

Amendments made by Finance Act 2024 in Income Tax Act, 1961- Part 1

Only Amendments have been covered here and existing provisions remain the same unless specified. Overall interpretation is given only in case of interlinking changes. **Be careful with effective date given in each provision.**

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A. Tax rate under 115BAC(1A)

w.e.f. 01.04.2025 (AY 2025-2026)

May 2025 Exams – Yes

Sl.	Total Income (Rs.)	Tax rate
1	Upto 3,00,000	Nil
2	3,00,001 to 7,00,000	5%
3	7,00,001 to 10,00,000	10%
4	10,00,001 to 12,00,000	15%
5	12,00,001 to 15,00,000	20%
6	More than 15,00,000	30%

B. Salaried Income [Section 16]

w.e.f. 01.04.2025 (AY 2025-2026)

May 2025 Exams – Yes

Individual opting for new regime can now claim higher standard deduction of Rs.75,000 from salary income.

C. Profit and Gain from Business or Profession

w.e.f. 01.04.2025 (AY 2025-2026)

May 2025 Exams – Yes

1. Section 28- Amendment

Income from house property cannot be treated as business income.

Case law of Chennai Properties and Investments Ltd stands superseded by the Finance Act 2024.

2. Section 36(1)(iva)- Amendment

Employer contribution to pension scheme as notified under section 80CCD is allowed as business expense upto 14% of the salary. Please note that this amendment for claiming business expense is effective from 01.04.2025 which means that amount contributed by employer in PY 2024-2025, as we compute claim in the AY for expense incurred in PY.

3. Explanation 3 to section 37(1)- Amendment

Expense to settle proceedings initiated in relation to contravention under such law as may be notified is also considered as expense which is prohibited under law. Subsequently Rule of First Schedule is amended to include that section 37(1) will also apply to life insurance business.

4. Section 40(b)(v)- Amendment

Limit to calculate allowable remuneration by firm to partners

In case of loss or if the book profit is upto Rs.6,00,000 then higher of Rs.3,00,000 or 90% of book profit is allowed as remuneration paid to partners. Earlier limits have been increased as given above.

5. Section 43D- Amendment

Interest on bad and doubtful debts

This section will not apply on public companies now but will continue to apply on Public Financial Institutions and other institutions as specified in this section. Further, reference to National Housing Board has been removed.

D. Capital gains

w.e.f. 01.04.2025 (AY 2025-2026)

May 2025 Exams – Yes

1. Section 47(iii)- Amendment

Transfer of capital asset under gift or irrevocable trust was not treated as transfer earlier for any assessee. Now, it has been amended to provide this benefit only in case of transfers by Individual and HUF.

w.e.f. 23.07.2024

May 2025 Exams – Yes

2. Section 48- Amendment

Indexation benefit on long term capital asset is available now only for transfers before 23.07.2024.

3. Section 2(42A)- Amendment

Time limit for classification of long-term capital asset is now 24 months instead of 36 months and the criteria for 36 months is removed for all assets.

In case of assets classified as short-term capital asset for period of holding upto 12 months, we will also include listed units along with other listed securities. Earlier, listed units were not considered as short term if period of holding was upto 12 months.

4. Section 111A- Amendment

Tax rate on short term capital gain has changed w.e.f. from 23.07.2024.

For transfers before 23.07.2024 – Tax rate is 15%

For transfers on or after 23.07.2024 – Tax rate is 20%

5. Section 112A- Amendment

Any long-term capital gain in excess of Rs.1,25,000 will be taxed @ 10% if the transfer took place before 23.07.2024 and @ 12.5% if the transfer took place on or after 23.07.2024. Also, the limit of Rs.1,25,000 will be checked on aggregate capital gain for transfers before or after the given date. Earlier this limit was Rs.1,00,000 and tax rate was only 10%.

6. Section 112- Amendment

Assessee	Details of the nature of transfer	Transfer before 23.07.2024	Transfer after 23.07.2024
Resident Individual & HUF	Transfer of asset other than Land or building or both	20% with indexation	12.5% without indexation
	Transfer of Land or building or both acquired before 23.07.2024 but sold on or after this date	Lower of 20% with indexation or 12.5% without indexation	
Domestic Company	All kinds of transfer of Long-term capital asset under section 112	20% with indexation	12.5% without indexation
Non -resident (non-company) or foreign company	Transfer of securities other than unlisted securities of a private company computed without 1 st and 2 nd proviso to section 48	20% with indexation	12.5% without indexation
	Transfer of unlisted securities of a private company computed without 1 st and 2 nd proviso to section 48	10% with indexation	12.5% without indexation
Any other resident	Any transfer on or after 23.07.2024 is taxed @ 12.5%		
	<i>Transfer before 23.07.2024-</i> If it is a listed security (other than a unit), zero coupon bond then tax shall be maximum 10% of capital gain without applying indexation on such capital gain.		
	<i>Transfer before 23.07.2024-</i> If it is any other asset	20% with indexation	12.5% without indexation

All other provisions of this section remain same in case of resident individual and HUF for providing adjustment of basic exemption limit against long-term capital gain.

7. Section 50AA- Amendment

Now this section will also cover unlisted bonds or unlisted debentures redeemed, transferred or matured on or after 23.07.2024 and such transfer will be treated as short-term capital asset just like other assets covered under this section.

w.e.f. 01.04.2026

May 2025 Exams – No

8. Section 50AA- Amendment

Definition of specified Mutual fund is changed. From 01.04.2026 specified mutual fund will mean mutual fund which invest more than 65% of its proceeds in debt and money market instruments or 65% of its proceeds in units of funds mentioned above.

65% will be computed at annual average of daily closing figures and Debt and money market instrument will mean any security as classified by SEBI.

9. Explanation a(iii)(AA) to section 55(2)(ac)- Newly inserted

w.e.f. 01.04.2018 (retrospective)

May 2025 Exams – Yes

FMV, for the purpose of section 112A, of the equity share not listed on RSE on 31.01.2018 which became property of assessee in consideration of unlisted share on 31.01.2018 by way of transaction not regarded as transfer under section 47 but listed on subsequent to date of transfer, shall be computed as per grandfathered rule as on 31.01.2018.

Basically, it covers offer for sale in case of an IPO which gets listed few days after the transfer. Now it is also subject to computation on FMV as on 31.01.2018 as per the rules.

10. Section 115AB, 115AC, 115ACA, 115AD, 115E- Amendment

w.e.f. 23.07.2024

May 2025 Exams – Yes

These sections have been amended subsequently to provide the capital gain tax rate changes in case of non-residents. Simultaneously, same nature of changes is done for transfers before 23.07.2024 and on or after 23.07.2024. Like capital gain taxed earlier @ 10% are now subject to 12.5% etc.

Overall Interpretation (Full Capital Gain provisions)-

Only 2 kinds of period of holding will exist i.e. 12 months and 24 months.

Units of listed business trust will be considered short term asset if transferred within 12 months, this provision was not there earlier.

Period of debentures and gold is reduced to 24 months for classifying it as long-term capital asset.

Tax on short term capital asset under section 111A is increased to 20%.

Previously available exemption of Rs.1,00,00 is raised to Rs.1,25,000.

Listed bonds and debentures will be taxed @ 12.5%.

For computing 12.5% tax, indexation benefit is removed.

FMV in case of shares for offer for sale, it is deemed to apply this amendment retrospectively from 01.04.2018.

E. Income from Other sources

w.e.f. 01.04.2025 (AY 2025-2026)

May 2025 Exams – Yes

1. Proviso to Section 56(2)(viib)- Newly inserted

Section 56(2)(viib) says that if non-public company receives any consideration from any resident for issue of shares for more than Fair value then such excess amount shall be treated as Income from Other sources but this provision will not apply from 01.04.2025 and it will not be treated as Income from Other sources from AY 2025-2026.

2. Section 57(ia)- Amendment

Deduction from income from family pension has been increased to lower of 1/3rd or Rs.25,000. Earlier the limit was Rs.15,000.

F. Deductions under Chapter VI-A

w.e.f. 01.04.2025 (AY 2025-2026)

May 2025 Exams – Yes

1. Section 80CCD(2)- Amendment

In case of individual opting for new regime, eligible deduction under 80CCD(2) is increased to 14% of the salary in case of non-government employees. It remains at 10% for individuals opting old regime.

2. Section 80G- Amendment

Now, in case of deduction for national sports fund has been substituted with National sports development fund (NSDF) set up by Central government which means deduction for donating to NSDF will be allowed while computing total income.

G. Buy back of its own shares by the Company

w.e.f. 01.10.2024

May 2025 Exams – Yes

1. Section 2(22)(f)- Newly inserted

Buy back of own equity shares by company will be taxed as dividend in the hands of shareholders at the rate applicable to such individual at slab rates. Full amount paid by company is to be treated as dividend for shareholder and it is not limited to accumulated profits

2. Section 46A- Amendment

Capital gain will not arise on consideration received by shareholders on buy back of shares by the company on or after 01.10.2024.

3. Section 10(34A)- Amendment

Exemption of amount received by shareholders from company, paying tax under section 115QA, on account of buy back of shares is not available for buy back on or after 01.10.2024.

4. Section 115QA- Amendment

This section for taxation of income distributed by company is not applicable on buy back of shares done on or after 01.10.2024.

Overall Interpretation-

Buy back of shares by Company is extinguishment of rights in shares by shareholders and the cost of acquisition of shares will be treated as capital loss allowed to be carried forward for 8 years since full value of consideration is Nil for such extinguishment. This means that shareholder can claim entire cost of acquisition on subsequent sale of assets.

No deduction of any expense will be allowed from such dividend income.

H. Tax deducted at source

w.e.f. 01.10.2024

May 2025 Exams – Yes

1. Section 192- Amendment

In sub-section 1C, typing error has been corrected. It is corrected to sub-clause vi of clause 2 of section 17.

In sub-section 2A, there is no sub-section under section 89. Thus, the typing error in reference to this section has been corrected.

In sub-section 2B, this section is substituted. Scope of TDS under section 192(1) is extended to TDS deducted under Chapter XVII-B and XVII-BB. *Only this amendment may be a part of relevance for exam purpose in section 192.*

2. Section 193- Amendment

Interest on few government securities is not liable for TDS if the interest amount is upto Rs.10,000 during a FY. 1 new security is added to this list i.e. Floating Rate Savings Bonds, 2020 (Taxable).

3. Section 194- Amendment

Now TDS will also be deducted on the dividend paid under section 2(22)(f) @ 10%.

4. Section 194C- Amendment

According to the new amendment, now, meaning of work for the purpose of this section shall not include sum referred in section 194J(1). This means fees for technical or professional services, remuneration or fees to director of the company (not covered under section 192), royalty, amount received for not sharing know-how, patent etc shall not be liable for TDS under section 194C.

5. **New TDS rates- Amendment**

Sl.	Section	New TDS rate from 01.10.2024	Old TDS rate upto 30.09.2024
1	194DA- Payment in respect of LIC	2%	5%
2	194G- Commission on sale of lottery tickets	2%	5%
3	194H- Commission or brokerage	2%	5%
4	194-IB- Payment of Rent by certain individual or HUF	2%	5%
5	194M- Certain sums paid by individual or HUF	2%	5%
6	194-O- Payment by e-commerce operator to e-commerce participant	0.1%	1%
7	194D- Payment of insurance commission (Other than company)- <i>w.e.f 01.04.2025</i>	2%	5%

6. **Section 194F- Omitted**

TDS deduction in case of repurchase of units by Mutual fund or UTI is omitted. Now, no TDS is required on this. TDS is required to be deducted on repurchase of units prior to 01.10.2024.

7. **Section 194-IA(2)- Amendment**

This section states that TDS is not required to be deducted on sale of immovable property if the consideration and stamp duty value, both are below Rs.50,00,000. Proviso is added here to state that the limit of Rs.50,00,000 will be checked for all transferors included in the transaction and individual wise limit will not be checked. For instance, if the consideration is Rs.90,00,000 and property is sold by 2 person jointly then the TDS will be deducted under this section @ 1% even if the individual limit is below Rs.50,00,000 each.

8. **Section 197- Amendment**

This section is amended to include section TDS under 194Q for claiming the benefit of deduction of tax lower rate.

9. **Section 206C- Amendment (Multiple amendments from different dates- refer amendments of different dates also)**

Sub-section 9 (Amendment)- On an application made by buyer for collection of tax at lower rate is now allowed in case of section 206C(1H) along with sections 206C(1) and 206C(1C). This means if the buyer is eligible for tax collection under section 206C(1H) and such buyer makes application for lower collection of tax, then the AO may issue a certificate to this effect after considering his income and other factors.

Sub-section 12 (Newly inserted)- New section has been added to provide that no tax shall be collected or collected at lower rate for person, class of person, associations, institutions, etc as notified by the CG.

w.e.f. 01.04.2025

May 2025 Exams – No

10. **Section 194T- Newly inserted**

Any firm making payment to any of its partner in the nature of Salary, remuneration, bonus, commission, interest exceeding Rs.20,000 shall deduct TDS @ 10% on such payment at the time of credit or payment, whichever is earlier.

11. **Section 198- Amendment**

This section is amended to include any sum paid as income tax outside India, by way of deduction, on which assessee is allowed to claim tax credit under Income tax Act shall be considered as deemed income of the assessee. This means tax withheld outside India is deemed as income for computing total income.

12. Section 200- Amendment

Employer is allowed to file rectified TDS statement to the prescribed authority but now proviso is added that such rectified TDS statement shall be filed within 6 years from the end of FY in which TDS statement is required to be uploaded.

13. Section 200A- Amendment

The scope for CBDT to make scheme in case of TDS statement or other statements filed by any person, not being deductor, is created but no scheme is notified till now. ***This provision is not applicable for May 2025 exams.***

14. Section 201- Amendment

Earlier, failure to deduct tax from resident did not have the deeming impact of making such tax deductor an assessee in default after a period of 7 years from end of FY in which the payment is made or credit is given or 2 years from the end of FY in which correction statement was filed under the proviso to section 200A(3), whichever is later.

Now, this section is amended to provide that deeming provision will not apply for not deducting tax from any person including non-resident after a period of 6 years from end of FY in which the payment is made or credit is given or 2 years from the end of FY in which correction statement was filed under first proviso to section 200A(3), whichever is later. First proviso is same in section 200A(3) as earlier but due to insertion of new proviso, there are more than 1 proviso now, thus, first proviso words are now used.

15. Section 206C- Amendment (Multiple amendments from different dates- refer amendments of different dates also)

Sub-section 3B (Amendment)- Proviso is added to this sub-section to provide for similar amendment as given section 200 is brought in case of TCS collector that rectified return of TCS shall be filed within a period of 6 years from the end of FY in which it was required to be delivered.

Sub-section 7 (Amendment)- Non payment of TCS to the government attracted interest @ 1% from the date of tax was collectible upto the date it was actually paid. Now this interest is changed and 2 rates will apply, 1% from the date on which tax was collectible to the date on which it is collected 1.5% from the date of collection to the date of actual payment.

Sub-section 7A (Newly inserted)- There was no time limit to deem a person to be assessee in default in case of failure to collect tax or in case of failure to pay after collection. Now, this is amended and person will not be deemed to be assessee in default after a period of 6 years from end of FY in which the payment is made or credit is given or 2 years from the end of FY in which correction statement was filed, whichever is later.

w.e.f. 23.07.2024

May 2025 Exams – Yes

16. Section 196B- Amendment

TDS in case of units referred in section 115AB

TDS rates under this section has been changed in parity with changes of rate in sections 115AB viz,

- I. TDS @ 10% in respect of income from units under section 115AB(1)(i)
- II. TDS @ 10% on LTCG on transfer of units under section 115AB for transfers before 23.07.2024
- III. TDS @ 12.5% on LTCG on transfer of units under section 115AB for transfers on or after 23.07.2024

17. Section 196C- Amendment

TDS in case of units referred in section 115AC

TDS rates under this section has been changed in parity with changes of rate in sections 115AB viz,

- I. TDS @ 10% in respect of income or dividend from bonds or GDR under section 115AC
- II. TDS @ 10% on LTCG on transfer of bonds or GDR under section 115AC for transfers before 23.07.2024
- III. TDS @ 12.5% on LTCG on transfer of bonds or GDR under section 115AC for transfers on or after 23.07.2024

18. Section 206C- Amendment (Multiple amendments from different dates- refer amendments of different dates also)

Sub-section 1F (Substituted)- Earlier this section was applied on only motor cars, but now it is amended to include any other goods as notified by CG. This is basically to include luxury goods in the scope of TCS but till now no goods are specified by CG.

Sub-section 4- Credit of tax collected can be given to any other person also who is eligible for such credit. Earlier, this provision was not there and credit was allowed only to buyer. In order to prevent misuse of this provision in case of minor, this section is given effect in case of minor only if the income of minor is clubbed in the hands of the parents.