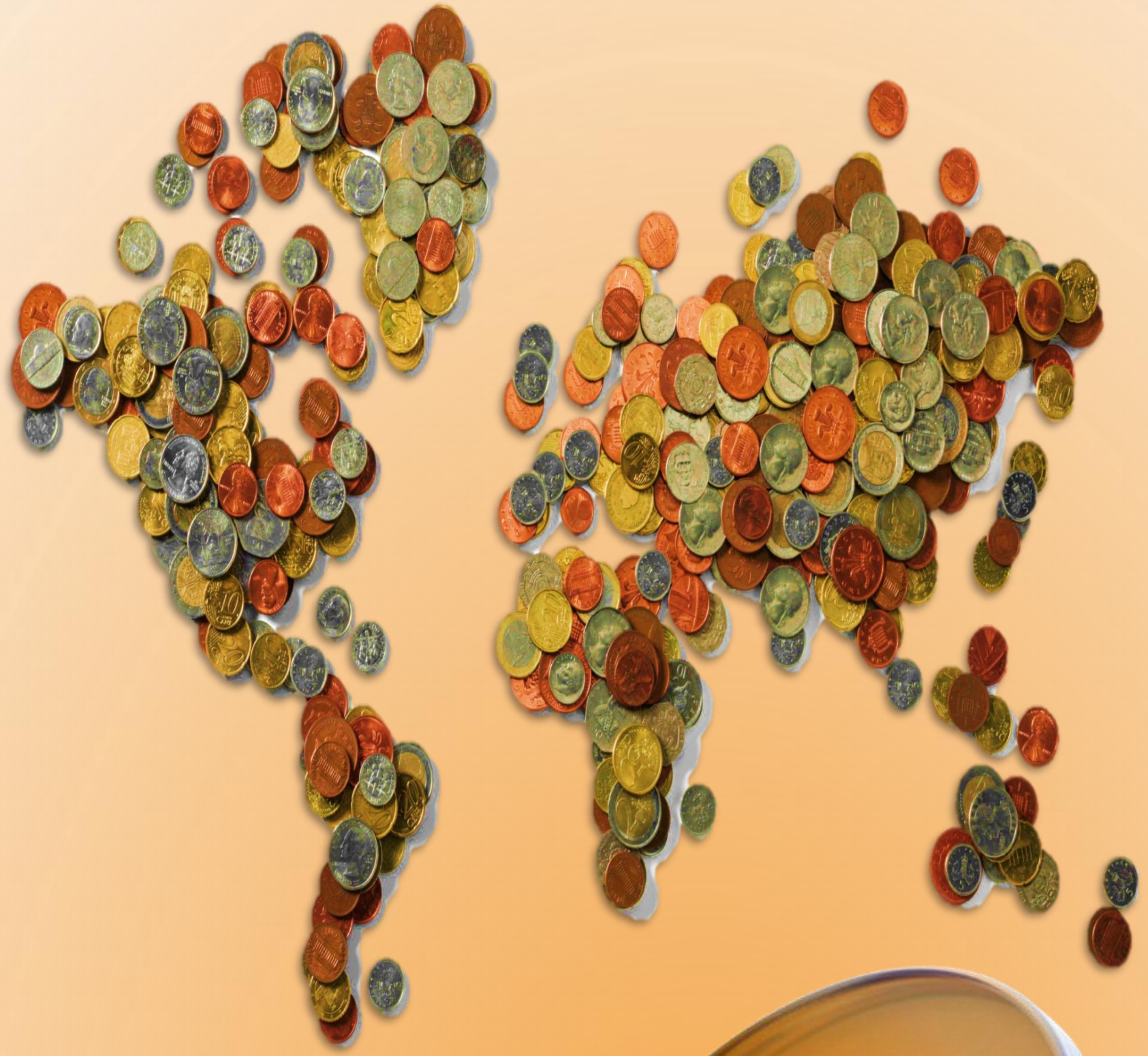
Union Budget 2025

Key Highlights



Catalyst for Success

Union Budget 2025

Contents

Catalyst for Success

Direct Tax – Tax Rate Changes

SLAB rates under New Tax Regime

01

S. No.	Total Income	Rate of Tax
1	Upto Rs. 4,00,000	Nil
2	From Rs. 4,00,001 to Rs. 8,00,000	5%
3	From Rs. 8,00,001 to Rs. 12,00,000	10%
4	From Rs. 12,00,001 to Rs. 16,00,000	15%
5	From Rs. 16,00,001 to Rs. 20,00,000	20%
6	From Rs. 20,00,001 to Rs. 24,00,000	25%
7	Above Rs. 24,00,000	30%

- Effectively there will be no tax on income of up to Rs. 12.75 Lacs. (incl. standard deduction) salary Income, after providing the relief u/s 87A of the Income Tax Act, 1961.
- Rebate increased form Rs. 25,000/- to 60,000/- under new tax regime.
- Effectively no tax is required to be paid up to the income of Rs. 12,00,000/- under new Tax Regime.

02

Amendment made in rates of TDS provisions				
S. No	Section	Erstwhile TDS Rates	Proposed TDS Rates	Effective from
1	194LBC- Income in respect of investment in securitization of trust (Payee is Individual and HUF)	25%	10%	01.04.2025
2	194LBC- Income in respect of investment in securitization of trust (Payee is other than individual)	30%	10%	01.04.2025

Direct Tax – Tax Rate Changes

03

Amendment in Threshold limit of TDS provisions

S. No.	Section	Current threshold	Proposed Threshold	Effective from
1	193 - Interest on securities	Nil	Rs. 10000/-	01.04.2025
2	194A - Interest other than Interest on securities	(i) Rs. 50,000/- for senior citizen	(i) Rs. 1,00,000/- for senior citizen	01.04.2025
		(ii) Rs. 40,000/- in case of others when payer is bank, cooperative society and post office	(ii) Rs. 50,000/- in case of others when payer is bank, co-operative society and post office	01.04.2025
		(iii) Rs. 5,000/- in other cases	(iii) Rs. 10,000/- in other cases	01.04.2025
3	194 - Dividend for an individual shareholder	Rs. 5000	Rs. 10000	01.04.2025
4	194K - Income in respect of units of a mutual fund or specified company or undertaking	Rs. 5000	Rs. 10000	01.04.2025
5	194B - Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction	01.04.2025
6	194BB - Winnings from horse race			01.04.2025
7	194D - Insurance commission	Rs.15000	Rs.20000	01.04.2025
8	194G - Income by way of commission, prize etc. on lottery tickets	Rs.15000	Rs.20000	01.04.2025
9	194H - Commission or brokerage	Rs.15000	Rs.20000	01.04.2025
10	194-I Rent	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month	01.04.2025
11	194J - Fee for professional or technical services	Rs. 30,000/-	Rs. 50,000/-	01.04.2025
12	194LA - Income by way of enhanced compensation	Rs. 2,50,000/-	Rs. 5,00,000/-	01.04.2025

Rationalisation of TCS Provisions

01 Earlier TCS was collected on "timber" @ 2.5%. Now, this has been amended to include "any other forest produce (not being tendu leaves)" where forest produce shall have the same meaning as defined in any State Act or in the Indian Forest Act, 1927. Also, TCS rate on "timber as well as forest produce" is proposed to be capped at 2%, therefore merging both the provisions.

02 Under LRS scheme the threshold of TCS is proposed to be increased from 7 lakh to 10 lakh. Also, TCS on remittances for education purposes, where such remittance is out of a loan taken from a specified financial institution is proposed to be remove.

03 Sale of good will not be subject to TCS provisions. However, TDS provisions u/s 194Q will continue to apply.

04 Trigger point for initiation of prosecution due to non-deposit of tax has been aligned similar to TDS provisions. TCS collected can now be deposited before the filing of the quarterly statement without attracting any prosecution.

05 The time limit for completion of TCS assessment shall not include period for which proceedings by an order of court. This brings parity with the TDS assessment provisions.

06 Earlier, withholding or collection of taxes are used to done at higher rates in case of non-filers of ITRs. This provision has now been done away with to ease out the compliance burden.

Effective from April 2025

Direct Tax – Changes in Litigation

01 The scope of assessment as a result of search is proposed to be extended to the assessments which are required to be made irrespective of the fact that it is pending as on date or not and such assessment shall be duly completed.

Effective from February 1st, 2025.

02 The computation mechanism of total income of block period has been proposed to be amended with specific emphasis on the calculation of undisclosed income.

Effective from February 1st, 2025.

03 Time limit of 12 months to pass the order under block assessment is proposed to be counted from the end of the quarter instead of the end of the month in which the last of the authorizations for search was executed/made thus, increased timeline to pass the order.

Effective from February 1st, 2025

04 Faceless scheme for proceedings under sections 92CA, 144C, 253 and 255 of the Act are yet to be notified. They were earlier required to be notified by 31.03.2025.

Effective from April 1st, 2025

05 Clarificatory amendment has been made in the various provisions of the Act to provide certainty to the period of exclusion due to stay or injunction order of any court. Exclusion period will commence from the date on which stay was granted and ending on the date on which certified copy of the order vacating the stay was received by the jurisdictional Principal Commissioner or Commissioner.

Effective from April 1st, 2025

06 Rationalization of bar on imposing penalty pursuant to order passed by various appellate authorities where earlier different timelines were mentioned for various authorities which is now proposed to be rationalized to six months from the end of the quarter in which the connected proceedings are completed, or the order of appeal is received by the jurisdictional Principal Commissioner or Commissioner, or the order of revision is passed, or the notice for imposition of penalty is issued, as the case maybe.

Effective from April 1st, 2025.

Direct Tax – Changes in IFSC Units

01

Unit of the IFSC can now commence operations upto 31st March, 2030, thus extending the timelines from 31st March, 2025 or 2026. Such units will become eligible for following exemptions / deduction –

- Income arising from the transfer of an aircraft or ship leased by such unit.
- Income of a fund located in IFSC to be exempt arising from the transfer of bonds, GDRs, Rupee Denominated Bond of an Indian Company or derivatives or other notified securities on stock exchange located in IFSC
- Income of a non – resident to be exempt arising by way of royalty or interest on account of lease of aircraft or a ship paid to a unit of an IFSC
- Capital gain and dividend arising from the transfer of equity shares of a unit of an IFSC, engaged in the business of leasing of an aircraft or ship leasing (being introduced).

02

Income from the transfer of non-deliverable forward contracts or offshore derivative instruments or over the counter derivatives or as a result of distribution of income on offshore derivative instruments earned by an FPI, being a unit of IFSC (being introduced) shall now be exempt.

03

Deemed dividend provisions shall not apply on advance between a 'Finance Company' or 'Finance unit' set up in IFSC and the 'parent entity' or 'principal entity' of such 'group entity' (listed on stock exchange outside India).

Effective from April 1st, 2025.

04

The transfer of a share or unit or interest held in an original fund in consideration of share or unit or interest in the resultant fund located in IFSC will not be regarded as transfer if done on or before 31st March, 2030, earlier being 31st March, 2025.

05

Business connection test via-a-vis IFSC unit has a tolerance limit of 5% of the corpus. Such compliance to the tolerance limit is now required to be tested on 1st day of April or October of such previous year. Benefit available to units commencing operations in IFSC on or before 31st March, 2030.

Effective from April 1st, 2025.

Rationalisation Of Transfer Pricing Provisions

A new sub section (3B) in section 92CA has been proposed to be introduced which would provide the Assessee an option wherein the Arm's length Price (ALP) determined in relation to an international transaction or a specified domestic transaction for any previous year shall apply to the 'similar transaction' for the two consecutive previous years immediately following such previous year. For the same, the following amendments have been proposed -

Effective from April, 2026

01 The Assessee shall have to exercise the option in the form & manner prescribed & thereon TPO through an order may declare the option valid.

02 If TPO declares the option as valid, the ALP determined for any previous year shall apply to the similar international transaction for the two consecutive previous years immediately following such previous year.

03 The ALP in relation to the similar transaction for two consecutive previous years shall be determined basis an order passed by the TPO.

Other Direct Tax Amendments

01

Capital gain tax on foreign institutional investors

The tax rate applicable on long term capital gain for sale of securities from Foreign institutional investors have been amended at par with other tax rate. Long term gain tax shall now be charged at 12.5% instead of 10%.

Effective from April 1st, 2026

02

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

Reasons of cancellation of registration of trust or institutions includes incomplete, false or incorrect information. The Budget proposes to delete "incomplete" information as a reason of cancellation.

Effective from April 1st, 2025

03

Period of registration of smaller trusts or institutions

Registration for Trust is valid for 5 years, after which a renewable application is required to be filled. Considering the exercise for registration/ renewal is an onerous exercise, a special carve out has been proposed for Trust whose total income does not exceed 5 crores (for each of the two previous years such trust has been categorized as small trusts). Further, it has been also proposed to extend the period of registration to 10 years for such small trusts.

Effective from April 1st, 2025

04

Rationalization of persons specified under sub-section (3) of section 13 for trusts or institutions

Income of trust applied for benefit of certain persons shall not be excluded. Such persons were to include those who had made

- Substantial contribution exceeding Rs 50,000
- Relative of such person
- Any concern which such person has substantial interest

To rationalize this provision, limit has been amended to include contribution made during the relevant previous year exceeding Rs 1,00,000, or, in aggregate up to the end of the relevant previous year exceeding Rs. 10,00,000 and shall now "not include" relative of such person and concern in which such person has substantial interest.

Effective from April 1st, 2025

Other Direct Tax Amendments

05

Taxation of Shipping Companies

The Tonnage Tax scheme has now been extended to include Inland water transport vessels. The amendment has been proposed by extending the criteria of qualifying ship to include the aforesaid.

Effective from April 1st, 2026

06

Certain penalties to be imposed by the Assessing Officer

Earlier, penalties arising from assessment proceedings conducted by the Assessing officer were imposed by the Joint Commissioner. This anomaly has now been rectified by giving Assessing officer the authority to impose and pass penalty orders in such cases, subject to the prior approval of the Joint Commissioner.

Effective from April 1st, 2025

07

Rationalization of provisions related to carry forward of losses in case of amalgamation

Losses of amalgamating entity shall now be allowed to be carried forward by the amalgamated entity for a maximum period of subsequent 8 Assessment Years. Such 8 years, shall begin starting from the year when such loss was first computed. By this amendment, parity has been achieved with respect to carry forward provisions contained in section 72 of the Act.

Effective from April 1st, 2026

08

Redemption of Unit Linked Insurance Policy

The taxation rules for ULIPs have been amended to eliminate any threshold limit. Earlier, the trigger point for taxation of ULIPs was when such exemptions referred to in Section 10(10D) of the Act does not apply on account of premium paid during the year exceeding Rs. 2,50,000 as per the limit specified in the Finance Act 2021. However, under the new provisions, ULIPs will now be subject to capital gains tax regardless of the premium amount if they do not fall under the ambit of exemptions provided in section 10(10D).

Effective from April 1st, 2026

Other Direct Tax Amendments

09

Start-up Tax

Provisions of Section 80-IAC of the Act providing deductions (100%) on profits and gains earned by an eligible startup have been extended to those who will be incorporating entities by 31st March, 2030. Earlier such time limit was up to 31st March 2025, which has been extended for further five years.

Effective from April 1st, 2025

10

Definition of Crypto-assets

The definition of Virtual Digital Assets has been amended to include digital representation which relies on cryptographic and distributed ledger technologies. It seems this amendment has been proposed to clarify the intention to include such class of crypto assets irrespective whether the earlier definition was including it or not.

Effective from April 1st, 2026

11

Information furnishing in respect of crypto-asset

Virtual digital assets had been included as a class of assets in the earlier budget (2022). Since such assets has been made subject to tax, the obligation to furnish information of crypto asset has now been introduced vide section 285BAA. Such information shall include the transactional details of crypto assets.

Effective from April 1st, 2026

12

Amendments in Penalty provisions

Time limit for disposing of application filed by the taxpayer seeking immunity from the penalty provisions has been extended by two months i.e., now the tax officer can dispose of such application within 3 months from the end of the month in which application has been submitted.

Effective from April 1st, 2025

Other Direct Tax Amendments

13

Socio-Economic Welfare Measures Sec 80CCA (01.04.2026)

- The threshold limit for taxation of perquisites shall undergo changed by increasing such limits will be prescribed by Rules.
- The expenditure incurred by the employer for travel outside India on the medical treatment of such employee or his family member would not be treated as a perquisite as per the limits will be prescribed by the Rules.

14

Exemption to withdrawals by Individuals from National Savings Scheme from taxation (29.08.2024)

- Basis the notification of Department of economic affairs dated 29.08.2024 that no interest would be paid after 01.10.2024. It is therefore proposed to amend the section to provide relief to individuals facing hardships on account of compulsory withdrawal.

15

Additional deduction under section 80CCD-1B for contributions made to NPS Vatsalya (01.04.2026)

- Deduction of Rs. 50000/- is available to the parent for contributing in the account of minor under sec 80CCD-1B.
- NPS Vatsalya Scheme also allows for partial withdrawal for the reasons like education, treatment of specified illnesses and disability (of more than 75%) of the minor.

16

Extending the time-limit to file the updated return (01.04.2025)

- Updated return of Income (ITR-U) can be filed for the 4 consecutive previous years by simply paying the additional tax at following rates.

S.No	Months	Additional Tax
1	12 Months	25%
2	24 Months	50%
3	36 Months	60%
4	48 Months	70%

Other Direct Tax Amendments

17 Annual value of the self-occupied property

- For determination of annual value, self-occupied property was considered as Nil value. Such benefit was available for one house property but was extendible to second house property, where such second property was vacant due to employment, business or profession at any other place. The amendment has deleted such requirement as is attached to the second house property thus annual value of two houses properties can be taken as Nil without any precondition.

Effective from April, 2025

18 Rationalization in taxation of Business Trust

- Under the provisions Section 115UA(2) of the Act, the total income of Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InVIT) [commonly referred to as business trusts] is taxed at Maximum Marginal Rate (MMR), exception being provisions of section 111A and section 112. precondition.
- Vide the finance bill 2025, such exception has been extended to also include section 112A of the Act.

Effective from April, 2026

19 Non-residents engaged in providing services for electronic manufacturing can pay taxes under presumptive taxation

- New provision has been introduced (section 44BBD) for taxation of non- residents who are engaged in providing support in setting up of electronics manufacturing facilities. The provision provides for presumptive taxation by deeming 25% as income on gross receipts, thus paying taxes on the same.

Effective from April, 2026

20 Amendment In definition of 'Capital Asset' with reference to investment funds

- Provisions of section 2(14)(b) defines Capital Asset as any security held by Foreign Institutional Investor which has invested in such securities in accordance with the regulations made under SEBI Act, 1992. Vide the Finance Bill 2025, the scope of this section has been proposed to be expanded to also include security held by investment funds referred to in Section 115UB of the Act.

Effective from April, 2026

Other Direct Tax Amendments

21

Start-up Tax

Provisions of Section 80-IAC of the Act providing deductions (100%) on profits and gains earned by an eligible startup have been extended to those who will be incorporating entities by 31st March, 2030. Earlier such time limit was up to 31st March 2025, which has been extended for further five years.

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Effective from April, 2026

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Effective from April 2025

Union Budget 2025

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Catalyst for Success

Customs Tariff

Agriculture

- BCD on Frozen Fish Paste (Surimi) under tariff item 0304 99 00 reduced from 30% to 5% for use in manufacturing surimi analogue products for export
- New tariff items 2008 19 21 , 2008 19 22 and 2008 19 29 introduced for "Makhana“
- BCD on Fish Hydrolysate (under sub-heading 2301 20) has been reduced from 15% to 5% for use in making aquatic feed.
- Basic Customs Duty (BCD) on Wet Blue leather (hides and skins) reduced from 10% to Nil and Export duty on Crust leather (hides and skins) under the same headings is reduced from 20% to Nil

Chemical

- The tariff rate on Phosphoric Acid (tariff item 2809 20 10) is reduced from 20% to 7.5%
- The tariff rate on Boric Acid (tariff item 2810 00 20) is reduced from 27.5% to 7.5%
- New tariff items are being introduced: for Lime Sulphur, Magnesium Phosphide Plates and Zinc Phosphide, with a tariff rate of 7.5%.
- The tariff rate on laboratory chemicals is being reduced from 150% to 70%

Baggage

- The tariff rate on all dutiable articles imported by passengers or crew as baggage (tariff item 9803 00 00) is being reduced from 100% to 70%
- The tariff rate on all dutiable goods imported for personal use is being reduced from 35% to 20%

Customs Tariff

FMCG

- The tariff rate for goods classified under sub heading 3302 10
  - i. The tariff rate is being reduced from 100% to 20% on synthetic flavoring essences and mixtures of odoriferous substances of a kind used in food and beverage industry w.e.f 2nd February, 2025
  - ii. However, goods currently enjoying a concessional rate under S. No. 239 of Notification No. 50/2017-Customs (dated June 30, 2017) will be subject to a 20% tax starting May 1, 2025.
- The tariff rate on candles, tapers, and similar items is being reduced from 25% to 20%
- The tariff rate is being reduced from 25% to 20% on other, plates, sheets, films, foil and strip, of plastics, non-cellular and not reinforced, laminated, supplied or similarly combined with other materials and other, plates, sheets, films, foil and strip, of plastics.

Infrastructure

- The tariff rate is being reduced from 40% to 20% on marble and travertine crude or roughly trimmed, merely cut into blocks, slabs and granite crude or roughly trimmed or merely cut into blocks or slabs of a rectangular (including square) shape, worked monumental or building stone classified under heading 6802 except tariff item 6802 99 00

Customs Tariff

Pharmaceuticals & Chemical

- The tariff rate is being reduced from 10% to 7.5% on all items falling under sub heading 2933 59 for certain organic chemicals used for medicinal purpose
- The tariff rate is being reduced from 30% to 10% on tariff sub heading 3822 90 covering Pharmaceuticals Reference standard, Certified/ other reference materials.
- The tariff rate is being reduced from 30% to 20% on Sorbitol classified under sub heading 3824 60
- The tariff rate is being reduced from 17.5% to 7.5% on Other - Prepared Binders, chemical products and preparations of chemical or allied industries classified under tariff item 3824 99 00
- BCD has been exempted for certain medicinal drugs used for the treatment of cancer.

Precious Metals

- The tariff rate is being reduced from 25% to 20% on articles of jewellery and parts thereof classified under heading 7113, and articles of goldsmiths' or silversmiths' wares and parts thereof classified under heading 7114.
- The Basic Customs Duty rate is being reduced from 25% to 5% on platinum findings classified under 7113, and an AIDC of 1.4% is being imposed.

Textile

- The tariff rate is being revised from 10%/20% to "20% or Rs. 115 per kg, whichever is higher" on knitted fabrics classified under tariff items 6004 10 00, 6004 90 00, 6006 22 00, 6006 31 00, 6006 32 00, 6006 33 00, 6006 34 00, 6006 42 00 and 6006 90 00
- The tariff rate is being reduced from 35% to 20% on footwears classified under headings 6401, 6402, 6403, 6404 and 6405

Customs Tariff

Electrical Goods

- The tariff rate on electricity meters for alternating current (smart meters), Electrical Toys reduced to 20%.
- Increase in BCD on Interactive Flat Panel Displays (CBU) Raised from 10% to 20% & reduced to 5% for Open Cell with or without touch, Touch glass sheet and Touch sensor PCB for manufacture of Interactive Flat Panel Display module.
- Reduction in BCD for Other Products
  - i. Ethernet Switches (Carrier grade): Reduced from 20% to 10%.
  - ii. Solar Modules, Photovoltaic Cells: Tariff rate cut from 40% to 20%
  - iii. Solar Cells: Tariff rate reduced from 25% to 20%
  - iv. Lithium-Ion Battery Waste & Scrap: Reduced from 5% to Nil.
- BCD reduced to Nil on inputs/parts for PCBA, camera module, connector, wired headset, microphone, receiver, USB cable, fingerprint reader/scanner, chip on film, PCBA, glass board/substrate cell.

Metals & Metal Scraps:

- Steel items (various tariff codes): Reduced to 15% (from 27.5%/22.5%/20% or 25%).
- Copper, Lead, Zinc, and Tin waste/scrap: Reduced to Nil.
- Cobalt Powder (8105 20 30): Reduced to Nil.
- Exemptions for Lithium-ion battery manufacturing:
  - **i.** **Mobile phones**: Auto-taping machines, electrolyte tapping, ultrasonic cleaning, etc.
  - **ii.** **EVs**: Solvent recovery, helium test, electrolyte injection, ultrasonic welding, etc.

Customs Tariff

Transportation

- Tariff rate on Motor Vehicles (Passenger & Goods Transport) under Headings 8702 & 8704 reduced from 40% to 20%.
- Tariff rate on Motor Vehicles under Heading 8703 reduced from 125% to 70%.
- Tariff rate on Motorcycles under Heading 8711 reduced from 100% to 70%.
- Tariff rate on Bicycles under Tariff Item 8712 00 10) reduced from 35% to 20%.
- Reduction in Tariff Rate for Yachts & Pleasure Vessels from 25% to 20% under Heading 8903.

Others

- The tariff rate on seats (excluding those under heading 9402, other furniture, mattress supports, bedding articles, and lighting fittings is being reduced from 25% to 20%
- The tariff rate is being reduced from 30% to 20% on glycerol falling under tariff item 1520 00 00

Customs/Central Excise – Key Changes

A significant shift in the Customs Dispute Resolution Process

01 Settlement Commission

The Settlement Commission will cease to operate on or after April 1, 2025. The Interim Board will assume the powers and functions of the Settlement Commission under relevant sections of the Customs Act, 1962 and the Central Excise Act, 1944. The amendment introduces a cutoff date for new applications under Section 127B, setting it as the 1st day of April, 2025.Sunset clause has been introduced for cases filed before Settlement commission which is up to 31st March 2025.

02 Settlement Commission Proceedings

Settlement Commission proceedings consist of four key stages: application approval, order issuance, a 7-day(From receipt of order) report request period, and a 30-day report submission deadline.

03 Interim Board Authority

The Interim Board for Settlement, constituted under Section 31A of Central Excise Act, 1944, will handle pending applications under the Central Excise Act,1944 and Customs Act,1962 from April 1, 2025.

04 Settlement Commission Committee

The Central Government can constitute one or more Interim Boards through notification, transferring all pending applications to them. Each Interim Board will consist of three members: officers of Chief Commissioner rank or above, nominated by the Central Board of Indirect Taxes and Customs. In cases of differing opinions, the majority opinion of the board members will prevail. The Interim Board will receive assistance from Central Excise Officers, also nominated by the Central Board of Indirect Taxes and Customs.

05 Transition

The Interim Board will assume the powers and functions of the Settlement Commission. The Interim Board can extend the time limit for the order up to 12 months from the constitution date, provided the extension is made within 3 months of constitution and supported by written justification.

Customs – Key Changes

Duty Assessment and Post-Clearance Revision

01 Provisional Assessment Time Limit

A two-year time limit (extendable by one year with cause) applies to finalizing provisionally assessed duty, commencing from the Finance Bill 2025's presidential assent date for pending assessments.

02 Circumstances for Extending the Time Limit

Seeking information through legal processes from outside India.
Appeals in similar matters before the Appellate Tribunal, High Court, or Supreme Court.
Specific directives or orders from the Board to keep a matter pending.
Stay orders issued by the Appellate Tribunal, High Court, or Supreme Court.

03 Post-Clearance Self-Assessment

Importers/exporters can now self assess duty post clearance, enabling voluntary corrections of short-levied or excess duty.

04 Revision of Import/Export Entries: Exceptions

Revision is prohibited during Chapter XIIA audits or Chapter XIII investigations (searches, seizures, summons).
Revision is disallowed for refund cases re-assessed under Section 17, or assessed under Section 18 or 84.
The CBIC may add exceptions via Official Gazette notification

05 Proper Officer Verification

The proper officer may verify or reassess self-assessed duty in specific cases.

GST– Key Changes

SW

Input Service Distributor (ISD)

It has been proposed to clarify the role of the ISD in distributing input tax credit for RCM procurement. Previously, ISDs were only allowed to distribute ITC for intra-state RCM procurement. However, with this amendment, ISDs will now be permitted to distribute ITC for both intra-state and inter-state RCM procurement.

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01

Exemption for Supply from SEZ Warehouses

02

Inserting a new entry in Schedule III of the CGST Act, 2017, it has been specified that any supply of goods from a warehouse in an SEZ or Free Trade Warehousing Zone to any person, before clearance for export or to the Domestic Tariff Area, shall be treated neither as a supply of goods nor as a supply of services. Additionally, if any tax is paid by the taxpayer on such transactions, no refund shall be granted.

Reversal of Credit Notes for Reducing Output Tax Liability

03

The proviso to Section 34 has been amended to specify that the recipient must reverse the input tax credit (ITC) on credit notes in order for the supplier to reduce their tax liability, provided the recipient has availed the ITC on the original invoice.

Revised Pre-Deposit for Penalty Demands

04

Replacing the earlier requirement of a 25% pre-deposit under section 107(6), the taxpayer is now required to make a pre-deposit of only 10% for any demand of penalty (other than tax) when filing appeals before the appellate authority. Additionally, the said provision has also been inserted in section 112 for filing appeals before the appellate tribunal.

Omission of Time of Supply Provisions for Vouchers

05

Provisions related to the time of supply for vouchers concerning goods or services are proposed to be omitted. This omission aims to resolve ambiguities in the treatment of vouchers which is in line with 55th GST Council meeting.

GST – Introduction of Unique Identification marking

Sec-148A

Section 148A provides a framework for implementing a track and trace mechanism for certain goods, as determined by the government. The government is empowered to establish a system that marks goods with unique identification numbers, with this information being stored electronically.
It further stipulates that the government will prescribe specific details regarding the marking, including the type of information it should contain and the manner in which it should be recorded.

The Govt on the recommendation of the GST council will prescribe:

1.The types of goods that are subject to the track and trace mechanism.
2.The persons or entities involved in the handling, possession, or dealings with these goods.

Penalty

In contravention of the provisions of the said section, the person shall, in addition to any penalty under Chapter XV or the provisions of this Chapter, be liable to pay a penalty equal to the higher of the following:

1.An amount of one lakh rupees.
2.Ten percent of the tax payable on such goods.

GST - ITC Eligibility Revisited: Clarification on Section 17(5)(d)

Changes proposed

Section 17(5)(d) has been amended to replace "plant or machinery" with "plant and machinery," effective from 1st July 2017. This change eliminates ambiguity by clarifying that both plant and machinery are required for the provision to apply, rather than just one. It ensures greater clarity in interpretation and reduces potential disputes.

Impact

With the proposed insertion of a new explanation in the Union Budget 2025, the effect of the Hon'ble Supreme Court's judgment in the case of M/S Safari Retreats Private Limited has been nullified. In this judgment, the Supreme Court had given a separate and narrower interpretation to the term “Plant and Machinery”. However, with this new amendment, the definition and interpretation of Plant and Machinery will no longer be governed by the specific ruling in the Safari Retreats case. Instead, the updated explanation provides a more standardized or broader definition, which aligns with existing practices under tax and regulatory frameworks.

Thank You !

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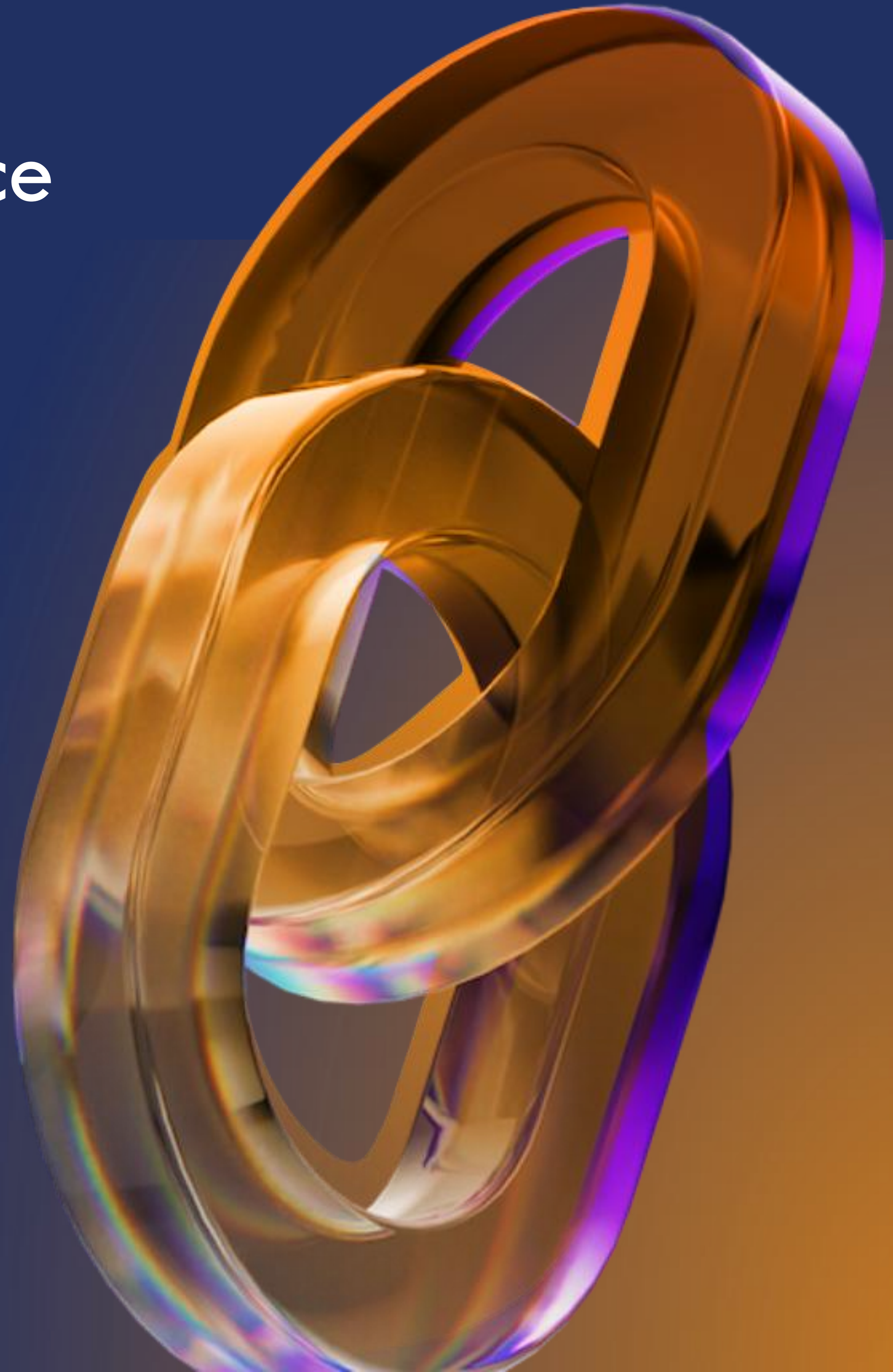

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