



# *Budget Alert 2025*

*Agrya Consulting*

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## Direct Tax proposals

### Tax Rates

#### Individual Assessee's – Old Regime

- For assesses except senior citizens

FY 2024-25 and FY 2025-26	Tax Rate
Up to 250,000	Nil
From 250,001 to 500,000*	5%
From 500,001 to 1,000,000	20%
Above 1,000,000	30%

- For senior citizen assesses 60 years or more but less than 80 years

FY 2024-25 and FY 2025-26	Tax rate
0-300,000	Nil
300,001-500,000*	5%
500,001-1,000,000	20%
1,000,000+	30%

- For senior citizen assesses 80 years or more

FY 2024-25 and FY 2025-26	Tax rate
0-500,000	Nil
500,001-1,000,000	20%
1,000,000+	30%

\*Rebate under Section 87A is available for assesses whose income was less than Rs. 500,000 up to Rs. 12,500/- for assesses choosing Old Regime

**Senior Citizens can also choose to avail the new regime if its beneficial to them.**

#### Individual Assessee's – New Regime

Slab Rates	FY 2024-25	Slab Rates	FY 2025-26
Up to 3,00,000	Nil	Up to 4,00,000	Nil
From 300,001 to 700,000**	5%	From 400,001 to 800,000	5%
From 700,001 to 1,000,000	10%	From 800,001 to 1,200,000***	10%
From 1,000,001 to 1,200,000	15%	From 1,200,001 to 1,600,000	15%
From 1,200,001 to 1,250,000	20%	From 1,600,001 to 2,000,000	20%
From 1,250,001 to 1,500,000	25%	From 2,000,001 to 2,400,000	25%
Above 1,500,000	30%	Above 2,400,000	30%

\*\*Rebate under Section 87A is available for assesses whose income is less than Rs. 700,000 – benefit up to Rs. 25,000/ on tax payable. If income exceeds Rs. 700,000 you still get a partial rebate and the rebate amount is equal to the extra tax payable over Rs. 700,000.

\*\*\*Rebate under Section 87A is available for assesses whose income is less than Rs. 1,200,000 – benefit up to Rs. 60,000/ on tax payable. If income exceeds Rs. 1,200,000 you still get a partial rebate and the rebate amount is equal to the extra tax payable over Rs. 1,200,000.

#### Surcharge for Individuals

FY 2024-25 and FY 2025-26	Old Regime	New Regime
Total Income <50 lacs	0%	0%
Total Income > 50 lacs to 100 lacs	10%	10%
Total Income > 100 lacs to 200 lacs	15%	15%
Total Income > 200 lacs to 500 lacs	25%	25%
Total Income > 500 lacs	37%	25%

**Note:** Health and Education Cess at 4% to be calculated on Tax and Surcharge

### Taxation for Domestic Companies

Total Turnover	FY 2024-25 and FY 2025-26
Less than 400 crores as per FY22-23 and FY23-24 Financials respectively	25%
More than 400 crores as per FY22-23 and FY23-24 Financials respectively	30%

### Surcharge for Domestic companies

Taxable Income	FY 2024-25 and FY 2025-26
Greater than 1 crore less than 10 crores	7%
More than 10 crores	12%

**Note:** Health and Education Cess at 4% to be calculated on Tax and Surcharge

Special Rate for domestic Companies	FY 2024-25 and FY 2025-26
If incorporated after 1 <sup>st</sup> October 2019 and engaged in manufacturing And not claiming exemptions	15%
For all domestic Companies subject to not claiming exemptions	22%

In the case of companies opting for special rate, flat surcharge of 10%

**Note:** Health and Education Cess at 4% to be calculated on Tax and Surcharge

### Taxation for Foreign Companies

The tax rate stands at 40%.

Taxable Income	FY 2024-25 and FY 2025-26
In so much of the total Income Consists of Royalties and fees for rendering technical services	50%
On the balance, if any, of the total income	40%

### Surcharge for Foreign companies

Taxable Income	FY 2024-25 and FY 2025-26
Greater than 1 crore but less than 10 crores	2%
Exceeding 10 crores	5%

**Note:** Health and Education Cess at 4% to be calculated on Tax and Surcharge

Surcharge is also applicable on Minimum Alternate Tax and Dividend Distribution Tax.

### For partnership firms and LLPs:

- For partnership firms flat rate of 30% is to be continued.
- Surcharge at 12% will be levied in case if Total income exceeds Rs. 100 lacs

**Note:** Health and Education Cess at 4% to be calculated on Tax and Surcharge

### Changes impacting Individual Taxpayers:

1. Significant beneficial changes in slab rates for New Regime as given in table above. No Change in the Old Regime rates.
2. **Revision of Non-Monetary Perquisite Threshold:** The non-monetary threshold for perquisites is revised from ₹50,000 to an amount prescribed by authorities. Employer-incurred travel expenses for employees or families will not be perquisites if the employee's income exceeds the new prescribed limit (previously Rs. 2 Lacs). [Section 17]
3. **Simplification of House Property Valuation:** The annual value of a self-occupied house property will be considered nil, even if the owner is unable to occupy it for any reason (earlier limited to work-related relocations). [Section 23]
4. Amendments to Deductions under Chapter VI-A
  - a. **Tax Exemption on Pension Withdrawals:** Withdrawals from pension plans or retirement schemes (where deductions under Section 80CCA were availed) will not be taxable for individuals. This exemption also applies to interest accrued on such withdrawals. [Section 80CCA(2)]
  - b. **NPS Contributions & Withdrawals for Minors:** Contributions made by a parent/guardian to the NPS account of a minor under Section 80CCD(1B) will be eligible for deduction.

However, the total deduction for such contributions is capped at ₹50,000. Withdrawals due to the death of a minor will not be treated as income of the parent/guardian. [Section 80CCD]

5. **Enhanced Tax Rebate for Individuals:** The total income threshold for rebate eligibility under Section 87A is increased from ₹7,00,000 to ₹12,00,000. The rebate limit is enhanced from ₹25,000 to ₹60,000. [Section 87A]
6. Partial withdrawals from minor NPS accounts up to 25% of contributions are exempt from parent/guardian income. [Section 10(12BA)]
7. **Clarification on Virtual Digital Assets (VDA):** The definition of Virtual Digital Asset explicitly includes crypto-assets representing digital value secured via a cryptographically distributed ledger. [Section 2(47A)]
8. **Inclusion of Virtual Digital Assets as Undisclosed Income:** Effective February 1, 2025, Virtual Digital Assets (VDAs) will be included in the definition of undisclosed income, subjecting them to scrutiny under search and seizure provisions. [Section 158B]
9. **Extension of Time Limit for Filing Updated Returns:** The time limit to file an updated return is extended from 2 to 4 years from the end of the relevant assessment year. Additional Tax payable shall be 60% for 3<sup>rd</sup> Year and 70% for 4<sup>th</sup> Year. Filing an updated return will not be allowed if a reassessment notice is issued after four years, unless such reassessment is subsequently dropped. [Section 139(8A)]

### Changes impacting Start-ups.

1. **Extension for Start-Up Tax Benefits:** The eligibility for start-ups to claim deductions under Section 80IAC has been extended. Start-ups incorporated until April 1, 2030, can now avail the tax exemptions. [Section 80IAC]

### Changes impacting Companies & Businesses:

1. **Income Deemed to Accrue in India – Exclusion for Exports:** Non-resident transactions solely for purchasing goods in India for export will not establish a significant economic presence in India. [Section 9]
2. **Global Hub for Electronics – Deemed Profits for Non-Residents:** 25% of the total payments received/payable by non-residents for electronics services or technology will be deemed as profits and gains from business in India. [Section 44BBD]
3. **TCS on Sale of Goods Removed:** TCS on the sale of goods has been removed eliminating contradictions with Section 194Q (TDS on purchase of goods) [Section 206C (1H)]
4. **Abolition of Higher TDS/TCS for Non-Filers:** Provisions for higher TDS and higher TCS for non-filers of income tax returns have been removed to reduce the compliance burden on taxpayers. [Section 206AB & (Section 206CCA)]
5. **Rationalisation of TDS/TCS rates and Threshold:**

TDS Section	Description	Existing Rate (%)	Proposed Rate (%)	Existing Threshold (₹)	Proposed Threshold (₹)
193	Interest on Securities	10	10	₹5,000	₹10,000
194	Dividends	10	10	₹5,000	₹10,000
194A	Interest other than on Securities	10	10	₹40,000 (₹50,000 for senior citizens)	₹50,000 (₹1,00,000 for senior citizens);
194B	Winnings from Lottery/Crossword	30	30	₹10,000 (aggregate per FY)	₹10,000 (per single transaction)
194BB	Winnings from Horserace	30	30	₹10,000 (aggregate per FY)	₹10,000 (per single transaction)
194D	Insurance Commission	5 (Individuals), 10 (Others)	5 (Individuals), 10 (Others)	₹15,000	₹20,000
194G	Commission on Lottery Ticket Sales	2	2	₹15,000	₹20,000

194H	Commission/Brokerage	2	2	₹15,000	₹20,000
194I	Rent	2 (Plant/Machinery), 10 (Land/Building)	2 (Plant/Machinery), 10 (Land/Building)	₹2,40,000	₹50,000 per month or part thereof
194J	Professional/Technical Fees	10 (Professional), 2 (Technical)	10 (Professional), 2 (Technical)	₹30,000	₹50,000
194K	Income from Units	10	10	₹5,000	₹10,000
194LA	Compensation on Property Acquisition	10	10	₹2,50,000	₹5,00,000
194LBC	Income from Securitization Trust	25 (Individual/HUF), 30 (Others)	10 (in all cases)	-	

## 6. Transfer Pricing

- a. Shift to Three-Year Block Assessment for Transfer Pricing: Transfer Pricing assessments will transition from an annual to a three-year block assessment. Once the Transfer Pricing Officer validates the option exercised, the Arm's Length Price determined for a financial year will apply to the next two consecutive years for similar transactions. [Section 155]
- b. Elective Option for Transfer Pricing Audits: Taxpayers will have the option to elect for a block assessment approach when a Transfer Pricing audit is initiated for a specific financial year.

### Changes impacting IFSC:

1. **Extended Deadline for IFSC Units:** IFSC units can now commence business operations until March 31, 2030 [Section 80LA]
2. **Tax Neutrality for IFSC Relocations:** Relocation of original funds to resultant funds and ETFs within IFSC is now tax-neutral. [Section 47]
3. **Expansion of Capital Asset Definition:** The definition of "capital asset" now includes securities held by Indian investment funds, previously applicable only to foreign institutional investors. Investment funds include trusts, companies, LLPs, or bodies corporate regulated under SEBI (2012) or IFSCA (2022), registered as Category I or II Alternative Investment Funds (AIFs). [Section 2(14)(b)(i)]
4. **Loans Between Group Entities Excluded from Dividend:** Loans or advances between group entities will not be treated as dividends if one entity is a Finance Company or Finance Unit in IFSC engaged in treasury activity and the group is listed on a foreign stock exchange. [Section 2(22)]
5. **Incomes Exempt from Total Income:** Capital gains from equity share transfers by non-residents or IFSC units involved in ship leasing are exempt. Dividends paid between IFSC units engaged in ship leasing are exempt. Retail schemes and ETFs in IFSC regulated under the IFSC Act, 2019 are exempt. Non-resident income from offshore derivatives or forward contracts with IFSC Foreign Portfolio Investors is exempt. Proceeds from life insurance policies issued by IFSC intermediaries are exempt without premium caps. [Section 10]
6. **Relaxation for Eligible Investment Funds:** Eligible Investment Funds may include up to 5% participation by Indian residents without constituting a business connection in India. If participation exceeds 5%, the fund has 4 months to rectify the excess to maintain exemption. [Section 9A]

### Changes in Income Tax Return filing & Assessment Procedures

7. **Extension of Time Limit for Filing Updated Returns:** The time limit to file an updated return is extended from 2 to 4 years from the end of the relevant assessment year. Additional Tax payable shall be 60% for 3<sup>rd</sup> Year and 70% for 4<sup>th</sup> Year. Filing an updated return will not be allowed if a reassessment notice is issued after four years, unless such reassessment is subsequently dropped. [Section 139(8A)]
8. **Faceless Scheme Extension for Dispute Resolution:** The Central Government can now issue directions under the faceless scheme for dispute resolution under Section 144C without a fixed end date. The earlier proposed deadline of March 31, 2025, has been removed, enabling continued implementation beyond this date. [Section 144C]

- 9. Limitation on Loss Carry Forward for Amalgamated Entities:** For amalgamations business losses (excluding speculative losses) can be carried forward for only 8 assessment years post the year of computation to avoid ever greening of losses. [Section 72A]
- 10. Restriction on Loss Carry Forward for Banking & Govt Companies:** Similar 8-year carry forward rule applies to amalgamations in banking and government companies [Section 72AA]
- 11. Clarification on Stay Period for Assessments:** The stay period when courts halt assessment proceedings will be excluded when calculating deadlines for completing assessments or imposing penalties. [Sections 153, 153B, 158BE, 158BFA]
- 12. Revised Computation of Block Period Income:** "Total income disclosed" is now replaced with "undisclosed income declared" for block period assessments. Income declared in returns filed under Section 139, or in response to notices under Sections 142(1) or 148, will be included in the block period and eligible for tax credit. Income from the previous year, where the return filing due date has not passed before a search, will be taxed under normal provisions based on regular books. Sub-section (3) excludes international or specified domestic transactions identified during search operations from block assessments, subjecting them instead to standard provisions. [Section 158BB]
- 13. Revised Time Limits for Search Assessments:** The deadline for search assessments has been modified from 12 months from the month-end to 12 months from the quarter-end. [Section 158BE]
- 14. Appeals & Tribunal Procedures:** The due date for issuing directions by the Central Government concerning appeal assessments has been omitted. [Sections 253 & 255]
- 15. Clarification on Stay Period:** The stay period in assessment proceedings now explicitly refers to the duration from the granting of stay by a court to the date the vacating order is received by the jurisdictional Principal Commissioner or Commissioner. [Sections 263, 264 & Rule 68B]
- 16. Extension for Penalty Immunity Decisions:** The time frame for the Assessing Officer to confirm or reject an application for immunity from penalty has been extended from 1 month to 3 months. [Section 270AA]
- 17. Penalty Exemptions Post-Search:** Penalty provisions under Section 271AAB shall not apply to searches initiated on or after September 1, 2024. [Section 271AAB]
- 18. Removal of Capital Subscription Penalty:** The penalty for failure to subscribe to eligible capital issues within six months (previously 20% of the subscription amount) has been removed. [Section 271BB]
- 19. Delegation of Penalty Powers to Assessing Officers:** Penalty imposition powers for failure to deduct tax at source, collect tax at source, Deposits/Loans through non-prescribed modes, Receipts through non-prescribed modes, failure to provide prescribed electronic payment modes (for businesses with receipts over ₹50 Cr), Repayment of loans/deposits through non-prescribed modes, have been shifted from the Joint Commissioner to the Assessing Officer, to reduce the administrative burden: [Section 271 C,CA, D, DA, DB,E]
- 20. Uniform Time Limit for Penalty Imposition:** The time limit for imposing penalties is now uniformly set at 6 months from the end of the quarter in which the appeal or connected proceedings were passed. [Section 275]
- 21. Relaxation in TCS Remittance Penalty:** Rigorous imprisonment for failure to remit Tax Collected at Source (TCS) is withdrawn if the collected TCS is paid before filing the TCS return under Section 206C. [Section 276BB]
- 22. Crypto Asset Transaction Reporting:** Entities involved in crypto transactions must Submit required information to tax authorities on time. Correct any defects within 30 days (or as extended) to avoid penalties. Respond to notices for late submissions within 30 days. Report and correct inaccuracies within 10 days. [Section 285BAA]

### Changes impacting Charitable Institutions

1. **Extension of Small Trust Registration Validity:** The validity of registration for trusts and charitable institutions under Section 12AB has been extended to 10 years from 5 years. [Section 12AB]
2. The Commissioner cannot reject applications under Section 12A citing incompleteness. [Section 12AB]
3. **Revised Threshold for Substantial Contribution to Trusts:** The threshold for identifying a substantial contributor to a trust or institution under Section 13 has been increased from ₹50,000 to ₹1,00,000 for a single contribution or an aggregate of ₹10 lakh during a financial year. [Section 13]

### GST Proposals

1. **Time of Supply for Vouchers Omitted:** Provisions determining the time of supply for goods and services in case of vouchers have been omitted. [Section 12(4)]
2. **Clarification on 'Plant and Machinery':** The term "Plant or machinery" is now substituted with "Plant and machinery", with retrospective effect from July 1, 2017. This amendment is done to reverse the implications of Supreme Court judgement on Safari Retreats [Section 17(5)(d)]
3. **ISD Distribution Includes RCM:** The manner of input distribution by Input Service Distributors (ISD) now includes provisions related to the Reverse Charge Mechanism (RCM) under the IGST Act. [Section 20(3)]
4. **ITC Reversal Condition for Credit Notes:** No reduction in tax liability on account of credit notes unless the recipient reverses the Input Tax Credit (ITC). [Section 34(2)]
5. **Additional Filing Conditions:** New conditions have been introduced for filing GSTR-1 and GSTR-3B, applicable from the date of the relevant notification. [Section 39(1)]
6. **Reduction in Pre-Deposit for Appeals:** The pre-deposit requirement for filing appeals before the Appellate Authority and Tribunal has been reduced from 25% to 10%. [Sections 107(6) & 112(8)]
7. **Track and Trace Mechanism Introduced:** A new section facilitates the implementation of a track and trace system for better monitoring of specified commodities. [Section 148A]
8. **Penalties for Contraventions:** Any contravention of the above provisions will attract a penalty of ₹1 lakh or 10% of tax payable, whichever is higher. [Section 122B]
9. **Supply in SEZ/FTA Exempt from Supply Definition:** Supply of warehoused goods in SEZs or FTAs to any person, prior to clearance for exports or to the Domestic Tariff Area (DTA), shall not be treated as supply of goods. [Schedule III]
10. **No Refund for Paid Taxes:** Refund of tax already paid shall not be permissible. [Section 128]



## About Agrya Consulting

Agrya Consulting is a professional services firm founded in 2010 with a vision of enabling clients' businesses operate more efficiently and effectively. Their ability to combine practical knowledge in a multitude of industries with years of experience enable them to deliver timely solutions to a variety of problems that businesses face in today's evolving environment. Agrya takes an approach to every engagement that seeks to ensure the highest degree of technical knowledge, experience, and timely delivery.

[Actionboard](#) and [Effortless](#) are the FinOps tools build to change the way the finance operations are managed today by the businesses.

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