

August 2025

# NEWSLETTER

## TAX

- Income Tax
- Goods and Services Tax



**Lovi Mehrotra & Associates**

Chartered Accountants

21-22 IInd Floor Krishna Nagar Safdarjung Enclave  
New Delhi 110029

## Income Tax

### **1. Income-tax (Twenty Second Amendment) Rules, 2025**

CBDT

Notification No. 133 /2025 dated 18.08.2025

Vide this notification, CBDT has introduced two new rules, Rule 3C and Rule 3D in the Income Tax Rules.

#### **Background**

Section 17(2) of the Income-tax Act, 1961 defines “perquisites” in the hands of employees which are taxable as the salary income. Certain benefits provided by employers—such as concessional education, gifts, or small allowances—have been exempt from taxation subject to prescribed conditions. However, there was no specific income threshold linked to these exemptions, which often created uncertainty in application.

Now, such exemptions are aligned with income levels of the employees.

#### **Rule 3C – Salary Income Threshold**

- Covers **education-related perquisites** provided by the employer (such as free or concessional education, scholarships for employees’ children).
- These perquisites will **remain exempt only if the employee’s salary income does not exceed ₹4,00,000 per annum.**
- If salary income exceeds this threshold, the value of such facilities will be taxable.

#### **Rule 3D – Gross Total Income (GTI) Threshold**

- Applies to **small perquisites and benefits** covered under the proviso to Section 17(2)(vi) (for example, gifts, meal vouchers, or minor facilities provided by the employer).
- These benefits will **remain exempt only if the employee’s GTI (before Chapter VI-A deductions) does not exceed ₹8,00,000 per annum.**
- If GTI exceeds this threshold, such benefits will be taxable

Employees opting for the **New Tax Regime (Section 115BAC)** will not be significantly impacted by these amendments, since most perquisite-related exemptions are already not available under that regime.

[Notification No - 133](#)

### **2. Income-tax (Twenty-Fourth Amendment) Rules, 2025**

CBDT

Notification No. 136 /2025 date 21.08.2025

Vide this notification, CBDT has reduced compliance requirements for Specified Funds by removing the need to file a separate exempt income statement.

#### **Background:**

Rule 21AIA of the Income-tax Rules, 1962 was introduced to operationalize the concessional tax regime available to Specified Funds under Section 10(4D) of the Income-tax Act, 1961.

A Specified Fund refers to an Alternative Investment Fund (AIF) set up in an International Financial Services Centre (IFSC) (for example, GIFT City, Gujarat) that primarily pools money from non-resident investors. Such funds enjoy certain tax exemptions to encourage foreign capital flows into India's IFSCs.

### Change Notified

- Earlier, Rule 21AIA(4) required Specified Funds to file a statement to the tax Authorities containing details of income exempt under Section 10(4D).
- Vide this notification, the CBDT has omitted this requirement.

### [Notification No 136](#)

## 3. The New Income-tax Act, 2025

Parliament has passed the **Income-tax Act, 2025**, replacing the old 1961 Act. It received Presidential assent in the third week of August 2025 and has been **notified to commence from 1 April 2026** (Tax Year 2026-27).

Heads of income, broad computation framework, administration structure and Tax slabs remains same as in the Old Income Tax Act. The goal of the New Act is simpler drafting, fewer sections, and more transparency.

### Key Highlights:

#### A. Tax year

- The new law uses the single term "Tax Year" to replace earlier concept of "previous year/assessment year."

#### B. TDS Certificates

- The earlier option of *Nil TDS* certificates will no longer exist.
- Instead, taxpayers can apply for a lower-rate TDS certificate, so some tax may still be deducted, with refunds claimed later.
- This means cash-flow planning becomes important for businesses and professionals.

#### C. Commuted Pension

- Lump-sum pension received from specified approved funds is now fully deductible.
- This provides certainty and uniformity for retirees, since treatment was earlier unclear.
- Government pensions remain exempt as before.

#### D. House Property

- The 30% standard deduction on annual value continues unchanged.
- Deduction for pre-construction interest is also clearly spelt out, including for let-out properties.
- This removes past ambiguity and helps property owners plan deductions better.

#### E. Anonymous Donations

- Still taxable at 30%, but only when above the higher of ₹1 lakh or 5% of total donations.
- Religious trusts continue to enjoy relief on anonymous donations, while others must maintain basic donor details (name, address) to avoid being taxed.
- This strengthens transparency in the charitable sector.

#### F. Administration & Enforcement

- Push towards faceless schemes, digital-first administration, and modernized search powers (including access to digital accounts and servers).

- Treaty interpretation provisions have also been clarified.
- Overall, this makes the law more technology-driven and aligned with global practice

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| <b><u>Goods and Service Tax</u></b>  |
| No relevant notifications or circulars received in Goods and Service Tax in August 2025. |
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**Disclaimer:**

This is not a complete listing of all circulars/notifications issued during the month.  
Instead, it is only a listing of some of the circulars/notifications that we considered important.



**Lovi Mehrotra & Associates**

**Chartered Accountants**

**21-22 IInd Floor Krishna Nagar Safdarjung Enclave**

**New Delhi 110029**

**Website : [www.lma.co.in](http://www.lma.co.in) • Email : [a.kumar@lma.co.in](mailto:a.kumar@lma.co.in)**