

Honourable Finance Minister Smt. Nirmala Sitharaman in her 8th consecutive Budget presentation unveiled the Union Budget 2025 which focuses on 6 avenues viz. Power Development, Agriculture, Mining, Urban Development, Exports and Taxation.

The budget that was announced today aims at development of the nation, rationalization of policies and aligning with the government's broader reform vision. The budget has focused on uplifting the middle class section of the people by providing various tax reliefs and tax savings propositions.

Below are some of the key highlights of the budget speech:

A] Income Tax

1. Personal Income Tax:

Below are the proposed amended slab rates under the New Tax Regime in comparison to the existing slab rates:

Income Range	Existing tax rates	Income Range	Proposed Tax Rate
Up to Rs. 3 Lakhs	Nil	Up to Rs. 4 Lakhs	Nil
From Rs. 3,00,001 to Rs. 7,00,000	5%	From Rs. 4,00,001 to Rs. 8,00,000	5%
From Rs. 7,00,001 to Rs. 10,00,000	10%	From Rs. 8,00,001 to Rs. 12,00,000	10%
From Rs. 10,00,001 to Rs. 12,00,000	15%	From Rs. 12,00,001 to Rs. 16,00,000	15%
From Rs. 12,00,001 to Rs. 15,00,000	20%	From Rs. 16,00,001 to Rs. 20,00,000	20%
Above Rs. 15,00,000	30%	From Rs. 20,00,001 to Rs. 24,00,000	25%
		Above Rs. 24,00,000	30%

- No tax will now be levied on income earned upto Rs. 12 Lakhs which means that the rebate available is now to the extent of Rs. 60,000. However, it is proposed that the rebate will not be applicable to special rated income.
- It is proposed to rationalize various thresholds for applicability of withholding tax (TDS):

Sr. No.	Particulars	Current Threshold	Proposed Threshold
1.	Interest on Securities	Nil	Rs.10,000/-

2.	Interest other than Interest on securities	Rs.50,000/- (Senior Citizen) Rs.40,000/-(Others)	Rs.1,00,000/- (Senior Citizen) Rs.50,000/-(Others)
3.	Dividend	Rs.5,000/-	Rs.10,000/-
4.	Income in respect of units of a mutual fund or specified company or undertaking.	Rs.5,000/-	Rs.10,000/-
5.	Insurance Commission	Rs.15,000/-	Rs.20,000/-
6.	Commission or Brokerage	Rs.15,000/-	Rs.20,000/-
7.	Rent	Rs.2,40,000/- during the financial year	Rs.50,000/-per month or part of a month
8.	Professional fees, technical fees and royalty	Rs.30,000/-	Rs.50,000/-

4. It is proposed to omit the provisions where higher TDS was required to be deducted if the person to whom payment is to be made is a non-filer of income tax return.
5. It is proposed to remove Tax Collected at Source (TCS) on sale of goods exceeding Rs. 50 Lakhs in a financial year due to hardships faced by tax payers as there is already TDS on purchase of goods.
6. It is proposed to amend the time-limit to file the updated return from existing 24 months to 48 months from the end of relevant assessment year. Rate of additional income-tax payable for updated return filed after expiry of 24 months and upto 36 months from the end of the relevant assessment year shall be 60% of aggregate of tax and interest payable. The additional income-tax payable for updated return filed after expiry of 36 months and upto 48 months from the end of the relevant assessment year shall be 70% of aggregate of tax and interest payable.
7. Presumptive taxation regime is proposed to be introduced 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. It is proposed that the non-residents shall be taxed only on 25% of aggregate amount received or receivable from such resident entities.
8. Where the application for registration of trust or institution is not complete and approved by the department, it shall not be treated as specified violation and will not be deemed cancelled.
9. It is proposed that the period of validity of registration of charitable trust or institution is extended from 5 years to 10 years provided that the total income of such trust or institution, does not exceed a specific amount during each of the two previous years, preceding to the previous year in which such application is made.
10. It is clarified that any security held by investment funds (AIF) in accordance with the regulations made under the Securities and Exchange Board of India (SEBI) would be treated as capital asset only so that any income arising from transfer of such security would be in the nature of capital gains.

11. Earlier, to avail the tax benefits available to start ups, the start-up should have to be incorporated on or before 31st March, 2025. It is now proposed to extend the benefits to startups incorporated after 1st day of April, 2025 up to 31st March, 2030.
12. It is proposed to amend the relevant provision where proceeds received on life insurance policy issued by IFSC insurance intermediary office to a non-resident shall be exempted without the condition related to the maximum premium beyond which it was deemed taxable.
13. International transactions or specified transactions for various years on same facts like enterprises with whom such transaction is done, proportionate quantum of transaction, location of associated enterprises etc., and same arm's length analysis are repeated every year, it is proposed that Arm's Length Price 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. To avail this, a specific application has to be filed with the department.
14. It is proposed to extend the benefits of tonnage tax scheme to Inland Vessels operating in Indian waters.

B] Goods and Service Tax (GST)

1. It is proposed that reduction in tax liability on account of issuing of credit notes will not be available if Input Tax Credit (ITC) availed has not been reversed by the recipient of supply.
2. It is proposed that no tax will be charged on supply of goods warehoused in a Special Economic Zone or in Free Trade Warehousing Zone.
3. It is proposed to levy mandatory 10% payment of pre-deposit for filing an appeal against order demanding penalty without involving demand of any tax. Also proposed to levy additional 10% of pre-deposit in case of appeals to Appellate Tribunal.
4. Input Service Distributor (ISD) shall be allowed to distribute ITC for tax paid on reverse charge mechanism (RCM) from 1st April, 2025.

C] MSME

1. It is proposed to provide Micro enterprises registered on Udyam portal with customized credit cards with a Rs. 5 Lakhs limit.
2. It is proposed to revise the classification criteria for MSMEs based on investment and turnover.

3. It is proposed to enhance the credit availability with guarantee cover for MSMEs.

Thank you,

Team KDP

Please reach out at info@kdpaccountants.com for any specific queries.

Disclaimer:

The above highlights are proposals and are subject to approval by the parliament. The above note is based on the budget speech and is subject to further study of the fine prints of the finance bill proposed and clarifications. This note does not form any kind of opinion from our end and before taking any action based on above it is recommended to take consultation from our experts in the subject.