



All India Federation of Tax Practitioners

(An Association of Advocates, Chartered Accountants & Tax Practitioners of India)

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15.02.2025

To,
The Hon. Finance Minister,
Government of India,
North Block,
New Delhi – 110001.

Ref: **Representation on Union Budget 2025-26**

Hon. Madam,

At the outset we appreciate the historical initiative of increasing Rebate under section 87A to Rs. 60,000 for the taxpayers opting for new Regime. All India Federation of Tax Practitioners, is an apex body of Chartered Accountants, Tax Advocates and Tax Practitioners representing 32 states and 4 Union territories being 11000 plus members. We applaud the initiative of the Government under the leadership of Hon. Prime Minister Mr. Narendra Modi and your honour as our Hon'ble Finance Minister.

As a part of our civil responsibilities, we as a professional body make following suggestions in respect of the Uniaon Budget 2025-26, for your kind consideration:

1. We highly appreciate the historical initiative of increasing Rebate under section 87A from Rs.25,000 to Rs.60,000 for the taxpayers opting for a new Regime. This will encourage all to go for new Regime.

We suggest that **Default tax regime under section 115 BAC (1A) should be the only tax regime without any option to opt out.**

However, the benefit of section 80C for Insurance Premium and contribution to PPF and section 80D for Health Insurance Premium may be allowed even under the new scheme. Other exemptions and deductions are not required.

The default tax regime u/s 115BAC(1A) offering Rebate under sec. 87A and concessional rates of tax on total income computed without deductions and exemptions, would make both tax compliance and tax administration simple and at the same time, also ensure consistency and certainty.

2. **Income from House Property:** The deduction for interest on housing loan under sec. 24, set-off and carry forward and set off of loss from house property (on account of such interest) as per the provisions of the Act may be allowed while computing tax under the default tax regime u/s 115BAC(1A). Moreover, Explanation 3 to section 28 needs to be clarified that taxpayers carrying on activity of providing residential accommodation as systematic activity are not impacted by this amendment viz. hotels, guest houses, serviced apartments, hostels, etc. to avoid any misinterpretation by the field authorities. Such activities should not be considered as letting out of "residential house". Furthermore, it may also be clarified that this amendment does not apply to employers providing rent-free or concessional rent accommodation in employees' quarters to employees. Also, for better clarity, the term "residential house" may be defined in context of use of the property and classification as per municipal laws, etc.

3. **The Charitable Trust Regime needs to be simplified. Continuous changes in the regime year after year make the compliance and determination of tax liability complex. Computation of total income of a trust and compliance with the procedures should be simplified.**

a) Tax law should not be such that it discourages the activities of charitable trusts, which play an important role in the welfare of the society. Forms need to be updated timely in line with the amendments/clarifications given by the Board.

b) Also, inconsistencies in the provisions relating to trusts need to be rectified. For example, section 12A (1)(ba) requires that trusts should file return of income u/s 139(4A) within the time allowed u/s 139(1) or 139(4). Section 13(9), however, provides that the benefit of exemption of income accumulated u/s 11(2) will not be available if the return of income is not furnished by such person on or before the due date under section 139(1).

c) Also, whereas section 11(2) requires the statement in Form 10 to be submitted at least 2 months prior to the due date u/s 139(1) for claiming benefit of exemption in respect of income accumulated thereunder, section 13(9) provides an extended time limit of up to due date u/s 139(1) for claim of benefit of accumulation.

The above inconsistencies in the provisions need to be addressed.

4. **TDS on payment to partners:** Section 194T provides for TDS of 10% on payment made by firm to its partners as Salary, Remuneration, Bonus, Commission, or Interest w.e.f. 1.4.2025. The rate should be reviewed to make it only 2%. The threshold presently prescribed is Rs.20,000 in a

financial year, however the threshold should be made realistic and enhanced to Rs. One Lakh in a financial year. **This provision is in line with the intent of TDS provisions serving as an audit trail rather than a revenue garnering measure.**

5. **TCS under section 206C(1G):** We welcome the amendment of section 206C(1G) wherein the threshold limit has been increased from Rs.7 Lakhs to Rs. 10 Lakh under first, second and fourth proviso to sec. 206C(1G). It is again a welcome amendment that no TCS will be required in case the remittance is a loan obtained from any financial institution as referred in sec. 80E for the purpose of pursuing any education. TCS rates of 5% and 20% under section 206C(1G) may be rationalized and reduced to 2%. Rationalization of TDS/TCS rates will improve compliance and minimize litigation.
6. **TCS under section 206C(1H):** We also welcome the omission of requirement of TCS under section 206C(1H) with effect from 1st April 2025 in case of any person being a seller who receives consideration on sale of any goods of the value exceeding Rs.50 Lakhs in previous year.
7. **Time Limit for disposal of appeal :** Section 250(6A) provides that in every appeal, the Joint Commissioner (Appeals) or the Commissioner (Appeals), **where it is possible, may** hear and decide such appeal within **one year** from the end of the financial year in which such appeal is filed before him. Though a time limit has been provided for disposal of appeals, the use of the words “where it is possible, may” indicates that the same are not mandatory. The absence of mandatory provision prescribing a definite timeline results in prolonged litigation, causing genuine hardship to taxpayers. There is a huge pendency of appeals and demands before Commissioner (Appeals) as well as Joint Commissioner (Appeals) for over years. A large number of the appeals in recent years pertain to inaccurate processing of income-tax returns by the CPC. The introduction of the authority of Joint Commissioner (Appeals) by the Finance Act, 2023 and the E-appeals Scheme 2023 are steps to reduce the pendency of appeals before Commissioner (Appeals). In order to effectively reduce the pendency of appeals it is suggested that the timeline of one year from the end of the financial year of filing of appeal be mandated under section 250(6A) to ensure speedy disposal of appeals.
8. **Pendency of Appeals pertaining to inaccurate processing of income-tax returns by the CPC:** There is a huge pendency of appeals and demands before Commissioner (Appeals) for over years. A large

number of the appeals in recent years pertain to inaccurate processing of income-tax returns by the CPC.

The introduction of the authority of Joint Commissioner (Appeals) by the Finance Act, 2023 and the E-appeals Scheme 2023 are steps to reduce the pendency of appeals before Commissioner (Appeals). In order to effectively reduce pendency of appeals it is suggested that the timeline of one year from the end of the financial year of filing of appeal be mandated under section 250(6A) to ensure speedy disposal of appeals and it should be revised as one year from the end of quarter in which appeal is filed.

9. **Updated Return:** We welcome the decision to enhance the time limit for furnishing updated returns under sec. 139(8A) to 4 years from the end of assessment year. However, the additional amount payable after 2nd year and 3rd year as prescribed are exorbitant and it should be within 50 per cent of tax and Interest. Also, the quantum of 70% for 4 years above be reduced to 60%.
10. **Suggestion for amendment of section 115BBE:** Section 115BBE was introduced with effect from 01.04.2013 wherein a special rate of 30% tax was provided for. Subsequently, this rate of tax was amended to 60% plus surcharge @ 25 % plus Cess during demonetization in Dec 2016 by the Taxation Laws (Second Amendment) Act, 2016. This is prohibitive and a disincentive to those who voluntarily intend to disclose additional income without any detection of Undisclosed Income or investment. We suggest that the rate may be reduced to 30% prospectively, as was originally prescribed w.e.f. 1st April 2013 so as to eradicate cash transactions for the future, contribute to the economy of the country and also reduce litigations.
11. The rationalization of TDS rates made in New Income Tax Bill, 2025 should be applied w.e.f. 01.04.2025 since the objective of mapping the transaction would serve the purpose even with rationalized rates and would amount to ease of compliance.
12. For smaller TDS/TCS defaults prosecution under sec. 276BB be avoided in cases where the deductor has already paid the due tax on such receipt by incorporating such receipts in his return of income. Alternatively, such defaults may be permitted for compounding with minimum fees.

13. In order to disincentivise bogus donation payments and consequential evasion of tax it is represented to put a ceiling of eligible deduction of a certain percentage of gross total income as laid down in section 80G.

14. Our Federation is prepared, if desired, to interact with authorities of the Finance Ministry to explain or make any clarification in above respect.

Assuring your Honour of full co-operation of our Federation and Thanking Your Honour.

Yours faithfully,

For All India Federation of Tax Practitioners



(Samir S. Jani)
National President



(Narayan P. Jain)
Imm. Past National President

CC.: The Hon. Revenue Secretary,
Ministry of Finance,
Department of Revenue,
North Block, New Delhi

The Hon. Chairman,
Central Board of Direct Taxes,
Ministry of Finance,
North Block, New Delhi

Hon. Member (Legislation & Systems)
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