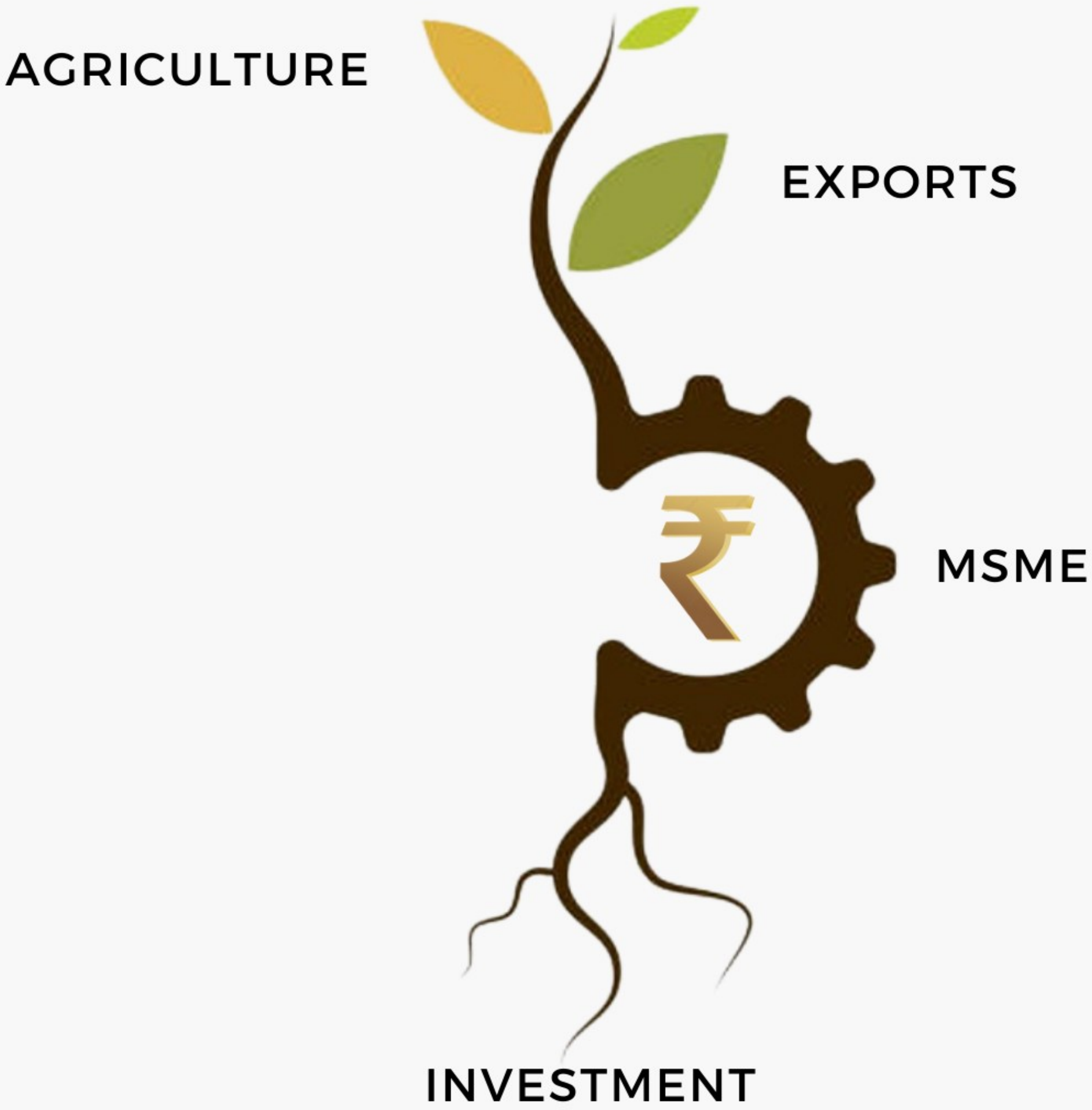
UNION BUDGET 2025 - AN EXCLUSIVE ANALYSIS

VISION 360



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FOREWORD

A COUNTRY IS NOT JUST ITS SOIL, A COUNTRY IS ITS PEOPLE...

Taking cue from this poem by Gurajada Appa Rao, the Hon'ble Finance Minister started her record consecutive eight Budget Proposal which is slated to empower the poor, the youth, our farmers and women in an attempt to realise the aspiration of a 'Viksit Bharat' by 2047.

The vehicle of development envisioned by this Union Budget is based on quadruple engine! 'Agriculture' for enhancing productivity, sustainable practices, and irrigation facilities. Boosting the 'MSMEs' through credit availability and customized credit cards. 'Investment' in people, economy, and innovation and lastly 'Exports' to promote the trade and nurture innovations. All this to eventually attain the ultimate goal of inclusivity.

Amongst all the budget proposals, Direct tax proposals garnered the largest applaud from across the country, including from the opposition! While announcements of a new Income Tax Bill got everyone thinking, the Crown jewel was personal Income Tax Reforms in the existing regime with a specific focus on middle class. The complete exemption for those with income upto 12,00,000/- and revised tax slabs for others is nothing short of a sweetmeat. To top it up, the Hon'ble FM inter alia also announced Rationalization of TDS/TCS to ease difficulties, Doubling the tax deduction limit for senior citizens from Rs.50,000 to Rs.1 lakh, Increasing the annual limit for TDS on rent from Rs.2.40 lakh to Rs.6 lakh, Extension of the time limit to file updated returns from two years to four years.

The allure of pleasing announcements were carried over to the indirect tax regime as well. The customs tariff proposals of the Budget include removal of seven tariff rates to simplify tariff structure simultaneously imposing 'cess' to maintain effective duty incidence, limit the levy of one cess or surcharge at a time by exempting the Social Welfare Surcharge on 82 tariff line items. It also proposes reduction in customs duty to reduce input costs, deepen value addition, promote export competitiveness, correct inverted duty structure, boost domestic manufacturing, etc.

Notably, the trade facilitation measures include some welcome proposals such as Time limit fixed for finalisation of provisional assessment; new provision for voluntary declaration of material facts post clearance and duty, payment with interest but without penalty, etc.

The Goods and Services Tax has also seen some key proposals. To sum it up, it introduces mandatory distribution of input tax credit through Input Service Distributor for interstate supplies on which tax has to be paid on a reverse charge basis. Section 17(5) to be amended to override Hon'ble Supreme Court's decision in Safari Retreats. Section 34 will now allow reduction in supplier's outward liability on account of a Credit note only if the recipient has reduced its Input Tax Credit. Introduction of mandatory pre-deposit of 10% where only Penalty is being contested by an Appellant. Schedule III

FOREWORD

is being amended to treat supply of goods warehoused in SEZ of FTWZ before export clearance or to the Domestic Tariff Area as neither goods nor services.

In a nutshell, the Hon’ble Finance Minister has outlined the government's efforts to accelerate growth, secure inclusive development, and invigorate private sector investments, with a focus on agriculture, MSMEs, investment, and exports as the four powerful engines driving development. The budget also proposes transformative reforms across various domains, including taxation, power sector, urban development, mining, financial sector, and regulatory reforms.

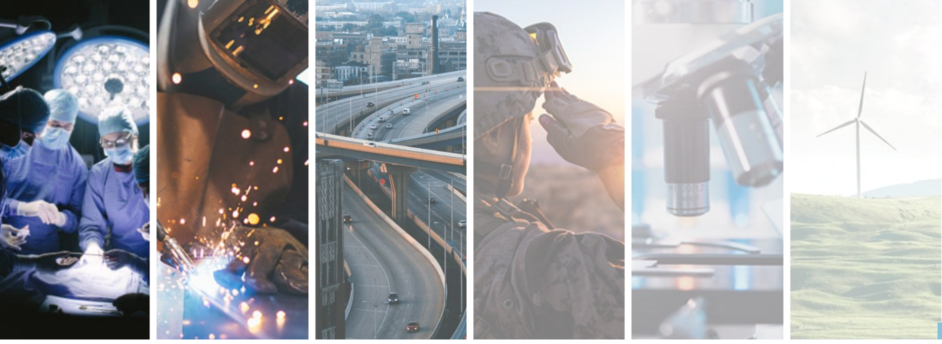
We at **TIOL** in association with **Taxcraft Advisors LLP, GLS Corporate Advisors LLP** and **VMGG & Associates**, have ventured to summarize the same for our esteemed readers. We do hope that the booklet helps you to navigate through this budget. As always, we look forward to receiving your inputs, thoughts and feedback.

We do hope that the booklet helps you to decipher key proposals of this budget. As always, we look forward to receiving your inputs, thoughts and feedback.

Happy Reading!

Best Regards,

Team Vision 360



KEY POLICY INITIATIVES

Spurring Agricultural Growth and Productivity

The Indian government has launched several initiatives to boost agricultural growth and productivity. The Prime Minister's Dhan-Dhaanya Krishi Yojana aims to cover 100 districts with low productivity and moderate crop intensity, enhancing agricultural productivity through sustainable practices and post-harvest storage.

The government will also launch a 6-year "Mission for Aatmanirbharta in Pulses" to improve pulse production and supply. A comprehensive programme for vegetables and fruits will be launched in partnership with states, promoting efficient production, processing, and remunerative prices for farmers.

Highlights

- Dhan-Dhaanya Krishi Yojana 100 low-yield districts
- Makhana Board in Bihar- Improves production, marketing, and exports
- 5-year Cotton Productivity
- New Urea plant in Assam (12.7 LMT)

A Makhana Board will be established in Bihar to improve makhana production and marketing. The National Mission on High Yielding Seeds will strengthen the research ecosystem and promote high-yielding seeds. The Modified Interest Subvention Scheme will increase loan limits.

Building Rural Prosperity and Resilience

The Rural Prosperity and Resilience Programme, a multi-sectoral initiative, will be launched in partnership with states to address underemployment in agriculture through skilling, investment, technology, and invigorating the rural economy. The programme will focus on rural women and youth, incorporating best practices from global and domestic sectors. The first phase will cover 100 developing agri-districts, aiming for sustainable development and improved livelihoods for rural communities in India.

Highlights

- KCC loan limit increased to INR 5 lakh
- KCC benefits 7.7 Crore farmers currently
- Rural Prosperity & Resilience

The Government is taking significant steps to enhance financial support for farmers and the rural economy. The KCC scheme, which currently benefits 7.7 crore farmers, fishermen, and dairy farmers, will see an increase in the loan limit under the Modified Interest Subvention Scheme, from INR 3 lakh to INR 5 lakh. This will facilitate short-term loans for rural stakeholders

KEY POLICY INITIATIVES

Taking Everyone Together on an Inclusive Growth Path

The budget outlines initiatives for inclusive growth in India, including accelerating growth, invigorating private sector investments, and enhancing household sentiments. It also highlights the unique opportunity to realize 'Sabka Vikas', aiming for balanced growth across all regions. The Viksit Bharat vision includes zero-poverty, quality education, healthcare, skilled labor, women's participation, and farmers.

One of the key initiatives is the Urban Challenge Fund, with an allocation of INR 1 lakh crore, which will support the creation of sustainable, growth-oriented cities. The fund will co-finance up to 25% of bankable projects, including water and sanitation, urban redevelopment, and infrastructure, thus encouraging public-private partnerships.

Highlights

- Urban Challenge Fund - INR 1 lakh crore
- Fund will co-finance up to 25% of bankable projects
- Key Schemes like Viksit Bharat vision and 'Sabka Vikas'

Boosting Manufacturing and Furthering Make in India

Highlights

- National Centres of Excellence for skilling
- INR 1.1 lakh crore export target for footwear & leather
- National Institute of Food Technology, Entrepreneurship, and Management in Bihar

The Indian government plans to establish a National Manufacturing Mission to boost manufacturing and support the "Make in India" initiative. The mission will cover small, medium, and large industries, providing policy support, execution roadmaps, and governance frameworks.

It will also support Clean Tech manufacturing, focusing on solar PV cells, EV batteries, motors, controllers, electrolyzers, wind turbines, and grid-scale batteries.

A focus product scheme will be implemented to enhance productivity, quality, and competitiveness in the footwear and leather sectors. A scheme will be implemented to make India a global hub for toys, focusing on cluster development and manufacturing ecosystems. A National Institute of Food Technology, Entrepreneurship, and Management will be established in Bihar.

Supporting MSMEs

The Budget outlines several initiatives to support MSMEs in India. These include a revision in classification criteria, an enhancement of credit availability with guarantee cover, the introduction of customized credit cards for micro enterprises, a new Fund of Funds for startups, a scheme for first-time entrepreneurs, measures for labour-intensive sectors, a focus product scheme for footwear and leather, a scheme for the toy sector, and the establishment of a National Institute of Food Technology, Entrepreneurship, and Management in Bihar. These initiatives aim to improve efficiencies of scale, technological upgradation, and access to capital for MSMEs. The Budget also outlines measures to promote employment and entrepreneurship opportunities in labour-intensive sectors, such as a focus product scheme for footwear and leather, a scheme for the toy sector, and a National Institute of Food Technology, Entrepreneurship, and Management in Bihar.

Highlights
Customized credit cards for micro enterprises
Revision in classification criteria for MSMEs

Enabling Employment-led Development

The Indian government is implementing several initiatives to support employment-led development. These include strengthening urban livelihoods through a socio-economic upliftment scheme for urban workers, revamping the PM SVANidhi scheme with increased loans and UPI-linked credit cards, and implementing a social security scheme for online platform workers. These measures aim to improve the livelihoods of various groups in India and support employment-led development.

The tourism sector also plays a vital role in employment-led growth. The development of the top 50 tourist destinations, in partnership with states, will create infrastructure and hospitality jobs. Further initiatives, including intensive skill development programs, MUDRA loans for homestays, and performance-linked incentives for states, will drive the sector forward

Highlights
Development of the top 50 tourist destinations
Revamping the PM SVANidhi scheme
Performance-linked

Other key proposals include introduction of new centrally sponsored scheme for skilling of 20 lakh youth over five years, introduction of new courses for emerging needs, financial support for loans up to INR 10 lakh for higher education, Model Skill Loan up to INR 7.5 lakh with a guarantee from a Government-backed fund, etc. The budget also seeks to increase women's workforce participation by establishing working women hostels and creches in collaboration with industry.

Investing in people, economy and innovation

The Indian government is implementing several initiatives to invest in people, the economy, and innovation. These include enhancing the quality of life for citizens through programs like the Saksham Anganwadi and Poshan 2.0, establishing 50,000 Atal Tinkering Labs in schools, providing broadband connectivity, and establishing five National Centres of Excellence for Skilling.

KEY POLICY INITIATIVES

The government also plans to boost economic growth through measures like expanding IIT capacity, creating a Centre of Excellence in Artificial Intelligence for education, and establishing Day Care Cancer Centres. These initiatives aim to foster curiosity, innovation, and scientific temper among young minds, ensuring sustainable development and improved livelihoods for various sectors in India.

Securing Energy Supplies

Highlights

- Develop 100 GW of nuclear energy by 2047
- INR 20,000 crore for the Nuclear Energy Mission
- BharatTradeNet platform streamlining the trade documentation and financing
- Enhanced Indian Nuclear Energy capacity from SMRs by 2033

The establishment of a Deep Tech Fund of Funds and the allocation of INR 20,000 crore to drive private sector innovation will support next-gen startups

India plans to develop 100 GW of nuclear energy by 2047 to meet growing energy demand and reduce reliance on fossil fuels. The initiative will involve collaboration with the private sector and regulatory amendments to the Atomic Energy Act and Civil Liability for Nuclear Damage Act.

The government has allocated INR 20,000 crore for the Nuclear Energy Mission, focusing on SMRs to enhance India's nuclear energy capacity by 2033. This initiative aims to drive innovation, create skilled jobs, and solidify India's position as a clean energy leader.

Promoting Exports

The government has allocated INR 20,000 crore for the Nuclear Energy Mission, focusing on SMRs to enhance India's nuclear energy capacity by 2033. This initiative aims to drive innovation, create skilled jobs, and solidify India's position as a clean energy leader.

Highlights

- BCD on Frozen Fish Paste reduced from 30% to 5%
- Reduced export duty on crust leather
- Exemptions on Wet Blue leather
- 9 items added to the list of duty-free inputs

The Indian Budget has introduced measures to boost export competitiveness in key sectors. The marine exports sector will see a reduction in Basic Customs Duty on Frozen Fish Paste and fish hydrolysate, promoting surimi analogue products for export.

The leather sector will see exemptions on Wet Blue leather and reduced export duty on crust leather, facilitating small tanners' exports. Handicrafts will see an extension of export time limits and nine items added to the list of duty-free inputs. The BharatTradeNet platform will streamline trade documentation and financing. The reforms are expected to drive innovation, increase job

KEY POLICY INITIATIVES

Nurturing Innovation

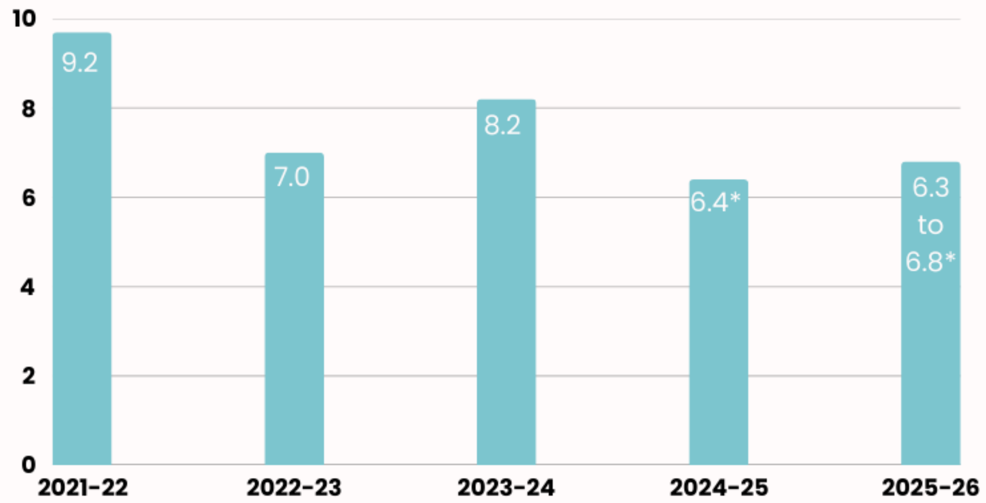
The Budget 2025 focuses on fostering innovation in India by enhancing support for R&D and technology-driven sectors. Key initiatives include the establishment of a Deep Tech Fund of Funds, aimed to fuel the next-gen startups in fields like AI, biotech, and clean energy. This will help position India as a global innovation hub. Additionally, the PM Research Fellowship program has been strengthened, offering increased financial backing to develop Centres of Excellence (*'CoEs'*) in high-priority areas like Artificial Intelligence and Sustainable Cities.

The government also introduced the National Geospatial Mission to modernize land records and infrastructure planning, advancing data-driven solutions in line with Industry 4.0. These measures align with India's broader innovation goals, creating a thriving ecosystem that supports R&D, technology adoption, and industry collaboration, thus paving the way for India's growth as a leader in technological innovation.

Highlights
Develop 100 GW of nuclear energy by 2047
INR 20,000 crore for the Nuclear Energy Mission
BharatTradeNet platform streamlining the trade documentation and financing
Enhanced Indian Nuclear Energy capacity from SMRs by 2033

India's Economic Resilience and Growth: A Review of FY25 and Outlook for FY26

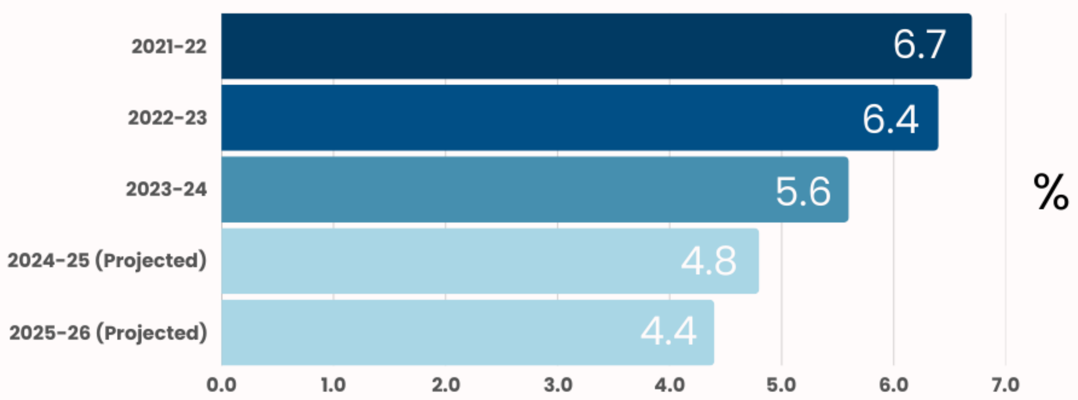
GDP GROWTH (AT CONSTANT PRICES,%)



* - Projected

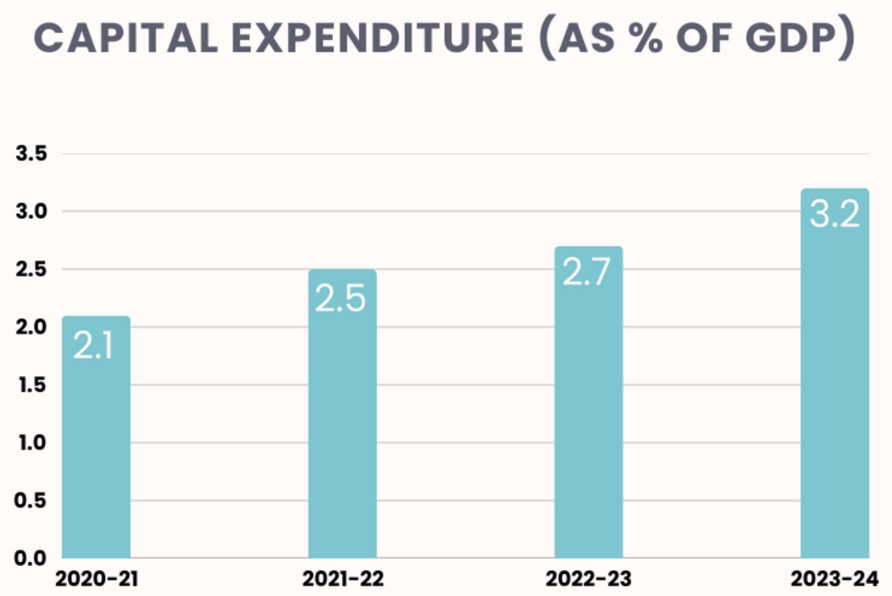
Source: Economic Survey FY 2024-25

FISCAL DEFICIT (AS % OF GDP)

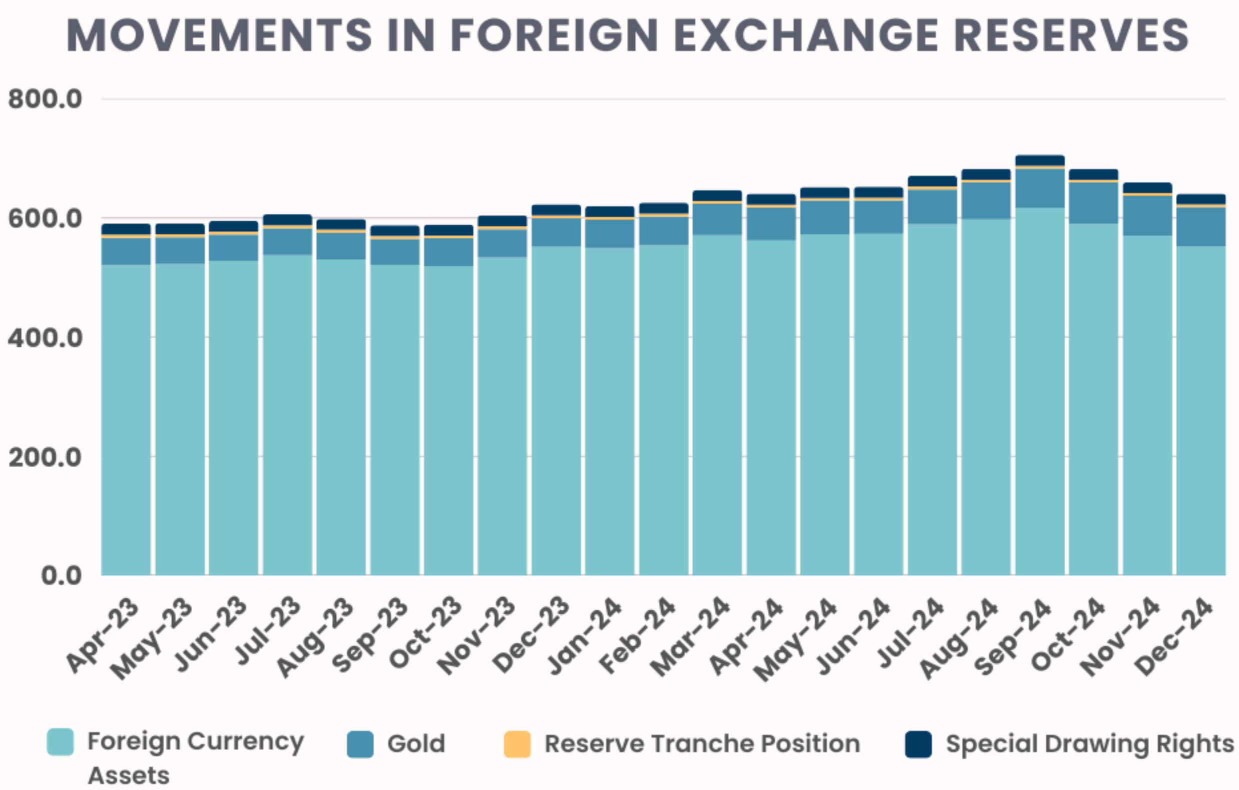


Source: Economic Survey FY 2024-25

India's Economic Resilience and Growth: A Review of FY25 and Outlook for FY26

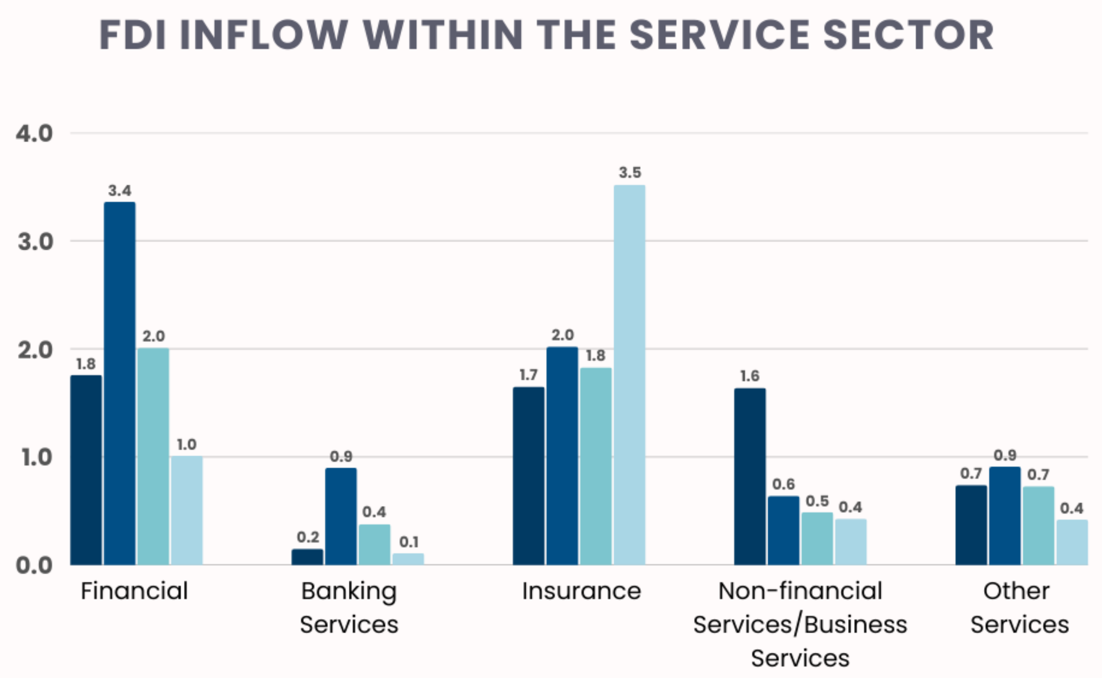


Source: Economic Survey FY 2024-25

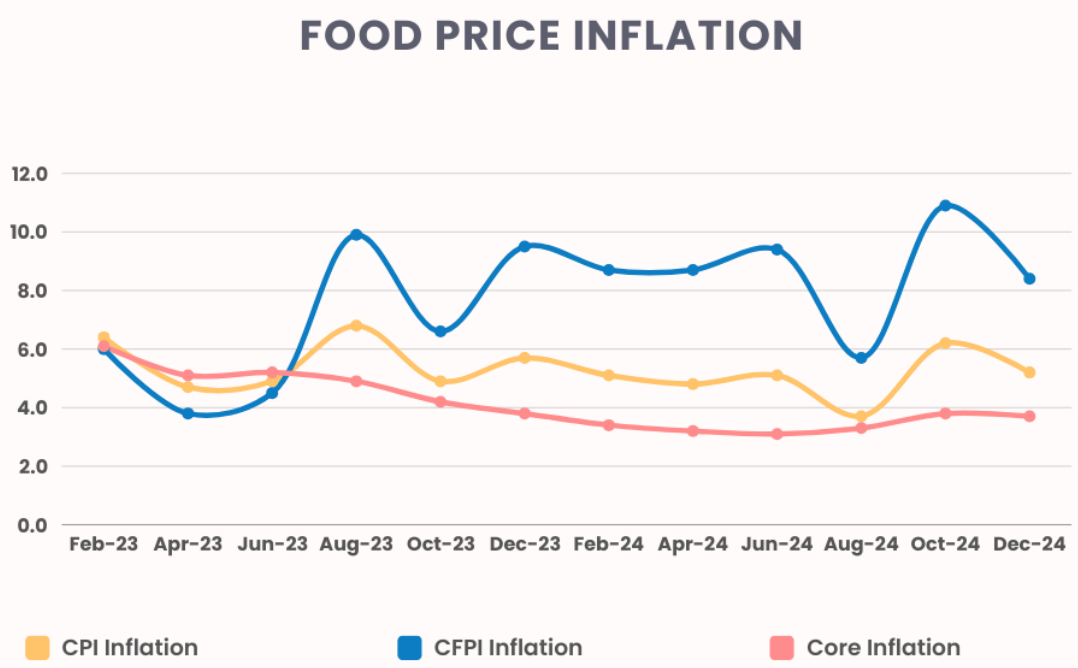


Source: Economic Survey FY 2024-25

India's Economic Resilience and Growth: A Review of FY25 and Outlook for FY26

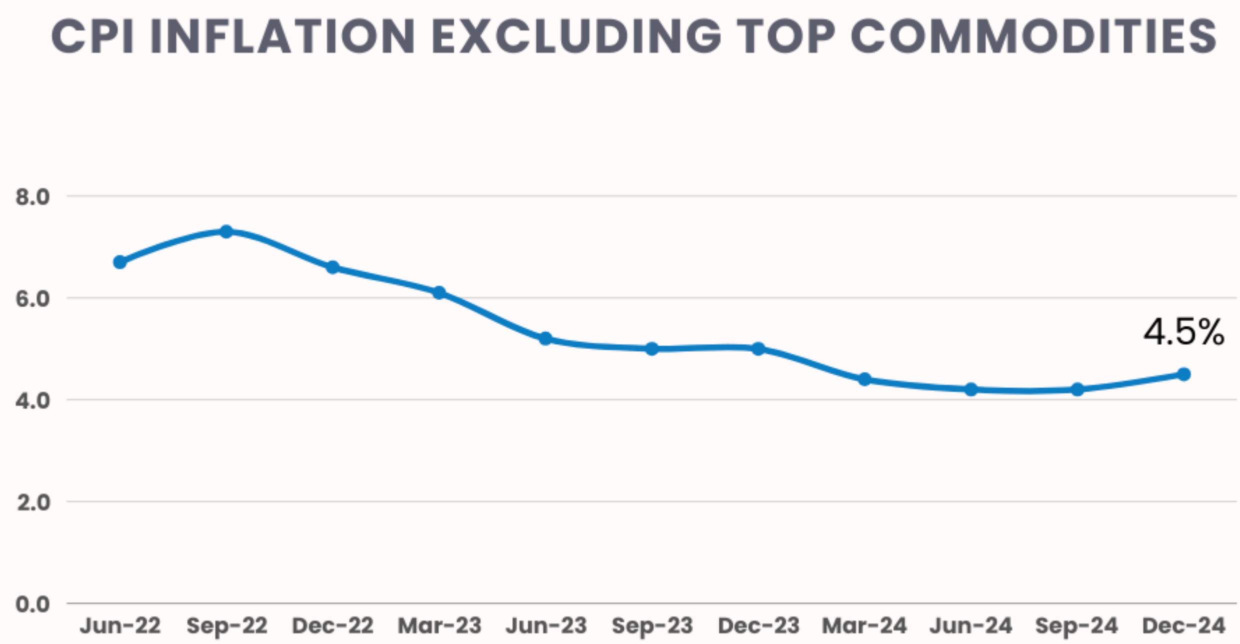


Source: Economic Survey FY 2024-25



Source: Economic Survey FY 2024-25

India's Economic Resilience and Growth: A Review of FY25 and Outlook for FY26



Source: Economic Survey FY 2024-25

INDUSTRY SPEAKS

In order to improve access to essential medications, the finance minister announced in the Budget announcement that six life-saving medications would now be included in the discounted 5% duty slab.

Additionally, several bulk medications will now be eligible for complete exemption and concessional duty. Customs duties on additional 36 life-saving medications will also be removed in an effort to lower patient costs. These medications also include those prescribed to cancer patients, which lessens their financial burden and makes these medications more accessible to them.

Mr. Amresh Choudhary
Head of Tax
Alembic Pharmaceuticals Limited

The Union Budget 2025, presented today by the Hon’ble Finance Minister, largely aligns with the expectations of various stakeholders leading up to the Budget. It reflects the suggestions outlined in the Economic Survey, with a primary focus on reducing regulatory burdens, enhancing ease of doing business, and providing relief to the middle class through personal income tax reductions. However, we will have to wait a week to see how the new Income-tax Bill will carry forward the essence of these proposals.

By reducing import taxes on a number of items used in the production of televisions and cell phones, the 2025 Budget further aims to encourage the use of domestically produced parts. With the exception of inputs used to make USB connections and wired headsets, the budget lowered custom duty from 2.5% to zero percent for components used in the production of printed circuit board assemblies, camera modules, connectors, microphones, receivers, and fingerprint readers for mobile phones. Additionally, the 2.5% import tax on raw materials and open cell components required to make LED TV panels has been reduced to zero. By adding them to the list of exempted capital goods, it

Mr. Ashes Nandi
Chief Financial Officer
Fuji Electric India Private Limited

The Budget proposals are impactful, offering meaningful tax relief to the middle class, which is expected to drive both consumption and confidence. The capital markets and investor community will benefit from a "helps, no hurts" approach, while strong emphasis is placed on simplifying taxes and implementing business reforms. These measures are complemented by a prudent fiscal path, aiming for a fiscal deficit of 4.4% by FY 2026. The extensive and well-thought-out proposals reflect the government's deep understanding of the current economic landscape, setting a strong foundation to further accelerate economic growth. With the introduction of a new, simplified tax code set to be unveiled next week, more reforms are on the horizon.

Mr. Abhin Palttummal
Director
Willemin-Macodel India Private Limited

It is pleasing to see measures proposed to enhance credit availability and support for MSMEs, startups, and other enterprises. This includes significant enhancements in credit guarantee cover and the introduction of customized credit cards for micro enterprises. It crates huge potential for entrepreneurial growth in the country.

While it is disheartening to see the Supreme Court's decision in Safari Retreat being overturned by a retrospective amendment, it may not lead a direct impact on the end consumer. On the other hand the real estate sector was pleasantly surprised with the changes introduced in the Union Budget. The yearly TDS ceiling on rent has been increased from INR 2.40 lakh to INR 6 lakh, which is a substantial change. This action increases liquidity and lessens the burden of compliance for both landlords and tenants, which is particularly advantageous for the rental housing market in large cities.

For homeowners, the budget also brought about a significant adjustment. Instead of only claiming 'one' Nil valuation, taxpayers can now claim Nil valuation for two self-occupied residences. This increases the appeal of investing in residential real estate by removing the tax on the notional rental income from a second residence.

Mr. Bhargava Jangle
Director
SJ Contracts Private Limited

The Union Budget 2025–2026, which was unveiled by Hon. FM, Ms. Nirmala Sitharaman, establishes a new standard by demonstrating India's commitment to boosting productivity, growth, and sustainability. With a focus on improving business ease, tax simplification, and expedited tax litigation procedures, it clearly lays forth priorities for a Viksit Bharat. Additionally, it emphasizes exports, increasing foreign direct investments, supporting agriculture, empowering women, and investing in the economy and people. The budget seeks to improve the lot of farmers, women, young people, and middle-class earners. In order to significantly boost the Indian economy, recommendations were also made to increase the investment and turnover cap for Micro, Small, and Medium-Sized Businesses and the Center of Excellence in Artificial Intelligence.

The Jal Jeevan Mission, which has provided potable tap water connections to 15 crore households in India since 2019, is set to be extended until 2028, focusing on infrastructure quality and operational management. The Mission's focus on the quality of infrastructure and O&M of rural piped water supply schemes through "Jan Bhagidhari" set out the governments strong intent.

Mr. Devesh Singhania
Chief Financial Officer
Wilo India Mather and Platt Pumps Private Limited

It is anticipated that PM Gati Shakti's ongoing momentum, along with significant infrastructure improvements like Bharat Trade Net (i.e. a digital public infrastructure designed to act as a one-stop platform for trade documentation and financing solution) and air cargo will lower logistical costs and expedite local production. The steps taken by the Government will lessen reliance on imports and provide incentives that make doing business easier. Further, faster delivery will be ensured by the integration of sophisticated logistical networks.

As such, India is well-positioned to realising its potential of becoming a leader in manufacturing and logistics, bolstering its goal of becoming the world's factory, thanks to a robust policy framework, improved infrastructure, and growing demand.

Ms. Divya Verma
Chief Financial Officer
Welspun One Private Limited

The industry welcomes the strong emphasis that has been placed on bolstering India's textile sectors through strategic policy interventions in the Union Budget 2025–2026. The government's intention to promote growth, sustainability, and global competitiveness through important initiatives like the Mission for Cotton Productivity, improved credit support for MSMEs, restructured textile and leather duties, and a renewed emphasis on domestic production will prove to be a catalyst in the growth story of India's textile industry.

India's ambition for an independent and future-ready industrial ecosystem is further supported by the launch of an Export Promotion Mission and specific incentives for technical textiles, leather, and footwear. These reforms will hopefully promote value addition, create jobs, and establish India as a major hub for

Mr. Gaurav Gupta
Sr. Vice President
Reliance Brands Limited

Today, the Union Budget 2025–2026 was presented by the Hon'ble FM. In her budget speech, she listed "taxation" reform as the top priority among the six areas the government determined needed radical changes. The fact that tax reforms are at the top of the list is really promising. In keeping with this goal, the Hon'ble FM has also said that the new tax law will be presented the following week. The proposed amendments to the Act are consequently aimed at simplification and rationalization, given the impending introduction of a new tax bill.

It is admirable that changes have been suggested regarding personal taxes. The Hon'ble FM is placing a wager that as more money enters the hands of consumers, the increase in consumption will balance out the revenue loss caused by the slab rate hike. This represents a positive move. To put it simply, the industry is burdened with compliance, hence the proposed modifications to the TDS/TCS framework are welcome. On this reason, any alleviation would be warmly welcomed.

On the indirect taxes front, Budget 2025 has proposed to fix a time-limit of two years, extendable by a year, for finalizing the provisional assessment. This is a welcome move and should lead to certainty and savings of cost as against the present regime where there is no limit to finalize Provisional Assessments.

Mr. H N Purohit
Chief Financial Officer
Hitachi Lift India Private Limited

INDUSTRY SPEAKS

Reactions to Budget 2025 are not all the same. In addition to providing tax relief which benefits the middle class greatly, it boosts growth through manufacturing, infrastructure, and inclusive development. Important industries receive a lot of support, including renewable energy, healthcare, agriculture, and fisheries. However, the chemical sector finds itself without any boost yet again.

Enhancing coverage of MSMEs while enhancing limits of investment and turnover may have an impact under Section 43B while making payment to such MSMEs.

The lack of corporate tax reforms also raises questions about future business competitiveness, and the inadequate funding for capital spending could put pressure on the engineering, capital goods, infrastructure, and manufacturing sectors. A significant update from the TP front brings good news not only for taxpayers but also for the tax administration community. This change aims to reduce TP litigation by considering the arm's length price over a block period of three years, while also expanding the scope of Safe Harbour Rules.

From a GST standpoint, the Budget has proposed to amend Section 17(5)(d) to substitute the words “plant or machinery” with the words “plant and machinery” w.e.f. July 1, 2017 – effectively, overturning the judgment of the Hon’ble Apex Court in Safari Retreat, which would adversely affect industry players with blocked credits related to buildings, civil structures, etc.

Mr. Giriraj Agiwal
Head of Tax
Aarti Industries Limited

Union Budget 2025 promises transformative reforms across key domains including tax to unleash India’s growth potential. Much awaited rationalisation of tax rates and widening of tax slabs means everyone will see a reduction in their annual tax bill. Additional positives for senior citizens by increasing threshold for TDS deduction on interest income. No conditions for tax exemption for 2 self-occupied house properties. The announcement of soon to be tabled simplified direct tax code easy to understand for taxpayers and tax administrators is a welcome step.

Mr. Jitin Diwan
Chief Financial Officer
IndiaMART InterMESH Limited

INDUSTRY SPEAKS

This much-awaited Budget 2025 focusses on inclusive development, enhancing consumer spending and measures to enhance employment opportunities. It announces transformative policy reforms in 6 Key sectors, viz Power, Mining, Urban Development (emphasis on water sector) Financial sector, Easing Regulatory compliances and reduction of taxes leaving more monies in hand of individual.

Speaking of Metals sector, which had specifically looked out for two important developments in the Budget 2025 viz. pronouncements about improving logistics infrastructure in mineral-rich areas and removal of import duties on critical minerals, seems to have fetched the attention of Hon'ble FM. The removal of duties on scraps of 12 essential minerals, such as copper, cobalt powder, and specially lithium-ion battery is not only strategically well placed but is also a sweet deal for Indian manufacturers.

On the direct tax side, the Hon'ble FM announced that a new income-tax bill shall soon be tabled in the parliament - this is likely to bring simplicity for both taxpayers and administration, leading to tax certainty and reduction in litigation. The biggest jackpot for the individuals, HUFs and others is announcement of INR 12

Ms. Kritashna More
Tax Head
Aluminium Business, Vedanta Limited

The Union Budget 2025 has been a significant budget in its own as it highlights a remarkable fact that the government has wiling fully forgone INR 1 lakh crore in tax income, which has a decidedly populist stance. An important measure that is anticipated to boost economic activity and encourage spending is the decision to exempt taxpayers making up to Rs.12 lakh from taxes.

The Budget 2025 has focused on clean tech manufacturing, recognizing the need for batteries and raw materials in India. Under the ambitious Make in India initiative, the government unveiled a new manufacturing mission with the goal of creating a strong ecosystem for the production of grid-scale batteries, solar photovoltaic (PV) cells, and electrolysers—all essential elements in furthering India's clean energy transition. The response of the stock market to stocks in the renewable energy sector reflects the positive attitude in the industry.

The FM's unveiling of a new Income Tax Bill, which marks the long-overdue modernization of India's tax system, is a major highlight. Few notable changes have been proposed on indirect tax front as well.

Mr. Manish Garg
Head- Corporate Finance & Strategy
INOX GFL Group

The Union Budget was unveiled against a backdrop of significant geopolitical changes, as well as anticipated interruptions to supply chains and commerce brought on by the US's incoming administration.

This pretext has only coupled the difficulties faced by the chemical industry in recent past such as channel destocking, low demand, pricing pressure, etc., and the industry does hope for some good news. Expectations in the specialty chemical industry, in particular, were pegged to expenditures in infrastructure development, research and innovation promotion, and— above all— Production linked incentives!

Although industry experts have advocated for similar benefits in past budgets as well, it appears that this sector is still waiting for a boost.

Mr. Manoj Agarwal
Chief Financial Officer
Gujarat Fluorochemicals Limited

Union Budget 2025-26 highlights important development engines and promote economic growth of the country. Higher investment and turnover thresholds will be added to the MSME classification requirements, and entrepreneurs will be supported by a new Fund of Funds. Initiatives in the shoe, leather, and toy industries are sector-specific and seek to increase employment and production. Increased inbound investment is encouraged by the insurance sector's FDI expansion from 74% to 100%.

The Union Budget 2025–2026 establishes a solid basis for an AI-driven future, guaranteeing that India stays at the forefront of the global digital revolution with Rs.500 crore allocated to AI in education and five National Centres of Excellence for Skilling. Further, the Centre of Excellence in AI for Education is a game-changer that will transform the learning ecosystem in India, make AI-driven education more accessible to all, and equip the next generation with skills that will be useful in the future. By supporting AI innovation, ensuring equal access to high-quality education, and bridging the gap between academia and business, India is establishing itself as a global leader in AI-powered learning and workforce development.

On the direct taxes front, a new income-tax bill has been proposed in line with the vision of Viksit Bharat for taxation reforms to achieve good governance for the nation and economy. The proposals are broadly classified into (i) Personal Income Tax reforms with special focus on middle class by change in slabs and rates (ii) Rationalization of TDS/TCS by reducing rates and increasing thresholds (iii)Encouraging voluntary compliance by taxpayers who had omitted to report their correct income (iv) Reducing compliance burden with respect to trusts and also with respect to self- occupied properties. Overall, this Budget is a balanced budget covering all facets of the economy and nation.

Mr. Nirmal Desai
Chief Financial Officer
Sick India Private Limited

Our business provides the world with necessary food and feed goods. Our 39-country agricultural network connects farmers and end-user consumers to deliver sustainable and traceable agricultural products by leveraging our strong connections with them. It is anticipated that PM Gati Shakti's sustained momentum would assist our organization by lowering logistical costs and accelerating local production, thanks to developments in air cargo and infrastructure like Bharat Trade Net. Faster delivery will also be ensured by integrating sophisticated logistics networks.

The proposal to launch a 6-year "Mission for Aatmanirbharta in Pulses" to improve pulse production and supply is indeed 'seeding the seed' for a long-term growth plan. A much laudable proposal.

Additionally, a more favorable climate for our company operations is created by the present government's numerous measures, such as its focus on the agriculture sector to increase agricultural production, improve financial aid for farmers, and promote sustainable farming techniques.

Mr. Peeyush Gupta
Group CFO
Viterra India

Budget 2025 has focused on clean tech manufacturing, recognizing the need for batteries and raw materials in India. Under the ambitious Make in India initiative, the government unveiled a new manufacturing mission with the goal of creating a strong ecosystem for the production of grid-scale batteries, solar photovoltaic (PV) cells, and electrolysers—all essential elements in furthering India's clean energy transition.

The response of the stock market to stocks in the renewable energy sector reflects the positive attitude in the industry.

Mr. Rakesh Khaitan
Chief Financial Officer
Mahindra Susten

The Union Budget has provided a significant boost for the middle class through tax relief and a focus on driving growth via infrastructure, manufacturing, and inclusive development. Key sectors like agriculture, fisheries, healthcare, and renewable energy have received substantial attention.

A standout feature of this Budget is its emphasis on infrastructure. The government has announced INR 1.5 Lakh crore outlay for 50-year interest-free loans to states, encouraging them to take charge of infrastructure development. Besides, each infrastructure-related ministry is tasked with creating a 3-year plan for implementation in public-private partnership (PPP) mode.

The metals and mining industry was keeping an eye out for two important developments in the Budget 2025: pronouncements about improving logistics infrastructure in mineral-rich areas and removal of import duties on critical minerals. Therefore, the Industry has welcomed the reforms for improving logistics infrastructure and the removal of import duties on scraps of 12 essential minerals, such as copper scrap, cobalt powder, and scrap of lithium-ion battery. Further, a policy for recovery of critical minerals from tailings will be brought out. This will enhance competitiveness in critical mineral sector and will enhance growth potential in future years. The Hon'ble FM announced that a new income-tax bill shall soon be tabled in the parliament and same is bring simplicity for both taxpayers and administration, leading to tax certainty and reduction in litigation.

The Budget has proposed to amend Section 17(5)(d) to substitute the words "plant or machinery" with the words "plant and machinery" wef July 01, 2017 – in essence this negates the judgment of the Hon'ble Apex Court in Safari Retreats. Furthermore, a simplified customs tariff structure and the hh decriminalization of more than 100 laws improve regulatory clarity and business-friendly operations.

Mr. Rajkumar Basak
Head Taxation
Hindustan Zinc Limited

Modi Government seeks to carry out structural reforms. The new income tax code is about to come and promises a simple, clear and a predictable tax regime. Relief to the middle-class taxpayer ties in with the boost required in consumption to sustain India's economic growth. On the other hand, extension in the sunset date for the tax holidays to sovereign wealth funds that are important sources of capital for infrastructure, and start-ups should keep the supply side momentum going. Rationalization of TDS regime to increase cash flows, picking up nits in the taxation of funds, expanding the scope of transfer pricing safe harbours to lend tax certainty are all testament to the Government's commitment to a tax regime that facilitates economic growth

Mr. Suraj Nandkumar
Co-founder & CEO
Recity Network Private Limited

Union Budget 2025 pledges revolutionary improvements in several important areas, including taxation. Everyone will witness a decrease in their yearly tax payment as a result of the long-awaited rationalization of tax rates and expansion of tax slabs. By raising the threshold for TDS deduction on interest income, more sweetener will be available for senior persons. There are no requirements for tax exemption for two properties that are self-occupied. Additionally, it is extremely welcome that a simplified tax code that is easier for taxpayers and tax administrators to grasp will soon be tabled.

INR 2,03,420 crore has been earmarked for food subsidy in the next fiscal year which is higher than the revised estimate of INR 1,97,420 crore for 2024-25. Further, important initiatives to strengthen India's agricultural sector, guarantee food security, and assist the rural economy were presented in the Budget. Some of the many programs under the present Government are as such aimed at boosting agricultural output, enhancing financial assistance for farmers, and promoting sustainable farming methods.

Mr. Sunil Bommisetty
Financial Controller
Sensient India Private Limited

Union Budget 2025 aims to augment sustained growth and inclusive development. The FM today presented the Budget with the theme "Sabka Vikas" stimulating balanced growth of all regions. A significant reform in the Union Budget is the substantial increase in the limits for MSMEs, which is a welcome development as MSMEs contribute to employment, investment, and economic growth. The new limits for a Micro Enterprise have been raised from INR 1 Cr to INR 2.5 Cr for investment, and from INR 5 Cr to INR 10 Cr for turnover. The limits for a Small Enterprise are increased from INR 10 Cr to INR 25 Cr for investment, and from INR 50 Cr to INR 100 Cr for turnover. The limits for a Medium Enterprise have also been significantly raised, from INR 10 Crores to INR 125 Cr for investment, and from INR 250 Cr to INR 500 Cr for turnover. These changes will improve access to funding and ensure that MSMEs benefit from timely payments under the MSME Act.

The FM has announced that the new Income Tax Bill will be introduced next week. It aims to make the law clear and straightforward for both taxpayers and the tax administration, which will enhance tax certainty and reduce litigation. This is a positive step forward, fostering greater trust and certainty among taxpayers. It lays the groundwork for comprehensive structural reforms in direct taxes, partly driven by changes in personal tax rate slabs and rates, as well as an increase in the rebate.

Overall, it is a positive and forward-looking budget.

Mr. Vaibhav Agarwal
Norex Flavours
Managing Director

The Budget has proposed some welcome trade facilitation measures including a two year deadline for completing the preliminary assessment, a new clause allowing voluntary disclosure of material facts after clearance. It is however noteworthy to see how this provision is effectuated as opposed to current practice which restricts changes in Shipping bill/Bills of Entry post clearance of goods.

The Customs has brought forth few more proposals concerning customs tariffs such as removing seven tariff rates to streamline the tariff system while applying a "cess" to preserve effective duty incidence. Additionally, the Social Welfare Surcharge on 82 tariff lines will not be imposed, limiting the levy of one cess or surcharge at a time.

Mr. Vishal Kulkarni
Regional Customs Manager—South Asia Region
TetraPak

The Budget aims to achieve 'Viksit Bharat' by focusing on Agriculture, MSMEs, Investment, and Exports. It includes developmental initiatives in ten key areas, aiming to uplift the impoverished, empower youth, support farmers, and advance women's status. The Finance Minister emphasizes that a nation is defined by its people, and the budget includes tax incentives for new players, infrastructure development, and ease of tax compliance.

The proposals to introduce presumptive tax regime for select non-resident taxpayers, rationalisation of TDS & TCS provisions, extension of timelines for start-ups and sovereign investments inflow in infrastructure sectors could foster a more business-friendly regime. Enabling trade & business facilitation coupled with tax certainty & reducing litigation is a booster shot for global & private investors to focus India as an attractive investment destination.

Mr. DEEPAK GOEL
Chief Financial Officer
BSE Limited

INCOME TAX

CHANGE IN RATE OF TAX UNDER SECTION 115BAC (1A)

Total Income AY 2026-27	Rate	Total Income AY 2025-26	Rate
Up to 4,00,000	Nil	Up to 3,00,000	Nil
From 4,00,001 to 8,00,000	5%	From 3,00,001 to 7,00,000	5%
From 8,00,001 to 12,00,000	10%	From 7,00,001 to 10,00,000	10%
From 12,00,001 to 16,00,000	15%	From 10,00,001 to 12,00,000	15%
From 16,00,001 to 24,00,000	20%	From 12,00,001 to 15,00,000	20%
Above 24,00,000	30%	Above 15,00,000	30%

Taxpayers with a normal income of up to Rs.12 lakh (excluding special rate income such as capital gains) are eligible for a tax rebate, in addition to the benefits from reduced slab rates, ensuring that they have no tax liability. The combined tax benefits from slab rate changes and the rebate at various income levels can be demonstrated with examples.

- A taxpayer under the new regime with an income of Rs.12 lakh receives a tax benefit of Rs.80,000, which fully offsets their tax liability under the previous rates.
- An individual earning Rs.18 lakh benefits from a Rs.70,000 tax reduction, equivalent to 30% of the tax payable under the existing rates.
- A person with an income of Rs.25 lakh enjoys a tax benefit of Rs.1,10,000, which accounts for 25% of their tax liability under the previous rates.

AUTHOR'S COMMENT

> *The tax rates for old regime continues to be the same. this result into a anomaly as salaried people enjoying tax benefits against section 10(13)for HRA, 80C & others may have a difficult decision to select their preferred regime.*

RATIONALISATION OF DEFINITION OF 'DIVIDEND' FOR TREASURY CENTRES IN IFSC

Sub-clause (e) of clause (22) of section 2 defines dividends to include any advance or loan given to a shareholder holding at least 10% of the voting power or a member of a concern in which they have substantial interest. It also includes any payment made by the company on behalf of the shareholder, from the company's accumulated profits. However, sub-clause (ii) excludes advances or loans made in the normal course of business by companies whose main activity is lending money.

A proposal has been made to amend this section to clarify that loans or advances between group entities, where one is a finance company in an IFSC and the parent entity is listed on a foreign stock exchange (except in specified countries), will not be treated as dividends.

These amendments will apply from April 1, 2025.

HARMONISATION OF SIGNIFICANT ECONOMIC PRESENCE APPLICABILITY WITH BUSINESS CONNECTION

This amendment to Section 9 seeks to clarify that transactions or activities of a non-resident in India, which are limited to the purchase of goods for export, will not be considered as creating a "significant economic presence" in India. This aligns the provisions with the existing exclusion for business connections in India, ensuring that such export-related activities are not deemed to generate income in India.

The amendment will take effect from April 1, 2026, for the assessment year 2026-27 and beyond.

SIMPLIFIED REGIME FOR FUND MANAGERS BASED IN IFSC

Section 9A provides that fund management activities carried out by an eligible fund manager on behalf of an eligible investment fund will not constitute a business connection in India, subject to certain conditions. One such condition, specified in Section 9A(3)(c), restricts Indian residents' investment in the fund to a maximum of 5% of its total corpus. Additionally, Section 9A (8A) empowers the Central Government to relax specific conditions for eligible funds and fund managers operating from an International IFSC, provided they commenced operations before March 31, 2024.

Given the need to make IFSC-based fund managers competitive with their global counterparts, it is proposed to simplify the regulatory framework under Section 9A as follows: (i) The 5% investment limit will now be assessed twice a year (April 1 and October 1). If exceeded, the fund will have four months to comply. (ii) This condition will no longer be subject to further modifications under Section 9A(8A). (iii) Other conditions under Section 9A(3) and 9A(4) may be relaxed for funds whose managers commence operations in IFSC before March 31, 2030. It is proposed to amend section 57 (iia) to increase the deduction from fifteen thousand rupees to twenty-five thousand rupees if the provisions of section 115BAC(1A) have been opted.

These amendments will take effect from April 1, 2025, and apply to the assessment year 2025-26 and onward.

EXEMPTION ON LIFE INSURANCE POLICY FROM IFSC INSURANCE OFFICES

The existing provisions of Clause (10D) of Section 10 provide an income tax exemption on the sum received under a life insurance policy, including the bonus allocated on such a policy, subject to certain conditions. These provisions are applicable to insurance policies issued by IFSC (International Financial Services Centre) Insurance Offices as well. However, there are provisos (fourth, fifth, sixth, and seventh) that specify the exemption will not apply if the annual premium or aggregate premium for the policy exceeds Rs. 2.5 lakhs for unit-linked insurance policies (ULIPs) or Rs. 5 lakhs for life insurance policies other than ULIPs.

To provide parity between non-residents availing life insurance from IFSC Insurance offices vis-a-vis other foreign jurisdictions, the government has proposed an amendment. The new provision will ensure that proceeds from life insurance policies issued by IFSC insurance intermediary offices will be exempted without the limitation on the maximum premium payable, which was previously a condition.

This change aims to make the IFSC more competitive globally and attract more foreign investment in the insurance sector.

The amendment will come into effect from April 1, 2025.

RATIONALISATION OF 'SPECIFIED VIOLATION' FOR CANCELLATION OF REGISTRATION OF TRUSTS OR INSTITUTIONS

The proposed amendment to Section 12AB seeks to prevent the cancellation of registration for trusts or institutions due to minor defaults, such as incomplete applications for registration. Currently, such issues can lead to the cancellation of registration and tax liabilities on accreted income. The amendment will exclude situations where the application for registration is incomplete from being considered a "specified violation."

These changes will take effect from April 1, 2025.

RATIONALISATION OF PERSONS SPECIFIED UNDER SUB-SECTION (3) OF SECTION 13 FOR TRUSTS OR INSTITUTIONS

The proposed amendment to Section 13 of the IT Act seeks to modify the definition of "substantial contribution" to a trust or institution. Currently, any person contributing more than Rs.50,000 to a trust or institution is subject to restrictions on the application of Section 11 or 12, which provide tax exemptions. The amendment proposes increasing the threshold for substantial contributions to Rs.1 lakh for a single year or Rs.10 lakh in total contributions, and it excludes relatives and concerns where such individuals have substantial interest from the restrictions.

This change will take effect from April 1, 2025.

INCREASE IN THE LIMITS ON THE INCOME OF THE EMPLOYEES FOR THE PURPOSE OF CALCULATING PERQUISITES

The current provisions of section 17(2) define 'perquisite' to include benefits or amenities provided by an employer to an employee, free of charge or at a concessional rate, if the employee's salary does not exceed fifty thousand rupees. For medical treatment outside India, expenses incurred by the employer are excluded from being treated as perquisites, as long as the employee's total income does not exceed two lakh rupees.

These income limits, established over 20-30 years ago, are outdated and need adjustment to reflect changes in living standards and economic conditions. It is proposed to amend section 17 to increase these income thresholds, so that certain benefits and medical expenses are exempt from being treated as perquisites.

These changes will apply from April 1, 2026, for the assessment year 2026-27 and beyond.

ANNUAL VALUE OF THE SELF-OCCUPIED PROPERTY SIMPLIFIED

This amendment allows the annual value of a property to be considered Nil if the owner occupies it for personal use or cannot occupy it due to any reason. This benefit will apply to a maximum of two houses. The earlier requirement of providing reasons for non occupation owning to employment / business or profession, has been dispensed with.

The change will be effective from April 1, 2025, for assessment year 2025-26 onwards.

SCHEME OF PRESUMPTIVE TAXATION EXTENDED FOR NON-RESIDENT PROVIDING SERVICES FOR ELECTRONICS MANUFACTURING FACILITY

A new section 44BBD is proposed to provide a presumptive taxation regime for non-residents offering services or technology to electronics manufacturing facilities in India, with 25% of the received amount deemed as profits, resulting in an effective tax rate of less than 10%.

This will be effective from April 1, 2026.

AUTHOR'S COMMENT

The introduction of Section 44BBD aligns with India's efforts to attract global investment in electronics and semiconductor manufacturing, complementing initiatives like the PLI Scheme. Industry leaders have frequently cited India's complex tax framework as a challenge, raising concerns about unpredictability and high compliance costs. By introducing a simplified presumptive taxation regime, the government aims to address these concerns, streamline tax compliance, and enhance India's competitiveness against other global manufacturing hubs. This move is expected to boost foreign investment and strengthen industry collaborations.

BRINGING CLARITY IN INCOME ON REDEMPTION OF UNIT LINKED INSURANCE POLICY

Clause (10D) of Section 10 provides income tax exemption on sums received from life insurance policies, including bonuses, with the condition that the premium does not exceed 10% of the sum assured.

To restrict the exemption to smaller, genuine life insurance cases, the Finance Act, 2021, amended the clause to exclude ULIPs issued after February 1, 2021, if premiums exceed Rs. 2,50,000.

If the exemption does not apply to ULIPs due to these provisions, they are treated as capital assets and taxed as capital gains upon redemption. For other life insurance policies, sums received are taxed as "Income from Other Sources" if the exemption doesn't apply.

The proposed changes include: ULIPs, where the exemption under Clause (10D) doesn't apply, will be considered capital assets. Proceeds from such ULIPs will be taxed as capital gains. These ULIPs will be classified as equity-oriented funds.

These amendments will take effect on April 1, 2026, for the assessment year 2026-27 and beyond.

INCLUSION OF RETAIL SCHEMES AND ETFS IN THE EXISTING RELOCATION REGIME OF FUNDS OF IFSCA

To encourage operations within the IFSC, the following amendments are proposed: Clause (viiad) of Section 47 will be updated to ensure that relocating capital asset (such as shares or units) from an original fund to a resultant fund in the IFSC is a tax-neutral transaction, as long as the resultant fund is a registered Alternative Investment Fund (Category I, II, or III) in the IFSC. Retail schemes and ETFs in the IFSC, already exempt under section 10(4D) of the Act, will be included in the definition of a resultant fund. This ensures that relocating funds to these schemes in the IFSC is also tax-neutral.

These changes will take effect from April 1, 2026, for the assessment year 2026-27 and onwards.

RATIONALISATION OF PROVISIONS RELATED TO CARRY FORWARD OF LOSSES IN CASE OF AMALGAMATION

Sections 72A and 72AA of the IT Act allow the carry forward and set-off of accumulated losses and unabsorbed depreciation in cases of amalgamation or business reorganization. Currently, these losses are transferred to the successor entity and treated as their own.

To bring clarity and align with Section 72, an amendment is proposed to limit the carry forward period of such losses to eight assessment years from when the loss was first computed for the original predecessor entity. This change aims to prevent the indefinite continuation of losses through successive amalgamations. The amendment will apply to amalgamations or business reorganizations occurring on or after April 1, 2025, and will take effect from April 1, 2026.

AUTHOR'S COMMENT

> *The proposed amendment to Sections 72A and 72AA limits the carry-forward of accumulated losses and unabsorbed depreciation to eight assessment years from when the loss was first computed for the original predecessor entity. This change aligns with Section 72, preventing indefinite loss continuation through successive amalgamations and ensuring that restructuring serves business growth rather than tax avoidance.*

EXEMPTION TO WITHDRAWALS BY INDIVIDUALS FROM NATIONAL SAVINGS SCHEME FROM TAXATION

A Notification dated August 29, 2024, from the Department of Economic Affairs stated that no interest would be paid on NSS balances after October 1, 2024. In response to hardship caused by this change, there have been requests to amend Section 80CCA to provide relief for those forced to withdraw. To address this, an amendment has been made in Section 80CCA to exempt withdrawals (including interest) made on or after August 29, 2024, for deposits made before April 1, 1992, for which a deduction was allowed.

This amendment will have retrospective effect from August 29, 2024.

DEDUCTION UNDER SECTION 80CCD FOR CONTRIBUTIONS MADE TO NPS VATSALYA

The NPS Vatsalya Scheme, launched on September 18, 2024, enables parents and guardians to open an NPS account for minors, which they will manage until the child turns 18. Upon reaching adulthood, the account transfers to the child's name with the accumulated corpus and is converted into an NPS -Tier 1 Account or another non-NPS scheme.

To encourage participation, tax benefits under Section 80CCD are proposed, allowing a deduction of up to Rs.50,000 for contributions made by parents or guardians. Withdrawals of tax-deducted amounts will be taxable, except in cases where the account is closed due to the minor's death. Additionally, the scheme permits partial withdrawals for education, medical treatment, or severe disability (above 75%), with tax exemption on withdrawals up to 25% of contributions, as per Pension Fund Regulatory and Development Authority Act, 2013 regulations.

These amendments will take effect from April 1, 2026, applying to Assessment Year 2026-27 and beyond.

EXTENSION OF TAX BENEFITS FOR START-UPS AND SUNSET DATES FOR IFSC TAX CONCESSIONS

To further support the start-up ecosystem and IFSC units, the government has proposed an amendment to extend the benefit as follows:

- Extension of Sunset date for IFSC Tax Concessions to March 31, 2030
- Extension of tax deduction for start-ups under Section 80-IAC for an additional 5 years, i.e. the benefit will be available to eligible start-ups incorporated before April 01, 2030.

These amendments will take effect from the April 01, 2025

Rebate under Section 87A of the IT Act -

From the assessment year 2026-27 onwards, for an assessee, whose income is chargeable to tax under the sub-section (1A) of section 115BAC, the proposal includes the following changes:

a. The total income limit for the rebate will be increased from Rs. 7,00,000 to Rs. 12,00,000.

b. The maximum rebate limit under clause (a) will be raised from Rs. 25,000 to Rs. 60,000.

c. A new proviso will be added, stating that the rebate under the first proviso cannot exceed the income tax payable on the total income.

It may be note that rebate applies only to income chargeable under section 115BAC and does not include income subject to special rates, such as capital gains under sections 111A, 112, etc., which are covered under Chapter XII.

STREAMLINING TRANSFER PRICING PROVISIONS FOR MULTI-YEAR ARM'S LENGTH PRICE ASSESSMENT

The transfer pricing provisions under Sections 92 to 92F ensure that income from international and specified domestic transactions is computed at an ALP. Currently, the AO may refer such transactions to a TPO, who determines the ALP, which the AO then uses to compute total income.

To reduce repetitive compliance for similar transactions across multiple years, it is proposed that once an ALP is determined for a year, it will automatically apply to the next two years for similar transactions, provided the assessee opts in. If the TPO validates the option, the AO will recompute income accordingly, and no further reference to the TPO will be required.

A new sub-section (21) in Section 155 will enable income recomputation within three months of assessment completion. These amendments take effect from April 1, 2026, applying from Assessment Year 2026-27 onward.

AUTHOR'S COMMENT

> *This is a welcome move as industry has witnessed long standing litigations resulting from transfer pricing assessments. With this change, every completed assessment will act as pre-cursor to 2 non-litigative years.*

REVISION OF TAX RATES ON CAPITAL GAINS FROM TRANSFER OF CAPITAL ASSETS BY NON-RESIDENTS

Section 115AD of the IT Act governs the taxation of specified funds and Foreign Institutional Investors (FIIs) on income from securities (excluding units under Section 115AB) and capital gains from their transfer. Currently, long-term capital gains on such securities are taxed at 10%.

The Finance (No.2) Act, 2024, revised the long-term capital gains tax rate on capital assets to 12.5% for both residents and non-residents, effective July 23, 2024. However, while gains under Section 112A were aligned with domestic rates, other long-term capital gains for specified funds and FIIs remained taxed at 10%. To maintain uniformity, it is now proposed to increase the tax rate on long-term capital gains from securities covered u/s 115AD to 12.5%.

However, it may be noted that no change would occur with respect to payments such as TDS on salary, TDS on virtual digital assets, TDS on winnings from lottery etc./ race horses, payment on transfer of immovable property and payments to non-residents, TDS rates for TDS on contracts etc.

This amendment will take effect from April 1, 2026, applying to Assessment Year 2026-27 and beyond.

RATIONALIZATION OF TAXATION FRAMEWORK FOR BUSINESS TRUSTS

The Finance (No.2) Act, 2014 introduced a special taxation regime for REITs and InVITs to facilitate infrastructure financing. Under Section 115UA, these business trusts enjoy pass-through status for income from SPVs, with taxation occurring at the unit holder level, unless exempted.

Currently, Section 115UA(2) taxes a business trust's income at the maximum marginal rate, considering Sections 111A and 112, but omits Section 112A, which governs long-term capital gains on equity and business trust units. To address this, it is proposed to include Section 112A as well under purview of section 115UA(2) to ensure uniform taxation.

This amendment will take effect from April 1, 2026, applying to Assessment Year 2026-27 and beyond.

EXTENSION OF TONNAGE TAX SCHEME TO INLAND VESSELS

The tonnage tax scheme under Chapter XII-G of the Income-tax Act was introduced through the

Finance Act, 2004, to promote the Indian shipping industry. This scheme allowed qualifying shipping companies to opt for the tonnage tax regime instead of the normal corporate tax regime.

Recognizing the need to enhance inland water transportation, representations were received to extend the benefits of the tonnage tax scheme to inland vessels. Currently, India faces a shortage of inland water transport vessels, requiring significant investment in this capital-intensive sector. To boost the industry and attract investments, the scheme is now being expanded to cover inland vessels registered under the Inland Vessels Act, 2021.

Accordingly, Section 115VD has been amended to classify inland vessels as "qualified ships" under the tonnage tax regime. Additionally, Section 115V now defines inland vessels in alignment with the Inland Vessels Act, 2021. Other relevant amendments have also been incorporated to facilitate this extension.

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

REVISED TIMELINE FOR PROCESSING TONNAGE TAX APPLICATIONS

Section 115VP of the Income-tax Act governs the method and timeline for opting into the tonnage tax scheme, under which an assessee's tonnage income is computed as per the provisions of Chapter XII-G. Under the existing provisions, currently it mandates that an order approving or rejecting the application must be issued within one month from the end of the month in which the application was received.

To allow sufficient time for verification of information and documents, it is now proposed to amend Sub-section (4) of Section 115VP. For applications received on or after April 1, 2025, the order under Sub-section (3) must be issued within three months from the end of the quarter in which the application was received.

This amendment aims to enhance efficiency in processing applications while ensuring thorough verification before approval under the tonnage tax scheme.

AMENDMENTS PROPOSED IN SECTIONS 132 AND 132B FOR RATIONALIZING PROVISIONS

The proposed amendments to Section 132 of the Income-tax Act aim to streamline search and seizure procedures. Currently, approval for retaining seized books or documents must be obtained within 30 days of an assessment order. However, in group cases, varying assessment timelines create administrative challenges, particularly when documents are shared across multiple assessees.

To simplify this process, the amendment proposes a uniform deadline—one month from the end of the quarter in which the order is passed. Additionally, terminology adjustments are suggested in

Section 132 and Section 132B for consistency. The amendments, effective April 1, 2025, aim to reduce administrative burdens and enhance clarity in search and seizure operations.

EXTENDING THE TIME-LIMIT TO FILE THE UPDATED RETURN

Sub-section (8A) of Section 139 of the Income-tax Act regulates the filing of updated returns, currently permitted within 24 months from the end of the relevant assessment year. To encourage voluntary compliance, additional income tax is levied 25% for returns filed within 12 months and 50% for those filed between 12 to 24 months.

To further promote compliance, it is proposed to extend the filing window to 48 months. Under this revision, an additional tax of 60% will apply to returns filed between 24 to 36 months, while those filed between 36 to 48 months will incur a 70% tax.

Moreover, if a show-cause notice under Section 148A is issued after 36 months, filing an updated return will not be allowed. However, if it is later determined that a notice under Section 148 is unnecessary, the taxpayer may still file within the extended 48-month period.

These amendments will come into effect on April 1, 2025.

CLARIFICATION REGARDING COMMENCEMENT DATE AND THE END DATE OF THE PERIOD STAYED BY THE COURT

Sections 144BA, 153, 153B, 158BE and 158BFA of the Act specify that the period during which proceedings under these provisions are stayed by a court order or injunction shall be excluded when calculating the time limit for concluding the proceedings.

However, there was ambiguity regarding the start and end dates of the stayed period that needed to be excluded.

To clarify this, it is proposed to amend these provisions to explicitly exclude the period starting from the date the stay was granted by a court order or injunction and ending on the date the certified copy of the order vacating the stay is received by the jurisdictional Principal Commissioner or Commissioner (or the Approving Panel in the case of Section 144BA).

This amendment will take effect from April 1, 2025.

REMOVING DATE RESTRICTIONS ON FRAMING THE SCHEMES IN CERTAIN CASES

The Central Government has implemented multiple measures to digitize tax processes, minimizing physical interaction between taxpayers and the Department. This transition aims to enhance efficiency, optimize resources, and introduce a dynamic, team-based assessment system. A series of forward-looking reforms in Direct Tax administration have been introduced to benefit both taxpayers and the economy.

To support this initiative, provisions for faceless schemes under Sections 92CA, 144C, and 253 were introduced via TOLA from November 1, 2020, and under Section 255 through the Finance Act, 2021 from April 1, 2021. Due to implementation challenges, the deadline for notification was extended multiple times, with the latest extension set until March 31, 2025, under the Finance Act, 2024.

To ensure flexibility in implementation, it is now proposed to remove the end date for notifying faceless schemes, allowing the Central Government to issue directions beyond March 31, 2025, as needed. This amendment will take effect from April 1, 2025, ensuring the continued modernization of tax administration without a fixed deadline for implementation.

AMENDMENTS PROPOSED IN PROVISIONS OF BLOCK ASSESSMENT FOR SEARCH AND REQUISITION CASES UNDER CHAPTER XIV-B

The Finance (No. 2) Act, 2024, introduced block assessment under Chapter XIV-B for searches initiated on or after September 1, 2024. The term "undisclosed income" is proposed to include "virtual digital assets."

Section 158BA outlines that pending assessments or orders will abate during a search or requisition but can be revived if annulled in legal proceedings. It is proposed to clarify this by adding "recomputation", "reference", and "order." Changes to Section 158BB include revising the definition of "undisclosed income" and clarifying how income from previous years should be taxed, especially when the return deadline hasn't expired.

Section 158BE's time limit for completing block assessments is proposed to extend to 12 months from the end of the quarter in which the last search authorisation occurs, instead of the current 12 months from the end of the month. These amendments will take effect from February 1, 2025.

STREAMLINING TDS DEDUCTIONS

Sr. No.	Section	Nature of Payment	Current threshold	Proposed threshold
1	193	(a) Interest on securities (other than b). (b) In case of interest on debentures issued by company in which the public are substantially interested, paid or credited to a resident individual or HUF by an account payee cheque [Proviso (v)].	(i) Nil (ii) Rs. 5,000 /-	(i) Rs. 10,000 /-

Sr. No.	Section	Nature of Payment	Current threshold	Proposed threshold
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/- during the financial year	Rs.10,000/- in respect of a single transaction
6.	194BB	Winnings from horse race	Aggregate of amounts exceeding Rs.10,000/- during the financial year	Rs.10,000/- in respect of a single transaction
7.	194D	Insurance commission		
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/-

As per Finance Bill 2025, there is no change in rates of TDS, however there are changes in threshold limit for various Sections applicable to TDS. The proposed amendment would be effective from April 1st, 2025.

AUTHOR'S COMMENT

The increase in the TDS threshold limit brings several benefits, including improved liquidity for individuals, increased consumer spending, and reduced compliance burdens. It prevents unnecessary capital blockage, allowing businesses to utilize funds more efficiently. However, it also poses risks such as potential tax evasion, misrepresentation of income, and inadequate tax planning, which could lead to financial stress for taxpayers unaware of their total liability. Smaller businesses and individuals may also overlook their tax obligations, increasing the risk of non-compliance.

Additionally, the removal of Section 206C(1H) from April 1, 2025, will streamline tax compliance by eliminating the dual application of TDS under Section 194Q and TCS under Section 206C(1H) on the same transactions. This will simplify tax reporting, reduce confusion, and lower compliance burdens for both buyers and sellers. Overall, while the changes provide financial flexibility, they also necessitate responsible tax planning to ensure compliance and avoid unintended liabilities.

STANDARDIZED TDS RATE ON INCOME FROM SECURITIZATION TRUSTS FOR SECTION 194LBC

Section 194LBC of the Income-tax Act governs the deduction of TDS on income distributed by securitization trusts to investors. Previously, the TDS rates varied based on the recipient's category for individuals and HUFs 25% and others 30%.

Now it is proposed to amend the said section so as to provide a reduced uniform rate of tax deducted at source of 10% for all payees.

AUTHOR'S COMMENT

Purpose of this Amendment is to standardizes the TDS rate at 10% for all payees, ensuring uniformity and simplifying compliance. This change aims to streamline tax deduction procedures, reduce complexity, and provide clarity to investors and financial institutions engaged in securitization transactions.

REMOVAL OF HIGHER TDS/TCS FOR NON-FILERS OF RETURN OF INCOME

Sections 206AB and 206CCA of the Act mandate higher tax deduction and collection rates for non-filers of income tax returns, subject to specified conditions. However, stakeholders have raised concerns about the difficulty of verifying the deductee/collectee filing status, leading to higher deductions, capital blockage, and increased compliance burdens.

To address these issues, it is proposed to omit both sections, effective from April 1, 2025.

AUTHOR'S COMMENT

With the removal of this section, the government aims to simplify tax compliance and reduce the administrative burden for taxpayers. The move is expected to bring relief to taxpayers who may have been subjected to higher TDS/TCS rates under the now-omitted provision which results into blocking of capital and increased compliance burden.

DEFINITION OF "FOREST PRODUCE" RATIONALISED:

Section 206C(1) of the Act mandates Tax Collection at Source (TCS) on the sale of certain specified goods. Currently, TCS at 2.5% applies to the sale of timber (whether obtained under a forest lease or otherwise) and other forest produce, excluding tendu leaves.

Stakeholders raised concerns about the lack of a definition for "forest produce," creating ambiguity and unintended applicability to traders. To address this, it is proposed to define "forest produce" in line with State laws or the Indian Forest Act, 1927. Additionally, TCS will now apply only to forest produce (excluding timber and tendu leaves) obtained under a forest lease.

The revised TCS rates, effective from April 1, 2025, are:

- 2% on timber or other forest produce (excluding tendu leaves) obtained under a forest lease
- 2% on timber obtained by any other mode

AUTHOR'S COMMENT

Purpose behind these amendments to Section 206C of IT Act, for smoothing the process of collecting tax at the source of sale of forest produce, ensuring that tax revenue is generated and accounted for accurately. There is also increase compliance and ensure better tax collection on significant transactions. The changes are expected to benefit small taxpayers and ensuring that tax deductions apply only on higher-value transactions.

TIME LIMIT TO IMPOSE PENALTIES RATIONALISED

Section 275 of the Act sets time limits for imposing penalties, with different deadlines based on appeal levels, such as ITAT, JCIT (Appeal), or Commissioner (Appeal). These multiple timelines create challenges in tracking deadlines for effective tax administration. To simplify this, it is proposed to amend Section 275, setting a uniform time limit of six months from the end of the quarter in which:

- The connected proceedings are completed,
- The appellate order is received by the jurisdictional authority,
- The order of revision is passed, or
- The penalty notice is issued.

A consequential amendment will also be made to Section 246A to reflect this change. These amendments will take effect from April 1, 2025.

AUTHOR'S COMMENT

> *The introduction of this section provides a simplicity and transparency in the penalty process It helps to ensure that penalties are not imposed arbitrarily. It offers taxpayer a relief from the unnecessary burden of the penalties imposed. On the other hand, Omission broadens the applicability of the clause, ensuring that appeals under this section are not limited to decisions made specifically by a Deputy Commissioner. This change simplifies the language and ensure to include more appeals, applying to all relevant cases without being restricted to the actions of a particular officer.*

EXTENSION OF THE DEADLINE FOR APPLICATION MADE FOR THE RELIEF OF PENALTY

The Bill is amended to extend the deadline from 1 month to 3 months in relation to passing of a order of acceptance or rejection the application made for the relief of penalty under sub-section 1 of Section 270AA of IT Act.

AUTHOR'S COMMENT

> *The extended deadline provides additional timeline to make a decision on acceptance and rejection of the application of granting immunity from penalty imposed under Section*

NON-APPLICABILITY OF SECTION 271AAB OF THE ACT

Section 271AAB(1A) of the Act deals with penalties for searches initiated after December 15, 2016. With the Finance Act, 2024, the Block Assessment system under Chapter XIV-B was introduced for searches conducted under Section 132 from September 1, 2024, onwards. While Section 271AAB already excludes its application to proceedings under Section 158BC, to eliminate any ambiguity, it is proposed to explicitly clarify that it will not apply to searches initiated on or after September 1, 2024.

This amendment will take effect from September 1, 2024.

AUTHOR'S COMMENT

> *The addition of this clause introduces a specific timeline regarding the effectiveness of the said provision, limiting its application to a period before the mentioned date to avoid any ambiguity.*

CERTAIN PENALTIES TO BE IMPOSED BY THE ASSESSING OFFICER

Currently, penalties under Sections 271C, 271CA, 271D, 271DA, 271DB, and 271E are imposed by the Joint Commissioner, even though assessments are conducted by the Assessing Officer (AO). To streamline this process, it is proposed that the AO will now levy these penalties, subject to prior approval from the Joint Commissioner if the penalty amount exceeds the limit specified in Section 274(2). A consequential amendment will also be made to Section 246A(1)(n). Additionally, Section 271BB, which imposes penalties for failing to subscribe to eligible capital issues under the now-omitted Section 88A, will be removed, as it is no longer relevant. These amendments will take effect from April 1, 2025.

RELAXATION IN PROSECUTION FOR DELAY IN TCS PAYMENT

Section 276BB of the Income-tax Act prescribes prosecution for failure to deposit Tax Collected at Source (TCS) with the Central Government. Under the current provisions, any person who fails to remit the collected tax as required under Section 206C is subject to rigorous imprisonment for a minimum of three months, extendable up to seven years, along with a fine.

To provide relief in genuine cases of delay, it is now proposed to amend Section 276BB to ensure that prosecution will not be initiated if the collected tax is deposited on or before the due date for filing the quarterly TCS statement, as prescribed under the proviso to Sub-section (3) of Section 206C. This amendment aims to reduce litigation and compliance burdens while ensuring timely deposit of TCS.

The revised provision will come into effect from April 1, 2025.

AUTHOR'S COMMENT

> *This proposed amendment brings much-needed relief to businesses and taxpayers by preventing harsh prosecution in cases where TCS is deposited within the prescribed timeline. While stringent penalties are crucial to ensuring compliance, a more balanced approach was necessary to distinguish between willful defaulters and genuine delays in tax remittance. By aligning prosecution measures with practical filing deadlines, this change is expected to streamline tax administration and reduce unnecessary litigation. However, businesses must remain vigilant about timely compliance to avoid potential legal consequences.*

OBLIGATION TO FURNISH INFORMATION ON CRYPTO-ASSET TRANSACTIONS

The Finance Act, 2022 introduced taxation on Virtual Digital Assets (VDA) under Section 115BBH, imposing a 30% tax on transfers without deductions (except for acquisition costs). Additionally, Section 194S mandated a 1% TDS on VDA transactions, including those settled in kind.

To strengthen compliance, a new Section 285BAA is proposed, requiring designated reporting entities to furnish details of crypto transactions to tax authorities. Key provisions include:

- Mandatory reporting of crypto transactions in a prescribed format.
- Rectification of defective statements within 30 days.
- Authority to issue notices for delayed or inaccurate filings.
- Registration requirements and due diligence obligations for reporting entities.

Further, Section 2(47A) is proposed to be expanded to explicitly include crypto-assets within the definition of VDA, ensuring broader tax applicability.

These amendments will be effective from April 1, 2026.

AUTHOR'S COMMENT

The proposed changes signal a rigorous regulatory approach toward crypto-asset transactions, ensuring greater transparency and tax compliance. The introduction of Section 285BAA aligns India's tax framework with global efforts to monitor and regulate digital assets. Businesses and investors in the crypto space must now adopt stringent reporting mechanisms to avoid penalties. While the compliance burden increases, these measures aim to curb tax evasion and bring clarity to the taxation of digital assets.

GOODS & SERVICES TAX

Allocation of ITC by the Input Service Distributor for Inter-State Supplies under the Reverse Charge Mechanism.

The amendment to Clause 61 of Section 2 and Section 20(1) and Section 20(2) of the CGST Act requires the Input Service Distributor ('ISD') to distribute the ITC for inter-state supplies where tax is paid on RCM.

This amendment will be effective from April 01, 2025.

AUTHOR'S COMMENT

> *Prior to the amendment, there was ambiguity regarding the distribution of ITC for inter-state supplies under RCM. The inclusion of the reference to the specific sub-sections of the IGST Act clarifies that the ISD can distribute such ITC to the relevant units or branches that have received the supplies under the reverse charge mechanism.*
>
> *This amendment aims to ensure smoother compliance and alignment between the CGST and IGST Acts, particularly in scenarios involving inter-state transactions under the reverse charge mechanism.*

Amendment to Definition of "Local Authority" to Clarify "Municipal Fund" and "Local Fund"

The amendment to Sub-clause (c) of Clause (69) of Section 2 of the CGST Act replaces the term "municipal or local fund" with "municipal fund or local fund" to clarify that these are distinct terms. It also adds an explanation to separately define "Local Fund" and "Municipal Fund".

This clarification ensures there is no ambiguity in understanding the scope of these terms within the definition of "local authority" under the CGST Act, helping with better legal clarity and GST compliance.

Introduction of a new system of Unique Identification Marking

A new clause has been added in Section 2 to define "Unique Identification Marking" for the purpose of implementing a Track and Trace Mechanism, likely to improve tracking and transparency of goods in the supply chain.

AUTHOR'S COMMENT

> *Additionally, temporary identification numbers will be granted to individuals who typically aren't required to register under GST but are involved in taxable activities. This change was discussed in the 55th GST Council Meeting held on December 21, 2024.*
>
> *The primary goal of this update is to strengthen supply chain monitoring and ensure better compliance and control over the movement of goods.*

SIMPLIFICATION OF THE RULES RELATED TO THE TIME OF SUPPLY OF VOUCHERS

Clause 116 of the Finance Bill 2025 has proposed to delete Sub-sections (4) of Sections 12 and 13 under GST further simplifying the rules regarding the time of supply for vouchers. Aimed to address long-standing concerns regarding the taxability of vouchers under GST, the GST Council had clarified that no GST was leviable on transaction of vouchers as they are neither supply of goods nor supply of services. Consequent changes have been proposed in the time of supply provisions relating to vouchers.

SUBSTITUTION OF THE WORDS 'PLANT OR MACHINERY' WITH 'PLANT AND MACHINERY IN SUB-SECTION (5) OF SECTION 17

The amendment to Clause (d) of sub-section (5) of Section 17 substitutes the words "plant or machinery" with "plant and machinery". This change clarifies that both plant and machinery are included, rather than just one or the other.

This amendment will be effective from July 01, 2017.

AUTHOR'S COMMENT

A retrospective amendment has been made to Section 17(5)(d) of the GST Act to effectively overcome the Supreme Court decision in the case of ***Safari Retreats Private Limited vs. Chief Commissioner of CGST [TS-350-HC-2019(ORI)-NT].*** *In October 2024, the Hon'ble Supreme Court held in the case of Safari Retreats Private Limited that ITC would be permissible on construction expense for buildings meant to be leased/ Renting, subject to the functionality test. This amendment is an attempt to rectify the drafting error and is in line with the recommendation of the GST Council Meeting in its 55th Meeting held on December 21, 2024.*

MANDATORY REVERSAL OF ITC BY RECIPIENT IN RESPECT OF SUPPLIER CREDIT NOTES

Clause 121 of the Finance Bill pertains to an amendment in Sec 34 of the CGST Act that mandates the reversal of ITC when a supplier issues a credit note for an invoice on which ITC has been claimed. Under the existing provisions, a credit note issued by a supplier can reduce their tax liability. However, it is now proposed to include the mandatory condition requiring the recipient to reverse the corresponding ITC claimed earlier if the recipient (buyer) had claimed ITC on the original invoice

AUTHOR'S COMMENT

This amendment specifically requires that the ITC availed by the recipient is reversed when the supplier issues a credit note that reduces their tax liability. It essentially attempts to end revenue leakage to ensure that both the supplier's and recipient's tax positions are aligned. However, it will be practically difficult to track the reversal of ITC by recipient for each credit note *leading to a more complicated and time-consuming compliance process. A tracking feature on the GST portal would be essential to streamline this, as manual tracking of these reversals would be a complex and cumbersome adding to more compliance headaches.*

Section 15(3)(b)(ii) of the CGST Act allows a supplier to exclude discounts from the taxable value if the recipient reverses the corresponding ITC. Since the GST portal currently lacks the facility to verify this, suppliers are required to obtain a certificate from the recipient, issued by a CA or CMA, confirming the necessary ITC reversal as per Circular No.-212/6/2024-GST dated 26th June, 2024

However, in the absence of any facility on the Portal, manually tracking reversal of ITC by recipient w.r.t each credit note and obtaining CA/vendor certificates for every instance would be practically challenging and suitable clarification must be issued by CBIC to avoid unnecessary litigations in this regard.

REMOVAL OF "AUTO-GENERATED" TERM FOR ITC STATEMENT

Section 38(1) has been amended to remove the term "auto-generated" concerning the statement of input tax credit. The impact of this amendment is that it removes the specific reference to "auto-generated" in Section 38(1), which may provide more flexibility in how the statement of ITC is generated and could potentially allow for manual or other methods of preparation, depending on future regulatory guidelines or system update such as Invoice Management System. This could lead to broader compliance options for businesses and a possible simplification in the process of reporting ITC.

INCLUSION OF "INCLUDING" IN CLAUSE (B) OF SECTION 38(2)

The amendment to Section 38(2) removes the term "auto-generated" in relation to the statement of ITC and adds the word "including" after "by the recipient" in clause (b). This makes the clause more inclusive, broadening the scope of how the statement can be provided or processed, potentially allowing for more flexibility in compliance. This change could allow for additional methods of submitting or reporting ITC beyond just auto-generated statements, enhancing clarity and adaptability in the process.

GUIDELINES FOR INCLUDING ADDITIONAL DETAILS IN THE ITC STATEMENT

Section 38(2) is being amended to include a new clause (c), which enables the prescription of additional details to be included in the statement of ITC. This change provides flexibility for authorities to specify further information required in the ITC statement, allowing for more comprehensive and detailed reporting as needed.

ENABLING CLAUSE FOR PRESCRIBING CONDITIONS AND RESTRICTIONS ON FILING RETURNS

The amendment to Section 39(1) introduces a provision that allows authorities to set specific conditions and restrictions for filing returns. This enabling clause allows authorities to set specific conditions for filing returns and control but potentially adding complexity to compliance.

SECTION 107(6) AND 112(B) AMENDMENT: 10% PRE-DEPOSIT MANDATE FOR APPEALS ON PENALTY-ONLY DEMANDS

The amendment to Section 107(6) and 112(8) introduces a requirement for a 10% mandatory pre-deposit of the penalty amount when appeal filed before the First Appellate Authority and Appellate Tribunal, in cases where the appeal involves only a penalty demand, with no associated tax demand. This proposal was discussed during the 55th GST Council Meeting on 21st December 2024.

AUTHOR'S COMMENT

Previously, the pre-deposit requirement applied only to disputed tax liabilities. However, with this amendment, even in cases involving only penalties, appellants will now be obligated to deposit 10% of the penalty amount before filing an appeal before the Appellate Tribunal.

The amendment imposes an additional financial burden on litigants who were previously not required to make any pre-deposit for penalty-only appeals. This change may impact businesses and individuals involved in penalty-related disputes, as they must now arrange for a pre-deposit even when contesting the validity of the penalty itself.

This change could lead to reduced frivolous appeals, as only genuine cases with strong merit are likely to proceed to litigation. However, it may also discourage smaller taxpayers from appealing due to the additional financial requirement.

SECTION 148(A) AMENDMENT: INSERTION OF NEW SECTION RELATING TO TRACK AND TRACE MECHANISM AND PENALTY FOR NON-COMPLIANCE

A new section, 148A, has been introduced to implement a Track and Trace Mechanism for specified commodities. This mechanism aims to enhance monitoring, transparency, and accountability in the movement of certain goods. By ensuring real-time tracking, the provision will strengthen compliance and prevent tax evasion or misuse of supply chain loopholes.

Alongside Section 148A, the newly inserted Section 122B imposes penalties for non-compliance with the provisions related to the Track and Trace Mechanism. Any violation of the prescribed guidelines under Section 148A will attract penal consequences, reinforcing the importance of adherence to the regulatory framework.

AUTHOR'S COMMENT

The Track and Trace System is a critical compliance tool that allows businesses and regulatory authorities to track goods at every stage of the supply chain, from suppliers to end consumers. This ensures that all transactions are accounted for, reducing tax evasion and improving supply chain integrity.

However, the introduction of penalty provisions under Section 122B underscores the need for businesses to strictly comply with the Track and Trace regulations. Companies involved in the movement of specified commodities must ensure that their supply chain processes align with the prescribed tracking guidelines to avoid penalties.

From a broader perspective, this regulatory measure strikes a balance between government revenue protection and supply chain efficiency, but businesses may need to invest in compliance infrastructure to seamlessly integrate with the Track and Trace system. In the long run, it could foster a more transparent and accountable trade ecosystem while deterring fraudulent activities.

SCHEDULE 3 AMENDMENT: TREATMENT OF SUPPLY OF GOODS OR SERVICES WAREHOUSED IN A SPECIAL ECONOMIC ZONE OR IN A FREE TRADE WAREHOUSING ZONE

A new Clause (aa) is being inserted in Paragraph 8 of Schedule III of the CGST Act, with retrospective effect from 01.07.2017, to clarify that the supply of goods warehoused in a SEZ or FTWZ before clearance for export or supply to the DTA shall not be treated as a supply of goods or services.

This amendment will eliminate tax liability on such supplies, ensuring that goods stored in SEZs or FTWZs do not attract GST until clearance for export or domestic sale. This change aligns with the fundamental principle of SEZ taxation policies, which aim to promote exports by deferring or eliminating indirect tax burdens on warehoused goods.

Amendment to Explanation 2 and Insertion of Explanation 3

- Amendment to Explanation 2 – The amendment to Explanation 2 of Schedule III inserts the words "clause (a) of" after "For the purposes of", explicitly linking it to Clause (a) of Paragraph 8. This clarification, effective retrospectively from 01.07.2017, ensures accurate interpretation and prevents ambiguity.
- Insertion of Explanation 3 – To enhance clarity, a new Explanation 3 is being inserted in Paragraph 8 of Schedule III. This will define the terms:

    - Special Economic Zone

    - Free Trade Warehousing Zone

- Domestic Tariff Area

These definitions will provide a clear framework for businesses operating within these zones, eliminating ambiguity in tax treatment and compliance requirements.

NO REFUND OF TAX ALREADY PAID ON TRANSACTIONS UNDER CLAUSE 128

The amendment to Schedule III of the CGST Act, which classifies certain transactions involving warehoused goods in SEZ's and FTWZs as neither supply of goods nor services, has a significant limitation:

Despite the retrospective effect from July 01, 2017 no refund of tax already paid on such transactions will be available. This means that businesses that have previously paid GST on these activities will not be entitled to claim a refund, even though the transactions are now retrospectively classified as non-taxable under Clause 128.

SERVICE TAX

RETROSPECTIVE EXEMPTION FROM SERVICE TAX ON REINSURANCE SERVICES PROVIDED BY INSURANCE COMPANIES

A retrospective exemption from service tax has been granted to insurance companies providing reinsurance services under the following government-backed agricultural insurance schemes:

- Weather-Based Crop Insurance Scheme
- Modified National Agricultural Insurance Scheme

This exemption will be applicable for the period from 1st April 2011 to 30th June 2017 (both dates inclusive). The amendment aims to ensure that reinsurance services under these schemes are not subject to service tax liabilities, reducing financial burdens on insurers involved in agricultural risk mitigation.

AUTHOR'S COMMENT

The above kind of retrospective exemption can be aimed at providing relief to stakeholders in the agricultural insurance sector. Also, it might also allow for refunds or adjustments of any service tax that was previously paid and will reduce the overall cost burden for those who are involved in the Weather-Based Crop Insurance Scheme or Modified National Agricultural Insurance Scheme.

CUSTOMS ACT

INSERTION OF NEW SUB SECTION 1(B) IN SECTION 18 OF THE CUSTOMS ACT

Marking a crucial development as regards the finalization of provisional entries, the Customs authorities are now required to finalize provisional assessments within two years from the date of assessment. However, the said period may be extended by the Proper Officer for an additional period of one year, provided there is sufficient cause for the delay.

Further, the sub-section (1C) of Section 18 notifies the circumstances wherein the time period of two years, would not be applicable, mentioned as under:

a. Information pending from any authority outside India;

b. An appeal in a similar matter is pending before the higher Appellate Authorities;

c. Any Interim Order of stay has been issued by the Appellate Authorities;

d. Specific Direction of the Board to keep the matter in abeyance;

e. Application is pending before a Settlement Commission;

In all the circumstances mentioned above, the period of two years shall be applicable from the date when the said circumstances / reason ceases to exist.

AUTHOR'S COMMENT:

This marks a welcome move from the Government to expedite the finalization of entries. However, there remains various scenarios which are neither covered in the newly inserted sub-section (1C) nor has been clarified in the provisions. For instance, cases wherein the finalization has been pending for want of issuance of the SVB orders, or cases wherein, the goods have been imported under a Project Import regulation and contract has still not been closed. We have seen that closure of SVB Order as well contract under Project Import may require time well over a period of two years in majority of the cases.

In above cases, the industry may be concerned because given the past experiences, the authorities tend to finalize the SVB Orders or reject the closure of Project Import unfairly just to meet their timelines of finalizing the entries.

While, prescribing a definitive timelines would definitely ensure accountability and transparency between the Department and assessee, however, building of required infrastructure and strength from the Department side would be required to ensure that the finalization would be done in the prescribed timelines.

INTRODUCTION OF SECTION 18A – VOLUNTARY REVISION OF ENTRIES

Section 18A represents a significant development for importers and exporters, as it allows the importers / exporters to voluntarily amend customs declarations after goods have been cleared. This provision enables an assessee to correct any discrepancies or omissions in duty payments discovered post-clearance, allowing for the payment of the necessary duty along with interest, while avoiding penalties.

However, restrictions have been imposed on revision of entries in cases involving Summons, Seizure, Audits, Refunds (where re-assessments has already been done) or any other cases as may be notified from time to time.

AUTHOR'S COMMENT

Section 149 of the Customs Act already provides a window for re-assessment of Bill of Entries where goods have been cleared subject to the satisfaction / discretion of the relevant authorities basis the documentary evidences filed at the time of clearance of the shipment. Such discretionary authority in the hands of the officers had often resulted in delays of the approvals or rejections in majority of the cases. However, the newly inserted provisions under Section 18A empowers the assessee to not only revise the Bill of Entries of Shipping Bills on self assessment basis but also regularize any inadvertent non-compliances committed at the time of clearance.

However, post the decision of Supreme Court in the Case of ITC Limited (2019-TIOL-418-SC-CUS-LB), the industry has been forced to pursue the appellate route for any revision / re-assessment of Bill of Entries. Even in instant budget, though the window for voluntary revision has come as a major relief to the importers, but the ambiguity surrounding the re-assessment of entries through adjudication route instead of the appellate route remains open leading of piling of cases before the appellate forums even in cases involving bonafide errors by the importers.

Further, allowing the assesses to revise the entries on self assessment basis would extend a significant relief in cases where the revision is essential either to comply with the banking requirements of receiving the remittances or availing the Input Credit upon subsequent realization of any irregularities in duty payments or transmission of the credit in GST Portal.

INSERTION OF NEW CLAUSE IN SECTION 127A DEFINING INTERIM BOARD AND PENDING APPLICATIONS

The Finance Bill has proposed to insert new clauses in Section 127A of the Customs Act, to provide clear definitions for the terms "Interim Board" and "pending application." The term "Interim Board" will refer to the Interim Board for Settlement constituted under Section 31A of the Central Excise Act.

Additionally, a new clause will define "pending application" as an application filed under Section 127B before April 1, 2025, which has been allowed under Section 127C and no order under sub-section (5) of Section 127C was issued on or before the 31st day of March, 2025, with respect to such application.

INSERTION OF NEW PROVISO IN SEC 127B FOR ESTABLISHING THE DEADLINE FOR NEW APPLICATIONS AND HANDLING OF PENDING CASES

Section 127B of the Customs Act, allows individuals or entities facing customs duty or penalty disputes to apply for a settlement outside the court system. This provides a quicker, more efficient way to resolve such issues.

Two new provisos are proposed to be inserted after sub-section (5) of Section 127B. The first proviso sets a deadline, stating no new applications can be made under this section after April 1, 2025. The second proviso ensures that, once the Interim Board is constituted, all pending applications will be dealt with by the Board from the stage they were at before its formation. These changes aim to clarify the handling of applications and streamline the dispute resolution process.

INSERTION OF NEW SUB-CLAUSE IN SECTION 127C ON THE ROLE OF THE INTERIM BOARD AND EXTENSION OF TIME LIMITS

Section 127C of the Customs Act, deals with the procedure and provisions for the settlement of disputes related to customs duties and penalties. This section provides the framework through which taxpayers can apply to the Settlement Commission (now to be replaced by the Interim Board) for resolving disputes and settling matters outside of the judicial system. The section includes various provisions related to the filing of applications, the powers of the Settlement Commission, and the timelines for decision-making.

Additionally, the Interim Board will have the authority to extend the time limit specified in sub-section (8A) for a further period of up to twelve months, provided valid reasons are recorded in writing.

TRANSFER OF POWERS FROM SETTLEMENT COMMISSION TO INTERIM BOARD

The Bill has proposed to amend to Sections 127D, 127F, 127G, and 127H of the Customs Act, effective from April 1, 2025. These changes transfer the powers, functions, and responsibilities of the Settlement Commission to the Interim Board.

CUSTOMS TARIFF ACT

A.	Increase in Tariff Rate (to be effective from July 24,	Increase in Tariff Rate (to be effective from July 24, 2024)	Rate of Duty	Rate of Duty
Sr. No.	Heading, sub-heading or tariff item	Commodity	Existing Rate	Proposed Rate
I.		**Textile**		
1	6004 10 00 6004 90 00 6006 22 00 6006 31 00 6006 32 00 6006 33 00 6006 34 00 6006 42 00 6006 90 00	Knitted Fabrics	20%/10%	20% or Rs115/kg, whichever is higher
II.		**IT & Electronics Sector**		
1	8528 59 00	Interactive Flat Panel Displays (Completely Built	10%	20%

B.	Decrease in Tariff rate (to be effective from May 01, 2025 unless otherwise specified)	Decrease in Tariff rate (to be effective from May 01, 2025 unless otherwise specified)	Rate of Duty	Rate of Duty
S. No.	**Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**
1	25151100	Marble and travertine, crude or roughly trimmed, merely cut into blocks, slabs and other	40%	20%
	2515 12	Marble and travertine, crude or roughly	40%	20%
2	2516 11 00 2516 12 00	Granite, crude or roughly trimmed, merely cut into blocks, slabs and other	40%	20%
3	2933 59	Other compounds containing a pyrimidine ring (whether or not hydrogenated) or piperazine	10%	7.50%
4	3302 10	Synthetic flavouring essences and mixtures of odoriferous substances of a kind used in food	100%	20%
5	3406	Candles, tapers and the like	25%	20%
6	3822 90	Reference Materials	30%	10%
7	3824 60	Sorbitol other than that of sub- heading 2905	30%	20%
8	3920	Other, plates, sheets, films, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other ma-	25%	20%
9	3921	Other plates, sheet, film, foil and strip of plastics	25%	20%
10	6401	Waterproof Footwear with outer soles and Uppers of Rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes	35%	20%

B.	Decrease in Tariff rate (to be effective from May 01, 2025 unless otherwise specified)	Decrease in Tariff rate (to be effective from May 01, 2025 unless otherwise specified)	Rate of Duty	Rate of Duty
S. No.	**Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**
11	6402	Other footwear with outer soles and uppers of rubber or plastics	35%	20%
12	6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	35%	20%
13	6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	35%	20%
14	6405	Other Footwear	35%	20%
15	6802 10 00 6802 21 10 6802 21 20 6802 21 90 6802 23 10 6802 23 90 6802 29 00 6802 91 00 6802 92 00 6802 93 00	Worked monumental or building stone	40%	20%

B.	Decrease in Tariff rate (to be effective from May 01, 2025 unless otherwise specified)	Decrease in Tariff rate (to be effective from May 01, 2025 unless otherwise specified)	Rate of Duty	Rate of Duty
S. No.	Heading, sub-heading, tariff item	Commodity	From	To
16	7113	Articles of Jewellery and parts thereof	25%	20%
17	7114	Articles of goldsmiths' and silversmiths' ware's and parts thereof	25%	20%
18	7404 00 12 7404 00 19 7404 00 22	Copper Waste and Scrap	2.50%	Nil
19	8002	Tin Waste and Scrap	5%	Nil
20	8101 97 00	Tungsten Waste and Scrap	5%	Nil
21	8102 97 00	Molybdenum Waste and Scrap	5%	Nil
22	8103 30 00	Tantalum Waste and Scrap	5%	Nil
23	8105 30 00	Cobalt Waste and Scrap	5%	Nil
24	8106 90 10	Waste and Scrap of Bismuth and Bismuth alloys	5%	Nil
25	8109 31 00 8109 39 00	Zirconium Waste and Scrap	10%	Nil
26	8110 20 00	Antimony Waste and Scrap	2.50%	Nil

B.	Decrease in Tariff rate (to be effective from May 01, 2025 unless otherwise specified)	Decrease in Tariff rate (to be effective from May 01, 2025 unless otherwise specified)	Rate of Duty	Rate of Duty
S. No.	Heading, sub-heading, tariff item	Commodity	From	To
27	8112 13 00	Beryllium Waste and Scrap	5%	Nil
28	8112 41 20	Rhenium Waste and Scrap	10%	Nil
29	8112 61 00	Cadmium Waste and Scrap	5%	Nil
30	8541 42 00	Solar Cells	25%	20%
31	8541 43 00 8541 49 00	Solar Module and Other semiconductor devices and photovoltaic cells	40%	20%
32	8702	Motor vehicles for transport of 10 or more persons	40%	20%
33	8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702)	125%	70%
34	8704	Motor vehicles for transport of goods	40%	20%
35	8711	Motorcycles and cycles fitted with an auxiliary motor with or without side-car	100%	70%
36	8712 00 10	Bicycles	35%	20%
37	8903	Yachts and other vessels for pleasure or sports; rowing boats and canoes	25%	20%
38	9028 30 10	Electricity meters for alternating current (Smart	25%	20%

B.	Decrease in Tariff rate (to be effective from May 01, 2025 unless otherwise specified)	Decrease in Tariff rate (to be effective from May 01, 2025 unless otherwise specified)	Rate of Duty	Rate of Duty
S. No.	Heading, sub-heading, tariff item	Commodity	From	To
39	9401	Seats (other than those of headings 9402), whether or not convertible into beds, and parts	25%	20%
40	9403	Other furniture and parts thereof	25%	20%
41	9404	Mattress supports, articles of bedding and similar furnishing etc.	25%	20%
42	9405	Luminaries and lighting fittings including searchlights and spotlights and parts thereof	25%	20%
43	9503 00 91	Parts of electronic toys	70%	20%
44	9802 00 00	Laboratory Chemicals	150%	70%
45	9803 00 00	All dutiable articles, imported by a passenger or a member of a crew in his baggage	100%	70%
46	9804 00 00	All dutiable goods imported for personal use.	35%	20%

C.	Tariff rate changes (without change in existing effective rate of duty) to be effective from May 01, 2025 unless otherwise specified	Tariff rate changes (without change in existing effective rate of duty) to be effective from May 01, 2025 unless otherwise specified	Rate of Duty	Rate of Duty
S. No.	**Heading, sub-heading tariff item**	**Commodity**	**From**	**To**
1	1520 00 00	Glycerol Crude, glycerol waters, glycerol lye	30%	20%
2	2603 00 00	Copper Ores and concentrates	2.50%	Nil
3	2605 00 00	Cobalt Ores and concentrates	2.50%	Nil
4	2609 00 00	Tin Ores and concentrates	2.50%	Nil
5	2611 00 00	Tungsten Ores and concentrates	2.50%	Nil
6	2613 00 00	Molybdenum Ores and concentrates	2.50%	Nil
7	2615 10 00	Zirconium Ores and concentrates	2.50%	Nil
8	2615 90 10	Vanadium Ores and concentrates	2.50%	Nil
9	2615 90 20	Niobium or Tantalum Ores and concentrates	2.50%	Nil
10	2617 10 00	Antimony Ores and Concentrates	2.50%	Nil
11	2711 12 00	Liquefied Propane	15%	2.50%
12	2711 13 00	Liquefied Butane	15%	2.50%
13	27 11 19 10	LPG (for non-automotive purpose)	15%	5%
14	2711 19 20	LPG (for automotive purpose)	15%	5%
15	2711 19 90	Other liquified petroleum gas	15%	5%
16	2809 20 10	Phosphoric Acid	20%	7.50%
17	2810 00 20	Boric Acid	27.50%	7.50%
18	3824 99 00	Other – Prepared Binders, chemical products and preparations of chemical or allied indus-	17.50%	7.50%
19	7210 12 10	OTS/MR type-flat rolled products of thickness less than 0.5 mm	27.50%	15%

C.	Tariff rate changes (without change in existing effective rate of duty) to be effective from May 01, 2025 unless otherwise specified	Tariff rate changes (without change in existing effective rate of duty) to be effective from May 01, 2025 unless otherwise specified	Rate of Duty	Rate of Duty
S. No.	**Heading, sub-heading tariff item**	**Commodity**	**From**	**To**
22	7219 13 00	Hot-rolled products in coils of thickness greater than or equal to 3 mm but less than 4.75 mm	22.50%	15%
23	7219 21 90	Flat rolled products of stainless steel of width 600 mm or more - Other nickel chromium austenitic type	22.50%	15%
24	7219 90 90	Flat rolled products of stainless steel of width 600 mm or more - Other sheets and plates	22.50%	15%
25	7225 11 00	Flat-rolled products of other alloy steel - grain oriented, silicon electrical steel	20%	15%
26	7307 29 00	Other tube or pipe fittings of stainless steel	25%	15%
27	7307 99 90	Other fittings of iron or steel, non- galvanised	25%	15%
28	7308 90 90	Other structure and parts of structures of iron and steel	25%	15%
29	7310 29 90	Others-tanks and drums etc.	25%	15%
30	7318 15 00	Other screws and bolts whether or with nuts or washers	25%	15%
31	7318 16 00	Threaded nuts	25%	15%
32	7318 29 90	Other non-threaded articles	25%	15%
33	7320 90 90	Other springs and leaves of iron/steel	25%	15%
34	7325 99 99	Other cast articles of iron or steel	25%	15%
35	7326 19 90	Others - forged or stamped articles of iron or steel but not further worked	25%	15%
36	7326 90 99	Miscellaneous other articles of iron/steel	25%	15%
37	8001	Unwrought Tin	5%	Nil
38	8101 94 00	Unwrought tungsten, including bars and rods	5%	Nil

C.	Tariff rate changes (without change in existing effective rate of duty) to be effective from May 01, 2025 unless otherwise specified	Tariff rate changes (without change in existing effective rate of duty) to be effective from May 01, 2025 unless otherwise specified	Rate of Duty	Rate of Duty
S. No.	**Heading, sub-heading tariff item**	**Commodity**	**From**	**To**
40	8103 20	Unwrought tantalum, including bars and rods	5%	Nil
41	8105 20 20	Cobalt, unwrought	5%	Nil
42	8106 10 10	Bismuth, unwrought	5%	Nil
43	8109 21 00	Unwrought zirconium, powders, containing less than 1 part hafnium to 500 parts zirconium by	10%	Nil
44	8110 10 00	Unwrought antimony, powders	2.50%	Nil
45	8112 12 00	Beryllium unwrought, powders	5%	Nil
46	8112 31	Hafnium unwrought, waste and scrap, powders	10%	Nil
47	8112 41 10	Rhenium unwrought	10%	Nil
48	8112 69 10	Cadmium unwrought, Powders	5%	Nil
49	8112 69 20	Cadmium, wrought	5%	Nil

A.	Changes in Basic Customs Duty (to be effective from February 02, 2025)	Changes in Basic Customs Duty (to be effective from February 02, 2025)	Rates of Duty	Rates of Duty
S. No.	**Chapter, Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**
		Aquafarming & Marine Exports		
1	0304 99 00	Frozen Fish Paste (Surimi) for use in manufacture of Surimi Analogue products, for export	30%	5%
2	2301 20	Fish Hydrolysate for use in manufacture of aquatic feed	15%	5%
		Leather		
3	4104 11 00 4104 19 00 4105 10 00 4106 21 00 4106 31 00 4106 91 00	Wet blue leather (hides and skins)	10%	Nil
		Gems and Jewellery Sector		
4	7113	Platinum Findings	25%	5%
		Metal Scrap & Lithium-Ion Battery Waste and Scrap		
5	7802	Lead waste and scrap	5%	Nil
6	7902	Zinc waste and scrap	5%	Nil
7	8105 20 30	Cobalt powders	5%	Nil
8	8549 13 00 8549 14 00 8549 19 00	Waste and scrap of Lithium-Ion Battery	5%	Nil

A.	Changes in Basic Customs Duty (to be effective from February 02, 2025)	Changes in Basic Customs Duty (to be effective from February 02, 2025)	Rates of Duty	Rates of Duty
S. No.	**Chapter, Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**
		IT and Electronics Sector		
9	8517	Ethernet switches Carrier grade	20%	10%
10	8524 8529	Open cell for Interactive Flat Panel Display Module with or without touch, Touch Glass Sheet and Touch Sensor PCB for the manufacture of the Interactive Flat Panel Display Module.	15%/10%	5%
11	8529	Inputs and Parts of the Open Cells for use in the manufacture of Television Panels of LED/LCD TV.	2.50%	Nil
12	Any chapter	Inputs or Parts/sub-parts for use in the manufacture of the Printed Circuit Board Assembly, Camera module and connectors of cellular mobile phones and inputs and raw materials for use in the manufacture of specified parts of cellular mobile phones i.e on Wired Headset, Microphone and Receiver, USB Cable and Fingerprint reader/Scanner of Cellular Mobile Phone.	2.50%	Nil
13	Any chapter	Add 35 capital goods for use in the manufacture of lithium-ion battery of EVs and 28 capital goods for use in the manufacture of lithium-ion battery of mobile phones in the list of exempted capital goods	As applicable	Nil
14	Any chapter	To amend entry S. No. 6D of Notification No. 57/2017-Customs and incorporate 'any chapter' in column (2) for goods used to manufacture mechanics of mobile phone	As applicable	10%

A.	Changes in Basic Customs Duty (to be effective from February 02, 2025)	Changes in Basic Customs Duty (to be effective from February 02, 2025)	Rates of Duty	Rates of Duty
S. No.	**Chapter, Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**
Automobile				
15	8702	Motor vehicles for transport of 10 or more persons	25%/40%	20%
16	8703	Motor cars and other motor vehicles with CIF value more than US $40,000 or with engine capacity more than 3000 cc for petrol run vehicles and more than 2500 cc for diesel run vehicles or with both	100%	70%
17	8704	Motor vehicles for transport of goods	25%/40%	20%
18	8711	Motor cycles with engine capacity not exceeding 1600cc in CBU form	50%	40%
19	8711	Motor cycles with engine capacity not exceeding 1600cc in SKD form	25%	20%
20	8711	Motor cycles with engine capacity not exceeding 1600cc in CKD form	15%	10%
21	8711	Motor cycles with engine capacity of 1600cc and above in CBU form	50%	30%
22	8711	Motor cycles with engine capacity of 1600cc and above in SKD form	25%	20%
23	8711	Motor cycles with engine capacity of 1600cc and above in CKD form	15%	10%
Toys				
24	9503 00 91	Parts of electronic toys for manufacture of elec-	25%	20%

B.	Changes in Export Duty (To be effective from 2nd February, 2025)		Rate of Duty	
S. No	Tariff item	Commodity	From	To
1	4104 41 00 4104 49 00 4105 30 00 4106 22 00 4106 32 00 4106 92 00	Crust leather (hides and skins)	20%	Nil

Changes in Export Duty (To be effective from 2nd February, 2025)		Rate of Duty
Tariff item	Commodity	From
1006 30 11	Parboiled Rice, GI recognised	70%
1006 30 12	Parboiled Basmati rice	70%
1006 30 19	Parboiled Other	70%
1006 30 91	Other Rice, GI recognised	70%
1006 30 92	Basmati rice	70%
1006 30 99	Other	70%
2008 19 21	Popped	150%
2008 19 22	Flour and powder	150%
2008 19 29	Other	150%
2008 19 91	Other roasted nuts and seeds	150%
2008 19 92	Other nuts, otherwise prepared or preserved	150%
2008 19 93	Other roasted and fried vegetable products	30%
2008 19 94	Other	30%
2710 91 10	Containing polychlorinated biphenyls (PCBs) at a concentration level of 50 mg/kg or more	5%
2710 91 20	Other, containing polychlorinated terphenyls (PCTs) or polybrominated biphenyls (PBBs), whether or not also containing polychlorinated biphenyls (PCBs) at a concentration level of less than 50 mg/kg	5%
2710 91 90	Other	5%
2813 90 30	Lime sulphur	7.50%
2853 90 50	Magnesium phosphide plates, zinc phosphide	7.50%
2902 19 20	1-methyl cyclopropene	2.50%
2903 19 21	1,1,1-Trichloroethane (methyl chloroform)	5%
2903 19 29	Others	5%
2903 19 40	Ethylene dichloride and carbon tetrachloride mixture	5%

Changes in Export Duty (To be effective from 2nd February, 2025)		Rate of Duty
Tariff item	**Commodity**	**From**
2903 29 10	Dichloropropene and dichloropropane mixture (DD mixture)	5%
2903 29 90	Other	5%
2903 79 10	Chlorotetrafluoroethanes	7.50%
2903 79 20	Other derivatives of methane, ethane or propane halogenated only with fluorine and chlorine	7.50%
2903 79 30	Derivatives of methane, ethane or propane halogenated only with fluorine and bromine	7.50%
2903 79 90	Others	7.50%
2903 89 10	Hexabromocyclododecanes (HBCDs)	7.50%
2903 89 90	Others	7.50%
2905 19 20	Triacontanol	7.50%
2906 29 30	Dicofol	7.50%
2907 29 40	Acequinocyl, metamifop	7.50%
2908 99 30	Dinocap, meptyldiinocop, sodium paranitrophinolate	7.50%
2909 30 13	Ethoxysulfuron, famoxadone	7.50%
2909 30 40	Decabromodiphenyl ether	7.50%
2909 30 50	Ethofenprox (etofenprox), fomesafen, oxyfluorfen	7.50%
2909 60 10	MCPA, amine salt	7.50%
2909 60 90	Other	7.50%
2910 90 10	Epoxyconazole	7.50%
2910 90 90	Other	7.50%
2912 50 10	Metaldehyde	7.50%
2912 50 90	Other	7.50%
2914 29 60	Pyridaben	7.50%
2914 39 50	Mesotrione, metrafenone	7.50%
2914 69 30	Spinetoram, spinosad	7.50%
2914 79 60	Tembotrione	7.50%
3808 91 93	Containing bromomethane (methyl bromide) or bromochloromethane	10.00%
3808 92 80	Goods specified in Supplementary Note 11 to this Chapter	10.00%
3808 92 91	Containing bromomethane (methyl bromide) or bromochloromethane	10.00%
3808 92 99	Other	10.00%

	Change in AIDC rates (to be effective from February 02, 2025)		Rate of Duty	
S. No	**Tariff item**	**Commodity**	**From**	**To**
1	2515 11 00 2515 12	Marble and travertine, crude or roughly trimmed, merely cut into blocks, slabs and	Nil	20%
2	2516 11 00 2516 12 00	Granite, crude or roughly trimmed, merely cut into blocks, slabs and other	Nil	20%
3	3406	Candles, Tapers and the like	Nil	7.50%
4	3920 or 3921	PVC Flex Films, PVC Flex Sheets, PVC Flex Banner	Nil	7.50%
5	6401	Waterproof Footwear with outer soles and Uppers of Rubber or Plastics	Nil	18.50%
6	6402	Other Footwear With Outer Soles And Uppers of Rubber or Plastics	Nil	18.50%
7	6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	Nil	18.50%
8	6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	Nil	18.50%
9	6405	Other Footwear	Nil	18.50%
10	6802 10 00 6802 21 10 6802 21 20 6802 21 90 6802 91 00 6802 92 00	Marble Slab	Nil	20%
11	7113	Platinum findings	Nil	1.40%
12	8541 42 00	Solar Cells	Nil	7.50%

	Change in AIDC rates (to be effective from February 02, 2025)		Rate of Duty	
S. No	**Tariff item**	**Commodity**	**From**	**To**
13	8541 43 00 8541 49 00	Solar Module and Other semiconductor devices and photovoltaic cells	Nil	20%
14	8702	Motor vehicles for transport of 10 or more persons	Nil	20%
15	8702	Motor vehicles for transport of 10 or more persons when imported under S. No. 524 (1)(b) of the notification No. 50/2017- Customs	Nil	5%
16	8702	Motor vehicles for transport of 10 or more persons when imported under S. No. 524 (2) of the notification No. 50/2017- Customs	Nil	20%
17	8703	Used Motor vehicles	Nil	67.50%
18	8703	Motor cars and other motor vehicles principally designed for the transport of persons in other than Completely Knocked Down and Semi Knocked Down form with CIF value exceeding USD 40,000	Nil	40%
19	8704	Motor vehicles for transport of goods	Nil	20%
20	8704	Motor vehicles for transport of goods when imported under S. No. 525 (1) (b) of the notification No. 50/2017- Customs	Nil	5%

Goods exempted from levy of (SWS) Social Welfare Surcharge (to be effective from February 02,	
S. No	**Commodity**
1	Candles, tapers and the like
3	Solar Cells
4	Yachts and other vessels for pleasure of sports
5	Electricity meters for alternating current (Smart meter)
6	Seats (other than those of headings 9402), whether or not convertible into beds, and parts thereof
7	Other furniture and parts thereof
8	Mattress supports, articles of bedding and similar furnishing etc.
9	Luminaries and lighting fittings including searchlights and spotlights and parts thereof etc.
10	Parts of electronic toys
11	Articles of gold/silver imported *vide S. No. 356 and 357 of Notification No. 50/2017- customs*
12	Waterproof Footwear with outer soles and Uppers of Rubber or Plastics
13	Other Footwear with Outer Soles and Uppers of Rubber or Plastics
14	Footwear with Outer Soles of Rubber, Plastics, Leather or Composition Leather and Uppers of
15	Footwear with Outer Soles of Rubber, Plastics, Leather or Composition Leather and Uppers of
16	Other Footwear
17	All dutiable goods imported for personal use and not exempted under any prohibition in respect of imports thereof under the Foreign Trade (Development and Regulations) (FTDR) Act, 1992.
18	Solar Module and Other semiconductor devices and photovoltaic cells
19	Motor vehicles for transport of 10 or more persons
20	Motor vehicles for transport of goods
21	Motor cars and other motor vehicles principally designed for the transport of persons in
22	Motor cars and other motor vehicles which have been registered abroad before import into
23	Used motorcycles and cycles fitted with an auxiliary motor with or without side-car
24	Laboratory Chemicals under CTH 9802 00 00 (other than those attracting 10% BCD for speci-
25	Dutiable articles imported by passenger or member of crew in his baggage classified under heading 9803

BCD Exemption extended			
Sr .No	**Description**	**Entry No**	**End date**
1	Ships and vessel for breaking up	S. No. 555A	31.3.2035
2	Raw materials, components, consumables or parts, for use in the manufacture of ships/vessels	S. No. 559	31.3.2035
3	Bulk drugs for manufacture of drugs or medicines *[A separate entry is being created for Drugs, medicines, diagnostic kits specified in List 3 with modifications in the list]*	S. No. 166	31.3.2029
4	Bulk drugs used in the manufacture of polio vaccine and Mono-component insulins	S. No. 166A	31.3.2029
5	Bulk drugs used in the manufacture of life saving drugs or medi-	S. No. 167	31.3.2029
6	Drugs, Medicines or Food for Special Medical Purposes (FSMP) used for treatment of rare disease	S. No. 167A S. No. 607B	31.3.2029
7	Good specified in List 36 imported by testing agencies specified in List 37, for the purpose of testing and/or certification	S. No. 532A	31.3.2029
8	Crude Glycerin for use in manufacture of Epichlorohydrin	S. No. 81A	31.3.2027
9	Denatured ethyl alcohol for use in manufacture of industrial chemicals	S. No. 104B	31.3.2027
10	Fish meal for use in manufacture of aquatic feed	S. No. 104C	31.3.2027
11	Goods for the manufacture of telecommunication grade optical fibres or optical fibre cables	S. No. 168, S. No. 341, S. No. 341A	31.3.2027
12	Textile machinery *(with addition of two new machinery)*	S. No. 460 S. No. 460A S. No. 460B S. No. 460C S. No. 460D	31.3.2027
13	Parts and components for use in manufacturing of textile machineries	S. No. 460E	31.3.2027
14	Goods for use in the manufacture of Open cell of LCD and LED TV panel	S. No. 515B	31.3.2027
15	Seeds for use in manufacturing of rough Lab-Grown Diamonds	S. No. 345B	31.3.2026
16	Parts of wind operated electricity generators, for the manufacture or the maintenance of wind operated electricity generators [The entry has also been modified]	S. No. 405	31.3.2026
17	Permanent magnets for manufacture of PM synchronous generators above 500KW for use in wind operated electricity generators	S. No. 406	31.3.2026

Customs Duty Exemptions /concession being discontinued		
S. No	**S. No. of 50/2017-Customs**	**Description**
1	489AA	Heat Coil for use in the manufacture of Electric Kitchen Chimneys falling under tariff item 84146000

Other Notification Changes

S. No	Notification No	S. No. of	Brief Description
1	50/2017-Customs dated 30.06.2017	257A	9 new groups of items such as sea shell, adhesive etc are being added to the list of duty free items for use in manufacture of handicrafts for export. The time period for export of the handicraft items is also being increased from 6 months to 1 year, further extended by another three months.
2		539	BCD exemption is being extended to imports of ground installations for satellites and payloads and its spares and consumables of such installations.
3		539A	BCD exemption is being provided on goods for use in the building of launch vehicles and launching of satellites.
4	16/2017-customs dated 20.04.2017		The notification exempts specified drugs and medicines from the whole of the duty of customs leviable thereon subject to their being supplied free to cost to patients under Patient Assistance Programme (PAP) run by the pharmaceutical companies 37 new drugs and 13 patient assistance programmes are being added to the list
5	153/94-customs dated 13.07.1994		Currently, articles of foreign origin can be imported into India for maintenance, repair and overhauling subject to their export within six months extendable to 1 year. The duration for export in the case of railway goods imported for such purpose has been increased from 6 months to 1 year further extendable by 1 year

S. No	Changes in IGCR Rule 6 and 7
1	Rules 6 and 7 are being amended to increase the time limit for fulfilling end use from current six months to one year. Further, the importers will now have to file only a quarterly statement .instead of monthly statement.

GLOSSARY

Abbreviation	Meaning
AO	Assessing Officer
AOP	Association of Persons
APA	Advanced Pricing Agreement
ARE	Alternate Reporting Entity
AU	Assessment Unit
AY	Assessment Year
B2B	Business to Business
B2C	Business to Customer
BBT	Buy-Back Tax
BCD	Basic Customs Duty
BED	Basic Excise Duty
Bill	Finance Bill, 2025
BOI	Body of Individuals
CAG	Comptroller and Auditor General of India
CAT	Common Aptitude Test
CBCR	Country By Country Reporting
CBDT	Central Board of Direct Taxes
CBI	Central Board of Indirect Tax
CBIC	Central Board of Indirect Taxes and Customs
CBIC	The Central Board of Indirect Taxes and Customs
CG	Central Government
CGST Act	Central Goods and Services Act, 2017
CGST Rules	Central Goods and Services Tax Rules, 2017
CII	Cost Inflation Index
CIT	Commissioners of Income Tax
CSR	Corporate Social Responsibility
Custom Act	Customs Act, 1962
CVD	Countervailing Duty
DDT	Dividend Distribution Tax
DRC	Dispute Resolution Committee
DRI	Directorate of Revenue Intelligence
DTA	Domestic Tariff Area
DTAA	Double Taxation Avoidance Agrement
EBITDA	Earnings Before Interest, Tax, Depreciation and Amorti-zation
ETF	Exchage Traded Funds
F&O	Futures & Options
FDI	Foreign Direct Investment
FII	Foreign Institutional Investors
FM	Finance Minister
FMV	Fair Market Value
FPI	Foreign Portfolio Investors
FTP	Foreign Trade Policy
FTWZ	Free Trade Warehousing Zone
FY	Financial Year
G2B	Government to Business
GST	Goods and Services Tax
H&EC	Health and Education Cess
HC	High Court
HUF	Hindu Undivided Family
IBC	Insolvency and Bankruptcy Code
IFSC	International Financial Services Centre
IGST	Integrated Goods and Services Tax
ISD	Input Service Distributor

Abbreviation	Meaning
IT Act/Act	The Income-tax Act, 1961
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
ITO	Income-tax Officer
KYC	Know Your Customers
LLP	Limited Liability Partnership
LTC	Long-Term Capital Gains
MAT	Minimum Alternate Tax
MoF	Ministry of Finance
MSME	Micro Small and Medium Enterprises
NaFAC	National Faceless Assessment Centre
NBFC	Non-Banking Finance Company
NCCD	National Calamity Contingent Duty
NCLT	National Company Law Tribunal
NEFT	National Electronic Funds Transfer
NELP	New Exploration Licensing Policy
NPA	Non-Performing Assets
NPS	National Pension System
NRI	Non-Resident Indian
NSS	National Savings Scheme
OBU	Offshore Banking Unit
RCM	Reverse Charge Mechanism
SEBI	Securities and Exchange Board of India
SEZ	Special Economic Zone
SFT	Statement of Financial Transaction
SPF	Specific Pathogen Free
STT	Securities Transaction Tax
SVB	Special Valuation Branch
SWS	Social Welfare Surcharge
TAN	Tax Deduction Account Number
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
TPO	Transfer Pricing Officer
u/s	Under Section
UIM	Unique Identification Marking
ULIPs	Unit-Linked Insurance Policies
UTGST	Union Territory Goods and Services Tax
VsV	Vivad se Vishwas
VU	Verification Unit
WTO	World trade Organization
NRI	Non-Resident Indian
OBU	Offshore Banking Unit

FIRM INTRODUCTION

TCA TAXCRAFT ADVISORS & VMGG & ASSOCIATES

GLS

Taxcraft Advisors LLP ('TCA') is a multidisciplinary advisory, tax and litigation firm having multi-jurisdictional presence. TCA team comprises of professionals with diverse expertise, including chartered accountants, lawyers and company secretaries. TCA offers wide-ranging services across the entire spectrum of transaction and business advisory, litigation, compliance and regulatory requirements in the domain of taxation, corporate & allied laws and financial reporting.

TCA's tax practice offers comprehensive services across both direct taxes (including transfer pricing and international tax) and indirect taxes (including GST, Customs, Trade Laws, Foreign Trade Policy and Central/States Incentive Schemes) covering the whole gamut of transactional, advisory and litigation work. TCA actively works in trade space entailing matters ranging from SCOMET advisory, BIS certifications, FSSAI regulations and the like. TCA (through its Partners) has also successfully represented umpteen industry associations/trade bodies before the Ministry of Finance, Ministry of Commerce and other Governmental bodies on numerous tax and trade policy matters affecting business operations, across sectors.

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With a team of experienced and seasoned professionals and multiple offices across India, TCA & VMGG as a combination offer a committed, trusted and long cherished professional relationship through cutting-edge ideas and solutions to its clients, across sectors.

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