

# An overview of Finance Bill, 2025 – Direct Taxes

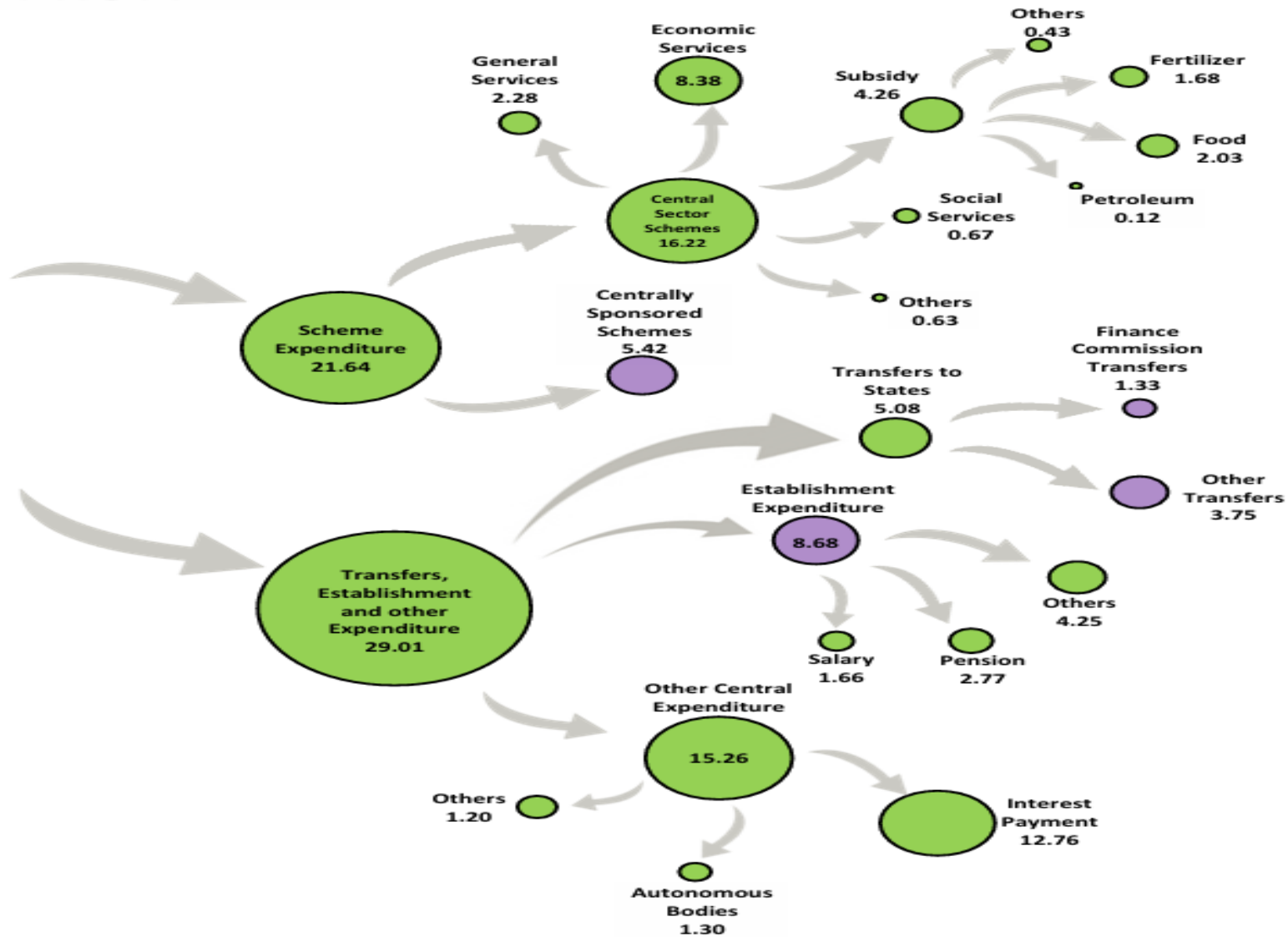


Prepared by: Team 'Voice of CA'

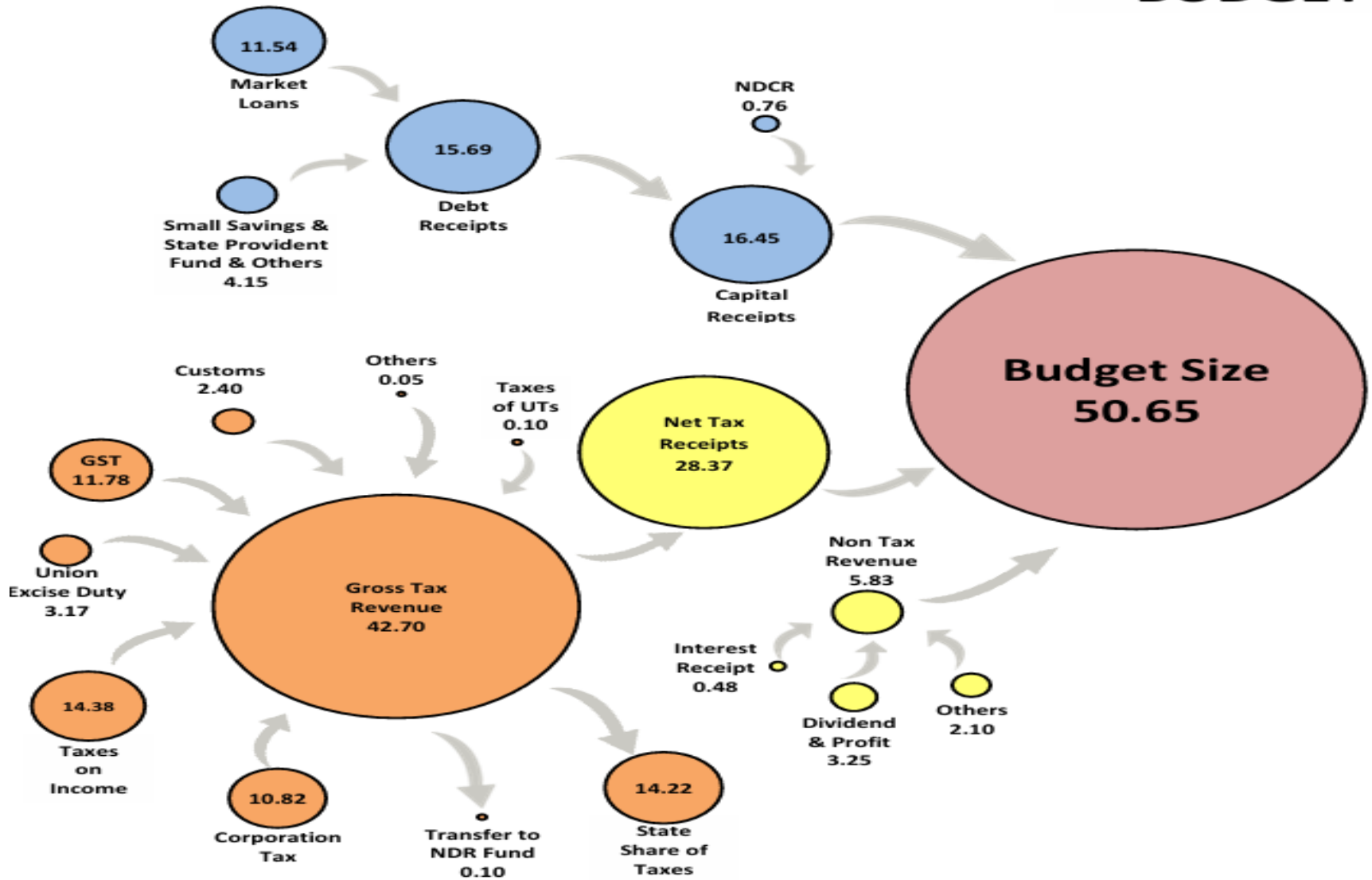
# (I) Budget at a Glance

# रूपरेखा PROFILE

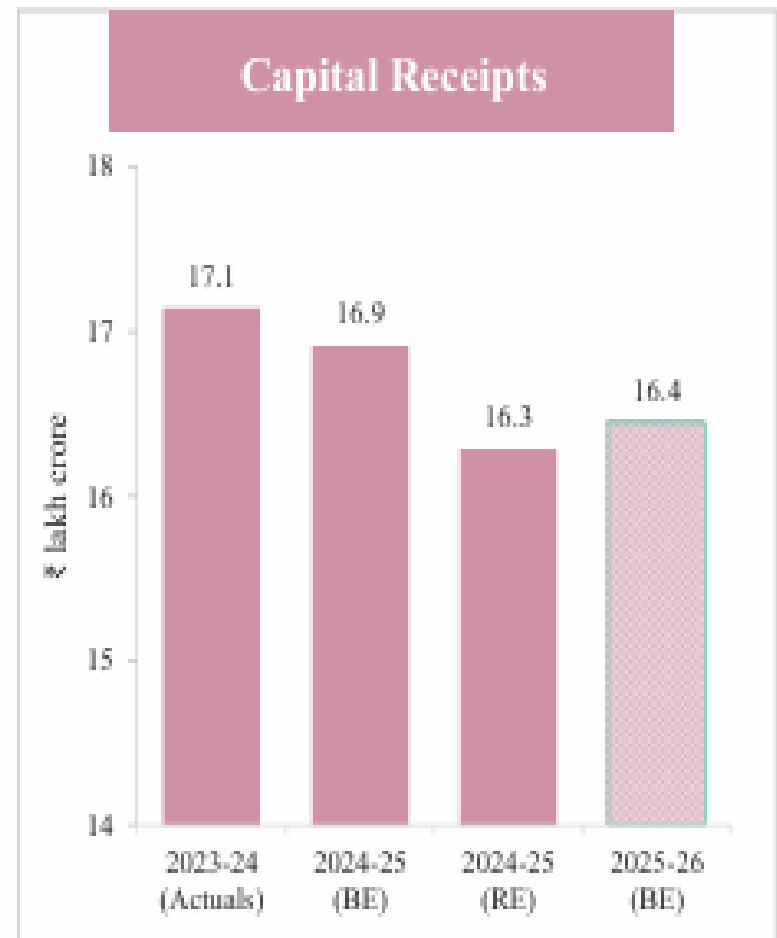
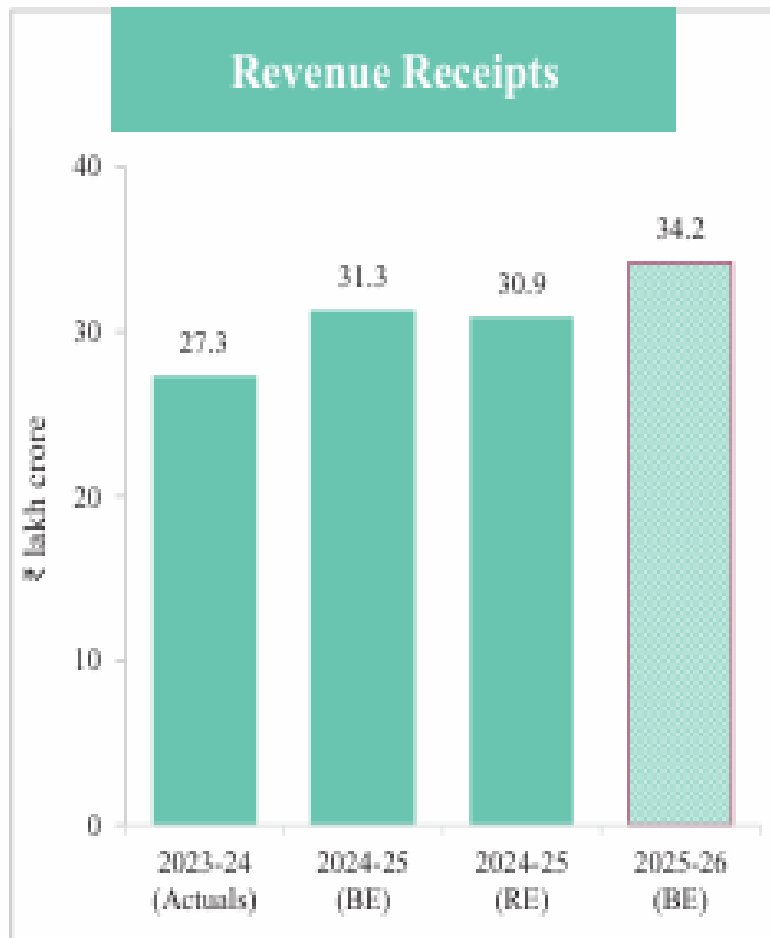
(लाख करोड़ में)  
(In lakh crore)



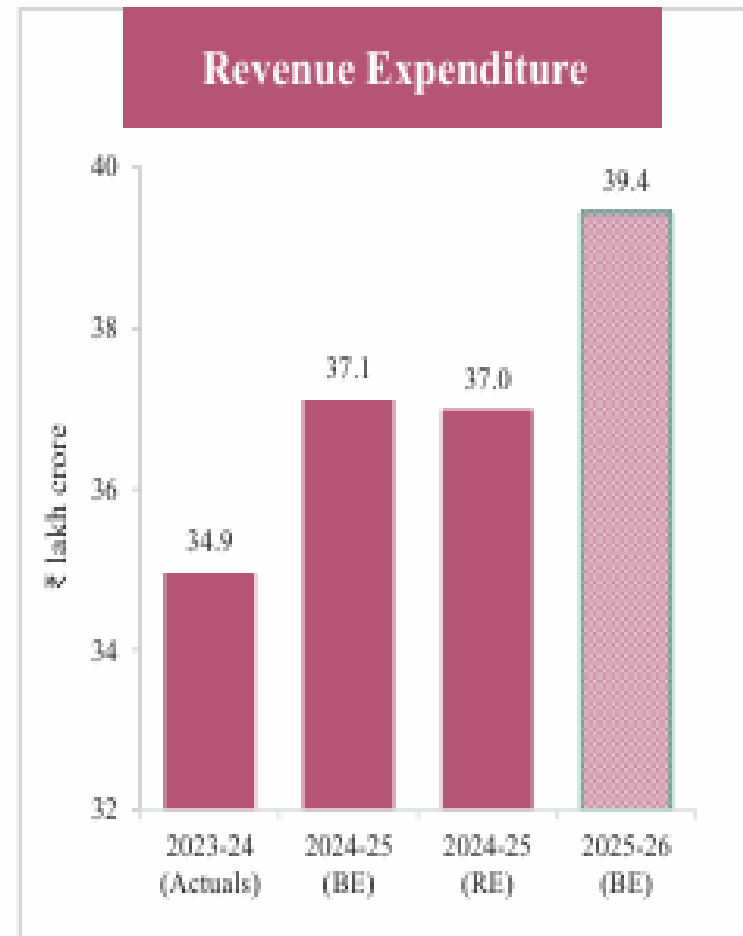
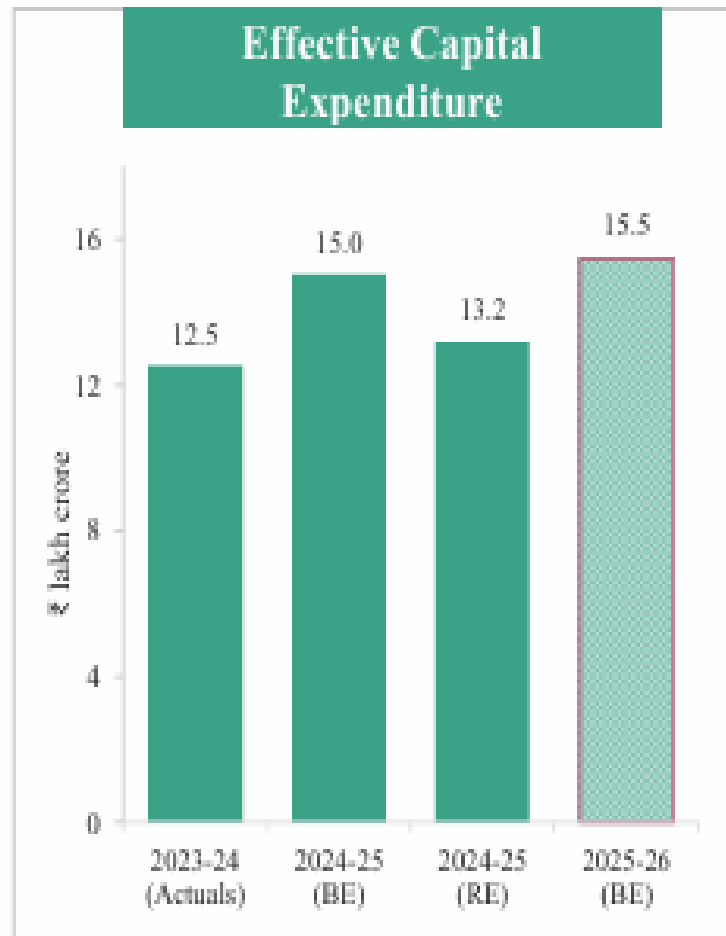
# बजट की BUDGET



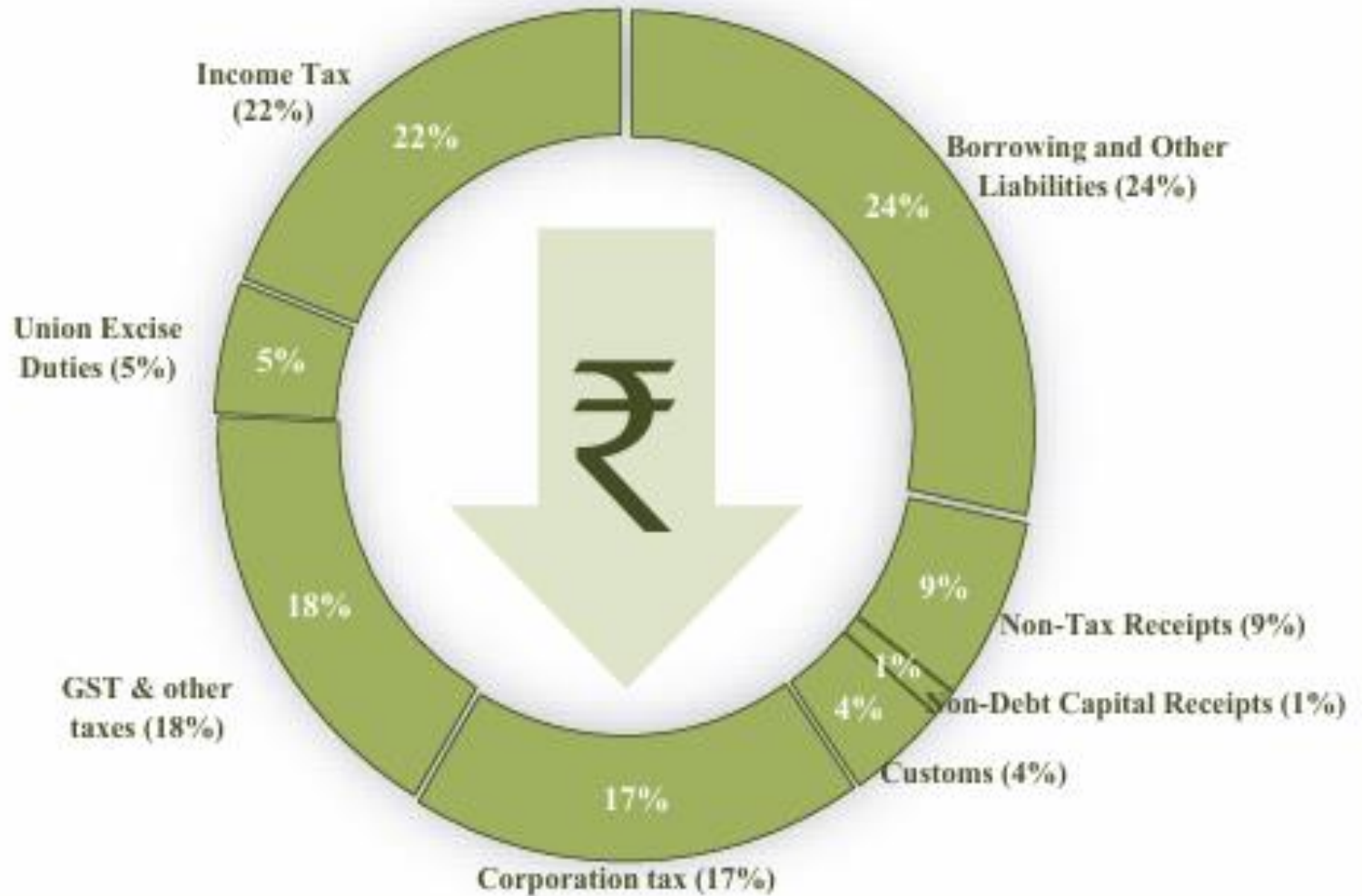
# Receipts



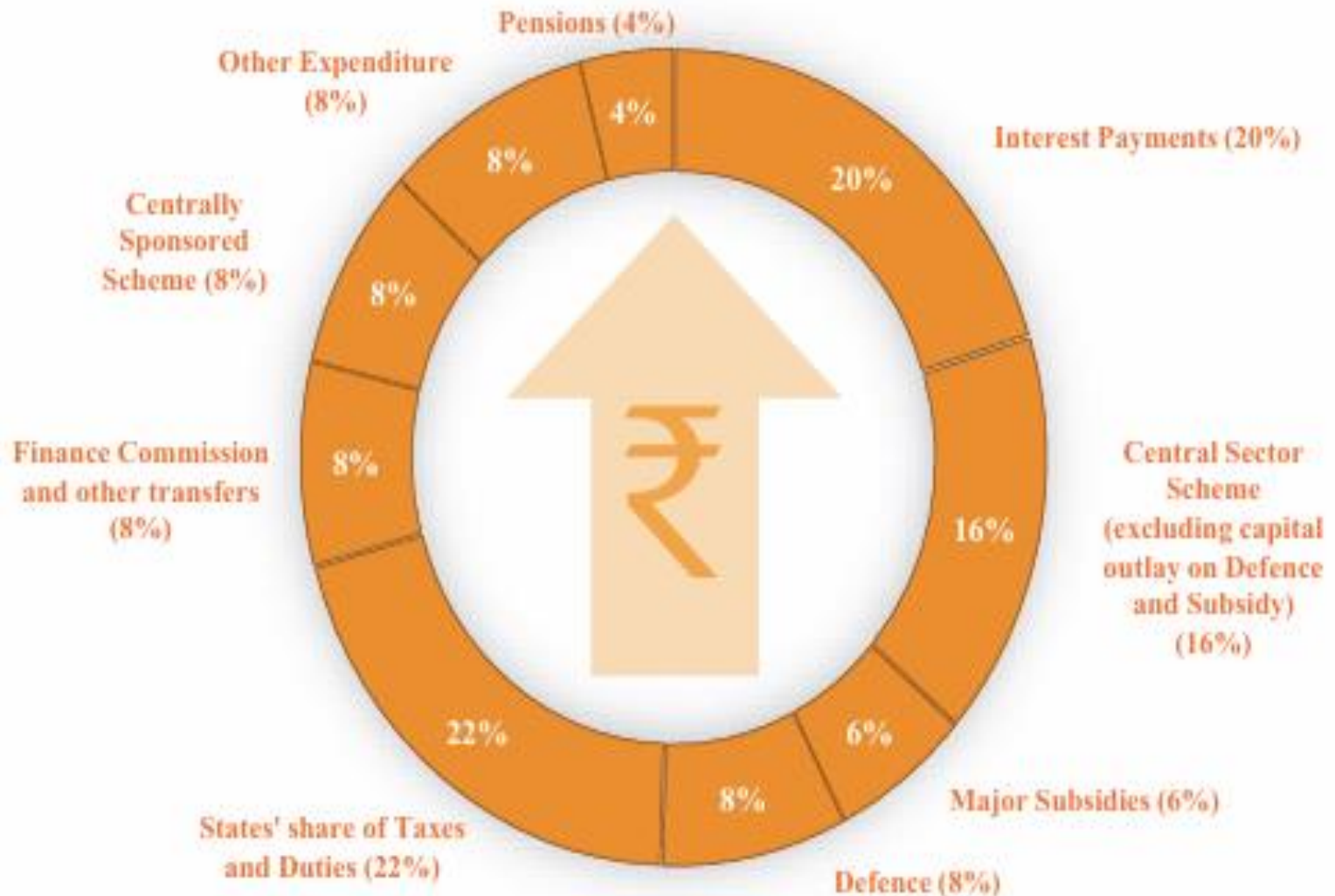
# Expenditure



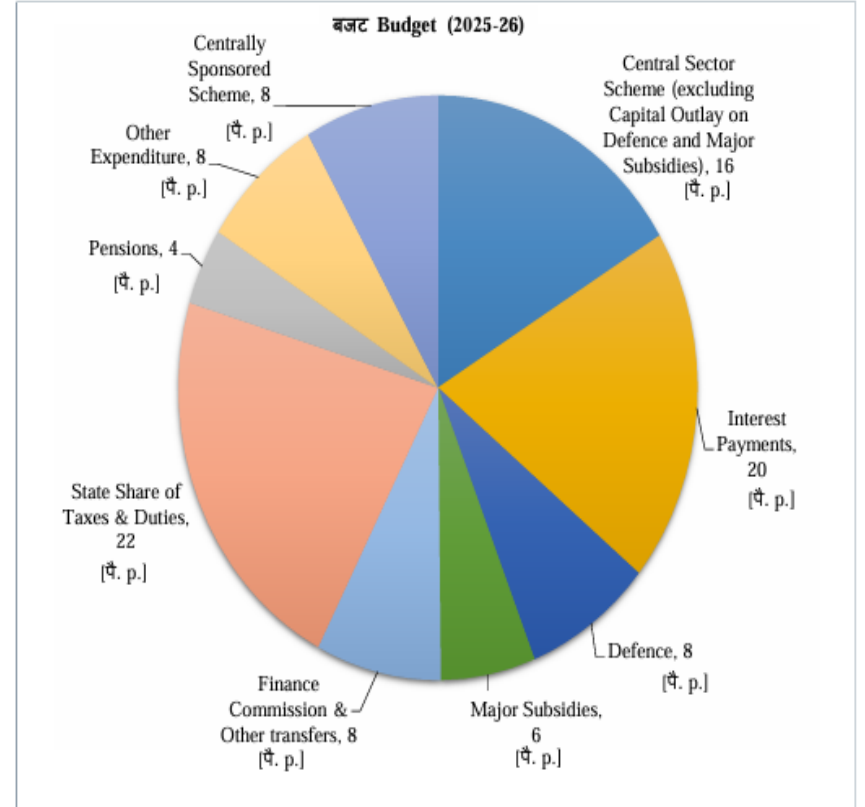
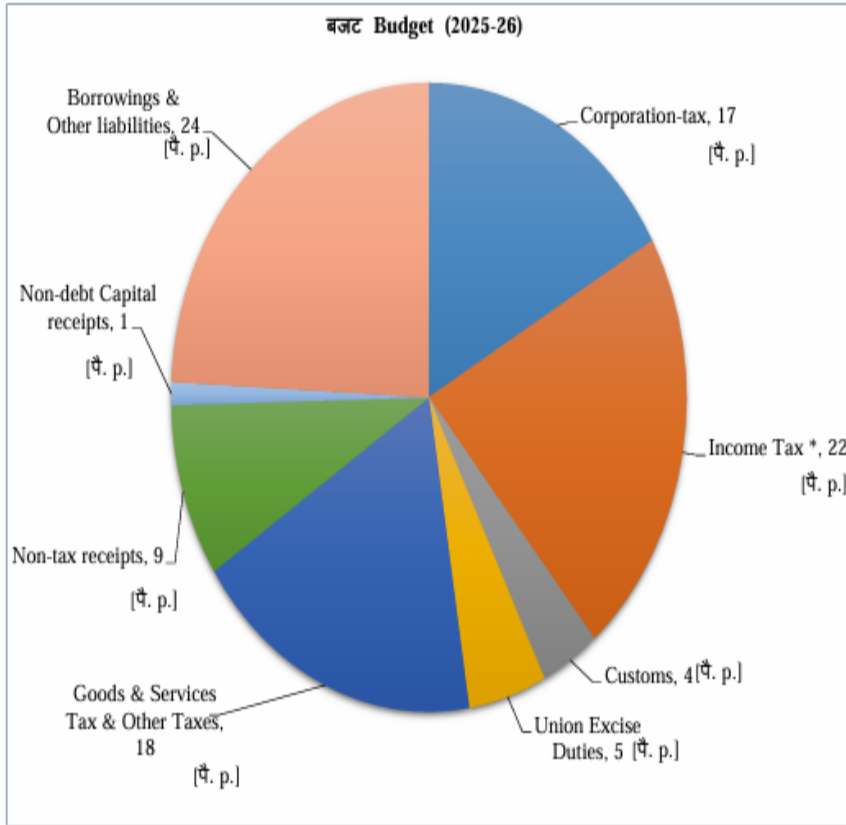
# Rupee Comes From



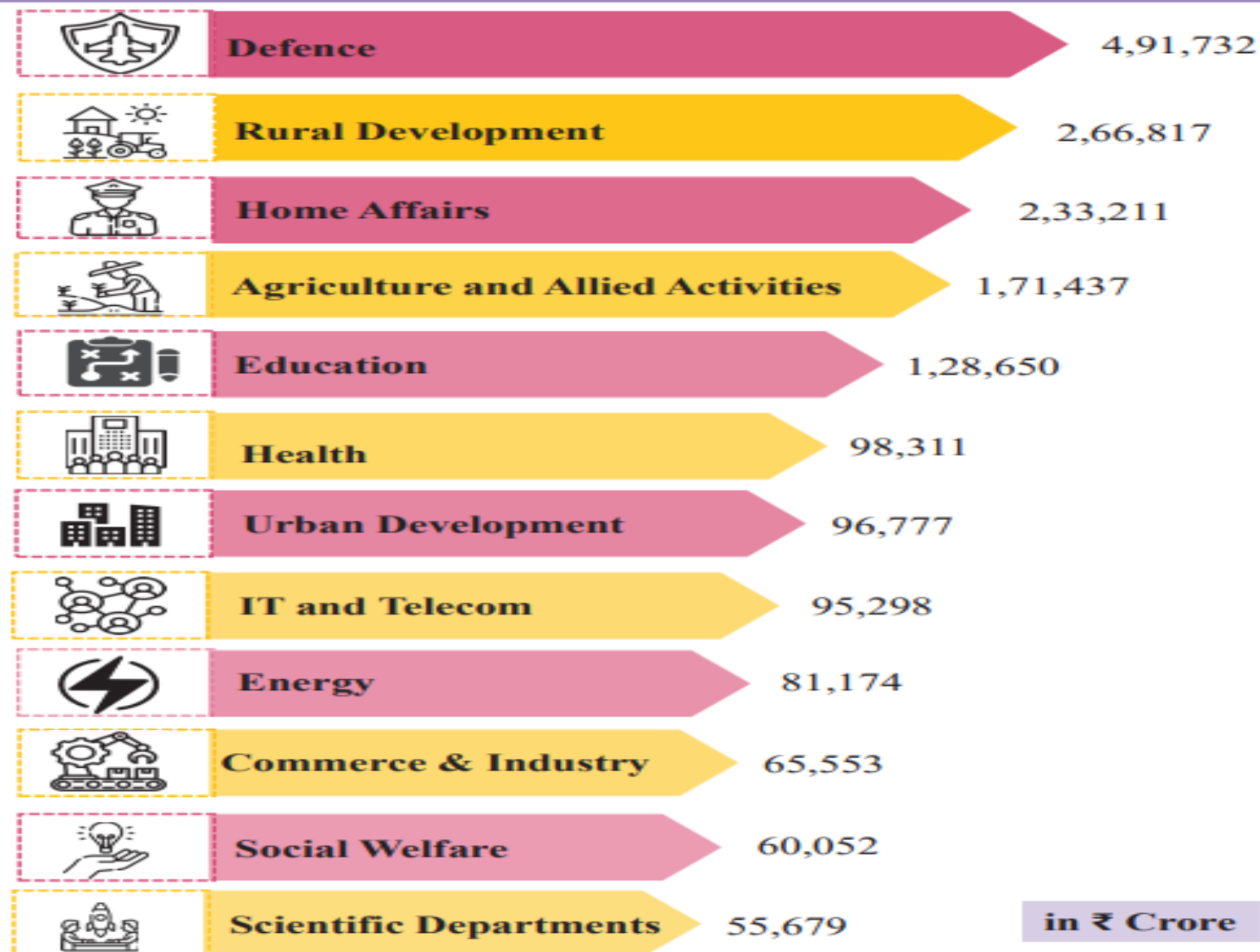
# Rupee Goes To







## Expenditure of Major Items



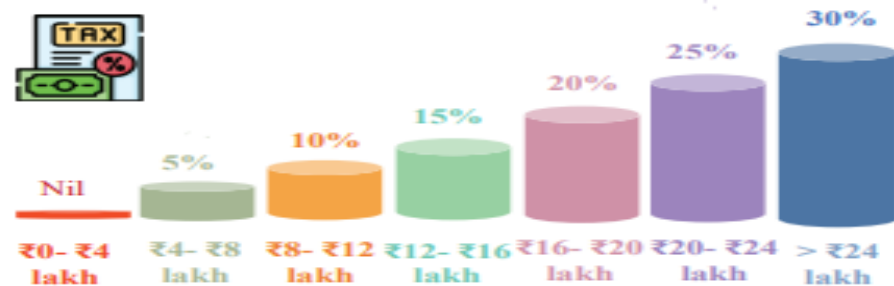
in ₹ Crore

# Direct Tax proposals

Ease of doing business

- Introduction of a scheme for determining arm's length price of international transaction for a block period of three years.
- Expansion of scope of safe harbour rules to reduce litigation and provide certainty in international taxation.

## Personal Income Tax reforms with special focus on the middle class



## Rationalization of TDS/TCS for easing difficulties

Tax deduction limit for senior citizens doubled from ₹ 50,000 to ₹ 1 lakh.

The annual limit of ₹2.40 lakh for TDS on rent increased to ₹ 6 lakh.

## Encouraging voluntary compliance

Extension of time-limit to file updated returns, from the current limit of two years, to four years.

## Reducing compliance burden

Reduced compliance for small charitable trusts/institutions by increasing their period of registration from 5 years to 10 years.

Tax payers to be allowed to claim the annual value of 02 self occupied properties (previously 01) without any conditions (previously conditions attached).

Employment and investment

- **Tax certainty for electronics manufacturing Schemes**
- **Tonnage Tax Scheme for Inland Vessels**
- **Extension for incorporation by 5 years of Start-Ups**
- Specific benefits to ship-leasing units, insurance offices and treasury centres of global companies which are set up in IFSC
- Certainty of taxation to Category I and category II AIFs, undertaking investments in infrastructure and other such sectors, on the gains from securities.

(II) Proposed Amendments under  
Direct Taxes  
in the Finance Bill, 2025

# Proposed Amendments under Direct Taxes in the Finance Bill, 2025

A. Rates of income-tax

B. Measures to promote investment and employment

C. Simplification and Rationalisation

D. Socio economic welfare measures

E. Tax administration

A. Rates of Income-tax  
(Clauses 2, 20, 24 & the First Schedule)

# Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person

## Slab Rates u/s 115BAC(1A) for AY 2025-26

Total Income	Rate of Taxes
Up to Rs 3,00,000	Nil
From Rs. 3,00,001 to Rs. 7,00,000	5 %
From Rs. 7,00,001 to Rs. 10,00,000	10 %
From Rs 10,00,001 to Rs 12,00,000	15 %
From Rs 12,00,001 to Rs 15,00,000	20 %
Above Rs 15,00,000	30 %

## Slab Rates u/s 115BAC(1A) for AY 2026-27

Total Income	Rate of Taxes
Up to Rs 4,00,000	Nil
From Rs. 4,00,001 to Rs. 8,00,000	5 %
From Rs. 8,00,001 to Rs. 12,00,000	10 %
From Rs 12,00,001 to Rs 16,00,000	15 %
From Rs 16,00,001 to Rs 20,00,000	20 %
From Rs 20,00,001 to Rs 24,00,000	25 %
Above Rs 24,00,000	30 %

# Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person

The above tax rates would be applicable on all individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2, unless an option is exercised under sub-section (6) of section 115BAC.

No Exemption or deduction would be available except the following:

- i. Standard Deduction u/s 16(ia) of the Act.
- ii. Deduction in respect of income in the nature of family pension as provided under clause (iia) of section 57 of the Act.
- iii. Deduction in respect of the amount paid or deposited in the Agniveer Corpus Fund as to be provided under subsection (2) section 80CCH of the Act.

## **Rebate u/s 87A:**

The income limit for rebate under Section 87A has been increased from **₹7,00,000 to ₹12,00,000** for taxpayers opting for the new tax regime under Section 115BAC(1A). Additionally, the **maximum rebate amount has been raised from ₹25,000 to ₹60,000**.

Such rebate of income-tax is **not available** on tax on incomes chargeable at special rates (for e.g.: capital gains u/s 111A, 112 etc.)



# Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person

For instance:

Income	Tax on Slabs and Rates (Present)	Tax on Slabs and Rates (Proposed)	Benefit of Rate/ Slab	Rebate Benefit (for those earning below ₹12 lakh)	Total Benefit	Tax After Benefit
Up to ₹8 lakh	₹30,000	₹20,000	₹10,000	₹20,000	₹30,000	₹0
₹9 lakh	₹40,000	₹30,000	₹10,000	₹30,000	₹40,000	₹0
₹10 lakh	₹50,000	₹40,000	₹10,000	₹40,000	₹50,000	₹0
₹11 lakh	₹65,000	₹50,000	₹15,000	₹50,000	₹65,000	₹0
₹12 lakh	₹80,000	₹60,000	₹20,000	₹60,000	₹80,000	₹0
₹20 lakh	₹2,90,000	₹2,00,000	₹90,000	₹0	₹90,000	₹2,00,000
₹24 lakh	₹4,10,000	₹3,00,000	₹1,10,000	₹0	₹1,10,000	₹3,00,000
₹50 lakh	₹11,90,000	₹10,80,000	₹1,10,000	₹0	₹1,10,000	₹10,80,000

# Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person

The slab rates of the **old tax regime** remains same, which are as follows:

Total Income	Existing Tax Rates	New Tax Rates
Up to Rs. 2,50,000	Nil	Nil
Rs. 2,50,001 to Rs. 5,00,000	5%	5%
Rs. 5,00,001 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

# Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person

## Surcharge:

The amount of income-tax computed (in accordance with the Provisions of the Income Tax & provisions of the Section 115BAC) shall be increased by a surcharge at the following rates which remain unchanged.

Old Tax Regime		New Tax Regime	
Particulars	Surcharge	Particulars	Surcharge
Taxable Total Income < INR 50 lacs	-	Taxable Total Income < INR 50 lacs	-
INR 50 lacs < Taxable Income < INR 1 crore	10%*	INR 50 lacs < Taxable Income < INR 1 crore	10%*
INR 1 crore < Taxable Income < INR 2 crore	15%*	INR 1 crore < Taxable Income < INR 2 crore	15%*
INR 2 crore < Taxable Income < INR 5 crore	25%**	Taxable Income > INR 2 crore	25%**
Taxable Income > INR 5 crore	37%**		

# Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person

*\*The total income of the Assessee includes the income earned by way of Dividends or income in accordance with the Provisions of the section 111A, 112 and 112A of the Act.*

*\*\*The above surcharge rate is applicable only if the total income of the assessee excluding the income in accordance with the provision of the section 111A, 112 and 112A of the Act. But if the total income of the Assessee (included income earned by way of the Dividend or the income in accordance with section 111A, 112 and 112A) of the income tax Act exceeds Rs.2 crore, the rate of the surcharge computed on the dividend income or income chargeable under section 111A, 112 and 112A shall not exceed 15% on that part of the income.*

*If the association of person consisting of only company as its members, the rate of surcharge shall not be exceed 15%.*

No surcharge is applicable on advance tax / tax computed on income of specified fund (referred to in clause (c) of the Explanation to clause (4D) of section 10) that is chargeable under clause (a) of sub-section (1) of section 115AD of the Act. **[Finance (No. 2) Act, 2024]**

# Co – operative Society

- The rates of income-tax will continue to be the same as those specified for AY 2025-26

Total Income	Tax Rates
Up to Rs. 10,000	10%
Rs. 10,000 to Rs. 20,000	20%
Above Rs. 20,000	30%

- Surcharge of 12% would be applicable where the total income of resident Co-operative Society (except resident co-operative society opting u.s 115BAD) exceeds Rs 10.00 Crore. [Subject to Marginal Relief]. Health & Education cess as applicable. But if the total income of the corporate society exceeds Rs. 1 Crore but not exceeding Rs 10 Crore the rate of surcharge is 7% on such income.
- If the corporate society is liable to pay tax in accordance with the provisions of section 115JC(AMT), then income tax rate is 15%.
- A co-operative society resident in India has the option to pay tax in accordance with the provisions of the section 115 BAD at the rate of income tax is 22 percent for assessment year 2021-22 or onwards.
- A new manufacturing co-operative society set up on or after 01.04.2023, which commences manufacturing or production on or before 31.03.2024 and does not avail of any specified incentive or deductions, may opt to pay tax at a concessional rate of 15%. The surcharge would be paid at 10% on such tax.

# Partnership Firms

- The rates of income-tax will continue to be the same as those specified for Assessment Year 2025-26 i.e. a partnership firm (including LLP) is taxable at 30%.

*Add:*

- I. Surcharge of 12% would continue to be applicable where the total income of firm exceeds Rs 1.00 Crore. [Subject to Marginal Relief\*]
- II. Health & Education cess as applicable.

\*However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

- The rates of income-tax will continue to be the same as those specified for Assessment year 2025-26 i.e. a local authority is taxable at 30%.

*Add:*

- I. Surcharge of 12% would continue to be applicable where the total income of Local Authority exceeds Rs. 1.00 Crore [**Subject to Marginal Relief\***]
- II. Health & Education cess as applicable.

\*However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

# Companies

## A. Domestic Companies

- In the case of domestic companies the rate of income-tax shall be @ 25% (plus applicable surcharge and health & education cess) of the total income **where the total turnover or gross receipts of previous year 2022-23 does not exceed Rs. 400.00** crore and in all other cases the rate of income-tax shall be 30% (plus applicable surcharge and health & education cess) of the total income (Unchanged).
- For a domestic company having total turnover/ gross receipts in the previous year (2022-23) not exceeding INR 400 Crores:

Particulars	Taxable income < INR 1 crore	Taxable income > INR 1 crore and < INR 10 crore	Taxable income > INR 10 crore
Corporate tax	25%	25%	25%
Surcharge	-	7%	12%
Corporate tax + surcharge	25%	26.75%	28%
Health & Education cess	4%	4%	4%
Effective tax rate	26%	27.82%	29.12%



# Companies

- For a domestic company having total turnover/ gross receipts in the previous year (2022-23) exceeding INR 400 Crores:

Particulars	Taxable income < INR 1 crore	Taxable income >INR 1 crore and < INR 10 crore	Taxable income > INR 10 crore
Corporate tax	30%	30%	30%
Surcharge	-	7%	12%
Corporate tax + surcharge	30%	32.10%	33.60%
Health & Education cess	4%	4%	4%
Effective tax rate	31.20%	33.38%	34.94%

- However, if the Domestic company opted to pay tax in accordance with the provisions of section 115BAA (rate of tax 22%) or Section 115BAB (rate of tax 15%) of the income tax Act, then Surcharge is 10 % in both cases.

# Companies

## B. Foreign Companies

- The rates of income-tax for a **foreign company is taxable at 35%** [*Health & Education cess and surcharge as applicable*].

Particulars	Taxable income < INR 10 million	INR 10 million < taxable income < INR 100 million	Taxable income > INR 100 million
Corporate tax	35%	35%	35%
Surcharge	-	2%	5%
Corporate tax + surcharge	35%	35.7%	36.75%
Health & Education cess	4%	4%	4%
Effective tax rate	36.40%	37.128%	38.22%
Earlier Effective Rate	41.60%	42.43%	43.68%

B. MEASURES TO PROMOTE  
INVESTMENT AND  
EMPLOYMENT

# B. Measures to promote investment and employment

S. No.	Brief	Section / Schedule	Clause No.	Effective date [i.e. w.e.f.]
I.	Incentives to International Financial Services Centre:			
II.	Extension of sunset dates for several tax concessions pertaining to IFSC	80LA,10,47	6, 13 & 19	1 <sup>st</sup> April 2025
III.	Exemption on life insurance policy from IFSC Insurance offices	10	6	1 <sup>st</sup> April 2025
IV.	Exemption to capital gains and dividend for ship leasing units in IFSC	10	6	1 <sup>st</sup> April 2025
V.	Rationalisation of definition of 'dividend' for treasury centres in IFSC	2	3	1 <sup>st</sup> April 2025

# B. Measures to promote investment and employment

S. No.	Brief	Section / Schedule	Clause No.	Effective date [i.e. w.e.f.]
VI.	Simplified regime for fund managers based in IFSC	9A	5	1 <sup>st</sup> April 2025
VII.	Amendment of Section 10 related to Exempt income of Non-Residents	10	6	1 <sup>st</sup> April 2026
VIII	Inclusion of retail schemes and Exchange Traded Funds (ETFs) in the existing relocation regime of funds of IFSCA	47	13	1 <sup>st</sup> April 2026
IX.	Extension of date of making investment by Sovereign Wealth Funds, Pension Funds & others and rationalisation of tax exemptions	10	6	1 <sup>st</sup> April 2025

# B. Measures to promote investment and employment

S. No.	Brief	Section / Schedule	Clause No.	Effective date [i.e. w.e.f.]
X.	Scheme of presumptive taxation extended for non-resident providing services for electronics manufacturing facility	44BBD	11	1 <sup>st</sup> April 2026
XI.	Extension of benefits of tonnage tax scheme to inland vessels	115VD	6, 27, 28, 29, 30, 31, 33, 34, 35 & 36	1 <sup>st</sup> April 2026

# I. Extension of sunset dates for several tax concessions pertaining to IFSC [Clauses 6, 13 & 19]

## **Amendment in sub section (2) of section 80 LA [clause d] w.e.f. 01.04.2025**

*(2) The income referred to in sub-section (1) and sub-section (1A) shall be the income—  
(d) arising from the transfer of an asset, being an aircraft 17[or a ship], which was leased by a unit referred to in clause (c) to a person, subject to the condition that the unit has commenced operation on or before the 31st day of March, ~~2025~~ 2030.*

## **Amendment in section 10 [clause 4D and 4F ] w.e.f. 01.04.2025**

*For the purposes of this clause, the expression-*

*(4D) .....*

*aa) investment division of offshore banking unit means an investment division of a banking unit of a non-resident located in an International Financial Services Centre, as referred to in sub-section (1A) of section 80LA and which has commenced its operations on or before the 31st day of March, ~~2025~~ 2030.*

*(4F) any income of a non-resident by way of royalty or interest , on account of lease of an aircraft or a ship in a previous year, paid by a unit of an International Financial Services Centre as referred to in sub-section (1A) of section 80LA, if the unit has commenced its operations on or before the 31st day of March ~~2025~~ 2030.*

**Amendment in section 47 [clause viiad ] w.e.f. 01.04.2025**

*(b) Relocation means transfer of assets of the original fund, or of its wholly owned special purpose vehicle, to a resultant fund on or before the 31st day of March, ~~2025~~ 2030, where consideration for such transfer is discharged in the form of share or unit or interest in the resulting fund.*

**Brief Impact:**

For the following provisions, it has been proposed to extend the timelines in relation to commencement of business to 31st March 2030:

**Section 80LA** provides deduction in respect of certain incomes of Offshore banking units and International Financial Service Centre. International Financial Services Centre (IFSC) is a jurisdiction that provides financial services to non-residents and residents, to the extent permissible under the current regulations, in any currency except Indian Rupee.

Under the existing provisions of section 80LA(2)(d), if a scheduled bank, or, any bank incorporated by or under the laws of a country outside India; and having an Offshore Banking Unit in a Special Economic Zone, includes any income arising from the transfer of an asset, being an aircraft [or a ship], which was leased by a unit of the International Financial Services Centre from its business to a person, there shall be allowed a deduction of one hundred percent of such income for ten consecutive assessment year,



subject to the condition that such unit has commenced operation on or before the 31st day of March, 2025 (now extended to **31st March 2030**).

**Clause 4D of Section 10** provides tax exemption on specified income of a specified fund arising from the transfer of certain capital assets, securities, or securitization trusts, attributable to non-residents or offshore banking units in an International Financial Services Centre (IFSC) subject to the condition that such offshore banking unit has commenced operation on or before **the 31st day of March, 2025 (now extended to 31st March 2030)**.

**Clause 4F of Section 10** exempts income earned by a non-resident from royalty or interest on the lease of an aircraft or ship, provided it is paid by an International Financial Services Centre (IFSC) unit that commenced operations **on or before March 31, 2025 (now extended to 31st March 2030)**.

**Clause (viiad) of Section 47** of the Act provides that any transfer of shares, units, or interests by a shareholder, unit holder, or interest holder during a relocation of a fund shall not be considered as a taxable transfer. It applies when an original fund (established outside India) relocates its assets to a resultant fund (set up in an International Financial Services Centre in India) **on or before March 31, 2025 (now extended to 31st March 2030)** in exchange for shares, units, or interests in the resultant fund.

## II. Exemption on life insurance policy from IFSC Insurance offices [Clause 6]

### Amendment in Provisos (fourth, fifth, sixth and seventh) Clause (10D) of section 10 w.e.f. 01.04.2025

*(10D) any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy,*

*Provided also that nothing contained in this clause shall apply with respect to any unit linked insurance policy, issued on or after the 1st day of February, 2021, if the amount of premium payable for any of the previous year during the term of such policy exceeds two lakh and fifty thousand rupees.*

Provided also that nothing contained in this clause shall apply with respect to any life insurance policy, other than a unit linked insurance policy, issued on or after the 1st day of April, 2023, if the amount of premium payable for any of the previous years during the term of such policy exceeds five lakh rupees.

*without the condition related to the maximum premium payable*

**Brief Impact:**

As per the existing provisions of **section 10(10D)** of the Income Tax Act 1961, **there is exemption to sum received under a life insurance policy including the sum allocated by way of bonus on such policy** subject to certain specified conditions therein. However, the said exemptions are not available to any unit linked insurance policy (“**ULIP**”) issued on or after 01st February 2021 if the amount of premium payable for any of the previous years during the term of such policy exceed Rs. 2.5 lacs whereas the threshold in respect of premium payable for insurance policies other than ULIP is Rs. 5 Lacs. In order to provide the same exemption benefit to non-resident availing life insurance from insurance offices in IFSC, amendment has been proposed in clause (10D) of section 10, which provides that proceeds received on life insurance policy issued by IFSC insurance intermediary office shall be exempted without the condition related to the maximum premium payable on such policy. These amendments will take effect from the 1st day of April, 2025

# III. Exemption to capital gains and dividend for ship leasing units in IFSC w.e.f. 01.04.2025 [Clause 6]

*(4H) any income of a non-resident or a Unit of an International Financial Services Centre, as referred to in sub-section (1A) of section 80LA, engaged primarily in the business of leasing of an aircraft **or a ship**, by way of capital gains arising from the transfer of equity shares of domestic company, being a Unit of an International Financial Services Centre, as referred to in sub-section (1A) of section 80LA, engaged primarily in the business of leasing of an aircraft which has commenced operations on or before the 31st day of March, ~~2026~~ 2030.*

*(34B) any income of a Unit of any International Financial Services Centre, primarily engaged in the business of leasing of an aircraft **or a ship**, by way of dividends from a company being a Unit of any International Financial Services Centre primarily engaged in the business of leasing of an aircraft **or a ship**.*

## **Brief Impact:**

At present section 10 (4H) of the Act, provides exemption on capital gain income, to non-resident or unit of IFSC engaged in the business of aircraft leasing wherein capital gain incurred on transfer of equity shares of domestic

company being unit of IFSC, primarily engaged in business of aircraft leasing, which has commenced operations on or before 31st March 2026. The said provisions shall apply for capital gains arising from the transfer of equity shares of such domestic company in a previous year relevant to an assessment year falling within the period of ten assessment years beginning with the assessment year relevant to the previous year in which the domestic company has commenced operations.

Under the provision of 10(34B), Dividend Income of a Unit of any International Financial Services Centre, primarily engaged in the business of leasing of an aircraft, is exempted provided the same has been received from a company being a Unit of any International Financial Services Centre primarily engaged in the business of leasing of an aircraft.

It has been proposed to extend the timelines for commencement of business to 31st March 2030. It is also proposed to extend the similar exemption benefit to special purpose vehicle (SPVs) engaged in business of ship leasing business, created for one or more vessels to safeguard the investors. Similarly, dividend income received by a unit of IFSC engaged in the business of ship leasing business is exempt provided the same has been received from a company being unit of International Financial Services Centre primarily engaged in the business of ship leasing business. **These amendments will take effect from the 1st day of April, 2025.**

# IV. Rationalisation of definition of 'dividend' for treasury centres in IFSC [Clause 3]

## Amendment in Section 2(22) with effect from 1<sup>st</sup> April 2025

*(22) "dividend" includes*

*(ii) any advance or loan made to a shareholder or the said concern by a company in the ordinary course of its business, where the lending of money is a substantial part of the business of the company.*

*(iia) any advance or loan between two group entities, where-*

*A) one of the group entity is a "Finance company" or a "Finance unit"; and*

*B) the parent entity or principal entity of such group is listed on stock exchange in a country or territory outside India other than the country or territory outside India as may be specified by the Board in this behalf;'*

*Explanation 3.—For the purposes of this clause*

*(c) "Finance Company" and "Finance Unit" shall have the same meaning as assigned respectively to them in clauses (e) and (f) of sub-regulation (1) of regulation 2 of the International Financial Services Centres Authority (Finance Company) Regulations, 2021 made under the International Financial Services Centres Authority Act, 2019*

*Provided that such Finance Company or Finance Unit, is set up as a global or regional corporate treasury centre for undertaking treasury activities or treasury services as per the relevant regulations made by the International Financial Services Centres Authority established under section 4 of the said Act;*

*(d) “group entity”, “parent entity” and “principal entity” shall be such entities which satisfy such conditions as prescribed in this behalf.*

**Brief Impact:**

The existing provision of section 2(22)(e), provides that if any advance or loan to a shareholder paid by a company (not being a company in which the public are substantially interested), where shareholder is the beneficial owner of shares holding not less than 10% of the voting power, or to any concern in which such shareholder is a member or a partner and in which he has a substantial interest or any payment by any such company on behalf, or for the individual benefit, of any such shareholder, to the extent of accumulated profits, then such advance or loan shall be considered as dividend.

It is proposed to amend clause (22) of section 2 wherein if any advance or loan between two group entities, where one of the group entity is a “Finance company” or a “Finance unit” in IFSC and the ‘parent or principal entity’ of such ‘group entity’ is listed on stock exchange in a country or territory outside India as specified by the CBDT, shall not be treated as ‘dividend’. **These amendments will take effect from the 1st day of April, 2025.**

# V. Simplified regime for fund managers based in IFSC

w.e.f.01.04.2025 [Clause 5]

## Amendment in sub-section (3) of section 9A [clause C ]

*(c) the aggregate participation or investment in the fund, directly or indirectly, by persons resident in India does not exceed five per cent of the corpus of the fund as on the 1st day of April and the 1st day of October of the previous year.*

## Insertion of proviso to clause C

*provide that where the aforesaid aggregate participation or investment in the fund exceeds five per cent on the 1<sup>st</sup> day of April or the 1st day of October of the previous year, the condition mentioned in this clause shall be deemed to be satisfied, if it is satisfied, within four months of the 1st day of April or the 1st day of October of such previous year, as the case may be.*

## Amendment in sub-section (8A) of section 9A

*(8A) The Central Government may, by notification in the Official Gazette, specify that any one or more of the conditions specified in clauses (a) to (m) of sub-section (3) or clauses (a) to (d) of sub-section (4) shall not apply or shall apply with such modifications, as may be specified in such notification, in case of an eligible investment fund and its eligible fund manager,*



*if such fund manager is located in an International Financial Services Centre, as defined in clause (a) of the Explanation to section 80LA, and has commenced its operations on or before the 31st day of March, ~~2024~~ 2030.*

**Brief Impact:** The provisions of section 9A of the Act, clarifies certain activities not to constitutes business connections in India subject to conditions specified therein. Section 9A(3)(c) provides one of the conditions that the aggregate participation or investment in the fund, directly or indirectly, by persons resident in India does not exceed five per cent of the corpus of the fund. The provisions of section 9A(8A) provides that the Central Government may specify that any one or more of the conditions specified in sub-section (3) or sub-section (4), shall not apply or shall apply with such modifications, in case of an eligible investment fund and its eligible fund manager provided fund manager is located in an IFSC and has commenced its operations on or before the 31st day of March, 2024.

**In order to simplify regime for IFSC based fund managers, it is proposed that conditions prescribed by section 9A(3)(C) is make more comprehensive for all the eligible investment funds irrespective of their managers are based in IFSC or not wherein aggregate participation or investments in the fund as on 01st April or 01st October of the previous year will be checked to ensure that**

**the said conditions is satisfied or not. If the condition as per section 9A(3)(C) is not satisfied on any of the two days, then the same will required to be meet within four months of the said days.**

**It is also proposed that the condition at clause (c) of sub-section (3) of section 9A shall not be modified for any eligible investment fund and its eligible fund manager.**

Under existing provisions of section 9A(8A), it states that Central Government may specify that any one or more of the conditions specified in clauses (a) to (m) of sub-section (3) or clauses (a) to (d) of sub-section (4) shall not apply or shall apply with such modifications, as may be specified, in case of an eligible investment fund and its eligible fund manager, if such fund manager is located in an International Financial Services Centre, as defined in clause (a) of the Explanation to section 80LA, and has commenced its operations on or before the 31st day of March, 2024.

**It is proposed that the other conditions (a) to (m) can be relaxed for a eligible investment fund where the date of commencement of operations by its eligible fund manager located in IFSC for the purposes of sub-section (8A) of section 9A is on or before 31st day of March, 2030.**

# VI. Amendment of Section 10 related to Exempt income of Non-Residents [Clause 6]

## Amendment in Section 10 [Clause 4E] w.e.f. 01.04.2025

*4E) any income accrued or arisen to, or received by a non-resident or any Foreign Portfolio Investor being a unit of an International Financial Services Centre as a result of -*

*(i) transfer of non-deliverable forward contracts or offshore derivative instruments or over-the-counter derivatives; or*

*(ii) distribution of income on offshore derivative instruments, entered into with an offshore banking unit of an International Financial Services Centre referred to in sub-section (1A) of section 80LA, which fulfils such conditions as may be prescribed.*

*Explanation - Foreign Portfolio Investor to mean a person registered as per the provisions of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 made under the Securities and Exchange Board of India Act, 1992.*

**Brief Impact:**

The proposed amendment to Section 10 of Act seeks to expand the existing provisions that provide tax exemptions for non-residents. Currently, non-residents are exempt from including income earned from the transfer of non-deliverable forward contracts, offshore derivative instruments, or over-the-counter derivatives, as well as income from offshore derivative instruments entered into with an offshore banking unit (OBU) of an IFSC. The new proposal extends this exemption to income earned from similar transactions with Foreign Portfolio Investors (FPIs) operating within an IFSC unit.

This change is aimed at further incentivizing operations within the IFSC, encouraging more international investment and activities in India's financial markets. The exemption will be applicable subject to certain conditions, which will be prescribed in future regulations. **The amendment will come into effect on April 1, 2026, and will apply to the assessment year 2026-27 and subsequent years.**

## VII. Inclusion of retail schemes and Exchange Traded Funds (ETFs) in the existing relocation regime of funds of IFSCA [Clause 13]

### Substitution of definition resultant fund w.e.f. 01.04.2026

Resultant Fund to mean a fund established or incorporated in India in the form of a trust or a company or a limited liability partnership, which is located in an International Financial Services Centre as referred to in sub-section (1A) of section 80LA, and has been granted –

- i) a certificate of registration as a Category I or Category II or Category III Alternative Investment Fund, and is regulated under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 made under the Securities and Exchange Board of India Act, 1992 or regulated under the International Financial Services Centres Authority (Fund Management) Regulations, 2022, made under the International Financial Services Centres Authority Act, 2019.
- ii) a certificate as a retail scheme or an Exchange Traded Fund and which fulfils the conditions specified in clause (4D) of section 10.

**Brief Impact:**

The proposed amendment aims to further incentivize operations within the IFSC by expanding the existing provisions under Section 47 of the Act, specifically relating to the relocation of funds. Currently, clause (viia) of Section 47 allows for a tax-neutral transfer when a shareholder, unit holder, or interest holder relocates capital assets—such as shares, units, or interests from an original fund to a resultant fund within an IFSC, without being subject to capital gains tax. The definition of a "resultant fund" includes funds that are registered as Category I, II, or III Alternative Investment Funds (AIFs) in an IFSC.

**The proposed amendment seeks to include retail schemes and Exchange Traded Funds (ETFs) within the definition of "resultant fund" for the purposes of this relocation regime.** By doing so, the relocation of funds to these retail schemes or ETFs located in the IFSC will also be treated as a tax-neutral transaction, similar to other specified funds already exempted under Section 10(4D).

**The amendment will come into effect on April 1, 2026, and will apply to the assessment year 2026-27 and subsequent years.**

# VIII. Extension of date of making investment by Sovereign Wealth Funds, Pension Funds & others and rationalisation of tax exemptions [Clause 6]

## Amendment in Section 10 [Clause 23FE] w.e.f. 01.04.2025

*(23FE) any income of a specified person in the nature of dividend, interest or long-term capital gains whether or not such capital gains are deemed as short term capital gains under section 50AA arising from an investment made by it in India, whether in the form of debt or share capital or unit, if the investment—*

*(i) is made on or after the 1st day of April, 2020 but on or before the 31st day of March, ~~2025~~ 2030*

**Brief Impact:** The proposed amendment to Clause (23FE) of Section 10 of the Act focuses on extending the investment window and rationalizing tax exemptions for Sovereign Wealth Funds (SWFs), Pension Funds (PFs), and other specified entities investing in India's infrastructure sector. Introduced through the Finance Act, 2020, this provision provided tax exemptions on income such as dividends, interest, long-term capital gains, and other specified income arising from investments made by these entities in India.

Currently, Clause (23FE) specifies that investments must be made on or after April 1, 2020, but on or before March 31, 2025.

Additionally, the Finance (No. 2) Act, 2024, has reclassified capital gains from unlisted debt securities as short-term capital gains, regardless of the holding period. This reclassification has created a situation where long-term capital gains on unlisted debt securities, previously exempt under Clause (23FE), are now taxable for SWFs and PFs. To address this issue, the proposed amendment **will ensure that long-term capital gains, even if reclassified as short-term under Section 50AA, are still exempt from taxation under Clause (23FE).**

The amendment also proposes extending the investment deadline under Clause (23FE) from **March 31, 2025, to March 31, 2030**, allowing these funds more time to make investments.

These amendments will take effect from **April 1, 2025**, providing a longer investment window and preserving tax exemptions for SWFs and PFs involved in infrastructure investment in India



# IX. Scheme of presumptive taxation extended for non-resident providing services for electronics manufacturing facility [Clause II]

## Insertion of Section 44BBD w.e.f. 01.04.2025

*(1) Notwithstanding anything to the contrary contained in sections 28 to 43A, where an assessee, being a non-resident, engaged in the business of providing services or technology in India, for the purposes of setting up an electronics manufacturing facility or in connection with manufacturing or producing electronic goods, article or thing in India –*

*(a) to a resident company which is establishing or operating electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods, article or thing in India, under a scheme notified by the Central Government in the Ministry of Electronics and Information Technology and*

*(b) the resident company satisfies the conditions prescribed in this behalf, sum equal to twenty-five per cent. of the aggregate of the amounts specified in sub-section (2) shall be deemed to be the profits and gains of such business of the non-resident assessee chargeable to tax under the head “Profits and gains of business or profession.*

*(2) The amounts referred to in sub-section (1) shall be the following: –*

*(a) the amount paid or payable to the non-resident assessee or to any person on his behalf on account of providing services or technology; and*

(a) *the amount received or deemed to be received by the non-resident assessee or on behalf of non-resident assessee on account of providing services or technology.*

(3) *Notwithstanding anything in sub-section (2) of section 32 and sub-section (1) of section 72, where a nonresident assessee declares profits and gains of business for any previous year under sub-section (1), no set off of unabsorbed depreciation and brought forward loss shall be allowed to the assessee for such previous year.'*

**Brief Impact:**

**Lower Tax Rate:** Instead of facing variable tax rates up to 40%, eligible non-resident service providers will pay an effective tax of less than 10% on gross receipts.

**Certainty in Taxation:** The presumptive taxation scheme removes ambiguity regarding tax liability, ensuring a fixed deemed profit rate of 25% of gross receipts.

**Boost to Electronics Manufacturing:** Easier tax treatment encourages foreign technology providers to engage with Indian manufacturers, supporting India's goal of becoming a global electronics hub.

# X. Extension of benefits of tonnage tax scheme to inland vessels [Clauses 26, 27, 28, 29, 30, 31, 33, 34, 35 & 36]

## Amendment of Section 115VD w.e.f 01.04.2026

*For the purposes of this Chapter, a ship, or inland vessel, as the case may be is a qualifying ship if—*

*(a) it is a seagoing ship or vessel, or inland vessel, as the case may be of fifteen net tonnage or more;*

*(b) it is a ship registered under the Merchant Shipping Act, 1958 (44 of 1958), or a ship registered outside India in respect of which a licence has been issued by the Director-General of Shipping under section 406 or section 407 of the Merchant Shipping Act, 1958 or an inland vessel registered under the Inland Vessels Act, 2021, as the case may be (44 of 1958); and*

*(c) a valid certificate in respect of such ship or inland vessel, as the case may be, indicating its net tonnage is in force, but does not include—*

*(i) a seagoing ship or vessel or inland vessel, as the case may be, if the main purpose for which it is used is the provision of goods or services of a kind normally provided on land;*

*(ii) fishing vessels;*

*(iii) factory ships;*

*(iv) pleasure crafts;*

(v) *harbour and river ferries;*

(vi) *offshore installations;*

(vii) *\*\*\*]*

(viii) *a qualifying ship which is used as a fishing vessel for a period of more than thirty days during a previous year.*

**Brief Impact:**

Under the existing provision of chapter XII-G of the Act, shipping companies were given option to opt for tonnage taxation regime or continue to get taxed under normal corporate tax regime.

It is proposed to extend the benefit of tonnage taxation scheme to Inland Vessels registered under Inland Vessels Act, 2021 and inland vessels has been proposed to be included under section 115VD as qualified ship. Other relevant amendments have also been made in the provisions of section 115VD. The amendments are applicable with effect from 1st April 2026.

## C. SIMPLIFICATION AND RATIONALISATION

# C. Simplification and Rationalisation

S. No.	Brief	Section / Schedule	Clause No.	Effective date [i.e. w.e.f.]
I.	Simplification of tax provisions for charitable trusts/institutions	12AB		
II.	Rationalisation of 'specified violation' for cancellation of registration of trusts or institutions	12AB	7	1 <sup>st</sup> April 2025
III.	Period of registration of smaller trusts or institutions	12A	7	1 <sup>st</sup> April 2025
IV.	Rationalisation of persons specified under sub-section (3) of section 13 for trusts or Institutions	13	8	1 <sup>st</sup> April 2025
V.	Rationalisation in taxation of Business trusts	115UA	25	1 <sup>st</sup> April 2026

# C. Simplification and Rationalisation

S. No.	Brief	Section / Schedule	Clause No.	Effective date [i.e. w.e.f.]
VI.	Harmonisation of Significant Economic Presence applicability with Business Connection	9(Explanation 2A)	4	1 <sup>st</sup> April 2026
VII.	Bringing clarity in income on redemption of Unit Linked Insurance Policy	10	3,12,&22	1 <sup>st</sup> April 2026
VIII.	Amendment of Definition of 'Capital Asset'	2	3	1 <sup>st</sup> April 2026
IX.	Extension of timeline for tax benefits to start-ups	80-IAC	18	1 <sup>st</sup> April 2025
X.	Rationalisation of taxation of capital gains on transfer of capital assets by non-residents	115AD	23	1 <sup>st</sup> April 2026
XI.	Rationalization of tax deducted at source (TDS) rates		63	

## II. Rationalisation of 'specified violation' for cancellation of registration of trusts or institutions [Clause 7]

### Amendment in section 12AB w.e.f. 1<sup>st</sup> day of April 2025:-

#### Amendment in clause (g) in Explanation to sub-section (4)

*(g) the application referred to in clause (ac) of sub-section (1) of section 12A is ~~not complete or it contains false or incorrect information.~~*

**Brief Impact:** The Explanation to subsection (4) of the referenced section stipulates that a "specified violation" includes, among other scenarios, instances where the application as delineated in clause (ac) of subsection (1) of section 12A is incomplete or comprises erroneous or incorrect information. It has been observed that even a minor oversight, such as the incompleteness of the application referenced in clause (ac) of subsection (1) of section 12A, could precipitate the revocation of a trust or institution's registration. Consequently, such entities would become subject to taxation on accreted income in accordance with the stipulations of Chapter XII-EB of the Act.

In response to these considerations, it is proposed to revise the Explanation to subsection (4) of section 12AB to clarify that circumstances in which the registration application of a trust or institution is incomplete shall not constitute a specified violation. This amendment is slated to come into effect on **April 1, 2025**.



# III. Period of registration of smaller trusts or institutions [Clause 7]

## Amendment in section 12AB w.e.f. 1<sup>st</sup> day of April 2025:-

### Proviso to sub-section (1) of section 12AB inserted

*‘Provided that where an application is made under sub-clauses (i) to (v) of the said clause, and the total income of such trust or institution, without giving effect to the provisions of sections 11 and 12, does not exceed rupees five crores during each of the two previous years, preceding the previous year in which such application is made, the provisions of this sub-section shall have effect as if for the words “five years”, the words “ten years” had been substituted.’;*

**Brief Impact:** Section 12AB of the applicable statute mandates that trusts or institutions may obtain either a five-year registration or a provisional three-year registration, the latter applicable where the entity has not commenced activities at the time of application. The requirement for re-registration every five years imposes a substantial compliance burden, particularly on smaller trusts or institutions. In recognition of this issue, it is proposed to extend the registration validity period for trusts or institutions **from five years to ten years**. This extension would apply to entities filing under sub-clauses (i) to (v) of clause (ac) of subsection (1) of section 12A, contingent upon the condition that their total income, without application of sections 11 and 12, **does not exceed Rs. 5 crores during each of the two years preceding the year in which the application is submitted**. This amendment is slated to come into effect on 1st April 2025.

# IV. Rationalisation of persons specified under sub-section (3) of section 13 for trusts or institutions [Clause 8]

## Amendment in section 13 w.e.f. 1<sup>st</sup> day of April 2025:-

Amendment in Clause (b), (d) & (e) of sub-section (3) substituted namely:-

*(b) any person whose total contribution to the trust or institution, during the relevant previous year exceeds one lakh rupees, or, in aggregate up to the end of the relevant previous year exceeds ten lakh rupees, as the case may be;*

*(d) any relative of any such author, founder, ~~person~~, member, trustee or manager as aforesaid;*

*(e) any concern in which any of the persons referred to in clauses (a), ~~(b)~~, (c), (cc) and (d) has a substantial interest.*

**Brief Impact:** There were challenges associated with providing specific information regarding individuals other than the author, founder, trustees, or managers who have made a 'substantial contribution' to the trust or institution. In this context, a 'substantial contribution' is defined as any individual whose cumulative contributions by the end of the relevant previous year exceed fifty thousand rupees. The required details pertain to their relatives and any entities in which they have a significant interest.

Therefore, following amendments are proposed in Section-13(3):-

- (i) persons referred to in clause (b) of sub-section (3) of section 13, shall be any person whose total contribution to the trust or institution, during the relevant previous year exceeds one lakh rupees, or, in aggregate up to the end of the relevant previous year exceeds ten lakh rupees, as the case may be;
- (ii) relative of any such person as mentioned in (i) above, shall not be included in persons specified in sub-section (3) of section 13; and
- (iii) any concern in which any such person as mentioned in (i) above has a substantial interest, shall not be included in persons specified in sub-section (3) of section 13. The amendment will take effect from **1<sup>st</sup> April 2025**.

# V. Rationalisation in taxation of Business trusts [Clause 25]

## Amendment in section 115UA w.e.f. 1<sup>st</sup> day of April 2026:-

### Substitution in sub-section(2):-

*(2) Subject to the provisions of section 111A, 112 and 112A, the total income of a business trust shall be charged to tax at the maximum marginal rate.*

**Brief Impact:** As per the provisions of Section- 115UA(2) of the Act, the income arising in the hands of the Business Trust by the way of Long-Term Capital Gains referred in Section 112A of the Income Tax Act, 1961 were taxable at Maximum Marginal Rate, i.e., 42.744%. The provisions of sub-section-2 provide taxability subject to provisions of Section 111A and 112 only. Therefore, as per Finance Bill, 2025, for the words, figures and letter “section 111A and section 112”, the words, figures and letters “sections 111A, 112 and 112A” shall be substituted with effect from the **1st April, 2026 and shall apply accordingly in relation to AY 2026-27 and subsequent assessment years.**

Thus, as per amended Section-115UA(2) of the Act, provides taxability of the total income of the Business Trust at Maximum Marginal Rate, subject to provisions of Section 111A, 112 and 112A of the Act.

# VI. Harmonisation of Significant Economic Presence applicability with Business Connection [Clause 4]

## Amendment in section 9 w.e.f. 1<sup>st</sup> day of April 2026:-

The following proviso shall be inserted after the first proviso in Explanation 2A-

*“Provided further that the transactions or activities which are confined to the purchase of goods in India for the purpose of export shall not constitute significant economic presence in India:”*

The following word will be substituted-

*Provided **further** also that only so much of income as is attributable to the transactions or activities referred to in clause (a) or clause (b) shall be deemed to accrue or arise in India.*

### Brief Impact:

- Prevents Double Interpretation: Now, it is explicitly proposed that purchasing goods for export does not create an SEP, avoiding misinterpretation of tax provisions.
- Removes Potential Tax Risk: It is proposed that non-residents who only purchase goods in India for export will not be considered as having a taxable business connection, reducing litigation.
- Enhances India's Export Competitiveness: Foreign buyers will have greater confidence in sourcing from India without fear of additional tax liability, promoting exports.

# VII. Bringing clarity in income on redemption of Unit Linked Insurance Policy [Clauses 3, 12 & 22]

## Amendment in section 2 w.e.f. 1<sup>st</sup> day of April 2026:-

### Amendment in sub-clause (c) of clause (14)-

*(c) any unit linked insurance policy to which exemption under clause (10D) of section 10 does not apply ~~on account of the applicability of the fourth and fifth provisos thereof,~~*

## Amendment in section 45 w.e.f. 1<sup>st</sup> day of April 2026:-

### Amendment in sub-section (1B) of section 45-

*(1B) Notwithstanding anything contained in sub-section (1), where any person receives at any time during any previous year any amount under a unit linked insurance policy, to which exemption under clause (10D) of section 10 does not apply ~~on account of the applicability of the fourth and fifth provisos thereof,~~ including the amount allocated by way of bonus on such policy, then, any profits or gains arising from receipt of such amount by such person shall be chargeable to income-tax under the head "Capital gains" and shall be deemed to be the income of such person of the previous year in which such amount was received and the income taxable shall be calculated in such manner as may be prescribed.*

**Amendment in section 112A w.e.f. 1<sup>st</sup> day of April 2026:-**

**Amendment in the Explanation, in clause (a) of Sec 112A-**

*(a) "equity oriented fund" means a fund set up under a scheme of a mutual fund specified under clause*

*(23D) of section 10 or under a scheme of an insurance company comprising unit linked insurance policies to which exemption under clause (10D) of the said section does not apply ~~on account of the~~*

*~~applicability of the fourth and fifth provisos thereof and,—~~*

**Amendment in the second proviso of the Explanation, in clause (a) of Sec 112A**

*Provided further that in case of a scheme of an insurance company comprising unit linked insurance policies to which exemption under clause (10D) of section 10 does not apply ~~on account of the applicability of the fourth and fifth provisos thereof~~, the minimum requirement of ninety per cent or*

*sixty-five per cent, as the case may be, is required to be satisfied throughout the term of such insurance policy.*

**Brief Impact:** It is observed that a Unit Linked Insurance Policy (ULIP) qualifies as a capital asset solely when exemptions under Section 10, clause (10D) do not apply due to the effects of the fourth and fifth provisos. Consequently, only such ULIPs are subject to taxation under the head of capital gains. Conversely, proceeds from life insurance policies, other than ULIPs, are taxable under 'Income from Other Sources' when they are not eligible for exemption under clause (10D) of section 10. Moreover, sums received pursuant to an insurance policy, as specified in sub-clauses (a) through (d) in conjunction with the provisos to clause (10D) of section 10, do not qualify for the exemption provided under the same clause. This provision is equally applicable to unit-linked insurance policies.

To simplify provisions for unit-linked insurance policies, following amendments are proposed:-

1. ULIPs to which Section-10(10D) does not apply, is a capital asset.
2. Profit and gains arising on the account of redemption of ULIPs to which Section-10(10D) does not apply, are taxed under the Head Capital Gains.
3. ULIPs to which Section-10(10D) is not applicable, shall be included in the definition of equity-orientated fund.



# VIII. Amendment of Definition of 'Capital Asset'

[Clauses 3]

## Amendment in section 2 w.e.f. 1<sup>st</sup> day of April 2026:-

### Amendment in sub-clause (b) and (c) of clause (14)-

*(b) any securities held by a Foreign Institutional Investor “or held by an investment fund specified in clause (a) of Explanation 1 to section 115UB” which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 (15 of 1992);*

*(c) any unit linked insurance policy to which exemption under clause (10D) of section 10 does not  
~~apply on account of the applicability of the fourth and fifth provisos thereof,~~*

**Brief Impact:** Section-2(14) of the Act, provides the definition for capital asset. The securities held by a Foreign Institutional Investor which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) are also defined as capital assets. There was uncertainty regarding characterization of income arising from transactions in securities held by Investment Funds referred to clause (a) of Explanation-1 to S.115UB in the Act, as to whether it is capital gain or business income.

To provide clarity, it is proposed to amend the Act to provide any security held by Investment Funds referred to in S.115UB to be treated as capital asset only, so that any income arising from transactions in security be treated as income under Capital Gain. This amendment will come into effect from the **1st April, 2026 and shall apply accordingly in relation to AY 2026-27 and subsequent assessment years.**

# IX. Extension of timeline for tax benefits to start-ups

[Clauses 18]

## Amendment in section 80-IAC w.e.f. 1<sup>st</sup> day of April 2025:-

### Amendment in Explanation, in clause (ii), in sub-clause (a) of Sec 80-IAC

(ii) "*eligible start-up*" means a company or a limited liability partnership engaged in eligible business which fulfils the following conditions, namely:—

(a) it is incorporated on or after the 1st day of April, 2016 but before the 1st day of April, ~~2025~~2030

(b) the total turnover of its business does not exceed one hundred crore rupees in the previous year relevant to the assessment year for which deduction under sub-section (1) is claimed; and

(c) it holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government;

**Brief Impact:** The existing provisions of Section 80-IAC of the Act, inter alia, provide for a deduction of an amount equal to hundred percent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years, beginning from the year of incorporation. One of the conditions that needs to be fulfilled by the assessee to claim deduction under this section is that the eligible start-up is incorporated on or after the 1st day of April, 2016 but before the 1st day of April, 2025.

It is proposed to amend the above section to provide benefit for another five years, i.e., benefit will be available to eligible start-ups incorporated before 01.04.2030. The amendment will take effect from **1st April 2025.**

# X. Rationalisation of taxation of capital gains on transfer of capital assets by non-residents [Clause 23]

## Amendment in section 115AD w.e.f. 1<sup>st</sup> day of April 2026:-

### Substitution of word in clause (iii) of sub-section (1) to section 115AD

*(iii) the amount of income-tax calculated on the income by way of long-term capital gains referred to in clause (b), if any, included in the total income, at the rate of ten per cent:*

*Provided that in case of income arising from the transfer of a long-term capital asset referred to in section 112A which exceeds one lakh and twenty-five thousand rupees, income-tax shall be calculated at the rate of—*

*(A) ~~Ten~~ twelve and one-half per cent where transfer of such asset takes place before the 23<sup>rd</sup> day of July, 2024; and*

*(B) Twelve and one-half per cent where transfer of such asset takes place on or after the 23<sup>rd</sup> day of July, 2024:*

*Provided further that the limit of one lakh twenty-five thousand rupees mentioned in the first proviso shall apply on aggregate of the long-term capital gains referred to in clauses (A) and (B);*

**Brief Impact:**

The **long-term capital gains (LTCG) tax rate** for Foreign Institutional Investors (FIIs) and specified funds under **Section 115AD** on securities (**excluding those under Section 112A**) is proposed to be **increased from 10% to 12.5%**. This aligns the taxation of these gains with the **Finance (No.2) Act, 2024**, which had already increased LTCG rates for other taxpayers.

**Higher Tax Burden:** FIIs and specified funds will now pay **2.5% more** tax on LTCG from securities not covered under Section 112A.

**Uniformity in Taxation:** The amendment ensures **parity between resident and non-resident investors**, reducing inconsistencies in tax rates.

**Potential Investment Impact:** The increase in tax rates **may affect foreign portfolio investments (FPIs)**, depending on investor responses to higher taxation.

# XI. Rationalization of tax deducted at source (TDS) rates [Clauses 51,52,53,54,55,56,57,58,59,60,61,62,63]

*There are various provisions of Tax Deduction at Source (TDS), with different thresholds and multiple rates. To improve ease of doing business and better compliance by taxpayers, it is proposed to rationalize certain rates of TDS and to increase threshold limit for applicability of the TDS provisions.*

*It is proposed to increase the threshold for requirement to deduct tax at source in various sections as below –*

<b>Sr. No.</b>	<b>Section</b>		<b>Current Threshold</b>	<b>Proposed Threshold</b>	<b>w.e.f.</b>
1	193	Interest on securities	Nil	Rs. 10,000/-	01-04-2025
2	194A	Interest other than interest on securities	(i) Rs. 50,000/- (For Senior Citizen)	(i) Rs. 1,00,000/- (For Senior Citizen)	01-04-2025
			(ii) Rs. 40,000/- (For other than Senior Citizen)	(ii) Rs. 50,000/- (For other than Senior Citizen)	
			(iii) Rs. 5,000/- in other cases	(iii) Rs. 10,000/- in other cases	

Sr. No.	Section		Current Threshold	Proposed Threshold	w.e.f.
3	194	Dividend for an individual shareholder	Rs. 5,000/-	Rs. 10,000/-	01-04-2025
4	194K	Income in respect of units of a mutual fund or Specified Company/undertaking	Rs. 5,000/-	Rs. 10,000/-	01-04-2025
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	01-04-2025
6	194BB	Winnings from horse race	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction	01-04-2025
7	194D	Insurance commission	Rs. 15,000/-	Rs. 20,000/-	01-04-2025

<b>Sr. No.</b>	<b>Section</b>		<b>Current Threshold</b>	<b>Proposed Threshold</b>	<b>w.e.f.</b>
8	194G	Income by way of commission, prize etc. on lottery tickets	Rs. 15,000/-	Rs. 20,000/-	01-04-2025
9	194H	Commission or brokerage	Rs. 15,000/-	Rs. 20,000/-	01-04-2025
10	194I	Rent	Rs. 2,40,000/- during the financial year.	Rs. 50,000/- per month or part of a month.	01-04-2025
11	194J	Fee for professional or technical services or royalty	Rs. 30,000/-	Rs. 50,000/-	01-04-2025
12	194LA	Income by way of enhanced compensation	Rs. 2,50,000/-	Rs. 5,00,000/-	01-04-2025



**Amendment in section 194LBC w.e.f. 1st day of April 2025:-****Substitution of word in sub-section (1) to section 194 LBC**

194LBC. (1) Where any income is payable to an investor, being a resident, in respect of an investment in a securitisation trust specified in clause (d) of the Explanation occurring after section 115TCA, the person responsible for making the payment shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon, at the rate of— **ten per cent**

~~(i) twenty-five per cent, if the payee is an individual or a Hindu undivided family;~~

~~(ii) thirty per cent, if the payee is any other person.~~

**Brief Impact:**

This section requires that where any income is payable by a securitization trust to an investor, being a resident, in respect of an investment in a securitization trust as specified therein, it is proposed that the person responsible for making the payment shall, deduct income-tax, at the rate of 10% for all the assesseees.

The earlier TDS rate under this section was 25% for individuals & HUF and 30% for other assesseees.

# XII. Definition of “forest produce” rationalized [Clauses67]

## Amendment in section 206C w.e.f. 1<sup>st</sup> day of April 2025:-

### Insertion of Explanation of “Forest produce” in section 206C

*‘Explanation.—For the purposes of this sub-section, “forest produce” shall have the same meaning as defined in any State Act for the time being in force, or in the Indian Forest Act, 1927.’*

### Substitution of word in of sub-section (1) to section 206C

SI. No	Nature of goods	Percentage
I	Alcoholic Liquor for human consumption	One per cent
II	Tendu leaves	Five per cent
III	Timber <b>or any other forest produce (not being tendu leaves)</b> obtained under a forest lease	<del>Two and one-half per cent</del> <b><u>two per cent</u></b>
IV	Timber obtained by any mode other than under a forest lease	<del>Two and one-half per cent</del> <b><u>two per cent</u></b>
<del>V</del>	<del>Any other forest produce not being timber or tendu leaves</del>	<del>Two and one-half per cent</del>
VI	Scrap	One per cent
VII	Minerals, being coal or lignite or iron ore	One per cent

**Brief Impact:**

Section 206C(1) of the Act states that every seller shall collect tax at source from the buyer of goods of certain specified nature at the rate specified

Earlier the TCS rate on timber whether obtained under forest lease or not and any other forest produce except tendu leaves was 2.5%. Whereas, this TCS rate is proposed to be reduced to 2%

For all the goods other than specified above will be taxed at the prevailing rates.

# XIII. Reduction in compliance burden by omission of TCS on sale of specified goods [Clauses 64 & 67]

## Amendment in section 206C w.e.f. 1<sup>st</sup> day of April 2025:-

Omission of sub-section (1H) of 206C

## Amendment in section 194Q w.e.f. 1<sup>st</sup> day of April 2025:-

Omission of words in clause (b) of sub-section (5) of section 194Q

(5) The provisions of this section shall not apply to a transaction on which—

- (a) tax is deductible under any of the provisions of this Act; and
- (b) tax is collectible under the provisions of section 206C ~~other than a transaction to which sub-section (1H) of section 206C applies.~~

## Brief Impact:

Section 194Q of the Act, requires any person being a buyer, to deduct tax at the rate of 0.1%, on payment made to a resident seller, for the purchase of any goods of the value or aggregate of value exceeding Rs.50 lakhs in any previous year. Whereas, as per section 206C(1H), a seller was also required to collect tax from the buyer at the rate of 0.1% of the sale consideration exceeding Rs.50 lakhs. This resulted in both TDS and TCS being made applicable on same transaction.

Now section 206C(1H) is proposed to be deleted hence only buyer is required to deduct tax at the rate of 0.1% on payment made to a seller for the purchase of any goods of the value or aggregate of value exceeding Rs.50 lakhs in any previous year.

# XIV. Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B [Clauses 46, 47, 48 & 49]

These amendments under section 158 will take effect from the 1st day of February, 2025.

## 1. Definition of undisclosed income

*undisclosed income includes any money, bullion, jewellery, **virtual digital assets** or other valuable article or thing or any expenditure or any income based on any entry in the books of account or other documents or transactions, where such money, bullion, jewellery, **virtual digital assets**, valuable article, thing, entry in the books of account or other document or transaction represents wholly or partly income or property which has not been or would not have been disclosed for the purposes of this Act, or any expense, exemption, deduction or allowance claimed under this Act which is found to be incorrect, in respect of the block period.*

## 2. Amendment under sub section (5) of section 158BA

*If any proceeding initiated under this Chapter or any order of assessment or reassessment or **recomputation or reference or order** made under clause (c) of sub-section (1) of section 158BC has been annulled in appeal or any other legal proceeding, then, notwithstanding*

anything in this Chapter or section 153, the assessment or reassessment relating to any assessment year which has abated under sub-section (2) or sub-section (3), shall revive with effect from the date of receipt of the order of such annulment by the Principal Commissioner or Commissioner:

*Provided that such revival shall cease to have effect, if such order of annulment is set aside.*

### **3. Amendment under sub section (4) of section 158BA**

*Where any assessment under the provisions of this Chapter is ~~pending~~ **required to be made** in the case of an assessee in whose case a subsequent search is initiated, or a requisition is made, such assessment shall be duly completed, and thereafter, the assessment in respect of such subsequent search or requisition shall be made under the provisions of this Chapter: Provided that in a case where the period of completing the assessment in respect of subsequent search is less than three months such period shall be extended to three months from the end of the month in which the assessment in respect of the earlier search was completed.*

**4. 158BB.** (1) The total income referred to in sub-section (1) of section 158BA of the block period shall be the aggregate of the following, namely:-- (i) ~~total income disclosed~~ **undisclosed income** in the return furnished under section 158BC; (ii) ~~total~~ income assessed

under sub-section (3) of section 143 or section 144 or section 147 or section 153A or section 153C prior to the date of initiation of the search or the date of requisition, as the case may be; (iii) ~~total~~ income declared in the return of income filed under section 139 or in response to a notice under sub-section (1) of section 142 or section 148 and not covered under clause (i) or clause (ii); (iv) ~~total income determined where the previous year has not ended, on the basis of entries relating to such income or transactions as recorded in the books of account and other documents maintained in the normal course on or before the date of last of the authorisations for the search or requisition relating to such previous year;~~ income determined— (a) in respect of a previous year, where such previous year has ended and the due date for furnishing the return for such year has not expired prior to the date of initiation of the search or the date of requisition, on the basis of entries relating to such income or transactions as recorded in the books of account and other documents maintained in the normal course before the date of initiation of search or the date of requisition; (b) in respect of period commencing from 1st day of April of the previous year in which the search is initiated or requisition is made and ending on the day immediately preceding the date of initiation of search or requisition, on the basis of entries relating to such

income or transactions as recorded in the books of account and other documents maintained in the normal course for such period on or before the day immediately preceding the date of initiation of search or the date of requisition; (c) in respect of period commencing from the date of initiation of the search or the date of requisition and ending on the date of the execution of the last of the authorisations for search or requisition, on the basis of entries relating to such income or transactions as recorded in the books of account and other documents maintained in the normal course for such period on or before the date of the execution of the last of the authorisations; (v) undisclosed income determined by the Assessing Officer under sub-section (2).

### 5. Amendment under sub section (3) of section 158BB

~~Where any evidence found as a result of search or requisition of books of account or other documents and any other material or information as are either available with the Assessing Officer or come to his notice during the course of proceedings under this Chapter, or determined on the basis of entries relating to such income or transactions as recorded in books of account and other documents maintained in the normal course on or before the date of the search or requisition, relates to any international transaction or specified domestic transaction referred to~~



~~in section 92CA, pertaining to the period beginning from the 1st day of April of the previous year in which last of the authorisations was executed and ending with the date on which last of the authorisations was executed, such evidence shall not be considered for the purposes of determining the total income of the block period and such income shall be considered in the assessment made under the other provisions of this Act.~~ Where any income required to be determined as a result of search or requisition of books of account or other documents and any other material or information as are either available with the Assessing Officer or come to his notice during the course of proceedings under this Chapter, or determined on the basis of entries relating to such income or transactions as recorded in books of account and other documents maintained in the normal course on or before the date of the execution of the last of the authorisations, relates to any international transaction or specified domestic transaction referred to in section 92CA, pertaining to the period beginning from the 1st day of April of the previous year in which last of the authorisations was executed and ending with the date on which last of the authorisations was executed, such income shall not be considered for the purposes of determining the total income of the block period and such income

shall be considered in the assessment made under the other provisions of this Act.

For the purposes of sub-section (1) and sub-section (5), if the ~~disclosed income~~ **undisclosed income declared** under clause (i) of subsection (1) or where the income disclosed in respect of any previous year comprising the block period, or the returned income or assessed income under clause (ii) or clause (iii) of sub-section (1) or where the income as determined under clause (iv), is a loss, it shall be ignored.

**6. Amendment under section 158BE Time-limit for completion of block assessment.**

(1) Notwithstanding the provisions of section 153, the order under section 158BC shall be passed within twelve months from the end of the ~~month~~ **quarter** in which the last of the authorisations for search under section 132, or requisition under section 132A, was executed or made, as the case may be: Provided that in a case where search under section 132 was initiated, or requisition under section 132A was made, and during the course of the proceedings for the assessment or reassessment of the total income of the relevant block period, any reference under sub-section (1) of section 92CA is made, the period available for making an order of assessment

or reassessment in respect of the block period shall be extended by twelve months.

(3) The period of limitation for completion of assessment or reassessment for the block period in the case of the other person referred to in section 158BD shall be twelve months from the end of the ~~month~~ **quarter** in which the notice under section 158BC in pursuance of section 158BD, was issued to such other person: Provided that in case where during the course of the proceedings for the assessment of undisclosed income of the block period in case of other person referred to in section 158BD, a reference under sub-section (1) of section 92CA is made, the period available for making an order of assessment in respect of the block period in case of such other person shall be extended by twelve months.

(4) In computing the period of limitation under this section, the following period shall be excluded,—  
(i) ~~the period during which the assessment proceeding is stayed by an order or injunction of any court; or~~  
the period commencing on the date on which stay on assessment proceedings was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the jurisdictional Principal Commissioner or Commissioner; or.

7. Amendment under section 158BFA clause (ii) of sub section 4 - Levy of interest and penalty in certain cases.

*In computing the period of limitation under this section, the following period shall be excluded—*

*~~(ii) the period during which the proceedings under sub-section (2) are stayed by an order or injunction of any court;~~ the period commencing on the date on which stay on the proceeding under sub-section (2) was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the jurisdictional Principal Commissioner or Commissioner;”.*

**Brief Impact :**

- The concept of block assessment, as introduced vide Finance Act, 2024 is applicable in cases where a search under Section 132 or requisition under Section 132A is initiated or made after September 1, 2024.
- Undisclosed Income: The definition of “undisclosed income” in Section 158B is expanded to include "virtual digital assets."
- Subsequent Searches: If a subsequent search or requisition occurs while an assessment is ongoing, the assessment for the earlier period must be completed first. The wording in Section 158BA is amended to reflect that assessments are "required to be made" rather than "pending."
- Computation of Block Period Income: Section 158BB is amended to:
  - Replace "total income disclosed" with "undisclosed income" in the computation.
  - Clarify how income declared in returns filed prior to search or requisition should be treated for tax purposes.
- The proposal amends clause (iii) of sub-section (1) to clarify that any income declared in a return filed under Section 139 or in response to notices under Sections 142(1) or 148, before the initiation of a search or requisition, will be considered part of the total income for the block period. This income will be credited when calculating the tax for that period.

- **International Transactions:** Income from international transactions or specified domestic transactions will not be considered part of the block period income. This amendment in Section 158BB addresses issues with assessing arm's length pricing for part-period transactions.
- **Time Limit for Block Assessment:** The time limit for completing block assessments is extended to twelve months from the end of the quarter in which the last authorisation for search or requisition occurs, providing more coordinated and practical timelines for group cases. Earlier Section 158BE of the Act provided the time-limit for completion of block assessment as twelve months from end of the month in which the last of the authorisations for search has been executed.

# XV. Non-applicability of Section 271AAB of the Act [Clause 75]

## 10. Amendment under section 271AAB sub section (1A).

*The Assessing Officer 4[or the Commissioner (Appeals)] may, notwithstanding anything contained in any other provisions of this Act, direct that, in a case where search has been initiated under section 132 on or after the date on which the Taxation Laws (Second Amendment) Bill, 2016 receives the assent of the President, **but before the 1<sup>st</sup> day of September, 2024** the assessee shall pay by way of penalty, in addition to tax, if any, payable by him,—*

### **Brief Impact:**

The existing provisions of sub-section (1A) of section 271AAB relates to penalty in respect of Searches initiated after 15.12.2016. It is proposed to provide that Section 271AAB shall not be applicable to the assessee in whose case search has been initiated on or after the 1st day of September, 2024.

## XVI. Amendments proposed in sections 132 and 132B for rationalising provisions [Clause 37 and 38]

### Amendment under section 132(8) with effect from 1st April, 2025

The books of account or other documents seized under sub-section (1) or sub-section (1A) shall not be retained by the authorised officer for a period exceeding ~~thirty days from the date of the~~<sup>92</sup>~~[order of assessment or reassessment or recomputation under sub-section (3) of section 143 or section 144 or section 147 or]~~ one month from the end of the quarter in which the order of assessment or reassessment or recomputation is made section 153A or clause (c) of section 158BC unless the reasons for retaining the same are recorded by him in writing and the approval of the Principal Chief Commissioner or Chief Commissioner, Principal Commissioner or Commissioner, Principal Director General or Director General or Principal Director or Director for such retention is obtained :

Provided that the Principal Chief Commissioner or Chief Commissioner, Principal Commissioner or Commissioner, Principal Director General or Director General or Principal Director or Director shall not authorise the retention of the books of account and other documents for a period exceeding thirty days after all the proceedings under the Indian Income-tax Act, 1922 (11 of 1922), or this Act in respect of the years for which the books of account or other documents are relevant are completed.



*Explanation 1.--For the purposes of sub-sections (9A), (9B) and (9D), the last of authorisation for search shall be deemed to have been executed,—*

- (a) in the case of search, on the conclusion of search as recorded in the last panchnama drawn in relation to any person in whose case the warrant of ~~authorisation~~ authorisations has been issued; or*

### **Amendment under section 132B**

*Explanation 1.—In this section,—*

- (i) "block period" shall have the meaning assigned to it in clause (a) of section 158B;*  
*(ii) "execution of an authorisation for search or requisition" shall have the same meaning as assigned to it in Explanation 2 to section ~~158B~~ 158B.*

### **Brief Impact:**

Section 132(8) currently sets the last date for approval of retention of seized books or documents as 30 days from the assessment order. To simplify this process in group cases and avoid varying time limits, it is proposed to amend the provision to set a uniform time limit of one month from the end of the quarter in which the assessment, reassessment, or recomputation order is made.

# XVII. Time limit to impose penalties rationalized [Clause 69 and 83]

## Section 275 substituted with effect from 1st April, 2025:-

275. (1) No order imposing a penalty under this Chapter shall be passed after the expiry of six months from the end of the quarter in which,—
- (a) the proceedings, in the course of which action for the imposition of penalty has been initiated, are completed, if the relevant assessment or other order is not the subject matter of an appeal under section 246 or section 246A or section 253;
  - (b) the order of revision under section 263 or section 264 is passed, if the relevant assessment or other order is the subject matter of revision under the said sections;
  - (c) the order of appeal under section 246 or section 246A is received by the jurisdictional Principal Commissioner or Commissioner, if the relevant assessment or other order is the subject matter of an appeal under the said sections and no further appeal has been filed under section 253;
  - (d) the order of appeal under section 253 is received by the jurisdictional Principal Commissioner or Commissioner, if the relevant assessment or other order is the subject matter of an appeal under the said section;
  - (e) notice for imposition of penalty is issued, in any other case.

**Brief Impact:**

The existing provisions of Section 275 of the Income Tax Act set multiple time limits for imposing penalties, which can be difficult to track, especially in cases under appeal. To simplify From 1st April, 2025 onwards, it is proposed to amend Section 275 to set a uniform time limit of six months from the end of the quarter in which the connected proceedings are completed or the relevant order is received or issued, and a consequential amendment is also proposed in Section 246A to reflect this change.

# XVIII. Clarification regarding commencement date and the end date of the period stayed by the Court [Clauses 41, 43, 44, 49, 50, 72, 73 and 86]

## Clause (ii) of Explanation to Section 144BA amended with effect from 1<sup>st</sup> April 2025:-

*Explanation.*—In computing the period referred to in sub-section (13), the following shall be excluded—

- (i) the period commencing from the date on which the first direction is issued by the Approving Panel to the Principal Commissioner or Commissioner for getting the inquiries conducted through the authority competent under an agreement referred to in section 90 or section 90A and ending with the date on which the information so requested is last received by the Approving Panel or one year, whichever is less;*
- (ii) ~~the period during which the proceeding of the Approving Panel is stayed by an order or injunction of any court~~ the period commencing on the date on which stay on the proceeding of the Approving Panel was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the Approving Panel:*

## Clause (ii) of explanation 1 to section 153 has been amended

*Explanation 1.*—For the purposes of this section, in computing the period of limitation—

- (i) the time taken in reopening the whole or any part of the proceeding or in giving an opportunity to the assessee to be re-heard under the proviso to section 129; or*

~~(ii) the period during which the assessment proceeding is stayed by an order or injunction of any court; or the period commencing on the date on which stay on the assessment proceeding was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the jurisdictional Principal Commissioner or Commissioner; or”.~~

Clause (i) of explanation to section 153B has been amended

Explanation —For the purposes of this section, in computing the period of limitation—

~~(i) the period during which the assessment proceeding is stayed by an order or injunction of any court; or the period commencing on the date on which stay on the assessment proceeding was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the jurisdictional Principal Commissioner or Commissioner; or”.~~

Amendment of explanation under section 263

Notwithstanding anything contained in sub-section (2), an order in revision under this section may be passed at any time in the case of an order which has been passed in consequence of, or to give effect to, any finding or direction contained in an order of the Appellate Tribunal, the High Court or the Supreme Court.

*Explanation.*—In computing the period of limitation for the purposes of sub-section (2), the time taken in giving an opportunity to the assessee to be reheard under the proviso to section 129 and ~~any period during which any proceeding under this section is stayed by an order or injunction of any court shall be excluded.~~ the period commencing on the date on which stay on any proceeding under this section was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the jurisdictional Principal Commissioner or Commissioner.

#### *Amendment of explanation under section 264*

On every application by an assessee for revision under this sub-section, made on or after the 1st day of October, 1998, an order shall be passed within one year from the end of the financial year in which such application is made by the assessee for revision.

*Explanation.*—In computing the period of limitation for the purposes of this sub-section, the time taken in giving an opportunity to the assessee to be re-heard under the proviso to section 129 and any period during which any proceeding under this section is stayed by an order or injunction of any court shall be excluded. the period commencing on the date on which stay on any proceeding under this section was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the jurisdictional Principal Commissioner or Commissioner.

**Brief Impact:**

The provisions under Sections 144BA, 153, 153B, 263 and 264 of Schedule-II of the Act exclude the period during which proceedings are stayed by a court order from the time limit for concluding those proceedings. To eliminate ambiguity about the start and end dates of the stayed period, it is proposed to amend these provisions to exclude the period from when the stay is granted to when the certified copy of the order vacating the stay is received by the jurisdictional Principal Commissioner or Commissioner, with the amendment taking effect from April 1, 2025.

# XIX. Rationalisation of provisions related to carry forward of losses in case of amalgamation [Clause 14 and 15]

## Sub-section (6B) of Section 72A amended with effect from 1<sup>st</sup> April 2026.

*“(6B) Where any amalgamation or business reorganisation, as the case may be, is effected on or after the 1st April, 2025, any loss forming part of the accumulated loss of the predecessor entity under sub section (1), (6) or (6A), being—*

- (a) the amalgamating company; or*
- (b) the firm or proprietary concern; or*
- (c) the private company or unlisted public company,*

*as the case may be, which is deemed to be the loss of the successor entity, being—*

- (i) the amalgamated company; or*
- (ii) the successor company; or*
- (iii) the successor limited liability partnership,*

*as the case may be, shall be carried forward in the hands of the successor entity for not more than eight assessment years immediately succeeding the assessment year for which such loss was first computed for original predecessor entity.”;*

*(ii) in sub-section (7), after clause (aa), the following clause shall be inserted, namely:—*

*‘(ab) “original predecessor entity” means predecessor entity in respect of the first amalgamation under sub-section (1) or first business reorganisation under sub-section (6) or (6A).*



**Clause (ab) to Sub-section (7) of Section 72A inserted with effect from 1<sup>st</sup> April 2026.**

*(ab) “original predecessor entity” means predecessor entity in respect of the first amalgamation under sub-section (1) or first business reorganization under sub-section (6) or (6A).*

**Proviso to Section 72AA inserted with effect from the 1<sup>st</sup> April, 2026:-**

*“Provided that where any scheme of such amalgamation is brought into force on or after the 1st April, 2025, any loss forming part of the accumulated loss of the predecessor entity, being—*

- (a) the banking company or companies; or*
- (b) the amalgamating corresponding new bank or banks; or*
- (c) the amalgamating Government company or companies,*

*as the case may be, which is deemed to be the loss of the successor entity, being—*

- (i) the banking institution or company; or*
- (ii) the amalgamated corresponding new bank or banks; or*
- (iii) the amalgamated Government company or companies,*

*as the case may be, shall be carried forward in the hands of the successor entity for not more than eight assessment years immediately succeeding the assessment year for which such loss was first computed for original predecessor entity.*

**Clause (viii) in the Explanation to Section 72AA inserted with effect from the 1<sup>st</sup> April, 2026:-**

*(viii) “original predecessor entity” means predecessor entity in respect of the first amalgamation.*

**Brief Impact:**

Sections 72A and 72AA allow accumulated losses of the amalgamating or predecessor entity to be carried forward by the amalgamated or successor entity after an amalgamation or business reorganization. To align with Section 72, it is proposed that any such loss can only be carried forward for up to eight assessment years from the year it was first computed for the predecessor entity, preventing the perpetual carry forward of losses through successive amalgamations. These amendments will apply to amalgamations or business reorganizations occurring on or after April 1, 2025, and these amendments will take effect from April 1, 2026.

# XX. Rationalisation of transfer pricing provisions for carrying out multi-year arm's length price determination [Clause 21 & 45]

## Insertion of new sub-section (3B) in section 92CA with effect from 1<sup>st</sup> April 2026:-

(3B) The arm's length price, being determined in relation to the international transaction or the specified domestic transaction under sub-section (3) for any previous year shall apply to similar international transaction or specified domestic transaction for the two consecutive previous years immediately following such previous year, on fulfilment of the following conditions, namely:—

- (a) the assessee exercises an option or options to the above effect for the said two consecutive previous years;
- (b) such option or options are exercised in such form, manner and within such period as prescribed; and,
- (c) the Transfer Pricing Officer shall, within one month from the end of the month in which such option or options are exercised, by an order in writing, declare that such option or options are valid subject to the conditions, as prescribed:

Provided that the provisions of this subsection shall not apply to any proceedings under Chapter XIV-B.

**Insertion of new sub-section (4A) in section 92CA with effect from 1<sup>st</sup> April 2026:-**

(4A) Notwithstanding anything contained in sub-section (4), where the Transfer Pricing Officer has declared an option exercised by the assessee as valid option under sub-section (3B), he shall examine and determine the arm's length price in relation to such similar transaction for two consecutive previous years immediately following such previous year, in

the order referred to in sub-section (3) and on receipt of such order, the Assessing Officer shall proceed to recompute the total income of the assessee for the said two consecutive previous years as per the provisions of sub-section (21) of section 155.

**Insertion of new proviso to subsection (1) of section 92CA with effect from 1<sup>st</sup> April 2026:-**

Provided that no reference for computation of the arm's length price in relation to an international transaction or a specified domestic transaction shall be made, if the Transfer Pricing Officer has declared that option exercised by the assessee in sub-section (3B) in relation to such transaction is valid for such previous year.

Provided further that if any reference for an international transaction or a specified domestic transaction, in respect of a previous year, for which the option is declared valid under sub-section (3B) is made before or after such declaration by the Transfer Pricing Officer, the provisions of this sub-section shall have the effect as if no reference is made for such transaction.

**Insertion of new proviso to new subsection (11) of section 92CA with effect from 1<sup>st</sup> April 2026:-**

(11) If any difficulty arises in giving effect to the provisions of sub-sections (3B) and (4A), the Board may, with the previous approval of the Central Government, issue guidelines for the purpose of removing such difficulty:

Provided that no such guideline shall be made after the expiration of two years from the 1st April, 2026.

**Insertion of new proviso to new subsection (11) of section 92CA with effect from 1<sup>st</sup> April 2026:-**

(21) Where the arm's length price is determined in relation to an international transaction or a specified domestic transaction under sub-section (3) of section 92CA for any previous year and the Transfer Pricing Officer has declared that an option exercised by the assessee is valid under sub-section (3B) of the said section in respect of such transaction for two consecutive previous years immediately following such previous year, the Assessing Officer shall proceed to recompute the total income of the assessee for the said two consecutive previous years, by amending the order of assessment or any intimation or deemed intimation under sub-section (1) of section 143, as the case may be,—

- (a) in conformity with the arm's length price so determined by the Transfer Pricing Officer under subsection (4A) of the said section in respect of such transaction; and
- (b) taking into account the directions issued under subsection (5) of section 144C, if any, for such previous year,
- (c) within three months from the end of the month in which the assessment is completed in the case of the assessee for such previous year, and the first and second provisos to subsection (4) of section 92C shall apply thereto:

Provided that where the order of assessment or any intimation or deemed intimation under sub-section (1) of section 143, for the said two consecutive previous years is not made within the said three months, such recomputation shall be made within three months from the end of the month in which such order of assessment or any intimation or deemed intimation under sub-section (1) of section 143, as the case may be, is made.”.

### **Brief Impact:**

#### **1. Proposed Restriction on Reference for ALP Computation:**

- Insertion of new provisos in sub-section (1):
- If the Transfer Pricing Officer (TPO) has declared that the option exercised by the assessee under sub-section (3B) is valid for a given previous year, no reference for ALP computation shall be made for that year.

- If a reference has already been made before or after the declaration of validity under sub-section (3B), it shall be treated as if no reference was made.

## **2. Application of Multi-Year ALP Determination:**

- Insertion of sub-section (3B):

- The ALP determined for a particular previous year under sub-section (3) shall apply to similar international or specified domestic transactions for the next two consecutive previous years, subject to the following conditions:

- The assessee opts in for this treatment within the prescribed form, manner, and time.

- The TPO, within one month from the end of the month in which such option is exercised, shall declare the validity of the option, subject to prescribed conditions.

## **3. Implementation of Multi-Year ALP in Tax Assessments:**

- Insertion of sub-section (4A):

- If the TPO declares the option valid under sub-section (3B), he shall determine the ALP for the similar transactions for the next two consecutive years.

- The Assessing Officer (AO) shall then recompute the total income of the assessee for these two years based on the ALP determined.

## **Amendment to Section 155**

### **1. Recomputation of Income Based on Multi-Year ALP:**

- Insertion of sub-section (21):

- Where ALP is determined for a **previous year under sub-section (3) of Section 92CA**, and the **TPO has declared the option valid under sub-section (3B)** for the next two years.

- The **AO shall recompute the total income** for those two years by amending the assessment order or intimation under **Section 143(1)**.

- This recomputation must be **in conformity with the ALP determined by the TPO under sub-section (4A)**.

- If applicable, the AO must also consider **directions issued under Section 144C(5) (Dispute Resolution Panel instructions)**.

### **2. Time Limit for Reassessment:**

- The recomputation must be completed within **three months from the end of the month in which the original assessment for the previous year was completed**.

- If no order of assessment or intimation under **Section 143(1)** was issued within this period, the recomputation shall be done within **three months from the end of the month in which such order is made**.



# XXI. Removal of higher TDS/TCS for non-filers of return of income [Clauses 65, 66 & 68]

## Amendment in section 206AB, 206CCA and 194S w.e.f. 1<sup>st</sup> day of April 2025:-

Omission of Section 206AB and section 206CCA

Substitution of word in sub-section (2) of section 194S

(2) The provisions of ~~sections 203A and 206AB~~ section 203A shall not apply to a specified person

### **Brief Impact:**

Section 206AB and Section 206CCA require higher tax deduction and collection rates for non-filers of income tax returns, which has led to difficulties for deductors/collectors in verifying the filing status of the deductee/collectee, increasing compliance burdens. To address this issue, it is proposed to omit these sections, with the amendments taking effect from April 1, 2025.

D. SOCIO ECONOMIC WELFARE  
MEASURES

# D. Socio-Economic Welfare Measures

S. No.	Brief	Section / Schedule	Clause No.	Effective date [i.e. w.e.f.]
I.	Increase in the limits on the income of the employees for the purpose of calculating perquisites	17	9	1 <sup>st</sup> April 2026
II.	Deduction under section 80CCD for contributions made to NPS Vatsalya	80CCD	6 & 17	1 <sup>st</sup> April 2026
III.	Exemption to withdrawals by Individuals from National Savings Scheme from taxation	80CCA	16	29 <sup>th</sup> August 2024 Retrospectively
IV.	Annual value of the self-occupied property simplified	23	10	1 <sup>st</sup> April 2025

# i. Increase in the limits on the income of the employees for the purpose of calculating perquisites [Clause 9]

## Amendment in section 17 in clause (2), w.e.f. 1<sup>st</sup> day of April 2026:-

- (a) in sub-clause (iii), in paragraph (c), for the words “fifty thousand rupees”, the words “such amount as may be prescribed” shall be substituted;
- (b) (b) in the proviso occurring after sub-clause (viii), in clause (vi), in the long line, in clause (B), for the words “two lakh rupees”, the words “such amount as may be prescribed” shall be substituted.

## Brief Impact:

In order to reflect changes in living standards and economic conditions, it is proposed that the provisions of section 17 may be amended so that the power to prescribe rules may be obtained to increase the limit on the gross total income of the employees so that,-

- (I) the amenities and benefits received by such employees would be exempt from being treated as perquisites.
- (II) the expenditure incurred by the employer for travel outside India on the medical treatment of such employee or his family member would not be treated as a perquisite.

## II. Deduction under section 80CCD for contributions made to NPS Vatsalya [Clause 6 & 17]

### Amendment in section 80CCD w.e.f. 1<sup>st</sup> day of April 2026 (clause 17):-

- (a) in sub-section (1B), after the proviso, the following proviso shall be inserted, namely:—  
*“Provided further that the deduction under this sub section shall also be allowed, where any payment or deposit is made to the account of a minor under the pension scheme referred to in the said sub-section, by the assessee, being the parent or guardian of such minor, subject to the condition that the aggregate amount of deduction under this sub-section shall not exceed fifty thousand rupees.”;*
- (b) in sub-section (3), in the opening portion, for the words “in his account”, the words “or a minor, in his account or the account of a minor, as the case may be,” shall be substituted. After the proviso, the following proviso shall be inserted, namely:— *“Provided further that the amount received by a person, being the parent or guardian or nominee of a minor, on account of closure of the pension scheme referred to in sub-section (1B) due to the death of the minor, shall not be deemed to be the income of such person.”;*
- (c) in sub-section (4), in the opening portion, after the words “Where any amount paid or deposited by the assessee”, the words “in his account or the account of a minor” shall be inserted.

**Amendment in section 10 w.e.f. 1<sup>st</sup> day of April 2026 (clause 6):-**

(a) after clause (12B), the following clause shall be inserted with effect from the 1st April, 2026, namely:—

*“(12BA) any payment from the National Pension System Trust to an assessee, being the parent or guardian of a minor, under the pension scheme referred to in section 80CCD, on partial withdrawal made out of the account of the minor, as per the terms and conditions, specified under the Pension Fund Regulatory and Development Authority Act, 2013 and the regulations made thereunder, to the extent it does not exceed twenty five per cent. of the amount of contributions made by him;”;*

**Brief Impact:**

The NPS Vatsalya Scheme, launched on 18 September 2024, allows parents and guardians to start National Pension Scheme (NPS) accounts for minors. The account is managed by the guardian until the child turns 18, after which it is transferred to the child's name.

**Key Proposals:**

- Extend Section 80CCD tax benefits to contributions made to NPS Vatsalya accounts.
- Allow deductions up to ₹50,000 for parent/guardian contributions to a minor's NPS account.
- Tax withdrawals and accrued amounts when withdrawn if contributed on behalf of a minor.
- Exempt amounts received on account closure due to the minor's death from the parent/guardian's income.
- The scheme also permits partial withdrawals from a minor's account for contingencies like education, medical treatment, and disability. Clause (12BA) is newly inserted to Section 10 of the Act, ensuring that income from such withdrawals, up to 25% of contributions, is not included in the parent/guardian's total income.

**Effective Date:** 1 April 2026, applicable from the assessment year 2026-27 onwards.

### III. Exemption to withdrawals by Individuals from National Savings Scheme from taxation [Clause 16]

#### Amendment in section 80CCA w.e.f. 29<sup>th</sup> August 2024 retrospectively :

In sub section (2), after the first proviso, the following proviso shall be inserted and shall be deemed to have been inserted with effect from the 29<sup>th</sup> August, 2024, namely:—

*“Provided further that the amount referred to in clause (a) which is withdrawn on or after the 29<sup>th</sup> August, 2024, shall not be charged to tax in the case of an assessee, being an individual.”*

#### **Brief Impact:**

Section 80CCA provides deductions for amounts deposited in the National Savings Scheme (NSS) before 1 April 1992. Withdrawals of these amounts, including interest, are taxable unless due to the depositor's death. A recent notification stops interest payments on NSS balances after 1 October 2024, prompting amendments to section 80CCA.

It is therefore proposed to amend section 80CCA to provide exemption to the withdrawals made by individuals from these deposits for which deduction was allowed, on or after 29<sup>th</sup> August, 2024. This exemption is provided to the deposits, with the interest accrued thereon, made before 01.04.1992 as these are the amounts in respect of which a deduction has been allowed. This change is retrospective from 29 August 2024.



# iv. Annual value of the self-occupied property simplified [Clause 10]

## Amendment in section 23 w.e.f. 1<sup>st</sup> day of April 2026 :

Sub-section (2) shall be substituted, namely:—

*“(2) The annual value of the property consisting of a house or any part thereof shall be taken as nil, if the owner occupies it for his own residence or cannot actually occupy it due to any reason.”*

### **Brief Impact:**

Section 23 of the Act determines the annual value of house properties. Sub-section (2) states that if the owner occupies the house for residence or can't occupy it due to employment, business, or profession elsewhere, its annual value is taken as nil. Sub-section (4) limits this benefit to two specified house properties.

**Proposed amendment:** Sub-section (2) of Section 23 will be amended to simplify provisions, stating that the annual value of a house property shall be nil if the owner occupies it for residence or cannot occupy it for any reason. The benefit will continue to apply to only two house properties, as per sub-section (4).

**Effective Date:** 1 April 2025, applicable from the assessment year 2025-26 onwards.

# E. TAX ADMINISTRATION

# E. Tax administration

S. No.	Brief	Section / Schedule	Clause No.	Effective date [i.e. w.e.f.]
I.	Obligation to furnish information in respect of crypto-asset	2(47A), 285BAA	3,85	1 <sup>st</sup> April 2026
II.	Increasing time limit available to pass order under section 115VP	115VP(4)	32	1 <sup>st</sup> April 2025
III.	Excluding the period such as court stay etc. for calculating time limit to pass an order	206C(7A)	67	1 <sup>st</sup> April 2025
IV.	Exemption from prosecution for delayed payment of TCS in certain cases	276BB	84	1 <sup>st</sup> April 2025
V.	Certain penalties to be imposed by the Assessing Officer	271	69,76,77,78 ,79,80,81, 82	1 <sup>st</sup> April 2025

# E. Tax administration

S. No.	Brief	Section / Schedule	Clause No.	Effective date [i.e. w.e.f.]
VI.	Removing date restrictions on framing the schemes in certain cases	92CA,144C, 253(9),255(8)	21,42, 70,71	1 <sup>st</sup> April 2025
VII.	Extending the processing period of application seeking immunity from penalty and prosecution	270AA	74	1 <sup>st</sup> April 2025
VIII.	Extending the time-limit to file the updated return	139(8A)	39&40	1 <sup>st</sup> April 2025

# I. Obligation to furnish information in respect of crypto-asset [Clause 3 & 85]

## Insertion of sub-clause (d) in section 2(47A) w.e.f. 1<sup>st</sup> day of April 2026 :-

*“(d) any crypto-asset being a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions, whether or not such asset is included in sub-clause (a) or sub-clause (b) or sub-clause (c):”.*

## Insertion of Section 285BAA w.e.f. 1<sup>st</sup> day of April 2026 :-

*285BAA. (1) Any person, being a reporting entity, as prescribed, in respect of a crypto-asset, shall furnish information in respect of a transaction of such crypto-asset in a statement, for such period, within such time, in such form and manner and to such income-tax authority, as prescribed.*

*(2) Where the prescribed income-tax authority considers that the statement furnished under sub-section (1) is defective, he may intimate the defect to the person who has furnished such statement and give him an opportunity of rectifying the defect within thirty days from the date of such intimation or such further period as may be allowed, and if the defect is not rectified within such period, the provision of this Act shall apply as if such person had furnished inaccurate information in the statement.*

*(3) where a person who is required to furnish a statement has not furnished the same within the specified time, the prescribed income-tax authority may serve upon such person a notice requiring him to furnish such statement within a given time and he shall furnish the statement within the time specified in the notice.*

*(4) if any person, having furnished a statement, or in pursuance of a notice issued, comes to know or discovers any inaccuracy in the information provided in the statement, he shall within ten days inform the income-tax authority, the inaccuracy in such statement and furnish the correct information in such manner as specified by rules*

*(5) the Central Government may, by rules specify the persons to be registered with the prescribed income-tax authority, the nature of information and the manner in which such information shall be maintained by the persons and the due diligence to be carried out by the persons referred to in sub-section (1) for the purpose of identification of any crypto-asset user or owner.*

*For the purposes of the said section, crypto-asset shall have the meaning assigned to it in sub-clause (d) of clause (47A) of section 2.*

### **Brief Impact:**

It is proposed that the entities such as crypto exchanges shall furnish information about a transaction in crypto assets.

It is further proposed that the VDA also includes any crypto-asset being a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions, whether or not already included in the definition of virtual digital asset or not.

## II. Increasing time limit available to pass order under section 115VP [Clause 32]

### Proviso to Section 115VP(4) inserted with effect from 1<sup>st</sup> April 2025

*“Provided that for an application received under subsection (1) on or after the 1st April, 2025, order under subsection (3) shall be passed before the expiry of three months from the end of the quarter in which such application was received.”*

#### Brief Impact:

To address the issue of less time available with the Joint Commissioner (JC) of IT time limit to pass the order accepting/rejecting the application to opt for tonnage tax scheme has been proposed to be increased. Now JC will have enough time to verify the documents, information, do physical verification of ships if required and will have the power to ensure proper opportunity of being heard to the applicant as well w.e.f. 01-04-25.

### III. Excluding the period such as court stay etc. for calculating time limit to pass an order [Clause 67]

#### **Proviso to Section 206C(7A) inserted with effect from 1<sup>st</sup> April 2025 :-**

“Provided that the provisions of sub-sections (3), (5) and (6) of section 153 and Explanation 1 thereof shall, so far as may be, apply to the time limit specified in this sub-section.”;

#### **Brief Impact:**

While computing the time limit u/s 206C(7A), time periods such as stay by court order, accounts sent to audit, valuation referred, etc. is proposed to be excluded mutatis mutandis as proposed in Section 153.



# IV. Exemption from prosecution for delayed payment of TCS in certain cases [Clause 84]

## Proviso to Section 276BB inserted with effect from 1<sup>st</sup> April 2025

“Provided that the provisions of this section shall not apply if the payment of the tax collected at source has been made to the credit of the Central Government at any time on or before the time prescribed for filing the statement under the proviso to sub-section (3) of section 206C in respect of such payment.”.

### Brief Impact:

It has been proposed to omit prosecution provision for delayed payment of TCS u/s 276BB if tax paid to central government by the due date of quarterly statements u/s 206C(3).

# V. Certain penalties to be imposed by the Assessing Officer [Clause 69,76,77,78,79,80,81,82]

## Omission of Section 271BB with effect from 1<sup>st</sup> April 2025 :-

~~Whoever fails to subscribe any amount of subscription to the units issued under any scheme referred to in sub-section (1) of section 88A to the eligible issue of capital under that sub-section within the period of six months specified therein, may be directed by the Joint Commissioner to pay, by way of penalty, a sum equal to twenty per cent of such amount.~~

## Proviso to Section 271C(2), 271CA(2), 271D(2), 271DA(2), 271DB(2) and 271E(2) inserted with effect from 1<sup>st</sup> April 2025:-

“Provided that any penalty under sub-section (1), on or after the 1st day of April, 2025, shall be imposed by the Assessing Officer.”

## Amendment in Section 246A((1) with effect from 1st April 2025

(ja) an order of imposing or enhancing penalty under ~~sub-section (1A)~~ sub-section (2) of section 275;  
(n) an order ~~made by a Deputy Commissioner~~ imposing a penalty under section 271C, section 271CA, section 271D or section 271E;

**Brief Impact:**

It is proposed that:

- Clause 69 – penalty order u/s 275(2) can be appealed before CIT(A)
- Clause 76 - Section 271BB of the Income-tax Act shall be omitted
- Clause 77 to 82 – Penalties u/s 271C, 271CA, 271D, 271DA, 271DB and 271E shall be levied by the AO in place of Joint Commissioner with prior approval of JC for passing penalty order where penalty amount > limit in 274(2).

## VI. Removing date restrictions on framing the schemes in certain cases [Clause 21, 42, 70, 71]

Proviso to Section 92CA(9) Omitted wef 1st April 2025.

Proviso to Section 144C(14C) Omitted wef 1st April 2025.

Proviso to Section 253(9) Omitted wef 1st April 2025.

Proviso to Section 255(8) Omitted wef 1st April 2025.

*~~Provided that no direction shall be issued after the 31st day of March, 2025.~~*

### **Brief Impact:**

It is proposed that the Central Government may issue directions beyond the cut-off date of 31st day of March, 2025 for notifying faceless schemes under Sections 92CA, 144C, 253 and 255.

# VII. Extending the processing period of application seeking immunity from penalty and prosecution [Clause 74]

## Amendment in Section 270AA with effect from 1<sup>st</sup> April 2025

*(4) The Assessing Officer shall, within a period of ~~one month~~ **three month** from the end of the month in which the application under sub-section (1) is received, pass an order accepting or rejecting such application:*

### Brief Impact:

Time to AO for passing order accepting or rejecting the application seeking immunity from penalty and prosecution u/s 270AA is proposed to be increased to 3 months from the end of the month in which application is received by AO. This will give ample time to assessee to represent its case.

# VIII. Extending the time-limit to file the updated return [Clause 39 & 40]

## Amendment in Section 139(8A) with effect from 1<sup>st</sup> April 2025:-

*(8A). (a.) Any person, whether or not he has furnished a return under sub-section (1) or sub-section (4) or subsection (5), for an assessment year (herein referred to as the relevant assessment year), may furnish an updated return of his income or the income of any other person in respect of which he is assessable under this Act, for the previous year relevant to such assessment year, in the prescribed form, verified in such manner and setting forth such particulars as may be prescribed, at any time within ~~twenty-four months~~ forty-eight months from the end of the relevant assessment year.*

## 4th Proviso to Section 139(8A) inserted with effect from 1<sup>st</sup> April 2025:-

*“Provided also that no updated return shall be furnished by any person where any notice to show-cause under section 148A has been issued in his case after thirty-six months from the end of the relevant assessment year: Provided also that the fourth proviso shall not apply where an order is passed under sub-section (3) of section 148A determining that it is not a fit case to issue notice under section 148.”.*

**Clause (iii) & (iv) in Section 140B(3) inserted with effect from 1<sup>st</sup> April 2025:-**

*“(iii) sixty per cent. of aggregate of tax and interest payable, as determined in sub-section (1) or sub-section (2), as the case may be, if such return is furnished after the expiry of twenty-four months from the end of the relevant assessment year but before completion of the period of thirty-six months from the end of the relevant assessment year; or*

*(iv) seventy per cent. of aggregate of tax and interest payable, as determined in sub-section (1) or sub-section (2), as the case may be, if such return is furnished after the expiry of thirty-six months from the end of the relevant assessment year but before completion of the period of forty-eight months from the end of the relevant assessment year.”.*

**Brief Impact:**

It is proposed that

- Updated return can now be filed upto 48 months from the end of relevant AY (instead of 24 months). This means you can now file ITR-U for FY 21-22 until 31-3-27.
- Additional income tax to be paid if filed between 24 - 36 months will be 60% of tax + interest & if filed between 36 - 48 months will be 70% of tax + interest.
- If SCN u/s 148A issued after 36 months from the end of relevant AY then ITR-U can't be filed except when order is passed u/s 148A(3) it is not a fit case to issue notice u/s 148.



**Thank You...!!!**

Prepared by: Team 'Voice of CA'