

# **An Overview of Direct Tax Proposals**



**N D A & Associates**



**Hon’ble Finance Minister in her budget speech has mentioned that “I am happy to inform this August House and the country that the new income-tax bill will carry forward the same spirit of “Nyaya”. The new bill will be clear and direct in text with close to half of the present law, in terms of both chapters and words. It will be simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation.”**

**The Government will place new Income Tax Bill in this session of the Parliament that is why there has not been very significant amendments in the budget proposals like earlier years.**

### **Applicability**

**All these proposed amendments shall be made effective from 1<sup>st</sup> April, 2025 unless otherwise stated in the respective clause.**

### **DISCLAIMER**

**This analysis lists some of the direct tax and other proposals made by the Honourable Finance Minister in the Lok Sabha on February 01, 2025. While care has been taken in the preparation of this document it might contain errors for which we should not be held responsible. The information as given in this document provides summarised direct tax proposals and thus should not be relied upon for the purposes of decision making and expert advice should be sought.**



## PERSONAL INCOME TAX

- No change is proposed in the basic exemption limit (for tax payers opting for old regime) which will remain as under:

Category	Exemption Limit
Senior Citizen above age of 80 years	Rs. 5,00,000
Senior Citizen (in age group of 60-80 Years)	Rs. 3,00,000
General	Rs. 2,50,000

- No change is proposed in the rate of income tax for individual and HUF (tax payers opting for old regime) which will remain as under:

Income range	Rate of Tax
Up to respective exemption limit	NIL
Amount in excess of respective exemption limit up to Rs 5,00,000	5%
Rs 5,00,001 - Rs 10,00,000	20%
Above Rs 10,00,000	30%

- Changes in income slabs and tax rates are proposed for individuals and HUF under Section 115BAC (New Tax Regime), which will be as under:

Tax Rate (%)	Proposed Income Range	Existing Income Range
NIL	0-4 Lakhs	0-3 Lakhs
5%	4-8 Lakhs	3-7 Lakhs
10%	8-12 Lakhs	7-10 Lakhs
15%	12-16 Lakhs	10-12 Lakhs
20%	16-20 Lakhs	12-15 Lakhs
25%	20-24 Lakhs	No such category
30%	Above 24 Lakhs	Above 15 Lakhs

- It is proposed that taxpayers opting under Section 115BAC shall not pay any tax up to income of Rs. 12 lakhs on account of rebate of Rs. 60,000 under Section 87A. Earlier this benefit was available up to Rs. 7 lakhs.
- Standard deduction under Section 16(ia)- No change proposed in the existing limit which will remain Rs 75,000 in case of new tax regime and Rs. 50,000 in case of old tax regime.



## PERSONAL INCOME TAX (CONT)

- Benefit to tax payers opting for new tax regime on account of tax slab and rate compared to last year's tax slab and rate is illustrated in the table below:

Income (Rs)	Tax Payable		Benefit of Tax	Rebate u/s 87A	Total benefit	Tax after benefit
	Present	Proposed				
8 lakhs	30,000	20,000	10,000	20,000	30,000	Nil
12 lakhs	80,000	60,000	20,000	60,000	80,000	Nil
16 lakhs	1,70,000	1,20,000	50,000	0	50,000	1,20,000
20 lakhs	2,90,000	2,00,000	90,000	0	90,000	2,00,000
24 lakhs	4,10,000	3,00,000	1,10,000	0	1,10,000	3,00,000
50 lakhs	11,90,000	10,80,000	1,10,000	0	1,10,000	10,80,000

- No change is proposed in the rate of surcharge for individual and HUF which will remain as under:

In case of income including dividend or income under section 115AD

Income Range	Rate of Surcharge (under both Regimes)
Rs 50,00,001 - Rs 1,00,00,000	10%
Above Rs 1,00,00,000	15%

In case of income excluding dividend or income under section 115AD

Income Range	Rate of Surcharge	
	Old Regime	New Regime
Rs 2,00,00,001 - Rs 5,00,00,000	25%	25%
Above Rs 5,00,00,000	37%	25%

- No change is proposed in Health & Education Cess which will be levied @ 4%.

- Tax under new tax regime (Section 115BAC) will remain as default option. Accordingly, those who want to continue to opt for Old Tax Regime will have to opt for such option within the due date of filing ITR.



## FIRMS & CO-OPRATIVE SOCIETIES

### Firms

- No change is proposed in the tax rate for firms which will remain @ 30%. The surcharge also remains unchanged @ 12% in case the income exceeding Rs one crore.

### Co-operative Societies

- No change is proposed in the tax rate of co-operative societies including those co-operative societies exercising option under Section 115BAD. No change is proposed in Alternate Minimum Tax and surcharge on co-operative societies.

## COMPANIES

- No change is proposed in the tax rate for domestic and foreign companies. The proposed rate of tax is as under:

Category	Rate of Tax
<b>Domestic Company exercising option under Section 115BAA</b>	<b>22%</b>
<b>Domestic Company exercising option under Section 115BAB</b>	<b>15%</b>
<b>Domestic company, not exercising abovementioned options and having total turnover or gross receipt up to Rs 400 crores during previous year 2023-24</b>	<b>25%</b>
<b>Other Domestic Companies</b>	<b>30%</b>
<b>Foreign Companies</b>	<b>35%</b>

- The surcharge is proposed to remain at the same level. In the case of domestic company whose income is chargeable to tax under Section 115BAA OR 115BAB, the rate of surcharge shall remain same at 10%. In other cases, it will remain same, as under:

Category	Total income between Rs 1 crore to Rs 10 crores	Total income exceeding Rs 10 crores
<b>Domestic</b>	<b>7%</b>	<b>12%</b>
<b>Foreign</b>	<b>2%</b>	<b>5%</b>

- No change is proposed in Health & Education Cess which will be levied @ 4%.
- No change is proposed in the tax rate under MAT.



## TAX DEDUCTED / COLLECTED AT SOURCE

### Revision of Threshold limit for the purpose of Tax Deducted at source

- It is proposed to revise the threshold limit beyond which tax is required to be deducted at source in the undernoted cases. However, no change in threshold limit is proposed in most widely used sections of TDS – Section 194C (payment to contractors) & Section 194Q (payment for materials)

Section	Particulars	Existing Threshold	Proposed Threshold
193	Interest on Securities	Nil	Rs. 10,000
193	Interest on Securities (Debentures issued by a company)	Rs. 5,000	Rs. 10,000
194	Dividend to individual shareholder	Rs. 5,000	Rs. 10,000
194A	Interest other than interest on securities paid by Bank, Co-operative Society & Post office		
	Paid to a senior citizen	Rs. 50,000	Rs. 1,00,000
	Paid to others	Rs. 40,000	Rs. 50,000
194A	Interest other than interest on securities paid by any person other than Bank, Co-operative Society & Post office	Rs. 5,000	Rs. 10,000
194B	Winning 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
194BB	Winning from horse races	Aggregate of amounts exceeding Rs. 10,000 during the financial year	Rs. 10,000 in respect of a single transaction
194D	Insurance Commission	Rs. 15,000	Rs. 20,000
194G	Income by way of commission, prize, etc on lottery tickets	Rs. 15,000	Rs. 20,000
194H	Commission or brokerage	Rs. 15,000	Rs. 20,000
194I	Rent	Rs. 2,40,000 during the financial year	Rs. 50,000 per month or a part thereof
194J	Fees for professional or technical services	Rs. 30,000	Rs. 50,000
194K	Income in respect of units	Rs. 5,000	Rs. 10,000
194LA	Payment of compensation or enhanced compensation on acquisition of certain immovable property	Rs. 2,50,000	Rs. 5,00,000



## TAX DEDUCTED / COLLECTED AT SOURCE (CONT)

- 📌 Section 206C (1H) which provides for collection of tax at source by a seller who receives consideration for sale of any goods of the value or aggregating of value exceeding Rs. 50 lakhs in any previous year @ 0.1% of sale consideration exceeding Rs. 50 lakhs, is proposed to be omitted. Thus, TCS on sale of goods shall not apply from 01.04.2025.
- 📌 The rate of TCS on Timber or any other forest produce (not being tendu leaves) is proposed to be reduced from 2.5% to 2%.
- 📌 Presently, authorised dealer, who receives an amount from a buyer for remittance under Liberalised Remittance Scheme of the RBI, is required to collect tax at source in some cases if the amount or aggregate of amount exceeds Rs 7 lakhs in a financial year. This limit of Rs. 7 lakhs is proposed to be increased to Rs. 10 lakhs. It is also proposed that the authorised dealer shall not collect tax at source if the amount being remitted out is a loan obtained from any financial institution as defined in clause (b) of sub-section (3) of section 80E, for the purpose of pursuing any education.
- 📌 The provisions relating to deduction of tax at source for non-filers of ITR at higher rate under Section 206AB and collection of tax at source for non-filers of ITR at higher rate under Section 206CCA are proposed to be omitted. Thus, in such cases tax shall be deducted / collected at source at normal rate.
- 📌 Section 276BB provides for prosecution in case of failure to pay the tax collected at source to the credit of the Central Government. The person is punishable with rigorous imprisonment of at least 3 months up to a maximum of 7 years and with fine. It is proposed that there shall be no prosecution of a person, if the payment of tax collected at source has been made to the credit of Central Government on or before the due date of filing of quarterly statement of TCS under Section 206C.





## FILING OF UPDATED RETURN

- As per existing provisions of Section 139(8A) relating to Updated Return, an updated return can be filed up to 24 months from the end of relevant assessment year. It is proposed to extend the time limit from 24 months to 48 months. The additional tax payable for updated return filed after 24 month is also proposed to be increased as under:

Period of filing of Updated return from the end of relevant A.Y.	Additional tax & interest payable
Up to 12 months	25% of aggregate of tax & interest
After 12 months and up to 24 months	50% of aggregate of tax & interest
After 24 months and up to 36 months	60% of aggregate of tax & interest
After 36 months and up to 48 months	70% of aggregate of tax & interest

## TRUSTS & INSTITUTIONS

- Rationalisation of Specified Violation for cancellation of registration**  
 Specified Violation has been defined under Section 12AB for the purpose of cancellation of registration of trust or institution which also includes incomplete application of registration. It is 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.
- Period of validity of registration extended in case of smaller trusts or institution**  
 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 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 years, preceding to the previous year in which such application is made.





## TRUSTS & INSTITUTIONS (CONT)

- ✚ If any part of income or any property of a trust or institution is applied directly or indirectly for the benefit of any person specified under Section 13(3), then benefit under Section 11 or Section 12 is not available. Persons under Section 13(3) include any person who has made total contribution of Rs. 50,000 in the relevant financial year, relative of such person and any concern in which such person is having substantial interest. It is proposed to amend the threshold limit of Rs. 50,000 to Rs. 1 lakh or aggregate amount of Rs. 10 lakhs in aggregate up to the end of the relevant previous year. It is further proposed to excluded relative of such person or any concern in which such person has a substantial interest.

## TRANSFER PRICING – MULTI YEAR ARM LENGTH PRICE

### **Proposed Amendments in relation to Transfer Pricing for determination of multi years Arm Length Price (ALP)**

The key proposals include:

- ✚ Multi-Year ALP Application: An ALP determined for a transaction in one year can apply to the same transaction for the two immediately following years.
- ✚ Assessee Option: This option must be exercised in the form, manner, and within the time period that will be prescribed (as per the new sub-section (3B) in Section 92CA).
- ✚ TPO Validation: The TPO has one month from the end of the month in which the assessee exercises the option to declare the option as valid, subject to prescribed conditions (new sub-section (3B) in Section 92CA).
- ✚ TPO's Role: If the option is valid, the TPO will determine the ALP for those two subsequent years, following existing procedures, and issue order to the Assessing Officer (AO).



## TRANSFER PRICING – MULTI YEAR ARM LENGTH PRICE (CONT)

- ✚ AO's Role: Upon receiving the TPO's order, the AO will recompute the total income of the assessee for the two consecutive years, as per the provisions of sub-section (21) of Section 155 (new sub-section (4A) in Section 92CA).
- ✚ No TPO Reference: Once a valid option is in place, no further reference for ALP computation for that transaction will be made to the TPO for the two subsequent years. Any existing or new references will be treated as if no reference was made.
- ✚ Chapter XIV-B Exclusion: These new provisions won't apply to proceedings under Chapter XIV-B (proviso to new sub-section (3B) in Section 92CA).
- ✚ Difficulty Removal: If any difficulties arise in implementing these new provisions, the Board may, with prior approval from the Central Government, issue guidelines to resolve the issues. These guidelines will be binding on income-tax authorities and assesseees and will be presented to both Houses of Parliament (new sub-section (11) in Section 92CA).
- ✚ Re-computation Timeline: The AO will recompute the total income for the two consecutive years by amending the assessment order or intimation under Section 143(1). This re-computation will be based on the ALP determined by the TPO under the new sub-section (4A) of Section 92CA, and will also consider any directions issued under Section 144C(5). The re-computation must be done within three months from the end of the month in which the assessment for that previous year is completed. If the re-computation is not done within this period, it must be done within three months from the end of the month in which the order of assessment or intimation is made. The first and second provisos to sub-section (4) of Section 92C will apply to this re-computation.
- ✚ Effective Date: These changes will apply from Assessment Year 2026-27 onwards (financial year beginning April 1, 2025).



## OTHER PROVISIONS

### **Extension of time limit for tax benefits to start-ups**

The existing provisions of Section 80-IAC 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 certain condition including its incorporation before 1<sup>st</sup> April, 2025. It is proposed to extend the benefit of incorporation for 5 more years i.e. to eligible start-ups incorporated before 01.04.2030.

### **Definition of Capital Asset amended**

It is proposed to amend 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. These amendments will take effect from the assessment year 2026-27 and subsequent assessment years.

### **Carry forward of losses in case of amalgamation**

It is proposed to amend Section 72A and Section 72AA 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. Thus, 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. The aforesaid amendments shall apply to any amalgamation or business re-organisation which is made effective on or after 01.04.2025.



## OTHER PROVISIONS (CONT)

- ✚ A new section 44BBD is proposed to be inserted providing for 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 etc under a scheme notified by the Central Government. It is proposed, that 25% of the aggregate amount received/ receivable by the non-resident, on account of providing services or technology, shall be deemed to be profits and gains of such non-resident from this business. This amendment shall apply in relation to the assessment year 2026-27 and subsequent assessment years.
- ✚ It is proposed 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. Earlier there were specified reasons for not occupying the property like owing to his employment, business or profession etc, he has to reside at other place.
- ✚ It is proposed that Unit Linked Insurance Policies (ULIPs) to which exemption under Section 10(10D) is not available, shall be considered as capital asset under section 2(14) and accordingly shall attract tax as capital gains. It is further provided that such ULIPs shall be considered as equity-oriented fund. These amendments will take effect from the assessment year 2026-27 and subsequent assessment years.
- ✚ At present, rates of long term capital gain tax in the case of specified fund or FIIs, other than gain referred to in section 112A is 10%. It is proposed to increase it to 12.5% to bring the same at par with rate of tax on long term capital gains. This amendment will take effect from the assessment year 2026-27 and subsequent assessment years.



## OTHER PROVISIONS (CONT)

- ✚ It is proposed that the amount standing to the credit of the assessee under National Savings Scheme etc, in respect of which a deduction has been allowed earlier and which is withdrawn on or after the 29th August, 2024, shall not be charged to tax in the case of an assessee, being an individual.
- ✚ A new subsection 12BA is proposed to be inserted in Section 10 providing that any payment from the National Pension System Trust to an assessee, being the parent or guardian of a minor, under the pension scheme referred to in section 80CCD, on partial withdrawal made out of the account of the minor, as per the terms and conditions, shall be exempted, to the extent it does not exceed 25% of the amount of contributions made by him.
- ✚ Deduction under Section 80CCD towards contribution to pension scheme of Central Government is proposed to be allowed where any payment or deposit is made to the account of a minor by the parent or guardian. However, the total deduction is proposed to be restricted to Rs. 50,000 in aggregate.
- ✚ As per existing provision, penalty under following sections shall be imposed by Joint Commissioner:
  - ✚ Sec 271C – Failure to deduct tax at source
  - ✚ Sec 271CA – Failure to collect tax at source
  - ✚ Sec 271D – Failure to comply with provisions of Sec 269SS
  - ✚ Sec 271DA - Failure to comply with provisions of Sec 269ST
  - ✚ Sec 271DB - Failure to comply with provisions of Sec 269SU
  - ✚ Sec 271E - Failure to comply with provisions of Sec 269T

It is proposed that the penalty under the aforesaid section shall be levied by the Assessing Officer.



## OTHER PROVISIONS (CONT)




- ✚ Section 270AA of the Act provides that the Assessing Officer shall pass an order accepting or rejecting the application for immunity from penalty etc within one month from the end of the month in which the application is received. It is proposed to amend the time period for passing the order from one month to three months.

## PROPOSED AMENDMENTS FOR INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC)

- ✚ **Extension of IFSC Tax Concessions:** 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 March 31, 2030.
- ✚ **Exemption of Life Insurance from IFSC:** Proceeds received on life insurance policies issued by IFSC insurance intermediary offices are now proposed to be exempt from the premium limit conditions of clause (10D) of Section 10 (Rs. 2.5 lakhs for unit-linked and Rs. 5 lakhs for other life insurance policies).
- ✚ **Incentives for Ship Leasing in IFSC:** Exemptions for capital gains tax on transfer of equity shares and dividend income, similar to those for aircraft leasing, are now proposed to be extended to ship leasing activities within IFSC.
- ✚ **Rationalisation of Dividend Definition for IFSC Treasury Centres:** Loans between group entities, where one is an IFSC finance company/unit acting as a global/regional corporate treasury centre and the parent/principal entity is listed on a stock exchange outside India (with conditions for a “group entity”, “parent/principal entity” to be specified later), is proposed not to be treated as deemed dividends. This amendment will take effect from April 1, 2025.






## PROPOSED AMENDMENTS FOR IFSC (CONT)

-  **Simplified Regime for IFSC Fund Managers:** Clause (c) of sub-section (3) of Section 9A is proposed to be amended so that resident participation is measured on April 1 and October 1 of the previous year. If the condition isn't met on either date, it must be satisfied within four months. Additionally, conditions (a) to (m) may be relaxed for eligible funds with IFSC-based fund managers that started operations on or before March 31, 2030.
-  **Exemption of Non-Resident Income from IFSC Derivatives:** Income of a non-resident from the transfer of non-deliverable forward contracts, 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, is proposed to be exempt. This amendment will take effect from the assessment year 2026-27.
-  **Inclusion of Retail Schemes and ETFs in IFSC Relocation Regime:** Relocation of funds from original funds to retail schemes and Exchange Traded Funds (ETFs) in IFSC is proposed to be made tax-neutral. This amendment will take effect from the assessment year 2026-27.





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