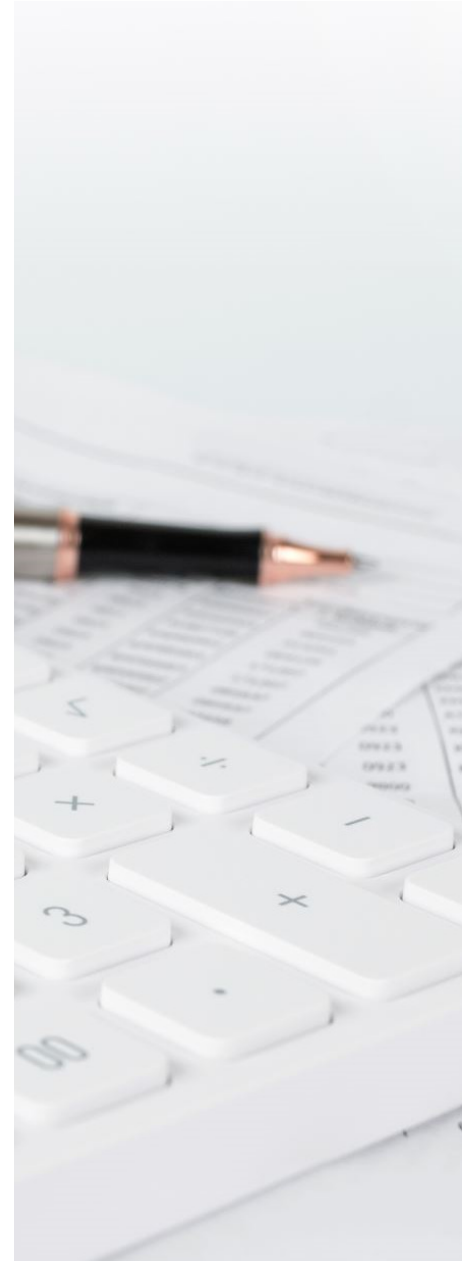




Budget 2025

Direct Taxes

Vikram Vijayaraghavan, Advocate
SAPR Advocates



New Direct Tax Code

Finance Minister Nirmala Sitharaman on Saturday announced that the government will introduce a new income tax Bill **next week** to ease compliance burden.

*“The new Bill will be clear and direct in text with close to half of the present law, in terms of both chapters and words. **It will be simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation,**”* Sitharaman said in her FY26 Budget speech.

The Chamber of Trade and Industry (CTI) has urged the government to rename Income Tax as **‘Rashtra Nirmaan Sahyog Nidhi’** (Nation Building Cooperation Fund)

ChatGPT recommended **“Aayakar Nyay Adhiniyam”**



Sorry, the papers are not yet ready, sir! After the simplification of procedures it has become complicated!

Budget 2025



Rates of Income Tax



Measures to
promote investment
& employment



Simplification and
rationalisation



Socio economic
welfare measures





Tax Administration

Rates of Tax



Source: TIMES OF INDIA, 1980

Overview



INCOME TAX NEW REGIME

TAXABLE INCOME	NEW TAX RATE
0-4 LAKH	NIL
4-8 LAKH	5%
8-12 LAKH	10%
12-16 LAKH	15%
16-20 LAKH	20%
20-24 LAKH	25%
ABOVE 24 LAKH	30%

- These new tax slabs are for those opting for new tax regime
- Remember, the existing slabs are:
 - Rs.0-3 lakhs: Nil
 - Rs.3-7 lakhs: 5%
 - Rs.7-10 lakhs: 10%
 - Rs.10-12 lakhs: 15%
 - Rs.12-15 lakhs: 20%
 - Above Rs 15 lakhs: 30%
- S.87A rebate: Increased from Rs.12.5k to Rs.60k (up to Rs.12L)



Apparently....he is searching for something called the Old Tax Regime

Overview (with rebate)

Example calculations of tax benefit (table below)

Income	Tax on Slabs and rates		Benefit of Rate /Slab	Rebate benefit Full upto Rs 12 lacs	Total Benefit	Tax after rebate Benefit
	Present	Proposed				
8 lac	30,000	20,000	10,000	20,000	30,000	0
9 lac	40,000	30,000	10,000	30,000	40,000	0
10 lac	50,000	40,000	10,000	40,000	50,000	0
11 lac	65,000	50,000	15,000	50,000	65,000	0
12 lac	80,000	60,000	20,000	60,000	80,000	0
16 lac	1,70,000	1,20,000	50,000	0	50,000	1,20,000
20 lac	2,90,000	2,00,000	90,000	0	90,000	2,00,000
24 lac	4,10,000	3,00,000	1,10,000	0	1,10,000	3,00,000
50 lac	11,90,000	10,80,000	1,10,000	0	1,10,000	10,80,000

Rebate is not available on income from capital gains or lotteries or any other income on which special rate has been provided in the Act. It is available only on the tax payable as per slabs under section 115BAC.

Salaried individuals having standard deduction benefit of Rs.75,000 under the new tax regime will pay zero tax if gross taxable income does not exceed Rs 12.75 lakh.

Measures to promote investment and employment



Overview

- **Presumptive tax: Non-resident providing services for electronics manufacturing facility**
- **Tonnage tax to inland vessels**
- **Sovereign Wealth & Pension Funds**
- Incentives to IFSC

Measures to promote investment and employment

Presumptive tax: Non-resident providing services for electronics mfg facility

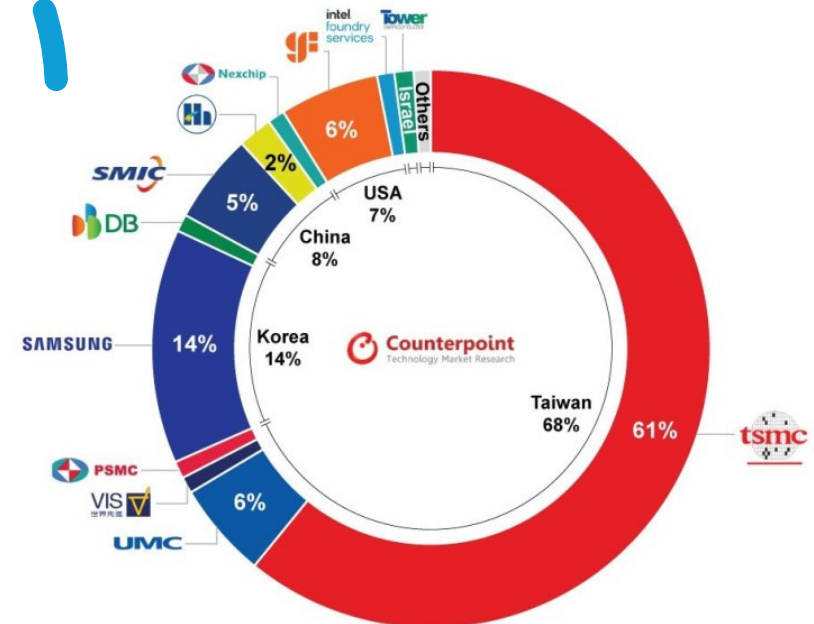
Govt wants India as the global hub for Electronics System Design and Manufacturing via program for the development of semiconductors & display mfg. ecosystem

Towards this new **S.44BBD**, which deems **25% of aggregate amount** received/ receivable by, or paid/ payable to NR on account of providing services or technology, **as profits and gains** of such NR from this business.

(This will result in an effective tax payable of **less than 10% on gross receipts**, by a NR resident company)

WEF 1-4-2026. AY 2026-27 and beyond.

Revenue Share of Key Players in Global Semiconductor Foundry Industry, Q4 2023

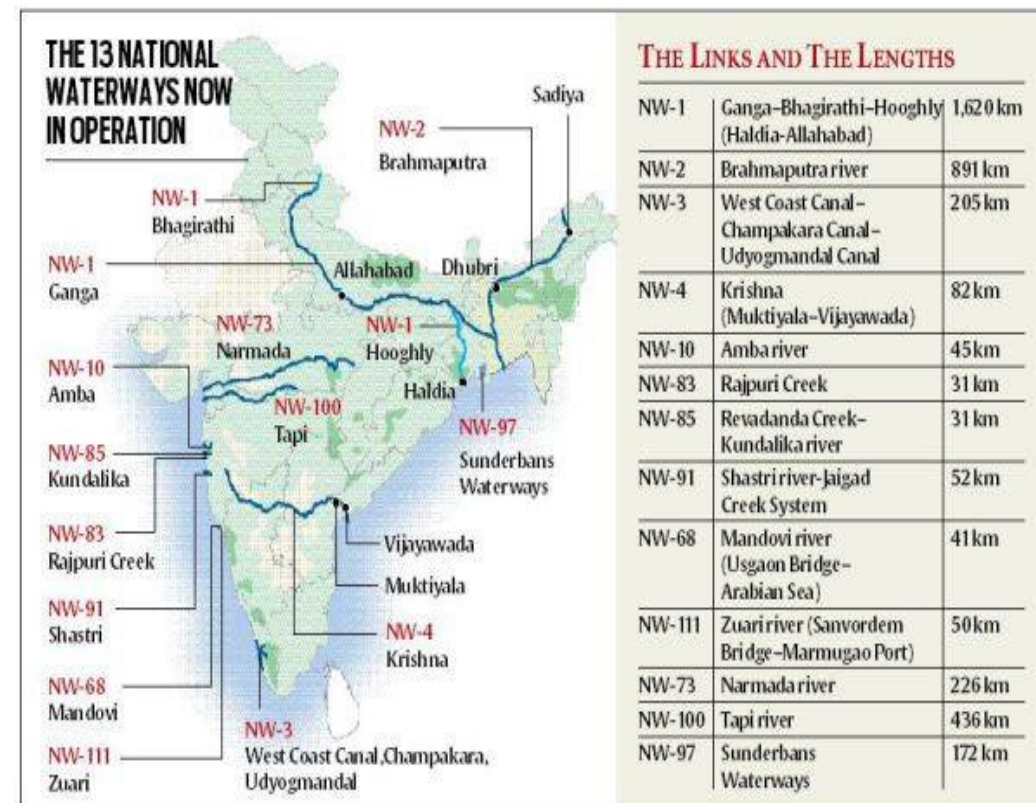


Source: Counterpoint Foundry Revenues Tracker

Measures to promote investment and employment

Tonnage tax scheme for inland vessels

- **Chapter XII-G Section 115V to 115VZC** tonnage tax scheme wherein qualifying shipping companies were given the choice to opt for the tonnage tax regime or continue to remain within the normal corporate tax regime.
- Qualifying ships thus had option to compute income **based on the tonnage of the ship** and such income is deemed to be business income.
- **Inland vessels have been included in the S.115VD for being eligible to be a qualified ship. Further, inland vessels have been defined in section 115V of the Act in the same manner as provided in the Inland Vessels Act, 2021. Other corresponding amendments have been made.**
- Increased time limit **from 1 to 3 months** for tax authority to verify documents, info and pass an order for eligibility of the taxpayer to opt for Tonnage Tax Scheme
- WEF 1-4-2026. For AY 2026-27 and beyond



Inland Waterways based freight movement increases ~7x times from 18.1 MMT in FY 14 to 133.03 MMT in FY 24

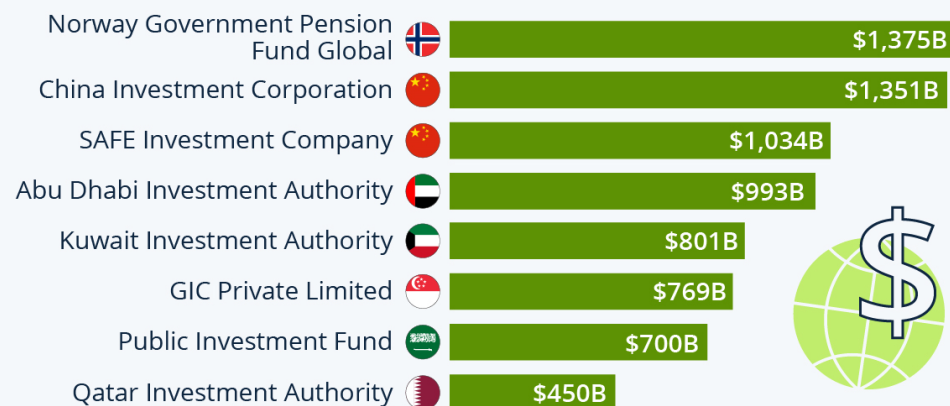
Measures to promote investment and employment

Sovereign Wealth & Pension Funds

- Notified SWF and PF, which fulfil certain conditions, **are exempt from tax on dividend, interest, long-term capital gains and on certain other incomes arising from an investment made by it in India** provided investment is made between 1 Apr 20 and 31 Mar 25.
- **FB 2025 has extended cut-off date for investment to avail exemption from 31 March 2025 to 31 March 2030.**
- Further, there was ambiguity on exemption for capital gains arising from long term unlisted debt investments, which were deemed to be short-term capital gains under S.50AA, as only long-term capital gains are exempt.
- **FB 2025 now excludes such income, which arises from long-term debt investments made in India, but which is deemed to be short-term capital gains under S.50AA, from the total income of the SWF** if conditions for exemption are otherwise met.
- WEF from FY 2024-25

The World's Largest Sovereign Wealth Funds

Assets under management of the world's largest sovereign wealth funds*



A sovereign wealth fund is a state-owned investment fund that invests globally in assets such as stocks, bonds, real estate or in alternative investments such as private equity fund or hedge funds.

* Latest period U.S. dollar figure if available, estimation otherwise; as of Aug. 2023
Source: Global SWF



Measures to promote investment and employment

Incentives to IFSC

- Extension of sunset dates for several tax concessions pertaining to IFSC
- Exemption on life insurance policy from IFSC Insurance offices
- Exemption to capital gains and dividend for ship leasing units in IFSC
- Rationalization of “dividend” for treasury centre's in IFSC
 - Loan between finance unit of corporate treasury centre in IFSC and group entity outside India not “dividend” under S.2(22)(d)
- Simplified regime for fund managers in IFSC
- Amendment of S.10(4E) related to exempt income of Non-resident to include FPI IFSC units
- Inclusion of retail schemes and Exchange Traded Funds (ETFs) in the existing relocation regime of funds of IFSCA
- **WEF 1-4--2026, apply in relation to AY 2026-27 and beyond**

Simplification and Rationalization



Overview

- **Provisions related to carry forward of loss on amalgamation**
- **TP Block Assessment**
- **S.206C(1H) bye!**
- **Removal of higher TDS/TCS for non-filers**
- **TDS thresholds**
- **Changes to TCS on LRS**
- **Harmonization of SEP & Business Connection**
- **Simplification of tax provisions of trusts**
- **Extension of timeline for tax benefits to start-ups**
- **Amendments in Block assessment for search cases**
- **Rationalization of Business Trusts taxation**
- **Rationalisation of taxation of CG on transfer of capital assets by non-residents - S.115AD**
- **Amendment in definition of “capital asset”**
- **Time limits to impose penalties rationalised**
- **Rationalise provisions for ULIPs**
- Clarification regarding commencement and end date of period stayed by Court
- Non-applicability of S.271AAB
- Amendments in S. 32 and 132B for rationalization
- TCS on “forest produce” / tendu leaves

Simplification and Rationalisation

Provisions related to carry forward of loss on amalgamation

- S.72A and 72AA provide that **accumulated loss of the amalgamating entity or predecessor entity shall be deemed to be the loss of the amalgamated entity or the successor entity for the previous year in which amalgamation or business reorganisation has been effected.**
- Further, S.72 of the Act provides that no loss (other than loss from speculation business) under the head “Profits and gains from business or profession” shall be carried forward for more than 8 AYs immediately succeeding the AYs for which the loss was first computed.
- Proposed to amend S.72A and S.72AA to provide **that any loss forming part of the accumulated loss of the predecessor entity, which is deemed to be the loss of the successor entity, shall be eligible to be carried forward for not more than eight assessment years immediately succeeding the assessment year for which such loss was first computed for original predecessor entity.**
- Amendment is “**aimed to prevent evergreening of the losses of the predecessor entity**” resulting from successive amalgamations and to ensure that no carry forward/set off of loss is allowed after eight AYs from the immediately succeeding the assessment year for which such loss was first computed for original predecessor entity.
- Amendments shall apply to **any amalgamation or re-organisation effected on or after 01.04.2025.**

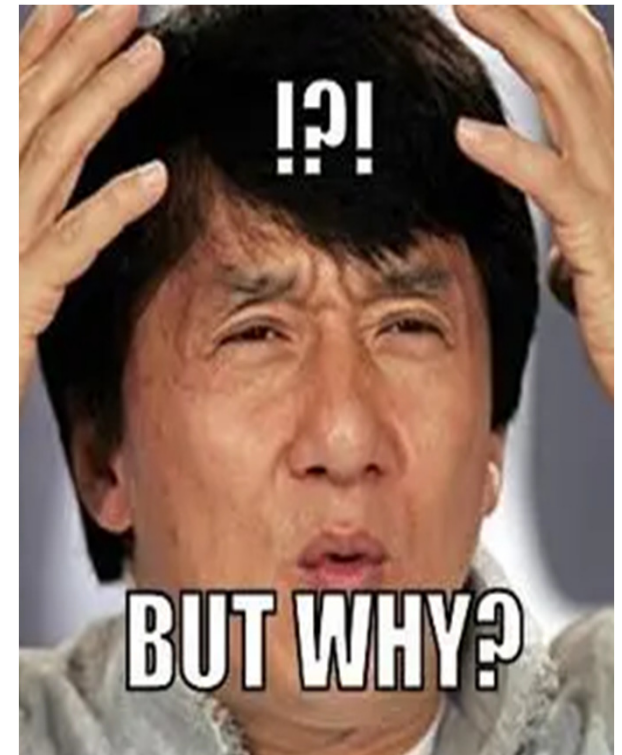


Insertion of S.72A(6B) & S.72A(7)(ab)

Simplification and Rationalisation

TP Block Assessment?!

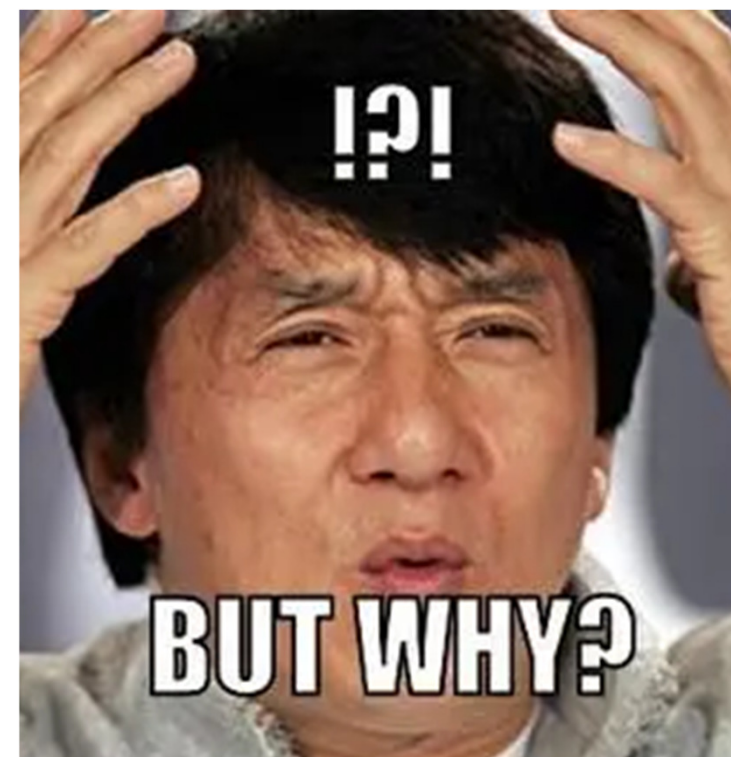
- ALP determined in relation to an international txn or specified domestic txn for any PY shall apply to the similar transaction for **two consecutive** Pys immediately **following such PY**.
- TPO Reference: **Assessee required to exercise option in prescribed manner** (92CA(3B))
- TPO may by an **order within 1 month from end of the month in which such option is exercised, declare the option is valid** subject to the prescribed conditions. If TPO declares option is valid:
 - ALP determined in relation to international txn or specified domestic tx for any PY shall apply to similar transactions for 2 consecutive PYs
 - TPO shall examine + determine ALP in relation to such similar transaction for such consecutive PYs, in the order referred to in S.92CA(3) [92CA(4A)]
 - AO then to recompute total income for consecutive PYs as per S.155(21)
 - no reference for computation of ALP for such transaction shall be made
 - if any reference is made, before or after above declaration by TPO, provisions S.92CA(1) shall have the effect as if no reference is made for such transaction
 - provisions of exercising option shall not apply to Chapter XIV-B proceedings



Simplification and Rationalisation

TP Block Assessment (contd.)

- A new **S.155(21)** to be inserted so that where ALP determined for an international tx / specified domestic txn for any PY and TPO declared assessee option valid, in respect of such txn for two consecutive Pys immediately following such PY, then:-
 1. AO shall recompute total income for such consecutive previous years, by amending order of assessment or any intimation or deemed intimation under S.143(1) –
 - I. in conformity with ALP determined by TPO under 92CA(4A)
 - II. taking into account directions issued under S.144C(5), if any, for such previous year;**
 2. such recomputation shall be done within 3 months from end of the month in which assessment is completed in case of assessee for such previous year;
 3. first and second proviso to sub-section (4) of section 92C shall apply to such recomputation;
 4. such recomputation shall be made within 3 months from end of the month in which order of assessment or any intimation or deemed intimation is made, in case that is not made before the period of 3 months as mentioned above.

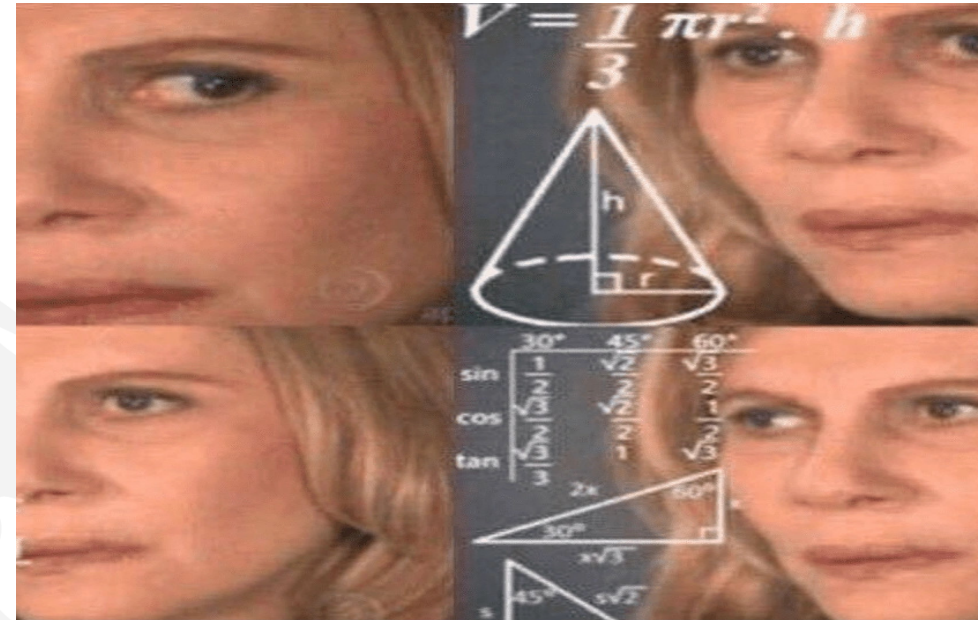


Simplification and Rationalisation

TP Block: Points to ponder

1. TPO has to pass an Order within 1 month from exercise of option by assessee about its validity?
 - Writ to be filed if TPO declared invalid?
 - FAQ: *“For transactions of different AYs, options may be exercised separately. Thus multiple options can be exercised for one assessment year”*
 - S.92CA(3B): *“(a) the assessee exercises an option or options to the above effect for the said two consecutive previous years;”*
 - Taxpayer unlikely to opt unless initial year favourable....?
2. Timelines of assessment <-> TP Block seem to be intertwined
 - Ambiguity in interplay with corporate tax assessment and collection and recovery of tax provisions.
 - What about reopening the TP block?
 - S.155(21): *“AO shall take into account directions issued under S.144C(5) for such previous year”*
 - Direction by DRP in one year will apply to the other 2 years

FM Speech : Safe Harbours to be revamped?



Steps	FY 2025-26	FY 2026-27	FY 2027-28
Notice by AO	30 Sep 27	30 Sep 28	30 Sep 29
TP reference	31 Mar 28	31 Mar 29	31 Mar 30
TP order	31 Jan 29	31 Jan 30	31 Jan 31
Draft AO order	31 Mar 29	31 Mar 30	31 Mar 31

Steps	FY 2025-26 to FY 2027-28 (subject to timelines that may be prescribed for making election by taxpayer)
Notice by AO	30 Sep 2027
TP reference	31 Mar 2028
TP order	31 Jan 2029
Draft AO order	30 Apr 2029

- The TPO has to pass the TP order within 34 months from the end of each FY.
- AO will incorporate the ALP determined by the TPO and pass the draft assessment order within two months from the date of TP order.

- With 'assessment in block', TPO has to pass the TP order for three consecutive years within 34 months from the end of a financial year in which such an option is elected.
- The AO will include the ALP adjustment within three months after the month when the assessment or audit is completed.

Simplification and Rationalisation

TCS: 206C(1H) done away with!

- 206C(1H) requires seller who receives consideration for sale of any goods of the value or aggregate of Rs 50L any previous year, to TCS @ 0.1% of sale exceeding Rs 50 lakhs, subject to conditions.
- S.194Q of the Act, requires buyer to deduct tax @ 0.1% on payment made to resident seller for goods > Rs.50L in any PY
- Section 206C(1H) does **not** apply if the buyer is liable to deduct TDS under any other provision of this Act on the goods purchased from the seller and has deducted such amount.
- So, in order to facilitate ease of doing business and reduce compliance burden **S.206C(1H) done away with from 1-4-2025!**

Simplification and Rationalisation

Removal of higher TDS/TCS for non-filers

- Representations were received from various stakeholders that it is difficult for the deductor/collector, at the time of deduction/collection, to verify whether returns have been filed by the deductee/collectee
- Accordingly, it is proposed to omit section 206AB of the Act and section 206CCA of the Act.
- **WEF 1-4-2025**

Simplification and Rationalisation

TDS Thresholds WEF 1-4-25

S. No	Section	Current threshold	Proposed threshold
1.	193 - Interest on securities	Nil	Rs. 10,000/-
2.	194A - Interest other than Interest on securities	(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, cooperative society and post office (iii) Rs. 10,000/- in other cases
3.	194 - Dividend for an individual shareholder	Rs. 5,000/-	Rs. 10,000/-
4.	194K - Income in respect of units of a mutual fund or specified company or undertaking	Rs. 5,000/-	Rs. 10,000/-
5.	194B - Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction
6.	194BB - Winnings from horse race		

Simplification and Rationalisation

TDS Thresholds WEF 1-4-25

S. No	Section	Current threshold	Proposed threshold
7.	194D - Insurance commission	Rs. 15,000/-	Rs. 20,000/-
8.	194G - Income by way of commission, prize etc. on lottery tickets	Rs. 15,000/-	Rs. 20,000/-
9.	194H - Commission or brokerage	Rs. 15,000/-	Rs. 20,000/-
10.	194-I Rent	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month
11.	194J - Fee for professional or technical services	Rs. 30,000/-	Rs. 50,000/-
12.	194LA - Income by way of enhanced compensation	Rs. 2,50,000/-	5,00,000/-

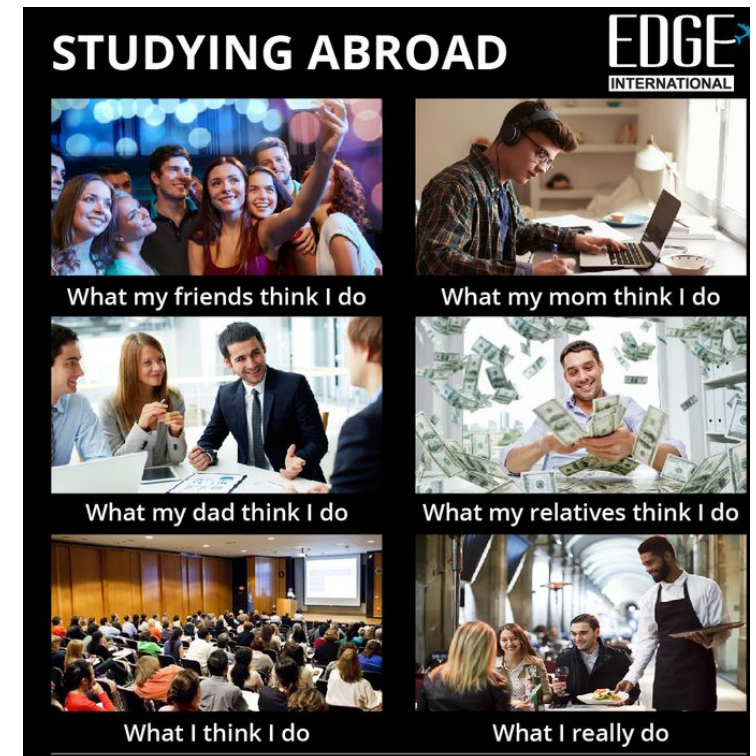
TDS rate @ 25%/30% u/s 194LBC where income payable by securitization trust to investor reduced to 10%. WEF 1-4-25

Simplification and Rationalisation

Changes to TCS on LRS

- Increase the TCS (Tax Collected at Source) threshold on remittances under RBI's Liberalized Remittance Scheme (LRS) from Rs 7 lakh to Rs 10 lakh
 - Proposed to amend first, second and fourth provisos to S.206C(1G)
- Remove TCS on remittances for education purposes, where such remittance is out of a loan taken from a specified financial institution. a

*“Provided also that the authorised dealer **shall not collect the sum** if the amount being **remitted out is a loan obtained from any financial institution as defined in clause (b) of sub-section (3) of section 80E, for the purpose of pursuing any education:**”;*



Simplification and Rationalisation

Harmonization of SEP & Business Connection

- Explanation 2A to S.9(1)(i), inter alia, provides that the **significant economic presence (SEP)** of a non-resident in India shall constitute “**business connection**” in India and SEP for this purpose shall inter alia **mean *transaction in respect of any goods, services or property carried out by a NR with any person in India.***
- Amend Explanation 2A of section 9 so that the transactions or activities of a non-resident in India **which are confined to the purchase of goods in India for the purpose of export shall not constitute SEP** of such NR in India
 - To bring it in “coherence” with Explanation 1 to clause (i) of sub-section (1) of section 9 which already reads:
“(b) in the case of a non-resident, no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of export “

Simplification and Rationalisation

Simplification of tax provisions of trusts

Specified violation relaxation: Amend Explanation to 12AB(4) so as to provide that the situations where the application for registration of trust or institution is not complete, **shall not be treated as specified violation.** WEF 1-4-2025

Period of registration: Increase **period of validity of registration of trust from 5 to 10 years**, where trust made application under S.12A(1)(ac)(i)-(v) and total income, without giving effect to S.11/12, does not exceed Rs. 5 crores during each of two PY preceding to the PY of application.

Simplification of tax provisions of Trusts (contd.)

Rationalization of person u/S 13(3)

Section 13 of the Act, inter alia, provides that S.11 and S.12 shall not apply to exclude any income from the total income of trust or institution, if such income enures, or such income or any property of the trust or the institution is used or applied, directly or indirectly for the benefit of any person referred to in sub-section (3)

(3) The persons referred to in clause (c) of sub-section (1) and sub-section (2) are the following, namely :—

(a) the author of the trust or the founder of the institution;

*(b) any person who has made a substantial contribution to the trust or institution, that is to say, any person whose total contribution up to the end of the relevant previous year exceeds **fifty thousand rupees; <- 1L in PY or aggregate of 10L upto PY***

(c) where such author, founder or person is a Hindu undivided family, a member of the family;

(cc) any trustee of the trust or manager (by whatever name called) of the institution;

*(d) any relative of any such author, founder, **person**, member, trustee or manager as aforesaid;*

(e) any concern in which any of the persons referred to in clauses (a), ~~(b)~~, (c), (cc) and (d) has a substantial interest.

Simplification and Rationalisation

Extension of timeline for tax benefits to start-ups

- 80-IAC deduction of 100% of profits & gains derived from an eligible business by an eligible start-up
 - Total turnover \leq 100 cr
 - Certificate of eligible business from Inter-Ministerial Board
 - Incorporate after 1-4-2016 but before 1-4-2025 (**now extended 1-4-2030**)



Simplification and Rationalisation

Amendments in Block assessment for search cases

- FA (No. 2) 2024 reintroduced the block assessment procedure for search proceedings conducted on or after 1 Sep. 2024 whereby a single block assessment was to be carried out covering a period of 6 years preceding year of search plus part of the year up to the date of initiation of search action
- Under new block assessment procedure, undisclosed income is to be taxed at a flat rate of 60% (plus surcharge and cess) and a further additional penalty of 50% on such tax payable.
- But there was an ambiguity on the components of undisclosed income liable to tax at the punitive rate. Now FB 2025 provisions proposed to **clarify these components of undisclosed income** (S.158BB) :
 - Undisclosed income declared by the taxpayer in RoI post search and any further income which is assessed by tax authority as undisclosed income in course of search assessment proceedings.
 - Income of any preceding year for which no RoI filed and time limit to furnish the return has expired.
- FB 2025 further clarifies **following income will NOT be undisclosed income** for year in block period:
 - Income already assessed by the tax authority for any year
 - Income declared in RoI by taxpayer, where there is no formal assessment of income
 - Income based on entries in books of accounts or other documents (a) for the year where tax year is over but, due date for filing return is not yet due (b) from 1 April till date of conclusion of search
- **S.158B “undisclosed income” : add “virtual digital asset” to definition 😊**

WEF 1-2-25

Simplification and Rationalisation

Rationalization of Business Trusts taxation

- REIT & InvIT ie business trusts introduced in FA 2014. Business trusts invest in SPV through equity or debt instruments.
- S.115UA provides pass-through of interest, dividend received by business trust from SPV in case of REIT, InvIT and rental income for REIT. Such income taxable in unit holders unless exempted.
- S.115UA(2) provides total income shall be charged at maximum marginal rate (MMR) subject to S.111A and S.112.
- In other words, currently, **total income of business trusts is charged to tax at MMR except for STCG arising from qualifying securities** (being listed equity shares or a unit of an equity-oriented fund or a unit of a business trust) and **LTCG arising from non-qualifying assets**.
- To rationalize the provisions, proposed that **LTCG arising from sale of qualifying securities taxed at 12.5% and not at MMR**.
- S.115UA(2) to be amended to provide that the total income of a business trust shall be charged to tax at the maximum marginal rate, subject to the provisions of section 111A, section 112 as well as section 112A.
- WEF 1.4. 2026. For AY 2026-27 and beyond

Simplification and Rationalisation

Rationalization of taxation of CG on transfer of capital assets by non-residents - S.115AD

- Currently, FII or specified fund are taxable at 12.5% on LTCG arising from *qualifying securities* and LTCG arising from *non-qualifying securities* is taxable at 10%
- **To bring parity, it is now proposed that LTCG arising from non-qualifying securities will also be taxable at 12.5%**
- This requires amendment to S.115AD to provide that income-tax on the income by way of LTCG on securities other than units referred to in S.115AB and not referred to in section 112A (non-qualifying securities) shall be calculated at the rate of 12.5%
- This amendment will be effective from 01 April 2026 (i.e., assessment year 2026-27)

Simplification and Rationalisation

Amendment in definition of “capital asset”

- With an objective to bring certainty in characterization of income arising from transaction in securities, **it is clarified that securities held by Category-I and Category-II AIFs will be treated as ‘capital asset’ only, and income arising therefrom to be in the nature of capital gains and not business income.**
- **This is done by amending definition of capital asset u/S.2(14)** to include any security held by investment funds referred to in S.115UB which has invested in such security in accordance with SEBI regulations would be treated as capital asset only so that any income arising from transfer of such security would be in the nature of capital gain.
- WEF 1-4-2026 (i.e. assessment year 2026-27)

Simplification and Rationalisation

Time limits to impose penalties rationalised

- S.275 to be amended to provide that any order imposing a penalty under Chapter XXI **shall not be passed after the expiry of six months from the end of the quarter in which the connected proceedings are completed, or the order of appeal is received** by 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.
- Consequential amendment in S.246A of the Act
- WEF 1-4-2025

Simplification and Rationalisation

Rationalise provisions for ULIPs

- ULIPs is regarded as capital asset and included in definition of equity oriented funds. Any gains on redemption of ULIP, which is not exempt shall be taxable as capital gains with effect from assessment year 2026-27.
 - ULIPs to which S.10(10D) does not apply, is capital asset (S.2(14))
 - Profit and gains from the redemption of ULIPs to which exemption under S.10(10D) does not apply, shall be charged to tax as CG [S.45(1B)]
 - ULIPs to which exemption under 10 (10D) does not apply, shall be included in the definition of equity oriented fund [S.112A Explanation(a)]
- WEF 1-4-2026

Simplification and Rationalisation

Clarification regarding commencement and end date of period stayed by Court

- **Section 144BA, Section 153, section 153B, section 158BE, section 158BFA, section 263, section 264 and Rule 68B of Schedule-II** of the Act, inter-alia, provide that period **during which the proceedings are stayed by an order or injunction of any court shall be excluded** in computing the time limit for conclusion of the proceedings.
- However, ambiguity existed regarding commencement and end date of period stayed by an order of court which was required to be excluded.
- Proposed to amend said provisions so as to exclude period **commencing on date on which stay was granted by an order** of any court and **ending on the date on which certified copy of order vacating stay was received** by the Principal Commissioner or Commissioner (Approving panel in case of section 144BA of the Act).
- WEF 1-4-25

Simplification and Rationalisation

Non-applicability of S.271AAB

- To remove ambiguity, amend section 271AAB of the Act to provide that its provisions shall not be applicable to the assessee in whose case search has been initiated under section 132 on or after the 1st day of September, 2024.

Simplification and Rationalisation

Amendments in S. 32 and 132B for rationalization

- S132(8) amended to provide time limit for taking approval for **retention** shall be one month from end of the quarter in which the assessment/reassessment/recomputation/order has been made.

Simplification and Rationalisation

“Forest produce”

- “forest produce” shall have the same meaning as defined in any State Act or in the Indian Forest Act, 1927.

S No	Nature of goods	Percentage
(1)	(2)	(3)
(iii)	Timber or any other forest produce (not being tendu leaves) obtained under a forest lease	Two per cent
(iv)	Timber obtained by any mode other than under a forest lease	Two per cent

Socio-economic welfare measures



Source: TIMES OF INDIA, 1980

Overview

- **Annual value of self-occupied property simplified**
- **Deduction under S.80CCD – NPS Vatsalya**
- Exemptions to withdrawals from National Savings Scheme
- Calculation of perquisites

Socio-economic welfare measures

Annual value of self-occupied property simplified

- S.23(2) provides where house property is in occupation of the owner for the purposes of his residence (or) owner cannot actually occupy it due to his employment, business or profession carried on at any other place, annual value of such house is NIL.
- S.23(4) of provides S.23(2) will be applicable in respect of two house properties only, which are to be specified by the owner.
- With a view to simplifying the provisions, it is proposed to amend the sub-section (2) so as to provide that the annual value of the property consisting of a house or any part thereof shall be taken as NIL, **if the owner occupies it for his own residence or cannot actually occupy it due to any reason.**
- WEF 1-4-25

Socio-economic welfare measures

Deduction under S.80CCD – NPS Vatsalya

- **NPS Vatsalya Scheme**, from 18 September 2024, enables parents and guardians to **start a National Pension Scheme (NPS) account for their children**. It is proposed to extend tax benefits u/S 80CCD to contributions to this scheme:
 - (I) A deduction allowed to parent total income, of the amount paid in account of any minor under NPS to a maximum of Rs 50,000/- overall as per S.80CCD(1B)
 - (II) Amount on which deduction has been allowed under 80CCD(1B) or any amount accrued thereon, will be charged to tax when such amount is withdrawn and
 - (iii) Amount on which deduction has been allowed and is received on closure due to the death of the minor shall not be deemed to be the income of the parent/guardian;
- Insert a clause (12BA) in section 10 of the Act, that any income received on *partial withdrawal* made out of the minor's account, shall not be included in total income of the parent to the extent it does not exceed 25% of amount of contributions made and in accordance with conditions under PFRDA Act 2013.
- WEF 1-4-26

Socio-economic welfare measures

Exemptions to withdrawals by Individuals from National Savings Scheme

- 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 01.10.2024. Representations were received to suitably amend section 80CCA to provide relief to individuals facing hardship who were compelled to withdraw as a result of this Notification.
- It is therefore proposed to **amend section 80CCA to provide exemption to the withdrawals made by individuals from these deposits for which deduction was allowed, on or after 29th day of August, 2024.** This exemption is provided to the deposits, with the interest accrued thereon, made before 01.04.1992 as these are the amounts in respect of which a deduction has been allowed.
- Amendment wref 29th day of August, 2024.

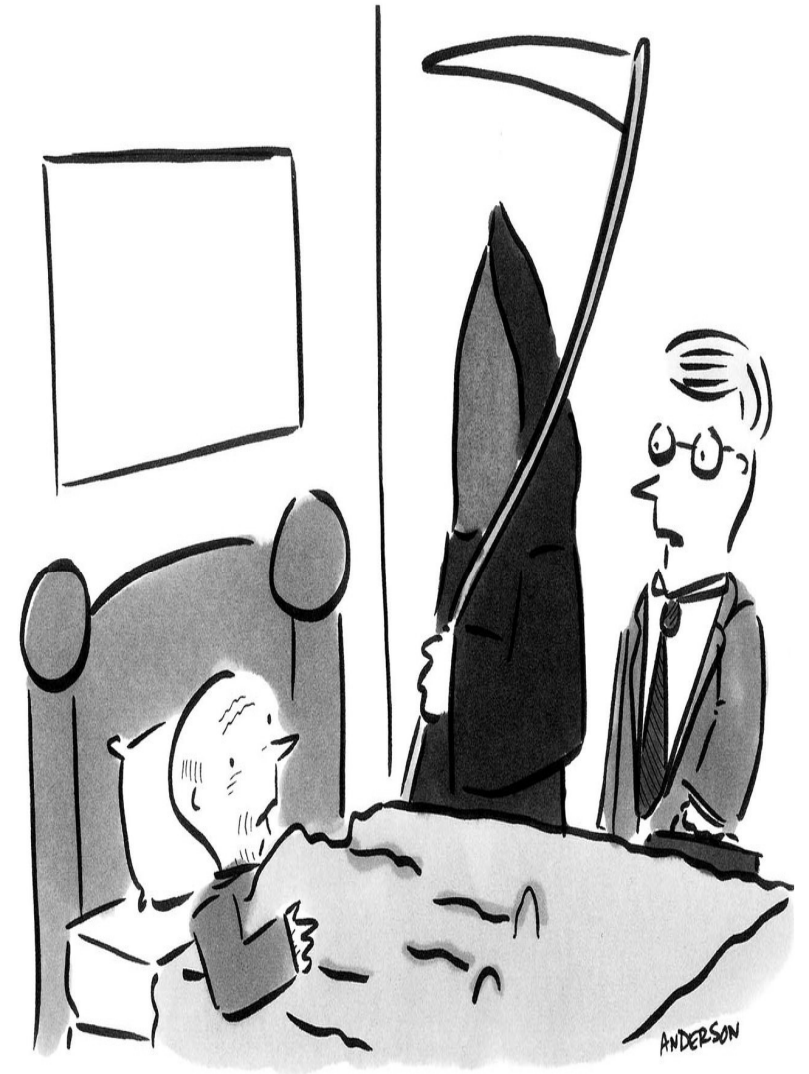
Socio-economic welfare measures

Calculation of perquisites

- It is proposed that the provisions of S.17 may be amended so that the power to prescribe rules may be obtained to increase the limit on the gross total income of the employees so that,-
 - (I) the amenities, benefits received by employees below certain limit salary (presently rs.50k) would be exempt from being treated as perquisites.
 - (II) the expenditure incurred by the employer for travel outside India on the medical treatment of such employee or his family member would not be treated as a perquisite.
- WEF 1-4-26, AY 2026-27 and onwards

Tax Administration

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"I'm taxes."

Overview

- **Extending time limit to file updated return**
- **Obligation to furnish crypto-asset report**
- **Exemption from prosecution for delayed payment of TCS**
- **Extending the processing period of application seeking immunity from penalty and prosecution**
- **Certain penalties to be imposed by AO**
- Removing date restrictions on framing schemes
- Increasing timelimit under S.115VP
- Excluding court stay etc. for S.206C(7A) Order
- Extension of exemption to SUUTI

Tax Administration

Extending time limit to file updated return

- **S.139(8A)** refers to furnishing of **updated return** which presently can be filed upto 24 months from the end of the relevant AY. This is for “voluntary compliance” against payment of additional income-tax of 25% of aggregate of tax and interest payable for updated return filed upto 12 months, or 50% for upto 24 months from end of relevant AY.
- **Proposed to amend the S.139(8A) so as to extend the time-limit to file the updated return from existing 24 months to 48 months** from the end of relevant assessment year.
 - 24-36 months: 60% of aggregate of tax and interest payable.
 - 36-48 months: 70% of of aggregate of tax and interest payable.
- To provide that no updated return shall be furnished by any person where any notice to show-cause under section 148A of the Act has been issued in his case after 36 months from end of relevant AY.
 - However subsequently S.148A(3) order determining that it is not a fit case to issue notice u/S 148 is passed, updated return may be filed upto 48 months

Tax Administration

Obligation to furnish crypto-asset report

- S.115BBH introduced taxation of virtual digital asset & S.2(47A) was inserted
- **S.285BAA to be inserted to provide:**
 - Reporting entity (RE) shall furnish info of crypto asset transaction as prescribed
 - If authority finds statement defective, RE shall be given opportunity to rectify it
 - On failure to furnish statement, notice will b given to furnish within prescribed time
 - If any person having furnished statement, comes to know of inaccuracy, he shall inform prescribed authority & furnish correct statement
 - 285BAA(5): CG may specify Rules for persons to register & nature, manner of maintenance of info, due diligence to identify crypto-asset user/owner
- **S.2(47A)(d) to be amended** to provide that definition of VDA includes 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 already included in the definition of VDA.

Bitcoin (BTC) price per day from May 8, 2022 to January 31, 2025 (in U.S. dollars)



Source
CoinGecko
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Additional Information:
Worldwide; May 8, 2022 to January 31, 2025; Monthly figures are as of the end of that particular month; Opening price

Tax Administration

Exemption from prosecution for delayed payment of TCS

- S.276BB of the Act provides for prosecution in case of failure to pay TCS to credit of CG.
- Proposed to amend section 276BB of the Act to provide that the prosecution shall not be instituted against a person covered under the said section, if the payment of the tax collected at source has been made to the credit of the Central Government at any time on or before the time prescribed for filing the quarterly statement under proviso to sub-section (3) of section 206C of the Act in respect of such payment.
- WEF 1-4-25

Tax Administration

Extending the processing period of application seeking immunity from penalty and prosecution

- S.270AA of the Act provides, inter-alia, procedure of granting immunity by AO Officer from imposition of penalty or prosecution, subject to certain conditions.
- S.270AA (2) of the said section provides that an application for granting immunity from imposition of penalty shall be made within one month from the end of the month in which the order referred to in clause (a) of sub-section (1) of the said section has been received by the assessee. **Sub-section (4) of the said section provides that AO shall pass an order accepting or rejecting, within a period of 1 month from the end of the month in which the application requesting immunity is received.**
- Proposed to amend the sub-section (4) of section 270AA of the Act so as to **extend the processing period to three months from the end of the month in which application for immunity is received by the Assessing Officer.**

WEF 1-4-25

Tax Administration

Certain penalties to be imposed by AO

- Proposed to amend sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Act so that penalties under these sections shall be levied by the **Assessing Officer** in place of Joint Commissioner, subject to the provisions of S.274(2). Thus, AO shall take the prior approval of JC for passing penalty order, where penalty amount exceeds the limit specified in S.274(2)
 - Consequential amendment in clause (n) of sub-section (1) of s.246A of the Act.
- Proposed to omit Section 271BB of the Act provides the penalty for failure to subscribe to the eligible issue of capital. (S. 88A – parent section - already been omitted vide Finance (No. 2) Act, 1996 with retrospective effect from 1st April, 1994)
- WEF 1-4-25

Tax Administration

Removing date restrictions on framing schemes

- It is proposed that end date prescribed for notifying faceless schemes under Sections 92CA, 144C, 253 and 255 of the Act may be omitted so as to provide that Central Government may issue directions beyond the cut-off date of 31st day of March, 2025, if required.
- WEF 1-4-25

Tax Administration

Increasing time limit under S.115VP

- Section 115VP of the Act pertains to method and time of opting for tonnage tax scheme
- Proposed to amend S.115VP(4) to provide that for application received under 115VP(1) on or after the 1st day of April, 2025, order under S.115VP(3) shall be passed before the expiry of **3 months** from the end of the quarter in which such application was received.
 - Previously 1 month

Tax Administration

Excluding court stay etc. for S.206C(7A) Order

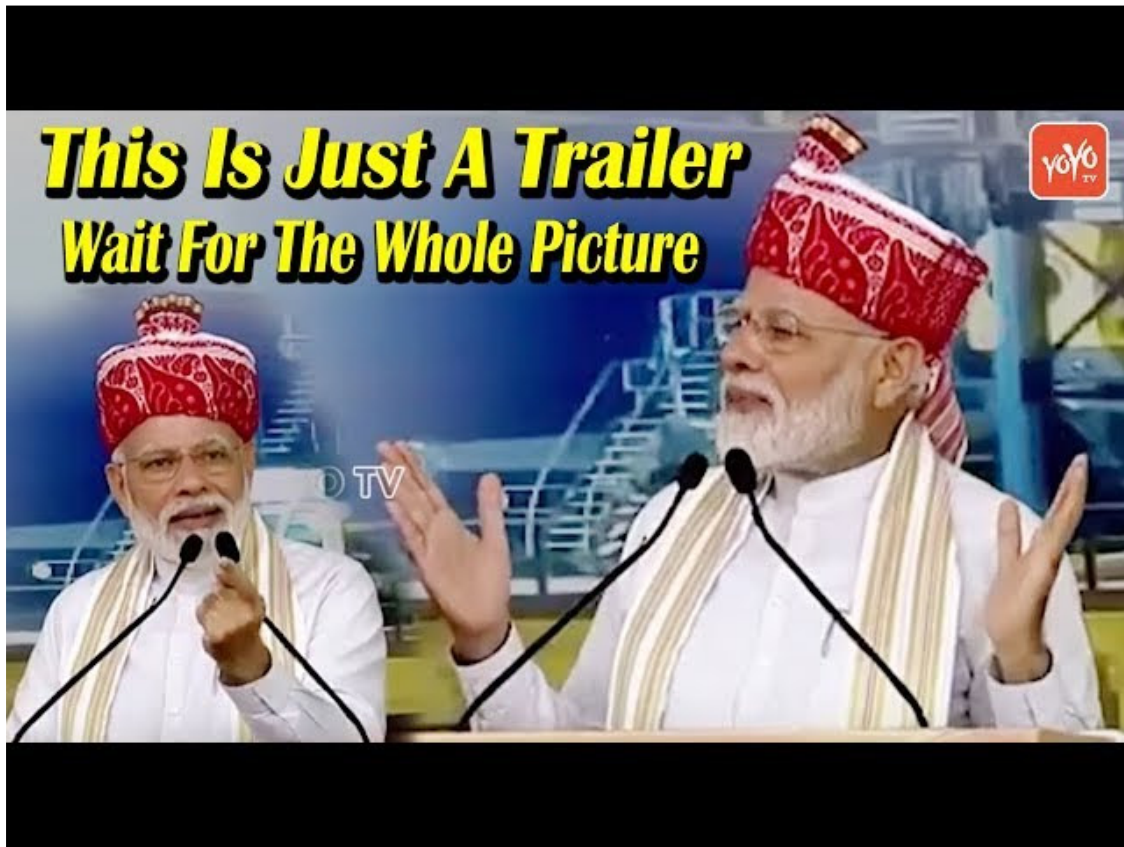
- S.206C(7A) provides that no order shall be made deeming a person to be an assessee in default for failure to collect the whole or any part of the tax from any person, **after the expiry of six years from the end of the financial year** in which tax was collectible or **two years from the end of the financial year in which the correction statement is delivered** under S.206(3B) whichever is later.
- While computing the time limit under sub-section (7A) of section 206C of the Act, exclusion of the time period such as period for which proceedings were stayed by an order of any court, etc. is required to be provided.
- It is proposed that sub-section (7A) of section 206C of the Act is to be amended to provide that relevant provisions of section 153 of the Act would apply to the time limit prescribed in sub-section (7A) of section 206C of the Act.
- WEF 1-4-25

Tax Administration

Extension of exemption to SUUTI

- SUUTI was created by the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 [UTI Repeal Act, 2002]. It is the successor of the erstwhile Unit Trust of India (UTI) and is mandated to liquidate the Government liabilities on account of erstwhile UTI.
- SUUTI exempted from income tax up to 31.3.2025. Now proposed to be extended to 31.3.2027

***This Is Just A Trailer
Wait For The Whole Picture***



Thanks!

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