



# **KEY HIGHLIGHTS- INCOME TAX PROPOSALS**

## Key highlights...

- ⊗ Rebate is raised from Rs. 25,000 to Rs. 60,000 by raising the slab of eligible income from Rs. 7,00,000 to Rs. 12,00,000 though no rebate would be provided on special rate income such as LTCG, STCG, Lotteries etc
- ⊗ Income Tax basic exemption limit has been increased to Rs. 4 Lakh from Rs. 3 Lakh under the new Tax regime
- ⊗ Rationalization of TDS by reduction in rates and Thresholds in key TDS provisions
- ⊗ The delay in the payment of TCS up to the due date of filing the statement has been decriminalized
- ⊗ Promotion of Higher education through removal of TCS on Educational loans
- ⊗ Extension of Tax benefits available to NPS National Pension Scheme under Section 80CCD(1B) to the contribution made to NPS Vatsalya Accounts, upto Rs. 50,000 including NPS

## ...Key highlights...

- ⊗ Rationalisation in TDS and TCS along with increased thresholds on rent and LRS (Liberalised Remittance) Scheme for individuals
  - ⊗ Limit for Tax deduction on interest for senior citizen increased to Rs. 1,00,000 from Rs. 50,000
  - ⊗ Annual limit for TDS on Rent under Section 194IA to be increased to Rs. 6,00,000 from Rs. 2,40,000
  - ⊗ TCS on remittances under RBI's Liberalised Remittance Scheme increased to Rs. 10,00,000 from Rs. 7,00,000
- ⊗ Extension of time limit to file an updated return under Section 139(8A) to 4 years from 2 years with additional tax liability
- ⊗ Exemptions provided to individuals withdrawing deposits including interest from National Savings Scheme Account on or after 29.08.2024
- ⊗ Reduction of compliance burden for small Charitable Trust (Income upto Rs. 5 Crores) and Institution by increasing the validity of Registration period from 5 years to 10 years
- ⊗ Incomplete registration application of Charitable Trust is considered to be a minor default and it cannot lead to cancellation of registration and denying tax exemption

## ...Key highlights...

- ⊙ Exemption to Charitable Trusts would be granted if the income is directly/indirectly used for the person whose contribution does not exceed Rs. 1,00,000 during P.Y. or in aggregate does not exceed Rs. 10,00,000 upto P.Y., or its relative or its concern
- ⊙ IFSC
  - ⊙ Extension of sunset dates related to IFSC units for exemptions, deductions and relocation in various Section to 31.03.2030 instead of extending each year
  - ⊙ Exemption on proceeds received from insurance office in IFSC without the conditions to maximum premium payable
  - ⊙ Extension of exemption in Section 10(4H) to capital gains for non-resident or a unit of IFSC on transfer of equity shares of a ship leasing domestic company
- ⊙ The benefits of existing tonnage tax scheme to be extended to inland vessels registered under Indian Vessels Act, 2021 to promote inland water transport in the country
- ⊙ In case of Amalgamation effected on or after 01.04.2025, limiting the losses would be carried forward for 8 years succeeding the assessment year in which loss has occurred for predecessor entity

## ...Key highlights

- ⌚ It is clarified that ULIPs, where exemption under Clause (10D) of Section 10 does not apply, will be treated as capital assets. As a result, any gains from these ULIPs will be subject to income tax as capital gains at a rate of 12.5% under Section 112A.
- ⌚ At the option of assessee/taxpayer, the arm's length Price determined for an international transaction or specified domestic transaction for one previous year to apply to similar transactions for the two consecutive previous years
- ⌚ Purchase of goods in India by non-resident for the purpose of export shall not constitute significant economic presence
- ⌚ Major Change in Computation of Income under the Block Assessment and Time Limit for Completion of Block Assessment extended

# **DETAILED ANALYSIS OF INCOME TAX BUDGET PROPOSALS**

# Proposed Amendments in Income and Rebate





## Change in slab rate under new tax regime...

### Background

- It prescribes the income tax rates to be charged on the total income of persons including individuals, HUF, AOP (Other than cooperative society), BOI or an artificial judicial person as per income slabs provided

### Current Scenario

- Income tax rates as per old scenario are as follows:

Total Income	Rate of Tax
Up to Rs 3,00,000	Nil
From Rs 3,00,001 to Rs.7,00,000	5 per cent
From Rs 7,00,000 to Rs.10,00,000	10 per cent
From Rs 10,00,001 to Rs.12,00,000	15 per cent
From Rs 12,00,001 to Rs.15,00,000	20 per cent
Above Rs. 15,00,000	30 per cent

## ...Change in slab rate under new tax regime

### Change in Law (WEF 1<sup>st</sup> April 2026)

Total Income	Rate of Tax
Up to Rs 4,00,000	Nil
From Rs 4,00,001 to Rs.8,00,000	5 per cent
From Rs 8,00,000 to Rs.12,00,000	10 per cent
From Rs 12,00,001 to Rs.16,00,000	15 per cent
From Rs 16,00,001 to Rs.20,00,000	20 per cent
From Rs 20,00,001 to Rs.24,00,000	25 per cent (New Slab)
Above Rs. 24,00,000	30 per cent

### Impact

As per the proposed slab rates in the new regime, a taxpayer with an income of Rs. 12,75,000 will receive a tax benefit of Rs. 80,000 (which is 100% of the tax payable as per the existing rates)

# Increase in Tax Rebate and Relief for Small Taxpayers...

- Background** ☹ Section 87A was introduced to provide tax relief to small taxpayers by granting a rebate on income tax payable if their total income does not exceed a prescribed limit
- Current Scenario**
- ☹ Under Section 87A, an individual resident in India whose total income does not exceed Rs. 5,00,000 is entitled to a 100% rebate on income tax, up to Rs. 12,500 under the old tax regime
  - ☹ For those opting for the new tax regime under Section 115BAC(1A), the Finance Act, 2023 enhanced the rebate eligibility: Individuals with income up to Rs. 7,00,000 receive a rebate of Rs. 25,000, effectively making their tax liability nil
- Change in Law**
- ☹ The total income threshold for availing full rebate under Section 87A is increased from Rs. 7,00,000 to Rs. 12,00,000 (for taxpayers opting for Section 115BAC(1A)).

## ...Increase in Tax Rebate and Relief for Small Taxpayers

### WEF

☑ AY 2026-27

### Impact

- ☑ The maximum rebate amount is increased from Rs. 25,000 to Rs. 60,000
- ☑ The amendment significantly benefits middle-class taxpayers (individual resident in India) who do not have business income or capital gains



# Rationalisation of TDS and TCS threshold and Rates

## Changes in Threshold Limits of TDS...

Section	Nature of income	Payer	Payee	Threshold Limit	
				Existing	Proposed
(a)	(b)	(c)	(d)	(e)	(f)
193	Interest on Securities  w.e.f 01/04/2025	Any person	Resident person	Nil	Rs 10,000/-
193	Any interest payable on any debenture issued by a company in which the public are substantially interested	Company	Individual or HUF (Resident in India)	Exceeding Rs. 5,000	Exceeding Rs. 10,000

## ...Changes in Threshold Limits of TDS...

Section	Nature of income	Payer	Payee	Threshold Limit	
				Existing	Proposed
(a)	(b)	(c)	(d)	(e)	(f)
<b>194A</b>	Interest other than Interest on Securities w.e.f 01/04/2025	Any person other than Individual/ HUF (Individual/HUF required to deduct TDS, if last year T/O > Rs 1 Crore in case of Business or Gross Receipts > Rs 50 Lakhs in case of Profession)	Resident person	(i) Rs 50,000/- for senior citizen;  (ii) Rs 40,000/- in case of others; When payer is bank, cooperative society and post office  (iii) Rs 5,000/- in other cases	(i) Rs 1,00,000/- for senior citizen;  (ii) Rs 50,000/- in case of others; When payer is bank, co-operative society and post office  (iii) Rs 10,000/- in other cases

## ...Changes in Threshold Limits of TDS...

Section	Nature of income	Payer	Payee	Threshold Limit	
				Existing	Proposed
(a)	(b)	(c)	(d)	(e)	(f)
<b>194</b>	Dividend for an Individual shareholder  w.e.f 01/04/2025	An Indian Company or company which has made prescribed arrangements for declaration and payment of dividends	Shareholder, who is a resident in India	Rs 5,000/-	Rs 10,000/-
<b>194K</b>	Income in respect of units of a mutual fund or specified company or Undertaking  w.e.f 01/04/2025	Any person	Resident person	Rs 5,000/-	Rs 10,000/-



## ...Changes in Threshold Limits of TDS...

Section	Nature of income	Payer	Payee	Threshold Limit	
				Existing	Proposed
(a)	(b)	(c)	(d)	(e)	(f)
<b>194B</b>	Winnings from lottery, crossword puzzle, etc  w.e.f 01/04/2025	Any person	Any person	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction
<b>194BB</b>	Winnings from horse race  w.e.f 01/04/2025	Any person	Any person	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction

## ...Changes in Threshold Limits of TDS...

Section	Nature of income	Payer	Payee	Threshold Limit	
				Existing	Proposed
(a)	(b)	(c)	(d)	(e)	(f)
<b>194D</b>	Insurance Commission w.e.f 01/04/2025	Any person	Resident Person	Rs. 15,000/-	Rs. 20,000/-
<b>194G</b>	Income by way of commission, prize etc on lottery tickets w.e.f 01/04/2025	Any person	Any Person	Rs. 15,000/-	Rs. 20,000/-
<b>194H</b>	Commission or Brokerage w.e.f 01/04/2025	Any Person other than Individual or HUF (Individual/HUF required to deduct TDS, if last year T/O > Rs 1 Crore in case of Business or Gross Receipts > Rs 50 Lakhs in case of Profession)	Resident Person	Rs. 15,000/-	Rs. 20,000/-

## ...Changes in Threshold Limits of TDS...

Section	Nature of income	Payer	Payee	Threshold Limit	
				Existing	Proposed
(a)	(b)	(c)	(d)	(e)	(f)
194I	Rent w.e.f 01/04/2025	Any Person other than Individual or HUF (Individual/HUF required to deduct TDS, if last year T/O > Rs 1 Crore in case of Business or Gross Receipts > Rs 50 Lakhs in case of Profession)	Resident Person	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month per Payee

## ...Changes in Threshold Limits of TDS...

Section	Nature of income	Payer	Payee	Threshold Limit	
				Existing	Proposed
(a)	(b)	(c)	(d)	(e)	(f)
<b>194J</b>	Fee for professional or technical services w.e.f 01/04/2025	Any person other than Individual or HUF (Individual/HUF required to deduct TDS, if last year T/O > Rs 1 Crore in case of Business or Gross Receipts > Rs 50 Lakhs in case of Profession)	Resident Person	Rs 30,000/-	Rs. 50,000/-
<b>194LA</b>	Income by way of enhanced compensation w.e.f 01/04/2025	Any person	Resident Person	Rs 2,50,000/-	Rs. 5,00,000/-

# Change in Rate of TDS

Section	Nature of income	Payer	Payee	TDS Rate	
				Existing	Proposed
(a)	(b)	(c)	(d)	(e)	(f)
<b>194LBC</b>	Income in respect of investment in Securitization trust  w.e.f 01/04/2025	Any person responsible for Payment	Resident Person	(i) 25% - If the payee is an individual or HUF; (ii) 30% - if the Payee is any other Person	(i) 25% - If the payee is an individual or HUF(No change); (ii) 10% - if the Payee is any other Person

# No Dual Compliance of TDS u/s 194Q and TCS u/s 206C(1H)

- Background** ☑ As per Section 194Q, a buyer whose turnover exceeds Rs. 10 crore in the preceding FY must deduct TDS at 0.1% on the amount exceeding Rs. 50 lakh at the time of credit or payment, whichever is earlier
- Current Scenario** ☑ Currently, seller was liable to collect TCS u/s 206C(1H) if buyer does not deduct TDS u/s 194Q
- Change in Law** ☑ It is now proposed that provisions of section 206C(1H) will not be applicable
- WEF** ☑ 1<sup>st</sup> April 2025
- Impact**
- ☑ Henceforth, buyer will be responsible for deducting TDS u/s 194Q
  - ☑ Elimination of dual compliance by preventing the seller from collecting TCS in such transactions
  - ☑ Resolution of issue of difficulty in checking whether buyer has ensured the compliance of TDS deduction

## Changes in Rate of TCS

Sub-section	Sl. No.	Nature of Income	TCS Rate	
			Existing	Proposed
(a)	(b)	(c)	(d)	(e)
206C (1)	(iii)	Timber or any other forest produce (not being tendu leaves) obtained under a forest lease w.e.f 01.04.2025  <i>Explanation.- “forest produce” shall have the same meaning as defined in any State Act for the time being in force, or in the Indian Forest Act, 1927.</i>	2.5%	2%
206C (1)	(iv)	Timber obtained by any mode other than under a forest lease w.e.f 01.04.2025	2.5%	2%

## TCS provisions related to LRS & overseas tour programme packages

### Background

- As per Section 206C (1G), every person being an authorised dealer receiving remittance under Liberalised Remittance Scheme (LRS) or seller of overseas tour programme package shall collect TCS, at the time of debit or receipt of such payment, whichever is earlier

### WEF

- 1<sup>st</sup> April 2025

Nature of Payment	TCS before 1 <sup>st</sup> April 2025	TCS on or after 1 <sup>st</sup> April 2025
Amount remitted	< Rs. 7 lakhs = NIL	< Rs. 10 lakhs = NIL
Amount being remitted out is a loan obtained from any financial institution as per section 80E(3)(b)	> Rs. 7 lakhs = 0.5%	NIL
Amount remitted for purposes other than education or medical treatment	<= Rs. 7 lakhs = 5% > Rs. 7 lakhs = 20%	<= Rs. 10 lakhs = 5% > Rs. 10 lakhs = 20%
Overseas Tour Packages	<= Rs. 7 lakhs = 5% > Rs. 7 lakhs = 20%	<= Rs. 10 lakhs = 5% > Rs. 10 lakhs = 20%



# No severe consequences if timely Payments made to Govt. under Section 206C(3)

## Background

- ⌚ Section 276BB of the Act provides for prosecution in case of failure to pay TCS under Section 206C

## Current Scenario

- ⌚ If a person fails to pay to the credit of the Central Government, the tax collected by him under the Section 206C, he shall be punishable with imprisonment for a term which shall not be less than three months, but which may extend to seven years and with fine

## Change in Law

- ⌚ The provisions of this Section shall not apply in case the payment is made to the credit of Government on or before time prescribed for filing the statement under Section 206C(3) for such payment

## WEF

- ⌚ 1<sup>st</sup> April 2025

## Impact

- ⌚ In July 2024, the delay for payment of TDS up to the due date of filing statement was decriminalized. The same relaxation was extended to TCS provisions too
- ⌚ Assessee will not be punished with jail time or fines if they pay the tax by the due date

# Amendments in Filing of Updated Returns

## Extension of Time limit to file an updated return

### Background

- 🕒 The concept of update return was brought vide Union Budget 2022. Updated Return allows the taxpayer who have not filed their ITR or missed or incorrectly reported income in previous returns to rectify errors or omissions, update or file the previous ITR

### Current Scenario

- 🕒 As per Section 139(8A), any person can file updated return at any time within 24 months from the end of the relevant assessment year

### Change in Law

- 🕒 The time limit to file the updated return has been extended to 48 months.
- 🕒 Moreover, no updated return would be furnished by assessee where notice has been issued a show cause notice under Section 148A after 36 months from the end of the A.Y
- 🕒 However, assessee can file the updated return within 48 months from the end of A.Y. where he is issued with the order that it is not a fit case to issue notice under section 148

### WEF

- 🕒 AY 2026-27

### Impact

- 🕒 Extension of time limit to file updated return would help taxpayers to ease the burden of compliance and rectify the errors if done previously while filing ITR

# Additional Rates of Tax to be paid at time of filing updated return

## Background

- Section 140B(3) provides the additional income tax payable at the time of furnishing the updated return

## Current Scenario

- Additional Income Tax payable at the time of filing updated return:

ITR filing period from end of AY	Rate of Tax
Upto 12 months	25%
After 12 months but upto 24 months	50%

## Change in Law

- Additional Income Tax payable at the time of filing updated return (From 01<sup>st</sup> April 2025) are as follows:

ITR filing period from end of AY	Rate of Tax
Upto 12 months	25%
After 12 months but upto 24 months	50%
After 24 months but upto 36 months	60%
After 36 months but upto 48 months	70%

# Proposed Amendments in Exemptions under Section 10

# Exemption on income accrued on transfer of non-deliverable forward contracts etc entered with Foreign Portfolio Investors (FPI)

- Background** ☹ Section 10(4E) relates to the exemption provided in respect of non-residents
- Current Scenario** ☹ Any income accrued by non-resident on transfer of non-deliverable forward contracts, offshore derivative instruments or over the counter derivatives or distribution of income on offshore derivative instruments entered with offshore banking unit of IFSC would be exempt
- Change in Law** ☹ This exemption is widened up to include the above contracts entered between non-residents and Foreign Portfolio Investors (FPIs) registered SEBI (FPI) Regulations, 2019 along with SEBI Act, 1992
- WEF** ☹ 1<sup>st</sup> April 2026
- Impact** ☹ Widens the scope of exemption and enables the non-residents to claim exemptions on income derived from dealings with both Offshore Banking Units (OBUs) as well as eligible FPIs (unit of IFSC)

# Extension of exemptions to specified persons from income in nature of dividend, interest, LTCG or certain incomes

- Background** ☑ As per Section 10(23FE), Exemption is provided to specified persons such as Sovereign Wealth Fund (SWF), Pension Fund (PF) from the income such as dividend, interest, LTCG or other income arising from the investment made in India
- Current Scenario** ☑ This exemption is available if the investment should be made between 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2025
- Change in Law** ☑ The time limit to make investment is extended to 31<sup>st</sup> March 2030
- WEF** ☑ 1<sup>st</sup> April 2025
- Impact** ☑ Specified persons such as SWF, PF would also get the benefit of the exemption for the investments made during 1<sup>st</sup> April 2025 to 31<sup>st</sup> March 2030

# Amendments under the Head Salaries and Income from House Property



## New Limits would be prescribed through Rules for Certain Perquisites

### Background

- 🕒 Section 17(2) defines the term 'perquisite'

### Current Scenario

- 🕒 Value of any benefit or amenity granted or provided free of cost by any employer to any employee whose income under the head Salary does exceeds Rs. 50,000 would be termed as perquisite
- 🕒 Further, any expenditure incurred by employer for travel outside India on the medical treatment of employee or member of the employee's family shall not be included in perquisite if the Gross Total Income of the employee doesn't exceed Rs. 2,00,000

### Change in Law

- 🕒 It is proposed to allow rules to raise the income limit for employees so that:
  - 🕒 Benefits and Perks received by these employees wouldn't be counted as perquisites
  - 🕒 Employer expenses for medical travel outside India for the employee or their family wouldn't be considered a perquisite

### WEF

- 🕒 1<sup>st</sup> April 2026

### Impact

- 🕒 These limits are proposed to be increased in order to take in account the standard of living and working conditions.

# Computation of Annual Value of Self Occupied Property Now Refined

## Background

- Section 23 lists down the computation of annual value of house property

## Current Scenario

- Annual Value of the house property would be considered as Nil:
  - In case where owner uses the house property for his own residence, or
  - In case where owner is not able to occupy the said house property due to employment, profession, business carried out at other place, where he/she is residing in building not belonging to them

## Change in Law

- Annual Value of the house property would be considered as Nil when the owner uses the house property for his own residence or cannot actually occupy it due to any reason

## WEF

- 1<sup>st</sup> April 2025

## Impact

- No conditions on Assessee to prove 2 house properties as self-occupied properties and its annual value for computation of income under the head 'house property' as Nil

# Proposed Amendments in Business Taxation

# Revised MSME Classification Criteria – Section 43B...

## Background

- ⌚ Section 43B states that some statutory expenses can be claimed as deductions from business income only in the year of actual payment, irrespective of the year of accrual of its liability

## Current Scenario

- ⌚ Section 43B(h) – Any sum payable by the assessee to a micro or small enterprise beyond the time limit specified in Section 15 of the Micro, Small and Medium Enterprises Development Act, 2006

Particulars	Micro Enterprise	Small Enterprise
Investment in P&M or equipment and	Upto Rs. 1 Crore	Upto Rs. 10 Crore
Turnover	Upto Rs. 5 Crore	Upto Rs. 50 Crore

## Proposed Change in Turnover limit

Particulars	Micro Enterprise	Small Enterprise
Investment in P&M or equipment and	Upto Rs. 2.5 Crore	Upto Rs. 25 Crore
Turnover	Upto Rs. 10 Crore	Upto Rs. 100 Crore

**Impact**

- ⌚ Businesses dealing with Micro and Small Enterprises will need to be more diligent in tracking and ensuring timely payments to these entities. Since deductions for delayed payments to micro and small enterprises can only be claimed upon actual payment
- ⌚ Ensure to verify on MSME Portal (Udyam Portal), one can verify MSME registration and the type of enterprise (Micro / Small/ Medium) using the registration number provided by the supplier from the below mentioned site:  
[https://udyamregistration.gov.in/Udyam\\_Verify.aspx](https://udyamregistration.gov.in/Udyam_Verify.aspx)

Also, it is not compulsory to register on Udyam Portal in that case Businesses can obtain a Declaration from supplier regarding the type of enterprise

# Simplifications in Conditions of an Eligible Investment Fund which does not constitute business connection in India...

- Background**
- ☹ Section 9A specifies the fund management activity carried out by an eligible fund manager acting on behalf of eligible investment fund shall not constitute business connection in India if the conditions specified in Section 9A(3) are satisfied
- Current Scenario**
- ☹ One of the conditions as per Section 9A(3) is that the aggregate participation or investment in fund should not exceed 5% of the corpus of the fund
  - ☹ Conditions specified in Section 9A(3) would not apply to eligible fund manager of IFSC who commenced its operations on or before 31<sup>st</sup> March 2024
- Change in Law**
- ☹ To satisfy the above condition of eligible investment fund not constituting business connection, investment should not exceed 5% of corpus as on 1<sup>st</sup> April and 1<sup>st</sup> October respectively. Further, this condition is deemed to be satisfied if the aggregate investment does not exceed 5% within 4 months from 1<sup>st</sup> April and 1<sup>st</sup> October
  - ☹ The benefit applicable to eligible fund manager of IFSC shall be extended for all the persons who commenced its operations on or before 31<sup>st</sup> March 2030

## ...Simplifications in Conditions of an Eligible Investment Fund which does not constitute business connection in India

### WEF

🕒 1<sup>st</sup> April 2025

### Impact

🕒 Clarity and simplification of the conditions of the eligible investment fund constituting business connection in India

# Presumptive taxation scheme extended for non-resident providing services for electronics manufacturing facility

- Background** ☺ The Indian government aims to position India as a global hub for Electronics System Design and Manufacturing. This initiative is part of a broader strategy to boost local manufacturing and reduce dependence on imports
- Current Scenario** ☺ To ensure certainty and promotion of this industry, it is proposed to provide a presumptive taxation regime for non-residents engaged in the business of providing services or technology
- Change in Law** ☺ It is proposed to insert a new Section 44BBD which deems 25% of the aggregate amount received or receivable by the non-resident for providing services or technology as profits and gains of such non-resident from this business
- WEF** ☺ 1<sup>st</sup> April 2026
- Impact** ☺ This will result in an effective tax payable of less than 10% on gross receipts, by a non-resident company



# Limit on Carry Forward of Losses in Amalgamations...

## Background

- ⌚ Section 72A and 72AA provides provisions relating to carry forward and set-off of accumulated loss and unabsorbed depreciation allowance in cases of amalgamation or specified business reorganization

## Current Scenario

- ⌚ Section 72A and 72AA states that the accumulated business loss and unabsorbed depreciation of the amalgamating company shall be deemed to be the loss, or unabsorbed allowance of the amalgamated company. And this loss is available for set off for fresh 8 years in the hands of amalgamated company from the previous year in which amalgamation was effected

## Change in Law

- ⌚ Loss of predecessor company would be available for Set off in the hands of Amalgamed company for 8 years immediately succeeding the assessment year for which such loss was first computed for original predecessor entity

## ...Limit on Carry Forward of Losses in Amalgamations

### WEF

- ⌚ Any amalgamation and business re organization effected on or after 1<sup>st</sup> April 2025

### Impact

- ⌚ Purpose of this amendment is aimed to prevent the endless use of old losses through multiple mergers
- ⌚ This amendment will have significant implications on tax planning or restructuring for Corporate Mergers and acquisition

# Extension of benefit of Tonnage tax scheme to Inland vessels

## Background

- 🕒 Tonnage tax scheme was brought vide Finance Act, 2004 to promote Indian shipping industry wherein the qualifying shipping companies were given the choice to opt for the tonnage tax regime or continue to remain within the normal corporate tax regime

## Current Scenario

- 🕒 The benefit of the Tonnage tax scheme is available to only Qualifying ships (Sea going ships) as defined under Section 115VD

## Change in Law

- 🕒 The benefit of the Tonnage tax scheme is also extended to Inland vessels registered under Inland Vessels Act, 2021

## WEF

- 🕒 1<sup>st</sup> April 2026

## Impact

- 🕒 To promote inland water transportation in the country and to attract investments in the Section or, it is proposed to extend the benefits of tonnage tax scheme to Inland Vessels. Accordingly inland vessels have been included in the Section 115VD for being eligible to be a qualified ship. Other corresponding amendments have been made to extend the tonnage tax scheme to inland vessels

# Fund Relocation to IFSC Retail Schemes and ETFs...

- Background**
  - ☑ To promote operations from the International Financial Services Centre (IFSC), the government is incentivizing the relocation of funds to IFSC-based schemes and funds
- Current Scenario**
  - ☑ The income of Retail schemes and Exchange Traded Funds (ETFs) located in the IFSC, regulated under the International Financial Services Centres Authority Act, 2019, was exempted under Section 10(4D).
  - ☑ Relocation of Original Funds to Retail schemes and Exchange Traded Funds (ETFs) was not covered by Clause (viia) of Section 47 and was taxable
- Change in Law**
  - ☑ Widened the definition of “Resultant fund” where retail schemes and Exchange Traded Funds (ETFs) are also included in the definition of “Resultant fund”
- WEF**
  - ☑ 1<sup>st</sup> April 2026
- Impact**
  - ☑ No tax liability will arise when relocating funds to retail schemes and ETFs in the IFSC, as the transaction will be tax-neutral.
  - ☑ This will incentivize assesseees to invest in IFSC-based funds without worrying about the tax impact of relocating funds, promoting the growth of IFSC

# Scope of Significant Economic Presence not applicable on the transactions pertaining to goods purchased for exports






- Background** ☹ Section 9 gives an overview of the income deemed to accrue or arise in India
- Current Scenario**
- ☹ Significant economic presence of a non-resident in India would constitute as business connection and any income through business connection would be treated as income deemed to accrue or arise in India
  - ☹ Thus, any transactions in respect of goods carried out by non-resident with the person in India would be termed as significant economic presence and such income would be treated as income deemed to accrue or arise in India
- Change in Law**
- ☹ Transactions or activities carried out by non-resident which is only confined to purchase of goods for the purpose of export would not constitute as significant economic presence which will eventually fall out of the business connection. Hence, any income arising from the same would not be treated as income deemed to accrue or arise in India
- WEF**
- ☹ 1<sup>st</sup> April 2026
- Impact**
- ☹ Transactions/activities of a non-resident in India confined to purchase of goods for the purpose of exports would not be considered as income deemed to accrue or arise in India and same would not be taxable

# Proposed Amendments in Taxability of Charitable Trusts and Institutions

# Validity of Registration extended to 10 years for Small Charitable Trusts and Institutions

- Background** ☑ Section 12AB outlines the procedure for registration of a Charitable Trust or an Institution
- Current Scenario** ☑ The Commissioner on receipt of application of registering a Charitable Trust or an Institution, pass the order registering trust for a maximum period of 5 years only
- Change in Law** ☑ It is proposed that the validity of registration of trusts or institutions will be extended to 10 years for the Charitable Trusts whose total income does not exceed Rs. 5 Crores during each of the two previous years, preceding to the previous year in which such application was made
- WEF** ☑ 1<sup>st</sup> April 2025
- Impact** ☑ This will reduce the compliance burden on small Charitable Trusts and Institutions. It will also help to boost their operating efficiency

# Incomplete Information in Registration Application of Trusts and Institutions would not lead to Cancellation of Registration

- Background**  Commissioner has power to cancel the registration if Commissioner notices any of the specified violations defined in Section 12AB committed by the Charitable Trusts or Institutions
- Current Scenario**  If Charitable Trust or Institutions does not fill a complete registration application, the same would be treated as specified violation which would lead to cancellation of registration and such trust would be liable to tax on accreted income
- Change in Law**  The minor default of incomplete registration application would not be treated as specified violation and hence it will not lead to any cancellation of registration
- WEF**  1<sup>st</sup> April 2025
- Impact**  Incomplete information produced in registration application is a minor default which reduces the strict compliance burden and ultimately would not lead to stringent actions like cancellation of registration



# Scope of Person having Substantial Interest in Charitable Trusts or Institution Refined...

## Background

- ⌚ Section 13 excludes the income of the trust or institution which is applied to give benefit directly or indirectly to the author, founder, person having substantial interest, trustee and their relatives and concerns

## Current Scenario

- ⌚ No exemption will be allowed to the charitable trust for the income which is applied for the benefit of :
  - ⌚ Person having a substantial interest i.e. who has contributed more than Rs. 50,000 to the trust upto end of P.Y.
  - ⌚ Relative or concern of the aforesaid person

## Change in Law

- ⌚ No exemption would be allowed to the charitable trust for the income which applied for the benefit of person having a substantial interest i.e. who contributed more than Rs. 1,00,000 in P.Y. or more than Rs. 10,00,000 upto P.Y.
- ⌚ However, exemption would be allowed to the charitable trust for the income which is applied for the benefit of relative or concern of the aforesaid person

## ...Scope of Person having Substantial Interest in Charitable Trusts or Institution Refined

### WEF

🕒 1<sup>st</sup> April 2025

### Impact

- 🕒 Scope of Person having substantial interest in charitable trusts or institutions has been widened up which had led to increase in tax exemptions for the charitable trusts
- 🕒 Tax exemptions would also be provided to the relatives and concerns of the person having substantial interest in the trust
- 🕒 This had widened the scope of exemptions and benefits to the charitable trusts or institutions

# Proposed Amendments in Deductions under Chapter VIA

## Background

- ⌚ Section 80CCA allows individuals or HUFs to claim a deduction for amounts deposited in the National Savings Scheme (NSS) before 1<sup>st</sup> April 1992
- ⌚ On or after 01<sup>st</sup> April 1992 no deduction would be allowed on such deposit
- ⌚ The Department of Economic Affairs issued a Notification dated 29.08.2024 providing that no interest would be paid on the balances in the NSS after 1<sup>st</sup> October 2024

## Current Scenario

- ⌚ As per Section 80CCA(2), any amount along with the interest under the NSS for which deduction was claimed earlier if withdrawn then it shall be chargeable to tax

## ...Tax Exemption on NSS Withdrawals for Deductions Availed

- Change in Law** ☺ The withdrawals made by individuals from NSS for which deduction was allowed on or after 29<sup>th</sup> August 2024 would be exempt
- WEF** ☺ Retrospective effect from 29<sup>th</sup> August 2024
- Impact** ☺ The exemption is proposed to provide relief to individuals facing hardship who were compelled to withdraw deposited amount due to Notification dated 29<sup>th</sup> August 2024
- ☺ This exemption is provided to the deposits, with the interest accrued thereon, made before 1<sup>st</sup> April 1992 as these are the amounts in respect of which a deduction has been allowed

# Extension of Tax Benefits to NPS Vatsalya Accounts...

## Background

- 🕒 The NPS Vatsalya Scheme, officially launched on 18 September 2024, enables parents and guardians to start a National Pension Scheme (NPS) account for their children.
- 🕒 This savings-cum pension scheme is designed exclusively for minors and will be operated by the guardian for the exclusive benefit of the minor till they attain majority.

## Current Scenario

- 🕒 Section 80CCD provides deduction to individuals with respect to contributions made to NPS

## Change in Law

- 🕒 It is proposed to extend the tax benefits available to NPS under Section 80CCD to NPS Vatsalya accounts
- 🕒 Contributions made to NPS Vatsalya accounts, will be allowed for deduction of up to Rs. 50,000 in the hand of parent/ guardian for contributions to a minor's account






## ...Extension of Tax Benefits to NPS Vatsalya Accounts

- Amount withdrawn will get taxable in the hands of parents on which deduction is claimed for contribution made in NPS Vatsalya account. However, if the amount is received due to the death of the minor, it will be exempt from tax
- Insertion of Section 10(12BA) will exempt withdrawals from the NPS Vatsalya account in the hands of parents, provided the withdrawal does not exceed 25% of the contribution made by them
- 1<sup>st</sup> April 2026
- The proposed changes will provide enhanced tax benefits for NPS Vatsalya accounts, benefiting both minors and their guardians by offering additional deductions and clarifying tax treatment on withdrawals and contributions after the minor's death

**WEF**

**Impact**

# Deduction for Start-ups extended until 2030

- Background**  Section 80-IAC provides a 100% deduction on profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years, subject to certain conditions
- Current Scenario**  The deduction benefit is available to start-ups incorporated on or after 1<sup>st</sup> April 2016 but before 1<sup>st</sup> April 2025, with a turnover limit of Rs. 100 crore and certification from the Inter-Ministerial Board of Certification
- Change in Law**  The deduction benefit for eligible start-ups will be extended for another 5 years, making it available for start-ups incorporated before 1<sup>st</sup> April 2030
- WEF**  1<sup>st</sup> April 2025
- Impact**  The amendment will support the growth of more start-ups by extending tax benefits for an additional five years, encouraging new businesses to innovate and grow within the specified time-frame



# Proposed Amendments in Determination of Arm Length Price for Multiple Years

# Consistency in Determination of ALP for Multiple Years...

## Background

- ✔ Section 92C provides for computation of ALP (arm's length price) in relation to an international transaction or a specified domestic transaction
- ✔ Section 92CA outlines the procedure for referring transactions to the TPO (Transfer Pricing Officer) to determine the ALP

## Current Scenario

- ✔ Under Section 92CA, similar international transactions are repeated across multiple years, involving the same enterprises, transaction volumes, and same arm's length analysis are repeated every year

## Change in Law

- ✔ It is proposed that ALP determined in relation to an international transaction or a specified domestic transaction for any previous year shall apply to the similar transaction for the two consecutive years immediately following the previous year at the option of the assessee

## WEF

- ✔ 1<sup>st</sup> April 2026

## Impact

- ✔ Arm's length analysis are repeated every year this creates compliance burden on the assessee as well as administrative burden on the TPOs. In view of the same, in such situations, it is proposed to carry out Transfer Pricing assessments in a block

# Amendments in Income Tax Litigations

# Period where proceedings are stayed by an Order is excluded for computation of time limit for Conclusion of Proceedings

## Background

- ⌚ Ambiguity in determination of stay period in computing the time limit for conclusion of the proceedings

## Current Scenario

- ⌚ Section 144BA, section 153, section 153B, section 158BE, section 158BFA, section 263, section 264 and Rule 68B of Schedule-II provides that period during which the proceedings under respective provisions are stayed by an order or injunction of any court shall be excluded in computing the time limit for conclusion of the proceedings

## Change in Law

- ⌚ To remove the ambiguity, it is proposed to exclude the period which commences on the date on which stay was granted by the order or injunction of the court and it ends on the date on which certified copy of order vacating stay was received by Jurisdictional Principal Commissioner or Commissioner or Approving Panel in the case of Section 144BA

## WEF

- ⌚ 1<sup>st</sup> April 2025

## Impact

- ⌚ By clarifying the period of stay, taxpayers can easily compute the period of limitation and can get rid of litigations on the basis of time barred

# Time Limit extended for taking approval by for retention of seized documents

- Background**
- ⌚ Section 132(8) states that Assessing Officer (AO) can retain seized books of account or other documents for 30 days from the date of the assessment or reassessment or recomputation order
  - ⌚ For retaining the seized documents beyond the said period AO should record the reasons in writing and take approval from the authorities as mentioned under Section 132(8)
- Current Scenario**
- ⌚ Section 132 states that approval for retaining seized documents must be taken within 30 days from the date of an assessment, reassessment, or recomputation order
- Change in Law**
- ⌚ Now it is proposed to change the time limit to 1 month from the end of the quarter in which assessment/reassessment/recomputation order is made
- WEF**
- ⌚ 1<sup>st</sup> April 2025
- Impact**
- ⌚ Assessing Officers can retain the seized documents for a longer period which will delay the conclusion of seizure proceedings initiated against the taxpayers

# Omission of penalty for failure to subscribe units of scheme

- Background**      ☑ Section 271BB specifies penalty for failure to subscribe units of schemes mentioned as per Section 88A
- Current Scenario**      ☑ If an assessee fails to subscribe units under any scheme as mentioned in Section 88A within the period of 6 months will be liable to penalty. However, Section 88A has already been omitted with retrospective effect from 1<sup>st</sup> April 1994
- Change in Law**      ☑ It is proposed to omit the penalty section in the absence of parent Section
- WEF**      ☑ 1<sup>st</sup> April 2025
- Impact**      ☑ This will simplify the tax laws and eliminate unnecessary penalties

# Penalty to be levied by the Assessing Officer

## Background

- 🕒 Section 271C, 271CA, 271D, 271DA, 271DB and 271E deal with the penalty provisions

## Current Scenario

- 🕒 Presently assessment was carried out by the Assessing Officer, but the penalty were imposed by the Joint Commissioner for the assessment initiated before 1<sup>st</sup> April 2025

## Change in Law

- 🕒 It has been proposed to insert a proviso that any penalty under aforesaid section on or after the 01.04.2025, shall be imposed by the Assessing Officer

## WEF

- 🕒 1<sup>st</sup> April 2025

## Impact

- 🕒 This proposition gives power to assessing officer to impose penalty on assessments initiated on or after 1<sup>st</sup> April 2025.
- 🕒 Also, prior approval of joint commissioner will be required if the penalty exceeds Rs. 20,000 as prescribed in the Section 274(2)

# Other Relevant Amendments



## Other Relevant Amendments...

- ⊗ The deduction under Section 80-IAC was available to start-ups incorporated on or after 1<sup>st</sup> April 2016 but before 1<sup>st</sup> April 2025. The said benefit is extended for another 5 years i.e., to start-ups incorporated before 1<sup>st</sup> April 2030
- ⊗ It is proposed to add crypto-asset, being digital representation of value relying on cryptographically secured distributed ledger or technology for transaction security and validity regardless of whether it is already included in other sub-clauses in the definition of Virtual Digital Asset under Section 2(27A)
- ⊗ It is proposed to insert Section 285BAA in the Act, being the obligation to furnish information of crypto-asset.
- ⊗ Total Income of business trust shall be charged to maximum marginal rate subject to provisions of Section 111A, Section 112 as well as Section 112A (Section 115UA provides a pass-through status to business trusts in respect of interest income, dividend income received by the business trust from a special purpose vehicle in case of both REIT and InvIT and rental income in case of REIT. Such income is taxable in the hands of the unit holders unless specifically exempted)

## ...Other Relevant Amendments...

- ⊗ No Monetary Limit of Rs. 2,50,000 in case of ULIP and Rs. 5,00,000 in case of Life Insurance Policy would be applicable to claim exemption under Section 10(10D) on sum received at the time of death or life insurance policy issued by IFSC
- ⊗ Income of Unit of IFSC, primarily engaged in business of leasing of aircrafts (which includes helicopter, engine and its parts) and ships (which includes ocean vessels, engine and its parts) by way of dividends from company being unit in IFSC engaged in business of leasing of aircraft and ships would be exempted under Section 10(34B) from 1<sup>st</sup> April 2025
- ⊗ Any income by way of long term capital gains arising from the transfer of securities in the hands of specified fund or Foreign Institutional Investor would be taxed at 12.5% under Section 115AD from 1<sup>st</sup> April 2026
- ⊗ Any income accrued from Virtual Digital Asset if not disclosed by the Assessee, the same would be termed as undisclosed income as per Section 158B and it would be taxable @78% of the income (60% tax + 25% surcharge + 4% health and education cess) w.e.f. 1<sup>st</sup> February 2025

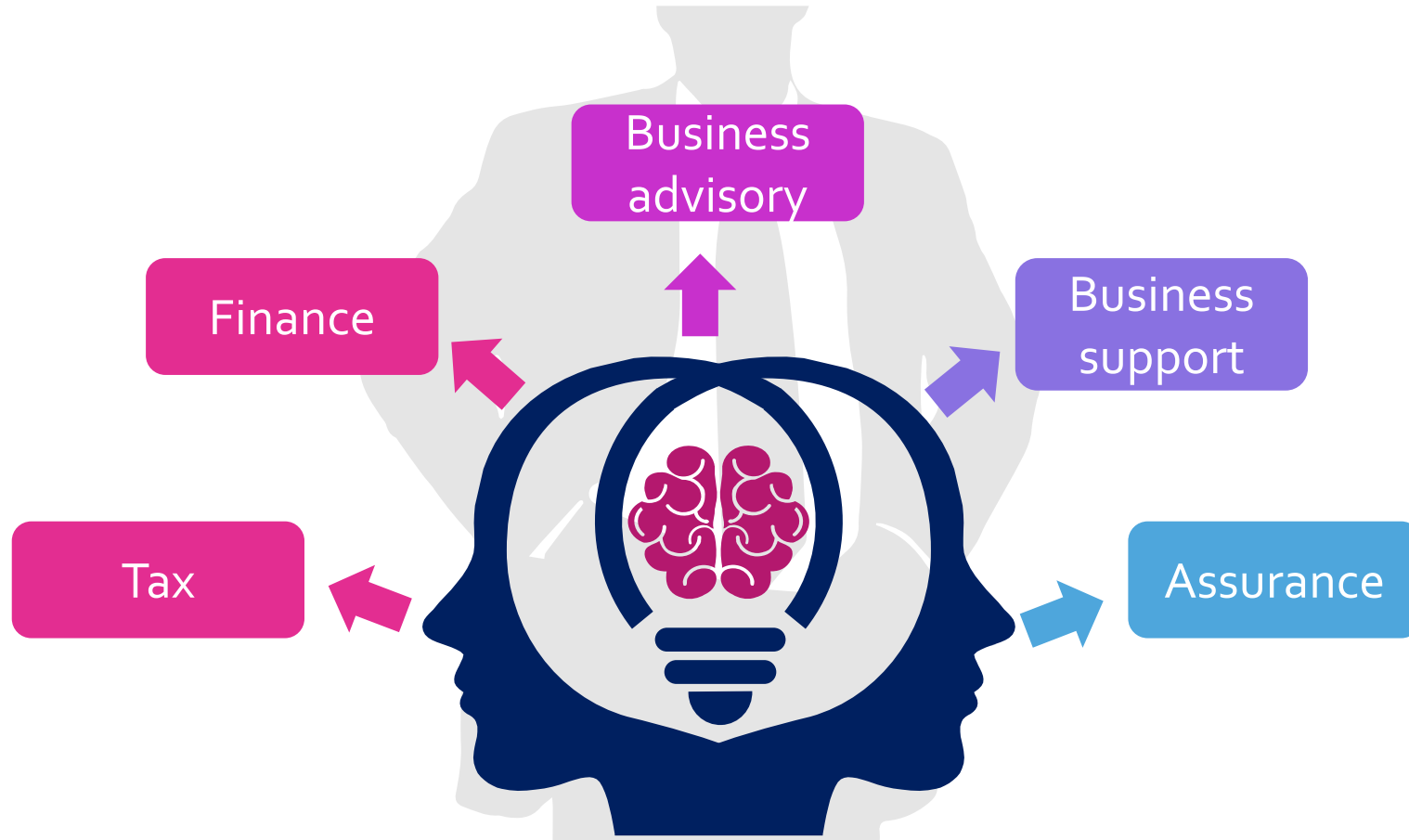
## ...Other Relevant Amendments...

- ⊗ Extension of Tax Concessions [Section 80LA, Section 10(4D), Section 10(4F), Section 10(4H) and Section 47(viiad)] for IFSC Units Until March 2030
- ⊗ Section 275 is having multiple timelines for imposition of penalties in various cases. Now it is proposed to provide that any order imposing a penalty under Chapter XXI shall not be passed after the expiry of 6 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 maybe.
- ⊗ No TDS to be deducted at higher rate under Section 206AB when deductee is a non-filer of ITR and similarly, no TCS would be collected at higher rate under Section 206CCA when collectee is a non-filer of ITR
- ⊗ Investment funds specified under Section 115UB in accordance with SEBI Act, 1992 would be treated as capital asset and income arising from transfer of such security would be termed as capital gain

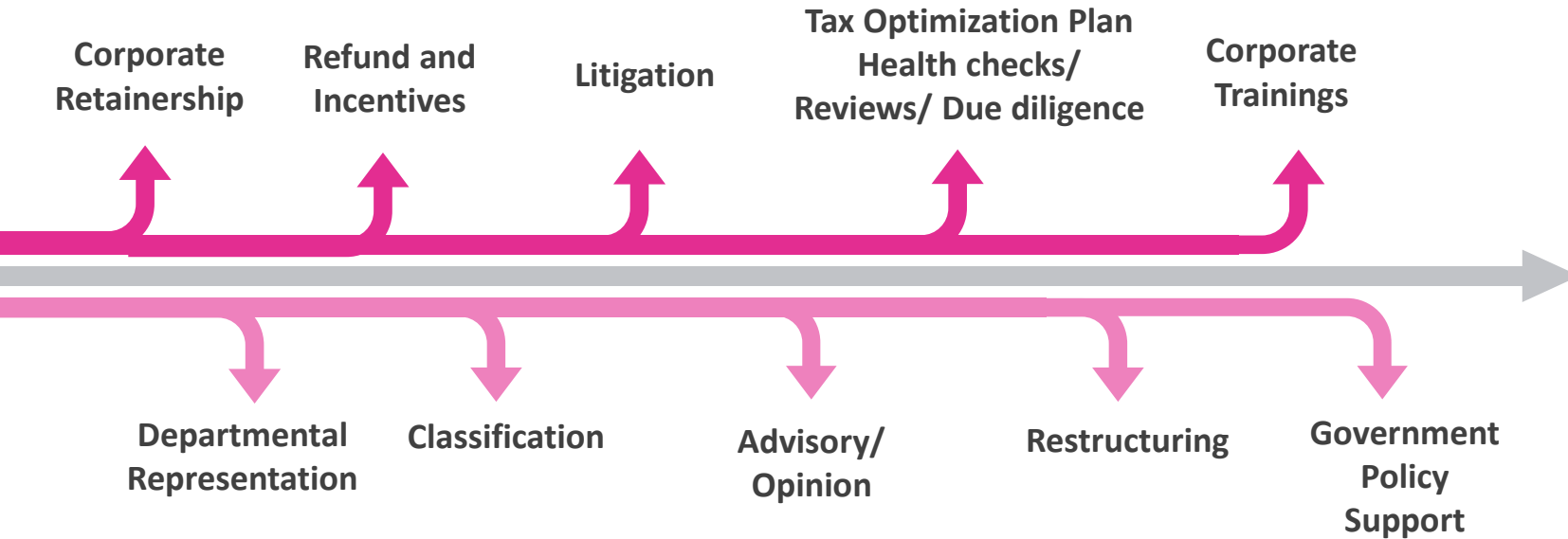
## ...Other Relevant Amendments

- ④ Assessing Officer shall pass an order under Section 270AA accepting or rejecting the application, within a period of 3 months from the end of the month in which the application requesting immunity is received
- ④ Section 271AAB prescribes penalty where search has been initiated. Now its is proposed the provision of Section 271AAB shall not be applicable to the assessee in whose case search has been initiated under section 132 on or after the 01.09.2024
- ④ Section 271BB of the Act provides the penalty for the failure to subscribe to the units issued under any scheme referred to in Section 88A(1). However, section 88A has already been omitted vide Finance (No. 2) Act, 1996 with retrospective effect from 01.04.1994. In the absence of the parent section, relevance of the penalty section in the case of any failure does not exist. Therefore, it is proposed to omit the section 271BB of the Act
- ④ Methodology for computation of total income of block period undergoing block assessment
- ④ The time limit for completion of block assessment to be computed from the end of quarter in which last of authorisations for search executed

# What do we do?....



# ....What do we do?



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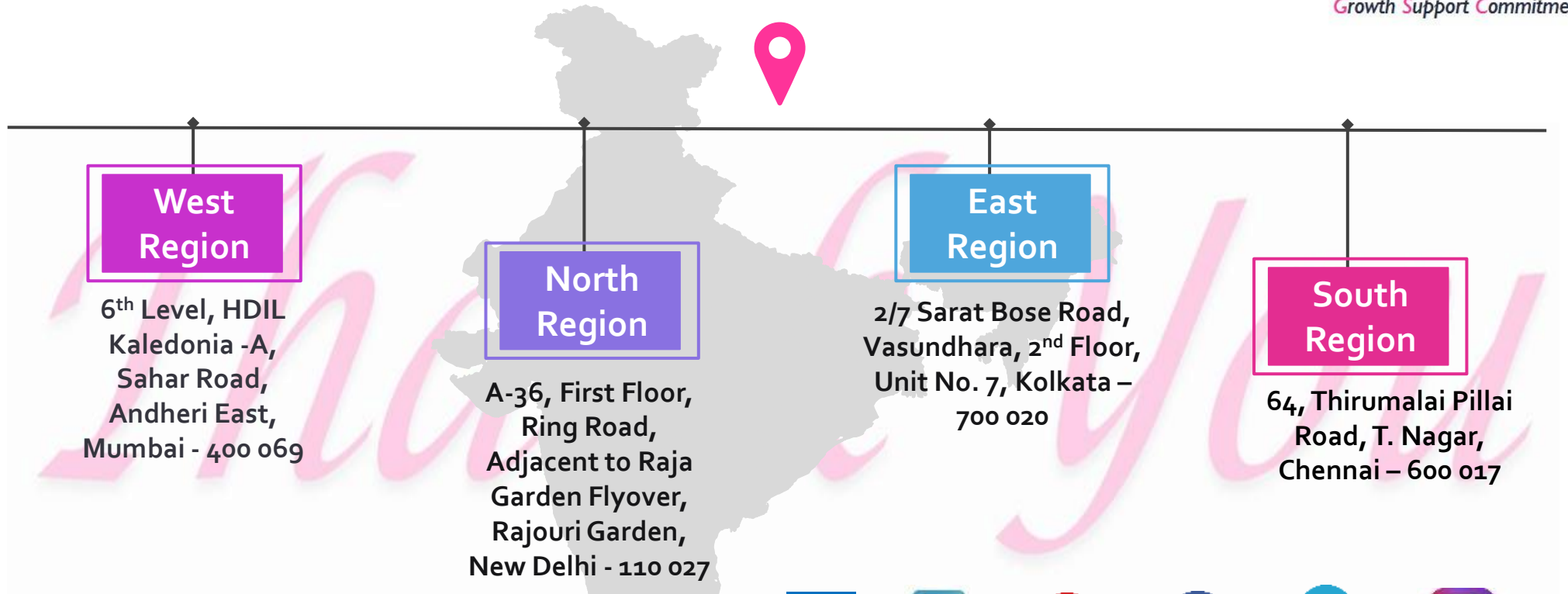
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