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ESTD.1926

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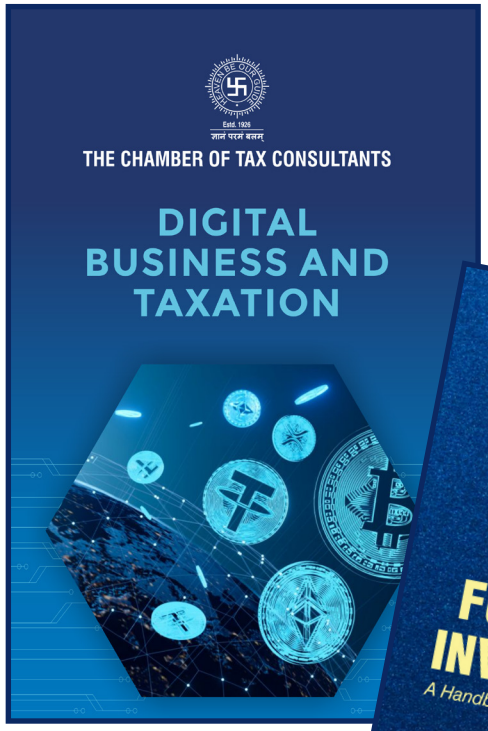
Pre-Budget Memorandum - 2027-2028

Suggested Amendments in respect of Direct Taxes for Finance Bill, 2027

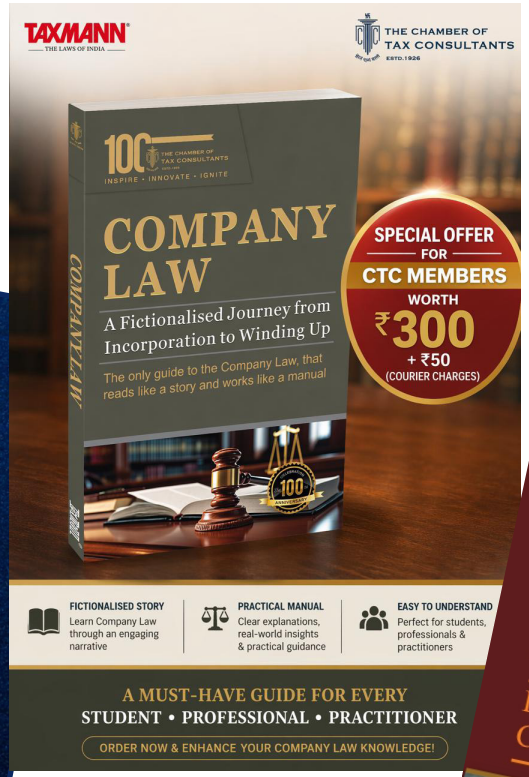
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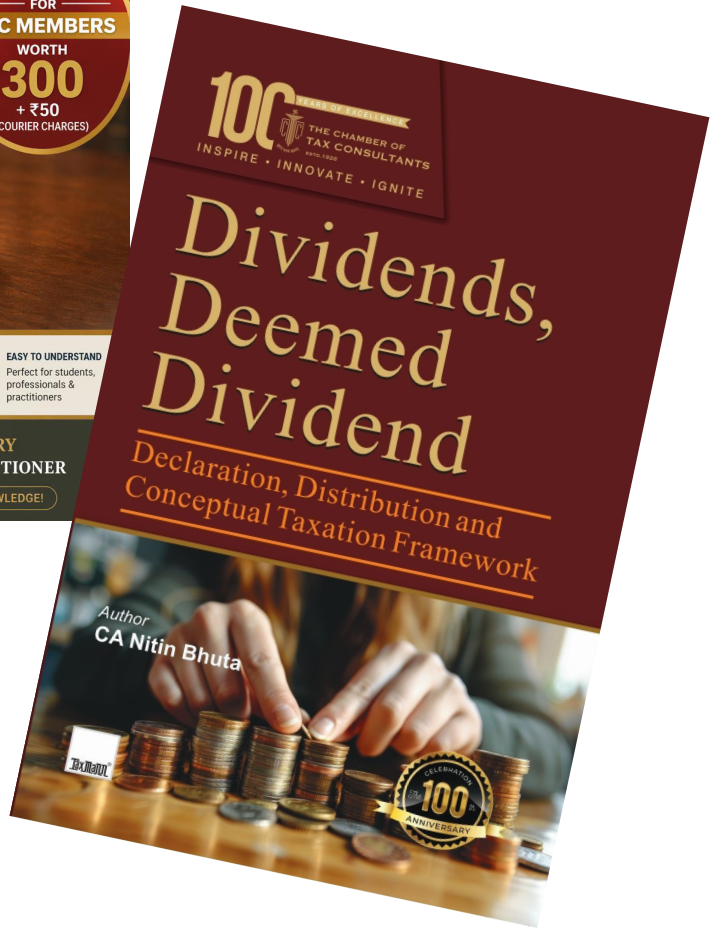
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2nd November, 2026

To,
Smt. Nirmala Sitharaman,
Hon'ble Finance Minister of India
North Block,
New Delhi – 110 001

To,
Shri Ravi Agarwal,
Chairman,
Central Board of Direct Taxes,
Government of India,
Ministry of Finance,
Department of Revenue,
New Delhi –110001

Respected Madam / Sir,

Subject: **Pre-Budget Memorandum - 2027–2028 Suggestions on Direct Tax**

We are pleased to submit our suggestions on Direct Taxes for the Budget of 2027. We have concentrated on only few suggestions which, we are sure, will meet with your approval. Each of the suggestions has been necessitated on account of the serious hardship or inconsistency in the law.

Thanking you,

Yours Sincerely,

For **THE CHAMBER OF TAX CONSULTANTS**

Sd/-

NEHA GADA
PRESIDENT

Sd/-

KETAN L. VAJANI
CHAIRMAN
LAW & REPRESENTATION COMMITTEE

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Sr. No.	Existing provision under the Income-tax Act, 2025 ("the Act")	Corresponding provision under the ITA 1961	Difficulties Obstacles / Hurdles either Interpretative, Administrative or otherwise	Suggestion or new clause Suggested
1 Definitions				
1.1	**Clarify tax neutrality of fast track demerger**			
	Section 2(35): "In this Act, unless the context otherwise requires, 'demerger', in relation to companies, means the transfer, pursuant to scheme of arrangement under sections 230 to 232 of the Companies Act, 2013, by a demerged company of its one or more undertakings to any resulting company …"	Section 2(19AA): "In this Act, unless the context otherwise requires, 'demerger', in relation to companies, means the transfer, pursuant to a scheme of arrangement under sections 391 to 394 of the Companies Act, 1956, by a demerged company of its one or more undertakings to any resulting company …"	• S.2(19AA) of ITA 1961 defines demerger with reference to s.391 to 394 of Companies Act 1956 • S. 2(35) of ITA 2025 substitutes above reference to s.230 to 232 of Companies Act 2013 • S.233 of Companies Act 2013 introduced concept of fast track merger/demerger for certain classes of companies without need for NCLT approval. It envisages scheme to be approved by 90% of shareholders and creditors, and if there are no objections received from Registrar or Official Liquidator, the Central Government shall register the scheme after verifying no prejudice to public interest or creditors. • If Central Government is not satisfied, such scheme has to be referred to NCLT for conventional process as per s.232 of Companies Act 2013 • Presently, the fast track scheme is applicable to mergers/demergers between small companies, startup companies, holding & any subsidiary (not necessarily WOS), a subsidiary (unlisted) with its sister subsidiary, and unlisted companies (with borrowing < Rs. 200 Cr. without any financial default).	• It is recommended to include reference to s.233 of Companies Act 2013 in section 2(35) of ITA 2025 to clarify tax neutrality to fast track demergers • The objective of introducing fast track mergers & demergers by the Government was not to reduce the scope of regulatory scrutiny but to promote ease of doing business and declog the NCLT from matters involving small companies or intra-group transactions. • The fast track route only obviates NCLT approval and does not obviate compliance with other conditions for tax neutrality (like transfer of all assets & liabilities relating to undertaking, transfer on going concern basis, issue of shares by resulting company to shareholders of demerged company on proportionate basis, etc) as also other approvals like shareholders, creditors, sector regulators and

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			• Before Select Committee, stakeholders made representations for clarifying that fast track demerger will be tax neutral.
			• Ministry of Finance (MOF) rejected the recommendation by citing following reasons :-
			  ○ It is not an inadvertent omission
			  ○ Intention to provide tax neutrality to demerger was only to schemes approved by the court unlike fast track demerger which is not under control and supervision of court.
			  ○ Since fast track demergers are not court monitored, valuations thereof can result in tax implications or avoidance
				the Central Government. Hence Revenue's interests are adequately safeguarded and there should be no apprehension of tax avoidance merely it is fast-track process instead of conventional process.
				• The Central Government can always refer the scheme to conventional NCLT approval process if it is apprehensive of scheme not being in public interest.
				• Furthermore, GAAR can be invoked in exceptional circumstances of aggressive tax planning through fast track demergers. Still, if the Tax Department is concerned about potential abuse, certain safeguards can be built into the income-tax laws to allow such schemes benefit of tax neutrality (e.g., filing of such scheme with Income-tax Department post receipt of Central Government approval).
				• Non-availability of tax neutrality to fast track demergers will defeat the Central Government's objective of expanding the scope of fast

<table>
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<tr><td></td><td></td><td></td><td></td><td>track demergers to wider class of companies since no company will adopt this route in view of tax uncertainty.</td></tr>
<tr><td colspan="5">2 Income from Salaries</td></tr>
<tr><td>2.1</td><td colspan="4">HRA benefit should be based on location of residential accommodation as per erstwhile rules, and not based on location of employment [Rule 2A(c) of IT Rules 1962; Rule 279 of IT Rules 2026]</td></tr>
<tr><td></td><td>Rule 279: The amount, which is not to be included in the total income of an assessee in respect of the special allowance referred to in Schedule III [Table: Sl. No. 11] to the Act, shall be the least of the following:
(c) in case of an assessee employed in the location mentioned in column B of the following Table, an amount equal to such percentage of salary, mentioned in column C thereof, due to the assessee in respect of the relevant period:—
TABLE
<table>
<tr><td>Sl. No.</td><td>Location of residential accommodation</td><td>Percentage of salary</td></tr>
<tr><td>A</td><td>B</td><td>C</td></tr>
</table></td><td>Rule 2A(c): The amount which is not to be included in the total income of an assessee in respect of the special allowance referred to in clause (13A) of section 10 shall be—
(c) an amount equal to—
(i) where such accommodation is situate at Bombay, Calcutta, Delhi or Madras, one-half of the amount of salary due to the assessee in respect of the relevant period; and
(ii) where such accommodation is situate at any other place, two-fifth of the amount of salary due to the assessee in respect of the relevant period,</td><td>• S.10(13A) of ITA 1961 provided for exemption to a salaried employee where such employee received House Rent Allowance (HRA) from the employer to meet the cost of rented residential accommodation occupied by him. Corresponding Rule 2A of IT Rules 1962 provided that the amount of exemption is restricted to least of the following:
• the actual HRA received by the employee,
• the excess of rent paid over 10% of the employee’s salary, or
• a specified percentage of salary—50% where the rented residential accommodation is in four metropolitan cities (Mumbai, Delhi, Calcutta and Chennai) and 40% in any other case.
Thus, s.10(13A) of ITA 1961 r. w. Rule 2A(c) provided for determination of HRA exemption based on the location of residential accommodation of the employee. The location of employment was not relevant. For instance, if location of employment was in Gurgaon and location of rented residential accommodation was in Delhi, the employee could avail HRA benefit vis-à-vis 50% of salary.</td><td>• In Rule 279(1)(c), condition of employment in specific locations should be removed and only requirement should be that residential accommodation should be in specific locations.
• Further, Navi Mumbai, Gurgaon and Noida should also be added to list of specific locations eligible for 50% of salary benefit.</td></tr>
</table>

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	1. Mumbai, Kolkata, Delhi, Chennai, Hyderabad, Pune, Ahmedabad and Bengaluru. — 50% 2. Any other place. — 40%		• Under ITA 2025, s.11 r. w. Sl. No. 11 of the Table in Schedule III of ITA 2025 provides for conditions for HRA exemption to employee with respect to residential accommodation occupied by the employee. Rule 279(1)(c) prescribes that, where the taxpayer wants to claim 50% of "salary", then the taxpayer should be both:- • Employed in specified locations and • Residential accommodation should also be in such specified locations The specified locations are Mumbai, Kolkata, Delhi, Chennai, Hyderabad, Pune, Ahmedabad and Bengaluru. • The benefit of tax on HRA should be based on location on residential accommodation only [which was also as per erstwhile Rule 2A(c) of IT Rules 1962] and not based on location of employment (as additionally required in Rule 279(1)(c) of IT Rules 2026]. For e.g., in case a taxpayer is employed in Faridabad, but residential accommodation is located in Delhi, then as per current Rule 279, employee will get benefit of only 40% of salary and not 50% since twin conditions of employment location and residential accommodation location in specified locations is not getting fulfilled.	
2.2	**Anomaly in Rule 280(3) of IT Rules 2026 should be corrected to clarify that all exemptions shall be available under old regime**			
	Rule 280(3) *(3) An employee, being an assessee, **who has exercised***	Rule 2BB(3): *(3) Notwithstanding anything contained in sub-rules (1) and*	• Under ITA 1961, till TY 2022-23, Concessional Tax Regime (CTR) under s.115BAC of ITA 1961 was optional regime;	• It is recommended that the inadvertent drafting anomaly be rectified by inserting "not"

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	an option under section 202(4) *of the Act shall be entitled to exemption only in respect of allowances mentioned in sub-rule (1)(a) to (d) and in sub-rule (2) [Table: Sl. No. 10], to the extent and subject to the conditions, if any, specified therein*	*(2), an employee, being an assessee,—* *(i) who has exercised option under sub-section (5) of section 115BAC; or* ***(ii) whose income is chargeable to tax under sub-section (1A) of section 115BAC,*** ***shall be entitled to exemption only in respect of the allowances*** *mentioned in sub-clauses (a) to (c) of sub-rule (1) and at serial No. 11 of the Table below sub-rule (2) to the extent and subject to the conditions, if any, specified therein*	and salaried employees had to specifically opt for new regime in ROI by filing erstwhile Form 10-IE. With effect from TY 2023-24, CTR under s.115BAC(1A) of ITA 1961 became default regime – option for opt out of new regime and select old regime was to be exercised in ROI. The rule made it clear that employees falling under default new regime shall not be eligible for exemptions other than those specifically permitted therein. • Under ITA 2025, CTR continues to be default regime under s.202 of ITA 2025; option for opt out and choose old regime is to be exercised in ROI for salaried employees u/s. 202(4) of ITA 2025. A literal reading of Rule 280(3) conveys that all exemptions stipulated in Rule 280(1) and (2) shall not be available to an employee who exercises option u/s. 202(4) to choose old regime. Such employee shall be entitled to exemption only in respect of limited allowances specified in Rule 280(3). This seems to be completely contrary to the legislative intent to restrict the scope of exemptions and deductions under new regime. On the other hand, as an extreme reading, an employee under default new regime may not be entitled to any exemption (even those limited exemptions specified in Rule 280(3)). It seems the word "not" is inadvertently missed to be inserted between "who has" and "exercised an option".	between "who has" and "exercised an option" so as to clarify that all exemptions shall continue to be applicable to employees switching to old regime and limited exemptions shall be available for employees remaining within the fold of default new regime.

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<tr><td>2.3</td><td colspan="4">Clarify that there is requirement to maintain records in case of employee-owned car used for both official and personal purposes, where perquisite value is computed based on actual expenditure incurred by the employer less standard deduction</td></tr>
<tr><td></td><td>Rule 15(3)(a) – Table II – Sl. No. 2 Where the employee owns a motor car but the actual running and maintenance charges (including chauffeur remuneration, if any) are met or reimbursed by the employer:
<table>
<tr><th>Scenario</th><th>Valuation</th></tr>
<tr><td>Vehicle used wholly and exclusively for official purposes</td><td>No value, if the documents specified in Rule 15(3)(c) are maintained by the employer</td></tr>
<tr><td>Vehicle used partly for official purposes and partly for personal/private purposes of the employee or</td><td>Actual amount of expenditure incurred by the employer as reduced by the amount specified in</td></tr>
</table></td><td>Rule 3(2)(A) – Table II – Sl. No. 2 Where the employee owns a motor car but the actual running and maintenance charges (including chauffeur remuneration, if any) are met or reimbursed by the employer:
<table>
<tr><th>Scenario</th><th>Valuation</th></tr>
<tr><td>Vehicle used wholly and exclusively for official purposes</td><td>No value, provided the documents specified in Rule 3(2)(B) are maintained by the employer</td></tr>
<tr><td>Vehicle used partly for official purposes and partly for personal/private purposes of the employee or household members</td><td>Subject to the provisions of Rule 3(2)(B), the actual amount of expenditure incurred by the employer</td></tr>
</table></td><td>• Under ITA 1961 as also ITA 2025, where the employer reimburses running and maintenance expenses of an employee-owned motor car used wholly and exclusively for official purposes, and the prescribed documentation requirements are satisfied, the reimbursement is not taxable in hands of the employee [Rule 15(3)(a), Table II, Sl. No. 2(a) of I. T. Rules 2026 r. w. s. 17(1)(e) of ITA 2025].
Further, Rule 3(2)(B) of I.T. Rules, 1962 and Rule 15(3)(c) of I. T. Rules, 2026 prescribe the conditions required to establish official use of an employee-owned motor car. This provides for maintenance of complete details of journeys undertaken for official purposes (i.e., date of journey; destination; mileage travelled; and amount of expenditure incurred thereon) and requires the employer to certify that the expenditure was incurred wholly and exclusively in the performance of official duties.
• Where the employer reimburses running and maintenance expenses of an employee-owned motor car used partly for official purposes and partly for personal purposes, the taxable value is determined by reducing the standard deduction amount from the actual expenditure incurred by the employer [Rule 15(3)(a), Table II, Sl. No. 2(b) of I. T. Rules 2026 r. w. s. 17(1)(e) of ITA 2025].</td><td>• In Rule 15(3)(a), Table II, Sl. No. 2(b) of I. T. Rules 2026, it is suggested to omit the words “if the conditions mentioned in Rule 15(3)(c) are fulfilled” and instead use the words “Subject to the provisions of Rule 15(3)(c)”. This would clarify that documentation prescribed in Rule 15(3)(c) is not required to be maintained if only standard deduction is sought to be claimed.</td></tr>
</table>

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	household members | *Sl. No. 1(c)(i),* ***if the conditions mentioned in Rule 15(3)(c) are fulfilled"*** ***Rule 15(3)****(c) If the employer or employee claims that the motor vehicle is used solely for official duties or that the actual expenses for running and maintaining the employee-owned motor vehicle for official purposes exceed the deductible amounts in Table II: Sl. No. 2(b) or 3(b),* ***he may claim a higher amount for official use and in this case****, the value of the perquisite shall be the actual amount of expenses paid or reimbursed by the employer,* ***minus the higher amount attributed to official use*** *of the vehicle provided that the following conditions are fulfilled…."*	*as reduced by the amount specified in Sl. No. 1(c)(i)"*	Here, Sl. No. 2(b) specifically provides that the actual expenditure incurred by the employer may be reduced by the standard deduction amount "if the conditions mentioned in Rule 15(3)(c) are fulfilled." (i.e., if the documentation requirements are satisfied). However, Rule 15(3)(c) states that it applies only if (a) whole of the reimbursement is sought to be claimed as official travel or (b) higher deduction than standard deduction is sought to be claimed. • In contrast, erstwhile Rule 3(2)(A) Table II Sl. No. 2(ii) stated that valuation would be determined "subject to the provisions of Rule 3(2)(B)." As per erstwhile Rule 3(2)(B), documentation was required to be maintained only if (a) whole of the reimbursement is sought to be claimed as official travel or (b) higher deduction than standard deduction is sought to be claimed for official travel. Thus, under the Old Rules, documentation was not required if only standard deduction was to be claimed. • Accordingly, a literal reading of the new rules suggests that compliance with documentation requirements in Rule 15(3)(c) may be a condition precedent even for claiming the standard deduction specified under Sl. No. 1(c)(i) of Rs. 5,000 or Rs. 7,000 (depending upon nature of motor car). Such interpretation will constitute a significant policy change and increase in compliance burden.	

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			It is unequivocally stated in multiple CBDT FAQs that there is no change in policy in the new Act. In particular, reference may be made to CBDT Press Release dated 8 Feb 2026 and note accompanying the draft IT Rules published for stakeholder comments. The Press Release states that *"The corresponding Income-tax Rules and related Forms have been prepared after broad-based consultation to align with the provisions of the Income-tax Act, 2025".* The note states that *"The drafting of new Income-tax Rules and forms has followed the same philosophy as that of the new Income-tax Act 2025. The language of the rules has been simplified to the extent possible. Formulas and tables have been provided wherever necessary. Redundancy in the Income-tax Rules, 1961 has been sought to be eliminated. While preserving the larger content of the policy, certain changes have been introduced in line with the changes in the Income-tax Act, 2025"*	
3 Profits and Gain from Business and Profession				
3.1	**Amend s.29(1)(d) which allows provision for payment of gratuity to an approved gratuity fund, by adding a condition that such provision should have 'become payable during the tax year'**			
	S.29(1)(d) (1) The following sums, in the case of an assessee being an employer, shall be allowed as deduction in computing income chargeable under section 26:— (d) irrespective of anything contained in sub-section (2), any provision made for the purpose of making	S.40A(7) *(a) Subject to the provisions of clause (b), no deduction shall be allowed in respect of any provision (whether called as such or by any other name) made by the assessee for the payment of gratuity to his employees on their retirement or on termination of their employment for any reason.*	• Under ITA 1961, s.40A(7)(a) disallows deduction of provision made for the payment of gratuity by an employer to his employees. S.40A(7)(b) creates an exception to this for: (Limb 1) provision for the purpose of payment of a sum by way of contribution towards an approved gratuity fund, or (Limb 2) provision for the purpose of payment of gratuity, that has become payable during the previous year	• In s.29(1)(d), 'commas' may be added at two places to restore parity with ITA 1961, along the following lines: *(1) The following sums, in the case of an assessee being an employer, shall be allowed as deduction in computing income chargeable under section 26:—* *(d) irrespective of anything contained in sub-section (2), any provision made for the purpose of making contribution*

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	contribution towards approved gratuity fund or for the purpose of payment of any gratuity that has become payable during the tax year;	*(b) Nothing in clause (a) shall apply in relation to any provision made by the assessee for the purpose of payment of a sum by way of any contribution towards an approved gratuity fund, or for the purpose of payment of any gratuity, that has become payable during the previous year.*	Use of a 'comma' before underlined portion suggests that the underlined portion applies to both Limb 1 and Limb 2. In the context of Limb 1, the underlined portion means that, provision for the purpose of contributions to an approved gratuity fund are disallowed where such provision exceeds contributions as are statutorily required to be made to the approved gratuity fund during the current year (as such contributions have not become payable during the current year). This could cover, for instance, disallowance of provision made in the current year in respect of: • contributions to be made in future years to approved gratuity fund, or • current contributions which exceed amount statutorily payable by the employer in the current year. • Under ITA 2025, the corresponding provision omits the 'comma' before the underlined portion. This results in ambiguity as to whether the underlined portion applies to Limb 1 or it is confined to Limb 2.	*towards approved gratuity fund, or for the purpose of payment of any gratuity, that has become payable during the tax year;*
3.2	**Reduction in block of asset in case of slump sale and computation of net worth on slump sale [Sections 43(6), 50B, 50 of ITA 1961, Sections 41, 77, 74 of ITA 2025]**			
	Section 41(1)(c): For the purposes of computation of income under the head "Profits and gains of business or profession", written down value means— (c) in case of block of assets, the written down value	Section 43(6)(c)(i)(C): In sections 28 to 41 and in this section, unless the context otherwise requires— (6) "written down value" means— (c) in the case of any block of assets,—	**Under ITA 1961:** • In case of slump sale of a business undertaking, the transferor was required to reduce the standalone income tax written down value (WDV) of the depreciable asset transferred under the slump sale from the block of assets (Refer s.43(6)(c)(i)(C)). The stand alone IT WDV was computed as	• To maintain parity with ITA 1961, under ITA 2025, Element E in the formula provided in section 41(1)(c) should specifically provide that the reduction shall not exceed the value of the block of asset (i.e. [(A-D) + B-C]) as it was provided

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	computed in the following manner: (A – D) + B – C] – E, where E = in the case of a slump sale, the actual cost of the asset falling within that block as reduced by— (i) depreciation actually allowed in respect of tax year commencing on 1st April, 1986 or any earlier tax year; and (ii) depreciation allowable for tax year commencing on or after 1st April, 1987 under this Act or under the Income-tax Act, 1961 (43 of 1961), as if such asset was the only asset in the relevant block of asset. Section 77(5)(b)(i): For the purposes of this section,— (a) the "net worth" shall be the "aggregate value of total assets" of the undertaking or division, as reduced by the value of its liabilities as appearing in the books of account, and for computing net worth, any change in the value of assets due to revaluation shall be ignored;	(i) in respect of any previous year relevant to the assessment year commencing on the 1st day of April, 1988, the aggregate of the written down values of all the assets falling within that block of assets at the beginning of the previous year and adjusted,— (C) in the case of a slump sale, decrease by the actual cost of the asset falling within that block as reduced— (a) by the amount of depreciation actually allowed to him under this Act or under the corresponding provisions of the Indian Income-tax Act, 1922 (11 of 1922) in respect of any previous year relevant to the assessment year commencing before the 1st day of April, 1988; and (b) by the amount of depreciation that would have been allowable to the assessee for any assessment year commencing on or after the 1st day of April, 1988 as if the asset was the only asset in the relevant block of assets,	original cost of the asset transferred (as part of the slump sale) as reduced by depreciation that would have been allowed had such asset transferred been the only asset in the block. In other words, the standalone WDV of the individual asset (transferred in slump sale) in the block was required to be identified and reduced from the block. Additionally, there existed a specific provision which provided that such reduction from the block shall not result in the block becoming negative. This was ensured by providing a limitation in s.43(6)(c)(i)(C) that "so, however, that the amount of such decrease does not exceed the written down value". For instance, if the block WDV is ₹ 10,000 and standalone IT WDV of transferred asset is ₹ 12,000, the reduction is restricted to ₹ 10,000 such that block does not become negative. • In terms of section 50B of the ITA 1961, the "net worth" of the undertaking was considered as the cost of acquisition of the undertaking. Net worth was determined in terms of Explanation 2 to section 50B. While determining the net worth, for depreciable assets, it was provided that the value shall be equal to the value determined under s.43(6)(c)(i)(C). This ensured that the same standalone IT WDV which was reduced from block of asset under s.43(6)(c)(i)(C) was considered in the net worth, while computing capital gains	in Income Tax Bill 2025 presented in Lok Sabha on 13 February 2025. This will also be consistent with similar language which already exists in Element C of the WDV formula under section 41(1)(c). • To maintain parity with ITA 1961, for determining the value of depreciable assets which is to be included in the net worth under s.77 of ITA 2025, a specific reference should be made in s. 77(5)(b)(i) to Element E of the formula of WDV contained in section 41(1)(c).

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	(b) the "aggregate value of total assets" shall,— (i) for depreciable assets, be the written down value of the block of assets determined under section 41(1)(c);	**so, however, that the amount of such decrease does not exceed the written down value;** (ii) in respect of any previous year relevant to the assessment year commencing on or after the 1st day of April, 1989, the written down value of that block of assets in the immediately preceding previous year as reduced by the depreciation actually allowed in respect of that block of assets in relation to the said preceding previous year and 32[as further adjusted by,— (A) the increase or the reduction referred to in item (i), not being increase on account of acquisition of goodwill of a business or profession; Section 50B, Explanation 2: For computing the net worth, the aggregate value of total assets shall be,— (a) in the case of depreciable assets, the written down value of the block of assets determined in accordance with the provisions contained in sub-item (C) of item (i) of sub-clause (c) of clause (6) of section 43;	on slump sale. Hence, there was congruency between the reduction in the block and the amount considered for computing the net worth. In the above illustration, the value of depreciable assets to be included in net worth would be ₹ 10,000. **Under ITA 2025:** • Section 41 deals with determination of WDV. For determination of WDV, the section provides a formula in section 41(1)(c) viz. [(A-D) + B-C] - E. Element E in section 41(1)(c) of ITA 2025 corresponds to s. 43(6)(c)(i)(C) of ITA 1961 and provides for reduction from the block of asset equal to the original cost of the asset transferred in slump sale as reduced by depreciation that would have been allowed had the asset transferred been the only asset in the block. However, ITA 2025 does not provide for a limitation that that such reduction shall not exceed the WDV of the block. Consequently, on account of such reduction, the block can potentially turn negative. This is a material deviation from ITA 1961. Since the block may become negative, there may also be a potential trigger of deemed short term capital gains under section 74 of ITA 2025 (corresponding to section 50 of ITA 1961). Curiously, clause 41 of Income Tax Bill 2025 introduced in Lok Sabha on 13 February 2025 contained the limitation on lines of s.43(6)(c)(i)(C)	

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			to provide that E shall not exceed [(A-D) + B -C]. But this limitation seems to be inadvertently omitted at the stage of enactment of ITA 2025. • Furthermore although s.77 of ITA 2025 provides for considering net worth of undertaking as the cost of acquisition of the undertaking transferred in slump sale on lines of ITA 1961, but s.77(5)(b)(i) of ITA 2025 refers to S.41(1)(c) of ITA 2025 instead of merely referring to element E of formula provided in S.41(1)(c) of ITA 2025. This inadvertently could have the effect of considering the WDV of the entire block of asset of the taxpayer, instead of merely considering standalone IT WDV of asset transferred as part of slump sale. For instance, if the value of entire block is ₹ 1 lakh and standalone IT WDV of assets transferred as part of slump sale is ₹ 20,000, s.77(5)(b)(i) requires considering ₹ 1 lakh instead of ₹ 20,000. This appears to an inadvertent drafting anomaly which can result in anomalous outcomes by artificially inflating the net worth. The above, coupled with ambiguity due to absence of explicit language limiting quantum of reduction to WDV of the entire block of asset as discussed above, it also creates ambiguity on WDV to be included in net worth, if the standalone IT WDV is more than WDV of the entire block of asset. For instance, if the WDV of the entire block of asset is ₹ 10,000 and standalone IT WDV of transferred asset is ₹ 12,000, it raises an issue whether WDV of	

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			depreciable assets to be included in net worth computation should be ₹ 10,000 or negative ₹ 2,000. Under ITA 1961, it was clear that ₹ 10,000 should be reduced from WDV of the entire block of asset, and consistent therewith, ₹ 10,000 should be included in the net worth.	
Disproportionate disallowance for failure to deduct tax at 0.1% on purchase of goods				
3.3	Section 35(b)(i) read with section 393(1), Table for Payments to Residents, serial number 8(ii). Section 393 requires a buyer to deduct tax at 0.1% on the amount exceeding ₹50 lakh for purchase of goods. Section 35(b)(i) disallows 30% of a sum payable to a resident where tax deductible under Chapter XIX-B is not deducted or, after deduction, is not paid up to the due date specified in section 263(1).	Sections 40(a)(ia) and 194Q of the Income-tax Act, 1961.	The consequence under section 35(b)(i) is disproportionate where the default relates to tax deductible on purchase of goods under section 393(1), Table serial number 8(ii). The rate of tax deduction is only 0.1%, whereas failure to deduct or deposit that tax may result in disallowance of 30% of the purchase expenditure. For example, if a buyer fails to deduct tax of ₹10,000 on purchases of ₹1 crore subject to deduction, the possible disallowance is ₹30 lakh. The resulting tax consequence bears no reasonable relationship to the amount of TDS default. The buyer is additionally exposed to interest and other consequences under the TDS provisions. Although the expenditure becomes allowable in the year in which the TDS is paid, the timing disallowance creates substantial cash-flow and tax consequences disproportionate to a 0.1% default.	Amend section 35(b)(i) to provide a separate and proportionate consequence for defaults under section 393(1), Table serial number 8(ii). In such cases, restrict the disallowance to 1% of the amount on which tax was deductible but was not deducted or paid, instead of 30%.
Rationalisation of deduction for payments to micro and small enterprises				
3.4	Section 37(2)(g) allows deduction of a sum payable to a micro or small enterprise only on actual payment within the time specified in section 15 of the Micro, Small and	Section 43B(h) of the Income-tax Act, 1961.	The effect of section 37(2)(g) read with section 15 of the MSMED Act is that the buyer is required to make the payment to the supplier registered under MSMED Act, 2006 within maximum 45 days of the transaction. If the payment is not so made within the period of the 45 days,	Delete section 37(2)(g). Alternatively, allow deduction where payment is made up to the due date for filing the return under section 263(1), or restrict the disallowance to payments outstanding beyond the contractually agreed period and provide appropriate

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	Medium Enterprises Development Act, 2006.		the buyer will suffer disallowance. The payment made within the same financial year, however, does not suffer the disallowance since the deduction gets allowed on account of the payment. The object of section 15 of the MSMED Act is laudable i.e to protect the interests of the Micro, Small and Medium Enterprises. However, section 37(2)(g) has resulted in some challenges and is counterproductive to an extent. Due to this clause, many buyers have stopped doing business with the Micro and Small Enterprises due to the fact that the delay in payment is likely to result in disallowance in their case which will ultimately result in higher tax liability. Many of the Micro and Small enterprises are also feeling it worth to cancel their registration under the MSMED Act with the purpose of not losing the business. The Micro and Small Enterprises are happy to get delayed payment as compared to loss of business which might be fatal for their survival. Further in so far as the protection of the interests of Micro and Small Enterprises is concerned, the same is duly taken care of by the fact that in a case where the payment to such enterprises are delayed beyond the time specified, section 16 of the MSMED Act makes it mandatory for the buyer to pay compound interest with monthly rest to the supplier at the rate which is three times the Bank rate as notified by the RBI. The payment of such interest is not an allowable expense in accordance with the provisions of section 23 of the MSMED Act. These provisions act as sufficient deterrent	relief where the delay is attributable to a bona fide dispute. As a last alternative, if the buyer and seller both are registered entities under MSME, the provision of section 37(2)(g) should not made applicable. This is on the basis of the simple logic that the protection to one Micro / Small Enterprise should not be detrimental to the other Micro / Small Enterprise.

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			against the buyer who delays the payment to the Micro and Small Enterprises. Accordingly, it is felt that section 37(2)(g) results in more difficulties rather than solving the difficulties of the Micro and Small Enterprises.	
4 Presumptive Taxation Schemes				
Deduction of partner remuneration and interest from presumptive income under section 58				
4.1	Section 58 provides a presumptive basis for computing profits and gains of specified businesses and professions. Section 58(1) provides that sections 26 to 54, to the extent contrary to section 58, shall not apply. Consequently, remuneration and interest paid by a partnership firm to its partners are not separately deductible from presumptive income.	Sections 44AD and 44ADA read with section 40(b) of the Income-tax Act, 1961.	A partnership firm and its partners are separately taxable persons. Remuneration and interest paid to partners, subject to statutory conditions and limits, are correspondingly taxable in the hands of the partners. Denial of deduction may result in unduly high effective presumptive taxation of partnership and professional firms where working partners are integral to earning receipts. The deduction was historically available under section 44AD up to AY 2016-17.	Amend section 58 to permit a partnership firm, including a firm carrying on a specified profession, to deduct salary/remuneration and interest paid to partners from presumptive income, subject to the conditions and monetary limits otherwise applicable under the Income-tax Act, 2025.
4.2	(i) Presumptive tax regime for non-resident engaged in the business of operation of cruise ships (ii) Lease rental for Cruise Ship - Exemption under Schedule IV (Table, S.No. 9) (iii) Introduction of presumptive taxation regime for non-residents having PE in India		**(i)** Section 61 (Table, S.No. 2) provides a presumptive tax regime for non-resident engaged in the business of operation of cruise ships under which 20 per cent of amount paid/ payable/ received/ deemed to be received for the carriage of passengers is deemed to be the profits and gains of such business. A presumptive rate of 20 per cent is too high. Ordinarily, the rate under presumptive regime varies from 5 per cent to 10 percent. For instance, the rate under Section 61 (Table, S.No. 1) for	**(i)** The presumptive rate of 20 per cent should be reduced and should be in line with the rates under other presumptive tax regimes for the similar businesses. **(ii)** The condition that the payor and the payee should be the subsidiaries of the same holding company is very restrictive, without reasons and results in several cases falling outside its

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			shipping business is 7.5 per cent, under Section 61 (Table, S.No. 3) for operation of aircraft is 5 per cent. **(ii)** Schedule IV (Table, S.No. 9) exempts the income of a foreign company from the lease rental of cruise ship from the company opting for taxation under section 61 provided the payor and payee are the subsidiaries of the same holding company. Further, this exemption is available only till AY 2030-31. Because of the restriction of having the same holding company, the benefit of the exemption will be restricted to limited situations. The section exempts "lease rentals". However, this term has not been explained. It may lead to more interpretational issues and hence, litigation. It is also not clear as to whether 'Holding Company' is required to be an Indian Company or Foreign Company. Further, the expression 'operate such cruise ships in India' would mean 'management and operation of foreign ship operation company' or operation of ship solely in the Indian territorial waters' is not clear. **(iii)** The computation of income attributable to the PE is complex and subjective, often involving multiple interpretations and compliance challenges. This poses a significant burden, particularly for foreign entities as they are required to maintained separate books of accounts / audit for India operations and that too for a financial year. At times, these efforts are disproportionate to the income and tax involved.	ambit. Thus, the exemption is requested to be made available in all situations irrespective of the relationship between the payor and payee. Further this exemption is available only till AY 2030-31 and is requested to be enacted without any sunset date. The term 'lease rentals' should be defined suitably to reduce interpretational issues. The term 'operate such cruise ships in India' be defined to mean operation of cruise ships in the Indian territorial waters. The Holding company be permitted to be an Indian company or a foreign company. This would attract foreign investors to participate in the Indian cruise shipping market. **(iii)** Similar to the existing presumptive taxation regime for non-residents/ foreign companies engaged in specified business activities, an alternative optional presumptive taxation regime should be extended to non-residents/ foreign companies having a PE in India. This would eliminate the uncertainties and compliance burden significantly especially on small and mid-size projects of foreign company. It will promote ease of doing business. A

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			Given these challenges, there is a need of a presumptive taxation for non-residents having PE in India and wanting to offer their income to tax on the presumptive basis. If actual taxable income is lower, the scheme can give option to taxpayers offer to tax at such actual taxable income by maintaining proper books of accounts for the India operations and associated compliances (e.g. tax audit, etc).	similar proposal has been made by NITI Aayog in its report dated 3 October 2025. In this regard, the presumptive profit rate could be taken as 7.5 per cent of the gross revenue from the sale of goods attributable to the PE (excluding offshore sale) and 10 per cent for the services provided in India by the PE. On such a deemed profit, the corporate tax rate applicable to foreign company (currently 35 percent plus surcharge and cess) may be applied to compute the effective tax rate.
4.3	**MAT exemption to non-residents under presumptive taxation regime**			
	Section 206(1)(l)(iii) of the Act provides that minimum alternate tax ("MAT") provisions do not apply to a foreign company engaged in specified business (as referred to in section 61(2)), where its total income comprises *solely* of profits and gains from such business, and such income has been offered to tax at the presumptive tax rates specified in the Table.		• The relief from MAT is limited to cases where foreign company derives income in India which is "solely" from the specified business subject to presumptive taxation. This is likely to be interpreted to mean that if such foreign company has any other income (– say, Royalty, Fees for Technical services, etc.), the exclusion will not apply, and the foreign company will be fully exposed to MAT even on income from specified business. • MAT exemption is provided to non-residents, inter-alia, engaged in operation of cruise ships and providing services or technology for the setting up an electronics manufacturing facility in India to a resident company with effect from 1 April 2026. However, the presumptive taxation for	• It should be clarified that MAT provisions are not applicable to income(s) of foreign company eligible and subjected to presumptive taxation regime regardless of any other income earned by it in India. The MAT exemption to non-residents engaged in operation of cruise ships or providing services or technology for the setting up an electronics manufacturing facility in India should be made operative from the date of enactment of the presumptive taxation provisions in the 2025 Act.

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			cruise ship operations was introduced by the Finance (No.2) Act, 2024 from the financial year 2024-25 and for electronic manufacturing was introduced by the Finance Act, 2026 from financial year 2025-26.	
Utilisation of accumulated MAT credit by companies that opted for the concessional regime before 1 April 2026				
4.4	The transitional MAT provisions under the Income-tax Act, 2025 permit specified domestic companies opting for the concessional regime on or after 1 April 2026 to utilise accumulated MAT credit standing as at 31 March 2026, subject to the prescribed annual restriction.	Sections 115JAA and 115BAA of the Income-tax Act, 1961.	Companies that had already opted for section 115BAA before 1 April 2026 were required to forgo accumulated MAT credit, whereas companies entering the corresponding concessional regime under the Income-tax Act, 2025 receive transitional utilisation relief. Similarly situated companies are therefore treated differently merely because of the date on which the option was exercised.	Provide transitional relief permitting domestic companies that opted for section 115BAA before 1 April 2026 to restore and utilise the MAT credit forgone on exercising that option, on the same basis and subject to the same annual restriction applicable to companies opting under the Income-tax Act, 2025.
5 Capital Gains				
5.1	**Typo in section 70(1)(g) providing capital gains exemption where a foreign amalgamation involves transfer of shares of an Indian company**			
	Section 70 (1) The provisions of section 67 shall not apply to transfer— *(g) in a scheme of amalgamation, **to him** of a capital asset being a share or shares held in an Indian company by the amalgamating foreign company to the amalgamated foreign company, if: ……*	Section 47 Nothing contained in section 45 shall apply to the following transfers :— (via) any transfer, in a scheme of amalgamation, of a capital asset being a share or shares held in an Indian company, by the amalgamating foreign company to the amalgamated foreign company, if—	• The erroneous insertion of the words 'to him' appears to be inadvertently made during enactment stage in August 2025. The words "to him" were not there even in Income tax Bill 2025 introduced in Lok Sabha on 13 Feb 2025. There was no recommendation in Select Committee Report to add these words.	• The typo may be rectified by deleting the words 'to him'.
5.2	**Ambiguity in section 70(1)(c) and (d) in case of transfer of capital asset by transferor company which is received as stock-in-trade by transferee company**			

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	Section 70 (1) The provisions of section 67 shall not apply to transfer— *(c) of a capital asset, not being stock-in-trade, by a company to its subsidiary company, if—* *…* *(d) of a capital asset, not being stock-in-trade, by a subsidiary company to the holding company, if—…*	Section 47 Nothing contained in section 45 shall apply to the following transfers :— (iv) any transfer of a capital asset by a company to its subsidiary company, if—… (v) any transfer of a capital asset by a subsidiary company to the holding company, if—… Provided that nothing contained in clause (iv) or clause (v) shall apply to the transfer of a capital asset made after the 29th day of February, 1988, as stock-in-trade;	• Under ITA 1961, s.47(iv) exempts capital gains arising on transfer of a capital asset by a holding company to its WOS. S.47A inter alia provides for withdrawal of exemption where such capital asset is, after its acquisition, converted by the transferee company into, or is treated by it as, stock-in-trade of its business. A proviso was added by Finance Act, 1988 to disentitle exemption where the transferee company acquires the capital asset of the transferor company it as its stock-in-trade. Following was stated in the Explanatory Memorandum: ***"Measures to check tax avoidance in cases of transfer*** ***24.*** *Under the existing provisions of section 47 of the Income-tax Act, any transfer of a capital asset from a holding company to its wholly-owned subsidiary company or vice-versa is exempt from the charge of capital gains tax, subject to certain conditions. The exemption is, however, withdrawn under section 47A of the Act, if such capital asset is converted by the transferee company into, or is treated by it as stock-in-trade of its business, or the parent company or its nominee or the holding company ceases to hold the whole of the share capital of the subsidiary company, before expiry of a period of 8 years from the date of transfer. To circumvent the operation of section 47A of the Act, transferee holding/subsidiary companies are resorting to the device of converting the capital asset as stock-in-trade at the time of transfer itself.*	• It is suggested that language of erstwhile proviso be retained in the New Act, by adding a condition in section 70(1)(c) and (d) that "the transfer of a capital asset is not made as stock-in-trade".

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			With a view to plug this loophole, it is proposed to bring to tax under the head "capital gains" any transfer of a capital asset by a holding company to its wholly-owned subsidiary company or vice-versa, in cases where the capital asset is taken over as stock-in-trade at the time of transfer. *The above amendment will apply to any transfer made after 29th February, 1988."* • Under ITA 2025, the proviso has been omitted, and the exemption has been re-worded to disentitle the exemption where subject matter of transfer involves "a capital asset, not being stock-in-trade". These words are ambiguous, and question would arise whether the characterisation as stock-in-trade should be seen from the perspective of the transferor company or the transferee company.	
5.3	Absence of carve out with respect to exemption from capital gains tax in the context of foreign merger/demerger – direct transfer as well as indirect transfer.		Sections 70(1)(g), 70(1)(h), 70(1)(l) and 70(1)(m) inter alia requires that the shareholders of the amalgamating company / de-merged company should continue as the shareholder of the amalgamated company / resulting company (as the case maybe) for constituting transactions not regarded as transfer to qualify for exemption from taxation as capital gains. There are however no carve out for cases where amalgamated / resulting company is the shareholder of amalgamating / demerged company as in domestic cases as under: Section 2(6) of the Act dealing with domestic amalgamation carves out an exception for shareholding continuation condition which does not apply to the shares of the amalgamating	The logical carve out for Parent-Subsidiary be incorporated in the existing exemptions relating to merger/de-merger of foreign companies – direct transfer as well as indirect transfer cases. This will bring clarity to all such cases rather than relying on general principles / judicial precedents for such conclusion. It is therefore requested that the Sections 70(1)(g), 70(1)(h), 70(1)(l) and 70(1)(m) of the Act be amended to provide that the requirement of continuity of shareholders will not apply to the shares of the

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			company that are held by the amalgamated/ resulting company or its subsidiary. This is because when the subsidiary is merged into the Holding company, the Holding company cannot allot shares to itself under the merger. Similarly, Section 2(35) of the Act provides for an exception from this condition where the resulting company itself is the shareholder of the demerged company.	amalgamating company / demerged company that are held by the amalgamated company (or its subsidiary) in the case of amalgamation and resulting company in the case of demerger.
5.4	**Additional tax on buy-back shares for promoters**			
	Currently, buy-back proceeds are taxed as capital gains and not as dividend. Further, as per section 69, there is levy of additional capital gains tax on promoter shareholders at the prescribed tax rates in case of buy-back of shares. The term 'promoter' has been defined to mean (a) in case of Indian listed company as per the SEBI regulations for buy-back of securities and (b) in other cases, as per Companies Act, 2013 or the person who holds (directly or indirectly) more than 10 per cent of the shareholding in the company.		• The 10 per cent threshold appears to be without an objective basis as it may not be necessary that a person holding more than 10 per cent of the stake in a company has equivalent voting rights and / or would enjoy the level of control to influence corporate decision making. Further, it is not clear whether the 10 per cent threshold is to be assessed by reference to equity shareholding alone or on a fully diluted basis, i.e. after taking into account equity-linked instruments such as convertible preference shares or debentures. Also, no clarity is provided for determining indirect ownership for the purposes of identifying a "promoter" or for applying the additional tax. • As buy-back proceeds are now taxable as capital gains and not as dividend, clause (f) to section 2(40) relating to any payment by a company on purchase of its own shares from a shareholder as per section 68 of the Companies Act, 2013, has been omitted.	• It is recommended that the 10 per cent threshold to qualify a shareholder as a promoter for the purposes of additional buy-back tax should be increased to minimum 26 per cent and this threshold should be applied only with respect to shares which have voting rights and not to any other shares or convertible instruments. In case 10 per cent threshold is retained, clear legislative guidance should be provided with regard to computation of the threshold. • It is recommended that section 2(40) should be further amended to clarify that dividend does not include payment by a company on purchase of its own shares from a shareholder.

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			Section 2(40) also lists down specific payments that shall not be included within the scope of "dividend". However, payment by a company for buy-back of its shares is not specifically in the aforesaid exclusion list. In sub-clause (iv) of section 2(22) of the 1961 Act, it was specifically provided that the term "dividend" does not include any payment made by a company on purchase of its own shares from a shareholder in accordance with the provisions of the Companies Act, 1956 (1 of 1956). However, this point was deleted by the Finance (No.2) Act, 2024 w.e.f. 1 October 2024 since clause (f) to section 2(22) of the 1961 Act was introduced. Since the corresponding clause (f) to section 2(40) of the Act has been deleted, to avoid any ambiguity leading to potential litigation, similar exclusion should be provided in the definition of the term "dividend" under section 2(40) of the Act.	
Rationalisation of ₹10 crore ceiling for exemption on investment in residential house				
5.5	Section 86(1) grants proportionate exemption where an individual or HUF transfers a long-term capital asset other than a residential house and invests in one residential house in India. Section 86(8) provides that cost of the new asset exceeding ₹10 crore shall not be considered for section 86(1).	Section 54F(1), including the second proviso, of the Income-tax Act, 1961.	Capping the cost of the new asset, instead of capping the exemption, distorts the proportionate formula. For net consideration of ₹25 crore, capital gain of ₹20 crore and investment of ₹25 crore in a house, the deemed cost of ₹10 crore results in exemption of only ₹8 crore, though the intended ceiling is ₹10 crore. The anomaly becomes more severe as net consideration increases.	Amend section 86(8) so that actual cost is used to compute exemption under section 86(1), and the exemption so computed is thereafter restricted to a maximum of ₹10 crore.
Extension and rationalisation of construction timeline for residential house exemption				

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5.6	Section 86(1)(b) permits purchase of one residential house within one year before or two years after transfer of the original asset, or construction of one residential house within three years after the transfer.	Section 54F(1) of the Income-tax Act, 1961.	The three-year construction period is often inadequate for high-rise projects, regulatory approvals and delays beyond the taxpayer's control. There is also an anomaly because purchase within one year before transfer qualifies, whereas construction completed within one year before transfer does not expressly qualify.	Extend the construction period from three years to five years. Also permit exemption where construction of the new residential house is completed within one year before transfer of the original asset. Make consequential amendments wherever the three-year construction period is referred to.
5.7	**Remove ambiguity in capital gains exemption for shifting industrial undertaking from urban to non-urban area by restoring language of ITA 1961 (s.87 of ITA 2025, s.54G of ITA 1961)**			
	Section 87: - *(1) If the assessee has— (a) capital gains arising from the transfer of capital asset, being machinery or … building or land … used for the business of an industrial undertaking situated in an urban area,* ***effected in the case of shifting*** *of an industrial undertaking situated in an urban area (original asset) to any area [other than an urban area (new area)];*	**Section 54G -** *(1) …where the capital gain arises from the transfer of a capital asset, being machinery or … building or land … used for the purposes of the business of an industrial undertaking situate in an urban area,* ***effected in the course of, or in consequence of, the shifting*** *of such industrial undertaking (hereafter in this section referred to as the original asset) to any (other) area…*	• S.54G of ITA 1961 provides that capital gain arising from transfer of specified assets used for an industrial undertaking situated in an urban area, effected in the course of, or in consequence of, the shifting of such industrial undertaking to any other non-urban area is exempt, where the sale proceeds are invested in purchasing specified assets for the new undertaking. • S.87 of ITA 2025 employs a different language. It applies where transfer is effected in the case of shifting of such industrial undertaking from urban area to non-urban area. • While exact scope of 'in case of shifting' is unclear, PSC report suggests retention of original intent along with 'textual simplification' *"While noting that Clause 87 of the Income-tax Bill, 2025 provides for exemption of capital gains on transfer of assets in cases of shifting of industrial undertaking from urban area, the Committee also recognize that this clause is aimed at encouraging*	• It is suggested to modify s. 87 of ITA 2025 and retain the expressions "in consequence of" and "in the course of" to align it with s.54G of ITA 1961.

Sr. No.	Existing provision under the Income-tax Act, 2025 ("the Act")	Corresponding provision under the ITA 1961	Difficulties Obstacles / Hurdles either Interpretative, Administrative or otherwise	Suggestion or new clause Suggested
			decongestion of urban areas through tax exemptions and corresponds to Section 54G of the Income-tax Act, 1961. ***After thoughtful deliberation of the proposal and justifications provided by the Ministry of Finance, the Committee concur with the retention of the original intent in this clause along with the textual simplification of its provisions in this Bill and therefore, accept the clause as proposed"*** • Omission of the words 'in consequence of shifting' in ITA 2025 could lead to ambiguity, and concerns around narrowing down scope of exemption provision. Under ITA 1961, having regard to aforesaid language, in Everest Industries Ltd. v. ACIT [2017] 87 taxmann.com 252 (Mumbai Trib), it was held that the taxpayer was entitled to exemption even where sale of land of undertaking in urban area took place many years after shifting, provided sale proceeds were utilised towards specified assets to expand operations of undertaking in non-urban area. It was held that the timing of transfer was not determinative. Refer extracts below: ***"The intention behind the section is clear that assessee should invest the sale proceeds of sale of specified assets in industrialisation or should deposit the same in a designated bank account****…* *The assessee, in the case under consideration, had entered in to an agreement with a developer for selling rights in the plots of land. But, the agreement was cancelled later on due to*	

Sr. No.	Existing provision under the Income-tax Act, 2025 ("the Act")	Corresponding provision under the ITA 1961	Difficulties Obstacles / Hurdles either Interpretative, Administrative or otherwise	Suggestion or new clause Suggested
			differences between the assessee and the developer. It found a new developer and sold the specified assets resulting in accruing of capital gains. ***There is no doubt that after receiving the sale proceeds from the developer, the assessee had invested the money in purchasing P&M and part of it was deposited in a designated bank account. P&M purchased by it at the time of shifting the premises had nothing to do with the new P&M acquired after sale of capital assets. There is no precondition in the section that new machinery should be purchased at the time of shifting of industrial undertaking…But, the assessee can purchase machinery even after shifting and commissioning of business from the new premises. Expansion of business can take place any time. Generally, shifting of industrial unit from urban to rural areas take place simultaneously. But, in a few cases, there can be time lag between shifting of unit and receipt of capital gains. In such cases what is be considered is sale of assets and receipt of capital gains."*** • S. 88 of ITA 2025 (corresponding to s. 54GA of ITA 1961) deals with shifting of an industrial undertaking to a SEZ, which continues with expressions "in consequence of" and "in the course of".	
5.8	**Referencing error in Rule 57 of IT Rules 2026 for computing the fair market value for section 79 of ITA 2025 [Section 50CA and Rules 11U, 11UA of ITA 1961, Section 79 and Rules 56, 57 of ITA 2025]**			
	Rule 57: For the purpose of following sections referred to in column B of the Table below, the fair market value of	Rule 11UAA: **For the purposes of section 50CA**, the fair market value of the share of a company other than a quoted share, shall	• Under ITA 1961, section 50CA provides that where the consideration accruing or received as a result of transfer of unquoted shares is less than the fair market value as	• The reference to section 72 of ITA 2025 in Sl. No. 4 and Sl. No. 5 of Rule 57 of IT Rules 2026 should be replaced with

<table>
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<tr>
<td></td>
<td>the property of the nature referred to* column C shall be determined in the manner provided in column D thereof:—
<table>
<tr><td>Sl. No.</td><td>Section</td><td>Nature of Property</td><td>Manner of determination of Fair Market Value</td></tr>
<tr><td>A</td><td>B</td><td>C</td><td>D</td></tr>
<tr><td>4</td><td>Sections 26(2)(j), 72 and 92.</td><td>Unquoted equity shares</td><td></td></tr>
</table>
</td>
<td>be determined in the manner provided in sub-clause (b) or sub-clause (c), as the case may be, of clause (c) of sub-rule (1) of rule 11UA and for this purpose the reference to valuation date in the rule 11U and rule 11UA shall mean the date on which the capital asset, being share of a company other than a quoted share, referred to in section 50CA, is transferred.</td>
<td>determined under the Rules, such fair market value shall be deemed to be the full value of consideration. Rule 11UAA of the Income-tax Rules, 1962 was notified for computing the fair market value. Rule 11UAA provided that the fair market value for the purposes of section 50CA, in case of unquoted equity shares, shall be determined as per Rule 11UA(1)(c)(b), and in case of unquoted shares other than equity shares, as per Rule 11UA(1)(c)(c). Accordingly, there was a clear cross-referencing mechanism for determination of fair market value. Further, Rule 11U(j) provided the valuation date with reference to which the property is received.
• Under ITA 2025, section 79 is pari materia with section 50CA of ITA 1961. Rule 57 of IT Rules 2026 provides for computation of fair market value. Sl. No. 4 and Sl. No. 5 of the table to Rule 57 provide for valuation of unquoted equity shares and unquoted shares and securities (other than equity shares), respectively. However, both these entries are made applicable, inter alia, to section 72 of ITA 2025 (parallel to s.48 of ITA 1961), and do not refer to section 79 of ITA 2025 (parallel to s.50CA of ITA 1961).
Further, while Rule 57 of IT Rules 2026 refers to section 72 of ITA 2025, Rule 56(i) of IT Rules 2026, which defines ‘valuation date’, under Sl. No. 2 and Rule 58 (2) which provides for carve outs or exclusions from s.79 specifically refers to section 79</td>
<td>section 79 of ITA 2025, so as to align the valuation provisions with the corresponding computation section. This would also ensure consistency with Rule 56 of IT Rules 2026 and provide clarity on the applicability of valuation provisions for the purposes of section 79 of ITA 2025.</td>
</tr>
</table>

Sr. No.	Existing provision under the Income-tax Act, 2025 ("the Act")	Corresponding provision under the ITA 1961	Difficulties Obstacles / Hurdles either Interpretative, Administrative or otherwise	Suggestion or new clause Suggested
			of ITA 2025. This results in an inconsistency in the cross-referencing mechanism under the Rules. The inconsistency between Rule 57 of IT Rules 2026 (which refers to section 72) and Rules 56 and 58 of IT Rules 2026 (which refers to section 79) creates ambiguity and uncertainty in determining the fair market value for the purposes of section 79 of ITA 2025. Such ambiguity may lead to unintended interpretational issues, potential misapplication of valuation provisions, and increased litigation. It is relevant to note that the Rule 57 of draft IT Rules 2026 published on 7th February 2026 for stakeholders comments correctly referred to s.79 and not s.72. It is not clear why it was changed to s.72 at the time of final Notification on 20 March 2026.	
5.9	**Amend Sr. No. 38C in Schedule III by omitting condition that only an individual or an HUF is entitled to exemption of compensation under s.96 of Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (30 of 2013) (RFCTLARR Act)**			
	In computing the total income of a tax year of any eligible person mentioned in column C of the Table below, the income mentioned in column B of the said Table shall not be included, subject to the conditions mentioned in column D of the said Table, and the expressions used in columns B to D therein shall have the meanings respectively assigned to them in the Notes below the said Table:	No specific provision in ITA 1961. Circular No. 36/2016 dated 25 October 2016 stated as follows: *"2. The RFCTLARR Act which came into effect from 1st January, 2014, in section 96, inter alia provides that income-tax shall not be levied on any award or agreement made [except those made under section 46) under the RFCTLARR Act. Therefore, compensation received for compulsory acquisition of land under the*	• Section 96 of the RFCTLARR Act provides exemption from income tax on award granted under this Act provided the case does not fall under section 46 of the RFCTLARR Act. Relevant extract of the aforesaid section 96 is reproduced as under: *"Exemption from income-tax, stamp duty and fees.–* *No income tax or stamp duty shall be levied on any award or agreement made under this Act, except under section 46 and no person claiming under any such award or agreement shall be liable to pay any fee for a copy of the same."*	• Sr. No. 38C in Schedule III may be modified by extending the exemption to recipient of compensation being 'any person' rather than only to individual and HUF.

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<tr><td></td><td>
<table>
<tr><td>Sl. No.</td><td>Income not to be included in total income</td><td>Eligible persons</td><td>Conditions</td></tr>
<tr><td>A</td><td>B</td><td>C</td><td>D</td></tr>
<tr><td>8C.</td><td>Any income in respect of any award or agreement made on account of compulsory acquisition of any land.</td><td>An individual or a Hindu undivided family.</td><td>Such award or agreement is made under the provisions of the RFCTLARR Act, except under section 46 of the said Act.</td></tr>
</table>
</td><td>RFCTLARR Act (except those made under section 46 of RFCTLARR Act), is exempted from the levy of income-tax.
3. …The matter has been examined by the Board and it is hereby clarified that compensation received in respect of award or agreement which has been exempted from levy of income-tax vide section 96 of the RFCTLARR Act shall also not be taxable under the provisions of income-tax Act, 1961 even if there is no specific provision of exemption for such compensation in the Income-tax Act, 1961.”</td><td>

ITA 1961 did not contain any specific provision granting exemption in respect of compensation received towards non-agriculture land pursuant to acquisition under section 96 of the RFCTLARR Act.
CBDT issued Circular No. 36/2016 dated 25 October 2016 and clarified that the award exempted under section 96 of RFCTLARR Act shall also be exempt under ITA 1961. Accordingly, under ITA 1961, exemption provided under section 96 of the RFCTLARR Act, 2013 was available to all kinds of persons, i.e., say, companies, firms, individual and HUF.
In ITA 2025, Finance Act 2026 inserted Sr. No. 38C in Schedule III to provide a specific exemption in respect of compensation received pursuant to compulsory acquisition under the RFCTLARR Act, which is restricted to an individual or HUF. Though the CBDT Circular did not restrict the exemption to any specific person, the aforesaid amendment provided exemption only to individual or HUF.
This raises ambiguity as to whether exemption is available to other kinds of persons under ITA 2025.

Apprehension could also arise, post amendment to ITA 2025 providing specific exemption to individual or HUF, as to whether there is an ‘implied repeal’ of s. 96 of RFCTLARR Act to the extent recipient of compensation is a person other than individual or</td><td></td></tr>
</table>

Sr. No.	Existing provision under the Income-tax Act, 2025 ("the Act")	Corresponding provision under the ITA 1961	Difficulties Obstacles / Hurdles either Interpretative, Administrative or otherwise	Suggestion or new clause Suggested
			HUF, as the same is in contradiction to specific exemption provision provided in ITA 2025. Reference may be also made to section 536(2)(j) of the ITA 2025, which provides that any circular under the repealed Income-tax Act shall, so far as it is not inconsistent with the corresponding provisions of this Act, be deemed to have been entered into, made, granted, given or issued under the corresponding provision of this Act and shall continue in force accordingly. On the basis of the language of S. 536(2)(j), apprehension could arise, whether CBDT Circular No. 36/2016 dated 25 October 2016 is inconsistent with the amendment introduced by FA 2026 and may not exempt recipient of compensation being a person other than individual or HUF.	
6 Income from other sources				
Deduction of expenditure, including interest, against dividend income				
6.1	Section 93(2) does not permit deduction of expenditure, including interest expenditure, against dividend income.	Section 57 of the Income-tax Act, 1961.	Complete denial of expenditure taxes gross dividend at ordinary rates and can adversely affect genuine strategic or commercial investments funded through borrowings. Such interest is an actual cost incurred to earn or hold the investment and a blanket prohibition may produce taxation disconnected from real income.	Permit deduction of expenditure wholly and exclusively incurred in relation to dividend income. At a minimum, permit interest expenditure for strategic or commercial investments, subject to an appropriate ceiling or nexus test instead of a complete disallowance.
6.2	**Amend clawback provisions in s.95 of ITA 2025 to exclude reference to balancing charge in s.38(1)(b), R&D deductions in s.38(1)(c) of ITA 2025, bad debt deductions in s.38(1)(d) of ITA 2025, and special reserve deductions in s.38(1)(e) of ITA 2025, as these deductions are confined to business income and not IFOS. Alternatively, amend s.93 of ITA 2025 to grant bad debt deductions under IFOS.**			
	Section 95: "The provisions of section 38 (1), (2), (3) and (4) shall apply in computing the income of an assessee under	Section 59: "The provisions of sub-section (1) of section 41 shall apply, so far as may be, in computing the income of an	• S. 59 of ITA 1961 charges to tax any benefit arising by way of remission or cessation of trading liability or receiving cash or otherwise, for which a deduction was	• It is suggested to amend clawback provisions in s.95 of ITA 2025 to exclude reference to balancing charge in

Sr. No.	Existing provision under the Income-tax Act, 2025 ("the Act")	Corresponding provision under the ITA 1961	Difficulties Obstacles / Hurdles either Interpretative, Administrative or otherwise	Suggestion or new clause Suggested
	section 92, as they apply in computing the income of an assessee under the head 'Profits and gains of business or profession"	assessee under section 56 as they apply in computing the income of an assessee under the head 'Profits and gains of business or profession'."	provided in earlier years under IFOS head, on similar terms as s.41(1) of ITA 1961 which applies to PGBP head. • S. 95 of ITA 2025 has expanded the scope of comparable provisions under ITA 1961, by including not only remission or cessation of trading liability referred in s.38(1)(a) of ITA 2025 (comparable to s.41(1) of ITA 1961) but also to other claw back provisions of s.38(1) of ITA 2025 (comparable to s.41(2)/(3)/(4)(4A) of ITA 1961). The change has resulted in including following incomes under the scope of IFOS: • The balancing charge for depreciable tangible assets where depreciation is allowed on straight line method (SLM) and such asset is sold, discarded, demolished or destroyed - [Section 38(1)(b) of ITA 2025 or section 41(2) of ITA 1961] • Where an asset representing capital expenditure on scientific research is sold, the lower of expenditure claimed as deduction or sale proceeds will be chargeable to tax - [Section 38(1)(c) of ITA 2025 or section 41(3) of ITA 1961] • Where full or part of debt amount was allowed as a bad debt in earlier years and is subsequently recovered, then the excess of amount recovered over such debt (net of allowance) is chargeable to tax. - [Section 38(1)(d) of ITA 2025 or section 41(4) of ITA 1961]	s.38(1)(b) of ITA 2025, R&D deductions in s.38(1)(c) of ITA 2025, bad debt deductions in s.38(1)(d) of ITA 2025, and special reserve deductions in s.38(1)(e) of ITA 2025 to restore parity with ITA 1961, as these deductions are confined to business income and not IFOS. • Alternatively, s.93 of ITA 2025 may be amended to grant bad debt deductions under IFOS on lines of PGBP head– along with retention of claw back provisions in s.95 of ITA 2025 for bad debt deduction, while omitting reference to balancing charge in s.38(1)(b) of ITA 2025, R&D deductions in s.38(1)(c) of ITA 2025 and special reserve deductions in s.38(1)(e) of ITA 2025.

Sr. No.	Existing provision under the Income-tax Act, 2025 ("the Act")	Corresponding provision under the ITA 1961	Difficulties Obstacles / Hurdles either Interpretative, Administrative or otherwise	Suggestion or new clause Suggested
			• Where amount is withdrawn by specified entity from special reserve created and maintained u/s. 32(e) of ITA 2025 (corresponding to 36(1)(viii) of ITA 1961) for which deduction was allowed in earlier years. [Section 38(1)(3) of ITA 2025 or section 41(4A) of ITA 1961] • However, this creates an anomaly, as IFOS chapter does not have any specific provision to allow depreciation on SLM for tangible depreciable assets or for bad debt write offs or 100% deduction for R&D expenses, or transfers to special reserve. Since deduction is not granted under IFOS head for such items in first place, the presence of claw back provisions for taxing income for such items is ambiguous. • Without prejudice, the absence of bad debt deduction for IFOS chapter poses a significant difficulty for taxpayers. For instance, interest income can get taxed under IFOS on time basis as per ICDS IV, however, there is no corresponding provision to grant bad debt deduction where such interest subsequently becomes irrecoverable, and it is not realised by the taxpayer. With the aforesaid amendment, while there is clawback provision to tax recovery of bad debts under IFOS, there is no specific provision to allow bad debt deduction under IFOS.	

<table>
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<tr><td>6.3</td><td colspan="4">Deduction under s.93(1)(h) of ITA 2025 which applies to gratuity received by widow or other legal heirs of government employee should be extended to non-government employees, in line with Circular No 573 dated 21 August 1990</td></tr>
<tr><td></td><td>Deduction under s.93(1)(h) of ITA 2025 which applies to gratuity received by widow or other legal heirs of government employee should be extended to non-government employees, in line with Circular No 573 dated 21 August 1990

19. (1) The income chargeable under the head “Salaries” shall be computed after making the deductions in respect of sums of the nature mentioned in column B of the following Table, not exceeding the amount as mentioned in column C thereof:—

<table>
<tr><th>Sl. No.</th><th>Nature of sum</th><th>Amount of deduction</th></tr>
<tr><td>3.</td><td>Death-cum-retirement gratuity received as referred to in sub-</td><td>Entire amount.</td></tr>
</table>
</td><td>S.10(10) (i) any death-cum-retirement gratuity re-ceived under the revised Pension Rules of the Central Government or, as the case may be, the Central Civil Services (Pension) Rules, 1972,…

(ii) any gratuity received under the Payment of Gratuity Act, 1972 (39 of 1972), to the extent it does not exceed an amount calculated in accordance with the provisions of sub-sections (2) and (3) of section 446 of that Act ;

(iii) any other gratuity received by an employee on his retirement or on his becoming incapacitated prior to such retirement or on termination of his employment, or any gratuity received by his widow, children or dependants on his death, to the extent it does not, in either case, exceed one-half month’s salary for each year of completed service, calculated on the basis of the average salary for the ten months</td><td>S.10(10) of ITA 1961 granted exemption for gratuity received by employees or their legal heirs. For government employee, clause (i) provides for exemption without any limit. For non-government employees, clause (ii) provides for exemption for gratuity received under Payment of Gratuity Act, and clause (iii) provides exemption for gratuity received in any other case, subject to monetary limits as specified therein (currently up to Rs. 20 lakhs).
CBDT vide Circular No 573 dated 21 August 1990 had clarified that a lump sum payment made gratuitously or by way of compensation or otherwise, to the widow or other legal heirs of an employee, who dies while still in active service is not taxable.
S.19(1) (Table Sl. nos. 3 to 6) of ITA 2025 provides for deduction (instead of exemption) in the hands of employees for gratuity received by such employees, with limits same as ITA 1961 (i.e., no limit for government employees and capped to Rs. 20 lakhs for other employees).

S.93(1)(h) of ITA 2025 grants deduction for gratuity received by legal heirs of deceased government employees (referred in</td><td>To maintain parity with ITA 1961, it is recommended that deduction under s.93(1)(h) of ITA 2025 which applies to gratuity received by widow or other legal heirs of government employee should be extended to non-government employees for full amount received by them without any quantum limit as was the position under ITA 1961.</td></tr>
</table>

Sr. No.	Existing provision under the Income-tax Act, 2025 ("the Act")		Corresponding provision under the ITA 1961	Difficulties Obstacles / Hurdles either Interpretative, Administrative or otherwise	Suggestion or new clause Suggested
	section (2)(*g*).		immediately preceding the month in which any such event occurs, subject to such limit as the Central Government may, by notification in the Official Gazette, specify in this behalf having regard to the limit applicable in this behalf to the employees of that Govern-ment :	s.19(2)(g)) while computing income under IFOS head. However, no similar deduction is granted under ITA 2025 for gratuity received by legal heirs of non-government employees. This raises doubts as to whether Circular No 573 dated 21 August 1990 continues to have effect under ITA 2025, because the transitional provisions of s.536(2)(j) states that Circulars issued under ITA 1961 would continue to be effective only so far as they are not inconsistent with provisions of ITA 2025. The rationale to confine deduction in s. 93(1)(h) to legal heirs of deceased government employees and not to legal heirs of deceased private sector employees is unclear.	
	5.	Gratuity received under the Payment of Gratuity Act, 1972 (39 of 1972).	Amount received, as restricted to the amount calculated as per the provisions of section 4(2) and (3) of the said Act.		
	6.	Any other gratuity received by an employee— (i) on his retirement; or (ii) on his becoming incapacitated before such retirement; or (iii) on termination of his employment.	Amount being minimum of— (a) actual gratuity received; (b) amount specified by the Central Government, by notification, having regard to the limit applicable in this behalf to the employees of the Central Government; and		

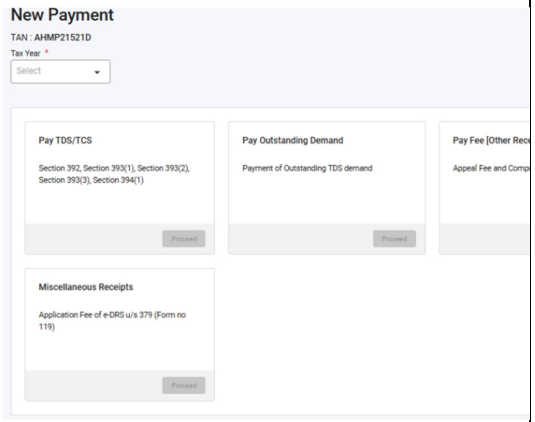
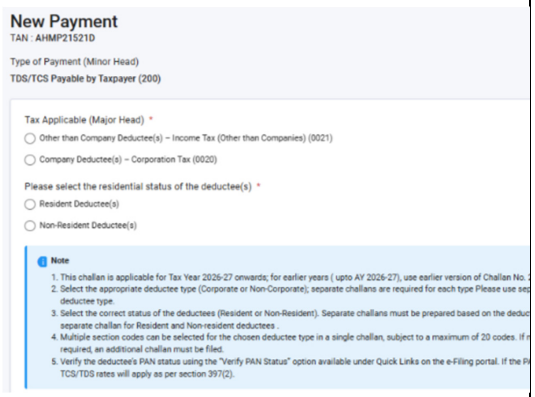
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	(c) half month's salary for each completed year of service, calculated as under: where,— A = average salary for ten months immediately preceding the month when any such event occurs; B = number of such completed years. (2) For the purposes of the Table referred to in sub-section (1),— (g) the death-cum-retirement gratuity referred to in sub-section (1) (Table: Sl. No. 3) shall be as— (A) received under the revised pension rules of the Central Government, or the			

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	Central Civil Services (Pension) Rules, 2021; or S.93(1)(h): (1) The income chargeable under the head "Income from other sources" shall be computed after making the following deductions:— (h) for income in the nature of gratuity as referred in section 19(2)(g), received on the death of the employee, the entire amount.			
7 Aggregation of Income / Unexplained Income				
Source-of-source requirement for loans and borrowings under section 102(2)				
7.1	Section 102(2) requires an assessee to explain not only the nature and source of a credit in the books but, in specified cases involving loans, borrowings or similar amounts, also the source of funds in the hands of the creditor.	First Proviso to Section 68 of the Income-tax Act, 1961	The source-of-source requirement can impose an impracticable burden on a genuine borrower who may establish the identity, creditworthiness and genuineness of the creditor and transaction but cannot compel a third party to disclose the source of its funds. The provision may lead to additions despite genuine banking transactions and shifts the tax-compliance burden relating to the creditor onto the assessee.	Delete section 102(2). Alternatively, restrict it to closely held companies receiving share capital or premium, or to cases where the credit is from a close relative etc.
8 Return of Income – claim of Refund				
8.1	Allow opting for new concessional tax regime (CTR) even in case of belated returns - Rule 21AD to Rule 21AHA of IT Rules 1962 Rule	S.115BA to S.115BAE of ITA 1961;	• Under ITA 1961 read with rules, the taxpayer can exercise their option (or withdraw from default new regime by non-corporates) by filing respective form (Form 10-IB/10-IC/10-ID) on or before due date for filing return u/s. 139(1) and there is no	• It is suggested that scope of rules be amended whereby taxpayer may be given option to either:

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	136 of IT Rules 2026 [S.199 to S.204 of ITA 2025]		specific requirement to file the return of income on or before s.139(1) due date. In other words, so long as option to claim CTR (or non-corporates to withdraw from default new regime) has been exercised in the specified form on or before s.139(1) due date, it is eligible to claim the CTR benefit (or claim old regime by non-corporates) even in cases where taxpayer has filed a belated return or updated return. • However, under ITA 2025, the requirement to furnish Form 10-IB/10-IC/10-ID etc for opting for CTR regime (or withdraw from default new regime by non-corporates) is eliminated. Accordingly, the correspondingly rules, forms and procedures are also deleted. Now, there is a consolidated Rule 136 for erstwhile CTR sections which provides that the option is to be furnished in ROI itself. It appears this change is intended to address the difficulty faced by taxpayers when CTR regime was newly introduced whereby taxpayers inadvertently missed to file the specified forms (Form 10-IB/10-IC/10-ID) by ROI filing due date but claimed CTR in the ROI. The CTR benefit was denied to such taxpayers by CPC while processing the ROIs u/s. 143(1). However, the change in procedure for exercising option under CTR regime (or withdrawal by non-corporates) in ROI to be filed by due date may create hardship for genuine taxpayers who are not	○ file a separate form to exercise option (or withdraw by non-corporates) by ROI filing due date u/s. 263(1), or, exercise such option (or withdraw by non-corporates) in the ROI itself which is filed within due date u/s. 263(1).

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			able to file ROI up to due date prescribed u/s 263(1) of ITA, 2025 or those who inadvertently miss to exercise option (or withdraw by non-corporates) in the original return.	
Updated Return				
8.2	Sections 263(6) and 263(7) govern the filing of an updated return and the circumstances in which such return cannot be furnished.	Section 139(8A) of the Income-tax Act, 1961.	As per the provisions, an Updated Return is not permissible in a case where it results in refund where no refund was due or increases the refund due on the basis of return furnished under sub-section (1) or (4) or (5) of section 263 for the said tax year. Accordingly, it is not possible to get refund by filing updated return in a case where the Return of Income was not filed at all. At times, it is seen that the assessee misses out to file the Return but has significant tax deduction and therefore the result even after considering the additional tax for updated return is a refund. Such assessee is not allowed to file updated return. The assessee is left with the only option to seek condonation of delay in filing return either before the CIT or CBDT. This adds to the administrative burden of authorities.	We suggest that in a case where the assessee has not filed the original return at all, the updated return shall be permissible to the assessee. Such refund can be determined after considering additional tax as part of tax depending on the delay in filing the return as already provided in the Act. This will ease the administrative burden and will also be allowing assessee to get his justified refund from the revenue.
8.3			The enacted framework permits filing of updated return after issuance of notice for reassessment with some additional tax burden. However, this is not allowed in a case where the notice has been issued for a regular assessment proceedings. This requires harmonisation. A taxpayer willing to offer additional income and pay tax should not be compelled to continue avoidable proceedings merely because a regular-assessment notice has been issued.	Permit an updated return after issuance of a regular-assessment notice on terms comparable to the relief available in reassessment cases, subject to payment of applicable additional tax and before completion of assessment. Harmonise the outer time limit and related exclusions.
9 Appeals to Appellate Tribunal and Revision orders not prejudicial to the assessee				

Sr. No.	Existing provision under the Income-tax Act, 2025 ("the Act")	Corresponding provision under the ITA 1961	Difficulties Obstacles / Hurdles either Interpretative, Administrative or otherwise	Suggestion or new clause Suggested
9.1	**Timeline for CIT(A) Order**			
	The Act does not provide any mandatory timeline for CIT(A) to pass the order. It only suggests a timeline of one year from the year in which appeal is filed.		Though there are timelines for AO and DRP to pass their order / directions, there are no similar timelines prescribed for the CIT(A). It is seen that in many cases, appeals are pending before the CIT(A) for over 4 to 5 years, thus delaying the litigation process, and making the entire CIT(A) route ineffective.	The appellate provisions under the Act be amended to provide that any appeal to CIT(A) if not decided within a stipulated period of say three financial years from the end of the year of filing, then it would be deemed to be allowed and tax department could thereafter contest the same in ITAT. Alternatively, all cases of assessment resulting in requirement to file an appeal to CIT(A) be made parallel to DRP i.e. passing of draft assessment order and CIT(A) to decide the same within a stipulated period and passing of final assessment order thereafter.
Exclusion of final assessment order passed pursuant to DRP directions from prejudicial revision				
9.2	Section 377 empowers revision of an order considered erroneous and prejudicial to the interests of the revenue.	Section 263 of the Income-tax Act, 1961.	A final assessment order passed in conformity with directions of the Dispute Resolution Panel reflects the decision of a collegium of Commissioners. Permitting revision of that consequential order by another Commissioner creates institutional inconsistency, uncertainty and repetitive proceedings.	Amend section 377 to expressly exclude a final assessment order passed in conformity with directions of the Dispute Resolution Panel from its scope.
10 Tax deducted at Source				
10.1	**Remove requirement to disclose residential status of payee, whilst depositing TDS on salary**		• As per below screenshot, we understand that the e-TDS challan which is applicable for all TDS payments (including for salary TDS) requires the deductor to disclose residential status of the deductees (employees in case of Salary TDS), and also requires the deductor to disclose the TDS	Since residential status of employee is not required to be reported in Form 138 or Form 130 or Form 123, it is suggested that this requirement to disclose residential status of employee in the e-TDS challan should be removed, or alternatively, should be made optional.

Sr. No.	Existing provision under the Income-tax Act, 2025 ("the Act")	Corresponding provision under the ITA 1961	Difficulties Obstacles / Hurdles either Interpretative, Administrative or otherwise	Suggestion or new clause Suggested
			amount separately for resident and non-resident deductee.   • Such requirement was absent under the ITA 1961, and it is also absent in the underlying	

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			Forms and Rules which have been notified under the ITA 2025 w.r.t Salary TDS (i.e., Form 138 or Form 130 or Form 123 (corresponding to Forms 24Q, 16 and 12BA under IT Rules 1962) does not have any such requirement). The rationale for inserting such requirement in the e-TDS challan is unclear. In cases of globally mobile employees, it may be practically not feasible for the employer to accurately predict the residential status of its employees, as the same would get determined only after the close of the tax year. There could be situations where salary TDS is initially paid when the employee qualified as resident and subsequently the employee turns non-resident or vice versa.	
10.2	Section **395(1)** read with **Rule 213 and Form 128**—lower or nil deduction certificate. Relevant property-payment provisions: section **393(1), Table Sl. No. 3(i)**, or section **393(2), Table Sl. No. 17**, depending on the seller's residential status.	Section **197**, read with **Rules 28 and 28AA and Form 13**; sections **194-IA or 195**, as applicable. Eligibility under the respective provisions requires separate examination.	**Absence of an appropriate PAN-based option in LDC applications involving a non-resident buyer:** Applicants report difficulty entering the buyer's PAN where the application requires a TAN. This obstructs applications where PAN-based identification is legally permissible. The buyer's non-resident status also creates uncertainty regarding the correct application route.	Enable the buyer's PAN to be entered wherever legally permissible and align the application utility with the applicable TAN exemption. Issue clear instructions distinguishing transactions by the **seller's residential status**, the buyer's status and the applicable TDS provision. Provide an alternative processing route for eligible applications affected by portal restrictions.
10.3	**Clarify that TDS is required only on cash withdrawals from bank exceeding Rs. 1 Cr., rather than on entire**	As per ITA 1961 at the time of	As per ITA 1961, after amendment to s.194N • S. 194N of ITA 1961 was introduced w.e.f. 1 September 2019 to discourage cash transactions by imposing TDS on cash withdrawals exceeding Rs. 1 cr. It was clear	It is suggested to clarify in s.393(3) of ITA 2025 by inserting a note to the effect that TDS is required only on cash withdrawals exceeding Rs. 1 Cr.

Sr. No.	Existing provision under the Income-tax Act, 2025 ("the Act")	Corresponding provision under the ITA 1961		Difficulties Obstacles / Hurdles either Interpretative, Administrative or otherwise	Suggestion or new clause Suggested
	cash withdrawn, where the threshold of 1 Cr. is crossed *"Where any sum of the nature specified in column B of the Table below (i.e Any sum, paid in cash, from one or more accounts maintained by any person), is paid by the person specified in column C (i.e A banking company) during the tax year, to any person, the person responsible for making payment of such sum, shall deduct income-tax— (a)* ***on the entire amount of such sum****, where the amount or aggregate of amounts exceed the threshold limit specified in column D (i.e one crore rupees in case of recipient),…; (b) at the rate specified in column D (i.e 2%); (c) at the time of payment thereof…"*	insertion of s.194N	vide Finance Act, 2020	under the provision so inserted that TDS applied only on cash withdrawals in excess of Rs. 1 Cr and not for cash withdrawals till Rs. 1 Cr. • Post Finance Act, 2020, the phrase "sum exceeding one crore rupees" was replaced with "such sum". While this created ambiguity, it was possible to take a view that "such sum" continued to refer only to the amount exceeding INR 1 cr. Hence, TDS was applicable only on excess over INR 1 cr. • Under S. 393(3) of ITA 2025, the language requires TDS on "the entire amount of such income or sum", raising debate on whether TDS applies only to the excess over INR 1 cr. or to the entire withdrawal during the year once the threshold is crossed. • A comparative language of the sections under ITA 1961 and ITA 2025 is given below. To illustrate the controversy, assume that a customer withdraws cash of Rs. 90 lacs on day 1, and Rs. 30 lacs on day 2. In this case, under ITA 1961, the bank was required to deduct tax only on Rs. 20 lacs on day 2. Under ITA 2025, ambiguity arises as to whether bank is required to deduct tax on Rs. 30 lacs, or on entire cash withdrawals of Rs. 1.2 cr.? The text in red font under the column of ITA 2025 represents juxtaposition of the relevant provision referred to in s.393(3)	
		"Every person, being,— (i) a banking company… ***who is responsible for paying any sum, or, as the case may be, aggregate of sums, in cash, in excess of one crore rupees*** *(20 lacs) during the previous year, to any (recipient) from one or more accounts maintained by the recipient with it shall, at the time of payment of such sum,*	*"Every person, being,— (i) a banking company …****who is responsible for paying any sum, being the amount or the aggregate of amounts, as the case may be, in cash exceeding one crore rupees*** *(20 lacs) during the previous year, to any person (herein referred to as the recipient) from one or more accounts*		

Sr. No.	Existing provision under the Income-tax Act, 2025 ("the Act")	Corresponding provision under the ITA 1961	Difficulties Obstacles / Hurdles either Interpretative, Administrative or otherwise	Suggestion or new clause Suggested
		deduct an amount equal to 2% of sum exceeding one crore rupees *(20 lacs), as income-tax:"*	*maintained by the recipient with it shall, at the time of payment of such sum,* ***deduct an amount equal to 2% of such sum*** *(20 lacs), as income-tax:*	As clarified by CBDT in FAQ 2.3 and 6.3 on Interplay and Transition, ITA 2025 only reorganizes TDS provisions in a simplified, tabular format, and does not change the underlying policy. However, the change in language in s.393(3) of ITA 2025 vis-à-vis s.194N of ITA 1961 creates ambiguity in this regard. Also, while S.393(3) mandates TDS on the entire sum, it does not provide a catch-up mechanism for earlier withdrawals, unlike S.194A of ITA 1961 or Sr. 5(ii) of S. 393. This creates a gap in the practical application of the provision. Also, practically, requiring catch-up TDS on earlier withdrawals (e.g., the initial INR 1 cr. withdrawn without TDS) could be a cumbersome exercise for banking companies.	
10.4	**Address practical challenges arising on TDS on partner remuneration** **S.393(3) of ITA 2025** *"(3) Where any sum of the nature specified in column B of the Table below (any sum in the nature of salary* ***paid*** *to a partner of the firm* ***or credited*** *to his account (including capital account)), is* ***credited or paid*** *by the person specified in column C (a firm) during the tax year, to any person,*	**S.194T of ITA 1961** *"Any person, being a firm, responsible for paying any sum in the nature of salary* to a partner of the firm,* *shall,* ***at the time of credit of such sum to the account of the partner*** *(including the capital account)* ***or at the time of payment thereof, whichever is earlier***	• S.194T was inserted by Finance (No.2) Act 2024 w.e.f 1 April 2025 to provide for TDS @ 10% on salary, remuneration, commission, bonus or interest to a partner of a firm at the time of credit or payment, whichever is earlier. The following difficulties arose u/s. 194T of ITA 1961: ○ Firstly, the provision did not make distinction between interest and remuneration allowable as deduction u/s. 40(b) (thereby taxable in hands of partner u/s. 28(v)) and not allowable u/s. 40(b) in the hands of the firm (thereby not taxable in hands of partner). Excess TDS on non-taxable interest and remuneration will lead to mismatch between quantum of	Our fundamental suggestion is to remove the provision for deduction of TDS on partners' payments. This is justified for various reasons. First and foremost, under general law, there is no difference between the firm and partners and the payment to partners is nothing but distribution of the profits of the firm in a different manner. Secondly, the partners will certainly be making the payment of applicable advance tax / self assessment tax as per their individual tax liabilities and as such there is no loss of revenue. Thirdly, the trail of the partners' payments is also available through the firm's Return of Income and as such this TDS deduction does not even help in having any trail. It merely adds to the

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	the person responsible for making payment of such sum, shall deduct income-tax— *(a) on the entire amount of such sum…;* *(b) at the rate specified in column D (10%);* *(c) **at the time of payment thereof** in cash or by way of a cheque or a draft or by any other mode, **or as specified therein** (see notes below)* *Note 1.-For serial number 2 (Any income by way of winnings from online game), **tax shall be deducted**— (a) on net winnings in the user account of the payee **at the end of the tax year**;…* *Note 3.—For serial number 4 (Any income, credited or paid to a person … selling lottery tickets, by way of commission … on such tickets), the person responsible for making the payment shall deduct tax **at the time of credit of such sum or at the time of payment** of*	*shall, deduct income-tax thereon at the rate of ten per cent."*	taxable income in the hands of partners u/s. 28(v) and amount subjected to TDS, thereby creating practical difficulty for partners to claim TDS credit. ○ Secondly, the amount of allowable/disallowable remuneration as per s.40(b) is determined based on percentage of book profits at the time of finalisation of accounts much after the year end (say, in September for firms which are liable to tax audit). The credit to partner's capital a/c for accounting purposes is made as of year end (31st March) but practically after the year end – because s.40(b) itself allows deduction based on such percentage which becomes known at the time of finalising accounts and filing returns. This poses practical challenge for timely compliance at year end. It is difficult for the firm to deduct tax on such remuneration as of the year end, since such amount would be determined after the end of the tax year, while preparing the financial statements and getting them tax audited for the purposes of filing return of income. Hence, it	administrative difficulties without any corresponding benefit. Accordingly there is a good reason to remove this provision completely. If this is not acceptable, an alternative suggestion is to restrict the applicability of TDS only on interest payments, which is determined on the basis of the capital at the end of the year, and remove the remuneration to partners from application of TDS provisions. As the third and last option, it is suggested to amend s.393(3) [Table Sl No.7] of ITA 2025, by removing reference in Column B of the table to "or credited to his account (including capital account)", so that, TDS applies only on payment and not on credit to partner's account.

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	such sum in cash or by issue of a cheque or a draft or by any other mode, ***whichever is earlier****."*		is difficult for most firms/LLPs to do timely compliance of TDS on interest and remuneration during the financial year itself. The accounting entry for deducting TDS would be as of year end, but practically, such TDS would get deposited only in September, after the firm's accounts have been finalised. For this purpose, firm would need to revise its TDS return for 31 March and deposit TDS u/s. 194T, which would create liability for interest u/s. 201(1A) from 31 March to 30 September. • Under the ITA 1961, TDS obligation u/s. 194T was on earlier of credit or payment whereas under the ITA 2025, obligation to deduct TDS for amounts referred u/s. 393(3) arises only at the time of payment. S.393(3) creates an exception in this behalf for cases 'as specified therein'. This exception covers online game winnings (where Note 1 requires TDS at the year end) and lottery commission (where Note 3 requires TDS at the time of credit or payment whichever is earlier). There is no specific exception for partner's remuneration. Hence, TDS on partner's remuneration arises under the ITA 2025 only at the time of payment. Refer, comparative language of s.194T of ITA 1961 and s.393(3) of ITA 2025 (text in red font	

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			being juxtaposition of relevant provisions from the Table in s.393(3)) • If TDS is deferred to the event of actual payment after the end of relevant tax year, the year in which TDS is deducted, would be different from the year in which salary income is offered to tax by the partner. To illustrate, assume that remuneration for tax year 2026-27 is determined by September 2027. Payment occurs in October 2027. Partner would file return showing salary income in tax year 2026-27. TDS on such salary would be effected at the time of payment in October 2027. Partner would have to file application under 288 of ITA 2025 (corresponding to s.155(20) of ITA 1961) to carry back the TDS credit to tax year 2026-27. This could become an annual feature, increasing compliance burden for partners. • Additionally, language of s.393(3)(a) creates ambiguity when it requires TDS at the time of payment on the "entire amount" of "such sum" which contextually refers to any sum in the nature of salary paid to a partner of the firm or credited to his account. The dilemma is whether TDS is required on the whole of the sum credited or paid as salary but at the time of payment. Assume that remuneration was determined at Rs. 10 lacs in September 27, and the partner withdraws such remuneration in 2	

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			instalments, first instalment of Rs. 6 lacs is withdrawn in September 27 and second instalment of Rs. 4 lacs is withdrawn in December 27. Question is, on Rs. 4 lacs, whether TDS is applicable only at the time of its payment in December 27, or TDS is applicable on the entire salary of Rs. 10 lacs when a part of such salary (Rs. 6 lacs) is encashed or paid in September 27? S.393(3) requires TDS on 'entire amount of such sum'. The nature of 'such sum' is defined in the Table to s.393(3) as 'any sum in the nature of salary paid to a partner of the firm or credited to his account (including capital account)'. The reference to 'entire amount' may mean that TDS is required on the entire amount which is paid or credited, as soon as any portion thereof is paid.	
10.5	**Restrict deeming fiction for TDS on credit made to suspense or any other account to selective TDS provisions on lines of ITA 1961, instead of all TDS provisions**		• In the ITA 1961, various TDS provisions (193, 194A, 194C, 194G, 194H, 194-I, 194J, 194K, 194LBB, 194LBC, 194Q, 194S, 195 and 196A) have a deeming fiction, which states that: where any sum referred to in the said section is credited to any account, whether called "suspense account" or by any other name, in the books of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee." The intention is to plug loophole of avoiding TDS by crediting to any other account instead of payee's account.	It is suggested to amend s.393(11) of ITA 2025 to restrict scope of deeming fiction to only those corresponding sections of ITA 1961 where such deeming fiction was applicable.

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			• S.393(11) of ITA 2025 extends this deeming fiction to all provisions of Chapter XIX. This changes the position for following sections of ITA 1961, where such deeming fiction was absent: ○ S.194-LBA – Distributed income by business trust to its resident unit-holders - s.393(1) Table, Sl. No. 4(ii) ○ S.194DA – Insurance commission – s.393(1) Table, Sl. No. 1(i) ○ S.194M – Payments by individuals/HUFs exceeding Rs. 50 lacs for carrying out any work, commission, brokerage, professional services, etc. – s.393(1) Table, Sl. No. 6(ii) ○ S.194O – Payments by e-commerce operator to e-commerce participant – s.393(1) Table, Sl. No. 8(v) ○ S.194-IA/IC – Purchase of immovable property – s.393(1) Table, Sl. No. 3(i) ○ S.194T – Payments of partner's remuneration – s.393(3) Table, Sl. No. 3 ○ S.194E – NR sportsmen or sports associations – s.393(2) Table, Sl. No. 1	

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			○ S.194LC – Interest payable to NR – s.393(2) Table, Sl. No. 3 and 4 This change is against the avowed intent to avoid making any policy changes while transitioning from ITA 1961 to ITA 2025. FAQ 6.3 of CBDT's FAQs also states that *"The consolidation of TDS provisions under Section 393 is a simplified tabular presentation and not a change in TDS rates or tax policy."*	
10.6	**Clarify that TCS on high value purchases and remittance for LRS and overseas travel, is required only at the time of receipt by seller or authorised dealer, and not at the time of debit or receipt whichever is earlier**		• S.206C(1) and (1C) of ITA 1961 for TCS on purchase of specified goods like liquor, scrap, etc. stipulated collection of tax by seller at the time of debiting the purchaser's account or at the time of receipt, whichever is earlier. • However, s. 206C(1F)/(1G) of ITA 1961 required TCS only at the time of receipt, in case of: ○ Sale of high value items (> ₹ 10 lakhs) like motor car, wristwatch, yacht, aircraft, etc. ○ Receipt of amount for LRS remittance ○ Receipt of amount for Overseas Tour Programme Package • S.394(1)(b) of ITA 2025 requires TCS for all transactions at the time of debit or receipt, whichever is earlier. This may create hardship for sellers/authorised dealers, since they are now required to collect tax at	It is suggested to amend s.394(1)(b) of ITA 2025 by specifying that TCS for items covered by erstwhile s.206C(1F)/(1G) is required only at the time of receipt.

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			the time of debiting the buyer's account in their books, or at the time of receipt, whichever is earlier. The accelerated timing of TCS collection will require the sellers/authorised dealers to pay TCS from their own pocket even if they have merely invoiced/debited the buyer's account and not received the sale proceeds from the buyer. After having debited the buyer's account, if the transaction gets cancelled for any reason, there would be no receipt from the buyer – however, tax would have already been collected at the stage of debit itself, putting both seller/authorised dealer and buyer to hardship.	
10.7	Sections **393(4), 393(5) and 400**, together with applicable exemption notifications and circulars.	Section **196**, relevant provisions of **section 197A**, and other applicable exemption provisions, notifications and circulars.	**Fragmented exemption guidance:** Exemptions and concessions are spread across multiple circulars and notifications. Identifying their continuing applicability, amendments and corresponding provisions under the Act is time-consuming and may result in inconsistent treatment.	Review and consolidate operative TDS exemption circulars and notifications into a **master circular and, where necessary, consolidated notifications**. Specify the covered persons and payments, conditions, effective dates, superseded instruments and corresponding provisions under both Acts. Maintain an updated searchable register.
10.8	Sections **390(5) and 390(6)** read with **Rule 203**—credit for tax deducted or collected at source.	Section **199** read with **Rule 37BA of the Income-tax Rules, 1962**.	**Operational difficulty in allocating TDS credit to the person assessable on the income:** Although Rule 203 provides a declaration-based mechanism, practical uncertainty remains regarding the electronic process, supporting documents,	Prescribe a standard declaration/form and a detailed SOP for eligible allocation of credit under Rule 203. Specify the responsibilities of the deductee, recipient of credit and deductor; PAN validation; supporting evidence; statement corrections;

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			statement reporting and correction of credit already reflected against another PAN.	processing timelines; and safeguards against duplicate credit.
10.9	Section **395(6)**—electronic verification and issuance or rejection of lower or nil deduction certificate applications by the prescribed income-tax authority.	Section **197** provides the corresponding substantive LDC framework. The specific electronic-verification mechanism under section 395(6) is an additional provision under the Act.	**Need for a clear operational framework for automated LDC processing:** Applicants require certainty regarding eligibility, verification criteria, documentation, processing timelines and the treatment of applications that cannot be processed automatically.	Issue comprehensive rules and an SOP specifying eligibility, application requirements, electronic checks, certificate validity and utilisation, timelines, reasons for rejection, referral to the Assessing Officer and grievance resolution. Provide transparent application tracking and certificate verification facilities.
10.10	**Provide an extension to timeline for filing TDS/TCS correction statements**		• Prior to amendment by Finance (No.2) Act (FA) 2024 amendment, there was no time limit in s.200(3) and s.206C(3B) of ITA 1961 for filing TDS/TCS correction statements by the deductors/collectors • W.e.f 1 April 2025, FA 2024 brought in time limit of 6 years from end of financial year in which original statement was required to be delivered for filing TDS/TCS correction statements. The rationale provided was to prevent multiple times revision indefinitely, prevent misuse causing difficulty to deductees / collectees and bring in certainty & finality. • S.3973(3)(f) of the ITB 2025 introduced in Lok Sabha on 13 February 2025 contained identical provision providing time limit of 6 years.	• It is recommended to restore the time limit for filing TDS/TCS correction statements to 6 years from end of financial year in which original statement is required to be delivered. (S.3973(3)(f) of ITA 2025) This will help deductees / collectees in bonafide circumstances (e.g. mergers/demergers with prior appointed dates, assessment of corresponding income in hands of other person, clubbing of incomes, etc) to approach deductors/collectors to revise TDS/TCS quarterly statements.

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			• However, without any prior notice or explaining the policy rationale, the period was drastically reduced from 6 years to 2 years in the finally enacted ITA 2025 in August 2025. The sudden change at enactment stage is contrary to the unequivocal object of ITA 2025 to continue the policy of ITA 1961. The reduction in time limit will prevent deductors/collectors to give proper credit to deductees / collectees even in bonafide genuine cases.	
10.11	Section **262**—PAN framework; related departmental PAN-verification facilities.	Section **139A** and corresponding PAN-verification facilities.	**Need for convenient single-PAN verification within the deductor workflow:** Although the e-filing portal provides single-PAN verification, deductors seek a readily accessible facility alongside bulk verification, particularly for checking PAN validity and operative status before deduction.	Integrate a clearly identified **single-PAN verification facility** into the deductor/TRACES workflow alongside bulk verification. Display the relevant status, verification date and time, and provide a downloadable acknowledgement, subject to appropriate access controls.
10.12	Sections **397(3)(a) and 399**—payment and processing framework; related challan-correction procedures.	Sections **200 and 200A** and related challan-correction procedures.	**Challan correction reportedly restricted where a default exists under the TAN:** A default may itself arise from an incorrect challan attribute or allocation. Blocking correction until the default is cleared creates a circular procedural difficulty.	Permit eligible challan-correction requests notwithstanding an outstanding default under the TAN. Validate ownership, payment and utilisation of the challan, and automatically recompute the related demand after correction. Any restriction should identify a specific legal or utilisation-related reason.
10.13	Section **397**, read with **section 536** and the applicable	Sections **200 and 200A** and the corresponding challan	**Difficulty correcting a challan from an incorrect FY/AY classification to Tax Year 2026–27:** Users	Provide a controlled facility to correct eligible challans to **Tax Year 2026–27**,

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	transition and challan procedures.	procedures for periods governed by the ITA 1961.	report that the required transition correction is unavailable. This prevents proper allocation where payment has been made against the wrong year or statutory framework.	including the corresponding Act and payment classification. Validate the underlying deduction liability and original challan designation. Provide an Assessing Officer-assisted route where online correction is unavailable, with safeguards against duplicate utilisation.
10.14	**Clarify that unconsumed TDS and TCS challans under ITA 1961 can be offset against TDS liability arising under ITA 2025. Also, clarify that TDS challans deposited under one section of ITA 2025 can be utilised to discharge TDS liability arising under any other section of ITA 2025.**		• Under ITA 1961, the FAQs issued by CPC (TDS) on the TRACES portal provided as follows: o Excess TDS is adjustable against future TDS liabilities for the subsequent quarters falling within the same or the next financial year. o Such excess TDS is also fungible, i.e., excess under one TDS section may be utilised against liabilities under other TDS sections. • At present, there is lack of clarity on whether excess TDS paid during tax year 2025–26 or previous TYs falling under ITA 1961 regime can be adjusted against TDS liabilities arising in TY 2026–27 under ITA 2025 regime. There is also lack of clarity on whether excess under one TDS section of ITA 2025 may be utilised against liabilities under other TDS sections of ITA 2025. Absence of clarity on carry forward of unconsumed TDS challan under ITA 1961 and its set off against TDS liability under ITA 2025 and fungibility of TDS	It is suggested to clarify that the FAQs issued by CPC under ITA 1961 are equally applicable to the ITA 2025. More specifically, clarify that unconsumed TDS and TCS challans under ITA 1961 can be offset against TDS liability arising under ITA 2025. Also, clarify that TDS/TCS challans deposited under one section of ITA 2025 can be utilised to discharge TDS/TCS liability arising under any other section of ITA 2025.

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			paid under ITA 2025 with any provision will require deductors to claim refund of excess TDS under ITA 1961 or ITA 2025 respectively and separately pay TDS under ITA 2025. This will increase compliance burden for taxpayers as also administrative burden for Tax Department of processing TDS refunds.	
10.15	Section **397(3)(b) and (f)**—filing and correction of statements; **Rule 219**.	Section **200(3)** read with **Rule 31A of the Income-tax Rules, 1962**.	**Failure to capture the authorised person's PAN during online correction:** TRACES reportedly displays a missing-PAN error even where the authorised/responsible person's PAN was furnished in the original accepted TDS statement. This prevents further processing.	Ensure automatic capture and validation of the authorised person's PAN from the accepted statement and current deductor profile. Where records differ, permit authenticated updating within the correction process. Provide an alternative verification route and time-bound resolution of system-generated errors.
10.16	Sections **397 and 399**, read with the applicable payment, statement and validation procedures.	Sections **200 and 200A**, read with **Rules 30 and 31A of the Income-tax Rules, 1962**.	**Acceptance of an incompatible challan payment head:** Ordinary TDS/TCS statements may be validated despite reference to an incompatible **Minor Head 100—Advance Tax** challan, resulting in unmatched payments and subsequent demands. Minor Head 100 must be distinguished from the Major Head classification.	Introduce transaction-specific checks in the **File Validation Utility (FVU)** and filing portal to reject incompatible challans and display a clear corrective message. Preserve expressly permitted cases where a deductee's Minor Head 100 payment may be reported. Provide an integrated correction and reconciliation facility.
10.17	Section **395(1)** read with **Rule 209 and Form 126**—application for a certificate authorising receipt without deduction of tax.	Section **195(3)** read with **Rule 29B and Forms 15C/15D of the Income-tax Rules, 1962**.	**Non-recognition and verification of certificates obtained through Form 126:** Deductors report demands despite relying on documents furnished by deductees. There is also difficulty verifying the certificate's authenticity, scope and validity. Submission of Form 126 alone must be distinguished from grant of the certificate.	Provide online verification of certificates issued pursuant to Form 126, showing the certificate number, deductee PAN, covered income, validity and applicable conditions. Integrate valid certificates with statement processing and provide prompt rectification of demands arising from

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				non-recognition. Clarify the distinction between the application and the operative certificate.
10.18	Section **393(1), Table Sl. No. 3(i)**; section **397(2)**; and sections **390(5) and (6)** read with **Rule 203**. **Form 141** applies under the prescribed current framework; legacy cases involve Form 26QB.	Sections **194-IA, 206AA and 199**, read with **Rules 31A and 37BA**; **Form 26QB**.	**Non-reflection of additional TDS paid against an inoperative-PAN demand:** In legacy Form 26QB cases, buyers report that additional tax paid against a short-deduction demand does not flow to the seller's tax-credit statement, even after identification of the seller and payment reconciliation.	Establish an end-to-end mechanism linking additional **tax** paid against the demand to the seller's PAN and original property transaction. Provide the necessary correction facility, update the seller's credit and TDS certificate, and notify both parties. Apply available CBDT relief before confirming the demand. Keep interest, fees and penalties separate from creditable tax.
10.19	**TDS on rent payment to Non-Resident**			
	Sub-clause (iii) of section 397(1)(c) of the Act provides that any resident individual or Hindu undivided family ('HUF'), is not required to obtain TAN to deduct tax at source in respect of any consideration payable to non-resident on transfer of any immovable property under section 393(2) [Table Sl. No.17]. However, the requirement of obtaining TAN continues for payment of rent to non-resident, unlike rent payment to the resident.		There is a need to bring parity in the TDS provisions relating to payment of rent to residents and to the non-resident.	It is recommended that requirement to obtain TAN by resident individual or HUF in relation to the rent payment to non-resident should be removed. Accordingly, the current language of sub-clause (iii) to section 397(1)(c) should be amended to include reference of rent payment to non-resident.

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10.20	**Issues in Form 145 (erstwhile Form 15CA) for foreign remittances**		• The revised Form 145 (formerly Form 15CA – Part C) now requires taxpayers to furnish Tax Residency Certificate (TRC) Number of the non-resident recipient. Many foreign jurisdictions like UK do not prescribe a TRC number on their residency certificates, as there is no uniform global format. In such cases, taxpayers may be compelled to input dummy or placeholder numbers simply to complete the form, making the field operationally redundant. • Additionally, Form 145/146 require quoting of TIN number of remittee. In case where TIN is not available, then any unique number used for identifying the remittee in country of residence is to be quoted. In many cases, remittee TIN / unique identification number may not available, such as Small foreign vendors, Individuals providing services, certain jurisdictions it is not mandatory to issue TINs for certain categories etc. In any case TIN number may not be necessary in cases where foreign remittance is made on a net of tax basis and or where income is not chargeable to tax in India. Thus, making TIN / unique identification number mandatory may lead to transaction blocking or incorrect dummy entries.	• Since both the nature of remittance and the RBI purpose code are mandatory fields in Form 145 (formerly Form 15CA), we request that the nature of remittance be provided through a standardized dropdown aligned with the RBI purpose code descriptions. This will ensure consistency and facilitate accurate reporting. • Further, citing TRC number should be made a free or optional field. Further, the requirement of quoting TIN of remittee may be made applicable only in specified circumstances such as where income is chargeable to tax.

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			Similar reporting of TIN is required to be made in new Form 147 by authorised dealer.	
11 Penalties, Offences and Prosecution				
11.1	**Combined order for assessment and penalty (w.e.f. 1 March 2026 for assessment orders made on or after 1 April 2027)**			
	Section 471, 411 and 379 of Income Tax Act, 2025	Section 274, 220 and 245MA of The Income Tax Act, 1961	• While the amendment to pass combined order for assessment and penalty for any assessment order passed on or after 1 April 2027 is to avoid multiplicity of proceedings, fundamentally they are different proceedings. Assessment is for assessing the income i.e. taxing proceedings whereas penalty proceedings are quasi-criminal proceedings. Penalty can be levied only after there is finality of addition in quantum assessment and certain additional conditions are fulfilled like satisfaction of AO that explanation provided by taxpayer is not bonafide or that taxpayer has not disclosed all material facts. In respect of penalty for misreporting, there are higher threshold conditions like satisfaction of AO that the taxpayer has misrepresented or suppressed any facts, recorded false entry in books, etc. Such additional conditions cannot be fulfilled until the quantum assessment is completed and taxpayer is made aware of the grounds for sustaining the addition and given opportunity of defending how the additional conditions for levy of penalty are not fulfilled. • The burden on taxpayer and standard of evidence required for levy of penalty is materially different from quantum assessment proceedings. For example, addition can be made on estimate basis if there is difficulty in	➢ Hence, following recommendations are made :- • Withdraw the amendment made by Finance Act 2026 and maintain status quo with law as prevailed prior to the amendment by Finance Act 2026 of separate assessment and penalty orders. • Without prejudice, provide statutory protection against routine levy of penalty by explicitly providing that no penalty shall be levied in cases where any addition is made on rejection of a bonafide view taken by an assessee on an issue on the basis of :- ○ Decision of an appellate authority in his own case; or ○ On the basis of a judgement of Tribunal, High Court or Supreme Court, which is in favour of the assessee • Furthermore, it is recommended to explicitly

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			ascertaining the correct amount. But that in itself is not valid ground for levy of penalty. • The reasons for making an addition become known to the taxpayer only after AO passes the assessment order. In penalty proceedings, based on the reasons adopted by AO in quantum assessment, the taxpayer gets fresh opportunity to defend with additional evidence why penalty should not be levied even if addition made in quantum assessment is correct. If the two proceedings are combined, there will be no effective opportunity to the taxpayer to defend penalty since he is not aware of the grounds for making the addition. In practice, there is likely to be penalty levied on each and every addition in routine manner creating unsustainable demand. • In case of listed companies, there is statutory obligation under SEBI LODR regulations to disclose levy of penalty by statutory authorities of material amount within 24 hours to the stock exchange. The relief under existing law of penalty being levied only on additions confirmed in appeal, would no longer be available to the taxpayers under amended law. It is likely that the penalties of 200% for misreporting of income will be levied routinely considering that taxpayer is statutorily protected from interest thereon till the date of first appellate outcome and taxpayer is required to pre-deposit only 10% of core tax demand. This may create negative	provide in the law (s.289 & s.411 of ITA 2025 corresponding to s.156 & s.220 of ITA 1961) that penalty demand raised on combined assessment order shall not become payable and no refunds of same or other years shall be adjusted against such penalty till passing of the order by CIT(A) or ITAT (for appeal against DRP orders), as the case may be.

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			sentiments for the stock price and lead to volatility of stock prices which is not desirable for any stakeholder. • Furthermore, the outstanding demand towards penalty will reflect on income tax portal (although no interest is payable till CIT(A)/ITAT order). While no interest can be levied u/s. 220(2) of ITA 1961 or s.411(3) of ITA 2025 till first appellate outcome due to amendments by Finance Act 2026, there is no bar in s.289 or s.411 of ITA 2025 (s.156 or s.220 of ITA 1961) on recovery of the penalty demand. Therefore, the refunds for other years will get adjusted towards such penalty (in addition to income tax demand). This will result in great hardships for taxpayers. • It is true that combined adjudication and penalty orders are in vogue under GST law. However, the system of separate assessment and penalty orders under income tax law has been in vogue for more than a century. Jurisprudence has well developed under income tax law. The system has been working well for taxpayers who get second opportunity in penalty proceedings after getting to know the grounds on which quantum additions are made. Such practice which is well established and fair to taxpayers should not be discarded for administrative expediency by curtailing the rights of the taxpayers.	
Rationalisation of mandatory fee for tax-audit default				

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11.2	Sections 446 and 470 prescribe consequences for failure to furnish the tax-audit report within the prescribed time.	Sections 271B and 273B of the Income-tax Act, 1961.	Finance Act, 2026 has replaced the scheme of penalty with the scheme of mandatory fees for delay in filing the Tax Audit Report. As per the fees provided, the fees of Rs. 75,000/- Is applicable even to a technical or short delay and may operate without adequate reasonable-cause protection. Levy of Fees instead of penalty deprives the assessee to explain reasonable cause, if any. It also results in the levy being non appealable. Further the amount of fees prescribed is absolutely disproportionate with small delays.	Restore the erstwhile penalty framework subject to reasonable-cause protection. Alternatively, prescribe a graded fee of ₹1,000 per day for the first month and ₹2,000 per day thereafter, subject to an overall ceiling of ₹1.50 lakh, with waiver for reasonable cause.
Further decriminalisation of procedural TDS/TCS and return-filing defaults				
11.3	The Income-tax Act, 2025 retains prosecution consequences for specified defaults relating to deduction or collection of tax and filing of returns, notwithstanding partial decriminalisation measures.	Corresponding prosecution provisions of the Income-tax Act, 1961.	Procedural or unintentional defaults may attract criminal consequences even where tax, interest and monetary penalties have been paid and there is no fraud or wilful evasion. Criminal prosecution is disproportionate for compliance lapses capable of being adequately addressed through civil consequences.	Decriminalise procedural TDS/TCS and return-filing defaults where the tax, interest and applicable monetary consequences are discharged. Prosecution should be confined to deliberate and fraudulent conduct involving wilful evasion, fabrication or repeated non-compliance after notice.
12 Representative Assessees and Private Trusts				
12.1	**Residential status of the trust**			
	Section 6.		No specific test is found in section 6.	Thus, one of the following options may be considered: • Dedicated test: resident if created under Indian law, or POEM / place of administration in India, or majority of trustees resident in India. • Or keep the existing "control and management" test but define it (where trustees

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				actually decide investment and distribution). • Or look through to beneficiaries (works only for determinate trusts; weak for discretionary / offshore structures).
12.2	**S. 303 — Representative assessee** 303. (1) For the purposes of this Act, "representative assessee" means— (a) in respect of the income of a non-resident specified in section 9, the agent of the non-resident, including a person who is treated as an agent under section 306; (b) in respect of the income of a minor or a person who is mentally ill or of unsound mind, the guardian or manager who is entitled to receive or is in receipt of such income on behalf of such minor or a person who is mentally ill or of unsound mind; (c) in respect of income which the Court of Wards, the Administrator-General, the Official Trustee or any receiver or manager (including any	**S. 160 — Representative assessee** 160. (1) For the purposes of this Act, "representative assessee" means— (i) in respect of the income of a non-resident specified in sub-section (1) of section 9, the agent of the non-resident, including a person who is treated as an agent under section 163; (ii) in respect of the income of a minor, lunatic or idiot, the guardian or manager who is entitled to receive or is in receipt of such income on behalf of such minor, lunatic or idiot; (iii) in respect of income which the Court of Wards, the Administrator-General, the Official Trustee or any receiver or manager (including any person, whatever his designation, who in fact	**Comments / remarks** 1. Reference to the Mussalman Wakf Validating Act, 1913. The 1913 Act was a validating statute of a particular historical moment. Wakfs in India are now governed by the law for the time being in force relating to wakfs (presently the Waqf Act, 1995, as amended, and any successor enactment). Copying the 1913 citation into a 2025 code freezes the income-tax statute to a repealed / superseded special Act and creates an avoidable construction dispute about whether a waqf valid under current waqf law is a "written trust" for sections 303(1)(d), 303(2) and 303(3). Substituting "the law for the time being in force relating to wakfs" is a neutrality amendment. It does not change the tax result; it only keeps the cross-reference alive. 2. The 1st June, 1981 window in section 303(2)(a) is surplusage. That date was the commencement of the oral-trust amendments made by the Finance Act, 1981. It had a one-time transitional purpose: existing oral trusts were given three months from 1 June 1981 to file a written statement and be deemed written trusts. Forty-five years later, and in a statute that comes into force on 1 April 2026, clause (a) can have no prospective operation. Any oral trust still in existence that never filed the 1981	**Suggested amendment to S. 303** **303. (1) …** (d) in respect of income which a trustee appointed under a trust declared by a duly executed instrument in writing whether testamentary or otherwise [including any wakf deed which is valid under the law for the time being in force relating to wakfs receives or is entitled to receive on behalf or for the benefit of any person, such trustee or trustees; 303. (2) For the purposes of sub-section (1)(d), a trust which is not declared by a duly executed instrument in writing [including any wakf deed which is valid under the law for the time being in force relating to wakfs] shall be deemed to be a trust declared by a duly executed instrument in writing if a statement in writing, signed by the trustee or trustees, setting out the purpose or purposes of the trust, particulars as to the trustee or trustees, the beneficiary or beneficiaries and the trust property, is forwarded to the

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	person, whatever his designation, who in fact manages property on behalf of another) appointed by or under any order of a court, receives or is entitled to receive, on behalf or for the benefit of any person, such Court of Wards, Administrator-General, Official Trustee, receiver or manager; (d) in respect of income which a trustee appointed under a trust declared by a duly executed instrument in writing whether testamentary or otherwise [including any wakf deed which is valid under the Mussalman Wakf Validating Act, 1913 (6 of 1913)] receives or is entitled to receive on behalf or for the benefit of any person, such trustee or trustees; (e) in respect of income which a trustee appointed under an oral trust receives or is entitled to receive on behalf or for the benefit of any person, such trustee or trustees. (2) For the purposes of sub-section (1)(d), a trust which is	manages property on behalf of another) appointed by or under any order of a court, receives or is entitled to receive, on behalf or for the benefit of any person, such Court of Wards, Administrator-General, Official Trustee, receiver or manager; (iv) in respect of income which a trustee appointed under a trust declared by a duly executed instrument in writing whether testamentary or otherwise [including any wakf deed which is valid under the Mussalman Wakf Validating Act, 1913 (6 of 1913),] receives or is entitled to receive on behalf or for the benefit of any person, such trustee or trustees; (v) in respect of income which a trustee appointed under an oral trust receives or is entitled to receive on behalf or for the benefit of any person, such trustee or trustees. Explanation 1.—A trust which is not declared by a duly executed instrument in writing [including any wakf deed which is valid under the Mussalman Wakf Validating Act, 1913 (6 of 1913),] shall be deemed, for the	statement is, by definition, an oral trust under section 303(3). Retaining the 1981 cut-off in a rewritten code is the opposite of simplification. Sub-section (2) should contain a single prospective rule: the written statement must be forwarded within three months from the date of declaration of the trust. 3. Proposed sub-section (5) is the consequential impact of including a trust as a person in section 2(77)(h). Without it, section 303 continues to speak only of the trustee as the possible assessee. Sub-section (5) authorises assessment on the trust in its own name, keeps the trustee jointly and severally liable limited to trust assets in his control, and confines that residual liability to tax that the trust has not paid. That last confinement is the first limb of the no-double-taxation rule developed more fully in section 304.	Assessing Officer, within three months from the date of declaration of the trust. 303. (3) … "oral trust" means a trust which is not declared by a duly executed instrument in writing [(including any wakf deed which is valid under the law for the time being in force relating to wakfs)] and which is not deemed under sub-section (2) to be a trust declared by a duly executed instrument in writing. 303. (4) [retain as enacted]

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	not declared by a duly executed instrument in writing [including any wakf deed which is valid under the Mussalman Wakf Validating Act, 1913 (6 of 1913)] shall be deemed to be a trust declared by a duly executed instrument in writing if a statement in writing, signed by the trustee or trustees, setting out the purpose or purposes of the trust, particulars as to the trustee or trustees, the beneficiary or beneficiaries and the trust property, is forwarded to the Assessing Officer,— (a) where the trust has been declared before the 1st June, 1981, within three months from that day; and (b) in any other case, within three months from the date of declaration of the trust. (3) For the purposes of sub-section (1)(e), "oral trust" means a trust which is not declared by a duly executed instrument in writing [(including any wakf deed which is valid under the Mussalman Wakf Validating	purposes of clause (iv), to be a trust declared by a duly executed instrument in writing if a statement in writing, signed by the trustee or trustees, setting out the purpose or purposes of the trust, particulars as to the trustee or trustees, the beneficiary or beneficiaries and the trust property, is forwarded to the Assessing Officer,— (i) where the trust has been declared before the 1st day of June, 1981, within a period of three months from that day; and (ii) in any other case, within three months from the date of declaration of the trust. Explanation 2.—For the purposes of clause (v), "oral trust" means a trust which is not declared by a duly executed instrument in writing [including any wakf deed which is valid under the Mussalman Wakf Validating Act, 1913 (6 of 1913),] and which is not deemed under Explanation 1 to be a trust declared by a duly executed instrument in writing.		

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	Act, 1913 (6 of 1913)] and which is not deemed under sub-section (2) to be a trust declared by a duly executed instrument in writing. (4) Every representative assessee shall be deemed to be an assessee for the purposes of this Act.	(2) Every representative assessee shall be deemed to be an assessee for the purposes of this Act.		
12.3	**S. 304 — Liability of representative assessee** 304. (1) Every representative assessee, as regards the income in respect of which he is a representative assessee, shall be subject to the same duties, responsibilities and liabilities as if the income were income received by or accruing to or in favour of him beneficially and for this purpose,— (a) the representative assessee shall be liable to assessment in his own name in respect of that income and any such assessment shall be deemed to be made upon him in his representative capacity only; and (b) the tax on such income shall, subject to the other provisions contained in this	**Ss. 161, 165, 166 and 167 — Liability, part-chargeable income, direct assessment, remedies** 161. (1) Every representative assessee, as regards the income in respect of which he is a representative assessee, shall be subject to the same duties, responsibilities and liabilities as if the income were income received by or accruing to or in favour of him beneficially, and shall be liable to assessment in his own name in respect of that income; but any such assessment shall be deemed to be made upon him in his representative capacity only, and the tax shall, subject to the other provisions contained in this Chapter, be levied upon and recovered from him in like manner and to the same extent	**Comments / remarks** 1. Explicit prohibition of double taxation once the trust (or the trustee as representative) has paid. This is the second, and central, restricted amendment. Old section 166 was a saving clause ("Nothing in the foregoing sections … shall prevent" direct assessment of the beneficiary). New section 304(3) opens with "Irrespective of the provisions of this Chapter", which can be read as an overriding power to run a simultaneous assessment on the beneficiary even after the trust or the trustee has been charged. That is a quiet expansion of parallel-assessment power and is the source of refund, TDS-credit and recovery disputes. Two drafting corrections are therefore proposed: (a) restore the 1961 "shall not prevent" language, so that 304(3) is a saving and not an override of 304(2); and (b) enact an express no-double-taxation sentence in 304(3), and a stand-alone 304(6) which states that once tax has been paid by or recovered from the trust as a person, or by the trustee as representative in respect of the same income, the beneficiary is not assessable on that income and no	**Suggested amendment to S. 304** 304. (1) [retain as enacted] 304. (2) If any person, in respect of any income is assessable under this Chapter in the capacity of a representative assessee, then he shall not, in respect of that income, be assessed under any other provisions of this Act 304. (3) Nothing in this Chapter shall prevent the Assessing Officer from making a direct assessment of the person on whose behalf or for whose benefit income therein referred to is receivable, or from recovering from such person the tax payable in respect of such income. 304. (4) [formula retained] 304. (5) [retain as enacted] 304. (6) Where tax has been paid by, or recovered from, the trustee as representative assessee in respect of the same income, no beneficiary shall be assessable or chargeable to tax in

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	Chapter, be levied upon and recovered from the representative assessee in like manner and to the same extent as it would be leviable upon and recoverable from the person represented by him. (2) If any person, in respect of any income is assessable under this Chapter in the capacity of a representative assessee, then he shall not, in respect of that income, be assessed under any other provisions of this Act. (3) Irrespective of the provisions of this Chapter, the Assessing Officer may directly assess the person on whose behalf or for whose benefit income therein referred to is receivable, or may recover from such person the tax payable in respect of such income. (4) If only part of the income of a trust is chargeable under this Act, then the proportion of income receivable by a beneficiary from such trust derived from the chargeable	as it would be leviable upon and recoverable from the person represented by him. (1A) Notwithstanding anything contained in sub-section (1), where any income in respect of which the person mentioned in clause (iv) of sub-section (1) of section 160 is liable as representative assessee consists of, or includes, profits and gains of business, tax shall be charged on the whole of the income in respect of which such person is so liable at the maximum marginal rate: Provided that the provisions of this sub-section shall not apply where such profits and gains are receivable under a trust declared by any person by will exclusively for the benefit of any relative dependent on him for support and maintenance, and such trust is the only trust so declared by him. (2) Where any person is, in respect of any income, assessable under this Chapter in the capacity of a representative assessee, he shall not, in respect of that income, be assessed	recovery proceeding against the beneficiary may continue. 3. Section 304(6) is framed as a payment / recovery rule, not an election rule. The Department retains the choice, up front, to assess the trust, the trustee or the beneficiary.	respect of that income, and no proceeding shall be continued against a beneficiary for recovery of tax on that income.

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	part shall be determined as follows:— Where,— A = the chargeable part of the income of the trust; B = the whole income of the trust; and C = the income receivable by the beneficiary from the trust. *[Proportion derived from the chargeable part = C × A / B.]* (5) The Assessing Officer shall have the same remedies in the same manner against all property of any kind vested in or under the control or management of any representative assessee as he would have against the property of any person liable to pay any tax, whether the demand is raised against the representative assessee or against the beneficiary direct.	under any other provision of this Act. 165. Where part only of the income of a trust is chargeable under this Act, that proportion only of the income receivable by a beneficiary from the trust which the part so chargeable bears to the whole income of the trust shall be deemed to have been derived from that part. 166. Nothing in the foregoing sections in this Chapter shall prevent either the direct assessment of the person on whose behalf or for whose benefit income therein referred to is receivable, or the recovery from such person of the tax payable in respect of such income. 167. The Assessing Officer shall have the same remedies against all property of any kind vested in or under the control or management of any representative assessee as he would have against the property of any person liable to pay any tax, and in as full and ample a manner, whether the demand is raised against the		

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		representative assessee or against the beneficiary direct.		
12.4	**S. 305 — Right of representative assessee to recover tax paid** 305. (1) Every representative assessee who, as such, pays any sum under this Act, shall be entitled to recover the sum so paid from the person on whose behalf it is paid, or to retain out of any moneys that may be in his possession or may come to him in his representative capacity, an amount equal to the sum so paid. (2) Any representative assessee, or any person who apprehends that he may be assessed as a representative assessee, may retain out of any money payable by him to the person on whose behalf he is liable to pay tax (hereinafter in this section 306 referred to as the principal), a sum equal to his estimated liability under this Chapter. (3) In the event of any disagreement between such principal and such representative assessee or	**S. 162 — Right of representative assessee to recover tax paid** 162. (1) Every representative assessee who, as such, pays any sum under this Act, shall be entitled to recover the sum so paid from the person on whose behalf it is paid, or to retain out of any moneys that may be in his possession or may come to him in his representative capacity, an amount equal to the sum so paid. (2) Any representative assessee, or any person who apprehends that he may be assessed as a representative assessee, may retain out of any money payable by him to the person on whose behalf he is liable to pay tax (hereinafter in this section referred to as the principal), a sum equal to his estimated liability under this Chapter, and in the event of any disagreement between the principal and such representative assessee or person as to the amount to be so retained, such representative	**Comments / remarks** 1. Removal of the section 306 typo. Section 305(2) of the enacted 2025 Act reads: "hereinafter in this section 306 referred to as the principal". That is a leftover clause-number from the Bill. Section 306 is "Who may be regarded as agent". The parenthetical is intended only to define "the principal" for the rest of section 305 (sub-sections (3) and (4) then use that defined term). The 1961 predecessor, section 162(2), correctly said "hereinafter in this section referred to as the principal". The Gazette error should be corrected by deleting the stray "306". Until that is done, a literal reader is pointed at the wrong section for the definition of "principal". 2. Consequential indemnity. Proposed sub-section (5) does not change the recovery mechanics. It only extends the same indemnity to a trustee who pays tax that has been assessed on the trust.	Suggested amendment to S. 305 305. (1) [retain as enacted] 305. (2) Any representative assessee, or any person who apprehends that he may be assessed as a representative assessee, may retain out of any money payable by him to the person on whose behalf he is liable to pay tax (hereinafter in this section referred to as the principal), a sum equal to his estimated liability under this Chapter. 305. (3) [retain as enacted] 305. (4) [retain as enacted] 305. (5) Where tax is paid by a trustee, the trustee shall have the same rights of recovery and retention as in sub-sections (1) to (4), and the trust shall, for that purpose, be the "principal".

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	person with regard to the amount to be so retained as referred to in sub-section (2), such representative assessee or person may secure from the Assessing Officer a certificate stating the amount to be so retained pending final settlement of the liability, and the certificate so obtained shall be his warrant for retaining that amount. (4) The amount recoverable from such representative assessee or person at the time of final settlement shall not exceed the amount specified in such certificate, except to the extent to which such representative assessee or person may at such time have in his hands additional assets of the principal.	assessee or person may secure from the Assessing Officer a certificate stating the amount to be so retained pending final settlement of the liability, and the certificate so obtained shall be his warrant for retaining that amount. (3) The amount recoverable from such representative assessee or person at the time of final settlement shall not exceed the amount specified in such certificate, except to the extent to which such representative assessee or person may at such time have in his hands additional assets of the principal.		
12.5	**S. 306 — Who may be regarded as agent** 306. (1) For the purposes of this Act, "agent", in relation to a non-resident, includes— (a) any person in India— (i) who is employed by or on behalf of the non-resident; or	**S. 163 — Who may be regarded as agent** 163. (1) For the purposes of this Act, "agent", in relation to a non-resident, includes any person in India— (a) who is employed by or on behalf of the non-resident; or	**Comments / remarks** 1. Significant economic presence in the agent definition. Section 9(9)(a) of the 2025 Act already defines "business connection" as including a significant economic presence (SEP) in India, and section 9(9)(d) states when a non-resident has an SEP (threshold transactions in goods, services or property with a person in India, including download of data or software; or systematic and continuous soliciting of / interaction with a	Suggested amendment to S. 306 306. (1) For the purposes of this Act, "agent", in relation to a non-resident, includes— (a) any person in India— (i) who is employed by or on behalf of the non-resident; or (ii) who has any business connection with the non-resident; or

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	(ii) who has any business connection with the non-resident; or (iii) from or through whom the non-resident is in receipt of any income, whether directly or indirectly; or (iv) who is the trustee of the non-resident; (b) any other person who, whether a resident or non-resident, has acquired by means of a transfer, a capital asset in India. (2) A broker in India who, in respect of any transactions, does not deal directly with or on behalf of a non-resident principal but deals with or through a non-resident broker shall not be deemed to be an agent under this section in respect of such transactions, if the following conditions are fulfilled:— (a) the transactions are carried on in the ordinary course of business through the first-mentioned broker; and (b) the non-resident broker is carrying on such transactions in the ordinary course of his	(b) who has any business connection with the non-resident; or (c) from or through whom the non-resident is in receipt of any income, whether directly or indirectly; or (d) who is the trustee of the non-resident; and includes also any other person who, whether a resident or non-resident, has acquired by means of a transfer, a capital asset in India: Provided that a broker in India who, in respect of any transactions, does not deal directly with or on behalf of a non-resident principal but deals with or through a non-resident broker shall not be deemed to be an agent under this section in respect of such transactions, if— (i) the transactions are carried on in the ordinary course of business through the first mentioned broker; and (ii) the non-resident broker is carrying on such transactions in the ordinary course of his business and not as a principal.	prescribed number of users in India). Section 306(4) already cross-refers to section 9(9)(a). The gap is not in the meaning of "business connection"; it is in the catalogue of persons who may be regarded as agent. 2. SEP is frequently created through or by means of a person in India who is neither an employee of the non-resident, nor a classical dependent agent concluding contracts, nor a trustee, nor a person from whom the non-resident "is in receipt of income" in the section 306(1)(a)(iii) sense (for example, an Indian platform, marketplace, payment aggregator, or user-facing affiliate through whom the prescribed transaction or user threshold is crossed). Proposed clause (a)(v) therefore adds, in the language requested, "any person in India through or by means of whom the non-resident has a significant economic presence in India". That person can then be heard under section 306(3) and, if treated as agent, becomes the representative assessee under section 303(1)(a) for the income specified in section 9 that is attributable to that SEP. 3. The addition to section 306(4) is belt-and-braces. It states, in the agent section itself, that "business connection" includes SEP as referred to in section 9(9)(a)(ii) and 9(9)(d). A reader of Chapter XVII then does not have to reconstruct the SEP rule from the charging section alone.	(iii) from or through whom the non-resident is in receipt of any income, whether directly or indirectly; or (iv) who is the trustee of the non-resident; or (v) through or by means of whom the non-resident has a significant economic presence in India; (b) [retain as enacted] 306. (2) [retain as enacted] 306. (3) [retain as enacted] 306. (4) For the purposes of this section, "business connection" shall have the meaning assigned to it in section 9(9)(a), and shall include a significant economic presence in India as referred to in section 9(9)(a)(ii) and section 9(9)(d).

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	business and not as a principal. (3) A person shall not be treated as the agent of a non-resident unless he has had an opportunity of being heard by the Assessing Officer as to his liability to be treated as such. (4) For the purposes of this section, "business connection" shall have the meaning assigned to it in section 9(9)(a).	(2) No person shall be treated as the agent of a non-resident unless he had an opportunity of being heard by the Assessing Officer as to his liability to be treated as such. Explanation.—For the purposes of this section, the expression "business connection" shall have the meaning assigned to it in Explanation 2 to clause (i) of sub-section (1) of section 9 of this Act.		
13 Special Provisions for Registered non-profit organisation				
	Special Provisions for Registered non-profit organisation			
13.1	S. 332(2) of ITA, 2025 - Eligibility for Registration		One of the conditions for registration of trust under S. 332(2)(b) is that "the properties of such person are held under for the benefit of the general public under an irrevocable trust". This condition was not there in the Income Tax Act, 1961. This condition of irrevocable trust has created difficulties for the trust which are old and in existence from very long period of time. In many cases, trust deed does not contain the irrevocability clause, as a result such trust have been denied the registration on the ground that the deed lacks explicit Irrevocability clause. When there is no provision in the trust deed to revoke/and or retransfer or it does not give any right to re-assume power, then such trust shall be considered as irrevocable trust. Also, S. 78 of Indian Trusts Act, 1882 provides that, a trust can be	The trust is either registered under the charity law of prevailing in various States or they are governed by the provisions of the Indian Trust Act. Once the trust is created under Charity Law for example under Maharashtra Public Trust Act, such trust is by default irrevocable in nature. Attention is drawn that in the Mumbai region lakhs of registration have been rejected solely on this ground and matters were contested in the High Court. Hence in order to reduce the litigation and ease of compliances it is suggested that the condition of irrevocability explicitly mentioned in the Section needs to be removed.

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			revoked, only if the trust deed explicitly mentions a power of revocation to the author of the trust. Further, an insertion of a clause in the Trust Deed that the trust is irrevocable would amount to an amendment of the trust deed and cannot be done without an application to the Hon'ble High Court. If such applications have to be made throughout the country by all public charitable trusts, it would create a huge burden on the courts throughout the country. Also, absence of express irrevocability clause in Trust deed does not vitiate the charitable character of a trust.	Without prejudice to above and in alternative, in case it is not possible to remove the explicit condition mentioned of irrevocability, then it should be suitably replaced with "trust shall not be revocable in nature". This will help the lower authorities to consider the intent of the trust rather than insisting that the trust deed should explicitly mention the irrevocability clause.
13.2	S. 355(g) of ITA, 2025 – Registered non-profit organization (RNPOs)		Under the ITA, 2025 eligibility for tax exemptions by Non-Profit Organizations (NPOs) is applicable to only registered NPO under Income Tax Act. There might arise a situation where the registration of NPO has expired and whose application is pending before appropriate authority for condonation of delay or where NPO is in appeal for rejection of its registration or where the matter has been remanded to the appropriate authority to reconsider the issue based on the merits, in such situation the NPO is considered as unregistered NPO and will be deprived of exemption benefits as the exemption benefits are available to only Registered NPO. This creates undue hardship to the NPOs whose registration has subsequently been restored or granted. This will create unnecessary tax burden on such NPOs.	It is suggested that a suitable enabling provision be introduced under the Income-tax Act, 2025, allowing eligible NPOs to continue availing the applicable tax exemptions during the pendency of an appeal against rejection or cancellation of registration, or pendency of application for condonation of delay or until an order giving effect to a appellate decision is passed.
13.3	S. 345 of ITA, 2025 - Restrictions on commercial		Section 345 provides that a registered NPO (other than a registered NPO mentioned in Section 346) shall not carry out any commercial activity unless:	It is suggested that provisions of the erstwhile Act under S. 11(4A) be restored and accordingly, S. 345 and S.

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	activities undertaken by registered NPOs		such commercial activity is incidental to the attainment of the NPO's objectives; and separate books of account are maintained for such activities. S. 355 defines the commercial activity as under: "Commercial activity" means any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity. Under the erstwhile Section 11(4A) of ITA, 1961, the provision stated that the exemption provisions under Section 11(1), (2), (3) and (3A) would not apply to income of the trust being Profits and gains of business i.e. Business profits unless the business was incidental to the trust's objectives and separate books were maintained. S. 2(20) of ITA, 1961 defines "business" includes any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture; Insertion of " any service in relation to any trade, commerce or business," will lead to dispute and more litigation . Any activity covers mentioned in commercial activities covers all businesses. Such service are also considered as specified violation u/s 351 of the ITA, 2025 which were not there in erstwhile specified violation u/s 12AB(4) of ITA, 1961. This will create lot of litigation.	351 be amended as under: S. 345- a registered NPO (other than a registered NPO mentioned in Section 346) shall not carry out any Business activity unless: such business activity is incidental to the attainment of the NPO's objectives; and separate books of account are maintained for such activities. Similar changes should also be made in S. 351 Specified violation. This will help in reducing the litigation.

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13.4	Incorporation of donations to Registered NPO in Form 26AS		The NPO's are required to file an annual statement of donation received in Form 10BD. The system then issues a certificate under 10BE which certificate number is then to be incorporated by the assessee in its return of income. Since the statement is to be filed annually, the donor is required to chase the NPO for the certificate.	It is suggested that once the RNPO files the Form 10BD, automatically it should be reflected in Form 26AS of the Donor. Once it gets reflected in Form 26AS, there is no necessity to issue certificate under Form 10BE and this will result in ease of compliance.
13.5	S.337 of ITA, 2025 Specified Income - Entry No. 4 "Any investment or deposit made in contravention to the provisions of section 350 out of any income, accumulated income, deemed accumulated income, corpus, deemed corpus, or any other fund."		Under the ITA, 2025, all the income, accumulated income, deemed accumulated income, corpus, deemed corpus, or any other fund, if not invested in specified mode are subject to tax at 30%. However, as per the erstwhile ITA, 1961, the provisions in this respect are as under: S. 11(1)(d) If corpus is not invested in the specified modes, benefit of exemption u/s 11 was not available. Similarly in case of deemed corpus, only exemption benefit will not be available and it will be treated as income as per Explanation 3B of Section 11 of ITA, 1961. In respect of accumulation to the extent of 15% of its total income (deemed accumulation under ITA, 2025), there was no condition of investing the same in the prescribed mode and levying a tax @ 30% on such accumulation. If entire income of the NPO is invested, it will be difficult for them to function as they need money for their operational activity. The clause is vague and covers any income or any other fund.	It is suggested that Entry No. 4 of S. 337 specified income shall exclude, any income, deemed accumulated income, corpus, deemed corpus, or any other fund. We suggest that this regard the position as per erstwhile Act be restored and accordingly, Entry No. 4 of S. 337 specified income shall exclude, any income, deemed accumulated income, corpus, deemed corpus, or any other fund. Further in the erstwhile Act 1961 there was allowed to retain to the extent of 15% of its income for its operational purpose and there was such condition to invest 15% of income in prescribed mode. Without prejudice to above, we also suggest that if investment for some reason is not made by the NPO in prescribed mode and benefit of exemption is denied to the NPO, and NPO if pays Tax on same in that case in the subsequent year if the investment is made by NPO to that extent the tax paid by the NPO should be refunded in

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				the year in which it is invested.
13.6	S. 337 of ITA, 2025 – Specified Income Entry No. 12 Fair Market Value of any asset, where it is not held in forms or modes specified in Schedule XVI even after expiry of one year from the end of the tax year in which such asset is acquired.		NPO are required to invest all the income in the specified mode otherwise the same will be subject to tax as per Entry No. 4 to 8 of S. 337 of ITA, 2025. So if investments not in prescribed mode and if same is not converted within one year to prescribed mode the same is subject to Tax as per table in S. 337 .	The entry is vague and leads to lot of litigations as any income, accumulation , deemed accumulation, corpus or deemed corpus etc. is required to be invested in specified mode otherwise it is considered as specified income and subject to tax @ 30%. Again taxing the investments at FMV, not invested in a specified mode within one year amounts to double taxation. Hence it is suggested to remove this entry. This will help in reducing the litigation and double taxation.
13.7	S. 332(4) and S. 354 of ITA, 2025 [S. 80G of ITA, 1961] – Authority to Condone the delay in filing Application u/s 354 of ITA, 2025		Section 332(4) of the ITA, 2025 expressly empowers the Principal Commissioner or Commissioner to condone a delay in filing an application for registration under the specified circumstances, where reasonable cause for the delay is established. However, an equivalent express provision for condonation of delay in filing an application under Section 354 of the Act is not provided. In the absence of an express statutory power to condone delay under Section 354 [S. 80G of ITA, 1961], applications for approval may be rejected solely on the ground of delay, even where the applicant has a genuine and reasonable cause for not filing the application within the prescribed time. This may deprive otherwise eligible trusts and	It is suggested that Section 354 of the ITA, 2025 be suitably amended to confer upon the Principal Commissioner or Commissioner an express power, similar to that provided under Section 332(4), to condone delays in filing applications for approval under Section 354, wherever reasonable cause is established. This would ensure that genuine trusts and non-profit organisations are not denied tax benefits merely due to procedural delays and that their applications are considered on merits. Further this will help in reducing litigation as application rejected for

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			other non-profit organisations of the intended tax benefits due to procedural delays, without examination of their substantive eligibility for approval. Against the rejection of application, the assessee is require to file an appeal. In most cases of appeal, the matter is remand back to the Commissioner of Income Tax with a direction to condone the delay and pass appropriate order. This results into more litigations, considerable loss of time, procedural delays and against the principle of ease of compliance.	want of power in condoning the delay , appeal is preferred by NPO.
13.8	S. 332(5) and S. 354 of ITA 2025 - Application for Registration		Smaller trust is given the relief of registration up to 10 years under S. 332(5) of the Income Tax Act, 2025, if the total income of such applicant does not exceed 5 crores rupees during each of the two tax years, preceding the tax year in which such application is made	It is suggested that the benefit should also be extended for registration under S. 354 of Income Tax Act, 2025. This will go a long way to help the smaller trusts who are doing an extensive charity work and is helping the government in its object of development of all. This will also lead to a ease of compliance.
13.9	S. 341(1)(a) of ITA, 2025 Application of Income on cash basis.		In S. 341(1)(a) application of income is allowed when such sum is Paid during the tax year. This envisages claiming of expenses on cash basis. This results into lot of difficulties and undue hardship to trusts following accrual basis of accounting. Larger Trusts are maintaining accounts on accrual basis of accounting for e.g. Hospitals, for their internal control and for reporting purpose. Also, trust registered under section 8 of Companies Act, 2013 or section 25 of Companies Act, 1956, needs to maintain account on accrual basis as per	We humbly submit that it is not appropriate to insist on cash basis for the purpose of expenses incurred by the trusts considering various difficulties as explained. We alternatively plead that the amounts paid before the due date of filling return may be allowed as deduction on similar lines with the Section 37(3) (erstwhile proviso to section 43B of the Act).

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			the Companies Act. Further Accounting Standard mandates them to follow accrual basis of accounting. As per Technical Guide on Accounting for Not-for-Profit Organisations issued by the Institute of Chartered Accountants of India, "Accrual is the scientific basis of accounting and has conceptual superiority over the cash basis of accounting. It is, therefore recommended that all NPOs, including non-company NPOs, should maintain their books of account on accrual basis." Further, trusts need to make provision for expenses which are actually payable, there can be non-recovery of income, non-payment to suppliers in a particular year, etc. and making all such adjustments for arriving at the amount of application on cash basis, is a difficult task. The trust needs to maintain two separate accounts which further drain on the resources of the trust where they are pursuing charitable objects.	
13.10	S. 339 of ITA, 2025 Corpus Donation S. 350 of ITA, 2025 Permitted Modes of investment read with Schedule XVI		S. 339 requires corpus donation received shall be invested or deposited in any of the modes permitted under S. 350. When a donation received with a specific direction to use such donation to acquire certain movable asset. In such cases, it will be considered as corpus donation as received with specific direction however, permitted modes of Investment or deposits u/s 350 r.w. SCH XVI does not cover such investment in movable asset. For Eg. Hospital receives donation for Dialysis machine, MRI machine, Ambulance etc which are fixed asset in nature and needs to be acquired as per the direction of the donor which binding on the	It is suggested that permitted modes of investment specified in Schedule XVI of the Income Tax Act, 2025 should also include investments in movable asset which are in the nature of fixed assets. Or it should cover investment made as per conditions attached to any corpus donations.

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			Trust. Hence this being a corpus donation cannot be treated as Income of the Trust. However, permitted modes as per S. 350 does not cover such investment and creates difficulty for NPO to treat it as Corpus. Hence requires amendment in permitted modes of investments as specified in Schedule XVI of the Act.	
13.11	S. 355(h) of ITA, 2025 Interpretation of Related person		Related person as per S. 355(h)(ii) includes, any person whose total contribution to such registered NPO, during relevant tax year exceeds Rs. 100000/- , or, in aggregate up to the end of the relevant tax year exceeds ten lakh rupees, as the case may be. Further audit report also requires the details of the related persons who has provided donation to the trust right from the inception of the trust The limit of Rs. 1,00,000/- as specified in S. 355(h)(ii) is meagre and needs to be enhanced. Further it requires the details to be provided right from the inception / formation of trust. The amount of Rs. 1,00,000/- is minuscule and in today's scenario generally people donate more than Rs. 1,00,000/-. In this situation every donor who has donated benevolently also becomes a related person or interested person who in fact has no interest in the activities of the Trust and hence this limit needs to be enhanced keeping in mind the volume and activities of the trust. Further these conditions shall be made applicable only for the people who fits in the criteria suggested for the past 5 previous years and not from inception of the trust.	It is suggested that related persons can not be defined based on income criteria. In today's scenarios amount Rs.100,000/- is trivial in nature. In that case each and every donor donating for more than Rs.100,000/- becomes related persons though such donors have no controlling interest in the trust . Such Donations are purely benevolent in nature. It is suggested more objective criteria to be fixed rather than income based criteria such as controlling activities of the trust, or they are the part of management of the trust, or any relative of such person or r any such person or there relative or any concerns in which they are interested or their relatives are interested. But by treating each and every person who donates for Rs.100,000/- as related person is no valid reason or base and complicates the issues . It may result in litigation. Further a person who donates cumulatively upto

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				Rs.10,00,000/- also becomes a related person. This complicates issues further. Every time NPO needs to calculate whether donors total donation in last 10 years exceeds rs.10,00,000/- or not. In case there is any mistake they will be penalised for filing wrong information. On the top such NPOs are required to maintain books also for 10 years. This is cumbersome conditions and needs to be deleted. Without prejudice to above , in alternative if at all income criteria is required for any reason in that case limit to be enhanced to at least Rs.100,00,000/- (one crore)
13.12	S. 348 of ITA, 2025 Audit		The limit set of maximum amounts not chargeable to tax is very low and all trust get covered. The audit of smaller NPO is a big issue and can easily be done away with as the system today collects all information to monitor NPO's in the form donation list in form 10BD and TDS compliance. It is pleaded that the limit should be increased to Rs 1 crore so that the cumbersome compliance is avoided.	It is suggested that the limit for audit of NPOs should be increased to Rs 1 crore or above, so that the it facilitates ease of compliance and reduces cost, compliance task and avoids cumbersome process.
14 Transfer Pricing and International Tax				
	A. TRANSFER PRICING			
	Reinstatement of the phrase "for the purposes of" in FTS source rule provisions (s.9(1)(vii) of ITA 1961, s.9(7) of ITA 2025)			
14.1	*S. 9(6)* *(a) Income by way of royalty payable by–*	*S. 9(1)(vi) income by way of royalty payable by—* *(a).....*	• S. 9(1)(vii) of ITA 1961 provides that fees for technical services (FTS) is deemed to accrue or arise in India if it is paid by a resident, except where the services are	In order to ensure continuity with established legal interpretation, avoid unintended narrowing of scope, and minimise interpretational disputes, it is

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	(i)… *(ii) a resident, except where 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 such resident outside India; or* *(B) making or earning any income by such resident from any source outside India; or* *S. 9(7)* *(a) Income by way of fees for technical services payable by–* *(i)…* *(ii) a resident, except where it* ***is*** *payable in respect of services* ***utilised for****—* *(A) a business or profession carried on by the resident outside India; or* *(B) making or earning any income from any source outside India; or*	*(b) a person who is a resident, except 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 outside India or for the purposes of making or earning any income from any source outside India; or* *S. 9(1)(vii) income by way of fees for technical services payable by—* *(a)…..* *(b) a person who is a resident, except where the fees are payable in respect of services* ***utilised in*** *a business or profession carried on by such person outside India or* ***for the purposes of*** *making or earning any income from any source outside India;* *(c) a person who is a non-resident, where the fees are payable in* ***respect of services utilised in a business or profession*** *carried on by such person in India or* ***for the***	**'utilised in'** the business or profession carried on outside India by the resident or **'for the purposes of'** making or earning an income from any source outside India. Where FTS payment is made by a non-resident, then FTS is deemed to accrue or arise in India only if the services are **'utilised in'** a business or profession carried on in India by such NR or **'for the purposes of'** making or earning any income from any source in India. • Under corresponding s.9(7) of ITA 2025, FTS is deemed to accrue or arise in India if it is paid by a resident except where it is payable in respect of services **'utilised for'** a business or profession carried on by the resident outside India; or '**for'** making or earning any income from any source outside India. In case where payment for FTS is made by a non-resident, then FTS shall be deemed to accrue or arise in India only if the services are **'utilised for'** a business or profession carried on by such NR in India; or '**for'** making or earning any income from any source in India. • As can be seen above, ITA 2025 replaces the phrase "utilised in" with "utilised for" and **"for the purposes of"** with **"for"** in the source rule provisions related to FTS. • It may be noted that S. 9(6) of ITA 2025 (corresponding to S. 9(1)(vi) of ITA 1961)	recommended that the phrases "in" and "for the purposes of" be reinstated in lieu of "for" in the FTS source rule under s.9(7) of ITA 2025 to maintain parity with s.9(1)(vii) of ITA 1961. This would align the provision with legislative intent (to not bring in any policy changes) and provide clarity and certainty to taxpayers.

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	(iii) a non-resident, if it is payable ***in respect of services utilised for—*** *(A) a business or a profession carried on by that non-resident in India; or* *(B) making or earning any income from any source in India, shall be deemed to accrue or arise in India;*	***purposes of*** *making or earning any income from any source in India*	which deals with source rule for royalty continues to use the phrase "for the purposes of" as found under ITA 1961. Please refer following relevant extracts of the provisions of ITA 1961 and ITA 2025 relating to FTS and royalty: • The change in language of phrase only in FTS source rule, while retaining it for royalty source rule raises ambiguity whether FTS source rule is intended to have a different scope from royalty source rule under ITA 2025. • From an interpretational perspective, the phrase "for the purposes of" has been judicially understood to have distinct expansive meaning as compared to "for" which indicates a more restrictive/narrow scope: o The Kerala High Court in *CIT v. O. Abdul Razak*[1] in context of extended residency rule applicable for Indian citizens leaving India during the tax year under Explanation 1(a) to s.6(1)(c) of ITA 1961 held that the term "for" is narrower than "for the purpose," thereby suggesting that substitution of the phrase may restrict the scope of the provision.	

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			○ The Delhi AAR in *British Gas India Pvt. Ltd.*[2] observed that the phrase "for employment" is distinct from "for the purpose of employment". This indicates that judicial forums may perhaps recognise a distinction between the two expressions. • A similar issue arose in the context of extended residency rule provisions under Clause 6 of ITB 2025, where the phrase **"for the purpose of employment"** was proposed to be replaced with **"for employment."** Based on stakeholder representations, highlighting the narrower scope of the revised wording, the Ministry of Finance agreed to reinstate the original phrase, i.e., "for the purpose of employment" (relevant extracts from the Parliamentary Select Committee report are below). This demonstrates acknowledgement by the legislature that such linguistic changes can materially affect interpretation. *"6.4.5 During the Committee's sitting, attention was drawn towards a subtle but potentially significant change in the provisions relating to residential status under the new Income-tax Bill. It was*	

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			observed that the previous law allowed for a broader interpretation by using the phrase "for the purpose of employment" outside India, thereby encompassing individuals travelling abroad with the intention of seeking employment, regardless of whether employment was ultimately secured. In contrast, the new Bill replaces this with the narrower phrase "for employment" outside India. This revised wording appears to restrict the provision's applicability only to those with confirmed employment abroad. The Member noted that this change may unintentionally narrow the scope of the exemption and expressed concern that the rationale behind adopting this more restrictive formulation has not been clearly explained. *...* *6.5.2 Ministry explained the Kerala High Court decision context in this regard and explained that the decision held that 'for the purposes of employment' includes self-employment, and the department had changed it to 'for employment' fearing it might be restricted to*	

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			structured jobs. They are now reverting to 'for the purposes of employment' and deposed before the Committee as under: " Sir, the issue before the Kerala High Court was that 'for the purposes of employment' means you are going for some structured job, like you have got some job offer and you are going there. Even if you are going for self- employment purpose, will that amount to employment or not? They said that if you are going for self-employment, it is for employment and you will get the benefit. We changed 'for the purposes of employment' to 'for employment'. Our apprehension was that we may say that it will only be applicable for a structured job in some company. So, we have accepted that and we are again going back to 'for the purposes of employment' so that the settled principle is applied here also." *6.5.3 In a written reply submitted before the Committee Ministry submitted that "As the phrase 'for the purpose of employment' has been settled judicially, the suggestion may be accepted by substituting the phrase 'for*	

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			employment' with the phrase 'for the purpose of employment'. In view of the above, the suggestion may be considered." *...* *6.5.4 Ministry of Finance confirmed acceptance of the suggestion and submitted as under:* *"we had said 'for employment'. The suggestion was to make it 'for the purposes of employment'. We have accepted it.""* It is unequivocally made clear by CBDT through series of FAQs that no policy change is intended in ITA 2025 as compared to ITA 1961. In this background, deviation from well-established language of s.9(1)(vii) of ITA 1961 may give rise to unnecessary litigation and interpretational disputes regarding the scope of source rule for FTS in s.9(7) of ITA 2025.	
	Definition of Associated Enterprise ("AE") under section 162			
14.2	Section 162(1)(a) provides for instances under which two entities are said to be AEs by virtue of capital, control or participation and quantitative thresholds. Subsequent clauses i.e. section 162(1)(b to l) provide other instances of		The making of sub-clause (a) of 162(1) on par with sub-clause (b) thereof creates a position which is contrary to the position under the Income-tax Act, 1961 and also the stated intention to keep the new provisions aligned with the current provisions. The above provisions therefore needs suitable amendment to eliminate duplicative / overlapping	The wordings of section 162 should be aligned with the current wordings of section 92A of the Income-tax Act, 1961.

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	triggering an AE relationship. The language of section 162 seems to give contradictory results of putting the two sub-clauses on par which is not in line with the existing position under the Income-tax Act, 1961. Overlapping of clause (a)(i) with provisions of clause (iii) vis-à-vis capital participation in tri-partite situation and clause (e) of section 162(1) in the context of management / control participation. The definition clause indicates duplicative / overlapping provisions leading to unnecessary technicalities around reporting of the international transaction.		provisions leading to unnecessary technicalities around reporting of the international transaction.	
14.3	**Rationalise CBDT's FAQs to Form 41 (formerly Form 10F) for disclosing information by NR to claim treaty benefits**		• Under ITA 1961, erstwhile Rule 21AB mandates submission of Form 10F only if certain specified information is not included in TRC. On the other hand, s.159(8) r. w. Rule 75 of New Act makes filing of Form 41 mandatory, even if TRC contains all specified information. Form 41 requires the taxpayer to attach TRC. As per CBDT's FAQs to Form 41:	• It is suggested that the FAQs 6 and 7 be modified to clarify that, treaty benefit can be granted at the time of tax withholding, so long as TRC is obtained and Form 41 is e-filed before the due date of filing ROI in India by NR payee. • Alternatively, the FAQs can require NR payee to provisionally e-file Form 41 at

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			○ *FAQ 3 – "Form 41 is mandatory for non-resident to claim DTAA benefits."* ○ *FAQ 4 – "The form is required to be furnished whenever treaty benefits are claimed. Thus, when issue of TDS deductions on payments from India arises, the form would be required."* ○ *FAQ 5 – "Form 41 must be filed annually (once per tax year) by non- resident when the non-resident is seeking to claim benefits under DTAA."* ○ *FAQ 6 – "Following documents are required for filing Form 41:* *Tax Residency Certificate (TRC): It must be valid for the relevant financial year in India. This is to be uploaded along with Form 41."* ○ *FAQ 7 – "Question: Can I edit Form 41 after submission?* *Answer: No. Once Form 41 is submitted and acknowledgment is generated, it cannot be edited. Ensure all details are correct before submission."* ○ *FAQ 13 – "In the absence of a valid electronically filed Form 41 (along*	the time of tax withholding itself by attaching TRC for the preceding tax year if TRC for current tax year is not available, and subsequently update Form 41 after receiving TRC for the relevant tax year. The above FAQs would be consistent with s.159(8) of ITA 2025 as also Rule 75 of IT Rules, 2026, which requires that the payee should provide the information requested as part of Form 41 in order to claim treaty benefit – providing such information before filing ROI may be viewed as sufficient compliance to claim treaty benefit.

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			with TRC and other documents), the DTAA benefit is not available." • FAQ 4 (Form 41 must be filed at the time of tax withholding i.e., when tax is deducted on payments from India), FAQ 6 (TRC attached to Form 41 must be valid for the relevant FY) and FAQ 7 (Form 41 cannot be edited after its submission) create practical difficulties. To illustrate, consider a case where, payment is made to NR payee in April 2026, but as of April 2026, payee does not possess TRC covering relevant tax year 2026-27 because the jurisdiction of the payee would issue TRC covering the period from January 2026 to December 2026 only after the close of the calendar year. As per the FAQs, unless TRC is available, the NR payee cannot file Form 41, and absent Form 41, treaty benefit cannot be granted at the time of tax withholding. This would become a perennial difficulty for the NR payee, just because the jurisdiction has a practice of issuing TRC only after the close of the calendar year. On the other hand, practically, it appears that the utility accepts Form 41 on the basis of last year's TRC and the utility also permits updating Form 41 once TRC for the relevant tax year is obtained. This practice is taxpayer-friendly and allows the NR payee to claim treaty benefits at the time of tax withholding on the promise of	

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			compliance in future. There is no danger of losing tax revenue, because if TDS is deducted at treaty rate, the NR payee is mandated to file ROI in India and does not enjoy exemption conferred by s.207(8) of ITA 2025 (corresponding to s.115A(5) of ITA 1961). Furthermore, the payer remains liable for being regarded as "assessee-in-default" u/s. 398 of new Act (s.201(1) of old Act) or as "representative assessee" u/s. 306 of new Act (s.163 of old Act) However, the FAQs, which require attachment of valid TRC along with Form 41 along with mandating taxpayer to furnish Form 41 at the time of tax withholding itself, create uncertainty in such situations.	
	Restore definition of Associated Enterprise (AE) in ITA 2025 to current definition under ITA 1961 as recommended by Select Committee			
14.4	Section 162: (1) For the purposes of this Chapter, the expression "associated enterprise", in relation to another enterprise, means an enterprise— (a) which participates, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise in the following manner,—	Section 92A(1): "For the purposes of this section and sections 92, 92B, 92C, 92D, 92E and 92F, "associated enterprise", in relation to another enterprise, means an enterprise— (a) which participates, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise; or	• S.92A of ITA 1961 provides for criteria to determine AE relationship between two related parties. In this regard, AE is defined in two parts. The first part [S. 92A(1)] defines the broad contours of the term and is based on participation in "management" or "control" or "capital". The second part [S. 92A(2)] lists certain conditions which if satisfied would result in a deemed AE relationship. The second part begins with the phrase "for the purposes of sub-section (1)".	Therefore, in line with PSC's recommendation, it is suggested to restore the original definition of AE as mentioned in ITA 1961 so as to avoid any further ambiguity and preserve policy continuity with ITA 1961 being avowed object of new ITA 2025. Restoring AE definition in the new Act as per definition in the existing Act will preserve continuity of tax policy as recommended by Select Committee; provide certainty on TP compliance for taxpayers and avoid unwarranted litigation on coverage of AEs.

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	(i) one or more persons who participate, directly or indirectly, or through one or more intermediaries, in management or control or capital of one enterprise, also participate, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise; or (ii) one enterprise holds, at any time during the tax year, directly or indirectly, shares carrying not less than 26% of the voting power in the other enterprise; or (iii) any person or enterprise holds, at any time during the tax year, directly or indirectly, shares carrying not less than 26% of the voting power in each of such enterprises; or (b) which has advanced a loan to the other enterprise and such loan constitutes not less than 51% of the book	(b) in respect of which one or more persons who participate, directly or indirectly, or through one or more intermediaries, in its management or control or capital, are the same persons who participate, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise. Section 92A(2): For the purposes of sub-section (1), two enterprises shall be deemed to be associated enterprises if, at any time during the previous year,- (a) one enterprise holds, directly or indirectly, shares carrying not less than twenty-six per cent of the voting power in the other enterprise; or (b) any person or enterprise holds, directly or indirectly, shares carrying not less than twenty-six per cent of the voting power in each of such enterprises; or	• Courts[3] have generally taken a view that, in light of presence of the phrase "for the purposes of sub-section (1)" the conditions specified in S. 92A(2) have to be satisfied for two enterprises to qualify as AEs u/s. 92A(1). Explanatory Memorandum to Finance Bill 2002, CBDT Circular 8 dated 27.08.2008 have also clarified that both these sub-sections are interlinked and must be read together. • In clause 162 of the ITB 2025, it was proposed to replace the phrase "for the purposes of sub-section (1)" with the phrase "without affecting the generality of the provisions of sub-section (1)". However, stakeholders represented that the change may expand the scope of AE and make the two parts mutually exclusive. Considering the views of the stakeholders, the Parliamentary Select Committee recommended to retain the original language as contained in existing S. 92A of ITA. Refer, following extract from Select Committee Report :- *"However, the Committee are of the opinion that reinstating the earlier phrase "for the purposes of sub-section (1)" in sub-clause (2) of the*	

[3] (a) Pr. CIT v. Veer Gems [2018] 407 ITR 639(Guj) - SLP rejected by SC in Pr. CIT v. Veer Gems 256 Taxman 298 (SC) and (b) PCIT vs. Page Industries Ltd [2021] 124 taxmann.com 605 (Karnataka).

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	value of the total assets of the other enterprise; or (c) which guarantees not less than 10% of the total borrowings of the other enterprise; or…	(c) a loan advanced by one enterprise to the other enter-prise constitutes not less than fifty-one per cent of the book value of the total assets of the other enterprise (d) one enterprise guarantees not less than ten per cent of the total borrowings of the other enterprise; or	*proposed Clause 162 of the Bill in the place of "Without affecting the generality of the provisions of sub-section (1)", would serve the intent of defining Associated Enterprises in a better way, as earlier in the IT Act, 1961. Thus, the Committee, recommend the Ministry to reinstate the position of the proposed Clause 162 in consonance with the Section 92A of the IT Act, 1961 vis-à-vis the reinstatement of the earlier phrase "for the purposes of sub-section (1)" in the opening line of sub-clause (2) of the proposed Clause 162 of the Bill in the place of proposed phrase "Without affecting the generality of the provisions of sub-section (1)"."* • However, in the finally enacted ITA 2025, the provision does not make any reference to either of the two aforementioned phrases. Instead, the structure of the provision is modified such that the condition of participation in management, control or capital is made inapplicable for certain transactional relationships (e.g. loans, guarantees, provision of IPR for manufacturing, supplying 90% of raw material, etc.)	

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			• It is apprehended that the manner in which s.162 of ITA 2025 is worded, may raise various interpretational issues which may give rise to fresh litigation. For instance, the new provision makes an unrelated lender lending more than 51% of book value of assets of borrower a deemed AE of the borrower requiring TP compliance by both borrower and lender despite being commercially unrelated and having no control over each other. As another illustration, it also makes unrelated Indian contract manufacturers AEs of foreign lead brand owners. As a result, many transactions that were previously outside the scope of transfer pricing regulations could now fall within it, expanding the compliance obligations for related party arrangements. This could significantly burden taxpayers, who would now face challenges in objectively identifying AE relationships.	
14.5	Correlative adjustment to be allowed for other Associated Enterprises (AE)		Under section 165(8) of the Act, if any adjustment is made to the income of AE for payment to another AE on which tax has been deducted / deductible, no corresponding recomputing of recipient's AE's income is permitted.	It is submitted that the restriction by section 165(8) of the Act is unfair as it results in taxing the same income twice for the payer and the recipient. It is therefore requested that if an AE's expenditure is disallowed due to TP adjustment, then the other AE's (recipient's) taxable income be computed allowing the corresponding reduction. This can be effectuated by

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				allowing filing of a modified return of income, for the entity where co-relative relief is sought, similar to the provisions for APA.
	Time limit for passing order by Transfer Pricing Officer under section 166(7)			
14.6	166 (7) Where a reference was made under sub-section (1), an order under sub-section (6) may be made at any time before one month prior to the month in which period of limitation referred to in section 286 or 296, for making the order of assessment or reassessment or recomputation or fresh assessment, expires and accordingly, where such period expires on— (a) the 31st March of any year, the order under sub-section (6) shall be made on or before the 31st January of that year; (b) the 31st December of any year, the order under sub-section (6) shall be made on or before the 31st October of that year.	92CA (3AA) Notwithstanding anything contained in any judgment, order or decree of any court, for the purposes of making order under sub-section (3), the calculation of sixty days shall be made and shall always be deemed to have been made in the following manner, namely:— (a) where the period of limitation expires on 31st of March of any year (not being a leap year), the order under sub-section (3) may be made up to the 30th of January of that year; (b) where the period of limitation expires on 31st of March of any year (being a leap year), the order under sub-section (3) may be made up to the 31st of January of that year; (c) where the period of limitation expires on 31st of December of any year, the order under sub-section (3) may be	Section 166(7) provides for the limitation period for the TPO to pass an order under Section 166. Section 166(7) has been substituted by Finance Act 2026 with effect from 1-4-2026. The philosophy of amendment has been borrowed from the amendment made to the 1961 Act wherein section 92CA(3AA) was inserted. However, unlike the 1961 Act, the 2025 Act does not have any limitation period under section 286, which ends on 31st of December. Therefore, it is suggested that section 166(7)(b) should be deleted.	The suggested revised draft of Section 166(7) is as below: 166 (7) Where a reference was made under sub-section (1), an order under sub-section (6) may be made at any time before one month prior to the month in which period of limitation referred to in section 286 or 296, for making the order of assessment or reassessment or recomputation or fresh assessment, expires and accordingly, where such period expires on the 31st March of any year, the order under sub-section (6) shall be made on or before the 31st January of that year.

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		made up to the 1st of November of that year.		
	Interquartile Range to determine Arm's Length Price ("ALP") be allowed			
14.7	Section 165(3) of the Act to be read with Rule 81 of the Income-tax Rules, 2026 provide for the range concept from 35th percentile to 65th percentile for 6 or more comparables and arithmetic mean for less than six comparables. However, most of the tax administrations around the world follow interquartile range for determining the ALP.		International groups confront challenges to substantiate the arm's length standards across different jurisdictions for the same / similar international transactions. The currently prescribed 35th to 65th percentile range is significantly narrower than the interquartile range commonly adopted by OECD member jurisdictions and several major tax administrations. It is very unique and is normally not followed globally. In a number of cases, the arithmetic mean does not fall within this range. In fact, in most cases, the mean falls within the IQR i.e., 25th to 75th percentile.	It is recommended that the interquartile range (25th percentile – 75th percentile) should be allowed to justify the arm's length standards to be consistent with various other tax administrations.
	Determination of Arm's Length Price under section 165 of the Act			
14.8			Single-year data is typically emphasized during TP audits for tested party. Single-year results may not reflect actual business cycles and economic realities.	It is recommended that the use of weighted-average multiple-year data for tested parties, based on industry-specific business cycles and economic realities should be permitted. The data set may comprise a rolling period of 3 to 5 years, including historical and projected financial data, where appropriate. Further, a "term test" should be introduced under which tested party profitability may be evaluated over a multi-year period (3 to 5 years) rather than a single year, particularly in cases involving start-up phases, business

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				restructuring, initial years of operation, or sustained losses.
	Relaxation of secondary adjustments in case of Non-Residents			
14.9	Section 170 stipulates secondary adjustment in case of non-residents.		Section 170 (3) of the Act stipulates repatriation into India of the excess money as stipulated or levy of interest as deemed advance in the manner prescribed. Further sub-section (5) provides an alternative to pay additional tax at the rate of 18 percent on such excess money if not repatriated to India. There is no relaxation for these provisions for non-resident who only have India source taxable income and no other formal / legal presence in India. Further, Indian Foreign Exchange Law does not have any mechanism for such repatriation to India followed by remittance back overseas.	It is suggested that since Non-Resident operate entirely from outside India, and therefore when TP adjustments are made in cases of non-residents, especially those having no office or direct presence in India, they should be exempted from the obligation to repatriate the excess money under Section 170(3) as well as from the rigors of paying additional tax under Section 170(5) of the Act.
77	**Relaxation from levy of interest from the Prescribed Date till the date of payment of additional income-tax**			
14.10	Section 170(8) of the Act provides that where the assessee pays the additional income-tax, they shall not be required to make a secondary adjustment under subsection (1) or compute interest under subsection (4) from the date of payment of such tax. Rule 83(1) further provides that the time limit for repatriation of excess money, or any part thereof, in the prescribed circumstances shall be on or before ninety days from the date specified in the Rule ("Prescribed Date").		A combined reading of the relevant section and rule may lead to a situation where, even if the assessee pays the one-time tax within the 90-day window available for repatriating money into India from the Prescribed Date, the assessee would still be liable to compute interest from the Prescribed Date up to the date of payment of the one-time tax.	It is recommended that section 170(8) be modified and read as follows: *In a case where the additional income-tax referred to in sub-section (5) is paid by the assessee, he shall not be required to make secondary adjustment under sub-section (1) and compute interest under sub-section (4).*

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	Additionally, Rule 83(3) provides that interest shall be chargeable on the excess money, or any part thereof, that is not repatriated from the Prescribed Date.			
	Relaxation of accounting entries for secondary adjustments			
14.11	Section 170(9) of the Act provides that in a case where Indian taxpayer brings the funds into India then the taxpayer and its AE are required to make an entry in their books of accounts to reflect the actual allocation of profits.		The obligation with respect to the accounting entry in the books of the AE is unwarranted in case the AE does not repatriate the money to India. Then neither the AE nor the taxpayer should be required to make an entry in the books of account. The accounting norms in that jurisdiction may request such payments / entry to be reflected in different shape and forms as per local TP and accounting rules / standards prevalent and would be beyond the control of the taxpayer in India. In case repatriation is received by taxpayer, the same would necessarily be accounted for in the books of account.	It is recommended that the following amendment (marked in red) in the definition of Secondary Adjustment provided in the section in order to address the practical difficulties: *Section 92CE(3)(v) - "secondary adjustment" means an adjustment to reflect that the actual allocation of profits between the assessee and its associated enterprise are consistent with the transfer price determined as a result of primary adjustment, thereby removing the imbalance between cash account and actual profit of the assessee.*
	Revision of Accountants Report - Transfer Pricing provisions (Form No. 48)			
14.12	Section 172 of the Act provides that every person who has entered into an international transaction or specified domestic transaction during a previous year is required to file an Accountant's Report on or before the due date specified under section 173(d) of the		There may be situations of an inadvertent omission or mistake or incorrect reporting in the Accountant's Report for which the taxpayer may require to revise such form post its filing. Misreporting/inaccurate reporting in Accountant's Report are subject to penal consequences. Hence, the taxpayers in bona fide cases mush be allowed to revise their Accountant's Report even post their filing. While there is no statutory provision for filing a revised Form 48, the income-tax e-filing utility	It is recommended that statutory provisions allowing filing of revised Accountant's Report – TP provisions be introduced under the Act to avoid any genuine hardship to the taxpayers.

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	Act. However, there is no provision in the Act for revising such Accountant's Report as in the case of return of income [under section 263(5) of the Act].		accepts filing of the revised Form 48. However, there is a risk that the tax authorities may question the legality and timeline for filing the revised Accountant's Report.	
14.13	No exemption / relaxation of Limitation of interest deduction under Section 177 of the Act in bona fide cases		The provisions of Section 177 of the Act are applicable in all scenarios (except banks /insurance companies as stipulated) and do not consider situations such as large gestation period in case of capital-intensive projects or infrastructure projects, initial years of set-up / operations, etc. Thus, they operate irrespective of underlying business conditions and even the carried forward period is subject to eight-year limitation.	It is suggested that Section 177 of the Act be made applicable only after completion of gestation period in case of capital intensive and infrastructure project (i.e. having project completion beyond five years) and in other cases post initial years of set-up / commencement of business operations say 3 to 5 years. Further, the carried forward of excess interest needs to be allowed indefinitely on par with unabsorbed tax depreciation, and it should not be subject to the limitation period of eight years.
14.14	Computation anomaly in disallowance of interest deduction under Section 177 of the Act		The formula for computing excess interest considers total interest paid by the borrower including interest paid to non-AEs and even on borrowing not guaranteed or supported by non-resident AEs. This creates a situation of interest paid to or guaranteed or supported by non-resident AE being disallowed first.	This rigor is requested to be relaxed and only the proportionate interest with respect to AE and non-AE borrowing in excess of 30 percent should be subject to interest limitation provisions.
	Exemption from Accountant Report for Transfer Pricing provisions (Form No. 48)			
14.15	As per section 207(8) of the Act, a non-resident taxpayer is not required to file a return of income in India if it is		The disharmony in the Return filing and Accountant's report filing create a situation where a non-resident need not file a return of income in India but would still need to file the Accountant	It is recommended that section 172 of the Act be amended to provide exemption to non-resident taxpayer from filing Accountant Report, where

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	assessable to tax in India for dividend, interest, royalty or fee for technical services, and the taxes have been appropriately withheld on such taxable income as per the provisions of section 207 of the Act. There is no similar exemption from filing of Accountant Report under Transfer Pricing ("TP") provisions.		Report to avoid any penalty for non-reporting of the international transaction.	they are exempted under section 207(8) of the Act from filing a return of income in India. Similarly, Non-Residents who only have SEP income from India which is not taxable due to Tax Treaty protection be exempted from filing of an Accountant's Report under the TP provisions of the Act.
14.16	Absence of minimum threshold for applicability of TP provisions and increasing the threshold of TP documentation obligation (Rule 83 of the IT Rules 2026)		TP provisions do not stipulate any threshold above which they become applicable and thereby the underlying compliances are burdensome and expensive especially for small and new companies and businessmen. Also, the maintenance of TP documentation obligation at Rs. 1 crore is too low.	It is suggested that a minimum threshold be introduced in TP provisions and the same should apply only when it is exceeded. This threshold can be at a transaction level and / or entity level e.g. in the range of Rs. 1 crore per transaction and an at entity level of Rs 10 to 15 crores in any financial year. It is also suggested that the minimum threshold for maintenance of TP documentation be increased from Rs. 1 crore to Rs. 5 crores and it be specified in Section 171 of the Act itself.
	B. Advance Pricing Agreement			
	Removal of restriction under section 161(4) for unilateral APAs in respect of past covered years and rollback years			
14.17	Section 161(4) of the Act is a restrictive tax provision. Under this provision, the taxable income of the taxpayer already reported in the return		There are circumstances when the ALP agreed in an APA is lower than the price at which the international transaction has actually been undertaken in the past covered years and/or the	APA is a dispute prevention mechanism. It should be kept independent of the regular income-tax provisions since it involves a negotiation between the taxpayer and

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	of income cannot be reduced or the losses cannot be increased on account of TP adjustment. This provision creates hardship in case of lower ALP agreed in an Advance Pricing Agreement ("APA") for the past covered years and rollback years,		rollback years which may result in lowering of the taxable income of the taxpayer. Due to restrictions imposed by section 161(4) of the Act, benefit of lower ALP and taxable income for past covered years or roll back years are not allowed to the taxpayer. This often results in substantial tax cost to the taxpayer for the past APA years/rollback years and denies the benefit of independent thinking in determination of ALP by the tax department. The taxpayer ends up paying higher tax even when the agreed ALP is lower which is prejudicial to the taxpayers.	the tax department, which can ensure that the outcome of APA is beneficial to both, the taxpayer, and the tax department. Accordingly, the provisions of section 161(4) of the Act should contain an exception for the ALP determined under the APA mechanism.
	Provision for non-levy of interest on taxes payable upon signing of APA			
14.18	When additional income is offered to tax on account of terms of APA, interest under section 234B and section 234C of the Income-tax Act, 1961 (now sections 424 and 425) is applicable when an Assessee files its modified return of income. This causes genuine hardship, since delay cannot be attributed to either of the parties, hence levy interest in principle seems unjust.		The quantum of interest at times becomes a significant factor when an Assessee considers the APA proposal. In case, interest burden is taken away, the APA proposal becomes that much more attractive.	It is requested to add suitable clauses to section 424 and section 425 that interest would not levied to the extent of income offered pursuant to an APA.
	Penalty protection under MAP			
14.19	The Hon'ble Karnataka High Court earlier dismissed a writ petition filed by Toyota Kirloskar against the levy of concealment penalty on TP adjustment under MAP under		Under MAP, the competent authorities of the two countries discuss, negotiate, and finally decide the TP adjustment to the international transaction to avoid double taxation under article 25 of the DTAA. The two competent authorities review the case and resolve the dispute as an alternative dispute	It is requested that section 439 of the Act be amended to state that no penalty for concealment of income for TP adjustments under MAP be levied if the assessee gets some relief from the MAP resolution.

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	the relevant tax treaty. In this case, the High Court held that unless a specific provision is made in the Double Taxation Avoidance Agreement ("DTAA") with respect to penalty, provisions of section 271(1)(c) of the Income-tax Act, 1961 would continue to apply to TP adjustment under MAP. The Hon'ble High Court held that the onus lies on the taxpayer to establish that the TP adjustment arrived under MAP is not due to concealment of income or furnishing of inaccurate particulars.		resolution procedure. Considering that the decision on TP adjustment in MAP is arrived at by two sovereign countries based on negotiations, any levy of penalty in a routine manner should not be availed unless the taxpayer has not acted in good faith and with due diligence.	Effective MAP program in a country is one of the minimum standards under BEPS. Unless exceptions are created for such implementation issues, it would render the MAP program less attractive and effective.
	Streamlining Safe Harbour to reduce APA filings			
14.20	The Indian Government tried to streamline the safe harbour rates in June 2017 to make it reasonable and closer to comparable benchmarks. However, they have been ineffective, and their provisions need to be streamlined.		The safe harbour provisions have been ineffective primarily due to their benefit being restricted to very small companies only. The rate under safe harbour is still higher than the comparable benchmark which make it commercially unviable for taxpayers to adopt. Apart from the taxpayers in IT and ITeS. there are very few other categories of taxpayers taking recourse to Safe harbour. In view of above, many taxpayers have to apply for APA which should be restricted to cases with complex transactions and business models that require in-depth business and economic analysis for agreeing on the transfer prices.	In view of the above, the Government may re-evaluate the safe harbour provisions on the following three aspects: • Reduce the class of transactions from the safe harbour and restrict it to only simpler transactions like IT, ITeS, business support etc. • Provide the safe harbour rates closer to comparable benchmarks with a little premium for certainty; and

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				Increase the threshold to cover almost 75 percent of the companies under this spectrum. This can serve dual purpose of providing tax certainty to taxpayers and easing the burden of the APA.
	Filing of modified return of income pursuant to APA			
14.21	Section 169(1) extends the benefit to AEs of being able to furnish a return or a modified return in India where income is modified as a result of the APA by any person. Section 161(4) of the Act provides that the provisions relating to computation of income from international transaction and specified domestic transaction having regard to the ALP shall not apply if the determination of ALP results in reduction of taxable income or increase in loss.		The current provisions do not explicitly address the interplay between section 169(1) and the prohibition on downward adjustments under section 161(4). In the absence of a clear legislative override or harmonising provision, the statutory restriction in section 161(4) may be construed to continue to operate even in APA cases, thereby preventing any reduction in the taxable income of an AE, despite the APA outcome.	It is recommended that an amendment in section 161(4) should be made to apply it subject to provisions of section 169 of the Act. Further, since APA was introduced by Finance Act, 2012, w.e.f. 1 July 2012, the relief to AE who is not party to APA for APAs signed on or after 1 April 2026 should be made applicable to all APAs, including APAs signed in earlier years and not only from tax year(s) commencing on or after 1 April 2026.
	Advance Pricing Agreements Rollback			
14.22	APA rollback is currently limited to four preceding years (Section 168 to 169 of the Act).		China allows roll back to 10 years as audit can potentially re-open for 10 years. Switzerland, Belgium, Denmark, Norway allow 5 years. Many business models remain unchanged for longer periods, resulting in avoidable litigation for years outside the rollback period.	Extend APA rollback period from 4 years to 7 years subject to availability of records and consistency of critical assumptions.
	C. Dispute resolution - International Tax & Transfer Pricing			
	Changes relating to the Dispute Resolution Panel provisions			

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14.23	DRP has been empowered to reduce, enhance, or confirm the variation proposed by the TPO/AO. However, DRP does not have power to set aside any proposed variation or issue any direction for further enquiry. Further, the orders of DRP are not appealable by the tax department.		The legislative intent for constitution of DRP was to provide speedy resolution to the taxpayers. However, since the orders of the DRP are not appealable by the tax department, it is often noticed that the DRP does not provide any relief to the taxpayer and generally confirms the order of the TPO/ AO. Thus, effectively, and practically, the DRP has become a fast-track channel for reaching Income tax Appellate Tribunal in a period of 9-10 months and deferring the payment of taxes. This has led to extended TP audit cycle and pendency of a high number of TP cases before the ITAT on routine matters.	The DRP should be made an effective mechanism to settle disputes by critically reviewing the proposed variation by the TPO and AO and pass order based on the merits of the case so that large number of cases do not clog before the ITAT. The government should re-work the DRP scheme to make it more effective in line with its purpose and intent. In the new regime of faceless assessment with no personal interaction between the AO and taxpayers, the assessment orders are expected to be more critical and independent. In such a case, the DRP route may even be abolished with a new mechanism for speedy appeal process. The Government may also introduce an Alternate Dispute Resolution (ADR) body may be constituted which may comprise of members from Revenue and industry experts. This can be in the form of a mediation mechanism between the taxpayers and tax authorities, which once agreed cannot be litigated further by either party. The Vivad se Vishwas scheme is an example of a successful ADR scheme.
	D. INTERNATIONAL TAX			
	Liable to Tax			

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14.24	Greater clarity surrounding the definition of liable to tax (Section 2(66))		Section 2(66) defines liable to tax – "liable to tax" in relation to a person and with reference to a country, means that there is an income-tax liability on such person under the law of that country for the time being in force and shall include a person who has subsequently been exempted from such liability under the law of that country; The current definition of 'liable to tax' talks about income-tax liability only on such person under the law of that country. It is submitted that in several countries such as US, UK and Germany, partnership firms and other form of corporate are pass through entities. In such cases, the income is liable to tax in the resident country but not on such entity but its shareholders / partners. In such cases, the pass-through entities should be failing within the ambit of above provisions and eligible for tax-treaty benefits as all that is happening is all the income of such partnership firm is taxed in country of residence but the charge and liability is on the partners.	It is suggested that the criteria for liable to tax be specifically expanded to include cases where there is an income-tax liability on all income of such person or on such income, the liability is on any other person (e.g., partners) under the income-tax law of the resident country. In other words, in the context of person, it should also include all forms and mechanism of taxing and the person directly or taxing its partner or anyone else (say its shareholders) pursuant to pass-through status or any other such reason. Further, the tax residency certificate issued by the Income Tax Authorities of that jurisdiction even if issued in any modified form or with different name or those issued for the taxable partners / shareholders be incorporated in the TRC provision under Section 159(8) of the Act as acceptable and for satisfying the 'liable to tax' definition for such entity /partnership.
14.25	Control and Management for persons other than companies under Section 6		Under Section 6(9) of the Act, for persons other than companies and individuals (i.e., for partnership firm, etc.), even if part of their Control and Management is in India then it is considered as an Indian tax resident. This provision is quite harsh and is not in accordance with global principles surrounding tax residency.	It is requested that the residence test for partnership firm / other entities be placed on similar lines as in case of companies. i.e., tax residence in India only if Place of Effective Management is in India. This change will also be in line with the provisions of existing Indian DTAAs.

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14.26	Meaning of the term 'visit' for individuals		With respect to individuals, there is a controversy on the meaning of "visit" to India under section 6(4). As the term "visit" is not explained, it may and is likely to leads to unwarranted litigation.	It is suggested that the term "visit" be deleted to eliminate any controversy and making the applicable criteria only of physical presence in India.
	Significant Economic Presence (SEP) provisions under Section 9(9)(a) of the Act			
14.27	(i)SEP provisions to be withdrawn like Equalisation levy (ii) if SEP provisions were to continue, Rules for attribution of profits to SEP in India of non-resident to be specified (iv) SEP thresholds are too low and required to be increased (v) Relaxation of deduction of tax at source under Section 393(2) [Table: S.No. 17] for SEP provisions		**(i)** The SEP provisions are too ambiguous and will lead to huge litigation. Also, it results in huge compliance burden. In many cases, the non-resident is eligible for the treaty benefit and thus, is no taxable in India even if they have SEP under the Act. **(ii)** The SEP provisions are applicable for financial year 2021-22 and are still pending enactment of Rules on how profits/incomes are to be attributed to an SEP of Non-Resident in India. In the absence of clear detailed rules, divergent approach can be adopted by different tax officers and taxpayers alike, which would lead to unwarranted uncertainty and litigation. **(iv)** The revenue thresholds for triggering SEP are currently set at INR 2 crores which is a very low threshold. Further, threshold is independent of the criteria of soliciting of business activities or engaging in interaction with such number of users in India. Thus, SEP gets triggered for all non-resident irrespective of the criteria of soliciting business or number of users. **(v)** In case of a non-resident, where SEP provisions are triggered, there is an obligation to withhold tax	**(i)** The Finance (No.2) Act, 2024 has withdrawn the equalisation levy as its scope was ambiguous and it led to compliance burden. On the same grounds, the SEP provisions which are also ambiguous with onerous compliance burden are required to be withdrawn. **(ii)** It is requested that the rules for attribution of profits to SEP of non-resident in India be notified at the earliest. Alternatively, a turnover base and deemed profit presumptive taxation scheme for SEP transactions be introduced suitably under the Act. **(iv)** It is suggested that SEP monetary be matched with the those under the OECD Pillar 1 at EUR 1 million. The above value threshold to be also made conjoint with the other criteria to constitute SEP i.e., soliciting of business activities or engaging in interaction with prescribed number of users in India. **(v)**

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			thereon under Section 195 of the Act and currently no computation rules have been enacted. In most cases, the payer in India may not have any ability to obtain the required data from the non-resident at the transaction stage or it is likely that the threshold for the non-resident is met after the transaction of the resident with the non-resident. It is also possible that the non-resident is unable to compute such income when the accounting / tax year has not ended, and profits/ income are not determined. Further, many of the customers of the non-residents may be consumers (B2C) and not businesses (B2B) and would not be in position to obtain details / information for withholding tax purposes.	It is requested that the provisions of the Act be amended to exclude obligation to withhold tax on payment to non-residents for SEP transaction. and in all such cases, the income-tax liability should be on and discharged directly by the non-resident similar to erstwhile Equalisation levy.
14.28	Threshold for small value indirect transfers		Section 9(10)(g)(ii) of the Act provides a threshold of 5 per cent for the applicability of indirect transfer provisions. However, there is no specific exemption for small value transfer / nominal value transaction unconnected with the shareholding percentage.	An independent small value transactions of say around 5 lakhs in a financial year be exempt from the ambit of indirect transfer provisions to ease the compliance and administrative burden.
	Exemption to foreign company on income arising on account of providing capital equipment etc to an electronic goods manufacturer located in custom bonded area			
14.29	Clause 13A in Table to Schedule IV read with section 11 of the Act provides exemption to a foreign company for a period up to tax year 31 March 2041 on any income arising on account of providing capital goods, equipment or tooling to a contract manufacturer, being a		• The exemption is available only to Foreign Company in respect of their contract manufacturers operating from customs bonded area and catering exclusively to export market. There is no tax benefit in the cases of contract manufacturing in domestic tariff area even if majority of the production is exported. • Another condition for claiming exemption is that contract manufacturer should	• Since the legislative intent is to provide impetus to export-oriented electronics contract manufacturing in India, the benefit of exemption should be extended to all non-residents including a foreign company and also in relation to contract manufacturers in domestic

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	company resident in India, who is located in a custom bonded area (warehouse referred to in section 65 of the Customs Act, 1962) and produces electronic goods on behalf of such foreign company for a consideration. Further, the exemption is available only if ownership of capital goods is with the foreign company and such capital goods are under the control and direction of the contract manufacturer.		produce the electronic goods "on behalf of" the foreign company for a consideration. This raises doubt whether exemption is available: (a) to a contract manufacturer working on a principal-to-principal basis (b) where, in case of a group structure, capital equipment is provided by one group entity whereas the manufactured goods are produced by the contract manufacturer for another group entity. • A foreign company commonly procures high-value capital goods through finance or operating leases or supply arrangement with their customers as part of prudent capital structuring. A literal interpretation of the provision may suggest that the exemption benefit may not be available in this scenario. Further, Foreign Company may obtain and supply the capital goods owned by its Associate Enterprise. • The toll or contract manufacturing through capital goods provided by foreign OEM implicitly involves use of IPR or technology of the OEM either in manufacturing process or in the manufactured goods. It is not clear in the provisions whether such intangibles can also be provided by the foreign OEM.	tariff area in India, provided the production is exported. • It is recommended that the exemption be made available in all cases of Indian contract manufacturer producing electronic goods, on behalf of or for the foreign company or its associated enterprise including on principal-to-principal or principal-agent basis. • Since the legislative intent of the provision is to relieve the Indian contract manufacturer from investment in capital goods and enhance export competitiveness, the ownership condition may be liberalised to include capital goods procured from any non-resident on finance or operating lease or under any other arrangement by the foreign company • The provisions may be amended to clarify that apart from capital goods, the non-resident / foreign company can also provide IPR and intangibles like know how or patent. etc., to facilitate the contract manufacturing. This

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				will avoid any misinterpretation and denial of benefit or any other adverse consequences.
	Exemption to foreign company on income arising in India by way of procuring data centre services from an Indian data centre			
14.30	Clause 13C in Table to Schedule IV read with section 11 of the Act provides for exemption available to foreign company engaged in providing data centre services from India for a period up to the tax year ended 31 March 2047. The conditions to avail exemption include that such foreign company does not own or operate any of the physical infrastructure or any resources of the specified data centre and all sales by such foreign company to users located in India		• The exemption is provided to any income accruing or arising in India or deemed to accrue or arise in India "by way of procuring data centre services" from a specified data centre. Since income to foreign company arises not on procurement of data centre services in India but from onward providing of services by foreign company to its customers, the language of this provision needs to be improved to eliminate any uncertainty. • Typically, in data centre business, the software on the physical infrastructure, once installed, will run the infrastructure without any human interference. Thus, it is possible for foreign company to access the data centre remotely for the purposes of rendering data centre or embedded services like AI or cloud computing to its global or Indian customers by installing its own software and running different applications. A literal reading of the condition suggests that exemption may not be available in the above scenario. • To deliver services to global and Indian customers with consistent quality, the foreign entity will need to exercise oversight and stewardship over the	• It is recommended to amend the provisions to provide that any income earned by foreign company *using* services of Indian data centre services should be exempt. • It is recommended to incorporate a specific provision that remote access granted to foreign company to specified data centre by installing its own software, operating system, applications, etc. will not be regarded as breach of the condition of operation of resources of the specified data centre. • It is suggested that any oversight activities and / or specific instructions and / or stewardship activities of the non-resident / foreign company in respect of the data services centre in India would not be construed as violation of exemption condition. • It is recommended to clarify that data centre services procured in India can be

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			specified data centre, including technology transfer and technical supervision to ensure the data centre is developed in line with global standards and applicable data protection regulations. • Another condition to qualify for exemption is that where services are provided to Indian users by the foreign company, it should be routed through an Indian reseller entity. It seems that there is no intention that services cannot be provided to foreign users; doubts have been expressed by certain stakeholders based on the language of the condition. • Currently, the exemption is restricted only to foreign companies. There is a need to ensure level-playing field to the non-residents (other than foreign companies).	provided by foreign company to foreign users either directly or through a reseller. • It is recommended that the exemption should be extended to all non-residents (and not merely foreign companies).
	Any income accruing or arising on account of storage of components in a warehouse in a custom bonded area			
14.31	Clause 13G in Table to Schedule IV read with section 11 of the Act provides that the exemption is provided only to a foreign company on any income accruing or arising on account of "storage of components in a warehouse in a custom bonded area". It is further provided that such exemption shall be available on "sale of components by such foreign company".		• Since income to foreign company arises not from storage of components in a warehouse, but from the sale of components, the language of this provision needs to be amended to eliminate any uncertainty. • There is a need to ensure level-playing field for non-residents (other than foreign companies)	• It is recommended to provide clarification that any income earned by foreign company from the sale of components to the contract manufacturer should be exempt. • It is recommended that the exemption should be extended to all non-residents (and not merely foreign companies).

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14.32	Reduction in the gross rate of taxation of royalty / fees for technical services ("FTS") from 20 per cent to 10 per cent under section 207 of the Act		• The tax rate of 20 per cent on gross basis on payments in the nature of royalties and FTS assumes a very high level of profitability and is unrealistic in today's economic world and business environment. • While the rate under most of the tax treaties is 10 per cent. This results in refund claim by the Non-Resident if there are difficulties in obtaining TRC at the time of transactions for various administrative reasons.	The tax rate under the Act for the payments in the nature of royalties and FTS should be reduced to 10 per cent to promote ease of doing business and also simplify administrative compliance.
14.33	Rate of taxation for interest income on rupee loans availed from Non-Residents		Section 207(1) of the Act provides for tax rate of 20% on gross basis on interest income arising to non-residents only if such interest is received from Indian concerns / Government for debt incurred or monies borrowed in foreign currency. It thus does not apply if the debt incurred is in INR which for withholding tax purposes which seems to attract taxation on 35% on gross basis as per respective Finance Act.	There does not exist any reason to exclude interest on rupee loans from the tax rate of 20% on gross basis and accordingly, for withholding tax purposes, the interest paid on loans from non-residents in INR borrowings be subject to the same treatment as borrowing in foreign exchange. Under FEMA rules also, a non-resident can give loan to an Indian company in INR. Further, Indian Government and RBI are also promoting INR for international transactions. Reduction in tax rate on rupee loans can be a step in promoting this objective.
14.34	Relaxation from filing of income-tax return for non-residents in India		Sub-section 8 of Section 207 of the Act provides relief to non-residents from filing income-tax return in India if their income in India consists of items covered therein (interest, royalty, fees for technical services, etc.) and tax has been deducted in accordance with the provisions of Part B of	It is suggested that the relief from filing of income-tax return to non-resident under Section 207(8) of the Act be extended to cases where taxes have been deducted at the tax treaty rate if they are same as the basic rate

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			Chapter XVII of the Act. No such relief seems to be directly available if tax is withheld in accordance with the provision of the tax treaty. Many of the Indian tax treaties provide for the withholding tax rate in respect of income earned by way of royalty or FTS (i.e., not effectively connected to a permanent establishment) at 10%. The difference between Treaty rate in such cases and those stipulated under provisions of the Act is the surcharge and additional surcharge in the form of education cess (considered subsumed / included in the tax treaty rate). This by itself should not or should not be construed to disentitle the non-residents from the benefit of non-filing return of income under Section 207(8) of the Act or make adoption of such position as ambiguous and litigative.	stipulated in 207/Part B of Chapter XIX of the Act (basic rate is the rate excluding the surcharge / education cess).The tax department can in any case consider the Indian resident payer as assessee in default and recover the tax from the Indian resident payer.
14.35	Business connection – It has been defined in S. 9(9)(a) of Income-tax Act 2025 to include in sub-clause (i) "any business carried out in India in the case of which all or part of operation are carried out in India". This potentially means that even is part of activity is carried out in India, it is business connection.		The language in Income-tax Act 1961 is different. It provides for business connection in S. 9(1)(i) and then provides an exemption for various activities such as purchase of goods from India. Per se "part of activity" carried out in India is not business connection unless there is some continuity etc. (as held in various decisions). The definition in Income-tax Act 2025 potentially expands the meaning of business connection.	It is suggested that the meaning as given in Income-tax Act 1961 be retained in Income-tax Act 2025.
15 Suggestions on Tax Administration				
15.1	**Remove s.420(3) and (4) of ITA 2025 (corresponding to s.230(1A) of ITA 1961 and its**		• The provisions of s. 230 of erstwhile ITA 1961 and s. 420 of ITA 2025 dealing with tax clearances for persons leaving India can	• It is suggested that s.420(3) and (4) of ITA 2025 and its associated compliance

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	proviso) which requires persons domiciled in India to intimate tax authority at the time of his departure from India.		be broadly divided into following categories: ○ Category 1 [S.420(1)] - Undertaking and No-objection certificate (NOC) process for <u>persons not domiciled in India</u> ○ Category 2 [S.420(3) and (4)] - Intimation process for <u>persons domiciled in India</u> ▪ Category 2A - Persons not having PAN or whose total income is not chargeable to tax or not required to obtain PAN: is required to self-certify his status and intimate tax authority by submitting Form 157 (old Form 30C along with Annexure) physically to jurisdictional CCIT or delegated tax authority. ▪ Category 2B - Any other person: is required to furnish Form 156 (old Form 30C) physically to jurisdictional CCIT or delegated tax authority. The Central Government has power to notify exceptions from the above compliance but no such	requirements for Category 2 taxpayers in Form 156 and 157 may be deleted, as the said provisions although having existed since 1 June 2003 under ITA 1961, were never enforced in practice and carries no punitive consequences for non-compliance. It is also not intended to be enforced in future as per the aforesaid Press Release of August 2024 and response recently given by CBDT. • Alternatively, by using the power of issuing notification for exceptions under s.420(3), the Central Government may issue notification exempting all Indian citizens and foreign citizens being Persons of Indian origin (PIO) from compliance u/s. 420(3)/(4)

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			notification has been issued in the past. Above compliance requirement for Category 2A and 2B taxpayers exists since 2003 under ITA 1961 also, and is continued under ITA 2025. However, this compliance was never enforced by tax authority under ITA 1961 or under ITA 2025 and/or by immigration authorities and does not have any adverse consequences for non-compliance. ○ Category 3 [S.420(5)] – Income-tax clearance certificates (ITCC) for persons domiciled in India. In terms of Rule 227 of IT Rules 2026 (erstwhile Rule 42), this category covers persons involved in serious financial irregularities whose presence is necessary in investigation under Income-tax Act or specified Acts and it is likely that tax demand will be raised against him, or persons who have direct tax arrears exceeding Rs. 10 lakh outstanding against him which have not been stayed by any authority. Such persons are required to make application in Form 158 (old Form 31) and obtain	

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			ITCC physically in Form 159 (old Form 33). • Recently, there were posts circulating in social media that every person domiciled in India is required to submit Form 156 or Form 157 to jurisdictional tax authority before leaving India and this requirement is newly introduced with effect from 1 April 2026 under ITA 2025. The CBDT immediately responded with a post on 18 April 2026 stating that such video is fake and income tax clearance certificate (ITCC) is applicable to a narrow category of persons (i.e., Category 3 above). These posts have created confusion amongst the taxpayers on compliances required of persons domiciled in India intending to travel outside India. • Finance (No. 2) Act 2024 amended proviso to s. 230(1A) of ITA 1961 (i.e., ITCC procedure) to include reference to Black Money Act in the list of various specified Acts under Category 3 above. Pursuant to apprehensions raised by certain stakeholders, the CBDT issued a Press Release dated 20 August 2024 to clarify that the amendment did not have the effect of all Indian citizens leaving the country being required to obtain ITCC, as follows:	

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			"CBDT ISSUES CLARIFICATION IN RESPECT OF INCOME-TAX CLEARANCE CERTIFICATE (ITCC) PRESS RELEASE, DATED 20-8-2024 *It is being erroneously reported that all Indian citizens must obtain income-tax clearance certificate (ITCC) before leaving the country - a position that is factually incorrect.* *Section 230(1A) of the Income-tax Act, 1961 (the 'Act') relates to obtaining of a tax clearance certificate, in certain circumstances, by persons domiciled in India. The said provision, as it stands, came on the statute through the Finance Act, 2003, w.e.f. 1-6-2003. The Finance (No. 2) Act, 2024 has made only an amendment in Section 230(1A) of the Act, vide which, reference of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (the 'Black Money Act') has been inserted in the said Section. This insertion has been made to also cover the liabilities under the Black Money Act in the same manner as the liabilities under the Income-tax Act, 1961 and other Acts dealing*	

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			with direct taxes for the purpose of Section 230(1A) of the Income-tax Act, 1961. ***There appears to be a mis-information about the said amendment emanating from incorrect interpretation of the amendment. It is being erroneously reported that all Indian citizens must obtain income-tax clearance certificate (ITCC) before leaving the country. This position is factually incorrect.*** ***As per section 230 of the Act, every person is not required to obtain a tax clearance certificate. Only certain persons, in respect of whom circumstances exist which make it necessary to obtain a tax clearance certificate, are required to obtain the said certificate.*** *This position has been in the statute since 2003 and remains unchanged even with the amendments vide Finance (No. 2) Act, 2024.* *In this context, the CBDT, vide its Instruction No. 1/2004, dated 5-2-2004, has specified that the tax clearance certificate under Section 230(1A) of the Act, may be required to be obtained by persons*	

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			domiciled in India only in the following circumstances: *i. where the person is involve financial irregularities and is necessary in investigati under the Income-tax Act or tax Act and it is likely that a will be raised against him, o* *ii. where the person has direc exceeding Rs. 10 lakh against him which have not by any authority.* *Further, a person can be asked to obtain a tax clearance certificate only after recording the reasons for the same and after taking approval from the Principal Chief Commissioner of Income-tax or Chief Commissioner of Income-tax.* ***In view thereof, it is reiterated that the ITCC under Section 230(1A) of the Act, is needed by residents domiciled in India, only in rare cases, such as (a) where a person is involved in serious financial irregularities or (b) where a tax demand of more than Rs. 10 lakh is pending which is not stayed by any authority.****"*	

ABOUT THE CHAMBER OF TAX CONSULTANTS

The Chamber of Tax Consultants (The Chamber) was established in 1926 entered into its 100 years on 4th July 2025 and is one of the oldest voluntary non-profit making professional organisations. It is the voice of about 4,000 professionals on a pan-India basis. Its members comprise of Advocates, Chartered Accountants, Company Secretaries, Cost Accountants, Corporates, Tax Consultants and Students.

The Chamber, despite its vintage, is a young dynamic organisation having a glorious past and undisputedly ambitious future. The Chamber is a well-respected institution with a tradition of high integrity, independence and professionalism.

The Chamber acts as a power house of knowledge in the field of fiscal law, always proactive in contributing to the development of law and profession through research and analysis, dissemination of knowledge and proactive interaction with policy makers. The Chamber also provides professionals several networking opportunities through interactive meetings and seminars.

Professional luminaries like late Shri B. C. Joshi, late Shri V. H. Patil, Dr. Y. P. Trivedi, Shri S. E. Dastur, late Shri D. M. Harish, late Shri Narayan Varma, Dr. K. Shivaram, late Shri S. N. Inamdar, have been The Chamber's Presidents.

For The Chamber, education is the supreme power and spread of education is its motto.

The Chamber strives to be pre-eminent in upholding among the Professionals a Tradition of Excellence in Service and Principled Conduct with Social Responsibility

Knowledge sharing initiativess

The Chamber disseminates knowledge by holding high quality Workshops, Seminars, Lecture Meetings, Study Circles and Study Group Meetings, Outstation Conferences, etc., for the benefit of members which keeps them up-to-date with the latest developments in the field of tax and commercial laws.

Keeping in pace with the technological revolution, the Chamber also holds webinars on various professional subjects especially for members outside its area of physical presence. Through its various orientation and advance courses in new and emerging areas of practice, it equips young professionals to build their careers in unconventional practice areas. It functions through effective sub-committees in addition to its Managing Council which have more than 350 core group members.

The Chamber also holds Four offsite Residential Refresher Courses (RRCs) annually on Direct Tax, Indirect Tax, International Tax and FEMA. In-depth study and close fellowship and bonding make the RRCs a 'must attend' for loyal enthusiasts and eager new learners alike.

The Chamber's Journals and CTC Newsletter

"The Chamber's Journal" which is its mouthpiece is very popular amongst the professionals and Corporates as well, mainly because of in-depth analysis on topical issues (theme based). These special issues have found a permanent place in libraries of leading tax professionals. The Chamber's Journal has completed 50 glorious year of its publication (1975-2025).

The CTC publishes a monthly newsletter called 'The CTC News'. This newsletter contains details of upcoming events, short details of in-house publications which are on sale and various activities to be taken up by The Chamber along with material on professional topics.

International Tax Journal

"The International Tax Journal" is a recent quarterly magazine containing insightful analysis on subjects of International tax, a practice area that has picked up significantly in the recent past and which is expected to significantly grow in future.

Representations before Regulatory Authorities and Public Interest Litigations

The Chamber has always stood up for its members and also the taxpayers at large by making effective representations before the Government and Regulatory Authorities. Its voice is respected in Government Departments and Ministries. Professionals look upon the Chamber as an institution which can take their grievances to the Court of Law, when required.

Every year, the Chamber makes at least 25 representations on issues of tax and allied laws which cause or are likely to cause hardship to the public. The Chamber was successful in getting favourable order for the Writ Petition filed before Delhi High Court, challenging, inter alia, issuance of Income Computation & Disclosure Standards (ICDS) by the CBDT and the circular thereafter. The Chamber also filed a Writ petition in the Bombay High Court against the proposal by the Central Board of Direct Taxes (CBDT) to reward appellate authorities for 'quality' orders which ultimately led to the proposal being shelved. The Chamber inter alia makes effective representation through pre and post Budget memoranda and need based representations on burning issues.

The Chamber's Libraries and Website

The Chamber manages J.R. Shah Library at Aayakar Bhavan, Mumbai, which is widely used by professionals and is having more than 4000 titles.

The members of the Chamber enjoy a unique bond of fellowship and brotherhood which is evident in all its activities and programmes. The website www.ctconline.org has a lot of information of use to its members and is kept updated on recent developments.

Delhi Chapter and Pune, Bengaluru and Hyderabad Study Groups

The Chamber has a vibrant Chapter at Delhi and insightful Study Circles at Pune, Bengaluru and Hyderabad which are aimed at increasing its pan India presence. The Chamber is actively looking at setting up its footprint in more cities towards this objective.

Initiatives for Student Members

The Student Committee of the Chamber organises many events for students. The Dastur Essay Competition, which is an annual feature, is one of such activities where students across India and even from outside India participate with great enthusiasm. The final shortlisted Essays are ranked by Judges of Bombay High Court or Members of Income Tax Appellate Tribunal. This competition endeavours to keep the writing habit alive amongst the students who are the future torch bearers of the profession. In order to promote and encourage mooting activities among law students, the Chamber also organises the Dr. Y.P. Trivedi Tax Moot Court Competition, an inter college moot court hosted together with the Government Law College, Mumbai.

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