

REPLACING 'TOTAL INCOME' WITH 'TOTAL UNDISCLOSED INCOME' PROPOSED

Tax dept to target hidden income only

● Authorities can adjust returns having inconsistencies with prior-year filings

FE BUREAU
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THE GOVERNMENT HAS proposed an amendment to the Finance Bill 2025 to clearly state that the target of search and seizure operations by the tax department will be “total undisclosed income,” instead of “total income”.

In the Finance Act 2024, when the block assessment regime for search and seizure cases was introduced, the term “total income” was used.

This has raised concerns among stakeholders who said that if taxpayers face search and seizure proceedings, even the disclosed income will be subject to harsh penalties.

NEW RULES FOR SEARCH OPS

■ The Finance Act of 2024 introduced the block assessment regime for search and seizure cases, and used the term ‘total income’

■ The proposed amendment provides for certainty to taxpayers in relation to the income already disclosed by them

■ By enabling automated checks for discrepancies, this measure is expected to enhance monitoring and reduce tax evasion



■ A clarification in newly introduced Section 44BBD, which provides for a **25% presumptive income regime for electronics manufacturing, explicitly states that Sections 44DA and 115A shall not apply**

“Now, the government has added the new term ‘total undisclosed income’ to clarify the target of search and seizure proceedings is to unearth and penalise the undisclosed income only.

“This will provide certainty to taxpayers in relation to income which is already disclosed by them,” said Amit

Maheshwari, tax partner, AKM Global. The amendment to Section 143(1) would now empower centralised processing centre to adjust income tax returns based on inconsistencies with prior-year filings, strengthening compliance oversight.

By enabling automated checks for discrepancies, this

measure is expected to enhance tax monitoring and reduce instances of tax evasion and misreporting, said Sandeep Jhunjhunwala, M&A tax partner at Nangia Andersen.

Additionally, a clarification in the newly introduced Section 44BBD, which provides for a 25% presumptive income regime for electronics manu-

facturing, explicitly states that Sections 44DA and 115A shall not apply, thereby preventing disputes similar to those under Section 44BB related to the rate of applicable income tax.

Among other changes proposed, Section 9A related to fund manager in India of an offshore fund has been made less onerous as one of the conditions that more than 5% of the corpus should not have participation or investment from Indian residents has been changed.

This applied even if the said 5% is owned directly or indirectly but the condition of owning this indirectly has been removed, said Maheshwari. Further, under the provisions of the Finance Bill-2025, the condition was removed from the ambit of the central government to effect any amendments through a notification or otherwise but the same has been restored.