

TAX EDGE

**YOUR MONTHLY GUIDE TO STAYING
AHEAD**

MARCH 2025

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Changes in Tax Laws Effective from 01/04/2025

CHANGES APPLICABLE TO PARTNERSHIP FIRM / LLP

a. Changes in Remuneration as per sec 40b

Up to FY 24-25	From FY 25-26
<ul style="list-style-type: none"> On first 3 lakhs of Book profit (or in case of loss) – Rs 1,50,000 or 90% of book profit On remaining book profit – 60% 	<ul style="list-style-type: none"> On first 6 lakhs of Book profit (or in case of loss) – Rs 3,00,000 or 90% of book profit On remaining book profit – 60%

b. Applicable TDS on Payments to Partners

Sec	Deductor	Deductee	Threshold Limit	TDS Rate	Important note
194T	Partnership firms , LLP (Irrespective of Turnover)	Partners	Any payment exceeding Rs 20,000	10%	Payment includes Salary/ Remuneration, Commission, Bonus, Interest on Capital/Loan

Changes in TDS Effective from 01/04/2025

Sno	Section	Current threshold upto 31/3/25	Proposed threshold with effect from 1/4/2025	TDS Rate
1	193 - Interest on securities	Nil	Rs. 10,000/-	10%
2	194A - Interest other than interest on securities	<ul style="list-style-type: none"> Rs. 50,000/- for senior citizens Rs. 2,40,000/- in case of others when payer is cooperative society and post office Rs. 5,000/- incase of others 	<ul style="list-style-type: none"> Rs. 1,00,000/- for senior citizens Rs. 50,000/- in case of others when payer is cooperative society and post office Rs. 10,000/- incase of others 	10%
3.	194 - Dividend for individual shareholders	Rs. 5,000/-	Rs. 10,000/-	10%

Sno	Section	Current threshold upto 31/3/25	Proposed threshold with effect from 1/4/2025	TDS Rate
4	194K- Income in respect of units of mutual funds or specified company or undertaking	Rs 5,000/-	Rs. 10,000/-	10%
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			
7	194D Insurance commission	Rs.15,000/-	Rs. 20,000/-	5%

Sno	Section	Current threshold upto 31/3/25	Proposed threshold with effect from 1/4/2025	TDS Rate
8	194G - Income by way of commission, prize etc. on lottery tickets	Rs.15,000/-	Rs.20,000/-	5%
9	194H - Commission or brokerage			
10	194 I Rent	Rs.2,40,000/- during the financial year	Rs.50,000/- per month or part of a month	<ul style="list-style-type: none"> • 2% -Plant & Machinery • 10%- Furniture & Fittings

Sno	Section	Current threshold upto 31/3/25	Proposed threshold with effect from 1/4/2025	TDS Rate
11	194J - Fee for professional or technical services	Rs. 30,000 /-	Rs. 50,000 /-	<ul style="list-style-type: none"> • 2% -Fee for Technical Service, Royalty paid for Cinematographic films • 10 %- Any other fees for Professional Services
12	194LA - Income by way of enhanced compensation	Rs. 2,50,000 /-	Rs. 5,00,000 /-	10%

No Deduction / Lower Deduction Tax Certificate

- **Form 15G**
- **Form 15H**
- **Form 13**

What is FORM 15G/H ?

Form 15G and Form 15H are self-declaration forms that individuals submit to prevent Tax Deduction at Source (TDS) on interest income when their total income is below the taxable limit.

What is FORM 13 ?

Form 13 is used to apply for a Nil/Lower Deduction Certificate under Section 197 of the Income Tax Act, 1961. This certificate helps individuals and entities reduce or eliminate TDS (Tax Deducted at Source) if their actual tax liability is lower than the standard TDS rate

Who can apply ?

- **Form 15G:** Individuals below 60 years of age and Hindu Undivided Families (HUFs) whose total income is below the taxable limit.
- **Form 15H:** Senior citizens (60 years and above) whose TAX Liability is NIL (Even after availing rebate u/s 87A)

Why Form 15G/H or Form 13 Should Be Filed Before April 1st :

- **Avoid Unwanted TDS Deductions** — Submitting early ensures banks or payers don't deduct tax unnecessarily.
- **Improved Cash Flow** — No waiting for refunds; you keep your money in hand right from the start.
- **Hassle-Free Financial Planning** — Start the year with smooth, tax-optimized income.

Difference between Form 13 and Form 15G/H

Feature	Form 13 (Lower/Nil TDS Certificate)	Form 15G (For Individuals & HUFs)	Form 15H (For Senior Citizens)
Purpose	To apply for Nil or Lower TDS deduction under Section 197	To prevent TDS deduction on interest income when taxable income is below the exemption limit	To prevent TDS deduction on interest income when total tax liability is nil
Applicable To	Individuals, HUFs, Businesses, NRIs, Companies	Individuals & HUFs below 60 years	Senior Citizens (60 years & above)
Eligibility	Expected tax liability is lower than normal TDS rates (based on deductions, exemptions, or losses)	Total income is below the basic exemption limit (₹2.5 lakh for FY 2023-24)	Tax payable is NIL after deductions
Sections Covered	Section 197 (Lower/Nil TDS Deduction)	Section 197A(1), 197A(1A)	Section 197A(1C)

Where It Applies	Salaries, interest, rent, contracts, professional fees, dividends, and capital gains	Interest income (Fixed Deposits, RDs, etc.)	Interest income (Fixed Deposits, RDs, etc.)
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Changes in Trust Registration

Aspect	Before Amendment	After Amendment (Effective April 1, 2025)
Registration Validity (Section 12AB)	5 years for all trusts, regardless of size	10 years for trusts with total income \leq ₹5 crores (before exemptions under Sections 11 & 12) in the two preceding years.

Aspect	Before Amendment	After Amendment (Effective April 1, 2025)
Eligibility for 10-Year Registration	Not applicable (all trusts required renewal every 5 years)	Only existing trusts renewing their registration are eligible; new trusts after commencing activities are not.
Provisional Registration	New trusts get provisional registration for 3 years	No change
Section 80G Approval (Donor Tax Deduction)	Valid for 5 years, requiring separate renewal from 12AB registration	No change – 80G approvals still require renewal every 5 years
Renewal System	Uniform renewal system for all trusts	Smaller trusts with income ≤ ₹5 crores get relief, but procedural compliance remains same

Surrender of PAN

What are the circumstances under which an assesses needs to surrender his PAN:

- If an individual has been issued two PAN cards by mistake, one must be canceled.
- Family members can request the cancellation of a deceased individual's PAN card.
- An individual permanently relocating abroad may apply for PAN cancellation.
- Authorized representatives can apply for PAN cancellation in case of a company, LLP, or partnership firm dissolution.
- A PAN card containing errors can be corrected or canceled upon request.

Steps to Surrender PAN:

1. Through PAN Surrender Letter – Offline

- Obtain the 'Request for a New PAN Card Or/and PAN Card Correction' form from a PAN service center
- You can also download the same from the Income Tax Portal.
- Fill out the form with the required details, ensuring that the PAN to be surrendered is entered in item number 11.
- Submit the filled-out form at the nearest PAN center along with the following documents:
 - Proof of identity
 - Proof of date of birth
 - Proof of address
 - PAN card to be surrendereds

2. Through NSDL Website

- Go to NSDL Website
- Open the link and choose 'Changes or Correction in Existing PAN Data / Reprint of PAN Card' from the 'Select PAN Application Type' dropdown menu.
- Select the appropriate category from the 'Category' dropdown list.
- Fill in the required details and proceed to the next step to initiate the PAN surrender process.

Trust Registration

Permanent Registration for Trust - Form 10AB

1. Two types of Registration for Trust:

- Under the Income Tax Act, 1961, a trust is required to obtain one of two types of registrations either at the time of formation or after its establishment.
- Earlier, trusts were granted a single lifetime registration upon one-time registration.
- Trusts or institutions seeking registration under Section 12AB must file Form 10A with the Principal Commissioner or Commissioner.

2. Provisional Registration – Form 10A:

- To apply for provisional registration for the first time, Form No. 10A must be duly filed.
- For newly established trusts seeking fresh registration, the application for provisional registration must be submitted at least one month before the beginning of the previous year in which charitable activities are set to commence.
- Existing trusts or institutions applying for registration under Section 12AB will initially receive a provisional registration.
- Provisional registration is granted for a period of three years.

3. Permanent Registration – Form 10AB:

- Trusts or institutions with provisional registration must apply for permanent registration by submitting Form No. 10AB.
- The application must be filed at least six months before the provisional registration expires or within six months of starting charitable activities, whichever occurs first.
- Once granted, the permanent registration remains valid for five years.

HRA Claims under Scrutiny for Missing TDS Deductions: Income Tax Notices

Many salaried individuals claim House Rent Allowance (HRA) to save tax, but not everyone follows the tax rules correctly. The Income Tax Department has started sending notices to those who claimed HRA but did not deduct Tax Deducted at Source (TDS) on rent payments in previous financial years.

TDS Rules for HRA Claims

- If you have claimed HRA but didn't deduct TDS on rent, the tax Department may invalidate your claim.
- The tenants must deduct 2 per cent TDS on rent exceeding Rs 50,000 per month under section 194 IB if the landlord is a resident Indian.
- However, if the landlord is a non-resident, then the TDS rate is much higher at 31.2 per cent under section 195 of the Act.
- The TDS payment and return filing must be done via Form 26QC, and it must be filed within 30 days of the end of the month in which the rent was paid.
- Tenant must provide a TDS credit certificate in Form 16C to the landlord within 15 days of filing Form 26QC.

Penalties for Non-Compliance

- **Failure to deduct TDS:** Results in 1% interest per month on the unpaid TDS amount.
- **Failure to deposit deducted TDS:** Results in 1.5% interest per month on the overdue TDS.
- **Late filing fee:** Rs 200 per day until the e-TDS return (Form 26QC) is filed.

Steps to follow:

- Maintain accurate rental agreements and receipts as supporting documents.
- Ensure HRA claims comply with Income Tax Act Limits.
- File Form 26QC by 31st March 2026 if rent exceeds Rs. 50,000.

IT CIRCULARS AND NOTIFICATIONS

Circular No	Subject
01/2025 (dated 21st January 2025)	Explains how the Principal Purpose Test (PPT) under India's Double Taxation Avoidance Agreements (DTAAs) should be applied
02/2025 (dated 18th February 2025)	The due date for filing Form No. 56F (report of accountant) under Section 10AA(8) read with Section 10A(5) of the Income Tax Act, 1961 has been extended.
04/2025 (dated 17th March 2025)	FAQs on revised guidelines for Compounding of Offences under the Income Tax Act, 1961

Circular No 1 : How the Principal Purpose Test (PPT) under India's Double Taxation Avoidance Agreements (DTAAs) should be applied

What is PPT?

The PPT is a rule under the Multilateral Instrument (MLI) that prevents treaty abuse. If a taxpayer enters into an arrangement with the main purpose of taking tax benefit under a DTAA (rather than for genuine commercial purposes), then that benefit can be denied.

How PPT is applied ?

1. It is based on an objective assessment of facts and circumstances.
2. The tax officer can deny treaty benefits if it seems one of the main reasons for the arrangement was to obtain tax benefits.

However, if the taxpayer can prove that the benefit was in line with the object and purpose of the treaty, the benefit may still be allowed.

Period of application:

- The PPT will be applied prospectively, not retrospectively.
- For DTAAs where PPT is incorporated via bilateral processes (like with Chile, Iran, Hong Kong), it applies from the date the amendment/protocol came into effect.
- For DTAAs modified by the MLI, it applies from the date the MLI became effective for that specific treaty.
- For India, MLI became effective from 1st October 2019, but the date also depends on the other country involved.

Grandfathering provisions not impacted:

Certain treaties (with Cyprus, Mauritius, Singapore) have grandfathering provisions — meaning past investments are protected under old rules.

The circular clarifies that these grandfathering provisions will not be overridden by the PPT.

Additional Guidance:

Tax officers can refer to the BEPS Action Plan 6 Final Report and the UN Model Tax Convention Commentary (2021) for additional clarification when applying PPT

Circular No 2 : The due date for filing Form No. 56F (report of accountant) under Section 10AA(8) read with Section 10A(5) of the Income Tax Act, 1961 has been extended

What is Form No. 56F?

Form No. 56F is a prescribed report under the Income Tax Act, 1961, which is required to be filed by an assessee claiming a deduction under:

- It is a report of a Chartered Accountant certifying that the eligible unit has complied with all conditions and has correctly computed the deduction under Section 10AA.
- It confirms that the income claimed for exemption/deduction has been derived from the eligible SEZ unit.
- It verifies that the deduction is calculated as per prescribed rules and conditions.

When is it required?

- It is required to be submitted along with the return of income for the assessment year in which the deduction is claimed.
- The due date for filing this form is typically the same as the due date for audit reports under Section 44AB, but extensions are provided (as per Circular No. 2/2025, extended up to 31st March 2025 for AY 2024-25).

Circular No 3 : FAQs on revised guidelines for Compounding of Offences under the Income Tax Act, 1961

What is Compounding of Offence?

- It allows taxpayers to avoid prosecution by paying a compounding fee instead of facing court proceedings

Key Changes in the Revised Guidelines (effective 17.10.2024):

- No categorization of offences; all offences are compoundable.
- No limit on how many times an application can be filed.
- Time limits for filing compounding applications have been removed.
- Fresh applications allowed after curing defects.
- Compounding allowed for offences under Section 275A and Section 276B.
 - **Section 275A:** This section deals with the power of the authorities to search and seize documents, goods, or assets if there is a suspicion that a person has violated specific tax-related provisions. It provides officials the authority to enter premises, inspect records, and seize property in cases of suspected tax evasion.
 - **Section 276B:** This section is related to penalties for failure to pay taxes on time. It imposes a penalty on individuals or entities that fail to pay the tax, or file returns within the prescribed time, despite being liable to do so. It outlines penalties, including imprisonment, for willfully evading tax payments or delayed filings.

Filing Details :

- Application to be submitted to jurisdictional Pr. CCIT/CCIT/Pr. DGIT/DGIT.
- To be filed in prescribed format on ₹100 stamp paper with application fees.
- No fresh fee required for applications pending as of 17.10.2024.

Charges & Calculation:

- Application to be submitted to jurisdictional Pr. CCIT/CCIT/Pr. DGIT/DGIT.
- To be filed in prescribed format on ₹100 stamp paper with application fees.
- No fresh fee required for applications pending as of 17.10.2024.

GST NOTIFICATIONS

1. GST Rate changes for the Hotel Industry

The Ministry of Finance through Notification No.05/2025-Central tax (rate) has revised GST rate for Hotel Industry which will be Effective from 1 April 2025.

- **Omission of "Declared Tariff" Concept:** GST rates will now be based on the actual transaction value, not the declared tariff for hotel rooms.
- **New Definition of "Specified Premises":** Hotels with accommodation rates exceeding ₹7,500 per unit per day or those opting for specified premises status will be subject to new GST rules for restaurant services.
- **GST rates for Restaurant services :** If accommodation charges exceed ₹7,500, restaurant services will attract an 18% GST with ITC available. In case accommodation is ₹7,500 or less, the rate will be 5% without ITC.
- **New Declaration Formats:** Annexures for declarations must be filed before January 31 of the preceding year to opt for preferred GST rates.

2. GST on sale of Old Cars:

The GST council in its 55th meetings has announced an increase in the rate on Old and used cars from 12% to 18%. This Increased GST rate applies only to registered dealers who are engaged in the sale of Old and used vehicles.

Exception: If you're an unregistered individual selling your car, GST doesn't apply

GST Changes effective from 01/04/2025

1. Multi-Factor Authentication (MFA)

- Two factor Authentication(2FA) refers to security process in which user provide two different authentication factors for verifying themselves.
- Starting 1st April 2025, the Multi-Factor Authentication (MFA) will become mandatory for all taxpayers, including those with an Annual Aggregate Turnover (AATO) above ₹5 Crores.

2. Start new Invoice Series

With the start of new financial year 2025-26 (w.e.f. 01/04/2025), GST taxpayers should start a new invoice series, unique for the financial year.

3. ISD Registration - Mandatory ISD Registration Under GST – Effective from April 1, 2025

The GST Law has made ISD (Input Service Distributor) registration mandatory under GST to ensure fair and transparent distribution of Input Tax Credit (ITC) across states for businesses with multiple GST registrations under a single PAN.

i. Who Needs ISD Registration?

- Businesses with multiple GST registrations under a single PAN.
- Entities availing common input services at a central location and distributing ITC to branches/units.

ii. How ITC Will Be Distributed

- ITC must be distributed monthly via GSTR-6.
- No distribution beyond available credit.
- Specific ITC to be allocated directly to the recipient.
- Common ITC will be distributed proportionally based on turnover:
- If the previous year's turnover is available, it will be used.
- If not, the most recent quarter's turnover will be considered.

iii. Compliance & ITC Distribution Rules

- CGST ITC will be allocated as CGST or IGST.
- IGST ITC can be distributed as IGST or CGST.

These changes are aligned with Section 20(3) of the CGST Act, 2017.

Rule 39 of CGST Rules, 2017 has been amended (Notification No. 12/2024-Central Tax, dated July 10, 2024).

iv. ISD Return Filing Requirements

- FORM GSTR-6 must be filed by the 13th of every month.
- Invoices issued to ISDs will auto-populate in FORM GSTR-6A.

Action Required Before April 1, 2025

- ✓ Ensure timely ISD registration and compliance to avoid penalties.
- ✓ Businesses must update their ITC distribution policies to align with the new rules.

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