New I-T Bill restores alternate minimum tax relief for LLPs

Lok Sabha clears revised I-T Bill, along with tax law amendments

MONIKA YADAV
New Delhi, 11 August

In a relief for non-corporate taxpayers, the government on Monday corrected an earlier drafting error, reinstating relief from the alternate minimum tax (AMT) for partnership firms and limited liability partnerships (LLPs) under the revised Income Tax (No. 2) Bill, 2025, presented in Parliament by Union Finance Minister Nirmala Sitharaman.

The revised Bill, which incorporates almost all of the recommendations of the Select Committee chaired by Baijayant Panda, was passed by the Lok Sabha through a voice vote, without discussion. The House also approved the Taxation Laws (Amendment) Bill, 2025, which grants tax relief under the new Unified Pension Scheme, extends benefits to Saudi Arabia's Public Investment Fund, and clarifies block assessment rules following tax searches.

Both Bills now move to the Rajya Sabha for consideration and will become law upon receiving Presidential assent.

Turn to Page 6

Key proposals

ILLUSTRATION: BINAY SINHA

Income-Tax (No. 2) Bill, 2025

- Section 80M dividend deduction now applies under the new regime to prevent double taxation
- MAT and AMT provisions split into separate subsections under Section 206
- LLPs with only capital gains and no deduction claims exempt from AMT
- Refunds allowed even if the original return filing deadline was missed, with Clause 263(1)(ix) removed
- Capital gains reinvested in new assets count as income application for registered non-profits, as under the 1961 Act
- Anonymous donation rules aligned with the 1961 Act; exemption extended to mixed-object registered non-profits

Taxation Laws (Amendment) Bill, 2025

- UPS subscribers get same tax benefits as NPS
- Saudi Arabia's Public Investment Fund and subsidiaries exempt on eligible Indian investments
- ₹75,000 standard deduction under new regime extended to more taxpayers.
- New rules introduced for faster, simpler post-search assessments.

FROM PAGE 1

New I-T Bill restores AMT relief for LLPs

AMT, levied at 18.5 per cent plus cess and surcharge for non-corporate taxpayers, is intended to ensure high earners cannot fully offset their tax liabilities through exemptions. LLPs with only long-term capital gains (LTCG) income are otherwise taxed at 12.5 per cent. The earlier version of the Bill had omitted a critical reference to Chapter VI-A deductions in the AMT provisions for LLPs. This would have exposed LLPs — including those earning solely LTCG taxed at 12.5 per cent — to the higher AMT rate of 18.5 per cent plus cess and surcharge. The revised draft restores this reference in Clause 206, ensuring AMT applies only when total income is reduced by such deductions, consistent with the original intent. While the Select Committee made 285 recommendations, it did not propose altering the AMT framework for LLPs as contained in the first version of the Income Tax Bill, introduced in February. The Centre also incorporated stakeholder inputs to convey the proposed legal meaning more accurately, including "corrections in the nature of drafting, alignment of phrases, consequential changes and cross-referencing". One Select Committee suggestion has, however, been dropped.

This would have broadened transfer pricing scrutiny by allowing a company to be treated as an "associated enterprise" if it exercised "substantial influence" over another, even without meeting current shareholding or board control thresholds. The provision would have brought a larger set of inter-corporate transactions under transfer pricing rules, designed to ensure related-party deals reflect market value and nix profit shifting.