

## NEWSLETTER No 32 – UNION BUDGET 2025

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### INCOME TAX RELATED IMPORTANT AMENDMENTS IN UNION BUDGET 2025:

**Except when stated otherwise, maximum amendments would be Applicable from FY 2025-26.**

1. This was eighth and importantly consecutive eighth (seventh full budget) presented by FM Mrs Nirmala Sitaraman. It was presented on Feb 1, 2025.
2. The proposed amendments shall be largely applicable from financial year 2025-26, ie, assessment year 2026-27 except when otherwise specified. Amendments related to CGST Act shall be applicable from the date of their notification in the official gazette.

Sec 2 to 91 (all amendments related to income tax), Sec 104 to 120 (central excise), and Sec 125 (Sec 20 of CGST) of Finance Act, 2025 shall come into force from April 1, 2025.

Sec 121 to 124 (CGST), Sec 126 to 134 (CGST) shall come into force from the date of their publication in official gazette.

2. Lok Sabha has passed the Finance Bill, 2025 on Mar 25, 2025 and by Rajya Sabha on Mar 27, 2025. President assented on Mar 29, 2025 and it became Finance Act, 2025.
3. No change in income tax rates in the old regime.
4. Major changes in the new tax regime for individuals and HUF, AOP, BOI and AJP. This is quite big and unexpected. New slabs for FY 25-26 are as follows:



Sl	Total income (Rs lacs)	Rate of tax (%)
1	Upto 4	Nil
2	4 to 8	5
3	8 to 12	10
4	12 to 16	15
5	16 to 20	20
6	20 to 24	25
7	Above 24	30

Slabs for FY 2024-25 are as below:

Sl	Total income (Rs)	Rate of tax (%)
1	Upto Rs 3,00,000	Nil
2	From Rs 3,00,001 to Rs 7,00,000	5%
3	From Rs 7,00,001 to Rs 10,00,000	10%
4	From Rs 10,00,001 to Rs 12,00,000	15%
5	From Rs 12,00,001 to Rs 15,00,000	20%
6	Above Rs 15,00,000	30%

- In new regime, threshold limit for rebate u/s 87A increased from Rs 7 lacs to Rs 12 lacs. Max rebate increased from Rs 25k to 60k.
- Important – rebate u/s 87A would not be available for special rate incomes (eg capital gains u/s 111A/ 112/ 112A etc). There was anomaly in FY 23-24 due to which many processing demands came for that year.
- Sec 16(ia) - Standard deduction remains same. Rs 50,000 in old scheme and 75,000 if assessee opts 115BAC.
- Taxpayer earning Rs 12 lacs to save Rs 83,200 compared to FY 24-25.
- Taxpayer earning Rs 25 lacs to save Rs 1,14,400 compared to FY 24-25. Maximum amount saved could be Rs 1.43 lacs for higher earners.
- Under new regime, tax liability on Rs 24 lacs income would be Rs 3 lacs, which is 12.50% average.
- New scheme would be beneficial for most of the taxpayers. Old regime would be beneficial if allowable deduction is minimum of Rs



4.75 lacs for particular income levels only. Old regime to be beneficial at all income levels only if allowable deduction is more than Rs 7.75 lacs, which is almost unlikely.

- Since people would opt for new regime, they would not get any tax benefit on account of donations etc. So, it would be difficult to get 80G donations.
- This is a great benefit to middle class. It was perceived that Govt is working for only upper and lower class only. On a lighter note, it may also be referred to as 'Ladka Bhau' yojana.

5. Sec 2(14) – Definition of capital asset – ULIP to which exemption u/s 10(10D) is not available would be treated as capital asset.
6. Sec 12AB – In case of small trusts (total income without giving effect to provisions of Sec 11 and 12 does not exceed Rs 5 crore during each of the two previous years preceding the PY in which application for registration is made), period of renewal extended from 5 years to 10 years.

Clause (g) of Sec 12AB(4) amended so that registration cannot be cancelled for small reasons such as application was incomplete.

Important points:

- Total income of 2 years preceding the year of application is important and not at the time of deciding renewal.
7. Sec 13(3)(b) – A person would be treated as substantial contributor if he contributes more than Rs 1 lac during the relevant previous year or Rs 10 lacs in all years till date. Earlier this limit was Rs 50,000 till date.

Also, relatives of such substantial contributor shall not be treated as specified persons. This is an extremely good relief. Practically it was so difficult, rather impossible, to implement this.

8. Sec 17(2) – Perquisites - The value of any benefit or amenity granted or provided free of cost or at concessional rate to any employee drawing salary of more than just Rs 50,000 was treated as perquisite. Now instead of this limit of Rs 50,000, they have introduced "such amount as may be prescribed".



Similarly, in case of foreign travel for medical treatment, cost of travel was not treated as perquisite only if income of employee is not more than Rs 2 lacs. Now instead of this limit of Rs 2 lacs, they have introduced “such amount as may be prescribed”.

9. Sec 23(2) – Condition for treating a property as self occupied made very simple. Earlier, you had to give reason for not occupying. Now, if the maximum of two properties owned by person are not occupied by him for any reason, still annual value to be treated as Nil.
10. Sec 44BBD – Presumptive taxation of 25% introduced for non resident providing services or technology in India.
11. Sec 72A and 72AA – There is restriction of 8 years of carry forward of loss. In case of amalgamation/ merger/ conversion etc, this was available for 8 years from amalgamation. Now it is restricted to total of 8 years including period by predecessor.
12. 80CCA(2) – Withdrawals by Individual from National Savings Scheme (NSS) after August 29, 2024 would not be taxable.
13. 80CCD(1B) – Deduction upto Rs 50k (aggregate deduction) would be available for investments in name of minor also made by assessee, being parent or guardian.
14. 80IAC – Deduction in case of eligible start up if incorporated upto Mar 31, 2030 (earlier it was Mar 31, 2025).
15. Sec 87A – Rebate – Proviso inserted to specifically state that rebate would not be available for special rate incomes.
16. Sec 113 – In search cases, tax on undisclosed income would be 60%. Due to removal of word “undisclosed” by Finance Act, 2024, it meant that 60% tax would be applicable even on disclosed income.
17. Sec 139(8A) and Sec 140B – Updated return could be furnished upto 24 months from end of AY. Now, it can be submitted upto 48 months from end of AY with even more additional tax as below:



Period	Additional tax
Upto 12 months from end of AY	25%
12 to 24 months	50%
24 to 36 months	60%
36 to 48 months	70%

Updated return cannot be filed after SCN u/s 148A has been issued. However, it may be filed order is passed u/s 148A(3) stating that it is not a fit case for issue of notice u/s 148.

18. Sec 143(1)(a)(iia) – Important – Now CPC can make adjustments to income on the basis of any inconsistency in the return with respect to information in the return in **any** preceding previous year, as may be prescribed.

So, now there could be further data mining and taxpayer may face additional genuine/ non genuine demands.

19. Various changes in TDS/ TCS provisions wef Apr 1, 2025. Important and relevant for us are as below:

- Sec 193 – Interest on securities – Threshold limit increased from Rs 5,000 to 10,000.
- Sec 194 – Dividend – Threshold limit increased from Rs 5,000 to 10,000.
- Sec 194A – Interest other than interest on securities –
  - In case of interest paid by Banking Co/ Co-operative Soc/ Post office, threshold limit increased from Rs 50,000 to Rs 1 lac in case of senior citizen. In case of others, it is increased from Rs 40,000 to Rs 50,000.
  - In case of interest paid by others, threshold limit increased from Rs 5,000 to Rs 10,000.
- 194B (Winnings from lottery or crossword puzzle) and Sec 194BB (Winnings from Horse Race)– Aggregate limit of Rs 10,000 changed to Rs 10,000 per transaction.
- 194D (Insurance commission) and 194G (Commission on sale of lottery tickets) – Threshold limit increased from Rs 15,000 to Rs 20,000.
- 194H (Commission or Brokerage) – Threshold limit increased from Rs 15,000 to Rs 20,000.
- 194I (Rent) – Threshold limit changed from Rs 2.40 lacs per annum to Rs 50,000 per month.



- 194J (Fees for Professional or Technical Services) – Threshold limit increased from Rs 30,000 to Rs 50,000.
  - 194K (Income in respect of units of mutual fund) – Threshold limit increased from Rs 5,000 to Rs 10,000.
  - 194LA (Compensation on acquisition of immovable property) – Threshold limit increased from Rs 2.50 lacs to Rs 5 lacs.
  - 194T (Payment of interest or remuneration to partners) – TDS would now be applicable @ 10% if payment is more than Rs 20,000. It is applicable from April 1, 2025. This will have far reaching impact on partnership firms finalization.
  - 206C(1) – TCS in case of timber reduced from 2.50% to 2%.
  - 206C(1G) – TCS in case of remittance out of India under LRS changed as below:
    - TCS for overseas tour package – 2% upto Rs 10 lacs (increased from Rs 7 lacs), beyond that amount 5%.
    - No TCS if payment is for education purpose out of education loan from financial institution. Earlier it was 0.50% in excess of Rs 7 lacs.
    - TCS @5% if payment for education (not out of education loan) exceeds Rs 10 lacs. Earlier this limit was Rs 7 lacs.
    - TCS @5% if payment for medical treatment exceeds Rs 10 lacs. Earlier this limit was Rs 7 lacs.
    - TCS @20% if payment for any other reason exceeds Rs 10 lacs. Earlier this limit was Rs 7 lacs.
20. Sec 206C(1H) – TCS on sale of goods exceeding Rs 50 lacs – this provision is omitted wef Apr 1, 2025. Both TDS on purchases and TCS on sale simultaneously were creating lot of practical problems. Fortunately, this provision is now deleted.
21. Sec 206AB and Sec 206CCA omitted wef Apr 1, 2025 – Higher rate of TDS/ TCS was applicable if recipient had not filed its income tax return while TDS/ TCS was more than Rs 50,000. This provision is now being omitted. It was practically difficult to implement this Section and fortunately it is omitted now.
22. Proviso to Sec 206C(7A) - Time limits to pass order under TCS made in line with Sec 153.



23. Sec 271C and 271CA – Penalty for failure to deduct and collect tax at source shall now be imposed by Assessing Officer instead of Joint Commissioner earlier.
24. Sec 271D/ 271DA/ 271DB/ 271E - Penalty for failure to comply with the provisions of section 269SS/ 269T/ 269SU/ 269T shall now be imposed by Assessing Officer instead of Joint Commissioner earlier.

Sec 269SU prescribes that Every person, carrying on business, shall provide facility for accepting payment through prescribed (Rule 119AA) electronic modes, in addition to the facility for other electronic modes, of payment, if any, being provided by such person, if his total sales, turnover or gross receipts, as the case may be, in business exceeds fifty crore rupees during the immediately preceding previous year

25. Sec 276BB – No prosecution if TCS collected is deposited before due date of filing TCS return. It appears that the benefit would not be available if TCS is paid after due date of filing returns but before actual filing of them.
26. Sec 285BAA inserted - Any person, being a reporting entity, as prescribed, in respect of a crypto-asset, shall furnish information in respect of a transaction of such crypto-asset in a statement, for such period, within such time, in such form and manner and to such income-tax authority, as prescribed.
27. Most important – New Income tax Bill, 2025 is introduced in Lok Sabha on Feb 13, 2025. It's a new 624 pages Bill with 536 sections. It is proposed to implemented from April 1, 2026. So, probably this is last year of our old income tax.

Fortunately, it is not named as 'Direct Taxes Code' as it was named earlier. Otherwise, they would have included some more taxes other than tax on income.

It is again expected to be as simple and easy as GST. So all the best for the new beginning.



## **GST RELATED IMPORTANT AMENDMENTS IN UNION BUDGET 2025:**

Some amendments related to CGST and IGST shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Sec 121 to 134 of FA 2025 are related to GST amendments. Sec 121 to 124 (CGST), Sec 126 to 134 (CGST) shall come into force from the date of their publication in official gazette.

### **Central Goods and Service Tax, 2017**

1. Sec 2(61) – Definition of input service distributor expanded to include RCM on interstate purchases also. Corresponding change in Sec 20 of CGST Act, meaning ISD can pay RCM on inter-state supply of common services and can distribute to persons under same PAN number. Only this amendment is wef April 1, 2025. All other GST amendments would be effective from date to be notified.
2. Sec 148A inserted to introduce new mechanism for tracking and tracing certain goods/ machineries. Sec 2(116A) inserted to define unique identification marking.

This track and trace mechanism shall be introduced for specified goods for specified class of persons, probably tobacco, pan masala etc. We are also hearing about copper, iron, scrap, paper, plastic but not sure.

This will be one more step to digitally control all activities of taxpayers. Every machine that the person owns would be traceable, one would have to justify less manufacture of goods if he is selling some in grey market etc.

3. Penalty u/s 122B inserted for violation of Sec 148A which will be equal to 10% of tax or Rs 1 lac whichever is higher.
4. Sec 12(4) and 13(4) related to time of supply of “voucher” is omitted. It was clarified by 55<sup>th</sup> GST council meeting that vouchers are neither goods or services, it is like a prepaid instrument. So, GST not leviable on it. But it will be levied on underlying goods or services when they are actually supplied.





5. Important – Sec 17(5)(d) amended retrospectively from July 1, 2017 – word 'plant or machinery' replaced with 'plant and machinery'.

The Supreme Court's ruling in the Safari Retreats case significantly impacted GST input tax credit (ITC) on construction of "plant or machinery". The court held that "plant or machinery" in Section 17(5)(d) of the CGST Act should not be interpreted narrowly, allowing ITC on buildings if they are essential for business operations. However, the GST budget has since proposed a retrospective amendment to replace "plant or machinery" with "plant and machinery", potentially negating the Safari Retreats ruling.

Elaboration:

- **Functionality test:**

The court introduced the "functionality test" to determine if a building qualifies as "plant". This test considers whether the building is essential for carrying out business activities, such as renting or supplying services, rather than just a place where business is conducted.

- **Impact of Safari Retreats:**

The Safari Retreats judgment expanded the scope of ITC on construction of buildings, particularly those rented out, as they could be considered "plant" under the functionality test.

- **Retrospective amendment:**

The 55th GST Council meeting and FA 2025 proposed a retrospective amendment to Section 17(5)(d) to replace "plant or machinery" with "plant and machinery", effectively undoing the Safari Retreats ruling.

- **Implication of the amendments:**

This amendment will impact businesses that relied on the Safari Retreats ruling to claim ITC on construction costs of buildings, potentially leading to reassessment of tax positions and potential disputes over past periods.

- **Review petition:**

The Finance Ministry has also filed a review petition in the Safari Retreats case, adding another layer of uncertainty to the situation.

6. Proviso amended to Sec 34(2) related to credit notes/ debit notes to provide that –



- i. input tax credit as is attributable to such a credit note, if availed, has not been reversed by the recipient, where such recipient is a registered person; or
- ii. incidence of tax on such supply has been passed on to any other person, in other cases.

So, now, supplier would have to obtain certificates from recipients stating that they have reversed ITC on credit notes received. But I could not understand exact meaning of clause (ii) above.

Cir 212/6/2024 dt 26-6-2024: Clarification – where tax credit note is issued by supplier, then to ensure that tax reversed by recipient (as per Sec 15(3)(b) of CGST Act), CA/ CMA certificate containing certain details is to be obtained. If amount of tax involved in credit notes per recipient is less than Rs 5 lacs, then instead of CA/ CMA certificate, undertaking/ certificate may be obtained from recipient. Probably such certification may not be required once IMS is compulsorily introduced.

7. Sec 38 – communication of details of inward supplies and ITC – invoice management system (IMS) which is currently optional, would be made compulsory. So you can't put anything pending that comes as credit or debit from your supplier.

The Invoice Management System (IMS) under GST is a feature on the GST portal that allows recipient taxpayers to review, accept, reject, or keep invoices pending for later use. This system aims to streamline the process of Input Tax Credit (ITC) availing by facilitating a match between invoices issued by suppliers and the records maintained by recipients. The IMS was launched on October 14, 2024, and is designed to help businesses manage their GST obligations more efficiently.

This will also have large implications on business of taxpayer, now it cannot be said that he has taken ITC by mistake just because it has come in my 2B. Every invoice, credit note or debit note would have to be accepted or rejected. 2B of recipient would be generated on the basis of actions taken in IMS.

8. Sec 39 – furnishing of returns - technical amendment to put restrictions for filing 3B.



9. Sec 107(6) – Part payment while filing appeal – Under GST, one has to pay 10% of disputed tax for filing first appeal. No need to pay any part payment against interest and penalty.

However, now it is stated that in case of pure penalty order, 10% of penalty amount would have to be paid for first appeal.

This seems to be draconian provision. Recently in one of the cases, GST department levied penalty of Rs 3700 crore on employee of a company. Fortunately, Bombay HC struck down this penalty and even SLP filed by department in Supreme Court has been rejected. So, department seems to be ruthless while implementing provisions of Act in its widest possible meaning.

10. Sec 112(8) – Similar to above amendment, amendment made for part payment while filing tribunal appeal. Additional 10% of penalty amount (in addition to paid u/s 107(6)) if its pure penalty order.
11. Schedule III – activities or transactions that shall be treated as neither supply of goods nor services.

In paragraph 8, clause (aa) inserted retrospectively from July 1, 2017:

Supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area.

This was quite a litigated matter and now it is settled.

But unfortunately it says if taxes already paid would not be refunded. How government can enrich itself on the basis of something which was not clear in law. It is violation of Article 265 of the Constitution of India.



## MISC PROPOSALS OTHER THAN INCOME TAX AND GST:

1. Criteria for classification of MSME changed wef April 1, 2025:

Category	Investment in plant and machinery or equipment		Turnover	
Rs in Crore	Revised	Upto Mar 31, 2025	Revised	Upto Mar 31, 2025
Micro enterprises	2.50	1	10	5
Small enterprises	25	10	100	50
Medium enterprises	125	50	500	250

Both above conditions to be satisfied to remain in that category. Benefit of Sec 43B of Income tax is applicable to only Micro and Small, it is not available to Medium.

2. Medical seats to increase by 10,000 in this year and overall by about 75,000 in next 5 years. To my knowledge, there are around 1.85 lacs MBBS UG and PG seats in India (1.12 lacs UG and 0.73 lac PG). In 2014, this figure was only around 0.75 lacs.
3. Improvement of infrastructure in 23 IITs.
4. Around 120 centres would be connected under Civil Aviation in next 10 years.

### Disclaimer:

*All efforts have been made to ensure correctness of data. However, readers are advised to confirm from their own sources also. Interpretations given above are our personal opinions at M/s Umesh Agrawal and Associates. We are not responsible for any loss arising due to the above information.*

