

A hand holding a glowing digital key against a background of bokeh lights and a bar chart. The key is made of a grid of glowing orange and yellow dots, with a bright light emanating from its head. The background is dark blue with a bar chart at the bottom and a bokeh effect of orange and yellow lights.

Decoding the **Income** **New Tax Bill**



Shape the future  
with confidence



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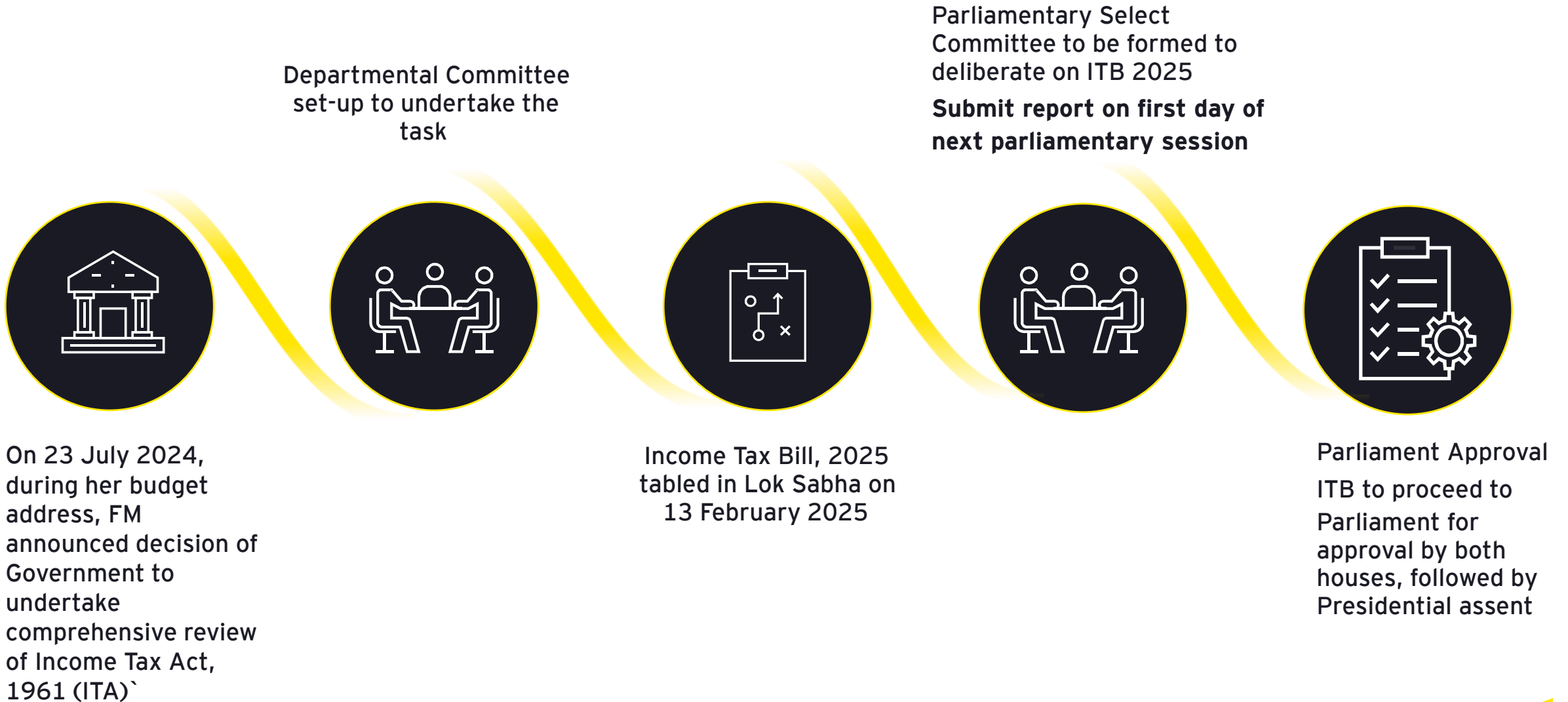
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# Overview of ITB 2025

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# Income Tax Bill, 2025 - Important events and Timeline



# Income Tax Bill, 2025 - A momentous landmark

- The Income tax Bill, 2025 (the Bill) marks a momentous occasion as it seeks an **overhaul of the 63-year-old Income-tax Act, 1961 (Act) to meet the needs of Viksit Bharat**
- More than **4,000 amendments through six decades of annual changes** had made the Act **voluminous, complex and unwieldy**
- The Bill is expected to come into **effect from 1 April 2026 (tax year 2026-27)** and is framed around 4 foundational pillars that are reflective of a mature tax administration:
  - **Simplification of language**
  - **Reducing litigation**
  - **Reducing compliance burden**
  - **Removing redundant provisions**
- The structure, design and legislative language make it **transparent and lucid for the taxpayer to interpret with the intent of encouraging voluntary tax compliance**

## Design and framework (1/5)

1

Provisions of Finance Bill 2025 incorporated

2

No change in tax policy or tax rates

3

No change in personal taxation and short-stay exemption

4

Lack of compliance simplification on TDS provisions

5

Unchanged dispute resolution & litigation system

6

No extension of sunset clause for concessional tax regime for new domestic manufacturing companies

7

No simplifications for modern days tax complexities

8

Transitional provisions to carry forward losses, credits, unamortised deductions, etc, provide for assessments of past tax years and continue delegated legislation

## Design and framework (2/5)

### **Design and structure**

- Reduced number of sections
- Nearly halved word count
- Introduction of tables and formulas
- Streamlining multiple provisions by moving them into distinct schedules
- Referencing Act where necessary to reduce verbosity

### **Simplification**

- The dual concept of “previous year” and “assessment year” has been replaced with “tax year”
- Rearrangement/ reorganization of sections on similar topics
- Removal of provisos, explanations and outdated sections
- Replacing certain phrases (e.g., “Notwithstanding anything contained” with “Irrespective of anything contained”)
- Simplified cross-reference system between provisions

## Design and framework (3/5)

Parameter	Act	The Bill
Words	~ 5.12 lakhs	~ 2.60 lakhs
Sections	819	536
Chapters	47	23
Tables	18	57
Provisos	~1,200	-
Explanations	~ 900	-
Schedules	14	16



## Design and framework (4/5)

Chapter	Topic
I	Preliminary (including definitions)
II to VIII	Determination of taxable income (includes exemptions, deductions etc.)
IX	Rebates and reliefs (includes cross-border double taxation relief)
X to XIII	Transfer pricing and anti-avoidance rules
XIII	Special tax regimes, tax rates, etc.
XIV to XVI	Administration and assessment procedure
XVII-A	Provisions for assessment of special persons
XVII-B	Special provisions for registered non-profit organizations
XVIII to XX	Dispute resolution, collection and recovery, refunds
XXI and XXII	Penalties, offences and prosecutions
XXIII	Miscellaneous

## Design and framework (5/5)

Schedule	Existing section under Act	Topic
I	9A	Safe harbors for offshore investment fund management in India
II to VIII	10, 13A/B	Exempt/ non-taxable incomes
IX to XIV	33AB, 33ABA, Schedule IV, VII, XI	Provisions for specific businesses/ funds
XV	80C	Deduction for life insurance premia, deferred annuity, contributions to provident fund, etc
XVI	11(5)	Permitted modes of investment/ deposits by charitable/ religious trusts



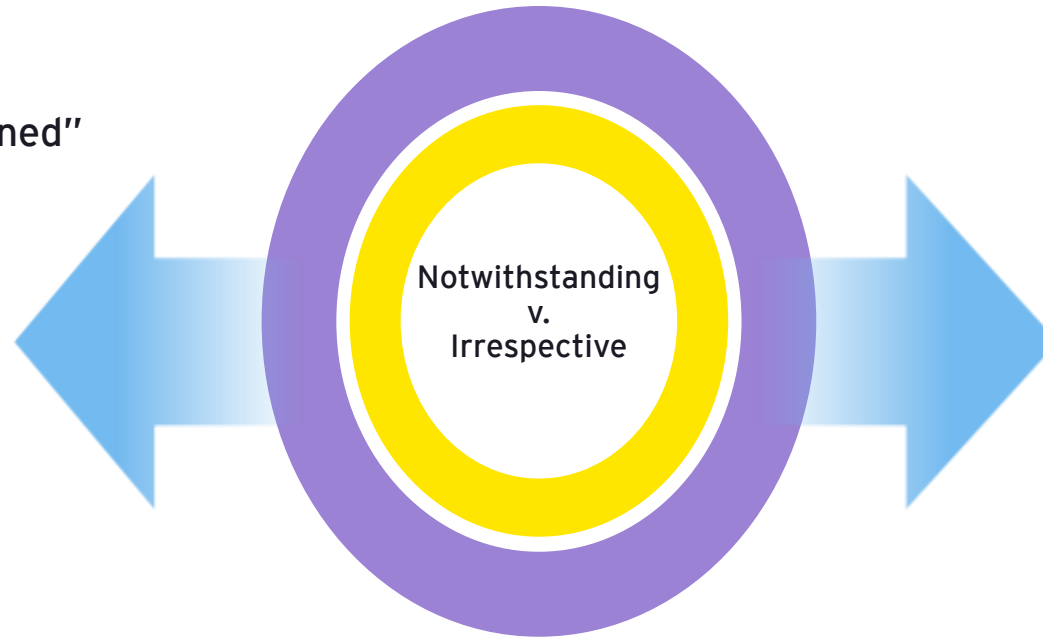
# Language simplification

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# Notwithstanding vs Irrespective

## “Notwithstanding anything contained”

- Exception to existing rule
- Conflict resolution mechanism
- Judicial precedents around ‘notwithstanding’



## “Irrespective of anything contained”

- Without Consideration for / regardless of
- Modern drafting trend, plain language
- Risk of interpretative ambiguity

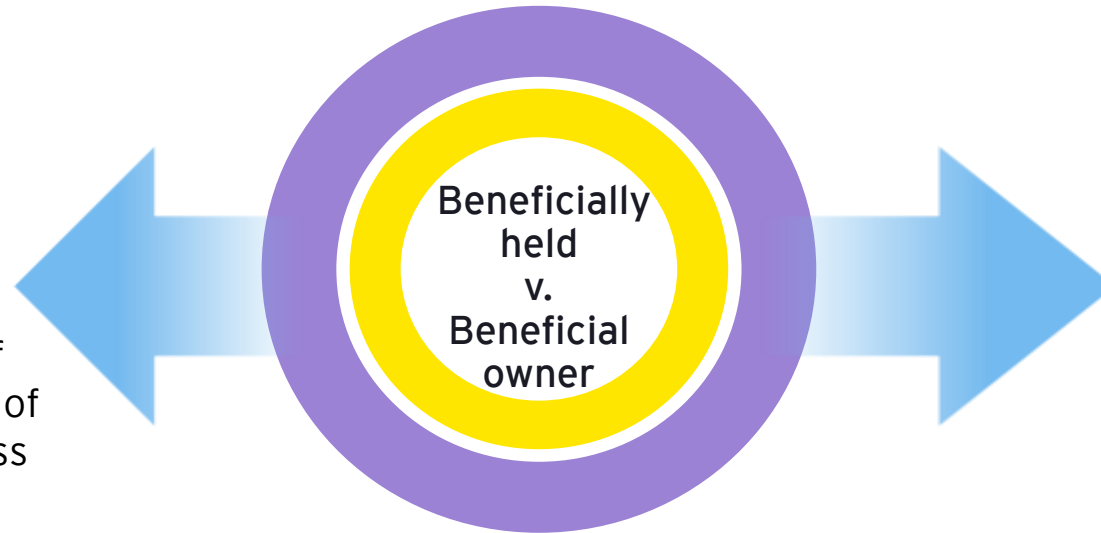
# Notwithstanding vs Irrespective

Aspect	"Notwithstanding anything contained in this Act"	"Irrespective of any other provision of this Act"
Semantic precision	Connotes express override of conflicting provisions	Suggests independence and non-reliance on others
Judicial precedent	Well-established principles of strict construction and conflict resolution	Dearth on judicial precedents
Legislative intent	Clear intent to subordinate conflicting provisions	Intent to insulate the provision from interference; may require harmonization
Scope of application	Applies to identified conflicts within the same statute	May apply to all provisions unless restricted by legislative context

# Beneficially Held vs Beneficial Owner

## Section 79

.....unless on the last day of the previous year, the shares of the company carrying not less than fifty-one per cent of the voting power were beneficially held by persons who **beneficially held** shares of the company carrying not less than fifty-one percent of the voting power on the last day of the year or years in which the loss was incurred:



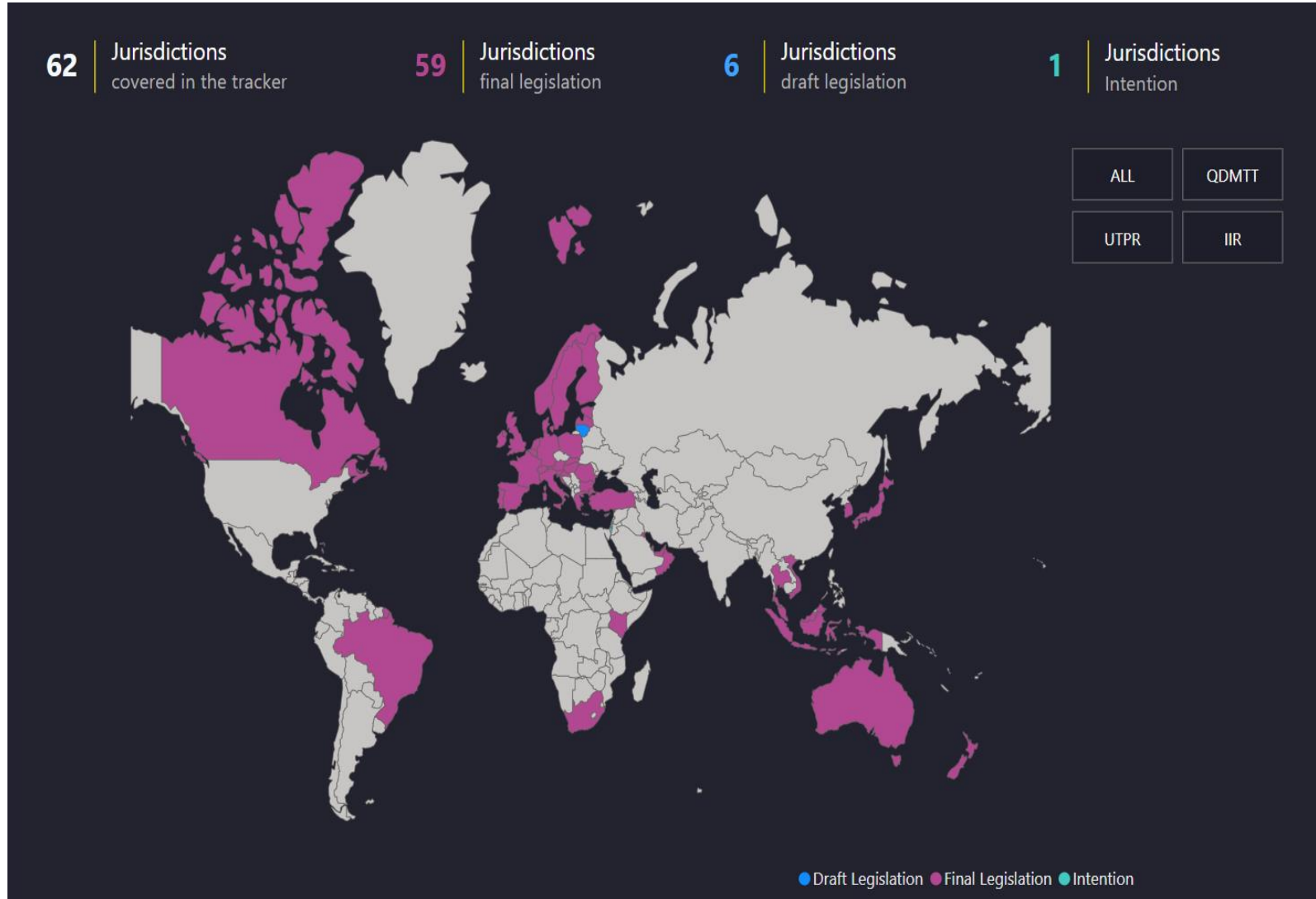
If the **beneficial owners** of shares of the company carrying at least 51% of voting power, as on last day of tax year in which the loss was incurred, shall continue to be the beneficial owner of shares carrying at least 51% of voting power, as on the last date of the tax year in which such change in shareholding takes place.



**Non-resident related**

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# BEPS 2.0 Pillar Two - Implementation around the world - as of 26 Feb 2025



Withdrawal of 2% equalisation levy was done by India to align itself with the OECD's pillar one and pillar two solutions. Further, it was in the news that the government is taking a "positive approach" towards the OECD tax deal and that it intends to adopt the two-pillar solution soon

However, no roadmap or amendments proposed in ITB 2025 in relation to adoption of Pillar Two



# Business connection in India - Reasonable attribution

Any income derived from a business connection in India is regarded as income deemed to accrue or arise in India. Income from business connection includes any activity carried on through a dependent agent in India (DAPE) as well as from Significant economic presence (SEP) in India.

If all operations with reference to business connection in India are not carried on in India, then, only so much of the income which is "**reasonably attributable**" to operations carried out in India will be deemed to accrue or arise in India.

**The term 'reasonably' has been deleted in ITB 2025**

**However, Rule 10 states that formulary apportionment needs to be on a reasonable basis or, if turnover based apportionment is not resorted to, AO can adopt attribution which he deems 'suitable'**

# Royalty - Payable by NR to NR

## Royalty payable by a non-resident to another non-resident deemed to accrue or arise in India

ITA 1961	ITB 2025
<p>(vi) Income by way of royalty payable by— ..... (c) a person who is a <b>non-resident</b>, where the royalty is payable in respect of any right, property or information used or services utilised for the purposes of a business or profession carried on by such person in India or for the purposes of making or earning any income from <b>any source in India</b></p>	<p>6(a) Income by way of royalty payable by— ..... (iii) a <b>non-resident</b>, if the royalty is payable in respect of any right, property or information used or services utilised for the purposes of— (A) a business or profession carried on by the non-resident in India; or (B) making or earning any income from <b>any source outside India</b></p>

'any source in India' is replaced by 'any source outside India'

This seem to be unintended drafting anomaly



**IFSC - GIFT City**

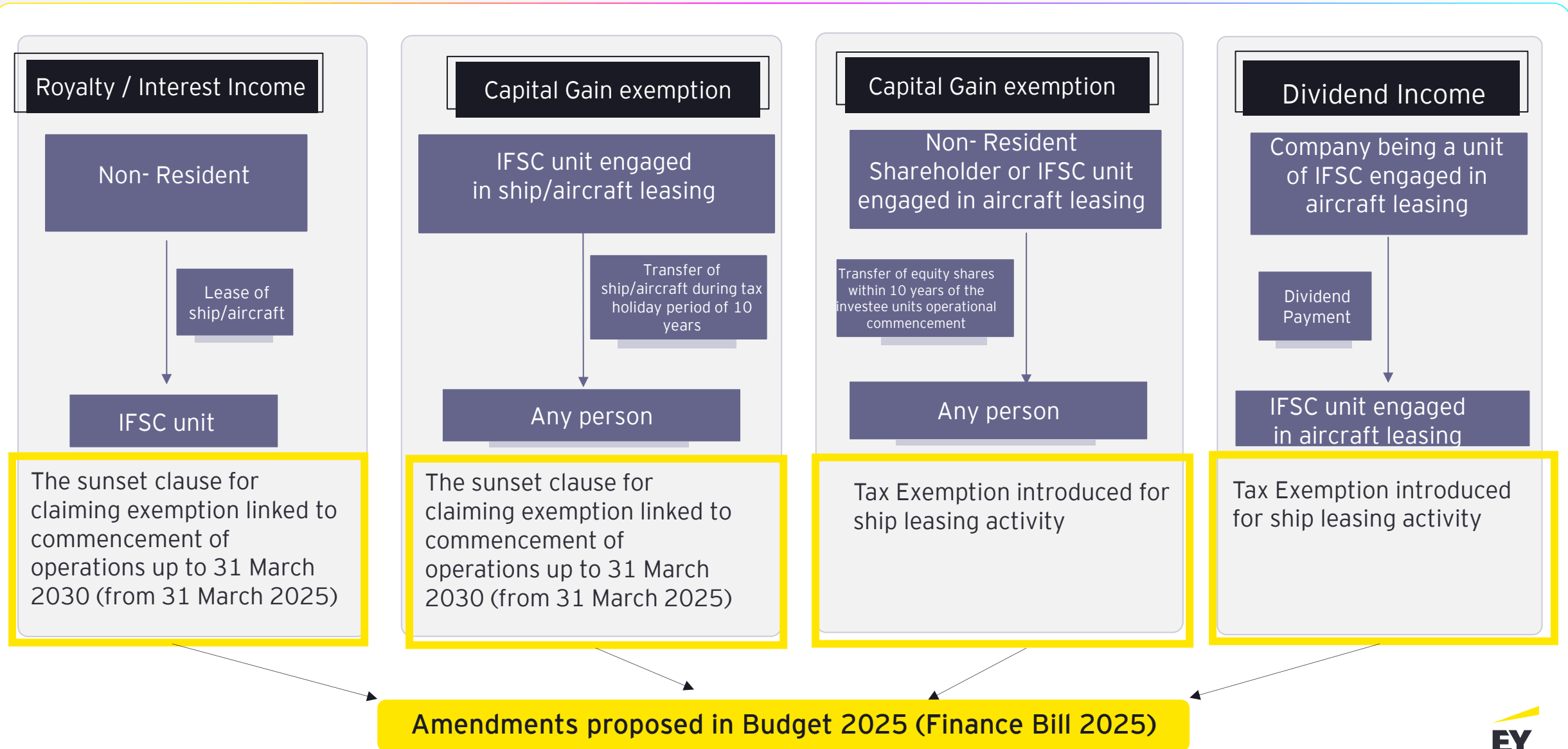
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## IFSC - GIFT City - Tax Exemptions

No change proposed in ITB 2025, however, following exemptions provided u/s 10 of ITA in relation to IFSC based transaction and units are brought together under Schedule VI

As per ITA	Section related to	As per ITB
10(4D)	Any income on transfer of capital asset by NR on IFSC stock exchange	Schedule VI - Sr. No. 1 of table
10(4D)(b)	Any income accrued or arisen to, or received, as a result of transfer of securities (other than shares in a company resident in India)	Schedule VI - Sr. No. 2 of table
10(4D)(c) and 10(4D)(d)	Any income from securities issued by a non-resident	Schedule VI - Sr. No. 3 of table
10(4D)(e) and 10(4D)(f)	Any income from securitization trust, which is chargeable under PGBP	Schedule VI - Sr. No. 4 of table
10(4E)	Any income accrued or arisen to, or received as a result of (a) transfer of non-deliverable forward contracts or offshore derivative instruments or over-the-counter derivatives; or (b) distribution of income on offshore derivative instruments	Schedule VI - Sr. No. 5 of table
10(4F)	Royalty or interest on account of ship or aircraft leasing	Schedule VI - Sr. No. 6 of table
10(4G)	Any income received from-- (a) portfolio of securities or financial products or funds, managed or administered by any portfolio manager on behalf of the non-resident; or (b) such activity carried out by such person, as may be notified by the Central Government.	Schedule VI - Sr. No. 7 of table
10(4H)	Any income by way of capital gains arising from transfer of equity shares of domestic company	Schedule VI - Sr. No. 8 of table
10(23FBC)	Any income accruing or arising to, or received from a specified fund or on transfer of units in a specified fund (i.e. IFSC registered funds)	Schedule VI - Sr. No. 9 of table
10(23FF)	Any income of IFSC registered funds in the nature of capital gains, arising or received on account of transfer of share of a company resident in India	Schedule VI - Sr. No. 10 of table
10(34B)	Dividend income	Schedule VI - Sr. No. 11 of table
10(15)(ix)	Interest income	Schedule VI - Sr. No. 12 of table

# IFSC - GIFT City - Ship and Aircraft Leasing activity





# Oil and Gas sector

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# Presumptive Taxation

Current Income-tax Act, 1961 (ITA)	Proposed Income tax Bill 2025
Section 44BB	Section 61 (Sl. No. 5 of the Table)
Provision is applicable to services or facilities in connection with, or supplying plant and machinery on hire used, or to be used, in the prospecting for, or extraction or production of, mineral oils	Provision is applicable to services or facilities (including supply of plant and machinery on hire) for prospecting, extraction or production of mineral oils
Prohibits set off of unabsorbed depreciation and brought forward business loss	Prohibits set-off of any loss and claiming of any deduction / allowance (e.g. section 80G of ITA) against deemed profits
Where taxpayer claimed profits lower than the deemed profit percentage, section specified for an assessment to be conducted as per the provisions of ITA	No specific mention of conducting an assessment, where taxpayer claims profits lower than the deemed profit percentage
Taxpayer claiming profits lower than the deemed profit percentage, had to compute written down value of assets in accordance with provision of Section 43 of ITA	Manner of computing written down value of the assets is now specifically inserted in the proposed section

# Site Restoration Fund

Although the essence of proposed section (i.e. section 49 of the ITB read with Schedule X) is similar to the existing section 33ABA of ITA, certain differences in the provision are as under

ITA	Proposed ITB	Impact
<p>Section 33ABA(4) states that amount utilised out of specified account for purchase of specified assets is <b>not eligible for deduction</b> under the said section</p>	<p>Para 2(a) of Schedule X provides that the amount utilised out of specified account for purchase of specified assets <b>will be deemed as profits and gains of the business</b> for that tax year.</p>	<p>Currently, where funds are utilized out of specified account for purchase of specified assets, such sums are not eligible for deduction under section 33ABA.</p> <p>Under the proposed section 49, utilization of funds for purchase of specified assets will be considered as deemed profit and gains for that tax year.</p>
<p>Further, section 33ABA(4) provides that deduction shall not be allowed if sums contributed in specified account is utilised for purchase of following category of assets:</p> <ul style="list-style-type: none"> <li>(a) machinery or plant installed in any office or residential premises (including guest-houses)</li> <li>(b) any office appliances (not being computers);</li> <li>(c) machinery or plant whose actual cost is allowed as a deduction in any one previous year, and</li> <li>(d) new machinery or plant installed in industrial undertakings for the purposes of business of construction, manufacture or production of any article or thing specified in the list in the Eleventh Schedule</li> </ul>	<p>These categories of assets are now similarly placed under para 2(b) of Schedule X, with modification in equivalent clause (d) as under:</p> <p>“(iv) any new machinery or plant for constructing or manufacturing or producing any items listed in the Schedule XIII”</p>	<p>The provision has been reworded to simplify the language</p>



# Extraction and Production business

## **Deduction in case of business of prospecting for or extraction or production of mineral oils**

- Section 42 of the existing ITA provides for allowances to taxpayers engaged in the business of prospecting or extraction or production of mineral oils. The deduction is allowed for specified expenditure while computing the income under the head “Profits and gains of business or profession”
- The said provisions of Section 42 of the ITA is now covered in Section 54 of the proposed ITB
- The provisions have not been altered in substance, but have been rearticulated to enhance comprehensibility

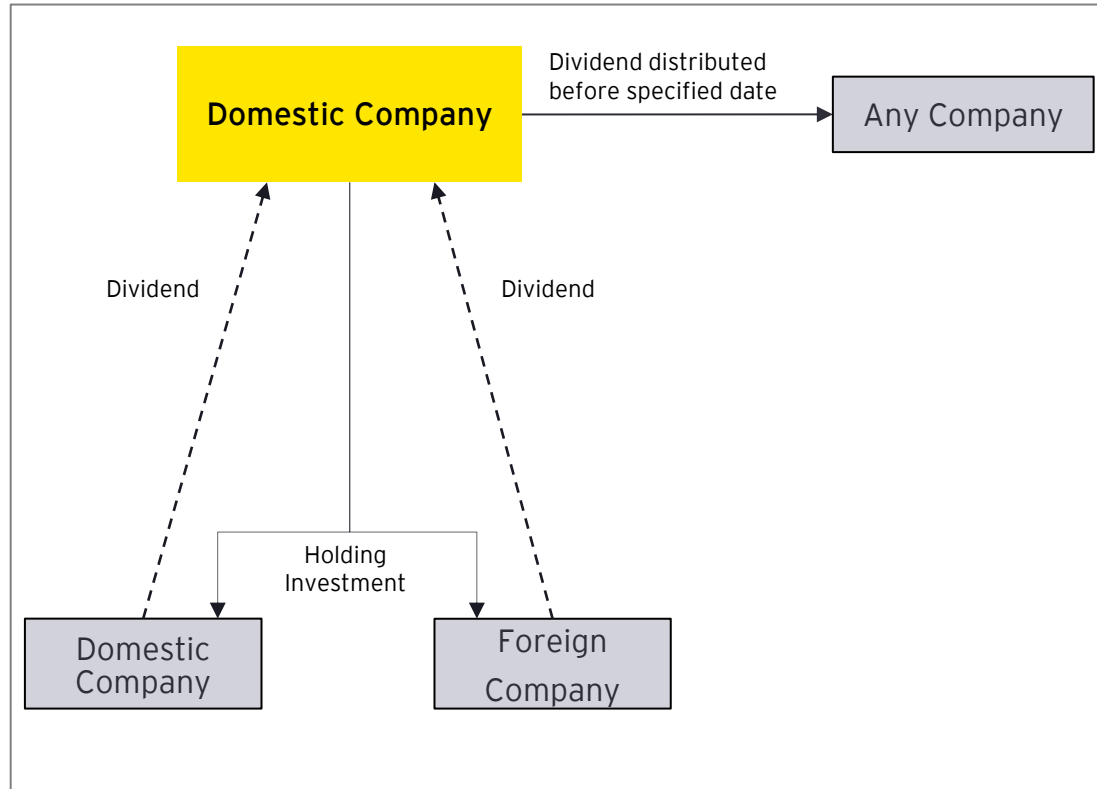
## **Power to make exemption in relation to participation in the business of prospecting for, extraction, etc., of mineral oils**

- Section 293A of the existing ITA empowers the Government to issue a notification for exemption, reduction in rate, or other modification of income tax for specified persons engaged in the business of prospecting or extraction or production of mineral oil.
- The specified persons referred to are:
  - Taxpayer with whom the Government has entered into agreements for the association or participation in any business of prospecting or extraction or production of mineral oils
  - Taxpayer providing any services or facilities or supplying any ship, aircraft, machinery or plant (whether by sale or hire) for any business consisting of the prospecting or extraction or production of mineral oils; and
  - Employees of the taxpayers mentioned above.
- The provisions contained in Section 293A of the existing ITA is now covered in Section 527 of the proposed ITB without any material modifications



**Profits and gains from business  
or profession**

# Dividend (1/2)



## Restriction on deduction of inter-corporate dividends

- Currently, dividend received by a Domestic company from another company or a business trust is not taxable provided such dividend is further distributed as dividend by a specified date, subject to certain conditions
- Domestic company opting for concessional tax regime (22%) are also eligible to claim this deduction
- The Bill seems to have inadvertently not grant this roll-over benefit to companies opting for such concessional tax regime
- Such benefit continues for the concessional tax regime (15%) for new domestic manufacturing companies

## Dividend (2/2)

- A Ltd has opted for concessional tax regime (22%) under section 115BAA of the ITA
- During the FY 2023-24, A Ltd. has received dividend of 100 from B Ltd.
- A Ltd. has distributed INR 120 as dividends before due date of filing ROI of FY 2023-24

COI of A Ltd.	ITA	ITB
Business income	500	500
Dividend income	100	100
Gross Total Income	600	600
Less: 80M deduction	100 (restricted to dividend income)	-
Net Total Income	500	600

# Definition of Widely Held Company (WHC)

ITA 1961

Company which is not a private company as per Companies Act 2013

shares listed on the last day of the year on recognized stock exchange

OR

> 50%/ 40% of shares are held by another WHC or subsidiary of WHC or by GOI/ Corporation established by Central, State or Provincial Act

ITB 2025

Company which is not a private company as per Companies Act 2013

1

Cumulative conditions

2

shares listed on the last day of the year on recognized stock exchange

~~OR~~

3

≥ 50%/ 40% of shares are held by another WHC or subsidiary of WHC or by GOI/ Corporation established by Central, State or Provincial Act

There seems to be clear typo error wherein the ITB has missed the language requiring the companies to either be listed entity on last day OR fulfil condition 1 and condition 3 cumulatively without fulfilling condition 2

# Disallowance under section 40(a)(i) / (ia) - When Allowed?

No deduction of 100% of expenditure/ 70% of expenditure if tax is not withheld or if withheld not deposited with government while making payments to non-resident/ residents

## Tax NOT withheld during the year

Deduction allowed in subsequent year when taxes withheld and deposited

ITA, 1961



ITB, 2025



## Tax withheld during the year but not deposited before ROI due date

Deduction allowed in the year in which taxes deposited



Inadvertent miss?

# Mark to Market Loss or other expected loss - Section 40A(13) of ITA

## ITA 1961

- Deduction or allowance of mark to market (MTM) loss or other expected loss only if it is computed in accordance with the income computation and disclosure standards (ICDS)
- Specifically debars deduction of any other MTM loss or other expected loss which is not in accordance with ICDS

## ITB 2025

- Allows deduction of MTM loss or other expected loss computed as per ICDS and such loss shall not be allowed as a deduction under any other provision.
- Does not specifically debar deduction of any other MTM loss or other expected loss (e.g., in respect of provision for foreseeable loss recognized in a construction contract, or interest rate swaps) which is not in accordance with ICDS

# Exemptions Provisions - Simplification

## Section 10 of ITA 1961

- Provisions relating to exempt income
- Covers all categories of exempt income but not grouped category wise

## Section 11 of ITB 2025

- Exemptions provisions are bucketed in category wise and provided under separate schedules
- No material change but simplification of language
- Redundant provisions of exemptions such as 10A, 10B, etc. are removed, however, where deduction is available due to past investments, the same is protected under savings clause in ITB 2025
- Deduction under section 10AA to continue in ITB 2025 for balance years calculated as per provisions of 10AA of ITA 1961



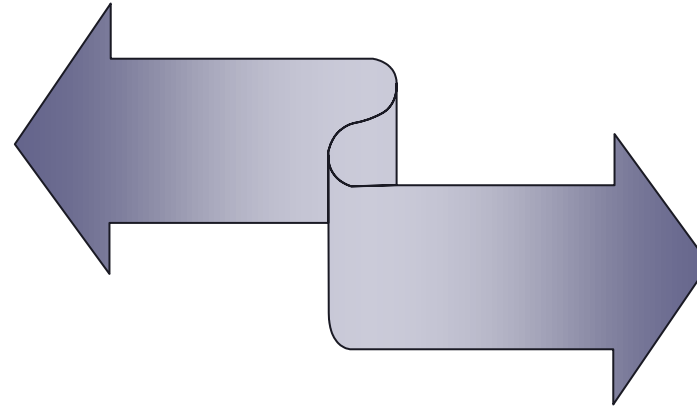
# Taxes paid on 'income' - Section 40(a)(ii) of ITA

## ITA 1961

Any taxes or rates levied on **profits and gains** of any business / profession is not allowed as deduction



CBDT Circular No. 16 dated 18.09.1969 highlighted that section 40(a)(ii) essentially seeks to convey prohibition of deduction of taxes on **income**



## ITB 2025

Any tax **paid on income** shall not be allowed as deduction while calculating PGBP

# Deduction of foreign taxes

- Explanations 1 and 2 to section 40(a)(ii) of ITA 1961 deny deduction for foreign taxes which are eligible for relief of tax either u/s. 90, 90A or 91 (i.e. under treaty or unilateral relief)
- S.35(a)(iii) of ITB 2025 corresponds to Explanation 1 and 2 of s.40(a)(ii) of ITA 1961 and denies deduction for tax paid in any other country for which relief is eligible under s. 159 (corresponding to s. 90/90A of ITA 1961) or S.160 (corresponding to s.91 of ITA 1961)

## General Anti Avoidance Rules (GAAR)

S. 100 and S. 101 of ITA 1961	S. 183 of ITB 2025
<p>100. The provisions of this Chapter <b>shall apply</b> in addition to, or in lieu of, any other basis for determination of tax liability.</p> <p>101. The provisions of this chapter <b>shall be applied</b> in accordance with such guidelines and subject to such conditions, as may be prescribed</p>	<p>183. The provisions of this chapter - <b>??</b></p> <p>(a) In addition to, or in lieu of, any other basis for determination of tax liability;</p> <p>(b) as per such guidelines and subject to such conditions, as prescribed</p>

Provisions of ITA 1961 are replicated in ITB 2025, however, the words 'shall apply' is missing

The above appears to be drafting error which requires correction



# Capital Gains

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# Availability of foreign exchange fluctuation benefit for Non-Residents

ITA 1961

Non-resident\*

Transfer of unlisted share or securities of CHC

LTCG at 12.5% without benefit of foreign exchange fluctuation

ITB 2025

Non-resident\*

Transfer of unlisted share or securities of CHC

LTCG at 12.5% with foreign exchange fluctuation benefit

# Section 50AA of the ITA 1961

Gains from specified mutual funds, Market Linked Debentures and unlisted bonds/debentures to be treated as short-term capital gains

Particulars	ITA 1961	ITB 2025
Deeming fiction	'shall be deemed to be capital gains arising from transfer of short-term capital asset'	'shall be treated as short-term capital gains'
Expenditure in connection with transfer	'expenditure incurred wholly and exclusively incurred <b>in connection</b> with such transfer'	'expenditure wholly and exclusively incurred <b>for</b> such transfer'  However, this term is same under section 48 of ITA (corresponding 72 of ITB) - expenditure for this security restricted meaning?

# Indexation grandfathering for immovable property acquired before 23.07.2024

- Applicability - Individuals and HUFs
- Property acquired before 23 July 2024

**ITA, 1961**



## LTCG ignored if:

- Gains computed at 12.5% for transfer on or after 23 July 2024; exceeds
- Gains computed as per ITA before its amendment by Finance (No. 2) Act 2024

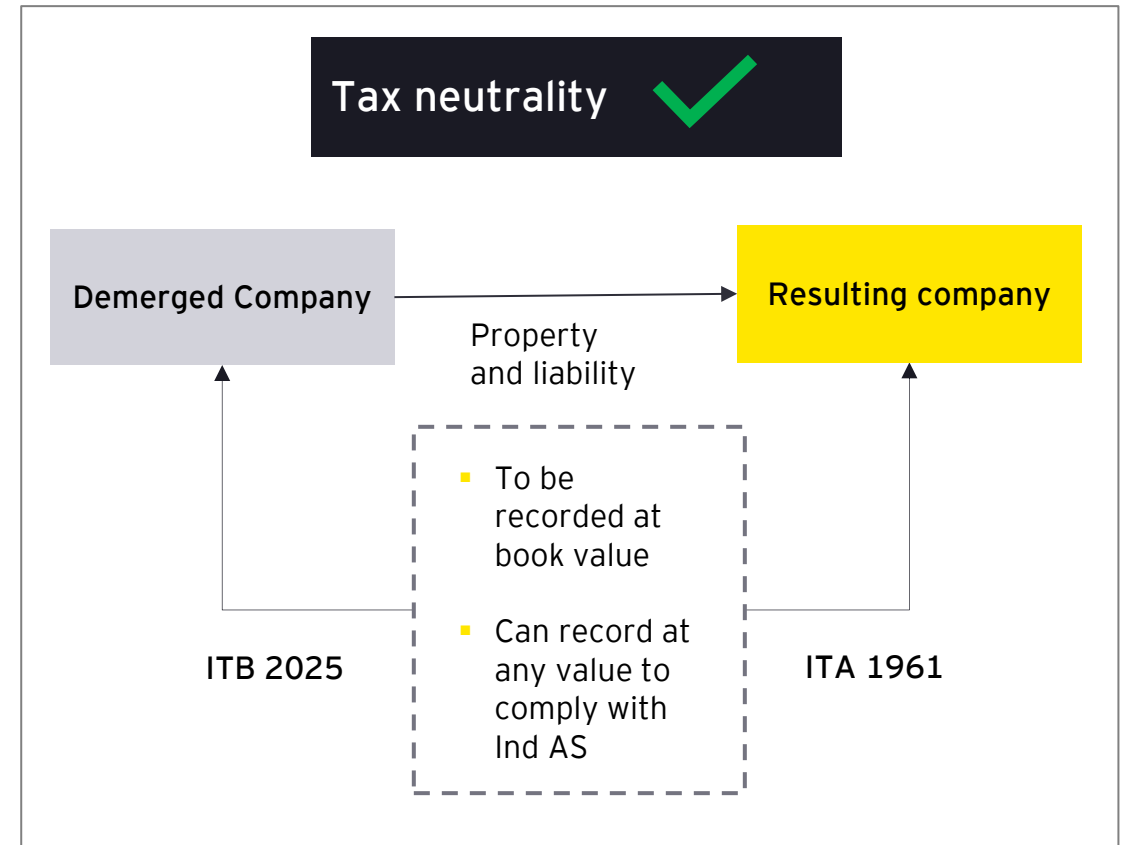
**ITB, 2025**

## LTCG ignored if:

- Gains computed at 12.5% for transfer on or after 23 July 2024; exceeds
- Gains computed at 20% by taking index cost of acquisition and indexed cost of improvement

# Tax neutrality of merger/demerger

- Under ITA 1916, tax-neutrality of demerger not impacted if the resulting company records assets and liabilities at a value other than book value to comply with Ind AS
- ITB 2025 extends relaxation to demerged company as well



Fast Track Merger covered by section 233 of Companies Act, 2013 - Will it be Tax Neutral?



# Capital Gain - Transitional provisions

- **Transitional provisions - Set off of long term capital loss**
  - Currently, brought forward long term capital loss is allowed to be set-off against long term capital gains only whereas brought forward short term capital loss is allowed to be set off against any capital gains
  - Bill allows set off and carry forward of brought forward long term and short term capital loss incurred up to 31 March 2026 against future capital gains from tax year 2026-27 onwards
  - However, considering that such set-off of LTCL against STCG is contrary to provisions of S. 74 of ITA and corresponding S. 111 of ITB, such drafting appears to be an inadvertent miss likely to be corrected at subsequent stages prior to enactment.



# Compliance and assessment

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# Compliance and assessment

- Tax return form likely to be more comprehensive to include detailed personal information (such as credit card, expenditure details) and business information (such as locations of all the branches) - **Section 139 of ITA and 263 of ITB**
- No requirement to file Power of Attorney along with return of income (ROI) for persons authorized to sign ROI on behalf of the taxpayer - **Section 140 of ITA and Section 265 of ITB**
- No provision to file updated return for subsequent years where taxpayer filed updated return of earlier tax year and such updated return resulted in a reduction of loss, UAD, AMT/ MAT credit carried forward to subsequent year - **Proviso to 139(8A) of ITA**
- Valuation Officer can now amend valuation report issued by him to correct any mistake - **Section 269(7) of ITB**

# Compliance and assessment

- Time limit to pass appeal effect order (in cases otherwise than by making fresh assessment) is increased from three months to six months from the end of the month in which the underlying order has been received by PCIT/CIT (appeal effect order) or passed by PCIT/CIT (revisionary order). The said six months' period can further be extended to nine months with the appropriate approvals - **Section 153 of ITA and 286 of ITB**
- Scope of search and seizure operation expanded to allow the tax officer to inspect "any information stored in an electronic media or computer systems". The definition of "Computer system" is very wide and also includes virtual digital space (i.e., email servers, social media account, remote or cloud server, etc.). The taxpayer has to provide access code to the computer system or the tax officer can override the access code to gain access to the computer system - **Section 132 of ITA and 247 of ITB**
- In the context of survey operation, the statement shall now be recorded under "Oath" which may have wide legal consequences - **Section 133A of ITA and 253 of ITB**
- No objection certificate to be sought from the tax authorities in case of pendency of assessment extended to transfer of virtual digital asset - **Section 281 of ITA and 499 of ITB**

# Overhaul of TDS/ TCS provisions for clarity and ease of understanding

- Presently in ITA 1961, there are various provisions relating to TDS/ TCS, wherein different rates and thresholds have been provided depending on the nature of payment or status of payees.
- The new bill proposes to comprehensively overhaul the structure with an aim to streamline these provisions by consolidating them into a single section (except for TDS on salary) wherein all TDS provisions are categorized into three broad heads as follows:
  - TDS on payments to resident
  - TDS payments to non-resident and
  - TDS on payments to any person (viz. resident or non-residents, both)
- For each category, TDS provisions are consolidated into a single table, for ease of identification of the applicable rates, thresholds, payee, and the nature of payment on which TDS will get attracted.
- The ITB 2025 also introduces a dedicated clause, which comprehensively lists all exclusions in the respective TDS provisions
- ITB 2025 expands deeming fiction for TDS on credit made to suspense or any other account to all TDS provisions
- TCS provisions are also consolidated into a single table for easy readability.

# Lower Deduction Certificate (LDC)

ITA 1961



ITB 2025

- Currently, LDC cannot be obtained in respect of few withholding tax provisions such as 194R, 194LC etc
- LDC available for lower rate or NIL rate

- LDC can be applied by recipient of **ALL TYPES** of income which are subject to TDS
- LDC available only for lower rate ~~or NIL~~ rate.

# Dispute Resolution Panel (DRP)

ITA 1961



ITB 2025

- DRP to pass directions
  - DRP to consider additional evidence filed by taxpayer or request for remand report from Assessing Officer
- DRP to pass directions stating:
    - Points of determination
    - Decision
    - Reason for decision
  - Omitted - inadvertent miss?



# Transfer Pricing

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# Transfer Pricing

## Meaning of Associated Enterprise (AE)

- Structure of the AE definition is similar under the ITB as compared to the ITA
  - First part defines the broad contours of the term and is based on participation in 'management' or 'control' or 'capital'; and
  - Second part contains a deeming provision to indicate circumstances when two enterprises will be deemed to be AEs
- Modified language in the ITB [*i.e., without affecting the generality of the provisions of sub-section (1)*] seeks to clarify the ambiguity that may have existed under the Act on the inter-relationship between the first part and second part of the definition
- In the Bill, the general definition of AE in the first part is not limited by the AE relationships described in the second part

## Determination of arm's length price (ALP)

- Currently, it is not clear on whether the tolerance range (+/- 3%) is available when only single price is determined as ALP
- The Bill specifically provides that tolerance range (+/- 3%) is available even in case only a single price is determined as ALP
- Where more than one price is determined, the ALP determination is left open to be prescribed separately (currently determined through the section read with the Income-tax Rules)



# Personal Taxation

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# Personal Taxation

Salary provisions, exemptions related to salary income like gratuity, HRA, leave encashment, commuted and uncommuted pension, retrenchment compensation, etc., are now consolidated under the specific head that addresses salary provisions

## Deduction on entertainment allowance

- Under ITA 1961, deduction of entertainment allowance is **allowed only to Government employees**
- Under ITB 2025, the said **deduction is withdrawn**
- Thus, both non-government and government employees are put at par in terms of taxability of entertainment allowance

## Vehicle used by employees for travel to and from office

- Currently, vehicle provided by employer to employee for travel from home to office and vice versa is not taxable
- ITB 2025 proposes to change the language to suggest that the **expenditure incurred by the employer for use of any vehicle by the employee** for such travel shall not be treated as taxable perquisite.
- The proposed amendment clarifies that even if employer does not provide the vehicle, but bears expenditure for travel of the employee to and from office by any vehicle, then the expenditure will be treated as non-taxable perquisite in the hands of employee.

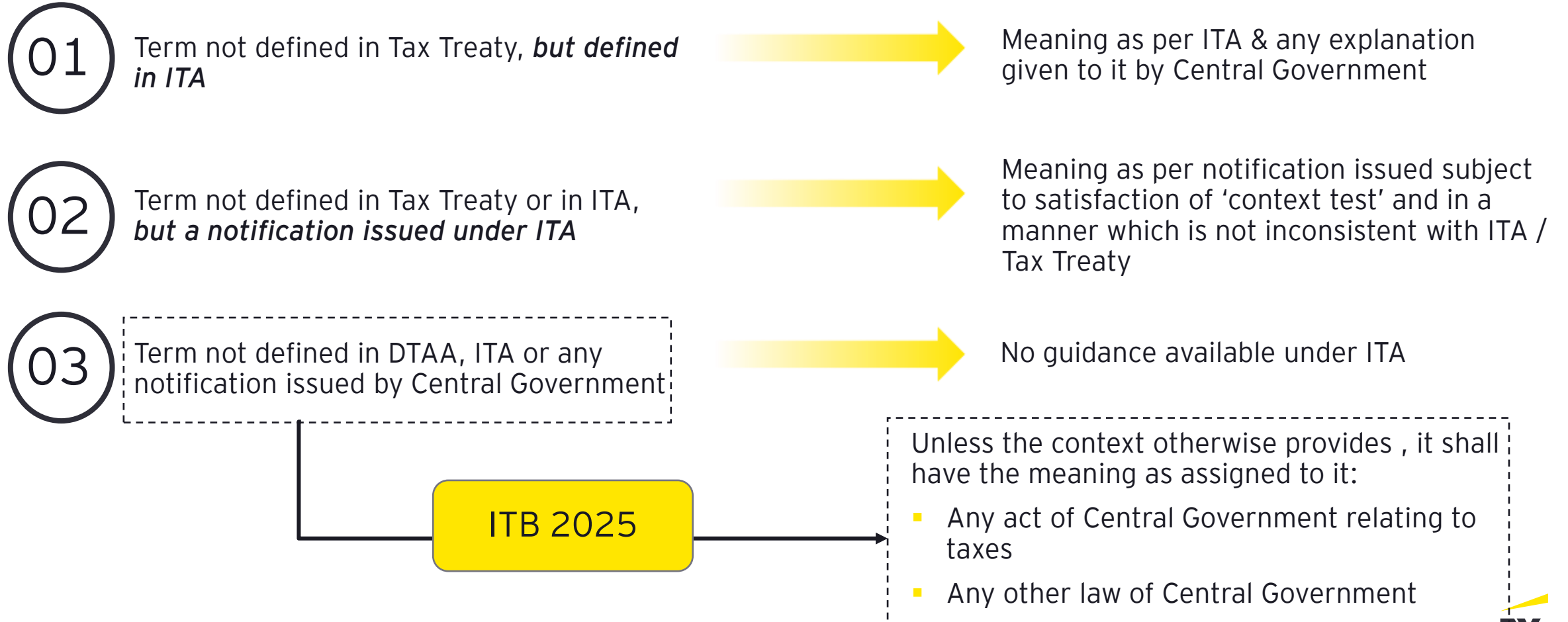


**General**

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# Term not defined in Tax Treaty

ITA 1961



# Transitional Provisions

ITB 2025 is proposed to be applicable from 1 April 2026, viz., in respect of tax years 2026-27 and onwards. Consequently, even the ITA 1961 is proposed to be repealed from the same date with transitional measures being provided to enable availability of tax credits, carry forward of losses and unabsorbed depreciation, amortization or deferral of expenses across various years, etc.

Separately, assessment and procedural aspects involved in respect of tax years prior to 2026-27 are proposed to be governed by ITA 1961 provisions. Further, continuity is proposed to be provided to various Rules, Instructions, Notifications, and Schemes issued by CBDT, as also any elections and declarations made by the taxpayer under ITA 1961.



# Way Forward

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# What should companies think about?

Review of existing Income Tax Computation basis ITB 2025

Analyse the impact of ITB 2025 on existing allowances/ disallowances

Advocacy/ Representations

Opportunity for making representations to Ministry in relation to a proposed change which may be impacting adversely

First Time Deferred Tax Computations / Advance Tax Computations

Impact on FS due to inherent effect of tax amendments on computation of DTA / DTL

Tax Audit Report

Impact on reporting under various clauses of Tax Audit Report

Technology changes

In case of use of third party or in-house software technology, changes shall be required in line with ITB 2025





# Q&A

# Glossary

AE	Associated Enterprise
ALP	Arm's Length Price
AMT	Alternate Minimum Tax
AO	Assessing Officer
BEPS	Base Erosion and Profit Shifting
CBDT	Central Board of Direct Taxation
CHC	Closely Held Company
CIT	Commissioner of Income Tax
DAPE	Dependent Agent Permanent Establishment
DRP	Dispute Resolution Panel
DTAA	Double Taxation Avoidance Agreement
FB, 2025	Finance Bill, 2025
FM	Finance Minister
FTS	Fees for Technical Services
FY	Financial Year
GAAR	General Anti-Avoidance Rule
GIFT City	Gujarat International Finance-Tec City
GOI	Government of India
HRA	House Rent Allowance
HUF	Hindu Undivided Family
ICDS	Income Computation and Disclosure Standards

Ind AS	Indian Accounting Standard
ITA, 1961	Income-tax Act, 1961
ITB, 2025	Income-tax Bill, 2025
LDC	Lower Deduction Certificate
LTCG	Long Term Capital Gains
MAT	Minimum Alternate Tax
MTM	Marked to Market
NR	Non-Resident
OECD	Organisation for Economic Co-operation and Development
PCIT	Principal Commissioner of Income Tax
PGBP	Profit and Gains of Business or Profession
PSU	Public Sector Undertaking
R	Resident
ROI	Return of Income
SEP	Significant Economic Presence
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
UAD	Unabsorbed Depreciation
WHC	Widely Held Company

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## Contact Details

In case of any clarifications or further information, please feel free to reach out to:

**Neetu Vinayek, Partner and Leader, Direct Tax - Infrastructure and Oil and Gas Sector, EY India**

Mobile +91 98202 87616

Email - [Neetu.Vinayek@in.ey.com](mailto:Neetu.Vinayek@in.ey.com)

**Hiten Sutar, Partner, Direct Tax - Oil & Gas sector, EY India**

Mobile +91 98191 70267

Email - [Hiten.Sutar@in.ey.com](mailto:Hiten.Sutar@in.ey.com)