

MINISTRY OF FINANCE
(Department of Revenue)
(CENTRAL BOARD OF DIRECT TAXES)

NOTIFICATION

New Delhi, the 27th January, 2025

No. 10/2025

INCOME-TAX

G.S.R. 76(E).—In exercise of the powers conferred by section 295 read with sub-item (b) of item (I) of sub-clause (i) of clause (c) of the *Explanation* to clause (4D), sub-item (iv) of item (II) of sub-clause (A) of clause (b) of the *Explanation* to clause (23FB) of section 10 and clause (iv) of sub-section (5) of section 94B of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:—

1. (1) These rules may be called the Income-tax (Second Amendment) Rules, 2025.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Income-tax Rules, 1962,—

(a) after rule 2DA, the following shall be inserted, namely:—

“Conditions for the Venture Capital Fund for the clause (23FB) of section 10.— 2DAA. For the purposes of sub-item (iv) of item (II) of sub-clause (A) of clause (b) of Explanation to clause (23FB) of section 10, the Venture Capital Fund as referred to in sub-regulation (2) of regulation 18 of the International Financial Services Centres Authority (Fund Management) Regulations, 2022 shall be construed as Category I Alternative Investment Fund regulated under the International Financial Services Centres Authority (Fund Management) Regulations, 2022 made under the International Financial Services Centres Authority Act, 2019 (50 of 2019).”;

(b) after rule 21AC, the following shall be inserted, namely:—

“Conditions and activities for the Finance Company located in any International Financial Services Centre for section 94B.— 21ACA.— (1) For the purposes of clause (iv) of sub-section (5) of section 94B, the Finance Company located in any International Financial Services Centre shall only carry out one or more of the following activities, namely:—

- (i) lending in the form of loans, commitments and guarantees, credit enhancement, securitisation, financial lease;
- (ii) factoring and forfaiting of receivables; or
- (iii) functions of Global or Regional Corporate Treasury Centre such as borrowings, lending, hedging of currency or commodity risk or investments, cash management, structured credit, intra group financing, financial budgeting and similar other such treasury services and activities.

(2) The interest being paid by such Finance Company, being the borrower, in respect of any debt issued by a non-resident, shall be in foreign currency.

Explanation.— For the purposes of this rule, the expressions—

- (i) “Finance Company” means a finance company as defined in clause (e) of sub-regulation (1) of regulation 2 of the International Financial Services Centres Authority (Finance Company) Regulations, 2021 made under the International Financial Services Centres Authority Act, 2019 (50 of 2019); and
- (ii) “International Financial Services Centre” shall have the meaning as assigned to it in clause (q) of section 2 of the Special Economic Zones Act, 2005 (28 of 2005).”;

(c) in rule 21AIA,—

(i) after sub-rule (3), the following shall be inserted, namely,—

“(4) For the purposes of sub-item (b) of item (I) of sub-clause (i) of clause (c) of *Explanation* to clause (4D) of section 10,

(A) the retail scheme shall satisfy the following conditions, namely:—

- (i) it shall have at least twenty investors with no single investor investing more than twenty-five per cent. in such scheme;
- (ii) it shall not make any investment exceeding twenty-five per cent. of its total assets under management in its associate;
- (iii) it shall not make any investment exceeding fifteen per cent. of its total assets under management in unlisted securities; and
- (iv) it shall not make any investment exceeding ten per cent. of its total asset under management in a single company.

(B) the Exchange Traded Fund shall satisfy the following conditions, namely:—

- (i) it shall be mandatorily listed and traded on a recognised stock exchange; and
- (ii) it shall comply with the requirements as specified in International Financial Services Centres Authority (Fund Management) Regulations, 2022 made under the International Financial Services Centres Authority Act, 2019 (50 of 2019).”;

(ii) for the *Explanation*, the following shall be substituted, namely,—

“**Explanation.**— For the purpose of this rule, the expressions—

- (iii) “associate” shall have the meaning as assigned to it in clause (e) of sub-regulation (1) of regulation 2 of the International Financial Services Centres Authority (Fund Management) Regulations, 2022 made under the International Financial Services Centres Authority Act, 2019 (50 of 2019);
- (iv) “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 made under the International Financial Services Centres Authority Act, 2019 (50 of 2019);
- (v) “specified fund” shall have the same meaning as assigned to it in sub-clause (i) of clause (c) of the *Explanation* to clause (4D) of section 10 of the Act.”.

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SOURABH JAIN, Under Secy.

Note: The principal rules were published in the Gazette of India, Extraordinary, Part-II, section 3, sub-section (ii) *vide* number S.O. 969(E), dated the 26th March, 1962 and were last amended *vide* notification number G.S.R. 67(E) dated the 21st January, 2025.