KPMG

India Union Budget 2025-26

Point of view

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Key announcements for the sector

- New IT Bill to be introduced in the cabinet

  The finance minister has announced in her budget speech a plan to introduce a new income tax bill in the coming weeks. The new income-tax bill will carry forward the spirit of “Nyaya” and will be simplified and shortened. This would simplify the understanding of the law for taxpayers and tax administration, leading to good governance, tax certainty and reduced litigation.

- Change in the income slabs – Applicable to the New Tax Regime

Taxable Income (in INR)	Existing rates (%)
Up to 3,00,000	Nil
3,00,001 - 7,00,000	5
7,00,001 - 10,00,000	10
10,00,001 - 12,00,000	15
12,00,001 - 15,00,000	20
Above 15,00,000	30

Taxable Income (in INR)	Proposed rates (%)
Up to 4,00,000	Nil
4,00,001 - 8,00,000	5
8,00,001 - 12,00,000	10
12,00,001 - 16,00,000	15
16,00,001 - 20,00,000	20
20,00,001 - 24,00,000	25
Above 24,00,000	30

- Income threshold for rebate increased

  Income threshold for rebate made under the proposed income slab of the new tax regime enhanced from INR 7 lakhs to INR 12 lakhs (excluding income taxable at special rates e.g. capital gains u/s 111A, 112 of the Income-tax Act, 1961 etc.)

- Rationalization of TDS provisions

  The Finance Bill, 2025 has proposed rationalization, uniformity and reduction in TDS rates which will result into ease of doing business and lower compliance requirement. These rationalizations have been carried out by increasing the threshold limit by almost double on TDS required to be deducted under section 193, 194, 194A, 194B, 194BB, 194D, 194G, 194H, 194-I, 194J, 194K and 194LA of the Income-tax Act, 1961 (‘Act’). This amendment will take into effect from 1st April 2025.

- Removal of TCS provisions on purchase of goods by buyer

  Section 206C(1H) of the Act requires any person being a seller who receives consideration for sale of any goods (including shares) of the value or aggregate of value exceeding INR 50 lakhs in any previous year, to collect tax from the buyer at the rate of 0.1% of the sale consideration exceeding INR 50 lakhs.

  Further, section 194Q of the Act, requires any person being a buyer, to deduct tax at the rate of 0.1%, on payment made to a resident seller, for the purchase of any goods of the value or aggregate of value exceeding fifty lakh rupees in any previous year. The provision of section 206C(1H) of the Act does not apply where the buyer has deducted TDS u/s 194Q of the Act.

  However, many times, the seller and the buyer both collect and deduct respectively which results in double deposit of taxes with the government on the same transaction. The amendment will take into effect from 1st April 2025.

- Amendment of TCS provisions pertaining to remittance made under LRS

  Under section 206C(1G) of the Act, authorized dealers to collect taxes on remittances made under the LRS where the amount is more than INR 10 lacs in a Financial Year, erstwhile limit being INR 7 lakhs. Further, where the remittance is on account of educational loan taken from a financial institution, TCS is not required to be collected.

  Similar threshold shall apply to a seller of an overseas tour package. The amendment will take into effect from 1st April 2025

- Carry forward of losses in case of amalgamation or business reorganization

  Amendment to provisions related to carry forward of losses in case of amalgamation or business reorganization of entities providing for availability of fresh lease of 8 years only in the case of amalgamation taking effect prior to 1 April 2025.

- Committee for Regulatory Reforms

  A high-level committee for regulatory reforms to be set up for review of all non-financial sector regulations, certifications, licenses, and permissions.

- Extension of tax benefit timelines for startups

  Section 80-IAC of the Act, provide for a deduction of an amount equal to 100% of the profits and gains derived from an eligible business by an eligible start-up for 3 consecutive assessment years out of 10 years, beginning from the year of incorporation, at the option of the assessee subject to certain conditions.

  The Finance Bill 2025 has proposed to extend incorporation date of the eligible start-up to 1st April 2030. The amendment will take into effect from 1st April 2025

- Simplification of annual value of Self Occupied Properties

  Section 23(2) of the Act provides that where house property is in the occupation of the owner for the purposes of his / her residence or owner cannot occupy it due to his / her employment, business or profession carried on at any other place, in such cases, the annual value of such house property shall be taken to be nil.

  The same has been simplified to provide that the annual value of the property consisting of a house or any part thereof shall be taken as nil, if the owner occupies it for his own residence or cannot actually occupy it due to any reason. This benefit shall continue to apply in respect of 2 of such houses as earlier. This amendment shall be retrospectively applicable from 1st April 2024.

- Extension of sunset clause of several tax provision provided to IFSC

  The Finance Bill, 2025 has proposed extension of sunset clauses of various provisions pertaining to IFSC and relocation of funds to IFSC. This extension of sunset clauses has been extended to 31st March 2030.

- Capital gains and dividend exemption extended to ship leasing units in IFSC

  Currently, the Act provides exemption to non-residents or unit of IFSC engaged in aircraft leasing on capital gains tax on transfer of equity shares of domestic companies being units of IFSC, engaged in aircraft leasing and dividend paid by a company being a unit of IFSC engaged in aircraft leasing, to a unit of IFSC engaged in aircraft leasing. The Finance Bill, 2025 has proposed to extend the same to ship leasing units in IFSC. The amendment will take into effect from 1st April 2025

- Other relevant proposals
  - Introduction of presumptive taxation regime for non-resident providing services to electronics manufacturing facility which deems 25% of the aggregate amount received / receivable as profits and gains of such non-resident from such business.
  - Increase in the period of registration of trusts and institutions (total income without giving effect to beneficial sections does not exceed INR 5 crores during each of the 2 previous years, preceding the previous year in which application for registration is made) from 5 years to 10 years.

The proposals made in the Finance Bill, 2025 support private investment, and introduces tax reforms, including higher exemptions. The focus is more on boosting consumption and promoting exports, while maintaining fiscal prudence.

The bill is aimed at providing clarity for high-net-worth individuals by refining capital gains tax structures on alternative investments, impacting the tax efficiency of family offices investing in private equity and venture capital. Further, the finance minister also mentioned that there shall be a high-level committee for regulatory reforms to be set up for review of all non-financial sector regulations, certifications, licenses, and permissions.

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