KPMG

# TAX FLASH NEWS

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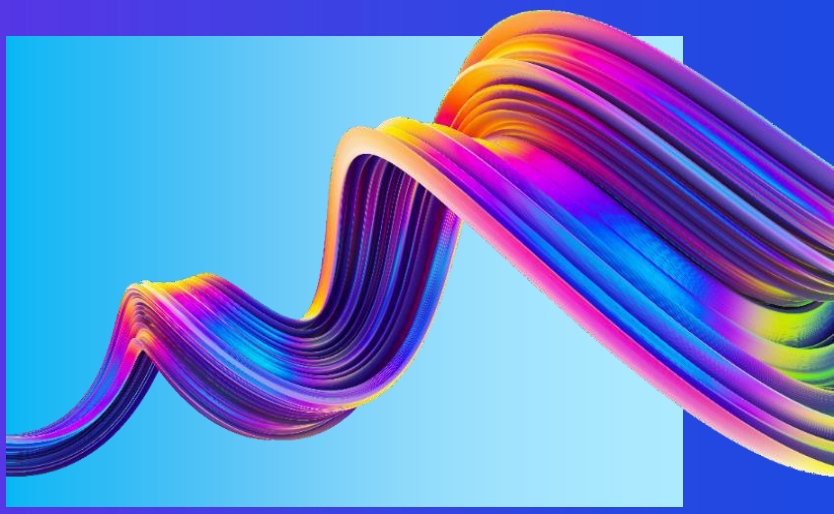

# The Income-tax Bill, 2025: Key amendments proposed by the Select Committee in its report tabled in the Parliament

## Background

The Income-tax Bill, 2025[1] (hereinafter referred to as 'the Bill' or 'the original Bill') was introduced in the Parliament on 13 February 2025 with the objective to make the income-tax law concise, lucid and easy to read and understand. The Bill seeks to replace the Income-tax Act, 1961 (the 1961 Act).

To ensure that the Bill aligns with its stated objectives, is procedurally sound, and does not conflict with existing laws, it was referred to a 31-member Select Committee (the Committee) for a detailed examination.

Following extensive consultations with experts and stakeholders, the Committee tabled a revised version of the Bill[2] (the revised Bill) along with a comprehensive report exceeding 4,500 pages, before the Lok Sabha on 21 July 2025.

The Committee has recommended several language refinements and referencing corrections aimed at simplifying the Bill, reducing ambiguity, and eliminating anomalies in the original draft.

This Flash News highlights some of the key amendments proposed by the Committee to the original Bill.

## Personal Tax

### Residential Status

Under the 1961 Act, the condition of presence of 60 days or more in a previous year is substituted to 182 days or more in the previous year in which an individual being citizen of India leaves India '*for the purposes of employment outside India*'[3].

The original Bill proposed to replace this phrase with '*for employment outside India*'[4].

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[1] Bill No. 24 of 2025

[2] Bill No. 24-B of 2025

[3] Section 6 of the 1961 Act

[4] Clause 6 of the original Bill

The revised Bill has substituted the phrase '*for employment outside India*' with '*for the purposes of employment outside India*' to align with the 1961 Act.

### Pre-construction housing loan interest

Under the 1961 Act[5], for computing income from house property, deduction of pre-construction period interest on borrowed capital is available for self-occupied as well as let-out property. The standard deduction of 30 percent of annual value is also available.

The original Bill restricted the availability of deduction of the pre-construction interest only for self-occupied property[6].

The revised Bill provides for deduction of pre-construction interest on borrowed capital for let-out property also[7]. Further, the standard deduction is required to be computed at 30 percent of the annual value of the property before computing municipal tax[8].

### Definition of 'relative' amended for other sources

The receipt of immovable property, sum of money etc. from a relative is excluded from the taxability of such receipt as income from other sources.

The original Bill defined 'relative' as any lineal ascendant or descendant (maternal as well as paternal)[9]. This raised an ambiguity that maternal or paternal lineage will apply to 'descendants' and not to 'ascendants'.

The revised Bill seeks to resolve this ambiguity by amending the definition of 'relative' as any lineal ascendant (maternal as well as paternal) or descendant.

### Rebate from income-tax

Under the 1961 Act, there is a rebate available to taxpayers whose total income exceeds INR 12 lakhs and total tax thereon exceeds such income over INR 12 lakhs. The rebate is equivalent to the difference between the tax payable on the total income and the income that exceeds INR 12 lakhs[10].

The language of the similar provision in the original Bill[11] was not properly worded. The revised Bill has aligned language of the provision with the 1961 Act.

### Exemption for sum received under Unit Linked Insurance Policy (ULIP) and other policies

Under the 1961 Act, amount received under ULIP is treated as exempt based on satisfaction of certain conditions. However, with respect to ULIP issued on or after 1 February 2021, this exemption was not available if premium amount exceeded INR 2.5 lakhs for any of the years during the term of the policy. Similarly, where there are more than one ULIP issued on or after 1 February 2021, the exemption was available only *vis-à-vis* those policies where aggregate premium does not exceed

[5] Section 24 of the 1961 Act
[6] Clause 22 of the original Bill
[7] Clause 22(1)(c) of the revised Bill
[8] Clause 22(1)(a) of the revised Bill
[9] Clause 92(5)(g) of the original Bill
[10] Section 87A of the 1961 Act
[11] Clause 156 of the original Bill

INR 2.5 lakhs in any of the previous years during the term of any of those policies. This condition was also applicable with respect to the other life insurance policies issued after 1 April 2023 with the exemption limit of INR 5 lakhs[12].

The original Bill[13] while keeping the same limits for premium amount as applicable for ULIP / other policies continued with the exemption provided the aggregate premium is not exceeding INR 2.5 lakhs / 5 lakhs (as applicable) in all of the years of such policies. This created a confusion on whether the condition of premium amount needs to be examined on aggregate basis during the term of the policy or on year-on-year basis.

The revised Bill provides that exemption for all such policies will be available if aggregate of premium in any of the years of the policies is not exceeding INR 2.5 lakhs / 5 lakhs (as applicable).

## International Tax and Transfer Pricing

### Royalty taxation

Under the 1961 Act, royalty payable by a non-resident to another non-resident is taxable in India if, *inter alia*, it is payable in respect of any right, property etc. for making or earning any income from any source *'in'* India[14].

In the original Bill, such royalty was taxable in India if it is payable for making or earning income from a source *'outside'* India[15].

In the revised Bill, this anomaly has been addressed and the word *'outside'* has been replaced with *'in'*, thereby aligning the provisions with the 1961 Act.

### Definition of Associated Enterprise (AE)

Under the 1961 Act, section 92A(1) provides certain general conditions for the two enterprises to be regarded as AEs whereas section 92A(2) provides certain specific conditions on satisfaction of which two enterprises are deemed as AEs. There was a controversy on whether one needs to satisfy both (general and specific) conditions together to determine AE relationship or satisfaction of either of the conditions can alone lead to creation of AEs.

The original Bill introduced the phrase *'Without affecting the generality of the provisions of sub-section (1)'* in the beginning of clause 162 (2) instead of '*For the purposes of sub-section (1)'* as provided under section 92A(2). With the change in the language of AE definition, further concerns were raised on whether two enterprises can become AEs based on reading of clause 162(1) alone.

In the revised Bill, the reference to the phrase '*Without affecting the generality of the provisions of sub-section (1)*' is removed and the general conditions as well as the specific conditions for AE constitution are clubbed together under clause 162(1) itself. Impact of this change in the revised Bill may require further evaluation.

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[12] Section 10(10D) of the 1961 Act read with Fourth, Fifth, Sixth and Seventh provisos thereto

[13] Schedule II to section 11 of the original Bill

[14] Section 9(1)(vi)(c) of the 1961 Act

[15] Clause 9(6)(a)(iii) of the original Bill

## Profits and gains from business and profession

### Rent, rates, taxes, repairs and insurance

Under the 1961 Act, there is no primary condition of using premises, machinery, plant or furniture 'wholly and exclusively' for the purpose of business for allowability of the expenditure[16]. In case where the asset was not exclusively used for the purposes of the business or profession, the Assessing Officer (AO) could determine a fair proportionate for restricting the deductions[17].

In the original Bill[18], the use of the asset 'wholly and exclusively' for the purpose of business was introduced as a primary condition. At the same time, the original Bill[19] empowered the AO to restrict this deduction to a fair proportionate amount. This resulted into ambiguity on account of the ability of the taxpayer to claim respective deductions when the asset is partly used for any other purpose, as well as the ability of the AO to restrict the allowable deduction which may be contrary to the primary condition of 'wholly and exclusively'.

The revised Bill has removed the dichotomy by removing the condition of 'wholly and exclusively' as a primary condition for claiming deduction.

Also, repair expenses on plant, machinery or furniture is allowed as deduction under the Act[20]. The original Bill seemed to have unintentionally missed it[21]. However, the revised Bill allows the said deduction[22].

### Certain deductions to be only on actual payment

Under the 1961 Act, certain deductions[23] are allowed on actual payment basis only. A claim for any *sum payable* under this provision is eligible only when *a deduction is otherwise allowable* in respect of such sums under the 1961 Act. Further, the term *'any sum payable'* means a sum for which the taxpayer incurred liability in the previous year even though such sum might not have been payable within that year under the relevant law.

The condition of *deduction otherwise allowable* was absent in the original Bill[24]. Further, the definition of the phrase '*any sum payable*' was also missing therein.

The language under the revised Bill has been modified to align with the provisions of the 1961 Act, by including the phrase '*which are otherwise allowable as a deduction under this Act*, as well as, incorporating the definition of *any sum payable*'.

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[16] Section 30 and 31 of the 1961 Act
[17] Section 38 of the 1961 Act
[18] Clause 28(1) of the original Bill
[19] Clause 28(2) of the original Bill
[20] Section 31 of the 1961 Act
[21] Clause 28 of the original Bill
[22] Clause 28(1)(f) of the revised Bill
[23] Section 43B of the 1961 Act
[24] Clause 37 of the original Bill

**Depreciation on intangible assets**

Under the 1961 Act, depreciation is allowed on intangible assets acquired after 1 April 1998[25] and this cut-off date was missing in the original Bill[26] which has now been restated in the revised Bill.

Also, under the 1961 Act, depreciation on building, machinery, plant or furniture is restricted to a proportion determined by the AO that are either partly or not wholly and exclusively used for business[27]. The original Bill required proportionate depreciation for 'any asset forming part of the block of assets'[28] which could include intangible assets as well.

The revised Bill is now aligned with the 1961 Act and has made reference to 'building, machinery, plant or furniture'.

**Special provision for computation of capital gains in case of depreciable assets**

Under the 1961 Act[29], capital gains on depreciable capital assets under the 'block of asset' concept arises in either of the two scenarios:

- where the full value of consideration on transfer of capital assets falling within the block exceeds the written down value ('WDV') of the block of assets; and
- where any block of depreciable assets ceases to exist on account of transfer of all the assets in that block.

Under the 1961 Act, where capital gain arises in either of the above two scenarios, the excess of full value of consideration over WDV of the block of assets is treated *as capital gains arising from the transfer of short-term capital assets*.

In case where any block of depreciable assets ceases to exist on account of transfer of all the assets in that block, the original Bill[30] proposed to deem the income to be *short-term capital gains*.

The revised Bill has reinstated this provision as in the 1961 Act and deemed the income as "*capital gains arising from the transfer of short-term capital assets*".

**Special provision for computing profits and gains of business on presumptive basis**

The 1961 Act[31] deems eight percent of the total turnover or gross receipts of the eligible taxpayer as profits and gains of business or profession. Further, in respect of the amount of total turnover or gross receipts received by an account payee cheque, account payee bank draft, etc. during the previous year or before the specified due date for filing the return of income, the profits and gains of business or profession is deemed at six percent instead of eight percent.

The original Bill[32] used the phrase *'receipts realised'* instead of *'received'* and did not provide for the time limit till return filing due date.

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[25] Section 32(1)(ii) of the 1961 Act
[26] Clause 33(1)(b) of the original Bill
[27] Section 38 of the 1961 Act
[28] Clause 33(3)(b) of the original Bill
[29] Section 50 of the 1961 Act
[30] Clause 74 of the original Bill
[31] Section 44AD of the 1961 Act
[32] Clause 58 of the original Bill

The revised Bill has amended the language of the provision to align with the 1961 Act.

## Transaction Tax

### Definition of 'company in which the public are substantially interested'

The 1961 Act[33] *inter alia*, provides that a company which is not a private company as defined in the Companies Act, 1956 is considered as *'a company in which the public are substantially interested'* where *either of* the following conditions is fulfilled:

- if shares of the company are listed in a recognized stock exchange on the last of the previous year; or
- shares carrying not less than fifty per cent of the voting power were beneficially held by specified class[34] throughout the relevant previous year.

The original Bill[35] proposed to retain similar definition. However, the phrase *'either of'* was missing which created an ambiguity if both the above conditions to be cumulatively fulfilled.

The revised Bill clarifies that the above conditions are alternative and not cumulative by stating that *either of* the two conditions are to be fulfilled, thus, aligning the provisions with the existing provisions under the 1961 Act.

### Tax rate on capital gains from the sale of equity shares, equity-oriented fund or a unit for a business trust

The Finance Act, 2025 amended the 1961 Act to provide that capital gains on sale of equity shares, equity-oriented fund or a unit in the hands of a business trust would be taxed at the special rate[36], rather than at Maximum Marginal Rate.

In the original Bill, the reference to taxability at special rate[37] in the hands of business trust[38] was missing.

The revised Bill includes reference to taxability at special rate for capital gains earned by business trust on sale of equity shares, equity-oriented fund or a unit.

### Period of holding for share of a company in liquidation

Under the 1961 Act[39], in determining the period of holding of a capital asset, being a share held in a company in liquidation, the period subsequent to the date on which the company goes into liquidation is excluded.

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[33] Section 2(18) of the 1961 Act

[34] (a) the Government, or (b) a corporation established by a Central, State or Provincial Act, or (c) any company to which this clause applies or any subsidiary company of such company if the whole of the share capital of such subsidiary company has been held by the parent company or by its nominees throughout the previous year.

[35] Clause 2(29) of the original Bill

[36] Section 112A of the 1961 Act

[37] Clause 198 of the original Bill

[38] Clause 223 of the original Bill

[39] Explanation to section 2(42A) of the 1961 Act

The original Bill[40] also proposed to exclude the period subsequent to the date on which the company goes into liquidation, however, it did not make specific reference to capital asset, being shares of the company in liquidation.

The revised Bill explicitly states that the exclusion of the post liquidation period from the holding period computation applies specifically to shares held in the company going into liquidation.

**Taxation of Long-Term Capital Gains arising to non-residents from transfer of unlisted securities or shares**

Under the 1961 Act, the tax on Long-Term Capital Gains[41] (LTCG) arising to a non-resident from transfer of unlisted securities or shares of a closely held Indian company is taxable at 12.5 per cent without giving the forex fluctuation benefit.

In the original Bill,[42] there was no specific embargo on availing forex fluctuation benefit while computing such capital gains.

The revised Bill has proposed to deny the forex fluctuation benefit, thus bringing it in parity with the provision under the 1961 Act.

**Foreign exchange fluctuation benefit to non-residents on transfer of capital asset, being shares or debentures of an Indian company**

The 1961 Act[43] provides for a manner of computing capital gains arising to a non-resident from the transfer of a capital asset being shares or debentures of an Indian company. This enables the non-resident to avail foreign exchange fluctuation benefit in case where foreign currency was utilized in purchase of such capital asset. For this purpose, the rate of exchange to be adopted for the conversion of Indian currency into foreign currency and the reconversion of foreign currency into Indian currency has been provided in the Rules prescribed in this behalf[44].

While the original Bill[45] proposed to retain the above manner of computing capital gains, it was silent on the rate of exchange to be adopted for this purpose.

The revised Bill[46] has clarified that the conversion of Indian currency into foreign currency and the reconversion of foreign currency into Indian currency shall be at the rate of exchange prescribed in this behalf.

**Special provision for imputing fair market value as full value of consideration**

- Under the 1961 Act[47], if a taxpayer transfers unquoted share of a company and the full value of consideration received or accruing is lower than the fair market value (FMV) of those shares (as determined under prescribed rules), then the FMV is treated as the full value of consideration for

[40] Clause 2(101) sub-clause (c)(A) of the original Bill
[41] Section 112(1)(c)(iii) of the 1961 Act
[42] Clause 197 of the original Bill
[43] First proviso to section 48 and Explanation thereunder under the 1961 Act
[44] Rule 115A of the Income-tax Rules, 1962
[45] Clause 72(6) of the original Bill
[46] Clause 72(8) of the revised Bill
[47] Section 50CA of the 1961 Act

the purpose of calculating capital gains under section 48 which provides for the mode of computation of capital gains.

The original Bill[48] proposed that FMV shall be considered as full value of consideration '*for the purposes of computing income under the head "Capital gains"'* without referring to specific clause[49] of the Bill which deals with mode of computation.

The revised Bill has modified the language and aligned it with the provision of the 1961 Act by making reference to corresponding clause 72 which deals with mode of computation of capital gains.

- Further, under the 1961 Act[50], when a taxpayer transfers a capital asset and the full value of consideration received or accruing as a result of the transfer is not ascertainable or *cannot be determined*, the FMV of the asset on the date of transfer is treated as the full value of consideration for the purpose of computing capital gains.

  The original Bill[51] proposed to replace the phrase '*cannot be determined'* with '*unable to be determined*'*.*

  The revised Bill has retained the language, '*cannot be determined'*, thus bringing it in parity with the provision under the 1961 Act.

**Expenditure in connection with transfer of Market-linked Debentures etc.**

The 1961 Act[52] provides that gains arising from the transfer, redemption, or maturity of certain specified financial instruments shall be deemed to be short-term capital gains. The computation of such gains is based on the cost of acquisition of the instrument and expenditure incurred wholly and exclusively in connection with such transfer, redemption, or maturity.

The original Bill[53] proposed a change in the language, replacing the phrase *'in connection with'* with *'for'*, thereby narrowing the scope of deductible expenses to only those expenses which are incurred directly *'for'* the transfer or redemption.

The revised Bill has restored the original phrase to allow deduction for expenditure 'in connection with', transfer, redemption, or maturity.

**Carry forward and set-off of loss in case of change in shareholding**

Under the 1961 Act, in the case of change in shareholding of a closely-held company, carry forward and set off of losses is allowed if the shares carrying not less than 51 per cent of the voting power were '*beneficially held'* by the same person(s) who beneficially held shares carrying not less than 51 per cent of the voting power on the last day of the year(s) in which such loss was incurred[54]. Interpretation of the phrase *'beneficially held'* has been subject matter of litigation in India.

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[48] Clause 79 of the original Bill
[49] Clause 72 of the original Bill
[50] Section 50D of the 1961 Act
[51] Clause 80 of the original Bill
[52] Section 50AA of the 1961 Act
[53] Clause 76 of the original Bill
[54] Section 79 of the 1961 Act

The original Bill[55] proposed to replace the phrase '*beneficially held'* with '*beneficial owner of shares.'*

The revised Bill has further defined the expression *'beneficial owner'* as "*an individual who derives the benefits directly or indirectly from the shares during the tax year."* Impact of introduction of this definition may require further evaluation.

### Deduction for inter-corporate dividends available to a domestic company opting for concessional tax rate

Under the 1961 Act, deduction for inter-corporate dividends[56] is available to a domestic company opting for a concessional tax rate of 22 percent[57].

However, the same was not available as per the original Bill[58].

The revised Bill has made the necessary amendments to allow deduction for inter-corporate dividends to domestic companies opting for a 22 percent concessional tax rate.

### General Anti-Avoidance Rule (GAAR)

Under the 1961 Act[59], the consequences of an impermissible avoidance arrangement are to be determined based on the specific circumstances of each case.

The phrase *'in the circumstances of the case'* included in the 1961 Act was omitted in the original Bill[60], raising concerns that GAAR provisions could be invoked without due consideration of the unique facts and context of each case.

The revised Bill has reinstated the phrase *'in the circumstances of the case'* for application of GAAR provisions.

## Procedural changes

### Application for 'Nil' TDS Certificate

Under the 1961 Act[61], a taxpayer may apply for a Tax Deduction at Source (TDS) Certificate for a 'Nil' or a lower rate by submitting a formal application to the AO.

The original Bill[62] proposed to restrict such applications only for lower deduction of tax, and did not give an option to apply for 'Nil' TDS Certificate. The revised Bill has restored the original scope, allowing taxpayer to seek TDS Certificate for a Nil or lower rate.

### TDS on purchase of goods

Under the 1961 Act, the buyer is required to deduct tax on purchase of any goods of the value or

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[55] Clause 119(3) of the original Bill
[56] Section 80M of the 1961 Act
[57] Section 115BAA of the 1961 Act
[58] Clause 200 of the original Bill
[59] Section 98(1) of the 1961 Act
[60] Clause 181(1) of the original Bill
[61] Section 197(1) of the 1961 Act
[62] Clause 395(1) of the original Bill

aggregate of such value exceeding INR 50 lakh at 0.1 percent of sum exceeding INR 50 lakh[63].

The original Bill also provided the rate as '0.1 percent of such sum exceeding INR 50 lakh'[64].

However, the revised Bill provides for a deduction of tax at the rate of 0.1 percent and deletion of the words 'of such sum exceeding INR 50 lakh' could imply that for purchase of goods, tax withholding is to be done at 0.1 percent on the entire amount.

**Claim of Refund linked to filing of return of income within due date**

Under the original Bill[65], there was an ambiguity as to whether refund of income-tax could be claimed only when return is filed on or before the due date of filing of return. The revised Bill has deleted the clause which created the anomaly to clarify that claim of refund can be made even through a revised or a belated return of income in addition to the original return of income.

**Due date of filing return of income by Company**

In the original Bill, the due date of filing return of income for a company was provided as 31 October[66]. The revised Bill has brought clarity that for company required to undertake compliances under the transfer pricing regulations, the due date is 30 November[67]. This due date is now aligned with the 1961 Act.

**Levy of penalty for non-maintenance of books of account and other documents**

Under the 1961 Act, the relevant tax authority may impose a penalty for failure to maintain or retain prescribed books of account and documents[68]. While the original Bill proposed a mandatory penalty for such non-compliance[69], the revised Bill aligns with the existing provisions of the 1961 Act, making the imposition of penalty discretionary.

**Scope of prima facie adjustments while processing the return of income**

There are certain *prima facie* adjustments provided under the 1961 Act while processing return of income. One of such adjustments is disallowance of profit linked deduction in case of specified businesses (as referred to in Chapter VI-A under the heading C-Deductions in respect of certain incomes)[70] where the return is furnished beyond the prescribed due date.

The scope of this adjustment was widened by the original Bill where it covered the disallowance based on any of the provisions of Chapter VIII (the provisions of Chapter VI-A are contained in Chapter VIII of the original Bill). Thus, disallowance of all the deductions under chapter VIII, whether payment-based or income-based[71] was covered.

The revised Bill has aligned this provision with the 1961 Act thereby restricting the disallowance to

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[63] Section 194Q of the 1961 Act
[64] Clause 393 [Table – *For Payments to Residents* – S.No. 8(ii)] of the original Bill
[65] Clause 263(ix) of the original Bill
[66] Clause 263 (Table – S.No.1) of the original Bill
[67] Clause 263 (Table – S.No.2) of the revised Bill
[68] Section 271A of the 1961 Act
[69] Clause 441 of the original Bill
[70] Clause (v) of Section 143(1)(a) of the Act
[71] Sub-clause (v) of Clause 270(1)(a) of the original Bill

income-based deductions only (i.e. deduction under part C of Chapter VIII).

## Other amendments

### Repeal and savings

- The original Bill[72] allowed for the continuation of agreements, appointments, approvals, recognitions, directions, instructions, notifications, orders, and rules issued under the 1961 Act (to be repealed). The revised Bill expands this scope by explicitly including 'circulars', thereby confirming that circulars issued under the 1961 Act will continue to apply to corresponding provisions in the revised Bill except in case of any inconsistency with the said provisions.
- In the original Bill,[73] it appeared that set-off of transitioned long-term capital losses against post-transition short-term capital gains was permissible. In the revised Bill, the repeal and savings clause has been amended restricting the set-off of transitioned long-term capital losses against the long-term capital gains arising after transition to the Bill.
- The original Bill provided for continuance of deductions such as for expenditure incurred for acquiring any right to operate telecommunication services, preliminary expenses and few other specified expenses availed under the 1961 Act for tax year beginning on or after 1 April 2026 subject to the fulfilment of the conditions mentioned in the respective provisions. However, it did not include deduction of the expenditure incurred on acquiring the right to use spectrum for telecommunication services[74]. In the revised Bill, the savings clause[75] has been amended to add the same and thus entitling the taxpayer to continue such deduction subject to fulfilment of the conditions mentioned in the respective provision.
- The transfer of a capital asset from a holding company to its subsidiary company and *vice versa* is exempt from capital gain tax under the 1961 Act[76] provided the specified conditions are met. However, the 1961 Act[77] as well as the corresponding provision of the revised Bill[78] deal with the withdrawal of such exemption if prescribed conditions are violated. In such case, where the exemption has been availed under the 1961 Act, the capital gains become taxable in the year in which the transfer of capital asset took place. However, the respective saving clause[79] in the original Bill provided that it shall be deemed to be the income chargeable in the year of violation of conditions. The revised Bill has aligned this with the provisions of the 1961 Act and has reinstated the taxability to arise in the year of transfer and not in the year in which the conditions prescribed are violated.

### Definition of capital asset - changes introduced by the Finance Act 2025 incorporated

Under the 1961 Act (as amended by the Finance Act, 2025), the definition of capital asset includes any securities held by an investment fund which has invested in such securities in accordance with

[72] Clause 536(2)(j) of the original Bill
[73] Clause 536(2)(n) of the original Bill
[74] Section 35ABA(1) of the 1961 Act
[75] Clause 536(2)(s) of the revised Bill
[76] Sections 47(iv) and 47(v) of the 1961 Act
[77] Section 47A of the 1961 Act
[78] Clause 71(1) of the original Bill
[79] Clause 536(2)(q) of the original Bill

the provisions of the regulations made under the Securities and Exchange Board of India Act, 1992 or under the International Financial Services Centres Authority Act, 2019 (IFSC Authority Act)[80].

In the original Bill,[81] reference to regulations under the IFSC Authority Act was missing, which is now included in the revised Bill; thus, aligning the provisions with the current provisions of the 1961 Act.

### Relocation of Fund in IFSC

The 1961 Act[82] provides for tax-neutral treatment of asset transferred during the relocation of investment funds to IFSC. The term 'relocation' was defined to mean the transfer of assets of the original fund or its wholly owned special purpose vehicle to a resultant fund on or before 31 March 2025. The sunset date was extended to 31 March 2030 by the Finance Act, 2025.

The original Bill[83] inadvertently continued to prescribe the sunset date for such relocations as 31 March 2025 and was not aligned with the amended provisions. The revised Bill has now prescribed the sunset date as 31 March 2030.

### Maintenance of Books of Account

Under the 1961 Act, the threshold of total sales, turnover or gross receipts for maintaining books of account in case of individual or a Hindu undivided family carrying on business is INR 25 lakhs[84]. In the original Bill[85], this threshold was mentioned as INR 2.5 lakhs. In the revised Bill, this error has been corrected by reinstating the threshold of INR 25 lakhs.

## Our comments

The Finance Ministry will review the Committee's recommendations and may make additional modifications to the revised Bill before tabling it in Parliament for approval of both Houses before it can become law. For instance, on two specific issues, viz., the set-off of losses in cases involving changes in shareholding, and the determination of associated enterprises relationships for transfer pricing purposes, the Committee has recommended reinstating the position under the 1961 Act. However, the corresponding provisions in the revised Bill appear to deviate from these recommendations. It is possible that the final version of the Bill may reflect the required changes in this regard. The Income-tax Rules, 1962, will also require a comprehensive overhaul to ensure consistency and alignment with the new legislative framework proposed under the Bill.

Furthermore, while the Committee received several substantive suggestions aimed at simplifying the tax law and reducing the potential for litigation, these have not been incorporated in the revised Bill, as policy changes were not intended to be included therein to begin with. It remains to be seen if the Government will consider these suggestions for inclusion in the 2026 Union Budget proposals.

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[80] Section 2(14) of the 1961 Act
[81] Clause 2(22) of the original Bill
[82] Sections 47(viiac) and 47(viiad) of the 1961 Act
[83] Clause 70(2) of the original Bill
[84] Second proviso to section 44AA(2) of the 1961 Act
[85] Clause 62 of the original Bill

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Advant Navis Business Park, Tower-A, Plot# 7, Sector 142, Expressway
Noida, Gautam Budh Nagar,
Noida – 201 305.
Tel: +91 0120 386 8000

**Kochi**
Syama Business Centre, 49/179, 3rd Floor, NH 47,
Bypass Road, Vytilla,
Kochi – 682 019.
Tel: +91 484 302 5600

**Vijayawada**
PR heights, 4th Floor,
NH 16 Service Rd,
opp. Manipal Hospital Road,
Tadepalle,
Andhra Pradesh – 522 501.
Tel: +91 0864 536 2000

**Bengaluru**
Embassy Golf Links Business Park,
Pebble Beach, 13/02,
'B' Block, 1st & 2nd Floor,
Off Intermediate Ring Road,
Bengaluru – 560 071
Tel: +91 80 6833 5000

**Chennai**
KRM Towers, Ground,
1st, 2nd, & 3rd Floor, No. 1,
Harrington Road, Chetpet,
Chennai – 600 031.
Tel: +91 44 3914 5000

**Gurugram**
Building No.10, 8th Floor,
DLF Cyber City, Phase II,
Gurugram,
Haryana – 122 002.
Tel: +91 124 307 4000

**Jaipur**
Signature Towers, Office No. 402,
Fourth Floor, S Plot No.
DC-II, Lal Kothi District Shopping Center, Tonk Road, Jaipur – 302 001
Tel: +91 141 – 672 1000

**Kolkata**
Unit No. 604,
6th Floor, Tower – 1, Godrej Waterside, Sector – V, Salt Lake,
Kolkata – 700 091.
Tel: +91 33 4403 4000

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