Union Budget 2025

Key Highlights and Insights





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Budget at a Glance



- De-regularization by Government in regulatory framework based on principles and trust to unleash productivity and employment
- Introduction of new Income tax bill by second week of February 2025.
- Special focus on development of labour intensive manufacturing ecosystem like toys, leather, food processing and electronics to represent the 'Made in India' brand globally.
- Personal Income Tax reforms with special focus on the middle class with a revised tax slab
- Classification based on investment and turnover criteria for MSMEs have been revised.

- Investing in people, economy and innovation, promoting exports.
- Introduction of Arm's Length Price determination provisions by Transfer Pricing Officer for similar transactions for block of 3 years.
- High Level Committee for Regulatory Reforms review of all non-financial sector regulations, certifications, licenses, and permissions.
- Improved access to lifesaving medicines by exempting duty on certain drugs.
- Extension of sunset date for the incorporation of eligible start-ups to avail tax benefits under section 80-IAC



Economic Policies



The economic policies proposed in the Budget is aimed at the following sectors:













- Launch of Prime Minister Dhan-Dhaanya Krishi Yojana to boost crop productivity via sustainable practices and improved resources.
- Introduction of 'Rural Prosperity and Resilience' program for employment in agriculture, targeting rural women, youth, small farmers, and landless families.
- Six-year "Mission for Aatmanirbhar Bharat in Pulses" to enhance pulse production, focusing on Tur, Urad, and Masoor.
- Implementation of a program to promote fruit and vegetable production, supply chain, and public distribution.
- Establishment of a Makhana Board in Bihar to support farmers in production, processing, and marketing.
- Framework creation to utilize fisheries from the Indian Exclusive Economic Zone and High Seas.
- Increase in short-term credit for farmers via Kisan Credit Cards from INR 3 Lakhs to 5 Lakhs.
- Transformation of India Post into a public logistics organization to support entrepreneurs, self-help groups, MSMEs, and large businesses.





• Classification criteria for MSMEs will be revised as given in the table below:

Typo	Investment (INR)		Turnover (INR)	
Туре	Current	Revised	Current	Revised
Micro Enterprises	1 Crore	2.5 Crores	5 Crores	10 Crores
Small Enterprises	10 Crores	25 Crores	50 Crores	100 Crores
Medium Enterprises	50 crores	125 Crores	250 Crores	500 Crores

- Credit cards for Micro Enterprises: Micro Enterprises registered in UDYAM portal will be able to avail customised credit cards with a credit limit of INR 5 Lakhs.
- Fund of funds for start-ups: A new Fund of funds of INR 10,000 crores will be set-up to nurture the start-up ecosystem.
- Schemes for footwear, leather & toy sectors: Measures to support design & machinery capacity and components manufacturing required to enhance the production of non-leather & leather footwear, as well as high-quality and innovative toys under 'Make In India' brand will be implemented.
- Support for clean tech manufacturing: Mission with an aim of building domestic value addition for green energy products such as solar cells, EV batteries and wind turbines will be implemented.





People

- Investing in Bharatnet Project to provide broadband connectivity to government secondary schools and primary health centers in rural areas.
- Setting up Atal Tinkering Labs in government Schools to seed the spirit of curiosity and innovation.
- Executing Saksham Anganwadi and Poshan 2.0 for nutritional support to children, pregnant women, lactating mothers and adolescent girls.

Economy

- An outlay of INR 1.5 lakh crore is proposed for the 50-year interest free loans to states for capital expenditure and incentives for reforms.
- Extending Jal Jeevan Mission to achieve 100% tap water coverage in rural areas by 2028.
- Active partnership with the private sector with an aim of developing at least 100 GW of nuclear energy by 2047.

Innovation

- A second Gene Bank will be established to ensure future food & nutritional security, supporting genetic resource conservation.
- National Geospatial Mission to facilitate modernization of land records, urban planning and design of infrastructure projects.
- INR 20,000 crores is proposed to be allocated to implement private sector-driven research & development and innovation initiative.

Tourism

- Providing performance-linked incentives to states for effective destination management.
- Establishing streamlined e-visa facilities with visa-fee waivers for particular tourist groups
- UDAN scheme will be launched to enhance regional connectivity to 120 new destinations and will also support helipads and smaller airports in hilly and North East region districts.





Export Promotion Mission

- A joint-ministry mission with specific sectoral and ministerial targets will be established.
- This will streamline access to export credit, crossborder factoring assistance and support MSMEs in addressing non-tariff measures in overseas markets.

Integration support

- Efforts will be made to strengthen domestic manufacturing capacities, enabling better integration with global supply chains.
- Support will be provided to electronic equipment sector to capitalise on the opportunities of Industry 4.0 for the benefit of youth.

Bharat TradeNet

- A digital public infrastructure Bharat TradeNet will be established as a unified platform for trade documentation and financing solutions.
- This will complement the Unified Logistics Interface Platform and be aligned with international practices.

National Framework for GCC

- Guidelines will be provided to states to promote Global Capability Centres in tier 2 cities.
- Measures to improve talent & infrastructure availability, building bye-law reforms and mechanisms for industry collaboration will be introduced.







Rationalization of TDS/TCS provisions

- Tax Deduction at Source (TDS) has been rationalized by reducing the number of rates and thresholds above which TDS is deducted. Further, threshold amounts for tax deduction will be increased for better clarity and uniformity.
- This is proposed to be effective from April 1, 2025

Section	Existing provision	Proposed as per Budget 2025	
193 - Interest on securities	Individuals & HUF – INR 5,000 Others – NA	INR 10,000	
194 – Dividends	INR 5,000	INR 10,000	
194A - Interest other than interest on securities	i) For senior citizens – INR 50,000 ii) In case of others when payer is bank, co- operative society & post office – INR 40,000 iii) In other cases – INR 5,000	i) For senior citizens – INR 100,000 ii) In case of others when payer is bank, co- operative society & post office – INR 50,000 iii) In other cases – INR 10,000	
194B - Winnings from lottery or crossword puzzle	INR 10,000 (On aggregate)	INR 10,000 (In a single transaction)	
194BB - Winnings from horse race	(On aggregate)		



Rationalization of TDS/TCS provisions (cont.)

Section	Existing threshold	Proposed threshold as per Budget 2025	
194D - Insurance Commission		INR 20,000	
194G - Income by way of Commission, Prize, etc on Lottery Tickets	INR 15,000		
194H - Commission/ Brokerage			
194I – Rent	INR 240,000 per annum	INR 50,000 per month	
194J - Fee for professional / technical services	INR 30,000	INR 50,000	
194K - Income in respect of Units of Mutual Funds	INR 5,000	INR 10,000	
194LA – Compensation on compulsory acquisition of immovable property	INR 250,000	INR 500,000	



Rationalization of TDS/TCS provisions (cont.)

- Provision for higher TDS & TCS in case of non-filer of tax return has been omitted. However, higher rate still applies in case of no PAN cases.
- TCS on sale of goods are proposed to be omitted w.e.f. April 01, 2025.
- Delay in payment of TCS up to the statutory deadline for filing TCS statement has been decriminalized.
- Threshold to collect TCS on remittances made under Liberalised Remittance Scheme (LRS) scheme has been increased from INR 7 lacs to INR 10 lacs.
- TCS on remittance for educational purposes is not applicable, in case such remittances are made out of loan availed from specified financial institutions.
- Higher rate of TCS on sale of overseas tour program packages increased from INR 7 lacs to INR 10 lacs.



Reliefs for small Charitable Trusts

- The validity of registration for small charitable trusts is proposed to be extended from five years to ten years, thereby alleviating the compliance burden.
- Additionally, disproportionate consequences do not arise for minor defaults, such as incomplete applications filed by charitable entities.

Extension of time limit to file updated return

- Time limit to file updated return has been extended to four years from two years from the end of the relevant assessment year.
- No updated return shall be furnished by any person where any notice to show cause under section 148A has been issued in his case after thirty-six months from the end of the relevant assessment year.

ITR-U filed from the end of the AY	Additional tax liability	ITR-U filed from the end of the AY	Additional tax liability
Within 12 months	25%	Within 36 months	60%
Within 24 months	50%	Within 48 months	70%



Tax certainty

- Purchase of goods in India for the purpose of exports shall be excluded from the definition of 'Significant Economic Presence' (SEP). This amendment will be effective from April 1, 2026.
- Definition of 'capital asset' has been amended to include securities held by Cat I and Cat II AIF.
- Scope of undisclosed income under section 158B has been expanded to include virtual digital assets.
- The validity of registration for small charitable trusts is proposed to be extended from five years to ten years, thereby alleviating the compliance burden.
- Additionally, disproportionate consequences do not arise for minor defaults, such as incomplete applications filed by charitable entities.

Miscellaneous

- Capital Gains earned by business trust from equity shares, equity oriented fund or business trust subject to securities transaction tax, are now taxed at 12.5%.
- Tax rate on Long Term Capital Gain for Foreign Institutional Investors (FIIs) and Specific Funds (Cat-III AIF, ETFs, etc), other than equity shares, equity oriented fund or business trust subject to securities transaction tax, are prescribed to be taxed at 12.5%.



Provisions related to Assessments

- The time limit for completion of block assessment is extended from 12 months from end of the month in which the last authorisations for search or requisition was executed to 12 months from end of the quarter.
- The penalty provisions outlined in Section 271AAB, which apply to searches initiated after December 15, 2016, will not be applicable to searches that begin on or after September 01, 2024.
- The period during which the assessment proceeding is stayed by an order or injunction of any court and ending on the date on which certified copy of the order is received by the specified authority shall be excluded in computing the period of limitation.
- Time limit for approval for retaining seized books/ documents has been changed from thirty days after an assessment order to one month after the end of the quarter in which the order of assessment or reassessment or re-computation is made.



Obligation to furnish information in respect of crypto-asset

 New section 285BAA has been inserted relating to obligation to furnish information on transaction of crypto-assets.





Removing date limits on framing schemes in specific cases

• It is proposed that end date prescribed for notifying faceless schemes for transfer pricing assessments, DRP proceedings, appellate proceedings 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.

Extension of sunset clause

• The sunset date to incorporate eligible start-ups extended to March 31, 2030 from March 31, 2025.





Presumptive taxation for non-residents

- Non-residents providing services or technology to a resident company that is establishing/operating electronic manufacturing facility for such manufacturing can opt to be taxed on a presumptive basis
- Presumptive taxation for non-resident at the rate of 25% of the receipts shall be deemed income of the non-resident.

 The sunset date for commencement of operations of IFSC units for various tax concessions are proposed to be extended from March 31, 2025 to March 31, 2030.







M&A proposals





Streamlining company merger processes

- The requirements and procedures for company mergers will be rationalized to speed up the approval process.
- The scope for fast-track mergers will also be widened, making the process simpler.



Plugging of
evergreening of carry
forward of losses in
case of mergers/
amalgamation

- In a business reorganization or amalgamation, any business losses incurred by the merging entity may be carried forward by the successor entity for a maximum of eight assessment years.
- Such time frame begins from the assessment year in which the loss was initially calculated for the original amalgamating (predecessor) entity.
- The above mentioned amendment will apply to any succession on or after April 1, 2025. Similar changes are proposed in relation to amalgamation of banking companies /banks/ certain government companies.
- The said amendment addresses a crucial flaw that granted a new eight-year period for carrying forward business losses in an amalgamation scheme, regardless of the year in which the losses occurred for the amalgamating entity.





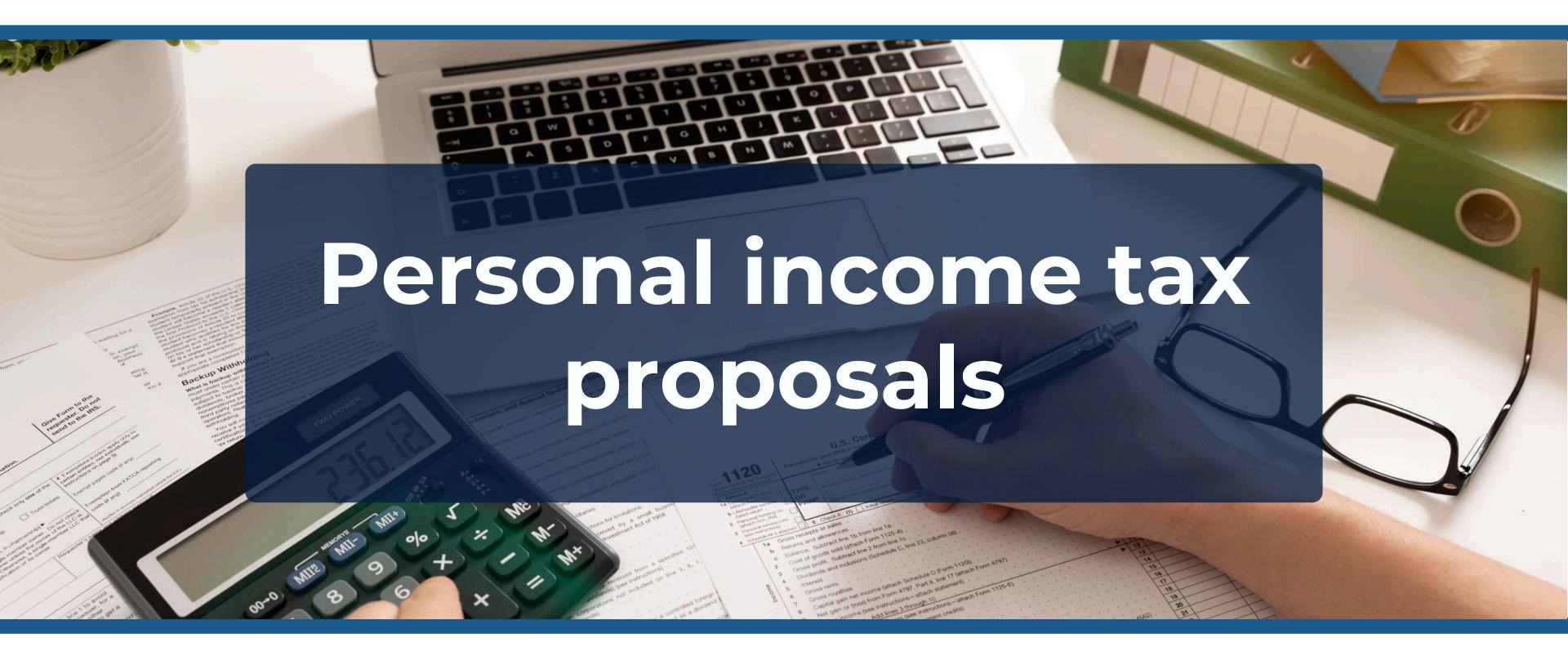
Transfer Pricing proposals



Option for block transfer pricing assessments

- Effective from April 01, 2026, taxpayers can opt for transfer pricing assessments for a block period of three years.
- For exercising such option, a taxpayer will be required to apply to the Transfer Pricing Officer ('TPO') in prescribed form, manner and period which are yet to be notified.
- An order will be passed by the TPO to the effect of validation of the option within one month from the end of the month in which a taxpayer has applied to exercise such option, subject to fulfillment of conditions yet to be notified.
- Under said option, the arm's length price determined with regards to an international/ specified domestic transaction for any previous year will apply to similar transactions for the successive two previous years.
- The above said option will not be applicable to assessment proceedings in relation to search cases.
- The scope of safe harbour rules is proposed to be broadened in order to minimize litigation and provide clarity in international taxation.





Personal Income tax



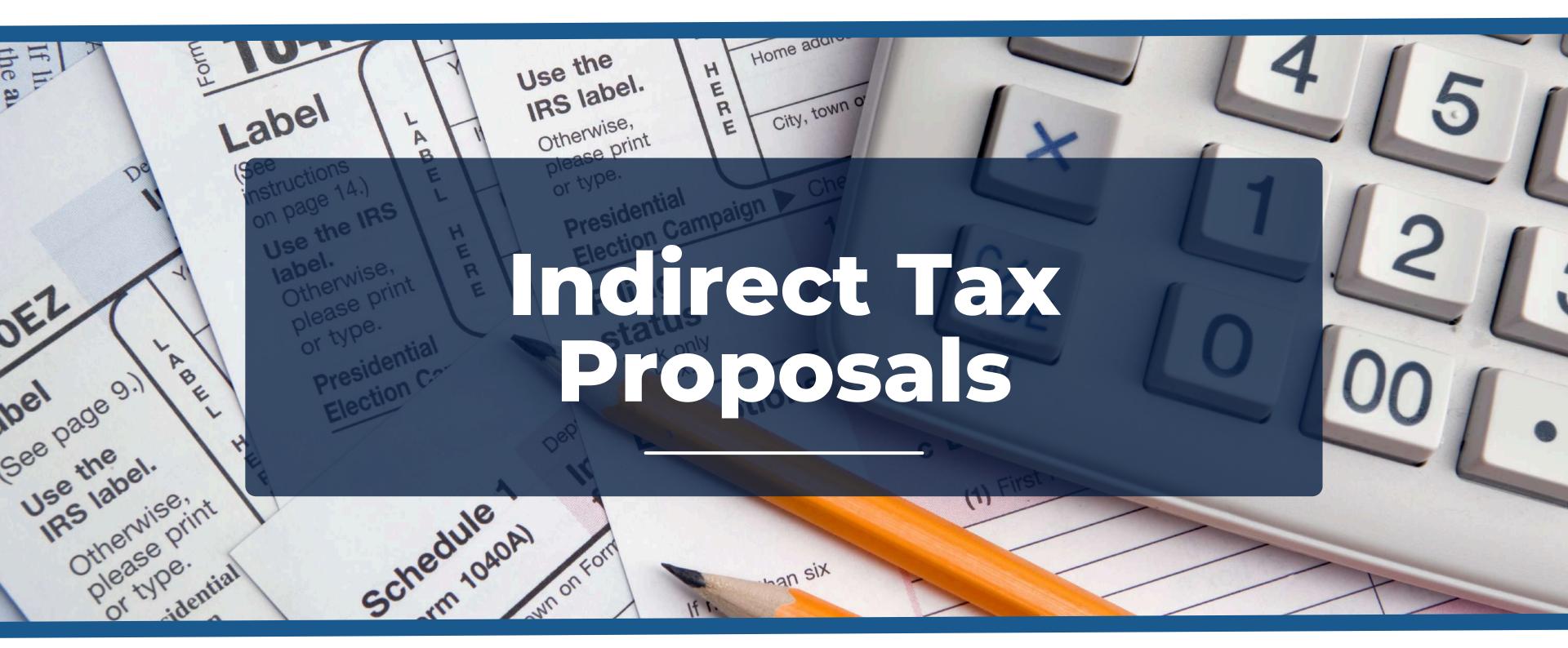
- The Budget has proposed substantial tax relief under the new tax regime with new slabs and new tax rates.
- There are no changes in slab rates under old tax regime.
- Rebate of tax payable on total income (other than special tax rate income such as capital gain) up to INR 12 lacs.
- There are no changes with respect to standard deduction, surcharge or cess.

Proposed Slab rates	Tax Rate
Upto INR 4,00,000	NIL
INR 4,00,001 - INR 8,00,000	5 %
INR 8,00,001 - INR 12,00,000	10 %
INR 12,00,001 - INR 16,00,000	15 %
INR 16,00,001 - INR 20,00,000	20 %
INR 20,00,001 - 24,00,000	25 %
Above 24,00,000	30 %

Other amendments

- Income limits for calculation of perquisites have been enhanced and such threshold shall be notified by Central Government.
- It has been clarified that maturity of unexempted Unit Linked Insurance Policy shall be treated as capital gains.
- Exemption on life insurance policies issued by IFSC insurance offices
- Annual value of two self-occupied properties to be considered 'NIL', irrespective of the reason for which it cannot be occupied.
- Withdrawals from National Savings Scheme (NSS) by individuals after August 29, 2024 will be exempt from taxes.
- Contribution by parent/guardian to the national pension scheme (Vatsalya) account of minor can be allowed as deduction, subjected to overall limit of INR 50,000.







Goods and Services Tax



- The ISD mechanism has been explicitly amended to allow the distribution of input tax credit (ITC) for inter-state supplies that are subject to tax under the reverse charge mechanism. This amendment will take effect from April 1, 2025.
- The provisions determining the time of supply for vouchers are proposed to be removed. This aligns with the GST Council's recommendation and a recent circular clarifying that vouchers do not constitute a supply of goods or services but merely serve as a payment instrument.
- A condition has been introduced requiring the reversal of input tax credit by the recipient in cases where a credit note is issued by the supplier. This is in line with the existing requirement for credit notes issued for post-sale discounts.
- Introduction of Section 148 A, which facilitates the Track and Trace Mechanism for certain goods by providing a unique identification marking for such goods.
- Section 17(5)(d) of the CGST Act, 2017 has been retrospectively amended to substitute the term "plant or machinery" with 'plant and machinery" overturning the Supreme court decision in the case of *Safari Retreats*.
- Supply of goods warehoused in a Special Economic Zone ('SEZ') or a Free Trade Warehousing Zone ('FTWZ') to any person before clearance for export or to the Domestic Tariff Area ('DTA'), shall neither be treated as a supply of goods nor a supply of service. Any tax paid on such supplies till date will not be refunded.
- A Mandatory 10% pre-deposit of penalty is required to be made for filing an appeal before each appellate authority when the order concerns only penalty (without involving demand of any tax).





Introduction of timeline for provisional assessment

- Proposes a two-year limit for finalizing the provisional assessment, extendable by the Principal Commissioner or Commissioner of Customs for an additional year if sufficient cause is shown.
- The time-limit for pending cases will start from the date the Finance Bill is approved by the President.

Voluntary revision of entry, post clearance

- Voluntary revision of entries post clearance to enable payment of additional duties or claim a refund.
- The time frame for claiming a refund of excess taxes will be one year from the date the duty or interest was paid.

Sunset provisions introduced for the Customs, Central Excise and Customs Settlement Commission (CCESC)

- Abolition of the CCESC effective April 1, 2025
- Pending applications shall be handled by an Interim Board for Settlement





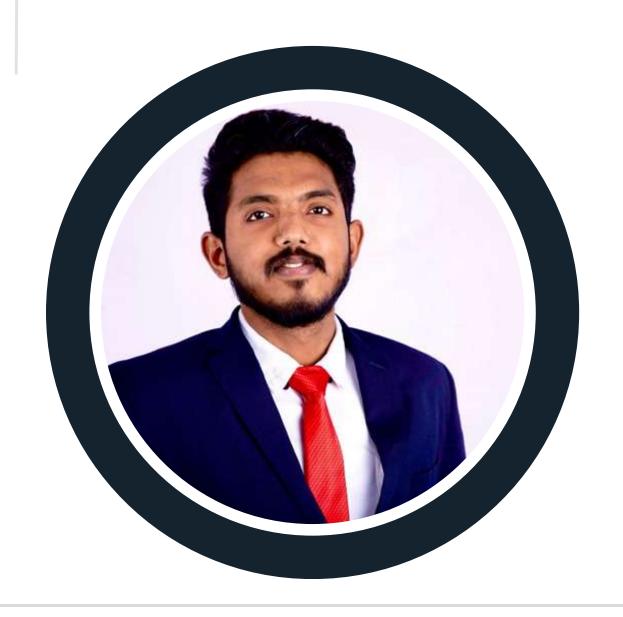
Import of Goods at Concessional Rate of Duty(IGCR)

- Impoters can now file Form ICGR-3 Statement on a quarterly basis instead of monthly
- Extension of compliance period from 6 months to 1 year for fulfilling end-use conditions under concessional duty imports

Rationalization of Customs tariff

- 7 tariff rates are removed and only 8 rates structure to remain, including zero duty.
- Social Welfare Surcharge exempted on 82 tariff lines. Cess and surcharge shall not be applicable simultaneously.
- Reduction in customs duty to reduce input costs, deepen value addition, promote export competitiveness, correct inverted duty structure, boost domestic manufacturing etc [w.e.f. February 2, 2025]

Get in Touch





Contact us to get more info



vijay.krishnan@upnorthadvisors.in



+91 98415 12389

