

INCOME TAX

AMENDMENTS FOR MAY – 2025 / SEPT – 2025 / JAN - 2026 EXAMINATION

Previous Year – 2024-25 , Assessment Year – 2025- 26 , Finance Act – 2024

Default Tax Regime Section 115BAC

Slab rates applicable shall be as given below:

If total Income upto ₹3,00,000	Nil
On next ₹4,00,000	5%
On next ₹3,00,000	10%
On next ₹2,00,000	15%
On next ₹3,00,000	20%
On Balance amount	30%

No change in surcharge rate

No change in Rebate

Taxability of Capital Gains

Tax rate for LTCG shall be 20% if asset is transferred before 23rd July 2024 but if it is transferred w.e.f 23rd July 2024 onwards, rate shall be 12.5% but indexation is not applicable. In case of land / building, resident individual and HUF shall have the option to compute capital gains with indexation and rate shall be 20% or without indexation and rate shall be 12.5%. However, amount of capital gain to be included in gross total income shall be capital gain computed without indexation.

If any person has transferred listed equity shares or listed units of equity oriented mutual funds and has paid securities transaction tax, in such cases long term capital gain shall be taxable **@ 10% (if asset is sold before 23rd July 2024) u/s 112A and @ 12.5% (if asset is sold on or after 23rd July 2024)** but only amount in excess of **₹1,25,000 (Earlier it was ₹1,00,000)**. Short term capital gains shall be covered under section 111A and shall be taxable **@ 15% (if asset is sold before 23rd July 2024) and @ 20% (if asset is sold on or after 23rd July 2024)**.

House Property

1. Carry forward of loss shall not be allowed
2. If any person has business of letting out residential house property, income shall be taxable under the head House Property instead of Business/Profession.

Deduction from Gross Total Income

Under default regime any other employer was allowed to contribute upto 10% of the salary of the employee but it is now allowed upto 14% of the salary of the employee (no change in optional regime)

Other Sources

In case of buy back of shares by a domestic company w.e.f. 01-10-2024, amount received on buy back shall be considered to be dividend in hands of shareholder under Section 2(22)(f).

Income of closely held company by issue of Shares

The provision given below under section 56(2)(viib) has been deleted

As per section 56 (2) (viib), where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the

fair market value of the shares. In other words if shares are issued at a price which is higher than the market value and also higher than the face value, in that case taxable amount shall be the issue price less market price. E.g. ABC Pvt. Ltd. a closely held company has submitted information as given below:

1. *Face value ₹ 100 per share, Market value ₹ 120 per share and issue price ₹ 150 per share, in this case taxable amount shall be ₹ 30 per share.*
2. *Face value ₹ 100 per share, Market value ₹ 80 per share and issue price ₹ 95 per share, in this case taxable amount shall be Nil because issue price is not exceeding the face value.*
3. *Face value ₹ 100 per share, Market value ₹ 80 per share and issue price ₹ 110 per share, in this case taxable amount shall be $110 - 80 = 30$ because issue price is exceeding the face value and also market value.*

Family Pension

Standard deduction shall be 1/3 of pension or ₹25,000 (instead of ₹15,000) whichever is less. No change for optional scheme i.e. it is 15,000.

TDS

Deduction of Tax at Source with regard to Salary Income Section 192

Where an assessee who receives any income chargeable under the head “Salaries” has, in addition,—

(i) any income chargeable under any other head of income (not being a loss under any such head other than the loss under the head “Income from house property”); or

(ii) any tax deducted or collected under the provisions of this Chapter, as the case may be, for the same financial year, he may send to the person responsible for making the payment referred to in sub-section (1), the particulars of—

(a) such other income;

(b) any tax deducted or collected under any other provision of this Chapter, as the case may be; and

(c) the loss, if any, under the head “Income from house property”,

in such form and verified in such manner as may be prescribed, and thereupon the person responsible as aforesaid shall take into account the particulars referred to in clauses (a), (b) and (c) for the purposes of making the deduction under sub-section (1):

Provided that this sub-section shall not in any case have the effect of reducing the tax deductible from income under the head “Salaries”, except where the loss under the head “Income from house property” and the tax deducted in accordance with other provisions and tax collected in accordance with the provisions, of this Chapter, has been taken into account.

TDS in case of interest on securities Section 193

Any interest payable on any security of the **Central Government or a State Government**.

But TDS is applicable if the interest exceeding ten thousand rupees payable during the financial year on 8% Savings (Taxable) Bonds, 2003 or 7.75% Savings (Taxable) Bonds, 2018 or Floating Rate Savings Bonds, 2020 (Taxable) or any other security of the Central Government or State Government as the Central Government may, by notification in the Official Gazette, specify in this behalf. [applicable w.e.f. 01.10.2024]

TDS in case of Payments to Contractors Section 194C

If TDS is applicable u/s 194J i.e. professional services, no tax shall be deducted at source on such payment u/s 194C.

Payment on maturity of life insurance policy Section 194DA

Rate of TDS shall be **@ 5% (upto 30.09.2024) and @ 2% (from 01.10.2024).**

TDS in case of Commission, etc., on the Sale of Lottery Tickets Section 194G

Rate of TDS shall be @ 5% (upto 30.09.2024) and @ 2% (from 01.10.2024).

TDS on payment of Commission or Brokerage Section 194H

Rate of TDS shall be @ 5% (upto 30.09.2024) and @ 2% (from 01.10.2024).

TDS in case of Payment for purchase of immovable property Section 194-IA

Provided that where there is more than one transferor or transferee in respect of any immovable property, then the consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.

TDS in case of Payment of Rent by Certain Individual and HUF Section 194-IB

Rate of TDS shall be @ 5% (upto 30.09.2024) and @ 2% (from 01.10.2024).

TDS in case of Payment of certain sums by certain individuals or Hindu undivided family Section 194M

Rate of TDS shall be @ 5% (upto 30.09.2024) and @ 2% (from 01.10.2024).

TDS in case of payment to partners of firms of Partnership Firm or LLP Section 194T w.e.f. 01-04-2025

Any person, being a firm, responsible for paying any sum in the nature of salary, remuneration, commission, bonus or interest 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 shall, deduct income-tax thereon at the rate of **10%**.

No deduction shall be made under sub-section (1) where such sum or the aggregate of such sums credited or paid or likely to be credited or paid to the partner of the firm does not exceed **₹20,000** during the financial year

TCS

As per section 206C(1F), TCS shall be applicable in case of other goods also exceeding value ₹10 lakh and such goods shall be notified by the Govt. and TCS shall be applicable w.e.f. 01.01.2025.

Motor vehicle exceeding value ₹ 10 lakh

1%

Any other Goods (effective w.e.f. 01-01-2025)

1%

ROI

Quoting of Aadhaar number Section 139AA

If a person does not have Aadhaar Number, he is required to quote Enrolment ID of Aadhaar application form issued to him at the time of enrolment in the application form for allotment of Permanent Account Number (PAN) or in the return of income furnished by him.

However, w.e.f. 1st October, 2024, the option of quoting Enrolment ID of Aadhaar application for allotment of Permanent Account Number (PAN) or in the return of income furnished is discontinued.

Further, a person who has been allotted permanent account number on the basis of Enrolment ID of Aadhaar application form filed before 1st October, 2024 has to intimate his Aadhaar Number, on or before a notified date, to the prescribed authority in the prescribed manner

Capital Gains

As per Section 2(42A), period of holding for long term asset was 3 years but for assets sold w.e.f. 23-07-2024, the period of holding shall be 2 years. Accordingly short term or long term shall be decided in the manner given below:-

As per **Section 2(42A)**, "**Short-term capital asset**" means a capital asset held by an assessee for not **more than 36 Months** however w.e.f. 23.07.2024 a capital asset held by an assessee for not **more than 24 Months**, however in the following cases the period shall be twelve months instead of thirty-six/ Twenty Four months.

- (i) **Listed securities** i.e. shares, debentures, units etc. (the securities u/s 50AA shall always be short term.)
- (ii) A **unit of the Unit Trust of India**
- (iii) A **unit of an equity oriented mutual fund.**
- (iv) A **zero coupon bond. As per Section 2(48),** “Zero coupon bond” means a bond issued by notified company and in respect of which no benefit is received before maturity or redemption and which is notified by the Central Government such bonds are issued for a minimum period of ten years and maximum period of 20 years.

Old provisions

Prior to 23.07.2024 also land and building were long term after 2 years. Indexation was not applicable in case of shares or units of equity oriented mutual fund where STT has been paid. Unlisted debentures or bonds were long term after 3 years.

Capital Gains on Buyback of shares or Specified Securities [Section 46A]

In case of buyback of shares (whether listed or unlisted) by domestic companies,

In case of buy back of shares effected before 1.10.2024 by domestic companies: no capital gain shall be computed in the hands of shareholder and shareholder shall be exempt u/s 10(34A) rather the company has to pay additional income tax @ 20% (plus surcharge @12% and cess @ 4%) is leviable in the hands of the company.

In case of buy back of shares effected on or after 1.10.2024 by domestic companies:

The sum paid by a domestic company for purchase of its own shares would be treated as dividend and taxable under the head “Income from Other Sources” in the hands of shareholders. No deduction for expenses would be available against such dividend income.

Consequently, as per section 46A, value of consideration received by a shareholder on buy back of shares by a domestic company would be Nil and the difference between the cost of acquisition and the value of consideration received by the shareholder will result into capital loss.

Transactions not regarded as transfer Section 47

No capital gain shall be computed in case of transfer of any **capital asset by an Individual or HUF through gift or will or inheritance** etc.

Special provision for computation of capital gains in case of Market Linked Debenture. 50AA.

Notwithstanding anything contained in clause (42A) of section 2 or section 48, where the capital asset—

- (a) is a unit of a Specified Mutual Fund acquired on or after the 1st day of April, 2023 or a Market Linked Debenture; or
- (b) is an unlisted bond or an unlisted debenture which is transferred or redeemed or matures on or after the 23rd day of July, 2024,

the full value of consideration received or accruing as a result of the transfer or redemption or maturity of such debenture or unit or bond as reduced by—

- (i) the cost of acquisition of the debenture or unit or bond; and
- (ii) the expenditure incurred wholly and exclusively in connection with such transfer or redemption or maturity,

shall be deemed to be the capital gains arising from the transfer of a short-term capital asset:

Provided that no deduction shall be allowed in computing the income chargeable under the head "Capital

gains" in respect of any sum paid on account of securities transaction tax under the provisions of Chapter VII of the Finance (No. 2) Act, 2004 (23 of 2004).

Explanation.— For the purposes of this section—

- (i) "Market Linked Debenture" means a security by whatever name called, which has an underlying principal component in the form of a debt security and where the returns are linked to market returns on other underlying securities or indices and include any security classified or regulated as a market linked debenture by the Securities and Exchange Board of India;
- (ii) "Specified Mutual Fund" means a Mutual Fund by whatever name called, where not more than thirty five per cent of its total proceeds is invested in the equity shares of domestic companies:

Provided that the percentage of equity shareholding held in respect of the Specified Mutual Fund shall be computed with reference to the annual average of the daily closing figures.]

Following clause (ii) shall be substituted for the existing clause (ii) of the Explanation to section 50AA by the Finance (No. 2) Act, 2024, w.e.f. 1-4-2026:

(ii) "Specified Mutual Fund" means,—

- (a) a Mutual Fund by whatever name called, which invests more than sixty-five per cent of its total proceeds in debt and money market instruments; or
- (b) a fund which invests sixty-five per cent or more of its total proceeds in units of a fund referred to in sub-clause (a):

Provided that the percentage of investment in debt and money market instruments or in units of a fund, as the case may be, in respect of the Specified Mutual Fund, shall be computed with reference to the annual average of the daily closing figures:

Provided further that for the purposes of this clause, "debt and money market instruments" shall include any securities, by whatever name called, classified or regulated as debt and money market instruments by the Securities and Exchange Board of India.

Cost of Acquisition Section 55(2)

Cost of acquisition in case of equity shares which is *not listed on a recognised stock exchange as on the 31st day of January, 2018, or which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31st day of January, 2018 by way of transaction not regarded as transfer under section 47, as the case may be, but listed on such exchange subsequent to the date of transfer (where such transfer is in respect of sale of unlisted equity shares under an offer for sale to the public included in an initial public offer) shall be* an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the financial year 2017-18 bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the first day of April, 2001, whichever is later;

Business / Profession

Incomes chargeable to tax under the head Business/ Profession Section 28

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

Payment of salary or interest to the partners Section 40(b)

As per section 40(b), interest to the partner is allowed but maximum @ 12% p.a. simple interest.

Payment of salary, bonus, commission or any other remuneration is allowed but only to the working partner. Maximum amount of salary, bonus, commission etc. allowed to a partner shall be computed in the manner given below:

Maximum amount of remuneration allowed shall be as given below:

- * First ₹6,00,000 of the book profits **90%** of the book profit or **₹3,00,000** whichever is more
- * On **balance** amount of book profit **60%** of book profit

Example

A partnership firm has book profits of ₹ 5 lakhs, in this case maximum amount of salary etc. allowed to all the partners shall be

Upto ₹5,00,000 90% of 5,00,000 or ₹3,00,000 whichever is more 4,50,000

Salary: As per Section 16 (ia) a deduction of seventy five thousand rupees or the amount of the salary, whichever is less. (For optional regime it is ₹50,000)