

(Department of Revenue) (CENTRAL BOARD OF DIRECT TAXES) NOTIFICATION New Delhi, the 7th March, 2024 INCOME TAX S.O. 1135(E).—In exercise of the powers conferred by sub-section (1F) of section 197A read with subsection (1A) and sub-section (2) of section 80LA of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred as the Income-tax Act), the Central Government hereby notifies that no deduction of tax shall be made under the provisions of the Income-tax Act as specified in column (4) of the Table below in respect of the payments, as specified in column (3) of the said Table, made by any 'payer' to a person being a Unit of International Financial Services Centre, (hereinafter referred as 'payee'), as specified in column (2) of the said Table:-A Unit of an International Financial Services Centre (IFSC) may receive various types of payments, each subject to specific provisions of the Income Tax Act, 1961 for Tax Deducted at Source (TDS). A Banking Unit can earn interest income on External Commercial Borrowings or Loans, which is covered under Section 195. It may also receive professional fees taxable under Section 194J, referral fees and brokerage income both covered under Section 194H, as well as commission income on factoring and forfaiting services, also under Section 194H. An IFSC Insurance Intermediary Office receives insurance commission, to which Section 194D applies. A Finance Company may earn interest income on External Commercial Borrowings or Loans, governed by Sections 195 or 194A, dividend income under Section 194, and commission income on factoring and forfaiting services under Section 194H. Similarly, a Finance Unit may receive interest income on External Commercial Borrowings or Loans (Sections 195/194A), dividend income (Section 194), and commission income on factoring and forfaiting services (Section 194H).

A Fund Management Entity may earn professional fees, which fall under Section 194J. A Broker Dealer may receive dividends, covered by Section 194. An Investment Advisor earns investment advisory fees, which are taxable under Section 194J. A Registered Distributor receives distribution and commission fees, both governed by Section 194H. A Custodian may earn professional fees under Section 194J and commission fees under Section 194H. A Credit Rating Agency receives credit rating fees, which fall under Section 194J. An Investment Banker earns investment banking fees, also under Section 194J. A Debenture Trustee receives trusteeship fees governed by Section 194J. An International Trade Finance Service (ITFS) entity earns commission income taxable under Section 194H. Finally, a FinTech Entity may receive technical or professional fees covered under Section 194J and commission income under Section 194H.2. For the purposes of this notification, – (a) "Banking Unit" shall have the same meaning as assigned to it in clause (c) of sub-regulation (1) of regulation 2 of the (Banking) Regulations, 2020; 8 [PART II—SEC. 3(ii)] (b) "Broker dealer" shall have the same meaning as assigned to it in clause (g) of sub-regulation (1) of regulation 2 of the (Capital Market Intermediaries) Regulations, 2021 and the provisions of regulations 3, 5, 6 and regulation 7 of the said regulations shall apply to the International Financial Services Centre Unit specified against serial number 6 under column (2) of the above table; (c) "Credit rating agency" shall have the same meaning as assigned to it in clause (j) of sub-regulation (1) of regulation 2 of the (Capital Market Intermediaries) Regulations, 2021 and the provisions of regulations 3, 5, 6 and regulation 7 of the said regulations shall apply to the International Financial Services Centre Unit specified against serial number 10 under column (2) of the above table subject to registration of such credit rating agencies by ; (d) "Custodian" shall have the same meaning as assigned to it in clause (l) of sub-regulation (1) of regulation 2 of the (Capital Market Intermediaries) Regulations, 2021 and the provisions of regulations 3, 5, 6 and regulation 7 of the said regulations shall apply to the International Financial Services Centre Unit specified against serial number 9

under column (2) of the above table; (e) "Debenture trustee" shall have the same meaning as assigned to it in clause (m) of sub-regulation (1) of regulation 2 of the (Capital Market Intermediaries) Regulations, 2021 and the provisions of regulations 3, 5, 6 and regulation 7 of the said regulations shall apply to the International Financial Services Centre Unit specified against serial number 12 under column (2) of the above table subject to registration of such debenture trustee by ; (f) "Finance Company" shall have the same meaning as assigned to it in clause (e) of sub-regulation (1) of regulation 2 of the (Finance Company) Regulations, 2021; (g) "Finance Unit" shall have the same meaning as assigned to it in clause (f) of sub-regulation (1) of regulation 2 of the (Finance Company) Regulations, 2021; (h) "FinTech Entity" shall have the same meaning as assigned to it in sub-paragraph (i) of paragraph 2 of the 's Circular, dated the 27th April, 2022 and paragraph 12 of the said circular shall apply to the International Financial Services Centre Unit specified against serial number 14 under column (2) of the above table; (i) "Fund management entity" shall have the same meaning as assigned to it in clause (p) of sub-regulation (1) of regulation 2 of the (Fund Management) Regulations, 2022 and the provisions of regulations 3, 4 and regulation 5 of the said regulations shall apply to the International Financial Services Centre Unit specified against serial number 5 under column (2) of the above table; (j) "IFSC insurance intermediary office" shall have the same meaning as assigned to it in clause (s) of sub-regulation (1) of regulation 3 of the (Insurance Intermediary) Regulations, 2021; (k) "International Financial Services Centre" shall have the same meaning as assigned to it in clause (q) of section 2 of the Special Economic Zones Act, 2005 (28 of 2005); (l) "International Trade Finance Service" or "ITFS" shall have the same meaning as assigned to it in sub-paragraph (iii) of paragraph 2B of the 's Circular, dated the 9th July, 2021 and paragraph 2E of the said circular shall apply to the International Financial Services Centre Unit specified against serial number 13 under column (2) of the above table; (m) "Investment adviser" shall have the same meaning as assigned to it in clause (t) of sub-regulation (1) of regulation 2 of the (Capital Market Intermediaries) Regulations, 2021 (except the persons covered under proviso to clause (f) of sub-regulation (1) of regulation 3), and the provisions of regulations 3, 5, 6 and regulation 7 of the said regulations shall apply to the International Financial Services Centre Unit specified against serial number 7 under column (2) of the above table; (n) "Investment banker" shall have the same meaning as assigned to it in clause (u) of sub-regulation (1) of regulation 2 of the (Capital Market Intermediaries) Regulations, 2021 and the provisions of regulations 3, 5, 6 and regulation 7 of the said regulations shall apply to the International Financial Services Centre Unit specified against serial number 11 under column (2) of the above table; (o) "Registered distributor" shall have the same meaning as assigned to it in clause (dda) of sub-regulation (1) of regulation 2 of the (Capital Market Intermediaries) Regulations, 2021 and the provisions of regulations 3, 5, 6 and regulation 7 of the said regulations shall apply to the International Financial Services Centre Unit specified against serial number 8 under column (2) of the above table; (p) "Unit" shall have the same meaning as assigned to it in clause (zc) of section 2 of the Special Economic Zones Act, 2005 (28 of 2005); (q) the "payee" under all circumstances shall remain an International Financial Services Centre Unit within the meaning of sub-clause (a) and (d) to Explanation under sub-section (3) of section 80LA of the Income-tax Act; (r) the services qualifying under this notification shall be the financial services under International Financial Services Centres Authority (Banking) Regulations, 2020 or (Insurance Intermediary) Regulations, 2021 or (Finance Company) Regulations, 2021 or (Fund Management) Regulations, 2022 or (Capital Market Intermediaries) Regulations, 2021 or International Financial Services Centres Authority's Circular, dated the 9th July, 2021 or

International Financial Services Centres Authority's Circular, dated the 27th April, 2022; (s) the International Financial Services Centre Unit shall be registered under relevant regulation or circular of .

2.1 The above provisions are subject to the following conditions, namely: - (a) The 'payee' shall – (i) furnish a statement-cum-declaration in Form No. 1 to the 'payer' giving details of previous years relevant to the ten consecutive assessment years for which the 'payee' opts for claiming deduction under sub-sections (1A) and (2) of section 80LA of the Income-tax Act; and (ii) such statement-cum-declaration shall be furnished and verified in the manner prescribed in Form No. 1, for each previous year relevant to the ten consecutive assessment years for which the 'payee' opts for claiming deduction under sub-sections (1A) and (2) of section 80LA of the Income-tax Act. (b) The 'payer' shall – (i) not deduct tax on payment made or credited to 'payee' after the date of receipt of copy of statement-cum-declaration in Form No. 1 from the 'payee'; and (ii) also furnish the particulars of all the payments made to 'payee' on which tax has not been deducted in view of this notification in the statement of deduction of tax referred to in sub-section (3) of section 200 of the Income-tax Act read with rule 31A of the Income-tax Rules, 1962.

2.2 The above relaxation shall be available to the 'payee' only during the said previous years relevant to the ten consecutive assessment years as declared by the 'payee' in Form No. 1 for which deduction under section 80LA is being opted. The 'payer' shall be liable to deduct tax on payments as referred above for any other year.

3. The Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems), as the 10 [PART II—SEC. 3(ii)] case may be, shall lay down procedures, formats and standards for ensuring secure capture and transmission of data and uploading of documents and the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems) shall also be responsible for evolving and implementing appropriate security, archival and retrieval policies.

4. This notification shall come into force on 1st day of April, 2024.