual, or a Hindu undivided family, for any amount deposited in the National Savings Scheme (NSS). It is also provided that no deduction would be allowed in relation to such amount on or after the 1st day of April, 1992.

Section 80CCA(2), *inter-alia*, provides that where such amount, together with the interest accrued on such amount standing to the credit of the assessee under the scheme is withdrawn, it shall be deemed to be the income of the assessee and shall be chargeable to tax. Since this provision has been sunset from 01.04.1992, the amounts taxable on withdrawal are those which were deposited in financial year 1991-92 and earlier, and on which deduction had been claimed. Further, Circular No 532 issued on 17.03.1989 provided that the withdrawal on closure of account due to death of the depositor was not chargeable to tax in the hands of the legal heirs.

The Department of Economic Affairs issued a Notification dated 29.08.2024 providing that no interest would be paid on the balances in the NSS after

01.10.2024. Representations were received to suitably amend section 80CCA to provide relief to individuals facing hardship who were compelled to withdraw as a result of this Notification.

Section 80CCA has been amended to provide exemption to the withdrawals made by individuals from these deposits for which deduction was allowed, on or after 29th day of August, 2024. This exemption is provided to the deposits, with the interest accrued thereon, made before 01.04.1992 as these are the amounts in respect of which a deduction has been allowed.

19. Deduction under section 80CCD for contributions made to NPS Vatsalya [Section 80CCD] [w.e.f. A.Y. 2026-27]

The NPS Vatsalya Scheme, officially launched on 18 September 2024, enables parents and guardians to start a National Pension Scheme (NPS) account for their children. This savings-cum-pension scheme is designed exclusively for minors and will be operated by the guardian for the exclusive benefit of the minor till they attain majority. When a minor attains 18 years, the account will continue to be operational, transferred to the child's name with the accumulated corpus and will be shifted into the NPS-Tier 1 Account - All Citizen Model or other non-NPS scheme account.

The tax benefits available to the National Pension Scheme (NPS) under Section 80CCD of the Act have been extended to the contributions made to the NPS Vatsalya accounts, as follows:

- (I) A deduction to be allowed to the parent/guardian's total income, of the amount paid or deposited in the account of any minor under the NPS to a maximum of Rs 50,000/- overall as mandated under section 80CCD(1B);
- (II) The amount on which deduction has been allowed under section 80CCD(1B) or any amount accrued thereon, will be charged to tax when such amount is withdrawn, in the case where deposit was made in the account of a minor; and
- (III) The amount on which deduction has been allowed and is received on closure of the account due to the death of the minor shall not be deemed to be the income of the parent/guardian;

The NPS Vatsalya Scheme also allows for partial withdrawal from the minor's account to address certain contingency situations like education, treatment of specified illnesses and disability (of more than 75%) of the minor. Accordingly, a clause (12BA) in section 10 of the Act has been inserted which provides that any income received on partial withdrawal made out of the minor's account, shall not

be included in the total income of the parent/guardian to the extent it does not exceed 25% of the amount of contributions made by him and in accordance with the terms and conditions, specified under the Pension Fund Regulatory and Development Authority Act, 2013 and the regulations made thereunder.

20. Extension of timeline for tax benefits to start-ups [section 80-IAC] [w.e.f. A.Y. 2025-26]

The existing provisions of Section 80-IAC of the Act, *inter alia*, provide for a deduction of an amount equal to hundred percent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years, beginning from the year of incorporation, at the option of the assessee subject to the condition that ,–

- (i) the total turnover of its business does not exceed one hundred crore rupees,
- (ii) it is holding a certificate of eligible business from the Inter-Ministerial Board of Certification, and
- (iii) it is incorporated on or after the 1st day of April, 2016 but before the 1st day of April, 2025.

The above section has been amended so as to extend the benefit for another period of five years, i.e. the benefit will be available to eligible start-ups incorporated before 01.04.2030.

21. Extension of sunset dates for several tax concessions pertaining to IFSC [Section 80LA(2(d), 10(4D), 10(4F), 10(4H) and 47(viiad)] [w.e.f. A.Y. 2025-26]

The sunset dates for commencement of operations of IFSC units for several tax concessions, or relocation of funds to IFSC, in section 80LA(2(d), section 10(4D), section 10(4F), section 10(4H) and section 47(viiad), has been extended to 31.3.2030.

Amendments relating to Assessment of Companies

22. Rationalisation of definition of ‘dividend’ for treasury centres in IFSC [Section 2(22)(e)] [w.e.f. A.Y. 2025-26]

Sub-clause (e) of section 2(22), *inter alia*, 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), 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 or any payment by any such company on behalf, or for the

individual benefit, of any such shareholder, to the extent to which the company in either case possesses accumulated profits.

Sub-clause (ii) of clause (22) of section 2 excludes from the definition of dividend (may be referred to as deemed dividend) 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.

Suggestions have been received that borrowings by the corporate treasury centre in IFSC from any group entities could trigger deemed dividend provisions in the hands of the shareholder.

Section 2(22) has been amended to provide that 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'. The conditions for a 'group entity', 'principal entity' and the 'parent entity' shall be prescribed.

Amendments relating to "Tonnage Tax Scheme"

23. Extension of benefits of tonnage tax scheme to inland vessels [section 115VD] [w.e.f. A.Y. 2026-27]

Tonnage tax scheme in Chapter XII-G of the Act was brought vide Finance Act, 2004 in order to promote Indian shipping industry wherein the qualifying shipping companies were given the choice to opt for the tonnage tax regime or continue to remain within the normal corporate tax regime.

Representations were received to extend tonnage tax scheme to inland vessels to promote inland water transportation industry. It is stated that at present, India is short of inland water transport vessels fleet and require higher investments in the sector which is capital intensive. Therefore, to provide a boost to inland water transportation, it was represented to include inland vessels under the ambit of tonnage tax scheme.

Therefore, to promote inland water transportation in the country and to attract investments in the sector, the benefits of tonnage tax scheme have been extended to Inland Vessels registered under Inland Vessels Act, 2021. Accordingly inland vessels have been included in the section 115VD for being eligible to be a qualified

ship. Further, inland vessels have been defined in section 115V of the Act in the same manner as provided in the Inland Vessels Act, 2021. Other corresponding amendments have been made to extend the tonnage tax scheme to inland vessels.

24. Increasing time limit available to pass order under section 115VP [Section 115VP] [w.r.e.f. A.Y. 2025-26]

Section 115VP of the Act pertains to method and time of opting for tonnage tax scheme, under which the tonnage income of an assessee shall be computed in accordance with the provisions of Chapter XII-G. Section 115VP(1) of the Act provides that a qualifying company may opt for the tonnage tax scheme by making an application to the Joint Commissioner having jurisdiction over the company, as prescribed, for such scheme.

Sub-section (3) of the said section requires that the Joint Commissioner on receipt of such application may call for information or documents from the company as deemed fit and after satisfying themselves about the eligibility of such company to make an option for tonnage tax scheme, pass an order in writing, approving the option for tonnage tax scheme or if not so satisfied, refuse such approval, after providing reasonable opportunity of being heard. Sub-section (4) of the said section requires for order under section 115VP(3) of the Act, whether approving or rejecting the application to exercise option of tonnage tax scheme, to be passed before the expiry of one month from the end of the month in which the application was received under sub-section (1) of said section.

It is seen that very less time is available under section 115VP(4) of the Act with the Joint Commissioner of Income-tax for verification of information and documents, including physical inspection of the ships if necessary, providing an opportunity of being heard and then passing a reasoned order approving or rejecting the application.

Accordingly, to address this issue, section 115VP(4) has been amended to provide that for application received under sub-section (1) on or after the 1st day of April, 2025, order under sub-section (3) shall be passed before the expiry of three months from the end of the quarter in which such application was received.

Amendments relating to Return of Income and Procedure of Assessment

25. Extending the time-limit to file the updated return [section 139(8A)] [w.r.e.f. A.Y. 2025-26]

Section 139(8A) of the Act, relates to furnishing of updated return. As per the present provisions, an updated return can be filed upto 24 months from the end of

the relevant assessment year. The facility of updated return has promoted voluntary compliance against payment of additional income-tax of 25% of aggregate of tax and interest payable for updated return filed upto 12 months from the end of the relevant assessment year. For updated return filed after expiry of 12 months and upto 24 months from the end of the relevant assessment year, the additional income-tax of 50% of aggregate of tax and interest is to be paid.

With a view to further nudging voluntary compliance, the said subsection has been amended so as to extend the time-limit to file the updated return from existing 24 months to 48 months from the end of relevant assessment year.

Rate of additional income-tax payable for updated return filed after expiry of 24 months and upto 36 months from the end of the relevant assessment year shall be 60% of aggregate of tax and interest payable. The additional income-tax payable for updated return filed after expiry of 36 months and upto 48 months from the end of the relevant assessment year shall be 70% of aggregate of tax and interest payable.

It is further provided that no updated return shall be furnished by any person where any notice to show-cause under section 148A of the Act has been issued in his case after thirty-six months from the end of the relevant assessment year. However, where subsequently an order is passed under section 148A(3) of the Act determining that it is not a fit case to issue notice under section 148 of the Act, updated return may be filed upto 48 months from the end of the relevant assessment year.

26. Clarification regarding commencement date and the end date of the period stayed by the Court [Sections 144BA, 153, 153B, 158BE, 158BFA, 263, 264 and Rule 68B] [w.r.e.f. A.Y. 2025-26]

Section 144BA, section 153, section 153B, section 158BE, section 158BFA, section 263, section 264 and Rule 68B of Schedule-II of the Act, *inter-alia*, provide that period during which the proceedings under respective provisions are stayed by an order or injunction of any court shall be excluded in computing the time limit for conclusion of the proceedings.

However, there was an ambiguity regarding the commencement date and the end date of the period stayed by an order or injunction of any court which was required to be excluded.

With a view to removing any ambiguity, the said provisions of the Act have been amended so as to exclude the period commencing on the date on which stay 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 jurisdictional Principal Commissioner or Commissioner (Approving panel in case of section

144BA of the Act).

27. Removing date restrictions on framing the schemes in certain cases [Sections 92CA, 144C, 253 and 255] [w.r.e.f. A.Y. 2025-26]

The Central Government has undertaken a number of measures to make certain processes under the Act, electronic, by eliminating person to person interface between the taxpayer and the Department to the extent technologically feasible, and provide for optimal utilisation of resources and a team-based assessment with dynamic jurisdiction. A series of futuristic reforms have been introduced in the domain of Direct Tax administration for the benefit of taxpayers and economy.

In this regard, enabling provision for notifying faceless schemes under sections 92CA, 144C, 253 of the Act were introduced in the Act through TOLA with effect from 01.11.2020 and under section 255 of the Act, was inserted through Finance Act, 2021 with effect from 01.04.2021. Further, *vide* Finance Act, 2022, time limit for notification was extended to 31.03.2024 due to challenges in implementation. Further, *vide* Finance Act, 2024, time limit for notification was further extended to 31.03.2025 due to various challenges in the formation of the scheme under these sections.

In this regard, the end date prescribed for notifying faceless schemes under sections 92CA, 144C, 253 and 255 of the Act has been omitted so as to provide that Central Government may issue directions beyond the cut-off date of 31st day of March, 2025, if required.

Amendments relating to Search, Seizure & Survey and Special Procedure for Assessment of Search Cases
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28. Amendments proposed in sections 132 and 132B for rationalising provisions [w.r.e.f. A.Y. 2025-26]

Section 132 of the Act relates to search and seizure. As per the provisions of section 132(8) of the Act the last date for taking approval for retention of seized books of account or other documents is 30 days from the date of the assessment or reassessment or recomputation order. In the course of search assessment proceedings in group cases, the assessment orders of one assessee may be passed earlier than the assessment orders of another assessee. Further, the segregation of seized books of account or other documents pertaining to various assesses is also very difficult in case the searched premise is same. It is also the case that the seized books of account or other documents pertaining to the completed assessment cases may be required for assessment of ongoing/pending assessment cases. Since, the time limit of taking approval for retention will be

different for different cases, the Assessing Officers are required to have constant vigil on the floating time-barring dates for taking the approval for retention of the seized books of account or other documents, the burden of which is avoidable.

Therefore, section 132(8) of the Act has been amended to provide that the time limit for taking approval for retention shall be one month from end of the quarter in which the assessment or reassessment or recomputation order has been made.

Explanation 1 to section 132 of the Act defines the circumstances in which last of the authorisation for search is to be deemed as to have been executed. In order to align the same with the other provisions of the Act, the word “authorisation” has been substituted with “authorisations”.

Explanation 1 to the section 132B of the Act provides that “execution of an authorisation for search or requisition” shall have the same meaning as assigned to it in *Explanation 2* to section 158BE of the Act. *Vide* Finance (No. 2) Act, 2024 the concept of block assessment was introduced by amending provisions of Chapter XIV-B (sections 158B to 158BI of the Act). As per amended provisions, “execution of an authorisation for search or requisition” is now defined in *Explanation* to section 158B of the Act. In order to reflect this change, clause (ii) of *Explanation 1* to the section 132B of the Act has been amended to update referencing to section 158B of the Act instead of the present section 158BE of the Act.

29. Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B [Sections 158B to 158BE] [w.r.e.f. 1.2.2025]

Vide Finance (No. 2) Act, 2024, the concept of block assessment was introduced by amending provisions of Chapter XIV-B (sections 158B to 158BI of the Act) to be made applicable where a search under section 132 of the Act is initiated or requisition under section 132A of the Act is made, on or after 01st September, 2024.

Section 158B of the Act defines “undisclosed income” for the purposes of Chapter XIV-B. It is proposed to add the term “virtual digital asset” to the said definition.

Section 158BA(2) and section 158BA(3) of the Act provide that any assessment or reassessment or recomputation or a reference or an order pertaining to any assessment year falling in the block period pending on the date of initiation of the search or making of requisition, shall abate. Further, sub-section (5) of the said section provides that if any proceeding initiated under Chapter XIVB has been annulled in appeal or any other legal proceeding, then, the assessment

or reassessment relating to any assessment year which has abated under sub-section (2) or sub-section (3), shall revive. It is proposed to align the said sub-sections by adding the words “recomputation”, “reference” or “order” in sub-section (5) of the said section.

Section 158BA(4) of the Act provides that where any assessment under Chapter XIV-B is pending in the case of an assessee in whose case a subsequent search is initiated, or a requisition is made, such assessment shall be duly completed, and thereafter, the assessment in respect of such subsequent search or requisition shall be made under the provisions of Chapter XIV-B. The word “pending” has been substituted as the assessment is ‘required to be made’ though it may not be pending when the subsequent search is initiated.

Section 158BB of the Act provides the methodology for computation of total income of block period. Clause (i) of the sub-section (1) of the said section has been amended to substitute reference to ‘total income disclosed’ with “undisclosed income” which has been declared in return.

Consequential amendment have also being made in sub-section (6) of the said section to reflect this change.

Clause (iii) of the sub-section (1) has been amended to specify that any income declared in the return of income filed under section 139 or in response to a notice under section 142(1) or section 148, prior to the date of initiation of the search or the date of requisition, shall form part of the total income of the block period for which credit would be given while charging the tax for the said period.

The word total from ‘total income’ in clause (ii) and (iii) of the sub-section (1) have been omitted.

Clause (iv) of sub-section (1) has been amended to provide the clarity over computation of the income pertaining to the previous year which has ended but the due date for furnishing the return for such year has not expired prior to the date of initiation of the search or requisition so that income pertaining to books of account maintained in normal course for the said period is taxed under the normal provisions.

Section 158BB(3) of the Act proposes to tax under the normal provisions any income which relates to any international transaction or specified domestic transaction, pertaining to the period beginning from the 1st day of 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. This was provided as it may be difficult to assess arm’s length price of part period transactions. The said sub-section has been amended to provide that the income pertaining to any international transaction or specified domestic transaction shall not be considered

in the income of the block period. Therefore, in the said sub-section, reference to such income has been provided instead of evidence as provided earlier.

Section 158BE of the Act provides the time-limit for completion of block assessment as twelve months from end of the month in which the last of the authorisations for search has been executed. Search and seizure proceedings are more often than not conducted in a group of cases which require coordinated investigation and assessments. However, the present time-limit results in multiple time barring dates in one group of cases which leads to challenges in taking the cases to a logical conclusion. Hence, the time-limit for completion of block assessment has been made as twelve months from end of the quarter in which the last of the authorisations for search or requisition has been executed.

Amendments relating to Deduction and Collection of Tax at Source

30. TDS rate reduction for section 194LBC [w.e.f. 1.4.2025]

Section 194LBC of the Act requires that where any income is payable by a securitisation trust to an investor, being a resident, in respect of an investment in a securitisation trust as specified therein, the person responsible for making the payment shall, deduct income-tax, at the rate of 25%, if the payee is an individual or a Hindu undivided family and 30%, if the payee is any other person.

TDS rate under section 194LBC has been reduced from 25% and 30% to 10% as this sector is sufficiently organized and regulated.

31. TDS threshold rationalization [section 193, 194, 194B, 194BB, 194D, 194G, 194H, 194-I, 194J, 194K, 194LA] [w.e.f. 1.4.2025]

TDS provisions have various thresholds of amount of payment or amount of income, beyond which tax is required be deducted. These thresholds have been rationalised as below –

S. No	Section	Current threshold	New threshold
1.	193 - Interest on securities	Nil	Rs. 10,000/-
2.	194A - Interest other than Interest on securities	(i) ₹50,000/- for senior citizen; (ii) ₹40,000/- in case of others when	(i) ₹1,00,000/- for senior citizen (ii) ₹50,000/- in case of others when

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		payer is bank, cooperative society and post office (iii) ₹5,000/- in other cases	payer is bank, cooperative society and post office (iii) ₹10,000/- in other cases
3.	194 - Dividend for an individual shareholder	₹5,000/-	₹10,000/-
4.	194K - Income in respect of units of a mutual fund or specified company or undertaking	Rs. 5,000/-	Rs. 10,000/-
5.	194B - Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding ₹10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction
6.	194BB - Winnings from horse race		
7.	194D - Insurance commission	Rs. 15,000/-	Rs. 20,000/-
8.	194G - Income by way of commission, prize etc. on lottery tickets	Rs. 15,000/-	Rs. 20,000/-
9.	194H - Commission or brokerage	Rs. 15,000/-	Rs. 20,000/-
10.	194-I Rent	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month
11.	194J - Fee for professional or technical services	Rs. 30,000/-	Rs. 50,000/-
12.	194LA - Income by way of enhanced compensation	Rs. 2,50,000/-	5,00,000/-

32. Definition of “forest produce” rationalized [section 206C(1)] [w.e.f. 1.4.2025]

Section 206C(1) of the Act states that every seller shall collect tax at source from the buyer of goods of certain specified nature at the rates specified in the sub-section.

Under section 206C(1) of the Act, presently TCS at 2.5% is required to be collected on sale of goods of the following nature: -

- (i) Timber obtained under a forest lease
- (ii) Timber obtained by any mode other than under a forest lease
- (iii) Any other forest produce not being timber or tendu leaves

Representations were received that no definition has been provided in the Act for “forest produce” which is creating difficulties in application of the relevant provisions of the Act. Also the provision is being made applicable to traders who are selling such produce. To bring clarity regarding the meaning of “forest produce”, it has been provided that “forest produce” shall have the same meaning as defined in any State Act for the time being in force, or in the Indian Forest Act, 1927.

Further, to address the applicability of TCS on traders of forest produce, it is clarified that only such other forest produce (not being timber or tendu leaves) which is obtained under forest lease will be covered under TCS.

The amended rate for collection of TCS are as under:-

S No	Nature of goods	Percentage
(1)	(2)	(3)
(iii)	Timber or any other forest produce (not being tendu leaves) obtained under a forest lease	2%
(iv)	Timber obtained by any mode other than under a forest lease	2%

33. Reduction in compliance burden by omission of TCS on sale of specified goods [section 206C(1H), 194Q] [w.e.f. 1.4.2025]

Section 206C(1H) of the Act, requires any person being a seller who receives consideration for sale of any goods of the value or aggregate of value exceeding Rs 50 lakhs in any previous year, to collect tax from the buyer at the rate of 0.1%

of the sale consideration exceeding Rs 50 lakhs, subject to certain conditions.

Section 194Q of the Act, requires any person being a buyer, to deduct tax at the rate of 0.1%, on payment made to a resident seller, for the purchase of any goods of the value or aggregate of value exceeding fifty lakh rupees in any previous year.

Section 206C(1H) mandates tax collection at source (TCS) by a seller while Section 194Q provides for tax deduction at source (TDS) by a buyer on the same transaction.

Further, it is provided in section 206C(1H) of the Act that the provision will not apply, if the buyer is liable to deduct TDS under any other provision of this Act on the goods purchased from the seller and has deducted such amount. Representations have been received that it becomes difficult for the seller to check whether the buyers have ensured the compliance of TDS deduction under 194Q of the Act. This results in both TDS and TCS being made applicable on the same transaction.

Therefore, to facilitate ease of doing business and reduce compliance burden on the taxpayers, it is clarified that provisions of section 206C(1H) of the Act will not be applicable from the 1st day of April, 2025.

34. Removal of higher TDS/TCS for non-filers of return of income [Section 206AB & 206CCA omitted] [w.e.f. 1.4.2025]

Section 206AB of the Act, requires deduction of tax at higher rate when the deductee specified therein is a non-filer of income-tax return. Section 206CCA of the Act, requires for collection of tax at higher rate when the collectee specified therein is a non-filer of income-tax return. This is subject to other conditions specified in the two sections.

Representations were received from various stakeholders that it is difficult for the deductor/collector, at the time of deduction/collection, to verify whether returns have been filed by the deductee/collectee, resulting in application of higher rates of deduction/collection, blocking of capital and increased compliance burden.

Accordingly, to address this issue and reduce compliance burden for the deductor/collector, section 206AB of the Act and section 206CCA of the Act have been omitted.

35. Excluding the period such as court stay etc. for calculating time limit to pass an order [section 206C(7A)] [w.r.e.f. A.Y. 2025-26]

Section 206C(7A) of the Act provides that no order shall be made deeming a person to be an assessee in default for failure to collect the whole or any part of the tax from any person, after the expiry of six years from the end of the financial

year in which tax was collectible or two years from the end of the financial year in which the correction statement is delivered under section 206C(3B) of the Act, whichever is later.

While computing the time limit under section 206C(7A) of the Act, exclusion of the time period such as period for which proceedings were stayed by an order of any court, etc. is required to be provided.

Section 206C(7A) of the Act has been amended to provide that relevant provisions of section 153 of the Act would apply to the time limit prescribed in section 206C(7A) of the Act.

Amendments relating to Penalties and Prosecutions

36. Extending the processing period of application seeking immunity from penalty and prosecution [Section 270AA] [w.r.e.f. A.Y. 2025-26]

Section 270AA of the Act provides, *inter-alia*, procedure of granting immunity by the Assessing Officer from imposition of penalty or prosecution, subject to fulfillment of certain conditions as mentioned therein. Sub-section (2) of the said section provides that an application for granting immunity from imposition of penalty shall be made within one month from the end of the month in which the order referred to in clause (a) of sub-section (1) of the said section has been received by the assessee. Sub-section (4) of the said section provides that Assessing Officer shall pass an order accepting or rejecting the application, within a period of one month from the end of the month in which the application requesting immunity is received.

Inputs have been received from the stakeholders that tax-payers are facing challenges to represent their case within this limited period and therefore the period for processing their applications may be increased.

In view of the same, section 270AA(4) of the Act has been amended so as to extend the processing period to three months from the end of the month in which application for immunity is received by the Assessing Officer.

37. Non-applicability of Section 271AAB of the Act [section 271AAB] [w.e.f. 1.9.2024]

The existing provisions of section 271AAB(1A) of the Act relates to penalty in respect of searches initiated after 15.12.2016.

Vide Finance Act, 2024, provisions of 'Block Assessment' (Chapter XIV-B) were introduced for searches initiated under section 132 of the Act on or after the 1st day of September, 2024. Although section 271AAB of the Act is clear that its

provisions are not applicable to proceedings conducted under section 158BC of the Act, it is proposed to remove any ambiguous interpretation of its applicability to searches conducted on or after 01.09.2024.

Therefore, section 271AAB of the Act has been amended to provide that its provisions shall not be applicable to the assessee in whose case search has been initiated under section 132 on or after the 1st day of September, 2024.

38. Certain penalties to be imposed by the Assessing Officer [Sections 271BB, 271C, 271CA, 271D, 271DA, 271DB and 271E] [w.r.e.f. A.Y. 2025-26]

Sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Act, *inter-alia*, provide that penalty under these sections shall be imposed by the Joint Commissioner. Though, assessment in such cases were being made by the Assessing Officer, penalty under these sections were being imposed by the Joint Commissioner.

In order to rationalize the process, sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Act have been amended so that penalties under these sections shall be levied by the Assessing Officer in place of Joint Commissioner, subject to the provisions of section 274(2) of the Act. Thus, Assessing Officer shall take the prior approval of Joint Commissioner for the passing of penalty order, where penalty amount exceeds the limit specified in section 274(2) of the Act.

Consequential amendment in clause (n) of section 246A(1) of the Act has been made.

Section 271BB of the Act provides the penalty for the failure to subscribe to the eligible issue of capital. It further provides that, any person who fails to subscribe any amount of subscription to the units issued under any scheme referred to in section 88A(1) of the Act to the eligible issue of capital under that sub-section within the period of six months specified therein, may be directed by the Joint Commissioner to pay, by way of penalty, a sum equal to 20% of such amount. However, section 88A has already been omitted vide Finance (No. 2) Act, 1996 with retrospective effect from 1st April, 1994. In the absence of the parent section, relevance of the penalty section in the case of any failure does not exist. Therefore, section 271BB of the Act has been omitted.

39. Time limit to impose penalties rationalized [section 275] [w.r.e.f. A.Y. 2025-26]

The existing provisions of section 275 of the Act, *inter-alia*, provide for the bar of limitation for imposing penalties. Section 275 of the Act is having multiple timelines for imposition of penalties in various cases e.g. where a case is in appeal before the ITAT, time limit to impose penalty is end of the financial year in which the connected proceeding has been completed or six months from end of the month

in which the appellate order is received, whichever is later. Similarly, different time-limits for imposition of penalty have been provided for cases in appeal to the JCIT(Appeal) or Commissioner (Appeal). This makes it difficult to keep track of multiple time barring dates for effective and efficient tax administration.

In view of the foregoing, section 275 of the Act has been amended to provide that any order imposing a penalty under Chapter XXI shall not be passed after the expiry of six months from the end of the quarter in which the connected proceedings are completed, or the order of appeal is received by the jurisdictional Principal Commissioner or Commissioner, or the order of revision is passed, or the notice for imposition of penalty is issued, as the case maybe. Consequential amendment is also proposed in section 246A of the Act to update reference of the amended section 275 of the Act.

40. Exemption from prosecution for delayed payment of TCS in certain cases [section 272BB] [w.r.e.f. A.Y. 2025-26]

Section 276BB of the Act provides for prosecution in case of failure to pay the tax collected at source to the credit of Central Government. The provision of the said section states that if a person fails to pay to the credit of the Central Government, the tax collected by him as required under the provisions of section 206C of the Act, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.

Section 276BB of the Act has been amended to provide that the prosecution shall not be instituted against a person covered under the said section, if the payment of the tax collected at source has been made to the credit of the Central Government at any time on or before the time prescribed for filing the quarterly statement under proviso to section 206C(3) of the Act in respect of such payment.

Amendments relating to Taxation of Non-Residents

41. Rationalisation of taxation of capital gains on transfer of capital assets by non-residents [section 115AD] [w.e.f. A.Y. 2026-27]

The existing provisions of Section 115AD of the Act provide that 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 income-tax on the income by way of long-term capital gains referred to in clause (b), if any,

included in the total income, shall be calculated at the rate of 10%.

Certain amendments were carried out in the above provisions by the Finance (No.2) Act, 2024. The rate of taxation on long-term gains arising from the transfer of capital assets was amended to 12.5% in the case of all assessees, whether resident or non-resident, with effect from 23.07.2024. It was seen that while the rates of taxation in the case of specified fund or FIs in case of long-term gains referred to in section 112A have been brought to parity with the rates applicable for residents, the rate of income-tax calculated on the income by way of long-term capital gains not referred to in section 112A were retained at 10% vide Finance (No.2) Act, 2024.

Provisions of section 115AD have been amended to provide that income-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%.

Amendments relating to Transfer Pricing Provisions for International Transactions
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42. Rationalisation of transfer pricing provisions for carrying out multi-year arm's length price determination [Sections 92 to 92F] [w.e.f. A.Y. 2026-27]

Transfer pricing provisions enable computation of income arising from an international transaction or a specified domestic transaction with regard to an arm's length price. These provisions are contained in sections 92 to 92F.

Section 92CA provides the procedure governing reference of an international transaction or a specified domestic transaction to the Transfer Pricing Officer (TPO), for computation of their arm's length price (ALP). Section 92C provides for computation of arm's length price in relation to an international transaction or a specified domestic transaction.

The determination of ALP in transfer pricing provisions *inter alia* proceeds in the following manner –

- the Assessing Officer (AO) may, refer the computation of the ALP with the previous approval of the Principal Commissioner or Commissioner, in relation to an international transaction or a specified domestic transaction entered in any previous year, to the TPO;
- the TPO determine the ALP in relation to the said transaction in accordance with section 92C(3) and sends a copy of his order to the AO and to the assessee;

- the AO shall proceed to compute the total income of the assessee for such previous year under section 92C(4) in conformity with the ALP as so determined by the TPO.

It has been noted that in reference under section 92CA for computation of arm's length price, in many cases, there are similar international transactions or specified transactions for various years, same facts like enterprises with whom such transaction is done, proportionate quantum of transaction, location of associated enterprises etc., and same arm's length analysis are repeated every year, creating compliance burden on the assessee as well as administrative burden on the TPOs. In view of the same, in such situations, it is proposed to carry out TP assessments in a block.

It has been, therefore, provided that the ALP determined in relation to an international transaction or a specified domestic transaction for any previous year shall apply to the similar transaction for the two consecutive previous years immediately following such previous year. For the same, the following amendments have been made—

Reference to TPO

- (I) the assessee shall be required to exercise an option or options for the above effect in the form, manner and within such time period as may be prescribed [new sub-section (3B) in section 92CA];
- (II) the TPO may by an order within one month from the end of the month in which such option is exercised, declare that the option is valid subject to the prescribed conditions [new sub-section (3B) in section 92CA];
- (III) if the TPO declares that the option exercised by the assessee is valid,—
 - the ALP determined in relation to an international transaction or a specified domestic transaction for any previous year shall apply to the similar international transaction or the specified domestic transaction for the two consecutive previous years immediately following such previous year [new sub-section (3B) in section 92CA];
 - the TPO shall examine and determine the ALP in relation to such similar transaction for such consecutive previous years, in the order referred to in sub-section (3) of section 92CA [new sub-section (4A) in section 92CA];
 - on receipt of such order from the TPO, the AO shall recompute the total income of the assessee for such consecutive previous years as per the provisions of sub-section (21) of section 155 [new sub-section (4A) in section 92CA];

- no reference for computation of ALP in relation to such transaction shall be made [*new first proviso to sub-section (1) of section 92CA*];
 - if any reference is made in such scenarios, before or after the above declaration by the TPO, the provisions of section 92CA(1) shall have the effect as if no reference is made for such transaction [*new second proviso to section 92CA(1)*];
- (IV) the provisions of exercising option mentioned above and consequent proceedings, shall not apply to any proceedings under Chapter XIV-B [*proviso to new section 92CA(3B)*];
- (V) If any difficulty arises in giving effect to the provisions of section 92CA(3B) and section 92CA(4A), the Board may, with the previous approval of the Central Government, issue guidelines for the purpose of removing the difficulty and every guideline issued by the Board shall be laid before each House of Parliament, and shall be binding on the income-tax authorities and the assessee [*new sub-section (11) in section 92CA*].

Recomputation of income under section 155

A new sub-section (21) has been inserted in section 155, so that where the ALP determined for an international transaction or a specified domestic transaction for any previous year and the TPO has declared an option exercised by the assessee as valid option in respect of such transaction for two consecutive previous years immediately following such previous year, then:-

- (I) the AO shall 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;
 - taking into account the directions issued under section 144C(5), if any, for such previous year;
- (II) such recomputation shall be done within three months from the end of the month in which the assessment is completed in the case of the assessee for such previous year;
- (III) the first and second proviso to section 92C(4) shall apply to such recomputation;
- (IV) such recomputation shall be made within three months from the end of the month in which order of assessment or any intimation or deemed intimation is made, in case that is not made before the period of three

months as mentioned above.

Amendments relating to Miscellaneous Provisions

43. Rationalisation in taxation of Business trusts [section 115UA(2)] [w.e.f. A.Y. 2026-27]

Finance (No.2) Act, 2014 introduced a special taxation regime for Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT) [commonly referred to as business trusts]. The special regime was introduced in order to address the challenges of financing and investment in infrastructure. The business trusts invest in special purpose vehicles (SPV) through equity or debt instruments.

Keeping in mind the business structure, the special taxation regime under section 115UA of the Act, *inter-alia*, provides a pass-through status to business trusts in respect of interest income, dividend income received by the business trust from a special purpose vehicle in case of both REIT and InvIT and rental income in case of REIT. Such income is taxable in the hands of the unit holders unless specifically exempted.

Section 115UA(2) 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.

It has been noted that reference of section 112A is not mentioned in section 115UA(2). Section 112A provides tax on long-term capital gains in certain cases of long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust.

Section 115UA(2) has been amended to provide 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, section 112 as well as section 112A.

44. Obligation to furnish information in respect of crypto-asset [section 285BAA inserted, section 2(47A) amended] [w.e.f. A.Y. 2026-27]

Vide Finance Act 2022, taxation of virtual digital assets (VDA) has been introduced in the Income-tax Act, 1961 ('the Act'), under section 115BBH of the Act in which the transfer of VDA is to be taxed at the rate of 30% with no deduction in respect of expenditure (other than cost of acquisition) to be allowed. To define VDA, Clause (47A) was inserted in section 2 of the Act. Further, to capture VDA transaction details, section 194S has been inserted in the Act to provide for deduction of tax on payment for transfer of VDA at the rate of 1% of transaction value including cases where the transaction occurs in kind or partly in cash.

Section 285BAA has been inserted in the Act, being the Obligation to furnish information of crypto-asset, wherein –

- (I) Sub-section (1) of section 285BAA of the Act states any person, being a reporting entity, as may be prescribed, in respect of crypto asset, shall furnish information in respect of a transaction in such crypto asset in a statement, for such period, within such time, in such form and manner and to such income-tax authority, as may be prescribed;
- (II) Sub-section (2) of said section states that where prescribed income-tax authority considers that the statement furnished is defective, he may intimate the defect to the person who has furnished such statement and give him an opportunity of rectifying the defect within a period of thirty days from the date of such intimation or such further period as may be allowed, and if the defect is not rectified within the aforesaid period allowed, the provisions of this Act shall apply as if such person had furnished inaccurate information in the statement;
- (III) Sub-section (3) of said section states that where a person who is required to furnish a statement has not furnished the same within the specified time, the prescribed income-tax authority may serve upon such person a notice requiring him to furnish such statement within a given time period and he shall furnish the statement within the time specified in the notice;
- (IV) Sub-section (4) of said section states that if any person, having furnished a statement, or in pursuance of a notice issued, comes to know or discovers any inaccuracy in the information provided in the statement, he shall within a given period inform the income-tax authority, the inaccuracy in such statement and furnish the correct information in such manner as prescribed;
- (V) Sub-section (5) of said section states that the Central Government may, by rules specify the persons to be registered with the prescribed income-tax authority, the nature of information and the manner in which such information shall be maintained by the persons and the due diligence to be carried out by such persons for the purpose of identification of any crypto-asset user or owner;

Section 2(47A) has been amended to insert sub-clause (d) which states that the definition of virtual digital asset also includes any crypto-asset being a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions, whether or not already included in the definition of virtual digital asset or not.

45. Extension of exemption to Specified Undertaking of Unit Trust of India (SUUTI) [w.r.e.f. A.Y. 2025-26]

SUUTI was created by the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 [UTI Repeal Act, 2002]. It is the successor of the erstwhile Unit Trust of India (UTI) and is mandated to liquidate the Government liabilities on account of erstwhile UTI.

As per section 13(1) of the UTI Repeal Act, 2002, SUUTI has been exempted from payment of income-tax up to 31st day of March, 2023. Finance Act, 2023 amended the UTI Repeal Act, 2002, to extend such date to 31st day of March, 2025.

It has been represented that the work of SUUTI pertaining to the redemption of schemes, payments of entire amounts, pending litigation etc. is expected to extend beyond 31st day of March, 2025, i.e., beyond the time limit till which the income-tax exemption has been provided.

In view of the above, section 13(1) has been amended so as to provide that notwithstanding anything contained in the Income-tax Act, 1961 or any other enactment for the time being in force relating to tax on income, profits or gains, no income-tax or any other tax shall be payable by the Administrator in relation to the specified undertaking for the period beginning on the appointed day and ending on the 31st day of March, 2027 in respect of any income, profits or gains derived, or any amount received in relation to the specified undertaking.

Indirect Taxes

LEGISLATIVE CHANGES – CUSTOMS, CENTRAL EXCISE
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A. CUSTOMS:

I. Amendments in the Customs Act, 1962:

(1) Amendment of Section 18 of the Customs Act, 1962

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

(2) Insertion of new Section 18A of the Customs Act, 1962

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

(3) Amendment of Section 27 of the Customs Act, 1962

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

(4) Amendment of Section 28 of the Customs Act, 1962

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

(5) Amendment of Section 127A of the Customs Act, 1962

A new clause is being inserted after clause (d) and (e) of Section 127A of the Customs Act, 1962, to define Interim Board, Member of the of Interim Board

and pending applications.

(6) Insertion of new sub- section (5) in Section 127B of the Customs Act, 1962

A new sub-section (6) is being inserted in Section 127B, of the Customs Act, 1962 to provide end date for receipt of applications under this section. provide end date for receipt of applications under this section.

(7) Insertion of new sub- section (12) in Section 127C of the Customs Act, 1962

A new sub-section (12) is being inserted in Section 127C providing applicability of various sub-sections of Section 127C of the Customs Act, 1962 to the Interim Board.

(8) Insertion of new sub-section (3) in Section 127D of the Customs Act, 1962

A new sub-section (3) is being inserted in Section 127D clarifying that the powers of Settlement Commission shall be exercised by the Interim Board and further provisions of this section shall mutatis mutandis apply to the Interim Board as they apply to the Settlement Commission.

(9) Insertion of new sub-section (5) in Section 127F of the Customs Act, 1962

A new sub-section (5) is being inserted in Section 127F providing that the powers and functions of Settlement Commission shall be exercised or performed by the Interim Board.

(10) Insertion of new Proviso to Section 127G of the Customs Act, 1962

A proviso to Section 127G of the Customs Act, 1962 is being inserted to provide that the powers and functions of Settlement Commission shall be exercised or performed by the Interim Board.

(11) Insertion of new sub-section (4) in Section 127H of the Customs Act, 1962

A new sub-section (4) is being inserted in Section 127H to provide that the powers and functions of Settlement Commission shall be exercised or performed by the Interim Board.

Amendments to the First Schedule to Customs Tariff Act, 1975 [98(b) read with Third Schedule]

The First Schedule to the Customs Tariff Act, 1975 is being amended with effect from 01.05.2025 to—

- (a) create new tariff items based on process (parboiled, others) and on variety (rice recognised by Geographical Indication Registry, basmati, others) under sub-heading 1006 30
- (b) create new tariff items under 'Makhana' products (popped, flour and powder, others) and consequent re-numbering of existing entries under chapter 2008 19
- (c) create new tariff items to separately identify waste oils containing different levels of concentration of levels of polychlorinated biphenyls (PCBs), polychlorinated terphenyls (PCTs) or polybrominated biphenyls (PBBs) under sub-heading 2710 91
- (d) create new tariff items for identification of certain dual-use chemical for non-pesticidal use in chapter 2·8
- (e) create new tariff items and supplementary notes for identification of certain dual-use chemical for non-pesticidal use and certain goods covered by international conventions in chapter 29
- (f) create new tariff items and supplementary notes for identification of certain technical-grade pesticides and certain goods covered by international conventions in chapter 38
- (g) create new tariff lines to distinguish precious metals – containing 99.9% or more by weight of silver, containing 99.5% or more by weight of gold, containing 99% or more by weight of platinum under headings 7106, 7108 and 7110 respectively
- (h) changes in heading 8112 to align with WCO HS 2022
- (i) changes in sub-heading note 2 to chapter 85 to align with WCO HS 2022

Amendments in Customs (Import of Goods at Concessional Rates or For Specified End Use) Rules, 2022

Rules 6 and 7 are being amended to increase the time limit for fulfilling end use from current six months to one year and to provide for filing of quarterly statement instead of monthly statement.

B. CENTRAL EXCISE

Note: "Basic Excise Duty" means the excise duty set forth in the First Schedule to the Central Excise Tariff Act, 1985.

I. Implementation of higher excise duty on sale of unblended Diesel

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

II. Amendments in the Central Excise Act, 1944:

Vide clause 101 of the Finance Bill, 2025, it is proposed to abolish the Customs, Central Excise and Service Tax Settlement Commission (CCESC for short) constituted under Section 32 of the Central Excise Act, 1944, with effect from 01.04.2025. The pending applications as of 31.03.2025 shall be dealt by the Interim Boards for Settlement. In this regard, the various amendments proposed to Chapter V of the said Act, are as under:

- (1) Section 31 is being amended to define "Interim Board for Settlement" and "pending application".
- (2) A new Section 31A is being inserted to establish one or more Interim Boards for Settlement to process the pending applications. Further, it is being provided that every pending application shall be dealt by the Interim Board from the stage at which such pending application stood immediately before its constitution.
- (3) A proviso to section 32(1) is being inserted to provide that CCESC shall cease to operate on or after 1st April, 2025.
- (4) Sections 32A, 32B, 32C and 32D are being amended by inserting a proviso in all these sections to provide that the provisions of these sections shall not apply on or after 1st April, 2025.
- (5) A proviso to section 32E(5) is being inserted to provide that no new application shall be made under this section on or after 1st April, 2025.
- (6) Section 32F is being amended to substitute the expression "Settlement Commission" with "Interim Board" so that the specified procedure on receipt of the application under section 32E shall apply to the Interim Boards. Additionally, a new sub-section is being introduced to allow the Interim Board, within three months of its constitution, to extend the time limit for disposing of pending applications by up to twelve months from its constitution, with reasons to be recorded in writing.
- (7) Sections 32G, 32-I, 32J, 32K, 32L, 32M, 32-O and 32P are being amended to provide that on and after 1st April, 2025, the powers and functions of the Settlement Commission under these sections shall be exercised by the Interim Boards.

C. SPECIAL PROVISION FOR EXEMPTION FROM SERVICE TAX IN CERTAIN CASES:

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

OTHER CHANGES IN CUSTOMS NOTIFICATIONS

Amendment to Notification No. 153/1994 - Customs dated 13.07.1994

Notification No. 153/94-Customs dated 13.07.1994 is being amended to extend the time limit from six months to one year, further extendable by one year in respect of railway goods classified under chapter 86. [Notification No. 13/2025-Customs dated 1st February, 2025 refers]

Amendment of Notification No. 50/2017- Customs dated 30.6.2017

- (i) The entry at S.No.257 A is being amended to add 9 groups of items in the list of goods which can be imported duty free for use in the manufacture of handicrafts goods for exports. In addition the time period for export of goods is being extended from six months to one year which may be extended by jurisdictional Commissioner for a period of three months.
- (ii) The entry at S.No.539 is being amended to include ground installation for satellites including its spares and consumables.
- (iii) The entry at 539A is being amended to fully exempt goods used in the building of launch vehicles and launching of satellites [Notification No. 5/2025-Customs dated 1st February, 2025]

Amendment of Notification No.16/2017-Customs dated 20.04.2017

Notification No. 16/20 17-Customs dated 20.04.2017 is being amended to add 37 more drugs /medicines along with 13 new patient assistance programmes. [Notification No. 9/2025-Customs dated 1st February, 2025]

LEGISLATIVE CHANGES – GOODS & SERVICE TAX
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Notes:

- (a) *CGST Act means Central Goods and Services Tax Act, 2017*
- (b) *Amendments carried out through the Finance Bill, 2025 will come into effect from the date when the same will be notified concurrently, unless specified otherwise, as far as possible, with the corresponding amendments to the similar Acts passed by the States & Union Territories with legislature.*

AMENDMENTS IN THE CGST ACT, 2017:

Vide Clauses 116 to 129, amendments have been proposed to the Central Goods and Services Tax Act, 2017. The changes are briefly summarised below:

1. Amendments in Section 2 (Definitions) of the CGST Act, 2017:

- (i) “Input Service Distributors” Clause (61) is being amended to explicitly provide for distribution of input tax credit by the Input Service Distributor in respect of inter-state supplies on which tax has to be paid on reverse charge basis, by inserting reference to section 5(3) and section 5(4) of Integrated Goods and Services Tax Act. This amendment will be effective from 1st April, 2025.
- (ii) Under “Local Authority” Clause (69) (c) is being amended to insert an Explanation to provide for definitions of the terms 'Local Fund' and 'Municipal Fund' used in the definition of "local authority" under the said clause so as to clarify the scope of the said terms.
- (iii) Under section 2 of CGST Act, “Definitions” A new clause (112A) is being inserted to provide definition of Unique Identification Marking for implementation of Track and Trace Mechanism

2. Amendments in Section 12 (Time of Supply of Goods) and 13 (Time of Supply of Services) of the CGST Act, 2017

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

3. Amendments in Section 17 “Apportionment of credit and blocked credits” of the CGST Act, 2017

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

4. Amendments in Section 20 regarding “Manner of distribution of credit by

Input Service Distributor” of the CGST Act, 2017

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

5. Amendments in Section 34 regarding “Credit Note” of the CGST Act, 2017

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

Clause 121 of the Bill seeks to amend the proviso to section 34(2) of the Central Goods and Services Tax Act so as to explicitly provide for the requirement of reversal of corresponding input tax credit in respect of a credit-note, if availed, by the registered recipient, for the purpose of reduction of tax liability of the supplier in respect of the said credit note.

It further seeks to remove the condition in the said proviso of not having passed the incidence of interest on supply for the purpose of reduction of tax liability of the supplier in respect of the said credit note.

6. Amendments in Section 38 regarding details of inward supplies of the CGST Act, 2017

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

7. Amendments in Section 39 regarding furnishing of returns of the CGST Act, 2017

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

8. Amendments in Section 107 and 112 of the CGST Act, 2017, regarding pre-deposit in case of demand of penalty without tax

- (i) Section 107(6) is being amended to provide for 10% mandatory pre-deposit of penalty amount for appeals before Appellate Authority in cases

involving only demand of penalty without any demand for tax

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

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

A new Section 122B is being inserted to provide penalties for contraventions of provisions related to the Track and Trace Mechanism provided under Section 148A, 122B. Notwithstanding anything contained in this Act, where any person referred to in clause (b) of section 148A(1) acts in contravention of the provisions of the said section, he shall, in addition to any penalty under Chapter XV or the provisions of this Chapter, be liable to pay a penalty equal to an amount of one lakh rupees or 10% of the tax payable on such goods, whichever is higher.”.

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

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

“148A. (1) The Government may, on the recommendations of the Council, by notification, specify,—

- (a) the goods;
 - (b) persons or class of persons who are in possession or deal with such goods, to which the provisions of this section shall apply.
- (2) The Government may, in respect of the goods referred to in clause (a) of sub-section (1),—
- (a) provide a system for enabling affixation of unique identification marking and for electronic storage and access of information contained therein, through such persons, as may be prescribed; and
 - (b) prescribe the unique identification marking for such goods, including the information to be recorded therein.
- (3) The persons referred to in sub-section (1), shall,—
- (a) affix on the said goods or packages thereof, a unique identification marking, containing such information and in such manner; (b) furnish such information and details within such time and maintain such records or documents, in such form and manner; (c) furnish details of the machinery installed in the place of business of manufacture of such goods, including the identification, capacity, duration of operation and such other details or information, within such time and in such form and manner; (d) pay such amount in relation to the

system referred to in sub-section (2), as may be prescribed.”.

11. Amendments in Schedule III of the CGS T Act,2017

Schedule III is being amended, w.e.f. 01.7.2017 to,

- (i) insert a new Entry (aa) in paragraph 8 to provide that the supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area shall be treated neither as supply of goods nor as supply of services.
- (ii) Amend Explanation 2, w.e.f. 01.07.2017 to clarify that the said explanation would be applicable in respect of entry (a) of paragraph 8.
- (iii) Insert Explanation 3 to define the terms 'Special Economic Zone', 'Free Trade Warehousing Zone' and 'Domestic Tariff Area', for the purpose of the proposed entry (aa) in paragraph 8.

To provide that no refund of tax already paid will be available for the transactions referred above.