



Constellation Blu

Decoding: The Union Budget 2025

Table of Contents

- 02** Introduction
- 03** Exports
- 06** Infrastructure, Energy and Urban Development
- 08** Education Policies
- 10** Agriculture & Rural
- 13** MSMEs and Make in India
- 16** Healthcare
- 18** Tourism
- 20** BFSI and Startup
- 22** Taxation



Introduction

At Constellation Blu, we are committed to providing clear, concise, and insightful analyses of key financial and regulatory developments that impact businesses and investors. This document presents a comprehensive overview of the significant changes introduced in the Finance Bill 2025, as well as key highlights from the Budget 2025, including policy directions, tax amendments, and regulatory updates.

Our analysis is based on authoritative sources, including:

- The Finance Bill, 2025
- Memorandum explaining the provisions in the Finance Bill, 2025
- Key Features of Budget 2025-2026
- Budget 2025-2026 Speech
- FAQs as issued by CBDT

Through this document, we aim to decode complex tax provisions and provide valuable insights into their implications for businesses, investors, and professionals. Whether you are navigating direct tax changes, understanding fiscal policy shifts, or assessing compliance requirements, this report serves as a reliable guide to help you stay informed and prepared.



Sectorial Policies

Exports

Exports

- **Export Promotion Mission:**

The Export Promotion Mission, guided by sectoral and ministerial targets, is a collaborative initiative led by the Ministries of Commerce, MSME, and Finance. It aims to facilitate seamless access to export credit, provide cross-border factoring support, and assist MSMEs in addressing non-tariff measures in overseas markets.

- **BharatTradeNet:**

A digital public infrastructure, BharatTradeNet (BTN), will be established as a unified platform for trade documentation and financing solutions. This platform will complement the Unified Logistics Interface Platform and will be aligned with international best practices.

- **Support for integration with Global Supply Chains:**

The Government will support domestic manufacturing to integrate with global supply chains, identifying key sectors based on objective criteria. Facilitation groups will be formed for select products. Additionally, the domestic electronic equipment industry will be supported to leverage Industry 4.0 opportunities, benefiting the nation's skilled youth.

- **National Framework for GCC:**

A national framework will be developed to guide states in promoting Global Capability Centres in emerging tier-2 cities. It will recommend measures to enhance talent availability, improve infrastructure, reform building by-laws, and establish mechanisms for industry collaboration.

- **Warehousing facility for air cargo:**

The Government will upgrade air cargo infrastructure and warehousing for high-value perishable horticulture produce, while streamlining cargo screening and customs protocols for greater efficiency.

Exports

- **Export Promotion**

Sector	Proposed Measures
Handicrafts	Export period extended from 6 months to 1 year, with a 3-month extension if required. 9 items added to duty-free inputs.
Leather Sector	Full BCD exemption on Wet Blue leather for domestic value addition. Exemption from 20% export duty on crust leather.
Marine Products	BCD reduced from 30% to 5% on Frozen Fish Paste (Surimi) for manufacture/export. BCD reduced from 15% to 5% on fish hydrolysate for feed production.
Domestic MROs for Railway Goods	Export timeline for goods imported for repairs extended to 1 year, with a further 1-year extension for railway goods.

Sectorial Policies

Infrastructure, Energy
and Urban
Development Policies

Infrastructure, Energy and Urban Development Policies

- **National Geospatial Mission:**

Strengthening geospatial infrastructure for modernized land records, urban planning, and infrastructure design.

- **State Infrastructure Support:**

INR 1.5 lakh crore in 50-year interest-free loans for capital expenditure and reform-linked incentives.

- **Jal Jeevan Mission:**

Extended till 2028 with increased funding to achieve 100% coverage.

- **Power Sector Reforms:**

Incentives for distribution improvements, intra-state transmission upgrades, and 0.5% additional GSDP borrowing for states.

- **Asset Monetization Plan (2025–30):**

INR 10 lakh crore capital recycling for new infrastructure projects.

- **Urban Challenge Fund:**

INR 1 lakh crore to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water & Sanitation'.

- **Maritime Development Fund:**

INR 25,000 crore for long-term port financing, with 49% government contribution.

- **UDAN Regional Connectivity:**

Expansion to 120 new destinations, targeting 4 crore passengers over 10 years.

- **Nuclear Energy Mission:**

Amendments to the Atomic Energy Act and the Civil Liability for Nuclear Damage Act will be taken up for active partnership with the private sector.

- **Bihar Infrastructure:**

Greenfield airports and financial support for the Western Koshi Canal ERM projects.

- **SWAMIH Fund-2:**

INR 15,000 crore for completing one lakh dwelling units via blended finance.

Sectorial Policies

Education Policies

Education Policies

- **Expansion of IITs:**

Increasing capacity to strengthen higher education.

- **Bharatiya Bhasha Pustak Scheme:**

Digital Indian language books for schools and universities.

- **National Centres of Excellence for Skilling:**

Global collaborations to enhance workforce training.

- **Atal Tinkering Labs:**

50,000 labs in government schools over five years to foster innovation.

- **Centre of Excellence in Artificial Intelligence:**

INR 500 crore allocated for AI-driven education initiatives.

- **Broadband Connectivity:**

High-speed internet for all government secondary schools and rural health centres.

- **Medical Education Expansion:**

10,000 new seats, targeting 75,000 additional seats in five years.

- **PM Research Fellowship:**

10,000 fellowships for advanced research in IITs and IISc.

Sectorial Policies

Agriculture & Rural Development policies

Agriculture

- **Developing Agri Districts Programme:** The Government will undertake 'Prime Minister Dhan-Dhaanya Krishi Yojana' in partnership with states to cover 100 districts to (1) enhance agricultural productivity, (2) adopt crop diversification and sustainable agriculture practices, (3) augment post-harvest storage, (4) improve irrigation facilities, and (5) facilitate availability of long-term and short-term credit. This programme is likely to help 1.7 crore farmers.
- **Rural Prosperity and Resilience:** A programme will be launched in partnership with states. This will address underemployment in agriculture through skilling, investment, technology, and invigorating the rural economy to generate ample opportunities in rural areas
- **Special focus on Tur, Urad and Masoor:** Central agencies will be ready to procure, as much as offered during the next 4 years from farmers who register with these agencies and enter into agreements.
- **Makhana Board in Bihar:** To be set up to improve production, processing, value addition, and marketing and organisation of FPOs
- **National Mission on High Yielding Seeds:** This is aimed at strengthening the research ecosystem, targeted development and propagation of seeds with high yield, pest resistance and climate resilience, and commercial availability
- **Unlocking the untapped Potential of Marine Sector:** Sustainable harnessing of fisheries from Indian Exclusive Economic Zone and High Seas, with a special focus on the Andaman & Nicobar and Lakshadweep Islands.
- **Cotton Farming:** 5-year mission to facilitate improvements in productivity and sustainability of cotton farming
- **Kisan Credit Cards:** The loan limit will be enhanced from ₹ 3 lakh to 5 lakh for loans taken through the KCC.

Rural Development Policies

- **India Post:** India Post will be transformed as a large public logistics organization. This will meet the rising needs of Viswakarmas, new entrepreneurs, women, self-help groups, MSMEs, and large business organizations.
- **Broadband Connectivity:** Broadband connectivity will be provided to all Government secondary schools and primary health centres in rural areas under the Bharatnet project.
- **Potable Tap Water Connections:** Jal Jeevan Mission was started in 2019 to provide access to potable tap water connections, this mission has been extended until 2028 with enhanced total outlay.
- **Grameen Credit Score:** Public Sector Banks will develop 'Grameen Credit Score' framework to serve the credit needs of SHG members and people in rural areas.



Sectorial Policies

MSME & make In
India

MSMEs and Make in India

- **Credit Cards for Micro Enterprises:**

INR 5 lakh limit for Udyam-registered micro enterprises; 10 lakh cards to be issued in the first year.

- **Support for First-Time Entrepreneurs:**

New scheme offering term loans up to INR 2 crore for 5 lakh new entrepreneurs, including women and SC/STs, over five years.

- **Manufacturing Mission:**

Emphasizing ease of doing business, skilled workforce, MSME growth, technology adoption, quality standards, and clean-tech manufacturing.

- **Focus Product Scheme – Footwear & Leather:**

Aimed at creating 22 lakh jobs, INR 4 lakh crore turnover, and INR 1.1 lakh crore exports.

- **Toy Sector Promotion:**

Cluster development, skill-building, and ecosystem support for innovative, high-quality 'Made in India' toys.

- **Food Processing Support:**

Establishing the National Institute of Food Technology in Bihar, boosting farmer income, skilling, and job creation.

MSMEs and Make in India

- **Revised MSME Classification Criteria:**
 - **Micro Enterprises:** Investment limit raised from INR 1 crore to INR 2.5 crore; turnover limit from INR 5 crore to INR 10 crore.
 - **Small Enterprises:** Investment limit increased from INR 10 crore to INR 25 crore; turnover limit from INR 50 crore to INR 100 crore.
 - **Medium Enterprises:** Investment limit raised from INR 50 crore to INR 125 crore; turnover limit from INR 250 crore to INR 500 crore.
- **Enhanced Credit Guarantee Cover:**
 - **Micro and Small Enterprises:** Increased from INR 5 crore to INR 10 crore.
 - **Exporter MSMEs:** Now eligible for term loans up to INR 20 crore under the guarantee cover.



Sectorial Policies

Healthcare policies

Healthcare

- **Welfare of Online Platform Workers:**

Gig workers of online platforms will be provided healthcare under PM Jan Arogya Yojana. This measure is likely to assist nearly 1 crore gig-workers.

Sectorial Policies

Tourism

Tourism

- **Development of Top 50 Tourist Destinations:**
Collaborative efforts with states to enhance infrastructure and visitor experience.
- **Performance-Linked Incentives:**
States to receive incentives based on tourism performance and development initiatives.
- **Streamlined E-Visa Facilities:**
Simplified visa processes to attract more international tourists.
- **MUDRA Loans for Homestays:**
Financial support for small hospitality businesses to boost local tourism.
- **Skill Development Programs:**
Training initiatives to equip youth with skills for the tourism sector.
- **Improved Travel Connectivity:**
Enhancing infrastructure for seamless access to key tourist destinations.



Sectoral Policies

BFSI & Start-up related policies

BFSI & Start-up related policies

- **Fund of Funds for Startups:** A new Fund of Funds, with expanded scope and contribution of INR 10,000 Crore is proposed to be set up by the Government. This is in addition to existing Fund of Funds already supporting the AIF set up with INR 10,000 contribution from Government which has received contributions of more than 91,000 Crore.
- **Deep-Tech Fund:** A Deep-Tech fund of funds will be explored by the government to support Deep-Tech startups. PM Research Fellowship scheme to provide 10,000 fellowships for technology research will also play a critical role in supporting Deep-Tech start-ups.
- **Enhancement of credit availability for Start-ups:** With respect to the start-ups operating in 27 key sectors crucial for Atmanirbhar Bharat, the limit of loans has been increased from existing INR 10 Crores to INR 20 Crores. Further, the guarantee fee is reduced to 1 % of the loan amount.
- **FDI in Insurance:** The FDI limit for the insurance sector will be raised from 74 to 100 per cent for those companies which invest the entire premium in India.
- **NaBFID Initiatives:** will set up a 'Partial Credit Enhancement Facility' for corporate bonds for infrastructure.
- **Mergers and BIT Reforms:** Requirements and procedures for speedy approval of company mergers will be rationalized. The scope for fast-track mergers will be widened and the process made simpler. Current model of Bilateral Investment Treaty BIT will be revamped and made more investor-friendly.



Taxation

Tax rates changes across all assesses, including rebates

Tax rates changes across all assesses, including rebates

- No changes in the tax rates (including surcharge and health and education cess on income-tax) for co-operative societies, firms, local authorities and companies.
- The following changes are proposed in the income slabs under Section 115BAC (New Tax Regime):

Income slabs (in INR)		Rates of tax as per New Regime
Existing slabs	Proposed changes (from AY 2026-27)	
Up to 3,00,000	Up to 4,00,000	NIL
3,00,001 to 7,00,000	4,00,001 to 8,00,000	5%
7,00,001 to 10,00,000	8,00,001 to 12,00,000	10%
10,00,01 to 12,00,000	12,00,01 to 16,00,000	15%
12,00,001 to 15,00,000	16,00,001 to 20,00,000	20%
-	20,00,001 to 24,00,000	25%
Above 15,00,000	Above 24,00,000	30%

- From assessment year 2026-27, it is proposed to enhance the limit of total income for rebate under section 87A for the resident individual under the new regime from INR 7,00,000 to INR 12,00,000 and the limit of rebate from INR 25,000 to INR 60,000.
- In the new regime under section 115BAC(1A), marginal relief is available to only resident individuals who have income marginally above INR 12 lakhs. The total income till which marginal relief is available is near about INR 12,75,000/-.

Tax benefits changes across all assesses, including rebates

Illustration explained below is the tax benefit for different category of taxpayers (0 to 24,00,000)

Total Income	Tax as per existing rates [as per Finance (No.2) Act, 2024]	Tax as per proposed rates	Benefit of Rate/Slab	Rebate Benefit [with reference to (3)]	Total Benefit [computed when compared to current slab rates]
8 lakhs	30,000	20,000	10,000	20,000	30,000
9 lakhs	40,000	30,000	10,000	30,000	40,000
10 lakhs	50,000	40,000	0,000	40,000	50,000
11 lakhs	65,000	50,000	15,000	50,000	65,000
12 lakhs	80,000	60,000	20,000	60,000	80,000
13 lakhs	1,00,000	75,000	25,000	0	25,000
14 lakhs	1,20,000	90,000	30,000	0	30,000
15 lakhs	1,40,000	1,05,000	35,000	0	35,000
16 lakhs	1,70,000	1,20,000	50,000	0	50,000
17 lakhs	2,00,000	1,40,000	60,000	0	60,000
18 lakhs	2,30,000	1,60,000	70,000	0	70,000
19 lakhs	2,60,000	1,80,000	80,000	0	80,000
20 lakhs	2,90,000	2,00,000	90,000	0	90,000
21 lakhs	3,20,000	2,25,000	95,000	0	95,000
22 lakhs	3,50,000	2,50,000	1,00,000	0	1,00,000
23 lakhs	3,80,000	2,75,000	1,05,000	0	1,05,000
24 lakhs	4,10,000	3,00,000	1,10,000	0	1,10,000
25 lakhs	4,40,000	3,30,000	1,10,000	0	1,10,000

Tax rates changes across all assesses, including rebates

In the new regime, marginal relief is available to only resident individuals who have income marginally above INR12 lakhs. Further, let's understand how much tax shall be paid by a taxpayer having an income of INR 12,10,000?

Income	Tax without Marginal Relief (Rs.)	Tax Actually Payable with Marginal Relief
INR 12,10,000	61,500	10,000
INR 12,50,000	67,500	50,000
INR 12,70,000	70,500	70,000
INR 12,75,000	71,250	71,250 [No marginal relief]



Taxation

Start-up taxation

Start-up taxation

TAX HOLIDAY EXTENSION FOR START-UPS UNDER SECTION 80-IAC

Current Provision: Deduction of 100% on total income for any 3 consecutive assessment years out of 10 years, beginning from the year of incorporation of the eligible start-up. The start-up must be incorporated after April 01, 2016 and before April 01, 2025.

Proposed Amendment: Eligibility period for incorporation for eligible start-ups for availing the benefit of deduction under section 80-IAC has been updated from the existing April 01, 2025 to April 01, 2030.

Impact: Deduction of 100% on total income for any 3 consecutive assessment years out of 10 years, will be available to the eligible start-ups which will be incorporated in the 5 subsequent years, i.e. after April 01, 2025 and before 31 March 2030.



Taxation

IFSC (GIFT City)

IFSC (GIFT City)

1. Extension of sunset dates to 31st day of March 2030 related to IFSC units for exemptions, deductions and relocation in various sections.

- Earlier: Deduction of 100% of income for any 10 consecutive assessment years out of 15 years, wherein IFSC unit has commenced operations on / before 31 March 2025.
- Proposed: Eligibility requirements for qualifying for deduction is applicable if the units of IFSC initiate its operations on or before March 31, 2030.
- Impact: Benefits to claim income linked deductions available to the IFSC which shall commence operations on / before 31 March 2030.

2. Exemption on life insurance policy from IFSC Insurance offices

- Earlier: Sum received under a life insurance policy including the sum allocated by way of bonus on such policy, subject to the conditions specified therein is exempted provided that the annual amount of premium or aggregate of premiums payable does not exceed Rs. 2.5 lakhs for unit linked insurance policies (ULIPs), and Rs. 5 lakhs for life insurance policies other than ULIPs. The said provisions are also applicable to insurance policies issued by IFSC Insurance Offices.
- Proposed: Proceeds received on life insurance policy issued by IFSC insurance intermediary office shall be exempted without the condition related to the maximum premium payable on such policy as mentioned above.
- Impact: This will provide parity to non-residents availing life insurance from insurance office in IFSC vis- a-vis other foreign jurisdiction.

IFSC (GIFT City)

3. Exemption to capital gains and dividend for ship leasing units in IFSC

- Earlier: Non-residents or unit of IFSC engaged in aircraft leasing are exempted on capital gains tax on transfer of equity shares of domestic companies being units of IFSC, engaged in aircraft leasing. Further, section 10(34B) provides exemption to dividend paid by a company being a unit of IFSC engaged in aircraft leasing, to a unit of IFSC engaged in aircraft leasing.
- Proposed: Non-residents or units of IFSC engaged in ship leasing will be exempted on capital gains tax on transfer of equity shares of domestic companies being units of IFSC, engaged in ship leasing. Dividend paid by a company being a unit of IFSC engaged in ship leasing, to a unit of IFSC engaged in ship leasing will also be exempted.
- Impact: In the ship leasing business, separate special purpose vehicles (SPVs) are created for one or more vessels to safeguard the investors. The amendment seeks to bring a parity between aircraft leasing and ship leasing business

4. Rationalisation of definition of 'dividend' for treasury centres in IFSC

- Earlier: If a closely held company gives a loan or advance to a shareholder holding 10% or more voting power, or to a concern where such a shareholder is a member or a partner and has a significant interest, it is treated as deemed dividend to the extent of the company's accumulated profits. However, if the company is in the business of lending money, and lending is a substantial part of its business, then loans given in the ordinary course of business is not treated as deemed dividend.
- Proposed: Loans or advances between group entities will not be considered as deemed dividend provided that one of the entities is a "Finance Company" or "Finance Unit" in an IFSC acting as a corporate treasury centre for undertaking treasury activities or treasury services. and the parent or principal entity of this group is listed on a stock exchange outside India (except in certain restricted countries specified by the Board).The definitions and conditions for a group entity, parent entity, and principal entity will be prescribed separately.
- Impact: This seeks to ensure that borrowings by the corporate treasury centre in IFSC from any group entities cannot trigger deemed dividend provisions in the hands of the shareholder.

IFSC (GIFT City)

5. Simplified regime for fund managers based in IFSC

- Earlier: As per section 9A, fund management activities in India do not create a business connection if done through an eligible fund manager for an eligible investment fund, provided certain conditions are met. However, as per clause (c) of section 9A(3), persons resident in India should not hold more than 5% of the fund's corpus. Additionally, section 9A(8A) allows the government to relax conditions for fund managers in IFSC, but only if they start operations before March 31, 2024.
- Proposed: The 5% investment cap by persons resident in India will now be checked twice a year i.e., on April 01 & October 01 instead of being a continuous requirement. If a fund fails this test on either of these two dates, it will have four months to correct the situation. Other conditions under Section 9A (like fund structure, investor base, etc.) can be relaxed if the fund manager in IFSC starts operations before March 31, 2030 (extended from 2024).
- Impact: This is expected to provide a specific simplified regime for IFSC based fund managers, managing funds situated in other jurisdictions so that fund managers in IFSC are at par with the fund management entities in competing foreign jurisdiction.

6. Amendment of Section 10 related to Exempt income of Non-Residents

- Earlier: Section 10(4E) exempts income accrued or arisen to, or received by a non-resident from the transfer of non-deliverable forward contracts, offshore derivative instruments (ODIs), or over-the-counter derivatives. This exemption applies only if the transaction is with an Offshore Banking Unit of an IFSC subject to prescribed conditions therein.
- Proposed: The above exemption is now extended to include income from transactions with Foreign Portfolio Investors (FPIs) operating as IFSC units, in addition to Offshore Banking Units subject to certain conditions as may be prescribed. The change will apply from April 1, 2026 (Assessment Year 2026-27 onwards).
- Impact: This seeks to further incentivize operations from the IFSC.

IFSC (GIFT City)

7. Inclusion of retail schemes and Exchange Traded Funds (ETFs) in the existing relocation regime of funds of IFSCA

- Earlier: Section 47(viia) allows tax-free relocation of investment funds to IFSC. If a shareholder transfers shares/units from an original fund to a resultant fund in IFSC, it is not treated as a capital gains transfer (i.e., no tax liability). The "resultant fund" means a fund established or incorporated in India, which has been granted a certificate of registration as a Category I or Category II or Category III Alternative Investment Fund, is located in any IFSC and is subject to certain conditions provided therein.
- Proposed: Retail schemes and ETFs in IFSC (regulated under the IFSC Authority Act, 2019) will also be included in the definition of "resultant fund". This means that relocating funds to these ETFs or retail schemes will also be tax-neutral. This will be effective from April 1, 2026 (Assessment Year 2026-27 onwards).
- Impact: This seeks to further incentivize operations from the IFSC.

Taxation

International taxation

International Taxation

1. Scheme for determining one Arm's Length Price (ALP) for three years

- The Assessing Officer may refer the computation of the arm's length price (ALP) in relation of an international transaction or specified domestic transaction entered in any previous year, to the Transfer Pricing Officer (TPO).
- Such determined ALP by the TPO in a previous year, can be applied to similar kind of transactions for the next immediate two consecutive years, upon fulfilment of the following conditions:
 - The Assessee shall be required to exercise this option.
 - Within one month from such exercise, the TPO shall declare that the exercised option is valid by passing an order.
 - No reference for computation of ALP in relation to such similar transaction shall be made to the TPO.
- This shall reduce the compliance burden on the assessee as well as administrative burden on TPOs.

2. Parity in rates of LTCG on transfer of securities by non-residents

- The tax rate for Long-term Capital Gains (LTCG) on transfer of securities by specified fund or Financial Institutional Investor (FIIs) is now proposed to be 12.5%, instead of existing 10%.
- This amendment is made in order to ensure the parity of the LTCG rates across residents and non-residents.
- The securities covered in the section 115AB (i.e. mutual fund units specified under clause (23-D) of section 10 or of the Unit Trust of India) are not covered as part of this provision.

International Taxation

3. Expansion of Scope of Safe Harbour Rules

- Expanding the scope of safe harbour rules with increased certainty, will assist in reducing litigations and enhance ease of doing business in India.
- The non-resident eligible investment fund is not regarded as a resident merely because it is situated in India.
- One of the conditions of being an eligible investment fund in respect of aggregate participation by a resident has been amended as below:
- Existing condition: The aggregate participation by residents in such fund shall not exceed 5% of corpus of the fund.
- Amended condition: The aggregate participation by residents in such fund shall not exceed 5% of corpus of the fund as on April 01 and October 01 of the previous year. If it exceeds 5% as on above-mentioned dates, the condition shall still be deemed to be satisfied if it is complied within four months from April 01 or October 01 of the previous year.

4. Harmonization of Significant Economic Presence applicability with Business Connection

- The purchase of goods by a non-resident in India for the purpose of export shall not constitute significant economic presence of such non-resident in India.
- Hence, such income shall not be deemed to accrue/ arise in India.

International Taxation

5. Presumptive Taxation Scheme for Non-residents

- In order to position India as the global hub for Electronics System Design and Manufacturing, it has been represented that non-residents will be providing support in setting up electronics manufacturing facilities by deploying the technology and providing support services to the Indian resident manufacturing companies.
- A presumptive taxation regime for such non-residents, engaged in the business of providing services or technology, to a resident electronics manufacturing companies, has been introduced.
- The non-resident companies can pay tax in India on 25% of the total receipts/ amount receivable on account of such sales.

6. Amendments for Sovereign Wealth Funds, Pension Funds and others ents

- For claiming exemption, specified persons (such as sovereign wealth funds and pension funds) are as of now required to make investment by 31/03/2025. The said date has been extended to 31/03/2030.
- Long-term capital gains (whether or not such capital gains are deemed as short-term capital gains under section 50AA) arising from an investment made by such persons in India, shall continue to be exempted.



Taxation

Salary, House Property, Capital Gains and Tonnage Scheme

Taxation of Salary, House Property, and Capital Gains

1. Salary perquisites:

- The government has proposed an increase in the upper limits on salary to qualify as a perquisite under Section 17 of the Income Tax Act.
- This revision aims to provide relief to salaried individuals by updating the thresholds in line with current salary structures.
- However, this benefit will not be available to directors or individuals who hold a substantial interest in the company.

2. House property deduction:

- A significant relief has been proposed for homeowners, as the deduction on the annual value of self-occupied properties will now be available for two properties without any additional conditions under Section 23(2) of the Act.
- Previously, taxpayers could only claim this benefit on one self-occupied property, while the second property was considered deemed to be let out, attracting notional rental income taxation.

3. Capital Gains:

- The definition of 'Capital Asset' under Section 2(14) has been expanded to explicitly include securities held by Investment Funds, as defined under Section 115UB of the Act.
- This amendment ensures that capital gains taxation applies uniformly to securities held by investment funds, bringing greater clarity and consistency in tax treatment.

4. Tonnage Tax: Benefit of taxation under the Tonnage tax scheme has been extended to the inland vessels registered under the Inland Vessels Act, 2021. Henceforth companies engaged in the business of inland water transportation can also avail benefits of tonnage tax scheme

Taxation

Amendments for

Trusts

Amendments for Trusts

- **Extended Registration Validity for Small Charitable Trusts:**

The registration validity period for small charitable trusts has been extended from 5 years to 10 years

This amendment streamlines compliance and lowers administrative burden along with reducing the frequency of renewal applications.

- **Capital Gains Taxation for Business Trusts**

Business trusts shall be subject to tax under Section 112A, 111A and 112 of the Act.

Section 112A: Long-term capital gains (LTCG) exceeding ₹1 lakh on listed units will be taxed at 10% without indexation benefits.

Section 111A: Short-term capital gains (STCG) on listed units remain taxed at 15%.

Section 112: Other capital gains, including unlisted units, will be taxed at 20% with indexation or 10% without indexation, as applicable.

This change aligns business trust taxation with equity-oriented investment structures, impacting Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs).



Taxation

Tax assessments
and procedural
changes

Tax assessments and procedural changes

1.Extended Time-limit to file the updated return

- **Current Provisions:** Any person may furnish an updated return of his income or the income of any other person in respect of which he is assessable, at any time within twenty-four months from the end of the assessment year.
- **Proposed amendment:**
 - 1.Any person may furnish an updated return of his income or the income of any other person in respect of which he is assessable, at any time within forty-eight months from the end of the assessment year.
 - 2.*Additional tax liability for the extended period is as follows:*

Return filed during the period	Additional tax liability (in addition to assessed tax payable)
After 24 months but before 36 months	60% of the aggregate tax and interest payable
After 36 months but before 48 months	70% of the aggregate tax and interest payable

Tax assessments and procedural changes

2. Time limit to retain books of accounts under search and seizure

- **Current Provisions** : Assessing officer shall retain seized books of account or other documents for thirty days from the date of the assessment or reassessment or recomputation order.
- **Proposed amendment**: Assessing Officer shall retain seized books of account or other documents for a period of one month from the end of the quarter in which assessment or reassessment or recomputation order has been made.

3. Time limit for completion of block assessment

- **Current Provisions** : The time-limit for completion of block assessment is twelve months from the end of the month in which the last of the authorisations for search or requisition has been executed.
- **Proposed amendment** : The time limit for completion of block assessment shall be twelve months from the end of the quarter in which the last of the authorisations for search or requisition has been executed.

4. Rationalisation of provisions related to carry forward of losses in case of amalgamation

- **Current Provisions** : The present provisions of section 72A and 72AA may result in indefinite carry forward of losses if there is a series or chain of amalgamations
- **Proposed amendment**: It is proposed that loss of the predecessor entity will be allowed to be carried forward for 8 assessment years from the assessment year in which such loss was first computed for the predecessor entity.

Tax assessments and procedural changes

5. Additional powers to Assessing officer:

- **Current Provisions:** Penalties under sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Income Tax Act, 1961, are imposed by the **Joint Commissioner**.
- **Proposed amendment :** Penalties under sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Income Tax Act, 1961 vide Finance Bill, 2025 shall be levied by the **Assessing Officers**.

Note:

Section 271C – Failure to furnish returns, comply with notices, concealment of income, etc.

Section 271CA – Penalty for failure to collect tax at source.

Section 271D – Penalty for failure to comply with the provisions of mode of taking or accepting certain loans, deposits and specified sum.

Section 271DA – Penalty for failure to comply with provisions of mode of undertaking transactions.

Section 271DB – Penalty for failure to comply with provisions of acceptance of payment through prescribed electronic modes.

Section 271E – Penalty for failure to comply with the provisions of the mode of repayment of certain loans or deposits.

Tax assessments and procedural changes

6. New Reporting Obligations with respect to furnish information in respect of crypto asset

- **Duty to Report:** Any reporting entity, as prescribed, shall furnish information regarding crypto-asset transactions to the prescribed income-tax authority in the prescribed form, manner, and within the prescribed time.
- **Defective Statements:** If the income-tax authority deems the statement defective, it may notify the person and allow rectification within 30 days or extended period. If failed to rectify, the filed statement shall be deemed as furnishing inaccurate information.
- **Non-Submission:** In case of non-submission within the prescribed time, the income-tax authority may issue a notice requiring submission within 30 days.
- **Correction of Inaccuracies:** If any inaccuracy is discovered in the statement, the person must inform the prescribed authority within 10 days and furnish the corrected information.
- The Central Government may prescribe:
 - Registration of reporting entities
 - Maintenance and due diligence of transaction data
 - Identification of crypto-asset users or owners.

Tax assessments and procedural changes

7. Definition of undisclosed assets in assessment of search cases

- **Current Provisions:** "undisclosed income" includes any money, bullion, jewellery or other valuable article or any expenditure or income in the books of account, where such money, bullion, jewellery, valuable article, represents, wholly or partly, income or property which has not been disclosed.
- **Proposed amendment :** "undisclosed income" includes any money, bullion, jewellery, **virtual digital asset** or other valuable article or any expenditure or any income in the books of account , where such money, bullion, jewellery, **virtual digital asset**, valuable article, represents, wholly or partly, income or property which has not been or would not have been disclosed.

Time limit for Immunity from imposition of penalty

- **Current Provisions:** The Assessing Officer shall accept or reject the application for granting immunity from imposition of penalty under section 270AA of Income Tax Act, 1961, for mis-reporting under section 276CC of Income Tax Act, 1961, or under-reporting under section 276C Income Tax Act, 1961, within one month from the end of the month in which the application is received.
- **Proposed amendment:** The Assessing Officer shall accept or reject the application for granting immunity from imposition of penalty under section 270AA of Income Tax Act, 1961, for mis-reporting under section 276CC of Income Tax Act, 1961, or under-reporting under section 276C Income Tax Act, 1961, within three months from the end of the month in which the application is received.

Taxation

Withholding tax revisions

Withholding tax revisions

Changes proposed in Finance Bill, 2025 with regard to rates of TDS and TCS

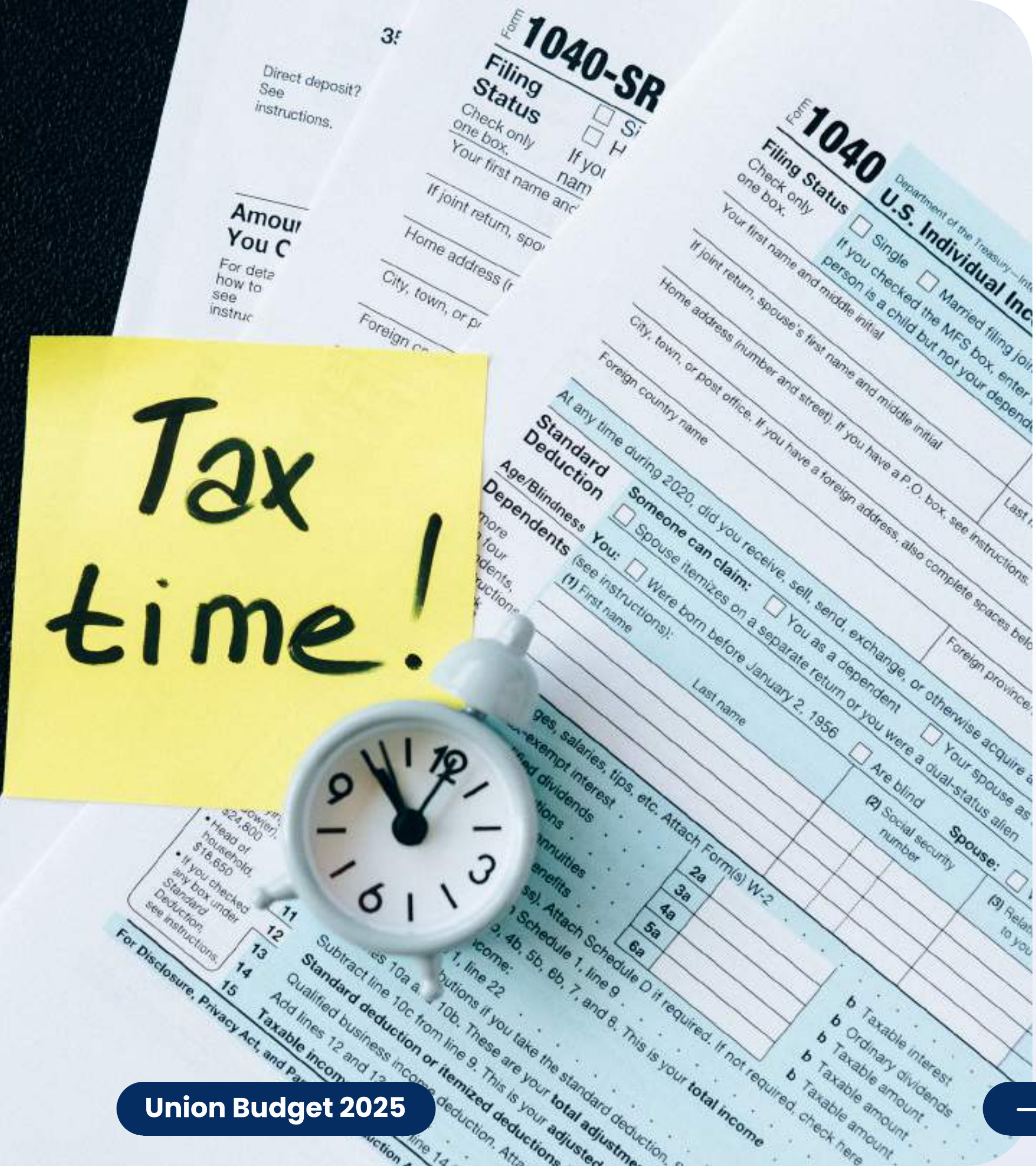
SI No.	Particulars (Section of the Act)	Existing TDS/TCS Rate	Proposed TDS / TCS Rate
1.	Income in respect of investment in securitization trust (Sec on 194LBC)	25% if payee is Individual or HUF and 20% otherwise	10%
2.	TCS on timber or any other forest produce (not being tendu leaves) obtained under a forest lease and timber obtained by any mode other than under a forest lease (Sub-sec on (1) of sec on 206C)	2.5%	2%
3.	TCS on remittance under LRS for purpose of education, financed by loan from financial institution (Sub-sec on (1G) of sec on 206C)	0.5% after Rs. 7 lakh	Nil

- Additionally, the threshold for TCS on remittances under the RBI's Liberalized Remittance Scheme (LRS) and overseas tour program package is proposed to be increased from ₹7 lakh to ₹10 lakh.
- Section 206C(1H) of Tax collected at Source (TCS) on the sale of goods is proposed to be removed effective April 1, 2025. Moving forward, only TDS on purchases under Section 194Q will be applicable.
- No higher deduction/collection of tax under section 206AB and section 206CCA in case of non-filer of income tax return as it stands to be omitted

Withholding tax revisions

Changes proposed in Finance Bill, 2025 in the threshold of TDS and TCS:

S. No	Section – Nature of payment	Current threshold	Proposed threshold
1	193 – Interest on securities	Nil	Rs. 10,000/-
2	194A – Interest other than Interest on securities	<ul style="list-style-type: none"> Rs. 50,000/- for senior citizen; Rs. 40,000/- in case of others when payer is bank, cooperative society and post office Rs. 5,000/- in other cases 	<ul style="list-style-type: none"> Rs. 1,00,000/- for senior citizen Rs. 50,000/- in case of others when payer is bank, cooperative society and post office 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 of amounts exceeding Rs. 10,000/- during the FY	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/-
9	194H – Commission or brokerage	Rs.15,000/-	Rs.20,000/-
10	194-IRent	Rs. 2,40,000/- during the FY	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/-



Taxation

Old Tax Regime deduction benefits

Old tax regime deduction benefits

1. **NPS Vatsalaya Subscribers:**

- Individuals subscribing to the NPS Vatsalaya scheme will be eligible for an additional tax deduction of up to INR 50,000 under Section 80CCD(1B) for their personal contributions.
- This is over and above the INR 1.5 lakh deduction available under Section 80C, providing enhanced tax savings and encouraging retirement planning.

2. **NSS Withdrawals:**

- Withdrawals from the National Savings Scheme (NSS) will now be fully exempt from taxation, making it a more attractive savings vehicle.
- To implement this, an amendment to Section 80CCA has been proposed, ensuring that withdrawals remain tax-free, thereby encouraging individuals to invest in NSS for secure financial growth.

Indirect Taxes

GST and Service Tax Updates

GST

1. **Track and Trace Mechanism:**

- A new Section 148A of the CGST Act, 2017, introduces a Track and Trace Mechanism for high-risk commodities. To ensure compliance, Section 122B imposes penalties of INR 1 lakh or 10% of the tax payable (whichever is higher) for violations. Additionally, a Unique Identification Marking (UIM) requirement for specified commodities will improve tracking, curb counterfeit goods, enhance transparency in GST credits, and strengthen compliance. This will benefit legitimate manufacturers and reduce regulatory risks for investors in supply chain and logistics.

2. **Improved Input Tax Credit (ITC) Distribution:**

- The amendment to Section 20 of the CGST Act, effective April 1, 2025, refines the distribution of ITC for interstate supplies under reverse charge. Businesses can now allocate ITC based on actual consumption, reducing tax costs, improving cash flow, and ensuring better compliance.

3. **Mandatory Pre-deposit for GST Appeals:**

- To streamline the appeal process and discourage frivolous litigation, a 10% mandatory pre-deposit of the penalty amount is required before filing an appeal. This applies only when penalties are levied, helping to expedite genuine cases.

4. **Changes to Schedule III – SEZ & Warehousing:**

- A new Clause (aa) in Schedule III classifies goods stored in Special Economic Zones (SEZs) and Free Trade Warehousing Zones (FTWZs)—before clearance for export or domestic sale—as neither a supply of goods nor services. Further, Explanation 2 and the newly inserted Explanation 3 clarify the definitions of SEZ, FTWZ, and Domestic Tariff Area (DTA) to ensure regulatory consistency.

Service Tax

Reinsurance under Crop Insurance Schemes

- Services provided or agreed to be provided by insurance companies by way of reinsurance services under the Weather Based Crop Insurance Scheme (WBCIS) and the Modified National Agricultural Insurance Scheme (MNAIS), are being exempted from service tax for the period commencing from 1st April, 2011 and ending with 30th June, 2017.
- Entities that previously paid service tax on such reinsurance transactions during this period are eligible for refunds, provided they submit refund claims within six months from the date the Finance Bill, 2025, is enacted.
- This move eases the financial burden on insurers, improves liquidity in agricultural insurance, and enhances farmer support through affordable risk mitigation.
- The Government's decision aligns with its broader efforts to boost agricultural resilience, promote farmer welfare, and streamline taxation in the insurance sector.



Indirect Taxes

Customs

Customs

Amendments in the Customs Act, 1962:

- **Time Limit for Provisional Assessments:** A two-year limit is set for finalizing provisional assessments under Section 18(1B), extendable by one year if justified. For pending cases, the limit starts from the Finance Bill's assent date.
- **Suspension of Time Limit:** A new Section 18(1C) allows suspension of the two-year time frame under specific conditions.
- **Voluntary Post-Clearance Revisions:** Section 18A enables importers/exporters to revise post-clearance entries within a prescribed time, treating them as self-assessment. Refunds/duty payments under Section 27 will apply, with some exceptions.
- **Refund Claim Timeline:** Section 27(1) clarifies that refund claims from revised entries (Section 18A) or amendments (Section 149) must be filed within one year from duty/interest payment.
- **Relevant Date for Duty Payment:** Explanation 1 in Section 28 now specifies that the relevant date for revised entries under Section 18A is the date of duty payment.
- **Settlement Commission Transition:** New provisions under Section 127B define the Interim Board, its members, and pending applications. The Interim Board will assume the powers of the Settlement Commission, with a set deadline for applications and possible extensions.

Customs

Amendment to Customs Tariff Act, 1975:

Rationalization of Customs Tariff Structure:

- It is proposed to remove seven tariff rates, leaving only eight, including zero rates.
- An appropriate cess will be applied to broadly maintain the effective duty incidence, except for a few items where this incidence will reduce slightly.
- The Social Welfare Surcharge has been exempted for 82 tariff lines, subject to a cess, ensuring that only one cess or surcharge applies.

Relief on Import of Drugs & Medicines –

- 36 life-saving drugs fully exempted from Basic Customs Duty (BCD), with six medicines added to the concessional 5% duty list. Full exemption/concessional duty also applies to their bulk drug for manufacturing.
- BCD exemption for medicines under Patient Assistance Programmes, provided they are supplied free to patients. Further, it includes 37 additional medicines and 13 new programs.

Critical Minerals:

- Exempted BCD on 25 critical minerals that are not domestically available.
- Full BCD exemption granted on cobalt powder, lithium-ion battery waste, lead, zinc, and 12 additional critical minerals to boost domestic manufacturing.

Textile Sector:

- Two additional shuttle-less looms are fully exempted from BCD.
- Revised BCD for knitted fabrics covered by nine tariff lines from '10% or 20%' to '20% or ₹115 per kg, whichever is higher.'

Customs

Amendment to Customs Tariff Act, 1975:

Electronic Goods:

- To correct the inverted duty structure for electronic goods, BCD on Interactive Flat Panel Displays (IFPDs) has been increased from 10% to 20%, while BCD on Open Cell components has been reduced to 5%. To boost Open Cell manufacturing for LCD/LED TVs, the BCD on its parts, reduced from 5% to 2.5% in Budget 2023-24, is now fully exempted.

Lithium-Ion Battery:

- 35 capital goods for EV batteries and 28 for mobile phone batteries added to the exemption list.

Shipping Sector:

- BCD exemption for raw materials, components, and consumables used in shipbuilding extended for another ten years.

Telecommunication:

- Reduce the BCD from 20% to 10% on Carrier-Grade ethernet switches to make it at par with Non-Carrier-Grade ethernet switches.

Handicraft Exports:

- Export period extended from six months to one year, with an additional three-month extension if required.
- Nine new items added to the list of duty-free inputs.

Leather Sector:

- Fully exempt BCD on Wet Blue leather. Exempt crust leather from 20% export duty to facilitate exports by small tanners.

Customs

Amendment to Customs Tariff Act, 1975:

Marine Products Export Promotion:

- BCD on Frozen Fish Paste (Surimi) reduced from 30% to 5%.
- BCD on Fish Hydrolysate lowered from 15% to 5% to boost India's seafood export competitiveness.

Domestic MROs for Railway Goods:

- The July 2024 Budget extended the repair export timeline for foreign-origin goods from six months to one year, with a further extension possible for one year. This now applies to railway goods as well.

Extended Time for End Use:

- The time limit for end-use of imported inputs extended from six months to one year, with quarterly statements instead of monthly, offering better operational flexibility.

Other amendments in The Custom Tariff Act, 1975:

The First Schedule to the Customs Tariff Act, 1975 is proposed to be amended with the following changes, effective from 1st May, 2025:

- The tariff rate is proposed to be reduced from 25%, 30%, 35%, and 40% to 20%.
- The tariff rate is proposed to be reduced from 150%, 125%, and 100% to 70%.
- The tariff rate will be reduced on certain items.
- The effective rates will be tariffised in the Schedule I of The Custom Tariff Act, 1975.

Customs

Other amendments in The Custom Tariff Act, 1975:

- New tariff items will be created based on the process (parboiled, others) and variety (rice recognized by the Geographical Identification Registry, basmati, others) under sub-heading 1006 30.
- New tariff items will be created under 'Makhana' products (popped, flour and powder, others), with the consequent re-numbering of existing entries under sub-heading 2008 19.
- New tariff items will be created to separately identify waste oils containing different concentrations of polychlorinated biphenyls (PCBs), polychlorinated terphenyls (PCTs), or polybrominated biphenyls (PBBs) under sub-heading 2710 91.
- New tariff items will be created for the identification of certain dual-use chemicals for non-pesticidal use in Chapter 28.
- New tariff items and supplementary notes will be created for identifying certain dual-use chemicals for non-pesticidal use and certain goods covered by International Conventions in Chapter 29.
- New tariff items and supplementary notes will be created for the identification of certain technical-grade pesticides and certain goods covered by International Conventions in Chapter 38.
- New tariff lines will be created to distinguish precious metals, such as:
 - Silver containing 99.9% or more by weight under heading 7106,
 - Gold containing 99.5% or more by weight under heading 7108,
 - Platinum containing 99% or more by weight under heading 7110.
- Changes will be made to heading 8112 to align with the WCO HS 2022.
- Changes will be made to sub-heading note 2 in Chapter 85 to align with the WCO HS 2022.



Get in Touch

For any clarifications or further information regarding the key details outlined in this document, please do not hesitate to contact:
Harshal Mehta: harshal@constellationblu.com

www.constellationblu.com
knowledge@constellationblu.com