

**PRESS RELEASE
PARLIAMENT OF INDIA
LOK SABHA SECRETARIAT**



**SELECT COMMITTEE OF LOK SABHA TO EXAMINE
THE INCOME-TAX BILL, 2025**
21st July, 2025

Shri Baijayant Panda, Chairperson of the Select Committee of Lok Sabha, presented the Report of the Select Committee on the Income-Tax Bill, 2025 to the Lok Sabha on 21st July, 2025. The Bill was introduced in Lok Sabha on 13th February, 2025, and referred to the Select Committee on the same day through a motion moved by Smt. Nirmala Sitharaman, Minister of Finance and Corporate Affairs. The Committee, comprising 31 Members of Lok Sabha, was tasked with examining the Bill and submitting its report by the first day of the Monsoon Session, 2025.

Gist of some of the important Observations/Recommendations made by the Committee is as follows:

Sr No	Para No	Clause No.	Observations/Recommendations
1.	2.6.8	2(22)	<u>Definition of “Capital Asset”</u> During the examination of Sub-Clause 2(22), the Committee identified a need to align the definition of 'capital asset' with recent amendments introduced by the Finance Act, 2025. This alignment is necessary to reflect the contemporary legal landscape regarding the treatment of certain securities held by Foreign Institutional Investors and investment funds. The Committee, therefore, recommended that the Sub-Clause be modified to incorporate these statutory changes.
2.	2.6.17	2(55)	<u>Definition of "infrastructure capital company"</u> The Committee upon consideration of Clause 2(55), identified that the definition of 'infrastructure capital company' relies on cross-references to provisions in the repealed Income-tax Act, 1961, leading to unnecessary complexity. It was felt that the provision should be amended to directly incorporate the full definition of 'infrastructure facility' into the new Bill, making it self-contained. In light of this, the Committee recommended the Ministry to complete the examination and accordingly proceed with the explicit inclusion of the definition in the Bill.
3.	22.6	22 22(1) and 22(2)	<u>Deductions from income from house property</u> The Committee, after deliberations on Clause 22, identified the need to clarify the computation of deductions to enhance fairness and transparency for property owners. The Committee, therefore, recommended two key amendments: firstly, in Clause 22(1)(a), to explicitly state that the standard 30% deduction be computed on the annual value <i>after</i> deducting municipal taxes; and secondly, in Clause 22(2), to ensure that the deduction for pre-construction interest is available for let-out properties in addition to self-occupied ones, aligning it with the existing Act.

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4.	37.6	37	<u>Deductions allowed on actual payment basis only</u> The Committee observed that Clause 37(1) does not clearly specify whether expenses that are specifically disallowed under other provisions of the Income-Tax Bill, 2025, can still be claimed under this clause on the basis of actual payment. The Committee, therefore, recommended that the phrase “otherwise allowable” be inserted in Clause 37(1) in order to provide clarity and ensure that no ambiguity arises regarding whether expenses specifically disallowed under other provisions of the Income Tax Bill, 2025, can be claimed under Section 37 on the basis of actual payment. The Committee also recommended that provisions similar to Explanation 2 to Section 43B of the Income-Tax Act, 1961 defining the expression “any sum payable” which has presently been omitted, be incorporated into the Bill to enhance clarity and eliminate interpretational uncertainty.
5.	45.6	45	<u>Expenditure on scientific research</u> The Committee observed that Clause 45(2)(c) of the Bill, which provides for an additional deduction for in-house R&D expenditure over and above the deduction allowed under Clause 45(1), currently created doubt regarding this specific intention and thus recommended that Clause 45(2)(c) of the Bill, be redrafted to align it with the desired intent. Further, with respect to Clause 45(3), the Committee recommended that the same be redrafted so as to clearly specify that “approval of scientific research” is required from the specified authority only in the case of Clause 45(3)(c), and not for Clauses 45(3)(a) or (b), consistent with the intent of the draft Bill and in line with the Income Tax Act, 1961.
6.	66.6	66	<u>Definitions of “micro” and “small” enterprises</u> With regard to sub-clauses 66(12) and 66(34) of Clause 66, the Committee recommended that

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			they be redrafted to align the definitions of “micro” and “small” enterprises respectively with the definitions notified in the Micro, Small and Medium Enterprises Development Act, 2006, rather than referring to “as assigned to it in section 2(m)” of that Act to bring uniformity in defining “Micro” and “Small” enterprises across both the MSMED Act and the Income-Tax Act.
7.	71.6	71	<u>Definition of ‘parent company’</u> For the sake of clarity and to eliminate any scope of misinterpretation, the Committee recommended that the phrase ‘parent company’ featuring in clause 71(1)(b) be examined and clearly defined by the Ministry.
8.	79.6	79	<u>Consideration received from transfer of capital asset</u> After careful examination of the provisions contained in Clause 79, the Committee noted that though the provision under sub-clause (1) was textually simplified, no reference to Clause 72 was found in the said provision which provides for computation of income chargeable under the head ‘capital gains’, thereby relinquishing the original legislative intent and giving way to ambiguity and possible litigation. Therefore, the Committee recommended that the language of sub-clause (1) be modified to retain the reference to Clause 72 and the provision under Clause 79(1) be suitably amended to stay true to its original intent.
9.	119.6	119	<u>Carry forward and set-off of losses</u> The Committee after examining the clause and considering the views/ suggestions of the experts/ stakeholders, recommended as under: (i) The provision (in clause 119) be suitably amended to allow carry forward and set-off of losses where the shareholding pattern, though altered temporarily, is restored in subsequent years and the 51% continuity requirement is met thereafter. This would preserve the legislative

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			intent of preventing misuse while ensuring fair treatment for companies whose shareholders remain ultimately liable to tax. (ii) The drafting of clause 119(3) be aligned with Section 79 of the 1961 Act to remove any ambiguity regarding the newly used term “beneficial owner” as the same is not defined in the clause.
10.	124.6	124	<u>Deduction in respect of employer contribution to pension scheme of Central Government</u> The Committee scrutinized the proposed Clause 124, pertaining to deduction in respect of employer contribution to pension scheme of Central Government and found that there was a transportation of the contents from Section 80 CCD of the IT Act, 1961 to the present Bill without any obvious attempt to deviate from the intent of the Section, as also cited by the justification provided by the Ministry. However, the absence of the phrase “by such individual” in sub section (3) created an ambiguity which could lead to interpretational issues at later stages. Hence, the Committee recommended for the addition of the phrase “by such individual” in the proposed Clause, sub section (3), which may now be read as under:- (3) An assessee referred to in sub-section (1), or any other assessee, being an individual, shall be allowed a deduction in computation of his total income of the whole of the amount paid or deposited by such individual in the tax year in his account under a pension scheme notified or as notified by the Central Government, which shall not exceed fifty thousand rupees.
11.	133.6	133	<u>Deduction in respect of donations to certain funds, charitable institutions, etc.</u> During the examination of the proposed Clause 133 pertaining to the deduction in respect of donations to certain funds, charitable institutions, etc., the Committee observed that the text of the proposed clause was differently worded as compared to the parallel Section 80G of the IT

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			Act, 1961. While the first reference in the Clause to adjusted gross total income is comprehensible, the subsequent contextual reference is to gross total income. The absence of the word could lead to higher deductions, belying the intent of the Clause. Thus, the Committee recommended the Ministry to rephrase the mention of gross total income to adjusted gross total income in 133(2) so as to rectify an omission causing an unintended higher tax liability.
12.	145.5	145	<u>Deduction for businesses engaged in collecting and processing of bio-degradable waste</u> On examination of the proposed Clause 145 of the Bill, the Committee noted that the Clause seeks to provide for deduction for businesses engaged in collecting and processing of bio-degradable waste, which was provisioned in Section 80JJA of the Income-Tax Act, 1961. However, clause 145 mentions “biological agents”, with the omission of the term “other” as had been used in the Section 80 JJA of IT Act, 1961. Thus, the Committee, therefore, recommended the addition of the term “other” in 145 (1)(b) as previously used in the IT Act, 1961.
13.	156.6	156	<u>Rebate of income-tax in case of certain individuals</u> The Committee, on thorough examination of the Clause 156 of the Bill found that it seeks to provide for rebate of income-tax in case of certain individuals as provided under Section 87A of the Act. However, a closer look was brought to fore, presumably a drafting error in 156 (2)(b) which is read as “(b) the income exceeds twelve lakh rupees, the income tax payable on the total income reduced by total income which is in excess of twelve lakh rupees”. The Committee understood that it is a deviation from the intent which can give rise to various interpretations causing unintended anomalies. Therefore, the Committee recommended the Ministry to amend 156 (2) (b) of the Clause to be read as under:- “the total income exceeds twelve lakh rupees

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			and the income-tax payable on such total income exceeds the amount by which the total income is in excess of twelve lakh rupees, an amount equal to the amount by which the income-tax payable on such total income is in excess of the amount by which the total income exceeds twelve lakh rupees”.
14.	181.6	181	<u>Consequences of impermissible avoidance arrangement</u> The Committee examined Clause 181 of the Bill, which seeks to provide for the consequences of an impermissible avoidance arrangement under the General Anti-Avoidance Rules. The Committee noted that this largely corresponds to Section 98 of the Income Tax Act, 1961, and that the provisions have been simplified in the Bill while retaining their original intent. The Committee also considered submissions from several stakeholders who expressed reservations about removing the phrase “in the circumstances of the case,” which had served as a safeguard to ensure that the application of GAAR remained reasonable and sensitive to the specific context. Recognizing the merit of this concern, the Committee are of the view that while deterrence against tax avoidance must remain robust, it must also be tempered with procedural fairness and contextual sensitivity. The Committee, therefore, accepted the provisions under Clause 181 with the modification that the words “in the circumstances of the case” shall be expressly reinstated to clarify that the consequences of impermissible avoidance arrangements will be determined having regard to the specific facts and context of each case. This addition will ensure that the determination of consequences under GAAR will continue to be guided by the specific facts and context of each case, thereby preserving the balance between effective enforcement and taxpayer protection.
15.	187.6	187	<u>Acceptance of payment through prescribed electronic modes</u> The Committee, after thorough deliberation upon the proposal made in Clause 187 under examination, including the views/suggestions of

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			stakeholders and the justification given by the Ministry of Finance, found the proposed provisions to be broadly acceptable; however, the Committee were of the opinion that the word “profession” should be added after “business” in clause (a) to provide greater clarity in its application. Furthermore, this change would provide professionals with total receipts exceeding ₹50 crore in a year the facility of prescribed electronic modes of payment.
16.	189.6	189	<u>Interpretation</u> On examination of the Clause, the Committee observed that the term “co-operative bank” is used in clauses 185(2) , 186(2) , and 188(1) /(2) of the Bill, but the same has not been defined in Clause 189. Therefore, to bring greater clarity and consistency to the provisions of this Chapter and to align them with related provisions, the Committee considered it appropriate to insert a definition of “co-operative bank” in Clause 189. This would help avoid ambiguity, facilitate uniform and effective application of the provisions, and provide greater legal certainty and guidance to all stakeholders concerned.
17.	246.6.1	246	<u>Incorporation of the concept of jurisdiction</u> The Committee, upon examination of the Clause, noted that sub-clause (2)(b) requires an amendment to incorporate the concept of jurisdiction for the exercise of powers related to discovery and production of evidence. Accordingly, the Committee recommended that sub-clause (2)(b) be amended to retain the original language and intent of Section 131(1A) of the existing Income Tax Act, while specifically including the jurisdictional concept, ensuring that such powers are exercised by an officer within whose jurisdiction the assessee is situated.
18.	263.6.2	263	<u>Flexibility to tax payers</u> The Committee observed that the current mandatory requirement to file a return solely for

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			the purpose of claiming a refund could inadvertently lead to prosecution, particularly for small taxpayers whose income falls below the taxable threshold but from whom tax has been deducted at source. In such scenarios, the law should not compel a return merely to avoid penal provisions for non-filing. The Committee, therefore, recommended to remove sub-clause (1)(ix) from Clause 263 to provide flexibility for allowing refund claims in cases where the return is not filed in due time.
19.	270.6.1	270	<u>Restriction of disallowance only to deductions under Heading C of Chapter VIII</u> The Committee observed that the proposed Clause 270(1)(a)(v) stipulates a broad disallowance of deduction under Chapter VIII if the return is furnished beyond the due date. However, the existing Income Tax Act, 1961, does not have such a blanket disallowance for the entire Chapter VIII instead such a restriction was limited to deductions claimed under under Heading C – "Deductions in respect of certain incomes" within Chapter VIII. Therefore, to align the provision with the current law, the Committee recommended that Clause 270(1)(a)(v) be modified to restrict the disallowance only to deductions under Heading C of Chapter VIII.
20.	332.6	332	<u>Addressing Ambiguity For NPOs</u> The Committee recognized significant confusion among Non-Profit Organizations, especially those with mixed charitable and religious objectives, regarding the interpretation of "wholly for charitable or religious purposes" in Clause 332. This ambiguity could lead to uncertainty for existing trusts and those established after 1961, increasing litigation risks. The Committee recommended to redraft Clause 332 suitably to resolve this issue.
21.	335.6	335	<u>'Income' VS 'Receipts' For NPOS</u> The Committee noted that Clause 335 introduces "regular income" for non-profits but uses "receipts" instead of the Income-Tax Act's

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			"income." The Committee opposed taxing "receipts" as it contravenes the principle of real income taxation. The Committee, therefore, recommended reintroducing term "income" in Clause 335 to ensure only net income is taxed and accumulated.
22.	337.6	337	<u>Anonymous Donations for Religious-cum-Charitable Trusts</u> The Committee noted Clause 337's departure from the Income-Tax Act, 1961, by imposing a 30% tax on anonymous donations for all NPOs, exempting only those <i>wholly</i> religious. This omitted "religious-cum-charitable" trust, a significant category previously exempt under Section 115BBC. To prevent undue burden and support India's hybrid NPO sector, the Committee strongly recommended reintroducing a provision similar to Section 115BBC's explanation, approving Clause 337 subject to this amendment.
23.	341.6	341	<u>Reinstate ' Deemed Application' For NPOs</u> The Committee noted Clause 341 simplified income application provisions but omitted "deemed application" from Section 11(1) Explanation 2 of the 1961 Income-Tax Act, a crucial element for NPOs facing delayed income. Despite the Ministry's aim for simplification, the Committee recommended retaining the "deemed application" provision in Clause 341 due to its practical necessity.
24.	357.6	357	<u>Define "Status" For Appeals</u> The Committee noted Clause 357's simplification of appeals to Commissioner (Appeals), corresponding to Section 246A of the 1961 Act. The Committee acknowledged stakeholder suggestions regarding faceless appeals and video hearings, which the Ministry noted. Finding merit in defining "status" for appeals before CIT(A), consistent with Clause 356, the Committee recommended this amendment, otherwise accepting Clause 357 as proposed.

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25.	383.6	383	<u>Streamline Advance Ruling Application Fees</u> The Committee noted Clause 383's simplification of advance ruling application procedures, with the Department of Revenue accepting the removal of "quadruplicate." Crucially, the Committee identified an ambiguity in fee prescription within Clause 383(2) compared to the 1961 Act. To prevent revenue loss, the Committee insisted on, and the Department agreed to, removing "ten thousand" from Clause 383(2), ensuring fees would be solely rule-prescribed; the Committee approved the clause subject to this amendment.
26.	392.6.1	392	<u>"Non Obstante" Clause for TDS on Provident Fund</u> The Committee examined Clause 392, noting that textual simplification inadvertently excluded a "Non obstante" clause present in the corresponding Sections 192 and 192A of the 1961 Act. The Committee believed this omission could lead to ambiguity regarding the applicable TDS rate on accumulated provident fund balances. Therefore, the Committee recommended the Department insert appropriate wording into Clause 392(7)(a) to eliminate this ambiguity.
27.	395.6	395	<u>Reinstate "NIL" in Clause 395 for Tax Certificates</u> The Committee observed that Clause 395, concerning certificates for lower tax deduction, omitted the term "Nil," which the Ministry stated was subsumed under "lower deduction." However, the Committee believed this created ambiguity and potential administrative difficulties for taxpayers. Despite the Ministry's assurance of administrative instructions, the Committee recommended reinstating "Nil" in Clause 395 for clearer understanding.
28.	432.6	432	<u>Drafting Amendments for Income Inclusion and Refunds</u> The Committee thoroughly deliberated Clause 432, considering stakeholder input and the Ministry's justification. The Committee noted

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			drafting errors and, accordingly, recommended amending Clause 432(1) to clarify that when one person's income is included in another's total income, the latter would be eligible for a refund under that Chapter
29.	441.6	441	<u>Penalty discretion in Clause 441</u> After thorough deliberation, the Committee found that non-compliance with maintaining books of accounts could arise from genuine reasons. To address such cases, the Committee recommended replacing "shall" with "may" in Clause 441. This amendment allowed the Assessing Officer, Joint Commissioner (Appeals), or Commissioner (Appeals) discretion in imposing a twenty-five thousand rupee penalty for failure to keep or retain specified documents.
30.	505.5	505	<u>Extended Timeframe for Non-Resident Liaison Office Statements in Clause 505</u> The Committee examined Clause 505, which simplified the existing Section 285 of the Income Tax Act, 1961, pertaining to the submission of statements by non-resident entities operating a liaison office. Recognizing the practicalities involved, the Committee recommended, and the Ministry of Finance (Department of Revenue) accepted, a crucial amendment: the original timeframe of 'within sixty days' for submitting these statements was to be replaced with a more accommodating 'within eight months'. This change aimed to provide non-resident entities with a more reasonable period for compliance.
31.	514.6	514	<u>Prescribe Qualification of Valuers in the Income-Tax Law</u> The Committee noted Clause 514's framework for valuer registration and related procedures. The Committee recommended to prescribe specific qualifications for registered valuers. The Ministry of Finance (Department of Revenue) assured the Committee a review of relevant Companies Act provisions and rules for drafting. Consequently, the Committee accepted Clause 514 as proposed,

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			subject to incorporating this drafting correction.
32.	536.6	536	<u>Comprehensive Review and Consolidation of Repealed Act References in Clause 536</u> The Committee noted Clause 536 aimed to repeal the 1961 Income-tax Act, incorporating crucial savings provisions. The Committee had extensively deliberated its application to existing rules and circulars, with the Ministry of Finance (Department of Revenue) clarifying their carry-forward to equivalent new clauses. The Committee approved Clause 536, subject to specific drafting corrections, including adding 'Circular' and redrafting sub-clauses for clarity, while also recommending consolidating all lingering references to repealed acts within Clause 536 to achieve a clean break and enhance the new Act's clarity.

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