

BUDGET 2025, HIGHLIGHTS & ANALYSIS

Finance Minister Nirmala Sitharaman has made history by presenting the Union Budget for 2025-26 on 1st February, 2025, in Parliament. This is the 8th consecutive year that Hon'ble Finance Minister Nirmala Sitharaman has presented the budget which termed by Hon'ble Prime Minister Narendra Modi as People's budget.

This year's budget focus to continue to reforms in Direct Tax system through tax relief, removing difficulties faced by taxpayers, and rationalizing various provisions. With a view to achieving the above, the various proposals for amendments are organized in the finance bill 2025.

KEY HIGHLIGHTS OF THE BUDGET 2025 ARE SUMMARISED BELOW:

DIRECT TAXATION:

➤ **Income Tax Rate:**

- a) Change in new tax regime slabs from F.Y. 2024-25 (A.Y. 2025-26) vs Change in new tax regime slabs from F.Y. 2025-26 (A.Y. 2026-27)

Total Income	Rate of Tax (Before budget)	Total Income	Rate of Tax (After Budget)
Upto Rs.3,00,000	Nil	Upto Rs.4,00,000	Nil
From Rs.3,00,001 to Rs.7,00,000	5%	From Rs.4,00,001 to Rs.8,00,000	5%
From Rs.7,00,001 to Rs.10,00,000	10%	From Rs.8,00,001 to Rs.12,00,000	10%
From Rs.10,00,001 to Rs.12,00,000	15%	From Rs.12,00,001 to Rs.16,00,000	15%
From Rs.12,00,001 to Rs.15,00,000	20%	From Rs.16,00,001 to Rs.20,00,000	20%
Above Rs.15,00,000	30%	From Rs.20,00,001 to Rs.24,00,000	25%
		Above Rs.24,00,000	30%

➤ **TDS threshold rationalization:**

Sr. No.	Section	Present Threshold	Proposed Threshold	With effect from
1.	Section 193 - Interest on securities	Nil	Rs.10,000/-	1.4.2025
2.	Section 194 - Dividend for an individual shareholder	Rs.5,000/-	Rs.10,000/-	1.4.2025
3.	Section 194A - Interest other than Interest on securities	(i) Rs.50,000/- for senior citizen; (ii) Rs.40,000/- in case of others when payer is bank, cooperative society and post office (iii) Rs.5,000/- in other Cases	(i) Rs.1,00,000/- for senior citizen (ii) Rs.50,000/- in case of others when payer is bank, cooperative society and post office (iii) Rs.10,000/- in other cases	1.4.2025
4.	Section 194B - Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding Rs.10,000/- during the financial year	Rs.10,000/- in respect of a single transaction	1.4.2025
5.	Section 194BB - Winnings from horse race	Aggregate of amounts exceeding Rs.10,000/- during the financial year	Rs.10,000/- in respect of a single transaction	1.4.2025
6.	Section 194D - Insurance Commission	Rs.15,000/-	Rs.20,000/-	1.4.2025
7.	Section 194G - Income by way of	Rs.15,000/-	Rs.20,000/-	1.4.2025

	commission, prize etc. on lottery tickets India			
8.	194H - Commission or Brokerage	Rs.15,000/-	Rs.20,000/-	1.4.2025
9.	Section 194-I Rent	Rs.2,40,000/- during the financial year	Rs.50,000/- per month or part of a month (Rs.6,00,000/- during the financial year)	1.4.2025
10.	Section 194J - Fee for professional or technical services	Rs.30,000/-	Rs.50,000/-	1.4.2025
11.	Section 194K - Income in respect of units of a mutual fund or specified company or Undertaking	Rs.5,000/-	Rs.10,000/-	1.4.2025
12.	Section 194LA - Income by way of enhanced compensation	Rs.2,50,000/-	Rs.5,00,000/-	1.4.2025

➤ **Reduction of Tax Deducted at Source for Section 194LBC - Income in respect of investment in securitization trust:**

Earlier, deduction of income tax at source on any income is payable by a securitization trust to an investor, being a resident, the person responsible for making the payment shall, deduct income-tax, at the rate of 25%, if the payee is an individual or a Hindu undivided family and 30%, if the payee is any other person.

Now it is proposed that TDS rate to be reduced from 25% and 30% to 10% with effect from the 1st day of April, 2025.

➤ **Amendment under section 206C of Tax Collected at Source for certain specified goods-**

Sr. No.	Nature of Goods	Present TCS Rate	Proposed TCS Rate	With effect from
1.	Timber or any other forest produce (not being tendu	2.5%	2%	1.4.2025

	leaves) obtained under a forest lease			
2.	Timber obtained by any mode other than under a forest lease	2.5%	2%	1.4.2025

➤ **TCS on Sales of Goods:**

To reduce compliance burden on the taxpayers, effective from 1st April 2025, Section 206C(1H) TCS on Sale of Goods is abolished. However, TDS under section 194Q continuous to be applicable.

➤ **TCS on remittance under LRS**

The threshold to collect tax at source (TCS) on remittances under RBI's Liberalized Remittance Scheme (LRS) is proposed to be increased from Rs.7 lakh to Rs.10 lakh. Further it is also propose to remove TCS on remittances for education purposes, where such remittance is out of a loan taken from a specified financial institution.

➤ **Decriminalization of delay payment of TCS up to the due date of filing return**

In July 2024, the delay for payment of TDS up to the due date of filing statement was decriminalized. Now it is proposed to provide the same relaxation to TCS provisions as well.

➤ **Changes in income from House Property**

Presently tax-payers can claim the annual value of self-occupied properties as nil only on the fulfilment of certain conditions. Considering the difficulties faced by taxpayers, it is proposed to allow the benefit of **two such self-occupied properties** without any condition.

➤ **Amendment's in International Taxation:**

Expansion of scope of Safe Harbour Rules to reduce litigation and provide certainty in international taxation.

Scheme to be introduced for determining arm's length price in relation to international taxation for a block of three years, to streamline transfer pricing with global practices and to support ease of doing business.

➤ **Penalties imposed by the Assessing Officer:**

In order to simplify the process of imposing penalties under sections 271C, 271CA,

271D, 271DA, 271DB and 271E of the Act. It is proposed that penalties under these sections shall be levied by the Assessing Officer in place of Joint Commissioner, subject to the provisions of sub-section (2) of section 274 of the Act. Thus, Assessing Officer shall take the prior approval of Joint Commissioner for the passing of penalty order, where penalty amount exceeds the limit specified in sub-section (2) of section 274 of the Act.

This amendment will take effect from 01.04.2025.

➤ **Rationalization of Time Limit to impose penalties:**

Section 275 of the Act is have multiple timelines for imposition of penalties in various cases, this makes it difficult to keep track of multiple time barring dates for effective and efficient tax administration.

To simplify this, it is proposed to amend section 275 of the Act to provide that any order imposing a penalty under Chapter XXI shall not be passed after the expiry of six months from the end of the quarter in which the connected proceedings are completed, or the order of appeal is received by the jurisdictional Principal Commissioner or Commissioner, or the order of revision is passed, or the notice for imposition of penalty is issued, as the case maybe.

This amendment will take effect from 01.04.2025.

➤ **Longer registration validity for smaller trust or institution:**

To reduce the compliance burden for the smaller trusts or institutions, it is proposed to increase the period of validity of registration of trust or institution from 5 years to 10 years, in cases where the trust or institution made an application under sub-clause (i) to (v) of the clause (ac) of sub-section (1) of section 12A, and the total income of such trust or institution, without giving effect to the provisions of sections 11 and 12, does not exceed Rs.5 crores during each of the two previous year, preceding to the previous year in which such application is made.

➤ **Extension of date of making investment by Sovereign Wealth Funds, Pension Funds & others and rationalisation of tax exemptions:**

It is proposed that date of investment of tax exemptions for investments made in Sovereign Wealth Funds, Pension Funds & others shall be extended from 31st day of March, 2025 to 31st day of March, 2030.

➤ **Scheme of presumptive taxation extended for non-resident providing services to resident company for electronics manufacturing facility:**

In order to ensure certainty and promotion of this industry, it is inserted a new section 44BBD, which deems twenty-five per cent of the aggregate amount received/receivable by, or paid/ payable to, the non-resident, on account of providing services or technology, as profits and gains of such non-resident from this business. This will result in an effective tax payable of less than 10% on gross receipts, by a non-resident company.

This amendment will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

➤ **Extension of timeline of tax benefits to start-ups:**

Eligible startups can continue claiming 100% tax exemption for three years out of ten years for another period five years, i.e. the benefit will be available to eligible start-ups incorporated before 01.04.2030.

This amendment will take effect from 01.04.2025.

➤ **Taxation of capital gains on transfer of capital assets by non-residents:**

It is proposed to increase in tax rate on Long-Term Capital Gains for FPIs and FIIs under section 115AD from 10% to 12.5%.

➤ **Extending the time-limit to file the updated return**

Extending the time limit to file the updated return from the 24 months to 48 months.

- Rate of additional income-tax payable for updated return filed after expiry of 24 months and upto 36 months from the end of the relevant assessment year shall be 60% of aggregate of tax and interest payable.
- The additional income-tax payable for updated return filed after expiry of 36 months and upto 48 months from the end of the relevant assessment year shall be 70% of aggregate of tax and interest payable.

➤ **Miscellaneous:**

a. **Enhanced Credit through KCC:**

Kisan Credit Cards (KCC) facilitate short term loans for 7.7 crore farmers, fishermen, and dairy farmers. The loan limit under the Modified Interest Subvention Scheme

will be enhanced from Rs.3,00,000/- to Rs.5,00,000/- for loans taken through the KCC.

b. Scheme for First-time Entrepreneurs:

A new scheme for 5 lakh women, Scheduled Castes and Scheduled Tribes first-time entrepreneurs to provide term-loans up to Rs.2,00,00,000/- in the next 5 years announced.

c. Focus Product Scheme for Footwear & Leather Sectors:

To enhance the productivity, quality and competitiveness of India's footwear and leather sector, a focus product scheme announced to facilitate employment for 22 lakh persons, generate turnover of Rs.4 lakh crore and exports of over Rs 1.1 lakh crore.

d. Bharatiya Bhasha Pustak Scheme:

Bharatiya Bhasha Pustak Scheme announced to provide digital-form Indian language books for school and higher education.

e. PM SVANidhi:

Scheme to be revamped with enhanced loans from banks, UPI linked credit cards with Rs.30,000 limit, and capacity building support.

f. Social Security Scheme for Welfare of Online Platform Workers:

Government to arrange for identity cards, registration on E-Shram portal and healthcare under PM Jan Arogya Yojna, for gig-workers.

g. Maritime Development Fund:

A Maritime Development Fund with a corpus of Rs.25,000/- Crores to be set up, with up to 49% contribution by the Government, and the balance from ports and private sector.

h. UDAN - Regional Connectivity Scheme:

A modified UDAN scheme announced to enhance regional connectivity to 120 new destinations and carry 4 crore passengers in the next 10 years.

Also to support helipads and smaller airports in hilly, aspirational, and North East region

districts.

i. NPS (National Pension Scheme) extended to Minor:

The NPS Vatsalya Scheme, officially launched on 18 September 2024, enables parents and guardians to start a National Pension Scheme (NPS) account for their children.

Now, deduction to be allowed to the parent/guardian's total income, of the amount paid or deposited in the account of any minor under the NPS to a maximum of Rs.50,000/-. However, the deduction is available only in old regime.

j. Revised classification criteria for MSMEs (Micro Small Medium Enterprises):

<u>Amount</u> <u>(In Rs)</u>	<u>Investment</u>		<u>Turnover</u>	
	<u>Current</u>	<u>Revised</u>	<u>Current</u>	<u>Revised</u>
Micro Enterprises	1 Crore	2.5 Crore	5 Crore	10 Crore
Small Enterprises	10 Crore	25 Crore	50 Crore	100 Crore
Medium Enterprises	50 Crore	125 Crore	250 Crore	500 Crore

➤ **INDIRECT TAXATION:**

- a) 36 lifesaving drugs/medicines to be granted a full Basic Customs Duty (BCD) exemption, in a bid to provide relief to patients, particularly those suffering from cancer, rare diseases and other severe chronic diseases; 6 lifesaving medicines to be granted a concessional 5% customs duty. Full exemption and concessional duty on the bulk drugs for manufacturing the former.
- b) BCD exemption for patient-assistance programs run by pharmaceutical companies, provided the medicines are supplied free of cost to patients; 37 new medicines and 13 additional programs to be added.

- c) New time limit for provisional assessment: A new time limit of two years (extendable by one year) to be introduced to finalize provisional assessments.
- d) Voluntary compliance initiative: Importers/exporters can soon voluntarily declare material facts post-clearance and pay duty with interest but without penalty. However, this will not apply in cases where audit or investigation proceedings have already been initiated.
- e) Extended time for end-use compliance: Time limit for utilising imported inputs extended from six months to one year. Further, quarterly reporting will replace monthly statements, reducing administrative burden.
- f) To explicitly include interstate Reverse Charge Mechanism (RCM) transactions under ISD, by including reference to supplies subject to tax under section 5(3) and 5(4) of IGST Act, 2017 in the said provisions. Also, similar amendment proposed to be made under various sections of CGST Act. These amendments to be made effective w.e.f. 01st April,2025.
- g) Amendment in the Proviso: New Conditions for Reduction in Output Tax Liability.

Reduction will not be allowed if:

- **Input Tax Credit (ITC) is not reversed by the recipient:** If the recipient (buyer) has already claimed ITC on the original invoice and hasn't reversed that ITC after receiving the credit note, the supplier cannot reduce their output tax liability.
 - **Incidence of tax has been passed on to another party (in other cases):** If the tax burden has already been shifted to a third party (e.g., a consumer), the supplier cannot claim a reduction in their tax liability.
- h) Insertion of new Section 122B – Penalty for failure to comply with track and trace mechanism
- The person violating Section 148A (newly insertion section the finance Bill) will be liable for an additional penalty: Whichever is higher between the following:
 - ₹1,00,000 (a fixed amount).

- 10% of the tax payable on such goods.
 - Additional to Other Penalties: This penalty is in addition to any other penalties already specified under Chapter XV.
- i) Amendment in section 38 of the CGST Act, 2017:
- Section 38(1) is being amended to omit the expression "autogenerated" indicating that the ITC statement i.e. GSTR-2B may no longer be entirely system-generated. Businesses now might need to validate and reconcile invoices and ITC through Invoice Management System (IMS) rather than relying solely on system-generated data. Also, a new clause (c) to sec 38(2) is added, allowing the government to specify additional details in the ITC statement through rules.

The Hon'ble Finance Minister's aim is to simplify tax system and reduce litigation and take forward the policy of stable and predictable tax regime with a vision to establish a trustworthy tax regime.

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