

Budget 2025 : Key Highlights

Income tax:

New Income Tax Bill to be introduced

New Bill on income tax simplifying the language and provisions to be introduced in the next week

Revised slab rates for individuals under New Tax Regime

Tax Slab for FY 24-25	Tax Slab for FY 25-26	Tax Rate
Upto to 3,00,000	Upto to 4,00,000	Nil
3,00,001-7,00,000	4,00,001-8,00,000	5%
7,00,001-10,00,000	8,00,001-12,00,000	10%
10,00,001-12,00,000	12,00,001-16,00,000	15%
12,00,001-15,00,000	16,00,001-20,00,000	20%
-	20,00,001 – 24,00,000	25%
More than 15,00,000	More than 24,00,000	30%

Net saving of INR 1,10,000 where income exceeds INR 24 lakh

Also, for resident individuals taxed under the New Tax Regime, the rebate has been increased from INR 7,00,000 to INR 12,00,000. Therefore, for such a taxpayer, tax will not be payable if the income is equal to or below INR 12,00,000

Withdrawals from National Savings Scheme and interest thereon exempt to the extent of deposits made before 1 April 1992

Income from non-exempt ULIPs to be taxed as capital gains

Time limit for filing updated return extended from 24 months to 48 months

Updated return can now be filed upto 48 months from the end of the assessment year with payment of additional tax as follows:

- Upto 12 months → 25% of tax and interest
- Beyond 12 months upto 24 months → 50% of tax and interest
- Beyond 24 months upto 36 months → 60% of tax and interest
- Beyond 36 months upto 48 months → 70% of tax and interest

Sunset clause for incorporation of start-ups to claim tax benefits extended from 1 April 2025 to 1 April 2030

TDS/TCS rates and thresholds raised

Threshold for applicability of TCS on remittance under Liberalised Remittance Scheme for education increased from INR 7 lakh to INR 10 lakh

If remittance is out of loan obtained from specified financial institution TCS would not apply

TCS on sale of goods removed

Provision for higher rate of TDS for non-filers eliminated

Threshold for TDS on dividend and distribution from mutual fund increased from INR 5,000 to INR 10,000 in case of individual resident recipients

Threshold for TDS on commission and insurance commission increased from INR 15,000 to INR 20,000

Threshold for TDS on rent modified from INR 2,40,000 per annum to INR 50,000 per month

Threshold for TDS on professional fees, royalty and technical services increased from INR 30,000 to INR 50,000

Carry forward loss of amalgamating company and predecessor entity on conversion to be restricted to 8 years from the date of incurring of loss

Income of REITs and InVITs from sale of long-term listed shares, units of equity oriented funds and units of other REITs/InVITs to be taxed at 12.5% instead of maximum marginal rate

Purchase of goods for the purpose of export shall not trigger Significant Economic Presence provisions for non-residents

Option to assessee to apply the Arm's Length Price determined by the Transfer Pricing Officer to 2 subsequent years for the same transaction

Charitable Trust provisions relaxed

Incomplete details in registration application under section 12A (Form 10A / 10AB) will not lead to cancellation of registration.

Registration under section 12A to be valid for 10 years (up from 5 years) for small trusts with income up to INR 5 crores in the last two years, without giving effect to section 11 exemption

Substantial contributor limit raised to INR 10 lakh (from INR 50,000) for total contributions received from inception till the end of the relevant year and INR 1 lakh for annual contributions from a person to be treated as a specified person.

Relatives of substantial contributors and concerns in which they are substantially interested are not to be considered as specified persons under section 13(3)

Incentives for IFSC

Sunset clauses for commencement of operations for claiming exemption by specified Category III AIF and ship/aircraft leasing extended to 31 March 2030

Exemption to non-residents on proceeds received on life insurance policy issued by insurance intermediary office located in IFSC

Dividends paid by an IFSC entity engaged in ship leasing to another ship leasing entity in IFSC to be exempt.

Capital gains in hands of non-residents or entity in IFSC engaged in ship leasing from sale of shares of another ship leasing entity located in IFSC to be exempt.

Advance or loan by a finance company operating as corporate treasury centre in IFSC to listed parent entity not to be deemed as dividend.

Exemption conditions for non-resident funds with fund managers located in IFSC relaxed

Exemption for income from non-deliverable forward contracts, OTC derivatives and offshore derivative instruments extended to Foreign Portfolio Investors in IFSC

Exemption for relocation of funds to IFSC extended to regulated Retail Schemes and Exchange Traded Funds

GST:

Changes in GST align with the recommendations of the 55th GST Council Meeting held on December 21, 2024.

- Retrospective amendment from July 1, 2017 to Schedule III of CGST Act, 2017 to clarify that the supply of goods warehoused in Special Economic Zones (SEZs) / Free Trade Warehousing Zones (FTWZs) to any person, prior to its clearance for export,

shall neither be treated as a supply of goods nor services.

- Amendment to Section 17(5)(d) of the CGST Act, 2017, retrospectively from July 1, 2017, to replace “plant or machinery” with “plant and machinery”, with an intent to nullify the functionality test principle propounded by the Hon’ble Supreme Court in Safari Retreats. Consequently, any input tax credit on any goods /services used for setting up an immovable property (which fulfils the functionality test of a plant or machinery), would not be available.
- Distribution of input tax credit by Input Service Providers in respect of inter-state supplies on reverse charge basis expressly provided for w.e.f. April 1, 2025
- Explicit provisions introduced for corresponding reversal of input tax credit in respect of credit notes availed by the recipient of services, as a pre-condition for reduction of the supplier’s tax liability.
- Provisions relating to time of supply for vouchers deleted, pursuant to CBIC clarification that vouchers are neither treated as supplies of goods nor services.
- Provisions introduced for track and trace mechanism for specified commodities, with stringent penalties for non-compliance. Also defines a “Unique Identification Marking” mechanism for its implementation.

- Mandatory pre-deposit of 10% of the penalty amount for appeals before the Appellate Authority and Appellate Tribunal, in cases where the demand is for penalty only.

Customs:

- Rationalization of the tariff structure.
- Seven tariff rates removed, reducing the total slabs to eight (including zero rate).
- Social Welfare Surcharge exempted on 82 tariff lines, subject to cess.

Relief on Import of Lifesaving Drugs:

- Full exemption from Basic Customs Duty (BCD) on 36 lifesaving drugs, including for cancer and rare diseases.
- Six more lifesaving medicines included with concessional BCD of 5%.
- 37 medicines and 12 patient assistance programmes (providing free medicines) exempted from BCD.

Support to Domestic Manufacturing:

- Full BCD exemption on cobalt powder, lithium-ion battery scrap, lead, zinc, and 12 other critical minerals.
- BCD exemption extended to 35 additional capital goods for EV battery manufacturing and 28 additional capital goods for mobile phone battery manufacturing.
- BCD exemption on raw materials, consumables and parts for ship

manufacturing / ship breaking, extended by another 10 years

Trade Facilitation:

- Two-year time limit (extendable by one year) introduced for finalizing provisional assessments under Customs.
- Provisions introduced for voluntary declarations by importers and exporters to disclose material facts and pay duties with interest, without penalties.
- Time limit for end-use of imported goods extended from six months to one year and importers now required to file quarterly statements vis-a-vis monthly.

Customs/Excise:

- Constitution of an Interim Board w.e.f. April 1, 2025 for the settlement of all applications under Customs/Excise, replacing the existing Settlement Commission.
- All pending applications to be dealt with by the Interim Board from the stage at which the application stood immediately before the constitution of the Interim Board.

Service Tax:

- Longstanding dispute on Service Tax exemption for reinsurance services under the Weather Based Crop Insurance Scheme and Modified National Agricultural Insurance Scheme, resolved with retrospective exemption from April 1, 2011,

to June 30, 2017. Insurance Companies entitled to claim refund of any service tax paid for the above past period on such services.

Other Key Announcements:

Scope for fast-track mergers to be widened and process simplified

Scope for safe harbour rules in Transfer Pricing to be expanded

100% FDI permitted in insurance sector instead of existing 74% if the insurance premiums are invested in India

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