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Budget 2025 – a Snapshot on Income Tax Proposals

A. Changes in applicable tax rates

- **Rates of tax for individuals, HUF, AOP and BOI under the New Tax Regime of taxation which continues to be the default tax regime are reduced as follows:**

Old rates	
Total income	**Existing tax rates**
Upto Rs. 3,00,000	Nil
From 3,00,001 to 7,00,000	5%
From 700,001 to 10,00,000	10%
From 10,00,001 to 12,00,000	15%
From 12,00,001 to 15,00,000	20%
Over 15,00,000	30%

Proposed rates	
Total income	**Tax Rate Proposed**
Upto Rs. 4,00,000	Nil
From 4,00,001 to 8,00,000	5%
From 800,001 to 12,00,000	10%
From 12,00,001 to 16,00,000	15%
From 16,00,001 to 20,00,000	20%
From 20,00,001 to 24,00,000	25%
Over 24,00,000	30%

Income slabs and tax rates for Old Regime of taxation, tax rates for all other assessees (LLP, Firms, Companies etc.) remain unchanged

- **Rebate under section 87A available for resident individuals under new regime**

Income upto Rs. 12,00,000 is now eligible for tax rebate. Earlier this threshold was Rs. 7,00,000. Tax rebate now available under this section for tax under new regime is Rs. 60,000 or actual taxes payable whichever is lower.

- **Presumptive taxation**

Presumptive taxation scheme @ 25% of gross receipts is now available to non-residents providing services for electronics manufacturing facility in India.

B. <u>Exemptions and deductions</u>

- **National Pension Scheme and National Savings Scheme**
  a. Withdrawal of amount deposited in NSS Account before 01.04.1992 will be exempt from tax with effect from 29.08.2024
  b. Deduction can now be claimed by Parent/Guardian for investment in NPS Vatsalya Account for their children upto a maximum limit of Rs.50,000 u/s 80CCD (IB).
  c. Amount withdrawn from NPS Vatsalya account will be chargeable to tax together with the accruals in the year of withdrawal.
  d. Amount received on closure of NPS Vatsalya Account on account of death of minor child will be exempted from tax.
  e. Income received on partial withdrawal upto 25% of contribution from NPS Vatsalya Account in case of contingency situations will be exempted from tax.

- **Life insurance maturity proceeds**
  Maturity proceeds received on life insurance policy issued by insurance units operating in International Financial Service Centre to Non-Residents is exempted without any condition related to premium paid on the policy.

- **Startups:**
  Tax Exemptions to Start -ups extended to Eligible Start-ups incorporated before 01.04.2030.

C. <u>Salary</u>

- Rules will be prescribed for determining taxability of perquisite relating to expenditure incurred by the employer for travel outside India on the medical treatment of employee or the family members of the employee.

D. <u>House Property</u>

- Benefit of self-occupied house property can now be claimed against two house properties without fulfilment of any conditions

E. <u>Capital Gains</u>

- Gains on redemption of ULIPs which is not exempted u/s 10(10D) is now chargeable to tax as Capital Gain on par with Equity Oriented units at the rate of 12.5%.

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- Tax rate on long term gain on sale of Capital Assets Other than Equity Shares and Equity Oriented Funds increased from 10% to 12.5% in case of Foreign Institutional Investors

F. <u>Updated tax return :</u>

- **<u>Time limit:</u>**

  Updated return of income can now be filed upto four years from the end of the relevant assessment year. Earlier an updated tax return could only be filed upto two years form the end of the relevant assessment year.

  <u>Upto</u>

- **<u>Other carve outs:</u>**

  Updated tax return cannot be filed after the expiry of 36 months from the end of the relevant assessment year if a show cause notice under section 148A is issued (proposal to re-open).

- **<u>Additional tax payment:</u>**

  a. 60% of the aggregate tax and interest shall be paid as additional tax of if the updated tax return is filed after the expiry of 24 months but before the expiry of 36 months from the end of the relevant assessment year.

  b. 70% of the aggregate tax and interest shall be paid as additional tax of if the updated tax return is filed after the expiry of 36 months from the end of the relevant assessment year.

G. <u>Tax provisions relating to Charitable Trust and Institutions</u>

- **Registration**

  Charitable institutions seeking registration/renewal of registration will now be granted registration for a period of 10 years if the gross receipts do not exceed Rs. 5 Crores during the two years immediately preceding the previous year in which registration/renewal is now being sought. Earlier registrations were granted for 5 years.

- **Substantial contributions**

  Donations or contributions over Rs. 1,00,000 shall now be considered as substantial. Earlier it was Rs. 50,000.

Application of funds or usage of properties by relatives of substantial donors or entities in which they are interested were not permitted. Now this restriction is relaxed by limiting it to substantial donors i.e., donors or contributors over Rs. 1,00,000.

H. <u>TDS and TCS related amendments</u>

- **Several thresholds for deduction of TDS are proposed to be altered**

<table>
<tr><th>TDS section</th><th colspan="2">Present threshold</th><th>Proposed threshold</th></tr>
<tr><td>Interest on securities - Section 193</td><td colspan="2">Nil</td><td>Rs. 10,000</td></tr>
<tr><td>Payment of dividends - Section 194</td><td colspan="2">Rs. 5,000</td><td>Rs. 10,000</td></tr>
<tr><td rowspan="3">Interest other than interest on securities - Section 194A</td><td>Senior citizen</td><td>Rs. 50,000</td><td>Rs. 1,00,000</td></tr>
<tr><td>In case of others when payer is bank, co-operative society and post office</td><td>Rs. 40,000</td><td>Rs. 50,000</td></tr>
<tr><td>Others</td><td>Rs. 5,000</td><td>Rs. 10,000</td></tr>
<tr><td>Winnings from lottery or crossword puzzle - Section 194B</td><td colspan="2" rowspan="2">If the aggregate of amount paid during a financial year exceeds Rs. 10,000</td><td rowspan="2">If the money paid in respect of a single transaction exceeds Rs. 10,000</td></tr>
<tr><td>Winnings from racehorses - Section 194BB</td></tr>
<tr><td>Insurance commission - Section 194D</td><td colspan="2" rowspan="3">Rs. 15,000</td><td rowspan="3">Rs. 25,000</td></tr>
<tr><td>Commission, etc., on sale of lottery tickets - Section 194G</td></tr>
<tr><td>Commission or brokerage - Section 194H</td></tr>
<tr><td>Rental payments - 194-I</td><td colspan="2">Aggregate of payments made during the year does not exceed Rs. 2,40,000</td><td>Payment per month does not exceed Rs. 50,000</td></tr>
<tr><td>Fees for professional or technical services - 194J</td><td colspan="2">Aggregate of payments made during the year does not exceed Rs. 30,000</td><td>Rs. 50,000</td></tr>
<tr><td>Income in respect of units - 194K</td><td colspan="2">Rs. 5,000</td><td>Rs. 10,000</td></tr>
<tr><td>Compensation on compulsory acquisition of immovable property - 194 LA</td><td colspan="2">Rs. 2,50,000</td><td>Rs. 5,00,000</td></tr>
</table>

- **Higher rate of TDS**
  Deduction of TDS and collection of TCS at higher rates on non-filers is omitted.

- TCS on Sale of Goods exceeding 50 Lakhs omitted from 01.04.2025

- **Enhanced threshold on TCS on foreign remittances**

Nature of transaction	Existing threshold	Proposed threshold
Remittance made under Liberalised Remittance Scheme	Rs. 7,00,000	Rs. 10,00,000
Education loan obtained form a specified financial institution	Rs. 7,00,000	TCS is not applicable

I. <u>Arm's length price determination</u>

- Assessees subjected to transfer pricing regulations are now given an option to opt for adoption of ALP determined by the TPO in a year for the subsequent two consecutive years.

J. <u>Immunity from imposition of penalty</u>

- Time limit for praying for immunity form imposition of penalty is increased from one month to three months

K. <u>Business Connection</u>

- Transactions or activities of a Non-Resident of India which are confined to purchase of goods in India for the purpose of export shall not constitute Significant Economic Presence of such Non-resident in India. Earlier, in few cases, these activities were considered as having Significant Economic Presence.

L. <u>New Income Tax Act in making</u>

- The finance minister proposed to introduce new income tax bill replacing the existing Income Tax Act, 1961 which is expected to be clear and direct in text with close to half of the present law, simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation.

Scope Limitations:

1. This note is solely for the basic understanding of the amendments introduced vide Finance Budget 2025 and intended for internal circulation only.
2. Views expressed here are based on the law that is existing as of the date of this note read along with the Finance Budget 2025. We have no responsibility to update the views for events, transactions, circumstances changes or developments in any of the facts, or regulations occurring after this date. Further, the views expressed cannot be relied upon for any decision making.
3. Our views and comments are not binding on any regulators and there can be no assurance that the regulators will not take a position contrary to our views/comments.
4. While we believe that our views/comments reflect a reasonable interpretation of the relevant tax laws in India, there cannot be any guarantee or assurance that the Indian Revenue authorities will agree with our analysis and conclusions. Therefore, we shall not be liable for any tax, interest or penalty levied as a result of reliance on our views/comments.
5. Further, we assume no responsibility (unless contracted for specifically on a separate basis) to defend this opinion before any income tax authority or other third parties.
6. In no event shall we be liable (to any party) for damages or expenses even if we have been advised of the possible existence thereof.