



Finance Bill-2025

Direct Tax Proposals



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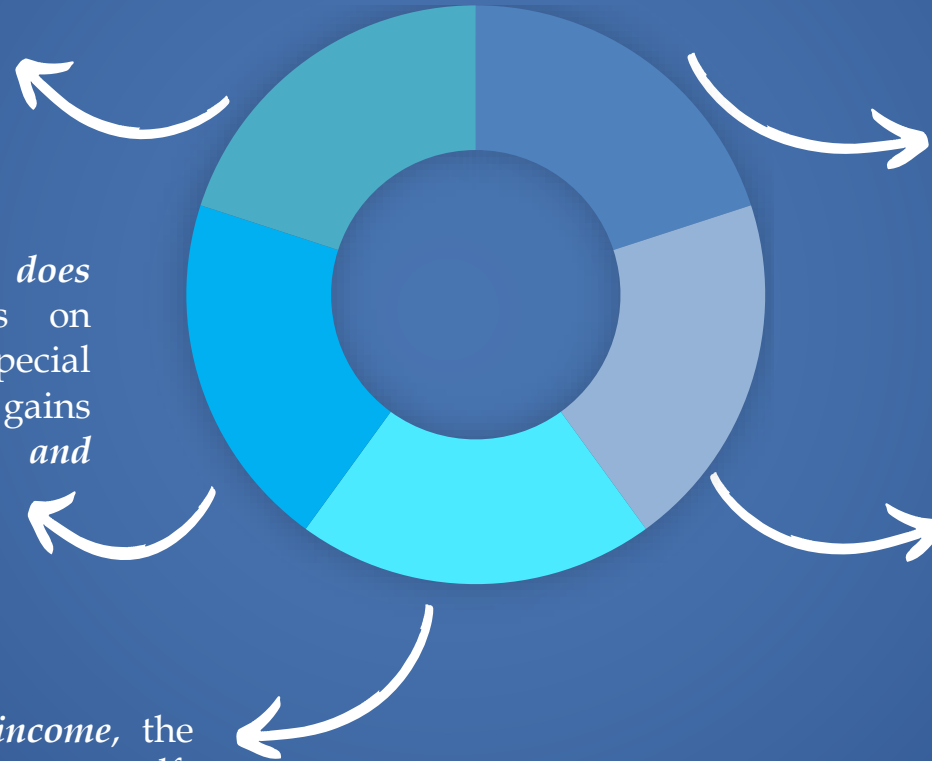
Personal Tax

Major Relief for Middle-Class Taxpayers

Individuals earning up to *INR 12 lakh* will now pay zero tax, thanks to an increased rebate under Section 87A. Previously, the rebate limit was INR 7 lakh.

However, this rebate *does not apply* to taxes on income subject to special rates, such as capital gains under *Sections 111A and 112*.

For *house property income*, the annual value of up to two self-occupied properties will be considered nil, without any conditions..



The *slab rates under the Old Regime* remain unchanged, including the applicable surcharge.

All *ULIP policies* that do not qualify for exemption under Section 10(10D), either due to exceeding the threshold limit or not meeting the 10% criteria, will be treated as capital assets and will be subject to the provisions of Section 112A.

Personal Tax

Existing Slab rate

Existing slabs (INR)	Existing rate
0 - 3 lakh	Nil
3 - 7 lakh	5%
7 - 10 lakh	10%
10 - 12 lakh	15%
12 - 15 lakh	20%
Above 15 lakhs	30%

New Slab Rate

New slabs (INR)	New rate
0 - 4 lakh	Nil
4 - 8 lakh	5%
8 - 12 lakh	10%
12 - 16 lakh	15%
16 - 20 lakh	20%
20 - 24 lakh	25%
Above 24 lakh	30%

Personal Tax

Comparative tax liability

Gross Income	Tax under old Provision(INR)	Tax under new Provision(INR)	Savings (INR)
12 lakhs	83,200	Nil	83,200*
16 lakhs	1,76,800	1,24,800	52,000
24 lakhs	4,26,400	3,12,000	1,14,400
50 lakhs	12,37,600	11,23,200	1,14,400
2.5 crores	93,47,000	92,04,000	1,43,000
5.5 crores	2,10,47,000	2,09,04,000	1,43,000

01 *The above calculations are inclusive of surcharge and education cess @ 4%*

02 *To make NPS Vatsalya more attractive, a tax exemption has been proposed for contributions of up to ₹50,000 per year under the scheme. This amount can be claimed as a deduction under Section 80CCD*

Updated Return

- The *Updated Return (ITR-U) Mechanism*, introduced earlier, has now been *extended from 2 years to 4 years*, allowing more time for voluntary compliance

Timelines from end of relevant AY	Additional tax and interest
Within 12 months	25%
12 to 24 months	50%
24 to 36 months	60%
36 to 48 months	70%

Restriction-Updated Return



Restriction 01

- If a **notice under Section 148A** is issued beyond 36 months from the end of the relevant assessment year.
- However, if the **proceedings are dropped**, the return may still be filed within 48 months..



Restriction 02

- If a **search under Section 132** or a **survey under Section 133A** (except under 133A(2A)) has been conducted.
- The same restriction applies if assets or books have been requisitioned under **Section 132A**.



Restriction 03

- If an **assessment or reassessment** is pending.
- If information under anti-tax evasion laws (**such as PMLA, Black Money Act, etc.**) has been communicated.



Restriction 04

- If **prosecution proceedings** have been initiated or if a return has already been filed for the same assessment year.

Tax Proposals for Non-Residents and Foreign Investors



Presumptive Taxation Regime for Non-Residents

- Applies to non-residents providing services or technology to a resident company establishing or operating an electronics manufacturing facility or a related facility under a government-notified scheme.
- Taxable income deemed at 25% of receipts, with an effective tax rate of less than 10% of gross receipts.



Capital Gains Tax for Foreign Portfolio Investors

- 12.5% tax on long-term capital gains (LTCG) from the transfer of securities not covered under Section 112A (e.g., unlisted securities).
- This replaces the existing 10% tax under Section 115AD.



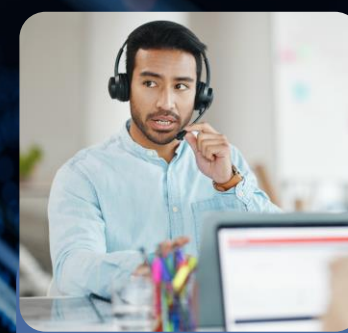
Significant Economic Presence (SEP) & Business Connection

- Transactions or activities limited to the purchase of goods in India for export will not be considered part of a non-resident's significant economic presence.



Expansion of Tonnage Tax Scope

- Inland water transportation under the Inland Vessels Act, 2021 will now be covered under the tonnage tax regime.



Sovereign Wealth Funds (SWF) & Pension Funds

- The sunset date for tax exemptions on investments in specified sectors extended to 31/03/2030.
- Long-term capital gains from the transfer of unlisted debt securities will be exempt under Section 10(23FE), even if deemed short-term under Section 50AA.

Charitable Trusts/Institutions

- Previously, minor filing errors in registration applications could result in deregistration and exit tax

- Now, incomplete applications will not lead to severe consequences, while false or incorrect information will still attract penalties..

Extended Registration

- Registration period extended from 5 years to 10 years, reducing compliance burden.

- Applicable to trusts/institutions with annual gross receipts below ₹5 crore in the two preceding years (before exemptions).

Relief for Minor Procedural Defaults

Rationalizing Specified Person

SECTION 13(3)

- Contribution limit increased from ₹50,000 to ₹1,00,000 per year, or ₹10 lakh in aggregate up to the relevant previous year

- Relatives and concerns of such contributors are no longer covered under specified persons.

- The definition still includes authors, founders, HUF members, trustees, managers, and their relatives/concerns holding substantial interest.

Rationalization of TDS Provisions

Section	Existing TDS Rates/Threshold	Proposed TDS Rates/Threshold
194LBC - Income from Securitisation trust	(i) TDS @ 25% if payee is Individual or HUF	10%
	(ii) TDS @ 30% if payee is other person	
193 - Interest on securities	Nil	INR 10,000
194A - Interest other than Interest on securities	(i) INR 50,000 for senior citizen	(i) INR 1,00,000 for senior citizen
	(ii) INR 40,000 in case of others when payer is bank, cooperative society and post office	(ii) INR 50,000 in case of others when payer is bank, cooperative society and post office
	(iii) INR 5,000 in other cases	(iii) INR 10,000 in other cases
194 - Dividend for an individual shareholder		
194K - Income in respect of units of a mutual fund	INR 5,000	INR 10,000
194B - Winnings from lottery, etc	Aggregate of amounts exceeding INR 10,000 during the FY	INR 10,000 in respect of a single transaction
194BB - Winnings from horse race		
194D - Insurance Commission	INR 15,000	INR 20,000
194G - Commission, prize etc. on lottery tickets		
194H - Commission or brokerage		
194-I - Rent	INR 2,40,000 during the FY	INR 50,000 per month or part of month
194J - FPS/ FTS	INR 30,000	INR 50,000
194LA - Enhanced compensation	INR 2,50,000	INR 5,00,000

Rationalization of TCS Provisions

Section	Description	Existing Provision	Proposed Change (1st April 2025)
206C(1H)	TCS on sale of goods above threshold	Applicable	Omitted
206C(1)	TCS on timber or forest produce (excluding tendu leaves) from forest lease or other means	2.5%	Reduced to 2%
	Definition of "forest produce" to follow Indian Forest Act, 1927 or any State Act in force		
206C(1G)	TCS on remittances under RBI's Liberalized Remittance Scheme (LRS)	Threshold: INR 7 lakh	Threshold increased to INR 10 lakh
	TCS on remittances for education purposes when financed through specified loans under Section 80E(3)(b)	Applicable	Omitted
206AB	Higher TDS/TCS for non-filers of ITR	Applicable	Omitted
276BB	Decriminalization of failure to deposit TCS	Penal consequences	No prosecution if TCS is paid before the due date for filing quarterly TCS statement under Section 206C(3)

Startup/Crypto-asset/AIF/M&A



Extension of Tax Holiday for Startups

- The tax benefit under Section 80-IAC has been extended for an additional five years.
- Previously available to startups incorporated before **1st April 2025**, it is now extended to those incorporated until **1st April 2030**.



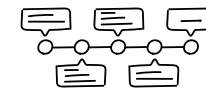
Reporting of Crypto-Asset Transactions

- A **prescribed reporting entity** must submit details of **crypto-asset transactions** as per the new reporting requirements.
- The reporting mechanism will be similar to the Statement of Financial Transactions (SFT)



Loss Carry-Forward Rules in Amalgamation

- Earlier, there was ambiguity regarding whether an amalgamated entity could restart the 8-year period for carrying forward losses.
- Now clarified that the **8-year period will be counted from the year in which the original entity incurred the loss**.



Tax Treatment of Gains for Alternate Investment Funds (AIFs)

- Income from the transfer of capital assets (such as securities) by AIFs will now be classified as capital gains only.
- This removes previous uncertainty and ensures that AIFs are not subjected to higher business income tax rates.

Transfer Pricing (TP) Assessments

Arms' Price

Length

● Block TP Assessments for Reduced Compliance Burden

To simplify compliance and reduce administrative efforts, **transfer pricing (TP) assessments will be conducted in a block format.**

● ALP Determination for Multiple Years

While issuing an **Order under Section 92C(3)** for the previous year, the TPO will also determine the **ALP for the two consecutive AYs.**

● Determine ALP for Two Consecutive Years

Taxpayers can opt under **Section 92CA(3B)** to determine the **Arm's Length Price (ALP) for two consecutive assessment years (AYs).**

This option applies to **transactions similar to those in the previous year** for which a reference was made to the Transfer Pricing Officer (TPO).

● Recomputation of Income by Assessing Officer (AO)

After receiving the TPO's Order or **Directions from the Dispute Resolution Panel (DRP)** under **Section 144C**, the Assessing Officer (AO) will **recompute total income for the two consecutive AYs** under Section 155(21).

● Validation of Option by TPO

Once the taxpayer exercises this option, the **TPO will validate its applicability within one month**, subject to prescribed conditions.



● Recomputation of Income by Assessing Officer (AO)

To reduce litigation and provide certainty in international taxation, **the safe harbour rules will be expanded.**

TAX Administration

● Section 275 – Rationalization of Time Limit for Levy of Penalty

The time limit for imposing penalties has been standardized to:

- **6 months** from the end of the quarter in which:
 - ❖ The penalty notice is issued, or
 - ❖ The relevant assessment is completed, or
 - ❖ The revision/appellate order is received by the Jurisdictional Principal Commissioner or Commissioner.

● Section 270AA – Extension of Time for Processing Immunity Applications

- The time limit for processing applications for immunity from penalty and prosecution has been **extended from 1 month to 3 months** from the end of the month in which the application is filed..

● Faceless Administration

- The **deadline for introducing the faceless scheme** for Transfer Pricing Assessments, Dispute Resolution Panel (DRP) proceedings, and Appellate Tribunal (ITAT) was earlier set to **31st March 2025**.
- This **deadline has now been removed, allowing the Central Government to issue directions beyond this date.**

● Section 275 – Rationalization of Time Limit for Levy of Penalty

- ❖ **Virtual Digital Assets (VDAs)** are now considered part of undisclosed income.
- ❖ **Computational methodology** has been amended to provide more clarity.
- ❖ **Income from international or specified domestic transactions** will **not** be included in the block period income.
- ❖ **Time limit extended to 12 months** from the end of the quarter in which the last authorization for search/requisition is executed.
- ❖ **Penalty under Section 271AAB** will **not** apply for search cases initiated on or after **1st September 2024.**

● Section 275 – Rationalization of Time Limit for Levy of Penalty

- **It has been clarified that the exclusion of time period will be calculated as:**
 - ❖ **From the date on which a stay is granted**
 - ❖ **Till the date on which a certified copy of the order vacating the stay is received by the Jurisdictional Principal Commissioner/Commissioner or the approving panel.**

GIFT CITY

- **Extension of Sunset Dates for IFSC Units**

The deadline for various exemptions, deductions, and relocation benefits related to International Financial Services Centre (IFSC) units has been extended to 31st March 2030.

- **Exemption for Life Insurance Policies Issued to Non-Residents**

Under Section 10(10D), exemption on the maturity amount of a life insurance policy will now be available without any cap on the premium amount, if the policy is issued to a non-resident by an IFSC Insurance Intermediary Office.

- **Capital Gains Exemption for Ship Leasing Companies**

The capital gains exemption under Section 10(4H), which was earlier available for aircraft leasing companies, has now been extended to ship leasing companies as well.

- **Dividend Exemption for Ship Leasing Companies**

Section 10(34B) exemption for dividend income is now extended to include dividends paid by a ship leasing company in IFSC to another IFSC unit engaged in ship leasing.

- **Loans & Advances Between Group Entities in IFSC Not Treated as Dividend**

Any loan or advance between two group entities, where one of the entities is set up in IFSC for treasury activities or treasury services, will not be considered as a dividend.



 **THANK YOU**

JAKS & ASSOCIATES

