



UNION
BUDGET

THE **GST**
INSIDER

**BUDGET 2025
SPECIAL EDITION**

CA. SAMARPIT SHARMA

»»» PREFACE «««

Welcome to our latest issue of "**The GST Insider**" meticulously compiled by **CA Samarpit Sharma**. As we navigate through the ever-evolving landscape of the Goods and Services Tax (GST), our aim is to bring you the most recent and pertinent updates, including circulars, notifications, press releases, relevant case laws, advance rulings, and other essential documents.

This Newsletter is designed to serve as a comprehensive resource for enhancing your understanding of GST regulations. Each edition is carefully structured to present complex legal content in an accessible and engaging format. Through the use of explanatory visuals and simplified explanations, we strive to make the material not only easier to comprehend but also more interesting to read.

It is important to note that the information provided herein is intended solely for knowledge sharing purposes and should not be utilized as a basis for any form of professional advice. For specific GST-related advice, we recommend consulting with qualified experts.

By integrating visual aids and reformulating the legal text into reader-friendly formats, we hope to enrich your learning experience and keep you updated on significant GST developments. Enjoy the read, and may it spark both your interest and understanding of GST.

Thank you for trusting "The GST Insider" as your go-to source for GST updates. We hope you find this edition both informative and easy to comprehend.

Thank You!



CA. SAMARPIT
SHARMA

AUTHOR

“

*Turn your setbacks
into comebacks
with unwavering
determination*

”

>>> NEWSLETTER <<<

THE GST INSIDER



TOP HIGHLIGHTS OF THE FINANCE BUDGET 2025

**INCOME TAX EXEMPTION
RAISED TO ₹12 LAKH FOR
MIDDLE-CLASS SALARIED
INDIVIDUALS!**



READ MORE

In the 2025 Union Budget, the Indian government announced that individuals earning up to ₹12 lakh annually will be exempt from income tax under the new tax regime. For salaried employees, this exemption extends to ₹12.75 lakh, considering a standard deduction of ₹75,000.

.... Cont. on Page 06

READ MORE



Budget 2025 amends GST Section 17(5)(d), replacing 'plant or machinery' with 'plant and machinery,' effective from July 1, 2017. This clarifies that ITC is disallowed for immovable property construction, except when classified as plant and machinery, overriding the Safari Retreats case ruling."

... Cont. on Page 22

**GST AMENDMENT: SECTION
17(5)(D) REVISED TO
'PLANT AND MACHINERY'
RETROSPECTIVELY**

20 FEBRUARY 25

| SUN | MON | TUE | WED | THU | FRI | SAT |
|-----|--|----------------------|-----|--|-----------------------|-----|
| | | | | | | 1 |
| 2 | 3 | 4 | 5 | 6 | 7 | 8 |
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**UNION
BUDGET**

Direct Tax

HIGHLIGHTS

CA. SAMARPIT SHARMA



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

INCOME TAX RATES

PERSONAL TAX

- Tax rates under the new regime for Individuals, Hindu Undivided Families (HUFs), Associations of Persons (excluding Co-operative Societies), Bodies of Individuals (whether incorporated or unincorporated), and Artificial Juridical Persons

| For PY 2024-25 (AY 2025-26) | | For PY 2025-26 (AY 2026-27) | |
|---|----------|--|----------|
| Income Range | Tax Rate | Income Range | Tax Rate |
| Upto 3,00,000 | 0% | Upto 4,00,000 | 0% |
| 3,00,001 – 7,00,000 | 5% | 4,00,001 – 8,00,000 | 5% |
| 7,00,001 – 10,00,000 | 10% | 8,00,001 – 12,00,000 | 10% |
| 10,00,001 – 12,00,000 | 15% | 12,00,001 – 16,00,000 | 15% |
| 12,00,001 – 15,00,000 | 20% | 16,00,001 – 20,00,000 | 20% |
| Above 15,00,000 | 30% | 20,00,001 – 24,00,000 | 25% |
| | | Above 24,00,000 | 30% |
| Rebate U/s 87A Upto ₹ 25,000 If TI* = < ₹ 7L Means No Tax If Total Income is <= ₹ 7L For Salaried Individuals No Tax if TI <= ₹ 7.75L considering ₹75,000 standard deduction Marginal Relief Available After ₹ 7L | | Rebate U/s 87A Upto ₹ 60,000 If TI* = < ₹ 12L Means No Tax If Total Income is <= ₹ 12L For Salaried Individuals No Tax if TI <= ₹ 12.75L considering ₹ 75,000 Std. deduction Marginal Relief Available After ₹ 12L | |

REBATE UNDER SECTION 87A

| Regime | For Assessment Years | Max TI (A) | For Salaried Individual (B) | Max Rebate U/s 87A (C) | Is MR Avl. After Total Income > (A) |
|---------|----------------------|------------|-----------------------------|------------------------|-------------------------------------|
| Old | All | 5,00,000 | 5,50,000 | 12,500 | No |
| Default | Upto AY 25-26 | 7,00,000 | 7,75,000 | 25,000 | Yes |
| | On or After AY 26-27 | 12,00,000 | 12,75,000 | 60,000 | Yes |

Revised Version:

A new proviso is being inserted in Section 87A, stipulating that the deduction under the first proviso shall not exceed the income tax payable as per the rates specified in sub-section (1A) of Section 115BAC.

Note: This rebate is not applicable to income tax levied on incomes subject to special tax rates, such as capital gains under Sections 111A and 112.



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

HOUSE PROPERTY

SIMPLIFICATION OF THE ANNUAL VALUE FOR SELF-OCCUPIED PROPERTY

- It is proposed to amend Section 23(2) to specify that **the annual value of a second self-occupied house property will be considered nil, regardless of the reason for non-occupation.** Previously, this exemption was limited to cases where the owner was unable to occupy the property due to employment, business, or profession in another location.
- **Means Now assessee can claim 2 House Properties as Self-Occupied House Properties without any conditions.**

(Effective from 1st April 2025)

SALARIES

TAXABILITY OF PERQUISITES BASED ON SALARY THRESHOLD (SECTION 17(2))

- It is proposed under Section 17(2) that benefits will be classified as perquisites and taxed under the head "Salary" only if the salary exceeds the prescribed threshold.

| Particulars | Current Limit | Proposed Limit |
|--|---------------|----------------------------|
| Benefits or amenity granted or provided free of cost or at concessional rate | 50,000 | Limit as may be prescribed |
| Medical travel expense for employee or his family outside India | 200000 | Limit as may be prescribed |

CHARITABLE TRUSTS

AMENDMENTS TO TRUST REGISTRATION, CONTRIBUTION LIMITS, AND SPECIFIED PERSONS UNDER SECTIONS 12A, 12AB, AND 13

- It is proposed that for trusts and institutions **registered under Section 12A(1)(ac)(i to v)**, where the total income in each of the two years preceding the previous year does not exceed **₹5 crores**, the validity period of registration will be **extended from 5 years to 10 years.**
- Additionally, the **Explanation to Section 12AB(4)** is amended to clarify that an incomplete application will **not** be considered a **specified violation** for the cancellation



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

of registration.

- Furthermore, **Section 13** of the Act, which excludes income from trusts or institutions benefiting certain individuals, has been revised:
 - A **substantial contributor** will now be defined as a person whose total contribution exceeds **₹1 lakh in a relevant year or ₹10 lakh cumulatively**.
 - **Relatives** of such contributors will not **be** considered specified persons under **Section 13**.
 - **Concerns** in which these contributors have a **substantial interest** will also not be included under specified persons in **Section 13**.

(Effective from 1st April 2025)

▶▶ TAX DEDUCTED & COLLECTED AT SOURCE

▶▶ CHANGE IN TDS / TCS RATE

| Sr No. | Current Wording | Current Rate | Amended Wording | New Rate |
|--------|---|--------------|---|----------|
| (iii) | Timber Obtained Under Forest Lease | 2.5% | Timber or any other forest produce (not being tendu leaves) | 2% |
| (iv) | Timber Obtained by any mode other than under a Forest Lease | 2.5% | No Change in Wordings | 2% |
| (v) | Other Forest Produce (Not Timber or Tendu Leaves) | 2.5% | Omitted | — |

▶▶ CHANGES IN THRESHOLD TO DEDUCT TDS / TC

| Section | Particular | Current Limit | Proposed Limit |
|---------|---|---|---|
| 193 | Interest on securities | Nil | ₹ 10,000/- |
| 194 | Dividend for an individual shareholder (Incl. Pref. Divi.) | ₹ 5,000/- | ₹ 10,000/- |
| 194A | Interest other than Interest on securities | (i) For SC ₹ 50,000/- (ii) For Others ₹ 40,000/- If payer is bank, Co-op soc. & Post Office) (iii) ₹ 5,000/- in other cases | (i) For SC* ₹ 1,20,000/- (ii) For Others ₹ 50,000/- If payer is bank, Co-op soc. & Post Office) (iii) ₹ 10,000/- in other cases |
| 194K | Income in respect of units of a mutual fund or specified company or undertaking | ₹ 5,000/- | ₹ 10,000/- |
| 194B | Winnings from lottery, crossword puzzle, etc. | Aggregate Exceeding ₹ 10,000/- in a FY | ₹ 10,000/- Per Transaction |
| 194BB | Winnings from horse race | | |



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

| | | | |
|-------|--|--|---|
| 194D | Insurance commission | | |
| 194G | Income by way of commission, prize etc. on lottery tickets | ₹ 15,000/- | ₹ 20,000/- |
| 194H | Commission or brokerage | | |
| 194I | Rent | ₹ 2,40,000/- Per Financial Year | ₹ 50,000 Per Month or Part thereof |
| 194J | Fee for professional or technical services | ₹ 30,000/- | ₹ 50,000/- |
| 194LA | Income by way of enhanced compensation | ₹ 2,50,000/- in a FY | ₹ 5,00,000/- in a FY |

Omission of Section 206C(1H) – TCS on Sale of Goods

- Section 206C(1H) is being omitted, meaning **TCS will no longer apply to the sale of goods exceeding ₹50 lakh.**
- Instead, **only TDS under Section 194Q** will be applicable.

Omission of Sections 206AB and 206CCA – Higher TDS/TCS on Non-Filers

- Sections 206AB and 206CCA have been omitted.
- As a result, **higher TDS/TCS rates for non-filers of income tax returns (ITR) will no longer apply.**

Time Limit for TCS Default Orders (Section 206C(7A))

- A proviso has been inserted to clarify that **no order can be passed against a person as an assessee in default for non-payment of TCS after:**
 - **6 years** from the end of the financial year in which the tax was **collectible**, or
 - **2 years** from the end of the financial year in which a **correction statement is filed under Section 206C(3B)**, whichever is **later**.
- Additionally, while computing these time limits, the **period covered under a court-granted stay order will be excluded.** The time will be counted only after the stay is vacated, ensuring tax authorities have sufficient time to complete proceedings.

(Effective from 1st April 2025)

EXEMPTIONS & DEDUCTIONS

TAX RELIEF FOR NSS WITHDRAWALS (SECTION 80CCA)

- Section 80CCA is being amended to provide **tax relief** to individuals withdrawing funds from the National Savings Scheme (NSS), as no interest will be paid on NSS balances from October 1, 2024.



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

>>> CLARIFICATION ON CAPITAL ASSET TREATMENT FOR INVESTMENT FUNDS (SECTION 2(14))

- **Section 2(14)** has been amended to clarify that **securities held by investment funds under Section 115UB (AIFs) will be classified as capital assets.**
- As a result, **income from their transfer will be treated as capital gains from AY 2026-27.**

>>> EXPANSION OF SECTION 115UA FOR BUSINESS TRUSTS (INVIT & REIT)

- **Section 115UA** has been **expanded** to include **Section 112A**, in addition to Sections 111A and 112, for the taxation of **business trusts (InvITs & REITs)** at lower capital gains tax rates.
- However, **all other income** of business trusts will **continue to be taxed at the maximum marginal rate.**

>>> CAPITAL GAINS TREATMENT FOR ULIP REDEMPTIONS

The taxation of **Unit Linked Insurance Policies (ULIPs)** has been further clarified:

- **ULIPs that do not qualify for exemption under Section 10(10D) will be treated as capital assets.**
- **Income from the redemption of such ULIPs will be taxed as capital gains under Section 45.**
- For the purpose of clause (a) of the Explanation to Section 112A, the definition of equity-oriented funds will now include ULIPs that **do not qualify for exemption under Section 10(10D).**

>>> RETURNS, ASSESSMENT & APPEALS

>>> EXTENDED TIME FOR RETENTION OF SEIZED DOCUMENTS (SECTION 132(8))

- Currently, approval for retaining seized books or documents must be obtained within 30 days from the date of an assessment or reassessment order.
- In group search cases, managing assessments and segregating seized documents has been challenging.
- The time limit for obtaining approval for retention is now extended to one month from the end of the quarter in which the assessment, reassessment, or recomputation order is passed.



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

>>> EXTENSION OF TIME FOR FILING UPDATED RETURNS (SECTION 139(8A))

- The time limit for filing an **updated return** has been extended from **2 years to 4 years**.
- The following table summarizes the proposed amendments and conditions for filing updated returns:

| Time Period | Rate of Additional Tax |
|--|---------------------------------|
| Up to 12 months from the end of the relevant AY | 25% |
| After 12 months and up to 24 months | 50% |
| After 24 months and up to 36 months | 60% |
| After 36 months and up to 48 months | 70% |
| Beyond 36 months (If notice under Section 148A issued) | Updated return cannot be filed* |

>>> FACELESS SCHEME FOR DISPUTE RESOLUTION (SECTION 144C)

- Section 144C provides a **special dispute resolution** mechanism for foreign companies and taxpayers with international transactions.
- The government had introduced **faceless schemes** under this section, initially set to **expire on March 31, 2024**, and later **extended to March 31, 2025**.
- The proposal now **removes this deadline**, allowing the **faceless scheme to continue indefinitely beyond March 31, 2025, as required**.

>>> CHANGES IN BLOCK ASSESSMENT (EFFECTIVE FROM SEPTEMBER 1, 2024)

(Introduced in Finance Act, 2024, w.e.f. 01.09.2024)

- **Block assessment** will apply to cases where a **search (Section 132) or requisition (Section 132A)** is conducted **on or after September 1, 2024**.
- The definition of **undisclosed income** in Section 158B is **expanded** to include virtual digital assets (**e.g., cryptocurrency**).
- Any **pending assessment, reassessment**, or order on the date of search will be **abated (canceled)**. However, if the **block assessment is annulled on appeal**, these abated proceedings will be **revived** (Section 158BA).



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

- In case of a **second search while the first assessment is ongoing, the earlier assessment must be completed first.** The term "pending" is now replaced with "**required to be made**" for clarity (Section 158BA(4)).
- "**Total income disclosed**" has been replaced with "**undisclosed income**" in Section 158BB, ensuring that only undisclosed income is taxed separately. Income declared in regular tax returns before the search will still be considered but given due credit in tax calculations.
- **Income for the previous year (if the return due date has not expired before the search) will be taxed under normal provisions to ensure proper assessment.**
- **International and specified domestic transactions** will be **excluded** from block assessment, as their valuation requires a full financial year for accurate computation.
- The **time limit** for completing block assessments has been **revised to 12 months from the end of the quarter (instead of the month)** in which the last search/requisition authorization was executed.

(Effective from February 1, 2025)

➤➤➤ FACELESS SCHEME FOR APPEALS TO APPELLATE TRIBUNAL (SECTION 253)

- Section 253 governs **appeals to the Appellate Tribunal** and allows the **Central Government to introduce a faceless scheme for appeals.**
- The previous deadline of March 31, 2025, for issuing directions under this section has now been removed, granting flexibility for future modifications beyond this date.

➤➤➤ FACELESS SCHEME FOR INCOME TAX APPELLATE TRIBUNAL (SECTION 255)

- Section 255 deals with the constitution and functioning of the **Income Tax Appellate Tribunal (ITAT)** and enables the government to modify or exclude certain provisions for implementing a **faceless scheme.**
- The prior restriction that no changes could be made after March 31, 2025, has been removed, allowing flexibility for future changes beyond this date.

(Effective from April 1, 2025)

➤➤➤ CARRY FORWARD AND SET OFF OF LOSSES

➤➤➤ CARRY-FORWARD OF LOSSES IN BUSINESS AMALGAMATION (SECTIONS 72A & 72AA)

- **Sections 72A and 72AA** are being amended to regulate the carry-forward and set-off of accumulated losses and unabsorbed depreciation in cases of business amalgamation or reorganization.



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

- Currently, the successor entity can carry forward the accumulated losses of the predecessor entity.
- To prevent indefinite carry-forward of these losses through successive amalgamations, the amendment introduces a time limit:
- **Losses can now be carried forward only for 8 assessment years from the year in which they were first computed for the predecessor entity.**
- This restriction will apply to amalgamations or business reorganizations effected on or after April 1, 2025.

(Effective from April 1, 2025)

»» PENALTIES

»» EXTENSION OF TIME FOR PROCESSING IMMUNITY APPLICATIONS (SECTION 270AA)

- Section 270AA allows taxpayers to apply for **immunity from penalties** under certain conditions by paying the tax due and filing a valid declaration.
- Previously, taxpayers had to apply for immunity within 1 month of receiving the order, and the Assessing Officer (AO) had 1 month to decide.
- Now, **the time limit for the AO to process the application is extended to 3 months.**

»» CLARIFICATION ON PENALTY FOR UNDISCLOSED INCOME IN SEARCH CASES (SECTION 271AAB)

- Section 271AAB, which imposes **penalties on undisclosed income** found during searches initiated after December 15, 2016, will not apply to Block Assessments initiated on or after September 1, 2024.

»» CHANGE IN AUTHORITY FOR LEVYING PENALTIES (SECTIONS 271C, 271CA, 271DA, 271DB, 271D & 271E)

- Currently, penalties for the following violations are **imposed by the Joint Commissioner**, even though the Assessing Officer handles the assessment:
 - Failure to deduct or collect tax at source (Sections 271C & 271CA)
 - Violation of Section 269ST (Restrictions on cash transactions) – Section 271DA
 - Violation of Section 269SU (Electronic payment modes) – Section 271DB
 - Accepting or repaying loans in cash beyond the prescribed limits (Sections 271D & 271E)
- Going forward, the **Assessing Officer will now be responsible** for imposing these penalties instead of the Joint Commissioner.



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

- However, if the penalty amount exceeds a certain threshold, the Assessing Officer must obtain approval from the Joint Commissioner before imposing the penalty (as per Section 274(2)).

(Effective from April 1, 2025)

➤➤➤ REMOVAL OF OUTDATED PENALTY PROVISION (SECTION 271BB)

- Section 271BB imposes penalties for failing to subscribe to eligible capital issues.
- However, this provision is now **obsolete** because the related **Section 88A was removed in 1996**.
- Since Section 88A no longer exists, Section 271BB is being removed as it serves no purpose.

(Effective from April 1, 2025)

➤➤➤ ABOLITION OF PROSECUTION FOR LATE PAYMENT OF TCS (SECTION 276BB)

- Currently, failure to **pay Tax Collected at Source (TCS)** on time may result in rigorous imprisonment under Section 276BB.
- Under the proposed amendment, **prosecution will not apply if the TCS** is paid before the due date for filing the quarterly statement.

(Effective from April 1, 2025)

➤➤➤ INTERNATIONAL TAXATION

➤➤➤ CLARIFICATION ON BUSINESS CONNECTION AND SIGNIFICANT ECONOMIC PRESENCE (SECTION 9)

- **Section 9** of the Income Tax Act deems certain **income to accrue or arise in India**.
- Clause (i) states that **income arising from a business connection in India** is deemed to have originated in India.
- Explanation 1 to Clause (i) **excludes the income of a non-resident from operations restricted to purchasing goods in India for export**.
- **Explanation 2A** defines “**significant economic presence**” as a business connection, including **transactions involving goods** between a **non-resident and any person in India**.
- There were concerns that this definition could **override the exclusion for export-related transactions**, leading to unnecessary tax implications.
- To address this, **Explanation 2A** of Section 9 is being amended to clarify that transactions solely involving the purchase of goods for export will not be considered a significant economic presence, maintaining alignment with the existing exclusion for such operations.

(Effective from April 1, 2026)



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

>>> INSERTION OF SECTION 44BBD

1) Notwithstanding anything to the contrary contained in sections 28 to 43A, where an assessee, being a non-resident, 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-

- a) to a resident company which 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 the Central Government in the Ministry of Electronics and Information Technology; and
- b) the resident company satisfies the conditions prescribed in this behalf,

a sum equal to **20%** of the aggregate of the amounts specified in sub-section (2) shall be deemed to be the profits and gains of such business of the non-resident assessee chargeable to tax under the head "Profits and gains of business or profession.

2) The amounts referred to in sub-section (1) shall be the following: --

- a) the amount **paid or payable to the non-resident assessee** or to any person on his behalf on account of providing services or technology; and
- b) the amount **received or deemed to be received by the non-resident assessee** or on behalf of non-resident assessee on account of providing services or technology.

3) Notwithstanding anything in sub-section (2) of section 32 and sub-section (1) of section 72, where a non-resident assessee declares profits and gains of business for any previous year under sub-section (1), **no set off of unabsorbed depreciation and brought forward loss shall be allowed** to the assessee for such previous year.

>>> NEW OPTION FOR ARM'S LENGTH PRICE (ALP)

New Option for Arm's Length Price (ALP) Determination (Section 92CA)

- Section 92CA has been amended to provide an option for taxpayers to apply the **Arm's Length Price (ALP)** determination of an **international or specified domestic transaction** for a previous year to similar transactions in the **next two consecutive previous years**.
- The application must be made in the **prescribed form and manner**.
- Once the **option is exercised**, the Transfer Pricing Officer (**TPO**) **must validate or reject the option within one month** from the date of exercise.



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

Key Implications if the Option is Declared Valid by the TPO

- The **ALP determined for a transaction in one previous year** will also apply to **similar transactions in the two consecutive previous years**.
- The TPO will examine and determine the **ALP for these years** in the order passed.
- Once the order is received, the **total taxable income** will be recomputed as per **Section 155(21)**.

New Subsection in Section 155 for Income Recalculation

- A **new subsection** is being added to **Section 155** to allow adjustments to total income when the TPO accepts the taxpayer's method of **ALP determination** for two consecutive years.
- If the TPO accepts the taxpayer's ALP method for two years:
 - a. The Assessing Officer (AO) must recalculate the total income based on:
 - The ALP set by the TPO under Section 92CA(4A).
 - Any directions issued under Section 144C(5).
 - b. The **AO must complete the recomputation within three months from the end of the month** in which the original assessment was completed.
 - c. If no assessment order or tax intimation was issued within that time, the AO still has **three months from when it is finally issued** to complete the recomputation.
 - d. The **recalculation must follow the same transfer pricing** rules under Section 92C(4).

Restrictions on Re-referencing ALP Computation

- Once the ALP is determined, no further reference will be made for its computation.
- If a reference for ALP computation is **still made (before or after the TPO's declaration)**, it will be treated as if it was never made, as per Section 92CA(1).

(Effective from April 1, 2026)

>>> INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC)

Extension of Tax Exemption for Non-Residents (Section 10(4E))

- **Section 10(4E)** currently exempts the income of non-residents arising from:
 - The **transfer of non-deliverable forward contracts**,
 - **Offshore derivatives**, or
 - **Income from such instruments** transacted with an offshore banking unit in the IFSC.
- The proposed amendment extends this exemption to income from transactions conducted with Foreign Portfolio Investors (**FPIs**) in an IFSC unit, subject to specified conditions.

(Effective from April 1, 2026)



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

>>> EXTENSION OF SUNSET DATES FOR VARIOUS TAX CONCESSIONS IN IFSC

| Section | Existing Date | Proposed Date |
|--|---------------|---------------|
| Section 80LA(2)(d) - Deductions in respect of certain incomes of Offshore Banking Units and IFSC | 31.03.2025 | 31.03.2030 |
| Section 10(4D) - Income from transfer of Capital Asset located in IFSC | 31.03.2025 | 31.03.2030 |
| Section 10(4F) - Royalty or Interest Income of a Non-Resident paid by IFSC | 31.03.2025 | 31.03.2030 |
| Section 10(4H) - Income from transfer of shares by a non-resident or IFSC | 31.03.2026 | 31.03.2030 |
| Section 47(viiad)(b) - Relocation of original fund to resultant fund | 31.03.2025 | 31.03.2030 |

>>> EXPANSION OF "RESULTANT FUND" DEFINITION (SECTION 47(VIIAD)(C))

- The definition of "**Resultant Fund**" under **Section 47(viiad)(c)** has been **revised** to include:
- A **trust, company, or LLP** in the IFSC as referred to in **Section 80LA(1A)**,
- Entities that have been **granted a certificate as a retail scheme or an Exchange Traded Fund (ETF)** under item (b) of sub-clause (I) of clause (c) of the Explanation to Section 10(4D).

>>> EXEMPTION FOR LIFE INSURANCE PROCEEDS (SECTION 10(10D))

- **Non-residents** who purchase life insurance from an insurance office in the IFSC and receive policy proceeds from an IFSC insurance intermediary office will now be **exempt under Section 10(10D)**, even if:
 - The **maximum premium paid in a year exceeds ₹5 lakh**, or
 - The **premium on ULIP exceeds ₹2.5 lakh per year**.



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>>> TAX EXEMPTIONS FOR SHIP LEASING IN IFSC

- **Non-residents or units in IFSC engaged in ship leasing** will now be **exempt from**:
 - **Capital gains tax** on the transfer of equity shares (Section 10(4H)), and
 - **Dividend tax on dividends paid (Section 10(34B))**.
- (Previously, this exemption was already available for **aircraft leasing**)

>>> EXCLUSION OF CERTAIN LOANS FROM "DEEMED DIVIDEND" (SECTION 2(22)(E))

- Loans between group entities will now not be treated as dividends under Section 2(22)(e) if:
 - One entity is a finance company/unit in an IFSC, and
 - The parent entity is listed abroad.

(Effective from April 1, 2025)

>>> RELAXATION OF FUND MANAGEMENT CONDITIONS (SECTION 9A)

- **Section 9A** exempts **fund management by eligible fund managers** from being considered a business connection in India, subject to certain conditions.
- **Clause (c)** currently limits **Indian participation in the fund to 5%** of its corpus.
- Amendments made:
 - The **5% threshold will now be checked twice a year** – on **April 1st and October 1st**.
 - If the threshold is **not met**, the fund will have **four months to comply**.
 - **Conditions (a) to (m)** may be relaxed for funds managed by **IFSC-based fund managers** where operations commence **on or before March 31, 2030**.

(Effective from April 1, 2025)



UNION
BUDGET
2025

Indirect Tax

HIGHLIGHTS

CA. SAMARPIT SHARMA



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

GOODS AND SERVICE TAX - LEGISLATIVE CHANGES

SECTION- 2 (61) (AMENDMENT IN DEFINITION OF INPUT SERVICE DISTRIBUTOR)

Old Provision -2(61) 17 “Input Service Distributor”

means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20;

New Provision - 2(61) 17 “Input Service Distributor”

means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9 of this Act or **under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017**, for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20;

Author’s Comment:

Previously, Reverse Charge Mechanism (RCM) Input Tax Credit (ITC) under the IGST Act was not included in the definition of an Input Service Distributor (ISD), whereas RCM ITC under CGST and SGST Acts was covered.

With this amendment, ISDs can now distribute and pay ITC for RCM under the IGST Act, aligning it with the treatment under CGST and SGST.

SECTION- 12(4) (TIME OF SUPPLY OF GOODS) DELETION OF PROVISION RELATED TO VOUCHER

Old Provision -

(4) In case of supply of vouchers by a supplier, the time of supply shall be
(a) the date of issue of voucher, if the supply is identifiable at that point; or
(b) the date of redemption of voucher, in all other cases.

New Provision -

Omitted



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

Author's Comment:

With this amendment, vouchers are no longer subject to GST, eliminating any GST liability on their issuance or use.

>>> SECTION- 13(4) (TIME OF SUPPLY OF SERVICES)

Old Provision -

(4) In case of supply of vouchers by a supplier, the time of supply shall be
(a) the date of issue of voucher, if the supply is identifiable at that point; or
(b) the date of redemption of voucher, in all other cases.

New Provision -

Omitted

Author's Comment:

With this amendment, vouchers are no longer subject to GST, eliminating any GST liability on their issuance or use.

>>> SECTION- 17(5) (D) (BLOCK CREDIT)

Old Provision -

(d) goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.

Explanation.-For the purposes of clauses (c) and (d), the expression "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property;

New Provision -

(d) Goods or services or both received by a taxable person for construction of an immovable property (**other than plant and machinery**) on his own account, including when such goods or services or both are used in the course or furtherance of business.

Explanation 1 – For the purposes of clauses (c) and (d), the expression "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property.

Explanation 2 – For the purposes of clause (d), it is hereby clarified that notwithstanding anything to the contrary contained in any judgment, decree, or



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order of any court, tribunal, or other authority, any reference to “plant or machinery” shall be construed and shall always be deemed to have been construed as a reference to “plant and machinery”.

Author’s Comment:

To override the Apex Court's ruling in Safari Retreats, the government has replaced “Plant or Machinery” with “Plant and Machinery”, ensuring a uniform interpretation. This clarification explicitly supersedes any conflicting court rulings, tribunal decisions, or authoritative orders.

>>> SECTION - 20 MANNER OF DISTRIBUTION OF CREDIT BY ISD

Old Provision -

(1) Any office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25, shall be required to be registered as Input Service Distributor under clause (viii) of section 24 and shall distribute the input tax credit in respect of such invoices.

(2) The Input Service Distributor shall distribute the credit of central tax or integrated tax charged on invoices received by him, including the credit of central or integrated tax in respect of services subject to levy of tax under sub-section (3) or sub-section (4) of section 9 paid by a distinct person registered in the same State as the said Input Service Distributor, in such manner, within such time and subject to such restrictions and conditions as may be prescribed

New Provision -

(1) Any office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9 of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017, for or on behalf of distinct persons referred to in section 25, shall be required to be registered as Input Service Distributor under clause (viii) of section 24 and shall distribute the input tax credit in respect of such invoices.

(2) The Input Service Distributor shall distribute the credit of central tax or integrated tax



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

charged on invoices received by him, including the credit of central or integrated tax in respect of services subject to levy of tax under sub-section (3) or sub-section (4) of section 9 of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017, paid by a distinct person registered in the same State as the said Input Service Distributor, in such manner, within such time and subject to such restrictions and conditions as may be prescribed.

Author's Comment:

Previously, the Input Service Distributor (ISD) mechanism did not explicitly cover provisions related to the distribution of credit under the IGST Act. While RCM (Reverse Charge Mechanism) ITC under CGST and SGST could be distributed by an ISD, there was no clarity on whether IGST-related ITC under RCM could be allocated in the same manner.

With this amendment, the government has explicitly included IGST provisions within the framework for the manner of credit distribution by ISDs. As a result, ISDs can now distribute and pay ITC for RCM under the IGST Act, ensuring uniformity and eliminating any ambiguity in tax credit allocation.

This change brings consistency in ITC distribution across CGST, SGST, and IGST, providing businesses with greater clarity and operational ease.

>>> SECTION- 34(2) CREDIT AND DEBIT NOTES

Old Provision -

Provided that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.

New Provision -

“Provided that no reduction in output tax liability of the supplier shall be permitted, if the

(i) input tax credit as is attributable to such a credit note, if availed, has not been reversed by the recipient, where such recipient is a registered person; or

(ii) incidence of tax on such supply has been passed on to any other person, in other cases.”



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

Author's Comment:

With this amendment, the reduction in outward tax liability is now conditional on the recipient reversing the input tax credit (ITC). This change could adversely impact genuine suppliers, as their tax liability remains unchanged if the recipient fails to comply with ITC reversal requirements.

Additionally, this amendment increases the compliance burden on suppliers, requiring them to monitor and ensure that recipients correctly reverse ITC, adding complexity to tax reconciliation and compliance processes.

>>> SECTION- 38(1) COMMUNICATION OF DETAILS OF INWARD SUPPLIES AND INPUT TAX CREDIT.

Old Provision -

1) The details of outward supplies furnished by the registered persons under sub-section (1) of Section 37 and of such other supplies as may be prescribed, and an auto generated statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.

New Provision -

1) The details of outward supplies furnished by the registered persons under sub-section (1) of Section 37 and of such other supplies as may be prescribed, and **a statement** containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.

Author's Comment:

With this amendment, the Invoice Management System (IMS) has been made mandatory for businesses, ensuring a standardized and structured approach to invoice processing, reporting, and compliance.

The implementation of IMS is expected to improve compliance efficiency, minimize tax evasion, and provide a centralized framework for invoice tracking and reconciliation.



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

>>> SECTION 38(2)- COMMUNICATION OF DETAILS OF INWARD SUPPLIES AND INPUT TAX CREDIT.

Old Provision -

(2) The auto-generated statement under sub-section (1) shall consist of-

(a) details of inward supplies in respect of which credit of input tax may be available to the recipient; **and**

(b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, on account of the details of the said supplies being furnished under sub-section (1) of Section 37, --

New Provision -

(2) The **statement** under sub-section (1) shall consist of

(a) details of inward supplies in respect of which credit of input tax may be available to the recipient.

(b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, **including** on account of the details of the said supplies being furnished under sub-section (1) of Section 37,

Author's Comment:

With this amendment, the Invoice Management System (IMS) has been made mandatory for businesses, ensuring a standardized and structured approach to invoice processing, reporting, and compliance.

The implementation of IMS is expected to improve compliance efficiency, minimize tax evasion, and provide a centralized framework for invoice tracking and reconciliation.

>>> SECTION 39(1) - FURNISHING OF RETURNS.

Old Provision -

Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52 shall, for every calendar month or part thereof, furnish, a return, electronically, of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars, in such form and manner, ~~and within such time~~, as may be prescribed:

Provided that the Government may, on the recommendations of the Council, notify certain class of registered persons who shall furnish a return for every quarter or part thereof,



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

subject to such conditions and restrictions as may be specified therein.

New Provision -

Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52 shall, for every calendar month or part thereof, furnish, a return, electronically, of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars, in such form and manner, **“within such time, and subject to such conditions and restrictions”**, as may be prescribed: Provided that the Government may, on the recommendations of the Council, notify certain class of registered persons who shall furnish a return for every quarter or part thereof, subject to such conditions and restrictions as may be specified therein.

Author's Comment:

With this amendment, taxpayers filing GSTR-3B must now adhere to specified conditions and restrictions within the prescribed timeframe as outlined in the CGST Rules. This ensures greater compliance, streamlined reporting, and strict adherence to regulatory requirements during tax return filing.

>>> SECTION 107(6). APPEALS TO APPELLATE AUTHORITY

Old Provision -

No appeal shall be filed under sub-section (1), unless the appellant has paid

(a) in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him; and

(b) a sum equal to ten percent. of the remaining amount of tax in dispute arising from the said order, subject to a maximum of [twenty] crore rupees, in relation to which the appeal has been filed.

Provided that no appeal shall be filed against an order under sub-section (3) of section 129, unless a sum equal to twenty-five per cent. of the penalty has been paid by the appellant.

New Provision -

No appeal shall be filed under sub-section (1), unless the appellant has paid

(a) in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him; and

(b) a sum equal to ten percent. of the remaining amount of tax in dispute arising from the



PROPOSED DIRECT TAX CHANGES IN 2025 BUDGET: KEY HIGHLIGHTS

said order, subject to a maximum of [twenty] crore rupees, in relation to which the appeal has been filed.

“Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty has been paid by the appellant.”

Author’s Comment:

Previously, the proviso applied only to appeals against penalties under Section 129(3), requiring appellants to pre-deposit 25% of the penalty amount before the appeal could be admitted.

With this amendment, for all penalty orders that do not involve any tax demand, a pre-deposit of 10% of the penalty amount is now mandatory to file an appeal. This change aims to standardize the appeal process while ensuring compliance.

>>> SECTION 112(8). APPEALS TO APPELLATE TRIBUNAL

New Section inserted -

No appeal shall be filed under sub-section (1), unless the appellant has paid

(a) in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him, and

(b) a sum equal to [ten per cent.] of the remaining amount of tax in dispute, in addition to the amount paid under sub-section (6) of section 107, arising from the said order, [subject to a maximum of [twenty crore rupees], in relation to which the appeal has been filed.

“Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty, in addition to the amount payable under the proviso to sub-section (6) of section 107 has been paid by the appellant.”

Author’s Comment:

To file an appeal with the Appellate Tribunal against an order demanding only a penalty, the appellant must pre-deposit 10% of the penalty amount as specified in the Appellate Authority's order. Failure to do so will result in the appeal not being admitted by the Tribunal.



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>>> SECTION 122B. PENALTY FOR FAILURE TO COMPLY WITH TRACK AND TRACE MECHANISM U/S 148A

New Section inserted -

Notwithstanding anything contained in this Act, where any person referred to in clause (b) of sub-section (1) of section 148A acts in contravention of the provisions of the said section, he shall, in addition to any penalty under Chapter XV or the provisions of this Chapter, be liable to pay a penalty equal to an amount of one lakh rupees or ten per cent. of the tax payable on such goods, whichever is higher.”

>>> SECTION 148A. TRACK AND TRACE MECHANISM FOR CERTAIN GOODS.

New Section inserted -

(1) The Government may, on the recommendations of the Council, by notification, specify (a) the goods;

(b) persons or class of persons who are in possession or deal with such goods, to which the provisions of this section shall apply.

(2) The Government may, in respect of the goods referred to in clause (a) of sub-section (1) – (a) provide a system for enabling affixation of unique identification marking and for electronic storage and access of information contained therein, through such persons, as may be prescribed; and

(b) prescribe the unique identification marking for such goods, including the information to be recorded therein.

(3) The persons referred to in sub-section (1), shall –

(a) affix on the said goods or packages thereof, a unique identification marking, containing such information and in such manner;

(b) furnish such information and details within such time and maintain such records or documents, in such form and manner;

(c) furnish details of the machinery installed in the place of business of manufacture of such goods, including the identification, capacity, duration of operation and such other details or information, within such time and in such form and manner; (d) pay such amount in relation to the system referred to in sub-section (2), as may be prescribed.”

Author's Comment:

A track and trace mechanism has been introduced under this section, empowering the government, based on GST Council recommendations, to implement unique identification and monitoring



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for certain goods. This mechanism requires specified persons to affix unique markings, store and maintain electronic records, and provide details of machinery used in production. The initiative aims to enhance transparency, prevent tax evasion, and improve compliance through real-time tracking and traceability.

>>> SCHEDULE III - ACTIVITIES OR TRANSACTIONS WHICH SHALL BE TREATED NEITHER AS A SUPPLY OF GOODS NOR A SUPPLY OF SERVICES

New Section inserted -

(i) in paragraph 8, after clause (a), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017, namely “(aa) Supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area;”;

(ii) in Explanation 2, after the words “For the purposes of”, the words, brackets and letter “clause (a) of” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017;

after Explanation 2, the following Explanation shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017, namely – “Explanation 3.-- For the purposes of clause (aa) of paragraph 8, the expressions “Special Economic Zone”, “Free Trade Warehousing Zone” and “Domestic Tariff Area” shall have the same meanings respectively as assigned to them in section 2 of the Special Economic Zones Act, 2005.”.

Author’s Comment:

This amendment, retrospectively effective from July 1, 2017, clarifies that the supply of goods warehoused in a Special Economic Zone (SEZ) or a Free Trade Warehousing Zone (FTWZ) to any person, prior to clearance for export or to the Domestic Tariff Area (DTA), shall not be treated as a supply. The terms SEZ, FTWZ, and DTA retain their definitions as per the SEZ Act, 2005.

Additionally, no refund shall be granted for any tax already paid on such transactions, preventing any unintended tax advantages and ensuring compliance with the revised framework.

MORE INFORMATION ABOUT US



The GST Insider: Stay Informed, Stay Compliant

As we conclude this edition of **The GST Insider**, we hope the insights and updates have provided valuable knowledge to our readers. Our commitment remains steadfast in delivering timely, accurate, and relevant information to help you navigate the complexities of the GST landscape. We have explored significant developments and shared expert opinions to help you stay compliant and maximize benefits.

We are grateful for your continued support and engagement. Your feedback and suggestions are invaluable as we strive to make "The GST Insider" a trusted resource for all your GST-related needs.

Until the next issue, stay informed, stay compliant, and keep thriving in your business endeavors.

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