
PRESS RELEASE

FAQs ON FINANCE BILL, 2025

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FAQ.1: Amendment of Section 9A of the Income-tax Act, 1961

Q.1. At present what are conditions for participation or investment in the corpus of eligible investment fund by persons resident in India, as per section 9A of the Income-tax Act, 1961?

Ans. At present, section 9A(3)(c) of the Income-tax Act, 1961 *inter alia* provides that the aggregate participation or investment by a person resident in India, in the eligible investment fund, directly or indirectly, shall not exceed five per cent of the corpus of such fund.

Q.2. What amendment has been proposed through Government Amendment?

Ans. In the Government Amendment, it has been proposed that the indirect participation or investment by a person resident in India, in the eligible investment fund, shall not be considered for the five per cent condition in section 9A. Hence, the requirement of monitoring and determining participation and investment by a person resident in India, where such participation and investment is made indirectly, shall no longer be required. This shall reduce compliance burden and enable relocation of fund managers of offshore funds.

Q.3. What are the provisions of section 9A(8A) of the Income-tax Act, 1961?

Ans. Section 9A(8A) *inter-alia* provides that the Central Government may relax or modify any one or more of the 13 conditions specified in section 9A(3) for eligible investment fund and 4 conditions in section 9A(4) for eligible fund manager, if such fund manager is located in an IFSC.

Q.4. What changes have been proposed in section 9A(8A) of the Income-tax Act, 1961?

Ans. In the Finance Bill, 2025, it was proposed that the conditions specified in section 9A(3)(c) shall not be modified by the Central Government, as the condition was proposed for relaxation in the Income-tax Act, 1961 itself. In the proposed Government Amendment, the said power of the Central Government has been restored, so that the condition specified in section 9A(3)(c) may also be modified and relaxed, if required.

FAQ.2: Amendment of Proposed Section 44BBD of the Income-tax Act, 1961

Q.1. What are the provisions of section 44BBD of the Income-tax Act, 1961 as proposed in the Finance Bill, 2025?

Ans. The proposed section 44BBD *inter-alia* provides presumptive taxation for non-residents engaged in the business of providing technology and services for an electronics manufacturing facility to a resident company. The said section deems twenty-five per cent of the aggregate amount received/receivable by, or paid/payable to, the non-resident, on account of providing services or technology, as profits and gains of such non-resident from such business.

Q.2. What amendment has been proposed in the Finance Bill, 2025 through Government Amendment in respect of section 44BBD?

Ans. An amendment has been proposed in section 44BBD to further clarify that the specific sections related to permanent establishment and taxation of royalty and fee for technical services (Section 44DA and Section 115A) shall not apply on the income included in the proposed presumptive taxation scheme under section 44BBD.

FAQ.3: Amendment of Section 10(10D) of the Income-tax Act, 1961

Q.1. What amendment was proposed in section 10(10D) of the Income-tax Act, 1961 through Finance Bill, 2025?

Ans. Finance Bill, 2025 amended section 10(10D) of the Income-tax Act, 1961 so as to provide that proceeds received on a life insurance policy issued by an IFSC insurance intermediary office shall be exempted without the condition related to the maximum premium payable on such policy.

Q.2. Why has the amendment been proposed in the said provision of section 10(10D) as proposed in Finance Bill, 2025?

Ans. The insurance policies are to be issued by IFSC insurance offices. Therefore, the reference to IFSC insurance intermediary is being replaced with the correct reference (IFSC insurance offices) through the Government Amendment.

FAQ.4: Amendment of Section 10(4D) of the Income-tax Act, 1961

Q.1. What are the provisions of section 10(4D) of the Income-tax Act, 1961?

Ans. Section 10(4D) of the Income-tax Act, 1961 inter alia provides exemption to the income of a 'specified fund' subject to fulfilment of conditions specified therein.

Q.2. What amendment has been proposed in section 10(4D) of the Income-tax Act, 1961?

Ans. In the proposed amendment, it has been provided that the exemption to a specified fund (which has been granted a certificate as a retail scheme or an Exchange Traded Fund) will be available if it satisfies the conditions laid down for such funds or schemes in the IFSCA regulations.

FAQ.5: Inclusion of Retail Schemes and ETFs in the Existing Relocation Regime – Section 47(viiad)

Q.1 What are the changes made to the definition of 'resultant fund' in section 47(viiad) of the Income tax Act, 1961 by Finance Bill, 2025?

Ans. Under the Finance Bill, 2025, the definition of 'resultant fund' in section 47(viiad) has been expanded to include Retail Schemes and Exchange Traded Funds (ETFs) that are regulated under the IFSCA (Fund Management) Regulations, 2022, provided they also meet the conditions specified under section 10(4D) of the Income-tax Act, 1961.

Q.2 What is the implication of the amendment made to section 47(viiad)?

Ans. The amendment allows the relocation of an original fund to a resultant fund, such as a Retail Scheme or an Exchange Traded Fund (ETF), to be treated as a tax-neutral transaction for the shareholder or unitholder in the original fund, subject to specified conditions.

Q.3 What are the changes to the definition of 'resultant fund' in section 47(viiad) brought in by the Government Amendment to the Finance Bill, 2025?

Ans. The Government Amendment removes the earlier condition that Retail Schemes and ETFs must satisfy the provisions of section 10(4D). Now, any Retail Scheme or ETF that has been granted a certificate by IFSCA will be treated as a 'resultant fund' for the purposes of section 47(viiad).

FAQ.6: Incentives to IFSC – Exempt Income of Non-Residents – Section 10(4E)

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

Ans. Section 10(4E) covers the following transactions:

- i. Transfer of non-deliverable forward contracts, offshore derivative instruments, or over-the-counter (OTC) derivatives; and
- ii. Distribution of income on offshore derivative instruments.

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

Ans. Earlier, the exemption under section 10(4E) was available only for derivative transactions made by non-residents with Offshore Banking Units. The Finance Bill, 2025 extends this benefit to transactions made by non-residents with Foreign Portfolio Investors (FPIs) that are units in an IFSC.

Q.3 What are the changes to the exemption under section 10(4E) brought in by the Government Amendment to the Finance Bill, 2025?

Ans. The Government Amendment proposes to extend the exemption under section 10(4E) to the distribution of income on Over-the-Counter (OTC) derivatives, where such contracts are entered into by a non-resident with either Overseas Banking Units or Foreign Portfolio Investors (FPIs) operating in an IFSC.

FAQ.7: Amendment of Definition of 'Capital Asset' – Section 2(14)

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

Ans. The Finance Bill, 2025 amends the definition of "capital asset" in section 2(14) to include securities held by investment funds referred to in section 115UB, i.e., Category I and Category II Alternative Investment Funds regulated under the SEBI (AIF) Regulations, 2012.

Q.2 What are the changes to the definition u/s 2(14) brought in by the Government Amendment to the Finance Bill, 2025?

Ans. The Government Amendment further expands the definition of "capital asset" to include securities held by a Category I or Category II Alternative Investment Fund, where such investment has been made in accordance with either SEBI regulations or IFSCA regulations.

FAQ 8: Amendments Related to Chapter XIV-B of the Income-tax Act, 1961

Q.1 What amendment has been made in respect of chapter XIV-B of Income-tax Act, 1961?

Ans. The concept of assessment of total income has been replaced with the assessment of undisclosed income. This reflects a paradigm shift where the main objective of a search or requisition is to identify income that has not been disclosed. However, the pending proceeding of any year comprised in the block period is abated and is assessed along with the block assessment. Hence, the AO shall be at liberty to compute undisclosed income on the basis of evidence found as a result of search or requisition as well as any other material or information as is available with him or come to his notice. Regular income will continue to be determined based on entries or transactions recorded in the books of account or documents maintained in the normal course before the initiation of the search or requisition. The changes to Chapter XIV-B aim to focus only on assessing undisclosed income and place trust in the taxpayer to disclose regular income in the block income tax return.

Q.2 What amendment has been made in respect of section 158BA of Income-tax Act, 1961?

Ans. The word 'total income' has been replaced with 'total undisclosed income' in the marginal heading and in sub-section (1) and sub-section (7) of section 158BA.

Q.3 What amendment has been made in respect of section 158BB of Income-tax Act, 1961?

Ans. Section 158BB has been amended to provide a clear distinction between disclosed and undisclosed income and to compute the assessment of total undisclosed income.

Q.4 What amendment has been made in respect of undisclosed income as per section 158BB of the Income-tax Act, 1961?

Ans. The total undisclosed income referred to in section 158BA(1) for the block period shall be the aggregate of the following:

- (a) Undisclosed income declared in the return furnished under section 158BC;
- (b) Undisclosed income determined by the Assessing Officer under sub-section (2).

Q.5 What income shall not form part of undisclosed income as per section 158BB of Income-tax Act, 1961?

Ans. The following income shall not be included in the total undisclosed income of the block period:

- (a) Total income determined under section 143(1), or assessed under sections 143(3), 144, 147, 153A, 153C, or assessed earlier under section 158BC(1)(c) or section 245D(4), prior to the date of initiation of the search or requisition;
- (b) Total income declared in the return filed under section 139 or in response to a notice under section 142(1), prior to the date of the search or requisition, and not covered under clause (a);
- (c) Income computed by the assessee for the specified period based on books of account maintained in the normal course;
- (d) Total income referred to in section 115A(5), section 115G, or section 194P(1).

Q.6 How will the tax referred to in section 158BA(7) of Income-tax Act, 1961 be charged as per section 158BB of Income-tax Act, 1961?

Ans. The tax referred to in section 158BA(7) shall be charged on the total undisclosed income determined in the manner specified in section 158BB(1).

Q.7 What is the available time limit to assessee for furnishing block return in pursuance of notice u/s 158BC of Income-tax Act, 1961?

Ans. At present, a taxpayer shall furnish the block return in pursuance of a notice under section 158BC within the time specified in the notice, which shall not exceed 60 days.

Q.8 Is there any provision for getting books of account audited in respect of a previous year immediately preceding the previous year in which the search is initiated or requisition is made and the due date for furnishing the return has not expired prior to the date of initiation of the search or the date of requisition?

Ans. Yes. Under the fifth proviso to section 158BC(1)(a), a taxpayer can request an additional 30 days to get the books of account audited for the previous year immediately preceding the year in which the search or requisition is initiated, provided the due date for filing the return for that year had not yet expired on the date of the search or requisition.

Q.9 What are the primary conditions to be fulfilled for requesting for extension of time allowed for furnishing block return?

Ans. The time allowed for furnishing a return under section 158BC(1)(a) can be extended by 30 days if all the following conditions are met:

- i. The previous year immediately precedes the year in which the search or requisition was made, and the due date for furnishing return for that year had not expired before the search or requisition;
- ii. The assessee was liable for audit under section 44AB for that previous year;
- iii. The accounts of that year (maintained in the normal course) were not audited on the date of issuance of the notice; and
- iv. The assessee makes a written request for extension of time for furnishing the block return to get such accounts audited.

Q.10 What amendments have been made in respect of section 158BD of Income-tax Act, 1961?

Ans. The block period has been clearly defined in respect of another person covered under section 158BD. There are two cases:

- (a) Where there is one specified person relevant to such other person, the block period for such other person shall be the same as that for the specified person;
- (b) Where there is more than one specified person relevant to such other person, the block period shall be the same as that of the specified person whose block period ends on the later date.

Q.11 What amendments have been brought in respect of abatement in section 158BD of Income-tax Act, 1961?

Ans. In the case of a person covered under section 158BD, for the purpose of abatement under section 158BA(2) and 158BA(3), the reference to the date of initiation of search or requisition shall mean the date on which money, bullion, jewellery, virtual digital assets, or other valuable items, or books of account, documents, or other materials relating to undisclosed income were received by the Assessing Officer having jurisdiction over such person.

Q.12 What amendment has been made in respect of the time-limit for completing assessment under section 158BE of Income-tax Act, 1961?

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

However, if the time allowed under section 158BC(1)(a) is extended by an additional 30 days under the fifth proviso, the time-limit for completion of the block assessment shall be thirteen months from the end of the quarter in which the last of the authorizations was executed.

Q.13 What amendments have been made in respect of section 113 of Income-tax Act, 1961?

Ans. The word 'total income' has been replaced with 'total undisclosed income' so that the total undisclosed income of the block period, determined under section 158BC, shall be chargeable to tax at the rate of sixty per cent.

FAQ 9: Amendments proposed in provisions of section 143

Q.1 What are the provisions of section 143(1) of Income-tax Act, 1961?

Ans. Section 143(1) provides processing of income-tax returns after making certain specified adjustments like arithmetical error in the return or incorrect claim in the return apparent from any information in the return.

Q.2 What amendments have been brought in respect of section 143(1) of Income-tax Act, 1961?

Ans. Section 143(1) has been amended to provide for checking any inconsistency in the return with respect to the information in the return of any preceding previous year, as may be prescribed.

Q.3 What are the kinds of inconsistencies which may fall under the amended 143(1)?

Ans. These inconsistencies are yet to be prescribed. However, an example could be where taxpayer has made a claim of any credit in previous return but the corresponding figures are not the same in the current return.

