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India Budget 2025
–Highlights

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INDIA BUDGET 2025 – Highlights

Includes

- Reading the Indian Treaties through Multilateral Instruments (MLI) Lens
- OECD Global Minimum Tax & Other Developments: An Overview
- ESG & Sustainability : Green Initiatives
- Logistics & Supply Chain Infrastructure Sector Initiatives

Feburary 2025

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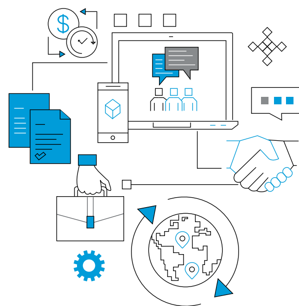
Chapter 1 Introduction

Background



The India Union Budget 2025 has been keenly awaited as India continues to be the fastest growing large economy in the world and in terms of GDP, India is currently the world's fifth largest economy. The current geo-political developments and the slowdown of economic growth in the recent quarters warrant certain bold and structural changes. The 'Economic Survey 2024-25' and certain significant aspects as announced by the Hon'ble Finance & Corporate Affairs Minister, Mrs. Nirmala Sitharaman, in the Union Budget on 1st February 2025 are as under:

Sound Economic Fundamentals

- India's GDP expected to grow by 6.4% for FY 2024-25 recognizing key risks as geo-political risk, elevated assets valuation risk, inflation and global economic slowdown risk.
- The fiscal deficit of the Union Government is estimated at 4.8% of GDP in FY 2024-25 and expected to further drop to 4.4% of GDP by FY 2025-26 reflecting fiscal discipline and continued fiscal consolidation.
- India successfully managed to keep retail inflation at 4.9% in FY 2024-25.
- The Asset Monetisation Plan for 2025-30 will be launched to plough back capital of Rs.10 lakh crore (US$ 134 billion) in new projects.
- FDI recorded a revival in FY25, with gross FDI inflows increasing from US$ 47 billion in the first 8 months of FY24 to US$ 55 billion in the same period of FY25, a YoY growth of 17.9%.
- After surpassing the US$ 700 billion benchmark, India's foreign exchange reserves moderated to US$ 640 billion as of end of December 2024.

Certain Budget proposals

- Personal tax – Major change in slab structure under the new regime, increase in basic exemption limit, increase in rebate on income tax and other changes benefitting millions of taxpayers.
- Corporate tax rates – No change.
- Rationalisation of transfer pricing provisions for carrying out multi-year arm's

length price determination.

- Safe Harbour Rules proposed to be introduced for non-residents who store components for supply to specified electronics manufacturing units.
- Rationalisation of regimes for charitable entities.
- Tonnage tax scheme extended to Indian Vessels operating in Indian waters.
- Scheme of presumptive taxation extended for non-residents providing services for electronics manufacturing facility.
- Significant tax benefits provided to units in IFSC including extension of period for commencing operations to claim various tax benefits.
- Tax exemption for start-ups extended for a period of 5 years to eligible start ups incorporated before 1 April 2030.
- Rationalisation of TDS and TCS provisions and increase in threshold limits.
- Removal of higher TDS/TCS for non-filers of return of income.
- Indirect tax proposals covering custom duty and GST.

Overall, the Union Budget focus is on providing major relief under personal tax, boosting consumption and savings, growth, employment generation, fiscal stability and simplification of tax regime and should result in maintaining the sustained growth momentum.

A significant announcement was made to introduce the new income-tax bill in one week. It was further stated that the new bill will be clear and direct in text with close to half of the present law, in terms of both chapters and words. It will be simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation.

There is no change in the overall structure of corporate tax rates. Given that the corporate tax rate under the new concessional regime is 25.17% and for new manufacturing companies it is 17.16%, the stability is a positive news. However, extension of sunset date for setting up of a new manufacturing company beyond 31 March 2024 has not been announced, which was expected.

One of the major proposals in Budget 2025 is announcement of multi-year arm's length price determination wherein it is proposed to carry out transfer pricing assessments in a block, in situations where there are similar international transactions or specified transactions for various years, same facts like enterprises with whom such transaction is done, proportionate quantum of transaction, location of associated enterprises etc.,

and same arm's length analysis are repeated every year. Accordingly, a scheme has been introduced for determining arms' length price of international transactions for a block period of 3 years.

There is a welcome change in personal tax in relation to income slabs rates with benefits to individuals / HUFs under new regime with maximum benefit of Rs. 1,10,000/-. There has been no change in the surcharge and cess rates.

The limit of rebate from income-tax under section 87A has been increased to Rs. 60,000/- as the limit of total income (excluding income subject to special rates such as capital gains) for rebate has been increased from Rs. 7,00.000/- to Rs. 12,00,000/- under the new regime. Accordingly, no tax on individuals having income (excluding income subject to special rates) up to Rs. 12,00,000/- under new regime.

It is proposed to extend the tax benefits available to the National Pension Scheme (NPS) under Section 80CCD of the Act to the contributions made to the NPS Vatsalya scheme which was officially launched on 18 September 2024. The aggregate amount of deduction under section 80CCD shall not exceed Rs. 50,000.

Various benefits have been announced for units set-up in International Financial Services Centre (IFSC), GIFT City including extension of dates for commencement of operations till 31 March 2030. Some of them are as under:

- Benefits similar to units in aircraft leasing, extended to ship leasing units in IFSC.
- The proceeds received on life insurance policy issued by the IFSC insurance intermediary office, including any sum allocated by way of bonus, will be exempted from income tax without any condition related to the maximum premium amount payable on such policy. However, the condition stating that the premium payable for any of the year during the term of policy should not be more than 10% of the actual capital sum assured, will continue.
- Retail schemes or Exchange Traded Funds (ETF) have been included in the definition of resultant fund so that relocation of original funds to such funds in the IFSC is also a tax-neutral transaction, subject to fulfilment of specified conditions.

Provisions related to tax deducted at source and tax collected at source have been proposed to be rationalized and threshold limits under various sections have been increased. More specifically, the threshold amount of income by way of rent for requirement of deduction of tax at source under section 194-I has been increased from Rs. 2,40,000/- in a financial year to Rs. 50,000/- in a month or part of a month. To reduce compliance burden for the deductor / collector, it is proposed to omit section 206AB and section 206CCA of the IT Act when the deductee / collectee is a non-filer of income-tax return.

It is proposed to amend section 72A and section 72AA of the IT Act to prevent evergreening of the losses of the predecessor entity resulting from successive amalgamations. Accordingly, it is proposed that any loss forming part of the accumulated loss of the predecessor entity, which is deemed to be the loss of the successor entity, shall be eligible to be carried forward for not more than 8 assessment years immediately succeeding the assessment year for which such loss was first computed for original predecessor entity.

The time-limit to file the updated return for an assessment year is proposed to be increased from the existing 24 months to 48 months from the end of relevant assessment year. Rate of additional income-tax payable for updated return filed after expiry of 24 months & upto 36 months and after expiry of 36 months & upto 48 months, shall be 60% and 70% of aggregate of tax and interest payable respectively.

There was an expectation that the maximum rate of taxation on dividends which is 35.88% would have been reduced to 23.92% for resident shareholders, but the same has not been met. Also, there is no proposal for introduction of inheritance tax or wealth tax which is a subject matter of discussion in many advanced economies and would be a big relief to HNIs.

There has been no change in provisions for determination of residential status related to non-residents visiting or regularly investing into India.

Indirect tax related changes are aimed to boost domestic manufacturing, enhance domestic value addition, encourage green energy and rationalise tariff structure. On the GST front, recommendations made in GST Council has been proposed to be adopted such as enabling provisions for Invoice Management System (IMS) and 'track and trace mechanism', retrospective amendment in relation to construction-based input tax credit eligibility, taxability on issuance of vouchers, etc. On the Customs front, 7 more tariff rates have been removed, and rate structure further rationalised. Additionally, the social welfare surcharge has been exempted on 82 tariff lines that are subject to cess.

Overall, the Union Budget is a balanced budget despite the uncertain and challenging times, with a focus on priorities of growth, infrastructure, fiscal consolidation, stability of corporate tax regime and simplification of personal tax regime.

Scope and Limitations

In this booklet compiled by us, we intend to offer a broad outline of the highlights of the Finance Bill, 2025 presented on 1 February 2025. We have discussed the significant proposals of general interest in respect of direct taxes. In respect of indirect taxes and other policy initiatives, only the highlights have been briefly enumerated. Preceding the budget proposals are the macro indicators of Indian economy which provide a backdrop to

the legal and financial proposals.

This booklet is not an offer, invitation or solicitation of any kind and it does not purport to be comprehensive, or to render legal, economic or financial advice. This booklet should not be relied upon for taking actions or decisions without appropriate professional advice as the facts of each case have to be studied and the legal position analysed properly before taking any action or decision in the matter. Further, this booklet contains only the proposals and amendments as given in the Finance Bill, 2025, which may be modified before it receives the approval and assent of the Parliament and the President. The proposals regarding direct taxes would become effective from Assessment Year 2026-27 (Financial Year 1 April 2025 to 31 March 2026), unless otherwise specified. In this booklet, the terms 'IT Act', 'the Rules' and 'the Bill' are used for the 'Income-tax Act, 1961', 'Income-tax Rules, 1962' and 'Finance Bill, 2025' respectively.

While all reasonable care has been taken in preparation of this booklet, we accept no responsibility for any errors it may contain or for any omissions or otherwise or for any loss, howsoever caused or sustained, by the person who relies on it.

Chapter 2 Indian Economy — An Overview

2.1 India at a glance

GDP: 2024

- US$ 16.02 trillion in terms of PPP and US$ 4.27 trillion in nominal terms
- India is the 3rd largest economy globally (in PPP terms) and 5th largest (in nominal terms)

GDP Growth rate

India real GDP growth rate of (as per IMF)

- 6.4% in 2024-25
- 6.3-6.8% in 2025-26

Demography

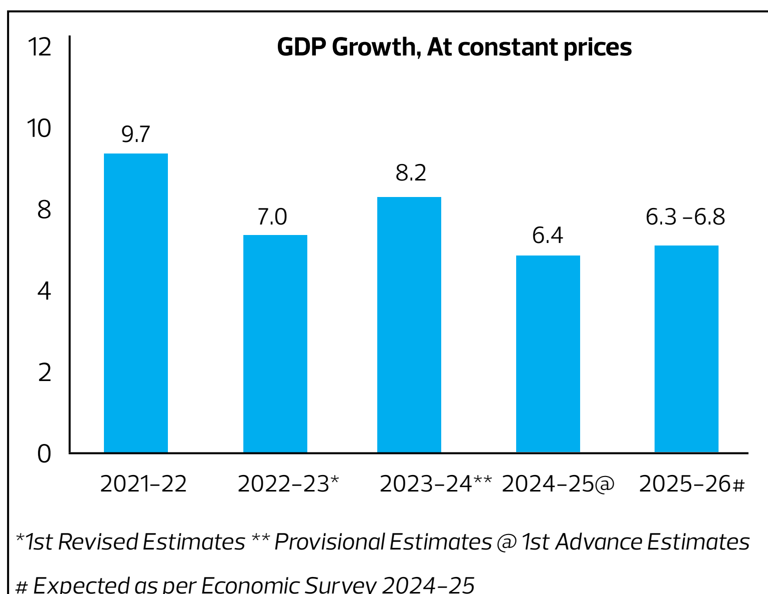
- India has a population of over 1.458 billion people, wherein the median age in India is 28.8 years.

Equity Market Capitalisation (BSE)

- US$ 4.89 trillion as on 31 January 2025, 4th largest globally.

2.2 General Review

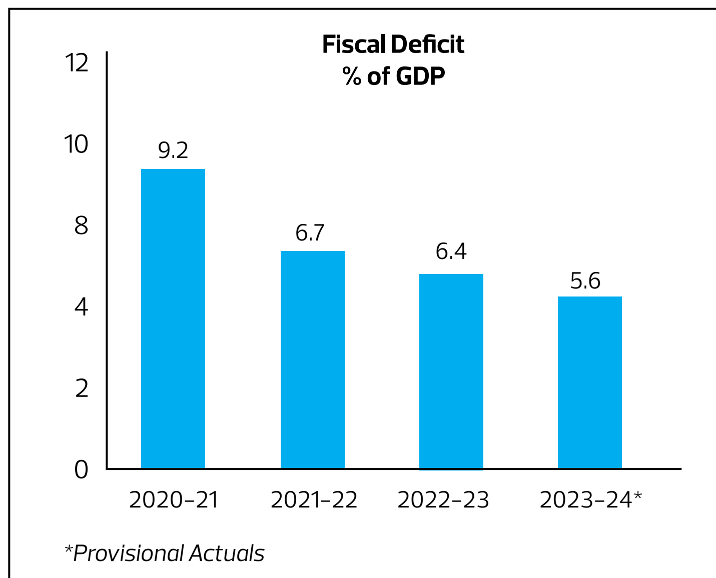
India GDP growth is expected to be 6.4% in FY 2024-25 which is in line with the past 10 years average GDP growth. While the International Monetary Fund projects global growth to average around 3.2 % over the next five years, the real GDP growth in India for FY 2025-26 is expected to be between 6.3% and 6.8%. This makes India as the fastest growing large economy in the world with a consistent track record and future outlook.



*1st Revised Estimates ** Provisional Estimates @ 1st Advance Estimates

Expected as per Economic Survey 2024-25

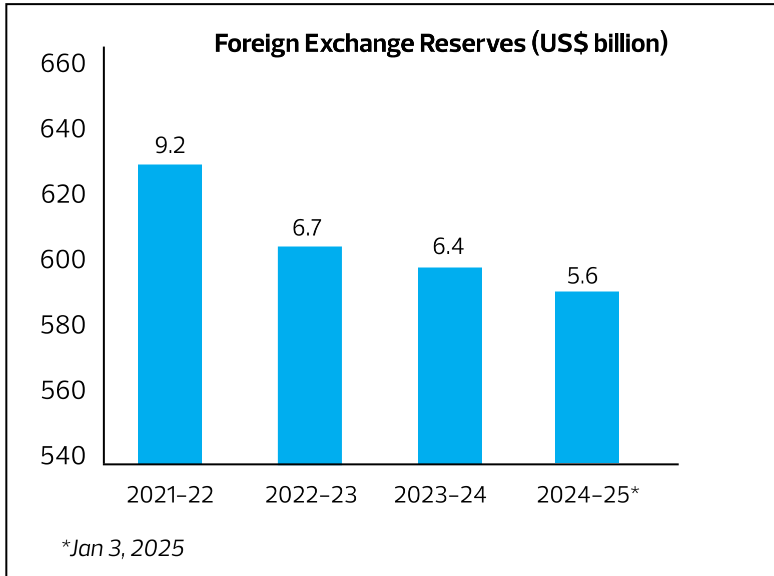
The fiscal deficit too has been consistently decreasing in the past few years and is estimated to be at 4.8% and 4.4% of GDP for 2024-25 and 2025-26.



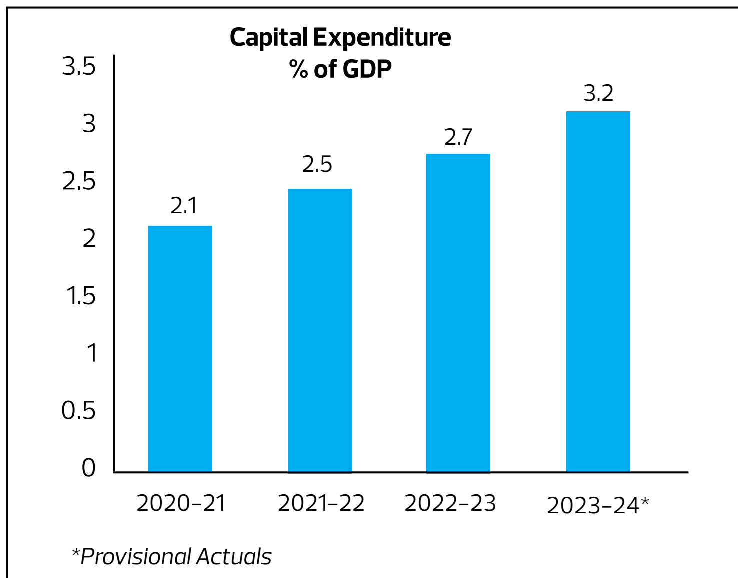
The agriculture sector is expected to rebound to a growth of 3.8% in FY 2024-25. The industrial sector is estimated to grow by 6.2% in FY 2024-25. Strong growth rates in construction activities and electricity, gas, water supply and other utility services are expected to support industrial expansion. Growth in the services sector is expected to remain robust at 7.2%, driven by healthy activity in financial, real estate, professional services, public administration, defence, and other services.

Gross Foreign Direct Investment inflows recorded a revival in FY 2024-25, increasing from US$ 47 billion in the first eight months of FY 2023-24 to US$ 55.6 billion in the same period of FY 2024-25, a year-on-year growth of 17.9%. Foreign portfolio investment flows have been volatile in the second half of 2024, primarily on account of global geopolitical and monetary policy developments.

As a result of stable capital flows, India's foreign exchange reserves increased from US$ 616.7 billion at the end of January 2024 to US$ 704 billion in September 2024 before moderating to US$ 634.6 billion as on 3 January 2025. India's forex reserves are sufficient to cover 90% of external debt and provide an import cover of more than ten months, thereby safeguarding against external vulnerabilities.

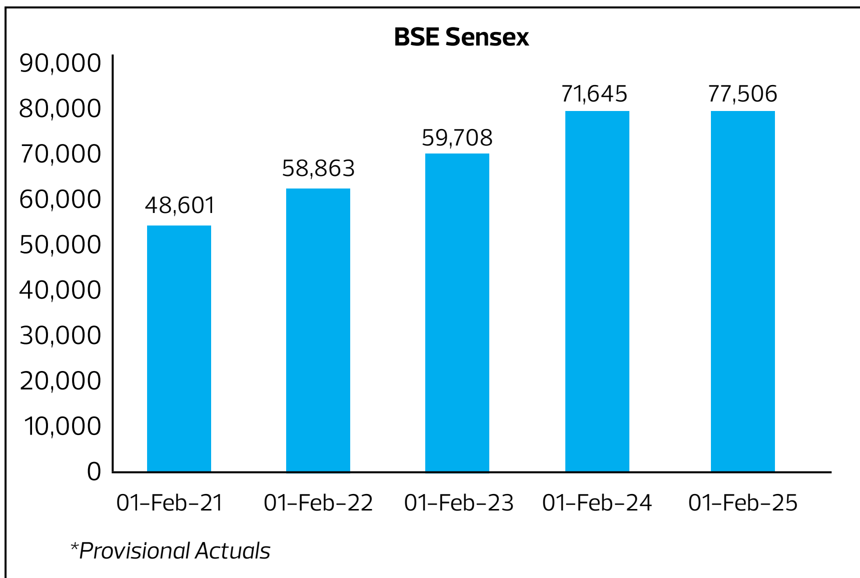


Capital expenditure as a percent of GDP has continuously improved from 2.1% in FY 2020-21 to 3.2% in FY 2023-24.



Stability in the banking sector is underscored by declining asset impairments, robust capital buffers and strong operational performance. The gross non-performing assets in the banking system have declined to a 12-year low of 2.6% of gross loans and advances. The capital-to-risk-weighted assets ratio (CRAR) for Schedule Commercial Banks stands at 16.7% as of September 2024, which is well above the norm.

In addition to the services trade surplus, remittances from abroad led to a healthy net inflow of private transfers. India was the top recipient of remittances in the world, driven by an uptick in job creation in OECD economies. These two factors combined to ensure that India's current account deficit remained relatively contained at 1.2% of GDP in Q2 FY 2024-25.



India's labour market growth in recent years has been supported by post-pandemic recovery and increased formalization. The unemployment rate for individuals aged 15 years and above has steadily declined from 6.0% in 2017-18 to 3.2 % in 2023-24. The labour force participation rate and the worker-to-population ratio have also increased.

Retail headline inflation has softened from 5.4 % in FY 2023-24 to 4.9 % in April – December 2024. Food inflation, measured by the Consumer Food Price Index has increased from 7.5% in FY 2023-24 to 8.4% in FY 2024-25 (April-December), primarily driven by a few food items such as vegetables and pulses. India's

consumer price inflation will gradually align with the target of around 4% in FY 2025-26 as per RBI and IMF.

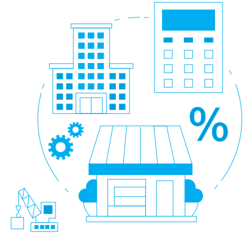
MSME sector has emerged as a highly vibrant sector of the Indian economy. To provide equity funding to MSMEs with the potential to scale up, the government launched the Self-Reliant India Fund with a corpus of Rs.50,000 crores.

Looking ahead, India's economic prospects for FY26 appear exciting due to large size of the economy and consistent high growth. Headwinds to growth include elevated geopolitical and trade uncertainties and possible commodity price shocks. Domestically, the increace in consumption and capital investment will be key to promoting growth. India will need to improve its global competitiveness through grassroots-level structural reforms and deregulation to reinforce its medium-term growth potential. The stable macro-economic enviroment coupled with political stability and visionary leadership provides an upside to near-term and medium-term growth. In an uncertian global world, India remais the 'bright' economic hotspot.

Chapter 3 TAX RATES

3.1 Individuals, HUFs, AOPs and BOIs

3.1.1 Tax rates



The Bill proposes to revise the tax rate structure for personal income tax under the new tax regime under section 115BAC of the IT Act and the old tax regime shall continue to remain the same. Individuals/ HUFs/AOPs and BOIs continue to have the option to opt for the old tax regime. The income-tax slabs and rates for the FYs 2025-26 and 2024-25 under the new tax regime and the old tax regime are as under:

New Tax Regime – Proposed

FY 2025-26	
Income Slabs (Rs.)	**Proposed Tax Rates**
0 - 4,00,000	Nil
4,00,001 – 8,00,000*	Nil - after rebate under section 87A*
8,00,001 – 12,00,000*	Nil - after rebate under section 87A*
12,00,001 – 16,00,000	Rs. 62,400 plus 15.60% [tax rate 15% plus health and education cess 4% thereon] of income exceeding Rs. 12,00,000
16,00,001 – 20,00,000	Rs. 1,24,800 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 16,00,000
20,00,001 – 24,00,000	Rs. 2,08,000 plus 26.00% [tax rate 25% plus health and education cess 4% thereon] of income exceeding Rs. 20,00,000
24,00,001 – 50,00,000	Rs. 3,12,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 24,00,000
50,00,001^ – 1,00,00,000	Rs.12,35,520 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000
1,00,00,001^- 2,00,00,000	Rs. 30,85,680 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000
2,00,00,001^- 5,00,00,000	Rs. 72,54,000 plus 39% [(tax rate 30% plus surcharge 25%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000
5,00,00,001 and above	Rs.1,89,54,000 plus 39% [(tax rate 30% plus surcharge 25%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 5,00,00,000

*A resident individual would be entitled to rebate under section 87A of 100% of tax payable or Rs. 60,000, whichever is lower, [excluding health and education cess] resulting in NIL tax liability upto total income of Rs. 12,00,000. Further, such rebate on income-tax is not available on tax on incomes chargeable at special rates.

^ Marginal relief is available to ensure that the additional income tax payable, including surcharge of 10%, 15%, or 25% on the excess of income over Rs. 50,00,000, Rs. 1,00,00,000 or Rs. 2,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000, Rs. 1,00,00,000 or Rs. 2,00,00,000 as the case may be. No marginal relief shall be available in respect of the health and education cess.

^^ Maximum rate of surcharge on tax payable on income chargeable to tax under section 111A, 112A, 112 115AD(1)(b) and dividend income shall be 15%.

New Tax Regime – Present

FY 2024-25	
Income Slabs (Rs.)	**Tax Rates**
0 – 3,00,000	Nil
3,00,001 – 6,00,000*	Nil – after rebate under section 87A*
6,00,001 – 7,00,000*	Nil – after rebate under section 87A*
7,00,001 – 10,00,000	Rs. 20,800 plus 10.40% [tax rate 10% plus health and education cess 4% thereon] of income exceeding Rs. 7,00,000
10,00,001 – 12,00,000	Rs. 52,000 plus 15.60% [tax rate 15% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000
12,00,001 – 15,00,000	Rs. 83,200 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 12,00,000
15,00,001 – 50,00,000	Rs. 1,45,600 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 15,00,000
50,00,001^ – 1,00,00,000	Rs.13,61,360 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000
1,00,00,001^– 2,00,00,000	Rs.32,17,240 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000
2,00,00,001^– 5,00,00,000	Rs. 73,97,000 plus 39% [(tax rate 30% plus surcharge 25%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000

FY 2024-25	
Income Slabs (Rs.)	**Tax Rates**
5,00,00,001 and above	Rs.1,90,97,000 plus 39% [(tax rate 30% plus surcharge 25%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 5,00,00,000

* A resident individual would be entitled to rebate under section 87A of 100% of tax payable or Rs. 25,000, whichever is lower, [excluding health and education cess] resulting in NIL tax liability upto total income of Rs. 7,00,000.

^ Marginal relief is available to ensure that the additional income tax payable, including surcharge of 10%, 15%, or 25% on the excess of income over Rs. 50,00,000, Rs. 1,00,00,000 or Rs. 2,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000, Rs. 1,00,00,000 or Rs. 2,00,00,000 as the case may be. No marginal relief shall be available in respect of the health and education cess.

^^ Maximum rate of surcharge on tax payable on income chargeable to tax under section 111A, 112A, 112 115AD(1)(b) and dividend income shall be 15%.

Old Tax Regime

The tax rates in the old tax regime in case of individuals, HUFs, AOPs and BOIs continue to remain the same. As such, the effective and present tax rates under the old tax regime for the FYs 2025-26 and 2024-25 are as follows:

Income Slabs (Rs.)	FY 2025-26 Proposed Tax Rates	FY 2024-25 Tax Rates
0 - 2,50,000 #	Nil	
2,50,001 # – 5,00,000*	Nil - after rebate under section 87A*	
5,00,001 – 10,00,000	Rs. 13,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000	
10,00,001 – 50,00,000	Rs. 1,17,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000	
50,00,001^ – 1,00,00,000	Rs.15,01,500 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000	
1,00,00,001^-2,00,00,000	Rs. 33,63,750 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000	
2,00,00,001^-5,00,00,000	Rs.75,56,250 plus 39% [(tax rate 30% plus surcharge 25%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000	
5,00,00,001^ and above	Rs.2,11,04,850 plus 42.744% [(tax rate 30% plus surcharge 37%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 5,00,00,000	

Basic exemption income slab in case of a resident individual of the age 60 years or more (senior citizen) and resident individual of the age 80 years or more (very senior citizens) at any time during the previous year, continues to remain the same at Rs. 3,00,000 and Rs. 5,00,000 respectively.

* The tax rate has been continued at 5.20% [tax rate 5 % plus health and education cess 4% thereon] on the income exceeding Rs. 2,50,000 but not exceeding Rs. 5,00,000. However, a resident individual would continue to be entitled to a rebate under section 87A of 100% of tax payable [excluding health and education cess] or Rs. 12,500, whichever is lower, resulting in NIL tax liability upto total income of Rs. 5,00,000.

^ Marginal relief is available to ensure that the additional income tax payable, including surcharge of 10%, 15%, 25% or 37% on the excess of income over Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 respectively. However, no marginal relief shall be available in respect of health and education cess.

^^ Maximum rate of surcharge on tax payable on income chargeable to tax under sections 111A, 112A, 112 115AD(1)(b) and dividend income, shall be 15%.

3.1.2 Comparison of Income slabs and proposed tax incidence of New tax regime– current and proposed

Income (Rs.)	Tax on Income**		Benefit of New Regime Proposed	Rebate benefit	Total benefit	Tax after rebate benefit
	New Tax Regime– Current (Rs.)	New Tax Regime– Proposed (Rs.)	Rate/ Slab (Rs.)	Full upto Income of Rs. 12,00,000	(Rs.)	(Rs.)
8,00,000	30,000	20,000	10,000	20,000	30,000	–
9,00,000	40,000	30,000	10,000	30,000	40,000	–
10,00,000	50,000	40,000	10,000	40,000	50,000	–
11,00,000	65,000	50,000	15,000	50,000	65,000	–
12,00,000	80,000	60,000	20,000	60,000	80,000	–
16,00,000	1,70,000	1,20,000	50,000	–	50,000	1,20,000
20,00,000	2,90,000	2,00,000	90,000	–	90,000	2,00,000
24,00,000	4,10,000	3,00,000	1,10,000	–	1,10,000	3,00,000
50,00,000	11,90,000	10,80,000	1,10,000	–	1,10,000	10,80,000

** The tax incidence for AOPs and BOIs will be same as that of individuals and HUFs.

3.2 Companies

3.2.1 Domestic companies

I. Domestic companies opting for concessional corporate tax regime –Tax under section 115BAA

The tax rates remain unchanged. Domestic companies continue to have an option^ to opt for concessional rate subject to certain specified conditions. The MAT provisions shall not be applicable to such companies. The effective tax rates for FYs 2025-26 and 2024-25 are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2025-26 (Proposed)	FY 2024-25	FY 2025-26 (Proposed)	FY 2024-25
Irrespective of the level of total income	25.17% [(tax rate 22% plus surcharge 10% thereon) plus health and education cess 4% thereon]		Not applicable under the concessional corporate tax regime	

^The option once exercised, cannot be withdrawn in subsequent AYs.

II. Domestic companies with manufacturing or electricity generation activity opting for concessional corporate tax regime – Tax under section 115BAB

No change is proposed in the tax rates for domestic companies set up on or after 1 October 2019 and commencing manufacturing or electricity generation activity before 31 March 2024 opting^ to pay tax at a lower tax rate, subject to certain specified conditions. The MAT provisions shall not be applicable to such companies. The effective tax rates for FYs 2025-26 and 2024-25 are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2025-26 (Proposed)	FY 2024-25	FY 2025-26 (Proposed)	FY 2024-25
Irrespective of the level of total income	17.16% [(tax rate 15% plus surcharge 10% thereon) plus health and education cess 4% thereon]		Not applicable under the concessional corporate tax regime	

^The option once exercised, cannot be withdrawn in subsequent AYs.

III. Domestic companies, not opting for concessional tax regime, having total turnover / gross receipt in FY 2023-24 up to Rs. 400 crores

No change is proposed in the tax rates. The effective tax rates and MAT rates for FY 2025-26 (for domestic companies having total turnover / gross receipt in FY 2023-24 of up to Rs. 400 crores) and for FY 2024-25 (for domestic companies having total turnover / gross receipt in FY 2022-23 up to Rs. 400 crores) are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2025-26 (Proposed)	FY 2024-25	FY 2025-26 (Proposed)	FY 2024-25
Having total income exceeding Rs. 10,00,00,000	29.12% [(tax rate 25% plus surcharge 12% thereon) plus health and education cess 4% thereon]		17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]	
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	27.82% [(tax rate 25% plus surcharge 7% thereon) plus health and education cess 4% thereon]		16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]	
Having total income upto Rs. 1,00,00,000	26.00% (tax rate 25% plus health and education cess 4% thereon)		15.60% (tax rate 15% plus health and education cess 4% thereon)	

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 7% / 12% on the excess of income over Rs.1,00,00,000 or Rs.10,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

IV. Domestic companies, not opting for concessional tax regime, having total turnover / gross receipts in FY 2023-24 exceeding Rs. 400 crores

No change is proposed in the tax rates. The effective tax rates and MAT rates for FY 2025-26 (for domestic companies having total turnover / gross receipt in FY 2023-24 exceeding Rs. 400 crores) and for FY 2024-25 (for domestic companies having total turnover / gross receipts in FY 2022-23 exceeding Rs. 400 crores) are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2025-26 (Proposed)	FY 2024-25	FY 2025-26 (Proposed)	FY 2024-25
Having total income exceeding Rs. 10,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]		17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]	
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	33.384% [(tax rate 30% plus surcharge 7% thereon) plus health and education cess 4% thereon]		16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]	
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)		15.60% (tax rate 15% plus health and education cess 4% thereon)	

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 7% / 12% on the excess of income over Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

3.2.2 Foreign companies

The reduced tax rate of 35% for foreign companies continues to remain the same. The effective tax rates for foreign companies for FYs 2025-26 and 2024-25 are as follows:

Level of total income	Effective Tax Rates	
	FY 2025-26 (Proposed)	FY 2024-25
Having total income exceeding Rs. 10,00,00,000	38.22% [(tax rate 35% plus surcharge 5% thereon) plus health and education cess 4% thereon]	38.22% [(tax rate 35% plus surcharge 5% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	37.128% [(tax rate 35% plus surcharge 2% thereon) plus health and education cess 4% thereon]	37.128% [(tax rate 35% plus surcharge 2% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	36.40% (tax rate 35% plus health and education cess 4% thereon)	36.40% (tax rate 35% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 2% / 5% on the excess of income over Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 1,00,00,000 or Rs. 10,00,00,000, as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

3.3 Partnership Firms/LLPs

No change is proposed in the tax rates. The effective tax rates for partnership firms/LLPs for FYs 2025-26 and 2024-25 are as follows:

Level of total income	Effective Tax Rates	
	FY 2025-26 (Proposed)	FY 2024-25
Having total income exceeding Rs. 1,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)	

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 12% on the excess of income over Rs.1,00,00,000, is limited to the amount by which the income is more than Rs.1,00,00,000. However, no marginal relief shall be available in respect of the health and education cess.

3.4 Other Entities

3.4.1 Co-operative societies:

No changes are proposed in the tax rates. As such, the effective tax rates for co-operative societies for FYs 2025-26 and 2024-25 are as follows

<table>
<tr><th rowspan="2">Income slab (Rs.)</th><th colspan="2">Tax Rates</th></tr>
<tr><th>FY 2025-26 (Proposed)</th><th>FY 2024-25</th></tr>
<tr><td>0 – 10,000</td><td colspan="2">10.40% (tax rate 10% plus health and education cess 4% thereon)</td></tr>
<tr><td>10,001 –20,000</td><td colspan="2">Rs. 1,040 plus 20.80% of income exceeding Rs. 10,000 [tax rate 20% plus health and education cess 4% thereon]</td></tr>
<tr><td>20,001 – 1,00,00,000</td><td colspan="2">Rs. 3,120 plus 31.20% of income exceeding Rs.20,000 [tax rate 30% plus health and education cess 4% thereon]</td></tr>
<tr><td>1,00,00,001 – 10,00,00,000</td><td colspan="2">Rs. 33,35,062 plus 33.384% of income exceeding Rs. 1,00,00,000 [tax rate 30% plus surcharge 7% thereon) plus health and education cess 4% thereon]</td></tr>
<tr><td>Above 10,00,00,000</td><td colspan="2">Rs. 3,49,40,506 plus 34.944% of income exceeding Rs. 10,00,00,000[(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]</td></tr>
</table>

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 7%/12% on the excess of income over Rs. 1,00,00,000 or Rs. 10,00,00,000, as the case may be, is limited to the amount by which the income is more than Rs. 1,00,00,000 or Rs. 10,00,00,000, as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

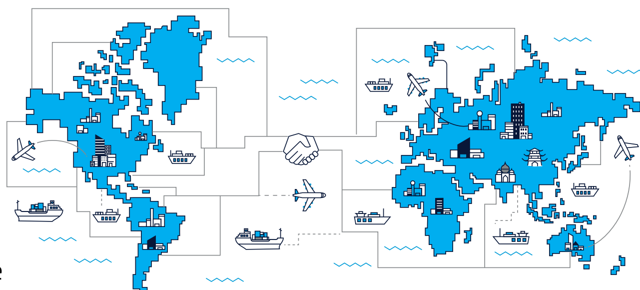
The concessional tax under section 115BAD continues to remain the same at 22% (plus surcharge @ 10% plus health and education cess @ 4%) subject to fulfillment of certain conditions similar to domestic companies. The AMT provision shall not be applicable to such co-operative societies.

The concessional tax under section 115BAE continues to remain the same at 15% (plus surcharge @ 10% plus health and education cess @ 4%) for manufacturing co-operative society set up on or after 1 April 2023 and commenced manufacturing or production on or before 31 March 2024 and does not avail any specified incentive or deductions.

3.5 AMT on non-corporate assessees (excluding assessee opting for section 115BAC or section 115BAD/115BAE — optional tax regime)

There is no change in AMT rates for non-corporate assesses.

Chapter 4 G-20 Countries – Comparative Corporate and Personal Tax Rates



The G-20 economies comprising of 19 countries, the EU and the African Union, account for almost 85% of the global GDP, 75% of the global trade, 2/3rd of the world population and approximately 60% of the world land area. India held the Presidency of the G-20 from 1 December 2022 to 30 November 2023. Considering the significance of these economies and in order to provide an indicative overview of the prevailing tax rates in these key economies, a brief comparative matrix is tabulated below:

Sr. No.	Country	Corporate Tax Rate [Note 1]	Personal Tax Rate [Notes 1 & 2]
1.	Argentina	35%	35%
2.	Australia	30%	47%
3.	Brazil	34%	27.50%
4.	Canada	31%	54.80%
5.	China	25%	45%
6.	France	25%	45% plus surtax and social charge
7.	Germany	15.83% plus trade tax	45% plus surcharge
8.	**India [Notes 3, 4 & 5]**	**17.16%(New manufacturing companies) 25.17%(New Tax regime) 29.12%(Companies opting for old regime subject to higher tax rate) 34.94%**	**39.00%(Individuals opting for old regime subject to higer tax rate) 42.74%**
9.	Indonesia	22%	35%
10.	Italy	27.9%	47.23%
11.	Japan [Note 6]	23.20%	55.95%
12.	Mexico	30%	35%
13.	Russia	25%	22%
14.	Saudi Arabia [Note 7]	(20%) 0%	0%
15.	South Africa	27%	45%
16.	South Korea	24%	49.5%

Sr. No.	Country	Corporate Tax Rate [Note 1]	Personal Tax Rate [Notes 1 & 2]
17.	Turkey	25%	40%
18.	United Kingdom	25%	45%
19.	United States of America [Note 8]	21%	37%

Notes:

1. The above tax rates are MMR and inclusive of provincial or local taxes as may be applicable to domestic companies / resident individuals in respective countries.

2. The taxation regime for corporate taxes is flat rate for all the G-20 economies except Argentina and South Korea. The taxation regime for personal taxes is progressive for all the G-20 economies except Russia and Saudi Arabia.

3. The concessional tax rate for certain domestic companies is 22% (the effective tax rate is 25.17%). For manufacturing companies set up between 1 October 2019 to 31 March 2024, the tax rate is 15% (effective rate 17.16%).

4. The Bill has not proposed any changes in the tax rates for domestic companies. For domestic companies not opting for concessional tax regime, the corporate tax rate is 25% (the effective tax rate is 29.12%) in case of such companies having total turnover not exceeding Rs. 400 crores during FY 2023-24 and corporate tax of 30% (the effective tax rate is 34.94%) in case of total turnover exceeding Rs. 400 crores during FY 2023-24.

5. The MMR for individuals is 39% in the new tax regime and 42.74% for individuals opting for old tax regime. For details, please refer 'Chapter 3: Tax Rates'.

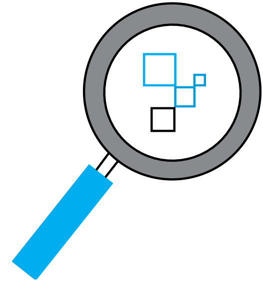
6. Corporate tax @ 23.20% is indicative effective rate of tax. In addition, size-based business tax is also levied on companies. Personal tax rate is inclusive of 2.1% surtax and 10% local income taxes applicable to a resident of Japan.

7. Corporate Tax @ 20% is payable on the pro-rata income to the extent of non-resident shareholding. Saudi and the Gulf Cooperation Council nationals or companies owned by them have to pay Zakat (i.e. a religious tax) at 2.5%.

8. In USA, Corporate tax comprises of federal tax (21%) as well as state and local government taxes which vary from state to state. Personal tax comprises of federal tax (37%) and further each state and local government can also levy tax on income.

Chapter 5 Reading the Indian Treaties through the MLI Lens

5.1 Background



For cross border taxation, the provisions of the IT Act or the domestic tax legislation of the relevant country have to be read with the provisions of the DTAA with the relevant country. India has comprehensive DTAAs with 96 countries. The DTAAs generally provide for taxation based on residence and/or source of income and the manner and extent of taxation of business income based on Permanent Establishment, reduced rates of taxation for interest / royalty / dividends / capital gains, taxation of expatriates and salary income, taxation of artists / performers and independent personal services. The DTAAs also provide for credit of tax paid in the other country, elimination of double taxation, non-discrimination, mutual agreement procedure and exchange of information. The DTAAs are extremely relevant for Indian entities for the purpose of determination of withholding tax rates for payment of salaries, interests, dividends, royalties, fees for technical services to non-residents, etc. This has been the position for cross border taxation for the past several decades, but this is undergoing a major change due to introduction of the Multilatral Instruments ('MLI') provisions.

Organisation for Economic Co-operation and Development ('OECD') under the Base Erosion and Profit Shifting ('BEPS') project has released Action Plan 15 "Developing a Multilateral Instrument to Modify Bilateral Tax Treaties". Action Plan 15 provides for development of MLI that will enable jurisdictions to swiftly amend their bilateral tax treaties to implement such measures rather than entering into long-drawn process of negotiation. **Measures that will be covered in the MLI include those on hybrid mismatch arrangements, treaty abuse, permanent establishment and mutual agreement procedures.**

5.2 How does MLI Operate?

MLI includes both mandatory provisions (referred as "minimum standards" such as improved dispute resolution mechanism, New Preamble language) as well as non-mandatory provisions. Signatories are provided the flexibility of opting out of applicability of non-mandatory provisions by way of reservation. At the time of signature, signatories submit a list of their tax treaties in force that they would want to be amended through the MLI which are designated as Covered Tax

Agreements ('CTA'). If a party makes a reservation that a certain provision shall not apply to certain CTA, it shall not be applicable to that CTA even if treaty partner has not made any reservation. Similarly, in case of any optional provisions, where the MLI provides for the parties to choose between different alternatives which are intended to address the same issue in a provision, the MLI in respect to such provision would apply only if both the parties have opted for the same alternative. Hence, MLI shall not automatically apply to all bilateral treaties that a signatory country has entered into, but it shall apply to the extent both parties to the treaty have agreed upon the treaty being governed by MLI provisions.

5.3 Date of entry into force and date of entry into effect of MLI provisions

For CTAs, effect of MLI will take place after both the countries ratify the MLI. The MLI will **'enter into force'** with respect to such countries within 3 months from the end of month of date of deposit of ratified instrument with OECD by such country.

Further, the **'entry into effect'** shall be as under:

a) With respect to withholding taxes – From the 1st day of taxable period commencing on or after the entry into force of MLI

b) With respect to other taxes – From the 1st day of taxable period commencing on or after 6 months of the entry into force of MLI

The table below gives a better understanding of date of entry into force and date of entry into effect of MLI provisions with respect to CTAs notified by India:

Treaty partner	Deposit of ratification instrument by treaty partner	Entry into Force (First day of the month following a 3-month period from the deposit)	Entry into effect for withholding tax (1st day of taxable period commencing on or after date of MLI entering into force)	Entry into effect for other taxes (1st day of taxable period commencing on or after 6 months of MLI entering into force)
Treaty partners who have already	-	1 October 2019	1 April 2020	1 April 2020

Treaty partner	Deposit of ratification instrument by treaty partner	Entry into Force (First day of the month following a 3-month period from the deposit)	Entry into effect for withholding tax (1st day of taxable period commencing on or after date of MLI entering into force)	Entry into effect for other taxes (1st day of taxable period commencing on or after 6 months of MLI entering into force)
deposited ratification instrument till 25 June 2019				
Treaty partners who have not already deposited ratification instrument till 25 June 2019	Assuming it is deposited in November 2019	1 March 2020	1 April 2020	1 April 2021
	Assuming it is deposited in March 2020	1 July 2020	1 April 2021	1 April 2021
	Assuming it is deposited in FY 2020-21 and onwards	For e.g. If treaty partner deposits instrument on 30 April 2020, entry into force will be 1 August 2020	1 April 2021	1 April 2021

5.4 Applicability of MLI

On 7 June 2017, India became a signatory to the MLI along with 67 other jurisdictions. **On 25 June 2019, India deposited the Instrument of Ratification with OECD, Paris alongwith its Final Position in terms of CTAs, Reservations, etc. under the MLI.** Till date, 93 CTAs have been notified by India. Out of which, as per the data available upto 10 January 2025, 55 CTAs have or would soon become effective as tabulated below:

Date of entry into effect of MLI for India	With respect to taxes withheld	With respect to other taxes
From 1 April 2020	28	21
From 1 April 2021	12	15
From 1 April 2022	4	8
From 1 April 2023	6	3
From 1 April 2024	4	6
From 1 April 2025	1	1
From 1 April 2026	-	1
	55	55

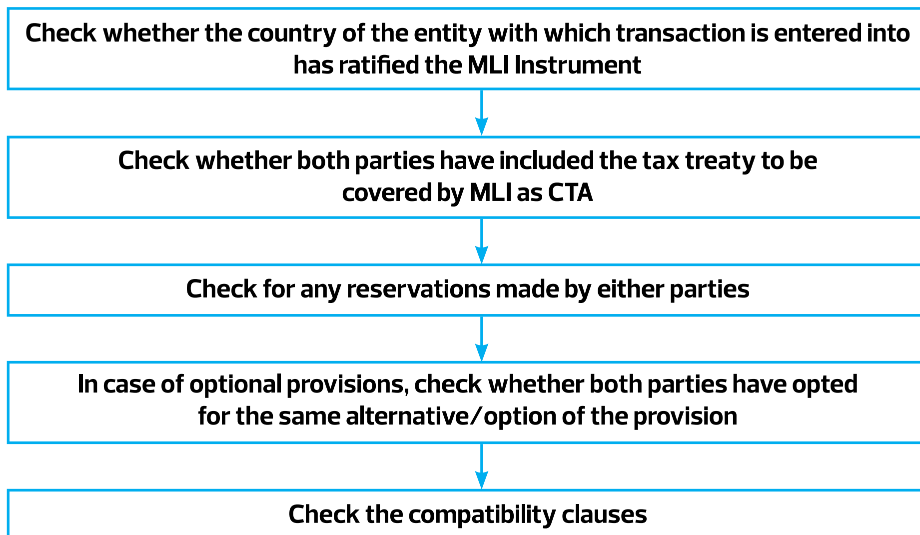
5.5 Aligning purpose of entering into DTAA with MLI

In order to implement the BEPS measures, MLI will modify India's DTAAs and will be applied alongside the existing DTAAs.

Article 6 of MLI provides for modification of the CTA to include the following preamble text:

"Intending to eliminate double taxation with respect to the taxes covered by this agreement without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this agreement for the indirect benefit of residents of third jurisdictions)"

In order to achieve this, the provisions of section 90(1)(b) and section 90A(1)(b) of the IT Act were amended so as to provide that the Central Government may enter into an agreement with the Government of any country outside India or specified territory outside India for, inter alia, the avoidance of double taxation of income under the IT Act and under the corresponding law in force in that country or specified territory, as the case may be, without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this agreement for the indirect benefit of residents of any other country or territory).



5.6 Depending on the position taken under MLI by a country, India's DTAA with it shall get modified in the following prominent ways:

a) The minimum standard under BEPS Action 6 to tackle treaty abuse i.e., insertion of new Preamble and the Principal Purposes Test (PPT) in the DTAAs shall be achieved.

b) The minimum standard under BEPS Action 14 relating to the mutual agreement procedure shall get implemented.

c) Artificial avoidance of Permanent Establishment (PE) status through commissionaire arrangements and similar strategies would be prevented. Avoidance of PE formation through specific activity exemptions and splitting up of contracts would also be prevented.

d) Avenues leading to avoidance of capital gains from alienation of shares/interests deriving value principally from immovable property would be plugged.

e) Certain dividend transfer transactions that are intended to lower withholding taxes payable on dividends artificially would be prevented.

5.7 Release of Synthesised Text

Synthesised text combines and reproduces (a) the text of each Covered Tax Agreement (including the texts of any amending protocols or similar instruments), and (b) the provisions of the MLI that will modify that Covered Tax Agreement in light of interaction of the MLI positions the Parties have taken. Thus, synthesised texts make it much simpler to understand the effects of the MLI and the way it modifies each Covered Tax Agreement. As on 22 January 2025, India has released the synthesized text of 32 countries viz. UK, Austria, Australia, Netherlands, Luxembourg, Russia, Belgium, Canada, Cyprus, Czech Republic, Portuguese Republic, Georgia, Lithuania, Ireland, Poland, Japan, UAE, Singapore, Serbia, Finland, Latvia, Malta, Slovenia, Ukraine, France, Norway, Slovak Republic, Iceland, Spain, Estonia, Hungary and Korea.

5.8 MLI – Implications in case of CTAs

As mentioned above, in case of 55 CTAs, MLI has become effective in India or will soon become effective. As MLI becomes effective in India, tax treaties would not be replaced by MLI but it needs to be read alongside existing treaty provisions and modified application of treaties will align with measures specified under BEPS Action Reports. Reference may also be made to synthesized text of the treaties, wherever applicable. Therefore, MLI provisions need to be analyzed in detail whenever tax treaties need to be relied upon as it has wide coverage of anti–abuse rules contained in its 'minimum standards' such as principal purpose test, simplified LOB etc. Any transaction undertaken in violation of MLI provisions in future could have significant tax implications.

5.9 DTAA rates and effective date of MLI – Reading the Indian Treaties

India being a major player has considerable cross border investments and it has a comprehensive DTAA network with 96 countries and specified association agreement with Taipei in order to mitigate double taxation, permit foreign tax credit and to facilitate international business transactions. The tax rates in respect of Dividend, Interest, Royalty and Fees for Technical Services, based on the DTAAs / synthesized texts entered into by India with various countries along with the date of entry into effect in India of the MLI with each country, are as under:

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI – Date of entry into effect in India (status as on 22 January 2025[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
Rate as per the IT Act (Note13)		20% [Notes 2, 8 and 9]	20%/ 5%/ 4% [Notes 7, 8 and 9]	20% [Notes 4, 8 and 9]	20% [Notes 4, 8 and 9]		with respect to taxes withheld	with respect to other taxes
1	Albania	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2022
2	Armenia	10%	10% [Note 5]	10%	10%		1 April 2024	1 April 2025

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 22 January 2025[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
3	Australia [Note 1]	15%	15%	10% /15% [Note 6]	10%/15% [Covered under Article for Royalty]		1 April 2020	1 April 2020
4	Austria [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
5	Bangladesh	10% / 15%	10% [Note 5]	10%	No separate provision	a) 10% tax on dividends if at least 10% of capital of company paying dividend is held by recipient company, b) 15% in all other cases.	Not a signatory to MLI	
6	Belarus	10% / 15%	10% [Note 5]	15%	15%	10% tax on dividends if at least 25% of capital of company paying dividend is held by recipient company, b)15%, in all other cases.	Not a signatory to MLI	
7	Belgium	15%	15% / 10%	10%	10%	a) Interest taxable at 10% if recipient is bank; in any other case 15%. b) MFN clause with respect to Royalty and FTS.	1 April 2020	1 April 2020
8	Botswana	7.50% / 10%	10% [Note 5]	10%	10%	a) 7.50% tax on dividends if shareholder is a company and holds at least 25% shares in the investee company, b)10%, in all other cases.	Not a signatory to MLI	
9	Brazil	15%	15% [Note 5]	15% (25% for trademark)	15% [Covered under Article for Royalty]	15% tax on dividends if paid to a company; in any other case as per domestic tax laws.	Not a signatory to MLI	
10	Bulgaria	15%	15% [Note 5]	15% / 20%	20%	15% tax on royalties if relating	1 April 2023	1 April 2024

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 22 January 2025[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
						to copyrights of literary, artistic, or scientific works, other than cinematograph films or films or tapes used for radio or television broadcasting, in any other case 20%.		
11	Bhutan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
12	Canada	15% / 25%	15% [Note 5]	Note 6	Note 6	a) 15% tax on dividends if at least 10% of the voting power in the company paying the dividends is controlled by the recipient company. b) 20%, in other cases.	1 April 2020	1 April 2021
13	China	10%	10% [Note 5]	10%	10%		Not notified by either jurisdiction and hence not a covered tax agreement	
14	Chile	10%	10%	10%	10%		Not notified by either jurisdiction and hence not a covered tax agreement	
15	Croatia	5% / 15%	10% [Note 5]	10%	10%	a) 5% tax on dividends if at least 10% of the capital of the company paying the dividend is held by the recipient company (other than partnership); b) 15% in all other cases.	1 April 2022, however, there is a notification mismatch reflected in the MLI database and one needs to check if both jurisdictions have identified same agreement.	
16	Cyprus	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
17	Czech Republic	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
18	Colombia	5%	10% [Note 5]	10%	10%		Not yet ratified by Colombia	
19	Denmark	15% / 25%	15% / 10% [Note 5]	20%	20%	a) 15% tax on dividends if at least 25% of the	1 April 2020	1 April 2021

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 22 January 2025[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
						capital of the company paying the dividend is held by the recipient company, in other cases 25%. b) Interest taxable at 10% if recipient is bank; in any other case 15%.		
20	Estonia	10%	10% [Note 5]	10%	10%		1 April 2023	1 April 2023
21	Ethiopia	7.50%	10% [Note 5]	10%	10%		Not a signatory to MLI	
22	Finland [Note 1]	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty, and FTS.	1 April 2020	1 April 2020
23	France	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
24	Fiji	5%	10% [Note 5]	10%	10%		Not yet ratified by Fiji	
25	Georgia	10%	10% Note 5]	10%	10%		1 April 2020	1 April 2020
26	Germany	10%	10% [Note 5]	10%	10%		Germany has not included India in its notification and hence not CTA	
27	Greece	Taxable as per domestic laws in source country			No separate provision		1 April 2022	1 April 2022
28	Hong Kong	5%	10% [Note 5]	10%	10%		1 April 2023	1 April 2024
29	Hungary	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2022	1 April 2022
30	Indonesia	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2022
31	Iceland	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
32	Iran	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
33	Ireland [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
34	Israel	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 22 January 2025[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
35	Italy	15% / 25%	15% [Note 5]	20%	20%	15% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient company; in any other case 25%.	Not yet ratified by Italy	
36	Japan [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
37	Jordan	10%	10% [Note 5]	20%	20%		1 April 2021	1 April 2022
38	Kazakhstan	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2021	1 April 2021
39	Kenya	10%	10%	10%	10%		India has not included Kenya in its notification, hence not a CTA.	
40	Korea	15%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
41	Kuwait	10%	10% [Note 5]	10%	10%		Not yet ratified by Kuwait	
42	Kyrgyz Republic	10%	10% [Note 5]	15%	15%		Not a signatory to MLI	
43	Latvia	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
44	Libya	Taxable as per domestic laws in source country			No separate provision		Not a signatory to MLI	
45	Lithuania [Note 1]	5% / 15%	10%	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient company (other than a partnership); in any other case 15%.	1 April 2020	1 April 2020
46	Luxembourg	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
47	Macedonia	10%	10% [Note 5]	10%	10%		Not yet ratified by Macedonia	
48	Malaysia	5%	10% [Note 5]	10%	10%		1 April 2022	1 April 2022

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 22 January 2025[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
49	Malta	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
50	Mauritius	5% / 15%	7.5%	15%	10%	a) 5% tax on dividend, if at least 10% of the capital of the company paying the dividend is held by the recipient company, in any other case 15%. b) 7.5% tax on interest in respect of loans made after 31 March 2017. Interest income of Mauritian resident banks in respect of debt-claims existing on or before 31 March, 2017 shall be exempt from tax in India. [Note 5] c) The amended DTAA now provides for specific provision relating to Fees for Technical Services ('FTS') and the same will be taxable at the rate of 10% with effect from 1 April, 2017.	Mauritius has not included India in its notification and hence not a CTA. However, a protocol desiring to amend the DTAA for the avoidance of double taxation and fiscal evasion with respect to taxes on income and capital gains, and for the encouragement of mutual trade and investment has recently been signed bilaterally among the nations.	
51	Mongolia	15%	15% [Note 5]	15%	15%		1 April 2025	1 April 2026
52	Montenegro (Note 1)	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership) throughout a 365-day period; in any other case 15%.	Not a signatory to MLI	
53	Morocco	10%	10% [Note 5]	10%	10%		Not yet ratified by Morocco	
54	Mozambique	7.50%	10% [Note 5]	10%	No separate provision		Not a signatory to MLI	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI – Date of entry into effect in India (status as on 22 January 2025[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
55	Myanmar	5%	10% [Note 5]	10%	No separate provision		Not a signatory to MLI	
56	Namibia	10%	10% [Note 5]	10%	10%		Not yet ratified by Namibia	
57	Nepal	5% / 10%	10% [Note 5]	15%	No separate provision	a) 5% tax on dividends if the beneficial owner of the shares is a company which holds at least 10% of the shares of the company paying the dividends; in any other case 10%. b) MFN clause with respect to Royalty shall be applicable if Nepal enters into treaty with any other country for a lower rate on royalties.	Not a signatory to MLI	
58	Netherlands	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
59	New Zealand	15%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
60	Norway	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
61	Oman	10% / 12.5%	10% [Note 5]	15%	15%	10% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 12.50%.	Oman has not included India in its notification and hence not a CTA	
62	Philippines	15% / 20%	15% / 10%	15%	No separate provision	a) 15% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 20%.	Not a signatory to MLI	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 22 January 2025[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
						b) Interest taxable @ 10% if recipient is Financial Institution (including an insurance company) and where the interest is payable by a company resident of Philippines to a resident of India in respect of public issues of bonds, debentures or similar obligations. In any other case 15%. c) Royalty taxable @ 15% if it is payable in pursuance of any collaboration agreement approved by the Government of India. No rates prescribed in any other case.		
63	Poland [Note 1]	10%	10% [Note 5]	15%	15%		1 April 2020	1 April 2020
64	Portuguese Republic	10% / 15%	10% [Note 5]	10%	10%	10% tax on dividends if at least 25% of the capital stock is owned by company for an uninterrupted period of 2 years prior to the payment of dividend; in any other case 15%.	1 April 2021	1 April 2021
65	Qatar	5% / 10%.	10% [Note 5]	10%	10%	5% tax on dividends if at least 10% of the shares are owned by company; in any other case 10%.	1 April 2021	1 April 2021
66	Romania	10%	10% [Note 5]	10%	10%		1 April 2024	1 April 2024
67	Russian Federation	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 22 January 2025[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
68	Saudi Arabia	5%	10% [Note 5]	10%	No separate provision		1 April 2021	1 April 2021
69	Serbia [Note 1]	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership) throughout a 365-day period; in any other case 15%.	1 April 2020	1 April 2020
70	Singapore [Note 1]	10% / 15%	10% / 15%	10%	10%	a) 10% tax on dividends, if at least 25% of the shares of the company paying the dividend is held by the recipient company, in any other case 15% b) Interest taxable at 10% if recipient is bank or similar financial institution including an insurance company; in any other case 15%.	1 April 2020	1 April 2020
71	Slovak Republic [Note1]	15% / 25%	15% [Note 5]	30%	30%	15% tax on dividends, if at least 25% of the shares of the company paying the dividend is held by the recipient company throughout a 365-day period; in any other case 25%.	1 April 2020	1 April 2020
72	Slovenia	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is held by the recipient company; in any other case 15%.	1 April 2020	1 April 2020

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 22 January 2025[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
73	South Africa	10%	10% [Note 5]	10%	10%		1 April 2023	1 April 2024
74	Spain	15%	15% [Note 5]	10% / 20%	20%	a) 10% tax on royalties if paid for the use or right to use any industrial, commercial or scientific equipment; 20% in case of fees for technical services and other royalties. b) MFN clause with respect to Royalty and FTS.	1 April 2023	1 April 2023
75	Sri Lanka	7.50%	10% [Note 5]	10%	10%		Not a signatory to MLI	
76	Sudan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
77	Sweden	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	MLI entered into force but Internal procedures not completed by Sweden; hence not effective	
78	Switzer-land	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	Swiss Confederation has not included India in its notification and hence not a CTA	
79	Syrian Arab republic	5% / 10%	10% [Note 5]	10%	No separate provision	5% tax on dividends if at least 10% of the shares are owned by company (other than a partnership), in any other case 10%.	Not a signatory to MLI	
80	Taipei (under section 90A)	12.5%	10% [Note 5]	10%	10%		Not a signatory to MLI; further India has not included Taipei in its list of CTA	
81	Tajikistan	5% / 10%.	10% [Note 5]	10%	No separate provision	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 10%.	Not a signatory to MLI	
82	Tanzania	5%/10%	10% [Note 5]	10%	No separate provision	5% tax on dividends if at least 25% of	Not a signatory to MLI	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 22 January 2025[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
						the shares are beneficially owned by company; in any other case 10%.		
83	Thailand	10%	10% [Note 5]	10%	No separate provision	As per the revised DTAA with Thailand, effective from 1 April 2016, the rate of withholding tax is 10% in respect of Dividend, Interest and Royalty. There is no specific provision with respect to FTS.	1 April 2023, however, there is a notification mismatch reflected in the MLI database and one needs to check if both jurisdictions have identified same agreement.	
84	Trinidad and Tobago	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
85	Turkey	15%	10% / 15% [Note 5]	15%	15%	Interest is taxable at 10% if recipient is bank, insurance company or similar financial institution; in any other case 15%.	Not yet ratified by Turkey	
86	Turkmenistan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
87	Uganda	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
88	Ukraine	10% / 15%	10% [Note 5]	10%	10%	10% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 15%.	1 April 2020	1 April 2021
89	United Arab Emirates [Note 1]	10%	5% / 12.5% [Note 5]	10%	No separate provision	Interest taxable at 5% if recipient is bank or similar financial institution; in any other case 12.50%.	1 April 2020	1 April 2020
90	United Arab Republic (Egypt)	As per domestic law		Taxable in source country as per domestic tax rate	No separate provision		1 April 2021	1 April 2022

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 22 January 2025[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
91	United Kingdom [Note 1]	15% / 10%	15% / 10% [Note 5]	10%/15% [Note 6]	10% / 15% [Note 6]	a) Interest taxable at 10% if recipient is bank; in any other case 15%. b) Dividend taxable at 15% where dividend is paid out of income derived directly or indirectly from immovable property. In other case– 10%.	1 April 2020	1 April 2020
92	United Mexican States	10%	10% [Note 5]	10%	10%		1 April 2024	1 April 2024
93	United States of America	15% / 25%	10% / 15% [Note 5]	10%/15% [Note 6]	10% / 15% [Note 6]	a) 15% tax on dividends if at least 10% of the voting stock is owned by company; in any other case 25%. b) Interest taxable at 10% if recipient is bona fide bank or financial institution including an insurance company; in any other case 15%.	Not a signatory to MLI	
94	Uruguay	5%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
95	Uzbekistan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
96	Vietnam	10%	10% [Note 5]	10%	10%		1 April 2024	1 April 2024
97	Zambia	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the shares are owned by company during a period of 6 months immediately preceding the date of payment of dividend; in any other case 15%.	Not a signatory to MLI	

Notes:

1. As on date, CBDT has released synthesized texts for DTAAs (modified by MLI) with 32 countries viz. UK, Austria, Australia, Netherlands, Luxembourg, Russia, Belgium, Canada, Cyprus, Czech Republic, Portuguese Republic, Georgia, Lithuania, Ireland, Poland, Japan, UAE, Singapore, Serbia, Finland, Latvia, Malta, Slovenia, Ukraine, France, Norway, Slovak Republic, Iceland, Spain, Estonia, Korea and Hungary.

2. Dividend withholding tax is applicable on payment of dividend made on or after 1 April 2020 at a rate specified under the IT Act or relevant DTAA, whichever is applicable. The rate of tax under the IT Act on dividend receivable by a non-resident is 20% (plus applicable Surcharge and Health and Education Cess).

3. Unless otherwise provided in the DTAA, both countries have the right to tax.

4. The rate of tax under the IT Act on Royalty and/or FTS receivable by a non-resident is 20% (plus applicable Surcharge and Health and Education Cess).

5. Interest earned by or paid to the Government and certain specified institutions, inter-alia, Reserve Bank of India is exempt from taxation in the country of source (subject to certain conditions).

   Note:- As per DTAA amended between India-China by Notification dated 17 July 2019 with effect from 1 April 2020.

6. Tax rate is 10% in case of Royalties for equipment rental and fees for services ancillary or subsidiary thereto. For other cases, the tax rate is 15%.

7. Lower withholding tax of 5% is applicable in case of interest on borrowing in foreign currency under a loan agreement entered on or before 1 July 2023, interest on long term bond including long term infrastructure bond, interest on infrastructure debt fund and interest on rupee denominated bond and a Government security (borrowed on or before 1 July 2023). However, in case of interest on rupee denominated bonds issued during the period from 17 September 2018 to 31 March 2019, the interest shall be exempt under new section 10(4C) of the IT Act. Therefore, it is not subject to any withholding tax on such interest income.

   Lower withholding tax of 4% is applicable in case of interest on borrowing in foreign currency from a source outside India (borrowed on or after 1 July 2023) by way of any long-term bond or rupee denominated bond listed on recognized stock exchange located in IFSC.

   Lower withholding tax of 5% is applicable to FIIs or Qualified Foreign Investor in case of investment in government securities or rupee denominated bond or

municipal debt securities for interest payable on or before 1 July 2023.

8. In case the payee is not able to furnish PAN to the payer, tax shall be deducted at higher of the following rates under section 206AA of the IT Act:

   (i) rate specified in the relevant provision of the IT Act,

   (ii) at the rates in force or

   (iii) at the rate of 20%.

   Payments namely dividend, interest, royalty and fees for technical services will not require PAN if alternative documents/details such as TRC, tax identification number of country of residence, etc. are furnished by the non-resident to the Indian deductor.

9. In case the payee is specified person under section 206AB of the IT Act (i.e., non-filers of income tax return in India), tax will be deducted at the higher of the following rates:

   (i) Twice the rate specified in the relevant provision of the IT Act; or

   (ii) Twice the rate or rates in force; or

   (iii) At the rate of 5%.

   Provided that the specified person shall not include

   a) a non-resident, who does not have a permanent establishment in India or

   b) a person who is not required to furnish the income tax return for the year and is notified by the Central Government in the Official Gazette

10. Where the provisions of GAAR (applicable from FY 2017-18) and MLI are attracted, tax treaty benefit may be denied to a non-resident.

11. Any income in the nature of Royalty or FTS arising to non-resident from services rendered to the National Technical Research Organization, is exempt under section 10(6D) of the IT Act.

12. **Capital Gain taxation under the Tax Treaties**

   ➢ The India-Mauritius, India-Singapore & India-Cyprus treaties were amended in 2016 to provide source-based taxation for capital gains on transfer of shares on or after 1 April 2017 in respect of Indian companies. As such, capital gains from alienation of shares acquired on or after 1 April 2017 in

a company which is resident of a Contracting State, may be taxed in that State (i.e., the source state). The investments made on or before 1 April 2017 have been grandfathered and will not be subject to capital gains tax in India.

- The India-Mauritius DTAA & India-Singapore DTAA also provided concessional tax rate of 50% of the domestic capital gains tax rate for the period of 2 years (Between 1 April 2017 and 31 March 2019) in the source state. This concessional tax rate is subject to fulfillment of the Limitation of Benefit (LOB) clause under the India-Mauritius DTAA and India-Singapore DTAA.

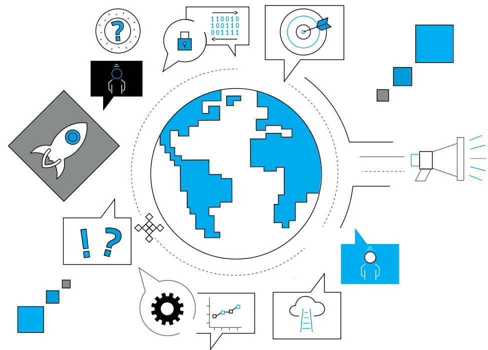
- CBDT vide circular dated 21 January 2025 have clarified with respect to India-Mauritius, India-Cyprus and India - Singapore DTAAs (where India has made treaty specific bilateral commitments in the form of grandfathering provisions) that the grandfathering provisions are not intended to interact with Principle Purpose Test (PPT) provisions and therefore grandfathering provisions under such DTAAs shall remain outside the purview of the PPT provisions stipulated under MLI.

13. As per section 90(2) of the IT Act, tax rate as per the provisions of DTAA or the IT Act, whichever is beneficial to the assessee, shall apply. For availing the benefit of DTAA, furnishing of TRC and self-declaration in electronically filed Form 10F on the income-tax portal (while earlier physical was sufficient) by the payee is mandatory. It may kindly be noted that Form 10F is not required to be furnished if all the particulars stated therein are provided in the TRC itself.

    Applicability of MFN clause (whether with respect to scope of taxation or rate of tax) contained in tax treaties need to be evaluated in light of the recent ruling of Hon'ble Apex Court in the case of Nestle SA [TS-616-SC-2023] and based on specific facts and circumstances (date of entering into DTAA, OECD member status, issuance of notification by respective Governments, etc.).

Chapter 6 OECD Global Minimum Tax & Other Developments: An Overview

6.1. Background



6.1.1. The Organisation for Economic Co-operation and Development ('OECD') in collaboration with major economies envisioned to advance reforms and multilateral solutions to global challenges arising out of international business.

6.1.2. In September 2013, OECD in partnership with G20 countries, came together to address Base Erosion Profit Shifting('BEPS') issues and launched a BEPS project to develop various action plans to address the challenges in response to growing public and political concerns about tax avoidance by Multi-National Enterprises ('MNEs'). These Action Plans identified 15 Actions (generally referred to as BEPS 1.0) with the below aims:

- Introducing coherence in the domestic rules that affect cross-border activities;
- Reinforcing substance requirements in the existing international standards; and
- Improving transparency and certainty.

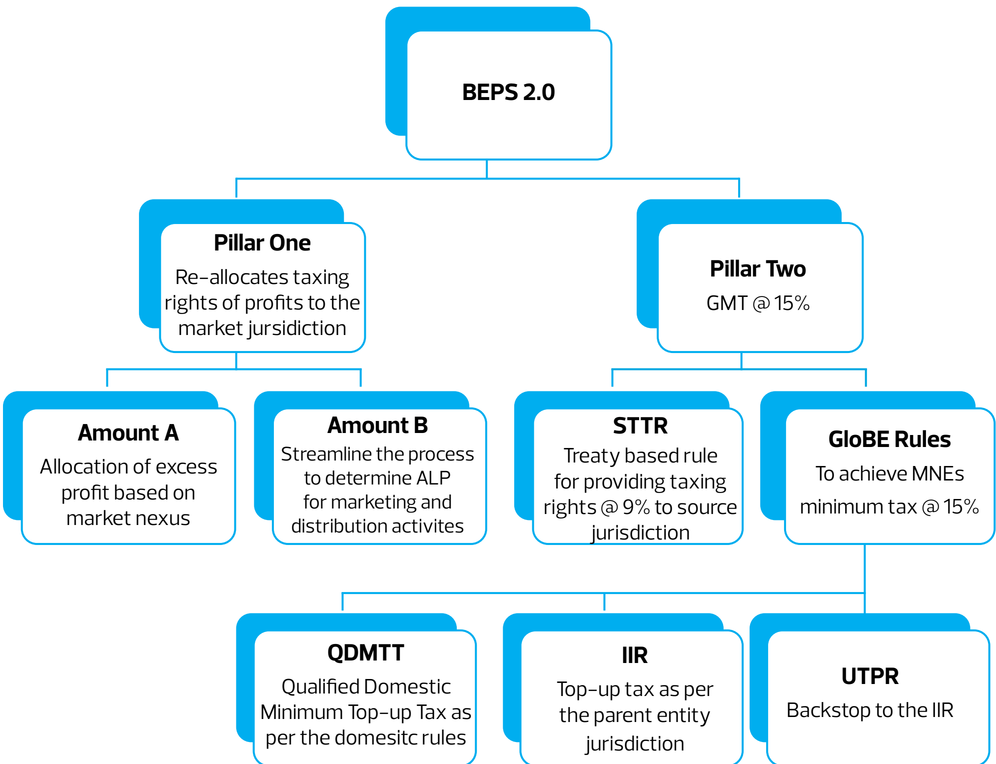
6.1.3. BEPS 1.0 predominantly focused on traditional MNEs. However, its implementation varied across countries, resulting in conflicting approaches for tackling tax avoidances. Although implementation of the BEPS 1.0 package significantly altered the international tax landscape and improved the fairness of tax systems, one of the key BEPS issues – to address the tax challenges arising from the digitalisation of the economy – remained unresolved.

6.1.4. Addressing the tax challenges raised by digitalisation has been a top priority of the OECD/G20 Inclusive Framework ('IF') in BEPS since 2015 with the release of the BEPS Action 1 Report. At the request of the G-20, the IF has continued to work on the issue, delivering an interim report in March 2018. In 2019, members of the IF agreed to examine proposals in Two pillars, which could form the basis for a consensus solution to the tax challenges arising from digitalisation. That same year, a programme of work to be conducted on Pillar One and Pillar Two was

adopted and later endorsed by the G-20.

6.1.5. In a major step forward, on 8 October 2021 over 135 IF members (now over 140 Countries), representing more than 95% of global GDP, joined a two-pillar solution (Generally referred as 'BEPS 2.0' or 'Two Pillar Solution') to reform the international taxation rules and ensure that MNEs pay a fair share of tax wherever they operate and generate profits in today's digitalised and globalised world economy.

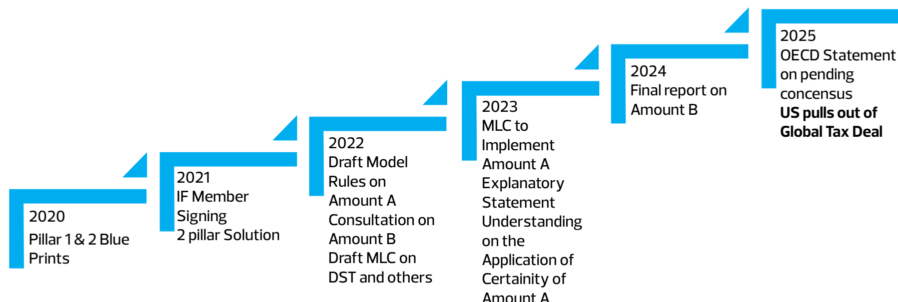
The broad architecture and design of Two Pillar Solution is provided in the ensuing paragraphs,



6.2. Pillar One

6.2.1. Pillar One can be viewed as a new unified approach for taxation of MNEs primarily operating in a digital environment, that aims to replace the unilateral tax measures adopted by individual jurisdictions to ensure fair taxation of digital companies.

6.2.2. Pillar One Journey Highlights



6.2.3. The design of Pillar One is split into 2 sections — Amount A and Amount B.

- **Amount A** re-allocates a portion of in-scope residual profit of MNEs towards market jurisdictions; and

- **Amount B** provides a baseline marketing and distribution return for activities taking place physically in a market jurisdiction.

An overview of the same is provided in ensuing paragraphs:

Amount A:

6.2.4. Amount A introduces a system for a coordinated allocation of taxing rights to market jurisdictions with respect to a defined portion of the residual profits of the largest and most profitable MNEs. It is designed to be a sustainable, coordinated reform of the international tax system that responds to the tax challenges arising from the digitalisation of the economy, reinforces stability and certainty for taxpayers.

6.2.5. Amount A would apply where the **Adjusted Global Revenue** [accounting revenues reported in the Consolidated Financial Statements ('CFS'), excluding VAT/similar taxes and subject to limited adjustments] of a MNE is **more than Euro 20 billion and the pre-tax profit margin is greater than 10%**[1]. Extractives and regulated financial services revenue would be excluded (subject to certain eligibility requirements) while computing the revenue of the group for the purpose of Amount A. The revenue threshold will be reduced to Euro 10 billion, contingent on successful implementation including tax certainty on Amount A, with the relevant review

[1] Where the MNE Group was not in scope in 2 immediately preceding periods, 2 additional tests must be satisfied:
i. Pre-tax profit margin greater than 10% in at least 2 of the 4 periods immediately preceding the period; and
ii. Weighted average pre-tax profit margin over the 5 periods ending in the current period exceeds 10%.

beginning 7 years after the agreement comes into force, and the review being completed in no more than 1 year.

6.2.6. For purposes of Amount A, a Covered Group shall be treated as having a nexus in a jurisdiction for a period if the Adjusted Revenues of the Covered Group are equal to or greater than:

- EUR 1 million; or
- In the case of a jurisdiction with a GDP of less than EUR 40 billion with respect to the period, EUR 250,000.

6.2.7. The process of determining Amount A is a systematic step-by-step approach that includes MNEs analysing and following rules/ processes relating to scope, special purpose nexus, revenue sourcing, tax base determination, profit allocation and elimination of double taxation.

6.2.8. The excess profit to be allocated under Amount A to eligible market jurisdictions, is based on a formula which allocates 25% of the MNEs profit in excess of 10% of the revenues. These excess profits will be allocated to market jurisdictions in proportion to the amount of revenues that the MNE generates in that jurisdiction, and subject to any adjustment arising from the Marketing and Distribution Profits Safe Harbour ('MDSH'). The MDSH adjusts the allocation of Amount A for market jurisdictions that already have existing taxing rights over the MNEs residual profits.

6.2.9. On 11 October 2023, OECD released the Multilateral Convention ('MLC') to establish the legal obligations of the parties to implement the Amount A, in a coordinated and consistent manner. This includes binding rules on all aspects of implementing Amount A, including the allocation of Amount A to market jurisdictions, the elimination of double taxation, MDSH, a simplified administration process, exchange of information and the tax certainty process.

6.2.10. It is envisaged that a single tax return covering all the MNEs Amount A tax liabilities across the world, together with a standardized common documentation package, would need to be filed with the lead tax administration (typically the parent jurisdiction), which would distribute it to all affected jurisdictions. A Designated Payment Entity ('DPE') of the MNE would make all payments for all Amount A tax liabilities and relief entities within the MNE are required to make compensating payments to fund the DPE (with those payments ignored for tax purposes). A local entity can be made liable by a market jurisdiction for Amount A tax only if the DPE fails to meet its payment obligation (secondary liability).

6.2.11. In addition to the operative provisions of Amount A, the MLC also contains provisions requiring the withdrawal of all existing digital service taxes and relevant similar measures, as well as a commitment to not enact such measures in the future.

6.2.12. Awaiting the consensus on Pillar One, over 38 countries have already enacted digital service taxes ('DST'), significance economic presence ('SEP'), digital permanent establishment('DPE), etc. and some others have either announced intention to implement or released draft for consultation or are waiting for global Solution.

Amount B:

6.2.13. Another core element of Pillar One is Amount B that is intended to streamline the process for pricing baseline marketing and distribution activities in accordance with the arm's length principle, to enhance tax certainty and reducing resource-intensive disputes between taxpayers and tax administrations.

6.2.14. On 8 December 2022, the OECD released a public consultation document titled 'Pillar One – Amount B'. Further, to ensure the appropriateness of the scope and pricing framework, public consultation was sought in July 2023 with 2 alternatives to scope. 'Alternative A', does not require a separate qualitative scoping criterion to identify and exclude non-baseline contributions, and 'Alternative B', does require a separate qualitative scoping criterion to identify and exclude non-baseline contributions.

6.2.15. Subsequently, on 19 February 2024, the OECD published the final report on Pillar One - Amount B. Amount B aims to simplify and streamline the application of the arm's length principle for intra-group transactions. The final report contains the guidance on 'Special considerations for baseline distribution activities' which is incorporated into the OECD Transfer Pricing Guidelines for MNEs and Tax Administrations 2022 as an Annexure to Chapter IV. The report also provides considerations regarding the application of the simplified and streamlined approach, qualifying transaction, scoping criteria, transitional provisions, etc. The reports also contain Appendix A and Appendix B providing the benchmarking criteria and illustrative examples, respectively.

6.2.16. Amount B would typically cover qualifying transactions as under –

- **Buy-sell marketing and distribution transactions** - where a distributor purchases goods from its Associated Enterprise ('AE') for wholesale distribution to unrelated parties.

- **Sales agency and commissionaire transactions** – where a sales agent or commissionaire contributes to AE in relation to wholesale distribution of goods to unrelated enterprises.

6.2.17. The qualifying transaction must exhibit economically relevant characteristics, i.e., it can be reliably priced using a one-sided transfer pricing method with the distributor, sales agent or commissionaire being the tested party. The tested party in the qualifying transaction must not incur annual operating expenses lower than 3% or greater than an upper bound of between 20% and 30% of the tested party's annual net revenues.

6.2.18. The qualifying transaction may be out of scope if it involves the distribution of non-tangible goods, services, or marketing, trading, or distribution of commodities or the tested party carries out non-distribution activities (in addition to the qualifying transactions) which cannot be separately evaluated.

6.2.19. The report suggests that the Transactional Net Margin Method ('TNMM') within the Amount B pricing methodology should be the most appropriate method in most instances of in-scope transactions. In a few instances, an alternative transfer pricing method to the TNMM, particularly when information regarding the internal comparables is readily available, Comparable Uncontrolled Price ('CUP') method may also be preferred.

6.2.20. The report provides that jurisdictions can choose to apply the simplified and streamlined approach for in scope transactions of tested parties in their jurisdictions for fiscal years commencing on or after 1 January 2025.

6.2.21. On 13 January 2025, OECD released an update that significant work has been undertaken on the detailed parameters of the Amount B Framework with only a few outstanding issues remaining amongst certain jurisdictions. Discussions are well advanced on some of these issues and they have yet to find a path forward that has the support of all members and address their concerns.

> It is pertinent to note that India has recorded its reservation owing to disagreement on various aspects of Amount B design, including but not limited to the scope, definitions, operating expense cross-check mechanism and the overall design of the pricing methodology. India expressed its inability to support the Amount B work further if its reservations are not considered.

6.3. Pillar Two

6.3.1. Pillar Two Journey Highlights

6.3.2. The introduction of the Pillar Two rules, will eventually and gradually lead to reduced tax competition amongst various jurisdictions, effectively bringing to halt the effect of 'race to the bottom'. Pillar Two is designed to ensure that large MNEs pay a minimum level of tax regardless of where they are headquartered or the jurisdiction they operate in.

6.3.3. The Global Anti-Base Erosion ('GloBE') Rules (also known as 'global minimum tax' or 'GMT') consist of an interlocking and coordinated system of rules which are designed to be implemented into the domestic law of each jurisdiction and operate together to ensure large MNE Groups are subject to a minimum effective tax rate of 15% on any excess profits arising in each jurisdiction where they operate and the Subject to Tax Rule ('STTR') enabling withholding at 9% which they may have otherwise ceded under a tax treaty on certain payments to AEs. The GloBE rules set out the general charging provisions through 2 interlocking rules viz, Under Tax Payment Rule ('UTPR') and Income Inclusion Rule ('IIR'). It is applicable only to MNEs meeting the prescribed threshold. It also provides for certain exclusions. Further, it also provides for **Qualified Domestic Minimum Top-up Tax ('QDMTT'), if implemented**, it reinforces a jurisdiction's primary right of taxation over its own income. **An overview of the same is presented below:**

Applicability – Annual consolidated revenues as per CFS of UPE >= EUR 750 million in at least 2 of the 4 preceding FY

MNE – Entity with foreign business presence (i.e. legal entity/PE) in at least 1 jurisdiction other than that of UPE

Interlocking Rules

Under Tax Payment Rule ('UTPR') (Backstop Rule)

- Implemented through domestic tax law
- In case all top-up tax is not allocated under an IIR, the liability to account for same falls on the constituent entity jurisdiction
- Applied via 'denial of deduction' or equivalent other adjustment

Income Inclusion Rule (Main Rule)

- Implemented through domestic tax law
- Preference to UPE/ parent jurisdiction to collect tax equal to its allocable share
- Top-down cascading approach i.e., no IIR in UPE jurisdiction or so, next intermediate parent entity jurisdiction to collect
- Proposed treaty-based switch-over rule[#]

Precedence over above GloBE Rules

Qualified Domestic Minimum Top-up Tax ('QDMTT')

- Precedence over IIR/ UTPR
- Local rules consistent with GloBE Rules known as QDMTT
- Collection of top-up tax by the low taxed jurisdiction instead of parent jurisdiction
- Credit of QDMTT available for GMT
- Adoption of QDMTT and ETR calculated as per local financial accounting standards rather than GloBE standards, may result in such jurisdiction collecting most, if not all, of the top-up tax

Subject to Tax Rule ('STTR')

- 9% WHT on certain payments[##] to AEs (royalty, if CIT in the recipient's jurisdiction < 9% (subject to adjustments)
- Implemented via MLI/ bilateral treaty negotiation with IF members
- MLI open for signing. 9 countries have signed and 10 countries expressed interest
- Not appliable to individuals, HUF, Non-Profit Organisation, government entities, etc.
- Priority over the Globe Rules
- Creditable for Globe Rules
- Safe harbour of Cost+8.5% for income other than interest and royalty (India has expressed reservation on mark-up)

- Not applicable to government entities, international organizations, non-profit organizations, pension fund , investment or real estate fund if they are UPE and rules apply to the Group and some entities-based ownership and activity test
- De minimis exclusion if Average GloBE revenue < EUR 10 million and Average GloBE income or loss < EUR 1 million

 # a switch-over rule in a tax treaty could facilitate the application of the IIR by the jurisdiction of residence of the Parent Entity to tax the income of the PE in those cases where the IIR applies as a matter of domestic law and as per tax treaty source state has taxing right.

a) Interest; b) Royalties; c) Payments for distribution rights for a product or service; d) Insurance or reinsurance premiums; e) Payments of guarantee or financing fees; f) Rental payments for industrial, commercial or scientific equipment; and g) Payments for provision of services.

6.4. Key steps for computation of liability as per GloBE Rules

An MNE might need to undertake the following key steps to determine the tax liability as per the GloBE rules.

Step	Description
Step 1: In scope MNE	• Determine applicability of Pillar Two to MNE, the entities covered, excluded entities, excluded income and location of each entity
Step 2: Adjusted GloBE Income/ (Loss)	• Determine the GloBE net income/ loss as per Financial Accounting. Adjust the same as per GloBE rules and allocate the same to PE, transparent entities, etc. if required
Step 3: Calculate Adjusted Covered taxes	• Identification of Covered taxes, make necessary adjustments, allocate the same to PE, transparent entities, etc and make any other adjustment, if required for prior year
Step 4: Calculate Jurisdictional ETR	• Jurisdictional ETR=Adjusted Covered Taxes on jurisdictional bases/ Adjusted GloBE Income on a jurisdictional basis. Exclude entities as per De minis exception and safe harbours, as applicable
Step 5: Jurisdictional Excess profit	• Jurisdictional Excess Profit= Adjusted GloBE Income - Substance based Income exclusion (5% of eligible payroll cost for eligible empolyees and 5% of carrying value of eligible tangible assets)
Step 6: Jurisdictional Top-up	• Top-up Tax%= Minimum tax rate (15%) - Jurisdiction ETR
Step 7: Jurisdictional Top-up tax	• Jurisdictional Top-up tax=(Top-up tax% x Excess Profit) - QDMTT(if any)
Step 8: IIR and UTPR	• Identify the parent entity liable to pay IIR, determine amount to be paid, check if remaining amount to be allocated as per UTPR and liability for residual to-up tax through UTPR adjustment

6.5. Safe Harbours

QDMTT Safe Harbour

6.5.1. For the purpose of reducing unnecessary compliance and administrative burdens of MNE groups and tax authorities, IF aims to consider establishing GloBE Safe Harbours. QDMTT Safe Harbours would provide relief to MNE groups from performing full GloBE calculations, if certain conditions are satisfied, including peer review to determine whether it meets additional standards.

Transitional CbCR safe harbour

6.5.2. IF has also provided for transitional CbCR safe harbour which would operate through the use of simplified jurisdictional revenue and income information contained in an MNE's Qualified CbC Report, and jurisdictional tax information contained in an MNE's Qualified Financial Statements. To qualify for the same, the Jurisdiction needs to pass at least one of the following tests: (a) de minimis test[2] ; (b) simplified ETR test[3] ; or (c) routine profits test[4] . If the entity in a country meets any of the 3 tests, then all such entities located in that country would be exempted from undertaking detailed computation. It will be limited to transition period for any fiscal year beginning on or before 31 December 2026, but not including a fiscal year that ends after 30 June 2028.

6.6. Filing Obligations

6.6.1. The GloBE Model Rules require the annual filing of a GloBE Information Return ('GIR') that provides information on the tax calculations made by an MNE Group under the GloBE Rules. The GIR requires detailed information and OECD in consultation with IF is in process of finalizing the GIR schema which may be considered by IF as template and guide in their jurisdictions.

6.6.2. The standardized template for the GIR was initially published by IF on 17 July 2023 and updated on 15 January 2025. It has added 2 additional annexures in GIR viz, Annex B – Standard notification template that could be used for businesses to notify local tax authorities that the information return will be filed centrally in another country and Annex C – a common understanding by countries on transitional penalty relief. However, some implementing jurisdictions may have

2 MNE group reports total revenue <EUR 10 million and Profit/(Loss) before Tax < EUR 1 million in the jurisdiction as per Qualified CbC Report for the year.

3 Simplified ETR equal to or greater than the Transition Rate in the jurisdiction for the year – 15% for fiscal years beginning in 2023 and 2024; 16% for fiscal years beginning in 2025; and 17% for fiscal years beginning in 2026.

4 MNE's Profit (Loss) before Income Tax in the jurisdiction on its Qualified CbC Report is equal to or less than the Substance-based Income Exclusion (SBIE) amount for entities resident in that jurisdiction, as calculated under the GloBE Rules.

specific constitutional or administrative law constraints to accept data that does not correspond directly to their domestic legislation. In such circumstances, implementing jurisdictions in certain situations could be able to collect further information through an additional domestic filing requirement like local file.

6.7. Multilateral Competent Authority Agreement ('MCAA')

6.7.1. On 15 January 2025, OECD released the MCAA on the Exchange of GIR ('GIR MCAA'), which is based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters, is a Qualifying Competent Authority Agreement in the GloBE Model Rules and sets out the detailed modalities of the exchanges taking place on an automatic basis between tax authorities of various jurisdictions.

6.8. Global Development in Pillar Two Solution

6.8.1. Press release of OECD dated 11 July 2024 on *Corporate Tax Statistics* shows that average statutory CIT rates have remained steady at 21.1% over the past 3 years. The stabilisation is on account of anticipation of the new GMT agreed by more than 140 members of the IF on Base Erosion and Profit Shifting.

6.8.2. The GMT is estimated to raise additional CIT revenues of USD 155-192 billion globally each year or between 6.5% and 8.1% of global CIT revenues. Countries like United Kingdom, Switzerland, Ireland, Australia, Netherlands, Korea, Canada, etc. have already enacted GMT related legislations in their domestic tax laws. However, some countries like South Africa, Bahrain, Kuwait has introduced QDMTT/ DMTT.

We have summarized below the details of the key countries that have already implemented GMT and their effective dates:

Country	IIR	UTPR	QDMTT/DMTT
Australia	01 January 2024	01 January 2025	01 January 2024
Austria	31 December 2023	31 December 2024	31 December 2023
Bahamas	No public announcement yet	No public announcement yet	01 January 2024
Bahrain	No public announcement yet	No public announcement yet	01 January 2025

Country	IIR	UTPR	QDMTT/DMTT
Barbados	No public announcement yet	No public announcement yet	01 January 2024
Belgium	31 December 2023	31 December 2024	31 December 2023
Brazil	No public announcement yet	No public announcement yet	01 January 2025
Bulgaria	01 January 2024	01 January 2025	01 January 2024
Canada	01 January 2024	Intends to apply from 01 January 2025	01 January 2024
Croatia	31 December 2023	31 December 2024	31 December 2023
Curacao	01 January 2025	No public announcement yet	01 January 2025
Cyprus	01 January 2024	01 January 2025	01 January 2025
Czech Republic	31 December 2023	31 December 2024	31 December 2023
Denmark	31 December 2023	31 December 2024	31 December 2023
Finland	31 December 2023	31 December 2024	31 December 2023
France	31 December 2023	31 December 2024	31 December 2023
Germany	30 December 2023	30 December 2024	30 December 2023
Gibraltar	01 January 2025	No public announcement yet	01 January 2024
Greece	31 December 2023	31 December 2024	31 December 2023

Country	IIR	UTPR	QDMTT/DMTT
Guernsey	01 January 2025	No public announcement yet	01 January 2025
Hungary	31 December 2023	31 December 2024	31 December 2023
Indonesia	01 January 2025	01 January 2026	01 January 2025
Ireland	31 December 2023	31 December 2024	31 December 2023
Isle of Man	01 January 2025	No public announcement yet	01 January 2025
Italy	31 December 2023	31 December 2024	31 December 2023
Japan	01 April 2024	01 April 2026	01 April 2026
Jersey	01 January 2025	No public announcement yet	01 January 2025
Kenya	No public announcement yet	No public announcement yet	01 January 2025
Kuwait	No public announcement yet	No public announcement yet	01 January 2025
Liechtenstein	01 January 2024	To be confirmed	01 January 2024
Luxembourg	31 December 2023	31 December 2024	31 December 2023
Malaysia	01 January 2025	No public announcement yet	01 January 2025
Netherlands	31 December 2023	31 December 2024	31 December 2023
New Zealand	01 January 2025	01 January 2025	01January 2026 (Domestic IIR)
Norway	01 January 2024	Proposed from 01 January 2025	01 January 2024

Country	IIR	UTPR	QDMTT/DMTT
Oman	01 January 2025	No public announcement yet	01 January 2025
Poland	01 January 2025	01 January 2025	01 January 2025
Portugal	01 January 2024	01 January 2025	01 January 2024
Romania	31 December 2023	31 December 2024	31 December 2023
Singapore	01 January 2025	No public announcement yet	01 January 2025
Slovakia	Six year extension	Six year extension	31 December 2023
Slovenia	31 December 2023	31 December 2024	31 December 2023
South Africa	01 January 2024	No public announcement yet	01 January 2024
South Korea	01 January 2024	01 January 2025	No public announcement yet
Spain	31 December 2023	31 December 2024	31 December 2023
Sweden	31 December 2023	31 December 2024	31 December 2023
Switzerland	01 January 2025	To be confirmed	01 January 2024
Thailand	01 January 2025	01 January 2025	01 January 2025
Turkey	01 January 2024	01 January 2025	01 January 2024
United Kingdom	31 December 2023	No public announcement yet	31 December 2023
Vietnam	01 January 2024	No public announcement yet	01 January 2024
Zimbabwe	No public announcement yet	No public announcement yet	01 January 2024

6.8.3. While it was expected that India would provide some roadmap to Pillar Two proposals in the current Budget; however, no such guidance is provided in the budget proposals. Given the speed of development and action around Pillar Two proposals, it would be imperative to keep a watch on the updates on this front.

6.9. Key Mergers and Acquisitions Impact

6.9.1. GloBE Rules provides certain types of Constituent Entities to be excluded for GMT such as investment Funds and Real Estate Investment Vehicles, etc. Such exclusion applies only when they are the Ultimate Parent Entity ('UPE') of an MNE group.

6.9.2. Under GloBE Rules, ETR is computed on a jurisdiction-by-jurisdiction basis. Thus, it allows offsetting a 'low' ETR of a group entity with high ETR entity in the same jurisdiction. This provides an opportunity for offsetting of a low ETR of one group entity with the high ETR of another entity within the same jurisdiction. However, if an entity with a high ETR is sold and the remaining entities in that jurisdiction have low ETRs, it could result in additional tax liabilities in the future due to potential loss of offsetting opportunities.

6.9.3. Following an acquisition, a MNE may become an in-scope entity under the GloBE Rules. It is important for MNEs to anticipate and plan for this potential change in their tax obligations as it may significantly impact their overall tax strategy and compliance requirements.

6.10. Concluding Remarks

6.10.1. Initially, the US participated in development on BEPS 1.0 but neither signed the MLI nor adopted any of the provisions in any tax treaty. However, in 2017, it had introduced through Tax Cuts and Jobs Act, provision for minimum tax on foreign income and anti-abuse tax i.e, the global intangible low-taxed income ('GILTI') at the tax rate of 10.5% to be increased to 13.125% from 1 January 2026 and Base Erosion and Anti-abuse Tax ('BEAT') by taxing many payments to foreign affiliates at the rate of 10% to be increased to 12.5% from 1 January 2026. This rate is lower than GMT rate.

6.10.2. Since there was limited progress on Pillar One, over 38 countries had introduced DST through domestic tax legislation. The US has signed truce with many countries for DST and extended it from time-to-time.

6.10.3. W.e.f. 1 August 2024, India abolished 2% EL in the interest of Pillar One & Pillar Two tax framework which is being negotiated, EL could not continue.

6.10.4. **Recently, on 20 January 2025, US announced no force or effect in US of the Global Tax Deal by releasing a memorandum directing the prescribed authorities of US to notify the OECD that any commitments made with respect to the Global Tax Deal will have no force or effect within the United States absent an act by the Congress adopting the relevant provisions of the Global Tax Deal.**

6.10.5. Considering the above, it would be interesting to see how the IF countries will react to the same and whether they will reinstate/ keep intact/ introduce the DST through domestic law.

6.10.6. As per OECD press release dated 11 July 2024, more than 35 jurisdictions are currently implementing, or plan to implement, the 15% minimum corporate effective tax rate with effect from 2024, reducing competitive pressures on statutory Corporate Income Tax ('CIT') rates. While India has not implemented the GloBE rules as of now, but if the Indian UPE is having subsidiaries and PE in countries which have already implemented IIR / UTPR/ QDMTT, such Indian UPE may be required to pay tax in such other countries and undertake requisite compliance. Given that GloBE Rules are complex, requiring significant data points, accounting adjustments, system updates, multi-jurisdictional implications, etc., it is recommended that in scope MNE groups should start evaluating the impact of these regulations and undertake compliance in relevant jurisdiction.

Chapter 7 Certain Tax Incentives for Businesses

Part A – Production Linked Incentive Schemes

7.1 Background

Production Linked Incentive ('PLI') Schemes is a cornerstone of the Government's push for accomplishing the vision of Atmanirbhar Bharat. The objective is to make domestic manufacturing globally competitive and to create domestic champions in manufacturing. The strategy behind the Scheme is to offer financial incentives to boost manufacturing and attract large scale investments.

The Scheme has been a game-changer in attracting industries from certain geographic locations to countries like India, where they can participate in both the domestic and export markets. While it invites foreign companies to set up their units in India, the Scheme also encourages domestic enterprises to expand their production units. The flourishing of local manufacturing will enable India to be able to compete in global markets in the long run. By increasing manufacturing in various sectors, India can also reduce the unemployment ratio and also create skilled manpower.

The PLI Scheme was conceived and launched in March 2020 to scale up domestic manufacturing capability to up to 30 lakh crores, substitute higher imports while also creating 60 lakh new jobs. The Scheme initially targeted three industries viz. Mobile and Allied Component manufacturing; Electrical Component manufacturing and Medical Devices. Later, 14 key sectors were brought under the Scheme with an outlay of Rs 1.97 lakh crore including automobile and auto components, electronics and IT hardware, telecom, pharmaceuticals, solar modules, metals and mining, textiles and apparel, white goods, drones, and advanced chemistry cell batteries. By targeting these sectors, the PLI Scheme aims to drive investment in high-tech industries, improve domestic manufacturing capabilities, and enhance India's global competitiveness. An additional allocation of Rs 19,500 crores was made towards PLI for solar PV modules in the Budget 2022-23. The Indian Government upscaled the allocation for the PLI Scheme to Rs. 6,200 crores during the interim budget for FY 2024-25 marking an increase of 33% as compared to the previous year's estimate of Rs. 4,645 crores. The PLI Scheme offers cash incentives to businesses for enhancing their domestic production while also focusing on cutting import costs and boosting the cost competitiveness of local products. The amount of incentive varies from sector to sector. The Scheme

commenced in 2020-21 to be effective for five years till 2025-26. The identified beneficiaries are required to commit to a certain minimum investment in India.

7.2 Key Objectives of PLI Schemes are:

7.2.1 Large-scale manufacturing capacities

The grant of incentives is directly linked to production capacity/ incremental turnover, compelling investors to create large scale manufacturing facilities. This should lead to improvements in industrial infrastructure, benefiting the industry at large. Thus, its effects are expected to be felt by manufacturers of all sizes, even if they are not direct recipients of the incentives.

7.2.2 Import substitution and increase in exports

Currently, there is heavy reliance on imports for raw material and finished goods. PLI Schemes intend to plug this gap by enabling domestic manufacture of goods. This would trigger a two-fold impact — an immediate reduction in reliance on imports and in the long term, a higher quantum of exports from India.

7.2.3 Employment generation

It is evident that envisaged large-scale manufacturing would require abundant manpower. Hence, this initiative should also enable utilization of the country's ample human capital.

7.3 Key Eligibility Criteria of the PLI Scheme

Companies that are registered in India and are involved in the manufacturing of goods covered under the target segments of the Scheme, can apply under the PLI Scheme. Eligibility under the Scheme shall be subject to thresholds of Incremental Investment (covered under Target Segments) over the base year as defined. Further, companies need to satisfy certain additional eligibility criteria which may vary from scheme to scheme in terms of Gross Management Revenue (GMR), Net Worth, Incremental Sales, Domestic Value Addition (DVA), etc.

An applicant must meet threshold criteria (i.e. incremental investment) i.e. a minimum of Rs. 10 crores (MSME) or Rs. 100 crores (Others) and a maximum of Rs. 1,000 crores, to be eligible for disbursement of incentive for the year under consideration. To meet the threshold criteria of incremental investment for any year, the cumulative value of investment done till such year (including the year under consideration) over the Base Year (2019-20) shall be considered.

The applicant can operate existing or new manufacturing unit at one or more

locations in the country.

Any additional expenditure incurred by companies on plant, machinery, equipment, research and development and transfer of technology for manufacture in the target segments will be eligible for the Scheme.

7.4 Incentives Offered under PLI Schemes:

The PLI Schemes provide eligible manufacturing companies incentives ranging from 4% to 6% on incremental sales over the base year of 2019-20 for a 4-6-year period. It is like a subsidy being provided by direct payment for domestically manufactured goods by eligible manufacturing companies.

7.5 Sector Wise Details of PLI Schemes:

Sectors	Concerned Department	Total Financial Outlay (Rs. In crores)	Last Date of Application
Specialty Steel	Ministry of Steel	6,322	15 September 2022 31 January 2025 (Scheme 1.1)

7.6 Second Edition of Existing PLI Schemes:

Specialty Steel: The PLI Scheme for speciality steel approved by the Union Cabinet in July 2021 has received 79 applications from 35 companies, resulting in an investment of Rs 46,020 crores. The government has launched second edition of the PLI Scheme for specialty steel on 6 January 2025 and also seeks to cover steel used in some defence equipment and automobiles.

7.7 Conclusion

The PLI Scheme is a big step towards India becoming self-reliant. The government is anticipated to extend some of the existing PLI Scheme in order to give boost to the Make in India initiative. As per news reports, as on 18 December 2024, 764 applications have been approved under PLI Scheme.

Further, the implementation of PLI Scheme has led to actual investment of nearly Rs. 1.46 lakh crore till August 2024 (as per the Year End Review Press Release dated 20 December 2024), production or sales of Rs. 12.5 lakh crore of eligible products and employment generation of over 9.5 lakh individuals. **Over 1300 manufacturing units established across 14 sectors and 27 States/UTs under PLI Scheme.**

PLI Scheme has witnessed exports surpassing Rs. 4 lakh crores, with significant contributions from sectors such as Large-Scale Electronics Manufacturing, Pharmaceuticals, Food Processing, and Telecom & Networking products.

176 MSMEs are among the PLI beneficiaries in sectors such as Bulk Drugs, Medical Devices, Pharma, Telecom, White Goods, Food Processing, Textiles & Drones. Several MSMEs are serving as investment partners/ contract manufacturers for large corporates.

Further, the Government is likely to extend fiscal incentives for production of toys, bicycles and leather and footwear as it looks to expand the Scheme to cover more high-employment potential sectors. This would necessitate an additional investment of Rs. 35,000 crores over time.

Government initiatives such as the PLI Scheme will undoubtedly support home-grown businesses in expanding its manufacturing capabilities, boosting exports and bringing large-scale manufacturing to India. This is an incredible opportunity for the manufacturing economy to become self-sufficient and produce high-quality, globally competitive goods.

Part B – TAX INCENTIVES FOR BUSINESSES (DIRECT TAXES)(As updated up to the Finance Bill, 2025)

The IT Act provides for far reaching tax holidays and other tax incentives for businesses. We have briefly enumerated below, the significant tax holidays and incentives available to businesses along with the nature of deductions, eligibility criteria, quantum of deduction and period for which the deductions are available. The tax holidays and incentives are subject to fulfillment of specified conditions. The tax incentives / deductions which are available to newly set up units are highlighted in Blue. The changes proposed by the Finance Bill, 2025 are highlighted in **BOLD** font.

7.1 New Tax Regime for New Manufacturing Companies set up on or after 1 October 2019 – Eligibility criteria and specified conditions

Section	New Tax Regime for New Manufacturing Companies set up on or after 1 October 2019^ – Eligibility criteria and specified conditions
115BAB	• The Taxation Laws (Amendment) Act, 2019 introduced special provision in order to attract fresh investment in manufacturing, which allows any new domestic company incorporated on or after 1 October 2019 making fresh investment in manufacturing, an option to pay income-tax @ 17.16% inclusive of surcharge and cess and MAT shall not be applicable to such companies. This benefit is available to companies which do not avail any exemption / incentive and have commenced their production on or before 31 March 2024. • The generation of electricity will fall within the purview of manufacturing under section 115BAB. The business of manufacture or production would not cover development of computer software in any form or in any media, mining, conversion of marble blocks or similar items into slabs, bottling of gas into cylinder, printing of books or production of cinematograph film or any other business as would be notified by the Central Government from time to time. • The domestic companies opting for lower corporate tax regime as mentioned above would not be able to claim incentive / deductions under the following sections of the IT Act: ➢ Section 10AA – deduction for exports by SEZ units ➢ Section 32(1)(iia) – additional depreciation allowance ➢ Section 32AD – deduction for investment in new plant and machinery in notified backward states ➢ Section 33AB – Tea/Coffee/ Rubber development allowance ➢ Section 33ABA – Site restoration fund ➢ Section 35AD – deduction in respect of specified business ➢ Section 35(1)(ii), (iia), (iii) and section 35(2AA), (2AB) – certain scientific research expenditure ➢ Section 35CCC – expenditure on agricultural extension project

Section	New Tax Regime for New Manufacturing Companies set up on or after 1 October 2019^ – Eligibility criteria and specified conditions
	➢ Section 35CCD – expenditure on skill development project ➢ Deduction under Chapter VIA other than section 80JJAA (deduction in respect of employment of new employees) and section 80M (deduction in respect of certain inter-corporate dividends) • The losses pertaining to normal depreciation would be allowed to be carried forward and set off for future years. • In case of a corporate who has opted for concessional tax regime under section 115BAB and such option is rendered invalid, the taxpayer may opt for concessional tax regime under section 115BAA of the IT Act. • It may also be noted that option once exercised cannot be withdrawn subsequently.

7.2 Deduction in respect of Expenditure on Specified Business – Eligibility criteria and specified conditions

Section	Deduction in respect of expenditure on Specified Businesses – Eligibility Criteria and specified conditions^
35AD	• Any expenditure of capital nature (other than expenditure incurred on the acquisition of any land or goodwill or financial instrument) incurred, wholly and exclusively, during the year for specified business shall be allowed as deduction subject to the specified provisions. • Specified business and the year (in which the operations to be commenced) for availing deduction under this section are tabulated as under

Sr. No.	Specified Business	Specified Year of Commencement
1	Setting up and operating a cold chain facility	From 1 April 2009 onwards
2	Setting up and operating a warehousing facility for storing agricultural produce	From 1 April 2009 onwards
3	Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network	From 1 April 2007 onwards for Natural Gas Pipeline And In other cases, from 1 April 2009 onwards
4	Building and operating a new hotel of two star and above category as classified by the Central government anywhere in India	From 1 April 2010 onwards *
5	Building and operating a hospital with at least 100 beds for patients anywhere in India	From 1 April 2010 onwards
6	Developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the Central or State Government, as the case may	From 1 April 2010 onwards

Section	Deduction in respect of expenditure on Specified Businesses – Eligibility Criteria and specified conditions^

Sr. No.	Specified Business	Specified Year of Commencement
	be, and which is notified by the Board in this behalf in accordance with the guidelines as may be prescribed	
7	The Business of developing and building a housing project under a scheme for affordable housing framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed	From 1 April 2011 onwards
8	Production of fertilizers in India through a new plant or a newly installed capacity in an existing plant	From 1 April 2011 onwards
9	Setting up and operating an inland container depot or a container freight station notified or approved under the Customs Act, 1962	From 1 April 2012 onwards
10	Bee-keeping and production of honey and beeswax	From 1 April 2012 onwards
11	Setting up and operating a warehousing facility for storage of sugar	From 1 April 2012 onwards
12	Laying and operating a slurry pipeline for transportation of iron ore	From 1 April 2014 onwards
13	Setting up and operating a semiconductor wafer fabrication manufacturing unit, if such unit is notified by the Board in accordance with the prescribed guidelines.	From 1 April 2014 onwards
14	Developing or operating and maintaining or developing, operating & maintaining any infrastructure facilities.	From 1 April 2017 onwards

*Where the assessee builds a hotel of 2 star or above category as classified by the Central Government and subsequently, while continuing to own the hotel, transfers the operation thereof to another person, the said assessee shall be deemed to be carrying on the 'specified businesses of building and operating hotel as referred at Sr. No. 4 in the above table, with retrospective effect from AY 2011-12.

- Any asset, in respect of which a deduction is claimed and allowed under this section, shall be used only for the specified business for a period of 8 years beginning with the financial year in which such asset is acquired or constructed.
- Where such asset is used for any purpose other than the specified business, then, the total amount of deduction so claimed and allowed in any financial year in respect of such asset (after reducing the depreciation allowable under section 32 of the IT Act on deduction allowed under section 35AD of the IT Act), shall be deemed to be income of the assessee chargeable under the head 'Profits and gains of business or profession'.

Section	Deduction in respect of expenditure on Specified Businesses – Eligibility Criteria and specified conditions^
	• While computing AMT, adjusted total income shall be increased by the deduction claimed under section 35AD of the IT Act as reduced by the amount of depreciation allowable under section 32 of the IT Act. • In case deduction has been availed under section 35AD of the IT Act on account of capital expenditure incurred for the purposes of specified business in any assessment year, no deduction under section 10AA of the IT Act or under the provisions of Chapter VI-A or under any other provisions of the IT Act shall be available in the same or any other assessment year in respect of such specified business. • Any expenditure in respect of which payment or aggregate of payments made to a person in a day, otherwise than by account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed, exceeds Rs. 10,000, then no deduction shall be allowed under section 35AD. • The deduction under section 35AD(1) of the IT Act is optional. • A domestic company opting for concessional tax rate under section 115BAA or section 115BAB of the IT Act, which does not claim deduction under section 35AD, can claim normal depreciation under section 32 of the IT Act on such expenditure.

7.3 Deduction of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. – Eligibility criteria and specified conditions

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80- IAC / 80-IB(11A) / 80-IBA / 80LA / 10AA)^				
Sr. No.	**Nature of Activity and Location**	**Type of Organization**	**Quantum of Deduction**	**Number of Years**
1	Start-up Undertaking -Section 80-IAC • Undertaking being an eligible start-up which is engaged in business of innovation,	Company or LLP incorporated between 1 April 2016 to **31 March 2030**	100%	Any 3 consecutive years out of first 10 years

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80- IAC / 80-IB(11A) / 80-IBA / 80LA / 10AA)^				
Sr. No.	**Nature of Activity and Location**	**Type of Organization**	**Quantum of Deduction**	**Number of Years**
	development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation. ● The total turnover of the company should not exceed Rs. 1 billion in the previous year in which deduction is claimed. ● It holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government.			
2	**Undertaking engaged in processing /preservation / transportation of specified food items -Section 80-IB (11A)** ● An undertaking deriving profit from the integrated business of handling, storage and transportation of food grains or an undertaking engaged in the business of processing, preservation and packaging of fruits and vegetables, subject to such business beginning its operations on or after 1 April 2001. ● An undertaking engaged in the business of meat and meat products or poultry or marine or dairy products which begin to operate such business on or after 1 April 2009.	Company Others	100% 30% 100% 25%	First 5 years Next 5 years First 5 years Next 5 years
3	Affordable Housing Project -Section 80-IBA	All	100%	Not Applicable

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80- IAC / 80-IB(11A) / 80-IBA / 80LA / 10AA)^				
Sr. No.	**Nature of Activity and Location**	**Type of Organization**	**Quantum of Deduction**	**Number of Years**
	• Any undertaking engaged in the business of developing and building housing projects approved by the competent authority between 1 June 2016 and 31 March 2022. • The project should be completed within a period of 5 years from the date of approval. • The deduction is allowed subject to fulfillment of various conditions like minimum area of land, minimum floor area ratio of land, maximum carpet area of residential and commercial unit. • Carpet area shall not exceed 30 square meter for Chennai, Delhi, Kolkata or Mumbai and 60 square meter for any other place • Separate books of account in respect of the housing project • Not more than 1 residential unit is allotted to any individual or the spouse or the minor children of such individual. • Deduction shall not be available to a person executing the housing project as works contract. If the housing project is approved on or after 1 September 2019, following modified conditions shall be applicable: • Carpet area shall not exceed 60 square meter for metropolitan cities of Bengaluru, Chennai, Delhi National Capital Region (limited to Delhi, Noida, Greater Noida,			

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80- IAC / 80-IB(11A) / 80-IBA / 80LA / 10AA)^				
Sr. No.	**Nature of Activity and Location**	**Type of Organization**	**Quantum of Deduction**	**Number of Years**
	Ghaziabad, Gurugram, Faridabad), Hyderabad, Kolkata and Mumbai (whole of Mumbai Metropolitan region) and 90 square meter for any other place.. ● The stamp duty value of a residential unit in the housing project does not exceed Rs. 45,00,000.			
4	Affordable Rental Housing Project -Section 80-IBA(1A) ● Any undertaking engaged in the business of developing and building rental housing project notified by Central Government on or before 31 March 2022 ● Deduction shall not be available to a person executing the rental housing project as works contract	All	100%	Not Applicable
5	Offshore banking unit in SEZ and unit of an International Financial Services Centre - Section 80LA Income from: ● Offshore banking unit in SEZ or ● The business referred to in section 6(1) of the Banking Regulation Act, 1949 ● Any unit of International Financial Services Center from its approved business. ● Income arising from transfer of an asset, being an aircraft or ship, which was leased by an IFSC unit before such transfer shall also be	Scheduled Bank or any bank incorporated by or under the law of a country outside India	100%	First 5 years (beginning with the year in which prescribed permissions are obtained) Next 5 year

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80- IAC / 80-IB(11A) / 80-IBA / 80LA / 10AA)^				
Sr. No.	**Nature of Activity and Location**	**Type of Organization**	**Quantum of Deduction**	**Number of Years**
	eligible for 100% deduction subject to condition that the unit has commenced operation on or before **31 March 2030**. "Aircraft" means an aircraft or a helicopter, or an engine of an aircraft or a helicopter, or any part thereof; "ship" means a ship or an ocean vessel, engine of a ship or ocean vessel, or any part thereof;	A unit of an International Financial Services Center	100%	Any 10 consecutive years out of first 15 years (beginning with the year in which prescribed permissions are obtained)
6	EEligible unit set up in SEZ on or after 1 April 2005 -Section 10AA ● Exemption is available to the entrepreneur as referred to in Section (2j) of SEZ Act, 2005 for profits derived from export of articles or things or services, manufactured, or produced or provided by an eligible unit. ● Deduction shall be available to units which has received approval on or before 31 March 2020 and have commenced manufacture or production of article or thing / providing of services on or before 31 March 2021. ● Deduction shall only be available to units who furnish ROI on or before the due date specified under section 139(1) of the IT Act. Deduction shall be available if the proceeds from sale of goods or provision of services is received in, or brought into, India in convertible foreign exchange within a period	All	100% 50% 50%	First 5 years Next 5 years Next 5 years+ +The deduction is allowed only on creation of a specified reserve, which is required to be utilized for specified purposes.

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80- IAC / 80-IB(11A) / 80-IBA / 80LA / 10AA)^				
Sr. No.	**Nature of Activity and Location**	**Type of Organization**	**Quantum of Deduction**	**Number of Years**
	of 6 months from the end of the previous year or, within such further period as the competent authority may allow in this behalf. It is also provided that the sale of goods or provision of services referred to shall be deemed to have been received in India where such export turnover is credited to a separate account maintained for the purpose by the assessee with any bank outside India with the approval of the RBI.			

7.4 Deduction in respect of Additional Wages – Eligibility criteria and specified conditions

Section	**Deductions in respect of employment of new employees^ – Additional Wages**			
	Nature of Activity	**Type of Organization**	**Quantum of Deduction**	**Number of Years**
80JJAA	• Deduction of an amount equal to 30% of additional employee cost of any new employee (whose total emolument is less than or equal to Rs. 25,000 per month). • However, no deduction shall be allowed in respect of employees for whom the entire contribution under	All assessee covered under tax audit provisions	30% of additional employee cost of new employees	3 AYs including the AY relevant to the FY in which such employment is provided

Section	Deductions in respect of employment of new employees^ – Additional Wages			
	Nature of Activity	Type of Organization	Quantum of Deduction	Number of Years
	notified Employees' Pension Scheme is paid by the Government ● The minimum number of days of employment of such new employees in a financial year is 240 days. ● However, the requirement of minimum period of employment is 150 days in the case of apparel, footwear and leather industry. ● Further where a new employee is employed during the previous year for a period of less than 240 days or 150 days, as the case may be, but is employed for a period of 240 days or 150 days, as the case may be, in the immediately succeeding year, he shall be deemed to have been employed in the succeeding year and the provisions of this section shall apply accordingly.			

7.5 Deduction / Allowances of New Capital Expenditure / Scientific Research – Eligibility criteria and specified conditions

Deduction / Allowances of New Capital Expenditures / Scientific Research (Sections – 32(1)(iia) / 35)^	
Section	**Eligibility Criteria, Quantum and Period of Deduction**
32(1)(iia)	Additional Depreciation ● General rate of depreciation for plant and machinery is 15% (other than certain specified types of plant and machinery). ● An assessee engaged in the business of manufacture or production of any article or thing or in the business of generation, transmission or distribution of power can claim the additional depreciation of 20% on the cost of new plant and machinery

Deduction / Allowances of New Capital Expenditures / Scientific Research (Sections – 32(1)(iia) / 35)^		
Section	**Eligibility Criteria, Quantum and Period of Deduction**	
	(other than ships and aircraft) which are acquired and installed after 31 March 2005. ● The above additional depreciation shall be allowed only to the extent of 50% (i.e. 10% or 17.5%) if the machinery is put to use for a period less than 180 days in the year of its acquisition and installation and balance 50% shall be allowed in the immediate next year.	
Section	**Details of Deduction on Scientific Research**	**Quantum of deduction of sum paid / expenditure incurred**
35(1)(i)	Deduction on various expenditure incurred on scientific research Any expenditure (not being in nature of capital expenditure) laid or expended on scientific research related to business carried on by the assessee.	100%
35(1)(ii)	Any sum paid to an approved research association, (which has its object of undertaking scientific research) or to a university, college or other institution to be used for scientific research.	100%
35(1)(iia)	Any sum paid to an approved company to be used by it for scientific research. Such approved company will not be entitled to claim weighted deduction under section 35(2AB) of the IT Act. However, deduction to the extent of 100% of the sum spent as revenue expenditure on scientific research, which is available under section 35(1)(i) of the IT Act will continue to be allowed.	100%
35(1)(iii)	Any sum paid to approved research association (which has its object of undertaking research) or university, college or other institution to be used for research in social science or statistical research	100%
35(1)(iv)	Any capital expenditure (other than expenditure on land and building) incurred on scientific research related to the business carried on by the assessee.	100%
35(2AA)	Any sum paid to a National Laboratory or a University or an Indian Institute of Technology or a specified person with a specific direction that the said sum shall be used for scientific research undertaken under a programme approved by the prescribed authority.	100%
35(2AB)	Any expenditure incurred (other than expenditure on cost of land and building), on in-house research and development facility, as approved by the prescribed authority, incurred by the company, engaged in the business of bio-technology or manufacture or production of article or thing (except those specified in the Eleventh Schedule).	100%

Section	Details of Deduction on Scientific Research	Quantum of deduction of sum paid / expenditure incurred
	Deduction under the said section shall be allowed only if the company enters into an agreement with the prescribed authority for co-operation in such research and development facility and fulfills prescribed conditions with regard to maintenance and audit of accounts and also furnishes prescribed reports.	

7.6 Deduction on Specified Projects – Eligibility criteria and specified conditions

Deduction on Specified Projects (Sections – 35CCA / 35CCC / 35CCD)^	
Sr. No.	**Eligibility Criteria, Quantum and Period of Deduction**
1	Deduction for payment towards rural development programmes: [Section 35CCA] ● 100% Deduction is allowed subject to fulfillment of certain conditions for any sums paid to: i. An association or institution for carrying out any programme of rural development ii. An association or institution for training of persons for implementation of rural development programme iii. National Fund For Rural Development iv. National Urban Poverty Eradication Fund
2	Deduction of expenditure incurred on agriculture extension project: [Section 35CCC] ● This section provides for deduction of 100% of the expenditure incurred on agricultural extension project. The conditions for eligibility of agricultural extension project have been provided under Rule 6AAD and Rule 6AAE of the IT Rules.
3	Deduction of expenditure incurred on skill development project: [Section 35CCD] ● Any expenditure (not being expenditure in the nature of cost of any land or building) incurred on skill development project shall be eligible for 100% deduction in the hands of a company. The conditions of eligibility of skill development project have been provided under Rule 6AAF to Rule 6AAH of the IT Rules.

7.7 Deductions of Profits derived by Existing Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc.

Deductions of Profits derived by Existing Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections – 80-IA / 80-IAB / 80- IE) ^

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	Specified Infrastructure Projects -Section 80-IA(4)(i) ● Enterprise being company or consortium of companies registered in India or any authority or board or a corporation or any other body established or constituted under any Central or State Act, for carrying on business of (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining of any infrastructure facility (such as road including toll road, bridge, rail system, highway project, water supply project, water treatment system, irrigation project, sanitation and sewage system or solid waste management system, airport, port, inland waterways and inland ports or navigational channel in the sea) commencing its operations on or after 1 April 1995. Widening of an existing road by constructing additional lanes as a part of highway project is also regarded as a new infrastructure facility eligible for deduction as per Circular No. 4/2010 dated 18 May 2010. ● No deduction shall be available if the specified activity commences on or after 1 April 2017.	Company / Any other body established or constituted under any Central or State Act	100%	For any 10 consecutive years out of first 15 years (20 years for road, bridge, rail system, highway project, water supply project, water treatment system, irrigation project, sanitation and sewerage system or solid waste management system)
2	Development of Industrial Park- Section 80-IA(4)(iii) ● Any undertaking which begins to develop or develops and	All	100%	Any 10 consecutive years out of first 15 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	operates or maintains and operates an industrial park which has commenced operations during 1 April 1997 to 31 March 2011.			
3	Power Undertakings – Section 80-IA(4)(iv) ● Undertaking set up in any part of India for the generation or generation and distribution, of power, which has commenced operations during 1 April 1993 to 31 March 2017. ● Undertaking which starts transmission or distribution by laying a network of new transmission or distribution lines between 1 April 1999 and 31 March 2017. ● Undertaking which undertakes substantial renovation and modernization of the existing network of transmission or distribution lines between 1 April 2004 and 31 March 2017.	All	100%	Any 10 consecutive years out of first 15 years
4	Developer of SEZ – Section 80-IAB ● Any assessee being developer of a SEZ notified by the Central Government after 1 April 2005. ● No deduction shall be available if the specified	All	100%	Any 10 consecutive years out of first 15 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	activity commences on or after 1 April 2017.			
5	Undertakings in North Eastern States* -Section 80-IE ● New undertakings and enterprises, which begin to manufacture or produce any eligible article or thing or provide any services or undertake substantial expansion or carry on any eligible business in any of the North Eastern states beginning from 1 April 2007 to 31 March 2017 ● The eligible businesses for this purpose are hotel (not below 2 star category), adventure and leisure sports including ropeways, providing medical and health services in the nature of nursing home with a minimum capacity of 25 beds; running an old-age home; operating vocational training institute for hotel management, catering and food craft, entrepreneurship development, nursing and para-medical, civil aviation related training, fashion designing and industrial training; running information technology related training centre; manufacturing of information technology	All	100%	First 10 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	hardware and bio-technology. *States of Assam, Tripura, Meghalaya, Mizoram, Nagaland, Manipur, Sikkim and Arunachal Pradesh.			

7.8 Other Deductions and Incentives to Businesses

Other Deductions / Exemptions in certain cases^	
Section	**Eligibility criteria, Quantum and period of deduction / Exemptions**
80M	• Dividends received by a domestic company from any other domestic company or a foreign company or a business trust is allowed as deduction to the extent of such dividend distributed by the domestic company on or before the due date (1 month prior to the date of filing of return of income).
54EC	• Capital gain on transfer of a long term capital asset, being land or building or both, shall be exempt from tax, if an assessee invests, within a period of 6 months from the date of transfer of a long-term capital asset, the capital gains in the specified asset. The specified asset must be held for a period of 5 years from the date of its acquisition • This exemption shall be least of the following: ➢ Investment in specified assets viz. any bonds notified by the Central Government in this behalf. The investment is restricted up to Rs. 50,00,000 per assessee per financial year; ➢ Amount of capital gains. • Further, the exemption in respect of capital gains upon aforesaid investments made during the financial year in which the original asset or assets are transferred and in the subsequent financial year shall not exceed Rs. 50,00,000. • Further, the long-term specified asset, for making any investment under this section in bonds issued on or after the 1 April 2018, shall mean any bond redeemable after 5 years.
54G	Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any area (other than an urban area) shall be eligible for exemption. This exemption shall be least of the following:

ther Deductions / Exemptions in certain cases^	
Section	**Eligibility criteria, Quantum and period of deduction / Exemptions**
	➢ Amount of capital gains; ➢ Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions.
54GA	Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any SEZ shall be eligible for exemption. This exemption shall be least of the following: ➢ Amount of capital gains; ➢ Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions.
9(1)(i) - Explan-ation (1) (e)	● In the case of a foreign company engaged in the business of mining of diamonds, no income shall be taxed from the activities which are confined to the display of uncut and unsorted diamond in any special notified zone by the Central Government.
10(48A)	● Any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India shall not be included in the total income subject to approval of Central Government.
10(48B)	● Any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from a facility in India after the expiry of an agreement or an arrangement referred to in section 10(48A) shall also be exempt subject to such conditions as may be notified by the Central Government. ● Further provided that the benefit of tax exemption in respect of income from left over stock will be available even if the agreement or the arrangement is terminated in accordance with the terms mentioned therein.
115BBF	● Any royalty income earned by resident patentee in India in respect of a patent developed and registered in India shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of royalty.
115BBG	● Income from transfer of carbon credit shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of such income. However, no expenditure or allowance in respect of such income shall be allowed under the IT Act.

^1. The above deduction, exemption, incentive and allowance are subject to fulfillment of specified conditions mentioned in the IT Act.

^2. Section 80AC of the IT Act provide that the benefit of deduction under the entire class of deductions under the heading 'C.—Deductions in respect of certain incomes' in Chapter VIA shall not be allowed unless the return of income is filed by the due date specified under section 139(1) of the IT Act.

^3. The domestic companies opting for lower corporate tax regime under section 115BAA / 115BAB of the IT Act would not be able to claim specified incentives/ deductions/ exemptions other than section 80JJAA (deduction in respect of employment of new employees), section 80M (deduction in respect of certain inter-corporate dividends) and section 80LA(1A) (deduction in respect of certain income of Offshore Banking Units and IFSC Units, only in case of 115BAA).

Part C – EXPORT INCENTIVES FOR EXPORTERS

The Foreign Trade Policy 2023 (FTP) offers various schemes intended to provide incentives to the exporters to compensate the costs incurred while exporting products. These incentives are subject to fulfilment of export obligations and other conditions as may be specified in the policy. The approach of the new FTP is to move away from incentive based regime and create an enabling ecosystem to support the philosophy of 'Atmanirbhar Bharat' and 'Local goes Global'. The Foreign Trade Policy 2023 is focused on e-commerce exports, district level export initiatives, and easing guidelines to promote high technology exports. It is also focused on process re-engineering and automation to facilitate ease of doing business for the exporters.

7.1 Special Economic Zones

- The Hon'ble Finance Minister had announced in her Budget Speech of FY 2021 – 22 that the Special Economic Zones Act will be replaced with a new legislation that will enable the States to become partners in 'Development of Enterprise and Service Hubs'. This will cover all large existing and new industrial enclaves to optimally utilize available infrastructure and enhance competitiveness of exports.

- Alongside the new legislation, reforms in the Customs Administration of Special Economic Zones would be undertaken. The administration would be fully information technology driven and function on the Customs National Portal with a focus on higher facilitation and with only risk-based checks. This will ease in doing business by SEZ units considerably.

7.2 Remission of Duties and Taxes on Exported products (RoDTEP) Scheme

Key Pointers	Particulars
Objective	● The RoDTEP scheme reimburses embedded central, state, and local taxes and duties incurred by exporters in relation to exported goods including electricity duty, mandi tax, coal cess, and other local levies on fuel, toll tax, and stamp duty on import-export documentation, that are not compensated for under any other existing scheme. ● The scheme is available in the form of duty credit /electronic scrips (e scrip) and would be allowed as a percentage of the FOB value of exports.
Highlights	● The scheme is implemented with end-to-end digitization. The entire process of generation, tracking, utilization and transfer of scrips operates online and through the exporter's electronic credit ledger maintained on the ICEGATE portal ● RoDTEP support is available to eligible exporters at a notified rate as a percentage of Freight on Board (FOB) value with value cap per unit of exported product. For certain products, a fixed quantum of rebate amount per unit is notified. ● Incentives under RoDTEP are subject to the realisation of sales proceeds within the time frame allowed under the Foreign Exchange Management Act, 1999. Failure to receive money within the time frame shall result in recovery of rebates/ incentives along with penalty. Even suspension/withholding of RoDTEP can be invoked in case of frauds and misuse. ● These e-scrips can be used for the payment of Basic Customs Duty leviable under First Schedule to the Customs Tariff Act of 1975. The exporters are required to keep records substantiating claims made under the scheme, for the purpose of audit and verification by authorities. ● The benefit under the RoDTEP Scheme shall be in addition to the refunds being claimed under the GST Act.
Broad Process	● To avail the scheme, exporters shall make a claim for RoDTEP in the shipping bill by making a declaration. It is mandatory for the exporters to indicate in their shipping bill whether or not they intend to claim RoDTEP on the export items. ● Once the Export General Manifest is filed, the claim will be processed by Customs. ● Once processed, a scroll with all individual shipping bills for admissible amount would be generated and made available in the users account at ICEGATE.
	● A robust monitoring and audit mechanism, with an information technology-based Risk management system (RMS), would be put in place to physically verify the records of the exporters on sample basis. Exporters must maintain records substantiating their claims for audit purposes. Additionally, an Output Outcome Framework will be maintained for broad-level monitoring and reviewed at regular intervals.

Key Pointers	Particulars
	● User can create RoDTEP credit ledger account under Credit Ledger tab. This can be done by IEC holders who have registered on ICEGATE with a DSC. ● The exporter can log into his account and generate scrip after selecting the relevant shipping bills.

7.3 Advance Authorization

Key Pointers	Particulars
Objective	● Advance Authorisation is a scheme that entitles the applicant to undertake duty free import of inputs, which are physically incorporated in the export product (making normal allowance for wastage). In addition to the inputs, packaging materials, fuel, oil, and catalyst which is consumed/utilized in the process of production of export product, may also be allowed. ● The quantity of inputs allowed for a given product is based on specific norms defined for that export product, which considers the wastage generated in the manufacturing process. DGFT provides a sector-wise list of Standard Input-Output Norms (SION) under which the exporters may choose to apply. Alternatively, exporters may apply their own ad-hoc norms in cases where the SION does not suit the exporter.
Eligibility Applicant/ Export/ Supply Criteria	● Advance Authorisation and / or material imported under Advance Authorisation shall be subject to 'Actual User' condition. This means that the actual user alone will be allowed to import the goods. The authorization shall not be transferable even after completion of export obligation. The holder will have the option to dispose of the product manufactured out of duty-free input once export obligation is completed. ● Since Advance Authorisation Scheme comes with an 'Actual User' condition, it can be issued to either manufacturer exporter or merchant exporter tied with a supporting manufacturer. Advance Authorisation shall be issued for: ● Physical exports including export to SEZ units. ● Intermediate supply ● Supply of specific categories of goods as specified in Foreign Trade Policy, including deemed exports such as supply of goods to EOU/EHTP/STP/BTP, supply against Advance Release Order/Invalidation Letter, and supply to UN organizations and specified international agencies ● Supply of 'stores' on board of foreign going vessel / aircraft, subject to condition that there is specific Standard Input Output Norms in respect of item supplied.
Eligibility Condition	● Exporters having past export performance (in at least the preceding 2 financial years) shall be entitled to advance authorisation for Annual requirement. ● Entitlement in terms of CIF value of imports shall be up to 300% of the FOB value of physical export and / or FOR value of deemed export in preceding financial year or Rs 1,00,00,000, whichever is higher.

Key Pointers	Particulars
Other Highlights	● The inputs imported shall be subject to pre-import condition and they shall be physically incorporated in the export product (making normal allowance for wastage). In case of local procurement under invalidation/ ARO, the inputs shall be procured prior to manufacture of export item and shall be physically incorporated in the export product. ● Minimum value addition is required to be achieved as per the policy. ● Advance authorization is valid for 12 months from the date of issue of such authorization. ● Export proceeds shall be realized in freely convertible currency except otherwise specified. Provisions regarding realization and non-realization of export proceeds are provided in the Foreign Trade Policy. ● Export to SEZ Units shall be considered for discharge of export obligation subject to the condition that payment is realized from the Foreign Currency Account of the SEZ unit.

7.4 Export Promotion Capital Goods (EPCG) Scheme

Key Pointers	Particulars
Objective	● The objective of the EPCG Scheme is to facilitate import of capital goods for producing quality goods and services and to enhance India's manufacturing competitiveness. EPCG Scheme allows import of capital goods for pre-production, production, and post-production at zero customs duty. Capital goods imported under EPCG Authorisation for physical exports are also exempt from the levy of IGST and Compensation Cess as applicable on imports up to 30 June 2022.
Capital Goods Covered under the Scheme	● EPCG Authorisation shall be valid for import for 24 months from the date of issue of authorisation. Revalidation of EPCG authorisation shall not be permitted. Capital Goods for the purpose of the EPCG Scheme shall include. ● Advance Authorisation shall be issued for: ● Capital goods as defined under the scheme. ● Computer Systems and software which are part of Capital Goods being imported. ● Spares, molds, dies, jigs, fixtures, tools & refractories and ● Catalysts for initial charge plus one subsequent charge.
Coverage	● EPCG scheme covers manufacturer exporters, merchant exporters tied to supporting manufacturer(s) and service providers. The name of supporting manufacturer shall be endorsed by the EPCG authorisation before installation of the capital goods in the factory / premises of the supporting manufacturer. ● The scheme also covers a service provider who is designated / certified as a Common Service Provider (CSP) by the DGFT, Department of Commerce or State Industrial Infrastructural Corporation in a Town of Export Excellence subject to conditions as specified.

Key Pointers	Particulars
Actual User Condition	● Imported capital goods shall be subject to Actual User condition till export obligation is completed and Export Obligation Discharge Certificate (EODC) is granted.
Export Obligation (EO)	● Export Obligation shall be fulfilled by the EPCG Authorisation holder through export of goods which are manufactured by him, or his supporting manufacturer / services rendered by him, for which the EPCG Authorisation has been granted. ● Imports under the EPCG Scheme shall be subject to an export obligation equivalent to 6 times of duties, taxes and cess saved on capital goods, to be fulfilled in 6 years reckoned from the date of issue of Authorisation. ● Other EO as specified in the scheme shall be fulfilled.
Calculation of Export Obligation	● In the case of direct imports, export obligation shall be reckoned with reference to actual duty saved amount. In the case of domestic sourcing, export obligation shall be reckoned with reference to notional Customs duties saved on FOR value. ● Export proceeds realized in Indian Rupees as per FTP 2023 is also counted towards fulfillment of export obligation. EO can also be fulfilled by the supply of ITA-I items to DTA, provided realization is in free foreign exchange. Royalty payments received in freely convertible currency and foreign exchange received for R&D services shall also be counted for discharge under EPCG
Post Export EPCG Duty Credit Scrips.	● Post Export, EPCG Duty Credit Scrips shall be available to exporters who intend to import capital goods on full payment of applicable duties, taxes and cess in cash and choose to opt for this scheme. Basic Customs duty paid on capital goods shall be remitted in the form of freely transferable duty credit scrips.
Incentive for early EO fulfilment	● With a view to accelerating exports, in cases where Authorisation holder has fulfilled 75% or more of specific export obligation and 100% of Average Export Obligation till date, if any, in half or less than half the original export obligation period specified, remaining export obligation shall be condoned and the Authorisation redeemed by RA concerned

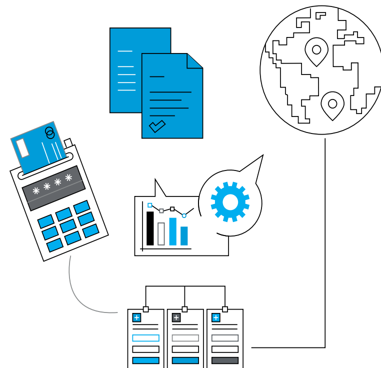
7.5 Authorised Economic Operator (AEO) Programme

Key Pointers	Particulars
Objective	● The Authorised Economic Operator (AEO) Programme, developed by Indian Customs based on the World Customs Organization's (WCO) SAFE Framework of Standards, aims to secure and facilitate global trade. It enables businesses involved in international trade to benefit from expedited customs procedures and enhanced security measures, ensuring a secure supply chain from the point of export to import.
Coverage	● The AEO programme covers various stakeholders in the international supply chain, including importers, exporters, logistics providers, customs agents, and warehouse operators. The programme provides benefits such as secure

Key Pointers	Particulars
Coverage	supply chain management, compliance demonstration with security standards, enhanced border clearance privileges, and minimal disruption to the flow of cargo after security-related issues. Indian Customs has signed Mutual Recognition Agreements (MRAs) with countries like South Korea, Taiwan, Hong Kong, and the United States of America, providing reciprocal benefits to AEO status holders.
Other Highlights	• The AEO programme offers extensive benefits, including greater facilitation and self-certification for entities demonstrating strong internal control systems and compliance with Central Board of Indirect Taxes and Customs (CBIC) regulations. • AEO status holders receive preferential customs treatment, reduced examination rates, and faster clearances. • The revamped AEO programme includes Micro, Small, and Medium Enterprises (MSMEs), providing them with opportunities to gain AEO status and enjoy related benefits. • The programme ensures customs advice and assistance for trade issues with countries having MRAs with India. • Indian Customs continually updates the AEO programme to include more extensive benefits and streamline processes for AEO entities.

Chapter 8 Direct Taxes–Significant Changes

8.1 Business Entities



8.1.1 Extension of timeline for tax benefits to start-ups

It is proposed to amend section 80IAC of the IT Act to extend the window of incorporation by 5 years. Thus, the eligible start-ups now incorporated before 1 April 2030 can claim tax benefits under section 80-IAC of the IT Act subject to the compliance with the prescribed conditions. This will provide further boost to start-ups in India.

This amendment will take effect from 1 April 2025.

8.1.2 Rationalisation of provisions pertaining to carry forward of losses in case of amalgamation

The existing provisions of sections 72A of the IT Act provide for carry forward of business loss and unabsorbed depreciation in case of amalgamation, succession and reorganisation. There was no clarity regarding the time period for which such business loss and unabsorbed depreciation shall be carried forward.

It has been proposed to amend section 72A of the IT Act to provide that the amalgamated or successor entity can now only carry forward and set off such accumulated business loss for a period up to 8 assessment years in which the loss was originally computed in the hands of predecessor entity.

Similar amendments have been made under section 72AA which provides for carry forward of business loss and unabsorbed depreciation in the case of banking company or government company.

The aforesaid amendments shall apply to any amalgamation or business re-organisation which is effected on or after 1 April 2025.

8.1.3 Extension of Sunset Dates to IFSC Units for availing Tax Concessions

It is proposed to extend the sunset dates for setting up and commencement of operations of IFSC units for availing various tax concessions and the relocation of funds to IFSC as under:

Section	Brief description	Existing end date	Proposed end date
Section 80LA(2)(d)	Deduction of income from transfer of an aircraft or a ship leased by IFSC Unit	31 March 2025	31 March 2030
Section 10(4D)	Exemption of certain income attributable to investment division of Offshore Banking unit of a non-resident located in IFSC	31 March 2025	31 March 2030
Section 10(4F)	Exemption to royalty or interest Income of a non-resident on account of aircraft leasing or ship leasing, paid by a unit in IFSC	31 March 2025	31 March 2030
Section 10(4H)	Exemption to capital gains income of a non-resident or a unit of IFSC, engaged primarily in the business of aircraft / ship leasing, arising from the transfer of equity shares of domestic company, being a unit of IFSC	31 March 2026	31 March 2030
Section 47(viiad)	Tax-neutral relocation of funds to IFSC	31 March 2025	31 March 2030

The above amendment will take affect from 1 April 2025.

8.1.4 IFSC Insurance intermediary office exempted from complying with the conditions with respect to amount of premium or the aggregate amount of premium

Section 10(10D) provides for a maximum limit of Rs. 250,000 with respect to annual amount of premium or aggregate of premiums payable for unit linked insurance policies, and Rs. 500,000 for life insurance policies other than unit linked insurance policies for claiming exemption for any amount including bonus received under life insurance policy other than on death of a person.

It is proposed to amend section 10(10D) to provide that the proceeds received on life insurance policy issued by the IFSC insurance intermediary office including any sum allocated by way of bonus will be exempted from income tax without any

condition related to the maximum premium amount payable on such policy.

However, the condition stating that the premium payable for any of the year during the term of policy should not be more than 10% of the actual capital sum assured, will continue.

The above amendment will take affect from 1 April 2025.

8.1.5 Exemption to capital gains and dividend for ship leasing units in IFSC

It is proposed that, on the lines of aircraft leasing, any capital gains income of non-residents or a unit of an IFSC engaged in ship leasing, on transfer of equity shares of domestic companies being units of IFSC engaged in ship leasing, will be exempt from tax under section 10(4H) of the IT Act.

Similar to aircraft leasing business, in the ship leasing business too separate special purpose vehicles (SPVs) are created for one or more vessels to safeguard the investors. Therefore, it is proposed that dividend paid by a company being a unit of IFSC engaged in ship leasing, to a unit of IFSC engaged in ship leasing will be exempt from tax under section 10(34B) of the IT Act.

For the purposes of above proposed exemptions from capital gains and dividend, "ship" means a ship or an ocean vessel, engine of a ship or ocean vessel, or any part thereof.

The above amendment will take affect from 1 April 2025.

8.1.6 Rationalisation of definition of 'dividend' for treasury centres in IFSC

Currently, any loan or advance provided by a closely held company to a significant shareholder (holding at least 10% voting power) or to a concern in which such a shareholder has a substantial interest is considered a deemed dividend, subject to the company having accumulated profits.

It is proposed to amend section 2(22) to provide that any advance or loan between 2 group entities, where one of the group entity is a "Finance company" or a "Finance unit" in IFSC set up as a global or regional corporate treasury centre for undertaking treasury activities or treasury services and the 'parent entity' or 'principal entity' of such 'group entity' is listed on stock exchange in a country or territory outside India shall not be treated as 'dividend'. The conditions for a 'group entity', 'principle entity' and the 'parent entity' shall be prescribed.

The above amendment will take affect from 1 April 2025.

8.1.7 Simplified regime for fund managers based in IFSC

Section 9A of the Act provides that fund management activities carried out through an eligible fund manager in case of eligible investment fund, shall not constitute business connection of the said fund in India. One of the conditions at clause (c) of section 9A(3) requires that the aggregate participation or investment by persons resident in India in the fund must not exceed 5% of the corpus of the fund.

It is proposed that the said condition is relaxed for all the investment funds whether or not its fund manager is located in IFSC, by determining the aggregate participation or investment in the fund as on the 1st day of April and the 1st day of October of the previous year and in case the said condition is not satisfied on either of the said days, it shall be deemed to be satisfied if it is satisfied within 4 months of the said days.

The above amendment will take affect from 1 April 2025.

8.1.8 Exemption to income from Offshore Derivative Instruments of non-residents entered with FPI being unit in IFSC

It is proposed to amend section 10(4E) to provide that the income of a non-resident on account 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 Foreign Portfolio Investors being an IFSC unit shall also not be included in the total income subject to certain conditions as may be prescribed.

8.1.9 Inclusion of retail schemes and Exchange Traded Funds (ETFs) in the existing relocation regime of funds of IFSCA

Section 47(viiad) of the IT Act provides that any transfer by shareholder or unit holder or interest holder in a relocation of share or unit or interest in fund registered outside India for consideration of share or unit or interest in the resultant fund in IFSC shall not be regarded as transfer and will not be taxable.

It is proposed to include retail schemes or Exchange Traded Funds (ETF) within the definition of resultant fund so that relocation of original funds to such funds in the IFSC is also a tax-neutral transaction subject to fulfilment of the conditions mentioned in 47(viiad).

8.1.10 Rationalisation in taxation of Business trusts

Under existing provisions of the IT Act, section 115UA provides business trusts,

including REITs and InVITs, with a pass-through status for certain incomes, which are taxed in the hands of unit holders. As per section 115UA(2) of the IT Act, the total income of a business trust is taxed at the maximum marginal rate, subject to income under section 111A and section 112 of the IT Act.

It is proposed to amend 115UA(2) of the IT Act to include section 112A (long term capital gains on listed equity shares) alongside section 111A (short term capital gains on listed equity shares) and section 112 (long term capital gains on others).

8.1.11 Income from transfer of securities by AIFs

Section 2(14) of the IT Act defines the term "capital asset" to include property of any kind held whether connected with its business or profession but does not include any stock-in trade or personal assets as provided in the definition. The securities held by a FII which has invested in such securities in accordance with the appliable SEBI regulations are also defined as capital assets. Thus, there is some uncertainty in characterization of income arising from transaction in securities as to whether it is capital gain or business income for Category I and Category II AIF. Thus, to provide clarity on the same, the below amendment is introduced.

It is proposed to amend section 2(14) of IT Act to include securities held by Category I and Category II AIF as capital asset so that any income arising from transfer of securities held by them will be capital gain and taxable accordingly.

8.2 Personal

8.2.1 Increase in threshold for perquisite taxation of the employees

It is proposed to amend section 17(2)(iii)(c) and (vii) to increase the age-old limits for taxation of perquisites as salary for employees (other than director or person having substantial interest in the company) for benefits or amenities received from employer or expenditure borne by the employer for the medical treatment outside India of the employee or its family members including travel and stay abroad of the ailing person and one attendant. The revised limits and other conditions will be prescribed separately through rules. Thus, it will be imperative to evaluate the rules once the same is prescribed.

8.2.2 Clarification on taxation on redemption of high premium Unit Linked Insurance Policy (ULIP)

Finance Act, 2021, had amended section 10(10D) to limit the exemption from redemption of ULIP issued on or after 1 February 2021 to ULIPs wherein the premium or aggregate amount of premium payable during the term of such policy or policies does not exceed Rs. 2,50,000. ULIP is a capital asset only when the

exemption under section 10(10D) is not applicable on account of the 4th and 5th proviso. However, in case of life insurance policy (other than a ULIP), the sum received is chargeable to income-tax under "Income from other sources" for any such policy to which exemption under section 10(10D) is not applicable. Thus, to clarify ULIP provisions in line with life insurance, the below amendment is introduced to tax such ULIPs.

It is proposed to amend section 2(14), section 45 and section 112A of the IT Act to clarify that ULIP to which exemption under section 10(10D) is not available (i.e. ULIP issued after 1 February 2021 with annual premium more than Rs. 2,50,000 for any of the year over term of ULIP), profit and gains from the redemption of such ULIPs will be taxable as capital gains from sale of equity-oriented fund.

8.2.3 Extension of benefits of section 80CCD to National Pension System Trust (NPS) for minors

It is proposed to amend section 80CCD of the IT Act to allow deduction to the parent or guardians of minors for the amount paid or deposited in minors NPS account subject to the maximum overall limit of Rs 50,000/- for NPS (i.e. including any amount paid by parent/ guardian for self). Further, the withdrawals from such account will be subject to tax excluding the amount received due to death of the minor leading to the closure of such account.

8.2.4 Partial withdrawal upto 25% for specified purpose from NPS scheme for minors exempt from taxation

It is proposed to insert clause 12BA in section 10 of the IT Act to exempt partial withdrawal (as per the terms and conditions under the Pension Fund Regulatory and Development Authority Act, 2013) upto 25% of the amount of contributions made by parent or guardian from NPS scheme for minor referred to in section 80CCD.

8.2.5 Exemption to withdrawals by Individuals from National Savings Scheme (NSS)

It is proposed to amend section 80CCA of the IT Act to provide exemption to the withdrawals made by the individuals from deposits and interest accrued thereon in NSS for which deduction was allowed to them before 1 April 1992. Currently, there was exemption from withdrawal only on account of death leading to closure of account. Now, the exemption is expanded to provide relief to individuals who are compelled to withdraw the amount from NSS leading to closure of account due the notification from Department of Economic Affairs dated 29 August 2024 providing that no interest would be paid on the balances in the NSS after 01 October 2024.

This amendment will be effective retrospective from 29 August 2024.

8.2.6 Annual value of the self-occupied house property (SOP) simplified

It is proposed to substitute sub-section (2) of section 23 of the IT Act to expand the circumstances for non-occupancy of the house or part thereof by the owner to any reason. Currently, annual value for SOP upto 2 house property is taken as NIL if it is either occupied by the owner or the owner cannot occupy it due to his employment or business or profession in another place. Now, it is proposed that non-occupancy can be due to any reason whatsoever but the limit of 2 SOPs is continued.

This amendment will be effective from 1 April 2025.

8.3 Non-Resident

8.3.1 Harmonisation of Significant Economic Presence applicability with Business Connection

Under the existing provisions of the IT Act, section 9(1)(i) provides that all the income accruing or arising through or from any business connection in India shall be deemed to accrue or arise in India. Further, clause (b) of Explanation 1 to section 9(1)(i) provides that in case of a non-resident, any income through or from operations which are confined to the purchase of goods in India for the purpose of export shall not be deemed to accrue or arise in India. However, explanation 2A to section 9(1)(i) of the IT Act provides that the significant economic presence of a non-resident in India shall constitute business connection in India and significant economic presence for this purpose shall inter alia mean transaction in respect of any goods carried out by a non-resident with any person in India.

In order to harmonize the explanation 1 and explanation 2A to section 9(1)(i), it is proposed to amend Explanation 2A of section 9 by not considering transactions or activities which are confined to the purchase of goods in India for the purpose of export in case of a non-resident as significant economic presence in India.

8.3.2 Insertion of new scheme of presumptive taxation in case of Non-Resident providing services for electronics manufacturing facility

A new section 44BBD is proposed to be inserted to provide presumptive taxation regime for non-residents engaged in the business of providing services or technology to a resident company which are establishing or operating electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods, article or thing in India, under a scheme notified by the Central Government in the Ministry of Electronics and Information Technology and

satisfies such conditions as prescribed in the rules.

As per the proposed section 44BBD, 25% of amounts received/receivable or paid/ payable to non-residents for providing services or technology would be deemed as business profits of such non-resident. This will result in an effective tax payable of less than 10% on gross receipts, by a non-resident company.

8.3.3 Increase in Long-term Capital Gains (LTCG) tax rate for Foreign Institution Investors (FIIs) or specified funds

It is proposed to amend section 115AD of the IT Act, to increase the tax rate for income by way of long-term capital gains on transfer of securities for FIIs or specified funds from 10% to 12.5%. The LTCG tax rate for resident was already increased from 10% to 12.5% with effect from 23 July 2024. Thus, this will now bring parity in the rates of taxation of LTCG.

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

Under the existing provisions of the IT Act, exemption under section 10(23FE) of the IT Act is available to certain specified persons being Sovereign Wealth Fund and Pension Fund (SWF/PF) from the income in the nature of dividend, interest, long-term capital gains or certain other incomes arising from an investment made by it in India. Further sub-clause (i) provides that such investment is to be made on or after the 1April 2020 but on or before 31 March 2025.

It is proposed to amend section 10(23FE) to extend exemption to long-term capital gains which are considered as deemed short-term capital gains under section 50AA of the IT Act in the hands of such SWF/PF. Further, the time limit for making investment by the specified persons under the said clause is extended from 31 March 2025 to 31 March 2030.

This amendment will be effective from 1 April 2025.

8.4 Charitable Entities

8.4.1 Rationalisation of 'specified violation' for cancellation of registration of trusts or institutions

Section 12AB(4) of the IT Act allows the Principal Commissioner or Commissioner to cancel the registration of a trust or institution if they discover one or more specified violations during any previous year.

A "specified violation" includes instances where the application for registration,

as per section 12A(1)(ac) of the IT Act, is incomplete or contains false or incorrect information. It was observed that even minor defaults in the application could lead to cancellation of registration and make the trust liable for tax on accreted income under Chapter XII-EB.

It is proposed to amend the Explanation to section 12AB(4) of the IT Act to clarify that incomplete applications for registration will not be considered a "specified violation" for the purposes of cancellation of registration.

This amendment will be effective from 1 April 2025.

8.4.2 Period of registration of smaller trusts or institutions

Section 12AB of the IT Act currently provides for the registration of a trust or institution for a period of 5 years, or provisional registration for 3 years if activities have not commenced. At the end of this period, trusts are required to apply for further registration. However, this recurring application process has been noted to increase the compliance burden, particularly for smaller trusts or institutions.

To reduce this burden, it is proposed to extend the registration validity from 5 years to 10 years for trusts or institutions that meet certain conditions. Specifically, the proposal applies to trusts that meet the requirements under sub-clause (i) to (v) of section 12A(1)(ac) of the IT Act and have a total income of Rs. 5,00,00,000 or less (excluding exemption provisions under sections 11 and 12 of the IT Act) in each of the 2 preceding years to year in which such application is made.

This amendment will be effective from 1 April 2025.

8.4.3 Rationalisation of persons specified under section 13(3) for trusts or Institutions

Section 13 of the IT Act outlines that the exemptions under sections 11 and 12 will not apply to a trust or institution if the income or property is used for the benefit of certain persons, including those who have made a substantial contribution (over Rs. 50,000), their relatives, or concerns in which they have a substantial interest. However, difficulties have been raised regarding the requirement to furnish details about such contributors, their relatives, and the concerns they are involved in.

It is proposed to amend section 13(3) of the IT Act as follows:

- The threshold for "substantial contribution" will be increased to Rs. 100,000 for the relevant year or Rs. 10,00,000 in aggregate up to end of the relevant previous year.
- Relatives of contributors will no longer be included in the list of persons

specified in sub-section (3).

- Concerns in which such contributors have substantial interest will also be excluded from the list.

This amendment will be effective from 1 April 2025.

8.5 General

8.5.1 Rationalisation of TDS / TCS provisions

One of the major rationalisation and simplification measures of the Union Budget 2025 is in respect of tax deduction at source and tax collection at source. For details refer Chapter 11.

8.5.2 Removal of higher TDS/TCS for non-filers of return of income

Section 206AB and 206CCA of the IT Act provides for higher rate of TDS/TCS for specified persons who are non-filers of income-tax returns for the previous year immediately preceding the financial year in which tax is to be deducted/collected. In order to eliminate the hardship faced by the deductor/collector to verify the filing of returns and to reduce compliance burden, it is proposed to omit section 206AB and section 206CCA of the IT Act.

This amendment will be effective from 1 April 2025.

8.5.3 Extension of time limit for filing updated return

It is proposed to amend section 139(8A) of the IT Act to extend the time limit for filing updated return from existing 24 months to 48 months. The rates of additional income-tax payable is tabulated below:

Time of Filing Updated Return	Existing rate of additional income-tax payable	Proposed rate of additional income-tax payable
Within 12 months from the end of the relevant AY	25% of the aggregate of tax and interest payable	25% of the aggregate of tax and interest payable
After expiry of 12 months up to 24 months from the end of the relevant AY	50% of the aggregate of tax and interest payable	50% of the aggregate of tax and interest payable
After expiry of 24 months up to 36 months	-	60% of aggregate of tax and interest payable

from the end of the relevant AY	–	
After expiry of 36 months up to 48 months from the end of the relevant AY	–	70% of aggregate of tax and interest payable

It is further proposed that no updated return shall be furnished where any show cause notice under section 148A of the IT Act has been issued after 36 months from the end of relevant assessment year. However, if an order is passed determining that a particular case is not fit for issuing notice under section 148 of the IT Act, updated return may be filed up to 48 months from the end of relevant assessment year.

This amendment will be effective from 1 April 2025.

8.5.4 Furnishing information in respect of crypto-asset

It is proposed to insert new section 285BAA in the IT Act to furnish information with respect to crypto-asset. This requires the person to submit statement containing details of transactions relating to crypto assets to Income Tax Authority. Further, in case of any defect in the statement, the Income Tax authority may intimate about such defect to the person giving him an opportunity to rectify the defect within a period of 30 days from the date of such intimation. It also provides for issuance of notice by Income Tax authority in case of non-filing of statement, correcting any inacuracies in the filed statement etc.

It is also proposed to amend Section 2(47A) of the IT Act to insert sub-clause (d) widening the scope of definition of 'Virtual Digital Asset' to include 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 virtual digital asset.

8.5.5 Exemption from prosecution for delayed payment of TCS in certain cases

It is proposed to amend section 276BB of the IT Act to provide exemption from prosecution in case of failure to make payment of the tax collected at source to the credit of Central Government at any time on or before the time prescribed for filing the quarterly statement under proviso to section 206C(3) of the IT Act.

This amendment will be effective from 1 April 2025.

8.5.6 Amendments proposed in provisions of Block assessment for search and

requisition cases

a. Change in definition of undisclosed income

The existing provisions of section 158B of the IT Act provide the definition of undisclosed income to include any money, bullion, jewellery or other valuable article or thing. It is proposed to amend the definition to include virtual digital assets within the ambit of undisclosed income.

This amendment will take effect from 1 February 2025.

b. Time limit for completion of block assessment

The existing provisions of section 158BE(1) and section 158E(3) of the IT Act provide time-limit for completion of block assessment in case of an assessee and other person as 12 months from end of the month in which the last of the authorisations for search has been executed.

It is proposed to extend the time-limit for completion of block assessment provided in section 158BE(1) and section 158E(3) in case of an assessee and other persons covered under search to 12 months from end of the quarter in which the last of the authorisations for search or requisition has been executed.

Section 158BE(4)(i) provides that in computing the period of limitation, the period during which the assessment proceeding is stayed by an order or injunction of any court is to be excluded. Further, it proposed to amend section 158BE(4) to provide that the period commencing on the date on which stay on assessment proceedings was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the PCIT or CIT has to be excluded.

This amendment will take effect from 1 February 2025.

c. Penalty where search has been initiated under section 132

The existing provisions of section 271AAB(1A) of the IT Act provide for penalty in case of an assessee where the search has been initiated under section 132 on or after 15 December 2016.

With the introduction of Chapter XIV-B, providing the special procedure for assessment of search cases by the Finance Act 2024, it is proposed to amend the aforesaid section to provide that the penalty under section 271AAB(1A) shall not be levied wherein the search has been initiated on or after 1 September 2024.

This amendment will take effect from 1 September 2024.

d. Retention of seized books of account or documents by the authorised officer in search cases

Under the existing provisions of section 132(8) of the IT Act, books of account or other documents seized shall not be retained by the authorised officer for a period exceeding 30 days from the date of the order of assessment or reassessment or recomputation.

It has been proposed to extend the time limit for retention of seized books of account or other documents upto 1 month from end of the quarter in which the order of assessment or reassessment or re-computation is made.

8.5.8 Rationalisation of time limit for imposition of penalties under section 275

The existing provisions of section 275 of the IT Act provide multiple timelines for imposing the penalties in different cases. It has been proposed to amend the provisions of section 275 to provides that no penalty order shall be passed after expiry of 6 months from end of the quarter in which the connected proceedings are completed or order of appeal is received by the PCIT or CIT or the order of revision is passed or the notice for imposition of penalty is issued as the case maybe.

This amendment will be effective from 1 April 2025.

8.5.9 Removal of date restrictions on framing faceless schemes in certain cases

It is proposed to omit the end date prescribed for notifying faceless schemes under sections 92CA, 144C, 253 and 255 of the IT Act so that Central Government may issue directions beyond the cut-off date of 31 March 2025, if required for better implementation of the faceless schemes.

8.5.10 Extension of the processing period of application seeking immunity from penalty and prosecution

Section 270AA of the Act provides, inter-alia, procedure of granting immunity by the Assessing Officer from imposition of penalty or prosecution, subject to fulfilment of certain conditions.

It is proposed to extend the time limit for processing period of application seeking immunity from penalty and prosecution as tabulated below

Particulars	Existing time period	Proposed time period
Time period within which the Assessing Officer shall pass order accepting or rejecting the application for granting immunity from imposition of penalty/ prosecution.	1 month from end of the month in which the application is received.	3 months from end of month in which the application is received.

This amendment will be effective from 1 April 2025.

8.6 Transfer Pricing

8.6.1 Amendment to Section 92CA of the IT Act – Introduction of scheme for determination of ALP of international transactions for a block of 3 years

Section 92CA provides the procedure governing reference of an international transaction or a specified domestic transaction ('SDT') to the Transfer Pricing Officer ('TPO'), for computation of their arm's length price ('ALP').

It has been noted that in reference under section 92CA of the IT Act for computation of ALP, in many cases, there are similar international transactions or SDTs for various years, same facts like enterprises with whom such transaction is done, proportionate quantum of transaction, location of AEs, etc., and same arm's length analysis are repeated every year, creating compliance burden on the assessee as well as administrative burden on the TPOs. In such situations, it is proposed to carry out TP assessments in a block.

It is, therefore, proposed to provide that the ALP determined in relation to an international transaction or a SDT for any previous year shall apply to the similar transaction for 2consecutive previous years immediately following such previous year.

The assessee shall be required to exercise an option or options for the above effect in the form, manner and within such time period as may be prescribed in section 92CA(3B) of the IT Act.

The TPO may by an order within 1 month from the end of the month in which such option is exercised, declare that the option to be valid subject to the prescribed conditions in section 92CA(3B) of the IT Act.

8.6.2 Amendment to Section 155 of the IT Act relating to recomputation of income

A new sub-section (21) shall be inserted in section 155, so that where the ALP determined for an international transaction or a SDT for any previous year and the

TPO has declared an option exercised by the assessee as valid option in respect of such transaction for 2 consecutive years immediately following such year, then:

The AO shall recompute the total income of the assessee for such consecutive previous years, by amending the order of assessment or any intimation or deemed intimation under section 143(1) of the Act in conformity with the ALP so determined by the TPO under section 92CA(4A) of the IT Act in respect of such transaction and taking into account the directions issued under section 144C(5) of the IT Act, if any, for such year.

Such recomputation shall be done within 3 months from end of the month in which the assessment is completed in the case of the assessee for such year.

8.6.3 Removing date restrictions on framing the schemes in certain cases

The enabling provision for notifying faceless schemes under sections 92CA, 144C, 253 of the IT Act was extended vide Finance Act 2024 to 31 March 2025. In this regard, it is proposed that end date prescribed for notifying faceless schemes under sections 92CA, 144C, 253 and 255 of the IT Act may be omitted so as to provide that Central Government may issue directions beyond the cut-off date of 31 March 2025, if required.

These amendments will take effect from 1 April 2025.

8.6.4 Scope of Safe Harbour Rules to be expanded

Safe Harbour Rules ('SHR') were introduced in 2013 to reduce the increasing number of transfer pricing audits and prolonged litigation as a dispute resolution mechanism. It was initially applicable to certain businesses and international transactions only. Subsequently, these rules were also extended to certain specified domestic transactions, again with the same purpose of reducing the prolonged litigation.

At present the SHR covers international transactions pertaining to provision of IT / ITeS / KPO services, intra-group loans to wholly owned subsidiaries, corporate guarantee, contract R&D services pertaining to software development, contract R&D relating to generic pharmaceutical drugs, manufacture and export of auto components, and availing of low-value intra-group services.

The SDTs covered under SHR are supply, transmission, wheeling or distribution of electricity, purchase of milk or milk products, and diamond mining business.

With a view to reduce litigation and provide certainty in international taxation, the scope of SHR is proposed to be expanded, the details of which are yet to be announced.

Chapter 9 Indirect Taxes – Significant Changes

9.1 Goods and Services Tax

The Finance Bill, 2025 has proposed several regulatory changes and enabling provisions under GST which are in alignment with the recommendation made by the GST Council in its 55th Council meeting.

The below mentioned amendments are proposed to be effective retrospectively from 1 July 2017:

➢ **Supply of goods warehoused in a SEZ or FTWZ to any person before clearance of such goods for exports or to the DTA shall be treated neither as supply of goods nor a supply of services**

Entry (aa) in paragraph 8 of schedule III of the CGST Act, 2017 is proposed to be inserted to provide that the supply of goods warehoused in a SEZ or in a FTWZ to any person before clearance for exports or to the DTA shall be treated neither as supply of goods nor as supply of services.

The expressions SEZ, FTWZ and DTA shall have same meaning as assigned to them in section 2 of the SEZ Act, 2005. The clause 129 of the Finance Bill, 2015 proposes for no refund of already paid tax to be made available.

This brings transactions relating to supply of goods warehoused in SEZ/ FTWZ at par with the existing provision in GST for transactions in Customs bonded warehouse.

➢ **Amendment in section 17(5)(d) of the CGST Act, 2017 to substitute the words 'plant OR machinery' with words 'plant AND machinery'**

It is proposed to amend the existing term "plant or machinery" to be replaced with "plant and machinery" in section 17(5)(d) of the CGST Act, 2017. This clarifies that the input tax credit in respect of goods or services or both received by a taxable person for construction of an immovable property on his own account including when such goods or services or both are used in the course or furtherance of business shall be eligible only if the resultant property is "plant and machinery". The term 'plant and machinery' has been explained in section 17(5) of the CGST Act, 2017.

The Hon'ble Supreme Court of India had ruled that the expression "plant or machinery" used in Section 17(5)(d) cannot be given the same meaning

as the expression "plant and machinery" defined by the explanation to section 17. However, to overcome the said ruling, the Finance Bill, 2025 has proposed to substitute the term 'plant or machinery' with the term 'plant and machinery' thereby annulling the ruling of the Hon'ble Supreme Court of India.

It has been proposed to insert the said amendment retrospectively effective from 1 July 2017 irrespective of anything contrary contained in any judgment, decree or order of any court or any other authority.

The below mentioned amendment is proposed to be effective from 1 April 2025:

➢ **Inter-state RCM transactions to be covered under ISD mechanism**

Section 2(61) of the CGST Act, 2017 which seeks to define an 'Input Service Distributor' is being amended to explicitly provide for applicability of mechanism of the Input Service Distributor in respect of inter-state procurements of services attracting reverse charge, by adding reference to Sections 5(3) and 5(4) of the IGST Act, 2017.

Sections 20(1) and 20(2) of the CGST Act, 2017 which deals with the manner of distribution of credit by an Input Service Distributor is parallelly being amended to link the references of Sections 5(3) and 5(4) of the IGST Act, 2017 thus enabling the distribution of credit by an Input Service Distributor amongst its distinct persons in respect of common services exigible to IGST payment under reverse charge and attributable to one or more of distinct entities of the Input Service Distributor.

The said amendments would be made effective from 1 April 2025 which is in congruence with the notified date for implementation of the substituted definition and credit distribution provisions of an Input Service Distributor as recommended in the previous year's budget and sanctioned vide the Finance Act, 2024.

The below mentioned amendments are proposed to be effective from a date to be notified by the Central Government in the Official Gazette:

➢ **Omission of provision relating to time of supply for supply of vouchers**

It is proposed to omit the sections 12(4) and 13(4) of the CGST Act, 2017 which specify the provisions of time of supply in relation to issuance of vouchers under GST.

The deletion of these sub-sections clearly establishes that vouchers do not qualify as either goods or services and thus the supply of vouchers shall not be leviable to GST. Consequently, it becomes essential to do away with the rudimentary provisions associated with the time of supply in relation to vouchers.

It is noteworthy that the issuance of vouchers has been a subject matter of long-standing dispute in the indirect tax regime and the prolonged debate seems to have been culminated by omission of concerned legal provisions of time of supply. The issues pertaining to taxability of vouchers also formed a pertinent topic of discussion in the 55th GST Council Meeting and the budget proposition is in conformity with the Council recommendations.

- **Enabling provisions for 'Track and Trace Mechanism' for specified commodities**

  Section 148A of the CGST Act, 2017 is proposed to be inserted for enabling provisions for 'Track and Trace Mechanism' for specified commodities. The Mechanism will be based on a Unique Identification Marking which would be affixed on the said goods or the packages thereof.

  Section 2(116A) of the CGST Act, 2017 is proposed to be inserted to define Unique Identification Marking to mean Unique Identification Marking defined in section 148A and to include a digital stamp, digital mark or any other similar marking, which is unique, secure and non-removable.

  Section 122B of the CGST Act, 2017 is proposed to be inserted to impose penalty of Rs. 1,00,000 or 10% of the tax payable on such goods, whichever is higher, for failure to comply with 'Track and Trace Mechanism'. The penalty would be in addition to any penalty levied under any other sections.

- **Amendment to Section 34 to restrict output liability reversal owing to credit notes on non-reversal of attributable input tax credit by the recipient**

  Section 34(2) of the CGST Act, 2017 is proposed to be amended to specifically provide for requirement of reversal of input tax credit as is attributable to a credit note, by the recipient, to enable the reduction of output tax liability of the supplier.

- **Amendments in respect of functionality of Invoice Management System ('IMS')**

  The provisions of Section 38 are proposed to be amended to provide for

legal framework in respect of generation of inward report based on the action taken by the taxpayers on the auto-populated details as per the Invoice Management System (IMS) functionality.

- **Pre-deposit for filing of appeal before appellate authorities in respect of an order passed which involves only penalty amount**

  Section 107(6) of the CGST Act, 2017 is proposed to be amended to provide for 10% pre deposit of the penalty amount for appeals before Appellate Authority in cases involving only demand of penalty without any demand for tax. At present, the pre-deposit amount is 25% of the penalty amount.

  Section 112(8) of the CGST Act, 2017 is proposed to be amended to provide for 10% pre-deposit of the penalty amount for filing of appeals before Appellate Tribunal in cases involving only demand of penalty without any demand for tax.

- **Other Significant propositions**

  - The definition of 'Local Authority' as per section 2(69) of the CGST Act, 2017 is proposed to be amended by replacing term 'municipal or local fund' with 'municipal fund or local fund'. Further, it is proposed to insert explanations of terms 'local fund' and 'municipal fund' to the definition of 'local authority' under Section 2(69) of the CGST Act, 2017. This would clarify the scope of these terms while being used in the definition of 'local authority'.

  - Services provided or agreed to be provided by insurance companies by way of reinsurance services under the Weather Based Crop Insurance Scheme (WBCIS) and the Modified National Agricultural Insurance Scheme (MNAIS) are proposed to be exempted from service tax retrospectively for the period commencing from 1 April 2011 and ending with 30 June 2017 vide Clause 130 of the Finance Bill, 2025. The refund claim can be filed within 6 months from the date on which the Finance Bill, 2025 receives the assent of the President.

9.2 Custom Duty

Certain significant changes have been made in the Customs Act, 1962 and the Customs Tariff Act, 1975. Some of the key changes in the rate of duty and exemptions are provided below:

9.2.1 Changes in Customs Duty Rates

A.	**Increase in Tariff rate (to be effective from 2 February 2025)**		**Rate of Duty**	
S. No.	**Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**
1.	8528 59 00	Interactive Flat Panel Displays	10%	20%
B.	**Decrease in Tariff rate (to be effective from 1 May 2025 unless otherwise specified)** **Note: These changes will be effective from 2 February 2025 by issuance of notification.**		**Rate of Duty**	
S. No.	**Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**
1.	7113	Articles of Jewellery and parts thereof	25%	20%
2.	7114	Articles of goldsmiths' and silversmiths' ware's and parts thereof	25%	20%
3.	8541 42 00	Solar Cells	25%	20%
4.	8541 43 00 8541 49 00	Solar Module and Other semiconductor devices and photovoltaic cells	40%	20%
5.	8702	Motor vehicles for transport of 10 or more persons	40%	20%
6.	8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702)	125%	70%
7.	8704	Motor vehicles for transport of goods	40%	20%
8.	8711	Motorcycles and cycles fitted with an auxiliary motor with or without side-car	100%	70%
9.	8712 00 10	Bicycles	35%	20%
10.	9403	Other furniture and parts thereof	25%	20%
11.	9404	Mattress supports, articles of bedding and similar furnishing etc.	25%	20%
12.	9405	Luminaries and lighting fittings including searchlights and spotlights and parts thereof etc.	25%	20%
13.	9503 00 91	Parts of electronic toys	70%	20%

B.	Decrease in Tariff rate (to be effective from 1 May 2025 unless otherwise specified) Note: These changes will be effective from 2 February 2025 by issuance of notification.		Rate of Duty	
S. No.	Heading, sub-heading, tariff item	Commodity	From	To
14.	9802 00 00	Laboratory Chemicals	150%	70%
15.	9803 00 00	All dutiable articles, imported by a passenger or a member of a crew in his baggage	100%	70%
16.	9804 00 00	All dutiable goods imported for personal use.	35%	20%
OTHER KEY CHANGES IN BASIC CUSTOMS DUTY RATES IN NOTIFICATIONS				
A.	Changes in Basic Customs Duty (to be effective from 02 February 2025)		Rate of Duty	
		Gems and Jewellery Sector		
1.	7113	Platinum Findings	25%	5%
		Automobile		
2.	8702	Motor vehicles for transport of 10 or more persons	25%/ 40%	20%
3.	8703	Motor cars and other motor vehicles with CIF value more than US $40,000 or with engine capacity more than 3000 cc for petrol run vehicles and more than 2500 cc for diesel run vehicles or with both	100%	70%
4.	8704	Motor vehicles for transport of goods	25%/ 40%	20%

9.2.2 Certain amendments in the Customs Act, 1962 and Customs Tariff Act, 1975

- Section 18(1B) of the Customs Act, 1962 is proposed to be inserted to provide for definite time limit of 2 years for finalisation of provisional assessment which can be extended by another 1 year. It also provides that, for the pending cases, the time-limit shall be reckoned from the date of assent of the Finance Bill.
- Section 18A of the Customs Act, 1962 is proposed to be inserted for voluntary revision of entry post clearance so as the importers and

exporters may revise any entry that is made in relation to the goods within a prescribed time and according to certain conditions as may be prescribed. It also provides for treating such entry as self-assessment and allow payment of duty or treat the revised entry as a refund claim under Section 27 of the Customs Act, 1962.

- It is proposed to abolish the Customs, Central Excise and Service Tax Settlement Commission with effect from 1 April 2025. The pending applications as of 31 March 2025 shall be dealt by the Interim Boards for Settlement.

Chapter 10 Other Significant Proposals

10.1 Revision in classification criteria of MSMEs

In order to help the MSMEs achieve higher efficiencies of scale, technological upgradation and better access to capital, it is proposed that the investment and turnover limits for classification of all

MSMEs will be enhanced to 2.5 and 2 times, respectively. This will give MSMEs the confidence to grow and generate employment for our country's youth. The details are tabulated below –

Enterprise	Investment Amount (Rs.)		Turnover Amount (Rs.)	
	Current	Revised	Current	Revised
Micro Enterprise	1,00,00,000	2,50,00,000	5,00,00,000	10,00,00,000
Small Enterprise	10,00,00,000	25,00,00,000	50,00,00,000	100,00,00,000
Medium Enterprise	50,00,00,000	125,00,00,000	250,00,00,000	500,00,00,000

10.2 Significant enhancement of credit availability with guarantee cover to MSMEs and Start-ups

To improve access to credit, it is proposed that the credit guarantee cover will be enhanced as under:

a) For Micro and Small Enterprises, from Rs. 5,00,00,000 to Rs. 10,00,00,000, leading to additional credit of Rs. 1.5 lakh crore in the next 5 years.

b) For Startups, from Rs. 10,00,00,000 to Rs. 20,00,00,000, with the guarantee fee being moderated to 1% for loans in 27 focus sectors important for Atmanirbhar Bharat.

c) For well-run exporter MSMEs, for term loans up to Rs. 20,00,00,000.

10.3 Scheme for First-time Entrepreneurs

A new scheme will be launched for 5 lakh women, Scheduled Castes' and Scheduled Tribes' first-time entrepreneurs. This will provide term loans up to Rs. 2,00,00,000 during the next 5 years. The scheme will incorporate lessons from the successful Stand-Up India scheme. Online capacity building for entrepreneurship

and managerial skills will also be organized.

10.4 Social Security Scheme for Welfare of Online Platform Workers

Gig workers of online platform provide great dynamism to the new-age services economy. Recognising their contribution, the Government will arrange for their identity cards and registration on the e-Shram portal. They will be provided healthcare under PM Jan Arogya Yojana. This measure is likely to assist nearly 1 crore gig-workers.

10.5 Public Private Partnership ('PPP') in Infrastructure

Each infrastructure-related ministry will come up with a 3-year pipeline of projects that can be implemented in PPP mode. States will also be encouraged to do so and can seek support from the India Infrastructure Project Development Fund ('IIPDF') scheme to prepare PPP proposals.

10.6 Asset Monetization Plan 2025-30

Building on the success of the first Asset Monetization Plan announced in 2021, the 2nd Plan for 2025-30 will be launched to plough back capital of Rs. 10 lakh crore in new projects. Regulatory and fiscal measures will be fine-tuned to support the plan.

10.7 Export Promotion Mission

The Government shall set up an Export Promotion Mission, with sectoral and ministerial targets, driven jointly by the Ministries of Commerce, MSMEs and Finance. It will facilitate easy access to export credit, cross-border factoring support and support to MSMEs to tackle non-tariff measures in overseas markets.

10.8 Support for integration with Global Supply Chains

Support will be provided to develop domestic manufacturing capacities for the economy's integration with global supply chains. Sectors will be identified based on objective criteria. Facilitation groups with participation of senior officers and industry representatives will be formed for select products and supply chains.

10.9 Support to States for Infrastructure

An outlay of Rs. 1.5 lakh crore is proposed for the 50-year interest free loans to states for capital expenditure and incentives for reforms.

10.10 Merger of Companies

Requirements and procedures for speedy approval of company mergers will be rationalized. The scope for fast-track mergers will be widened and the process is proposed to be simplified.

10.11 FDI in Insurance Sector

It is proposed that the FDI limit for insurance sector will be raised from 74% to 100%. This enhanced limit will be available for those companies which invest the entire premium in India. The current guardrails and conditionalities associated with foreign investment will be reviewed and simplified.

10.12 Bilateral Investment Treaties

To encourage sustained foreign investment and in the spirit of 'first develop India', the current model Bilateral Investment Treaties will be revamped and made more investor-friendly.

10.13 Manufacturing Mission – Furthering 'Make in India'

The Government will set up a National Manufacturing Mission covering small, medium and large industries for furthering 'Make in India' by providing policy support, execution roadmaps, governance and monitoring framework for central ministries and states. The mission's mandate will include 5 focus areas:

1. ease and cost of doing business;

2. future ready workforce for in-demand jobs;

3. a vibrant and dynamic MSME sector;

4. availability of technology; and

5. quality products.

10.14 High Level Committee for Regulatory Reforms

A High-Level Committee for Regulatory Reforms will be set up for a review of all non-financial sector regulations, certifications, licenses, and permissions. The Committee will be expected to make recommendations within a year. The objective is to strengthen trust-based economic governance and take transformational measures to enhance 'ease of doing business', especially in matters of inspections and compliances.

10.15 Investment Friendliness Index of States

An Investment Friendliness Index of States will be launched in 2025 to further the spirit of competitive cooperative federalism.

10.16 India Post as a Catalyst for the Rural Economy

India Post with 150,000 rural post offices, complemented by the India Post Payment Bank will be repositioned to act as a catalyst for the rural economy and will provide range of other services. India Post will also be transformed as a large public logistics organization.

10.17 Fund of Funds for Startups

A new Fund of Funds for start-ups, with expanded scope and a fresh government contribution of another Rs. 10,000 crore will be set up.

10.18 Nuclear Energy Mission for Viksit Bharat

Amendments to the Atomic Energy Act and the Civil Liability for Nuclear Damage Act will be made for an active partnership with the private sector towards the goal of development of at least 100 GW of nuclear energy by 2047.

10.19 UDAN – Regional Connectivity Scheme

Inspired by the success of UDAN scheme, a modified UDAN scheme will be launched to enhance regional connectivity to 120 new destinations and carry 4 crore passengers in the next 10 years.

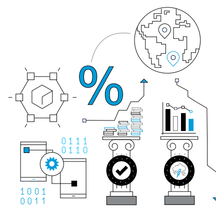
10.20 Jan Vishwas Bill 2.0

The Government had proposed to bring up the Jan Vishwas Bill 2.0 to decriminalize more than 100 provisions in various laws.

Chapter 11 TDS and TCS Rates

[As updated up to the Finance Bill, 2025]

In this chapter, we have compiled the relevant provisions of TDS and TCS relating to residents and non-residents, incorporating herein the nature of payments, threshold limits for tax deduction and the applicable rates of TDS for different classes of recipients.



Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 1 and 18]	Proposed Threshold for Deduction w.e.f. 1 April 2025	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 April 2025 [Note 1 and 18]
1	Salary	192	As per the prescribed slab rates			
2	Accumulated balance due to an employee participating in RPF [Note 2 and 6]	192A	Less than Rs.50,000 in aggregate	10%	Less than Rs.50,000 in aggregate	10%
3	Interest on securities [Note 3 and 6]	193	Rs. 5,000 p.a. for interest on debentures by public company to resident individuals and HUF / Rs. 10,000 for interest on Floating Rate Savings (Taxable) Bonds, 2020	10%	**Rs. 10,000 p.a.**	10%
4	Dividend by the Company, including dividends on preference shares and amount payable on buyback of shares [Note 24]	194	Nil / Rs. 5,000 p.a. (for individuals)	10%	Nil / **Rs. 10,000 p.a. (for individuals)**	10%
5	Interest other than interest on securities [Note 4, 6, 7 and 8]	194A	Rs. 50,000 / Rs. 40,000 p.a. for senior citizen / for others [when payer is bank or co-operative	10%	**Rs. 1,00,000 / Rs. 50,000 p.a. for senior citizen / for others [when payer is bank or co-operative society**	10%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 1 and 18]	Proposed Threshold for Deduction w.e.f. 1 April 2025	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 April 2025 [Note 1 and 18]
			society or post office] / Rs. 5,000 [in all other cases]		**or post office] / Rs. 10,000 [in all other cases]**	
6a	Winning from lottery or crossword puzzle, etc.	194B	Rs. 10,000 p.a.	30%	**Rs. 10,000 per transaction**	30%
6b	Winnings from online games [Note 28]	194BA	No threshold	30%	No threshold	30%
7	Winnings from horse race	194BB	Rs. 10,000 p.a.	30%	**Rs. 10,000 per transaction**	30%
8	Payments to contractors [Note 7 and 9]	194C	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a.	2% (1% for individual and HUF)	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a.	2% (1% for individual and HUF)
9	Insurance commission [Note 6]	194D	Rs. 15,000 p.a.	5%	**Rs. 20,000 p.a.**	**2%**
10	Payment in respect of life insurance policy [Note 5 ,6 and 20]	194DA	Less than Rs. 1,00,000 p.a.	2%	Less than Rs. 1,00,000 p.a.	2%
11	Payment to non-resident sportsmen (including an athlete) / entertainer / sports association	194E	No threshold	20%	No threshold	20%
12	Payment in respect of deposits under National Savings Scheme,1987 [Note 6]	194EE	Less than Rs. 2,500 p.a.	10%	Less than Rs. 2,500 p.a.	10%
13	Commission, etc. on sale of lottery tickets	194G	Rs. 15,000 p.a.	2%	**Rs. 20,000 p.a.**	2%
14	Commission or brokerage [Note 7]	194H	Rs. 15,000 p.a.	2%	**Rs. 20,000 p.a.**	2%
15a	Rent of Plant, Machinery or Equipment [Note 6 and 7]	194-I(a)	Rs. 2,40,000 p.a.	2%	**Rs. 50,000 per month or part of the month**	2%
15b	Rent of Land / Building (including factory building) / Furniture or fitting [Note 6 and 7]	194-I(b)		10%		10%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 1 and 18]	Proposed Threshold for Deduction w.e.f. 1 April 2025	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 April 2025 [Note 1 and 18]
16	Payment / credit of consideration to a resident transferor of any immovable property (other than agricultural land) [Note 21]	194-IA	Less than Rs. 50,00,000 in aggregate with respect to an immovable property	1%	Less than Rs. 50,00,000 in aggregate with respect to an immovable property	1%
17	Rent [Note 10]	194-IB	Rs. 50,000 per month or part of the month	2%	Rs. 50,000 per month or part of the month	2%
18	Monetary Consideration payable under joint development agreement	194-IC	No threshold	10%	No threshold	10%
19	Fees for professional or technical services / royalty / non-compete fees under section 28(va) / remuneration to Director other than salary [Note 7]	194J	Rs. 30,000 p.a. [Note 11]	10% / 2% [Note 12]	**Rs. 50,000 p.a.** [Note 11]	10% / 2% [Note 12]
20	Payment in respect of units of mutual fund specified under section 10(23D) or specified undertaking or specified company	194K	Rs.5,000 p.a.	10%	**Rs.10,000 p.a.**	10%
21	Payment of compensation on acquisition of certain immovable property (other than agricultural land) [Note 13]	194LA	Rs. 2,50,000 p.a.	10%	**Rs. 5,00,000 p.a.**	10%
22	Income by way of Interest from Infrastructure Debt Fund to non-resident	194LB	No threshold	5%	No threshold	5%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 1 and 18]	Proposed Threshold for Deduction w.e.f. 1 April 2025	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 April 2025 [Note 1 and 18]
23a	Income from units of a business trust by way of interest from a special purpose vehicle	194LBA	No threshold	10% and 5% [in case of non-resident on interest income] [Note 16 and 17]	No threshold	10% and 5% [in case of non-resident on interest income] [Note 16 and 17]
23b	Income from units of real estate investment trust by way of leasing or leasing out any real estate asset	194LBA	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAAs, whichever is beneficial [Note 16 and 17]	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAAs, whichever is beneficial [Note 16 and 17]
24	Income in respect of units of investment fund	194LBB	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAAs, whichever is beneficial [Note 16]	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAAs, whichever is beneficial [Note 16]
25	Income in respect of investment in securitization trust	194LBC	No threshold	30% (25% for individual and HUF) and for non-residents as per rate in force or rate specified in the relevant DTAAs, whichever is beneficial [Note 16]	No threshold	**10%** and for non-residents as per rate in force or rate specified in the relevant DTAAs, whichever is beneficial [Note 16]
26	Income by way of interest payable to non-residents from Indian company or a business trust [Note 14]	194LC	No threshold	5% / 4% / 9% [Note 14]	No threshold	5% / 4% / 9% [Note 14]
27	Income by way of Interest on certain Bonds and	194LD	No threshold	5%	No threshold	5%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 1 and 18]	Proposed Threshold for Deduction w.e.f. 1 April 2025	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 April 2025 [Note 1 and 18]
	Government Securities held by FII and QFI [Note 15]					
28	Payment of certain sums by certain individuals or HUF [Note 22]	194M	Rs. 50,00,000 p.a.	2%	Rs. 50,00,000 p.a.	2%
29	Payment of certain amounts in cash [Note 23]	194N	Rs. 1,00,00,000 p.a. / Rs. 3,00,00,000 p.a. (for co-operative society)	2%	Rs. 1,00,00,000 p.a. / Rs. 3,00,00,000 p.a. (for co-operative society)	2%
30	Payment facilitated by e-commerce operator	194-O	Rs. 5,00,000 p.a. [for Individuals/ HUF]	0.1%	Rs. 5,00,000 p.a. [for Individuals/ HUF]	0.1%
31	Income by way of pension and bank interest by senior citizen resident in India of 75 years or above	194P	As per slab rate		As per slab rate	
32	Purchase of goods [Note 25]	194Q	Above Rs. 50,00,000	0.1%	Above Rs. 50,00,000	0.1%
33	Benefit or perquisite to any person arising from business or profession [Note 7 and 26]	194R	Rs. 20,000	10%	Rs. 20,000	10%
34	Transfer of Virtual Digital Assets [Note 27]	194S	Rs.10,000/ Rs.50,000 (in case of specified person)	1%	Rs.10,000/ Rs.50,000 (in case of specified person)	1%
35	Payment of salary, remuneration, interest, bonus or commission by firm to partners	194T	Rs. 20,000 [w.e.f. 1 April 2025]	10% [w.e.f. 1 April 2025]	Rs. 20,000 [w.e.f. 1 April 2025]	10% [w.e.f. 1 April 2025]

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 1 and 18]	Proposed Threshold for Deduction w.e.f. 1 April 2025	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 April 2025 [Note 1 and 18]
36	Payment to non-resident of sum chargeable to tax in India	195	As per the rate in force or rate specified in the relevant DTAAs, whichever is beneficial [Note 16 and 19]			
37	Income from units in case of non-residents	196A	No threshold	20% or rate specified in DTAA, whichever is lower [Note 16]	No threshold	20% or rate specified in DTAA, whichever is lower [Note 16]
38a	Income from units referred to in section 115AB(1)(i) to Offshore funds	196B	No threshold	10% or rate specified in DTAA, whichever is lower [Note 16]	No threshold	10% or rate specified in DTAA, whichever is lower [Note 16]
38b	Long Term Capital Gains from units referred to in section 115AB(1)(i) to Offshore funds	196B	No threshold	12.50% or rate specified in DTAA, whichever is lower [Note 16]	No threshold	12.50% or rate specified in DTAA, whichever is lower [Note 16]
39a	Income from units referred to in section 115AC to non-resident	196C	No threshold	10% or rate specified in DTAA, whichever is lower [Note 16]	No threshold	10% or rate specified in DTAA, whichever is lower [Note 16]
39b	Long Term Capital Gains from units referred to in section 115AC to non-resident	196C	No threshold	12.50% or rate specified in DTAA, whichever is lower [Note 16]	No threshold	12.50% or rate specified in DTAA, whichever is lower [Note 16]
40	Income of FII from securities under section 115AD(1)(a) except section 194LD	196D	No threshold	20% or rate specified in DTAA, whichever is lower [Note 16]	No threshold	20% or rate specified in DTAA, whichever is lower [Note 16]

**Please note TDS rate shall be increased with applicable surcharge and cess in case of payments made to non-residents and TDS is deducted as per the IT Act.*

We have incorporated herein the nature of receipts, threshold limits for tax collection and the applicable rates of TCS for different classes of persons.

Sr. No.	Nature of Transaction	Section	Existing Threshold for Collection	Rate at which Tax is to be Collected [Note 29]	Proposed Threshold for Collection w.e.f.1 April 2025	Proposed Rate at which Tax is to be Collected w.e.f. 1 April 2025 [Note 29]
1	Sale of Tendu Leaves	206C(1)	No threshold	5%	No threshold	5%
2a	Sale of Timber **or any other forest produce** (not being tendu leaves) obtained under forest lease **[Note 30]**	206C(1)	No threshold	2.5%	No threshold	**2%**
2b	Sale of Timber by any other modes	206C(1)	No threshold	2.5%	No threshold	**2%**
3	Sale of scrap / Mineral being coal or lignite or iron ore	206C(1)	No threshold	1%	No threshold	1%
4	Grant of license, lease, etc. of parking lot, toll plaza or mining or quarrying	206C (1C)	No threshold	2%	No threshold	2%
5	Sale of motor vehicle or any other luxury goods as may be notified [w.e.f. 1 January 2025]	206C (1F)	Above Rs.10,00,000 p.a.	1%	Above Rs.10,00,000 p.a.	1%
6a	Remittance outside India under LRS scheme for education loan mentioned under section 80E	206C (1G)	Above Rs.7,00,000 p.a.	0.5%	-	-
6b	Remittance outside India under LRS scheme for education loan other than mentioned under section 80E and for medical treatment	206C (1G)	Above Rs.7,00,000 p.a.	5%	**Above Rs.10,00,000 p.a.**	5%
6c	Sale of overseas tour package	206C (1G)	Upto Rs.7,00,000 p.a.	5%	**Upto Rs.10,00,000 p.a.**	5%
			Above Rs.7,00,000 p.a.	20%	**Above Rs.10,00,000 p.a.**	20%

Sr. No.	Nature of Transaction	Section	Existing Threshold for Collection	Rate at which Tax is to be Collected [Note 29]	Proposed Threshold for Collection w.e.f.1 April 2025	Proposed Rate at which Tax is to be Collected w.e.f. 1 April 2025 [Note 29]
6d	Amount received for remittance outside India under LRS scheme in any case other than mentioned above	206C (1G)	Above Rs.7,00,000 p.a.	20%	**Above Rs.10,00,000 p.a.**	20%
7	**Sale of goods [Note 31]**	206C (1H)	Above Rs.50,00,000 p.a.	0.1%	-	-

Notes:

1. LDC can be obtained by the deductee for deduction under sections 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194K, 194LA, 194LBA, 194LBB, 194LBC, 194M, 194-O,194Q and 195 of the IT Act. If LDC received, rates to be taken as per LDC after considering the threshold amount prescribed in LDC and the period of LDC.

   Section 206AA of the IT Act, in a case where payee is not able to furnish PAN to the payer, tax shall be deducted at higher of the following rates:

   (i) rate specified in the relevant provision of the IT Act, or

   (ii) at the rates in force, or

   (iii) at the rate of 20% (5% for tax deduction under section 194-O and 194Q of the IT Act)

   Certain payments to non-residents such as interest, royalty, fees for technical services and payment on transfer of capital asset will not require PAN if alternative documents such as tax residency certificate, tax identification number of country of residence, etc. are furnished.

   Section 206AB of the IT Act providing deduction of tax at higher rate when the deductee specified therein is a non-filer of income-tax return is proposed to be omitted with effect from 1 April 2025.

2. In case PAN is not furnished by the person entitled to receive the accumulated balance in RPF, the tax shall be deducted as per section 206AA of the IT Act (Refer Note 1) in lieu of the maximum marginal rate.

3. Section 193 of the IT Act provides for certain cases where tax is not to be deducted at source.

4. Under section 194A, the threshold limit is proposed to be increased from Rs.40,000 to Rs. 50,000 where the payer is a banking company or a co-operative society engaged in banking business, or in case of deposits with post office under a scheme notified by Central Government and in the case payee is a senior citizen, then the threshold limit is proposed to be increased from Rs. 50,000 to Rs. 1,00,000. Further, threshold of Rs.5,000 in any other case is proposed to be increased to Rs. 10,000.

5. Tax is to be deducted on sums payable other than the amount not includible in the total income under section 10(10D) of the IT Act. Section 10(10D) is not applicable to any unit linked insurance policy, issued on or after 1 February 2021, if the amount of premium payable for any of the previous year during the term of such policy exceeds Rs. 2,50,000.

6. Tax is not to be deducted, if the payee (not being a company or a firm) furnishes to the payer a declaration in Form No.15G or 15H, as the case may be.

7. An individual or HUF is not liable to deduct tax. However, an individual or HUF, whose total sales, gross receipts or turnover from business exceeds Rs.1,00,00,000 or from profession Rs.50,00,000 during the financial year immediately preceding the financial year in which sum is credited or paid, shall be liable to deduct tax under sections 194A, 194C, 194H, 194I, 194J and 194R of the IT Act, as the case may be.

8. Co-operative society shall be liable to deduct tax at source under section 194A of the IT Act, if its total sales, gross receipts or turnover exceeds Rs. 50,00,00,000 during the financial year immediately preceding the financial year in which the interest is credited or paid.

9. No tax is required to be deducted at source on credit or payment of transport charges, if the transporter owns 10 or less than 10 goods carriages at any time during the previous year and furnishes a declaration to that effect along with his valid PAN. Further, the definition of "work" under section 194C of the IT Act explicitly excludes payments referred under section 194J(1) of the IT Act.

10. An individual or HUF (other than those covered under tax audit) is liable to deduct tax on payment of rent in the last month of the previous year or last month of tenancy arrangement, whichever is earlier, under section 194-IB and he is not required to obtain TAN. In case where the tax is required to be deducted as per provisions of section 206AA of the IT Act, such deduction shall not exceed the

amount of rent payable for the last month of the previous year or the last month of tenancy, as the case may be.

11. Tax is required to be deducted on remuneration paid to a director which is not in the nature of salary. No threshold limit is applicable for the same.

12. Tax is to be deducted @ 2% in case of payment made to a person engaged only in the business of operation of call center. Further, tax is to be deducted @ 2% in case of technical services (not being a professional service), royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films.

13. If payment is made in respect of any award or agreement which is exempted from levy of income-tax under section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (30 of 2013), no tax will be deducted at source under section 194LA of the IT Act.

14. In respect of amount borrowed in foreign currency from a source outside India:

    - under a loan agreement executed after 1 July 2012 but before 1 July 2023; or
    - by way of issue of any long term bond (including long term infrastructure bond) issued on or after 1 October 2014 but before 1 July 2023; or
    - by way of issue of long term infrastructure bond after 1 July 2012 but before 1 October 2014; or
    - by way of RDB issued outside India before 1 July 2023.

    TDS @ 5% is applicable except as mentioned below –

    TDS shall be @ 4% on the interest payable to a non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or RDB on or after 1 April 2020 but before 1 July 2023 and which is listed only on a recognized stock exchange located in any IFSC. The said rate shall be 9% where issue of long term bond or RDB is on or after 1 July 2023.

15. Interest payable on or after 1 June 2013 but before 1 July 2023 in respect of investment made by FII or QFI in RDB of an Indian Company or Government Security. The aforesaid investment also includes interest payable on municipal debt security on or after 1 April 2020 but before 1 July 2023.

16. For the purpose of claiming DTAA benefit, the non-resident payee should furnish a valid TRC from foreign tax authority and electronically filed declaration in Form 10F. Form 10F is not required to be furnished if all the particulars stated therein are provided in the TRC itself. Further, if the payee obtains a lower/nil deduction

certificate from the income tax authority, tax shall be required to be deducted based on such certificate. Application for lower/nil deduction certificate shall have to be made in electronic form on TRACES website. The relief under the DTAA is subject to MLI provisions as applicable.

17. In case of Non-residents referred in section 194LBA of the IT Act, tax shall be deducted @ 5% on interest income and @ 10% on dividend income whereas on other income, TDS shall be as per the rates in force or rate specified in the relevant DTAAs, whichever is beneficial. If the special purpose vehicle i.e. business trust has not exercised option under section 115BAA (new taxation regime), TDS is not applicable on dividend income.

18. A payer shall not be required to deduct TDS on 'GST' component wherever, in terms of the agreement between the payer and payee, the GST component comprised in the amount payable to a resident payee is indicated separately.

19. Income arising to non-resident or a foreign company, by way of royalty from, or fees for technical services rendered in or outside India to, NTRO will be exempt from income tax. Accordingly, NTRO will not be required to deduct tax at source on such payments.

20. TDS shall be levied on the income comprised in the sum payable by way of redemption of a life insurance policy including the sum allocated by way of bonus on such life insurance policy, excluding the amount exempted under section 10(10D) of the IT Act.

21. Under the explanation to section 194-IA of the IT Act, the term 'consideration for immovable property' shall include all charges of the nature of club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property. Further, aggregate of amount payable by all transferee(s) to all transferor(s) in respect of an immovable property to be considered as consideration while comparing with threshold limit of Rs. 50,00,000 to determine TDS liability under section 194-IA of the IT Act.

22. Payment made by an individual and HUF to a resident on account of contractual work or professional fees, who are not required to deduct tax at source under section 194C, 194H and 194J of the IT Act shall be required to deduct tax at source on the aggregate sum exceeding the threshold limit. Such individual and HUF shall be able to deposit the TDS using PAN and shall not be required to obtain TAN.

23. A banking company, a co-operative society engaged in carrying on the business of banking or a post office is responsible for deducting tax at source @ 2% at the time

of making payment of such sum in cash to any person from an account maintained by the recipient with it. With effect from 1 July 2020, in case of a recipient who has not filed return of income for all of the 3 assessment years relevant to the 3 previous years, for which the time limit of file return of income under section 139(1) has expired, immediately preceding the previous year in which the payment of the sum is made to him, tax is to be deducted @ 2% for payment exceeding Rs. 20,00,000 but not exceeding Rs. 1,00,00,000 and @ 5% for payment exceeding Rs. 1,00,00,000 / Rs. 3,00,00,000 (for co-operative society). Further, no tax shall be deducted on cash payments made to the Government, banking company, cooperative society engaged in carrying on the business of banking, post office, banking correspondents and white label ATM operators.

24. Section 194 shall not be applicable on dividend credited or paid to business trust by a special purpose vehicle. Notably, TDS @ 10% under section 194 of the IT Act shall be levied on any payment by company on buyback of shares in accordance with the provisions of section 68 of the Companies Act, 2013 w.e.f. 1 October 2024.

25. The buyer of goods would be liable to deduct TDS @ 0.1% at the time of credit or payment, whichever is earlier, from the resident seller, where the value or aggregate of such value in a previous year in excess of Rs. 50,00,000. Only those buyers whose total sales, gross receipts or turnover from its business exceeds Rs. 10,00,00,000 during the FY immediately preceding the FY, shall be liable to deduct tax at source.

26. Section 194R, wherein the person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, whether in cash or in kind or partly in cash and partly in kind, arising from carrying out of a business or profession by such resident, shall before providing such benefit or perquisite, as the case may be, to such resident, ensure that tax has been deducted in respect of such benefit or perquisite @ 10% of the value or aggregate of value of such benefit or perquisite. For the purpose of this section, the expression ‘person responsible for providing’ means a person providing such benefit or perquisite or in case of a company, the company itself including the principal officer thereof.

27. Tax is required to be deducted @ 1% on transfer of virtual digital asset to a resident for amount exceeding Rs.10,000. In case payer is a specified person, the threshold limit is Rs.50,000 and is not required to obtain TAN. In case provision of both sections 194S and 194-O of the IT Act are applicable then the tax shall be deductible under section 194S.

    ‘Specified Person’ means a person being an individual or HUF whose total sales, gross receipts or turnover does not exceed Rs.1,00,00,000 in case of business and Rs.50,00,000 in case of profession during the financial year immediately preceding

the financial year or a person being an individual or HUF not having any income under the head 'Profits and gains of business and profession'.

28. The definition of 'Online game' as per section 115BBJ of the IT Act means a game that is offered on the internet and is accessible by a user through a computer resource including any telecommunication device. TDS shall be deducted on the net winnings earned from online games during the financial year in the user account, computed in the manner as may be prescribed, at the end of the financial year. In case of withdrawal during the financial year, TDS shall be deducted at the time of such withdrawal on the net winnings comprised in such withdrawal.

29. Lower Collection Certificate can be obtained by the collectee for collection under sections 206C(1) and 206C(1C) of the IT Act. If Lower Collection Certificate received, rates to be taken as per Lower Collection Certificate after considering the threshold amount and the period prescribed in Lower Collection Certificate.

    Section 206CC of the IT Act, in a case where payer is not able to furnish PAN to the payee, tax shall be collected at higher of the following rates:

    (i) twice the rate specified in the relevant provision of the IT Act; or

    (ii) the rate of 5%, as the case may be.

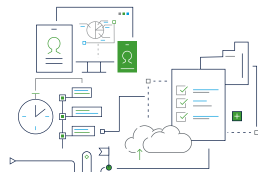
    Section 206CCA of the IT Act providing collection of tax at higher rate when the collectee specified therein is a non-filer of income-tax return is proposed to be omitted with effect from 1 April 2025.

30. Explanation is proposed to be inserted after first proviso to Section 206C(1) of the IT Act to clarify that "forest produce" shall have the same meaning as defined in any State Act for the time being in force, or in the Indian Forest Act, 1927.

31. TCS on sale of specified goods under section 206C(1H) of the IT Act is proposed to be removed with effect from 1 April 2025.

Chapter 12 Direct Tax, GST & FEMA Compliance Calendar

We have provided an overview of the various direct tax & GST compliances from the perspective of a Company, Partnership Firm (including LLP), Individual and HUF.



12.1 Direct Tax Compliance Calendar

<table>
<tr><th rowspan="2">Nature of Compliances</th><th colspan="3">Person</th></tr>
<tr><th>Company</th><th>Partnership Firm / LLP</th><th>Individual and HUF</th></tr>
<tr><td colspan="4">I. Due date for filing of ROI</td></tr>
<tr><td>Person covered under tax audit (other than whom transfer pricing is applicable) (Note 1)</td><td colspan="3">31 October</td></tr>
<tr><td>Person covered to whom transfer pricing is applicable (Note 2)</td><td colspan="3">30 November</td></tr>
<tr><td>Other persons (Note 3)</td><td>31 October</td><td>31 July</td><td>31 July</td></tr>
<tr><td>Updated Return (Note 4)</td><td colspan="3">upto 48 months from the end of relevant AY</td></tr>
<tr><td colspan="4">II. Due date for Tax Audit Report and Transfer Pricing Report</td></tr>
<tr><td>Person covered under tax audit (other than whom transfer pricing is applicable)</td><td colspan="3">30 September</td></tr>
<tr><td>Person covered under tax audit (whom transfer pricing is applicable)</td><td colspan="3">31 October</td></tr>
<tr><td>Person covered under transfer pricing (Form 3CEB)</td><td colspan="3">31 October</td></tr>
<tr><td colspan="4">III. Advance Tax Payments for Income Tax (Note 5 & 6)</td></tr>
<tr><td>1st Installment – on or before 15 June</td><td colspan="3">15%</td></tr>
<tr><td>2nd Installment – on or before 15 September</td><td colspan="3">45%</td></tr>
<tr><td>3rd Installment – on or before 15 December</td><td colspan="3">75%</td></tr>
<tr><td>4th Installment – on or before 15 March</td><td colspan="3">100%</td></tr>
<tr><td colspan="4">IV. Tax Deducted at Source (Note 7)</td></tr>
<tr><td>Tax must be deducted at the time of payment, in case of salary</td><td colspan="2" rowspan="2">Applicable</td><td rowspan="2">Applicable, only if person is covered</td></tr>
<tr><td>In case of payments other than salary, at the time of making payment or credit, whichever is earlier</td></tr>
</table>

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
Tax deducted must be deposited in the bank by 7th day of following month except tax deducted for payment or credit made in March must be deposited by 30 April			under tax audit in the previous year
Tax deducted under section 194-IA on purchase of immoveable property (other than agricultural land) must be deposited in bank within period of 30 days from the end of month of deduction	Applicable		
Tax deducted on personal services under section 194M must be deposited in bank within period of 30 days from the end of month of deduction	Not Applicable		Applicable, only if person is not covered under tax audit in the previous year
Tax shall be deducted on rent under section 194-IB at the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year, as the case may be, or at the time of payment, whichever is earlier. Tax deducted must be deposited in bank within period of 30 days from the end of month of deduction.	Not Applicable		Applicable, only if person is not covered under tax audit in the previous year
V. Tax Collected at Source ('TCS')			
Tax must be collected at the time of debiting the amount to the account of the buyer or at the time of receipt, whichever is earlier.	Applicable		Applicable, only if person is covered under tax audit in the previous year
Tax collected must be deposited within 7 days from the last day of the month in which the collection is made.			
VI. Due dates for filing of TDS Returns / TCS Returns			

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
For the Quarter ended June	31 July / 15 July		
For the Quarter ended September	31 October / 15 October		
For the Quarter ended December	31 January / 15 January		
For the Quarter ended March	31 May / 15 May		
VII. Due dates for issue of Form 16 and Form 12BA (for Salaries) / Form 16A (for other than Salaries)/Form 16B(for Sale of Property)/Form 16C(for Section 194-IB)/Form 16D (for Section 194M) and Form 27D (for TCS)			
Issue of Form 16 and Form 12BA annually	15 June		
Issue of Form 16A / 27D for quarter ended June	15 August / 30 July		
Issue of Form 16A / 27D for quarter ended September	15 November / 30 October		
Issue of Form 16A / 27D for quarter ended December	15 February / 30 January		
Issue of Form 16A / 27D for quarter ended March	15 June / 30 May		
Issue of Form 16B/Form16C/ Form 16D	15 days from the date of furnishing Form 26QB, 26QC and 26QD, respectively		
VIII. Due Date of submission in Form 61 by Persons Specified in Rule 114D (Details of transactions in which PAN to be quoted.)			
For declarations received in Form 60 for first half year ended 30 September	31 October		
For declarations received in Form 60 for second half year ended 31 March	30 April		
IX. Due dates for submission of payment under section 285 (Note 8)			
Non-resident having liaison office in India to file statement in Form 49C	Within 60 days after the end of the FY		
X. Due dates for submission of payment under section 285B (Note 9)			
Producers of cinematograph films or persons engaged in specified activities to file Form 52A for all payments over Rs. 50,000 to each persons engaged by him	Within 60 days after the end of the FY		
XI. Due date for filing Annual Information Return under section 285BA			

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
Specified persons to furnish Annual Information Return in Form 61A in respect of specified financial transactions (SFT)	31 May immediately following the financial year in which transaction is recorded.		
XII. Due dates for filing Appeals before the Income-Tax authorities			
Objections before the Dispute Resolution Panel	Within 30 days from the receipt of the draft assessment order		
Appeal to the Commissioner of Income-tax (Appeals) **(Note 10)**	Within 30 days from the date of service of notice of demand/ date of upload of order on the income tax portal sought to be appealed against.		
Appeal to the Income-tax Appellate Tribunal **(Note 11)**	Within 60 days from the date of service of notice of demand/ date of upload of order on the income tax portal sought to be appealed against.		
XIII Due date for filing online response to CPC communication			
Communication of proposed adjustment under section 143(1)(a) of the IT Act	Within a period of 30 days from the date of issue of the communication In case, no response is received by CPC within 30 days of issue of the intimation, the ROI will be processed after making necessary adjustment(s) under section 143(1)(a) of IT Act.		
Notice under section 139(9) of the IT Act	Within 15 days from receipt of the notice In case no response is made, the ROI filed shall be liable to be treated as an invalid return .		
XIV. Due dates for deduction and deposit of Equalization Levy			
A. Applicable for Amount paid or payable towards certain specified services to a non-resident subject to Equalization Levy (Note 12)			
Time of deduction	When amount is paid or payable		
Rate of Tax	6% on Gross amount paid		
Date of Deposit	7th of next month		

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
Date of Annual Statement of Specified Services in Form no.1	30 June of next year		
XIV. Digital Payment Facility			
Every person, carrying on business, if his total sales, turnover or gross receipts, as the case may be, in business exceeds Rs. 50,00,00,000 during the immediately preceding previous year shall provide facility for accepting payment through (i) Debit Card powered by RuPay, (ii) Unified Payments Interface (UPI) (BHIM-UPI) and(iii) Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code) electronic modes, in addition to the facility for other electronic modes. These are not applicable to a specified person having only B2B (Business to Business) businesses *if at least 95% of aggregate of all amounts received during the previous year, including amount received for sales, turnover or gross receipts, are by any mode other than cash.*			

Notes:

1. The due date for filing the ROI of spouse of a partner of a firm, whose accounts are required to be audited and if the provisions of section 5A of the IT Act applies to them, shall be 31 October.

2. The due date of filing the ROI of the partner of the firm, who is required to report transfer pricing report shall be 30 November.

3. A senior citizen resident in India of age 75 years or more during the previous year has pension income and no other income except interest income from the scheduled bank in which the pension income is received shall be exempt from filing ROI. A declaration shall have to be furnished to the scheduled bank by such senior citizen.

4. Any person whether or not he has filed a return under section 139(1), 139(4) or 139(5) of the IT Act, to furnish an updated return of income for the previous year relevant to the AY within 48 months of the end of the relevant AY, except in case of return of income with loss, which has the effect of decreasing the tax liability, or results in refund or increases the refund.

5. Advance tax payment for income-tax is applicable to every person (except a senior citizen resident in India not having income from business or profession) where the amount of income-tax payable is Rs.10,000 or more. Advance tax on dividend income (other than deemed dividend) is to be paid on declaration /receipt of dividend and interest on shortfall in the advance tax instalment shall not be applicable on it.

6. An eligible assessee in respect of eligible business referred to in section 44AD of the IT Act or eligible profession referred to in section 44ADA of the IT Act opting for computation of profits or gains of business or profession on presumptive basis, shall be required to pay advance tax of the whole amount in one installment on or before 15 March of the financial year.

7. A NIL Declaration is basically a declaration for non-filing of TDS Statements for those deductors who are not liable to deduct any tax during the relevant quarter or have not deducted tax during any quarter and subsequently did not file a TDS Statement under section 200(3) of the IT Act for any quarter.

8. Every person, being a non-resident having liaison office in India shall, in respect of its activities in a financial year, file a statement in Form No. 49C within 60 days from the end of the financial year, i.e. 30 May to the AO.

9. 'Specified Activities' means any event management, documentary production, production of programs for telecasting on television or over the top platforms or any other similar platform, sports event management, other performing arts or any other activity as may be notified by the CG.

10. Electronic filing of appeal is mandatory before the Commissioner of Income Tax (Appeals).

11. The appeal/ Memorandum of cross objection before ITAT is required to be electronically filed on the new ITAT e-filing portal itat.gov.in/efiling/register. The Memorandum of cross objection is to be e-filed within 30 days from the receipt of notice intimating that the appeal has been preferred before the ITAT, against any part of the order under appeal, if required. The e-filing portal can be used with a valid PAN or TAN, valid mobile number and e-mail address. After e-filed the documents have to be submitted physically following the filing requirements

12. Other than e-commerce services, Equalization Levy is to be levied on payment made for certain specified services and facilities provided by non-resident not having a PE in India. Specified services in this behalf means:

    - Online* advertisement,
    - Provision for digital advertising space, or
    - Any other facility or service for the purpose of online advertisement, or
    - Any other service notified by the Central Government in this behalf.

    *The word 'online' has been defined to mean a facility for service or right or benefit or access that is obtained through the internet or any other form of digital or telecommunication network.

12.2 Goods and Services Tax (GST) Compliance Calendar

Nature of Compliances		Due dates	Periodicity of filing
Forms	**Description**		
GSTR-1	Details of outward supplies	Monthly-11th day of the succeeding month Quarterly- 13th day of the month succeeding the quarter	
	Taxpayers whose aggregate turnover does not exceed Rs 5,00,00,000 in preceding financial year or current financial year (and opted for the QRMP scheme)	13th day of the month succeeding the quarter	Quarterly
	Taxpayers whose aggregate turnover exceeds Rs. 5,00,00,000 in preceding financial year or current financial year (Regular filers – Non QRMP)	11th day of the succeeding month	Monthly
GSTR-1A – (Optional)	Amendment of outward supplies for current tax period	Post due-date or filing date (whichever is later) of GSTR 1 for a tax period and prior to filing of GSTR 3B for that same tax period	Monthly/Quarterly for regular/QRMP filers respectively
GSTR-3B	Monthly return	**(Refer Note 1)**	Monthly/Quarterly
GSTR-4	Annual return by composition scheme taxpayers **(Refer Note 2)**	30th April of succeeding financial Year	Annually
GSTR-5	Return by Non-Resident taxable person	13th day of the succeeding month	Monthly
GSTR-5A	OIDAR service provider	20th day of the succeeding month	Monthly
GSTR-6	Input service distributor	13th day of the succeeding month	Monthly
GSTR-7	Person deducting tax at source (TDS)	10th day of the succeeding month	Monthly

Nature of Compliances		Due dates	Periodicity of filing
Forms	**Description**		
GSTR-8	Return by e-commerce operator liable for collecting Tax at source under section 52	10th day of the succeeding month	Monthly
GST ITC 04	Details of Inputs/Capital Goods sent and received back from Job Worker	25th day of the succeeding Quarter/ Half Year/ Year	Quarterly / Half Yearly/ Yearly **(Refer Note 3)**
Due date for filing Annual Return (Refer Note 4)			
GSTR-9	Annual Return	31st December of succeeding financial year	Annually
GSTR-9A	Annual Return for Composition scheme taxpayers	Suspended from FY 2019-20 onwards and replaced with annual filing in GSTR-4	Suspended from FY 2019-20 onwards and replaced with annual filing in GSTR-4
GSTR-9B	Annual Return by E-commerce operator collecting Tax at source under section 52	31st December of succeeding financial year	Annually (It may be noted that Form GSTR-9B is not notified till date)
GSTR-9C	Self-Certified Annual Reconciliation statement	31st December of succeeding financial year	Annually
Quarterly Return and Monthly Payment Scheme (QRMP)			
Invoice Furnishing Facility (IFF) - Optional	Turnover up to Rs. 5,00,00,000	13th day of succeeding month for first 2 months of a quarter	
GSTR 1	Turnover up to Rs. 5,00,00,000	13th day of the month succeeding the quarter	Quarterly
GSTR 3B	Turnover up to Rs. 5,00,00,000	**(Refer Note 1)**	Quarterly
Due date of payment of GST			
For regular taxpayers: GST amount due as per return shall be paid on or before last date of filing such return			20th of the succeeding month

For QRMP taxpayers: GST amount shall be paid as per below mechanism: For first 2 months of a quarter – As per Fixed Sum Method OR Self-Assessment Method by making challan payment in Form GST PMT 06.		25th of the succeeding month
For the quarter ending – Quarterly GSTR 3B return would be filed and cash liability net of amount already deposited in first 2 months shall be additionally paid and offset while filing the return.		22nd or 24th day of the month succeeding the quarter (Please refer Note 1 for state-wise due-dates)
Interest on delayed payment of GST		
Failure to pay GST Please note: In case of delayed filing of GSTR 3B return, interest shall be payable on net cash liability. Further, as per CGST Amendment Rules 2024, any amount lying in Electronic Cash Ledger as on the due-date of filing of GSTR 3B return but debited after the due-date for discharge of liability, such amount available in the Electronic Cash Ledger shall not be considered for computing the interest on delayed payment of GST liabilities.	18% p.a.	
Undue / excess claim of input tax credit or undue / excess reduction in output tax liability Please note: In case of undue/excess claim of input tax credit, interest shall be applicable if such excess availment is also utilised by way of debit to Electronic Credit Ledger	18% p.a.	

Note 1:

- Government has implemented the GSTR 3B filings based on turnover in a phased manner as per the due dates specified below:

Turnover of Taxpayers	States	Due Date
Above Rs. 5,00,00,000 (Including small taxpayers who have not opted for QRMP Scheme)	All States	20th day of succeeding month
Below Rs. 5,00,00,000 (Opted for quarterly filing as per QRMP Scheme)	Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, Daman and Diu, Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands, Lakshadweep	22nd day of the month succeeding the quarter
	Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand, Odisha, Jammu and Kashmir, Ladakh, Chandigarh, Delhi.	24th day of the month succeeding the quarter

Note 2:

- The due-date for filing of Form GSTR 4 for FY 2024-25 is 30 June 2025
- The composition taxpayers are required to file a self-assessed tax return in form of a one-pager statement cum challan – Form GST -CMP 08 of the CGST Rules, 2017. This quarterly return must be filed by the 18th day of the month succeeding the quarter.

Note 3:

- With effect from 1 October 2021, any principal with aggregate turnover above Rs. 5,00,00,000 in the preceding financial year, needs to file half yearly Form ITC-04. Any principal with aggregate turnover up to Rs. 5,00,00,000 in preceding FY, needs to undertake filings on annual basis. Prior to 1 October 2021, all applicable taxpayers being principal were required to file Form ITC-04 on a quarterly basis without any turnover based segregation.

Note 4:

- The minimum aggregate turnover for requirement to file the Form GSTR 9 for FY 2024 – 25 is yet to be notified. The aggregate turnover threshold for availing exemption from filing of Form GSTR 9 was Rs. 2,00,00,000 (vide Central Tax Notification No. 14/2024 dated 10 July 2024) for FY 2023-24. Further, the minimum aggregate turnover for requirement to file the Form GSTR 9C for FY 2024-25 is Rs. 5,00,00,000 (Rule 80(3) of CGST Rules, 2017).

12.3 FEMA COMPLIANCE CALENDAR

Sr.	Form Name	Description / To be filed by	Due Date(s)
COMPLIANCE PERTAINING TO FDI IN INDIA			
	Annual Compliances		
1.	Annual Return on Foreign Liabilities and Assets (FLA)	An Indian Company, LLP or other entities such as SEBI registered Alternative Investment Funds (AIFs), Partnership Firms, Public Private Partnerships (PPP) etc. which have received FDI or capital contribution in the previous year(s) including the current year to file FLA return on FLAIR portal. One time registration to be done on FLAIR portal for filing FLA return.	On or before the 15th day of July each year
	Event based compliances The below mentioned forms (except downstream investment intimation to DPIIT) are required to be filed on **FIRMS portal** after obtaining **entity user and business user registration** on FIRMS portal		
2.	Form Foreign Currency-Gross Provisional Return (FC-GPR)	-Indian company issuing equity instruments to a person resident outside India which is considered as FDI -Conversion of ECB into equity	Within 30 days from the date of issue of equity instruments
3.	Form Foreign Currency-Transfer of Shares (FC-TRS)	Transfer of equity instruments of an Indian company between resident and non-resident. To be filed by resident transferor/ transferee or the non-resident holding equity instruments on a non-repatriation basis	Within 60 days of transfer or receipt / remittance of funds whichever is earlier
4.	Form ESOP	Indian company issuing employees' stock option to persons resident outside India who are its employees/directors or employees/directors of its holding company/joint venture / wholly owned overseas subsidiary/subsidiaries	Within 30 days from the date of issue of employees' stock option.

Sr.	Form Name	Description / To be filed by	Due Date(s)
5.	Form Depository Receipt Return (DRR)	Domestic Custodian to report issue / transfer of depository receipts	Within 30 days of close of the Issue
6.	Form LLP (I)	LLP receiving amount of consideration for capital contribution and acquisition of profit shares from a person resident outside India	Within 30 days from the date of receipt of consideration
7.	Form LLP (II)	Disinvestment / transfer of capital contribution or profit share between resident and non-resident. To be filed by resident transferor / transferee.	Within 60 days from the date of receipt of funds
8.	Form InVI	Investment vehicle which has issued its units to a person resident outside India	Within 30 days from the date of issue of units
9.	Downstream Investment by an Indian Company in another Indian Company (treated as Indirect foreign investment in later entity)		
	– Intimation letter	An Indian entity or an investment vehicle making downstream investment in another Indian entity which is considered as indirect foreign investment for the investee Indian entity in terms of the Rules, shall notify the Secretariat for Industrial Assistance, DPIIT	Within 30 days of such investment
	– Form DI	Indian entity or an investment Vehicle making downstream investment in another Indian entity which is considered as indirect foreign investment	Within 30 days from the date of allotment of capital instruments
10.	Form Convertible Notes (CN)	Indian start-up company issuing Convertible Notes to a person resident outside India or transfer of Convertible Notes	Within 30 days of issue/ transfer

Sr.	Form Name	Description / To be filed by	Due Date(s)
OVERSEAS DIRECT INVESTMENT BY A PERSON RESIDENT IN INDIA			
	Annual Compliances		
1.	Form APR	A person resident in India which has made Overseas Direct Investment (ODI) must submit APR annually	Every year on or before December 31
2.	Annual Return on Foreign Liabilities and Assets (FLA)	Person Resident in India (PRII) which has outstanding ODI as on 31 March, in previous year(s) including the current year is required to file FLA return on FLAIR portal One time registration to be done on FLAIR portal for filing FLA return	On or before the 15th day of July each year
	Event based compliances		
3.	Form FC – section A to E	– A PRII making ODI in foreign entity / step down subsidiary – PRII providing guarantee on behalf of foreign entity – PRII granting loan to foreign entity – ODI by way of capitalisation of export proceeds or other entitlements	At the time of undertaking outward remittance / financial commitment whichever is earlier
4.	Form FC – section F	Reconstruction of balance sheet of foreign entity	Within 30 days of reconstruction
5.	Form FC – section G	A person resident in India disinvesting its stake in foreign entity	Within 30 days of receipt of disinvestment proceeds
6.	Form OPI	– A PRII other than a resident individual, making any Overseas Portfolio Investment (OPI) – Transfer of such investment by way of sale – OPI by way of acquisition of shares or interest under Employee Stock Ownership Plan or Employee Benefits Scheme	Within 60 days from the end of the half-year (i.e., September or March-end) in which

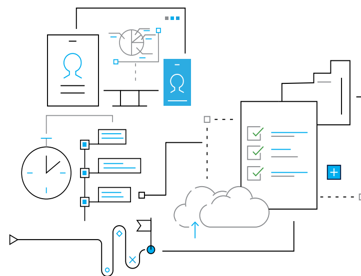
Sr.	Form Name	Description / To be filed by	Due Date(s)
			such investment or transfer is made
	ECB Related Compliances		
Sr.	**Form Name**	**Description / To be filed by**	**Due Date(s)**
1.	Form ECB 2 Return	Borrowers to report actual ECB transactions on monthly basis	Within 7 working days from the close of the month to which it relates
2.	Form ECB	Application for raising ECB under the Automatic / Approval Route and for allotment of Loan Registration Number	Prior to availing ECB
3.		Changes in terms and conditions of ECB, to be reported to DSIM	Within 7 days from the day of changes effected
IMPORT & EXPORT RELATED COMPLIANCES			
1.	Realization of export proceeds	Export proceeds must be realized and repatriated to India within stipulated time limit. – In case of goods exported to a warehouse established outside India. – In case of other exports AD Bank may grant approval to extend the period of realization of export proceeds beyond stipulated period of realization, up to a period of 6 months, at a time subject to certain conditions.	– Within 15 months from the date of shipment – Within 9 months from the date of export

Sr.	Form Name	Description / To be filed by	Due Date(s)
2.	Remittances for Import Payments	Remittance towards import of goods and services AD Category – I banks can consider granting extension of time for settlement of import dues up to a period of 6 months at a time (maximum up to the period of 3 years) subject to certain conditions	Not later than 6 months from the date of shipment
3.	EDF Form	Exporters shall submit the duplicate copy of the EDF to Customs Duplicate EDF along with relative shipping documents and an extra copy of invoice to be submitted to the AD named in the EDF	At the time of shipment of goods Within 21 days from the date of export
4.	Form SOFTEX	Exporter should submit declaration in Form SOFTEX in quadruplicate in respect of export of computer software and audio / video / television software to the designated official concerned of the Government of India at STPI / EPZ /FTZ / SEZ	Within 30 days from the date of invoice / the date of last invoice raised in a month
COMPLIANCES RELATED TO BO / LO / PO			
1.	Form FNC	Application for establishing BO/LO/PO or Requests for establishing additional BOs / LOs may be submitted to the AD Category-I bank	-
2.	Annual Activity Certificate (AAC)	BO/LO must file AAC along with the audited financial statements to the designated AD Category – I bank as well as Director General of Income Tax (International Taxation), New Delhi whereas PO needs to submit AAC only to the designated AD Category – I bank	On or before September 30 of every year

Sr.	Form Name	Description / To be filed by	Due Date(s)
		If the annual accounts of the BO/LO are finalized with reference to a date other than March 31	Within 6 months from the due date of the Balance Sheet

Chapter 13 ESG and Sustainability: Green Initiatives

13.1 Background



Climate change is globally considered to be the greatest risk from business and social perspective and a key solution is sustainable development. The rising temperatures, melting glaciers, uncertain weather patterns, increased generation of e-waste and hazardous substances, have resulted in Green Initiatives becoming part of the countries' and businesses' top priorities. India is among the countries most affected by the impact of extreme weather events due to climate change and rising temperatures.

The Indian Union Budget 2025-26 has made a positive impact by balancing environmental and social commitments with ensuring good governance practices, all while transitioning towards a Net-Zero goal of 2070. India is committed to the Paris Agreement and successively our Nationally Determined Contributions (NDCs) for decarbonization with low carbon economy.

A comprehensive energy transition and decarbonization goal with 500GW renewable energy, is now supported by a new Nuclear Energy Mission. Social sustainability and inclusion is supported by rural prosperity and resilience program to curb rural migration by enhancing local employment. Good governance will be established by regulatory reforms for sustainable industries and investment friendly ESG Index.

13.2 Major Projects Considered for the Sustainable Development

The focus will be on Small Modular Reactors (SMR) with the allocation of **Rs. 20,000 crores to develop the required nuclear energy by 2047.** Separate Rs.1,500 crores has been kept for solar power through the grid sector. Rs. 2,600 crores for Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyaan(PM-KUSUM) and Rs. 20,000 crores allocated for PM Surya Ghar Muft Bijli Yojana which tragets installation of rooftop solar in one crore households providing upto 300 units of free electricity monthly.

The existing Solar Power Grid scheme will be subsumed under this scheme along with the remaining financial outlay towards achieving the Net-Zero target. Since industry contributes majority part in this energy transition, this budget included the promotion of solarization with the support of MSME and clean tech domestic manufacturing of solar photovoltaic cells, Electric vehicles batteries, electrolyzers and wind turbines.

To promote green manufacturing, **Rs. 25,000 crores is allocated as Maritime Development Fund.** It will support green shipping initiatives and to promote circular economy in ship breaking. Government has extended Customs duty exemptions for raw materials in Electric Vehicles (EV) manufacturing and expansion of scrap recovery for critical mineral and rare earth elements.

Agriculture sector accounts for a significant portion of India's Greenhouse Gas (GHG) emissions, hence the Budget has prioritized sustainable agricultural practices, including the promotion of climate-resilient seeds and organic farming techniques. Financial support for precision agriculture tools, drip irrigation systems and soil health improvement initiatives, can help reduce emissions and improve productivity.

Sustainable agriculture is one of the focus areas with the launch of National Mission on High Yielding Seeds with climate resilient crop varieties, crop diversification and improved irrigation. This will get additional scientific support for crop productivity for cotton farmers. To create sustainable cities, water and sanitation, additional funds worth Rs. 1 lakh crores are allocated as Urban Challenge fund.

To enhance workforce development and diversity entrepreneurship, support program launched for 5 lakh first time women and scheduled caste, scheduled tribe entrepreneurs. This will also support commitment of increasing women's participation in economic activities to 70%. Additionally Gig worker benefits are introduced with healthcare coverage through Pradhan Mantri Jan Arogya Yojana.

13.3 Conclusion

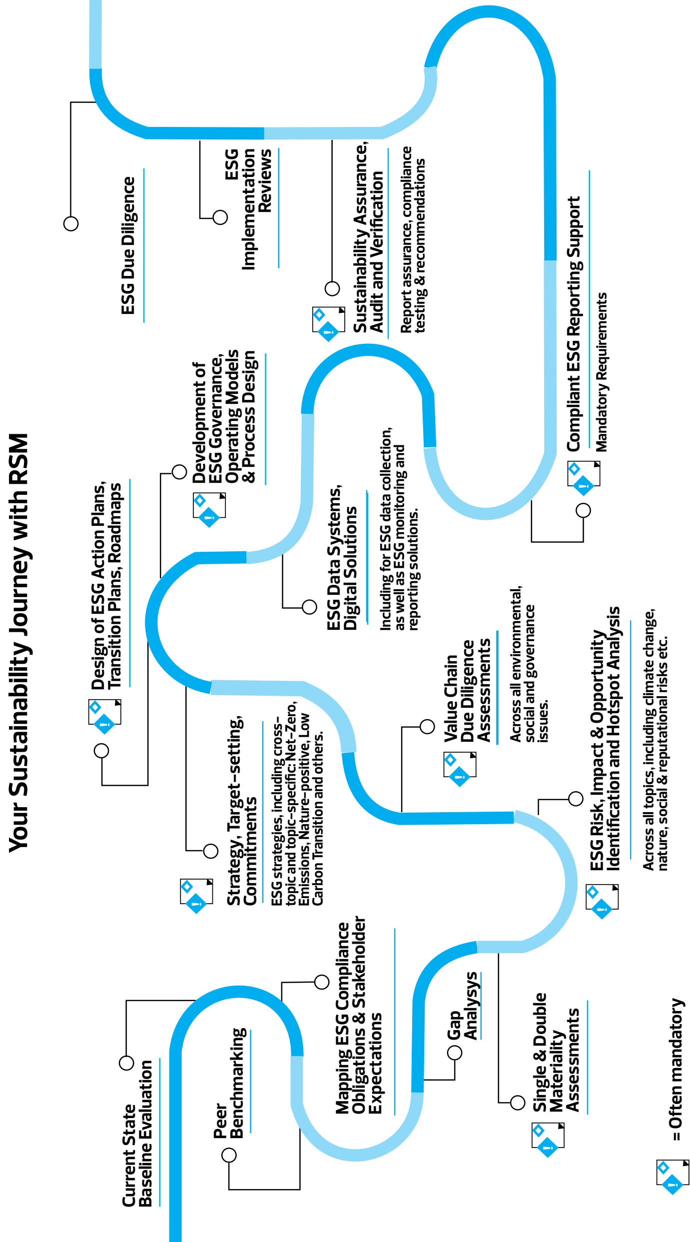
The upcoming budget provides a unique chance to integrate sustainability into the nation's growth blueprint. The current global context marked by geopolitical tensions, volatile crude oil prices, realignments in global value chains and stagnating global economic growth, demands robust policy measures.

To manage these commitments, a high-level committee has been formed to oversee stricter non-financial sector regulations. This includes reforms in ESG reporting, environmental regulations, policies for critical mineral recovery and the creation of an investment-friendly index for states.

The Union Budget 2025 thus acts as a critical lever to propel the nation towards a resilient and sustainable economy, balancing its economic aspirations with the imperatives of climate change mitigation and adaptation. These allocations in the Union Budget represent Government of India's robust framework towards decarbonization and sustainability goals.

ESG & Sustainability: Creating Lasting Value & Confidence through Sustainability

RSM bring difference through understanding to co-create lasting value and confidence in the sustainability approach as shown below:



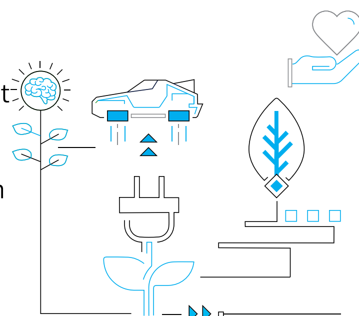
ESG Sustainability Global Frameworks and RSM approach is aligned to it.

Elevate Your Business Through ESG / Sustainability

ESG ASSESSMENT, STRATEGY AND ROADMAP	ESG POLICY, GOVERNANCE AND PERFORMANCE	GHG INVENTORY, NET ZERO STRATEGY & DECARBONISATION	ESG REPORT / DISCLOSURES AND ESG ASSURANCE	ESG WORKSHOPS, DUE DILIGENCE, LCA AND EPR
1 Gap / Maturity Assessment 2 Stakeholder Engagement 3 Materiality Assessment 4 ESG Risk, Opportunity Analysis 5 ESG Strategic roadmap 6 Peer Comparison and Industry Benchmarks	1 Policy Mapping and Development 2 ESG Governance Structure Framework 3 Integration of ESG, ISO 14001, ISO45001 and ISO 50001 4 ESG Key Performance Indicators (KPI) 5 KPI Deployment and Implementation Support	1 GHG Inventory and Carbon Footprint 2 Climate Risk Scenario Analysis 3 Establish measures mitigation strategies 4 Decarbonisation roadmap to Net Zero using SBTi 5 GHG Validation and Verification (ISO14064)	1 Data templates and Data Collection 2 ESG Initiatives Writeup on success stories, case studies 3 Map and Align CDP, DJSI, UNSDGs 4 Internal Audit for ESG Reporting 5 ESG draft report (BRSR/ GRI/TCFD) 6 ESG / Sustainability Report Assurance	1 ESG / Sustainability Training, Workshop 2 ESG Compliance Report 3 ESG Supply Chain (Due Diligence) 4 Life Cycle Assessment (LCA) (ISO14044) 5 Extended Producer Responsibility (EPR) 6 Sustainable Finance Consulting

Chapter 14 Logistics & Supply Chain Infrastructure Sector Initiatives

14.1 Background



Four major engines viz. Agriculture, MSME, Investment and Exports, as indicated in the Budget 2025 are planned to further fuel India's growth story, re-affirming India's position as the fastest growing major economy in the world. Supply Chain & Logistics is fundamental to all aforesaid the four engines of development. However, the high cost of logistics, led by legacy of poor infrastructure and efficiency has been on the radar of the policy makers for the past few years. Higher cost in this sector is the biggest hurdle in India's aspirations to be a hub for global manufacturing as indicated clearly in the Budget.

The Budget signifies decisive reforms, focusing on quantum correction in some long-standing issues, while revitalizing the core sectors like agriculture, manufacturing and logistics. Building upon transformational initiatives like the PM Gati Shakti, the National Logistics Policy (NLP), Logistics Efficiency Enhancement Programme (LEEP), development of Dedicated Freight Corridors (DFCs), Bharatmala Pariyojana, Sagarmala programme, formulation of the National Rail Plan (NRP), Multi-Modal Logistics Parks, National Infrastructure Pipeline and Jal Marg Vikas Project, the Government is introducing cohesive policies that are aimed at reducing logistics costs. This strategic focus demonstrates the government's stronger commitment to tackling long-standing challenges, such as fragmented networks, underdeveloped infrastructure, and the underuse of technology. Aligning logistics reforms with economic planning makes Budget 2025 a crucial turning point in India's effort to boost global competitiveness and drive sustainable growth.

14.2 Focus on Logistics & Supply Chain Sector Through Budgetary & Policy Level Reforms During 2022 – 2025

2022-23: Laying the Groundwork

- **National Logistics Policy (NLP):** The National Logistics Policy (NLP) was launched on September 17, 2022, aiming to create a comprehensive framework for integrating transport networks, warehousing and regulatory reforms. The policy focuses on enhancing efficiency of the logistics sector by addressing key areas such as process re-engineering, digitization, and multimodal transport.
- **Infrastructure Boost:** The PM Gati Shakti Master Plan catalyzed significant investments in national highways, ports, and rail corridors during this

period. This initiative aims to streamline logistics operations across various modes of transport by enhancing multimodal connectivity. The government allocated substantial funds to improve existing infrastructure and develop new projects, ensuring that bottlenecks in transportation are minimized. By focusing on integrated infrastructure development, the PM Gati Shakti Plan seeks to enhance first and last-mile connectivity, ultimately leading to reduced transit times and lower logistics costs.

2023-24: Expanding Connectivity

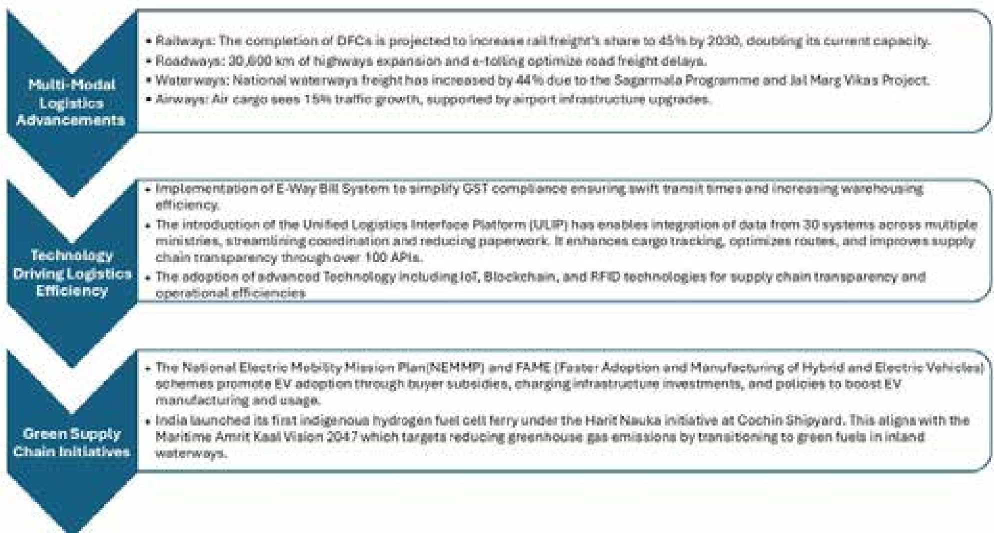
- **Freight Corridors:** The Dedicated Freight Corridor (DFC) project has seen a substantial increase in allocations, with funding raised by 75% to enhance rail transport efficiency. This extensive network spans over 2,800 kilometers, designed to facilitate swift movement of goods across the country. As of early 2025, the Eastern Dedicated Freight Corridor (EDFC) is fully operational, while the Western Dedicated Freight Corridor (WDFC) is nearing completion at 93.2%. These high-speed corridors are expected to significantly reduce transit times, cutting down travel from coal fields in Eastern India to power stations in Northern India from 35 hours to just 20 hours. This transformation not only boosts rail freight capacity but also lowers logistics costs, aligning with the government's goal of reducing overall logistics expenses to below 10% of GDP by 2030.
- **Digital Public Infrastructure (DPI):** The government has prioritized the development of Digital Public Infrastructure (DPI) to streamline logistics processes across various sectors, including e-commerce and governance. By digitizing logistics operations, the DPI aims to enhance efficiency and transparency within supply chains. This initiative facilitates better data sharing among stakeholders, reduces paperwork, and accelerates decision-making processes.
- **Rural Connectivity:** Under the PM Gram Sadak Yojana Phase IV, the government is focusing on improving last-mile connectivity to remote areas, which is crucial for enhancing rural logistics. This initiative aims to construct and upgrade rural roads, thereby facilitating better access for farmers and small businesses to markets and supply chains. Improved rural infrastructure not only supports agricultural supply chains but also enhances the distribution of goods in underserved regions. By bridging connectivity gaps, this program plays a vital role in ensuring that rural producers can efficiently transport their products to urban markets, ultimately contributing to economic growth and reducing regional disparities.

2024-25: Accelerating Progress

- **Record Capital Expenditure:** The 2024-25 Budget has made a significant

commitment for logistics infrastructure enhancing the country's transportation network. This funding will be directed towards construction and upgrading of national highways, ports and multimodal logistics parks (MMLPs), which are crucial for improving connectivity and reducing transit times. By investing in these key areas, the Government aims to streamline logistics operations, lower costs and ultimately boost economic growth through more efficient supply chain management.

- **Green Initiatives:** The Budget places a strong emphasis on sustainability within the logistics sector by promoting the adoption of electric vehicles (EVs) and green hydrogen technologies. These initiatives are aligned with India's commitment to achieving net-zero emissions and reflect a growing recognition of the need for environmentally friendly transportation solutions. By incentivizing the use of EVs and exploring green hydrogen as a viable fuel alternative, the government aims to reduce the carbon footprint of logistics operations while fostering innovation in clean technology.
- **Industrial Parks:** The development of 'plug-and-play' industrial parks will attract private investment and stimulate economic activity in the logistics sector. These parks are designed to provide businesses with ready-to-use infrastructure, including utilities and connectivity, thereby reducing setup time and costs for companies looking to establish operations. By creating an enabling environment for logistics firms and manufacturers, the Government seeks to enhance productivity, encourage foreign direct investment (FDI), and promote regional development across various states.



14.3 Key Challenges faced by the Sector: Pre-budget Perspective by the Business Leaders

Despite progress, challenges persist:

- **Infrastructure Gaps:** Despite significant investments in infrastructure projects such as the Bharatmala Pariyojana and Dedicated Freight Corridors (DFCs), challenges remain in terms of road quality, port congestion and inadequate rail connectivity. These gaps lead to delays in transportation and increased costs, directly impacting overall logistics expenses.

- **High Dependency on Road Transport:** Over 60% of freight movement in India relies on road transport, which is often less efficient than rail or waterways. The heavy reliance on roadways increases fuel consumption and transit times, contributing to higher overall logistics costs.

- **Last-Mile Deliveries:** The rapid rise of e-commerce has increased the pressure on last-mile delivery, particularly in urban areas. Issues like inadequate addressing systems, limited parking and regulatory challenges further complicate the last leg of logistics, leading to inefficiencies and higher costs. Last-mile delivery also accounts for a substantial share of overall logistics expenses.

- **High Port and Inland Haulage:** High port charges and inland haulage costs contribute significantly to the overall logistics cost in India. For instance, vessel-related charges at Indian ports are much higher than those at global counterparts, making Indian exports less competitive. Additionally, rail freight margins have been inflated, which adds to transportation costs.

- **Fragmented Market Structure:** The logistics sector in India is highly fragmented, with many small players dominating the market. This clustering leads to inefficiencies in operations and supply chain management, making it difficult to implement standardized practices and optimize costs effectively.

- **Regulatory Complexity:** The logistics sector continues to face regulatory challenges, including multiple layers of taxation and compliance requirements. These bureaucratic hurdles create barriers for new entrants and hinder operational efficiency for existing businesses.

- **Slow Technology Adoption:** Although digitalization has been identified as a critical area for improving logistics efficiency, the sector's slow adoption of advanced technologies like IoT, AI, and blockchain remains a challenge.

Smaller companies, in particular, face difficulties in implementing modern systems due to high upfront costs and lack of expertise, which slows down the overall improvement of the logistics process.

14.4 Government Measures to Tackle the Current Challenges

- **Infrastructure Development Focus:** The Government is actively investing in infrastructure to address bottlenecks and improve connectivity, particularly in underdeveloped regions:
  - o Sagarmala Programme: Investments in port connectivity and inland waterways are part of efforts to enhance trade efficiency.
- **Public-Private Partnerships (PPPs):** The government is fostering public-private partnerships to drive innovation and enhance operational efficiency:
  - o Private players are being invited to develop warehousing zones along highways through tenders, promoting collaboration between public and private sectors.
- **Adoption of AI and Predictive Analytics:** The government is promoting advanced technologies like AI, predictive analytics, and machine learning
  - o The Logistics Data Bank project under PM Gati Shakti utilizes technology for supply chain visibility, which reduces delays and enhances planning.

14.5 Key Budget Announcements in the Logistics & Supply Chain Infrastructure – 2025

Budget 2025 demonstrates the government's strong resolve to transform India's logistics sector into a globally competitive ecosystem. By addressing inefficiencies, leveraging technology, and championing sustainability, these reforms are paving the way for improved connectivity, reduced costs, enhance availability of material & information through several transformational initiatives, as described below:

- **India as 'Food basket of the World'** – One of the prominent themes of the Budget 2025 has been elaborated with introduction of several schemes for enhancing agricultural productivity, quality, seafood exports and food processing, boosting rural logistics, temperature-controlled storage / transportation and export logistics & supply chain opportunities. Some prominent announcements in the Budget 2025 included bringing self sufficiency in edible oil pulses, special program for vegetables & fruits, formation of 'Makhana board', scheme for enhancing seafood processing & exports, etc. Untapped regions such as Bihar and sectors such as seafood

processing would provide significant opportunities to build & nurture efficient food supply chain.

- **Cotton and Fertilizer supply chains** – Another significant announcement in the Budget 2025 is about 'Mission for Cotton productivity' and Urea plant in Assam. Cotton & Urea, being seasonal produce & fluctuating demand commodities, the supply chain constitutes a complex ecosystem. There would be quantum boost to the logistics & warehousing infrastructure & business from these developments.

- **MSME as a powerful engine for India's development journey** – The Budget announcements are flooded with series of initiatives and schemes to boost the MSME sector. Unlike the large industries, MSME's supply chain currently lacks maturity due to the limitations of scale and investments. The budget initiatives, such as doubling the investment & turnover thresholds, enhancing credit guarantee cover and several other initiatives for the startups would provide the sector much needed confidence to reform the logistics, warehousing and supply chain technology. This sector would attract organized supply chain players, which would accelerate their growth to spearhead India's growth story.

- **Shipping & Maritime industry** – The Budget 2025 provides much needed relief to the ship building industry through exemption of BCD on key raw materials, components, consumables & parts for 10 years. This would boost the ship building industry, leading to large domestic & import – export demand for supply chain eco-system in India. Moreover, the announcement of a corpus of Rs. 25,000 crores for Maritime Development Fund would further enhance logistics support infrastructure for the maritime industry.

- **Warehousing and Air Cargo** – The announcement for facilitation of infrastructure and warehousing for air cargo and stream lining of screening & customs protocols would provide strong traction to the air cargo traffic, reducing delays, additional costs and potential damages / wastages of perishable goods.

- **PM Gati Shakti** – The portal was launched few years ago, to provide a common platform for storage and access of country wide logistics information. The Government plans to provide access of this critical data to the private sector through the Budget 2025 announcement. This would assist the private sector in project planning and improving efficiency in the PPP projects. The records from this portal will be used by the National Geospatial Mission to develop foundational geospatial infrastructure and data.

- **BharatTrade Net ('BTN') as a complement of Unified Logistics Interface Platform** – BTN would serve as an important digital infrastructure for international trade. This would provide a unified platform for import – export trades, with a repository of trade documentation and financing solutions. BTN would be aligned with the international practices.

- **Support for Integration with Global Supply Chains** – The Budget mentions facilitation by the Government for development of domestic manufacturing capacities for our economy's integration with global supply chains. Specific sectors will be identified based on objective criteria. Facilitation groups with participation of senior officers and industry representatives will be formed for select products and supply chains.

ABBREVIATIONS

A	
AAC	Annual Activity Certificate
AAR	Advance Authority Rulings
ADB	Asian Development Bank
ADD	Anti-Dumping Duty
AE	Associated Enterprise
AIF	Alternative Investment Fund
AJP	Artificial Juridical Person
ALP	Arm's Length Price
AMT	Alternate Minimum Tax
AO	Assessing officer
AOP	Association of Persons
APA	Advance Pricing Agreement
APR	Annual Performance Report
ARC	Asset Reconstruction Company
ARO	Advance Release Order
ATM	Automated Teller Machine
AY	Assessment Year
B	
BCD	Basic Customs Duty
BEPS	Base Erosion & Profit Shifting
BO	Branch Office
BOI	Body of Individuals
BRSR	Business Responsibility and Sustainability Reporting
BSE	Bombay Stock Exchange
BTP	Bio-Technology Parks
C	
CbCR	Country-by-Country Report
CBDT	Central Board of Direct Taxes
CBU	Completely Built Unit
CCIT	Chief Commissioner of Income Tax
CENVAT	Central Value Added Tax
CG	Central Government
CGST	Central Goods and Services Tax
CIF	Cost, Insurance & Freight
CIT	Commissioner of Income Tax
CIT(A)	Commissioner of Income Tax (Appeals)
CO2	Carbon Dioxide
CPC	Centralized Processing Center
CPI	Consumer Price Index
CPSEs	Central Public Sector Enterprises
CRGO	Cold Rolled Grain Oriented
CSL	Cochin Shipyard Limited
CSR	Corporate Social Responsibility
CT	Corporate Tax
CTA	Customs Tariff Act / Covered Tax Agreement
CUP	Comparable Uncontrolled Price
CVD	Countervailing Duty
D	
DDT	Dividend Distribution Tax
DGFT	Directorate General of Foreign Trade
DPE	Designated Payment Entity
DFCs	Dedicated Freight Corridors
DPI	Digital Public Infrastructure
DPIIT	Department for Promotion of Industry and Internal Trade
DRC	Dispute Resolution Committee
DSC	Digital Signature Certificate
DSIM	Department of Statistics and Information Management
DTA	Domestic Tariff Area
DTAA	Double Taxation Avoidance Agreement
E	
ECB	External Commercial Borrowings
EDF	Export Declaration Form
EFR	Effective Tax Rate
EHTP	Electronics Hardware Technology Park
EL	Equalisation Levy
ELOG	Ease of Logistics
EOU	Export Oriented Unit
EPFO	Employees' Provident Fund Organisation
EPZ	Export Processing Zone
ESG	Environmental, Social and Governance
ESOPs	Employee Stock Option Plans
EU	European Union
EVs	Electrically Operated Vehicles
F	
FC	Financial Commitment
FDI	Foreign Direct Investment
FIIs	Foreign Institutional Investors
FIPB	Foreign Investment Promotion Board
FIRMS	Foreign Investment Reporting & Management System
FLA	Annual Return on Foreign Liabilities & Assets
FLAIR	Foreign Liabilities & Assets Information Reporting
FMV	Fair Market Value
FOR	Free On Road
FPI	Foreign Portfolio Investor
FTA	Free Trade Agreement
FTS	Fees for Technical Services
FTZ	Foreign Trade Zones
FTWZ	Free Trade Warehousing Zone
FY	Financial Year
G	
GAAR	General Anti Avoidance Rules
GDP	Gross Domestic Product
GHG	Greenhouse gases
GIFT	Gujarat International Finance Tec-City
GILTI	Global Intangible Low-Taxed Income
GIR	GloBE Information Return

GloBE	Global Anti-Base Erosion
GMT	Global Minimum Tax
GPS	Global Positioning System
GRI	Global Reporting Initiative
GST	Goods and Services Tax
GSTN	Goods and Services Tax Network
GW	Gigawatt
H	
HEC	Health & Education Cess
HNI	High Net-worth Individual
HUF	Hindu Undivided Family
HFC	Housing Finance Companies
I	
IBC	Insolvency and Bankruptcy Code, 2016
ICEGATE	Indian Customs Electronic Gateway
IDS	Income Disclosure Scheme, 2016
IEC	Importer- Exporter Code
IIR	Income Inclusion Rule
IF	Inclusive Framework
IFHP	Income from House Property
IFSC	International Financial Services Centre
IFSCA	International Financial Services Centre Authority
IGST	Integrated Goods and Services Tax
Ind-AS	Indian Accounting Standards
IMF	International Monetary Fund
IMS	Invoice Management System
InvIT	Infrastructure Investment Trust
IPO	Initial Public Offer
IRDAI	Insurance Regulatory & Development Authority of India
ISIN	International Securities Identification Number
ISPRL	Indian Strategic Petroleum Reserve Limited
IT	Information Technology
IT Act	Income-tax Act, 1961
ITAT	Income Tax Appellate Tribunal
ITeS	Information Technology enabled Services
IT Rules	Income-tax Rules, 1962
ITSC	Income-tax Settlement Commission
J	
JCIT(A)	Joint Commissioner of Income Tax (Appeals)
JDA	Joint Development Agreement
JV	Joint Venture
K	
KPI	Key Performance Indicators
KPO	Knowledge Process Outsourcing
KUSUM	Kisan Urja Suraksha evam Utthaan Mahabhiyaan
KYC	Know Your Customer
L	
LCA	Life cycle Assessment
LDC	Lower Deduction Certificatess
LEEP	Logistics Efficiency Enhancement Plan
LGD	Lab Grown Diamonds
LIC	Life Insurance Corporation of India
LLP	Limited Liability Partnership
LO	Liaison Office
LOB	Limitation of Benefit
LRS	Liberalized Remittance Scheme
LTC	Leave Travel Concession
LTCA	Long term Capital asset
LTCG	Long Term Capital Gain
M	
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs
MDSH	Marketing & Distribution Profits Safe Harbour
MFs	Mutual Funds
MFN	Most Favored Nation
MLC	Multilateral Convention
MLI	Multilateral Instrument
MMLP	Multi-Model Logistics Parks
MMR	Maximum Marginal Rate
MNEs	Multinational Enterprises
MoPSW	Ministry of Ports, Shipping and Waterways
MSME	Micro, Small and Medium Enterprises
N	
NABARD	National Bank For Agriculture & Rural Development
NBFC	Non-Banking Financial Company
NCLT	National Company Law Tribunal
NHAI	National Highway Authority of India
NIIF	National Infrastructure Investment Fund
NLP	National Logistics Policy
NPAs	Non Performing Assets
NPS	National Pension Scheme
NR	Non-Resident
NRI	Non-Resident Indian
NRP	National Rail Plan
NSC	National Saving Certificate
NTRO	National Technical Research Organization
O	
ODI	Overseas Direct Investment
OECD	Organisation for Economic Co-operation and Development
OIDAR	Online Information Data Base Access & Retrieval
OPI	Overseas Portfolio Investment

P

PAN	Permanent Account Number
PBPT	Prohibition of Benami Property Transaction Act, 1988
PC	Personal Computer
PCIT	Principal Commissioner of Income Tax
PCCIT	Principal Chief Commissioner of Income Tax
PE	Permanent Establishment
PF	Provident Fund
PLI	Production linked Incentive
PMGSY	Phase IV of Prime Minister Gram Sadak Yojana
PMLA	Prevention of Money Laundering Act, 2002
PO	Project Office
PPP	Public Private Partnership/ Purchasing Power Parity
PPT	Principal Purposes Test
PSB	Public Sector Banks
PSU	Public Sector Undertakings
PV	Photovoltaic

Q

QDMTT	Qualified Domestic Minimum Top-up Tax
QFI	Qualified Foreign Investors

R

RA	Regional Authority
R&D	Research & Development
RBI	Reserve Bank of India
RDB	Rupee Denominated Bond
RFID	Radio-Frequency IDentification
ReIT	Real Estate Investment Trust
RI	Resident Individual
RMS	Risk Management System
ROI	Return of Income
RPF	Recognized Provident Fund

S

SAED	Special Additional Excise Duty
SBI	State Bank of India
SBTI	Science Based Targets initiative
SDT	Specified Domestic Transaction
SEBI	Securities Exchange Board of India
SEP	Significant Economic Presence
SEZ	Special Economic Zone
SFT	Specified Financial Transactions
SHR	Safe Harbour Rules
SIG	Systen Improvement group
SION	Standard Input Output Norms
SKD	Semi-Knocked Down
SLM	Straight Line Method
SME	Small and Medium Enterprises
SOP	Self-Occupied Property
STP	Software Technology Park
SOFTEX	Software Export
SPV	Special Purpose Vehicle
STPI	Software Technology Parks of India
STT	Security Transaction Tax
STTR	Subject To Tax Rates
SUUTI	Special Undertaking of the Unit Trust of India
SWS	Social Welfare Surcharge

T

TAN	Tax Deduction and Collection Account Number
TCS	Tax Collected at Source
TCFD	Task Force on Climate-Related Financial Disclosures
TDS	Tax Deducted at Source
TLAA	Taxation Law (Amendment) Act, 2019
TNMM	Transactional Net Margin Method
TP	Transfer Pricing
TPO	Transfer Pricing Officer
TRC	Tax Residency Certificate
TReDS	Trade Receivables electronic Discounting System
TOLA	Taxation and Other Laws (Relaxation and Amendment of Certain Provisions Act)

U

UN	United Nations
UEN	Unique Entity Number
US$/USD	United States Dollar
ULIP	Unit linked Insurance Policy
UNFCCC	United Nations Framework Convention on Climate Change
UPE	Ultimate Parent Entity
UPI	Unified Payments Interface
UT	Union Territory
UTPR	Undertaxed Payment Rule

V

VAT	Value Added Tax
VGF	Viability Gap Funding
VsV	Vivad se Vishwas Act, 2020

W

WMS	Warehouse management system
WOS	Wholly Owned Subsidiary
WPI	Wholesale Price Index

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