

INDIA BUDGET STATEMENT 2025-26



MUMBAI | DELHI | BENGALURU | CHENNAI | GIFT Cit y (Ahmedabad) | DUBAI

W: www.mgbadvisors.com | E: mgbco@mgbco.com | T: 022 6124 6124

Contents

Foreword	3
Direct Tax	
Income Tax	5
Indirect Tax	
Goods and Services Tax	19
Customs	21
Excise and Service Tax	25

This document has been prepared as a service to clients.
We recommend you seek professional advice before taking action on specific issues.
The Finance Bill as introduced in the Parliament may undergo changes before its enactment.

Foreword

The Finance Minister has imprinted her name in history by presenting her eight consecutive Union Budget. The second budget of Modi Government 3.0 showcases an unwavering commitment to India's vision of '**Viksit Bharat**' (Developed India). With an ambitious growth forecast of 6.3-6.8%, the budget sets the stage for transformative reforms. Focused on four powerful engines—*Agriculture, MSMEs, Investment, and Exports*—it charts a dynamic, sustainable, and inclusive path to propel India into a global economic powerhouse by 2047.

The Budget prioritizes key initiatives aimed at employment and skill development, boosting manufacturing and furthering the 'Make in India initiative', ensuring energy security and sustainability, building rural prosperity and fostering innovation through next-generation reforms.

In a strategic move, the Union Budget delivers a major bonanza for Bihar, with greenfield airport and canal projects, the establishment of a National Institute of Food Technology, and additional infrastructure for IITs.

On the direct tax front, the FM announced a ground breaking move - the introduction of a new, simplified Direct Tax Code. This move aims to streamline tax processes, making them more accessible and efficient for taxpayers, while simplifying compliance to reduce the complexity of India's tax system and address the long-standing issue of tax litigation. Further, reposing faith on the taxpayer the budget focusses providing higher exemption limit, a sweet treat to '**aam aadmi**' offering complete tax exemption for individuals earning up to Rs 12 lakh, rationalisation of TDS rates, simplifying compliance and reducing the administrative burden on both taxpayers and the tax department. The key direct measure include:

- Revision of the tax slabs for individuals, raising the basic exemption limit to ₹4 lakh, offering greater relief and boosting disposable income;
- Reduction of TDS rates and threshold and the omission of higher TDS/TCS rates for non-filers of income tax returns;
- Extending the tax benefit to startup by additional five years;
- Extending the registration period for small charitable organizations from five to ten years;
- Rationalisation of transfer pricing provision for carrying out multi-year Arms-Length Price determination;
- Extending the time-limit to file updated returns for any assessment year from the current limit of two years to four years.

On the indirect tax proposal, the budget delivers a major boost to the electronics sector by slashing customs duties on EV and mobile phone batteries. In a game-changing move, exemptions are extended to critical minerals and life-saving drugs, fuelling growth in key industries.

While the Budget introduces several progressive measures aimed at long-term growth and inclusive development it is worthwhile to note as a result of these initiatives, the government is expected to forgo approximately **₹1 lakh crore** in direct taxes and **₹2,600 crore** in indirect taxes.

The Budget 2025-26 has been addressed as a "**force multiplier**" for India's growth by Prime Minister Narendra Modi. This visionary Budget blends ambition with purpose. It lays a dynamic foundation for a resilient economy, empowering India to solidify its global standing and chart a path toward a sustainable, equitable future.



DIRECT TAXES

Income Tax

A. Rates of Income Tax

• Individuals, HUF, AOP, BOI & Artificial Juridical Person

As per Section 115BAC

The default tax rates for Individuals and HUFs (subject to specified conditions) have been provided under section 115BAC(1A) as under :

Taxable Income (Rs.)	Tax Rates (%) ¹
0 – 4,00,000	Nil
4,00,001 – 8,00,000	5.20
8,00,001 – 12,00,000 ²	10.40
12,00,001 – 16,00,000	15.60
16,00,001 – 20,00,000	20.80
20,00,001 – 24,00,000	26.00
24,00,001 – 50,00,000	31.20
50,00,001 – 1,00,00,000	34.32 ³
1,00,00,001 – 2,00,00,000	35.88 ⁴
2,00,00,001 – 5,00,00,000 (Refer Note)	39.00 ⁵
> 5,00,00,001 (Refer Note)	39.00 ⁵

However, Individuals and HUFs have been given an option to continue to opt for old rate of taxation under section 115BAC(6) as under :

Taxable Income (Rs)	Tax Rates (%) ¹
0 – 2,50,000 ⁶	Nil
2,50,001 – 5,00,000 ⁷	5.20
5,00,001 – 10,00,000	20.80
10,00,001 – 50,00,000	31.20
50,00,001 – 1,00,00,000	34.32 ³
1,00,00,001 – 2,00,00,000	35.88 ⁴
2,00,00,001 – 5,00,00,000 (Refer Note)	39.00 ⁵
> 5,00,00,001 (Refer Note)	42.744 ⁸

¹ includes Health and Education Cess of 4%

² Rebate of tax payable or Rs.60,000, whichever is less, for individuals whose total income does not exceed Rs. 12,00,000/- under New Tax Regime

³ Includes Surcharge of 10%

⁴ Includes Surcharge of 15%

⁵ Includes Surcharge of 25%

⁶ Rs. 3,00,000 for Senior Citizens (60years+) and Rs. 5,00,000 for (very Senior Citizens (80years+))

⁷ Rebate of tax payable or Rs. 12,500, whichever is less, for individuals whose total income does not exceed Rs. 5,00,000/- under Old Tax Regime

⁸ Includes Surcharge of 37%

In the proposed new tax regime for individuals, HUFs and AOPs, there is no tax liability for taxable income upto Rs. 12 lakhs.

Note : In case, where the total income includes any income by way of dividend or income chargeable under section 111A and section 112A or income chargeable under clause (b) of sub-section (1) of section 115AD, the rate of surcharge on the amount of Income-tax computed in respect of that part of income, shall not exceed fifteen percent.

For partnership firms (including LLP), Co-operative Society, Domestic Company, Foreign Company and other corporate tax rates given below, there have been no changes in the tax rates in Budget 2025.

- Partnership Firms (including LLP)**

Taxable income (Rs)	Tax Rates (%) ⁹
<1,00,00,000	31.20
> 1,00,00,001	34.944 ¹⁰

- Co-operative Society**

Taxable income (Rs)	Tax Rates (%) ⁹
1 – 10,000	10.40
10,001 – 20,000	20.80
20,001 - 1,00,00,000	31.20
1,00,00,001 – 10,00,00,000	33.384 ¹¹
>10,00,00,001	34.944 ¹⁰

As per Section 115BAD and Section 115BAE

Co-operative Societies have been given an option to opt for lower rate of taxation under section 115BAD or section 115BAE, on fulfilment of conditions contained therein.

The tax rates specified under section 115BAD and section 115BAE is as under:

Taxable income (Rs)	Tax Rates (%) ¹² (Section 115BAD)	Tax Rates (%) ¹² (Section 115BAE)
On any amount of Taxable Income	25.168	17.16

⁹includes Health and Education Cess of 4%

¹⁰includes Surcharge of 12%

¹¹includes Surcharge of 7%

¹²includes Surcharge of 10% Health and Education Cess of 4%

• Domestic Company

Taxable Income (Rs)	Tax Rates (%) ¹³	
	Turnover in FY 2023-24 does not exceed Rs 400 Crores	Turnover in FY 2023-23 is more than Rs 400 Crores
<1,00,00,000	26.00	31.20
1,00,00,001 >10,00,00,000	27.82 ¹⁴	33.384 ¹⁴
> 10,00,00,001	29.12 ¹⁵	34.944 ¹⁵

As per Section 115BAA and Section 115BAB

It may be noted that domestic companies also have an option to opt for lower rate of taxation under section 115BAA or section 115BAB, on fulfilment of conditions contained therein.

The tax rates specified under section 115BAA and section 115BAB is as under:

Taxable income (Rs)	Tax Rates (%) ¹⁶ (Section 115BAA)	Tax Rates (%) ¹⁶ (Section 115BAB)
On any amount of Taxable Income	25.168	17.16

The Companies opting for Section 115BAA & Section 115BAB are not required to pay Minimum Alternate Tax ('MAT')

• Foreign Company

Taxable income (Rs)	Tax Rates (%) ¹³
<1,00,00,000	36.40
1,00,00,001 >10,00,00,000	37.128 ¹⁷
> 10,00,00,001	38.22 ¹⁸

• Other Corporate Tax Rates under Section 115JB

Taxable income (Rs)	Tax Rates (%) ¹³
Minimum Alternative Tax	
<1,00,00,000	15.60
1,00,00,001 >10,00,00,000	16.692 ¹⁴
> 10,00,00,001	17.472 ¹⁵

¹³ includes Health and Education Cess of 4%

¹⁴ includes Surcharge of 7%

¹⁵ includes Surcharge of 12%

¹⁶ includes Surcharge of 10% & Health and Education Cess of 4%

¹⁷ includes Surcharge of 2%

¹⁸ includes Surcharge of 5%

B. Provisions related to International Financial Service Centre (IFSC)

Extension of sunset dates for several concessions pertaining to IFSC

- It is proposed to extend the sunset date for commencement of operations of IFSC units from 31 March 2025 to 31 March 2030.

[Section 80LA, Section 10, Section 47 w.e.f. 01.04.2025]

Exemption of life insurance policy from IFSC Insurance offices

- It has been proposed to exempt the entire proceeds received under life insurance policy issued by IFSC insurance intermediary office without the condition related to maximum premium payable on such policy. However, the premium payable for any of the year during the term of policy should not be more than 10% of the actual capital sum assured.

[Section 10(10D) w.e.f. 01.04.2025]

Exemption to capital gains and dividend for ship leasing units in IFSC

- It is proposed to extend the benefit of exemption on dividend income and capital gains arising on transfer of equity shares of a domestic companies to IFSC units engaged primarily in ship leasing.

[Section 10(4H), Section 10(34B) w.e.f. 01.04.2025]

Rationalisation of definition of dividend for treasury centres in IFSC

- Under the existing provisions, any advance or loan made to a shareholder by a concern in the ordinary course of business is not considered as deemed dividend.
- The proposed amendment clarifies that loans or advances between two group entities won't be considered 'dividends' if one company is a finance entity in an IFSC acting as a treasury center, and its parent company is listed on a foreign stock exchange, except in certain specified country / territory outside India.

[Section 2(22)(e) w.e.f. 01.04.2025]

Simplified regime for fund managers based in IFSC

- Under the existing provisions, the eligible fund shall be deemed to have no business connection in India if its aggregate participation or investment, directly or indirectly, in the fund by the persons resident in India does not exceed 5%.
- As per the proposed amendment, the Indian participation in the fund shall be assessed as on 1 April and 1 October each year; if the 5% limit is exceeded on these dates, the fund will have four months to comply. Additionally, for fund managers operating in IFSCs who start by 31 March 2030, other specific conditions may be relaxed to make IFSC-based fund managers more competitive globally.

[Section 9A w.e.f. 01.04.2025]

Exempt income of Non-residents

- Under the existing provisions, income accrued, arisen or received by non-resident from transfer of non-deliverable forward contracts or offshore derivative instruments or over the-counter derivatives, or distribution of income on offshore derivative instruments entered into with an offshore banking unit of IFSC referred in sub-section (1A) of section 80LA shall not be included in total income of non-resident.
- It is now proposed to include Foreign Portfolio Investors being an IFSC unit in addition to offshore banking unit of IFSC.

[Section 10(4E) w.e.f. 01.04.2026 i.e. from AY 2026-27]

Inclusion of retail schemes and Exchange Traded Funds within definition of resultant fund for transactions not regarded as transfer

- Under the existing provisions, any transfer by shareholder, unit holder or interest holder in a relocation of capital asset being a share, unit or interest held by him in the original fund in consideration for share, unit or interest in the resultant fund shall not be regarded as transfer for calculating capital gains.
- It is now proposed to include retail schemes or Exchange Traded Funds located in IFSC within the definition of resultant fund so that relocation of original funds to such funds is not regarded as transfer.

[Section 47(viia) w.e.f. 01.04.2026 i.e. from AY 2026-27]

C. Charitable Trusts and Institutions

Rationalisation of persons specified under sub-section (3) of Section 13 for trusts or institutions

- Under the existing provisions, the exemptions of Section 11 and Section 12 are not available in case the income or any property of the trust or the institution is used or applied, directly or indirectly for the benefit of any person referred to in sub-section (3) i.e. specified persons.
- It has now been proposed to make the following amendments:
 - The threshold for substantial contribution has been raised to Rs. 1 lakh from the current limit of Rs. 50,000 in the relevant year or, cumulative Rs. 10 lakhs upto the end of relevant previous year.
 - Relatives of such contributors exceeding thresholds are excluded.
 - Any concern in which such contributors have substantial interest are also excluded.

[Section 13(3) w.e.f. 01.04.2025]

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

- The existing provisions relates to cancellation of registration for trusts or institutions, if specified violations are found. Currently, even minor defaults, such as incomplete registration applications, can lead to the cancellation of registration, making the trust or institution liable for tax.
- In order to prevent cancellation of registration for minor defaults, it is proposed that incomplete applications for registration will no longer be considered a "specified violation".

[Section 12AB(4) w.e.f. 01.04.2025]

Period of registration of smaller trusts or institutions

- In order to reduce the compliance burden for smaller trusts or institutions, it is proposed to extend the registration validity period from 5 years to 10 years for trusts or institutions that meet the following criteria:
 - They apply under specific provisions of Section 12A, and
 - Their total income (without giving effect to exemptions of Section 11 and 12) does not exceed Rs. 5 crores in each of the two preceding years.

[Section 12AB(1) w.e.f. 01.04.2025]

D. Non-resident and Transfer Pricing

Rationalisation of taxation of capital gains on transfer of capital assets by non-residents

- The existing provisions states that if a Specified Fund or Foreign Institutional Investors ('FIIs') earns income from:
 - (a) securities (other than units mentioned in section 115AB), or
 - (b) capital gains (short-term or long-term) from selling those securities,
 then, the tax rate on long term capital gain will be calculated at 10%.
- The Finance (No. 2) Act, 2024 increased the tax rate for long-term capital gains arising from the transfer of capital assets to 12.5% for all taxpayers, both residents and non-residents, with effect from July 22, 2024.
- However, It was observed that while the tax rates on long-term capital gains under Section 112A for specified funds or FIIs were aligned with those for residents, the tax rate on long-term capital gains not covered under Section 112A was kept at 10% under the Finance (No. 2) Act, 2024.
- To mitigate the disparity, it is proposed to provide that the tax rate on income by way of long-term capital gains on transfer of securities not referred to in section 112A, shall be calculated at 12.5%.

[Section 115AD w.e.f. 01.04.2026 i.e. from AY 2026-27]

Rationalisation of transfer pricing provisions for carrying out multi-year arm's length price determination

- The existing transfer pricing provisions under Sections 92 to 92F govern the determination of the arm's length price ('ALP') for international and specified domestic transactions. Section 92CA lays down the procedure for referring these transactions to the Transfer Pricing Officer (TPO) for the computation of the ALP.
- The Assessing Officer may refer the ALP determination to the TPO for any international or specified domestic transaction, provided the prior approval of the Principal Commissioner or Commissioner is obtained. The TPO then determines the ALP for that transaction, and the AO computes the total income of the assessee based on the ALP decided by the TPO.

- It has been noted that in many cases, the same international or specified domestic transactions occur year after year, involving the same facts (e.g., associated enterprises, quantum of transaction, location, etc.), leading to repetitive arm's length analysis each year. This creates a compliance burden for the assessee and an administrative burden for the TPOs due to the need for similar analyses every year.
- To streamline the process and reduce the burden on both TPO and assesseees, it is proposed to insert that the ALP determined for an international transaction or a specified domestic transaction in a given previous year will apply to similar transactions for the next two consecutive previous years.
- To implement this, the following amendments are proposed:

Reference to TPO

- In order to exercise the option for multiple year approach, the assessee needs to file an application before the TPO under new section 92CA(3B).
- The TPO within one month from the end of the month in which such application is filed, may declare that the option is valid, subject to the prescribed conditions.

Note: if TPO declares the option is valid:-

- The ALP determined for the specific transaction will be applicable for the similar transaction for the next 2 consecutive years.
- Upon receiving the TPO's order, the AO will recompute the total income of the assessee for the two consecutive previous years.
- A reference will not be made again for the transaction for which valid option is exercised. Even if any reference is made in respect of such transaction, it will have the effect as if no reference is made for such transaction provided the TPO has passed order determining the option as valid.

[Section 92CA and Section 115(21) w.e.f 01.04.2026 i.e., from AY 2026-27]

E. TDS / TCS

Non-applicability of provisions of TCS on sale of specified goods

- Under the existing provisions, sellers collect a 0.1% tax on sales exceeding Rs. 50 lakhs per buyer in a financial year, while Section 194Q requires buyers to deduct a 0.1% tax on purchases over the same threshold. To simplify compliance and avoid confusion over overlapping tax obligations, it has been proposed that sellers will no longer need to collect tax under Section 206C(1H), thereby eliminating the dual application of tax collection and deduction on the same transaction.

[Section 206C(1H) w.e.f. 01.04.2025]

Removal for higher TDS/ TCS for non- filers of return of income

- The existing provisions mandate deduction / collection of tax at higher tax rates for individuals who haven't filed their income tax returns. However, verifying this information has been challenging for those responsible for deducting or collecting taxes, leading to increased administrative work. To simplify the process and reduce these burdens, it has been proposed to remove the aforesaid sections.

[Section 206AB and Section 206CCA w.e.f. 01.04.2025]

Rationalization of TDS threshold :

- It is proposed to rationalize the thresholds under various sections, beyond which tax is required to be deducted:

Section	Present Threshold (Amount)	Proposed Threshold (Amount)	With Effect from
193 – Interest on securities	Nil	Rs.10,000/-	01.04.2025
194A – Interest other than interest on securities	(i) Rs. 50,000/- for senior citizen (ii) Rs. 40,000/- in case of others when payer is bank, cooperative society and post office (iii) Rs. 5,000/- in other cases	(i) Rs. 1,00,000/- for senior citizen (ii) Rs. 50,000/- in case of others when payer is bank, cooperative society and post office (iii) Rs. 10,000/- in other case	01.04.2025
194 – Dividend for an Individual Shareholder	Rs. 5,000/-	Rs. 10,000/-	01.04.2025
194K – Income in respect of unit of a mutual fund or specified company or undertaking	Rs. 5,000/-	Rs. 10,000/-	01.04.2025
194-B – 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	01.04.2025
194BB – Winnings from horse race			
194D – Insurance Commission	Rs.15,000/-	Rs. 20,000/-	01.04.2025
194G- Income by way of commission, prize etc. on lottery tickets	Rs. 15,000/-	Rs. 20,000/-	01.04.2025
194H- Commission or Brokerage	Rs. 15,000/-	Rs. 20,000/-	01.04.2025
194-I Rent	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month	01.04.2025
194J- Fee for professional or technical services	Rs. 30,000/-	Rs. 50,000/-	01.04.2025
194LA- Income by way of enhanced compensation	Rs. 2,50,000/-	Rs. 5,00,000/-	01.04.2025

TDS rate reduction on income payable by a securitisation trust:

- Currently, a securitisation trust paying income to a resident investor, is required to deduct tax at source at 25% for individuals or Hindu Undivided Families (HUFs) and 30% for others. To streamline the process, it has been proposed to reduce the TDS rate to 10% for all resident investors.

[Section 194LBC w.e.f. 01.04.2025]

F. Penalties and Prosecution**Rationalization of penalty imposition timelines**

- The existing provisions prescribes multiple timelines for imposing penalties based on different appeal scenarios, making tax administration complex. To simplify this, the proposed amendment introduces a uniform time limit of six months from the end of the quarter in which the related proceedings are completed, an appeal order is received, a revision order is passed, or a penalty notice is issued.

[Section 246A and Section 275 w.e.f. 01.04.2025]

Exemption from prosecution for delayed payment of TCS in certain cases

- It is proposed that no prosecution shall be initiated against any person if the tax collected at source is deposited by the due date of filing of quarterly returns.

[Section 276BB w.e.f. 01.04.2025]

Certain penalties to be imposed by the Assessing Officer

- It is proposed that the penalties under section 271C, 271CA, 271D, 271DA, 271DB and 271E to be levied by Assessing officer (AO) instead of Joint Commissioner. For penalties exceeding the amount limit prescribed section 274(2), the Assessing Officer shall require a prior approval of Joint Commissioner. Further, Penalty under section 271BB is omitted.

[Section 271C, Section 271CA, Section 271D, Section 271DA, Section 271DB, Section 271E, Section 246A and Section 271BB w.e.f. 01.04.2025]

Extending the processing period of application seeking immunity from penalty and prosecution

- It is proposed to extend the time limit to pass an order granting immunity from penalty and prosecution from one month to three months from the end of the month in which application is received.

[Section 270AA w.e.f. 01.04.2025]

G. Other Amendments

Extending the time limit to file the updated return

- It is proposed to extend the time limit to furnish the updated return from existing time limit of 24 months to 48 months.
- The additional tax rates for the increased time limit shall be as under:

Period of filing	Additional tax
Return filed after expiry of 24 months and up to 36 months	60% of the aggregate tax and Interest payable
Return filed after expiry of 36 months and up to 48 months	70% of the aggregate tax and Interest payable

- It is also proposed that an updated return cannot be filed when a person receives a show cause notice under section 148A after expiry of 36 months. This shall not apply where an order is passed determining that it is not a case fit for re-opening.

[Section 139(8A), 140B w.e.f. 01.04.2025]

Increase in the limits on the income of the employees for the purpose of calculating perquisites

- Under the existing provisions, perquisites include benefits given by an employer to employees earning up to Rs. 50,000 in salary, a limit set in 2001. Additionally, medical travel expenses outside India paid by the employer are not treated as perquisites if the employee's total income is below Rs. 2 lakh, a limit set in 1993. Given economic changes over time, it is proposed to amend Section 17 to allow rule-based revisions of these income limits, ensuring that certain benefits and medical travel expenses remain exempt from being classified as perquisites.

[Section 17 w.e.f. AY 2026-27]

Annual value of the self-occupied property simplified

- It is proposed to amend the Section 23(2) so as to provide that the annual value of the property consisting of a house or any part thereof shall be taken as nil irrespective of any condition.

[Section 23(2) w.r.e.f. AY 2025-26]

Amendments of Definition of "Capital Asset"

- There has been uncertainty about whether income from security transactions by investment funds under Section 115UB is to be treated as capital gains or business income. To clarify the same, it has been proposed to provide that such securities will be considered capital assets, and any income on transfer of the same will be taxed as capital gains.

[Section 2(14) w.e.f 01.04.2026 i.e. from AY 2026-27]

Extension of Time limit for tax benefits to start-ups

- It is proposed to extend the benefit available to eligible startups by another five years. Thus, benefit will be available to start-ups incorporated before 01.04.2030.

[Section 80-IAC w.e.f 01.04.2026 i.e. from AY 2026-27]

Income on redemption of Unit Linked Insurance Policy (ULIP)

- It is proposed to rationalize the provisions for ULIPs on which exemption u/s 10(10D) does not apply as under:
 - Such ULIP policies will be considered as capital asset.
 - The profits and gains on redemption of such ULIPs will be taxed under the head capital gains.
 - Such ULIPs will be included in the definition of equity-oriented fund.

[Section 10(10D) w.e.f 01.04.2026 i.e. from AY 2026-27]

Harmonisation of Significant Economic Presence applicability with Business Connection

- The existing section 9(1)(i) provides that income accruing or arising through any "business connection" in India is deemed to accrue or arise in India. However, clause (b) of Explanation 1 to Clause (i) provides an exclusion for non-residents who purchase goods in India for the purpose of exports i.e., income from such transaction is not deemed to accrue or arise in India.
- Explanation 2A of Clause (i) introduces the concept of 'Significant Economic Presence' (SEP) and provides that if a non-resident has significant economic activity in India, it can create a "business connection" in India. This includes transactions, in respect to any goods, carried out between the non-resident and any person in India.
- The definition of SEP does not expressly provide for an exclusion for non resident who purchase goods in India for the purpose of exports, Thus, non-residents involved only in purchasing goods in India for export could be covered under SEP provisions.
- Therefore, to align the provisions of SEP with that of Business connection, it is proposed to introduce a specific exclusion to Explanation 2A for non-residents earning income solely from purchasing goods in India for export. This would ensure that such activities, related to the purchase of goods for export, do not create a "business connection" in India for the non-resident.

[Explanation 2A to Section 9(i) w.e.f. from 01.04.2026]

Rationalisation of provisions related to carry forward of losses in case of amalgamation

- It is clarified that accumulated loss of the predecessor entity which is deemed to be the loss of the successor entity shall not be eligible to be carried forward for more than 8 assessment years immediately succeeding the assessment year in which such loss was first computed.
- This amendment shall apply to all the business re-organisations effected on or after 01.04.2025.

[Section 72A and Section 72AA w.e.f. 01.04.2026 i.e. from AY 2026-27]

Scheme of presumptive taxation extended for non-resident providing services for electronics manufacturing facility

- A new section 44BBD is proposed to be introduced for providing a presumptive taxation regime for non-residents engaged in the business of providing services or technology, to a resident company which are establishing or operating electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods, article or thing in India, under a scheme notified by the Central Government in the Ministry of Electronics and Information Technology.
- As per the new provisions, 25% of the total amount received by the non-resident on account of providing such support or technology will be treated as profits and gains from business of such non-resident in India.

[Section 44BBD w.e.f. from 01.04.2026]

Rationalisation in taxation of Business Trust

- It is proposed to exclude income chargeable under section 112A from the purview of taxability at maximum marginal rate in the hands of REITs and InVIT.

[Section 115UA w.e.f. 01.04.2026 i.e. from AY 2026-27]

Deduction under section 80CCD for contributions made to NPS Vatsalya

- It is proposed to extend the benefits of National Pension Scheme under Section 80CCD to NPS Vatsalya Scheme which is designed specifically for minor children, allowing parents or guardians to open and operate a pension account on behalf of their children till they attain majority.
- The benefits available are as under:
 - Parents / guardians can claim deduction upto Rs. 50,000 for the contributions made.
 - The withdrawal of deposit amount on which deduction was claimed earlier, will be taxable in the hands of parent / guardian.
 - Proceeds received on closure of the account on death of the minor shall not be taxable in the hand of parent / guardian.
 - Partial withdrawal (for education, illness or disability) upto 25% of total contributions made will not be taxed in the hands of parent / guardian.

[Section 80CCD, Section 10(12BA) w.e.f. AY 2026-27]

Exemption to withdrawals by Individuals from National Savings Scheme (NSS)

- It has been proposed to provide exemption for any withdrawals (including interest accrued) made on or after 29 August 2024 by individuals from NSS deposits for which deduction was allowed earlier under Section 80CCA.

[Section 80CCA w.e.f. 29.08.2024]

H. Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV- B

The Block Assessment 2.0 was re-introduced in Finance (No. 2) Act, 2024 applicable to search and requisition cases. The procedure of Block Assessment mandates the total income for the entire block period be assessed collectively. However, while implementing the Block Assessment 2.0 there were practical challenges faced by the department which are now proposed to be amended.

Retention of books of accounts or any seized documents

- Under the existing provisions, books of accounts or any seized documents was required to be released from the custody of department with the 30 days from date of assessment or reassessment or recomputation order.
- It is now proposed that books of accounts or any seized documents shall be released from the custody of the department with 30 days from the end of quarter in which order date of assessment or reassessment or recomputation is made.

[Section 132(8) w.e.f. 01.04.2025]

Widening the scope of undisclosed income

- It is proposed to add *Virtual digital asset (eg. Bitcoins, cryptocurrency, etc.)* within the ambit of undisclosed income.

[Section 158B w.e.f. 01.02.2025]

Clarified definition of 'total income of block period'

- It is proposed to clarify definition of total income of block period shall be aggregate of undisclosed income declared, income assessed/ re-assessed and undisclosed income determined by the department on evidence found as a result of search or survey or requisition of books of account or income noticed in course of block-assessment proceedings.

[Section 158BB(1) w.e.f. 01.02.2025]

Time limit for completion of assessment

- Under the existing provisions, time limit for passing the order was 12 months from end of the month in which the last of the authorizations for search has been executed.
- It is proposed that the time-limit for completion of block assessment is proposed to be made as 12 months from end of the quarter in which the last of the authorizations for search or requisition has been executed.

[Section 158BE w.e.f. 01.02.2025]

Non applicability of penalty under section 271AAB

- It is proposed that penal provisions of section 271AAB is not applicable in case of search conducted after 1 September 2024 since the concept of block assessment has been introduced.

[Section 271AAB w.e.f. 01.09.2024]



INDIRECT TAXES

Goods & Service Tax

(To be effective from the date to be notified)

Definition of ISD expanded

- The definition of Input Service Distributor (ISD) has been expanded to enable the distribution of Input Tax Credit (ITC) for inter-state supplies under the reverse charge mechanism.

[Section 2(61) w.e.f 01.04.2025]

Deletion of time of supply provisions for vouchers

- Recently, it was clarified by the CBIC vide its Circular dated 31 December 2024 that supply of vouchers is neither supply of goods nor supply of services i.e., no GST is payable in respect of supply of vouchers. Considering this provisions relating to time of supply of vouchers have been deleted.

[Removal of Section 12(4) and 13(4)]

Substitution of phrase “plant or machinery” with “plant and machinery”

- It is proposed to amend to replace the words “plant or machinery” with “plant and machinery.” This amendment will take effect retrospectively from 1 July 2017 overriding any judgment, decree, or order issued by any court or authority to the contrary.
- This provision has been introduced to overcome the recent judgement of the Hon’ble Supreme Court given in the case of Safari Retreats wherein the Supreme Court had relied upon the use of different phrases in Section 17(5)(d) (Plant or Machinery) and Explanation No. 2 attached to Section 17(5) (Plant and Machinery). Based on such difference, the Supreme Court had opined that definition of ‘Plant and Machinery’ provided in Explanation No. 2 will not apply the phrase ‘Plant or Machinery’ provided in Section 17(5)(d) of the CGST Act. Given this, it was held that ITC will be available in respect of telecommunication towers, which even though are excluded from the definition of ‘Plant and Machinery’ (as defined in the Explanation to Section 17(5) of the CGST Act), but the same does not apply to ‘Plant or Machinery’ provided in Section 17(5)(d).
- Now, the said distinction has been removed by the use of same words in Section 17(5)(d) and Explanation No. 2 attached to Section 17(5) i.e., “Plant and Machinery”.

[Section 17(5) w.r.e.f 01.07.2017]

ITC distribution by ISD for inter-state supplies under reverse charge

- It is proposed to amend sections 20(1) and 20(2) to explicitly allow Input Service Distributor (ISD) to distribute input tax credit (ITC) pertaining to inter-state supplies falling the under reverse charge mechanism.

[Section 20 w.e.f. 01.04.2025]

Reduction in Outward Tax Liability on account of Credit Note – New Condition Added

- It is proposed to incorporate an additional condition that a supplier will be permitted to reduce his outward tax liability on the strength of a credit note, only when the registered recipient has reversed the ITC attributable to such credit note.

[Section 34(2) yet to be notified]

Return Filing provisions

- It is proposed to amend to empower the Central Government to introduce additional conditions and restrictions for filing of GST Returns.

[Section 107(6), Section 112(8) w.e.f. yet to be notified]

Mandatory 10% pre-deposit of penalty amount for filing of appeals

- In the existing mechanism, no pre-deposit for filing of appeal is required in cases involving only penalty (without any GST demand).
- It is proposed to amend to provide that 10% of penalty amount will have to be pre-deposited for filing of appeal in matters involving only penalty (without any GST demand).

[yet to be notified]

New Track and Trace Mechanism

- It is proposed to introduce a new Track and Trace Mechanism for specified commodities, for ensuring effective monitoring and control of supply involving specified goods. This provision empowers the Central Government to notify such goods or persons dealing in such goods, in respect of which it will be mandatory to comply with the said Track and Trace Mechanism.
- This mechanism will entail affixation of unique identification markings (digital stamp or digital mark) on such specified goods. Persons dealing with such specified goods will also have to comply with certain specified requirements such as making requisite information available electronically and furnishing other relevant information to the GST department. Non-compliance with this mechanism will attract penalties under Section 122B of the CGST Act.

[Section 148A yet to be notified]

Amendment to Schedule III – SEZ and FTWZ Supplies

- To provide that the supply of goods warehoused in a Special Economic Zone (SEZ) or in a Free Trade Warehousing Zone (FTWZ) to any person before clearance for exports or to the Domestic Tariff Area (DTA) shall be treated neither as supply of goods nor as supply of services.
- However, no refunds will be provided for taxes already paid on these transactions prior to this amendment.

[yet to be notified]

Customs

The Customs Act, 1962, governs the levy and collection of customs duties on imports and exports in India. The key amendments proposed in the Finance Bill, 2025, include:

1. **Provisional Assessment:** A new sub-section (1B) is introduced to provide a definite time limit of two years for finalizing provisional assessments, extendable by one year if sufficient cause is shown. A new sub-section (1C) specifies grounds for suspending the time limit for finalizing provisional assessments.
2. **Voluntary Revision of Entry :** A new section 18A allows importers and exporters to voluntarily revise entries post-clearance within a prescribed time and under certain conditions. This revised entry will be treated as self-assessment, and duty adjustments or refund claims can be made.
3. **Refund Claims:** A new explanation is added to section 27(1) clarifying that the period of limitation for refund claims following revised entries or amendments under section 149 is one year from the date of duty payment.
4. **Settlement Commission:** New provisions are introduced to establish an Interim Board to handle pending applications before the Settlement Commission. The Interim Board will exercise the powers and functions of the Settlement Commission
5. **Time Limits for Penalties:** The time limit for imposing penalties is rationalized, with penalties to be imposed within six months from the end of the quarter in which the connected proceedings are completed.
6. **Customs (Import of Goods at Concessional Rates or For Specified End Use) Rules, 2022 - ICGR related amendments:** Time limit to fulfil the end use obligation i.e., time limit to use the imported goods for the specific purpose has been increased from the existing six months' time period to one year. Returns or statements are now required to be filed on a quarterly basis, in place of the existing requirement of filing it on a monthly basis.

[yet to be notified]

The Customs Tariff Act, 1975, specifies the rates of customs duties on imported and exported goods. The key amendments include:

Customs Tariff Act, 1975 - Key Amendments

S. No.	Amendment	Details	Effective Date
1.	Reduction in Tariff Rates	<p>Tariff rates on several goods are reduced to simplify the customs duty structure.</p> <p>Examples:</p> <ul style="list-style-type: none"> Marble and granite: Reduced from 40% to 20%. Footwear: Reduced from 35% to 20%. Solar cells: Reduced from 25% to 20%. Motor vehicles: Reduced from 125% to 70% (for cars) and 40% to 20% (for goods transport vehicles). 	1 May 2025 (unless otherwise specified)
2.	Creation of New Tariff Items	<p>New tariff items are created for better identification of goods:</p> <ul style="list-style-type: none"> Makhana products (popped, flour, and powder). Waste oils containing specific chemical concentrations (e.g., PCBs, PCTs, PBBs). Precious metals (silver, gold, platinum) with high purity levels (e.g., 99.9% silver, 99.5% gold, 99% platinum). Dual-use chemicals for non-pesticidal use. 	1 May 2025
3.	Alignment with WCO HS 2022	<p>Changes in headings and sub-headings to align with the World Customs Organization (WCO) Harmonized System (HS) 2022.</p> <p>Examples:</p> <ul style="list-style-type: none"> Changes in heading 8112 (beryllium, cadmium, etc.). Changes in sub-heading note 2 to chapter 85 (electrical machinery). 	1 May 2025
4.	Agriculture Infrastructure and Development Cess (AIDC)	<p>AIDC rates are revised for certain goods:</p> <ul style="list-style-type: none"> Marble and granite: 20%. Footwear: 18.5%. Solar cells: 7.5%. Motor vehicles: 20% (for transport vehicles) and 40% (for cars with CIF value exceeding USD 40,000). 	2 February 2025

S. No.	Amendment	Details	Effective Date
5.	Social Welfare Surcharge (SWS)	<ul style="list-style-type: none"> - Certain goods are exempted from SWS: Candles, PVC flex films, solar cells, yachts, and electricity meters. - Footwear, motor vehicles, and laboratory chemicals. 	2 February 2025
6.	Exemption for Metal Scrap and Waste	<ul style="list-style-type: none"> - Copper, tin, tungsten, molybdenum, tantalum, cobalt, bismuth, zirconium, antimony, beryllium, rhenium, and cadmium waste and scrap are exempted from duty. 	1 May 2025
7.	Reduction in Export Duty	<ul style="list-style-type: none"> - Crust leather (hides and skins): Export duty reduced from 20% to Nil. 	2 February 2025
8.	Changes in Conditional Exemptions	<ul style="list-style-type: none"> - Review of conditional exemptions in Notification No. 50/2017-Customs: - Ships and vessels for breaking up: Exemption extended till 31 March 2035. - Bulk drugs for life-saving medicines: Exemption extended till 31 March 2029. - Textile machinery: Exemption extended with addition of new machinery. 	1 April 2025
9.	New Tariff Lines for Specific Goods	<ul style="list-style-type: none"> - New tariff lines are created for: Rice varieties (e.g., basmati, parboiled). - Waste oils with specific chemical concentrations. - Technical-grade pesticides and goods covered by international conventions. 	1 May 2025
10.	Reduction in Tariff Rates for Specific Sectors	<ul style="list-style-type: none"> - IT and Electronics Sector: - Interactive Flat Panel Displays: Tariff rate increased from 10% to 20%. - Open cells for LCD/LED TV panels: Tariff rate reduced from 15%/10% to 5%. - Inputs for cellular mobile phones: Tariff rate reduced from 2.5% to Nil. 	2 February 2025

S. No.	Amendment	Details	Effective Date
11.	Exemption for Lithium-Ion Battery Waste	- Waste and scrap of lithium-ion batteries: Duty reduced from 5% to Nil.	2 February 2025
12.	Exemption for Aquafarming and Marine Exports	- Frozen fish paste (Surimi) and fish hydrolysate: Duty reduced to 5%.	2 February 2025
13.	Exemption for Leather Sector	- Wet blue leather: Duty reduced from 10% to Nil.	2 February 2025
14.	Exemption for Gems and Jewellery Sector	- Platinum findings: Duty reduced from 25% to 5%.	2 February 2025

Excise and Service Tax

Changes in Excise Law

Legislative Change

- The Customs, Central Excise and Service Tax Settlement Commission is being abolished w.e.f. 1 April 2025.
- No fresh application for settlement will be accepted on or after 1 April 2025.
- For the interim period, the Settlement Commission will be replaced with the Interim Board for Settlement. The said interim board will consist of three members, not below the rank of Chief Commissioner, as may be nominated by the CBIC.
- All the applications currently pending before the Settlement Commission will be dealt with by the said Interim Board.

Rate Change

- Levy of additional excise duty of INR 2 per litre on Unblended Diesel is being deferred till 31 March 2026.

Changes in Service Tax Law

- Services provided by insurance companies by way of reinsurance services under the Weather Based Crop Insurance Scheme (WBCIS) and the Modified National Agricultural Insurance Scheme (MNAIS) have been exempted from service tax retrospectively for the period commencing from 1 April 2011 and ending with 30 June 2017.

Our Achievements



“values
that
add
value”



Our Offices

Mumbai :

Peninsula Business Park,
19th Floor, Tower B, Lower
Parel, Mumbai - 400013

Tel: +91 22 6124 6124

Delhi :

MGB House, D-208,
Divya Marg, Defence
Colony, New Delhi - 110024

Tel: +91 0124 3600 241

Bengaluru :

117-118-119, DBS House
No. 26, Cunningham Road,
Bangalore - 560052

Tel: +91 80 4040 7148

Chennai :

1 Valliamal Road,
Vepey Chennai - 600007

GIFT City (Ahmedabad):

Pragya Accelerator,
FF Floor, Unit No 26,
IFSC/SEZ, Gift City,
Gandhinagar - 382355

Dubai :

Dubai Digital Park, Office A5,
DTEC, Dubai Silicon Oasis, Dubai,
UAE