



**R.C. Jain and Associates LLP**



# 2025 **BUDGET**

"Unpacking the budget."



**UNION BUDGET 2025-2026  
NOTABLE PROPOSALS  
IN BRIEF**

**"You can't manage what you don't measure."**

## **BUDGET COMMITTEE MEMBERS**

### **DIRECT TAX**

- |                       |                        |
|-----------------------|------------------------|
| 1. CA R C Jain        | 7. CA Aruna Wadhwa     |
| 2. CA Gopal Agrawal   | 8. CA Bijal Bhanushali |
| 3. CA Meera Joisher   | 9. CA Dimpri Gala      |
| 4. CA Manoj Pokharana | 10. CA Dolly Kataria   |
| 5. CA Sheetal Mankani | 11. CA Namrata Chande  |
| 6. CA Ankit Shah      |                        |

### **In Association with**

- |                    |                      |
|--------------------|----------------------|
| 1. Jinal Thakkar   | 9. Pooja Shinde      |
| 2. Amrit Bodwani   | 10. Pulkit Bothra    |
| 3. Hritika Bahrani | 11. Purav Vakil      |
| 4. Karthy Mudaliar | 12. Sanika Varal     |
| 5. Krishnapriya J  | 13. Shivani Shetty   |
| 6. Meena Prajapati | 14. Simran Ratnani   |
| 7. Mihir Gohil     | 15. Swapnil Pendhari |
| 8. Ovais Sayed     | 16. Zainab Ansari    |

### **INDIRECT TAX**

- |                     |                    |
|---------------------|--------------------|
| 1. CA Shraddha Vora | 2. CA Bhavya Satra |
|---------------------|--------------------|

### **In Association with**

- |                 |                   |
|-----------------|-------------------|
| 1. Sagar Mohite | 4. Nidhi Shetty   |
| 2. Divya Gohil  | 5. Saif Shah      |
| 3. Komal Lund   | 6. Vishuddhi Jain |

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## **Major Highlights of Budget 2025.**

### **❖ Income Tax Reforms:**

- **No Tax Up to Rs 12 Lakh:** Individuals earning up to **Rs 12 lakh** annually will be exempt from income tax, providing relief to the middle class although income from capital gains is not included in this exemption.
- **Simplified Tax Slabs:** New, easier and higher tax slabs with progressive rates to reduce complexity.
- **Tax Relief for Higher Incomes:** Those earning **Rs 12 lakhs to 25 lakh** will benefit from **Rs 80k to 1.1 lakh** tax relief.
- **TDS Rationalization:** Streamlined TDS rates and thresholds for simplified compliance.
- **TDS Relief on Rent:** TDS threshold on rent payments raised to from **2.4 lakh to Rs 6 lakh**, benefiting landlords
- **Senior Citizen FD TDS Exemption:** The TDS exemption limit on fixed deposit interest for **senior citizens** has been increased from **50,000 to 1,00,000**.
- **Higher TCS Threshold for LRS:** The remittance limit under the Liberalized Remittance Scheme (LRS) is raised from **Rs 7 lakh to Rs 10 lakh**, easing the process for overseas transactions.
- **Education Loan Exemption:** TCS on education loans up to **Rs 10 lakh** is removed, easing the process for students and families.
- **Startup Support:** The **tax benefits for startups** have been extended for **5** more years (upto 2030), boosting entrepreneurship.
- **NPS Vatsalya for 80CCD Deduction:** Contributions under the NPS Vatsalya scheme are now **eligible for deduction** under Section **80CCD**.
- **Updated Return Filing Period:** Taxpayers can now file an updated income tax return (ITR) for up to **4** years from the end of the relevant assessment year.
- **Presumptive taxation scheme extended to non-residents** providing services for electronic manufacturing facilities.
- **Removal of applicability of TCS on sale of goods on consideration above 50L.**

### ❖ Customs and Tariff Adjustments:

- **Seven Tariff Rates Removed:** Additional simplifications in customs duties to encourage trade.
- **Increased BCD on Flat Panel Displays:** The Basic Customs Duty (BCD) on flat-panel displays will rise from **10% to 20%** to encourage domestic production
- **Exemptions on Critical Minerals:** **12 critical minerals** now exempt from BCD, supporting India's energy transition.
- **Customs Duty Reduction:** Open-cell customs duty reduced to **5%**, benefiting the electronics sector.

### ❖ Infrastructure and Development:

- **100 GW Nuclear Energy by 2047:** Long-term investment in nuclear energy to power India's future.
- **Maritime Development Fund:** A **25,000 Cr** fund to support India's shipbuilding industry.
- **Udaan Scheme for 120 New Destinations:** Expanding regional connectivity to boost tourism and local economies.
- **Support for Greenfield Airports:** Financial backing for airport development, especially in Bihar.

### ❖ Social Welfare and Education:

- **Gig Workers' Social Security:** A new scheme offering insurance and benefits to gig economy workers.
- **Broadband Connectivity for Schools and Healthcare:** All government secondary schools and primary healthcare centers will get broadband connectivity, improving digital access
- **Medical College Expansion:** **10,000** new medical college seats to be added by **FY26**, addressing healthcare workforce shortages.
- **Vocational Training:** National Centers of Excellence for AI and vocational training to skill the youth and promote innovation.

❖ **Agriculture and MSME Support:**

- **High-Yielding Seeds Mission:** A national mission to promote high-yielding seeds to boost agricultural productivity.
- **Credit Guarantee for MSMEs:** The credit guarantee for MSMEs is doubled to **Rs 20 crore** to support small businesses and startups.
- **Footwear & Leather Sector:** A new scheme to generate **22 lakh jobs** in the footwear and leather industry.
- **Micro-SME Credit Cards:** Custom credit cards with **Rs 5 lakh** limits to ease financial access for micro-SMEs.

❖ **Energy, Innovation, and Manufacturing:**

- **Solar & Battery Ecosystem:** Efforts to create a manufacturing ecosystem for solar photovoltaic cells, electrolyzers, and batteries.
- **National Manufacturing Mission:** A new mission to strengthen "Make in India" and boost domestic manufacturing.
- **Atal Tinkering Labs:** **50,000** innovation labs to promote creativity and problem-solving skills in schools.

❖ **Tourism and Innovation:**

- **Tourism Development:** **50** top tourist destinations to be developed in partnership with states, boosting tourism.
- **Medical Tourism Promotion:** Initiatives to position India as a global healthcare hub, attracting international patients
- **Deeptech Innovation Fund:** A fund-of-funds to support startups in technological innovation.

❖ **Focus Areas in Union Budget 2025:**

- **Support for MSMEs and Exports:** Focus on MSMEs and boosting exports to drive economic growth.
- **Agricultural Growth:** Programs targeting 100 low-productivity districts to uplift farmers and increase yield.
- **Inclusive Growth:** Emphasis on youth, women, farmers, and the economically weaker sections of society.
- **Sector-Specific Reforms:** Significant reforms in taxation, agriculture, manufacturing, and infrastructure.

This budget lays a foundation for economic growth by supporting middle-class taxpayers, fostering innovation, strengthening MSMEs, boosting agriculture, and investing in infrastructure development.

## **DIRECT TAX**

### A. **Tax Rates**

#### ❖ **Rates of Income Tax**

##### **Individual, HUF, Association of Persons, Body of Individuals, Artificial Juridical Person.**

- There is no change in slab rate under old regime of Income Tax Act.
- There are certain changes in slab rates under new regime (115BAC) as compared to previous year.

<b>Old Slab (Under New Scheme)</b>		<b>New Slab (Under New Scheme)</b>	
Upto 3,00,000	Nil	Upto 4,00,000	Nil
3,00,001 - 7,00,000	5%	4,00,001 - 8,00,000	5%
7,00,001 - 10,00,000	10%	8,00,001 - 12,00,000	10%
10,00,001 - 12,00,000	15%	12,00,001 - 16,00,000	15%
12,00,001 - 15,00,000	20%	16,00,001 - 20,00,000	20%
Above 15,00,000	30%	20,00,001 - 24,00,000	25%
		Above 24,00,000	30%

The applicability of this amendment will be taking effect from **1<sup>st</sup> April 2026** and will accordingly apply in relation to assessment year 2026-2027 and subsequent years.

#### ❖ **Rebate under Section 87A**

<b>Details</b>	<b>Budget 2024-25</b>	<b>Budget 2025-26</b>
Rebate for Income ≤ 5 Lakh	100% rebate (No income tax)	100% rebate (No income tax)
Rebate for Income ≤ 7 Lakh	Rebate of 25,000 for income ≤ 7 Lakh (under section 115BAC)	No change: Rebate of 25,000 for income ≤ 7 Lakh (under section 115BAC)
Rebate for Income ≤ 12 Lakh	Not applicable	New: Rebate extended for income ≤ 12 Lakh (under section 115BAC)
Rebate Limit	25,000 for income ≤ 7 Lakh	60,000 for income ≤ 12 Lakh
Marginal Relief	Available if income slightly exceeds 7 Lakh	Available if income slightly exceeds 12 Lakh
Rebate Exclusions	<b>Not available on income chargeable under special rates (e.g., capital gains)</b>	<b>No change: Not available on income chargeable under special rates (e.g., capital gains)</b>



## B. Salary

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

Section	Current Provision	Proposed Amendment	With effect from
<b>Under Section 17(2):</b> Medical Travel expenses outside India for employees	Fully Exempt if Gross Total Income < Rs.2 Lakhs	To be notified in rules	01.04.2026

## C. House Property

### ❖ Annual value of the self-occupied property simplified

- Section 23 of the Income Tax Act addresses the annual value of house property:
  - Sub-section (2): If a house is self-occupied or the owner cannot occupy it due to work elsewhere, its annual value is nil.
  - Sub-section (4): This benefit applies to two houses, specified by the owner.
- The proposed amendment simplifies that the annual value will be nil if the owner occupies or cannot occupy the house for any reason, with the two-house limit remaining unchanged.
- This amendment will take effect from April 1, 2025, for the **Assessment Year 2025-26** onwards.

## D. Income from Business and Profession

### ❖ Sec 44BBD: Scheme of presumptive taxation extended for non-resident providing services for electronic manufacturing facility

Aspect	Details
Applicability	Non-residents providing services/technology for setting up or operating an electronics manufacturing facility in India.
Eligible Resident Entity	A resident company establishing/operating an electronics manufacturing facility under a notified scheme by the Central Government (Ministry of Electronics & IT).
Deemed Taxable Income	<b>25% of the total amounts received or receivable</b> for providing services or technology.
Effective Tax Rate	The presumptive taxation results in an <b>effective tax rate of less than 10%</b> on the <b>gross receipts</b> of the non-resident company.
Amounts Considered	(a) Payments made to the non-resident or on their behalf. (b) Amounts received or deemed to be received by the non-resident.
Restrictions	No set-off of unabsorbed depreciation or brought-forward losses allowed.
Effective Date	These amendments will take effect from 1st April, 2026. Consequently, it will apply to the AY 2026-27 and subsequent years.

❖ **Harmonisation of Significant Economic Presence applicability with Business Connection**

Section	Existing Provision	New Provision
9(1)(i)	Income accruing from a <ul style="list-style-type: none"> <li>• <b>business connection in India,</b></li> <li>• property in India,</li> <li>• assets or sources of income in India, or</li> <li>• transfer of capital assets in India</li> </ul> will be deemed to arise in India.	
Explanation 2A to Section 9(1)(i):	<u><b>Explanation 1(b) to Section 9(1)(i):</b></u>  For a <b>non-resident</b> , income from <b>operations confined to the purchase of goods in India for export</b> is <b>not deemed</b> to accrue or arise in India.	<u><b>New proviso has been inserted:</b></u>  Amended to clarify that transactions confined to <b>the purchase of goods in India for export shall not constitute Significant Economic Presence for non-residents.</b> This ensures that buying goods for export does not trigger significant economic presence for tax purposes.
Second Provision of Section 9(1)(b)	<b>Provided further</b> that only so much of income as is attributable to the transactions or activities referred to in clause (a) or clause (b) of Explanation 2A shall be deemed to accrue or arise in India.	<u><b>Changes in Proviso Language:</b></u>  <b>Provided also</b> that only so much of income as is attributable to the transactions or activities referred to in clause (a) or clause (b) of Explanation 2A shall be deemed to accrue or arise in India.

## E. Capital Gain

- **Amendment to Section:** Section 2(14) of the Income-tax Act
- **Context:** Definition of 'Capital Assets'
- **Effective Date:** From April 1, 2026, and for all following assessment years.

Section No.	Existing Provision	Proposed Provision	Impact
<b>Section 2(14)(b)</b>	"Capital asset" includes any securities held by a <b>Foreign Institutional Investor (FII)</b> in compliance with the <b>SEBI Act, 1992</b> .	Extend the definition of "capital asset" to include securities held by <b>specified investment funds</b> in compliance with <b>Section 115UB*</b> which defines the taxation rules for Specified Investment Funds like Venture Capital Funds, Private Equity Funds, and similar entities that invest in securities on behalf of investors.	Expands the definition of "capital asset" to cover securities held by specified investment funds, aligning their tax treatment with that of FIIs. This simplifies tax compliance for investment funds.
<b>Section 2(14)(c)</b>	"Capital asset" includes <b>Unit Linked Insurance Policies (ULIPs)</b> , except where the exemption under <b>Section 10(10D)</b> does not apply due to the fourth and fifth provisos.	Clarifies that ULIPs will only be considered "capital assets" if <b>Section 10(10D)</b> exemption does not apply due to the fourth and fifth provisos.	Provides clarity on the tax treatment of ULIPs, ensuring they are taxed based on whether they meet the conditions for exemption under <b>Section 10(10D)</b> .

- **Amendment to Section:** Section 115AD of the Income-tax Act
- **Context:** Capital Gain on transfer of Capital assets by NRIs
- **Effective Date:** From April 1, 2026, and for all following assessment years.

<b>Section No.</b>	<b>Existing Provision</b>	<b>Proposed Provision</b>	<b>Impact</b>
<b>Section 115AD</b>	Provides tax treatment for Foreign Institutional Investors (FIIs) and specified funds on income earned from securities, including long-term capital gains (LTCG).	No change to the overall provision for FIIs. The amendment specifically targets the tax rate on LTCG on certain securities (not covered under section 112A).	The amendment raises the tax rate on long-term capital gains from 10% to 12.5% for specified securities. Applies to FIIs and specified funds.
<b>Tax Rate on LTCG (Section 115AD)</b>	LTCG on transfer of certain securities (not covered under section 112A) taxed at 10%.	LTCG on transfer of specified securities (not covered under section 112A) taxed at 12.5%.	Increase in the tax rate from 10% to 12.5% on LTCG for specified securities not covered under section 112A.
<b>Scope</b>	Applies to FIIs and specified funds on their long-term capital gains from the transfer of securities (except those covered under section 112A).	Applies to FIIs and specified funds, but only for those long-term capital gains arising from the transfer of specified securities (not covered under section 112A).	This change specifically impacts the tax treatment of FIIs' long-term capital gains from securities not falling under section 112A.
<b>Purpose</b>	Provides a favorable tax rate for FIIs and specified funds on long-term capital gains from Indian securities.	Raise tax rates for foreign investors in the context of long-term capital gains from certain securities, likely part of broader tax policy reform.	The government seeks to increase tax collection from foreign investors, narrowing the tax gap between foreign and domestic investors.

## F. Deduction under Chapter VI A

- **Amendment to Section:** Section 80-IAC of the Income-tax Act.
- **Context:** Extension of timeline for tax benefits to start-ups
- **Effective Date:** From April 1, 2025

Section	Existing Provision	Proposed Change	Impact
<b>Section 80-IAC</b>	Provides <b>100% tax exemption</b> on profits for the first <b>three years</b> within the first <b>ten years</b> of operation for eligible start-ups. Conditions include: 1. Incorporated between <b>April 1, 2016, and March 31, 2025</b> . 2. Recognized by Department for Promotion of Industry and Internal Trade ( <b>DPIIT</b> ). 3. Turnover < Rs.100 crore. 4. Business focused on <b>innovation or technology</b> .	Extended the benefit for an additional <b>five years</b> , making it available for start-ups incorporated <b>before April 1, 2030</b> .	Start-ups incorporated before <b>April 1, 2030</b> will continue to benefit from <b>100% tax exemption</b> on profits for the first three years, with the exemption now extending beyond the current March 31, 2025 deadline.

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

- The NPS Vatsalya Scheme, launched on 18 September 2024, allows parents/guardians to open an NPS account for their children. The account, managed by the guardian, benefits the minor until age 18, after which it is transferred to the child's name.
- Proposed tax benefits under Section 80CCD include:
  - A deduction of up to Rs 50,000 for contributions to the minor's NPS account.
  - Taxation on the deducted amount or accrued interest upon withdrawal.
  - Amounts received upon the minor's death will not be considered the guardian's income.
- Partial withdrawals for contingencies like education or medical treatment will be exempt from taxation up to 25% of the guardian's contributions. These amendments will take effect from 1 April 2026, for the assessment year 2026-27 onwards.

❖ **Exemption to withdrawals by Individuals from National Savings Scheme from taxation**

- Section 80CCA allows deductions for NSS deposits by individuals or Hindu Undivided Families, but not for deposits made after 1 April 1992.
- Withdrawals from these deposits, along with accrued interest, are taxable, unless the depositor has passed away, as per Circular No. 532 (17.03.1989).
- Following a 29.08.2024 Notification stating no interest will be paid on NSS balances after 01.10.2024, it is proposed to amend Section 80CCA to exempt withdrawals made after 29 August 2024 from deposits (and accrued interest) where deductions were claimed before 01 April 1992.
- The amendment will have retrospective effect from 29 August 2024.

## G. Tax Deducted at Source and Tax Collected at Source

### ❖ TAX DEDUCTED AT SOURCE

➤ Rationalisation of TDS **threshold limits** is as given below:

Section	Current threshold	Proposed threshold	With effect from
<b>Section 193:</b> Interest on securities	Rs.5,000/-	Rs.10,000/-	1.4.2025
<b>Section 194A:</b> Interest other than interest on securities	Rs.50,000 for senior citizen  Rs.40,000/- in case of others where the payer is bank, co-operative society engaged in banking and post office.  Rs.5,000/- in case of others	Rs.1,00,000/- for senior citizens  Rs.50,000/- in case where the payer is bank, co-operative society and post office  Rs.10,000/- in case of others	1.4.2025
<b>Section 194:</b> Dividend for an individual shareholder	Rs.5,000	Rs.10,000	1.4.2025
<b>Section 194K :</b> Income in respect of units of a mutual fund or specified company or undertaking	Rs.5,000	Rs.10,000	1.4.2025
<b>Section 194B:</b> Winnings from lottery, crossword puzzle, etc. <b>Section 194BB:</b> Winnings from horse race	Aggregate of amounts exceeding Rs.10,000/- during the financial year	Rs.10,000/- <b>(in respect of a single transaction)</b>	1.4.2025



<b>Section 194D:</b> Insurance commission	Rs.15,000/-	Rs.20,000/-	1.4.2025
<b>Section 194G:</b> Income by way of commission, prize etc. on lottery tickets	Rs.15000/-	Rs.20,000/-	1.4.2025
<b>Section 194H:</b> Commission or brokerage	Rs.15000/-	Rs.20,000/-	1.4.2025
<b>Section 194-I:</b> Rent	Rs.2,40,000/- (during the financial year)	Rs.50,000/- <b>(per month or part of a month)</b>	1.4.2025
<b>Section 194J:</b> Fee for professional or technical services or royalty	Rs.30,000/-	Rs.50,000/-	1.4.2025
<b>Section 194LA:</b> Payment of compensation on acquisition of certain immovable property	Rs.2,50,000	Rs.5,00,000	1.4.2025

➤ **Change in Rates**

<b>Section</b>	<b>Current TDS rate</b>	<b>Proposed TDS Rate</b>	<b>With effect from</b>
<b>Section 194LBC:</b> Income payable by securitization trust to investors	25% (in case payee is individual or HUF)  30% (in case payee is any other person)	10% (for all)	1.4.2025

## ❖ TAX COLLECTED AT SOURCE

Section	Current threshold	Proposed Threshold	With effect from
<b>Section 206C(1H):</b> TCS on sale	0.1% on Sale value > 50Lakhs	Omitted	01.04.2025
<b>206C(1):</b>  Timber or any other forest produce (not being tendu leaves) obtained under a forest lease	2.5%	2%	01.04.2025
Timber obtained by any mode other than under a forest lease	2.5%	2%	01.04.2025
<b>206C(1G):</b>  LRS(Liberalised Remittance Scheme) for education, financed by loan from financial institution)	0-7L - 0%  Above 7L – 0.5%	Omitted	01.04.2025
Purchase of Overseas tour program	0-7L - 5%  Above 7L - 20%	0- 10L - 0%  Above 10L – 0.5%	01.04.2025

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

- Section 206AB and Section 206CCA of the Act, requires deduction of TDS and TCS respectively at higher rate when deductee has not filed ITR for last 2 years.
- It has been proposed to omit section 206AB and section 206CCA of the Act with effect from the 1st April, 2025.

## H. International Taxation

### ❖ Transfer Pricing

#### ➤ **New Sub-Section (21) of Section 155 – Income Re-computation Based on ALP Determination**

Criteria	Details
<b>Effective Date</b>	1st April 2026.
<b>Applicability</b>	Assessment Year 2026-27 onwards.
<b>Trigger</b>	ALP determined for international or specified domestic transaction.
<b>Condition</b>	TPO confirms validity of option exercised by assessee for two consecutive years.
<b>Assessing Officer (AO) Responsibilities</b>	1. Amend assessment order or intimation under Section 143 to align with ALP determined by TPO. 2. Consider directions under Section 144C(5), if applicable.
<b>Re-computation Timeline</b>	1. Within 3 months from the completion of the assessment. 2. If not completed within this period, re-computation must be done within 3 months from issuance of the assessment order/intimation.
<b>Outcome if Condition Not Met</b>	No re-computation required.

#### ➤ **Reference to Transfer Pricing Officer (TPO)**

Section	Existing Provison	Amended Provison
<b>92CA(3B)</b>		<p><b>New Subsection 3B has been inserted:</b></p> <p>The procedure for applying to the Transfer Pricing Officer (TPO) for the arm's length price (ALP) determination for similar transactions in any previous year also applies to the same transactions in the two consecutive years following that year. The steps are:</p> <ul style="list-style-type: none"> <li>➤ The assessee must exercise the option(s) in the prescribed form, manner, and within the specified time frame.</li> <li>➤ The TPO must, within one month from the end of the month in which the option is exercised, issue an order declaring whether the option is valid, subject to prescribed conditions.</li> </ul>

		<p>➤ If the TPO declares the option valid, it will apply to the similar international or specified domestic transactions for the two consecutive years following the previous year in question.</p>
<b>92CA(1)</b>	Section 92CA provides the procedure governing reference of an international transaction or a specified domestic transaction to the Transfer Pricing Officer (TPO), for computation of their arm's length price (ALP).	<p><b>New Provision inserted</b></p> <p><b>Provision 1:</b> No reference for computing the arm's length price of an international or specified domestic transaction will be made if the Transfer Pricing Officer (TPO) has declared the option exercised by the taxpayer under subsection (3B) as valid for the relevant year.</p> <p><b>Provision 2:</b> Furthermore, if any reference for such a transaction is made before or after the TPO's declaration, the provisions will treat the situation as if <b>no reference</b> had been made for that transaction at all.</p>
<b>92CA(4A)</b>		<p>The TPO will examine and determine the arm's length price (ALP) for similar transactions in two consecutive previous years immediately following such previous year, as outlined in subsection (3) of section 92CA.</p> <p>After receiving the TPO's order, the AO will recompute the total income of the assessee for those years, according to subsection (21) of section 155.</p>
<b>92CA(9)</b>	<p>The Central Government, to implement the scheme under subsection (8), can issue a notification in the Official Gazette specifying that certain provisions of the Act will not apply or will apply with exceptions, modifications, and adaptations as detailed in the notification.</p> <p><b>Provision 1:</b> <b>Provided that no direction shall be issued after the 31st day of March 2025</b></p>	<p>Provision 1 has been <b>omitted</b> which means that there is no time Limit for Central Government to implement the scheme made under subsection (8) of sec 92CA.</p>
<b>92CA(11)</b>		<p><b>New Sub Section inserted</b></p> <p>If any difficulty arises in implementing the provisions of subsections (3B) and (4A), the Board, with the prior approval of the Central Government,</p>

		may issue guidelines to resolve the issue. However, such guidelines cannot be issued 2 years after April 1, 2026.
<b>92CA(12)</b>		Once issued, the guidelines must be presented to both Houses of Parliament for 30 days, which may span one or more sessions. If both Houses agree to modify or annul the guideline before the end of the next session, it will take effect in the modified form or become void, without affecting the validity of actions taken under the original guideline.

## I. Special Cases

Section	Existing Provision	Amended Provision
<b>Section 12AB(4): Cancellation of Registration</b>	<ul style="list-style-type: none"> <li>➤ If any "specified violation" occurs, the Principal Commissioner/Commissioner can cancel the registration of the trust/institution.</li> <li>➤ Currently, an incomplete application as well as false or incorrect information under <b>Section 12A(1)(ac)</b> is considered a "<b>specified violation,</b>" leading to cancellation of registration and tax liability on accreted income.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Now, an <b>incomplete application will no longer be treated as a "specified violation,"</b> preventing unnecessary cancellation of registration.</li> <li>➤ This amendment in section 12AB(4), shall come into effect from the 1st day of April, 2025.</li> </ul>
<b>Section 12AB: Period of registration of smaller trusts or institutions</b>	<p>Regular registration is valid for <b>5 years</b>. At the expiry of such registration, the trust or institution is required to make application for further registration.</p>	<ul style="list-style-type: none"> <li>➤ For <b>smaller trusts</b>, registration validity is increased <b>from 5 years to 10 years</b> if application is made under Section 12A (1) (ac) (i) to (v).</li> <li>➤ Smaller Trusts are such trusts wherein the Total income (before exemptions under Sections 11 &amp; 12) does not <b>exceed Rs 5 crores in each of the two preceding years.</b></li> <li>➤ This amendment in section 12AB, shall come into effect from the 1st day of April, 2025.</li> </ul>

<p><b>Section 13 – Relaxation in Definition of ‘Specified Persons’</b></p>	<ul style="list-style-type: none"> <li>➤ Trusts/institutions cannot claim exemptions under Sections 11 &amp; 12 if their income/property is used for the benefit of certain specified persons (as per Section 13(3)).</li> <li>➤ These specified persons include: <ul style="list-style-type: none"> <li>➤ Substantial contributors (those who contributed more than Rs 50,000).</li> <li>➤ Their relatives.</li> <li>➤ Any concern where such contributors have a substantial interest.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ Definition of <b>specified persons</b> has been amended to include : <ul style="list-style-type: none"> <li>➤ A person contributing: <ul style="list-style-type: none"> <li>• Exceeds Rs <b>1 lakh</b> in the relevant previous year, or</li> <li>• Exceeds in aggregate Rs <b>10 lakh</b> up to the end of relevant previous year.</li> </ul> </li> </ul> </li> <li>➤ <b>Relatives and concerns</b> where such contributors have a substantial interest will <b>not be included</b> in the list of specified persons.</li> <li>➤ This amendment in section 13, shall come into effect from the 1st day of April, 2025.</li> </ul>
<p><b>Section 115UA : Rationalization in taxation of Business Trust</b></p>	<ul style="list-style-type: none"> <li>➤ Business trusts (REITs, InVITs) are granted pass-through status for interest income, dividend income (from SPVs), and rental income (for REITs).</li> <li>➤ These incomes are taxed in the hands of the unit holders unless exempted.</li> <li>➤ As per section 115UA (2), the total income of a business trust is taxed at the maximum marginal rate, subject to <b>Section 111A</b> (short-term capital gains) and <b>Section 112</b> (long-term capital gains).</li> </ul>	<ul style="list-style-type: none"> <li>➤ Section 115UA (2) has been amended to provide that total income of business trust shall be charged to tax at the maximum marginal rate, subject to <b>Section 111A</b> (short-term capital gains) and <b>Section 112</b> (long-term capital gains), <b>along with Section 112A</b> (long-term capital gains on equity shares, equity-oriented funds, and business trust units).</li> <li>➤ The amendment will take effect from April 1, 2026, and apply to assessment year 2026-27 and subsequent years.</li> </ul>

- **Amendment to Section:** Section 13(1) of the UTI Repeal Act, 2002
- **Context:** Extension of exemption to Specified Undertaking of Unit Trust of India
- **Effective Date:** From April 1, 2025

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

As per sub-section (1) of section 13 of the UTI Repeal Act, 2002, SUUTI has been exempted from payment of income-tax in respect of any income, profits or gains derived, or any amount received in relation to the specified undertaking.

Section	Existing Provision	Proposed Change	Impact
<b>Section 13(1) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002</b>	The Specified Undertaking of Unit Trust of India (SUUTI) has been granted income tax exemptions. SUUTI is exempt from paying income tax on any income, profits, or gains derived in relation to its specified undertakings. This exemption was granted for 5 years from February 1, 2003, and extended multiple times. It is now extended until March 31, 2025.	Exemption extended until March 31, 2027.	The extension ensures SUUTI continues to be exempt from income tax until March 31, 2027.



## ❖ **Measures to Promote Investment and Employment in IFSC**

### **1. International Financial Services Centre**

The government is making changes to tax laws to encourage businesses and investments in **International Financial Services Centres (IFSCs)**. IFSCs are special zones that provide financial services in foreign currencies (not Indian Rupees). It is meant to **compete with global financial hubs** like Dubai, Singapore, and London.

**Here are the key proposals:**

### **2. Incentives to International Financial Services Centre**

Businesses in IFSC get tax benefits, but these were available only if they started operations before a certain deadline.

- The government is extending this deadline to March 31, 2030.
- This helps more businesses set up in IFSC and enjoy tax benefits.
- Effective from: April 1, 2025.

#### **Tax Benefits : 100% Income Tax Exemption for 10 Years**

- IFSC units get 100% tax exemption on profits for 10 consecutive years out of the first 15 years.
- The company can choose which 10 years to claim this benefits.

### **3. Exemption on life insurance policy from IFSC Insurance offices**

- Normally, if you buy a life insurance policy in India and pay premiums above a certain limit (Rs.2.5 lakh for ULIPs, Rs.5 lakh for regular policies), the payout is taxable.
- Now, if a non-resident buys life insurance from an IFSC-based insurance company, they will get full tax exemption on payouts, no matter how high the premium.
- Effective from: April 1, 2025.

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

- Similar to aircraft leasing businesses, ship leasing businesses in IFSC will now get tax exemptions on:

#### **1. Capital gains tax** when selling shares of ship leasing companies.

(If a non-resident investor or an IFSC company sells shares of an IFSC-based ship or aircraft leasing company, they do not have to pay capital gains tax.)

## 2. Dividend tax on dividends paid between IFSC ship leasing companies.

(if an IFSC-based ship or aircraft leasing company pays dividends to another IFSC unit, the dividends are fully tax-exempt.)

Effective from: April 1, 2025.

### **Other Benefits for Leasing Businesses**

#### ➤ No GST on Aircraft & Ship Leasing

- Leasing companies in IFSC do not have to pay GST on lease transactions.

#### ➤ Customs Duty Exemptions

- Importing aircraft, ships, or related equipment into IFSC does not attract customs duty.

#### ➤ 100% Income Tax Exemption for 10 Years

- Ship & aircraft leasing businesses get a 10-year income tax holiday within the first 15 years of operation.

## 5. **Rationalisation of definition of 'dividend' for treasury centres in IFSC**

A corporate treasury centre is a place where a company or group of companies manage their financial activities, like handling cash, investments, loans, and managing risks.

### **What Was Happening Before?**

- In the past, if a company in IFSC gave loans or advances to its shareholders (or their related companies), the tax authorities might consider it a "deemed dividend" and tax it.
- This caused issues for treasury centres (a company that handles group finances), as they often made loans to other companies in the same group.

### **The New Rule**

- The government clarified that loans or advances between group companies in IFSC that operate as treasury centres will not be treated as "dividends".
- This means no tax on these loans or advances, as long as one of the companies is a finance unit in IFSC, and the parent company is listed on a foreign stock exchange.

This change helps corporate treasury centres in IFSC avoid extra tax on internal loans or advances between group companies.

Effective from: April 1, 2025.

## **6. Simplified regime for fund managers based in IFSC**

A fund manager is someone who manages investment funds, like mutual funds, hedge funds, or private equity funds. These funds pool money from investors and invest it in different assets (stocks, bonds, etc.).

### **Current Rule: Investment by Indian Residents**

Current rule: If you're a fund manager in IFSC, the fund you manage should not have more than 5% investment from Indian residents. This rule was tough for many international funds looking to manage money in IFSC but having a small amount from Indian investors

The New Simplified Rule :

#### **A. Twice a Year Check**

Instead of checking Indian investor participation in the fund at all times, now it will be checked only twice a year (on April 1 and October 1).

If the 5% limit is exceeded at one of these checks, the fund will have 4 months to bring it back within the limit.

#### **B. Relaxed Conditions for Funds in IFSC**

If the fund manager starts operations in IFSC before March 31, 2030, some of the rules can be relaxed for them. For example, other conditions (like how the fund is structured) can be relaxed to make it easier to operate.

#### **C. No Modifications to 5% Rule for Fund Managers**

- The 5% investment rule won't change for any fund manager, but the government is making it easier to comply with the annual checks and give more time to correct things.

Effective from: April 1, 2025

### **Conclusion**

These tax changes are aimed at **attracting more global businesses to IFSC**, especially in **insurance, ship leasing, treasury operations, and investment fund management**. The goal is to make India a leading financial hub, similar to **Dubai, Singapore, and Hong Kong**.

## **7. Amendment of Section 10 on Exempt Income for Non-Residents**

- 1) Currently, **Section 10(4E)** exempts non-residents from paying tax on income from transferring certain financial instruments like **non-deliverable forward contracts, offshore derivative instruments, or over-the-counter derivatives**, if these are done through an **offshore banking unit** in an **International Financial Services Centre (IFSC)**.
- 2) **Proposed Change:** To encourage more activity in IFSCs, it is proposed that this exemption will also apply to **Foreign Portfolio Investors (FPIs)** who engage in these financial transactions through IFSC units. The exemption will be subject to certain conditions.
- 3) **Effective Date:** This change will take effect from **April 1, 2026**, and apply to the **assessment year 2026-27** and later.

## **8 . Inclusion of Retail Schemes and ETFs in IFSC Fund Relocation Regime**

### **➤ To boost operations in IFSC, the following changes are proposed:**

- Currently, under Section 47(viiad) of the Income Tax Act, relocating funds to IFSC is tax-neutral, meaning no capital gains tax applies when investors exchange their shares or units from the original fund to an IFSC-based fund. However, only certain Alternative Investment Funds (AIFs) qualify as "resultant funds."
- The Finance (No.2) Act, 2024, already granted tax exemption to retail schemes and ETFs in IFSC under Section 10(4D). Now, it is proposed to recognize these schemes and ETFs as "resultant funds" under Section 47(viiad), ensuring tax-neutral relocation for them as well.
- This amendment will be effective from April 1, 2026, for AY 2026-27 onwards.

## **9. Extension of Investment Deadline & Rationalization of Tax Exemptions for Sovereign Wealth Funds (SWFs) and Pension Funds (PFs)**

1. Section 10(23FE) of the Income Tax Act provides tax exemptions on income such as dividends, interest, and long-term capital gains for specified entities like **Sovereign Wealth Funds (SWFs) and Pension Funds (PFs)** investing in India's infrastructure sector. These entities must meet certain conditions and be notified by the Central Government. This exemption was introduced in the Finance Act, 2020 to attract long-term foreign investments.
2. Currently, the exemption applies to investments made between **April 1, 2020, and March 31, 2025**. Given the long-term nature of infrastructure projects and the role of foreign investors in financing them, it has been suggested that the investment deadline be extended to ensure stability and continued funding for India's development.
3. Additionally, the Finance (No.2) Act, 2024, amended Section 50AA, reclassifying all capital gains from unlisted debt securities as **short-term capital gains**, regardless of the holding period. This change would make long-term capital gains from such investments taxable for SWFs and PFs, which were previously exempt under Section 10(23FE).
4. To address these concerns, it is proposed to amend Section 10(23FE) to:
  - **Continue the exemption for long-term capital gains**, even if reclassified as short-term under Section 50AA.
  - **Extend the investment deadline from March 31, 2025, to March 31, 2030**, allowing more time for global investors to contribute to India's infrastructure growth.
5. These amendments will take effect from **April 1, 2025**, ensuring a stable investment environment for foreign funds supporting India's infrastructure sector.

**J. Assessment, Appeals, Penalties**

**❖ Exemption from prosecution for delayed payment of TCS in certain cases**

- **Current Provision (Section 276BB):**  
 Prosecution is initiated if a person fails to pay the tax collected at source (TCS) to the Central Government under Section 206C. Penalties include rigorous imprisonment (3 months to 7 years) and a fine.
- **Proposed Amendment:**  
 Prosecution will not be initiated if the TCS is paid to the credit of the Central Government **on or before the due date for filing the quarterly statement** under Section 206C.
- The amendment will be effective from April 1, 2025.

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

<b>Section</b>	<b>Existing Section</b>	<b>Proposed Amendment</b>
<b>Section 158B</b> (Definition of "undisclosed income")	"Undisclosed income" means— (a) Any income of the assessee for any previous year which has not been disclosed in the return of income or has not been included in the total income returned by the assessee, or  (b) Any income represented by any asset, including financial assets, which has not been disclosed in the return of income or has not been included in the total income returned by the assessee.	"Undisclosed income" means— (a) Any income of the assessee for any previous year which has not been disclosed in the return of income or has not been included in the total income returned by the assessee, or  (b) Any income represented by any asset, including financial assets, which has not been disclosed in the return of income or has not been included in the total income returned by the assessee.

		<p>(c) <i>Virtual Digital Asset (VDA) to be included in the definition of undisclosed income. This amendment will take place from 1<sup>st</sup> day of February, 2025</i></p>
<p><b>Section 158BB(1)(i)</b> (Computation of block income)</p> <p><b>Section 158BB(1)(ii) &amp; (iii)</b> (Inclusion of certain income)</p>	<p>(i) The undisclosed income declared in the return of income filed by the assessee under section 139 or in response to a notice under sub-section (1) of section 142 or section 148, <b>shall form part of the total income of the block period.</b></p> <p>(ii) Any income which is included in the total income of the assessee, and which is disclosed by the assessee in a return filed before the date of initiation of search or requisition, <b>shall form part of the total income of the block period.</b></p> <p>(iii) Any income disclosed by the assessee in a return filed before the date of initiation of search or requisition <b>shall be treated as income of the block period for the purpose of charging tax.</b></p>	<p>(i) The undisclosed income declared in the return of income filed by the assessee under section 139 or in response to a notice under sub-section (1) of section 142 or section 148, <b>shall form part of the undisclosed income of the block period.</b></p> <p>ii) Any income disclosed by the assessee in a return filed before the date of initiation of search or requisition <b>shall form part of the undisclosed income of the block period.</b></p> <p>(iii) Any income declared in the return of income filed under section 139 or in response to a notice under sub-section (1) of section 142 or section 148, prior to the date of initiation of the search or requisition, <b>shall form part of the total income of the block period for which credit would be given while charging the tax for the said period.</b></p> <p>This amendment will take</p>

		effect from <b>February 1, 2025.</b>
<b>Section 158BB(3)</b> (International & specified domestic transactions)	The income arising from international transactions or specified domestic transactions pertaining to the period beginning from the 1st day of April of the previous year and ending with the date on which the last of the authorisations was executed <b>shall be taxed under the normal provisions.</b>	The income arising from international transactions or specified domestic transactions pertaining to the period beginning from the 1st day of April of the previous year and ending with the date on which the last of the authorisations was executed <b><i>shall not be considered in the income of the block period.</i></b>  This amendment will take effect from <b>February 1, 2025.</b>
<b>Section 158BE</b> (Time limit for block assessment)	The time-limit for completion of block <b>assessment is twelve months from the end of the month in which the last of the authorisations for search has been executed.</b>	The time-limit for completion of block assessment is <b><i>twelve months from the end of the quarter in which the last of the authorisations for search or requisition has been executed.</i></b>  This amendment will take effect from <b>February 1, 2025.</b>



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

Section	Existing Section	Proposed Amendment
Section 271AAB (Penalty for undisclosed income in search cases)	Sub-section (1A): "The provisions of this section shall apply in respect of searches initiated on or after 15th December, 2016, and will impose a penalty on undisclosed income discovered during such search."	Sub-section (1A): "The provisions of this section shall not apply to the assessee in whose case search has been initiated under section 132 on or after the 1st day of September, 2024."  This amendment will take effect from <b>1st September, 2024</b> .
Section 271AAB (Non-applicability to Chapter XIV-B)	The provisions of section 271AAB are not applicable to proceedings under section 158BC.	The provisions of section 271AAB will not be applicable to searches initiated on or after 1st September, 2024, in relation to block assessments under Chapter XIV-B.  This amendment will take effect from <b>1st September, 2024</b> .

## ❖ Amendments proposed in sections 132 and 132B for rationalizing provisions

Section	Existing Section	Proposed Amendment
Section 132(8) (Approval for retention of seized books and documents)	"The last date for taking approval for retention of seized books of account or other documents is <b>30 days from the date of the assessment or reassessment or recomputation order.</b> "	"The time limit for taking approval for retention of seized books of account or other documents shall be <i>one month from the end of the quarter in which the assessment or reassessment or recomputation order has been made.</i> "  This amendment will take effect from <b>1st April, 2025</b> .

❖ **Time limit to impose penalties rationalized**

<b>Section</b>	<b>Existing Section</b>	<b>Proposed Amendment</b>
<b>Section 275</b> (Time limit for imposing penalties)	Section 275 provides various timelines for imposition of penalties, such as: (a) For cases in appeal before the ITAT, the time limit for imposing a penalty is <b>the end of the financial year in which the connected proceeding has been completed, or six months from the end of the month in which the appellate order is received, whichever is later.</b>	"Any order imposing a penalty under Chapter XXI shall not be passed after the <b><i>expiry of six months from the end of the quarter in which the connected proceedings are completed, or the order of appeal is received by the jurisdictional Principal Commissioner or Commissioner, or the order of revision is passed, or the notice for imposition of penalty is issued, as the case may be.</i></b> "  This amendment will take effect from <b>1st April, 2025</b>
<b>Section 246A</b> (Appeal to the Commissioner of Appeals)	Section 246A refers to penalties and their timelines based on the existing provisions in section 275.	Section 246A will be amended to update the reference to the amended provisions of section 275  This amendment will take effect from <b>1st April, 2025.</b>

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

<b>Section</b>	<b>Existing Section</b>	<b>Proposed Amendment</b>
<b>Section 144BA, 153, 153B, 158BE, 158BFA, 263, 264, and Rule 68B of Schedule-II</b> (Exclusion of time during stay by court)	The provisions state that the period during which proceedings are stayed by an order or injunction of any court shall be excluded in computing the time limit for conclusion of proceedings. However, <b>the</b>	The period during which the proceedings are stayed <b><i>will be clearly defined as commencing on the date the stay was granted and ending on the date the certified copy of the order vacating the stay is received</i></b>

	commencement and end dates of the stayed period were ambiguous.	by the jurisdictional Principal Commissioner or Commissioner (or the Approving Panel in case of section 144BA).  This amendment will take effect from <b>1st April, 2025</b>
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❖ **Rationalization of provisions related to carry forward of losses in case of amalgamation**

Section	Existing Section	Proposed Amendment
<b>Section 72A and 72AA</b> (Carry forward and set-off of accumulated loss in case of amalgamation or business reorganization)	Section 72A and 72AA provide for the carry forward and set-off of accumulated losses and unabsorbed depreciation of the amalgamating entity (or predecessor) by the amalgamated entity (or successor). The accumulated loss is deemed to be that of the successor entity for the year of amalgamation.	In order to align with Section 72 of the Act, it is proposed that any accumulated loss of the predecessor entity carried forward by the successor entity will be eligible to be carried forward for <b><i>no more than eight assessment years immediately succeeding the assessment year in which the loss was first computed for the predecessor entity.</i></b> This change is to prevent the evergreening of losses due to successive amalgamations.  This amendment will take effect from <b>1st April, 2026.</b>
Section 72 (General provisions for carry forward of business losses)	No loss, other than from speculation business, shall be carried forward for more than eight <b>assessment years</b> immediately succeeding the year in which the loss was first computed.	The proposed amendment in sections 72A and 72AA ensures that no accumulated loss of the predecessor entity shall be carried forward and set off beyond the eight <b><i>assessment years limit from the assessment year in which the loss was first computed for the predecessor entity.</i></b>  This amendment will take effect from <b>1st April, 2026.</b>

## ❖ Certain penalties to be imposed by Assessing Officer

Section	Existing Section	Proposed Amendment
<p><b>Sections 271C, 271CA, 271D, 271DA, 271DB, 271E</b> (Penalties under various sections)</p> <p><input type="checkbox"/> <b>Section 271C:</b> Penalty for failure to deduct tax at source (TDS) as required under Chapter XVII-B.</p> <p><input type="checkbox"/> <b>Section 271CA:</b> Penalty for failure to collect tax at source (TCS) as required under Chapter XVII-BB.</p> <p><input type="checkbox"/> <b>Section 271D:</b> Penalty for taking or accepting loans or deposits in contravention of Section 269SS (which restricts cash transactions above certain limits).</p> <p><input type="checkbox"/> <b>Section 271DA:</b> Penalty for failure to report a specified transaction (as per Section 269T, related to repayment of loans or deposits in cash).</p> <p><input type="checkbox"/> <b>Section 271DB:</b> Penalty for failure to comply with the provisions of section 10(23C) and section 12A regarding registration requirements.</p> <p><input type="checkbox"/> <b>Section 271E:</b> Penalty for repaying loans or deposits in contravention of Section 269T (related to acceptance of loans or deposits in cash).</p>	<p>Penalties under sections 271C, 271CA, 271D, 271DA, 271DB, and 271E were imposed by the Joint Commissioner, although the assessment was conducted by the Assessing Officer.</p>	<p>Penalties under sections 271C, 271CA, 271D, 271DA, 271DB, and 271E shall be imposed by the <b>Assessing Officer</b>, instead of the Joint Commissioner. The Assessing Officer must take prior approval from the Joint Commissioner for penalty orders where the penalty amount exceeds the limit specified in <b>sub-section (2) of section 274</b> of the Act.</p> <p>This amendment will take effect from <b>1st April, 2025</b></p>
<p><b>Section 271BB</b> (Penalty for failure to subscribe to eligible capital issue)</p>	<p>Section 271BB provides a penalty for failing to subscribe to the eligible issue of capital under section 88A,</p>	<p>Section 271BB will be <b>omitted</b> as section 88A (the parent section) was repealed by the Finance (No. 2) Act,</p>

	with penalty directed by the Joint Commissioner.	1996 with retrospective effect from 1st April, 1994, making the penalty section redundant.  This amendment will take effect from <b>1st April, 2025</b>
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❖ **Extending the processing period of application seeking immunity from penalty and prosecution**

Section	Existing Section	Proposed Amendment
<b>Section 270AA</b> (Immunity from imposition of penalty etc)	Section 270AA provides for granting immunity from penalty or prosecution by the Assessing Officer, subject to certain conditions. Sub-section (2) requires an application for immunity to be made within <b>one month from the end of the month in which the order referred to in clause (a) of sub-section (1) is received by the assessee.</b>  Sub-section (4) mandates that the Assessing Officer pass an order accepting or rejecting the application within one month from the end of the month in which the application is received.	The processing period for the Assessing Officer to accept or reject the immunity application will be extended to <b><i>three months from the end of the month in which the application is received, as opposed to the existing one-month period.</i></b>  This amendment will take effect from <b>1st April, 2025.</b>

❖ **Extending the time limit to file the updated return**

Section	Existing Section	Proposed Amendment
<b>Section 139(8A)</b> (Furnishing of updated return)	An updated return can be filed within <b>24 months</b> from the end of the relevant assessment year.	The time limit for filing an updated return will be extended from <b>24 months to 48 months</b> from the end of the relevant assessment year.

	<p>The additional income-tax payable is:</p> <ul style="list-style-type: none"> <li>- <b>25%</b> of the aggregate of tax and interest if filed within 12 months from the end of the relevant assessment year.</li> <li>- <b>50%</b> of the aggregate of tax and interest if filed after 12 months and up to 24 months end of the relevant assessment year.</li> </ul>	<p>The rate of additional income-tax will be:</p> <ul style="list-style-type: none"> <li>- <b>60%</b> of the aggregate of tax and interest if filed after 24 months and up to 36 months end of the relevant assessment year.</li> <li>- <b>70%</b> of the aggregate of tax and interest if filed after 36 months and up to 48 months end of the relevant assessment year.</li> </ul> <p>This amendment will take effect from <b>1st April, 2025</b>.</p>
<p><b>Section 139(8A)</b> (Restrictions on filing updated return)</p>	<p>No restriction specified in the existing provision.</p>	<p>No updated return can be furnished where a notice under <b>section 148A</b> has been issued after <b>36 months</b> from the end of the relevant assessment year. However, if an order under <b>section 148A(d)</b> determines no notice under section 148 is required, the updated return can still be filed up to <b>48 months from the end of relevant assessment year</b>.</p> <p>This amendment will take effect from <b>1st April, 2025</b>.</p>

## K. Other Amendments

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

- The Finance Act 2022 introduced taxation on Virtual Digital Assets (VDA) under the Income-tax Act, 1961:
  - Section 115BBH: VDA transfer gains taxed at 30% with no deductions, except for the cost of acquisition.
  - Section 2(47A): Defines VDA, including crypto currencies and NFTs.
  - Section 194S: 1% TDS on VDA transactions, including cash or kind payments.
  - Effective April 1, 2022 (taxation) and July 1, 2022 (TDS).
  
- Proposed Section 285BAA introduces the obligation for reporting entities to submit transaction details:
  - Sub-section (1): Reporting entities must provide details in a prescribed format and timeline.
  - Sub-section (2): Defective statements must be corrected within 30 days (or extended period).
  - Sub-section (3): Income-tax authority can issue a notice if statements are not submitted on time.
  - Sub-section (4): Inaccuracies must be corrected and reported promptly.
  - Sub-section (5): The Central Government will prescribe rules for registration and due diligence for identifying crypto-asset users/owners.
  
- Amendment to Section 2(47A) expands VDA definition to **include any crypto-asset using cryptographic security on a distributed ledger.**
  
- These amendments will take effect from April 1, 2026.

❖ **Increasing time limit available to pass order under section 115VP**

Sr.No.	Section	Existing Provision	Proposed Provision	Impact
1.	115VP	<p>A qualifying company may opt for the tonnage tax scheme by making an application to the Joint Commissioner having jurisdiction over the company in the form and manner as may be prescribed, for such scheme.</p> <p><b><u>Time Limit to pass order by Joint Commissioner:</u></b> Every order granting or refusing the approval of the option for tonnage tax scheme under clause (i) or clause (ii), as the case may be, of sub-section (3) shall be passed before the expiry of one month from the end of the month in which the application was received under sub-section (1).</p>	<p><b><u>Revised Time Limit to pass order by Joint Commissioner:</u></b> Application received under subsection (1) on or after the 1st April, 2025, order under subsection (3) shall be passed before the expiry of three months from the end of the quarter in which such application was Received. (This amendment is made because there was very less time with Joint Commissioner of Income Tax for verification of information and documents, including physical inspection of ships, providing opportunity of being heard and thereby passing the order approving or rejecting the application)</p>	Amendment will take effect from 1st day of April, 2025.



❖ **Extension of benefits of tonnage tax scheme to inland vessels**

Sr. No.	Section	Existing Provision	Proposed Provision	Impact
1.	115VD	<p><b>115VD:</b> For the purposes of this Chapter, a ship is a qualifying ship if—</p> <p>(a) it is a sea going ship or vessel of fifteen net tonnage or more;</p> <p>(b) it is a ship registered under the Merchant Shipping Act, 1958 or a ship registered outside India in respect of which a license has been issued by the Director-General of Shipping under section 406 or section 407 of the Merchant Shipping Act, 1958 (44 of 1958); and</p> <p>(c) a valid certificate in respect of such ship indicating its net tonnage is in force.</p>	<p>Inland Vessels have been included in the section 115VD for being eligible to be qualified ship Inland Vessel is being added in the definition specified in section 115V.</p>	<p>Amendment will take effect from the 1<sup>st</sup> day of April, 2026.</p>

## INDIRECT TAX

### A. GOODS AND SERVICES TAX

**The amendment shall take place through notification issued on later date:**

Sr. No	Section No	Existing Provision	Amended Provision	Impact
1	2(61) of CGST Act	“Input Service Distributor” means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20;	“Input Service Distributor” means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9 of this Act or under subsection (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017, for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20;	As per the existing provision, an Input Service Distributor was liable to distribute the input tax credit of CGST, SGST, IGST and UTGST paid under the Forward Charge Mechanism and ITC of CGST, SGST & UTGST paid under the Reverse Charge Mechanism. <b>However, as per the proposed provision w.e.f. 1<sup>st</sup> April, 2025, the Sections 5 (3) and (4) of the IGST Act, 2017 have now been inserted, stating that the ITC of IGST paid under Reverse Charge Mechanism will also be liable for distribution by an Input Service Distributor.</b>
2	2(69)(c) of CGST Act	A Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or	A Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to,	Section 2 (69) (c) is being amended to replace "municipal or local fund" with "municipal fund or local fund" and to insert an Explanation after the sub-clause (c), to provide for

		<p>entrusted by the Central Government or any State Government with the control or management of a municipal or local fund;</p>	<p>or entrusted by the Central Government or any State Government with the control or management of a municipal <b>fund</b> or local fund</p> <p>after sub-clause (c), the following <b>Explanation shall be inserted</b>, namely  ‘Explanation. —  For the purposes of this sub-clause—  (a) “local fund” means any fund under the control or management of an authority of a local self-government established for discharging civic functions in relation to a Panchayat area and vested by law with the powers to levy, collect and appropriate any tax, duty, toll, cess or fee, by whatever name called;  (b) “municipal fund” means any fund under the control or management of an authority of a local self-government established for discharging civic functions in</p>	<p>definitions of the terms ‘Local Fund’ and ‘Municipal Fund’ used in the definition of “local authority” under the said clause so as to clarify the scope of the said terms.</p>
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			relation to a Metropolitan area or Municipal area and vested by law with the powers to levy, collect and appropriate any tax, duty, toll, cess or fee, by whatever name called.’;	
<b>3</b>	<b>2(116A) of CGST Act</b>	Newly Inserted	In section 2 of CGST Act, 2017; after clause (116), the following clause shall be inserted, namely:-  ‘(116A) “unique identification marking” means the unique identification marking referred to in clause (b) of sub-section (2) of section 148A and includes a digital stamp, digital mark or any other similar marking, which is unique, secure and non-removable;’	Government has provided definition of “unique identification marking” that has introduced in clause (b) of sub-section (2) of newly inserted section 148A of CGST Act, 2017 for enabling Track and Trace Mechanism for specified commodities. The specified unique identification marking may include a digital stamp, digital mark or any other similar marking which should be unique, secure and non-removable to ensure tracking of the specified commodities. (The said specified commodities are yet to be notified by the government.)
<b>4A</b>	<b>12(4) of CGST Act</b>	In case of supply of vouchers by a supplier, the time of supply shall be- a) The date of issue of voucher, if the supply is identifiable at that point; or The date of redemption of voucher, in all other cases.	Section 12 (4) relating to time of supply of goods in respect of vouchers is being omitted.	Since time of supply provisions related to vouchers are now being omitted, there will be no taxability arising at the time of issuing vouchers. Taxability will arise at the time of redeeming voucher when the actual invoice will be made and the time of supply of the said invoice will be governed by the provisions of Section 12(2) and 13(2) in case of goods and services respectively.  It is important to note that the commission / fee, service charges, etc. charged by the distributors / sub-

4B	13(4) of CGST Act	<p>In case of supply of vouchers by a supplier, the time of supply shall be-</p> <p>a) The date of issue of voucher, if the supply is identifiable at that point; or</p> <p>b) The date of redemption of voucher, in all other cases.</p>	Section 13 (4) relating to time of supply of services in respect of vouchers is being omitted.	<p>distributors / agents for providing advertising, etc. or for adhering to the instructions of voucher suppliers will continue to be taxable u/s 9(1) of the CGST Act, 2017 as already clarified vide Circular No. 243/37/2024 – GST dated 31<sup>st</sup> December, 2024. The time of supply of the same will be governed by section 13(2) of the CGST Act, 2017.</p> <p>Further, it is important to note that income booked due to non-redemption of vouchers will not be liable to GST as already clarified vide Circular No. 243/37/2024 – GST dated 31<sup>st</sup> December, 2024.</p>
5	17(5)(d) of CGST Act	ITC is blocked in case of goods or service received by the taxable person for the construction of immovable property (other than “ <b>Plant or Machinery</b> ”) even if they are being used in the course of furtherance of Business.	ITC is blocked in case of goods or service received by the taxable person for the construction of immovable property (other than “ <b>Plant and Machinery</b> ”) even if they are being used in the course of furtherance of Business.	The amendment clarifies that ' <b>plant and machinery</b> ' should be read together as a combined term, rather than as separate categories of 'plant' or 'machinery' individually. This clarification, effective retrospectively from <b>1<sup>st</sup> July 2017</b> , could potentially impact past and pending cases where the distinction was previously disputed.
6A	20(1) of CGST Act	Any office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25, shall be required to be registered as Input Service	Any office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9 <b>of this Act or under subsection (3) or sub-section (4) of section 5 of the Integrated Goods</b>	<p>An office of supplier is required to register as an Input Service Distributor if it receives tax invoices for or on behalf of distinct persons referred to in section 25 towards CGST, SGST, IGST &amp; UTGST under Forward Charge Mechanism, including invoices towards CGST, SGST, <b>IGST</b> &amp; UTGST under Reverse Charge Mechanism and is liable to distribute the same.</p> <p>Hence, ITC pertaining to IGST paid under Reverse Charge Mechanism is also covered in the said section with effect from <b>1<sup>st</sup> April, 2025</b>.</p>

		Distributor under clause (viii) of section 24 and shall distribute the input tax credit in respect of such invoices.	<b>and Services Tax Act, 2017</b> , for or on behalf of distinct persons referred to in section 25, shall be required to be registered as Input Service Distributor under clause (viii) of section 24 and shall distribute the input tax credit in respect of such invoices.	
<b>6B</b>	<b>20(2) of CGST Act</b>	The Input Service Distributor shall distribute the credit of central tax or integrated tax charged on invoices received by him, including the credit of central or integrated tax in respect of services subject to levy of tax under sub-section (3) or sub-section (4) of section 9 paid by a distinct person registered in the same State as the said Input Service Distributor, in such manner, within such time and subject to such restrictions and conditions as may be prescribed.	The Input Service Distributor shall distribute the credit of central tax or integrated tax charged on invoices received by him, including the credit of central or integrated tax in respect of services subject to levy of tax under sub-section (3) or sub-section (4) of section 9 <b>of this Act or under subsection (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017</b> paid by a distinct person registered in the same State as the said Input Service Distributor, in such manner, within such time and subject to such restrictions and conditions as may	The Input Service Distributor shall distribute the credit of CGST or IGST paid under Forward Charge Mechanism and the credit of CGST or <b>IGST paid under Reverse Charge Mechanism</b> , in such manner, within such time and subject to such restrictions and conditions as may be prescribed. Hence, ITC pertaining to IGST paid under Reverse Charge Mechanism is also covered in the said section with effect from <b>1<sup>st</sup> April, 2025</b> .

			be prescribed.	
7	<b>34(2) of CGST Act</b>	<p>Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than the thirtieth day of November following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed:</p> <p><b>Provided that</b> No reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.</p>	<p>Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than the thirtieth day of November following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed:</p> <p><b>Provided that</b> no reduction in output tax liability of the supplier shall be permitted, if the—</p> <p><b>(i) input tax credit as is attributable to such a credit note, if availed, has not been reversed by the recipient, where such recipient is a registered person; or</b></p>	<p>The inserted provision prevents abuse of the credit note system. It prevents suppliers from reducing tax liability if the tax burden has already been passed on to others, improving compliance and reducing tax evasion.</p>

			(ii) incidence of tax on such supply has been passed on to any other person, in other cases.”.	
<b>8, 9 &amp; 10</b>	<b>38 of CGST Act</b>	The details of outward supplies furnished by the registered persons under sub-section (1) of section 37 and of such other supplies as may be prescribed, and an auto-generated statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed. (2) The auto-generated statement under sub-section (1) shall consist of (a) details of inward supplies in respect of which credit of input tax may be available to the recipient; and (b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, on account of the details of the said supplies being furnished under sub-section (1) of section	The details of outward supplies furnished by the registered persons under sub-section (1) of section 37 and of such other supplies as may be prescribed, and a <b>statement</b> containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed. (2) The <b>statement referred in</b> under sub-section (1) shall consist of (a) details of inward supplies in respect of which credit of input tax may be available to the recipient; <b>and</b> (b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient <b>including,</b> on account of the details of the said	The amendments to Section 38 of the CGST Act reflect a significant shift towards more flexibility and clarity in GST reporting. By replacing the term “auto-generated statement” with a more general “statement” and expanding the details required from taxpayers, these changes aim to enhance the accuracy and comprehensiveness of the GST filing process. The introduction of a provision allowing for the inclusion of additional prescribed details further strengthens the adaptability of the GST framework, enabling it to keep pace with evolving business practices and regulatory needs.



	<p>37                  (i) by any registered person within such period of taking registration as may be prescribed; or                  (ii) by any registered person, who has defaulted in payment of tax and where such default has continued for such period as may be prescribed; or                  (iii) by any registered person, the output tax payable by whom in accordance with the statement of outward supplies furnished by him under the said sub-section during such period, as may be prescribed, exceeds the output tax paid by him during the said period by such limit as may be prescribed; or                  (iv) by any registered person who, during such period as may be prescribed, has availed credit of input tax of an amount that exceeds the credit that can be availed by him in accordance with clause (a), by such limit as may be prescribed; or                  (v) by any registered person, who has defaulted in</p>	<p>supplies being furnished under sub-section (1) of section 37                  (i) by any registered person within such period of taking registration as may be prescribed; or                  (ii) by any registered person, who has defaulted in payment of tax and where such default has continued for such period as may be prescribed; or                  (iii) by any registered person, the output tax payable by whom in accordance with the statement of outward supplies furnished by him under the said sub-section during such period, as may be prescribed, exceeds the output tax paid by him during the said period by such limit as may be prescribed; or                  (iv) by any registered person who, during such period as may be prescribed, has availed credit of input tax of an amount that exceeds the credit that can be availed by him in accordance with</p>	
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		discharging his tax liability in accordance with the provisions of sub-section (12) of section 49 subject to such conditions and restrictions as may be prescribed; or (vi) by such other class of persons as may be prescribed.	clause (a), by such limit as may be prescribed; or (v) by any registered person, who has defaulted in discharging his tax liability in accordance with the provisions of sub-section (12) of section 49 subject to such conditions and restrictions as may be prescribed; or (vi) by <b>such other details as may be prescribed.</b>	
11	39 of CGST Act	(1) Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52 shall, for every calendar month or part thereof, furnish, a return, electronically, of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars, in such form and manner, and within such time, as may be prescribed Provided that the Government may, on the	(1) Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52 shall, for every calendar month or part thereof, furnish, a return, electronically, of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars, in such form and manner, <b>within such time,</b> as may be prescribed:	The proposed amendment to Section 39 of the CGST Act reflects the government's focus on tightening tax compliance and enhancing accountability within the GST framework. By introducing conditions and restrictions alongside the existing time limits, the amendment aims to ensure more precise and disciplined return filing, fostering a stronger compliance culture among taxpayers. In line with the goals of the Union Budget 2025, this change signals a move toward greater administrative flexibility, customized regulation, and a more efficient GST system, ultimately enhancing taxpayer engagement and promoting long-term revenue growth.

		recommendations of the Council, notify certain class of registered persons who shall furnish a return for every quarter or part thereof, subject to such conditions and restrictions as may be specified therein.	Provided that the Government may, on the recommendations of the Council, notify certain class of registered persons who shall furnish a return for every quarter or part thereof, subject to such conditions and restrictions as may be specified therein.	
12	107(6) of CGST Act	No appeal shall be filed under sub-section (1), unless the appellant has paid- (a) in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him; and (b) a sum equal to ten per cent. of the remaining amount of tax in dispute arising from the said order, [subject to a maximum of 3 [twenty] crore rupees], in relation to which the appeal has been filed. [ <b>Provided</b> that no appeal shall be filed against an order under sub-section (3) of section 129, unless a sum equal to twenty-five per cent. of the penalty has been paid by the appellant.]	In section 107 of the Central Goods and Services Act, in sub-section (6), for the proviso, the following proviso shall be substituted, namely: Amendment of section 107. “Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty has been paid by the appellant.”	The amendment clarifies that for any order <b>demanding only a penalty (with no tax demand)</b> , an appeal can <b>only</b> be filed if the appellant pays <b>10% of the penalty amount</b> upfront.

13	<b>112(8) of CGST Act</b>	No appeal shall be filed under sub-section (1), unless the appellant has paid- (a) in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him, and (b) a sum equal to 5[ten per cent.] of the remaining amount of tax in dispute, in addition to the amount paid under sub-section (6) of section 107, arising from the said order, 3[subject to a maximum of 5[twenty crore rupees]] , in relation to which the appeal has been filed	In section 112 of the Central Goods and Services Act, in sub-section (8), the following proviso shall be inserted, namely: Amendment of section 112. “Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty, in addition to the amount payable under the proviso to sub-section (6) of section 107 has been paid by the appellant.”.	In cases of <b>penalty-only orders</b> (without tax demand), an appellant must pay:  1. <b>10% of the penalty amount</b> as per the new <b>Section 107(6)</b> amendment, <b>plus</b> 2. An <b>additional 10%</b> of the penalty amount when appealing to the Appellate Tribunal under <b>Section 112(8)</b> .
14	<b>122B of CGST Act</b>	Newly Inserted	In the CGST Act, 2017; after section 122A, the following section shall be inserted, namely:-  “122B. Notwithstanding anything contained in this Act, where any person referred to in clause (b) of sub-section (1) of section 148A acts in contravention of the provisions of the said section, he	The government has proposed imposition of penalty amounting Rs. 1 lakh or 10% of the tax payable, whichever is higher, on goods under question in case of non-compliance of the provisions of section 148A.

			shall, in addition to any penalty under Chapter XV or the provisions of this Chapter, be liable to pay a penalty equal to an amount of one lakh rupees or ten per cent. of the tax payable on such goods, whichever is higher.”	
15	148A of CGST Act	Newly Inserted	<p>In the CGST Act, 2017; after section 148, the following section shall be inserted, namely:-</p> <p>“148A. (1) The Government may, on the recommendations of the Council, by notification, specify, –</p> <p>(a) the goods;</p> <p>(b) persons or class of persons who are in possession or deal with such goods,</p> <p>to which the provisions of this section shall apply.</p> <p>(2) The Government may, in respect of the goods referred to in clause (a) of sub-section (1),–</p> <p>(a) provide a system for enabling</p>	<p>The Government has proposed new section 148A in CGST Act, 2017. This section outlines a framework for the government to regulate certain goods by specifying them through a notification, based on the recommendations of the GST Council. It provides a mechanism for the identification, marking, and tracking of certain goods and requires certain persons or entities involved with those goods to maintain detailed records and comply with specific requirements.</p> <p>Following is a glimpse to the sub-sections of the said section:</p> <p>1. <b>148A (1): Government's Authority to Specify goods and persons: -</b></p> <p>The Government, based on the GST Council's recommendations, can identify particular goods and the persons (or classes of persons) involved in dealing with or possessing those goods, on which provisions of this shall apply.</p> <p>2. <b>148A (2): Unique</b></p>

		<p>affixation of unique identification marking and for electronic storage and access of information contained therein, through such persons, as may be prescribed; and</p> <p>(b) prescribe the unique identification marking for such goods, including the information to be recorded therein.</p> <p>(3) The persons referred to in sub-section (1), shall,—</p> <p>(a) affix on the said goods or packages thereof, a unique identification marking, containing such information and in such manner;</p> <p>(b) furnish such information and details within such time and maintain such records or documents, in such form and manner;</p> <p>(c) furnish details of the machinery installed in the place of business of manufacture of</p>	<p><b>Identification Marking and Record-Keeping: -</b></p> <p>The Government may establish a system to allow for the affixation of unique identification markings on certain goods. This includes the use of electronic systems to store and access information regarding the goods, which can include manufacturer details and product specifications. Further, the Government may prescribe unique identification marking for such goods, including the information to be recorded therein.</p> <p>3. <b>148A (2): Responsibilities of Persons dealing with the goods: -</b></p> <p>i. Affix a unique identification marking on the goods or their packaging.</p> <p>ii. Provide detailed information within a specified timeframe, including records or documents in prescribed formats.</p> <p>iii. Furnish details about the machinery used in the manufacturing process of the goods, including</p>
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			<p>such goods, including the identification, capacity, duration of operation and such other details or information, within such time and in such form and manner;</p> <p>(d) pay such amount in relation to the system referred to in sub-section (2),</p>	<p>technical specifications and operating details within specified time.</p> <p>iv. Make payments related to the identification system as prescribed by the government.</p>
16	Paragraph 8(aa) of Schedule III of CGST Act	-	<p>(aa) Supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area;</p>	<p>Clause 128 amends Schedule III of the Central Goods and Services Tax (CGST) Act, which outlines activities or transactions treated neither as a supply of goods nor services. <b>The amendment specifies that the supply of goods warehoused in Special Economic Zones (SEZs) or Free Trade Warehousing Zones (FTWZs) to any person before clearance for export or to the Domestic Tariff Area (DTA) will now be considered neither supply of Goods nor supply of services under GST.</b> The change is effective retroactively from <b>July 1, 2017.</b></p>
17	Explanation 2 of Schedule III of CGST Act	<p>For the purposes of paragraph 8, the expression "warehoused goods" shall have the same meaning as assigned to it in the Customs Act, 1962</p>	<p>For the purposes of <b>clause (a)</b> of paragraph 8, the expression "warehoused goods" shall have the same meaning as assigned to it in the Customs Act, 1962</p>	<p>The implication of the change is that the definition of "warehoused goods" will now apply specifically to clause (a) of paragraph 8 in Schedule III of the CGST Act, rather than the entire paragraph. This improves clarity and precision, reducing ambiguity in tax treatment and ensuring that the definition is only used in the context of that specific clause. It helps businesses better understand how GST applies to warehoused goods,</p>

				particularly those in SEZs or FTWZs, and streamlines compliance.
18	<b>Explanation 3 of Schedule III of CGST Act</b>	-	For the purposes of clause (aa) of paragraph 8, the expressions “Special Economic Zone”, “Free Trade Warehousing Zone” and “Domestic Tariff Area” shall have the same meanings respectively as assigned to them in section 2 of the Special Economic Zones Act, 2005.	The implication of the new explanation inserted is that it ensures consistency in the definitions of SEZ, FTWZ, and DTA by aligning them with the definitions in the Special Economic Zones Act, 2005. This provides clarity in how these zones are treated under GST, helping businesses understand tax obligations related to goods in these zones and streamlining compliance with tax laws.
19		-	No refund shall be made of all such tax which has been collected, but which would not have been so collected, had section 128 of Finance Bill 2025 been in force at all material times	The new provision in Para 8(aa) of Schedule III of the CGST Act clarifies that the supply of goods warehoused in Special Economic Zones (SEZs) or Free Trade Warehousing Zones (FTWZs) to any person before clearance for export or to the Domestic Tariff Area (DTA) will be treated as neither a supply of goods nor a supply of services under GST. Additionally, <b>no refund will be granted for taxes previously collected</b> on such transactions if the new provision would have prevented the tax collection. This limits the recovery of taxes previously paid.



## **B. CUSTOMS AND EXCISE**

### **Summary of Union Budget 2025 Amendments (Customs Act, 1962 and Central Excise Act, 1944)**

<b>Sr. No</b>	<b>Section No</b>	<b>Existing Provision</b>	<b>Amended Provision</b>	<b>Impact</b>
1	<b>Customs Act, Section 18(1)</b>	"The proper officer may direct that the duty leviable on such goods, be assessed provisionally."	"The proper officer may assess the duty leviable on such goods, provisionally."	Simplifies the process by allowing officers to directly assess duties, reducing procedural delays.
2	<b>Customs Act, Section 18(1A)</b>	"Within such time and in such manner."	"In such manner."	Removes time constraints, providing flexibility but potential for delays unless managed properly.
3	<b>Customs Act, Section 18(1B)</b>	No existing provision.	Duty provisionally assessed must be finalized within 2 years; extension possible for 1 year with recorded reasons.	Introduces a clear timeline for finalizing provisional assessments, enhancing accountability.
4	<b>Customs Act, Section 18(1C)</b>	No existing provision.	Lists conditions where final assessment can be delayed and mandates informing the concerned parties.	Ensures transparency in cases of unavoidable delays due to legal or procedural issues.
5	<b>Customs Act, Section 18A</b>	No existing provision.	Allows post-clearance voluntary revision of entries by importers/exporters with conditions for self-assessment and refund claims.	Empowers businesses with flexibility to correct entries while maintaining oversight through verification by customs.
6	<b>Customs Act, Section 27</b>	No clarity on limitation period for certain refunds.	Clarifies that the one-year limitation for refund claims starts from the date of duty/interest payment under Section 18A or document amendment.	Provides legal clarity on the refund claim timeline, reducing disputes.

7	<b>Customs Act, Section 28</b>	No specific mention of payments under Section 18A.	Adds clause to specify the date of payment under Section 18A for duty recovery timelines.	Aligns recovery timelines with new self-assessment provisions, ensuring consistency.
8	<b>Customs Act, Sections 127A to 127H</b>	Provisions related to the Settlement Commission.	Introduces "Interim Board" replacing the Settlement Commission from April 1, 2025, with modifications in terminology and roles.	Streamlines dispute resolution by restructuring the adjudication framework under the Interim Board.
9	<b>Central Excise Act, Sections 31-32P</b>	References to the Settlement Commission.	Establishes the Interim Board for Settlement to handle pending applications from April 1, 2025, replacing the Settlement Commission.	Enhances efficiency in handling excise-related disputes through the Interim Board.
10	<b>Customs Tariff Act, First Schedule</b>	Existing tariff structure.	Amendments to the First Schedule, effective from May 1, 2025.	Updates tariff classifications and rates to align with current trade and economic policies.

## 1. Amendments in Customs Tariff Structure

- New tariff items and supplementary notes introduced for dual-use chemicals, technical-grade pesticides, and precious metals.
- Alignment of tariff lines with WCO Harmonized System 2022.
- Changes in sub-heading note 2 of Chapter 85 to align with international classification.
- Effective date: May 1, 2025.

## 2. Changes in Customs Duty Rates

### A. Increase in Customs Duty Rates (Effective from February 2, 2025)

- Knitted fabrics: From 10%/20% to 20% or Rs.115/kg, whichever is higher.
- Interactive flat panel displays: From 10% to 20%.

### B. Reduction in Customs Duty Rates (Effective from May 1, 2025)

- Marble & granite slabs: From 40% to 20%.
- Synthetic flavoring essences: From 100% to 20%.
- Footwear: From 35% to 20%.
- Solar cells: From 25% to 20%.
- Motor vehicles (passenger & goods transport): From 40% to 20%.
- Motorcycles: From 100% to 70%.
- Bicycles: From 35% to 20%.

- Luxury yachts: From 25% to 20%.

### **C. Exemption on Waste and Scrap Materials**

- Copper, tin, tungsten, molybdenum, cobalt, and lithium-ion battery scrap: Duty reduced to nil.

### **3. Changes in Export Duty Rates (Effective from February 2, 2025)**

- Crust leather (hides and skins): From 20% to Nil.

### **4. Other Notable Changes**

- Agriculture Infrastructure and Development Cess (AIDC): New levy on marble, granite, solar modules, and luxury vehicles.
- Social Welfare Surcharge (SWS) Exemptions: Removed for solar cells, yachts, smart meters, and electronic toys.
- Extension of Duty Exemptions: Conditional exemptions under Notification No. 50/2017 extended until March 31, 2029.
- Customs Concessional Duty Rules (IGCR) Amendments: Time limit for fulfilling end-use extended from 6 months to 1 year, and quarterly reporting introduced instead of monthly.

This Guidance has been compiled and prepared to assist the Clients. We recommend you to seek and consult a Professional Advice before taking decisions on basis of this Document. The Finance Bill as introduced in the Parliament may undergo changes before its enactment or enforcement.



**“The way to wealth is to be prudent in your spending, wise in your investing, and strategic in your budgeting”**

Allow us to apprise you more!

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