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2025

# KEY INTERNATIONAL TAX AMENDMENTS

INCOME TAX, 1961

BUDGET 2025

B U D G E T

# COVERAGE

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- Presumptive scheme- Electronics Manufacturing in India
- TP - Arm's Length Price (ALP) - Block Period

# Presumptive Scheme- Electronics Manufacturing in India



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# Section 44BBD - Presumptive taxation to Non-residents

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## Proposed Amendment from AY 2026-27:

- Non-residents engaged in business of providing services or technology in India
  - for the purpose of setting up an electronics manufacturing facility or
  - in connection with manufacturing or producing electronic goods, article or thing in India
- Recipient resident company establishing facility or manufacturing under a scheme notified by MeitY
- **Presumed income under PGBP** - 25% of the amount payable to/received by for such services or technology
- Non-resident company – Tax rate of 35% (*plus surcharge and cess*)- Effective rate less than 10%
- Benefit of carry forward and set off of losses/unabsorbed depreciation not available

# Section 44BBD - Presumptive taxation to Non-residents

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## Things to Ponder

- Whether an option or a compulsory provision?
  - Royalty/FTS - Interplay between sections 115A/ 44DA and 44BBD
- Multiple streams of income from one project or customer
  - One stream of income taxable in India while other non-taxable as per treaty
  - Benefit of presumptive scheme only for taxable income stream?
  - Income stream not taxable as per tax treaty - presumptive scheme will not create charge of tax
- What is meant by providing services 'in India'?
  - Whether both onshore/offshore services covered?
- Scope of the terms 'services' and 'technology'?
- 43B Applicability

# Arm's Length Price- Block Period



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# Section 92CA – Introduction of Block Assessment in TP cases (1/2)

## Proposed Amendment

TP Assessment of a particular year - can be applied for **block period of 3 years**

- Assessee to exercise option(s) in form, manner, and time period to be prescribed
  - TPO to reject or validate the option exercised within one month (*subject to prescribed conditions – yet to be provided*)
    - TPO to consider similarity of transactions across different years
  - Once option validated by the TPO - no reference can be made by the AO for covered years
  - AO shall compute/ re-compute total income for covered years based on TPO order
  - Option will not be available in search cases
  - Reduce compliance burden on the taxpayers and the administrative burden on the TPO
- Safe Harbour Rules proposed to be expanded
  - Non-resident storing components for supply to specified electronics manufacturers

# Section 92CA – Introduction of Block Assessment in TP cases (2/2)

Points to ponder:

- What will apply to subsequent years?
  - The final ALP determined *or*
  - The approach adopted to determine the ALP
  - MAM, Filters, Comparables
- **Separate option** to be exercised qua **separate transaction**?
- What level of examination shall be done by the TPO for subsequent years before passing order?
- Effect of DRP direction to be in given in the first year? Stage at which option to be exercised?
- TP Documentation Requirements?



THANK YOU

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