SNR & COMPANY
CHARTERED ACCOUNTANTS

KRESTON SNR

Budget 2025

Key Finance Bill Proposals

Introduction

The Indian Union Budget 2025 is presented against a backdrop of dynamic global economic conditions and evolving domestic priorities. This budget seeks to build upon the foundation laid in previous years, focusing on sustainable growth, fiscal prudence, and inclusive development. It acknowledges the need to balance immediate requirements with long-term strategic goals, addressing both current challenges and future opportunities.

The fiscal year 2025-26 presents a unique opportunity to build on past reforms and accelerate progress toward the nation's long-term aspirations, including the vision of 'Viksit Bharat 2047'. With a focus on digital transformation, infrastructure expansion, enhancing consumption, manufacturing excellence, and social welfare, this budget seeks to balance fiscal consolidation with economic expansion. It also places a strong emphasis on ease of doing business, tax simplification, and incentives for both domestic and foreign investors.

Key highlights of the Finance Bill 2025:

The Finance Bill 2025 proposes several key amendments to the existing tax laws, designed to streamline the tax regime, promote investment, and enhance ease of doing business. This presentation will delve into the specific proposals within the Finance Bill, focusing on their rationale and potential impact on various stakeholders.

- **Boosting Investment and Ease of Doing Business:** The Finance Bill proposes several measures aimed at simplifying compliance, reducing litigation, and promoting investment in key sectors.
- **Reducing the Tax Burden of Middle Class:** The Finance Bill proposes increase in tax slabs and rebate resulting in lower financial burden on the middle class, and promote voluntary compliance and investment, ultimately contributing to a more efficient and taxpayer-friendly environment.
- **Transfer Pricing and International Taxation:** The proposals address key aspects of international taxation including changes to SEP rules and introducing provisions for block assessment in transfer pricing at the option of taxpayers.
- **Incentives for the International Financial Services Centre (IFSC):** The government continues its commitment to developing the IFSC as a global financial hub by extending tax benefits and streamlining regulations for various financial activities, including ship leasing, corporate treasury centers, and offshore fund relocation.

SNR & COMPANY
CHARTERED ACCOUNTANTS

KRESTON SNR

A. Direct Tax Proposals

SNR & COMPANY CHARTERED ACCOUNTANTS

KRESTON SNR

CHANGES IN TAX RATES

Tax Rates:

- **No tax on income up to Rs. 12 Lacs** - It is proposed to increase the tax rebate to Rs. 60,000 for individual taxpayers having total income up to 12 Lacs.

- **Reduction in Tax Slabs (under New Tax Regime):** For Individual Taxpayers having income of more than 12 Lacs and for following class of assesses having income more than 4 Lacs, tax rates have been reduced as per the adjacent table:
  - Hindu Undivided Family (HUF)
  - Association of Persons (AOP)
  - Body of Individuals (BOI)
  - Artificial Juridical Persons

Existing Slab Rates (New Regime)		Proposed Slab Rates (New Regime)	
Total Income (INR)	**Rate (%)**	**Total Income (INR)**	**Rate (%)**
Up to 3,00,000	Nil	Up to 4,00,000	Nil
3,00,001 to 7,00,000	5%	4,00,001 to 8,00,000	5%
7,00,001 to 10,00,000	10%	8,00,001 to 12,00,000	10%
10,00,001 to 12,00,000	15%	12,00,001 to 16,00,000	15%
12,00,001 to 15,00,000	20%	16,00,001 to 20,00,000	20%
Above 15,00,000	30%	20,00,001 to 24,00,000	25%
		Above 24,00,000	30%

Tax Deduction at Source (TDS) & Tax Collection at Source (TCS)

- Removal of section 206AB that mandated higher TDS/TCS rates for payees who defaulted their income tax returns.

- Rationalization of TDS and TCS rates across different payment categories.

Particulars		Current Rate (%)	Proposed Rate (%)
TDS	**Section 193** Income payable by securitization trust to resident investor	**25%** (if payee is Individual/ HUF). **30%** in other cases	10%
TCS	**Section 206C(1G)** TCS on remittance under LRS for education financed by loan from specified financial institutions	**0.5%** (if remittance exceeds INR 7 Lakh	Nil
TCS	**Section 206C(1H)** 206C(1H) TCS on sale of goods	**0.5%**	Nil

- The Bill also proposes following enhancements to the thresholds for TDS and TCS deductions across different payment categories.

Section	Particulars	Current Threshold (Rs.)	Proposed Threshold (Rs.)
193	Interest on Securities	NIL	10,000
194A	Interest other than Interest on securities	For Sr. Citizens - 50,000 For Others– when payer is Bank, co- operative society and post office – Rs. 40,000 – all other cases - Rs. 5,000	For Sr. Citizens – Rs. 1,00,000 **For Others** – when payer is Bank, co-operative society and post office - 50,000 – all other cases - Rs. 10,000
194	Dividend for an individual shareholder	5,000	10,000
194K	Income in respect of units of a mutual fund	5,000	10,000
194DA	Insurance commission	15,000	20,000
194H	Commission or brokerage	15,000	20,000
194-I	Rent	240,000 per annum (F.Y.)	50,000 per month
194J	FTS and Royalty	30,000	50,000
206C(1G	Remittance under LRS (other education loans) and overseas tour program package	7,00,000	10,00,000

SIMPLIFICATION AND RATIONALISATION

Charitable Institutions (CIs)

- For small charitable trusts (total receipts ≤ INR 5 crore), the Bill seeks to extend the validity of tax exemption registration from 5 years to 10 years.
- Threshold for classifying a donor as a specified person u/s 13 in the following manner:
  - From INR 50,000 to INR 100,000 in a financial year.
  - Aggregate threshold across all financial years to be increased to INR 10,00,000.
- Relief to the trusts by proposing that the relatives of such donors and entities where the donor holds a substantial interest will not be classified as specified persons.

Self-Occupied Property:

Allowing the taxable annual value to be nil for two self occupied house properties whether the owner occupies the house or cannot do so **for any reason.**

Taxation of ULIPs

The Bill proposes to treat the following ULIPs as capital assets taxable u/s 112A as ‘Equity Oriented Funds’ at the rate of 12.50%:

- premium payable in any year during the policy term exceeding 10% of the actual capital sum assured; or
- if the aggregate premium payable during any of the year for the policy term exceeds ₹2,50,000.

Alternative Investment Funds (AIFs)

- Currently, Category I and II AIFs gets pass-through tax treatment for various incomes, except for business income and capital gain on listed securities u/s 112A.
- The Bill clarifies that transfer of listed securities mentioned u/s 112A will be considered as capital gains income and would get the pass-through tax benefit making it taxable in the hands of investors.

Harmonizing Significant Economic Presence (SEP) Rules with Business Connection

- Business Connection of non-resident in India does not include the transaction where the non-resident purchases the goods in India for export purposes outside India.
- It has been specifically clarified that such a transaction will not result in a SEP by extending such exclusion for SEP as well.

Tax Benefits for Start-ups

- The tax holiday for eligible start-ups is proposed to be extended from April 1, 2025, to April 1, 2030.
- This proposal corroborates the government's resolve to see through the growth of the start-up ecosystem and encourage innovation.

Carry Forward of Business Losses in Amalgamations

- The bill proposed amendment to sec 72A and 72AA to clarify that the **remaining period** (out of eight years) for carrying forward the losses incurred by the amalgamating company shall be counted from the year in which such losses were originally incurred by the amalgamating company.

Reporting of Crypto Asset Transactions

- Continuing with the government's will to capture Virtual Digital Asset transactions, the Bill proposed that reporting entities (to be specified) shall be required to report crypto asset transactions through the Statement of Financial Transactions (SFT).
- The Bill also proposes expansion of the definition of 'virtual digital assets' to include:
  - All crypto assets representing digital value.
  - Assets relying on distributed ledger technology for validation and security.

Capital Gains on FPIs:

- In the July 2024 Budget, the Government announced a long-term capital gains (LTCG) tax rate of 12.5% for all investors across asset classes, except for FPIs, where the rate remained at 10%.
- The Bill proposes to increase the 12.5% LTCG tax rate to FPIs as well on all transactions involving the sale of shares and securities.

Extension of Time Limit for Filing Updated Returns

- Time limit extended for filing updated returns to 4 years (currently 2 years) from the end of the relevant assessment year.
- Additional tax implications of the same are as follows:
  - If filed after 2 years but before 3 years → 60% additional tax (on total due taxes & interest).
  - If filed after 3 years but before 4 years → 70% additional tax (on total due taxes & interest).

ASSESSMENTS AND PENALTIES

Block Assessments in Transfer Pricing (TP) Matters

- The Bill proposed to establish a block assessment mechanism for a consecutive three-year period for transfer pricing assessments from Assessment Year 2026-27.
- Taxpayers will have an option to opt for block assessments, subject to validation by the Transfer Pricing Officer (TPO) within one month from the date of application.
- If the TPO validates the option, any references made by the Assessing Officer (AO) for the preceding or succeeding two years in the block will be invalid.
- Uniform TP adjustments:

  1. The TPO will determine the arm's length price (ALP) for similar international and/or specified domestic transactions in one year.
  2. The ALP will be applied consistently to the following two years.

Approval for Retention of Seized Books & Documents

- Currently, as per section 132(8), approval for retaining seized books of account or other documents must be obtained within 30 days from the date of assessment, reassessment, or recomputation order.
- To simplify compliance, the Bill proposed that the time limit for obtaining retention approval be revised to one month from the end of the quarter in which the assessment, reassessment, or re-computation order is passed.

Decriminalization of Tax Collected at Source (TCS) Defaults

- Currently, failure to deposit TCS attracts prosecution with imprisonment up to 7 years.
- The Bill proposed decriminalization of such defaults if TCS is deposited before the quarterly filing deadline (effective April 1, 2025).

Rationalization of Time Limit for Penalty Orders and Immunity

In order to streamline the time limits for passing penalty orders, the Bill proposes that penalty orders must be passed within six months from the end of the quarter in which:

- Connected proceedings are completed,
- An appellate order is received,
- A revision order is passed, or
- A notice for penalty imposition is issued.

Immunity from Penalty

- Processing period of application for immunity extended to 3 months from the end of the month in which application for immunity is received by the Assessing Officer.

INVESTMENTS AND EMPLOYMENT

Incentives for International Financial Services Centre (IFSC)

Extension of Tax Concessions

The sunset date for commencing operations of IFSC units to avail tax concessions and relocate offshore funds to IFSC is proposed to be extended to March 31, 2030.

Ship Leasing Benefits

- In line with the tax benefits granted for aircraft leasing, the Bill proposes similar tax benefits for IFSC units engaged in ship leasing:
  - Capital gains tax exemption for non-residents or IFSC units on the transfer of equity shares in Indian companies (IFSC units) engaged in ship leasing.
  - Dividend exemption for IFSC units receiving dividends from another IFSC unit engaged in ship leasing.

Global or Regional Corporate Treasury Centre

- Under current tax laws, loans or advances provided by a closely held company to a substantial shareholder are deemed as dividends (subject to exceptions).
- The Bill proposes that loans or advances between two group entities will not be treated as deemed dividends if:
  - One entity is a finance company or a finance unit in the IFSC acting as a global or regional corporate treasury centre.
  - The parent or principal entity of the group is listed abroad.

Offshore Derivative Instruments (ODIs) in IFSC

- Currently, non-residents are exempt from tax on income derived from the transfer of non-deliverable forward contracts, ODIs, or OTC derivatives entered into with offshore banking units in the IFSC.
- The Bill proposes to extend this exemption to such transactions entered into with Foreign Portfolio Investors (FPIs) in the IFSC.

Relocation of Offshore Funds

- At present, the relocation of capital assets (shares, units, or interests) from an original fund to a resultant fund registered as Category I, II, or III AIF in IFSC is tax-neutral.
- The Bill proposes a similar tax exemption for relocating original funds to retail schemes or ETFs in the IFSC.

Sovereign Wealth Funds & Pension Funds

- Currently, dividends, interest, long-term capital gains, and capital repayment earned by specified sovereign wealth funds and pension funds from eligible investments made on or before March 31, 2025 are tax-exempt.
- The sunset date for making such investments is proposed to be extended to March 31, 2030.
- This enables government to attract long-term investment from SWFs and pension funds into priority sectors, supporting infrastructure development and economic growth.

Presumptive Taxation Regime for Non-Residents

- A new presumptive taxation regime is proposed for non-residents providing services or technology to Indian resident companies setting up electronics manufacturing facilities under a government-notified scheme.
- Under this regime, 25% of the total amount received or receivable by the non-resident for such services or technology will be deemed as business income.

B. Indirect Tax Proposals

CUSTOMS LAWS: KEY AMENDMENTS IN CUSTOMS ACT, 1962 & IGCR RULES, 2022

Finalization of Provisional Assessment (Section 18)

- A definite time limit of two years is introduced for finalizing provisional assessments, extendable by one year.
- Certain exceptions have been proposed where the two-year limit will not apply that are as follows:
  - Pending information from international authorities
  - Pending appeals with similar issues
  - Stay on appeal proceedings
  - Board instructions, etc.

Voluntary Duty Revision (Section 18A - New Insertion)

- Importers/exporters can voluntarily revise duties post-clearance.
- Short-paid duties can be paid with interest but without penalty.
- Excess-paid duties will be treated as a refund claim under Section 27.
- A structured mechanism for voluntary revision will be prescribed.

Settlement Commission to be Replaced by Interim Board

- Definitions of Interim Board and its Members inserted in Sections 127A/B/C/D/F/G/H.
- From April 1, 2025, the Interim Board will exercise powers of the Settlement Commission.
- Applications filed before April 1, 2025, and accepted will be processed by the Settlement Commission.

Amendments To IGCR Rules, 2022

- Extended Utilization Time for Duty-Free Imports - The period for utilizing duty-free imported inputs for exports/job work has been extended from six months to one year.
- Quarterly statements will replace monthly reporting requirements.

Other Key Customs Amendments

Extension for Repaired Imported Goods (Notification No. 153/1994 - Customs)

- The return period for imported goods sent for repairs extended from six months to one year.
- Further one-year extension allowed, now covering railway goods (Chapter 86).

Duty-Free Imports for Handicrafts (Notification No. 50/2017 - Customs)

- Nine additional item groups added to the duty-free import list for handicraft exports.
- Export obligation period extended from six months to one year, further extendable by three months.

Exemption for Space Industry (Notification No. 50/2017 - Customs, Serial No. 539A)

- Full exemption granted for goods used in launch vehicles and satellite launches.

SNR & COMPANY
CHARTERED ACCOUNTANTS

KRESTON SNR

Changes in Customs Duties

A. Incentivizing Domestic Manufacturing (Make in India)

Customs Duty Rationalization

-

- Eight effective duty slabs introduced for simplification.
- Full exemption on Basic Customs Duty (BCD) for:

  PCBAs for mobile phones, camera lenses, connectors, and carrier ethernet switches.
- Duty Adjustments on Interactive Flat Panel Displays (IFPDs)
  - IFPD BCD increased from 10% to 20%.
  - BCD on Open Cell and components for IFPD reduced to 5%.
  - Parts of Open Cell fully exempted.
- Extension of 25 Concessional Exemptions under Notification No. 50/2017, now with specific expiry dates.

B. Support for Infrastructure & Agriculture

Agriculture Infrastructure & Development Cess (AIDC)

- AIDC rates revised across multiple HSN codes.
- 82 tariff lines shifted to AIDC instead of Social Welfare Surcharge (SWS).

C. Incentivizing Clean Energy Manufacturing

Duty Exemptions for Lithium-Ion Cell & Mobile Battery Manufacturing

- 35 capital goods for EV lithium-ion cells and 28 goods for mobile battery manufacturing fully exempted.
- Reduced Duty on Solar Energy Components
  - Solar module duty reduced from 40% to 20%.
  - Solar cell duty reduced from 25% to 20%.
  - AIDC on solar modules increased to compensate for duty reduction revenue loss.

D. Boost to Semiconductor Industry

Full BCD Exemption on selected minerals & mineral scrap used in semiconductor manufacturing.

Tariff & Customs Duty Adjustments On Vehicles & Bicycles

A. Motor Vehicles (Effective May 1, 2025, with interim changes from February 2, 2025)

- Passenger & Goods Transport Vehicles (HS 8702 & 8704)
  - Tariff rate reduced from 40% to 20%.
  - From February 2, 2025, these vehicles will be subject to 20% BCD + 20% AIDC + Nil SWS.
- Luxury & Used Cars (HS 8703)
  - Tariff rate reduced from 100% to 70%.
  - Luxury Cars (CBU) > USD 40,000: 70% BCD + 40% AIDC + Nil SWS.
  - Used Cars: 70% BCD + 67.5% AIDC + Nil SWS.

B. Motorcycles (HS 8711) - Effective May 1, 2025

- Tariff rate reduced from 100% to 70%.
- From February 2, 2025, used motorcycles will be subject to 70% BCD + 40% AIDC + Nil SWS.

C. Bicycles (HS 87120010) - Effective May 1, 2025

- Tariff rate reduced from 35% to 20%.
- From February 2, 2025, used bicycles will attract 20% BCD + 15% AIDC.

GOODS AND SERVICES TAX (GST) ACT

1. Removal of Provisions Related to Time of Supply of Vouchers

Omission of Sections 12(4) & 13(4) of the CGST Act, 2017

- These provisions, which defined the time of supply of vouchers, are removed.
- As a result, sale/distribution of vouchers under the P2P model will no longer attract GST.
- However, underlying goods/services for which vouchers are used as consideration will remain taxable.
- This amendment is in line with the recommendations from the 55th GST Council Meeting.

2. Amendment to Section 17(5) – ITC Restriction on Immovable Property Construction

Modification of "Plant or Machinery" to "Plant and Machinery" (Retrospective from July 1, 2017)

- Clarification added that, irrespective of any court ruling, the term "plant or machinery" shall always be construed as "plant and machinery".
- Ensures uniform interpretation across all judicial and administrative authorities.

3. Expansion of Input Service Distributor (ISD) Mechanism

Amendments to Sections 2(61) & 20(1) of the CGST Act

- Now includes references to supplies taxable under Sections 5(3) & 5(4) of the IGST Act.
- Inter-state reverse charge mechanism (RCM) transactions will now be covered under the ISD framework.
- Effective Date: April 1, 2025.

3. Expansion of Input Service Distributor (ISD) Mechanism

Amendments to Sections 2(61) & 20(1) of the CGST Act

- Now includes references to supplies taxable under Sections 5(3) & 5(4) of the IGST Act.
- Inter-state reverse charge mechanism (RCM) transactions will now be covered under the ISD framework.
- Effective Date: April 1, 2025.

4. Reduction of Output Tax Liability – Credit/Debit Notes (Section 34 Amendment)

Additional conditions introduced for reducing tax liability through credit notes:

- Reversal of Input Tax Credit (ITC) by the recipient if previously availed.
- Confirmation that the tax incidence has not been passed on to another person in all other cases.

5. Legislative Enablement of Invoice Management System (IMS)

Amendments to Sections 38(1) & 38(2) of the CGST Act

- "Auto-generated statement" replaced with "a statement" containing ITC details in Form GSTR-2B.
- The government is now empowered to prescribe additional details for Form GSTR-2B reporting.

6. Changes to Return Filing Provisions (Section 39 Amendment)

- The Government can impose conditions or restrictions on registered persons while filing monthly GST returns.

7. Mandatory Pre-Deposit for Appeals Involving Only Penalty Orders

Changes to Sections 107(6) & 112(8) of the CGST Act:

- First appellate authority: 10% of the penalty amount as pre-deposit.
- GST Appellate Tribunal: Additional 10% of the penalty (on top of the first appellate pre-deposit).
- For other appeals, existing pre-deposit provisions remain unchanged.

8. Introduction of Track and Trace Mechanism for Certain Goods (New Section 148A)

- Empowers the government to introduce a tracking mechanism for high-tax-evasion commodities.
- Requires affixing a Unique Identification Marking on such goods or packaging for supply chain monitoring.
- Penalty for non-compliance:
  - INR 100,000 (USD 1,200) or 10% of tax payable, whichever is higher.

9. Amendment to Schedule III – Retrospective from July 1, 2017

- New Clause Added After Clause 8(a):
  - Supply of goods warehoused in Special Economic Zones (SEZ) or Free Trade Warehousing Units (FTWZ).
  - Transactions before clearance for export or to the Domestic Tariff Area (DTA) will now be neither a supply of goods nor a supply of services.
- Aligns SEZ/FTWZ warehousing rules with Customs bonded warehouse provisions to facilitate trade.

Our Presence

Corporate Office

Delhi

A-15, IInd Floor, Hauz Khas,
New Delhi – 110016, India
Tel: + 91-11-41655801 ,91-11-41655802
Email: info@krestonsnr.com

Associate Offices

Mumbai | Kochi | Baroda | Ahmedabad | Chennai | Hyderabad | Kolkata

Branch Offices

Bangalore

No - 5A, 2nd Floor,
6th Main KHB Colony,
Basaveshwara Nagar, Bangalore Karnataka - 560079
(India) Tel: +91 80 42064178

Pune

Office no 2A, Gangotri Complex,
927, Synagague Street, Camp PUNE - 411001
(INDIA) Tel: +91 020 30492191

Thank You