

# UNION BUDGET

**2025-26:**

Path of strong  
development and all-  
round prosperity



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# Direct Tax proposals:

*Changes in direct taxes and proposal to introduced the New Income Tax Bill*

- **Encouraging voluntary compliance**

- Extension of time-limit to file updated returns, from the current limit of 2 years, to 4 years.
- The additional tax payable shall be 60% of the aggregate of tax and interest payable on additional income for filing updated return during the period of 24 months to 36 months from the end of relevant assessment year.
- Additional tax payable shall be 70% of the aggregate of tax and interest payable for filing updated return during the period of 36 months to 48 months from the end of relevant assessment year subject to certain conditions.

- **Reducing compliance burden**
  - Reduced compliance for small charitable trusts/institutions by increasing their period of registration from 5 years to 10 years.
  - Taxpayers to be allowed to claim the annual value of 2 self occupied properties (previously 1) without any conditions.
  - To provide exemption from prosecution to a person who has failed to pay TCS, if such payment is made on or before filing quarterly TCS statement.
  - To reduce compliance burden on the deductor/collector, it is proposed to omit section 206AB and section 206CCA of the Act (Removal of higher TDS/TCS for non-filers of return of income).

## • Rationalization of TDS/TCS for easing difficulties

S. No	Section of the Act	Present TDS/TCS Rate	Proposed TDS/TCS Rate
1	Section 194LBC - Income in respect of investment in securitization trust	25% if payee is Individual or HUF and 30% otherwise	10%
2	Sub-section (1) of section 206C (i) TCS on timber or any other forest produce (not being tendu leaves) obtained under a forest lease and (ii) TCS on timber obtained by any mode other than under a forest lease	2.50%	2%
3	Sub-section (1G) of section 206C - TCS on remittance under LRS for purpose of education, financed by loan from financial institution	0.5% after ` 7 lakhs	Nil
4	193 - Interest on securities	Nil	10,000/-
5	194A - Interest other than Interest on securities	(i) 50,000/- for senior citizen;	(i) 1,00,000/- for senior citizen
		(ii) 40,000/- in case of others	(ii) 50,000/- in case of others
		when payer is bank, cooperative society and post office	when payer is bank, co-operative society and post office
		(iii) 5,000/- in other cases	(iii) 10,000/- in other cases
6	194 - Dividend, for an individual shareholder	5,000/-	10,000/-
7	194K - Income in respect of units of a mutual fund or specified company or undertaking	5,000/-	10,000/-
8	194B - Winnings from lottery, crossword puzzle etc.	Aggregate of amounts exceeding 10,000/- during the financial year	10,000/- in respect of a single transaction
9	194BB - Winnings from horse race		
10	194D - Insurance commission	15,000/-	20,000/-
11	194G - Income by way of commission, prize etc. on lottery tickets	15,000/-	20,000/-
12	194H - Commission or brokerage	15,000/-	20,000/-
13	194-I Rent	2,40,000/- during the financial year	50,000/- per month or part of a month
14	194J - Fee for professional or technical services	30,000/-	50,000/-
15	194LA - Income by way of enhanced compensation	2,50,000/-	5,00,000/-
16	206C(1G) - Remittance under LRS and overseas tour program package	7,00,000/-	10,00,000/-
17	194J - Fee for professional or technical services	30,000/-	50,000/-
18	194LA - Income by way of enhanced compensation	2,50,000/-	5,00,000/-
19	206C(1G) - Remittance under LRS and overseas tour program package	7,00,000/-	10,00,000/-

- **Income Tax updates on international transactions**
  - Budget introduces a scheme for determining arm's length price of international transaction for a block period of three years.
  - Self harbor rules are being expanded to provide certainty in international taxation.
  - A presumptive taxation regime is envisaged for non-residents who provide services to a resident company that is establishing/operating an e-manufacturing facility.



- **Deductions/Exemptions**

- It is proposed to extend the tax benefits available to the NPS u/s 80CCD(1B) of the Income-tax Act, 1961 to the contributions made to the NPS Vatsalya accounts, as applicable.
- Giving benefits to senior and very senior citizens, withdrawals made from National Savings Scheme (NSS) Accounts on or after 29th August 2024 have been exempted.

- **Time limit to impose penalties rationalized**

- It is proposed that any order imposing a penalty shall not be passed after the expiry of 6 months from the end of the quarter in which the proceedings are completed, or the order of appeal is received.



- **Bringing clarity in income on redemption of Unit Linked Insurance Policy**
  - It is proposed to clarify that the profit/gains from the redemption of ULIP to which exemption u/s 10(10D) does not apply, shall be charged to tax as CG.
- **Provisions related to carry forward of losses in case of amalgamation**
  - It is proposed to amend section 72A and 72AA to provide that any loss forming part of the accumulated loss of the predecessor entity, shall be carried forward for maximum 8 AYs immediately succeeding the relevant AY.



- **New Tax Bill Will be Simple and Straightforward**

The new income tax bill is drafted to be **simple**, with **clear language** that ensures **easy comprehension** for both taxpayers and tax administrators.

Its transparent wording seeks to **eliminate ambiguity**, making it **more accessible** and **user-friendly** for everyone.

Smt. Nirmala Sitharaman: *“Democracy, Demography and Demand are key pillars of Viksit Bharat journey. The middle class gives strength to India’s growth and the Government has periodically hiked the ‘Nil tax’ slab in recognition to their contribution. The proposed new tax structure will substantially boost consumption, savings and investment, by putting more money in the hands of the middle class.”*

- **Special Personal tax Reforms with special focus on Middle Class**
  - ❖ No tax up to Rs. 12 lakh (Rs. 12.75 lakh for salaried taxpayers with standard deduction of Rs. 75,000).
  - ❖ Slabs and rates being changed across the board to benefit all taxpayers.

Income tax slabs (In Rs)	Income tax rate (In %)
0-4 Lakh	NIL
4-8 Lakh	5%
8-12 Lakh	10%
12-16 Lakh	15%
16-20 Lakh	20%
20-24 Lakh	25%
Above 24 Lakh	30%

- **Rebate u/s 87A**

- Earlier, resident individual with total income up to Rs. 7 lakh did not pay any tax due to rebate under the new tax regime.
- It is proposed to increase the rebate for the resident individual under the new regime so that they do not pay tax if their total income is up to Rs. 12 lakh.
- Marginal relief as provided earlier under the new tax regime is also applicable for income marginally higher than ` 12,00,000.



- **Illustrative example;**

Income	Tax on Slabs and rates		Benefit of	Rebate benefit	Total Benefit	Tax after rebate Benefit
	Present	Proposed	Rate /Slab	Full upto Rs 12 lacs		
8 lac	30,000	20,000	10,000	20,000	30,000	0
9 lac	40,000	30,000	10,000	30,000	40,000	0
10 lac	50,000	40,000	10,000	40,000	50,000	0
11 lac	65,000	50,000	15,000	50,000	65,000	0
12 lac	80,000	60,000	20,000	60,000	80,000	0
16 lac	1,70,000	1,20,000	50,000	0	50,000	1,20,000
20 lac	2,90,000	2,00,000	90,000	0	90,000	2,00,000
24 lac	4,10,000	3,00,000	1,10,000	0	1,10,000	3,00,000
50 lac	11,90,000	10,80,000	1,10,000	0	1,10,000	10,80,000

# Indirect Tax proposals:

- Customs Tariff Structure for Industrial Goods



Removal of 07  
tariff rates.



Apply not more than  
one cess or surcharge.



Apply equivalent cess to  
maintain effective duty  
incidence on most items  
and lower cess on certain  
items.

- **Exemption of BCD on import of Drugs/Medicines**
  - 36 lifesaving drugs and medicines for treating cancer, rare diseases and chronic diseases have been fully exempted from Basic Customs Duty (BCD).
  - 37 medicines along with 13 new drugs and medicines under Patient Assistance Programmes have been exempted from Basic Customs Duty (BCD), if supplied free to patients.



- **Sector specific proposals**

Make in India- Exemption to open cell for LED/LCD TV, looms for textiles, capital goods for lithium ion battery of mobile phones and EVs.

Promotion of MRO—exemption for 10 years on goods for ship building and ships for breaking, extension of time limit for export of railway goods imported for repairs.

Export promotion—duty free inputs for handicraft and leather sectors.

Trade Facilitation: Time limit fixed for finalization of provisional assessment; new provision for voluntary declaration of material facts post clearance and duty payment with interest but without penalty; IGCR Rules amended to extend time limit to 1 year and file quarterly statement instead of monthly.



- **Proposals in Goods & Services Tax**

- Definition of ISD has been proposed to be amended to explicitly include **inter-state RCM transactions under the ISD mechanism** by including reference to supplies subject to tax u/s 5(3) and 5(4) of IGST Act, 2017. *This, amendment in CGST Act, 2017 are to be made effective from 01.04.2025*
- Definition of **local fund** and **municipal fund** has been inserted vide an explanation to the definition of 'Local Authority' under Section 2(69).
- A new clause (116A) is being inserted in section 2 to provide definition of **Unique Identification Marking** for implementation of Track and Trace Mechanism.
- New sections 148A and 122B are being inserted to provide for enabling mechanism for **Track and Trace Mechanism** for specified commodities and penalty for contraventions thereof.
- In a significant move to address long-standing concerns regarding the **taxability of vouchers** under GST and following the recommendations of the 55th GST Council Meeting, the provisions relating to time of supply of vouchers has been omitted. Vouchers will no longer be classified as a separate category of goods or services.







- **Proposals in Goods & Services Tax**

- The phrase "plant or machinery" has been replaced with "**plant and machinery**" under Section 17(5)(d) of the CGST Act, 2017, with effect from 01.07.2017.
- As per Proviso to section 34(2), **supplier liability post issuance of credit note** shall be reduced only when the ITC previously availed by the recipient is reversed. The potential issue with respect to the same shall arise for the supplier in case the recipient rejects the credit note of the supplier in IMS.
- Section 107(6) is being amended to provide for **10% mandatory pre-deposit** of penalty amount for appeals before Appellate Authority and Appellate Tribunal in **cases involving only demand of penalty** without any demand for tax.
- 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 retrospectively from 01.07,2017. Consequently, no refund of tax already collected under the above heads will be provided.

# Key Takeaways from Budget 2025-26

Driving Growth, Simplifying Compliance, Empowering Citizens



-  **Stronger Economic Growth:** Reforms focused on fostering development and prosperity.
-  **Simplified Tax Structure:** Introduction of a new Income Tax Bill with clearer, taxpayer-friendly provisions.
-  **Middle-Class Relief:** No tax up to ₹12 lakh, boosting disposable income and savings.
-  **Global Competitiveness:** International tax reforms to attract investments and ease cross-border transactions.
-  **Compliance Made Easy:** Reduced burden for small trusts, rationalized TDS/TCS rates, and faster grievance redressal.
-  **Future-Ready Reforms:** Emphasis on digital governance, sustainability, and inclusive growth.

*"Shaping a Viksit Bharat with transparency, growth, and opportunities for all."*

# Our Team



CA Ankur Kapil  
(FCA, M. Com)  
**Partner**



CA Megha Sharma  
(FCA, M. Com, Dip in IFRS-ACCA)  
**Partner**



CA Aditi Kansal  
(FCA, B. Com (Hons))  
**Partner**

► *"Democracy, Demography, and Demand are the key pillars of India's growth journey."*

— Smt. Nirmala Sitharaman

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**CORPORATE OFFICE:**

609-610, Platinum 9

Pashan- Sus Road, Baner,

Pune-411045

Ph- 9540022566, 9811032948

**BRANCH OFFICE:**

203, Vipul Business Park

Sector 48, Main Sohna Road

Gurugram-122018

Ph- 7290078355, 7290078353

**Email: [info@misllp.in](mailto:info@misllp.in)**

**Website: [www.misllp.in](http://www.misllp.in)**