

India Union Budget
2025-2026

Rationalisation and Simplification

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Industry Analysis

Industry Analysis

Agriculture & Rural Development

Prime Minister Dhan-Dhaanya Krishi Yojana is set to cover 100 districts with the aim of benefiting 1.7 crore farmers. The program focuses on enhancing agricultural productivity, crop diversification, sustainable agriculture practices, augmenting post-harvest storage, improving irrigation facilities, and facilitating credit availability.

Infrastructure & Urban Development

The government has proposed an outlay of INR 1.5 lakh crore for 50-year interest-free loans to states for capital expenditure and incentives for reforms. The Urban Challenge Fund, aimed at transforming cities into growth hubs, will receive an initial allocation of INR 10,000 crore for fiscal year 2025-26.

Telecommunications

The Union Budget 2025 has boosted allocation for BharatNet by 238% year-over-year to INR 22,000 crores in FY26, significantly extending broadband connectivity in rural government-run secondary schools and primary healthcare centres (PHCs).

Real Estate and Infrastructure

The budget has proposed the completion of 40,000 additional units under the SWAMIH Fund 2, which will be established with a corpus of INR 15,000 crore.

Startups

The Union Budget 2025-26 introduces INR 10,000 crore Fund of Funds Scheme to support startups, enhancing the Credit Guarantee Scheme to INR 20 crore, and supporting 5 lakh first-time women, SC, and ST entrepreneurs with INR 2 crore term loans. It also includes 50,000 Atal Tinkering Labs and a INR 500 crore Centre of Excellence for AI in education. These measures will significantly enhance India's position as a global innovation powerhouse.

Nuclear Energy

A Nuclear Energy Mission has been introduced with an outlay of INR 20,000 crore for research and development of Small Modular Reactors (SMRs), aiming to have at least five indigenously developed SMRs operational by 2033.

Industry Analysis

Education

The budget proposes the establishment of 50,000 Atal Tinkering Labs in government schools over the next five years.

Healthcare

The government plans to add 10,000 additional seats in medical colleges and hospitals, with a goal of adding 75,000 seats in the next five years.

Manufacturing

The budget introduces the National Manufacturing Mission to further “Make in India,” providing policy support and execution roadmaps for central ministries and states. It also increases investment and turnover limits for MSME classification, enhancing access to capital and driving technological upgradation. These measures aim to boost the manufacturing sector, create jobs, and enhance India’s global competitiveness.

MSMEs

The budget focuses on supporting MSMEs through a new Fund of Funds with a government contribution of INR 10,000 crore, providing startups with capital to scale operations. It also increases investment and turnover limits for MSME classification, improving access to credit and driving technological upgradation. These initiatives will boost the manufacturing sector, create jobs, and drive economic growth.

Technology and Innovation

The budget emphasizes technological advancements and innovation with a new Centre of Excellence in AI for Education (INR 500 crore) and a National Geospatial Mission. It also includes 50,000 Atal Tinkering Labs in government schools to foster innovation. These initiatives will drive technological advancements, improve urban planning, and support infrastructure development, enhancing overall economic efficiency.

Financial Sector Reforms

The budget includes several key initiatives to enhance the financial sector, such as raising the FDI limit for insurance to 100% and simplifying tax slabs with a new Income Tax Bill. A INR 25,000 crore Maritime Development Fund will enhance shipbuilding capabilities, supporting the maritime industry and creating new employment opportunities.

Industry Analysis



Exports and Global Competitiveness

The budget aims to boost India's exports and global economic position through BharatTradeNet, a unified platform for trade documentation and financing solutions. It also supports domestic manufacturing integration with global supply chains and promotes Global Capability Centres in tier 2 cities, enhancing talent and infrastructure availability.

Middle Class Spending Power

The budget includes measures to increase middle-class disposable income through new tax slabs and higher Kisan Credit Card limits (INR 5 lakh). These measures will enhance spending power, drive domestic consumption, and improve rural incomes, supporting overall economic stability.

Income Tax

Personal Taxation

Reliefs to Taxpayers Under New Tax Regime

- With a view to provide special relief to the taxpayers covered under Section 115BAC (new tax regime) of the IT Act, it is proposed to revise the slabs for assessment year 2026-27.
- The tax rates for assessment year 2025 -26 under the new regime will continue to be same. Further, no change in the slabs has been proposed under the old tax regime.
- The comparison chart of existing tax rates and proposed tax rates under the new tax regime are tabulated below:

Existing slabs under the New Tax Regime	
Total Income slab (in INR)	Tax rate
Up to INR 3,00,000	NIL
INR 3,00,001 to INR 7,00,000	5%
INR 7,00,001 to INR 10,00,000	10%
INR 10,00,001 to INR 12,00,000	15%
INR 12,00,001 to INR 15,00,000	20%
Above INR 15,00,000	30%

Proposed slabs under the New Tax Regime	
Total Income slab (in INR)	Tax rate
Up to INR 4,00,000	NIL
INR 4,00,001 to INR 8,00,000	5%
INR 8,00,001 to INR 12,00,000	10%
INR 12,00,001 to INR 16,00,000	15%
INR 16,00,001 to INR 20,00,000	20%
INR 20,00,001 to INR 24,00,000	25%
Above INR 24,00,000	30%*

- There is no change in the rates of surcharge and education cess.
- It is proposed to increase the threshold of rebate for Resident Individual taxpayer under section 87A of the IT Act, from INR 25,000 to INR 60,000. Accordingly, the maximum total income on which no tax is payable increases from INR 7,00,000 to INR 12,00,000.
- It is proposed that rebate will not be available on tax on incomes chargeable at special rates for e.g., capital gains.
- The proposed amendments are expected to result in tax savings of INR 1,10,000 for taxpayers for having income up to INR 24 lacs. Also, marginal relief would be available to resident individual having income above INR 12 lacs.



Key Incentives Provided to Unit in IFSC

Extension of sunset date to 31st March 2030 for commencement of operations of unit set up in IFSC to avail several benefits and concessions including –

- Deduction from the income earned from its business operations under Section 80LA of the IT Act.
- Any income attributable on transfer of a capital asset by investment division of offshore banking unit set up in IFSC [Section 10(4D)].
- Any income of a non-resident by way of royalty or interest , on account of lease of an aircraft or a ship paid by a unit of an IFSC unit [Section 10(4F)].
- Per Section 10(4H) of the IT Act, any capital gains income on transfer of equity shares of domestic company received by a unit set up in IFSC engaged primarily in the business of leasing of an aircraft.
- An eligible investment fund where the commencement of operations by its eligible fund manager located in IFSC for the purpose of Section 9A which will not constitute business connection in India.
- Scope on tax neutrality on relocation of funds to IFSC widened to include retail schemes or exchange traded funds (ETF) [Section 47(viia)].

Other benefits extended to IFSC unit as under -

- Exemption on capital gains on transfer of equity shares of domestic companies being units of IFSC engaged in ship leasing and dividend to ship leasing units in IFSC to ensure equality with aircraft leasing unit in IFSC [Section 10(4H)].
- Rationalisation of definition of 'deemed dividend' for treasury centres in IFSC, for inter-company loan, borrowings or advance between two group entities when one of the group entity is a 'finance company' or a 'finance unit' set up to undertake treasury activities and the parent / principal entity is listed on stock exchange outside India [Section 2(22)(e)].
- Tax exemption on proceeds from life insurance policy issued by IFSC insurance intermediary office, without any conditions on maximum annual insurance premium cap. This will provide parity with non-residents availing such life insurance from insurance offices in other foreign jurisdictions [Section 10(10D)].

International Financial Services Centre

- Simplified regime for fund managers based in IFSC not to constitute a business connection in India under Section 9A [conditions (a) to (m)]. Also, the condition of 5% investment for a resident in eligible investment fund can be complied with within 4 months within the period of 1st April and 1st October [condition at clause (c) of sub-section 3 of Section 9A].
- Exemption to non-resident proposed to be extended to cover income from transfer of specified forward contracts /derivative instruments entered with foreign portfolio investors ('FPI') being an IFSC Unit.
- An IFSC Insurance office responsible for paying a resident an insurance commission shall withhold 2% TDS (w.e.f. April 01, 2025) in case of a resident person other than domestic company whereas 10% in case of a domestic company and 35% in case of a foreign company having a PE / business connection in India [Section 194D].

Transfer Pricing



Rationalisation of TP - Multi-year Arm's length Price Determination

Currently, Section 92CA of the IT Act outlines the process for determining the arm's length price (ALP) for international and specified domestic transactions. The Assessing Officer (AO) can refer such transactions to the Transfer Pricing Officer (TPO), who will assess and determine the ALP. The order issued by the TPO is considered by AO to compute the Assessee's total income.

The proposed introduction of sub-sections 3B and 4A to Section 92CA of the IT Act aims to streamline the transfer pricing litigation process by reducing recurring assessments for similar international or specified domestic transactions.

The Assessee has an option to apply the ALP determined for a given previous year to similar transactions in the immediately consecutive two years. Once this option is exercised and validated by the TPO, no further reference for ALP determination will be made for these transactions, simplifying compliance. The AO will recompute the total income for these consecutive years based on the TPO's order, further reducing administrative work.

These propositions will enhance flexibility and transparency, ultimately improving efficiency, reducing the compliance burden on taxpayers, and ensuring consistent determination of the arm's length price (ALP) across multiple years.

A proposed sub-section 21 to be added to Section 155, requiring the AO to recompute Assessee's total income within three months from the completion of the assessment, in accordance with the first and second provisos of Section 92C(4), or within three months from the date of the assessment or intimation, if the original deadline is not met.

Rationalisation of TDS & TCS Provisions

Presently, there are multiple provisions for tax deducted at source ('TDS') with different thresholds and rates, as well as for tax collected at source ('TCS'). With the aim of easing taxpayers' business compliance, the TDS/TCS provisions have been rationalized w.e.f 01 April, 2025.

Table summarizing increased threshold limits for applicability of TDS provisions

Section	Particulars	Present Threshold	Proposed Threshold
193	Interest on securities		
	<ul style="list-style-type: none"> Individual or HUF Any other Payee 	INR 5,000 Nil	INR 10,000 INR 10,000
194	Dividend paid to Individual shareholder	INR 5,000	INR 10,000
194A	Interest other than Interest on securities		
	Where payer is bank, cooperative society and post office:		
	<ul style="list-style-type: none"> For senior citizen; For others 	INR 50,000 INR 40,000	INR 1,00,000 INR 50,000
	<ul style="list-style-type: none"> Interest in any other cases 	INR 5,000	INR 10,000
194B	Winnings from lottery, crossword puzzle, etc.	INR 10,000 during the FY	INR 10,000 per transaction
194 BB	Winnings from horse race	INR 10,000 during the FY	INR 10,000 per transaction
194D	Commission from insurance business	INR 15,000	INR 20,000
194G	Commission, etc. on sale of lottery tickets	INR 15,000	INR 20,000
194H	Commission or brokerage	INR 15,000	INR 20,000
194-I	Rent	INR 2,40,000/- during the FY	INR 50,000/- per month or part of a month
194J	Fee for professional or technical services	INR 30,000/-	INR 50,000/-
194K	Income in respect of units of a mutual fund or specified company or Undertaking	INR 5,000	INR 10,000
194LA	Payment of compensation on acquisition of certain immovable property	INR 2,50,000	INR 5,00,000

Rationalisation of TDS & TCS Provisions

Table summarizing rate change for TDS provisions

Section	Particulars	Present TDS Rate	Proposed TDS Rate
194D	Commission from insurance business	5%	2%
194LBC	Interest in respect of investment in securitization trust		
	• Individual or HUF	25%	10%
	• Any other person	30%	10%

Change in TCS thresholds

Section	Particulars	Present Threshold	Proposed Threshold
206C(1G)	Remittance under LRS and Overseas tour program package	INR 7,00,000	INR 10,00,000

Table summarizing change in TDS provisions

Section	Particulars	Present TDS Rate	Proposed TDS Rate
206C(1)	Timber or any other forest produce (not being tendu leaves) obtained under a forest lease	2.50%	2%
	Timber obtained by any mode other than under a forest lease	2.50%	2%
206C(1G)	TCS on remittance under LRS or purpose of education financed by loan from financial institution	0.50% (after INR 7,00,000)	NIL

Rationalisation of TDS & TCS Provisions

Omission of TCS on sale of goods

Currently, Section 206C(1H) mandates the collection of TCS at 0.10% on the sale of any goods exceeding INR 50 Lakhs in cases where TDS is not withheld under Section 194Q of the IT Act. The Finance Bill 2025 proposes that TCS will not be applicable on the sale of any goods from April 01, 2025.

Removal of higher TDS/TCS for non-filers of Return of Income

Presently, Section 206AB and Section 206CCA of the IT Act require that higher rates of TDS and TCS apply when the deductee/collectee is a non-filer of the Income Tax Return. The Finance Bill 2025 proposes that provisions relating to higher TDS and TCS in such situations be omitted. The amendment is effective from April 01, 2025.

Parallely, subsection 2 to Section 194S of the IT Act has been amended to exclude reference to Section 206AB.

Exemption from prosecution for delayed payment of TCS in certain cases

Section 276BB of the IT Act prosecutes a person who collects TCS but fails to deposit the same to the credit of the Central Government within the prescribed due date. The Finance Bill 2025 proposes that prosecution shall not be instituted against any person if the payment of TCS has been made to the credit of the Central Government within the time limit to file quarterly statement.

Litigation Amendments

Search & Seizure

The time limit for taking approval for retention of seized books of account or other documents in case of search & seizure under Sections 132 and 132B of the IT Act is proposed to be changed from one month (from the date of assessment or reassessment or recomputation order has been made) to one month (from the end of the quarter in which the assessment or reassessment or recomputation order has been made). This proposed amendment will take effect from the assessment year beginning from April 1, 2025.

Penalty

- The time limit for passing the order accepting or rejecting the application for immunity increased from 1 month to 3 months.
- Sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the IT Act, inter-alia, provide that penalty under these Sections shall be imposed by the Joint Commissioner. Now, it is proposed to authorize the Assessing Officer to impose the penalty under the aforesaid respective Sections.
- Currently, Section 275 of the IT Act provides multiple time limits for imposing penalties w.r.t varied proceedings. The new Section 275 of the IT Act is proposed to replace the old Section 275 of the IT Act in order to provide a single time limit for imposing penalties w.r.t all the proceedings.
- The provisions of rigorous imprisonment provided under Section 276BB of the IT Act on account of non-payment of TCS is proposed to be not applicable if TCS is paid on or before the due date of filing TCS statement.
- The above proposed amendments will take effect from the assessment year beginning from April 01, 2026.
- The penalty under Section 271AAB of the IT Act is not applicable in case of a search under Section 132 of the IT Act initiated on or after September 01, 2024. This proposed amendment will be applicable from September 01, 2024.

Stay Period

A clarificatory amendment made in Sections 144BA, 153, 153B, 158BE, 158BFA, 263 and 264 of the IT Act to specifically provide a start date and end date of the stay period by the Court in relation to various proceedings covered in the aforesaid respective Sections. This proposed amendment is applicable from the assessment year beginning from April 1, 2026.

Litigation Amendments

Faceless Assessment Scheme

The end date of March 31, 2025, earlier provided for notifying faceless proceedings w.r.t transfer pricing assessment, proceedings before Dispute Resolution Panel and ITAT are proposed to be omitted. This amendment will enable the Central Government to notify the schemes at any date.

Amendments Proposed Relating to Block Assessment for Search and Requisition

Proposed amendments to Section 158B of the IT Act aim to include 'virtual digital assets' under undisclosed income. Further, Sections 158BA and 158BB also propose changes to ensure the revival of 'reference' 'Recomputation' and 'order' following the annulment of block assessment proceedings. Additionally, Section 158BA(4) suggests replacing 'pending' with 'required to be made', clarifying the process for subsequent searches or requisitions. In Section 158BB, 'total income disclosed' will be replaced by 'undisclosed income' in the return. Finally, Section 158BE proposes a 12-month time limit for completing block assessments from the end of the quarter in which the last search or requisition authorization was executed, ensuring coordinated investigations in group cases and preventing time-barred assessment. These amendments are proposed to be effective from February 01, 2025.

Other Amendments

Harmonizing Significant Economic Presence with the Provisions of Business Connection

Under the current provisions, a non-resident's transaction of dealing in goods beyond prescribed limits in India could trigger Significant Economic Presence (SEP), which is considered a Business Connection under the IT Act. However, the purchase of goods for export by a non-resident was not deemed to constitute a business connection, unless it exceeded certain thresholds. To align SEP provisions with the definition of Business Connection, the proposal suggests that purchases of goods by a non-resident for export will no longer be considered a SEP, provided the activity remains within the scope of export purposes. This amendment is proposed to be effective from April 01, 2026.

Presumptive Taxation

A new Section 44BBD of the IT Act is proposed to be introduced deeming 25% of the receipts as income chargeable under the head 'Profits and Gains of Business or Profession' for NR providing services or technology to a resident company engaged in establishing or operating electronics manufacturing facility or facility in connection with the manufacturing of electronic goods in India. This proposed amendment will take effect from the assessment year beginning from April 01, 2025.

The amendment is possibly aimed at developing a semiconductor industry receiving services or technology from outside India. The amendment will result into an effective tax payable of less than 10% on gross receipts by the non-resident.

Crypto-Asset Transactions

The Finance Bill proposes to insert a Section 285BAA of the IT Act, wherein any person engaging in the crypto transaction is required to furnish information in a statement in prescribed form for the prescribed period to the Income tax authority. This amendment is effective from April 01, 2026.

Broadening the Scope of Virtual Digital Assets to Include Blockchain

The proposed amendment in Section 2(47A) broadens the definition of virtual digital assets to include Blockchain as well, wherein it is defined as '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.' This amendment is effective from April 01, 2026.

Other Amendments

Extending the Time Limit to File the Updated Return

To nudge voluntary compliance, it is proposed to amend Section 139(8A) of the IT Act to permit taxpayers to file an updated return within 48 months (4 years) from the end of the relevant assessment year. The proposed extension of the time limit from 24 months to 48 months aims to further encourage voluntary compliance by the taxpayers.

A consequential amendment is also proposed to be made to Section 140B of the IT Act regarding the additional income tax payable at the time of filing updated returns. The additional income tax payable for the updated return is produced hereunder -

Updated return filing post relevant AY	Additional Income-tax payable
Upto 12 months	25% aggregate of tax and interest
Expiry of 12 months – upto 24 months	50% aggregate of tax and interest
Expiry of 24 months – upto 36 months	60% aggregate of tax and interest
Expiry of 36 months – upto 48 months	70% aggregate of tax and interest

Limitation for filing updated returns if the notice under Section 148A of the IT Act has been issued after 36 months from the end of the relevant assessment year. However, the updated return can be filed if an order is passed under Section 148A(3) of the IT Act, determining that it is not a fit case for the issue of notice under Section 148. This amendment is proposed to be effective from April 01, 2025.

Rationalisation in Taxation of Business Trust

- Business Trust ('REIT'/'INVIT') have been given a pass-through status in respect of interest, dividend and rental income received from a special purpose vehicle i.e. income is not taxed in the hands of the trust but is taxed in the hands of the unit holder. Pass-through income of the trust is chargeable to tax at the Maximum Marginal Rate except for those income where the rate of tax is specified, i.e., in the case of capital gains.
- Presently, since reference to Section 112A of the IT Act was not mentioned in sub-clause 2 to Section 115UA of the IT Act, the said income was chargeable to tax at the Maximum Marginal Rate.
- The Finance Bill 2025 proposes to include reference of Section 112A of the IT Act in Section 115UA of the IT Act so as to ensure that the income of the business trust is taxed at the rate of 12.50% and not at the maximum marginal rate.

Other Amendments

Securities held by Investment Funds – ‘Capital Assets’

To eliminate ambiguity in the characterisation of income arising from transfer of securities held by Investment Funds, an amendment to Section 2(14) is proposed to broaden the definition of ‘Capital Assets’ to include the securities that are held by the Category I and Category II Alternative Investments Funds regulated under SEBI (AIF) Regulations, 2012 and specified under Section 115UB, provided these securities are invested in accordance with the Securities and Exchange Board of India Act, 1992. Consequentially, the transfer of such securities shall be taxed as capital gains, and accordingly, the income being a pass-through in the hands of the unit holder will be taxed under the same nature. This amendment is effective from April 01, 2026.

Rationalisation of Tax on Long-term Capital Gains for FII

It is proposed to rationalise the tax rates on long-term capital gains from 10% to 12.50% on the sale of securities other than under Section 112A of the IT Act for Foreign Institutional Investors (FII) in alignment with the change made vide Finance Act, 2024. The proposed amendment is effective from April 01, 2026.

Annual Value for Self-occupied Property

- Section 23 of the IT Act provides that the Annual Value of the self-occupied property shall be Nil if it is occupied by the owner for his own residence or he cannot reside therein due to reasons of his business/profession or employment.
- The Finance Bill 2025, with a view to simplify the provision, proposes to amend the Section to provide that the Annual Value of the property shall be taken to be nil even if the owner cannot actually occupy the property for any other reason. Therefore, the specific conditions as provided under sub-section 2 to Section 23 have been substituted. The said benefit is available only in respect of two of such houses. The amendment is effective from April 01, 2025.

Other Amendments

Carry Forward of Accumulated Losses on Business Reorganisation

- Sections 72A and 72AA of the IT Act provide that in case of specified amalgamation or business reorganisation, the accumulated loss of the predecessor entity is deemed to be the loss of the successor entity for the previous year in which amalgamation or business reorganisation is effected or brought into force.
- The Finance Bill 2025 proposes that loss of the predecessor entity shall be allowed to be carried forward only for a period of 8 assessment years from the assessment year in which such loss was first computed for the predecessor entity. The provision is introduced to prevent indefinite carry forward of losses in a chain or series of amalgamation, and the provision of this Section is now aligned with the provision of Section 72 of the IT Act, which also allows carry forward of business loss for 8 assessment years. The amendment is applicable for amalgamation after April 01, 2025.

Clarity in Income on Redemption of Unit Linked Insurance Policy ('ULIP')

- Clause (10D) of Section 10 of the IT Act provides for income tax exemption on the sum received from ULIPs so long as the premium payable on any policy issued after April 01, 2012, does not exceed 10% of the actual capital sum assured and the amount of aggregate premium payable by the tax payable in a financial year on such policy or policies does not exceeds INR. 2,50,000.
- The Finance Bill 2025 provides that in respect of ULIP, which are not exempted under Section 10(10D) of the IT Act, shall be considered to be a capital asset, and any gains derived thereon shall be taxable under the chapter of Capital Gains. The same will be covered within the definition of equity-oriented funds as defined in clause (a) of the explanation in Section 112A of the IT Act for tax calculation. The amendment is effective from April 01, 2026.

Other Amendments

Extension of Timelines for making Investments by Sovereign Wealth, Pension Funds and Rationalisation of Exemptions

- Currently, sub-clause (i) of clause (23FE) of Section 10 provides that income in the nature of dividend, interest, long-term capital gains or certain other income arising from the investment made in India by Sovereign Wealth Funds ('SWF') and Pension Funds ('PF') after April 01, 2020, but on or before March 31, 2025, are exempted. Given the long-term nature of the investment made by SWFs and PFs, the deadline for investment under the said clause is proposed to be extended to March 31, 2030.
- By virtue of amendments in Section 50AA by Finance (No. 2) Act, 2024, all Capital Gains from unlisted debt securities have been re-classified as short-term capital gains, irrespective of the holding period. This results in long-term capital gains from investments in unlisted debt investment to be taxable in the hands of SWFs and PFs. The Finance Bill 2025 proposes that long-term capital gains arising from an investment made by it in India (whether or not such capital gains are deemed short-term capital gains under Section 50AA) shall not be included in the total income of SWFs and PFs. The amendment is effective from April 01, 2025.

Deduction for Deposits under National Savings Scheme ('NSS')

- Under Section 80CCA of the IT Act, no deduction was allowed in relation to investment made in NSS on or after the assessment year 1993-94. Accordingly, the amount of interest accrued and received by the taxpayer was chargeable to tax. The Department of Economic Affairs has clarified that no interest would be paid on balances in the NSS after October 01, 2024.
- In light of the same, the Finance Bill 2025 proposes to amend Section 80CCA to provide an exemption to the withdrawal made by individuals from deposits from which deduction was allowed on or after August 29, 2024. This exemption is provided to deposits with interest accrued before April 01, 1992. The amendment is effective from August 29, 2024.

Other Amendments

Deduction for Contributions to NPS Vatsalya

- The Finance Bill 2025 proposes to provide benefits to the parents/guardians of minors in respect of contributions made to the NPS Vatsalya accounts. The amendment provides:
 - An additional deduction of INR 50,000 to the parents/guardians of the minor;
 - Any partial withdrawal will be chargeable to tax except when the withdrawal is made on account of contingencies such as education or medical treatment, in which case exemption is provided to the extent of 25% of the contribution made by the parent/guardian.
 - Complete exemption will be allowed when the amount is received on the closure of the account due to the death of the minor.
- These amendments will take effect from April 01, 2026, and will be applicable from the assessment year 2026-27.

Extension of Timelines for Tax Benefits to Start-ups

- The Finance Bill 2025 proposes to extend the benefit of Section 80-IAC of the IT Act to startups which have been incorporated until April 01, 2030, thereby extending the benefit of the provision for a further period of 5 years. The amendment is effective from April 01, 2025.

Enhancement of Monetary Limits for Specified Perquisites

It is proposed to amend Section 17 to empower authorities to enhance the threshold of gross total income limits for employees for availing exemption from specified perquisite taxes. The specified perquisites include amenities/benefits provided at concessional rates and reimbursement of travel costs of employees and their families for medical expenditures incurred outside India.

This amendment aims to revise the monetary limits of INR 50,000 and INR 2,00,000, which were established under the Finance Act of 2001 and the Finance Act of 1993, respectively, to account for changes over time. The amendment is effective from April 01, 2026.

Extension of Tonnage Tax Scheme to Inland Vessels

The benefit of the tonnage tax scheme provided in Chapter XII-G of the IT Act is proposed to be extended to inland vessels operating on inland waters. Such a benefit is proposed to be extended to promote investments in the inland water transportation industry. Accordingly, other corresponding amendments have been made in various Sections of Chapter-XII-G of the IT Act. The amendment is effective from April 01, 2026.

Goods & Services Tax, Service Tax and Central Excise

Goods & Services Tax

The Budget 2025 primarily aims to outline various amendments in the CGST Act, 2017, designed to facilitate trade, enhance clarity, streamline processes, and introduce new mechanisms, including those for input tax credit distribution, track and trace systems, and penalties.

- **Input Service Distributor:** The Union Budget Update amends the CGST Act, 2017 to explicitly allow the ISD to distribute ITC for inter-state supplies subject to reverse charge. This is achieved by incorporating references to sub-sections (3) and (4) of Section 5 of the IGST Act in both Section 20(1) & (2) and Section 2(61). These amendments will come into effect from April 1, 2025.
- **Time of Supply of Vouchers:** Sub-section (4) of Sections 12 & 13 are now being removed from the Act to address potential complexities arising from the different treatment of vouchers under the time of supply provisions.
- **ITC related to construction:**

Current Provisions	Amended Provisions	Impact
Section 17(5)(d) originally allowed an input tax credit for goods used for "plant or machinery" without clearly distinguishing between what qualifies as "plant" and "machinery."	"plant or machinery" has been changed to " plant and machinery "	This is aligning with the Council's decision to reverse the Supreme Court's ruling in the Safari Retreats case.
This amendment is with retrospective effect since July 1, 2017, ensuring that businesses and tax authorities apply the updated rules consistently from that date onward.		

- **Introduction of new clause (aa) under paragraph 8 of Schedule III:** Declares warehoused goods in SEZ/FTWZ before export/DTA clearance as neither good nor services.
- **Revised Pre-deposit Requirements for Appeals Against Penalty Orders:** To file an appeal before the Appellate Authority against any order imposing a penalty (without any tax demand), a pre-deposit of 10% of the penalty is now required, replacing the earlier 25%.

Key Changes:

- I. For cases involving detention or seizure of conveyances in transit, the pre-deposit requirement has been reduced from 25% to 10%.
- II. For cases involving only a penalty, where no pre-deposit was previously required, a 10% pre-deposit is now introduced.

These changes aim to lower the financial burden on appellants in certain cases while ensuring compliance.

Goods & Services Tax

- A new Section 122B is being inserted into the CGST Act, 2017, to impose penalties for violations related to the Track and Trace Mechanism outlined under Section 148A.
- The amendment to Section 34(2) of the CGST Act requires the reversal of input tax credit claimed on a credit note to reduce the supplier's tax liability.

Service Tax

- **Exemption and Refund of Service Tax on Reinsurance under Agricultural Insurance Schemes (2011-2017):** Reinsurance services provided by insurance companies under the Weather Based Crop Insurance Scheme and the Modified National Agricultural Insurance Scheme are exempted from service tax retrospectively, from April 1, 2011, to June 30, 2017.

Central Excise

- **Excise Duty on Unblended Diesel** - The increase in excise duty on the sale of unblended diesel has been deferred until March 31, 2026.
- **Discontinuation of Settlement Commission** -
 - The Customs, Central Excise, and Service Tax Settlement Commission (CCESC) will be abolished from April 1, 2025. Any pending applications will be processed by an Interim Board established for settlement.
 - No fresh applications for settlement are allowed under Section 32E after April 1, 2025.
 - Various Sections (32A, 32B, 32C, 32D, 32G, 32-I, 32J, 32K, 32L, 32M, 32O, 32P) updated to reflect the shift from Settlement Commission to Interim Board. The Interim Board's decisions will have the same legal effect as the Settlement Commission's rulings.

Customs Act and Customs Tariff Act

Customs Act, 1962

- **Provisional Duty Assessment and Finalization Timeframe Updates:** Amendment in Section 18 of the Customs Act 1962. A new sub-section (1B) is inserted in sec 18. For the finalisation of the provisional assessment, a 2-year time limit has been provided.
- **Introduction of Section 18A for Revision of Entries and Self-Assessment:** A new Section 18A allows importers/exporters to revise entries post-clearance, with self-assessment and provisions for paying short-duty or claiming refunds for excess duty. Revisions are restricted in cases of audit, search, seizure, summons, or prior re-assessment and as specified by the Board
- **Clarification on Limitation Period for Refund Claims Under Sections 18A and 149 of the Customs Act:** In Section 27 of the Customs Act, sub-section (1) is amended to include a new Explanation 2, clarifying that the one-year limitation period for refund claims under Section 18A(3)(b) or amendments under Section 149 will be calculated from the date of duty or interest payment
- **Clarification on Date of Payment for Duty or Interest Under Section 18A:** In cases where duty is paid under clause (a) of sub-section (3) of Section 18A, the date of payment of such duty or interest shall apply.
- **Transfer of Powers and Functions to the Interim Board (Effective April 1, 2025)** - From April 1, 2025, the Interim Board will assume the powers and functions of the Settlement Commission across multiple sections of the Customs Act.

Key changes include:

- **Sections 127A to 127H:** Definitions are updated, pending applications will be handled by the Interim Board, and the Settlement Commission's functions and powers will be transferred to the Interim Board, with provisions applying mutatis mutandis. No new applications can be made after April 1, 2025.

Customs Tariff Act, 1975

Summary of various notifications under Customs Tariff Act:

Notification/Section	Description	Effective Date
S. No. 50/2017-Cus	Expiry of Heat Coil Exemption for Electric Kitchen Chimneys (Heat Coil under tariff item 84146000)	1st April 2025
S. No. 50/17-Cus (257A)	Duty-Free Items for Handicrafts: Addition of 9 new items (seashells, adhesives, etc.) and extension of export time period from 6 months to 1 year, with a further 3-month extension	Effective immediately
S. No. 50/17-Cus (539)	BCD Exemption for Satellite and Launch Vehicle Components: Includes imports of ground installations, payloads, spares, and consumables	Effective immediately
S. No. 50/2017-Cus (539A)	BCD Exemption for goods used in the construction of launch vehicles and satellite launching	Effective immediately
Notification No. 16/2017-Cus	Exemption on Drugs for Patient Assistance: Specifies drugs and medicines supplied free of cost to patients under the Patient Assistance Programme (PAP), 37 new drugs and 13 new PAPs added	Effective immediately
Notification No. 153/94-Cus	Extension of Export Period for Imported Goods: Export duration for railway goods extended from 6 months to 1 year, with an additional 1-year extension	Effective immediately
Amendments to IGCR Rules (2017)	Revision of Rules 6 and 7, extending the end-use fulfillment period from 6 months to 1 year; importers to file quarterly statements instead of monthly	Effective immediately

Note: For **custom duty tariff rates** changes as per the Union Budget 2025, refer to **Annexure A** attached separately.

- **Reduction of Tariff Rates:** The First Schedule to the Customs Tariff Act will see tariff reductions, including cuts from 25%, 30%, 35%, and 40% to 20%, and from 150%, 125%, and 100% to 70% on specific goods, alongside the creation of new tariff items.
- **Introduction of New Tariff Items for Specific Products:** New tariff items will be introduced for rice, makhana, dual-use chemicals, and precious metals, with percentages specified for silver (99.9%), gold (99.5%), and platinum (99%).
- **Alignment with WCO HS 2022 and Reclassification of Goods:** Amendments will align with the WCO HS 2022, tariffs effective rates, and reclassify goods based on processes, geographical identification, and specific product categories.

Abbreviations

Abbreviations

Particulars	Abbreviations
Alternate Investment Fund	AIF
Arm's Length Price	ALP
Assessing Officer	AO
Basic Customs Duty	BCD
Central Board of Direct Taxes	CBDT
Central Goods and Services Tax Act, 2017	CGST Act
Dispute Resolution Panel	DRP
Domestic Tariff Area	DTA
Exchange traded Funds	ETF
Financial Year	FY
Foreign Institutional investor	FII
Foreign Portfolio Investment	FPI
Free Trade Warehousing Zone	FTWZ
Harmonized System	HS
Hindu Undivided Family	HUF
Income Tax Appellate Tribunal	ITAT
Income Tax Act, 1961	IT Act
Income Tax Rules, 1962	IT Rules
Infrastructure Investment Trust	InvIT
Input Tax Credit	ITC
Input Service Distributor	ISD
International Financial Services Centre	IFSC
Integrated Goods and Services Tax, 2017	IGST Act
Liberalised Remittance Scheme	LRS

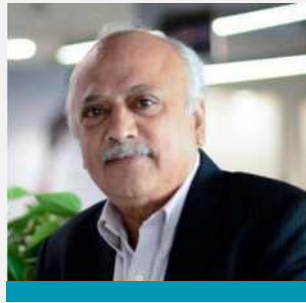
Abbreviations

Particulars	Abbreviations
Modified National Agricultural Insurance Scheme	MNAIS
National Pension Scheme	NPS
Non-Resident	NR
Pension Fund	PF
Real Estate Investment Trust	ReIT
Securities Exchange Board of India	SEBI
Special Economic Zone	SEZ
Sovereign Wealth Fund	SWF
Significant Economic Presence	SEP
Tax Collection at Source	TCS
Tax Deducted at Source	TDS
Transfer Pricing Officer	TPO
Unit Link Insurance Policy	ULIP
Weather Based Crop Insurance Scheme	WBCIS
World Custom Organization	WCO



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