



Budget 2025 Highlights

AHSG & Co LLP
Chartered Accountants

Introduction

Budget 2025 has been presented by Hon'ble Finance Minister Mrs. Nirmala Sitaraman today i.e. on 01.02.2025. This was her consequent Eight budget presented in NDA government. In the budget various announcement have been made. The most significant announcement in this budget which grab the attention of maximum taxpayer was increasing the tax rebate from existing 7 Lakh to 12 Lakh total income.

Hon'ble Finance Minister has also proposed various amendments in Direct and Indirect taxes. This budget was mainly focused for middle class individual assessee. Various benefits has been announced in this budget for them like, increasing slab rate, rebate and exemption limit of perquisite given by the employer to employee.

To promote start-ups, period for incorporation of start-ups has been further extended by five years. Numerous amendments has also been made in TDS and TCS. Threshold limit of TDS for various sections has been increased upto which no TDS is required to be deducted. Also, amendment is proposed for decriminalization of delay in TCS deposition.

This budget has also brought various provisions to clarify and rationalize the provisions of income tax. Provisions of penalty and prosecution has been amended in order to rationalize and standardize the same.

In this write up we have given brief yet meaningful summary of the amendment proposed through this budget in direct taxes. Hope you will find it of some use in your business endeavour.

Table of contents

01 Amendments for Individuals

03 Penalties and Prosecution

05 Trust and Institution

02 Amendment in TDS and TCS

04 Amendments for FII's, NRI & TP

06 Other Amendments



01

Amendments for Individuals

Amendments for Individuals

Tax Rate

Income tax rate for individuals in new regime as specified u/s 115BAC is as proposed below:

S. No.	Total Income	Tax Rate
1.	Upto Rs. 4,00,000	Nil
2.	From Rs. 4,00,001 to Rs. 8,00,000	5%
3.	From Rs. 8,00,001 to Rs.12,00,000	10%
4.	From Rs. 12,00,001 to Rs. 16,00,000	15%
5.	From Rs. 16,00,001 to Rs. 20,00,000	20%
6.	From Rs. 20,00,001 to Rs. 24,00,000	25%
7.	Above Rs. 24,00,000	30%

Surcharge and education cess on above income tax under new tax regime shall remain same.

The above new tax regime shall be the default tax regime and shall apply to all individuals. Assessee who wants to opt for old tax regime has to exercise the option for the same. Other conditions to opt above new tax regime remains same as earlier.

Income tax rate, Surcharge and cess for individuals under old tax regime remains same.

Amendments for Individuals

No Tax upto the income of 12 Lakhs

For individual assessee who opt for new tax regime, a rebate is given in 100% of tax if total income of assessee does not exceed 7 Lakh. The said limit of Rs. 7 Lakh has been increased to Rs. 12 Lakh. Thus, for FY 2025-26, no tax is required to be paid if total income of assessee does not exceed 12 Lakh

Condition relaxed for vacant property which is treated as self-occupied

Annual value of two Self occupied property is taken as nil. As per Section 23(2), house property which cannot be occupied by the owner due to his employment, business or profession at any other place, it was also treated as self-occupied. In the Budget 2025, the said condition has been simplified so as to provide that if property could not be occupied for any reason it shall be treated as self-occupied.

Amount withdrawn from the national saving scheme exempted

Withdrawal from the national saving scheme was taxable under section 80CCA. The government had issued notification that no interest would be paid on the balance in national saving scheme after 01 October 2024. Due to this change everyone was compelled to withdraw the balance lying in NSS. To provide relief to individual facing hardship, withdrawal from NSS has been exempted with retrospective effect from 29 August 2024.

Amendments for Individuals

Deduction on contribution made to NPS Vatsalya account

Contribution made to NPS Vatsalya account shall be allowed as exemption under section 80CCD upto a maximum of 50,000/-, The said amount in respect of which deduction was claimed will be chargeable to tax if the amount is withdrawn from the account when it was deposited in the NPS Vatsalya account of the minor. However, the said deduction shall not be deemed to be the income, if amount is received on closure of account due to the death of minor

Value of exemption limit of certain perquisite to revise

The value of any benefit and amenity provided by employer to employee was taxable if it exceeds Rs 50,000/-. Also, medical treatment of employee or any member of family outside India was taxable if it exceeds Rs 2,00,000/-. Amendment has been proposed to revise the amount of these perquisites through income tax rules. Revised limit shall be prescribed through income tax rules.



02

Amendment in
TDS and TCS

Amendment in TDS and TCS

TDS threshold amended to ease compliance burden for small taxpayers

S.No.	Section	Nature of payment	Current threshold	Proposed threshold
1	193	Interest on securities	Nil	10000/-
2	194A	Interest other than Interest on securities	(i) Rs. 50,000/- for senior citizen; (ii) Rs. 40,000/- in case of others when payer is bank, cooperative society and post office (iii) Rs. 5,000/- in other cases	(i) Rs. 1,00,000/- for senior citizen (ii) Rs. 50,000/- in case of others when payer is bank, cooperative society and post office (iii) Rs. 10,000/- in other cases
3	194	Dividend for an individual shareholder	Rs. 5,000/-	Rs. 10,000/-
4	194K	Income in respect of units of a mutual fund or specified company or undertaking	Rs. 5,000/-	Rs. 10,000/-
5	194B & 194BB	Winnings from lottery, crossword puzzle, horse race etc.	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction
6	194D	Insurance commission	Rs. 15,000/-	Rs. 20,000/-
7	194G	Income by way of commission, prize etc. on lottery tickets	Rs. 15,000/-	Rs. 20,000/-
8	194H	commission or brokerage	Rs. 15,000/-	Rs. 20,000/-
9	194-I	Rent	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month
10	194J	Fee for professional or technical services	Rs. 30,000/-	Rs. 50,000/-
11	194LA	Income by way of enhanced compensation	Rs. 2,50,000/-	Rs. 5,00,000/-

Amendment in TDS and TCS

Rate of TDS on income payable by securitization trust reduced

where any income is payable by a securitization trust to an investor, TDS rate under section 194LBC of the Act has been proposed to be reduced from existing 25% and 30% to 10%.

No TCS on sale of goods

Section 206C(1H) of the act provide to collect tax on sale of any goods at the rate of 0.1% in case sale consideration exceeds Rs. 50 Lakhs. Since TDS is applicable on purchase of any goods, in order to reduce Compliance burden, it has been proposed that provision of 206C(1H) will not be applicable from 1st April 2025.

Forest produce defined in TCS provisions

TCS is required to be collected on sale of forest produce not being timber or tendu leaves u/s 206C(1). Definition of forest produce was not provided in the act to bring clarity regarding the meaning of forest produce amendment has been proposed that "Forest Produce" shall have same meaning as defined in any state act for the time being in force or in the Indian Forest Act, 1927.

No higher rate of TDS for Non filer of return

Higher rate of TDS was prescribed under section 206AB in case where the deductee was the non-filer of income tax return. In view of the difficulties faced by the deductor in compliance the provisions of section 206AB has been proposed to be omitted. Thus, no Higher TDS shall be deducted in case of non-filer of return.

03

Penalties and Prosecution

Penalties and Prosecution

Time limit for AO to process application for immunity from penalty u/s 270A extended

Section 270AA Provides for Immunity from penalty under section 270A and from proceeding under section 276C and 276CC subject to certain conditions. The time limit of one month has been prescribed to accept or reject the application for granting Immunity. The said time limit has been proposed to be extended from 1 Month to 3 Months.

Power to Impose certain penalty given to AO

Currently, Joint Commissioner of Income tax was empowered to impose penalty under section 271C, 271CA, 271D, 271DA, 271DB, 271E. It has been proposed that penalty under these sections shall be levied by assessing officer. However, AO Shall be required to take prior approval of Joint commissioner for passing the penalty order if the penalty exceeds amount specified under section 274 sub-section 2.

Time limit of imposing penalty standardized

Different Time limits for imposition of penalty has been provided in the existing provisions of Section 275 of the Act. For efficient tax administration, it is proposed to amend section 275 to provide that no penalty order shall be passed after 6 months from the end of quarter in which the proceedings are completed or, order of appeal is received by jurisdictional commissioner or, the order of revision is passed or, notice for imposition of penalty as the case maybe.

Penalties and Prosecution

Penalty u/s 271AAB not applicable on search initiated after 01.09.2024

Penalty under section 271AAB was levied in respect of search initiated after 15.12.2016. Since block assessment has been reintroduced, In Order to remove any ambiguity amended has been proposed under section 271AAB to provide that it shall not be applicable in case of search initiated after 01.09.2024.

04

Amendments for
FIIs, NRI & TP

Amendments for FIIs and NRI

Presumptive taxation for Non-Residents

Presumptive taxation scheme has been extended for non-resident providing services for electronics manufacturing facility. It has been proposed to insert a new section 44BBD, which provides 25% of the aggregate amount received/ receivable by 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.

Tax rate on LTCG for FIIs and specified funds increased

In case of specified funds or foreign institutional investor, long term capital gain arising from transfer of securities other than specified under section 112A is taxable at the rate of 10%. Since long term capital gain in case of all assesses has been taxed at the rate of 12.5%, In order to bring the parity, Section 115AD is proposed to be amended to provide that income from long term capital from securities not referred in section 112A shall be calculated at the rate of 12.5%

Definition of significance economic presence rationalized

Owing to definition of significant economic presence provided in Explanation 2A of section 9, there was a confusion that the specific exclusion provided in the case of a non-resident, for income arising through or from operations which are confined to the purchase of goods in India for the purpose of export may be denied. It is, therefore, proposed to amend the Explanation 2A of section 9 so that the transactions or activities of a non-resident in India which are confined to the purchase of goods in India for the purpose of export shall not constitute significant economic presence of such non-resident in India.

Amendment in TP Provisions

Rationalisation of Transfer Pricing Assessment Provisions

As per the current law, Arm's Length Price (ALP) for International Transactions with Associated Enterprises (AEs) or Specified Domestic Transactions with related parties could be determined by the Tax Authorities annually by making reference to the Transfer Pricing Officer.

However, this exercise is sometimes repeated every year by the Tax Authorities irrespective of same transactions with same AEs, which increases compliance burden for the assesseees.

In order to reduce this burden, it is proposed:

- to carry out TP Assessments in a Block
- If assessee opts, ALP determined for one year will apply to similar transactions for next 2 consecutive years, unless change is needed
- Assessee to exercise this option for next 2 years through filing of specified form and within specified time period
- TPO to validate the option exercised by the assessee within one month from end of the month in which option is exercised and determine ALP for the next two years after the initial year.
- Reference to the TPO will not be made again for the transactions for which valid option is exercised
- AO will recompute Total Income for 2 consecutive years based on ALP so determined by the TPO by amending the order of assessment or any intimation or deemed intimation u/s 143(1)
- AO to recompute income within three months

The amendment is proposed w.e.f. AY 2026-27.

Amendments for IFSC, FIIs and NRI

Incentives to International Financial Services Centre (IFSC)

With an aim to further incentivise operations of financial and other services through setting-up of entities in IFSC, the Budget has proposed to extend the period of tax concessions to units in IFSC or commencement of operations of units in IFSC or relocation of funds to IFSC till 31st March 2030.

Ship leasing through IFSC

The current income tax provisions allow tax exemption on Capital Gains and Dividends to Aircraft Leasing Companies operating through IFSC. On similar lines as Ship Leasing also involves huge capital, therefore, to encourage investment in this Ship Leasing sector, it is proposed to extend tax exemption on Capital Gains and Dividends to Ship Leasing Companies operating through IFSC as well. The benefit will be available w.e.f. AY 2025-26 (i.e., for FY 2024-25)



05

Trust and Institution

Trust and Institution

Definition of specified persons in case of trust and institution amended

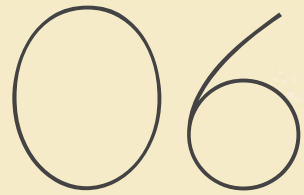
Section 13 of the Act, inter alia, provides that section 11 or 12 shall not apply to any income, if such income is applied for the benefit of any specified person as per section 13(3). Such specified person, inter alia, includes any person who has made total contribution exceeding 50,000/- in a year. Further it also includes the relatives of such persons and concern in which such person has substantial interest. In view of the practical difficulty faced in obtaining the detail of relative and concern in which such individuals have substantial interest, it is proposed to amend section 13 so as to exclude relative of any such person and concern in which such individual has substantial interest. Also, the limit of total contribution has been increased from 50K to 1 Lakh.

No cancellation of registration of trust on minor default

Registration of a trust may be cancelled if there is any 'specified violation' which, inter alia, includes application for registration filed under section 12A(1)(ac) is not completed. This being a minor default, cancellation of registration is too harsh. It is therefore proposed to amend the Explanation to section 12AB(4) so as to provide that where the application for registration of trust or institution is not complete, it shall not be treated as specified violation for cancellation of registration and for other purposes.

Period of validity of registration of trust increased

In order 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 section 12A(1)(ac), 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 years, preceding to the previous year in which such application is made.

A large, thin-lined number '06' is centered in the upper half of a yellow rectangular box. The box has a folded bottom-right corner and is set against a light gray background with faint, abstract brushstrokes. The entire slide is framed by thin, curved orange lines in the corners.

**Other
Amendments**

Other Amendments

Information return for Crypto assets to be filed by reporting entity

A new section 285BAA has been inserted so as to provide that Information return is required to be furnished by the reporting entity in respect of information of crypto-asset. Definition of Crypto has been added under section 2(47A)(d). This amendment shall be effected from 01 April 2025.

Clarificatory amendment regarding period to carry forward of loss in case of amalgamation

Carry forward of losses in case of amalgamation, provision of section 72 and 72AA provides that no loss under the head PGBP shall be carry forward more than 8 AY immediately succeeding the AY in which the loss was first computed. There was confusion and litigation regarding the year in which the loss was first computed. To clarify the issue, amendment has been proposed to provide that no loss shall be allowed to carry forward after 8 Assessment years immediately succeeding the year in which the loss was first computed for original predecessor company.

Period to file updated return extended

In order to encourage and promote voluntary compliances, an option was given to file updated return under section 139(8A) w.e.f 01.04.2022 with additional payment of tax.

Time Limit to file updated return has been extended from 24 Month to 48 Month from the end of the relevant Financial Year. Additional tax payable for updated return has also been revised which are as under:

Other Amendments

Updated return filed	Additional income tax payable
Upto 12 months from end of relevant AY	25% of aggregate tax
After 12 months but upto 24 months from end of relevant AY	50% of aggregate tax
After 24 months but upto 36 months from end of relevant AY	60% of aggregate tax
After 36 months but upto 48 months from end of relevant AY	70% of aggregate tax

Time limit extended to process application to opt for tonnage tax scheme

Under section 115VP Assessing officer is required to pass the order approving or rejecting the application of assessee to exercise option of tonnage tax scheme within 1 Month from the end of the month in which the application was received. The said time limit has been increased to 3 Months from the end of the quarter in which such application was received.

Other Amendments

Time limit for taking approval by AO for retention of seized books and document increased

In search cases, time limit of taking approval for retention of seized books of accounts or other documents is 30 days from the date of assessment or re-assessment order. This time limit has been increased by proposing amendment in section 132(8) to provide that time limit for taking approval for retention shall be 1 month from the end of quarter in which the assessment or re-assessment order has been passed.

Period of incorporation of start-up has been extended till 31.03.2030

Section 80-IAC of Income Tax Act provides for a deduction of hundred percent of profits from an eligible business by an eligible start-up for any three consecutive assessment years out of ten years beginning from the year of incorporation provided it is incorporated between 1st day of April, 2016 but before 31st day of March 2025. In order to further encourage and promote the development of start-ups in India date of incorporation for startup has been extended for another 5 Years i.e. benefit will be available to eligible startups incorporated before 01.04.2020.

Thanks!

**In case of any questions, feel free
to contact us at:**



Anuj Garg



0120 42 66 272



anuj@ahsg.in



www.ahsg.in

Our Offices :

Noida

B-108, Ground Floor,
Sector 64, Noida - 201301

Delhi

311, Pratap Bhawan, Bahadur
Shahzafar Marg, New Delhi

Chandigarh

SCF 196, IIInd Floor,
Sector 7 Chandigarh

Ghaziabad

G-21, IIIrd Nehru Nagar,
Ghaziabad - 201001