DIRECT TAX (PAPER 15)

Rate of Income Tax

Default Tax Regime for Individual / HUF / AOP / BOI / AJP [Sec. 115BAC]

Applicable to

Individual / HUF / AOP (other than co-operative society) / BOI / AJP

Rate of Tax

Under this tax regime, income tax shall be computed at the option of the assessee considering the following rate:

Total income	Rate of tax
Upto ₹ 3,00,000	Nil
From ₹ 3,00,001 to ₹ 7,00,000	5%
From ₹ 7,00,001 to ₹ 10,00,000	10%
From ₹ 10,00,001 to ₹ 12,00,000	15%
From ₹ 12,00,001 to ₹ 15,00,000	20%
Above ₹ 15,00,000	30%

Rebate u/s 87A for tax computed as per sec. 115BAC

Applicable to: Resident Individual

Conditions to be satisfied: Total income of the assessee does not exceed ₹ 7,00,000.

Quantum of Rebate: **Lower** of the following:

a. 100% of tax liability as computed above; or
b. ₹ 25,000/-

Marginal relief is available even total income exceeds ₹ 7,00,000 [available upto ₹ 7,27,770]

Marginal relief = Positive value of (Tax on income – Income in excess of ₹ 7,00,000)

Surcharge on tax after rebate u/s 87A

Surcharge at the following rate is also payable on tax as computed above after rebate u/s 87A

Total Income	Rate of Surcharge
Total income does not exceed ₹ 50 lacs	Nil
Total income exceeds ₹ 50 lacs but does not exceed ₹ 1 crore	10% of tax
Total income exceeds ₹ 1 crore but does not exceed ₹ 2 crores	15% of tax
Total income exceeds ₹ 2 crores	25% of tax*

Subject to Marginal Relief.

* Where the total income includes dividend, any income chargeable u/s 111A, 112 and 112A, the surcharge on the amount of income-tax computed on that part of income shall not exceed 15%. In other words, surcharge higher than 15% is applicable only on tax on income other than dividend, income covered u/s 111A, 112 and 112A. Moreover, in case of an AOP consisting of only companies as its members, the rate of surcharge on the amount of Income-tax shall not exceed 15%.

Health & Education Cess

Applicable on: All assessee

Rate of cess: 4% of Tax liability after Surcharge

Rate of tax under old tax regime

In that case, following tax rates are applicable:

Individual/HUF/Association of Persons/Body of Individuals/Artificial Juridical Person

In case of Super Senior citizen

Total Income Range	Rates of Income Tax
Up to ₹ 5,00,000	Nil
₹ 5,00,001 to ₹ 10,00,000	20% of (Total income – ₹ 5,00,000)
₹ 10,00,001 and above	₹ 1,00,000 + 30% of (Total income – ₹ 10,00,000)

Super Senior Citizen means an individual who is resident in India and is of at least 80 years of age at any time during the relevant previous year (i.e. any resident person, male or female, born before 02-04-1945).

In case of Senior citizen

Total Income Range	Rates of Income Tax
Up to ₹ 3,00,000	Nil
₹ 3,00,001 to ₹ 5,00,000	5% of (Total Income – ₹ 3,00,000)
₹ 5,00,001 to ₹ 10,00,000	₹ 10,000 + 20% of (Total income – ₹ 5,00,000)
₹ 10,00,001 and above	₹ 1,10,000 + 30% of (Total income – ₹ 10,00,000)

Senior Citizen means an individual who is resident in India and is of at least 60 years of age at any time during the relevant previous year. (i.e., a resident person, male or female, born on or after 02-04-1945 but before 02-04-1965)

In case of other Individual[1] / HUF / Association of Persons / Body of Individuals / Artificial Juridical Person

Total Income Range	Rates of Income Tax
Up to ₹ 2,50,000	Nil
₹ 2,50,001 to ₹ 5,00,000	5% of (Total Income – ₹ 2,50,000)
₹ 5,00,001 to ₹ 10,00,000	₹ 12,500 + 20% of (Total income – ₹ 5,00,000)
₹ 10,00,001 and above	₹ 1,12,500 + 30% of (Total income – ₹ 10,00,000)

[1]. born on or after 02-04-1965 or non-resident individual

Rebate u/s 87A

Applicable to: Resident Individual

Conditions to be satisfied: Total income of the assessee does not exceed ₹ 5,00,000.

Quantum of Rebate: **Lower** of the following:

a. 100% of tax liability as computed above; or

b. ₹ 12,500/-

Surcharge on tax after rebate u/s 87A

Surcharge at the following rate is also payable on tax as computed above after rebate u/s 87A

Total Income	Rate of Surcharge
Total income does not exceed ₹ 50 lacs	Nil
Total income exceeds ₹ 50 lacs but does not exceed ₹ 1 crore	10% of tax
Total income exceeds ₹ 1 crore but does not exceed ₹ 2 crores	15% of tax
Total income exceeds ₹ 2 crores but does not exceed ₹ 5 crores	25% of tax*
Total income exceeds ₹ 5 crores	37% of tax*

Surcharge is subject to marginal relief.

* Where the total income includes dividend, any income chargeable u/s 111A, 112 and 112A, the surcharge on the amount of income-tax computed on that part of income shall not exceed 15%. In other words, surcharge higher than 15% is applicable only on tax on income other than dividend, income covered u/s 111A, 112 and 112A. Moreover, in case of an AOP consisting of only companies as its members, the rate of surcharge on the amount of Income-tax shall not exceed 15%.

Health & Education Cess

Applicable on: All assessee

Rate of cess: 4% of Tax liability after Surcharge

Firm or Limited Liability Partnership (LLP)

A partnership firm (including limited liability partnership) is taxable at the rate of 30%

Surcharge: 12% of income-tax (if total income exceeds ₹ 1 crore otherwise Nil)

Marginal Relief: Available

Health & Education Cess: 4% of tax liability after surcharge

Company

Company	*Rate*
In the case of a domestic company	
- Where its total turnover or gross receipts during the previous year 2022-23 does not exceed ₹ 400 crore	25%
- In any other case	30%
In the case of a foreign company	35%

Surcharge

Total Income	Domestic Company	Foreign Company
If total income exceeds ₹ 10 crore	12%	5%
If income exceeds ₹ 1 crore but does not exceed ₹ 10 crore	7%	2%
If income does not exceed ₹ 1 crore	Nil	Nil

Marginal Relief: Available at both points (i.e., income exceeds ₹ 1,00,00,000 or ₹ 10,00,00,000)

Health & Education Cess: 4% of tax liability after surcharge

Sec. 10

Amendment to sec. 10(4D)

The definition of specified fund u/s 10(4D) has been modified to include a fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate, which has been granted a certificate as a retail scheme or an Exchange Traded Fund, and is regulated under the International Financial Services Centres Authority (Fund Management) Regulations, 2022, made under the International Financial Services Centres Authority Act, 2019 and satisfies prescribed conditions

Further, the specified fund also includes the investment division of an offshore banking unit that commenced its operations on or before March 31, 2024. The said date has been extended to 31-03-2025.

Insertion of sec. 10(15B)

Income from lease rental of cruise ship [Sec. 10(15B)]

Any income of a foreign company from lease rentals (by whatever name called) of cruise ships, shall be exempted if the following conditions are satisfied:

Such income shall be received from a specified company which operates such ship(s) in India

Such foreign company and the specified company are subsidiaries of the same holding company; and

Such income is received or accrues or arises in India for any relevant assessment year beginning on or before 01-4-2030.

Taxpoint

- Specified company means any company, other than a domestic company which operates cruise ships in India and opts to pay tax in accordance with the provisions of sec. 44BBC
- Holding company, in relation to a foreign company or a specified company, means a company of which such companies are subsidiary companies
- Subsidiary company or "subsidiary", in relation to a holding company, means a company in which the holding company exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies;

Amendment to sec. 10(23C)

Merger of trusts under first regime with second regime

1. The Act puts in place two main regimes for trusts or funds or institutions to claim exemption. The first is contained in the provisions of sub-clause(s) (iv), (v), (vi) or (via) of clause (23C) of section 10.

The second is contained in the provisions of sections 11 to 13 of the Act. The provisions of the respective regimes lay down the procedure for filing application for approval/ registration, the conditions subject to which such approval/ registration shall be granted or can be withdrawn etc.

2. As both the regimes intend to grant similar benefit, the procedure and conditions across the two regimes have been aligned, over the last few years, vide successive Finance Acts.
3. In order to take forward the process of simplification of procedures and to reduce administrative burden, it is provided that the first regime be sunset and trusts, funds or institutions be transited to the second regime in a gradual manner.
4. It is, therefore, provided that:
    - Applications seeking approval or provisional approval under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10, and filed on or after 1st October, 2024, shall not be considered.
    - Applications filed under these sub-clauses before 1st October, 2024, and which are pending would be processed and considered under the extant provisions of the first regime itself.
    - Approved trusts, funds or institutions would continue to get the benefit of exemption, as per the provisions of sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10, till the validity of the said approval.
    - They would be eligible to apply for registration, subsequently, under the second regime. Amendments have accordingly been made in section 12A.
    - Certain eligible modes of investment, under the first regime (*viz.* those specified in clause (b) of third proviso to clause (23C) of section 10) shall be protected in the second regime, by way of amendment in section 13.

Amendment to sec. 10(23EE)

Specified income of Core Settlement Guarantee Funds set up by recognised clearing corporations in IFSC, has been exempted by amending the definition of “recognised clearing corporation” and “regulations” in the Explanation to sec. 10(23EE).

Amendment to sec. 10(23FB)

The provision of sec. 10(23FB) have been amended to expand the scope of venture capital fund to include the venture capital fund referred to in regulation 18(2) of the International Financial Services Centres Authority (Fund Management) Regulation, 2022.

Amendment to sec. 10(34A)

With effect from 01-10-2024, any amount received in respect of any buyback of shares by a shareholder will not be exempt u/s 10(34A).

Amendment to sec. 10(50)

W.e.f. 01-08-2024, the exemption u/s 10(50) available to the e-commerce operator is not available.

Trust

Condonation of delay in filing application for registration by trusts or institutions

A trust or institution desirous of seeking registration u/s 12AB is *inter alia* required to apply within timelines specified in sec. 12A(1)(ac). It has been noted that at times trusts or institutions are unable to file the application within specified timelines. In case a trust or institution is unable to apply within time specified, it may become liable to tax on accreted income as per provisions of Chapter XII-EB of the Act. A situation of permanent exit of trust or institution from the exemption regime may also arise.

W.e.f. 01-10-2024, the provision has been amended to provide that the Principal Commissioner / Commissioner may condone the delay in filing application and treat such application as filed within time. The delay may be condoned if he considers that there is a reasonable cause for the same.

Merger of trusts under the exemption regime with other trusts [Sec. 12AC]

When a trust or institution which is approved / registered under the first or second regime, as the case may be merges with another approved / registered entity under either regime, it may attract the provisions of Chapter XII-EB, relating to tax on accreted income in certain circumstances.

Section 12AC has been inserted to provide certain conditions under which the said merger shall not attract provisions of Chapter XII-EB.

Salaries

Standard Deduction

Under sec. 16(ia), standard deduction to the extent of ₹ 50,000 is available from gross salary. The provision has been amended to increase the amount of standard deduction to ₹ 75,000, if the assessee is under the default tax regime.

It is to be noted that there is no change in standard deduction if the assessee has opted for the old tax regime.

Profits and Gains of Business or Profession

Reporting of income from letting out of house property under 'Income from House Property'

Section 28 specifies kinds of income that shall be chargeable to income-tax under the head 'Profits and gains of business or profession'. Some taxpayers are reporting their rental income generated by letting out of the house property, under the head 'Profits and gains of business or profession' in place of the head 'Income from house property'. Accordingly, they are reducing their tax liability substantially by showing house property income under the wrong head of income.

In view of the same, it is clarified that any income from letting out of a residential house or a part of the house by the owner shall not be chargeable under the head "Profits and gains of business or profession" and shall be chargeable under the head "Income from house property".

Increase in amount allowed as deduction to non-government employers and their employees for employer contribution to a Pension Scheme referred in section 80CCD

Section 36 of the Act pertains to other deductions allowed while computing the income under the head 'Profits and gains of business or profession'. Clause (iva) of sub-section (1) of said section states that any sum paid by the assessee as an employer by way of contribution towards a pension scheme, as referred to in section 80CCD of the Act, on account of an employee, to the extent it does not exceed 10% of the salary of the employee in the previous year, shall be allowed as a deduction to the employer.

It is amended to increase the amount of employer contribution allowed as a deduction to the employer from the extent of 10% to the extent of 14% of the salary of the employee in the previous year.

Disallowance of settlement amounts being paid to settle contraventions

1. Section 37 of the Act provides for allowability of expenditure laid out or expended wholly and exclusively for the purpose of business or profession.
2. Explanation 1 of sec. 37(1) provides that any expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law shall not be deemed to have been incurred for the purpose of business or profession and no deduction or allowance shall be made in respect of such expenditure.
3. Explanation 3 clarifies that the expression "expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law", referred to in Explanation 1, includes expenditure incurred for any purpose which is an offence or is prohibited by, any law enacted in or outside India; or is incurred to provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guideline under the law governing the

conduct of such person; or is incurred to compound an offence under any law for the time being in force in or outside India.

4. Settlement amounts are incurred due to an infraction of law and relate to contraventions etc and, therefore, should not be allowed as business expenses.
5. Accordingly, it is amended to clarify that "expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law" under Explanation 1 shall include any expenditure incurred by an assessee to settle proceedings initiated in relation to a contravention under any law for the time being in force, as may be notified by the Central Government in the Official Gazette in this behalf.

Increase in limit of remuneration to working partners of a firm allowed as deduction

Section 40 provides for amounts that shall not be deducted in computing the income chargeable under the head "Profits and gains of business or profession". Sec. 40(b)(v) provides for disallowance of any payment of remuneration to any partner who is working partner which is authorized by and is in accordance with the terms of the partnership deed and relates to any period falling after the date of such partnership deed in so far as the amount of such payment to all partners during the previous year exceeds the aggregate amount computed as hereunder:

Amount of book-profit	Maximum remuneration allowed
First ₹ 3,00,000	90% of book profit or ₹ 1,50,000, whichever is higher
On balance book-profit	60% of next book profit

The amendment has been made to increase the limit of remuneration to working partners in a partnership firm, which is allowed as a deduction. The revised limits are as under:

Amount of book-profit	Maximum remuneration allowed
In case of loss	₹ 3,00,000
In case of profit	
First ₹ 6,00,000	90% of book profit or ₹ 3,00,000, whichever is higher
On balance book-profit	60% of next book profit

Removing reference to National Housing Board in Section 43D of the Act

Section 43D of the Act provides for special provision in case of income of public financial institutions, public companies involved in housing finance, scheduled banks, co-operative banks other than primary agricultural credit societies, primary co-operative agricultural and rural development banks, State financial corporations, State industrial investment corporations and notified non-banking financial companies.

Clause (b) of section 43D of the Act states that in the case of a public company involved in housing finance, the income by way of interest in relation to such categories of bad or doubtful debts as may be prescribed having regard to the guidelines issued by the National Housing Bank (NHB) in relation to such debts shall be chargeable to tax in the previous year in which it is credited by the public company to its profit and loss account for that year or, as the case may be, in which it is actually received by that company, whichever is earlier.

The provision has been amended to remove the reference of the National Housing Board from the entire provision of sec. 43D

Promotion of domestic cruise ship operations by non-residents [Sec. 44BBC]
A presumptive taxation regime is being put in place for a non-resident, engaged in the business of operation of cruise ships. The scheme is as under:

Special provision for computing profits and gains of business of operation of cruise ships in case of non-residents *[Sec. 44BBC]*

Applicable to	Non resident
Condition	a. The assessee must be engaged in the business of operation of cruise ships; and b. The assessee has satisfied such conditions as may be prescribed
Estimated income	Income of such business shall be estimated at 20% of the aggregate of the following - (a) the amount paid or payable to the assessee or to any person on his behalf on account of the carriage of passengers; and (b) the amount received or deemed to be received by or on behalf of the assessee on account of the carriage of passengers

Capital Gains

Amendment of section 47
Section 47 of the Act provides exclusion to certain transactions not regarded as transfer for the purposes of chargeability under 'Capital Gains' u/s 45.
Sec. 47(iii) provides that nothing contained in sec. 45 shall apply to any transfer of a capital asset under a gift or will or an irrevocable trust. However, this clause is not applicable in respect of specified ESOPs.
A gift is given out of natural love and affection and accordingly the said clause is amended to provide that nothing contained in section 45 shall apply to transfer of a capital asset, under a gift or will or an irrevocable trust, by an individual or a Hindu undivided family.

Rationalisation and Simplification of taxation of Capital Gains
The taxation of capital gains has been rationalized and simplified. There are three components to this simplification.

- Firstly, it is provided that there will only be two holding periods, 12 months and 24 months, for determining whether the capital gains is short-term capital gains or long term capital gains. For all listed securities, the holding period will be 12 months and for all other assets, it shall be 24 months. Accordingly, sec. 2(42A) has been amended. Thus, units of listed business trust will now be at par with listed equity shares at 12 months instead of earlier 36 months. The holding period for bonds, debentures, gold will reduce from 36 months to 24 months. For unlisted shares and immovable property it shall remain at 24 months.

- Secondly, the rate for short-term capital gain under provisions of sec. 111A is increased to 20% from the present rate of 15%. Other short-term capital gains shall continue to be taxed at applicable rate. The rate of long-term capital gains under provisions of various sections of the Act has been changed to 12.5% (instead of 10% or 20%) in respect of all category of assets. For listed bonds and debentures, the rate shall be reduced to 12.5%. Unlisted debentures and unlisted bonds are of the nature of debt instruments and therefore any capital gains on them should be taxed at applicable rate. However, long term capital gain specified u/s 112A to the extent of ₹ 1.25 lakh[1] (aggregate) shall be charged to tax at Nil rate.

[1] Earlier ₹ 1 lakh

- Thirdly, simultaneously with the rationalisation of the rate to 12.5%, index benefit shall not be available for the calculation of any long-term capital gains.
  However, where -
  a) The transferor is a resident individual or resident HUF;
  b) Long term capital gain arises on the transfer of long-term capital asset being land, building or both;
  c) Such asset may be residential or commercial or used for any other purpose;
  d) Such asset was acquired before 23-07-2024; **and**
  e) Such asset is transferred on or after 23-07-2024

  then, the assessee has the option to pay tax:
  Option 1 – Pay tax @ 12.5% without considering index benefit
  Option 2 – Pay tax @ 20% after considering index benefit.
  Taxpoint: The option is for computing **tax** liability on long-term capital gain but there is no option for computing long-term capital gain. In other words, long-term capital gain shall be computed without considering index benefit, however for the purpose of computing tax on long-term capital gain on an aforesaid capital asset, the assessee has options

- Further, to bring parity of taxation between residents and non-residents, corresponding amendments to sec. 115AD, 115AB, 115AC, 115ACA and 115E are being made to align the rates of taxation in respect of long-term capital gains provided u/s 112A and 112 and rates of short term capital gains provided u/s 111A.

- Further, consequential amendments to align the withholding tax provisions with the substantive provisions to give effect to the aforesaid changes in rates of capital gains tax are being made u/s 196B and 196C.

- These amendments shall come into effect from the 23-07-2024.

Income from Other Sources

Amendment to the definition of dividend [Sec. 2(22)]

W.e.f. 01-10-2024, the sum paid by a domestic company for purchase of its own shares shall be treated as dividend in the hands of shareholders, who received payment from such buy-back of shares and shall be charged to income-tax at applicable rates. No deduction for expenses shall be available against such dividend income while determining the income from other sources. The cost of acquisition of the shares which have been bought back would generate a capital loss in the hands of the shareholder as these assets have been extinguished. Therefore when the shareholder has any other capital gain from sale of shares or otherwise subsequently, he would be entitled to claim his original cost of acquisition of all the shares (i.e. the shares earlier bought back plus shares finally sold). It shall be computed as follows:

a. deeming value of consideration of shares under buy-back (for purposes of computing capital loss) as nil;
b. allowing capital loss on buy-back, computed as value of consideration (nil) less cost of acquisition;
c. allowing the carry forward of this as capital loss, which may subsequently be set-off against consideration received on sale and thereby reduce the capital gains to this extent.

Further, the provision of sec. 115QA is not applicable. Hence, the company is not required to pay dividend distribution tax. However, the provision of sec. 194 is applicable for deduction of tax at source

Omission of sec. 56(2)(viib)

Provision of sec. 56(2)(viib) shall not be applicable from A.Y. 2025-26

Standard Deduction from family pension

A standard deduction to the extent of ₹ 15,000 is available from the family pension. The provision has been amended to increase the amount of standard deduction to ₹ 25,000, if the assessee is under the default tax regime.

It is to be noted that there is no change in standard deduction if the assessee has opted for the old tax regime.

Deduction

Amendment to sec. 80CCD

Sec. 80CCD(2) has been amended to provide that where contribution has been made by any other employer (not being Central Government or State Government), the employee shall be allowed as a deduction an amount not exceeding 14% of the employee's salary. This is being increased only in the case where the employee's salary is chargeable to tax u/s 115BAC(1A).

Further, time limit provided in sec. 80-IAC and 80LA has been extended by one more year

Transfer Pricing

Determination of Arms Length Price in respect of specified domestic transactions in proceedings before the Transfer Pricing Officer

Section 92CA provides that the Assessing Officer, if he considers it necessary or expedient to do so, may with the previous approval of Principal Commissioner or the Commissioner, refer the matter of determination of Arm's Length Price (ALP) in respect of an international transaction or specified domestic transaction (SDT) to the Transfer Pricing Officer (TPO). Once reference is made to the TPO, TPO is competent to exercise all powers that are available to the Assessing Officer u/s 92C(3) for determination of ALP and consequent adjustment. Further, u/s 92E, there is a reporting requirement on the taxpayer and the taxpayer is under obligation to file an audit report in the prescribed form before the Assessing Officer (AO) containing details of all international transactions or SDT undertaken by the taxpayer during the year.

This audit report is the primary document with the AO, which contains the details of international transactions and/or SDT undertaken by the taxpayer. If the assessee does not report such a transaction in the report furnished u/s 92E then the Assessing Officer would normally not be aware of such an International Transaction/SDT so as to make a reference to the TPO.

The section, provides that if, during the course of proceeding before him, an international transaction comes to the notice of the TPO, which has not been referred to him by the AO, the TPO can proceed to determine the ALP in its respect as well. It also provides for computation of ALP by the TPO, of those international transactions, details of which have not been furnished in the audit report referred to above. These provisions are in place in sub-section (2A) and (2B) of the section 92CA.

However, the above noted provisions of sub-section (2A) and (2B) of section 92CA do not extend to SDTs. So, it is amended to enable the TPO to deal with SDTs which have not been referred to him by the AO and/or in whose respect audit report u/s 92CE has not been filed.

Amendment to sec. 94B

Sec. 94B puts in place a restriction on the deduction of interest expense in respect of any debt issued by a non-resident, being an associated enterprise of the borrower. It applies to an Indian company, or a permanent establishment of a foreign company in India, who is a borrower. If such person incurs any expenditure by way of interest or of a similar nature exceeding one crore rupees which is deductible in computing income chargeable under the head "Profits and gains of business or profession", the interest

deductible shall be restricted to the extent of 30% of its earnings before interest, taxes, depreciation and amortisation so as to avoid thin capitalisation of a corporate entity. At present, the provisions of this section do not apply to Indian companies or permanent establishments of foreign companies which are engaged in the business of banking or insurance or such class of non-banking financial companies as may be notified by the Central Government.
It is amended to provide that the provisions of this section shall not apply to finance companies, located in IFSC, which satisfy such conditions and carry on such activities as may be prescribed.

Return of Income & PAN

Discontinuation of the provisions allowing quoting of Aadhaar Enrolment ID in place of Aadhaar number

The existing provisions of section 139AA of the Act mandate, inter-alia, that every person who is eligible to obtain Aadhaar number shall, on or after 01-07-2017, quote Aadhaar number—
(i) in the application form for allotment of Permanent Account Number (PAN);
(ii) in the return of income.
Further, said section also provides that where the person does not possess the Aadhaar Number, the Enrolment ID of Aadhaar application form issued to him at the time of enrolment shall be quoted in the application for permanent account number or in the return of income furnished by him.
The said provisions allowing the quoting of Aadhaar Enrolment ID in application form for allotment of PAN or in the return of income, was introduced in 2017. Since then, as per data available in public domain, coverage of Aadhaar number has been increasing, and has encompassed majority of the population in India. Hence, it is imperative to discontinue the option of quoting of the Enrolment ID of Aadhaar application form, as any allotment of PAN against the Enrolment ID may lead to duplication and misuse of PAN.
Therefore, it is provided that proviso to sec. 139A(1) shall not apply from 01-10-2024. It is further provided that every person who has been allotted permanent account number on the basis of Enrolment ID of Aadhaar application form, shall intimate his Aadhaar number on or before a notified date.

Amendment to sec. 139

The existing provisions of the sec. 139 prescribe, inter-alia, that every person, being a company or a firm, or being a person other than a company or a firm whose total income exceeds the maximum amount which is not chargeable to income-tax, shall, furnish a return of his income. In this regard, consequential amendment has been made in the said section to provide that where any return of income is furnished in pursuance of an order u/s 119(2)(b), the provisions of section 139 shall apply.

Assessment

Introduction of block assessment provisions in cases of search u/s 132 and requisition u/s 132A

Vide Finance Act, 2021 the provisions of section 153A and section 153C of the Act were amended to provide that the said provision shall only apply to search and seizure proceedings u/s 132 or requisition u/s 132A of the Act initiated on or before 31.03.2021. The separate regime for search assessments was abolished and such assessments were subsumed into the reassessment provisions. Further, sections 147, 148, 149, 151 and 151A of the Act were also amended to provide that in case of search, survey or requisition initiated or conducted on or after 01-04-2021, it shall be deemed that the Assessing Officer (AO) has information which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the three assessment years immediately preceding the assessment year relevant to the previous year in which the search is initiated or requisition is made or any material is seized or requisitioned. Further, if the AO has information which suggests that the income escaping assessment, represented in the form of asset, amounts to or is likely to amount to ¤ 50 lakhs or more, notice u/s 148 can be issued if 10 years have not elapsed from the end of the relevant assessment year.

Searches conducted by the Income-tax Department are important means for unearthing black money. However, it has been gathered from the field formations that there are multiple problems that are arising under the present scheme of search assessment u/s 148 of the Act. The absence of any legal requirement for consolidated assessments in search cases has led to a situation where every year only the time-barring year is reopened in the case of the searched assessee. This results in staggered search assessments for the same search and consequentially, the searched assessee may be engaged in the search assessment process for almost up to 10 years. This is time-consuming process which escalates the litigation cost for the taxpayer as well as for the department. For the duration of such period, legal position on an issue may undergo change, leading to different additions in different years, on the same issue. Moreover, since such a long duration is involved, there is a possibility of change of opinion with respect to the line of enquiry. Further, due to such staggered assessments, coordinated investigation is not feasible in search cases.

In order to make the procedure of assessment of search cases cost-effective, efficient and meaningful, it is provided to introduce the scheme of block assessment for the cases in which search u/s 132 or requisition u/s 132A has been initiated or made. The main objectives for the introduction of this scheme are early finalization of search assessments, coordinated investigation during search assessments and reduction in multiplicity of proceedings.

Following provisions are made for assessment in case of search and seizure

Assessment of total income as a result of search [Sec. 158BA]

- Where on or after 01-09-2024, a search is initiated u/s 132, or books of account, other documents or any assets are requisitioned u/s 132A, in the case of any person, then, the Assessing Officer shall proceed to assess or reassess the total income of the block period

  Taxpoint:

  - *Block period* means the period comprising previous years relevant to 6 assessment years preceding the previous year in which the search was initiated u/s 132 or any requisition was made u/s 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 – Sec. 158(a)
  - The last of the authorisations shall be deemed to have been executed,—
    a. in the case of search, on the conclusion of search as recorded in the last panchnama drawn in relation to any person in whose case the warrant of authorisation has been issued;
    b. in the case of requisition u/s 132A, on the actual receipt of the books of account or other documents or assets by the Authorised Officer.

Applicable Rate of tax on income of block period

- The total income relating to the block period shall be charged to tax, at the rate specified in sec. 113, as income of the block period irrespective of the previous year or years to which such income relates.

  Taxpoint: As per sec. 113, the total income of the block period shall be chargeable to tax @ 60%

Computation of total income of block period [Sec. 158BB]

- The total income of the block period shall be the aggregate of the following:
  i. total income disclosed in the return furnished u/s 158BC
  ii. total income assessed u/s 143(3) or sec. 144 or sec. 147 or sec. 153A or sec. 153C prior to the date of initiation of the search or the date of requisition, as the case may be.

iii. total income declared in the return of income filed u/s 139 or in response to a notice u/s 142(1) sec. 148 and not covered above

iv. total income determined where the previous year has not ended, on the basis of entries relating to such income or transactions as recorded in the books of account and other documents maintained in the normal course on or before the date of last of the authorisations for the search or requisition relating to such previous year

v. undisclosed income determined by the Assessing Officer

Taxpoint: *Undisclosed income* includes any money, bullion, jewellery 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, valuable article, thing, entry in the books of account or other document or transaction represents wholly or partly income or property which has not been or would not have been disclosed for the purposes of this Act, or any expense, exemption, deduction or allowance claimed under this Act which is found to be incorrect, in respect of the block period.

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

  (a) of a firm, such income assessed for each of the previous years falling within the block period shall be the income determined before allowing deduction of salary, interest, commission, bonus or remuneration by whatever name called to any partner not being a working partner

  (b) the provisions of sec. 68, 69, 69A, 69B and 69C shall, so far as may be, apply and references to "financial year" in those sections shall be construed as references to the relevant previous year falling in the block period.

  (c) the provisions of sec. 92CA shall, so far as may be, apply and references to "previous year" in that section shall be construed as reference to the relevant previous year falling in the block period excluding the period referred above.

- The rate of tax provided u/s 113 shall be charged on the total income determined in the manner specified in first para as reduced by the total income referred to in (ii), (iii) and (iv) of the said para.

- Where the disclosed income or where the income disclosed in respect of any previous year comprising the block period is a loss, it shall be ignored.
- *No set off of losses*: For the purposes of assessment, losses brought forward from the previous year (prior to the first previous year comprising the block period) or unabsorbed depreciation shall not be set off against the undisclosed income determined in the block assessment under this Chapter but may be carried forward for being set off in the previous year subsequent to the assessment year in which the block period ends, for the remaining period, taking into account the block period and such assessment year, and in accordance with the provisions of this Act.

Procedure for block assessment [Sec. 158BC]

- Where any search has been initiated u/s 132 or books of account, other documents or assets are requisitioned u/s 132A, in the case of any person, then,—

(a) the Assessing Officer shall, in respect of search initiated, or books of account or other documents or any assets requisitioned issue a notice to such person, requiring him to furnish within such period, not exceeding a period of 60 days, as may be specified in the notice, a return in the form and verified in the manner, as may be prescribed, setting forth his total income, including the undisclosed income, for the block period.

- The Assessing Officer, before issuance of notice, shall take prior approval of the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director, as the case may be
- Such return shall be considered as if it was a return furnished u/s 139 and notice u/s 143(2) [i.e., notice for scrutiny assessment) shall thereafter be issued.
- Provision of sec. 143(1) (i.e., intimation) shall not be applicable.
- However, any return of income, required to be furnished by an assessee under this section and furnished beyond the period allowed in the notice shall not be deemed to be a return u/s 139.
- No notice u/s 148 is required to be issued for the purpose of proceeding under this Chapter.
- A person who has furnished a return under this section shall not be entitled to furnish a revised return.

(b) the Assessing Officer shall proceed to determine the total income including the undisclosed income of the block period in the manner laid down in sec. 158BB and the provisions of sec. 142, 143(2), 143(3), 144, 145, 145A and 145B shall, so far as may be, apply.

(c) the Assessing Officer, on determination of the total income of the block period in accordance with this Chapter, shall pass an order of assessment or reassessment and determine the tax payable by him on the basis of such assessment or reassessment.

The provisions of sec. 144C shall not apply in respect of such order.

Where the order of assessment or reassessment is made in pursuance of sec. 158BD, the block period for such assessment or reassessment shall be the same as that determined in respect of the person in whose case search was made u/s 132, or whose books of account or other documents or any assets were requisitioned u/s 132A, and proceedings u/s 158BD were initiated due to such search or requisition, as the case may be.

(d) the assets seized u/s 132 or requisitioned u/s 132A shall be dealt with in accordance with the provisions of sec. 132B.

Undisclosed income of any other person [Sec. 158BD]

Where the Assessing Officer is satisfied that any undisclosed income belongs to or pertains to or relates to any person, other than the person with respect to whom search was made u/s 132 or whose books of account or other documents or any assets were requisitioned u/s 132A, then, any money, bullion, jewellery or other valuable article or thing, or assets, or expenditure, or books of account, other documents, or any information contained therein, seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed u/s 158BC against such other person and the provisions of this Chapter shall apply accordingly.

Time-limit for completion of block assessment [Sec. 158BE]

- The order u/s 158BC shall be passed within 12 months from the end of the month in which the last of the authorisations for search u/s 132, or requisition u/s 132A, was executed or made, as the case may be

  However, in a case where search was initiated, or requisition was made, and during the course of the proceedings for the assessment or reassessment of the total income of the relevant block period, any reference u/s 92CA is made, the period available for making an order of assessment or reassessment in respect of the block period shall be extended by 12 months.

- In computing the period of limitation, the period (not exceeding 180 days) commencing from the date on which a search is initiated or a requisition is made and ending on the date on which the books of account, or other documents or money or bullion or jewellery or other valuable article or thing seized or requisitioned, as the case may be, are handed over to the Assessing Officer having jurisdiction over the assessee, in whose case such search is initiated or such requisition is made, as the case may be, shall be excluded.

  However, where after exclusion of the aforesaid period, the period of limitation for making an order of assessment or reassessment, as the case may be, expires before the end of a month, such period shall be extended to the end of such month.

- The period of limitation for completion of assessment or reassessment for the block period in the case of the other person referred to in sec. 158BD shall be 12 months from the end of the month in which the notice u/s 158BC in pursuance of sec. 158BD, was issued to such other person.

  However, in case where during the course of the proceedings for the assessment of undisclosed income of the block period in case of other person referred to in sec. 158BD, a reference u/s 92CA is made, the period available for making an order of assessment in respect of the block period in case of such other person shall be extended by 12 months.

- In computing the period of limitation under this section, the following period shall be excluded:
  1. the period during which the assessment proceeding is stayed by an order or injunction of any court; or
  2. the period commencing from the date on which a reference or first of the references for exchange of information is made by an authority competent under an agreement referred to in sec.

90 or 90A and ending with the date on which the information requested is last received by the Principal Commissioner or Commissioner or a period of 1 year, whichever is less; or

iii. the time taken in reopening the whole or any part of the proceeding or giving an opportunity to the assessee to be re-heard under the proviso to sec. 129; or

iv. the period commencing from the date on which the Assessing Officer directs the assessee to get his accounts audited or inventory valued u/s 142(2A) and—

   a. ending with the last date on which the assessee is required to furnish a report of such audit or inventory valuation; or

   b. where such direction is challenged before a court, ending with the date on which the order setting aside such direction is received by the Principal Commissioner or Commissioner; or

v. the period commencing from the date on which the Assessing Officer makes a reference to the Valuation Officer u/s 142A(1) and ending with the date on which the report of the Valuation Officer is received by the Assessing Officer; or

vi. the period commencing from the date on which the Assessing Officer intimates the Central Government or the prescribed authority, the contravention of the provisions of sec. 10(21) or (22B) or (23A) or (23B) or first proviso to sec. 143(3) and ending with the date on which the copy of the order withdrawing the approval or rescinding the notification, as the case may be, is received by the Assessing Officer; or

vii. the period commencing from the date on which the Assessing Officer makes a reference to the Principal Commissioner or Commissioner under the second proviso to sec. 143(3) and ending with the date on which the copy of the order u/s 10(23C) or sec. 12AB, as the case may be, is received by the Assessing Officer; or

viii. the period commencing from the date on which a reference for declaration of an arrangement to be an impermissible avoidance arrangement is received by the Principal Commissioner or Commissioner u/s 144BA(1) and ending on the date on which a direction is received by the Assessing Officer; or

ix. the period commencing from the date on which an application is made before the Authority for Advance Rulings or before the Board for Advance Rulings u/s 245Q and ending with the date on which the order rejecting the application is received by the Principal Commissioner or Commissioner u/s 245R; or

x. the period commencing from the date on which an application is made before the Authority for Advance Rulings or before the Board for Advance Rulings u/s 245Q and ending with the date on which the advance ruling pronounced by it is received by the Principal Commissioner or Commissioner u/s 245R

Taxpoint:

- Where immediately after the exclusion of the aforesaid period, the period of limitation available to the Assessing Officer for making an order u/s 158BC is less than 60 days, such remaining period shall be extended to 60 days and the aforesaid period of limitation shall be deemed to be extended accordingly.
- Where after extension of the period referred to in the first proviso, the period of limitation for making an order of assessment or reassessment, as the case may be, expires before the end of a month, such period shall be extended to the end of such month.

Certain interests and penalties not to be levied or imposed [Sec. 158BF]

No interest u/s 234A, 234B or 234C or penalty u/s 270A shall be levied or imposed upon the assessee in respect of the undisclosed income assessed or reassessed for the block period.

Levy of interest and penalty in certain cases [Sec. 158BFA]

- Where the return of total income including undisclosed income for the block period, in respect of search initiated, or books of account, other documents or any assets requisitioned, as required by a notice u/s 158BC(1)(a), is not furnished within the time specified in such notice, or is not furnished, the assessee shall be liable to pay simple interest @ 1.5% of the tax on undisclosed income determined u/s 158BC(1)(c), for every month or part of a month comprised in the period commencing on the day immediately following the expiry of the time specified in the notice, and ending on the date of completion of assessment.
- The Assessing Officer or the Commissioner (Appeals) in the course of any proceedings, may direct that the person shall pay by way of penalty a sum which shall be equal to 50% of tax so leviable in respect of the undisclosed income determined by the Assessing Officer.

  However, no order imposing penalty under this section or sec. 271AAD or 271D or 271E shall be made for the block period in respect of a person if:

  (i) such person has furnished a return u/s 158BC;

  (ii) the tax payable on the basis of such return has been paid or, if the assets seized consist of money, the assessee offers the money so seized to be adjusted against the tax payable

  (iii) evidence of tax paid is furnished along with the return; and

  (iv) an appeal is not filed against the assessment of that part of income which is shown in the return

  However, where the undisclosed income determined by the Assessing Officer is in excess of the income shown in the return and in such cases the penalty shall be imposed on that portion of undisclosed income determined which is in excess of the amount of income shown in the return.

- No order imposing a penalty shall be made:

  (a) unless an assessee has been given a reasonable opportunity of being heard;

  (b) by the Deputy Commissioner or Assistant Commissioner or the Deputy Director or Assistant Director, as the case may be, where the amount of penalty exceeds ₹ 2,50,000 except with the previous approval of the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director, as the case may be

  (c) in a case where the assessment is the subject-matter of an appeal to the Commissioner (Appeals) or an appeal to the Appellate Tribunal, after the expiry of the financial year in which the proceedings, in the course of which action for the imposition of penalty has been initiated, are completed, or 6 months from the end of the financial year in which the order of the Commissioner (Appeals) or, as the case may be, the Appellate Tribunal is received by the Principal Commissioner or Commissioner, whichever period expires later

(d) in a case where the assessment is the subject-matter of revision u/s 263, after the expiry of 6 months from the end of the financial year in which such order of revision is passed

(e) in any case other than those mentioned in clause (c) and clause (d), after the expiry of the financial year in which the proceedings, in the course of which notice for the imposition of penalty has been issued, are completed, or 6 months from the end of the financial year in which notice for imposition of penalty is issued, whichever period expires later.

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

  (i) the time taken in giving an opportunity to the assessee to be reheard u/s 129; or

  (ii) the period during which the proceedings are stayed by an order or injunction of any court

  However, where immediately after the exclusion of the aforesaid period, the period of limitation available to the Assessing Officer for making an order is less than 60 days, such remaining period shall be extended to 60 days and the aforesaid period of limitation shall be deemed to be extended accordingly

  Further, where after exclusion of the period referred above, the period of limitation for making of an order for imposition of penalty expires before the end of a month, such period shall be extended to the end of such month.

- An income-tax authority on making an order imposing a penalty, unless he is himself an Assessing Officer, shall forthwith send a copy of such order to the Assessing Officer.

Authority competent to make assessment of block period [Sec. 158BG]

The order of assessment for the block period shall be passed by an Assessing Officer not below the rank of a Deputy Commissioner or an Assistant Commissioner or a Deputy Director or an Assistant Director, as the case may be:

However, no such order shall be passed without the previous approval of the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director, as the case may be, in respect of search initiated, or books of account, other documents or any assets requisitioned

Assessment of total income of the year in which search was conducted [Sec. 158BA(6)]

- The total income (other than undisclosed income) of the assessment year relevant to the previous year in which the last of the authorisations for a search is executed or a requisition is made, shall be assessed separately in accordance with the other provisions.

Status of earlier proceedings [Sec. 158BA(2), (3) and (4)]

- The assessment or reassessment or recomputation under the provisions of this Act (other than this), if any, pertaining to any assessment year falling in the block period, pending on the date of initiation of the search u/s 132, or making of requisition u/s 132A, as the case may be, shall abate and shall be deemed to have abated on the date of initiation of search or making of requisition.
- Where during the course of any pending proceeding for the assessment or reassessment or recomputation under the provisions of this Act (other than this), a reference u/s 92CA(1) has been

made, or an order u/s 92CA(3) has been passed, such assessment or reassessment or recomputation, along with such reference made or order passed, as the case may be, shall also abate and shall be deemed to have abated on the date of initiation of search or making of requisition.

- Where any assessment under the provisions of this Chapter is pending in the case of an assessee in whose case a subsequent search is initiated, or a requisition is made, such assessment shall be duly completed, and thereafter, the assessment in respect of such subsequent search or requisition shall be made under the provisions of this Chapter.

  However, in a case where the period of completing the assessment in respect of subsequent search is less than 3 months such period shall be extended to 3 months from the end of the month in which the assessment in respect of the earlier search was completed.

Effect of Appeal or other legal proceedings [Sec. 158BA(5)]

- If any proceeding initiated under this Chapter or any order of assessment or reassessment made u/s 158BC(1)(c) has been annulled in appeal or any other legal proceeding, then, the assessment or reassessment relating to any assessment year which has abated above shall revive with effect from the date of receipt of the order of such annulment by the Principal Commissioner or Commissioner

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

Application of other provisions of this Act [Sec. 158BH]

Save as otherwise provided in this Chapter, all other provisions of this Act shall apply to assessment made under this Chapter.

Chapter not to apply in certain circumstances [Sec. 158BI]

The provisions of this Chapter shall not apply where a search was initiated, or books of account, other documents or any assets were requisitioned, before 01-09-2024, and proceedings in relation to such search or requisition, as the case may be, shall be governed by the other provisions of this Act.

Taxpoint: Where a search was initiated, or books of account, other documents or any assets were requisitioned, before 01-09-2024, assessment shall be governed by the provision of sec. 147 to 152 [i.e. income escaping assessment]

Amendment in Income Escaping Assessment [w.e.f. 01-09-2024]

Issue of notice where income has escaped assessment [Sec. 148]

- *Notice for filing return*: Before making the assessment, reassessment or recomputation u/s 147, the Assessing Officer shall, subject to the provisions of sec. 148A, issue a notice to the assessee, along with a copy of the order passed u/s 148A(3), requiring him to furnish, within such period as may be specified in the notice, not exceeding 3 months from the end of the month in which such notice is issued, a return of his income or income of any other person in respect of whom he is assessable under this Act during the previous year corresponding to the relevant assessment year.

  Taxpoint:

  - However, no notice shall be issued unless there is information with the Assessing Officer which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the relevant assessment year.

- Where the Assessing Officer has received information under the scheme notified u/s 135A, no notice under this section shall be issued without prior approval of the specified authority.

➢ The return of income shall be furnished in such form and verified in such manner and setting forth such other particulars, as may be prescribed, and the provisions of this Act shall, apply accordingly as if such return were a return required to be furnished u/s 139. However, any return of income furnished after the expiry of the period specified in the notice shall not be deemed to be a return u/s 139.

➢ For the purposes of this section and section 148A, the information with the Assessing Officer which suggests that the income chargeable to tax has escaped assessment means:

i. any information in the case of the assessee for the relevant assessment year in accordance with the risk management strategy formulated by the Board from time to time; or

ii. any audit objection to the effect that the assessment in the case of the assessee for the relevant assessment year has not been made in accordance with the provisions of this Act; or

iii. any information received under an agreement referred to in sec. 90 or 90A; or

iv. any information made available to the Assessing Officer under the scheme notified u/s 135A; or

v. any information which requires action in consequence of the order of a Tribunal or a Court; or

vi. any information in the case of the assessee emanating from survey conducted u/s 133A, other than sec. 133A(2A)

Procedure before issuance of notice u/s 148 [Sec. 148A]

➢ Where the Assessing Officer has information which suggests that income chargeable to tax has escaped assessment in the case of an assessee for the relevant assessment year, he shall, before issuing any notice u/s 148 provide an opportunity of being heard to such assessee by serving upon him a notice to show cause as to why a notice u/s 148 should not be issued in his case and such notice to show cause shall be accompanied by the information which suggests that income chargeable to tax has escaped assessment in his case for the relevant assessment year.

➢ On receipt of the notice, the assessee may furnish his reply within such period, as may be specified in the notice.

➢ The Assessing Officer shall, on the basis of material available on record and taking into account the reply, if any, furnished by the assessee, pass an order with the prior approval of the specified authority (specified u/s 151) determining whether or not it is a fit case to issue notice u/s 148.

➢ The provisions of this section shall not apply to income chargeable to tax escaping assessment for any assessment year in the case of an assessee where the Assessing Officer has received information under the scheme notified u/s 135A.

Time limit for notice u/s 148/148A [Sec. 149]

The time limit for issuance of notice is as under:

Case	Time limit for issuance of notice	
	U/s 148	**U/s 148A**
Where the Assessing Officer has in his possession books of account or other documents or evidence related to any asset or expenditure or transaction or	Notice can be issued after 3 years and 3 months from the end of the relevant assessment year, but within 5 years and 3 months from the end of the relevant	Notice can be issued after 3 years from the end of the relevant assessment year, but within 5 years from the end of the relevant assessment year

entries which show that the income chargeable to tax, which has escaped assessment, amounts to (or is likely to amount to) ₹ 50 lakh or more	assessment year	
In any other case	Notice can be issued within 3 years and 3 months from the end of the relevant assessment year.	Notice can be issued within 3 years from the end of the relevant assessment year.

Sanction for issue of notice [Sec. 151]

Specified authority for the purposes of sec. 148 & 148A shall be the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director.

Other Provisions [Sec. 152]

- Where a search has been initiated u/s 132 or requisition is made u/s 132A, or a survey is conducted u/s 133A [other than sec. 133A(2A)], on or after 01-04-2021 but before 01-09-2024, the earlier provisions of sec. 147 to 151 shall apply
- Where a notice u/s 148 has been issued or an order u/s 148A has been passed, prior to 01-09-2024, the assessment, reassessment or recomputation in such case shall be governed by the earlier provisions of sec. 147 to 151

TDS

Ease in claiming credit for TCS collected/TDS deducted by salaried employees

Section 192 of the Act provides for deduction of tax at source on salary income. Further, sec. 192(2B) provides for consideration of income under any other head and tax, if any, deducted thereon to be taken into account for the purposes of making the deduction u/s 192(1), subject to certain conditions.

In order to ease compliance, sec. 192(2B) has been amended to include any tax deducted or collected to be taken into account for the purposes of making the deduction u/s 192(1)

Amendment to other TDS provisions [w.e.f. 01-10-2024]

Sec.	Amendment
193	The provisions of sec. 193 has been amended to allow for deduction of tax at source at the time of payment of interest on Floating Rate Savings (Taxable) Bonds, 2020, if interest payable on such exceeds ₹ 10,000
194	Amount received on buy back of share is treated as dividend hence subject to TDS
194C	It is clarified that any sum referred to in sec. 194J does not constitute “work” for the purposes of TDS u/s 194C
194F	Omitted
194-IA	It is clarified that where there is more than one transferor or transferee in respect of an immovable property, then such consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.

Amendment in rate of TDS [w.e.f. 01-10-2024]

Sec.	TDS Rate upto 30-09-2024	TDS Rate w.e.f. 01-10-2024
19DA	5%	2%
194G	5%	2%
194H	5%	2%
194-IB	5%	2%
194M	5%	2%
194-O	1%	0.1%

Extending the scope for lower deduction / collection certificate of tax at source [Sec. 197(1) and sec. 206C(9)]

In order to facilitate ease of doing business and to provide an option to seek a lower deduction certificate so as to reduce compliance burden on the assessee:
a) section 197 has been amended to bring section 194Q in its ambit
b) section 206C(9) has been amended to bring sec. 206C(1H) in its ambit.

Inclusion of taxes withheld outside India for purposes of calculating total income

Section 198 provides that all sums deducted (tax deducted), in accordance with the provisions of Chapter XVII-B shall, for the purpose of computing the income of an assessee, be deemed to be income received. It was seen that some assessees are not including taxes withheld outside India for the purposes of calculating their total income which was leading to under reporting of total income as only their net income was being offered for taxation. However they were claiming credit for the taxes withheld abroad resulting in double deduction on account of income not being included in total income but credit for foreign taxes withheld was being taken.
In order to address this issue, sec. 198 has been amended to provide that all sums deducted in accordance with the provisions of Chapter XVII-B and income tax paid outside India by way of deduction, in respect of which an assessee is allowed a credit against the tax payable under the Act, are for the purpose of computing the income of the assessee, deemed to be income received.

TCS u/s 206C(1F) on notified goods

The existing provisions of sec. 206C of the Act provide, *inter alia*, for the collection of tax at source on business of trading in alcoholic liquor, forest produce, scrap etc. Sub-section (1F) provides that every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ₹ 10 lakhs, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 1% of the sale consideration as income-tax.
It has been seen that there has been an increase in expenditure on luxury goods by high net worth persons. For proper tracking of such expenses and in order to widen and deepen the tax net, the said provision has been amended to also levy TCS on any other goods of value exceeding ₹ 10 lakhs, as may be notified by the Central Government in this behalf.

Widening ambit of sec. 200A for processing of statements other than those filed by deductor

Section 200A provides for the manner in which statement of tax deduction at source or a correction statement made by a person deducting any sum u/s 200 shall be processed.
There are statements, such as Form No. 26QF which is filed by an Exchange wherein the deductee is filing details of the tax. It is provided to widen the ambit of section 200A to state that in respect of statements which have been made by any other person, not being a deductor, the Board may make a scheme for processing of such statements

Further, sec. 201(3) has been amended and a new sub-section (7A) has been inserted in 206C to provide that no order shall be made deeming any person to be assessee in default for failure to deduct/ collect the whole or any part of the tax from any person, at any time after the expiry of 6 years from the end of the financial year in which payment is made or credit is given or tax was collectible or 2 years from the end of the financial year in which the correction statement is delivered, whichever is later.

Claiming credit for TCS of minor in the hands of parent

Section 206C provides for the collection of tax at source (TCS) on business of trading in alcoholic liquor, forest produce, scrap etc. Representations have been received that there is no provision in the Act for allowing credit of TCS to any other person (eg. parent) other than the collectee.

For example, funds remitted under the Liberalized Remittance Scheme of the Reserve Bank of India may have been remitted in the name of minor and accordingly tax would have been collected u/s 206C(1G). However, there is no provision for the parent to claim the same in their tax return.

It is, therefore, amended to introduce a provision in sec. 206C, to allow the Board to notify the rules for cases where credit of tax collected are given to person other than collectee. However, to ensure that this provision is not misused, credit of TCS of the minor shall only be allowed where the income of the minor is being clubbed with the parent as u/s 64(1A) which states that in computing the total income of any individual, there shall be included all such income as arises or accrues to his minor child.

Alignment of interest rates for late payment to Government account of TCS

Sec. 206C provides for the collection of tax at source (TCS) on business of trading in alcoholic liquor, forest produce, scrap etc. Sec. 206C(7) provides that persons who fail to collect tax or after collecting, fail to deposit the same to the credit of the Central Government shall be liable to pay simple interest at the rate of 1% for every month or part thereof on the amount of such tax from the date on which such tax was collectible to the date on which the tax was paid.

It was noted that the rates of interest applicable for late collection / late deposit of TCS are not in line with provisions of sec. 201(1A) pertaining to late deduction / deposit of TDS. A higher interest rate of 1.5% is applicable where tax has been deducted but not been deposited to Government account due to the gravity attached with the failure, as it deprives the deductee of due tax credit and does not reach the Central Government in time. Same difficulty is also faced by the collectee.

To align the rate of simple interest charged on failure to pay to Government account after collection of tax, sec. 206C(7) has been amended to specify that simple interest for non-payment of tax collected at source to Government account, is to be increased from 1% to 1.5% for every month or part thereof on the amount of such tax from the date on which such tax was collected to the date on which such tax is actually paid.

Notification of certain persons or class of persons as exempt from TCS

Section 206C of the Act provides for the collection of tax at source on business of trading in alcoholic liquor, forest produce, scrap etc. Representations have been received that there can be entities whose income is exempt from taxation and are not required to furnish returns of income. However, they face difficulty as tax is being collected on transactions carried out by them. They state that there is no provision in the Act for them to be exempted from the TCS provisions

It is therefore amended to provide that no collection of tax shall be made or that collection of tax shall be made at such lower rate in respect of specified transaction, from such person or class of persons, including institution, association or body or class of institutions, associations or bodies, as may be notified by the Central Government in this behalf.

Refund

Amendment in provisions relating to set off and withholding of refunds

Sec. 245 relates to set off and withholding of refund in certain cases. The Finance Act, 2023 has integrated section 241A and section 245 (as they existed prior to their amendment) into a single provision of sec. 245. Presently, section 245 of the Act empowers the Assessing Officer (AO) to adjust the refund (or a part of the refund) against any tax demand that is outstanding from the taxpayer. Further, where refund becomes due to a person but the assessment or reassessment proceeding is pending in his case, then, the Assessing Officer may, with the approval of the Principal Commissioner of Income-tax or Commissioner of Income-tax, withhold the refund till the date on which such assessment or reassessment is completed. Moreover, no additional interest on refund u/s 244A is payable to the assessee for the period beginning from the date on which such refund is withheld and ending with the date on which assessment/reassessment is made.

Sec. 245(2) provides that where a part of the refund is set off under the provisions of sec. 245(1), or where no such amount is set off, and refund becomes due to a person and the Assessing Officer having regard to the fact that proceedings for assessment or re-assessment are pending in the case of such person, is of the opinion that the grant of refund is likely to adversely affect the revenue, he may, for reasons to be recorded in writing and with the previous approval of the Principal Commissioner of Income-tax or Commissioner of Income-tax, withhold the refund up to the date on which such assessment or reassessment is made.

From the bare reading of the provision, it is seen that there are two requirements which the Assessing Officer is supposed to fulfill. One is that he should form opinion that the grant of refund is likely to adversely affect the revenue and the second is that he has to record the reasons in writing for withholding the refund. The second condition of recording of reasons takes care of the first condition as even if an opinion is formed, it has been expressed in terms of reasons recorded in writing.

Thus, for the phrase "is of the opinion that the grant of refund is likely to adversely affect the revenue", the phrase "he may, for reasons to be recorded in writing and with the previous approval of the Principal Commissioner of Income-tax or Commissioner of Income-tax" is retained. Further, the period of withholding the refund 'up to the date of assessment' is inadequate as the demand itself becomes due after 30 days of the date of assessment. Hence, the period of withholding of the refund has been extended up to 60 days from the date on which such assessment or reassessment is made.

Consequential amendment has also been made in section 244A to allow non-payment of additional interest up to the date till which such refund is withheld under the provisions of sec. 245(2)

Appeals

- W.e.f 01-09-2024, an appeal can be filed before Commissioner (Appeals) against a search order passed u/s 158BC(1)(c).
- Commissioner (Appeals) shall be empowered to set aside the assessment where assessment order was passed as best judgement u/s 144 and refer the case back to the Assessing Officer for making a fresh assessment.
- Order u/s 158BFA is appealable before the ITAT
- The appeal before the ITAT may be filed within 2 months from the end of the month in which the order sought to be appealed against is communicated to the assessee or to the Principal Commissioner or Commissioner.

Penalty and Prosecution

Amendment in sec. 271FAA [w.e.f. 01-10-2024]

Section 271FAA has been amended to clarify that penalty under the said section shall be attracted in any of the following circumstances:

(i) furnishing inaccurate information in the statement shall be liable;

(ii) failure to comply with due diligence requirement in the statement;

Further, the reference of section 271FAA has been inserted in sec. 273B in order to provide that no penalty shall be imposable for any failure referred to in the said section, if the assessee proves that there was reasonable cause for such failure.

Submission of statement by liaison office of non-resident in India [Sec. 271GC]

A non-resident having a liaison office in India, is required to prepare and deliver a statement in respect of its activities in a financial year to the Assessing Officer within 60 days from the end of such financial year u/s 285. The period within which such statement is to be filed, be henceforth prescribed under the Rules instead of 60 days.

Further, sec. 271GC has been inserted to provide that failure to furnish statement may attract a penalty of ₹ 1,000 for every day for which the failure continues, if the period of failure does not exceed 3 months; and ₹ 1,00,000 in any other case.

However, the reference of sec. 271GC has been inserted in sec. 273B in order to provide that this penalty shall not be leviable if the assessee proves that there was reasonable cause for the said failure.

Penalty for failure to furnish statements

Section 271H of the Act inter alia relates to penalty for failure to file Tax Deducted at Source (TDS) or Tax Collected at Source (TCS) returns/ statements within the due date. Sub-section (3) of section 271H of the Act states that no penalty shall be levied if the person proves that after paying TDS/ TCS along with fees and interest to the credit of the Central Government, the person has filed the TDS/TCS statement before the expiry of period of 1 year from the time prescribed for furnishing such statement.

While earlier the due date to file a belated return by the assessee was one year from the end of the assessment year, the time limit presently is 31st December of the same assessment year. Deductees/ collectees face great inconvenience if the TDS/TCS statements by deductors/ collectors are not furnished in time leading to mismatch in TDS/TCS during processing of income tax returns and raising of infructuous demands.

To ensure better compliance, sec. 271H(3) has been amended to provide that no penalty shall be levied if the person proves that after paying TDS/ TCS along with fees and interest to the credit of the Central Government, he has filed the TDS/TCS statement before the expiry of period of 1 month from the time prescribed for furnishing such statement.

Amendment in sec. 275

The reference to the date of receipt of the order by the Principal Chief Commissioner or Chief Commissioner has been omitted w.e.f. 01-10-2024

Amendment in sec. 276B

Sec. 276B has been amended to provide for exemption from prosecution to a person covered under clause (a) of the said section, if the payment of tax deducted in respect of a quarter has been made to the credit of the Central Government at any time on or before the time prescribed for filing the statement of such quarter.

Amendment in sec. 276CCC

The reference of sec. 158BC(1)(a) has been inserted in sec. 276CCC

First Schedule

Preventing misuse of deductions of expenses claimed by life insurance business

- Section 44 of the Act provides for computing of profits and gains of any business of insurance, including any such business carried on by a mutual insurance company or by a co-operative society, to be in accordance with First Schedule of the Act, notwithstanding other specific provisions of the Act.

- Rule 2 of the First Schedule, applicable for Life insurance business, states that the profits and gains of life insurance business shall be taken to be the annual average of the surplus arrived at by adjusting the surplus or deficit disclosed by the actuarial valuation made in accordance with the Insurance Act, 1938, in respect of the last inter-valuation period ending before the commencement of the assessment year and excluding from it such surplus or deficit included therein which was made in any earlier inter-valuation period.
- It has been noticed that there have been instances where non-business expenses have been claimed by life insurance companies and there is no provision to add back these to the income of such companies. In order to ensure that provisions are not misused to claim deduction for expenses which are otherwise not admissible under the provisions of section 37 of the Act, hence, Rule 2 of the First Schedule of the Act has been amended to provide that any expenditure which is not admissible under the provisions of section 37 in computing the profits and gains of a business shall be included to (i.e. added back to) the profits and gains of the life insurance business.

Other

- Equalization levy shall not be applicable from 01-08-2024
- A non-resident having a liaison office in India, is required to prepare and deliver a statement in respect of its activities in a financial year to the Assessing Officer within 60 days from the end of such financial year u/s 285. The period within which such statement is to be filed, be henceforth prescribed under the Rules instead of 60 days.