

International Tax, Non-Residents, and Foreign Companies

Key Amendments to the
Income-tax Act, 2025

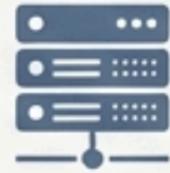


Executive Summary: Seven Pillars of Amendment



1. APA Modifications

Section 169 functionality.



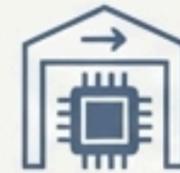
2. Data Center Incentives

Exemption on service procurement.



3. Critical Minerals

Deduction for prospecting expenses.



4. Electronics Manufacturing

Support for bonded warehouse manufacturers.



5. MAT Parity

Exclusions for presumptive businesses.



6. Non-Resident Experts

5-year income exemption.



7. IFSC & OBU

Tax holiday extension and rate rationalization.

Amendment of Section 169: Expanding APA Filing Rights



Current Position (Section 168(1))

Only the taxpayer signing the APA could file a modified return.

Associated Enterprises (AEs) whose tax liability adjusted due to the APA could not file returns or claim refunds.



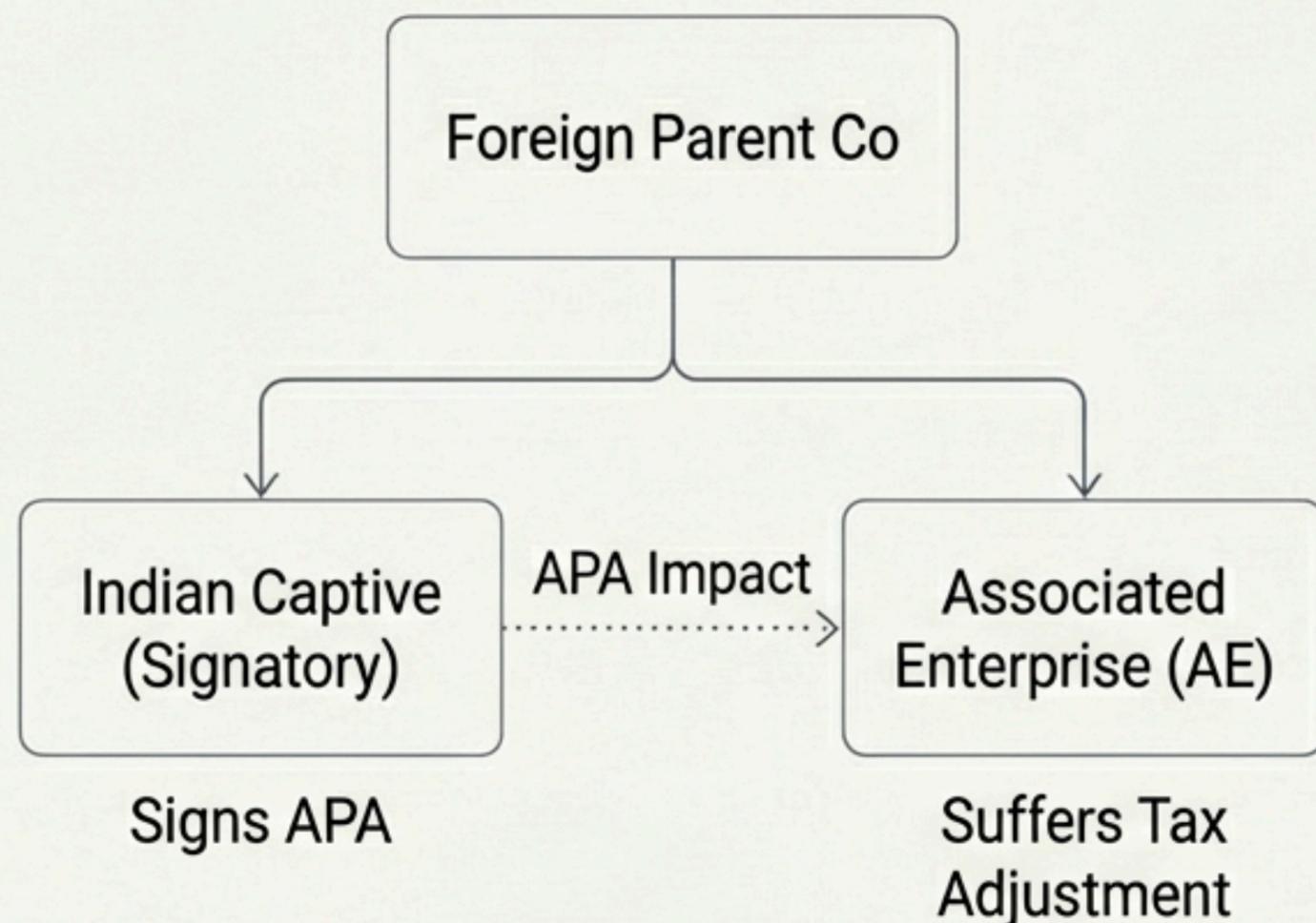
Proposed Amendment (Section 169)

- The APA signatory shall furnish a return/modified return.
- Any Associated Enterprise may furnish a return/modified return strictly per the agreement.

Timeline: Filing must occur within three months from the end of the month of APA execution.

Effective Date: 1 April 2026 (Tax Year 2026-27 onwards).

Strategic Insight: Impact on Multinational Group Structures



Analysis based on KSK Comments

The Industry Context: Most Indian IT/ITEs businesses operate in multinational structures. Often, the Indian captive signs the APA, but the Associated Enterprise (AE) suffers the tax adjustment (e.g., TDS or income reporting).

The Pain Point: Previously, the AE had no statutory right to file a revised return despite changed tax positions.

The Resolution: The amendment allows the AE affected by the APA to file a modified return and claim refunds of excess tax paid or TDS suffered.

Incentivizing the AI and Data Center Framework

Objective: To attract investment in data centers and promote artificial intelligence frameworks.

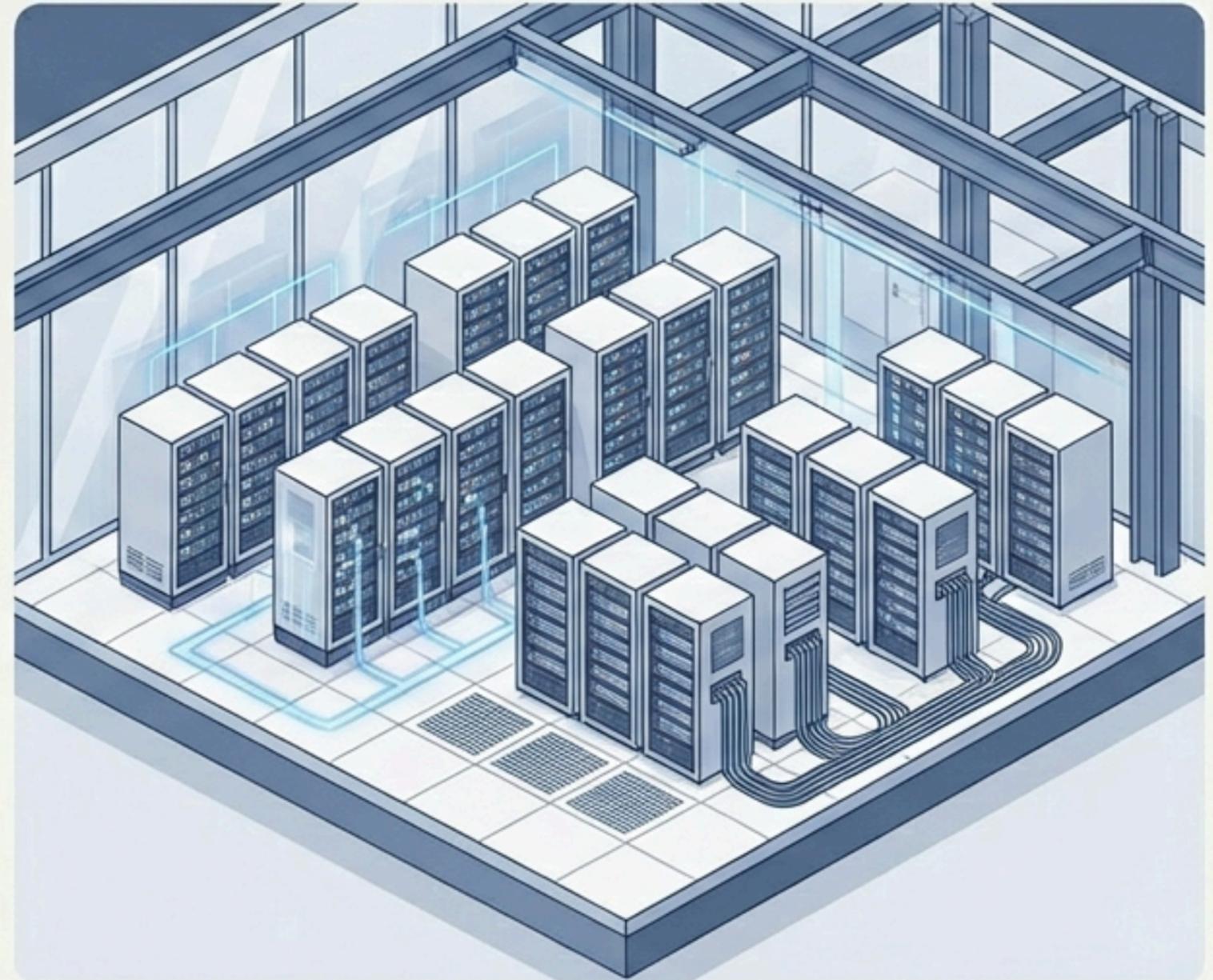
The Exemption: Amendment to Schedule IV (read with Section 11).

- Income accruing to a foreign company from procuring data center services from a specified data center is exempt.

Key Condition: If services are provided to Indian users by the foreign company, they must be routed through an Indian reseller entity.

Sunset Clause: Valid for tax years ending on or before 31st March, 2047.

Effective Date: 1 April 2026.

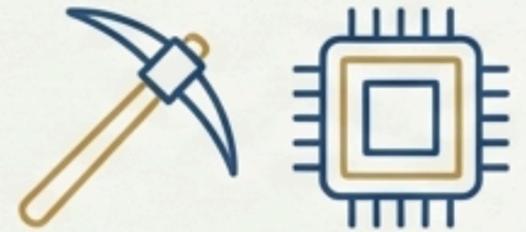


Critical Minerals: Deductions for Prospecting and Exploration

The Amendment: Expansion of Schedule XII to include critical minerals.

The Benefit: Expenditure on prospecting and exploring these minerals becomes eligible for deduction under Section 51 of the Act.

Effective Date: 1st April 2026.



Strategic Rationale (KSK Comment)

- Targeted at securing supply chains for EVs and semiconductors.
- Recognizes the “long gestation period and high risk” inherent in critical mineral projects.

Supporting Electronics Manufacturing in Bonded Warehouses



The Exemption:

Amendment to Schedule IV exempts income from supplying capital goods.

Condition:

Recipient must be a resident manufacturer in a customs-bonded warehouse.

Duration:

Exempt up to Tax Year 2030-31.

MAT Exemption Parity for Presumptive Businesses

Ensuring similar treatment under Section 61

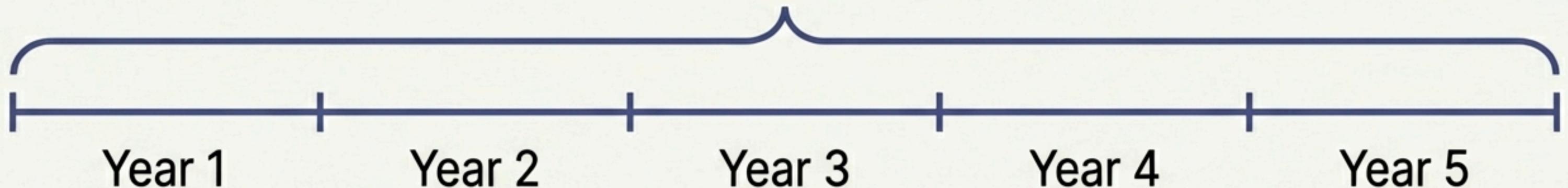
Aspect	Current Position	Proposed Amendment	Effective Date
MAT Applicability	Cruise ship operations and electronics manufacturing setup services are currently subject to MAT.	Two additional non-resident businesses under Section 61 are now excluded from MAT: <ol style="list-style-type: none"> 1. Cruise ship operations. 2. Services/technology for setting up electronics manufacturing facilities in India. 	1 April 2026

Exemption for Non-Resident Experts

The Proposal: Amendment to Schedule IV (read with Section 11).

Start Date: Commencing from the first tax year the individual visits India.

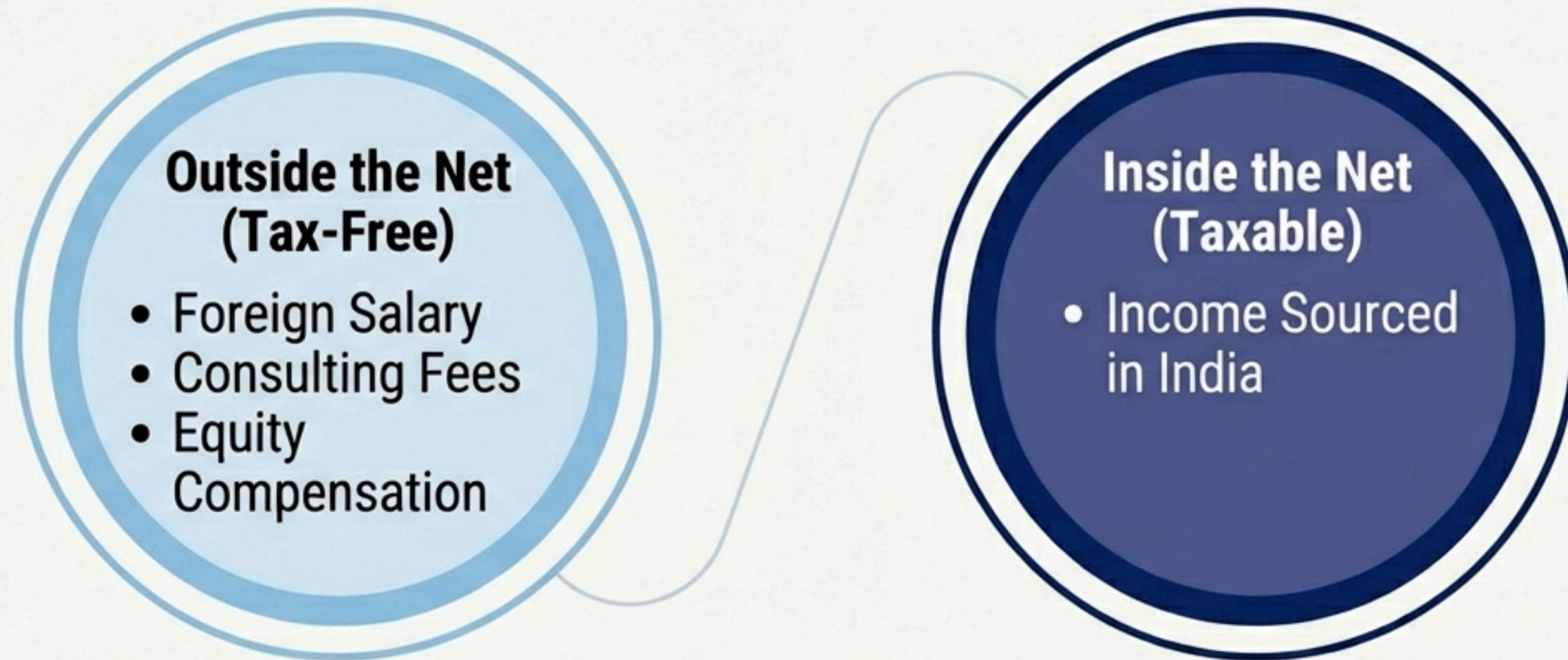
Tax Exemption Period



Condition: The person must render services in India in connection with a Scheme notified by the Central Government.

Expert Exemption: Defining the Tax Net

Analysis based on KSK Comments



Crucial Clarification:

Crucial Clarification: The exemption is not for all foreign professionals; it applies only where services are linked to a notified scheme.

IFSC and OBU: Extension of Tax Holiday & Rate Rationalization

Effective Date: 1 April 2026

Entity Type	Current Position	Proposed Amendment
IFSC Units	100% deduction for 10 consecutive years out of 15	100% deduction for 20 consecutive years out of 25
OBUs (Offshore Banking Units)	100% deduction for 10 consecutive years	100% deduction for 20 consecutive years
Post-Deduction Tax Rate	Standard corporate tax rates	Business income taxed at 15% after deduction period expires

Summary of Effective Dates and Sunsets

**1 April 2026
(Effective Date)**

- APA Amendments (Sec 169)
- Data Center Incentives
- Critical Minerals Deduction
- MAT Exclusions
- IFSC/OBU Extensions

2030-31

- Electronics Manufacturing Capital Goods Exemption ends

31 March 2047

- Data Center Service Exemption ends

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