

Devadhaantu Insights – The Finance Bill, 2025



A Budget for 'people of India'

The Hon'ble Finance Minister, Ms. Nirmala Sitharaman, presented her 8th consecutive Union Budget, iterating the Government's focus on enhancing consumption, generation of employment and reducing fiscal deficit, with an intention to achieve fiscal prudence, economic growth, and inclusive development.

In line with the above, various policy and tax amendments are proposed, a quick summary of which is provided in the ensuing slides.

Happy Reading!
Devadhaantu Advisors

Index (1/3)



Section	Topic	Page no.
<u>Personal tax updates</u>	<u>Personal Taxation</u>	6
	<u>Deduction under section 80CCD for contributions made to NPS Vatsalya</u>	7
	<u>Exemption of tax on withdrawals by Individuals from National Savings Scheme</u>	8
	<u>Simplification of annual value of the self occupied property</u>	9
<u>TDS / TCS Updates</u>	<u>Rationalization of TDS and TCS rates</u>	11 – 13
	<u>Removal of higher TDS/TCS for non-filers of Income Tax return</u>	14
<u>Capital Gains Update</u>	<u>Clarification on income on redemption of ULIP</u>	16
	<u>Securities held by Category I / II AIF treated as capital Asset</u>	16
	<u>Transfer of capital asset by FII</u>	17
<u>Charitable Trust updates</u>	<u>Rationalization of 'specified violation' for cancellation of registration of trusts or institutions</u>	19
	<u>Period of registration of smaller trusts or institutions</u>	20
	<u>Rationalization of persons specified under sub-section 3 of section 13 for trusts or institutions</u>	21

Index (2/3)



Section	Topic	Page no.
<u>IFSC – GIFT CITY</u>	<u>Extension of sunset dates for several tax concessions pertaining to IFSC</u>	23
	<u>Exemption to non resident for income from FPI IFSC unit</u>	23
	<u>Exemption on life insurance policy from IFSC Insurance offices</u>	24
	<u>Relaxation from Deemed Dividend for treasury centres in IFSC</u>	24
	<u>Exemption to capital gains and dividend for ship leasing units in IFSC</u>	25
	<u>Inclusion of Retail schemes and Exchange Traded Funds in the existing relocation regime of funds of IFSCA</u>	25
<u>International Tax Updates</u>	<u>Scheme of presumptive taxation extended for Non-Resident providing services to electronics manufacturing facility</u>	27
	<u>Rationalization in taxation of Business trusts</u>	28
	<u>Harmonization of Significant Economic Presence with Business Connection</u>	29
	<u>Rationalization of transfer pricing provisions for carrying out multi year arm's length price determination</u>	30
	<u>Regulatory Simplification Enhanced Flexibility for Fund Managers</u>	31

Index (3/3)



Section	Topic	Page no.
<u>Assessments</u>	Extension of Time Limit for Filing Updated Tax Return	33 - 34
	Amendments in Transfer Pricing and Faceless Schemes	34
	Amendment in provisions of block assessment in cases of Search	35 - 36
	Change in Search and Seizure Rules	37
	Clarification regarding exclusion of period where stay is granted by the Court	38
<u>Penalty and Prosecution</u>	Relaxation from Prosecution in case of delayed payment of TCS	40
	Non-applicability of Section 271 AAB	40
	Certain penalties to be imposed by the Assessing Officer	41
	Extending the processing period of application seeking immunity from penalty and prosecution	42
	Time limit to impose penalties rationalized	42
<u>Other Tax Updates</u>	Carry Forward of Losses on account of Amalgamation and Business Reorganizations	44
	Extension of timeline for tax benefits to start ups	44
	Amendment in Scope of VDA and Obligation to furnish information in respect of crypto asset	45
	Tonnage Tax Scheme extended to Inland Vessels	45



PERSONAL TAX UPDATES

BUDGET 2025

Personal Taxation (1/4)



Tax rates for Individuals, HUFs, Association of Persons (AOP), Body of Individuals (BOI) and Artificial Juridical Person under the new regime for FY 2025-26 are as under:

Existing Provisions		Proposed Amendments as per Finance Bill 2025	
Income Tax slab	Rates	Income Tax slab	Rates
Up to 3,00,000	Nil	Up to 4,00,000	Nil
3,00,001 to 7,00,000	5%	4,00,001 to 8,00,000	5%
7,00,001 to 10,00,000	10%	8,00,001 to 12,00,000	10%
10,00,001 to 12,00,000	15%	12,00,001 to 16,00,000	15%
12,00,001 to 15,00,000	20%	16,00,001 to 20,00,000	20%
15,00,001 and above	30%	20,00,001 to 24,00,000	25%
		24,00,001 and above	30%

- Rebate u/s 87A of the Income Tax Act, 1961 ('the IT Act') enhanced from INR 25k to INR 60k under the new regime, applicable for income other than income taxable at special rates, such as capital gains income.
- The proposed amendment provides additional tax benefit for Individuals, HUFs, Association of Persons (AOP), Body of Individuals (BOI) and Artificial Juridical Person, of upto INR 110K/- for income other than special rate income

Personal Taxation (2/4)



Deduction under section 80CCD for contributions made to NPS Vatsalya

- The deduction under section 80CCDs is proposed to be extended to the contribution made into the NPS Vatsalya Scheme, as under:
 - Parents/guardians who contribute to NPS Vatsalya accounts for minors can claim deduction under section 80CCD(1B) subject to the overall cap of INR 50,000
 - The amount of deduction claimed under section 80CCD(1B) alongwith any amount accrued thereon, will be charged to tax when such amount is withdrawn on account of closure or opting out
 - However, if amount is received upon the closure of the account due to the minor's death, it shall not be taxable
- The NPS Vatsalya Scheme, as officially launched on 18th September 2024 to enable parents/guardians to start a NPS account for their children, is designed exclusively for minors till they attain majority. Upon a minor attaining 18 years, the account is required to be, transferred to the child's name with the accumulated corpus by its guardian. The account gets shifted into the NPS Tier 1 Account (All Citizen Model) or other non NPS scheme account.
- Further, this scheme allows partial withdrawal for specific situations like education, treatment of specified diseases and disability (of more than 75%) of the minor and it is proposed that it shall be exempt from tax under section 10(12BA) for withdrawal upto 25% of the total amount contributed.

Personal Taxation (3/4)



Exemption of tax on withdrawals by Individuals from National Savings Scheme

- Section 80CCA provided tax benefit to the extent of amount deposited in National Savings Scheme to an individual or a Hindu Undivided Family. As per 2nd proviso to section 80CCA of the IT Act, no benefit of this deduction was available to amounts deposited after 1st April, 1992. Further, any amount on which such deduction had been previously availed or any interest accrued was withdrawn, such amount would be taxable in the hands of such person.
- The Department of Economic Affairs, had via notification declared that no interest would be provided to National Savings Scheme after 1st October, 2024
- This compelled the taxpayers to withdraw the balance lying in the National Saving Scheme accounts as a result triggering an income tax implication
- Thus, to provide relief, an amendment has been proposed to provide exemption to the withdrawals made by individuals from these Deposits
- This relief shall only be allowed to deposits made before 1st April, 1992 and interest thereon, on which deduction was availed by the respective tax payer and withdrawn after 29th August 2024
- This amendment will be retrospectively effective from 29th August 2024

Personal Taxation (4/4)



Simplification of annual value of the self occupied property

- Presently, if the owner occupies the house for residence or cannot occupy it due to employment, business or profession being carried on at any other place, the annual value of such house property upto maximum of two houses properties shall be taken as Nil
- For simplifying the provisions, it is proposed to remove the condition that the non occupancy should be due to employment, business or profession. Thus, if the owner occupies it for his residence or cannot occupy it due to any other reason also the annual value will be considered as NIL for upto 2 house properties
- The proposed amendment will be effective from AY 2025-26.



TDS / TCS UPDATES

BUDGET 2025

TDS / TCS Provisions (1/4)



Rationalisation of TDS and TCS rates w.e.f. 01/04/2025 (1/3)

Section	Current threshold	Proposed threshold
Section 193 – Interest on securities	Nil	INR 10,000
Section 194A – Interest other than interest on securities :		
For senior citizen	INR 50,000	INR 1,00,000
For others, where payer is bank, cooperative society and post office	INR 40,000	INR 50,000
For others, not covered above	INR 5,000	INR 10,000
Section 194 – Dividend for an individual shareholder	INR 5,000	INR 10,000
Section 194K – Income in respect of units of mutual fund or specified company or undertaking	INR 5,000	INR 10,000
Section 194B – Winning from lottery, crossword puzzle etc.	Aggregate of amounts exceeding INR 10,000 during the FY	INR 10,000 in respect of a single transaction
Section 194BB – Winning from horse race		

TDS / TCS Provisions (2/4)



Rationalisation of TDS and TCS rates w.e.f. 01/04/2025 (2/3)

Section	Current threshold	Proposed threshold
Section 194D – Insurance commission	INR 15,000	INR 20,000
Section 194G – Income by way of commission, prize etc. in lottery tickets	INR 15,000	INR 20,000
Section 194H – Commission or brokerage	INR 15,000	INR 20,000
Section 194 – I Rent	INR 2,40,000 p.a.	INR 50,000 per month or part of a month
Section 194J – Fees for professional or technical services	INR 30,000	INR 50,000
Section 194LA – Income by way of enhanced compensation	INR 2,50,000	INR 5,00,000

- TDS Rate for Income payable by Securitization Trust to Investor to be reduced from 25% (in case of Individual or HUF) and 30% (other than Individual or HUF) to 10% for all assessee

TDS / TCS Provisions (3/4)



Rationalisation of TDS and TCS rates w.e.f. 01/04/2025 (3/3)

Section	Current threshold	Proposed threshold
Section 206C(1G) – <ul style="list-style-type: none"> • TCS on remittance under LRS for purchase of overseas tour program package • TCS on remittance under LRS for the purpose of education (other than financed by loan) or for the purpose of medical treatment • TCS on remittance under LRS for purpose other than educational loan or medical treatment 	In excess of INR 7,00,000	In excess of INR 10,00,000
Section 206C(1G) – TCS on remittance under LRS for education loan taken from financial institutions or other than financed by loan or for the purpose of medical treatment	In excess of INR 7,00,000	NA
Section 206C(1H) – TCS on sale of goods	In excess of INR 50,00,000	No TCS
Section	Current rate	Proposed rate
Section 206C(1) Timber obtained by any other mode	2.5%	2%
Section 206C(1) – Any other forest produce not being a timber or tendu leave	2.5%	2%

TDS / TCS Provisions (4/4)



Removal of higher TDS/TCS for Non filers of Income Tax return

- Presently the provision mandates, tax deduction at a higher rate if the recipient of money, on which tax is deductible whereby the deductee is a non filer of income tax returns. Similarly, TCS provision requires tax collection at a higher rate from similar non filers.
- This is subject to other conditions specified in both of these sections.
- With this deletion, the compliance of the provisions contemplated u/s 206AA continues to be observed.
- To reduce compliance burden for the tax deductor / collector, it is proposed to do away with the higher deduction/ collection due to difficulties in getting information of such non-filers.



CAPITAL GAINS UPDATES

BUDGET 2025

Capital Gains (1/2)



Clarification on income on redemption of ULIP

- Presently, an ULIP is treated as capital asset if exemption u/s 10(10)(D) is not applicable to said ULIPs on account of it being purchased on or after 01st February, 2021 and is having premium payable exceeding INR 2,50,000 in any year.
- However, there were certain ULIPs though not having premium value exceeding sum of INR 2,50,000 was not covered u/s 10(10)(D) on account of its premium value exceeding 10% of sum assured.
- As regards to taxability of such ULIP's there is no clarity under which head it was taxable
- Thus, it is now proposed that all the Unit Linked Insurance Policy to which the exemption u/s 10(10)(D) is not applicable will be treated as capital asset. Further, such ULIP will be treated as an equity-oriented fund.
- Consequently, any long-term capital gains from such ULIPs will be taxed u/s 112A at a rate of 12.5% and any short-term capital gains will be taxed u/s 111A at a rate of 20%

Securities held by Category I / II AIF treated as capital Asset

- It is proposed to amend the definition of capital assets to include securities held by Investment Fund in accordance with SEBI regulations. Thus, the securities shall be treated as capital assets and income as capital gains.
- Investment Fund means a fund established or incorporated in India, either as a trust, Company, LLP, or body corporate, and registered as Category I or II Alternative Investment Funds under SEBI or IFSC Regulations

Capital Gains (2/2)



Transfer of capital asset by FII

- The Finance Act (No. 2) of 2024 introduced a 12.5% tax rate for securities specified under Sections 112A and 112
- Tax rates for FIIs under Section 115AD for a) income from securities – 20%; b) income from transfer of securities covered by section 112A – 12.5%; c) Transfer of securities other than covered by Section 112A – 10%
- Thus, long term gains from following securities continued to be taxed at 10% under the Act:
 - Bonds i.e. NCDs
 - Debentures including CCDs
 - Units of debt fund
 - Units of AIFs
- Thus, long term gains from following securities continued to be taxed at 10% under the Act:
 - Security receipts issued by Asset Reconstruction Companies
 - Government securities
 - Exchange Traded funds
 - Company warrants
- Finance Bill 2025 propose to tax aforesaid at 12.5% to bring it at par with listed and unlisted securities
- These provisions will be applicable from AY 2026 - 27



CHARITABLE TRUSTS UPDATES

BUDGET 2025

Charitable Trusts (1/3)



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

- If a trust or institution has been registered and later, the authorities find any “specified violations”, the Principal Commissioner or Commissioner are empowered to cancel the registration of Trust / Institution.
- Currently, even a procedural error of filing incomplete application for registration under section 12 A(1)(ac) is considered as "specified violation". Thus, even minor default can lead to serious consequence of cancellation of registration.
- However, the proposed amendment states that an incomplete application will NOT be considered a violation anymore.
- The amendment will take effect from AY 2025 - 26.

Charitable Trusts (2/3)



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 cases of entities having provisional registration, if the activities of the trust or institution have commenced, the trust or institution is required to make an application for further registration
- The further registration is granted only for 5 years. To reduce the compliance burden for small 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 application is made under sub clause (i) to (v) of section 12A(1)(ac) of the IT Act
 - The total income of the trust or institution does not exceed INR 5 crores during each of the two previous years, preceding to the previous year in which the application is made
- The amendment will take effect from AY 2025 - 26

Charitable Trusts (3/3)



Rationalisation of persons specified under sub-section 3 of section 13 for trusts or institutions

- Section 13 of the Income Tax Act says that a trust or institution will lose its tax exemptions under Sections 11 or 12 if it uses its income or property to benefit certain person, either directly or indirectly
- The “persons” specified u/s 13(3) besides others includes
 - any person who has made a total contribution of more than INR 50,000 to Trust/Institution till the end of the relevant previous year
 - any relative of person mentioned in point above
 - any concern in which any such person mentioned in points above has a substantial interest
- There are difficulties in furnishing details of relatives and concerns
- It is, therefore, proposed to amend the provision to provide that,
 - persons, shall now include any person whose total contribution to the trust or institution, during the relevant previous year exceeds INR 1 lakh rupees, or, in aggregate upto the end of the relevant previous year exceeds INR 10 lakh rupees;
 - relative of any such person as mentioned in (i) above, and any concern in which any such person as mentioned in (i) above has a substantial interest, shall not be included in specified persons
- The amendment will take effect from AY 2025 - 26



IFSC – GIFT CITY

BUDGET 2025

IFSC – GIFT CITY (1/3)



Extension of sunset dates for several tax concessions pertaining to IFSC

- The sunset date for commencement of operations of IFSC units for several tax concessions, or relocation of funds to IFSC is proposed to be extended to 31st March, 2030 w.e.f. AY 2025-26, for the following:
 - Deductions in respect of certain income on transfer of aircraft or ship leased by IFSC unit
 - Exemption to certain incomes including income on transfer of assets by non-resident on recognized stock exchange in IFSC
 - Exemption to 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 IFSC
 - Exemption to income of a non-resident or a unit of IFSC, engaged primarily in the business of leasing, by way of capital gains arising from the transfer of equity shares of domestic company, being a unit of IFSC
 - Relocation regime of specified funds to IFSC

Exemption to non resident for income from FPI IFSC unit

- It is proposed to extend tax exemption to non-resident on income from transfer of non deliverable forward contracts, offshore derivative instruments, over the counter derivatives, and distribution of income on offshore derivative instruments, entered into with Foreign Portfolio Investors being a unit of IFSC

IFSC – GIFT CITY (2/3)



Exemption on life insurance policy from IFSC Insurance offices

- It is proposed to exempt any sum received under a life insurance policy issued by the IFSC insurance intermediary office, including the sum allocated by way of bonus on such policy without any condition on the premium amount (i.e. INR 2.5 lakhs for unit linked insurance policies and INR 5 lakhs for other life insurance policies). However, premium payable for any year during the term of policy should not be more than 10% of actual capital sum assured.
- This amendment will take effect from AY 2025 - 26

Relaxation from Deemed Dividend for treasury centres in IFSC

- Treasury centre of group enables it to centralize and concentrate cash risk management to gain economics of scale, process efficiency of scale, process efficiency and tighter control of cash flow in the group
- It is proposed to exclude any payment by way of advance or loan between two group entities from the scope of deemed dividend if
 - One of the group companies is a Finance company or Finance unit in IFSC set up as a global or regional corporate treasury for undertaking treasury activity or services, and
 - The parent or the principal entity of such group is listed on stock exchange in a country or territory outside India, other than the country or territory outside India as maybe specified
- This amendment will take effect from AY 2025 - 26

IFSC – GIFT CITY (3/3)



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

- Presently, certain exemption on capital gains and dividend is available to non-residents / IFSC units engaged in aircraft leasing
- W.e.f. AY 2025-26, it is now proposed to extend the benefit of exemption
 - On capital gain tax to non-residents or IFSC units engaged in ship leasing on the transfer of shares of domestic companies that are also units of IFSC and engaged in ship leasing which has commenced operations on or before 31st March, 2030
 - On dividend paid by a company being a unit of IFSC engaged in ship leasing to a unit of IFSC engaged in the same business

Inclusion of Retail schemes and Exchange Traded Funds in the existing relocation regime of funds of IFSCA

- Relocation of original fund or of its wholly owned special purpose vehicle that is overseas to a resultant fund in India is tax neutral subject to certain conditions
- It is proposed to expand the definition of resultant fund to include Retail schemes and Exchange Traded Funds (regulated under IFSCA (Fund Management) Regulations, 2022



INTERNATIONAL TAX UPDATES

BUDGET 2025

International Taxation (1/5)



Scheme of presumptive taxation extended for Non-Resident providing services to electronics manufacturing facility

- A non-resident engaged in providing services or technology in India for setting up electronics manufacturing facility or in connection with manufacturing or producing electronic goods, article or things to a resident company that is establishing or operating an electronics manufacturing facility, or a connected facility for manufacturing or producing electronic goods, article or things in India, under a scheme notified by the CG upon satisfying the prescribed conditions will be eligible for presumptive taxation
- Instead of calculating actual profits, 25% of total payment received / receivable for such services will be treated as taxable income
- The assessee will not be allowed to set-off unabsorbed depreciation or brought forward losses for any previous years
- This results in an effective tax rate of less than 10% on gross receipts

International Taxation (2/5)



Rationalisation in taxation of Business trusts

- In 2014, the Government introduced a special tax mechanism for Real Estate Investment Trusts ('REITs') and Infrastructure Investment Trusts ('InVITs') to make funding for real estate and infrastructure projects easier. These trusts invest in companies (SPV) that own properties or infrastructure projects.
- Under the current tax provisions (Section 115 UA), these trusts are not required to pay tax on certain incomes like interest and dividends received from the companies they invest in and rental income from real estate (for REITs). Accordingly, these income is taxed in the hands of investors (unit holders) when they receive it.
- However, as per section 115UA(2) trust's total income shall be taxed at highest rate, except for the dividend income and interest income earned from the respective SPV's along with capital gains u/s 111A and 112.
- As there was no mention of capital gains under section 112A which deal with long term capital gains on listed stocks and mutual funds it is proposed to include Section 112A in sub-section 2 to section 115UA, so that long term capital gains is charged at the applicable tax rates in the hands of trusts and not at Maximum Marginal Rate.
- This amendment shall be effective from the AY 2025 - 26

International Taxation (3/5)



Harmonization of Significant Economic Presence with Business Connection

- Income through or from any business connection in India or from significant economic presence in India (which is considered as business connection) is considered as income deemed to be accrued or arising in India.
- Presently, income arising through or from operations which are confined to the purchase of goods in India for the purpose of export is not considered as accrued or arising in India as it does not constitute business connection in India. However, such activities are not specifically excluded from scope of significant economic presence.
- It is now proposed 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 in India

International Taxation (4/5)



Rationalization of transfer pricing provisions for carrying out multi year arm's length price determination

- In order to remove compliance burden on assessee's and administrative burden on the TPOs due to repetitive nature of determination of ALP for similar international transactions or SDT every year, it is proposed to introduce the scheme of TP assessment in a block.
- It is proposed to provide the option to assessee's for determination of the ALP in relation to an international transaction or SDT for any previous year to the similar international transaction or SDT for the two consecutive PY immediately following such PY subject to certain conditions as prescribed.
- AO cannot refer the case to TPO if for computation of ALP, TPO has declared above option as valid.
- Any reference made before or after the option is declared as valid by TPO shall have effect as if no reference is made for such transaction.
- The above provisions shall not apply to any proceedings under Chapter XIV B (Search assessment)
- Section 155 is also amended to provide power to AO to re-compute the total income of the assessee basis the ALP determined by TPO for such two consecutive years by amending the order of assessment or any intimation or deemed intimation under sub-section 1 of section 143 within three months from the end of month in which assessment is completed

International Taxation (5/5)



Regulatory Simplification Enhanced Flexibility for Fund Managers

- Non-resident funds managed by an eligible fund manager situated in India does not constitute business connection in India, subject to certain conditions
- In order to simplify the regime it is proposed that the calculation of the 5 limit for determining the aggregate participation in the fund by persons resident in India, either directly or indirectly, shall be determined as of 1st April and 1st October of the previous year. However, if the condition is not satisfied on either dates, a grace period is provided to satisfy the same condition within 4 months of the said dates.
- Further all other conditions except above can be relaxed for an eligible investment fund where the date of commencement of operations by its eligible fund manager located in IFSC is on or before 31st March, 2030.
- These amendments will take effect from AY 2025 26



ASSESSMENTS

BUDGET 2025

Assessments (1/6)



Extension of Time Limit for Filing Updated Tax Return (1/2)

- The concept of Updated Return was introduced to promote voluntary tax compliance by allowing taxpayers to rectify omissions or errors in their original return or file new return. It enables taxpayers to furnish an updated return within a specified time frame by paying additional income-tax.
- An updated return can be filed by all the assessee's whether the original return or belated return or revised return was filed or not. It could be furnished within 24 months from the end of the relevant assessment year.
- It is proposed to extend the time limit for filing updated return from 24 months to 48 months from the end of the relevant assessment year ('AY').
- The additional income tax payable is as follows

Time Limit for Filing Updated Return	Rate of additional tax
Upto 12 months from the end of the relevant AY	25% of aggregate tax and interest payable
After 12 months and up to 24 months from the end of the relevant AY	50% of aggregate tax and interest payable
After 24 months and up to 36 months from the end of the relevant AY	60% of aggregate tax and interest payable
After 36 months and up to 48 months from the end of the relevant AY	70% of aggregate tax and interest payable

Assessments (2/6)



Extension of Time Limit for Filing Updated Tax Return (2/2)

- It is further proposed that no updated return shall be filed by any assessee if a notice to show cause under Section 148 A of the Act has been issued in their case after 36 months from the end of the relevant assessment year
- However, if a subsequent order is passed under Section 148A(3) determining that it is not a fit case for issuing a notice under Section 148 of the Act, the taxpayer will still be allowed to file an updated return within 48 months from the end of the relevant assessment year
- This amendment will be applicable from AY 2025 26

Amendments in Transfer Pricing and Faceless Schemes

- The Government has removed the deadline for implementing faceless schemes related to transfer pricing assessments (Section 92 CA), Dispute Resolution Panel (proceedings (Section 144 C), Income Tax Appellate Tribunal (appeals (Section 253 and ITAT functioning (Section 255 Previously, these faceless schemes had to be notified by 31 st March, 2025 Now, the Government has the flexibility to notify them beyond this date
- This change allows for continuous improvements in faceless assessment, appeal, and dispute resolution processes It also provides the Government with the ability to introduce future digital tax reforms without being restricted by a fixed timeline
- The proposed amendments will be effective from AY 2025 26

Assessments (3/6)



Amendment in provisions of block assessment in cases of Search (1/2)

- The concept of block assessment was introduced Vide Finance (No. 2 Act, 2024 where a search u/s 132 of the Income Tax Act, 1961 is initiated or requisition under section 132A of the Act is made, on or after 01st September, 2024
- With Finance Bill, 2025, it is proposed to widen the scope of “undisclosed income” so as to include “virtual digital asset” that is crypto currency to the definition of undisclosed income.
- Now, unreported holdings or transaction in VDA’s discovered during search operations will be taxed under block assessment rules.
- Further, it is proposed that, in case of proceedings initiated under search are annulled i.e. found invalid by virtue of any appeal or any other legal proceeding then assessment or reassessment shall “revive” with effect from the date of receipt of the order of such annulment by the PCIT or CIT. This means that if a tax assessment was canceled due to a search, and later it needs to be restarted, not just assessments and reassessments but also re-computations, references, and orders will now be included in the process w. e. f. 1st February, 2025.
- Further, it also proposed that where any assessment is pending in the case of an assessee and a subsequent search is initiated, or a requisition is made, then such pending assessment shall be duly completed first, and then the assessment in respect of subsequent search or requisition shall be made.
- Further, various clarification have been issued for computation of total income which are as under
 - The term "total income disclosed" will be replaced with "undisclosed income“;

Assessments (4/6)



Amendment in provisions of block assessment in cases of Search (2/2)

- If a person has already declared income in their tax return before the search happens, that income will be counted in the block period, and tax credit will be given accordingly;
- The word “total” will be removed from "total income" in some clauses to avoid confusion;
- Further, if the financial year has ended, but the due date for filing the return has not passed before the search, then the income recorded in books for that period will be taxed under normal tax rules instead of block assessment;
- Presently, if tax authorities find evidence of international or specific domestic transactions during a search, that income is not included in the block assessment, instead, it is assessed separately under normal tax rules because it's difficult to assess arm's length price of part period transactions. However, this process still has irregularities and hence it is proposed to change. Instead of considering the evidence for international or specific domestic transactions, only a reference to such income will be made.
- Presently time limit for completion of block assessment is 12 months from end of the month in which the last of the authorizations for search has been executed
- But, search and seizure cases often involve multiple related entities, requiring coordinated investigation and assessment. However, the current time limits create strict deadlines for the assessing officer, making it challenging to conclude group cases effectively.
- Hence, it is proposed that the time limit for completion of block assessment is proposed to be increased to 12 months from end of the quarter in which the last of the authorizations for search or requisition has been executed
- The Proposed changes shall be effective from the 1st February, 2025

Assessments (5/6)



Change in Search and Seizure Rules

TIME LIMIT FOR RETENTION OF SEIZED DOCUMENTS

- Presently, seized books/documents could be retained for 30 days from the date of assessment/reassessment/re-computation order
- However, in group search cases, assessments for different individuals may happen at different times, making it difficult to separate seized records. Additionally, documents from completed cases might still be needed for ongoing assessments. Since approval deadlines vary case by case, the Assessing Officers were required to constantly track multiple time limits leading to an unnecessary administrative burden
- Hence, to avoid the said burden, it is now proposed to change the time limit for retention to one month from the end of the quarter in which the assessment/ reassessment/ re computation order is passed
- The proposed amendments will be effective from AY 2025 - 26

Assessments (6/6)



Clarification regarding exclusion of period where stay is granted by the Court

- Presently, under various sections of the Income Tax Act like Section 144BA, Section 153 Section 158BE, etc if proceedings are stayed due to Court's order or injunction, such period of the stay is to be excluded from the time limit for completing the pending proceedings. However, there was confusion about when the stay period actually begins and ends
- It is now proposed to clarify that the period of stay should be computed from
 - The commencement date i.e. the date on which Court issues the stay;
 - The end date, i.e. the date on which certified copy of order vacating stay order is received by the concerned jurisdictional Principal Commissioner or Commissioner or approving panel in the case of Section 144BA
- The proposed amendments will be effective from AY 2025 - 26



PENALTY AND PROSECUTION

BUDGET 2025

Penalty and Prosecution (1/3)



Relaxation from Prosecution in case of delayed payment of TCS

- Presently, if a person fails to pay TCS to the credit of CG within the time limit prescribed, then he is punishable with imprisonment for a term which shall not be less than 3 months but may extend to 7 years along with fine
- It is now proposed to relax the prosecution provisions in cases where the payment of TCS has been made to the credit of CG at any time before the time prescribed for filing the TCS statement of such quarter in which tax is collected
- The proposed amendment will be effective from AY 2025 - 26

Non-applicability of Section 271 AAB

- Presently, penalty shall be levied in addition to tax payable by taxpayer if search has been initiated on or after 15th December, 2016
- Although provisions clearly specify that raid conducted post 01st September, 2024 are outside its purview, but in order to avoid any ambiguity regarding its applicability to searches conducted on or after 01st September 2024 It is proposed to specify that the penalty under this section will not apply to taxpayers in whose case a search has been initiated under section 132 on or after 01st September 2024
- The said amendment is applicable w e f 01st September, 2024

Penalty and Prosecution (2/3)



Certain penalties to be imposed by the Assessing Officer

- **Penalties by Joint Commissioner**
- Hitherto penalty under sections 271 C, 271 CA, 271 D, 271 DA, 271 DB, and 271 E of the Income Tax Act, could only be imposed by the Joint Commissioner of Income Tax, even though the tax assessment was done by the Assessing Officer
- It is now proposed to amend the provisions of Sections 271 C, 271 CA, 271 D, 271 DA, 271 DB, and 271 E so as to shift the penalty levying authority from the Joint Commissioner of Income Tax to Assessing Officer
- In cases where the penalty amount exceeds INR 10,000 as the specified in section 274 2 the Assessing Officer will need to take
- prior approval from the Joint Commissioner before passing the penalty order
- The amendments will come into effect from AY 2025 26

Penalty and Prosecution (3/3)



Extending the processing period of application seeking immunity from penalty and prosecution

- The Government has extended the time limit for processing immunity applications. Presently, the Assessing Officer had only 1 month from the end of month in which application was received to review and decide on an application for immunity from penalty and prosecution. Now, it is proposed to extend it to 3 months from the end of the month in which the application is received. This change allows tax authorities more time to carefully assess each application, reducing the chances of rejections due to procedural delays. It also ensures a fairer process for taxpayers seeking immunity, giving them a better opportunity to present their case effectively.
- The Proposed amendment will come into effect from AY 2025-26.

Time limit to impose penalties rationalised

- Presently, the provision prescribes the time limit for passing penalty orders. However, there was ambiguity regarding the exact timeframe for imposing penalties in different scenarios. To eliminate this uncertainty, an amendment is proposed introducing a uniform time limit. Under the revised provision, the penalty order must be passed within 6 months from the end of the quarter in which the relevant proceedings are completed. This amendment aims to bring clarity, consistency, and efficiency to the penalty imposition process.
- The proposed amendment will be effective from AY 2025-26.



OTHER DIRECT TAX PROPOSALS

BUDGET 2025

Other Direct Tax Proposals (1/2)



Carry Forward of Losses on account of Amalgamation and Business Reorganizations

- The existing provisions of section 72A and 72AA of the IT Act provides that in case of merger of companies ('Predecessor Company') engaged in specified sectors (such as hotel, ship or owning an industrial undertaking) having the accumulated losses and unabsorbed depreciation, shall be deemed to be the accumulated losses and unabsorbed depreciation of the successor entity of the Previous year in which such Amalgamation or Business reorganization takes place
- Impact of aforesaid deeming fiction is that amalgamated entity gets a fresh period of eight years from the year in which amalgamation was affected
- In order to prevent indefinite rollovers of losses through successive mergers, an amendment has been proposed which clarifies that any losses of the predecessor entity inherited by the successor entity in the cases of amalgamation, conversion of proprietary business into company and conversion of company into LLP, shall be utilized within eight years from when such losses were computed for the original predecessor entity. Amendment is effective from AY 2026 - 27

Extension of timeline for tax benefits to start ups

- Presently, a deduction of 100 of the profits derived from eligible business by an eligible start up is available for any 3 consecutive years out of first 10 years beginning from incorporation if the eligible start up is incorporated after 01st April, 2016 but before 01st April, 2025 subject to satisfying the conditions laid out therein
- It is proposed to amend the aforesaid section to extend the benefit to eligible start up incorporated before 01st April, 2030. This amendment will take effect from AY 2025 26

Other Direct Tax Proposals (2/2)



Amendment in Scope of VDA and Obligation to furnish information in respect of crypto asset

- Presently, transfer of VDAs is taxed at a rate of 30 with no deductions allowed (other than the cost of acquisition).
- Additionally, to capture VDA transaction details, section 194S was introduced to mandate the deduction of 1% tax at source (TDS) on payments made for the transfer of VDAs, including cases where the transaction occurs in kind or is partly in cash.
- It is now proposed to insert section 285 BAA in the Act, which introduces an obligation to furnish information on crypto assets. This provision aims to ensure greater transparency and tracking of crypto asset transactions.
- Further, it is also proposed to amend and widen the scope of definition of Virtual Digital Asset (VDAs). The proposed amendment widens to include crypto assets as any digital representation of value that relies on a cryptographically secured distributed ledger (such as blockchain) or a similar technology to validate and secure transactions.

Tonnage Tax Scheme extended to Inland Vessels

- Tonnage Tax Scheme is an option available for shipping companies operating qualifying sea going ships, to compute their profits on presumptive basis
- It is proposed to extend the benefits of this scheme to Inland Vessels registered under the Inland vessels Act, 2021
- Qualifying shipping companies can opt for the tonnage tax regime by making an application to the JCIT
- It is proposed to increase the time limit available for JCIT to pass an order granting or refusing the approval of application received on or after 01st April, 2025 from earlier 1 month to 3 months from the end of the quarter in which such application is received



Thank You

 Contact@devadhaantu.in

 www.devadhaantu.in

 [Devadhaantu Advisors](#)

 [Devadhaantu Advisors](#)

Copyright © 2025, Devadhaantu Advisors All rights reserved

The Information provided in this document is provided for information purpose only, and should not be construed as legal advice on any subject matter. No recipients of content from this document, client or otherwise, should act or refrain from acting on the basis of any content included in the document without seeking the appropriate legal or professional advice on the particular facts and circumstances at issue. The Firm expressly disclaims all liability in respect to actions taken or not taken based on any or all the contents of this document.