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# Our Leadership Speaks

## Quantum computing and its impact

Quantum computing is a new type of computing that works very differently from the computers we use every day. Traditional computers use bits that are either 0 or 1, but quantum computers use quantum bits, or qubits, which can be both 0 and 1 at the same time. This special ability allows quantum computers to process huge amounts of information much faster. While this technology is still developing, it has already shown the potential to solve problems that would take normal computers many years to complete.

The impact of quantum computing on science and business could be enormous. In healthcare, it could help researchers discover new medicines faster by accurately simulating complex molecules. In finance, it could improve risk analysis and detect fraud more efficiently. Cybersecurity will also be deeply affected, because quantum computers may one day break current encryption systems. At the same time, they will help create even stronger security methods to protect data.

In the future, quantum computing may change the way we solve the world's toughest problems, from climate change to traffic management and artificial intelligence. However, it is not a technology that will replace today's computers anytime soon. Instead, it will work alongside them for specific high-level tasks. Simply put, quantum computing represents a powerful new tool that could reshape industries and redefine what technology can achieve.

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Never miss a date

<b>January 7<sup>th</sup></b> Due date for deposit of Tax deducted/collected for the month of December 2025	<b>January 7<sup>th</sup></b> Due date for deposit of TDS for the period October 2025 to December 2025 when Assessing Officer has permitted quarterly deposit of TDS under section 192, section 194A, 194D, or 194H	<b>January 7<sup>th</sup></b> Uploading of declarations received in Form 27C from the buyer in the month of December 2025	<b>January 14<sup>th</sup></b> Due date for issue of TDS Certificate for tax deducted under Sections 194-IA, 194-IB, 194M, and 194S in the month of November 2025
<b>January 15<sup>th</sup></b> Quarterly statement of TCS deposited for the quarter ending December 31, 2025	<b>January 15<sup>th</sup></b> Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of December 2025 has been paid without the production of a challan	<b>January 15<sup>th</sup></b> Due date for furnishing of Form 15G/15H declarations received during the quarter ending December 2025	<b>January 15<sup>th</sup></b> Due date for furnishing statement in Form no. 3BB by a stock exchange in respect of transactions in which client codes have been modified after registering in the system for the month of December 2025
<b>January 30<sup>th</sup></b> Quarterly TCS certificate in respect of tax collected for the quarter ending December 31, 2025	<b>January 30<sup>th</sup></b> Due date for furnishing of challan-cum-statement in respect of tax deducted under sections 194-IA, 194-IB, 194M, and 194S in the month of December 2025	<b>January 31<sup>st</sup></b> Quarterly statement of TDS deposited for the quarter ending December 31, 2025	<b>January 31<sup>st</sup></b> Quarterly return of non deduction at source in Form 26QAA by a banking company from interest on time deposit in respect of the quarter ending December 31, 2025
<b>January 31<sup>st</sup></b> Quarterly statement of tax deposited in Form 26QF in relation to transfer of virtual digital asset under section 194S to be furnished by an exchange for the quarter ending December 31, 2025			

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Trust at the core of every relationship







## ALL YOU NEED TO KNOW ABOUT FINTECH LENDING INTEREST TAXATION IN INDIA

### Introduction

India's fintech lending sector, especially peer-to-peer (P2P) platforms and digital NBFCs, has grown rapidly. Alongside the convenience of online lending comes tax complexity for lenders (investors) and borrowers. In India, interest earned is generally ordinary income, and interest paid is an expense with limited deductibility. Recent laws (notably the 2023 Finance Act) and RBI guidelines have added new twists. Below we break down the tax treatment for fintech lending interest, outline the latest regulatory changes, and compare practices abroad, all in clear business language.

### Interest Income for Fintech Lenders

Fintech lenders (whether individuals on a P2P site or NBFCs offering loans) must declare interest as taxable income. Individual lenders report P2P interest under "Income from Other Sources" at their normal tax slab. There is no special "financial asset" rate or concession; interest is taxed like bank deposit income. For example, a Moneycontrol guide explains that a P2P lender in the 30% bracket pays 30% on interest received. Institutional lenders (fintech companies or NBFCs) include interest in their business profits, subject to corporate tax.

Importantly, most P2P platforms do not deduct TDS on interest paid. Unlike banks that auto-withhold 10% TDS on large FD interest, P2P apps typically credit lenders the full interest. This leaves the lender responsible for declaring and paying tax. Experts advise high-interest P2P lenders to maintain clear accounts and pay advance tax as needed.

Notably, Indian tax law does not let most individual lenders write off defaults. If a borrower on a P2P platform defaults, the unpaid principal generally cannot be claimed as a deductible loss for a retail lender. The Income Tax Act only permits deduction of bad debts if lending is done as a business (i.e., as a registered professional or company). Thus, non-business lenders must pay tax on all interest earned, even if some loans go bad. (By contrast, the UK tax code allows P2P lenders to offset losses against other P2P interest, a relief not available in India.)

### Interest Payments by Borrowers

For borrowers, interest payments usually count as expenses. Corporate or business borrowers can generally deduct interest from profit, subject to general tax rules and transfer-pricing checks. In practice, a company borrowing funds (even from a fintech NBFC) deducts the interest cost in computing taxable income, as long as the rate is arm's-length. (Indian authorities may scrutinize related-party loans, denying excess interest under transfer-pricing norms if rates seem inflated.)

By contrast, personal borrowers get little tax relief on interest. Interest on personal loans (such as for consumption) is not deductible, just like interest on a consumer EMI. Only certain uses trigger deductions—e.g., a personal loan used to buy or construct a home can qualify under Section 24/80C for up to ₹200,000/year. But generic fintech personal loans carry no tax break for the payer.

Borrowers paying interest must also consider TDS rules. When a business (company, partnership, etc.) borrows and pays interest to a resident lender, Section 194A requires the borrower to deduct tax at source (usually 10%) on the interest payment. (Individuals or HUFs borrowing for business must deduct TDS only if their turnover is large enough.) In short, a corporate borrower must withhold TDS on interest as it accrues, whereas a small individual borrower (below the turnover threshold) is typically not obligated to deduct TDS. Foreign-source loans have their own rules: India imposes 20% withholding on interest to non-residents for foreign-currency loans (40% for rupee loans), though this can fall to 5% for qualifying long-term bonds under certain conditions.



## Regulatory Updates Post-2023

**Finance Act 2023.** Recent tax law changes indirectly touch fintech loans. For example, the Finance Act 2023 added Section 43B(h): if a company owes money (including interest) to a micro or small enterprise and fails to pay within 45 days of invoice, that expense becomes non-deductible. In other words, if a fintech borrower is an MSME or buys services from one, late payments—even interest—can't be deducted. This aims to enforce prompt payment to smaller vendors, though it doesn't target fintech interest specifically.

**RBI Digital Lending Guidelines (2022-23).** While not a tax change, the RBI's new digital lending rules (rolled out in 2022 and enforced in 2023) have major implications for how interest and fees are applied in fintech loans. The guidelines require full transparency: lenders must provide a standardized Key Fact Statement (KFS) upfront, showing the annual percentage rate (APR) and all charges. Any penal interest can only be charged on the remaining principal and must be clearly disclosed. All fees of third-party service providers (LSPs) must be borne by the lender, not tacked onto the borrower. In short, hidden or exorbitant interest/fees are banned. These rules ensure that borrowers know the true cost (affecting the interest calculations lenders can charge).

Overall, fintech companies must adapt their accounting, e.g., accruing interest as per the contracted APR and treating all loan-related charges transparently. While the guidelines don't change how tax is computed, they do change how interest costs and fees are structured—which in turn affects the taxable interest income and deductions at year-end.

## International Perspective

India's tax treatment of fintech interest broadly mirrors global norms, but with some differences. In major economies, P2P/digital loan interest is also ordinary income. For instance, UK tax authorities treat P2P interest "in the same way as any other interest received." UK lenders pay tax on net interest above the savings allowance but benefit from special bad-debt relief: if a peer loan goes bad, that loss can be offset against other P2P interest. No such relief exists for most Indian individual lenders.

In the United States, fintech interest is likewise taxed as standard investment income. U.S. platforms often report earnings on Form 1099-OID, reflecting "original issue discount" treated as interest. The IRS explicitly advises that "OID is a form of interest. You generally include OID in your income as it accrues over the term of the debt." Default losses in the U.S. typically produce capital losses (reported on 1099-B) that can offset other gains.

Other countries similarly tax interest at ordinary rates. (As a point of contrast, countries like Australia impose a flat withholding (10%) on interest paid to foreign lenders, comparable to India's withholding on nonresidents.) In short, no major tax system gives special low rates for P2P or fintech interest income: lenders everywhere include it in normal taxable income. Key differences lie in how losses and allowances are handled. India's approach, full taxation with limited loss relief, is on the stricter side compared to regimes offering bad-debt offsets.

## Key Takeaways for Fintech Investors and Borrowers

**For Lenders:** All interest earned (P2P or fintech) is taxable at your normal rate. It's treated like bank interest, with no concessional rates. Since most platforms don't deduct TDS, plan to pay tax on gross interest received. Keep detailed records of accruals and defaults: note that individual lenders cannot claim defaulted principal as a loss, unlike in some other countries.

**For Borrowers:** Interest paid by companies is a deductible business expense (subject to arm's-length rules), but personal borrowers get no deduction on unsecured loan interest (except designated cases like home loans under Section 24/80C). Companies borrowing from residents must withhold 10% TDS on interest, so factor that into cash flows. For loans from abroad, remember India's higher default withholding (20-40% before treaty relief).



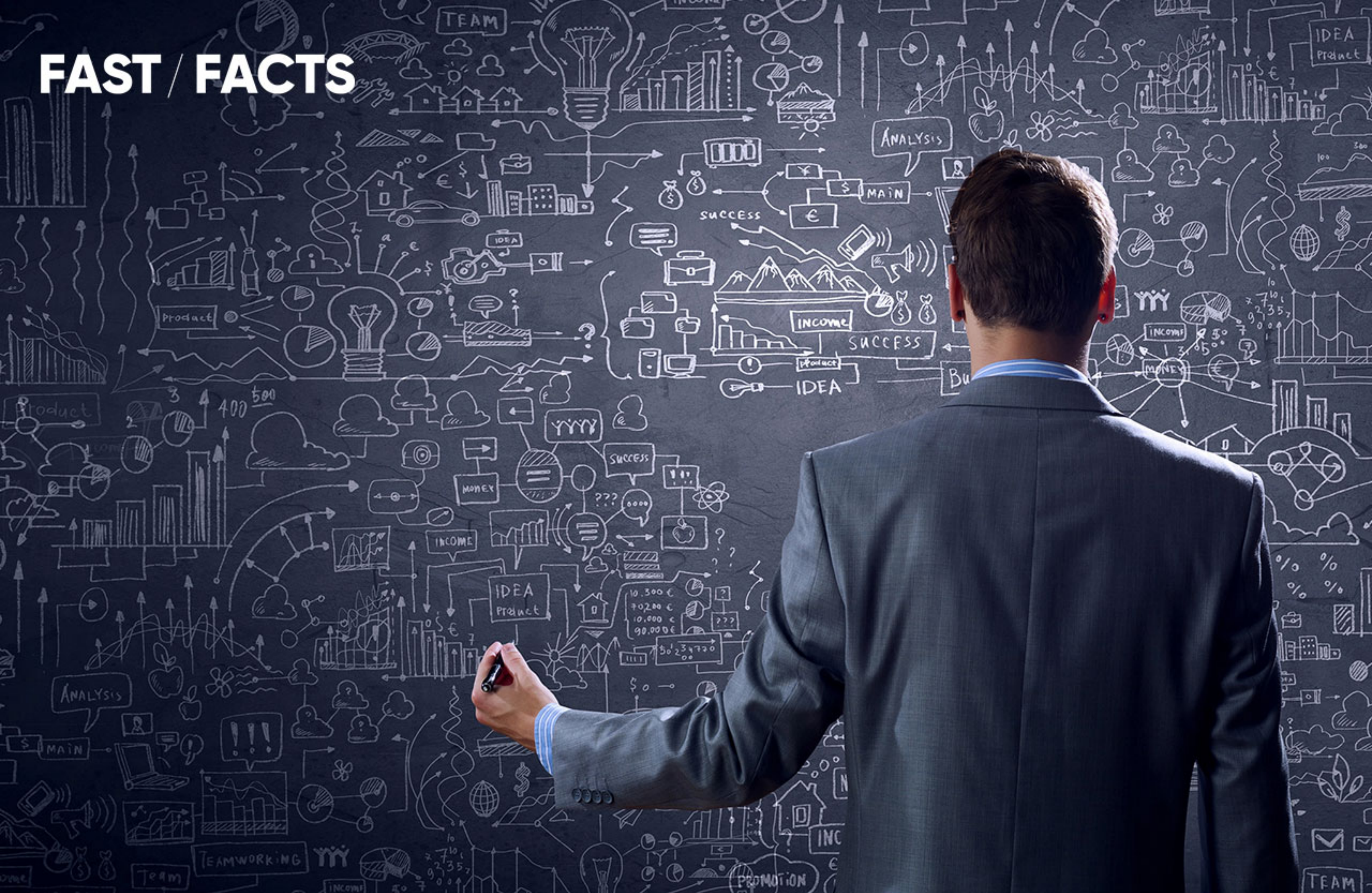
**New Rules to Note:** The Finance Act 2023's MSME provision means payments (including interest) to small suppliers must clear in 45 days or lose deductibility. RBI's digital lending rules demand transparency: all loan costs (APR) must be disclosed up front and excess fees are banned. Fintech firms should build compliant disclosures into their processes, even though these are regulatory rather than tax rules.

**Global View:** India's tax approach is in line with the global practice of taxing interest as ordinary income. However, unlike in the UK or US, Indian individual lenders don't get special relief on bad debts, so interest yields may be higher-taxed in practice. Borrowers in India also lack some international deductions: for example, in the UK, some P2P losses get offset, whereas India allows deductions only within actual property/home loan rules.

In sum, fintech participants must stay informed. Taxable interest and deductible interest have clear rules, but recent changes (Finance Act provisions, RBI guidelines) continue to evolve. For investors and platforms alike, good record-keeping and tax planning are essential as the digital lending market grows.



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