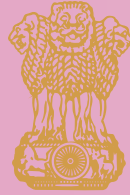

GOVERNMENT OF INDIA

MEMORANDUM EXPLAINING THE PROVISIONS IN THE FINANCE BILL, 2025

(Clauses referred to are clauses in the Bill)

FINANCE BILL, 2025

PROVISIONS RELATING TO DIRECT TAXES

Introduction

The provisions of Finance Bill, 2025 (hereafter referred to as "the Bill"), relating to direct taxes seek to amend the Income-tax Act, 1961 (hereafter referred to as 'the Act'), to continue reforms in direct tax system through tax reliefs, removing difficulties faced by taxpayers and rationalisation of various provisions. The Bill also seeks to amend the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 [UTI Repeal Act, 2002].

With a view to achieving the above, the various proposals for amendments are organized under the following heads:—

(A) Rates of income-tax;

(B) Measures to promote investment and employment;

(C) Simplification and Rationalisation;

(D) Socio economic welfare measures

(E) Tax administration;

DIRECT TAXES

A. RATES OF INCOME-TAX

I. Rates of income-tax in respect of income liable to tax for the assessment year 2025-26.

In respect of income of all categories of assessees liable to tax for the assessment year 2025-26, the rates of income-tax have either been specified in specific sections of the Act (like section 115BAA or section 115BAB for domestic companies, section 115BAC for individual/HUF/AOP (other than a co-operative society)/BOI/AJP and section 115BAD or section 115BAE for cooperative societies) or have been specified in Part I of the First Schedule to the Bill. There is no change proposed in tax rates either in these specific sections or in the First Schedule. The rates provided in sections 115BAA or 115BAB or 115BAC or 115BAD or 115BAE of the Act for the assessment year 2025-26 would be same as already enacted. Similarly rates laid down in Part III of the First Schedule to the Finance (No. 2) Act, 2024, for the purposes of computation of "advance tax", deduction of tax at source from

"Salaries" and charging of tax payable in certain cases for the assessment year 2025-26 would now become Part I of the First Schedule. Part III would now apply for the assessment year 2026-27.

Tax rates under section 115BAC—

For assessment year 2025-26, as per the provisions of sub-section (1A) of section 115BAC of the Act, an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2, has to pay tax in respect of the total income at following rates:

Sl. No.	***Total income***	***Rate of tax***
(1)	***(2)***	***(3)***
1.	Upto Rs. 3,00,000	Nil
2.	From Rs. 3,00,001 to Rs. 7,00,000	5%
3.	From Rs. 7,00,001 to Rs. 10,00,000	10%
4.	From Rs. 10,00,001 to Rs. 12,00,000	15%
5.	From Rs. 12,00,001 to Rs. 15,00,000	20%
6.	Above Rs. 15,00,000	30%

2. The above mentioned rates shall apply, unless an option is exercised as per provisions of sub-section (6) of section 115BAC. Thus, rates specified in sub-section (1A) of section 115BAC of the Act are the default rates.

3. In respect of income chargeable to tax under clause (ii) of sub-section (1A) of section 115BAC of the Act, the income-tax for the assessment year 2025-26 shall be increased by a surcharge, for the purposes of the Union, computed, in the case of every individual or Hindu undivided family or association of persons, or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act,-

(i) having a total income (including the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;

(ii) having a total income (including the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding one crore rupees but not exceeding two crore rupees, at the rate of 15% of such income-tax;

(iii) having a total income (excluding the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding two crore rupees, at the rate of 25% of such income-tax;

(iv) having a total income (including the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding two crore rupees, but is not covered under clause (iii) above, at the rate of 15% of such income-tax;

3.1 In case where the provisions of sub-section (1A) of section 115BAC are applicable and the total income includes any income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act, the rate of surcharge on the income-tax in respect of that part of income shall not exceed 15%.

3.2 Further, in the case of an association of persons consisting of only companies as its members, and having its income chargeable to tax under sub-section (1A) of section 115BAC, the rate of surcharge on the income-tax shall not exceed 15%.

3.3 Marginal relief shall be provided in such cases.

Tax rates under Part I of the First Schedule applicable for the assessment year 2025-26

A. Individual, HUF, association of persons, body of individuals, artificial juridical person.

Paragraph A of Part-I of First Schedule to the Bill provides following rates of income-tax:—

(i) The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act (not being a case to which any other Paragraph of Part I applies) are as under:—

(1)	Upto Rs. 2,50,000	Nil
(2)	From Rs. 2,50,001 to Rs. 5,00,000	5%
(3)	From Rs. 5,00,001 to Rs. 10,00,000	20%
(4)	Above Rs. 10,00,000	30%

(ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year,—

(1)	Upto Rs. 3,00,000	Nil
(2)	From Rs. 3,00,001 to Rs.5,00,000	5%
(3)	From Rs. 5,00,001 to Rs.10,00,000	20%
(4)	Above Rs. 10,00,000	30%

(iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year,—

(1)	Upto Rs. 5,00,000	Nil
(2)	From Rs. 5,00,001 to Rs.10,00,000	20%
(4)	Above Rs. 10,00,000	30%

These rates are the same as those applicable for the assessment year 2024-25.

B. Co-operative Societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part I of the First Schedule to the Bill. They remain unchanged at (10% up to Rs. 10,000; 20% between Rs. 10,001 to Rs. 20,000; and 30% when income excess Rs. 20,000).

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part I of the First Schedule to the Bill. They remain unchanged at 30%.

D. Local authorities

In the case of local authority, the rate of income-tax has been specified in Paragraph D of Part I of the First Schedule to the Bill. They remain unchanged at 30%.

E. Companies

In the case of companies, the rates of income-tax have been specified in Paragraph E of Part I of the First Schedule to the Bill and remain unchanged vis-à-vis those for the AY 2024-25. In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the previous year 2022-23 does not exceed four hundred crore rupees and in all other cases the rate of income-tax shall be 30% of the total income.

2. In the case of companies other than domestic companies, the rate of income-tax shall be 35%, on the total income other than income chargeable at special rates.

(1) Surcharge on income-tax

The rates of surcharge on the amount of income-tax for the purposes of the Union are the same as that specified for the AY 2024-25. The surcharge shall not apply on income-tax computed on income of specified fund (referred to in clause (c) of the Explanation to clause (4D) of section 10) that is chargeable under clause (a) of sub-section (1) of section 115AD of the Act. Further, for person whose income is chargeable to tax under sub-section (1A) of section 115BAC of the Act, the surcharge at the rate of 37% on the income or aggregate of income of such person (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding five crore rupees is not applicable. In such cases the surcharge is restricted to 25%.

(2) Marginal Relief—

Marginal relief has also been provided in all cases where surcharge is proposed to be imposed.

(3) Education Cess—

For assessment year 2025-26, "Health and Education Cess" is to be levied at the rate of 4% on the amount of income-tax so computed, inclusive of surcharge wherever applicable, in all cases. No marginal relief shall be available in respect of such cess.

II. Rates for deduction of income-tax at source during the financial year (FY) 2025-26 from certain incomes other than "Salaries".

The rates for deduction of income-tax at source during the FY 2025-26 under the provisions of section 193, 194A, 194B, 194BB, 194D, 194LBA, 194LBB, 194LBC and 195 have been specified in Part II of the First Schedule to the Bill.

2. It is proposed that the rates in force for deduction of income-tax at source on income by way of insurance commission shall be reduced from 5% to 2%, in view of the amendments made vide Finance (No. 2) Act, 2024 in section 194D (Payment of insurance commission) with effect from 1st day of April, 2025.

3. For sections specifying the rate of deduction of tax at source, the tax shall continue to be deducted as per the provisions of the relevant sections of the Act.

4. Apart from the above, the rates will remain the same as those specified in Part II of the First Schedule to the Finance (No. 2) Act, 2024, for the purposes of deduction of income-tax at source during the FY 2024-25.

6. The surcharge on the amount of income-tax for the purposes of the Union is the same as that specified for the FY 2024-25.

7. "Health and Education Cess" shall continue to be levied at the rate of four per cent. of income tax including surcharge wherever applicable, in the cases of persons not resident in India including company other than a domestic company.

III. Rates for deduction of income-tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the FY 2025-26 (Assessment Year 2026-27).

The rates for deduction of income-tax at source from "Salaries" or under section 194P of the Act during the FY 2025-26 and also for computation of "advance tax" payable during the said year in the case of all categories of assessees have been specified in Part III of the First Schedule to the Bill. These rates are also applicable for charging income-tax during the FY 2025-26 on current incomes in cases where accelerated assessments have to be made, for instance, provisional assessment of shipping profits arising in India to non-residents, assessment of persons leaving India for good during the financial year, assessment of persons who are likely to transfer property to avoid tax, assessment of bodies formed for a short duration, etc. The salient features of the rates specified in the said Part III are indicated in the following paragraphs-

A. Individual, HUF, association of persons, body of individuals, artificial juridical person.

With effect from assessment year 2026-27, it is proposed that the following rates provided under the proposed clause (iii) of sub-section (1A) of section 115BAC of the Act shall be the rates applicable for determining the income-tax payable in respect of the total income of a person, being an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2:—

Sl. No.	***Total income***	***Rate of tax***
(1)	***(2)***	***(3)***
1.	Upto Rs. 4,00,000	Nil
2.	From Rs. 4,00,001 to Rs. 8,00,000	5 per cent
3.	From Rs. 8,00,001 to Rs. 12,00,000	10 per cent
4.	From Rs. 12,00,001 to Rs. 16,00,000	15 per cent

Sl. No.	*Total income*	*Rate of tax*
(1)	*(2)*	*(3)*
5.	From Rs. 16,00,001 to Rs. 20,00,000	20 per cent
6.	From Rs. 20,00,001 to Rs. 24,00,000	25 per cent
7.	Above Rs. 24,00,000	30 per cent

2. However, if such person exercises the option under sub-section (6) of section 115BAC of the Act, the rates as provided in Part III of the First Schedule shall be applicable.

3. Paragraph A of Part III of the First Schedule to the Bill provides following rates of income-tax:—

(i) The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act (not being a case to which any other Paragraph of Part III applies) are as under:—

(1)	Upto Rs. 2,50,000	Nil
(2)	From Rs. 2,50,001 to Rs. 5,00,000	5%
(3)	From Rs. 5,00,001 to Rs. 10,00,000	20%
(4)	Above Rs. 10,00,000	30%

(ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year,—

(1)	Upto Rs. 3,00,000	Nil
(2)	From Rs. 3,00,001 to Rs.5,00,000	5%
(3)	From Rs. 5,00,001 to Rs.10,00,000	20%
(4)	Above Rs. 10,00,000	30%

(iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year,—

(1)	Upto Rs. 5,00,000	Nil
(2)	From Rs. 5,00,001 to Rs.10,00,000	20%
(4)	Above Rs. 10,00,000	30%

4. The amount of income-tax computed in accordance with the preceding provisions of this Paragraph (including capital gains under section 111A, 112 and 112A), shall be increased by a surcharge at the rate of,—

(a) having a total income (including the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;

(b) having a total income (including the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding one crore rupees, at the rate of 15% of such income-tax;

(c) having a total income (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding two crore rupees but not exceeding five crore rupees, at the rate of 25% of such income-tax;

(d) having a total income (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding five crore rupees, at the rate of 37% of such income-tax;

(e) having a total income (including the income by way of dividend or income under the provisions of section 111A, 112 and section 112A of the Act) exceeding two crore rupees, but is not covered under clauses (c) and (d), shall be applicable at the rate of 15% of such income-tax.

4.1 Provided that in case where the total income includes any income by way of dividend or income chargeable under section 111A, section 112 and section 112A of the Act, the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed 15%.

4.2 Provided further that in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15%.

4.3 Further, for person whose income is chargeable to tax under sub-section (1A) of section115BAC of the Act, the surcharge at the rate 37% on the income or aggregate of income of such person (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding five crore rupees shall not be applicable. In such cases, the surcharge shall be restricted to 25%.

5. Marginal relief is provided in cases of surcharge.

B. Co-operative Societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part III of the First Schedule to the Bill. These rates will continue to be the same as those specified for FY 2024-25. The amount of income-tax shall be increased by a surcharge at the rate of 7% of such income-tax in case the total income of a co-operative society exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% of such income-tax shall continue to be levied in case of a co-operative society having a total income exceeding ten crore rupees.

2. Marginal relief is provided in cases of surcharge.

3. On satisfaction of certain conditions, a co-operative society resident in India shall have the option to pay tax at 22% as per the provisions of section 115BAD. Surcharge would be at 10% on such tax.

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for FY 2024-25. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a firm having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

D. Local authorities

The rate of income-tax in the case of every local authority has been specified in Paragraph D of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for the FY 2024-25. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a local authority having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

E. Companies

The rates of income-tax in the case of companies have been specified in Paragraph E of Part III of the First Schedule to the Bill. In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the previous year 2023-24 does not exceed four hundred crore rupees and where the companies continue in section 115BA regime. In all other cases the rate of income-tax shall be 30% of the total income. However, domestic companies also have an option to opt for taxation under section 115BAA of the Act on fulfillment of conditions contained therein. The rate of income-tax rate is 22% in section 115BAA. Surcharge would be at 10% on such tax.

2. In the case of a company other than a domestic company, the rates of income-tax shall be 35% of the total income, on income other than income chargeable at special rates.

3. Surcharge at the rate of 7% shall continue to be levied in case of a domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act), if the total income of the domestic company exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% shall continue to be levied, if the total income of the domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act) exceeds ten crore rupees.

4. In case of companies other than domestic companies, the existing surcharge of 2% shall continue to be levied, if the total income exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 5% shall continue to be levied, if the total income of the company other than domestic company exceeds ten crore rupees.

5. Marginal relief is provided in surcharge in all cases.

6. In other cases [including sub-section (2A) of section 92CE, 115QA, 115R, 115TA or 115TD], the surcharge shall be levied at the rate of 12%

7. For FY 2025-26, additional surcharge called the "Health and Education Cess on income-tax" shall be levied at the rate of 4% on the amount of tax computed, inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such cess.

IV. Rebate under section 87A

Under the provisions of section 87A of the Act, an assessee, being an individual resident in India, having total income not exceeding Rs 5 lakh, is provided a rebate of 100 per cent of the amount of income-tax payable i.e., an individual having income till Rs 5 lakh is not required to pay any income-tax.

2. Finance Act, 2023 inserted proviso to the said section, to provide rebate of income-tax in cases where the total income of such assessee is chargeable to tax under sub-section (1A) of section 115BAC. Proviso to section 87A provides the rebate of income-tax in cases of such individuals, upto Rs.25,000/- where the total income does not exceed Rs. 7,00,000/- (clause (a) of the said proviso) and marginal relief where the total income exceeds Rs. 7,00,000/- (clause (b) of the said proviso) to income chargeable to tax under sub-section (1A) of section 115BAC.

3. The provisions of sub-section (1A) of section 115BAC are subject to the other provisions of Chapter XII i.e. determination of tax in certain special cases. Hence, proviso to section 87A clearly provides that tax on incomes chargeable at special rates (for e.g.: capital gains u/s 111A, 112 etc.) as specified under various provisions of Chapter XII, are not included while determining the rebate of income-tax under the first proviso to section 87A.

4. From assessment year 2026-27 onwards, for an assessee, being an individual resident in India whose income is chargeable to tax under the sub-section (1A) of section 115BAC, it is proposed to,–

(i) enhance the limit of total income for rebate in clause (a) and (b) of first proviso under section 87A, on which the income-tax is payable as per the rates of income-tax under sub-section (1A) of section 115BAC, from Rs. 7,00,000/- to Rs. 12,00,000/- and the limit of rebate in clause (a) of first proviso to section 87A from Rs. 25,000/- to Rs. 60,000/-.

(ii) rationalise the first proviso to section 87A by inserting a new proviso so as to provide that the deduction under the first proviso, shall not exceed the amount of income-tax payable as per the rates provided in sub-section (1A) of section 115BAC.

5. Further, as mentioned in para. 4 above, such rebate of income-tax is not available on tax on incomes chargeable at special rates (for e.g.: capital gains u/s 111A, 112 etc.).

[Clauses 2, 20, 24 & the First Schedule]

B. MEASURES TO PROMOTE INVESTMENT AND EMPLOYMENT

I. Incentives to International Financial Services Centre

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

In order to further incentivize operations from IFSC, it is proposed to make the following amendments:-

II. Extension of sunset dates for several tax concessions pertaining to IFSC

The sunset dates for commencement of operations of IFSC units for several tax concessions, or relocation of funds to IFSC, in clause (d) of sub-section (2) of section 80LA, clause (4D), clause (4F), clause (4H) of section 10 and clause (viiad) of section 47, is proposed to be extended to 31st day of March, 2030.

2. These amendments will take effect from the 1st day of April, 2025.

[Clauses 6, 13 & 19]

III. Exemption on life insurance policy from IFSC Insurance offices

Clause (10D) of section 10 provides exemption to sum received under a life insurance policy including the sum allocated by way of bonus on such policy, subject to the conditions specified therein. The said provisions are also applicable to insurance policies issued by IFSC Insurance Offices.

2. Provisos (fourth, fifth, sixth and seventh provisos) to the said clause, *inter alia*, provide that the exemption under the said clause is not available if annual amount of premium or aggregate of premiums payable is above Rs. 2.5 lakhs for unit linked insurance policies, and Rs. 5 lakhs for life insurance policies other than unit linked insurance policies.

3. In order to provide parity to non-residents availing life insurance from insurance office in IFSC vis a vis other foreign jurisdiction, it is proposed to amend the clause (10D) of section 10 so as to provide that proceeds received on life insurance policy issued by IFSC insurance intermediary office shall be exempted without the condition related to the maximum premium payable on such policy as mentioned above.

4. These amendments will take effect from the 1st day of April, 2025.

[Clause 6]

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

Clause (4H) of section 10 provides exemption to non-residents or unit of IFSC engaged in aircraft leasing on capital gains tax on transfer of equity shares of domestic companies being units of IFSC, engaged in aircraft leasing. Further, clause (34B) of section 10 provides exemption to dividend paid by a company being a unit of IFSC engaged in aircraft leasing, to a unit of IFSC engaged in aircraft leasing.

2. It has been represented that similar to aircraft leasing business, in the ship leasing business, separate special purpose vehicles (SPVs) are created for one or more vessels to safeguard the investors. Therefore, on the lines of aircraft leasing, it is proposed to extend the exemption in,–

(I) Clause (4H) of section 10 to non-residents or units of IFSC engaged in ship leasing on capital gains tax on transfer of equity shares of domestic companies being units of IFSC, engaged in ship leasing.

(II) Clause (34B) of section 10 to dividend paid by a company being a unit of IFSC engaged in ship leasing, to a unit of IFSC engaged in ship leasing.

3. These amendments will take effect from the 1st day of April, 2025.

[Clause 6]

V. Rationalisation of definition of 'dividend' for treasury centres in IFSC

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

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

3. Suggestions have been received that borrowings by the corporate treasury centre in IFSC from any group entities could trigger deemed dividend provisions in the hands of the shareholder.

4. It is proposed to amend clause (22) of section 2 to provide that any advance or loan between two 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, other than the country or territory outside India as may be specified by the Board in this behalf, shall not be treated as 'dividend'. The conditions for a 'group entity', 'principle entity' and the 'parent entity' shall be prescribed.

5. These amendments will take effect from the 1st day of April, 2025.

[Clause 3]

VI. Simplified regime for fund managers based in IFSC

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

2. One of the conditions at clause (c) of sub-section (3) of section 9A *inter alia* provides that the eligible investment fund shall fulfil the condition that the aggregate participation or investment in the fund, directly or indirectly, by persons resident in India does not exceed five per cent of the corpus of the fund.

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

4. It has been represented that there a need to provide a specific simplified regime for IFSC based fund managers, managing funds situated in other jurisdiction so that fund managers in IFSC are at par with the fund management entities in competing foreign jurisdiction.

5. It is proposed to amend the provisions of section 9A so that –

(I) The condition at clause (c) of sub-section (3) of section 9A is rationalised for all the eligible investment funds whether or not their eligible fund managers are based 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 at clause (c) is not satisfied on either of the said days, it shall be provided that it will satisfy the same condition within four months of the said days;

(II) In view of the rationalisation above, the condition at clause (c) of sub-section (3) of section 9A shall not be modified for any eligible investment fund and its eligible fund manager; and

(III) The other conditions (a) to (m) can be relaxed for a eligible investment fund where the date of commencement of operations by its eligible fund manager located in IFSC for the purposes of sub-section (8A) of section 9A is on or before 31st day of March, 2030.

6. These amendments will take effect from the 1st day of April, 2025.

[Clause 5]

VII. Amendment of Section 10 related to Exempt income of Non-Residents

The existing provisions of clause (4E) of section 10 of the Act provide that any income accrued or arisen to, or received by 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 an offshore banking unit of an International Financial Services Centre referred to in sub-section (1A) of section 80LA shall not be included in the total income of the non-resident.

2. In order to further incentivize operations from the IFSC, it is proposed to amend clause (4E) of section 10 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.

3. This amendment will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

[Clause 6]

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

In order to further incentivize operations from IFSC, it is proposed to make the following amendments:

(I) The existing provisions of clause (viiad) of Section 47 of the Act provide that any transfer by a shareholder or unit holder or interest holder, in a relocation, of a capital asset being a share or unit or interest held by him in the original fund in consideration for the share or unit or interest in the resultant fund shall not be regarded as transfer for the purposes of calculating capital gains. The Explanation to the clause inter-alia, provides that “resultant fund" means a fund established or incorporated in India, which has been granted a certificate of registration as a Category I or Category II or Category III Alternative Investment Fund, is located in any International Financial Services Centre and is subject to certain conditions provided therein. Thus, the relocation of original funds to the resultant fund in the IFSC is a tax-neutral transaction.

(II) The income of retail schemes and Exchange Traded Funds (ETFs) located in the IFSC and, *inter alia*, is regulated under the International Financial Services Centres Authority Act, 2019 was granted exemption along with previously exempted specified funds as per section 10(4D) of the

Act vide the Finance (No.2) Act, 2024. It is proposed to include such retail schemes or Exchange Traded Funds (ETF) within the definition of resultant fund for the purposes of clause (viiad) of section 47 of the Act so that relocation of original funds to such funds in the IFSC is also a tax-neutral transaction.

2. This amendment will take effect from the 1st day of April, 2026, and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

[Clause 13]

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

Clause (23FE) of section 10 of the Act provides for the exemption to specified persons 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. Specified persons *inter alia* are Sovereign Wealth Fund (SWF), Pension Fund (PF) which fulfills conditions prescribed therein and are specified for this purpose by the Central Government through notification in the Official Gazette. This provision was introduced through the Finance Act, 2020 to encourage investments of SWF and PF into infrastructure sector of India.

2. Sub-clause (i) of clause (23FE) of section 10, *inter* alia, provides that investment is made on or after the 1st day of April, 2020 but on or before the 31st day of March, 2025.

3. Suggestions have been received that given the long-term nature of infrastructure investments and the role of foreign SWFs and PFs in financing such projects, the deadline for investment under clause (23FE) of section 10 be extended. This will provide the stability and time frame necessary for global investors to make substantial contribution to India's infrastructure development.

4. Further, the amendments to section 50AA by Finance (No. 2) Act, 2024, have re-classified all the capital gains from unlisted debt securities as short-term capital gains, irrespective of the holding period. This will result in the long term capital gains from investment in unlisted debt investments to be taxable in the hands of SWFs and PFs. Prior to the said amendments, notified SWFs or PFs were eligible for exemptions on long-term capital gains from unlisted debt securities under clause (23FE) of section 10.

5. It is, therefore, proposed to amend clause (23FE) of section 10, so as to provide that,–

(I) long-term capital gains (whether or not such capital gains are deemed as short-term capital gains under section 50AA) arising from an investment made by it in India, shall inter alia not be

included in the total income of a specified person under clause (23FE) of section 10; and

(II) the date of investment under the said clause shall extended from 31st day of March, 2025 to 31st day of March, 2030.

6. These amendments will take effect from the 1st day of April, 2025.

[Clause 6]

X. Scheme of presumptive taxation extended for non-resident providing services for electronics manufacturing facility

In order to position India as the global hub for Electronics System Design and Manufacturing, a comprehensive program for the development of semiconductors and display manufacturing ecosystem in India was approved by Government of India. Ministry of Electronics and Information Technology has notified Schemes for setting up of such facilities in India.

2. In this context, it has been represented that non-residents will be providing support in setting up of such electronics manufacturing facilities by deploying the technology and providing support services.

3. In order to ensure certainty and promotion of this industry, it is proposed to provide a 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.

4. It is, therefore, proposed, to insert a new section 44BBD, which deems twenty-five per cent 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. This will result in an effective tax payable of less than 10% on gross receipts, by a non-resident company.

5. This amendment will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

[Clause 11]

XI. Extension of benefits of tonnage tax scheme to inland vessels

Tonnage tax scheme in Chapter XII-G of the Act was brought vide Finance Act, 2004 in order to promote Indian shipping industry wherein the qualifying shipping companies were given the choice to opt for the tonnage tax regime or continue to remain within the normal corporate tax regime.

2. Representations were received to extend tonnage tax scheme to inland vessels to promote inland water transportation industry. It is stated that at present, India is short of inland water transport vessels fleet and require higher investments in the sector which is capital intensive. Therefore, to provide a boost to inland water transportation, it was represented to include inland vessels under the ambit of tonnage tax scheme.

3. Therefore, 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. Accordingly inland vessels have been included in the section 115VD for being eligible to be a qualified ship. Further, inland vessels have been defined in section 115V of the Act in the same manner as provided in the Inland Vessels Act, 2021. Other corresponding amendments have been made to extend the tonnage tax scheme to inland vessels.

4. These amendment will take effect from the 1st day of April, 2026 and shall, accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

[Clauses 26, 27, 28, 29, 30, 31, 33, 34, 35 & 36]

C. SIMPLIFICATION AND RATIONALISATION

I. Simplification of tax provisions for charitable trusts/institutions

Income of any trust or institution registered under section 12AB of the Act is exempt subject to the fulfilment of the conditions provided in the Act. Section 12A provides for procedure to make application for the registration of the trust or institution to claim exemption under section 11 and 12. Section 12AB, provides for the procedure related to approval and cancellation of the registration for the trust or institution making application under section 12A. Section 13 provides that exemption under section 11 and 12 shall not be available to a trust or institution if such trust or institution does not fulfill the conditions specified therein.

II. Rationalisation of 'specified violation' for cancellation of registration of trusts or institutions

Sub-section (4) of the section 12AB *inter alia* provides that where registration or provisional registration of a trust or an institution has been granted and subsequently, the Principal Commissioner or Commissioner has noticed occurrence of one or more specified violations during any previous year, the Principal Commissioner or Commissioner shall, pass an order in writing, cancelling the registration of such trust or institution if he is satisfied that one or more specified violations have taken place.

2. Explanation to sub-section (4) of the said section provides that "specified violation" *inter alia* means the cases where the application referred to in clause (ac) of sub-section (1) of section 12A is not complete or it contains false or incorrect information.

3. It is noted that even minor default, where the application referred to in clause (ac) of sub-section (1) of section 12A is not complete, may lead to cancellation of registration of trust or institution, and such trust or institution becomes liable to tax on accreted income as per provisions of Chapter XII-EB of the Act.

4. It is, therefore, proposed to amend the Explanation to sub-section (4) of section 12AB so as to provide that the situations where the application for registration of trust or institution is not complete, shall not be treated as specified violation for the purpose of the said sub-section.

5. These amendments will take effect from the 1st day of April, 2025.

[Clause 7]

III. Period of registration of smaller trusts or institutions

Section 12AB provides registration of trust or institution for a period of 5 years or provisional registration (where activities have not commenced at the time of filing application for registration) for a period of 3 years. At the expiry of such registration or provisional registration, or in case of provisional registration, if the activities of the trust or institution have commenced, the trust or institution is required to make application for further registration.

2. It has been noted that applying for registration after every 5 years, increases the compliance burden for trusts or institutions, especially for the smaller trusts or institutions.

3. 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, in cases where the trust or institution made an application under sub-clause (i) to (v) of the clause (ac) of sub-section (1) of section 12A, and the total income of such trust or institution, without giving effect to the provisions of sections 11 and 12, does not exceed Rs. 5 crores during each of the two previous year, preceding to the previous year in which such application is made.

4. These amendments will take effect from the 1st day of April, 2025.

[Clause 7]

IV. Rationalisation of persons specified under sub-section (3) of section 13 for trusts or institutions

Section 13 of the Act, *inter alia*, provides that section 11 or section 12 shall not apply to exclude any income from the total income of trust of institution, if such income enures, or such income or any property of the trust or the institution is used or applied, directly or indirectly for the benefit of any person referred to in sub-section (3), which *inter alia* are as following –

- any person who has made a substantial contribution to the trust or institution, that is to say, any person whose total contribution up to the end of the relevant previous year exceeds fifty thousand rupees;
- any relative of any such person as aforesaid;
- any concern in which any such person as aforesaid has a substantial interest.

2. Suggestions have been received that there are difficulties in furnishing certain details of persons other than author, founder, trustees or manager etc. who have made a 'substantial contribution to the trust or institution', that is to say, any person whose total contribution up to the end of the relevant previous year exceeds fifty thousand rupees. These details are about their relatives and the concerns, in which they are substantially interested.

3. It is, therefore, proposed to amend the sub-section (3) of section 13 to provide that,–

(i) persons referred to in clause (b) of sub-section (3) of section 13, shall be any person whose total contribution to the trust or institution, during the relevant previous year exceeds one lakh rupees, or, in aggregate up to the end of the relevant previous year exceeds ten lakh rupees, as the case may be;

(ii) relative of any such person as mentioned in (i) above, shall not be included in persons specified in sub-section (3) of section 13; and

(iii) any concern in which any such person as mentioned in (i) above has a substantial interest, shall not be included in persons specified in sub-section (3) of section 13.

4. These amendments will take effect from the 1st day of April, 2025.

[Clause 8]

V. Rationalisation in taxation of Business trusts

Finance (No.2) Act, 2014 introduced a special taxation regime for Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InVIT) [commonly referred to as business trusts]. The special regime was introduced in order to address the challenges of financing and investment in infrastructure. The business trusts invest in special purpose vehicles (SPV) through equity or debt instruments.

2. Keeping in mind the business structure, the special taxation regime under section 115UA of the Act, *inter-alia*, provides a pass-through status to business trusts in respect of interest income, dividend income received by the business trust from a special purpose vehicle in case of both REIT and InvIT and rental income in case of REIT. Such income is taxable in the hands of the unit holders unless specifically exempted.

3. Sub-section (2) of section 115UA provides that the total income of a business trust shall be charged to tax at the maximum marginal rate, subject to the provisions of section 111A and section 112.

4. It has been noted that reference of section 112A is not mentioned in sub-section (2) of section 115UA. Section 112A provides tax on long-term capital gains in certain cases of long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust.

5. It is proposed to amend sub-section (2) of section 115UA to provide that the total income of a business trust shall be charged to tax at the maximum marginal rate, subject to the provisions of section 111A, section 112 as well as section 112A.

6. This amendment will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

[Clause 25]

VI. Harmonisation of Significant Economic Presence applicability with Business Connection

Section 9 of the Act provides for income which shall be deemed to accrue or arise in India. Clause (i) of section 9, *inter alia*, provides that all income accruing or arising, whether directly or indirectly, through or from any business connection in India shall be deemed to accrue or arise in India.

2. Clause (b) of *Explanation* 1 to clause (i) of sub-section (1) of section 9 provides that in the case of a non-resident, no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of export.

3. *Explanation* 2A to clause (i) of sub-section (1) of section 9, *inter alia*, 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.

4. Suggestions have been received that owing to definition of significant economic presence provided in *Explanation* 2A, the specific exclusion provided in the case of a non-resident, for income arising through or from operations which are confined to the purchase of goods in India for the purpose of export may be denied and such income may also be treated as income deemed to accrue or arise in India.

5. It is, therefore, proposed to amend the *Explanation* 2A of section 9 so that the transactions or activities of a non-resident in India which are confined to the purchase of goods in India for the purpose of export shall not constitute significant economic presence of such non-resident in India. This will bring it in coherence with the *Explanation* 1 to clause (i) of sub-section (1) of section 9 for business connection.

6. These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

[Clause 4]

VII. Bringing clarity in income on redemption of Unit Linked Insurance Policy

Clause (10D) of section 10 provides for income-tax exemption on the sum received under a life insurance policy, including bonus on such policy. There is a condition that the premium payable for any of the years during the terms of the policy should not exceed ten per cent of the actual capital sum assured.

2. It may be pertinent to note that to restrict the benefit of exemption under clause (10D) of section 10, to small and genuine cases of life insurance, the Finance Act, 2021, *inter alia*, made amendments to clause (10D) of section 10 to provide that the exemption under this clause shall not apply with respect to any unit linked insurance policy or policies issued on or after the 01.02.2021, if the amount of premium or aggregate amount of premium payable during the term of such policy or policies exceeds Rs. 2,50,000;

3. It is noted that ULIP is a capital asset only when the exemption under clause (10D) of section 10 does not apply on such policies on account of the applicability of the 4th and 5th proviso and accordingly, taxation as capital gains in case of only such ULIPs. 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 clause (10D) of section 10 does not apply.

4. Further, any sum received under an insurance policy as provided in sub-clauses (a) to (d) read with the provisos to clause (10D) to section 10 are not eligible for exemption under clause (10D) of section 10. Such sub-clauses are applicable to unit-linked insurance policy as well.

5. It is, therefore, proposed to rationalise the provisions for unit-linked insurance policies, so as to provide that,–

(I) ULIPs to which exemption under clause (10D) of section 10 does not apply, is a capital asset [clause (14) of section 2];

(II) the profit and gains from the redemption of ULIPs to which exemption under clause (10D) of section 10 does not apply, shall be charged to tax as capital gains [sub-section (1B) of section 45]; and

(III) ULIPs to which exemption under clause (10D) of section 10 does not apply, shall be included in the definition of equity oriented fund [clause (a) of Explanation to section 112A]

7. These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

[Clauses 3, 12 & 22]

VIII. Amendment of Definition of 'Capital Asset'

Section 2(14) of the Act defines the term "capital asset" to include property of any kind held by an assessee, whether or not connected with his business or profession, but does not include any stock-in-trade or personal assets as provided in the definition. The securities held by a Foreign Institutional Investor which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) are also defined as capital assets.

2. There is some uncertainty in characterization of income arising from transaction in securities as to whether it is capital gain or business income for investment funds (specified in clause (a) of Explanation 1 to section 115UB in the Act).

3. With a view of providing certainty in respect of the above, it is proposed to amend the Act to provide that any security held by investment funds referred to in Section 115UB which has invested in such security in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 would be treated as capital asset only so that any income arising from transfer of such security would be in the nature of capital gain.

4. This amendment will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

[Clause 3]

IX. Extension of timeline for tax benefits to start-ups

The existing provisions of Section 80-IAC of the Act, *inter alia*, provide for a deduction of an amount equal to hundred percent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years, beginning from the year of incorporation, at the option of the assessee subject to the condition that ,–

(I) the total turnover of its business does not exceed one hundred crore rupees,

(II) it is holding a certificate of eligible business from the Inter-Ministerial Board of Certification, and

(III) it is incorporated on or after the 1st day of April, 2016 but before the 1st day of April, 2025.

2. It is proposed to amend the above section so as to extend the benefit for another period of five

years, i.e. the benefit will be available to eligible start-ups incorporated before 01.04.2030.

3. This amendment will take effect from the 1st day of April 2025.

[Clause 18]

X. Rationalisation of taxation of capital gains on transfer of capital assets by non-residents

The existing provisions of Section 115AD of the Act provide that where the total income of a specified fund or Foreign Institutional Investor includes—

(a) income received in respect of securities (other than units referred to in section 115AB); or

(b) income by way of short-term or long-term capital gains arising from the transfer of such securities,

the income-tax on the income by way of long-term capital gains referred to in clause (b), if any, included in the total income, shall be calculated at the rate of ten per cent.

2. Certain amendments were carried out in the above provisions by the Finance (No.2) Act, 2024. The rate of taxation on long-term gains arising from the transfer of capital assets was amended to twelve and one-half per cent in the case of all assessees, whether resident or non-resident, with effect from 23.07.2024. It was seen that while the rates of taxation in the case of specified fund or FIIs in case of long-term gains referred to in section 112A have been brought to parity with the rates applicable for residents, the rate of income-tax calculated on the income by way of long-term capital gains not referred to in section 112A were retained at ten per cent vide Finance (No.2) Act, 2024.

3. It is proposed to amend the provisions of section 115AD to provide that income-tax on the income by way of long-term capital gains on transfer of securities (other than units referred to in section 115AB) not referred to in section 112A, if any, included in the total income, shall be calculated at the rate of twelve and one-half per cent.

4. These amendments will take effect from the 1st day of April, 2026, and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

[Clause 23]

XI. Rationalization of tax deducted at source (TDS) rates

There are various provisions of Tax Deduction at Source (TDS), with different thresholds and multiple rates. To improve ease of doing business and better compliance by taxpayers, it is proposed to rationalize certain rates of TDS and to increase threshold limit for applicability of the TDS provisions.

I. TDS rate reduction for section 194LBC

Section 194LBC of the Act requires that where any income is payable by a securitisation trust to an investor, being a resident, in respect of an investment in a securitisation trust as specified therein, the person responsible for making the payment shall, deduct income-tax, at the rate of 25%, if the payee is an individual or a Hindu undivided family and 30%, if the payee is any other person.

2. It is proposed that TDS rate under section 194LBC of the Act be reduced from 25% and 30% to 10% as this sector is sufficiently organized and regulated.

3. This amendment will take effect from the 1st day of April 2025.

[Clause 63]

II. TDS threshold rationalization

TDS provisions have various thresholds of amount of payment or amount of income, beyond which tax is required be deducted. It is proposed to rationalize these thresholds as below –

S. No	Section	Current threshold	Proposed threshold
1.	193 - Interest on securities	Nil	Rs. 10,000/-
2.	194A - Interest other than Interest on securities	(i) Rs. 50,000/- for senior citizen; (ii) Rs. 40,000/- in case of others when payer is bank, cooperative society and post office (iii) Rs. 5,000/- in other cases	(i) Rs. 1,00,000/- for senior citizen (ii) Rs. 50,000/- in case of others when payer is bank, co-operative society and post office (iii) Rs. 10,000/- in other cases
3.	194 - Dividend for an individual shareholder	Rs. 5,000/-	Rs. 10,000/-
4.	194K - Income in respect of units of a mutual fund or specified company or undertaking	Rs. 5,000/-	Rs. 10,000/-
5.	194B - Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction
6.	194BB - Winnings from horse race		

S. No	Section	Current threshold	Proposed threshold
7.	194D - Insurance commission	Rs. 15,000/-	Rs. 20,000/-
8.	194G - Income by way of commission, prize etc. on lottery tickets	Rs. 15,000/-	Rs. 20,000/-
9.	194H - Commission or brokerage	Rs. 15,000/-	Rs. 20,000/-
10.	194-I Rent	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month
11.	194J - Fee for professional or technical services	Rs. 30,000/-	Rs. 50,000/-
12.	194LA - Income by way of enhanced compensation	Rs. 2,50,000/-	5,00,000/-

Section 193 – Interest on securities

Section 193 of the Act requires that any person responsible for paying to a resident any income by way of interest on securities shall, at the time of credit of such income to the account of the payee or at the time of payment thereof, whichever is earlier, deduct income-tax at the rates in force on the amount of the interest payable. Currently there is no threshold for amount of income by way of interest for deduction of tax at source in this section.

2. Proviso to the section provides for non-deduction of tax at source in certain cases. Clause (v) of the proviso states that no tax is required to be deducted on any interest payable to an individual or a Hindu undivided family, who is resident in India, on any debenture issued by a company in which the public are substantially interested, if the amount of interest or, as the case may be, the aggregate amount of such interest, paid or likely to be paid, through an account payee cheque, on such debenture during the financial year by the company does not exceed Rs. 5,000/-.

3. It is proposed to provide that tax shall be deducted under this section only when the amount or the aggregate of amounts of income by way of interest on securities exceeds Rs. 10,000/- during a financial year and consequentially to amend the proviso accordingly.

4. These amendments will take effect from the 1st day of April 2025.

[Clause 51]

Section 194 – Dividends

Section 194 of the Act requires that the principal officer of an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends (including dividends on preference shares) within India, shall, before making any payment by any mode in respect of any dividend or before making any distribution or payment to a shareholder, who is resident in India, of any dividend within the meaning of all sub-clauses of clause (22) of section 2, deduct from the amount of such dividend, income-tax at the rate of 10%.

2. The first proviso to this section states that no tax is required to be deducted when the amount or aggregate of amounts of such dividend, distributed or paid or likely to be distributed or paid, during the financial year by the company to the shareholder, being an individual, does not exceed Rs. 5,000/-.

3. It is proposed to provide that no tax is required to be deducted when the amount or aggregate of amounts of such dividend, distributed or paid or likely to be distributed or paid, to the shareholder, being an individual, does not exceed Rs. 10,000/-.

4. This amendment will take effect from the 1st day of April 2025.

[Clause 52]

Section 194A – Interest other than interest on securities

Sub-section (1) of section 194A of the Act requires that any person, not being an individual or a Hindu undivided family, responsible for paying to a resident any interest income other than interest income on securities, shall deduct income-tax thereon at the rates in force.

2. Sub-section (3) of section 194A of the Act states that tax may not be required to be deducted when payment of interest income is by a payer of a specific nature and does not exceed a certain specified amount. These thresholds are higher in the case of a senior citizen being the payee, as given in the third proviso to clause (i) of sub-section (3). As per proviso to sub-section (3) of section 194A of the Act, a co-operative society as referred to in clause (v) and clause (viia) of sub-section (3) shall be liable to deduct income-tax at source when the amount of interest income during the financial year is more than Rs. 50,000/- in case of payee being a senior citizen and Rs. 40,000/- in any other case.

3. It is proposed to increase the threshold for requirement to deduct tax at source in section 194A as below –

S. No	Payer	Current threshold to deduct TDS	Proposed threshold to deduct TDS	Current threshold to deduct TDS when payee is senior citizen	Proposed threshold to deduct TDS when payee is senior citizen
1.	A banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution, referred to in section 51 of that Act)	Rs. 40,000/-	Rs. 50,000/-	Rs. 50,000/-	Rs. 1,00,000/-
2.	A co-operative society engaged in carrying on the business of banking	Rs. 40,000/-	Rs. 50,000/-	Rs. 50,000/-	Rs. 1,00,000/-
3.	on any deposit with post office under any scheme framed by the Central Government and notified by it in this behalf	Rs. 40,000/-	Rs. 50,000/-	Rs. 50,000/-	Rs. 1,00,000/-
4.	Any other case	Rs. 5,000/-	Rs. 10,000/-	Rs. 5,000/-	Rs. 10,000/-
5.	A cooperative society referred to in clause (v) and clause (viia) of sub-section (3) of section 194A	Rs. 40,000/-	Rs. 50,000/-	Rs. 50,000/-	Rs. 1,00,000/-

4. These amendments will take effect from the 1st day of April 2025.

[Clause 53]

Section 194B - Winnings from lottery or crossword puzzle

Section 194B of the Act requires that any person responsible for paying to any person any income by way of winnings from any lottery or crossword puzzle or card game and other game of any sort or from gambling or betting of any form or nature whatsoever, being the amount or the aggregate

of amounts exceeding Rs. 10,000/- during the financial year shall, at the time of payment thereof, deduct income-tax thereon at the rates in force

2. It is proposed to remove the condition of threshold applying on aggregate of amounts exceeding Rs. 10,000/- and to now instead apply in respect of a single transaction.

3. This amendment will take effect from the 1st day of April 2025.

[Clause 54]

Section 194BB - Winnings from horse race

Section 194BB of the Act requires that any person, being a bookmaker or a person to whom a license has been granted by the Government under any law for the time being in force for horse racing in any race course or for arranging for wagering or betting in any race course, who is responsible for paying to any person any income by way of winnings from any horse race , being the amount or aggregate of amounts exceeding Rs. 10,000/- during the financial year, shall, at the time of payment thereof, deduct income-tax thereon at the rates in force.

2. It is proposed to remove the condition of threshold applying on aggregate of amounts exceeding Rs. 10,000/- and to now instead apply in respect of a single transaction.

3. This amendment will take effect from the 1st day of April 2025.

[Clause 55]

Section 194D – Insurance commission

Section 194D of the Act requires that any person responsible for paying to a resident any income by way of remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance) shall, deduct income-tax thereon at the rates in force, provided that the amount of such payment exceeds Rs. 15,000/- in a financial year.

2. It is proposed to increase this threshold amount for requirement of deduction of tax at source under this section from Rs. 15,000/- to Rs. 20,000/-.

3. This amendment will take effect from the 1st day of April 2025.

[Clause 56]

Section 194G - Commission, etc., on sale of lottery tickets.

Section 194G of the Act requires that any person who is responsible for paying, to any person, who is or has been stocking, distributing, purchasing or selling lottery tickets, any income by way of

commission, remuneration or prize (by whatever name called) on such tickets in an amount exceeding Rs. 15,000/- shall, deduct income-tax thereon at the rate of two per cent.

2. It is proposed to increase this threshold amount for requirement of deduction of tax at source under this section from Rs. 15,000/- to Rs. 20,000/-.

3. This amendment will take effect from the 1st day of April 2025.

[Clause 57]

Section 194H - Commission or brokerage.

Section 194H of the Act requires that any person, not being an individual or a Hindu undivided family, who is responsible for paying, to a resident, any income by way of commission (not being insurance commission referred to in section 194D) or brokerage, shall, deduct income-tax thereon at the rate of two per cent, if the amount paid during a financial year exceeds Rs. 15,000/-.

2. It is proposed to increase this threshold amount for requirement of deduction of tax at source under this section from Rs. 15,000/- to Rs. 20,000/-.

3. This amendment will take effect from the 1st day of April 2025.

[Clause 58]

Section 194-I – Rent

Section 194-I of the Act requires that any person, not being an individual or a Hindu undivided family, who is responsible for paying to a resident any income by way of rent, shall deduct income-tax at the rates as specified therein, only when the amount of such rental income exceeds Rs. 2,40,000/- in a financial year.

2. It is proposed to increase this threshold amount of income by way of rent for requirement of deduction of tax at source under section from Rs. 2,40,000/- in a financial year to Rs. 50,000/- in a month or part of a month.

3. This amendment will take effect from the 1st day of April 2025.

[Clause 59]

Section 194J - Fees for professional or technical services.

Section 194J of the Act requires for deduction of tax at source on payment by any person, not being an individual or a Hindu undivided family, who pays to a resident any sum of the nature of fees for professional or technical services, any remuneration or fees or commission by whatever name called, other than those on which tax is deductible under section 192, to a director of a company, or

royalty, or any sum referred to in clause (va) of section 28 of the Act, at the rates specified therein.

2. Clause (B) of proviso to sub-section (1) of section 194J provides the threshold amount of sum paid during the financial year for tax to be deducted under this section. It is proposed to increase the thresholds specified in Clause (B) of proviso to sub-section (1) of section 194J of the Act as below –

S. No	Nature of sum	Current threshold to deduct TDS	Proposed threshold
1.	Fees for professional services	Rs. 30,000/-	Rs. 50,000/-
2.	Fees for technical services	Rs. 30,000/-	Rs. 50,000/-
3.	Royalty	Rs. 30,000/-	Rs. 50,000/-
4.	Any sum referred to in clause (*va*) of section 28	Rs. 30,000/-	Rs. 50,000/-

3. This amendment will take effect from the 1st day of April 2025.

[Clause 60]

Section 194K – Income in respect of units

Section 194K of the Act requires that for any person responsible for paying to a resident any income in respect of units of a Mutual Fund specified under clause (23D) of section 10; or units from the Administrator of the specified undertaking; or units from the specified company, shall, deduct income-tax at the rate of ten per cent, provided the amount of such income to income to a payee exceeds Rs. 5,000/- in a year.

2. It is proposed to increase this threshold amount for requirement of deduction of tax at source under this section from Rs. 5,000/- to Rs. 10,000/-.

3. This amendment will take effect from the 1st day of April 2025.

[Clause 61]

Section 194LA - Payment of compensation on acquisition of certain immovable property.

Section 194LA of the Act requires that any person responsible for paying to a resident any sum, being in the nature of compensation or the enhanced compensation or the consideration or the enhanced consideration on account of compulsory acquisition, under any law for the time being in force, of any immovable property (other than agricultural land), shall, deduct an amount equal to ten per cent of such sum as income-tax thereon, provided that such amount exceeds Rs. 2,50,000/- in a financial year.

2. It is proposed to increase the threshold amount for requirement of deduction of tax at source under section from Rs. 2,50,000/- to Rs. 5,00,000/-.

3. This amendment will take effect from the 1st day of April 2025.

[Clause 62]

XII. Definition of "forest produce" rationalised

Sub-section (1) of section 206C of the Act states that every seller shall collect tax at source from the buyer of goods of certain specified nature at the rates specified in the sub-section.

2. Under sub-section (1) of section 206C of the Act, presently TCS at 2.5 per cent is required to be collected on sale of goods of the following nature: -

(I) Timber obtained under a forest lease

(II) Timber obtained by any mode other than under a forest lease

(III) Any other forest produce not being timber or tendu leaves

3. Representations were received that no definition has been provided in the Act for "forest produce" which is creating difficulties in application of the relevant provisions of the Act. Also the provision is being made applicable to traders who are selling such produce. To bring clarity regarding the meaning of "forest produce", it is proposed 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.

4. Further, it is proposed that to address the applicability of TCS on traders of forest produce, only such other forest produce (not being timber or tendu leaves) which is obtained under forest lease will be covered under TCS.

5. The amended rate for collection of TCS are as under:-

S No	Nature of goods	Percentage
(1)	(2)	(3)
(iii)	Timber or any other forest produce (not being tendu leaves) obtained under a forest lease	Two per cent
(iv)	Timber obtained by any mode other than under a forest lease	Two per cent

6. These amendments will take effect from the 1st day of April 2025.

[Clauses 67]

XIII. Reduction in compliance burden by omission of TCS on sale of specified goods

Sub-section (1H) of section 206C of the Act, requires any person being a seller who receives consideration for sale of any goods of the value or aggregate of value exceeding Rs 50 lakhs in any previous year, to collect tax from the buyer at the rate of 0.1% of the sale consideration exceeding Rs 50 lakhs, subject to certain conditions.

2. Section 194Q of the Act, requires any person being a buyer, to deduct tax at the rate of 0.1%, on payment made to a resident seller, for the purchase of any goods of the value or aggregate of value exceeding fifty lakh rupees in any previous year .

3. Sub-section (1H) of section 206C mandates tax collection at source (TCS) by a seller while Section 194Q provides for tax deduction at source (TDS) by a buyer on the same transaction.

4. Further, it is provided in sub-section (1H) of section 206C of the Act that the provision will not apply, if the buyer is liable to deduct TDS under any other provision of this Act on the goods purchased from the seller and has deducted such amount. Representations have been received that it becomes difficult for the seller to check whether the buyers have ensured the compliance of TDS deduction under 194Q of the Act. This results in both TDS and TCS being made applicable on the same transaction.

5. Therefore, to facilitate ease of doing business and reduce compliance burden on the taxpayers, it is proposed that provisions of sub-section (1H) of section 206C of the Act will not be applicable from the 1st day of April, 2025.

6. These amendments will take effect from the 1st day of April 2025.

[Clauses 64 & 67]

XIV. Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B

Vide Finance (No. 2) Act, 2024, the concept of block assessment was introduced by amending provisions of Chapter XIV-B (sections 158B to 158BI of the Act) to be made applicable where a search under section 132 of the Act is initiated or requisition under section 132A of the Act is made, on or after 01st September, 2024.

2. Section 158B of the Act defines “undisclosed income” for the purposes of Chapter XIV-B. It is proposed to add the term “virtual digital asset” to the said definition.

3. Sub-section (2) and sub-section (3) of section 158BA of the Act provide that any assessment or reassessment or recomputation or a reference or an order pertaining to any assessment year falling in

the block period pending on the date of initiation of the search or making of requisition, shall abate. Further, sub-section (5) of the said section provides that if any proceeding initiated under Chapter XIV-B has been annulled in appeal or any other legal proceeding, then, the assessment or reassessment relating to any assessment year which has abated under sub-section (2) or sub-section (3), shall revive. It is proposed to align the said sub-sections by adding the words "recomputation", "reference" or "order" in sub-section (5) of the said section.

4. Sub-section (4) of section 158BA of the Act provides that where any assessment under Chapter XIV-B is pending in the case of an assessee in whose case a subsequent search is initiated, or a requisition is made, such assessment shall be duly completed, and thereafter, the assessment in respect of such subsequent search or requisition shall be made under the provisions of Chapter XIV-B. It is proposed to substitute the word "pending" as the assessment is 'required to be made' though it may not be pending when the subsequent search is initiated.

5. Section 158BB of the Act provides the methodology for computation of total income of block period. It is proposed to amend clause (i) of the sub-section (1) of the said section to substitute reference to 'total income disclosed' with "undisclosed income" which has been declared in return. Consequential amendment is also proposed in sub-section (6) of the said section to reflect this change. It is further proposed to amend clause (iii) of the sub-section (1) to specify that any income declared in the return of income filed under section 139 or in response to a notice under sub-section (1) of section 142 or section 148, prior to the date of initiation of the search or the date of requisition, shall form part of the total income of the block period for which credit would be given while charging the tax for the said period. It is also proposed to omit the word total from 'total income' in clause (ii) and (iii) of the sub-section (1). It is also proposed to amend clause (iv) of sub-section (1) to provide the clarity over computation of the income pertaining to the previous year which has ended but the due date for furnishing the return for such year has not expired prior to the date of initiation of the search or requisition so that income pertaining to books of account maintained in normal course for the said period is taxed under the normal provisions.

6. Sub-section (3) of section 158BB of the Act proposes to tax under the normal provisions any income which relates to any international transaction or specified domestic transaction, pertaining to the period beginning from the 1st day of April of the previous year in which last of the authorisations was executed and ending with the date on which last of the authorisations was executed. This was provided as it may be difficult to assess arm's length price of part period transactions. It is proposed to amend the said sub-section to provide that the income pertaining to any international transaction or specified domestic transaction shall not be considered in the income of the block period. Therefore, in the said sub-section, it is proposed to provide the reference to such income instead of evidence as provided earlier.

7. Section 158BE of the Act provides the time-limit for completion of block assessment as twelve months from end of the month in which the last of the authorisations for search has been executed. Search and seizure proceedings are more often than not conducted in a group of cases which require coordinated investigation and assessments. However, the present time-limit results in multiple time barring dates in one group of cases which leads to challenges in taking the cases to a logical conclusion. Hence, the time-limit for completion of block assessment is proposed to be made as twelve months from end of the quarter in which the last of the authorisations for search or requisition has been executed.

8. These amendments will take effect from the 1st day of February, 2025.

[Clauses 46, 47, 48 & 49]

XV. Non-applicability of Section 271AAB of the Act

The existing provisions of sub-section (1A) of section 271AAB of the Act relates to penalty in respect of searches initiated after 15.12.2016.

2. *Vide* Finance Act, 2024, provisions of 'Block Assessment' (Chapter XIV-B) were introduced for searches initiated under section 132 of the Act on or after the 1st day of September, 2024. Although section 271AAB of the Act is clear that its provisions are not applicable to proceedings conducted under section 158BC of the Act, it is proposed to remove any ambiguous interpretation of its applicability to searches conducted on or after 01.09.2024.

3. Therefore, it is proposed to amend section 271AAB of the Act to provide that its provisions shall not be applicable to the assessee in whose case search has been initiated under section 132 on or after the 1st day of September, 2024.

4. This amendment will take effect from the 1st day of September, 2024.

[Clause 75]

XVI. Amendments proposed in sections 132 and 132B for rationalising provisions

Section 132 of the Act relates to search and seizure. As per the provisions of sub-section (8) of section 132 of the Act the last date for taking approval for retention of seized books of account or other documents is 30 days from the date of the assessment or reassessment or recomputation order. In the course of search assessment proceedings in group cases, the assessment orders of one assessee may be passed earlier than the assessment orders of another assessee. Further, the segregation of seized books of account or other documents pertaining to various assesses is also very difficult in case the searched premise is same. It is also the case that the seized books of account or other documents pertaining to the

completed assessment cases may be required for assessment of ongoing/pending assessment cases. Since, the time limit of taking approval for retention will be different for different cases, the Assessing Officers are required to have constant vigil on the floating time-barring dates for taking the approval for retention of the seized books of account or other documents, the burden of which is avoidable.

2. Therefore, it is proposed to amend sub-section (8) of section 132 of the Act to provide that the time limit for taking approval for retention shall be one month from end of the quarter in which the assessment or reassessment or recomputation order has been made.

3. *Explanation* 1 to section 132 of the Act defines the circumstances in which last of the authorisation for search is to be deemed as to have been executed. In order to align the same with the other provisions of the Act, It is proposed to substitute the word "authorisation" with "authorisations".

4. *Explanation* 1 to the section 132B of the Act provides that "execution of an authorisation for search or requisition" shall have the same meaning as assigned to it in *Explanation* 2 to section 158BE of the Act. *Vide* Finance (No. 2) Act, 2024 the concept of block assessment was introduced by amending provisions of Chapter XIV-B (sections 158B to 158BI of the Act). As per amended provisions, "execution of an authorisation for search or requisition" is now defined in *Explanation* to section 158B of the Act. In order to reflect this change, it is proposed to amend clause (ii) of *Explanation* 1 to the section 132B of the Act to update referencing to section 158B of the Act instead of the present section 158BE of the Act.

5. These amendments will take effect from the 1st day of April, 2025.

[Clauses 37 & 38]

XVII. Time limit to impose penalties rationalised

The existing provisions of section 275 of the Act, *inter-alia*, provide for the bar of limitation for imposing penalties. Section 275 of the Act is having multiple timelines for imposition of penalties in various cases e.g. where a case is in appeal before the ITAT, time limit to impose penalty is end of the financial year in which the connected proceeding has been completed or six months from end of the month in which the appellate order is received, whichever is later. Similarly, different time-limits for imposition of penalty have been provided for cases in appeal to the JCIT(Appeal) or Commissioner (Appeal). This makes it difficult to keep track of multiple time barring dates for effective and efficient tax administration.

2. In view of the foregoing, it proposed to amend section 275 of the Act to provide that any order imposing a penalty under Chapter XXI shall not be passed after the expiry of six months from the end of the quarter in which the connected proceedings are completed, or the order of appeal is received by

the jurisdictional Principal Commissioner or Commissioner, or the order of revision is passed, or the notice for imposition of penalty is issued, as the case maybe. Consequential amendment is also proposed in section 246A of the Act to update reference of the amended section 275 of the Act.

3. These amendments will take effect from the 1st day of April, 2025.

[Clauses 69 & 83]

XVIII. Clarification regarding commencement date and the end date of the period stayed by the Court

Section 144BA, section 153, section 153B, section 158BE, section 158BFA, section 263, section 264 and Rule 68B of Schedule-II of the Act, *inter-alia*, provide that period during which the proceedings under respective provisions are stayed by an order or injunction of any court shall be excluded in computing the time limit for conclusion of the proceedings.

2. However, there was an ambiguity regarding the commencement date and the end date of the period stayed by an order or injunction of any court which was required to be excluded.

3. With a view to removing any ambiguity, it is proposed to amend the said provisions of the Act so as to exclude the period commencing on the date on which stay 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 jurisdictional Principal Commissioner or Commissioner (Approving panel in case of section 144BA of the Act).

4. This amendment will take effect from the 1st day of April, 2025.

[Clauses 41, 43, 44, 49, 50, 72, 73 & 86]

XIX. Rationalisation of provisions related to carry forward of losses in case of amalgamation

Section 72A and 72AA of the Act provide provisions relating to carry forward and set-off of accumulated loss and unabsorbed depreciation allowance in cases of amalgamation or business reorganization as specified therein.

2. Section 72A and 72AA provide that accumulated loss of the amalgamating entity or predecessor entity shall be deemed to be the loss of the amalgamated entity or the successor entity for the previous year in which amalgamation or business reorganisation has been effected or brought into force. Further, section 72 of the Act provides that no loss (other than loss from speculation business) under the head "Profits and gains from business or profession" shall be carried forward for more than 8 assessment years immediately succeeding the assessment years for which the loss was first computed.

3. In order to bring clarity and parity with the provisions of section 72 of the Act, it is proposed to amend section 72A and section 72AA of the 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 eight assessment years immediately succeeding the assessment year for which such loss was first computed for original predecessor entity. The proposed amendment is aimed to prevent evergreening of the losses of the predecessor entity resulting from successive amalgamations and also to ensure that no carry forward and set off of accumulated loss is allowed after eight assessment years from the immediately succeeding the assessment year for which such loss was first computed for original predecessor entity.

3. The aforesaid amendments shall apply to any amalgamation or business re-organisation which is effected on or after 01.04.2025.

4. These amendments will take effect from the 1st day of April, 2026.

[Clauses 14 & 15]

XX. Rationalisation of transfer pricing provisions for carrying out multi-year arm's length price determination

Transfer pricing provisions enable computation of income arising from an international transaction or a specified domestic transaction with regard to an arm's length price. These provisions are contained in sections 92 to 92F.

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

3. The determination of ALP in transfer pricing provisions *inter alia* proceeds in the following manner –

- the Assessing Officer (AO) may, refer the computation of the ALP with the previous approval of the Principal Commissioner or Commissioner, in relation to an international transaction or a specified domestic transaction entered in any previous year, to the TPO;
- the TPO determine the ALP in relation to the said transaction in accordance with sub-section (3) of section 92C and sends a copy of his order to the AO and to the assessee;
- the AO shall proceed to compute the total income of the assessee for such previous year under sub-section (4) of section 92C in conformity with the ALP as so determined by the TPO.

4. It has been noted that in reference under section 92CA for computation of arm's length price, in many cases, 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, creating compliance burden on the assessee as well as administrative burden on the TPOs. In view of the same, in such situations, it is proposed to carry out TP assessments in a block.

5. It is, therefore, proposed to provide that the ALP determined in relation to an international transaction or a specified domestic transaction for any previous year shall apply to the similar transaction for the two consecutive previous years immediately following such previous year. For the same, it is proposed to make the following amendments,–

5.1 Reference to TPO

(I) 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 [new sub-section (3B) in section 92CA];

(II) the TPO may by an order within one month from the end of the month in which such option is exercised, declare that the option is valid subject to the prescribed conditions [new sub-section (3B) in section 92CA];

(III) if the TPO declares that the option exercised by the assessee is valid,–

- the ALP determined in relation to an international transaction or a specified domestic transaction for any previous year shall apply to the similar international transaction or the specified domestic transaction for the two consecutive previous years immediately following such previous year [new sub-section (3B) in section 92CA];
- the TPO shall examine and determine the ALP in relation to such similar transaction for such consecutive previous years, in the order referred to in sub-section (3) of section 92CA [new sub-section (4A) in section 92CA];
- on receipt of such order from the TPO, the AO shall recompute the total income of the assessee for such consecutive previous years as per the provisions of sub-section (21) of section 155 [new sub-section (4A) in section 92CA];
- no reference for computation of ALP in relation to such transaction shall be made [new first proviso to sub-section (1) of section 92CA];
- if any reference is made in such scenarios, before or after the above declaration by the TPO, the provisions of sub-section (1) of section 92CA shall have the effect as if no reference is made for such transaction [new second proviso to sub-section (1) of section 92CA];

(IV) the provisions of exercising option mentioned above and consequent proceedings, shall not apply to any proceedings under Chapter XIV-B [proviso to new sub-section (3B) in section 92CA];

(V) If any difficulty arises in giving effect to the provisions of sub-section (3B) and sub-section (4A) of section 92CA, the Board may, with the previous approval of the Central Government, issue guidelines for the purpose of removing the difficulty and every guideline issued by the Board shall be laid before each House of Parliament, and shall be binding on the income-tax authorities and the assessee [new sub-section (11) in section 92CA].

5.2 <u>Recomputation of income under section 155</u>

A new sub-section (21) shall be inserted in section 155, so that where the ALP determined for an international transaction or a specified domestic transaction for any previous year and the TPO has declared an option exercised by the assessee as valid option in respect of such transaction for two consecutive previous years immediately following such previous year, then:-

(I) 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 sub-section (1) of section 143,–

- in conformity with the ALP so determined by the TPO under sub-section (4A) of section 92CA in respect of such transaction;
- taking into account the directions issued under sub-section (5) of section 144C, if any, for such previous year;

(II) such recomputation shall be done within three months from the end of the month in which the assessment is completed in the case of the assessee for such previous year;

(III) the first and second proviso to sub-section (4) of section 92C shall apply to such recomputation;

(IV) such recomputation shall be made within three months from the end of the month in which order of assessment or any intimation or deemed intimation is made, in case that is not made before the period of three months as mentioned above.

6. These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

[Clauses 21 & 45]

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

Section 206AB of the Act, requires deduction of tax at higher rate when the deductee specified therein is a non-filer of income-tax return. Section 206CCA of the Act, requires for collection of tax at

higher rate when the collectee specified therein is a non-filer of income-tax return. This is subject to other conditions specified in the two sections.

2. Representations were received from various stakeholders that it is difficult for the deductor/collector, at the time of deduction/collection, to verify whether returns have been filed by the deductee/collectee, resulting in application of higher rates of deduction/collection, blocking of capital and increased compliance burden.

3. Accordingly, to address this issue and reduce compliance burden for the deductor/collector, it is proposed to omit section 206AB of the Act and section 206CCA of the Act.

4. These amendments will take effect from the 1st day of April, 2025.

[Clauses 65, 66 & 68]

D. SOCIO ECONOMIC WELFARE MEASURES

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

The existing provisions of clause (2) of section 17 provide, *inter-alia*, that 'perquisite' includes the value of any benefit or amenity granted or provided free of cost or at concessional rate by any employer (including a company) to an employee whose income under the head "Salaries" as a monetary benefit does not exceed fifty thousand rupees. This upper limit on income was determined by the Finance Act 2001.

2. Further, the proviso to clause (2) of section 17 provides that any expenditure incurred by the employer for travel outside India on the medical treatment of an employee or any member of the employee's family shall not be included in 'perquisite', subject to the condition that the gross total income of such employee does not exceed two lakh rupees. This upper limit on income was determined by the Finance Act, 1993.

3. These limits on the income of the employees for the purpose of calculating perquisites were put in place more than 20 and 30 years ago respectively. Thus, there is a need to adjust these limits accordingly to take into account changes in standard of living and economic conditions.

4. It is proposed that the provisions of section 17 may be amended so that the power to prescribe rules may be obtained to increase the limit on the gross total income of the employees so that,-

(I) the amenities and benefits received by such employees would be exempt from being treated as perquisites.

(II) the expenditure incurred by the employer for travel outside India on the medical treatment of such employee or his family member would not be treated as a perquisite.

5. These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

[Clause 9]

II. Deduction under section 80CCD for contributions made to NPS Vatsalya

The NPS Vatsalya Scheme, officially launched on 18 September 2024, enables parents and guardians to start a National Pension Scheme (NPS) account for their children. This savings-cum-pension scheme is designed exclusively for minors and will be operated by the guardian for the exclusive benefit of the minor till they attain majority. When a minor attains 18 years, the account will continue to be operational, transferred to the child's name with the accumulated corpus and will be shifted into the NPS-Tier 1 Account - All Citizen Model or other non-NPS scheme account.

2. 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 accounts, as follows:

(I) A deduction to be allowed to the parent/guardian’s total income, of the amount paid or deposited in the account of any minor under the NPS to a maximum of Rs 50,000/- overall as mandated under sub-section (1B) of section 80CCD;

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

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

3. The NPS Vatsalya Scheme also allows for partial withdrawal from the minor’s account to address certain contingency situations like education, treatment of specified illnesses and disability (of more than 75%) of the minor. Accordingly, it is also proposed to insert a clause (12BA) in section 10 of the Act, which provides that any income received on partial withdrawal made out of the minor’s account, shall not be included in the total income of the parent/guardian to the extent it does not exceed 25% of the amount of contributions made by him and in accordance with the terms and conditions, specified under the Pension Fund Regulatory and Development Authority Act, 2013 (23 of 2013) and the regulations made thereunder.

4. These amendments will take effect from the 1st day of April, 2026, and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

[Clauses 6 & 17]

III. Exemption to withdrawals by Individuals from National Savings Scheme from taxation

Section 80CCA, *inter-alia*, provides for a deduction to an individual, or a Hindu undivided family, for any amount deposited in the National Savings Scheme (NSS). It is also provided that no deduction would be allowed in relation to such amount on or after the 1st day of April, 1992.

2. Sub-section (2) of section 80CCA, *inter-alia*, provides that where such amount, together with the interest accrued on such amount standing to the credit of the assessee under the scheme is withdrawn, it shall be deemed to be the income of the assessee and shall be chargeable to tax. Since this provision has been sunset from 01.04.1992, the amounts taxable on withdrawal are those which were deposited in financial year 1991-92 and earlier, and on which deduction had been claimed. Further, Circular No 532 issued on 17.03.1989 provided that the withdrawal on closure of account due to death of the depositor was not chargeable to tax in the hands of the legal heirs.

3. The Department of Economic Affairs issued a Notification dated 29.08.2024 providing that no interest would be paid on the balances in the NSS after 01.10.2024. Representations were received to suitably amend section 80CCA to provide relief to individuals facing hardship who were compelled to withdraw as a result of this Notification.

4. It is therefore proposed to amend section 80CCA to provide exemption to the withdrawals made by individuals from these deposits for which deduction was allowed, on or after 29th day of August, 2024. This exemption is provided to the deposits, with the interest accrued thereon, made before 01.04.1992 as these are the amounts in respect of which a deduction has been allowed.

5. This amendment shall be made with retrospective effect from the 29th day of August, 2024.

[Clause 16]

IV. Annual value of the self-occupied property simplified

Section 23 of the Act relates to determination of annual value. Sub-section (2) of the said section provides that where house property is in the occupation of the owner for the purposes of his residence or owner cannot actually occupy it due to his employment, business or profession carried on at any other place, in such cases, the annual value of such house property shall be taken to be nil. Further, sub-section (4) of the said section provides that provisions of sub-section (2) of the Act will be applicable in respect of two house properties only, which are to be specified by the owner.

2. With a view to simplifying the provisions, it is proposed to amend the sub-section (2) so as to provide that the annual value of the property consisting of a house or any part thereof shall be taken as nil, if the owner occupies it for his own residence or cannot actually occupy it due to any reason. The

provision of sub-section (4) of section 23 of the Act which allows this benefit only in respect of two of such houses shall continue to apply as earlier.

3. This amendment will take effect from the 1st day of April, 2025 and shall accordingly apply for assessment year 2025-26 onwards.

[Clause 10]

E. TAX ADMINISTRATION

I. Obligation to furnish information in respect of crypto-asset

Vide Finance Act 2022, taxation of virtual digital assets (VDA) has been introduced in the Income-tax Act, 1961 (‘the Act’), under section 115BBH of the Act in which the transfer of VDA is to be taxed at the rate of 30% with no deduction in respect of expenditure (other than cost of acquisition) to be allowed. To define VDA, Clause (47A) was inserted in section 2 of the Act. Further, to capture VDA transaction details, section 194S has been inserted in the Act to provide for deduction of tax on payment for transfer of VDA at the rate of 1% of transaction value including cases where the transaction occurs in kind or partly in cash.

2. It is now proposed to insert section 285BAA in the Act, being the Obligation to furnish information of crypto-asset, wherein –

(I) Sub-section (1) of section 285BAA of the Act states any person, being a reporting entity, as may be prescribed, in respect of crypto asset, shall furnish information in respect of a transaction in such crypto asset in a statement, for such period, within such time, in such form and manner and to such income-tax authority, as may be prescribed;

(II) Sub-section (2) of said section states that where prescribed income-tax authority considers that the statement furnished is defective, he may intimate the defect to the person who has furnished such statement and give him an opportunity of rectifying the defect within a period of thirty days from the date of such intimation or such further period as may be allowed, and if the defect is not rectified within the aforesaid period allowed, the provisions of this Act shall apply as if such person had furnished inaccurate information in the statement;

(III) Sub-section (3) of said section states that where a person who is required to furnish a statement has not furnished the same within the specified time, the prescribed income-tax authority may serve upon such person a notice requiring him to furnish such statement within a given time period and he shall furnish the statement within the time specified in the notice;

(IV) Sub-section (4) of said section states that if any person, having furnished a statement, or in

pursuance of a notice issued, comes to know or discovers any inaccuracy in the information provided in the statement, he shall within a given period inform the income-tax authority, the inaccuracy in such statement and furnish the correct information in such manner as prescribed;

(V) Sub-section (5) of said section states that the Central Government may, by rules specify the persons to be registered with the prescribed income-tax authority, the nature of information and the manner in which such information shall be maintained by the persons and the due diligence to be carried out by such persons for the purpose of identification of any crypto-asset user or owner;

3. It is also proposed to amend clause (47A) of section 2 to insert sub-clause (d) which states that the definition of virtual digital asset also includes 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 or not.

4. These amendments will take effect from the 1st day of April, 2026.

[Clauses 3 & 85]

II. Increasing time limit available to pass order under section 115VP

Section 115VP of the Act pertains to method and time of opting for tonnage tax scheme, under which the tonnage income of an assessee shall be computed in accordance with the provisions of Chapter XII-G. Sub-section (1) of section 115VP of the Act provides that a qualifying company may opt for the tonnage tax scheme by making an application to the Joint Commissioner having jurisdiction over the company, as prescribed, for such scheme.

2. Sub-section (3) of the said section requires that the Joint Commissioner on receipt of such application may call for information or documents from the company as deemed fit and after satisfying themselves about the eligibility of such company to make an option for tonnage tax scheme, pass an order in writing, approving the option for tonnage tax scheme or if not so satisfied, refuse such approval, after providing reasonable opportunity of being heard. Sub-section (4) of the said section requires for order under sub-section (3) of section 115VP of the Act, whether approving or rejecting the application to exercise option of tonnage tax scheme, to be passed before the expiry of one month from the end of the month in which the application was received under sub-section (1) of said section.

3. It is seen that very less time is available under sub-section (4) of section 115VP of the Act with the Joint Commissioner of Income-tax for verification of information and documents, including physical inspection of the ships if necessary, providing an opportunity of being heard and then passing a reasoned order approving or rejecting the application.

4. Accordingly, to address this issue, it is proposed to amend sub-section (4) of section 115VP to provide that for application received under sub-section (1) on or after the 1st day of April, 2025, order under sub-section (3) shall be passed before the expiry of three months from the end of the quarter in which such application was received.

5. This amendment will take effect from the 1st day of April, 2025.

[Clause 32]

III. Excluding the period such as court stay etc. for calculating time limit to pass an order

Sub-section (7A) of section 206C of the Act provides that no order shall be made deeming a person to be an assessee in default for failure to collect the whole or any part of the tax from any person, after the expiry of six years from the end of the financial year in which tax was collectible or two years from the end of the financial year in which the correction statement is delivered under sub-section (3B) of section 206C of the Act, whichever is later.

2. While computing the time limit under sub-section (7A) of section 206C of the Act, exclusion of the time period such as period for which proceedings were stayed by an order of any court, etc. is required to be provided.

3. It is proposed that sub-section (7A) of section 206C of the Act is to be amended to provide that relevant provisions of section 153 of the Act would apply to the time limit prescribed in sub-section (7A) of section 206C of the Act.

4. The amendment will take effect from the 1st day of April, 2025.

[Clause 67]

IV. Exemption from prosecution for delayed payment of TCS in certain cases

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

2. It is proposed to amend section 276BB of the Act to provide that the prosecution shall not be instituted against a person covered under the said section, if the payment of the tax collected at source has been made to the credit of the Central Government at any time on or before the time prescribed for

filing the quarterly statement under proviso to sub-section (3) of section 206C of the Act in respect of such payment.

3. This amendment will take effect from the 1st day of April, 2025.

[Clause 84]

V. Certain penalties to be imposed by the Assessing Officer

Sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Act, *inter-alia*, provide that penalty under these sections shall be imposed by the Joint Commissioner. Though, assessment in such cases were being made by the Assessing Officer, penalty under these sections were being imposed by the Joint Commissioner.

2. In order to rationalize the process, it is proposed to amend sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Act so that penalties under these sections shall be levied by the Assessing Officer in place of Joint Commissioner, subject to the provisions of sub-section (2) of section 274 of the Act. Thus, Assessing Officer shall take the prior approval of Joint Commissioner for the passing of penalty order, where penalty amount exceeds the limit specified in sub-section (2) of section 274 of the Act.

3. It is further proposed to make consequential amendment in clause (n) of sub-section (1) of section 246A of the Act.

4. Section 271BB of the Act provides the penalty for the failure to subscribe to the eligible issue of capital. It further provides that, any person who fails to subscribe any amount of subscription to the units issued under any scheme referred to in sub-section (1) of section 88A of the Act to the eligible issue of capital under that sub-section within the period of six months specified therein, may be directed by the Joint Commissioner to pay, by way of penalty, a sum equal to twenty per cent of such amount. However, section 88A has already been omitted vide Finance (No. 2) Act, 1996 with retrospective effect from 1st April, 1994. In the absence of the parent section, relevance of the penalty section in the case of any failure does not exist. Therefore, it is proposed to omit the section 271BB of the Act.

5. These amendments will take effect from the 1st day of April, 2025.

[Clauses 69, 76, 77, 78, 79, 80, 81 & 82]

VI. Removing date restrictions on framing the schemes in certain cases

The Central Government has undertaken a number of measures to make certain processes under the Act, electronic, by eliminating person to person interface between the taxpayer and the Department

to the extent technologically feasible, and provide for optimal utilisation of resources and a team-based assessment with dynamic jurisdiction. A series of futuristic reforms have been introduced in the domain of Direct Tax administration for the benefit of taxpayers and economy.

2. In this regard, enabling provision for notifying faceless schemes under sections 92CA, 144C, 253 of the Act were introduced in the Act through TOLA with effect from 01.11.2020 and under section 255 of the Act, was inserted through Finance Act, 2021 with effect from 01.04.2021. Further, *vide* Finance Act, 2022, time limit for notification was extended to 31.03.2024 due to challenges in implementation. Further, *vide* Finance Act, 2024, time limit for notification was further extended to 31.03.2025 due to various challenges in the formation of the scheme under these sections.

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

4. These amendments will take effect from the 1st day of April, 2025.

[Clauses 21, 42, 70 & 71]

VII. Extending 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 fulfillment of certain conditions as mentioned therein. Sub-section (2) of the said section provides that an application for granting immunity from imposition of penalty shall be made within one month from the end of the month in which the order referred to in clause (a) of sub-section (1) of the said section has been received by the assessee. Sub-section (4) of the said section provides that Assessing Officer shall pass an order accepting or rejecting the application, within a period of one month from the end of the month in which the application requesting immunity is received.

2. Inputs have been received from the stakeholders that tax-payers are facing challenges to represent their case within this limited period and therefore the period for processing their applications may be increased.

3. In view of the same, it is proposed to amend the sub-section (4) of section 270AA of the Act so as to extend the processing period to three months from the end of the month in which application for immunity is received by the Assessing Officer.

4. This amendment will take effect from the 1st day of April, 2025.

[Clause 74]

VIII. Extending the time-limit to file the updated return

Sub-section (8A) of section 139 of the Act, relates to furnishing of updated return. As per the present provisions, an updated return can be filed upto 24 months from the end of the relevant assessment year. The facility of updated return has promoted voluntary compliance against payment of additional income-tax of 25% of aggregate of tax and interest payable for updated return filed upto 12 months from the end of the relevant assessment year. For updated return filed after expiry of 12 months and upto 24 months from the end of the relevant assessment year, the additional income-tax of 50% of aggregate of tax and interest is to be paid.

2. With a view to further nudging voluntary compliance, it is proposed to amend the said sub-section so as to extend the time-limit to file the updated return from 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 and upto 36 months from the end of the relevant assessment year shall be 60% of aggregate of tax and interest payable. The additional income-tax payable for updated return filed after expiry of 36 months and upto 48 months from the end of the relevant assessment year shall be 70% of aggregate of tax and interest payable.

3. It is further proposed to provide that no updated return shall be furnished by any person where any notice to show-cause under section 148A of the Act has been issued in his case after thirty-six months from the end of the relevant assessment year. However, where subsequently an order is passed under sub-section (3) of section 148A of the Act determining that it is not a fit case to issue notice under section 148 of the Act, updated return may be filed upto 48 months from the end of the relevant assessment year.

4. These amendments will take effect from the 1st day of April, 2025.

[Clauses 39 & 40]

IX. Extension of exemption to Specified Undertaking of Unit Trust of India (SUUTI)

SUUTI was created by the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 [UTI Repeal Act, 2002]. It is the successor of the erstwhile Unit Trust of India (UTI) and is mandated to liquidate the Government liabilities on account of erstwhile UTI.

2. As per sub-section (1) of section 13 of the UTI Repeal Act, 2002, SUUTI has been exempted from payment of income-tax up to 31st day of March, 2023. Finance Act, 2023 amended the UTI Repeal Act, 2002, to extend such date to 31st day of March, 2025.

3. It has been represented that the work of SUUTI pertaining to the redemption of schemes, payments of entire amounts, pending litigation etc. is expected to extend beyond 31st day of March, 2025, i.e., beyond the time limit till which the income-tax exemption has been provided..

4. In view of the above, it is proposed to amend the UTI Repeal Act, 2002, by way of amendment of sub–section (1) of section 13, so as to provide that notwithstanding anything contained in the Income-tax Act, 1961 (43 of 1961) or any other enactment for the time being in force relating to tax on income, profits or gains, no income-tax or any other tax shall be payable by the Administrator in relation to the specified undertaking for the period beginning on the appointed day and ending on the 31st day of March, 2027 in respect of any income, profits or gains derived, or any amount received in relation to the specified undertaking.

5. This amendment will take effect from the 1st day of April, 2025.

[Clause 131]

In case of divergence of interpretation, the English text shall prevail.

CUSTOMS

Note:

(a) "Basic Customs Duty (BCD)" means the customs duty levied under the Customs Act, 1962.
(b) "Agriculture Infrastructure and Development Cess (AIDC)" means a duty of customs that is levied under Section 124 of the Finance Act, 2021.
(c) "Health Cess" means a duty of customs that is levied under Section 141 of the Finance Act, 2020.
(d) "Social Welfare Surcharge (SWS)" means a duty of customs that is levied under Section 110 of the Finance Act, 2018.
(e) Clause Nos. in square brackets [ ] indicate the relevant clause of the Finance Bill, 2025.
(f) Amendments carried out through the Finance Bill, 2025, will come into effect on the date of its enactment or from 1st May 2025 or as may be specified.

I. AMENDMENTS TO THE CUSTOMS ACT, 1962

S. No.	Amendment	Clause of the Finance Bill, 2025
	These changes will come into effect from the date of enactment of the Finance Bill, 2025	
(i)	**Insertion of new sub section in Section 18**	
	a) A new sub-section (1B) is being inserted in Section 18 of the Customs Act, 1962 so as to provide definite time limit of two years for finalisation of provisional assessment. It also provides that this time period may be extended by the Commissioner of Customs for a further period of one year if sufficient cause is shown. Further, it also provides that, for the pending cases, the time-limit shall be reckoned from the date of assent of the Finance Bill. b) A new sub-section (1C) is being inserted to provide for certain grounds on which the time-limit of two years for finalizing provisional assessment shall remain suspended.	[87] [87]
(ii)	**Insertion of New Section**	
	A new section 18A is being inserted after Section 18 of the Customs Act, 1962 for voluntary revision of entry post clearance so that the importers and exporters may revise any entry that is made in relation	[88]

	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 allowing payment of duty or treating the revised entry as a refund claim under section 27. It also provides for certain cases where this section will not apply.	
(iii)	**Insertion of new Explanation in Section 27(1)**	
	A new Explanation is being inserted in sub-section (1) of section 27 of the Customs Act, 1962, to clarify that the period of limitation of the claim of refund consequent to the revised entry under section 18A or amendment under section 149 of the Customs Act, 1962, shall be one year from the date of payment of duty or interest.	**[89]**
(iv)	**Insertion of new clause in Explanation 1 of Section 28**	
	A new clause is being inserted in Explanation 1 of section 28 of the Customs Act, 1962, wherein, the relevant date in the case where duty is paid under the revised entry under section 18A is the date of payment of duty or interest.	**[90]**
(v)	**Insertion of new clause in Section 127A**	
	A new clause is being inserted after clause (d) and (e) in section 127A of the Customs Act, 1962, to define Interim Board, Member of the Interim Board and pending applications.	**[91]**
(vi)	**Insertion of new provisos in Section 127B**	
	Two new provisos are being inserted after sub-section (5) in section 127B of the Customs Act, 1962 to provide end date for receipt of applications under this section.	**[92]**
(vii)	**Insertion of new sub-section in Section 127C**	
	A new sub-section is being inserted after sub-section (11) in section 127C of the Customs Act, 1962, providing time limit for extension by the interim board.	**[93]**
(viii)	**Insertion of new sub-section in Section 127D**	
	A new sub-section is being inserted after sub-section (2) in section 127D of the Customs Act, 1962, clarifying that the powers of Settlement Commission shall be exercised by the Interim Board and further provisions of this section shall mutatis mutandis apply to the Interim Board as they apply to the Settlement Commission.	**[94]**

(ix)	**Insertion of new sub-section in Section 127F**	
	A new sub-section is being inserted after sub-section (4) in section 127F of the Customs Act, 1962, providing that the powers and functions of Settlement Commission shall be exercised or performed by the Interim Board.	**[95]**
(x)	**Insertion of Proviso to Section 127G**	
	A proviso to section 127G of the Customs Act, 1962 is being inserted providing that the powers and functions of Settlement Commission shall be exercised or performed by the Interim Board.	**[96]**
(xi)	**Insertion of new sub section in Section 127H**	
	A new sub-section is being inserted after sub-section (3) in section 127H of the Customs Act, 1962 providing that the powers and functions of Settlement Commission shall be exercised or performed by the Interim Board.	**[97]**

II. AMENDMENTS TO THE CUSTOMS TARIFF ACT, 1975

S. No.	Amendment to section	Clause of the Finance Bill, 2025
1.	The First Schedule to the Customs Tariff Act, 1975 is proposed to be amended to, - a) reduce the tariff rate from 25%, 30%, 35%,40% to 20% b) reduce the tariff rate from 150%, 125%,100% to 70% c) reduce the tariff rate on certain items d) tariffise effective rates in the Schedule e) create new tariff items based on process (parboiled, others) and on variety (rice recognized by Geographical Identification Registry, basmati, others) under sub-heading 1006 30 f) create new tariff items under 'Makhana' products (popped, flour and powder, others) and consequent re-numbering of existing entries under sub-heading 2008 19 g) create new tariff items to separately identify waste oils containing different levels of concentration of levels of polychlorinated biphenyls (PCBs), polychlorinated terphenyls (PCTs) or polybrominated biphenyls (PBBs) under sub-heading 2710 91 h) create new tariff items for identification of certain dual-use chemical for non-pesticidal use in chapter 28	**[98]**

S. No.	Amendment to section	Clause of the Finance Bill, 2025
	i) create new tariff items and supplementary notes for identification of certain dual-use chemical for non-pesticidal use and certain goods covered by International Conventions in chapter 29 j) create new tariff items and supplementary notes for identification of certain technical-grade pesticides and certain goods covered by International Conventions in chapter 38 k) create new tariff lines 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 l) changes in heading 8112 to align with WCO HS 2022 m) changes in sub-heading note 2 to chapter 85 to align with WCO HS 2022 **[These changes will be effective from 1st May, 2025]**	

[**Objective:**
A: To implement rationalisation of customs tariff structure and reduction of rate slabs
B: For better identification of goods; to align tariff lines with WCO classification]

III. AMENDMENTS TO DUTY RATES IN FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

A.	**Increase in Tariff rate (to be effective from 02.02.2025) * [Clause 98 (a) of the Finance Bill, 2025]** **Will come into effect immediately through a declaration under the Provisional Collection of Taxes Act, 2023*		**Rate of Duty**	
S. No.	**Tariff item**	**Commodity**	**From**	**To**
	Textile			
1.	6004 10 00 6004 90 00 6006 22 00 6006 31 00 6006 32 00 6006 33 00 6006 34 00 6006 42 00	Knitted Fabrics	20%/10%	20% or Rs115/kg, whichever is higher

	6006 90 00			
	IT & Electronics sector			
2.	8528 59 00	Interactive Flat Panel Displays (Completely Built Units)	10%	20%
B.	**Decrease in Tariff rate (to be effective from 01.05.2025 unless otherwise specified) * [Clause 98 (b) of the Finance Bill, 2025]** *Note: These changes will be effective from 2nd February, 2025 by issuance of notification.*		**Rate of Duty**	
S. No.	**Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**
1.	25151100 2515 12	Marble and travertine, crude or roughly trimmed, merely cut into blocks, slabs and other	40%	20%
2.	2516 11 00 2516 12 00	Granite, crude or roughly trimmed, merely cut into blocks, slabs and other	40%	20%
3.	2933 59	Other compounds containing a pyrimidine ring (whether or not hydrogenated) or piperazine ring in the structure	10%	7.5%
4.	3302 10	Synthetic flavouring essences and mixtures of odoriferous substances of a kind used in food and drink industries	100%	20%
5.	3406	Candles, tapers and the like	25%	20%
6.	3822 90	Reference Materials	30%	10%
7.	3824 60	Sorbitol other than that of sub-heading 2905 44	30%	20%
8.	3920	Other, plates, sheets, films, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials	25%	20%

9.	3921	Other plates, sheet, film, foil and strip of plastics	25%	20%
10.	6401	Waterproof Footwear with outer soles and Uppers of Rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes	35%	20%
11.	6402	Other footwear with outer soles and uppers of rubber or plastics	35%	20%
12.	6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	35%	20%
13.	6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	35%	20%
14.	6405	Other Footwear	35%	20%
15.	6802 10 00 6802 21 10 6802 21 20 6802 21 90 6802 23 10 6802 23 90 6802 29 00 6802 91 00 6802 92 00 6802 93 00	Worked monumental or building stone	40%	20%
16.	7113	Articles of Jewellery and parts thereof	25%	20%
17.	7114	Articles of goldsmiths' and silversmiths' ware's and parts thereof	25%	20%
18.	7404 00 12 7404 00 19	Copper Waste and Scrap	2.5%	Nil

	7404 00 22			
19.	8002	Tin Waste and Scrap	5%	Nil
20.	8101 97 00	Tungsten Waste and Scrap	5%	Nil
21.	8102 97 00	Molybdenum Waste and Scrap	5%	Nil
22.	8103 30 00	Tantalum Waste and Scrap	5%	Nil
23.	8105 30 00	Cobalt Waste and Scrap	5%	Nil
24.	8106 90 10	Waste and Scrap of Bismuth and Bismuth alloys	5%	Nil
25.	8109 31 00, 8109 39 00	Zirconium Waste and Scrap	10%	Nil
26.	8110 20 00	Antimony Waste and Scrap	2.5%	Nil
27.	8112 13 00	Beryllium Waste and Scrap	5%	Nil
28.	8112 41 20	Rhenium Waste and Scrap	10%	Nil
29.	8112 61 00	Cadmium Waste and Scrap	5%	Nil
30.	8541 42 00	Solar Cells	25%	20%
31.	8541 43 00 8541 49 00	Solar Module and Other semiconductor devices and photovoltaic cells	40%	20%
32.	8702	Motor vehicles for transport of 10 or more persons	40%	20%
33.	8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702)	125%	70%
34.	8704	Motor vehicles for transport of goods	40%	20%
35.	8711	Motorcycles and cycles fitted with an auxiliary motor with or without side-car	100%	70%
36.	8712 00 10	Bicycles	35%	20%

37.	8903	Yachts and other vessels for pleasure or sports; rowing boats and canoes	25%	20%
38.	9028 30 10	Electricity meters for alternating current (Smart meter)	25%	20%
39.	9401	Seats (other than those of headings 9402), whether or not convertible into beds, and parts thereof	25%	20%
40.	9403	Other furniture and parts thereof	25%	20%
41.	9404	Mattress supports, articles of bedding and similar furnishing etc.	25%	20%
42.	9405	Luminaries and lighting fittings including searchlights and spotlights and parts thereof etc.	25%	20%
43.	9503 00 91	Parts of electronic toys	70%	20%
44.	9802 00 00	Laboratory Chemicals	150%	70%
45.	9803 00 00	All dutiable articles, imported by a passenger or a member of a crew in his baggage	100%	70%
46.	9804 00 00	All dutiable goods imported for personal use.	35%	20%

C.	**Tariff rate changes (without change in existing effective rate of duty) to be effective from 01.05.2025 unless otherwise specified [Clause 98 (b) of the Finance Bill, 2025]**		**Rate of Duty**	
S. No.	**Heading, sub-heading tariff item**	**Commodity**	**From**	**To**
1.	1520 00 00	Glycerol Crude, glycerol waters, glycerol lye	30%	20%
2.	2603 00 00	Copper Ores and concentrates	2.5%	Nil
3.	2605 00 00	Cobalt Ores and concentrates	2.5%	Nil

4.	2609 00 00	Tin Ores and concentrates	2.5%	Nil
5.	2611 00 00	Tungsten Ores and concentrates	2.5%	Nil
6.	2613 00 00	Molybdenum Ores and concentrates	2.5%	Nil
7.	2615 10 00	Zirconium Ores and concentrates	2.5%	Nil
8.	2615 90 10	Vanadium Ores and concentrates	2.5%	Nil
9.	2615 90 20	Niobium or Tantalum Ores and concentrates	2.5%	Nil
10.	2617 10 00	Antimony Ores and Concentrates	2.5%	Nil
11.	2711 12 00	Liquefied Propane	15%	2.5%
12.	2711 13 00	Liquefied Butane	15%	2.5%
13.	27 11 19 10	LPG (for non-automotive purpose)	15%	5%
14.	2711 19 20	LPG (for automotive purpose)	15%	5%
15.	2711 19 90	Other liquified petroleum gas	15%	5%
16.	2809 20 10	Phosphoric Acid	20%	7.5%
17.	2810 00 20	Boric Acid	27.5%	7.5%
18.	3824 99 00	Other – Prepared Binders, chemical products and preparations of chemical or allied industries	17.5%	7.5%
19.	7210 12 10	OTS/MR type-flat rolled products of thickness less than 0.5 mm	27.5%	15%
20.	7210 12 90	Other flat rolled products of thickness less than 0.5 mm	27.5%	15%
21.	7219 12 00	Hot-rolled products in coils of thickness greater than or equal to 4.75 mm, but not exceeding 10 mm	22.5%	15%

22.	7219 13 00	Hot-rolled products in coils of thickness greater than or equal to 3 mm but less than 4.75 mm	22.5%	15%
23.	7219 21 90	Flat rolled products of stainless steel of width 600 mm or more - Other nickel chromium austenitic type	22.5%	15%
24.	7219 90 90	Flat rolled products of stainless steel of width 600 mm or more - Other sheets and plates	22.5%	15%
25.	7225 11 00	Flat-rolled products of other alloy steel - grain oriented, silicon electrical steel	20%	15%
26.	7307 29 00	Other tube or pipe fittings of stainless steel	25%	15%
27.	7307 99 90	Other fittings of iron or steel, non-galvanised	25%	15%
28.	7308 90 90	Other structure and parts of structures of iron and steel	25%	15%
29.	7310 29 90	Others-tanks and drums etc.	25%	15%
30.	7318 15 00	Other screws and bolts whether or with nuts or washers	25%	15%
31.	7318 16 00	Threaded nuts	25%	15%
32.	7318 29 90	Other non-threaded articles	25%	15%
33.	7320 90 90	Other springs and leaves of iron/steel	25%	15%
34.	7325 99 99	Other cast articles of iron or steel	25%	15%
35.	7326 19 90	Others - forged or stamped articles of iron or steel but not further worked	25%	15%
36.	7326 90 99	Miscellaneous other articles of iron/steel	25%	15%
37.	8001	Unwrought Tin	5%	Nil
38.	8101 94 00	Unwrought tungsten, including bars and rods obtained simply by sintering	5%	Nil
39.	8102 94 00	Unwrought molybdenum, including bars and rods obtained simply by sintering	5%	Nil

40.	8103 20	Unwrought tantalum, including bars and rods obtained simply by sintering, powders	5%	Nil
41.	8105 20 20	Cobalt, unwrought	5%	Nil
42.	8106 10 10	Bismuth, unwrought	5%	Nil
43.	8109 21 00	Unwrought zirconium, powders, containing less than 1 part hafnium to 500 parts zirconium by weight	10%	Nil
44.	8110 10 00	Unwrought antimony, powders	2.5%	Nil
45.	8112 12 00	Beryllium unwrought, powders	5%	Nil
46.	8112 31	Hafnium unwrought, waste and scrap, powders	10%	Nil
47.	8112 41 10	Rhenium unwrought	10%	Nil
48.	8112 69 10	Cadmium unwrought, Powders	5%	Nil
49.	8112 69 20	Cadmium, wrought	5%	Nil

IV. OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES IN NOTIFICATIONS

A.	**Changes in Basic Customs Duty (to be effective from 02.02.2025)**		**Rates of Duty**	
S. No.	**Chapter, Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**
		Aquafarming & Marine Exports		
1.	0304 99 00	Frozen Fish Paste (Surimi) for use in manufacture of Surimi Analogue products, for export	30%	5%
2.	2301 20	Fish Hydrolysate for use in manufacture of aquatic feed	15%	5%
		Leather		
3.	4104 11 00 4104 19 00 4105 10 00 4106 21 00 4106 31 00 4106 91 00	Wet blue leather (hides and skins)	10%	Nil

		Gems and Jewellery Sector		
4.	7113	Platinum Findings	25%	5%
		Metal Scrap & Lithium-Ion Battery Waste and Scrap		
5.	7802	Lead waste and scrap	5%	Nil
6.	7902	Zinc waste and scrap	5%	Nil
7.	8105 20 30	Cobalt powders	5%	Nil
8.	8549 13 00 8549 14 00 8549 19 00	Waste and scrap of Lithium-Ion Battery	5%	Nil
		IT and Electronics Sector		
9.	8517	Ethernet switches Carrier grade	20%	10%
10.	8524 8529	Open cell for Interactive Flat Panel Display Module with or without touch, Touch Glass Sheet and Touch Sensor PCB for the manufacture of the Interactive Flat Panel Display Module.	15%/10%	5%
11.	8529	Inputs and Parts of the Open Cells for use in the manufacture of Television Panels of LED/LCD TV.	2.5%	Nil
12.	Any chapter	Inputs or Parts/sub-parts for use in the manufacture of the Printed Circuit Board Assembly, Camera module and connectors of cellular mobile phones and inputs and raw materials for use in the manufacture of specified parts of cellular mobile phones i.e on Wired Headset, Microphone and Receiver, USB Cable and Fingerprint reader/Scanner of Cellular Mobile Phone.	2.5%	Nil
13.	Any chapter	Add 35 capital goods for use in the manufacture of lithium-ion battery of EVs and 28 capital goods for use in the manufacture of lithium-ion battery of mobile phones in the list of exempted capital goods	As applicable	Nil

14.	Any chapter	To amend entry S. No. 6D of Notification No. 57/2017-Customs and incorporate 'any chapter' in column (2) for goods used to manufacture mechanics of mobile phone	As applicable	10%
		Automobile		
15.	8702	Motor vehicles for transport of 10 or more persons	25%/40%	20%
16.	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%
17.	8704	Motor vehicles for transport of goods	25%/40%	20%
18.	8711	Motor cycles with engine capacity not exceeding 1600cc in CBU form	50%	40%
19.	8711	Motor cycles with engine capacity not exceeding 1600cc in SKD form	25%	20%
20.	8711	Motor cycles with engine capacity not exceeding 1600cc in CKD form	15%	10%
21.	8711	Motor cycles with engine capacity of 1600cc and above in CBU form	50%	30%
22.	8711	Motor cycles with engine capacity of 1600cc and above in SKD form	25%	20%
23.	8711	Motor cycles with engine capacity of 1600cc and above in CKD form	15%	10%
		Toys		
24.	9503 00 91	Parts of electronic toys for manufacture of electronic toys	25%	20%

B.	Changes in Export Duty (To be effective from 2nd February, 2025)		Rate of Duty	
S. No.	**Tariff item**	**Commodity**	**From**	**To**
1.	4104 41 00 4104 49 00 4105 30 00 4106 22 00 4106 32 00 4106 92 00	Crust leather (hides and skins)	20%	Nil

V. AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC)

Notification No. 11/2021 – Customs, dated 01.02.2021 is being amended to revise the AIDC rates on the following goods (w.e.f. 02.02.2025):				
S. No.	**Heading, sub-heading, tariff item**	**Commodity**	**Rate**	
			From	**To**
1.	2515 11 00 2515 12	Marble and travertine, crude or roughly trimmed, merely cut into blocks, slabs and other	Nil	20%
2.	2516 11 00 2516 12 00	Granite, crude or roughly trimmed, merely cut into blocks, slabs and other	Nil	20%
3.	3406	Candles, Tapers and the like	Nil	7.5%
4.	3920 or 3921	PVC Flex Films, PVC Flex Sheets, PVC Flex Banner	Nil	7.5%
5.	6401	Waterproof Footwear with outer soles and Uppers of Rubber or Plastics	Nil	18.5%
6.	6402	Other Footwear With Outer Soles And Uppers of Rubber or Plastics	Nil	18.5%
7.	6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	Nil	18.5%
8.	6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	Nil	18.5%
9.	6405	Other Footwear	Nil	18.5%

10.	6802 10 00 6802 21 10 6802 21 20 6802 21 90 6802 91 00 6802 92 00	Marble Slab	Nil	20%
11.	7113	Platinum findings	Nil	1.4%
12.	8541 42 00	Solar Cells	Nil	7.5%
13.	8541 43 00 8541 49 00	Solar Module and Other semiconductor devices and photovoltaic cells	Nil	20%
14.	8702	Motor vehicles for transport of 10 or more persons	Nil	20%
15.	8702	Motor vehicles for transport of 10 or more persons when imported under S. No. 524 (1) (b) of the notification No. 50/2017-Customs	Nil	5%
16.	8702	Motor vehicles for transport of 10 or more persons when imported under S. No. 524 (2) of the notification No. 50/2017-Customs	Nil	20%
17.	8703	Used Motor vehicles	Nil	67.5%
18.	8703	Motor cars and other motor vehicles principally designed for the transport of persons in other than Completely Knocked Down and Semi Knocked Down form with CIF value exceeding USD 40,000	Nil	40%
19.	8704	Motor vehicles for transport of goods	Nil	20%
20.	8704	Motor vehicles for transport of goods when imported under S. No. 525 (1) (b) of the notification No. 50/2017- Customs	Nil	5%
21.	8704	Motor vehicles for transport of 10 or more persons when imported under S. No. 525 (2) of the notification No. 50/2017- Customs	Nil	20%
22.	8711	Used motorcycles and cycles fitted with an auxiliary motor with or without side-car	Nil	40%
23.	8712 00 10	Bicycles	Nil	15%
24.	8903	Yachts and other vessels for pleasure of sports	Nil	7.5%
25.	9028 30 10	Electricity meters for alternating current (Smart meter)	Nil	7.5%

26.	9401	Seats (other than those of headings 9402), whether or not convertible into beds, and parts thereof	Nil	5%
27.	9403	Other furniture and parts thereof	Nil	5%
28.	9404	Mattress supports, articles of bedding and similar furnishing etc.	Nil	5%
29.	9405	Luminaries and lighting fittings including searchlights and spotlights and parts thereof etc.	Nil	5%
30.	9503 00 91	Parts of electronic toys	Nil	20%
31.	9503 00 91	Parts of electronic toys for manufacture of electronic toys (*S. No. 591 of notification No. 50/2017-Customs dated 30.06.2017)*	Nil	7.5%
32.	9802 00 00	Laboratory Chemicals (other than those attracting 10% BCD for specified end use)	Nil	70%

VI. SOCIAL WELFARE SURCHARGE (SWS)

AMENDMENT TO NOTIFICATION NO. 11/2018 – CUSTOMS, DATED 02.02.2018 (w.e.f. 02.02.2025)	
S. No.	**Description**
	Following goods are being exempted from levy of Social Welfare Surcharge
1.	Candles, tapers and the like
2.	PVC Flex Films including Flex Banner and PVC flex Sheets under headings 3920 or 3921
3.	Solar Cells
4.	Yachts and other vessels for pleasure of sports
5.	Electricity meters for alternating current (Smart meter)
6.	Seats (other than those of headings 9402), whether or not convertible into beds, and parts thereof
7.	Other furniture and parts thereof
8.	Mattress supports, articles of bedding and similar furnishing etc.
9.	Luminaries and lighting fittings including searchlights and spotlights and parts thereof etc.
10.	Parts of electronic toys
11.	Articles of gold/silver imported *vide* S. No. 356 and 357 of Notification No. 50/2017-customs dated 30.06.2017
12.	Waterproof Footwear with outer soles and Uppers of Rubber or Plastics
13.	Other Footwear with Outer Soles and Uppers of Rubber or Plastics

14.	Footwear with Outer Soles of Rubber, Plastics, Leather or Composition Leather and Uppers of Leather
15.	Footwear with Outer Soles of Rubber, Plastics, Leather or Composition Leather and Uppers of Textile Materials
16.	Other Footwear
17.	All dutiable goods imported for personal use and not exempted under any prohibition in respect of imports thereof under the Foreign Trade (Development and Regulations) (FTDR) Act, 1992.
18.	Solar Module and Other semiconductor devices and photovoltaic cells
19.	Motor vehicles for transport of 10 or more persons
20.	Motor vehicles for transport of goods
21.	Motor cars and other motor vehicles principally designed for the transport of persons in other than Completely Built Form with CIF value exceeding USD 40,000
22.	Motor cars and other motor vehicles which have been registered abroad before import into India i.e. Used Vehicles
23.	Used motorcycles and cycles fitted with an auxiliary motor with or without side-car
24.	Laboratory Chemicals under CTH 9802 00 00 (other than those attracting 10% BCD for specified end use)
25.	Dutiable articles imported by passenger or member of crew in his baggage classified under heading 9803

VII. Review of Customs duty Exemptions

A. Review of conditional exemption rates of BCD prescribed in notification No. 50/2017-Customs dated 30.6.2017:

A comprehensive review has been undertaken in respect of 25 conditional exemptions/concessional rate entries in Notification No. 50/2017-Customs dated 30th June, 2017 whose validity is expiring by 31.3.2025. After review, 24 entries are being continued for varying periods with modification in few entries and 1 entry is being lapsed.

(1) The details of exemptions/concessional rates being extended with or without modifications:

S.No	Description	Entry No	End date
1	Ships and vessel for breaking up	S. No. 555A	**31.3.2035**
2	Raw materials, components, consumables or parts, for use in the manufacture of ships/vessels	S. No. 559	**31.3.2035**

S.No	Description	Entry No	End date
3	Bulk drugs for manufacture of drugs or medicines *[A separate entry is being created for Drugs, medicines, diagnostic kits specified in List 3 with modifications in the list]*	S. No. 166	**31.3.2029**
4	Bulk drugs used in the manufacture of polio vaccine and Monocomponent insulins	S. No. 166A	**31.3.2029**
5	Bulk drugs used in the manufacture of life saving drugs or medicines *[A separate entry is being created for Drugs, medicines, diagnostic kits specified in List 4 with modifications in the list]*	S. No. 167	**31.3.2029**
6	Drugs, Medicines or Food for Special Medical Purposes (FSMP) used for treatment of rare disease	S. No. 167A S. No. 607B	**31.3.2029**
7	Good specified in List 36 imported by testing agencies specified in List 37, for the purpose of testing and/or certification	S. No. 532A	**31.3.2029**
8	Crude Glycerin for use in manufacture of Epichlorohydrin	S. No. 81A	**31.3.2027**
9	Denatured ethyl alcohol for use in manufacture of industrial chemicals	S. No. 104B	**31.3.2027**
10	Fish meal for use in manufacture of aquatic feed	S. No. 104C	**31.3.2027**
11	Goods for the manufacture of telecommunication grade optical fibres or optical fibre cables	S. No. 168, S. No. 341, S. No. 341A	**31.3.2027**
12	Textile machinery *(with addition of two new machinery)*	S. No. 460 S. No. 460A S. No. 460B S. No. 460C S. No. 460D	**31.3.2027**
13	Parts and components for use in manufacturing of textile machineries	S. No. 460E	**31.3.2027**
14	Goods for use in the manufacture of Open cell of LCD and LED TV panel	S. No. 515B	**31.3.2027**
15	Seeds for use in manufacturing of rough Lab-Grown Diamonds [*IGCR condition removed]*	S. No. 345B	**31.3.2026**
16	Parts of wind operated electricity generators, for the manufacture or the maintenance of wind operated electricity generators [*The entry has also been modified]*	S. No. 405	**31.3.2026**
17	Permanent magnets for manufacture of PM synchronous generators above 500KW for use in wind operated electricity generators	S. No. 406	**31.3.2026**

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

(2) The following entry is being allowed to lapse with effect from 01.04.2025:

S. No.	S. No. of 50/2017-Customs	Description
1.	489AA	Heat Coil for use in the manufacture of Electric Kitchen Chimneys falling under tariff item 84146000

(3) Other Changes in notification No. 50/2017 -Customs dated 30.6.2017

Certain entries are being modified as under:

S. No.	S. No. of 50/17-Cus	Brief Description
1.	257A	9 new groups of items such as sea shell, adhesive etc are being added to the list of duty free items for use in manufacture of handicrafts for export. The time period for export of the handicraft items is also being increased from 6 months to 1 year, further extended by another three months.
2.	539	BCD exemption is being extended to imports of ground installations for satellites and payloads and its spares and consumables of such installations.
3.	539A	BCD exemption is being provided on goods for use in the building of launch vehicles and launching of satellites

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

B. Amendment of Notifications Nos. 16/2017-Customs dated 20.04.2017 and 153/94-Customs dated 13.07.1994

Notification No.	Brief Description
16/2017-customs dated 20.04.2017	The notification exempts specified drugs and medicines from the whole of the duty of customs leviable thereon subject to their being supplied free to cost to patients under Patient Assistance Programme (PAP) run by the pharmaceutical companies.

Notification No.	Brief Description
	37 new drugs and 13 patient assistance programmes are being added to the list
153/94-customs dated 13.07.1994	Currently, articles of foreign origin can be imported into India for maintenance, repair and overhauling subject to their export within six months extendable to 1 year. The duration for export in the case of railway goods imported for such purpose has been increased from 6 months to 1 year further extendable by 1 year

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

VIII. Changes to IGCR (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2017

Rules 6 and 7 are being amended to increase the time limit for fulfilling end use from current six months to one year. Further, the importers will now have to file only a quarterly statement instead of monthly statement.

CENTRAL EXCISE

1. Amendments in Central Excise Act, 1944

S.N.	Amendment	Clause of the Finance Bill, 2025
	These changes will come into effect from the 1st day of April, 2025	
1.	Section 31 is being amended to define “Interim Board for Settlement” and “pending application”.	**[99]**
2.	A new section 31A is being inserted to establish one or more Interim Boards for Settlement to process the pending applications and to provide that every pending application shall be dealt by the Interim Board from the stage at which such pending application stood immediately before its constitution.	**[100]**
3.	A proviso to sub-section (1) of section 32 is being inserted to provide that CCESC shall cease to operate on or after 1st April, 2025.	**[101]**
4.	Sections 32A, 32B, 32C and 32D are being amended by inserting a proviso in all these sections to provide that the provisions of these sections shall not apply on or after 1st April, 2025.	**[102 to 105]**
5.	A proviso to sub-section (5) of section 32E is being inserted to provide that no new application shall be made under this section on or after 1st April, 2025.	**[106]**
6.	Section 32F is being amended to substitute the expression “Settlement Commission” with “Interim Board” so that the specified procedure on receipt of the application under section 32E shall apply to the Interim Boards. Additionally, a new sub-section is being introduced to allow the Interim Board, within three months of its constitution, to extend the time limit for disposing of pending applications by up to twelve months from its constitution, with reasons to be recorded in writing.	**[107]**
7.	Sections 32G, 32-I, 32J, 32K, 32L, 32M, 32-O and 32P are being amended to provide that on and after 1st April, 2025, the powers and functions of the Settlement Commission under these sections shall be exercised by the Interim Boards.	**[108 to 115]**

SERVICE TAX

S. No.	Retrospective exemptions	Clause of the Finance Bill, 2025
1.	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 1st April, 2011 and ending with 30th June, 2017.	**[130]**

GOODS AND SERVICES TAX

Note:
(a) CGST Act means Central Goods and Services Tax Act, 2017
(b) Amendments carried out through the Finance Bill, 2025 will come into effect from the date when the same will be notified concurrently, unless specified otherwise, as far as possible, with the corresponding amendments to the similar Acts passed by the States & Union territories with legislature.

I. AMENDMENTS IN THE CGST ACT, 2017:

S. No.	Amendment	Clause of the Finance Bill, 2025
1	Clause (61) of section 2 of the Central Goods and Services Tax Act is being amended to explicitly provide for distribution of input tax credit by the Input Service Distributor in respect of inter-state supplies on which tax has to be paid on reverse charge basis, by inserting reference to sub-section (3) and sub-section (4) of section 5 of Integrated Goods and Services Tax Act. This amendment will be effective from 1st April 2025.	**[116]**
2	Sub-clause (c) of clause (69) of section 2 is being amended to replace "municipal or local fund" with "municipal fund or local fund" and to insert an Explanation after the said sub-clause, to provide for definitions of the terms 'Local Fund' and 'Municipal Fund' used in the definition of "local authority" under the said clause so as to clarify the scope of the said terms.	**[116]**
3	A new clause (116A) is being inserted in section 2 to provide definition of Unique Identification Marking for implementation of Track and Trace Mechanism.	**[116]**
4	(i) Sub-section (4) of Section 12 relating to time of supply in respect of Vouchers is being deleted. (ii) Sub-section (4) of Section 13 relating to time of supply in respect of Vouchers is being deleted.	**[117, 118]**
5	Clause (d) of sub-section (5) of section 17 is being amended to substitute the words "plant or machinery" with words "plant and machinery". This amendment will be effective retrospectively from 1st July 2017, notwithstanding anything to the contrary contained in any judgment, decree or order of any court or any other authority.	**[119]**
6	Section 20(1) and Section 20(2) are being amended to explicitly provide for distribution of input tax credit by the Input Service Distributor in respect of inter-state supplies, on which tax has to be paid on reverse charge basis, by inserting reference to sub-section (3) and sub-section (4) of section 5 of Integrated Goods and Services Tax Act in said sub-sections of section 20 of Central Goods and Services Tax Act. The amendment will be effective from 1st April 2025.	**[120]**

S. No.	Amendment	Clause of the Finance Bill, 2025
7	Proviso to sub-section (2) of section 34 is being amended to explicitly provide for requirement of reversal of corresponding input tax credit in respect of a credit-note, if availed, by the registered recipient, for the purpose of reduction of tax liability of the supplier in respect of the said credit note.	**[121]**
8	Section 38(1) is being amended to omit the expression "auto generated" with respect to statement of input tax credit in the said sub-section.	**[122]**
9	Section 38(2) is being amended by omitting the expression "auto generated" with respect to statement of input tax credit in said sub-section and also to insert the expression "including" after the words "*by the recipient*" in clause (b) of said sub-section to make the said clause more inclusive.	**[122]**
10	Section 38(2) is being amended by inserting a new clause (c) in the said sub-section to provide for an enabling clause to prescribe other details to be made available in statement of input tax credit.	**[122]**
11	Section 39(1) is being amended so as to provide for an enabling clause to prescribe conditions and restriction for filing of return under the said sub-section.	**[123]**
12	Section 107(6) is being amended to provide for 10% mandatory pre-deposit of penalty amount for appeals before Appellate Authority in cases involving only demand of penalty without any demand for tax.	**[124]**
13	Section 112(8) is being amended to provide for 10% mandatory pre-deposit of penalty amount for appeals before Appellate Tribunal in cases involving only demand of penalty without any demand for tax.	**[125]**
14	New section 122B is being inserted to provide penalty for contraventions of provisions related to the Track and Trace Mechanism provided under section 148A.	**[126]**
15	New section 148A is being inserted to provide for an enabling mechanism for Track and Trace Mechanism for specified commodities.	**[127]**
16	Schedule III of CGST Act is being amended, w.e.f. 01.7.2017 by inserting a new clause (aa) in paragraph 8 of Schedule III of the Central Goods and Services Tax Act, to provide that the supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area shall be treated neither as supply of goods nor as supply of services.	**[128]**
17	It further seeks to amend Explanation 2 of Schedule III of the Central Goods and Services Tax Act, w.e.f. 01.07.2017 to clarify that the said explanation would be applicable in respect of clause (a) of paragraph 8 of the said Schedule.	**[128]**

S. No.	Amendment	Clause of the Finance Bill, 2025
18	It further seeks to amend Schedule III of CGST Act, w.e.f. 01.07.2017 by inserting Explanation 3 to define the terms ‘Special Economic Zone’, ‘Free Trade Warehousing Zone’ and ‘Domestic Tariff Area’, for the purpose of the proposed clause (aa) in paragraph 8 of said Schedule.	**[128]**
19	No refund of tax already paid will be available for the aforesaid activities or transactions referred to in clause 128**.**	**[129]**

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