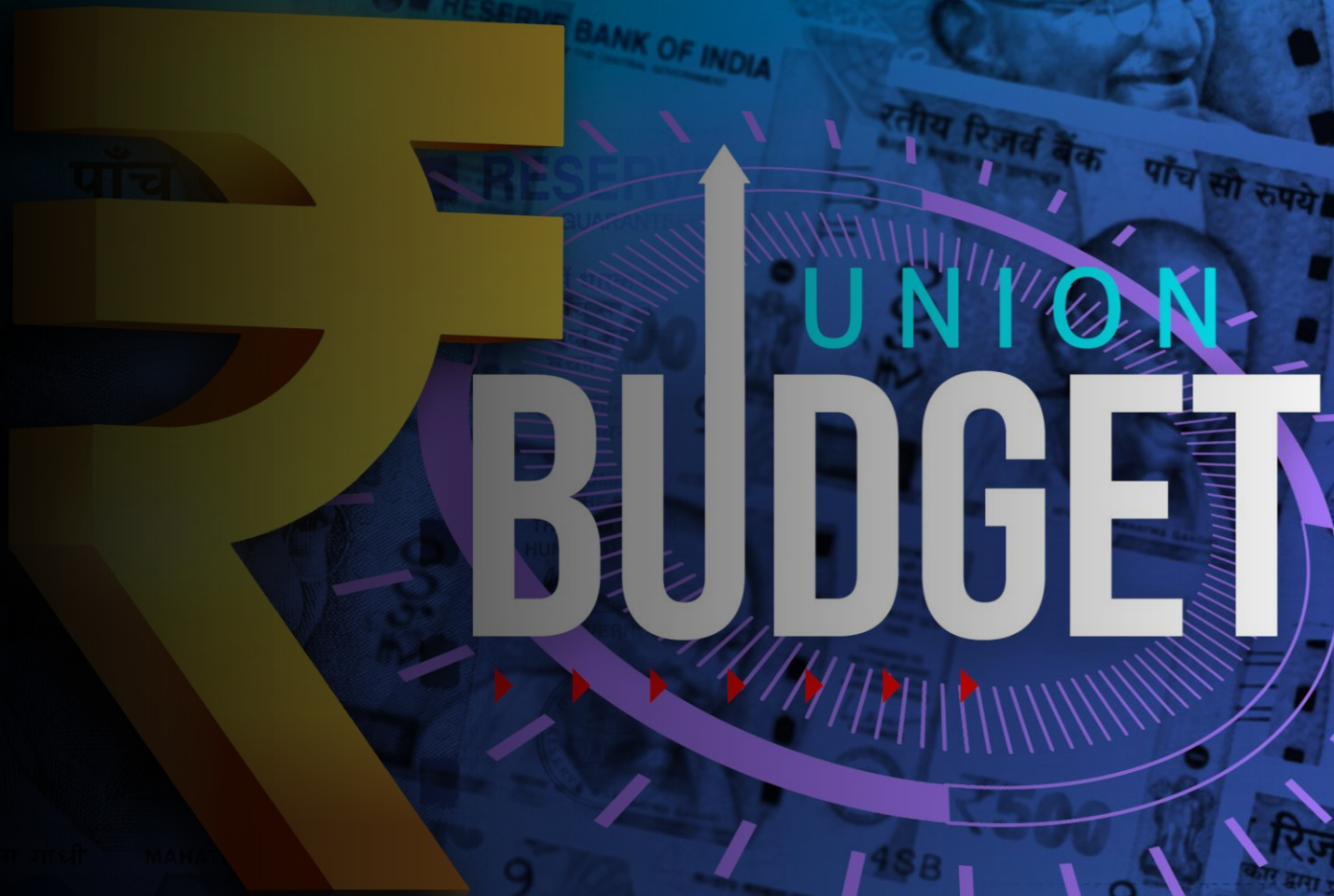




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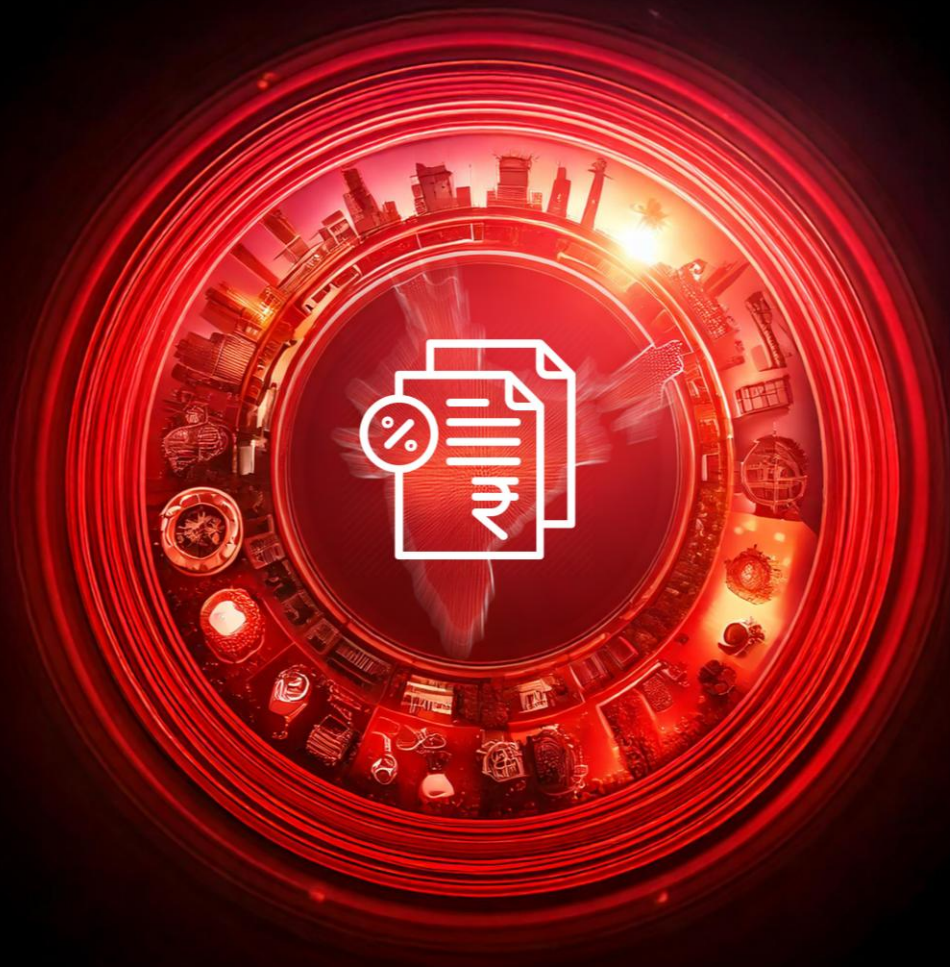
Union Budget 2025
Analysis of Tax Proposals
February 3, 2025

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Direct Tax Proposals



Individual taxation

Key proposals

New Direct Tax Bill is proposed to be tabled by the GoI.

Old tax regime – Available with standard deduction of INR 50,000 (Indian Rupees fifty thousand). No changes proposed.

New tax regime - Proposals from April 1, 2025 (AY 2026-27) onwards are as under:

1. standard deduction on salary income is unchanged at INR 75,000 (Indian Rupees seventy-five thousand);
2. rebate available on income up to INR 12,00,000 (Indian Rupees twelve lakh) (except on income chargeable at special rates);
3. tax savings up to INR 1,10,000 (Indian Rupees one lakh ten thousand) available; and
4. it is proposed to allow individuals to claim up to 2 (two) properties as self-occupied properties without deeming any taxable annual value as self-occupied on such properties (w.e.f. April 1, 2024).

Existing income slab (INR)	Proposed income slab (INR)	Tax rate
Upto 3,00,000	Upto 4,00,000	Nil
From 3,00,001 to 7,00,000	From 4,00,001 to 8,00,000	5%
From 7,00,001 to 10,00,000	From 8,00,001 to 12,00,000	10%
From 10,00,001 to 12,00,000	From 12,00,001 to 16,00,000	15%
From 12,00,001 to 15,00,000	From 16,00,001 to 20,00,000	20%
-	From 20,00,001 to 24,00,000	25%
Above 15,00,000	Above 24,00,000	30%

**In this document, w.e.f. refers to the relevant financial year*

Corporate taxation

Key proposals

1. No change in corporate tax rates for domestic companies.
2. Tax holiday to new eligible startups is proposed to be extended to startups incorporated before April 1, 2030.
3. Accumulated losses of an amalgamating company can only be carried forward by the amalgamated company for a maximum of 8 (eight) assessment years following the AY in which the losses were first computed for original amalgamating company. (w.e.f. April 1, 2025). This provision would apply to amalgamations which are effected on or after April 1, 2025. This provision will also apply to certain business reorganisations like conversion of firm into company or vice versa.

Non-resident taxation

Key proposals

- 25% of gross receipts of non-residents proposed to be deemed as profits if such non-residents are engaged in providing services or technology to resident companies engaged in establishing or operating electronics manufacturing facilities or producing electronic goods in scheme to be notified by the GoI (w.e.f. April 1, 2025).
- Activity of purchase of goods in India for export by a non-resident will not be deemed to constitute a significant economic presence for such non-resident in India (w.e.f. April 1, 2025).
- Tax on LTCG for FIIs or specified funds from the transfer of securities is proposed to be brought at par with the other taxpayers at 12.5%, (w.e.f. April 1, 2025).

Withholding/collection of taxes

Key proposals

- Thresholds for Tax Deduction at Source (“TDS”) have been rationalised as follows (w.e.f. April 1, 2025):

Section	Current threshold	Proposed threshold
193 - Interest on securities	Nil	INR 10,000
194 - Dividend for an individual shareholder	INR 5,000	INR 10,000
194A - Interest other than Interest on securities	a) INR 50,000 for senior citizen; b) INR 40,000 in case of others when payer is bank, cooperative society and post office c) INR 5,000 in other cases	a) INR 1,00,000 for senior citizen b) INR 50,000 in case of others when payer is bank, cooperative society and post office c) INR 10,000 in other cases
194B - Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding INR 10,000 during the FY	INR 10,000 in respect of a single transaction
194BB - Winnings from horse race		
194D – Insurance commission	INR 15,000	INR 20,000
194G - Income by way of commission, prize etc. on lottery tickets	INR 15,000	INR 20,000

194H - Commission or brokerage	INR 15,000	INR 20,000
194-I Rent	INR 2,40,000 during the FY	INR 50,000 per month or part of a month
194J - Fee for professional or technical services	INR 30,000	INR 50,000
194K - Income in respect of units of a mutual fund or specified company or Undertaking	INR 5,000	INR 10,000
194LA - Income by way of enhanced compensation	INR 2,50,000	INR 5,00,000

2. Tax Collection at Source (“TCS”) on the sale of goods is proposed to be removed, w.e.f. April 1, 2025.
3. No TDS or TCS at a higher rate is proposed to be charged, w.e.f. April 1, 2025, where the person is non-filer of income tax return.
4. TDS @10% (earlier 25%/30%) is proposed on income payable by securitisation trust to an investor, w.e.f. April 1, 2025.

International Financial Services Centre

Key proposals

1. The following amendments will be operative w.e.f. April 1, 2025:
 - a) the sunset date for commencement of operations or relocation of funds in International Financial Services Centre (“IFSC”) has been extended from March 31, 2025, to March 31, 2030, to avail the tax concessions;
 - b) exemption provided to units which are engaged in aircraft leasing are proposed to be extended to units which are engaged in ship leasing on: (a) transfer of equity shares of domestic companies in IFSC engaged in ship leasing; and (b) exemption on dividend received from units engaged in ship leasing;
 - c) any sum received by non-residents under life insurance policy provided by an insurance office located in IFSC will be exempted from tax without any conditions;
 - d) any advance or loan given by an IFSC unit undertaking corporate treasury function to a group entity where its ‘parent entity’/‘principal entity’ is listed on a stock exchange outside India will not be deemed as dividend for tax purposes;
 - e) exemption on gains or income arising to non-residents from offshore derivative instruments, non-deliverable forward contracts or over the-counter derivatives has now been extended to transaction entered with Foreign Portfolio Investors in IFSC (as in case of offshore banking units) w.e.f. April 1, 2025;

- f) retail schemes and Exchange Traded Funds (“**ETFs**”) have been proposed to be added in the definition of ‘resultant funds’ w.e.f. April 1, 2025, so that relocation of original funds to such funds in the IFSC is also a tax-neutral transaction; and
- g) sovereign wealth funds, pension funds and others can now make investments up to March 31, 2030 in order to claim exemption from tax on certain specified income.

Charitable trusts/institutions

Key proposals

1. Period of validity of registration of trust is proposed to be increased from 5 (five) years to 10 (ten) years where application for registration of trust is made under specified circumstances in section 12A of the IT Act and the total income of such trust does not exceed INR 5,00,00,000 (Indian Rupees five crore) during each of the 2 (two) FYs preceding the year in which application is made (w.e.f. April 1, 2025).
2. If the application for registration of trust is not complete, the same is proposed to be not regarded as specified violation (w.e.f. April 1, 2025).
3. The meaning of ‘specified person’ under section 13 of the IT Act is proposed to be amended w.e.f. April 1, 2025, to include persons whose total contribution to the trust/institution during the relevant FY exceeds INR 1,00,000 (Indian Rupees one lakh) (earlier INR 50,000 (Indian Rupees fifty thousand)) or in aggregate upto end of the relevant financial year exceeds INR 10,00,000 (Indian Rupees ten lakh). In certain specific situations, the exemption available to the trust may be affected on payments which result in benefit to the specified person. Further, relatives of such person and any concern in which such a person has substantial interest cannot be regarded as ‘specified persons’ for this purpose.

Others

1. Definition of virtual digital asset is proposed to include crypto-asset being digital representation of value that relies on cryptographically secured distributed ledger for validating transactions w.e.f. April 1, 2025.
2. Furnishing information for crypto asset:
 - a) w.e.f. April 1, 2025, it is proposed that a reporting entity will furnish information for transactions in crypto assets in a statement in a prescribed manner;
 - b) a notice may be served by tax authority asking to furnish such statement if not submitted and once it is furnished, if any inaccuracy is noted, then correct information should be furnished;
3. Gains arising to business trust on transfer of long-term listed equity shares, unit of equity-oriented fund or unit of business trust is proposed to be taxed at 12.5% (w.e.f. April 1, 2025).
4. Securities held by an investment fund are proposed to be treated as capital asset and the income arising therefrom shall be taxable as capital gains (w.e.f. April 1, 2025).

5. Transfer of Unit Linked Insurance Policy units which do not enjoy exemption under Section 10(10D) of the IT Act is proposed to be taxed as capital gains (w.e.f. April 1, 2025).

Extension of time-limit to file updated returns

1. It is proposed to extend the time limit to file updated returns from 2 (two) years to 4 (four) years from the end of the relevant AY (w.e.f. April 1, 2025).
2. Additional tax payout in respect of income disclosed in updated return-
 - a) beyond 24 (twenty-four) months up to 36 (thirty-six) months - 60% of aggregate of tax and interest payable; and
 - b) beyond 36 (thirty-six) months, up to 48 (forty-eight) months - 70% of aggregate of tax and interest payable.
3. Cases where notice to initiate reassessment proceedings issued after 36 (thirty-six) months are not eligible for filing an updated return unless the reassessment proceedings are dropped.

Search proceedings and block assessment

1. The seized books of account or other documents can be retained until 1 (one) month from the end of the quarter in which the assessment or reassessment order is made. (w.e.f. April 1, 2025).
2. It is proposed that the stay period will begin from the date the stay was granted by the court and end on the date the certified copy of the order vacating the stay is received by specified authority. (w.e.f. April 1, 2025).
3. It is proposed to amend section 271AAB of the IT Act to provide that penalty cannot be levied under this section for searches initiated under section 132 of the IT Act on or after the September 1, 2024.
4. Following amendments are proposed with effect from February 1, 2025:
 - a) it is proposed to expand the definition of 'undisclosed income' under Section 158B of the IT Act by including 'virtual digital assets';
 - b) in case of multiple searches, the assessment for a subsequent search will be made only after completing the assessment required to be made for prior search;
 - c) income from international transactions or specific domestic transactions will not be included in block assessments, simplifying the process by avoiding complex pricing evaluations; and
 - d) the time limit for completion of block assessment is proposed to be 12 (twelve) months from the end of the quarter (instead of the month) in which the last authorisation is received.

Transfer pricing provisions

In the Budget Speech, the Hon'ble Finance Minister stated that the scope of safe harbour provision will be expanded. The relevant rules will be notified by the Central Board of Direct Taxes ("CBDT").

Block transfer pricing assessment (w.e.f. April 1, 2025)

1. Currently, taxpayer has to annually submit transfer pricing report determining the arm's length price ("ALP") computation. However, in many cases, there were similar international transaction, wherein the same facts are repeated each year.

Thus, to reduce administrative burden for such cases, the Finance Bill, 2025 proposes to carry out block transfer pricing assessment as per the following:

- a) taxpayer to exercise the option in the prescribed form and timeline to be notified;
- b) transfer pricing officer to confirm by order the validity of the option within one month from the end of the month of exercise of option by the taxpayer;
- c) the ALP determined in relation to an international transaction or a specified domestic transaction for any year shall apply for the immediately two consecutive subsequent years following such year;
- d) the Assessing Officer ("AO") is allowed to amend the order for 2 (two) consecutive years within the specified time to give effect to the ALP; and
- e) the above amendment will not be applicable to search cases.

Penalty and prosecution provisions

Rationalisation of time limit for imposing penalty under Section 275 of the IT Act (w.e.f. April 1, 2025)

1. Currently, there are multiple timelines for penalty imposition depending on the status of appeals (e.g., Income Tax Appellate Tribunal ("ITAT") or Joint Commissioner of Income Tax). This complexity makes it challenging for tax administrators to track deadlines effectively.
2. The new amendment proposes a uniform time limit of six months from the end of the quarter in which either:
 - a) the connected proceedings are completed;
 - b) the jurisdictional Principal Commissioner or Commissioner passes a revision order or an appellate order; or
 - c) a notice for penalty imposition is issued.

Immunity

Time limit for processing of application seeking for immunity from penalty/prosecution is proposed to be increased from 1 (one) month to 3 (three) months from the end of the month in which application for immunity is received by the AO.

Prosecution

No prosecution in case TCS is deposited within the time prescribed for filing quarterly TCS statements.

Appeal/revision

1. The cut-off date for issuing clarification regarding faceless scheme for the Dispute Resolution Plan and appeal to the ITAT is deleted.
2. The period commencing on the date on which stay is granted by the Court up to the date of receipt of the order by the Principal Commissioner/Commissioner to be excluded in computing the time limit for conclusion of the proceedings.

Indirect Tax Proposals



Goods and Services Tax

Key proposed amendments to the CGST Act

1. Amendment in Schedule III of CGST Act (with retrospective effect from July 1, 2017)

An amendment to Schedule III (i.e., transactions not amounting to supply) has been proposed by way of insertion of Clause (aa) to paragraph 8. *"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"* will be considered as neither supply of goods nor supply of services.

It has been clarified that any tax paid on such supplies will not be refunded as a consequence of the proposed amendment.

2. Taxability of vouchers

Sections 12 and 13 are proposed to be amended to remove the time of supply of vouchers. This effectively renders taxability of vouchers outside the ambit of the GST.

3. Interpretation of term 'plant or machinery' (with retrospective effect from July 1, 2017)

The controversy arising from the Supreme Court ruling in the case of Safari Retreats Pvt. Ltd., has been put to rest by proposing an amendment to Section 17(5)(d), by substituting the term 'plant or machinery' with 'plant and machinery' with retrospective effect.

It has been specifically clarified that any reference to the term 'plant or machinery' in any order/decreed/judgement will be construed and always be deemed to have been construed as 'plant and machinery', to nullify the effect of the decision of the Supreme Court.

4. Reversal of ITC in case of credit notes

Section 34 of the CGST Act permits adjustment of the output tax liability where a credit note is issued within the prescribed time limit, subject to certain conditions.

To ensure compliance of the newly introduced invoice management system, a condition is explicitly introduced for the purpose of reduction in tax liability of the supplier, which requires reversal of ITC corresponding to the credit note, if availed by recipient, at the time of accepting the credit note in the system.

5. Reduction in payment of pre-deposit for filing an appeal in cases involving only demand of penalty

Section 107(6) and 112(8) of the CGST Act are proposed to be amended to provide for mandatory pre-deposit in case of any order demanding penalty where no amount of tax is involved:

- a) For appeal before the Appellate Authority: 10% of the amount of penalty; and
- b) For appeal before the Appellate Tribunal: 10% of the amount of penalty.

6. Track and trace mechanism

Section 148A of the CGST Act inserted to provide for enabling 'track and trace mechanism' for effective monitoring, control and tracing of specified goods, which are prone to evasion of tax in the supply chain. The system is proposed to be based on 'unique identification marking' (including digital stamp, digital mark or any other similar marking, which is unique, secure and non-removable) to be affixed on goods or packages thereof and electronic storage and access of information contained therein.

Contravention of the said provision will attract a penalty of INR 1,00,000 (Indian Rupees one lakh) or 10% of the tax payable on such goods, whichever is higher.

Customs and Central Excise

Key changes proposed to the Customs Act - non-tariff

1. Provisional assessment prescribed under Section 18 of the Customs Act

Sections 18(1B) and 18(1C) to be inserted to prescribe a time period of 2 (two) years for finalisation of provisional assessment, extendable by 1 (one) year (for existing cases, the period of 2 (two) years would be reckoned from the date of enactment of the Finance Bill, 2025).

Where the provisional assessment cannot be completed within the prescribed period for reasons such as information sought from a foreign authority through a legal process, similar issue being pending before any appellate court or authority, etc., the proper officer would be under the obligation to communicate the same to the importer/exporter. Under such circumstances, the period of 2 (two) year will reckon from the date when such reason ceases to exist.

2. Voluntary revision of Bill of Entry/ Bill of Export

Section 18A of the Customs Act to be inserted to enable the importer/exporter to revise the Bill of Entry/Export after the clearance of goods, subject to the prescribed conditions and self assess the duty payable.

- a) In case of any short payment resulting from such revision, differential duty will be payable along with interest; and
- b) In cases of excess payment, revised entry to be deemed to be the claim of refund.

Revision of Bill of Entry/ Bill of Export will not be available to the following:

- a) Cases involving re-assessment/provisional assessment of duty or imports/exports through post or courier; and
- b) Cases where audit/search/seizure/summons proceedings are initiated by the Customs authorities.

Key changes proposed to the Customs Act and the Central Excise Act - non-tariff

1. Interim Board to replace Settlement Commission under the Central Excise Act, 1944 (“Central Excise Act”) and Customs Act:

Customs, Central Excise and Service Tax Settlement Commission (“**Settlement Commission**”) constituted under the Central Excise Act will be abolished with effect from April 1, 2025. Settlement Commission will be replaced with Interim Board (“**Board**”) for settlement (to be constituted under section 31A of the Central Excise Act). The Board will comprise of 3 (three) members, each being an officer of the rank of Chief Commissioner or above.

Salient features of the Board are as under:

- a) Board would deal with the pending applications of Settlement Commission from the stage at which such pending application stood before its constitution; and
- b) The powers and functions of the Settlement Commission would apply *mutatis mutandis* to the Board.

2. Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2022:

The time limit for fulfilling end use condition is increased from the current 6 (six) months to 1 (one) year. Further, importers would now have to file only a quarterly statement instead of monthly statement.

(Proposed from April 1, 2025)

Key changes proposed to the Customs Act - tariff

1. Insertion of new tariff headings with effect from May 1, 2025:

- a) rice (based on process such as para boiling etc., and variety such as GI Registered, Basmati, etc.) under sub-heading 1006 30;
- b) makhana (popped, flour and powder etc) under sub-heading 2008 19;
- c) waste oils containing different levels of polychlorinated biphenyls (PCBs), polychlorinated terphenyls (PCTs) or polybrominated biphenyls (PBBs) under sub – heading 2710 91;
- d) dual use chemicals for non-pesticidal use under Chapter 28, 29 and 38; and
- e) precious metals based on the percentage weight of gold, silver, platinum under Chapter 71.

2. Changes in headings of Chapter 81 and 85 to align it with WCO HS 2022.

3. Extension of time limits for various conditional exemption notifications which were due to expire on March 31, 2025. Certain notable extensions are as under:

- a) raw Materials for Manufacture of Ship and Vessels: March 31, 2035;

- b) specified Bulk Drugs: March 31, 2029; and
 - c) parts of wind operated electricity generators/ permanent magnets for manufacture of synchronous generators: March 31, 2026.
4. Custom duty exemption granted to specified life-saving drugs and medicines under Patient Assistance Programme (PAP) run by pharmaceutical companies, subject to fulfilment of prescribed conditions.
- Further, exemptions/concessional rates are being extended for Polio vaccines, insulins, and other lifesaving drugs.
5. Custom Duty rationalisation for automobile sector in respect of motor vehicle for transport of goods/ passengers, motorcycles and bicycles.
6. Rationalisation of duty rates on different items by means of:
- a) reduction in the rate of BCD; and
 - b) levy of only one type of cess or Surcharge on goods imported; thereby exempting goods from levy of SWS, in cases where AIDC is levied – Effective rate of duty in such cases remains unchanged.

7. Change in rate of BCD rate with effect from February 2, 2025

Category – Heading	Description of Goods	Existing Rate (%)	Revised Rate (%)
Chapter 60	Kitted Fabrics	20/10	20% or INR 115/kg, whichever is higher
CTH 8528	Interactive flat panel displays (completely built units)	10	20
7113/ 7114	Articles of jewellery and Parts thereof/articles of goldsmiths' and silversmiths' ware's and parts thereof (except platinum findings)	25	20
8541 42 00	Solar cells	25	20
8541 43 00	Solar modules and other semiconductor devices	40	20
9028 30 10	Electricity meters for alternating current (smart meter)	25	20
7802/ 7902/ 8105 20 30 / 8549 13 00/ 8549 14 00/ 8549 19 00	Cobalt powder; waste and scrap of lead, zinc, lithium ion battery	5	Nil

Category – Heading	Description of Goods	Existing Rate (%)	Revised Rate (%)
8524/8529	<ol style="list-style-type: none"> 1. Open cell for manufacture of interactive flat panel display module 2. Touch glass sheet/touch sensor printed circuit board (PCB) for manufacture of interactive flat panel display module 	15/10	5
8529	Inputs and parts of open cell used in manufacture of television panels of LED and LCD televisions	2.5	Nil
Any Chapter	Inputs, parts or sub parts of manufacture of camera module, wired headset, microphone, fingerprint reader/scanner for cellular mobile phone	2.5	Nil

Abbreviations

Title	Title
AY	Assessment Year
BCD	Basic customs duty
CGST Act	Central Goods and Services Tax Act, 2017
Customs Act	Customs Act, 1962
CBU	Completely built unit
CKD	Completely knocked-down unit
FII	Foreign Institutional Investors
FY	Financial Year
GoI	Government of India
IT Act	Income-tax Act, 1961
ITC	Input tax credit
ISD	Input Service Distributor
LTCG	Long-term Capital Gain
w.e.f.	With effect from

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18 Practices and
41 Ranked Lawyers



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16 Ranked Lawyers



12 Practices and
50 Ranked Lawyers



14 Practices and
12 Ranked Lawyers



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