

# Budget 2025 - Tax Reforms

**This document outlines the proposed tax reforms for Budget 2025, aimed at fostering a Viksit Bharat (Developed India). The reforms are inspired by the principles of justice and aim to simplify the existing tax laws, enhance compliance, and promote economic growth. The proposals focus on personal income tax adjustments, rationalization of TDS/TCS, and measures to encourage voluntary compliance, ease of doing business, and investment in various sectors.**

By CA JASMEET SINGH

Email- [ca.jasmeet4@gmail.com](mailto:ca.jasmeet4@gmail.com)

Phone- 7895487198

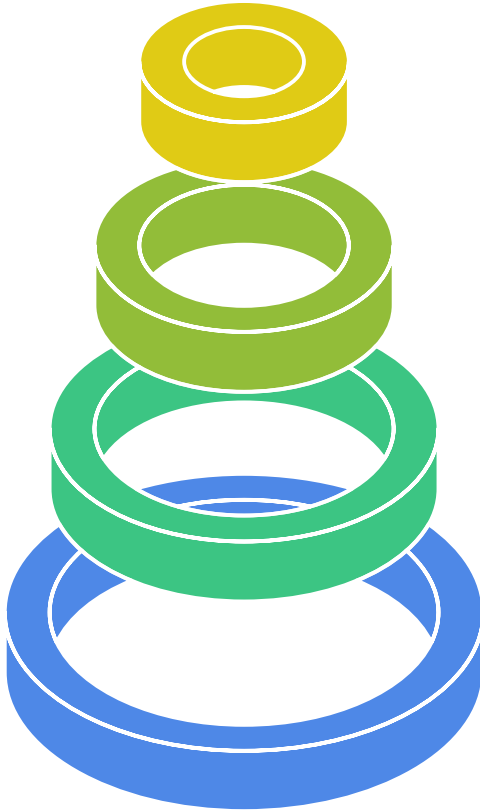
### Path to Viksit Bharat

**Viksit Bharat Vision**  
Developing a prosperous and equitable India

**Economic Growth**  
Stimulating overall economic expansion

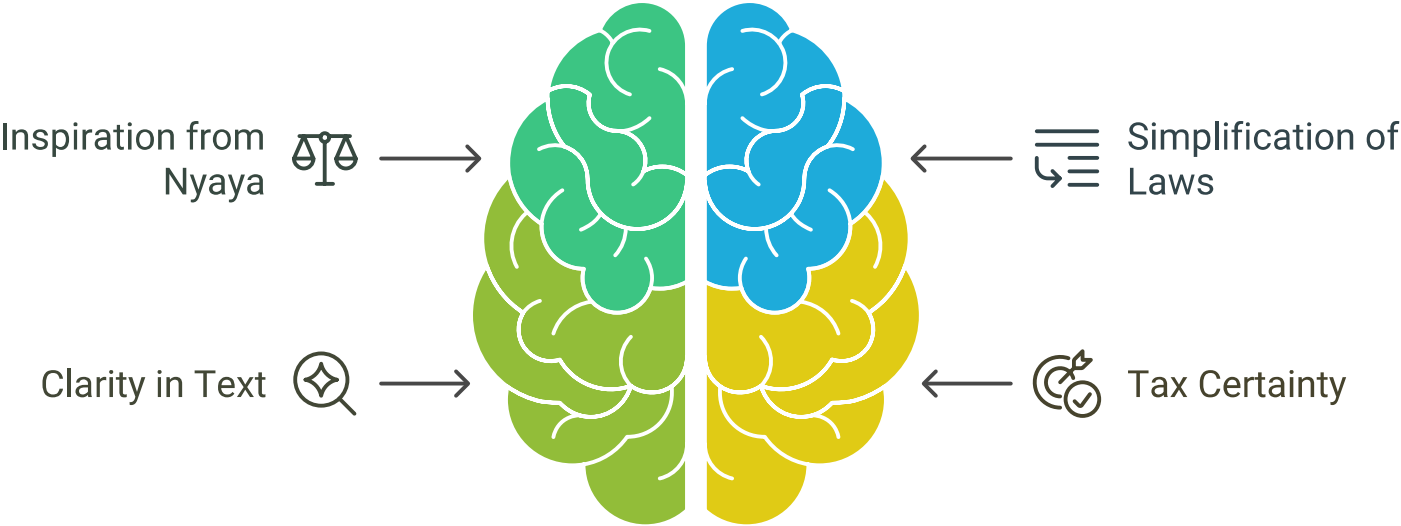
**Enhanced Compliance**  
Improving adherence to tax regulations

**Simplified Tax Laws**  
Streamlining complex existing tax regulations



Taxation Reforms for VIKSIT Bharat

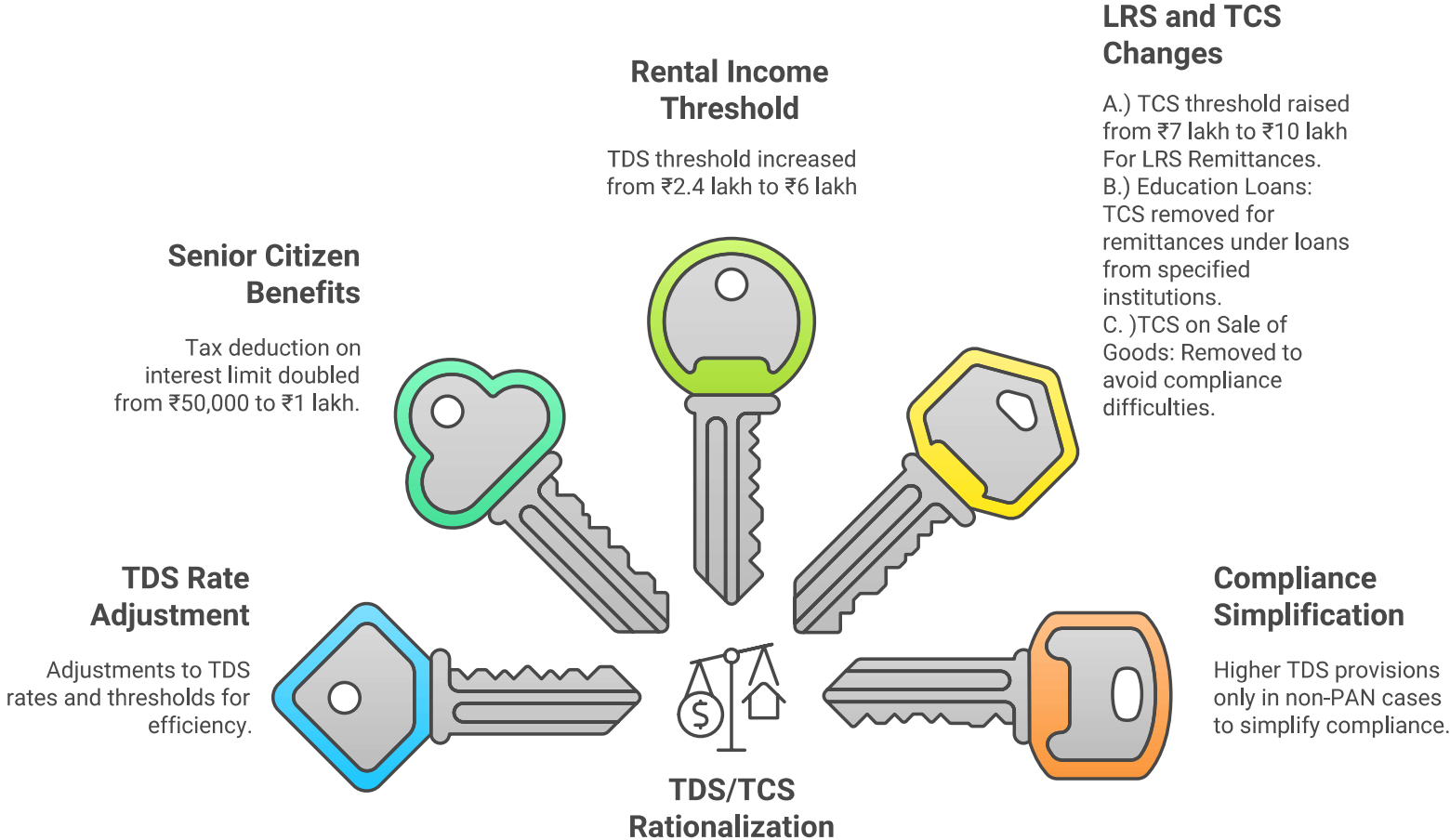
Overview of Tax Reforms



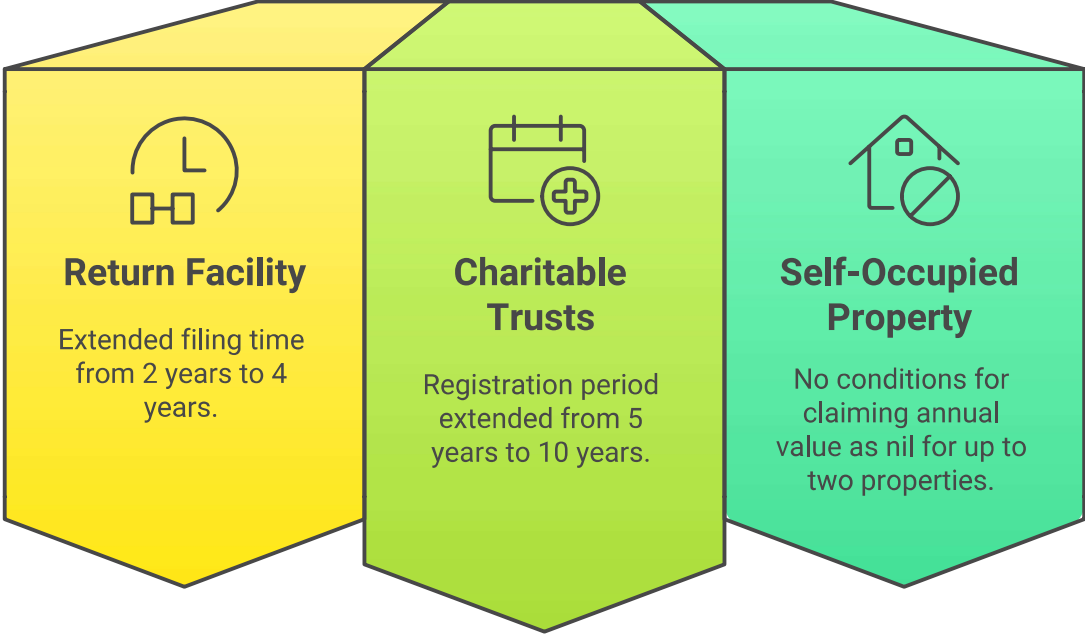
**TDS/TCS Rationalization**

- **Reduction in the number of TDS rates and thresholds.**
- **Senior Citizens: Tax deduction on interest limit doubled from ₹50,000 to ₹1 lakh.**
- **Rental Income: TDS threshold increased from ₹2.4 lakh to ₹6 lakh.**
- **LRS Remittances: TCS threshold raised from ₹7 lakh to ₹10 lakh.**
- **Education Loans: TCS removed for remittances under loans from specified institutions.**
- **TCS on Sale of Goods: Removed to avoid compliance difficulties.**
- **Higher TDS Provisions: Now applicable only in non-PAN cases.**
- **TCS Relaxation: Decriminalization of TCS delays up to the due date of filing.**

### Comprehensive Tax Reform Strategies for 2025 Budget



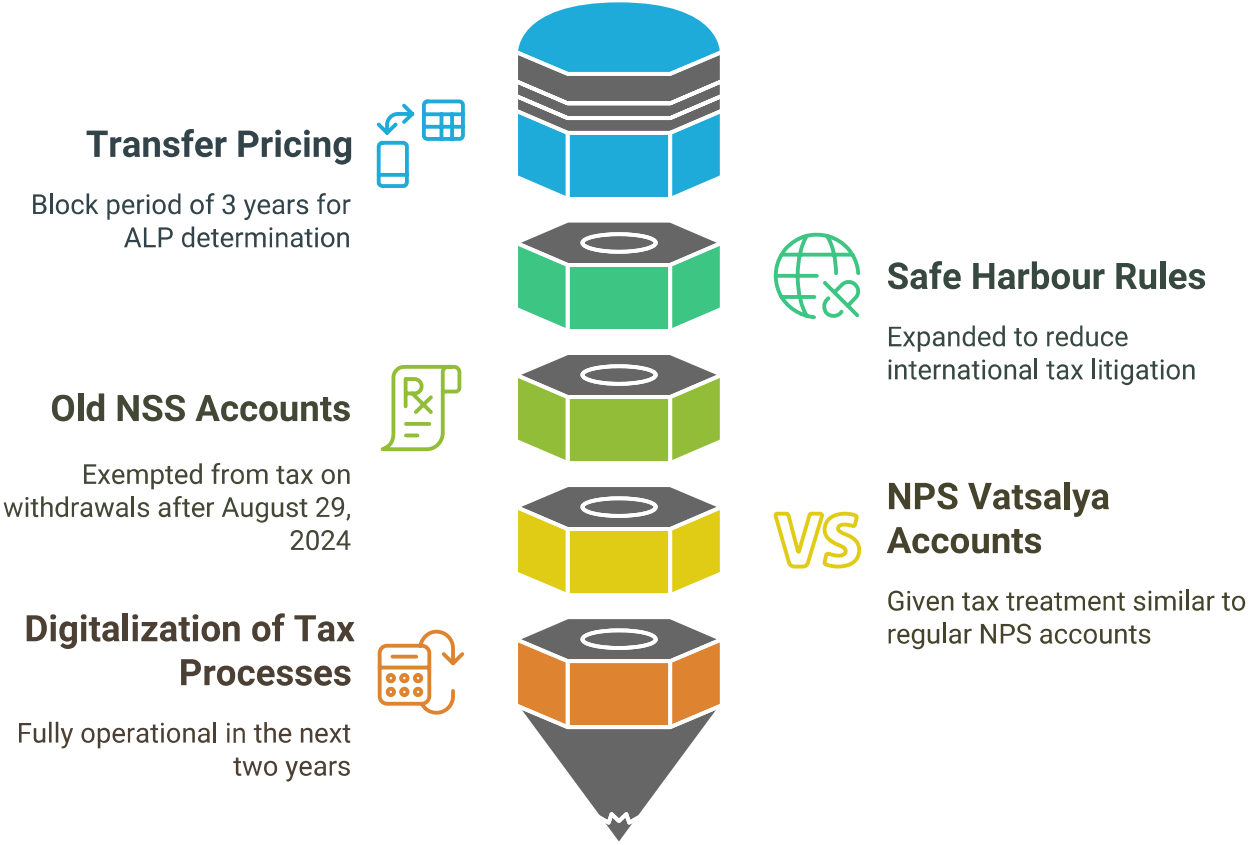
### Encouraging Voluntary Compliances



**Ease of Doing Business**

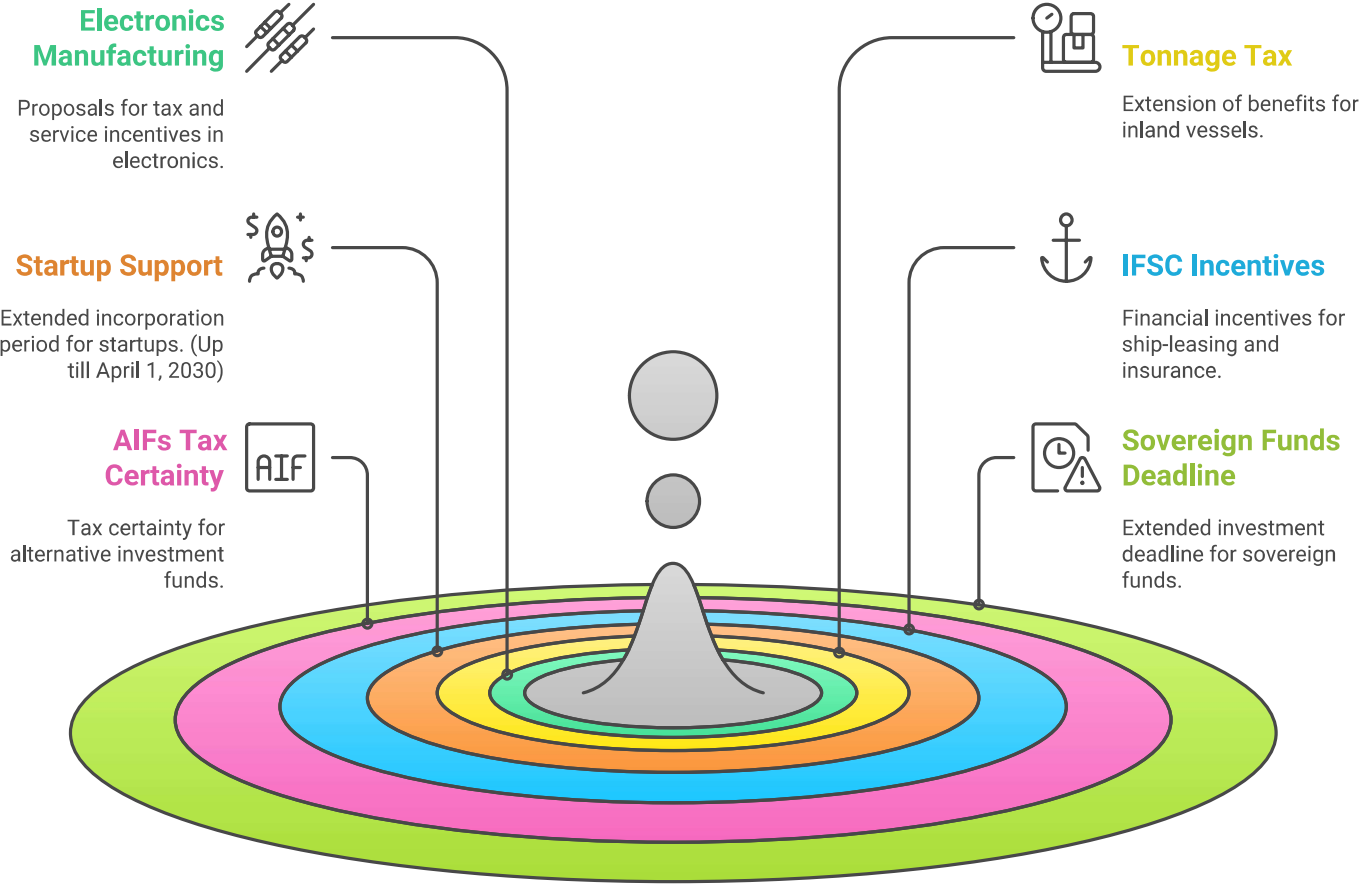
- **Transfer Pricing: Block period of 3 years for arm's length price determination.**
- **Safe Harbour Rules: Expanded to reduce international tax litigation.**
- **Old NSS Accounts: Exempted from tax on withdrawals after August 29, 2024.**
- **NPS Vatsalya Accounts: Given tax treatment similar to regular NPS accounts.**
- **Digitalization of Tax Processes: Fully operational in the next two years.**

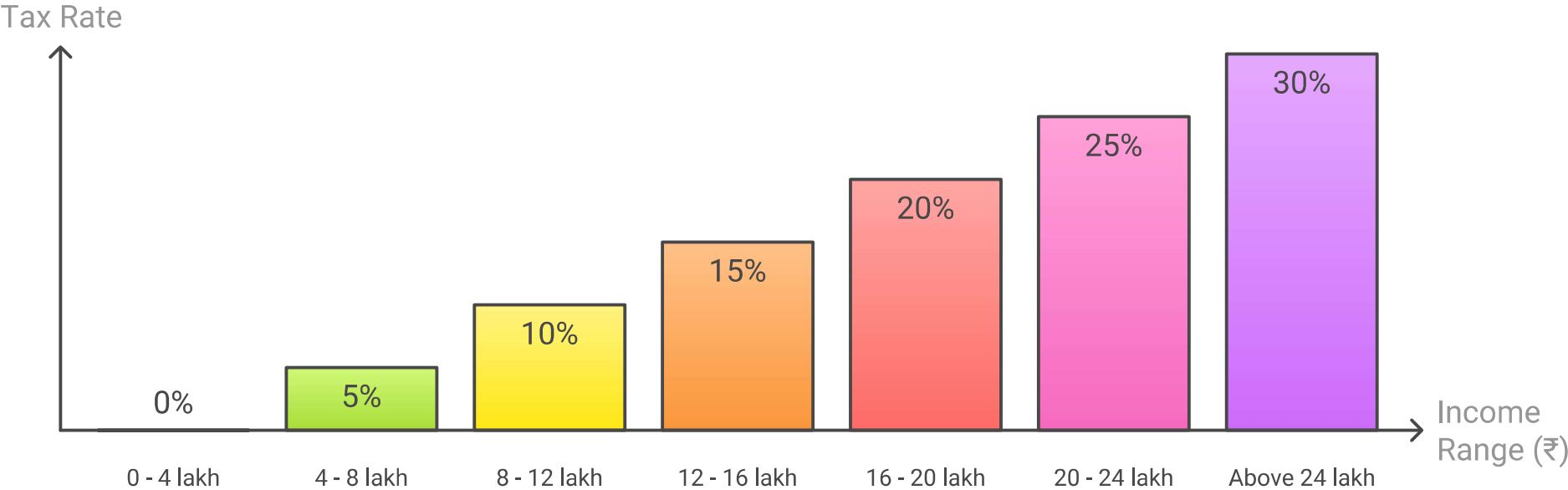
### Overview of Tax Reforms





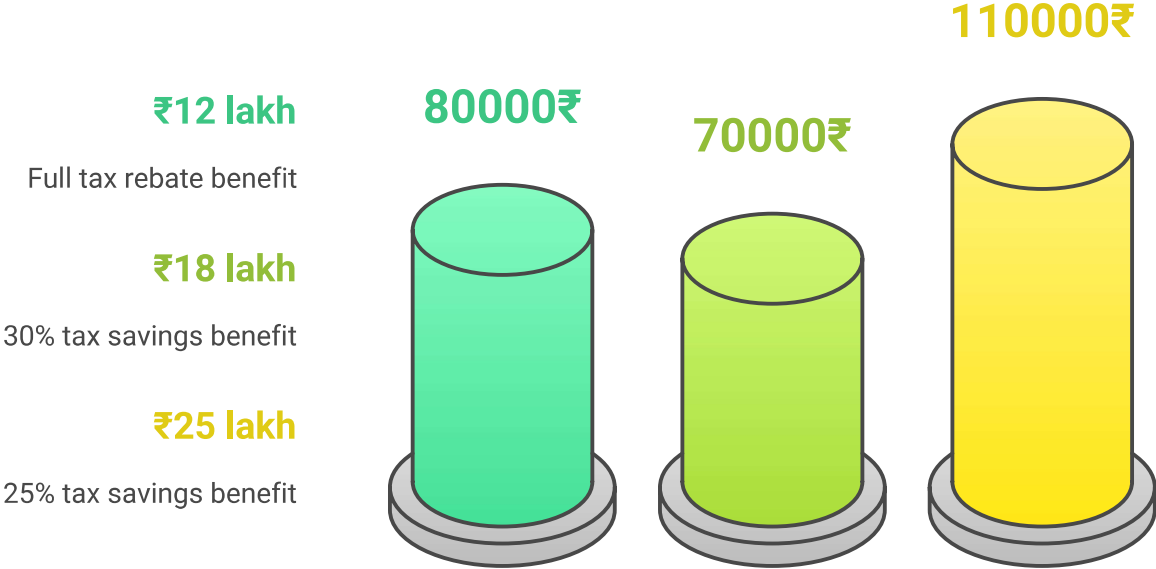
### Economic Proposals Overview





Tax Rates by Income Range

### Tax Benefits for Different Income Levels



## Indirect Tax Reforms

### ***Customs Tariff Structure Rationalization***

- Removal of 7 more tariff rates (total 14 removed in two years), leaving only 8 rates including 'zero'.
- Application of appropriate cess to maintain effective duty incidence with minor reductions in some cases.
- Only one cess or surcharge to be levied; Social Welfare Surcharge exempted on 82 tariff lines.

### ***Sector-Specific Proposals***

1. **Relief on Import of Drugs/Medicines**
  - Addition of 36 lifesaving drugs to the BCD-exempt list.
  - Addition of 6 lifesaving medicines under a 5% concessional duty.
  - Exemptions/concessions extended to bulk drugs used for manufacturing these medicines.
  - 37 new medicines and 13 patient assistance programs included in BCD-exempt category.
2. **Critical Minerals**
  - Full BCD exemption for cobalt powder, lithium-ion battery waste, Lead, Zinc, and 12 more critical minerals.
3. **Textiles**
  - Two more types of shuttle-less looms fully exempted from BCD.

- **BCD on knitted fabrics revised to “20% or ₹115 per kg, whichever is higher”.**

**4. Electronic Goods**

- **Increase in BCD on Interactive Flat Panel Display (IFPD) from 10% to 20%.**
- **Reduction in BCD on Open Cell and components to 5%.**
- **Full BCD exemption on parts of Open Cells for LCD/LED TV manufacturing.**

**5. Lithium-Ion Battery**

- **35 new capital goods added for EV battery manufacturing under BCD exemption.**
- **28 additional capital goods exempted for mobile phone battery manufacturing.**

**6. Shipping Sector**

- **BCD exemption on raw materials, components, and consumables for shipbuilding extended for 10 years.**
- **Similar exemption for shipbreaking to enhance competitiveness.**

**7. Telecommunication**

- **Reduction in BCD on Carrier Grade Ethernet switches from 20% to 10% for uniform classification.**

**8. Handicraft Goods**

- **Export period extended from 6 months to 1 year, with a further extension of 3 months if required.**
- **Addition of 9 more items to the duty-free input list.**

**9. Leather Sector**

- **Full BCD exemption on Wet Blue leather to support domestic value addition.**
- **Removal of 20% export duty on crust leather to benefit small tanners.**

**10. Marine Products**

- **BCD on Frozen Fish Paste (Surimi) reduced from 30% to 5% for manufacturing and export.**

- **BCD on Fish Hydrolysate reduced from 15% to 5% for fish and shrimp feed production.**

**11. Domestic MROs for Railway Goods**

- **Export time limit for foreign-origin railway goods imported for repairs extended from 6 months to 1 year, further extendable by another year.**

**Trade Facilitation**

**a. Time Limit for Provisional Assessment**

- **A 2-year time limit (extendable by 1 year) for finalizing provisional assessments to reduce uncertainty and costs.**

**b. Voluntary Compliance**

- **New provision for importers/exporters to voluntarily declare material facts post-clearance and pay duty with interest but without penalty.**
- **Not applicable where audits or investigations have already begun.**

**c. Extended Time for End Use Compliance**

- **Time limit for the end-use of imported inputs extended from 6 months to 1 year for better planning.**
- **Quarterly compliance statements instead of monthly statements.**

### Categorization of Indirect Tax Reforms

