



Union Finance Budget 2025: Tax Reforms

Welcome to our comprehensive overview of the tax changes proposed in the Union Finance Budget 2025. We'll explore both direct and indirect tax amendments that will shape India's fiscal landscape in the coming years.

A by CA subhash kumar and Keshav Mishra

Income Tax: No Changes for FY 2025-26 (Old Regime)

■ Status quo

Tax slabs remain unchanged for the financial year 2025-26.

■ consistency

Rates align with those established in Finance Act 2024.

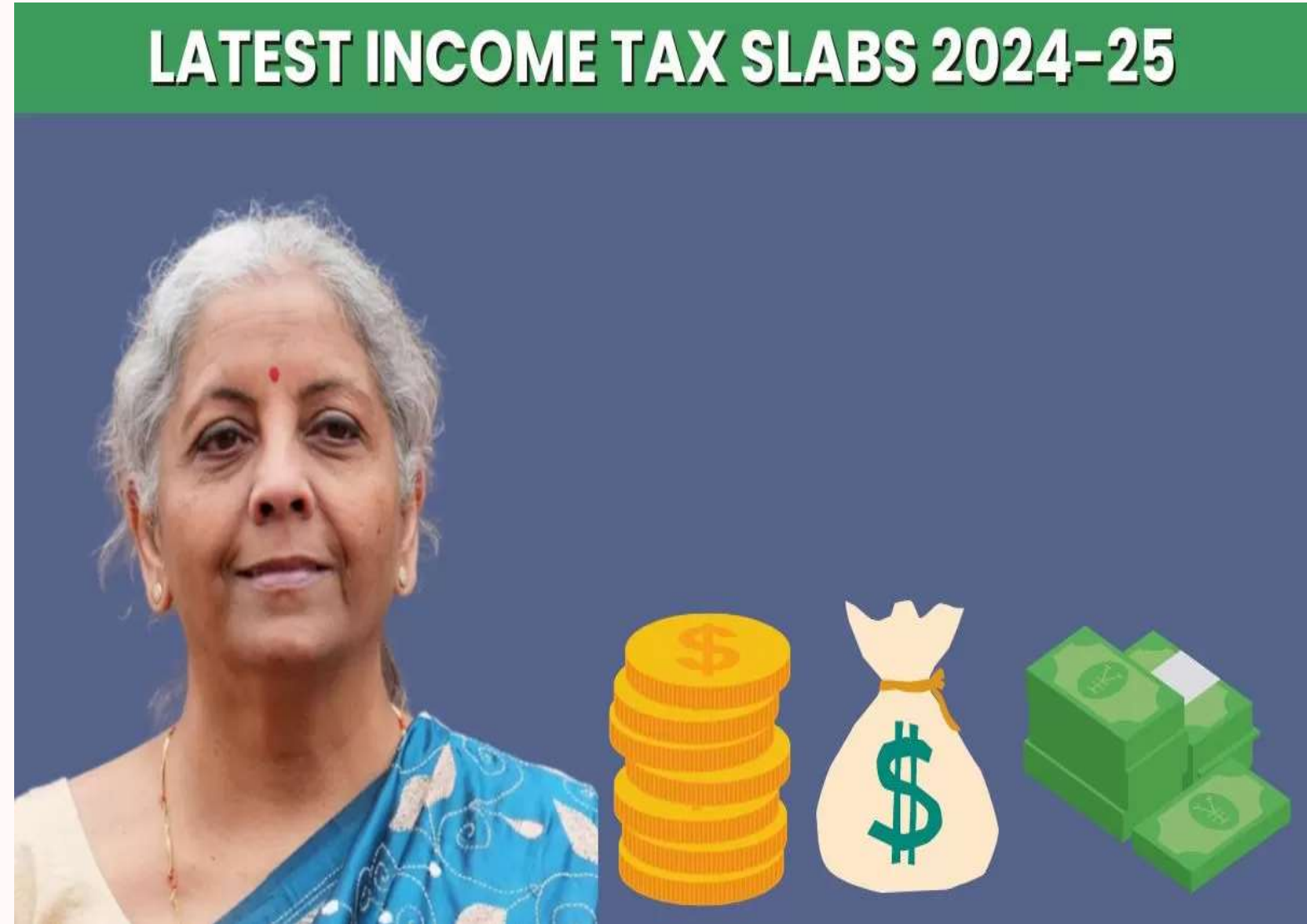
■ Stability

Provides taxpayers with a stable tax environment for the upcoming fiscal year.



New Tax Slabs for FY 2025-26

- 1 ₹4 lakh to ₹8 lakh: 5%
- 2 ₹8 lakh to ₹12 lakh: 10%
- 3 ₹12 lakh to ₹16 lakh: 15%
- “ ₹16 lakh to ₹20 lakh: 20%
- 5 ₹20 lakh to ₹24 lakh: 25%
- 6 Above ₹24 lakh: 30%





Capital Gains Tax Changes

LTCG Rate Increase

LTCG rate on securities for FII's increased from 10% to 12.5%.

Non-Resident LTCG

Long-term capital gains tax on unlisted shares aligned at 12.5% for non-residents.

Capital Asset Definition

Expanded to include securities held by investment funds under Section 115UB.

TDS Changes: Easing Compliance



Interest on Securities

TDS exemption limit increased from ₹5,000 to ₹10,000.



Insurance Commission

TDS rate reduced from 5% to 2%.



Cash Withdrawals

TDS on high-value cash withdrawals (Section 206AB) omitted.



TCS on Sales of Goods



TCS on Sale of Goods: Omitted

Section 206C(1H) Removed

TCS on sale of goods omitted
from April 1, 2025.

Simplification

Reduces compliance burden for
businesses engaged in goods
sales.

Cash Flow Impact

Improves working capital for
businesses by eliminating TCS
collection.

Extended Time for Updated Returns but with Additional Taxes

- 1** — **Current Limit**
24 months for filing updated returns.
- 2** — **New limit**
Extended to 48 months under Section 139(8A).
- 3** — **Additional Tax**
60% for 24-36 months, 70% for 36-48 months.



NPS Contributions for Minors

Section 80CCD Amendment

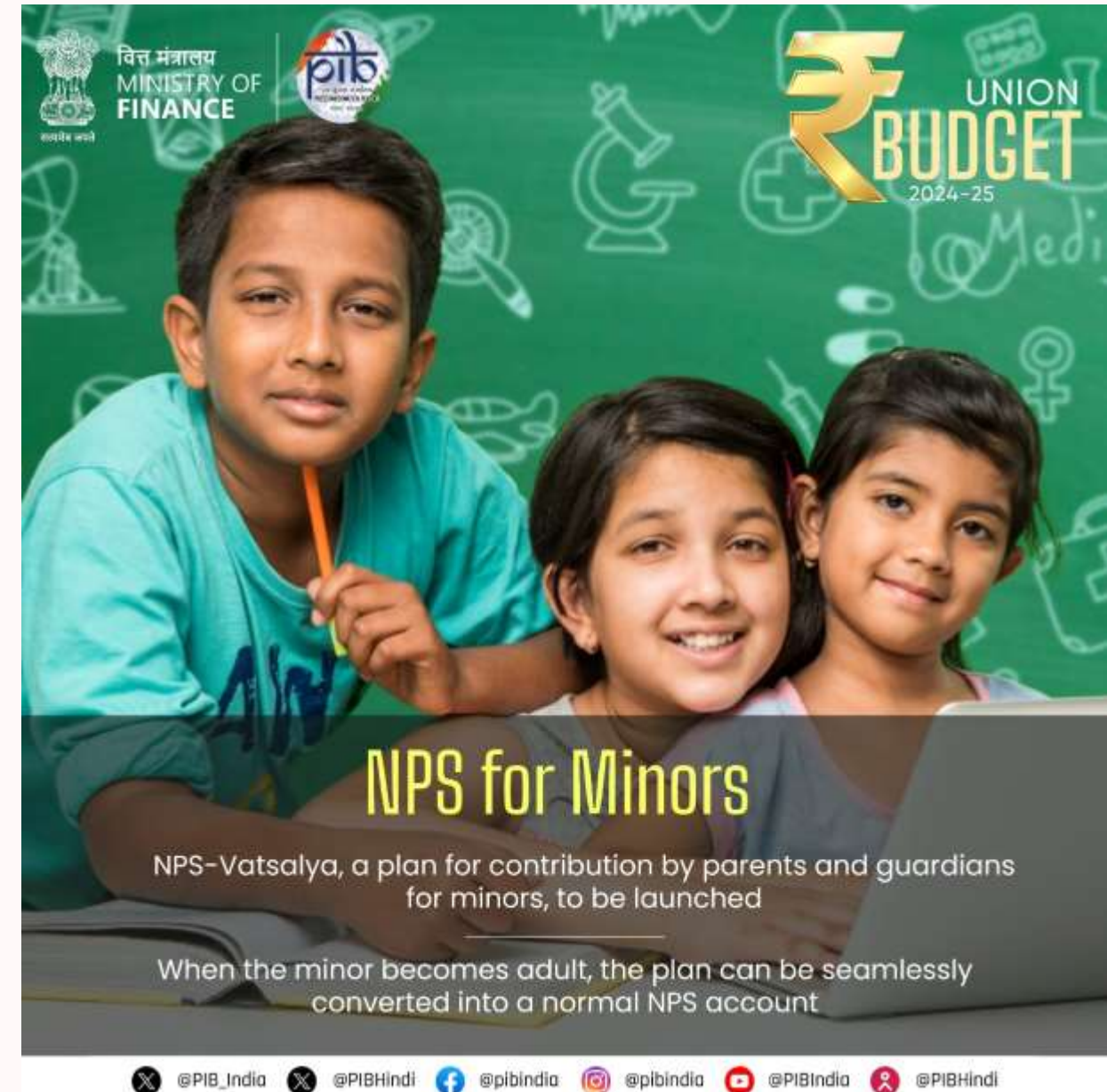
NPS contributions by parents/guardians for minors now eligible for deduction.

Deduction Limit

₹50,000 deduction available for contributions to minor's NPS account.

Promoting Long-term Savings

Encourages early retirement planning for the next generation.



The image is a promotional graphic for the Union Budget 2024-25. It features a green background with white icons representing various fields like science, medicine, and education. In the top left, there is the logo of the Ministry of Finance and the PIB logo. In the top right, there is a large gold '₹' symbol and the text 'UNION BUDGET 2024-25'. The central part of the image shows three children (two girls and one boy) sitting at a desk, looking at a laptop. The text 'NPS for Minors' is written in large yellow letters. Below this, it says 'NPS-Vatsalya, a plan for contribution by parents and guardians for minors, to be launched'. At the bottom, it states 'When the minor becomes adult, the plan can be seamlessly converted into a normal NPS account'. At the very bottom, there are social media handles for PIB India and PIB Hindi.

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MINISTRY OF
FINANCE

UNION
BUDGET
2024-25

NPS for Minors

NPS-Vatsalya, a plan for contribution by parents and guardians for minors, to be launched

When the minor becomes adult, the plan can be seamlessly converted into a normal NPS account

@PIB_India @PIBHindi @pibindia @pibindia @PIBIndia @PIBHindi



Startup Tax Holiday Extended

1

Eligibility

Startups incorporated before April 1, 2030.

2

Benefit

100% deduction for 3 out of 10 years.

3

Impact

Boosts entrepreneurship and innovation in India.

Offshore Banking Units in IFSC

EXTENSION

Exemption for Offshore Banking Units in IFSC extended to March 31, 2030.

Global Financial Hub

Strengthens India's position as an international financial services centre.

Promoting Gift City

Encourages more financial institutions to set up in Gujarat International Finance Tec-City.





Tax-Free Medical Perquisites

Increased Limit

Higher exemption limit for medical treatment outside India.

Employees Benefit

Reduces tax burden on employees receiving medical benefits.

Healthcare Support

Encourages employers to provide better medical coverage.

Rebate Under Section 87A

Continuation

Rebate continues for those earning up to ₹7 lakh in the new tax regime.

Tax Relief

Provides tax savings for lower-income taxpayers.

Encourages New Regime

Incentivizes adoption of the new tax regime.





Seized Documents Retention

- 1** — Old Rule
30 days retention period for seized documents.
- 2** — New Rule
1 month from the end of the quarter.
- 3** — Impact
Provides more time for tax authorities to examine seized documents.



Block Assessment Time Limits

Clarification

Specifies start and end date exclusions for stay orders in block assessments.

Section Affected

Changes apply to Sections 158BA and 158BFA.

Benefit

Provides clarity on assessment timelines, reducing disputes.



Provisional Customs Assessments



New Time Limit

2 years set for finalizing provisional customs assessments.

Clarity

Provides a definite timeline for importers and customs officials.

Efficiency

Encourages faster resolution of provisional assessments.

Crypto Transactions Reporting



New Requirement

Crypto exchanges must report transactions to the Income Tax Department.



VDA Definition

Updated to explicitly cover crypto-assets using blockchain technology.



Section 285BBA

Introduces reporting framework for virtual digital assets.



Penalties for Non-Payment of TCS

Section 276BB
Penalty removed if TCS is paid before filing the return.

Compliance Incentive
Encourages timely payment of TCS by removing penalty for late payments.

Taxpayer Relief
Provides relief to taxpayers who rectify TCS non-payment before return filing.





Penalty

Penalty for Non-Compliance: Section 271E

Change in Authority

Penalty now handled by
Assessing Officers instead of
Joint Commissioners.

Streamlined Process

Simplifies penalty imposition
procedure for non-
compliance under Section
269T.

Efficiency

Likely to result in faster resolution of penalty cases.



Faceless Appeals for ITAT New Provision

1

Ngw Píovision

Central Čovernment can issue notifications for faceless disposal of appeals.

2

Sgctionŝ 6rrrgctgd

Changes apply to Sections 253 and 255.

3

Bgngritŝ

Enhances transparency and reduces physical interface in appeals.

Tax-Free Exit for IFSC Investment Funds

- **New Provision**
Capital gains tax exemption for Foreign Portfolio Investors (FPIs) in IFSC.
- **Attracting Investment**
Encourages foreign investors to route investments through IFSC.
- **Boosting GIFT City**
Strengthens India's position as a global financial hub.





Retrospective Exemption: Crop Insurance

1

Period

2011-2017

2

Exemption

Service tax exempted for crop insurance during this period.

3

Impact

Provides relief to insurance companies and farmers.

Indirect Tax Changes: Overview

Custom Duty

Rationalization to promote domestic manufacturing and reduce import reliance.

Tax Procedures

Streamlining for better tax collection and enforcement.

Service Tax

Retrospective exemptions for specific services.



Customs: Amendment of Section 18

Provisional Assessment

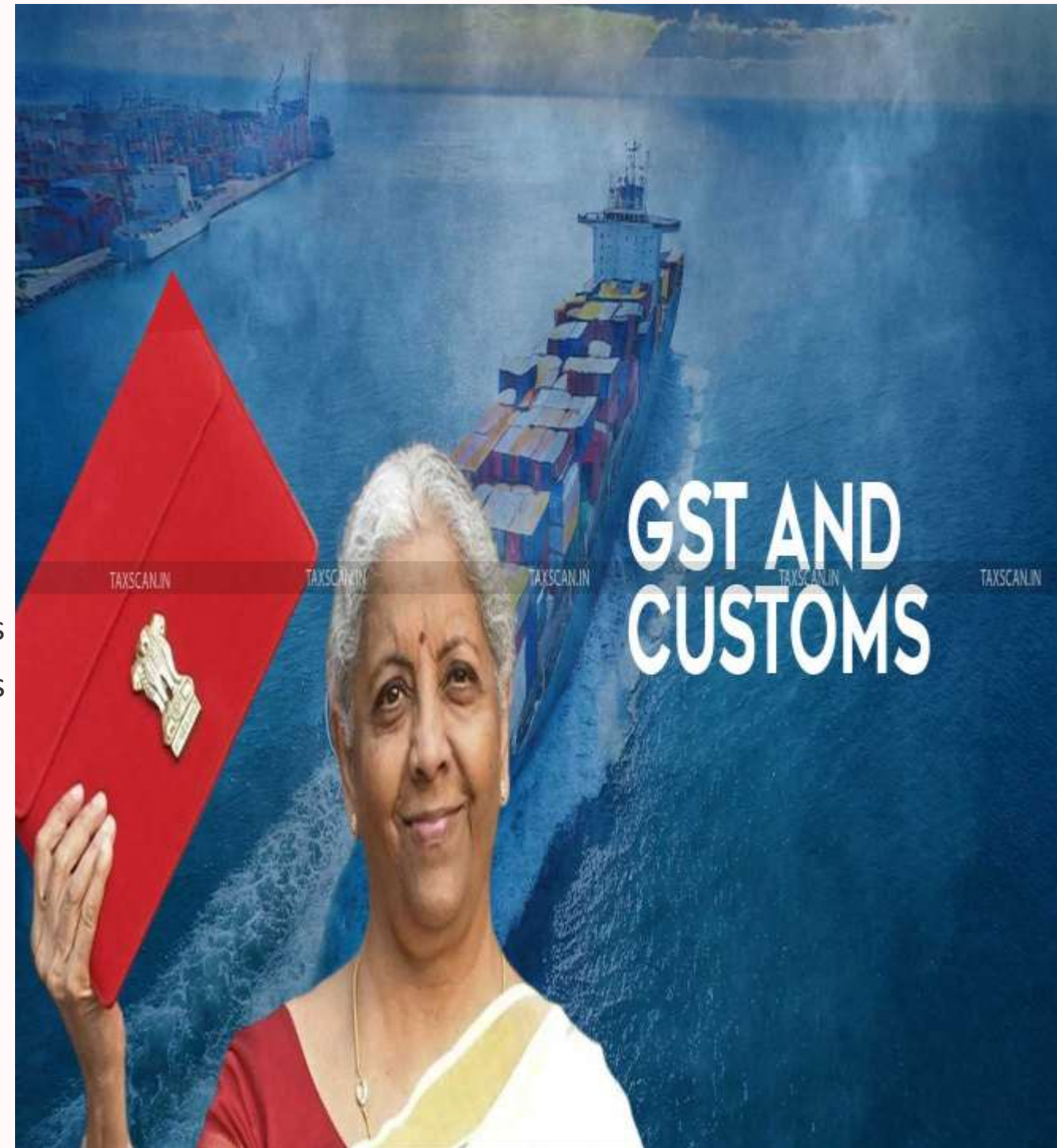
Changes to the provisional assessment procedure for imported goods.

Efficiency

Aims to streamline the assessment process and reduce delays.

Clarity

Provides clearer guidelines for importers and customs officials.



Changes under Customs, Excise & Service Tax

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Customs: New Section 18A

1

Introduction

New mechanism for self-declaration and assessment in specific cases.

2

Simplification

Aims to reduce bureaucratic hurdles in customs procedures.

3

Trade Facilitation

Enhances ease of doing business for importers and exporters.



Customs: Tariff Structure Modification

First Schedule Update

Aligns with international trade norms.

Harmonization

Ensures consistency with global customs practices.

Trade Impact

May affect import duties on certain goods.

GST: Input Service Distributor (ISD)



Definition Update

ISD can now distribute ITC for inter-state supplies under reverse charge mechanism.



Section 2(61)

Amended to include this new provision.

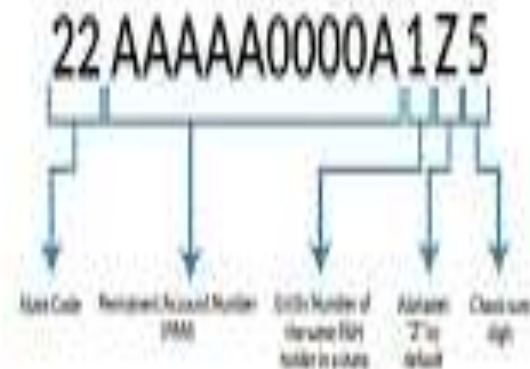


Impact

Simplifies ITC distribution for businesses with multi-state operations.

**Input Service
Distributor
under GST**





GST Unique Identification Number

GST: Unique Identification Marking (UIM)

- New Definition**
Introduces UIM for track and trace mechanism.

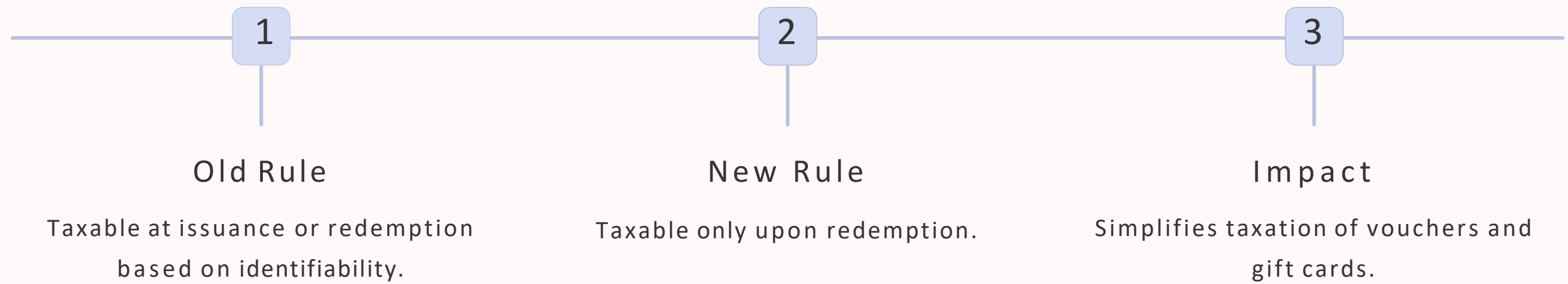
- Section 2(116A)**
Defines UIM as QR code, barcode, RFID tag, or serial number.

- Purpose**
Enhances supply chain transparency and reduces tax evasion.



Time of Supply under GST

GST: Time of Supply for Vouchers





GST: ITC on Plant and Machinery

Section 17(5)(d)

"Plant or machinery" replaced with "plant and machinery".

Retrospective Effect

Clarification applies from July 1, 2017.

Impact

Affects ITC claims on plant and machinery purchases. This amendment overrules Safari Retreat.

GST: ITC Reversal on Credit Notes

1

Section 34(2)

Explicit requirement for ITC reversal by recipient on credit notes.

2

Simplification

Removes condition to prove non-passing of tax incidence.

3

Compliance

Recipients must monitor credit notes carefully.



GST: Input Tax Credit Tracking

- SECTION 38(2)
Removes "auto-generated" term for ITC statements.
- Manual Verification
Allows for manual or system-driven verification of ITC.
- Additional Details
New clause (c) enables inclusion of more information in ITC statements.



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**INPUT TAX CREDIT
UNDER GST**

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GST

Pre-Deposit under GST -

Concept, Payment,
Recovery Proceedings
& Interest



GST: Pre-deposit for Appeals

New Requirement

10% pre-deposit of penalty amount for penalty-only appeals.

Section Affected

Changes apply to Sections 107 and 112.

Impact

Discourages frivolous appeals, ensures serious cases.

GST: Track & Trace Mechanism



Section 122B

Introduces penalties for violating track and trace rules.



Impact

Enhances supply chain integrity and tax compliance.



Section 148A

Establishes rules for Unique Identification Marking (UIM).





GST: SEZ and FTWZ Transactions

- Clarification**
 Warehousing of goods in SEZ/FTWZ before export not treated as supply.
- Benefits**
 Simplifies tax treatment for exporters using SEZ/FTWZ facilities.
- Schedule III**
 Amendment to include this provision.



GST registration cannot be cancelled with retrospective effect mechanically

GST: No Refund for Retrospective Exemptions

Clause 129

Prohibits refund of tax paid on transactions later exempted.

Revenue Protection

Prevents retrospective claims impacting government revenue.

Taxpayer Impact

No scope to claim refunds for past transactions now exempted.



Track & Trace: Industries Affected



Tobacco & Liquor

High tax evasion risk, mandatory QR coding in some states.



Pharmaceuticals

Combats fake medicines, ensures product authenticity.



Luxury Goods

Addresses fraudulent ITC claims and under-invoicing.

Track & Trace: Compliance Requirements

1 UIM Implementation

Embed QR Code, RFID, or Serial Number on each unit.

3 Supply Chain Transparency

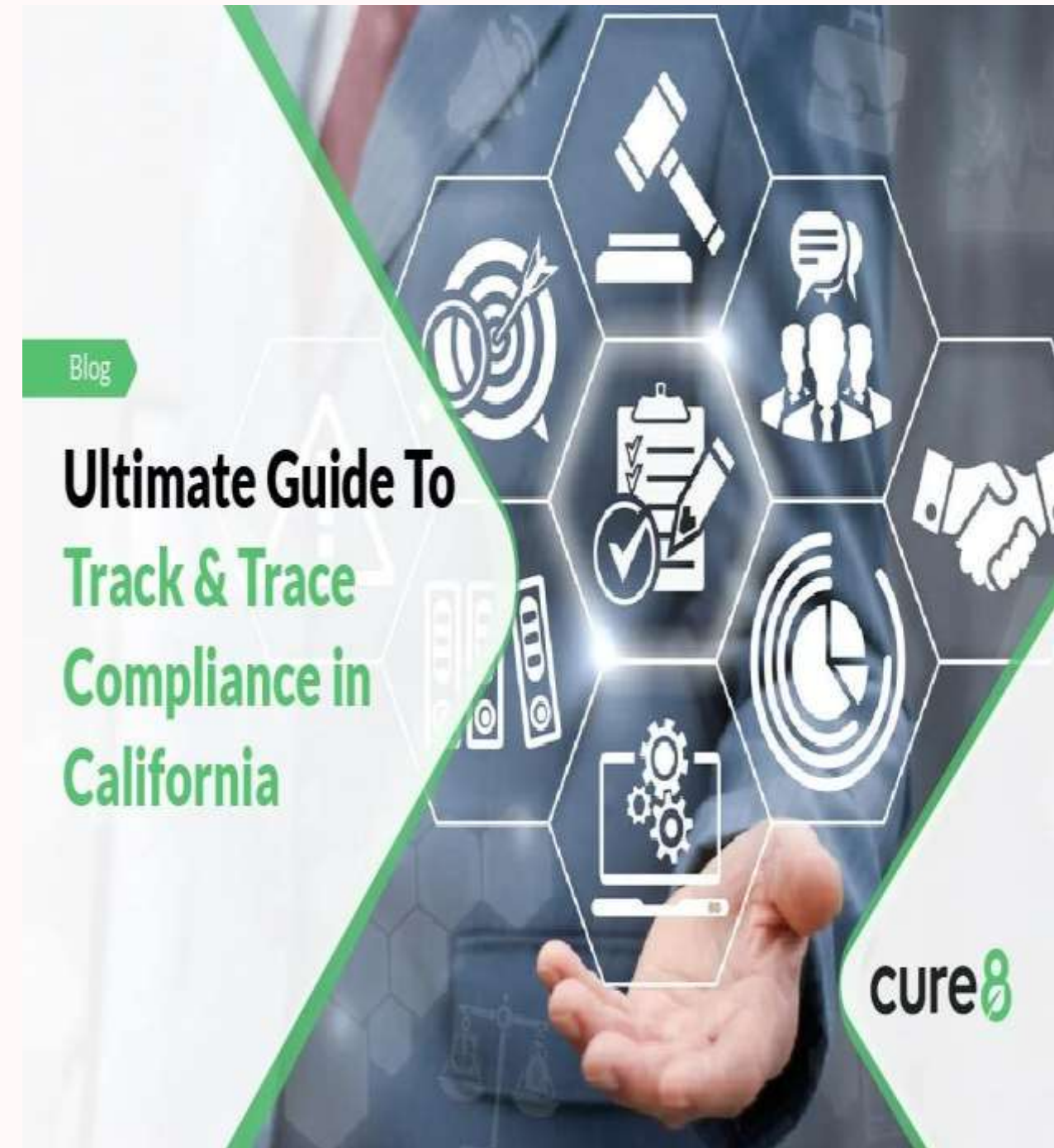
Ensure transparency through digital verification tools.

2 Digital Records

Maintain movement and invoice records with ČSTN.

“ Data Integrity

Avoid tampering or misreporting UIM data to prevent penalties.

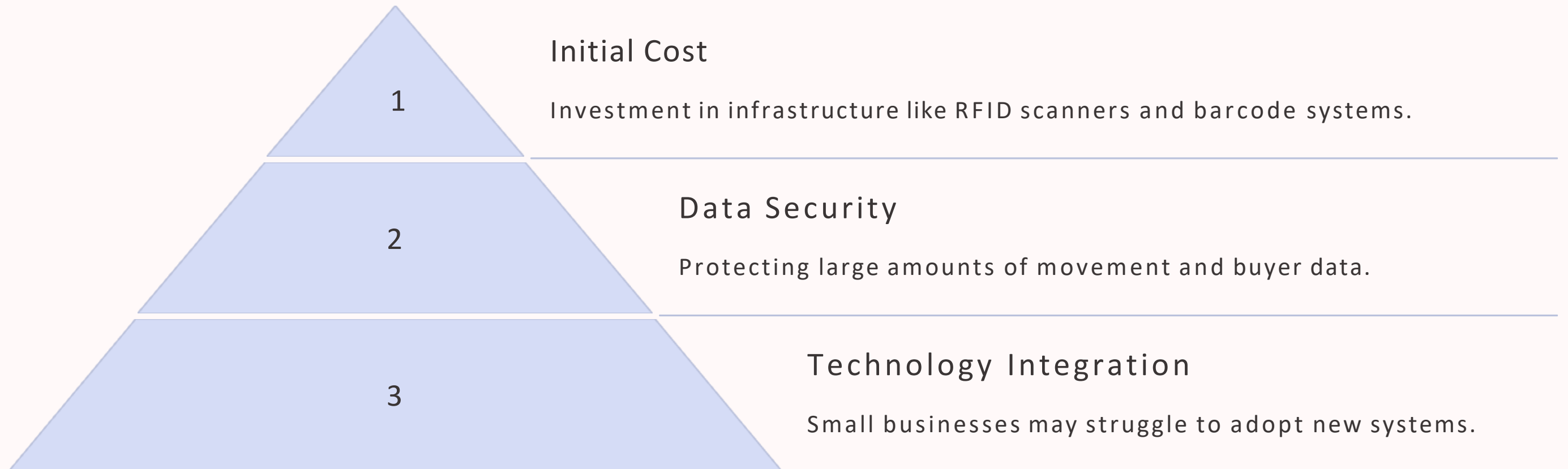


Blog

Ultimate Guide To Track & Trace Compliance in California

cure8

Track & Trace: Implementation Challenges



Track & Trace: International Best Practices

European Union(EU)

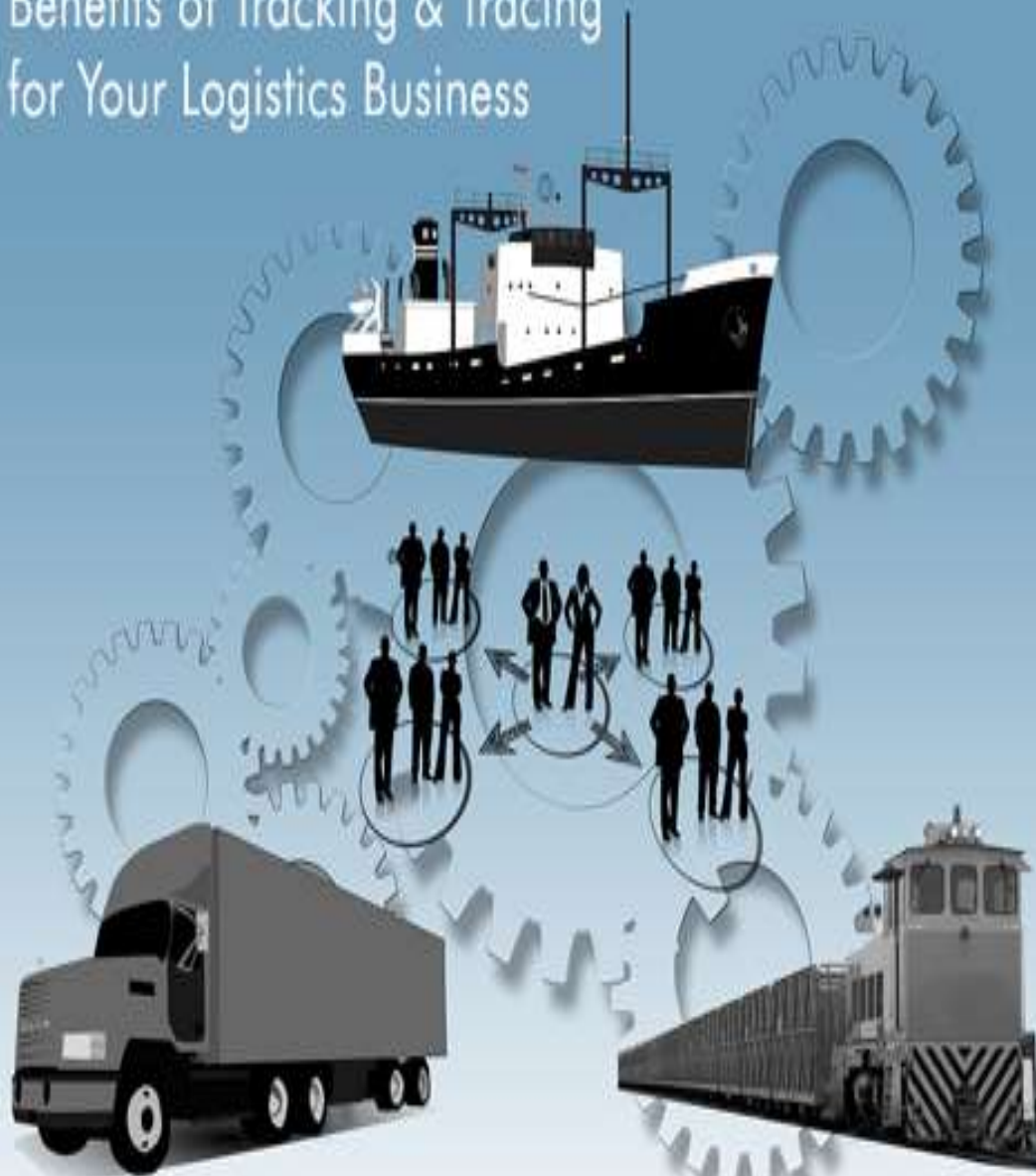
- Falsified Medicines Directive (FMD) requires 2D barcodes on medicine packs. - Excise Movement Control System (EMCS) tracks cross-border alcohol and tobacco movements.

United States (US)

- PACT Act enforces track & trace for e-cigarettes. - Drug Supply Chain Security Act (DSCSA) mandates electronic tracing of medicines.



Benefits of Tracking & Tracing
for Your Logistics Business



Track & Trace: Benefits for Businesses



Supply Chain Visibility

Enhanced tracking of goods movement and inventory management.



Consumer trust

Increased product authenticity and brand reputation.



Operational Efficiency

Improved logistics and reduced counterfeiting losses.



GST: Impact on E-commerce

TCS Omission

Removal of TCS on sale of goods affects e-commerce operators.

Compliance Simplification

Reduces tax collection burden for online marketplaces.

Cash Flow

Improves working capital for e-commerce sellers.



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Impact of GST on MSME in India

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GST: Impact on MSMEs

- ITC Clarification
Clearer rules on ITC for plant and machinery benefit small manufacturers.
- Compliance Burden
Track & trace mechanism may pose challenges for smaller businesses.
- Extended Return
Longer window for updated returns provides flexibility.

Impact of GST on Service Sector



GST: Impact on Service Sector



Time of Supply

Changes in voucher taxation simplify service-based businesses.



ITC Tracking

Manual verification of ITC may increase compliance efforts.



Appeals

Pre-deposit for penalty appeals affects service providers.

GST: Impact on Manufacturing Sector

ITC on Plant & Machinery
Clarification affects capital investments in manufacturing.

Track and Trace
New compliance requirements for specific manufactured goods.

SEZ/FTWZ Clarity
Simplifies export processes for manufacturers using these zones.





GST: Impact on Import-Export

1

Custom Changes

New self-declaration mechanism simplifies import procedures.

2

SEZ/FTWZ Transaction

Non-taxability of warehousing before export benefits traders.

3

Track & Trace

Enhances credibility of Indian exports in global markets.



GST: Technology Integration



UIM Implementation

Blockchain technology for secure track & trace systems.



ITC Verification

AI-powered systems for manual verification of ITC claims.



Data Management

Cloud-based solutions for storing and accessing GST data.

GST: Compliance Calendar Update

1

1

Monthly Returns

No change in ČSTR-1 and ČSTR-3B filing dates.

2

Quarterly Returns

QRMP scheme continues for small taxpayers.

3

Annual Return

Extended timeline for filing updated returns up to 48 months.

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GST: Dispute Resolution Mechanism

Faceless Appeals

Introduction of faceless appeals for ITAT enhances transparency.

Pre-deposit

New rules for penalty appeals aim to reduce frivolous cases.

Authority Changes

Assessing Officers now handle certain penalties, streamlining process.



GST: Impact on Digital Economy

- **Crypto Reporting**
New requirements for reporting cryptocurrency transactions.
- **Digital Services**
Clarifications on time of supply for digital vouchers and services
- **E-commerce simplification**
Removal of TCS on goods sale benefits online marketplaces.



GST: Environmental Impact



Waste Reduction

Track & trace may reduce counterfeit goods, decreasing waste.



Digitization

Increased digital compliance reduces paper usage.



Supply Chain Efficiency

Better tracking leads to optimized logistics, reducing carbon footprint.

Impact of GST on
Environmental
Sustainability in India





GST: International Trade Implications

Custom Alignment

Tariff structure modifications align with global practices.

Export Competitiveness

Simplified SEZ/FTWZ rules may boost export growth.

FDI Attraction

Clearer tax rules and track & trace may attract foreign investors.

GST: Future Outlook

1

Short-term Adjustment

Businesses adapt to new compliance requirements.

2

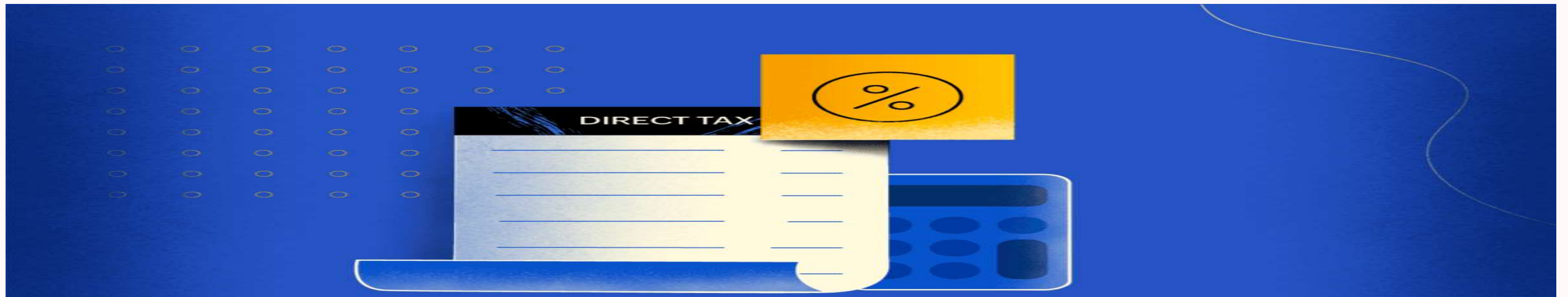
Medium-term Efficiency

Improved tax administration and reduced evasion.

3

Long-term Growth

Enhanced business environment attracting investments.



Key Takeaways: Direct Taxes

1 Tax Slab Stability

No changes for FY 2025-26, new slabs for FY 2026-27.

2 Capital Gains

LTCG rate increase for FIIs, alignment for non-residents.

3 Compliances Easing

Extended time for updated returns, TDS/TCS simplifications.

“ Sector-specific Benefits

NPS for minors, startup tax holiday extension, IFSC incentives.

Key Takeaways: Indirect Taxes

1 GST Simplification

Clarifications on ITC, time of supply for vouchers, SEZ/FTWZ transactions.

2 Track & Trace

New mechanism for specified goods to enhance compliance and reduce evasion.

3 Custom Changes

Self-declaration mechanism, alignment with international norms.

“ Digital Economy

Crypto reporting, e-commerce simplifications, technology integration in tax administration.



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Question???

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