

Union Budget

2025-26



KARWA & ASSOCIATES
Chartered Accountants

Vision

To be a globally respected premier assurance & accounting firm that is most preferred in locations we serve.

Mission

To nurture people and enable them to offer value to our clients through innovation, technology and responsiveness.



Foreword

Budget 2025: Wooing the Middle Class?

Ladies and gentlemen, open up your wallets—the Government of India just played Santa Claus in February! After years of feeling like the nation's ATM (courtesy of GST, fuel taxes, and the ever-watchful eye of the income tax department), the Indian middle class finally got a much-needed breather in the 2025 Budget. And let's be honest—this sudden generosity just might have something to do with elections around the corner (looking at you, Delhi!).

The Middle-Class Miracle: More Money in Your Pocket (For Now!)

For the first time in what feels like forever, income tax rates have actually gone down. Yes, you read that right—less tax, more disposable income! If you've been dreaming of upgrading from instant noodles to takeout biryani, this might just be your year. With a higher exemption limit (of Rs. 12 lakhs; which could go up to 12.75 lakhs with exemptions)) and reduced tax slabs, salaried professionals can finally hope to see their bank balance last beyond the 10th of every month.

Industries Are Smiling Too (Sort Of...)

Businesses are breathing a sigh of relief as the budget promises regulatory reforms and an "Investment Friendliness Index" (which hopefully isn't just another bureaucratic maze). The gig economy gets some attention too, with new welfare initiatives—perhaps a nudge from all those furious delivery agents braving traffic while politicians cruise past in siren-laden SUVs?

Agriculture & Energy: Seeds of Growth

The government has also decided it's time to grow more pulses and cotton—because importing them was apparently getting too expensive. Meanwhile, the big nuclear energy push suggests that by 2047, we might just have enough power to charge all our devices without blackouts.

The Bigger Picture: Economic Growth or Election Strategy?

Of course, while the budget aims to stimulate consumption, boost industries, and fuel long-term growth, one can't ignore the timing. With elections in Delhi just four days away, this budget has "We love you, middle class!" written all over it. But hey, if it means lower taxes and a little financial relief, who are we to complain?

For now, let's just enjoy this rare moment of tax relief—before the fine print kicks in!

Content



| | |
|--|-----------|
| 1. Key Highlights of Budget | 05 |
| 1.1Agriculture & Rural Development | 10 |
| 1.2MSME & Manufacturing | 13 |
| 1.3Education & Skill Development | 18 |
| 1.4Tax Reforms | 20 |
| 1.5Infrastructure & Urban Development | 23 |
| 1.6Healthcare & Social Welfare | 26 |
| 1.7Research & Innovation | 29 |
| 1.8Tourism Initiatives | 31 |
| 2. Direct Tax Proposals & Analysis | 35 |
| 3.Indirect Tax Proposals & Analysis | 41 |
| 4. Contributors | 55 |
| 5. Offices | 56 |





KARWA & ASSOCIATES
CHARTERED ACCOUNTANTS

Key Highlights



Fueling Growth

Four Engines of Development



Agriculture

The budget emphasizes boosting agricultural productivity, promoting crop diversification, and improving irrigation facilities.



MSMEs

Measures include enhancing credit availability, promoting technological upgradation, and supporting the 'Make in India' initiative.



Exports

The budget aims to facilitate exports, promote domestic manufacturing, and integrate the Indian economy with global supply chains.



Investment

The budget focuses on investing in people, economy, and innovation, with initiatives like setting up Atal Tinkering Labs and Centres of Excellence in AI.

Economic Growth & Fiscal Prudence



Fiscal Deficit Target

The budget aims to reduce the fiscal deficit to 4.4% of GDP in FY26, down from 4.8% in FY24.

GDP Growth Projection

The government projects a GDP growth rate of 6.5% for FY26, ensuring steady economic momentum.

Revenue Growth

The budget aims to achieve a 14% increase in revenue collection.

Strengthening the Financial Sector



FDI Limit Enhancement

The budget proposes to raise the Foreign Direct Investment (FDI) limit for the insurance sector from 74 to 100 per cent.



Jan Vishwas Bill 2.0

The budget proposes the Jan Vishwas Bill 2.0 to decriminalise more than 100 provisions in various laws.



High Level Committee for Regulatory Reforms

A High Level Committee for Regulatory Reforms will be set up to review all non-financial sector regulations and make recommendations within a year.

Boosting Investments & Business Growth



FDI in Insurance

The FDI limit in the insurance sector has been raised to 100% from the previous 74%.



Simplified Procedures for Foreign Investors

The budget simplifies procedures for foreign investors in the manufacturing sector.



Special Funds for Startups

Special funds have been allocated for startups in the fintech and deep-tech sectors.



Agriculture & Rural Development



Empowering Farmers & Rural Development



Farm Credit Target

The budget targets ₹22 lakh crore for farm credit to support farmers.

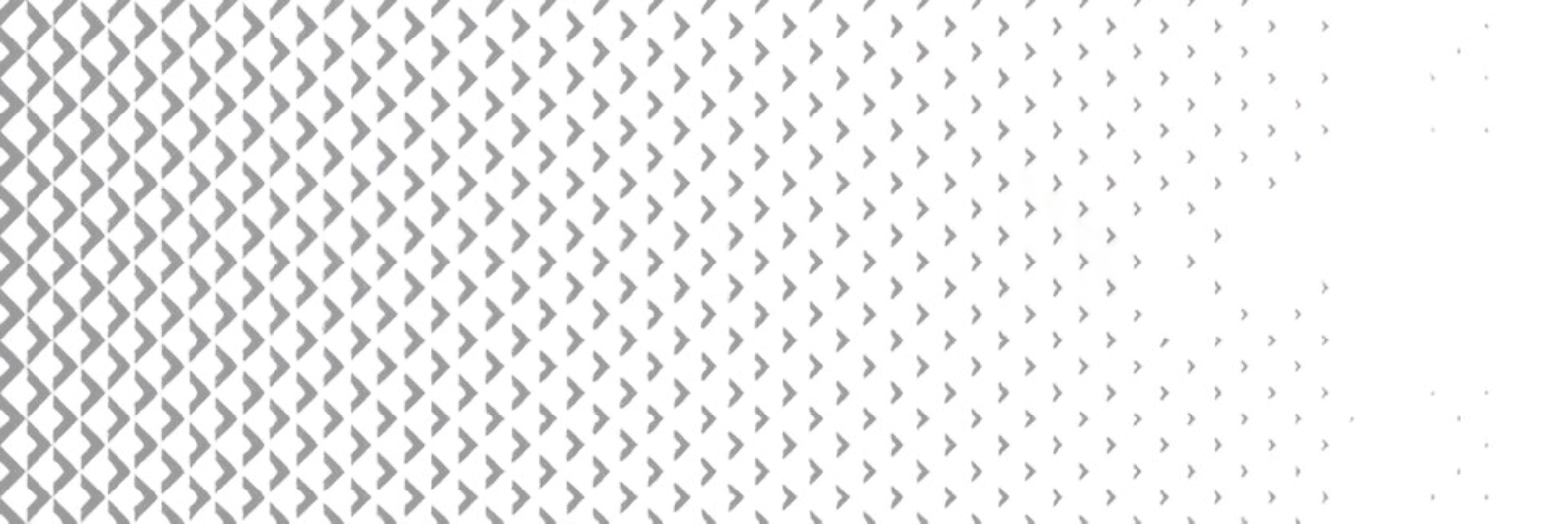
Irrigation Projects

₹60,000 crore has been allocated for irrigation projects in drought-prone areas.

Agricultural Export Boost

The budget aims to boost agricultural exports, particularly for processed foods.





Prime Minister Dhan-Dhaanya Krishi Yojana Developing Agri Districts Programme :

to cover 100 districts and likely to help 1.7 crore farmers.

Enhanced Credit through KC :

facilitate short term loans for 7.7 crore farmers, fishermen, and dairy farmers with enhanced loan of ₹5 lakh

Mission for Cotton Productivity :

5-year mission to facilitate improvements in productivity and sustainability of cotton farming

Makhana Board in Bihar :

to be set up to improve production, processing, value addition, and marketing and organization of FPOs.

Aatmanirbharta in Pulse :

launch a 6-year Mission with special focus on Tur, Urad and Masoor

MSME & Manufacturing





Domestic Manufacturing Support

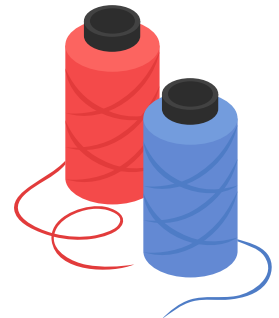
Critical Minerals Exemption

Full exemption is proposed for cobalt powder, lithium-ion battery scrap, lead, zinc, and 12 other critical minerals, supporting domestic manufacturing of key components.



Technical Textile Support

The proposals include duty-free shuttle-less looms and revised BCD rates on knitted fabrics, promoting the growth of the technical textile sector.



Lithium-Ion Battery Manufacturing

63 new capital goods are exempted for lithium-ion battery manufacturing for EVs and mobile phones, boosting domestic production of these essential components.



Sector-Specific Proposals: Export **Promotion**



Handicraft Exports

The time limit for handicraft exports is extended to one year, with nine additional duty-free inputs, promoting the growth of this traditional sector.

Leather Exports

Full BCD exemption is proposed for Wet Blue leather, and the 20% export duty on crust leather is removed, boosting leather exports.

Seafood Exports

The BCD on Frozen Fish Paste is reduced from 30% to 5%, and on fish hydrolysate from 15% to 5%, promoting seafood exports.

Trade Facilitation Measures



Export Promotion Mission

With sectoral and ministerial targets to facilitate easy access to export credit, cross-border factoring support, and support to MSMEs to tackle non-tariff measures in overseas markets.



BharatTradeNet

A digital public infrastructure, 'BharatTradeNet' (BTN) for international trade will be set-up as a unified platform for trade documentation and financing solutions. Support for integration with Global Supply Chains.



National Framework for GCC

As guidance to states for promoting Global Capability Centers in emerging tier 2 cities.



Warehousing facility for air cargo

To facilitate upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce.

Trade Facilitation

Measures (Contd.)



Provisional Assessments

A two-year time limit is introduced for finalizing provisional assessments, extendable by one year with justification, streamlining customs procedures.



End-Use Time Limit Extension

The time for end-use of imported inputs is extended from six months to one year, with quarterly reporting instead of monthly, simplifying compliance.



Voluntary Compliance Scheme

A new voluntary compliance scheme allows importers/exporters to declare material facts post-clearance and pay duty with interest, avoiding penalties.

MSME Sector



- 1** **Investment and Turnover limits increased** by 2.5 times and 2 times respectively in order to support scalability, technological upgradation and better capital access.
- 2** To make India a global hub for toys manufacturing under 'Make in India' brand.
- 3** **Credit guarantee cover** will be enhanced and Proposal to introduce **customized credit card** with a limit of Rs. 5 lakhs.
- 4** A new **Fund of Funds for start-ups** will be launched with expanded scope and fresh contribution from Government of Rs. 10,000 crores will be set-up.
- 5** Launch of a new **scheme for 5 lakh women** [SC and ST] **first-time entrepreneurs** by providing term loans up to Rs. 2 crores.
- 6** **A focus product scheme** will be implemented to enhance the productivity, quality and competitiveness of **India's Footwear and Leather sectors**. To establish **National Institute of Food Technology, Entrepreneurship and Management** to provide strong fillip to food processing activities in the entire Eastern region.
- 7**
- 8** To **support clean tech manufacturing**, National Manufacturing Mission will aim to improve domestic value addition and build ecosystem for solar PV cells, EV batteries, motors and controllers, electrolyzers, wind turbines and grid scale batteries.



Education & Skill Development



KARWA & ASSOCIATES
CHARTERED ACCOUNTANTS



Investing in Education and Skill Development

Atal Tinkering Labs

The budget announces the establishment of 50,000 Atal Tinkering Labs in government schools over the next five years.

Bharatiya Bhasha Pustak Scheme

The Bharatiya Bhasha Pustak Scheme will be implemented to provide digital-form Indian language books for school and higher education.

Centre of Excellence in AI

A Centre of Excellence in Artificial Intelligence for education will be set up with a total outlay of ₹ 500 crore.



Tax Reforms



Tax Relief for the Middle Class



12L



Zero Tax Liability

Individuals with an annual income of up to ₹12 lakh will now enjoy zero tax liability under the new tax regime.

This move is designed to increase disposable income among the middle class and provide greater purchasing power.

Personal Income Tax:

Relief for the **Middle Class**

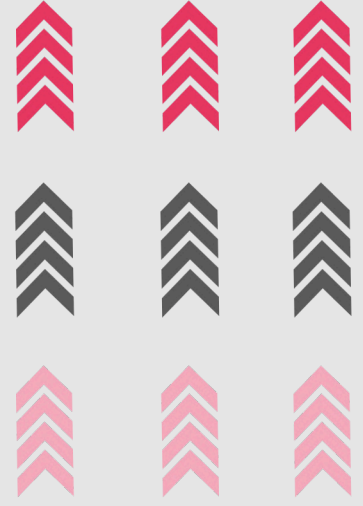


| Income Slab | Tax Rate |
|--------------------------|----------|
| Zero to ₹4,00,000 | No Tax |
| ₹4,00,000 to ₹8,00,000 | 5% |
| ₹8,00,001 to ₹12,00,000 | 10% |
| ₹12,00,001 to ₹16,00,000 | 15% |
| ₹16,00,001 to ₹20,00,000 | 20% |
| ₹20,00,001 to ₹24,00,000 | 25% |
| Above ₹24,00,000 | 30% |

Infrastructure & Urban Development



Infrastructure & Transport: Connecting India



National Highways Expansion

The budget plans to expand National Highways by 20,000 km.



Rail & Metro Projects

₹12 lakh crore will be invested in road, rail, and metro projects.

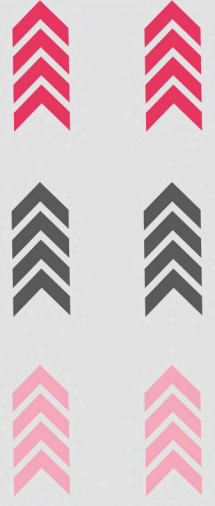


Airports & Heliports

The budget proposes the development of 50 new airports and heliports.



Infrastructure & Transport: Connecting India



Financial Sector Reforms and Development Sector

- Grameen Credit Score' framework to serve the credit needs of SHG members and people in rural areas.
- National Bank for Financing Infrastructure and Development (NaBFID) to set up a 'Partial Credit Enhancement Facility' for corporate bonds for infrastructure
- Revamped Central KYC registry to be rolled out in 2025
- Rationalization of requirements and procedures for speedy approval of company mergers.
- FDI limit for the insurance sector will be raised from 74 to 100 per cent.

Infrastructure & Urban Development Sector

- Urban Challenge Fund:
 - ₹1 lakh crore to transform cities into growth hubs.
- National Geospatial Mission :
 - to develop foundational geospatial infrastructure and data. Using PM Gati Shakti, facilitation of modernization of land records, urban planning, and design of infrastructure projects

Healthcare & Social Welfare



Investing in Healthcare & Education



KARWA & ASSOCIATES
CHARTERED ACCOUNTANTS



Healthcare Budget

The budget allocates ₹2 lakh crore for the healthcare sector.

New AIIMS Hospitals

The budget plans to establish new AIIMS hospitals in 5 more states.

Free Vaccination Drive

The budget includes a free vaccination drive for all senior citizens.



Sector-Specific Proposals:

Healthcare



Duty-Free Life-Saving Drugs

Full customs duty exemption is proposed for 36 life-saving drugs and medicines, making essential healthcare more accessible.

Concessional Duty on Medicines

A concessional 5% duty is proposed for six additional medicines and their bulk drugs, further reducing the cost of essential healthcare.

Expanded Duty-Free Imports

The proposals include 37 more medicines and 13 patient assistance programs for duty-free import, enhancing access to critical healthcare services.

Medical Tourism

It is proposed to promote medical tourism and heal in India

Research & Innovation



Digital India:



Empowering Technology & Innovation

5G Network Expansion

Semiconductor Manufacturing

₹50,000 crore will be invested in semiconductor manufacturing.



AI & Robotics Research

New funding will be allocated for AI and robotics research.

Research, Development & Innovation Sector

- PM Research Fellowship : To provide ten thousand fellowships for technological research in IITs and IISc. Allocating ₹ 20,000 crore to implement private sector driven Research, Development and Innovation initiative.





KARWA & ASSOCIATES
CHARTERED ACCOUNTANTS

Tourism Initiatives



Tourism Initiatives



Top 50 tourist destination sites to be developed in partnership with states



Introducing streamlined e-visa facilities



Intensive skill-development programs for youth



Performance-linked incentives to states



MUDRA loans for homestays



Ease of travel and connectivity to tourist destinations



Green Energy & Sustainability



Green Energy & Sustainability



Green Hydrogen & Renewable Energy

₹1.5 lakh crore will be invested in green hydrogen, solar, and wind power.



Electric Vehicle Subsidies

The budget extends electric vehicle subsidies until 2030.



Tax Rebates on Green Technologies

Tax rebates will be offered on EV batteries and solar panel imports.

Direct Tax Proposals & Analysis



A Thorough Review: Direct Tax Reforms



The Union Budget 2025-26 introduces significant reforms in India's direct tax system aimed at simplifying compliance and enhancing the spending power of the middle class.

Simplified Compliance

A new income tax bill, will be introduced to simplify compliance for individual taxpayers. The Finance Minister stated it would be "simple to understand" and lead to lower tax litigation.

Rate of Taxes

- No Income tax payable up to Rs.12Lakh under new tax regime (155BAC) except income which is taxable under special rates from A.Y.2026-27
- New tax rates under section 115 BAC with effect from 01.04.2025

| Total Income | Rate of Tax |
|-----------------------------------|-------------|
| 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% |

Table illustrating benefit of change of slab rates and rebate



| Income | Income tax | | Benefit of change in slab rates | Rebate benefit | Total benefit |
|-----------|--------------------------|----------------------------|---------------------------------|----------------|---------------|
| | As per current slab rate | As per proposed slab rates | | | |
| 8,00,000 | 30,000 | 20,000 | 10,000 | 20,000 | 30,000 |
| 9,00,000 | 40,000 | 30,000 | 10,000 | 30,000 | 40,000 |
| 10,00,000 | 50,000 | 40,000 | 10,000 | 40,000 | 50,000 |
| 11,00,000 | 65,000 | 50,000 | 15,000 | 50,000 | 65,000 |
| 12,00,000 | 80,000 | 60,000 | 20,000 | 60,000 | 80,000 |
| 16,00,000 | 1,70,000 | 1,20,000 | 50,000 | 0 | 50,000 |
| 20,00,000 | 2,90,000 | 2,00,000 | 90,000 | 0 | 90,000 |
| 24,00,000 | 4,10,000 | 3,00,000 | 1,10,000 | 0 | 1,10,000 |
| 50,00,000 | 11,90,000 | 10,80,000 | 1,10,000 | 0 | 1,10,000 |

Reforms in International Taxation

- Introduction of a scheme for determining arm's length price of international transaction for a block period of three years.
- Expansion of scope of safe harbour rules to reduce litigation and provide certainty in International transaction

TDS and TCS threshold rationalization

TDS and TCS provisions have various thresholds of amount of payment or amount of income, beyond which tax is required be deducted. It is proposed to rationalize these thresholds as below – Change in TCS provisions

Below listed provisions are proposed to be omitted from 01.04.2025

1. 206C(1H)- Sale of goods of value exceeding Rs.50 Lakh
- 2.206CCA- Higher rate of TCS for non filers of income tax return

Change in threshold limits as below:

| Section | Current threshold | Proposed threshold | Rate |
|--|-------------------|--------------------|-------|
| Section 206C(1G)- Overseas remittance for the purpose of education | | | |
| -other than remittance made out of loan obtained from Financial Institutions | 7,00,000 | 10,00,000 | 5% |
| -remittance made out of loan obtained from Financial Institutions | 7,00,000 | 0 | 0.50% |

Change in TDS provisions

| Sl. No | Section | Current threshold | Proposed threshold | Rate |
|--------|--|--|---|------|
| 1 | 193 - Interest on securities | Nil | Rs.10,000/- | 10% |
| 2 | 194A - Interest other than interest on securities | (i) Rs.50,000/- for senior citizen; | (i) Rs.1,00,000/- for senior citizen | 10% |
| | | (ii) Rs.40,000/- in case of others when payer is bank, cooperative society and post office | (ii) Rs.50,000/- in case of others when payer is bank, co-operative society and post office | |
| | | (iii) Rs.5,000/- in other cases | (iii) Rs.10,000/- in other cases | |
| 3 | 194 - Dividend for an individual shareholder | Rs.5,000/- | Rs.10,000/- | 10% |
| 4 | 194K - Income in respect of units of a mutual fund or specified company or undertaking | Rs.5,000/- | Rs.10,000/- | 2% |
| 5 | 194B - Winnings from lottery, crossword puzzle, etc. | Aggregate of amounts exceeding Rs.10,000/- during the financial year | Rs.10,000/- in respect of a single transaction | 30% |
| 6 | 194BB - Winnings from horse race | | | |

Change in TDS provisions(contd.)

| Sl. No | Section | Current threshold | Proposed threshold | Rate |
|--------|---|---|---|---|
| 7 | 194D-Insurance commission | Rs.15,000/- | Rs. 20,000/- | 10% for Domestic Companies 5% for others |
| 8 | 194G - Income by way of commission, prize etc. On lottery tickets | Rs.15,000/- | Rs. 20,000/- | 2% |
| 9 | 194H - Commission or brokerage | Rs.15,000/- | Rs. 20,000/- | 2% |
| 10 | 194-I Rent | Rs.2,40,000/- during the financial year | Rs. 50,000/- per month or part of a month | 10% |
| 11 | 194J - Fee for professional or technical services | Rs.30,000/- | Rs. 50,000/- | 10% |
| 12 | 194LA - Income by way of enhanced compensation | Rs.2,50,000/- | Rs.5,00,000/- | 10% |

Reforms in Compliance of Tax provisions

- Extension of time limit to file updated returns, from the existing limit of two years to four years. However , additional tax to be paid for the 1st year @25% , for the 2nd year 50% , for the 3rd year 60% and for the 4th year 70%.

e.g. ITR for P.Y.2021-22 can be filed till 31.03.2027 (previously it was 31.03.2025)

- Increasing the period of registrations from 5years to 10 years for Charitable trusts/Institutions
- Taxpayers to be allowed to claim the annual value of 2 self occupied properties as NIL without any conditions.

Other reliefs and benefits

- Computation of Tonnage Income as per Tonnage Tax scheme (Section 115VA of Income Tax Act 1961) extended to Inland vessels registered under Inland Vessels Act 2021
- Tax holiday for Start Ups extended till 01.04.2030
- Specific benefits to ship-leasing units, insurance offices and treasury centers of global companies which are set up in IFSC
- Certainty of taxation to Category I and category II Alternative Investment Funds(AIFs), undertaking investments in infrastructure and other such sectors, on the gains from securities
- Reduction of penalty chargeable under section 271F to 271Z to create more taxpayer friendly environment, reduce litigation and improve overall compliance



Indirect Tax Proposals & Analysis



India's Indirect Tax Proposals: A Comprehensive Overview

A detailed analysis of the recent indirect tax proposals in India, covering key changes in customs duty, GST, and trade facilitation measures.



Customs Tariff Rationalization



Tariff Reduction

The proposals aim to simplify the tariff structure by reducing the number of rates from 15 to eight, including a 'zero' rate. This streamlining is expected to enhance transparency and ease compliance for businesses.

Cess Application

A cess is applied to maintain the effective duty incidence, with minor reductions in certain cases. This approach ensures revenue neutrality while facilitating tariff rationalization.



Exemption of Basic Customs Duty (BCD) on Capital Goods for EV Batteries



Current Provision

Capital goods used in manufacturing lithium-ion batteries are subject to Basic Customs Duty (BCD).



Proposed Change

The government proposes to exempt BCD on capital goods used in the production of lithium-ion batteries.



Expansion of Exempted Capital Goods

The government plans to add 35 additional capital goods to the list of exempted items for EV battery manufacturing.

Amendments Relating to Indirect Taxes: Customs Laws



Provisional Assessment

A two-year time limit for finalizing provisional assessments is introduced, extendable by one year with justification. For pending cases, the limit starts from the Finance Bill's assent date (2025).

Voluntary Revision of Entries

Importers/exporters can revise entries after clearance of goods, with certain conditions. The revision is treated as self-assessment and can result in either duty payment or refund claims.

Customs Tariff Updates

Tariff rates are revised for specific items, and 178 new tariff entries are added in various chapters, effective from May 1, 2025.



Customs Duty Rate Changes



Frozen Fish Paste

Reduced from 30% to 5%.

30%

Fish Hydrolysate

Reduced from 15% to 5%.

15%

Synthetic Flavoring Essences

Reduced from 100% to 20%.

100%

Motorcycles (CBU)

Reduced by 10% for engine capacity ≤1600 CC and by 20% for engine capacity >1600 CC.

50%

CUSTOMS RELATED PROPOSALS

| SL.NO | Particulars |
|-------|--|
| | Exemption-Basic Custom Duty(BCD) |
| 1 | Critical Minerals: 12 more critical minerals, including cobalt products, LED, zinc, and lithium-ion battery scrap. |
| 2 | Shipbuilding Materials: Raw materials for shipbuilding |
| 3 | Electric Vehicle Components: 35 additional products for EV manufacturing are added to the list of customs duty. |
| 4 | Frozen Fish Paste (Surimi) for use in manufacture of Surimi Analogue products, for export. |
| 5 | Imports of ground installations for satellites and payloads and its spares and consumables of such installations. |
| 6 | Goods for use in the building of launch vehicles and launching of satellites |
| 7 | Life-Saving Drugs: 36 life-saving drugs for cancer and rare diseases |
| 8 | The notification exempts specified drugs and 37 medicines from the whole of the duty of customs leviable thereon subject to their being supplied free to cost to patients under 13 Patient Assistance Programme (PAP) run. |
| 9 | Open cell for LED/LCD TV , looms for textiles, capital goods for lithium ion battery of mobile phones |
| 10 | Nine new groups of items such as sea shell, adhesive etc are being added to the list of duty free items for use in manufacture of handicrafts for export. |

| Sl.No | Particulars | Changes |
|-------|--|---|
| 1 | Provisional Assessment -Time limit of two years for finalisation of provisional assessment. It also provides that this time period may be extended by the Commissioner of Customs for a further period of one year if sufficient cause is shown. Further, it also provides that, for the pending cases, the time-limit shall be reckoned from the date of assent of the Finance Bill. | Extension upto 2 years and further Extension to upto 1 Year |
| 2 | Voluntary revision of entry post clearance -The importers and exporters may revise any entry that is made in relation to the goods within a prescribed time and according to certain conditions as may be prescribed. It also provides for treating such entry as self-assessment and allowing payment of duty or treating the revised entry as a refund claim under section 27. It also provides for certain cases where this section will not apply | |
| 3 | Changes to IGCR (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2017 -Rules 6 and 7 are being amended to increase the time limit for fulfilling end use from current six months to one year. Further, the importers will now have to file only a quarterly statement instead of monthly statement. | Rule 6 & 7 Filing from 6 months to 1 year and Monthly Statements to Quarterly Filing as been Extended |
| 4 | Export promotion - duty free inputs for handicraft and leather sectors. | Exempted |
| 5 | Promotion of MRO - exemption for 10 years on goods for ship building and ships for breaking, extension of time limit for export of railway goods imported for repairs. | For 10 Years -Exempted |
| 6 | Railway Goods -The duration for export in the case of railway goods imported for such purpose has been increased from 6 months to 1 year further extendable by 1 year | Extended From 6 month to 1year |

Amendments to the Customs Tariff Act, 1975

The First Schedule to the Customs Tariff Act, 1975 is proposed to be amended to, These changes will be effective from 1st May, 2025

- (a) Reduce the tariff rate from 25%, 30%, 35%, 40% to 20%
- (b) Reduce the tariff rate from 150%, 125%, 100% to 70%
- (c) Reduce the tariff rate on certain items
- (d) Tariffise effective rates in the Schedule
- (e) Create new tariff items based on process (parboiled, others) and on variety (rice recognized by Geographical Identification Registry, basmati, others) under sub-heading 1006 30
- (f) Create new tariff items under 'Makhana' products (popped, flour and powder, others) and consequent re-numbering of existing entries under sub-heading 2008 19
- (g) Create new tariff items to separately identify waste oils containing different levels of concentration of levels of polychlorinated biphenyls (PCBs), polychlorinated terphenyls (PCTs) or polybrominated biphenyls (PBBs) under sub-heading 2710 91
- (h) Create new tariff items for identification of certain dual-use chemical for non-pesticidal use in chapter 28
- (i) create new tariff items and supplementary notes for identification of certain dual-use chemical for non-pesticidal use and certain goods covered by International Conventions in chapter 29
- (j) Create new tariff items and supplementary notes for identification of certain technical-grade pesticides and certain goods covered by International Conventions in chapter 38
- (k) Create new tariff lines to distinguish precious metals – containing 99.9% or more by weight of silver, containing 99.5% or more by weight of gold, containing 99% or more by weight of platinum under headings 7106, 7108 and 7110 respectively
- (l) Changes in heading 8112 to align with WCO HS 2022
- (m) Changes in sub-heading note 2 to chapter 85 to align with WCO HS 2022.

Amendments to Duty Rates in first Schedule to the Customs Tariff Act, 1975

| Sl.No | Tariff item | Commodity | Previous Rates | Proposed Rates | Change |
|-------|--|---|----------------|--------------------------------------|------------------|
| 1 | 6004 10 00 6004 90 00 ,6006 22 00 6006 31 00 ,6006 32 00 6006 33 00 ,6006 34 00 6006 42 00 ,6006 90 00 | Knitted Fabrics | 20%/10% | 20% or Rs115/kg, whichever is higher | Increased |
| 2 | 8528 59 00 | Interactive Flat Panel Displays (Completely Built Units) | 10% | 20% | Increased by 10% |
| 3 | 25151100 2515 12 | Marble and travertine, crude or roughly trimmed, merely cut into blocks, slabs and other | 40% | 20% | Reduced by 20% |
| 4 | 2516 11 00 2516 12 00 | Granite, crude or roughly trimmed, merely cut into blocks, slabs and other | 40% | 20% | Reduced by 20% |
| 5 | 2,93,359 | Other compounds containing a pyrimidine ring (whether or not hydrogenated) or piperazine ring in the structure | 10% | 7.50% | Reduced by 2.5% |
| 6 | 3,30,210 | Synthetic flavouring essences and mixtures of odoriferous substances of a kind used in food and drink industries | 100% | 20% | Reduced by 80% |
| 7 | 3406 | Candles, tapers and the like | 25% | 20% | Reduced by 5% |
| 8 | 3,82,290 | Reference Materials | 30% | 10% | Reduced by 10% |
| 9 | 3,82,460 | Sorbitol other than that of sub-heading 2905 44 | 30% | 20% | Reduced by 10% |
| 10 | 3920 | Other, plates, sheets, films, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials | 25% | 20% | Reduced by 5% |

| Sl.No | Tariff item | Commodity | Previous Rates | Proposed Rates | Change |
|-------|---|--|----------------|----------------|----------------|
| 11 | 3921 | Other plates, sheet, film, foil and strip of plastics | 25% | 20% | Reduced by 5% |
| 12 | 6401 | Waterproof Footwear with outer soles and Uppers of Rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes | 35% | 20% | Reduced by 15% |
| 13 | 6402 | Other footwear with outer soles and uppers of rubber or plastics | 35% | 20% | Reduced by 15% |
| 14 | 6403 | Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather | 35% | 20% | Reduced by 15% |
| 15 | 6404 | Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials | 35% | 20% | Reduced by 15% |
| 16 | 6405 | Other Footwear | 35% | 20% | Reduced by 15% |
| 17 | 6802 10 00 6802 21 10 6802 21 20 6802 21 90 6802 23 90 6802 29 00 6802 91 00 6802 92 00 6802 93 00 6802 23 10 | Worked monumental or buildingstone | 40% | 20% | Reduced by 20% |
| 18 | 7113 | Articles of Jewellery and parts thereof | 25% | 20% | Reduced by 5% |
| 19 | 7114 | Articles of goldsmiths' and silversmiths' ware's and parts thereof | 25% | 20% | Reduced by 5% |
| 20 | 7404 00 12 7404 00 19 | Copper Waste and Scrap | 2.50% | Nil | Fully Exempted |
| 21 | 8002 | Tin Waste and Scrap | 5% | Nil | Fully Exempted |
| 22 | 8101 97 00 | Tungsten Waste and Scrap | 5% | Nil | Fully Exempted |
| 23 | 8102 97 00 | Molybdenum Waste and Scrap | 5% | Nil | Fully Exempted |
| 24 | 8103 30 00 | Tantalum Waste and Scrap | 5% | Nil | Fully Exempted |
| 25 | 8105 30 00 | Cobalt Waste and Scrap | 5% | Nil | Fully Exempted |
| 26 | 8106 90 10 | Waste and Scrap of Bismuth and Bismuth alloys | 5% | Nil | Fully Exempted |
| 27 | 8109 31 00 8109 39 00 | Zirconium Waste and Scrap | 10% | Nil | Fully Exempted |
| 28 | 8110 20 00 | Antimony Waste and Scrap | 2.50% | Nil | Fully Exempted |
| 29 | 8112 13 00 | Beryllium Waste and Scrap | 5% | Nil | Fully Exempted |
| 30 | 8112 41 20 | Rhenium Waste and Scrap | 10% | Nil | Fully Exempted |

Amendments to Duty Rates in first Schedule to the Customs Tariff Act, 1975 (Contd.)

| S.No | Tariff item | Commodity | Previous Rates | Proposed Rates | Change |
|------|--------------------------|--|----------------|----------------|------------------|
| 31 | 8112 61 00 | Cadmium Waste and Scrap | 5% | Nil | Fully Exempted |
| 32 | 8541 42 00 | Solar Cells | 25% | 20% | Reduced by 5% |
| 33 | 8541 43 00 8541 49 00 | Solar Module and Other semiconductor devices and photovoltaic cells | 40% | 20% | Reduced by 20% |
| 34 | 8702 | Motor vehicles for transport of 10 or more persons | 40% | 20% | Reduced by 20% |
| 35 | 8703 | Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702) | 125% | 70% | |
| 36 | 8704 | Motor vehicles for transport of goods | 40% | 20% | Reduced by 20% |
| 37 | 8711 | Motorcycles and cycles fitted with an auxiliary motor with or without side-car | 100% | 70% | Reduced by 30% |
| 38 | 8712 00 10 | Bicycles | 35% | 20% | Reduced by 15% |
| 39 | 1520 00 00 | Glycerol Crude, glycerol waters, glycerol lye | 30% | 20% | Reduced by 10% |
| 40 | 2603 00 00 | Copper Ores and concentrates | 2.50% | Nil | Fully Exempted |
| 41 | 2605 00 00 | Cobalt Ores and concentrates | 2.50% | Nil | Fully Exempted |
| 42 | 2609 00 00 | Tin Ores and concentrates | 2.50% | Nil | Fully Exempted |
| 43 | 2611 00 00 | Tungsten Ores and concentrates | 2.50% | Nil | Fully Exempted |
| 44 | 2613 00 00 | Molybdenum Ores and concentrates | 2.50% | Nil | Fully Exempted |
| 45 | 2615 10 00 | Zirconium Ores and concentrates | 2.50% | Nil | Fully Exempted |
| 46 | 2615 90 10 | Vanadium Ores and concentrates | 2.50% | Nil | Fully Exempted |
| 47 | 2615 90 20 | Niobium or Tantalum Ores and concentrates | 2.50% | Nil | Fully Exempted |
| 48 | 2617 10 00 | Antimony Ores and Concentrates | 2.50% | Nil | Fully Exempted |
| 49 | 2711 12 00 | Liquefied Propane | 15% | 2.50% | Reduced by 12.5% |
| 50 | 2711 13 00 | Liquefied Butane | 15% | 2.50% | Reduced by 12.5% |
| 51 | 27 11 19 10 | LPG (for non-automotive purpose) | 15% | 5% | Reduced by 10% |

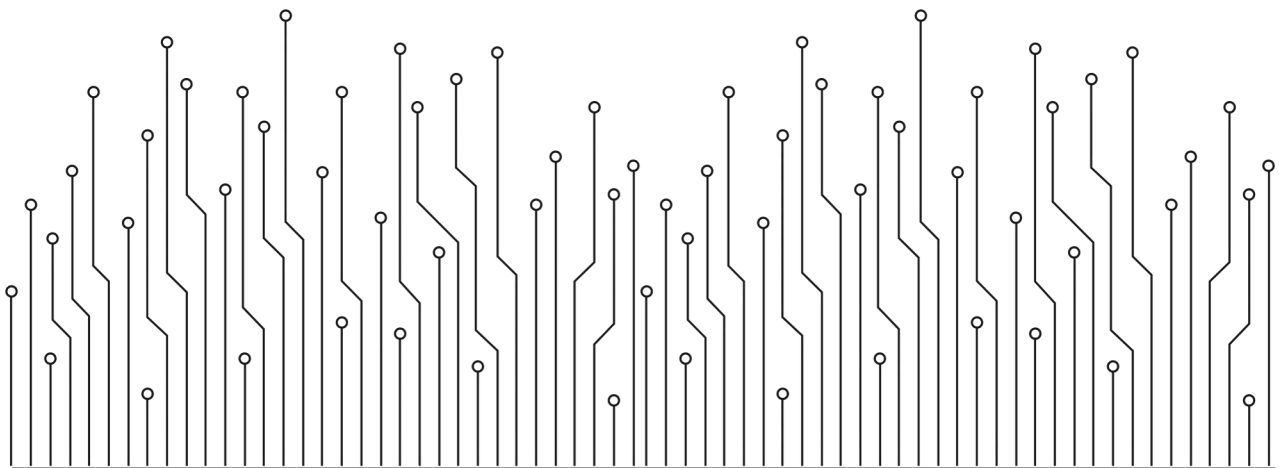
| S.No | Tariff item | Commodity | Previous Rates | Proposed Rates | Change |
|------|---------------|--|----------------|----------------|----------------|
| 52 | 2711 19 20 | LPG (for automotive purpose) | 15% | 5% | Reduced by 10% |
| 53 | 2711 19 90 | Other liquified petroleum gas | 15% | 5% | Reduced by 10% |
| 54 | 2809 20 10 | Phosphoric Acid | 20% | 15% | Reduced by 5% |
| 55 | 7307 29 00 | Other tube or pipe fittings of stainless steel | 25% | 15% | Reduced by 10% |
| 56 | 7307 99 90 | Other fittings of iron or steel, non-galvanised | 25% | 15% | Reduced by 10% |
| 57 | 7308 90 90 | Other structure and parts of structures of iron and steel | 25% | 15% | Reduced by 10% |
| 58 | 7310 29 90 | Others-tanks and drums etc. | 25% | 15% | Reduced by 10% |
| 59 | 7318 15 00 | Other screws and bolts whether or with nuts or washers | 25% | 15% | Reduced by 10% |
| 60 | 7318 16 00 | Threaded nuts | 25% | 15% | Reduced by 10% |
| 61 | 7318 29 90 | Other non-threaded articles | 25% | 15% | Reduced by 10% |
| 62 | 7320 90 90 | Other springs and leaves of iron/steel | 25% | 15% | Reduced by 10% |
| 63 | 7325 99 99 | Other cast articles of iron or steel | 25% | 15% | Reduced by 10% |
| 64 | 7326 19 90 | Others - forged or stamped articles of iron or steel but not further worked | 25% | 15% | Reduced by 10% |
| 65 | 7326 90 99 | Miscellaneous other articles of iron/steel | 25% | 15% | Reduced by 10% |
| 66 | 8001 | Unwrought Tin | 5% | Nil | Fully Exempted |
| 67 | 8101 94 00 | Unwrought tungsten, including bars and rods obtained simply by sintering | 5% | Nil | Fully Exempted |
| 68 | 8102 94 00 | Unwrought molybdenum, including bars and rods obtained simply by sintering | 5% | Nil | Fully Exempted |
| 69 | 8,10,320 | Unwrought tantalum, including bars and rods obtained simply by sintering, powders | 5% | Nil | Fully Exempted |
| 70 | 8105 20 20 | Cobalt, unwrought | 5% | Nil | Fully Exempted |
| 71 | 8106 10 10 | Bismuth, unwrought | 5% | Nil | Fully Exempted |
| 72 | 8109 21 00 | Unwrought zirconium, powders, containing less than 1 part hafnium to 500 parts zirconium by weight | 10% | Nil | Fully Exempted |
| 73 | 8110 10 00 | Unwrought antimony, powders | 2.50% | Nil | Fully Exempted |
| 74 | 8112 12 00 | Beryllium unwrought, powders | 5% | Nil | Fully Exempted |
| 75 | 8,11,231 | Hafnium unwrought, waste and scrap, powders | 10% | Nil | Fully Exempted |
| 76 | 8112 41 10 | Rhenium unwrought | 10% | Nil | Fully Exempted |
| 77 | 8112 69 10,20 | Cadmium unwrought, Powders | 5% | Nil | Fully Exempted |

Amendments Relating to Indirect Taxes: GST Laws



ITC Distribution
Voucher Supply
Plant and Machinery
GST Return Filings
Track and Trace Mechanism

Amendments clarify the distribution of ITC by Input Service Distributors for interstate supplies and reverse charge transactions, effective April 1, 2025. Time of supply rules for vouchers are modified by omitting sub-sections. The wording is changed from “plant or machinery” to “plant and machinery” for better clarity. Enabling provisions are added to regulate conditions for filing GST returns, with additional amendments for credit notes and statements of ITC. New sections (122B and 148A) introduce penalties and mechanisms for tracking specific commodities.





1. Distribution of Input Tax Credit (ITC) for Inter-State Supplies

Effective from April 1, 2025

Input Service Distributors (ISD) will now be allowed to distribute ITC on inter-state supplies where tax is payable under **reverse charge mechanism (RCM)**.

Impact: Helps businesses properly allocate ITC and ensures seamless credit utilization.

2. Unique Identification Marking for Track and Trace Mechanism

New Clause Introduced

A new provision will define **Unique Identification Marking (UIM)** for implementing a **Track and Trace Mechanism**.

Impact: Enhances monitoring of goods and prevents tax evasion.

3. Reduction of Supplier's Tax Liability & ITC Reversal

Amendment in ITC Reversal Provisions

If a supplier issues a credit note to reduce their tax liability, the recipient must reverse the ITC claimed on such supply.

Impact: Aligns ITC claims with actual transactions and ensures fair tax adjustments.

4. Mandatory Pre-Deposit for Appeals in Penalty-Only Cases

For appeals before the Appellate Authority

If an appeal involves **only a penalty (without tax demand)**, a **10% mandatory pre-deposit** of the penalty amount must be paid.

Impact: Aims to discourage frivolous appeals and ensure serious litigation.

5. Penalties for Violating Track and Trace Mechanism

New Penalty Provisions Introduced

Strict penalties will be imposed for non-compliance with the Track and Trace Mechanism.

Impact: Strengthens supply chain transparency and compliance.



6. Clarification in Schedule III of CGST Act (Retrospective from 01.07.2017) New Amendment for Warehoused Goods in SEZ/FTWZ

Supply of goods warehoused in a **Special Economic Zone (SEZ)** or **Free Trade Warehousing Zone (FTWZ)** to any person, before clearance for export or sale in the **Domestic Tariff Area (DTA)**, will be treated as “Neither a Supply of Goods nor a Supply of Services”.

No refund of tax already paid will be allowed.

Impact: Removes ambiguity in tax treatment of SEZ warehoused goods. Aims to improve compliance and prevent bogus filings.

7. Inclusion of ‘Local Fund’ and ‘Municipal Fund’ in “Local Authority” Definition Clarity in Interpretation of “Local Authority”

Definitions of **‘Local Fund’** and **‘Municipal Fund’** will be included under **“local authority”** in the CGST Act.

Impact: Reduces litigation and ensures better clarity in taxation of local government entities.

8. Conditions and Restrictions for GST Return Filing

New Compliance Measures

Additional conditions and restrictions will be introduced for GST return filing.

Impact: Aims to improve compliance and prevent bogus filings.

Goods exempted from levy of Social Welfare Surcharge

| S No | Particulars |
|------|---|
| 1 | Candles, tapers and the like |
| 2 | PVC Flex Films including Flex Banner and PVC flex Sheets under headings 3920 or 3921 |
| 3 | Solar Cells |
| 4 | Yachts and other vessels for pleasure of sports |
| 5 | Electricity meters for alternating current (Smart meter) |
| 6 | Seats (other than those of headings 9402), whether or not convertible into beds, and parts thereof |
| 7 | Other furniture and parts thereof |
| 8 | Mattress supports, articles of bedding and similar furnishing etc. |
| 9 | Luminaries and lighting fittings including searchlights and spotlights and parts thereof etc. |
| 10 | Parts of electronic toys |
| 11 | Articles of gold/silver imported vide S. No. 356 and 357 of Notification No. 50/2017 customs dated 30.06.2017 |
| 12 | Waterproof Footwear with outer soles and Uppers of Rubber or Plastics |
| 13 | Other Footwear with Outer Soles and Uppers of Rubber or Plastics |
| 14 | Footwear with Outer Soles of Rubber, Plastics, Leather or Composition Leather and Uppers of Leather |
| 15 | Footwear with Outer Soles of Rubber, Plastics, Leather or Composition Leather and Uppers of Textile Materials |
| 16 | Other Footwear |
| 17 | All dutiable goods imported for personal use and not exempted under any prohibition in respect of imports thereof under the Foreign Trade (Development and Regulations) (FTDR) Act, 1992. |
| 18 | Solar Module and Other semiconductor devices and photovoltaic cells |
| 19 | Motor vehicles for transport of 10 or more persons |
| 20 | Motor vehicles for transport of goods |
| 21 | Motor cars and other motor vehicles principally designed for the transport of persons in other than Completely Built Form with CIF value exceeding USD 40,000 |
| 22 | Motor cars and other motor vehicles which have been registered abroad before import into India i.e. Used Vehicles |
| 23 | Used motorcydes and cycles fitted with an auxiliary motor with or without side-car |
| 24 | Laboratory Chemicals under CTH 9802 00 00 (other than those attracting 10% BCD for specified end use) |
| 25 | Dutiable articles imported by passenger or member of crew in his baggage classified under heading 9803 |

| SL.no | Particulars | Details |
|-------|------------------------------------|--|
| 1 | Export Promotion Mission: | With sectoral and ministerial targets to facilitate easy access to export credit, cross-border factoring support, and support to MSMEs to tackle non-tariff measures in overseas markets. |
| 2 | BharatTradeNet: | A digital public infrastructure, 'BharatTradeNet' (BTN) for international trade will be set-up as a unified platform for trade documentation and financing solutions. Support for integration with Global Supply Chains. |
| 3 | National Framework for GCC | As guidance to states for promoting Global Capability Centers in emerging tier 2 cities. |
| 4 | Warehousing facility for air cargo | To facilitate upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce. |

About Karwa & Associates

Karwa & Associates is a registered partnership firm in India, recognized as an integrated professional services firm that embodies the aspirations of a rapidly evolving India. Karwa & Associates serves as a reliable business enabler and trusted partner for its clients. The firm offers a comprehensive range of services, including assurance services, taxation services, consulting services etc positioning itself as a key player in providing integrated solutions in today's dynamic business landscape.

Karwa & Associates operates independently and is not affiliated with any other entity.

This document does not constitute professional advice. The information in this document has been obtained or derived from sources believed by JKarwa & Associates to be reliable; however, Karwa & Associates does not represent that this information is accurate or complete. Any opinions or estimates contained in this document represent the judgment of Karwa & Associates at this time and are subject to change without notice. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision for which they are entirely responsible, based on the contents of this publication.

Karwa & Associates neither accepts nor assumes any responsibility or liability to any reader of this publication regarding the information contained within it or for any decisions readers may take or decide not to take.