DEVMANTRA TIMES

BUDGET EDITION

Issue No.47, Dated 5th February, 2025

Preamble

The Union Budget 2025-26, presented by Finance Minister Nirmala Sitharaman, serves as a pivotal blueprint for India's economic growth, aligning with the government's long-term vision of achieving 'Viksit Bharat' by 2047. With a strong emphasis on inclusive development, infrastructure expansion, innovation, and sustainability, the budget introduces transformative measures aimed at strengthening key sectors while fostering resilience in a dynamic global economic landscape.

A key highlight of the budget is its focus on boosting middle-class spending power through targeted tax reforms, which are expected to enhance domestic consumption and drive economic momentum. At the same time, the government maintains its commitment to fiscal prudence, setting the fiscal deficit at 4.8% for FY25, with a planned reduction to 4.4% in FY26. This disciplined approach ensures financial stability while allowing for strategic investments in critical sectors such as infrastructure, agriculture, and clean energy.

Recognizing the pivotal role of MSMEs in driving economic expansion, the budget enhances financial accessibility, encourages technological adoption, and strengthens market linkages. The increase in the credit guarantee cover from ₹5 crores to ₹10 crores, expected to facilitate ₹1.5 lakh crore in additional credit over five years, underscores the government's commitment to fostering entrepreneurship and job creation. Similarly, the introduction of the Deep Tech Fund and an additional ₹10,000 crore Fund of Funds Scheme (FFS) aims to bolster startups, particularly in AI, Climate Tech, and Agri Tech, reinforcing India's position as a hub for innovation.

The budget also prioritizes social welfare, human capital development, and sustainable economic progress. Investments in healthcare, education, and nutrition, alongside initiatives such as Atal Tinkering Labs and Centers of Excellence in Artificial Intelligence for Education, emphasize a knowledge-driven economy. Strengthened provisions under the Saksham Anganwadi and Poshan 2.0 programs highlight the government's focus on early childhood development and social equity.

Sustainability remains a core theme, with significant investments in clean energy, water security, and environmental conservation. Expansions under the Jal Jeevan Mission, the launch of the Nuclear Energy Mission, and incentives for clean-tech manufacturing support both climate goals and energy security.

On the taxation front, the budget continues its efforts to simplify direct and indirect tax structures, ensuring a stable and predictable fiscal environment. The forthcoming Income Tax Bill, along with streamlined TDS/TCS provisions and rationalized customs duties, aims to improve compliance, attract foreign investment, and enhance ease of doing business.

Overall, the Union Budget 2025-26 strikes a balance between ambition and pragmatism, driving innovation, infrastructure growth, and sustainable development. By fostering entrepreneurship, strengthening economic fundamentals, and prioritizing social welfare, it lays the foundation for a self-reliant and globally competitive India. As the nation progresses toward its centennial of independence, this budget sets a clear direction for long-term economic resilience and inclusive growth.

Dear Readers,

We welcome you to the Forty-Seventh edition of DevMantra Times for the month of February 2025. As we step into a brand-new budget , we extend our heartfelt gratitude for your continued support and engagement. The Union Budget 2025-26, presented by Finance Minister Nirmala Sitharaman, serves as a strategic roadmap for India's economic growth, aligning with the 'Viksit Bharat 2047' vision. With a focus on inclusive development, infrastructure expansion, innovation, and sustainability, the budget introduces transformative measures to strengthen key sectors and enhance economic resilience.

Overall, the Union Budget 2025-26 strikes a balance between growth and fiscal discipline, driving innovation, infrastructure expansion, and sustainable development. By fostering entrepreneurship and prioritizing social equity, it sets a strong foundation for a self-reliant and globally competitive India.

Why this Volume of Newsletter is important for reader?

Through the series of this newsletter, we aim at covering all relevant Income Tax, Goods & Service Tax and Companies Act, Start-up

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Update, notification, circulars and case laws which may directly or indirectly impact our readers.

At DevMantra, it is our utmost priority to help our readers to be informed with respect to the changes in relevant laws for a smoother compliance.

DevMantra was founded based on the unalterable premise of excellence, acuity, integrity and an unwavering commitment to delivery. These principles continue to form the edifice of our approach as an organization, to our clients, our professionals and our community, and this has served us well in our journey so far. This approach has allowed DevMantra to work with and advise the very best clients, both in India and internationally. We encourage our people to strive for excellence and innovation within a meritocratic working environment and support their entrepreneurial spirit. It is our consistent endeavor with our people, to ensure that they imbibe the culture of the firm and form part of the weft and weave of the fabric of DevMantra. Our core values remain the guiding principles for everything we do, and we would like to emphasize "Knowledge" as one of the fundamental beliefs which drive the success of our operations. As we keep on reiterating, Knowledge is our number one priority. We don't count time when it comes to gain any new knowledge or to reinstate the earlier one. Our clients trust our expertise and putting countless hours in keeping ourselves up to date on the subject we are advising on, deserve their trust.

Regards & Best Wishes,

Editorial Team

Corporate Taxation

Domestic Companies

No Change in Tax Rates for Domestic Companies; No Extension for Section115BAB

Domestic companies opting for Section 115BAA and Section 115BAB will continue to be taxed at 22% and 15%, respectively, with a 10% surcharge. Despite industry expectations, the deadline for commencing manufacturing under Section 115BAB remains March 31, 2024, making post-deadline entities ineligible for the concessional regime.For companies not opting for these regimes -25% tax applies to turnovers up to INR 400 crores (FY 2023-24) and 30% tax applies otherwise. Surcharge rates remain 7% for incomes above INR 1 crore up to INR 10 crore and 12% for incomes exceeding INR 10 crore.

Introduction of New Section 285BAA - Obligation to furnish information in respect of crypto-asset

The Finance Act 2022 introduced taxation on Virtual Digital Assets (VDA) under Section 115BBH of the IT Act, imposing a 30% tax on VDA transfers with no deductions allowed except for the cost of acquisition. VDAs are defined under Section 2(47A) of the Act. Additionally, to track and regulate transactions, Section 194S mandates a 1% TDS on payments for VDA transfers, including cases where transactions occur in kind or partly in cash.

To further enhance oversight, the proposed Section 285BAA introduces a compliance requirement for reporting entities to furnish details of crypto-asset transactions to the IT authority in a prescribed form, manner, and timeframe. If a statement is found to be defective, the reporting entity will have 30 days to rectify it, failing which it will be treated as inaccurate information under the IT Act. Additionally, if a reporting entity fails to furnish the statement within the specified timeframe, the IT authority may issue a notice requiring compliance.

Entities that discover inaccuracies in previously submitted statements must notify the IT authority and provide corrected information within 30 days. The Central Government will specify registration requirements, data maintenance protocols, and due diligence measures for identifying crypto-asset users and owners.It is also proposed to provide that for the purposes of section 285BAA, crypto-asset shall have the meaning assigned to it in 2(47A)(d) of the IT Act.

This amendment is proposed to be effective from April 1, 2026.

Our Comment

India has been included in the list of 52 Relevant Jurisdictions for the Crypto Asset Reporting Framework (CARF). CARF aims to facilitate the automatic exchange of information between countries to address tax evasion risks associated with cryptocurrencies and digital assets. Additionally, through Notification S.O. 1072(E) dated March 7, 2023, the

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government designated VDA service providers as 'reporting entities' under the Prevention of Money Laundering Act, 2002 (PMLA). These entities must register with the Financial Intelligence Unit (FIU) – India and report their operations and transactions accordingly.

For the purposes of Section 285BAA, a 'reporting entity' may be defined as an entity registered with the FIU under PMLA, potentially extending compliance requirements to foreign VDA service providers. However, further clarifications on this matter are awaited.

Rationalization of TDS Thresholds

Threshold limits for applicability of TDS are rationalized for consistency and ease of compliance

Tabulated below are the proposed revisions in TDS threshold amounts

S.No.	Section	Present TDS Threshold (INR)	Proposed TDS Threshold (INR)
1	193 - Interest on securities	5,000 (Payment of Debenture interest to Individual & HUF)	10,000
2	194 - Dividend for an individual shareholder	5,000	10,000
3	194A - Interest other than interest on securities	(i) 50,000 for senior citizen (ii) 40,000 for others (Where payer is bank, cooperative society and post office) (iii) 5,000 in other cases	(i) 1,00,000 for senior citizen (ii) 50,000 (Where payer is bank cooperative society and post office) (i) 1,00,000 for senior citizen (iii) 10,000 in other cases
4	194B -Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding 10,000 during the FY	10,000 in respect of a single transaction
5	194 BB - Winning from horse race		
6	194D-Insurance Commission	15,000	20,000
7	194G-Commission etc., on sale of lottery tickets	15,000	20,000
8	194H - Commission or brokerage	15,000	20,000
9	1941 - Rent	2,40,000 during the FY	50,000 per month/part of month
10	194J Fee for professional or technical services	30,000	50,000
11	194K - Income in respect of units (mutual fund/ specified company or undertaking)	5,000	10,000
12	194LA - Payment of compensation on acquisition of certain immovable property	2,50,000	5,00,000

Applicable with effect from April 01, 2025

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Abolition of TCS under Section 206C(1H) for Transactions subject to TDS under Section 194Q

Section 194Q of the IT Act is proposed to be amended to provide that the provisions of Section 206C(1H) of the IT Act, which require the seller to collect TCS on transactions involving the purchase of goods exceeding INR 50,00,000/- shall no longer apply. Such transactions shall only be subject to TDS under Section 194Q by the buyer. The amendment is aimed at eliminating ambiguity in terms of an obligation on the seller to collect tax where buyer's obligation to deduct tax is not known to the seller.

This amendment is proposed to come into effect from April 1, 2025.

Amendments to Section 206C for TCS on Forest Produce, Timber and Clarification on Time Limits

Section 206C of the IT Act is proposed to be amended to provide that the rate for TCS on timber and other forest produce (excluding tendu leaves) obtained under a forest lease will be reduced from 2.5% to 2%, effective from April 1, 2025. The timber obtained by any mode other than under a forest lease will also be taxed at the same reduced rate. Additionally, an explanation is proposed to be inserted in Section 206C(1) of the IT Act to provide clarity on the definition of "forest produce" by aligning it with the definition under any State Act or the Indian Forest Act, 1927.

Section 206C(7A) is proposed to be amended to clarify the computation of time limits for the collection of TCS. The amendments will ensure that periods such as those during which stay granted by the court, will be excluded from the calculation of time limit for deeming a person as an assessee in default in case of failure to collect tax.

The amendments are proposed to come into effect from April 1, 2025.

Section	Nature of payment / income	Existing rates	Revised rates
194LBC	TDS on income in respect of investment in securitisation trust	25% if payee is Individual or HUF and 20% otherwise	10%
206C(1)	TCS on a. timber or any other forest produce (not being tendu leaves) obtained under a forest lease and b. timber obtained by any mode other than under a forest lease	2.5%	2%
206C(1G)	TCS on remittance under LRS for purpose of education, financed by loan from financial institution	0.5% (after INR 700,000)	NIL
206C(1H)	TCS on sale of specified goods	0.1% (on consideration in excess of INR 5,000,000)	NIL

Our Comments

The amendment brings much-needed clarity to the TCS provisions. The proposals reduce ambiguities which made implementation of the provisions cumbersome. Further, enlargement of threshold limits for TCS on LRS payments is a welcome move from taxpayers' perspective.

Omission of Section 206AB and 206CCA

Section 206AB and Section 206CCA of the IT Act are proposed to be omitted, in response to the stakeholders concerns regarding the challenges faced by deductors and collectors in verifying status of returns filed by the deductee or collectee thereby attracting 20% or higher TDS rates. Consequently, higher rates of TDS or TCS were applied on non-filers, which led to blocked capital and increased compliance burdens.

The amendments are proposed to come into effect from April 1, 2025.

Amendment to Section 72A and 72AA of the IT Act

Sections 72A and 72AA of the IT Act govern the carry-forward and set-off of accumulated losses and unabsorbed depreciation in the event of amalgamation or business reorganization. These provisions stipulate that the losses of the predecessor entity (the entity undergoing amalgamation) will be treated as the losses of the successor entity (the surviving or new

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entity) for the assessment year in which the amalgamation or reorganization takes place.

Section 72 of the IT Act specifically deals with the carry-forward and set-off of business losses (excluding speculation losses) under the head "Profits and gains of business or profession". It allows these losses to be carried forward to subsequent assessment years, subject to a maximum period of eight assessment years following the year in which the loss was originally incurred.

The proposed amendment seeks to align the provisions for carry-forward and set-off of accumulated losses in case of amalgamation or business reorganization (as per Sections 72A and 72AA) with those under Section 72 of the IT Act. Under the proposed amendment, the eight-year limitation on the carry-forward of losses from the predecessor entity to the successor entity will also apply in the case of amalgamation or business reorganization. As such, the carry-forward of these losses will be limited to eight assessment years from the year in which they were originally incurred by the predecessor entity.

Additionally, the amendment proposes to insert a definition of "original predecessor entity" for the purposes of these provisions, which will refer to the predecessor entity in the context of the first amalgamation or first business reorganization.

The aforesaid amendments shall apply to any amalgamation or business re-organization which is effected on or after April 1, 2025 and come into effect from April 1, 2026.

Our Comment

Under Sub-sections (1), (6), and (6A) of Section 72A of the IT Act, the accumulated losses of the amalgamating entities are considered as the losses of the amalgamated entity for the previous year in which the amalgamation or business reorganization is effected. This allows the losses from prior periods to be carried forward for a fresh period of 8 years in the year of amalgamation. Consequently, these provisions were often utilized as a tax planning tool by entities incurring losses year on year. In such cases, it becomes critical to address the effective date in the amalgamation scheme. The Hon'ble Supreme Court, in the case of Marshall Sons & Co. (India) Ltd. [1997] 11 SCL 6 (SC), emphasized that every amalgamation scheme must specify the date from which the amalgamation or transfer is to take effect. If the Court does not prescribe a specific date but merely sanctions the scheme, the transfer date will be the date specified in the scheme as the 'transfer date'. Therefore, this date must be carefully considered and explicitly mentioned in the scheme to avoid any ambiguity.

Exemption from prosecution for delayed payment of TCS in certain cases

Section 276BB of the IT Act provides for prosecution in case of failure to pay the tax collected at source to the credit of Central Government. As per the provisions of Section 276BB of the IT Act, if a person fails to pay the tax collected by him to the credit of Central Government, as required under the provisions of section 206C of the IT Act, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.

It is now proposed to amend Section 276BB of the IT Act to provide relief against prosecution if the payment of the tax collected at source has been made to the credit of the Central Government at any time on or before the time prescribed for filing the quarterly statement under section 206C(3) of the IT Act in respect of such payment.

This amendment is proposed to come into effect from April 1, 2025.

Processing period of application seeking immunity from penalty &

prosecution extended

Section 270AA of the IT Act provides the procedure of granting immunity by the Assessing Officer from imposition of penalty or prosecution under Section 270A, 276C and 276CC of the IT Act, subject to fulfillment of certain conditions such as payment of tax & interest as per assessment order under Section 143(3)/147 of the IT Act and no appeal is filed against said orders. As per the provisions of Section 270AA of the IT Act, for the above mentioned immunity, taxpayer is required to file an application with the Assessing Officer within the period of one month from the end of the month in which order under Section 143(3)/147 of the IT Act is received by the taxpayer and Assessing Officer shall pass an order accepting / rejecting the said application

within a period of one month from the end of the month in which such application requesting immunity is received.

It is now proposed to amend Section 270AA(4) of the IT Act to extend the processing period of the application received by Assessing Officer to three months from the end of the month in which such an application requesting immunity is received.

This amendment is proposed to come into effect from April 1, 2025

Our Comment

The amendment resolves the issues faced by taxpayers in presenting their case before Assessing Officer in the time span of one month and gives sufficient time to be heard as previously Assessing Officer may not get sufficient time to review application made by the taxpayer, however, in lieu of the proposed amendment the Assessing Officer can now review the application on merits.

It is pertinent to note that the proposed amendment is to extend Assessing Officer's time limit to process the application, however, does not extend/amend taxpayers time limit to file the application before Assessing Officer

Extension of benefits of Tonnage Tax scheme under the IT Act to Inland Vessels

The Tonnage Tax Scheme under Chapter XII-G of the IT Act, introduced via the Finance Act, 2004, aimed to promote the Indian shipping industry by offering qualifying shipping companies the choice between the tonnage tax regime or the normal corporate tax regime. To further boost inland water transportation and attract investments in the sector, it is now proposed to extend the scheme to inland vessels registered under the Inland Vessels Act, 2021.

Accordingly, Section 115VD of the IT Act has been amended to include inland vessels as qualified ships, with their definition under Section 115V aligned with that in the Inland Vessels Act, 2021. Additionally, references to inland vessels are being incorporated into the definitions of "bareboat charter," "bareboat charter-cum-demise," "pleasure craft," and "qualifying ship".

To ensure seamless integration, corresponding amendments have been made across several tonnage tax provisions, including:

- Section 115VB (operating ships)
- Section 115VG (computation of tonnage income)
- Section 115VI (relevant shipping income)
- Section 115VK (depreciation)
- Section 115VT (transfer of profits to tonnage tax reserve account)
- Section 115VV (limit for chartering tonnage)
- Section 115VX (determination of tonnage)
- Section 115VZA (effect of temporarily ceasing operations)

These amendments will take effect from April 1, 2026, and will apply from Assessment Year 2026-27 onwards.

Further, Section 115VP is being revised to streamline the approval process for companies opting into the tonnage tax scheme. A new proviso under sub-section (4) will require the Joint Commissioner to approve or reject applications submitted on or after April 1, 2025, within three months from the end of the quarter in which the application was received. This replaces the current provision, which requires the decision one month before the end of the month in which the application was filed. This amendment will take effect from April 1, 2025.

Foreign Companies / Non - Residents

Unchanged Tax Rates for Foreign Companies

In order to achieve greater parity, the tax rate for foreign companies was reduced from 40% to 35% for Assessment Year ("AY") 2025-26. The tax rate remains 35% for the AY 2026-27. The surcharge rates remain unchanged: 2% on total income exceeding INR 1 crore but up to INR 10crore, and 5% on total income exceeding INR 10 crore.

Transfer Pricing

Rationalization of transfer pricing provisions

Section 92CA outlines the procedure for referring an international transaction or specified domestic transaction to the Transfer Pricing Officer (TPO) for the computation of the Arm's Length Price (ALP). Section 92C provides the methodology for determining the ALP in

relation to these transactions.

Currently, transfer pricing benchmarking is conducted annually. However, the government observed that many businesses engage in similar international or specified domestic transactions across multiple years with the same enterprises, involving comparable transaction volumes and locations of associated enterprises. This results in repeated arm's length analysis each year, creating a compliance burden for the taxpayer and an administrative burden for the TPOs.

To streamline the process, the government has proposed the introduction of block assessments for transfer pricing. Under the proposed change, the ALP determined for an international or specified domestic transaction in a given year will apply to similar transactions in the two consecutive previous years immediately following that year i.e. a block period of 3 years. This would significantly reduce the need for repeated benchmarking exercises for similar transactions in consecutive years.

To opt for the block assessment, the assessee will need to exercise an option in a prescribed form, manner, and within a specified time period. The TPO will then have one month from the end of the month in which the option is exercised to determine whether the option is valid, subject to prescribed conditions. If the option is validated, the ALP for the similar transactions will apply for the subsequent two years, and the Assessing Officer (AO) will use these findings to recompute the total income of the assessee for those years.

Applicable with effective from April 1, 2026

Amendment to Section 155 of the IT Act

A new sub-section (21) is proposed to be inserted in Section 155 of the Income Tax Act, which will apply in the case of transfer pricing (TP) assessments for international transactions or specified domestic transactions. According to the proposal, where the ALP (Arm's Length Price) has been determined for a transaction under Section 92CA(3) for a previous year, and the TPO has validated the option exercised by the assessee under Section 92CA(3B) for similar transactions in the subsequent two years, the following will occur:

i.) The Assessing Officer (AO) will recompute the total income of the assessee for the two consecutive years by amending the assessment order or any intimation under Section 143(1) to reflect the ALP determined by the TPO, or based on any directions issued under Section 144C(5), if applicable, for the relevant years.

ii.) This recomputation must be completed within three months from the end of the month in which the assessment for the relevant year is completed.

iii.) The first and second proviso to Section 92C(4) will also apply to such recomputations.

iv.) If the order of assessment or any intimation is not made within the aforementioned three-month period, the recomputation will be done within three months from the end of the month in which the order of assessment or intimation is madet.

These proposed amendments are set to take effect from April 1, 2026, and will apply to Assessment Year 2026-27 and subsequent years.

Our Comments

The proposed provision aims to alleviate the compliance burden on the assessee and the administrative burden on the TPO by allowing the assessee to exercise an option (subject to TPO validation) where the ALP determined by the TPO for a particular year will apply to similar transactions for the following two consecutive years. This initiative is designed to avoid the need for the same transfer pricing analysis being repeated every year for similar transactions, streamlining the process.

While the amendment is a positive step towards reducing unnecessary compliance efforts, its implementation could have significant implications for taxpayers. Once the assessee opts for this ALP determination, it becomes binding for the subsequent two years. This could create a potential risk for taxpayers: if the TPO and AO make any transfer pricing adjustments in the first year, these adjustments will automatically apply to the next two years—even if those two years are not selected for scrutiny or referred to the TPO.

As a result, while the provision is intended to reduce repetitive assessments, it could also lead to unintended consequences, making it a "double-edged sword" for some assessees, as they may be locked into

adjustments that they would otherwise not have faced in the subsequent years.

Expansion of the scope of safe harbour rules (details to be announced)

While it was mentioned by the Hon'ble Finance Minister in her speech; the finance bill does not contain anything specific for transfer pricing safe harbour rules. It may form part of the new income tax bill, which is proposed to be tabled soon or through a circular to be issued later.

Taxation of capital gains on transfer of capital assets by non-residents

Section 115AD(1)(iii) of the IT Act is proposed to be amended to provide that income tax on the income by way of long-term capital gains on transfer of securities (other than units referred to in Section 115AB) not referred to in Section 112A, if any, included in the total income, shall be calculated at the rate of 12.5% as against 10%.

The amendment is proposed to take into effect from April 1, 2026 and would apply in relation to AY 2026-27 and thereafter.

Our Comments

Finance (No 2) Act, 2024 amended the tax rates applicable on long-term capital gains, to increase it from 10% to 12.5%. The proposed amendment now aligns the tax rate under Section 115AD for FPIs with the above amendments and brings FPI on a level playing field with taxpayers.

Previously, FPIs enjoyed a lower tax rate compared to domestic taxpayers, which led to some discussion around fairness and the need to foster alignment between the tax rates for domestic investors and FPIs. This change appears to be part of a broader effort to address the dynamics between domestic investors and foreign investors, and to simplify and standardize the tax treatment across various classes of investors.

Presumptive Taxation Scheme for Non-Residents Providing Services or Technology for Electronics Manufacturing Facility – Insertion of Section 44BBD to the IT Act

It is proposed to introduce a new provision to provide a presumptive taxation scheme for non-residents engaged in the business of providing services or technology in India for the purpose of setting up an electronics manufacturing facility or in connection with the manufacturing or production of electronic goods, articles, or things in India, subject to certain conditions.

Section 44BBD deems 25% of the aggregate of amount paid or payable to such non-resident, and the amount received or deemed to be received by such non-resident, as profit and gains of such non-resident. Further, if a non- resident opts for taxation under Section 44BBD, unabsorbed depreciation under Section 32 and brought forward losses under Section 72 cannot be set off.

This amendment is proposed to come into effect April 1, 2026, and will accordingly apply in relation to AY 2026-27 and thereafter.

Amendment to the scope of Significant Economic Presence in India Proposed To Be Harmonised With The Provisions Of Business Connection

As per Section 9(1)(1) of the IT Act, income of non-resident shall be deemed to accrue or arise in India if such income is earned through or from any business connection in India which inter alia includes person having Significant Economic Presence in India. "Significant Economic Presence" inter alia means transaction in respect of any goods carried out by a non-resident with any person in India beyond specified limits.

In this regard, it is proposed that the transactions or activities of a non-resident in India which are confined to the purchase of goods in India for the purpose of export shall not constitute significant economic presence of such non-resident in India.

This amendment will take effect from April 01, 2026 and shall accordingly apply in relation to the AY 2026 - 27 and thereafter.

Charitable Trust and Institutions

Income of any trust or institution registered under section 12AB of the Act is exempt subject to the fulfilment of the conditions provided in the Act. Section 12A provides for procedure to make application for the registration of the trust or institution to claim exemption under section 11 and 12. Section 12AB, provides for the procedure related to approval and cancellation of the registration for the trust or institution making application under section 12A. Section 13 provides that

exemption under section 11 and 12 shall not be available to a trust or institution if such trust or institution does not fulfill the conditions specified therein.

Rationalization of person specified under section 13(3) of the Act

Section 13 of the Act provides restriction on exemption under section 11and 12 and exclude any income from the total income of trust of institution, if such income or any property of the trust or the institution is used or applied, directly/ indirectly for the benefit of any person as specified under Section 13(3) of the Act.

Further, such specified person also includes:

i.) any person (other than founder, author or trustee, member or manager) who has made substantial contribution to the trust or institution in the relevant previous year with total contribution exceeding INR 50,000 ;

ii.) any relative of any such person as aforesaid;

iii.) any concern in which any such person as aforesaid has a substantial interest.

It is proposed in the Finance Bill, 2025 to amend the said list of persons defined in Section 13(3) to include any person whose total contribution to the trust or institution, during the relevant previous year exceeds INR 1,00,000/- or, in aggregate up to the end of the relevant previous year exceeds INR 10,00,000/-, as the case may be. Further, the said provision should not include the relative of any such person and any concern in which any such person has a substantial interest.

The said provision is proposed to come into force from April 1, 2026

Rationalization of 'Specified violation' for cancelling of Charitable Trusts / Institutions Registration

Section 12AB governs the approval and cancellation of registrations for charitable trusts/institutions seeking exemption under section 11 and 12 of the Act whereby the Principal Commissioner shall pass an order in writing cancelling the registration of such trust/institution

on satisfaction that one or more specified violations have taken place. Further, incomplete and incorrect information in the application furnished for registration in terms of Section 12A is considered as a 'specified violation.'

In order to prevent harsh consequences for default in filing incomplete application, it is proposed that incomplete applications for registration should not be classified as a 'specified violation' under this provision. The trust/institution shall be able to complete the application and shall be considered for the purpose of registration. Applicable with effective from April 1, 2025

Extended Registration Period for Smaller Trusts

Presently, Section 12AB provides for registration of trust or institution for a period of 5 years or provisional registration (where activities have not commenced at the time of filing application for registration) for a period of 3 years

In order to reduce the compliance burden for the smaller trusts/institutions, it is proposed to increase the period of validity of registration of trust/institution from 5 years to 10 years, in case where the total income (without considering exemptions under Sections 11 and 12) does not exceed INR 50 million in each of the two preceding years prior to the application year.

Applicable with effective from April 1, 2025

START-UPs

Amendment to Section 80 - IAC of the IT Act

The existing provisions of Section 80-IAC of the IT Act provide deduction of an amount equal to 100% of the profits and gains to an eligible start-up from an eligible business for a consecutive period of three years out of ten years subject to fulfilment of certain conditions. The deduction is presently available to an eligible start-up incorporated on or after April 1, 2016 but before April 1, 2025. It is now proposed to extend the benefit of Section 80-IAC to eligible start-up incorporated up to March 31, 2030. The amendment is proposed to take effect from April 1, 2025.

Our Comments

The amendment provides a much-needed extension of the tax deduction available to start-ups. The proposed extension of five years for claiming benefits is in consonance to the theme of promoting and empowering start-ups for continued economic growth.

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MSME As The 2nd Engine

Revision in classification criteria for MSMEs

To help over 1 crore registered MSMEs achieve higher efficiencies of scale, technological upgradation and better access to capital, the investment and turnover limits for classification of all MSMEs will be enhanced to 2.5 and 2 times respectively. This will give these MSMEs the confidence to grow and generate employment for youth.

Enterprise Category	Investment (₹ in Crore)		Turnover (₹ in Crore)	
	Current	Revised	Current	Revised
Micro Enterprises	1	2.5	5	10
Small Enterprises	10	25	50	100
Medium Enterprise	50	125	250	500

Significant enhancement of credit availability with guarantee cover

To improve access to credit, the credit guarantee cover will be enhanced as follows:

i.) For Micro and Small Enterprises, from INR 5 crore to INR 10 crore, leading to additional credit of INR 1.5 lakh crore in the next 5 years;

ii.) For Startups, from INR 10 crore to INR 20 crore, with the guaranteed fee being moderated to 1% for loans in 27 focus sectors important for Atmanirbhar Bharat; and

iii.) For well-run exporter MSMEs, for term loans up to INR 20 crore.

Credit Cards for Micro Enterprises

Introduction of customized Credit Cards with a INR 5 lakh limit for micro enterprises registered on Udyam portal.

INDIVIDUAL/NRIs

Personal Taxation

Tax Rates

The tax rates and slabs under the old regime remain unchanged. Likewise, there have been no proposed amendments to rebates, surcharges, and health and education cess under the old regime.

Further, the following changes are proposed under new regime

Tax slabs for FY 2024 - 25	Tax Rates	Tax slabs for FY 2025 - 26	Tax Rates
Up to 300,000	Nil	**Up to 400,000**	Nil
300,001-700,000	5%	**400,001-800,000**	5%
700,001-1,000,000	10%	**800,001-1,200,000**	10%
1,000,001-1,200,000	15%	**1,200,001-1,600,000**	15%
1,200,001-1,500,000	20%	**1,600,001-2,000,000**	20%
Above 1,500,000	30%	**2,000,001-2,400,000**	25%
		Above 2,400,000	30%

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Rebate under section 87A

The limit of total income for rebate for the resident individual under the new tax regime is proposed to be increased from INR 7,00,000/- to INR 12,00,000/- and the limit of such rebate is increased from INR 25,000/- to INR 60,000/-.

However, such tax rebate will not be available to tax paid at special rates on income such as capital gains under Sections 111A and 112, lotteries etc. It is available only on the tax payable as per slabs under section 115BAC Applicable with effect from AY 2026-27

Marginal Relief

In the new regime under section 115BAC(1A), marginal relief is available to only resident individuals who have income marginally above Rs. 12 lacs. For example, for a person having income of Rs. 12, 10,000/-, in the absence of marginal relief, the tax, works out to be Rs. 61,500/-(5% of Rs.4 lacs+10% of 4 lac and 15% of Rs.10 thousand). However, due to marginal relief, the amount of tax to be actually paid is Rs. 10,000/-. The tax liability on such tax payer by way of slabs only is Rs. 61,500. How ever a person having Rs 12 lac income pays nil tax. By providing marginal relief it has been ensured that the tax payable by a person having income marginally above Rs 12 lacs is required to pay only marginal amount of tax equal to the amount of income above Rs 12 lacs so that his carry home is also Rs 12 lacs. In this case he will be required to pay a tax of Rs 10,000. The table below explains the same

Income	Tax Without Marginal Relief (Rs.)	Tax Actually Payable With Marginal Relief
Rs 12,10,000	61,500	10,000
Rs 12,50,000	67,500	50,000
Rs 12,70,000	70,500	70,000
Rs 12,75,000	71,250	71,250 [No Marginal Relief]

Our Comments

By raising the income tax exemption limit to ₹12 lakh, approximately one crore taxpayers, who previously paid taxes ranging from ₹20,000 to ₹80,000, will now be exempt from taxation. The proposed restructuring of tax slabs and the extension of the rebate threshold provide significant financial relief. These measures are expected to enhance disposable income, create a more equitable tax structure, and ultimately contribute to a stronger economy. Given that India's economy is largely consumption-driven, these tax reductions are likely to stimulate domestic demand, thereby driving economic growth and boosting overall economic activity.

Amendments to Section 206C for TCS on Threshold for LRS and Clarification on Time Limits

TCS threshold for transactions under the LRS increased from INR 7,00,000/- to INR 10,00,000/- under Section 206C(1G). Furthermore, no TCS will be collected if the remittance is related to a loan for education from a financial institution.

Section 206C(7A) is proposed to be amended to clarify the computation of time limits for the collection of TCS. The amendments will ensure that periods such as those during which stay granted by the court, will be excluded from the calculation of time limit for deeming a person as an assessee in default in case of failure to collect tax.

The amendments are proposed to come into effect from April 1, 2025.

Income under the head Salaries

Increase in the limits on income of employees for the purpose of calculating perquisites

Paragraph (c) of Clause (iii) of Section 17(2) of the IT Act provides that the value of any benefit or amenity provided by any employer to the employee shall not form part of perquisites, in case the income of such employee under the head of salaries, in terms of monetary payments does not exceed INR 50,000.

Proviso to Clause (viii) of Section 17(2) of the IT Act prescribes that expenditure incurred by the employer for the medical treatment of

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any employee or their family members including travel and stay in abroad will not be considered as perquisites, in case the gross total income of such employee does not exceed INR 2,00,000.

The said Proviso to Clause (viii) of Section 17(2) and Paragraph (c) of Clause (iii) of Section 17(2) of the IT Act is proposed to be amended to provide that such threshold limit would be increased to such limits as may be prescribed separately in due course of time.

The amendment is proposed to take into effect from April 1, 2026 and accordingly apply in relation to AY 2026-27 and thereafter.

Contribution to National Pension Scheme (NPS) Vatsalya account

NPS Vatsalya Scheme officially launched on September 18, 2024, was exclusively for minors to be operated by parents and guardians till they attain majority. It is proposed to extend the tax benefits available to the National Pension Scheme under Section 80CCD of the Act to the contributions made to the NPS Vatsalya accounts, as follows:

Deduction under section 80CCD for contributions made to NPS Vatsalya

i.) A 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 INR 50,000 overall as mandated under Section 80CCD(1B);

ii.) The amount on which deduction has been allowed under 80CCD(1B) or any amount accrued thereon, will be charged to tax when such amount is withdrawn and where deposit was made in the account of a minor; and

iii.) The amount on which deduction has been allowed and is received on closure of the account due to the death of the minor shall not be deemed to be the income of the parent/guardian;

It is also proposed to insert a clause (12BA) in section 10 of the Act, which provides that any partial withdrawal made out of the minor's account, shall not be included in the total income of the parent/guardian to the extent it does not exceed 25 per cent of the contributions made by him and in accordance with the terms and conditions, specified under the Pension Fund.

The amendment is proposed to take into effect from April 1, 2026 and accordingly apply in relation to AY 2026-27 and thereafter.

Exemption to withdrawals by Individuals from National Savings Scheme from Taxation – 80CCA

Section 80CCA, provided for deduction to an individual, or a Hindu undivided family, for any amount deposited in the National Savings Scheme which was discontinued on or after April 1, 1992.Further, Section 80CCA (2) provided that where such amount, together with the interest accrued is withdrawn, it shall be deemed to be the income of the assessee and shall be chargeable to tax.

The Department of Economic Affairs vide Notification dated August 29, 2024, specified that no interest would be paid on NSS balances after October 1, 2024. Therefore, the depositors were compelled to withdraw funds from NSS.

In order to provide relief to the individual taxpayers facing hardship and compelled to withdraw the accumulated balances, it is proposed to amend Section 80CCA to provide exemption on the withdrawals made from such deposits for which deduction was allowed on or after August 29, 2024.

Applicable with retrospective effect from August 29, 2024.

Extending the time limit to file Updated Return

At present, as per Section 139(8A) of the Act an updated return can be filed up to 24 months from the end of the relevant AY with an additional tax payment on aggregate tax and interest payable at 25% for updated return filed up to 12 months and 50% up to 24 months from the end of the relevant AY.
It is proposed to extend the said time-limit from existing 24 months to 48 months from the end of the relevant AY with an additional tax payment on aggregate tax and interest payable at 60% for updated return filed up to 36 months and 70% up to 48 months from the end of the relevant AY.
It is further proposed that no updated return shall be furnished where a show cause notice has been issued under section 148A of the Act after 36 months from the end of the relevant AY. However, where an order has been passed under section 148A(3) of the Act determining the case not fit for reassessment, updated return may be filed up to 48 months from the end of the relevant AY.

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Applicable with effect from April 1, 2025

Where updated returu is furnished beyond	Additional tax
24 months, up - to 36 months from end of relevant AY	60% of aggregate of tax and interest payable
36 months, up - to 48 months from end of relevant AY	70% of aggregate of tax and interest payable

Our Comment

The amendment is a breather for tax-payers who inadvertently miss filing their tax returns in the past 4 years. They now have an opportunity to disclose their taxable income as part of the 'updated return'. This Section was introduced in the Finance Act, 2022 and had a look-back period of 2 years which is now increased to 4 years.

Income from the head Other Sources

Amendment to Section 2(47A) of the IT Act – Definition of 'Virtual Digital Asset'

Taxation of VDA was introduced under section 115BBH of the Act through Finance Act 2022 as per which transfer of VDA is taxed at the rate of 30% with no deduction allowed in respect to the expenditure (other than cost of acquisition).

It is proposed to amend the definition of Virtual Digital Asset (VDA) provided under Section 2(47A) of the IT Act which was inserted with effect from April 1, 2022.

Section 2(47A) is being proposed to amend to introduce a new sub-clause (d) under Section 2(47A) which states that, "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, whether or not already included in the definition of VDA".

This amendment is proposed to be effective from April 1, 2026.

Our Comments

With the proposed amendment, the definition of VDA is being made more specific to cover 'crypto' assets based on the distributed ledger/blockchain technology, involving processes of validating/securing transactions, which are generally undertaken for mining tokens/cryptos on a distributed ledger. While the existing definition of VDA covers 'any information, code, number or token generated through cryptographic means or otherwise', it does not state its reliance on distributed ledger technology to validate transactions, nor uses the words 'crypto assets'.

Amendment to Section 158B of the IT Act

Clause (b) of Section 158B of the IT Act defines the term "undisclosed income". It is proposed to amend the said clause (b) to insert the word "virtual digital asset" in the said definition so as to accordingly expand its scope.

This amendment will take effect from February 1, 2025

Income From the head House Property

Annual Value of the Self-occupied House Property

Section 23(2) of the IT Act provides that annual value of any self-occupied property or a property which cannot be occupied by the owner due to employment, business or profession carried on at any other place, shall be considered as Nil.

The said section is proposed to be amended to provide that the annual value of the self-occupied property shall be considered as Nil irrespective of whether the owner has occupied or not for any reason whatsoever. Accordingly, the conditional benefit to consider Nil annual value has been done away with and a blanket un-conditional benefit is proposed to be provided.

The amendment is proposed to take into effect from April 1, 2025 and accordingly apply in relation to AY 2025-26 and thereafter.

Our Comment

The amendment is a welcome change from taxpayers' perspective. Taxpayers can avail Nil annual value for two self-occupied properties irrespective of any reason for actually not occupying the said properties

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Income from the head Capital Gain

Rationalization of provisions for unit-linked insurance policies

Section 45 of the IT Act relates to capital gains. Section 45(1B) of the IT Act provides that where any person receives at any time during any previous year any amount under a unit linked insurance policy (ULIP), to which exemption under section 10(10D) does not apply on account of the applicability of the fourth and fifth provisos to Section 10(10D), including the amount allocated by way of bonus on such policy, then, any gains arising from redemption of ULIP shall be chargeable to income-tax under the head "Capital gains".

It is proposed to amend the Section 45(1B) of the IT Act, to tax gains arising from all ULIP policies which are not exempt under Section 10(10D) of the IT Act, as capital gains.

This amendment will take effect from April 1, 2026, and will, accordingly, apply in relation to the AY 2026-2027 and thereafter.

Our Comment

The proposed amendment clarifies that capital gains tax provision shall apply to any ULIP that does not meet the exemption criteria of Section 10(10D) of the IT Act. It essentially expands the scope of taxable income for policies that are not exempt under Section 10(10D) of the IT Act, ensuring that the capital gains arising from these policies are taxed accordingly.

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This amendment is proposed to be effective from April 1, 2026.

Our Comments

With the proposed amendment, the definition of VDA is being made more specific to cover 'crypto' assets based on the distributed ledger/blockchain technology, involving processes of validating/securing transactions, which are generally undertaken for mining tokens/cryptos on a distributed ledger. While the existing definition of VDA covers 'any information, code, number or token generated through cryptographic means or otherwise', it does not state its reliance on distributed ledger technology to validate transactions, nor uses the words 'crypto assets'.

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arising from redemption of ULIP shall be chargeable to income-tax under the head "Capital gains".

It is proposed to amend the Section 45(1B) of the IT Act, to tax gains arising from all ULIP policies which are not exempt under Section 10(10D) of the IT Act, as capital gains.

This amendment will take effect from April 1, 2026, and will, accordingly, apply in relation to the AY 2026-2027 and thereafter.ttt

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The proposed amendment clarifies that capital gains tax provision shall apply to any ULIP that does not meet the exemption criteria of Section 10(10D) of the IT Act. It essentially expands the scope of taxable income for policies that are not exempt under Section 10(10D) of the IT Act, ensuring that the capital gains arising from these policies are taxed accordingly.

Expansion of definition of equity-oriented fund for the purpose of Section 112A

Clause (a) of Explanation to Section 112A of the IT Act is proposed to be amended to provide that "equity-oriented fund" would include a fund set up under a scheme of an insurance company comprising unit linked insurance policies to which exemption under clause (10D) of Section 10D does not apply.

The amendment is proposed to take into effect from April 1, 2026 and accordingly, apply in relation to AY 2026-27 and thereafter.

Our Comment

The amendment proposes to rationalize the provision for unit-linked insurance policies so as to provide that ULIPs to which exemption under Clause (10D) of Section 10 does not apply, shall be included in the definition of equity-oriented fund. Earlier, the definition was restricted to the ULIPs which were covered within the ambit of 4th and 5th proviso to clause (10D) of Section 10.

INTERNATIONAL FINANCIAL SERVICE CENTRE

International Financial Services Centre (IFSC) is a jurisdiction that provides financial services to non-residents and residents, to the extent permissible under the current regulations, in any currency except Indian Rupee. In order to promote the development of world-class financial infrastructure in India, several tax concessions have been provided to units located in IFSC, under the Act, over the past few years.

Extension of sunset dates

The sunset dates for commencement of operations of IFSC units and relocation of funds to IFSC are proposed to be extended. The sunset date for the following is proposed to be extended from March 31, 2025 to March 31, 2030:

i.) Commencement of operations of investment division of overseas banking unit to claim capital gain exemption under Section 10 (4D)

ii.) Date for operationalizing IFSC unit to claim exemption on royalty and interest income from royalties earned by IFSC unit from lease of aircraft or ships under Section 10 (4F) and availing deduction under Section 80LA(2)(d) towards income from transfer of aircraft or ships

iii.) Timeline for claiming capital gains exemption under Section 47 (viiad) on relocation of funds to IFSC

The sunset date for commencement of operations of aircraft lease for claim of exemption on capital gain income under Section 10(4H) has been extended from March 31, 2026 to March 31, 2030.

Exemption on sum received under a life insurance policy from IFSC Insurance Offices

Under Section 10(10D) of the IT Act, a sum received under a life insurance policy, including any bonus allocated under such policy, is exempt from tax, subject to certain conditions. These provisions extend to insurance policies issued by insurance offices operating within the IFSC. The exemption, however, is not available in the following circumstances:

i.) For unit-linked insurance policies, if the annual premium or aggregate premiums payable exceed INR 2.5 lakhs.

ii.) For life insurance policies other than unit-linked, if the annual

premium or aggregate premiums payable exceed INR 5 lakhs.

Section 10(10D) of the IT Act is proposed to be amended to provide that the exemption under this clause shall apply to proceeds from life insurance policies issued by IFSC

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insurance intermediary offices without being subject to the above premium limits. This amendment will come into effect from April 1, 2025.

Exemption on capital gains and dividend income for IFSC unit engaged in ship leasing

Section 10(4H) of the IT Act provides exemption for capital gains income arising to non-residents or IFSC units engaged in the business of aircraft leasing arising from transfer of equity shares of domestic company, being a unit of IFSC. Further, Section 10(34B) of the IT Act provides for exemption on dividend income of the IFSC unit engaged in the business of aircraft leasing.

Section 10(4H) and Section 10(34B) of the IT Act are proposed to be amended to extend these exemptions to entities engaged in the business of ship leasing.

These amendments will come into effect from April 1, 2025.

Expansion of scope of exempt income of Non-residents

Section 10(4E) of the Act provides that in computing the total income of a previous year of any person, any income accrued or arisen to, or received by a non-resident as a result of transfer of non-deliverable forward contracts or offshore derivative instruments or over the-counter derivatives, or distribution of income on offshore derivative instruments, entered into with an offshore banking unit of an International Financial Services Centre referred to in Section 80LA(1A), and fulfilling the conditions as may be provided by rules, shall not be included.

Section 10(4E) of the IT Act is proposed to be amended to insert "or any Foreign Portfolio Investor being a unit of an International Financial Services Centre" so as to bring it within the ambit of the said clause.

It is further proposed to insert an Explanation to the said clause to define the expression "Foreign Portfolio Investor" to mean a person registered as per the provisions of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 made under the Securities and Exchange Board of India Act, 1992.

These amendments will take effect from April 1, 2026 and will, accordingly, apply in relation to the AY 2026-2027 and subsequent AYs

Rationalization of definition of 'dividend' for treasury centers in IFSC

Section 2(22)(e) of the IT Act provides that dividend includes any sum paid by way of advance or loan to a shareholder paid by a company (not being a company in which the public are substantially interested), where shareholder is the beneficial owner of shares holding not less than 10% of the voting power, or to any concern in which such shareholder is a member or a partner and in which he has a substantial interest or any payment by any such company on behalf, or for the individual benefit, of any such shareholder, to the extent to which the company in either case possesses accumulated profits.

Section 2(22)(ii) of the IT Act excludes from the definition of dividend (may be referred to as deemed dividend) any advance or loan made to a shareholder or the said concern by a company in the ordinary course of its business, where the lending of money is a substantial part of the business of the company.

Section 2(22) of the IT Act is proposed to be amended to exclude ns

proposed to be amended to exclude advance or loan between group entities from being treated as dividends, where:

i.) One of the entities is a finance company or unit in an IFSC for treasury activities; and

ii.) The parent or principal entity of the group must be listed on a stock exchange outside India (except in specified territories), and specific conditions for defining group, parent, and principal entities will be prescribed.

These amendments will take effect from April 1, 2025.

Simplified Regime for Fund Managers in IFSC

Section 9A of the IT Act inter alia provides that the fund management activity carried out through an eligible fund manager acting on behalf of eligible investment fund shall not constitute business connection in India, subject to the conditions mentioned therein.

Section 9A(3)(c) inter alia provides that the eligible investment fund shall fulfil the

condition that the aggregate participation or investment in the fund, directly or indirectly, by persons resident in India does not exceed five per cent of the corpus of the fund.

Section 9A(8A) inter alia provides that the Central Government may by notification specify that any one or more of the conditions specified in Section 9A(3) or Section 9A(4), shall not apply or shall apply with such modifications, in case of an eligible investment fund and its eligible fund manager, if such fund manager is located in an IFSC and has commenced its operations on or before the March 31, 2024.

Section 9A of the IT Act is proposed to be amended as under:

i.) The condition at clause (c) of sub-section (3) will apply to all eligible investment funds, regardless of whether their fund managers are based in the IFSC. The aggregate participation or investment in the fund will be determined on April 1st and October 1st of the previous year. If the condition is not met on either of those dates, the fund must comply within four months.

ii.) The condition at clause (c) will remain unchanged for all eligible investment funds and their fund managers.

iii.) These conditions may be relaxed for eligible investment funds whose fund managers in IFSC begin operations on or before March 31, 2030, under sub-section (8A) of section 9A.

These amendments will take effect from April 1, 2025.

Retail Schemes and Exchange Traded Funds (ETFs) in the existing Relocation Regime of funds of IFSCA

Under Section 47(viiad) of the IT Act, when a shareholder, unit holder, or interest holder relocates their share/unit/interest from the original fund to a resultant fund, it is treated as a non-transfer event for capital gains tax purposes. The term "resultant fund" includes a fund in India registered as a Category I, II, or III AIF, located within an IFSC, and subject to certain regulations. The current exemption allows relocation to certain funds in the IFSC.

Section 47(viiad) of the IT Act is proposed to be amended to include retail schemes and ETFs that are in the IFSC under the definition of resultant funds.

The amendment will take effect starting from April 1, 2026

Extension of date of making investment by Sovereign Wealth Funds, Pension Funds etc. and rationalisation of tax exemptions

Section 10(23FE) of the Act provide

provides for the exemption to specified persons viz. Sovereign Wealth Funds, Pension Funds from income in the nature of dividend, interest, long-term capital gains or certain other incomes arising from an investment made by it in India.

It is proposed that long-term capital gains, whether or not such capital gains are deemed to be short-term or long-term capital gains under section 50AA of the Act, shall not be included in the total income of such specified persons.

Further, the deadline for investment is proposed to be extended from March 31, 2025, to March 31, 2030. Applicable with effect from April 1, 2025

Extension of the timeline to commence operations under section 80LA

The clause (d) of sub-section (2) of section 80LA which includes income arising from the transfer of aircraft or a ship has been proposed to be amended to extend the date of commencement of operations from March 31, 2025 to March 31, 2030 to claim deduction for units located in IFSC.

Applicable with effect from April 1, 2025

Our Commen

Key Positives

i.) Extended Sunset Clauses for Tax Incentives: The extension of sunset clauses for various tax benefits enhances regulatory stability and predictability, allowing businesses to engage in long-term strategic planning within the IFSC. This move is expected to drive higher capital inflows and foster operational scalability.

ii.) Exemption on Life Insurance Premiums for Non-Residents: Non-residents will benefit from an exemption on life insurance premiums, bypassing the limits applicable outside the IFSC. This makes the jurisdiction particularly attractive for international life insurance and reinsurance operations.

iii.) Capital Gains & Dividend Exemptions for Ship Leasing: The extension of capital gains and dividend exemptions to IFSC-based ship leasing aligns it with aircraft leasing,

reinforcing the IFSC as a comprehensive leasing hub.

iv.) Regulatory Easing for Fund Managers: Reduced regulatory constraints, particularly in cross-border fund administration, minimize operational barriers, enhancing the IFSC's appeal to global asset managers.

v.) Inclusion of Retail Schemes & ETFs in Tax-Neutral Relocation Regime: The expansion of tax-neutral treatment to retail schemes and ETFs incentivizes a wider range of investment products to domicile within the IFSC, diversifying its investment landscape.

While the proposed amendment to deemed dividend regulations is a positive step for foreign-listed companies considering the IFSC for Global Treasury Centre (GTC) operations, it may pose challenges for large conglomerates, particularly unlisted foreign entities and listed/unlisted Indian entities. This could potentially limit the IFSC's attractiveness for GTC-related activities and may require further refinement to maintain its competitiveness.

AIFs/Business Trust

Rationalisation in taxation of Business trusts - Amendments to Section 115UA of the IT Act

Section 115UA provides that the total income of a business trust shall be charged to tax at maximum marginal rate unless it pertains to capital gains covered under Section 111A and 112. Vide the proposed amendment in Section 115UA, capital gains covered under Section 112A (Long-term capital gains (LTCG) tax on listed equity shares, equity-oriented mutual funds, and

business trusts) have also been carved out from the purview of maximum marginal rate.

The amendment is proposed to take into effect from April 1, 2026 and accordingly would apply in relation to AY 2026-27 and thereafter.

Amendment to definition of "capital asset"

Section 2(14) of the Act defines the term "capital asset" to include property of any kind held by an assessee, whether or not connected with his business or profession, but does not include any stock-in-trade or personal assets as provided in the definition.

In case of Investment funds being Category I and II AIF, there was uncertainty in the characterization of income from transaction in securities as to whether the same shall be taxable as capital gain or business income.

In this regard, it is now proposed to amend the definition of a capital asset to clarify that any security held by specified investment funds shall be treated as a capital asset only. Thus, any income arising from transfer of such security would be taxed under the head capital gain and not business income.

These amendments will take effect from April 1, 2026 and will accordingly apply in relation to the AY 2026-27 and thereafter.

Tax Compliance Calendar for February 2025

Compliance Due Date	Concerned (Reporting) Period	Compliance Detail	Applicable To
1st February	January 2025 to March 2025	Section 173 of Companies Act, 2013	Section 173 provides for holding at least four board meetings in a year in such manner that not more than 120 days shall intervene between two board meetings. Regulation 17(2) of SEBI (LODR) Regulations, 2015 provides for holding at least one board meeting in a quarter with the stipulation that maximum time between two board meetings should not exceed four months.
		Regulation 29 & 30 of SEBI	LODR provides for giving of notice of board meeting at least 5 days prior to each meeting. Outcome of the meeting is to be informed to Stock Exchange (SE) within 30 minutes of the closure of the Board Meeting.

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7th February		TDS Deposit	Deposit of tax deducted at source
11th February		GSTR-1 (Outward supply return)	Every regular taxable person who is required to furnish details of outward supply every month, is required to furnish monthly statement of outward supply for the month of Janauary, 2025
14th February		Issuance of TDS certificate for tax deducted under section 194-IA/194-IB/ 194M/194S	Certificate of TDS in respect of tax deducted under section 194-IA/194-IB-194M/194S during the month of December 2024
15th February		Issuance of TDS certificate by all deductors	Certificate of tax deducted at source is required to be issued in respect of tax deducted during the period October 2024 to December 2024
20th February		GSTR-3B (Summary return)	A regular taxpayer having aggregate turnover more than Rs. 5 crore in the preceding financial year is required to make payment of tax and furnish monthly return for the month of January, 2025.
22th February		Monthly Return	A regular taxpayer having an aggregate turnover of upto Rs. 5 crore in the previous financial year, whose principal place of business is in category A States, is required to make payment of tax and furnish monthly return for the month of January, 2025

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