

Bill No. 105 of 2025

THE TAXATION LAWS (AMENDMENT) BILL, 2025

A

BILL

further to amend the Income-tax Act, 1961 and to amend the Finance Act, 2025.

BE it enacted by Parliament in the Seventy-sixth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

5 1. This Act may be called the Taxation Laws (Amendment) Act, 2025.

Short title.

CHAPTER II

AMENDMENTS IN THE INCOME-TAX ACT, 1961

43 of 1961.

2. In the Income-tax Act, 1961 (hereafter in this chapter referred to as the Income-tax Act), in section 10, with effect from the 1st day of April, 2025,—

Amendment of section 10.

(a) after clause (12A), the following clauses shall be inserted and shall be deemed to have been inserted, namely:—

“(12AA) any payment from the National Pension System Trust to an assessee, who is a subscriber to the Unified Pension Scheme, to the extent that it does not exceed sixty per cent. of the individual corpus, as specified in notification number FX-1/3/2024-PR, dated the 24th January, 2025 of the Department of Financial Services, made at the time of his superannuation or voluntary retirement or retirement under clause (j) of rule 56 of the Fundamental Rules [which is not treated as penalty under the Central Civil Services (Classification, Control and Appeal) Rules, 1965];

(12AB) any sum received as lump sum amount as per clause (vi) of paragraph 2 of the notification number FX-1/3/2024-PR, dated the 24th January, 2025 of the Department of Financial Services, by an assessee being a subscriber to the Unified Pension Scheme;”;

(b) in clause (23FE), in *Explanation* 1, after clause (c), the following clause shall be inserted and shall be deemed to have been inserted, namely:—

“(d) (i) the Public Investment Fund of the Government of the Kingdom of Saudi Arabia; and

(ii) a wholly owned subsidiary of the Public Investment Fund of the Government of the Kingdom of Saudi Arabia, which—

(A) is a resident of Saudi Arabia; and

(B) makes investment, directly or indirectly, out of the fund owned by the said Government.”.

Amendment of
section 16.

3. In the Income-tax Act, in section 16, in clause (ia), in the proviso, after the word, brackets and figures “clause (ii)”, the words, brackets and figures “or clause (iii)” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 2025.

Amendment of
section 80CCD.

4. In the Income-tax Act, in section 80CCD, with effect from the 1st day of April, 2025,—

(a) after sub-section (3), the following sub-section shall be inserted and shall be deemed to have been inserted, namely:—

“(3A) Where any amount standing to the credit of the assessee, being a subscriber to the Unified Pension Scheme, in his account referred to in sub-section (1) or sub-section (1B), in respect of which a deduction has been allowed under those sub-sections or sub-section (2), together with the amount accrued thereon, if any, is received by the assessee or his nominee, in whole or in part, in any previous year on account of his superannuation or voluntary retirement or retirement under clause (j) of rule 56 of the Fundamental Rules [which is not treated as penalty under the Central Civil Services (Classification, Control and Appeal) Rules, 1965], as may be applicable, the whole of the amount shall be deemed to be the income of the assessee or his nominee, as the case may be, in the previous year in which such amount is received, and shall accordingly be charged to tax as income of that previous year.”;

(b) after sub-section (5), the following sub-section shall be inserted and shall be deemed to have been inserted, namely:—

“(6) For the purposes of sub-section (3A), the assessee shall be deemed not to have received any amount in the previous year if such amount is transferred to pool corpus from individual corpus on account of his superannuation or voluntary retirement or retirement under clause (j) of rule 56 of the Fundamental Rules [which is not treated as penalty under the Central Civil Services (Classification, Control and Appeal) Rules, 1965], as may be applicable.”;

(c) for the *Explanation*, the following *Explanation* shall be substituted and shall be deemed to have been substituted, namely:—

‘*Explanation*.—For the purposes of this section,—

5 (i) “pool corpus” and “individual corpus” shall have the same meanings as assigned to them in notification number FX-1/3/2024-PR, dated the 24th January, 2025, of the Department of Financial Services;

10 (ii) “salary” includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.’.

CHAPTER III

AMENDMENT IN THE FINANCE ACT, 2025

7 of 2025.

15 **5.** In section 49 of the Finance Act, 2025, after clause (b), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of September, 2024, namely:—

Amendment of section 49.

‘(ba) for sub-section (2), the following sub-section shall be substituted, namely:—

20 “(2) (a) The assessment or reassessment or recomputation under the provisions of this Act (other than this Chapter), if any, pertaining to any assessment year falling in the block period, pending on the date of initiation of the search under section 132, or making of requisition under section 132A, as the case may be, shall abate and shall be deemed to have been abated on the date of initiation of search or making of requisition.

25 (b) Any proceeding for assessment or reassessment or recomputation under any provision of this Act (other than this Chapter) pertaining to any assessment year falling in the block period (other than the assessment year in which the last of the authorisations for a search is executed or requisition is made), for which a notice has been issued during the period commencing on the date of initiation of search under section 132 or making of requisition under section 132A and ending on the date of making of order under clause (c) of sub-section (1) of section 158BC, shall abate and shall be deemed to have been abated on the date of issue of such notice.’.

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STATEMENT OF OBJECTS AND REASONS

The Government of India has reached an understanding with the Government of Saudi Arabia to provide for certain direct tax benefits through the Income-tax Act. In addition, Unified Pension Scheme has been rolled out in the year 2025 and certain exemptions from Income-tax are required to be provided in respect of certain payouts to its subscribers. Also, it is required to provide for some changes in the scheme of Block assessment of search cases for its correct application.

2. Accordingly, the Taxation Laws (Amendment) Bill, 2025 has been prepared to give effect to the above decisions by way of amendment to the Income-tax Act, 1961 and the Finance Act, 2025.

NEW DELHI;
The 10th August, 2025.

NIRMALA SITHARAMAN.

PRESIDENT'S RECOMMENDATION UNDER ARTICLE 117 AND 274 OF THE CONSTITUTION OF INDIA

**[Letter No. 370152/37/2025-TPL dated 08.08.2025 from
Smt. Nirmala Sitharaman, Minister of Finance and Corporate Affairs to the
Secretary General, Lok Sabha]**

The President, having been informed of the subject matter of the Taxation Laws (Amendment) Bill, 2025, recommends under clauses (1) and (3) of article 117 read with clause (1) of article 274 of the Constitution of India, the introduction of the Taxation Laws (Amendment) Bill, 2025 in Lok Sabha and also recommends to Lok Sabha the consideration of the Bill.

FINANCIAL MEMORANDUM

This Bill seeks to amend the Income-tax Act, 1961 and Finance Act, 2025 so that no additional expenditure of significance, apart from what is being spent on the administration of the said Act, is contemplated by reason merely of passing of this Bill.

ANNEXURE

EXTRACTS FROM THE INCOME-TAX ACT, 1961

(43 OF 1961)

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CHAPTER III

INCOMES WHICH DO NOT FORM PART OF TOTAL INCOME

Incomes not
included in total
income.

10. In computing the total income of a previous year of any person, any income falling within any of the following clauses shall not be included—

* * * * *

(23FE) any income of a specified person in the nature of dividend, interest, any sum referred to in clause (xii) of sub-section (2) of section 56 or long-term capital gains (whether or not such capital gains are deemed as short-term capital gains under section 50AA) arising from an investment made by it in India, whether in the form of debt or share capital or unit, if the investment—

(i) is made on or after the 1st day of April, 2020 but on or before the 31st day of March, 2030;

(ii) is held for at least three years; and

(iii) is in—

(a) a business trust referred to in sub-clause (i) of clause (13A) of section 2; or

(b) a company or enterprise or an entity carrying on the business of developing, or operating and maintaining, or developing, operating and maintaining any infrastructure facility as defined in the Explanation to clause (i) of sub-section (4) of section 80-IA or such other business as the Central Government may, by notification in the Official Gazette, specify in this behalf; or

(c) a Category-I or Category-II Alternative Investment Fund regulated under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, made under the Securities and Exchange Board of India Act, 1992 (15 of 1992), having not less than fifty per cent investment in one or more of the company or enterprise or entity referred to in item (b) or item (d) or item (e) or in an Infrastructure Investment Trust referred to in sub-clause (i) of clause (13A) of section 2; or

(d) a domestic company, set up and registered on or after the 1st day of April, 2021, having minimum seventy-five per cent investments in one or more of the companies or enterprises or entities referred to in item (b); or

(e) a non-banking financial company registered as an Infrastructure Finance Company as referred to in notification number RBI/2009-10/316 issued by the Reserve Bank of India or in an Infrastructure Debt Fund, a non-banking finance company, as referred to in the Infrastructure Debt Fund - Non-Banking Financial Companies (Reserve Bank) Directions, 2011, issued by the Reserve Bank of India, having minimum ninety per cent lending to one or more of the companies or enterprises or entities referred to in item (b):

Provided that if any difficulty arises regarding interpretation or implementation of the provisions of this clause, the Board may, with the approval of the Central Government, issue guidelines for the purpose of removing the difficulty:

Provided further that every guideline issued under the first proviso, shall be laid before each House of Parliament and shall be binding on the income-tax authority and the specified person:

Provided also that where any income has not been included in the total income of the specified person due to the provisions of this clause, and subsequently during any previous year the specified person fails to satisfy any of the conditions of this clause so that the said income would not have been eligible for such non-inclusion, such income shall be chargeable to income-tax as the income of the specified person of that previous year:

Provided also that in case a Category-I or Category-II Alternative Investment Fund referred to in item (c) of sub-clause (iii) has investment of less than one hundred per cent in one or more of the companies or enterprises or entities referred to in item (b) or item (d) or item (e) of the said sub-clause or in an Infrastructure Investment Trust referred to in item (c) of the said sub-clause, income accrued or arisen or received or attributable to such investment, directly or indirectly, which is exempt under this clause shall be calculated proportionately to that investment made in one or more of the companies or enterprises or entities referred to in item (b) or item (d) or item (e) of the said sub-clause or in the Infrastructure Investment Trust referred to in item (c) of the said sub-clause, in such manner as may be prescribed:

Provided also that in case a domestic company referred to in item (d) of sub-clause (iii) has investment of less than one hundred per cent in one or more of the companies or enterprises or entities referred to in item (b) of the said sub-clause, income accrued or arisen or received or attributable to such investments, directly or indirectly, which is exempt under this clause shall be calculated proportionately to the investment made in one or more of the companies or enterprises or entities referred to in item (b) of the said sub-clause, in such manner as may be prescribed:

Provided also that in case a non-banking finance company registered as an Infrastructure Finance Company or Infrastructure Debt Fund, referred to in item (e) of sub-clause (iii), has lending of less than one hundred per cent in one or more of the companies or enterprises or entities referred to in item (b) of the said sub-clause, income accrued or arisen or received or attributable to such lending, directly or indirectly, which is exempt under this clause shall be calculated proportionately to the lending made in one or more of the companies or enterprises or entities referred to in item (b) of the said sub-clause, in such manner as may be prescribed:

Provided also that in case a sovereign wealth fund or pension fund has loans or borrowings, directly or indirectly, for the purposes of making investment in India, such fund shall be deemed to be not eligible for exemption under this clause.

Explanation 1.—For the purposes of this clause, “specified person” means—

(a) a wholly owned subsidiary of the Abu Dhabi Investment Authority which—

(i) is a resident of the United Arab Emirates; and

(ii) makes investment, directly or indirectly, out of the fund owned by the Government of the Abu Dhabi;

(b) a sovereign wealth fund which satisfies the following conditions, namely:—

(i) it is wholly owned and controlled, directly or indirectly, by the Government of a foreign country;

(ii) it is set up and regulated under the law of such foreign country;

(iii) the earnings of the said fund are credited either to the account of the Government of that foreign country or to any other account designated by that Government so that no portion of the earnings inures any benefit to any private person;

(iv) the asset of the said fund vests in the Government of such foreign country upon dissolution:

Provided that the provisions of sub-clauses (iii) and (iv) shall not apply to any payment made to creditors or depositors for loan taken or borrowing for the purposes other than for making investment in India;

(v) it does not participate in the day to day operations of investee but the monitoring mechanism to protect the investment with the investee including the right to appoint directors or executive director shall not be considered as participation in the day to day operations of the investee; and

(vi) it is specified by the Central Government, by notification in the Official Gazette, for this purpose and fulfils conditions specified in such notification;

(c) a pension fund, which—

(i) is created or established under the law of a foreign country including the laws made by any of its political constituents being a province, State or local body, by whatever name called;

(ii) is not liable to tax in such foreign country or if liable to tax, exemption from taxation for all its income has been provided by such foreign country;

(iii) satisfies such other conditions as may be prescribed;

(iiia) it does not participate in the day to day operations of investee but the monitoring mechanism to protect the investment with the investee including the right to appoint directors or executive director shall not be considered as participation in day to day operations of the investee; and

(iv) is specified by the Central Government, by notification in the Official Gazette, for this purpose and fulfils conditions specified in such notification.

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Deductions from
salaries.

16. The income chargeable under the head “Salaries” shall be computed after making the following deductions, namely:—

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(ia) a deduction of fifty thousand rupees or the amount of the salary, whichever is less:

Provided that in a case where income-tax is computed under clause (ii) of sub-section (1A) of section 115BAC, the provisions of this clause shall have effect as if for the words “fifty thousand rupees”, the words “seventy-five thousand rupees” had been substituted;

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80CCD. (1) *

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Deduction in respect of contribution to pension scheme of Central Government.

Explanation.—For the purposes of this section, “salary” includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

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158BA. (1) *

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Assessment of total undisclosed income as a result of search.

(2) The total undisclosed income relating to the block period shall be charged to tax, at the rate specified in section 113, as income of the block period irrespective of the previous year or years to which such income relates and irrespective of the fact whether regular assessment for any one or more of the relevant assessment years is pending or not.

Explanation.—For the removal of doubts, it is hereby declared that—

(a) the assessment made under this Chapter shall be in addition to the regular assessment in respect of each previous year included in the block period;

(b) the total undisclosed income relating to the block period shall not include the income assessed in any regular assessment as income of such block period;

(c) the income assessed in this Chapter shall not be included in the regular assessment of any previous year included in the block period.

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EXTRACT FROM THE FINANCE ACT, 2025

(7 OF 2025)

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49. In section 158BA of the Income-tax Act, with effect from the 1st day of September, 2024,—

Amendment of section 158BA.

(a) in the marginal heading, for the words “total income”, the words “total undisclosed income” shall be substituted and shall be deemed to have been substituted;

(b) in sub-section (1), for the words “total income”, the words “total undisclosed income” shall be substituted and shall be deemed to have been substituted;

(c) in sub-section (4), for the word “pending”, the words “required to be made” shall be substituted and shall be deemed to have been substituted;

(d) in sub-section (5), for the words “the assessment or reassessment relating to any assessment year”, the words “the assessment or reassessment or recomputation or reference or order relating to any assessment year shall be substituted and shall be deemed to have been substituted;

(e) in sub-section (7), for the words “total income”, the words “total undisclosed income” shall be substituted and shall be deemed to have been substituted.

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LOK SABHA

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BILL

further to amend the Income-tax Act, 1961 and to amend the Finance Act, 2025.

(Smt. Nirmala Sitharaman, Minister of Finance and Corporate Affairs)