

BUDGET 2025



The Taxpayer's Lens Direct Taxes Reforms

ABOUT THE BUDGET:

The Union Budget 2025-26 aims to build a resilient and inclusive India, focusing on "Viksit Bharat" (Developed India). It prioritizes poverty eradication, quality education, healthcare, skilled jobs, and women's empowerment while boosting private investment and middle-class financial well-being. Key areas include agriculture, rural development, manufacturing, exports, and energy security, with a special emphasis on leveraging technology and innovation to drive growth. The budget also introduces targeted schemes to support marginalized communities, enhance digital infrastructure, and promote green energy initiatives to combat climate change. With structural reforms and sustainable growth at its core, the budget seeks balanced progress across all regions, ensuring no one is left behind in India's journey toward prosperity. Additionally, it allocates significant resources to strengthen MSMEs, foster entrepreneurship, and improve ease of doing business, creating a robust ecosystem for economic expansion. By prioritizing inclusive development and long-term sustainability, the budget lays a strong foundation for India to emerge as a global economic powerhouse while addressing the needs of its diverse population.

TAX RATES

Default tax rates under Section 115BAC for individuals, HUFs, AOPs, BOIs, and artificial juridical persons:

Under the new tax regime, the tax-free threshold has been increased to ₹4 lakh. The revised tax structure is as follows:

Income Range (₹)	Tax Rate (%)
Upto 4,00,000	Nil
4,00,001 – 8,00,000	5%
8,00,001 – 12,00,000	10%
12,00,001 – 16,00,000	15%
16,00,001 – 20,00,000	20%
20,00,001 – 24,00,000	25%
Above 24,00,000	30%

Surcharge applies on income exceeding ₹50 lakh, with rates ranging from 10% to 25%, depending on income slabs. Marginal relief is provided.

Health and Education Cess remains at 4% on income tax and surcharge.

Tax Rates for Other Entities

- **Co-operative Societies:** Rates remain unchanged (10% up to ₹10,000; 20% for ₹10,001–₹20,000; 30% above ₹20,000).
- **Firms:** Flat rate of 30%.
- **Local Authorities:** Flat rate of 30%.

- **Domestic Companies:**
- 25% if turnover ≤ ₹400 crore (AY 2022-23).
- 30% for others.
- Option to pay tax at 22% under Section 115BAA (with 10% surcharge).
- **Foreign Companies:** 35% on total income (other than income chargeable at special rates).

Rebate under Section 87A of the Income Tax Act

Key Provisions of Section 87A

- **Basic Rebate Provision:** Individuals with a total income of up to ₹5 lakh are eligible for a 100% rebate on income tax. This means no income tax is payable for individuals earning up to ₹5 lakh.
- **Amendments by Finance Act, 2023:** A proviso was added to Section 87A to provide rebates for individuals opting for the new tax regime under Section 115BAC(1A).
- **Rebate Limits:**
 - For total income up to ₹7 lakh, a rebate of up to ₹25,000 is available.
 - Marginal relief is provided for incomes exceeding ₹7 lakh.
- **Exclusions from Rebate:** The rebate under Section 87A does not apply to income chargeable at special rates, such as capital gains under Sections 111A and 112.

Proposed Changes from Assessment Year 2026-27

- **Enhanced Rebate Limits**
 - The total income limit for rebate under clauses (a) and (b) of the first proviso to Section 87A will be increased from ₹7 lakh to ₹12 lakh.
 - The rebate amount under clause (a) will be raised from ₹25,000 to ₹60,000.
- **Rationalization of Provisions:** A new proviso will be inserted to ensure that the rebate does not exceed the income tax payable under the rates specified in Section 115BAC(1A).
- **Continuation of Exclusions:** The rebate will continue to exclude income chargeable at special rates, such as capital gains

Extension of Presumptive Taxation Scheme for Non-Residents in Electronics Manufacturing

Key Features of the Proposal

- **New Section 44BBD:** A new section, 44BBD, will be inserted into the Income Tax Act. This section will deem 25% of the aggregate amount received/receivable or paid/payable to the non-resident as profits and gains from the business of providing services or technology.
- **Effective Tax Rate:** The presumptive taxation regime will result in an effective tax rate of less than 10% on gross receipts for non-resident companies.
- **Applicability:** The amendment will take effect from 1st April 2026 and will apply to the assessment year 2026-27 and subsequent years.

Rationale

- **Certainty for Non-Residents:** The presumptive taxation regime provides clarity and predictability for non-residents regarding their tax liabilities in India.
- **Promotion of Electronics Manufacturing:** By reducing the tax burden on non-residents providing critical technology and services, the government aims to attract more foreign expertise and investment into the electronics manufacturing sector.
- **Alignment with National Goals:** This measure aligns with India's broader goal of becoming a global leader in electronics manufacturing and self-reliance in semiconductor and display production.

Rationalisation in Taxation of Business Trusts

Background:

The Finance (No. 2) Act, 2014 introduced a special taxation regime for business trusts (REITs and InVITs) under Section 115UA of the Income Tax Act. This regime was designed to facilitate financing and investment in infrastructure and real estate sectors.

Current Provisions:

- Business trusts enjoy a pass-through status for certain types of income, such as:
 - Interest income and dividend income received from Special Purpose Vehicles (SPVs) in the case of both REITs and InVITs.
 - Rental income in the case of REITs.
- Such income is taxed in the hands of the unit holders unless specifically exempted.
- Under Section 115UA(2), the total income of a business trust is taxed at the maximum marginal rate, subject to the provisions of Section 111A (tax on short-term capital gains) and Section 112 (tax on long-term capital gains).

Key Issue:

Section 112A, which governs tax on long-term capital gains from equity shares, units of equity-oriented funds, or units of business trusts, is not referenced in Section 115UA(2). This creates an inconsistency in the taxation of long-term capital gains for business trusts.

Proposed Amendments:

- **Amendment to Section 115UA(2):**
 - The provision will be amended to include a reference to Section 112A.
 - This ensures that the taxation of long-term capital gains under Section 112A is also considered while determining the tax liability of business trusts.
- **Objective:**
 - To align the taxation of business trusts with the provisions of Section 112A and ensure consistency in the treatment of long-term capital gains.

Effective Date:

- The amendment will take effect from 1st April 2026.
- It will apply to the Assessment Year 2026-27 and subsequent years.

Harmonisation of Significant Economic Presence (SEP) Applicability with Business Connection under Section 9 of the Income Tax Act

Key Provisions of Section 9

- **Deemed Accrual of Income (Clause (i)):**
 - Income accruing or arising, directly or indirectly, through or from any business connection in India is deemed to accrue or arise in India.
- **Exclusion for Export-Related Purchases (Explanation 1, Clause (b)):**
 - In the case of non-residents, income arising from operations confined to the purchase of goods in India for export purposes is not deemed to accrue or arise in India.
- **Significant Economic Presence (Explanation 2A):**
 - SEP of a non-resident in India constitutes a business connection.
 - SEP includes transactions in respect of goods carried out by a non-resident with any person in India.

Issue Identified

- The current definition of SEP under Explanation 2A may override the specific exclusion provided under Explanation 1, Clause (b).
- This could lead to situations where income from export-related purchases by non-residents is treated as income deemed to accrue or arise in India, contrary to the intended exclusion.

Proposed Amendment

To address this inconsistency, it is proposed to amend Explanation 2A of Section 9 as follows:

- Transactions or activities of a non-resident in India that are confined to the purchase of goods for export purposes shall not constitute SEP.
- This amendment will align the SEP provisions with the exclusion under Explanation 1, Clause (b) for business connection.

Effective Date

- The proposed amendment will take effect from 1st April 2026.
- It will apply to the assessment year 2026-27 and subsequent years

Taxation of Unit Linked Insurance Policies (ULIPs) under Section 10(10D) of the Income Tax Act

Key Provisions and Amendments

- **Exemption under Section 10(10D):**
 - Income from life insurance policies, including bonuses, is exempt under Section 10(10D).
 - Condition: The annual premium should not exceed 10% of the actual capital sum assured.
 - Amendment (Finance Act, 2021): For ULIPs issued on or after 1st February 2021, the exemption under Section 10(10D) will not apply if the aggregate premium during the policy term exceeds ₹2,50,000.
- **Taxation of ULIPs:**
 - ULIPs are treated as capital assets only if the exemption under Section 10(10D) does not apply (due to the ₹2,50,000 premium limit).
 - Tax Treatment:
 - ULIPs: Profits from redemption are taxed as capital gains.
 - Non-ULIP Life Insurance Policies: Sums received are taxed under "Income from Other Sources" if the exemption under Section 10(10D) does not apply.
- **Rationalization of ULIP Provisions:**
 - The following provisions are proposed to bring clarity:
 - Capital Asset Classification: ULIPs not eligible for exemption under Section 10(10D) are classified as capital assets [Section 2(14)].
 - Taxation as Capital Gains: Profits from the redemption of such ULIPs will be taxed as capital gains [Section 45(1B)].
 - Equity-Oriented Fund Definition: ULIPs not eligible for exemption will be included in the definition of equity-oriented funds [Section 112A].
- **Exclusions from Exemption:**
 - Sums received under ULIPs, as per sub-clauses (a) to (d) of Section 10(10D), are not eligible for exemption if the premium exceeds the specified limit.

Effective Date

- The amendments will take effect from 1st April 2026.
- They will apply to the Assessment Year 2026-27 and subsequent years.

Rationalization of tax deducted at source (TDS) rates.

s.no	Section	Current Threshold	Proposed Threshold
1.	193 - Interest on securities	Nil	Rs. 10,000/-
2.	194A - Interest other than Interest on securities	(i) Rs. 50,000/- for senior citizen; (ii) Rs. 40,000/- in case of others when payer is bank, cooperative society and post office (iii) Rs. 5,000/- in other cases	(i) Rs. 1,00,000/- for senior citizen (ii) Rs. 50,000/- in case of others when payer is bank, cooperative society and post office (iii) Rs. 10,000/- in other cases
3.	194 - Dividend for an individual shareholder	Rs. 5,000/-	Rs. 10,000/-
4.	194K - Income in respect of units of a mutual fund or specified company or undertaking	Rs. 5,000/-	Rs. 10,000/-
5	194B - Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction
	194BB - Winnings from horse race		
6	194D - Insurance commission	Rs. 15,000/	Rs. 20,000/-

s.no	Section	Current Threshold	Proposed Threshold
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.	Fees for professional services- 194J	Rs. 30,000/-	Rs. 50,000/-
12.	Fees for technical services- 194J	Rs. 30,000/-	Rs. 50,000/-
13.	Royalty- 194J	Rs. 30,000/-	Rs. 50,000/-
14.	Any sum referred to in clause (va) of section 28- 194J	Rs. 30,000/-	Rs. 50,000/-
15.	194LA - Income by way of enhanced compensation	Rs. 2,50,000/-	5,00,000/-

Effective Date

The proposed amendment is set to take effect from April 1, 2025.

Rationalisation of "Forest Produce" Definition and TCS Rates

Current Provisions:

- Section 206C(1) of the Income Tax Act mandates sellers to collect TCS at 2.5% on the sale of specified goods, including:
 - Timber obtained under a forest lease.
 - Timber obtained by any other mode.
 - Any other forest produce (excluding timber or tendu leaves).

Issues Identified:

- No clear definition of "forest produce" in the Act, leading to difficulties in application.
- TCS provisions are being applied to traders selling forest produce, creating confusion.

Proposed Amendments:

- **Definition of "Forest Produce":** It will now align with the definition provided in State Acts or the Indian Forest Act, 1927.
- **Applicability of TCS:** Only forest produce (excluding timber or tendu leaves) obtained under a forest lease will be subject to TCS.
 - Revised TCS Rates:
 - Timber or forest produce obtained under a forest lease: 2%.
 - Timber obtained by any other mode: 2%.

Effective Date:

These changes will take effect from 1st April 2025.

Reduction in compliance burden by omission of TCS on sale of specified goods

Current Provisions:

- Section 206C(1H): Requires sellers to collect TCS at 0.1% on sale consideration exceeding ₹50 lakhs in a financial year.
- Section 194Q: Requires buyers to deduct TDS at 0.1% on purchases exceeding ₹50 lakhs from resident sellers.

Issues Identified:

- Overlap between TCS (seller) and TDS (buyer) on the same transaction.
- Sellers face difficulties in verifying whether buyers have complied with TDS under Section 194Q.

Proposed Amendment:

- Omission of Section 206C(1H): The provision for TCS on sale of specified goods will no longer apply from 1st April 2025.
- This aims to reduce compliance burden and facilitate ease of doing business.

Effective Date:

The amendment will take effect from 1st April 2025.

Proposed Amendments to Block Assessment Provisions under Chapter XIV-B

1. Introduction of Block Assessment for Search and Requisition Cases

- The concept of block assessment is introduced under Chapter XIV-B (Sections 158B to 158BI) for cases where:
 - A search under Section 132 is initiated, or
 - A requisition under Section 132A is made, on or after 1st September 2024.

2. Key Amendments Proposed

2.1 Definition of "Undisclosed Income" (Section 158B)

- The term "virtual digital asset" is added to the definition of "undisclosed income" for the purpose of block assessment.

2.2 Abatement and Revival of Assessments (Section 158BA)

- Sub-sections (2) and (3):
 - Any pending assessment, reassessment, recomputation, reference, or order for any assessment year in the block period will abate upon initiation of a search or requisition.
- Sub-section (5):
 - If a proceeding under Chapter XIV-B is annulled in appeal or other legal proceedings, the abated assessments will revive.
 - Amendment: The words "recomputation," "reference," and "order" are added to align with sub-sections (2) and (3).

2.3 Completion of Pending Assessments (Section 158BA)

- Sub-section (4):
 - If a subsequent search or requisition is initiated while an assessment is pending, the pending assessment must be completed first.
 - Amendment: The word "pending" is replaced with "required to be made" to clarify that assessments may not always be pending when a subsequent search is initiated.

2.4 Computation of Total Income (Section 158BB)

- Clause (i) of Sub-section (1):
 - The term "total income disclosed" is replaced with "undisclosed income declared in return."
- Clause (iii) of Sub-section (1):
 - Income declared in returns filed under Section 139, 142(1), or 148 prior to the search or requisition will form part of the block period income.
 - The word "total" is omitted from "total income" in clauses (ii) and (iii).

- Clause (iv) of Sub-section (1):
 - Clarification is provided for computing income for the previous year where the due date for filing returns has not expired before the search or requisition.

2.5 Exclusion of International and Specified Domestic Transactions (Section 158BB)

- Sub-section (3):
 - Income related to international or specified domestic transactions will not be included in the block period income.
 - This is to avoid difficulties in assessing arm's length prices for part-period transactions.

2.6 Time Limit for Block Assessment (Section 158BE)

- The time limit for completing block assessments is revised to 12 months from the end of the quarter in which the last authorisation for search or requisition is executed.
- This change addresses challenges in group cases with multiple time-barring dates.

3. Non-Applicability of Section 271AAB

- Section 271AAB (penalty provisions for searches initiated after 15.12.2016) will not apply to searches initiated under Section 132 on or after 1st September 2024.
- This amendment removes ambiguity regarding the applicability of penalties in block assessment cases.

4. Rationalization of Provisions under Sections 132 and 132B

4.1 Retention of Seized Documents (Section 132)

- Sub-section (8):
 - The time limit for seeking approval to retain seized books of account or documents is revised to one month from the end of the quarter in which the assessment, reassessment, or recomputation order is made.
 - This change simplifies the process in group cases where assessment orders are passed at different times.

4.2 Alignment of Definitions (Section 132B)

- Explanation 1:
 - The term "authorisation" is replaced with "authorisations" to align with other provisions of the Act.
- Clause (ii) of Explanation 1:
 - References to Section 158BE are updated to Section 158B to reflect the introduction of block assessment provisions.

5. Effective Dates

- Amendments to Chapter XIV-B (Block Assessment) will take effect from 1st February 2025.
- Amendments to Sections 132 and 132B will take effect from 1st April 2025.
- The non-applicability of Section 271AAB will take effect from 1st September 2024.

Rationalisation of Transfer Pricing Provisions for Multi-Year Arm's Length Price Determination

Current Framework

1. **Reference to TPO:** Under Section 92CA, the Assessing Officer (AO) can refer the computation of ALP for international or specified domestic transactions to the TPO, with prior approval from the Principal Commissioner or Commissioner.
2. **ALP Determination:** The TPO determines the ALP under Section 92C(3) and communicates the order to the AO and the assessee. The AO then computes the total income of the assessee in conformity with the ALP determined by the TPO.
3. **Repetitive Assessments:** In many cases, similar transactions, facts, and ALP analyses are repeated annually, creating compliance and administrative burdens.

Proposed Amendments

The proposed amendments aim to streamline the process by allowing ALP determinations to apply to similar transactions for two consecutive years, reducing the need for repetitive assessments.

1. Reference to TPO

- Option for Multi-Year ALP: Assesseees can opt for multi-year ALP determination for similar transactions. The option must be exercised in a prescribed manner and within a specified time frame.
- TPO's Role:
 - The TPO will validate the option within one month of its exercise.
 - If the option is valid, the ALP determined for a transaction in one year will apply to the same transaction for the next two consecutive years.
 - The TPO will examine and determine the ALP for the subsequent years under Section 92C(3).
 - No further references for ALP computation will be made for these transactions.
- Exceptions: The provisions do not apply to proceedings under Chapter XIV-B (special procedures for search and seizure cases).
- Guidelines: The Central Board of Direct Taxes (CBDT) may issue binding guidelines to address any difficulties in implementing these provisions.

2. Recomputation of Income under Section 155

- A new sub-section (21) will be inserted into Section 155 to facilitate the recomputation of total income for the two consecutive years based on the ALP determined by the TPO.
- The AO must complete the recomputation within three months from the end of the month in which the assessment for the initial year is completed.

- The recomputation will consider any directions issued under Section 144C(5) and will be subject to the provisos under Section 92C(4).

Key Benefits

1. **Reduced Compliance Burden:** Assesseees will no longer need to undergo repetitive ALP determinations for similar transactions annually.
2. **Administrative Efficiency:** TPOs will save time and resources by avoiding redundant analyses for the same transactions across multiple years.
3. **Certainty and Consistency:** Multi-year ALP determination provides greater certainty and consistency in transfer pricing assessments.

Effective Date

The proposed amendments will take effect from April 1, 2026, and will apply to the assessment year 2026-27 and subsequent years.

Extending the Time-Limit to File the Updated Return under Section 139(8A) of the Income Tax Act

Introduction

Sub-section (8A) of Section 139 of the Income Tax Act, 1961, governs the filing of updated returns. The current provisions allow taxpayers to file an updated return within 24 months from the end of the relevant assessment year. This provision was introduced to encourage voluntary compliance by allowing taxpayers to rectify omissions or errors in their original returns, subject to the payment of additional income tax.

The existing framework imposes an additional tax of:

- 25% of the aggregate tax and interest payable if the updated return is filed within 12 months from the end of the relevant assessment year.
- 50% of the aggregate tax and interest payable if the updated return is filed after 12 months but within 24 months from the end of the relevant assessment year.

To further promote voluntary compliance and provide taxpayers with an extended window to rectify their returns, the government has proposed amendments to extend the time limit for filing updated returns and revise the additional tax rates.

Proposed Amendments

1. Extension of Time Limit:

- The time limit for filing updated returns is proposed to be extended from the current 24 months to 48 months from the end of the relevant assessment year.

2. Revised Additional Tax Rates:

- For updated returns filed after 24 months but within 36 months from the end of the relevant assessment year, the additional tax payable will be 60% of the aggregate tax and interest.
- For updated returns filed after 36 months but within 48 months from the end of the relevant assessment year, the additional tax payable will be 70% of the aggregate tax and interest.

3. Restriction on Filing Updated Returns:

- No updated return can be filed if a notice under Section 148A (show-cause notice for reassessment) has been issued after 36 months from the end of the relevant assessment year.
- However, if the assessing officer determines that it is not a fit case for reassessment under Section 148A(3), the taxpayer will be allowed to file an updated return within the extended 48-month period.

Effective Date:

The proposed amendments will come into effect from 1st April 2025.

Obligation to Furnish Information in Respect of Crypto-Asset

Introduction

The Finance Act, 2022 introduced taxation on Virtual Digital Assets (VDA) under Section 115BBH of the Income-tax Act, 1961 ('the Act'). The Act imposes a 30% tax on the transfer of VDAs, allowing no deductions except for the cost of acquisition. To ensure proper reporting and compliance, Section 194S was inserted, requiring a 1% tax deduction at source (TDS) on VDA transactions.

Proposed Insertion of Section 285BAA

To further enhance the monitoring of crypto-asset transactions, it is proposed to introduce Section 285BAA, which establishes an obligation to furnish information regarding crypto-assets. The key provisions are as follows:

1. Reporting Obligation:

- Any prescribed reporting entity dealing in crypto-assets must furnish transaction details in a statement to the prescribed income-tax authority within the specified period, form, and manner.

2. Rectification of Defective Statements:

- If the submitted statement is found defective, the income-tax authority may notify the reporting entity.
- The entity has 30 days (or an extended period) to rectify the defect. Failure to do so will result in the statement being treated as containing inaccurate information, attracting penalties.

3. Notice for Non-Filing of Statement:

- If a reporting entity fails to submit the statement within the prescribed time, the income-tax authority may issue a notice requiring compliance within a given timeframe.

4. Correction of Inaccurate Information:

- If a reporting entity discovers inaccuracies in a submitted statement, it must inform the authority and furnish corrected details within a prescribed period.

5. Government Oversight & Due Diligence:

- The Central Government will specify:
 - The entities required to register with the income-tax authority.
 - The nature and manner of information maintenance.
 - Due diligence requirements for identifying crypto-asset users and owners.

Amendment to Definition of Virtual Digital Asset

It is proposed to amend Clause (47A) of Section 2 by inserting sub-clause (d), which expands the definition of Virtual Digital Asset (VDA) to include any crypto-asset that uses a cryptographically secured distributed ledger or similar technology for validating and securing transactions, regardless of its prior classification.

Effective Date

These amendments will come into effect from April 1, 2026.

Others

Section 275 of the Act currently sets varying timelines for imposing penalties in different cases, such as appeals before the ITAT, JCIT(Appeal), or Commissioner(Appeal), leading to complexities in tracking multiple deadlines. To streamline this, it is proposed to amend Section 275, setting a uniform six-month deadline from the end of the quarter in which related proceedings conclude or appeal orders are received. Consequential updates will also be made to Section 246A. These changes will be effective from April 1, 2025, aiming to enhance tax administration efficiency.

The clarification addresses the exclusion of the period during which court-ordered stays or injunctions halt proceedings under various sections of the Act. Previously, there was ambiguity regarding the start and end dates of such excluded periods. To resolve this, amendments are proposed to specify that the excluded period begins on the date the stay is granted and ends when the jurisdictional authority receives the certified copy of the order vacating the stay. These changes will be effective from April 1, 2025.

Sections 72A and 72AA of the Act allow the carry forward and set-off of accumulated losses and unabsorbed depreciation in cases of amalgamation or business reorganization. The proposed amendment aligns these sections with Section 72, limiting the carry-forward of losses to eight assessment years from the year the loss was first computed. This change aims to prevent the indefinite carry-forward of losses through successive amalgamations and ensures no losses are carried forward beyond the eight-year limit. The amendments will apply to amalgamations or reorganizations effected on or after April 1, 2025, and will take effect from April 1, 2026.

The government proposes to remove Sections 206AB and 206CCA of the Income Tax Act, which mandate higher TDS/TCS rates for non-filers of income tax returns. Stakeholders highlighted challenges in verifying return filings, leading to higher deductions, blocked capital, and increased compliance burdens. To address these issues, both sections will be omitted, effective from April 1, 2025, easing compliance for deductors/collectors.

The existing income limits for calculating perquisites under Section 17 of the Income Tax Act, set at ₹50,000 and ₹2 lakh, were established in 2001 and 1993, respectively. These limits are outdated and need revision to reflect current living standards and economic conditions. Proposed amendments aim to increase these limits, exempting certain employee benefits and medical travel expenses from being treated as perquisites. The changes will empower the government to prescribe updated rules. The amendments will take effect from April 1, 2026, and apply to the assessment year 2026-27 and beyond.

The NPS Vatsalya Scheme, launched on 18 September 2024, allows parents/guardians to open a National Pension Scheme (NPS) account for minors, managed by the guardian until the child turns 18. Upon majority, the account transitions to the child's name, shifting to an NPS-Tier 1 Account or other non-NPS schemes. Tax benefits under Section 80CCD are proposed for contributions to NPS Vatsalya accounts, allowing a deduction of up to ₹50,000 for the parent/guardian, with withdrawals taxed upon maturity. In case of the minor's death, the corpus will not be taxed as the guardian's income. Partial withdrawals for specific contingencies like education or medical needs will be tax-free up to 25% of contributions. These amendments will apply from 1 April 2026, effective for the assessment year 2026-27 onwards.

Section 80CCA allows tax deductions for deposits made in the National Savings Scheme (NSS) by individuals or Hindu undivided families, but no deductions have been allowed since April 1, 1992. Withdrawals, including accrued interest, are taxable as income, but only for deposits made before April 1, 1992. A 1989 circular exempted withdrawals due to the depositor's death from taxation for legal heirs. In 2024, the Department of Economic Affairs announced that no interest would be paid on NSS balances after October 1, 2024, prompting requests for relief. To address this, an amendment to Section 80CCA is proposed to exempt withdrawals made after August 29, 2024, for pre-April 1992 deposits, including accrued interest. This amendment will apply retrospectively from August 29, 2024.

Section 23 of the Act determines the annual value of self-occupied property. Currently, if a property is occupied by the owner for residence or cannot be occupied due to employment/business elsewhere, its annual value is considered nil, applicable to two specified properties. The proposed amendment simplifies this by allowing the annual value to be nil for any self-occupied property, regardless of the reason for non-occupancy, while retaining the limit of two properties. This change will be effective from April 1, 2025, applying to the assessment year 2025-26 onwards.

The Specified Undertaking of Unit Trust of India (SUUTI), established under the UTI Repeal Act, 2002, manages the liquidation of government liabilities from the erstwhile UTI. Initially exempt from income-tax until March 31, 2023, this exemption was extended to March 31, 2025, via the Finance Act, 2023. However, SUUTI's tasks, such as scheme redemptions, payments, and litigation, are expected to continue beyond this date. To address this, a proposal seeks to amend the UTI Repeal Act, 2002, to extend the income-tax exemption for SUUTI until March 31, 2027. This amendment will take effect from April 1, 2025, ensuring no income-tax or related taxes are levied on SUUTI during this period.

Section 270AA of the Act outlines the procedure for granting immunity from penalty or prosecution, requiring applications to be submitted within one month from the end of the month in which the relevant order is received. The Assessing Officer must decide on the application within one month of receiving it. Stakeholders have highlighted challenges faced by taxpayers in meeting these tight deadlines. To address this, it is proposed to extend the processing period for such applications to three months from the end of the month in which the application is received. This amendment will be effective from April 1, 2025, providing taxpayers more time to present their cases.

The Central Government has introduced reforms to digitize tax processes, reducing person-to-person interactions and enabling team-based assessments with dynamic jurisdiction. Faceless schemes under sections 92CA, 144C, 253, and 255 of the Act were introduced through legislative amendments, with initial deadlines for implementation. Due to challenges, these deadlines were extended to 31.03.2024 and further to 31.03.2025. It is now proposed to remove the end date for notifying faceless schemes, allowing the government to issue directions beyond 31.03.2025 if necessary. These amendments will be effective from 01.04.2025, ensuring flexibility in implementing these reforms.

The proposal aims to streamline penalty imposition under sections 271C, 271CA, 271D, 271DA, 271DB, and 271E of the Act by shifting the authority from the Joint Commissioner to the Assessing Officer. However, for penalties exceeding specified limits, the Assessing Officer must seek prior approval from the Joint Commissioner. Consequential amendments to section 246A are also proposed. Additionally, section 271BB, which penalizes failure to subscribe to eligible capital issues, is proposed for omission as its parent section (88A) was removed in 1996, rendering it irrelevant. These changes will take effect from 01.04.2025, rationalizing the penalty imposition process.

Section 276BB of the Act currently mandates prosecution, including rigorous imprisonment and fines, for failing to deposit tax collected at source (TCS) to the Central Government. To provide relief, it is proposed to amend this section to exempt prosecution if the TCS is paid to the government by the deadline for filing the quarterly statement under section 206C(3). This change aims to reduce undue hardship for delayed payments made within the specified timeframe. The amendment will be effective from 01.04.2025.

The proposed amendment to Section 206C(7A) of the Income-tax Act clarifies the time limit for deeming a person as an assessee in default for failure to collect tax. Currently, the time limit is six years from the end of the financial year in which tax was collectible or two years from the end of the financial year in which a correction statement is filed, whichever is later. The amendment aligns this time limit with Section 153, ensuring exclusions for periods such as court-ordered stays. This change will be effective from April 1, 2025.

The proposed amendment to Section 115VP of the Income-tax Act extends the time limit for passing an order on an application for the tonnage tax scheme. Currently, the Joint Commissioner must approve or reject the application within one month from the end of the month in which it was received. Given the short time frame for verification, including document scrutiny and ship inspections, the amendment increases this time limit to three months from the end of the quarter in which the application is received. This change applies to applications filed on or after April 1, 2025, and ensures a more reasonable period for decision-making.

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