

ANALYSIS OF UNION BUDGET 2025



PREFACE

The Union Budget 2025, the eighth presented by the Hon'ble Finance Minister, Nirmala Sitharaman outlines the policy framework for the newly re-elected NDA government. The Economic Survey 2024-25 projected a real GDP growth for FY26 between 6.3% to 6.8%.

The budget lays emphasis on the following four key engines :

- ✓ **Agriculture:** Enhanced credit to farmers; a plan to have self-reliance in certain pulses; funding for new technologies; government procurement; boos to fisheries and cotton productivity;
- ✓ **MSMSEs:** Loan guarantee covers provided to MSMEs and Start-ups will be doubled from existing levels. The Government will establish a new fund of INR one billion for start-ups and labor-intensive sectors such as footwear, toys and food processing will be prioritized;
- ✓ **Investments:** New investments have been announced across the spectrum from education to healthcare; infrastructure loans to states; electricity distribution and a special fund for small capacity nuclear reactors.
- ✓ **Exports:** There is a special focus on MSME exports and a plethora of programs to support and ease procedures. Customs duties on components and raw materials have been lowered/rationalized. 'Make in India' is being further entrenched, and India is staking a clear claim to global supply chains;

On direct tax front, significant changes include relief targeted for middle-class individuals through an increased rebate, rationalization of withholding tax provisions etc. From an indirect tax perspective, most of the proposed GST amendments align with GST Council approvals.

The budget in summary seeks to provide relief to middle class and also provide a healthy balance between fiscal consolidation and boosting consumption.

DIRECT TAX PROPOSALS

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INDIVIDUAL TAXATION

Default Tax Regime - New tax Regime u/s 115 BAC

Tax Rates-AY 2025-26

Income Slabs (INR)	Tax Rates (%)
0 - 3 Lacs	Nil
3 Lacs - 7 Lacs	5%
7 Lacs - 10 Lacs	10%
10 Lacs - 12 Lacs	15%
12 Lacs - 15 Lacs	20%
15 Lacs & Above	30%

Tax Rates- AY 2026-27

Income Slabs (INR)	Tax Rates (%)
0 - 4 Lacs	Nil
4 Lacs - 8 Lacs	5%
8 Lacs - 12 Lacs	10%
12 Lacs - 16 Lacs	15%
16 Lacs - 20 Lacs	20%
20 Lacs - 24 Lacs	25%
24 Lacs & Above	30%

The tax rates under the old tax regime for AY 2026-27 remain unchanged

For	Income Slabs (INR)	Tax Rates (%)
Individuals having age less than 60 Years	0 - 2.5 Lacs	Nil
	2.5 Lacs - 5 Lacs	5%
	5 Lacs - 10 Lacs	20%
	10 Lacs & Above	30%

Individuals	Income Slabs (INR)	Tax Rates (%)
having age between 60 years to 80 years	0 - 3 Lacs	Nil
	3 Lacs - 5 Lacs	5%
	5 Lacs - 10 Lacs	20%
	10 Lacs & Above	30%

Individuals	Income Slabs (INR)	Tax Rates (%)
having age more than 80 Years	0 - 5 Lacs	Nil
	5 Lacs - 10 Lacs	20%
	10 Lacs & Above	30%

The surcharge and cess rates remain unchanged for default and old tax regime.

PERSONAL TAXATION

- ❑ Under the default tax regime, the rebate under Section 87A is increased from ₹12,500 to ₹60,000. This change means that individuals with a total income of up to ₹12 lacs will not be liable to pay any taxes, whereas the previous threshold was ₹7 lacs. It provides substantial relief to the middle-income group. However such rebate will not be available to income chargeable at special rates such as capital gains under section 111A and 112 etc.
- ❑ The limits on income of employees for computing perquisite is revised so that the benefit or amenity provided free of cost or at concessional rate and the expenditure incurred by an employer for an employee's or their family member's medical treatment abroad would not be treated as perquisite.
- ❑ The annual value of a house property, or any part thereof, is to be considered nil if the owner is unable to occupy it for any reason. Previously, this benefit was restricted to individuals unable to occupy their property due to business or employment commitments. This change will provide relief to property owners, as failure to meet the earlier criteria resulted in the property being deemed let out for tax purposes.
- ❑ Section 80CCD(1B) is amended to allow deductions for contributions made by a parent or guardian on behalf of a minor under the NPS Vatsalya Scheme, while retaining the aggregate deduction limit at ₹50,000.
- ❑ Section 10(12BA) is inserted, which stipulates that partial withdrawals from NPS Vatsalya scheme for contingencies such as education, treatment of specified illnesses, or disabilities (over 75%) will not be included in the total income, provided the withdrawal does not exceed 25%.

RATIONALIZATION OF TAX DEDUCTED AT SOURCE THRESHOLD

Section		Payee	Present threshold	Proposed Threshold
Section 193 - Interest on Securities	Securities- other than debentures	Resident	Nil	10,000
	Debentures		5,000	10,000
Section 194 - Dividends		Resident Shareholder	5,000	10,000
Section 194A - Interest other than Interest on securities	Payer is Banks/ Co-operative Society/ Post Office	Senior citizen	50,000	1,00,000
	Payer is Banks/ Co-operative Society/ Post Office	Other than Senior citizen	40,000	50,000
	Any other case	Any Resident	5,000	10,000
Section 194B - Winnings from lottery, crossword puzzle, etc.		Any person	Aggregate of Rs. 10,000	Rs. 10,000 for a single transaction

RATIONALIZATION OF TAX DEDUCTED AT SOURCE THRESHOLD

Section	Payee	Current threshold	Proposed Threshold
Section 194BB - Winnings from horse races	Any person	Aggregate of Rs. 10,000	Rs. 10,000 for a single transaction
Section 194D - Insurance Commission	Resident	15,000	20,000
Section 194G - Commission, etc., on sale of lottery tickets	Any Person	15,000	20,000
Section 194H - Commission or Brokerage	Resident	15,000	20,000
Section 194I – Rent	Resident	Aggregate of Rs. 2,40,000	Rs. 50,000 per month or part of a month
Section 194J - Fees for professional or technical services	Resident	30,000	50,000
Section 194K - Income in respect of units	Resident	5,000	10,000
Section 194LA - Payment of compensation on acquisition of certain immovable property	Resident	2,50,000	5,00,000

RATIONALIZATION OF TDS/TCS

- ❑ Section 194LBC has been amended to reduce the TDS rate 25% and 30% in case of individual/HUF and any other person respectively to 10%. This amendment shall take effect from 1st April 2025.
- ❑ Section 206(C)(1) has been amended to reduce the rate of collection for tax from 2.5% to 2%. Further the limb (iii) definition of forest produce has been amended and shall be limited to which is obtained under forest lease.
- ❑ Section 206C(1H), stipulating a seller who receives consideration for sale of any goods of the value exceeding ₹50 lakhs, to collect tax from the buyer has been removed. Thus, it will be only buyer's responsibility to deduct tax at the rate of 0.1%, on payment made to a resident seller, for the purchase of any goods of the value or aggregate of value exceeding ₹50 lakhs. Removal of section 206C(1H) will help reducing unwarranted compliance burden on resident sellers.
- ❑ The provisions for deduction and collection of tax at source at a higher rate, in case were the deductee /collectee is a non-filer of income-tax return has been removed.

CHARITABLE TRUSTS/ INSTITUTIONS

- ❑ Trusts or institutions with a total income not exceeding ₹5 crores without considering the provisions of Sections 11 and 12 for the two years preceding the year in which the application is made under section 12AB will be granted registration for a period of 10 years.
- ❑ Under the existing provisions, even minor defaults in the registration application could lead to cancellation of registration for a trust or institution, making them liable for tax on accreted income. It is now been amended that an incomplete application for registration will not be considered a specified violation, thereby preventing automatic cancellation and ensuring greater compliance flexibility for trusts and institutions.
- ❑ The contribution threshold for defining a "specified person" under Section 13 has been increased from ₹ 50,000 to ₹ 1,00,000, with an overall limit of ₹ 10,00,000. Additionally, relatives of such persons and entities with substantial interest are now excluded from this definition. This amendment aims to reduce compliance burdens for charitable trusts and institutions by simplifying the process of seeking donor information, ultimately benefiting the non-profit sector.

INCENTIVES-INTERNATIONAL FINANCIAL SERVICE CENTRE

- ❑ The sunset dates for commencement of operation of IFSC units for several tax concessions, or relocation of funds to IFSC, in section 80LA(2)(d), 10(4D), 10(4F), 10 (4H) and 47(viiad) is extended to 31st March 2030.
- ❑ Section 9A is amended to rationalise the condition in clause (c) for all eligible investment funds whether or not their fund managers are based in IFSC. Further the condition for aggregate participation or investment in fund will be checked based on the fund's aggregate investment as on 1st April and 1st October of the previous year. If the condition isn't met on either date, the fund has four months to comply. Other Conditions (a) to (m) can be relaxed for eligible investment funds if their fund manager starts operations in an IFSC on or before 31st March 2030.
- ❑ Section 10(4E) provides exemption to the income of a non-resident on transfer of non-deliverable forward contracts or offshore derivative instruments or over the-counter derivatives; or distribution of income on offshore derivative instruments. This is extended to contracts / instruments with any FPI¹ being an IFSC unit subject to certain conditions.
- ❑ The exemption on certain capital gains tax and dividend available under Section 10(4H) and 10(34B) is extended to unit of IFSC engaged in ship leasing.
- ❑ Clause (iia) has been inserted in Section 2(22) to provide that Loans or advances between two group entities, where one is a "Finance Company" or "Finance Unit" in an IFSC, serving as a global or regional treasury center, will not be treated as 'dividends' if the parent or principal entity of such group entity is listed on a foreign stock exchange.

PRESUMPTIVE TAXATION-NON RESIDENTS

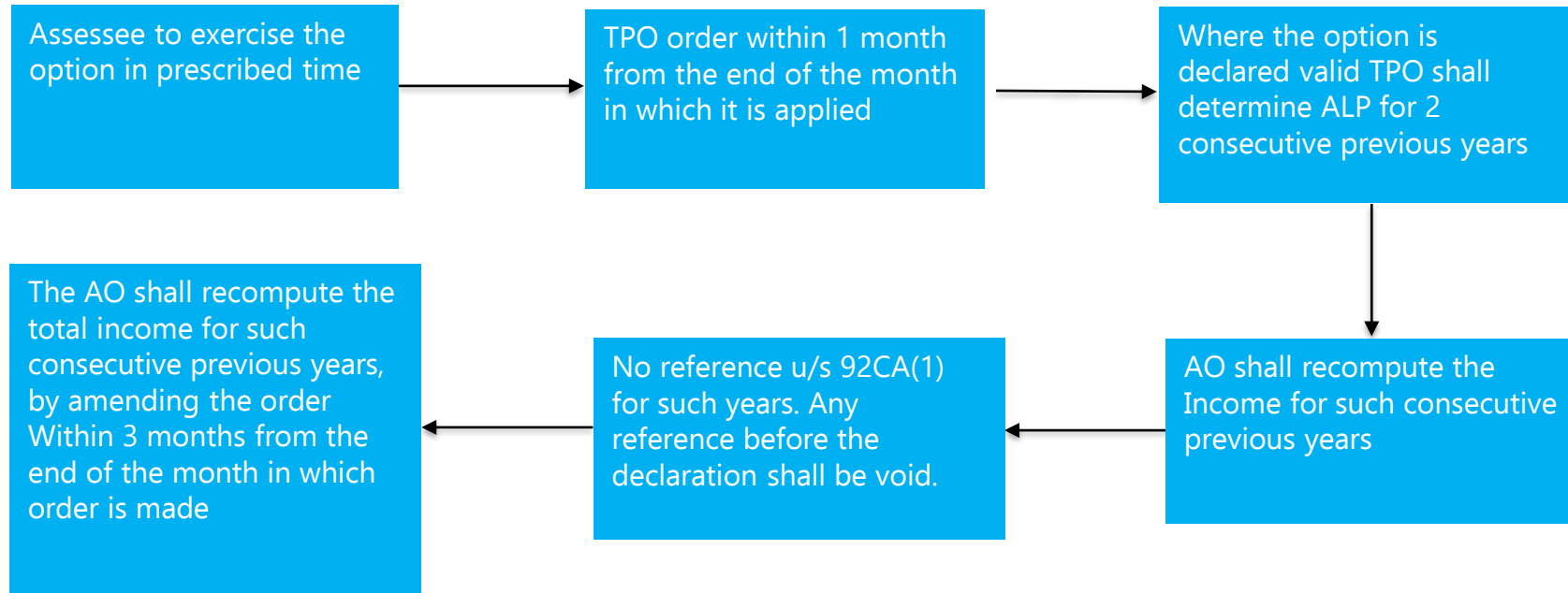
- ❑ To promote Electronic System Design and Manufacturing in India, presumptive taxation has been introduced for non-residents engaged in the business of providing services or technology in India, for the purposes of: setting up an electronics manufacturing facility; or in connection with manufacturing or producing electronic goods, article or thing in India.
- ❑ Further, the resident company is establishing or operating electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods, article or thing in India, under a scheme notified by MEITY¹ and fulfilling the prescribed conditions.
- ❑ Under this section, the income from this business shall be deemed to be 25% of the aggregate amount received/ receivable by, or paid/ payable to, the non-resident or on his behalf, on account of providing services or technology. No set off of unabsorbed depreciation and brought forward losses shall be allowed to the non-resident assessee for the year in which he has availed the option of presumptive taxation under section 44BBD.
- ❑ The section doesn't use the language similar to section 44DA which uses the word carries on business in India through a Permanent Establishment. The FAQ clarifies that this section provides presumptive taxation for non-resident or a foreign company which was liable to tax as business income on the profits from this activity at the applicable rates. While the main motive is to bring tax certainty to certain specified businesses, reduce compliance costs and promotes ease of doing business, the TDS on such payments would be reduced only subject to lower withholding certificate.

RATIONALISATION - NON-RESIDENT TAXATION

- Given that the provisions of SEP cover transaction in respect of any goods carried out by a non-resident with any person in India, purchase of goods in India for the purpose of export has been excluded from the scope of SEP provisions in line with the explanation 1 to section 9(1)(i). This amendment shall take effect from AY 2026-27.
 - while the above brings limited clarity for the transaction of purchase of goods in India for the purposes of export, the same does not provide clarity on *inter alia* high seas sales, goods purchased / manufacture outside India and sold in India with no digital intervention etc.
- Section 10(23FE) providing exemption to Sovereign Wealth Funds and Pension funds is amended:
 - to extend the exemption to SWF and PF on short-term capital gains from unlisted debt securities. This amendment provides the benefit of exemption to any capital gains on transfer of unlisted debt securities. This has been proposed further to the amendment to section 50AA by Finance (No. 2) Act, 2024 gains which had re-classified all long-term capital gains on unlisted debt securities to short-term capital gains.
 - to extend the Sunset clause for date of investment from 31st March 2025 to 31st March 2030.

TRANSFER PRICING - MULTI-YEAR ALP

It is proposed to provide an option to the taxpayer to apply the Arm's Length Price (ALP) determined for international transactions (IT) or specified domestic transactions (SDT) in any previous year to similar transactions for the two consecutive previous years, ensuring consistency and reducing compliance burden. The following is the simplified presentation of the process.



SEC 285BAA-REPORTING OF CRYPTO TRANSACTIONS

- ❑ Insertion of New Section for Obligation to Report Crypto-Asset Transactions, which now requires specified entities to report crypto-asset transactions to tax authorities. The entity requiring to comply with such information, period, form etc. shall be prescribed later.
- ❑ Further, the definition of Virtual Digital Asset is now extended to include any crypto-asset being a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions, whether or not already included in the definition of virtual digital asset or not.

This provision is in continuation of governments efforts to enhance transparency for taxation of crypto assets.

TONNAGE TAXATION

- ❑ Section 115VP outlines the process for opting into the tonnage tax scheme, requiring qualifying companies to apply to the Joint Commissioner. Currently, an order must be passed within one month from the end of the month in which the application is received, but due to time constraints, the time limit for applications received on or after 1st April 2025 has been extended to three months from the end of the quarter in which such application was received. This change will provide more time for proper verification and decision-making.
- ❑ Scope of Section 115VD is extended to provide the benefits of tonnage tax scheme to Inland Vessels registered under Inland Vessels Act, 2021. Necessary changes have been incorporated in other related sections.

CARRY FORWARD OF LOSSES IN CASE OF AMALGAMATION

- ❑ Under the existing provisions, business losses under Section 72 can be carried forward for up to eight assessment years. However, in cases of amalgamation, the accumulated losses of the predecessor entity become the losses of the successor entity, in some cases allowing for potential indefinite rollovers through multiple mergers.
- ❑ Section 72A and Section 72AA is amended to introduce a definitive time limit for carrying forward accumulated losses in cases of amalgamations and business reorganizations. The amendment to section 72A and section 72AA provides 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 .
- ❑ This is aimed to prevent evergreening of the losses of the predecessor entity resulting from successive amalgamations and to ensure that no carry forward and set off is allowed after eight assessment years succeeding the assessment year for which such loss was first computed for original predecessor entity. These amendments shall apply to any amalgamation or business re-organization brought in force from 1st April 2025.

TAXATION OF ULIP

- ❑ Capital asset to include any Unit linked insurance policy to which exemption under clause (10D) of section 10 does not apply.
- ❑ Such ULIPS shall be included in definition of equity-oriented funds.
- ❑ Gains on redemption of ULIPs to be charged to tax as capital gains under section 112A.
- ❑ Section 10(10D) has been amended to exempt proceeds from life insurance policies issued by IFSC insurance intermediaries, without any condition regarding the maximum premium payable on such policies.

While the Memorandum states that the purpose is to provide relief to non residents availing life insurance from insurance office in IFSC, the amendment does not restrict it to non residents.

EXTENSION OF TIMELINE FOR START-UPS

Section 80-IAC is amended to extend the timeline to avail benefit available to start-ups to claim deduction for another period of five years, i.e. the benefit will be available to eligible start-ups incorporated before 1st April 2030.

UPDATED TAX RETURN-EXTENSION

- The time limit to file updated return is extended from 24 months to 48 months from the end of relevant Annual Year.
- Further, no updated return shall be furnished where a show cause notice has been issued under section 148A after 36 months from the end of the relevant year. However, where an order has been passed determining the case not fit for reassessment, updated return may be filed up to 48 months from the end of the relevant year.

A summary of additional tax payable on updated returns is tabulated as under:

Return filed from the end of the relevant AY	Rate of additional tax payable
0 – 12 months	25% of aggregate of tax and interest payable
After 12 months to 24 months	50% of aggregate of tax and interest payable
After 24 months to 36 months	60% of aggregate of tax and interest payable
After 36 months to 48 months	70% of aggregate of tax and interest payable

PENALTY & PROSECUTION

- ❑ To rationalize the process of levy of penalties, section 271C, 271CA, 271D, 271DA, 271DB and 271E are amended so that the penalties under these sections shall be levied by Assessing Officer in place of Joint Commissioner.
- ❑ Section 270AA(4) is amended to extend the processing period of application seeking immunity from penalty and prosecution from one month to three months from the end of month in which application for immunity is received by the Assessing Officer.
- ❑ Section 275 is amended to provide that any order imposing a penalty under Chapter XXI shall not be passed after the expiry of six months from the end of the quarter in which the connected proceedings are completed, or the order of revision is passed, or the order of appeal is received by the relevant authorities, or the notice for imposition of penalty is issued as the case maybe.
- ❑ Section 276BB is amended to provide for exemption from prosecution to a person covered under section 276BB, if the payment of the tax collected at source has been made to the credit of the Central Government at any time on or before the time prescribed for filing the TCS return. This amendment is in line with the relief provided for tax deducted at source. This will help business at large who are contesting prosecution for delay in deposit of TCS.
- ❑ Section 271AAB shall not be applicable to proceedings conducted under section 158BC. This amendment will take effect from 1st September 2024.

INDIRECT TAX PROPOSALS

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GOODS AND SERVICES TAX

GST – KEY LEGISLATIVE CHANGES – TAXABILITY

Following amendments are proposed to be made effective under CGST Act , 2017 from the date to be notified, unless otherwise specified:

- ❑ Insertion of clause in Section 2 in respect of Input Service Distributor ('ISD') to explicitly provide for distribution of ITC by ISD in respect of supplies on which tax is paid on RCM. Similar amendments are also proposed in Section 20(1) and Section 20(2) dealing with manner of distribution of input tax credit by ISD (w.e.f 1st April 2025).
 - **Comments:** This amendment is based on the recommendations provided in the 55th GST Council Meeting. Hitherto, the amendment to ISD provisions vide Finance Act, 2024 only covered GST paid under reverse charge in terms of Section 9(3) and 9(4) of the CGST Act.
 - With the above proposed amendment vide Finance Bill, 2025, it is now intended to include distribution of ITC by the ISD in respect of GST paid under reverse charge on inter-state supplies i.e. GST paid under Section 5(3) and 5(4) of the IGST Act. Appropriate amendments in other provisions relating to ISD have also been proposed to include the distribution of Input Tax Credit ('ITC') of such GST paid under reverse charge.
- ❑ Provisions under Section 12(4) and Section 13(4) relating to time of supply for vouchers in case of goods and services is being deleted.

GST-KEY LEGISLATIVE CHANGES-TAXABILITY

Comments: With the aforesaid amendment, the dispute revolving around the taxability of vouchers has been now put to rest. Hon'ble Karnataka High Court¹ has held that vouchers do not fall under the category of goods or services and hence not eligible to GST. The proposed amendment is in line with the said decision of the Hon'ble Karnataka High Court. The same has been also clarified vide CBIC circular No. 243/37/2024-GST dated 31 December 2024 that vouchers are not per se taxable, and it is the underlying goods / services which are taxable under the GST law.

- Section 34 is being amended to provide for reversal of input tax credit if availed by the recipient for purpose of reduction of tax liability of supplier in respect of the credit note.

Comments: This amendment is based on the recommendation provided in 55th GST Council Meeting. Presently there is no system functionality/ facility presently available on the common portal to enable the supplier or the tax officer to verify the compliance of the said condition of proportionate reversal of input tax credit by the recipient.

With the proposed amendment, a mandatory condition has been provided for reduction in the outward tax liability of the supplier on account of credit notes, that the registered recipient has reversed the corresponding ITC availed. The above amendment may be challenged by the assessee on the grounds of impossibility of performance. Hon'ble Courts have relied from time to time on the doctrine of 'Lex non Cogit Ad impossibilia' which means the law does not demand the impossible and has held under different scenarios that an assessee cannot be denied the benefit of a particular provision or held liable for failing to do an act that is impossible for him to do.

¹ 2023(2)TMI(130)

GST-KEY LEGISLATIVE CHANGES-TAXABILITY

- Schedule III of CGST Act, is proposed to be amended to explicitly provide that supply of goods warehoused in a Special Economic Zone (SEZ) or Free Trade Warehousing Zone (FTWZ) to any person before clearance of such goods for exports or to the Domestic Tariff Area, shall be treated neither as supply of goods nor as supply of services.
 - **Comments:** This amendment is based on the recommendation provided in 55th GST Council Meeting. The taxability of supply of goods warehoused in an SEZ/FTWZ under GST has been a grey area and this is a welcome amendment proposed retrospectively w.e.f 01-07-2017 to bring the said transaction at par with the supply of warehoused goods before clearance for exports or home consumption from GST law perspective.
 - Various AAR's² has also taken a similar view that the activity of supply of goods warehoused in an SEZ/FTWZ is not to be considered as supply of goods nor supply of services as the same gets covered within the ambit of "Supply of warehoused goods to any person before clearance for home consumption." It has been stated that no refund of tax will be made on account of the above proposed amendment.

²[2024 (3) TMI 740] & [2021 (12) TMI 1265]

GST – KEY LEGISLATIVE CHANGES - ITC

Following amendments are proposed to be made effective under CGST Act , 2017 from the date to be notified, unless otherwise specified:

- The term 'plant or machinery' as provided in Section 17(5)(d) is proposed to be amended with the term 'plant and machinery' w.e.f. 1st July 2017 retrospectively.

Comments: This amendment is based on the recommendations provided in the 55th GST Council Meeting. The purpose of the above proposed retrospective amendment is to negate and overcome the Supreme Court judgment in the case of M/s. Safari Retreats Private Limited³ wherein ITC in relation to the construction of immovable property was held to be eligible based on the interpretation of the term "plant or machinery" rather than "plant and machinery" along with application of functionality test. The proposed amendment restricts the eligibility of ITC of goods and services used for construction of immovable property on one's own account such as building, warehouses and any other civil structure. The said amendment has a significant impact on the infrastructure projects and commercial leasing activities and hence the possibility of said amendment being challenging before the Writ Courts cannot be ruled out, primarily on account of retrospective amendment having adversely affecting public at large and thus being unconstitutional and hit by Article 14 of the Constitution of India.

The above amendment has certainly caused discontent among industry stakeholders and its impact will be borne by the assessee at large.

³TS-22-SC-224-GST

GST–KEY LEGISLATIVE CHANGES-ITC

Following amendments are proposed to be made effective under CGST Act , 2017 from the date to be notified, unless otherwise specified:

- ❑ Section 38 dealing with communication of details of inward supplies in respect of ITC is being modified to provide for substitution of 'auto generated statement' to 'statement' and to also provide for inclusions.
- ❑ Section 39(1) is amended so as to provide for an enabling clause to prescribe conditions and restriction for filing of return under the said sub-section.

Comments: The above amendment is based on the recommendation provided in 55th GST Council Meeting. The amendment proposed is in sync with the functionality of Invoice Management System (IMS) which enables taxpayers to accept, reject, or keep invoices pending, based on which details is generated in Form GSTR-2B. GSTR-2B would now be regenerated and re-computed by taxpayer as part of IMS initiative which is presently not mandatory . With the above amendment, Government aims to simplify the mechanism for availment of ITC as well allow correction of invoices and reconciliation thereof with the IMS facility.

GST–KEY LEGISLATIVE CHANGES-DEMAND & RECOVERY

Following amendments are proposed to be made effective under CGST Act , 2017 from the date to be notified, unless otherwise specified:

- ❑ Section 107(6) is being amended to provide for “10% mandatory pre-deposit of penalty amount” for appeals before Appellate Authority in cases involving only demand for a penalty without any associated demand for tax.
- ❑ Section 112(8) relates to appeals before the Appellate Tribunal under GST law. The proposed amendment mandates a “10% pre-deposit of the penalty amount” before an appeal can be filed in cases where only a penalty is under dispute, and no tax demand is involved.

Comments: This amendment is bound to affect taxpayers' cash flow in various appeal scenarios. Hitherto, under GST law pre deposit of 25% of the penalty was provided for filing appeals but only for cases covered under Section 129(3) relating to the detention, seizure, and release of goods and conveyances in transit . With the proposed amendment, in cases involving no tax demands and only penalty, where no pre-deposit was required earlier, a pre-deposit of 10% will now be required to be paid for filing appeals before appellate authority as well before Appellate Tribunal.

It has been also provided that the pre-deposit of 10% penalty before Appellate Tribunal would be over and above 10% pre-deposit already deposited before Appellate Authority. Interesting, no upper limit for pre-deposit of penalty has been provided which is presently existing for tax demands.

GST–KEY LEGISLATIVE CHANGES-OTHERS

Following amendments are proposed to be made effective under CGST Act , 2017 from the date to be notified, unless otherwise specified:

- ❑ Section 148A is proposed to be inserted provide for an “enabling mechanism for Track and Trace Mechanism “for “specified commodities.” The Track and Trace mechanism involves the use of unique identification that are affixed to the goods or their packaging. In line with the amendment, the definition of ‘unique identification marking” is also proposed to be inserted in Section 2(116A) which would include a digital stamp, digital mark etc;
- ❑ Section 122B is also being inserted to provide “penalty for contraventions of provisions related to the Track and Trace Mechanism provided under section 148A” which would equal to INR 1 lakh or 10% of the tax payable on such goods, whichever is higher.

Comments : This amendment is based on the recommendations provided in the 55th GST Council Meeting . Considering the numerous instances of tax evasion detected by the CBIC officials in various sin goods like Pan masala, Tobacco etc., it is now proposed to make these sector specific goods more structured and efficient, ultimately preventing revenue leakages by implementing a track and trace mechanism in line with internationally accepted practices.

The 'Track and Trace Mechanism' is being envisaged to track the movement of goods by way of Unique Identification Markings on specific goods which is yet to be notified.

CUSTOMS

HELPING YOU THRIVE IN A CHANGING WORLD

KEY LEGISLATIVE CHANGES

Following amendments are being proposed in Customs Act, 1962 (*Changes to be effective from the date when Finance Bill receives the assent of the President*):

- ❑ A new sub-section is inserted in Section 18 to provide for time limit of 2 years for finalisation of provisional assessment and for extension of another 1 year by Commissioner of Customs, if sufficient cause is shown - Few exceptions has been carved out for non finalization of the provisional assessment.

Comments: Presently, the Customs Act, 1962 does not provide any time limit to finalize Provisional Assessments leading to uncertainty and cost to trade. Customs (Finalization of Provisional Assessment) Regulation, 2018 prescribes a two-month time limit for finalizing provisional assessments (extendable by three months). Inordinate delays in completion of provisional assessment has rendered assessee at large knocking the doors of the Writ Courts. Hon'ble Jharkhand HC¹ has dropped the demand considering the delay of finalization of the provisional assessment well beyond 6-9 years. This amendment is a welcome step considering statutory timelines has been incorporated in the parent Act for ensuring closure of provisional assessments.

- ❑ A new section, i.e. Section 18A is being inserted for voluntary revision of entry post clearance for import and export of goods within prescribed time and conditions. Such entry shall be treated as self assessment and importers/exporters shall be allowed to make payment of duty or obtain refund.
- ❑ The existing Customs ,Central Excise and Service Tax Settlement commission is being abolished w-e-f 01-04-2025. An interim board is being proposed to be set to undertake functioning of the Settlement Commission for processing of pending applications as of 31-03-2025.

¹ 2024(3) TMI 371-Jharkhand High Court










CHANGES IN CUSTOMS DUTY RATES

Changes in tariff rates to be effective from February 2, 2025 unless otherwise specified :

Chapter / Tariff Heading / Tariff Item	Description of Goods	Old rate	New rate	Impact
6004 10 00, 6004 90 00, 6006 22 00, 6006 31 00, 6006 32 00, 6006 33 00	Textile(Knitted Fabrics)	20%/10%	20% or RS 115/kg : whichever is higher	↑
8528 59 00	Interactive Flat Panel Displays	10%	20%	↑
2515 11 00, 2516 11 00, 6802 10 00	Marble, Granite , worked monumental	40%	20%	↓
3406	Candles, tapers	25%	20%	↓
6401,6402,6403,6404,6405	Footwear	35%	20%	↓
7113, 7114	Jewellery and its parts	25%	20%	↓
8002, 8105 30 00, 8101 97 00	Scrap of Tin ,Cobalt, Tungsten	5%	Nil	↓
7404 00 12 , 7404 00 19, 7404 00 22	Scrap of Copper	2.5%	Nil	↓

CHANGES IN CUSTOMS DUTY RATES

Changes in tariff rates to be effective from February 2, 2025 unless otherwise specified :

Chapter / Tariff Heading / Tariff Item	Description of Goods	Old rate	New rate	Impact
8541 42 00	Solar Cells	25%	20%	
8702, 8704	Motor vehicles for transport of 10 or more persons and goods	40%	20%	
8528 59 00	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702)	125%	70%	
8711	Motorcycles and cycles fitted with an auxiliary motor with or without side-car	100%	70%	
8712 00 10	Bicycles	35%	20%	
8903, 9028 30 10 9401,9403,9404, 9405	Yachts, Smart Meter, Seats , Furniture, Mattress Supports, Luminaries	25%	20%	
9503 00 91	Electronic Toys parts	70%	20%	
9802 00 00	Laboratory Chemicals	150%	70%	
9804 00 00	All dutiable goods imported for personal use	35%	20%	








CHANGES IN CUSTOMS DUTY RATES

Changes in Agricultural Infrastructure Development Cess to be effective ('AIDC') from February 2, 2025 unless otherwise specified :

Chapter / Tariff Heading / Tariff Item	Description of Goods	Old rate	New rate	Impact
2515 , 2516	Marble, Granite	Nil	20%	↑
3406, 3920 or 3921	Candles, Tapers, PVC Flex Films, PVC Flex Sheets	Nil	7.5%	↑
6401,6402,6403,6404	Footwear	Nil	18.5%	↑
6802 10 00 ,6802 21 10	Marble Slab	Nil	20%	↑
8541 42 00	Solar Cells	Nil	7.5%	↑
8702,8704	Motor vehicles for transport of 10 or more persons and Goods	Nil	20%	↑
9028 30 10	Smart meter	Nil	7.5%	↑
9503 00 91	Parts of electronic toys	Nil	20%	↑
9802 00 00	Laboratory Chemicals	Nil	70%	↑

CHANGES IN CUSTOMS DUTY RATES

Changes in tariff rates to be effective from February 2, 2025 unless otherwise specified :

Chapter / Tariff Heading / Tariff Item	Description of Goods	Old rate	New rate	Impact
0304 99 00	Frozen Fish Paste (Surimi) for use in manufacture of Surimi Analogue products, for export	30%	5%	
7113	Platinum Findings	25%	5%	
7802 ,7902, 8105 20 30, 8549 13 00	Lead waste , Zinc waste, Cobalt powders, Waste and scrap of Lithium-Ion Battery	5%	Nil	
8517	Ethernet switches Carrier grade	20%	10%	
Any chapter ,8529	Inputs of Cellular Mobile Phones, Panels of LED TV	2.5%	Nil	
8702,8704	Motor vehicles for transport of 10 or more persons, Motor vehicles for transport of goods	25%/ 40%	20%	
9503 00 91	Parts of electronic toys for manufacture of electronic toys	25%	20%	

CHANGES IN CUSTOMS DUTY RATES

Following goods are being exempted from levy of Social Welfare Surcharge:

Description of Goods	Description of Goods	Description of Goods
Candles, tapers	Footwear	Dutiable articles imported by passenger or member of crew in his baggage classified under heading 9803
Solar Cells	All dutiable goods imported for personal use and not exempted under any prohibition in respect of imports	PVC Flex Films including Flex Banner and PVC flex Sheets under headings 3920 or 3921
Smart meter	Motor vehicles for transport of 10 or more persons	Laboratory Chemicals under CTH 9802 00 00 (other than those attracting 10% BCD for specified end use)
Seats	Motor vehicles for transport of goods	Articles of gold/silver imported
Mattress supports	Motor cars and other motor vehicles which have been registered abroad before import into India i.e. Used Vehicles	Solar Module
Luminaries	Used motorcycles and cycles fitted with an auxiliary motor with or without side-car	

THANK YOU

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