

Budget Circular

Finance Bill, 2025

JAIN SARAOGI & CO LLP
CHARTERED ACCOUNTANTS

DIRECT TAX

The Hon'ble Finance Minister has presented The Finance Bill, 2025 on 01.02.2025.

The Hon'ble Finance Minister has announced the introduction of the new Income Tax Bill in the coming week on the floor of the House for their consideration, which will be simple and almost half of the existing Income Tax Act (though with respect to section-wise or page-wise or complexities involved therein is anybody's guess).

The broad proposals from the Finance Bill, 2025 are set out as below:

▪ **Rates of Income tax – For AY 2026-27**

There is no change in the rate of Corporate Income-Tax.

There is no change in the rate of Personal Income-Tax under the Old Tax Regime.

However, the following slab structure has been proposed for Personal Income-Tax under the New Tax Regime which are as follows:

Upto Rs. 4,00,000	-	Nil
From Rs. 4,00,001 to Rs. 8,00,000	-	5%
From Rs. 8,00,001 to Rs. 12,00,000	-	10%
From Rs. 12,00,001 to Rs. 16,00,000	-	15%
From Rs. 16,00,001 to Rs. 20,00,000	-	20%
From Rs. 20,00,001 to Rs. 24,00,000	-	25%
Above Rs. 24,00,000	-	30%

There is no change in the rate of surcharge.

▪ **Rebate under Section 87A – For AY 2026-27**

An assessee, being an individual resident in India whose income is chargeable under the New Tax Regime, shall now be entitled to a rebate of 100 per cent of the amount of income-tax payable on a total income not exceeding Rs. 12,00,000 subject to a limit of rebate of Rs. 60,000. Such rebate of income tax shall not be available on income chargeable at special rates.

- **Removal of condition for determining Annual Value of self-occupied property**

It is proposed to amend the sub-section (2) of Section 23 to provide that the annual value of the property consisting of a house or any part thereof shall be taken as nil, if the owner occupies it for his own residence or cannot actually occupy it due to any reason. However, the provision of sub-section (4) of section 23 of the Act which allows this benefit only in respect of two of such houses shall continue to apply as earlier.

This provision will be applicable in relation to AY 2025-26 and onwards.

- **Carry Forward of losses by successor entity in cases of amalgamation or business re-organisation under section 72A & 72AA**

It is proposed to amend section 72A and section 72AA of the Act to provide that any loss forming part of the accumulated loss of the predecessor entity, which is deemed to be the loss of the successor entity, shall be eligible to be carried forward for not more than eight assessment years immediately succeeding the assessment year for which such loss was first computed for original predecessor entity.

These amendment shall apply to any amalgamation or business re-organisation which is effected on or after 1st April 2025.

- **Mechanism for multi-year ALP determination in case of Transfer Pricing**

It is proposed to provide that the 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. The assessee shall be required to exercise an option for the above effect in the prescribed form with the TPO which is subject to his acceptance.

This provision will be applicable in relation to AY 2026-27 and onwards.

- **Change in Time limit for taking approval for retention of seized books of accounts or other documents in search and seizure cases**

It is proposed to amend sub-section (8) of section 132 of the Act to provide that the time limit for taking approval for retention shall be one month from end of the quarter in which the assessment or reassessment or recomputation order has been made.

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▪ **Revision of TDS Thresholds under various sections**

Section	Present Threshold	Proposed TDS Rate
193 – Interest on Securities	Nil	10,000
194 – Dividends to shareholder being individual	5,000	10,000
194A – Interest other than interest on Securities		
a) Banking Company	40,000	50,000
b) Banking Company to Senior Citizen	50,000	1,00,000
c) Co-operative Society	40,000	50,000
d) Co-operative Society to Senior Citizen	50,000	1,00,000
e) Deposit with Post Office	40,000	50,000
f) Deposit with Post Office (Senior Citizen)	50,000	1,00,000
g) Any other case	5,000	10,000
194B – Winnings form lottery or crossword puzzle, etc.	Aggregate Rs. 10,000 during the year	Rs. 10,000 in respect of a single transaction
194BB – Winnings form lottery or crossword puzzle, etc.	Aggregate Rs. 10,000 during the year	Rs. 10,000 in respect of a single transaction
194D – Insurance Commission	15,000	20,000
194G – Commission, etc. on sale of lottery tickets	15,000	20,000
194H – Commission on Brokerage	15,000	20,000
194I – Rent	Aggregate exceeding Rs. 2,40,000 during the year	Income for a month of part of month exceeding Rs. 50,000
194J – Fee for Professional or Technical Services	30,000	50,000
194K – Income in respect of certain units	5,000	10,000
194LA – Payment of compensation on acquisition of certain immovable property	2,50,000	5,00,000

This will take effect from the 1st day of April, 2025.

▪ **Extension of time limit for filing of Updated Return u/s 139(8A)**

It is proposed to extend the time limit for filing of Updated Return u/s 139(8A) from the existing limit of upto 24 months to upto 48 months from the end of the relevant assessment year.

Further the additional tax payable while filing the Updated Return shall be as follows:

Upto 12 month period from the end of the relevant assessment year – 25%

After 12 month upto 24 month period – 50%

After 24 month upto 36 month period – 60%

After 36 month upto 48 months period – 70%

These amendments will take effect from the 1st day of April, 2025.

▪ **Removal of Higher rate of TDS for non-filers of income tax return**

It is proposed to omit the Section 206AB requiring for special provision of deduction of TDS at higher rate for non-filers of income-tax return.

This will take effect from the 1st day of April, 2025.

▪ **Increase in limit of threshold for TCS under Section 206C(1G) in specific cases**

It is proposed that to increase the limit of threshold of the amount or aggregate amount of remittance from Rs. 7,00,000 to Rs. 10,00,000 for collection of TCS by an authorised dealer for remittance out of India by a buyer under the LRS scheme.

It is further proposed that the authorised dealer shall not collect the sum if the amount being remitted out is a loan obtained from any financial institution as defined in clause (b) of sub-section (3) of section 80E, for the purpose of pursuing any education.

This will take effect from the 1st day of April, 2025.

▪ **Removal of TCS on sale of Goods**

It is proposed to omit the Section 206C(1H) requiring for collection of TCS on sale of goods.

This will take effect from the 1st day of April, 2025.

- **Removal of Higher rate of TCS for non-filers of income tax return**

It is proposed to omit the Section 206CCA requiring for special provision of collection of tax at higher rate for non-filers of income-tax return.

This will take effect from the 1st day of April, 2025.

- **Power to AO to impose Penalty under certain sections**

It is proposed to provide power to AO to impose penalty under Sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Act.

- **Changes proposed for small trust**

It is proposed to increase the time period for requirement of Registration of Trust from every 5 years u/s 12A to every 10 years.

- **Changes proposed in the definition of specified person in case of trust**

It is proposed to change the definition of specified persons covered u/s 13(3) to be restricted to a person only (excluding his/her relatives) contributing Rs. 1,00,000 during the previous year or Rs. 10,00,000 in aggregate in all earlier previous years instead of the earlier definition for person (including his/her relatives) contributing Rs. 50,000 each year.

GOODS & SERVICES TAX

- **Restriction on claim of ITC for Building Construction**

Section 17(5)(d) is being amended to substitute the words "plant or machinery" with words "plant and machinery" with retrospectively effect from 1st July 2017, notwithstanding anything to the contrary contained in any judgment, decree or order of any court or any other authority. This has been proposed in order to counter the judgment as laid down in Safari Retreats Pvt Ltd.

- **Restriction on reversal of Output liability in case of issuance of Credit Note**

Proviso to section 34(2) is being amended to explicitly provide for requirement of reversal of corresponding input tax credit in respect of a credit-note, if availed, by the registered recipient, for the purpose of reduction of output tax liability of the supplier in respect of the said credit note.

- **Mandatory Pre-deposit of Penalty amount in case of appeal in certain cases**

It is proposed to provide for 10% mandatory pre-deposit of penalty amount for appeals before Appellate Authority/Appellate Tribunal in cases involving only demand of penalty without any demand for tax.

THANK YOU

JAIN SARAOGI & CO LLP
CHARTERED ACCOUNTANTS

1 Crooked Lane, Kolkata (West Bengal) 700069

Ph : +91-33-22484130 | M: +91-9836184131

Branches : Ranchi (Jharkhand) & Guwahati (Assam)

Email : info@jainsaraogi.com | Website : www.jainsaraogi.com

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