FOREWORD

The Indian Budget for the fiscal year 2025-26 has been a subject of great anticipation and scrutiny, especially as the GDP is expected to grow by 6.4% as against the earlier estimates of around 7%. The budget was expected to lay down the path for increasing the GDP and increase employment.

Guided by the objectives of sustaining economic growth, generating employment, and ensuring inclusive development, the budget outlines allocations and policies aimed at bolstering various sectors of the economy.

Agriculture and Rural Development

Agriculture remains the backbone of the Indian economy, employing nearly half of the workforce and contributing around 18% to the GDP. The budget for 2025-26 has earmarked substantial funds for modernizing agricultural practices, ensuring fair prices for farmers, and enhancing rural infrastructure. The growth in agriculture of 3.8 percent has sustained the growth in India’s GDP over 6 percent

Industry and Manufacturing

Industry and manufacturing are pivotal in driving India's economic growth, however its share in India’s GDP at approximately 25% has largely remained stagnant as compared to the previous years. It also employs around only 25 percent of the workforce.

The stress should be on reviving growth in the MSME and SME sectors as that will also boost employment in the semi urban and rural areas

Services Sector

The services sector is the largest contributor to the Indian economy, accounting for nearly 55% of the GDP and employing around 30 % of the workforce. The budget for 2025-26 highlights the importance of digital transformation, tourism, and financial services.

Contribution to Direct Taxes

Personal income taxes contribute INR 12,57,000 crores and Corporate taxes contribute only INR 9,80,000 cores to the direct tax collection, thus, the individuals pay more taxes than the corporates.

04 February 2025

The Indian Budget 2025-26 has tried to give some relief to the individual taxpayer who is heavily taxed by both the direct tax and indirect tax regime.

It remains to be seen whether the relief on the individual tax front and the various fiscal measures will be enough to increase private sector capex investment and boost consumption, especially due to the lack of fiscal space available to the government. The Budget allocation to infrastructure, health, education and other sectors is less for the government to achieve the avowed goal of growth of 8% in GDP.

India faces challenges on various fronts to sustain growth and become a developed country. The global geo-political uncertainty, the policies of the new government of USA, inflation, climate change and unemployment will be some of the hurdles that the government will need to negotiate and find solutions.

Boosting agricultural productivity, modernising agriculture with the best cultivation practices, reviving MSME and the SME sectors, reducing the burden of taxes and compliances on the individuals, will be the key in generating employment, and having sustainable development.

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NON RESIDENT

Significant Economic Presence (SEP) **[Explanation 2A Section 9(1)(i)]**	- This provision relates to the determination of a **Significant Economic Presence (SEP)** in India for non-residents. It defines the criteria under which a non-resident is considered to have a **business connection** in India based on their digital and economic activities, even if they do not have a physical presence. Clause (a) specifies thresholds for the **revenue generated from Indian users** to establish SEP. - Under **Explanation 1 to Section 9(1)(i)**, a non-resident's income is not deemed to accrue in India if their operations are confined to purchasing goods for export. - However, the **current definition of SEP under Explanation 2A of Section 9(1)(i)** does not explicitly provide this exclusion, leading to concerns that such transactions **could still be considered a business connection under SEP rules**. - Therefore, in order to align the concept of Significant Economic Presence (SEP) with the existing Business Connection rules for the exclusion of transactions confined to purchasing goods for export by a non-resident in India, it proposed to amend the *Explanation* 2A of section 9 to say 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** of such non-resident in India. - The above amendment will take effect from 1 April 2026.
VTPA Comments	- The amendment ensures that purchasing goods in India for export does not create an SEP for a non-resident. - This **harmonizes SEP with the existing Business Connection provisions**, preventing unintended taxation of non-residents solely based on export-related purchases.

Certain activities not to constitute business connection in India - Conditions for Eligible Investment Funds **[Section 9A(3)(c), 9A(8A)]**	- Section 9A provides a **regime** for **eligible investment funds** managed by **eligible fund managers** in India, ensuring that such funds are not considered to have a **business connection** in India. Section 9A inter alia provides that the fund management activity carried out through an eligible fund manager acting on behalf of an eligible investment fund shall not constitute business connection in India, subject to the conditions mentioned therein. - One of the conditions for an Investment Fund to become eligible under Section 9A(3)(c) was that the fund required the **aggregate participation or investment** by Indian residents to be **less than 5% of the fund's corpus**. In order to rationalize the 5% threshold, condition the amendment states that this condition or the **Investment Participation Test** will now be assessed twice a year – as of **April 1st and October 1st** of the **previous year**. - Further, if the participation by Indian residents exceeds **5%** on either of these dates, the **fund will still meet the condition** if it reduces the participation to 5% or less within **four months** of the specified date. This provides a **grace period** and a more **flexible approach** for funds to comply with the participation rule, benefiting both domestic and IFSC-based funds. - Sub-section (8A) of section 9A *inter alia* provides that the Central Government may by notification specify that any one or more of the conditions specified in sub-section (3) or sub-section (4), shall **not apply** or **shall apply with such modifications**, in case of an eligible investment fund and its eligible fund manager, if such fund manager is located in an **IFSC** and has commenced its operations on or before the 31st day of March, 2024. - Taking into consideration the above rationalisation, it is proposed that the condition at clause (c) of sub-section (3) of section 9A stated above **shall not** be modified for any eligible investment fund. - However, **the other conditions (a) to (m) can be relaxed** for an eligible investment fund where the now extended date of commencement of operations is on or before 31st day of March 2030 by its eligible fund manager located in IFSC for the purposes of sub-section (8A) of section 9A. - The above amendment will take effect from 1 April 2025.

VTPA Comments	- The **rationalization of the 5% threshold** applies uniformly across all **eligible investment funds**, regardless of whether the fund manager is based **in IFSC or not.** This rationalization also simplifies the eligibility conditions for eligible fund managers. - Businesses have an extended period to take advantage of the **tax incentives** available for operating in IFSC or relocating funds to this jurisdiction.

Providing Services to Electronics Manufacturing Facilities **[Section 44BBD]**	- A new **Section 44BBD** is being introduced to provide a **presumptive taxation regime** for **non-residents** engaged in providing **services or technology** to a **resident company** setting up or operating an **electronics manufacturing facility** in India. - Under this provision, **25% of the aggregate receipts** of the non-resident (for providing services/technology) will be deemed as **taxable profits**, leading to an effective tax rate of **less than 10% on gross receipts**. - Further, if a non-resident opts for taxation under Section 44BBD, unabsorbed depreciation under Section 32 and brought forward losses under Section 72 cannot be set off. - The scheme applies only to entities operating under a **scheme notified by the Ministry of Electronics and Information Technology** and fulfilling the prescribed conditions. - The above amendment will take effect from 1 April 2026.
VTPA Comments	- The introduction of a presumptive scheme to such non-residents will not only promote the industry but also provide clarity to non-residents offering services or technology provided to resident companies involved in setting up or operating electronics manufacturing facilities in India.

CHARITABLE TRUSTS

Registration of Trusts and Institutions **[Section 12AB(1), Section 12AB(4)]**	**Period of registration of smaller trusts or institutions** - Section 12AB pertains to the registrations of Trusts and Institutions. **Sub-section (1) of Section 12AB** provides that charitable or religious trusts and institutions seeking exemption under **Section 11 and Section 12** must obtain **registration** from the Principal Commissioner or Commissioner of Income Tax. The registration is granted for **five years**, except in certain cases where **provisional registration** is granted for a shorter period. At the end of this period, trusts are required to apply for further registration. However, this recurring application process has been noted to increase the compliance burden, particularly for smaller trusts or institutions - To reduce this burden, it is proposed to extend the registration validity from 5 years to 10 years for trusts or institutions that meet certain conditions. Specifically, the proposal applies to trusts that meet the requirements under sub-clause (i) to (v) of section 12A(1)(ac) of the IT Act and the total income does not exceed Rs. 5 Crores (excluding exemption provisions under sections 11 and 12 of the IT Act) in each of the 2 previous years preceding the previous year in which such application is made. **Rationalisation of 'specified violation' for cancellation of registration of trusts or institutions** - **Sub-section (4) of Section 12AB** of the IT Act allows the Principal Commissioner or Commissioner to cancel the registration of a trust or institution if they discover one or more **specified violations** during any previous year. - A "specified violation" includes instances where the application for registration, as per section 12A(1)(ac) of the IT Act, is incomplete or contains false or incorrect information. - It was observed that even minor defaults in the application could lead to cancellation of registration and make the trust liable for tax on accreted income under Chapter XII-EB.

	- It is proposed to amend the Explanation to section 12AB(4) of the IT Act to clarify that **incomplete applications** for registration **will not** be considered a "specified violation" for the purposes of cancellation of registration. - The above amendment will take effect from 1st April 2025.

Persons Specified for Trust [Section 13(3)]	- Section 13 of the Act, *inter alia*, provides that section 11 or section 12 shall not apply to exclude any income from the total income of trust or institution, if such income or any property of the trust or the institution is used or applied, directly or indirectly for the benefit of any person referred to in sub-section (3), i.e., a person who has contributed an amount of Rs 50,000 in aggregate up to the end of the previous year or relative of such person or any concern in which such person has substantial interest. - The said threshold of Rs 50,000 is proposed to be revised to Rs. 1,00,000 in the relevant previous year or Rs. 10,00,000 in aggregate till the end of the relevant previous year. - Further, 'relative' of such person and 'concern in which such person has substantial interest' are proposed to be excluded from definition of specified person. - The above amendment will take effect from 1st April 2025.

INDIVIDUALS

Definition of "Perquisite," **[Section 17(2)]**	- Section 17(2) defines **"perquisite"** for the purpose of **Sections 15 and 16**, which deal with the taxation of salary income. It includes any **benefit or amenity** provided by an employer to an employee, except for those who are **directors or have a substantial interest in the company**. If an employee's taxable salary income exceeds ₹50,000 (excluding non-monetary benefits), such benefits are considered perquisites. - The **Proviso** to this clause **excludes certain medical expenditures** incurred by the employer from being classified as perquisites, provided the employee earns salary of less than Rs. 2 lakhs in a previous year. - The threshold of **₹50,000** for perquisite taxation has been **removed** and will now be **determined by rules** instead of being fixed in the Act. - The exemption for **medical travel expenses abroad** (incurred by the employer for the employee or family members) will now apply only if the employee's **gross total income**, before including such expenses, does not exceed **the amount prescribed by rules**, replacing the earlier **₹2 lakh limit**. - The above amendment will take effect from 1 April 2026.
VTPA Comments	- By modifying the **salary threshold** and **medical expense exemption limit** to **rules**, the government gains flexibility to **revise these thresholds** periodically without amending the Act. This will help the department to set the thresholds reflecting current economic conditions and inflation.

Determination of Annual Value of House Property **[Section 23]**	- Section 23 of the Income Tax Act deals with the **determination of annual value** for the purpose of taxing income from **house property**. The annual value is computed based on factors such as **fair rental value, municipal valuation, standard rent, and actual rent received**. The provision also grants certain deductions for **self-occupied properties**, where the annual value is taken as **NIL** under specified conditions. - Sub-section (2) of **Section 23** is being **substituted** to remove the specific reference to employment, business, or profession as reasons for not occupying a house property. Instead, the provision will now allow the **annual value to be taken as NIL** if the owner: • Occupies the house for their own residence; or • **Cannot actually occupy it due to any reason** (broader than the earlier restriction to employment/business-related reasons) - The above amendment will take effect from 1 April 2025.
VTPA Comments	- This amendment **broadens the eligibility** for taking the annual value of a house as **NIL**, benefiting homeowners who are unable to occupy their property for reasons beyond just employment or business.

Rebate of Income tax in case of certain Individuals [Section 87A]	- An assessee, being an individual resident in India, having total income not exceeding Rs 5 lakh, is provided a rebate of 100 per cent of the amount of income-tax payable on his total income or an amount of rupees 12,500 whichever is less. - Proviso to the above section 87A provides rebate of income-tax in cases where the total income of such assessee is chargeable to tax under sub-section (1A) of section 115BAC. - In Clause (a) of the above proviso the words *"seven hundred thousand rupees"* are substituted with the words *"twelve hundred thousand rupees"* and the words *"twenty five thousand rupees"* are substituted with the words *"sixty thousand rupees"*. - Thus, where the income of the assessee does not exceed twelve hundred thousand rupees, as computed under section 115BAC, the assessee is entitled to a rebate of one hundred per cent of the amount of income-tax payable on his total income or an amount of sixty thousand rupees whichever is less. - In Clause (b) of the proviso, for the words "seven hundred thousand rupees" at both the places where they occur, shall be substituted by the words "twelve hundred thousand rupees" - Thus, where the total income exceeds twelve hundred thousand rupees and the income-tax payable on such total income exceeds the amount by which the total income is in excess of twelve hundred thousand rupees, the assessee shall be entitled to a deduction by way of marginal relief from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income, of an amount equal to the amount by which the income-tax payable on such total income is in excess of the amount by which the total income exceeds twelve hundred thousand rupees. - Further, after the first proviso, a new proviso is inserted which states that the deduction available under the first proviso is limited to the tax payable as per the provisions of Section 115BAC(1A).
VTPA Comments:	- The issue whether the rebate under Section 87A is applicable only to an assessee who files the return of income on the basis of Section 115BAC (New regime) is still debatable, as also held by the Hon'ble Bombay High Court in the case of **Chamber of Tax Consultants vs. Director General of Income Tax (Systems) [(2025) 170 taxmann.com 707 (Bombay)].**

Transfer of Capital Assets – Transactions not regarded as Transfer **[Section 47]**	- Clause (viiad) of section 47 of the Income-tax Act provides that a transfer by a shareholder, unit holder, or interest holder in a relocation of a capital asset (such as shares, units, or interest in the original fund) to the resultant fund in consideration for shares, units, or interest in the resultant fund is **not regarded** as a transfer for calculating capital gains. - Thus, the relocation of original funds to the resultant fund in the IFSC is treated as a tax-neutral transaction. - The "resultant fund" is defined as a fund that is established or incorporated in India, granted registration as a Category I, II, or III Alternative Investment Fund, located in any International Financial Services Centre (IFSC), and is subject to certain conditions. - It is proposed to amend the provisions of clause (viiad) of section 47 to include **retail schemes and Exchange Traded Funds (ETFs)** located in the IFSC (for which a certificate as a retail scheme or an Exchange Traded Fund and which fulfils the conditions specified in clause (4D) of section 10) within the definition of "resultant fund." This will ensure that the relocation of original funds to such retail schemes or ETFs in the IFSC is **also treated as a tax-neutral transaction**. - The above amendment will take effect from 1 April 2026. - **Clause (b) of the Explanation to section 47** defines "relocation" as the transfer of assets from the original fund or its wholly owned special purpose vehicle to a resultant fund, where the consideration for such transfer is discharged in the form of shares, units, or interest in the resultant fund. The transfer must occur on or before the 31 March 2025. - It is proposed to amend clause (b) of the Explanation to extend the deadline for the transfer of assets from the original fund (or its wholly owned special purpose vehicle) to the resultant fund from 31 March 2025 to 31 March 2030. - This amendment will take effect from 1 April 2025.

Definition of Capital Asset – Unit Linked Insurance Policies [Section 2(14)] **Capital Gains- Unit Linked Insurance Policy [Section 45(1B)]**	- **Unit Linked Insurance Policies (ULIPs) Covered** – Sub-clause (c) is amended to ensure that **ULIPs not eligible for exemption under Section 10(10D)** are now explicitly considered "capital assets." This means that gains from such ULIPs will be subject to capital gains tax instead of being entirely tax-exempt. - Section 45 pertains to Income from Capital Gains. Sub-section (1B) of section 45 of the Income-tax Act provides that if a person receives any amount under a unit-linked insurance policy to which the exemption under clause (10D) of section 10 does not apply (due to the applicability of the fourth and fifth provisos), including the amount allocated by way of bonus on such policy, any profits or gains arising from such receipt are chargeable to tax under the head "Capital gains." - It is proposed to amend sub-section (1B) of section 45 to extend its applicability to **any unit-linked insurance policy** where the exemption under clause **(10D) of section 10 does not apply**. This will therefore also cover cases where the exemption does not apply due to the provisions of the fourth and fifth provisos with reference to ULIPs. - The above amendment will take effect from 1 April 2026.

Tax on Long-Term Capital Gains on Certain Assets **[Section 112A]**	- Section 112A imposes **long-term capital gains tax at 10%** on gains exceeding ₹1.25 lakhs from the transfer of listed equity shares, equity-oriented mutual funds, and units of business trusts, provided Securities Transaction Tax (STT) has been paid. - **Clause (a) of the Explanation to Section 112A** defines **"equity-oriented fund"** as: • A **mutual fund** scheme specified under **Section 10(23D)**, or • A scheme of an **insurance company** comprising **unit-linked insurance policies (ULIPs)** where the exemption under **Section 10(10D)** does not apply due to the **fourth and fifth provisos**. • Second proviso to Clause (a): In the case of an **insurance scheme comprising ULIPs** (where Section 10(10D) exemption does not apply), the fund must **maintain a minimum investment threshold** of **90% or 65%** (as applicable) **throughout the policy term**. - The amendment **modifies Clause (a) and the second proviso** to omit the words *"on account of the applicability of the fourth and fifth provisos"*. This ensures that the provisions specifically apply to **unit-linked insurance policies (ULIPs) where the exemption under Section 10(10D) does not apply**. - The above amendment will take effect from 1 April 2026.
VTPA Comments	- All the amendments made in respect of Unit Linked Insurance Policies (ULIPs) now provide certainty of tax treatment in respect of those ULIPs which are not exempt u/s. 10(10D). - The ULIPs not covered u/s. 10(10D) are defined to be capital assets u/s. 2(14). - Thus, it clarifies that the capital gains tax provision shall apply to any ULIP that does not meet the exemption criteria of Section 10(10D) of the IT Act. - This amendment provides clarity on the tax treatment of ULIPs not eligible for exemption under Section 10(10D) by aligning them with the long-term capital gains tax regime under Section 112A, provided the conditions stated in the said section are complied with respect to "Equity Oriented Funds" as per Explanation clause (a) of Section 112A.

Tax on Income of Foreign Institutional Investors from securities or capital gains from their transfer **[Section 115AD]**	- Section 115AD(1) provides that where the total income of a specified fund or Foreign Institutional Investor, includes income by way of long-term capital gains arising from the transfer of such securities, (other than long term capital gains on transfer of equity shares in a company or units of equity-oriented fund or units of business trust covered under section 112A and units covered under section 155AB), will be taxed at ten percent. - It is proposed to increase the rate of income tax on the income by way of long-term capital gains on transfer of securities to twelve and one-half per cent instead of rate of ten per cent. - The above amendment will take effect from 1 April 2026.

Provisions relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in amalgamation or demerger, etc. **[Section 72A & Section 72AA]**	- Section 72A and Section 72AA of the Income-tax Act allows for the carry forward and set off of accumulated losses and unabsorbed depreciation of amalgamating companies or firm or proprietary concern or private company or unlisted private company (i.e., predecessor entities), as the case maybe, to the successor entities in the case of a merger or demerger of companies. - Sections 72A and 72AA provided that accumulated loss or unabsorbed depreciation shall be deemed to be loss or allowance for unabsorbed depreciation of the amalgamated company for the previous year in which the amalgamation was affected - It is proposed to amend the provisions of Sections 72A and 72AA, which govern the carry-forward and set-off of losses in the case of amalgamation or business reorganization. The amendment seeks to align these provisions with Section 72 by introducing an **eight-year limitation** on the carry-forward of business losses, even in the event of an amalgamation or business reorganization. Thus, the losses transferred from the **predecessor entity** to the **successor entity** would be restricted to being carried forward for a **maximum of eight assessment years from the year in which the losses were first incurred by the original predecessor entity**. - It is further proposed to state that "original predecessor entity" means predecessor entity in respect of the first amalgamation under sub-section (1) or first business reorganisation for sub-section (6) or (6A). - The above amendment will take effect from 1 April 2026. It shall apply to any amalgamation or business re-organisation which is effected on or after 1st April 2025

DEDUCTIONS

Deduction in respect of deposits under National Savings Scheme or payment to a deferred annuity plan [Section 80CCA]	- Section 80CCA provided for deduction on deposits made by an Individual or HUF in the NSS upto 31 March 1992. - Sub-section (2) of this section provided that withdrawal of amount along with interest accrued thereon would be chargeable to tax in the year of withdrawal. - This sub-section is amended to exempt withdrawals made by individuals on or after August 29, 2024, of amount of deposits to NSS along with accrued interest. - The amendment will take effect retrospectively from 29 August 2024.
VTPA Comments	- The Department of Economic Affairs vide Notification dated 29 August 2024, specified that no interest would be paid on NSS balances after October 1, 2024, thus compelling all depositors to withdraw their deposits. - This amendment, therefore, will provide a much needed relief to the depositors from being taxed on their withdrawals.

Deduction in respect of contribution to pension scheme of Central Government **[Section 80CCD]**	- Section 80CCD provides for deduction on contribution to pension scheme of Central Government. (National Pension Scheme) - A proviso is added to sub-section (1B) to provide that the deduction under this section shall be extended for a payment or deposit made to the account of a minor under the National Pension Scheme Vatsalya Account not exceeding INR 50,000 - Sub-section (3) of this section is amended to also include deposits made to the account of the minor. - A proviso is added after sub-section (3) to provide that an amount received by a parent / guardian on closure of the scheme due to death of the minor shall not be deemed to be the income of such depositor. - Sub-section (4) is also amended to include deposits made to the account of the minor - The amendment will take effect from 1 April 2026.

Special provision in respect of specified business **[Section 80-IAC]**	- Section 80-IAC provides for deduction of an amount equal to 100% of the profits and gains to an 'eligible start-up' for a consecutive period of three years out of ten years subject to fulfilment of various conditions. - As per *Explanation (ii)(a)* to this section, this deduction can be claimed by an eligible start-up incorporated on or after 1 April 2016 but before 1April 2025. - This explanation has been amended to extend the benefit to eligible start-ups incorporated up to 31 March 2030. - The amendment will take effect from 1 April 2025.

Definition of Dividend **[Section 2(22)]** **IFSC Related**	- Section 2(22) of the Income Tax Act, 1961, defines the term "dividend" to include various types of distributions made by a company to its shareholders. It covers direct distribution of profits, distribution in liquidation, reduction of capital, loans or advances to shareholders and buyback, etc. - The amendment to section 2(22) introduces a new **sub-clause (iia)**, which **excludes certain intra-group loans or advances** from the definition of "dividend." The key changes are: - **Exclusion for Corporate Treasury Centres in IFSC** – A new exemption is introduced to ensure that **loans or advances between two group entities** are **not treated as dividends** if: • One of the entities is a **Finance Company** or **Finance Unit** located in an **IFSC (International Financial Services Centre)**, operating as a **global or regional corporate treasury centre** for treasury activities or services. • The **parent entity** or **principal entity** of the group is **listed on a stock exchange outside India**, except in countries specified by the Board. • The definitions and conditions for Group Entity, Principal Entity, and Parent Entity will be specified separately by the Board. - The above amendment will take effect from 1 April 2025.

Extension of Sunset Dates to IFSC Units for availing Tax Concessions

- **Extension of Sunset Dates to IFSC Units for availing Tax Concessions**

Section	Brief Description	Existing end date	Proposed end date
Section 80LA(2)(d)	Deduction of Income from transfer of an aircraft or a ship leased by IFSC Unit	31st March 2025	31st March 2030
Section 10(4D)	Exemption of certain Income attributable to Investment division of Offshore Banking unit of a non-resident located in IFSC	31st March 2025	31st March 2030
Section 10(4F)	Exemption to royalty or interest Income of a non-resident on account of aircraft leasing or ship leasing, paid by a unit in IFSC	31st March 2025	31st March 2030
Section 10(4H)	Exemption to capital gains income of a non-resident or a unit of IFSC, engaged primarily in the business of aircraft / ship leasing, arising from the transfer of equity shares of domestic company, being a unit of IFSC	31st March 2026	31st March 2030
Section 47(viiad)	Tax-neutral relocation of funds to IFSC	31st March 2025	31st March 2030

The above amendment will take effect from 1 April 2025.

Deductions for Units in IFSC **[Section 80LA]**	- Section 80LA provides tax deductions to entities operating in an **International Financial Services Centre (IFSC)**. - **Clause (d) of sub-section (2)** states that to qualify for the deduction, the unit in the IFSC must **commence its operations on or before March 31, 2025**. - **Amendment:** It is proposed to amend Section 80LA(2)(d) to extend the deadline for commencement of operations from 31st March, 2025, to 31st March, 2030. - The above amendment will take effect from 1st April 2025.
VTPA Comments	- This amendment provides an **extended window** of five more years for new units to establish operations in the IFSC while still qualifying for tax benefits under Section 80LA. It aims to **encourage more businesses to set up in IFSC**.

Exemption for non-resident Individuals **[Section 10(4E)]**	- **Income of FPI set up as a unit in IFSC from offshore derivative instruments, transfer of non-deliverable forward contracts exempt from tax.** - Section 10(4E) currently provides an exemption for non-resident individuals from including in their total income any income arising from the transfer or distribution of income related to non-deliverable forward contracts, offshore derivative instruments, or over-the-counter derivatives. This is applicable when such transactions occur with an offshore banking unit of an International Financial Services Centre (IFSC), provided certain conditions are met. - Clause (4E) of Section 10 has been proposed to be amended to extend the income exemption benefits to include Foreign Portfolio Investors (FPIs) located in an International Financial Services Centre (IFSC). This amendment introduces the following changes: • **Addition of FPIs to the Exemption Scope:** The income of a non-resident arising from the transfer of non-deliverable forward contracts, offshore derivative instruments, or over-the-counter derivatives, or income from offshore derivative instruments, will now also be exempt when these transactions are entered into with an FPI that is a unit of an IFSC. • **Definition of "Foreign Portfolio Investor":** An explanation to the clause is proposed to be added to define the term "Foreign Portfolio Investor" as a person registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 made under the SEBI Act, 1992. - The above amendment will take effect from 1 April 2026.
VTPA Comments	- This amendment is supposed to encourage investments by FPIs into the Indian Capital markets. FPIs' ability to issue derivative contracts, etc., will allow investment by non-residents in Indian markets. - The effort should be to see that this activity is regulated in line with our Indian laws like Prevention of Money Laundering Act, etc., which resident Indians are subjected to.

Exemption on Capital Gains Income **[Section 10(4H)]**	- **Income from ship leasing by an IFSC unit proposed to be exempted.** - Section 10(4H) of the Income Tax Act provides a tax exemption on capital gains income for non-residents or Units of International Financial Services Centres (IFSCs) engaged primarily in the business of leasing aircraft. Specifically, it excludes capital gains arising from the transfer of equity shares in a domestic company, which is also a unit of an IFSC engaged in aircraft leasing. - It is proposed to amend Section 10(4H) to extend the exemption for capital gains income to non-residents or Units of an International Financial Services Centre (IFSC) engaged primarily in the business of leasing **ships**. This will mirror the existing provision that applies to aircraft leasing companies in the IFSC. The amendment also provides a definition for "ship," which includes ships, ocean vessels, and their engines or parts.
Exemption on Dividend Income **[10(34B)]**	- **Section 10(34B)** provides an exemption for income earned by a **Unit of an International Financial Services Centre (IFSC)**, primarily engaged in the business of **leasing an aircraft**, in the form of **dividends** received from a company, also a Unit of an IFSC, primarily engaged in the business of **leasing aircraft**. - The amendment in Clause 34B of Section 10 seeks to extend the exemption to income by way of **dividends** received from a company engaged in the **leasing of ships**, in addition to the leasing of aircraft, for Units of IFSC primarily engaged in leasing ships. - The above amendment will take effect from 1 April 2025.
VTPA Comments	- By extending the exemption to ship leasing, the amendment aims to attract greater investment and encourage the development of the ship leasing sector within **International Financial Services Centres (IFSCs).**

Reference to Transfer Pricing Officer (TPO) [Section 92CA]	- Sub section (1) of section 92CA provides that where any person, being the assessee, has entered into an international transaction or specified domestic transaction in any previous year, and the Assessing Officer considers it necessary or expedient so to do, he may, with the previous approval of the Principal Commissioner or Commissioner, refer the computation of the arm's length price (ALP) in relation to the said international transaction or specified domestic transaction under section 92C to the Transfer Pricing Officer (TPO). - It is proposed to ***insert a new first proviso*** to sub-section (1) to provide that no reference for computation of ALP shall be made to TPO, if the TPO has declared that the option exercised by the assessee is valid subject to prescribed conditions laid down under new sub-section (3B) in section 92CA. Further, in cases where the option is valid *the new second proviso* states that even if a reference is made to the TPO, it will be considered that no reference is made. - It is proposed to ***insert a new sub section (3B)*** in section 92CA which provides that the assessee can opt for the ALP that is being determined for a given year, will also apply to a similar international transaction or specified domestic transaction for the next two consecutive years. - The TPO may declare that the option is valid subject to prescribed conditions, by an order within one month from the end of the month in which such option is exercised.
Other Amendments [Section 155]	- It is proposed to ***insert a proviso*** to this section providing that this option shall not apply to any proceedings under Chapter XIV B, i.e., in respect of special procedure for assessment of search cases. - It is also proposed to ***insert a new sub-section (4A)*** in section 92CA where the TPO has declared an option exercised by the assessee as valid in the order referred to in sub-section (3B), the TPO has to determine the ALP in relation to similar international and specified domestic transactions for the two consecutive years. - The Assessing Officer (AO) on receipt of the order of the TPO shall proceed to recompute the total income of the assessee for the said two consecutive previous years by amending the order of assessment or any intimation or

	deemed intimation under sub-section (1) of section 143, as the case may be in conformity with ALP determined by the TPO and also taking into account the directions issued under subsection (5) of section 144C if any for such previous year within three months from the end of month in which assessment is completed in the case of the assessee for such previous year. - Provided that where the order of assessment or any intimation or deemed intimation under sub-section (1) of section 143, for the said two consecutive previous years is not made within the said three months, such re-computations shall be made within three months from the end of the month in which such order of assessment or any intimation or deemed intimation under sub-section (1) of section 143, as the case may be, is made, as per the **provisions of sub-section (21) of section 155** - Proviso to sub section (9) of section 92CA shall be ***omitted*** so that the Central Government can notify the faceless assessment scheme for transfer pricing proceedings even after 31 March 2025. - It is also proposed to ***insert a new sub-section (11)*** in section 92CA so as to provide that if any difficulty arises in giving effect to the provisions of sub-section (3B) and (4A), the Board may, with the previous approval of the Central Government, issue guidelines for the purpose of removing the difficulty, which shall be laid before each House of Parliament and shall be binding on the income tax authorities and the assessee. Provided no such guidelines shall be made after the expiration of two years from 1st April 2026 - It is also proposed to ***insert a new sub-section (12)*** in section 92CA, to provide that every guideline issued by the Board under sub-section (11) shall be laid before each House of Parliament while it is in session which may agree in making any modification in such guideline or should not be issued, the guideline shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that guideline. - These amendments will take effect from 1st April 2026.

VTPA Comments	- The new methodology of conducting transfer pricing proceedings envisages that an assessee can exercise an option in respect of an international transaction or specified domestic transaction (transactions), which has been carried out by the assessee in the previous year and two succeeding years, and which has similar characteristics, etc., that the arm's length price (ALP) for such transactions be determined by the TPO. The law however does not state when the option is to be exercised. Whether in the course of transfer pricing assessment proceedings or earlier. - The workability of this scheme of determination of ALP by the TPO would depend upon the detailed framing of the rules. It also needs to be seen the remedy available to the assessee where the TPO rejects the option exercised by the assessee. - Further, one also needs to examine the rules for which specific type / nature of transactions the assessee would be allowed to exercise the option. - The other question that needs to be addressed is whether the option needs to be exercised in relation to all the transactions or part of the transactions. In the case that part of the transactions is opted for by the assessee, then how would the transfer pricing assessments be carried out.

Return of Income [Section 139]

- Sub-section (8A) of the section 139 provides that any person, whether or not he has furnished an original return, belated return or revised return under sub-section (1) or (4) or (5), for an assessment year, may furnish an updated return of his income or income of any other person in respect of which he is assessable under this Act, within 24 months from the end of the relevant assessment year.

Tax on Updated return [Section 140B]

- It is proposed to amend sub-section (8A) of the said section to **extend the time-limit to file an updated return from twenty-four months to forty-eight months from the end of relevant assessment year**.

- It is also proposed to insert an additional proviso that no updated return shall be furnished by any person where any **notice to show-cause under section 148A** has been issued in his case after thirty-six months from the end of the relevant assessment year. However, where an order is passed under sub-section (3) of section 148A determining that it is not a fit case to issue notice under section 148, updated return may be filed up to 48 months from the end of the relevant assessment year.

- The facility of updated return has promoted voluntary compliance against payment of additional income tax. The amendment to section 140B now requires payment of additional tax as under:

Updated return filing post relevant AY	**Additional Income tax payable**
up to 12 months (existing)	25% of the aggregate tax and interest
expiry of 12 months up to 24 months (existing)	50% of the aggregate of tax and interest
expiry of 24 months up to 36 months	60% of aggregate of tax and interest
expiry of 36 months up to 48 months	70% of aggregate of tax and interest

- These amendments will take effect from the 1 April 2025.

Reference to Principal Commissioner or Commissioner [Section 144BA] **Time limit for completion of assessment, reassessment and recomputation [Section 153]** **Time limit for completion of assessment under section 153A [Section 153B]** **Levy of interest and penalty in certain cases [Section 158BFA]** **Revision of Orders prejudicial to revenue or other orders [Section 263, 264]** **Time-limit for sale of attached immovable property [rule 68B of the Second Schedule to Act]**	- These sections provide that the period during which the proceedings are stayed by an order or injunction of any court shall be excluded in computing the time limit for the conclusion of the proceedings, but it does not specify the **date of commencement and the end date** which are required to be excluded. - To remove this ambiguity, it is proposed to amend the said provisions of the Act so as to exclude the period **commencing** on the date on which stay was granted by an order or injunction of any court and **ending** on the date on which certified copy of the order vacating the stay was received by the jurisdictional Principal Commissioner or Commissioner (Approving panel in case of section 144BA of the Act) - The above amendment will take effect from 1 April 2025.

VTPA Comments	- It appears that this amendment defining the period of stay granted by an order or injunction of a Court, is to overcome the restriction where the Hon'ble Courts in this regard have held that *'as soon as the said order or injunction of Court is vacated, period of limitation shall* ***restart even though order vacating injunction is not communicated to the Department*** *[CIT v. Chandra Bhan Bansal [2014] 46 taxmann.com 108/226 Taxman 421 (All.)]'.*

Search and seizure [Section 132]	- As per the provisions of sub-section (8) of section 132 of the Act the last date for taking approval for retention of seized books of account or other documents is thirty days from the date of the order of assessment or reassessment or re-computation. It is proposed to amend sub-section (8) of section 132 of the Act to provide that the time limit for taking approval for retention shall be **one month from end of the quarter** in which the assessment or reassessment or recomputation order has been made. - Further, explanation 1 of section 132 provides the last of authorisation for search is deemed as to have been executed. It is proposed to substitute the word ***"authorisation***" with the word ***"authorisations***".
Application of seized or requisitioned assets [Section 132B]	- Explanation 1 clause (ii) of section 132B provides that "execution of an authorisation for search or requisition" shall have the same meaning as assigned to it in *Explanation* 2 **to section 158BE** of the Act. - It is proposed to amend the above Explanation 1 clause (ii) of section 132B of the Act to update **referencing to section 158B of the Act instead of the present section 158BE of the Act.** - These amendments will take effect from the 1 April 2025.

Definition of undisclosed income [Section 158B]	- It is proposed to amend clause (b) of section 158B of the act to insert the word "virtual digital asset" in the definition of "undisclosed income".
Assessment of total income as a result of search [Section 158BA]	- Sub section (4) of the section 158BA provides that where any assessment under Chapter XIV-B is *pending* in the case of an assessee in whose case a subsequent search is initiated, or a requisition is made, such assessment shall be duly completed, and thereafter, the assessment in respect of such subsequent search or requisition shall be made under the provisions of Chapter XIV-B. It is proposed to substitute the word "*pending*" with the words "*required to be made*". - Sub-section (5) of the section 158BA provides that if any proceeding initiated under Chapter XIV B has been annulled in appeal or any other legal proceeding, then, the assessment or reassessment relating to any assessment year which has abated under subsection (2) or sub-section (3), shall revive. It is proposed to insert the words "recomputation", "reference" and "order" which would stand revived in case any proceeding under chapter XIV B is annulled in appeal.
Computation of total income of block period [Section 158BB]	- With respect to section 158BB it is proposed to *substitute* subsection (1) as below: Clause (i) clarifies that instead of disclosed income, the words undisclosed income is required to be declared in the block return filed under section 158BC. Clause (ii) is amended to omit the word *"total"* from the word "*total income*" in respect of income assessed under sections sub-section (3) of section 143 or section 144 or section 147 or section 153A or section 153C. Similarly in clause (iii) to omit the word *"total"* from the word "*total income*" in respect of income declared in the return of income filed under section 139 or in response to a notice under subsection (1) of section 142 or section 148. Further in clause (iii) the words "*prior to the date of initiation of search or requisition*" is to be inserted. Clause (iv) now provides the method of computation of income in respect of: - A previous year which has ended but the due date for furnishing the return for such year has not expired prior to the date of initiation of the search or requisition, then shall be computed as recorded in the books of account and documents maintained in the normal course before the day immediately preceding the date of initiation of search or the date of requisition.

	- Further, the income in respect of period commencing from 1st day of April of the previous year in which the search is initiated or requisition is made and ending on the day immediately preceding the date of initiation of search or requisition, shall be computed on the basis of the books of account and other documents maintained in the normal course for such period on or before the day immediately preceding the date of initiation of search or the date of requisition - Also, the income in respect of period commencing from the date of initiation of the search or the date of requisition and ending on the date of the execution of the last of the authorisations for search or requisition, shall be computed on the basis of the books of account and other documents maintained in the normal course for such period on or before the date of the execution of the last of the authorisations. - Sub-section (3) of section 158BB of the Act proposes to tax under the normal provisions any income which relates to any international transaction or specified domestic transaction and shall not be considered in the income of the block period; in respect of the period beginning from the 1st day of April of the previous year in which last of the authorisations was executed and ending with the date on which last of the authorisations was executed. - This was provided as it may be difficult to assess arm's length price of part period transactions.
Time limit for completion for block assessment [Section 158BE]	- Section 158BE of the Act provides the time-limit for completion of block assessment as twelve months from end of the month in which the last of the authorisations for search has been executed. - The time-limit for completion of block assessment is proposed to be made as twelve months from end of the quarter in which the last of the authorisations for search or requisition has been executed. - All the above amendments will take effect from 1 February 2025.

Rationalization of TDS is proposed as mentioned

Section	Present	Proposed amendment
Section 193 TDS on interest on securities	TDS will apply if interest exceeds INR 5,000 annually	TDS will apply if interest exceeds INR 10,000 annually
Section 194 TDS on Dividends	TDS will apply if dividend exceeds INR 5,000 annually	TDS will apply if dividend exceeds INR 10,000 annually
Section 194A TDS on Interest other than "Interest on securities"	i) INR50,000 for senior citizens; (ii) INR40,000 in case of others when payer is bank, cooperative society and post office (iii) INR5,000 in other cases	i) INR1,00,000 for senior citizens; (ii) INR50,000 in case of others when payer is bank, cooperative society and post office (iii) INR10,000 in other cases
Section 194B Winnings from lottery or crossword puzzle etc *Section 194BB* Winnings from horse race	TDS considered for aggregate winnings of INR 10,000 in a year	TDS applicable if single transaction exceeds INR 10,000
Section 194D TDS on insurance commission *Section 194G* Commission, etc. on sale of lottery tickets *Section 194H* Payment of commission or brokerage	TDS will apply if threshold exceeds INR 15,000 annually	TDS will apply if threshold exceeds INR 20,000 annually

Rationalization of TDS is proposed as mentioned

Section	Present	Proposed amendment
Section 194-I TDS on Payment of rent	TDS will apply if rent exceeds INR 2,40,000 annually	TDS will apply if rent exceeds INR 50,000 per month or part of the month
Section 194J TDS on Professional Fees	TDS will apply if threshold exceeds INR 30,000 annually	TDS will apply if threshold exceeds INR 50,000 annually
Section 194K TDS on Income in respect of an unit	TDS will apply if threshold exceeds INR 5,000 annually	TDS will apply if threshold exceeds INR 10,000 annually
Section 194LA TDS on Payment of compensation on acquisition of certain immovable property	TDS threshold INR 2,50,000	TDS threshold INR 5,00,000
Section 194LBC TDS on income in respect of investment in securitization trust	Rate of TDS 25% - Individual or HUF 30% - Any other person	Single rate of 10%
Section 194Q TDS on purchases	TDS not applicable if TCS under section 206C(1H) applicable	194Q will apply to transactions previously covered under 206C(1H)
Section 194S Payment on transfer of virtual digital asset	Non-filers under section 206AB subjected to higher rate	Reference to Section 206AB removed
Section 206AB Special provision for deduction of tax at source for non-filers of income-tax return.	Higher TDS rates for non-filers	Section 206AB omitted

- These amendments will be effective from 1 April 2025.

Profits and gains from the business of trading in alcoholic liquor, forest produce, scrap, etc

[Section 206C]

- Section 206C pertains to the collection of tax on profits and gains from certain businesses.

Provisions	Prior to amendment	Amended Provisions
TCS on Timber & Forest Produce (except tendu leaves)	TCS at 2.5%	Reduced TCS at 2%
Insertion of *Explanation* to sub-section (1) to define Forest Produce		Defined as per **any State Act or the Indian Forest Act, 1927**
TCS on Foreign Remittances (Liberalized Remittance Scheme - LRS) (sub-section (1G), first, second and fourth proviso)	No TCS if remittance up to INR 7 lakh	Threshold increased to INR 10 lakhs
TCS on Education Loans under LRS (sub-section (1G), third proviso)	TCS was collected on remittances from loans taken for pursuing education abroad	No TCS for remittances from loans taken from financial institutions (as per Section 80E)
Omission of Section 206C(1H) from April 1, 2025	TCS on sale of goods applied to buyers purchasing goods above INR 50 lakh	206C(1H) will no longer apply from April 1, 2025
Time Limit for Assessment under Section 206C(7A)	No specific reference to Section 153	Now aligned with Section 153(3), (5), and (6) with respect to time limits

TDS/TCS **[Section 206AB, 206 CCA]**	- Section 206AB of the Act, requires deduction of tax at higher rate when the deductee specified therein is a non-filer of income-tax return. - Section 206CCA of the Act, requires for collection of tax at higher rate when the collectee specified therein is a non-filer of income-tax return. - It is proposed to omit section 206AB and section 206CCA. - The above amendment will take effect from 1 April 2025.
VTPA Comments:	- As it was difficult for the deductor/collector, at the time of deduction/collection, to verify whether returns have been filed by the deductee/collectee, this amendment will reduce the compliance burden on the taxpayer.

Immunity from penalty, etc. **[Section 270AA]**	- Section 270AA of the Act provides, inter-alia, procedure of granting immunity by the Assessing Officer from imposition of penalty or prosecution, subject to an application for granting immunity from imposition of penalty to be made within one month from the end of the month in which the order under section 276C and 276CC has been received by the assessee. - Sub-section (4) of the said section provides that the Assessing Officer shall pass an order accepting or rejecting the application, within a period of one month from the end of the month in which the application requesting immunity is received. - It is proposed to amend the sub-section (4) of section 270AA of the Act so as to extend the processing period to three months from the end of the month in which application for immunity is received by the Assessing Officer. - This amendment will take effect from the 1 April 2025.

Certain penalties to be imposed by the Assessing Officer [Sections: 271C, 271CA, 271D, 271DA, 271DB, 271E	- The following sections, inter-alia, provide that penalty would be imposed by the Joint Commissioner, *though the assessment was being done by Assessing Officer.* The sections are:

271C	Failure to deduct tax at source
271CA	Failure to collect tax at source
271D	Failure to comply with the provisions of s.269SS (mode of accepting certain loans or deposits)
271DA	Failure to comply with provisions of s. 269ST (mode of undertaking transactions otherwise than in cash)
271DB	Failure to comply with provisions of s. 269SU (payment through prescribed electronic modes)
271E	Failure to comply with the provision of s. 269T (repayment of certain loans or deposits)

- To rationalise the process, it is proposed to bring in an amendment so as to provide that penalties under the above sections shall be levied by the Assessing Officer (instead of Jt. Commissioner), subject to the Assessing Officer taking prior approval of Jt. Commissioner where penalty exceeds twenty thousand rupees.

- These amendments will take effect from 1 April 2025.

Penalty where search has been initiated **[Section 271AAB]**	- It is proposed to amend penalty under Section 271AAB not to apply to block assessment arising out of search proceedings conducted under section 158BC, on or after 01.9.2024. - This amendment will take effect from the 1 September 2024.

Failure to pay the tax collected at source **[Section 276BB read with s. 206C]**	- The provision of the section 276BB states that if a person fails to pay to the credit of the Central Government, the tax collected by him as required under the provisions of section 206C of the Act, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine. - It is proposed to amend this section to provide that the prosecution shall not be instituted against this person, if the payment of the tax collected has been made to the credit of the Central Government at any time on or before the time prescribed for filing the quarterly statement under proviso to sub-section (3) of section 206C; i.e., July 15th, October 15th, January 15th or May 15th, as the case may be. - This amendment will take effect from the 1 April 2025.

Time limit to impose penalties rationalized **[Section 275]** **Appeallable orders before Commissioner (Appeals) [Section 246A]**	- The existing provisions of sub-section (1) of section 275 of the Act, inter-alia, provide for the bar of limitation for imposing penalties as below: (a) It provides that no order imposing a penalty under section 246 or 246A or Section 253 shall be passed, ***after the expiry of the financial year in which proceedings under which penalty has been initiated, are completed,*** *or six months from the end of the month in which the order is received whichever period expires later* *(b) in a case where the relevant assessment or other order is the subject-matter of revision under section 263 or 264, after the expiry of six months from the end of the month in which such order of revision is passed* *(c) in any other case, after the expiry of the financial year in which the proceedings, in the course of which action for the imposition of penalty has been initiated, are completed, or six months from the end of the month in which action for imposition of penalty is initiated, whichever period expires later* - Sub section (1A) and sub section (2) being not mentioned being not relevant **Substitution of entire Section 275** - It is proposed to substitute section 275 of the Act to provide that ***no order imposing a penalty shall be passed after the expiry of six months from the end of the quarter in which as below-*** *Sub-section (1)* (a) the proceedings connected for imposing penalty are completed, if the relevant assessment or other order (revision order) is not the subject matter of appeal; or (b) if the order of revision under section 263 or 264 is passed (c) in a case where the relevant assessment order or other order is subject matter of an appeal to the Commissioner (Appeal)/ Jt. Commissioner (Appeal), the order of appeal is received by the Principal Commissioner/ Commissioner, provided no further appeal is filed before the ITAT

(d) the order of appeal under section 253 (ITAT) is received by the jurisdictional Principal Commissioner or Commissioner

(e) notice for imposition of penalty is issued, in any other case

Sub-section (2)

- The above also includes orders imposing or enhancing or reducing or cancelling penalty or dropping the proceedings, in respect of assessment orders passed for giving effect to the appellate orders or revision orders.

Sub-section (3)

- Further also, no order imposing or enhancing or reducing or cancelling penalty or dropping the proceedings shall be passed after the expiry of six months from the end of the quarter in which the order passed in appeal by the Commissioner (Appeals) / Jt. Commissioner (Appeals) or the ITAT is received by the Principal Commissioner/ Commissioner, or the order of revision is passed.

Sub-section (4)

- It is to be noted that the provisions of section 274(2) shall continue to apply to the order imposing or enhancing or reducing penalty, which means that no order imposing penalty of an amount exceeding rupees ten thousand or twenty thousand shall be made without the prior approval of the Joint Commissioner.

Sub-section (5)

- Further, in computing the period of limitation for the purposes of this section, the period commencing on the date on which stay on levy of penalty was granted by an order or injunction of any court and ending on the date on which the certified copy of the order vacating the stay was received by the jurisdictional Commissioner, shall be excluded.
- Consequential to the above amendment to Section 275, Section 246A(1) (jb) which is with reference to appealable orders to CIT(Appeals) is amended to substitute section 275(1A) with Section 275(2).

- These amendments will take effect from the 1 April 2025

OTHER AMENDMENTS

Definition of Capital Asset – Investment Fund **[Section 2(14)]**	- This section defines Capital Asset. The definition of "capital asset" is expanded by amending sub-clause (b) to include assets held by an **investment fund** specified under **Explanation 1(a) to Section 115UB**, in addition to Foreign Institutional Investors (FIIs). This aligns the treatment of investment funds with that of FIIs for capital asset classification. - The above amendment will take effect from 1 April 2026.
VTPA Comments	- To remove uncertainty regarding the classification of income from securities transactions by investment funds referred to in Section 115UB, the amendment clarifies that securities held by such funds, if acquired as per SEBI regulations, will be treated as capital assets. Consequently, income from their transfer will be classified as capital so that any income arising from transfer of such security would be in the nature of capital gain.

Tax on income of unit holder and business trust **[Section 115UA]**	- Section 115UA pertains to special provisions relating to Business Trust, [which refers to Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InVIT)]. Business trusts invest in special purpose vehicles (SPV) through equity or debt instruments. - Section 115UA relates to tax on income of unit holder and business trust - Sub-section (2) of the section 115UA provides that the total income of a business trust shall be charged to tax at the maximum marginal rate subject to the provisions of sections 111A and 112. - It is proposed to amend the said sub-section to also include section 112A, which pertains to tax on long-term capital gains on transfer capital assets being equity share in a company or a unit of an equity oriented fund or a unit of a business trust. - The above amendment will take effect from 1 April 2026.

Definition of Virtual Digital Asset (VDA) **[Section 2(47A)]** **Obligation to furnish information in respect of crypto assets** **[Section 285BAA]**	- Section 2(47A) defines **Virtual Digital Asset (VDA)** under the Income Tax Act, 1961. It covers **crypto-assets, NFTs, and other digital representations of value** that rely on cryptographic technology and can be transferred, stored, or traded electronically. The section provides a legal framework for taxing and regulating digital assets in India. - The amendment to **Section 2(47A)** expands the definition of **Virtual Digital Asset (VDA)** by inserting a new **sub-clause (d)**. The key changes are: **Explicit Inclusion of Crypto-Assets** – The definition of **VDA now explicitly includes crypto-assets**, which are: - **Digital representations of value** that rely on **cryptographically secured distributed ledgers** or similar technologies to validate and secure transactions, whether or not already included in the definition of virtual digital asset or not. - The above amendment will take effect from 1 April 2026 and will apply from AY 2026-2027. - Further, it is proposed in a new **Section 285BAA** that the prescribed reporting entity shall provide information in respect of transaction of crypto asset for such period and in such time and manner to such income tax authority, as prescribed. - Rules and forms will be prescribed in this regard - This amendment will take effect from the 1 April 2026.
VTPA Comments	- The amended definition widens the scope of VDA to include all *technological infrastructure and protocols that allows simultaneous access, validation and record updating across a network database*. - The new section 285BAA has been introduced, as India has been included in the list of 52 "Relevant" jurisdictions for the purpose of Crypto Asset Reporting Framework (CARF). CARF provides for the automatic exchange of tax-relevant information (AEOI) on Crypto-Assets. The G20 Leaders' New Delhi Declaration called for the swift implementation of the CARF. To enable this an amendment is being made for the prescribed Reporting Entity to furnish information about crypto assets.

Exemption for Sovereign Wealth Funds & Pension Funds – **[Section 10(23FE)]**	- Income in the nature of dividend, interest, long term capital gains or certain other incomes arising from an investment made in **infrastructure companies, InvITs, and AIFs (Category I & II),** subject to certain conditions, by **Sovereign Wealth Fund (SWFs) and Pension Fund (PFs)** were **exempted** by clause **(23FE) of section 10 of the Act**, provided that investment was made on or before 31st March 2025. - Through the amendments made in the previous budget to section 50AA By Finance (No. 2) Act, 2024, there was a re-classification of all the capital gains from unlisted debt securities as short-term capital gains, irrespective of the holding period which had resulted in the long term capital gains from investment in unlisted debt investments to be taxable in the hands of SWFs or PFs were eligible for exemptions on long-term capital gains from unlisted debt securities under clause 23FE of section 10 of the Income Tax Act, 1961. - Now, Clause 23FE of section 10 has been further amended to include **long-term capital gains** (whether or not such capital gains were deemed as short-term capital gains under section 50AA) arising from an investment made by it in India, shall *inter alia* not be included in the total income of **SWFs and PFs.** - Further, the last date to make investment has also been extended from 31st March, 2025 to ***31st March, 2030***. - The above amendment will take effect from 1 April 2025.
VTPA Comments	- This will help to streamline and encourage the Investments made by SWFs and PFs into the infrastructure sector of India.

1.1. For Individuals, Hindu Undivided Families, Association of Persons, Body of Individuals and Artificial judicial person - No changes under old regime

Existing Tax Rates*	
Total Income (INR)	**Rate (%) @**
0 – 2,50,000#	Nil
2,50,001 - 5,00,000#	5
5,00,001 - 10,00,000	20
10,00,001 and above	30

@ Health and Education cess of 4% is leviable on the amount of income-tax and surcharge.

 # The basic exemption limit is INR 2,50,000 in case of every individual below the age of 60 years, INR 3,00,000 in case of resident individuals of the age of 60 to 80 years, and INR 5,00,000 for 'very senior citizen' in case of resident individuals of age 80 years and above.

***** Where total income does not exceed INR 5,00,000, the assessee shall be entitled to a credit on the income-tax payable by way of Rebate under section 87A, of an amount equal to hundred percent of the Income-tax payable or INR 12,500, whichever is less.

The **surcharge on income-tax**, for Individuals, Hindu Undivided Families, Association of Persons, Body of Individuals and Artificial judicial person, are as follows:

Total Income (INR)	Surcharge (%)
50 lakh – 1 crore	10
1 crore – 2 crores	15
2 crores – 5 crores	25
Above 5 crores	37

1.2. Changes in the new tax regime of taxation

Taxability for individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person [referred to in section 2(31)(vii)] under section 115BAC

In the case of Individuals / HUFs, subject to foregoing of certain exemptions deductions and set off losses except the below deductions, and on satisfaction of certain conditions, unless an option is exercised as per provisions of section 115BAC(6), the new concessional rates would be applicable as shown in the table below:

- Standard deduction to salaried taxpayer of INR 75,000
- Deduction from income in nature of family pension (1/3rd of income or INR 25,000, whichever is less)
- Amount paid or deposited in Agniveer Corpus Fund under Section 80CCH

Total Income (INR) *	Tax Rate (%)
0 to 4,00,000	NIL
From 4,00,001 to 8,00,000	5
From 8,00,001 to 12,00,000	10
From 12,00,001 to 16,00,000	15
From 16,00,001 to 20,00,000	20
From 20,00,001 to 24,00,000	25
Above 24,00,000	30

***** *Where total income does not exceed INR 12,00,000, the assessee shall be entitled to a credit on the income-tax payable under section 87A, of an amount equal to hundred percent of the Income-tax payable or INR 60,000, whichever is less. Note: tax on incomes chargeable at special rates (for e.g.: capital gains u/s 111A, 112 etc.) as specified under various provisions of Chapter XII i.e., determination of tax in certain special cases, are not included for the purpose of rebate under section 87A.*

If the income of an individual exceeds Rs 12,00,000 and tax payable on such income exceeds the income amount over and above Rs.12,00,000, then the tax will be limited to the extent of such income exceeding Rs. 12 lakhs.

- The **surcharge on income-tax**, for Individuals, Hindu Undivided Families, Association of Persons, Body of Individuals and Artificial judicial person, under section 115BAC are as follows:

Total Income (INR)	Surcharge (%)
50 lakh – 1 crore	10
1 crore – 2 crores	15
Above 2 crores	25

- The enhanced surcharge of 25% is not levied on income chargeable to tax under Sections 111A, 112 and 112A. Hence, the maximum rate of surcharge on tax payable on such incomes shall be 15%.

- The applicable rates of education cess would be computed on the same basis as under normal rates of tax.

- Taxpayers having no business income will have option to opt for the old tax regime for every financial year.

- For taxpayers having business income, the option for shifting out of new tax regime shall be exercised only once and shall be valid for that financial year and all subsequent financial years. Once the option is exercised, such person shall be able to exercise the option of opting back to new regime only once.

- These rates are also applicable for charging income-tax during the FY 2025-26 on current incomes in cases where accelerated assessments have to be made, for instance, provisional assessment of shipping profits arising in India to non-residents, assessment of persons leaving India for good during the financial year, assessment of persons who are likely to transfer property to avoid tax, assessment of bodies formed for a short duration, etc.

Co-operative Societies

Taxable Income	Tax rate
Upto INR 10,000	10%
INR 10,000 to 20,000	20%
Above INR 20,000	30%

Surcharge

7% of tax amount if income exceeds INR 1 crore but does not exceed INR 10 crores

12% of tax amount if income exceed INR 10 crores

Education cess at 4% on tax amount including surcharge

On satisfaction of certain conditions, a resident co-operative society shall have the option to pay tax at 22% as per Section 115BAD plus surcharge at 10% on tax amount and education cess same as above.

A new manufacturing co-operative society set up on or after 1 April 2023, which commences manufacturing or production on or before 31 March 2024 and does not avail any specified incentives or deductions may opt to pay tax at concessional rate of 15% as per Section 115BAE plus surcharge at 10% on such tax and education cess same as above.

The enhanced surcharge of 25% & 37%, as the case may be, is not levied on income chargeable to tax under Sections 115AD. Hence, the maximum rate of surcharge on tax payable on such incomes shall be 15%.

However, for specified funds referred to in the Explanation to section 10(4D), no surcharge to be applied for tax calculated on the part of its income earned under section 115AD(1)(a).

Companies / Firms / MAT provisions

There are no changes in the Income-tax rates for others in the Budget. Summary of the same is provided as under:

Description	Existing Tax Rates (%)		
	Having Income up to INR 1 crore	Having Income from INR 1 crore to 10 crores	Having Income more than INR 10 crores
	(Including Health and Education Cess @ 4%)		
Regular tax as per Para E of the 1st Schedule to the Finance Act (Turnover up to INR 400 crores)	26.00	27.82*	29.12**
Regular tax as per Para E of the 1st Schedule to the Finance Act (Turnover > INR 400 crores and not covered below)	31.20	33.384*	34.94**
115BA	26.00	27.82*	29.12**
115BAA	25.17***	25.17***	25.17***
115BAB	17.16***	17.16***	17.16***
MAT@	15.60 (of book profits)	16.69* (of book profits)*	17.47** (of book profits)**
Dividend Received from Foreign subsidiary company (section 115BBD)	15.60	16.69*	17.47**
Regular tax (Foreign Company)	36.4	37.13$	38.22#
Regular tax (Firm)	31.20	34.94**	
Alternate Minimum Tax (AMT)	19.24	21.55**	
Alternate Minimum Tax (AMT) (unit in IFSC)	9.36	10.48**	
Alternate Minimum Tax (AMT) (Co-operative societies)	15.60	16.69*	17.47**

*** Inclusive of surcharge @ of 7 %**
**** Inclusive of surcharge @ of 12 %**
***** Inclusive of surcharge @ of 10 %**
$ Inclusive of surcharge @ of 2 %
 # Inclusive of surcharge @ of 5 %
@ MAT provisions would not be applicable for who has opted for special taxation regime under Section 115BAA & 115BAB