KEY HIGHLIGHTS OF FINANCE BILL, 2025

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Source: Finance Bill, 2025

1. Personal Tax Rates

- No changes have been proposed in the tax rates for assessees opting for the old tax regime.
- No changes have been proposed in rates of surcharge and education cess.
- The tax rates and slabs under the new tax regime of Section 115BAC have been proposed to be revised. The new tax structure under the new regime shall be as follows:

Total Income	Tax rate (Assessment Year 2026-27)
Up to Rs. 4,00,000	Nil
From Rs. 4,00,001 to Rs. 8,00,000	5%
From Rs. 8,00,001 to Rs. 12,00,000	10%
From Rs. 12,00,001 to Rs. 16,00,000	15%
From Rs. 16,00,001 to Rs. 20,00,000	20%
From Rs. 20,00,001 to Rs. 24,00,000	25%
Above Rs. 24,00,000	30%

- The income threshold for claiming a tax rebate under Section 87A for resident individuals taxable under the new regime of Section 115BAC has been proposed to be increased from Rs. 7 lakhs to Rs. 12 lakhs, and the maximum rebate amount has been raised from Rs. 25,000 to Rs. 60,000.
- It is proposed that where resident individuals opt for the new tax regime of Section 115BAC, the incomes chargeable to tax at special rates (for example, capital gains taxable under Section 111A, Section 112, etc.) shall be excluded from calculating the Section 87A rebate.

2. TDS/TCS

- The TDS rate under Section 194LBC on income payable by a securitisation trust to a resident investor is proposed to be reduced from 25%/30% to 10%.
- The threshold limit for deduction of tax under various provisions has been proposed to be increased.

Section	Nature of income	Current Threshold	Proposed Threshold
193	Interest on securities	Nil	Rs. 10,000
	Interest payable to resident individual/HUF on any debenture issued by public company	Rs. 5,000	Rs. 10,000
194	Dividend	Rs. 5,000 for individual shareholder	Rs. 10,000 for individual shareholder
194A	Interest other than interest on Securities	• Rs. 50,000 for senior citizen • Rs. 40,000 in case of others if payer is a bank, cooperative society and post office • Rs. 5,000 in other cases	• Rs. 1,00,000 for senior citizen • Rs. 50,000 in case of others if payer is a bank, cooperative society and post office • Rs. 10,000 in other cases
194B	Winning from Lotteries, Crossword Puzzles, gambling, betting, etc. (except online games)	Aggregate of amounts exceeding Rs. 10,000 during the financial year	Rs. 10,000 in respect of a single transaction

Section	Nature of income	Current Threshold	Proposed Threshold
194BB	Winning from horse race	Aggregate of amounts exceeding Rs. 10,000 during the financial year	Rs. 10,000 in respect of a single transaction
194D	Insurance commission	Rs. 15,000	Rs. 20,000
194G	Commission and other payments on sale of lottery tickets	Rs. 15,000	Rs. 20,000
194H	Commission and Brokerage	Rs. 15,000	Rs. 20,000
194-I	Rent	Rs. 2,40,000 during the financial year	Rs. 50,000 per month or part of a month
194J	Royalty and fees for professional or technical services	Rs. 30,000	Rs. 50,000
194K	Income in respect of units of mutual fund	Rs. 5,000	Rs. 10,000
194LA	Compensation on account of compulsory acquisition of an immovable property (other than agriculture land)	Rs. 2,50,000	Rs. 5,00,000

- TCS provisions under section 206C(1H) on the sale of goods are proposed to be withdrawn with effect from 01-04-2025. Section 194Q has also been changed to remove the reference to Section 206C(1H).

- Section 206AB, which provides for the deduction of tax at higher rates if the payee fails to furnish his return of income for a specified period, is proposed to be omitted. Consequently, its reference in Section 194S has also been proposed to be omitted.
- Section 206CCA, which provides for the collection of tax at higher rates if the payee fails to furnish his return of income for a specified period, is proposed to be omitted.
- The definition of 'Forest Produce' has been proposed to be introduced under Section 206C(1). It shall have the same meaning as defined in any State Act or the Indian Forest Act 1927.
- Amendments have been proposed to section 206C(1) to provide that only such other forest produce (not being timber or tendu leaves) which is obtained under forest lease will be covered under TCS.
- TCS rate for –

  (i) timber or any other forest produce (not being tendu leaves) obtained under a forest lease or

  (ii) timber not obtained under a forest lease,

  is proposed to reduce from 2.5% to 2%..
- The threshold limit prescribed under Section 206C(1G) for collection of tax at source by authorised dealer from remittance made under Liberalised Remittance Scheme (LRS) & seller of an overseas tour program package is proposed to be increased from Rs 7 lakhs to Rs. 10 lakhs.
- It is proposed that the authorised dealer shall not collect TCS under Section 206C(1G) on remittances in foreign currency from an education loan obtained under Section 80E(3)(b).

3. Salary and House Property Income

- Section 17(2) of the Act provides a list of perquisites to be included in employees' salary income. It includes the value of any benefit (such as gas, electricity, water, etc.) granted or provided free of cost or at the concessional rate by the employer to an employee whose salary income as a monetary benefit exceeds Rs 50,000. Further, expenditure incurred by the employer for travel abroad on medical treatment of the employee or his family member is regarded as a perquisites if the gross total income of the employee exceeds Rs 2 lakhs. The limits of Rs 2 lakhs and Rs 50 thousand were introduced in 1993 and 2001, respectively. To adjust these limits to reflect changes in the standard of living and economic conditions, the Finance Bill 2025 proposes to empower the CBDT to notify the limit in this regard.

- The annual value of up to two house properties is taken as nil if the property is self-occupied or cannot be occupied by the owner of the property due to his employment, business or profession at any other place. It is proposed that the annual value of up to two house properties shall be nil if the owner occupies the house for his own residence or cannot occupy it for any reason subject to the condition that no rental income is received on these house properties.

4. Income-tax Return

Presently, the deadline for filing an updated tax return under Section 139(8A) is 24 months from the end of the relevant assessment year. The Finance Bill 2025 proposes to extend this deadline to 48 months from the end of the relevant assessment year. The rate of additional income tax payable to file an updated tax return is as follows:

Date of Filing Updated Return	Additional Tax Payable
Within 12 months from the end of relevant assessment year	25% of aggregate of additional tax and interest
After 12 months and up to 24 months from the end of relevant assessment year	50% of aggregate of additional tax and interest
After 24 months and up to 36 months from the end of relevant assessment year	60% of aggregate of additional tax and interest
After 36 months and up to 48 months from the end of relevant assessment year	70% of aggregate of additional tax and interest

5. Capital Gains

- **Inclusions of ULIPs in Capital Asset**
  A ULIP is considered a capital asset only when the exemption under Section 10(10D) does not apply due to the 4th and 5th provisos therefor. Consequently, such ULIPs are subject to capital gains taxation.

  It is proposed to remove the reference to the phrase "on account of the applicability of the fourth and fifth provisos thereof" from sub-clause (c) of Section 2(14) to broaden its applicability to ULIPs in all instances where the exemption under Section 10(10D) is not available. Consequently, all ULIPs not qualifying for exemption under Section 10(10D) will be classified as capital assets.

  A corresponding amendment has been made to Section 45(1B) to tax the income arising from receipt of amount under ULIPs, where the exemption under Section 10(10D) is not available, under the head of capital gains.

- **ULIPs to Be Considered Equity-Oriented Fund**
  Clause (a) of the Explanation to Section 112A defines an "equity-oriented fund" as a fund set up under a scheme of a mutual fund specified under Section 10(23D) or under a scheme of an insurance company comprising ULIPs that do not qualify for exemption under Section 10(10D) due to the applicability of the 4th and 5th provisos.

  The second proviso to clause (a) of the Explanation specifies that, in the case of an insurance company scheme comprising ULIPs where an exemption under Section 10(10D) is not available, the minimum investment requirement of 90% or 65%, as applicable, must be maintained throughout the policy's term.

  It is proposed to amend clause (a) and the second proviso of the Explanation to make them applicable to all ULIPs where an exemption under Section 10(10D) is not available. Therefore, ULIPs that do not qualify for exemption under Section 10(10D) shall be included in the definition of an equity-oriented fund.

- **Rationalisation of Taxation of Capital Gains Arising to Non-residents**
  Section 115AD of the ITA provides that long-term capital gains from the transfer of securities (other than units referred to in Section 115AB) shall be taxed at 10% in the hands of specified fund or Foreign Institutional Investor (FIIs). However, the Finance (No. 2) Act, 2024, changed the rate of taxation on long-term gains arising from the transfer of capital assets to 12.5% for all assessees, whether resident or non-resident, with effect from 23-07-2024.

  The tax rates for specified funds or FIIs on long-term gains referred to in Section 112A have been brought to parity with the new rates, i.e., 12.5% applicable to residents. However, the tax rates on long-term capital gains not referred to in Section 112A were retained at 10%. Section 115AD is proposed to be amended to provide that income tax on long-term capital gains from the transfer of securities (other than units referred to in Section 115AB) not referred to in Section 112A, if included in the total income, shall also be calculated at a rate of 12.5%.

- **Securities Held by Investment Funds to Be Treated as Capital Assets**
  Section 2(14) of the ITA defines the term "capital asset." Securities held by a Foreign Institutional Investor that has invested in such securities as per the regulations made under the SEBI Act, 1992, are also defined as capital assets. There is some uncertainty in the characterisation of income arising from transactions in securities by investment funds. Should such income be considered capital gains or business income for investment funds (as specified in Explanation 1(a) to Section 115UB)?

  It is proposed to amend Section 2(14) to clarify that any security held by investment funds referred to in Section 115UB and invested as per the regulations made under the SEBI Act shall be treated only as a capital asset. Therefore, any income arising from the transfer of such securities would be considered capital gains.

6. Deductions

- **NPS Vatsalya Scheme**
  The NPS Vatsalya Scheme was introduced to enable parents to start a National Pension Scheme (NPS) account for their minor children. The parents can make contributions to the account of the minor till they attain the majority of 18 years. The Finance Bill 2025 proposes to extend tax benefits of NPS under section 80CCD to NPS Vatslya contributions as follows:
  (a) The amount deposited in the minor's account is to be allowed as a deduction under Section 80CCD(1B) to the parent subject to a maximum limit of Rs 50,000.
  (b) The total deduction for contributions made by an assessee to his own account or to the account of his minor children cannot exceed Rs. 50,000.
  (c) The amount allowed as a deduction and interest accrued thereon would be taxable as income when it is withdrawn.
  (d) The amount received on the closure of the account due to the minor's death would not be regarded as income of the parent.
  (e) In Section 10(12BA), the parent is exempt from tax on partial withdrawals from such accounts (up to 25% of the contribution amount) in certain situations, such as education, treatment, and disability of a minor.
  The provisions will apply from AY 2026-27 onwards.

- **National Saving Scheme**
  An exemption is proposed to be allowed to individuals in respect of withdrawal of the amount deposited in the National Savings Scheme and interest accrued thereon before April 1, 1992. This exemption is available if the amount is withdrawn on or after 29-08-2024..

- **Start-ups [Section 80-IAC]**
  Section 80-IAC provides that an eligible start-up can claim a deduction for the profits and gains arising from an eligible business under this provision. The deduction can be claimed for up to 100% of the profits and gains derived in three consecutive years out of the ten assessment years, beginning from the year of incorporation. However, one of the conditions is that the start-up must be incorporated on or after 01-04-2016 and before 01-04-2025. It is now proposed to extend the benefit of the exemption under Section 80-IAC for an additional five years, making it available to eligible start-ups incorporated before 01-04-2030.

7. Taxation of Non-residents

- **No Significant Economic Presence on the Export of Goods**
  Section 9 of the ITA specifies the income deemed to accrue or arise in India. Section 9(1)(i) states that all income accruing or arising, whether directly or indirectly, through or from any business connection in India shall be deemed to accrue or arise in India. Clause (b) of Explanation 1 Section 9(1) clarifies that, in the case of a non-resident, no income shall be deemed to accrue or arise in India if it is derived solely from operations confined to the purchase of goods in India for export.

  It is proposed that Explanation 2A of Section 9 be amended so that the transactions or activities of a non-resident in India, which are confined to the purchase of goods in India for the purpose of export, shall not constitute a significant economic presence of such non-resident in India. This amendment will align it with Explanation 1 to Section 9(1)(i) concerning business connections.

- **Sovereign Wealth Funds and Pension Fund**
  The deadline for investing by foreign Sovereign Wealth Funds, Pension Funds, and the Abu Dhabi Investment Authority in Indian infrastructure entities for exemption under section 10(23FE) has been proposed to be extended from 31-03-2025 to 31-03-2030. Further, the long-term capital gains arising from investments made by foreign Sovereign Wealth Funds, Pension Funds, and the Abu Dhabi Investment Authority in Indian infrastructure entities are proposed to be exempt under Section 10(23FE) even if they are deemed short-term capital gains under section 50AA.

- **Presumptive Tax Scheme**
  A new presumptive tax scheme has been proposed in Section 44BBD, which would apply to non-residents providing services or technology to a resident company in India to set up an electronics manufacturing facility or manufacture/produce electronic goods. Under this scheme, 25% of the total amount paid or payable to the non-resident for such services or technology would be deemed presumptive income.

- **Tonnage Tax Scheme**
  The benefits of the tonnage tax scheme are proposed to be extended to Inland Vessels registered under the Inland Vessels Act of 2021.

  Further, the time limit for the Joint Commissioner to pass an order under Section 115VP(4) has been proposed to be increased to three months from the end of the quarter in which a qualifying company makes an application to opt for a tonnage tax scheme. Presently, the time limit is expiry of one month from the end of the month in which the application was made.

8. IFSC

- The sunset dates for the commencement of operations of IFSC units, in relation to several tax concessions or the relocation of funds to the IFSC, are proposed to be extended to March 31, 2030. This extension of the sunset date applies to Sections 80LA, 10(4D), 10(4F), 10(4H), and 47(viiad).
- The exemption under Section 10(10D) is not available if the annual premium or aggregate of premiums payable for the unit-linked insurance policies (ULIPs) is above Rs. 2.5 lakhs, and Rs. 5 lakhs for life insurance policies other than ULIPs. The cap on the premium for life insurance policies has been removed if the life insurance policies are issued by IFSC-based insurers. Thus, the sum received under a life insurance policy issued by the IFSC insurance intermediary office shall be exempt regardless of the premium paid by the policyholder, as mentioned above.
- Capital gains from the transfer of equity shares in a domestic company, which is an IFSC unit, by a non-resident or IFSC unit are exempt from tax under Section 10(4H). This exemption applies if the transferor and the domestic company are primarily engaged in aircraft leasing. The scope of this exemption is proposed to be extended to include cases where both entities are engaged in the ship leasing business.
- The dividend income of an IFSC unit primarily engaged in the ship leasing business is proposed to be exempt from tax under Section 10(34B) if the company paying the dividend is also an IFSC unit engaged in the ship leasing business.
- It is proposed that the deemed dividend provisions will not apply to borrowings by a corporate treasury centre in an IFSC from its group entities, or vice versa, provided that the parent entity or principal entity of such group is listed on stock exchange in a country or territory outside India other than the country or territory outside India as may be specified by the Board in this behalf.

- The income of a non-resident on account of the transfer of certain derivative contracts entered into with an offshore banking unit of an IFSC is exempt from tax under Section 10(4E). The scope of this exemption is proposed to be extended to cases where derivatives contracts are entered into with Foreign Portfolio Investors, being an IFSC unit.
- Retail funds and Exchange-Traded Funds (ETFs) located in an IFSC are included under the definition of specified funds for tax exemption under Section 10(4D), provided they meet certain conditions. These funds are proposed to be classified as resultant funds under Section 47(viiad), ensuring that the relocation of foreign investment funds to such IFSC-based funds is treated as a tax-neutral transaction.
- Under Section 9A, an eligible investment fund managed by an eligible fund manager in India will not be considered to have a business connection in India or be deemed a resident of India solely due to the fund manager's location. An eligible investment fund is defined as a fund established, incorporated, or registered outside India that pools funds from members for investment and meets specific conditions. One such condition is that Indian residents' participation or investment (direct or indirect) must not exceed 5% of the fund's corpus. It is proposed that this condition must be met as of 1st April and 1st October of the previous year. If not met on these dates, the condition will still be deemed satisfied if fulfilled within 4 months of the respective date. Further, this condition will apply to all the eligible investment funds whether or not their eligible fund managers are based in IFSC.
- An offshore fund will be deemed an eligible investment fund under Section 9A if it meets specified conditions. It is proposed that the Government may relax these conditions if the fund manager is located in an IFSC and commenced operations on or before March 31, 2024. The deadline for the commencement of operations by the fund manager has now been extended to March 31, 2030.

9. Block Assessment

- **Undisclosed income arising from the Virtual Digital Assets**
  Section 158B(b) provides an inclusive meaning of “undisclosed income” for the block assessment scheme. It provides that the following assets shall be considered undisclosed income if such assets represent, wholly or partly, income or property that has not been or would not have been disclosed for the purposes of this Act:
  a) Money,
  b) Bullion,
  c) Jewellery,
  d) Other valuable articles or things, and
  e) Income based on any entry in books of account, other documents, and transactions.

  The Finance Bill 2025 proposes to include virtual digital assets in the scope of undisclosed income. This amendment is applicable with effect from 01-02-2025.

- **Sequential handling of multiple searches**
  Section 158BA(4) ensures that each search or requisition is handled in an orderly manner, preventing overlap and ensuring adequate time for proper assessment. It provides that if a subsequent search or requisition occurs while a block assessment is pending, the AO must complete the initial assessment before starting the new one.

The Finance Bill 2025 proposes substituting the word “pending” with “required to be made” with effect from 01-02-2025. Thus, where the assessment proceedings are not pending on the date of the subsequent search or requisition but will be required to be made, the AO cannot start a new block assessment. Where the Court/Tribunal invalidates the search action and, in turn, rejects the assessment proceedings, the AO can initiate a new block assessment proceeding pursuant to the subsequent search or requisition.

- **Revival of abated proceedings**
  Section 158BA(2)/(3) of the Act provides that any assessment, reassessment, recomputation, or reference to TPO under Section 92CA(1) or an order under Section 92CA(3) pertaining to any assessment year falling in the block period pending on the date of initiation of the search or making of requisition shall abate. Section 158BA(5) provides that if any block assessment proceedings initiated for the block period have been annulled in appeal or any other legal proceeding, then, the assessment or reassessment relating to any assessment year which was abated under Section 158BA(2)/(3) shall revive.

  Section 158BA(5) provided for the revival of assessment or reassessment post annulment of the block assessment proceedings but did not include the reference to recomputation or reference to TPO under Section 92CA(1) or an order under Section 92CA(3), which also got abated due to initiation of block assessment. The Finance Bill 2025 proposes to align sub-sections (2)/(3) with sub-sections (5) by adding the words “recomputation”, “reference”, or “order” in sub-sections (5) of Section 158BA. Thus, all actions and proceedings abated can now be revived if the block assessment proceedings are annulled.

- **Computation of total income of block period**
  Section 158BB contains the provision for the computation of the total income of the block period. It provides a comprehensive approach for computing the undisclosed income for the block period. According to sub-section (1), the total income for the block period is computed by aggregating both disclosed and undisclosed income. Sub-sections (5) and (6) of Section 158BB stipulate that disclosed income (excluding any losses) is deducted from the total income calculated under sub-section (1). This is because undisclosed income is taxed under Section 113, while disclosed income is assessed separately under other provisions of the Act. Thus, the method for computing the total undisclosed income of the block period is rather circuitous. In other words, Section 158BB provides for deriving undisclosed income by excluding disclosed income from total income. The Finance Bill 2025 proposes to amend Section 158BB(1) with effect from 01-02-2025 to provide a new computation mechanism for the undisclosed income.

- **Limitation period for completion of block assessment**
  Section 158BE provides that the order under Section 158BC must be passed within twelve months from the end of the month in which the last authorisation for a search under Section 132 or requisition under Section 132A was executed or made. For other persons referred to in Section 158BD, the AO must complete the assessment within twelve months from the end of the month in which the notice under Section 158BC was issued to such person.

Search and seizure proceedings generally require coordinated investigations and assessments. The current time limit often leads to multiple time-barring dates, making it difficult to bring the cases to a logical conclusion. Therefore, the Finance Bill 2025 proposes changing the time limit for completing the block assessment to twelve months from the end of the quarter in which the last authorization for search or requisition was executed.

- **Extension in the limitation period**
  Section 158BE(4)(i) provides that the period during which the assessment proceedings are stayed by an order or injunction of any court shall be excluded from the limitation period for completion of the assessment. The Finance Bill 2025 proposes that the period to be excluded shall commence on the date on which the assessment proceeding is stayed by an order or injunction of any court and end on the date on which the jurisdictional Principal CIT or CIT received a certified copy of the order vacating the stay. A similar amendment has been proposed to Section 158BFA, which prescribes the limitation period to levy interest and penalty in block assessment.

10. Business Trusts

Section 115UA of the ITA grants a pass-through status to business trusts for interest income, dividend income received by it from a special purpose vehicle (in the case of both REITs and InvITs), and rental income (for REITs). The total income of a business trust is charged to tax at the maximum marginal rate, subject to the provisions of Sections 111A and 112. It is proposed that Section 115UA be amended to include a reference to Section 112A. Following this proposed amendment, the total income of a business trust will be taxed at the maximum marginal rate, subject to the provisions of Sections 111A, 112, and 112A. As a result of this amendment, long-term capital gains (LTCG) from the sale of specified securities will not be taxable for a business trust if the aggregate capital gain during the year does not exceed Rs. 1,25,000. If the capital gain exceeds Rs. 1,25,000, the excess will be taxed at a rate of 12.5%

11. Charitable & Religious Trusts

- **Period of registration of smaller charitable trusts or institutions**
  Under the current provisions of the ITA, Section 12AB grants registration to charitable trusts or institutions for a period of five years, and where activities have not commenced at the time of application, provisional registration for three years. To ease compliance for smaller trusts or institutions whose total income before exemption does not exceed Rs. 5 crores in each of the two previous years preceding the year of application, it is proposed to extend the validity of registration from five years to ten years. However, this benefit shall not apply to trusts or institutions applying for registration for the first time, whether before or after commencing activities.

- **Rationalisation of 'Specified Violation' for cancellation of registration of trusts or institutions**
  Section 12AB(4), inter alia, provides that when the registration or provisional registration of a trust or institution has been granted, and the PCIT/CIT subsequently notices the occurrence of one or more specified violations during any previous year, the PCIT/CIT shall pass a written order cancelling the registration of such trust or institution if satisfied that one or more specified violations have taken place. The Explanation to Section 12AB(4) states that "specified violation", inter alia, includes cases where the application referred to in Section 12A(1)(ac) is incomplete or contains false or incorrect information. It is proposed that the Explanation to Section 12AB(4) be amended to clarify that an incomplete application for the registration of a trust or institution shall not be considered a specified violation for the purpose of cancellation by the PCIT/CIT.

- **Relaxation in the classification of specified persons**
  Section 13 of the ITA, inter alia, provides that Section 11 or Section 12 shall not apply to exclude any income from the total income of a trust or institution if such income enures to, or if any income or property of the trust or institution is used or applied, directly or indirectly, for the benefit of any person referred to in Section 13(3). Any person who has made a contribution to the trust or institution of more than Rs. 50,000 up to the end of the relevant previous year is regarded as a specified person. Additionally, the relatives of such substantial contributors and concerns in which they have a substantial interest are also considered specified persons. The Finance Bill 2025 proposes to amend Section 13(3) to provide that a person is to be treated as a substantial contributor under Section 13(3)(b) if his contribution during the previous year exceeds Rs. 1 lakh or his total contribution during the lifetime of the trust up to the end of previous year exceeds Rs. 10 lakhs. The relatives of substantial contributors shall no longer be treated as specified persons for the purposes of Section 13(3). Further, any concern in which a substantial contributor has a substantial interest shall no longer be included in the category of specified persons under Section 13(3).

12. Transfer Pricing

- **Rationalisation of TP assessments for carrying out Arm's Length Price determination**
  Under the current provisions, the arm's length price for specified domestic and international transactions is determined by the transfer pricing officer each financial year based on a reference from the assessing officer. In many instances, the specified domestic and international transactions occurring over several years are similar and repetitive in nature. These transactions involve the same enterprises, functions, asset and risk analysis (FAR), and the same ALP determination. This creates unnecessary compliance and administrative burdens for both assessees and the TPO.

  The Finance Bill 2025 proposes to carry out TP analysis over a block of three years: the financial year in question (the first year) and two consecutive years immediately following (later years). The provisions apply from AY 2026-27 and subsequent AYs. The procedure for the same is explained below:
  a) The assessee would be required to exercise the option for a block of TP assessment in the prescribed form and manner.
  b) TPO must declare within 1 month from the end of the month in which the option is exercised whether such option is valid.
  c) Once the option is declared valid, the TPO shall pass the order applying the ALP of transactions in the first year to similar transactions in later years. The AO will also recompute the assessee's total income for the later years on receipt of the order of TPO.
  d) No reference shall be made to TPO by AO for computation of ALP in relation to such transactions for subsequent years for which option is exercised.
  e) The provisions of exercising the option and consequent proceedings shall not apply to search cases.

13. Crypto Assets

- **Furnishing Information on Crypto Assets**
  A new section 285BAA is proposed to be introduced regarding the obligation to file information on crypto assets. The prescribed reporting entity would be required to furnish information regarding transactions in crypto assets. The amendment is effective from 1.4.2026.

- **Amendment in Definition of Crypto Assets**
  The Finance Bill 2025 proposes to include any crypto asset that is a digital representation of a value that relies on a cryptographically secured distributed ledger or similar technology to validate and secure transactions within the ambit of a 'virtual digital asset' (whether or not already included in the definition of a virtual digital asset). The amendment is effective from the assessment year 2026-27.

14. Penalties and Prosecutions

- It is proposed that no prosecution will be instituted against the collector for failing to pay tax to the credit of the central government if the payment is made at any time on or before the time limit prescribed for filing quarterly statements.

- Section 271AAB is proposed to be amended to provide that the provisions do not apply if a search is initiated under section 132 on or after 01-09-2024.

- It is proposed that the power to impose penalties under Section 271C (failure to deduct tax), Section 271CA (failure to collect tax), Section 271D (failure to comply with Section 269SS), Section 271DA (failure to comply with Section 269ST), Section 271DB (failure to comply with Section 269SU), and Section 271E (penalty for failure to comply with provisions of Section 269T) be exercised by the assessing officer instead of the Joint Commissioner subject to the provisions of section 274(2) of the Income-tax Act, 1961.

- The time limit for passing an order under Section 270AA(4) to grant immunity from imposition of penalty or prosecution has been proposed to be increased to three months from the end of the month in which the Assessing officer receives the application for immunity. Presently, the time limit is one month from the end of the month in which the assessing officer receives the application for immunity.

- Section 275 has been proposed to be substituted to provide a new time limit for passing orders, imposing the penalty. It is proposed that no penalty order shall be passed after six months from the end of the quarter in which any of the following events occur:
  (a) Completion of proceedings where the penalty was initiated, provided the assessment or order is not under appeal (Sections 246, 246A, or 253).
  (b) Passing of a revision order under Section 263 or 264 if the assessment or order is under revision.
  (c) Receipt of an appeal order under Section 246 or 246A by the jurisdictional Principal Commissioner or Commissioner if no further appeal has been filed under Section 253.
  (d) Receipt of an appeal order under Section 253 by the jurisdictional Principal Commissioner or Commissioner.
  (e) Issuance of a penalty notice in any other case.

- Section 271BB states that if a person fails to subscribe to units issued under a scheme mentioned in Section 88A, they may have to pay a penalty of 20% of the amount, as directed by the Joint Commissioner. However, Section 88A was already removed by the Finance (No. 2) Act, 1996, with effect from April 1, 1994. Since the main section no longer exists, the penalty provision under Section 271BB is no longer relevant. Therefore, the Finance Bill 2025 proposes to remove Section 271BB from the Act.

15. The Time Limit for the Sale of Attached Immovable Property

Rule 68B(1) of the Second Schedule prescribes that the sale of immovable property (attached for tax recovery) must be completed within 7 years from the end of the financial year in which the order for tax, interest, fine, penalty, or any other sum becomes final. However, the Board may extend this period by up to three more years, but only if they provide written reasons for doing so.
Further, if the property is required to be re-sold (because the highest bid was lower than the reserve price, or due to some specific circumstances mentioned in rules 57, 58 or 61), the above time limit is extended by one more year.

Rule 68B(2) prescribes that the period during which the proceedings are stayed by an order or injunction of any court shall be excluded in computing the time limit for conclusion of the proceedings. However, there was an ambiguity regarding the commencement date and the end date of the period stayed by an order or injunction of any court which was required to be excluded.

With a view to removing such ambiguity, the Finance Bill, 2025 proposed to amend the said rule so as to exclude the period 'commencing on the date on which stay was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the jurisdictional Principal Commissioner or Commissioner' while computing limitation period.

16. Other Amendments

- The end date for notifying faceless schemes under Section 92CA (reference to TPO), Section 144C (reference to DRP), Section 253 (Appeal to ITAT), and Section 255 (procedure of ITAT) is proposed to be omitted, This would allow the central government to issue directions beyond the cutoff of March 31, 2025.

- Sections 72A and 72AA are proposed to be amended to limit the carried forward loss of a predecessor entity to be offset by the successor entity for a maximum of eight assessment years. Eight assessment years are the years succeeding the assessment year for which such loss was first computed for the original predecessor entity, wherein the original predecessor entity is the predecessor entity in respect of the first amalgamation or first business reorganisation, as the case maybe.

- Section 132(8) is proposed to be amended to provide that the time limit for obtaining approval for retention is one month from the end of the quarter in which the assessment, reassessment, or recomputation order was made. Currently, the timeline is 30 days from the date of the assessment, reassessment, or recomputation order.

- The word ‘authorisation’ is proposed to be replaced with ‘authorisations’ in Explanation 1 to Section 132 to align with other provisions of the Act.

- It is proposed to amend clause (ii) of Explanation 1 to Section 132B to update the reference from Section 158BE to Section 158B, reflecting the changes made by the Finance (No. 2) Act, 2024.

- Amendments are proposed to Sections 144BA, 153, 153B, 158BE, 158BFA, 263, 264, and Rule 68B of Schedule II to exclude stay periods in computing time limits for assessment/reassessment proceedings. The period from the date of the court's stay order to the date the jurisdictional Principal Commissioner or Commissioner receives the certified copy of the stay vacation order shall be excluded in computing time limits for assessment/reassessment proceedings.

Thank You

For more, refer the **FAQs: Budget 2025** at https://incometaxindia.gov.in/Pages/Budget-2025.aspx