



2025

2025 BUDGET





KEY POLICY ANNOUNCEMENTS

New Income Tax bill to be introduced

- It is proposed to introduce a new income tax bill, aimed at simplifying the law to provide tax certainty and reduce litigation

FDI in insurance sector

- FDI limit for the insurance sector is proposed to be raised from 74 to 100 percent

Merger process

- Rationalization of procedures for the speedy approval of company mergers including widening and simplification of scope for fast-track mergers.

Other key announcements

- Export Promotion Mission to be set up with a view to facilitate easy access to export credit, cross-border factoring support, and support to MSMEs to tackle non-tariff measures in overseas market
- A high-level committee for regulatory reforms to be established to review non-financial sector regulations

Micro, Small and Medium Enterprises

- MSME classification criteria proposed to be revised as under

INR Crore	Investment		Turnover	
	Current	Revised	Current	Revised
Micro Enterprises	1	2.5	5	10
Small Enterprises	10	25	50	100
Medium Enterprises	50	125	250	500



DIRECT TAX PROPOSALS

Personal taxation

Tax Rates

- The tax rates and slabs under the old regime remain unchanged. Likewise, there have been no proposed amendments to rebates, surcharges, and health and education cess under the old regime
- Further, the following changes are proposed under new regime

Tax slabs for FY 2024-25	Tax Rates	Tax slabs for FY 2025-26	Tax Rates
Up to 300,000	Nil	Up to 400,000	Nil
300,001 - 700,000	5%	400,001 - 800,000	5%
700,001 - 1,000,000	10%	800,001 - 1,200,000	10%
1,000,001 - 1,200,000	15%	1,200,001 - 1,600,000	15%
1,200,001 - 1,500,000	20%	1,600,001 - 2,000,000	20%
Above 1,500,000	30%	2,000,001 - 2,400,000	25%
		Above 2,400,000	30%

- For resident individuals, the limit for rebate under new regime is increased to INR 1,200,000
 - Rebate shall not be available for income chargeable at special rate (capital gains, lotteries, etc)
- No change proposed in surcharge and 'health and education cess'

Salary

- Currently, any amenities and benefits provided by employer to employee earning monetary salary income exceeding INR 50,000 is taxable as perquisite
- Similarly, any expenditure incurred by the employer for travel outside India on the medical treatment of an employee or for his family member is taxable as perquisite, if the gross total income of the employee exceeded INR 2,00,000
- The Central Government can now prescribe revised threshold for the levy of tax on above perquisites.

Annual value for self-occupied property

- Presently, the law provides 'nil' annual value for two self-occupied house properties, if such house property cannot be occupied due to employment, business or profession carried out at another place



- It is proposed to treat annual value 'nil' for two self-occupied properties where the owner cannot actually occupy the property for any reason

Withdrawal from National Savings Scheme (NSS)

- Deposit to NSS made up to March 31, 1992, was deductible in the hands of taxpayer and any withdrawal from such account was taxable
- It is proposed to exempt such withdrawals from NSS on or after August 29, 2024

Contribution to National Pension Scheme (NPS) Vatsalya account

- Contribution by parent/guardian to the National Pension Scheme (Vatsalya) account of minor to be allowed as deduction, subject to overall limit of INR 50,000
- Partial withdrawal up to 25% of contribution proposed to be exempt
- Any amount received from NPS Vatsalya account on death of minor to be exempt

Business Profits

Carry forward of losses in case of successions

- The fresh lease of life for the accumulated loss of the predecessor entity due to amalgamation, conversion of partnership and proprietorship entities to corporate entities and conversion of companies into limited liability partnerships is curtailed. Such loss cannot be carried forward for more than 8 years from the assessment year in which such loss was first computed for the predecessor entity
- This amendment to be applied to any amalgamation or business re-organisation effected on or after April 1, 2025
- Similar changes are brought in relation to amalgamation of banking companies / banking institutions / certain government companies.

Significant Economic Presence

- Harmonising with the scope of business connection, activities of a non-resident with any person in India confined to 'purchase of goods in India for the purpose of export' shall not constitute significant economic presence



Extension for incorporation of eligible start-up

- The timeline for incorporation of eligible start-up entities is proposed to be extended by 5 years up to March 31, 2030

Capital gains

- Transfer of ULIPs (not eligible for specified exemption) to be treated as 'Capital gains'
- Definition of 'capital asset' to include securities held by category - I or category - II AIFs regulated by SEBI or IFSCA
- Definition of 'virtual digital asset' (VDA) has been expanded to include any crypto-asset being a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions, whether or not it is included in the existing definition of VDA
 - Scope of specified financial transaction reporting expanded to cover crypto transactions

Others

- Capital gains earned by business trust from investment in equity shares, equity-oriented fund or business trust, subject to securities transaction tax, will now be subject to 12.5% tax.
- Capital gains earned by FPIs on securities, other than equity shares, equity-oriented fund or business trust subject to securities transaction tax, are proposed to be taxed at 12.5% as against current 10%

Updated return of income

- Time-limit for filing updated return to be increased from 24 months to 48 months from the end of relevant AY
- Additional tax payable pursuant to the same shall be determined as under:

Where updated return is furnished beyond	Additional tax
24 months, up-to 36 months from end of relevant AY	60% of aggregate of tax and interest payable
36 months, up-to 48 months from end of relevant AY	70% of aggregate of tax and interest payable

- Updated return cannot be furnished in cases where a notice to initiate reassessment proceedings (under section 148A) issued after 36 months. Such restrictions will not apply if determined that such cases are not fit for reassessment.



TDS/TCS (to be effective from April 1, 2025)

- Threshold for applicability of various TDS/TCS provisions to be revised as follows:

Section	Nature of payment / income	Existing threshold (INR)	Proposed threshold (INR)
193	Interest on securities	NIL	10,000
194	Dividend	5,000	10,000
194A	Interest (other than interest on securities) payable by banking company / cooperative society / post office		
	a.Senior citizen	50,000	100,000
	b.others	40,000	50,000
194A	Interest (other than interest on securities) payable by other payers	5,000	10,000
194B	Lottery, crossword puzzle, etc.	10,000 during the year	10,000 for a single transaction
194BB	Winnings from horse race		
194D	Insurance commission	15,000	20,000
194G	Commission on sale of lottery tickets	15,000	20,000
194H	Commission or brokerage	15,000	20,000
194-I	Rent	240,000	50,000 in a month or part of the month
	• The rates for the following TDS/TCS provisions to be revised:	in a financial year	
194J	Professional / Technical services	30,000	50,000
194K	Income in respect of units	5,000	10,000
194LA	Enhanced compensation	250,000	500,000
206C (1G)	TCS on LRS	700,000	1,000,000



Section	Nature of payment / income	Existing rates	Revised rates
194LBC	TDS on income in respect of investment in securitisation trust	25% if payee is Individual or HUF and 20% otherwise	10%
206C (1)	TCS on a. timber or any other forest produce (not being tendu leaves) obtained under a forest lease and b. timber obtained by any mode other than under a forest lease	2.5%	2%
206C (1G)	TCS on remittance under LRS for purpose of education, financed by loan from financial institution	0.5% (after INR 700,000)	NIL
206C (1H)	TCS on sale of specified goods	0.1% (on consideration in excess of INR 5,000,000)	NIL

- No higher TDS/TCS to be deducted/collected on payments to non-filers of income-tax return

Charitable trusts and Institutions

- The validity of regular registrations granted to charitable institutions (having gross total income of INR 50 million before exemption) to be extended to 10 years (hitherto 5 years)
- Scope of related person rationalized to
 - include any person contributing more than INR 100,000 in the relevant FY or aggregate of INR 1 million up to the end of the relevant FY ('substantial contributor')
 - exclude relative of substantial contributor and any concern in which such contributor has a substantial interest
- Scope of 'cancellation of registration' rationalized to exclude cases where application for provisional or regular registration is not complete



INDIRECT TAX PROPOSALS

GST- Key Legislative Changes *(to be effective from the date to be notified)*

Taxability

- Section 34(2) of the CGST Act is to be amended to provide that the supplier cannot reduce tax liability on a credit note, unless the recipient has reversed the corresponding ITC
- Section 12(4) and Section 13(4) of the CGST Act, providing for the time of supply in respect of supply of vouchers, are to be omitted, to align with Circular No. 243/37/2024-GST dated December 31, 2024 (which clarified that transactions in vouchers are not to be treated as 'supply' under GST Law)
- Schedule III is to be amended retrospectively (effective from July 1, 2017) to include the supply of goods warehoused in a SEZ or FTWZ to any person before clearance for export or to the DTA. Further, no refund shall be available if tax is already paid
- Section 2(69) of the CGST Act is to be amended to provide for the meaning of 'Local Fund' and 'Municipal Fund' for determining the scope of Local Authority

Input Tax Credit

- Section 17(5)(d) of the CGST Act is to be amended to replace the phrase 'plant or machinery' with the phrase 'plant and machinery' retrospectively (effective from July 1, 2017). An Explanation is to be inserted to provide that the said change shall operate notwithstanding any contrary judgment, decree or order of any court, tribunal or authority
- Section 2(61) and Section 20 of the CGST Act are to be amended with effect from April 1, 2025, to include ITC of IGST payable under reverse charge, for distribution through the ISD mechanism

Pre-deposit

- Section 107(6) and Section 112(8) of the CGST Act are to be amended to provide for mandatory pre-deposit in cases involving only demand of penalty. A comparison of existing and proposed pre-deposit rates is tabulated below:



Penalty levied	Commissioner (Appeals)		Appellate Tribunal	
	Existing	Proposed	Existing	Proposed
Relating to detention/seizure of goods and/or conveyance in transit	25%	10%	Nil	10%
In other cases	Nil	10%	Nil	10%

Others

- Section 148A of the CGST Act is to be introduced to empower the Government to notify specified goods and related persons/class of persons for implementation of the 'Track and Trace Mechanism'. The said mechanism shall be based on a Unique Identification Marking

(UIM) which shall be affixed on the said goods or the packages thereof. The specified persons will be required to:

- affix UIM on the specified goods or their packages
- furnish the requisite details as may be prescribed
- furnish the details of machinery used in manufacturing the specified goods
- Section 122B is to be inserted to the CGST Act, to provide for penalty (higher of Rs. 1 lakh or 10% of the tax payable on the goods) in case of non-compliance with the UIM mechanism
- Section 38 of the CGST Act is to be amended to provide for a legal framework in respect of generation of statement containing details of ITC in Form GSTR-2B (to align with the action taken by the taxpayers on the IMS)
- Section 39 of the CGST Act is to be amended to empower the Government to provide for restrictions and conditions for filing Form GSTR-3B

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