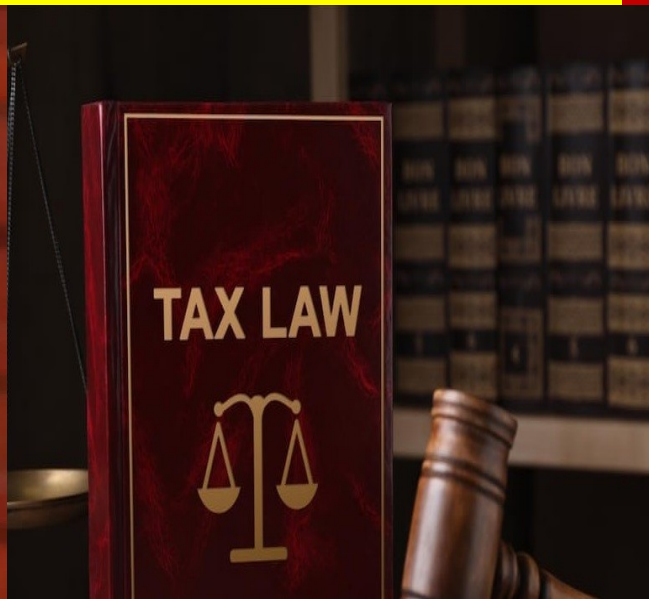


# A2Z TAXCORP LLP

Tax and Law Practitioners

## Key Highlights of Union Budget 2025-26

## Changes under the Income Tax Law



## Direct Tax

Taxation Reforms are one of the key reforms to realize the vision of Viksit Bharat. In the words of the Hon'ble FM, the country aims to ensure that the new income-tax bill will carry forward the spirit of "Nyaya". The new bill will be clear and direct in text with close to half of the present law, in terms of both chapters and words. It will be simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation.

Under the guidance of Prime Minister Shri Narendra Modi, the Government has taken steps to understand the needs voiced by the people. The direct tax proposals include personal income tax reform with special focus on middle class, TDS/ TCS rationalization, encouragement to voluntary compliances along with reduction of compliance burden, ease of doing business and incentivizing employment and investment.

The provisions of Finance Bill, 2025 (hereafter referred to as '**the Finance Bill**'), relating to direct taxes seek to amend the Income-tax Act, 1961 (hereafter referred to as '**the Act**'), to continue reforms in direct tax system through tax reliefs, removing difficulties faced by taxpayers and rationalisation of various provisions.

With a view to achieving the above, the various proposals for amendments are organized under the focused heads:—

- (i) Personal Income Tax reforms with special focus on middle class
- (ii) Rationalization of TDS/TCS for easing difficulties
- (iii) Encouraging voluntary compliance
- (iv) Reducing compliance burden
- (v) Ease of doing business
- (vi) Employment and investment

Following important amendments have been proposed under Income Tax Laws in the Finance Bill vide Clauses 2 to 86, which shall, save as otherwise provided in the Finance Act, 2025, be deemed to have come into force on April 01, 2025 as per Clause 1(2)(a) of the Finance Bill:

### **1. Revision of Tax Slabs for Personal Income Tax in New Tax Regime u/s 115 BAC**

The current tax rates in New Tax Regime u/s 115 BAC for the FY 2024-25 i.e. AY 2025-26 are as follows:

<u>Total Income (Rs.)</u>	<u>Rate of Tax</u>
Up to 3,00,000	Nil
From 3,00,001 to 7,00,000	5%
From 7,00,001 to 10,00,000	10%
From 10,00,001 to 12,00,000	15%
From 12,00,001 to 15,00,000	20%
Above 15,00,000	30%

With effect from FY 2025-26 i.e. AY 2026-27, it is proposed that the following rates provided under the proposed clause (iii) of sub-section (1A) of section 115BAC of the Act shall be the rates applicable:

<u>Total Income (Rs.)</u>	<u>Rate of Tax</u>
Up to 4,00,000	Nil
From 4,00,001 to 8,00,000	5%
From 8,00,001 to 12,00,000	10%
From 12,00,001 to 16,00,000	15%
From 16,00,001 to 20,00,000	20%
From 20,00,001 to 24,00,000	25%
Above 24 Lakhs	30%

As a result of these changes, Salaried Taxpayers having income from Salary up to Rs. 12.75 Lakhs in the new tax regime shall end up paying nil income tax.

Furthermore, it is imperative to note that the tax rates provided in the Old Tax Regime have remain unchanged.

## 2. Increase of Rebate u/s 87A from Rs. 25,000/- to Rs. 60,000/- under the new tax regime

Under the existing provisions of section 87A of the Act which pertain to the Old Tax Regime, an assessee, being an individual resident in India, having total income not exceeding Rs 5 lakh, is provided a rebate of 100 per cent of the amount of income-tax payable i.e., an individual having income till Rs 5 lakh is not required to pay any income tax.

Proviso to section 87A provides the rebate of income-tax in cases of individuals under New Tax Regime, upto Rs.25,000/- where the total income does not exceed Rs. 7,00,000/- (clause (a) of the said proviso) and marginal relief where the total income exceeds Rs. 7,00,000/- (clause (b) of the said proviso) to income chargeable to tax under sub-section (1A) of section 115BAC.

From assessment year 2026-27 onwards, for an assessee, being an individual resident in India whose income is chargeable to tax under the sub-section (1A) of section 115BAC, it is proposed to,—

**(i) enhance the limit of total income for rebate in clause (a) and (b) of first proviso under section 87A, on which the income-tax is payable as per the rates of income-tax under sub-section (1A) of section 115BAC, from Rs. 7,00,000/- to Rs. 12,00,000/- and the limit of rebate in clause (a) of first proviso to section 87A from Rs. 25,000/- to Rs. 60,000/-.**

**(ii) rationalise the first proviso to section 87A by inserting a new proviso so as to provide that the deduction under the first proviso, shall not exceed the amount of income-tax payable as per the rates provided in sub-section (1A) of section 115BAC.**

Furthermore, such rebate of income-tax shall not be available on tax on incomes chargeable at special rates (for e.g.: capital gains u/s 111A, 112 etc.).

A few illustrative examples have been provided below for the benefit of amendment in tax rebate given in the new regime –

### **EXAMPLE 1: ASSUMING TOTAL TAXABLE INCOME TO BE RS. 12 LAKHS**

<b><u>Current Tax Slab</u></b>	<b><u>Current Tax Rate</u></b>	<b><u>Current Tax Liability</u></b>	<b><u>Proposed Tax Slab</u></b>	<b><u>Proposed Tax Rate</u></b>	<b><u>Proposed Tax Liability</u></b>
Up to 3 Lakhs	Nil	Nil	Up to 4 Lakhs	Nil	Nil

3,00,001 to 7,00,000	5%	20,000	4,00,001 to 8,00,000	5%	20,000
7,00,001 to 10,00,000	10%	30,000	8,00,001 to 12,00,000	10%	40,000
10,00,001 to 12,00,000	15%	30,000	12,00,001 to 16,00,000	15%	
12,00,001 to 15,00,000	20%		16,00,001 to 20,00,000	20%	
Above 15,00,000	30%		20,00,001 to 24,00,000	25%	
			Above 24 Lakhs	30%	
<b>Total Tax Liability (A)</b>		<b>80,000</b>	<b>Total Tax Liability</b>		<b>60,000</b>
			Less: Rebate u/s 87A i.e. 60,000 since total taxable income up to Rs. 12 Lakhs		60,000
			<b>Net Tax Liability (B)</b>		<b>0</b>
Therefore total savings in proposed tax regime vis-à-vis current tax regime amounts to Rs. 80,000 which is the difference between (A) minus (B) i.e. 80,000 – 0					

**EXAMPLE 2: ASSUMING TOTAL TAXABLE INCOME TO BE RS. 18 LAKHS**

<u>Current Tax Slab</u>	<u>Current Tax Rate</u>	<u>Current Tax Liability</u>	<u>Proposed Tax Slab</u>	<u>Proposed Tax Rate</u>	<u>Proposed Tax Liability</u>
Up to 3 Lakhs	Nil	Nil	Up to 4 Lakhs	Nil	Nil

3,00,001 to 7,00,000	5%	20,000	4,00,001 to 8,00,000	5%	20,000
7,00,001 to 10,00,000	10%	30,000	8,00,001 to 12,00,000	10%	40,000
10,00,001 to 12,00,000	15%	30,000	12,00,001 to 16,00,000	15%	60,000
12,00,001 to 15,00,000	20%	60,000	16,00,001 to 20,00,000	20%	40,000
Above 15,00,000	30%	90,000	20,00,001 to 24,00,000	25%	
			Above 24 Lakhs	30%	
<b>Total Tax Liability (A)</b>		<b>2,30,000</b>	<b>Total Tax Liability</b>		<b>1,60,000</b>
			Less: Rebate u/s 87A i.e. 60,000 will not be available since total taxable income exceeds Rs. 12 Lakhs		Nil
			<b>Net Tax Liability (B)</b>		<b>1,60,000</b>
<p><b>Therefore total savings in proposed tax regime vis-a-vis the current tax regime amounts to Rs. 70,000 in this case which is the difference between (A) minus (B) i.e. 2,30,000 – 1,60,000</b></p>					

**EXAMPLE 3: ASSUMING TOTAL TAXABLE INCOME TO BE RS. 25 LAKHS**

<u>Current Tax Slab</u>	<u>Current Tax Rate</u>	<u>Current Tax Liability</u>	<u>Proposed Tax Slab</u>	<u>Proposed Tax Rate</u>	<u>Proposed Tax Liability</u>
Up to 3 Lakhs	Nil	Nil	Up to 4 Lakhs	Nil	Nil

3,00,001 to 7,00,000	5%	20,000	4,00,001 to 8,00,000	5%	20,000
7,00,001 to 10,00,000	10%	30,000	8,00,001 to 12,00,000	10%	40,000
10,00,001 to 12,00,000	15%	30,000	12,00,001 to 16,00,000	15%	60,000
12,00,001 to 15,00,000	20%	60,000	16,00,001 to 20,00,000	20%	80,000
Above 15,00,000	30%	3,00,000	20,00,001 to 24,00,000	25%	1,00,000
			Above 24 Lakhs	30%	30,000
<b>Total Tax Liability (A)</b>		<b>4,40,000</b>	<b>Total Tax Liability</b>		<b>3,30,000</b>
			Less: Rebate u/s 87A i.e. 60,000 will not be available since total taxable income exceeds Rs. 12 Lakhs		Nil
			<b>Net Tax Liability (B)</b>		<b>3,30,000</b>
<p><b>Therefore total savings in proposed tax regime vis-a-vis the current tax regime amounts to Rs. 1,10,000 in this case which is the difference between (A) minus (B) i.e. 4,40,000 – 3,30,000</b></p>					

Therefore as can be seen, the proposed amendments also benefit taxpayers in higher tax brackets to some extent due to positive changes in the slab rates.

These amendments will take effect from the 1st day of April, 2025.



### 3. Rationalisation of 'specified violation' for cancellation of registration of trusts or institutions

Sub-section (4) of the section 12AB *inter alia* provides that where registration or provisional registration of a trust or an institution has been granted and subsequently, the Principal Commissioner or Commissioner has noticed occurrence of one or more specified violations during any previous year, the Principal Commissioner or Commissioner shall, pass an order in writing, cancelling the registration of such trust or institution if he is satisfied that one or more specified violations have taken place.

Explanation to sub-section (4) of the said section provides that "specified violation" *inter alia* means the cases where the application referred to in clause (ac) of sub-section (1) of section 12A is not complete or it contains false or incorrect information.

It is noted that even minor default, where the application referred to in clause (ac) of sub-section (1) of section 12A is not complete, may lead to cancellation of registration of trust or institution, and such trust or institution becomes liable to tax on accreted income as per provisions of Chapter XII-EB of the Act.

**It is, therefore, proposed to amend the Explanation to sub-section (4) of section 12AB so as to provide that the situations where the application for registration of trust or institution is not complete, shall not be treated as specified violation for the purpose of the said sub-section.**

These amendments will take effect from the 1st day of April, 2025.

### 4. Extension in period of Registration of smaller trusts or institutions

Section 12AB provides registration of trust or institution for a period of 5 years or provisional registration (where activities have not commenced at the time of filing application for registration) for a period of 3 years. At the expiry of such registration or provisional registration, or in case of provisional registration, if the activities of the trust or institution have commenced, the trust or institution is required to make application for further registration.

It has been noted that applying for registration after every 5 years, increases the compliance burden for trusts or institutions, especially for the smaller trusts or institutions.



To reduce the compliance burden for the smaller trusts or institutions, it is proposed to increase the period of validity of registration of trust or institution from 5 years to 10 years, in cases where the trust or institution made an application under sub-clause (i) to (v) of the clause (ac) of sub-section (1) of section 12A, and the total income of such trust or institution, without giving effect to the provisions of sections 11 and 12, does not exceed Rs. 5 crores during each of the two previous year, preceding to the previous year in which such application is made.

These amendments will take effect from the 1st day of April, 2025.

#### 5. Extension of timeline for tax benefits to start-ups

The existing provisions of Section 80-IAC of the Act, inter-alia provide for a deduction of an amount equal to hundred percent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years, beginning from the year of incorporation, at the option of the assessee subject to the condition that ,–

(i) the total turnover of its business does not exceed one hundred crore rupees,

(ii) it is holding a certificate of eligible business from the Inter-Ministerial Board of Certification, and

(iii) it is incorporated on or after the 1st day of April, 2016 but before the 1st day of April, 2025.

**It is proposed to amend the above section so as to extend the benefit for another period of five years, i.e. the benefit will be available to eligible start-ups incorporated before 01.04.2030.**

This amendment will take effect from the 1st day of April 2025.

#### 6. Rationalisation of threshold for Tax Deducted at Source (TDS) and Tax Collected at Source (TCS)

There are various provisions of Tax Deduction at Source (TDS) as well as Tax Collected at Source (TCS), with different thresholds and multiple rates. To improve ease of doing business and better compliance by taxpayers, it is proposed to rationalize certain rates of TDS & TCS and to increase threshold limit for applicability of the TDS & TCS provisions.

<b>S.No.</b>	<b>Section of the Act</b>	<b>Present TDS /TCS Threshold (Rs)</b>	<b>Proposed TDS /TCS Threshold (Rs)</b>
1	193 - Interest on securities	Nil	Wherever the amount or aggregate of amounts of income during a Financial Year exceeds Rs. 10,000/-
2	194A - Interest other than Interest on securities	(i) 50,000/- for senior citizen;  (ii) 40,000/- in case of others  when payer is bank, cooperative society and post office	(i) 1,00,000/- for senior citizen  (ii) 50,000/- in case of others  when payer is bank, co-operative society and post office
		(iii) 5,000/- in other cases	(iii) 10,000/- in other cases
3	194 – Dividend, for an individual shareholder	5,000/-	10,000/-
4	194K - Income in respect of units of a mutual fund or specified company or undertaking	5,000/-	10,000/-
5	194B - Winnings from lottery, crossword puzzle etc.	Aggregate of amounts exceeding 10,000/- during the financial year	10,000/- in respect of a single transaction
6	194BB - Winnings from horse race		
7	194D - Insurance commission	15,000/-	20,000/-
8	194G - Income by way of commission,	15,000/-	20,000/-

	prize etc. on lottery tickets		
9	194H - Commission or brokerage	15,000/-	20,000/-
10	194-I Rent	2,40,000/- during the financial year	50,000/- per month or part of a month
11	194J - Fee for professional or technical services	30,000/-	50,000/-
12	194LA - Income by way of enhanced compensation	2,50,000/-	5,00,000/-
13	206C(1G) – Remittance under LRS and overseas tour program package	7,00,000/-	10,00,000/-

These amendments will take effect from the 1st day of April 2025.

#### 7. Rationalisation of Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) rates for easing difficulties

To reduce multiplicity of rates and compliance burden, it is proposed to bring down certain TDS and TCS rates in certain sections as below:

<u>S. No.</u>	<u>Section of the Act</u>	<u>Present TDS/TCS Rate</u>	<u>Proposed TDS/TCS Rate</u>
1	Section 194LBC - Income in respect of investment in securitization trust	25% if payee is Individual or HUF and 30% otherwise	10%
2	Sub-section (1) of section 206C  (i) TCS on timber or any other forest produce (not being tendu leaves) obtained under a forest lease and	2.5%	2%

	(ii) TCS on timber obtained by any mode other than under a forest lease		
3	Sub-section (1G) of section 206C – TCS on remittance under LRS for purpose of education, financed by loan from financial institution	0.5% after 7 lakhs	Nil

These amendments will take effect from the 1st day of April 2025.

#### 8. Rationalisation of definition of “forest produce” u/s 206C(1)

Sub-section (1) of section 206C of the Act states that every seller shall collect tax at source from the buyer of goods of certain specified nature at the rates specified in the sub-section.

Under sub-section (1) of section 206C of the Act, presently TCS at 2.5 per cent is required to be collected on sale of goods of the following nature:

- (I) Timber obtained under a forest lease
- (II) Timber obtained by any mode other than under a forest lease
- (III) Any other forest produce not being timber or tendu leaves

**To bring clarity regarding the meaning of “forest produce”, it is proposed that “forest produce” shall have the same meaning as defined in any State Act for the time being in force, or in the Indian Forest Act, 1927.**

**Further, it is proposed that to address the applicability of TCS on traders of forest produce, only such other forest produce (not being timber or tendu leaves) which is obtained under forest lease will be covered under TCS.**

The amended rate for collection of TCS are as under:-

<u>S.No.</u>	<u>Nature of Goods</u>	<u>Percentage</u>
(1)	(2)	(3)

(iii)	Timber or any other forest produce (not being tendu leaves) obtained under a forest lease	2%
(iv)	Timber obtained by any mode other than under a forest lease	2%

These amendments will take effect from the 1st day of April 2025.

#### 9. Reduction in Compliance Burden by omission of TCS on sale of specified goods

Sub-section (1H) of section 206C of the Act, requires any person being a seller who receives consideration for sale of any goods of the value or aggregate of value exceeding Rs 50 lakhs in any previous year, to collect tax from the buyer at the rate of 0.1% of the sale consideration exceeding Rs 50 lakhs, subject to certain conditions.

Section 194Q of the Act, requires any person being a buyer, to deduct tax at the rate of 0.1%, on payment made to a resident seller, for the purchase of any goods of the value or aggregate of value exceeding fifty lakh rupees in any previous year.

Sub-section (1H) of section 206C mandates tax collection at source (TCS) by a seller while Section 194Q provides for tax deduction at source (TDS) by a buyer on the same transaction.

Further, it is provided in sub-section (1H) of section 206C of the Act that the provision will not apply, if the buyer is liable to deduct TDS under any other provision of this Act on the goods purchased from the seller and has deducted such amount.

**To facilitate ease of doing business and reduce compliance burden on the taxpayers, it is proposed that provisions of sub-section (1H) of section 206C of the Act will not be applicable from the 1st day of April, 2025.**

These amendments will take effect from the 1st day of April 2025.

#### 10. Amendments proposed in Sections 132 and 132B for time limit of retention of seized books of accounts or other documents

Section 132 of the Act relates to search and seizure. As per the provisions of sub-section (8) of section 132 of the Act the last date for taking approval for retention of seized books of account or other documents is 30 days from the date of the assessment or reassessment or recomputation order.

In the course of search assessment proceedings in group cases, the assessment orders of one assessee may be passed earlier than the assessment orders of another assessee.

Further, the segregation of seized books of account or other documents pertaining to various assesses is also very difficult in case the searched premise is same. It is also the case that the seized books of account or other documents pertaining to the completed assessment cases may be required for assessment of ongoing/pending assessment cases.

Since, the time limit of taking approval for retention will be different for different cases, the Assessing Officers are required to have constant vigil on the floating time-barring dates for taking the approval for retention of the seized books of account or other documents, the burden of which is avoidable.

**Therefore, it is proposed to amend sub-section (8) of section 132 of the Act to provide that the time limit for taking approval for retention shall be one month from end of the quarter in which the assessment or reassessment or recomputation order has been made.**

These amendments will take effect from the 1st day of April, 2025.

#### **11. Time limit to impose penalties rationalized**

The existing provisions of section 275 of the Act, inter-alia provide for the bar of limitation for imposing penalties. Section 275 of the Act is having multiple timelines for imposition of penalties in various cases e.g. where a case is in appeal before the ITAT, time limit to impose penalty is end of the financial year in which the connected proceeding has been completed or six months from end of the month in which the appellate order is received, whichever is later. Similarly, different time-limits for imposition of penalty have been provided for cases in appeal to the JCIT(Appeal) or Commissioner (Appeal). This makes it difficult to keep track of multiple time barring dates for effective and efficient tax administration.

**It proposed to amend section 275 of the Act to provide that any order imposing a penalty under Chapter XXI shall not be passed after the expiry of six months from the end of the quarter in which the connected proceedings are completed, or the order of appeal is received by the jurisdictional Principal Commissioner or Commissioner, or the order of revision is passed, or the notice for imposition of penalty is issued, as the case maybe. Consequential amendment is also proposed in section 246A of the Act to update reference of the amended section 275 of the Act.**

These amendments will take effect from the 1st day of April, 2025.

**12. Clarification regarding commencement date and the end date of the period stayed by the Court**

Section 144BA, section 153, section 153B, section 158BE, section 158BFA, section 263, section 264 and Rule 68B of Schedule-II of the Act, inter-alia provide that period during which the proceedings under respective provisions are stayed by an order or injunction of any court shall be excluded in computing the time limit for conclusion of the proceedings.

However, there was an ambiguity regarding the commencement date and the end date of the period stayed by an order or injunction of any court which was required to be excluded.

**With a view to removing any ambiguity, it has been proposed to amend the said provisions of the Act so as to exclude the period commencing on the date on which stay was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the jurisdictional Principal Commissioner or Commissioner (Approving panel in case of section 144BA of the Act).**

This amendment will take effect from the 1st day of April, 2025.

**13. Removal of Higher TDS/TCS for non-filers of return of income**

Section 206AB of the Act, requires deduction of tax at higher rate when the deductee specified therein is a non-filer of income-tax return. Section 206CCA of the Act, requires for collection of tax at higher rate when the collectee specified therein is a non-filer of income-tax return. This is subject to other conditions specified in the two sections.

Representations had been received from various stakeholders that it is difficult for the deductor/collector, at the time of deduction/collection, to verify whether returns have been filed by the deductee/collectee, resulting in application of higher rates of deduction/collection, blocking of capital and increased compliance burden.

**Accordingly, to address this issue and reduce compliance burden for the deductor/collector, it is proposed to omit section 206AB of the Act and section 206CCA of the Act.**

These amendments will take effect from the 1st day of April, 2025.

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



The existing provisions of clause (2) of section 17 provide, inter-alia that 'perquisite' includes the value of any benefit or amenity granted or provided free of cost or at concessional rate by any employer (including a company) to an employee whose income under the head "Salaries" as a monetary benefit does not exceed fifty thousand rupees. This upper limit on income was determined by the Finance Act 2001.

Further, the proviso to clause (2) of section 17 provides that any expenditure incurred by the employer for travel outside India on the medical treatment of an employee or any member of the employee's family shall not be included in 'perquisite', subject to the condition that the gross total income of such employee does not exceed two lakh rupees. This upper limit on income was determined by the Finance Act, 1993.

**It is proposed that the provisions of section 17 may be amended so that the power to prescribe rules may be obtained to increase the limit on the gross total income of the employees so that,-**

**(I) the amenities and benefits received by such employees would be exempt from being treated as perquisites.**

**(II) the expenditure incurred by the employer for travel outside India on the medical treatment of such employee or his family member would not be treated as a perquisite.**

These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

#### **15. Deduction under Section 80CCD for contributions made to NPS Vatsalya**

The NPS Vatsalya Scheme, officially launched on 18 September 2024, enables parents and guardians to start a National Pension Scheme (NPS) account for their children. This savings-cum-pension scheme is designed exclusively for minors and will be operated by the guardian for the exclusive benefit of the minor till they attain majority. When a minor attains 18 years, the account will continue to be operational, transferred to the child's name with the accumulated corpus and will be shifted into the NPS-Tier 1 Account - All Citizen Model or other non-NPS scheme account.

**It is proposed to extend the tax benefits available to the National Pension Scheme (NPS) under Section 80CCD of the Act to the contributions made to the NPS Vatsalya accounts, as follows:**

**(I) A deduction to be allowed to the parent/guardian's total income, of the amount paid or deposited in the account of any minor under the NPS to a maximum of Rs 50,000/- overall as mandated under sub-section (1B) of section 80CCD;**

**(II) The amount on which deduction has been allowed under sub-section (1B) of section 80CCD or any amount accrued thereon, will be charged to tax when such amount is withdrawn, in the case where deposit was made in the account of a minor; and**

**(III) The amount on which deduction has been allowed and is received on closure of the account due to the death of the minor shall not be deemed to be the income of the parent/guardian;**

The NPS Vatsalya Scheme also allows for partial withdrawal from the minor's account to address certain contingency situations like education, treatment of specified illnesses and disability (of more than 75%) of the minor.

**Accordingly, it is also proposed to insert a clause (12BA) in section 10 of the Act, which provides that any income received on partial withdrawal made out of the minor's account, shall not be included in the total income of the parent/guardian to the extent it does not exceed 25% of the amount of contributions made by him and in accordance with the terms and conditions, specified under the Pension Fund Regulatory and Development Authority Act, 2013 (23 of 2013) and the regulations made thereunder.**

These amendments will take effect from the 1st day of April, 2026, and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

#### **16. Exemption to withdrawals by individuals from National Savings Scheme for taxation**

Sub-section (2) of section 80CCA, inter-alia provides that where such amount, together with the interest accrued on such amount standing to the credit of the assessee under the scheme is withdrawn, it shall be deemed to be the income of the assessee and shall be chargeable to tax. Since this provision has been sunset from 01.04.1992, the amounts taxable on withdrawal are those which were deposited in financial year 1991-92 and earlier, and on which deduction had been claimed. Further, Circular No 532 issued on 17.03.1989 provided that the withdrawal on closure of account due to death of the depositor was not chargeable to tax in the hands of the legal heirs.

The Department of Economic Affairs issued a Notification dated 29.08.2024 providing that no interest would be paid on the balances in the NSS after 01.10.2024.

Representations were received to suitably amend section 80CCA to provide relief to individuals facing hardship who were compelled to withdraw as a result of this Notification.

**It is therefore proposed to amend section 80CCA to provide exemption to the withdrawals made by individuals from these deposits for which deduction was allowed, on or after 29th day of August, 2024. This exemption is provided to the deposits, with the interest accrued thereon, made before 01.04.1992 as these are the amounts in respect of which a deduction has been allowed.**

This amendment shall be made with retrospective effect from the 29th day of August, 2024.

#### **17. Annual Value of Self-Occupied Property further simplified**

Section 23 of the Act relates to determination of annual value. Sub-section (2) of the said section provides that where house property is in the occupation of the owner for the purposes of his residence or owner cannot actually occupy it due to his employment, business or profession carried on at any other place, in such cases, the annual value of such house property shall be taken to be nil.

Further, sub-section (4) of the said section provides that provisions of sub-section (2) of the Act will be applicable in respect of two house properties only, which are to be specified by the owner.

**With a view to simplifying the provisions, it is proposed to amend the sub-section (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, if the owner occupies it for his own residence or cannot actually occupy it due to any reason. The provision of sub-section (4) of section 23 of the Act which allows this benefit only in respect of two of such houses shall continue to apply as earlier.**

This amendment will take effect from the 1st day of April, 2025 and shall accordingly apply for assessment year 2025-26 onwards.

#### **18. Obligation to furnish information in respect of Crypto-asset**

Vide Finance Act 2022, taxation of virtual digital assets (VDA) has been introduced in the Income-tax Act, 1961 ('the Act'), under section 115BBH of the Act in which the transfer of VDA is to be taxed at the rate of 30% with no deduction in respect of expenditure (other than cost of acquisition) to be allowed.

To define VDA, Clause (47A) was inserted in section 2 of the Act. Further, to capture VDA transaction details, section 194S has been inserted in the Act to provide for deduction of tax on payment for transfer of VDA at the rate of 1% of transaction value including cases where the transaction occurs in kind or partly in cash.

**It is now proposed to insert section 285BAA in the Act, being the Obligation to furnish information of crypto-asset, wherein –**

**(I) Sub-section (1) of section 285BAA of the Act states any person, being a reporting entity, as may be prescribed, in respect of crypto asset, shall furnish information in respect of a transaction in such crypto asset in a statement, for such period, within such time, in such form and manner and to such income-tax authority, as may be prescribed;**

**(II) Sub-section (2) of said section states that where prescribed income-tax authority considers that the statement furnished is defective, he may intimate the defect to the person who has furnished such statement and give him an opportunity of rectifying the defect within a period of thirty days from the date of such intimation or such further period as may be allowed, and if the defect is not rectified within the aforesaid period allowed, the provisions of this Act shall apply as if such person had furnished inaccurate information in the statement;**

**(III) Sub-section (3) of said section states that where a person who is required to furnish a statement has not furnished the same within the specified time, the prescribed income-tax authority may serve upon such person a notice requiring him to furnish such statement within a given time period and he shall furnish the statement within the time specified in the notice;**

**(IV) Sub-section (4) of said section states that if any person, having furnished a statement, or in pursuance of a notice issued, comes to know or discovers any inaccuracy in the information provided in the statement, he shall within a given period inform the income-tax authority, the inaccuracy in such statement and furnish the correct information in such manner as prescribed;**

**(V) Sub-section (5) of said section states that the Central Government may, by rules specify the persons to be registered with the prescribed income-tax authority, the nature of information and the manner in which such information shall be maintained by the persons and the due diligence to be carried out by such persons for the purpose of identification of any crypto-asset user or owner;**

It is also proposed to amend clause (47A) of section 2 to insert sub-clause (d) which states that the definition of virtual digital asset also includes any crypto-asset being a 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 or not.

These amendments will take effect from the 1st day of April, 2026.

**19. Increase in time limit available to pass order under Section 115VP for Tonnage Tax Scheme**

Sub-section (3) of the said section requires that the Joint Commissioner on receipt of such application may call for information or documents from the company as deemed fit and after satisfying themselves about the eligibility of such company to make an option for tonnage tax scheme, pass an order in writing, approving the option for tonnage tax scheme or if not so satisfied, refuse such approval, after providing reasonable opportunity of being heard.

Sub-section (4) of the said section requires for order under sub-section (3) of section 115VP of the Act, whether approving or rejecting the application to exercise option of tonnage tax scheme, to be passed before the expiry of one month from the end of the month in which the application was received under sub-section (1) of said section.

It is seen that very less time is available under sub-section (4) of section 115VP of the Act with the Joint Commissioner of Income-tax for verification of information and documents, including physical inspection of the ships if necessary, providing an opportunity of being heard and then passing a reasoned order approving or rejecting the application.

**It is hence proposed to amend sub-section (4) of section 115VP to provide that for application received under sub-section (1) on or after the 1st day of April, 2025, order under sub-section (3) shall be passed before the expiry of three months from the end of the quarter in which such application was received.**

This amendment will take effect from the 1st day of April, 2025.

**20. Exemption from prosecution for delayed payment of TCS in certain cases**

Section 276BB of the Act provides for prosecution in case of failure to pay the tax collected at source to the credit of Central Government. The provision of the said section states that if a person fails to pay to the credit of the Central Government, the tax collected by

him as required under the provisions of section 206C of the Act, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.

**It is proposed to amend section 276BB of the Act to provide that the prosecution shall not be instituted against a person covered under the said section, if the payment of the tax collected at source has been made to the credit of the Central Government at any time on or before the time prescribed for filing the quarterly statement under proviso to sub-section (3) of section 206C of the Act in respect of such payment.**

This amendment will take effect from the 1st day of April, 2025.

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

Section 270AA of the Act provides, inter-alia procedure of granting immunity by the Assessing Officer from imposition of penalty or prosecution, subject to fulfillment of certain conditions as mentioned therein. Sub-section (2) of the said section provides that an application for granting immunity from imposition of penalty shall be made within one month from the end of the month in which the order referred to in clause (a) of sub-section (1) of the said section has been received by the assessee. Sub-section (4) of the said section provides that Assessing Officer shall pass an order accepting or rejecting the application, within a period of one month from the end of the month in which the application requesting immunity is received.

**It is proposed to amend the sub-section (4) of section 270AA of the Act so as to extend the processing period to three months from the end of the month in which application for immunity is received by the Assessing Officer.**

This amendment will take effect from the 1st day of April, 2025

**22. Extending the time limit to file the updated return**

Sub-section (8A) of section 139 of the Act, relates to furnishing of updated return. As per the present provisions, an updated return can be filed upto 24 months from the end of the relevant assessment year. The facility of updated return has promoted voluntary compliance against payment of additional income-tax of 25% of aggregate of tax and interest payable for updated return filed upto 12 months from the end of the relevant

assessment year. For updated return filed after expiry of 12 months and upto 24 months from the end of the relevant assessment year, the additional income-tax of 50% of aggregate of tax and interest is to be paid.

**With a view to further nudging voluntary compliance, it is proposed to amend the said subsection so as to extend the time-limit to file the updated return from existing 24 months to 48 months from the end of relevant assessment year. Rate of additional income-tax payable for updated return filed after expiry of 24 months and upto 36 months from the end of the relevant assessment year shall be 60% of aggregate of tax and interest payable. The additional income-tax payable for updated return filed after expiry of 36 months and upto 48 months from the end of the relevant assessment year shall be 70% of aggregate of tax and interest payable.**

**It is further proposed to provide that no updated return shall be furnished by any person where any notice to show-cause under section 148A of the Act has been issued in his case after thirty-six months from the end of the relevant assessment year. However, where subsequently an order is passed under sub-section (3) of section 148A of the Act determining that it is not a fit case to issue notice under section 148 of the Act, updated return may be filed upto 48 months from the end of the relevant assessment year.**

These amendments will take effect from the 1st day of April, 2025.

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

**It is proposed, to insert a new section 44BBD, which deems twenty-five per cent of the aggregate amount received/ receivable by, or paid/ payable to, the non-resident, on account of providing services or technology, as profits and gains of such non-resident from this business. This will result in an effective tax payable of less than 10% on gross receipts, by a non-resident company.**

This amendment will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

**24. Extension of benefits of tonnage tax scheme to inland vessels**

**To promote inland water transportation in the country and to attract investments in the sector, it is proposed to extend the benefits of tonnage tax scheme to Inland Vessels registered under Inland Vessels Act, 2021. Accordingly inland vessels have been**



included in the section 115VD for being eligible to be a qualified ship. Further, inland vessels have been defined in section 115V of the Act in the same manner as provided in the Inland Vessels Act, 2021. Other corresponding amendments have been made to extend the tonnage tax scheme to inland vessels.

These amendment will take effect from the 1st day of April, 2026 and shall, accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

## 25. Clarity in respect of income on redemption of Unit Linked Insurance Policy (ULIP)

Clause (10D) of section 10 provides for income-tax exemption on the sum received under a life insurance policy, including bonus on such policy. There is a condition that the premium payable for any of the years during the terms of the policy should not exceed ten per cent of the actual capital sum assured.

It may be pertinent to note that to restrict the benefit of exemption under clause (10D) of section 10, to small and genuine cases of life insurance, the Finance Act, 2021, *inter alia*, made amendments to clause (10D) of section 10 to provide that the exemption under this clause shall not apply with respect to any unit linked insurance policy or policies issued on or after the 01.02.2021, if the amount of premium or aggregate amount of premium payable during the term of such policy or policies exceeds Rs. 2,50,000;

It is noted that ULIP is a capital asset only when the exemption under clause (10D) of section 10 does not apply on such policies on account of the applicability of the 4th and 5th proviso and accordingly, taxation as capital gains in case of only such ULIPs. However, in case of life insurance policy (other than a ULIP), the sum received is chargeable to income-tax under "Income from other sources" for any such policy to which exemption under clause (10D) of section 10 does not apply.

Further, any sum received under an insurance policy as provided in sub-clauses (a) to (d) read with the provisos to clause (10D) to section 10 are not eligible for exemption under clause (10D) of section 10. Such sub-clauses are applicable to unit-linked insurance policy as well.

**It is, therefore, proposed to rationalise the provisions for unit-linked insurance policies, so as to provide that,—**

**(I) ULIPs to which exemption under clause (10D) of section 10 does not apply, is a capital asset [clause (14) of section 2];**

**(II) the profit and gains from the redemption of ULIPs to which exemption under clause (10D) of section 10 does not apply, shall be charged to tax as capital gains [sub-section (1B) of section 45]; and**

**(III) ULIPs to which exemption under clause (10D) of section 10 does not apply, shall be included in the definition of equity oriented fund [clause (a) of Explanation to section 112A]**

These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

**26. Extension of Sunset dates for several tax concessions pertaining to IFSC**

**The sunset dates for commencement of operations of IFSC units for several tax concessions, or relocation of funds to IFSC, in clause (d) of sub-section (2) of section 80LA, clause (4D), clause (4F), clause (4H) of section 10 and clause (viia) of section 47, is proposed to be extended to 31st day of March, 2030.**

These amendments will take effect from the 1st day of April, 2025.

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

Transfer pricing provisions enable computation of income arising from an international transaction or a specified domestic transaction with regard to an arm's length price. These provisions are contained in sections 92 to 92F.

Section 92CA provides the procedure governing reference of an international transaction or a specified domestic transaction to the Transfer Pricing Officer (TPO), for computation of their arm's length price (ALP). Section 92C provides for computation of arm's length price in relation to an international transaction or a specified domestic transaction.

It has been noted that in reference under section 92CA for computation of arm's length price, in many cases, there are similar international transactions or specified transactions for various years, same facts like enterprises with whom such transaction is done, proportionate quantum of transaction, location of associated enterprises etc., and same arm's length analysis are repeated every year, creating compliance burden on the assessee as well as administrative burden on the TPOs. In view of the same, in such situations, it is proposed to carry out TP assessments in a block.

It is, therefore, proposed to provide that the ALP determined in relation to an international transaction or a specified domestic transaction for any previous year shall apply to the similar transaction for the two consecutive previous years immediately following such previous year. For the same, it is proposed to make the following amendments,—

**A. Reference to TPO**

*(I) the assessee shall be required to exercise an option or options for the above effect in the form, manner and within such time period as may be prescribed [new sub-section (3B) in section 92CA];*

*(II) the 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 [new sub-section (3B) in section 92CA];*

*(III) if the TPO declares that the option exercised by the assessee is valid,—*

- the ALP determined in relation to an international transaction or a specified domestic transaction for any previous year shall apply to the similar international transaction or the specified domestic transaction for the two consecutive previous years immediately following such previous year [new sub-section (3B) in section 92CA];*
- the TPO shall examine and determine the ALP in relation to such similar transaction for such consecutive previous years, in the order referred to in sub-section (3) of section 92CA [new subsection (4A) in section 92CA];*
- on receipt of such order from the TPO, the AO shall recompute the total income of the assessee for such consecutive previous years as per the provisions of sub-section (21) of section 155 [new sub-section (4A) in section 92CA];*
- no reference for computation of ALP in relation to such transaction shall be made [new first proviso to sub-section (1) of section 92CA];*
- if any reference is made in such scenarios, before or after the above declaration by the TPO, the provisions of sub-section (1) of section 92CA shall have the effect as if no reference is made for such transaction [new second proviso to sub-section (1) of section 92CA];*

*(IV) the provisions of exercising option mentioned above and consequent proceedings, shall not apply to any proceedings under Chapter XIV-B [proviso to new sub-section (3B) in section 92CA];*

*(V) If any difficulty arises in giving effect to the provisions of sub-section (3B) and sub-section (4A) of section 92CA, the Board may, with the previous approval of the Central*

*Government, issue guidelines for the purpose of removing the difficulty and every guideline issued by the Board shall be laid before each House of Parliament, and shall be binding on the income-tax authorities and the assessee [new sub-section (11) in section 92CA].*

### **B. Recomputation of income under section 155**

*A new sub-section (21) shall be inserted in section 155, so that where the ALP determined for an international transaction or a specified domestic transaction for any previous year and the TPO has declared an option exercised by the assessee as valid option in respect of such transaction for two consecutive previous years immediately following such previous year, then:-*

*(I) the AO shall recompute the total income of the assessee for such consecutive previous years, by amending the order of assessment or any intimation or deemed intimation under sub-section (1) of section 143,—*

- *in conformity with the ALP so determined by the TPO under sub-section (4A) of section 92CA in respect of such transaction;*
- *taking into account the directions issued under sub-section (5) of section 144C, if any, for such previous year;*

*(II) such recomputation shall be done within three months from the end of the month in which the assessment is completed in the case of the assessee for such previous year;*

*(III) the first and second proviso to sub-section (4) of section 92C shall apply to such recomputation;*

*(IV) such recomputation shall be made within three months from the end of the month in which order of assessment or any intimation or deemed intimation is made, in case that is not made before the period of three months as mentioned above.*

These amendment will take effect from the 1st day of April, 2026 and shall, accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

## **28. Other Miscellaneous Changes**

It is important to note some of the few other amendments that have been highlighted by the Hon'ble FM in her speech –

- **Alternate Investment Funds (AIFs):** Proposal to provide certainty of taxation to Category I and category II AIFs, which are undertaking investments in infrastructure and other such sectors, on the gains from securities.
- **Extension of investment date for Sovereign and Pension Funds:** Proposal to extend the date of making an investment by five more years, to 31.03.2030, to

promote funding from Sovereign Wealth Funds and Pension Funds to the infrastructure sector.

*[This space has been intentionally left blank]*



# Thank You



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A2Z Taxcorp LLP is a boutique Indirect Tax firm having its offices at New Delhi and Guwahati specializing in GST, Central Excise, Custom, Service Tax, VAT, DGFT, Foreign Trade Policy, SEZ, EOU, Export – Import Laws, Free Trade Policy, etc. It is a professionally managed firm having a team of experienced and distinguished Chartered Accountants, Company Secretary, Lawyers, Corporate Financial Advisors and Tax consultants to provide various services like litigation and representation, transaction advisory, diagnostic reviews/ health checks, audit defense & protection, retainership & compliance, configuration of tax efficient business model etc. Its clientele consists mainly of Foreign MNC, large/mid-sized Indian companies which includes exporters, FMCG, consumer durables, automobiles, aerated beverages, ceramic tiles, real-estate, hospitality, etc.

Thanks & Best Regards,

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