

BAK COMPASS

AUDIT, TAX & REGULATORY ROUND UP

TDS/TCS
THRESHOLD LIMITS
REVAMPED

NO INCOME
TAX UP TO
₹12 LAKHS

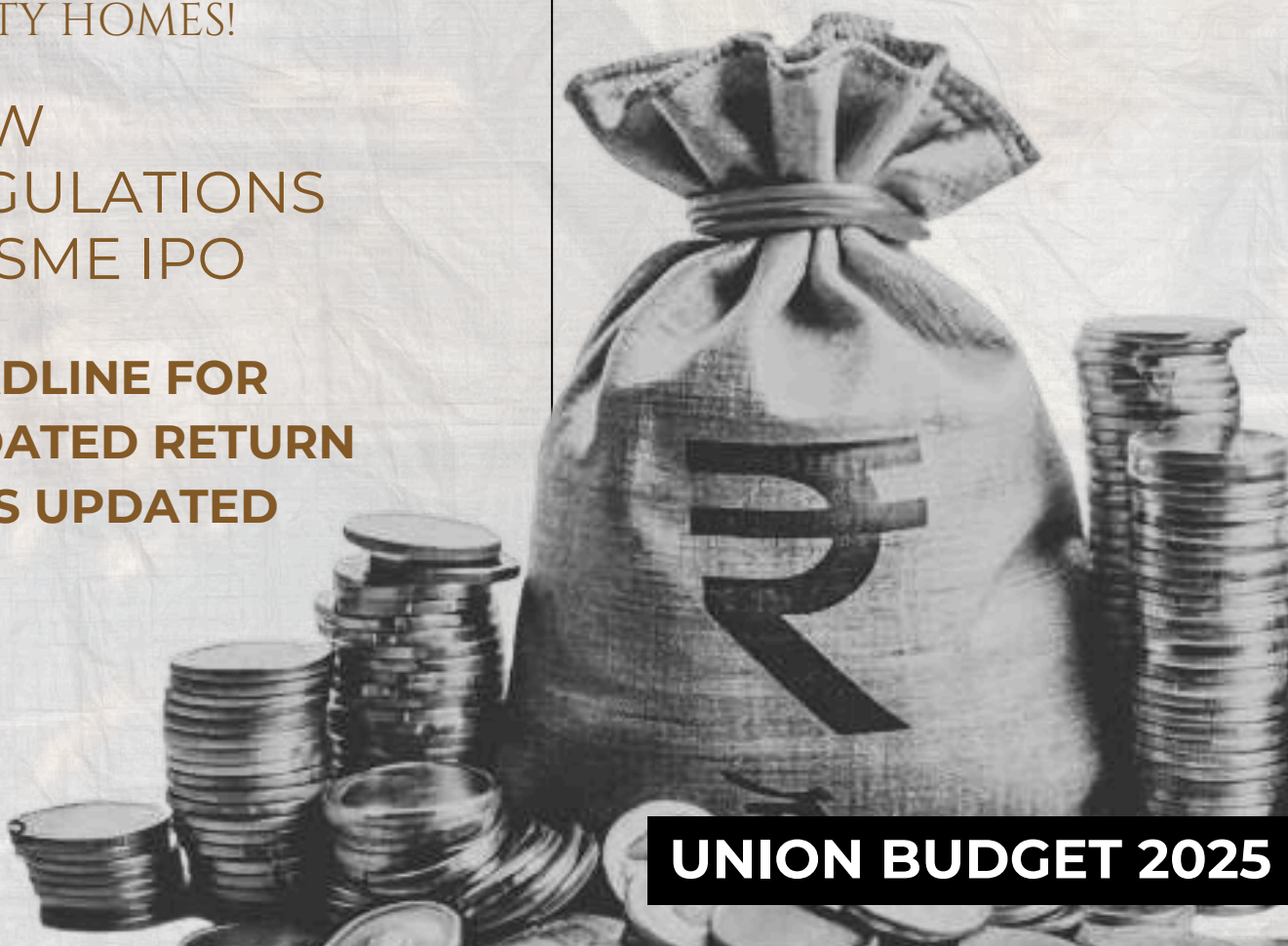
"THE SPIDER'S TALE":
NO MORE TAXES ON
EMPTY HOMES!

NEW
REGULATIONS
TO SME IPO

DEADLINE FOR
UPDATED RETURN
GETS UPDATED

VOLUME
01

UNION BUDGET 2025



Nutshell:

On February 1, 2025, Hon'ble Finance Minister Smt. Nirmala Sitharaman made her eighth consecutive Union Budget-a bold blueprint for India's economic transformation. With a laser-sharp focus on empowering the middle class, the backbone of the nation, the budget unveiled a series of reforms designed to reshape the financial landscape while balancing growth and fiscal discipline. The star of the show? A game-changing tax overhaul aimed at slashing the tax burden for the middle class. By putting more money back into the hands of citizens, the Government aims to fuel consumption, boost savings, and spur investments, creating a ripple effect across the economy. The fiscal deficit for the financial year 2025-26 is projected at a disciplined 4.4% of GDP, showcasing a strategic balance between growth and fiscal consolidation.

Personal Tax Reform: Is the Old Regime on Its Last Leg?

In an effort to untangle the complex web of deductions and simplify tax compliance for individual and HUF taxpayers, the Government of India introduced the New Personal Tax Regime (Alternative Tax Regime) under Section 115BAC of the Income Tax Act, effective from financial year 2020-21. This regime promised lower tax rates but came with a significant trade-off i.e., taxpayers had to relinquish most popular deductions and exemptions.



Recognizing the need for reform, the Government has been steadily revamping the New Personal Tax Regime to enhance its appeal. Over the years, successive amendments in the Finance Acts of 2023, 2024 and now in the Finance Bill 2025 have aimed to make the new system more taxpayer-friendly. Meanwhile, the old tax regime has remained largely unchanged over the past few years, with no significant amendments to enhance its appeal. This signals a gradual phasing out, hinting at a possible sunset for the traditional taxation framework.

Personal Taxation Under the Lens:

The budget has fundamentally restructured the income tax slabs under the new tax regime, bringing notable benefits for small and middle-class taxpayers. Here's a comprehensive comparison of the pre and post-budget income slabs.



Income Tax Slabs (Pre- Budget)	Income Tax Slabs (Post- Budget)	Rate(%)
Upto Rs.3,00,000	Upto Rs.4,00,000	Nil
Rs.3,00,001 to Rs.6,00,000	Rs.4,00,001 to Rs.8,00,000	5
Rs.6,00,001 to Rs.9,00,000	Rs.8,00,001 to Rs.12,00,000	10
Rs.9,00,001 to Rs.12,00,000	Rs.12,00,001 to Rs.16,00,000	15
Rs.12,00,001 to Rs.15,00,000	Rs.16,00,001 to Rs.20,00,000	20
-	Rs.20,00,001 to Rs.24,00,000	25
Above Rs.15,00,000	Above Rs.24,00,000	30

No Income Tax for Earnings Up to ₹12 Lakhs: Big Tax Relief for Middle Class

In a landmark move, the Finance Bill 2025 has introduced a revolutionary change for taxpayers opting for the new personal tax regime starting financial year 2025-26. Individuals with an annual income of up to Rs.12 lakhs (Rs.12.75 lakhs for salaried individuals, including Rs. 75,000 as standard deduction on salary income) will no longer be required to pay any income tax. This significant relief comes after claiming the rebate of up to ₹60,000 under Section 87A of the Income Tax Act. It is to be particularly noted that this rebate is only applicable to incomes taxed at normal rates, not special rate incomes.

"The Spider's Tale": No More Taxes on Empty Homes!

For years, a small spider lived undisturbed in an empty house, weaving its web in peace. Though no one lived there, the government still treated the house as if it were generating rental income, forcing the spider-man (houseowner) to pay tax on notional rent. The spider, in its own way, felt important—after all, it had a home that was valued, even if only on paper. But with Budget 2025, everything changed. The house was now just an empty space, unnoticed by the government. The spider sensed that it was no longer part of anything important. Meanwhile, the houseowner, relieved of the tax burden, smiled at his newfound freedom. Why?

In a significant move aimed at easing the tax burden on homeowners, the Budget 2025 introduces a key amendment to Section 23 of the Income Tax Act, 1961. Under the new provision, taxpayers can now claim Nil valuation for two self-occupied properties.

Under the current provisions of Section 23(2) of the Income Tax Act, 1961, the annual value of a self-occupied property (SOP) is considered Nil if the owner uses it for their residence or cannot occupy it due to employment, business or profession elsewhere. The Budget 2025 proposes a significant amendment to Section 23(2) to simplify the provisions. The annual value of a house property (or part thereof) will now be deemed Nil if the owner occupies it for their residence or is unable to occupy it due to any reason. This change broadens the scope of the provision, making it more taxpayer-friendly.

This amendment will take effect from 1st April 2025.



Deadline for Updated Return gets Updated

The deadline for filing an updated income tax return under Section 139(8A) is proposed to be extended from 24 months to 48 months from the end of the relevant assessment year. The additional income tax payable for filing an updated return is structured as follows:

- Within 12 months – 25% of the aggregate of additional tax and interest
- After 12 to 24 months – 50% of the aggregate of additional tax and interest
- After 24 to 36 months – 60% of the aggregate of additional tax and interest
- After 36 to 48 months – 70% of the aggregate of additional tax and interest

Marginal Relief: A true lifeline

When a taxpayer's income slightly exceeds the rebate threshold (Rs.12,00,000), they risk losing the entire benefit of the rebate, leading to a higher tax liability. This issue was addressed and resolved in the Finance Act 2023 through the provision of Marginal Relief.

If an individual's taxable income is Rs.12,10,000, their tax liability would normally be Rs.61,500. However, with Marginal Relief, they only pay Rs.10,000. The rule is straightforward: if the tax on income above Rs.12,00,000 exceeds the additional income earned, the taxpayer pays the lower amount.

Other key budget updates

Registration validity for trusts/institutions with income below ₹5 crores (before exemptions under Sections 11 and 12) to be increased from 5 years to 10 years.

No more carry forward of losses for fresh 8 years in amalgamation

TCS under Section 206C(1G) to be exempted for foreign remittances from education loans under Section 80E(3)(b).

TCS threshold under Section 206C(1G) for LRS & overseas tour packages from ₹7 lakh to ₹10 lakh.

TDS/TCS Thresholds Revamped

To enhance ease of doing business and improve taxpayer compliance, the Finance Bill 2025 proposes significant changes to TDS/TCS rates and thresholds. These amendments aim to reduce compliance burdens and streamline tax deductions. Below are the key updates:

Section	Nature of income	Current Threshold	Proposed Threshold
193	Interest on securities	Nil	Rs.10,000
	Interest payable to resident individual/HUF on any debenture issued by public company	Rs.5,000	Rs.10,000
194	Dividend	Rs.5,000	Rs.10,000
194A	Interest other than interest on securities	<ul style="list-style-type: none"> Rs.50,000 for senior citizen Rs.40,000 in case of others when payer is bank, cooperative society and post office Rs.5,000 in other cases 	<ul style="list-style-type: none"> Rs.1,00,000 for senior citizen Rs.50,000 in case of others when payer is bank, cooperative society and post office Rs.10,000 in other cases
194B	Winning from lotteries, crossword puzzles, gambling, betting, etc. (except online games)	Aggregate of amounts exceeding Rs.10,000 during the financial year	Rs.10,000 in respect of a single transaction
194D	Insurance Commission	Rs.15,000	Rs.20,000
194G	Commission and other payments on sale of lottery tickets	Rs.15,000	Rs.20,000
194H	Commission and brokerage	Rs.15,000	Rs.20,000
194-I	Rent	Rs.2,40,000 during the financial year	Rs.50,000 per month or part of a month
194J	Royalty and fees for professional or technical services	Rs.30,000	Rs.50,000
194-K	Income in respect of units of mutual fund	Rs.5,000	Rs.10,000
194LA	Compensation on account of compulsory acquisition of an immovable property (other than agriculture land)	Rs.2,50,000	Rs.5,00,000

As per Section 206C(1H) of the Income Tax Act, 1961, Tax Collected at Source (TCS) on the sale of goods is applicable when a seller with turnover exceeding Rs.10 crore in the previous financial year receives consideration of Rs.50 lakh or more from a buyer in a financial year. The applicable TCS rate is 0.1% on the amount exceeding Rs.50 lakh, which increases to 1% if the buyer does not furnish PAN/Aadhaar. However, as per the Union Budget 2025, the TCS provisions under Section 206C(1H) on the sale of goods are proposed to be withdrawn with effect from April 1, 2025. Additionally, Section 194Q has been amended to remove the reference to Section 206C(1H), thereby simplifying the tax collection and deduction framework.



REGULATORY UPDATE:

SEBI Introduces New Regulations to Strengthen SME Listing Framework

The Securities and Exchange Board of India (SEBI) has introduced new regulations for Small and Medium Enterprises (SMEs) listing on stock exchanges. Announced after SEBI's 208th meeting on December 18, 2024, these regulations are designed to ensure that only SMEs with a strong track record can raise public funds.

Key Provisions:

- **Operating Profit Requirement:** SMEs must have an operating profit of at least ₹1 crore in two out of three previous financial years to be eligible for an Initial Public Offering (IPO).
- **Offer for Sale (OFS) Limit:** Selling shareholders in SME IPOs cannot sell more than 20% of the total issue size, and cannot offload more than 50% of their holding.
- **General Corporate Purpose (GCP) Cap:** The amount allocated for GCP in SME IPOs is capped at 15% of the amount being raised or ₹10 crores, whichever is lower.
- **Public Comment Period:** The Draft Red Herring Prospectus (DRHP) of SME IPOs will be made available for 21 days for public comments, with a public announcement in newspapers and a QR code.

OTHER BUDGETARY CHANGES (CONTINUED)

Start up Incorporation Extended till 2030

The government has proposed to extend the period of incorporation of eligible start ups by five more years for providing tax incentives. Eligible start ups were allowed a deduction of 100% of their profits and gains for any three consecutive years within their first ten years of incorporation, provided their annual turnover remains below Rs.100 crores. Previously, this benefit was limited to start ups established between April 1, 2016 and April 1, 2025. The proposed change extends the eligibility window to April 1, 2030.

Transforming India's MSME Landscape: New Classification Criteria and Financial Initiatives

According to the Finance Minister's remarks, over 1 crore registered MSMEs currently employ approximately 7.5 crore people, contribute 36% to India's manufacturing output and account for 45% of the country's exports. To further empower this vital sector and enable higher efficiencies of scale and technological upgradation, the government has proposed an upward revision of the classification thresholds. The enhancements are as follows (all figures in Rs.):



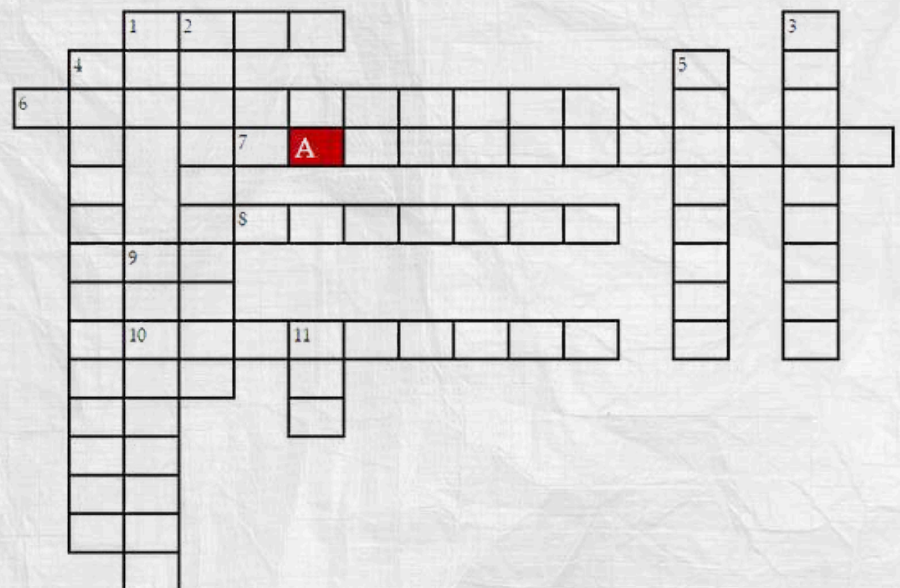
Category	Investment Ceiling (Pre-Budget 2025)	Investment Ceiling (Proposed Budget 2025)	Turnover Ceiling (Pre-Budget 2025)	Turnover Ceiling (Proposed Budget 2025)
Micro	≤ 1 crore	≤ 2.5 crore	≤ 5 crore	≤ 10 crore
Small	≤ 10 crore	≤ 25 crore	≤ 50 crore	≤ 100 crore
Medium	≤ 50 crore	≤ 125 crore	≤ 250 crore	≤ 500 crore

Across

- Which Act (abbreviated) has the long title "An Act to consolidate and amend the law relating to foreign exchange with the objective of facilitating the external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India"? (4)
- Which country is hosting G20 in 2025? (11)
- Name of the current Comptroller and Auditor General of India. (12)
- The form used for a Tax Deducted at Source (TDS) certificate (other than salary). (7)
- World's top multinational investment company founded in 1988. (9)

Down

- In XBRL, what does 'X' stand for? (10)
- An audit sampling method where an auditor picks items without a structured technique. (9)
- _____ Forum released the report 'Blueprint to Close the Women's Health Gap'? (13)
- Taxpayers engaged in international or specified domestic transactions must submit _____, certified by a Chartered Accountant. (8)
- Banking _____ is the name of the RBI body created to address and resolve customer grievances. (9)
- Which regulatory body monitors competition in Indian markets? (3)



ABOUT US

BABU A. KALLIVAYALIL & Co.
 CHARTERED ACCOUNTANTS

SERVICES WE OFFER

Audit and inspection	Information systems audit and consultancy
Corporate planning	Forensic accounting and fraud prevention
Management advisory services	Insolvency and bankruptcy resolution
Project evaluation and related services	Business valuation
Revival and rehabilitation studies	Enterprise risk management
Investment consultancy and services	RERA consultancy
Financial consultancy and feasibility studies	Tax planning and consultancy
Asset restructuring and valuation services	Designing of accounting systems and manuals
Company incorporation and related services.	Personnel selection
Designing and implementation of financial and management information systems	Foreign exchange management consultancy

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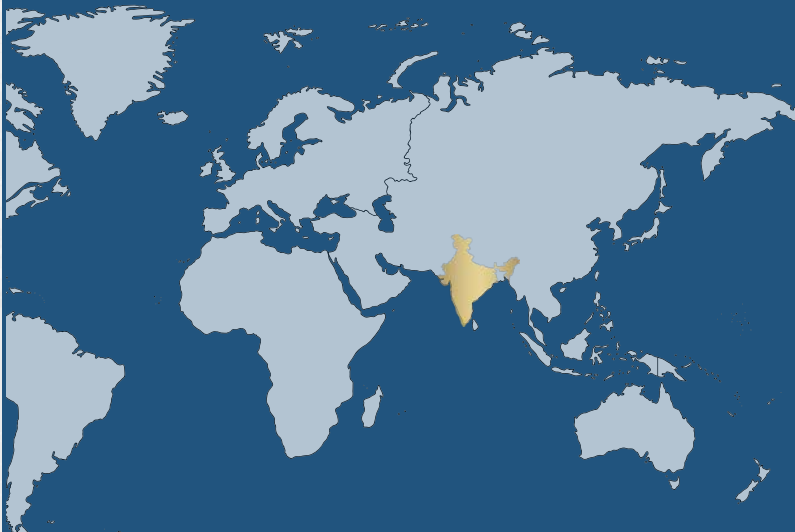
CHARTERED
ACCOUNTANTS

56

OTHER AUDIT STAFF
(INCLUDING ARTICLED
ASSISTANTS)

78

TOTAL TEAM
STRENGTH



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