

# Union Budget 2025: A Reform Driven & Inclusive Pathway to Viksit Bharat

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Focus on Startups, Investors & GIFT IFSC

February 01, 2025



## Foreword

The Union Budget 2025 presents a reform-driven, and forward-looking vision for India's economic trajectory, balancing fiscal discipline with long-term structural transformation. As India progresses towards Viksit Bharat 2047, this Budget is powered by reforms as its fuel and guided by inclusivity as its core principle. It reinforces policy continuity, prioritizing infrastructure investment, private sector participation, and economic stability. The focus remains on strategic, incremental reforms that ensure sustainable and inclusive growth.

With a real GDP growth projection of 6.4% for FY25 and a fiscal deficit target of 4.4% for FY26, the government is committed to maintaining India's status as the fastest-growing major economy while ensuring fiscal prudence. The ₹50.65 lakh crore total expenditure for FY 2025-26, reflecting a 14% increase, demonstrates the government's continued push for infrastructure development and investment-led growth as the key driver of economic expansion.

At the heart of this Budget is its commitment to inclusive growth, with a focus on Garib (poor), Yuva (youth), Annadata (farmers), and Nari (female) (previously "Mahilayen" - women). This people-first approach remains the central theme of the Budget. The proposed development initiatives span across broad areas covering agricultural growth, rural prosperity, MSME support, employment generation, energy security, innovation, and export promotion. These efforts are designed to strengthen India's four core economic engines—Agriculture, MSMEs, Investment, and Exports—which will drive sustained progress and resilience.

Beyond immediate fiscal priorities, the Budget lays the foundation for transformative reforms over the next five years across six critical domains—Taxation, Power Sector, Urban Development, Mining, Financial Sector, and Regulatory Reforms. While these reforms signal a long-term shift in policy, they are introduced in a measured, phased manner to ensure stability and continuity.

Unlike previous budgets, this year's announcements focus on policy predictability, providing businesses, investors, and financial markets with a sense of stability and confidence. The announcement of a new Income Tax Bill, enhanced credit support for MSMEs, extended GIFT IFSC incentives, and rationalized TDS & TCS provisions reflect the government's approach of structural simplification rather than sweeping changes.

As we navigate the opportunities and challenges ahead, this report aims to provide a comprehensive analysis of the Budget's impact on startups, founders, and investors offering insights into the economic trajectory of the nation.



**Jitesh Agarwal**  
Founder

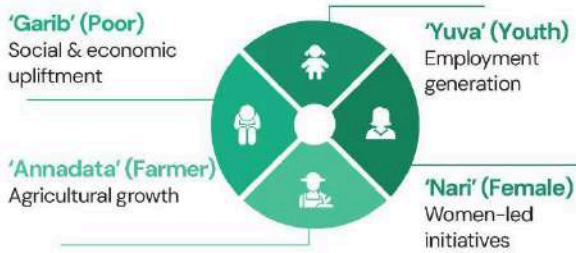
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# Budget 2025 Key Growth Drivers

## Updates pertaining to Startups, Founders & Investors

The Union Budget 2025, announced on February 1, 2025, focuses on **Viksit Bharat 2047**, with a vision to **accelerate economic growth, foster inclusive development, and enhance private sector investments and spending power of the middle class.**



### Viksit Bharat @ 2047



### Did you know?



*The traditional 'Halwa Ceremony' by the Finance Minister marks the start of Budget printing, with staff confined in North Block to prevent leaks.*

## Engines of Development - Agriculture | MSME | Investment | Exports

### Economic Performance & Growth

GDP of **6.4% for FY25**

Fiscal Deficit Target:  
**4.8% → 4.4%**  
FY25 RE      GDP FY26

Gross Tax Revenue  
**10.7% YoY**  
growth during Apr-Nov'24

Total Budget Expenditure:  
**₹50.65 lakh crore** (7.4% Increase)

FY 2024-25 total GST collections

**₹14.97 lakh crore**  
Last period



**₹16.33 lakh crore**  
9% increase

### Budget 2025-26 (estimates) vs. 2023-24: Growth & Trends

Total Receipts  
**₹50.65 lakh crore**  
7% increase

Total Expenditure  
**₹50.65 lakh crore**  
7% increase

Net Market Borrowings  
**₹11.53 lakh crore**  
1% decrease

Net Tax Receipts  
**₹28.37 lakh crore**  
11% increase

Fiscal Deficit  
**₹15.68 lakh crore**  
0.6% decrease

Gross Tax Revenue  
**₹42.7 lakh crore**  
11% increase

## Key Policy Announcements

- New Income Tax Bill to be introduced by next week.

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- New ₹10,000 crore Fund of Funds to support startups.

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- Deep Tech Fund of Funds to support next-gen technology startups.

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- Setting up of the Centre of Excellence in AI for Education.

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- Limit for FDI under automatic route in insurance to be increased from 74% to 100%.

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- Rationalisation of requirements and procedures for speedy approval of company mergers and scope of fast-track merger will also be widened.

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- Jan Vishwas Bill 2.0 to be brought to decriminalize 100+ provisions in various laws.

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- Enhancement of limit for MSME classification as under: (₹ in crores)

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

- Setting up a national manufacturing mission to focus on ease and cost of doing business, future ready workforce for in-demand jobs, a vibrant and dynamic MSME sector, availability of technology, quality products, clean tech manufacturing for climate-friendly development.

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- Revamped Central KYC registry to be rolled out in 2025.

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- Introduction of investor friendliness index for states from 2025.

# A] Startups & Other Businesses


## 1. Startup Tax Holiday Extended Till 2030

<b>Amendment</b>	<p>The eligibility period for startups to claim a 100% income tax deduction under Section 80-IAC is proposed to be extended from March 31, 2025, to March 31, 2030, providing a push to the startup ecosystem.</p>
 <b>Treelife Insight</b>	<p>The 80-IAC tax exemption remains underutilized, with only ~2.36% of DPIIT registered startups availing the benefit.</p>


## 2. Curbing Evergreening of Losses in Amalgamations

<b>Amendment</b>	<p>Currently, accumulated losses of an amalgamating company are treated as losses of the amalgamated company from the year of amalgamation, allowing a carry forward of losses for 8 years from the date of amalgamation.</p> <p>The amendment now proposes to limit the carry forward of such losses to a maximum of 8 years from the year in which the loss was originally incurred by the amalgamating entity.</p>
<b>Effective from</b>	<p>April 01, 2025</p>
 <b>Treelife Insight</b>	<p>This ensures uniform tax treatment and prevents the 'evergreening' of losses through amalgamations.</p>

### 3. Rationalization of TCS provisions in relation to remittance under LRS / tour booking

<p><b>Amendment</b></p>	<p>It is proposed to increase general TCS exemption threshold for remittances under the Liberalized Remittance Scheme (LRS) and payments towards overseas tour bookings from ₹7 lakh to ₹10 lakh.</p> <p>Additionally, it is also proposed to reduce TCS rate on remittances for higher education expenses funded through a loan from a specified financial institution to 0%, down from the previous rate of 0.5%.</p>
<p><b>Effective from</b></p>	<p>April 01, 2025</p>
<p> <b>Treelife Insight</b></p>	<p>The increased TCS threshold will ease remittances for higher education funded through loans and also boost LRS remittances to GIFT IFSC.</p>

### 4. Removal of higher TDS/TCS for non-filers of ITR

<p><b>Amendment</b></p>	<p>Sections 206AB and 206CCA, introduced in 2021, which mandated higher TDS/TCS rates (20.8%) for non-filers of ITRs, are proposed to be omitted.</p>
<p><b>Effective from</b></p>	<p>April 01, 2025</p>
<p> <b>Treelife Insight</b></p>	<p>Payers will no longer need to verify the ITR filing status of the payee and will prevent unnecessary compliance hassle and blocking of capital for the payee via TDS / TCS.</p>




## 5. Rationalization of TDS provisions with effect from April 01, 2025

The threshold limit for TDS applicability for has been increased to enhance business ease and improve taxpayer compliance summarised in the table below:

Sr. no.	Section	Rate (no change)	Current Threshold	Proposed Threshold
1.	193 - Interest on securities	10%	Nil	₹10,000
2.	194A - Interest other than Interest on securities	10%	(i) ₹50,000 for senior citizen; (ii) ₹40,000 in case of others when payer is bank, co-operative society and post office; (iii) ₹5,000 in other cases	(i) ₹1,00,000 for senior citizen; (ii) ₹50,000 in case of others when payer is bank, co-operative society and post office; (iii) ₹10,000 in other cases
3.	194 - Dividend for an individual shareholder	10%	₹5,000	₹10,000
4.	194K - Income in respect of units of a mutual fund or specified company or undertaking	10%	₹5,000	₹10,000
5.	194B - Winnings from lottery, crossword puzzle, etc.	30%	Aggregate of amounts exceeding ₹10,000 during the financial year	₹10,000 in respect of a single transaction
6.	194BB - Winnings from horse race	30%	Aggregate of amounts exceeding ₹10,000 during the financial year	₹10,000 in respect of a single transaction
7.	194D - Insurance commission	5%	₹15,000	₹20,000
8.	194G - Income by way of commission, prize etc. on lottery tickets	2%	₹15,000	₹20,000

9.	194H - Commission or brokerage	2%	₹15,000	₹20,000
10.	194-I Rent	2%/10%	₹2,40,000 during the financial year	₹50,000 per month or part of a month i.e. ₹600,000 in a financial year
11.	194J - Fee for professional or technical services	2%/10%	₹30,000	₹50,000
12.	194LA - Income by way of enhanced compensation on acquisition of certain immovable property	10%	₹2,50,000	₹5,00,000


## 6. Simplifying Transfer Pricing with 3 year ALP by TPO

<b>Amendment</b>	Till now, determination of the Arm's Length Price (ALP) for transfer pricing is conducted annually, resulting in repetitive compliance and increased litigation. Assessing similar transactions separately each year leads to inconsistencies and administrative challenges. To address this, Budget 2025 proposes a 3 year block assessment period. Once the ALP is established for a particular transaction in a given year, it will apply to similar transactions for the following two years, provided the taxpayer opts in. However, the Transfer Pricing Officer (TPO) is not obligated to assess all three years simultaneously.
<b>Effective from</b>	April 01, 2025
 <b>Treelife Insight</b>	The amendment aims to streamline transfer pricing assessments and disputes, offering predictability and lower compliance costs. However, since opting in is the taxpayer's responsibility, its effectiveness in reducing litigation remains to be seen.

## 7. Clarification on SEP for Non-Residents Purchasing Goods for Export

<b>Amendment</b>	<p>The Significant Economic Presence (SEP) provisions states that non-residents conducting transactions in goods exceeding ₹ 2 crores creates a business connection in India.</p> <p>The proposed amendment clarifies that non-residents buying goods in India solely for export shall not constitute SEP for them, ensuring they are not taxed in India and aligning the provisions of SEP with its original intent.</p>
<b>Effective from</b>	<p>April 01, 2025</p>

## 8. Tonnage Tax Scheme extended to Inland Waterways

<b>Amendment</b>	<p>The Tonnage Tax Scheme, previously limited to sea-going ships, is now extended to inland vessels registered under the Inland Vessels Act, 2021.</p>
<b>Effective from</b>	<p>April 01, 2025</p>
 <b>Treelife Insight</b>	<p>This will enable inland vessels i.e. vessels operating in lakes, rivers, and national waterways to avail tax benefits, boosting India's inland water transport sector.</p>

## 9. Delayed Payment of TCS has been decriminalised


<b>Amendment</b>	<p>In line with the decriminalisation of delayed payment of TDS, it is now proposed to decriminalise delayed payment of TCS.</p>
<b>Effective from</b>	<p>April 01, 2025</p>

## 10. Restriction on Reduction GST Output Tax Liability


<b>Amendment</b>	<p>It is proposed that a supplier can reduce their output tax liability when issuing a credit note only if:</p> <ul style="list-style-type: none"><li>(i) Input Tax Credit (ITC) is not reversed by the recipient</li><li>(ii) Incidence of tax has not been passed on to another party</li></ul>
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# B] AIFs and Other Investors

## 1. Clarity on the characterisation of securities held by Cat I / II AIFs

<b>Amendment</b>	<p>It is proposed that securities held by investment funds under Section 115UB i.e. Category I and II AIFs will be treated as capital assets and consequently any income arising from their transfer will be categorized as capital gains.</p>
<b>Effective from</b>	<p>April 01, 2025</p>
 <b>Treelife Insight</b>	<p>This amendment seeks to align income classification with the overall thesis of such AIFs making long-term investments. Debt AIFs earning interest income will now have more surety on income classification as IFOS (vs business income) and the related tax withholding requirements.</p> <p>It will be interesting to observe whether Category II AIFs, which are permitted to hold up to 49% investment in listed securities, will explore short-term trading or investment opportunities and take advantage of capital gains benefits.</p>

## 2. Removal of TCS on Sale of Goods (including securities)

<b>Amendment</b>	<p>Sellers were required to collect TCS at 0.1% under Section 206C(1H) on sales exceeding ₹50 lakh in a financial year, except where TDS was deducted. It is proposed that such TCS shall not be applicable on the sale of goods, including securities, simplifying tax compliance.</p>
<b>Effective from</b>	<p>April 01, 2025</p>
 <b>Treelife Insight</b>	<p>This welcome amendment reduces compliance burdens by removing TCS on sales, enhancing ease of doing business, improving cash flows, and fostering deal-making. It particularly benefits secondary securities transactions, as unlisted securities sales will no longer attract TCS, making transactions smoother and more efficient.</p>

### 3. Reduction of TDS rate to 10% for distributions by Securitisation Trust

<p><b>Amendment</b></p>	<p>TDS on income payable by securitisation trusts to residents is proposed to be reduced to 10% as opposed to the current rate of 25% (individuals/HUFs) and 30% (others) as this sector is sufficiently organized and regulated.</p> <p>TDS on income payable to non-residents continues to be at rates in force.</p>
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### 4. Streamlining of LTCG tax rate for FPIs/Specified Funds

<p><b>Amendment</b></p>	<p>Long term capital gains tax rate for FPIs / Specified Fund streamlined to 12.5%</p>
<p><b>Effective from</b></p>	<p>Prospectively from April 01, 2025</p>

### 5. Rationalisation in taxation of Business trusts

<p><b>Clarification</b></p>	<p>The proposed amendment to Section 115UA clarifies the taxation of capital gains on listed equity shares by incorporating a reference to Section 112A.</p> <p>This ensures that long-term capital gains by business trusts, such as REITs and InVITs, are taxed at a uniform rate of 12.5%, rather than the Maximum Marginal Rate.</p>
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# C] Personal Taxation



## 1. Change in tax slabs under new tax regime

### Existing Tax Slabs (Under New Tax Regime)

Income Slab (₹)	Tax Rates
0-3,00,000	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%
>15,00,000	30%

### New Tax Slabs (Under New Tax Regime)

Income Slab (₹)	Tax Rates
0-4,00,000	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%
>24,00,000	30%

#### Amendment

Basic Exemption Limit hiked by ₹1,00,000 under new tax regime from ₹3,00,000 to ₹4,00,000

The income limit for Rebate u/s 87A has been increased from ₹7,00,000 to ₹12,00,000 under the new tax regime and limit of rebate has been increased from ₹25,000 to ₹60,000. Income chargeable to tax at special rates (for eg. Capital Gains) are not included while determining the income tax rebate.

#### Effective from

April 01, 2025


#### Treelife Insight

You can use our tax calculator to check your tax savings based on budget amendments.

**Personal Tax Calculator - Budget 2025. [Click here](#) to quick check how much tax you are going to save!**

Tax Benefit under New Tax Regime based on budget 2025 announcements	
	Amounts (INR)
Tax Payable as per existing provisions	1,30,000
Tax Payable after budget amendments (2025)	97,500
Tax Savings	₹ 32,500
Tax Savings %	25%


## 2. Obligation to furnish information in respect of crypto-asset

<p><b>New Provision</b></p>	<p>Section 285BAA proposed to be introduced which mandates reporting transactions of crypto-assets to the income-tax authority within specified timelines.</p> <p>Further, the definition of virtual digital assets will now include any crypto-assets based on distributed ledger technology.</p> <p>The details of the form are yet to be prescribed by the Government.</p>
<p><b>Effective from</b></p>	<p>AY 2026-27</p>
<p> <b>Treelife Insight</b></p>	<p>This signals the Government's intent to enhance monitoring of crypto transactions. By mandating detailed reporting, tax authorities will gain greater visibility into crypto activity.</p>

## 3. Higher Income Limits for Tax-Exempt Perquisites

<p><b>Amendment</b></p>	<p>It is proposed to revise income limits for tax-free perquisites through prescribed rules. However, no due date for the same has been announced.</p> <p>These limits were set more than 20 and 30 years ago, no longer reflecting current economic conditions and standard of living, necessitating an update.</p>
<p><b>Effective from</b></p>	<p>April 1, 2026</p>


#### 4. Deduction under section 80CCD for contributions made to NPS Vatsalya

<b>Amendment</b>	<p>It is proposed to provide benefit of tax deduction up to ₹50,000 on contributions made to the NPS Vatsalya Scheme by parents and guardians on behalf of minor children</p>
<b>Effective from</b>	<p>April 1, 2025</p>
 <b>Treelife Insight</b>	<p>It is to be noted that this benefit will not be available under the new tax regime.</p> <p>NPS Vatsalya scheme is a contributory pension system under the National Pension System (NPS) introduced in September 2024. Its objective is to create a pensioned society and encourage the empowerment of children by inculcating the habit of saving for retirement from an early age. Under this the account is opened by the natural or legal guardian in the name of the minor who is the sole beneficiary of the account.</p>


## 5. Exemption to Withdrawals by Individuals from National Savings Scheme (NSS) from taxation

<p><b>Amendment</b></p>	<p>Section 80CCA allowed deductions for National Savings Scheme (NSS) deposits, but the scheme was discontinued from April 1, 1992. Previously, withdrawals, including accrued interest, were taxable unless received on account of death of the depositor.</p> <p>Following the August 29, 2024, notification, which ended interest payments on NSS balances after October 1, 2024, concerns arose among depositors.</p> <p>To address this, it is now proposed that withdrawals from pre-1992 NSS deposits, along with accrued interest, will be exempt from tax</p>
<p><b>Effective from</b></p>	<p>August 29, 2024</p>


## 6. Simplification of Annual Value Determination for Self-Occupied Property

<p><b>Amendment</b></p>	<p>The annual value for 2 self-occupied properties is proposed to be considered NIL if the owner resides in the property or is unable to occupy it for any reason.</p>
<p><b>Effective from</b></p>	<p>April 01, 2025</p>
<p> <b>Treelife Insight</b></p>	<p>The shift reflects the growing trend of individuals owning second or holiday homes, prompting a more accommodative tax approach.</p>

## 7. Extended Time Limit for Filing Updated Returns

<p><b>Amendment</b></p>	<p>The time limit for filing an updated return in ITR-U is proposed to be extended from 24 months to 48 months from the end of the relevant assessment year subject to additional payment as follows:</p> <table border="1" data-bbox="587 525 1477 940"> <tr> <td data-bbox="587 525 841 598">Upto 12 months</td> <td data-bbox="841 525 1477 598">25% of aggregate of tax and interest payable</td> </tr> <tr> <td data-bbox="587 598 841 709">12-24 months</td> <td data-bbox="841 598 1477 709">50% of the aggregate of tax and interest is to be paid.</td> </tr> <tr> <td data-bbox="587 709 841 829">24-36 months</td> <td data-bbox="841 709 1477 829">60% of aggregate of tax and interest payable.</td> </tr> <tr> <td data-bbox="587 829 841 940">36-48 months</td> <td data-bbox="841 829 1477 940">70% of the aggregate of tax and interest payable</td> </tr> </table>	Upto 12 months	25% of aggregate of tax and interest payable	12-24 months	50% of the aggregate of tax and interest is to be paid.	24-36 months	60% of aggregate of tax and interest payable.	36-48 months	70% of the aggregate of tax and interest payable
Upto 12 months	25% of aggregate of tax and interest payable								
12-24 months	50% of the aggregate of tax and interest is to be paid.								
24-36 months	60% of aggregate of tax and interest payable.								
36-48 months	70% of the aggregate of tax and interest payable								
<p><b>Effective from</b></p>	<p>April 01, 2025</p>								
<p> <b>Treelife Insight</b></p>	<p>For eg. ITR filed for AY 2026-27 can be updated till March 31, 2031</p>								

## 8. Presumptive Taxation for Non-Resident Electronics Service Providers

<p><b>New Provision</b></p>	<p>New Section 44BBD is proposed to introduce a presumptive taxation regime for non-residents providing services related to electronics manufacturing facilities in India.</p> <p>Such entities can declare 25% of their gross receipts as income, taxed at 35%, resulting in an effective tax rate of less than 10%.</p>
<p><b>Effective from</b></p>	<p>April 01, 2026</p>
<p> <b>Treelife Insight</b></p>	<p>This will serve as a significant boost for the industry, helping bring technology and qualified support to India</p>

## 9. Clarification on Tax Treatment of ULIP Proceeds

<p><b>Amendment</b></p>	<p>Tax treatment of Unit Linked Insurance Policy (ULIP) proceeds is proposed to be clarified to say that any ULIP proceeds not eligible for exemption under Section 10(10D) will be treated as capital assets, ensuring uniform tax treatment regardless of the specific conditions causing ineligibility.</p>
<p><b>Effective from</b></p>	<p>April 01, 2025</p>


# D] GIFT IFSC

## 1. Extension of sunset clauses

<p><b>Amendment</b></p>	<p>The sunset date for the commencement of operations by the following businesses is proposed to be extended to March 31, 2030:</p> <ul style="list-style-type: none"> <li>● Investment Division of Offshore Banking Units</li> <li>● Aircraft Leasing Entities</li> <li>● Ship Leasing Entities</li> </ul> <p>Additionally, the sunset date for tax-neutral relocation of foreign funds to GIFT IFSC is also proposed to be extended to March 31, 2030</p>
<p> <b>Treelife Insight</b></p>	<p>The 5 year extension of the sunset date, provides a longer window for eligible entities to plan their operations thereby boosting overall sentiment of setting up in GIFT IFSC</p>




## 2. Exemption on income from ODI contracts extended to Cat III AIFs having FPI license in GIFT IFSC


<p><b>Amendment</b></p>	<p>Income earned by non-residents from ODIs<sup>1</sup> issued by offshore banking units in GIFT IFSC are currently exempt from income tax. It is now proposed to include even ODIs issued by Category III AIFs registered as FPI in GIFT IFSC under the same tax treatment.</p> <p>Thus, income earned by non-residents from such contracts entered into with Category III AIFs in GIFT IFSC having an FPI license will be exempt.</p>
<p><b>Effective from</b></p>	<p>April 01, 2025</p>
<p> <b>Treelife Insight</b></p>	<p>This amendment is a game-changer for GIFT IFSC, leveling the playing field for offshore FPIs and providing a significant boost to Category III AIFs with an FPI license in GIFT IFSC, driving increased foreign participation and investment.</p>

<sup>1</sup>non-deliverable forward contracts or offshore derivative instruments or over the-counter derivatives


### 3. Exemption on life insurance policy from IFSC Insurance offices

<p><b>Amendment</b></p>	<p>Section 10(10D) exempts sums received under a life insurance policy, including those issued by IFSC Insurance Offices, subject to conditions, but restricts exemptions if premiums exceed ₹2.5 lakh for ULIPs or ₹5 lakh for other policies.</p> <p>It is now proposed to exempt all proceeds from policies issued by IFSC insurance intermediary offices, without any cap on the value of premium paid.</p>
<p> <b>Treelife Insight</b></p>	<p>This amendment will enhance non-resident participation in life insurance policies issued by insurers in GIFT IFSC, providing a level playing field compared to other preferred global insurance jurisdictions. However, tax implications in their home countries will continue to be monitored.</p> <p>This will boost non-resident participation in life insurance policies issued by insurers in GIFT IFSC. Tax implications in their home country continue to be seen.</p>


#### 4. Rationalisation of definition of ‘dividend’ for treasury centres in IFSC

<p><b>Amendment</b></p>	<p>Section 2(22)(e) treats loans or advances by companies in which the public is not substantially interested in its shareholders (holding at least 10% voting power) or its sister concerns as deemed dividend unless made in the ordinary course of business. However, the issue arises in case of corporate treasury centers in GIFT IFSC, where borrowings to or from group entities could trigger deemed dividend provisions.</p> <p>It is now proposed to exclude loans between group entities in cases where one of the entity is a “Finance company” / “Finance unit” in GIFT IFSC, serving as a global or regional corporate treasury centre for undertaking treasury activities, and the parent entity is listed outside India.</p>
<p> <b>Treelife Insight</b></p>	<p>This clarification facilitates efficient intra-group financing by treasury entities in GIFT IFSC for global groups with a parent entity listed outside India.</p>


## 5. Simplified regime for fund managers based in IFSC

<p><b>Amendment</b></p>	<p>Section 9A provides for a safe harbour for offshore Investment funds managed by fund managers in India i.e. such offshore investment funds are not considered to have a business connection in India, provided they meet specific conditions. One such condition requires that the aggregate participation or investment by Indian residents does not exceed 5% of the fund’s corpus. However, ensuring continuous compliance with this threshold has been challenging due to fluctuations in participation levels.</p> <p>Instead of a continuous compliance requirement, the 5% threshold is proposed to be assessed only on two specified dates viz., 1st April and 1st October of the relevant previous year. If the threshold is exceeded, funds will still have a 4 grace period to realign with the requirement.</p> <p>Other conditions (except the participation threshold) may be relaxed through a Government notification for funds managed from GIFT IFSC provided they commence operations before March 31, 2030 (previously March 31, 2024).</p>
<p> <b>Treelife Insight</b></p>	<p>This amendment significantly eases compliance for fund managers operating in GIFT IFSC, enhancing its attractiveness as a global fund management hub and strengthening its position in the international financial landscape.</p>

## 6. Benefit of tax neutral relocation extended to Retail funds and ETFs

<b>Amendment</b>	Currently, foreign funds relocating to GIFT IFSC have the option to relocate to GIFT IFSC in a tax neutral manner and seek registration as Category I, II, or III AIFs. It is now proposed to expand this flexibility by allowing them to relocate as retail funds or exchange-traded funds (ETFs), in addition to the existing AIF categories, with no tax implications for investors of the funds.
<b>Effective from</b>	April 01, 2025
 <b>Treelife Insight</b>	Budget 2024 granted Retail Schemes and ETFs in GIFT IFSC the same tax benefits as Category III AIFs. With this added flexibility, more foreign funds are likely to explore relocation, strengthening GIFT IFSC as a preferred financial hub.

## 7. Exemption to capital gains and dividend for ship leasing units in IFSC

<p><b>Amendment</b></p>	<p>Capital gains on the sale of shares in IFSC companies owning aircrafts and dividends paid by such companies to their parent entities within IFSC were exempt.</p> <p>It is now proposed that these exemptions viz., capital gains on sale of shares and dividends paid by SPVs engaged in ship leasing to parent entities in GIFT IFSC shall be extended to ship leasing units in GIFT IFSC as well, aligning the provisions of ship leasing with aircraft leasing.</p>
<p><b>Effective from</b></p>	<p>April 01, 2025</p>
<p> <b>Treelife Insight</b></p>	<p>This will allow ship owners in GIFT IFSC to hold ships through SPVs to ensure safeguards and ringfence the risk of one or more ships held in one SPV from another.</p>

## Closing Summary

Budget 2025 introduces progressive tax reforms designed to simplify compliance, encourage investment, and drive economic growth. With reforms as the fuel, inclusivity as the guiding spirit, and Viksit Bharat as the destination, the government reinforces its commitment to policy stability and economic transformation. By reducing administrative burdens, enhancing tax certainty, and promoting a business-friendly environment, these measures create a strong foundation for long-term growth.

Steps to align tax regulations with evolving economic conditions ensure that businesses and individuals can plan more effectively. While some changes may require further refinement, the overall direction of Budget 2025 signifies a positive shift towards a more predictable and stable tax regime.

With the Income Tax Bill set to be unveiled next week, anticipation builds for further transformative reforms that will shape India's future tax landscape and reinforce its position as a global economic powerhouse.

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