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**UNION
BUDGET
2025**

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Dear Reader,

Wishes and Greeting from VKDS ...!!

We are glad to present this Union Budget 2025 compilation, as a part of our own commitment to strengthen your statutory compliance by providing you with routine and periodical updates.

In this presentation we have focused on

- Direct Tax and Indirect tax amendments on Union Budget 2025. Unless otherwise specified all amendments are applicable with effect from 01 April 2025.

We have included in this document the major proposals and amendments which are significant and provisions which would have an impact on the day-to-day operations of your business.

If you require any clarification related to this document, feel free to reach us.

We hope you find this analysis useful, and we also solicit your feedback on this update.

Towards Growth.....>>



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Part A- Direct Tax proposals

DIRECT TAX

Chapter Tax Rates

1. Individual/HUF Tax Rates

a. New tax Regime for Individual assesses irrespective of age limit (except HUF)

Total Income	New Tax Regime
	FY 2025 -26
Up to 4,00,000	Nil
From 4,00,001 to 8,00,000	Nil - after rebate under section 87A*
From 8,00,001 to 12,00,000	Nil - after rebate under section 87A*
From 12,00,001 to 16,00,000	Rs.62,400 + 15.60% [tax rate 15% + health and education cess 4% thereon] of income exceeding Rs.12,00,000
From 16,00,001 to 20,00,000	Rs.1,24,800 + 20.80% [tax rate 20% + health and education cess 4% thereon] of income exceeding Rs.16,00,000
From 20,00,001 to 24,00,000	Rs.2,08,000 + 26.00% [tax rate 25% + health and education cess 4% thereon] of income exceeding Rs.20,00,000
From 24,00,001 to 50,00,000	Rs.3,12,000 + 31.20% [tax rate 30% + health and education cess 4% thereon] of income exceeding Rs.24,00,000
From 50,00,001 to 1,00,00,000	Rs.12,35,520 + 34.32% [tax rate 30% + surcharge 10% thereon] + health and education cess 4% thereon] of income exceeding Rs. 50,00,000
From 1,00,00,001 to 2,00,00,000	Rs.30,85,680 + 35.88% [tax rate 30% + surcharge 15% thereon] + health and education cess 4% thereon] of income exceeding Rs.1,00,00,000
From 2,00,00,001 to 5,00,00,000	Rs.72,54,000 + 39% [tax rate 30% + surcharge 25% ^{^^} thereon] + health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000
From 5,00,00,001	Rs.1,89,54,000 + 39% [tax rate 30% + surcharge 25% ^{^^} thereon] + health and education cess 4% thereon] of income exceeding Rs.5,00,00,000

- Under Section 87A, A Resident Individual would be entitled to a rebate of Rs. 60,000 will be available, thus resulting in a net nil tax payable for people earning up to 12 lakhs p.a.
- Salaried employees and pensioners need not pay tax up to Rs 12.75 lakh, due to the standard flat deduction available to them

- However, this rebate does not apply to income taxed at special rates Such as Capital Gain.

a. Comparison of Income slabs and proposed tax incidence of New tax regime current and proposed

Income (Rs.)	Tax on Income**		Benefit of New Regime Proposed	Rebate benefit	Total benefit	Tax after rebate benefit
	New Tax Regime- Current (Rs.)	New Tax Regime- Proposed (Rs.)				
8,00,000	30,000	20,000	10,000	20,000	30,000	-
9,00,000	40,000	30,000	10,000	30,000	40,000	-
10,00,000	50,000	40,000	10,000	40,000	50,000	-
11,00,000	65,000	50,000	15,000	50,000	65,000	-
12,00,000	80,000	60,000	20,000	60,000	80,000	-
16,00,000	1,70,000	1,20,000	50,000	-	50,000	1,20,000
20,00,000	2,90,000	2,00,000	90,000	-	90,000	2,00,000
24,00,000	4,10,000	3,00,000	1,10,000	-	1,10,000	3,00,000
50,00,000	11,90,000	10,80,000	1,10,000	-	1,10,000	10,80,000

** The tax incidence for AOPs and BOIs will be same as that of individuals and HUFs.

b. Old tax Regime for Individual assessee except senior citizens and HUF.

Total Income	Old tax Regime	
	FY 2024-25	FY 2025 - 26
Up to 2,50,000	Nil	Nil
From 2,50,001 to 5,00,000	5%	5%
From 5,00,001 to 10,00,000	20%	20%
Above 10,00,000	30%	30%

*Under old tax regime rebate u/s 87A will be available for those resident individuals whose income is less than 5,00,000 (i.e up to Rs.12,500)

c. Old tax Regime for Resident senior citizen assessee aged more than 60 years but less than 80 years.

Total Income	Old tax Regime	
	FY 2024-25	FY 2025 -26
Up to 3,00,000	Nil	Nil
From 3,00,001 to 5,00,000	5%	5%
From 5,00,001 to 10,00,000	20%	20%
Above 10,00,000	30%	30%

*Under the old tax regime rebate u/s 87A will be available for those whose income is less than 5,00,000 up to Rs.12,500

d. Old tax Regime for Resident senior citizen assesseees aged 80 years or more.

Total Income	Old tax Regime	
	FY 2024-25	FY 2025 -26
Up to 5,00,000	Nil	Nil
From 5,00,001 to 10,00,000	20%	20%
Above 10,00,000	30%	30%

*Under the old tax regime rebate u/s 87A will be available for those whose income is less than 5,00,000 i.e up to Rs.12,500

**Resident Senior Citizens more than 75 or more years having only Pension and Interest Income are exempted from filing Income Tax Return

e. Surcharge for Individuals

Total Income	Old tax Regime	New tax Regime
Total Income < 50 lacs	0%	0%
Total Income > 50 lacs to up to 100 lacs	10%	10%
Total Income > 100 lacs to up to 200 lacs	15%	15%
Total Income > 200 lacs to up to 500 lacs**	25%	25%
Total Income > 500 lacs**	37%	25%

* **Note:** Health and Education Cess at 4% to be calculated on Tax and Surcharge

** The Income mentioned above is excluding income by way of dividend or income under the provisions of section 111A and section 112A of the Income-tax Act, However the excluded income is subject to 15% Surcharge Rate. (Maximum rate of surcharge on tax payable on income chargeable to tax under section 111A, 112A, 112 115AD(1)(b) and dividend income shall be 15%.)

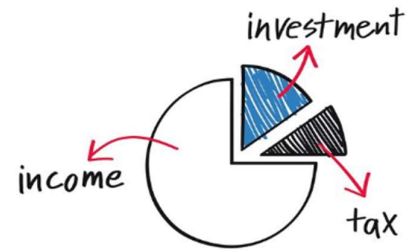


f. Clarification on taxation on redemption of high premium Unit Linked Insurance Policy (ULIP)

- Finance Act, 2021, had amended section 10(10D) to limit the exemption from redemption of ULIP issued on or after 1 February 2021 to ULIPs wherein the premium or aggregate amount of premium payable during the term of such policy or policies does not exceed Rs. 2,50,000. ULIP is a capital asset only when the exemption under section 10(10D) is not applicable on account of the 4th and 5th proviso. However, in case of life insurance policy (other than a ULIP), the sum received is chargeable to income-tax under "Income from other sources" for any such policy to which exemption under section 10(10D) is not applicable. Thus, to clarify ULIP provisions in line with life insurance, the below amendment is introduced to tax such ULIPs
- It is proposed to amend section 2(14), section 45 and section 112A of the IT Act to clarify that ULIP to which exemption under section 10(10D) is not available (i.e. ULIP issued after 1 February 2021 with annual premium more than Rs. 2,50,000 for any of the year over term of ULIP), profit and gains from the redemption of such ULIPs will be taxable as capital gains from sale of equity-oriented fund

g. Extension of benefits of section 80CCD to National Pension System Trust (NPS) for minor

It is proposed to amend section 80CCD of the IT Act to allow deduction to the parent or guardians of minors for the amount paid or deposited in minors NPS account subject to the maximum overall limit of Rs 50,000/- for NPS (i.e. including any amount paid by parent/ guardian for self). Further, the withdrawals from such account will be subject to tax excluding the amount received due to death of the minor leading to the closure of such account.



h. Partial withdrawal up to 25% for specified purpose from NPS scheme for minors exempt from taxation

It is proposed to insert clause 12BA in section 10 of the IT Act to exempt partial withdrawal (as per the terms and conditions under the Pension Fund Regulatory and Development Authority Act, 2013) up to 25% of the amount of contributions made by parent or guardian from NPS scheme for minor referred to in section 80CCD

i. Simplification of Annual Value for Self-Occupied Property

- Under Section 23(2) of the Indian Income Tax Act, the annual value of a self-occupied property is considered nil if it is occupied by the owner for residence or if the owner cannot reside in it due to business, profession, or employment.
- The annual value of a self-occupied property can now be taken as nil, irrespective of whether it is occupied by the owner for residence or if the owner cannot occupy it for any reason. This benefit is available for a maximum of two self-occupied properties owned by a taxpayer, provided no rent or any other benefit is derived from the property.
- Taxpayers can claim the annual value of up to two self-occupied properties as nil for taxation purposes, without needing to meet the previous condition of being unable to occupy the property due to business, employment, or profession. **Effective from April 1, 2025 (Assessment Year 2025-26 onward).**

j. Clarification on taxation on redemption of high premium Unit Linked Insurance

Policy (ULIP)

Finance Act, 2021, had amended section 10(10D) to limit the exemption from redemption of ULIP issued on or after 1 February 2021 to ULIPs wherein the premium or aggregate amount of premium payable during the term of such policy or policies does not exceed Rs. 2,50,000. ULIP is a capital asset only when the exemption under section 10(10D) is not applicable on account of the 4th and 5th proviso. However, in case of life insurance policy (other than a ULIP), the sum received is chargeable to income-tax under "Income from other sources" for any such policy to which exemption under section 10(10D) is not applicable. Thus, to clarify ULIP provisions in line with life insurance, the below amendment is introduced to tax such ULIPs.

It is proposed to amend section 2(14), section 45 and section 112A of the IT Act to clarify that ULIP to which exemption under section 10(10D) is not available (i.e. ULIP issued after 1 February 2021 with annual premium more than Rs. 2,50,000 for any of the year over term of ULIP), profit and gains from the redemption of such ULIPs will be taxable as capital gains from sale of equity-oriented fund.

Non-Resident

Harmonisation of Significant Economic Presence applicability with Business Connection

Under the existing provisions of the IT Act, section 9(1)(i) provides that all the income accruing or arising through or from any business connection in India shall be deemed to accrue or arise in India. Further, clause (b) of Explanation 1 to section 9(1)(i) provides that in case of a non-resident, any income through or from operations which are confined to the purchase of goods in India for the purpose of export shall not be deemed to accrue or arise in India. However, explanation 2A to section 9(1)(i) of the IT Act provides that the significant economic presence of a non-resident in India shall constitute business connection in India and significant economic presence for this purpose shall inter alia mean transaction in respect of any goods carried out by a non-resident with any person in India. In order to harmonize the explanation 1 and explanation 2A to section 9(1)(i), it is proposed to amend Explanation 2A of section 9 by not considering transactions or activities which are confined to the purchase of goods in India for the purpose of export in case of a non-resident as significant economic presence in India.

Insertion of new scheme of presumptive taxation in case of Non-Resident providing services for electronics manufacturing facility

A new section 44BBD is proposed to be inserted to provide presumptive taxation regime for non-residents engaged in the business of providing services or technology to a resident company which are establishing or operating electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods, article or thing in India, under a scheme notified by the Central Government in the Ministry of Electronics and Information Technology and satisfies such conditions as prescribed in the rules.

As per the proposed section 44BBD, 25% of amounts received/receivable or paid/payable to non-residents for providing services or technology would be deemed as business profits of such non-resident. This will result in an effective tax payable of less than 10% on gross receipts, by a non-resident company

2. Co-operative Society Tax Rates

Total Income	Tax rate (Excluding Surcharge And CESS)	
	FY 2024-25	FY 2025 -26
Up to Rs. 10,000	10%	10%
From Rs. 10,000 to up to Rs.20,000	20%	20%
More than Rs. 20,000	30%	30%

*Surcharge @ 7% is applicable if Total income of co operative society exceeds Rs. 1 Crore but does not exceed Rs.10 crores. Surcharge @ 12% is applicable if the total income of cooperative society exceeds Rs.10Crores.

* Health and Education Cess at 4% to be calculated on Tax and Surcharge

**No changes in section 115BAE (Introduced by Finance Act, 2023) which will be applicable to the new manufacturing cooperative society setup on or after 01.04.2023 which commences manufacturing or production on or before 31.03.2024 and does not avail of any specified incentive or deductions, may opt to pay tax at a concessional rate of 15% for assessment year 2024-25 onwards. The surcharge would be at 10% on such tax (Effective Tax Rate – 17.16%).

3. Charitable Entities

Rationalisation of 'specified violation' for cancellation of registration of trusts or institutions

Section 12AB (4) of the IT Act allows the Principal Commissioner or Commissioner to cancel the registration of a trust or institution if they discover one or more specified violations during any previous year.

A "specified violation" includes instances where the application for registration, as per section 12A (1) (ac) of the IT Act, is incomplete or contains false or incorrect information. It was observed that even minor defaults in the application could lead to cancellation of registration and make the trust liable for tax on accreted income under Chapter XII-EB.

It is proposed to amend the Explanation to section 12AB (4) of the IT Act clarify that incomplete applications for registration will not be considered a "specified violation" for the purposes of cancellation of registration.

This amendment will be effective from 1 April 2025.

Period of registration of smaller trusts or institutions



Section 12AB of the IT Act currently provides for the registration of a trust or institution for a period of 5 years, or provisional registration for 3 years if activities have not commenced. At the end of this period, trusts are required to apply for further registration. However, this recurring application process has been noted to increase the compliance burden, particularly for smaller trusts or institutions.

To reduce this burden, it is proposed to extend the registration validity from 5 years to 10 years for trusts or institutions that meet certain conditions. Specifically, the proposal applies to trusts that meet the requirements under sub-clause (i) to (v) of section 12A(1) (ac) of the IT Act and have a total income of Rs. 5,00,00,000 or less (excluding exemption provisions under sections 11 and 12 of the IT Act) in each of the 2 preceding years to year in which such an application is made.

This amendment will be effective from 1 April 2025.

Rationalization of persons specified under section 13(3) for trusts or Institutions

Section 13 of the IT Act outlines that the exemptions under sections 11 and 12 will not apply to a trust or institution if the income or property is used for the benefit of certain persons, including those who have made a substantial contribution (over Rs. 50,000), their relatives, or concerns in which they have a substantial interest. However, difficulties have been raised regarding the requirement to furnish details about such contributors, their relatives, and the concerns they are involved in.

It is proposed to amend section 13(3) of the IT Act as follows:

- ❖ The threshold for "substantial contribution" will be increased to Rs. 100,000 for the relevant year or Rs. 10,00,000 in aggregate up to end of the relevant previous year.
- ❖ Relatives of contributors will no longer be included in the list of persons specified in sub-section (3).
- ❖ Concerns in which such contributors have substantial interest will also be excluded from the list.

This amendment will be effective from 1 April 2025.



4. Firm/LLP and Local Authority Tax Rates

Flat tax rate of 30% and surcharge 12% of income tax if total income exceeds Rs 1 Crore and Health and Education cess of 4% is applicable on tax and surcharge.



5. Company Tax Rates

a) Domestic Company

i) Normal Tax Rates

FY 2024-25 and FY 2025-26	Tax rate (Excluding Surcharge And CESS)
For FY 2025-26 – Total Turnover/ Gross Receipts of FY 2023 24 should be up to Rs. 400 crores and For FY 2024-25 – Total Turnover/ Gross Receipts of FY 2022-23 should be up to Rs. 400 crores	25% #
Any other domestic company other than mentioned above	30% #

Surcharge @ 7% if Total Income exceeding Rs.1 crore and Up to Rs. 10 Crores and Surcharge @ 12% if Total Income exceeding Rs.10 crore + Health and Education cess @4% is applicable on Tax+ surcharge.

ii) Special Tax Rates

FY 2024-25 and FY 2025-26	Special Tax rate
If incorporated after 1st October 2019 and engaged in manufacturing & commence its operation on or before 31 st Mar 2024 and not claiming specified exemptions. (ie. Opted for Sec.115BAB)	15%
All domestic Companies subject to not claiming specified exemptions and conditions. (i.e. Opted for Sec.115BAA)	22%**

** Surcharge @ 10% and Health and Education cess @4% is applicable on Special Rate.

b) Other than Domestic Company

i) Tax Rates

FY 2024-25 and FY 2025-26	Normal Tax rate
Total Income	35%

ii) Surcharge Rates

FY 2024-25 and FY 2025-26	Surcharge rate
Total Income exceeding Rs.1 crore and Up to Rs. 10 Crores	2%
Total Income exceeds Rs. 10 Crores	5%

* Health and Education Cess at 4% to be calculated on Tax and Surcharge



Budget 2025 Major Amendments

1. Amendments in TDS And TCS Provisions

a. Amendments in Threshold for TDS

Section	Rate at which Tax is to be Deducted	Current Threshold up to 31.03.2025	Proposed Threshold with effect from 01.04.2025
193 - Interest on securities	10%	Nil	Rs. 10,000/-
194A - Interest other than Interest on securities	10%	<ul style="list-style-type: none"> Rs. 50,000/- for senior citizens Rs. 40,000/- in case of others when payer is bank cooperative society and post office Rs. 5,000/- in other cases 	<ul style="list-style-type: none"> Rs. 1,00,000/- for senior citizens Rs. 50,000/- in case of others when payer is bank, cooperative society and post office Rs. 10,000/- in other cases
194 - Dividend for an individual shareholder	10%	Rs. 5,000/-	Rs. 10,000/-
194K - Income in respect of units of a mutual fund or specified company or undertaking	10%	Rs. 5,000/-	Rs. 10,000/-
194B - Winnings from lottery, crossword puzzle, etc.	30%	Aggregate amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/-in respect of a Single transaction
194BB - Winnings from horse race	30%		
194D - Insurance commission	2%	Rs. 15,000/-	Rs. 20,000/-
194G - Income by way of commission, prize etc. on lottery tickets	2%	Rs. 15,000/-	Rs. 20,000/-
194H - Commission or brokerage	2%		
194-I Rent	10%	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month
194J - Fee for professional or technical services	10% / 2%	Rs. 30,000 /-	Rs. 50,000 /-
194LA - Income by way of enhanced compensation	10%	Rs. 2,50,000 /-	Rs 5,00,000 /-

- ❖ **Lower Deduction Certificate (LDC)** can be obtained by the deductee for deduction under sections 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194K, 194LA, 194LBA, 194LBB, 194LBC, 194M, 194-O, 194Q and 195 of the IT Act. If LDC received, rates to be taken as per LDC after considering the threshold amount prescribed in LDC and the period of LDC.
- ❖ An individual or HUF is not liable to deduct tax. However, an individual or HUF, whose total sales, gross receipts or turnover from business exceeds Rs.1,00,00,000 or from profession Rs.50,00,000 during the financial year immediately preceding the financial year in which sum is credited or paid, shall be liable to deduct tax under sections 194A, 194C, 194H, 194I, 194J and 194R of the IT Act, as the case may be.

b. Amendments in Threshold for TCS

Section	Rate at which Tax is to be Deducted	Current Threshold up to 31.03.2025	Proposed Threshold with effect from 01.04.2025
206C(1G)- Remittance outside India under LRS scheme for education	5%	Rs.7,00,000 /-	Rs 10,00,000 /-
206C (1G)-Sale of overseas tour package	5%	Up to Rs.7,00,000 /-	Up to Rs.10,00,000 /-
	20%	Above Rs.7,00,000 /-	Above Rs.10,00,000 /-
206C (1G) Amount received for remittance outside India under LRS scheme	20%	Rs.7,00,000 /-	Rs 10,00,000 /-

c. Amendment on TDS Penalties

Omit Sections 206AB (Requires higher TDS rates for non-filers of income tax returns.) and 206CCA (Requires higher TCS rates for non-filers of income tax returns.) to eliminate higher TDS/TCS for non-filers, simplifying the process for deductors and collectors. **The amendments will take effect from April 1, 2025.**

d. Amendment in TCS on Forest Produce

Before Budget: Under section 206C(1), TCS at 2.5% is collected on the sale of timber obtained under a forest lease, timber obtained by other means, and any other forest produce (excluding timber or tendu leaves).

After Budget: The term "forest produce" will be defined as per the applicable State Act or the Indian Forest Act, 1927, and TCS will apply only to forest produce (excluding timber or tendu leaves) obtained under a forest lease.

The TCS rate will be **2%** for both timber or other forest produce (excluding tendu leaves) obtained under a forest lease, and timber obtained by other means, **effect from April 1st, 2025.**

e. Removal of TCS on Sale of Goods

Before Budget: Under Section 206C(1H), Tax Collection at Source (TCS) is applicable on the sale of specified goods where the value exceeds Rs. 50 lakhs in a financial year. At the same time, Tax Deduction at Source (TDS) under section 194Q applies to the same transaction, creating confusion for the seller who is required to ensure the buyer's TDS compliance

After Budget: To reduce the compliance burden, it is proposed that TCS under Section 206C(1H) will no longer apply on transactions where the value exceeds ₹50 lakhs in a financial year.

This change aims to eliminate the overlap between TCS and TDS on the same transaction.

The amended provision will take effect from April 1, 2025.

f. Exemption from prosecution for delayed payment of TCS in certain cases

It is proposed to amend section 276BB of the IT Act to provide exemption from prosecution in case of failure to make payment of the tax collected at source to the credit of Central Government at any time on or before the time prescribed for filing the quarterly statement under proviso to section 206C(3) of the IT Act.

This amendment will be effective from 1 April 2025

1. Extension of time-limit for updated returns

- The proposal to extend the time-limit for filing an updated return under Sub-section (8A) of Section 139 of the Income-tax Act is proposed to be extended from the existing 24 months to 48 months from the end of the relevant assessment year.
- A person will not be allowed to file an updated return if a notice to show- cause under Section 148A has been issued after 36 months from the end of the assessment year.
- However, if the subsequent order determines that no notice under Section 148 is necessary, the updated return can be filed within 48 months.

These amendments will come into effect on April 1, 2025 (AY 2025-2026)

Time of Filing	Existing rate of additional income-tax payable	Proposed rate of additional income-tax payable
Within 12 months	25% of the aggregate tax and interest	25% of the aggregate tax and interest
After 12 months but within 24 months	50% of the aggregate tax and interest	50% of the aggregate tax and interest
After 24 months but within 36 months	-	60% of the aggregate tax and interest
After 36 months but within 48 months	-	70% of the aggregate tax and interest

2. Micro, Small and Medium Enterprises

2.1 Revision in classification criteria of MSMEs

In order to help the MSMEs achieve higher efficiencies of scale, technological upgradation and better access to capital, it is proposed that the investment and turnover limits for classification of all MSMEs will be enhanced to 2.5 and 2 times, respectively.

This will give MSMEs the confidence to grow and generate employment for our country's youth. The details are tabulated below:



(Rs. in Crores.)

Category	INVESTMENT		TURNOVER	
	Current	Revised	Current	Revised
MICRO	1	2.5	5	10
SMALL	10	25	50	100
MEDIUM	50	125	250	500

2.2 Significant enhancement of credit availability with guarantee cover to MSMEs and Start-ups

To improve access to credit, it is proposed that the credit guarantee cover will be enhanced as under:

- For Micro and Small Enterprises, from Rs. 5,00,00,000 to Rs. 10,00,00,000, leading to additional credit of Rs. 1.5 lakh crore in the next 5 years.
- For Startups, from Rs. 10,00,00,000 to Rs. 20,00,00,000, with the guarantee fee being moderated to 1% for loans in 27 focus sectors important for Atmanirbhar Bharat.
- For well-run exporter MSMEs, for term loans up to Rs. 20,00,00,000

2.3 Scheme for First-time Entrepreneurs

A new scheme will be launched for 5 lakh women, Scheduled Castes' and Scheduled Tribes' first-time entrepreneurs. This will provide term loans up to Rs.2,00,00,000 during the next 5 years. The scheme will incorporate lessons from the successful Stand-Up India scheme. Online capacity building for entrepreneurship and managerial skills will also be organized.

2.4 Scheme for First-time Entrepreneurs

Gig workers of online platform provide great dynamism to the new-age services economy. Recognising their contribution, the Government will arrange for their identity cards and registration on the e-Shram portal. They will be provided healthcare under PM Jan Arogya Yojana. This measure is likely to assist nearly 1 crore gig-workers.

2.5 Merger of Companies

Requirements and procedures for speedy approval of company mergers will be rationalized. The scope for fast-track mergers will be widened and the process is proposed to be simplified.

2.6 FDI in Insurance Sector

It is proposed that the FDI limit for insurance sector will be raised from 74% to 100%. This enhanced limit will be available for those companies which invest the entire premium in India. The current guardrails and conditionalities associated with foreign investment will be reviewed and simplified.

3 Transfer Pricing

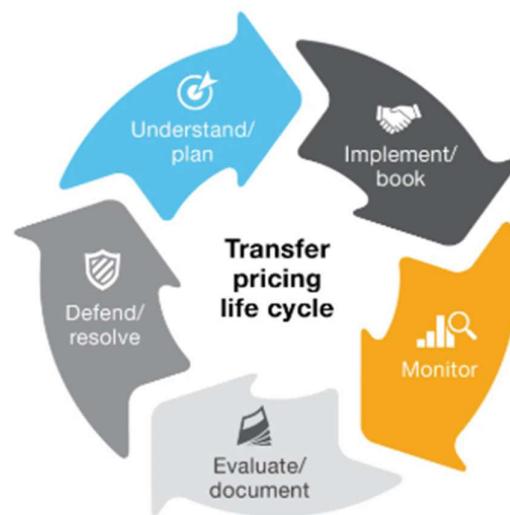
3.1 Amendment to Section 92CA of the IT Act

Section 92CA provides the procedure governing reference of an international transaction or a specified domestic transaction (SDT) to the Transfer Pricing Officer (TPO), for computation of their arm's length price (ALP).

It has been noted that in reference under section 92CA of the IT Act for computation of ALP, in many cases, there are similar international transactions or SDTs for various years, same facts like enterprises with whom such transaction is done, proportionate quantum of transaction, location of AEs, etc., and same arm's length analysis are repeated every year, creating compliance burden on the assessee as well as administrative burden on the TPOs. In such situations, it is proposed to carry out TP assessments in a block.

It is, therefore, proposed to provide that the ALP determined in relation to an international transaction or a SDT for any previous year shall apply to the similar transaction for **2 consecutive previous years immediately following such previous year.**

The assessee shall be required to exercise an option or options for the above effect in the form, manner and within such time period as may be prescribed in section 92CA(3B) of the IT Act. **The amendments will take effect from April 1, 2026, for assessment years 2026-27 and onward.**



3.2 Removing date restrictions on framing the schemes in certain cases

The enabling provision for notifying faceless schemes under sections 92CA, 144C, 253 of the IT Act was extended vide Finance Act 2024 to 31 March 2025. In this regard, it is proposed that end date prescribed for notifying faceless schemes under sections 92CA, 144C, 253 and 255 of the IT Act may be omitted so as to provide that Central Government may issue directions beyond the cut-off date of 31 March 2025, if required. **These amendments will take effect from 1 April 2025.**

3.3 Scope of Safe Harbour Rules to be expanded

Safe Harbour Rules ('SHR') were introduced in 2013 to reduce the increasing number of transfer pricing audits and prolonged litigation as a dispute resolution mechanism. It was initially applicable to certain businesses and international transactions only. Subsequently, these rules were also extended to certain specified domestic transactions, again with the same purpose of reducing the prolonged litigation. At present the SHR covers international transactions pertaining to provision of IT / ITeS / KPO services, intra-group loans to wholly owned subsidiaries, corporate guarantee, contract R&D services pertaining to software development, contract R&D relating to generic pharmaceutical drugs, manufacture and export of auto components, and availing of low-value intra-group services.

The SDTs covered under SHR are supply, transmission, wheeling or distribution of electricity, purchase of milk or milk products, and diamond mining business.

With a view to reduce litigation and provide certainty in international taxation, the scope of SHR is proposed to be expanded, the details of which are yet to be announced.

Others

1. Furnishing information in respect of crypto-asset

It is proposed to insert new section 285BAA in the IT Act to furnish information with respect to crypto-asset. This requires the person to submit statement containing details of transactions relating to crypto assets to Income Tax Authority. Further, in case of any defect in the statement, the Income Tax authority may intimate about such defect to the person giving him an opportunity to rectify the defect within a period of 30 days from the date of such intimation.



It also provides for issuance of notice by Income Tax authority in case of non-filing of statement, correcting any inaccuracies in the filed statement etc.

It is also proposed to amend Section 2(47A) of the IT Act to insert sub-clause (d) widening the scope of definition of 'Virtual Digital Asset' 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 already included in the definition of virtual digital asset.

2. Amendments proposed in provisions of Block assessment for search and requisition cases

a. Change in definition of undisclosed income

The existing provisions of section 158B of the IT Act provide the definition of undisclosed income to include any money, bullion, jewellery or other valuable article or thing. It is proposed to amend the definition to include virtual digital assets within the ambit of undisclosed income.

This amendment will take effect from 1 February 2025.

b. Time limit for completion of block assessment

The existing provisions of section 158BE (1) and section 158E(3) of the IT Act provide time-limit for completion of block assessment in case of an assessee and other person as 12 months from end of the month in which the last of the authorisations for search has been executed. It is proposed to extend the time-limit for completion of block assessment provided in section 158BE (1) and section 158E (3) in case of an assessee and other persons covered under search to 12 months from end of the quarter in which the last of the authorisations for search or requisition has been executed.

Section 158BE(4)(i) provides that in computing the period of limitation, the period during which the assessment proceeding is stayed by an order or injunction of any court is to be excluded. Further, it is proposed to amend section 158BE (4) to provide that the period commencing on the date on which stay on assessment proceedings was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the PCIT or CIT has to be excluded. **This amendment will take effect from 1 February 2025.**

c. Penalty where search has been initiated under section 132

The existing provisions of section 271AAB(1A) of the IT Act provide for penalty in case of an assessee where the search has been initiated under section 132 on or after 15 December 2016.

With the introduction of Chapter XIV-B, providing the special procedure for assessment of search cases by the Finance Act 2024, it is proposed to amend the aforesaid section to provide that the penalty under section 271AAB(1A) shall not be levied wherein the search has been initiated **on or after 1 September 2024.**

**d. Retention of seized books of account or documents by the authorised officer in search cases**

Under the existing provisions of section 132(8) of the IT Act, books of account or other documents seized shall not be retained by the authorised officer for a period exceeding 30 days from the date of the order of assessment or reassessment or recomputation.

It has been proposed to extend the time limit for retention of seized books of account or other documents up to 1 month from end of the quarter in which the order of assessment or reassessment or re-computation is made.

3. Removal of date restrictions on framing faceless schemes in certain cases

It is proposed to omit the end date prescribed for notifying faceless schemes under sections 92CA, 144C, 253 and 255 of the IT Act so that Central Government may issue directions beyond the cut-off date of 31 March 2025, if required for better implementation of the faceless schemes.

G-20 Countries – Comparative Corporate and Personal Tax Rates

The G-20 economies comprising of 19 countries, the EU and the African Union, account for almost 85% of the global GDP, 75% of the global trade, 2/3rd of the world population and approximately 60% of the world land area.



India held the Presidency of the G-20 from 1 December 2022 to 30 November 2023. Considering the significance of these economies and in order to provide an indicative overview of the prevailing tax rate in these key economies, a brief comparative matrix is tabulated below

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Sr.	Country	Corporate Tax Rate [Note 1]	Personal Tax Rate [Notes 1 & 2]
1.	Argentina	35%	35%
2.	Australia	30%	47%
3.	Brazil	34%	27.50%
4.	Canada	31%	54.80%
5.	China	25%	45%
6.	France	25%	45% plus surtax and social charge
7.	Germany	15.83% plus trade tax	45% plus surcharge
8.	India [Notes 3, 4 & 5]	17.16% (New manufacturing companies) 25.17%(New Tax regime) 29.12%(Companies opting for old regime subject to higher tax rate) 34.94%	39.00%(Individuals opting or old regime subject to higher tax rate) 42.74%
9.	Indonesia	22%	35%
10.	Italy	27.9%	47.23%
11.	Japan [Note 6]	23.20%	55.95%
12.	Mexico	30%	35%
13.	Russia	25%	22%
14.	Saudi Arabia [Note 7]	(20%) 0%	0%
15.	South Africa	27%	45%
16.	South Korea	24%	49.5%
17.	Turkey	25%	40%
18.	United Kingdom	25%	45%
19.	United State of America	21%	37%

Notes:

1. The above tax rates are MMR and inclusive of provincial or local taxes as may be applicable to domestic companies / resident individuals in respective countries.
2. The taxation regime for corporate taxes is flat rate for all the G-20 economies except Argentina and South Korea. The taxation regime for personal taxes is progressive for all the G-20 economies except Russia and Saudi Arabia.
3. The concessional tax rate for certain domestic companies is 22% (the effective tax rate is 25.17%). For manufacturing companies set up between 1 October 2019 to 31 March 2024, the tax rate is 15% (effective rate 17.16%).
4. The Bill has not proposed any changes in the tax rates for domestic companies. For domestic companies not opting for concessional tax regime, the corporate tax rate is 25% (the effective tax rate is 29.12%) in case of such companies having total turnover not exceeding Rs. 400 crores during FY 2023-24 and corporate tax of 30% (the effective tax rate is 34.94%) in case of total turnover exceeding Rs. 400 crores during FY 2023-24.
5. The MMR for individuals is 39% in the new tax regime and 42.74% for individuals opting for old tax regime. For details, please refer 'Chapter 3: Tax Rates'.
6. Corporate tax @ 23.20% is indicative effective rate of tax. In addition, size-based business tax is also levied on companies. Personal tax rate is inclusive of 2.1% surtax and 10% local income taxes applicable to a resident of Japan.
7. Corporate Tax @ 20% is payable on the pro-rata income to the extent of non-resident shareholding. Saudi and the Gulf Cooperation Council nationals or companies owned by them have to pay Zakat (i.e. a religious tax) at 2.5%.
8. In USA, Corporate tax comprises of federal tax (21%) as well as state and local government taxes which vary from state to state. Personal tax comprises of federal tax



PART B – Indirect Tax**GST AMENDMENTS****Key GST Proposals****1. Amendment in section 17(5)(d) of the CGST Act, 2017 to substitute the words “plant OR machinery” with words “Plant And Machinery”***Background –*

- The Hon'ble Supreme Court of India had ruled that the expression “plant or machinery” used in Section 17(5)(d) cannot be given the same meaning as the expression “plant and machinery” defined by the explanation to section 17.

Budget Proposal –

- To overcome the said ruling, the Finance Bill, 2025 has proposed to substitute the term 'plant or machinery' with the term 'plant and machinery' thereby annulling the ruling of the Hon'ble Supreme Court of India.
- It has been proposed to insert the said amendment retrospectively effective from 1 July 2017 irrespective of anything contrary contained in any judgment, decree or order of any court or any other authority.
- This retrospective amendment nullifies the ruling and reinforces the policy makers view that ITC is not available on construction-related inputs unless they meet the conditions given under "plant and machinery." Taxpayers who have claimed input tax credit operating in the construction and real estate sectors, may have to reassess their input tax credit claims.

2. Amendment to Schedule III of the Central GST Act (CGST Act), 2017*Background –*

- Currently, transactions involving a supply of goods warehoused in special economic zones (SEZs) or free trade warehousing zones (FTWZs) are subject to differing interpretations regarding their taxability because it was unclear whether goods warehoused in SEZs or FTWZs are covered under entry 8(a) or 8(b) of Schedule III of the CGST
- While customs bonded warehouses have clear exemptions for such transactions, SEZ or FTWZ transactions faced ambiguity, leading to compliance challenges and disputes.

*Budget Proposal –*

- Supply of goods warehoused in a SEZ (Special Economic Zones) or FTWZ (Free Trade Warehousing Zones) to any person before clearance of such goods for exports or to the DTA (Domestic Tariff Area) shall be treated **neither as supply of goods nor a supply of services**. It has been proposed to insert the said amendment retrospectively effective from 1 July 2017.

3. Inter-state RCM transactions to be covered under ISD mechanism

- Section 2(61) of the CGST Act, 2017 which seeks to define an 'Input Service Distributor' is being amended to explicitly provide for applicability of mechanism of the Input Service Distributor in respect of inter-state procurements of services attracting reverse charge, by adding reference to Sections 5(3) and 5(4) of the IGST Act, 2017.
- Sections 20(1) and 20(2) of the CGST Act, 2017 which deals with the manner of distribution of credit by an Input Service Distributor is parallelly being amended to link the references of Sections 5(3) and 5(4) of the IGST Act, 2017 thus enabling the distribution of credit by an Input Service Distributor amongst its distinct persons in respect of common services eligible to IGST payment under reverse charge and attributable to one or more of distinct entities of the Input Service Distributor.
- The said amendments would be **made effective from 1 April 2025** which is in congruence with the notified date for implementation of the substituted definition and credit distribution provisions of an Input Service Distributor as recommended in the previous year's budget and sanctioned vide the Finance Act, 2024.

4. Amendments in respect of functionality of Invoice Management System (IMS)



- The provisions of Section 38 are proposed to be amended to provide for legal framework in respect of generation of inward report based on the action taken by the taxpayers on the auto-populated details as per the Invoice Management System (IMS) functionality.

5. Taxability of Vouchers

Background –

- The GST treatment of vouchers has been a contentious issue since the introduction of the tax. Sections 12(4) and 13(4) of the CGST Act, and rule 32(6)6 of the Central Goods and Services Tax Rules, 2017 (CGST Rules), created ambiguity regarding the classification of vouchers as goods or services. Businesses have also faced issues regarding the taxability of income from unredeemed vouchers.

Budget Proposal –

- It is proposed to omit the sections 12(4) and 13(4) of the CGST Act, 2017 which specify the provisions of time of supply in relation to issuance of vouchers under GST.
- The deletion of these sub-sections clearly establishes that **vouchers do not qualify as either goods or services** and thus the supply of vouchers shall **not be leviable to GST**.



6. Clarification regarding applicability of late fees for delay in furnishing Form GSTR 9C and providing a waiver of late fees on delayed filing of Form GSTR 9C for the period 2017-18 to 2022-23

Background –

- Taxpayers faced delays in filing reconciliation statements (Form GSTR 9C) due to the complexities in GST implementation during initial years. The late fee is up to Rs 200 per day for a maximum of 0.5% of turnover.

Budget Proposal –

- The GST Council has clarified that late fees under section 47(2) of the CGST Act, are leviable for a delayed filing of the complete annual return which includes both Forms GSTR 9 and GSTR 9C (wherever applicable).
- The GST Council also recommended issuing a notification under section 128 of the CGST Act to waive late fees exceeding those applicable until the filing of Form GSTR 9C for financial years 2017-18 to 2022-23, which are in excess of the amount of late fees payable till date for the non-filing of Form GSTR 9, provided Form GSTR 9C is filed by 31 March 2025.

7. Taxability of Sponsorship Services Under Forward Charge Mechanism

- Under the existing framework, sponsorship services supplied to a body corporate are taxed under RCM, requiring the recipient to pay GST. While this simplified compliance for small or unregistered suppliers, it created cash flow challenges for recipients who could claim ITC only after making payments in cash.
- By moving sponsorship services provided by body corporates to FCM:
 - A. Sponsors will directly pay the tax, allowing recipients to claim ITC without needing to first pay GST in cash.
 - B. Other forms of sponsorship services, such as those provided by individuals or unincorporated entities, will continue under the RCM. While the change is welcome, similar reforms for other services under RCM (e.g., recovery agents) could further simplify compliance.



8. Temporary Identification Numbers for Non-Registered Persons

- A new Rule 16A is proposed for generating Temporary Identification Numbers (TINs) for unregistered persons required to make GST payments.
- This provision facilitates compliance for unregistered persons involved in specific transactions, such as penalty payments or appeals. It simplifies the process and minimizes procedural hurdles, particularly for one-time interactions with the GST system.



9. Reduction in financial burden and easing the process of filing appeals involving only penalties

- Pre-deposit requirement for appeals before an appellate authority reduced from 25% to 10% for cases involving only penalties. New proviso recommended to be added to section 112(8) of the CGST Act, setting a 10% pre-deposit requirement for appeals before an appellate tribunal in penalty-only cases.

10. Amendment to Section 34 to restrict output liability reversal owing to credit notes on non-reversal of attributable input tax credit by the recipient

- Section 34(2) of the CGST Act, 2017 is proposed to be amended to specifically provide for requirement of reversal of input tax credit as is attributable to a credit note, by the recipient, to enable the reduction of output tax liability of the supplier.



11. Enabling provisions for 'Track and Trace Mechanism' for specified commodities

- A new provision, section 148A, will empower the government to enforce a Track and Trace mechanism for specified commodities identified as evasion prone. This system will be based on a unique identification marking (UIM) to be affixed on goods or their packages.

12. Composition taxpayers -

- Rule 19 of the CGST Rules to be amended to allow composition taxpayers to modify their 'category of registered person' through Table 5 of Form GST CMP-02.
- This is now being done using Form GST REG-1.



13. GST Rate Changes

S.No.	Goods/Services	Current Rate	Recommended Rate	Costlier/Cheaper /Clarified
1	Fortified rice kernels	18%	5%	Cheaper
2	Gene therapy to treat life-threatening diseases	Taxable	Exempted	Cheaper
3	Food items going into preparation for free distribution to weaker sections under a government program subject to the existing conditions.	Taxed higher since not clarified	5%	Cheaper
4	ACC blocks (concrete) containing more than 50% fly ash content	5%	12%	Costlier
5	Fresh or dried black pepper/dried raisins when supplied by agriculturist	5%	No GST	Cheaper
6	Approved skill training partners of NSDC	18%	Exempted	Cheaper
7	Sale of used Electric Vehicles (EV) by and to individuals	Taxed higher since not clarified	5%	Clarified
8	Sale of used EV by businesses after refurbishment	12%	18% on their profit	Clarified
9	Sub-systems of Long-Range Surface to Air Missile (LRSAM) and similar software	Taxable	Exempted	Cheaper
10	Bank/NBFC penal charges for loan defaults	Taxed since not clarified	Exempted	Clarified

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Wishing you all the success...

Thanking You.

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