

years, i.e. the benefit will be available to eligible start-ups incorporated before 01.04.2030.

3. This amendment will take effect from the 1st day of April 2025.

**[Clause 18]**

## **X. Rationalisation of taxation of capital gains on transfer of capital assets by non-residents**

The existing provisions of Section 115AD of the Act provide that where the total income of a specified fund or Foreign Institutional Investor includes—

- (a) income received in respect of securities (other than units referred to in section 115AB); or
- (b) income by way of short-term or long-term capital gains arising from the transfer of such securities,

the income-tax on the income by way of long-term capital gains referred to in clause (b), if any, included in the total income, shall be calculated at the rate of ten per cent.

2. Certain amendments were carried out in the above provisions by the Finance (No.2) Act, 2024. The rate of taxation on long-term gains arising from the transfer of capital assets was amended to twelve and one-half per cent in the case of all assessees, whether resident or non-resident, with effect from 23.07.2024. It was seen that while the rates of taxation in the case of specified fund or FIIs in case of long-term gains referred to in section 112A have been brought to parity with the rates applicable for residents, the rate of income-tax calculated on the income by way of long-term capital gains not referred to in section 112A were retained at ten per cent vide Finance (No.2) Act, 2024.

3. It is proposed to amend the provisions of section 115AD to provide that income-tax on the income by way of long-term capital gains on transfer of securities (other than units referred to in section 115AB) not referred to in section 112A, if any, included in the total income, shall be calculated at the rate of twelve and one-half per cent.

4. These amendments will take effect from the 1st day of April, 2026, and shall accordingly, apply in relation to the assessment year 2026-27 and subsequent assessment years.

**[Clause 23]**

## **XI. Rationalization of tax deducted at source (TDS) rates**

There are various provisions of Tax Deduction at Source (TDS), with different thresholds and multiple rates. To improve ease of doing business and better compliance by taxpayers, it is proposed to rationalize certain rates of TDS and to increase threshold limit for applicability of the TDS provisions.

## I. TDS rate reduction for section 194LBC

Section 194LBC of the Act requires that where any income is payable by a securitisation trust to an investor, being a resident, in respect of an investment in a securitisation trust as specified therein, the person responsible for making the payment shall, deduct income-tax, at the rate of 25%, if the payee is an individual or a Hindu undivided family and 30%, if the payee is any other person.

2. It is proposed that TDS rate under section 194LBC of the Act be reduced from 25% and 30% to 10% as this sector is sufficiently organized and regulated.
3. This amendment will take effect from the 1st day of April 2025.

[Clause 63]

## II. TDS threshold rationalization

TDS provisions have various thresholds of amount of payment or amount of income, beyond which tax is required be deducted. It is proposed to rationalize these thresholds as below –

S. No	Section	Current threshold	Proposed threshold
1.	193 - Interest on securities	Nil	Rs. 10,000/-
2.	194A - Interest other than Interest on securities	(i) Rs. 50,000/- for senior citizen; (ii) Rs. 40,000/- in case of others when payer is bank, cooperative society and post office (iii) Rs. 5,000/- in other cases	(i) Rs. 1,00,000/- for senior citizen (ii) Rs. 50,000/- in case of others when payer is bank, cooperative society and post office (iii) Rs. 10,000/- in other cases
3.	194 - Dividend for an individual shareholder	Rs. 5,000/-	Rs. 10,000/-
4.	194K - Income in respect of units of a mutual fund or specified company or undertaking	Rs. 5,000/-	Rs. 10,000/-
5.	194B - Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction
6.	194BB - Winnings from horse race		

S. No	Section	Current threshold	Proposed threshold
7.	194D - Insurance commission	Rs. 15,000/-	Rs. 20,000/-
8.	194G - Income by way of commission, prize etc. on lottery tickets	Rs. 15,000/-	Rs. 20,000/-
9.	194H - Commission or brokerage	Rs. 15,000/-	Rs. 20,000/-
10.	194-I Rent	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month
11.	194J - Fee for professional or technical services	Rs. 30,000/-	Rs. 50,000/-
12.	194LA - Income by way of enhanced compensation	Rs. 2,50,000/-	5,00,000/-

### Section 193 – Interest on securities

Section 193 of the Act requires that any person responsible for paying to a resident any income by way of interest on securities shall, at the time of credit of such income to the account of the payee or at the time of payment thereof, whichever is earlier, deduct income-tax at the rates in force on the amount of the interest payable. Currently there is no threshold for amount of income by way of interest for deduction of tax at source in this section.

2. Proviso to the section provides for non-deduction of tax at source in certain cases. Clause (v) of the proviso states that no tax is required to be deducted on any interest payable to an individual or a Hindu undivided family, who is resident in India, on any debenture issued by a company in which the public are substantially interested, if the amount of interest or, as the case may be, the aggregate amount of such interest, paid or likely to be paid, through an account payee cheque, on such debenture during the financial year by the company does not exceed Rs. 5,000/-.

3. It is proposed to provide that tax shall be deducted under this section only when the amount or the aggregate of amounts of income by way of interest on securities exceeds Rs. 10,000/- during a financial year and consequentially to amend the proviso accordingly.

4. These amendments will take effect from the 1st day of April 2025.

**[Clause 51]**

## **Section 194 – Dividends**

Section 194 of the Act requires that the principal officer of an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends (including dividends on preference shares) within India, shall, before making any payment by any mode in respect of any dividend or before making any distribution or payment to a shareholder, who is resident in India, of any dividend within the meaning of all sub-clauses of clause (22) of section 2, deduct from the amount of such dividend, income-tax at the rate of 10%.

2. The first proviso to this section states that no tax is required to be deducted when the amount or aggregate of amounts of such dividend, distributed or paid or likely to be distributed or paid, during the financial year by the company to the shareholder, being an individual, does not exceed Rs. 5,000/-.
3. It is proposed to provide that no tax is required to be deducted when the amount or aggregate of amounts of such dividend, distributed or paid or likely to be distributed or paid, to the shareholder, being an individual, does not exceed Rs. 10,000/-.
4. This amendment will take effect from the 1st day of April 2025.

**[Clause 52]**

## **Section 194A – Interest other than interest on securities**

Sub-section (1) of section 194A of the Act requires that any person, not being an individual or a Hindu undivided family, responsible for paying to a resident any interest income other than interest income on securities, shall deduct income-tax thereon at the rates in force.

2. Sub-section (3) of section 194A of the Act states that tax may not be required to be deducted when payment of interest income is by a payer of a specific nature and does not exceed a certain specified amount. These thresholds are higher in the case of a senior citizen being the payee, as given in the third proviso to clause (i) of sub-section (3). As per proviso to sub-section (3) of section 194A of the Act, a co-operative society as referred to in clause (v) and clause (viiia) of sub-section (3) shall be liable to deduct income-tax at source when the amount of interest income during the financial year is more than Rs. 50,000/- in case of payee being a senior citizen and Rs. 40,000/- in any other case.

3. It is proposed to increase the threshold for requirement to deduct tax at source in section 194A as below –

<b>S. No</b>	<b>Payer</b>	<b>Current threshold to deduct TDS</b>	<b>Proposed threshold to deduct TDS</b>	<b>Current threshold to deduct TDS when payee is senior citizen</b>	<b>Proposed threshold to deduct TDS when payee is senior citizen</b>
1.	A banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution, referred to in section 51 of that Act)	Rs. 40,000/-	Rs. 50,000/-	Rs. 50,000/-	Rs. 1,00,000/-
2.	A co-operative society engaged in carrying on the business of banking	Rs. 40,000/-	Rs. 50,000/-	Rs. 50,000/-	Rs. 1,00,000/-
3.	on any deposit with post office under any scheme framed by the Central Government and notified by it in this behalf	Rs. 40,000/-	Rs. 50,000/-	Rs. 50,000/-	Rs. 1,00,000/-
4.	Any other case	Rs. 5,000/-	Rs. 10,000/-	Rs. 5,000/-	Rs. 10,000/-
5.	A cooperative society referred to in clause (v) and clause (viia) of sub-section (3) of section 194A	Rs. 40,000/-	Rs. 50,000/-	Rs. 50,000/-	Rs. 1,00,000/-

4. These amendments will take effect from the 1st day of April 2025.

[Clause 53]

#### **Section 194B - Winnings from lottery or crossword puzzle**

Section 194B of the Act requires that any person responsible for paying to any person any income by way of winnings from any lottery or crossword puzzle or card game and other game of any sort or from gambling or betting of any form or nature whatsoever, being the amount or the aggregate

of amounts exceeding Rs. 10,000/- during the financial year shall, at the time of payment thereof, deduct income-tax thereon at the rates in force

2. It is proposed to remove the condition of threshold applying on aggregate of amounts exceeding Rs. 10,000/- and to now instead apply in respect of a single transaction.

3. This amendment will take effect from the 1st day of April 2025.

**[Clause 54]**

### **Section 194BB - Winnings from horse race**

Section 194BB of the Act requires that any person, being a bookmaker or a person to whom a license has been granted by the Government under any law for the time being in force for horse racing in any race course or for arranging for wagering or betting in any race course, who is responsible for paying to any person any income by way of winnings from any horse race, being the amount or aggregate of amounts exceeding Rs. 10,000/- during the financial year, shall, at the time of payment thereof, deduct income-tax thereon at the rates in force.

2. It is proposed to remove the condition of threshold applying on aggregate of amounts exceeding Rs. 10,000/- and to now instead apply in respect of a single transaction.

3. This amendment will take effect from the 1st day of April 2025.

**[Clause 55]**

### **Section 194D – Insurance commission**

Section 194D of the Act requires that any person responsible for paying to a resident any income by way of remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance) shall, deduct income-tax thereon at the rates in force, provided that the amount of such payment exceeds Rs. 15,000/- in a financial year.

2. It is proposed to increase this threshold amount for requirement of deduction of tax at source under this section from Rs. 15,000/- to Rs. 20,000/-.

3. This amendment will take effect from the 1st day of April 2025.

**[Clause 56]**

### **Section 194G - Commission, etc., on sale of lottery tickets.**

Section 194G of the Act requires that any person who is responsible for paying, to any person, who is or has been stocking, distributing, purchasing or selling lottery tickets, any income by way of

commission, remuneration or prize (by whatever name called) on such tickets in an amount exceeding Rs. 15,000/- shall, deduct income-tax thereon at the rate of two per cent.

2. It is proposed to increase this threshold amount for requirement of deduction of tax at source under this section from Rs. 15,000/- to Rs. 20,000/-.

3. This amendment will take effect from the 1st day of April 2025.

**[Clause 57]**

#### **Section 194H - Commission or brokerage.**

Section 194H of the Act requires that any person, not being an individual or a Hindu undivided family, who is responsible for paying, to a resident, any income by way of commission (not being insurance commission referred to in section 194D) or brokerage, shall, deduct income-tax thereon at the rate of two per cent, if the amount paid during a financial year exceeds Rs. 15,000/-.

2. It is proposed to increase this threshold amount for requirement of deduction of tax at source under this section from Rs. 15,000/- to Rs. 20,000/-.

3. This amendment will take effect from the 1st day of April 2025.

**[Clause 58]**

#### **Section 194-I – Rent**

Section 194-I of the Act requires that any person, not being an individual or a Hindu undivided family, who is responsible for paying to a resident any income by way of rent, shall deduct income-tax at the rates as specified therein, only when the amount of such rental income exceeds Rs. 2,40,000/- in a financial year.

2. It is proposed to increase this threshold amount of income by way of rent for requirement of deduction of tax at source under section from Rs. 2,40,000/- in a financial year to Rs. 50,000/- in a month or part of a month.

3. This amendment will take effect from the 1st day of April 2025.

**[Clause 59]**

#### **Section 194J - Fees for professional or technical services.**

Section 194J of the Act requires for deduction of tax at source on payment by any person, not being an individual or a Hindu undivided family, who pays to a resident any sum of the nature of fees for professional or technical services, any remuneration or fees or commission by whatever name called, other than those on which tax is deductible under section 192, to a director of a company, or

royalty, or any sum referred to in clause (va) of section 28 of the Act, at the rates specified therein.

2. Clause (B) of proviso to sub-section (1) of section 194J provides the threshold amount of sum paid during the financial year for tax to be deducted under this section. It is proposed to increase the thresholds specified in Clause (B) of proviso to sub-section (1) of section 194J of the Act as below –

<b>S. No</b>	<b>Nature of sum</b>	<b>Current threshold to deduct TDS</b>	<b>Proposed threshold</b>
1.	Fees for professional services	Rs. 30,000/-	Rs. 50,000/-
2.	Fees for technical services	Rs. 30,000/-	Rs. 50,000/-
3.	Royalty	Rs. 30,000/-	Rs. 50,000/-
4.	Any sum referred to in clause (va) of section 28	Rs. 30,000/-	Rs. 50,000/-

3. This amendment will take effect from the 1st day of April 2025.

**[Clause 60]**

#### **Section 194K – Income in respect of units**

Section 194K of the Act requires that for any person responsible for paying to a resident any income in respect of units of a Mutual Fund specified under clause (23D) of section 10; or units from the Administrator of the specified undertaking; or units from the specified company, shall, deduct income-tax at the rate of ten per cent, provided the amount of such income to income to a payee exceeds Rs. 5,000/- in a year.

2. It is proposed to increase this threshold amount for requirement of deduction of tax at source under this section from Rs. 5,000/- to Rs. 10,000/-.

3. This amendment will take effect from the 1st day of April 2025.

**[Clause 61]**

#### **Section 194LA - Payment of compensation on acquisition of certain immovable property.**

Section 194LA of the Act requires that any person responsible for paying to a resident any sum, being in the nature of compensation or the enhanced compensation or the consideration or the enhanced consideration on account of compulsory acquisition, under any law for the time being in force, of any immovable property (other than agricultural land), shall, deduct an amount equal to ten per cent of such sum as income-tax thereon, provided that such amount exceeds Rs. 2,50,000/- in a financial year.



2. It is proposed to increase the threshold amount for requirement of deduction of tax at source under section from Rs. 2,50,000/- to Rs. 5,00,000/-.
3. This amendment will take effect from the 1st day of April 2025.

**[Clause 62]**

**XII. Definition of “forest produce” rationalised**

Sub-section (1) of section 206C of the Act states that every seller shall collect tax at source from the buyer of goods of certain specified nature at the rates specified in the sub-section.

2. Under sub-section (1) of section 206C of the Act, presently TCS at 2.5 per cent is required to be collected on sale of goods of the following nature: -

- (I) Timber obtained under a forest lease
- (II) Timber obtained by any mode other than under a forest lease
- (III) Any other forest produce not being timber or tendu leaves

3. Representations were received that no definition has been provided in the Act for “forest produce” which is creating difficulties in application of the relevant provisions of the Act. Also the provision is being made applicable to traders who are selling such produce. To bring clarity regarding the meaning of “forest produce”, it is proposed that “forest produce” shall have the same meaning as defined in any State Act for the time being in force, or in the Indian Forest Act, 1927.

4. Further, it is proposed that to address the applicability of TCS on traders of forest produce, only such other forest produce (not being timber or tendu leaves) which is obtained under forest lease will be covered under TCS.

5. The amended rate for collection of TCS are as under:-

<b>S No</b>	<b>Nature of goods</b>	<b>Percentage</b>
(1)	(2)	(3)
(iii)	Timber or any other forest produce (not being tendu leaves) obtained under a forest lease	Two per cent
(iv)	Timber obtained by any mode other than under a forest lease	Two per cent

6. These amendments will take effect from the 1st day of April 2025.

**[Clauses 67]**