

MINISTRY OF FINANCE
(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 sub-section (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:-

List of payments receivable by a Unit of International Financial Services Centre (IFSC)

TABLE

Sl. No.	International Financial Services Centre (IFSC Unit) (Payee)	Nature of receipt	Relevant TDS provisions as per Income-tax Act, 1961
(1)	(2)	(3)	(4)
1.	Banking Unit	Interest income on External Commercial Borrowings /Loans	Section 195
		Professional fees	Section 194J
		Referral fees	Section 194H
		Brokerage income	Section 194H
		Commission income on factoring and forfaiting services	Section 194H
2.	IFSC Insurance Intermediary office	Insurance commission	Section 194D
3.	Finance Company	Interest income on External Commercial Borrowings /Loans	Section 195/ 194A
		Dividend income	Section 194
		Commission income on factoring and forfaiting services	Section 194H
4.	Finance Unit	Interest income on External Commercial Borrowings /Loans	Section 195/ 194A
		Dividend income	Section 194
		Commission income on factoring and forfaiting services	Section 194H
5.	Fund Management entity	Professional fee	Section 194J
6.	Broker Dealer	Dividend	Section 194
7.	Investment advisor	Investment advisory fee	Section 194J
8.	Registered Distributor	Distribution fee and Commission fee	Section 194H
9.	Custodian	Professional fee	Section 194J
		Commission fee	Section 194H
10.	Credit rating agency	Credit rating fee	Section 194J
11.	Investment banker	Investment banker fee	Section 194J
12.	Debenture trustee	Trusteeship fee	Section 194J
13.	International Trade Finance Service or "ITFS"	Commission income	Section 194H
14.	FinTech Entity	Technical fee/Professional fee	Section 194J
		Commission income	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 International Financial Services Centres Authority (Banking) Regulations, 2020;

- (b) “Broker dealer” shall have the same meaning as assigned to it in clause (g) of sub-regulation (1) of regulation 2 of the International Financial Services Centres Authority (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 International Financial Services Centres Authority (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 International Financial Services Centres Authority;
- (d) “Custodian” shall have the same meaning as assigned to it in clause (l) of sub-regulation (1) of regulation 2 of the International Financial Services Centres Authority (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 International Financial Services Centres Authority (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 International Financial Services Centres Authority;
- (f) “Finance Company” shall have the same meaning as assigned to it in clause (e) of sub-regulation (1) of regulation 2 of the International Financial Services Centres Authority (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 International Financial Services Centres Authority (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 International Financial Services Centres Authority’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 International Financial Services Centres Authority (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 International Financial Services Centres Authority (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 International Financial Services Centres Authority’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 International Financial Services Centres Authority (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 International Financial Services Centres Authority (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 International Financial Services Centres Authority (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 International Financial Services Centres Authority (Insurance Intermediary) Regulations, 2021 or International Financial Services Centres Authority (Finance Company) Regulations, 2021 or International Financial Services Centres Authority (Fund Management) Regulations, 2022 or International Financial Services Centres Authority (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 International Financial Services Centres Authority.

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

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.

Form No. 1

To be furnished by a Unit of International Financial Services Centre ('payee') to the 'payer'

- (1) Name of the assessee:
- (2) Permanent Account Number:
- (3) Name and address of the Unit of International Financial Services Centre:
- (4) Date of permission obtained under clause (a) of sub-section (1) of section 23 of the Banking Regulation Act, 1949 (10 of 1949) or permission or registration under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or permission or registration under the International Financial Services Centres Authority Act, 2019 (50 of 2019) or any other relevant law, as mentioned in sub-section (1A) of section 80LA of the Income-tax Act, 1961:

Statement-cum-Declaration

I son/daughter of..... in capacity....., do hereby declare that the above-mentioned Unit is engaged in the business of and is eligible for deduction under sub-section (1A) and sub-section (2) of section 80LA of the Income-tax Act, 1961. I further declare that the above-mentioned International Financial Services Centre Unit has opted to claim the said deduction for the period from the previous year..... relevant to assessment year.... to the previous year.... relevant to assessment year..... I further declare that the above mentioned Unit continues to be a unit working in International Financial Services Centre and continues to be engaged in the business of during the year (relevant to Assessment Year) in which this statement-cum- declaration is being submitted.

Verification

I.....son/daughter ofin capacity..... do hereby certify that all the particulars furnished above are correct and complete.

Signature of the declarant

(to be signed by a person competent to sign the return of income as provided in section 140 of the Income-tax Act)

[Notification No. 28/2024/F.No. 275/21/2023-IT(B)]

SUNIL KUMAR, Under Secy.