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BUDGET 2025-26

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SECTORAL ANALYSIS

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AGRICULTURE

- Introduction of '**Prime Minister Dhan-Dhaanya Krishi Yojana**' in partnership with states. This program in conjunction with the existing schemes, targets to enhance agricultural productivity, crop diversification, post-harvest storage, improved irrigation, and availability of short-term and long-term storage. It aims to cover 100 districts having low productivity, moderate crop intensity, and below-average credit parameters and is likely to help 1.7 crore farmers.

- Launching '**Rural Prosperity and Resilience programme**', primarily focusing upon rural women, rural youth, young farmers, marginal and small farmers, and landless families by creating employment opportunities through skilling, investment, technology, and by invigorating the rural economy.

- The Government shall launch a 6-year mission namely - '**Mission for Atmanirbharta in Pulses**'; having special focus on *Tur*, *Urad,* and *Masoor*. The central agencies National Agricultural Cooperative Marketing Federation of India (NAFED) and National Cooperative Consumers' Federation of India (NCCF) shall procure the offered three pulses for the next 4 years from the farmers who enter into agreements with these agencies. It also aims to achieve *"Atmanirbharta"* in edible oils by implementing the '**National Mission for Edible Oilseed**'.

- Introducing a '**Comprehensive Programme for Vegetables and Fruits**' to promote the production, processing, supply, and remuneration of farmers. Further, it aims to create proper institutional mechanisms for the participation of farmer-producer organisations and establishing cooperatives.

- Establishing '**Makhana Board in Bihar**' to improve the production, processing, marketing, and value addition of makhana. This Board shall provide training support to the farmers, assist them in their day-to-day activities and ensure that they avail the benefits offered to them under various schemes of the Government.

- Launching '**National Mission on High Yielding Seeds**' for the overall development and distribution of seeds with high yield and to strengthen the research ecosystem. It also aims to ensure the commercial availability of the 100 seeds varieties released since July 2024.

- Introducing a five-year mission namely, '**Mission for Cotton Productivity**', to provide technological and scientific support to the farmers to enhance cotton production and to improvise the productivity and sustainability of cotton. This shall in turn increase the income of the farmers and ensure that there is a steady supply of cotton in the market.

- Increasing the loan limit from INR 3 lakhs to INR 5 lakhs for the farmers, fishermen, and dairy farmers under the Modified Interest Subvention Scheme, for loans taken from Kisan Credit Card ('KCC').

IMPACT

The Union Budget 2025-26 (‘Budget’) underscores a decisive push towards strengthening India's agricultural sector and ensuring economic resilience. Initiatives like Prime Minister Dhan-Dhaanya Krishi Yojana will enhance productivity in low-output districts, directly benefiting 1.7 crore farmers with improved access to credit, crop diversification, and post-harvest infrastructure. The expansion of the KCC scheme, with an increased loan limit, will further support farmers, fishermen, and dairy farmers in meeting their financial needs. Further, by integrating research and commercialisation with farmer needs, these initiatives offer a much-needed shift from traditional agricultural practices to innovation-driven growth. In parallel, the push for rural entrepreneurship, through support for cooperatives and MSMEs, alongside the strategic repositioning of India Post, offers a comprehensive approach to strengthening rural economies. Additionally, upgrades in infrastructure, including fisheries, air cargo, and logistics, will unlock potential in key sectors. These measures collectively lay the foundation for an inclusive, resilient, and sustainable agricultural sector, propelling India towards a self-reliant future.

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EXPORTS

- Setting up an '**Export Promotion Mission**', which shall be driven jointly by Ministries of Commerce, MSME, and Finance. It shall make obtaining export finance easier, create support for cross-border factoring, and assist the MSMEs in addressing non-tariff barriers in foreign markets.

- Providing support for global supply chains, by forming '**Facilitation Groups**' comprising of senior officers and industry representatives.

- Setting up of '**Bharat Trade Net**', a DPI aligned with international practices for ease of trade documentation and financing solutions.

- Establishing upgraded infrastructure and '**Warehousing facility for air cargo**', including high-value perishable horticulture produce to streamline cargo screening and customs protocol and make it user-friendly.

- Formulation of a '**national framework**' to promote Global Capability Centres (GCCs) emerging in the tier-2 cities, for improving infrastructure and manpower availability, enacting bylaw changes, and establishing procedures for industrial cooperation.

IMPACT

The Budget lays the groundwork for a future-ready economy by strengthening India's manufacturing, exports and innovation ecosystem. With strategic investments in infrastructure, clean tech and INR 20,000 crores for deep tech, alongside tax rationalisation and trade facilitation, the Budget sets the stage for sustained growth and global competitiveness.

WOMAN AND CHILD

- The Ministry of Women and Child Development has been allocated INR 26,889 crores, an increase from the revised estimate of INR 23,182 crores in the previous year.

- To support entrepreneurial aspirations of first time women entrepreneurs, as well as people belonging to Scheduled Castes and Scheduled Tribes community, the Government has proposed introduction of loan up to INR 2 crores. This is likely to benefit five lakh women.

- **'Saksham Anganwadi & Poshan 2.0 Integrated Nutrition Support Programme'** with an allocated budget of INR 21,960 crores introduced for providing support to over 8 crore children, 1 crore pregnant and lactating women and 20 lakh adolescent girls in aspirational districts and the north-east region.

- '**Mission Shakti'** has been allocated INR 3,150 crores. The '**Sambal Scheme**' inclusive of initiatives like *Beti Bachao Beti Padhao*; *Nari Adalats*; *Mahila Police Volunteers* has been allocated a sum of INR 629 crores. A sum of INR 2,521 crores allocated to '**Samarthya Scheme**' which includes initiatives like Pradhan Mantri Vandana Yojana, Working Women's Hostels, and the National Creche Scheme.

- Mandate to facilitate setting up of Day Care Cancer Centres in all district hospitals in the next three years, with an aim to establish 200 centres in the year 2025-26 which would aid in early detection and treatment for cervical and breast cancer.

- Through the introduction of various schemes and policies, the Government aims to achieve a target of 70% women participation in economic activities as part of its broader objective of building a '*Viksit Bharat'*.

- Launch of multi-sectoral '**Rural Prosperity and Resilience Programme'** in partnership with states focusing on the employment and financial independence of rural women and young farmers.

- '**Mission Vatsalya**', which focuses on child protection services, has received an increase in funding of INR 1,500 crores.

IMPACT

These initiatives would significantly contribute to the socio-economic empowerment of women, especially those hailing from the marginalized sections of the society as there would be an increased access to vital resources and opportunities. Focusing on key areas like rural development, nutrition, child development and entrepreneurship will not only foster gender equality but would also improve health outcomes of women and children and would promote socio-economic progress, aligning with the vision of achieving a '*Viksit Bharat*'.

MSME

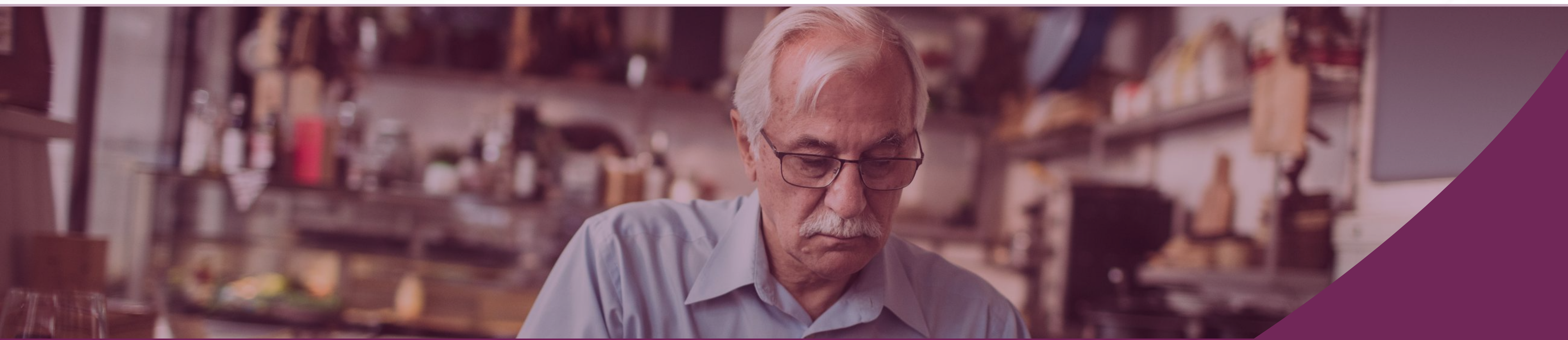
Enhancing credit guarantee:

Entities	Credit guarantee cover (INR in crores)	
	Current	**Revised**
MSEs	5	10
Startups	10	20
Exporter MSMEs	For term loans up to 20 crores	

Revision in classification criteria for MSMEs:

Entities	Investment (INR in crores)		Turnover (INR in crores)	
	Current	**Revised**	**Current**	**Revised**
Micro Enterprises	1	2.5	5	10
Small Enterprises	10	25	50	100
Medium Enterprises	50	125	250	500

- Introducing customised Credit Cards with a limit of INR 5 lakhs for the micro-enterprises registered on the UDYAM Portal. The Government aims to issue around INR 10 lakh such cards in the first year.
- Providing a fresh contribution of INR 10,000 crores to the 'Fund of Funds for Startups'.
- Introducing a new scheme for '**First-time Entrepreneurs**', benefitting up to, 5 lakh women, Scheduled Castes, and Scheduled Tribes first-time entrepreneurs by providing them term loans up to INR 2 crores in the next five years.
- Undertaking specific policy and facilitation measures to promote employment and entrepreneurship opportunities in labour-intensive sectors.



- Implementation of a '**Focus Product Scheme**' for Footwear and Leather sectors, which shall support design capacity, component manufacturing, and machinery required for the production of non-leather quality footwear along with existing support for leather footwear. This is likely to enable employment opportunities for up to 22 lakh people, generate a turnover of INR 4 lakh crores, and an export of over INR 1.1 lakh crores.

- To create innovative, unique, and high-quality toys, the Government is interested in Building a '**National Action Plan for Toys**' by implementing a scheme. This is to make India a global hub for toys.

- Establishing a '**National Institute for Food Technology, Entrepreneurship, and Management**' in Bihar to boost the food processing activities in the Eastern region, thereby, increasing the income of the farmers, upskilling them, and creating entrepreneurship and employment opportunities for the youth.

- Setting up of '**National Manufacturing Mission**' to further 'Make in India' by providing support, roadmaps, governance and monitoring framework for central ministries and states. This mission shall cover the small, medium and large industries.

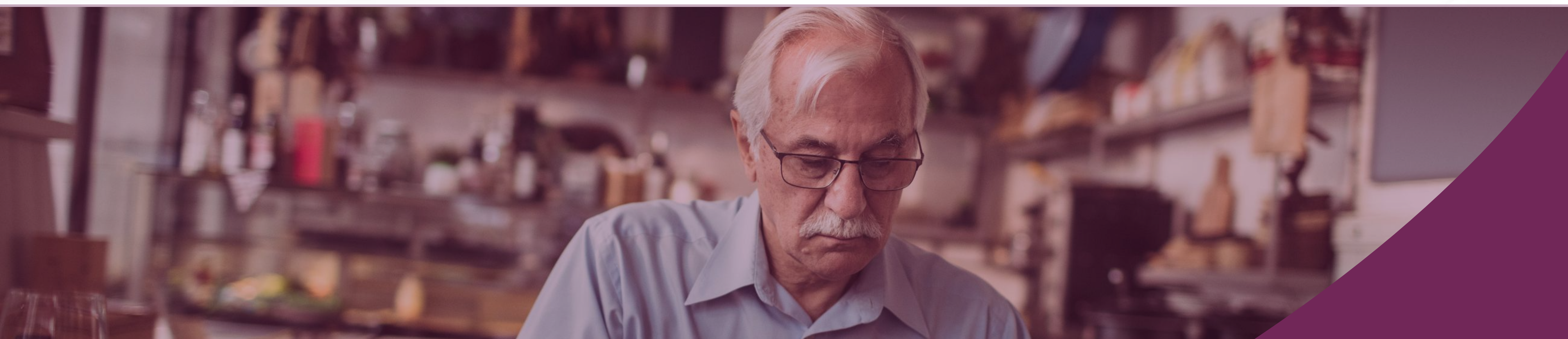
- By promoting '**Clean Tech Manufacturing**', the Government is promoting climate friendly development. This shall lead to establishment of ecosystem for solar PV cells, EV batteries, wind turbines, electrolysers, grid scale batteries etc.

IMPACT

New investment and turnover limit enhancement for the MSME sector as well as the credit guarantee scheme will have a significant impact on credit growth in the financial services sector. Banks and NBFCs will see a spike in demand for last-mile financing.

- The MSME sector contributes significantly to India's exports. The proposed Digital Public Infrastructure (DPI) for trade documentation and financing solutions will also result in increased demand for trade finance products and export credits.

- Agri financing: Loan limit enhancement under the modified interest subvention scheme for loans taken through the Kisan Credit Card will see increased credit demand in this sector. Initiatives outlined under Prime Minister Krishi Yojana for the agricultural sector should ensure sustainable growth for the sector, aided by affordable short-term and long-term financing options.



TOURISM

- In order to boost the Indian tourism industry, the Government aims to develop the top 50 tourist attractions in collaboration with their respective state governments. Further, the hotels in those destinations will be included in the infrastructure Harmonised Master List (HML).

- Promotion of medical tourism and the 'Heal in India' initiative in partnership with the private sector along with capacity building and easier visa norms.

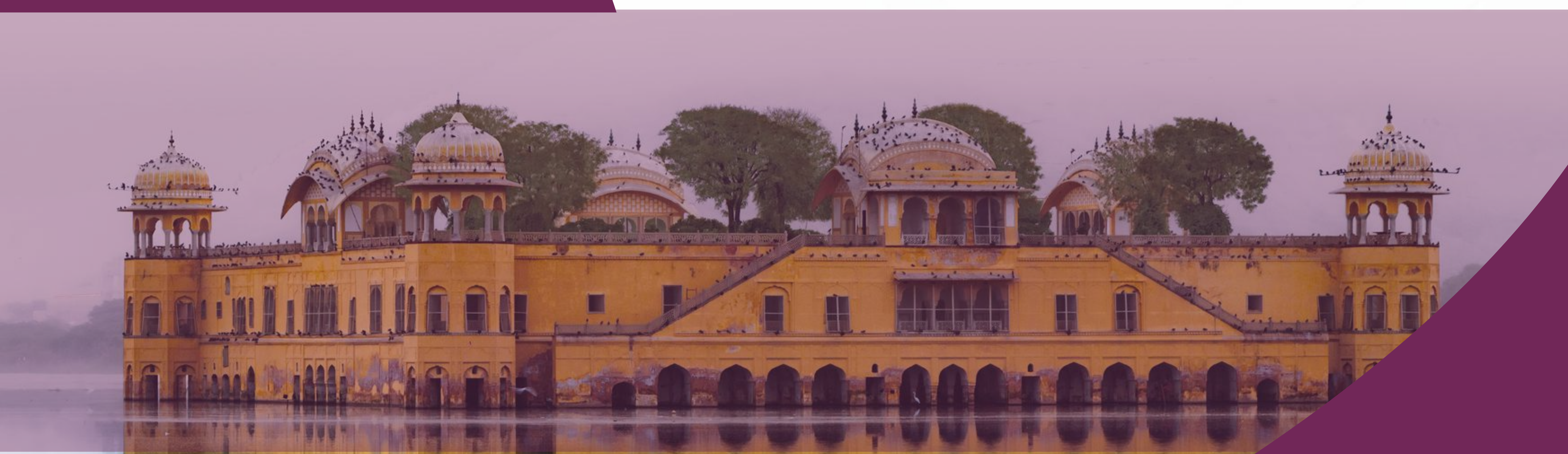
- This Budget aims to provide a larger emphasis on places of spiritual and religious significance. Further, there will be a special focus on destinations related to Lord Buddha.

- Providing Micro Units Development & Refinance Agency (MUDRA) loans to homestays.

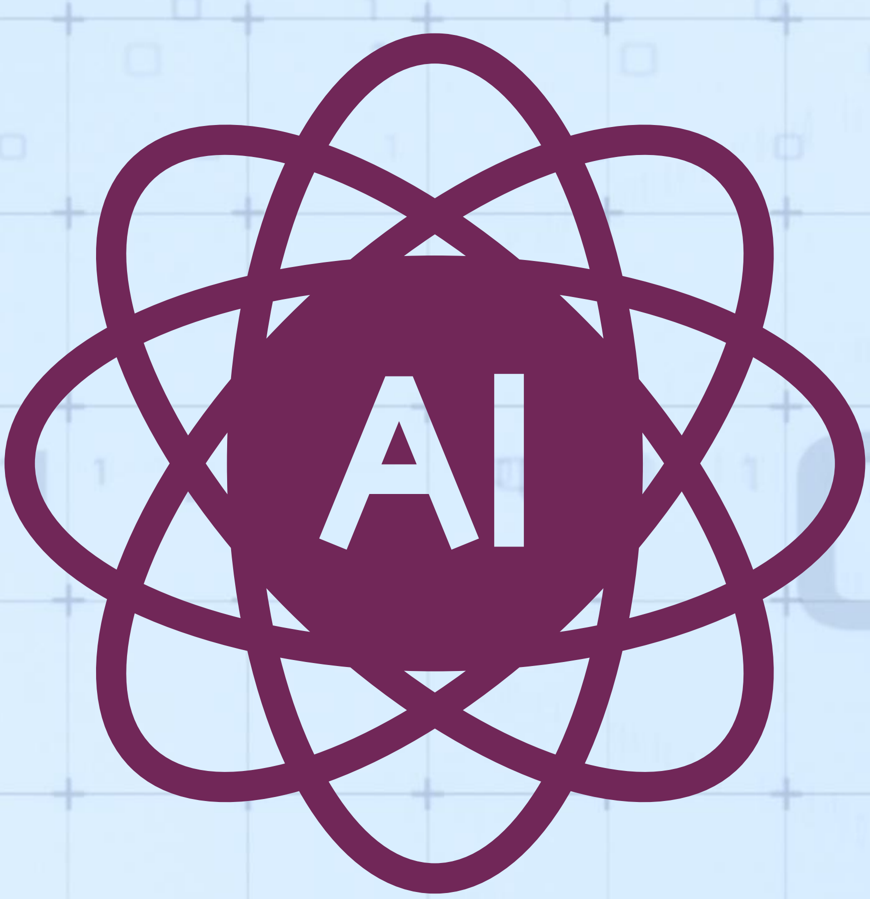
- Introducing streamlined e-visa facilities along with visa-fee waivers for certain tourist groups.

IMPACT

These initiatives taken by the Government are likely to boost tourism in India. These measures could transform India into a more attractive, diverse, and accessible destination for travellers while stimulating economic growth and preserving the country's cultural heritage. Certain initiatives such as streamlining the e-visa process and visa-fee waivers shall be eye-catching for the tourists who are interested in visiting India. This is also likely to attract pilgrims and spiritual travellers, fostering cultural exchange and promoting a deeper understanding of India's religious and spiritual legacy. Further, investments to strengthen the top 50 tourism destinations, will boost leisure travel. Air connectivity gets a significant boost through infrastructure announcements and policy support, which shall enhance efficiency in logistics and trade growth, especially tourism. Further, the inclusion of hotels in the top 50 destination sites in the HML, is a welcome step, as this would enable them to raise financing with longer tenure and on easier terms.



DIGITISATION And Artificial Intelligence



- Setting up a Centre of Excellence in Artificial Intelligence, with a total outlay of INR 500 crores.

- Implementation of '**Bharatiya Bhasha Pustak Scheme**' to provide digitised Indian language books for school and higher education.

- Providing '**Broadband Connectivity**' to all Government secondary schools and primary health centres in rural areas under the '**Bharat Net Project**'.

- Digitising of appellate orders being made operational.

IMPACT

These initiatives taken by the Government are likely to have far-reaching impact on India's technological landscape, education system, governance, and rural connectivity. The various schemes and initiatives will hasten India's digital transformation and increase individuals' access to technology innovations, particularly in rural areas. India is making significant progress in building a more technologically advanced, inclusive, and efficient society by concentrating on artificial intelligence, education, rural connection, and governance. These steps can result in creative solutions for a variety of sectors, raising productivity, boosting quality of life, and developing a workforce prepared for the future.

EASE OF DOING BUSINESS

- Model Bilateral Investment Treaty to be revamped to encourage sustained foreign investment and in the spirit of **'first develop India.'**
- Setting up of 'Bharat Trade Net' for international trade as a unified platform for trade documentation and financing solutions.
- Export Promotion Mission with sectoral & ministerial targets to facilitate easy access to export credit, cross-border factoring support, and support to MSMEs to tackle non-tariff measures in overseas markets.
- Increase in Foreign Direct Investment (FDI) for insurance sector from 74% to 100% aimed at achieving the goal of **"Insurance for All"** by 2047. This move will bring in substantial foreign investments, enhance competition, and improve accessibility to insurance across the country.
- Formulation of a scheme for determining arm's length price of international transaction for a block period of three years, allowing taxpayers to opt for a multi-year ALP determination, reducing the annual burden of reassessment and disputes.
- Scope of Safe Harbour rules to be expanded to reduce litigation and provide certainty in international taxation.
- Launching of Investment Friendliness Index of States to further the spirit of competitive cooperative federalism. The Index will rank states on the basis of their investment efficacy.
- DeepTech Fund of Funds to catalyze the next generation startups. A new Fund of Funds worth INR 10,000 crore for boosting start-ups ecosystem.
- Implementation of a focus product scheme for Footwear & Leather sectors to enhance the productivity, quality, and competitiveness. The scheme will support design capacity, component manufacturing, and machinery required for production of non-leather quality footwear, besides the support for leather footwear and products.

- Establishment of a '**National Institute of Food Technology, Entrepreneurship and Management'** in Bihar under the '*Purvodaya Plan*'. The institute will provide a strong fillip to food processing activities in the entire Eastern region, resulting in enhanced income for farmers and skilling, entrepreneurship and employment opportunities for the youth.

IMPACT

These initiatives reflect the Government's ongoing efforts to create a more business-friendly environment, fostering investment and economic growth across various sectors by reducing regulatory burdens and improving infrastructure. The introduction of a 'light touch' regulatory framework will provide businesses, especially in emerging sectors, with a more predictable and transparent environment, ensuring faster approvals and fewer compliance challenges.

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REAL ESTATE

1. **Boost to Affordable Housing:**
   - **SWAMIH Fund 2**: INR 15,000 crore funds under the Special Window for Affordable and Mid-Income Housing (SWAMIH) to complete an additional 1 lakh housing units.
   - **Completion of Stressed Projects**: SWAMIH fund has already completed 50,000 dwelling units in stressed housing projects and aims to complete another 40,000 units in 2025.
   - Interest subsidy scheme to facilitate affordable housing loans to assist middle-class families in purchasing homes.

2. **Asset Monetization Plan**: Launched to plough back capital of INR 10 lakh crores in new projects. The Government shall implement regulatory and fiscal measures to fine-tune this plan for its proper implementation in 2025-2030.

IMPACT

The Budget brings significant reforms to boost the real estate sector by improving housing affordability, easing taxation, and enhancing urban infrastructure. The measures introduced will encourage homebuyers and investors and drive urban development and commercial real estate growth. These initiatives collectively aim to strengthen the housing market, attract investment, and enhance ease of doing business in the sector.

INFRASTRUCTURE

- Support to states for Infrastructure: With an outlay of INR 1.5 lakh crores, fifty-year interest free loans will be provided to states for capital expenditure and incentives for reforms.

- ‘**Urban Challenge Fund’** of INR 1 lakh crore will be created to implement the proposals for ‘Cities as Growth Hubs’, ‘Creative Redevelopment of Cities’ and ‘Water & Sanitation’.

- ‘**Maritime Development Fund’**- A corpus of INR 25,000 crores will be set up for accelerating maritime infrastructure development. The fund will receive 49% contribution from the Government.

- ‘**National Geospatial Mission**’ will be set up in collaboration with PM Gati Shakti Yojna to facilitate modernization of land records, urban planning and designing of infrastructural projects.

- National Bank for Financing Infrastructure and Development (NaBFID) to set up a **‘Partial Credit Enhancement Facility’** for corporate bonds for infrastructure.

- Each infrastructure related ministry to come up with a three-year pipeline for projects that can be implemented in Public-Private Partnership (PPP) mode.

- Increased focus on PPPs towards a more collaborative approach to infrastructure development. States are encouraged to seek support from the India Infrastructure Project Development Fund (IIPDF) scheme to prepare PPP proposals.

- Additional infrastructure will be developed in five IITs established after 2014 to facilitate education for 6,500 more students. Hostel and other infrastructure capacity at IIT, Patna will also be expanded.

- INR 20,000 crores allocated to develop small nuclear reactors in India, with an aim to generate 100 GW of nuclear energy.

IMPACT

There is a substantial increase in funding for key infrastructure projects, aiming to drive long-term growth and enhance connectivity across the country. Such an increased allocation gives a boost to the rural infrastructure by increasing investment in rural roadways, sanitation, and water management.

LEGAL CHANGES OR PROGRESS

- The period for incorporation of start-ups is extended by five years provided they are incorporated before 1st April 2030.

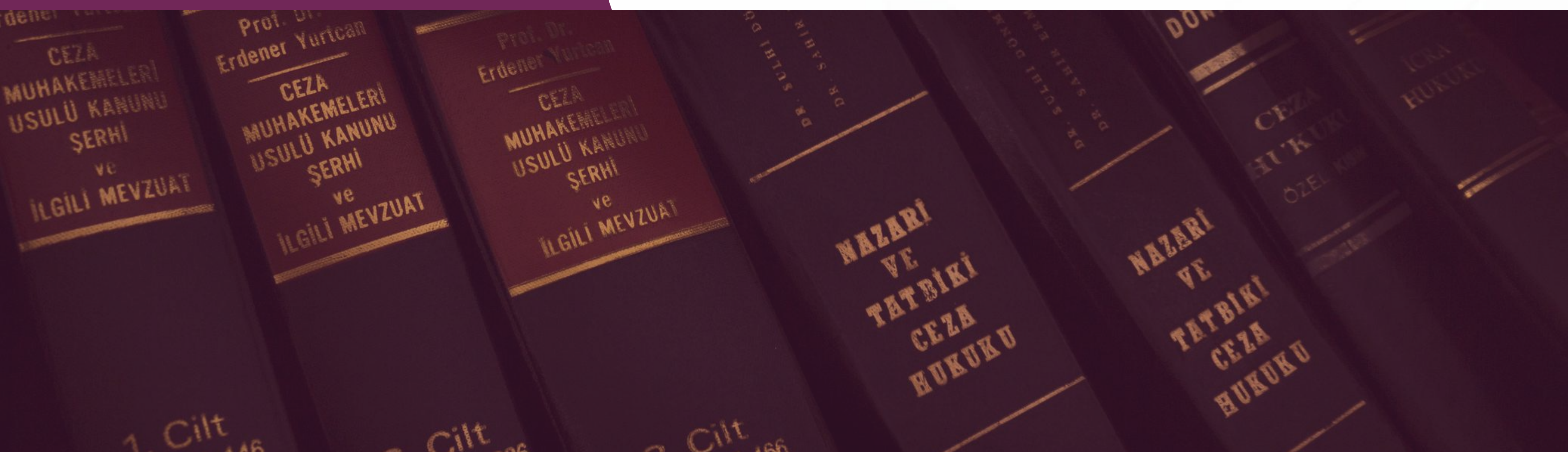
- *'Jan Vishwas Bill 2.0'* aims to decriminalise more than 100 provisions across various statutes such as Drugs and Cosmetics Act, 1940, Food Safety and Standards Act, 2006, Companies Act, 2013, Trade Marks Act, 1999 etc.

- Tonnage Tax Scheme covered under Chapter XII-G of the Income Tax Act also applicable to inland vessels registered under the Inland Vessels Act, 2021.

- With a view to promote voluntary compliance, the time limit for filing of return under S 139 (8A) of the Income Tax Act, 1961 ('Income Tax Act') or the updated return has been extended from twenty-four months to forty-eight months from the end of the relevant assessment year. It is further provided that no updated return shall be furnished if a notice under S 148A of the Income Tax Act has been issued after expiry of thirty-six months from the end of the relevant year.

IMPACT

These legal reforms streamline tax compliance by extending filing deadlines and resolving pending disputes. The revised tax slabs and start-up benefits offer financial relief to individuals and businesses. Decriminalisation under the '*Jan Vishwas Bill 2.0'* simplifies regulations.



TAX PROPOSALS

PERSONAL INCOME TAX

Personal taxes - Amendments

Rationalisation of income slabs under New Tax Regime:

Taxable Income (in INR)	Existing new tax regime rates* (%)
Up to 3,00,000	Nil
3,00,001 - 7,00,000	5
7,00,001 - 10,00,000	10
10,00,001 - 12,00,000	15
12,00,001 - 15,00,000	20
Above 15,00,000	30

Taxable Income (in INR)	Proposed new tax regime rates* (%)
Up to 4,00,000	Nil
4,00,001 - 8,00,000	5
8,00,001 - 12,00,000	10
12,00,001 - 16,00,000	15
16,00,001 - 20,00,000	20
20,00,001 - 24,00,000	25
Above 24,00,000	30

Personal taxes – potential impact

Income (in INR)	Tax savings(in INR) (excluding surcharge and cess)
Up to 12,00,000	Maximum 80,000
12,00,000 to 18,00,000	Maximum 70,000
Above 18,00,000	Maximum 1,10,000

- Income threshold for rebate enhanced from INR 7 lakhs to INR 12 lakhs (excluding income taxable at special rates e.g. capital gains, etc.)
- No change in standard deduction, surcharge and education cess.
- No changes in old tax regime tax slabs and rates.

Personal taxes - Other key provisions

- Maturity of unexempted Unit Linked Insurance Policies (ULIPs) to be treated as capital gains at par with equity-oriented fund.
- Conditions for property to qualify as self-occupied property relaxed.
- Deduction allowed for contribution to minor’s National Pension Scheme (NPS) Vatsalya account - old regime.
- Partial withdrawal up to 25% of contribution from NPS Vatsalya account - exempt from tax.
- Amount withdrawn from National Savings Scheme (NSS) on or after 29 August 2024 - exempt from tax.

DIRECT TAX

Introduction of a New Tax Bill

A new Income Tax Bill will be introduced next week, which aims to replace the existing Income Tax Act of 1961. This bill is designed to simplify tax compliance and reduce the complexity of current tax laws by up to 60%.

Beneficial proposals:

- Time limit to incorporate eligible start-ups extended to 31st March 2030 from 31st March 2025.

- Presumptive taxation to be introduced for a non-resident providing services or technology to a resident company that is establishing or operating electronic manufacturing facility or connected facility for such manufacturing. 25% of the receipts shall be deemed to be income of non-resident; taxable at 35% plus applicable surcharge and cess.

- Extension proposed in the time limit for filing updated income tax returns from the existing period of twenty-four months to forty-eight months, thereby providing taxpayers with an extended window to rectify omissions and report correct income.

    - The window-extension to thirty-eight months from twenty-four months for filing belated returns shall be subject to additional tax of 60% for returns filed between twenty-four to thirty-six months and 70% for those filed between thirty-six-forty-eight months.

    - Taxpayers may be barred from filing their belated returns if a under S 148A show-cause notice is issued after thirty-six months from the end of the relevant assessment year, unless deemed unwarranted by an order.

    - This change will come into effect on and from 1st April 2025.

Reduction of compliance burden for Trusts

- Minor defaults tin Trusts would not lead to de-registration.

- Small Trusts with an income below INR 5 crore now get a validity of ten years instead of five years.

- Relatives donating up to INR 10 lakhs to Trusts would not be considered as “specified persons” which otherwise reduces the compliance burden.

TDS/TCS Rationalization

- TDS rate under S 194LBC reduced from 25% (Individual or HUF) or 30% (Others) to 10%.
- Threshold limit for senior citizens under S 194A doubled from INR 50,000 to INR 1 lakhs.
- Threshold limit for TDS on rent under S 194-I increased from INR 2.4 lakhs to INR 6 lakhs.
- TCS rate for “Timber or any other forest produce (not being tendu leaves) obtained under a forest lease” and “Timber obtained by any mode other than under a forest lease” reduced from 2.5% to 2%.
- TCS under S 206C(1H) i.e., TCS on sale of goods will be omitted. Only TDS on purchase under S 194Q will remain.
- Under the RBI’s Liberalization Remittance Scheme, TCS threshold limit increased from INR 7 lakhs to INR 10 lakhs.
- Elimination of TCS on education remittances if loan obtained from specified financial institutions.
- Removal of higher TDS/ TCS for non-filers of return of income.

- Other changes in threshold limits for TDS:

Section	Current threshold	Proposed threshold
193 - Interest on securities	Nil	INR 10,000
194A - Interest other than Interest on securities	▪ INR 40,000 in case of others when payer is bank, cooperative society and post office. ▪ INR 5,000 in other cases	▪ INR 50,000 in case of others when payer is bank, cooperative society and post office. ▪ INR 10,000 in other cases
194 - Dividend for an individual shareholder	INR 5,000	INR 10,000
194K - Income in respect of units of a mutual fund or specified company or undertaking	INR 5,000	INR 10,000
194B - Winnings from lottery, crossword puzzle, etc.	Aggregate amounts exceeding INR 10,000 during the financial year	INR 10,000 in respect of a single transaction
194BB - Winnings from horse race	Aggregate amounts exceeding INR 10,000 during the financial year	INR 10,000 in respect of a single transaction
194D - Insurance commission	INR 15,000	INR 20,000
194G - Income by way of commission, prize etc. on lottery tickets	INR 15,000	INR 20,000
194H - Commission or Brokerage	INR 15,000	INR 20,000
194J - Fee for professional or technical services	INR 30,000	INR 50,000
194LA - Income by way of enhanced compensation	INR 2,50,000	INR 5,00,000

Incentives to International Financial Services Centre (IFSC)

- **Extension of Sunset clause**
  Tax exemptions now available to certain IFSC units commencing business operations upto 31 March 2030.

- **Funds**
  Exemption extended to income of non-residents from derivatives issued by Foreign Portfolio Investment (FPIs) in IFSC.
  Exemption on relocation of offshore funds includes Exchange Traded Funds (ETFs) and Retail fund.

- **Ship and aircraft leasing**
  Exemption of capital gains and dividend on shares of Special Purpose Vehicle (SPV) extended to ship leasing.

- **Insurance**
  Exemption on proceeds from life insurance policy issued by IFSC Insurance office.

- **Treasury operations**
  Deemed Dividend provision to not apply to loans between IFSC Treasury operations entities.

Socio Economic Welfare Measures

- Taxpayers to be allowed to claim annual value of two self-occupied properties (Previously one) without any conditions (previously conditions attached).

- Increase in the limits on the income of the employees for the purpose of calculating perquisites.

- Deduction under S 80CCD for contributions made to NPS Vatsalya.

- Individuals or Hindu Undivided Family (HUF) (NSS Accounts): Withdrawals not subject to taxation subject to certain conditions w.e.f. 29 August 2024.

Others

- Extension of time limit to file updated returns, from the current limit of two to four years.

- Obligation to furnish information in respect of Crypto Assets to come into effect from 01 April 2026

- Rationalization of time limits for imposing penalties.

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

- Extension of exemption to Specified Undertaking of Unit Trust of India (SUUTI).

Transfer Pricing Updates

- Arm's length price (ALP) determination for block period of three years, applicable from AY 2026-27.
- Relevant for similar transactions – Associated Enterprise (AE), quantum, etc.
  - Option to be exercised by the taxpayer whereby ALP determined by Transfer Pricing Officer (TPO) in year one applies to years two and three
  - Does not apply to 'search' cases and timing, forms, process to be prescribed.
- Clarity required on several aspects.
- Expansion of scope of Safe Harbor rules to reduce litigation and provide certainty in international taxation.
- Removal of time limit (31st March 2025) for adoption of faceless regime for Transfer Pricing assessment, Dispute Resolution Panel (DRP) and Income Tax Appellate Tribunal (ITAT).

GOODS AND SERVICES TAX

- Clause 61 of S 2 of the Central Goods and Services Tax Act, 2017 (“CGST”) which defines the term Input Service Distributor (“ISD”) has been amended to explicitly allow ISDs to distribute Input Tax Credit (“ITC”) for inter-state supplies that are subject to Reverse Charge Mechanism (“RCM”). This is done by inserting a reference to S 5(3) of the Integrated Goods and Services Tax Act, 2017 (“IGST”) which covers services or goods where tax is paid under RCM and S 5(4) of the IGST Act which covers supplies from unregistered persons where tax is paid under RCM. S 20(1) and S 20(2) of the CGST Act has also been amended to give effect to the same. Effective from 1st April 2025, this amendment resolves previous ambiguity regarding whether ISDs could distribute ITC related to RCM transactions on inter-state supplies.

IMPACT

As a result, businesses can now efficiently allocate ITC on reverse charge payments, particularly benefiting those with centralized service procurement in as much as the CGST Act now explicitly provides for the distribution of inter-state ITC by ISD for reverse charge transactions.

- The amendment to sub-clause (c) of clause (69) of S 2 of the CGST Act clarifies the definition of "local authority" by replacing “municipal or local fund” with “municipal fund or local fund” for better clarity. It also adds an Explanation to define ‘Local Fund’ and ‘Municipal Fund’, ensuring a clear understanding of these terms within the definition of “local authority.” This change helps eliminate ambiguity and improves consistency in tax treatment and compliance.

- The amendment to clause (d) of sub-section (5) of S 17 replaces the phrase "plant or machinery" with "plant and machinery". This change clarifies that both plant and machinery are included, rather than just one or the other. Also, explanation 2 has been inserted with retrospective effect from 1st July 2017 which clarifies clause (d) of sub-section (5) of S 17 that not withstanding anything contrary contained in any judgments, decrees, or orders of any courts, tribunal or authority, any reference to “plant or machinery” shall be construed and shall always be deemed to have been construed as a reference to “plant and machinery”.

IMPACT

The retrospective amendment blocks the sigh of relief given the Hon’ble Supreme Court judgment, particularly for the commercial real estate sector engaged in leasing business. Further, the scope of the term “on own account” will pay an important role in interpreting whether the building constructed for leasing purposes will fall within the restriction provided under the same section. That being said, it is likely that the amendment will be challenged by the taxpayers.

- Since transactions in vouchers are neither supply of goods nor supply of services, the related provisions pertaining to time of supply of vouchers have been deleted for the sake of simplification. This amendment will come into effect prospectively from the date of the enactment of the Finance Bill.

- S 34(2) of the CGST Act has been amended to provide that no reduction in output tax liability of the supplier shall be permitted if the ITC as is attributable to such credit note, if at all availed, has not been reversed by a registered recipient or such incidence of tax on such supply has been passed on to any other person in other cases. This amendment will come into effect prospectively from the date of the enactment of the Finance Bill.

IMPACT

Currently the given provision is only for credit note issued for post sale discounts and not for other cases. To bring in uniformity this is being implemented as a part of IMS initiative also to ensure non-reduction of output taxes by the supplier upon rejection by the recipient.

- S 38(1) and S 38(2), which deal with the statement of ITC, has been amended by removing the term "auto-generated", which allows for flexibility in generating ITC statements The amendments also expand the scope to cover scenarios where ITC may not be available under other provisions. It also adds a new clause enabling the government to prescribe further details to be included in the ITC statement. This amendment will come into effect prospectively from the date of the enactment of the Finance Bill. These changes aim to make the process of reporting ITC more adaptable and comprehensive. The above amendment gives way to implement IMS backed by legal provisions. The taxpayers will have to take actions on documents reflected in IMS and based on such actions, the ITC statement would be generated basis which ITC will be available to the taxpayers.

- Proviso to S 107(6) of the CGST Act, which pertains to the payment of a mandatory pre-deposit when filing an appeal, has been substituted to include a 10% mandatory pre-deposit of the penalty amount for appeals before the Appellate Authority in cases where there is a demand solely for penalty and no tax demand. Similar proviso has also been inserted in S 112(8) of the CGST Act, which deals with appeals before the Appellate Tribunal. This amendment will come into effect prospectively from the date of the enactment of the Finance Bill.

IMPACT

With regard to appeals before Appellate Authority, a pre-deposit of 25% was prescribed for e-way bill cases involving only penalty and for other cases involving only penalty, no pre-deposit was prescribed. With this amendment, a uniform 10% pre-deposit will be paid where the demand pertains only to penalty and not the tax amount. This applies for appeals before Appellate Tribunals as well.

- A new S 148A has been introduced to enable track and trace mechanism for specified commodities. A unique, secure and non-removable identification mark will be used to track the movement of such commodities. Non-compliance of this provisions will lead to penal consequences which will be inserted vide a new S 122B of the CGST Act. In this regard, the definition of “Unique Identification Marking” under S 2(116A) of the CGST Act has been inserted along with insertion of S 122B which provides for penalty for contravention of S 148A. This amendment will come into effect prospectively from the date of the enactment of the Finance Bill.

- Proposed amendment S 39 of the CGST Act whereby the Government may prescribe conditions and restrictions for filing of GSTR 1 and GSTR 3B. This amendment will come into effect prospectively from the date of the enactment of the Finance Bill.

- Schedule III of the CGST Act is being amended retrospectively from 1st July 2017 by inserting a new clause (aa) in paragraph 8 of Schedule III of the CGST Act to provide that the supply of goods warehoused in a Special Economic Zone to any person before clearance for exports or to the Domestic Tariff Area shall be treated neither as supply of goods nor a supply of services. No refund of tax already paid will be provided.

CUSTOMS

1. **Customs Act, 1962 -** The Customs Act, 1962, governs the levy and collection of customs duties on imports and exports in India. The key amendments proposed in the Budget for Customs Act, 1962 primarily towards trade facilitation and self-compliance includes:

    - **Provisional Assessment under S 18:**
      A new sub-section (1B) is introduced to provide a definite time limit of two years for finalizing provisional assessments, extendable by one year if sufficient cause is shown.
      A new sub-section (1C) specifies grounds for suspending the time limit for finalizing provisional assessments.

    - **Voluntary Revision of Entry:**
      A new S 18A allows importers and exporters to voluntarily revise entries post-clearance within a prescribed time and under certain conditions. This revised entry will be treated as self-assessment, and duty adjustments or refund claims can be made.

    - **Refund Claims:**
      A new explanation is added to S 27(1) clarifying that the period of limitation for refund claims following revised entries or amendments under S 149 is one year from the date of duty payment.

    - **Settlement Commission:**
      New provisions are introduced to establish an Interim Board to handle pending applications before the Settlement Commission. The Interim Board will exercise the powers and functions of the Settlement Commission.

    - **Time Limits for Penalties:**
      The time limit for imposing penalties is rationalized, with penalties to be imposed within six months from the end of the quarter in which the connected proceedings are completed.

2. **The Customs Tariff Act, 1975 -** The Customs Tariff Act, 1975, specifies the rates of customs duties on imported and exported goods. The key amendments include:

    - Removal of seven tariff rates bringing the total count of tariffs to eight including zero

    - Creation of new tariff items under certain headings

3. **Customs Tariff Rates –** Numerous changes have been proposed in the Customs Tariffs with the overall objective of enhancement of domestic competitiveness and 'Make in India'. Changes are in the form of enhancements in exemptions, reductions in BCD rates, extension of due dates for conditional exemptions, etc. The Key amendments have been summarized in the table as follows:

S. No	Amendment type	Details	Effective date
1	**Reduction in Tariff Rates**	Tariff rates on several goods reduced to simplify the customs duty structure. For e.g.: ▪ **Marble and granite**: Reduced from **40% to 20%**. ▪ **Footwear**: Reduced from **35% to 20%**. ▪ **Solar cells**: Reduced from **25% to 20%**. ▪ **Motor vehicles**: Reduced from **125% to 70%** (for cars) and **40% to 20%** (for goods transport vehicles).	**1st May 2025** (unless otherwise specified)
2	**Creation of New Tariff Items**	New tariff items are created for better identification of goods: ▪ **Makhana** products (popped, flour, and powder). ▪ **Waste oils** containing specific chemical concentrations. ▪ **Precious metals** (silver, gold, platinum) with high purity levels). ▪ **Dual-use chemicals** for non-pesticidal use.	**1st May 2025**
3	**Agriculture Infrastructure and Development Cess (AIDC)**	AIDC rates are revised for certain goods: ▪ **Marble and granite**: 20%. ▪ **Footwear:** 18.5%. ▪ **Solar cells:** 7.5%. ▪ **Motor vehicles**: 20% (for transport vehicles) and 40% (for cars with CIF value exceeding USD 40,000).	**2nd February 2025**
4	**Social Welfare Surcharge (SWS)**	**Certain goods are exempted from SWS**: ▪ Candles, PVC flex films, solar cells, yachts, and electricity meters. ▪ Footwear, motor vehicles, and laboratory chemicals.	**2nd February 2025**
5	**Exemption for Metal Scrap**	▪ **Various metals and minerals waste** and scrap are exempted from duty. ▪ **Waste and scrap of lithium-ion batteries:** Duty reduced from 5% to Nil.	**1st May/ 2nd February 2025**
6	**Changes in Conditional Exemptions**	Review of conditional exemptions in Notification No. 50/2017-Customs: ▪ **Ships and vessels for breaking up:** Exemption extended till 31st March 2035. ▪ **Bulk drugs for life-saving medicines:** Exemption extended till 31st March 2029. ▪ **Textile machinery:** Exemption extended with addition of new machinery.	**1st April 2025**

S. No	Amendment type	Details	Effective date
7	**Reduction in Tariff Rates for Specific Sectors**	**IT and Electronics Sector:** ▪ Interactive Flat Panel Displays: Tariff rate increased from 10% to 20%. ▪ Open cells for LCD/LED TV panels: Tariff rate reduced from 15%/10% to 5%. ▪ Inputs for cellular mobile phones: Tariff rate reduced from 2.5% to Nil. **Gems and Jewellery Sector:** ▪ Platinum findings: Duty reduced from 25% to 5%. **Aquafarming and marine exports:** ▪ Frozen fish paste (Surimi) and fish hydrolysate: Duty reduced to 5%. **Leather Sector:** ▪ Crust leather (hides and skins): **Export duty** reduced from 20% to Nil. ▪ Wet blue leather: **Duty reduced** from 10% to Nil. **Telecom:** ▪ Carrier grade ethernet switches: Duty reduced from 20% to 10%.	**2nd February 2025**

CENTRAL EXCISE

Ref to Finance Bill, 2025 [Clause]	Particulars
Central Excise	
99	▪ S 31 is being amended to define “Interim Board for Settlement” and “pending application”.
100	▪ A new S 31A is being inserted to establish one or more Interim Boards for Settlement to process the pending applications and to provide that every pending application shall be dealt by the Interim Board from the stage at which such pending application stood immediately before its constitution.
101	▪ A proviso to sub-section (1) of S 32 is being inserted to provide that CCESC shall cease to operate on or after 1st April 2025.
102, 103, 104 and 105	▪ S 32A, 32B, 32C and 32D are being amended by inserting a proviso in all these sections to provide that the provisions of these sections shall not apply on or after 1st April 2025.
106	▪ A proviso to sub-section (5) of S 32E is being inserted to provide that no new application shall be made under this section on or after 1st April 2025.
107	▪ S 32F is being amended to substitute the expression “Settlement Commission” with “Interim Board” so that the specified procedure on receipt of the application under S 32E shall apply to the Interim Boards. Additionally, a new sub-section is being introduced to allow the Interim Board, within three months of its constitution, to extend the time limit for disposing of pending applications by up to twelve months from its constitution, with reasons to be recorded in writing.
108 to 115	▪ S 32G, 32-I, 32J, 32K, 32L, 32M, 32-O and 32P are being amended to provide that on and after 1st April 2025, the powers and functions of the Settlement Commission under these sections shall be exercised by the Interim Boards.

SERVICE TAX

Ref to Finance Bill, 2025 [Clause]	Particulars
Service Tax	
130	▪ No service tax will be charged on reinsurance services provided by insurance companies under the Weather-Based Crop Insurance Scheme and the Modified National Agricultural Insurance Scheme for the period 1st April 2011 to 30th June 2017. ▪ If service tax was wrongly collected on these reinsurance services during this period, it will be refunded. ▪ The refund application must be submitted within six months from the date the Finance Bill, 2025, becomes law. ▪ Even though the Finance Act, 1994 (Service Tax Chapter) is omitted, its provisions will still apply retrospectively for processing refunds as if it were still in force.

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