FAQ.1: Personal Income-tax reforms with special focus on middle class

Q.1. What is 'New Regime'?

Ans. New regime provides for concessional tax rates and liberal slabs. However, no deductions are allowed in the new regime (other than those specified for e.g. 80JJAA, 80M, standard deduction).

Q.2. What are the tax slabs in earlier new regime?

Ans. The Finance (No.2) Act, 2024 had the following slabs in the new tax regime for person, being an 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: -

Sl.No.	Total Income (in Rs.)	Rate of tax u/s 115BAC(1A)
1.	Upto 3,00,000	Nil
2.	3,00,001 to 7,00,000	5%
3.	7,00,001 to 10,00,000	10%
4.	10,00,001 to 12,00,000	15%
5.	12,00,001 to 15,00,000	20%
6.	Above 15,00,000	30%

Q.3. What are the new slabs in the proposed new regime introduced by Finance Bill, 2025?

Ans. The new slabs proposed are as under:

Sl.No.	Total Income (Rs. In lacs)	Rate of tax u/s 115BAC (1A)
1.	0- 4	0%
2.	4-8	5%
3.	8-12	10%
4.	12-16	15%
5.	16—20	20%
6.	20-24	25%
7.	More than 24 Lacs	30%

Q.4. What is the tax benefit for different category of taxpayers (0-24 lacs)

Total Income	**Tax as per existing rates[as per Finance (No.2) Act, 2024]**	**Tax as per proposed rates**	**Benefit of Rate/Slab**	**Rebate Benefit** [with reference to (3)]	**Total Benefit[**computed when compared to current slab rates**]**	**Tax Payable under new regime**
(1)	**(2)**	**(3)**	**(4)=(3)-(2)**	**(5)**	**(6)=(4)+(5)**	**(7)**
8 lac	30,000	20,000	10,000	20,000	30,000	0
9 lac	40,000	30,000	10,000	30,000	40,000	0
10 lac	50,000	40,000	10,000	40,000	50,000	0
11 lac	65,000	50,000	15,000	50,000	65,000	0
12 lac	80,000	60,000	20,000	60,000	80,000	0
13 lac	1,00,000	75,000	25,000	0	25,000	75,000
14 lac	1,20,000	90,000	30,000	0	30,000	90,000
15 lac	1,40,000	1,05,000	35,000	0	35,000	1,05,000
16 lac	1,70,000	1,20,000	50,000	0	50,000	1,20,000
17 lac	2,00,000	1,40,000	60,000	0	60,000	1,40,000
18 lac	2,30,000	1,60,000	70,000	0	70,000	1,60,000
19 lac	2,60,000	1,80,000	80,000	0	80,000	1,80,000
20 lac	2,90,000	2,00,000	90,000	0	90,000	2,00,000
21 lac	3,20,000	2,25,000	95,000	0	95,000	2,25,000
22 lac	3,50,000	2,50,000	1,00,000	0	1,00,000	2,50,000
23 lac	3,80,000	2,75,000	1,05,000	0	1,05,000	2,75,000
24 lac	4,10,000	3,00,000	1,10,000	0	1,10,000	3,00,000
25 lac	4,40,000	3,30,000	1,10,000	0	1,10,000	3,30,000
50 lac	11,90,000	10,80,000	1,10,000	0	1,10,000	10,80,000

*** For income above 12 lac, in the case of resident individuals, marginal relief shall be allowable .**

Q.5. What is the maximum total income for which tax liability for individual taxpayers is NIL.

Ans. In the proposed new tax regime, the maximum total income for which tax liability for individual taxpayers is NIL is Rs. 12 lakhs.

Q.6. To claim benefit of NIL tax liability mentioned above, what are the steps required to be taken?

Ans. The benefit of such Nil tax liability mentioned above is available only in the new tax regime. This New tax regime is the default regime. To avail the benefit of rebate allowable under proposed provisions of new tax regime, only return is to be filed otherwise no other step is required to be taken.

Q.7. The change in tax slabs is beneficial for which category of persons?

Ans. New tax regime is applicable to person, being an 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. Accordingly, change in tax slabs will benefit all these persons.

Q.8. How will a person who has an income Rs 12 lac benefit from new rates?

Ans. Any individual earlier was required to pay a tax of Rs 80,000 (in the new regime) for an income of Rs. 12 lacs. Now he will be required to pay nil tax on such income.

Q.9. Whether the limit of total income for NIL tax payments has increased in this budget?

Ans. Yes, the limit of total income for NIL tax payments in the new tax regime has been increased to Rs. 12 lakhs in this budget provided the taxpayer files ITR to avail the rebate.

Q.10. What was the earlier limit of income for nil tax payment?

Ans. Earlier the limit of income for nil tax payment was Rs 7 lac. By increasing this limit to Rs 12 lakh around one crore assessees who were earlier required to pay tax varying from Rs 20,000 to Rs 80,000 will be now paying nil tax.

Q.11. Is the standard deduction on salary available in the new regime?

Ans Yes, a standard deduction of Rs. 75,000 is available to a tax payer in the new regime. Therefore, a salaried tax payer will not be required to pay any tax where his income before standard deduction is less than or equal to Rs 12,75,000.

Q.12. Whether standard deduction is available in old regime?

Ans. Standard deduction of Rs. 50,000 is available in old regime.

Q.13. How many tax payers will benefit from the new rates and slabs?

Ans. Presently, for AY 2024-25, about 8.75 crore persons have filed their ITRs. All such assessees who were paying tax in the new tax regime will benefit from the change in rates and slabs.

Q.14. What is the extra amount available to the taxpayers as a result of this change?

Ans. Approximately Rs. 1 lakh crore will be made available in the hands of the taxpayers by virtue of changes in slab, rates and rebate.

Q.15. How is the marginal relief available to individuals?

Ans. In the new regime under section 115BAC(1A), marginal relief is available to only resident individuals who have income marginally above Rs. 12 lacs. For example, for a person having income of Rs. 12, 10,000/-, in the absence of marginal relief, the tax, works out to be Rs. 61,500/-(5% of Rs.4 lacs+10% of 4 lac and 15% of Rs.10 thousand). However, due to marginal relief, the amount of tax to be actually paid is Rs. 10,000/-.

Q.16. How much tax will be paid by a tax payer having income of Rs 12,10,000? What is marginal relief?

Ans. The tax liability on such tax payer by way of slabs only is Rs. 61,500. How ever a person having Rs 12 lac income pays nil tax. By providing marginal relief it has been ensured that the tax payable by a person having income marginally above Rs 12 lacs is required to pay only marginal amount of tax equal to the amount of income above Rs 12 lacs so that his carry home is also Rs 12 lacs. In this case he will be required to pay a tax of Rs 10,000.

Income	Tax without Marginal relief (Rs.)	Tax actually payable with marginal relief
Rs 12,10,000	61,500	10,000
Rs 12,50,000	67,500	50,000
Rs 12,70,000	70,500	70,000
Rs 12,75,000	71,250	71,250 [No marginal relief]

Q.17. How the marginal relief is computed?

Ans. The marginal relief is computed in the following manner:-

(i) First the tax as per slab rate is computed on the total income.

For e.g. In the answer given to question no.15 above, tax on the total income of Rs. 12,10,000/-shall be computed in following steps:

Sl.No.	Amount to be charged (out of total income of Rs. 12, 10,000/-)	Tax Amount as per slab rates
1.	Initial amount of 4 lac	Nil (being basic exemption)
2.	Tax on subsequent amount of 4 lac (from 4 lac to 8 lac)	Rs. 20,000 (being 5% of Rs. 4 lac)
3.	Tax on subsequent amount of 4 lac (from 8 lac to 12 lac)	Rs. Rs. 40,000/- (being 10% of Rs. 4 lac)
4.	Tax on balance amount of Rs. 10,000/-	Rs. 1500 ((being 15% of Rs. 10,000)
	Aggregate tax liability	Rs. 61, 500/-

(ii) Tax payable on total income of Rs. 12,00,000/- on which rebate is available is Nil.

(iii) Now the tax liability without marginal relief (in this case Rs. 61,500) shall be compared with amount exceeding total income upto which rebate is available [in this case Rs. 10,000, [i.e. Rs.12,10,000- Rs. 12,00,000]

(iv) The marginal relief shall be computed by deducting the income exceeding Rs. 12, 10,000 (i.e. Rs.10,000) from total tax liability determined in this case (i.e. Rs. 61,500) as tabulated above.

(v) Therefore, in the above case rebate by way of marginal relief is Rs. 51,500 (61,500/- 10,000/-= 51,500/-) is allowed.

(vi) Tax payable is therefore Rs. 10,000 [Rs. 61,500-Rs.51,500]

Q.18. What is the maximum amount of rebate available to any tax payer?

Ans. The maximum rebate available is Rs 60,000 which is there for a tax payer having income of Rs 12 lacs on which tax is payable as per the new slabs.

Q. 19. What is the total income till which marginal relief is admissible?

Ans. The total income till which marginal relief is available is near about Rs. 12,75,000/-.

Q.20. Whether special income having special rate such as capital gains, lottery etc. also be eligible for rebate?

Ans. No rebate is not available on income from capital gains or lotteries or any other income on which special rate has been provided in the Act. It is available only on the tax payable as per slabs under section 115BAC.

Q.21. What is the difference between rebate and marginal relief?

Ans: Rebate is the deduction from tax which is available to tax payers having income upto Rs. 12 Lacs in the new regime. Marginal relief ensures that taxpayers having income marginally higher than Rs. 12 lacs do not pay tax more than the income in excess of 12 lacs.

FAQ:2- Incentives to IFSC

Q.1. What is International Financial Services Centre?

Ans. 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. However, such financial services should involve transaction in any currency except Indian Rupee. The International Financial Services Centre (IFSC) has the same meaning as in Section 2(q) of the Special Economic Zone, Act 2005.

Q.2. Why are tax incentives provided to International Financial Services Centre?

Ans. In order to promote the development of world-class financial infrastructure in India, several tax concessions have been provided to units located in IFSC (exemptions, deductions or relocation of funds to IFSC, under the Income-tax Act, 1961) over the past few years.

Q.3. Whether there are sunset dates in provisions related to tax incentives for IFSC?

Ans. Yes, under the existing provisions there are sunset dates such as 31.03.2024, 31.03.2025 or 31.03.2026 for various tax incentives provided to IFSC. However, in Finance Bill 2025, sunset dates for commencement of operation have been extended in all cases.

Q.4. What changes as regards sunset dates have been introduced through amendment in Finance Bill?

Ans. The sunset dates for commencement of operations of IFSC units for several tax concessions, or relocation of funds to IFSC, etc. is proposed to be extended to 31st day of March, 2030. The sunset dates have been revised in following sections:-

Section	Brief Description
80LA(2)(d)	Deductions in respect of certain incomes of Offshore Banking Units and International Financial Services Centre.
10(4D)	Exemption to certain incomes including income on transfer of assets as per section 47(viiab)
10(4F)	Exemption to income of a non-resident by way of royalty or interest, on account of lease of an aircraft or a ship, paid by a unit of IFSC

10(4H)	Exemption to income of a non-resident or a unit of IFSC, engaged primarily in the business of leasing, by way of capital gains arising from the transfer of equity shares of domestic company, being a unit of IFSC
47(viiad)	Transactions which are not regarded as transfers for the purposes of capital gains as provided in section 45

Q.5. What tax incentives have been brought in for life insurance policy from IFSC Insurance offices?

Ans. Clause (10D) of section 10 is proposed to be amended so as to provide that proceed received on life insurance policy, issued by insurance intermediary office located in IFSC, shall be exempted without any condition on premium amount (i.e. Rs. 2,50,000 for ULIPs and Rs. 5,00,000 for other policies). However, the premium payable for any of the year during the term of policy should not be more than 10 percent of the actual capital sum assured.

Q.6. What exemptions are provided to aircraft leasing units in IFSC?

Ans. Exemption on capital gains tax is provided to non-residents or unit of IFSC (being engaged in aircraft leasing) on transfer of equity shares of domestic companies (being units of IFSC) who are also engaged in aircraft leasing [Section 10(4H)].

Further, exemption is provided on dividend paid by a company (being a unit of IFSC) engaged in aircraft leasing, to another unit of IFSC who is also engaged in aircraft leasing.

Q.7. What exemptions have been provided to ship leasing units in IFSC in the current Finance Bill 2025?

Ans. Exemption provided to aircraft leasing units on capital gains under Section 10(4H) and dividend under Section 10(34B) have been extended to ship leasing units in IFSC as well.

Q.8. What kind of payment is deemed as dividend?

Ans. Deemed dividend is defined in sub-clause (e) of clause (22) of section 2. Deemed dividend inter alia includes any sum by way of advance or loan to a shareholder paid by a company, 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.

Q.9. What is a treasury centre? How is it relevant to units in IFSC?

Ans. A treasury center of an entity or a group enables it to centralise and concentrate cash and risk management to gain economies of scale, process efficiencies, and tighter control of cash flow in the group. The establishment of a treasury centre in the IFSC allows corporations to manage their global treasury operations such as foreign exchange and risk management, asset management, and advisory related to mergers and acquisitions etc.

Q.10. What amendment is carried out for treasury centres in IFSC?

Ans. Under the present provision, deemed dividend would be applicable to Treasury centres. Finance Bill proposes that the provisions of deemed dividend shall not apply to Treasury centres in IFSC on any advance or loan between two group entities, -

a) where one of the group entity is a “Finance company” or a “Finance unit” in IFSC set up as a global or regional corporate treasury centre for undertaking treasury activities or treasury services; 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 that as specified by the Board).

Q.11. What are the provisions of section 9A of the Income-tax Act, 1961?

Ans. Section 9A of the Act provides that fund management activities carried out through an eligible fund manager in case of eligible investment fund, shall not constitute business connection of the said fund in India. Conditions for eligible investment fund and eligible fund manager have been provided respectively in section 9A(3) and section 9A(4).

Q.12. What is safe harbour? What are the changes made in proposed bill in context of safe harbour?

Ans. A safe harbor is a regime wherein for an assessee that fulfils specific conditions as prescribed, the conduct or transactions of such an assessee may be accepted.

In the proposed Bill, the condition for residency in respect of aggregate participation or investment in the eligible investment fund of a resident under clause (c) of section 9A has been relaxed.

Q.13. What amendments have been carried out in the current Bill in section 9A of the Income-tax Act,1961?

Ans. Condition at clause (c) of section 9A is being relaxed for all the investment funds whether or not its fund manager is located in IFSC, by determining the aggregate participation or investment in the fund as on the 1st day of April and the 1st day of October of the previous year.

Further, all conditions other than (c) can be relaxed by the Central Government for investment fund whose fund manager located in IFSC commences operations before 31.03.2030. This date was earlier 31.03.2024

Q.14. What grace period is provided in case the proposed condition at (c) is not satisfied?

Ans. In case the condition at clause (c) of section 9A is not satisfied on either of the said dates, a grace period is provided to satisfy the same condition within four months of the said dates.

FAQ No. 3: Incentives to IFSC- Inclusion of retail schemes and Exchange Traded Funds (ETF)s in the existing relocation regime of funds of IFSCA

Q.1 What is relocation of funds?

Ans. The transfer of assets of a fund (that is the original fund) or of its wholly owned Special Purpose Vehicle that is overseas, to a resultant fund in India is called relocation subject to certain conditions.

Q.2 What is a resultant fund?

Ans. A "resultant fund" means a fund to which the assets of the original fund are transferred, subject to certain conditions and which is established or incorporated in India,

Q.3 What are the changes made to the definition of 'resultant fund' in section 47(viiad) of the Income tax Act, 1961 and the changes made by Finance Bill 2025**?**

Ans.
- The 'resultant fund' was limited to a fund that had been granted a certificate of registration as a Category I or II or III Alternative Investment Fund (AIF) and is regulated under the SEBI (AIF) Regulations, 2012 or regulated under the IFSCA (Fund Management) Regulations, 2022.
- With the Finance Bill 2025, the Retail schemes and Exchange Traded Funds (ETFs) that are regulated under the IFSCA (Fund Management) Regulations, 2022 have also been added to the definition of 'resultant fund' subject to certain conditions.

Q.4 What is the implication of the amendment made to section 47(viiad)?

Ans. The relocation of an original fund to a resultant fund (being a Retail schemes and Exchange Traded Funds) is now also a tax neutral transaction subject to the conditions mentioned in 47(viiad).

Q.5 Can a partnership firm be treated as a "resultant fund" under this section 47(viiad)?

Ans. The 'resultant fund' can be a fund established or incorporated in India in the form of a trust or a company or a limited liability partnership

Q.6 Who will benefit from the amendment made to section 47(viiad)?

Ans. This amendment will encourage more funds, being retails schemes or ETFs to relocate to the IFSC.

FAQ No. 4: Incentives to IFSC- Exempt income of Non-Residents

Q.1 What are the transactions of derivatives that are covered under section 10(4E) of the Income tax Act, 1961

Ans. The transactions that are covered under section 10(4E) are

(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

Q.2 What are the changes made by the Finance Bill 2025 to grant exemption under section 10(4E)?

Ans. The exemption for transactions in derivatives was limited to the transactions made by **non-residents** with Offshore Banking Units. By the Finance Bill 2025, these benefits are now also being extended to such transactions, made with a Foreign Portfolio Investor (FPIs) being a unit in the IFSC.

Q.3 Whether the exemption u/s 10(4E) of IT Act, 1961 is available to the non-residents holding such contract or instrument or derivative or the FPI (unit of an IFSC)?

Ans. The exemption u/s 10(4E) is available to the non-resident and not the FPI

Q.4 What is the FPI in respect of which a non-resident can claim benefits under section 10(4E) of the Income Tax Act, 1961?

Ans. A non-resident can claim benefits under section 10(4E) in respect of transactions with an FPI which that is a person, registered in accordance with the provisions of the SEBI (FPI) Regulations, 2019 and is also a unit in the IFSC

Q.5 Can transactions with all FPIs be eligible for benefit under the provisions u/s 10(4E)?

Ans. To claim the benefit under section 10(4E), the FPI must be a Unit in an IFSC and should fulfil such conditions as prescribed.

Q.6 Is the income from the transfer of, or distribution on derivatives mentioned in section 10(4E) exempt for FPIs under this provision?

Ans. No, the exemption in this clause is provided for the **income of the non-resident** from the transactions mentioned in section 10(4E) which are entered into with an OBU or an FPI mentioned therein.

Q.7 Who will benefit from this amendment?

Ans. The non-residents who enter into such transactions are benefited as the income from the aforementioned transactions is exempt. This will also benefit the FPIs in that there will be more investments from non-residents because of the certainty provided in the domestic tax law.

Q.8 Where are the rules prescribed for this section till date?

Ans. The rules prescribed for this section are Rule 21-AK in the Income Tax Rules, 1962.

FAQ:5- Bringing clarity in income on redemption of Unit Linked Insurance Policy

Q.1. What are the provisions relating to amount received under a life insurance policy?

Ans. Section 10(10D) provides for income-tax exemption on the sum received under a life insurance policy, including bonus on such policy, subject to certain conditions.

Q.2. **What conditions are to be fulfilled to claim exemption under Section 10(10D)?**

Ans. The conditions which are to be fulfilled to claim exemption under Section 10(10D) include: -

a) premium payable for any of the years during the terms of the policy (life insurance or ULIP) issued on or after 01.04.2012 should not exceed ten per cent of the actual capital sum assured; and

b) amount of premium or aggregate amount of premium payable during the term of such policy or policies should not exceed Rs. 2,50,000 (for Unit Linked Policy) or Rs. 5,00,000 (for other policy) for policies issued after certain dates;

Q.3. What happens if the conditions provided under Section 10(10D) are not fulfilled?

Ans. If the conditions are not fulfilled, the sum received under insurance policy may be charged to tax as capital gains (for unit-linked insurance policy) or income from other sources income (for policy other than ULIP)

Q.4. What changes have been introduced through the Finance Bill 2025?

Ans. In the present provisions, in the case of Unit Linked Insurance Policy, even where payable premium exceeded 10 percent of the sum assured, the sum received on redemption was not being charged to tax as 'capital gain' under sub-section (1B) of section 45. Even though it was not exempt, there was ambiguity regarding the head of chargeability.

The current amendment has now made the tax treatment given to all ULIP policies consistent.

Thus, if exemption under Section 10(10D) does not apply, the sum received under both ULIP and other insurance policy shall be chargeable to tax under the head 'capital gains' or 'income from other sources', respectively.

FAQ:6- Rationalization of transfer pricing provisions for carrying out multi-year arm's length price determination

Q.1. What are transfer pricing provisions?

Ans. Transfer pricing provisions enable computation of income arising from an international transaction or a specified domestic transaction with regard to an Arm's Length Price (ALP).

Q.2. How is income computed while reference is made for determination of arm's length price?

Ans. The determination of ALP in transfer pricing provisions *inter alia* proceeds in the following manner –

- the Assessing Officer (AO) may, refer the computation of the ALP in relation to an international transaction or a specified domestic transaction entered in any previous year, to the Transfer Pricing Officer (TPO);
- the TPO determines the ALP in relation to the said transaction in accordance with sub-section (3) of section 92C and sends a copy of his order to the AO and to the assessee;
- the AO proceeds to compute the total income of the assessee for such previous year under sub-section (4) of section 92C in conformity with the ALP as so determined by the TPO.
- This examination is done during a reference made every year and is repetitive.

Q.3. What change is provided under the current Finance Bill to the assessee for the determination of Arm's Length Price?

Ans. The assessee will have option to get the ALP, determined in relation to an international transaction or a specified domestic transaction for any previous year, applied to a similar transaction for the two consecutive previous years immediately following such previous year. In effect, the ALP determined in addition to such transaction for a year can be valid for similar transactions for the next 2 years. This shall reduce multiple proceedings for determining ALP for similar transactions.

Q4. How will the taxpayer exercise this option?

Ans. The taxpayer shall submit the option in a prescribed Form and the manner of filing this Form shall also be provided in the Rules.

Q5. When can this option be exercised? Can more than one option be exercised for one assessment year?

Ans. The assessee shall give this option to the TPO during the course of TP proceeding for determination of ALP. The exact timeline will be prescribed in the Rules. For transactions of different assessment years, option may be exercised separately. Thus, multiple options can be exercised for one assessment year.

Q.6. How shall the option be dealt by the TPO upon exercise of the option as introduced in the current Finance Bill?

Ans. The TPO may by an order within one month from the end of the month in which such option is exercised, declare that the option is valid subject to the prescribed conditions. For determining validity he will examine whether the transactions of the subsequent years are similar transactions or not.

Q.7. Can AO make a reference again for a transaction for which a valid option has been exercised by the assessee?

Ans. A reference will not be made again for the transaction for which valid option is exercised. Even if any reference is made in respect of such transaction, it shall have the effect as if no reference is made for such transaction provided the TPO has passed order determining the option as valid in respect of such transactions.

Q.8. Do the provisions of exercising option mentioned above and consequent proceedings, apply to search cases?

Ans. No.

Q.9. How will the income will be recomputed once the TPO has examined and determined the ALP in relation to such similar transaction for such consecutive previous years, in the order?

Ans. The AO shall recompute the total income of the assessee for such consecutive previous years as per the provisions of sub-section (21) of section 155.

Q.10. How will the AO recompute the total income of the 2 consecutive previous years under the provisions of section 155(21) of the Income Act, 1961?

Ans. The AO shall recompute the total income of the assessee for such consecutive previous

years, by amending the order of assessment or any intimation,-

i. in conformity with the ALP so determined by the TPO under sub-section (4A) of section 92CA in respect of such transaction (being a similar transaction);

ii. considering the directions issued under sub-section (5) of section 144C, if any on the referred transaction.

FAQ.7: Rationalization of the provisions relating to Charitable Trusts and Institutions

Q.1. What are the present provisions regarding the validity of registration of trust?

Ans. Under the current provisions of section 12AB of the Income Tax Act, 1961, registration shall be valid for a period of 5 years or 3 years (where activities of the trust or institution have not commenced).

Q.2. What amendment has been caried out in respect of registration of trusts?

Ans. The period of validity of registration of trust or institution with income below Rs 5 Crore has been increased from 5 years to 10 years in certain cases.

Q.3. Which cases shall benefit from above amendment?

Ans. The amended provisions shall be applicable to certain small trusts or institution whose total income does not exceed Rs. 5 crores in each of the two previous years, preceding the previous year in which application is made.

Q.4. What amendment has been carried out in provisions relating to 'specified violation' in the case of trusts or institution?

Ans. Under current provision an 'incomplete' application for registration is treated as specified violation. This may result in cancellation of registration and consequently, fair market value of the assets becomes chargeable to tax under the Act.

In order to prevent harsh consequences for default of filing incomplete application, the above amendment has been carried out. The trust or institution shall be able to complete the application and the same shall be considered for the purposes of registration.

Q.5. In the case of trust or institution, what is the current provision in respect specified person under section 13(3) of the Income-tax Act, 1961?

Ans. Current provision provides that if any income of trust or institution is applied for the benefit of a 'specified person' (other than founder, author or trustee, member or manager), or his relative or the concern in which he has substantial interest, such income shall not be exempted under section 11 and 12 of the Income Tax Act, 1961.

Q.6. What amendment has been carried out in respect of 'specified person' under section 13(3) of the Income-tax Act, 1961?

Ans. Presently 'specified persons' also include a person who has contributed an amount of Rs 50,000 in aggregate, i.e upto the end of the previous year, to the trust. The threshold limit for considering a contribution as 'substantial contribution' to the trust or institution has been changed from total contribution exceeding fifty thousand rupees up to the end of the relevant previous year to one lakh rupees during the relevant previous year, or exceeding ten lakh rupees in aggregate up to the end of the relevant previous year.

The amendment, as above, shall be applicable to person other than author, founder, trustee, member or manager of the trust.

Further, amendment has been made so as to not consider ‘relative’ and ‘concern in which such person has substantial interest’ as specified person under section 13(3) of the Income-tax Act, 1961.

Q.7. Whether the relaxation provided to specified person also covers author, founder of trust, trustees, member or manager of the trusts?

Ans. It is clarified the relaxation shall not apply to author, founder of trust, trustees, member or manager of the trusts

FAQ:8- Extension of date of making investment by Sovereign Wealth Funds, Pension Funds and others:

Q.1. What are the current provisions relating to specified persons like Sovereign Wealth Funds (SWFs) and Pension Funds (PFs) under the Income-tax Act, 1961?

Ans. Under the current provisions, specified persons (such as sovereign wealth funds and pension funds) may avail exemption on certain income like interest, dividend, long term capital gains on their investment in infrastructure sectors, if such investment is made by 31/03/2025.

Q.2. What changes have been brought in the current provisions relating to Sovereign Wealth Fund (SWF) and Pension Fund (PF)?

Ans. Two amendments have been proposed by the Finance Bill, 2025 viz.-.

(i) For claiming exemption, specified persons (such as sovereign wealth funds and pension funds) are as of now required to make investment by 31/03/2025. The said date has been extended to 31/03/2030.

(ii) It has been provided that 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 such persons in India, shall continue to be exempted.

Q.3. Why the deadline/time period for making investment has been extended?

Ans. Considering the long-term nature of investments in the infrastructure sector and in order to provide the stability and time frame necessary for global investors to take decision and make substantial contribution to India's infrastructure development, the deadline for making investment has been extended.

Q.4. Why exception has been carved out for long-term capital gains otherwise exempted under section 10(23FE) from applicability of provisions of section 50AA?

Ans. The amendments to section 50AA by Finance (No. 2) Act, 2024, have re-classified all the capital gains from unlisted debt securities or market linked debentures or specified mutual funds as short-term capital gains, irrespective of the holding period.

Prior to the said amendments, notified SWFs or PFs were eligible for exemptions on long-

term capital gains from investment made in India (whether in the form of debt or share capital of unit) under clause (23FE) of section 10.

Given the significance of foreign SWFs and PFs in financing infrastructure projects, tax certainty has been provided by continuing the exemption.

FAQ:9-Scheme of presumptive taxation extended for non-resident providing services for electronics manufacturing facility:

Q.1. **What is the benefit given by Finance Bill 2025 to non-residents engaged in the business of providing services or technology to a resident company which is engaged in electronics manufacturing facility including semi-conductor fabrication in India?**

Ans. A presumptive taxation regime for such non-residents has been provided.

Q.2. **What was the scheme of taxation in respect of such activity/such persons prior to Finance Bill, 2025?**

Ans. Prior to the proposed amendment, a non-resident or a foreign company was liable to tax as business income on the profits from this activity at the applicable rates. There was no separate scheme for presumptive taxation for such activity/person.

Q.3. **What is presumptive taxation regime?**

Ans. Presumptive taxation is a simplified method of calculating taxes for eligible taxpayers.

The main motive is to bring tax certainty to certain specified businesses. This reduces compliance costs and promotes ease of doing business.

The profits of the business are deemed to be certain percentage of sales/turnover or receipts.

Q.4. **What are the main provisions of section 44BBD introduced in Finance Bill 2025?**

Ans. As per new section 44BBD, 25% of the aggregate amount received/ receivable by, or paid/ payable to, the non-resident, on account of provision of services or technology, are deemed as profits and gains of such non-resident from this business.

Q.5. **When the provisions of section 44BBD are going to be effective?**

Ans. This amendment will take effect from the 01.04.2026 and will, accordingly, apply to the assessment year 2026-27 onwards. The amendment therefore applies to transactions undertaken in financial year 2025-26.

Q.6. **Which companies will benefit from this change?**

Ans. The provision directly applies to non-resident companies which are offering services or technology to electronic Manufacturing industry in India. The certainty provided in terms of taxation to such companies will promote development of manufacturing Industry in India in the electronics sector.

Q.7. Will the scheme be applicable where technical personnel are provided by such non-resident?

Ans. Yes. This presumptive scheme of taxation is applicable to non-resident providing services or technology. Therefore, where technical personnel are provided by the non-resident, it will be part of presumptive scheme.

FAQ no. 10: Amendment of definition of 'capital asset' – Securities held by Investment Fund:

Q.1 What are the changes made by the Finance Bill 2025 to the definition of capital asset?

Ans. The definition of capital asset in section 2(14) has been amended to include the securities that are held by the Investment funds as well.

Q.2 What are Investment Funds?

Ans. Investment Fund is defined in section 115UB of the Income-tax Act, 1961. It means fund established or incorporate in India as trust or company or LLP or body corporate that is granted certificate. The Category I or a Category II Alternative Investment Funds are regulated under the SEBI (AIF) Regulations, 2012, or under the IFSCA (Fund Management) Regulations, 2022.

Q.3 What kinds of investment in securities are covered in the proposed amendment?

Ans. The investment in securities that are made in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) and are held by the investment fund.

Q.4 What would be the nature of income from the transfer of securities by the Investment funds referred to in section 2(14) due to the changes made by the Finance Bill 2025?

Ans. As a consequence of the amendment bringing securities held by investment fund as a capital asset, the transfer of such securities shall be taxed as capital gains. Consequently, the income shall be a pass-through to be taxed in the hands of unit holder and not the investment fund. The income will be treated as capital gains.

FAQ:11- Rationalisation in taxation of business trusts

Q.1. What are the provisions relating to Business Trusts?

Ans. Business trusts (Infrastructure Investment Trusts or Real Estate Investment Trust) have been given a pass-through status in respect of interest income, dividend income and rental income from a special purpose vehicle i.e. exempted in the hands of business trusts and taxed in the hand of investor (unit holder).

The income other than the above income of a business trust, is charged to tax in the hands of business trust at the maximum marginal rate.

The income under the head Capital Gain is therefore not a pass-through income but is chargeable in the hands of the business trust itself. Such income is however presently charged to tax at rate under sections 111A and 112 of the Income Tax Act, 1961.

Q.2. What changes have been brought in provision relating to business trust?

Ans. The reference of income under the head 'capital gains', of the nature, chargeable under section 112A of the Income Tax Act, 1961 was missing in provisions relating to Business Trusts. The said reference has now been introduced by amendment of section 115UA.

Now, the income of Business Trusts, chargeable under section 112A, shall also be charged at the rate provided under said section and not at maximum marginal rate.

FAQ No. 12: Increase in the limits on the income of the employees for the purpose of calculating perquisites:

Q1 What are the present provisions that are being amended under section 17 by the Finance Bill 2025?

Ans. The present provisions provide for an upper limit on salary beyond which the following will be treated as perquisites and taxed in the hands of the employees

(a) the amenities and benefits (in general) received from employers

(b) the expenditure incurred by the employer for travel outside India on the medical treatment of an employee or his family member.

Q.2 What are the changes proposed in the amendment to section 17 by the Finance Bill 2025?

Ans. There are 2 changes proposed to specify the limit on salary so that:

a. The amenities and benefits (in general) received by employees with a salary below certain limit would be exempt from being treated as perquisite. The limits, presently at Rs 50,000/- per annum, can now be prescribed by the Central Government.

b. The expenditure incurred by the employer for travel outside India on the medical treatment of an employee with a salary below a certain limit, or for his family member would not be treated as a perquisite. Such limits, presently at Rs 2,00,000/- per annum, can now be prescribed by the Central Government.

Q.3 For the amendment proposed in section 17(2)(iii), will the limit on salary apply to all employees?

Ans. In case of a director of the company or a person who has a substantial interest in the company, these amenities and benefits will continue to be treated as perquisites irrespective of the salary earned.

Therefore, the limit on salary specified shall only be applicable for an employee who is not a director nor a person who has a substantial interest, in the employer company.

Q.4 If an employer has incurred expenditure for medical treatment and stay abroad of the employee, will this be a perquisite?

Ans. No, the expenditure on medical treatment and stay abroad for any employee, subject to the extent permitted by the Reserve Bank of India, will not be treated as a perquisite. It is clarified that the proposed amendment [refer (b) in Q.1] relates to travel outside India on medical treatment of an employee or his family member.

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FAQ:13- Harmonization of Significant Economic Presence applicability with business connection

Q.1. What provisions are contained in section 9 of the Income-tax Act, 1961?

Ans. Section 9 specifies the incomes that are deemed to accrue or arise in India. It specifically applies to incomes that are deemed to accrue or arise to foreign entities or non-residents in India.

Q.2. How is a business income considered to have deemed to accrue or arise in India?

Ans. In the case of a business, income through or from any business connection in India or from significant economic presence in India (which is considered as business connection) is considered as income deemed to be accrued or arising in India.

Q.3. What amendment has been carried out section 9 of the Income-tax Act, 1961?

Ans. An amendment has been carried out to provide that the transactions or activities of a non-resident in India which are confined to the purchase of goods in India for the purpose of export shall not constitute significant economic presence of such non-resident in India**.**

Q.4. What is the rationale for said amendment to section 9?

Ans. Under the current provisions, income through or from operations which are confined to the purchase of goods in India for the purpose of export was not considered as accrued or arising in India as it does not constitute a ‘business connection’ in India.

However, due to operation of current provisions relating to ‘significant economic presence’

such transactions or activities could have been deemed to accrue or arise in India. This has now been corrected.

FAQ No. 14: Parity in rates of long-term capital gain on transfer of securities by non-resident

Q.1 What is the current tax rate for income by way of long-term capital gains arising from the transfer of securities (other than units referred to in section 115AB) and not covered under section 112A by Foreign Institutional Investors (FIIs) [Reference: Section 115AD of the Income-tax Act, 1961]?

Ans. The tax rate for income by way of long-term capital gains on transfer of securities (other than units referred to in section 115AB) by the FIIs that are not covered u/s 112A is 10%.

Q.2 What is the change to the tax rate for these long-term capital gains brought in by the amendment by the Finance Bill, 2025?

Ans. The tax rate for income by way of long-term capital gains arising from the transfer of the aforementioned securities by FIIs is now proposed to be 12.5%. With this amendment, long term capital gains for all securities except for those referred in Section 115AB (i.e. which have been provided in Foreign Exchanges) shall be taxed at 12.5%.

Q.3 Does the benefit of exemption of Rs 1.25 Lakh apply for all long-term capital gains for FIIs as mentioned in 2nd proviso to 115AD (iii)?

Ans. The benefit of Rs 1.25 Lakhs is provided only for the capital gains from the transfer of long-term capital asset referred to in section 112A of the Income Tax Act [i.e. where payment of STT is involved (Ref. 112A(1) of the Income-tax Act, 1961].

Q.4 What is the tax rate for income on long term capital gains for the transactions mention in 115AD (iii) which are not covered under section 112A for the period 23.07.2024 to 31.03.2025?

Ans. The tax rate for income by way of the aforementioned long-term capital that are not under section 112A, for the period of 23.07.2024 to 31.03.2025, shall remain 10%.

FAQ No. 15: Extension of time limit u/s 80-IAC for startups:

Q1. What is the benefit provided u/s 80-IAC of IT Act to eligible start-ups?

Ans.
- S. 80-IAC provides for a deduction of 100% of business profits to an eligible start-up.
- The deduction is allowed for any 3 consecutive assessment years out of 10 years.

Q.2 What are the conditions for benefit u/s 80-IAC, prior to Finance Bill 2025?

Ans**.** Conditions for benefit u/s 80-IAC are–
- Total turnover of business for the year in which deduction is being allowed does not exceed Rs.100 Cr.
- The start-up is holding a certificate of eligible business from the Inter-Ministerial Board of Certification.
- It is incorporated on or after the 1.4.2016 but before 1.4.2025.

Q.3 What are the changes in s. 80-IAC by Finance Bill 2025?

Ans.
- The benefit u/s 80-IAC has been extended for another period of 5 years.
- Thus, the benefit will therefore now be available to eligible start-ups incorporated before 1.4.2030.

FAQ 16: Deduction u/s 80CCD for contributions made to the NPS Vatsalya

Q1. What is NPS Vatsalya Scheme?

Ans.
- This Scheme was notified by the Pension Fund Regulatory and Development Authority and allows parents and guardians to maintain NPS account for their minor children.
- This Scheme was launched on 18.09.2024.

Q. 2 What are the present provisions of section 80CCD?

Ans.
- Section 80CCD allows for a deduction to income for the contributions made to the National Pension Scheme either by an employer and an employee or by any assessee.
- The withdrawal of the contributions is taxable subject to certain conditions.

Q.3 What are the benefits allowed for NPS Vatsalya in Finance Bill, 2025?

Ans. Scope of section 80CCD is proposed to be extended:
- Deduction shall now be allowed to the parent/guardian under the old taxation regime for amount deposited in the account of any minor child (up to 2 children) under the NPS-Vatsalya also.
- Proposed deduction shall be allowed u/s 80CCD(1B).
- Overall cap of Rs. 50,000 under the said sub-section (cumulatively for self and such minor child (up to 2 children) shall continue as earlier.

Q.4 What will happen to the contribution in NPS-Vatsalya when the amount is withdrawn?

Ans.
- Partial withdrawal upto 25% of contribution, in accordance with the Scheme is allowed exemption u/s 10(12BA) by Finance Bill 2025.
- When the contribution is finally withdrawn, the amount on which deduction is allowed earlier, will be charged to tax

Q.5 When will the tax benefit for NPS-Vatsalya be available?

Ans.
- From previous year 2025-2026 i.e. assessment year 2026-27 onwards.

FAQ No. 17: Exemption from withdrawals from National Savings Scheme (NSS)

Q1. What are the provisions relating to National Saving Scheme (NSS) prior to the changes in Finance Bill, 2025?

Ans.
- Section 80CCA allows deduction to an individual, or a HUF, for any amount deposited in the National Saving Scheme.
- When the amount so deposited (alongwith interest) is withdrawn during the lifetime of depositor, the same is charged to tax, if deduction was allowed under section 80CCA earlier. If the withdrawal is after his/her demise, there is no tax liability.
- No deduction under section 80CCA in relation to such amount is allowable since assessment year 1992-93.

Q.2 What is the change introduced in NSS by DEA notification dt. 29.8.2024?

Ans.
- The notification provides that no interest would be paid on the balances in the NSS after 01.10.2024.

Q.3 What are the benefits given by Finance Bill, 2025 to NSS depositors who chose to withdraw their amounts, as no interest is to be credited in the NSS accounts on or after 1.10.2024?

Ans.
- Section 80CCA has been amended to allow tax exemption in respect of amounts withdrawn by individual on or after 29.8.2024.
- The exemption has been provided only in respect of NSS deposits for which deduction u/s 80CCA was allowed earlier.
- This shall enable the NSS depositor to withdraw their funds lying in the NSS without any tax liability.

Q.4 When is the benefit available to NSS withdrawals by Finance Bill, 2025?

Ans.
- The benefit will be available to individuals who withdraw funds from their NSS accounts on or after 29.8.2024.

FAQ no. 18 Rationalization of rates and threshold of tax deducted at source (TDS) and tax collected at source (TCS)

Q.1 What are the main changes in Tax Deduction at Source (TDS) and Tax Collection at Source (TCS) proposed by the Budget 2025?

Ans. (i) To improve ease of doing business and better compliance by taxpayers, certain rates of TDS and TCS has been rationalized.

(ii) Threshold limit for applicability of the TDS and TCS provisions has also been increased.

Q.2 What are the changes proposed in Finance Bill, 2025 with regard to rates of TDS and TCS?

Ans. Following changes are proposed in the **rates** of TDS and TCS:

S. No.	Section of the Act	Existing TDS/TCS Rate	Proposed TDS/TCS Rate
1.	Section 194LBC - Income in respect of investment in securitization trust	25% if payee is Individual or HUF and 20% otherwise	10%
2.	Sub-section (1) of section 206C – TCS on timber or any other forest produce (not being tendu leaves) obtained under a forest lease and timber obtained by any mode other than under a forest lease	2.5%	2%
3.	Sub-section (1G) of section 206C – TCS on remittance under LRS for purpose of education, financed by loan from financial institution	0.5% after Rs. 7 lakh	Nil

Q.3 What are the changes proposed in Finance Bill, 2025 with regard to threshold of TDS and TCS?

Ans. Following changes are proposed in the **threshold** of TDS and TCS:

S. No.	Section of the Act	Present TDS/TCS threshold (in Rs.)	Proposed TDS/TCS threshold (in Rs.)

1.	193 - Interest on securities	Nil	10,000/-
2.	194A - Interest other than Interest on securities	(i) 50,000/- for senior citizen; (ii) 40,000/- in case of others when payer is bank, cooperative society and post office (iii) 5,000/- in other cases	(i) 1,00,000/- for senior citizen (ii) 50,000/- in case of others when payer is bank, co-operative society and post office (iii) 10,000/- in other cases
3.	194 – Dividend, for an individual shareholder	5,000/-	10,000/-
4.	194K - Income in respect of units of a mutual fund or specified company or undertaking	5,000/-	10,000/-
5.	194B - Winnings from lottery, crossword puzzle etc.	Aggregate of amounts exceeding 10,000/- during the financial year	10,000/- in respect of a single transaction
6.	194BB - Winnings from horse race		
7.	194D - Insurance commission	15,000/-	20,000/-
8.	194G - Income by way of commission, prize etc. on lottery tickets	15,000/-	20,000/-
9.	194H - Commission or brokerage	15,000/-	20,000/-
10.	194-I Rent	2,40,000/- during the financial year	50,000/- per month or part of a month
11.	194J - Fee for professional or	30,000/-	50,000/-

	technical services		
12.	194LA - Income by way of enhanced compensation	2,50,000/-	5,00,000/-
13.	206C(1G)- Remittance under LRS and overseas tour program package	7,00,000/-	10,00,000/-

Q.4 From when will these changes be made applicable?

Ans. These changes will be effective from 01.04.2025.

FAQ no. 19 – Definition of "forest produce" rationalized.

Q.1 What are the major provisions of section 206C(1) of the Act? [TCS on sale of specified goods]

Ans. Section 206C(1) mandates the seller to collect tax at source (TCS) from buyer, at specified rates, on sale of specified goods such as alcoholic liquor, timber, tendu leave, any other forest produce etc.

Q.2 What are the changes brought in Finance Bill, 2025 in context of section 206C(1) of the Act?

Ans. Three major changes are brought in section 206C(1) of the Act:

(i) "forest produce" has been defined.

(ii) Scope of forest produce eligible for TCS has been clarified: Earlier, sale of forest produce was liable for TCS, now sale of "any other forest produce **under a forest lease**" will be liable for TCS.

(iii) Rate of TCS on sale of timber or any other forest produce (not being tendu leaves) obtained under a forest lease and in case of timber, obtained by any other mode, has been reduced from 2.5% to 2%.

Q.3 How has the term "forest produce" has been defined in the Act ?

Ans. Forest produce has been assigned same meaning as provided any State Act for the time being in force, or in the Indian Forest Act, 1927.

Q.4 What are the other changes made in relation to TCS on "forest produce"?

Ans. Now only such forest produce (other than timber or tendu leaves) which are **obtained under a forest lease** will be liable for TCS.

Earlier, the TCS was applicable on all kind of sale of forest produce.

Q.5 What will be rate of TCS for sale of forest produce (other than timber and tendu leaves) under a forest lease?

Ans. TCS will henceforth be collected at the rate of 2% instead of present rate of 2.5%.

Q.6 From when this change will take place?

Ans. This provision will apply from the 1.4.2025.

FAQ no. 20 Removal of higher TDS/TCS for non-filers of return of income

Q.1 What are the provisions of section 206AB and 206CCA of the Act.

Ans. Section 206AB of the Act, mandates deduction of tax at higher rate where the deductee is a non-filer of Income Tax Return.

Section 206CCA of the Act, mandates collection of tax at higher rate where the collectee is a non-filer of Income Tax Return.

Q.2 What are the changes brought in Finance Bill 2025 in these sections?

Ans. It is proposed to omit these sections from 01.04.2025 onwards.

Q.3 How will these changes benefit the taxpayers?

Ans. For any deductor/collector it is difficult to ascertain whether a return has been filed or not filed by the deductee/collectee. Therefore in case of uncertainty and to avoid default, higher tax is deducted/collected by the deductor/collector. This change will provide certainty and will improve ease of doing business and reduce compliance burden of the deductors/collectors of TDS/TCS taxpayers. However, the higher rates of TDS/TCS in event of invalid PAN or no-PAN shall continue to apply.

Q.4 From which date these sections will not be applicable?

Ans. The provisions of these sections will not be applicable on tax deductions to be made after 01.04.2025.

FAQ no. 21 - Reduction in compliance burden by omission of TCS on sale of specified goods

Q.1 What is the provision of section 206C(1H) of the Act?

Ans. It provides for collection of tax at source (TCS) on sale of goods at the rate of 0.1% as per present provisions.

Q.2 What are the transactions eligible for tax collection at source under section 206C(1H)?

Ans. Every seller who receives any amount as consideration for sale of any goods (other than goods exported outside India, or goods covered in sub-section (1) or (1F) or (1G) of section 206C) of the value or aggregate of such value exceeding fifty lakh rupees in any previous year shall collect TCS at the rate of 0.1%.

Q.3 What changes are proposed in section 206C(1H) in the Finance Bill, 2025?

Ans. TDS is also applicable u/s 194Q of the Act at the rate of 0.1% of sale consideration at the time of sale of goods. The existing TCS provisions provide that TCS is not to be collected if TDS is deducted on the same transaction. However, at times the collector (seller) is not aware of the fact whether TDS has been done by the buyer on such transaction. This results in both TDS and TCS being applied on the same transaction. **It is therefore proposed that provisions of TCS on sale of goods will not be applicable from 01.04.2025 onwards.**

Q.4 How will the amendment benefit the taxpayers?

Ans. Removal of TCS on sale of goods would provide certainty to the buyer as well as seller and reduce compliance burden on the seller (collector). This will also result in avoidable blockage of liquidity.

Q.5 From which date taxpayer will not be required to collect TCS under this section?

Ans. From 01.04.2025, the taxpayer is not required to collect TCS under this section.

FAQ no. 22 Extension of Tonnage Tax Scheme to Inland vessels

Q.1 What is tonnage tax scheme?

Ans. Chapter XII-G of the Income tax Act 1961 provides special provisions relating to income of the shipping companies. Tonnage tax scheme, as provided in the Chapter XII-G, is a presumptive tax scheme for shipping companies which allows them to compute their profits on presumptive basis.

Q.2 What are the salient features of the tonnage tax scheme?

Ans. (i) The scheme allows shipping companies to opt for presumptive taxation.

(ii) Under the scheme, computation of income will be made on presumptive basis based on the net tonnage of the ship and the days involved.

(iii) If scheme is not opted, the income will be computed as per the regular provisions of the Act.

(iv) The scheme provides tax certainty to the shipping companies.

Q.3 Who is eligible to avail tonnage tax scheme as per existing provisions of the Act?

Ans. At present, shipping companies which operate 'qualifying sea going ships' registered under the Merchant Shipping Act, 1958, are eligible to avail tonnage tax scheme.

Q.4 What changes are proposed in the Finance Bill, 2025 in the tonnage tax scheme?

Ans. The Finance Bill 2025 proposes to extend the benefit of taxation under the Tonnage tax scheme to the inland vessels registered under the Inland Vessels Act, 2021. Therefore, henceforth companies engaged in the business of inland water transportation can also avail benefits of tonnage tax scheme.

Q.5 What will be the benefits of extending the scheme to inland vessels?

Ans. Tonnage tax scheme has provided certainty to the industry about their tax liability. Companies involved in inland water transportation can avail benefit from such scheme. The amendment shall encourage the inland water transportation in the country.

FAQ no. 23 – Obligation to furnish information in respect of crypto-asset

Q.1 What is crypto asset?

Ans. Crypto asset has been defined in section 2(47A) of the Act under the existing definition of Virtual Digital Asset.

Q.2 What are the amendments proposed in Finance Bill 2025 in context of crypto-asset?

Ans. It is proposed that prescribed reporting entity shall provide prescribed information in respect of transaction of crypto-asset for such period and in such time and manner to such income tax authority, as prescribed.

Q.3 Who will be required to furnish information of crypto asset?

Ans. A reporting entity, as may be prescribed under section 285BAA of the Act will be required to furnish information of crypto asset.

Q.4 What information will be required to be furnished?

Ans. Information in respect of transaction in crypto asset as may be prescribed under section 285BAA will be required to be furnished by the Reporting Entity.

Q.5 Who is the Reporting Entity?

Ans. Reporting Entity shall be the entity as prescribed in Income-tax Rules in this regard.

Q.6 To whom information is to be furnished by the Reporting Entity?

Ans. The information is to be furnished to the Income-tax authority as prescribed in Income-tax Rules in this regard.

Q.7 What type of information is proposed to be furnished?

Ans. Information in respect of transaction of crypto-asset for such period as prescribed in Income-tax Rules in this regard is to be furnished.

Q.8 Whether any rules, forms etc. are proposed to be prescribed?

Ans. Yes, rules and forms will be prescribed to furnish prescribed information by the Reporting Entity.

Q.9 Why is it being made obligatory to furnish information of crypto asset?

Ans. India has been included in the list of 52 "Relevant" jurisdictions for the purpose of Crypto-Asset Reporting Framework (CARF). CARF provides for the automatic exchange of tax-relevant information (AEOI) on Crypto-Assets. The G20 Leader's New Delhi Declaration called for the swift implementation of the CARF. To enable this an amendment is being brought for the prescribed Reporting Entities to furnish information of crypto-asset.

Q.10 From when will the reporting entity be required to furnish information of crypto-asset?

Ans. The Reporting Entity will have to provide information in respect of transaction in crypto-asset after the prescribed date.

FAQ no. 24 –– Rationalisation of provisions related to carry forward of losses in case of amalgamation

Q.1 What are the provisions of section 72A and 72AA of the Act?

Ans. Sections 72A and 72AA of the Act provide that in case of specified amalgamation or business reorganization, the accumulated loss of the predecessor entity is deemed to be the loss of successor entity for the previous year in which amalgamation or business reorganization is effected or brought into force.

Q.2 As per present provisions, for how many years the accumulated loss of the predecessor entity can be carried forward by the successor entity?

Ans. The accumulated loss of the predecessor entity can be carried forward for eight assessment years from the previous year in which amalgamation or business reorganization is effected.

Q.3 What are the changes proposed in section 72A and 72AA in Finance Bill 2025?

Ans. It is proposed that loss of the predecessor entity will be allowed to be carried forward for eight assessment years from the assessment year in which such loss was first computed for the predecessor entity.

Therefore, after amendment the period of carry forward of loss shall be computed from the year of its first occurrence in the hands of the first predecessor entity in which such loss had occurred instead of the previous year in which amalgamation for business reorganization has been effected.

Q.4 When will these changes become applicable?

Ans. The proposed changes will be applicable for any amalgamation or business reorganization which is effected or brought into force on or after 01.04.2025.

Q.5 Why is this change required to be made?

Ans. The present provisions may result in indefinite carry forward of losses if there is a series or chain of amalgamations. The amended provision plug this loophole for amalgamations after 01.04.2025.

FAQ no. 25 –– Excluding the period such as court stay etc. for calculating time limit to pass an order

Q.1 What is section 206C(7A) of the Act?

Ans. This section provides time limit to pass an order u/s 206C(6A) deeming a person to be an assessee in default for failure to collect tax.

Q.2 What is the time limit provided u/s 206C(7A) of the Act?

Ans. No order u/s 206C(6A) of the Act can be passed after expiry of

(i) six years from the end of the financial year in which tax was collectible; or

(ii) two years from the end of the financial year in which correction statement is delivered u/s 206C(3B),

whichever is later.

Q.3 What changes are proposed in the Finance Bill, 2025 in the section 206(7A)?

Ans. While computing the time limit u/s 206C(7A) of the Act, it is proposed to exclude time period for which proceedings were stayed by an order of any court, etc.

Q.4 From when these changes will take place?

Ans. These changes will be effective from 01.04.2025.

FAQ no. 26 — Increasing time limit available to pass order under section 115VP

Q.1 What is section 115VP of the Act?

Ans. A qualifying shipping company may opt for tonnage tax scheme by making an application under this section to the jurisdictional Joint Commissioner of Income-tax.

Q.2 What is the current time limit to pass an order under this section?

Ans. The Joint Commissioner has to pass an order granting or refusing the approval of the option given by the taxpayer for the tonnage tax scheme, within one month from end of the month in which application was received.

Q.3 What is the amendment proposed in Finance Bill 2025 with regards to the time limit?

Ans. The new time limit to pass an order is three months from end of the quarter in which application has been received.

Q.4 For which applications the new time limit will be applicable?

Ans. The time limit will be applicable for all the application received on or after 01.04.2025.

Q.5 What will be the time limit for the pending applications?

Ans. The existing time limit will be applicable on the pending applications.

FAQ 27: Extending the time-limit to file the updated return

Q1. What is an updated return? Which section of Income-tax Act, 1961 deals with updated Income Tax Return (ITR)?

Ans. A taxpayer can file a revised return upto 31st December of the assessment year. However, at present if the taxpayer wants to disclose additional income, then he can file an updated return (subject to certain restrictions) upto 24 months from the end of the relevant assessment year on payment of additional income-tax. This is provided by facility of filing updated return as per section 139(8A) of the Income Tax Act ,1961.

Q.2 What are the rates for additional income-tax and also time-lines for filing updated return prior to Finance Bill 2025?

Ans. An additional income-tax of 25% of aggregate of tax and interest on the additional income disclosed in the updated ITR is to be paid for updated return filed after the last date of filing revised ITR and such updated return is to be filed upto 12 months from the end of the relevant assessment year.

For updated return filed after expiry of 12 months from the end of relevant assessment year and upto 24 months from the end of the relevant assessment year, the said additional income-tax liability is calculated at the rate of 50% of aggregate of tax and interest on additional income disclosed in the updated ITR.

Q.3 What are the amended time lines for filing updated return by the Finance Bill 2025?

Ans. The updated return can now be filed upto 48 months from the end of relevant assessment year.

Q.4 What is the additional income-tax that is to be paid for filing updated return after expiry of 24 months from the end of relevant assessment year upto 36 months from the end of relevant assessment year as per the amendment brought in section 140B (3) of the Income-tax Act,1961 in Finance Bill 2025?

Ans. 60% of aggregate of tax and interest payable on additional income disclosed in the updated ITR.

Q.5 What is the additional income-tax that is to be paid for filing updated return after expiry of 36 months from the end of relevant assessment year upto 48 months from the end of relevant assessment year as per the amendment brought in section 140B(3) of the Income-tax Act,1961 in Finance Bill 2025?

Ans. 70% of aggregate of tax and interest payable on additional income disclosed in the updated ITR.

Q.6 What is the rationale for updated return upto 48 months as per the amendment brought in section 139(8A) of the Income-tax Act,1961 in Finance Bill 2025?

Ans. This is in line with the philosophy of 'Trust First'. The facility of updated return upto 48 months will enhance voluntary compliance.

Q.7 Can a taxpayer file more than one updated ITR?

Ans. No. The taxpayer cannot file more than one updated ITR for one relevant assessment year. However, one updated return for every separate assessment year can be filed.

Q.8 Can a taxpayer file updated ITR after filing revised ITR?

Ans. Yes, a taxpayer after filing revised return can file updated return.

He can file updated return for previous year at any time within 48 months from the end of relevant assessment year as per Finance Bill 2025 amendment.

Q.9 Can a non-filer taxpayer file updated ITR? If yes, what will be his additional income-tax liability?

Ans. Yes, a non-filer taxpayer can file updated ITR at any time for the previous year within 48 months from the end of relevant assessment year.

The additional income-tax liability for on additional income disclosed in the updated ITR in different years is as below: -

(i) Ist Year (within 12 months from the end of relevant assessment year), it will be 25 % of the aggregate of tax and interest payable.

(ii) 2nd Year (after expiry of 12 months from the end of relevant assessment year within 24 months from the end of relevant assessment year), it will be 50 % of the aggregate of tax and interest payable.

(iii) 3rd Year (after expiry of 24 months from the end of relevant assessment year within 36 months from the end of relevant assessment year), it will be 60 % of the aggregate of tax and interest payable.

(iv) 4th Year (after expiry of 36 months from the end of relevant assessment year within 48 months from the end of relevant assessment year), it will be 70 % of the aggregate of tax and interest payable.

Q.10 Why was there a need to extend the updated ITR from current 24 months to upto 48 months from the end of the relevant assessment year?

Ans. The government's philosophy is to Trust the taxpayer. It is intended that voluntary compliances are increased and taxpayers should come forward with true disclosure of their income and should utilize the facility of filing updated return instead of going through the prolonged process of assessment/reassessment proceedings.

This will also reduce litigation cost and time of taxpayers and Income Tax Department.

Q.11 Under what circumstances, updated return cannot be filed?

Ans. A taxpayer cannot file updated return in certain cases, some of which are listed below: -

- Where updated return is return of loss
- Has the effect of decreasing the total tax liability determined on the basis of return furnished under section 139(1),139(4) or 139(5) of the Act.
- Results in refund or increases the refund due on the basis of return furnished under section 139(1),139(4) or 139(5) of the Act.
- If search has been initiated under section 132 of the Act etc.

1st, 2nd and 3rd proviso of section 139(8A) of the Act provides restriction on filing updated return in detail.

Q.12 Are there any additional requirements to file updated return after expiry of 24 months from the end of relevant assessment year upto 36 months from the end

of relevant assessment year as per the amendment brought in section 140B (3) of the Income-tax Act,1961 in Finance Bill 2025?

Ans. No, there are no additional requirements. However, a taxpayer has to pay additional income-tax amounting to 60% of aggregate of tax and interest payable on additional income disclosed in the updated ITR if he wants to file update return after expiry of 24 months from the end of relevant assessment year upto 36 months from the end of relevant assessment year.

Q.13 In case of non-filer, what shall be taken as additional income?

Ans. Any income over and above the maximum amount which is not chargeable to income-tax shall be taken as additional income for the purposes of filing updated return by a non-filer.

Q.14 Can a taxpayer file updated return 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?

Ans. As per Finance bill 2025 amendment, 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.

However, where subsequently 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, updated return may be filed upto 48 months from the end of the relevant assessment year.

FAQ 28: Annual value of the self-occupied property simplified

Q1. What are the changes as regards self-occupied property in Finance Bill 2025?

Ans. The taxation of self-occupied property has been simplified. The conditions provided in Section 23(2) of Income-tax Act,1961 for determining annual value of self-occupied property as Nil have been relaxed.

Q.2 What were the conditions in section 23(2) of the Income Tax Act,1961 prior to Finance Bill 2025 for taking annual value of Self-occupied property as nil?

Ans. Prior to Finance Bill 2025, annual value of a self-occupied property was taken as nil if it was occupied by the owner for his own residence or if he cannot reside therein due to reasons of his business, profession or employment.

Q.3 How have the conditions in section 23(2) of the Income Tax Act,1961 been relaxed in Finance Bill 2025?

Ans. The annual value of a self-occupied property is now to be taken as nil if it is occupied by the owner for his own residence or if he cannot occupy it due to any reason. Therefore, additional condition of not being able to reside therein due to his business or employment or profession has been done away with.

Q.4 I have one house in Bangalore wherein my mother is staying and I have another house in Mumbai where I am staying. I have 3rd house in Delhi, which is vacant. After Finance Bill 2025, can I take annual value of these houses as nil for taxation purposes?

Ans. The annual value of house property can be taken as nil for taxation purposes only if no rent or any other benefit is derived from such property. However, this benefit is in respect of only two properties at the option of the taxpayer. Therefore, the taxpayer can choose two out of the three houses in this example, for determining the annual value of such properties as per section 23(2) of the Act.

Q5. For how many self-occupied properties, annual value can be taken as Nil?

Ans. For two of such house properties which the owner can specify.

Q6. When will the changed provisions relating to self-occupied property come in force?

Ans. The new provisions will apply from previous year 2024-25 i.e. assessment year 2025-26 onwards.

FAQ 29: Exemption from prosecution for delayed payment of TCS

Q1. What is section 276BB of the Income-tax Act, 1961?

Ans. Section 276BB of the Income-tax Act, 1961 provides for prosecution in case of failure to pay the tax collected at source to the credit of Central Government.

Q2. What amendment has been made in section 276BB of the Income-tax Act, 1961 in Finance Bill 2025?

Ans. Section 276BB of the Income-tax Act, 1961 has been amended to provide that prosecution shall not be instituted if the person has paid TCS to the credit of the Central Government at any time on or before the time prescribed for filing the statement under proviso to 206C (3) in respect of such payment.

Q3. What happens if person does not pay TCS even after expiry of time prescribed for filing the TCS statement under proviso to 206C (3) of the Income-tax Act, 1961?

Ans. The present provisions of section 276BB of the Income Tax Act,1961 shall continue to apply.

Q4. What is the relaxation provided to the taxpayer through the amendment in section 276BB of the Income-tax Act, 1961 in Finance Bill 2025?

Ans. Section 276BB of the Income-tax Act, 1961 has been amended to provide the relaxation from prosecution.

The prosecution shall not be instituted if the person has paid TCS to the credit of the Central Government at any time on or before the time prescribed for filing the statement under proviso to 206C (3) of the Income-tax Act, 1961 in respect of such payment.

FAQ 30 : Non applicability of Section 271AAB of the Act

Q1. What is section 271AAB of Income-tax Act, 1961?

Ans. Section 271AAB of the Income-tax Act, 1961 relates to penalty in respect of searches initiated after 15.12.2016.

Q.2 What is the amendment brought in section 271AAB of Income-tax Act, 1961 by Finance Bill 2025?

Ans. Penalty under section 271AAB is not applicable for searches conducted on or after 01.09.2024

Q3. Is penalty under section 271AAB applicable or searches conducted between 01.09.2024 and 01.04.2025?

Ans. No, penalty under section 271AAB is not applicable for searches conducted on or after 01.09.2024.

Q4. Which penalty is applicable for searches initiated after 01.09.2024?

Ans. Penalty @50% as per section 158BFA shall be leviable on an assessee in whose case search has been initiated under section 132 on or after the 01.09.2024.

FAQ 31 : Certain penalties to be imposed by the Assessing Officer

Q1. **What penalties are imposed by the Joint Commissioner under Income-tax Act, 1961 prior to Finance Bill 2025?**

Ans. Prior to Finance Bill, 2025, penalties under sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Income Tax Act, 1961, were imposed by the Joint Commissioner. Vide Finance Bill, 2025, penalties under these sections shall be levied by the Assessing Officer in place of Joint Commissioner. However, where penalty amount exceeds the limit specified in section 274(2) of the Income Tax Act,1961, such penalties shall be imposed only after the approval of Joint Commissioner.

Q.2 **What are the amendments brough in sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Act in Finance Bill 2025?**

Ans. The penalties under these sections shall be levied by the Assessing Officer in place of Joint Commissioner.

Q3. **After Finance Bill 2025, can penalties under sections 271C, 271CA, 271D, 271DA, 271DB and 271E of the Act be imposed without approval of the Joint Commissioner?**

Ans. No, AO shall take prior approval of Joint Commissioner for the passing of penalty order, where penalty amount exceeds the limit specified in sub-section (2) of section 274 of the Act. Presently the limit for penalty amount in section 274(2) of the Act is Rs 10,000/- for Income-tax Officer and Rs 20,000/- for the Assistant or Deputy Commissioner.

FAQ 32 : Extending the processing period of Application seeking immunity from penalty and prosecution

Q1. What is section 270AA of the Income-tax Act, 1961?

Ans. Section 270AA of the Income-tax Act, 1961 relates to immunity from imposition of penalty or prosecution.

Q2. When is the assessee required to apply for immunity under section 270AA of the Income-tax Act, 1961?

Ans. As per existing provisions, assessee should apply for immunity within one month from the end of the month in which the assessment or reassessment order has been received by him subject to fulfilment of prescribed conditions.

Q.3 What are the prescribed conditions to make an assessee eligible for immunity under section 270AA of the Income-tax Act, 1961?

Ans. The prescribed conditions are: -

(i)Assessee has paid tax and interest payable as per such order within the period specified in notice of demand; and

(ii) no appeal against such order has been filed.

Q4. What is the time-limit for processing application of the assessee under section 270AA prior to Finance Bill 2025?

Ans. The time-limit for processing application of the assessee under section 270AA was one month from the end of the month in which application of assessee for immunity was received by the Assessing Officer.

Q5. What is the time-limit for processing application of the assessee under section 270AA in Finance Bill 2025?

Ans. *Vide* Finance Bill, 2025, the time-limit for processing application of the assessee under section 270AA has been increased from 1 month to 3 months from the end of the month in which application of assessee for immunity is received by the Assessing Officer.

FAQ 33 : Time limit to impose penalties rationalized

Q1. What is section 275 of the Income-tax Act, 1961?

Ans. Section 275 of the Income-tax Act, 1961 provide for the bar of limitation for imposing penalties.

Q2. What amendment has been made in section 275 of the Income-tax Act, 1961 in Finance Bill 2025?

Ans. Section 275 has been amended to provide that any order imposing a penalty under Chapter XXI shall not be passed after the expiry of six months from the end of the quarter in which the connected proceedings are completed.

Prior to Finance Bill 2025, there were multiple time-limits to impose penalties. Thus, this amendment has brought clarity on the time-limits to impose penalty and has provided single time-limit to impose penalties.

FAQ 34 : Clarification regarding commencement date and the end date of the period stayed by the Court

Q1. **What period is excluded in case assessment proceedings under section 153 of Income-tax Act, 1961 are stayed by Court prior to Finance Bill 2025?**

Ans. As per existing provisions (Clause (ii) of Explanation 1) in section 153 of the Income Tax Act,1961 following period shall be excluded in computation of time limits in respective sections: -

"the period during which the assessment proceeding is stayed by an order or injunction of any court".

Q.2 **What is the amendment regarding the time limit for completion of assessment, reassessment and recomputation in section 153 of Income-tax Act, 1961 in Finance Bill 2025?**

Ans. As per Finance Bill 2025 amendment, as per clause (ii) of Explanation 1 of section 153 of the Income Tax Act,1961 following period shall be excluded in computation of time limit for completion of assessment, reassessment and recomputation: -

"the period commencing on the date on which stay on the assessment proceeding was granted by an order of any court and ending on the date on which certified copy of the order vacating the stay is received by the jurisdictional Principal Commissioner or Commissioner."

Q3. **What sections regarding the vacation of stay of Court has been amended in Finance Bill 2025?**

Ans. Sections 144BA,153,153B,158BE,158BFA,263,264 and Rule 68B of Schedule II of the Income Tax Act,1961 has been amended to clarify the commencement and end date for exclusion of time period of limitation of respective sections.

FAQ 35 : Time limit for retention of seized books of account or other documents rationalized

Q1. Why is retention of seized books of account or other documents required after completion of assessment or reassessment in a particular case as per Section 132(8) of Income-tax Act,1961?

Ans. Retention of seized books of account or other documents is required because in the course of search assessment proceedings in group cases, the assessment orders of one assessee may be passed earlier than the assessment orders of another assessee to which the seized books of account or other documents relate.

Q2. As per section 132(8) of the Income Tax Act,1961, what was the time-limit for retention of seized books of account or other documents by the Assessing Officer (AO) prior to Finance Bill 2025?

Ans. Before Finance Bill, 2025, AO could retain seized books of account or other documents for 30 days from the date of the assessment or reassessment or recomputation order. The conditions for recording the reasons in writing by the AO for retaining the seized books of account or other documents for additional period and prior approval from higher authorities in this regard shall continue to apply as earlier.

Q3. What amendment has been made in section 132(8) of Income Tax Act, 1961 in Finance Bill 2025?

Ans. Section 132(8) of Income Tax Act, 1961 has been amended to provide that the Assessing Officer can retain seized books of account or other documents for a period of one month from end of the quarter in which assessment or reassessment or recomputation order has been made. The conditions for recording the reasons in writing by the AO for retaining the seized books of account or other documents for additional period and prior approval from higher authorities in this regard shall continue to apply as earlier.

FAQ 36 : Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B

Q1. **What is block period under Chapter XIV-B of the Income-tax Act,1961?**

Ans. Block period is the period comprising previous years relevant to six assessment years preceding the previous year in which search was initiated under section 132 or any requisition was made under section 132A and also includes the period starting from the 1st day of April of the previous year in which search was initiated or requisition was made and ending on the date of the execution of the last of the authorizations for such search or such requisition.

Q.2 **What was the time-limit for completing assessment under Chapter XIV-B prior to Finance Bill 2025?**

Ans. The time-limit for completion of block assessment was twelve months from end of the month in which the last of the authorisations for search or requisition has been executed.

Q3. **What is the time-limit for completing assessment under Chapter XIV-B in Finance Bill 2025?**

Ans. The time-limit for completion of block assessment is twelve months from end of the quarter in which the last of the authorisations for search or requisition has been executed.

Q4. **What is Undisclosed income under Chapter XIV-B of the Income-tax Act,1961?**

Ans. Undisclosed income in respect of the block period includes: -

(i) any money, bullion, jewellery, virtual digital asset 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 asset, 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

(ii) any expense, exemption, deduction or allowance claimed under this Act which is found to be incorrect.

Q5. After Finance Bill, 2025, what shall stand revived under section 158BA (5) of the Income-tax Act,1961 if any proceeding initiated under Chapter XIV-B has been annulled in appeal?

Ans. The assessment or reassessment or recomputation or a reference or an order relating to any assessment year which has abated under sub-section (2) or sub-section (3), shall revive.

Q.6 What change has been made in the definition of undisclosed income in section 158B of Income Tax Act,1961 in Finance Bill 2025?

Ans. The term “virtual digital asset” has been added in the definition of undisclosed income in section 158B of Income Tax Act,1961 in Finance Bill 2025.

Q.7 What change has been made in the computation of total income of the block period in section 158BB (1) of Income Tax Act,1961 in Finance Bill 2025?

Ans. The computation under section 158BB (1) of the Income Tax Act,1961 has been clarified to provide appropriate treatment for income based on books of account maintained in normal course. Reference to income declared by a taxpayer in the block return under section 158BC(1)(a) has been provided as ‘undisclosed income declared’.

Q.8 What change has been made in the computation of total income of the block period in section 158BB (3) of Income Tax Act,1961 in Finance Bill 2025?

Ans. The said section has been simplified to reiterate that income relating to international transaction or specified domestic transaction and pertaining to the part period of the previous year in which last of the authorisations of search is executed or requisition is made is kept out of the income of the block period.