

Budget 2025 – At a glance

SAGOTHIA & SHAH

[CHARTERED ACCOUNTANTS]

INCOME TAX PROPOSALS

(A) INCOME TAX PROPOSALS:

1. Tax Rebate up to ₹12 Lakh under New tax regime:

- Resident Individuals having total income up to ₹12 lakh annually will not be required to pay income tax due to rebate available under Section 87A.
- For salaried individuals, this rebate extends up to ₹12.75 lakh, after considering a standard deduction of ₹75,000.
- Marginal relief will be available up to approximately Rs 12.70 lakhs to ease the additional income tax burden on marginal income exceeding Rs 12 lakhs.
- However, where the total income includes income chargeable under special tax rates such as capital gains u/s 111A, 112, winning from lotteries etc. no tax rebate will be available and the individual will have to pay tax at the specified special rate of tax.



Revised Tax Slabs from FY 2025-26 under New Tax regime

- Tax slabs under new tax regime (without deductions) are revised from FY 2024-25 (AY 2025-26) for Individuals & HUF is as under:

Revised New Tax Regime (115BAC) (Default Regime)

Income Slab (Rs.)	Tax Rate (%)
Upto 400,000	No Tax
400,001 - 800,000	5%
800,001 - 12,00,000	10%
12,00,001 - 16,00,000	15%
16,00,001 - 20,00,000	20%
20,00,001 - 24,00,000	25%
Above 24,00,000	30%

- Tax slabs under old tax regime (with deductions) remain unchanged
- Tax slabs as applicable for Individual (upto Age 60 years), HUF, AOP, BOI are as under:

Income Slab (Rs.)	Tax Rate (%)
Upto 2,50,000/-	No tax
2,50,001 – 5,00,000	5%
500001 – 10,00,000	20%
Above 10,00,000	30%

Notes to the above

- Above-mentioned rates are to be increased by applicable surcharge (SC) on Income above 50 Lakhs and 4% Health and Education Cess.
- In Old Regime, the basic exemption for senior citizen i.e. 60 years to 80 years is ₹ 3,00,000 and for super senior citizen i.e. 80 years & above is ₹ 5,00,000/-.
- For Salaried individuals, a standard deduction of ₹ 75,000 in New Regime and ₹50,000 in Old Regime is available.
- An assessee has an option to choose between the New Regime and Old Regime tax rates. The default regime is new regime.
- The maximum income tax rebate U/s 87A for Individual Resident Assessee is ₹ 60,000 /- (Previously 25,000) for income up to ₹ 12 lakhs (Previously ₹ 7 lakhs) in the new tax regime u/s 115BAC(1A).
- Tax rebate of Rs 12,500/- remains unchanged for individual having income upto Rs 5,00,000/- under Old regime.
- Highest surcharge rate on income above ₹ 5 crore is restricted to 25% under the new tax regime.
- Surcharge on the tax in respect of income by way of dividend or income under the provisions of section 111A, 112 and 112A of the Act shall be capped at 15%
- There is no change in Tax Rates for Firm, Cooperative Societies & Companies as compared to FY 2024-25.



Rationalization of Tax on Long Term Capital Gains

3. Rationalization of tax on Long term capital gains in following cases:

Trf. of Capital Assets by	Existing Tax Rate	Proposed Tax Rate
<u>Business Trust:</u>		
Listed Share, Units of Equity-Oriented Mutual Fund	Maximum Marginal Rate	12.5%
Other Assets	12.50%	12.5%
<u>Non-Resident:</u>		
Listed Shares, Units of Business Trust, Equity Mutual Fund held by Specified Fund / FII	10%	12.50%
Other Assets	12.50%	12.50%

PERBENING INCOME TAX RATES PIAE LETS.

The madispher income tax yddsty for inonital ceolutions in India?

From the upkafels inipods to Inbtar, 4 Itah breaning 4 Perast als and rouber by India.

PERSONAL INCOME	PERSONAL INCOME TAX			SFACT TAX RATES	SEACF TOST INCOME ZATS	FFACF TAX RATES	SFACT TAX RATES
	1	2	3				
Teestak Level	\$8.35	\$7.00	\$9.40	18.20	185.300	\$5.000	\$3.000
Eastak Level	\$8.34	\$5.00	\$9.35	18.20	\$2.00	\$7.80	\$3.00
Eastak Level	\$3.00	\$8.35	\$5.40	18.00		\$5.300	\$3.50
Eastak Level	\$8.00	\$8.00	\$3.20	\$6.00		\$7.00	\$3.00
Eastak Level	\$8.05	\$5.00	\$5.00	\$4.05			\$1.00
Eastak Level	\$3.77	\$4.00	\$5.40	\$9.00			\$3.00
Eastak Level	\$4.00	\$1.00	\$4.10	\$9.01			
Eastak Level	\$8.01	\$4.05	\$8.10	\$3.00			
Eastak Level	\$3.79	\$8.30	\$7.70	\$8.00			
Eastak Level	\$7.30	\$7.30	\$3.30				
Eastak Level	\$8.45	\$8.55	\$8.90	\$8.20			
Eastak Level	\$2.74	\$4.05	\$5.40				
Eastak Level	\$6.05	\$5.10	\$4.10	\$0			
Eastak Level	\$3.00	\$3.00	\$3.00	\$1			

PERSONAL INCOME TAX RATES

10%

20%

30%

30%

30%

30%

30%

30%

30%

30%

30%

30%

30%

30%

30%



Other Income Tax Proposals

4. Annual Value up to two Self Occupied House property to be considered as NIL without any condition.
5. 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 in prescribed manner.
6. It is 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.

Changes in TDS/TCS

7. Changes in TDS limits with effect from 01/04/2025 are as under:

Sr. No	Particulars	Current Threshold	Proposed Threshold
1	193 - Interest on Securities	Nil	Rs.10,000
2	194A - Interest other than interest on securities	(i) Rs.50,000 for Senior Citizen (ii) Rs. 40,000 for others (when payer is bank, co-op society & post (iii) Rs. 5,000 in other cases	(i) Rs.1,00,000 for Senior Citizen (ii) Rs. 50,000 for others (when payer is bank, co-op society & post (iii) Rs. 10,000 in other cases
3	194 - Dividend	Rs.5,000 p.a.	Rs.10,000 p.a.
4	194B - Winnings from Lottery, crossword, puzzles etc. 194BB - Winnings from Horse race	Aggregate of amounts exceeding Rs.10,000 during the FY	Rs.10,000 in respect of a single transaction
5	194D - Insurance Commission	Rs.15,000 p.a.	Rs.20,000 p.a.
6	194I - Rent	Rs.2,40,000 during the FY	Rs.50,000 p.m. or part thereof (not Rs 6 lakhs p.a.)
7	194J - Professional fees or technical services	Rs.30,000 p.a.	Rs.50,000 p.a

- TCS u/s 206C(IH) @ 0.1% on sale of goods > Rs 50 lakhs to a person during FY has been removed. TDS u/s 194Q shall continue to apply
- S. 206AB/206CCA has been removed. Provision of deducting TDS @ 20% for payment to person not furnishing PAN & invalid PAN shall continue
- No prosecution for delay in payment of TCS by the due date of filing TCS return. The provisions of Interest, Late fees, penalty, etc. continue
- Limit for TCS on remittances under LRS hiked from Rs 7 lakhs to Rs 10 lakhs. No TCS on remittances from Education loan from financial institution



Startups and Updated Return Filing

- 8. The tax holiday for incorporation of eligible startups has been extended upto 31/03/2030, as against current window upto 31/03/2025.
- 9. The Time limit extended to file Updated returns from 2 years to 4 years from end of the relevant assessment years upon payment of additional tax as under:

Particulars	Additional Tax payable
Return filed up to 12 months from the end of the relevant assessment year	25% of (Tax + Interest)
Return filed after 12 months and up to 24 months from end of relevant AY	50% of (Tax + Interest)
Return filed after 24 months and up to 36 months from the end of relevant AY	60% of (Tax + Interest)
Return filed after 36 months and up to 48 months from the end of relevant AY	70% of (Tax + Interest)

Note: In case a notice to show cause has been issued under section 148A of the Income Tax Act, the time limit to file an Updated Income Tax Return is restricted to 36 months from the end of the relevant assessment year unless reassessment proceedings are subsequently dropped by the Income Tax department.

Penalty, Loss & Transfer Pricing Changes

10. Key Changes in penalty provisions:

- Time limit to pass penalty orders streamlined to six months from the end of the quarter in which the relevant order is passed.
- It is proposed to amend Sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Act so that penalties under these sections shall be levied by the Assessing Officer in place of Joint Commissioner, subject to the provisions of sub-section (2) of Section 274 of the Act. Thus, Assessing Officer shall take the prior approval of Joint Commissioner for the passing of penalty order, where penalty amount exceeds the limit specified in sub-section (2) of Section 274 of the Act.
- Further, the time line to pass order u/s 275 is now revised to six months from the end of quarter in which the connected proceedings are completed (in case where no appeal is filed), in case where appeal is filed u/s 246/246A/253 the date of receipt of order by PCIT/CIT, the date of order u/s 263/264, or the date on which notice of imposition of penalty is issued in any other case.
- It is proposed to extend the time period for filing application seeking immunity from penalty u/s 270AA to 3 months (presently 1 month) from the end of the month in which the assessee pays tax and interest payable in order u/s 143(3) or S. 147 of the Income tax Act. Likewise, the processing period is also proposed to be extended to three months from the end of the month in which application for immunity is received by the Assessing Officer in case where appeal is not filed by the assessee.

11. C/f of Accumulated Loss:

- Time limit to claim loss forming part of accumulated loss of predecessor entity, which is deemed to be the loss of the successor entity, shall be eligible to be c/f for not more than 8 AYs immediately succeeding the AY for which such loss was first computed for original predecessor entity.
- Proposed amendment is aimed to prevent giving fresh period of 8 years in respect of the losses of predecessor entity resulting from successive amalgamations so as to ensure that no c/f and set off of accumulated loss is allowed after 8 AY from the immediately succeeding AY for which such loss was first computed for original predecessor entity.

Penalty, Loss & Transfer Pricing Changes

12. Transfer Pricing: It is 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. The recomputation of Income can be done for subsequent years accordingly under newly inserted u/s 155(21) of the Income tax Act.

13. Significant Economic Presence/Business Connection:

- It is proposed that transactions or activities conducted by a non-resident in India, limited to the purchase of goods for export, shall not be considered as establishing a significant economic presence in India. These amendments will take effect from 01/04/2026.

14. Presumptive taxation for Non-residents:

- It is proposed to introduce a new section, 44BBD, which will consider 25% of the total amount received or receivable by, or paid or payable to, a non-resident for providing services or technology as the profits and gains of such non-resident from this business. This amendment will come into effect on 01/04/2026.

SEARCH & SEIZURE

- It is proposed that seized materials may be retained for up to one month following the end of the quarter in which an order for assessment, reassessment, or recomputation is issued, unless prior approval from the specified authorities is obtained.
- If multiple searches are conducted on the assessee, the assessment for any subsequent search can only be carried out after completing the assessment related to the prior search.
- The assessment order for the block period must be issued within 12 months from the end of the quarter in which the final authorization for search or requisition was carried out.
- The income already disclosed in a return filed u/s 139, 142(1), 148 before initiation of a search will be excluded from block assessment.
- The time span from the grant of a stay until the specified authority receives the order vacating the stay shall be excluded when calculating the limitation period for passing a search order.
- The definition of Undisclosed income under block assessment provision shall now include Virtual Digital Assets (VDA's) within its ambit.

TRUST & OTHER NGO'S

- It is proposed to extend the validity period of registration for trusts or institutions from 5 years to 10 years if they apply under sub-clauses (i) to (v) of clause (ac) of sub-section (1) of section 12A, provided their total income, before applying the provisions of sections 11 and 12, does not exceed ₹5 crores in each of the two previous years preceding the year of application. These amendments will take effect from 01/04/2025.
- It is proposed to amend the Explanation to sub-section (4) of section 12AB to clarify that an incomplete application for the registration of a trust or institution shall not be considered a specified violation under the said sub-section. Thus, the Registration shall not be rejected on such grounds.
- It is proposed to amend Section 13(3) to provide that:
 - (i) Any person whose total contribution to the trust or institution exceeds one lakh rupees in the relevant previous year, or ten lakh rupees in aggregate up to the end of the relevant previous year, as applicable, shall be considered under clause (b) of sub-section (3) of section 13.
 - (ii) The relatives of such persons, as mentioned in (i) above, shall not be included among the persons specified in sub-section (3) of section 13.
 - (iii) Any concern in which such a person, as mentioned in (i) above, has a substantial interest shall also not be included among the persons specified in sub-section (3) of section 13.

GST PROPOSALS

(B). GST PROPOSALS:

1. Restriction on Input Tax Credit (ITC) for Construction of Immovable Property:
 - Amendment to Section 17(5)(d) of CGST Act restricts ITC on construction of "plant or machinery".
 - Clarifies that "Plant or Machinery" will always be read as "Plant and Machinery".
 - Overrules Supreme Court ruling in Chief Commissioner of CGST vs. Safari Retreats Pvt. Ltd. (2024).
 - Retrospective Changes (Effective from 1st July 2017)
2. Exemptions from GST on Specific Transactions (Schedule III Update)
 - No refund will be granted for tax already paid on such transactions.
 - Transactions involving warehoused goods in SEZs or FTWZs before export or transfer to DTA will not be treated as supply.
 - Prospective Changes (Effective from 1st April 2025)
3. Revised Definition of Input Service Distributor (ISD) w.e.f. 01/04/2025 expanded to include inter-state RCM transactions
4. Removal of Time of Supply Provisions for Vouchers
 - Omission of Section 12(4) and 13(4) as vouchers are not considered supplies.
5. Restriction on Reduction of Output Tax Liability:
 - Credit note adjustments allowed only if recipient reverses the ITC availed.
6. Amendment in Invoice Management System (IMS) (Section 38)
 - Updates provisions for input tax credit statement (GSTR 2B).
7. Conditions for Filing GSTR-3B Returns (Section 39)
 - Introduces restrictions and conditions for filing.

GST PROPOSALS

(B). GST PROPOSALS:

8. Pre-deposit for Appeals (Sections 107 & 112):

- 10% of penalty required for appeals involving penalty-only cases.

9. Track & Trace Mechanism for Certain Goods:

- Requires unique identification markings and digital tracking for prescribed goods.
- Penalties for Non-compliance with Track & Trace System (Section 122B) shall be Rs 1,00,000 / 10% of tax payable, whichever is higher

MSME CLASSIFICATION

1. Changes in definition of MSME classification norms:

- The revised classification criteria under MSME Act is as under:

Enterprise Category	Current Investment Limit	Revised Investment Limit	Current Turnover Limit	Revised Turnover Limit
Micro Enterprise	₹1 crore	₹2.5 crore	₹5 crore	₹10 crore
Small Enterprise	₹10 crore	₹25 crore	₹50 crore	₹100 crore
Medium Enterprise	₹50 crore	₹125 crore	₹250 crore	₹500 crore

- This will have effect in large number of enterprises to be eligible for collateral free loans upto Rs 5 Crores under MSME Scheme and take benefits for recovery of dues with other benefits under MSME Act.
- Enterprises purchasing goods or availing services from MSME-registered suppliers must adhere to the revised classification norms outlined above. This is essential to ensure timely payments to MSME vendors in compliance with the MSME Act and the Companies Act, while also avoiding disallowance under Section 43B of the Income Tax Act for any unpaid amounts at the year-end and interest payable thereupon.

DISCLAIMER

The above Budget Highlights have been prepared considering key changes only and are intended for the internal circulation of our clients. These highlights are for informational purposes only and do not constitute legal opinion, advice, or recommendation. While due care has been taken to summarize key budget highlights, there is a possibility of errors or omissions. Readers are advised to refer to the official budget documents or consult a qualified professional before making any decisions based on this information. The firm assumes no liability for any reliance placed on this summary. Readers are advised to consult their own advisors for interpretation of this highlight.