Union Budget 2025:
Top 10 Expectations

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Corporate Tax

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1. IT Act Revamping:

Substantially revamping complex, multiple and redundant TDS provisions leading to confusion and litigation for taxpayers. Also, percentage of deduction in some cases is prohibitive – **As of now there are 71 Sections under TDS/TCS; Rates of TDS/TCS is still high inspite of rationalisation in last budget; Also there is overlap between TCS and TDS provisions.**

A complete overhaul of TDS/TCS provisions have been represented and is expected in Union Budget 2025 as a part of "Substantially revamping of Income Tax Act" as announced by FM in her last budget speech. It is expected that there may be a single comprehensive Schedule of Rates of TDS (just Like the Customs Tariff Act) with Schedule Notes.

Issuance of TDS/TCS certificates may be withdrawn for Ease of compliances, which will help more than 10 Lakh tax-deductors and Taxpayers. Ease of compliances will certainly help bring improve organised sector.

2. Presumptive Taxation:

To help conserve MSME taxpayers' resources, the turnover limit for taxation on a presumptive basis under Sections 44AD (for businesses) and 44ADA (for professionals) should be increased. U/s 44AD the limit may be increased from Rs.1 Crore to Rs.2 Crores and U/s 44ADA the limit may be increased from Rs.50 Lakhs to Rs.1 Crore.

This would help MSME taxpayers to focus on growing their business by not focussing too much into book keeping. It will also help the Govt. to collect reasonable taxes from such taxpayers who may otherwise be immaterial to assess.

3. IT Act Revamping: Scrapping of the Old Regime totally and rationalising the Income Tax slabs under the new regime

It is a fact that today under the new tax regime, Income Tax has become simpler. Further an exemption of Rs.7 Lakhs means that taxpayers have to pay NIL tax on the same level of Income where they were earlier paying tax. Hence, the Government should consider and make the new regime as the only regime as the Income Tax Act goes for a comprehensive review on 1st Feb 2025.

However, they must also consider easing out the tax rate in the new regime considering the Cost of Inflation of approx. 6% pa and the impact on the present value of money. It is thus expected that the basis exemption/ rebate be extended to Rs.9 Lakhs for putting in more money in the hands of the middle class. Further, for the established taxpayers with an income of over Rs.15 Lakhs, transition to the new scheme would involve a financial hit. It is expected that the Government would also compensate them. Hence there may be a new slab in the new regime of say Rs.15 Lakhs - Rs.18 Lakhs with a tax rate of 25%.

This would mean more disposable income in the hands of people and a push to consumption which would consequently push the GDP of the Country.

4. Standard Deduction Hike

Salaried individuals bear the biggest brunt of taxation in India. They have many expenses for the purpose of earning their salary like conveyance, travelling, relocation and mobile expenses to an extent, etc. However they get only one deduction for such expenses i.e. standard deduction. Standard deduction for salaried persons is available in new as well as old scheme.

However, in the present day continuous inflationary conditions, the current Rs 75,000 of standard deduction is too low. Salaried taxpayers are hoping that the government will increase the amount to Rs 1 lakh in the new income tax regime.

5. NPS Investments Tax Free Limit

India is a country where people have to take care of their old age by themselves. NPS is a good option for such investment and correspondingly the Government has provided the tax deduction for investment in NPS for taxpayers under the new as well as old scheme and salaried and self-employed people alike.

The tax-free limit for investments in the National Pension System (NPS) should be hiked from the present limit of Rs 50,000 to Rs.1 Lakh. It is pertinent to note that the amount is constant for last 10 years. Even if it is inflation adjusted, the amount of deduction should be doubled.

Withdrawal rules should be made more flexible so as to make withdrawal from the scheme totally tax free on attaining the age of 60 years.

6. Deduction u/s 24(b) for Interest on Home Loan to increase

Homebuyers may also benefit from higher interest deduction limits on housing loans under Section 24(b). The deduction should be allowed for the full interest paid, at least for one house, or the current limit of Rs 2 lakh should be increased to Rs 4 lakh. It is pertinent to note that the amount is constant for last 10 years. Even if it is inflation adjusted, the amount of deduction should be doubled.

7. Interest on Bank Deposits:

Interest on Bank deposits are taxable on accrual basis every year even incase the interest is not received that year, whereas the gains on shares/ securities or such other investment options are taxable only on redemption. For example, If we invest In 7%FD of Rs.10 Lakhs for 5 years, then the interest of Rs.70,000 will be offered for tax every year, although received only after 5 years. Further, no deduction would be receivable on this interest under the new regime also.

However, incase the same amount is invested in mutual funds, then the gain would be taxable only after 5 years on redemption. Further, even a Rs.1.25 Lakhs exemption would be received.

This does not create a level playing field for FD investors, who are mainly seniors.

It is expected that interest on FD would also be taxable only on the receipt of interest and also the deduction u/s 80-TTA/ TTB would be eligible for taxpayers under the new scheme.

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8. Foreign Tax Credit to be available even after Form 67 is furnished after end of AY:

As per the provisions of section 90 read with Rule 128 and Form 67, an assessee is entitled to relief of the tax paid in foreign country on the income which is also taxed in India, as per the prescribed guidelines. As per Rule 128, for claiming the tax credit under section 90, the assessee needs to file Form 67 along with the proof of payment of tax on or before the end of the assessment year relevant to the previous year in which FTC is claimed by an assessee.

In cases where the details of such foreign tax payment are available to the assessee company only after the end of the relevant assessment year, the above timeline prescribed for filing Form 67, continue to act as deterrent to claim the tax credit u/s 90 of the Act. Till now, When such FTC relief was being claimed during assessment, the assessing officers are raising objections citing non filing of such additional claim before the due date of filing the return of income & now it is said it should have been claimed before end of the AY. As a result, the assessees are being denied tax credit for no fault of theirs, since it is impossible to make such claims in the absence of requisite details, for which Indian assessees are helpless and are dependent on the tax authorities of respective foreign jurisdiction.

9. Settlement of Dispute Scheme in Customs – As per information It is understood that more than 50000 cases of Customs are pending before Supreme Court, High Court, CESTAT and Commissioner Appeals stage. Further more than 5000 cases are registered every year. All kinds of disputes are there ranging from valuation, classification, refunds, interests, penalties, remission of duties, etc. Even the judiciary is clogged and Government's revenue is also stuck in the genuine cases too.

A Settlement of Dispute Scheme in Customs is long pending now that such Schemes have been rolled out In all other tax laws. Hence it is expected that such a Scheme may see light of day in Customs too. It will help importers/ Exporters

10. Intermediaries in India:

To bring a much-needed relief for Indian intermediaries like Indian Auctioneers/ E-Auction platforms, E-Commerce platforms serving international markets, textile and other brokers serving international clients, it is expected that the Union Budget would provide a GST exemption on their services when provided to persons out of India. For Eg. Commission received by Indian agents for goods which are supplied as well as received out of India is now sought to be exempt from GST. The same is expected to be done by deleting Section 13(8)(b) of IGST Act 2017, on place of supply for intermediaries.

THANK YOU

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