

# BUDGET 2025

**An in-depth analysis of the provisions  
of the Union Budget of India 2025**

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### Foreword

The middle class, badgered by rising prices and a sluggish economy, is delighted with the Budget. The tax rates and slabs have been revised significantly, resulting in substantial tax savings. Effectively, no tax is payable for annual income up to INR 12 lakh. It is the biggest ever direct tax benefit of a whopping INR 1 lakh crore, resulting in no tax payment by persons having income up to 500% of the per-capita income. Seems contradictory to the objective of widening the tax base.

The thrust, clearly, is to boost consumption by leaving more money in the hands of the taxpayers and allowing the multiplier effect to fire up the slowing economy.

A few days ago, China jolted the world with the launch of DeepSeek – an AI application developed at a fraction of the spendings by the western giants. It is uncanny that the FM seems to have anticipated this and allocated a significant sum of INR 2000 crore to the AI initiatives. A move, both welcome and essential.

The Budget also delivered a strong push for India's startup and deep tech ecosystem with an INR 10,000 crore Fund of Funds allocation.

The FM announced that the new Income Tax Bill will be introduced next week. Despite that, several amendments are introduced to the Income-tax Act in this Budget.

The TDS / TCS threshold limits have been increased, and rates have been reduced to provide some relief. But much more needs to be done to substantially reduce the onerous compliance burden. Charitable trusts, in recent years, have faced the brunt of some draconian amendments. This Budget has granted some relief, which hopefully is the beginning of a more charitable approach towards the charity sector.

To reduce transfer pricing litigation, the Budget proposes that TP benchmarking can, at the option of the taxpayer, be applied for a block of 3 years. It also proposes to expand the scope of safe harbour rules.

A first and welcome feature of this Budget is the FAQs that have been issued to clarify the various amendments to the Finance Bill.

On the indirect tax front, the central theme is incentivising domestic manufacturing through reduction in customs duty on inputs and capital goods in critical sectors, simplifying the tariff structure and introducing measures towards ease of doing business.

Customs duty on material required for producing lithium-ion batteries has been removed, which will make EVs more affordable.

Widening the scope of fast-track mergers along with simplification of procedures is a pragmatic response to deal with prolonged pendency at the NCLT / RD level.

However, this Budget has not heeded to the strong call by the economic survey “to get out of the way” and let entrepreneurship flourish.

A country that prides in its young demography must recognise that the demographic advantage will be lost in a decade. Before that, steps need to be taken to train the workforce and improve its healthcare. Unfortunately, spending on health and education has remained conspicuously low in every budget.

The GDP growth predicted at 6.7% is well below the starry 8.2% achieved last year. The question is - will the direction adopted by this Budget help achieve the Viksit Bharat dream by 2047. Will it face up to the looming shadow of Trump espousing “tariff” as the most beautiful word in the dictionary.

This Budget analysis by Team CNK demystifies the intricacies of the Finance Bill and tames the devil that always lies in the details.

Happy Reading!!!

## Glossary

Abbreviation	Description
%	Percentage
Act	Income-tax Act, 1961
ADIA	Abu Dhabi Investment Authority
AI	Artificial Intelligence
AIDC	Agriculture Infrastructure and Development Cess
AIF	Alternative Investment Funds
AJP	Artificial Juridical Person
ALP	Arm's Length Price
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of Persons
AY	Assessment Year
BCD	Basic Customs Duty
BOI	Body of Individuals
CAG	Comptroller and Auditor General of India
CBIC	Central Board of Indirect Taxes and Customs
CBU	Completely Built Up
Central Excise Act	Central Excise Act, 1944
CGST	Central Goods and Service Tax Act, 2017
CIT	Commissioner of Income-Tax
CKD	Completely Knocked Down
Customs Act	Customs Act, 1962
DRP	Dispute Resolution Panel

Abbreviation	Description
DTA	Domestic Tariff Area
DTAA	Double Taxation Avoidance Agreement
EDPMS	Export Data Processing and Monitoring System
EET	Exempt - Exempt - Tax
ETF	Exchange Traded Fund
ETR	Effective Tax Rate
EV	Electric Vehicle
FAQ	Frequently Asked Questions
FEMA	Foreign Exchange Management Act, 1999
FII	Foreign Institutional Investor
FM	Finance Minister
FPF	Foreign Pension Fund
FPI	Foreign Portfolio Investor
FTWZ	Free Trade Warehousing Zone
FY	Financial Year
GDP	Gross Domestic Product
GST	Goods and Service Tax
GSTR	Goods and Service Tax Return
HUF	Hindu Undivided Family
IDPMS	Import Data Processing and Monitoring System
IFSC	International Financial Services Centre
IGCR Rules	Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022
IIO	Insurance Intermediary Office

Abbreviation	Description
INR	Indian Rupees / Rs.
InvIT	Infrastructure Investment Trust
ISD	Input Service Distributor
ITC	Input Tax Credit
LLP	Limited Liability Partnership
LRS	Liberalised Remittance Scheme
MAT	Minimum Alternate Tax
MMR	Maximum Marginal Rate
NCLT	National Company Law Tribunal
NSS	National Savings Scheme
NPS	National Pension Scheme
OTC	Over the Counter
PAN	Permanent Account Number
PCIT	Principal Commissioner of Income-Tax
PY	Previous Year
RCM	Reverse Charge Mechanism
RD	Regional Director
REIT	Real Estate Investment Trust
Rules	Income Tax Rules, 1962
SEP	Significant Economic Presence
SEZ	Special Economic Zone
SKD	Semi Knocked Down
STT	Securities Transaction Tax
SWF	Sovereign Wealth Funds
SWS	Social Welfare Surcharge
TCS	Tax Collected at Source
TDS	Tax Deducted at Source

Abbreviation	Description
TPO	Transfer Pricing Officer
ULIP	Unit Linked Insurance Policy
VDA	Virtual Digital Asset
w.e.f.	with effect from
WOS	Wholly Owned Subsidiary

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## Note:

Unless otherwise stated the amendments referred to in this e-publication are effective from AY 2026-27 onwards.

All non-tariff amendments (except retrospective amendments) relating to indirect tax shall become effective either from the date of enactment of the Finance Bill or from a notified date, post enactment of the Finance Bill. All tariff amendments shall be effective from 1 February 2025 or date set out in the respective notifications.



### Income Tax Rates for AY 2026-27

The tax rates applicable to Individuals, HUF, AOP, BOI and AJP paying tax in accordance with the new tax regime under section 115BAC have undergone a change.

For all other class of taxpayers, the tax rates remain unchanged including the rates applicable to certain class of taxpayers under different schemes of taxation under sections 115BAA, 115BAB and 115BAD. The rates of tax as applicable for AY 2026-27 are as under:

#### A. For Individuals, HUF, AOP, BOI and AJP

##### I. Tax rates under old tax regime (Normal Provisions)

Individuals below 60 years of age and all Non-Resident Individuals	Resident Individual aged 60 years or more but less than 80 years (Senior Citizen)	Resident Individual of age 80 years and above (Very Senior Citizen)	Rate
Up to INR 250,000	Up to INR 300,000	Up to INR 500,000	Nil
INR 250,001 to INR 500,000	INR 300,001 to INR 500,000	-	5%
INR 500,001 to INR 10,00,000	INR 500,001 to INR 10,00,000	INR 500,001 to INR 10,00,000	20%
Above INR 10,00,000	Above INR 10,00,000	Above INR 10,00,000	30%

Individuals having taxable income up to INR 5 lakh are eligible for tax rebate under section 87A up to INR 12,500

##### II. Tax Rates under Section 115BAC (New tax regime) – Default tax regime for Individuals, HUFs, AOP, BOI and AJP

The concessional tax rates, subject to fulfilment of conditions as provided under this section, have been changed as under:



Tax slabs for FY 2024-25	Rate of Tax
Up to INR 3,00,000	NIL
INR 3,00,001 to INR 7,00,000	5%
INR 7,00,001 to INR 10,00,000	10%
INR 10,00,001 to INR 12,00,000	15%
INR 12,00,001 to INR 15,00,000	20%
Above INR 15,00,000	30%

Tax slabs for FY 2025-26	Rate of Tax
Up to INR 4,00,000	NIL
INR 4,00,001 to INR 8,00,000	5%
INR 8,00,001 to INR 12,00,000	10%
INR 12,00,001 to INR 16,00,000	15%
INR 16,00,001 to INR 20,00,000	20%
INR 20,00,001 to 24,00,000	25%
Above INR 24,00,000	30%

- Limit of rebate under section 87A increased to INR 60,000 against tax payable. No rebate is available against tax chargeable at special rates on income such as capital gains, winnings from lottery, etc.
- No tax payable by individuals having taxable income up to INR 12 lakh (excluding income chargeable at special rates, such as capital gains). Individual having salary income up to INR 12.75 lakh are not liable to any tax in view of standard deduction of INR 75,000.
- No rebate available if taxable income (excluding income chargeable at special rates, such as capital gains) exceeds INR 12 lakh. However, marginal relief will be available. Benefit of marginal relief is available up to INR 12.705 lakh (excluding income chargeable at special rates, such as capital gains).
- Old tax regime is beneficial if the exemptions / deductions such as HRA, LTA and Chapter VIA deduction are more than INR 8 lakh and the total income is up to INR 5 crore.
- The revised slab rates will result in maximum tax savings of INR 1.43 lakh (including surcharge and cess) in the highest tax slab as compared to the earlier year.





### III. Rate of surcharge for Individuals, HUF, AOPs (having any member which is not a company), BOIs and AJP's

The Rate(s) of surcharge are as under:

Nature of Income	Total Income				
	Up to INR 50 lakh	More than INR 50 lakh but up to INR 1 crore	More than INR 1 crore but up to INR 2 crore	More than INR 2 crore but up to INR 5 crore	More than INR 5 crore
Short-term capital gains on listed shares / specified units attracting STT under section 111A	NIL	10%	15%	15%	15%
Any Long-term capital gains (under section 112 or under section 112A)	NIL	10%	15%	15%	15%
Dividend Income	NIL	10%	15%	15%	15%
Any other income*	NIL	10%	15%	25%	25% / 37%**

\* The surcharge rate of 25% or 37% are applicable only if other incomes (i.e., total income excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A) exceeds the limit of INR 2 crore or INR 5 crore respectively.

\*\* The maximum surcharge rate for the new tax regime has been capped at 25%. The surcharge of 37% continues to be present for persons opting to pay tax in accordance with the old tax regime.

Health and Education Cess at the rate of 4% shall be applicable on the aggregate of tax and surcharge.



**Rate of surcharge for AOPs (where all members are companies):**

Nature of Income	Total Income				
	Up to INR 50 lakh	More than INR 50 lakh but up to INR 1 crore	More than INR 1 crore but up to INR 2 crore	More than INR 2 crore but up to INR 5 crore	More than INR 5 crore
On total income	NIL	10%	15%	15%	15%

**B. For Firms (including LLP) / Local Authorities**

Income	Rate	Surcharge	Health and Education Cess	ETR
Up to INR 1 crore	30%	-	4%	31.20%
Above INR 1 crore	30%	12%	4%	34.94%

**C. Co-operative Societies:**

**I. Tax under Normal Provisions:**

Income	Rate	Surcharge	Health and Education Cess	ETR
Up to INR 10,000	10%	-	4%	10.40%
INR 10,001 to INR 20,000	20%	-	4%	20.80%
INR 20,001 to INR 1 Crore	30%	-	4%	31.20%
INR 1,00,00,001 to 10 Crore	30%	7%	4%	33.38%
Above INR 10 Crore	30%	12%	4%	34.94%



## II. Concessional tax rates under section 115BAD - for resident co-operative societies

Co-operative societies resident in India continues to have the option under section 115BAD to pay tax at a concessional rate of 22% along with surcharge of 10% and Health and Education Cess of 4% i.e., ETR of 25.17%, upon fulfilment of certain conditions.

Particulars	Resident co-operative society opting for section 115BAD	Resident co-operative society opting for section 115BAE
Basic Tax Rate	22%	15%*
Rate of Surcharge	10%	10%
Health and education cess	4%	4%
<b>ETR</b>	<b>25.17%</b>	<b>17.16%</b>

\* Only income which is derived from or is incidental to the manufacturing activities will be taxed at 15%. Other income will be taxable at 22% / 30% under the section applicable, plus surcharge and cess.

## D. For Companies:

Particulars		Domestic company (Having turnover below INR 400 crore in FY 2023-24)	Domestic company (Having turnover above INR 400 crore in FY 2023-24)	Domestic company opting for section 115BAA	Domestic company opting for section 115BAB	Foreign Company
Total Income up to INR 1 crore	Basic Tax Rate	25%	30%	22%	15%	35%
	Rate of Surcharge	Nil	Nil	10%	10%	Nil
	Health and education cess	4%	4%	4%	4%	4%
	<b>ETR</b>	<b>26%</b>	<b>31.20%</b>	<b>25.17%</b>	<b>17.16%</b>	<b>36.40%</b>
Total Income above	Basic Tax Rate	25%	30%	22%	15%	35%
	Rate of Surcharge	7%	7%	10%	10%	2%

Particulars		Domestic company (Having turnover below INR 400 crore in FY 2023-24)	Domestic company (Having turnover above INR 400 crore in FY 2023-24)	Domestic company opting for section 115BAA	Domestic company opting for section 115BAB	Foreign Company
INR 1 crore and up to INR 10 crore	Health and education cess	4%	4%	4%	4%	4%
	ETR	<b>27.82%</b>	<b>33.38%</b>	<b>25.17%</b>	<b>17.16%</b>	<b>37.128%</b>
Total Income Above INR 10 crore	Basic Tax Rate	25%	30%	22%	15%	35%
	Rate of surcharge	12%	12%	10%	10%	5%
	Health and education cess	4%	4%	4%	4%	4%
	ETR	<b>29.12%</b>	<b>34.94%</b>	<b>25.17%</b>	<b>17.16%</b>	<b>38.22%</b>

E. **MAT** (not applicable if company is paying tax in accordance with section 115BAA or Section 115BAB)

Type of Companies	Domestic Company			Foreign Company		
Particulars	Below INR 1 crore	INR 1 crore to INR 10 crore	Above INR 10 crore	Below INR 1 crore	INR 1 crore to INR 10 crore	Above INR 10 crore
Rate of Tax	15%	15%	15%	15%	15%	15%
Surcharge	-	7%	12%	-	2%	5%
Health and Education Cess	4%	4%	4%	4%	4%	4%
<b>ETR</b>	<b>15.60%</b>	<b>16.69%</b>	<b>17.47%</b>	<b>15.60%</b>	<b>15.91%</b>	<b>16.38%</b>



F. **AMT** (not applicable if the person is paying tax in accordance with section 115BAC, 115BAD or 115BAE)

Particulars	Co-operative Society	Others
Rate of Tax	15.00%	18.50%
Surcharge	At applicable rates	At applicable rates
Health and Education Cess	4%	4%

### Personal and Non-Corporate Taxation

#### Change in the income limits of the employees for taxation of calculating certain perquisites

Presently, if the value of any amenity or benefit is provided by the employer free of cost or at a concessional rate to employee whose annual salary income exceeds INR 50,000 (limit since 2001), the same is taxed as perquisite in the hands of the employee.

Now, the salary limit for the same will be prescribed.

Presently, expenditure incurred by the employer for medical treatment of the employee and his family (including the stay and travel of the patient) and one attendant, if the gross total income of the employee does not exceed INR 2 lakh is exempt (since 1993).

Now, the gross total income limit for the same will be prescribed.

#### NPS Vatsalya Scheme

Contributions to the NPS Vatsalya Scheme would now be eligible for the same deduction as contributions to the NPS under the overall ceiling of INR 50,000 as per Section 80CCD(1B), for parent / guardian making contribution for a minor.

Any amount which has been claimed as deduction and the interest accrued thereon shall be taxable on withdrawal where deposit was made in the account of the minor.

An exemption is provided to the parent / guardian up to 25% of the contributions made by him / her on partial withdrawal as per the terms and conditions of the Scheme.

**CNK Comments:** With the change in tax slabs, the new tax regime is substantially more beneficial. In such a scenario, this deduction, which is available only under old regime, may have very few takers.

#### National Savings Scheme - 1987

NSS was EET Scheme whereby the contribution was deductible and entire withdrawal was taxable. However, no tax was payable on withdrawal by legal heirs of the subscriber after his death. Since the interest on NSS has been discontinued w.e.f. 1 October 2024, the withdrawal from NSS made after on or after 29 August 2024 has been made non-taxable.

This amendment is effective retrospectively from 29 August 2024.

**CNK Comments:** There is no corresponding amendment made to the TDS provision for such withdrawal.

Whilst the deduction was allowable to the individuals and HUFs on deposit in NSS. The proposed exemption is applicable only to the individuals.

#### Determination of self-occupied property

Presently, for claiming a residential property as an SOP, it is necessary that the taxpayer occupies the property for his own residence or he is unable to occupy the property due to his employment or business at any other place.

Now, the condition of inability to occupy due to employment at any other place has been done away with and inability to occupy can be for any reason.

This amendment is effective from AY 2025-26.

### Income on Redemption of Unit Linked Insurance Policy

Presently, the income on redemption of ULIP is considered as income from capital gains only if the policy was issued on or after 1 February 2021 and the aggregate premium on such policy exceeded INR 2.5 lakh. There was a doubt as to the manner of taxation of ULIP proceeds in a case where exemption was not available under section 10(10D) due to the premium exceeding the specified limits of 10 / 20% of the sum assured.

Now, in all cases, irrespective of the premium amount, income on redemption of ULIPs will be taxed as capital gains if the exemption under section 10(10D) is not available. Further, the definition of equity-oriented fund has also been amended to that effect.

**CNK Comments:** There was ambiguity with respect to the taxation of ULIPs where the other conditions for claiming the exemption were not met, irrespective of the ULIPs having premium payable less than INR 2.5 lakh. This amendment has been brought in to bring clarity with respect to head of income under which such income on redemption of such ULIPs should be charged to tax.





### Amendments related to TDS/TCS

#### Change in threshold limit

Sr. No.	Section and nature of payment	Prevailing threshold limit	Revised threshold limit
1.	193 - Interest on securities	Individual/HUF*- INR 5,000	INR 10,000
		Others- Nil	
2.	194 – Dividend – for an individual shareholder	INR 5,000	INR 10,000
3.	194A - Interest other than Interest on securities	INR 50,000 for senior citizen;	INR 1,00,000 for senior citizen
		INR 40,000 in case of others**	INR 50,000 in case of others**
		INR 5,000 in other cases	INR 10,000 in other cases
4.	194B - Winnings from lottery, crossword puzzle etc.	Aggregate of amounts exceeding INR 10,000 during the FY	INR 10,000 in respect of a single transaction
5.	194BB - Winnings from horse race		
6.	194D - Insurance commission	INR 15,000	INR 20,000
7.	194G - Income by way of commission etc. on sale of lottery tickets	INR 15,000	INR 20,000
8.	194H - Commission or brokerage	INR 15,000	INR 20,000
9.	194-I Rent	INR 2.4 lakh during the FY	INR 50,000 per month or part of a month



10.	194J - Fee for professional services, technical services, royalty, director's fees and non-compete payments	INR 30,000	INR 50,000
11.	194K - Income in respect of units of mutual funds	INR 5,000	INR 10,000
12.	194LA - Income by way of compensation on acquisition of immovable property	INR 2.5 lakh	INR 5 lakh
13	206C(1G)- Remittance under LRS	INR 7 lakh	INR 10 lakh
14	206C(1G)- Overseas tour program package	5% up to INR 7 lakh 20% above INR 7 lakh	5% up to INR 10 lakh 20% above INR 10 lakh

\* Debentures issued by Company in which public are substantially interested.

\*\* When payer is bank, cooperative society, and post office

## Change in TDS / TCS rates

Sr. No.	Section and nature	Prevailing TDS / TCS Rate	Revised TDS / TCS Rate
1.	Section 194LBC - Income in respect of investment in securitization trust	25% (if payee is Individual or HUF)  30% (others)	10%
2.	Section 206C(1) – TCS on timber or any other forest produce (not being tendu leaves) obtained under a forest lease and timber obtained by any mode other than under a forest lease	2.5%	2%
3.	Section 206C(1G) – TCS on remittance under LRS for purpose of education financed by loan from financial institution	0.5% above INR 7 lakh	Nil

### Omission of TCS on sale of goods

Presently, TCS under section 206C(1H) is required to be collected by the seller of goods above INR 50 lakh.

Now, there will be no TCS on sale of goods.

**CNK Comments:** This is a welcome amendment, as it will reduce the compliance burden for taxpayers. The removal of TCS will eliminate the overlap between TDS and TCS on the purchase and sale of goods. Going forward, there will only be TDS under Section 194Q for the purchase of goods exceeding INR 50 lakh from a single supplier.

### Removal of higher TDS / TCS for Non-filers of ITR

Presently, higher rate of TDS / TCS under section 206AB and 206CCA applies in case the recipient or buyer has not filed the return of income for the immediately preceding year, and the TDS / TCS exceeds INR 50,000.

Now, these sections are omitted.

**CNK Comments:** The proposed deletion is welcome move, as it would reduce the compliance burden of the taxpayers and increase liquidity in the hands of deductee / collectee. The higher rate of TDS / TCS will still apply in case of non-PAN holders.

### Amendments related to charitable trusts

#### Period of registration of small trusts or institutions

Charitable trusts and institutions are granted registration under section 12A for specified period. Provisional registration is valid for 3 years and final registration is valid for 5 years.

The periodic registration procedure has increased the compliance requirements, causing difficulties for trusts. In order to ease the regulatory strain, the validity of final registration under section 12AB is increased from 5 years to 10 years for small trusts with income up to INR 5 crore without considering the exemption under section 11, in each of the 2 previous years, preceding the year in which the application is made.

This amendment is effective from 1 April 2025.

**CNK Comments:** The 10-year period applies only to approvals granted after 1 April 2025. The time limit for existing approvals is not extended. Therefore, all trusts holding final registration certificate with validity of 5 years up to 31 March 2026 are required to make renewal application before 30 September 2025.

For determining the applicability of amendment, income of 2 preceding years is to be considered including the corpus donations, capital gains etc.

The extended period does not apply to provisional registrations which are granted for 3 years. Further, the amendment applies solely to registrations under section 12A and does not extend to approvals under section 80G. Therefore, even small trusts would still be required to undertake the procedure of renewing their 80G approval every 5 years. To achieve the objective of this amendment, a corresponding amendment in section 80G is also necessary.

#### Incomplete details in registration application not to be treated as specified violation leading to cancellation of registration

The PCIT / CIT has power to cancel the registration granted to trust or institution under section 12A if such trust or institution commits any of the specified violations. Cancellation of registration under section 12A has severe consequences of tax on 'accreted income' at MMR. Presently, the list of specified violations includes filing of incomplete application for registration in Form 10A or Form 10AB, which is not significant enough to warrant cancellation of registration.

Considering the genuine hardship that may be caused to the charitable trusts even for minor mistakes, the violation of furnishing incomplete particulars in the application form for registration has been excluded from the list of specified violations that lead to cancellation of registration.

This amendment is effective from 1 April 2025.

**CNK comments:** This will ensure that the minor omissions in furnishing the information in the prescribed form do not attract the severe punishment of cancellation of registration and consequent levy of tax on accreted income. However, furnishing false or incorrect information in the application continues to be a specified violation.

### Change in the definition of substantial contributor and specified person

In order to claim exemption under section 11, charitable trusts and institutions are required to utilise or invest funds in a manner so that no benefit is derived by the persons specified under section 13. The list of specified persons includes settlor, trustees, substantial contributors, their relatives or any concern in which any of these persons have a substantial interest. The trusts are required to maintain and report the details of all the specified persons in its audit report under the Act in Form 10B / 10BB.

Presently, a substantial contributor is a person whose total contribution from the inception of the trust up to the end of the relevant previous year exceeds INR 50,000. Considering this small threshold limit, maintaining details of substantial contributors is not feasible for trusts, as most trusts receive aggregate donations exceeding INR 50,000 from multiple donors over the years. Further, maintaining details of relatives of donors as well as concerns in which such persons have substantial interest is even more challenging.

Given these practical difficulties, the definition of 'substantial contributor' has now been revised to include any person whose total contribution to the trust or institution exceeds INR 1 lakh in the relevant previous year or exceeds INR 10 lakh in aggregate from inception up to the end of the relevant previous year. Additionally, the relatives of such persons and the concerns in which they have substantial interest are no longer to be considered as specified persons.

This amendment is effective from AY 2025-26.

**CNK comments:** This is a welcome amendment, as the limit of INR 50,000 has remained unchanged for the last 40 years and was long overdue to be recalibrated to its today's value. The removal of relatives of such persons and the concerns in which they have substantial interest will make it practical for trusts to maintain and report the necessary details. However, maintaining donor details from inception remains challenging, as the majority of trusts have been in existence for a long time.

## Amendments related to IFSC

### Extension of sunset date for commencing operations to claim tax exemption

Presently, income of non-residents or IFSC units is exempt in the following scenarios if the operations in IFSC have commenced on or before 31 March 2025 or 31 March 2026 (in some cases):

- Gains on transfer of aircraft or ship by an IFSC unit engaged in aircraft or ship leasing are exempt if the leasing activities have commenced on or before 31 March 2025,
- Interest and royalty income of a non-resident from an IFSC unit engaged in aircraft or ship leasing is exempt if the unit commences on or before 31 March 2025,
- Gains on transfer of shares of unit of IFSC engaged in aircraft or ship leasing (now included) by a non-resident or another IFSC unit engaged in aircraft or ship leasing (now included) if the company whose shares are transferred has commenced operations on or before 31 March 2026 and where the transfer takes place within 10 years of such commencement,
- Income from securities issued by a non-resident is exempt in the hands of the investment division of an offshore banking unit in IFSC if the unit has commenced operations on or before 31 March 2025,
- Gains in the hands of a shareholder or unitholder on transfer of shares or units of a fund relocating from outside India to IFSC are exempt if the relocation is undertaken on or before 31 March 2025, and
- Certain conditions to be satisfied by a fund manager in India to not constitute business connection for the overseas fund are

relaxed if the fund manager is located in IFSC and has commenced operations prior to 31 March 2024.

Now, the sunset clause for the commencement of operations or the relocation of funds has been extended to 31 March 2030.

**CNK Comments:** The extension of the sunset clause by 5 years (4 years in 1 case) instead of annual extension provides significant clarity for new entrants in the IFSC. While the gains on transfer of shares of unit of IFSC engaged in aircraft or ship leasing commencing operations after 31 March 2026 would be exempt for 10 years from the commencement, the 10-year holiday period would be computed from 1 April 2024 and has not been extended.

### Removal of premium condition for exemption of life insurance proceeds from IFSC IIO

Presently, life insurance proceeds of a policy issued by an IFSC IIO are exempt if the premium does not exceed 10% of the sum assured and if the amount of premium during any year does not exceed INR 2.5 lakh in case of ULIPs and INR 5 lakh in case of other policies.

Now, the proceeds would be exempt even if the premium exceeds INR 2.5 lakh or INR 5 lakh respectively provided that the premium does not exceed 10% of the sum assured.

This amendment is effective from AY 2025-26.

### Exemption of capital gains and dividend in respect of shares of ship leasing units

Presently, gains on transfer of shares of unit of IFSC engaged in aircraft leasing by a non-resident or another IFSC unit engaged in aircraft, if the company, whose shares are transferred, has commenced operations on or before 31 March 2030 (as extended) and where the transfer takes place within 10 years of such commencement is exempt. Similarly, dividend received by an IFSC unit engaged in aircraft leasing from another IFSC unit engaged in aircraft leasing is also exempt.

Now, the exemption has been extended to IFSC units engaged in ship leasing activities as well.

This amendment is effective from AY 2025-26.

### Deemed dividend not to apply for IFSC treasury centres

Presently, loan or advance given by a company to its shareholders or any entity in which the shareholders have a substantial interest is deemed to be dividend.

Now, loan given to / by a finance company situated in IFSC set up as a global or regional corporate treasury center by / to its group entities or by / to its parent / principal entity listed in an overseas stock exchange shall not be deemed to be dividend. The conditions for being considered as a group entity, parent entity or principal entity shall be prescribed.

This amendment is effective from AY 2025-26.

### Conditions to be satisfied by IFSC fund manager to not constitute business connection of overseas fund

Presently, activities of a fund manager in India of an overseas fund do not constitute business connection for the fund in India if certain conditions are satisfied. One of the conditions provide that the aggregate participation by a resident in the fund should not exceed 5%. If the fund manager is in IFSC, some of the conditions are relaxed including the above condition of maximum resident investor participation.

Now, if the condition of less than 5% resident investor participation is not satisfied as on 1 April or 1 October of a previous year, the exemption may still be available if the condition is satisfied within 4 months of 1 April or 1 October. Further, for a fund manager in IFSC, this condition of 5% resident investor participation shall not be relaxed.

This amendment is effective from AY 2025-26.

### Extension of exemption of income from forward contracts and derivatives with FPI in IFSC

Currently, income earned by a non-resident from the transfer of non-deliverable forward contracts, offshore derivative instruments, OTC derivatives, or distributions from these instruments are exempt if undertaken with an offshore banking unit of an IFSC.



Now, the exemption is extended to the above transactions undertaken with an FPI being a unit of IFSC.

### Extension of exemption on relocation of retail schemes and ETFs to IFSC

Presently, gains arising on exchange of shares or units to a shareholder or a unitholder of an overseas fund are exempt on relocation of such fund to IFSC, if the said fund is registered as Category-I, II or III AIF.

Now, the exemption is extended to shareholders and unitholders of overseas funds which are registered as retail schemes or ETF on relocation to IFSC.

## Amendments related to updated return

### Extension of the time-limit to file the updated return

Presently, a taxpayer can file an updated return up to 24 months from the end of the relevant AY on payment of additional income tax as follows:

Time limit (from the end of the AY)	Additional Income Tax*
Up to 12 months	25%
12 months – 24 months	50%

Now, updated return can be filed up to 48 months from the end of the relevant AY in which the original return was due, on payment of additional income tax as follows:

Time Limit (from the end of the AY)	Additional Income Tax*
Up to 12 months	25%
12 months – 24 months	50%
24 months – 36 months	60%
36 months – 48 months	70%

\*Additional income tax is % of the aggregate of tax and interest on the additional income

Updated return now cannot be filed where any show-cause notice is issued under section 148A after 36 months from the end of the relevant AY. However, where subsequently an order is passed under section 148A(3) determining that it is not a fit case to issue notice under section 148, an updated return may be filed up to 48 months from the end of the relevant AY.

This amendment is effective from AY 2025-26.

**CNK Comments:** The amendment restricts the filing of updated return where notice under section 148A is issued after the expiry of 3 years. Thus, an updated return can be filed even if the notice is issued under

section 148A before the expiry of 3 years, so long as the reassessment proceedings are not initiated under section 148.

As per the amendment, from 1 April 2025, the assesses can file updated returns for AY 2021-22 onwards.

### Amendments related to assessment proceedings

#### Block assessment for search and requisition cases

Pertinent changes to block assessment for search and requisition cases are as follows:

- VDA is included as one of the assets in the definition of undisclosed income.
- In case of a taxpayer where a search is initiated for the second time, the assessment is first required to be completed in relation to the earlier search and thereafter assessment in respect of the subsequent search or requisition shall be made.
- Sub-clauses (i) to (v) to section 158BB(1) provide for mechanism of computation of total income of block period. Presently, sub-clause (iv) provides for determination of total income on the basis of entries in the books of account maintained in the normal course on or before the date of the last of the authorization for the search. It provides for determination of total income in only one situation where the PY has not ended.

Now, 3 situations are provided for computation of income of block period to be determined on the basis of entries as recorded in the books of account maintained in the normal course for:

- a. previous year which has ended and due date for furnishing has not expired prior to date of initiation of search or date of requisition;
  - b. period from 1st April of the previous year in which search is initiated or requisition is made and ending on the day immediately preceding the date of initiation of the search or requisition and
  - c. period commencing from date of initiation of search or date of requisition and ending on date of execution of the last date of authorizations for search or requisition.
- Income relating to international transactions or specified domestic transactions pertaining to the part period of the previous year in which the last of the authorizations of search is executed or requisition is made will be taxed under normal provisions.
  - Time limit for completion of the block assessment, which is 12 months from the end of the month in which the last of the authorizations for search has been executed, is being modified now to 12 months from the end of the quarter in which the last of the authorizations for search or requisition has been executed.

These amendments are effective from 1 February 2025.

**CNK Comments:** These amendments have been introduced for simplification and rationalization of provisions of assessment in search and requisition cases. Clarity has been provided for treatment of income based on books of account maintained in the normal course while computing the total income of the block period. Similarly, clarity has been provided for treatment of income relating to international transactions or specified domestic transactions pertaining to part period of the previous year in which the last authorisation of search is executed.

### Non-applicability of penal provisions under section 271AAB to search initiated on or after 1 September 2024

Since, provisions of block assessment were re-introduced for searches initiated on or after 1 September 2024, wherein penal provisions have been provided under section 158BFA, section 271AAB shall not be applicable where search has been initiated on or after 1 September 2024.

This amendment is effective from 1 September 2024.

### Rationalization of provision for retention of seized books of account or other documents

Presently, the time limit for taking approval for retention of seized books of account or other documents is 30 days from the date of order of assessment or reassessment or re-computation.

Now, the time limit for taking approval for retention shall be one month from the end of the quarter in which the assessment or reassessment or re-computation order has been made.

This amendment is effective from 1 April 2025.

## Amendments related to changes in time limits

### Amendment of time limit for passing order imposing penalty

The time limit for passing any order imposing penalty has been extended to 6 months from the end of the quarter (instead of 6 months from the end of the month) in which the connected proceedings are completed.

### Exclusion of the period for which proceedings are stayed by the court

Presently, the period during which any proceeding is stayed by an order or injunction of any court are excluded in computing the time limit for conclusion of such proceedings. However, there was an ambiguity with regard to commencement date and end date of such exclusion period.

Now, the period for exclusion would commence on the date on which stay was granted by an order or injunction of any court and end on the date on which certified copy of order vacating stay is received by the jurisdictional PCIT or CIT.

### Excluding the period such as court stay etc. for calculating time limit to pass an order

Presently, time limit to pass order under TCS provision is six years from end of the FY in which TCS was collectible or two years from the end of the FY in which correction statement is delivered to the AO, whichever is later. There is no provision under TCS to exclude period during which proceedings were stayed by an order of any court, while calculating time limit for passing an order.

Now, the period during which such proceedings were stayed by any court order would be excluded while calculating time limit for passing an order under TCS.

### Relaxation from prosecution if TCS is paid before the time limit allowed to file quarterly statement of TCS

Presently, a person is liable to be prosecuted with rigorous imprisonment if he does not pay the TCS on time.

Now, prosecution shall not be instituted if the person has deposited TCS on or before the time limit allowed to file quarterly statement of TCS, on similar lines as TDS.

### Extending the time to pass order for immunity from penalty and prosecution under section 270AA

Presently, the AO is required to pass order either granting or rejecting the application seeking immunity from penalty and prosecution within

one month from the end of the month in which the application is received.

Now, the said time limit has been extended to 3 months.

This amendment is effective from 1 April 2025.

**CNK Comments:** This amendment should apply to all pending applications where the time limit has not expired on 1 April 2025.

### Extension of timeline for tax holiday for start-ups

Presently, the benefit of claiming 100 % deduction of profits and gains from business for 3 consecutive years out of 10 years from the date of incorporation is available to eligible startups incorporated up to 31 March 2025.

Now, the benefit is extended for startups incorporated up to 31 March 2030.

## International Taxation and Transfer Pricing

### Harmonisation of Significant Economic Presence applicability with Business Connection

Presently, business connection in the case of a non-resident shall not be constituted if the operations are confined to purchase of goods in India for the purpose of export. However, there was no specific exclusion for such activities under the SEP provisions.

Now, such transactions will not constitute business connection on account of SEP.

**CNK Comments:** Since the amendment is effective from AY 2026-27, there is ambiguity as to whether such transactions were within the purview of SEP in the earlier years. The existing definition of the SEP when read in a holistic manner clearly indicates that the transactions referred therein is in the context of sales in India. Thus, the transaction of purchase of goods in India for export may be understood to be outside the definition of SEP. The memorandum also indicates that the amendment is clarificatory in nature.

### Introducing concept of arm's length price determination for block of 3 years

Sections 92 to 92F provide the basis for computation of income from international transactions or specified domestic transactions (TP transactions) so as to ascertain whether these are at ALP. Section 92CA deals with reference by the AO to the TPO for determining the ALP.

Presently, reference of TP transaction is made to the TPO for each year. Subsequently, based on the order passed by the TPO, the AO passes the final order incorporating the order of the TPO.

However, in many instances, such referrals to the TPO are made for multiple years even though the nature of transaction is similar. This results in multiplicity of TP proceedings leading to increased compliance burden.

To reduce this burden, section 92CA is amended to provide that the taxpayer, during TP proceedings of one year (first year) can exercise the option to apply the same ALP for similar transactions in the subsequent 2 consecutive years by the TPO.

The taxpayer can avail this option by filing prescribed form with the TPO. The TPO shall pass an order declaring the validity of the option with such conditions as prescribed within one month from the end of the month in which such an option is exercised.

The form, manner and timeline within which such option can be exercised by the taxpayer, shall be separately prescribed through Rules. The taxpayer shall have the option to decide for which transaction the given option should be exercised.

The TPO, after examining these similar transactions for two consecutive succeeding years, shall determine its ALP. The same shall form part of the order passed by the TPO for the first year.

Section 155(21) lays down the procedure to be followed by the AO to recompute the total income of subsequent two years incorporating the order passed by the TPO. The AO would be required to re-compute the total income of the taxpayer by amending the earlier order of assessment or intimation passed, if any.

Such amendment of the order will be in conformity with the ALP determined by the TPO for these two consecutive succeeding years after taking into account the directions issued by DRP in respect of the order, if any, passed for the first year.

The amendment to the order for these two consecutive years shall be made within 3 months from the end of the month in which assessment is completed for the first year.

In case the order of assessment or intimation is not passed for these 2 consecutive years within the given 3 months, such re-computation shall be made within 3 months from the end of the month in which such order of assessment or intimation is made.

**CNK Comments:** While the intent of the provisions is to reduce compliance burden, one would need to wait for the rules to be prescribed and determine on a case-to-case basis as to whether such an option is more beneficial to the taxpayer.

### Other Miscellaneous Amendments and Announcements

#### Presumptive Taxation for Non-Residents providing Service or Technology to Electronic Manufacturing Facility

A new section has introduced presumptive taxation in case of non-residents, engaged in the business of providing services or technology in India,

- i. for setting up an electronic manufacturing facility; or
- ii. in connection with the manufacturing or production of electronic goods, article or thing in India.

This applies to the services or technology provided to a resident company operating under a Scheme notified by the Central Government and satisfying conditions prescribed in this behalf.

25% of the aggregate amount paid / payable to or received / deemed to be received by the non-resident / on his behalf is deemed to be the profits and gains of business or profession.

A non-resident declaring profit under presumptive taxation for any previous year would not be allowed any set off of unabsorbed depreciation and brought forward losses.

**CNK Comments:** This provision should be read with applicable provisions of DTAA.

#### Tonnage Tax Scheme

Presently, tonnage tax scheme is available, at the option of the taxpayer, for the qualifying 'seagoing ships'. Now, the tonnage tax scheme has been extended to inland vessels.

Under the tonnage tax scheme, the income from eligible ship / vessel is computed on presumptive basis on the net tonnage of the ship and the number of operational days.

An inland vessel means a vessel registered and plying in inland waters as per The Inland Vessel Act.



### REITs and InvITs eligible for benefit of lower tax rate on capital gains under section 112A

Presently, under the special taxation regime applicable to REITs and InvITs, income other than interest, dividend and rent is taxed in the hands of the REIT / InvIT. Such income, other than capital gains under section 111A and 112, is taxed at MMR. Accordingly, REITs / InvITs earning capital gains under section 112A were required to pay income tax at MMR instead of 12.5%.

Now, long-term capital gains under section 112A would be taxed at 12.5% instead of MMR

### Restriction on carry forward of losses in case of amalgamation and reorganisation

Presently, in case of specified amalgamation or business reorganisation, the accumulated loss of the predecessor entity is deemed to be the loss of successor entity for the previous year in which amalgamation or business reorganisation is effected or brought into force. i.e. the loss of the predecessor entity can be carried forward for a fresh period of 8 AYs from the date of amalgamation / reorganisation.

Now, the period for carry forward of the loss is restricted to 8 years from the year in which such loss was incurred by the predecessor entity.

**CNK Comments:** Though the amendment has been introduced to restrict the evergreening of carry forward of losses, it may affect the reorganisations which are genuine or where the reorganisation is to acquire sick companies. The amendment is applicable to any amalgamation or business re-organization which is effected on or after 1 April 2025. Thus, there remains a point of debate as to which date is to be considered to give effect to the amendment in the case of amalgamation i.e. (i) appointed date, (ii) date on which order is passed or (iii) effective date when the amalgamation order is filed with the ROC.

### Amendment to the definition of Virtual Digital Asset and reporting of information relating to crypto-asset

Presently, there are provisions which deal with the taxability of VDA and TDS thereon. VDA is also defined under section 2(47A) of the Act.

Now, the definition of VDA has been extended to include 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.

Further, a reporting obligation is introduced under section 285BAA to furnish information in respect of transaction of crypto-asset.

**CNK Comments:** The reporting requirement is pursuant to the introduction of the Crypto-Asset Reporting Framework which provides for the automatic exchange of tax-relevant information on Crypto-Assets. However, the crypto-asset needs to be understood in technical



terms in light of the extended definition and reference to the Crypto-Asset Reporting Framework, which would require reporting.

### Gain on sale of securities held by AIF would be taxed as capital gains

Presently, income other than business income of Category I and Category II AIFs is taxed on a pass-through basis in the hands of the investors. There is ambiguity about characterisation of gain arising on transfer of securities held by such funds i.e. whether it is business income or capital gains.

Now, the gains on transfer of securities held by such funds will be classified as capital gains and consequently taxed in the hands of investors.

### Taxation of capital gains on transfer of capital assets by FIIs

Presently, the tax rate of 10% applies to long-term capital gains arising from the transfer of securities in the hands of specified funds or FIIs.

However, the tax rate on all long-term capital gains to 12.5% was amended in July 2024 for all taxpayers, whether resident or non-resident. Therefore, in order to bring parity between the rates of tax on long term capital gain on sale of securities other than the ones specified under section 112A, tax rate under section 115AD has been amended to 12.5%.

### Extension and rationalization of exemption for investment by Sovereign Wealth Funds, Foreign Pension Funds & others

Presently, dividends, interest and long-term capital gains arising to notified SWFs, FPFs and WoS of ADIA from specified investment made up to 31 March 2025 in the infrastructure sector are exempt subject to fulfilment of certain conditions.

Now, the exemption for investment in specified investments has been extended to 31 March 2030.

Further, post the Finance (No. 2) Act 2024, gain on transfer of unlisted debt securities was deemed to be considered as short-term capital gains.

Now, gain on transfer of any security whether equity or debt being specified investments in the infrastructure sector by SWFs, FPFs, and WoS of ADIA will be exempt if security is held for more than 3 years.

This amendment is effective from AY 2025-26.

**CNK Comments:** Earlier, the benefit of exemption could not be claimed in case of transfer of unlisted debt securities as the same was deemed to be a short-term capital asset and tax was required to be paid on the same by the persons specified above. Therefore, this amendment is a welcome move and the gains would be exempt if the security is held for more than three years.

### Indirect Taxation

#### Key Highlights

- The Customs tariff structure has been carefully calibrated to align with the Government's motto of making the country 'Viksit' and 'Aatmanirbhar'. This has been fostered by the removal of 7 additional tariff rates, reducing complexity and improving efficiency in trade.
- A targeted reduction in Customs duties for critical minerals, including cobalt powder, lithium-ion battery scrap, and other essential inputs, to support domestic manufacturing.
- Cess and surcharge shall not simultaneously apply on any goods.
- Full exemption of BCD on 36 lifesaving drugs and concessional duties on 6 others, aimed at improving affordability and accessibility for patients, especially those with chronic diseases.
- To support domestic manufacturing, the BCD on key inputs for technical textiles and electronic goods has been revised, addressing inverted duty structures and promoting local production.
- A further push for lithium-ion battery manufacturing with the exemption of additional capital goods for EV and mobile phone battery production, aligning with India's sustainability goals.
- Customs duty reductions for the handicraft, leather, and marine product sectors to enhance export competitiveness, alongside extended timelines for export of handicrafts.
- Key trade facilitation measures, such as a 2-year time limit for provisional assessments and voluntary compliance provisions, will

incentivize businesses to comply while reducing administrative burdens.

- GST law amendments introduced to streamline procedures related to credit notes, return filing, input tax credit, etc.
- Introduction of a Track and Trace Mechanism for specified commodities under GST, with penalties for non-compliance, to improve traceability and reduce fraud in the supply chain.

### Goods and Service Tax

#### Legislative Amendments

#### GST Levy

#### Distribution of ITC on RCM Inter-State Supplies through ISD

(Sections 2(61), 20(1) and 20(2) of the CGST Act)

- The definition of ISD and other ISD provisions are proposed to be amended w.e.f. 1 April 2025 to explicitly provide for distribution of ITC by the ISD in respect of tax paid on under RCM on inter-state supplies.

**CNK Comments:** The Finance Act, 2024 amended ISD provisions to allow distribution of ITC of GST paid under reverse charge on intra-State supplies. The Finance Bill, 2025 further extends this to include ITC of GST paid under reverse charge on inter-state supplies, resolving potential interpretational disputes.

### Definition of Local Authority

(Section 2(69) of the CGST Act)

- The amendment substitutes the term "municipal or local fund" used in the definition of local authority with "municipal fund or local fund" and introduces an Explanation to define both terms.

**CNK Comments:** The proposed amendment will help eliminate any ambiguity in applying the correct rates of tax, exemptions and determining the applicability for tax payment under reverse charge.

### Definition of Unique Identification Marking

(Section 2 (116A) of the CGST Act)

- The term "unique identification marking" has been proposed to refer to a mark including a digital stamp, digital mark or any other similar marking, which is unique, secure and non-removable.

**CNK Comments:** The proposed term has been defined for the implementation of the track and trace mechanism introduced in this budget to ensure proper monitoring of goods.

### Time of Supply of Vouchers

(Sections 12(4) and 13(4) of the CGST Act)

- The time of supply provisions with respect to supply of vouchers proposed to be deleted.

**CNK Comments:** The deletion of the time of supply provisions for vouchers aligns with the CBIC's clarification vide Circular No. 243/37/2024-GST dated 31 December 2024 that vouchers are not to be treated as supplies of goods or services and therefore, their supplies do not constitute taxable supplies. The amendment is to clarify the tax treatment of vouchers and eliminate potential confusion regarding their GST liability.

### Input Tax Credit Restriction

(Section 17(5)(d) of the CGST Act)

- Section 17(5)(d) presently disallows ITC on goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.
- The proposed amendment substitutes "plant or machinery" with "plant and machinery" under the GST law and clarifies that any reference to "plant or machinery" shall always be deemed to refer to "plant and machinery," overriding any contrary judgments, decrees, or orders.

**CNK Comments:** The intent behind the proposed amendment is to provide clarity that "plant or machinery" should be understood as "plant and machinery," regardless of any prior legal interpretations or rulings to the contrary. By retroactively applying this clarification, it effectively nullifies the functionality test established by the Supreme Court in Safari

Retreats and which had differentiated the terms “plant or machinery” and “plant and machinery”. Consequently, any ITC on any goods /services used for setting up an immovable property (which fulfils the functionality test of a plant or machinery), would not be available.

### Credit Notes

(Section 34 of the CGST Act)

- The proposed amendment explicitly requires the reversal of the corresponding ITC by the registered recipient if a credit note is issued by the supplier, in order to allow the reduction of the supplier’s tax liability.

**CNK Comments:** The amendment requires suppliers to ensure recipients reverse corresponding ITC before claiming a reduction in outward tax liability. This could face legal challenges, as it imposes compliance obligations on suppliers beyond their control, potentially conflicting with established judicial principles.

### ITC Statement

(Section 38 of the CGST Act)

- The provisions relating to ITC statement are proposed to be amended to remove the reference to an auto-generated ITC statement.

**CNK Comments:** The proposed amendment indicates that the legal framework for the ITC statement, which was hitherto generated

automatically in Form GSTR-2B, will now be generated after the actions taken by the recipient through the invoice management system.

### Monthly Return

(Section 39(1) of the CGST Act)

- The amendment is proposed to prescribe conditions and restrictions for filing of monthly return.

**CNK Comments:** The proposed amendment aims to grant the Government the flexibility to prescribe specific conditions and restrictions for the filing of monthly returns. By introducing the provision for 'conditions and restrictions,' the Government can implement any rules and guidelines for return filing as needed, without the necessity of amending the CGST Act itself.

### Pre-Deposit Amounts

(Sections 107 and 112 of the CGST Act)

- The proposed amendment mandates pre-deposit of 10% of the penalty amount for filing appeals before the Appellate Authority and an additional pre-deposit of 10% of the penalty amount for filing appeals before the Appellate Tribunal, in cases where the demand pertains solely to a penalty.
- The pre-deposit requirement for filing appeals before the Appellate Authority in respect of orders passed under Section 129(3) (concerning detained / seized goods or conveyances) has been reduced from 25% to 10%.

**CNK Comments:** The amendment offers relief by reducing the pre-deposit for Section 129(3) penalty orders, making it easier for businesses to appeal. However, it introduces a new 10% pre-deposit for other penalties, which could impose an additional financial burden on taxpayers who were not previously required to pay this amount.

### Track and Trace Mechanism

(Sections 148A and 122B of the CGST Act)

- Sections 148A and 122B have been proposed to introduce a robust track and trace mechanism for specified goods, enhancing the monitoring and control of their supply. Section 148A authorizes the Government, on the recommendations of the Council, to mandate a system that requires businesses to affix unique identification markings on certain goods. This system will also facilitate the electronic storage and access of information related to these goods. Moreover, businesses will be required to maintain detailed records, including information about their manufacturing processes, and contribute to the cost of implementing the track and trace system.
- Section 122B addresses penalties for non-compliance with the provisions outlined in Section 148A. If any individual or business fails to comply with the track and trace requirements, they will be liable to pay a penalty of INR 1 lakh or 10% of the tax payable on the goods, whichever is higher. This penalty will be in addition to any other penalties imposed under the existing provisions of the law, ensuring strong deterrents against non-compliance.

**CNK Comments:** The introduction of these provisions aims to ensure greater accountability and transparency in the supply of goods, particularly those that require close monitoring. While the track and trace mechanism will help curb illegal practices and improve regulatory oversight, businesses, particularly small and medium enterprises, may face challenges in terms of compliance costs and administrative burdens. Therefore, the Government must consider offering adequate support to help businesses implement these new requirements effectively, balancing the need for oversight with practical business realities.

### Schedule III of the CGST Act

- The proposed amendment to Schedule III of the CGST Act, effective from 1 July 2017, introduce a new clause to clarify that the supply of goods warehoused in a SEZ or a FTWZ to any person before clearance for exports, or to the DTA, will not be treated as a supply of goods or services.
- Additionally, the explanation regarding the meaning of "warehoused goods" is amended to clarify that such explanation has been added for the purposes of paragraph 8(a), which deals with the supply of warehoused goods before clearance for home consumption.
- The amendments also insert a new Explanation 3 to define terms like 'SEZ', 'FTWZ', and 'DTA' as assigned to them in section 2 of the Special Economic Zones Act, 2005.
- It has been provided that taxes paid on the above transactions will not be refunded.

**CNK Comments:** These amendments aim to provide clarity on the treatment of certain transactions related to goods stored in SEZs or FTWZs, ensuring that such movements are not taxed under GST. The introduction of specific definitions and the retrospective effect of these changes will help streamline operations and reduce confusion regarding tax liabilities in these zones.

### Customs

#### Legislative Amendments

##### Time Limit for Provisional Assessments

(Section 18 of the Customs Act)

- The proposed amendment is to set a 2-year deadline for finalizing provisional assessments, extendable by 1 year with the approval of the Principal Commissioner or Commissioner of Customs, provided sufficient cause is shown. The 2-year period will start from the date of the Presidential assent to the Bill for pending assessments.
- Exceptions to this deadline include situations where:
  - Information is being sought from a foreign authority through a legal process.
  - A similar matter is under appeal in the Appellate Tribunal, High Court, or Supreme Court.
  - An interim stay has been granted by these courts or tribunal.
  - A specific direction from CBIC is in place to keep the matter pending.

- The importer or exporter has a pending application with the Settlement Commission or Interim Board.

**CNK Comments:** The proposed amendment sets a 2-year deadline (extendable by 1 year) for finalizing provisional assessments, addresses long-standing delays, benefiting both importers and the Government by providing certainty.

Provisional assessments, often delayed for years, have burdened importers with bank guarantees and uncertainty. The amendment aims to tackle these delays, highlighted in CAG reports, and aligns with recent court rulings, though its success depends upon an efficient implementation by the Authorities

##### Voluntary Revision of Post-Clearance Bills

(Sections 18A, 27 and 28 of the Customs Act)

- The proposed amendment provides a mechanism allowing importers and exporters to revise their Bills of Entry or Shipping Bills after the clearance of goods. This allows them to correct any discrepancies in duty payment, either by paying any shortfall with interest or receiving a refund, if excess duty is paid. The Customs authorities will verify the revised entries through a risk-based approach, and if the revised self-assessment is found incorrect, reassessment can be done.
- However, revisions would not be allowed in certain cases, such as when an audit or investigation has been initiated, or when a refund claim has already been processed. The process will be subject to



specific time limits and procedures, which will be outlined in future guidelines.

- The proposed changes also introduce clear timelines for refund claims and demand notices related to revisions. For refund claims arising from revisions, the 1-year time limit will be calculated from the date of the revised duty payment. Similarly, if additional duty is paid due to a revision, the timeline for issuing a demand notice for any short-paid duty will be recalculated from the date of payment of the additional duty. These adjustments ensure that both refunds and demand notices are processed in a timely and transparent manner.

**CNK Comments:** The amendment allows importers and exporters to voluntarily correct errors in their Bills of Entry or Shipping Bills after clearance, simplifying compliance and reducing disputes.

Excess duty payments will be treated as refund claims, addressing past challenges and improving processes like claiming ITC. It also helps resolve FEMA compliance issues by allowing corrections to import / export documentation, which is crucial for accurate foreign exchange remittances and closing IDPMS and EDPMS entries. However, the provision remains restricted in cases of ongoing investigations or audits to prevent misuse.

### Extension of Timelines under IGCR Rules

(Rules 6 and 7 of the IGCR Rules)

- The IGCR rules, which allow Indian importers to avail exemptions based on the use of imported goods for specific purposes, have been

amended through Notification No. 07/2025-Customs (N.T.) dated 1 February 2025. Key changes include:

- Filing of import and consumption records on the IGCR portal is now required quarterly instead of monthly.
- The duration for sending imported goods for job work has been extended from 6 months to 1 year.
- Importers can now re-export or clear unutilized or defective goods within 1 year, up from the previous 6-month period.

**CNK Comments:** The amendments to the IGCR Rules offer greater flexibility for importers, reducing administrative burden and extending key timelines. The shift to quarterly reporting, longer job-work duration, and increased time for re-export or clearance of unutilized goods will improve operational efficiency and ease of compliance.

### Tariff Amendments

#### Customs Duty Exemptions

(Notification No.50/2017-Customs)

- A comprehensive review of 25 conditional exemptions under Notification No. 50/2017-Customs has been undertaken. Out of these, 24 exemptions have been extended with modifications, while one, for Heat Coils used in the manufacture of Electric Kitchen Chimneys, has lapsed.
- Additionally, 9 new categories of items, such as seashells and adhesives, have been added to the list of duty-free items for use in



the export of handicrafts, with the export timeline extended from 6 months to 1 year, plus a further 3-month extension.

- Furthermore, BCD exemptions are being extended to imports of ground installations and related spares for satellites, as well as for goods used in the building and launching of satellites and launch vehicles.

(Notification No.16/2017-Customs)

- The notification exempts certain drugs and medicines from BCD provided they are supplied free of cost to patients under the Patient Assistance Programmes run by pharmaceutical companies.
- 37 new drugs and 13 additional patient assistance programmes have been included in the list.

(Notification No.153/1994-Customs)

- The present notification exempts BCD and IGST on articles of foreign origin imported for maintenance, repair, or overhauling with the intention of re-export. Previously, the re-export time limit for goods under Chapter 88 and Chapter 89 was set at 1 year (extendable by an additional year), while the time limit for all other goods was 6 months (extendable by 1 year).
- W.e.f. 2 February, 2025, the re-export duration for goods under Chapter 86 (railway goods) has now been extended to 1 year, with a further extension option of 1 year.

## Key Tariff Amendments

Key amendments in the customs tariffs are tabulated below:

Particulars	Duty Type	Present Rate (%)	New Rate (%)
<b>Gems and Jewellery</b>			
Articles of jewellery and parts thereof under tariff heading 7113; articles of goldsmiths' or silversmiths' wares and parts thereof under tariff heading 7114	BCD	25	20
Platinum findings	BCD	25	5
	AIDC	Nil	1.4
<b>IT and Electronics Sector</b>			
Inputs / parts and sub-parts of PCBA, camera module, connectors and inputs or raw materials for use in manufacture of wired headset, microphone and receiver, USB cable, fingerprint reader / sensor of cellular mobile phone	BCD	2.5	Nil
Specified inputs / parts (chip on film, PCBA, glass board / substrate cell) for use in manufacture of open cells of TV panels of LED / LCD TV	BCD	2.5	Nil
Ethernet Switches Carrier-Grade	BCD	20	10

Particulars	Duty Type	Present Rate (%)	New Rate (%)
Open cell (with or without touch) for interactive Flat Panel Display module, Touch Glass sheet and Touch Sensor PCB for use in manufacture of Interactive Flat Panel Display module	BCD	15/ 10	5
Interactive Flat Panel Display classified under tariff item 8528 59 00 (CBU)	BCD	10	20
<b>Waste and Scrap of Critical Minerals and others</b>			
Waste and scrap of Antimony, Beryllium, Bismuth, Cobalt, Cadmium, Molybdenum, Rhenium, Tantalum, Tin, Tungsten, Zirconium, Copper scrap covered under tariff items 74040012, 74040019 and 74040022	BCD	10/5/2.5	Nil
Waste and scrap of Lithium-Ion Battery	BCD	5	Nil
Cobalt powder	BCD	5	Nil
Waste and scrap of Lead	BCD	5	Nil
Waste and scrap Zinc	BCD	5	Nil
<b>Automobile</b>			
	BCD	40	20

Particulars	Duty Type	Present Rate (%)	New Rate (%)
Motor vehicles for transport of passengers and goods covered under tariff heading 8702 and 8704	AIDC	Nil	20
	SWS	10	Nil
Motorcycles with engine capacity not exceeding 1600 CC in:	BCD		
(i) CBU form		50	40
(ii) SKD form		25	20
(iii) CKD form		15	10
Motorcycles with engine capacity exceeding 1600 CC in:	BCD		
(i) CBU form		50	30
(ii) SKD form		25	20
(iii) CKD form		15	10
<b>Capital Goods</b>			
Addition of 35 capital goods / machinery for use in the manufacture of lithium-ion battery of EVs and 28 capital goods / machinery for use in the manufacture of lithium-ion battery of mobile phones	BCD	As applicable	Nil
<b>Others</b>			
All dutiable articles, imported by a passenger or a member of a crew in	BCD	100	70
	SWS	10	Nil

Particulars	Duty Type	Present Rate (%)	New Rate (%)
his baggage, under tariff heading 9803			
Dutiable goods imported for personal use classified under heading 9804 other than those at 10% BCD	BCD	35	20
	SWS	10	Nil

## EXPORT DUTY

Particulars	Present Rate (%)	New Rate (%)
Crust leather (hides and skins)	20	Nil

## Other Amendments

- The Finance Bill proposes to insert / substitute certain tariff entries in the First Schedule to the Customs Tariff Act, 1975 from 1 May 2025.
- Decrease in Tariff rate of various commodities with no changes in its effective rate.

## Customs and Excise

### Legislative Amendment

#### Interim Board for Settlement

(Sections 127A, 127B, 127C, 127D, 127F, 127G and 127H of the Customs Act)

(Sections 31, 31A, 32, 32A, 32B, 32C, 32D, 32E, 32F, 32G, 32I, 32J, 32K, 32L, 32M, 32O and 32P of the Central Excise Act)

- The proposed amendments in the Customs Act and Central Excise Act effective from 1 April 2025 will replace the existing Customs, Central Excise and Service Tax Settlement Commission (“CCESC”) with 1 or more “Interim Boards for Settlement” to handle pending applications for settlement under the Customs Act and Central Excise Act.
- These boards will begin functioning from 1 April 2025, with each board comprising 3 senior officers (Chief Commissioner or above). Pending applications filed before the said date will be processed from the stage they were at before the Interim Board was formed. Additionally, the Interim Boards will have the authority to extend the deadline for disposing of applications by up to 12 months.

**CNK Comments:** The amendments reflect a major shift in how pending cases under the Customs Act and Central Excise Act will be handled, transitioning from the Settlement Commission to Interim Boards. This move aims to bring more efficiency and structure to the

settlement process, with clear guidelines on how pending applications will be processed.

However, businesses will need to adjust to these changes, as it marks the end of the Settlement Commission's authority, which has been a long-standing mechanism for dispute resolution. The restriction on new applications and the shift in responsibility to a new body may lead to transitional challenges. Additionally, the amendments focus heavily on clearing the backlog of pending cases, which is positive but might leave little room for addressing new, unforeseen issues under the current framework.

### Excise

#### Tariff Amendment

(Notification No.1/2025-Central Excised dated 1 February 2025)

- The levy of additional excise duty of INR 2 per litre notified to be levied on unblended Diesel is being deferred till 31 March 2026.

### Service Tax

#### Retrospective Exemption

- Services provided or agreed to be provided by insurance companies by way of reinsurance services under the Weather Based Crop Insurance Scheme and the Modified National Agricultural Insurance Scheme have been retrospectively exempted from service tax from 1 April 2011 to 30 June 2017.

- Refund of service tax collected on the reinsurance services by the insurance companies under the aforesaid schemes will be granted, with applications to be made within 6 months from the date of enactment of the Finance Bill, 2025.

**CNK Comments:** The proposed amendment effectively resolves a long-pending dispute over service tax on reinsurance under agricultural insurance schemes, providing relief through refunds for the specified period. However, clarity on the refund application process, eligibility criteria, and the unjust enrichment condition, which is typically assessed during refund claims, will be crucial for its smooth implementation.

### Other Measures

#### Boost to Exports

- The Government has announced several key measures to boost exports.
- Export Promotion mission will be set up to drive export growth, with support for access to export credit, cross-border factoring, and help for MSMEs to navigate non-tariff barriers.
- BharatTradeNet, a digital platform will be created to streamline trade documentation and financing, enhancing efficiency in international trade and aligning with global practices.
- The Government will upgrade air cargo facilities, especially for high-value, perishable goods, and streamline cargo screening and customs processes.



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