

# BUDGET 2025

Summary of important  
Income Tax changes as  
proposed by Finance Bill  
2025.

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# KEY HIGHLIGHTS

## Overall Changes

- TDS on Interest to Senior Citizen's to be increased to 1 lac per annum.
- TDS threshold for rent payment to be increased from 2.40 lacs per annum to 50 thousand per month.
- TCS on liberalized scheme of remittance increased from 7 lacs to 10 lacs.
- New Direct Tax Code will be presented Next Week by the Finance Minister.
- While deducting TDS, ITR filing status of deductee is not relevant now.

## For Individuals

- Tax slabs changed. Individuals with income up-to 12 lacs can have NIL income tax. 30% tax bracket to start after 24 lacs.
- Updated ITR can be filed for 4 years instead of 2 years.
- No TCS on foreign remittance for education purposes.
- There will not be any "notional rent" for 2 vacant house properties.
- NPS contribution for NPS Vatsalya also allowed.
- Certain NSC withdrawals are made tax exempt.

## For Businesses

- The eligible startup registration for tax exemption is extended to year 2030.
- TDS deduction threshold revised for various payments like professional fees, brokerage, rent, interest etc.
- Definition of MSME changed to include bigger entities up-to Rs. 500 crore turnover.

## For NGOs

- The validity of 12A registration shall be increased from 5 years to 10 years for trusts with gross receipts below 5 crores.
- Definition of specified person amended. Now instead of 50,000 contribution, 1 lac contribution or 10 lacs in aggregate will make a donor as Specified Person for income tax purposes.

# INDIVIDUAL TAXATION

- Slab rates changed substantially.
- 30% tax bracket to start after 24 lacs of income.

## No tax up-to income of 12 lakhs?

- The rebate under section 87A is increased. Which means, if a person has income below Rs. 12 lakh, then entire income will be tax free.
- This is not applicable if there is income taxable at "special rate" such as Capital Gains.
- If a person has income more than 12 lakh, then tax is levied from income exceeding 4 lakh as per the table on right side.
- The rebate is available only if income is below 12 lakh.
- ITR Filing is mandatory.

## CHANGES IN TAX SLABS

### New Income tax slabs:

Applicable for income earned after 1st April 2025

Income Slab	Tax Rate
Up to Rs 4 lakh	NIL
Rs 4 lakh - Rs 8 lakh	5%
Rs 8 lakh - Rs 12 lakh	10%
Rs 12 lakh - Rs 16 lakh	15%
Rs 16 lakh - Rs 20 lakh	20%
Rs 20 lakh - Rs 24 lakh	25%
Above Rs 24 lakh	30%

### Existing income tax slabs:

Income Slab	Tax Rate
Up to Rs 3 lakh	NIL
Rs 3 lakh - Rs 7 lakh	5%
Rs 7 lakh - Rs 10 lakh	10%
Rs 10 lakh - Rs 12 lakh	15%
Rs 12 lakh - Rs 15 lakh	20%
Above Rs 15 lakh	30%

# INDIVIDUAL TAXATION

## ILLUSTRATION OF TAX SAVING

- Marginal Relief will continue without any changes.

Annual Income	Estimated Tax saving post 01.04.2025	Effective Tax Rate
12 Lakh	80,000	0%
16 Lakh	50,000	7.50 %
18 Lakhs	70,000	8.89 %
20 Lakhs	90,000	10.00 %
25 Lakhs	1,10,000	13.20 %
50 Lakhs	1,10,000	21.60 %

## SURCHARGE RATES ARE SAME:

Income Slab	Surcharge Rate
Up to Rs 50 Lakhs	NIL
Rs 50 lakh - Rs 1 Crore	10%
Rs 1 Crore - Rs 2 Crore	15%
Rs 2 Crore - Rs 5 Crore	25%
Above Rs 5 Crore	25%*

\*Surcharge rate under old tax regime is 37% for income exceeding Rs. 5 Crore

# INDIVIDUAL TAXATION

## OTHER CHANGES

- **Notional Rent on vacant property will not be taxable for 2 houses.**

Notional Rent income on Vacant house property was not applicable, if the house remained vacant due to business or employment.

Now, irrespective of any reason for not-staying in a house, notional Rent income will not be applicable. This is available for maximum two houses.

- **NPS vatsalya is also eligible for NPS investment.**

Deposit to NPS Vatsalya is also eligible for deduction under section 80CCD. The overall limit of Rs. 50,000 remains the same.

- **Relaxation in TCS on foreign payments.**

TCS was applicable on foreign payments in excess of Rs. 7 lakh. Now, the limit is proposed to increase to Rs.10 lakh.

TCS will not be applicable on remittance for educational purpose. Such remittance should be made out of educational loan from a financial institution as specified in section 80E

- **Withdrawal from NSC**

Withdrawal from National Saving Certificate Scheme are exempt for deposits made before 01.04.1992

# UPDATED ITR

## PAST 4 YEARS ITR CAN BE FILED

- The updated ITR can be filed only if there is increase in tax liability.
- Updated ITR cannot be filed where there is increase in refund amount or reduction of tax liability.
- NIL updated ITR cannot be filed.

At present updated ITR can be filed for upto 2 years. Now updated ITR will be available for filing for 4 years from the end of relevant assessment year.

Additional income tax payable will be as follows:

Updated ITR filed	Additional Income Tax
within 12 months *	25% #
Within 12 to 24 months	50%
Within 24 to 36 months	60%
Within 36 to 48 months	70%

\*from end of relevant assessment year

# Percent of aggregate income tax and interest.

# CHARITABLE TRUSTS

## 12A REGISTRATION VALIDITY

- Increased validity of 12A registration for Small Trusts.

At present every 12A registered trusts needs to renew its 12A registration every 5 years.

Now, the budget has proposed that small trusts - means trusts with annual receipts lesser than 5 crore - will require to renew their 12A registration every 10 years instead of 5 years.

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- Change in definition of Specified Person based on Size of donations.

At present, any person donating more than 50 thousand a year is treated as “Specified Person” for section 13.

Now, the budget has proposed to increase the above limit of 50 thousand to 1 lakh. Also, additional provision is inserted whereby, a person donating more than 10 lakh over several years will be treated as “Specified Person”

# TDS PROVISIONS

## CHANGES IN THRESHOLD

From 1st April 2025, the following changes are proposed in threshold limits for TDS :

TDS for	Current Threshold	Proposed changes
193 : Interest on Securities	Nil	Rs. 10,000
194A: Interest from bank, cooperative society, post office	50,000 for senior citizens & 40,000 for others	1,00,000 for senior citizens & 50,000 for others
194A: Interest from others	Rs. 5,000	Rs. 10,000
194 - Dividend	Rs. 5,000	Rs. 10,000
194K - Income in respect of Units of Mutual Fund etc	Rs. 5,000	Rs. 10,000
194B & 194BB - Winning from lottery, crossword puzzles, horse races etc	10,000 per year	10,000 per transaction
194D - Insurance commission	Rs. 15,000	Rs. 20,000
194G - Commission on Lottery ticket, prize etc	Rs. 15,000	Rs. 20,000
194H - Commission or Brokerage	Rs. 15,000	Rs. 20,000
194I - Rent	Rs. 2,40,000	Rs. 50,000 per month
194 J - Fee for professional service	Rs. 30,000	Rs. 50,000
194 LA - Income by way of enhanced compensation	2,50,000	5,00,000



- **Provision for Higher rate of TDS removed for Non-Filer of ITR**

Section 206AB required to deduct higher TDS if the deductee was non-filer of ITR. For this purpose the deductor was required to obtain tax filing proof from deductee.

The provision is removed. Therefore previous year's ITR filing status need not be verified at the time of deducting TDS.

Now higher TDS will apply only in case of "PAN not available" cases.

# START-UP & MSME

## Extension of time line for start up registration

At present eligible startup can claim tax benefit if they are registered before 1st April 2025.

Now the benefits of Section 80-IAC will be available for startup registration before 1st April 2030. Thus there is extension of 5 years.

## MSME Classification

The investment limits for businesses to classify as MSME is increased by 2.5 times. Similarly the Turnover criteria is increased by 2 times as under:

Category	Investment		Turnover	
	Current	Revised	Current	Revised
Micro Enterprises	1 Crore	2.5 Crore	5 Crore	10 Crore
Small Enterprises	10 Crore	25 Crore	50 Crore	100 Crore
Medium Enterprises	50 Crore	125 Crore	250 Crore	500 Crore

# THANK YOU

## Disclaimer:

This document is summary of important income tax changes proposed in budget 2025. For understanding purpose, we have provided our remarks which are of general statements and should not be construed as a professional judgement. In case you require more reading or discussion please feel free to reach us through email at: [paresh@pareshsarda.com](mailto:paresh@pareshsarda.com).