K C Mehta & Co LLP
Chartered Accountants

INDIA BUDGET 2025

A Synopsis

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Beneath the Canopy

This year's KCM budget publications' theme is an ode to the vast and diverse animal kingdom of India. Ours is a country with a strong influence of animals and birds into the tapestry of our culture, lores and poetry. Our country is home to 106 national parks that protect the wildlife and the biodiversity of our forests. With the world moving towards sustainability and conservation, it was a natural choice to look into the jungles of India - let us be inspired by their resilience, their strength and their sheer beauty. Pictures are courtesy of our Partner, **Mr. Dhaval Trivedi** who is a wildlife enthusiast and has taken up photography as a means to capture the beauty of the animal kingdom.

INDIA BUDGET 2025

DIRECT TAX

INDIA BUDGET 2025
Beneath the Canopy

1. Tax Rates

Corporates

No changes have been proposed to the Corporate Tax Rates.

Individuals or HUF or AOP or BOI or artificial juridical person

Effective Financial Year ('FY') 2020-21, the Government introduced new regime of taxation for Individuals and HUF under Section 115BAC of the Income-tax Act, 1961 ('the Act'), which provided for reduced tax rates if the taxpayers were not claiming incentives or personal deductions excepting a few. The benefit of new regime was also extended to AOP, BOI and artificial juridical persons from Assessment Year ('AY') 2024-25.

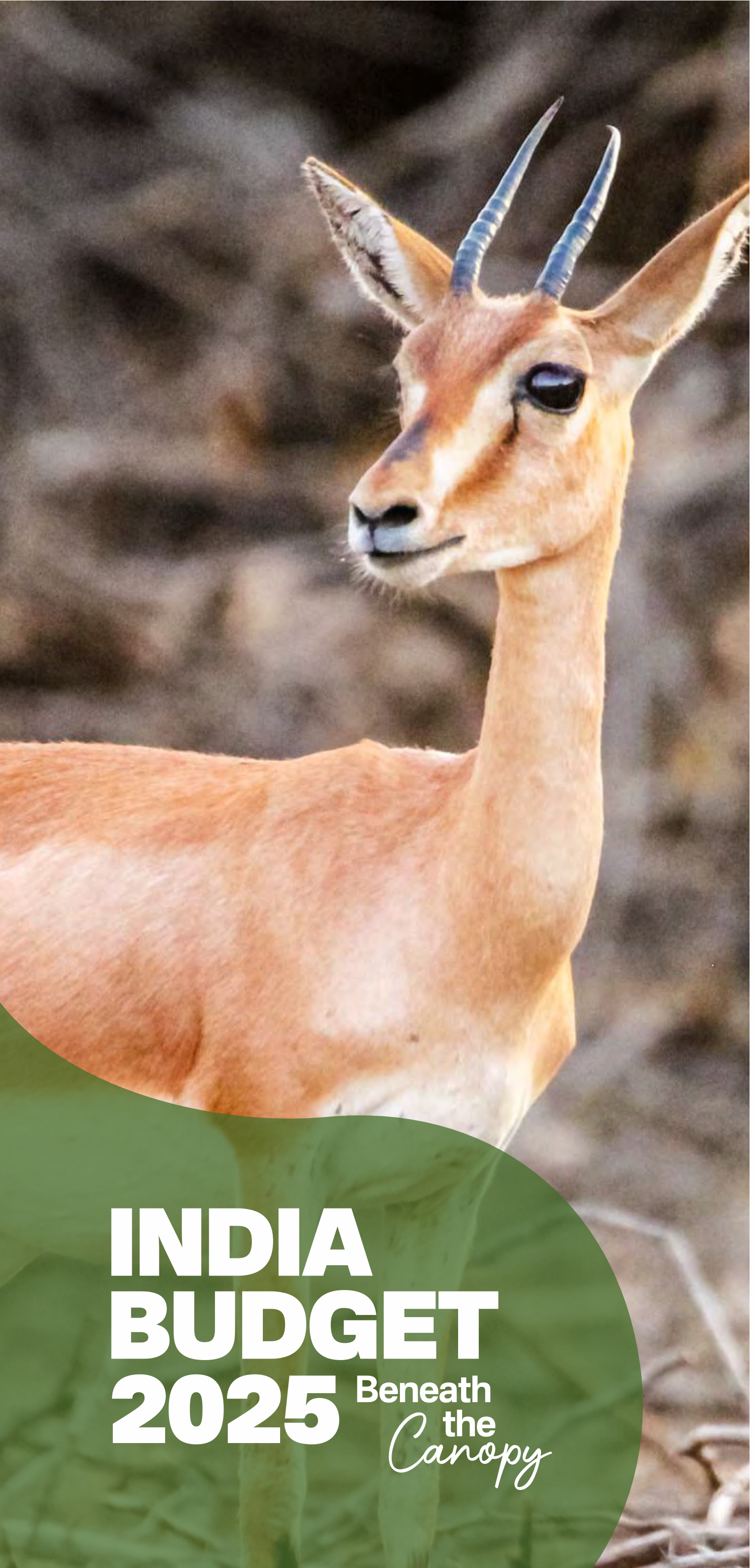
New regime is now default tax regime unless the taxpayer chooses to opt for the old tax regime. The Finance Bill 2025 ('the Bill') proposes substantial relief to the taxpayer paying tax under the new tax regime. Comparison of tax slabs proposed for AY 2026-27 with that of AY 2025-26 below reflects substantial relief provided by the Hon'ble Finance Minister ('the FM') in relation to personal taxation.

#	Total income (in INR) – AY 2025-26	Rate of tax (in %)	Total income (in INR) – AY 2026-27
1	Up to INR 3,00,000	Nil	Up to INR 4,00,000
2	From INR 3,00,001 to INR 7,00,000	5%	From INR 4,00,001 to INR 8,00,000
3	From INR 7,00,001 to INR 10,00,000	10%	From INR 8,00,001 to INR 12,00,000
4	From INR 10,00,001 to INR 12,00,000	15%	From INR 12,00,001 to INR 16,00,000
5	From INR 12,00,001 to INR 15,00,000	20%	From INR 16,00,001 to INR 20,00,000
6		25%	From INR 20,00,001 to INR 24,00,000
7	Above INR 15,00,000	30%	Above INR 24,00,000

No changes have been proposed to surcharge and health and education cess applicable on the Income Tax. Apart from the changes in tax slabs, relief under Section 87A has been increased to INR 60,000 from INR 25,000. This effectively would mean that any taxpayer (other than Company or Firm) having income up to INR 12,00,000 would not be required to pay any tax. However, taxpayers with income more than INR 12,00,000 would be required to pay tax as per above slab rates. Slab rates have been revised substantially and therefore this will benefit every taxpayer. Tax liability of Individuals earning INR 16,00,000 would now be slashed by almost 1/3rd of their existing liability. Individuals earning more than INR 24,00,000 would save personal income-tax ranging from INR 1,14,400 to INR 1,43,000 depending upon their income levels based on these proposals.

An amendment has been proposed to put to rest the controversy around eligibility of relief under Section 87A with respect to tax payable on capital gains under Section 111A, 112 and 112A. Memorandum explaining the provisions of the Bill suggests that relief under Section 87A would not be available in relation to tax payable under above Sections.

No changes have been proposed to the tax rates applicable under the old regime.



2. Personal Tax

Annual value of maximum two properties can be claimed to be 'Nil' if the owner occupies it for his own residence or cannot actually occupy it due to any reason. Restrictions on reasons due to which the owner could not occupy the property have been removed now.

Deposits made under National Savings Scheme were eligible for deduction from total income under Section 80CCA until March 1992 and the said amount would be charged to tax whenever withdrawn. However, it has now been proposed to exempt such withdrawals made on or after August 29, 2024.

Under the old regime, contribution to National Pension Scheme is deductible under Section 80CCD(1B). This benefit has been extended to contribution made to the account of minor in National Pension Scheme Vatsalaya Accounts. This benefit is not available under the new regime. Withdrawal from such accounts on death of the account holder or lumpsum withdrawal up to 25% during life of the account holder would not be taxable.

Certainty provided to taxation of redemption proceeds of Unit Linked Insurance Policy ('ULIP')

ULIPs are insurance-cum-investment products and accordingly, they were not eligible for exemption available under Section 10(10D) relating to insurance proceeds received. Due to lacuna in the legislation, there was uncertainty about its taxability as capital gains or income from other sources or whether it could escape taxation because the law did not specifically provide for its taxability. In order to plug this, the Bill provides that ULIP not eligible for exemption under Section 10(10D) would be treated as a capital asset and all proceeds from redemption thereof would be subject to tax as 'capital gains'.

3. Corporate Re-organisation

Limiting Carry-forward of Loss in case of Amalgamation and Succession of Business

Currently, where any company amalgamates with another, accumulated business loss of the amalgamating company is treated as business loss of the current year of the amalgamated company (subject to certain conditions). Based on its treatment as current year loss, the amalgamated company is entitled to carry forward and set-off such loss up to 8 years from year of amalgamation irrespective of when the loss was incurred by the amalgamating company. The Bill now proposes to limit such carry forward in the hands of amalgamated company only for the period such losses could have been carried forward by the amalgamating company that now ceases to exist. With amalgamation, business losses of amalgamating company used to get a fresh lease of life of 8 years for carry forward and set-off which now has been proposed to be restricted, and such carry forward will be allowed for a maximum of 8 years from the year in which such loss was incurred by the first amalgamating company.

Similar restrictions would also be applicable in case where (i) a firm or proprietorship is succeeded by a company in accordance with conditions of Section 47, and (ii) a private company or unlisted public company is converted into a limited liability partnership in accordance with conditions of Section 47.

It is important to note that such restriction would be applicable for any amalgamation or business reorganization effected on or after April 1, 2025 and hence it does not impact losses inherited through amalgamation or reorganizations completed before that date. Similarly, the limitation does not apply in relation to unabsorbed depreciation as the same can be carried forward and set-off indefinitely.

4. International Taxation

Non-residents service providers for electronics manufacturers – Introduction of Presumptive Taxation

In order to provide certainty to non-resident service providers who provide technology and services in connection with establishing or operating an electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods under the Scheme of Government of India (MeiTY), a scheme of presumptive taxation has been provided whereby 25% of the gross consideration on account of providing services or technology shall be deemed to be the profit and gains of such business, and tax shall be payable accordingly. The presumptive scheme shall be subject to certain conditions.

Significant Economic Presence (SEP) – Exclusion provided

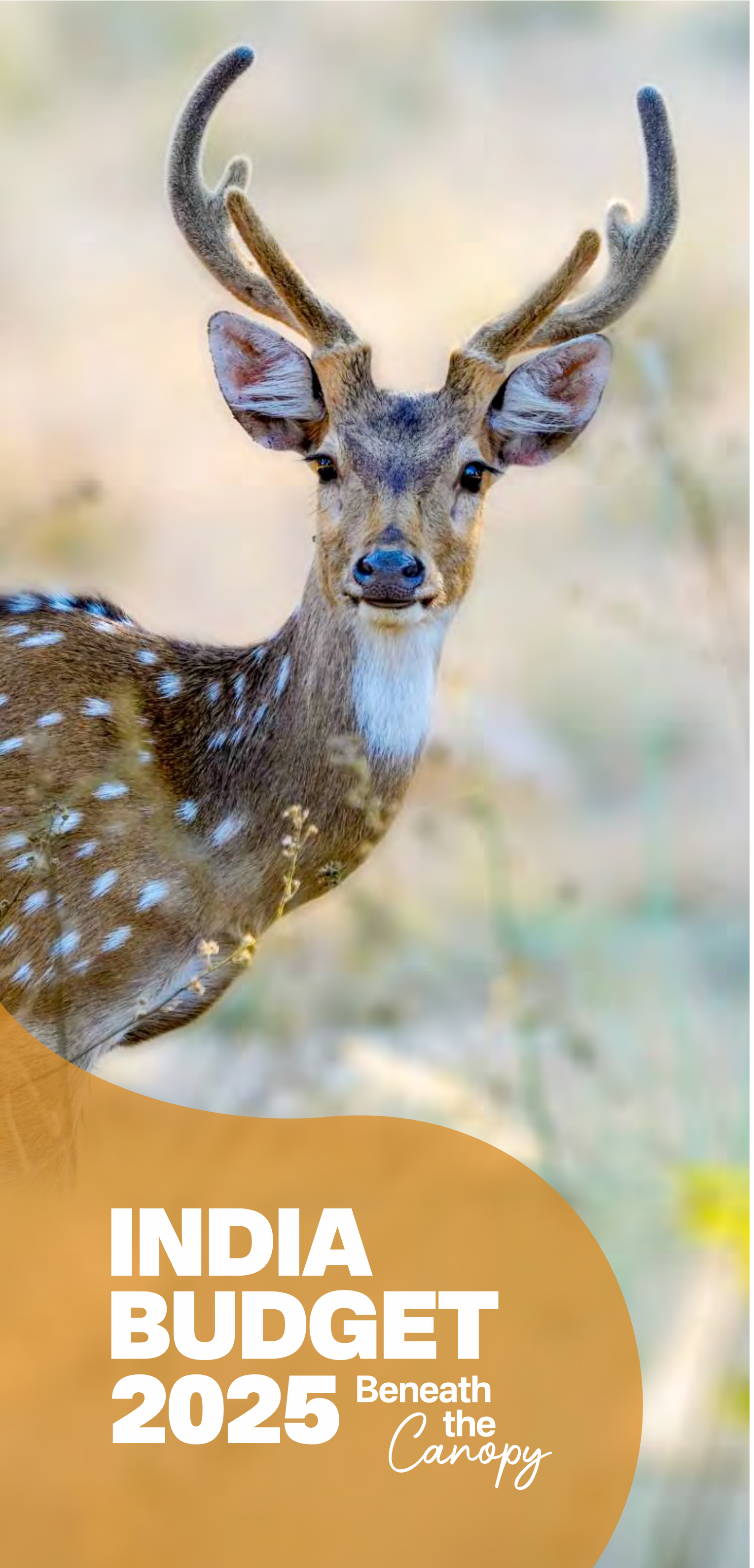
In order to clarify on any apprehension regarding applicability of SEP to transactions confined to purchase of goods for the purpose of export, it has been proposed to now provide for a specific exclusion for the same, similar to the exclusion provided in the context of business connection. No comments have been provided by the FM on the draft rules for determination of profit attributable to business connection / SEP / Permanent Establishment and that continues to be a matter of concern for taxpayers. Currently, no option is provided to such taxpayer to declare a lower income.

Sovereign Wealth Funds (SWFs), Pension Funds (PFs) & others – Continuity of Tax Exemption

Finance Act 2020 inserted Section 10(23FE) in the Act in order to provide for exemption in respect of income of certain SWFs and PFs, being income in the nature of dividend, interest, long term capital gains, etc. However, such exemption was provided only if investments were made till March 31, 2025. In order to encourage more investments from these funds, the timeline for making investments has been extended till March 31, 2030. Further, an anomaly that arose on account of introduction of Section 50AA whereby long-term gains by such funds were becoming taxable has now been corrected, and any capital gains (even if deemed to be short-term under Section 50AA) shall now remain exempt.

Taxability of Foreign Institutional Investors (FIIs) – Increase in Capital Gains Tax Rate

Section 115AD currently provides for a tax rate of 10% in respect of long-term capital gains (other than those covered by Section 112A). In order to bring parity between the tax treatment of capital gains covered under Section 112A and not covered under Section 112A in the hands of FIIs, the Bill now proposes to increase the tax rate from 10% to 12.5%.



5. Transfer Pricing

Arm's Length Price determination by TPO to apply to 2 subsequent years at the option of Taxpayer

Where Transfer Pricing Officer (TPO) determines arm's length price in relation to any particular transaction covered by Transfer Pricing, the Bill proposes that the taxpayer would have the option to apply the same price to similar transactions of immediately succeeding two years. Modalities for exercising such an option are yet to be notified. Once exercised, TPO would verify correctness of the option exercise in a year and in such event, arm's length price determined by TPO in that year would be the arm's length price for similar transactions for the subsequent two years.

With a view to reduce litigation and carry out Transfer Pricing assessment factoring business and economic perspective, the taxpayers have been demanding to undertake such assessment for block of three years. However, the current proposal raises more questions than solving the current ones. Firstly, while it appears that timing should be after the TPO has framed an assessment for any particular year (and not at the time of filing of return for subsequent years), no clarity has been provided in the law and this could be very critical aspect of the entire process. Secondly, it seeks to apply same arm's length price for subsequent year. What could be applied to subsequent years is benchmark (or its methodology) and not the absolute arm's length price. Thirdly, while we would know more when the conditions and modalities are prescribed, current Transfer Pricing provisions require determination of arm's length price based on actual data of that particular year and hence TPO may end-up rejecting such option citing possible different outcomes.

This appears to be an eyewash like Dispute Resolution Panel, a provision that exist on tax law to resolve dispute but has severely failed to achieve its objective.

6. Tax Deducted at Source & Tax Collection at Source

Rationalization of TDS threshold and tax rate

Tax is required to be deducted/collected at source as per applicable provision under the Act if the payment exceeds the amount specified under such provisions during the financial year. In order to rationalize the TDS provision, the Bill proposes to increase such threshold limit in following provisions with effect from April 1, 2025.

Section and Nature of Payment	Current Threshold	Proposed Threshold
Section 193 - Interest on securities (other than below)	Nil	10,000
Section 193 - Interest on securities (being interest payable to individual or HUF resident in India on debenture issued by listed entity/company in which public are substantially interested)	5,000	10,000
Section 194 - Dividend payable by a company to resident Individual	5,000	10,000
Section 194A - Interest other than that covered under Section 193		
• Interest payment to Senior Citizen by bank, co-operative society or post office	50,000	1,00,000
• Interest payment to other person by bank, co-operative society or post office	40,000	50,000

Section and Nature of Payment	Current Threshold	Proposed Threshold
• Interest payment by any other person	5,000	10,000
Section 194B - Winnings from lottery, crossword puzzle, etc. Section 194BB - Winning from horse race	10,000	10,000 per single transaction
Section 194D - Insurance Commission	15,000	20,000
Section 194G - Commission etc on sale of lottery tickets	15,000	20,000
Section 194H - Payment of commission or brokerage	15,000	20,000
Section 194I - Rent	2,40,000	50,000 for month or part of month
Section 194J - Fees for professional, technical services and royalty	30,000	50,000
Section 194K - Income in respect of units of mutual funds or specified company	5,000	10,000
Section 194LA - Income by way of enhanced compensation	2,50,000	5,00,000
Section 206C(1G) - TCS on remittance made under LRS scheme of RBI and receipt for overseas tour package	7,00,000	10,00,000

Currently tax is required to be deducted at source @25% in case of Individual/HUF and @ 30% in case of any other person for payments made to them in respect of investment in securitization trust as specified u/s.115TCA of the Act. The Bill has proposed to reduce the rate to 10% for all the class of payee with effect from April 1, 2025 considering that such industry is now sufficiently organized and regulated.

Removal of provision for higher TDS/TCS for non-filers of tax return

Section 206AB & Section 206CCA were inserted by the Finance Act 2021 to penalize the payee, being the non-filer of income tax return in whose case tax is deducted / collected at source, for an amount of INR 50,000 or more. The said Section required to deduct / collect tax at a higher rate as compared to the tax rate as specified under relevant Sections. Currently, the utility of the tax department provides such information. However, it is not possible for the payer to verify such details from such type of payee and therefore the compliance with such provision become very difficult. Considering such difficulty, the Bill proposes to remove such Section with effect from April 1, 2025.

Removal of provision relating to TCS on goods

As per Section 206C(1H) of the Act, the seller of goods is required to collect tax at source if the buyer who is liable to deduct tax at source under any other provision of the Act fails to comply with such provision. Provision of Section 194Q / 194O requires the buyer of goods to deduct tax at source. In a normal business scenario, it is very difficult for a seller to comply with such provision. This has resulted into tax being deducted and collected at source on same transaction. In order to remove such difficulty, the Bill proposes that provision of Section 206C(1H) relating to collection of tax on goods is not applicable with effect from April 1, 2025.

No TCS on money sent for education purpose from educational loan

Currently, the authorized dealer is required to collect tax at source in case of remittance made outside India at a lower rate in case such remittance is made out of loan obtained from financial institution for the purpose of pursuing education. The Bill further grants benefit in such case by proposing that no tax is required to be collected by authorized dealer in such case with effect from April 1, 2025.

7. Returns & Assessment, Penalty

Extension of time limit for filing of updated return and payment of additional taxes, etc.

As per the provision of Section 139(8A) of the Act, an eligible taxpayer can file an updated return of income in accordance with the provision of such Section. Further as per Section 140B of the Act, such taxpayer is also required to make payment of additional tax in addition to tax payable on the total income shown in updated return in accordance with provision of Section 140B of the Act.

Currently such updated return can be filed within two years from the end of the relevant assessment year. In order to encourage voluntary compliance, it has been proposed to increase such time limit by further two years and accordingly with effect from April 1, 2025, updated return can be filed within 4 years from the end of the relevant assessment year to which the return relates. In such case, the Bill also proposes to specify the amount of additional tax payable under Section 140B as under:

Particulars	Payment of Additional Tax
If updated return is filed within 1 year from the end of the assessment year	25% of tax payable
If updated return is filed within 2 years from the end of the assessment year	50% of tax payable
If updated return is filed within 3 years from the end of the assessment year	60% of tax payable
If updated return is filed within 4 years from the end of the assessment year	75% of tax payable

It has also been provided that no such updated return can be filed by a taxpayer, if he has received show-case notice u/s. 148A for making re-assessment u/s.148 of the Act after 36 months from the end of the relevant Assessment Year. In such case, he can file an updated return only when an order u/s.148A is passed stating that it is not a fit case of assessment u/s. 148 of the Act.

Removal of inconsistency for computing total income for the block period in case of search assessment etc.

The provisions relating to search assessment were substantially amended by the Finance (No.2) Act, 2024 by re-introducing the concept of block periods for making combined assessment instead of making individual assessment of relevant years. Section 158BB provides the method of computation of total income for the block period.

However, such provision contains an anomaly whereby the income shown in return filed u/s.139

was taken into consideration twice – first, vide clause (i) of Section 158BB and second, vide clause (ii) / (iii) of Section 158BB. In view of such inconsistency, all the consequences of non-reporting of undisclosed income were applicable to income already disclosed in return filed u/s.139 of the Act or income already assessed u/s.143(3).

The Bill, by amending clause (i) of Section 158BB, proposes to remove such inconsistency to provide that computation of total income for the block period should first start by taking the amount of undisclosed income declared in the return furnished u/s.158BC and thereafter, inter alia, the income disclosed in return filed u/s.139 is required to be added therein to compute total income for the block period.

Further necessary amendment has been proposed in Section 158BB so that income or transaction recorded in books of account in the normal course of business in respect of previous year ended before the date of search and where the due date of filing return of income has not expired on the date of search, income or transaction recorded up to the date of search shall not be subjected to consequences as applicable to undisclosed income. Further the income or transaction recorded in books of account in normal course of business from the date of initiation of search and the date of closing of search shall also not be subjected to consequences relating to undisclosed income.

It has been proposed that the definition of undisclosed income should also include virtual digital asset.

The Bill also proposes to increase the time limit for passing assessment order for block period within 12 months from the end of the quarter in which search action is completed instead of period of 12 months from the end of the month in which the search action is completed.

All the above proposals are applicable with effect from February 1, 2025.

Streamlining time limit for passing of penalty order

As per provisions of Section 275 of the Act, the order of penalty can be passed within different time limit in different circumstances. The Bill proposes to standardize the time limit by proposing that order of penalty can be passed within 6 months from the end of the quarter of passing of assessment order, appellate order, revision order and in any other case within 6 months form the end of the quarter in which penalty notice is issued.

No prosecution in case tax collected is deposited within certain time limit

The Finance (No.2) Act, 2024 has provided relief from the provision relating to prosecution u/s. 276B of the Act for late payment of TDS if tax deduced is deposited within time specified in such provision. To extend such benefit for late payment of TCS, the Bill proposes to amend the provision of Section 276BB to provide that provision of such section shall not apply if tax collected is deposited on or before the time specified for filing of TCS return in respect of such collection of tax.

8. Charitable Trust and Others

Currently, the final approval granted to charitable organization u/s. 12AB of the Act is valid for 5 years. Hence, after every 5 years, such entity is required to apply for fresh registration u/s.12AB and CIT will again examine its affairs and books of account to grant fresh registration. In order to provide relief to small charitable organizations for such re-approval process, the Bill proposes to increase the limit of validity of its registration to 10 years. Small charitable organization means an entity having registration u/s.12AB whose total income without giving effect to exemption u/s.11 does not exceed INR 5 Cr. in each of the two preceding years immediately preceding the year in which such application is made.

Section 13(3) provides a list of specified persons. The transaction with such person should be reasonable and for adequate consideration to comply with exemption granted u/s.11. Currently, the person making donation of INR 50,000 and above is considered as one of the specified persons. The Bill proposes to increase such limit to INR 1,00,000 for single transaction and INR 10,00,000 in aggregate during the year.

9. International Financial Services Centre (IFSC) and Funds

Extension of Time Limit under various provisions

In order to continue promoting IFSC operations, the Bill has proposed to extend the sunset dates for commencement of operations by IFSC units to 31 March 2030 for several tax concessions:

- Section 80LA(2)(d) – Tax Holiday for IFSC Units in respect of transfer of an asset being an aircraft or a ship
- Section 10(4F) – Exemption in respect of Royalty/Interest Income of a non-resident from lease of aircraft / ship leasing by IFSC unit
- Section 10(4H) – Exemption in respect of Gains of a non-resident of IFSC Unit on Transfer of Equity shares of IFSC unit engaged in Aircraft / ship leasing
- Section 10(4D) - Income of a Specified Fund on transfer of a capital assets like GDRs, Derivatives, etc. on a recognized stock exchange in IFSC, subject to other conditions laid down in section 10(4D)
- Section 47(viiad) - Relocation of Offshore Fund to IFSC
- Section 10(4E) provides exemption to non-residents in respect of income from transfer of non-deliverable forward contracts or offshore derivative instruments entered into with Offshore Banking Units (OBUs). It is proposed to extend this exemption to transactions involving Foreign Portfolio Investors (FPIs), being IFSC Unit.

Retail Funds & Exchange Traded Funds

Currently, Section 47(viiad) provides that transfer by a shareholder, in a relocation, of a share or unit or interest held in original fund in exchange of share or unit or interest in 'resultant fund' cannot be regarded as a 'transfer'. Retail funds and Exchange Traded Funds (ETFs) in IFSC, though covered under the provisions of Section 10(4D), were not categorically covered within the meaning of Section 47(viiad) and are covered now, subject to conditions.

Insurance by IFSC Insurance Intermediary Office

Section 10(10D) is proposed to be amended to exempt the proceeds received under a Life Insurance Policy issued by an IFSC insurance intermediary office, without any threshold related to premium amount subject to premium payable not exceeding 10% of actual capital sum assured. Currently, there is a limit of INR 2.5 Lakh for ULIPs and INR 5 Lakhs for Policies other than ULIPs.

Ship Leasing businesses – Incentives

Presently, clause (4H) and (34B) of Section 10 provides exemption to non-residents / IFSC on capital gains from the transfer of equity shares in IFSC units engaged in aircraft leasing and on dividends paid by such units. The Finance Bill 2025 proposes extending this exemption to IFSCs engaged in ship leasing. This would give a fillip to entities engaged in ship leasing, considering that GIFT has also been promoting ship leasing extensively.

Streamlining deemed dividend provisions for IFSC Global Treasury Centres (GTC)

IFSC provides framework for establishing GTCs, acting as in-house banks for multinational corporations, facilitate centralized fund management and global fund utilization within the group. Their key functions include intra-group financing, cash and liquidity management, and financial advisory services.

Section 2(22)(e) excludes any advance or loan made to a shareholder or a concern by a company in the ordinary course of business, where lending is a substantial part of the business of the company. GTCs are generally registered as "Finance Units" or "Finance Companies" under IFSCA Regulations. However, no exclusion is provided under Section 2(22) of the Act in respect of loans between GTCs and other group companies. In order to provide similar relief, it has been proposed that loans / advances between GTCs and group entities shall not be covered under Section 2(22)(e), provided the parent / principal entity of the GTC is listed outside India. This amendment aims to facilitate the treasury activities of GTCs and promote IFSC as a hub for global treasury operations.

Relaxation of Eligibility Criteria for Fund Managers

Section 9A provides that the fund management activity carried out through an eligible fund manager acting on behalf of eligible investment fund shall not constitute business connection in India. To simplify the eligibility conditions of funds, the following amendments have been proposed:

Threshold of 5% of aggregate participation or investment in the fund, by Indian Residents should now be evaluated on 1st day of April and the 1st day of October of the previous year. Also, if this condition is not met on either of these days, the fund must satisfy it within four months.

For eligible investment funds whose eligible fund managers commence operations in the International Financial Services Centre (IFSC) on or before March 31, 2030, the other conditions (a) to (m) under Section 9A can be relaxed.

Security of AIF category 1 and 2 to be added to definition of capital asset under Section 2(14)

Any securities of investment fund defined in Explanation 1 (a) of Section 115UB is proposed to

be deemed capital asset. Hence, income of investment fund shall be taxed under the head 'Capital Gains'.

Investment fund is defined under 115UB as any fund established in India and has been granted a certificate of Category I or Category II AIF which is regulated as per SEBI (AIF) regulations, 2012 or IFSC (fund management) regulations, 2022.

Venture capital funds accorded AIF status, resulting in AIF tax benefits

Venture capital funds will be considered as Alternative Investment Funds (AIF), Category 1. AIF have substantial benefits under the income tax act. AIF Category 1 and 2 are considered as 'Investment Funds', and have the following benefits:

- Pass through benefit: Non-business income received by the IFSC entity is exempt in the hands of the IFSC entity and is instead taxed directly in the hands of the investors.
- Business income received the IFSC entity is exempt in the IFSC entity as well as in the investors' hands.
- The exemption in the IFSC entity is under 80LA – hence, this exemption is available for 10 years and in case of an LLP, it is subject to Alternative Minimum Tax.

Note that since most of the AIFs are structured as a trust, and all trusts automatically have pass through benefit, there may not be any significant change in the VC taxation due to the amendment introduced by notification dated 27th January 2025.

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INDIRECT TAXES

INDIA BUDGET 2025 Beneath the Canopy

1. Goods and Services Tax

[All proposals are pertaining to Central Goods & Services Tax Act, 2017 and shall be effective from a date to be notified post President's assent to the Bill – except wherever expressly provided]

- Section 2(61) defining Input Service Distributor ('ISD') is proposed to be amended to include inter-state supplies on reverse charge basis. This ensures that interstate supplies liable to tax under reverse charge are also covered under this definition.
- Section 2(116A) has been proposed so as to define "Unique Identification Marking" to include digital stamps, digital marks or any other non-removable marking.
- In line with recommendations of the 55th GST Council Meeting as well as circular no. 234/37/2024 – GST issued on December 31, 2024, vouchers are not subject to GST. Accordingly, provisions pertaining to time of supply of vouchers (either as goods or services) are omitted.
- The Supreme Court's interpretation in the Safari Retreats case pertaining to eligibility for input credit in respect of building to be treated as plant has been effectively nullified by amending Section 17(5)(d) to substitute "plant or machinery" with "plant and machinery", with a retrospective effect from July 1, 2017. This retrospective amendment has far-reaching implications resulting in credit denial to businesses who have availed credit following this judgement.
- Section 20(1) is proposed to be amended from April 1, 2025 for specifically including distribution of ITC by ISD in respect of inter-state supplies on reverse charge basis
- Proviso to section 34(2) is proposed to be amended to explicitly require reversal of corresponding ITC in respect of credit notes. This ensures that supplier can reduce its tax liability only when the recipient reverses the corresponding ITC.
- Section 38 is proposed to be amended to be in line with the Invoice Management System (IMS) and the word "auto generated" is proposed to be omitted as it would be based on the actions by the recipient.
- Section 39 is proposed to be amended to prescribe conditions and restrictions for filing of returns allowing the Government to impose additional compliance measures.
- A new proviso is proposed to be added to Section 107(6) to introduce 10% pre-deposit requirement, to file appeal at first level appellate authority, for penalty orders without involvement of demand of tax.
- A new proviso is proposed to be added to Section 112(8) to introduce 10% pre-deposit requirement, to file appeal in Tribunal, for

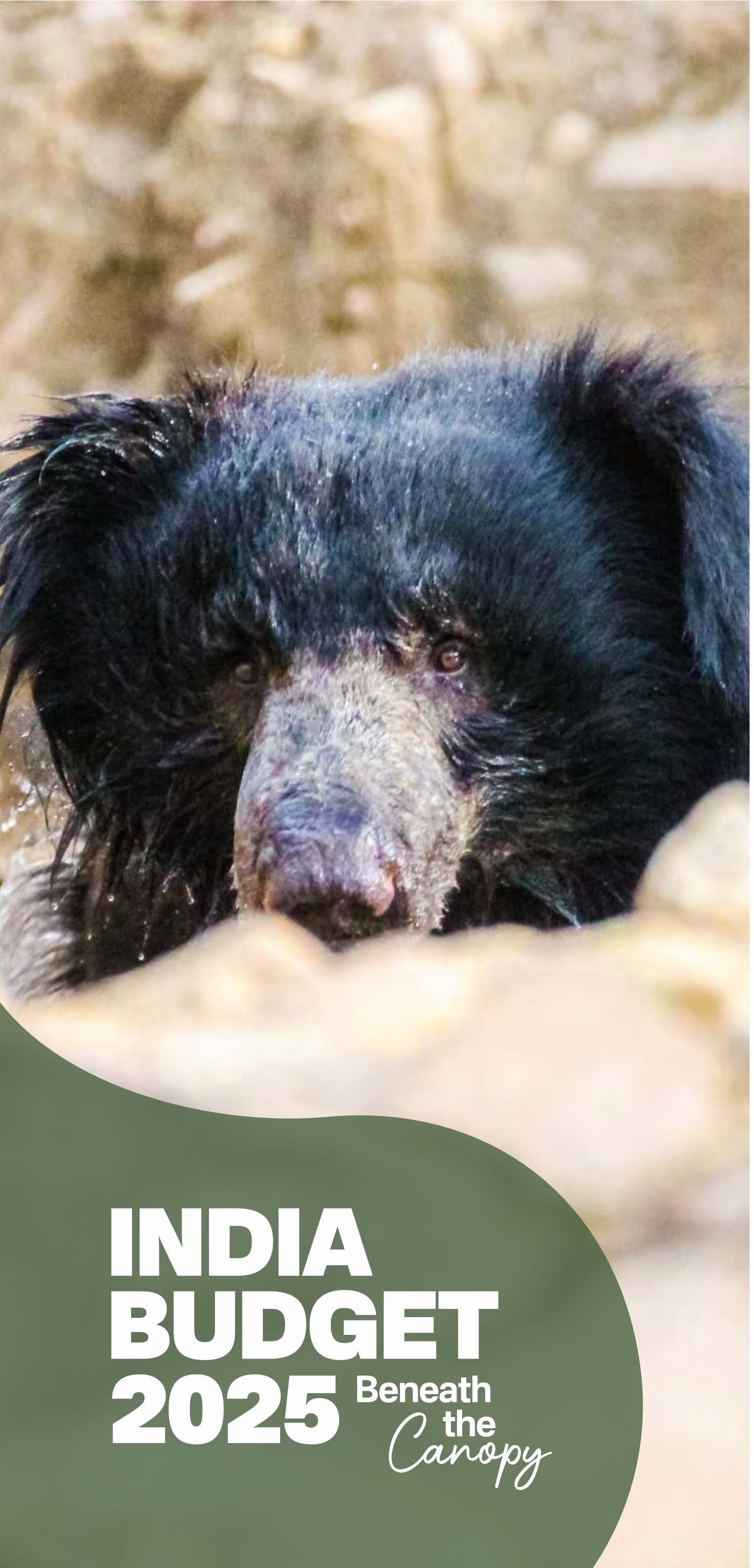
penalty orders without involvement of demand of tax.

- Section 122B is proposed to be introduced for levying penalty for violations pertaining to track and trace mechanisms by levying penalty of INR 100,000 or 10% of tax payable, whichever is higher, on such goods.
- In line with the recommendations of 55th GST Council meeting, new section 148A is proposed to be inserted for digital tracking mechanism via mandatory "Unique Tracking Mechanism" for specified commodities and persons dealing in such commodities.
- Schedule III is proposed to be amended retrospectively from July 1, 2017 to specify that supply of goods warehoused in SEZ or FTWZ to any person before export clearance or to DTA is neither supply of goods nor supply of services. However, no refund of tax already paid will be available for such transactions.

2. Customs

[All amendments (except changes in rates) to be made effective upon receipt of President's assent to the Finance Bill except where specifically mentioned]

- It has been proposed to amend Section 18 to provide time limit of 2 years for finalisation of provisional assessment. This time limit is made extendable for a further period of 1 year by Commissioner of Customs on a sufficient cause basis.
- It has been proposed to allow importers and exporters to voluntary revise their post-clearance entries on self-assessment basis, enabling duty payment or refund claims under Section 27 subject to certain conditions.
- A new Explanation to Section 27(1) clarifies that time limit to claim refund in case of voluntary revision is one year from the date of payment of duty and interest.
- No application under Section 127B for settlement of cases shall be received on or after April 1, 2025.
- The Interim Board shall replace the Settlement Commission under Excise as well as Customs Law.
- In relation to import of goods at concessional rates or for specified end use requirements, the time limit for compliance has been increased from current six months to one year. Further, in order to ease compliance burden, returns for the same would now be required on a quarterly basis instead of a monthly basis.



3. Customs Tariff

The changes in the Customs Tariff Act proposed through Finance Bill shall have effect from w.e.f. February 2, 2025.

Rationalization of Customs Tariff

- Customs Duties have been rationalized to facilitate trade and lessen disputes.
- Products subjected to a customs tariff of 25%, 30%, 35%,40% shall now be subjected to 20%
- Products subjected to a customs tariff of 150%, 125% and100% shall now be subjected to 70%
- Exemption is granted to various goods from the levy of Social Welfare Surcharge

Chemical & Pharmaceuticals

- Tariff rate on Pyrimidine & Piperazine Ring Compounds is reduced from 10% to 7.5%
- Tariff rate on Synthetic Flavouring Essences from 100% to 20%.
- Tariff rate on Laboratory Chemicals reduced from 150% to 70%
- The conditional exemption for bulk drugs, vaccines, and special medical-purpose food has been extended until March 31, 2029 from the earlier deadline of March 31, 2025.
- Exemption is granted for the specified materials mentioned in the notification for designated pharma companies importing goods for the specified purpose, as outlined in the notification

Mobile Phones & accessories

- Exemption on BCD given for the inputs, parts, & sub-parts for mobile phone components, including Printed Circuit Board Assembly (PCBA), camera modules, connectors for cellular mobile phones
- The conditional exemption from the payment of BCD on telecommunication-grade optical fibers and cables has been extended until March 31, 2027, from the earlier deadline of March 31, 2025.

Gems & Jewelry

- Tariff rate on articles of jewelry reduced from 25% to 20%
- BCD on platinum findings reduced from 25% to 5%

Metals

- Copper scrap, tin & tungsten scrap and various metal scraps have now been exempted

IT & Electronics

- Tariff rate on Interactive Flat Panel Displays increased to 20% from 10%
- Tariff rate on solar modules & semiconductor devices reduced from 40 to 20%

- BCD on inputs & parts for LED/LCD TV Panels exempted

Furniture & household goods

- Tariff rate on seats & furniture, mattresses & bedding, lighting fixtures reduced from 25% to 20%

Automobile

- Tariff rate on motor cars reduced from 125% to 70%
- Tariff rate on motorcycles reduced from 100% to 70%
- Tariff rate on bicycles reduced from 35% to 20%
- BCD on capital goods for lithium-ion battery (EVs) has been exempted

Construction & Stone

- Tariff rate on marble & travertine, granite, worked monumental / building stone is reduced from 40% to 20%

Toys

- Tariff rate on parts of electronic toys is reduced from 70 % to 20%.
- BCD on parts of electronic toys for manufacture of electronic toys reduced from 25% to 20%

Leather & Textiles

- Tariff rate knitted fabrics specified tariff revised to 20% or INR 115 per kg whichever is higher.

Plastics & Footwear Sector

- Tariff rate on specified footwear reduced from 35% to 20%
- Exempted from social welfare surcharge is granted for the footwear

4. Service Tax

It is proposed to retrospectively exempt the taxable services provided by the insurance companies by way of reinsurance under the Weather Based Crop Insurance Scheme and the Modified National Agriculture Insurance scheme during the period starting from April 1, 2011 and ending on June 30, 2017 from service tax.

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