AMENDMENTS TO FINANCE BILL, 2025

Govt seeks to drop 6% equalisation levy on online ads

Google, Meta, and X set to be among beneficiaries

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New Delhi, 24 March

The government on Monday proposed scrapping the 6 per cent equalisation levy on online advertising services provided by non-resident entities, a move that would benefit companies like Google, Meta, and X.

The proposal is part of 59 amendments to the Finance Bill, 2025, introduced by Minister of State for Finance Pankaj Chaudhary in the Lok Sabha. It comes ahead of talks on a bilateral trade deal between New Delhi and Washington and the imposition of reciprocal tariffs by American President Donald Trump on April 2.

However, the proposed amendments also seek to remove the corresponding income-tax exemption under Section 10(50), bringing such revenue under regular taxation. The move follows the government's earlier decision to eliminate the 2 per cent levy on ecommerce transactions from August 1, 2024.

While the 2 per cent levy drew more criticism from the US, the Indian government — in the anticipation of further tariff retaliation by the US — appears to be taking a more accommodative stance, said Amit Maheshwari, tax partner at AKM Global.

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EN ROUTE TO AMENDMENT

- **Pension classification clarified:** The government reaffirms its authority to classify pensioners by retirement date, ensuring new Pay Commission benefits apply only prospectively
- **Electronics manufacturing tax simplified:** Section 44BBD (25% presumptive tax) of I-T Act now explicitly excludes Sections 44DA and 115A, preventing disputes over taxation
- **Search & seizure taxation refined:** "Total Income" is replaced with "Total Undisclosed Income" in Sections 113, 132, and 158 of I-T Act to ensure disclosed income isn't unfairly taxed
- **ITR processing adjustments:** Section 143(1) of I-T Act to be amended to let CPC (centralised processing centres) reconcile ITRs with past filings

Govt reaffirms authority to classify pensioners by retirement date

"Removing the 6 per cent levy on online ads is a step in that direction, but it remains to be seen if this, along with ongoing diplomatic efforts, will soften the US stance," said Maheshwari.

The amendments to the Finance Bill, 2025, also proposes significant pension reforms, aiming to validate the Central Civil Services (Pension) Rules and reaffirming the government's authority in determining pension structures after a Supreme Court ruling struck down distinctions between pensioners based on their retirement date. The Bill reinforces that pensions are determined by retirement dates, ensuring the new Pay Commission benefits apply only prospectively.

Another key change addresses the newly introduced Section 44BBD of the Income Tax Act, which allows foreign electronics manufacturers to avail presumptive tax benefits under the FY26 Budget. According to the proposed changes, a proviso has been inserted that Sections 44DA and 115a shall not be applicable to non-residents providing services in India's electronics manufacturing sector.

"This has been done to prevent legal disputes. In some industries like oil and gas, tax authorities have argued that normal tax rules as per Section 44DA override presumptive tax benefits given in section 44BB. Now, there won't be any controversy as by explicitly excluding Sections 44DA and 115A," said Ved Jain, tax expert and former president of Institute of Chartered Accountants of India (ICAI). "The government is ensuring that companies under Section 44BBD can enjoy simplified taxation without unexpected complications."

The Bill also proposes changes to Section 143(1) of the Income Tax Act, empowering the tax department to reconcile ITR filings with previous returns. A new sub-clause "(iia)" enables the centralised processing centre to flag discrepancies early, improving accuracy and compliance.

In search and seizure taxation, amendments to Sections 113, 132, and 158 The proposed amendments include changes to Sections 113, 132, and 158, which govern the assessment of undisclosed income found during search and seizure operations. A major change is the replacement of the term "Total Income" with "Total Undisclosed Income".

When the block assessment system was introduced in the Finance Act, 2024, the use of "Total Income" had raised concerns that even legally disclosed income could be subjected to harsh tax provisions.