

**IN THE INCOME TAX APPELLATE TRIBUNAL
SURAT BENCH "SMC" SURAT**

**BEFORE SHRI SANDEEP GOSAIN (JUDICIAL MEMBER)
AND
SHRI OM PRAKASH KANT (ACCOUNTANT MEMBER)**

**ITA No. 873/SRT/2025
Assessment Year: 2024-2025**

Ankit Kabra
A-402, Empire Regency,
Near Star Galaxy, VIP Road,
Vesu, Surat, Gujarat-395007

Vs.

ITO, Ward-1(3)(1),
Current Jurisdiction
Surat-395007

**PAN NO. CDHPK 5978 D
Appellant**

Respondent

Assessee by : Shri Yash Kapadia, CA
Revenue by : Shri J. K. Chandnani, Sr. DR

Date of Hearing : 06/10/2025
Date of pronouncement : 23/12/2025

ORDER

PER OM PRAKASH KANT, AM

This appeal by the assessee is directed against order dated 26.06.2025 passed by the Ld. Addl/ Jt. Commissioner of Income-tax (Appeals) – 2, Chennai [in short 'the Ld. CIT(A)'] for assessment year 2024-2025, raising following grounds:

1. On the facts and circumstances as well as law on the subject, the Hon'ble CIT(A) has disallowed the claim of rebate of Rs. 25,000/- u/s. 87A of the Act with respect to tax computed u/s. 115BBH on income from VDAs.

2. On the facts and circumstances of the case as well as law on the subject, the Hon'ble CIT(A) has erred in holding that the rebate u/s. 87A is not allowable against tax computed u/s. 115BBH on income from transfer of Virtual



Digital Assets, despite there being no such restriction in law.

3. It is therefore prayed that the above disallowance of rebate u/s. 87A by the Ld. AO (CPC) of Rs. 25,000/- and confirmed by the Hon'ble CIT(A) may please be allowed.

4. Assessee craves to add, alter or delete any ground(s) either before or in the course of the hearing of the appeal.

2. Briefly stated, the assessee is an individual and filed his return of income for the A.Y. 2024-25 under the tax regime governed by Section 115BAC(1A) declaring a total income of Rs. 4,80,800/- which included gains of Rs. 2,02,993/- from transfer of Virtual Digital Assets (VDAs). The assessee claimed a rebate of Rs. 25,000/- u/s. 87A of the Act contending that since the total income was below Rs. 7,00,000/-, he was eligible for full rebate under section 87A of the Act. However, the CPC disallowed this claim, citing the bar on rebate in cases where tax is computed u/s. 115BBH (applicable to income from VDAs).

3. On further appeal, the Ld. CIT(A) dismissed the appeal of the assessee holding that section 115BBH was introduced by the Finance Act, 2022 and is effective from A.Y. 2023-24 onwards which provides that income from transfer of VDAs shall be taxed at a flat rate of 30% and no deduction, set-off, or rebate, including that under Section 87A, shall be allowed against such income, except for cost of acquisition. The ld. CIT(A) also referred to CBDT Circular No. 13/2022 dated 22.06.2022. The ld. CIT(A) also denied the argument of the assessee that such restriction of rebate as per section 115BBH was with effect from A.Y. 2026-27.



4. Before us, the Ld. Counsel for the assessee submits that rebate u/s. 87A is restricted only against the long term capital gain tax computed as per section 112A as there is a specific provision to that effect, however, no such restriction is imposed by section 115BBH in respect of tax on income from transfer of VDAs. Further, he argued that none of the sub-sections of section 115BAC puts any restriction on claiming rebate u/s. 87A of the Act while computing total income and tax liability as per Section 115BAC(1A) of the Act. It is also brought to our attention that an amendment to section 87A is made by the Finance Act, 2025 whereby rebate u/s. 87A is available only on the total income chargeable to tax u/s. 115BAC(1A). This implies that rebate u/s. 87A shall not be available on tax on income chargeable at special rates which is effective only from A.Y. 2026-27 and not in the year under consideration. Reliance is also placed on various case laws viz. Chamber of Tax Consultants v. DGIT (systems) [2025] 170 taxmann.com 707 (Bom), Jayshreeben Jayantibhai Palsana v. ITO – ITA no. 1014/Ahd/2025; Padmaben Kantilal Ranpara v. ITO – ITA no. 516/RJT/2025; Pramod Kumar Dubey v. ITO – ITA no. 314/AGR/2025; Venkatachalam Venkatraman v. ITO – ITA no. 1431/Chny/2025.

5. On contrary, the Id. Departmental Representative appearing for the Revenue has relied on the CIT(A)'s order and pleaded that disallowance of rebate of Rs. 25,000/- be sustained.



6. We have heard rival submission of the parties and perused the material on record. The issue involved in this appeal is regarding the eligibility of the assessee to claim rebate u/s. 87A against the income chargeable to tax u/s. 115BBH. We have gone through the provisions of section 87A, 115BAC, 115BBH, the CBDT Circular No. 13/2022 dated 22.06.2022 referred by the Id. CIT(A) and the amendment made in section 87A w.e.f. A.Y. 2026-27. The relevant provisions of section 87A relevant to the year under consideration i.e. A.Y. 2024-25 read as under:-

87A. *An assessee, being an individual resident in India, whose total income does not exceed five hundred thousand rupees, shall be entitled to a deduction, from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to hundred per cent of such income-tax or an amount of twelve thousand and five hundred rupees, whichever is less.*

Following proviso shall be inserted in section 87A by the Finance Act, 2023, w.e.f. 1-4-2024 :

Provided that where the total income of the assessee is chargeable to tax under sub-section (1A) of [section 115BAC](#), and the total income—

(a) does not exceed seven hundred thousand rupees, the assessee shall be entitled to a deduction from the amount of income-tax (as computed before allowing for the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to one hundred per cent of such income-tax or an amount of twenty-five thousand rupees, whichever is less;

(b) exceeds seven hundred thousand rupees and the income-tax payable on such total income exceeds the amount by which the total income is in excess of seven hundred thousand rupees, the assessee shall be entitled to a deduction from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income, of an amount equal to the amount by which the income-tax payable on such total income is in excess of the amount by which the total income exceeds seven hundred thousand rupees.

The amended section 87A reads as follows:



87A. An assessee, being an individual resident in India, whose total income does not exceed five hundred thousand rupees, shall be entitled to a deduction, from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to hundred per cent of such income-tax or an amount of twelve thousand and five hundred rupees, whichever is less:

2**Provided** that where the total income of the assessee is chargeable to tax under sub-section (1A) of [section 115BAC](#), and the total income—

(a)	does not exceed <u>3</u> [seven] hundred thousand rupees, the assessee shall be entitled to a deduction from the amount of income-tax (as computed before allowing for the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to one hundred per cent of such income-tax or an amount of <u>4</u> [twenty-five] thousand rupees, whichever is less;
(b)	exceeds <u>3</u> [seven] hundred thousand rupees and the income-tax payable on such total income exceeds the amount by which the total income is in excess of <u>3</u> [seven] hundred thousand rupees, the assessee shall be entitled to a deduction from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income, of an amount equal to the amount by which the income-tax payable on such total income is in excess of the amount by which the total income exceeds seven hundred thousand rupees.]

Following second proviso shall be inserted after the proviso to section 87A by the Finance Act, 2025, w.e.f. 1-4-2026:

Provided further that the deduction under the first proviso, shall not exceed the amount of income-tax payable as per the rates provided in sub-section (1A) of [section 115BAC](#).

The provisions of section 115BBH reads as under:-

115BBH. (1) Where the total income of an assessee includes any income from the transfer of any virtual digital asset, notwithstanding anything contained in any other provision of this Act, the income-tax payable shall be the aggregate of—

(a) the amount of income-tax calculated on the income from transfer of such virtual digital asset at the rate of thirty per cent; and



(b) the amount of income-tax with which the assessee would have been chargeable, had the total income of the assessee been reduced by the income referred to in clause (a).

(2) Notwithstanding anything contained in any other provision of this Act,—

(a) no deduction in respect of any expenditure (other than cost of acquisition, if any) or allowance or set off of any loss shall be allowed to the assessee under any provision of this Act in computing the income referred to in clause (a) of sub-section (1); and

(b) no set off of loss from transfer of the virtual digital asset computed under clause (a) of sub-section (1) shall be allowed against income computed under any provision of this Act to the assessee and such loss shall not be allowed to be carried forward to succeeding assessment years.

(3) For the purposes of this section, the word "transfer" as defined in clause (47) of [section 2](#), shall apply to any virtual digital asset, whether capital asset or not.

On a careful perusal of the provisions of above referred sections , we find that the proviso to section 87A which has been introduced with effect 1/04/ 2024, provides that where the total income of the assessee is chargeable to tax under sub-section 1A of section 115BAC and the total income does not exceed ₹ 7 lakh, the assessee is eligible for rebate of Rs 25,000/-. But in the case, total income of the assessee of Rs 4,80,800/- include income of virtual digital assets (VDA) under the head capital gain amounting to Rs. 2,02,993/-, which is subjected to a special rate of tax of 30%. If said income is subtracted, the remaining income is below taxable and therefore tax is only paid on the gain from VDA which is subjected to tax at the rate of 30% under section 115BBH of the Act. The chapter XII prescribe for determination of the tax on certain special cases. The tax rate prescribed under



section 115BAC and 115BBH plays in different area and therefore if assessee's case falling under section 115BBH, it is certainly not covered under section 115BAC of the Act and consequently will not be legible for the benefit of rebate of ₹ 25,000/- provided under the provision to section 87A of the Act. None of the decisions relied are upon by the assessee are in relation to income containing gain from VDA liable to tax under section 115BBH of the Act. Accordingly, we hold that business is not entitled for the rebate under section 87A of the Act.

7. In the result, the appeal of the assessee is dismissed.

Order pronounced by way display of result on notice board on 23/12/2025 under Rule 34(4) of ITAT Rules, 1963.

Sd/-
(SANDEEP GOSAIN)
JUDICIAL MEMBER

Sd/-
(OM PRAKASH KANT)
ACCOUNTANT MEMBER

Surat;

Dated: 23/12/2025

Rahul Sharma, Sr. P.S.

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent.
3. CIT
4. DR, ITAT, Surat
5. Guard file.

//True Copy//

BY ORDER,
(Assistant Registrar)
ITAT, Surat