



AN ANALYSIS OF DIRECT TAX PROPOSALS MADE ON 1ST FEBRUARY 2025 VIDE UNION BUDGET 2025

New Income-Tax Bill

The Government will be introducing a New Income-Tax Bill next week to take forward the '**trust first, scrutinise later**' concept. The New Income-Tax Bill is expected to be simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation.

Personal Income Tax Reforms

Revised Tax Slabs under the New Regime (default)

Taxable Income (INR)	Tax Rate*
Up to 400,000	Nil
400,001-800,000	5%
800,001-1,200,000	10%
1,200,001-1,600,000	15%
1,600,001-2,000,000	20%
2,000,001-2,400,000	25%
Above 2,400,000	30%

**inclusive of surcharge and cess.*

Key Considerations

- Income-tax rates and slabs remain unchanged under the optional (old tax) regime.
- Income threshold for rebate under new tax regime is enhanced to INR 1,200,000.
- No conditions for claiming tax-free status on two self-occupied properties. The requirement to adopt a *nil* value for self-occupied property has been removed with effective from 1 April 2025.
- Exemption of amount withdrawn from National Savings Scheme (NSS) on or after 29 August 2024.



TDS/TCS Rationalization (Easing Compliance Burden)

TDS (Tax Deducted at Source) Changes

Rationalisation of TDS rates [effective 1 April 2025]

Sr. No.	Section	Current Rate	Proposed Rate
1	194LBC – Income in respect of investment in securitisation trust	25 per cent (individual, HUF) 30 per cent (others)	10 per cent for all the payees

Rationalisation of threshold limits [effective 1 April 2025]

Sr. No.	Section	Current threshold (INR)	Proposed threshold (INR)
1	193 – Interest on securities (to individual and HUF) From debentures of a company in public are substantially interested Others	5,000 Nil (others)	10,000 10,000
2	194 – Dividend for an individual shareholder	5,000	10,000
3	194A – Interest other than interest on securities (i) Where payer is a bank, co-operative society and post office and payee is: Others Senior Citizens (ii) For other payers	40,000 50,000 5,000	50,000 100,000 10,000
4	194B – winnings from lottery, crossword puzzle, etc. 194BB – winnings from horse race	10,000 aggregate during FY	10,000 per single transaction



5	194D – Insurance Commission 194G – Commission, prize, etc. on lottery tickets 194H – Commission or brokerage	15,000	20,000
6	194I – Rent	240,000 in a FY	50,000 per month or part of month
7	194J – Fees for professional services, technical services, royalty and sums as per section 28(va)	30,000	50,000
8	194K – Income in respect of units of specified mutual funds, units from administrator of specified undertaking or units from specified company	5,000	10,000
9	194LA – Compensation on compulsory acquisition of certain immovable property	250,000 in a FY	500,000 in a FY

TCS (Tax Collected at Source) Changes

- **TCS on Foreign Remittances (LRS) Increased:**
 - Limit raised from ₹7 lakh to ₹10 lakh per year.
- **TCS on Educational Remittances Removed** (if funded by a bank loan).
- **TCS on Sale of Goods withdrawn** effective from 1 April 2025.
- Provision requiring higher TDS/TCS for **non-fillers of Income-tax return is omitted** effective from 1 April 2025. Higher TDS now only for **non-PAN cases**.

Updated Income-Tax Return

- **Time limit extended from 2 years to 4 years** for updated Income-tax returns.
Additional tax for late updated returns:
 - **60% of tax liability & interest** (if filed in 3rd year).
 - **70% of tax liability & interest** (if filed in 4th year).



Charitable Institutions

- **Registration** period for **charitable institutions** whose income does not exceed **INR 50,000,000** in each of two previous year **extended from 5 to 10 years** .

Transfer Pricing

Multi-Year Transfer Pricing Mechanism:

- **Scheme for Block pricing introduced for 3 years** (reduces annual tax disputes). **Thus**, taxpayers will get an option to apply Arm's Length Price determined in an assessment proceeding to subsequent two years (for similar transactions).
- The scheme would **not apply to 'search' cases**.

Corporate Tax

- **Presumptive taxation for non-residents** service providers. A sum of 25% of amount received/receivable by such non-residents will be deemed to be profits/gains chargeable to tax in India.
- Transaction or activities of a non-resident which are confined to purchase of goods in India for the purpose of export not to constitute **Significant Economic Presence**.
- **Tonnage Tax** benefits extended to **Inland Vessels** registered under Inland Vessels Act 2021 (previously only for sea-going ships).
- **Startups Tax Benefits Extended to 31st March 2030** (i.e. incorporation time limit extended by 5 years)
- In case of **amalgamation or business re-organisation** the carry forward of losses has been restricted to a period of eight years and same will be calculated from the year in which such loss was first incurred by the predecessor entity.
- **International Financial Services Centre (IFSC) Incentives:**
 - **Deemed dividend** provision made inapplicable to advance or loan between group entities for:
 - one of the group entities is a Finance Company / unit in IFSC set-up as a global or regional corporate treasury; and



- parent entity / principal entity of such group is listed on stock exchange outside India
- **Tax exemption provided to capital gains** of a non-resident or **unit of IFSC** (primarily engaged in business of ship leasing) arising from transfer of equity shares of a domestic company which is a unit in IFSC (primarily engaged in business of ship leasing)
- **Tax exemption** provided to income of a non-resident from transfer of **non-deliverable forward contracts** or **offshore derivative instruments (ODI)** or **over the-counter derivatives**, or distribution of income on ODIs, entered into with IFSC based Foreign Portfolio Investors.
- The **tax neutrality** available on **relocation of offshore fund / original fund to IFSC** extended to cases where the resultant fund in IFSC is set-up as a **Retail Scheme** or **Exchange Traded Fund**.
- Investment timeline for **Sovereign Wealth Funds** and **Pension Funds** for claiming exemption of income is **extended to 2030**.
- Long-term capital gains on **transfer of listed bonds and debentures** and **units of mutual funds** (other than equity-oriented fund) held by specified fund or Foreign Institutional Investor (FII) to be taxable at the rate of 12.5.
- The securities held by the Investment Fund (Cat-1 and Cat-2 AIF) as capital assets and income arising from transfer of such security would be taxable as capital gains.
- The income of a **Real Estate Investment Trust / Infrastructure Investment Trust** from capital gains on eligible capital assets to be taxed at specific rates and not the maximum marginal rates.



Disclaimer: This tax alert is only for general informational purposes, and nothing in this edition could possibly constitute legal advice (which can only be given after being formally engaged and familiarizing ourselves with all the relevant facts).

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KEY CONTACTS



RUBAL BANSAL

Partner

Email:- rbansal@luthra.com



PRAKHAR PANDEY

Associate

Email:- prakharp@luthra.com



SATVIK SAREEN

Associate

Email:- ssareen@luthra.com

OFFICES



NEW DELHI

1st and 9th Floors, Ashoka Estate,
24 Barakhamba Road, New Delhi - 110 001
T: +91 11 4121 5100 F: +91 11 2372 3909
E: delhi@luthra.com



MUMBAI

20th Floor, Indiabulls Finance Center,
Tower 2 Unit A2, Elphinstone Road,
Senapati Bapat Marg, Mumbai - 400 013
T: +91 22 4354 7000
F: +91 22 6630 3700
E: mumbai@luthra.com



BENGALURU

3rd Floor, Onyx Centre, No. 5, Museum Road,
Bengaluru - 560 001
T: +91 80 4112 2800 / +91 80 4165 9245
F: +91 80 4112 2332
E: bengaluru@luthra.com



HYDERABAD

Serene Towers,
House No. 8-2-623/A,
Road No. 10, Banjara Hills,
Hyderabad, Telangana - 500034
T: +91 40 7969 6162
E: hyderabad@luthra.com



CHENNAI

Prestige Palladium Bayan,
8th Floor, Greams Road, Nungambakkam Division,
Egmore, Chennai - 600 006,
Tamil Nadu
T: +91 95604 88155
E: chennai@luthra.com