



INDIA  
**budget  
statement**  
2025

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*Cover and this page: Maha Kumbh 2025 - an exemplary mix of contemporary technology and age-old custom - will be the world's largest spiritual gathering, with over 450 million devotees expected.*

## Foreword

Finance Minister Nirmala Sitharaman presented the record eighth consecutive Union budget and second under PM Modi's third term. Riding on the theme of 'Sabka Vikas', the budget aims to stimulate balanced growth of all regions with an objective of building a 'Viksit Bharat', through emphasis on:

- Zero-poverty
- Hundred per cent good quality school education
- Access to high-quality, affordable, and comprehensive healthcare
- Hundred per cent skilled labour with meaningful employment
- Seventy per cent women in economic activities; and
- Farmers making our country the 'food basket of the world'.

With these objectives in sight, the proposed development measures spanned ten broad areas focusing on Garib, Youth, Annadata and Nari.

- Spurring Agricultural Growth and Productivity
- Building Rural Prosperity and Resilience
- Taking Everyone Together on an Inclusive Growth path
- Boosting Manufacturing and Furthering Make in India
- Supporting MSMEs
- Enabling Employment-led development
- Investing in people, economy and innovation
- Securing Energy Supplies
- Promoting exports
- Nurturing Innovation.

Agriculture, MSME, Investment, and Exports have been identified as the four powerful engines in the journey of development and the budget proposals have been built around them. The Union Budget contains progressive measures to strengthen financial inclusion, simplify compliance, and foster economic growth.

The Budget specifically offers compelling opportunities for the Indian IT sector. Significant investments in skilling and upskilling are just the need of the hour. Noteworthy initiative is the establishment of five National Centers of Excellence, for leveraging global partnerships to deliver cutting-edge curriculum and training, to directly address the burgeoning demand for skilled professionals in areas which are crucial for 'Make in India' and global competitiveness.

The expansion of IITs and the new AI Center of Excellence to further bolster the talent pipeline, will ensure India possesses the expertise needed to lead in emerging technologies. The budget's provisions for a Deep Tech Fund of Funds and the PM Research Fellowship scheme are game changers. These initiatives aim to provide crucial support for next-generation startups and research institutions, fostering a vibrant ecosystem of innovation and attracting top talent. The simplification of merger



India's private space sector has grown significantly in recent years, with startups developing satellites, launch vehicles, and ground stations. The government has also introduced policies to encourage private sector participation. Notable startups: Skyroot Aerospace Launched Vikram-S, India's first private rocket, in 2022. Skyroot is also developing private launch vehicles. Agnikul Cosmos launched the world's first rocket with a 3D-printed engine in 2024. Agnikul is also developing mobile launchpads and propulsion systems. Pixxel - a space data startup that is building a constellation of earth imaging satellites. Pixxel is also developing analytical tools to extract insights from the data. Dhruva Space: A startup that designs custom satellites and ground stations.

procedures and the national framework for Global Capability Centers in tier-2 cities will create a more agile and attractive business environment, encouraging both domestic and foreign investment.

The decision to allow 100% FDI in the insurance sector will bring in much-needed capital, enhance competition, and improve insurance penetration—especially for underserved segments like SMEs, startups, and gig workers. With global expertise and resources, one can expect better risk management, smarter

underwriting, and more tailored solutions for businesses of all sizes.

In manufacturing, the focus on electronics, toys and footwear in Budget 2025, which are one of the biggest export baskets of China to the US, is a forward-looking strategy on outfitting China and promoting the 'Made in India' brand. According to the budget announcements, India aims to generate 22 lakh jobs in the economy through a newly launched "Focus Product Scheme" in the footwear and

leather industry.

The government plans to launch a 'Customized Credit Card' with INR 5 lakh (INR 0.5 million) limit for Micro Enterprises, registered on the Udyam portal. 10 lakh such cards will be issued in the first year. The government has also hiked the MSME investment and turnover limits 2.5 and 2 times, respectively to give MSME's confidence to grow and generate employment.

The government plans to launch a modified version of the UDAN

Scheme, which aims to boost regional connectivity in India. The scheme aims to connect 120 new destinations and carry four crore passengers in the coming 10 years.

The rollout of the revamped Central KYC registry in 2025 is a significant step toward streamlining investor onboarding, reducing redundancies, and enhancing transparency in financial transactions. This and the government's continued emphasis on ease of doing business to create a more investor-friendly environment, making financial markets more accessible.

On the Indirect tax front, the government announced exemptions from BCD on cobalt powder, lithium-ion battery waste and scrap, lead, zinc, and 12 other essential minerals. In addition, 35 more items related to EV battery manufacturing and 28 items for mobile phone battery production are being added to the list of exempted capital goods. The patient assistance programs of pharmaceutical companies will be exempted from BCD where medicines are provided free of charge to patients. Besides, 37 new medicines and 13 new

patient assistance programs are being added to the exemption list.

On the direct tax front, the highlight was the new Income Tax Bill, which is being drafted with simple and clear language, with the objective of easy comprehension for both taxpayers and tax administrators, thereby eliminating ambiguity, making it more accessible and user-friendly for everyone.

The key takeaway for the Aam Admi from the budget was the increase in the income tax exemption limit to INR 12 lakh (INR 1.2 million), a more than anticipated relief aimed at boosting household consumption, savings and investment.

On the fiscal consolidation front, it was heartening to note that the government reiterated its resolve to peg the fiscal deficit at 4.40% for FY 2026, lower than market expectations, and that it remains committed to bringing down the central government debt to GDP to 50% by 2031 from 57% currently.

Overall, it's a balanced budget which focuses on stimulating the demand side and continuing with investments by strengthening rural infrastructure,

manufacturing, and consumer spending. Yet, what is perhaps missing is new ideas on encouraging exports and the much-needed labor reforms.

With globalization taking a back seat due to increasing protectionism worldwide, and the next year expected to be uncertain, especially with the policies of the new government in place in USA, the tryst with destiny to become a developed nation by 2047 is an uphill task. The sound suggestions laid down by the Economic Survey deserve serious merit and one would have loved to see this Budget act on them with greater vigor.

**Verendra Kalra**  
Managing Partner

## BUDGET FINANCIALS

Particulars	2023-24	(Amount in INR billion)			
		Actuals	2024-25	2024-25	2025-26
			BE	RE	BE
1 Revenue Receipts (2+3)	27,290	31,292	30,880	34,204	
2 Tax Revenue(Net to Centre)*	23,273	25,835	25,570	28,374	
3 Non-tax revenue	4,018	5,457	5,310	5,830	
4 Capital Receipts(5+6+7)	17,144	16,913	16,285	16,449	
5 Recoveries of loans	266	280	260	290	
6 Other receipts	331	500	330	470	
7 Borrowings & other liabilities**	16,546	16,133	15,695	15,689	
8 Total Receipts (1+4)	44,434	48,205	47,165	50,653	
9 Total Expenditure (10+13)	44,434	48,205	47,165	50,653	
10 On Revenue account	34,943	37,094	36,981	39,443	
11 Interest Payments	10,639	11,629	11,379	12,763	
12 Grants in aid for creation of capital assets	3,039	3,908	2,999	4,272	
13 On Capital account	9,492	11,111	10,184	11,211	
14 Effective Capital Expenditure (12+13)	12,531	15,019	13,183	15,483	
15 Revenue deficit (10-1)	7,652	5,802	6,101	5,238	
	(2.6)	(1.8)	(1.9)	(1.5)	
16 Effective Revenue deficit (14-12)	4,613	1,894	3,102	967	
	(1.6)	(0.6)	(1.0)	(0.3)	
17 Fiscal deficit {9-(1+5+6)}	16,546	16,133	15,695	15,689	
	(5.6)	(4.9)	(4.8)	(4.4)	
18 Primary deficit (16-11)	5,908	4,504	4,316	2,926	
	(2.0)	(1.4)	(1.3)	(0.8)	

\*\* Includes drawdown of cash balance

\* RE 2024-25 is reduced by INR 12,764 crore (INR 127.64 billion) on account of net amount payable by Centre for prior years.

### Notes:

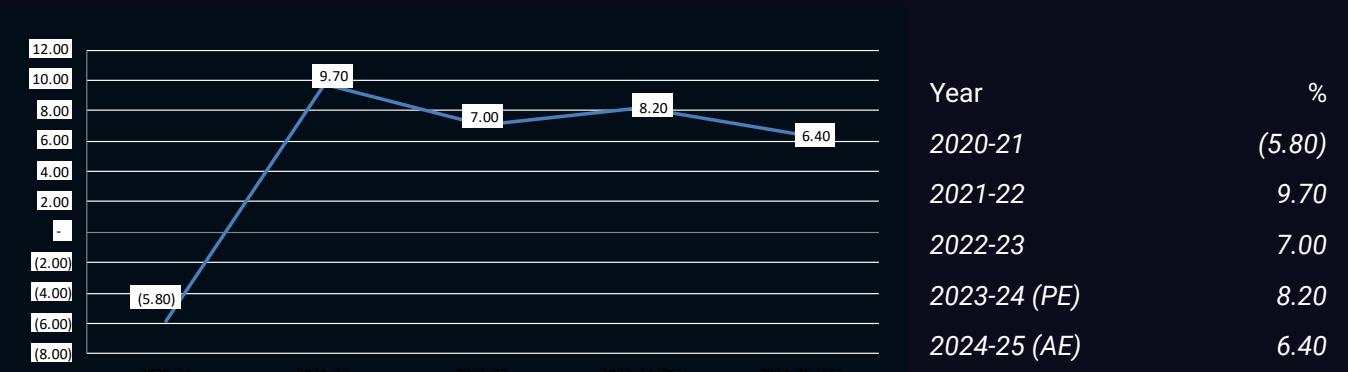
(i) GDP for BE 2025-26 has been projected at INR 3,56,97,923 crore (INR 3,56,979.23 billion) assuming 10.1% growth over the estimated GDP of INR 3,24,11,406 crore (INR 3,24,114.06 billion) for 2023-24(AE).

(ii) Individual items in this document may not sum up to the totals due to rounding off.

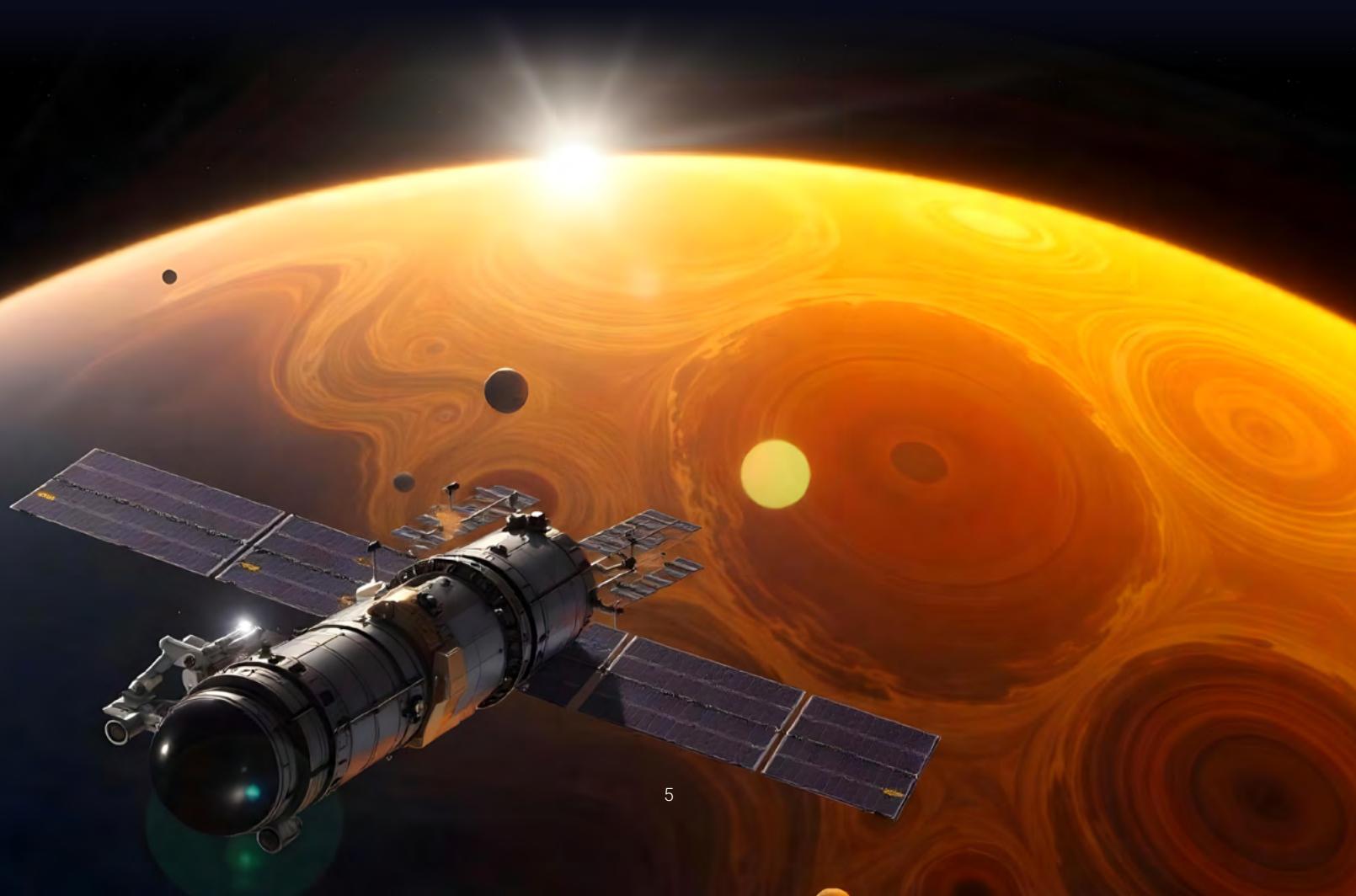
(iii) Figures in parenthesis are as a percentage of GDP.

## ECONOMIC INDICATORS

### GDP Growth (at constant Market prices)



India's Venus Orbiter mission granted approval.  
(Artistic rendering)

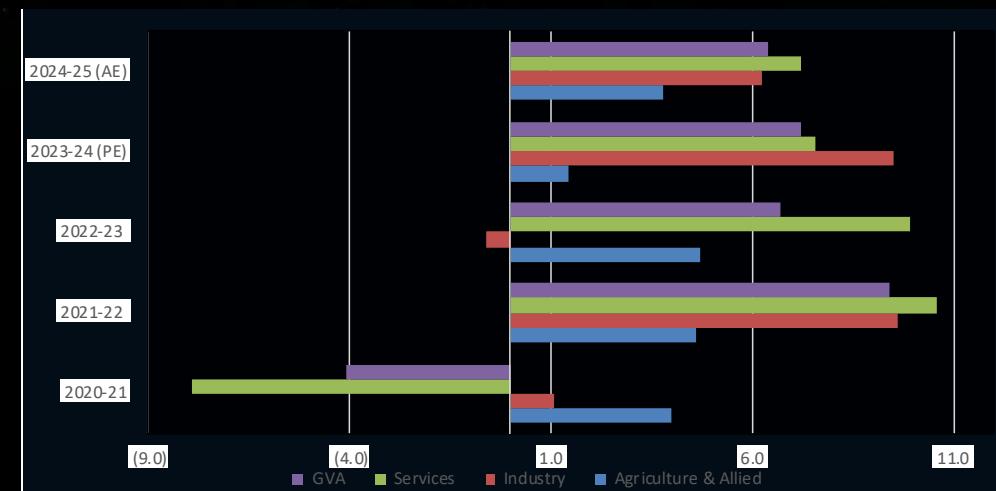


### Economic Indicators

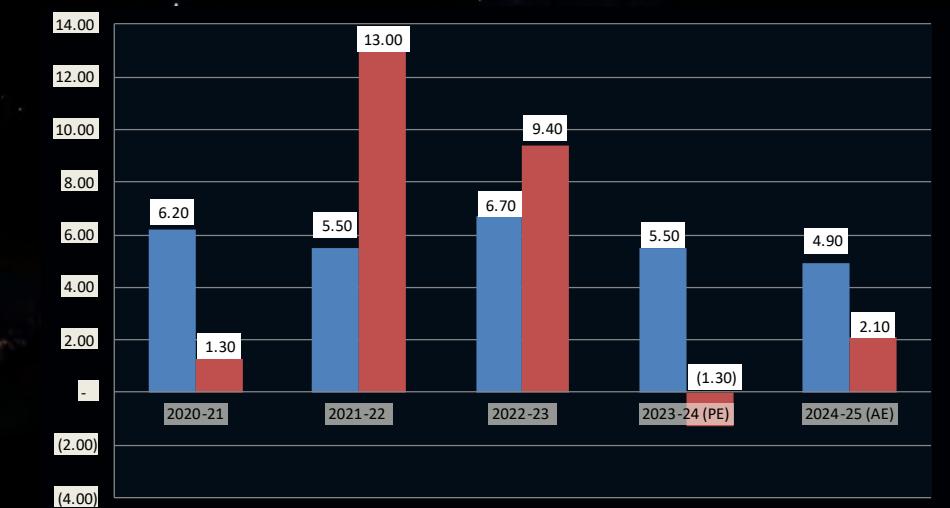
#### Growth in GVA

at constant Market prices

Year	Agriculture & Allied	Industry	Services	GVA
2020-21	4.0	1.1	(7.9)	(4.1)
2021-22	4.6	9.6	10.6	9.4
2022-23	4.7	(0.6)	9.9	6.7
2023-24 (PE)	1.4	9.5	7.6	7.2
2024-25 (AE)	3.8	6.2	7.2	6.4



'Indian Space Station' is a planned modular space station to be constructed by India and operated by the Indian Space Research Organisation (ISRO). The space station would weigh 52 tonnes and maintain an orbit of approximately 400 kilometres above the Earth, where astronauts could stay for 3-6 months.



Year	Inflation CPI [Combined] [Average]	Inflation WPI [Average]
2020-21	6.20	1.30
2021-22	5.50	13.00
2022-23	6.70	9.40
2023-24 (PE)	5.50	(1.30)
2024-25 (AE*)	4.90	2.10

\* Average April- Nov 2024



**Inflation CPI and WPI [Average]%**

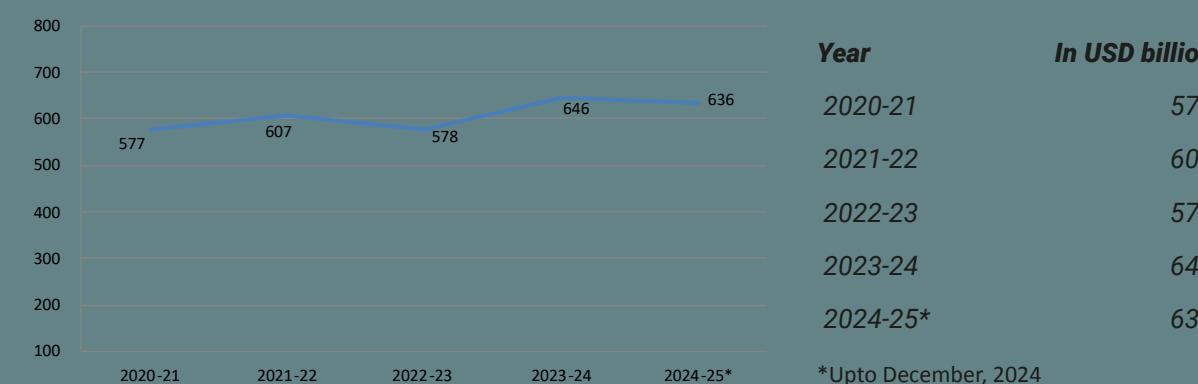
## Economic Indicators

### Growth in Foreign Trade [Average%]



\* Average April- December

### Forex Reserves



\*Upto December, 2024

### Exchange Rate



\*January 1, 2025

### Deficit Trends (% of GDP)

(As per the new classification of expenditure)



Year

Fiscal Deficit Primary Deficit Revenue Deficit

2020-21

9.20 5.70

7.30

2021-22

6.80 3.30

4.40

2022-23

6.40 3.00

3.90

2023-24\*

5.60 2.00

2.60

2024-25(BE)

4.90 1.40

1.80

\* Provisional Actuals

### Foreign Investment

(FDI/FPI Net investment in USD billion)



Year

FDI FPI

2020-21

43.96 36.14

2021-22

38.59 (16.78)

2022-23

27.99 (5.15)

2023-24

10.13 44.08

2024-25\*

4.44 20.79

\* April- September

## BUDGET AT A GLANCE



Recently, India's indigenous defense production reached a record high of INR 1.27 lakh crore (INR 1.27 trillion) in 2023-24, a growth of 16.7% over the FY 2022-23. The value of defense production in FY 2022-23 was INR 1.08 lakh crore (INR 1.08 trillion).

## ECONOMIC SURVEY 2024-25

Economic Survey 2024-25 highlights that the Indian economy is on a steady growth path. The macroeconomic health checklist looks good. As the country aims to accelerate its economic growth rate in the coming years, it has the tailwind of strong balance sheets in the domestic, corporate and financial sectors.

But globalization is on the retreat. Hence, raising the growth average in the next two decades will require reaping the demographic dividend through a deregulation stimulus.

The Survey believes that lowering the cost of business through deregulation will make a significant contribution to accelerating economic growth and employment amidst unprecedented global challenges.

2024 was a year of elections. Three big democracies went in for elections: India, America and Indonesia. India returned the incumbent to office for a third term. The ruling party continued in Indonesia with a different leader at the helm. In America, there was a change in the presidency of which the world has had an early inkling of policy changes that will affect the global movement of goods and labor.

Europe faces both political and economic uncertainties. Europe's biggest economic engine, Germany, experienced economic contraction for two successive years. The reopening of the Chinese economy after the Covid shutdown has not led to a spurt in economic growth rate as overcapacity and financial strains in the real estate sector have come to the fore.

Recent strength in the US dollar and rethinking in the Federal Reserve about the path of policy rates in America have caused emerging market currencies to weaken.

This is the global backdrop for India as it seeks to steady and sustain the growth momentum that the economy has experienced post-Covid. The passing of the era of rapid world trade growth clouds the outlook for India's export growth because, historically, India's export growth has been a high beta play on global export growth. This means domestic growth levers will be relatively more important than external ones in the coming years.

India faces limitations in producing critical goods at the scale and quality required to serve the infrastructure and investment needs of an aspiring economy. For instance, India has low production capacity in the solar

energy sector for key components like polysilicon, ingots, and wafers.

It means going all out to attract, promote and facilitate further domestic and foreign investments that India needs to become a competitive and innovative economy.

Another priority related to the above that calls for a calibrated and careful approach is climate change and energy transition. Public policy will have to recognize the role of Energy Security and Energy Affordability in enhancing and maintaining competitiveness. It will also require appropriate skilling and education for India's youth to take advantage of technological advances such as Artificial Intelligence, enabling its population to stay one step ahead of technological developments.

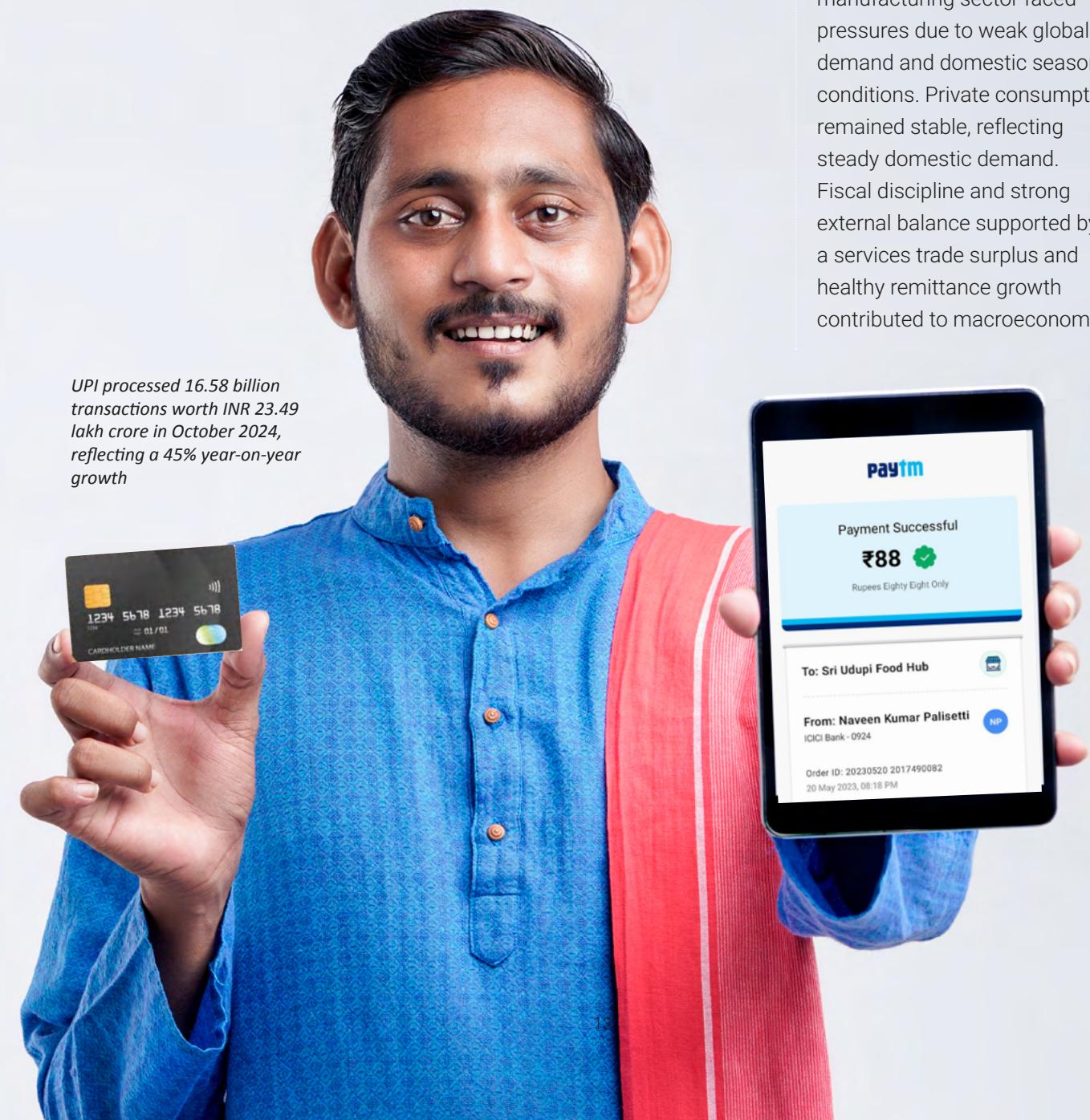
Achieving competitiveness will be an incomplete project without raising productivity in the primary sector. As was written in the Economic Survey 2023-24, the agriculture sector needs to be freed, empowered and emboldened to diversify away from water-dependent crops.

Above all, underpinning specific policy efforts will have to be

the philosophical approach to governance. "Getting out of the way" and allowing businesses to focus on their core mission is a significant contribution that governments around the country can make to foster innovation and enhance competitiveness.

### GDP Growth

India displayed steady economic growth. As per the first advance



estimates of national accounts, India's real GDP is estimated to grow by 6.4% in FY25. Growth in the first half of FY25 was supported by agriculture and services, with rural demand improving on the back of record Kharif production and favorable agricultural conditions. The manufacturing sector faced pressures due to weak global demand and domestic seasonal conditions. Private consumption remained stable, reflecting steady domestic demand. Fiscal discipline and strong external balance supported by a services trade surplus and healthy remittance growth contributed to macroeconomic

## Economic Survey

stability. Together, these factors provided a solid foundation for sustained growth amid external uncertainties.

Looking ahead, India's economic prospects for FY26 are balanced. India will need to improve its global competitiveness through grassroots-level structural reforms and deregulation to reinforce its medium-term growth potential.

### Agriculture

The 'Agriculture and Allied Activities' sector has long been the backbone of the Indian economy, playing a vital role in national income and employment. This sector contributes approximately 16% of the country's GDP for FY24 (PE) at current prices and supports about 46.1% of the population. Not only does its performance directly impact food security, but it also influences other sectors, sustaining livelihoods and supporting economic growth.

In recent years, the agriculture sector in India has shown robust growth, averaging 5% annually from FY17 to FY23, demonstrating resilience despite

challenges. In the second quarter of the FY25 year, the agriculture sector recorded a growth rate of 3.5%. This performance represents a recovery compared to the previous four quarters, during which growth rates varied from a modest 0.4% to 2.0%. The recent rise in growth rate can be attributed to improved conditions, potentially driven by favorable weather patterns, advancements in agricultural practices, and government initiatives to enhance productivity and sustainability within the sector.

### Industry, Investment and Infrastructure

The global manufacturing landscape has undergone significant shifts over the past decade. India has been one of the dynamic economies that gained greater presence in the space gradually vacated by developed countries. The industrial sector (including four sub-sectors, i.e., mining and quarrying; electricity, gas, water supply and utilities; manufacturing and construction) was affected significantly by the pandemic, leading to a contraction in FY21. This led to growth fluctuations in subsequent

years. Hence, comparing FY25 with an average of the previous five years, including the pre-pandemic FY20, is appropriate. Industrial growth in FY25 is expected higher than the previous five-year average. The industrial sector grew by 6.2% in FY25, driven by robust growth in electricity and construction.

Building infrastructure – physical, digital and social - has been a central focus area for the government in the last five years. This has had various dimensions – increase in public spending on infrastructure, creation of institutions to de-bottleneck approvals and execution and innovative modes of resource mobilization. In FY25, capital expenditure has gathered momentum post elections.

The government has also instituted many complementary mechanisms to expedite planning, clearances and execution of projects. The National Infrastructure Pipeline (NIP) was launched with a forward-looking approach, targeting a projected infrastructure investment of around INR 111 lakh crore (INR 111 trillion) from FY20 to FY25. The NIP serves as a centralized

*India AI Mission chooses projects of 8 colleges for ethical AI development*



platform for hosting projects of states, union territories and central ministries to facilitate their monitoring and review. Currently, it encompasses over 9,766 projects and schemes across 37 sub-sectors.

#### **Services Sector**

The service sector has been fueling growth both domestically and globally. In FY25 so far, services propped up GDP growth when manufacturing has been affected by dampening global merchandise trade. The critical role of services exports in strengthening India's external balance and the increasing 'servicification' of the industrial sector adds to its importance to the Indian economy.

India's share in global services exports has been steadily rising for the last two decades. This has helped compensate the impact of oscillation in the share of merchandise exports in global merchandise exports to some extent.

India's services sector has been the steadiest contributor to the GVA in the economy. Its

contribution to the total GVA at current prices has increased from 50.6% in FY14 to about 55% in FY25. It also provides employment to approximately 30% of the workforce. Services also contribute indirectly to the GDP through the servicification of manufacturing, i.e., increasing utilization of services in manufacturing production and post-production value addition.

The growth in the service sector, as measured by YoY change in the real GVA by services, has been above 6% in each year in the last decade, except for the Covid-19 pandemic that affected FY21. The average services growth rate before the pre-pandemic year was 8%. The average services growth in the post-pandemic year i.e. FY23 to FY25 has risen to 8.3%.

#### **Prices and Inflation**

Global inflation peaked at 8.7% in 2022, driven by supply chain disruptions and geopolitical tensions, to 5.7% in 2024. In India, retail inflation moderated from 5.4% in FY24 to 4.9% in FY25 (April-December) despite challenging food price dynamics. In India, retail inflation eased in

FY25 due to timely interventions by the government and the Reserve Bank of India. Core inflation reached its lowest point in a decade, while food inflation was affected by supply chain disruptions and adverse weather conditions.

Onion and tomato prices are affected by the decline in production, partly due to extreme weather conditions and monsoon-induced supply chain disruptions. On pulses, despite being a major producer, India faces a gap in demand and supply. The government has undertaken several measures to rein in the prices of vegetables like onion and tomato which included procurement and buffer stocking of onion under price stabilization fund and subsidized sale of onion and tomato. Also, many administrative measures have been taken-up to address the price pressures in pulses such as subsidized retail sale, stock limits and easing imports.

Estimates suggest that India's retail price inflation will align progressively with the target. Global commodity prices are expected to decline, potentially easing core and food inflation.

Long-term price stability could be achieved by robust data systems for monitoring prices, developing climate-resilient crops, reducing crop damage and post-harvest losses.

#### **External Sector**

India's external sector continued to display resilience amidst global headwinds of economic and trade policy uncertainties. Total exports (merchandise and services) have registered a steady growth in the first nine months of FY25, reaching USD 602.6 billion (6%). Growth in services and goods exports, excluding petroleum and gems and jewelry, was 10.4%. Total imports during the same period reached USD 682.2 billion, registering a growth of 6.9% on the back of steady domestic demand.

On the capital front, FPIs have shown a mixed trend in FY25 so far. Uncertainty in the global markets and profit taking by foreign portfolio investors led to capital outflows. However, strong macroeconomic fundamentals, a favorable business environment, and high economic growth have kept FPI flows positive overall.

Gross FDI inflows have shown signs of revival in the first eight months of FY25, though net FDI inflows declined relative to April-November 2023 due to arise in repatriation/disinvestment.

India's foreign exchange reserves stood at USD 640.3 billion as of the end of December 2024, sufficient to cover approximately 90% of the country's external debt of USD 711.8 billion as of September 2024, reflecting a strong buffer against external vulnerabilities.

#### **Fiscal Developments**

The Union government's indicators of fiscal discipline have improved progressively. Quality of expenditure approximated by capital expenditure as a per cent of total expenditure of the Union, has continuously improved since FY21.

During April - November 2024, three major facts stand out in Union finances. First, following an unprecedented expansion of capital expenditure in the last four years, it remained subdued during Q1 FY25, owing to general elections. However, it rebounded

after July despite a reduction in non-debt receipts owing to an increase in the devolution of taxes to states. Until November 2024, defense, railways and road transport accounted for about 75% of the capital expenditure, whereas significant YoY growth occurred in power and food and public distribution.

Second, despite the gross tax revenue increasing by 10.7% YoY during April-November 2024, the tax revenue retained by the Union, net of devolution to the states, hardly increased. This was because of increased tax devolution, which helped the states to manage their expenditures smoothly.

Thirdly, as of November, the deficit indicators of the union were comfortably placed, leaving ample room for developmental and capital expenditure in the rest of the year.



## DIRECT TAXES

### RATES OF INCOME TAX

#### Individual Income Tax Rates

Rates of income-tax in respect of income liable to tax for AY 2026-27.

Part II of the First Schedule to the Finance Bill specifies the rates for tax deduction at source (TDS) during the AY 2026-27 for various types of income, excluding

salaries. These provisions cover sections such as 193, 194A, 194B, 194BB, 194D, 194LBA, 194LBB, 194LBC, and 195 of the Income-tax Act. Notably, the TDS rate on insurance commission under section 194D has been reduced from 5% to 2%, effective from April 1, 2025. Other TDS rates remain consistent as that specified for AY 2025-26.

#### Tax rates under section 115BAC(1A) (New Regime)

Slab rates applicable to an Individual, HUF, AOP/BOI or Artificial Judicial Persons under concessional tax regime under section 115BAC(1A) applicable for AY 2026-27 are as under:

#### Total Income

Up to INR 4.0 lakh (INR 0.40 million)

INR 4.00 lakh to INR 8.00 lakh (INR 0.40 million to INR 0.80 million)

INR 8.00 lakh to INR 12.00 lakh (INR 0.80 million to INR 1.20 million)

INR 12.00 lakh to INR 16.00 lakh (INR 1.20 million to INR 1.60 million)

INR 16.00 lakh to INR 20.00 lakh (INR 1.60 million to INR 2.00 million)

INR 20.00 lakh to INR 24.00 lakh (INR 2.00 million to INR 2.40 million)

Above INR 24.00 lakh (INR 2.40 million & above)

Rate
Nil
5%
10%
15%
20%
25%
30%

Slab rates applicable for the individual, HUF, AOP/BOI or Artificial Judicial Persons opting for old scheme continue to be the same as that specified for AY 2025-26 are as under:

Slab rate applicable for the individual, HUF, AOP/BOI or Artificial Judicial Persons in the old scheme:

#### Total Income

Up to INR 2.50 lakh (INR 0.25 million)

INR 2.50 lakh to INR 5.00 lakh (INR 0.25 to INR 0.50 million)

INR 5.00 lakh to INR 10.00 lakh (INR 0.50 to INR 1.00 million)

Above INR 10.00 lakh (INR 1.00 million)

Rate
Nil
5%
20%
30%

Slab rate applicable for the resident individual who are 60 years or older but below 80 years during the previous year in the old scheme:

Total Income	Rate
Up to INR 3.00 lakh (INR 0.30 million)	Nil
INR 3.00 lakh to INR 5.00 lakh (INR 0.30 to INR 0.50 million)	5%
INR 5.00 lakh to INR 10.00 lakh (INR 0.50 to INR 1.00 million)	20%
Above INR 10.00 lakh (INR 1.00 million)	30%

Slab rate applicable for the resident individual who are 80 years or older during the previous year in the old scheme:

Total Income	Rate
Up to INR 5.00 lakh (INR 0.50 million)	Nil
INR 5.00 lakh to INR 10.00 lakh (INR 0.50 to INR 1.00 million)	20%
Above INR 10.00 lakh (INR 1.00 million)	30%

## VKC Insights

*The government has reinforced its push towards the new tax regime, encouraging taxpayers to shift from the old regime. The move aims to simplify taxation, reduce compliance burdens, and offer lower tax rates without exemptions or deductions.*

*Much needed big relief to Indian middle class is the exemption of income tax for all those earning upto INR 12 lakh (INR 1.20 million). A taxpayer opting for new regime with income of INR 12 lakh (INR 1.20 million) will get the benefit of INR 80,000 in tax. A person with income of INR 18 lakh (INR 1.80 million) will get a benefit of INR 70,000 in tax and a person with an income of INR 25 lakh (INR 2.50 million) gets a benefit of INR 1.10 lakh (INR .11 million). However, if a person opting for old regime there is no change in tax slab. The government has introduced these new tax slab to significantly to lower middle-class taxes and give them more money which will increase household consumption, savings, and investment.*

### Rebate under section 87A

Under section 87A, the rebate will apply only to incomes taxed at normal rates, excluding those

taxed at special rates. Starting from AY 2026-27, the rebate will be increased from INR 25,000 to INR 60,000 under the concessional tax regime, due

to the increase in the income threshold from INR 7 lakh (INR 0.7 million) to INR 12 lakh (INR 1.2 million). For AY 2025-26 and earlier years, the rebate under section 87A will still apply to special rate income, except for long-term capital gains. An individual resident in India with total income up to INR 5 lakh (INR 0.5 million) is not required to pay income tax, as they get a 100% tax rebate if opting for old regime.

### Surcharge

Applicable rates of surcharge, applicable for individual, HUF, AOP, BOI, AJP (including non-residents) continue to be the same and are as under:

Total Income	New tax regime	Old tax regime
Exceeding INR 50 lakh (INR 5 million) to INR 1 crore (INR 10 million)	10%	10%
Exceeding INR 1 crore (INR 10 million) to INR 2 crore (INR 20 million)	15%	15%
Exceeding INR 2 crore (INR 20 million) to INR 5 crore (INR 50 million)	25%	25%
Exceeding INR 5 crore (INR 50 million)	25%	37%

Surcharge rates of 25% or 37% will not apply to the income (where the provisions of section 115BAC(1A) are applicable) from dividends and capital gains taxable under section 111A (STCG on Shares), 112 (LTCG on assets other than those covered under section 112A), 112A (LTCG on Shares) and in case of AOP consisting of only companies as its members. Therefore, the highest surcharge rate on the tax payable for such incomes will be 15%.

### Domestic/ Foreign Companies

The rates of tax continue to be the same as that specified for AY 2025-26.

### Surcharge on income-tax

The rates of surcharge on the amount of income-tax for the purposes of the Union are the

## MEASURES TO PROMOTE INVESTMENT AND EMPLOYMENT

**Incentives to International Financial Services Centre and Extension of sunset dates for several tax concessions pertaining to IFSC**

To promote the development of world-class financial infrastructure in India, several tax concessions have been provided to units located in IFSC, under the Act, over the past few years. In order to further incentivize operations from IFSC, it is proposed to make the following amendments:-

The sunset dates for commencement of operations of IFSC units for

same as that specified for the AY 2025-26.

### Marginal Relief

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

### Education Cess

For AY 2026-27, the applicable rates of Health and Education Cess, applicable for individual, HUF, AOP, BOI, AJP (including non-residents) continue to be the same. No marginal relief shall be available in respect of such cess.

several tax concessions, or relocation of funds to IFSC, in clause (d) of sub-section (2) of section 80LA, clause (4D), clause (4F), clause (4H) of section 10 and clause (viiad) of section 47, is proposed to be extended to March 31, 2030.

These amendments will take effect from April 1, 2025.

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

Clause (10D) of section 10 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. This exemption also applies to 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 INR 2.5 lakh (INR 0.25 million) for unit linked insurance policies, and INR 5 lakh (INR 0.5 million) for life insurance policies other than unit linked insurance policies.

To ensure parity for non-residents purchasing life insurance from insurance office in IFSC vis a vis other foreign jurisdiction, it is proposed to amend the clause (10D) of section 10 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.

These amendments will take effect from April 1, 2025.

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

Clause 10(4H) exempts non-residents or IFSC units engaged in aircraft leasing from capital gains tax on the transfer of equity shares of IFSC-based domestic companies in the same business. Similarly, Clause 10(34B) exempts dividends paid by such companies to IFSC units engaged in aircraft leasing.

To provide parity with ship leasing, it is proposed to extend these exemptions to:

- Clause 10(4H): Exempt capital gains on the transfer of equity shares of IFSC-based ship leasing units.
- Clause 10(34B): Exempt dividends paid between IFSC units engaged in ship leasing.

These amendments will take effect from April 1, 2025.

**Rationalisation of definition of 'dividend' for treasury centres in IFSC**

Sub-clause (e) of clause (22) of section 2 includes certain loans and advances as "dividends" if paid by a company (not being a company in which the public are substantially interested), to a shareholder holding not less than 10% of the voting power or to any concern where such a shareholder is a member or a partner and has a substantial interest, provided the company has accumulated profits.

However, sub-clause (ii) excludes loans given in the ordinary course of business where money lending is a substantial part of the company's business.

To address concerns that borrowings by corporate treasury centers in IFSC from group entities may trigger deemed dividend provisions, it is proposed to amend clause (22) to exclude loans or advances between group entities where:

- One entity is a Finance Company or Finance Unit in IFSC, set up as a global or regional corporate treasury center for treasury activities.
- The parent or principal entity

of such a group is listed on a foreign stock exchange, in a country or territory outside India, other than the country or territory outside India as may be specified by the Board.

Definitions for group entity, principal entity, and parent entity will be prescribed.

These amendments will take effect from April 1, 2025.

**Proposed Amendment to Section 9A – Fund Management in IFSC**

Section 9A provides that fund management activities carried out by an eligible fund manager on behalf of an eligible investment fund shall not create a business connection in India, subject to specified conditions.

One of the conditions, at clause (c) of sub-section (3) requires that Indian residents' participation in the fund must not exceed 5% of the corpus.

Additionally, sub-section (8A) allows the Central Government to modify conditions in case of an eligible investment fund and its eligible fund manager, if such fund manager is located in an

*India saw significant nuclear power capacity expansions.*



IFSC provided the fund manager commenced operations before March 31, 2024.

It is proposed to amend the provisions of section 9A as under:

- The 5% Indian participation limit will now be checked twice a year (April 1 and October 1). If the condition is breached on either date, it shall be provided that it will satisfy the same condition within four months of the said days;
- Given this rationalization, the 5% limit will no longer be modified under sub-section (8A).
- The relaxation of other conditions (a) to (m) will now

be available for funds whose IFSC-based fund managers commence operations on or before March 31, 2030 (extended from March 31, 2024).

These amendments will take effect from April 1, 2025.

**VKC Insights**

*These changes aim to provide a simplified regime for IFSC-based fund managers, ensuring competitiveness with global fund management hubs.*

### Amendment of Section 10 -Tax Exemption for Non-Resident in IFSC

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

sub-section (1A) of section 80LA shall not be included in the total income of the non-resident.

In order to further incentivize operations from the IFSC, it is proposed to amend clause (4E) of section 10 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.

This amendment will take effect from the April 1, 2026 and shall accordingly, apply in relation to

the AY 2026-27 and subsequent AYs.



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, provided the resultant fund is a Category I, II, or III Alternative Investment Fund in India and located in any International Financial Services Centre and is subject to certain conditions provided therein.

It is proposed to expand the definition of "resultant fund" to include retail schemes and Exchange Traded Funds (ETFs) regulated under the International Financial Services Centres Authority Act, 2019, ensuring tax neutrality for their relocation.

The Finance (No. 2) Act, 2024 granted tax exemptions under Section 10(4D) to retail schemes and ETFs in IFSC, similar to specified funds. To align with this, these funds will now qualify as resultant funds under Section 47(viad), allowing seamless relocation without capital gains tax.

This amendment will take effect from April 1, 2026, and shall accordingly, apply in relation to AY 2026-27 and subsequent AYs

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

Clause (23FE) of Section 10 exempts specified persons—including Sovereign Wealth Funds (SWFs) and Pension Funds (PFs)—from tax on dividends, interest, long-term capital gains, and other incomes from eligible investments in India. This provision was introduced in Finance Act, 2020, to encourage investments of SWF and PF into infrastructure sector of India.

The current exemption applies to investments made between after April 1, 2020 but on or before March 31, 2025. Further, the amendment 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.

It is now proposed to continue exempting long-term capital gains under Clause (23FE), even if they are deemed short-term under Section 50AA and the date of investment under the said clause shall be extended from March 31, 2025, to March 31, 2030.

These amendments will take effect from the April 1, 2025.

### Proposed Section 44BBD – Presumptive Taxation for Non-Residents in Electronics Manufacturing

To establish India as a global hub for Electronics System Design and Manufacturing, the government has approved schemes for setting up semiconductor and display manufacturing facilities under the Ministry of Electronics and Information Technology.

Since non-residents play a key role in supporting these facilities by providing technology and services, a presumptive taxation regime is proposed to ensure tax certainty and promote investment in this sector.

In order to ensure certainty and promotion of this industry, it is proposed to provide a presumptive taxation regime for non-residents engaged in the business of providing services or technology, to a resident company which are establishing or operating electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods, article or thing in India, under a scheme notified by the Central Government in the Ministry of Electronics and Information Technology and satisfies such conditions as prescribed in the rules.

It is, therefore, proposed, to insert a new section 44BBD, 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.

This amendment will take effect from April 1, 2026 and shall accordingly, apply in relation to AY 2026-27 and subsequent AYs.

### VKC Insights

*This initiative aims to attract global technology providers, streamline taxation, and boost India's electronics manufacturing ecosystem.*

### Extension of benefits of tonnage tax scheme to inland vessels

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.

Therefore, to promote inland water transportation in the country and to attract investments in the sector, it is proposed to extend the benefits of tonnage tax scheme 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.

This amendment will take effect from the April 1, 2026 and shall, accordingly, apply in relation to AY 2026-27 and subsequent AYs.

### SIMPLIFICATION AND RATIONALISATION

#### Simplification of tax provisions for charitable trusts/institutions

Under the Income Tax Act, trusts and institutions registered under Section 12AB are eligible for tax exemption under sections 11 and 12, subject to compliance with prescribed conditions. Section 12A provides procedure to make application for the registration procedure, while Section 12AB governs approval and cancellation of registration. Section 13 denies exemptions if specified conditions are not met.

Section 12AB (4) allows the Principal Commissioner or Commissioner to cancel the registration of a trust or institution if any "specified violation" occurs. One such violation includes situations where an application under Section 12A (1) (ac) is incomplete or contains incorrect

information.

It is noted that even minor default, where the application as referred to in clause (ac) of sub-section (1) of section 12A is not complete, could trigger cancellation of the registration, leading to taxation on accreted income under Chapter XII-EB, causing undue hardship.

It is therefore proposed to amend the Explanation to Section 12AB (4) to exclude cases where the application is not complete from the definition of "specified violation."

These amendments will take effect from April 1, 2025.

### VKC Insights

*The proposed amendment to safeguard organizations from cancellation proceedings due to minor errors in their registration applications is a positive development. This adjustment ensures that nonprofit organizations (NPOs) and charitable institutions are not unfairly penalized for small, unintentional mistakes made during the registration process.*

India surpasses 200 GW in renewable energy, now accounting for 46% of total power capacity



Period of validity of Registration of Charitable And Religious Organisations increased from 5 Years To 10 Years in some Cases

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, it is proposed to increase the period of validity of registration of trust or institution 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 sub-section (1) of section 12A, and the total income of such trust or institution, without giving effect to the provisions of sections 11 and 12, does not exceed INR 5 crore (INR 50 million) during each of the two previous year, preceding to the previous year in which such application is made.

These amendments will take effect from April 1, 2025.

### **VKC Insights**

*Small charitable trusts/institutions have been given the benefit by increasing their period of validity registration from 5 to 10 years, thereby reducing their compliance burden and ensuring greater continuity in operations.*

### **Rationalisation of specified persons under section 13(3) for Trusts and Institutions**

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 of institution, if such income ensues, 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 PY exceeds INR 50,000;
- any relative of any such person as aforesaid;
- any concern in which any such person as aforesaid has a substantial interest.

Considering the 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', it is proposed to amend section 13(3) to provide that:

- persons referred to in clause (b) of sub-section



India conducted successful missile tests

(3) of section 13, shall be any person whose total contribution to the trust or institution, during the relevant previous year exceeds INR 1 lakh (INR 0.1 million), or, in aggregate up to the end of the relevant PY exceeds INR 10 lakh (INR 1 million), as the case may be;

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

These amendments will take effect from April 1, 2025.

### VKC Insights

*These amendments offer significant relief by addressing the arbitrary and impractical nature of the previous definition. Earlier, organizations had to disclose details of donors' relatives, even for INR 50,000 contributions made decades ago, which was unrealistic. The revision eliminates this burdensome and ineffective requirement, making compliance more practical and manageable.*

#### Rationalisation in taxation of Business trusts

The Finance (No.2) Act, 2014 introduced a special taxation regime under Section 115UA for Real Estate Investment Trusts (REITs) and Infrastructure

Investment Trusts (InvITs) to facilitate financing and investment in infrastructure. Business trusts invest in special purpose vehicles (SPVs) through equity or debt instruments.

Under the pass-through taxation regime, interest, dividend (from SPVs), and rental income (for REITs) are taxed in the hands of unit holders, unless specifically exempted. Section 115UA (2) provides that the total income of a business trust is taxed at the maximum marginal rate, subject to Sections 111A and 112.

It has been noted that reference of section 112A is not mentioned in sub-section (2) of section 115UA. 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.

It is proposed to amend section 115UA (2) 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.

This amendment will take effect

from April 1, 2026 and shall accordingly, apply in relation to AY 2026-27 and subsequent AYs.

#### Harmonization of Significant Economic Presence applicability with Business Connection

Section 9(1)(i), 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. However, Clause (b) of Explanation 1 clarifies that a non-resident's income from operations limited to purchasing goods in India for export is not deemed taxable in India.

Explanation 2A to clause (i) of sub-section (1) of section 9, 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.

It is therefore proposed to amend Explanation 2A of section 9 to clarify that transactions confined only to the purchase of goods

for export shall not constitute a significant economic presence in India.

This ensures consistency with Explanation 1 and maintains the tax exemption for such transactions.

This amendment will take effect from April 1, 2026 and shall accordingly, apply in relation to AY 2026-27 and subsequent AYs.

#### Bringing clarity in income on redemption of Unit Linked Insurance Policy

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 INR 2.5 lakh (INR 0.25 million)

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.

It is, therefore, proposed to rationalise the provisions for unit-

linked insurance policies, so as to provide that:

- ULIPs to which exemption under clause (10D) of section 10 does not apply, is a capital asset [clause (14) of section 2]
- 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 [sub-section (1B) of section 45]; and
- 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]

This amendment will take effect from April 1, 2026 and shall accordingly, apply in relation to AY 2026-27 and subsequent AYs.

#### Clarification on Capital Asset Treatment for Investment Funds

Section 2(14) defines "capital asset" as property of any kind, excluding stock-in-trade and personal assets. It also classifies securities held by Foreign Institutional Investors (FIIs), as

per SEBI regulations, as capital assets.

However, uncertainty exists regarding whether income from securities transactions for investment funds (specified in clause (a) of Explanation 1 to section 115UB in the Act) should be treated as capital gains or business income.

It is therefore proposed to amend that any security held by investment funds under Section 115UB, in compliance with SEBI regulations, shall be treated as capital assets. Consequently, income from their transfer will be classified as capital gains.

This amendment will take effect from April 1, 2026 and shall accordingly, apply in relation to AY 2026-27 and subsequent AYs.

#### Extension of timeline for tax benefits to start-ups

The existing provisions of Section 80-IAC of the Act, inter alia, provide for a deduction of an amount equal to 100% of the profits and gains derived from an eligible business by an eligible start-up for three consecutive AYs out of ten years, beginning from the year of incorporation, at the

option of the assessee subject to the condition that:

- the total turnover of its business does not exceed INR 100 crore (INR 1 billion)
- it is holding a certificate of eligible business from the Inter-Ministerial Board of Certification, and
- it is incorporated on or after April 1, 2016 but before April 1, 2025.

It is proposed to amend the above section 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 April 1, 2030.

This amendment will take effect from April 1, 2025.

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

The existing provisions of Section 115AD of the Act provide that where the total income of a specified fund or Foreign Institutional Investor includes:

- income received in respect of securities (other than units referred to in section 115AB);

or

- 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%

Vide Finance (No.2) Act, 2024, the rate of taxation on long-term gains arising from the transfer of capital assets was amended 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 FIIs 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% cent vide Finance (No.2) Act, 2024.



It is proposed to amend the provisions of section 115AD 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 12.5% per cent.

This amendment will take effect from April 1, 2026 and shall accordingly, apply in relation to AY 2026-27 and subsequent AYs.

#### Rationalization of tax deducted at source (TDS) rates

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

*India became the second-largest 5G market globally with over 950 million internet users.*

- TDS rate reduction for section 194LBC

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 HUF and 30%, if the payee is any other person.

- TDS/TCS threshold rationalization

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

It is proposed that TDS rate under section 194LBC of the Act be reduced from 25% and 30% to 10% as this sector is sufficiently organized and regulated.

This amendment will take effect from April 1, 2025.

*India focuses on biotech innovation and manufacturing.*



S. No	Section	Current threshold	Proposed threshold
1.	193 - Interest on securities	Nil	INR 10,000
2.	194A - Interest other than Interest on securities	(i) INR 50,000 for senior citizen; (ii) INR 40,000 in case of others when payer is bank, cooperative society and post office (iii) INR 5,000 in other cases	(i) INR 1 lakh (INR 0.1 million) for senior citizen (ii) INR 50,000 in case of others when payer is bank, co- operative society and post office (iii) INR 10,000 in other cases
3.	194 -Dividend for an individual shareholder	INR 5,000	INR 10,000
4.	194K - Income in respect of units of a mutual fund or specified company or undertaking	INR 5,000	INR 10,000
5.	194B - Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding INR 10,000 during the FY	INR 10,000 in respect of a single transaction
6.	194BB- Winnings from Horse Race		
7.	194D- Insurance Commission	INR 15,000	INR 20,000
8.	194G - Income by way of commission, prize etc. on lottery tickets	INR 15,000	INR 20,000
9.	194H - Commission or brokerage	INR 15,000	INR 20,000
10.	194-I Rent	INR 2.4 lakh (INR 0.24 million) during the FY	INR 50,000 per month or part of a month
11.	194J - Fee for professional/ technical services/ Royalty/ Any sum referred to in clause (va) of section 28	INR 30,000	INR 50,000
12.	194K- Income in respect of the units of Mutual fund specified u/s 10(23D)/ units from the Administrator of the specified undertaking units from the specified company	INR 5,000	INR 10,000
13.	194LA - Income by way of enhanced compensation	INR 2.5 lakh (0.25 million)	INR 5 lakh (0.5 million)
14.	TCS on remittance under the Liberalized Remittance Scheme and for overseas tour programme package	INR 7.0 lakh (0.70 million)	INR 10.0 lakh (1.00 million)
15.	TCS on remittance of any sum out of loan from specified financial institutions for education	INR 7.0 lakh (0.70 million)	NIL

These amendments will take effect from April 1, 2025.

### VKC Insights

The proposed reforms aim to rationalize TDS rates and increase threshold limits, thereby reducing administrative burdens for taxpayers and financial institutions alike.

Considering that most of the senior citizens are dependent on pension and interest earnings from savings, the limit of TDS on interest income has been doubled. Offering such tax exemption have provided major relief to pensioners.

The annual threshold limit of TDS on rent u/s 194I is a welcoming move for small taxpayers receiving small payments.

#### Definition of "forest produce" rationalised

Section 206C(1) 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.

Presently TCS at 2.5% is required to be collected on sale of goods of the following nature:

- Timber obtained under a forest lease,
- Timber obtained by any mode

SN	Nature of goods	Rate of TCS
(i)	Timber or any other forest produce (not being tendu leaves) obtained under a forest lease	2%
(ii)	Timber obtained by any mode other than under a forest lease	2%

These amendments will take effect from April 1, 2025.

#### Reduction in compliance burden by omission of TCS on sale of specified goods

Section 206C(1H), requires any person being a seller who receives consideration for sale of any goods of the value or aggregate of value exceeding INR 50 lakh (INR 5 million) in any PY, to collect tax from the buyer at the rate of 0.1% of the sale consideration exceeding INR 50 lakh (INR 5 million), subject to certain conditions.

Section 194Q, 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 INR 50 lakh (INR 5 million) in any PY.

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

Further, it is provided in Section 206C(1H) 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 section 194Q. 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 proposed that provisions of Section 206C(1H) will not be applicable from April 1, 2025.

### VKC Insight

Authorities aim to foster a more streamlined, efficient, and investor-friendly taxation landscape leading to reduced compliance burden on sellers and elimination of dual taxation.

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

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 is

initiated or requisition under section 132A is made, on or after September 1, 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 (3) provide that any assessment or reassessment or recomputation or a reference or an order pertaining to any AY 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 XIV- B has been annulled in appeal or any other legal proceeding, then, the assessment or reassessment relating to any AY 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) 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. It is proposed to substitute the word "pending" as the assessment is 'required to be made' though it may not be pending when the subsequent search is initiated.

Section 158BB provides the methodology for computation of total income of block period wherein it is proposed:

- to amend clause (i) of the sub-section (1) of the said section to substitute reference to 'total income disclosed' with "undisclosed income" which has been declared in return. Consequential amendment is also proposed in sub-section (6) of the said section to reflect this change.
- to amend clause (iii) of the sub-section (1) 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.

- to omit the word total from 'total income' in clause (ii) and (iii) of the sub-section (1).
- to amend clause (iv) of sub-section (1) 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) 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 April 1 of the PY 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 ALP of part period transactions. It is proposed to amend the said sub-section 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, it is proposed to provide the reference to such income instead of evidence as provided earlier.

Section 158BE 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 often 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 is proposed to be made as twelve months from end of the quarter in which the last of

the authorisations for search or requisition has been executed.

These amendments will take effect from February 1, 2025.

### **VKC Insight**

*The undisclosed income would only be declared in the return furnished under section 158BC and not the total income (which was so earlier) and the entries in the books of account maintained prior to the date of search and for the PY prior to the date of search for which the "due date" for filing the return has not expired, would not be subjected to rate of tax meant for block assessment.*

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

The existing provisions of Section 271AAB(1A) relates to penalty in respect of searches initiated after December 15, 2016.

Vide Finance Act, 2024, provisions of 'Block Assessment' were introduced for searches initiated under section 132 on or after the September 1, 2024. Although section 271AAB is clear that its provisions are not applicable to

proceedings conducted under section 158BC, it is proposed to remove any ambiguous interpretation of its applicability to searches conducted on or after September 1, 2024.

Therefore, it is proposed to amend section 271AAB 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 September 1, 2024.

This amendment will take effect from September 1, 2024.

### **VKC Insight**

*The intention of the legislature is very clear that the imposition of penalty should link with the undisclosed income and not to be imposed in every case in which search is conducted. The satisfaction recorded for imposition of penalty should disclose how the mind is applied to the subject matter available in each case for a decision judicial prudence and case-specific evaluation.*

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

As per Section 132(8), 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. 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, it is proposed to amend section 132(8) 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 defines the circumstances in which last of the authorisation for search is to be deemed as to have been executed. To align the same with the other provisions of the Act, it is proposed to substitute

the word "authorisation" with "authorisations".

Explanation 1 to the section 132B 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. 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. To reflect this change, it is proposed to amend clause (ii) of Explanation 1 to the section 132B to update referencing to section 158B instead of the present section 158BE.

These amendments will take effect from April 1, 2025.

#### Rationalization of Time Limit for Imposing Penalties

The existing provisions of section 275, inter-alia, provide for the bar of limitation for imposing penalties. Section 275 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 FY 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, it proposed to amend section 275 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 to update reference of the amended section 275.

These amendments will take effect from April 1, 2025.

#### Clarification on the Commencement and End Date of the Court-Stayed Period

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, it is proposed to amend the said provisions of the Act 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).

This amendment will take effect from April 1, 2025.

#### Rationalisation of provisions for carry forward of losses in case of amalgamation

Section 72A and 72AA 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 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 AYs immediately succeeding the AYs for which the loss was first computed.

In order to bring clarity and parity with the provisions of section 72, it is proposed to amend section 72A and section 72AA 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 AYs immediately succeeding the AY 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 to ensure that no carry forward and set off of accumulated loss is allowed after eight AYs from the immediately succeeding the AY for which such loss was first computed for original predecessor entity.

The aforesaid amendments shall apply to any amalgamation or business re-organization which is affected on or after April 1, 2025.

These amendments will take effect from April 1, 2026.

#### VKC Insight

*These changes will have significant implications for corporate mergers and restructurings, requiring companies to reassess their tax planning strategies. While the amendment seeks to curb tax benefits from business reorganizations, its broader impact on the corporate landscape remains to be seen, along with the potential need for further clarifications on transitional cases.*

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

Transfer pricing provisions enable computation of income arising from an international transaction or a specified domestic transaction about 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 TPO, for computation of their ALP. Section 92C provides for computation of ALP 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 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 PY, 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 PY 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 is, therefore, proposed to provide 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 PYs immediately following such PY. For the same, it is proposed to make the following amendments:

**• Reference to TPO**

- 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);
- the TPO shall examine and determine the ALP in relation to such similar transaction for such consecutive PYs, in the order referred to

- 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);
- 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 PY shall apply to the similar international transaction or the specified domestic transaction for the two consecutive PYs immediately following such PY (new sub-section (3B) in 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 sub-section (1) of section 92CA);
- the provisions of exercising option mentioned above and

in section 92CA(3) (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 PYs as per the provisions of section 155(21) (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 sub-section (1) of section 92CA);

the provisions of exercising option mentioned above and

consequent proceedings, shall not apply to any proceedings under Chapter XIV-B (proviso to new sub-section (3B) in section 92CA);

- If any difficulty arises in giving effect to the provisions of section 92CA(3B) and (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) shall be inserted in section 155, so that where the ALP determined for an international transaction or a specified domestic transaction for any PY and the TPO has declared an option exercised by the assessee as valid option in

respect of such transaction for two consecutive PYs immediately following such PY, then:

- 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 sub-section (1) of section 143;
- 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 PY;
- 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 PY;
- the first and second proviso to section 92C(4) shall apply to such recomputation;
- 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.

These amendments will take effect from April 1, 2026, and shall accordingly, apply in relation to AY 2026-27 and subsequent AYs.

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

Section 206AB, 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.

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, it is proposed to omit section 206AB of the Act and section 206CCA.

These amendments will take effect from the April 1, 2025.

#### VKC Insight

*This move has reduced administrative burden and capital blockage and will encourage smoother business transactions by simplifying the tax compliance for deductors as well as the collectors.*

#### SOCIO ECONOMIC WELFARE MEASURES

##### Increase in the limits on the income of the employees for the purpose of calculating perquisites

The existing provisions of section 17(2) 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 to an employee whose income under the head "Salaries" as a monetary benefit does not exceed INR 50,000.

Further, the proviso to section 17(2) 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 INR 2 lakh (INR 0.2 million).

To adjust these limits accordingly to consider changes in standard of living and economic conditions, the provisions of section 17 has been proposed to be amended as under:

- the amenities and benefits received by such employees would be exempt from being treated as perquisites.
- 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.

These amendments will take effect from April 1, 2026, and shall

accordingly, apply in relation to the AY 2026-27 and subsequent AYs.

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

The NPS Vatsalya Scheme, launched September 18, 2024, enables parents and guardians to start a NPS account for their children. This is a savings-cum-pension scheme 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.

It is proposed to extend the tax benefits available to the NPS under Section 80CCD to the contributions made to the NPS Vatsalya accounts, as follows:

- 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 INR 50,000 overall as mandated under section 80CCD(1B);

- 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
- 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, it is also proposed to insert a clause (12BA) in section 10, 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.

These amendments will take effect from April 1, 2026, and shall accordingly, apply in relation to the AY 2026-27 and subsequent AYs.

#### VKC Insight

*NPS Vatsalya subscribers will now receive the same tax benefits under Section 80CCD(1B) as regular NPS subscribers for their contribution which could encourage more savings for retirement and dependent security under the NPS scheme.*

#### Exemption to withdrawals by Individuals from National Savings Scheme from taxation

Section 80CCA, inter-alia, provides for a deduction to an individual, or a HUF, 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 April 1, 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 April 1, 1992, the amounts taxable on withdrawal are those which were deposited in FY 1991-92 and earlier, and on which deduction had been claimed. Further, Circular No 532 issued on March 17, 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 August 29, 2024, providing that no interest would be paid on the balances in the NSS after October 1, 2024. Representations were received to suitably amend section 80CCA to provide relief to individuals facing hardship who were compelled to withdraw because of this Notification.

It is therefore proposed to amend section 80CCA to provide exemption to the withdrawals made by individuals from these

deposits for which deduction was allowed, on or after August 29, 2024. This exemption is provided to the deposits, with the interest accrued thereon, made before April 1, 1992, as these are the amounts in respect of which a deduction has been allowed. This amendment shall be made with retrospective effect from August 29, 2024.

#### Simplification of Annual Value for Self-Occupied Property

Section 23(2) provides that where house property is in the occupation of the owner for the purposes of his residence or owner cannot 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) 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, it is proposed to amend the sub-section (2) 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) which allows this benefit only in respect of two of such houses shall continue to apply as earlier. This amendment will take effect from April 1, 2025, and shall accordingly apply for AY 2025-26 onwards.

#### VKC Insight

*Considering the difficulties faced by the taxpayer, it is proposed that now they can claim the annual value of two self-occupied properties as nil without any conditions. It is a significant move to simplify tax compliance and provide relief to homeowners wherein there will be no tax on notional rental income.*

## TAX ADMINISTRATION

#### Obligation to furnish information in respect of crypto-asset

Vide Finance Act 2022, taxation of Virtual Digital Assets (VDA) has been introduced in the Income-tax Act, 1961, under section 115BBH 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 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.

It is now proposed to insert section 285BAA in the Act, being the Obligation to furnish information of crypto asset, wherein:

- Section 285BAA(1) 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;

- 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;

- 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;

- 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;
- 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;

It is also proposed to amend clause (47A) of section 2 to insert sub-clause (d) which states that the definition of



India Hosted the 4th Global Bio-India 2024 event focusing on biotech innovation and manufacturing.

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.

These amendments will take effect from April 1, 2026.

### VKC Insight

*These amendments, with no changes in tax impact, set to take effect from April 1, 2026, aim to strengthen compliance and monitoring of digital asset transactions in India by mandating the reporting entities including exchanges, to disclose transaction information of crypto assets.*

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

Section 115VP 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) 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, approving the option for tonnage tax scheme or refuse such approval, after providing reasonable opportunity of being heard. Sub-section (4) of the said section requires for order under section 115VP(3), 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) with the Joint Commissioner of Income-tax for verification of information and documents, including physical inspection of the ships if necessary.

Accordingly, to address this issue, it is proposed to amend section 115VP(4) to provide that for application received under sub-section (1) on or after April 1, 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.

This amendment will take effect from April 1, 2025.

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

Section 206C(7A) 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 FY in which tax was collectible or two years from the end of the FY in which the correction statement is delivered under section 206C(3B), whichever is later.

While computing the time limit under section 206C(7A), 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.

It is proposed that section 206C(7A) is to be amended to provide that relevant provisions of section 153 would apply to the time limit prescribed in section 206C(7A).

The amendment will take effect from April 1, 2025.

Exemption from prosecution for delayed payment of TCS in certain cases

Section 276BB provides for prosecution in case of failure to pay the TCS 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, 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.

It is proposed to amend section 276BB to provide that the prosecution shall not be instituted against a person covered under the said section, if the payment of the TCS 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) in respect of such payment.

This amendment will take effect from April 1, 2025.

### **VKC Insight**

*Earlier the tax department used to prosecute taxpayers for delay in depositing the collected TCS. Now after this amendment, only penal interest will be imposed, prosecution will not happen, provided TCS is deposited before the due date to file TCS return.*

### **Certain penalties to be imposed by the Assessing Officer**

Sections 271C, 271CA, 271D, 271DA, 271DB and 271E, 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.

To rationalize the process, it is proposed to amend sections 271C, 271CA, 271D, 271DA, 271DB and 271E so that penalties under these sections shall be levied by the Assessing Officer in pLakhe of Joint Commissioner, subject to the provisions of section 274(2). 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).

It is further proposed to make consequential amendment in section 246A(1)(n).

Section 271BB 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) 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 April 1, 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 is also proposed to be omitted.

These amendments will take effect from April 1, 2025.

### **VKC Insight**

*The Finance Bill 2025 introduces several assess-friendly amendments to the penal provisions under the Income Tax Act, 1961. These changes are designed to simplify the penal framework and address interpretational ambiguities that have led to litigation.*

### **Removing date restrictions on framing the schemes in certain cases**

The Central Government has undertaken several 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 were introduced in the Act through TOLA with effect from November 1, 2020, and under section 255, was inserted through Finance Act, 2021 with effect from April 1, 2021. Further, vide Finance Act, 2022, time limit for notification was extended to March 31, 2024, due to challenges in implementation. Further, vide Finance Act, 2024, time limit for notification was further extended to March 31, 2025, due to various challenges in the formation of the scheme under these sections.

In this regard, it is proposed that end date prescribed for notifying faceless schemes under sections 92CA, 144C, 253 and 255 may be omitted to provide that Central Government may issue directions beyond the cut-off date of March 31, 2025, if required.

These amendments will take effect from April 1, 2025.

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

Section 270AA of the Act provides, inter-alia, procedure of granting immunity by the

Assessing Officer from imposition of penalty or prosecution, if 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.

In view of the inputs received from the stakeholders that taxpayers are facing challenges to represent their case within this limited period, it is proposed to amend section 270AA(4) 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.

This amendment will take effect from April 1, 2025.

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

As per the present provisions of Section 139(8), an updated return can be filed upto 24 months from the end of the relevant AY. 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 AY. For updated return filed after expiry of 12 months and upto 24 months from the end of the relevant AY, the additional income tax of 50% of aggregate of tax and interest is to be paid.

With a view to further nudging voluntary compliance, it is proposed to amend the said sub-section to extend the time-limit to file the updated return from existing 24 months to 48 months from the end of relevant AY. 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 AY 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 AY shall be 70% of aggregate of tax and interest payable.

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

end of the relevant AY.

These amendments will take effect from April 1, 2025.

### **VKC Insights**

*As a form of relief to many, the Union Finance Minister announced a significant extension in the time limit for filing updated income tax returns from the existing period of 24 months to 48 months, thereby providing taxpayers with an extended window to rectify omissions and report correct income.*



India saw nuclear power capacity expansions.

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

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 March 31, 2023. Finance Act, 2023 amended the UTI Repeal Act, 2002, to extend

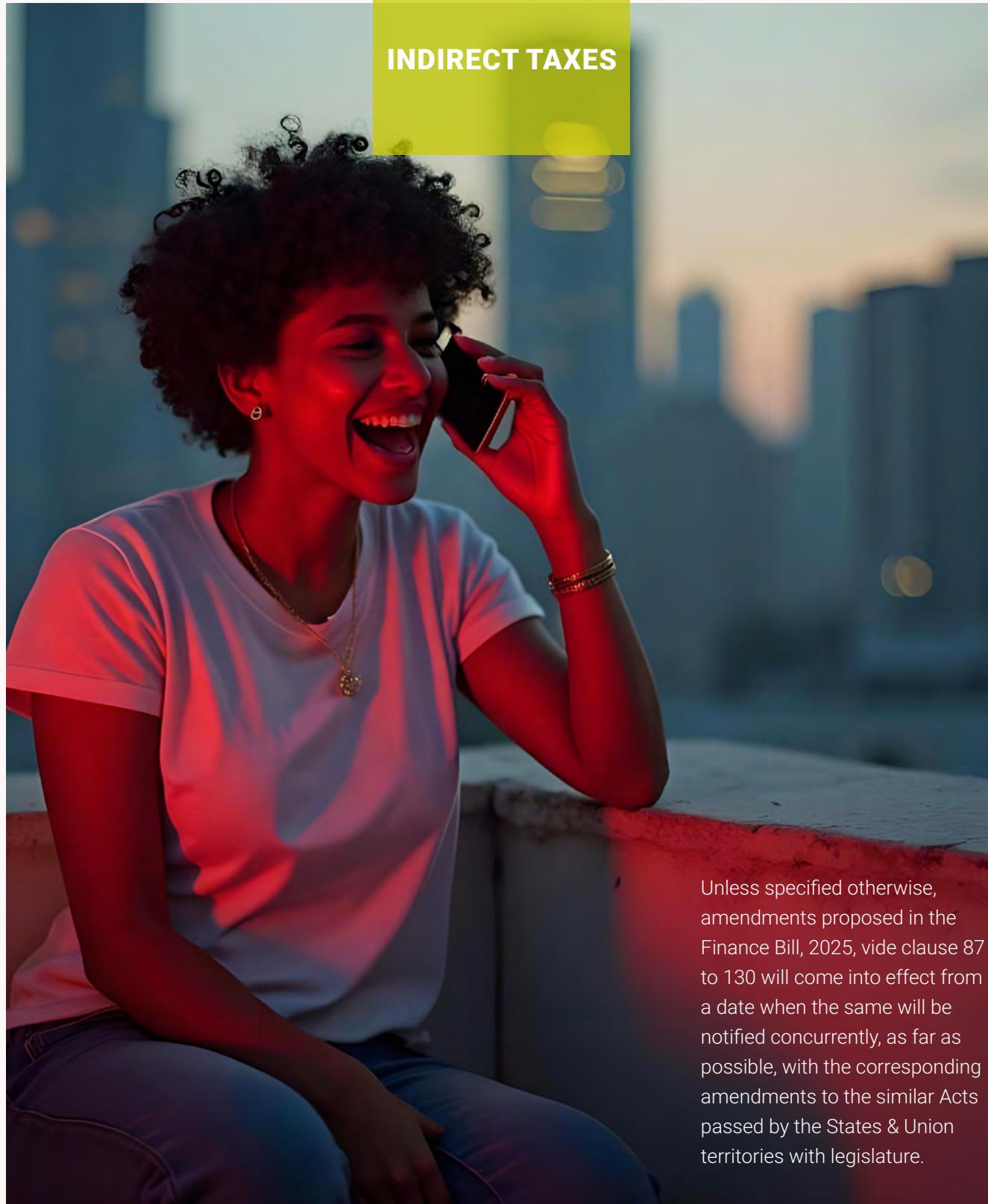
such date to March 31, 2025.

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 March 31, 2025, i.e., beyond the time limit till which the income-tax exemption has been provided.

In view of the above, it is proposed to amend the UTI Repeal Act, 2002, by way of amendment of section 13(1), 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 March 31, 2027 in respect of any income, profits or gains derived, or any amount received in relation to the specified undertaking.

This amendment will take effect from April 1, 2025.



India became the second-largest 5G market globally with over 950 million internet users.

## GOODS AND SERVICES TAX (GST)

Amendments in the CGST Act, 2017:

- Clause (61) of Section 2 of the Central Goods and Services Tax Act is being amended to explicitly allow the Input Service Distributor to distribute input tax credit for inter-state supplies that are subject to reverse charge. This will be achieved by inserting references to Sub-sections (3) and (4) of Section 5 of the Integrated Goods and Services Tax Act. The amendment will come into effect on April 1, 2025.
- Sub-clause (c) of clause (69) of Section 2 is being amended to replace the term 'municipal or local fund' with 'municipal fund or local fund.' Additionally, an Explanation is being inserted after the sub-clause to define the terms 'Local Fund' and 'Municipal Fund' as used in the definition of 'local authority' under the clause, thereby clarifying the scope of these terms.
- Local Fund:** The term 'local fund' refers to any fund managed by an authority of a local self-government body, such as a Panchayat, that is responsible for performing civic functions within its area. This fund is vested with the legal powers to levy, collect, and appropriate taxes, duties, tolls, cesses, or fees, irrespective of the names given to them by the relevant law.

is used to track and trace specified goods under the track and trace mechanism.

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

### VKC Insight

*This amendment removes the separate time of supply provisions for vouchers under Sections 12 and 13 of the CGST Act. As a result, GST will now apply only when the underlying goods or services are supplied, rather than at the time of voucher issuance. This aligns with the recent CBIC clarification that vouchers are not a supply but merely instruments, simplifying compliance and reducing ambiguity.*

- Clause (d) of sub-section (5) of section 17 is being amended to substitute the words 'plant or machinery' with words 'plant and machinery' effective from July 1, 2017. This change clarifies that the reference should always be to both plant and machinery, not just one or the other. Notwithstanding anything to the contrary contained in any judgment, decree or order of any court or any other authority.

#### **VKC Insight**

The amendment aims to replace the phrase 'plant or machinery' with 'plant and machinery', effective retroactively from July 1, 2017. This change addresses a drafting error pointed out by the Hon'ble Supreme Court in the *Safari Retreats* case, where ITC on construction expenses for buildings intended for leasing was allowed. The Court interpreted 'plant or machinery' based on functionality, but the amendment clarifies the intended scope.

Under the new definition, only 'plant and machinery' (as specifically defined in the Act) qualifies for ITC. This includes machinery fixed to the earth for

*producing goods or services, but excludes land, buildings, telecommunications towers, and pipelines. The amendment ensures clarity by limiting ITC claims to what is specifically recognized as 'plant and machinery,' avoiding further ambiguity and reducing potential disputes for businesses.*

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

#### **VKC Insight**

The amendment intends to resolve ambiguity, simplifies compliance for multi-location businesses, and enhances ITC distribution, by allowing an ISD

*to distribute ITC on inter-state supplies taxed under RCM. Effective from April 1, 2025, it aligns ITC rules with the IGST framework, improving tax management and cash flow.*

- Proviso to sub-section (2) of section 34 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.

#### **VKC Insight**

*This amendment explicitly mandates the reversal of corresponding ITC in cases where a credit note is issued by a supplier. If the registered recipient has already availed the ITC on the original supply, they must reverse the ITC when the credit note is issued, as it results in a reduction of the supplier's tax liability. The amendment aims to enforce consistency and prevent misuse of the credit mechanism.*

- Changes to Section 38
  - The term "auto generated" is removed from Section 38(1) and Section 38(2). This change broadens the scope of how ITC statements are created, allowing for both automated and manual data handling, rather than relying solely on automatic generation.

#### **VKC Insight**

*The amendment aims to provide more comprehensive, flexible, and accurate reporting of ITC, aligning with the broader goals of the newly introduced Invoice Management System, which offers taxpayers greater control over invoice handling and reconciliation.*

- In Section 38(2)(b), the word "including" is added after "by the recipient," making the clause more inclusive. This enables flexibility in reporting ITC, accommodating various methods, and ensuring that all possible ways of reporting are considered.

any tax demand.

- The amendment to Section 39(1) of the GST Act introduces an enabling clause that allows the government to prescribe conditions and restrictions for filing returns under this section.

- The amendment to Section 107(6) of the GST Act introduces a mandatory 10% pre-deposit requirement for penalties in cases where an appeal is filed before the Appellate Authority, and the case involves only the demand for penalty, without

- A new Clause (c) is added to Section 38(2), which allows for the introduction of further details in the ITC statement. This gives authorities the power to mandate additional information as required, improving the transparency and accuracy of ITC claims.

Appellate Tribunal in cases involving only the demand for penalty, without any associated demand for tax.

#### **VKC Insight**

*The amendment under Sections 107 and 112 ensures that the appeal process is not misused, especially in cases where the taxpayer is contesting only the penalty. By requiring a 10% pre-deposit, it encourages responsible litigation and helps reduce frivolous appeals.*

- New section 122B is being inserted to provide penalty for contraventions of provisions related to the Track and Trace Mechanism provided under section 148A.
- Section 148A of the CGST Act introduces a track and trace mechanism for specified goods, requiring affected persons to affix unique identification markings on these goods, maintain records, and provide details about their machinery. The government, based on GST Council recommendations, will prescribe the goods and persons involved.

#### **VKC Insight**

*This provision ensures better traceability, reduces fraudulent practices, and facilitates efficient tax administration, aligning with global best practices in supply chain monitoring.*

- Schedule III of CGST Act is being amended, w.e.f. July 1, 2017 by inserting a new clause (aa) in paragraph 8 of Schedule III of the Central Goods and Services Tax Act, to provide that the supply of goods warehoused in a SEZ or in a FTWZ to any person

before clearance for exports or to the DTA shall be treated neither as supply of goods nor as supply of services. Additionally, Explanation 2 is being amended to clarify its applicability specifically to clause (a) of paragraph 8. Furthermore, a new Explanation 3 is being introduced to provide definitions for SEZ, FTWZ, and DTA, aligning with the SEZ Act, 2005, for the purpose of the newly inserted clause (aa).

- No refund of tax already paid will be available for the aforesaid activities or transactions referred to in clause 128.

#### **VKC Insight**

*This amendment simplifies tax compliance, enhances ease of doing business, and ensures tax neutrality for SEZs and FTWZs, strengthening India's position as a global trade and export hub.*

Consequential amendments have been made in IGST ACT, 2017, UTGST ACT, 2017, GST (Compensation to States) Act, 2017 to give effect to the aforesaid provisions.

## **SERVICE TAX**

#### **Retrospective exemptions**

- The amendment grants a retrospective service tax exemption on reinsurance services under the Weather Based Crop Insurance Scheme and Modified National Agricultural Insurance Scheme for the period April 1, 2011 to June 30, 2017. It allows refunds of previously collected tax, provided claims are made within six months of the Finance Bill, 2025 receiving Presidential assent.

#### **VKC Insight**

*The amendment intends to encourage greater participation from insurers, making agricultural insurance more accessible and affordable for farmers. It also resolves tax disputes, ensuring regulatory clarity and reducing compliance burdens. By aligning with the existing GST exemption for similar services, the amendment prevents double taxation and supports policy consistency.*



## CUSTOMS

### Amendments in The Customs Act, 1962

- The amendments to Section 18 of the Customs Act, 1962, introduce two key provisions as under:
  - \* Sub-section (1B) establishes a two-year time limit for finalizing provisional assessments, extendable by one year with sufficient cause. For pending cases, the two-year period will begin from the date the Finance Bill receives assent.
  - \* Sub-section (1C) outlines specific grounds that could suspend the two-year time limit, allowing for delays in certain situations, with further details on the grounds to be provided in the legislation.

### VKC Insight

*It intends to lead to a more predictable, transparent, and efficient system, ensuring timely and accurate duty assessments, while allowing for flexibility in cases where delays are unavoidable.*

- A new Section 18A is being inserted after Section 18 of the Customs Act, 1962, to allow for the voluntary revision of entries post-clearance. This provision enables importers and exporters to revise any entry related to the goods within a prescribed time frame and under certain specified conditions. The revised entry will be treated as self-assessment, allowing for the payment of any additional duty or, if applicable, the revised entry can be processed as a refund claim under Section 27. The section also outlines specific situations where its provisions will not apply.

### VKC Insight:

*It intends to enhance compliance, reduce errors, and provide a clearer, more efficient process for revising customs entries, benefiting both the trade community and customs authorities.*

- A new Explanation is being inserted in sub-section (1) of Section 27 of the Customs Act, 1962, to clarify that the limitation period for claiming a refund, as a result of a revised entry under Section 18A or an amendment under Section 149, shall be one year from the date of payment of the duty or interest. This ensures that the timeline for refund claims related to revised or amended entries is clearly defined.

### VKC Insight:

*It intends to strengthen the refund process by establishing a clear, consistent timeframe, which benefits both customs authorities and businesses by reducing uncertainty and promoting efficient resolution of disputes related to duties and refunds.*

- A new clause is being inserted in Explanation 1 of Section 28 of the Customs Act, 1962, specifying that in cases where duty is paid under the revised entry under Section 18A, the relevant date for determining any applicable proceedings will be the date of payment of the duty or interest. This clarifies the starting point for any actions related to such payments under the revised entry.
- Sections 127A to 127H of the Customs Act, 1962 primarily deal with the Settlement Commission and its powers and functions related to the settlement of customs disputes.

\* A new clause is being added after clauses (d) and (e) in Section 127A of the Customs Act, 1962, to define terms related to the Interim Board and pending applications.

- \* The definition of "Interim Board" is inserted, referring to the Interim Board for Settlement constituted under Section

- 31A of the Central Excise Act, 1944.
- \* A definition of "pending application" is introduced,

referring to applications filed under Section 127B before April 1, 2025, which have been allowed under Section



*India launched the BharatGen project to aimed at supporting sectors like agriculture*



Please scan the above QR code from your mobile phone, to read Amendments to the First Schedule to The Customs Tariff Act, 1975

- 127C, but no order was issued under sub-section (5) of Section 127C by March 31, 2025.
- \* Two provisos are inserted, with the first prohibiting any application under this section after April 1, 2025. The second ensures that once the Interim Board is constituted, any pending application will be taken over by the Interim Board from the stage it was at before the Board's constitution.
- \* A new sub-section is being inserted after sub-section (11) in section 127C of the Customs Act, 1962, providing time limit for extension by the interim board up to 12 months for reasons recorded in writing.
- \* A new sub-section is being inserted after sub-section (2) in section 127D of the Customs Act, 1962, 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.
- \* A new sub-section is being inserted after sub-section (4) in section 127F of the Customs Act, 1962, providing that the powers and functions of Settlement Commission shall be exercised or performed by the Interim Board.
- \* A proviso to section 127G of the Customs Act, 1962 is being inserted providing that the powers and functions of Settlement Commission shall be exercised or performed by the Interim Board.
- \* A new sub-section is being inserted after sub-section (3) in section 127H of the Customs Act, 1962 providing that the powers and functions of Settlement Commission shall be exercised or performed by the Interim Board.

### **VKC Insight:**

*These amendments effectively transition the responsibility of dispute settlement from the Settlement Commission to the newly constituted Interim Board. From April 1, 2025, the Interim Board will handle all pending applications, and the powers previously vested in the Settlement Commission will be exercised by the Interim Board across multiple sections of the Customs Act. This change is designed to centralize and streamline the settlement process under the authority of the Interim Board, with specific modifications to accommodate its functioning. The provisions also ensure that pending applications will be handled efficiently, with the possibility of extending deadlines for resolution.*

### **Amendments in The Customs Tariff Act, 1975**

- The proposed amendments to the First Schedule of the Customs Tariff Act, 1975 under the Finance Bill, 2025 involve several significant tariff changes aimed at simplifying customs procedures, improving tariff classifications, and complying with international standards, effective from May 01, 2025.

The key changes are as follows:

- \* Reduction in Tariff Rates: The tariff rates on certain goods are proposed to be reduced. These include a reduction from 25%, 30%, 35%, 40% to 20% and from 150%, 125%, 100% to 70%.
- \* New Tariff Items and Classifications:
  - » Rice Tariffs: New tariff items will be created under sub-heading 1006 30 for different varieties of rice, such as those recognized by the Geographical Identification Registry, Basmati rice, and other types, based on processing and variety.
  - » Makhana Products: Tariff items for Makhana (including popped, flour, and powder forms) will be created under sub-heading 2008 19, with existing entries renumbered accordingly.
  - » Waste Oils: New tariff items will be created for waste oils containing varying concentrations of harmful chemicals
- \* Precious Metals Classification: New tariff lines will be created for distinguishing precious metals, including silver (99.9% purity), gold (99.5% purity), and platinum (99% purity), under headings 7106, 7108, and 7110 respectively. This will provide a more accurate classification based on purity levels.

- \* Alignment with International Standards: Amendments will be made to heading 8112 to align it with the WCO HS 2022 and to sub-heading note 2 to Chapter 85 to reflect updates from the World Customs Organization's Harmonized System (HS) 2022.

### **VKC Insight:**

*The proposed amendments to the First Schedule of the Customs Tariff Act, 1975 aim to reduce tariff rates on various goods, lower import costs, and foster competition. New tariff items will streamline customs processes and improve classification, especially for specialized products like Makhana and waste oils. Aligning with WCO HS 2022 will harmonize India's tariff system with global standards. Additionally, new categories for hazardous and dual-use chemicals will enhance regulation, supporting public health and environmental protection. Overall, the objective is to stimulate economic growth, improve trade efficiency, and ensure sustainability.*

## SECTOR WISE IMPACT



India established 'India House,' highlighting its culture and sporting aspirations, aligning with its bid for the 2036 Games.



India's progress in women's leadership within the Panchayati Raj system was highlighted at the UN, showcasing over 1.4 million women in grassroots governance roles

### AGRICULTURE SECTOR

- Government to undertake 'Prime Minister Dhan-Dhaanya Krishi Yojana' in partnership with states to help 1.7 crore farmers with (1) enhance agricultural productivity, (2) crop diversification and sustainable agriculture practices, (3) augment post-harvest storage at the panchayat and block level, (4) improve irrigation facilities, and (5) facilitate availability of long-term and short-term credit.
- 'Rural Prosperity and

Resilience' programme to be launched in partnership with states to address underemployment in agriculture through skilling, investment, technology, and invigorating the rural economy.

- A 6-year "Mission for Aatmanirbarta in Pulses" to be launched with a special focus on Tur, Urad and Masoor.
- A comprehensive programme to promote production, efficient supplies, processing, and remunerative prices for

farmers to be launched for vegetables, fruits and shree-anna.

- A Makhana Board to be established in the state of Bihar to improve production, processing, value addition, and marketing of makhana.
- A National Mission on High Yielding Seeds to be launched of more than 100 seed varieties.
- Government to bring in an enabling framework for sustainable harnessing of fisheries from Indian

Exclusive Economic Zone and High Seas, with a special focus on the Andaman & Nicobar and Lakshadweep Islands.

- A 5-year 'Mission for Cotton Productivity' to be launched to facilitate significant improvements in productivity and sustainability of cotton farming and promote extra-long staple cotton varieties.
- The loan limit under the Modified Interest Subvention Scheme to be enhanced from INR 3 lakh to 5 lakh (INR 0.3 million to 0.5 million) for loans taken through the KCC.
- To further augment urea supply, a plant with annual capacity of 12.7 lakh metric tons to be set up at Namrup, Assam.
- Government to provide support to NCDC for its lending operations for the cooperative sector

### INDUSTRIAL AND CORPORATE SECTOR

- The investment and turnover limits for classification of all MSMEs to be enhanced to 2.5 and 2 times respectively.
- To improve access to credit, the credit guarantee covers to be enhanced for Micro ad small enterprises, startups and well-run exporter MSMEs.
- Introduction of customized Credit Cards with INR 5 lakh (INR 0.5 million) limit for micro-enterprises registered on Udyam portal.
- A new Fund of Funds under AIF, with expanded scope and a fresh contribution of another
- INR 10,000 crore (INR 100 billion) to be set up.
- A new scheme to be launched for 5 lakh women, Scheduled Castes and Scheduled Tribes first-time

entrepreneurs to provide term loans up to INR 2 crore (INR 20 million) during the next 5 years.

- To enhance the productivity, quality and competitiveness of India's footwear and leather sector, a focus product scheme to be implemented.
- Building on the National Action Plan for Toys, government to implement a scheme to make India a global hub for toys.
- Government to establish a National Institute of Food Technology, Entrepreneurship and Management in Bihar.

## INFRASTRUCTURE AND INVESTMENT SECTOR

- PM SVANidhi scheme to be revamped with enhanced loans from banks, UPI linked credit cards with INR 30,000 (INR 0.03 million) limit, and capacity building support.
- Each infrastructure-related ministry to come up with a 3-year pipeline of projects that can be implemented in PPP mode.
- An outlay of INR 1.5 lakh crore (INR 1.5 trillion) is proposed for the 50-year interest free loans to states for capital expenditure and incentives for reforms.

- Second Asset Monetization Plan for 2025-30 to be launched to plough back capital of INR 10 lakh crore (INR 10 trillion) in new projects
- Urban sector reforms related to governance, municipal services, urban land, and planning to be incentivized.
- The government to set up an Urban Challenge Fund of INR 1 lakh crore (INR 1 trillion) to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water and Sanitation'.
- Nuclear Energy Mission for research & development of Small Modular Reactors (SMR) with an outlay of INR 20,000 crore (INR 200 billion) to be set up.
- For long-term financing for the maritime industry, a Maritime Development Fund with a corpus of INR 25,000 crore (INR 250 billion) to be set up.
- A modified UDAN scheme to be launched to enhance regional connectivity to 120 new destinations and carry 4 crore passengers in the next 10 years. Greenfield airports to be facilitated in Bihar to meet the future needs of the State.
- SWAMIH Fund 2 to be established as a blended finance facility with contribution from the government, banks and private investors with an outlay of INR 15,000 crore (INR 150 billion)
- Outlay of INR 20,000 crore (INR 200 billion) to implement private sector driven Research, Development and Innovation initiative.

## EDUCATION SECTOR

- 50,000 Atal Tinkering Labs to be set up in government schools in next 5 years.
- Broadband connectivity to be provided to all government secondary schools and primary health centres in rural areas under the Bharatnet project.

- To implement a Bharatiya Bhasha Pustak Scheme to provide digital-form Indian language books for school and higher education.
- 5 National Centres of Excellence for skilling to be set up with global expertise and partnerships.
- Additional infrastructure to be created in the 5 IITs started after 2014 to facilitate education for 6,500 more students.
- 3 Centres of Excellence in Artificial Intelligence announced for agriculture, health, and sustainable cities in 2023.
- 10,000 additional seats to be added in medical colleges and hospitals, towards the goal of adding 75,000 seats in the next 5 years.
- 10,000 fellowships for technological research in IITs and IISc with enhanced financial support.

## FINANCE SECTOR

- FDI limit for the insurance sector to be raised from 74 to 100% for those companies

which invest the entire premium in India.

- NaBFID to set up a 'Partial Credit Enhancement Facility' for corporate bonds for infrastructure.
- Public Sector Banks to develop 'Grameen Credit Score' framework to serve the credit needs of SHG members and people in rural areas.
- Investment Friendliness Index of States to be launched in 2025 to further the spirit of competitive cooperative federalism.

## OTHER SECTORS

- 2nd Gene Bank with 10 lakh germplasm lines to be set up for future food and nutritional security.
- National Geospatial Mission to develop foundational geospatial infrastructure and data.
- Gyan Bharatam Mission for survey, documentation and conservation of our manuscript heritage with academic institutions, museums, libraries and private collectors to be undertaken to cover more than 1 crore manuscripts.
- A national framework to be formulated as guidance to states for promoting Global Capability Centres in emerging tier 2 cities.
- Government to facilitate upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce.
- Requirements and procedures for speedy approval of company mergers to be rationalized.
- To encourage sustained foreign investment and in the spirit of 'first develop India', the current model BIT to be revamped and made more investor friendly.
- High-Level Committee for Regulatory Reforms to be set up for a review of all non-financial sector regulations, certifications, licenses, and permissions.
- Jan Vishwas Bill 2.0 to decriminalize more than 100 provisions in various laws.

## GLOSSARY

AAR	Authority for Advance Ruling	EOU	Export Oriented Unit	MISHTI	Mangrove Initiative for Shoreline Habitats & Tangible Incomes	RSP	Retail Sale Price	SMR	Small Modular Reactor	TPO	Transfer Pricing Officer
AE	Advance Estimates	FA	Finance Act	MLD	Market Linked Debentures	RTE	Right to Education	SPV	Special Purpose Vehicle	UID	Unique Identification
AIDC	Agriculture Infrastructure and Development Cess	FCI	Food Corporation of India	MLI	Multilateral Instrument	SAD	Specific Advaloram Duty	SSI	Small Scale Industry	UIDAI	Unique Identification Authority of India
AIF	Alternative Investment Funds	FCP	Final Cane Price	MRP	Maximum Retail Price	SAF	Superannuation Funds	STT	Securities Transaction Tax	UIDF	Urban Infrastructure Development Fund
ALP	Arm's Length Price	FDI	Foreign Direct Investment	MSE	Micro and Small Enterprises	SC/ST	Scheduled Cast/Scheduled Tribe	SUUTI	Specified Undertaking of Unit Trust of India	ULIP	Unit Linked Insurance Plan
AMT	Alternate Minimum Tax	FEMA	Foreign Exchange Management Act	MSME	Micro Small and Medium Enterprises	SCRA	Securities Contract (Regulation) Act, 1956	SWAHIM	Special Window for Affordable and Mid-Income Housing	USD	US Dollar
AO	Assessing Officer	FII	Foreign Institutional Investor	MSP	Maximum Selling Price	SDT	specified domestic transaction	TAN	Tax Collection/ Deduction Account number	UTGST	Union Territory Goods and Service Tax
AOP	Association of Persons	FMV	Fair Market Value	MTFP	Medium-Term Fiscal Policy	SEBI	Securities & Exchange Board of India	TCS	Tax Collected at Source	VCU	Venture Capital Undertaking
APA	Advance Pricing Agreement	FPI	Foreign Portfolio Investors	MUDRA	Micro Units Development Refinance Agency	SEP	Significant Economic Presence	TDS	Tax Deducted at Source	VDA	Virtual Digital Asset
API	Application Programming Interface	FTP	Foreign Trade Policy	NaBFID	National Bank for Financing Infrastructure and Development	SEZ	Special Economic Zones	TI	Total Income	VsV	Vivaad se Vishwas
AVGC	Animation, Visual effects, Gaming, and Comic	FTWZ	Free Trade Warehousing Zone	NBFC	Non-Banking Financial Companies	SFC	State Finance Corporations	TOLA	(Taxation and Other Laws [Relaxation and Amendment of Certain Provisions] Act)	WCO HS	World Customs Organization (WCO) Harmonised System (HS)
AY	Assessment Year	GCF	Gross Capital Formation	NCD	Non-convertible Debentures	SGST	State Goods and Service Tax	TP	Transfer Pricing	WPI	Wholesale Price Index
BaaS	Battery as a Service	GDP	Gross Domestic Product	NCDC	National Cooperative Development Corporation	SIDBI	Small Industries and Development Bank of India	TOTAL	(Taxation and Other Laws [Relaxation and Amendment of Certain Provisions] Act)	WTO	World Trade Organization
BAR	Board for Advance Ruling	GDR	Global Depository Receipt	GOBARdhan	Galvanizing Organic Bio-Agro Resources Dhan	SITP	Software Information Technology Park	YoY	Year on year	ZCBS	Zero Coupon Bonds
BE	Budget Estimate	GIFT	Gujarat International Finance Tec			SMP	Statutory Minimum Price				
BEPS	Base Erosion and Profit Shifting	GOBARdhan	Galvanizing Organic Bio-Agro Resources Dhan								
BIT	Bilateral Investment Treaty	GST	Goods & Services Tax								
BM Act	Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015	GSTN	Goods & Services Tax Network								
BOD	Board of Directors	GTA	Goods Transport Agency								
BOI	Body of Individuals	HEFA	Higher Education Financing Agency								
BPL	Below Poverty Line	HFC	Housing Finance Companies								
BSE	Bombay Stock Exchange	HSD	High Speed Diesel								
CAD	Current Account Deficit	HUF	Hindu Undivided Family								
CbC	County-By-Country	IBC	Insolvency and Bankruptcy Code, 2016								
CBDC	Central Bank backed Digital Currency	ICD	Inland Container Depot								
CBDT	Central Board of Direct Taxes	ICMR	Indian Council of Medical Research								
CBIC	Central Board of Indirect Taxes and Customs	ICT	Information & Communication Technology								
CBU	Completely Built Unit	IDR	Indian Depository Receipts								
CCPS	Compulsory convertible Preference Shares	IFSC	International Financial Services Centre								
CDT	Commodities Transaction Tax	IGST	Integrated Goods and Service Tax								
CFPI	Consumer Food Price Index	IIFCL	India Infrastructure Finance Company Limited								
CFS	Consolidated Financial Statements	IIM	Indian Institute of Management								
CGST	Central Goods and Service Tax	IIT	Indian Institute of Technology								
CGTMSE	Credit Guarantee Trust for Micro and Small Enterprises	IIT-B	Institute of Information Technology-Bangalore								
CIF	Cost Insurance Freight	IMR	Infant Mortality Rate								
CII	Cost Inflation Index	Ind-AS	Indian Accounting Standards								
CIT	Commissioner of Income Tax	INR	Indian National Rupee								
COA	Cost of Acquisition	Invit	Infrastructure Investment Fund								
COI	Cost of Improvement	IO	Initiating Officer								
C-PACE	Centre for Processing Accelerated Corporate Exit	IPTV	Internet Protocol Television								
CPSE	Central Public Sector Enterprises	IRDA	Insurance Regulatory and Development Authority								
CSI	Continental Shelf of India	IRGD	Interest rate growth rate differential								
CTT	Commodity Transaction Tax	IRS	Indian Revenue Service								
CVD	Counter Vailing Duty	ISD	Input Service Distributor								
DBU	Digital Banking Unit	IT	Information Technology								
DDT	Dividend Distribution Tax	ITA	Income-tax Authority								
DFI	Development Financial Institution	ITAT	Income Tax Appellate Tribunal								
DPI	Digital Public Infrastructure	ITC	Input Tax Credit								
DTA	Domestic Tariff Area	JV/ WOS	Joint Venture/Wholly Owned Subsidiary								
ECB	External Commercial Borrowings	KCC	Kishan Credit Card								
ECGC	Export Credit and Guarantee Corporation	LCD	Liquid Crystal Display								
ECLGS	Emergency Credit Line Guarantee Scheme	LLP	Limited Liability Partnership								
ECS	Electronic Clearing System	LPG	Liquified Petroleum Gas								
EDF	Electronic Development Fund	LTCG	Long-term Capital Gain								
EEZ	Exclusive Economic Zones	MAT	Minimum Alternate Tax								
EGR	Electronic Gold receipt	MCA	Ministry of Corporate Affairs								
		MF	Mutual Fund								
		MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme								
		RSE	Recognised Stock Exchange								

- This document summarises the important provisions of the Budget 2025 proposals as placed before the Parliament.
- Topics presented are grouped into chapters and sections to facilitate an understanding of the proposals. These are, however, not mutually exclusive.
- Unless otherwise stated, Direct Tax Proposals will be applicable from AY 2026-27. Indirect Tax Proposals will however, be applicable with immediate effect under the Provisional Collection of Taxes Act, 1931.
- The proposals are subject to amendment as the Finance Bill passes through the Parliament.
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