

Rationalisation and Simplification

India Budget 2025-2026



Key Takeaways (1/4)



01. Business Connection

Significant Economic Presence ('SEP') definition proposed to be amended to ensure that transactions or activities of a non-resident in India confined to purchase of goods for export do not constitute a SEP of such non-resident in India.

02. Income from House Property

Taxpayers can now claim the annual value of two self-occupied properties as nil without any additional conditions.

03. Carry Forward of Losses in Corporate Re-organisations

The benefit of carried forward of business losses available to the successor entity on business re-organisation is now capped at eight assessment years from the year in which the loss was first computed for the original predecessor entity. The amendment is restricted to business losses and will not impact the unabsorbed depreciation of the predecessor entity.

04. Incentive for Start-ups

The period for incorporation of Start-ups is extended by five years, allowing benefits for start-ups incorporated until April 01, 2030.

05. Clarity on Unit-linked Insurance Policies ('ULIPs')

The amendment seeks to provide that ULIP that does not qualify for exemption under Section 10(10D) is a capital asset and any gains arising on redemption shall be taxable as capital gains.

06. Tax certainty for Alternate Investment Funds ('AIFs')

Securities held by Category-I and Category-II Investment funds to be treated as capital assets and gains arising from transfer of such securities to be taxed as capital gains.

Key Takeaways (2/4)



07. Tax deducted at Source ('TDS')

Presently, there are multiple provisions of TDS with different thresholds and multiple rates, with a view to ease compliance burdens for taxpayers, TDS provisions rationalised with fewer rates and higher thresholds.

08. Tax Collected at Source ('TCS') on Liberalized Remittance Scheme ('LRS') and Other Reliefs

TCS thresholds on remittance under LRS raised from INR 7 lakhs to INR 10 lakhs. No TCS on education-related remittance if funded through loans from specified institutions. No TCS on sale of specified goods.

09. Transfer Pricing

The proposed amendment aims to rationalize TP litigation by considering the arm's length price over a block period of three years. It allows the Assessee, engaged in yearly recurring of related party transactions, to exercise an option that the ALP determined for a specific international or specified domestic transaction for a given previous year shall also apply to similar transactions for the consecutive two years.

10. Updated Return

The time limit for filing updated return increased from 24 months to 48 months from the end of the relevant AY. Additional income tax liability for updated returns to be filed in 3rd year and 4th year would be 60% and 70%, respectively.

11. Special Provision for Shipping Companies

The benefits of existing tonnage tax scheme to be extended to inland vessels registered in India to promote inland water transport in the country.

12. Crypto Transactions

Compliance of furnishing the statement introduced for any person engaging in crypto transactions. Further, undisclosed income to include 'Virtual Digital Asset' w.e.f. February 01, 2025.

Key Takeaways (3/4)



13. Presumptive Taxation

Presumptive taxation deeming 25% of the specified remittances has been introduced for Non-resident providing services or technology to resident company engaged in establishing or operating electronics manufacturing facility or facility in connection with manufacturing of electronic goods in India.

14. Stay Period Clarified

Clarification provided regarding the start date and end date of the stay period by the court in relation to various assessment proceedings.

15. Penalty

Various amendments are proposed under penalty provision with the objective of rationalisation and de-criminalisation.

16. New Tax Regime and Rebate

The basic exemption limit proposed to be enhanced from INR 3 Lacs to INR 4 Lacs. Further, the highest slab enhanced from INR 15 Lacs to INR 24 Lacs. Also, the threshold for rebate increased from INR 7 Lacs to INR 12 Lacs.

17. Gift City / IFSC

Extension of 5 years to units in GIFT – IFSC for commencement of operations to seek tax incentives. Specific benefits to ship-leasing units, insurance offices and treasury centres of global companies set up in IFSC.

18. GST

- ISD can now distribute ITC for inter-state reverse charge from April 2025.
- Removes time of supply provisions for vouchers; updates definition of plant machinery.
- 10% pre-deposit required for appeals before Appellate Authority & Tribunal without tax demand.
- Penalties introduced for violations; Track and Trace mechanism established for specific goods.
- Goods in SEZ/FTWZ warehouses before export/DTA clearance are not to be treated as goods or as services.

Key Takeaways (4/4)



19. Customs

- Section 18 introduces a 2-year limit for finalizing provisional assessments.
- New Section 18A allows voluntary revision of post-clearance entries by importers/exporters within a set time.
- Section 27(1) Explanation clarifies a 1-year refund limit for duty or interest payments under Sections 18A or 149.
- Section 28 Explanation 1 defines the refund date as the duty/interest payment date under Section 18A.

20. Customs Tariff

- Rates reduced, with 7 tariff rates removed; 82 tariff lines exempt from Social Welfare Surcharge.
- Critical minerals, life-saving drugs, EV & mobile battery manufacturing, and shipbuilding materials are now exempt from BCD.
- BCD reduced on Ethernet switches and fish products; export time for railway goods extended.

21. Service Tax

Exempts reinsurance services under Weather Based Crop Insurance Scheme ('WBCIS') and the Modified National Agricultural Insurance Scheme ('MNAIS') from service tax from April 2011-June 2017.



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