ERNAKULAM BRANCH OF SIRC OF ICAI

ONE DAY CPE SEMINAR ON ANALYSIS OF UNION BUDGET 2025

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Chennai

Contents

Union Budget 2025 – Analysis of The Finance Bill, 2025

Personal Taxation

i. Tax Rates

→ No changes have been proposed in the tax rates for assessees opting for the old tax regime.

→ No changes have been proposed in rates of Surcharge and Education Cess.

→ The tax rates and slabs under the new tax regime of Section 115BAC have been proposed to be revised as follows:

Sl. No.	Total income	Rate of tax
(1)	(2)	(3)
1.	Upto Rs.4,00,000	Nil
2.	From Rs.4,00,001 to Rs.8,00,000	5 per cent.
3.	From Rs.8,00,001 to Rs.12,00,000	10 per cent.
4.	From Rs.12,00,001 to Rs.16,00,000	15 per cent.
5.	From Rs.16,00,001 to Rs.20,00,000	20 per cent.
6.	From Rs.20,00,001 to Rs.24,00,000	25 per cent.
7.	Above Rs.24,00,000	30 per cent

→ The income threshold for claiming a tax rebate under Section 87A for resident individuals taxable under the new regime of Section 115BAC has been proposed to be increased from Rs. 7 lakhs to Rs. 12 lakhs, and the maximum rebate amount has been raised from Rs. 25,000 to Rs. 60,000.

→ It is also proposed that where resident individuals opt for the new tax regime of Section 115BAC, the incomes chargeable to tax at special rates (for example, capital gains taxable under Section 111A, Section 112, etc.) shall be excluded from calculating the Section 87A rebate.

The tax benefit is tabulated as follows:

Total Income (in Lakhs)	**Tax as per existing rates[as per Finance (No.2) Act, 2024]**	**Tax as per proposed rates**	**Benefit of Rate/Slab**	**Rebate Benefit [**with reference to (3)]	**Total Benefit [**computed when compared to current slab rates**]**	**Tax Payable under new regime**
(1)	**(2)**	**(3)**	**(4)=(3)-(2)**	**(5)**	**(6)=(4)+(5)**	**(7)**
8	30,000	20,000	10,000	20,000	30,000	0
9	40,000	30,000	10,000	30,000	40,000	0
10	50,000	40,000	10,000	40,000	50,000	0
11	65,000	50,000	15,000	50,000	65,000	0
12	80,000	60,000	20,000	60,000	80,000	0
13	1,00,000	75,000	25,000	0	25,000	75,000
14	1,20,000	90,000	30,000	0	30,000	90,000
15	1,40,000	1,05,000	35,000	0	35,000	1,05,000
16	1,70,000	1,20,000	50,000	0	50,000	1,20,000
17	2,00,000	1,40,000	60,000	0	60,000	1,40,000
18	2,30,000	1,60,000	70,000	0	70,000	1,60,000
19	2,60,000	1,80,000	80,000	0	80,000	1,80,000
20	2,90,000	2,00,000	90,000	0	90,000	2,00,000
21	3,20,000	2,25,000	95,000	0	95,000	2,25,000
22	3,50,000	2,50,000	1,00,000	0	1,00,000	2,50,000
23	3,80,000	2,75,000	1,05,000	0	1,05,000	2,75,000
24	4,10,000	3,00,000	1,10,000	0	1,10,000	3,00,000
25	4,40,000	3,30,000	1,10,000	0	1,10,000	3,30,000
50	11,90,000	10,80,000	1,10,000	0	1,10,000	10,80,000

NPS Vatsalya Scheme

→ Contributions to the NPS Vatsalya Scheme would now be eligible for the same deduction as contributions to the NPS under the overall ceiling of Rs.50,000 as per Section 80CCD(1B), for parent / guardian making contribution for a minor.

→ Any amount which has been claimed as deduction and the interest accrued thereon shall be taxable on withdrawal where the deposit was made in the account of the minor.

→ An exemption is provided to the parent / guardian up to 25% of the contributions made by him / her on partial withdrawal as per the terms and conditions of the Scheme.

→ This amendment is proposed to take effect from 01.04.2026 and will apply to AY 2026-27 and subsequent assessment years.

National Savings Scheme – 1987

→ Section 80CCA, inter-alia, provides for a deduction to an individual, or a HUF, for any amount deposited in the National Savings Scheme (NSS). It is also provided that no deduction would be allowed in relation to such amount on or after the 1st day of April, 1992.

→ Sub-section (2) of section 80CCA, inter-alia, provides that where such amount, together with the interest accrued on such amount standing to the credit of the assessee under the scheme is withdrawn, it shall be deemed to be the income of the assessee and shall be chargeable to tax. Since this provision has been sunset from 01.04.1992, the amounts taxable on withdrawal are those which were deposited in financial year 1991-92 and earlier, and on which deduction had been claimed. Further, Circular No 532 issued on 17.03.1989 provided that the withdrawal on closure of account due to death of the depositor was not chargeable to tax in the hands of the legal heirs.

→ 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.

→ This amendment is proposed to be made with retrospective effect from the 29th day of August, 2024.

→ Whilst the deduction was allowable to the individuals and HUFs on deposit in NSS. The proposed exemption is applicable only to the individuals.

Increase in Limits on Income of Employees for Calculating Perquisites

→ The provisions in Section 17(2) include perquisites, such as benefits or amenities provided by an employer, for employees with an income under Rs.50,000. Additionally, the proviso exempts employer-funded medical travel outside India from being considered a perquisite for employees with a gross total income under Rs. 2 lakh.

→ It is now proposed to amend these provisions of Section 17 so that –

a) the amenities and benefits (in general) received by employees with a salary below certain limit (presently Rs. 50,000) would be exempt from being treated as perquisite, and

b) expenditure incurred by the employer for travel outside India on the medical treatment of an employee with a salary below a certain limit, or for his family member would not be treated as a perquisite.

The rules are yet to be prescribed.

This amendment is proposed to take effect from 01.04.2026 and will apply to AY 2026-27 and subsequent years.

Income from House Property

→ Section 23(2) provides that where house property is in the 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, in such cases, the annual value of such house property shall be taken to be Nil. Further, sub-section (4) of the said section provides that provisions of sub-section (2) of the Act will be applicable in respect of two house properties only, which are to be specified by the owner.

→ It is proposed to amend 23(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. Section 23(4) of the Act which allows this benefit only in respect of two of such houses shall continue to apply as earlier.

This amendment is proposed to take effect from 01.04.2026 and will apply to AY 2026-27 and subsequent years.

TDS / TCS

→ It is proposed to revise the various thresholds for deduction of tax as under:

S.No.	Section	Current Threshold	Proposed Threshold
1.	193 – Interest on Securities	Where the payee is an Individual/HUF where debentures are issued by a company in which public are substantially interested - Rs.5,000 Others - 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, co-operative 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/-	Rs. 10,000/- in respect of a single transaction

6.	194BB - Winnings from horse race	during the financial year	
7.	194D - 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/-	Rs.5,00,000/-

The changes in TDS / TCS Rates are as follow:

S.No.	Section	Current Rate	Proposed Rate
1.	Section 194LBC - Income in respect of investment in securitization trust	25% (if payee is Individual or HUF) 30% (others)	10%
2.	Section 206C(1) – TCS on timber or any other forest produce* (not being tendu leaves) obtained under a forest lease and timber obtained by any mode other than under a forest lease	2.5%	2%
3.	Section 206C(1G) – TCS on remittance under LRS for purpose of education financed by loan from financial institution	0.5% above INR 7 lakh	Nil

*****It is also proposed to provide clarity to the definition of 'forest produce' so as to have the same meaning as defined in any State Act for the time being in force, or in the Indian Forest Act, 1927.

These amendments are proposed to take effect from 01.04.2025.

Reduction in Compliance Burden by Omission of TCS on Sale of Specified Goods.

→ Section 206C(1H) requires any person being a seller who receives consideration for sale of any goods of the value or aggregate of value exceeding Rs 50 lakhs in any previous year, to collect tax from the buyer at the rate of 0.1% of the sale consideration exceeding Rs 50 lakhs, subject to certain conditions.

→ Section 194Q requires any person being a buyer, to deduct tax at the rate of 0.1%, on payment made to a resident seller, for the purchase of any goods of the value or aggregate of value exceeding Rs 50 lakhs.

→ Section 206C(1H) mandates tax collection at source (TCS) by a seller while Section 194Q provides for tax TDS by a buyer on the same transaction. 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

→ In order to facilitate ease of doing business and reduce compliance burden on the taxpayer, it is proposed that Section 206C(1H) will not be applicable from 01.04.2025

Removal of Higher TDS/TCS for Non-Filers of Return of Income

→ Section 206AB requires deduction of tax at higher rate when the deductee specified therein is a non-filer of income-tax return. Section 206CCA requires for collection of tax at higher rate when the collectee specified therein is a non-filer of income-tax return.

→ It is proposed to omit Section 206AB and Section 206CCA.

→ This amendment is proposed to take effect from the 01.04.2025

Calculation of Time Limit for Passing Order u/s.206C(6A) [deeming assessee in default for non-payment of TCS)

→ It is proposed to amend Section 206C(7A) to provide that relevant provisions of Section 153 would apply to the time limit prescribed in

Section 206C(7A), thereby excluding the time period such as period for which proceedings were stayed by an order of any court, etc.

→ This amendment is proposed to take effect from 01.04.2025

Rationalisation of Provision of Section 276BB

→ Section 276BB of the Act provides for prosecution in case of failure to pay the tax collected at source to the credit of Central Government. The provision of the said section states that if a person fails to pay to the credit of the Central Government, the tax collected by him as required under the provisions of section 206C of the Act, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.

→ It is 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.

→ A similar amendment was proposed in The Finance Act (No.2), 2024 with respect to TDS u/s.276B w.e.f. 01.10.2024.

This amendment is proposed to take effect from 01.04.2025.

International Taxation & Transfer Pricing

i. Harmonization of Significant Economic Presence applicability with Business Connection

→ Section 9 of the Act specifies the income deemed to accrue or arise in India. Section 9(1)(i) states that all income accruing or arising, whether directly or indirectly, through or from any business connection in India shall be deemed to accrue or arise in India. Explanation 1(b) to Section 9(1) clarifies that, in the case of a non-resident, no income shall be deemed to accrue or arise in India if it is derived solely from operations confined to the purchase of goods in India for export.

→ It is proposed that Explanation 2A of Section 9 be amended 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 a significant economic presence of such non-resident in India. This amendment will align it with Explanation 1 to Section 9(1)(i) concerning business connections.

→ This amendment will take effect from 01.04.2026 and will apply to AY 2026-27 and subsequent assessment years.

ii. Scheme of Presumptive Taxation Extended for Non-Resident providing Services for Electronics Manufacturing Facility

→ It is proposed to insert a new Section 44BBD, wherein 25% of the aggregate amount received/ receivable by, or paid/ payable to, the non-resident, on account of providing services or technology to a resident company which is engaged in electronics manufacturing facility including semi-conductor fabrication in India, is deemed as profits and gains of such non-resident from this business.

→ This will result in an effective tax payable of less than 10% on gross receipts by the non-resident company.

→ Where a Non-Resident assessee declares profits and gains of business u/s.44BBD then no set off of unabsorbed depreciation and brought forward loss shall be allowed to the assessee for such previous year.

→ This amendment will take effect from 01.04.2026 and will apply to AY 2026-27 and subsequent assessment years.

iii. TRANSFER PRICING

→ Under the current provisions, the arm's length price for specified domestic and international transactions is determined by the Transfer Pricing Officer each financial year based on a reference from the Assessing Officer. In many instances, the specified domestic and international transactions occurring over several years are similar and repetitive in nature. These transactions involve the same enterprises, functions, asset and risk analysis (FAR), and the same ALP determination. This creates unnecessary compliance and administrative burdens for both assessees and the TPO.

→ It is proposed to carry out TP analysis over a block of three years: the financial year in question (the first year) and two consecutive years immediately following (later years). This would apply only in the case where the international transactions and specified domestic transactions are similar for the two consecutive previous years and the Transfer Pricing Officer by an order in writing, declares that such option(s) exercised by the assessee are valid subject to conditions as prescribed.

The procedure for the same is explained below:

→ The assessee would be required to exercise the option for the said consecutive two previous years during the course of Transfer Pricing proceedings in the prescribed form and manner. The exact timelines would be prescribed in the rules which are yet to be notified.

→ TPO must declare within 1 month from the end of the month in which the option is exercised whether such option is valid by an order in writing. For determining the validity the TPO will examine whether the transactions of the subsequent years are similar transactions or not (this order is not an appealable order). <u>If the TPO does not pass an order within the time prescribed, the assessee would not be eligible for the option.</u>

→ Once the option is declared valid, the ALP determined in relation to an international transaction or a specified domestic transaction for any previous year shall apply to the similar international transaction or the specified domestic transaction for the two consecutive previous years immediately following such previous year.

→ the TPO shall examine and determine the ALP in relation to such similar transaction for such consecutive previous years, in the order referred to in section 92CA(3).

→ On receipt of such order from the TPO, the AO shall recompute the total income of the assessee for such consecutive previous years as per the proposed provisions of section 155(21) and no reference for computation of ALP in relation to such transaction shall be made. If any reference is made in such scenarios, before or after the above declaration by the TPO, the provisions of section 92CA(1) shall have the effect as if no reference is made for such transaction.

→ It is also proposed to insert a new sub-section (21) u/s.155 so as to provide that where the arm's length price is determined in relation to an international transaction or a specified domestic transaction under section 92CA(3) for any previous year and the Transfer Pricing Officer has declared an option exercised by the assessee as valid option under section 92CA(3B) in respect of such transaction for two consecutive previous years immediately following such previous year, then:

- The Assessing Officer shall proceed to re-compute the total income of the assessee for the said two consecutive previous years, by amending the order of assessment or any intimation or deemed intimation under sub-section (1) of section 143, -

  (i) in conformity with the arm's length price so determined by the Transfer Pricing Officer under sub-section (4A) of section 92CA in respect of such transaction;

  (ii) taking into account the directions issued under u/s.144C(5), if any, for such previous year

- Such re-computation shall be made within three months from the end of the month in which the assessment is completed in the case of the assessee for such previous year and the first (section 10A / 10AA or Chapter VI-A not allowable) and second proviso (where TDS deducted on transaction the income of the other AE would not be modified) to section 92C(4) shall apply to such re-computation.

- However, where the order of assessment or any intimation or deemed intimation u/s.143(1) for the said two consecutive previous years is not made within the said three months, such re-computation shall be made within three months from the end of the month in which such order of assessment or any intimation or deemed intimation u/s.143(1), as the case may be, is made.

→ It is further proposed to insert the first and second provisos section 92CA(1) such that no further reference is required to be made for ALP computation to TPO (where ALP is already determined and applies for 2 years) and if any reference is made it may be treated as invalid.

→ It is also proposed to insert new sub-section (11) in Section 92CA stating that the Board may issue binding guidelines with Government approval to

address difficulties in implementing Sections 92CA(3B) and 92CA(4A), which must be laid before Parliament.

→ It is also proposed to insert new sub-section (12) in Section 92CA to provide that every guideline issued by the Board shall be laid before each House of Parliament while it is in session for a total period of thirty days and if, before the expiry of the session immediately following the session or the successive session aforesaid, both houses agree in making any modification in such guideline or both Houses agree that the guideline, should not be issued, the guideline shall thereafter have effect only in such modified form or be of no effect, as the case may be so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that guideline.

→ The provisions of exercising the option and consequent proceedings shall not apply to cases covered under Chapter XIV-B (Search and Requisition).

→ These amendments are proposed to take effect from 01.04.2026 and will apply to assessment year 2026-27 and subsequent assessment years.

→ It is to be clarified as to what would be the effect of the order of the TPO u/s.92CA(3B)(c) where the assessment is carried to the Hon'ble Income Tax Appellate Tribunal, who modifies the ALP.

Assessment Procedures

Updated Return

→ As per the present provisions, an updated return can be filed upto 24 months from the end of the relevant assessment year. The facility of updated return has promoted voluntary compliance against payment of additional income-tax of 25% of aggregate of tax and interest payable for updated return filed upto 12 months from the end of the relevant assessment year. For updated return filed after expiry of 12 months and upto 24 months from the end of the relevant assessment year, the additional income-tax of 50% of aggregate of tax and interest is to be paid.

→ It is proposed to amend section 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.

→ It is proposed that the rate of additional income-tax payable for updated return filed after expiry of 24 months and upto 36 months from the end of the relevant assessment year shall be 60% of aggregate of tax and interest payable.

→ It is proposed that the additional income-tax payable for updated return filed after expiry of 36 months and upto 48 months from the end of the relevant assessment year shall be 70% of aggregate of tax and interest payable.

→ It is further proposed 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 the end of the relevant assessment year. However, where subsequently an order is passed under sub-section (3) of section 148A of the Act determining that it is not a fit case to issue notice under section 148 of the Act, updated return may be filed upto 48 months from the end of the relevant assessment year.

→ These amendments are proposed to take effect from 01.04.2025.

→ Therefore, from 01.04.2025, assesses can file updated returns for assessment year 2021-22 onwards.

→ The amendment restricts the filing of updated return where notice under section 148A is issued after the expiry of 3 years. Thus, an updated return can be filed even if the notice is issued under section 148A before the expiry of 3 years, so long as the reassessment proceedings are not initiated under section 148.

SEARCH / REQUISITION

→ It is proposed to include virtual digital assets in the definition of undisclosed income.

→ This amendment is proposed to be applicable with effect from 01.02.2025.

Sequential handling of multiple searches

→ Section 158BA(4) provides that if a subsequent search is conducted or requisition is made while a block assessment is pending, the AO must complete the initial assessment before starting the new one.

→ It is proposed to substitute the word "pending" with "required to be made" with effect from 01-02-2025. Therefore, where the assessment proceedings are not pending on the date of the subsequent search or requisition but will be required to be made, the AO cannot start a new block assessment.

Revival of all abated proceedings

→ Section 158BA(2)/(3) of the Act provides that any assessment, reassessment, re-computation, or reference to TPO under Section 92CA(1) or an order under Section 92CA(3) pertaining to any assessment year falling in the block period pending on the date of initiation of the search or making of requisition shall abate.

→ Section 158BA(5) provides that if any block assessment proceedings initiated for the block period have been annulled in appeal or any other legal proceeding, then, the assessment or reassessment relating to any assessment year which was abated under Section 158BA(2)/(3) shall revive.

→ Section 158BA(5) provided for the revival of assessment or reassessment post annulment of the block assessment proceedings but did not include the reference to re-computation or reference to TPO under Section 92CA(1) or an order under Section 92CA(3), which also got abated due to initiation of block assessment.

→ Therefore, it is proposed to 158BA(2)/(3) with 158BA(5) by adding the words "re-computation", "reference", or "order" in section 158BA(5). Thus, all actions and proceedings abated can now be revived if the block assessment proceedings are annulled.

Computation of total income of block period

→ Section 158BB of the Act provides the methodology for computation of total income of block period. It is proposed to amend section 158BB(1)(i)

to substitute reference to 'total income disclosed' with "undisclosed income" which has been declared in the return

→ This amendment proposed would mean that the undisclosed income declared by the assessee, the income assessed previously and the income declared but assessment not yet be made would be considered for the purpose of computing the undisclosed income of the block period under section 158BB(2) by the Assessing Officer. The incomes assessed previously and incomes admitted in ITRs prior to search would get excluded under section 158BB(5) to compute the tax payable u/s.113.

→ Section 158BB(1)(i) to 158BB(1)(v) provide for mechanism of computation of total income of block period. Presently, sub- clause (iv) provides for determination of total income on the basis of entries in the books of account maintained in the normal course on or before the date of the last of the authorization for the search. It provides for determination of total income in only one situation where the previous year has not ended.

Three situations are proposed to be provided for computation of income of block period to be <u>determined</u> on the basis of entries as recorded in the books of account maintained in the normal course for:

- previous year which has ended and due date for furnishing has not expired prior to date of initiation of search or date of requisition;

- period from 1st April of the previous year in which search is initiated or requisition is made and ending on the day immediately preceding the date of initiation of the search or requisition and

- period commencing from date of initiation of search or date of requisition and ending on date of execution of the last date of authorizations for search or requisition.

To sum up,

(i) the undisclosed income would only be considered in the return furnished under section 158BC and not the total income (which was so earlier) to compute the tax payable u/s.113 and

(ii) the entries in the books of account maintained prior to the date of search and for the previous year prior to the date of search for which the "due

date" for filing the return has not expired, would not be subjected to rate of tax meant for block assessment.

→ It is also proposed to amend section 158BB(3) so as to provide that any income which relates to any international transaction or specified domestic transaction, pertaining to the period beginning from the 1st day of April of the previous year in which the last of the authorisations was executed and ending with the date on which the last of the authorisations was executed such income shall not be considered for the purposes of determining the total income of the block period and such income shall be considered in the assessment made under the other provisions of this Act. This is to recognise that it is difficult to assess arm's length price of part period transactions.

→ It is also proposed to provide the reference to such "income" instead of "evidence" with respect to international transactions as well as specific domestic transactions.

Limitation Period for completion of block assessment

→ Section 158BE provides that the order under Section 158BC must be passed within twelve months from the end of the month in which the last authorisation for a search under Section 132 or requisition under Section 132A was executed or made. For other persons referred to in Section 158BD, the AO must complete the assessment within twelve months from the end of the month in which the notice under Section 158BC was issued to such person.

→ Search and seizure proceedings generally require coordinated investigations and assessments. The current time limit often leads to multiple time-barring dates, making it difficult to bring the cases to a logical conclusion. Therefore, it is proposed to change the time limit for completing the block assessment to twelve months from the end of the quarter in which the last authorisation for search or requisition was executed.

Extension in the limitation period

→ Section 158BE(4)(i) provides that the period during which the assessment proceedings are stayed by an order or injunction of any court shall be excluded from the limitation period for completion of the assessment. It is

proposed that the period to be excluded shall commence on the date on which the assessment proceeding is stayed by an order or injunction of any court and end on the date on which the jurisdictional Principal CIT or CIT received a certified copy of the order vacating the stay. A similar amendment has been proposed to Section 158BFA, which prescribes the limitation period to levy interest and penalty in block assessment.

→ All the above amendments are proposed to take effect from 01.02.2025

Non Applicability of Penalty u/s.271AAB

→ Section 271AAB is proposed to be amended to provide that the provisions do not apply if a search is initiated under section 132 on or after 01-09-2024.

→ This amendment is proposed to effect retrospectively from 01.09.2024.

Other Amendments in Search

→ As per the provisions of section 132(8) of the Act the last date for taking approval for retention of seized books of account or other documents is 30 days from the date of the assessment or reassessment or re-computation order.

→ In the course of search assessment proceedings in group cases, the assessment orders of one assessee may be passed earlier than the assessment orders of another assessee. Further, the segregation of seized books of account or other documents pertaining to various assesses is also very difficult in case the searched premise is same. It is also the case that the seized books of account or other documents pertaining to the completed assessment cases may be required for assessment of ongoing/pending assessment cases. Since, the time limit of taking approval for retention will be different for different cases, the Assessing Officers are required to have constant vigil on the floating time-barring dates for taking the approval for retention of the seized books of account or other documents, the burden of which is avoidable.

→ Therefore, it is proposed to amend section 132(8) of the Act to provide that the time limit for taking approval for retention shall be one month from end

of the quarter in which the assessment or reassessment or re-computation order has been made.

→ The word 'authorisation' is proposed to be replaced with 'authorisations' in Explanation 1 to Section 132 to align with other provisions of the Act.

→ It is proposed to amend Explanation 1(ii) to Section 132B to update the reference from Section 158BE to Section 158B, reflecting the changes made by the Finance (No. 2) Act, 2024.

→ These amendments are proposed to take effect from 01.04.2025.

Faceless schemes

→ The end date for notifying faceless schemes under Section 92CA (reference to TPO), Section 144C (reference to DRP), Section 253 (Appeal to ITAT), and Section 255 (procedure of ITAT) is proposed to be omitted.

→ This would allow the Central Government to issue directions beyond the cutoff of 31.03.2025.

Charitable Trusts and Educational Institutions

i. Period of registration of smaller charitable trusts or institutions

→ Under the current provisions of the Act, Section 12AB grants registration to charitable trusts or institutions for a period of five years, and where activities have not commenced at the time of application, provisional registration for three years. To ease compliance for smaller trusts or institutions whose total income before exemption does not exceed Rs. 5 crores in each of the two previous years preceding the year of application, it is proposed to extend the validity of registration from five years to ten years. However, this benefit shall not apply to trusts or institutions applying for registration for the first time, whether before or after commencing activities.

→ This amendment is proposed to **take effect from 01.04.2025.**

→ The amendment does not extend to approvals under section 80G. Therefore, even small trusts would still be required to undertake the procedure of renewing 80G approval every 5 years.

ii. <u>Rationalisation of 'specified violation' for cancellation of registration of trusts or institutions</u>

→ Section 12AB(4), inter alia, provides that when the registration or provisional registration of a trust or institution has been granted, and the PCIT/CIT subsequently notices the occurrence of one or more specified violations during any previous year, the PCIT/CIT shall pass a written order cancelling the registration of such trust or institution if satisfied that one or more specified violations have taken place

→ The Explanation to Section 12AB(4) states that "specified violation", inter alia, includes cases where the application referred to in Section 12A(1)(ac) is incomplete or contains false or incorrect information

→ It is proposed that the Explanation to Section 12AB(4) be amended to clarify that an "incomplete application" for the registration of a trust or institution shall not be considered a specified violation for the purpose of cancellation by the PCIT/CIT.

→ These amendments are proposed to take effect from 01.04.2025.

iii. <u>Relaxation in the classification of specified persons</u>

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

→ Any person who has made a contribution to the trust or institution of more than Rs. 50,000 up to the end of the relevant previous year is regarded as a specified person. Additionally, the relatives of such substantial contributors and concerns in which they have a substantial interest are also considered specified persons.

→ It is proposed to amend Section 13(3) to provide that a person is to be treated as a substantial contributor under Section 13(3)(b) if his contribution during the previous year exceeds Rs. 1 lakh or his total contribution during the lifetime of the trust exceeds Rs. 10 lakhs

→ The relatives of substantial contributors shall no longer be treated as specified persons for the purposes of Section 13(3).

→ Further, any concern in which a substantial contributor has a substantial interest shall no longer be included in the category of specified persons under Section 13(3).

→ These amendments are proposed to take effect from 01.04.2025.

→ However, maintaining donor details from inception is difficult, as many trusts have been in existence for many years.

Penalties

i. Certain penalties to be imposed by the Assessing Officer

→ It is proposed that the power to impose penalties under Section 271C (failure to deduct tax), Section 271CA (failure to collect tax), Section 271D (failure to comply with Section 269SS), Section 271DA (failure to comply with Section 269ST), Section 271DB (failure to comply with Section 269SU), and Section 271E (penalty for failure to comply with provisions of Section 269T) be exercised by the assessing officer instead of the Joint Commissioner.

→ It is also proposed to amend Section 270AA(4) 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 AO instead of one month from the end of the month.

→ These amendments are proposed to take effect from 01.04.2025.

ii. Time Limit to impose penalties

→ The existing provisions of section 275, inter-alia, provide for the bar of limitation for imposing penalties. Section 275 is having multiple timelines

for imposition of penalties in various cases such as appeal before the ITAT or JCIT(Appeal) or Commissioner (Appeal). This makes it difficult to keep track of multiple time barring dates for effective and efficient tax administration.

→ Therefore, section 275 has been proposed to be substituted to provide a new time limit for passing orders, imposing the penalty. It is proposed that no penalty order shall be passed after six months from the end of the quarter in which any of the following events occur:

(a) Completion of proceedings where the penalty was initiated, provided the assessment or order is not under appeal (Sections 246, 246A, or 253).

(b) Passing of a revision order under Section 263 or 264 if the assessment or order is under revision.

(c) Receipt of an appeal order under Section 246 or 246A by the jurisdictional Principal Commissioner or Commissioner if no further appeal has been filed under Section 253.

(d) Receipt of an appeal order under Section 253 by the jurisdictional Principal Commissioner or Commissioner.

(e) Issuance of a penalty notice in any other case

→ It is also proposed a consequential amendment to Section 246A to update reference of the amended Section 275.

→ These amendments are proposed to take effect from 01.04.2025.

International Financial Services Centre (IFSC)

Extension of sunset date for commencing operations to claim tax exemption

→ The sunset dates for commencement of operations of IFSC units for several tax concessions, or relocation of funds to IFSC, under sections 80LA(2)(d), 10(4D), 10(4F), 10(4H) and section 47(viiad), is proposed to be extended to 31.03.2030.

Removal of premium condition for exemption of life insurance proceeds from IFSC Insurance Intermediary Office (IIO)

→ Presently, life insurance proceeds of a policy issued by an IFSC IIO are exempt if the premium does not exceed 10% of the sum assured and if the amount of premium during any year does not exceed Rs.2.5 lakh in case of ULIPs and Rs.5 lakh in case of other policies.

→ It is now proposed, the proceeds would be exempt even if the premium exceeds Rs.2.5 lakh or Rs.5 lakh respectively provided that the premium does not exceed 10% of the sum assured.

→ These amendment are proposed to take effect from 01.04.2025.

Exemption of capital gains and dividend in respect of shares of ship leasing units

→ Presently, gains on transfer of shares of unit of IFSC engaged in aircraft leasing by a non-resident or another IFSC unit engaged in aircraft, if the company, whose shares are transferred, has commenced operations on or before 31.03.2030 and where the transfer takes place within 10 years of such commencement is exempt. Similarly, dividend received by an IFSC unit engaged in aircraft leasing from another IFSC unit engaged in aircraft leasing is also exempt.

→ It is proposed to extend this exemption to IFSC units engaged in ship building.

→ These amendments are proposed to take effect from 01.04.2025.

Deemed dividend not to apply for IFSC treasury centers

→ Presently, loan or advance given by a company to its shareholders or any entity in which the shareholders have a substantial interest is deemed to be dividend.

→ It is proposed that a loan given to / by a finance company situated in IFSC set up as a global or regional corporate treasury center by / to its group entities or by / to its parent / principal entity listed in an overseas stock exchange shall not be deemed to be dividend.

→ The conditions for being considered as a group entity, parent entity or principal entity shall be prescribed.

→ These amendments are proposed to take effect from 01.04.2025.

Conditions to be satisfied by IFSC fund manager to not constitute business connection of overseas fund

→Presently, activities of a fund manager in India of an overseas fund do not constitute business connection for the fund in India if certain conditions are satisfied. One of the conditions provide that the aggregate participation by a resident in the fund should not exceed 5%. If the fund manager is in IFSC, some of the conditions are relaxed including the above condition of maximum resident investor participation

→It is not proposed that if the condition of less than 5% resident investor participation is not satisfied as on 01st April or 01st October of a previous year, the exemption may still be available if the condition is satisfied within 4 months of 01 April or 01st October. Further, for a fund manager in IFSC, this condition of 5% resident investor participation shall not be relaxed.

→These amendments are proposed to take effect from 01.04.2025.

Extension of exemption of income from forward contracts and derivatives with FPI in IFSC

→ Currently, income earned by a non-resident from the transfer of non-deliverable forward contracts, offshore derivative instruments, OTC derivatives, or distributions from these instruments are exempt if undertaken with an offshore banking unit of an IFSC.

→ It is now proposed that this exemption would extend to the above transactions undertaken with an FPI being a unit of IFSC.

→ These amendments are proposed to take effect from 01.04.2025.

Extension of exemption on relocation of retail schemes and ETFs to IFSC

→ Presently, gains arising on exchange of shares or units to a shareholder or a unitholder of an overseas fund are exempt on relocation of such fund to IFSC, if the said fund is registered as Category-I, II or III AIF.

→ It is now proposed that the exemption is to be extended to shareholders and unitholders of overseas funds which are registered as retail schemes or ETF on relocation to IFSC.

Miscellaneous

ULIPS

→ Presently, the income on redemption of ULIP is considered as income from capital gains only if the policy was issued on or after 01.02.2021 and the aggregate premium on such policy exceeded INR 2.5 lakh. There was a doubt as to the manner of taxation of ULIP proceeds in a case where exemption was not available under section 10(10D) due to the premium exceeding the specified limits of 10 / 20% of the sum assured.

→ It is now proposed that, in all cases irrespective of the premium amount, income on redemption of ULIPs will be taxed as capital gains if the exemption u/s.10(10D) is not available. Further, the definition of equity-oriented fund has also been amended to that effect to include ULIPS which are not exempt u/s.10(10D).

→ These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

Rationalization of Provisions related to Carry Forward of Losses in Amalgamation

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

→ To provide clarity and parity to Section, it is proposed to amend section 72A and section 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 8 assessment years immediately succeeding the assessment year for which such loss was first computed for original predecessor entity.

→ The proposed amendment is aimed to prevent ever greening of the losses of the predecessor entity resulting from successive amalgamations and also to ensure that no --carry forward and set off of accumulated loss is allowed after 8 assessment years from the immediately succeeding the assessment year for which such loss was first computed for original predecessor entity.

→ The proposed amendment shall apply to any amalgamation or business re-organisation which is effected on or after 01.04.2025.

→ However, clarity is required as to which date would the amalgamation / business re-organisation would take effect.

Amendment to the definition of Virtual Digital Asset (VDA) and reporting of information relating to crypto-asset

→ Presently, there are provisions which deal with the taxability of VDA and TDS thereon. VDA is also defined under section 2(47A) of the Act.

→ Now, the definition of VDA is proposed to be extended 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.

→ Further, a reporting obligation is proposed to be introduced under section 285BAA to furnish information in respect of transaction of crypto-asset.

→ This amendment is proposed to take effect from 01.04.2026.

Exclusion of the period for which proceedings are stayed by the court

→ Presently, the period during which any proceeding is stayed by an order or injunction of any court are excluded in computing the time limit for conclusion of such proceedings. However, there was an ambiguity with regard to commencement date and end date of such exclusion period.

→ Now, the period for exclusion would commence on the date on which stay was granted by an order or injunction of any court and end on the date on which certified copy of order vacating stay is received by the jurisdictional PCIT or CIT.

→ Applicable to sections 144BA, 153, 153B, 158BE, 158BFA, 263, 264 and Rule 68B of Schedule - II of the Act.

→ This amendment is proposed to take effect from 01.04.2025.

Infrastructure Investment Trust (InVit)

→ It is proposed to amend the Act to provide that any security held by investment funds referred to in Section 115UB which has invested in such security in accordance with the regulations made under the SEBI Act, 1992 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.

Rationalization in Taxation of Business Trusts

→ The sub-section (2) of Section 115UA provides 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 and Section 112.

→ Reference of Section 112A (which provides tax on long-term capital gains in certain cases of long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust) is not mentioned in sub-section (2) of Section 115UA

→ It is proposed to amend Section 115UA(2) 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. Accordingly, capital gains covered under Section 112A is now carved out from the purview of maximum marginal rate.

→ This amendment is proposed to take effect from 01.04.2026 and will apply to AY 2026-27 and subsequent assessment years.

Gain on sale of securities held by AIF would be taxed as Capital Gains

→ Presently, income other than business income of Category I and Category II AIFs is taxed on a pass-through basis in the hands of the investors. There is ambiguity about characterisation of gain arising on transfer of securities held by such funds i.e. whether it is business income or capital gains.

→ It is now proposed that the gains on transfer of securities held by such funds will be classified as capital gains and consequently taxed in the hands of investors.

→ This amendment is proposed to take effect from 01.04.2026 and relevant to assessment years 2026-27 and subsequent years.

Taxation of capital gains on transfer of capital assets by FIIs

→ Presently, the tax rate of 10% applies to long-term capital gains arising from the transfer of securities in the hands of specified funds or FIIs.

→ However, the tax rate on all long-term capital gains to 12.5% was amended in July 2024 for all taxpayers, whether resident or non-resident. Therefore, in order to bring parity between the rates of tax on long term capital gain on sale of securities other than the ones specified under section 112A, tax rate under section 115AD has been amended to 12.5%.

→ This amendment is proposed to take effect from 01.04.2026 and relevant to assessment years 2026-27 and subsequent years.

Extension and rationalization of exemption for investment by Sovereign Wealth Funds, Foreign Pension Funds & others

→ Presently, dividends, interest and long-term capital gains arising to notified Sovereign wealth funds (SWFs), Foreign Pension Funds (FPFs) and Wholly owned subsidiary of ADIA from specified investment made up to 31.03.2025 in the infrastructure sector are exempt subject to fulfilment of certain conditions.

→ Now, the exemption for investment in specified investments has been extended to 31.03.2025.

→ Further, post the Finance (No. 2) Act 2024, gain on transfer of unlisted

debt securities was deemed to be considered as short-term capital gains.

→ Now, gain on transfer of any security whether equity or debt being specified investments in the infrastructure sector by SWFs, FPFs, and WoS of ADIA will be exempt if security is held for more than 3 years.

→ This amendment is proposed to take effect from AY 2025-26.

Extension of Benefits of Tonnage Tax Scheme to Inland Vessels

→ In order to promote inland water transportation in the country and to attract investments in the sector, it is proposed to extend the benefits of tonnage tax scheme to Inland Vessels registered under Inland Vessels Act, 2021.

→ It is proposed to include inland vessels in Section 115VD for being eligible to be a qualified ship and defines inland vessels in Section 115V in the same manner as provided in the Inland Vessels Act, 2021.

This amendment is proposed to take effect from 01.04.2026 and will apply to AY 2026-27 and subsequent assessment years.

Extension of Time Limit for Passing Section 115VP Order

→ Section 115VP specifies method and time of opting for tonnage tax scheme, under which the tonnage income of an assessee shall be computed in accordance with the provisions of Chapter XII-G. A qualifying company may opt for the tonnage tax scheme by making an application under Section 115VP(1) to the Joint Commissioner of Income Tax having jurisdiction over the company

→ It is proposed to amend sub-section (4) of section 115VP to provide that the order under Section 115VP(3) for application received under Section 115VP (1) on or after the 01.04.2025, shall be passed before the expiry of 3 months from the end of the quarter in which such application was received, instead of current time limit of 1 month from the end of the month in which the application was received.

→ These amendments are proposed to take effect from the 01.04.2025.

Time limit for sale of attached immovable property

→ Rule 68B(1) of the Second Schedule prescribes that the sale of immovable property (attached for tax recovery) must be completed within 7 years from the end of the financial year in which the order for tax, interest, fine, penalty, or any other sum becomes final. However, the Board may extend this period by up to three more years, but only if they provide written reasons for doing so.

→ Further, if the property is required to be re-sold (because the highest bid was lower than the reserve price, or due to some specific circumstances mentioned in rules 57, 58 or 61), the above time limit is extended by one more year

→ Rule 68B(2) prescribes that the 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, there was an ambiguity regarding the commencement date and the end date of the period stayed by an order or injunction of any court which was required to be excluded.

→ With a view to removing such ambiguity, it is proposed to amend the said rule so as to exclude the period 'commencing on the date on which stay 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 jurisdictional Principal Commissioner or Commissioner' while computing limitation period.

Extension of timeline for tax holiday for start-ups

→ Presently, the benefit of claiming 100 % deduction of profits and gains from business for 3 consecutive years out of 10 years from the date of incorporation is available to eligible startups incorporated up to 31.03.2025 u/s.80-IAC.

→ It is proposed to extend the benefits for startups incorporated up to 31.03.2030.