



Amendments – AY 2025-26

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Tax Rates

- ▶ Changes in Slab Rates – only for default regime (115BAC)
 - ▶ ₹ 3,00,001 to ₹ 7,00,000 – 5%
 - ▶ ₹ 7,00,001 to ₹ 10,00,000 – 10%
- ▶ Tax Rate reduced from 40% to 35% for Foreign Cos.
- ▶ No changes in Section 87A
 - ▶ Whether the income chargeable to special rate needs to be considered while computing the rebate under Sec. 87A ?
 - ▶ Reference – Chamber of Tax Consultants vs. DGIT (Systems)
 - ▶ Memorandum – FB 2025

Standard Deduction



- ▶ Old Position - Deduction of ₹ 50,000
- ▶ Revised Position

Type of Tax Regime Opted	Standard Deduction
Old	₹ 50,000
Default (Section 115BAC)	₹ 75,000

- ▶ Similar amendment to increase the threshold of deduction from ₹ 15,000 to ₹ 25,000 in case of family pensions

▶ NPS Contribution

- ▶ Deduction for employer's contribution to NPS
 - ▶ Section 80CCD (2)
- ▶ Old limits

Type of Employee	Limit (% of Salary)
Government Employee	14%
Other Employee	10%



NPS Contribution



- ▶ Amended limits

Type of Employee	Type of Tax Regime Opted	Limit (% of Salary)
Government Employee	NA	14%
Other Employee	Normal	10%
	Section 115BAC	14%

▶ NPS Contribution

- ▶ Sec. 36(1)(iva) – restricted the deduction of the employer's contribution to 10% of salary
- ▶ This limit is also enhanced to 14%
- ▶ Irrespective of whether the employee is opting for tax regime under Sec. 115BAC or not

▶ House Rentals

- ▶ Memorandum

It has been observed that some taxpayers are reporting their rental income generated by letting out of the house property, under the head 'Profits and gains of business or profession' in place of the head 'Income from house property'. Accordingly, they are reducing their tax liability substantially by showing house property income under the wrong head of income.

▶ House Rentals

- ▶ Amendment to Section 28
- ▶ Explanation 3.– *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".*

▶ House Rentals

- ▶ Two important conditions
 - ▶ Property let out should be the residential house
 - ▶ The assessee should be the owner of the property
- ▶ Even if the activity of letting is in the nature of 'business'
- ▶ Even if the property is held as stock-in-trade
 - ▶ Notional income on vacant properties subject to Sec. 23(5)

▶ House Rentals

- ▶ Consequences
 - ▶ Standard deduction @30%
 - ▶ No deduction of actual expenses incurred
 - ▶ No deduction of depreciation
 - ▶ Interest is deductible
 - ▶ Loss more than ₹ 2,00,000 cannot be set off against other heads
 - ▶ Issues with respect to the residential house which was part of the block

► Self-occupied Property

- ▶ Sec. 23(2) – Nil Annual Value
- ▶ House (or part of a house) which –
 - ▶ is in occupation of the owner for his own residence or
 - ▶ cannot be occupied by the owner by reason of the fact that owing to his employment, business or profession carried on at any other place, he has to reside at that other place in a building not belonging to him
- ▶ Conditional benefit

► Self-occupied Property

- ▶ Jashvidaben C. Mehta vs. CIT [1988] 37 TAXMAN 249 (GUJ.)
 - ▶ Assessee's property was occupied by her cousin free of cost
 - ▶ There was no material on record to show that the assessee at any time went and lived in the property even occasionally which was occupied by her cousin
 - ▶ Benefit denied

► Self-occupied Property

- ▶ Amendment
 - ▶ The annual value of the property consisting of a house or any part thereof shall be taken as nil, if
 - ▶ the owner occupies it for his own residence or
 - ▶ cannot actually occupy it due to any reason
 - ▶ Reason of non-occupation has been made irrelevant
 - ▶ Effective from AY 2025-26

► Self-occupied Property

- ▶ No change in conditions laid down in Sec. 23(3)
 - ▶ Property should not have been let during the whole or any part of the previous year
 - ▶ No other benefit should have been derived by the owner from the said property
- ▶ Benefit available in respect of two such properties

▶ Partner's Remuneration

- ▶ Section 40(b)(v)
- ▶ New threshold for maximum deduction of partner's remuneration

Book Profits	Remuneration
On first ₹ 6,00,000 of the book-profit or in case of a loss	₹ 3,00,000 or at the rate of 90% of the book-profit, whichever is higher
On balance of the book-profit	60% of the book-profit

▶ Partner's Remuneration

- ▶ Additional deduction from ₹ 1,50,000 to ₹ 90,000
- ▶ Corresponding change in the partnership deed required
 - ▶ Whether the change can be made applicable with effect from 1-4-2024?

Capital Gains

- ▶ Change # 1 – Tax Rates – STCG

Type of STCG	Old Tax Rate	New Tax Rate
111A – STT paid transactions	15%	20%
Other STCG	At applicable rates	

Capital Gains



► Change # 1 – Tax Rates – LTCG

Type of LTCG	Old Tax Rate	New Tax Rate
112A – STT paid transactions	10%	12.5%
112 – Unlisted securities or shares of closely held companies – for NR	10%	12.5%
112 – All other LTCG	20%	12.5%

▶ Capital Gains

- ▶ Option to pay tax @10% under Proviso to Sec. 112 has been withdrawn
 - ▶ It was applicable to listed securities (other than units) or zero coupon bond
- ▶ Effective date of change in tax rates

Date of Transfer of the Capital Asset	Tax Rate Applicable
Before 23-7-2024	Old Rates
On or after 23-7-2024	New Rates

▶ Capital Gains

- ▶ Relevance of date of transfer – specific cases
 - ▶ Agreement to sell
 - ▶ Sec. 45(2) – Conversion of capital asset into stock-in-trade
 - ▶ Sec. 45(5A) – Joint development agreement
 - ▶ Non-utilisation of the balance in CGAS
 - ▶ Sec. 47A – Withdrawal of exemption

▶ Capital Gains

- ▶ Change # 2 – Indexation
 - ▶ Sec. 48 provides for indexation of COA & COI in respect of LTCG
 - ▶ Benefit of indexation has been withdrawn
 - ▶ Withdrawal of indexation will apply to the long-term capital asset transferred on or after 23-7-2024
 - ▶ Transfer which took place prior to 23-7-2024 but capital gain is chargeable to tax in subsequent years
 - ▶ Indexation should be available

Capital Gains



- ▶ Grandfathering
 - ▶ Proviso to Section 112(1)(a) –
 - ▶ Only for individual or HUF
 - ▶ Only if resident in India
 - ▶ Only for land or building or both
 - ▶ Only if acquired before 23-7-2024

▶ Capital Gains

- ▶ Grandfathering
 - ▶ Tax shall be lower of –
 - ▶ 12.5% of the LTCG computed without applying indexation
 - ▶ 20% of the LTCG computed with indexation benefit

Resident Individual or HUF transferring land or building or both			
Date of Acquisition	Before 23-7-2024	Before 23-7-2024	On or after 23-7-2024
Date of Transfer	Before 23-7-2024	On or after 23-7-2024	On or after 23-7-2024
Computation of LTCG	With indexation	Without indexation	Without indexation
Computation of Tax on LTCG	20%	Lower of 12.5% of LTCG or 20% of reworked LTCG with indexation benefit	12.5%

▶ Capital Gains

- ▶ Grandfathering – Issues
 - ▶ Surcharge – Whether the total income gets changed ?
 - ▶ Loss due to indexation – whether can be claimed ?
 - ▶ Exemptions – whether the reduced CG will be considered ?
 - ▶ Date of acquisition – whether it will be rolled back in 49(1) cases ?

▶ Capital Gains

- ▶ No change in first proviso to Sec. 48
 - ▶ NR can claim the benefit of exchange rate fluctuation with respect to shares or debentures of an Indian company
 - ▶ Not applicable where the LTCG is taxable u/s. 112A
 - ▶ LTCG from unlisted securities or shares of closely held companies
 - ▶ Earlier it was taxable @10% without applying first proviso
 - ▶ Now it is taxable @12.5% without applying first proviso

▶ Capital Gains

- ▶ Change # 3 – Non-taxable LTCG – Sec. 112A
 - ▶ Amount of non-taxable LTCG increased from ₹ 1,00,000 to ₹ 1,25,000
 - ▶ Applicable only for Sec. 112A
 - ▶ Irrespective of whether tax regime under Sec. 115BAC is opted or not
 - ▶ Higher limit applies even to the transfers which have taken place prior to 23-7-2024 (but on or after 1-4-2024)
 - ▶ Limit will apply in total for both the periods

Capital Gains

- ▶ Change # 4 - Period of Holding
- ▶ Old Position

Applicable Period	Assets covered
12 months	Listed security (other than a unit), units of an equity oriented fund, zero coupon bond
24 months	Unlisted shares of a company, immovable property
36 months	All other assets (unlisted security other than share, units of mutual fund other than equity oriented, gold etc.)

Capital Gains

- Amended Position

Applicable Period	Assets covered
12 months	Listed security (including listed units), units of an equity oriented fund, zero coupon bond
24 months	All other assets (all unlisted securities, units (unlisted) of all other types of mutual funds, immovable properties, gold etc.)

- Applicable with effect from 23-7-2024

▶ Capital Gains

- ▶ Change # 5 – Unlisted bond or debentures
 - ▶ Section 50AA has been amended to include –
 - ▶ Unlisted bond
 - ▶ Unlisted debenture
 - ▶ If transferred or redeemed or matured on or after 23-7-2024
 - ▶ Consequences
 - ▶ Deemed to be the capital gain arising from the transfer of a short-term capital asset

▶ Gifts

- ▶ Sec. 47 providing exemption to capital gain in case of gifts restricted only for individual or HUF
- ▶ Present Provision – Sec. 47(iii)
 - ▶ Any transfer of a capital asset under a gift or will or an irrevocable trust
- ▶ Amended Provision
 - ▶ Any transfer of a capital asset by an individual or a HUF under a gift or will or an irrevocable trust

▶ Gifts

- ▶ How the capital gain will be computed ?
 - ▶ Consideration is not received in case of gifts
 - ▶ Memorandum refers to the provisions of Sec. 50CA / 50D
 - ▶ Sec. 50CA - *where the consideration received or accruing as a result of the transfer.....*
 - ▶ Sec. 50D - *where the consideration received or accruing as a result of the transfer.....*

▶ Buy Back

- ▶ Old Position
 - ▶ Tax @23.296% was payable by a domestic company
 - ▶ Consideration as reduced by the issue price
 - ▶ It was exempt in the hands of a shareholder
- ▶ Amended Position
 - ▶ No tax upon the company
 - ▶ Taxable in the hands of a shareholder
 - ▶ Deemed to be dividend

► Buy Back

- ▶ Sec. 2(22) – Definition of Dividend
 - ▶ Clause (f) has been inserted
 - ▶ Any payment by a company on purchase of its own shares from a shareholder in accordance with the provisions of Sec. 68 of the Cos. Act 2023
 - ▶ Sub-clause excluding payment on buy back from 'dividend' omitted

► Buy Back

- ▶ Consequences of treating it as dividend
 - ▶ Taxable under the head 'Income from Other Sources'
 - ▶ No deduction of any expenses against it
 - ▶ Specific proviso has been inserted to that effect in Sec. 57
 - ▶ No deduction of even realization expenses
- ▶ Deduction of Interest
 - ▶ No deduction against buy back dividend
 - ▶ Other dividend – up to 20% of the dividend

► Buy Back

- ▶ Treatment of cost of acquisition of shares transferred under buy back
 - ▶ No deduction against the buy back consideration which has been treated as dividend
 - ▶ Sec. 46A still applies
 - ▶ Deemed Capital Gain
 - ▶ Amended to provide that consideration received shall be deemed to be nil
 - ▶ It will result into capital loss in the hands of the shareholder

► Buy Back

- ▶ Treatment of cost of acquisition of shares transferred under buy back
 - ▶ Capital loss will be allowed to be set off against other capital gain (as per the applicable provisions)
- ▶ Special rate income (CG) is getting converted into regular income (Dividend)
- ▶ Preponement of tax to the extent of cost if no sufficient CG in the same year to absorb the loss
- ▶ Market sale might be more tax efficient as compared to buy back
- ▶ Trader is better placed than investor

► Buy Back

- ▶ Other amendments –
 - ▶ Exemption under Sec. 10(34A) is withdrawn
 - ▶ Sec. 115QA made inapplicable
 - ▶ Sec. 194 amended to extend TDS to buy back dividend (in case of resident)
- ▶ Effective date of all amendments
 - ▶ Buy back of shares taking place on or after 1-10-2024

THANKS!

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