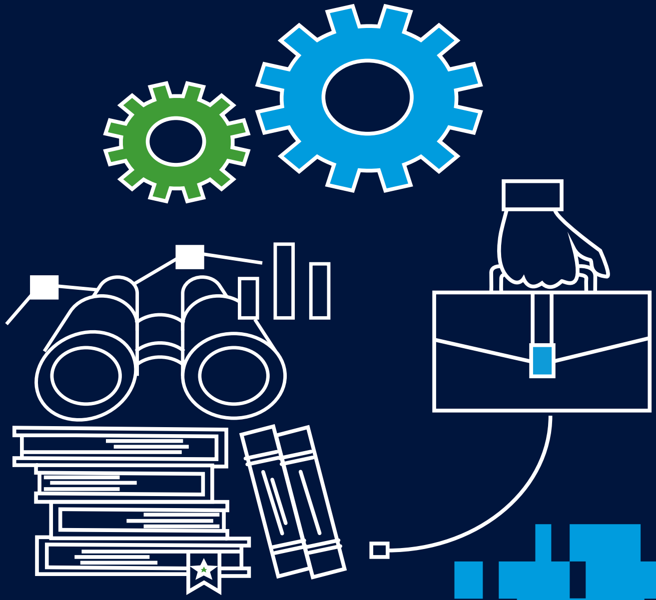
INDIA BUDGET 2025

Key Aspects in a Nutshell

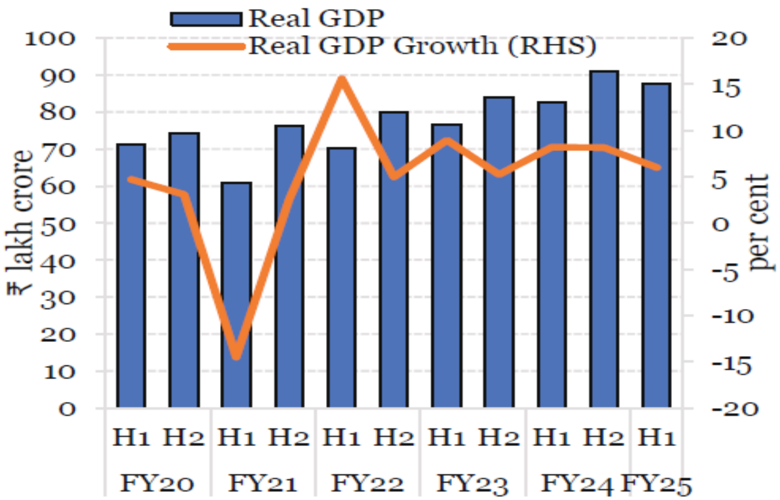


Macro Economic Analysis - Economy Survey 2024-25

The Department of Economic Affairs released a report ‘Economic Survey 2024-25’ on 31 January 2025. The key economic highlights as per the aforesaid report and certain significant aspects as announced by the Hon’ble Finance & Corporate Affairs Minister Mrs. Nirmala Sitharaman in the Union Budget 2025 on 1 February 2025 are as under:

GDP GROWTH

- India’s GDP grew by 6.7% and 5.4% in Q1 and Q2 of FY 2024-25, respectively. This implies a real GDP growth of 6% in the first half of the current fiscal year.
- The India’s real GDP is estimated to grow by 6.4% in FY 2024-25 and is projected to grow at 6.3% - 6.8% in FY 2025-26.



EXTERNAL DEBT

- India’s external debt has remained stable over the past few years with the external debt to GDP ratio standing at 19.4% at the end of September 2024.

Macro Economic Analysis - Economy Survey 2024-25

FOREIGN DIRECT INVESTMENT (FDI)

- FDI recorded a revival in FY 2024-25 with gross FDI inflows increasing from US$ 47 billion in the first 8 months of FY 2023-24 to US$ 55 billion in the same period of FY 2024-25, evidencing a YoY growth of 17.9%.
- India's foreign exchange reserves increased from US$ 616 billion at the end of January 2024 to US$ 704 billion in September 2024 and stood at US$ 640 billion at the end of December 2024.

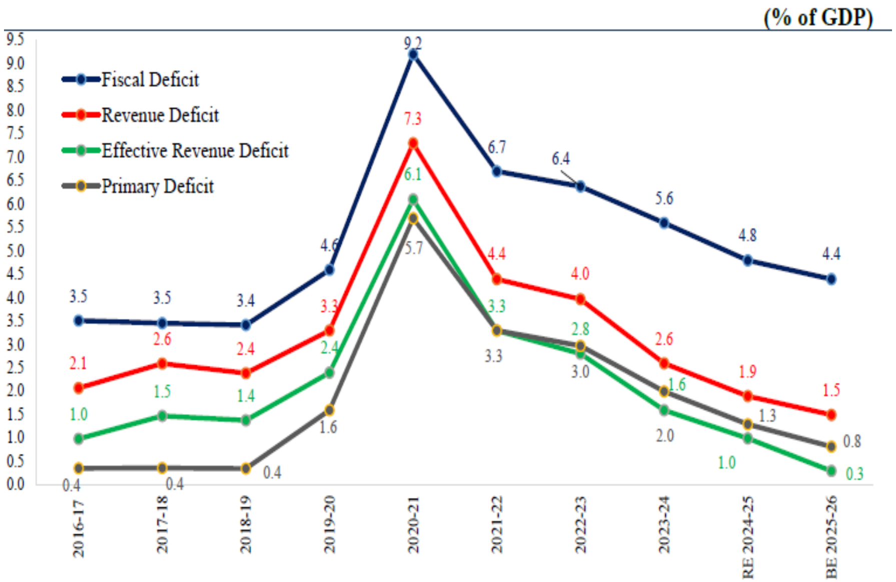
FISCAL DEFICIT

- The revised estimate of the fiscal deficit for FY 2024-25 is 4.8% of the GDP. The estimate for FY 2025-26 is 4.4% of the GDP.

INFLATION

- The Retail inflation has moderated from 5.4% in FY 2023-24 to 4.9% in April - December 2024. IMF has projected an inflation rate of 4.4% in FY 2024-25 and 4.1% in FY 2025-26 for India.

Deficit Trends



Macro Economic Analysis - Economy Survey 2024-25

FOREIGN TRADE

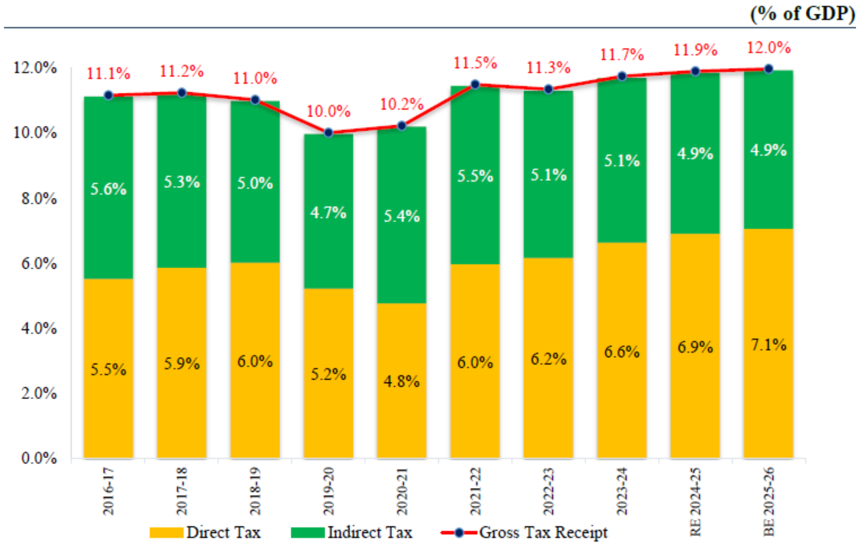
- The total exports (merchandise and services) have registered a steady growth in the first 9 months of FY 2024-25, reaching US$ 602 billion, witnessing a YoY growth of 6%.
- The total imports during the same period reached US$ 682 billion, registering a growth of 6.9% on the back of steady domestic demand.

TAX COLLECTIONS

Rs. in Crores

Particulars	Revised Estimates FY 2024-25	Budget Estimates FY 2025-26	Estimated increase in %
Direct Tax	22,37,000	25,20,000	12.65%
GST	10,61,899	11,78,000	10.93%

Trends in Tax Receipts



Macro Economic Analysis - Economy Survey 2024-25

OTHER ASPECTS

- GIFT city has continued its ascent as a leading IFSC, improving its rank by 5 places in the 'Global Financial Centres Index 36' (GFCI 36), rising to 52nd position.
- India has secured 4th place among the world's largest foreign exchange reserve-holding countries following China, Japan, and Switzerland.
- Viksit Bharat 2047 envisions India as a developed nation by 2047, the centenary of our independence. This would entail sustained economic growth of close to 8% every year for at least a decade.
- Real Estate Investment Trust (REITs) and Infrastructure Investment Trusts (InvITs) have raised Rs. 16,456 Crores during April to December 2024. During FY 2023-24, Rs. 39,024 crore was raised by REITs and InvITs.

Introduction to Union Budget 2025

In the backdrop of the Economic Survey, the Hon’ble Finance & Corporate Affairs Minister Mrs. Nirmala Sitharaman presented the Union Budget on 1 February 2025.

We present the tax proposals for amendments under the Finance Bill, 2025 under the following heads:

A. Direct Tax Proposals

1. **Rates of Income-tax –Corporate Entities and Individual & HUFs**
2. **Significant tax announcements**

a) Business Entities
b) TDS & TCS Provisions
c) General
d) Transfer Pricing
e) Charitable Entities

B. Indirect Tax Proposals

C. Other Significant Proposals

The said proposals will be effective after the Finance Bill, 2025 (as finally approved by the legislature) receives assent of the Hon’ble President of India.

Direct Tax - Rates of Income-tax – Corporate Entities

A. Tax Rates for Domestic Companies unchanged for FY 2025-26

Particulars	Maximum Effective Tax Rate	Effective MAT Rates
Opting for Concessional Tax Regime		
Domestic companies opting for concessional corporate tax regime - Tax under section 115BAA - Irrespective of the level of total income	25.168%	Not Applicable
New domestic companies with manufacturing activity opting for concessional corporate tax regime - Tax under section 115BAB - Irrespective of the level of total income (Applicable to new companies set-up after 1 October 2019 and commenced manufacturing on or before 31 March 2024)	17.16%	
Not Opting for Concessional Tax Regime		
Having total turnover / gross receipts in FY 2023-24 upto Rs. 400 crore	29.12%	17.472%
Having total turnover / gross receipts in FY 2023-24 exceeding Rs. 400 crore	34.944%	17.472%

B. The tax rate for foreign companies continues to be 35% (excluding surcharge and health & education cess) (on income other than income chargeable at special rates)

Direct Tax - Rates of Income-tax – Individuals & HUFs

RSM

FY 2025-26 - Old tax regime - unchanged

Total Income (Rs.)	Tax rate
Upto 2,50,000	Nil
2,50,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

FY 2025-26 - New tax regime – changed

Total Income (Rs.)	Tax rate
Upto 4,00,000	Nil
4,00,001 to 8,00,000	5%
8,00,001 to 12,00,000	10%
12,00,001 to 16,00,000	15%
16,00,001 to 20,00,000	20%
20,00,001 to 24,00,000	25%
Above 24,00,000	30%

Note: Rebate of Rs. 12,500 available in case of old tax regime for total income upto Rs. 5,00,000 has been continued and **the rebate under new tax regime has been proposed to be revised at Rs. 60,000 (from Rs. 25,000) for total income upto of Rs. 12,00,000 (from Rs. 7,00,000).** *(applicable for resident individuals only)*

FY 2025-26 – Surcharge rate – both regimes

Total Income (Rs.)	Surcharge
50,00,001 to 1,00,00,000	10%
1,00,00,001 to 2,00,00,000	15%
2,00,00,001 to 5,00,00,000	25%
Above 5,00,00,000 (old regime only)	37%

- Maximum rate of surcharge capped @ 15% in case of dividend (for residents), long-term capital gains and short-term capital gains (under section 111A)
- Maximum rate of surcharge capped @ 25% in case of new tax regime

Health and education cess applicable @ 4%

Direct Tax – Comparison of tax liability – Individuals

Tax liability in relation to existing and proposed tax rates under new tax regime:

Amount in Rs.

Particulars	Salary slabs				
Salary income	12,75,000	18,00,000	25,00,000	50,00,000	1,00,00,000
Less: Standard deduction	75,000	75,000	75,000	75,000	75,000
Net taxable income	12,00,000	17,25,000	24,25,000	49,25,000	99,25,000
Tax as per New Tax Regime					
Tax liability (existing) – FY 2024-25	83,200	2,15,800	4,34,200	12,14,200	30,51,620
Tax liability (proposed) – FY 2025-26	Nil*	1,50,800	3,19,800	10,99,800	29,25,780
Benefit in tax liability	**83,200**	**65,000**	**1,14,400**	**1,14,400**	**1,25,840**
% of tax savings	**100%**	**30.12%**	**26.35%**	**9.42%**	**4.12%**

**Tax liability is Nil after considering rebate under section 87A of the IT Act.*

Note: The above is just an illustration for reference purposes. We have not considered income other than salary income and any other deduction except for standard deduction in the above example.

Direct Tax - Rates of Income-tax – Business Entities

RSM

SIGNIFICANT TAX ANNOUNCEMENTS – Business Entities

- **Proposal for new Income-tax Bill** – It is proposed to introduce the new Income-tax bill in the next week. The Hon'ble Finance Minister in her speech announced that the new income-tax bill will carry forward the spirit of "Nyaya". 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.

- **Extension of timeline for tax benefits to start-ups –** It is proposed to extend the sunset date for incorporation of eligible start-up entity for deduction under section 80-IAC of the IT Act from 31 March 2025 to 31 March 2030.

- **Rationalization of provisions related to carry forward of losses in case of amalgamation – No evergreening of the losses of the predecessor entity -** In order to bring clarity and parity with the provisions of section 72 of the IT Act, it is proposed to amend section 72A and section 72AA of the IT Act to provide 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 AYs immediately succeeding the AY for which such loss was first computed for original predecessor entity. The aforesaid amendments shall apply to any amalgamation or business re-organization which is effected on or after 1 April 2025

Direct Tax – TDS/TCS Amendments

Section	Nature of transaction	Existing provisions		Proposed provisions	
		Threshold	Rate	Threshold	Rate
193	▪ Interest on debenture by Public Co to Individual / HUF ▪ Interest on other securities	Rs. 5,000 p.a. Nil	10%	Rs. 10,000 p.a.	10%
194	Dividend	Rs. 5,000 p.a.	10%	Rs. 10,000 p.a.	10%
194A	Interest other than interest on securities ▪ for senior citizen / for others [when payer is bank or cooperative society or post office] ▪ in all other cases	Rs. 50,000 p.a. / Rs. 40,000 p.a. Rs. 5,000 p.a.	10%	Rs. 1,00,000 p.a. / Rs. 50,000 p.a. Rs. 10,000 p.a.	10%
194B / BB	Winning from lottery or crossword puzzle, etc. or Horse race	Rs. 10,000 p.a.	30%	Rs. 10,000 per transaction	30%
194D / G / H	Insurance Commission / Commission, etc. on sale of lottery tickets / Commission or Brokerage	Rs. 15,000 p.a.	5% / 2%	Rs. 20,000 p.a.	2%
194-I	Rent	Rs. 2,40,000 p.a.	2% / 10%	Rs. 50,000 p.m.	2% / 10%

Direct Tax – TDS/TCS Amendments

Section	Nature of transaction	Existing provisions		Proposed provisions	
		Threshold	Rate	Threshold	Rate
194J	Fees for professional / technical services / royalty / amount under section 28(va)	Rs. 30,000 p.a.	10%/2%	Rs. 50,000 p.a.	10%/2%
194K	Income from units of mutual fund / specified company / undertaking	Rs. 5,000 p.a.	10%	Rs. 10,000 p.a.	10%
194LA	Enhanced compensation on acquisition of certain immovable property (other than agricultural land)	Rs. 2,50,000 p.a.	10%	Rs. 5,00,000 p.a.	10%
194LBC	Income in respect of investment in securitization trust	No Threshold	30% / 25%	No Threshold	10%

Notes:

a) TCS on Remittance outside India under LRS scheme for specified education loan [206C(1G)] proposed to be removed
b) Threshold for TCS on remittance under LRS [section 206C(1G)] is proposed to be increased from Rs. 7,00,000 to Rs. 10,00,000
c) TCS on sale of goods [206C(1H)] proposed to be removed
d) Higher rate on account of non-filers of income-tax return under section 206AB and section 206CCA proposed to be abolished
e) No prosecution proceedings under section 276BB to be initiated if TCS paid before return filing in line with TDS provisions
f) Amendments proposed with effect from 1 April 2025

SIGNIFICANT TAX ANNOUNCEMENTS – General

- **Extending the time limit to file updated return –** The time limit to file updated return is proposed to be extended from 24 months to 48 months from the end of relevant AY. A summary of additional tax payable on updated returns is tabulated as under:

Sr. No.	If the Updated return is filed	Additional Income-tax payable
1	After expiry of the time available for revised return and belated return and before completion of 12 months from the end of the relevant AY	25% of aggregate of tax and interest payable
2	After the expiry of 12 months from the end of the relevant AY but before 24 months from the end of the relevant AY	50% of aggregate of tax and interest payable
3	After the expiry of 24 months from the end of the relevant AY but before 36 months from the end of the relevant AY	60% of aggregate of tax and interest payable
4	After the expiry of 36 months from the end of the relevant AY but before 48 months from the end of the relevant AY	70% of aggregate of tax and interest payable

- **Increase in the limits for the purpose of calculating perquisites –** It is proposed to amend section 17 of the IT Act for prescribing rules for increasing the monetary limit for (a) amenities and benefits received by employees to be exempt from being treated as perquisites and (b) expenditure incurred by the employer for travel outside India on the medical treatment of employee or his family member for not been treated as a perquisite.

- **Provisions related to annual value of self occupied property simplified –** It is proposed to amend section 23(2) of the IT Act to simplify and provide that the annual value of the property consisting of a house or any part thereof shall be taken as NIL (available for 2 houses), if the owner occupies it for his own residence or cannot occupy it due to any other reason.

SIGNIFICANT TAX ANNOUNCEMENTS – General

- **Harmonization of Significant Economic Presence applicability with Business Connection –** It is proposed to amend Explanation 2A of section 9 of the IT Act to provide that the transactions or activities of a non-resident in India which are confined to the purchase of goods in India for the purpose of export shall not constitute significant economic presence of such non-resident in India.
- **Time limit to impose penalties rationalized –** It is proposed to substitute section 275 of the IT Act to provide that any order imposing penalty under the IT Act shall be passed within 6 months from the end of the quarter in which connected proceedings are completed, or the order of appeal is received by the Principal Commissioner or Commissioner, or the order of revision is passed, or the notice for imposition of penalty is issued, as the case maybe.
- **Rationalization of taxation of capital gains on transfer of capital assets by non-residents –** The existing provisions of section 115AD of the IT Act imposes a 10% tax rate on long-term capital gains earned by specified funds and Foreign Institutional Investors (FIIs) from the transfer of specified securities. The tax rate on long-term capital gains from the transfer of capital assets had been revised to 12.5% for both residents and non-residents vide Finance (No. 2) Act, 2024. However, long-term gains under section 115AD of the IT Act (not covered under Section 112A) remained taxed at 10%. In order to bring parity, it is now proposed to amend Section 115AD of the IT Act to increase the tax rate on such long-term capital gains to 12.5%.

Direct Tax

SIGNIFICANT TAX ANNOUNCEMENTS – General

- **Reporting obligations for transactions in crypto-assets –** It has been proposed to insert 285BAA of the IT Act for providing reporting obligations in the hands of reporting entity (as may be prescribed) to furnish information in respect of transaction in crypto assets in a statement, for such period, within such time, in such form and manner and to such income-tax authority, as may be prescribed. It also outlines procedures for rectifying defects in the submitted statements, the consequences of failing to submit within the specified time, and the process for correcting inaccuracies in the information provided.

- **Certain penalties to be imposed by the Assessing Officers –** The sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the IT Act, inter-alia, provide that penalty under these sections shall be imposed by the Joint Commissioner. It is proposed to amend these sections to provide that penalties under these sections shall be levied by the Assessing Officer in place of Joint Commissioner.

- **Extending the processing period of application seeking immunity from penalty and prosecution –** It is proposed to amend section 270AA(4) of the IT Act to extend the processing period of immunity application from 1 month from the end of the month to 3 months from the end of the month from the date the application is received by the assessing officer.

RSM

SIGNIFICANT TAX ANNOUNCEMENTS – General

- **Deduction under section 80CCD of the IT Act available for contributions made to NPS Vatsalya –** It is proposed to extend the benefit available (maximum Rs. 50,000) under section 80CCD(1B) of the IT Act to the contributions made under NPS Vatsalya Scheme, which is officially launched on 18 September 2024. The deduction shall be allowed on the total income of parent / guardian in respect of amount paid or deposited in the account of minor child.

- **Exemption to withdrawals by Individuals from National Savings Scheme from taxation –** It is proposed to amend section 80CCA of the IT Act to provide exemption on the withdrawals made by individuals from NSS deposits on or after 29 August 2024 for which deduction under section 80CCA was already allowed on or before 1 April 1992.

- **Removing date restrictions on framing schemes in certain cases –** The end date prescribed for notifying faceless schemes (31 March 2025) under sections 92CA, 144C, 253 and 255 of the IT Act is proposed to be omitted to enable the Central Government to issue directions beyond the cut-off date of 31 March 2025.

SIGNIFICANT TAX ANNOUNCEMENTS – General

- **Presumptive Taxation Regime introduced for non-resident providing services for electronics manufacturing facility (section 44BBD introduced) –** The presumptive taxation regime proposed to be introduced 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, 25% of the aggregate amount received/ receivable by, or paid/ payable to, the non-resident, on account of providing services or technology, as profits and gains of such non-resident from this business shall be deemed income.

- **Extension of benefits of tonnage tax scheme to inland vessels –** To promote inland water transportation in the country and to attract investments in the sector, it is proposed to extend the benefits of tonnage tax scheme to Inland Vessels registered under Inland Vessels Act, 2021.

SIGNIFICANT TAX ANNOUNCEMENTS – General

Proposed Incentives to IFSC

- The sunset dates related to IFSC units for exemptions, deductions and relocations in various sections to be extended to 31 March 2030.
- To exempt proceeds received on life insurance policy issued by IFSC insurance intermediary office without the condition on maximum premium.
- To extend the exemption in section 10(4H) of the IT Act to capital gains for non-resident or a unit of IFSC on transfer of equity shares of a ship leasing domestic company.
- To extend the exemption in section 10(34B) of the IT Act to dividend paid by a ship leasing company in IFSC to a unit of IFSC engaged in ship leasing.
- Any advance or loan between two group entities, where one of the group entities is set up in IFSC for undertaking treasury activities or treasury services, shall be excluded from definition of dividend.
- To provide simplified safe harbor regime for investment funds managed by fund manager based in IFSC. It is further proposed to extend the relaxation of conditions for IFSC units till 31 March 2030.
- To provide exemption to any income accruing or arising to or received by a non-resident on transfer of non-deliverable forward contracts entered into with any Foreign Portfolio Investor, being a unit in an International Financial Services Centre, which fulfills prescribed conditions.
- Transfer of a share or unit or interest held by a shareholder in an original fund (being a retail scheme or exchange traded fund regulated under IFSCA Regulations 2022) in consideration for the share or unit or interest in a resultant fund in a relocation, shall not be regarded as transfer for the purpose of calculating capital gains.

Direct Tax

SIGNIFICANT TAX ANNOUNCEMENTS – Transfer Pricing

➢ **Introduction of scheme for determination of ALP of international transactions for a block of 3 years –**

- At present, the transfer pricing assessment is carried out for a single year wherein the ALP for the international transactions is determined for the year for which the matter is selected.
- In order to reduce the administrative burden and for ease of compliance, the Finance Bill 2025 proposes introduction of a multi-year ALP determination framework. In the proposed scenario, the ALP determined for a particular previous year shall apply to similar transactions for the next 2 consecutive previous years as well, subject to existence of certain conditions.
- This will eliminate repetitive ALP assessments and will provide a stable tax framework for businesses engaged in cross-border transactions. The taxpayers must proactively opt for the multi-year ALP determination within the prescribed timeline.

  validate and approve the applicability of the multi-year ALP option within 1 month of receipt of taxpayers' request.
- This scheme is applicable for international transactions as well as specified domestic transactions and the ALP determined for the base year will be automatically applied to similar transactions for the next 2 years.

➢ **Scope of Safe Harbour Rules to be expanded –** With a view to reduce litigation and provide certainty in international taxation, the scope of safe harbour rules is proposed to be expanded, the details of which are yet to be announced. In case the new rules cover larger types of businesses and the "Safe Harbours" are reasonable and consistent with commercial reality, it may reduce the uncertainty and litigation substantially.

Direct Tax

SIGNIFICANT TAX ANNOUNCEMENTS – Charitable Entities

- **Period of validity of registration of smaller trusts or institutions -** To reduce the compliance burden for the smaller trusts or institutions, it is proposed to increase the period of validity of registration of trust or institution from 5 years to 10 years for specified entities whose total income without giving effect to the provisions of sections 11 and section12 of the IT Act does not exceed Rs. 5 crores in each of the 2 financial years preceding to the financial year in which such application is made.

- **Rationalization of 'specified violation' for cancellation of registration of trusts or institutions –** As per the existing provisions, even minor default in the application for registration may lead to cancellation of registration of trust or institution and such trust or institution becomes liable to tax on accreted income. It is proposed to provide that the situation where the application for registration of trust or institution is not complete, shall not be treated as specified violation for cancellation of registration of trusts or institutions.

- **Rationalization of specified persons under section 13(3) of the IT Act -** Section 13 of the IT Act provides that benefits of section 11 or section 12 shall not apply if income or any property of the charitable entity is used or applied, directly or indirectly for the benefit of any person specified under section 13(3) of the IT Act. The persons specified under this section is proposed to be rationalized as under -

Existing	Proposed
Person whose total contribution up to the end of the relevant financial year exceeds Rs. 50,000 (A)	Person whose total contribution during the relevant financial exceeds Rs. 1,00,000 or in aggregate up to the end of the relevant financial year exceeds Rs. 10,00,000
Any relative of (A)	Shall not be covered
Any concern in which (A) has a substantial interest	

Indirect Tax - GST

The recommendations made in 55th GST Council meeting has been proposed to be enacted are as under:

Retrospective amendment in respect of construction based blocked input tax credit provisions

- Retrospective substitution of the wordings ‘plant OR machinery’ with ‘plant AND machinery’ in Section 17(5)(d) of the CGST Act, 2017 with effect from 1 July 2017.
- Further, insertion of Explanation 2 to clarify that the reference to the existing wordings ‘plant or machinery’ shall be construed as ‘plant and machinery’ post-factum and the same shall prevail over any contrary court judgment or order.
- The amendment seeks to overrule judgement of Hon’ble Supreme Court in the case of CCGST Vs. M/s. Safari Retreats & Ors 2024 (10) TMI 286.

Amendment in ISD definition to include inter-state RCM

- Amendment of definition of Input Service Distributor provided under Section 2(61) of the CGST Act, 2017 thereby explicitly bringing under purview the inter-state inward supplies of services attracting reverse charge by including reference of Sections 5(3) and 5(4) of the IGST Act, 2017 with effect from 1 April 2025.
- Similar amendment is proposed in Section 20 of the CGST Act, 2017 which specifies the manner of input tax credit distribution by an input service distributor.

Amendment in respect of functionality of Invoice Management System

- It is proposed to amend section 38 of the CGST Act, 2017 to provide enabling provisions to implement Invoice Management System (IMS)

Indirect Tax - GST

Enabling provisions for 'Track and Trace Mechanism'

- It is proposed to insert section 148A to enable provision to implement 'Track and Trace Mechanism' of specified commodities. The mechanism would inter-alia facilitate affixation of Unique Identification Marking on such goods, electronic storage and access of information contained by prescribed persons. Besides, the notified persons shall be liable to furnish details and maintain due records in a prescribed form and manner.

Reduction in pre - deposit for Appeals on Penalty-Only Orders

- It is proposed to reduce the percentage of pre-deposit requirement for filing an appeal before authorities in respect of an order passed which involves only penalty amount.

Omission of time of supply for vouchers –

- It is proposed to omit the sections 12(4) and 13(4) of the CGST Act, 2017 which specifies the time of supply of vouchers in case of supply of goods and services respectively. The amendment seeks to establish that the supply of vouchers does not qualify as a supply for purpose of GST and thus shall not have a time of supply associated with it.

Supply of goods from warehouse in SEZ/FTWZ before supply meant for export or DTA shall neither be goods nor services –

- Retrospective insertion of clause (aa) in Paragraph 8 of Schedule III of the CGST Act, 2017 with effect from 1 July 2017 to classify supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person prior to their clearances for exports outside country or into the Domestic Tariff Area as 'no-supplies' under GST.

- Clause 129 of the Finance Bill, 2025 seeks to clarify that no refund of the tax, already paid in respect of the aforesaid activities or transactions, shall be available.

Indirect Tax - GST

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

- It is proposed to substitute proviso to Section 34(2) of the CGST Act, 2017 thereby restricting reduction in output tax liability effected by an issuer of credit note where corresponding input tax credit on account of such a credit note has not been reversed by the registered recipient or where the tax incidence is already borne by the recipient in other cases.

Enabling provisions to specify conditions and restrictions on filing return in Form GSTR 3B

- It is proposed to amend Section 39(1) of the CGST Act, 2017 thereby enabling imposition of conditions and restrictions on filing of monthly returns in Form GSTR 3B.

Insertion of explanations of 'local fund' and 'municipal fund'

- It is proposed to insert explanations of 'local fund' and 'municipal fund' to the definition of 'local authority' under Section 2(69) of the CGST Act, 2017. This would seek to clarify the scope of these terms while being used in the definition of 'local authority'.

Indirect Tax - Customs

CUSTOMS ACT AMENDMENTS – Effective from 1 April 2025

- A new sub-section (1B) is being inserted in Section 18 to provide definite time limit of two years for finalisation of provisional assessment which can be extended by another one year. It also provides that, for the pending cases, the time-limit shall be reckoned from the date of assent of the Finance Bill.
- Sub-section (1C) is being inserted in Section 18 providing certain grounds where time limit of two years shall remain suspended
- A new Explanation is being inserted in sub-section (1) of section 27 and Explanation 1 of section 28 clarifying that period of limitation of the claim of refund consequent to the revised entry under section 18A or amendment under section 149 shall be one year from the date of payment of duty or interest.
- Various new clauses/ sub-sections are inserted in Section 127A to Section 127G as below:
  - to define Interim Board, Member of the Interim Board and pending applications
  - to provide end date for receipt of applications
  - to provide time limit for extension by the interim board
  - clarifying the powers of Settlement Commission and to be exercised by the Interim Board

CUSTOMS TARRIF ACT AMENDMENTS Effective from 1 May 2025

- The First Schedule to the Customs Tariff Act, 1975 is proposed to be amended to:

  a) reduction in tariff rate from 25%, 30%, 35%,40% to 20%

  b) reduction in tariff rate from 150%, 125%,100% to 70%

  c) reduction in tariff rate on certain items

Indirect Tax - Customs

CUSTOMS TARRIF ACT AMENDMENTS *(continued)*

- Create new tariff items under 'Makhana' products and consequent re-numbering of existing entries under sub-heading 2008 19
- Changes in heading 8112 to align with WCO HS 2022
- Create new tariff items for identification of
  - certain dual-use chemical for non-pesticidal use in Chapter 28
  - certain dual-use chemical for non-pesticidal use and certain goods covered by International Conventions in Chapter 29 and in Chapter 38
  - to distinguish precious metals – containing 99.9% or more by weight of silver, containing 99.5% or more by weight of gold, containing 99% or more by weight of platinum under headings 7106, 7108 and 7110 respectively
- Changes in sub-heading note 2 to Chapter 85 to align with WCO HS 2022

CHANGES IN CUSTOM DUTY RATES AND EXEMPTIONS

- Change in BCD for certain items: Effective 2 February 2025
  - Knitted Fabrics From 20%/ 10% to 20% or Rs115/kg, whichever is higher
  - Interactive Flat Panel Displays from 10% to 20%
- Decrease in Tariff rate : Effective 1 May 2025

Central Government has proposed to reduce BCD

  - on many items articles of Jewellery, Solar Cells etc.
  - on Motor vehicles for transportation of goods, Bicycles, yachts, Electricity meters, Other furniture and parts thereof,
- Tariff rate changes (without change in existing effective rate of duty): Effective from 01 May 2025
  - Government has proposed to change BCD for many items such as various types of Ore, LPG, types of unwrought,

Indirect Tax - Customs

CHANGES IN CUSTOM DUTY RATES AND EXEMPTIONS – *(continued)*

- Other changes in BCD effective from 2 February 2025:
  - Aquafarming & Marine Exports From 30% / 15%to 5%
  - Leather From 10% to Nil
  - Platinum Findings from 25% to 5%
  - Metal Scrap & Lithium-Ion Battery Waste and Scrap from 5% to Nil
  - IT and Electronics Sector from 25%/ 15%/ 10%/ 2.5% to 10%/ 5%/ Nil
  - Automobile from highest of 100% to lowest of 10% depending upon specific HS Code
  - Toys from 25% to 20%
  - Crust leather (hides and skins) from 20% to Nil

Review of conditional exemption rates of BCD

- A comprehensive review has been undertaken in respect of 25 conditional exemptions/concessional rate entries in Notification No. 50/2017-Customs dated 30 June 2017 whose validity is expiring by 31 March 2025. Validity has been extended ranging from 1 year to 10 years i.e. till 31 March 2026 to 31 March 2035 respectively

Other changes in Customs tariff

- Certain entries (257A, 539 and 539A) are being modified for entries provided in Notification no 50/ 2017 – Customs dated 30 June 2017
- Amendment has been proposed in Notifications Nos. 16/2017-Customs dated 20 April 2017 and 153/94-Customs dated 13 July 1994 to provide exemption to 37 new drugs and 13 patient assistance programmes

Other Significant Proposals

- **New Classification Criteria for Micro Small and Medium Enterprises (MSME)** – To help MSMEs achieve higher efficiencies of scale, technological upgradation and better access to capital, the investment and turnover limits are proposed to be revision as tabulated below:

Amount (in Rs.)	Investment		Turnover	
	Current	Revised	Current	Revised
Micro Enterprise	1 Crore	2.5 Crore	5 Crore	10 Crore
Small Enterprise	10 Crore	25 Crore	50 Crore	100 Crore
Medium Enterprise	50 Crore	125 Crore	250 Crore	500 Crore

- **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.

- **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.

- **FDI in Insurance Sector** – It is proposed that the FDI limit for the 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.

- **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.

- **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.

Other Significant Proposals

- **High Level Committee for Regulatory Reforms** – 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.

- **Investment Friendliness Index of States** – An Investment Friendliness Index of States will be launched in 2025 to Further the spirit of competitive cooperative federalism.

- **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.

- **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.

- **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.

- **UDAN - Regional Connectivity 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.

- **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.

Contact us

For further information please contact:
RSM Astute Consulting Pvt. Ltd.
8th Floor, Bakhtawar, 229, Nariman Point, Mumbai - 400 021.
T: (91-22) 6108 5555 / 6121 4444
F: (91-22) 2287 5771
E: emails@rsmindia.in
W: www.rsmindia.in

Offices: Mumbai, New Delhi - NCR, Chennai, Kolkata, Bengaluru, Surat, Hyderabad, Ahmedabad, Pune, Gandhidham, Jaipur, Navi Mumbai and Vijayanagar.

facebook.com/RSMinIndia

twitter.com/RSM_India

linkedin.com/company/rsm-india

youtube.com/@RSMIndia

1 February 2025