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UNION BUDGET 2025
KEY HIGHLIGHTS

ERNAKULAM | ALUVA | TRIVANDRUM

KEY HIGHLIGHTS OF UNION BUDGET 2025

INCOME TAX:

1. No Income Tax up to Income of Rs 12 Lakhs for **resident individual's** (other than special rate income such as capital gains) under the new regime, benefitting the middle class.

2. Individual assessee's to be allowed to claim annual value of two self-occupied properties as nil without any condition

3. Tax exemption to be provided on withdrawals made from National Savings Scheme by individuals on or after 29th August, 2024

4. Income Tax Updated Returns for past 4 years in ITR-U

5. Deduction u/s 80CCD for contributions to the NPS Vatsalya with an overall limit of Rs. 50,000/-

6. Carried forward loss/ accumulated loss of the predecessor entity shall be carried forwarded and claimed by the new company for a period of 8 years from the AY in which the loss was first computed. (Previously this was – 8 years from end of the financial year in which amalgamation has been affected). This will discourage the revival of sick units.

7. Tonnage tax scheme extended for inland vessels registered under Indian Vessels Act 2021 (previously only for sea going ships).

8. It is proposed to create a prescribed reporting entity in respect of a crypto-asset to furnish information in respect of a transaction in such crypto asset.

9. The Central Government empowered to prescribe revised threshold limit wrt the perquisites u/s 17.

10. Unit Linked Insurance Policy (ULIP) will be treated as capital asset and subject to capital gain tax on redemption. (LTCG – 12.5% and STCG 20%, holding period – 12 months)

11. Rationalisation of TDS and TCS rates:
    (a) TDS on interest paid to Senior Citizen threshold enhanced from Rs 50,000/- to Rs 1 Lakh pa.
    (b) TDS on other interest's threshold enhanced from Rs 5,000/- to Rs 10,000/- pa.
    (c) TDS on Rent u/s 194I increased to Rs 50,000/- per month.
    (d) TDS u/s 194J threshold increased to Rs 50,000/- from Rs. 30,000/- per transaction/ pa.
    (e) Interest on securities, Dividend, Income from MFU threshold limit increased to Rs 10,000/- pa.
    (f) Insurance or lottery commission, commission and brokerage limit increased to Rs 20,000/- pa.
    (g) Income from Lottery, horse race – Rs10,000 per transaction.
    (h) Threshold limit for TCS on LRS remittances has been increased from Rs 7 Lakh to Rs 10 Lakh.
    (i) TCS on remittances for education purposes, where such remittance is out of a loan taken from a specified financial institution - removed
    (j) TCS on sales removed.
    (k) Higher rates of TDS on non-filers of IT return are **removed**. Higher TDS only for non-PAN cases.
    (l) Reduction in TCS on timber or any other forest produce (other than tendu leaves) obtained from forest lease or any other mode other than forest lease from 2.5% to 2%
    (m) TCS provisions decriminalised.

12. International taxation:
    (a) Scheme to be introduced for determining arm's length price of international transaction for a block period of three years, to streamline transfer pricing and to provide an alternative to yearly examination
    (b) Safe Harbour Rules expanded for international taxation
    (c) Presumptive Tax Regime for Non-Residents providing services to Electronic Manufacturing Companies
    (d) It is proposed to amend the definition of SEP so 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 SEP of such non-resident in India.
    (e) Long-term capital gains on transfer of securities by FIIs other than listed equity shares & mutual funds be taxed @ 12.5% to bring it in line with tax on listed equity shares & mutual funds.

GST

13. W.e.f. 1st April 2025, ISD will be permitted to pay tax on inward supplies under RCM for inter-state supply of services and subsequently distribute the input tax credit accordingly among the distinct persons under the same PAN.

14. Unique Identification Marking for implementation of Track and Trace Mechanism for specified goods and certain classes of taxable persons dealing with these goods. This mandates the use of software-readable technologies, such as barcodes or RFID tags, to track the movement of goods. The specified goods and classes of taxable person will be notified later.
    Non-compliance will attract penalty of Rs. 1 Lakh or 10% of the disputed tax, whichever is **higher**

15. GST on the gift vouchers/hampers is taxable only when it is actually redeemed.

16. Retrospective amendment of Section 17(5)(d) of the CGST Act, 2017 to substitute the words " plant or machinery" with the words " plant and machinery" w.e.f. 1st July 2017: In the case of Chief Commissioner of CGST Vs. M/S. Safari Retreats Pvt Ltd & Ors , the Hon'ble Supreme Court had held Input tax Credit cannot be denied on inward supplies used in construction of immovable properties when such property could be considered as plant on satisfying the functionality test thereby, making it eligible for ITC under Section 17(5)(d) of the CGST Act.

17. The supplier to reduce the liability on issue of credit note only when the recipient reverses the ITC corresponding to the credit note. GSTR - 3B also has been automated to ensure compliance with this requirement. To reinforce seamless reconciliation of tax adjustments between suppliers and recipient's, the IMS (Invoice Matching System) has been designed to prevent any pending action against the original credit notes/debit notes.

18. **Additional conditions and restrictions have been inserted for filing of return:**
    (a) Form GSTR-3B for the current period can be filed only if return in Form GSTR -1 and GSTR-3B for the previous periods are filed.

    (b) Taxpayer failing to pay taxes for a preceding tax period, will not be able to file Form GSTR -3B for the current period

    (c) GSTR-1 for the current period cannot be filed unless Form GSTR -1 of the previous periods are filed.

19. **Pre deposit of disputed penalty:**
    (a) When an appeal is to be filed, a minimum pre-deposit of 10% of the disputed penalty amount will be required. This change is going to certainly increase the financial burden on the taxpayers and which is against ease of doing business

    (b) Provides that the supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area shall be treated neither as supply of goods nor as supply of services. However, no refund will be provided for any tax collected on these transactions before the amendment, as the tax would not have been applicable if the amendment had been in force at the time.

<u>MSME AND START-UPS</u>

20. Investment limit for MSME classification to be made 2.5 times. Turnover limits for MSME classification to be doubled

21. Credit guarantee cover to be enhanced for MSMEs from Rs 5 crores to Rs 10 Crores and Start-ups from Rs 10 Crores to Rs 20 Crores

22. Customised credit card for Cards with Rs 5 lakh limit for micro enterprises registered on Udyam portal

23. Startups - Tax benefits extended for 5 years (up to 31st March 2030)

24. Scheme for First-time women, Scheduled Castes and Scheduled Tribes first-time entrepreneurs: provide term loans up to Rs. 2 crores during the next 5 years.

25. Mudra loans to be provided to homestays.

26. Export Promotion Mission will be setup to facilitate easy access to export credit, cross-border factoring support, and support to MSMEs to tackle non-tariff measures in overseas markets.

27. New Fund of Funds for Startups to be set up: Fresh contribution of another Rs 10,000 crore, in addition to existing government contribution of Rs. 10,000 crores.

<u>FUND AND ALTERNATE INVESTMENT FUNDS (AIF)</u>

28. **Security** held by AIF-I & AIF-II would be treated as capital asset only so that any income arising from transfer of such security would be in nature of capital gains

29. The sunset date for making investments by sovereign wealth funds, pension funds & others is extended up to 31st March 2030 The exemption would be available to Long-Term capital gains whether or not such capital gains are deemed as short-term capital gains u/s. 50AA.

30. Capital gains earned by business trusts in case of listed equity shares, equity oriented mutual funds & units of business trust is subject to tax as per the provisions of 112A (Subject to capital gain taxes).

INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC)

31. Sunset dates for commencement of operations of IFSC units for several tax concessions or relocation of funds to IFSC is extended to 31stMarch 2030.

32. Exemption u/s 10(10D) is provided to the sum received under life insurance policy subject to conditions. Exemption is not available if annual premium is above Rs 2.5 Lakhs for ULIPs & Rs. 5 Lakhs for life insurance policies other than ULIP. This condition is not applicable to insurance policies issued by IFSC Insurance Offices.

33. Exemption is provided to non-residents or unit of IFSC engaged in ship leasing on capital gains tax on transfer of equity shares of domestic companies being units of IFSC, engaged in ship leasing.

34. Exemption is provided to dividend paid by a company (a unit of IFSC) engaged in ship leasing to a unit of IFSC engaged in ship leasing.

35. Any advance or loan between two group entities, where one entity is a “Finance unit” in IFSC set up for undertaking treasury activities & the ‘parent entity’ of such ‘group entity’ is listed on stock exchange outside India shall not be treated as ‘dividend’.

36. Relaxation for non-compliance of conditions set out for the fund management activity carried out through manager of eligible investment fund not to constitute business connection in India: Determining the position as on 1st April and 1st October of every year and if said conditions are not satisfied on either of these dates, comply within 4 months from the said date.

37. Income of non-resident on transfer of non-deliverable forward contracts or offshore derivative instruments or over the-counter derivatives or distribution of income on offshore derivative instruments entered with Foreign Portfolio Investors (FPI) are exempt.

SECTOR/ INDUSTRY SPECIFIC ANNOUNCEMENTS

38. **Charitable trusts:**
    (a) Compliance burden for small charitable trusts & institutions (whose income does not exceed Rs 5 crores in the during each of the two previous years) to be reduced, by increasing their registration period from 5 years to 10 years
    (b) Amendment to Specified person definition
        (i) Substantial contribution increased from Rs 50,000/- to Rs 1 Lakhs or Aggregate contribution of Rs 10,00,000/- up-to to the end of the year
        (ii) Relative of such person or any concern in which such person has substantial interest - **removed**

39. **Medical:**
    (a) Medical tourism and ‘**Heal in India’** to be promoted in partnership with private sector. Top 50 tourism destination sites will be developed in partnership with states.
    (b) Medical college: In the next year, 10,000 additional seats will be added in medical colleges and hospitals, towards the goal of adding 75,000 seats in the next 5 years.

40. **Seafood exports:** India ranks second largest globally in fish production and aquaculture. Seafood exports are valued at 60,000 Crore Rupees. To unlock the untapped potential of the marine sector, the government will bring in an enabling framework for sustainable harnessing of fisheries from the

Indian exclusive economic zone and high seas with a special focus on the Andaman and Nicobar and Lakshadweep Islands.

41. **Co-operative sector:** Government to provide support to National Co-operatives Development Corporation for its lending operations for co-operative sector

42. **Boosts to Footwear, Leather, Toys & Cotton Industry**
    (a) New scheme for footwear & leather sector to create 22 lakh jobs, Rs 4L Cr revenue & Rs 1.1L Cr+ exports.
    (b) Toys sector to get a dedicated scheme to make India a global manufacturing hub and promote '**Make in India'**
    (c) Announces 5-year mission to promote cotton production

43. **Nuclear Energy:**
    (a) Development of at least 100GW of nuclear energy by 2047 is essential for energy transition efforts. For an active partnership with the private sector towards this goal, amendments to the Atomic Energy Act and the Civil Liability for Nuclear Damage Act will be taken up.
    (b) A Nuclear Energy Mission for research & development of Small Modular Reactors (SMR) with an outlay of Rs. 20,000 crores will be set up.

44. **Shipbuilding**
    (a) The Shipbuilding Financial Assistance Policy will be revamped to address cost disadvantages. This will also include Credit Notes for shipbreaking in Indian yards to promote the circular economy.
    (b) Large ships above a specified size will be included in the infrastructure harmonized master list (HML).
    (c) Shipbuilding Clusters will be facilitated to increase the range, categories and capacity of ships. This will include additional infrastructure facilities, skilling and technology to develop the entire ecosystem.

45. **Maritime Industry:**
    For long-term financing for the maritime industry, a Maritime Development Fund with a corpus of Rs 25,000 crore will be set up and will be distributed for support and promoting competition. This will have up to 49 per cent contribution by the Government, and the balance will be mobilized from ports and private sector.

46. **Airline and Airports:**
    UDAN - Regional Connectivity Scheme: A modified UDAN scheme will be launched to enhance regional connectivity to 120 new destinations and carry 4 crore passengers in the next 10 years. The scheme will also support helipads and smaller airports in hilly, aspirational, and North East region districts.

47. **Unified platform for international trade documentation and financing:** A digital public infrastructure, 'BharatTradeNet' (BTN) for international trade will be set-up as a unified platform for trade documentation and financing solutions. This will complement the Unified Logistics Interface Platform. The BTN will be aligned with international practices.

48. **Warehousing facility for air cargo**
    Facilitate upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce. Cargo screening customs protocols will be streamlined and made user-friendly.

49. **Insurance** FDI hiked from 74% to 100%

50. **Other announcements:**
    (a) Centralised KYC system soon
    (b) Speedy approval of company mergers will be rationalized. The scope for fast-track mergers will also be widened and the process made simpler.
    (c) Jan Vishwas 2.0 bill to decriminalise over 100 provisions in existing laws.
    (d) The government will create a Rs 1 lakh crore Urban Challenge Fund aimed at transforming cities into growth hubs. The fund will finance 25% of the cost of bankable projects, with an allocation of Rs 10,000 crore for 2025-26. The remaining 50% will be funded through bonds, bank loans, and public-private partnerships (PPPs).
    (e) Investing in Research, Development and Innovation Rs. 20,000 crores for private-sector driven Research, Development and Innovation initiative announced in the July Budget
    (f) National Geospatial Mission to be launched to develop foundational geospatial infrastructure and data

<u>CUSTOMS</u>:

51. **Rationalisation of Customs Tariff Structure for Industrial Goods**
    (a) Propose removal of 7 tariff rates over and above those in removed in earlier budget. Only 8 tariff rates to remain after the new move.

    (b) Levy not more than one cess or surcharge

52. **Relief on import of Drugs/Medicines:**
    (a) 36 lifesaving drugs and medicines added to the list of medicines fully exempted from Basic Customs Duty (BCD).

    (b) 6 life-saving drugs/medicines added to the list attracting concessional customs duty of 5%.

    (c) Full exemption and concessional duty will also respectively apply on the bulk drugs for manufacture of the above

    (d) Specified drugs and medicines under Patient Assistance Programmes run by pharmaceutical companies are fully exempt from BCD, provided the medicines are supplied free of cost to patients.

    (e) 37 more medicines added along with 13 new patient assistance programmes.

53. **Support to Domestic Manufacturing and Value addition of:**
    (a) Critical Minerals:
    Propose to fully exempt cobalt powder and waste, the scrap of lithium-io battery, Lead, Zinc and 12 more critical minerals. This will help secure their availability for manufacturing in India and promote more jobs for our youth.

    (b) Textiles (*agro-textiles, medical textiles and geo textiles)***:**
        (i) It is proposed to add two more types of shuttles-less looms to the list of fully exempted textile machinery.
        (ii) it is proposed to revise the BCD rate on knitted fabrics covered by nine tariff lines from “10% or 20%” to “20% or ` 115 per kg, whichever is higher”.

(c) Electronic Goods
   (i) To rectify inverted duty structure, it is proposed to increase the BCD on Interactive Flat Panel Display (IFPD) from 10% to 20% and reduce the BCD to 5% on Open Cell and other components.
   (ii) To further boost the manufacture of such Open Cells, the BCD on these parts will now stand exempted.

(d) Lithium Ion Battery
It is proposed to add 35 additional capital goods for EV battery manufacturing, and 28 additional capital goods for mobile phone battery manufacturing. This will boost domestic manufacture of lithium-ion battery, both for mobile phones and electric vehicles.

(e) Shipping Sector
Exemption of BCD on raw materials, components, consumables or parts for the manufacture of ships for another ten years. It is proposed the same dispensation for ship breaking to make it more competitive.

(f) Telecommunication
To prevent classification disputes, the BCD is reduced from 20% to 10% on Carrier Grade ethernet switches to make it at par with Non-Carrier Grade ethernet switches.

54. **Export Promotion**

(a) Handicraft Goods
   (i) Time period for export of handicraft goods extended from six months to one year, further extendable by another three months, if required.
   (ii) Nine items to the list of duty-free inputs.

(b) Leather sector
   (i) BCD fully exempted on Wet Blue leather to facilitate imports for domestic value addition and employment.
   (ii) Exempt crust leather from 20% export duty to facilitate exports by small tanners.

(c) Marine products
   (i) BCD reduced from 30% to 5% on Frozen Fish Paste (Surimi) for manufacture and export of its analogue products.
   (ii) BCD reduced from 15% to 5% on fish hydrolysate for manufacture of fish and shrimp feeds.

(d) Domestic MROs for Railway Goods
To promote development of domestic MROs for aircraft and ships and railway goods, the time limit for export of foreign origin goods that were imported for repairs is extended from 6 months to one year and further extendable by one year.

55. **Trade facilitation**

Time limit for Provisional Assessment: Presently, the Customs Act, 1962 does not provide any time limit to finalize Provisional Assessments leading to uncertainty and cost to trade. As a measure of promoting ease of doing business, a **time-limit of two years, extendable by a year**, for finalising the provisional assessment.

56. **Voluntary Compliance**

New provision will be introduced that will enable importers or exporters, after clearance of goods, to voluntarily declare material facts and pay duty with interest but without penalty. This will incentivise voluntary compliance. However, this will not apply in cases where department has already initiated audit or investigation proceedings.

57. **Extended Time for End Use**
For industry to better plan their imports, it is proposed to extend the time limit for the end-use of imported inputs in the relevant rules, from six months to one year. This will provide operational flexibility in view of cost and uncertainty of supply. Further, such importers will now have to file only quarterly statements instead of a monthly statement.

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