Union Budget for 2025-26

India

Discussion on budget highlights

Tax News

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37 YEARS OF CLIENT SERVICE

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Transmittal

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February 3, 2025

Dear Reader,

The Honourable Finance Minister, Ms. Nirmala Sitharaman, presented the Union Budget for the financial year 2025–2026 ('Budget 2025') before the Lok Sabha on February 1, 2025. This marks a record eighth consecutive budget under her leadership. With global economic uncertainty, inflationary pressures, and geopolitical tensions shaping economic policy, Budget 2025 has aimed to maintain growth momentum while ensuring fiscal prudence and inclusive development.

After facing strong criticism for neglecting the middle class—despite their crucial role in securing electoral victories for the ruling party in previous terms—Budget 2025 delivers significant tax relief to individual taxpayers. The finance minister has proposed to raise the income tax exemption threshold to Rs. 12 lakh and increase the 30% tax slab threshold from Rs. 15 lakh to Rs. 24 lakh under the new tax regime, ensuring wider tax benefits. Acknowledging the salaried middle class as the backbone of economic growth, the Finance Minister has prioritized policies aimed at increasing disposable income and boosting consumption. Previously criticized as 'Vasooli Tai' for stringent tax measures, she is now being hailed as 'Maa Laxmi' by netizens, recognizing the substantial financial relief extended in this budget.

Micro, Small, and Medium Enterprises (MSMEs) received targeted benefits in Budget 2025. The credit guarantee scheme has been expanded, offering easier access to financing and reducing collateral requirements.

Furthermore, plans to introduce a new income tax bill in the upcoming week was also announced. This initiative aims to simplify tax compliance for taxpayers by replacing the existing Income tax Act of 1961 with a more streamlined and user-friendly framework.

As in the previous years, it is our pleasure to present you with an overview of Budget 2025. This document offers early insights into the key proposals, though further clarifications are expected in the coming days. We hope you will find the accompanying ready reckoner and compliance calendar useful in navigating the changes introduced this year.

Should you require any further clarifications or details on the budget proposals or assistance in analyzing the impact of these provisions on your business, please feel free to reach out to us. We look forward to your valuable feedback.

Yours faithfully

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Executive summary

Executive Summary

Direct Taxation

- **Tax rates and slabs –** Drastic changes have been proposed for slabs of tax under the new tax regime. Persons opting for the new tax regime w.e.f. FY 2025-26 and onwards and having income upto Rs. 12 lakhs, will not be required to pay any income tax. However, this rebate is not applicable for income chargeable to tax at special rate. The tax break is given by way of rebate upto Rs. 60,000 under section 87A of the Income tax Act, 1961 ('IT Act'). Additionally, the 30% tax slab threshold has been increased from Rs. 15 lakh to Rs. 24 lakh under the new tax regime, thereby ensuring higher tax savings for individuals earning upto this limit. Surcharge and cess of domestic companies remain unchanged. As rates under the old tax regime for individuals remain unchanged, the persons opting for the old regime are likely to reduce drastically.

- **Taxation of trusts** - Several amendments to simplify compliance and provide greater flexibility for small charitable trusts have been proposed. The validity of registration for small trusts, having income upto Rs. 5 crores, has been extended to 10 years (from the current 5 years). Additionally, relief has been provided for incomplete registration applications, which will now be allowed rectification instead of automatic cancellation. Persons who contribute more than Rs. 1,00,000 per year or a lifetime contribution of Rs. 10 lakh will now be designated as "specified persons" and the recipient trusts will now have to justify the reasonableness of payments, if any, to such specified persons.

- **Time limits extended for filing updated income tax returns** - Time limit for filing updated income tax returns is extended from two years to four years from the end of the relevant assessment year. This extension provides taxpayers with additional time to voluntarily correct any omissions or errors in their previously filed returns. However, filing an updated return will incur higher additional taxes. Returns filed between 24 to 36 months will attract an additional tax of 60%, and those filed between 36 to 48 months will incur an additional tax of 70% on the tax and interest due.

- **Timeline for tax benefits to start-ups extended** – Tax exemption for eligible start-ups by pushing the incorporation deadline from April 1, 2025, to April 1, 2030, allowing them to continue claiming a 100% tax deduction on profits for three consecutive years within the first ten years of incorporation, provided they meet specified conditions.

- **Higher TDS/TCS rates for non-filers of tax returns omitted** – Higher TDS/TCS rates previously imposed on non-filers of income tax returns under Sections 206AB and 206CCA has now been omitted. This change simplifies compliance for tax deductors and collectors, who previously faced difficulties verifying the tax return status of deductees and collectees and will reduce administrative burdens, prevent unnecessary capital blockage, and improve the ease of doing business while streamlining the TDS/TCS framework.

- **Rationalization of TDS & TCS provisions** - Budget 2025 builds upon the TDS/TCS rationalization steps taken through Budget 2024 and has taken a leap forward to further streamline these provisions. Increase in threshold limits for the applicability of TDS provisions, omission of TCS on Sale of Specified Goods, increased threshold limit of Rs. 10 lakh for remittance abroad under LRS, removal of TCS on education-related remittances funded through loans are few of the key changes proposed.

- **Revision in Micro, small, and medium enterprises ('MSME') classification criteria -** The investment and turnover thresholds for MSME classification have been increased by 2.5 and 2 times, respectively.

Indirect Taxation

GST – Recent amendments

- **Facility for application of waiver of interest and penalty rolled out**– Under Budget 2024, Section 128A of the Central goods and service tax Act, 2017 ('CGST Act') was introduced to allow the waiver of interest and penalties on certain tax demands under amnesty scheme. However the procedure to apply for the scheme was not released. In January 2025 the relevant application forms to opt for the scheme have been rolled out. The last date to avail this scheme is March 31, 2025.

- **ITC on construction of immovable properties – Supreme Court ruling overturned by legislative amendment** – In a recent case, the Supreme Court ruled that Input Tax Credit (ITC) on construction costs should be allowed if the building played an essential role in business operations, such as malls leased for commercial purposes. However, in December 2024, the GST Council amended the provision of the Act retrospectively from July 1, 2017, effectively nullifying the Supreme Court's ruling, making ITC on construction-related expenses completely ineligible under GST law.

- **RCM made applicable on renting of commercial property** – Effective from October 10, 2024, the Goods and Services Tax (GST) on commercial property rentals has been brought under the Reverse Charge Mechanism (RCM). This change leads to placing responsibility of GST remittances on registered tenants for lease of properties from unregistered landlords.

Customs

- **Existing multiple tariff rates consolidated** - High tariff rates (25%, 30%, 35%, 40%) have been reduced uniformly to 20%, while rates of 100%, 125%, and 150% are now capped at 70%. These changes simplify the tax structure and reduce input costs, fostering a competitive environment for businesses.

- **Healthcare industry** - Exemption of customs duty on 37 life-saving drugs, benefiting patients with cancer, rare diseases, and chronic conditions by making essential medicines more affordable.

- **Minerals and metals industry** - Full customs duty exemption on 12 critical minerals, including lithium, copper, and cobalt, critical for renewable energy, EVs, and high-tech sectors. This move reduces manufacturing costs and ensures the availability of essential materials.

- **Solar energy sector** - Reduction in customs duty on solar cells (from 25% to 20%) and solar modules/photovoltaic cells (from 40% to 20%), promoting lower costs for setting up solar units and advancing India's low-carbon transition.

- **Gems and jewellery industry** - Customs duty on articles of jewellery reduced from 25% to 20%, making jewellery more affordable and boosting sales in the sector.

Direct Taxation

Key highlights

- Rebate limit is increased to Rs. 12.00 lakhs from Rs 7.00 lakhs for resident individuals who pay tax under new regime.
- Income slabs for individuals under the new tax regime have been increased.
- There is no change in rate of taxes and income slabs for individuals under the old tax regime.
- A new rate of 25% is added in the new tax regime.
- The limit of standard deduction for salaried individuals remains unchanged.

Relief from tax for income below 12 lakhs

- Budget 2025 proposes an increase of Rs. 60,000 in tax rebate, providing substantial relief to the middle class by raising the tax exemption threshold. Effective from AY 2026-27, a resident individual will no longer be required to pay tax under the new tax regime if their total income is below Rs. 12 lakh. This marks a significant increase from the current exemption limit of Rs. 7 lakh, offering higher disposable income to taxpayers in this bracket.
- However, this will not exempt taxpayers from filing IT returns if their income exceeds the basic exemption limits.
- Further, salaried individuals, including pensioners, are eligible for a standard deduction of Rs. 75,000 under the new tax regime. It is also to be noted that the rebate mentioned above is not available on income chargeable to tax at special rates.

Tax rates for individuals

- Budget 2025 has proposed significant changes in the tax rate for individuals under the new tax regime. However, no changes have been brought in the tax rates under the old tax regime.
- With effect from the assessment year 2026-27 (FY 2025-26) the following rates are prescribed under new regime and old regime for individuals:

New regime		Old regime	
Income	**Rate of tax**	**Income**	**Rate of tax**
Below Rs. 4.00 lakhs	Nil	Below Rs. 2.50 lakhs	Nil
Rs. 4.00 to Rs. 8.00 lakhs	5%	Rs. 2.50 to Rs. 5.00 lakhs	5%
Rs. 8.00 to Rs. 12.00 lakhs	10%	Rs. 5.00 to Rs. 10 lakhs	20%
Rs. 12.00 to Rs. 16.00 lakhs	15%	Above Rs. 10.00 lakhs	30%
Rs. 16.00 to Rs.20.00 lakhs	20%		
Rs. 20.00 to Rs.24.00 lakhs	25%		
Above Rs. 24.00 lakhs	30%		

Key highlights

- No change has been proposed for surcharge for individuals.
- Tax rate of 25% has been retained for companies with turnover up to Rs. 400 crores. Other companies have a tax rate of 30%.
- Surcharges and cess remain unchanged.

- No change has been proposed for the surcharge on income tax for individuals. Surcharge rates applicable for individuals is as follows:

Tax Regime	Income > Rs. 50 lakhs	Income > Rs. 1 crore	Income > Rs. 2 crores	Income > Rs. 5 crores
New regime	10% of income tax	15% of income tax	25% of income tax	25% of income tax
Old regime	10% of income tax	15% of income tax	25% of income tax	37% of income tax

Tax rates for companies and firms

- In the case of LLP and firms, the rate of income-tax remains unchanged at 30%.
- Reduced tax rate of 25% remains unchanged for companies with a turnover of up to Rs. 400 crores. Companies having turnover exceeding Rs. 400 crores will be taxed at 30%.
- The rates applicable to companies in different scenarios are given below:

Turnover	Income tax(a)	Surcharge on (a) (b)	Education and Health Cess on (a+b)	Effective tax rate
Domestic company - profit below Rs. 1 crore:				
Below Rs. 400 crores	25%	Nil	4%	26.00%
Above Rs. 400 crores	30%	Nil	4%	31.20%
Domestic company - profit between Rs. 1 crore to Rs. 10 crores:				
Below Rs. 400 crores	25%	7%	4%	27.82%
Above Rs. 400 crores	30%	7%	4%	33.38%
Domestic company - profit above Rs. 10 crores:				
Below Rs. 400 crores	25%	12%	4%	29.12%
Above Rs. 400 crores	30%	12%	4%	34.94%

Key highlights

- Lower tax rates of 22% and 15% for companies upon satisfaction of certain conditions which remains unchanged.
- Surcharge of 7% and 12% on domestic companies with income exceeding Rs. 1.0 crore and Rs. 10.0 crores respectively which remain unchanged.
- Foreign companies with income exceeding Rs. 1.0 crore and Rs. 10.0 crores will be subject to a surcharge of 2% and 5% of income tax respectively. Tax rate for foreign companies is 35%. All these provision remain unchanged.
- Time limit for filing the updated return is extended from two years to four years from the end of the relevant assessment year.

Special rates for certain companies on satisfaction of conditions	Income tax	S'charge	Cess	Eff. tax rate
I. Domestic companies availing the benefit of section 115BAA	22%	10%	4%	25.168%
Conditions:				
- No deductions/incentive/exemptions can be claimed such as SEZ benefits, benefits of Section 80IA, 80IAB, 80IAC, 80IB etc. except Section 80JJAA				
- Cannot claim additional depreciation				
II. Domestic company been set up and registered on or after 1 October 2019 and has commenced manufacturing on or before 31 March 2024 – Section 115BAB	15	10%	4%	17.16%
Conditions:				
Apart from the conditions mentioned for companies mentioned in I. above, the additional conditions have to be satisfied:				
- Not to be formed by the splitting up and reconstruction of a business already in existence				
- Does not use any plant or machinery previously used for any purpose				
Other matters:				
Companies exercising above options will be excluded from provisions of Minimum Alternate Tax ('MAT')				
Surcharge rates applicable for such companies will be 10% rather than 7% in case of other companies.				

Extension of time limit for filing updated return

- The budget proposes to extend the time limit for filing updated tax returns from 24 months to 48 months from the end of the relevant assessment year ('AY'). The additional tax payable for filing updated return for various period is mentioned below:

Time limit to file updated return	Additional income tax payable
Up to 12 months from the end of the relevant AY	25% of tax and interest
12 to 24 months from the end of the relevant AY	50% of tax and interest
24 to 36 months from the end of the relevant AY	60% of tax and interest
36 to 48 months from the end of the relevant AY	70% of tax and interest

Key highlights

- To enhance ease of doing business and reduce administrative burdens, TDS rates have been rationalized, and threshold limits have been increased across various categories.
- Rationalization of TDS rates. Proposed changes to take effect from April 1, 2025.
- TDS threshold limits have been increased for interest income, professional charges, technical fees, royalty, dividend, commission.
- Rent payments up to Rs. 50,000 per month (Rs. 6,00,000 annually) are now exempt from TDS, providing relief to smaller landlords and tenants.

Simplification and rationalisation of TDS/TCS provisions:

In Budget 2024, the Finance Minister introduced several amendments aimed at rationalizing and simplifying TDS provisions. Budget 2025 builds upon these efforts by taking a significant step forward to further streamline these provisions. Rationalization of TDS rates and an increase in threshold limits for the applicability of TDS provisions have been proposed aiming to simplify compliance and reduce administrative burdens for taxpayers.

These amendments will be applicable from 1st April, 2025.

Major revisions proposed w.r.t TDS include :

- The threshold limit for Tax Deducted at Source (TDS) on interest income earned by senior citizens has been doubled from the existing limit of Rs. 50,000 to Rs. 1,00,000 per financial year. This revision aims to provide additional relief to senior citizens, ensuring they retain more of their interest income before taxes are deducted.
- For individuals other than senior citizens, the TDS threshold on interest income has been increased from Rs. 40,000 to Rs. 50,000 per financial year thereby providing moderate relief to taxpayers earning interest income.
- The threshold limit for TDS on dividend income has been increased to Rs. 10,000 ensuring smoother tax procedures for small investors.
- The threshold for TDS on rent payments, which previously stood at Rs. 2,40,000 per year, has been revised to Rs. 50,000 per month. This change effectively excludes rental expenses up to Rs. 6,00,000 annually from TDS provisions, providing substantial relief to smaller landlords and tenants while simplifying compliance.
- The TDS threshold for insurance commission, other forms of commission or brokerage, and commission or prize on lottery tickets has been raised to Rs. 20,000 per financial year providing relief to small businesses involved in such transactions, reducing their tax compliance burden.
- The threshold for TDS on professional charges, royalty, and fees for technical services has been increased to Rs. 50,000 per financial year. This change provides relief to professionals and other such class of small businesses by allowing them to receive payments up to Rs. 50,000 without being subjected to TDS deductions.

Key highlights

- TCS on sale of specified goods now eliminated. Sellers no longer required to collect TCS.
- Threshold for TCS on LRS remittances increased from Rs. 7 lakh to Rs. 10 lakh per financial year.
- TCS removed on education-related remittances funded through loans from specified financial institutions (previously subject to 0.5% TCS).
- TCS rates for timber and forest produce now stands at 2% as against previous rate of 2.5%.
- Definition of "Forest produce" now aligned with the definition under any State Acts or the Indian Forest Act, 1927.
- Traders selling without a forest lease are now exempt from TCS provisions.

Major revisions proposed w.r.t TCS include :

- **Omission of TCS on sale of specified goods**– Current provisions require sellers to collect TCS at 0.1% on the sale of goods where the aggregate value exceeds Rs. 50 lakh in a financial year. Further, TDS provisions mandate buyers to deduct TDS at 0.1% on payments exceeding Rs. 50 lakh for goods purchased from resident sellers. Hence, there is an overlap of TCS and TDS on the same transaction.

  While Section 206C(1H) exempts TCS if TDS is deducted under Section 194Q, sellers face difficulties in verifying buyer compliance, leading to potential double taxation and increased compliance burdens.

  To simplify compliance and eliminate duplication, sellers will no longer be required to collect TCS on transactions covered under this provision.

- **Changes in TCS on foreign remittances under Liberalized remittance scheme ('LRS') –** To address issues faced by individuals making foreign remittances, Budget 2025 has proposed following relaxations in TCS provisions:

a. The threshold for TCS on foreign remittances under LRS has been raised from Rs. 7 lakh to Rs. 10 lakh per financial year.

b. TCS has been removed on remittances for educational purposes when the remittance is funded through a loan from a specified financial institution. Previously, such remittances were subject to TCS at 0.5%.

- **Rationalization of definition of forest produce** – Presently, TCS is collected on the sale of the following forest goods:
  a. Timber obtained under a forest lease,
  b. Timber obtained by any mode other than under a forest lease.
  c. Any other forest produce, not being timber or tendu leaves.

  The absence of a clear definition of "forest produce" created ambiguity, extending TCS to traders and increasing compliance burdens. To address this, "forest produce" is now defined as items specified under any State Act in force or the Indian Forest Act, 1927.

  TCS will apply only to forest produce (excluding timber and tendu leaves) obtained under a forest lease. Traders selling such produce without a forest lease will no longer be subject to TCS, reducing compliance burdens.

  Moreover, the rate of TCS applicable to such transaction have been reduced to 2% from previous rate of 2.5%.

Key highlights

- Threshold limits for TDS has been enhanced for major heads such as interest, commission, income from mutual funds, professional/technical charges, royalty, enhanced compensation on acquisition of immovable property etc..
- Payment of rent exceeding Rs. 50,000 per month will now be subject to taxation, resulting in small scale landlords earning rent upto Rs. 6,00,000 per annum being outside the ambit of TDS.
- TCS rates on sale of timber/forest produce and LRS remittances for education purposed to be slashed.

Simplification and rationalisation of TDS/TCS provisions:

- The major changes are tabulated below:

Section	Current threshold limits	Proposed threshold limits
Changes in TDS provisions:		
193 - Interest on securities	Nil	Rs. 10,000
194A - Interest other than interest on securities	Rs. 50,000 (senior citizen) Rs. 40,000(others) Rs. 5,000 (other cases)	Rs. 1,00,000 (senior citizen) Rs. 50,000 (others) Rs. 10,000 (other cases)
194 - Dividend for an individual shareholder	Rs. 5,000	Rs. 10,000
194K - Income in respect of units of mutual funds or specified company	Rs. 5,000	Rs. 10,000
194B - Winnings from lottery, crossword puzzle, etc.	Aggregate exceeding Rs. 10,000 in the financial year	Rs. 10,000 in respect of a single transaction
194BB - Winnings from horse race	Aggregate exceeding Rs. 10,000 in 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
194-I Rent	Rs. 2,40,000 during the financial year	Rs. 50,000 per month or part of a month
194J - Fee for professional or technical services	Rs. 30,000	Rs. 50,000
194LA - Income by way of enhanced compensation	Rs. 2,50,000	Rs. 5,00,000
Changes in TCS provisions:		
TCS on TCS on remittance under LRS	Rs. 7,00,000	Rs. 10,00,000
TCS on timber or any other forest produce	2.5% (Rate of TCS)	2% (Rate of TCS)
TCS on remittance under LRS for education financed by loan from a financial institution	0.5% after Rs. 7 lakhs	Nil

Key highlights

- Higher TDS/TCS rates applicable to non-filers of tax returns under Sections 206AB and 206CCA have been proposed for omission. This addresses practical difficulties faced by tax deductors and collectors in verifying the tax filing status of deductees/ collectees.
- Periodic revisions of threshold limits of salary for exemption of perquisites to employees to reflect changes in cost of living and economic conditions proposed.

Omission of higher TDS/TCS rates for non-filers of tax returns

- Presently, TDS/TCS was required to be deducted at higher rates when the deductee or collectee had not filed income tax returns in the previous two financial years. Various representations from stakeholders highlighted practical difficulties faced by tax deductors and collectors in verifying the tax return filing status of deductees and collectees at the time of deduction or collection, which often led to unnecessary application of higher TDS/TCS rates and increased compliance burden.

  To address compliance challenges faced by tax deductors and collectors as well as to reduce the burden of capital being blocked and administrative burden, Budget 2025 has proposed to omit the above provisions from the IT Act. This amendment is expected to improve ease of doing business and simplify TDS/TCS compliance for taxpayers.

- With this amendment higher TDS will apply only in cases where a deductee does not have a PAN .

Increase in income Limits for calculating perquisites

- Under the existing provisions of Section 17(2) of the Income-tax Act, the term “perquisite” includes the value of any benefit or amenity provided by an employer to an employee. However, exemptions are available for certain benefits, subject to specific income thresholds which have been fixed more than 20 years back.
- Presently such exemptions is restricted to employees earning salary of Rs. 50,000 which do not align with the present economic realities. Further, expenditure incurred by the employer for travel abroad on medical treatment of the employee or his family member is regarded as a perquisite if the gross total income of the employee exceeds Rs. 2 lakhs.
- Given the significant changes in cost of living and healthcare expenses, it has become necessary to revise these limits to reflect current economic realities.
- Budget 2025 proposes to grant the power to the Government to prescribe rules for revising these limits periodically thereby ensuring fair taxation of perquisites in line with modern economic conditions. Revised limits are expected to be announced shortly.

Key highlights

- The time limit for processing the application for immunity from penalty is increased from one month to three months.
- The period of court proceedings, etc. is excluded from the calculation of time limit for issuing order for failure of collection of tax.
- The power to impose penalty to be granted to Assessing officer after taking prior approval.
- The reporting entities now has to furnish information to the department regarding transactions in crypto-assets.
- Relief has been given from prosecution for delayed payment of TCS.

Extension of processing period for application seeking immunity from penalty

- The time limit for the Assessing Officer to process applications for immunity from penalty and prosecution for underreporting or misreporting of income will be extended from one month to three months with effect from April 1, 2025.

Excluding the period of court stay for the calculation of time period to pass order.

- The time limit for issuing an order for failure to collect the whole or any part of the tax collected at source is 6 years from the end of the financial year in which tax was collectible, or 2 years from the end of the financial year in which the correction statement is filed, whichever is later.
- Budget 2025 proposes to exclude periods, such as the time during which proceedings were stayed by a court order, etc., from the calculation of the time limit.

Granting power to Assessing Officer to levy penalties

- Earlier, even though the assessment was done by the Assessing Officer, the power to impose penalties under certain sections was with the Joint Commissioner. Budget 2025 has now amended this, granting the Assessing Officer the power to pass penalty orders, after taking prior approval from the Joint Commissioner.

Obligation to furnish information on crypto-asset by reporting entities

- Budget 2025 proposes to introduce a new obligation to financial institutions, crypto exchanges, intermediaries, or any platform facilitating the trading, transfer, or holding of virtual digital assets (VDAs) ('reporting entities'), to furnish information about crypto-asset transactions in a prescribed form and time period. Additionally, income tax authorities are empowered to issue notices to reporting entities, requiring them to submit such statements within a specified period.

Exemption from prosecution for delayed payment of TCS

- Through Budget 2025, the government has provided relief from prosecution for delayed payment of TCS, provided the collected TCS is paid to the government on or before the due date for filing the quarterly TCS statement.

Key highlights

- Contributions to NPS Vatsalya accounts for minors are now eligible for Section 80CCD(1B) tax benefits, with deductions up to Rs. 50,000 per annum within the existing limit, while withdrawals upon adulthood are taxable, and amounts received due to the minor's death are tax-exempt.
- The annual value of up to two self-occupied or vacant properties specified by the owner will now be deemed as "Nil," regardless of the reason for non-occupation.
- Previous restriction requiring non-occupation to be due to employment, business, or profession has been removed.

Contributions to NPS Vatsalya Scheme included under 80CCD deduction

- The NPS Vatsalya Scheme, allows parents and guardians to open and operate a National Pension Scheme (NPS) account for minors.
- To encourage participation in NPS Vatsalya, it is proposed to extend tax benefits under Section 80CCD for contributions made to this scheme, similar to existing NPS deductions. Parents/guardians contributing to an NPS Vatsalya account will be eligible for a deduction up to Rs. 50,000 per annum, under Section 80CCD(1B). However, this deduction will be part of the existing overall limit of Rs. 50,000 available under Section 80CCD(1B) for NPS contributions.
- Any amount withdrawn from the minor’s account upon attaining majority will be taxed in the hands of the child. If the account is closed due to the minor’s death, the amount received by the parent/guardian shall not be deemed as income and will be exempt from taxation.

Self-occupied property – No tax on two houses

- Under the current provisions, the annual value of a house property is considered “**Nil**” if:
  a. The house is self-occupied by the owner for residential purposes.
  b. The owner cannot actually occupy it due **to employment, business, or profession in another location**.
  c. Further, this benefit is available to two houses of choice of the owner.
- However, the existing law lacked clarity, leading to interpretational disputes regarding what constituted a valid reason for non-occupation of a house.
- To address this, Budget 2025 proposes to amend the provision, explicitly stating that the annual value of any house property, whether occupied by the owner or left vacant **for any reason**, shall be taken as "Nil".
- This amendment removes the restrictive condition that non-occupation must be due to employment, business, or profession. As long as the owner specifies the two properties for exemption, they will not be subject to tax on deemed rental income for those properties

Key highlights

- Validity of registration increased to 10 years for small trusts with income not exceeding Rs. 5 crores in the preceding two years.
- Trusts can now rectify and complete registration applications without automatic cancellation or penalties.
- Definition of "specified persons" for donations has been revised, raising the individual contribution limit from Rs. 1 lakh per year and the aggregate limit of lifetime contributions to Rs. 10 lakhs.
- Relatives or concerns of the donor excluded, except for Trustees, Authors, Founders, Managers, and Members, where existing restrictions still apply.

Simplification of tax provisions for charitable trusts/institutions

Various amendments have been proposed through this Budget to simplify compliances and to ensure greater clarity and flexibility in tax provisions for small trusts.

- **Extended validity of registration for small trusts:**

  Under the existing provisions of the IT Act, registration for a charitable institution is valid for 5 years in case of renewal of existing registration and 3 years in provisional registration cases.

  To reduce the compliance burden for small trusts, it is proposed to increase the validity of registration in their case to 10 years.

  This extended validity will be available to trusts or institutions with total income not exceeding Rs. 5 crores in each of the two previous years preceding the year of application.

- **Relief for incomplete registration applications:**

  Currently, an incomplete application for registration is treated as a violation, which may lead to:

  a. Cancellation of registration of the trust.

  b. Taxation of its assets at fair market value (FMV) under the IT Act.

  To prevent disproportionate consequences, an amendment is proposed to allow trusts and institutions to rectify and complete their application. The completed application will then be considered for registration without automatic cancellation.

  This change aims to mitigate harsh penalties by providing an opportunity for rectification instead of automatic rejection.

- **Revised definition of "Specified Persons" for donations:**

  The existing provisions of the IT Act designated certain persons as “Specified Persons”. Once a person was designated as such, it was incumbent on the trust to justify that payments, if any, to such persons were reasonable. Budget 2025 proposes to amend the definition of “specified persons” by increasing the threshold limits of contributions by such persons to a trust.

  Threshold limit of contribution has been proposed to be increased as below:

  a. The monetary threshold for individual contributions has been proposed to be raised from Rs. 50,000 to Rs. 1,00,000 during the relevant previous year.

  b. Further a lifetime contribution limit has also been fixed at Rs. 10 lakh.

- **Exclusions from the definition of "Specified Persons“** - Relatives or concerns in which the donor is interested have been excluded from the scope of specified persons. However, these exclusions do not apply to Trustees, Authors, Founders, Managers and Members of the Trust. For these individuals, the previous restrictions will continue to apply.

Key highlights

- Six-month time limit is proposed for issuing penalty orders, starting from the completion of connected proceedings, receipt of appellate or revision orders, or issuance of the penalty notice.
- Accumulated losses can now only be carried forward for eight assessment years from when they were first computed, even in cases of successive amalgamations.

Rationalization of time limit for imposing penalties

- Presently, IT Act sets varied time limits for imposing penalties, depending on the nature of the case. These multiple timelines create administrative challenges in tracking penalty deadlines, leading to compliance inefficiencies.
- To simplify the penalty imposition process, it is proposed to make amendments to establish a uniform penalty timeline. It is proposed that any penalty order must be passed within six months from:
  a. The end of the quarter in which the connected proceedings are completed, or
  b. The date on which the appellate order is received by the Principal Commissioner/Commissioner, or
  c. The date of order of revision, or
  d. The date of issuance of the penalty notice, whichever applies.

Rationalization of provisions related to carry forward of losses in amalgamation

- Current provisions of the IT Act allows accumulated losses and unabsorbed depreciation of an amalgamating/predecessor entity to be carried forward by the successor entity.
- There is no explicit restriction on the cumulative period of loss carry forward if multiple amalgamations occur over time. However, there is a restriction in carrying forward business losses which can only be carried forward for eight assessment years from the year in which the loss occurred.
- However, through amalgamations entities could use the loophole and carry forward losses indefinitely through successive amalgamations.
- To prevent such indefinite carry forward of losses through multiple successive amalgamations, it is proposed to amend the provisions of the IT Act to restrict carry forward of accumulated losses to a maximum of eight assessment years from the assessment year in which the loss was first computed for the original predecessor entity.

Key highlights

- ULIPs with premiums exceeding Rs. 2.5 lakh/year (issued after Feb 1, 2021) will now be taxed as capital gains.
- Gains from redemption of such ULIPs will now be treated as capital gains:
  - Long-term capital gains (LTCG) taxed at 10% for gains above Rs. 1 lakh.
  - Short-term capital gains (STCG) taxed at 15%.
- Incorporation deadline for eligible start-ups claiming a 100% tax deduction extended to April 1, 2030.

Unit Linked Insurance Policies (ULIPs) to be considered as Equity-Oriented Fund

- Section 10(10D) provides income tax exemption on amounts received under life insurance policies, including bonuses, subject to the condition that the annual premium must not exceed 10% of the capital sum assured.
- The Finance Act, 2021, further restricted this exemption for ULIPs issued on or after February 1, 2021, if the aggregate premium exceeds Rs. 2,50,000 per year.
- ULIPs exceeding the Rs. 2,50,000 premium threshold were ineligible for exemption under Section 10(10D). However, there was uncertainty about whether gains from such ULIPs should be taxed as capital gains or under "Income from Other Sources."
- To eliminate ambiguity, Budget 2025 proposes to treat such ULIPs as capital assets. Gains from redemption of these policies will now be taxed as capital gains.
- Such ULIPs will qualify as equity-oriented funds, enabling:
  a. Long-term capital gains (LTCG) above Rs. 1 lakh to be taxed at 10% under Section 112A.
  b. Short-term capital gains (STCG) to be taxed at 15% under Section 111A.

Extension of timeline for tax benefits to start-ups

- Section 80-IAC provides a tax deduction of 100% on business profits of an eligible start-up for three consecutive assessment years out of ten years from the date of incorporation provide they satisfy certain conditions and was incorporated prior to April 1, 2025.
- To encourage entrepreneurship and support the growth of the start-up ecosystem, the following changes are proposed:
  a. Extension of the incorporation deadline for eligible start-ups from April 1, 2025, to April 1, 2030.
  b. This ensures that start-ups incorporated within this extended period can continue to claim the tax deduction for three consecutive years.

Key highlights

- Provisions to enable TP assessments or audits in a block to cover a period of three financial years has been proposed.
- Increase in MSME threshold limits to expand the coverage and benefits to more entities.

Rationalisation of TP assessments for carrying out arm's length price ('ALP') determination

- In order to reduce the compliance burden and remove the administrative difficulties in repetitive assessments and determination of ALP for same set of transactions in every year, Budget 2025, has proposed an amendment in transfer pricing provisions. As per the proposal, the ALP determined for a given financial year by the Transfer Pricing Officer shall be applied to similar transactions for the subsequent two consecutive financial years. This is an option given to the assessee and the option has to be exercised with in the stipulated time prescribed by filing an application to AO. Once the application has been approved by AO, the TPO shall examine and determine the ALP for such similar transactions for the consecutive financial years in a consolidated manner and the AO shall recompute the assessee's total income for those years.

- For such years, no separate reference for ALP computation in these cases shall be made by AO to TPO.

Revision in Micro, small, and medium enterprises ('MSME') classification criteria

- The investment and turnover thresholds for MSME classification have been increased by 2.5 and 2 times, respectively, to facilitate scalability, technological advancement, and improved access to capital. This will enable MSMEs to expand operations while still claiming the benefits of MSME government policies meant for the sector. The existing and revised classification is as follows.

Type	Investment (Rs. in Crore)		Turnover (Rs. in Crore)	
	Current limits	Revised limits	Current limits	Revised limits
Micro Enterprises	1	2.5	5	10
Small Enterprises	10	25	50	100
Medium Enterprises	50	125	250	500

- With the introduction of disallowance for delayed payments to Micro and Small enterprises, taxpayer will have to apply higher scrutiny to identify such entities to avoid disallowance.

Indirect Taxation

Key highlights

- Form GST SPL-01 and Form GST SPL-02 have been notified, enabling taxpayers to avail an Amnesty Scheme for obtaining penalties and interest waiver.
- Last date to apply under the scheme falls on March 31, 2025.
- Renting of commercial properties by an unregistered person has been brought under the scope of RCM w.e.f 10th October, 2024

Waiver of interest & penalty subject to specific conditions

- Through Budget 2024, the government introduced Section 128A of the CGST Act, 2017 introducing an amnesty scheme aimed at providing relief to taxpayers by waiving interest and penalties on certain tax demands. However, the procedure to apply under this scheme was yet to be notified.
- To facilitate the implementation of this scheme, the Goods and Services Tax Network (GSTN) has made available two specific forms in the month of January 2025:

  Form GST SPL-01: Designed for taxpayers who have received a notice under Section 73 but have not yet been issued a final order. This form allows them to apply for the waiver of interest and penalties.

  Form GST SPL-02: Applicable to taxpayers who have already received an order from the first-level tax authorities or appellate authorities. This form enables them to seek the waiver of interest and penalties on the specified tax demands.

- These forms are available on the GST portal, and taxpayers must withdraw any pending appeals before submitting their application.
- The last date to opt for this amnesty scheme is March 31, 2025.

GST payable under RCM on renting of commercial property

- Commencing 10th October, 2024, GST under the reverse charge mechanism ('RCM') for the renting of commercial properties has been introduced. Under this provision, the responsibility to pay GST now falls on the registered tenant instead of the unregistered landlord.
- The table below illustrates the applicability of GST under the difference cases:

Landlord	Tenant	Basis of taxability	Responsibility for paying GST	Whether ITC can be claimed?
Registered Person	Registered Person	Forward Charge Mechanism	Landlord	Yes
Registered Person	Unregistered Person	Forward Charge Mechanism	Landlord	No
Unregistered Person	Registered Person	Reverse Charge Mechanism	Tenant	Yes
Unregistered Person	Unregistered Person	Not Applicable	Not Applicable	Not Applicable

Key highlights

- Amendment to section 17(5) overruled the Supreme Court's interpretation in the Safari Retreats case, explicitly disallowing ITC on immovable property construction, making it clear that businesses cannot claim ITC even if the property is leased.
- Waiver of late fee for delayed filing of GSTR 9C for the period upto 2022-23 has been introduced if return is filed on or before 31.03.2025.
- It has been clarified that late fees for GSTR 9 will be applicable in case GSTR 9C is applicable, but not filed along with GSTR 9.
- Pre-deposit mandated also for appeals against penalty matters.
- GST on second-hand vehicles by registered person earlier covered under multiple rates now rationalized to a common rate of 18%.

ITC on construction of immoveable properties

- The Supreme Court passed a landmark judgement in the case of *Chief Commissioner of Central Goods and Service Tax Ors. Vs. Safari Retreats Private Limited & Ors.*, offering a major boost to the infrastructure sector. The case dealt with the eligibility of Input Tax Credit (ITC) on goods and services used for constructing immovable property intended for leasing. The tax payer argued that since renting commercial property is a taxable activity under GST, ITC on construction costs should be allowed. However, Section 17(5)(d) of the CGST Act restricts ITC on construction-related expenses.

- The Honourable Court upheld the validity of Section 17(5)(d) but introduced the "functionality test," suggesting that if a building plays an essential role in a business (e.g., a mall for leasing), it might qualify as a "plant" and be eligible for ITC. This interpretation created an exception that allowed certain businesses to claim ITC based on how the property was used.

- Subsequently, the GST Council amended Section 17(5)(d) in December 2024, replacing the term "plant **or** machinery" with "plant **and** machinery" effective retrospectively from July 1, 2017. This amendment completely restricts ITC on construction costs, rendering the Supreme Court's ruling ineffective.

Waiver of late fee for delayed filing GSTR 9C

- The Government has waived the excess late fee under Section 47 of the CGST Act, 2017, for taxpayers who were required to file FORM GSTR-9C along with FORM GSTR-9 for the financial years 2017-18 to 2022-23 but failed to do so, provided they submit FORM GSTR-9C by March 31, 2025. However, no refund will be granted for any late fee already paid. However, going forward, late fees for GSTR 9 will also apply in case GSTR 9C is applicable, but not filed.

Pre-deposit for appeals

- Budget 2025 has changed the rules for appealing GST penalty cases. Now, if a business wants to appeal a penalty before the Appellate Authority or Appellate Tribunal, they must first deposit 10% of the penalty amount. Previously, for penalties related to the detention or seizure of goods during transit, businesses had to pre-deposit 25% of the penalty amount to file an appeal. Also, there was no pre-deposit required for Tribunal-level appeals. With this change, a flat 10% pre-deposit applies to all penalty-related appeals, making the process simpler and less financially burdensome for taxpayers.

Rate change on sale of used vehicle

- To bring uniformity in the taxability of second-hand vehicle sales, the GST rate has been increased from 12% to 18% on sales by registered persons, with the tax calculated on the seller's margin (selling price minus purchase price or depreciated value if depreciation is claimed).

Key highlights

- Customs duties rationalized to simplify the tax structure and promote ease of doing business.
- Tariff rates of 25%, 30%, 35%, and 40% reduced to 20%.
- Higher tariff rates of 100%, 125%, and 150% reduced to 70%.
- Articles of gold and silver to become cheaper, customs duty cut to 20%
- Transport vehicle to become cheaper as duty cut to 20%
- Drastic reduction of duty on LPG Duty reduced from 15% to 5%.
- Furniture and parts are expected to become cheaper on account of reduction in duty to 20%.

Reduction in the number and rates of tariff rates

- Through Budget 2025, the government has undertaken a significant rationalization of customs tariff rates to simplify the tax structure and promote ease of doing business.

- This initiative involves reducing the number of tariff rates and lowering specific high-duty rates. Key changes are:
  a. Reduction of high tariff rates. Tariff rates previously set at 25%, 30%, 35%, and 40% have been uniformly reduced to 20%.
  b. Higher tariff rates of 100%, 125%, and 150% have been lowered to 70%.

- By consolidating multiple high tariff rates into fewer, more uniform rates, the tax structure becomes more straightforward, reducing complexity for businesses and facilitating compliance. Further, a simplified and reduced tariff structure can enhance the competitiveness of Indian businesses by lowering input costs and encouraging participation in global trade.

- This rationalization aligns with the government's broader objective to create a more business-friendly environment, stimulate economic activity, and integrate more effectively into the global economy.

Major changes in BCD:

- Following are the important items for which Budget 2025 has changed basic customs duty ('BCD') w.e.f 2nd February, 2025:

Item	Existing	Proposed
Articles of jewellery, goldsmiths' and silversmiths' wares and parts	25%	20%
Solar cells	25%	20%
Solar module, semiconductor devices and photovoltaic cells	40%	20%
Motor vehicles for transport of 10 or more persons	40%	20%
Motor vehicles for transport of goods	40%	20%
Laboratory chemicals	150%	70%
Motorcycles and cycles fitted with an auxiliary motor	100%	70%
LPG	15%	5%
Frozen fish paste (surimi)	30%	5%
Knitted fabrics	20%/10%	20% or Rs 115 w.e.h
Furniture and furniture parts	25%	20%

Key highlights

- **What becomes costlier:**
- Knitted fabrics
- Interactive flat panel displays

- **What becomes cheaper**:
- Medicines
- Jewellery
- Mobile phone components
- Electric Vehicle mobile phone batteries
- Critical minerals
- Leather

The impact of Budget 2025 on key sectors :

Medicines – Health care industry:

- A proposal was made to exempt 37 life saving drugs and medicines to the list of medicines fully exempt from BCD. This measure seeks to provide relief to patients, particularly those suffering from cancer, rare diseases and other chronic diseases.

Minerals and metal industry:

- Full exemption of customs duties on 12 critical minerals. Critical minerals include lithium, copper, cobalt and rare earth elements that are critical for sectors like nuclear energy, renewable energy, space, defense, telecommunications, and high-tech electronics. This decision is expected to help reduce the manufacturing cost of the allied sectors, especially EV manufacturing. This move is aims to secure the availability of essential materials for domestic manufacturing.

Solar energy:

- Reductions in customs rates for import of solar cells, from 25% to 20% and reduction on solar modules and other semiconductor devices and photovoltaic cells from 40% to 20%. This move by the Government is expected to result in lowering the cost for setting up of solar units and help in the transition of moving towards a low-carbon economy.

Precious metals – Gems and jewellery industry :

- There has been a 5% reduction in customs duty charged on articles of jewellery. The rate has been reduced from 25% to 20%. This move is expected to enhance sales and make it more affordable to the common man.

Adjustments to Customs Duty on various products:

- Budget 2025 includes changes to customs duties on several other items to promote domestic manufacturing and correct inverted duty structures. Few prominent initiatives are:
  a. Interactive flat panel displays: Customs duties have been increased from 10% to 20%, making large interactive displays more expensive.
  b. Knitted fabrics: The tariff rate has been revised to "20% or Rs. 115 per kg, whichever is higher," to support the domestic textile industry.

- Through these amendments the government’s wants to reflect its commitment to fostering domestic industries while ensuring the availability of essential goods at reasonable prices.

Ready Reckoner

- Key TDS rates
- Reverse charge mechanism under GST
- Quoting of PAN
- Reporting financial transaction
- Compliance calendar

Ready Reckoner

Key TDS Rates

Section	Nature of payment	Cut-off amount (INR)	Rate % (Individual)	Rate % (Others)
194	Dividend	10,000	10%	10%
194A	Interest other than interest on security (by bank)	Others 50,000 Sen. Citizens 1,00,000	10%	10%
194A	Interest other than interest on securities (by others)	10,000	10%	10%
194C	Contracts	30,000	1%	2%
194H	Commission or brokerage	20,000	2%	2%
194I(b)	Rent (Land / building / furniture)	Rs 50,000 per month or part of a month	10%	10%
194I(a)	Rent (plant & machinery / equipment)	Rs 50,000 per month or part of a month	2%	2%
194IA	Consideration for transfer of immovable property	50,00,000	1%	1%
194IB	Rent paid by individual / HUF not subject to tax audit	50,000 per month	2%	2%
194IC	Payment under joint development agreement to resident individual who transfers land / building	Nil	10%	NA
194J(1)(a)	Professional / Royalty / Non-compete fee	50,000	10%	10%
194J(1)(b)	Technical service (not being a professional service)	50,000	2%	2%
194J(1)(ba)	Any remuneration or commission paid to director of the company (other than those covered under Section 192)	-	10%	10%
194M	Contracts / professional charges / paid by individual / HUF not subject to tax audit	50,00,000	2%	2%

Key TDS Rates – Continued

Section	Nature of payment	Cut-off amount (INR)	Rate % (Individual)	Rate % (Others)
194N	Cash withdrawals (from bank, co-operative bank, post office) other than co-operative societies	Withdrawals in excess of Rs. 1 crore a year	2%	2%
	Co-operative societies	Withdrawals in excess of Rs. 3 crores a year	2%	2%
194T	Payment of salary, remuneration, interest, bonus or commission by partnership firm to partners	20,000	10%	10%
194O	Consideration paid by e-commerce operator for sale of goods or provision of services through its platform	5,00,000 (Individual)	0.1%	0.1%
194Q	Purchase of goods by a buyer whose turnover exceeds Rs. 10 crores	50,00,000	0.1%	0.1%
194R	Benefit or perquisite of a business or profession	20,000	10%	10%
194S	Purchase of virtual digital assets	50,000	1%	1%
195	Non Residents	TDS is to be deducted on a case to case basis, at rates to be determined based on DTAA or Income Tax Act, whichever is beneficial and also subject to certain conditions		

Notes

► **Section 194C**: Where the aggregate of the amounts paid / credited or likely to be paid / credited to a contactor exceeds INR 100,000 during the financial year, TDS has to be deducted.

► **No PAN for the payee**: TDS of 20% has to be deducted if the deductee does not furnish his PAN.

► **No TDS on goods transport**: No deduction shall be made from any sum credited or paid to the account of a contractor during the course of business of plying, hiring or leasing goods carriages if he furnishes declaration that he owns not more than 10 goods carriage vehicles and also furnishes his PAN, to the person paying or crediting such sum.

Key TCS Rates

► Tax is to be collected at source by sellers at the time of making specified sales to their customers. Seller will have to collect tax at source from the customers at the prescribed rates and remit it to the government on or before the 7th of the following month. Separate returns on quarterly basis will have to be submitted to the tax department.

Section	Nature of receipt	Cut-off amount (INR)	Rate %
206C(1)	Alcoholic liquor for human consumption	Nil	1%
206C(1)	Tendu leaves	Nil	5%
206C(1)	Timber or any other forest produce obtained under a forest lease	Nil	2%
206C(1)	Timber obtained by any mode other than under a forest lease	Nil	2%
206C(1)	Waste and scrap from the manufacture or mechanical working of materials	Nil	1%
206C(1F)	Sale of motor vehicle and other class of assets to be notified	10,00,000	1%
206C(1G)(a)	(i) Authorized dealer receiving amounts to be remitted outside India under the Liberalised Remittance Scheme ('LRS') of RBI for education and medical treatment.	10,00,000	5%
	(ii) Any other case relating to foreign remittances under LRS	10,00,000	20%
206C(1G)(b)	Seller of overseas tour package which offers visit to a country outside India including travel and hotel stay	10,00,000	20%

► **Removal of TCS on remittance for education purpose out of loan:** TCS has been removed on remittances for educational purposes when the remittance is funded through a loan from a specified financial institution. Previously, such remittances were subject to TCS at 0.5%.

► **Removal of higher deduction of TDS and Collection of TCS**: Section 206AB mandates TDS at higher rates for deductees who have not filed their income tax returns, while Section 206CCA imposes higher TCS rates on collectees under similar circumstances. Recognizing the challenges in verifying the return-filing status of deductees and collectees, which can lead to capital blockage and increased compliance burdens, the government has proposed omitting both Sections 206AB and 206CCA effective from April 1, 2025.

► **Removal of TCS on sales of goods in excess of Rs.50 lakhs:** Previously, both TDS under Section 194Q and TCS under Section 206C(1H) were applicable to transactions involving the purchase or sale of goods exceeding Rs. 50 lakhs, leading to overlapping compliances. To streamline the process and reduce the compliance burden on taxpayers, the government has proposed that, effective from April 1, 2025, TCS under Section 206C(1H) will no longer be applicable in cases where TDS under Section 194Q is deducted on the same transaction.

Furnishing of statement of financial transactions

Prescribed class of persons will have to furnish details of certain financial transaction entered by them during the year with the Income Tax Department. The list of some of these transactions which has to be reported by persons/entities are given below:

Class of persons	Nature of transactions	Value of transaction
Any entity/person who is liable for audit under IT Act	Receipt of cash against sale of goods or services	Cash payments exceeding Rs. 2,00,000 in a year
Company or institution issuing bonds or debentures	Receipt from any person for acquiring bonds or debentures issued by the company or institution	Aggregating to Rs. 10,00,000 or more in a year
Company	Receipt from any person for acquiring shares issued by the company	Aggregating to Rs. 10,00,000 or more in a year
Company listed in a stock exchange	Buy back of shares from any person (other than the shares bought in the open market)	Aggregating to Rs. 10,00,000 or more in a year
Authorized dealer in foreign exchange	Receipt from any person for sale of foreign currency including credit of such currency to foreign exchange card or expense in such currency through a debit or credit card or through issue of travellers cheque or draft or any other instrument	Aggregating to Rs. 10,00,000 or more in a year
Registrar or sub-registrar	Sale or purchase of any immovable property	Payments/value as per stamp valuation exceeding Rs. 30,00,000

Annual reporting of transactions in Form 61A

All transactions covered under the various provisions mentioned in the above table will have to be reported to the Income Tax Department. The reporting will be done electronically in Form 61A. Form 61A will have to be furnished on or before 31st May each year. Non filing will lead to a penalty of Rs. 500 per day.

Mandatory modes of electronic payment

With effect from January 1, 2020, entities with turnover exceeding Rs. 50 crores will have to mandatorily provide the following prescribed electronic modes of payment

► Debit Card powered by RuPay
► Unified Payments Interface (UPI) (BHIM-UPI)
► Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)

With effect from February 1, 2020, a penalty of Rs. 5,000 per day will be leviable to entities which fail to provide the above three facilities for electronic modes of payment.

Transactions in relation to which permanent account number is to be quoted in documents

Every person should quote their PAN in all documents pertaining to transactions prescribed. List of such transactions are as below:

Nature of transaction	Value of transaction
Sale / purchase of motor vehicle	All transactions
Application for opening bank account	All transactions
Application for credit / debit cards	All transactions
Opening DEMAT account with depositor	All transactions
Payment to a hotel or restaurant against a bill or bills at any one time	Cash payments exceeding Rs. 50,000
Payments in connection for travelling to a foreign country including purchase of foreign currency	Cash payments exceeding Rs. 50,000
Purchase of mutual fund units	All payments exceeding Rs. 50,000
Purchase of debentures and bonds in a company or an institution	All payments exceeding Rs. 50,000
Payment to the Reserve Bank of India, for acquiring bonds issued by it.	All payments exceeding Rs. 50,000
Deposit with a banking company or a co-operative bank	Cash payments exceeding Rs. 50,000
Purchase of bank drafts or pay orders or bankers' cheques	Cash payments exceeding Rs. 50,000
Fixed deposits with banks, post office, NBFC's and Nidhi Companies	Payments exceeding Rs. 50,000 or aggregating to more than Rs. 5,00,000 during a financial year
Payment for one or more pre-paid payment instruments, to a banking company or a co-operative bank	Amounts aggregating to more than Rs. 50,000 during a financial year
Life insurance premium paid	Amounts aggregating to more than Rs. 50,000 during a financial year
Sale or purchase, by any person, of shares of an unlisted company	Payments exceeding Rs. 1,00,000 per transaction
Sale or purchase of securities other than shares	Payments exceeding Rs. 1,00,000 per transaction
Sale or purchase of immovable property	Payments / value as per stamp valuation exceeding Rs. 10,00,000
Any other sale or purchase, by any person, of goods or services	Amount exceeding Rs. 2,00,000 per transaction

Form 60

Any person entering into any transaction referred in the above table and raising bills should ensure that the PAN has been correctly furnished and the same has been mentioned in the document. In case the PAN is not available then a declaration to that extent should be obtained in Form 60.

Details of declarations received in Form 60 needs to be filed with the Income Tax Department on half yearly basis by 31st October and by 30th April each year in Form 61.

Reverse charge mechanism under GST

- Under the normal taxation regime, the supplier collects the tax from the buyer and deposits the same after adjusting the output tax liability with the input tax credit available. But under the reverse charge mechanism, the liability to pay tax shifts from the supplier to the recipient.
- Unlike Service Tax, there is no concept of partial reverse charge. The recipient has to pay 100% tax on the supply.
- The liability for remittance of GST under the reverse charge mechanism by the recipient arises in the following scenarios:

Description of service
Legal services provided by an advocate or a firm of advocates
Services provided by a goods transport agency in respect of transportation of goods by road
Services supplied by an arbitral tribunal to a business entity
Services provided by way of sponsorship to any body corporate or partnership firm
Services supplied by an insurance agent to any person carrying on insurance business
Support services provided by Government / local authority in relation to (1) renting of immovable property (2) other specified services (postal service, transportation of goods or passengers, services in relation to aircrafts or vessels)
Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company
Supply of security services by non-corporate to a registered person
Supply of specified categories of goods and services to notified classes of registered persons [such categories of goods and services and classes of registered persons are yet to be notified]
Services supplied through an E-commerce operator
Services supplied by a directors of a company or a body corporate
Services of lending of securities under Securities Lending Scheme, 1997 of SEBI
Services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, provided to a body corporate.
Services received from a supplier outside India by a registered person
Services of renting of commercial properties as well residential properties by an unregistered person to a registered person.

FEBRUARY 2025

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
26	27	28	29	30	31	1
2	3	4	5	6	7 TDS PAYMENT & EQUALISATION LEVY	8
9	10 GSTR 7, GSTR 8 & PMT 01	11 GSTR 1 & GST ANX 1 (MONTHLY)	12	13 GSTR 6	14	15 PF, ESIC & FORM 16A
16	17	18	19	20 GSTR 3B, GSTR 5 & GSTR 5A	21	22
23	24	25 PMT-06 FOR JANUARY	26	27	28 PT (HALF YEARLY)	1

MARCH 2025

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
23	24	25	26	27	28	1
2	3	4	5	6	7 TDS PAYMENT & EQUALISATION LEVY	8
9	10 GSTR 7, GSTR 8 & PMT 01	11 GSTR 1 & GST ANX 1 (MONTHLY)	12	13 GSTR 6	14	15 PF, ESIC & ADVANCE TAX (4th INSTALMENT AY 2025-26)
16	17	18	19	20 GSTR 3B, GSTR 5 & GSTR 5A	21	22
23	24	25 PMT-06 FOR FEBRUARY	26	27	28	29
30	31 UPDATED RETURN (AY 2022-23) & FORM 3CEAD (FY 23-24)	1	2	3	4	5

APRIL 2025

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1	2	3	4	5
6	7 EQUALISATION LEVY	8	9	10 GSTR 7, GSTR 8, PMT 01	11 GSTR 1 & GST ANX 1 (MONTHLY)	12
13 GSTR 1 (QUARTERLY) & GSTR 6	14	15 PF & ESIC	16	17	18 CMP 08 (JAN-MAR 2024)	19
20 GSTR 3B, GSTR 5 & GSTR 5A	21	22 QUARTERLY GSTR - 3B (QRMP)	23	24 QUARTERLY GSTR - 3B (QRMP)	25 PMT-06 FOR MARCH	26
27	28	29	30 TDS (FOR MARCH)	1	2	3

MAY 2025

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
27	28	29	30	1	2	3
4	5	6	7 TDS PAYMENT & EQUALISATION LEVY	8	9	10 GSTR 7, GSTR 8, PMT 01
11 GSTR 1 & GST ANX 1 (MONTHLY)	12	13 GSTR 6	14	15 PF, ESIC, TCS RETURN (JAN-MAR 2025), FORM 16A	16	17
18	19	20 GSTR 3B, GSTR 5 & GSTR 5A	21	22	23	24
25 PMT-06 FOR APRIL	26	27	28	29	30 FORM 11 FOR LLP & QUARTERLY CERTIFICATE FOR THE QUARTER ENDED 31-03-24	31 TDS QUARTERLY STATEMENT & RETURN (JAN-MAR 2024),FORMS 61A,61B,10BD, 10BE

JUNE 2025

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3	4	5	6	7 **TDS PAYMENT & EQUALISATION LEVY**
8	9	10 **GSTR 7, GSTR 8, PMT 01**	11 **GSTR 1 & GST ANX 1 (MONTHLY)**	12	13 **GSTR 6**	14
15 **PF, ESIC, ADVANCE TAX (Q1 AY 2026-27), FORM 16 (AY 2025-26)**	16	17	18	19	20 **GSTR 3B, GSTR 5 & GSTR 5A**	21
22	23	24	25 **PMT-06 FOR MAY**	26	27	28
29	30 **TDS QUARTERLY STATEMENT, FORM DPT 03, FORM 1 EQUALISATION LEVY, STT RETURN**	1	2	3	4	5

JULY 2025

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
29	30	1	2	3	4	5
6	7 **TDS PAYMENT & EQUALISATION LEVY**	8	9	10 **GSTR 7, GSTR 8, PMT 01**	11 **GSTR 1 & GST ANX 1 (MONTHLY)**	12
13 **GSTR 1 (QUARTERLY), GSTR 5 & GSTR 6**	14	15 **PF, ESIC & TCS RETURN (APR-JUN 2025)**	16	17	18 **CMP 08 (APR-JUN 2025)**	19
20 **GSTR 3B & GSTR 5A**	21	22 **QUARTERLY GSTR - 3B (QRMP)**	23	24 **QUARTERLY GSTR - 3B (QRMP)**	25 **PMT-06 FOR JUNE**	26
27	28	29	30 **QUARTERLY TCS CERTIFICATE FOR QUARTER ENDED 30-06-25**	31 **TDS RETURN (APR-JUN 2025) & ANNUAL ITR FOR AY 2025-26**	1	2

AUGUST 2025

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
27	28	29	30	31	1	2
3	4	5	6	7 TDS PAYMENT & EQUALISATION	8	9
10 GSTR 7, GSTR 8, PMT 01	11 GSTR 1 & GST ANX 1 (MONTHLY)	12	13 GSTR 5 & GSTR 6	14	15 PF, ESIC & FORM 16A FOR THE QUARTER ENDED JUNE 2025	16
17	18	19	20 GSTR 3B & GSTR 5A	21	22	23
24	25 PMT-06 FOR JULY	26	27	28	29	30
31 PT (HALF YEARLY)	1	2	3	4	5	6

SEPTEMBER 2025

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
31	1	2	3	4	5	6
7 TDS PAYMENT & EQUALISATION LEVY	8	9	10 GSTR 7, GSTR 8, PMT 01	11 GSTR 1 & GST ANX 1 (MONTHLY)	12	13 GSTR 5 & 6
14	15 PF, ESIC, ADVANCE TAX (Q2 AY 2026-27)	16	17	18	19	20 GSTR 3B & GSTR 5A
21	22	23	24	25 PMT-06 OF AUGUST	26	27 AOC-4 FOR OPC (180 DAYS FROM FY ClOSURE)
28	29	30 TDS QUARTERLY STATEMENT & TAX AUDIT REPORT IN FORM 3CA/3CB, DIR 3 KYC/KYC	1	2	3	4

OCTOBER 2025

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
28	29	30	1	2	3	4
5	6	7 TDS PAYMENT & EQUALISATION LEVY	8	9	10 GSTR 7, GSTR 8, PMT 01	11 GSTR 1 & GST ANX 1 (MONTHLY)
12	13 GSTR 1 (QUARTERLY), GSTR 5 & GSTR 6	14	15 PF, ESIC & TCS RETURN (JUL-SEP 2025)	16	17	18 CMP 08 (JUL-SEP 2025)
19	20 GSTR 3B & GSTR 5A	21	22 QUARTERLY GSTR - 3B (QRMP)	23	24 QUARTERLY GSTR - 3B (QRMP)	25 ITC 04 (HALF YEARLY) IF AATO > Rs.5 CRORES; PMT-06 OF SEP
26	27	28	29	30 QUARTERLY TCS CERTIFICATE FOR THE 2nd QUARTER, AOC 4 LAST DATE & FORM 8 FOR LLP	31 TDS RETURN, FORM 3CEB, FORM 3CA /3CB & 3CD (FOR 3CEB CASES) & ITR FOR COMPANIES	1

NOVEMBER 2025

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
26	27	28	29	30	31	1
2	3	4	5	6	7 TDS PAYMENT & EQUALISATION	8
9	10 GSTR 7, GSTR 8, PMT 01	11 GSTR 1 & GST ANX 1 (MONTHLY)	12 ESIC HALF YEARLY RETURN (APRIL24 - SEPT24)	13 GSTR 5 & GSTR 6	14	15 PF, ESIC, FORM 16A FOR THE QUARTER ENDED SEPTEMBER 25
16	17	18	19	20 GSTR 3B & GSTR 5A	21	22
23	24	25 PMT-06 OF OCTOBER	26	27	28	29 MGT 7/7A LAST DATE
30 ITR (AY 2025-26) FOR TRANSFER PRICING CASES	1	2	3	4	5	6

DECEMBER 2025

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	1	2	3	4	5	6
7 TDS PAYMENT & EQUALISATION LEVY	8	9	10 GSTR 7, GSTR 8, PMT 01	11 GSTR 1 & GST ANX 1 (MONTHLY)	12	13 GSTR 5 & GSTR 6
14	15 PF, ESIC, ADVANCE TAX (Q3 AY 2026-27)	16	17	18	19	20 GSTR 3B & GSTR 5A
21	22	23	24	25 PMT-06 OF NOVEMBER	26	27
28	29	30	31 TDS QUARTERLY STATEMENT, GSTR 9, GSTR 9C, GSTR 9B	1	2	3

JANUARY 2026

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
28	29	30	31	1	2	3
4	5	6	7 TDS PAYMENT & EQUALISATION LEVY	8	9	10 GSTR 7, GSTR 8, PMT 01
11 GSTR 1 & GST ANX 1 (MONTHLY)	12	13 GSTR 1 (QUARTERLY), GSTR 5 & GSTR 6	14	15 PF, ESIC, TCS RETURN (OCT-DEC 2025), ITR - REVISED/LATE RETURN	16	17
18 CMP 08 (OCT-DEC 2025)	19	20 GSTR 3B & GSTR 5A	21	22 QUARTERLY GSTR -3B (QRMP)	23	24 QUARTERLY GSTR -3B (QRMP)
25	26	27	28	29	30 QUARTERLY TCS CERTIFICATE FOR THE 3rd QUARTER	31 TDS RETURN

Note to Reader & Glossary

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We have used the following sources while preparing this document

1. The Finance Bill, 2025
2. The Finance Minister's Budget speech, February 1, 2025
3. Various notifications issued by the Central Board of Indirect Taxes & Customs

Glossary

AY	**: Assessment Year**
ALP	**: Arms Length Price**
AO	**: Assessing Officer**
BCD	**: Basic Customs Duty**
Budget 2024	**: Union Budget for 2024 - 25**
Budget 2025	**: Union Budget for 2025 - 26**
CGST Act	**: Central Goods and Services Tax Act, 2017**
Crores	**: Ten millions**
EPF	**: Employees Provident Fund**
ESIC	**: Employees State Insurance Corporation**
EV	**: Electric Vehicle**
FMV	**: Fair Market Value**
FY	**: Financial Year**
GJA	**: G. Joseph & Associates**
GST	**: Goods & Services Tax**
GSTN	**: Goods & Service Tax Network**
HUF	**: Hind Undivided Family**
INR /Rs.	**: Indian Rupee**
IT Act	**: Income-tax Act, 1961**
ITC	**: Input Tax Credit**
Lakhs	**: Hundred thousands**
LLP	**: Limited Liability Partnership**
LRS	**: Liberalised Remittance Scheme**
LTCG	**: Long Term Capital Gains**
MAT	**: Minimum Alternate Tax**
MSME	**: Micro, Small, and Medium Enterprises**
NBFC	**: Non Banking Financial Companies**
NPS	**: National Pension Scheme**
OPC	**: One Person Company**
PAN	**: Permanent Account Number**
PCBA	**: Printed Circuit Board Assembly**
PF	**: Provident Fund**
PT	**: Professional Tax**
RBI	**: Reserve Bank of India**
RCM	**: Reverse Charge Mechanism**
SEBI	**: Securities & Exchange Board of India**
SEZ	**: Special Economic Zone**
STCG	**: Short Term Capital Gains**
STT	**: Securities Transaction Tax**
TCS	**: Tax Collected at Source**
TDS	**: Tax Deducted at Source**
TPO	**: Transfer Pricing Officer**
ULIP	**: Unit Linked Insurance Policies**
UPI	**: Unified Payments Interface**
VDA	**: Virtual Digital Asset**
w.e.f	**: With Effect From**
w.e.h	**: Whichever Is Higher**
w.r.t	**: With Reference To**

Notes

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YEARS
OF
CLIENT
SERVICE