

UNION BUDGET 2025



An Analysis of Key Announcements By:
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Preface

Dear Readers,

It is with great excitement that we release our detailed Analysis of Provisions of Finance Bill 2025. The Hon'ble Finance Minister Ms. Nirmala Sitharaman presented the budget in the Parliament on 01st February 2025 proposing various amendments in the Direct and Indirect Taxes.

By adopting the principles of **Atma Nirbhar** and **Viksit Bharat**, the budget pledges to harness India's enormous potential for prosperity and improve our standing internationally as we traverse the challenges of the twenty-first century.

Further, the finance minister while announcing the significant reforms in direct taxes indicated that a new income tax bill would be introduced within a week, which will be clear and direct in text with close to half of the present law.

Hon'ble Finance Minister has rightly penned down in her Budget Speech that:
"The Union Budget 2025 is not just a financial statement, but a roadmap for India's future—one that ensures growth, inclusivity, and sustainability for generations to come."

In this booklet we have reviewed the proposals set forth in the Finance Bill 2025 meticulously.

Happy Reading!!

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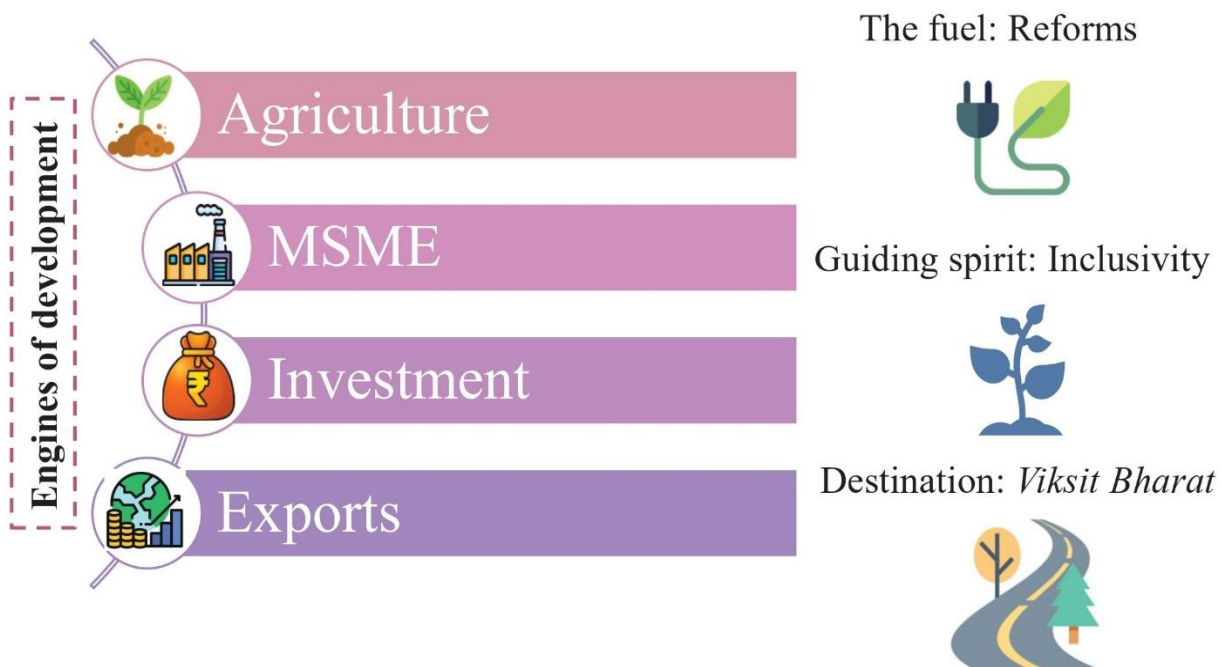
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1. Budget: At a Glance

1. Priorities of Budget

Journey of Development

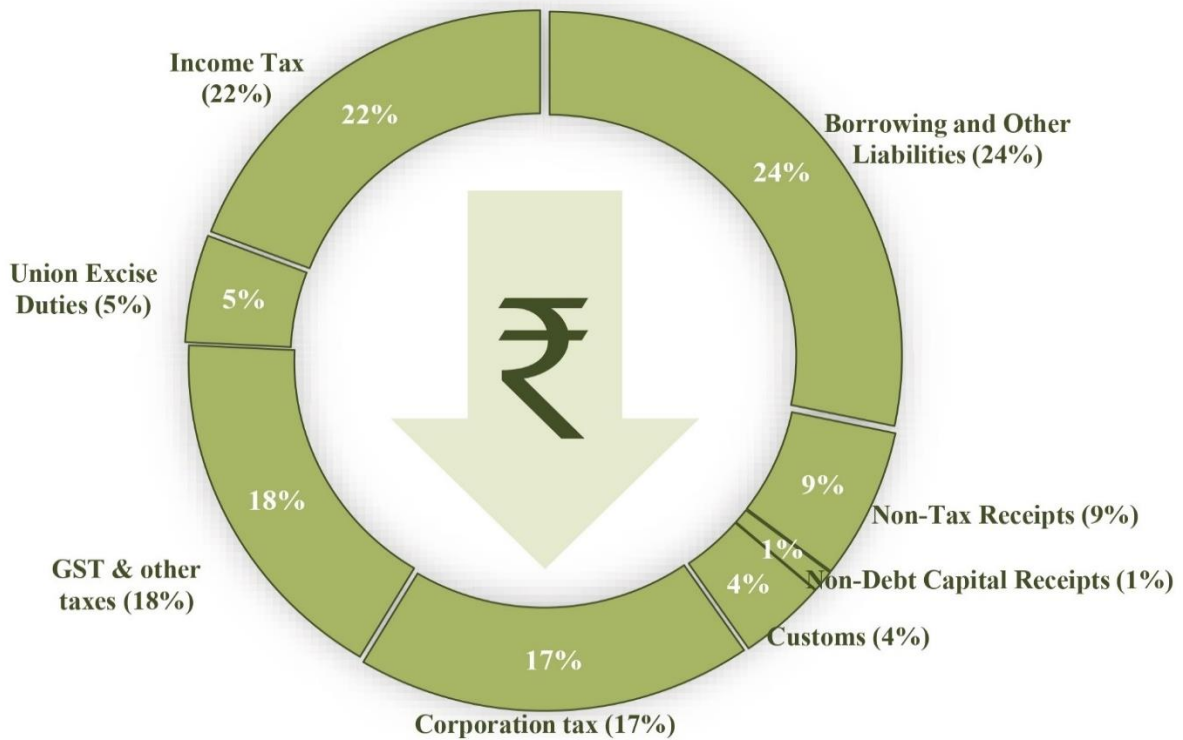


A country is not just its soil, a country is its people.

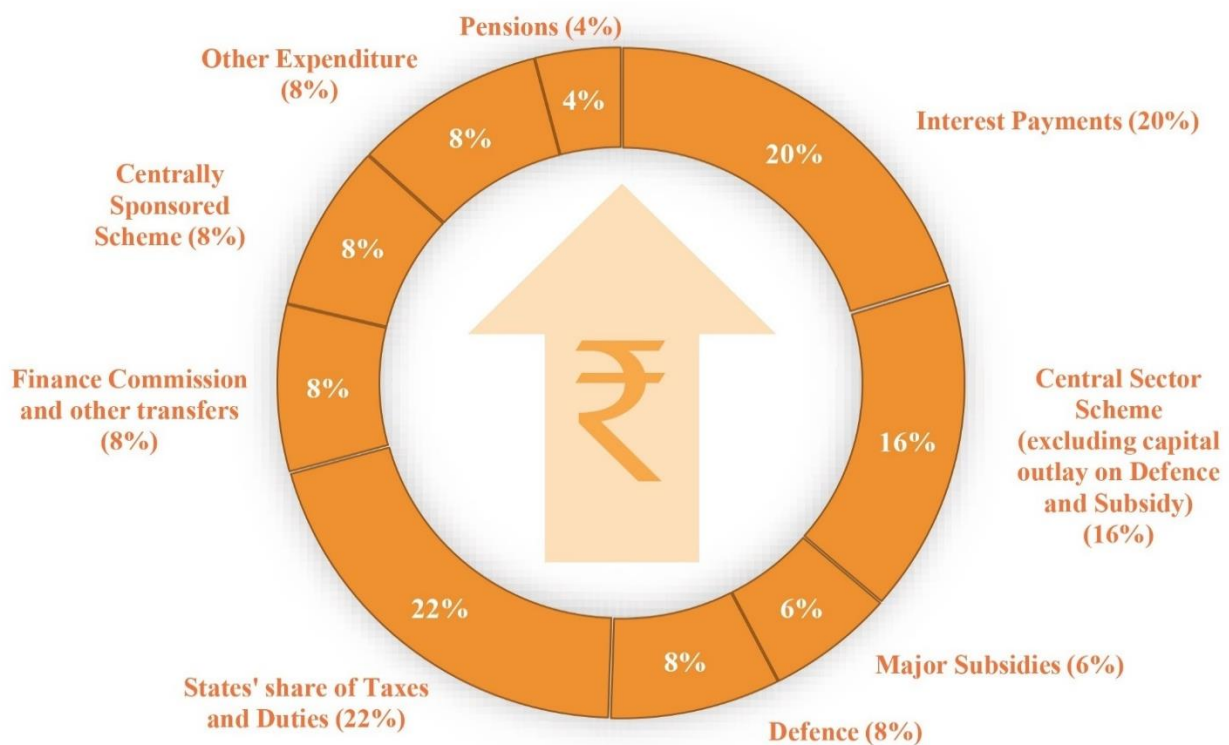


2. Source & utilization of Fund

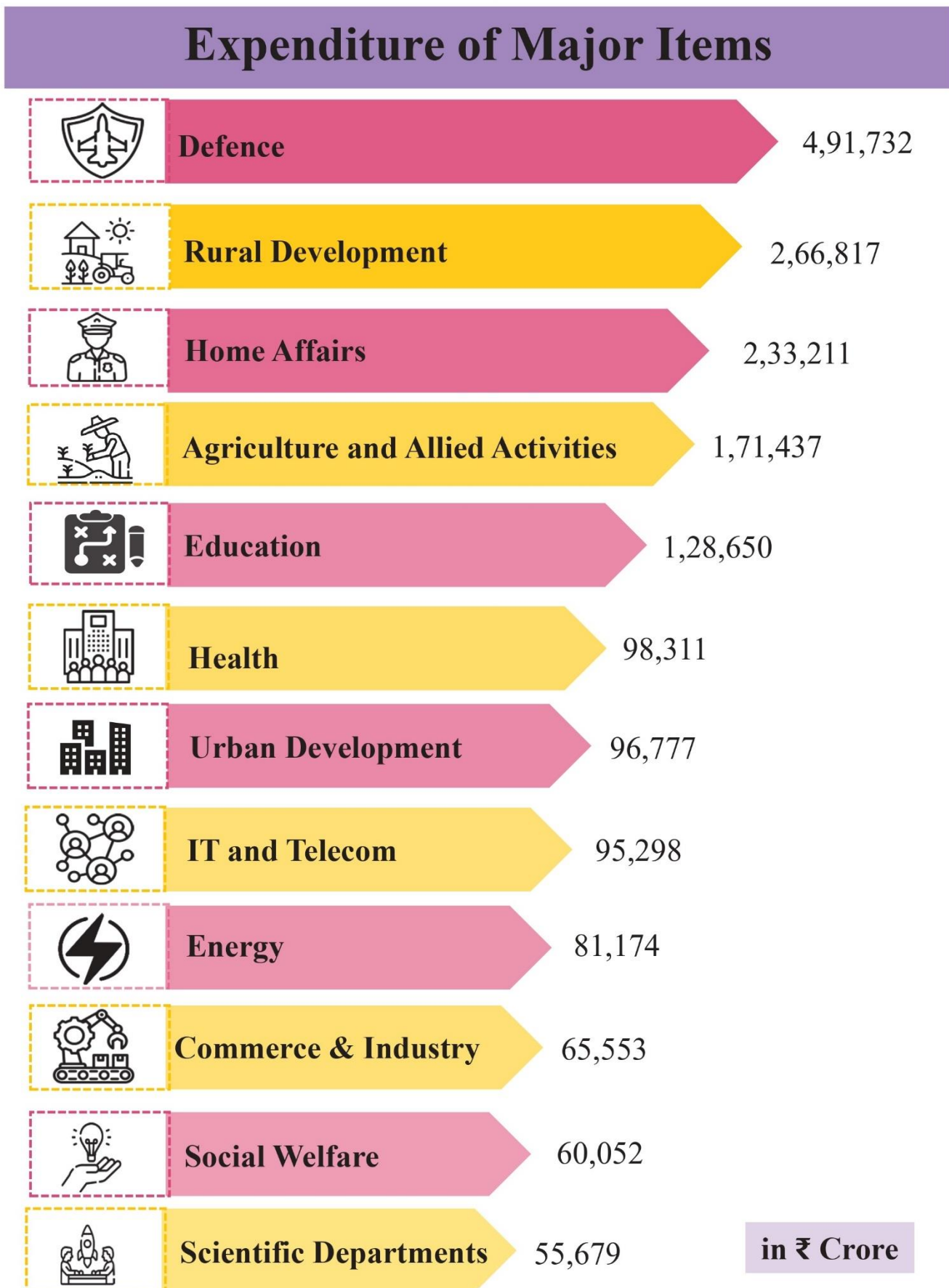
Rupee Comes From



Rupee Goes To



3. Allocation of funds for specific Ministries



2. Income Tax Rates

We have summarized the tax rates in tables as under:

A. Income Tax rates for Individual/HUF for FY 2025-26:

Individuals/HUF/AOP/BOI/AJP have an option to choose for tax slabs and rates as under: -

Option – I Old Scheme (No Change)

Type of Assessee	Income Slab	Tax Rate
Individuals below 60 years of age/HUF	Up to Rs.2,50,000	Nil
	Rs.2,50,000–Rs.5,00,000	5%
	Rs.5,00,000–Rs.10,00,000	20%
	Above Rs.10,00,000	30%
Senior Citizen (60 – 80 yrs)	Up to Rs.3,00,000	Nil
	Rs.3,00,000–Rs.5,00,000	5%
	Rs.5,00,000–Rs.10,00,000	20%
	Above Rs.10,00,000	30%
Super Senior Citizen	Up to Rs.5,00,000	Nil
	Rs.5,00,000–Rs.10,00,000	20%
	Above Rs.10,00,000	30%
Rebate u/s 87A	Rebate u/s 87A of Rs.12,500/- is available to only Resident individuals having income below Rs.5,00,000/- (after deduction under Ch-VIA).	

Option – II New Scheme

Existing Slab Rate		Proposed Slab Rate	
Income Slab	Tax Rate	Income Slab	Tax Rate
Up to Rs.3,00,000	Nil	Up to Rs.4,00,000	Nil
Rs.3,00,001–Rs.7,00,000	5%	Rs.4,00,001 - Rs. 8,00,000	5%
Rs.7,00,001–Rs.10,00,000	10%	Rs.8,00,001 - Rs.12,00,000	10%
Rs.10,00,001–Rs.12,00,000	15%	Rs.12,00,001 - Rs.16,00,000	15%
Rs.12,00,001–Rs.15,00,000	20%	Rs.16,00,001 - Rs.20,00,000	20%
Above Rs.15,00,000	30%	Rs.20,00,001 - Rs.24,00,000	25%
		Above Rs.24,00,000	30%
Rebate u/s 87A of Rs.25,000/- is available to only Resident individual having income below Rs.7,00,000/- (after deduction under Ch-VIA) who opts for this option.		Rebate u/s 87A of Rs.60,000/- is available to only Resident individual having income below Rs.12,00,000/- (after deduction under Ch-VIA) who opts for this option.	
Rebate will not be available against the tax payable on special rate income like STCG and LTCG.			

Conditions:

However, from FY 23-24 onwards, Rates of tax as per Option-II are **default/compulsory rate** and those who want to opt for **Option-I**, will have to exercise option as below:

i) Timeline for exercising options.

Particulars	In case of Individual/HUF having	
	No Business income	Business income
Time to exercise option	Along with return of income	Any time before due of return filing
Options to exercise	Every year	Only once (opt-out only once)
Again, Opt-in possibility	No restriction can opt-in and opt-out any time	Once opt-out of the scheme, then cannot opt-in again

ii) Conditions for availing scheme

Following **deduction or exemption will be** available under **Option II** (**new tax Regime**):

- Standard Deduction u/s 16 of Rs.75,000/-
- Deduction for family pension of Rs.25,000/- u/s 57
- Contribution made by Central government to Agniveer Corpus Fund u/s 80CCH (2)
- Deduction of New employment u/s 80JJAA
- Deduction of **Employer** contribution to NPS u/s 80CCD (2)

Following **deduction or exemption will not be** available under **Option II**:

- Leave Travel Concession
- House-rent allowance
- Special allowance
- Allowances to MP or MLA
- Deduction of Rs.1500/- in case of minor income
- SEZ – established units
- Deduction of any capital nature u/s 35AD
- Professional tax
- Housing Loan interest (Self-occupied)

- o. Additional depreciation
- p. Chapter – VIA deduction other than Contribution made by employer in NPS and in respect of additional employees
- q. Set – off of losses brought forward in case of business income

Further, **Alternative Minimum Tax (AMT) shall not be applicable to Individual/HUF exercising option-II.**

In Nutshell:

Individual/HUF /AOP/BOI/AJP has options to be governed by anyone scheme. A detailed analysis is required to choose the most beneficial scheme for each case.

Surcharge – Individual, HUF, AOP, BOI, AJP

Taxable Income range	Current		Proposed	
Tax option>>>	Option I	Option II	Option I	Option II
Up to 50 lakhs	Nil	Nil	No Change	No Change
50 lakhs – 1 crore	10%	10%		
1 crore – 2 crores	15%	15%		
2 crores – 5 crores	25%	25% (Reduced rate for this option only)		
Above 5 crores	37%			

Note-1: The surcharge is applicable as per taxable income range. This surcharge is applicable on taxes calculated.

Note-2: Surcharge for short/Long Term capital Gain/Dividend (FY 2022-23 onwards)

Surcharge on above income will be a maximum of 15%.

Note-3: Cap on surcharge for AOP (JV)

In case of AOP(JV), where members are only companies, then maximum surcharge shall be 15%.

B. Income Tax rates for Companies:**Tax Rates (No change):**

Assessee	FY 2024-25	FY 2025-26	Turnover Criteria
Domestic Company	25%	25%	Turnover Below 400 crores in Prev. year i.e. in 2022-23 & 2023-24 respectively
Domestic Company	30%	30%	Other Than above
Domestic Company	22%	22%	Subject to certain conditions. No turnover criteria. (Section 115BAA)
Domestic Company	15%	15%	Manufacturing Company incorporated after 01.10.2019 and commenced manufacturing before 31.03.2024 . (Section 115BAB)
Domestic Company	15%	15%	Power Generation Company incorporated after 01.10.2019 and commenced generation before 31.03.2024 . (Section 115BAB)
Foreign Company	35%	35%	No Change

Note: Alternative Tax (MAT) @15% **shall not be applicable** to Companies exercising the option of Section 115BAA/115BAB.

Surcharge (No change)

(i). Surcharge for company paying 25% or 30% tax

Taxable Income range	Domestic Company	Foreign Company
Up to 1 Crore	Nil	Nil
1 to 10 crores	7%	2%
Above 10 crores	12%	5%

(ii). Surcharge for Domestic company paying 22% or 15% tax (Sec 115BAA, 115BAB)

There is **flat rate of 10% surcharge** without any slab of taxable income. **(No change)**

C. Income Tax rates for Partnership Firms/LLP: (No change)

Currently Partnership Firms are taxed @ 30% + 12% surcharge (on taxable income above 1 crore). There is **no change in rate of tax or surcharge.**

D. Income Tax rates for Resident Co-Operative Soc./Banks:

Assessee	Tax Rate	Conditions
Manufacturing Co-operative Soc.	15%	a) Should be incorporated after 01.04.2023 and started manufacturing before 31.03.2024. (Section 115BAE) b) Such other conditions are applicable
Co-operative Soc./ Bank	22%	Subject to certain conditions. No turnover criteria. (Section 115BAD)
Co-operative Soc./ Bank	30%	Other Than above

Note: Alternative Minimum Tax (AMT) shall be applicable at 15% instead of 18.5% w.e.f FY 2022-23 as proposed in budget to bring parity with rates paid by Indian Companies.

Alternative Minimum Tax (AMT) shall not be applicable to Co-operative Society exercising the option of Section 115BAD/115BAE.

Surcharge

Surcharge for Co-operative Soc./ Bank paying 30% tax.

Taxable Income range	115BAD/ 115BAE	Others
Up to 1 Crore	10%	Nil
1 to 10 crores		7%
Above 10 crores		12%

E. Health & Education Cess: (No change)

Health & Education cess @ 4% on TAX + SURCHARGE will be applicable.

3.Changes for Salaried Persons

Section 17: Limit for calculation of Perquisites (FY 2025-26)

Currently, there is upper limit for calculation of perquisites on the certain payments made by the employer to the employee or the payments made by the employer on behalf of employee.

It is proposed that the upper limit will be removed, and department will prescribe the limit on time-to-time basis.

4.Changes under the head House Property

Section 23: Annual value for self-occupied property (FY 2024-25)

Currently, where house property is in the occupation of the (i) owner for the purposes of his residence or (ii) **owner cannot actually occupy it due to his employment, business or profession carried on at any other place**, in such cases, the value for the same is considered as NIL.

It is proposed that the value of the House property shall be taken as NIL, if the owner occupies it for his own residence or **cannot occupy it due to any reason**.

The above benefit is available for only two-house property. There is no change in it.

5.Changes for Business & Profession

Section 44BBD: Scheme of presumptive taxation extended for non-resident (FY 2025-26)

In order to position India as the global hub for Electronics System Design and Manufacturing, a comprehensive program for the development of semiconductors and display manufacturing ecosystem in India was approved by Government of India.

For the promotion of this industry, it is proposed to provide a **presumptive taxation regime for non-residents engaged in the business of providing services or technology, to a resident company which are establishing or operating electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods, article or thing in India.**

As per this section, **25% of the aggregate amount received/ receivable by, or paid/ payable to, the non-resident, on account of providing services or technology, will be considered as profits and gains of such non-resident from this business.**

6.Changes for Capital Gains

A. Clarity on capital assets for Investment Funds

Currently there is ambiguity in the taxability of income arising from the transfer of securities held by INVESTMENT FUND that the income is capital gain or business income.

It is proposed that any security held by INVESTMENT FUND will be treated as a capital asset and any income arising out of it will be treated as Capital gain.

B. Clarity of Taxability of ULIP policy under capital gain

This provision is proposed to bring clarity on taxation of ULIP.

It is proposed that Unit Linked Insurance Policy (ULIP) will be treated as a capital asset and taxable (i.e. will not be exempted u/s 10(10D)) as capital gain income subject to certain conditions.

The same will be taxable, like listed shares and chargeable to tax @10% without indexation as per section 112A.

However, the above taxability is subject to certain conditions which are mentioned below:

Conditions:

- 1) Policy taken on or after 01.02.2021
- 2) Premium Payable during any year during the term of policy is more than Rs.2,50,000/-.
- 3) If a person holds more than one ULIP, then limit of Rs.2,50,000/- cumulatively. i.e. exemption will be available only for policies up to total Premium of Rs.2,50,000/-
- 4) Amount received at the time of death of the person, NO tax will be applicable.

Example:

Particulars	Case-I	Case-II						
Date of Issue of ULIP	On or After 01.02.2021	On or After 01.02.2021						
Sum Insured	50,00,000	55,00,000						
Term	10 Years	10 Years						
Amt Received at Maturity	60,00,000	65,00,000						
Yearly Premium	2,50,000	2,75,000						
Treatment at Maturity	Rs.60,00,000/- received at maturity will be exempt as per section 10(10D) as premium does not exceed Rs. 2,50,000/-	At Maturity Capital Gain @ 10% will be applicable on Rs. 37,50,000/- as under: <table><tr><td>Amt Received</td><td>65,00,000</td></tr><tr><td>Less: Total Premium paid (275000*10)</td><td>27,50,000</td></tr><tr><td>Net</td><td>37,50,000</td></tr></table>	Amt Received	65,00,000	Less: Total Premium paid (275000*10)	27,50,000	Net	37,50,000
Amt Received	65,00,000							
Less: Total Premium paid (275000*10)	27,50,000							
Net	37,50,000							

ULIP MATURITY: NO INDEXATION BENEFIT + TAXABLE @ 10%

7.Changes for Chapter VI-A Deductions

A. Section 80CCA – Exemption on withdrawal of NSS by Individual (w.e.f. 29.08.2024)

National Saving scheme (NSS) was in operation till 01.04.1992. Certain taxpayers are still having deposits in this scheme. In August 2024, government announced that w.e.f. 01.10.2024 no interest will be given on the balance amount. Due to this reason, the taxpayers have to withdraw the amounts available in the scheme. However, as per the current provision, any amount withdrawn from the scheme is liable to tax.

To provide the relief to the taxpayers, it is proposed that any amount withdrawn by an individual on or after 29.08.2024, will not be liable to tax. And being exempt there will not be any TDS deduction on such withdrawal.

B. Section 80CCD – Deduction for contribution made to NPS Vatsalya (FY 2025-26)

Under NPS Vatsalya Scheme, parents and guardians can contribute to the NPS account for their children. This scheme is exclusively for minors. When the minor attains majority, the account will continue to be operational and transferred to child's name. In this regard, following benefits are proposed:

- A) Parent/Guardian can claim deduction for the contribution made to NPS Vatsalya, u/s 80CCD(1B). The maximum deduction u/s 80CCD(1B) is available up to Rs.50,000/-. **It is important to note that the limit of Rs.50,000/- is the combined limit for contribution to own NPS account and contribution to NPS Vatsalya account.**
Further this deduction is not available for new tax regime option.

- B) At the time of withdrawal from NPS Vatsalya account, the amount will be chargeable to tax. However, amount received on death of minor is exempt.
- C) Any withdrawal from NPS Vatsalya Account for certain situation like education, treatment of specified illnesses and disability of the minor will be treated as exempt income up to 25% of contribution made.

C. Section 80-IAC – Extension of timeline for tax benefits to start-ups (w.e.f. 01.04.2025)

As per current provision, for the eligible startups which are incorporated between 01.04.2016 to 31.03.2025, 100% of the profit for 3 consecutive years out of 10 years is allowed as deduction.

To promote the startups, it is proposed that the benefits will be extended to the startups incorporated on or before 31.03.2030. So, the new startups incorporated till 31.03.2030 will be eligible to take benefit of this provision.

D. Section 80LA – Extension of sunset dates for several tax concessions pertaining to IFSC (w.e.f. 01.04.2025)

The sunset dates for commencement of operations of IFSC units for several tax concessions are proposed to be extended to 31.03.2030.

8.Changes in TDS/TCS Provisions

A. Changes in Threshold limit of TDS (FY 2025-26)

S. No	Section	Current threshold	Proposed threshold
1.	193 - Interest on securities	Nil	Rs. 10,000/-
2.	194A – Interest other than Interest on securities	(i) Rs. 50,000/- for senior citizen; (ii)Rs. 40,000/- in case of others when payer is bank, cooperative society and post office (iii)Rs.5,000/- in other cases	(i) Rs. 1,00,000/- for senior citizen; (ii)Rs. 50,000/- in case of others when payer is bank, co- operative society and post office (iii) Rs.10,000/- in other cases
3.	194 - Dividend for an individual shareholder	Rs.5,000/-	Rs.10,000/-
4.	194K - Income in respect of units of a mutual fund or specified company or undertaking	Rs.5,000/-	Rs.10,000/-
5.	194B- Winnings from lottery, crossword puzzle, etc.	Aggregate amounts exceed Rs.10,000/- during the financial year	Rs.10,000/- in respect of a single transaction
6.	194BB – Winnings from horse race		
7.	194D – Insurance commission	Rs.15,000/-	Rs.20,000/-
8.	194G - Income by way of commission, prize etc. on lottery tickets	Rs.15,000/-	Rs.20,000/-

S. No	Section	Current threshold	Proposed threshold
9.	194H – Commission or brokerage	Rs.15,000/-	Rs.20,000/-
10.	194-I Rent	Rs.2,40,000/- during the financial year	Rs.50,000/- per month or part of a month
11.	194J - Fee for professional or technical services	Rs.30,000/-	Rs.50,000/-
12.	194LA - Income by way of enhanced compensation	Rs.2,50,000/-	Rs.5,00,000/-

B. Section 206C - Removal of TCS on sale of goods (FY 2025-26)

As per current provisions, in the case of sale of goods if the buyer is not liable to deduct TDS u/s 194Q, then the seller is required to collect TCS on the sale of goods if certain conditions are fulfilled.

To comply with the above provisions, difficulty was faced by the seller in checking whether the buyers deducted TDS u/s 194Q or not.

Considering the above difficulty, it is proposed that the TCS u/s 206C on sale of goods will not be applicable w.e.f. 01.04.2025. Hence, no TCS is required to be collected on sale of goods.

However, it is important to note that the TDS u/s 194Q is continuing to apply if the conditions are fulfilled.

C. Removal of section 206AB & 206CCA - Higher TDS/TCS for non-filers of return of income (FY 2025-26)

Currently, as per section 206AB, if the deductee is a non-filer of income tax return, then TDS/TCS is required to deducted/collected at the higher rate.

It is difficult for the deductor/collector, at the time of deduction/collection, to verify whether returns have been filed by the deductee/collectee, resulting in application of higher rates of deduction/collection, blocking of capital and increased compliance burden.

To address this issue and reduce compliance burden for the deductor/collector, it is **Proposed to omit section 206AB of the Act and section 206CCA of the Act. Hence, TDS/TCS is not required to be deducted/collected at higher rate.**

D. Section 276BB - Exemption from prosecution for delayed payment of TCS in certain cases (w.e.f. 01.04.2025)

Currently, as per section 276BB, if a person fails to pay to credit of the Central Government, the TCS collected by him, he shall be punished with rigorous imprisonment for a term of 3 months to 7 years and with fine.

It is proposed to amend section 276BB of the Act to provide that prosecution shall not be instituted against a person if the payment of the TCS collected has been made before filing the quarterly return.

9.Changes related to Charitable trust/ Institutions

A. Extension of validity of Registration for small trust (w.e.f. 01.04.2025)

Currently, the registration of the trust under income tax act is valid for a period of 5 years. Every 5 years trust is required to apply for re-registration.

To reduce the compliance burden, it is proposed that small trust having gross receipts up to Rs.5 crores during each of the two preceding previous year in which application is made, the registration under income tax will be valid for 10 years.

B. Change in the definition of related party for Trust (w.e.f. 01.04.2025)

Currently, the following people are treated as related parties of the trust:

- a) Author or founder or Trustee of the Trust;
- b) Any person whose total contribution up to the end of the relevant previous year exceeds Rs.50,000/-;
- c) Where such Author, Founder or person is a HUF, a member of HUF
- cc) Trustee of the Trust
- d) Any relative of above person;
- e) Any concern in which any such person as mentioned above has a substantial interest.

To relax the above provision, following change is proposed in clauses (b), (d), (e) for related party definitions for this section:

Any person whose total contribution during the relevant previous year exceeds Rs.1,00,000/- or in aggregate up to the end of the relevant previous year exceeds Rs.10,00,000/-;

Further any related party or any concern of the person who has given above contribution will not be considered as related party to reduce the reporting requirements.

10.Changes related to Returns & Assessment

A. Section 139:

Changes in provision in relation to updated return (From 01.04.2025)

As per the current provision, Updated return can be filed within 24 months from the end of the relevant assessment year.

It is proposed that the updated return can be filed within 48 months from the end of the relevant assessment year. So now updated return can be filed as below:

Financial Year	Assessment year	Can be filed up to
2021-22	2022-23	31.03.2027
2022-23	2023-24	31.03.2028
2023-24	2024-25	31.03.2029

However, in case of any re-opening is done after 36 months u/s 148 then updated return cannot be filed for that year.

Amount of additional tax payable on updated return

Updated Return filed within	Additional Tax Payable	
1 year from end of AY	Regular tax+SC+Cess+Int on updated income +	25% of Tax and interest
2 years from end of AY		50% of Tax and interest
3 years from end of AY		60% of Tax and interest
4 years from end of AY		70% of Tax and interest

B. Changes in search Assessment (Section 158B to 158BI) (w.e.f. 01.02.2025)

In the last budget, government has introduced new scheme for the assessment in the case of search known as "Block Assessment". Following are the changes proposed in the said scheme:

- a) For the purpose of determining undisclosed income, virtual digital assets like cryptocurrency will be included.
- b) Currently, Block assessment shall be completed within 12 months from the end of the month in which last search authorization issued or requisition made.

It is proposed that the Block assessment shall be completed within 12 months from the end of the quarter in which last search authorization issued or requisition made.

C. Change in time limit for passing order of immunity from penalty and prosecution (Section 270AA) (FY 2025-26)

As per the current provision, the officer is required to pass order for immunity from levy of penalty or prosecution within one month from the end of the month in which application is made.

It is proposed to extend the above period of one month to three months from the end of the month in which application is made.

D. Change in time limit for passing order of Penalty (Section 275) (FY 2025-26)

Currently, different time limits have been provided for passing an order to levy penalty for different situations.

To streamline the above, it is proposed that order imposing a penalty shall not be passed after the expiry of six months from the end of the quarter in which the connected proceedings are completed.

11. Other Changes

A. Changes in carry forward of losses in case of amalgamation

As per the current provision, in the case of amalgamation, the accumulated loss under the head business & profession of the amalgamating entity can be carried forward by the amalgamated entity for **fresh 8 years**.

It is proposed that in the case of amalgamation which is effected on or after 01.04.2025, the period of 8 years will be calculated from the year in which such loss was computed. In other words, fresh 8 years will not be available to amalgamated entity. Entity can obtain benefit of **only balance years** out of total 8 years.

B. Revision in classification criteria for MSMEs

It is proposed to revise the classification criteria for the MSME. The same are as under:

Category	Investment		Turnover	
	Current	Revised	Current	Revised
Micro Enterprise	Rs.1 Crore	Rs.2.5 Crore	Rs.5 Crore	Rs.10 Crore
Small Enterprise	Rs.10 Crore	Rs.25 Crore	Rs.50 Crore	Rs.100 Crore
Medium Enterprise	Rs.50 Crore	Rs.125 Crore	Rs.250 Crore	Rs.500 Crore

Due to above reclassification, more and more enterprises will fall under the criteria of Micro & Small Enterprises. **This will increase the compliance with regard to payment made to Micro & small enterprises as per section 43B(h) of the act.**

C. SFT Reporting for transactions in virtual digital assets

Currently, there are numerous transactions reported by various entities through SFT reporting, like dividend, cash deposits in bank, payment for credit cards, purchase of immovable property, sale and purchase of shares and mutual funds, etc. This report helps the government and taxpayers in identifying the transactions undertaken and consider the same while filing the income tax return.

In the same line, government has added one more transaction in the DFT reporting, i.e. Transactions in virtual digital assets. Hence, like transactions in shares, **transactions in virtual digital assets like cryptocurrency will also be reported.**

CHANGES RELATED TO GST

Important Note:

All the proposed amendment in GST Act through Finance Bill, 2025 are to be made applicable after passing of Finance Bill (CGST Act) by President of India and SGST Act by State Assemblies of all the States.

These amendments will come into force on such date as the Central Government may, by the notification in Official Gazette, appoint.

A. Amendment in Blocked Credit

It is proposed to amend provisions of section 17(5)(d) of CGST Act to substitute the words "plant or machinery" with "plant and machinery" w.e.f. 1st July 2017, retrospectively.

Furthermore, an explanation is proposed to be inserted, explicitly stating that, notwithstanding any judgment, decree, or order of any court, tribunal, or authority, the term "plant or machinery" shall always be construed as "plant and machinery". This amendment effectively overrides the impact of the Supreme Court's judgment in the Safari Retreats case paved the way for eligibility of ITC with respect to Building which is being used in business of leasing / renting.

B. Additional Condition for Credit Note

No reduction of output tax liability of supplier if corresponding ITC not reduced by the recipient. This is line with proposed implementation of Invoice Management System (IMS) as per recent GST council recommendation.

C. Pre-condition for Appeal against Penalty Order

In case of demand order involving only Penalty, then it will be required to pay 10% of penalty demand as pre-deposit for admissibility of appeal.

Additional 10% (Total 20%) of demand liability, when filing appeal before Tribunal.

Currently, there is no such requirement to pay pre-deposit when demand order is only for penalty except order under section 129 of GST Act.

D. Omission of Time of supply provision of Vouchers

It is proposed to omit provisions which provide for the time of supply in case of supply of vouchers. This proposed amendment is made to remove the redundant provision of time of supply on account of non-taxability of vouchers.

This will make it clear that sales of vouchers per se will not be taxable. Further, when the customer uses the voucher to make a purchase, no additional GST will be levied on the voucher as it is not considered a supply under GST.

E. Amendment related to ISD

It is proposed to amend the definition of ISD to include interstate supplies on which tax is payable under RCM for distribution w.e.f. 1st April 2025. Earlier amendments were made for intra-state RCM supplies. Now Inter-state supply under RCM is also included so as to clear the ambiguity.

This is in line with mandatory applicability of ISD procedure w.e.f. 1st April 2025 for businesses having multiple branches across different states.

F. Trace & Track mechanism for specified goods

It is proposed to insert a new section for enabling track and trace mechanisms for specified evasion prone goods as well as persons or class of persons who are in possession or deal with such goods.

This amendment enables the government to enforce a Track and Trace Mechanism for evasion-prone commodities.

G. Proposed amendment in Schedule III with respect to warehoused goods

A new clause (aa) will be inserted in paragraph 8 of Schedule III of the CGST Act, 2017, with effect from 01.07.2017. This will explicitly state that the supply of goods warehoused in a Special Economic Zone (SEZ) or Free Trade Warehousing Zone (FTWZ) to any person before the clearance of such goods for export or to the Domestic Tariff Area will be treated neither as a supply of goods nor as a supply of services.

An explicit provision is introduced stating that no refund shall be granted for tax already collected on such transactions before the amendment, even though such tax was not leviable.

No proportionate reversal of Input Tax Credit (ITC) under Section 17(2) of the CGST Act will be required for goods warehoused in a SEZ or FTWZ covered under this amendment. Section 17 (2) specifically refers to 8(a) of Sch. III.

Thank You

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