N. A. SHAH ASSOCIATES LLP
Chartered Accountants

UNION BUDGET 2025

Engines of Development

Agriculture ▪ MSME ▪ Investment ▪ Exports

FOREWORD

Hon. Finance Minister Nirmala Sitharaman's 8th budget is anchored in the principles of inclusivity, sustainability, and innovation. It aims to empower every citizen, ensuring broad-based participation in the nation's growth story. At its core, it fosters a culture of innovation, leveraging technology and entrepreneurship to drive progress. The proposed development measures focus on Garib (Poor), Youth, Annadata (Farmers) and Nari (Women).

Budget 2025 sets a fiscal deficit target of 4.4% of GDP for FY 2025-26, a reduction from the current year's 4.8%, with four key growth engines: Agriculture, MSMEs, Investments, and Exports. The government's intent to stimulate rural and marginalized sections is evident through initiatives like the Building Rural Prosperity and Resilience Programme, the establishment of a Makhana Board in Bihar, enhanced loan accessibility for first-time women entrepreneurs from SC/ST communities and expanded coverage under MSME as well as increased credit guarantees for MSMEs.

For the Middle class, the proposed reforms in personal tax by raising the income tax exemption limit to INR 12 lakh will leave families with more disposable income, likely boosting e-commerce and retail consumption. Additionally, fast-tracked mergers may provide much-needed momentum to the M&A. Making TDS and TCS provisions simpler and easier with increase in limit for TDS in rentals & relaxation on TCS in case of foreign remittance under LRS, is a welcome move and will ease the burden of taxpayers.

Retrospective amendment in the GST domain to overcome Supreme Court Judgement in Safari Retreats' Case by denying Input Tax Credit (ITC) for the construction of immovable property used for further supply of services would adversely impact major industry players.

All eyes are on the upcoming New Income Tax Bill, set to be unveiled next week. The FM indicated that the new Income Tax Bill would be half in size as compared to the current legislature and a development that India would be keenly watching! Trust first, scrutinize later is the new mantra aiming to build a taxpayer friendly environment.

February 1, 2025 **Mumbai**

KEY HIGHLIGHTS

MILAN MODY
Managing Partner

"The budget announcement would boost the MSME sector by increasing threshold limits for classification and is expected to benefit more businesses. The investment limit has been increased by 2.5 times and the turnover threshold has been doubled, allowing more businesses to qualify as MSMEs and access various benefits and credit facilities. This move aims to empower small and medium enterprises, fostering a more inclusive and dynamic economic landscape, driving growth, innovation, and employment.

"One expected some proposals under Tax Administration as regards early disposal of appeals by first appeal authority under "Faceless Regime" and for better interdepartmental coordination for resolving taxpayers' grievances.

AJIT SHAH
Partner, Direct Tax

UNION BUDGET 2025

ROHIT ADALJA
Partner, Direct Tax

To position India as a global hub for Electronics System Design and Manufacturing a new provision is inserted whereby 25 percent of aggregate amount received/ receivable by non-residents for providing services or technology required in setting up of electronics manufacturing facility for development of semiconductors and display manufacturing ecosystems in India will be assessed to income tax, thus giving the non-resident technology partners, tax certainty.

Currently, various tax concessions are available to units located in IFSC and in order to further incentivise operations from IFSC, the budget has proposed few more incentives (a) proceeds received by non-residents from life insurance from insurance office in IFSC, shall be exempted without the condition of the maximum premium payable on such policy (c) no capital gain, on transfer of equity shares of SPV engaged in ship leasing, in the hands of non-resident or unit of IFSC and no tax on dividend income distributed by a unit in the IFSC engaged in ship leasing to a unit of IFSC (d) borrowings by the corporate treasury centre in IFSC from any group entities, shall not be treated as dividend u/s 2(22)(e).

GOPAL BOHRA
Partner, Direct Tax

DHAVAL SELWADIA
Partner, Direct Tax & Audit and Assurance

The Finance Bill proposals aim to simplify and streamline tax rules, focusing on personal taxation resulting in higher disposable income. The rules for two houses exempt from taxation have been simplified, allowing the annual value to be nil if the property is used as a residence or isn't occupied. This reduces tax liabilities for homeowners and supports the housing sector.

GST Amendments in Budget 2025 implement many recommendations of 55th GST Council Meeting. The amendments bring clarity for Input Service Distributor Mechanism, Sale of Warehoused Goods from SEZ /FTWZ and give enabling power to ensure the smooth functioning of the Invoice Management System. The retrospective amendment to nullify the Supreme Court Judgement of Safari Retreats for allowability of Input Tax Credit will have a substantial impact on trade. Introduction of Track and Trace Mechanism for specified goods at each stage of supply by affixing a UIM will be a concept to be tested in India. Training of Staff and upgrading of IT infrastructure on a war footing is the need of the hour for the entire trade.

PARAG MEHTA
Partner, Indirect Tax

AASTHA DHOWAN
Partner, Direct Tax

In the Union Budget, alongside establishment of Centre for excellence in artificial intelligence (AI), a Deep Tech Fund was announced with a government contribution of ₹100 billion. These initiatives aspire to strengthen India's startup ecosystem, focusing on high-impact sectors such as AI, robotics, blockchain and clean energy.

I DIRECT TAXES[1]

A TAX RATES

PERSONAL TAX

- Tax rates under **new regime** for individuals, HUF, AOP (other than a Co-operative Society), BOI (whether incorporated or not) and AJP:

  Existing Rates:

Total Income	Existing Rates
Up to INR 300,000	0%
INR 300,001 to INR 700,000	5%
INR 700,001 to INR 1,000,000	10%
INR 1,000,001 to INR 1,200,000	15%
INR 1,200,001 to INR 1,500,000	20%
Above INR 1,500,000	30%

  Proposed Rates:

Total Income	Proposed Rates
Up to INR 400,000	0%
INR 400,001 to INR 800,000	5%
INR 800,001 to INR 1,200,000 *	10%
INR 1,200,001 to INR 1,600,000	15%
INR 1,600,001 to INR 2,000,000	20%
INR 2,000,001 to INR 2,400,000	25%
Above INR 2,400,000	30%

  * No tax on individual having taxable income up to INR 1,200,000 (other than special rate income chargeable to tax) as result of rebate under section 87A of INR 60,000

[1] Proposed amendments are effective from AY 2026-27 unless otherwise specified.

- No change in tax slabs for individuals, HUF, AOP (other than a Co-operative Society), BOI (whether incorporated or not) and AJP under the **old regime**:

Tax Rate	Age below 60 years / HUF/ AOP/ BOI/ AJP	Age over 60 years but less than 80 years	Age over 80 years
5%	INR 250,000 to INR 500,000*	INR 300,000 to INR 500,000*	-
20%	INR 500,001 to INR 1,000,000	INR 500,001 to INR 1,000,000	INR 500,001 to INR 1,000,000
30%	Above INR 1,000,000	Above INR 1,000,000	Above INR 1,000,000

* No tax on individual having taxable income upto INR 500,000 as a result of rebate of INR 12,500

CORPORATE TAX

- Tax rates for companies remain unchanged:

Particulars	Tax rate
Domestic companies whose total turnover or gross receipts in the FY 2023-24 does not exceed INR 400 crores For other domestic companies	25% 30%
Domestic companies opting for new tax regime under section 115BAA	22%
New domestic manufacturing companies opting for section 115BAB	15%
For other than domestic company	35%

FIRMS & LLP

- Tax rate remains unchanged at 30%

CO-OPERATIVE SOCIETIES

- Tax rate under old regime remains unchanged as under:

Taxable Income	Tax rate
Upto INR 10,000	10%
INR 10,000 to 20,000	20%
Above 20,000	30%

- Tax rate for co-operative societies under new regime remains unchanged at 22%

SURCHARGE ON INCOME-TAX

- Surcharge for domestic and foreign companies remain unchanged:

Particulars	Domestic Company		Foreign Company
	Old regime	New regime	
Income not exceeding INR 1 crore	NIL	10%	NIL
Income exceeding INR 1 crore but not exceeding INR 10 crores	7%	10%	2%
Income exceeding INR 10 crores	12%	10%	5%

- Surcharge for Individuals, HUF, AOP, BOI and AJP remains unchanged:

Particulars	Old Regime	New Regime
Income exceeding INR 50 Lakhs but not exceeding INR 1 crore	10%	10%
Income exceeding INR 1 crore but not exceeding INR 2 crores	15%	15%
Income exceeding INR 2 crores but not exceeding INR 5 crores	25%	25%
Income exceeding INR 5 crores	37%	25%

- Surcharge on STCG (STT paid), all LTCG and dividend remains unchanged at 15%

- Surcharge for Local authority, firms & LLP remains unchanged at 12% on the total income exceeding INR 1 crore

- Surcharge for co-operative societies remains unchanged at 7% if the total income exceeds INR 1 crore but not exceeds INR 10 crores and at 12% if the total income exceeds INR 10 crores

- In case of AOP with only companies as its members, the rate of surcharge shall not exceed 15% under new regime

CESS

- The Health & Education Cess in all cases remains unchanged at 4%

B UPDATED RETURN

- The time limit for filing updated return is proposed to be 5 years from the end of FY as compared to present time limit of 3 years

  Accordingly, the proposed additional tax shall be as under:

When the Updated Return is filed after FY	Additional tax (%) *
Less than 2 years	25 **
2 to 3 years	50 **
3 to 4 years	60
4 to 5 years	70

* computed as a percentage of aggregate of tax and interest payable
** no change

C TAXATION OF CHARITABLE TRUSTS / INSTITUTIONS

INCOMPLETE APPLICATIONS AND CANCELLATION OF REGISTRATION

- Presently, an incomplete application for registration is treated as specified violation. This may result in cancellation of registration and consequently, fair market value of the assets become chargeable to tax

- It is now proposed that specified violation will not include the situations where the application is not complete

PERIOD OF REGISTRATION

- Presently, the trust or institution is required to apply for provisional registration which is valid for 3 years and / or final registration which is valid for 5 years and re-apply after the expiry of such time limit

- It is proposed to increase the validity of registration under section 12AB for smaller trusts from 5 years to 10 years where the total income without giving effect to the provisions of section 11 and 12 does not exceed INR 5 crores during each of the two previous years, preceding the year in which the application is made

RATIONALISATION OF PERSONS SPECIFIED UNDER SECTION 13

- Section 13 specifies that exemption under sections 11 and 12 shall not be available if the income or property of the trust or institution is used for the benefit of any person who has made a substantial contribution

- Presently, substantial contributor includes any person whose total contribution up to the end of the relevant previous year exceeds INR 50,000 and his relatives and concerns

- It is now proposed to only include substantial contributor whose contribution exceeds one lakh rupee or in aggregate up to the end of the previous year exceeds ten lakh rupees. Relatives and concerns of such substantial contributors are now excluded

D TAXATION OF REITS/ INVITS/ AIFS

SECURITIES HELD BY INVESTMENT FUND TREATED AS CAPITAL ASSET

- Presently, there is no clarity whether income from securities held by an investment fund is "business income" or "capital gains"

- It is now proposed to treat such securities as capital assets (if invested as per SEBI regulations), and any gains from selling them will be considered as capital gains, taxed directly in the hands of the unit holders, while the fund itself remains exempt

RATIONALISATION OF TAX ON TRANSFER OF CAPITAL ASSETS BY BUSINESS TRUSTS

- Presently, long term capital gain on transfer of listed shares, units of equity oriented mutual fund and business trust is taxed at MMR and for gain on other long term capital assets, tax rate is 12.5%

- To bring parity, it is now proposed to tax the above long term capital gains also at 12.5%

E CARRY FORWARD OF LOSSES ON AMALGAMATION

- Presently, amalgamating companies' losses can be carried forward and set off by the amalgamated companies for 8 years from the year of amalgamation

- It is now proposed that the 8 year time limit for carry forward and set off of the losses of an amalgamating company after amalgamation shall begin from the year immediately succeeding the year in which loss was originally incurred

- Accordingly, for all amalgamations, having appointed date as 01st April, 2025 or thereafter, the above amendments shall apply. The proposed changes shall ensure that the same rules apply for carrying forward losses in amalgamation for all the companies

F NON-RESIDENT TAXATION

RATIONALISATION OF TAX ON TRANSFER OF CAPITAL ASSETS BY NON-RESIDENT

- Presently, the rate of long term capital gains tax is 12.5% in all cases, except for long term capital gains on assets other than listed shares, units of business trust and equity oriented mutual fund held by a specified fund or FII, for which the tax rate remained at 10%

- To bring parity, it is now proposed to tax the above long term capital gains also at 12.5%

INTRODUCTION OF PRESUMPTIVE TAXATION FOR SPECIFIED NON-RESIDENTS

- It is proposed to insert a new section to cover non-residents engaged in business of providing services or technology to resident company which is 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 subject to fulfilment of certain conditions

- 25% of gross receipts received by the non-resident or on behalf of non-resident on account of providing services or technology will be deemed as profits and gains from this business

HARMONISATION OF SEP PROVISIONS WITH BUSINESS CONNECTION

- Presently, if a non-resident is only purchasing goods from India for export and has no other business activities, such income is not deemed to accrue or arise in India

- If the non-resident carries on any transaction in respect of any goods with any person in India which exceeds applicable threshold amount, it shall constitute SEP and thus, a Business Connection in India

- To provide clarity, it is proposed that non-residents who only purchases goods from India for export will not be considered as having a SEP in India thereby aligning with the existing exemption

G Benefits related to IFSC

Rationalisation of exempt transfers

- The income of retail schemes and ETFs located in the IFSC are exempt from tax under the Act. However, the transfer of capital assets by way of relocation by a shareholder or unit holder to such retail schemes and ETFs were regarded as taxable transfer

- It is proposed to include retail schemes and ETFs located in IFSC within the definition of resultant fund to be eligible for exempt transfer so that relocation of original funds to such funds in the IFSC is also a tax-neutral transaction

Rationalisation of definition of dividend

- Presently, any advance or loan to a shareholder of a company holding not less than 10% of voting power or to any concern in which such shareholder is a member or a partner is treated as deemed dividend to the extent of accumulated profit, unless such company is engaged in business of lending money

- To remove loan transaction between treasury centers in IFSC being treated as deemed dividend, it is proposed to exclude advance or loan transaction undertaken between two group entities i.e. between finance company or finance unit in IFSC and the parent entity or principal entity of such group, from the purview of provisions of deemed dividend

Exemption on life insurance policy from IFSC insurance offices

- Presently, exemption is provided for any sum received under a life insurance policy including the sum allocated by way of bonus subject to the fulfilment of certain conditions. Exemption is not available if annual amount of premium or aggregate premium payable is above INR 2.5 lakhs for ULIP and is above INR 5 Lakhs for life insurance policies other than unit linked insurance policies

- It is proposed that any sum received under a life insurance policy issued by the IFSC insurance intermediary office, shall be exempted without the conditions relating to the maximum premium payable on such policy

EXEMPTION ON CERTAIN INCOME OF NON-RESIDENTS

- Any income received by a non-resident as specified in section 10(4E), entered into with an offshore banking unit of an IFSC is not included in the total income of such non-resident upon fulfilment of certain conditions

- It is proposed that such income received by a non-resident on account of similar transaction entered into with Foreign Portfolio Investors being an IFSC Unit, shall also not be included in the total income of such non-residents

SIMPLIFIED REGIME FOR FUND MANAGERS BASED IN IFSC

- Presently, where aggregate participation or investment, by persons resident in India does not exceed five per cent of the corpus of an eligible investment fund, then such fund management activity does not constitute business connection in India

- To ensure level playing field for fund managers situated in IFSC, it is proposed that the participation or investment by persons resident in India shall be evaluated as on 1st day of April and the 1st day of October of the previous year. If the above condition is not satisfied on either of the dates, the fund shall ensure compliance within four months of the said date

- For eligible fund manager located in IFSC date of commencement of operation is extended till 31st March, 2030

EXTENSION OF PERIOD

- The sunset date for commencement of operations of a unit in IFSC is proposed to be extended to 31st March, 2030 from 31st March, 2025

H BLOCK ASSESSMENT

- The provision of block assessment for search cases was re-introduced for searches on or after 1st September, 2024
- Presently, definition of "undisclosed income" includes any money, bullion, jewellery, valuable articles, thing which has not been disclosed. It is proposed to add undisclosed 'virtual digital asset' in the definition
- Various amendments are proposed to streamline the assessment of undisclosed income including the determination of tax liability on the undisclosed income as compared to assessment of disclosed income
- Presently, time limit for completion of block assessment is 12 months, which commences from the end of the month in which last authorisation for search has been executed
- It is proposed to change commencement of time limit of 12 months from the end of the quarter in which the last of the authorizations for search or requisition is executed
- The above amendments are effective from 1st February, 2025

I TAXATION OF ULIPS

- Presently, sums received under a life insurance policy, including ULIPs, is exempt under section 10(10D), subject to the condition that the premium payable in any year did not exceed 10% of the sum assured
- For ULIPs issued on or after 1st February, 2021, the exemption under Section 10(10D) does not apply if the total premium exceeds INR 250,000/-
- However, to avoid chargeability of proceeds from such ULIP at higher rates under the head "Other Sources", such ULIPs have been characterized as equity-oriented mutual funds and accordingly shall be charged tax at 12.50%/ 20% depending upon the period of holding

- In case of other ULIPs, (e.g. for ULIPs where premium payable is more than 10% of actual sum assured), the proceeds are taxable as "Other Sources" at the applicable rates

- Accordingly, it is proposed to include all ULIPs, which are not tax-exempt under section 10(10D) for any reason, under the definition of capital assets for being treated as capital gains and charged tax at 12.50%/ 20% depending upon the period of holding

J RATIONALISING TRANSFER PRICING

- Existing provisions require reference to TPO for computation of ALP in relation to international transactions or specified domestic transactions

- It is proposed that such ALP determination shall be now carried out following a block approach i.e. to be carried out together for the previous year and two consecutive previous years immediately following such previous year provided the assessee opts for such determination

- The following procedure shall be followed for the purposes of determining arm's length price:
  - Assessee shall be required to exercise an option or options in the form, manner and within such time period as may be prescribed;

  - TPO may by an order within one month from the end of the month in which such option is exercised, declare that the option is valid subject to the prescribed conditions;

  - Once the option is exercised and declared to be valid,
    - the ALP determined for the previous year shall also apply to following consecutive two years
    - the AO shall recompute the total income of the assessee for such consecutive previous years
    - no reference for computation of ALP in relation to such transaction shall be made

- The said methodology shall not be applicable for search cases

RECOMPUTATION OF INCOME

- Where the TPO has declared the option exercised by the assessee as valid:

    - the AO shall recompute the total income of the assessee by amending the order of assessment or any intimation for two consecutive previous years in conformity with the ALP determined by the TPO and taking into account the directions issued by the DRP

    - such recomputation shall be done within three months from the end of the month in which the assessment is completed

    - where the order of assessment or any intimation or deemed intimation under section 143(1) for the said two consecutive previous years is not made within the said three months, such recomputation shall be made within three months from the end of the month in which such order of assessment or any intimation or deemed intimation is made

K TDS/ TCS

RATIONALIZATION OF RATES AND THRESHOLD FOR TDS

Nature	Present	Proposed
193 - Interest on debentures payable by company in which public is substantially interested to resident individual/HUF	10% if the amount exceeds INR 5,000	10% if the amount exceeds INR 10,000
193 – Other Interest on securities	10%	10% if the amount exceeds INR 10,000
194 – Dividend to a resident individual	10% if the amount exceeds INR 5,000	10% if the amount exceeds INR 10,000
194A – Interest on deposits with bank, cooperative society and post office	Senior Citizen – 10% if the amount exceeds INR 50,000 Others - 10% if the amount exceeds INR 40,000	Senior Citizen – 10% if the amount exceeds INR 1,00,000 Others - 10% if the amount exceeds INR 50,000
194A – Other Interest	10% if the amount exceeds INR 5,000	10% if the amount exceeds INR 10,000
194B / 194BB – Winnings from lottery, crossword puzzle, horse race etc	10% if the aggregate winnings during the FY exceeds INR 10,000	10% if winnings in respect of a single transaction exceeds INR 10,000
194D – Insurance commission	2% if the amount exceeds INR 15,000	2% if the amount exceeds INR 20,000
194G – Income by way of commission, remuneration or prize on lottery tickets	2% if the amount exceeds INR 15,000	2% if the amount exceeds INR 20,000

Nature	Present	Proposed
194H – Commission or Brokerage other than Insurance Commission	2% if the amount exceeds INR 15,000	2% if the amount exceeds INR 20,000
194-I – Rent	For use of – a. P&M – 2% b. Land & Building, Furniture & Fixtures – 10% if the amount paid or credited exceeds INR 2,40,000 per annum	For use of – a. P&M – 2% b. Land & Building, Furniture & Fixtures – 10% if the amount paid or credited exceeds INR 50,000 per month or part of the month
194J – Fees for professional, technical service, royalty and non-compete fees	For use of – a. Technical services – 2% b. Others – 10% if the amount paid or credited exceeds INR 30,000 per annum	For use of – a. Technical services – 2% b. Others – 10% if the amount paid or credited exceeds INR 50,000 per annum
194K - Income in respect of units of a mutual fund or specified company or undertaking	10% if the amount exceeds INR 5,000	10% if the amount exceeds INR 10,000
194LA - Income by way of compensation or enhanced compensation in case of compulsory acquisition	10% if the amount exceeds INR 2,50,000	10% if the amount exceeds INR 5,00,000
194LBC – Income from investment in securitization trust	In case of – a. Individual / HUF – 25% b. Others – 30%	10%

UNION BUDGET 2025

Relaxation of TCS on remittance under LRS and OTPP

Purpose of remittance	Present	Proposed
a. Pursuing any education, out of loan obtained from financial institution under section 80E	Upto INR 7 lakhs – Nil Above INR 7 lakhs – 0.5 per cent on amount in excess of INR 7 lakhs	Nil
b. Pursuing any education, out of loan obtained from others	Upto INR 7 lakhs – Nil Above INR 7 lakhs – 5 per cent on amount in excess of INR 7 lakhs	Upto INR 10 lakhs – Nil Above INR 10 lakhs – 5 per cent on amount in excess of INR 10 lakhs
c. Medical treatment	Upto INR 7 lakhs – Nil Above INR 7 lakhs – 5 per cent on amount in excess of INR 7 lakhs	Upto INR 10 lakhs – Nil Above INR 10 lakhs – 5 per cent on amount in excess of INR 10 lakhs
d. Any other remittance under LRS or overseas tour package program	Upto INR 7 lakhs – Nil Above INR 7 lakhs – 20 per cent on amount in excess of INR 7 lakhs	Upto INR 10 lakhs – Nil Above INR 10 lakhs – 20 per cent on amount in excess of INR 10 lakhs

REMOVAL OF TCS ON SALE OF GOODS

- Presently, TDS or TCS is attracted at 0.1% on purchase or sale of goods of value exceeding INR 50 lakhs, subject to fulfilment of certain conditions, which have been separately prescribed for both TDS and TCS

- Further, where both the conditions of TDS as well as TCS are cumulatively attracted in respect of a transaction, the provisions of TDS prevail over TCS. Consequently, TCS provisions provide that TCS would not apply where buyer has deducted tax as per the above provisions

- In order to reduce additional burden on sellers to track the TDS compliance on part of buyers and to facilitate ease of doing business, it is proposed to make the TCS provisions inapplicable from 1st April, 2025

NO PROSECUTION FOR DELAYED PAYMENT OF TCS

- Presently, delayed payment of TCS could be punishable with imprisonment of 3 months to 7 years and fine

- It is proposed that prosecution shall not be instituted if TCS is paid within the time limit for filing of TCS quarterly returns

REMOVAL OF HIGHER TDS & TCS ON NON-FILERS

- Presently, non-filers of income tax returns suffer higher tax deduction and collection on certain receipts or payments, respectively, which is briefly summarised hereunder:

Particulars	TDS	TCS
Higher of	a. Twice the rate specified in Act b. Twice the rates in force c. 5 per cent	a. Twice the rate specified in Act b. 5 per cent
Maximum rate	-	20 per cent

- It is proposed to remove the above provisions

RATIONALISATION OF TIME LIMITS FOR PASSING ORDERS IN CASE OF TCS DEFAULTS

- Presently, an order deeming a person to be an assessee-in-default under TCS provisions is required to be passed within:

  - 6 years from end of the FY in which tax was collectible
  - 2 years from end of the FY in which correction statement is filed

  whichever period expires later

- It is now proposed that the above time limit would be subject to

  - Time limit governing fresh assessment pursuant to appellate or revisionary order
  - Time limit governing order giving effect to appellate or revisionary order
  - Exclusions to computation of time limit provided in Explanation 1 to section 153

L MISCELLANEOUS

SIMPLIFICATION IN PROVISIONS OF SELF-OCCUPIED PROPERTY

- Presently, taxpayer can compute NIL annual value for two house properties by treating it as Self Occupied Property, provided he occupies both the properties for his residence or if unable to occupy due to the reason of his employment or business/profession carried out on any other place, he has to reside at that other place in a building not belonging to him

- In order to simplify the provision, it is now proposed to provide exemption to the taxpayer if he occupies it for his own residence or cannot actually occupy it due to any reason

CONTRIBUTIONS/ WITHDRAWALS – NPS VATSALYA

- The NPS Vatsalya Scheme launched on 18th September 2024, enables parents/guardians to start NPS account for their children

- It is proposed to extend the tax benefits available to NPS under section 80CCD to the contribution made to NPS Vatsalya account

EXEMPTION ON WITHDRAWAL FROM NSS

- Upto FY 1991-92 taxpayer was eligible for deduction towards investment made in NSS. Any amount standing to the credit (interest and principal) of the taxpayer's account under NSS, is taxable in the previous year when it is withdrawn. Department of Economic affairs vide notification dated 29th August, 2024 provided that no interest would be paid on the balances in NSS after 1st October, 2024

- It is now proposed to exempt withdrawals made by the individuals for the amount invested upto 1st April, 1992 if withdrawn on or after 29th August, 2024

VIRTUAL DIGITAL ASSET

- The definition of virtual digital asset is extended to include digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions, whether or not already included in the definition of virtual digital asset

- Further, an annual information statement is proposed to be provided by the person who has dealt with in virtual digital asset, for which form shall be prescribed

EXTENSIONS

- The sunset date for start-ups is proposed to be extended to 01st April, 2030 from 01st April, 2025

- Time limit for passing order for granting immunity from penalty / prosecution is proposed to be extended to 3 months from earlier 1 month

- Time limit to retain books and documents seized during search is extended to three months from the end of the month of passing an order which was previously thirty days

- Time limit for passing orders earlier excluded the period for which the stay was granted by Court. It is now proposed to exclude the period upto the receipt of certified true copy of the Order vacating the stay by the relevant authority

II GOODS AND SERVICES TAX [2]

A AMENDMENT IN DEFINITIONS

- It is proposed to amend the definition of ISD to include interstate supplies on which tax is payable under RCM for distribution w.e.f. 01st April 2025

- It is proposed to insert the explanation for the terms 'municipal fund' and 'local fund' to clarify the scope of the said terms in the definition of local authority

- It is proposed to insert new definition for the term 'unique identification marking' for the purpose of implementation of proposed track and trace mechanism for specified evasion prone goods

B OMISSION OF TIME OF SUPPLY PROVISIONS FOR VOUCHERS

- It is proposed to omit provisions which provide for the time of supply in case of supply of vouchers. This proposed amendment is made to remove the redundant provision of time of supply on account of non-taxability of vouchers

C AMENDMENT IN BLOCKED CREDIT

- It is proposed to amend provisions of section 17(5)(d) of CGST Act to substitute the words "plant or machinery" with "plant and machinery" w.e.f. 01st July 2017

- An explanation is also proposed to be inserted to clarify that any reference to "plant or machinery" shall always be construed as "plant and machinery" notwithstanding anything to the contrary contained in any judgment, decree or order of any court, tribunal or other authority

- The proposed amendment nullifies the ratio of Supreme Court judgement in the matter of M/s. Safari Retreats Private Limited which

[2] Proposed amendments will be effective from date to be notified unless otherwise specified

provided for a possibility of ITC claim on rental / leasing business of real estate players

D REGISTRATION AND MANNER OF DISTRIBUTION OF ITC BY ISD

- Further to the consequential change in definition of ISD, it is proposed to expressly provide for registration of an office as ISD which receives interstate supplies on which tax is required to be paid under RCM

- Further, it is proposed to expressly include the distribution of tax paid under RCM on interstate supplies

- Both the amendments are to be effective from 01st April 2025

E CONDITIONS FOR REDUCTION IN OUTWARD TAX LIABILITY ON CREDIT NOTES

- In cases where ITC has been availed by the registered recipient, it is proposed that no reduction in output tax liability shall be allowed to the supplier wherein ITC has not been reversed by such recipient

- In other cases, it is proposed that reduction in output tax liability of the supplier shall not be permitted if the incidence of tax has been passed on to any other person

F FURNISHING OF INWARD STATEMENT AND RETURNS

- It is proposed to insert an enabling clause, in lines with the functionality of IMS, to prescribe:

  - additional details to be included in the inward supply statement in Form GSTR-2B on the GST portal;

  - conditions and restrictions in respect of furnishing of GSTR-3B return

G PRE-DEPOSIT FOR APPEAL AGAINST PENALTY ORDER

- Pre-deposit limit for filing appeal before Appellate Authority and Appellate Tribunal in case of order demanding penalty without involving demand of tax:

Appeal to	Present limit	Proposed limit
Appellate Authority	In case of an order for detention / seizure of goods and conveyance in transit, 25% of the penalty amount In any other case, no pre-deposit	10% of the penalty amount for all cases
Appellate Tribunal	No pre-deposit	Additional 10% of the penalty amount

H TRACK AND TRACE MECHANISM FOR SPECIFIED GOODS

- It is proposed to insert new section for enabling track and trace mechanism for specified evasion prone goods as well as persons or class of persons who are in possession or deal with such goods

I PENALTY FOR FAILURE TO COMPLY WITH TRACK AND TRACE MECHANISM

- In case of any contravention of the provision of track and trace mechanism, it is proposed to levy a penalty of INR 1 lakh or 10% of tax payable on such goods, whichever is higher in addition to any penalty under existing provisions

J AMENDMENT IN SCHEDULE III

- It is proposed to insert new clause to treat supply of warehoused goods in SEZ or in FTWZ to any person before clearance for exports or to DTA, neither as supply of goods nor as supply of services retrospectively from 01st July 2017

- It is also proposed to provide that no refund of tax already paid will be available for the transactions referred above

GLOSSARY

AIF	Alternate Investment Fund
AJP	Artificial Juridical Person
ALP	Arm's Length Price
AO	Assessing Officer
AOP/BOI	Association of Persons/ Body of Individuals
CGST	Central Goods and Service Tax
DRP	Dispute Resolution Panel
DTA	Domestic Tariff Area
ETF	Exchange Traded Fund
FII	Foreign Institutional Investor
FTWZ	Free Trade Warehousing Zone
FY/AY	Financial Year/ Assessment Year
HUF	Hindu Undivided Family
IFSC	International Financial Services Centre
IGST	Integrated Goods and Service Tax
IMS	Invoice Management System
INR	Indian Rupee
InvIT	Infrastructure Investment Trust
ISD	Input Service Distributor
ITC	Input Tax Credit
ITR	Income Tax Return
LRS	Liberalised Remittance Scheme
MMR	Maximum Marginal Rate
NPS/ NSS	National Pension Scheme / National Savings Scheme
OTPP	Overseas Tour Package Programme
P&M	Plant and Machinery
RCM	Reverse Charge Mechanism
REIT	Real Estate Investment Trus
SEBI	Securities and Exchange Board of India
SEP	Significant Economic Presence
SEZ	Special Economic Zone
SGST	State Goods and Service Tax
TDS/ TCS	Tax Deducted at Source / Tax Collected at Source
TPO	Transfer Pricing Officer
UIM	Unique Identification Marking
ULIP	Unit-Linked Insurance Policy

Disclaimer:

This document has been prepared as a service to the clients. We recommend you to seek professional advice before taking any action on the specific issues.

B 21-25, Paragon Centre, Pandurang Budhkar Marg, Worli, Mumbai - 400013

+91-22-40733000 | info@nashah.com |