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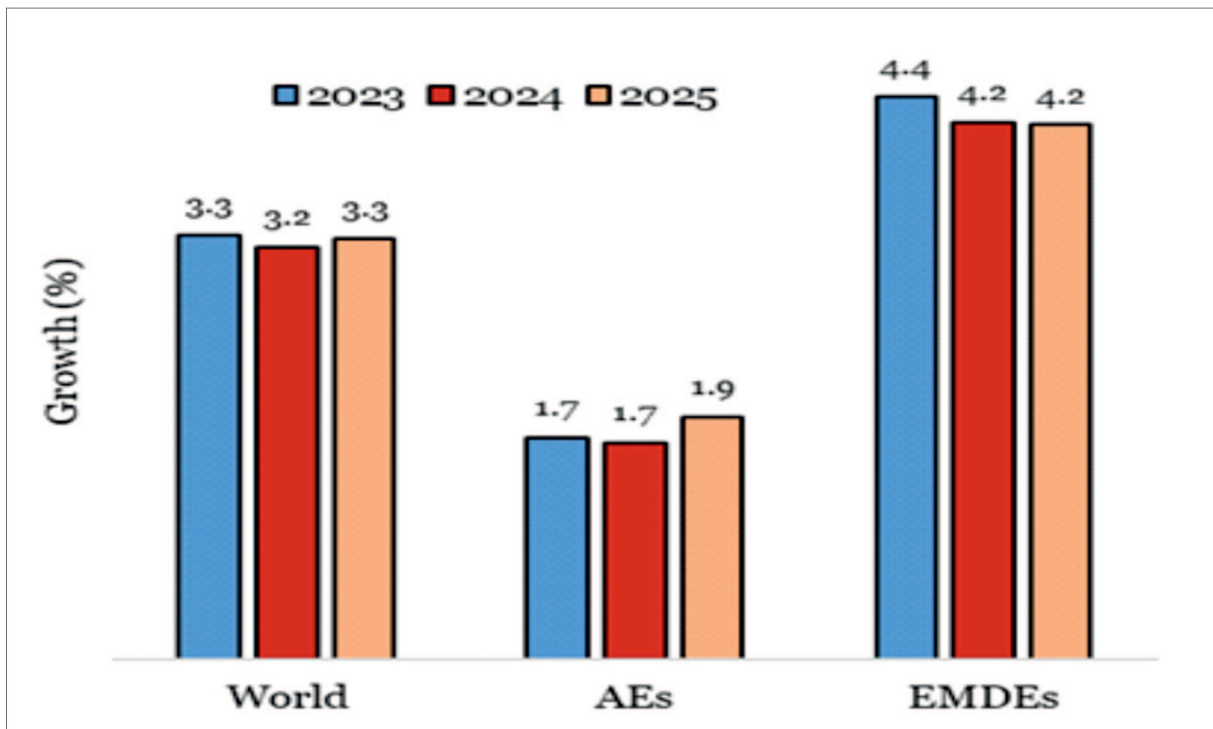
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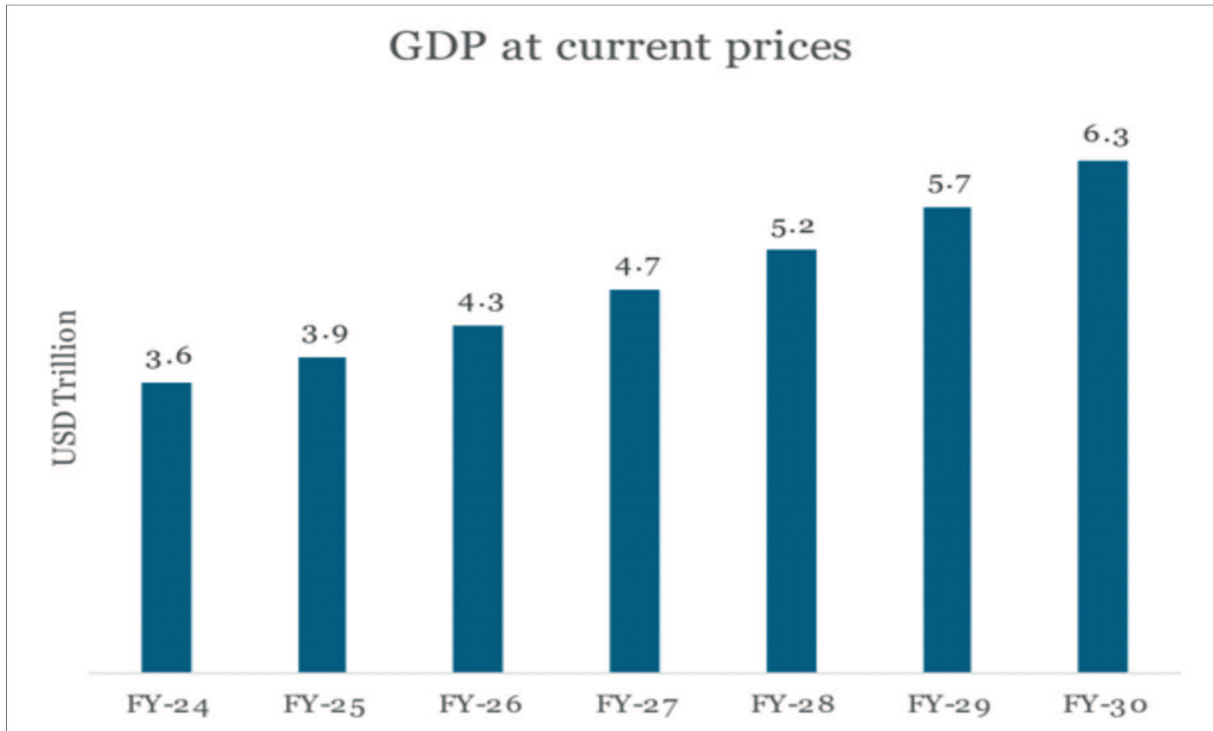
Resilient global growth trends in 2024



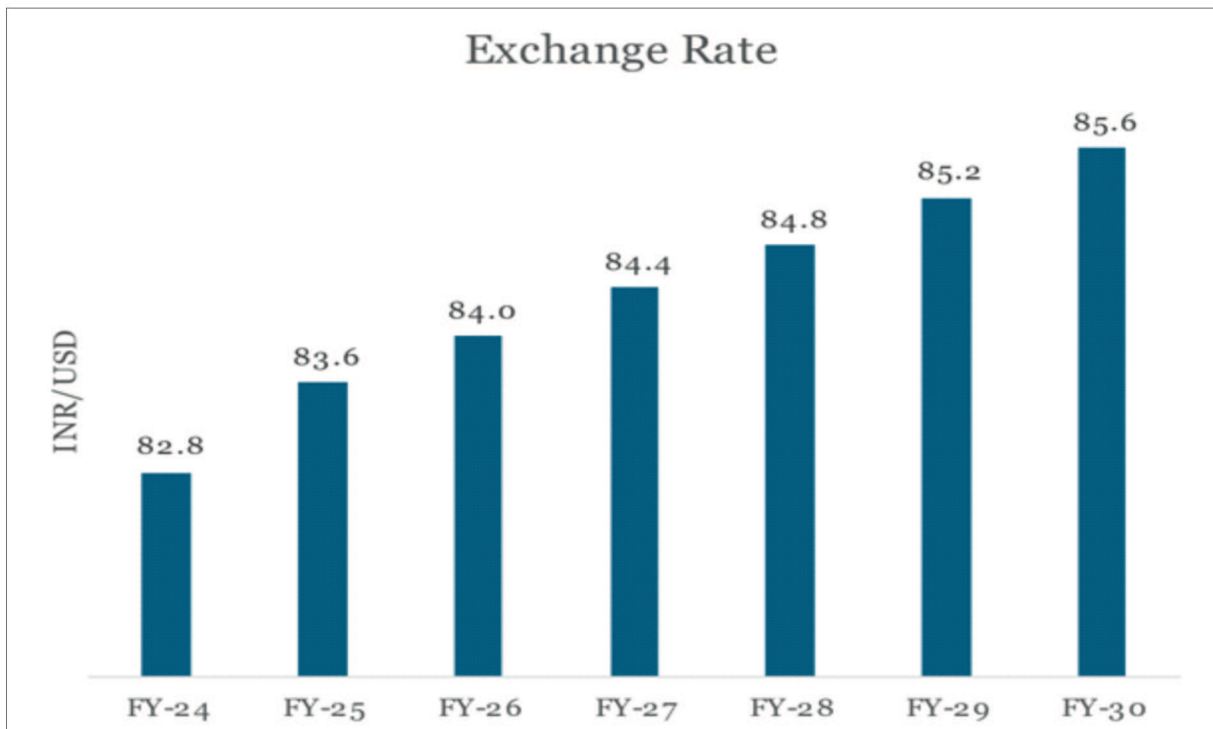
Steady growth outlook across country groups



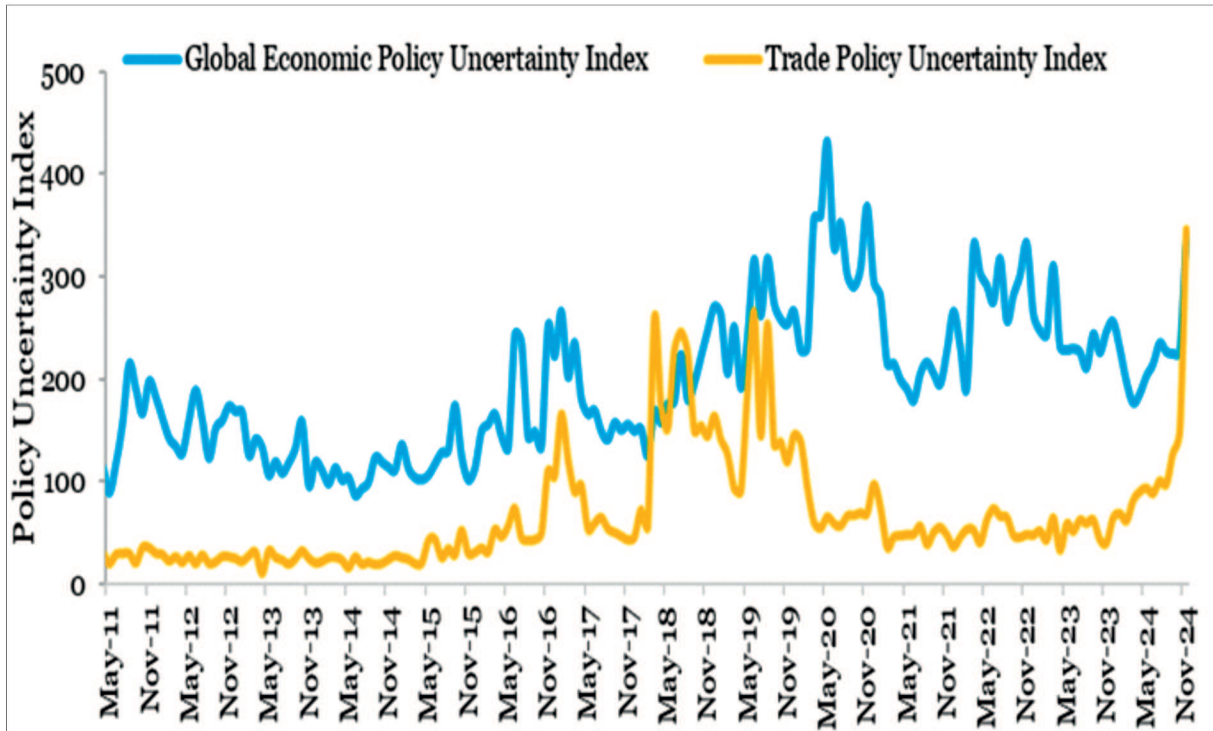
IMF WEO India GDP projections from FY25 to FY30



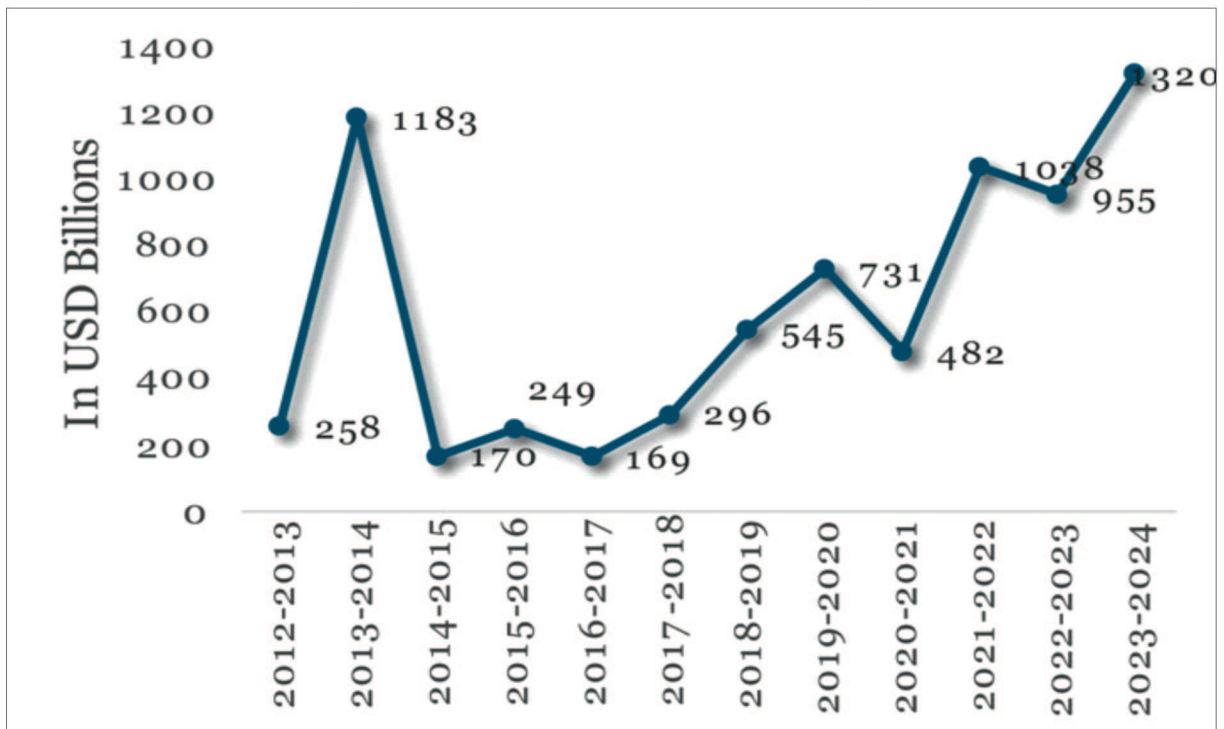
IMF WEO INR/USD projections from FY25 to FY30



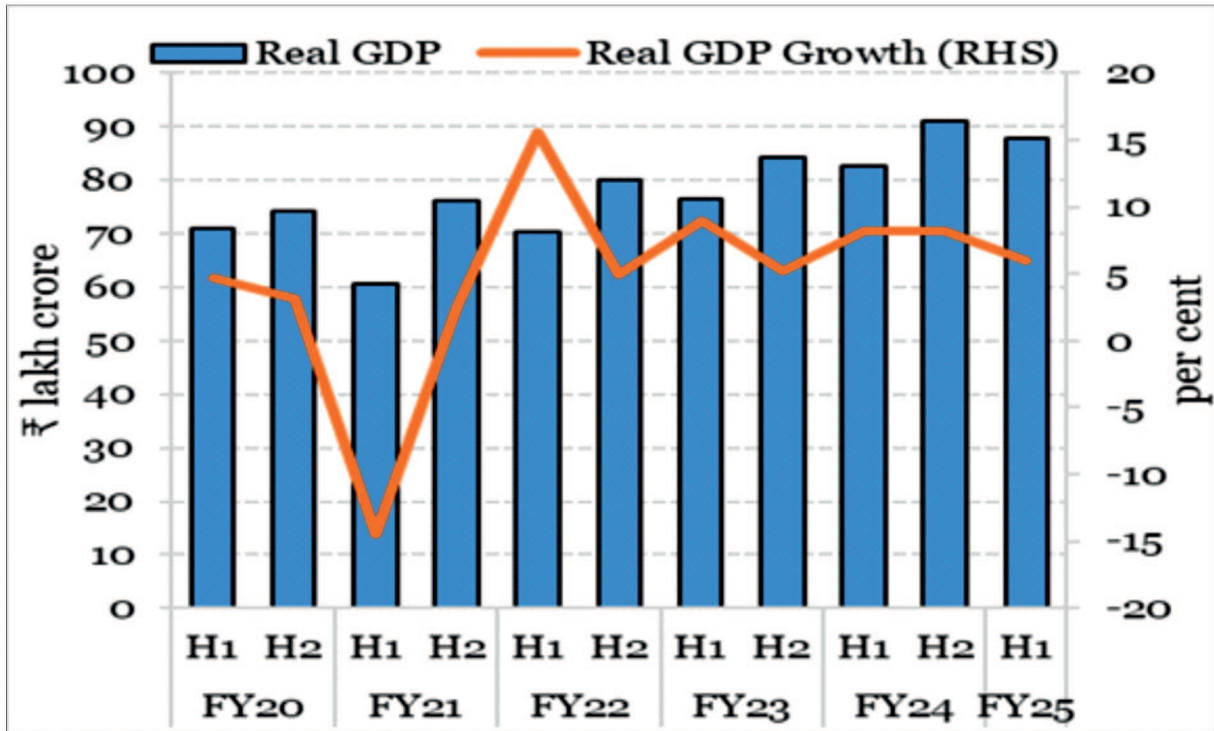
Rise in global uncertainty



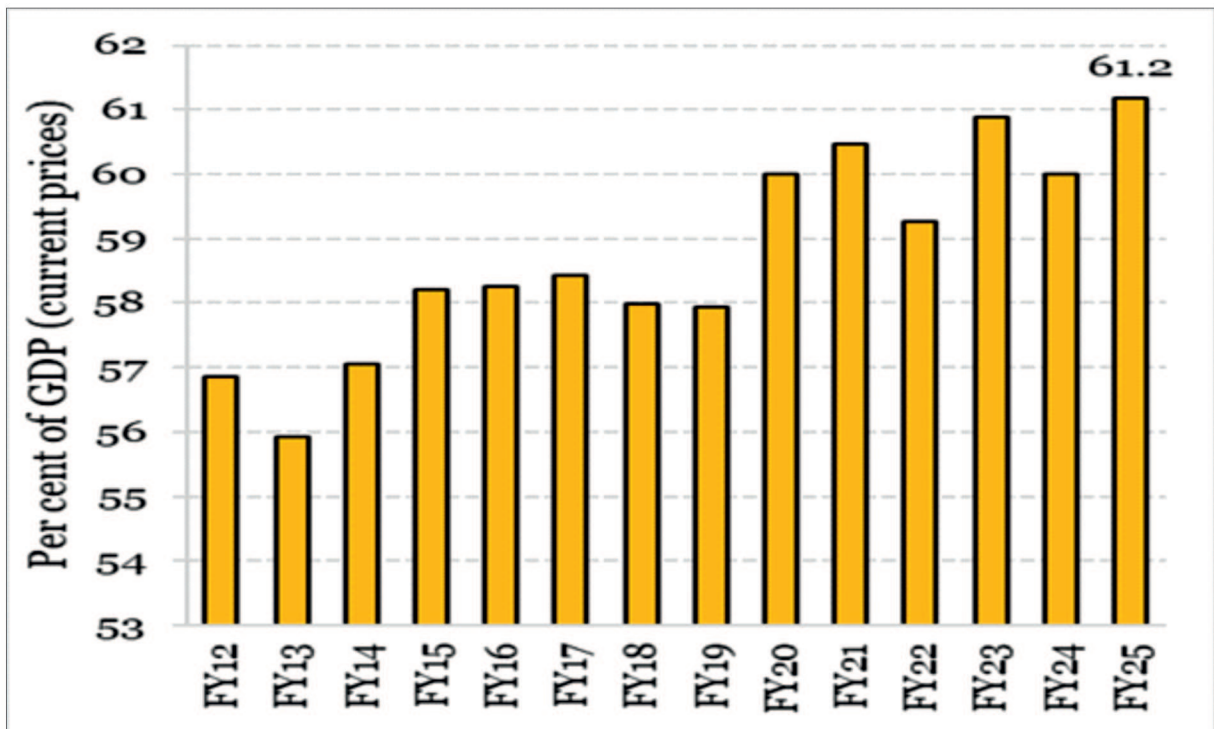
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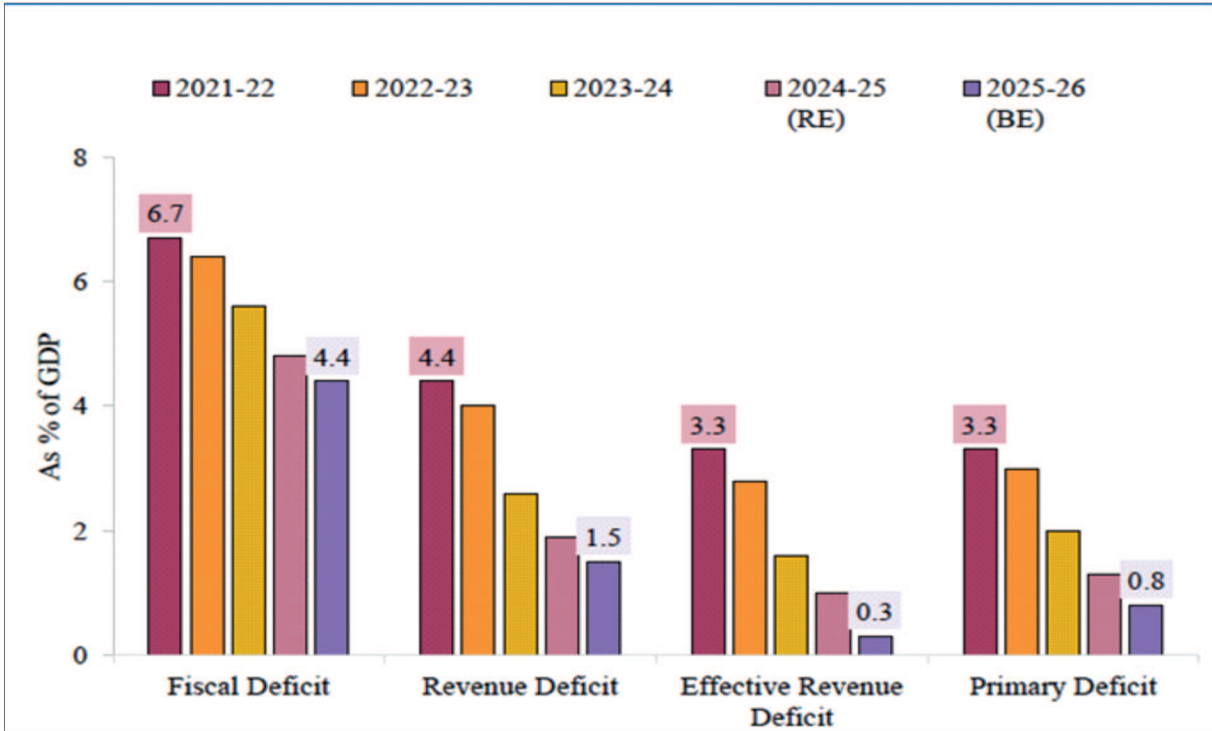
GDP growth in H1 FY25 at 6.0 per cent



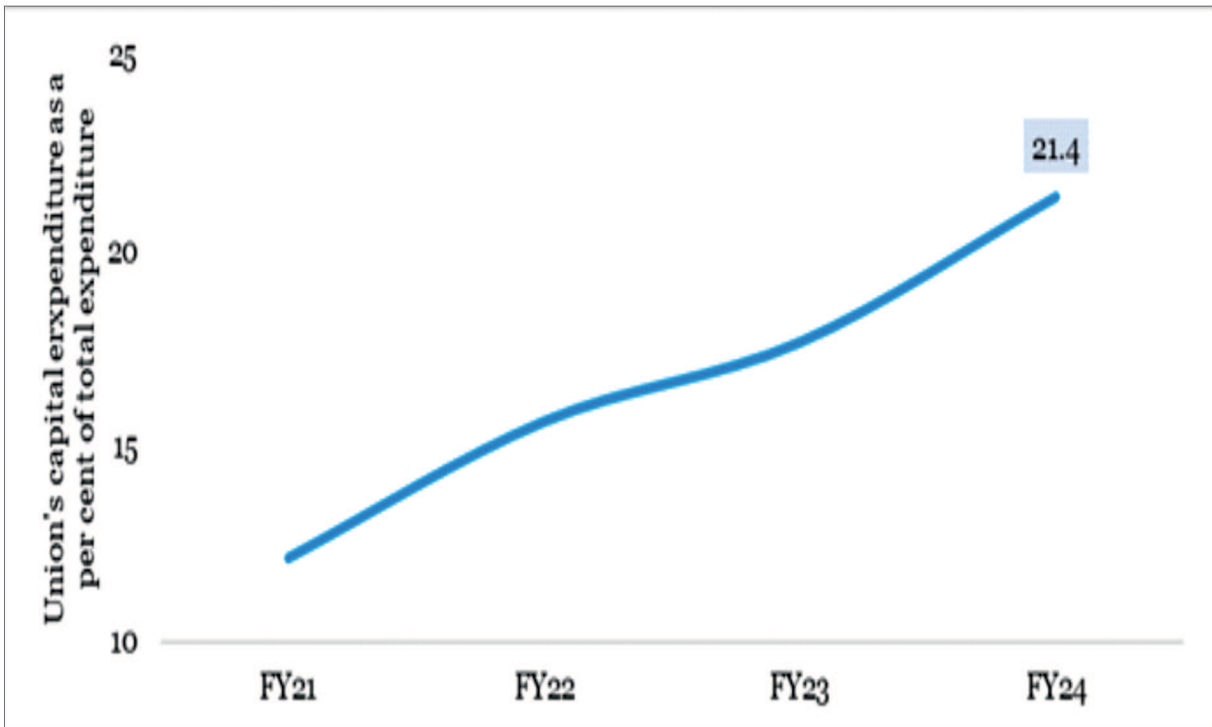
Highest share of private consumption in H1 across all years



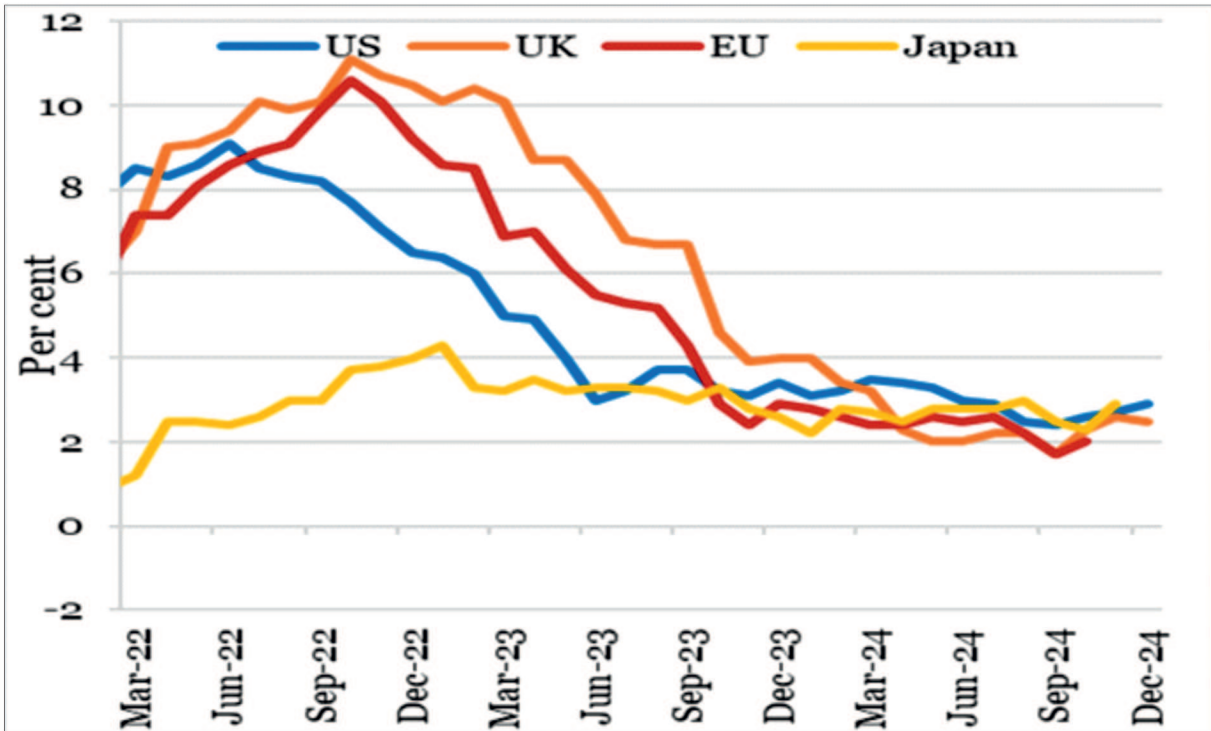
Deficit Trends



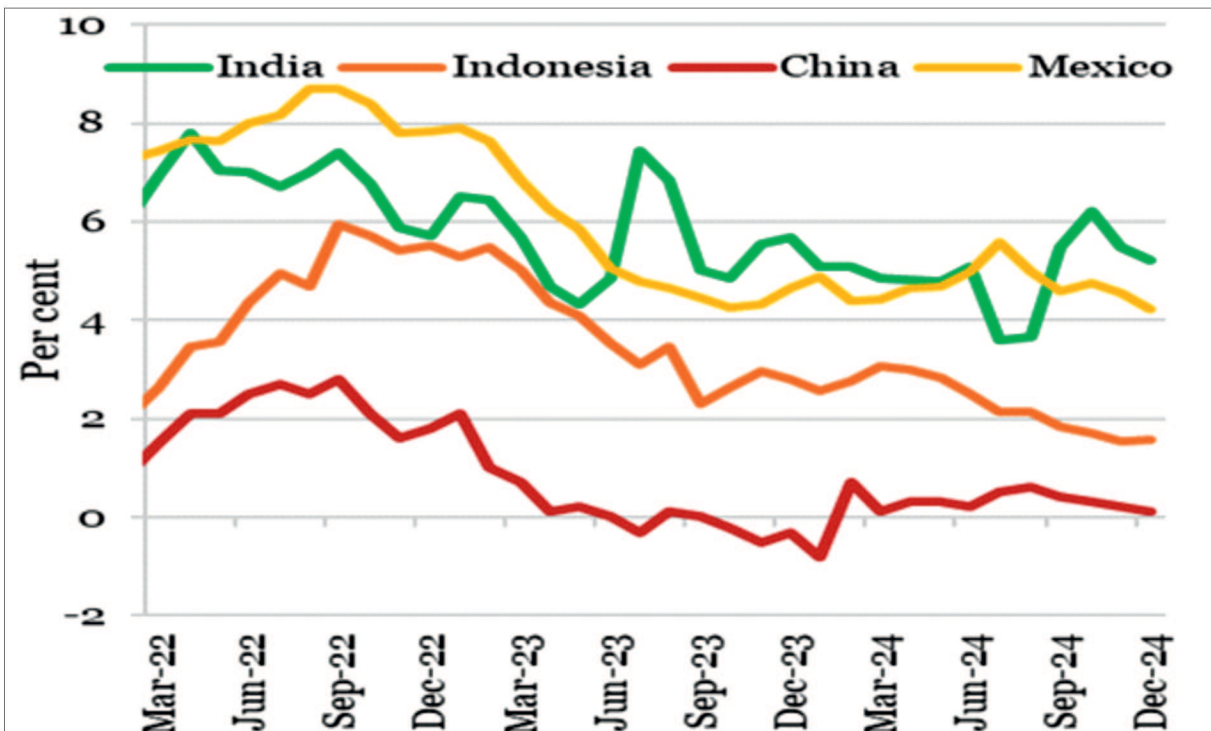
Strong focus on fiscal discipline



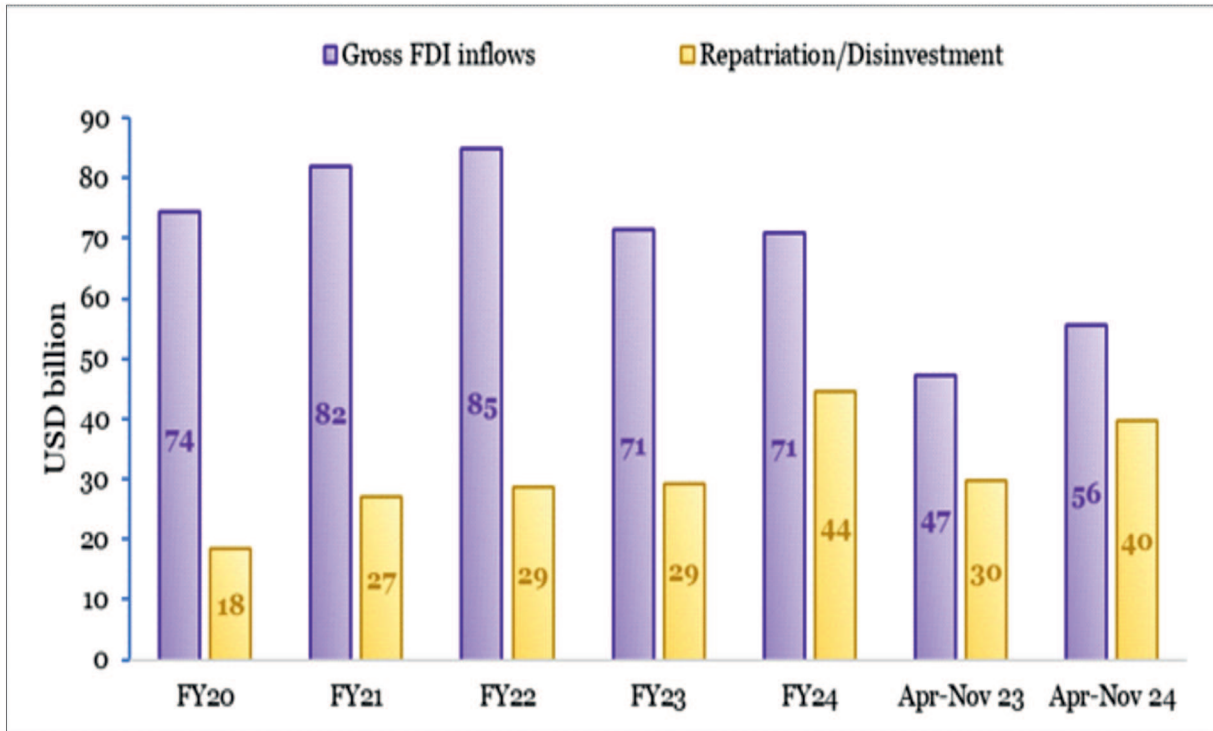
Inflation in advanced economies



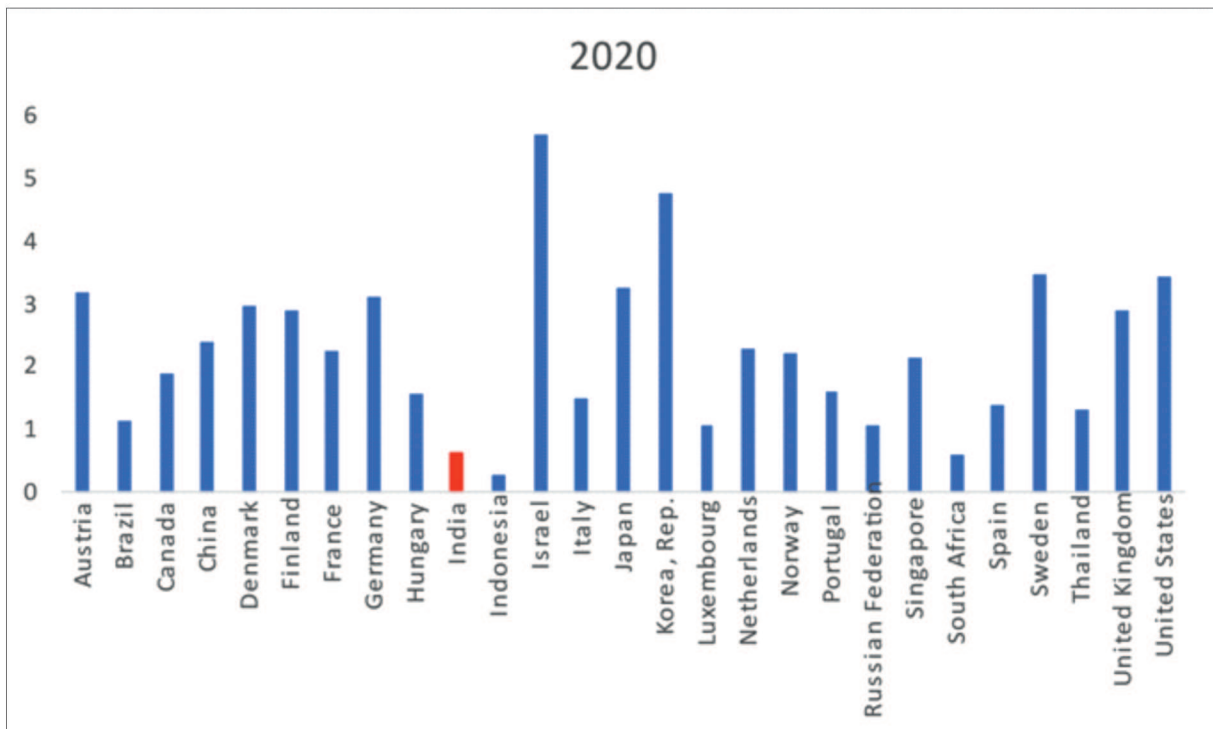
Inflation in emergingmarket economies



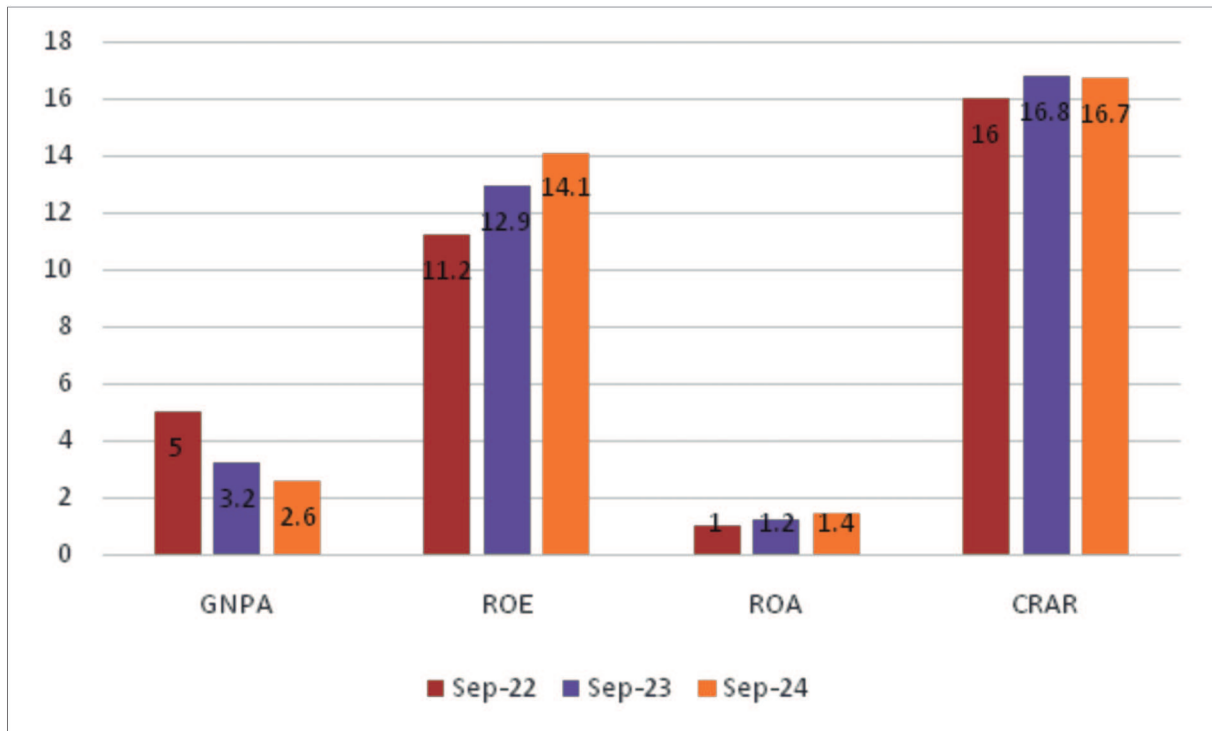
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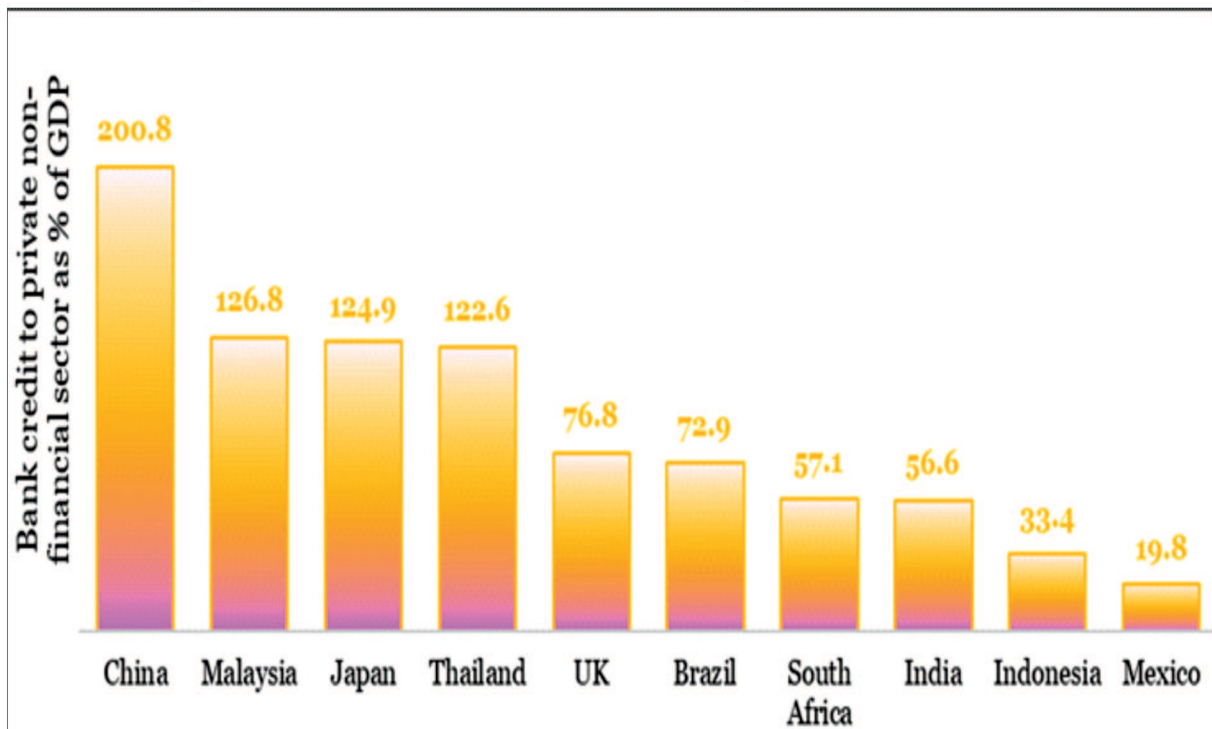
R&D spending in India calls for a leap forward



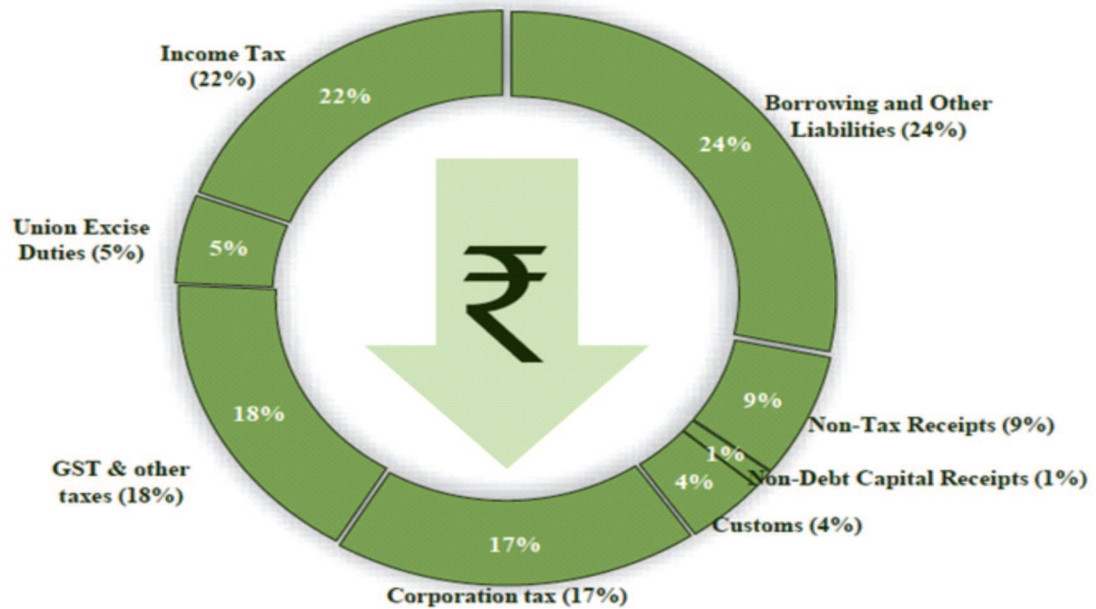
Stable banking system indicators



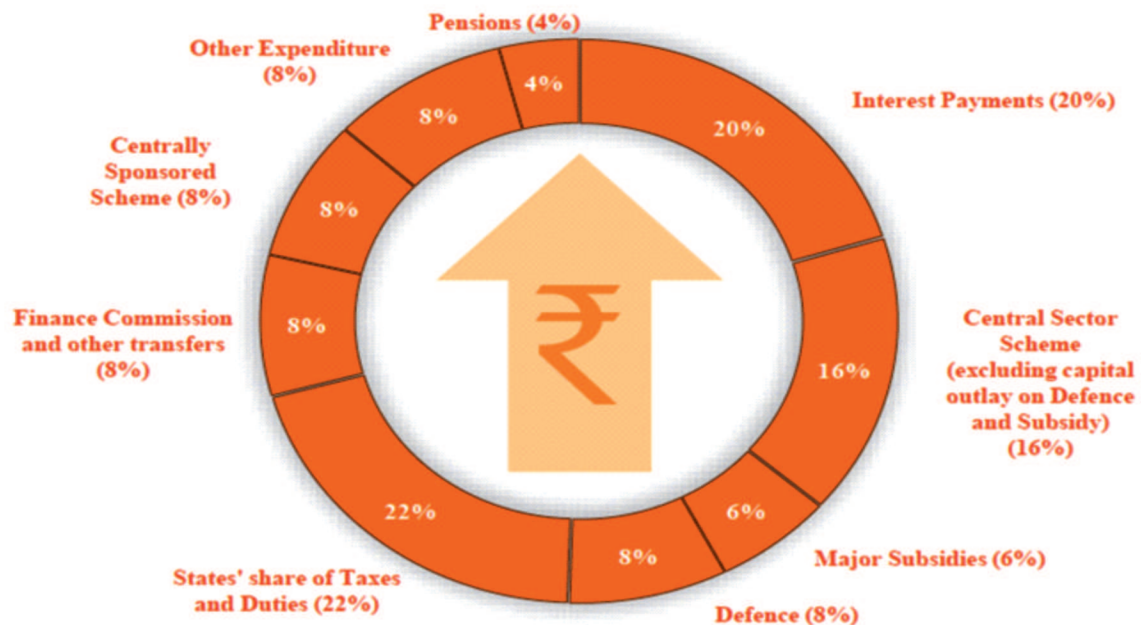
Cross-country comparison of bank credit to privatenon-financial sector as per cent of GDP



Rupee Comes From



Rupee Goes To



KEY HIGHLIGHTS OF IMPORTANT AMENDMENTS RELATING TO RATES OF INCOME TAX

RATES OF INCOME TAXES

New Tax Regime u/s 115BAC-

- New tax regime which was introduced by Finance Act 2020 is default regime from A.Y. 2024-25 onwards.
- The new tax regime provided more favourable slabs in line with the government's objective of transitioning to a revised tax structure; however, it simultaneously restricted taxpayers from claiming various exemptions, allowances, and deductions.
- The key amendment proposed in the Finance Bill 2025 relates to the revised tax rates under Section 115BAC for the new tax regime and rebate u/s 87A.
- **For Individuals, HUF, AOP (other than Co-operative Societies), BOI, whether incorporated or not, or Artificial Juridical Person referred to in Section 2(31)(vii):**

Rate of tax	Proposed tax rates for A.Y. 2026-27	Current tax rates for A.Y. 2025-26
Nil	Up to Rs. 4,00,000	Up to Rs. 3,00,000
5%	From Rs. 4,00,001 to Rs. 8,00,000	From Rs. 3,00,001 to Rs. 7,00,000
10%	From Rs. 8,00,001 to Rs. 12,00,000	From Rs. 7,00,001 to Rs. 10,00,000
15%	From Rs. 12,00,001 to Rs. 16,00,000	From Rs. 10,00,001 to Rs. 12,00,000
20%	From Rs. 16,00,001 to Rs. 20,00,000	From Rs. 12,00,001 to Rs. 15,00,000
25%	From Rs. 20,00,001 to Rs. 24,00,000	-
30%	Above Rs. 24,00,000	Above Rs. 15,00,000

- There is no change in the applicable surcharge and cess rates.
- Above rates shall apply, unless an option is exercised as per provisions of Section 115BAC(6).
- Total income shall be computed without allowing for any exemption or deduction as provided u/s 115BAC(2)(i). However, following deduction or exemption shall be allowable.
 - Standard deduction as provided u/s 16(ia).
 - Deduction of income in the nature of family pension u/s 57(ia).
 - Deduction in respect of amount paid or deposited in Agniveer Corpus Fund u/s 80CCH(2).

Old Tax Regime as per Paragraph A of Part I of the First Schedule to the Finance Bill, 2025

- **For Individuals (Other than Senior Citizen and Super Senior Citizen), HUF, AOP, BOI, whether incorporated or not and Artificial Juridical Person referred to in Section 2(31)(vii): No change**

S. No.	Rate of Tax	For A.Y. 2026-27
	Nil	Up to Rs. 2,50,000
	5%	From Rs. 2,50,001 to Rs. 5,00,000
	20%	From Rs. 5,00,001 to Rs. 10,00,000
	30%	Above Rs. 10,00,000
1	Surcharge @10% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 50 Lakhs but not exceeds Rs. 1 crore.
2	Surcharge @15% (subject to marginal relief) ^{\$}	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 1 crore but does not exceed Rs. 2 crores.
3	Surcharge @25% (subject to marginal relief) [#]	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 2 crores but does not exceed Rs. 5 crores.
4	Surcharge @ 37% (subject to marginal relief) [#]	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 5 crores.

- \$In case of AOP consisting only of companies as its members, then the rate of surcharge shall not exceed 15%.
- #When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 2 crores, but is not covered under S. No 3 or 4 above, then the rate of surcharge is 15%.

- **For Senior Citizens - being a resident in India (i.e., whose age is more than or equal to 60 years but less than 80 years*): No change**

S. No.	Rate of Tax	For A.Y. 2026-27
	Nil	Up to Rs. 3,00,000
	5%	From Rs. 3,00,001 to Rs. 5,00,000
	20%	From Rs. 5,00,001 to Rs. 10,00,000
	30%	Above Rs. 10,00,000
1	Surcharge @10% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 50 Lakhs but does not exceed Rs. 1 crore.
2	Surcharge @15% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 1 crore but does not exceed Rs. 2 crores.
3	Surcharge @25% (subject to marginal relief) #	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 2 crores but does not exceed Rs. 5 crores.
4	Surcharge @37% (subject to marginal relief) #	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 5 crores.

- #When total income (including the income by way of dividend or income u/s 111A and 112A) exceeds Rs. 2 crores, but is not covered under S. No 3 or 4 above, then the rate of surcharge is 15%.

- **For Super Senior Citizens – being a resident in India (i.e., whose age is more than or equal to 80 years: No change**

S. No.	Rate of Tax	For A.Y. 2026-27
	Nil	Up to Rs. 5,00,000
	20%	From Rs. 5,00,001 to Rs. 10,00,000
	30%	Above Rs. 10,00,000
1	Surcharge @10% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 50 Lakhs but not exceed Rs. 1 crore.
2	Surcharge @15% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 1 crore but does not exceed Rs. 2 crores.
3	Surcharge @25% (subject to marginal relief) #	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 2 crores but does not exceed Rs. 5 crores.
4	Surcharge @37% (subject to marginal relief) #	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceed Rs. 5 crores.

- #When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 2 crores, but is not covered under S. No 3 or 4 above, then the rate of surcharge is 15%.

- **For Company, other than Domestic Company i.e. Foreign Company*: No change**

Rate of tax	For A.Y. 2026-27
35% of total income	Except income chargeable to special rates
Surcharge @2% (subject to marginal relief)	When total income exceeds Rs. 1 crore but does not exceed Rs. 10 Crore.
Surcharge @5% (subject to marginal relief)	When total income exceeds Rs. 10 crores.

- **For Domestic Company*: No Change**

Rate of Tax	For A.Y. 2026-27
25% of total income	Total turnover/Gross Receipt in previous year 2023-24 was upto Rs. 400 crores
30% of total income	In all other cases.
Surcharge @7% (subject to marginal relief)	When total income exceeds Rs. 1 crore but does not exceed Rs. 10 crores.
Surcharge @12% (subject to marginal relief)	When total income exceeds Rs. 10 crores.

- **For Certain Domestic Company (Rates Under Special Cases)*: No change**

Rate of Tax	For A.Y. 2026-27
22% of total income	Option u/s 115BAA exercised.
15% of total income	Option u/s 115BAB exercised.
Surcharge @10% (subject to marginal relief)	On the total tax liability u/s 115BAA or 115BAB.

- *In other cases, including Section 92CE(2A), 115QA, 115R, 115TA, and 115TD, surcharge of 12% is applicable.

- **For Co-operative Society: No change**

Rate of Tax	For A.Y. 2026-27
10%	Up to Rs. 10,000
20%	From Rs. 10,001 to Rs. 20,000
30%	Above Rs. 20,000
Surcharge @7% (subject to marginal relief)	When total income exceeds Rs. 1 crore but does not exceed Rs. 10 crores.
Surcharge @12% (subject to marginal relief)	When total income exceeds Rs. 10 crores.

• **For Certain Co-operative Society (Rates u/s 115BAD): No change**

Rate of Tax	For A.Y. 2026-27
22% of total income	Option u/s 115BAD exercised.
Surcharge @10% (subject to marginal relief)	On the total tax liability u/s 115BAD.

• **For Certain Co-operative Society (Rates u/s 115BAE): No change**

Rate of Tax	Conditions
15% of total income#	<ul style="list-style-type: none"> • New manufacturing co-operative society is set up on or after 01.04.2023. • And Commences manufacturing or production on or before 31.03.2024, and does not avail any specified incentive or deduction.
Surcharge @10% (subject to marginal relief)	On the total tax liability u/s 115BAE.

- #Where total income of the Assessee is neither been derived from nor is incidental to manufacturing or production of an article or thing and in respect of which no specific rate of tax has been provided separately such income shall be taxable at 22%.

• **For Firm and Local Authority: No change**

Rate of Tax	For A.Y. 2026-27
30%	Whole of the total income.
Surcharge @12% (subject to marginal relief)	When total income exceeds Rs. 1 crore.

• **Cess on Income Tax: No change**

Particulars	Existing
Health and Education Cess#	4% of income tax including surcharge.

- #No Marginal Relief is available in respect of Health and Education Cess.

Rebate u/s 87A

- Presently, resident individuals in India with total income up to Rs. 5,00,000 are eligible for a 100% rebate under Section 87A, making their tax liability nil. A proviso under Section 87A extends the rebate to individuals opting for the new tax regime under Section 115BAC(1A), offering a rebate of up to Rs. 25,000 for total income up to Rs. 7,00,000 (Clause (a)) and marginal relief if income exceeds Rs. 7,00,000 (Clause (b)).
- The rebate under Section 87A does not apply to income taxed at special rates (e.g., capital gains under Sections 111A, 112, etc.), as the provisions of Section 115BAC(1A) are subject to Chapter XII, which governs taxation at special rates.
- For A.Y. 2026-27, it is proposed that the income limit for full rebate under Section 87A shall be increased from Rs. 7,00,000 to Rs. 12,00,000 for individuals opting for Section 115BAC(1A), and the maximum rebate under Clause (a) of the first proviso will be raised from Rs. 25,000 to Rs. 60,000. Also, it is proposed to amend clause (b), such that the limit of income shall be increased to Rs. 12,00,000/-.
- A new proviso is proposed to be inserted that the rebate does not exceed the actual tax liability computed under the rates specified in Section 115BAC(1A).
- *w.e.f. A.Y. 2026-27.*

Elimination of higher TDS/TCS for non-filers of return

- Under section 206AB, a person making any payment to a deductee, is required to deduct TDS at higher rates, where such deductee is a non-filer of income tax return. The higher rates may be :
 - Twice the rate given in provision of the act; or
 - Twice the rate or rates in force; or
 - @ 5%
- Similarly under section 206CCA, a person receiving any payment from a collectee, is required to collect TCS at higher rates, where such collectee is a non filer of income tax return. The higher rates may be :
 - Twice the rates given in provision of the act; or
 - @ 5%
- However it being difficult for the deductor or collector to identify at the time of deduction or collection whether the deductee or collectee has filed the return or not, it is proposed to delete the section 206AB and 206CCA.
- *w.e.f 01.04.2025*

Rationalization of threshold Limit / Rate of TDS

- To improve ease of doing business and better compliance by taxpayers, the proposed threshold limits for Tax deduction / Rate of TDS in various sections are as follows :

S.No.	Section	Current threshold for Tax deduction / rate	Proposed threshold for Tax deduction/ rate
1.	193 - Interest on securities	Nil	Exceeding Rs. 10,000/-
1A	193 Proviso - Clause(v)(a) - Interest on debentures	Exceeding Rs. 5,000/-	Exceeding Rs.10,000/-
2.	194 - Dividend	Exceeding Rs. 5,000/-	Exceeding Rs. 10,000/-
3.	194A - Interest other than Interest on securities (i) Senior Citizen (ii) Bank, co-operative society and any deposit with post office (iii) Other cases	Exceeding (i) Rs. 50,000/- (ii) Rs. 40,000/- (iii) Rs. 5,000/-	Exceeding (i) Rs. 1,00,000/- (ii) Rs. 50,000/- (iii) Rs. 10,000/-
4.	194B - Winnings from the lottery, crossword puzzle, etc.	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Exceeding Rs. 10,000/- in respect of a single transaction
5.	194BB - Winnings from horse race		
6.	194D - Insurance commission	Exceeding Rs. 15,000/-	Exceeding Rs. 20,000/-
7.	194G - Income by way of commission, prize etc. on lottery tickets	Exceeding Rs. 15,000/-	Exceeding Rs. 20,000/-
8.	194H - Commission or brokerage	Exceeding Rs. 15,000/-	Exceeding Rs. 20,000/-

9.	194I - Rent	Exceeding Rs.2,40,000/- during the financial year	Exceeding Rs. 50,000/- per month or part of a month
10.	194J - Fee for professional or technical services	Exceeding Rs. 30,000/-	Exceeding Rs. 50,000/-
11.	194K - Income in respect of units of a mutual fund or specified company or undertaking	Exceeding Rs. 5,000/-	Exceeding Rs. 10,000/-
12.	194LA - Income by way of enhanced compensation	Exceeding Rs. 2,50,000/-	Exceeding Rs. 5,00,000/-
13.	194LBC- Income in respect of investment in securitization trust (i) Individual and HUF (ii) Other entities	(i) 25% (ii) 30%	(i) 10% (ii) 10%

- *w.e.f 01.04.2025*

Amendment in Section 194Q and 206C(1H) for avoiding double Tax Deduction

- Under section 194Q, buyer is liable to deduct TDS @ 0.1% on purchase of goods if the value or aggregate value of such purchases exceeds Rs. 50 Lac during the previous year.
- Under section 206C(1H), a seller is liable to collect TCS if the value or aggregate value of such goods sold during the previous year exceeds Rs. 50 lac. However, it is provided that the seller will not be liable if the buyer has already deducted TDS on such amount.
- That is, section 194Q and 206C(1H) provides for TDS and TCS on the same transaction. Hence for simplifying tax compliance and avoiding double deduction of tax, it is proposed that section 206C(1H) will not be applicable.
- *w.e.f 01.04.2025*

Rationalisation of Provisions for overseas remittance under Liberalised Remittance Scheme (LRS) and for overseas tour package

- Section 206C(1G) provides for collection of tax at source by an authorised dealer, who receives an amount, for remittance from a buyer, being a person remitting such amount under the Liberalised Remittance Scheme of the Reserve Bank of India or a seller of an overseas tour program package, who receives any amount from a buyer, being the person who purchases such package, at the rates specified therein.
- It is proposed to amend the said section so as to increase the existing threshold of amount or aggregate of amounts for requirement to collect tax at source from Rs. 7 Lacs to RS. 10 Lacs under this sub-section as provided therein, to ten lakh rupees.
- It is further proposed to amend the said section so as to provide that no TCS will be required (Existing TCS rate is one half percent) if the amount being remitted out is out of loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education.
- *w.e.f. 01.4.2025*

Section 206C(1) Rationalization of TCS Provisions

- Section 206C(1) of the IT Act states that every seller shall be liable to collect TCS @2.5% on sale of goods of the following nature:
 - Timber obtained under a forest lease
 - Timber obtained by any mode other than under a forest lease
 - Any other forest produce not being timber or tendu leaves
- Forest produce was not defined anywhere in the IT Act creating an ambiguity in the understanding of the taxpayers. Thus, it is proposed to define forest produce to have the same meaning as defined in any State Act for the time being in force, or in the Indian Forest Act,1927.
- The rate for collection of TCS is proposed to be amended from 2.5% as under:
 - Timber or any other forest produce (not being tendu leaves) obtained under a forest lease - 2%.
 - Timber obtained by any mode other than under a forest lease - 2%.
- Further it is proposed that to address the applicability of TCS on traders of forest produce, only such forest produce (except timber or tendu leaves) which is obtained under forest lease will be covered under TCS.
- *w.e.f. 01.4.2025*

Exemption from prosecution for delayed payment of TCS in certain cases

- Section 276BB of the IT Act provides for prosecution in case a person fails to pay TCS to the credit of Central Government, collected by him u/s 206C of the Act, he shall be punishable with rigorous imprisonment for a term which shall not be less than 3 months but which may extend to 7 years and with fine.
- It is proposed to amend Section 276BB of the IT Act 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) of the IT Act in respect of such payment.
- *w.e.f. 01.4.2025*

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

- Under section 206C(7A) of the IT Act, no order can be made holding a person assessee in default for not collecting the required tax after:
 - 6 years from the end of the financial year in which the tax was collectible.
 - 2 years from the end of the financial year in which a correction statement was filed under section 206C(3B) ,whichever is later.
- While computing the time limit under sub-section (7A) of section 206C of the Act, exclusion of the time period such as period for which proceedings were stayed by an order of any court, etc. is required to be provided.
- It is proposed to amend this section to provide that relevant time limits as prescribed u/s 153(3),(5),(6) and the period of exclusion as per Explanation 1 of the Act would apply for passing an order u/s 206C(7A) of the Act.
- *w.e.f. 01.4.2025 (A.Y. 2026-27 onwards)*

Reviewing certain limits for the purpose of calculating Perquisites

- The existing provisions of Section 17(2) outlines the definition of “perquisite” for the purposes of sections 15 and 16.

- Sub-clause (c) of Clause (iii) of Section 17(2) includes any benefit or amenity granted or provided by an employer to an employee, for free of cost or at concessional rate excluding the value of all non-monetary benefits or amenities, if exceeds Rs. 50,000/-
- Similarly, in Clause (vi) of proviso to Section 17(2)(viii), any expenditure incurred by an employer for the medical treatment of an employee or their family member outside India is not treated as a taxable perquisite if the employee's gross total income does not exceed Rs. 2,00,000/-.
- The above mentioned limit of Rs. 50,000/- and Rs. 2,00,000/- were set over 20-30 years ago and have not been revised since then. Given the significant changes in the cost of living, economic conditions, salary structures, and inflation, there is a need to update these thresholds to reduce the tax burden on employees.
- Accordingly, it is proposed to amend Section 17(2)(iii)(c) and Clause (vi) of proviso to Section 17(2)(viii) to empower the Government to prescribe the rules to increase such limits.
- *w.e.f. 01.04.2026 (A.Y. 2026-27)*

Deduction u/s 80CCD for Contributions made to NPS Vatsalya for Minors

- The NPS Vatsalya Scheme, launched on 18 September 2024, allows parents or guardians to open a National Pension Scheme ("NPS") account for their minor children. The guardian manages the account until the child turns 18. Once the child attains majority, the account will be transferred to their name with the accumulated corpus and moved to an NPS-Tier 1 Account, ensuring the continuity of the savings and pension benefits.
- To promote the scheme and ensure saving for minors, it is proposed to extend tax benefits of Section 80CCD for contributions so, subject to following:
 - Parents/guardians can claim a deduction of up to Rs.50,000. However, same will be subject to overall limit of Rs. 50,000/- as mentioned under Section 80CCD(1B)
 - Any amount on which a deduction was claimed or amount allowed thereon will be taxed as income of parent/guardian, when withdrawn from the minor's account.
 - If the account is closed due to the minor's death, the amount will not be considered income of the parent/guardian.
- The NPS Vatsalya Scheme allows partial withdrawals from a minor's account for contingencies like education, medical treatment, or disability (over 75%) of the minor.

- It is proposed to add clause (12BA) to Section 10 of the IT Act, which would exempt any income received by parent/guardian from partial withdrawals (up to 25% of the parent/guardian's contribution) from being included in the total income of the parent/guardian, subject to terms set under the Pension Fund Regulatory and Development Authority Act, 2013.
- *w.e.f. 01.04.2026 (A.Y. 2026-27 onwards)*

Extension of Timeline for Deductions to Start-ups

- Section 80-IAC of the IT Act provides that Startups incorporated between April 1, 2016, and March 31, 2025, are eligible for a 100% profit deduction for 3 consecutive assessment years (AY) out of their first 10 years subject to the conditions prescribed under the sections.
- It is proposed to extend the incorporation deadline by 5 more years upto March 31, 2030 i.e. this deduction will be available to eligible startups incorporated before 01.04.2030.
- *w.e.f. 01.04.2025*

Extension of Time Limit to file Updated Return

- The Finance Act, 2022 introduced the concept of filing an Updated Return under Section 139(8A), allowing taxpayers to file a corrected return within 24 months from the end of the relevant A.Y., subject to payment of additional tax as prescribed under Section 140B. The applicable additional tax rates were:
 - Within 12 months from the end of the relevant A.Y. – 25% of the aggregate tax and interest
 - After 12 months but within 24 months from the end of the relevant A.Y. – 50% of the aggregate tax and interest
- To encourage voluntary compliance, it is proposed to amend Section 139(8A) to extend the time limit for filing an Updated Return from the existing 24 months to 48 months from the end of the relevant A.Y. Consequently, two additional tax slabs are proposed under Section 140B for the extended period:
 - After 24 months but within 36 months from the end of the relevant A.Y. – 60% of the aggregate tax and interest
 - After 36 months but within 48 months from the end of the relevant A.Y. – 70% of the aggregate tax and interest

- Further, the proposed amendment restricts the filing of an Updated Return where a show-cause notice under Section 148A has been issued after 36 months from the end of the relevant A.Y. However, where an order is passed under Section 148A(3) determining that it is not a fit case for issuance of a notice under Section 148, the taxpayer shall be allowed to file an Updated Return up to 48 months from the end of the relevant A.Y.
- It would mean that if 148A notice is received by any assessee before 36 months from the end of relevant A.Y. , then such assessee could file an Updated Return in respect of the issues identified by the department and mentioned in show cause notice issued u/s 148A.
- It must be noted that the existing provisions of Section 139(8A) restrict filing of Updated Return for following scenarios, where:-
 - i. a search has been initiated under section 132 or books of account or other documents or any assets are requisitioned under section 132A in the case of such person; or
 - ii. a survey has been conducted under section 133A, other than sub-section (2A) of that section, in the case of such person; or
 - iii. a notice has been issued to the effect that any money, bullion, jewellery or valuable article or thing, seized or requisitioned under section 132 or section 132A in the case of any other person belongs to such person; or
 - iv. a notice has been issued to the effect that any books of account or documents, seized or requisitioned under section 132 or section 132A in the case of any other person, pertain or pertains to, or any other information contained therein, relate to, such person ; or
 - v. an updated return has been furnished by him under this sub-section for the relevant assessment year; or
 - vi. any proceeding for assessment or reassessment or recomputation or revision of income under this Act is pending or has been completed for the relevant A.Y. in his case; or
 - vii. the AO has information in respect of such person for the relevant assessment year in his possession under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 or the Prohibition of Benami Property Transactions Act, 1988 or the Prevention of Money-laundering Act, 2002 or the Black Money Act and the same has been communicated to him, prior to the date of furnishing of return under this sub-section; or
 - viii. information for the relevant assessment year has been received under an agreement referred to in section 90 or section 90A in respect of such person

and the same has been communicated to him, prior to the date of furnishing of return under this sub-section; or

- ix. any prosecution proceedings under the Chapter XXII have been initiated for the relevant A.Y. in respect of such person, prior to the date of furnishing of return under this sub-section; or
- x. he is such person or belongs to such class of persons, as may be notified by the Board in this regard:

There is no change in these existing conditions.

- *w.e.f. 01.04.2025 (A.Y. 2025-26 onwards)*

Amendment in Block Assessment Provisions under Chapter XIV-B (Special Procedure for Assessment of Search Cases)

- In order to make the procedure of assessment of search cases cost-effective, efficient and meaningful, the scheme of block assessment was re-introduced vide the Finance (No. 2) Act, 2024 for the cases in which search under Section 132 or requisition under Section 132A has been initiated or made on or after 1st September, 2024 by amending the provisions of Chapter XIV-B (Sections 158B to 158BI of the IT Act). The amendments proposed along with the present provisions are as follows:
- **Inclusion of 'virtual digital asset' in the term 'undisclosed income' as per Section 158B (b) of the IT Act**
 - Currently, as per Section 158B(b) of the IT Act "undisclosed income" includes any money, bullion, jewellery or other valuable article or thing or any expenditure or any income based on any entry in the books of account or other documents or transactions which has not been or would not have been disclosed for the purposes of this Act, or any incorrect claim of expense, exemption, deduction or allowance under the IT Act.
 - It is proposed to add "virtual digital asset" to the definition of undisclosed income.
 - *w.e.f. 01.02.2025*
- **Alignment of Section 158BA(5) with sub-sections (2) and (3) by incorporating the terms "recomputation," "reference," or "order" into sub-section (5).**
 - Section 158BA(2) and Section 158BA(3) of the Act provide that any assessment or reassessment or recomputation or a reference or an order pertaining to any

assessment year falling in the block period pending on the date of initiation of the search or making of requisition, shall abate.

- Section 158BA(5) 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 assessment year which has abated under sub-section (2) or sub-section (3), shall revive.
- It is proposed to align the said sub-sections by adding the words “recomputation”, “reference” or “order” in Section 158BA(5).
- *w.e.f. 01.02.2025*

- **Prioritization of completion of assessments which are required to be made over the assessment of search proceeding**

- The current provisions stipulate that if an assessment is pending for an assessee and a subsequent search or requisition is initiated, the pending assessment must be completed before proceeding with the new assessment related to the search.
- It is proposed to amend Section 158BA(4) to provide that any assessment required to be made, even if not pending at the time of the subsequent search initiation, must also be completed prior to conducting the assessment associated with that search or requisition.
- This change aims to ensure that all necessary assessments are finalized before addressing new search-related assessments.
- *w.e.f. 01.02.2025*

- **Amendments in provision relation to computation of total income of block period**

- It is proposed to substitute the existing provision with amended provisions. As per existing Section 158BB(1) of the IT Act, the total income for the block period shall be aggregate of the following:
 - (i) Total income disclosed in return furnished u/s 158BC.
 - (ii) Total income assessed under 143(3), 144, 147,153A or Section 153C prior to date of initiation of search or the date of requisition, as the case may be.
 - (iii) Total income declared in return of income filed u/s 139 in response to a notice under subsection (1) of section 142 or section 148 and not covered under clause (i) or clause (ii),

- (iv) The total income where previous year has not ended, would be determined on the basis of entries in relation to such income in the books of account and other documents maintained in the normal course on or before the date of last authorization for the search or requisition.
- (v) Undisclosed income determined by the AO u/s 158BB(2).
- It is proposed to substitute the above-section by making the following changes:
 - In Clause (i), the term 'total income disclosed' substituted with 'undisclosed income'
 - In clause (ii) and (iii), the word 'total income' substituted with 'income'.
 - In clause (iii), income declared in such returns filed before the initiation of a search or requisition, will be considered as part of the block period income.
 - The substituted clause (iv) provides income determination as under:
 - Income for a previous year which has ended but the return due date has not expired before the date of initiation of search or requisition shall be determined on the basis of entries in the books of account or other document maintained in the normal course up to the date of initiation of search or requisition.
 - Income for the period from April 1 of the previous year in which search is initiated or requisition is made until the day before the date of initiation of search or requisition shall be determined on the basis of the books of account or other document maintained in regular course for that period.
 - Income for the period from the initiation date to the last authorization execution shall be based on entries up to the execution date.
 - In clause (v), no change.
- In view of the proposed amendments, the "undisclosed income", would only be considered for block period as against total income disclosed in return furnished u/s 158BC
- *w.e.f. 01.02.2025*

- **Amendment in provisions of Section 158BB(3) replacing the reference to “evidence” with “income”.**
 - Section 158BB of the IT Act provides that **where any evidence found as a result of search or requisition** of books of account or any other material or information as are either available with the AO or come to his notice or income determined on the basis of books of account, **relates to any international transaction** or specified domestic transaction referred to in Section 92CA, for the period beginning from the 1st day of April of the previous year in which last of the authorisations was executed and ending with the date on which last of the authorisations was executed, **such evidence** shall not be considered for the purposes of determining the total income of the block period and such income shall be considered in the assessment made under the other provisions of the IT Act.
 - To remove the difficulty in the assessment of arm’s length price 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.
 - *w.e.f. 01.02.2025*

- **Amendment in time limit of completion of block assessment as per Section 158BE of the IT Act**
 - Section 158BE(1) of the IT Act provides the time-limit for completion of block assessment as 12 months from end of the month in which the last of the authorisations for search has been executed.
 - Section 158BE(3) of the IT Act provides the time limit for completion of block assessment or reassessment for a person other than the person with respect to whom search was made or documents were requisitioned as 12 months from end of the month in which the last of the authorisations for search has been executed.
 - It is proposed to amend the time-limit for completion of assessment u/s 158BE(1) and (3) as 12 months from end of the quarter in which the last of the authorisations for search or requisition has been executed.
 - *w.e.f. 01.02.2025*

Clarification on Non-applicability of Section 271AAB of the IT Act on Block Assessment

- The existing provisions of Section 271AAB (1A) of the IT Act relates to penalty in respect of searches initiated after 15.12.2016.
- Vide Finance Act, 2024, provisions of 'Block Assessment' (Chapter XIV-B) were introduced for searches initiated under section 132 of the Act or requisition made on or after the 01.09.2024.
- It is proposed to amend Section 271AAB of the IT Act to provide that its provisions shall not be applicable to the assessee in whose case search has been initiated u/s 132 on or after the 01.09.2024.
- *w.e.f. 01.09.2024.*

Rationalisation of Search Provisions u/s 132

- Section 132 of the IT Act deals with provisions w.r.t. search and seizure. Currently, as per Section 132(8) of the IT Act any books of account or other documents seized shall not be retained by the authorized officer for a period exceeding 30 days from the date of the order of assessment or reassessment or recomputation u/s 143(3) or 144 or 147 or 158BC(c). However, the section allows for an extension beyond this period if the officer records the reasons for retention in writing and obtains approval from the PCCIT or CCIT, PCIT or CIT, DGIT or DIT.
- It is proposed to amend Section 132(8) to provide that the documents seized shall not be retained for a period exceeding 1 month from the end of the quarter in which the order of assessment or reassessment or recomputation u/s 143(3) or 144 or 147 or 158BC(c) has been made, consequently relaxing the time limit to take approval for extension in retention.
- It is proposed to amend Explanation 1 to Section 132 of the Act to align the same with other provisions of the IT Act to substitute the word "authorisation" with "authorisations".
- It is proposed to amend Explanation 1 to the Section 132B so as to provide meaning of "execution of an authorisation for search or requisition" as defined in Explanation to Section 158B of the IT Act as against Explanation 2 to Section 158BE.
- *w.e.f. 01.04.2025*

Rationalizing Compliances for Charitable Trusts & Institutions

- Under Section 12AB of the IT Act, a trust or charitable institution can apply for registration for availing exemption from income chargeable to tax which is being applied for charitable purposes. Further, it provides for the procedure for obtaining registration or cancellation of registration of trust or institution and grants the registration for a period of 5 years.
- In order to reduce compliance burden on 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 by inserting a proviso in clause (a) of Section 12AB(1), in cases where an application is made for registration under sub-clauses (i) to (v) of Section 12A(1)(ac) and the total income without giving effect to Section 11 & 12 is not more than Rs. 5 Crores during each of the two previous years, preceding the previous year in which such application for registration is made.
- However, if the application for registration of a new trust or charitable institution is made u/s 12A(1)(ac)(vi) then it can obtain only a provisional registration u/s 12AB(1)(c) only for a period of 3 years and then get it renewed for 10 years on fulfilment of conditions discussed above.
- Presently, as per Section 12AB(4) read with Explanation, PCIT or CIT can cancel a registration or provisional registration of a trust or institution on occurrence of specified violations inter alia application for registration is not complete or contains false or incorrect information.
- In order to simplify and avoid the compliance procedure for obtaining registration in the aforesaid section, it is proposed to provide that a registration shall only be cancelled on furnishing of incorrect or false information.
- *w.e.f. 01.04.2025*

Redefining 'Substantial Contributor'

- Presently, as per Section 13(3)(b) of the IT Act, Section 11 or Section 12 shall not apply if income or property of a trust or institution is used for the benefit of certain specified persons, including substantial contributors i.e. a person whose total contribution up to the end of the relevant previous year exceeds Rs. 50,000/-, their relatives, or concerns in which they hold a substantial interest.
- To address compliance difficulties and provide relief, it is proposed to
 - Substitute clause (b) of Section 13(3), so as to provide that a person shall be considered as a substantial contributor if the contribution during the relevant

previous year exceeds Rs. 1 lakh, or if the aggregate contribution up to the end of the relevant previous year exceeds Rs. 10 lakhs.

- Relatives of substantial contributors and concerns in which the substantial contributor hold a substantial interest shall no longer be considered as specified persons under Section 13(3), ensuring that benefits extended to them do not lead to denial of exemptions under Sections 11 and 12.

- *w.e.f. 01.04.2025*

Determination of ALP for Transfer Pricing Assessments for a Block of 3 Years

- The TP provisions, outlined in Sections 92 to 92F of IT Act, govern the computation of income arising from international transactions or SDT based on the ALP.
- Section 92C of IT Act lays down the methodology for computing ALP in an international transactions or SDT. Further, Section 92CA of IT Act prescribes the procedure for referring such cases to the TPO for ALP determination.
- The process of ALP determination under TP provisions generally follows these steps:
 - The AO, with prior approval from the PCIT or CIT, may refer an international transactions or SDT to the TPO for ALP computation.
 - The TPO, in accordance with Section 92C(3) of IT Act, determines the ALP and sends a copy to both the AO and the assessee.
 - Then, u/s 92C(4) of IT Act, the AO shall compute the assessee's total income for the relevant previous year based on the ALP determined by the TPO.
- In many cases similar international transactions or SDT recur over multiple years with similar facts—such as enterprise with whom such transactions is done, proportionate quantum of transaction, location of associated enterprises, etc. Arm's length analysis on such repeated transactions every year creates compliance burdens for assesseees and administrative inefficiencies for TPOs.
- To address this issue, it is proposed to conduct TP assessments in a block, ensuring that the ALP determined for any previous year can be applied to similar transactions for the subsequent 2 consequent years.
- For this purpose, a new sub-section (3B) in section 92CA of IT Act is proposed to be inserted wherein the ALP determined in relation to the international transaction or SDT u/s 92CA(3) of IT Act for any previous year shall apply to similar international transactions or SDT for the 2 consecutive previous years immediately following such previous year, on fulfilment of the following conditions, namely:

- the assessee exercises an option or options to the above effect for the said 2 consecutive previous years;
- such option or options are exercised in such form, manner and within such period as may be prescribed; and,
- the TPO shall, within 1 month from the end of the month in which such option or options are exercised, by an order in writing, declare that such option or options are valid subject to the conditions, as may be prescribed
- Further, a new Sub-section(4A) under Section 92CA of IT Act is also proposed to be inserted wherein once the TPO has declared an option exercised by the assessee as valid under section 92CA(3) of IT Act, the AO shall examine and determine the ALP in relation to such similar transaction for such consecutive previous years, in the order referred to in Section 92CA(3) of IT Act. Moreover, on receipt of such order from the TPO, the AO shall recompute the total income of the assessee for such consecutive previous years as per the provisions of Section 155(21) of IT Act.

Recomputation of Income of consecutive previous years as per new sub-section 155(21)

- In this context, a new sub-section (21) shall be inserted in section 155 of IT Act, wherein:
 - Scenario 1 : Where assessment u/s 143(1) for the consecutive previous years has been completed
 - 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 u/s 143(1) of IT Act,
 - ◆ in conformity with the ALP so determined by the TPO u/s 92CA(4A) of IT Act in respect of such transaction;
 - ◆ taking into account the directions issued u/s 144C(5) of IT Act, if any, for such previous year;
 - Such recomputation shall be done within 3 months from the end of the month in which the assessment is completed in the case of the assessee for such previous year (the original year which is subject matter of TPO). Further, the first and second proviso to Section 92C(4) of IT Act shall apply to such recomputation.
 - Scenario 2 : Where assessment u/s 143(1) for the consecutive previous years has not been completed

In case where assessment u/s 143(1) of IT Act for the consecutive years is not made before the period of 3 months as mentioned in Scenario 1 above, such recomputation shall be made within 3 months from the end of the month in which order of assessment or any intimation or deemed intimation of that consecutive year is made u/s 143(1) of IT Act.

- It is pertinent to highlight that no reference for computation of ALP in relation to such transaction shall be made by the AO to TPO, if the TPO has declared that option is validly exercised by the assessee u/s 92CA(3B) of IT Act. Further, if any reference is made in such scenarios, before or after the above declaration by the TPO, the provisions of Section 92CA of IT Act shall have the effect as if no reference is made for such transaction.
- In this regard, if any difficulty arises in giving effect to the provisions of sub-section (3B) and sub-section (4A) of section 92CA of IT Act, 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.
- The provisions of exercising option mentioned above and consequent proceedings, shall not apply to any proceedings under Chapter XIV-B of IT Act.
- *w.e.f. 01.04.2026 (A.Y. 2026-27).*

Annual value of the self-occupied property simplified

- Section 23 of the IT Act, 1961 deals with the determination of annual value. Sub-section (2) of this section states that if a house property is occupied by the owner for personal residence, or if the owner cannot occupy it due to employment, business, or profession carried on at any other place, in such cases, the annual value of such property will be considered as nil.
- To simplify the provisions, it is proposed to amend sub-section (2) to specify that the annual value of a house property, or any part thereof, will be considered nil if the owner occupies it for personal residence or is unable to occupy it for any reason.
- Further, sub-section (4) of the section states that the provisions of sub-section (2) will apply to a maximum of two house properties, which are to be specified by the owner. The provision in Section 23(4), which limits this benefit to two such houses, will continue to apply as before.
- *w.e.f. 01.04.2025 (A.Y. 2025-26 onwards)*

Rationalization of Provisions for Carry Forward of Losses in Amalgamation

- Sections 72A and 72AA of the IT Act, 1961 provide that the accumulated loss of the amalgamating or predecessor entity shall be deemed to be the loss of the amalgamated or successor entity in the year of amalgamation or business reorganization. Further, Section 72 of the Act provides that no loss (excluding speculation losses) under the head PGBP shall be carried forward for more than 8 A.Y. following the year in which the loss was first computed.
- It is proposed to amend Section 72A and 72AA so as to prevent the evergreening of losses through successive amalgamations and to ensure that accumulated losses are not carried forward or set off after 8 A.Y. from the year in which the loss was initially computed for the predecessor entity.
- In order to achieve this, it is proposed to insert a new proviso after Section 72A (6A) and insert a new clause (aa) u/s 72A (7).
- Similar amendments have also been made u/s 72AA for amalgamations related to banking companies or a new bank or amalgamating Government companies.
- The aforesaid amendments shall apply to any amalgamation or business re-organisation which is effected on or after 01.04.2025.
- *w.e.f. 01.04.2026 (A.Y. 2026-27 onwards)*

Tax Exemption on Withdrawals from the National Savings Scheme for Individuals

- Section 80CCA of the IT Act provided a deduction to individuals and HUFs for deposits made under the NSS. However, no deduction has been allowed for deposits made on or after 01.04.1992.
- As per Section 80CCA(2), withdrawals of deposits made before 01.04.1992, along with accrued interest, are treated as taxable income in the year of withdrawal if deductions were previously claimed. Additionally, as per Circular No. 532 (dated 17.03.1989), if an NSS account is closed due to the death of the depositor, the withdrawn amount is not taxable in the hands of legal heirs.
- Post 01.04.1992, as no deduction was available for deposits made in NSS, hence, no tax was levied when such deposits were withdrawn.

- On 29.08.2024, the Department of Economic Affairs issued a notification stating that no interest will be paid on NSS balances after 1.10.2024. Due to this, many individuals were forced to withdraw their savings and pay tax thereon.
- To address this hardship it is proposed to retrospectively exempt from taxation the withdrawals from NSS deposits along with accrued interest, if the followings conditions are fulfilled
 - Deposits were made before 01.04.1992,
 - The withdrawal occurs on or after 29.08.2024 (i.e. after date of notification of Department of Economic Affairs).
- It must be noted that this proposed exemption is only available to individuals and not to HUF's, while Individuals as well as HUF both were eligible for deduction u/s 80CCA.
- *w.r.e.f. 29.08.2024*

Classification of Securities held by Investment Fund as Capital Asset

- Section 2(14) of the IT Act defines the term 'capital asset'. As per the said section, the capital asset includes any property held by an assessee, whether or not connected with their business or profession. However, the definition excludes stock-in-trade and personal assets. Additionally, securities held by a Foreign Institutional Investor, in which investment has been made in accordance with the regulations made under the SEBI Act, 1992 (15 of 1992), are also classified as capital assets.
- A degree of uncertainty existed regarding the characterization of income arising from transactions in securities held by investment fund as specified in Explanation 1(a) to Section 115UB of the IT Act, as to whether such income constitutes capital gains or business income.
- To resolve this uncertainty and provide clarity, it is now proposed to clarify that securities held by such investment funds which have invested in such securities in accordance with the regulations under the SEBI Act, 1992, shall be treated as capital assets. As such, any income arising from the transfer of such securities shall be classified as capital gains.
- *w.e.f. 01.04.2026 (A.Y. 2026-27 onwards)*

Rationalization of Taxation of Capital Gains in Case of Non-residents

- Among other things, Sec 115AD of the IT Act, provides for rates at which long-term capital gains will be taxed in the hands of specified fund or foreign institutional investor (FII).
- Vide the Finance (No. 2) Act, 2024, the rate of tax on long-term capital gains, referred to in Sec 112A, has been brought at parity with the rates applicable for residents @ 12.5%.
- However, income by way of long-term capital gains, not referred to in Sec 112A, continues to be taxed @ 10%.
- To bring tax on such income at parity with residents, it is proposed to tax income by way of long-term capital gains on the transfer of securities (other than units referred to in Sec 115AB) not referred to in Sec 112A, if any, at the rate of 12.5%.
- *w.e.f. 01.04.2026*

Amendment of Section 10 related to Exempt income of Non-Residents

- Sec 10(4E) of the IT Act provide that income accrued or arisen to or received by a non-resident on account of transfer of non-deliverable forward contracts, offshore derivative instruments, or over-the-counter derivatives or distribution of income on offshore derivative instruments entered into with an offshore banking unit of an IFSC referred to in Sec 80LA(1A) shall not be included in the total income of the non-resident.
- To further incentivize operations, it is proposed to amend Section 10(4E) of the IT Act to include the Foreign Portfolio Investor being a unit of an IFSC so as to bring it within the ambit of the Sec 10(4E).
- Further the explanation has been proposed in Sec 10(4E) to define the word “Foreign Portfolio Investor” means a person registered under the SEBI (Foreign Portfolio Investors) Regulations, 2019 made under the SEBI Act, 1992.
- *w.e.f 01.04.2026 (A.Y. 2026-27 onwards)*

Clarification relating to Income on Redemption of Unit Linked Insurance Policy

- The existing provision of Sec 10(10D), as amended by Finance Act, 2021, provides an exemption on the sum received (including bonus) under a life insurance policy (LIP). A

condition for exemption is that the premium payable for any year during the policy term should not exceed 10% of the actual capital sum assured.

- Currently, this exemption does not apply to any ULIP or policies issued on or after the 01.02.2021, if the premium or aggregate premium payable during the policy term exceeds Rs. 2,50,000.
- Currently, ULIPs are taxed as capital gains only when the Sec 10(10D) exemption does not apply due to the applicability of the fourth and fifth provisos.
- Currently, for LIPs (other than ULIPs) where the Sec 10(10D) exemption doesn't apply, the sum received is chargeable under Income From Other Sources. Any sum received under an insurance policy or ULIP as provided in sub-clauses (a) to (d) read with the provisos to clause (10D) of Sec 10 is not eligible for the Sec 10(10D) exemption.
- To clarify the applicability of capital gains on ULIPs, the changes are proposed in the following sections:
 - The phrase "on account of the applicability of the fourth and fifth provisos thereof" will be removed from Sec 2(14)(c) and accordingly the ULIPs to which the Sec 10(10D) exemption does not apply will be explicitly defined as capital assets u/s 2(14).
 - The phrase "on account of the applicability of the fourth and fifth provisos thereof" will be removed from Sec 45(1B) and accordingly the Profits and gains from the redemption of ULIPs to which the Sec 10(10D) exemption does not apply will be charged to tax as capital gains u/s 45(1B).
 - The phrase "on account of the applicability of the fourth and fifth provisos thereof" will be removed from the Explanation to Sec 112A and accordingly the ULIPs to which the Sec 10(10D) exemption does not apply will be included in the definition of "equity oriented fund" [Explanation to Sec 112A].
- *w.e.f 01.04.2026 (A.Y. 2026-27 onwards)*

Extension of date of making Investment by Sovereign Wealth Funds, Pension Funds & Others and Rationalisation of Tax Exemptions

- Section 10(23FE) of the IT Act provides an exemption to specified persons from incomes in the nature of dividends, interest, long-term capital gains, or certain other incomes arising from an investment made by it in India. Specified persons include Sovereign Wealth Funds (SWF) and Pension Funds (PF).

- The existing provision has a sunset clause which provides exemption to investments made up to 31.03.2025.
- Further, through the Finance Act (No. 2), 2024, Sec 50AA was amended to reclassify all capital gains from unlisted debt securities as short-term capital gains. As Sec 10(23FE) only exempted long-term capital gains, requisite amendment is required to cover such capital gains from unlisted debt securities in the purview of exemption.
- Accordingly, the following amendments are proposed -
 - extend the investment deadline from March 31, 2025 to March 31, 2030; and
 - exempt long-term capital gains (including those treated as short-term under Sec 50AA) earned from investments in India from the total income of specified persons.
- These proposed amendments will incentivize global investors to contribute to India's infrastructure development.
- *w.e.f. 01.04.2025*

Purchase of Goods in India for the purpose of Export shall not constitute Significant Economic Presence

- Sec 9(1) of the IT Act, 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.
- Currently Explanation 1(b) of Sec 9(1)(i) provides that in the case of a non-resident, no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of export.
- However, Explanation 2A of Sec 9(1)(i) provides that significant economic presence of a non-resident in India shall constitute “business connection.” This brings a need for specific exemption so that the relief provided under Explanation 1(b) of Sec 9(1)(i) is not denied by Explanation 2A of Sec 9(1)(i).
- Accordingly, it is now proposed to insert a proviso after the first proviso to Explanation 2A of Sec 9(1)(i) stating that the transactions or activities of a non-resident in India which are confined to the purchase of goods in India for the purpose of export shall not constitute significant economic presence in India.
- *w.e.f. 01.04.2026 (A.Y. 2026-27 onwards)*

Time Limit to Impose Penalties Rationalised

- Currently, Section 275 of the Act prescribes different time limit for imposing penalties based on the level of appeal, such as ITAT, JCIT(A), or Commissioner (A). The penalty is imposable by the later of the following date:
 - The end of the financial year in which the penalty proceedings are completed, or
 - 6 months from the end of the month in which the appellate order is received.
- Additionally, any revised penalty orders must be passed within six months from the end of the month in which the appellate or revision order is received.
- The limitation period excludes time taken for rehearing and court-granted stays.
- It is proposed to amend Section 275 to establish a uniform time limit for imposing penalties.
- Under the revised provision, penalties must be imposed within six months from the end of the quarter in which any of the following events occur:
 - Completion of the related case,
 - Receipt of the appellate order,
 - Passing of the revision order, or
 - Issuance of the penalty notice.
- Amendment in Section 246A to update reference of the amendment in Section 275 of IT Act.
- *w.e.f. 01.04.2025 (A.Y. 2025-26 onwards)*

Clarification regarding commencement date and the end date of the period stayed by the Court

- Sections 144BA (Reference to principal commissioner or commissioner in certain cases), 153 (time limit for completion of assessment, reassessment and recomputation), 153B (time limit for completion of assessment under section 153A), 158BE (time limit for completion of block assessment), 158BFA (levy of interest and penalty in certain cases), 263 (revision of orders prejudicial to revenue), 264 (revision of other orders), and Rule 68B of Schedule-II (time limit for the sale of attached immovable property) of the Act specify that the period during which proceedings are stayed by a court order or injunction shall be excluded when computing the time limit for concluding such proceedings.

- However, there was ambiguity regarding the exact duration of the stay period that should be excluded.
- It is proposed to amend the relevant provisions of the Act to clarify that the excluded period shall begin from the date on which a stay is granted by a court order or injunction and end on the date when the jurisdictional Principal Commissioner or Commissioner receives the certified copy of the order vacating the stay.
- *w.e.f. 01.04.2025 (A.Y. 2025-26 onwards)*

Obligation to Furnish Information in Respect of Crypto-assets

- **Meaning of Crypto-assets**
 - The Finance Act 2022 introduced taxation of Virtual Digital Assets (VDAs) u/s 115BBH of the IT Act, where transfer of VDAs is taxable @ 30%, and no deductions (except for the cost of acquisition) can be claimed. Section 2(47A) defines what qualifies as a Virtual Digital Asset. Additionally, to track VDA transactions, TDS provision under section 194S are available.
 - Proper reporting of cryptocurrency transactions by the users is crucial for the government to ensure tax compliance and prevent tax evasion. Since cryptocurrencies operate in a decentralized environment, individuals and businesses could easily engage in illicit activities like money laundering or terror financing.
 - For ensuring transparency and financial stability in the growing digital asset market, it has been proposed to insert sub-clause (d) to Section 2(47A) of the IT Act so as to include any crypto-asset being a digital representation of value that relies on a cryptographically secured distributed ledger or similar technology to validate and secure transactions, whether or not already included in the definition of virtual digital asset or not.
- **Obligation on Prescribed Reporting Entities**
 - It is proposed to insert Section 285BAA in the IT Act to provide for
 - the obligation on prescribed reporting entities to furnish information in respect of crypto-asset
 - Information to be submitted in specified format, within prescribed timeframe to income tax authority.
 - The proposed section further provides as under:-
 - if the income-tax authority finds any defects in the statement submitted by a reporting entity, then such defect will be notified and have to be

rectified within 30 days from the date of intimation (or further period as may be allowed).

- If the defect is not rectified within the given timeframe, the provisions of the IT Act shall apply as if such person had submitted inaccurate information in the statement.
- the income-tax authority can serve a notice specifying the time period to furnish the statement, if prescribed reporting entity who is required to furnish the statement has not furnished the same.
- if any person who has furnished the statement and discovers any inaccuracy in the information provided in the statement, he shall within 10 days inform about the inaccuracy and furnish the correct information.
- gives the Central Government the authority to create rules specifying which persons or entities must be registered with the income-tax authority, nature of information these entities to maintain about the crypto users or owners, how they should maintain this information, and the due diligence to be carried out for identification of the crypto-users.

- *w.e.f. 01.04.2026*

Increase in Time Limit to Pass Order u/s 115VP to Opt Tonnage Tax Scheme

- Section 115VP(4) prescribes that the order by the Joint Commissioner of the Income Tax for approval or rejection of application, filed to opt tonnage tax scheme is to be passed before the expiry of one month from the end of the month in which such application was received .
- This time limit is quite less for the Joint Commissioner for verification of the information and the documents to give the approval or rejection of the application.
- To address the above issue, it is proposed to amend Section 115VP(4) by stating that such order shall be passed before the expiry of three months from the end of the quarter in which such application was received.
- *w.e.f. 01.04.2025*

Extension of Benefits of Tonnage Tax Scheme to Inland Vessels

- According to the existing provisions of the IT Act, the benefits of the tonnage tax scheme were available to qualifying shipping companies, owing at least one qualifying ship.
- The existing definition of a qualifying ship primarily captured seagoing ships and not inland vessels.
- To foster the growth of the inland water transportation industry, it is proposed to extend the benefits of the tonnage tax scheme to inland vessels registered under the Inland Vessels Act, 2021.
- Consequently, the term inland vessel has been defined in the relevant provisions and other corresponding amendments have been made in Sections 115V, 115VB, 115VD, 115VG, 115V-I, 115VK, 115VT, 115VV, 115VX, and 115VZA of the IT Act to extend the tonnage tax scheme to inland vessels.
- *w.e.f. 01.04.2026 (A.Y. 2026-27 onwards)*

Introduction of a Scheme of Presumptive Taxation for Non-residents providing Services for Electronics Manufacturing Facilities

- In an effort to establish India as a global hub for Electronics System Design and Manufacturing, the Ministry of Electronics and Information Technology has notified various schemes for setting up electronics manufacturing facilities to develop a sustainable semiconductor and display manufacturing ecosystem within the country.
- It is proposed to introduce a new Sec 44BBD in the IT Act, which provides a presumptive taxation regime for non-residents engaged in the business of providing services or technology to a resident company to set up an electronics manufacturing facility or in connection with manufacturing or producing electronic goods, article or thing in India.
- The resident company, to whom services or technology are provided, should satisfy the following conditions –
 - it is either establishing or operating an electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods, article or thing in India, under a scheme notified by CG in the Ministry of Electronics and Information Technology; and
 - it should satisfy the conditions prescribed in this behalf.

- The deemed profits and gains of such business chargeable to tax under the head “PGBP” in the hands of such non-resident shall be a sum equal to 25% of the aggregate amount paid or payable to, or received or deemed to be received by, the non-resident or any other person on his behalf, on account of providing services or technology.
- If the non-resident has opted for the proposed presumptive taxation scheme for any previous year, no set off of unabsorbed depreciation and brought forward loss shall be allowed to the non-resident assessee for such previous year.
- *w.e.f 01.04.2026 (A.Y. 2026-27 onwards)*

Certain Penalties to be Imposed by the AO

- Sections 271C, 271CA, 271D, 271DA, 271DB and 271E of IT Act require penalties to be imposed by the Joint Commissioner even though assessments are conducted by the AO.
- In order to rationalize the process, it is proposed to amend these sections so that penalties shall be levied by the AO in place of Joint Commissioner.
- However, such power to impose penalty shall be subject to the provisions of Section 274(2) of IT Act.
- The present penalty limits prescribed under Section 274(2) is as follows:-
 - By ITO upto Rs. 10,000/-
 - By Assistant Commissioner or Deputy Commissioner upto Rs. 20,000/-
 Thus, AO shall take prior approval of Joint Commissioner in case penalty amount exceeds limit in Section 274(2)
- It is further proposed to make consequential amendment in Section 246A(1)(n) of IT Act in relation to appealable orders before CIT(A).
- *w.e.f. 01.04.2025*

Removal of Redundant Section 271BB

- Section 271BB of IT Act imposes a penalty for failing to subscribe any amount of subscription to the units issued under any scheme referred to in Section 88A(1) of the Act within 6 months.
- In such case, the Joint Commissioner can impose a penalty of 20% of the amount not subscribed. However, since Section 88A was removed in 1996 w.r.e.f. 01.04.1994, the penalty in Section 271BB is now irrelevant. Therefore, it is proposed to omit the Section 271BB of IT Act.
- *w.e.f. 01.04.2025*

Extension of Processing Period of Application for seeking Immunity against Prosecution

- Section 270AA of IT Act provides procedure for granting immunity by AO from imposition of penalty or prosecution.
- Section 270AA(2) provides the application to be made within 1 month from end of month in which order under Section 270AA(1)(a) received by assessee.
- Section 270AA(4) provides that AO shall pass an order accepting or rejecting the application within 1 month from end of month in which application is received.
- On account of the fact that tax-payers were struggling to represent and argue their case before the AO within the current time period of 1 month, it is proposed to amend Section 270AA(4) to extend the processing period to 3 months from the end of month in which application received by AO.
- *w.e.f. 01.04.2025*

Removing the Date Restrictions on Faceless Schemes

- The CG has undertaken a lot of measures to make certain processes electronic for optimal utilization of resources.
- Provision for notifying faceless schemes u/s 92CA, 144C, 253 of IT Act were introduced in IT Act through Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 w.e.f. 01.11.2020 and u/s 255 through FA,2021 w.e.f. 01.04.2021.
- Further, through FA 2022 and FA 2024 time limit for notification was extended to 31.03.2024 and then to 31.03.2025 due to challenges in implementation.
- It is proposed that end date prescribed for notifying faceless schemes under these sections may be omitted so that CG may issue directions beyond 31.03.2025 if required.
- *w.e.f. 01.04.2025*

Rationalisation in Taxation of Business trusts

- Sec 115UA of the IT Act, provides special taxation regime for business trusts (REITs/InvITs), grants pass-through tax status to business trusts in respect of certain income types (interest, dividends, rent). This means these incomes are taxed in the hands of the unit holders, not the trust itself.

- Currently, Sec 115UA(2) provides that the total income of a business trust shall be charged to tax at the maximum marginal rate, subject to the provisions of Sec 111A and Sec 112.
- The current provision does not provide relief for income taxed under Sec 112A, which pertains to tax on long-term capital gains from certain assets, including equity shares and units of business trusts.
- It is now proposed to amend Sec 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 Sec 111A, Sec 112 as well as Sec 112A.
- *w.e.f. 01.04.2026 (A.Y. 2026-27 onwards)*

Extension of Sunset Dates for Several Tax Concessions Pertaining to IFSC

- This section outlines proposed extensions to sunset dates for various tax concessions related to the IFSC.
- The core change is extending the deadline for IFSC units to commence operations to qualify for these benefits from March 31, 2025, to March 31, 2030. This extension applies to the following several clauses relating to IFSC:
- Currently Sec. 10(4D)(aa) of IT Act defines "investment division of offshore banking unit" as an investment division of a banking unit of a non resident located in an IFSC. To qualify, this division needed to have started operations by March 31, 2025. It is now proposed to extend the time period to March 31, 2030, from March 31, 2025.
- Currently as per Sec. 10(4F) of IT Act, any income of a non resident by way of royalty or interest , on account of lease of an aircraft or a ship in a previous year, paid by a IFSC unit, if the IFSC unit have commenced operations on or before the March 31, 2025. It is now proposed to extend the time period to March 31, 2030, from March 31, 2025.
- Currently Sec. 10(4H) of IT Act, any income of a non resident or a IFSC Unit, engaged primarily in the business of leasing of an aircraft, by way of capital gains arising from the transfer of equity shares of domestic company, being a IFSC Unit, which has commenced operations on or before the 31.03.2026.It is now proposed to extend the time period to March 31, 2030, from March 31, 2026.
- Currently Sec. 47(viiad)(b) of IT Act, covers any transfer by a shareholder or unit holder or interest holder, in a relocation, of a capital asset being a share or unit or interest held

by him in the original fund in consideration for the share or unit or interest in the resultant fund.

- "relocation" is defined as the transfer of assets of the original fund, or of its wholly owned SPV, to a resultant fund on or before the 31.03.2025. It is proposed to amend the definition of "relocation" by extending the deadline for the transfer of assets to 31.03.2030 from 31.03.2025.
- Currently Sec.80LA(2)(d) of IT Act, provides deductions on income from transferring aircraft or ships which was leased by an IFSC unit subject to the condition that the unit has commenced operation on or before the 31.03.2025. It is now proposed to extend the time period to March 31, 2030, from March 31, 2025.
- *w.e.f. 01.04.2025*
- Currently Sec.47(viiad)(c) of IT Act, covers any transfer by a shareholder or unit holder or interest holder, in a relocation, of a capital asset being a share or unit or interest held by him in the original fund in consideration for the share or unit or interest in the resultant fund.
- It is proposed to amend the definition of "resultant fund" in Sec. 47(viiad)(c) of IT Act. The definition has been expanded to include retail scheme or an Exchange Traded Funds (ETFs).
- *w.e.f. 01.04.2026*

Insertion of New Proviso in Existing Relocation Regime of Funds of IFSCA

- Explanation to Sec. 47(viiad)(c) of the IT Act provides that any transfer by a shareholder or unit holder or interest holder, in a relocation, of a capital asset being a share or unit or interest held by them in the original fund in consideration for the share or unit or interest in the resultant fund being a Category I, II or III AIF, located in IFSC, shall not be regarded as transfer for the purpose of capital gains.
- It is now proposed to broaden the definition of resultant fund to include retail schemes and Exchange Traded Funds (ETFs) located in the IFSC, so that relocation of original funds to such funds in the IFSC is also a tax-neutral transaction.
- *w.e.f. 01.04.2026 (A.Y. 2026-27 onwards)*

Widening of Scope of Exemption to Capital Gain and Dividend for Ship Leasing Units In IFSC

- As per Sec. 10(4H) of IT Act, exemption is provided to any income of a non resident or a Unit of an IFSC, engaged primarily in the business of leasing of an aircraft, by way of capital gains arising from the transfer of equity shares of domestic company, being a Unit of an IFSC, which has commenced operations on or before the 31.03.2026.
- As per industry practice, SPV's are created in ship leasing business also. It is now proposed to amend the Sec. 10(4H) of IT Act, by substituting the word "aircraft or a ship" for the word "aircraft". This will provide exemption to ship leasing also on lines of aircraft leasing.
- *w.e.f. 01.04.2025*

Insertion of Proviso for Exemption on Life Insurance Policy from IFSC Insurance Offices

- Current Sec. 10(10D) of IT Act, exempts money received from a life insurance policy including bonuses on such policy, with certain conditions.
- However as per provisos (fourth & sixth) of the Sec. 10(10D), the said exemption is not available if annual or aggregate amount of premium payable is above Rs. 2.5 lakhs for unit linked insurance policies, and Rs. 5 lakhs for life insurance policies other than unit linked insurance policies.
- These conditions also apply on insurance policies issued by IFSC Insurance Company.
- It is now proposed to amend the section 10(10D) so as to provide that proceeds received on life insurance policy issued by IFSC insurance intermediary office shall be exempted without the condition related to the maximum premium payable on such policy as mentioned above.
- *w.e.f. 01.04.2025*

Introduction of New Clauses for Rationalisation of Definition of Dividend for Treasury Centres in IFSC

- Sec. 2(22)(e) deems any loan or advance to a shareholder holding atleast 10% shares as dividend.

- Sec. 2(22(ii) provides exception to the above stated deeming provision by excluding any advance or loan made to a shareholder by a company in the ordinary course of its business, where the lending of money is a substantial part of the business of the company.
- It is now proposed to insert a new clause (iia) to broaden the scope of this exclusion and excluding any advances or loan between 2 group entities, where one of group entity is Finance company or a Finance unit under IFSC set up as a global or regional corporate treasury centre for undertaking treasury activities or services and parent entity is listed on a stock exchange in a country or territory outside India other than the country or territory outside India as may be specified by Board, from the perview of dividend.
- It is also proposed to insert 2 new clauses under Explanation 3 of Sec.2(22) defining “Finance Company” & “Finance Unit” and to specify the conditions that “group entity”, “parent entity” & “principle entity” must meet.
- *w.e.f. 01.04.2025*

Simplified regime for fund managers based in IFSC

- Sec. 9A provides that the fund management activity carried out through an eligible fund manager acting on behalf of eligible investment fund (fund established or registered outside India, which collect funds from its membes for investing it for their benfits).
- Sec. 9A(3)(c) of the IT Act provides that the aggregate participation or investment in the eligible investment fund by a person resident in India, either directly or indirectly, does not exceed 5% of the corpus of the fund. It is proposed to amend the section by determining aggregate participation or investment in the fund as on 1st day of Apr & 1st day of Oct.
- It is further proposed to insert a second proviso to this clause, which provides that where the aggregate participation or investment in the fund, directly or indirectly, by persons resident in India exceeds 5% of the corpus of the fund as on 1st April or 1st Oct of previous year, a further extension of 4 months (from 1st Apr or the 1st Oct of such previous year, as the case may be) is provided to satisfy the said conditions.
- Sec. 9A(8A) of the IT Act provides that the CG may announce in the Official Gazette that certain conditions may or may not apply with changes, for an eligible investment fund and its eligible fund manager. This applies if the fund manager is based in an IFSC and started operations on or before 31.03.2024.

- It is now proposed to amend Sec. 9A(8A) to provide that the CG can provide relaxation except for clause (c) of Sec. 9A(8A). Hence, the CG through an announcement in the Official Gazette can only provide relaxation for clause (a) to (m) of Sec.9A(3) only.
- Earlier, this applies if the fund manager is based in an IFSC and started operations on or before 31.03.2024, now the date has been revised to 31.03.2030.
- *w.e.f. 01.04.2025*

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

- The Specified Undertaking of the Unit Trust of India (“SUUTI”) was established under the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (“**UTI Repeal Act, 2002**”) as the successor of the former Unit Trust of India (UTI) to manage and liquidate the government’s liabilities related to the erstwhile UTI. As per Section 13(1) of the UTI Repeal Act, 2002, SUUTI was granted an income tax exemption till 31.03.2023, which was later extended to 31.03.2025, through the FA, 2023.
- Since SUUTI's ongoing responsibilities, including scheme redemptions, pending payments, and litigation matters, are expected to continue beyond 31.03.2025, it is now proposed to further amend Section 13(1) of the UTI Repeal Act, 2002. This amendment will extend the income tax exemption period upto 31.03.2027. As a result, SUUTI will not be liable to pay income tax, in relation to the specified undertaking for this extended period.
- *w.e.f. 01.04.2025 (A.Y. 2025-26 onwards)*

HIGHLIGHTS OF IMPORTANT AMENDMENTS RELATING TO INDIRECT TAXES

CENTRAL GOODS AND SERVICE TAX

Section 17(5)(d)-wordings of "Plant or Machinery" changed

- Section 17(5)(d) is proposed to be amended to substitute the words "*plant or machinery*" with words "*plant and machinery*."
- Earlier Section 17(5)(d) of the CGST Act prohibits a taxable person from claiming ITC on the GST paid for goods and services used in construction of an immovable property (other than plant or machinery) meant for their own purpose even if the same was rented out. It means that if "plant or machinery" is constructed, then ITC is allowed.
- In October 2024, the Hon'ble Supreme Court delivered a ruling in the case of Safari Retreats Private Limited [MANU/SC/1080/2024] which dealt with the eligibility of ITC for immovable property, particularly commercial properties like shopping malls meant for leasing/renting.
- It was stated in the case law that the expression "plant or machinery" cannot be given the same meaning as "plant and machinery" as defined in the explanation to Section 17. The legislature has consciously used a distinct expression, and it must be given a different meaning. The word "plant" in the expression "plant or machinery" should be interpreted based on the functionality test, i.e., whether the building is essential for carrying out the business activities of the registered person.
- By replacing "plant or machinery" with "plant and machinery" retrospectively from July 1, 2017, the amendment addresses the ambiguity highlighted by the Supreme Court's ruling in the Safari case. The clarification ensures that the definition of "plant

and machinery" is consistent with the explanation provided in the Act, limiting ITC claims to the specific items described in the definition. This change will provide clarity and certainty for businesses, ensuring they understand the scope of blocked credits under GST and avoid potential disputes in the future.

- *w.e.f. 01.07.2017.*

Introduction of Section 148A in the CGST Act for implementing tracking and tracing mechanism of certain goods.

- New provision i.e, Section 148A is proposed to be inserted to implement a track and tracing mechanism of movement and storage of the category of goods and the persons or class of persons who are in possession of such goods, which may be specified by the government.
- For the purposes of the proposed Section 148A, a corresponding Section 2(116A) is also proposed, which defines the term 'unique identification marking' as a digital stamp, digital mark or any other similar marking which is unique, secure and non-removable.
- As per the proposed Section 148A(2)(a) the government may prescribe a system for enabling affixation of unique identification marking and for electronic storage and access of information.
- As per Section 148A(2)(b) the government may also prescribe the unique identification marking for such goods including the information to be recorded.
- As per Section 148A(3) the persons referred in the section shall:
 - affix on the said goods or packages unique identification marking containing such information.
 - Furnish such information and details within such time and maintain such records and documents.
 - Furnish details of machinery installed in the place of business including identification, capacity, duration of operation and such other details.
 - Pay such amount in relation to the system mentioned in Section 148A(2)(a).
- Section 122B is proposed to be inserted to provide penalty for contraventions of *provisions* related to the Track and Trace Mechanism provided under section 148A.
 - The proposed amendment aims to reduce tax evasion by tracking the movements of goods throughout the supply chain and deter instances of goodless or fake invoices or under reporting of goods etc which in turn would lead to improved revenue collection and reduction in litigation.

Amendment to Section 107(6) of the CGST Act: pre-deposit requirement for filing appeals in Penalty-only cases

- Section 107 of the CGST Act provides appeals to the Appellate Authority.
- Section 107(6) mandates a pre-deposit of 10% of the disputed tax amount for filing an appeal.
- The existing proviso of Section 107(6) requires a 25% pre-deposit of the penalty for appeals against orders under Section 129(3) (relating to detention and seizure of goods) only.
- The 55th GST Council Meeting recommended an amendment to introduce a 10% pre-deposit of penalty imposed for appeals where the order involves only a penalty and no tax demand.
- Accordingly, the present proposed proviso which substitutes the existing proviso and provides for payment of pre-deposit at 10% of the penalty imposed for filing appeals of any order before Appellate Authority in cases involving only demand of penalty without involving the demand of tax.
- The substitution aims to reduce litigation arising from the absence of a pre-deposit requirement in penalty-only appeal cases.

Amendment to Section 112(8) of the CGST Act : pre-deposit requirement for filing appeals in penalty-only cases

- Section 112 of the CGST Act provides appeals to the Appellate Tribunal.
- Section 112(8) mandates a pre-deposit of 10% of the disputed tax amount for filing an appeal.
- The 55th GST Council Meeting recommended to insert a new proviso to Section 112(8) providing for payment of 10% pre-deposit of penalty imposed for filing appeals where the order involves only a penalty and no tax demand.
- Accordingly, the present proviso is inserted and proposed for payment of pre-deposit at 10% of the penalty imposed for filing appeals before Appellate Tribunal in cases involving only demand of penalty without involving the demand of tax.
- The substitution aims to reduce litigation arising from the absence of a pre-deposit requirement in penalty-only appeal cases.

Amendment in Section 38 to provide a legal framework for functionality of Invoice Management System

- Section 38 prescribes the manner as well as conditions and restrictions for communication of details of inward supplies and input tax credit to the recipient by means of an auto-generated statement.
- Section 38(1) is proposed to be amended to substitute the expression “auto generated statement” with “a statement” with respect to statement of input tax credit in the said subsection.
- Section 38(2) is proposed to be amended by omitting the expression “auto generated statement under” with words “statement referred in” with respect to statement of input tax credit in said subsection and also to insert the expression “including” after the words “by the recipient” in clause (b) of said sub-section to make the said clause more inclusive.
- A new clause (c) in Section 38 (2) is proposed to be added to provide for an enabling clause to prescribe other details to be made available in statement of input tax credit.
- The amendments in Section 38 are proposed to provide a legal framework in respect of generation of FORM GSTR-2B based on the action taken by the taxpayers on the Invoice Management System (IMS).

Supply of goods warehoused in SEZ or FTWZ to any person before clearance of such goods for exports or to the DTA shall be treated neither as supply of goods nor as supply of services

- Clause (aa) in paragraph 8 of Schedule III of the CGST Act, 2017 is proposed to be inserted to explicitly provide that supply of goods warehoused in a Special Economic Zone or Free Trade Warehousing Zone to any person before clearance of such goods for exports or to the Domestic Tariff Area, shall be treated neither as supply of goods nor as supply of services.
- This brings transactions relating to supply of goods warehoused in SEZ/FTWZ at par with the existing provision in Customs Act, 1962 for transactions in Customs bonded warehouse.
- No refund of tax already paid will be available for the aforesaid activities or transactions.
 - *w.e.f.01.07.2017*

Omission of provisions related to levy of GST on vouchers

- The 'time of supply' under GST Law is the date on which the tax liability arises. Sections 12 and 13 of the CGST Act deals with the provisions related to time of supply.
- As per Section 2(118) of the CGST Act, a voucher is an instrument representing an obligation to accept is as consideration for supply of goods and service.
- In the 55th GST Council meeting, the council recommended that no GST shall be payable on transactions of vouchers as they are neither supply of goods nor supply of services.
- In pursuance of the recommendation, CBIC issued a Circular No. 243/37/2024-GST dated 31.12.2024 declaring that transactions in vouchers are not subjected to GST.
- Accordingly, the provisions related to 'time of supply' of vouchers under Section 12(4) and Section 13(4) of the CGST Act are proposed to be omitted from the CGST Act.

Inclusion of interstate Reverse Charge

Mechanism transactions under Input Service Distributors

- As per Section 2(61) of the CGST Act, ISD is an office which receives tax invoices for receipt of input services and services which are liable to be taxed under RCM in the CGST Act i.e., u/s 9(3) and 9(4) of the CGST Act for distinct persons and who is liable to distribute the input tax credit amount in respect of such invoices.
- Section 2(61) is proposed to be amended with insertion of "of this act or under subsection (3) and sub-section (4) of Section 5 of the IGST Act". The proposed amendment to Section 2(61) of the CGST Act is aiming to expand the scope of the definition of ISD so as to include inter-state services liable to be taxed under RCM under the IGST Act in the existing definition.
- Similarly Section 20(1) and Section 20(2) are being amended with insertion of words "this act or under subsection (3) and sub-section (4) of Section 5 of the IGST Act". The proposed amendment explicitly provide for distribution of input tax credit by the ISD 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 IGST Act.
- Under the revised rules, businesses can now seamlessly distribute ITC across different branches and locations based on actual consumption. This reduces unnecessary tax costs for businesses operating in multiple states and allows for more effective cash flow planning by ensuring that ITC is correctly distributed without disputes.
- *w.e.f. 01.04.2025*

Amendment to Section 2(69)(c) of the CGST Act : Provides clarity in the definition of local authority

- Section 2(69) of the CGST Act provides meaning of the local authority.
- The proposed amendment replaced the word “**municipal or local fund**” with “**municipal fund or local fund**” under Section 2(69)(c).
- The proposed amendment also inserts an explanation after Section 2(69)(c), which provides definition of the terms “local fund” and “municipal fund” used in the definition of local authority.
 - “*Local fund*”: Any funds controlled by an authority of local self-government established for discharging functions related to Panchayat area and any function vested by law.
 - “*Municipal fund*”: Any funds controlled by an authority of local self-government established for discharging functions related to Metropolitan area or Municipal area and functions vested by law.
- The proposed insertion provides clarity with scope of said terms in the definition.

Amendment to Section 34(2) of the GST Act: Substitution of proviso on reduction of output tax liability

- Section 34 of the CGST Act deals with issuance of credit and debit notes by suppliers. The proviso to Section 34(2) provides that a reduction in the supplier’s output tax liability is not permitted if the incidence of tax and interest has been passed on to another person.
- The existing proviso is proposed to be substituted with a new proviso which stated that no reduction in output tax liability shall be allowed if:
 - The recipient, being a registered person, hasn't reversed the input tax credit from the credit note;or
 - In other cases, if the incidence of tax has been passed on to another person.
- The proposed proviso provides 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.

**Amendment to Section 39(1) of the CGST Act:
inserted enabling clause to prescribe conditions and
restrictions on return filing**

- Section 39 of the CGST Act mandates registered persons (excluding specific categories) to file monthly returns electronically, reporting sales, purchases, taxes paid, and input tax credit claimed, within such time as may be prescribed.
- The proposed amendment replaces “and within such time” with “within such time, and subject to such conditions and restrictions” thereby narrowing the scope on the return filing process under this subsection.

HIGHLIGHTS OF IMPORTANT ANNOUNCEMENTS TO MISCELLANEOUS LAWS

Revision in Classification Criteria for MSMEs

- With an objective of bringing more enterprises under the ambit of the MSME sector, the Hon'ble Finance Minister, in her budget speech has proposed to revise the limits of MSME classification. The proposed increase in investment and turnover limits for MSME classification is 2.5x and 2x respectively. The new limits are as follows:
 - **Micro Enterprise**
 - Investment: ₹ 2.5 Crore
 - Turnover: ₹ 10 Crore
 - **Small Enterprises**
 - Investment: ₹ 25 Crore
 - Turnover: ₹ 100 Crore
 - **Medium Enterprises**
 - Investment: ₹ 125 Crore
 - Turnover: ₹ 500 Crore
- A notification under the Micro, Small and Medium Enterprises Development Act, 2006 is expected for giving effect to the above proposal.
- The last revision to the MSME limits was in June 2020 wherein the turnover was included as a new criteria, apart from investment in plant and machinery. The revised limits will help the MSMEs in achieving higher efficiencies of scale, technological upgradation and better access to capital.

Enhancement of Credit Availability with Guarantee Cover

- Credit availability with a guarantee cover plays a vital role in mitigating risks for lenders, thereby encouraging them to extend credit to businesses, particularly MSMEs and startups, which often face challenges in accessing financing. This, in turn, contributes to economic growth and the creation of a more inclusive and resilient economy.
- In order to improve access to credit, the Hon'ble Finance Minister has proposed to increase the credit guarantee cover under various schemes, as outlined below:
 - Credit Guarantee Scheme for Micro & Small Enterprises
 - For 'Micro And Small Enterprises': The cover will be enhanced from the current ₹ 5 crore to ₹ 10 crore leading to an additional credit of ₹ 1.5 lakh crore in the next 5 years.
 - For well-run exporter 'MSMEs': The cover will be provided for term loans up to ₹ 20 crore.
 - Credit Guarantee Scheme for Startups
 - The cover will be increased from the current ₹ 10 crore to ₹ 20 crore. Additionally, the guarantee fee for loans in 27 key sectors which are crucial to the Aatmanirbhar Bharat initiative will be reduced to 1%.

Customized Credit Cards for Micro Enterprises

- To empower small businesses, Hon'ble Finance Minister in her speech has indicated government's plan to introduce customized credit cards with a ₹ 5 lakh limit for 'Micro Enterprises' registered on the Udyam portal.
- In the first year, 10 lakh credit cards will be issued to facilitate easy access to credit for small businesses, enabling them to manage operational expenses and expand their operations effectively.
- This initiative will provide small-scale entrepreneurs with a streamlined process to access formal credit, minimizing the challenges of extensive documentation and approval procedures.

Social Security Scheme for Gig Workers of Online Platform

- According to NITI Aayog, the gig workforce is projected to reach 23.5 crore by 2029-30, comprising 6.7% of the non-agricultural workforce and 4.1% of total livelihoods, reshaping the labour market.

- Recognizing the significant contribution of gig workers to the economy, particularly in driving the dynamism of the new-age services sector, the Hon'ble Finance Minister in her budget speech has proposed implementation of a Social Security Scheme for the welfare of gig worker of online platforms. This includes providing them with an ID card and registration on the E-Shram portal.
- Further, they will be provided healthcare under Ayushman Bharat PM Jan Arogya Yojana ("PM-JAY"). PM-JAY offers cashless treatment for various procedures, which includes but not limited to non-intensive and intensive care services.
- The above benefits are in line with the Code on Social Security, 2020 ("Code") which provides for the framing of suitable social security measures for gig workers and platform workers on matters relating to life and disability cover, accident insurance, health and maternity benefits, old age protection, etc.
- Several States have already made provisions to recognize the rights of the gig workers. Rajasthan became the first Indian state to enact the Rajasthan Platform-Based Gig Workers (Registration and Welfare) Act, 2023 in July 2023 which aims to regulate platform-based gig workers. Following, Rajasthan, Karnataka Government introduced a draft of Karnataka Platform - based Gig Workers (Social Security and Welfare) Bill, 2024 in June 2024 on order to protect the rights of gig workers by implementing social security benefits. In addition to this, the government of Karnataka has already introduced the Karnataka State Gig Workers Insurance Scheme.

Grameen Credit Score

- The Hon'ble Finance Minister, in her budget speech has proposed that the Public Sector Banks will develop a 'Grameen Credit Score' framework to assess the creditworthiness of Self-Help Group (SHG) members and rural borrowers. This initiative aims to improve access to formal credit and promote financial inclusion for SHG members and rural borrowers.

KYC Simplification

- The Hon'ble Finance Minister in her 2023 budget speech proposed simplifying the KYC process by adopting a risk-based approach rather than the traditional 'one size fits all' approach. It was also proposed that financial sector regulators will be encouraged to develop a flexible and fully digital KYC system that aligns with the needs of Digital India.

- To implement this proposal, the Hon'ble Finance Minister in the current budget speech, has proposed to revamp of Central KYC Registry, which will be rolled out in 2025. Additionally, a streamlined system for periodic KYC updates will be introduced to ensure ongoing compliance with minimal hassle.
- This initiative marks a significant step towards streamlining identity verification, enhancing efficiency, reducing redundancies, and strengthening India's financial system.

FDI in Insurance Sector

- The Insurance sector was opened to private participation by allowing 26% Foreign Direct Investment (“**FDI**”) in 1999, which was increased to 49% in 2015 and further raised to 74% in 2021. For insurance intermediaries, the FDI limit is already 100%.
- In Budget 2025-26, the Hon'ble Finance Minister has proposed to increase the FDI limit in the insurance companies from 74% to 100%, with a view to attract more foreign investment, bring in global expertise, and help boost the insurance sector while strengthening the Indian economy.
- The enhanced limit of 100% FDI will be available only to companies that invest the entire premium in India, ensuring the funds stay within the country and support its economy.
- The current guardrails and conditionalities surrounding foreign investments in the insurance sector will be reviewed and simplified, making the process easier for foreign investors. To enhance the FDI limit, the government will have to bring amendments to the Insurance Act, 1938.
- Increasing the FDI limit to 100% will also allow the customers more freedom of choice and better services in the insurance industry. This decision is a major reform aimed at achieving IRDA's goal of “Insurance for All” by 2047.

Fast Track Mergers

- The Fast Track Merger process, as introduced under Section 233 of the Companies Act, 2013 (“**Companies Act**”), represented a significant reform aimed at streamlining the merger process for certain classes of companies. This process can be opted for by small companies, start-up companies or merger of a holding company and their wholly owned subsidiary. Fast track mergers eliminate the need for the involvement of the National Companies Law Tribunal. The merger scheme is instead approved by the Central Government i.e. the Regional Director.

- In her budget speech, Hon'ble Finance Minister Nirmala Sitharaman announced that the requirements and procedures for swift approval of company mergers will be streamlined. Additionally, the scope of fast-track mergers will be expanded, and the process will be simplified. In this regard, the government will be required to make amendments in Section 233 and other allied provisions of the Companies Act.

Regulatory Reforms

- To ensure pace with technological innovations and global policy developments, Union Finance Minister Nirmala Sitharaman has proposed a principles-based, citizen centric, light-touch regulatory approach. This move is an extension of government's commitment to improve the ease of doing business across financial and non-financial sectors. In this regard, four specific measures are proposed:
 - **High Level Committee for Regulatory Reforms**
 - A High-Level Committee for Regulatory Reforms will be set up for a review of all non-financial sector regulations, certifications, licenses, and permissions. The committee will be expected make recommendations within 12 months. The objective is to strengthen trust-based economic governance and to eliminate bureaucratic hurdles that impact businesses and take transformational measures to enhance 'ease of doing business'. States will be encouraged to join in this endeavour.
 - **Investment Friendliness Index of States**
 - As per the latest data, India's foreign direct investment (FDI) inflows surged 45% year-on-year to \$29.79 billion in the first six months of this fiscal, as against \$20.5 billion in the year-ago period. (*April to September 2024*).
 - In light of this, an Investment Friendliness Index of States will be launched in 2025 to create competition among states to attract investments and the government is hopeful that ranking the states on identified indicators and periodic monitoring will help improve the overall investment climate in the country.
 - The index developed by NITI Aayog, will rank states on investment efficacy, focusing on opportunity and risk dimensions.
 - **FSDC Mechanism**
 - Financial Stability and Development Council ("FSDC") is an apex-level body constituted by the Government of India to set up such an autonomous body dealing with macro prudential and financial regularities in the entire financial sector of India.

- Under the FSDC, a mechanism will be set up to evaluate impact of the current financial regulations and subsidiary instructions. It will also formulate a framework to enhance their responsiveness and development of the financial sector.
- In the Union Budget 2025, the government emphasized the role of FSDC in Strengthening financial resilience through a modernized regulatory framework and encouraging digital financial inclusion and fintech-driven reforms.
- **Jan Vishwas Bill 2.0**
 - In August 2023, Jan Vishwas (Amendment of Provisions) Act, 2023 was enacted by the government. Through this Act, total 183 criminal and penal provisions of 42 Central Acts were rationalized.
 - The purpose was to create an environment for citizens, businesses and government departments that enables them to work freely without fear of being punished severely for minor, technical or procedural defaults.
 - Following its success, it is proposed that Jan Vishwas Bill 2.0 will be launched soon. By further expanding the scope of decriminalisation, Jan Vishwas Bill 2.0 is expected to boost entrepreneurship, simplify compliance, and align India's regulatory framework with evolving technological and business landscapes.

List of Abbreviations

ALP	Arm's Length Price
AO	Assessing Officer
AR	Authorized Representative
CCIT	Chief Commissioner of Income Tax
CIT	Commissioner of Income Tax
CGST Act	Central Goods and Services Tax Act, 2017
CGST Rules	Central Goods and Services Tax Rules, 2017
Companies Act	Companies Act, 2013
Customs Act	Customs Act, 1962
Excise Act	Central Excise Act, 1944
FA	Finance Act
FCRA	Forward Contract (Regulation) Act, 1952
FEMA	Foreign Exchange Management Act, 1999
FRBM Act	Fiscal Responsibility and Budget Management Act, 2003
HUF	Hindu Undivided Family
IBC	Insolvency and Bankruptcy Code, 2016
IFSC	International Financial Services Centre
IFSCA	International Financial Services Centre Authority
IGST Act	Integrated Goods and Services Tax Act, 2017
IGST Rules	Integrated Goods and Service Tax Rules, 2017
IRDA	Insurance Regulatory and Development Authority Act, 1999
IT Act	Income Tax Act, 1961
IT Rules	Income Tax Rules, 1961
ITAT	Income Tax Appellate Tribunal
ITO	Income Tax Officer
ITR	Income Tax Return
ITC	Input Tax Credit
NBFC	Non-Banking Finance Company
NPS	National Pension Scheme
NSS	National Savings Scheme
PBPT Act	Prohibition of Benami Property Transaction Act, 1988
PE	Permanent Establishment
PCCIT	Principal Chief Commissioner of Income Tax
PCIT	Principal Commissioner of Income Tax

PGBP	Profits and Gains from Business or Profession
PMLA	Prevention of Money Laundering Act, 2002
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934
RERA	Real Estate (Regulation and Development) Act, 2016
SCRA	Securities Contracts (Regulations) Act, 1956
SCR Rules	Securities Contracts (Regulations) Rules, 1956
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992
SEZ	Special Economic Zone
SEZ Act	Special Economic Zones Act, 2005
Stamp Act	Indian Stamp Act, 1899
Tariff Act	Custom Tariff Act, 1975
TRO	Tax Recovery Officer
TPO	Transfer Pricing Officer



Budget Priorities

- 1) **Spurring Agricultural Growth and Productivity;**
 - 2) **Building Rural Prosperity and Resilience;**
 - 3) **Taking Everyone Together on an Inclusive Growth path;**
 - 4) **Boosting Manufacturing and Furthering Make in India;**
 - 5) **Supporting MSMEs;**
 - 6) **Enabling Employment-led Development;**
 - 7) **Investing in people, economy and innovation;**
 - 8) **Securing Energy Supplies;**
 - 9) **Promoting Exports; and**
 - 10) **Nurturing Innovation.**
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Budget for a Brighter Tomorrow



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