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INCOME-TAX ACT, 2025

Chapter X: SPECIAL PROVISIONS RELATING TO AVOIDANCE OF TAX

**Section 176 - Special measures in respect of transactions with persons located in notified jurisdictional area.**

(1) The Central Government may, by notification specify any country or territory outside India, as a notified jurisdictional area in relation to transactions entered into by any assessee, having regard to the lack of effective exchange of information with such jurisdiction.

(2) Irrespective of anything contrary in this Act, if an assessee enters into a transaction where one of the parties to the transaction is a person located in a notified jurisdictional area, then,—

(a) all the parties to the transaction shall be deemed to be associated enterprises within the meaning of section 162;

(b) any transaction of the nature described in sections 163(1) and (2) shall be deemed to be an international transaction within the meaning of section 163,

and the provisions of sections 161, 162, 163, 165 (except the benefit of variation specified in sections 165(3)(a)(ii)), 166, 167, 171, 172 and 173 shall apply accordingly.

(3) Irrespective of anything to the contrary in this Act, no deduction shall be allowed—

(a) for any payment made to any financial institution located in a notified jurisdictional area, unless the assessee furnishes an authorisation in the prescribed form authorising the Board or any other income-tax authority acting on its behalf to seek relevant information from the said financial institution on behalf of such assessee; and

(b) for any other expenditure or allowance (including depreciation) arising from the transaction with a person located in a notified jurisdictional area, unless the assessee maintains such other documents and furnishes such information as may be prescribed, in this behalf.

(4) Irrespective of anything to the contrary in this Act, if, in any tax year, the assessee has received or credited any sum from any person located in a notified jurisdictional area and—

(a) the assessee does not provide any explanation about the source of the said sum in the hands of such person or in the hands of the beneficial owner (if such person is not the beneficial owner of the said sum); or

(b) the explanation provided by the assessee, in the opinion of the Assessing Officer, is not satisfactory,

then such sum shall be deemed to be the income of the assessee for that tax year.

(5) Irrespective of anything to the contrary in this Act, if any person located in a notified jurisdictional area is entitled to receive any sum or income or amount on which tax is deductible under Chapter XIX-B, the tax shall be deducted at the highest of the following rates––

(a) at the rate or rates in force;

(b) at the rate specified in the relevant provisions of this Act;

(c) at the rate of 30%.

(6) For the purposes of this section,—

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(a) “person located in a notified jurisdictional area” shall include,—

(i) a person who is resident of the notified jurisdictional area;

(ii) a person, not being an individual, which is established in the notified jurisdictional area; or

(iii) a permanent establishment of a person not falling in sub-clause (i) or (ii), in the notified jurisdictional area;

(b) “permanent establishment” shall have the meaning assigned to it in section 173(c);

(c) “transaction” shall have meaning assigned to it in section 173(e).

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