

FIN-O-SCOPE

15th August 2025



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Withdrawal of "The Income-Tax Bill, 2025"

Notice No. F. No. 134/IT/2025 | Date: August 08, 2025

The Government of India has decided to withdraw "The Income-Tax Bill, 2025" as reported by the Select Committee. The Bill was initially introduced in the Lok Sabha on February 13, 2025, and referred to the Select Committee for examination on the same day. The Committee submitted its report on July 21, 2025, with recommendations that have been largely accepted by the Government.

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Top Trends

- RBI holds key repo rate at 5.50% in August 2025.
- RBI maintains a neutral policy stance amid global uncertainties.
- Optimism on possible monetary easing if inflation stays low.
- Real GDP growth projected at around 6.3% for FY25.
- SEBI proposes single-window clearance for foreign investors.

Top Trends

- SEBI plans easier compliance for attracting long-term capital.
- SEBI aims to strengthen cybersecurity in derivatives markets.
- SEBI flags volatility in index options trading near expiry dates.
- SEBI to ease disclosure norms and tighten related-party oversight.
- Corporate bond fundraising expected to touch ₹300 billion in coming weeks.
- ₹4.07 trillion raised via corporate bonds between April–July FY25.
- Companies shifting from bank loans to bond financing.
- Mutual funds showing strong demand for 5-year and lower-rated bonds.
- Massive retail participation in stock markets via SIPs and demat accounts.

However, additional suggestions from various stakeholders have highlighted the need for further refinements, including drafting corrections, alignment of phrases, consequential changes, and cross-referencing. To ensure the legislative intent is accurately conveyed, the Government has opted to withdraw the current version of the Bill. A revised Bill will be introduced in the Lok Sabha in due course, aiming to replace the existing Income-tax Act, 1961.

Conclusion:

This withdrawal underscores the Government's commitment to precision and inclusivity in tax legislation. Stakeholders are advised to await the introduction of the fresh Bill for further details.

Official Document Link:

[Download Here](#)

Key Updates from ICAI's FAQ on Income Tax Provisions

Notice No. F.No.134/IT/2025 | Date: September 15, 2025

Key Highlights of the Revised Guidelines

Expanded Scope & Eligibility

- Covered Entities: Sole practitioners with Firm Registration Numbers (FRN), sole proprietorships, partnership firms, and LLPs.
- Exclusions: Individual practitioners without FRN, multi-disciplinary firms, and part-time COP holders.
- LLP Mergers: Permitted only with other LLPs (not partnership firms) under the LLP Act, 2008.

Simplified Merger Process

- Form MDG-1: Must be filed within 30 days of merger, executed on non-judicial stamp paper.
- Digital Signatures: Authorized managing partners can authenticate mergers via ICAI's Self-Service Portal (SSP).
- Mandatory Freezing of Firm Names: Merged firms must freeze their names under Section 20B of the CA Act, 1949.

Flexible Demerger Provisions

- Timeline: Demerger allowed after 1 year and within 10 years of merger.
- Consent Requirement: 75% of surviving partners must approve demerger via Form MDG-2.
- Name Unfreezing: Erstwhile firm names can be reinstated post-demerger by filing Form MDG-3.

Key Compliance & Benefits

- Regulatory: Align with Companies Act, 2013 & LLP Act, 2008.
- Disputes: Resolved via arbitration (Arbitration Act, 1996).

Why It Matters

- Growth via consolidation
- Transparency in filings
- Seamless client transition

Conclusion

The 2024 Guidelines simplify mergers/demergers while ensuring compliance.

Official Doc: [ICAI Guidelines](#)

Government Extends RoSCTL Scheme for Textile Exports Till March 2026

Notice No.: No. 14/2/2023-IT (Vol. II) | Date: March 7, 2025

Key Highlights of the Announcement

Scheme Extension:

- The Rebate of State and Central Taxes and Levies (RoSCTL) scheme, initially set to expire on March 31, 2024, has been extended until March 31, 2026.
- Aims to offset embedded taxes not refunded under GST, ensuring Indian textiles remain competitive globally.

Coverage:

- Applicable to apparel (garments) and made-ups (e.g., home textiles, carpets) exports.
- Budget Allocation: ₹10,000 crore sanctioned for FY 2025-26.

Expected Benefits:

\$2.5 billion additional exports projected over the next two years.

Supports MSME-dominated sectors employing over 12 million workers.

Why This Extension Matters?

- Levels the Playing Field: Compensates for high domestic taxes (like electricity duties, VAT on fuel) not covered under GST refunds.
- Employment Protection: Safeguards jobs in labor-intensive textile hubs (Tamil Nadu, Gujarat, Uttar Pradesh).
- WTO Compliance: Aligns with global trade norms by avoiding direct export subsidies.

Top Trends

- Demat accounts have grown fivefold in the past five years.
- SIP contributions hit all-time highs, reducing dependence on foreign capital.
- Debt mutual funds attract ₹1.06 lakh crore net inflows in July 2025.
- Renewed investor interest in safe, yield-generating investments.
- P2P lending sector under stress due to stricter RBI norms.
- P2P platforms seek relaxation in payment processing rules.
- BlackRock highlights India's growth and digitization as uniquely strong.
- Inflation expected to hit a historic low of around 1.76% in July 2025.
- Indian equities trade flat as markets await inflation data.
- Domestic institutional investors maintain 26-day buying streak.
- Equity mutual fund inflows hit record highs in July 2025.
- SBI and Tata Motors report strong quarterly earnings.

Top Trends

- CFO turnover rising, with nearly 70% leaving within two years.
- High CFO churn reflects corporate restructuring and strategic shifts.
- Income-Tax Act 2025 overhaul introduces major simplifications.
- New Income-Tax Act passed in both houses by August 2025.
- Finance Ministry clarifies new interest norms for advance tax.
- CGTMSE crosses one crore loan guarantees by December 2024.
- 45% of CGTMSE beneficiaries are first-time entrepreneurs.
- AI integrated into CGTMSE processes for risk assessment and claims.
- Budget 2025 launches MSME Credit Card with automatic CGTMSE cover.
- India's GDP growth resilient, driven by consumption and investment.
- Indian capital markets outperform other emerging markets.

Industry Reactions & Next Steps

- Exporters' Body (AEPC) welcomed the move, citing "immediate relief" in order pipelines.
- Implementation: DGFT to issue revised guidelines by April 15, 2025.

Conclusion

The RoSCTL extension reaffirms India's commitment to sustaining its \$16 billion apparel export market. By mitigating tax disadvantages, the scheme empowers exporters to compete with Bangladesh and Vietnam.

Official Document:

[Press Information Bureau Release](#)

New Income Tax Bill 2025 passed by Lok Sabha

Notice No. F. No. 134/IT/2025 | Date: August 11, 2025

New Income Tax Bill 2025 passed by Lok Sabha:

What are the top Parliamentary panel suggestions being included? Check details

Aug 11, 2025

FM Nirmala Sitharaman tabled the revised New Income Tax Bill 2025 in Parliament. This followed the withdrawal of the original bill. The new version incorporates recommendations from a Parliamentary Select Committee

New Income Tax Bill 2025: The Lok Sabha on Monday passed the modified New Income Tax Bill 2025 after Finance Minister Nirmala Sitharaman had introduced earlier today. The government had officially withdrawn the Income-Tax Bill, 2025 on Friday, which had been presented in the Lok Sabha on February 13 this year as a replacement for the current Income-Tax Act, 1961.

The Income-Tax Bill, 2025 is designed to update and simplify India's taxation system, replacing legislation that had been in effect for over 60 years. The proposal included a revised structure, provisions for digital taxation, systems for resolving disputes, and initiatives to expand tax collection through technological and data-driven methods.

The parliamentary committee's feedback on the draft necessitated several modifications. The new version, which includes the majority of 285 recommendations provided by the Parliamentary Select Committee led by BJP MP Baijayant Panda, was presented on Monday, August 11.

While presenting The Income-Tax (No.2) Bill, 2025, Sitharaman explained that this legislation aims to streamline and update income tax regulations, replacing the existing Income Tax Act, 1961.

"Almost all of the recommendations of the Select Committee have been accepted by the government.

In addition, suggestions have been received from stakeholders about changes that would convey the proposed legal meaning more accurately," stated the bill's objectives and reasoning section.

"There are corrections in the nature of drafting, alignment of phrases, consequential changes and cross-referencing. Therefore, a decision has been taken by the government to withdraw the Income-tax Bill, 2025 as reported by the Select Committee. Consequently, Income-tax (No. 2) Bill, 2025 has been prepared to replace the Income-tax Act, 1961," the statement indicated.

According to an ET report, officials indicated that the withdrawal was necessary to avoid any confusion that might arise from multiple versions circulating, and to present a single comprehensive draft incorporating all approved changes.

The Parliamentary Select Committee, comprising 31 members, presented their comprehensive 4,575-page findings last month. Their recommendations include both small adjustments and 32 significant modifications.

The principal suggestions put forward include:

- A revised definition of "beneficial owner" has been proposed, enabling individuals to carry forward losses when they receive direct or indirect share benefits during the tax year.
- The committee advocates reinstating the inter-corporate dividend deduction, which was absent in the initial draft. Additionally, they suggest implementing a standard 30% deduction, calculated after municipal tax deductions, whilst pre-construction interest deductions could be extended to include let-out properties. To simplify tax compliance for individual taxpayers, the recommendations include:

Top Trends

- Morgan Stanley projects GDP growth of 5.9% in 2025 and 6.4% in 2026.
- M&A and private equity deals remain robust in pharma, tech, and finance.
- Passive investing and tech adoption shaping capital markets.
- Fintechs focusing on AI-based fraud detection and advisory services.
- New fintech innovation hubs launched in multiple Indian cities.
- India now has 26 fintech unicorns valued at about \$90 billion.
- India Fintech Foundation established as a self-regulatory organization.
- AI and machine learning transforming fraud detection and personalization.
- Financial institutions urged to address AI ethics and governance.
- Gen Z driving demand for digital-first financial solutions.
- 83% of Gen Z prefers digital banking but still values human interaction.
- Gen Z uses UPI and credit cards heavily for rewards and convenience.

Top Trends

- UI/UX and trust issues remain barriers for Gen Z in finance.
- FUTURE framework introduced for personalized Gen Z banking services.
- Banking sector transformed by UPI adoption and digital rupee pilot.
- Digital rupee aimed at modernizing payments and improving inclusion.
- Offline transaction features tested in digital rupee pilot.
- Digital rupee explored for direct benefit transfers and programmable money.
- Union Budget 2025 increases tax rebate limit to ₹12.75 lakh.
- Fiscal deficit target set at 4.4% of GDP in Budget 2025.
- Budget focuses on direct tax reforms and fiscal discipline.
- Overall trends show deepening digital economy, resilient consumption, and a growing investor base.

- Issuing 'Nil' tax deduction certificates
- Allowing discretionary waiver of penalties for unintentional non-compliance
- Facilitating refunds in delayed ITR submissions for small taxpayers
- The committee has additionally requested enhanced clarity regarding the definition of non-performing assets (NPAs) to minimise prolonged disagreements in tax and banking interpretations.

The proposal advocates for precise definitions of "parent company" whilst establishing appropriate provisions for non-profit organisations and religious-cum-charitable trusts. The committee suggests that anonymous contributions should not affect their eligibility for tax exemptions.

Additionally, it recommended eliminating remaining references to the Income-Tax Act, 1961, to create a comprehensive and dispute-resistant new code.

Official Documents:

- [Finance Bill 25- Reason for withdrawal](#)
- [Income Tax \(No.2\) Bill, 2025](#)
- [Taxation Laws \(Amendment\) Bill, 2025](#)

ICAI Expands Mandatory AQMM Disclosure & Peer Review Compliance

ICAI Circular No.: 05/2025 | Date: June 15, 2025

Key Changes Introduced

Widened AQMM Applicability

- Earlier Rule: Voluntary adoption for firms auditing public interest entities (PIEs).
- Now Mandatory For:
- All firms conducting statutory audits (irrespective of size).
- Sole practitioners with ≥20 audit assignments annually.

Disclosure of AQMM Levels on ICAI Website

- Firms must publish their AQMM certification level (1 to 5 stars) on ICAI's portal by September 30 each year.
- Impact: Clients/investors can compare audit quality metrics publicly.

Stricter Peer Review Linkage

- Peer review certificates (PRC) will now include AQMM compliance status.
- Non-compliance may lead to disciplinary action under ICAI's ethics framework.

Why This Matters?

- Global Alignment: Matches SEC's audit firm transparency norms (e.g., PCAOB framework).
- Investor Confidence: Public AQMM ratings reduce information asymmetry.
- Practitioner Impact: Small firms may need tech/process upgrades to meet Level 3+ benchmarks.

Compliance Timeline

Activity	Deadline
AQMM self-assessment filing	August 31, 2025
ICAI portal disclosure	September 30, 2025
Peer review with AQMM integration	From April 1, 2026

Industry Reactions

- Big 4 Firms: Already at Level 4-5; welcome standardized metrics.
- Small Firms: Seek clarity on cost implications for tech/training.

Conclusion

ICAI's move signals a paradigm shift from self-regulation to structured quality benchmarking. Firms must act now to avoid non-compliance penalties.

Top Trends

- Fiscal stimulus targeted at middle-income households via higher tax exemption thresholds.
- Increased capital expenditure to offset revenue impacts from tax cuts.
- Higher FDI limit in insurance to attract foreign capital.
- National minerals exchange proposed to enhance transparency in metals trading.
- Legislature introduced for the first-ever iron-ore exchange.
- Credit guarantees planned for small businesses and exporters impacted by U.S. tariffs.
- Government exploring term loan guarantees of 70–75% for small exporters.
- Finance ministry awaiting better green hydrogen pricing before incentivizing green steel.
- RBI study proposes a daily Financial Conditions Index for real-time market monitoring.
- Smart rural banking ecosystem "RUGR" aims to expand financial inclusion across India.

Top Trends

- Neo-banking and embedded finance solutions introduced for underserved populations.
- MSMEs emphasize capability-building in addition to financial access.
- Banks offering sector-specific digital tools and market insights to MSMEs.
- AI and generative AI becoming primary innovation drivers in FinTech.
- FinTech sector expected to reach USD 421 billion by 2029.
- SEBI plans single-window clearance and streamlined norms for foreign investors.
- SEBI pushing for tighter cybersecurity and surveillance in derivatives trading.
- SEBI highlights potential options manipulation at contract expiry.
- SEBI proposes easing disclosure norms for related-party transactions.
- Record corporate bond fundraising anticipated at ₹300 billion in the next few weeks.

Second Appeal on Deemed Dividend Addition Barred if First Appeal Decided on Merits

Madison Teamworks Film Promotions and Entertainment (P.) Ltd. vs Deputy Commissioner of Income-tax | Court: ITAT Mumbai Bench 'H (SMC)' | Appeal No.: ITA No. 3534 (MUM) of 2025 | Date: July 23, 2025

The Mumbai ITAT recently upheld the dismissal of a second appeal filed by an assessee challenging an addition under Section 2(22)(e) (deemed dividend) on grounds of maintainability. The Tribunal ruled that when the first appeal was disposed of on merits without challenging the deemed dividend addition, a subsequent appeal on the same issue is barred under the Income-tax Act, 1961.

Key Facts

Initial Assessment:

- The assessee's return for AY 2013-14 was scrutinized, and an addition of ₹55 lakhs under Section 2(22)(e) was made (deemed dividend).
- The assessee accepted this addition and filed a first appeal only against a separate addition (₹20.28 lakhs for Form 26AS mismatch), which was decided on merits by the CIT(A) in 2017.

Reassessment of Shareholder:

- The same ₹55 lakhs was later taxed as deemed dividend in the hands of a common shareholder during reassessment proceedings.

Assessee's Actions:

- Filed a revision application under Section 264 seeking deletion of the addition, citing double taxation. The PCIT dismissed it for delay and alternate remedy (appeal).
- Instead of challenging the PCIT's order, the assessee filed a second appeal before the CIT(A) against the original assessment order, contesting the deemed dividend addition.

CIT(A)'s Decision:

- Dismissed the second appeal as non-maintainable, noting the assessee had exhausted its appellate remedy in the first appeal.

ITAT's Ruling

Scheme of the Act:

- The Act does not permit multiple appeals against the same assessment order. A second appeal is barred if the first appeal was decided on merits.
- Exception: Additional grounds could be raised if the first appeal was pending or dismissed on technical grounds (e.g., non-payment of tax).

Judicial Precedent Distinguished:

- The assessee relied on ITO v. Ankush Finstock Ltd. [2012] 21 taxmann.com 119, where a second appeal was allowed due to technical dismissal of the first appeal. The ITAT distinguished this case as the first appeal here was decided on merits.

Delay and Alternative Remedy:

- The second appeal was filed four years after the assessment order. The PCIT had already rejected condonation of delay in the revision petition, which the assessee did not challenge.

Conclusion:

- The CIT(A) correctly dismissed the second appeal as non-maintainable. The Tribunal upheld this view, emphasizing the statutory bar on repetitive appeals.

Key Takeaways

- Finality of Appeals: Once an appeal is decided on merits, the assessee cannot re-agitate the same issues in a subsequent appeal.
- Alternative Remedies: Assesseees must exhaust remedies (e.g., writ petitions) against orders rejecting revision applications instead of filing fresh appeals.
- Timely Action: Delays in raising grounds or filing appeals can foreclose legal options.

ITAT Lucknow Bench Quashes Reassessment for Lack of Jurisdiction

Poonam Sen v. Income-tax Officer | Court: ITAT Lucknow Bench 'B' | Appeal No.: IT Appeal No. 70 (LKW) of 2021 | Date: July 24, 2025

The ITAT Lucknow Bench quashed an assessment order framed under Section 147/144, holding that the notice under Section 148 issued by the ITO, Bareilly was non-est in law due to lack of jurisdictional competence. The case underscores the mandatory requirement of jurisdictional validity for initiating reassessment proceedings.

Top Trends

- ₹4.07 trillion raised via corporate bonds from April–July, marking a fiscal first.
- Issuances driven by rate cuts, abundant liquidity, and investor demand for fixed-income.
- Companies increasingly favoring bonds and commercial papers over bank credit.
- Bond market now valued at nearly ₹226 lakh crore, up from ₹68 lakh crore a decade ago.
- Corporate bond issuances hit ₹9.9 lakh crore in FY25.
- Bond market still under-penetrated, covering only ~18% of India's GDP.
- Bond market liquidity remains low—only ~3.8% trades monthly.
- Retail participation in bonds remains under 2%.
- RBI and NPCI expanding UPI internationally under "UPI One World" initiative.
- UPI integration planned with more nations, facilitating cross-border payments.
- UPI wallet services launched for inbound foreign travelers.

Top Trends

- International interoperability boosted through alliances like PayPal World.
- Digital rupee development moves ahead with offline transaction capabilities.
- Digital rupee modeled as either token- or account-based for wider use-cases.
- Programmable money functionality being built into CBDC (e₹) design.
- Digital rupee pilot includes feature-phone-based payment options.
- Budget proposes enhanced Kisan Credit Card coverage for rural producers.
- A Pulses Mission launched to bolster self-reliance in key staples.
- Research & innovation fund allocated ₹20,000 crore for tech-driven R&D.
- 10,000 PM Research Fellowships to boost cutting-edge research.
- Second gene bank set up to safeguard agricultural biodiversity.
- Export incentives extended to electronics, EV components, and leather goods.

Key Facts

AIR Information Trigger:

- The ITO, Bareilly received AIR data indicating the assessee (resident of Lucknow) purchased land in Bareilly for ₹11.42 lakhs (AY 2008-09). The sale deed mentioned a Bareilly address but omitted PAN.
- The ITO issued notices under Sections 148 and 142(1), which went unresponded. Later, the case was transferred to ITO, Lucknow upon discovering the assessee's PAN.

Assessment & Appeals:

- The ITO, Lucknow added the land purchase amount as undisclosed income. The CIT(A) upheld the addition, rejecting jurisdictional objections citing estoppel (since the assessee provided a Bareilly address).

ITAT's Ruling

Jurisdictional Invalidity

- Critical Issue: Whether the ITO, Bareilly (non-jurisdictional AO) could validly issue a Section 148 notice.

ITAT's Findings:

- The ITO, Bareilly was only authorized to collect AIR data, not to assess the income of the assessee.
- Jurisdiction cannot be inferred merely because the sale deed mentioned a Bareilly address.
- Precedent Relied On:
 - Pr. CIT v. Mohd Rizwan (Allahabad HC): Notice by an incompetent AO renders reassessment void ab initio.
 - Lt. Col. Paramjit Singh v. CIT (P&H HC): Only the jurisdictional AO can issue Section 148 notices.

Non-Est Notice & Consequences

- The notice under Section 148 was non-est (invalid) as it was issued without authority.
- Subsequent transfer to ITO, Lucknow could not cure the defect since the limitation period for issuing a fresh notice had lapsed.

Estoppel Argument Rejected

- The CIT(A)'s reliance on Abhishek Jain v. ITO (Delhi HC) was distinguished. The ITAT held that jurisdictional defects cannot be waived by estoppel.

Conclusion

- The ITAT quashed the assessment, emphasizing that:
- Jurisdiction is a substantive condition for valid reassessment.
- Non-jurisdictional AOs must transfer cases to the correct AO before issuing notices.
- Assesseees can challenge jurisdictional defects at any stage, even if they initially failed to respond.

Key Judicial Rulings on Share Valuation & Income Tax Provisions

DCIT vs Aathmika –Holdings (P.) Ltd. | Court: ITAT Chennai Bench 'B' | Appeal No.: IT Appeal No. 836 (Chny) of 2025 | Date: July 29, 2025

The ITAT Chennai recently ruled on critical issues surrounding the valuation of unquoted shares under Section 56(2)(x) of the Income-tax Act, 1961, read with Rule 11UA. The case involved the purchase of shares by the assessee from a foreign entity, with the Revenue disputing the declared Fair Market Value (FMV).

Key Findings

Admissibility of Updated Valuation Reports:

- The assessee initially relied on an unaudited valuation report but later submitted an updated report based on audited financials as of the transaction date.

Tribunal's Ruling:

- Updated reports are admissible if based on audited financials for the valuation date (transaction date), even if prepared later.
- Rule 11UA mandates FMV computation based on audited balance sheets as of the valuation date, not necessarily available at the time of transaction.

FMV Computation Methodology:

- Revenue's Argument: FMV should align with third-party transaction prices (e.g., Rs. 29.48/share for the same shares).

Tribunal's Rejection:

- Section 56(2)(x) requires FMV to be computed only as per Rule 11UA, not external benchmarks like arm's length price (ALP) or market rates.
- Negative FMV derived from Rule 11UA cannot be ignored or substituted (e.g., due to liabilities exceeding assets).

Treatment of Deemed Dividends in FMV Calculation:

- Loans advanced by the assessee, even if taxed as "deemed dividends" under Section 2(22)(e), cannot be excluded from liabilities under Rule 11UA unless formally set apart for dividend declaration.

Top Trends

- Customs processes modernized with longer filing timelines and relaxed IGCR norms.
- CGTMSE issued over 1 crore loan guarantees by December 2024.
- 45% of beneficiaries under CGTMSE are first-time entrepreneurs.
- AI integrated into CGTMSE to improve risk assessment and claim handling.
- MSME Credit Card with automatic guarantee introduced in Budget 2025.
- Chandigarh planning a global fintech and innovation hub inspired by GIFT City.
- Hub to focus on fintech, green tech, MSME clusters, and NPO sectors.
- Hub development backed by incentives via Startup India and PLI schemes.
- Geopolitical tension continues to influence market volatility.
- FDI inflows still subdued, awaiting recovery.

Top Trends

- AI remains top transformational trend in BFSI over alternative disruptors.
- Open banking frameworks expanding digital service synergies and BNPL growth.
- Buy Now Pay Later user base projected to skyrocket to 30 million online by 2026.
- Wealth management services aiming to serve the growing HNW, HENRY segments.
- Bank branches being redesigned as experience-driven social hubs.
- Insurance industry expanding digitally; expected value to hit USD 250 billion by 2025.
- Robo-advisors and insurtech platforms making policies accessible and affordable.
- Digital personalization and ESG-aligned products gaining traction in financial services.

Cascading Impact on Valuation:

- The FMV of shares in one company (IG3) directly affected the valuation of another company (ETL Power) holding IG3 shares. The Tribunal upheld the assessee's FMV computation (Rs. 11.989/share for IG3 and Rs. 13.41/share for ETL Power).

Conclusion

The judgment reinforces that:

- Rule 11UA is the sole method for FMV computation under Section 56(2)(x).
- Post-transaction valuation reports are valid if compliant with Rule 11UA.
- Negative FMV and deemed dividends must be accounted for as per statutory language without judicial modification.

Implications:

Clarity for taxpayers on share valuation compliance.

• Revenue cannot impose ALP or external benchmarks under Section 56(2)(x).

Rental Income from Factory Buildings Taxable as 'Income from House Property'

Principal Commissioner of Income-tax vs Shree Rama Multitech Ltd. | Court: High Court of Gujarat | Appeal No.: R/Tax Appeal Nos. 279 & 323 of 2024 | Date: July 14, 2025

The Gujarat High Court recently upheld that rental income from factory buildings must be taxed under "Income from House Property" (Sections 22-24, Income Tax Act, 1961), dismissing the Revenue's appeal against concurrent findings by the CIT(A) and ITAT.

Key Findings

Factual Background:

- The assessee let out a factory building and declared rental income under "Income from House Property."
- The Assessing Officer (AO) reclassified it as "Business Income," disallowing deductions for municipal taxes and standard deduction under Section 24(1).

Judicial Rulings:

- CIT(A) & ITAT: Held that the Act makes no distinction between factory buildings and other buildings for Section 22 purposes.
- High Court: Affirmed the rulings, stating no substantial question of law arose.

Legal Principle:

- "As long as a factory building and appurtenant land are let out, they qualify as 'house property' under Section 22."

Conclusion

The judgment reinforces uniformity in taxing rental income from all types of buildings, providing clarity for businesses with leased industrial properties. Taxpayers can now confidently claim deductions under Section 24 for factory buildings.

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Top Trends

- RBI may keep repo rate unchanged in upcoming policy.
- Government mulls capital infusion in select public sector banks.
- India's trade deficit narrows on lower imports.
- Private equity inflows into India rise in healthcare sector.
- Global crude oil prices edge higher on supply concerns.
- NBFCs witness robust credit demand in rural areas.
- Stock market sees increased retail participation in IPOs.
- Rupee gains marginally against the US dollar.
- Gold prices remain firm amid global uncertainty.