Dipen D Shah & Associates

CHARTERED ACCOUNTANTS

TDS EXEMPTION TO IFSC UNITS

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CBDT Notification dated 20.06.2025 – No TDS on Certain Payments to IFSC Units

Issuing Authority:

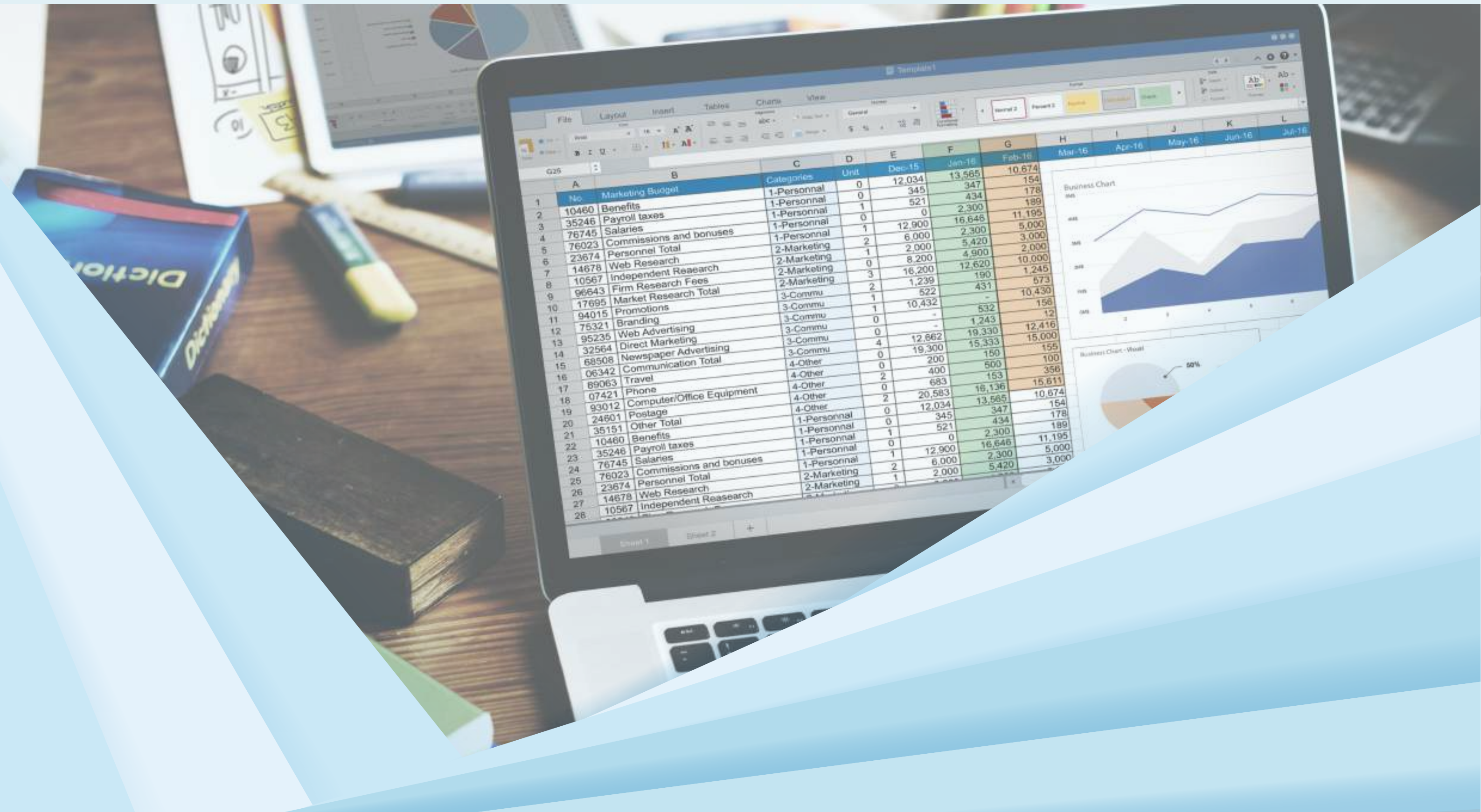
- Central Board of Direct Taxes (CBDT), Ministry of Finance (Department of Revenue)

Legal Basis:

- Section 197A(1F) read with Sections 80LA(1A) and 80LA(2) of the Income-tax Act, 1961

Main Provision:

- From 1st July 2025, no TDS (Tax Deducted at Source) shall be applicable on specified payments made to Units located in International Financial Services Centres (IFSCs), subject to conditions.



List of Exempted Payees, Nature of Payments & TDS Provisions :

Sr. No	IFSC Unit (Payee)	Nature of payment	TDS Section
1	BATF Service Provider	Professional or Consulting or Advisory fees	194J
2	Broker-Dealers	Payment made by Recognised Stock Exchanges	194J
		Commission Incentives	
3	Finance Company	Interest on account of lease	194A
		Freight Charges or Hire Charges	194C
4	Fund management entity	Portfolio management fees	194J
		Investment advisory fees	
		Management fees	
		Advisory fees	
5	Recognised Clearing Corporation	Professional or Technical Services fees	194J
		Interest income	194A
		Penalty levied on clearing members	194J
6	Recognised Depository	Professional or Technical or Contractual fees	194J or 194C
7	Recognised Stock market	Professional or technical Service fees	194J
		Rent for data centres	194I
		Interest income	194A
		Penalty levied on Members by Stock Exchanges	194J

Conditions to Claim Exemption:

For the Payee (IFSC Unit):

- Must furnish a statement-cum-declaration in Form No. 1 to the payer.
- Declaration must cover the 10 consecutive assessment years for which deduction under Section 80LA is opted.

For the Payer:

- TDS is not to be deducted after receipt of the Form No. 1.
- Must report such payments in TDS returns under Section 200(3) read with Rule 31A of the Income Tax Rules, 1962.

Important Notes:

- The exemption only applies for the 10-year period for which the IFSC unit opts for Section 80LA benefits.
- Beyond this period, TDS provisions shall apply as usual.
- Applies only to income from business for which the IFSC unit is approved under the SEZ framework.

Administrative Provisions:

- The Principal DGIT (Systems) will define secure processes and standards for data submission and compliance.

Effective Date : 1st July 2025

THANK YOU..

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