

# Income-tax Act, 2025

## Key Changes & Analysis

*Comparison with Income-tax Act, 1961*



Overview



New Provisions



Comparisons



Impact

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# INTRODUCTION

- The **Income-tax Act, 1961** has been the cornerstone of India's direct tax framework; however, decades of amendments have resulted in a **complex and fragmented legislation**.
- The **Income-tax Act, 2025** represents a **strategic shift towards simplification and modernization** of tax laws.
- The Act is designed to deliver a **concise, structured, and principle-based framework**, improving overall readability.
- Key focus areas include **enhancing clarity, minimizing interpretational issues, and reducing litigation exposure**.
- The legislation aligns with the Government's vision of **ease of doing business and digital tax administration**.
- Importantly, while the **core tax principles remain largely unchanged**, the **presentation, organization, and accessibility** of the law have been significantly transformed.

# OVERVIEW: WHY THE NEW INCOME TAX ACT 2025?



## Effective Date

Replaces the Income Tax Act 1961, effective from April 1, 2026, marking the beginning of a new tax era.



## Massive Simplification

Reduces the number of sections to 536 in the New Act, streamlining complex provisions into clearer, more accessible language.



## Compliance Ease

Aims to ease compliance burden, reduce litigation disputes, and modernize tax laws for the digital age.



## Familiar Structure

Maintains familiar heads of income but updates provisions for clarity, fairness, and reduced ambiguity.

The new Act represents a fundamental shift from complex, litigation-prone provisions to taxpayer-friendly rules that balances revenue needs with ease of compliance. By reducing the number of sections by nearly 35% and using plain language, the government aims to create a tax system that's easier to understand, harder to dispute, and more efficient to administer.

# STRUCTURAL OVERHAUL & ORGANIZATION

## Income Tax Act, 1961

- Complexity Accumulated: Over 700 sections spanning 23 chapters with 14 schedules, totaling approximately 823 pages of dense legal text
- Legislative Layers: Accumulated more than 1,200 provisos and over 550 explanations through decades of amendments, creating a labyrinthine structure
- Section 115BAC of the existing Income Tax Act talks about the new tax regime for Individuals & HUF

## Income Tax Act, 2025

- Streamlined Framework: Reduced to 536 sections while maintaining 23 chapters, expanded to 16 schedules, and condensed to 622 pages
- Clarity Through Structure: All provisos and explanations eliminated and replaced with clear sub-sections, tables, and logical organization
- In the new Income Tax Act, it is dealt under section 202. Section 202 talks about the new tax regime for Individuals, HUF, Association of Persons, Body of Individuals, Artificial Juridical Person

# KEY PROVISIONS – INTRODUCED, OMITTED, AND MODIFIED

1

## Residential Status

**OLD:** Under Section 6 of the Act, Indian citizens leaving "for the purpose of employment abroad" were exempt from the 60+365-day rule, broadly interpreted to include job seekers.

**NEW:** Under Section 6 of the Act, the wording has been changed to a stricter "for employment outside India"

2

## Tax Year Introduction

Replaces "Previous Year" and "Assessment Year" with a single, intuitive "Tax Year" concept throughout the legislation, simplifying tax period references for all stakeholders.

3

## Digital Assets Taxation

Expanded definition of Virtual Digital Assets included explicitly for taxation. Clear inclusion of Cryptocurrencies, NFTs, or any digital asset secured by cryptographic/distributed ledger technology into the new provisions.

4

## Corporate Taxation

**As per the ITA 1961**, the definition of a **royalty** included consideration for the transfer of all or any rights in respect of items such as patents and inventions.

**As per the ITA 2025**, the definition includes the transfer of all or any rights and also the **grant** of all or any rights in respect of items such as patents and inventions.

# HEAD 1: SALARY INCOME

Salary provisions in the Income Tax Act govern how income from employment is taxed. Under the older Income Tax Act, 1961, these rules were scattered across many sections and often complex. The new Income Tax Act, 2025, keeps the same framework but simplifies language, consolidates overlapping rules. This makes compliance easier for salaried individuals while retaining key exemptions such as House Rent Allowance, Leave Travel Allowance, and the standard deduction.

| Particulars                              | Income-tax Act, 1961  | Income-tax Act, 2025   | Nature of Change                 |
|--|---|--|----------------------------------|
| Charging Provision                       | Salary taxable on due or receipt basis (whichever earlier)                  | Same principle retained  | No change                        |
| Scope of Salary                          | Defined u/s 17(1)   | Defined U/s 16   | No change                        |
| Perquisites                              | Defined u/s 17(2)   | Defined U/s 17   | No change                        |
| Profits in lieu of Salary                | Defined u/s 17(3)   | Defined U/s 18   | No change                        |
| Allowances                               | Taxable unless specifically exempt  | Same framework   | No change                        |
| Standard Deduction                       | Rs 75,000 U/s 115BAC (New Regime)<br>Rs. 50,000 in other cases (Old Regime) | Rs. 75,000 U/s 202(1) (New Regime)<br>Rs. 50,000 in other cases (Old Regime) | No change                        |
| Deductions (Entertainment Allowance, PT) | Allowed as per existing law   | Deduction Limits have been Increased   | Changes reported in Pg no. 10-13 |
| ESOP Taxation                            | Deferred taxation provisions (where applicable)                             | Continued  | No change                        |

## ➤ Section wise comparison

| Provision                            | Old Section (1961 Act) | New Section (2025 Act) |
|--------------------------------------|------------------------|------------------------|
| Basis of charge – Income from Salary | Section 15             | <b>Section 15</b>      |
| Salary – definition and components   | Section 17             | <b>Section 16</b>      |
| Perquisites                          | Section 17(2)          | <b>Section 17</b>      |
| Profits in lieu of salary            | Section 17(3)          | <b>Section 18</b>      |
| Deductions from salary               | Section 16             | <b>Section 19</b>      |

# VALUATION OF PERQUISITES

## ➤ Change in Value of Perquisites:

A. Motor car is owned or hired by the employer – Provided to the employee for official Duties and Personal Use

Employer bearing running and maintenance expenses

| Particulars                            | IT Rules 1962<br>[Rule 3]                                | Draft Rules 2026<br>[Rule 15 (3)(a)]                       |
|--|--|--|
| Engine cubic capacity Up to 1.6 liters | INR 1,800 p.m. (plus INR 900 for chauffeur, if provided) | INR 5,000 p.m. (plus INR 3,000 for chauffeur, if provided) |
| Engine cubic capacity Above 1.6 liters | INR 2,400 p.m. (plus INR 900 for chauffeur, if provided) | INR 7,000 p.m. (plus INR 3,000 for chauffeur, if provided) |

Employee bearing running and maintenance expenses

| Particulars                            | IT Rules 1962<br>[Rule 3]                              | Draft Rules 2026<br>[Rule 15 (3)(a)]                       |
|--|--|--|
| Engine cubic capacity Up to 1.6 liters | INR 600 p.m. (plus INR 900 for chauffeur, if provided) | INR 2,000 p.m. (plus INR 3,000 for chauffeur, if provided) |
| Engine cubic capacity Above 1.6 liters | INR 900 p.m. (plus INR 900 for chauffeur, if provided) | INR 3,000 p.m. (plus INR 3,000 for chauffeur, if provided) |

➤ **Increase in Valuation of Perquisites**

A. Employee owns and uses a Motor car for official Duties and Personal Use

Employer bearing running and maintenance expenses

| Particulars                            | IT Rules 1962   | Draft Rules 2026  |
|--|---|---|
| Engine cubic capacity Up to 1.6 liters | Actual Expenditure incurred by the employer as reduced by maximum amount of INR 1,800 p.m. (plus INR 900 for chauffeur, if provided). | Actual Expenditure incurred by the employer as reduced by maximum amount of INR 5,000 p.m. (plus INR 3,000 for chauffeur, if provided). |
| Engine cubic capacity Above 1.6 liters | Actual Expenditure incurred by the employer as reduced by maximum amount of INR 2,400 p.m. (plus INR 900 for chauffeur, if provided). | Actual Expenditure incurred by the employer as reduced by maximum amount of INR 7,000 p.m. (plus INR 3,000 for chauffeur, if provided)  |

B. Employee owns and uses any other automotive vehicle for official Duties and Personal Use

Employer bearing running and maintenance expenses

| IT Rules 1962                                 | Draft Rules 2026  |
|---|---|
| <b>Expenditure allowed up to INR 900 p.m.</b> | Actual Expenditure incurred by the employer as reduced by maximum amount of INR 3,000 p.m |

## ➤ Positives - Enhanced Exemption Limits

### ❖ Free or concessional educational facilities:

The threshold for exemption in respect of free or concessional educational facilities provided to an employee's child has been increased **from INR 1,000 to INR 3,000 per month per child**, beyond which the perquisite value becomes taxable – (Rule 15 (4) Table III Sl. No. 3(b) and 3(c))

### ❖ Interest-free or concessional loans:

The threshold for exemption in respect of interest-free or concessional loans for medical treatment for diseases as specified in Rule 18 of Income Tax Rule, 2026 has been increased from **INR 20,000 to INR 2,00,000 in aggregate**, below which no perquisite value shall be attributed, subject to the prescribed conditions – (Rule 15 (5) (a) Table IV Sl. No. 1)

### ❖ Free food and non-alcoholic beverages:

The exemption threshold for free food and non-alcoholic beverages provided by the employer during working hours at office or business premises or through paid vouchers usable only at eating joints, has been enhanced from **INR 50 to INR 200 per meal**-(Rule 15 (5) (a) Table IV Sl. No. 3)

### ❖ Gifts, vouchers, or tokens:

The exemption threshold for gifts, vouchers, or tokens provided to employees has been increased **from INR 5,000 to INR 15,000** in aggregate per tax year - (Rule 15 (5) (a) Table IV Sl. No. 4)

## ➤ Positives - Enhanced Exemption Limits

### ❖ House Rent Allowance:

The list of cities eligible for a 50% House Rent Allowance (HRA) exemption under the old tax regime has been expanded beyond the traditional four metros (Mumbai, Delhi, Kolkata and Chennai) **to include Bengaluru, Hyderabad, Pune and Ahmedabad.** – (Rule 279)

### ❖ Children Education Allowance:

The exemption limit for Children Education Allowance under the old tax regime has been increased from **INR 100 to INR 3,000 per month per child**, subject to a maximum of two children - (Rule 280 (2) Sl. No. 7)

### ❖ Hostel expenditure allowance:

The exemption limit for hostel expenditure allowance under the old tax regime has been enhanced from **INR 300 to INR 9,000 per month per child**, subject to a maximum of two children - (Rule 280 (2) Sl. No. 8)

### ❖ Transport Allowance for physically challenged employees:

The exemption has been revised by replacing the earlier limit of INR 3,200 pm with an enhanced ceiling of **INR 15,000 plus Dearness Allowance for employees residing in metro cities** and **INR 8,000 plus Dearness Allowance for employees residing in other cities** – (Rule 280(2) Sl. No.10)

# CORPORATE TAX RULES

## ➤ Maintenance of books of account

- ❖ Existing section 44AA of ITA 1961 r.w. Rule 6F prescribes books of account for professionals and not for other taxpayers.
- ❖ Section 62(3) of ITA 2025 gives power to CBDT to prescribe books for all taxpayers.
- ❖ Proposed Rule 46(8) mandates books maintained in electronic mode to comply with following conditions -
  - shall remain accessible in India at all times, and
  - the back-up of such books maintained in electronic mode,
    - shall be kept in servers physically located in India, and
    - shall be updated on a daily basis
- ❖ Tax auditor to certify compliance in clause 14(c)/(d)/(e) of Form 26 (Form 3CD as per ITA 1961).
- ❖ Impacts non-corporate taxpayers / Indian project offices of foreign companies.

## ➤ Tax Audit Report related

- ❖ Under ITA 1961, Tax audit report is required to be furnished in
  - Form 3CA – For taxpayers already audited under other law
  - Form 3CB – For taxpayers not audited under any other law
  - Form 3CD – Detailed statement of particulars in 44 clauses to be annexed with Form 3CA/3CB
- ❖ IT Rules 2026 proposes uniform reporting for all taxpayers in Form 26 with 4 Parts and 10 Schedules (55 clauses)
  - Part C comparable to Form 3CA and Part D comparable to Form 3CB
- ❖ Key additional particulars raising concern
  - Tax auditor is required to provide impact of statutory auditor's or own qualifications on variation in income/loss/book profit for the tax year, if not already considered in Part B.
  - Clause 43 requires reporting of foreign remittances not subjected to TDS (Part D- New Form 145 / Current Form 15CA) including amount chargeable to tax
  - Duplicated compliance with clause 51(b) (current clause 20(b)(i) – S.40(a)(i) disallowance)

➤ **Taxpayers opting for Concessional Tax Regime (CTR)**

| Particulars                      | ITA 1961  | ITA 2025   |
|----------------------------------|---|--|
| <b>Relevant Section</b>          | Section 115BAA  | Section 200 <del>(5)</del> + other CTR provisions                    |
| <b>Who can opt</b>               | Domestic companies (22% CTR), similar provisions for co-operative societies | All eligible taxpayers (including companies & others as per new law) |
| <b>Mode of exercising option</b> | Separate form (Form 10-IC) required   | Option exercised directly in ROI                                     |
| <b>Time limit</b>                | On or before due date of ROI u/s 139(1)                                     | On or before due date of ROI u/s 263(1)                              |
| <b>Belated return impact</b>     | Belated return does NOT invalidate option if Form 10-IC filed on time       | If ROI not filed on time → option may be missed (concern area)       |
| <b>Withdrawal of option</b>      | Through prescribed procedure/forms  | Through ROI itself   |
| <b>Coverage of taxpayers</b>     | Domestic Companies  | Domestic Companies   |
| <b>Rule provision</b>            | No specific rule like this  | Rule 136   |
| <b>Key concern</b>               | Compliance burden due to separate form                                      | Risk of losing option if ROI not filed on time                       |

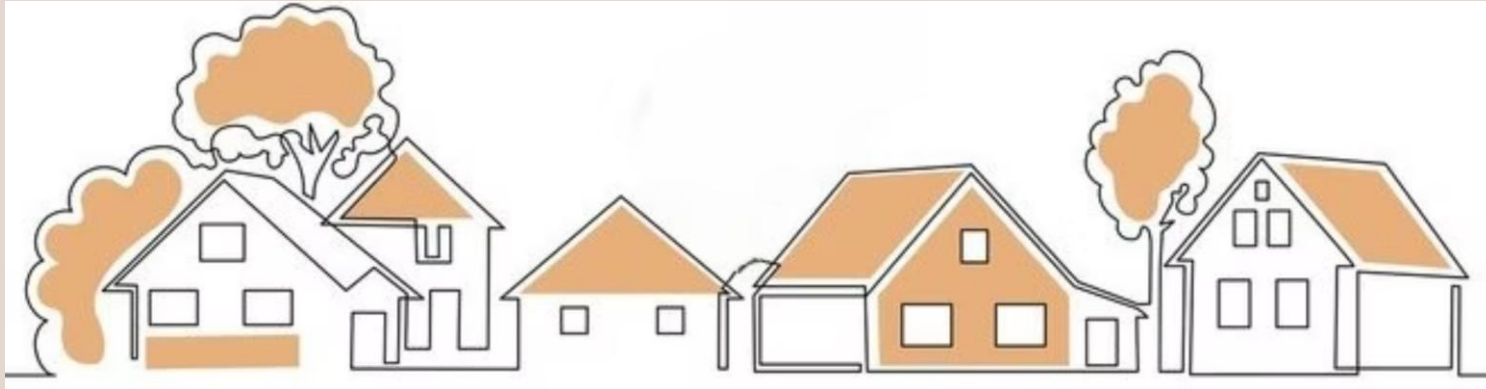
➤ **Tax residency certificate (TRC)**

| Particulars                       | ITA 1961 (Old Law)  | ITA 2025 (New Law)   |
|-----------------------------------|---|--|
| <b>Relevant Rule/Form</b>         | Rule 21AB – Form 10F  | Rule 75 – Form 41  |
| <b>When form is required</b>      | Only if TRC <b>does not contain prescribed particulars</b>          | <b>Mandatory in all cases</b> , even if TRC contains details   |
| <b>Basic particulars required</b> | Status, Nationality, Country of Incorporation, TIN, Period, Address | Status, Nationality, Country of Incorporation, TIN, Period, Address, Email ID, Contact No., Communication Address in India, PAN of signatory |
| <b>Compliance burden</b>          | Lower   | Higher (mandatory filing + Addl. details)  |
| <b>Objective</b>                  | Fill gaps in TRC information  | Standardized and detailed reporting  |

## ➤ Other Relevant Provisions :-

| Basis   | Income-tax Act, 1961   | Income-tax Act, 2025  | Nature of Change                      |
|---|--|---|---------------------------------------|
| Disallowance of expenditure relating to exempt income | Rule 8D + Sec 14A applies <b>only if AO is not satisfied</b> with taxpayer's claim | Rule 14 does not explicitly state this, but <b>Sec 14(2) retains AO dissatisfaction condition</b> | Drafting shifted from Rule to Section |
| Condition for invoking method                         | Explicit in Rule 8D  | Implied through Section 14(2)   | Structural refinement                 |
| TCS return filing due dates                           | Separate due dates for TDS and TCS   | <b>Alignment of TCS due dates with TDS returns</b>  | Compliance simplification             |
| Crypto asset reporting                                | Limited reporting requirements   | <b>Mandatory annual reporting introduced (from 1 April 2026)</b>                                  | New compliance requirement            |
| Relevant section for crypto reporting                 | Sec 285BA (SFT) with limited scope   | Expanded reporting under updated framework  | Broader reporting scope               |
| Reporting framework for crypto service providers      | Not comprehensive  | <b>Detailed framework under Rules 241–244</b>   | New regulatory framework              |
| Due diligence & record maintenance (crypto)           | Not specifically defined   | <b>Mandatory for crypto exchanges/service providers</b>   | New obligation                        |
| Reporting form for crypto transactions                | No specific form   | <b>Form 167 introduced</b>  | New form introduced                   |

# HEAD 2: INCOME FROM HOUSE PROPERTY



## Standard Deduction Clarity

Under the ITA 1961, 30% of the annual value is allowed as a standard deduction and an ambiguity exists as to whether the annual value amount considered for the standard deduction should be reduced by municipal taxes. The ITA 2025 clarifies that the annual value after the deduction for municipal taxes needs to be considered when computing the standard deduction.

## Annual Value & Self-Occupied Property – Clarity

The Income-tax Act, 2025 keeps most annual value rules unchanged but improves drafting clarity. The two-house limit and other provisions remain the same.

## Definition of the term “owner”

Under the ITA 2025, “owner” explicitly includes any part owner of the house property.

## ➤ Section-wise Comparison

| Concept / Provision                                      | Income-tax Act, 1961 (Old Act)  | Income-tax Act, 2025 (New Act)  | Key Change / Remark   |
|--|---|---|---|
| <b>Charging Section</b>                                  | <b>Section 22</b> – Income from house property is charged to tax where assessee is owner of building or land appurtenant. | <b>Section 20</b> – Charging provision for income from house property.                                | Section number changed due to restructuring of Act. Concept remains same. |
| <b>Annual Value Determination</b>                        | <b>Section 23</b> – Annual value determined based on expected rent or actual rent, vacancy allowance etc.                 | <b>Section 21</b> – Annual value rules including expected rent, vacancy, self-occupied property etc.  | Only renumbering and simplification.                                      |
| <b>Self-Occupied Property</b>                            | Annual value = <b>Nil for up to 2 houses</b> if self-occupied.  | Same rule retained U/s 21(6): <b>Annual value Nil for up to two houses.</b>                           | No major conceptual change.   |
| <b>Stock-in-trade property (builder unsold property)</b> | Annual value nil for <b>2 years from completion certificate</b> (after amendments).                                       | Same rule retained for <b>2 years</b> for unsold stock U/s 21(5)                                      | Provision carried forward.  |
| <b>Deductions from House Property</b>                    | <b>Section 24</b> – deductions allowed:<br>1. Standard deduction 30% of NAV<br>2. Interest on borrowed capital.           | <b>Section 22</b> – deductions allowed:<br>1. 30% of annual value<br>2. Interest on borrowed capital. | Only section renumbered.  |

## ➤ Section-wise Comparison

| Concept / Provision                                     | Income-tax Act, 1961 (Old Act)  | Income-tax Act, 2025 (New Act)   | Key Change / Remark                       |
|---|---|--|---|
| <b>Interest on borrowed capital</b>                     | Deduction allowed; for self-occupied property limit ₹2,00,000 (subject to conditions).                  | Same rule retained – ₹2,00,000 maximum deduction for self-occupied property.             | No major change.                          |
| <b>Pre-construction interest</b>                        | Allowed in 5 equal installments starting from year of completion.                                       | Same treatment retained.   | Now Covered U/s 22(1)(c) of the Act.      |
| <b>Interest payable outside India</b>                   | Section 25 – not deductible if TDS not deducted and no agent in India.                                  | Similar restriction included in Section 22(6).   | Provision shifted into deduction section. |
| <b>Arrears of rent / Unrealized rent received later</b> | Section 25A – taxed in year of receipt; 30% deduction allowed.  | Section 23 – arrears or unrealized rent taxed in year of receipt; 30% deduction allowed. | Same concept, new section number.         |
| <b>Property owned by co-owners</b>                      | Section 26 – each co-owner taxed separately according to share.   | Section 24 – co-owners taxed separately according to share.                              | Section Renumbered.                       |
| <b>Deemed owner / Definition of owner</b>               | Section 27 – defines deemed owner (transfer to spouse/minor child, co-operative society allottee etc.). | Section 25 – defines “owner” including deemed owners.                                    | Same concept retained.                    |

# HEAD 3: BUSINESS & PROFESSION INCOME

| Area                                 | 1961 Act                   | 2025 Act                     | Change Type           |
|--------------------------------------|----------------------------|------------------------------|-----------------------|
| <b>Charging Section</b>              | Sec. 28                    | Sec. 26                      | Structural            |
| <b>Deductions (30–37)</b>            | Separate sections          | Consolidated grouping        | Simplified drafting   |
| <b>Disallowances (Sec 40/40A)</b>    | Multiple sections          | Unified disallowance section | Structural            |
| <b>Depreciation (Sec 32)</b>         | Block of assets            | Retained under new section   | No substantive change |
| <b>Intangible Assets</b>             | Eligible (except goodwill) | Same position continues      | No change             |
| <b>Presumptive Tax (44AD/ADA/AE)</b> | Separate sections          | Consolidated framework       | Structural            |
| <b>Books &amp; Audit (44AA/44AB)</b> | Separate sections          | Renumbered                   | Structural            |

## ➤ Section-wise Comparison

| Provision   | ITA 2025 Sec | ITA 1961 Sec            | Key Change in ITA 2025  |
|---|--------------|-------------------------|---|
| Charging Section of PGBP                              | 26           | 28                      | No substantive change; simplified language and clearer structure.     |
| Computation of business income                        | 27           | 29                      | Drafting simplified; computation rule clarified.                      |
| Rent, taxes, repairs, insurance                       | 28           | 30, 31, 38              | Multiple provisions consolidated in one section.                      |
| Employee welfare deductions                           | 29           | 36, 40A                 | Related deductions grouped together.                                  |
| Deduction of insurance premium for insurance of stock | 30           | 36(1)(i)                | No major change; wording simplified.                                  |
| Bad debts deduction                                   | 31           | 36(1)(vii), 36(1)(viia) | Structure simplified; provision merged with related clauses.          |
| Other deductions                                      | 32           | 36(1)                   | Various clauses of section 36 consolidated.                           |
| Depreciation  | 33           | 32, 38                  | No major conceptual change; reorganized wording and cross references. |
| General deduction (business expenditure)              | 34           | 37                      | Language simplified and principle clarified.                          |
| Non-deductible payments                               | 35           | 40                      | Similar rule; presented more clearly.                                 |

## ➤ Section-wise Comparison

| Provision  | ITA 2025 Sec | ITA 1961 Sec | Key Change in ITA 2025                           |
|--|--------------|--------------|--|
| Expenses not deductible in certain circumstances       | 36           | 40A          | Anti-avoidance provisions grouped logically.     |
| Deduction on actual payment basis                      | 37           | 43B          | No policy change; structure simplified.          |
| Deemed business income                                 | 38           | 41           | No change.                                       |
| Actual cost of asset                                   | 39           | 43           | Terminology clarified.                           |
| Cost of acquisition rules                              | 40           | 43C          | Minor drafting improvements.                     |
| Written down value                                     | 41           | 43(6)        | Clarified definitions and computation structure. |
| Forex fluctuation capitalisation                       | 42           | 43A          | Provision retained with clearer wording.         |
| Forex fluctuation taxation                             | 43           | 43AA         | Same rule; language simplified.                  |
| Preliminary expenses amortisation                      | 44           | 35D          | No major change.                                 |
| Scientific research deduction                          | 45           | 35           | Moved to schedule for detailed provisions.       |
| Deduction for specified business capital expenditure   | 46           | 35AD         | No substantive change.                           |
| Agricultural extension & skill development expenditure | 47           | 35CCC, 35CCD | Two provisions merged into one section.          |
| Tea/Coffee/Rubber development account                  | 48 & Sch. IX | 33AB         | Shifted to schedule-based structure.             |
| Site restoration fund                                  | 49 & Sch. IX | 33ABA        | No substantive change.                           |
| Trade/professional association deduction               | 50           | 44A          | Provision retained with simplified drafting.     |

## ➤ Section-wise Comparison

| Provision  | ITA 2025 Sec | ITA 1961 Sec                          | Key Change in ITA 2025                              |
|--|--------------|---------------------------------------|---|
| Mineral prospecting amortization                                 | 51           | 35E                                   | No conceptual change.                               |
| Amortisation of telecom licence, amalgamation expenses, VRS etc. | 52           | 35ABA, 35ABB, 35DD, 35DDA             | Multiple amortization provisions consolidated.      |
| Consideration for transfer of business asset                     | 53           | 43CA                                  | Same rule retained.                                 |
| Mineral oil business   | 54           | 42                                    | No change except drafting clarity.                  |
| Insurance business   | 55           | 44                                    | Provision retained with structural simplification.  |
| Interest income of financial institutions                        | 56           | 43D                                   | No major change.                                    |
| Revenue recognition for construction contracts                   | 57           | 43CB                                  | No policy change.                                   |
| Presumptive taxation   | 58           | 44AD, 44ADA, 44AE                     | All presumptive schemes grouped together.           |
| Royalty/FTS of non-residents                                     | 59           | 44DA                                  | Minor drafting change only.                         |
| Head office expenditure of non-residents                         | 60           | 44C                                   | No major change.                                    |
| Presumptive taxation for non-resident businesses                 | 61           | 44B, 44BB, 44BBA, 44BBB, 44BBC, 44BBD | Various sections consolidated.                      |
| Maintenance of books   | 62           | 44AA                                  | No substantive change.                              |
| Tax audit  | 63           | 44AB                                  | Same provision with simplified language.            |
| Deduction in case of co-operative bank reorganisation            | 64           | 44DB                                  | Provision retained.                                 |
| Interpretation clause  | 65           | 44DB                                  | Added for clarity.                                  |
| Interpretation of PGBP provisions                                | 66           | 28-44DA                               | New interpretation section summarizing definitions. |

# ADDITIONAL BUSINESS INCOME PROVISIONS

## Amortization on Intangible Assets

- Depreciation provisions shift from **Section 32 (1961 Act)** to **Section 33 of the Income-tax Act 2025**.
- The **residual category of “other business or commercial rights”** is removed, narrowing intangible asset eligibility.
- Depreciation provisions earlier spread across sections are **consolidated into a single section**.
- The requirement that assets must be **owned and used for business** continues with clearer drafting.

## Taxes paid on Income

- Under ITA 1961, any tax levied on the profits or gains of a business or profession or assessed based on such profits is not deductible under the head PGBP. However, there is ambiguity regarding the deductibility of taxes paid on income other than business or professional profits.
- ITA 2025 addresses this by explicitly stating that any tax paid on income shall not be allowed as a deduction while computing income under PGBP, eliminating uncertainty on this matter.

# HEAD 4: CAPITAL GAINS



## Old: Scattered Provisions

Multiple sections with different rates for short-term and long-term gains across various assets



## Old: Complex Rules

Complex indexation and holding period calculations with exceptions and special cases



## New: Consolidated

Consolidated capital gains provisions with uniform definitions and clear holding periods



## New: Simplified

Holding periods and indexation rules simplified with exemptions moved to dedicated schedule

- ☐ "The Act streamlines capital gains taxation, making it easier for taxpayers to understand their liabilities and claim exemptions without confusion. Investors can now plan tax efficiently with clear rules."

# ➤ Overview of Changes

| Area                   | Position under 1961 Act                 | Position under 2025 Act             | Nature of Change            |
|------------------------|---|-------------------------------------|-----------------------------|
| Structure              | Scattered & amendment-based             | Consolidated in structured chapter  | Reorganization              |
| Section Numbers        | 45, 48, 50C, 54 etc.                    | Fully renumbered                    | Renumbering                 |
| Drafting Style         | Complex, proviso-heavy                  | Simplified, clearer language        | Drafting simplification     |
| Computation Provisions | Spread across multiple sections         | Grouped systematically              | Structural consolidation    |
| Deeming Provisions     | Separate sections (50C, 50CA, 50D etc.) | Integrated in computation framework | Consolidation               |
| STCG/LTCG Rules        | Multiple provisos                       | Cleaner classification format       | Simplification              |
| Indexation             | Proviso-based                           | Clearly structured rule             | Presentation change         |
| Exemptions (54 series) | Scattered sections                      | Grouped together                    | Better organization         |
| Obsolete Provisions    | Many transitional clauses               | Removed                             | Rationalization             |
| Core Tax Principle     | Tax on transfer of capital asset        | Same principle retained             | No major substantive change |

## ➤ Section wise comparison

| Topic / Provision                                   | Income-tax Act 1961 (Section)   | Income-tax Act 2025 (Section)  | Section-wise Change                                       |
|---|---|--|---|
| Charging Section for Capital Gains                  | Sec 45 – Capital gains arising on transfer of capital asset                             | Sec 67 – Charge of capital gains   | Renumbered and simplified charging provision.             |
| Transfer of capital asset (special cases)           | Sec 46 – Capital gains on distribution of assets by company in liquidation              | Section 68-- Capital gains on distribution of assets by company in liquidation | Section Renumbered  |
| Capital gains in special cases                      | Sec 45(1A)–45(5A) (insurance, compulsory acquisition, Joint development agreement etc.) | Included under specific rules in capital gains chapter                         | Provisions consolidated rather than multiple subsections. |
| Cost with reference to certain modes of acquisition | Sec 49  | Included in cost determination rules (Section 73)                              | Integrated into cost computation section.                 |
| Fair Market Value substitution                      | Sec 50C, 50CA, 50D  | Covered under deemed consideration provisions (Section 78,79,80)               | Anti-avoidance rules retained but streamlined.            |
| Special provision for depreciable assets            | Sec 50  | Included in capital gain computation rules (Section 74)                        | Retained concept but simplified drafting.                 |
| Capital gain on slump sale                          | Sec 50B   | Included in business transfer provisions (Section 77)                          | Concept retained with clearer formula.                    |
| Capital gain on transfer of securities by FIIs      | Sec 115AD   | Covered under special taxation rules   | Shifted to special tax provisions chapter.                |
| Computation of Capital Gains                        | Sec 48  | Included in computation formula section (Section 72)                           | Same principle but simplified structure.                  |
| Indexed Cost of Acquisition                         | Sec 48 Proviso  | Indexation rules retained in computation                                       | Method retained but simplified wording.                   |
| Capital asset definition                            | Sec 2(14)   | Retained in definitions chapter  | No major change except structural relocation.             |
| Short-term vs Long-term classification              | Sec 2(42A)  | Included in asset classification provisions                                    | Concept retained but simplified time-period rules.        |

## ➤ Section wise changes in capital gain exemptions

| Nature of Exemption  | Income-tax Act 1961 (Section) | Income-tax Act 2025 (Section) | Key Provision   |
|--|-------------------------------|-------------------------------|---|
| Transfer of residential house property                               | Section 54                    | Section 82                    | Capital gain exempt if invested in purchase/construction of residential house     |
| Transfer of agricultural land used for agriculture                   | Section 54B                   | Section 83                    | Exemption if capital gain invested in purchase of another agricultural land       |
| Compulsory acquisition of land/building                              | Section 54D                   | Section 84                    | Capital gain exempt if reinvested in land/building for industrial undertaking     |
| Investment in specified bonds (NHAI, REC etc.)                       | Section 54EC                  | Section 85                    | Exemption up to ₹50 lakh if invested in long-term specified bonds within 6 months |
| Transfer of any long-term capital asset other than residential house | Section 54F                   | Section 86                    | Exemption if net consideration invested in residential house                      |
| Shifting of industrial undertaking from urban area                   | Section 54G                   | Section 87                    | Capital gain exempt if reinvested in assets after shifting industry               |
| Shifting of industrial undertaking to SEZ                            | Section 54GA                  | Section 88                    | Exemption if capital gain reinvested in assets in Special Economic Zone           |
| Extension of time for acquiring new asset                            | Section 54H                   | Section 89                    | Time limit extended when transfer occurs due to compulsory acquisition            |
|  |                               |                               |   |

# Section 86: Residential House Reinvestment

1

## Income Tax Act 1961 (Section 54F)

Deposit before filing return, but not later than due date u/s 139(1).

2

## Income Tax Act 2025 (Section 86)

Deposit before filing the return and not later than due date applicable for filing return.

This change is a drafting change and does not have any material impact



# HEAD 5: INCOME FROM OTHER SOURCES



## Interest Income

Harmonized tax rates and TDS thresholds for bank interest, fixed deposits, and recurring deposits. Simplified TDS applicability rules reduce compliance burden for senior citizens significantly.



## Share Premium

The Income-tax Act, 2025 reorganizes and renumbers the earlier provision relating to taxation of excess share premium (previously Section 56(2)(viib)) under the chapter "Income from Other Sources." The fundamental principle remains unchanged if a closely held company issues shares at a price exceeding their Fair Market Value (FMV), the excess amount is taxable as income. The coverage of non-resident investors, introduced earlier, continues, and the prescribed valuation methods and startup exemptions are retained. Overall, the changes are primarily structural and drafting-related, without introducing any new substantive tax burden.



## Employee Welfare Schemes

Unlike ITA 1961, ITA 2025 provides specific conditions for deduction of contributions to recognized provident funds, pension schemes, and similar employee welfare schemes under IFOS computation.

## ➤ Section wise Comparison of income from other sources

| ITA 2025 Section | Section Title (2025)      | Parallel Section(s) ITA 1961 | Exact Change in ITA 2025  |
|------------------|---------------------------|------------------------------|---|
| <b>92</b>        | Income from other sources | <b>56</b>                    | Charging provision retained; drafting simplified and various income categories structured more clearly.                               |
| <b>93</b>        | Deductions                | <b>57</b>                    | Allowable deductions retained (e.g., interest on borrowed capital, collection charges, family pension deduction); wording simplified. |
| <b>94</b>        | Amounts not deductible    | <b>58</b>                    | Disallowance provisions reorganised; clearer presentation of expenses not allowed.  |
| <b>95</b>        | Profits chargeable to tax | <b>59</b>                    | Deemed income provisions retained but language simplified.  |

# TDS & TCS PROVISIONS: A MAJOR REFORM

## ➤ Structural & Rate Changes: Key Comparisons

### 1961 Act Structure

TDS scattered across Sections 192-196D. TCS primarily in Section 206C. Complex, fragmented framework requiring constant cross-referencing.

### 2025 Act Structure

Unified framework grouped under new sections. Clearer organization with consolidated provisions for easier compliance and interpretation.

**1**

### Section 392 - Salary TDS

Consolidated provisions for salary deductions with streamlined compliance requirements.

Previous section – 192.

**2**

### Section 393 - Other Payments

Detailed tables covering all non-salary TDS scenarios with clear applicability conditions.

**3**

### Section 394 - TCS Single Table

Comprehensive consolidated table replacing fragmented TCS provisions across multiple sections.

## ➤ Section wise Comparison chart

| Old Act Section (1961) | Nature of Payment              | New Act Section (2025)               |
|------------------------|--------------------------------|--------------------------------------|
| 192                    | Salary                         | <b>392</b>                           |
| 192A                   | PF withdrawal                  | <b>392(7)</b>                        |
| 193                    | Interest on securities         | <b>393(1) Table – Sl.5(i)</b>        |
| 194                    | Dividend                       | <b>393(1) Table – Sl.7</b>           |
| 194A                   | Interest other than securities | <b>393(1) Table – Sl.5(ii),(iii)</b> |
| 194B                   | Lottery winnings               | <b>393(3) Table – Sl.1</b>           |
| 194BA                  | Online gaming winnings         | <b>393(3) Table – Sl.2</b>           |
| 194BB                  | Horse race winnings            | <b>393(3) Table – Sl.3</b>           |
| 194C                   | Contractor payments            | <b>393(1) Table – Sl.6(i)</b>        |
| 194D                   | Insurance commission           | <b>393(1) Table – Sl.1(i)</b>        |
| 194DA                  | Life insurance maturity        | <b>393(1) Table – Sl.8(i)</b>        |
| 194G                   | Lottery ticket commission      | <b>393(3) Table – Sl.4</b>           |
| 194H                   | Commission / brokerage         | <b>393(1) Table – Sl.1(ii)</b>       |

## ➤ Section wise Comparison chart

| Old Act Section (1961) | Nature of Payment                                    | New Act Section (2025)          |
|------------------------|--|---------------------------------|
| 194I                   | Rent   | <b>393(1) Table – Sl.2(i)</b>   |
| 194IA                  | Transfer of immovable property                       | <b>393(1) Table – Sl.3(i)</b>   |
| 194IB                  | Rent by individual/HUF                               | <b>393(1) Table – Sl.2(ii)</b>  |
| 194J                   | Professional/technical fees                          | <b>393(1) Table – Sl.6(iii)</b> |
| 194K                   | Income from mutual funds                             | <b>393(1) Table – Sl.4(i)</b>   |
| 194LA                  | Compensation on land acquisition                     | <b>393(1) Table – Sl.3(iii)</b> |
| 194M                   | Payment by individual/HUF to contractor/professional | <b>393 Table – Sl.6</b>         |
| 194N                   | Cash withdrawal                                      | <b>393(3) Table – Sl.5</b>      |
| 194O                   | E-commerce operator payments                         | <b>393(1) Table – Sl.8(v)</b>   |
| 194P                   | Specified senior citizen                             | <b>393(1) Table – Sl.8(iii)</b> |
| 194Q                   | Purchase of goods                                    | <b>393(1) Table – Sl.8(ii)</b>  |
| 194R                   | Benefit or perquisite                                | <b>393(1) Table – Sl.8(iv)</b>  |
| 194S                   | Virtual digital assets                               | <b>393(1) Table – Sl.8(vi)</b>  |
| 194T                   | Payment to partners                                  | <b>393(3) Table – Sl.7</b>      |

# Key Changes in provisions

- Uniform threshold for deduction of tax is introduced for all payments of interest on securities [Section 193 of the 1961 Act/Table 1, Sl. No. 5(i) of Section 393(1) of the 2025 Act]
- Exemption from deduction of tax from interest payable to a co-operative bank is **omitted** [Section 194A(3)(iii) of the 1961 Act/Table 4, Sl. No. 7 of Section 392(4) of the 2025 Act]
- Time limit to furnish a correction statement of the TDS/TCS statement is reduced from **6 Years to 2 Years** from the end of the year in which such statement is required to be delivered.[Section 200(3) of the 1961 Act/Section 397(3)(f) of the 2025 Act]
- Tax to be deducted on payment or credit of interest on compensation awarded by the Motor Accidents Claims Tribunal [Section 194A(3)(ix) & (ixa) of the 1961 Act/ Table 4, Sl. No. 7 of Section 392(4) of the 2025 Act]
- A new provision has been introduced to empower the CBDT to issue guidelines for the removal of any difficulty in giving effect to the entire chapter of collection and recovery of tax [Section 400 of the 2025 Act]
- 'Rent' definition now **includes** factory buildings and appurtenant land.
- Advertising services included under professional services.

# THRESHOLD & RATE MODIFICATIONS

**₹10K**

## Interest on Securities

Threshold raised from ₹0 to ₹10,000, providing relief to small investors \*

**₹10K**

## Dividend Income

Threshold increased from ₹5,000 to ₹10,000, doubling the exemption limit for individuals \*

**₹1L**

## Bank Interest (Seniors)

Threshold for banks/co-operative societies raised from ₹50,000 to ₹1,00,000 for seniors \*

**₹10L**

## Liberalized Remittance Scheme

TCS threshold increased from ₹7,00,000 to ₹10,00,000 for foreign remittances \*

**₹50K**

## Bank Interest (Others)

Threshold for banks/co-operative societies raised from ₹40,000 to ₹50,000 \*

# KEY CHANGES IN WITHHOLDING & REPORTING FORMS

| S. No. | Form For  | Previous Form (ITA 1961) | New Form (ITA 2025) |
|--------|---|--------------------------|---------------------|
| 1      | Lower TDS Certificates Application                  | 13                       | 128                 |
| 2      | Salary TDS Deduction Certificate                    | 16                       | 130                 |
| 3      | TDS Certificates Others                             | 16A                      | 131                 |
| 4      | TAN Application                                     | 498(2)                   | 135                 |
| 5      | TDS Return Filing Salary                            | 24Q                      | 138                 |
| 6      | TDS Return Filing Other than Salary - Residents     | 26Q                      | 140                 |
| 7      | TDS Return Filing Other than Salary - Non-Residents | 27Q                      | 144                 |
| 8      | TCS Return Filing                                   | 27EQ                     | 143                 |
| 9      | 26AS  | 26AS                     | 168                 |
| 10     | TCS Certificate                                     | 27D                      | 133                 |

The numbering system has been rationalized, making forms easier to locate and reference. Many form numbers now follow logical grouping patterns, reducing confusion in compliance activities.

# AUDIT & ASSURANCE FORMS: MAJOR OVERHAUL

## Tax audit forms

| S. No. | Particulars                         | Previous Form (ITA 1961) | New Form (ITA 2025) |
|--------|-------------------------------------|--------------------------|---------------------|
| 1      | Tax Audit (55 segment wise clauses) | 3CA & 3CB, 3CA & 3CD     | 26                  |
| 2      | Transfer Pricing Audit              | 3CEB                     | 48                  |
| 3      | MAT                                 | 298                      | 66                  |
| 4      | TRC                                 | 10FA                     | 42                  |
| 5      | Information for DTAA benefit/TRC    | 10F                      | 41                  |

## Forms for appeals & appellate proceedings

| S. No. | Particulars                         | Previous Form (ITA 1961) | New Form (ITA 2025) |
|--------|-------------------------------------|--------------------------|---------------------|
| 1      | ITAT Appeals                        | 36                       | 115                 |
| 2      | CIT Appeals                         | 35                       | 99                  |
| 3      | ITAT Memorandum of cross objections | 36A                      | 116                 |

Tax audit forms now have 55 segment-wise clauses providing detailed breakdown of requirements. This granular approach enhances audit quality while increasing documentation burden.

# KEY CHANGES IN FORMS FOR CHARITABLE TRUSTS, NON-PROFITS AND PAN

A concise mapping of form numbers from the Income-tax Act 1961 to the re-cast Income-tax Act 2025 (ITA 2025). This card summarizes the most relevant form renumbering and purpose changes that affect charitable trusts, societies, Section 8 companies and PAN applications — essential for compliance teams and nonprofit administrators planning transitional filings.

| Purpose / Compliance Area                                      | Old Form (Income-tax Act, 1961) | New Form (Income-tax Act, 2025) | Description / Use   |
|--|---------------------------------|---------------------------------|---|
| <b>Provisional Registration / Approval</b>                     | Form 10A                        | Form 104                        | Used for <b>provisional registration of charitable trusts and institutions</b> under the new Act. |
| <b>Registration / Renewal</b>                                  | Form 10AB                       | Form 105                        | Used for <b>renewal or regular registration</b> of trusts, societies, and Section 8 companies.    |
| <b>Donee Statement</b>   | Form 10BD                       | Form 113                        | Statement filed by institutions <b>reporting donations received.</b>                              |
| <b>Donor Certificate</b>                                       | Form 10BE                       | Form 114                        | <b>Certificate issued to donors</b> for claiming tax deduction on donations.                      |
| <b>Statement of Accumulation</b>                               | Form 10                         | Form 109                        | Filed when a trust <b>accumulates income for future application.</b>                              |
| <b>Audit Report (Trusts / Societies / Section 8 companies)</b> | Form 10B / 10BB                 | Form 112                        | <b>Audit report filing</b> for charitable or religious institutions.                              |
| <b>PAN Application (Indian applicants)</b>                     | Form 49A                        | Form 94                         | Application for <b>PAN for Indian individuals/companies.</b>                                      |
| <b>PAN Application (Foreign / Non-resident applicants)</b>     | Form 49AA                       | Form 95                         | Application for <b>PAN for foreign entities or non-residents.</b>                                 |

# KEY CHANGES IN FORMS FOR FOREIGN REMITTANCES & REPORTING

ITA 2025 renumbers and consolidates foreign remittance reporting forms. Compliance teams, authorised dealers and CA signatories should review workflows that generate 15CA/15CB and SFT returns to ensure correct form numbers and certificate references.



## Foreign Remittance

Old form: 15CA → New form: 145. Use for payer's declaration for outward remittances.



## CA Certificate for Remittance

Old form: 15CB → New form: 146. Ensure CA templates and sign-off language reference 146.



## SFT (Specified Financial Transactions)

Old form: 61A → New form: 165. Review systems that extract transaction data for SFT/165 submission.

Double Click Below Link to Open Comparative List of Sections



section list-17-88 (1).pdf



# MAT PROVISIONS

| Parameter                | Income-tax Act, 1961                       | Income-tax Act, 2025   |
|--------------------------|--|--|
| Governing section        | Section 115JB                              | Section 206  |
| MAT Rate                 | 15% of book profits                        | Reduced to 14%   |
| MAT Credit Generation    | Allowed; carried forward 15 years          | Old regime: none; New regime: limited set-off only               |
| MAT as Final Tax         | Timing difference; credit recoverable      | Final tax for old regime; no credit                              |
| New Regime Applicability | MAT credit lapsed on switching             | Pre-existing credit set-off allowed (up to 25% of tax liability) |
| Structural Nature        | Complex, extensively amended over 65 years | Consolidated re-codification; simplified numbering               |
| Surcharge & Cess         | Applicable on MAT liability                | Continues under both regimes                                     |
| IFSC Unit Exemption      | Excluded from MAT scope                    | Continues to be excluded   |
| Book Profit Adjustments  | Detailed adjustments under Sec. 115JB      | Retained with renumbered sections                                |

# **THE FOUNDATION: MAT UNDER THE INCOME TAX ACT, 1961**

## **Core Purpose**

Ensure companies with substantial book profits contribute a minimum tax, even when deductions and exemptions reduce normal tax liability to zero.

## **Mechanism**

Companies pay the **higher** of normal tax liability or MAT on book profits.

## **MAT Rate**

15% of book profits (excluding IFSC units)

## **MAT Credit**

Excess MAT paid carried forward for **15 years**; usable when normal tax exceeds MAT.

## **Applicability**

Primarily for companies under the **old tax regime**.

# OLD ACT: KEY PROVISIONS UNDER ITA 1961

## Section 115JB

Governing provision for MAT computation on book profits under the Companies Act.

## Book Profit Definition

Net profit per P&L, adjusted for specific items like depreciation, deferred tax, and exempt income.

## Surcharge & Cess

MAT liability subject to applicable surcharge and 4% health & education cess on the computed tax.

## Set-Off Mechanism

MAT credit set off only when normal tax liability exceeds MAT liability in a future year.

## Exemptions

IFSC units, certain infrastructure companies, and entities with nil book profits were outside MAT scope.

## Timing Difference

MAT was largely a **cash-flow issue** – not a permanent cost – due to the credit carry-forward mechanism.

# KEY SHIFT: MAT UNDER THE INCOME TAX ACT, 2025

FINANCE BILL 2026 AMENDMENTS



## Core Structural Change

MAT is no longer a credit-based system for many – it becomes a **final tax** for companies under the old regime.



## Rate Reduction and Utilization Cap

Reduction from **15% to 14%** of book profits for companies continuing under the old regime. MAT Credit can now be Setoff **upto 25% of Regular Liability**



## No New MAT Credit (Old Regime)

Accumulated MAT credit under the old regime will **lapse**. MAT paid becomes the final tax with no carry-forward.



## New Regime Credit Treatment

Companies opting for the new regime from FY 2026–27 can set off MAT credit accumulated up to **March 31, 2026**. The original 15 Years Carry Forward Limit remains.

# STRATEGIC IMPLICATIONS & CONCLUSION

## → Cash Flow → Final Tax

MAT becoming a final tax under the old regime increases the effective tax burden permanently.

## → Incentive to Transition


Lapse of MAT credit may push companies toward the **new tax regime**, despite its deduction limitations.

## → Revenue Focus

Amendments signal stronger intent to ensure **minimum tax contribution** from profitable companies.

## Key Takeaway

Companies must **carefully assess** existing MAT credits, tax positions, and future plans to navigate the revised MAT landscape under ITA 2025.

 Accumulated MAT credits under the old regime will lapse – immediate review is critical.

# DEDUCTION FOR SITE RESTORATION FUND – WHAT CHANGED

## ITA 1961 — Existing position (Section 33ABA)

Deduction allowed for deposits into a specified site restoration account for petroleum/natural gas businesses, subject to conditions. Withdrawals used to purchase specified assets were not eligible for deduction.

## ITB 2025 — Key change (Section 49)

Core deduction retained. New explicit treatment: amounts withdrawn and applied to purchase specified assets are now treated as business profits in the year of application.

### **Examples of Companies that require Site Restoration Fund:**

Mining Companies, Oil & Gas Exploration Companies, Power Generation Companies, Infrastructure / Industrial Projects, Construction / Quarry Operators.



# COMPLIANCE & ASSESSMENT REFORMS – SUMMARY OF PROCEDURAL SHIFTS



## Return & Disclosure

ITB 2025 expands required personal and business disclosures; Power of Attorney (PoA) no longer required with return filing — increases transparency but raises privacy and controls considerations.



## Updated Returns

New bar limiting subsequent updated returns where an earlier revision reduces loss/depreciation/AMT-MAT credits — taxpayers must plan revisions carefully to preserve future positions.



## Reassessment & Notices

ITB 2025 allows assessment of any other escaped income without separate notice — expands scope and reduces procedural safeguards formerly required.



## Search & Survey

Broader access to emails, cloud and social media; survey statements now recorded under oath — higher evidentiary weight and compliance risk.

Recommendation: strengthen documentation protocols, maintain granular audit trails for cloud communications, and reassess internal approval and PoA workflows.

# PENALTY & PROSECUTION PROVISIONS

## Penalty Framework

01

Structure of Provisions

**1961:** Spread across several sections (270A, 271AAC, 271AAB etc.)

**2025 :** Provisions reorganized into a more systematic structure (439,

**Impact:** Easier navigation

02

Under-reporting of Income

**1961:** Penalty of 50% of tax payable u/s 270A

**2025:** Concept retained u/s 439

**Impact:** No major change

03

Misreporting of Income

**1961:** Penalty of 200% of tax payable u/s 270A

**2025:** Retained with clearer drafting u/s 439

**Impact:** Better compliance clarity

04

Procedural Framework

**1961:** Various provisions scattered

**2025:** Penalty provisions consolidated

**Impact:** Simplified compliance

05

Digital Penalty Proceedings

**1961:** Implemented mainly through rules

**2025:** Recognized within the Act

**Impact:** Supports faceless penalty system

06

Technical Defaults

**1961:** Separate penalties under multiple sections

**2025:** Structured classification

**Impact:** Reduced complexity

## Prosecution Framework

01

Structure of Provisions

**1961:** Multiple sections (276C, 276CC, 277 etc.)

**2025:** Reorganized structure (478, 479, 482, etc.)

**Impact:** Easier reference

02

Failure to File Return

**1961:** Prosecution possible in specified cases u/s 276CC

**2025:** Provision retained U/S 479

**Impact:** No substantive change

03

False Statements/Verification

**1961:** Punishable with imprisonment and fine U/S 277

**2025:** Retained U/S 282

**Impact:** Strong enforcement continues

04

Tax Evasion Offences

**1961:** Defined across various sections U/S 276C

**2025:** Grouped and streamlined U/S 478

**Impact:** Better readability

05

Compounding of Offences

**1961:** Allowed under administrative guidelines U/S 279

**2025:** Framework retained U/S 491 & 532

**Impact:** Continued flexibility

06

Procedural Clarity

**1961:** Complex cross-references

**2025:** Simplified drafting

**Impact:** Reduced interpretation issues

# ASSESSMENT & REASSESSMENT FRAMEWORK

## Structure of Provisions

**1961 Act:** Assessment provisions scattered across multiple sections (143, 144, 147–151)

**2025 Act:** Reorganized and placed in a structured framework ( u/s 270,271, 279-284 respectively)

**Impact:** Easier interpretation

## Re-assessment Procedure

**1961 Act:** Notice issued u/s 148 after inquiry u/s 148A

**2025 Act:** Same mechanism retained but drafting simplified (u/s 281 & 284)

**Impact:** More transparent process

## Time Limit for Reopening

**1961 Act:** 3 years generally; up to 10 years in serious cases u/s 149(1)

**2025 Act:** changed to four years and three months from the end of relevant tax year u/s 282 (1).

**Impact:** Continuity with clarity

## Information Suggesting Escapement

**1961 Act:** Defined through explanations and rules

**2025 Act:** More clearly defined within statute ( u/s 249)

**Impact:** Reduced ambiguity

## Approval Process

**1961 Act:** Multiple administrative approvals required

**2025 Act:** Approval hierarchy streamlined

**Impact:** Faster reassessment process

## Faceless Assessment

**1961 Act:** Introduced via administrative scheme U/S 143 & 144

**2025 Act:** Explicitly integrated into the Act U/S 270 & 271

**Impact:** Strengthens digital tax administration

# TRANSFER PRICING – KEY SUBSTANTIVE REFORMS

## ALP Determination — 'computed' → 'determined'

The Income-tax Act, 2025 retains the method-based Arm's Length Price (ALP) framework but refines the drafting to emphasize selection of the “most appropriate method” based on transaction facts and FAR analysis. The change is primarily structural and clarificatory, without granting any explicit additional discretionary powers to tax authorities

## AE Definition — Clarified

- The definition of **Associated Enterprise (AE)** has been refined to remove ambiguity.
- Greater emphasis on **control, participation in management, capital, or decision-making.**

## Multi-Year Arm's length price Concept

The multiple-year ALP concept was already available under the earlier law through amendments. The Income-tax Act, 2025 consolidates and clearly structures this mechanism within the Act, improving certainty and administrative efficiency rather than introducing a new principle.

## Secondary Adjustment & Interest Provisions

- Secondary adjustment provisions continue with structured recovery mechanism.
- Clarifications introduced for computation and timelines

# RESIDUAL PROVISIONS — NOTABLE MODIFICATIONS



## Forex Fluctuation Benefit — NRI

ITA 2025 allows non-residents (except FIIs) forex fluctuation benefit on sale of unlisted Indian securities — narrows earlier asymmetry and may incentivise foreign participation in private deals.



## Icds (Income Computation & Disclosure Standards)

The **Income-tax Act, 2025** retains the **ICDS framework** that existed under the Income-tax Act, 1961. However, the new Act **integrates certain ICDS principles directly into the statutory provisions**, particularly in areas like **revenue recognition for construction and service contracts**. The Central Government still retains the power to notify ICDS for computation of business income. Overall, the change is **mainly structural and clarificatory**.



## Export Incentives

The Income-tax Act, 2025 expands and consolidates the scope of **export incentives** under business income. Export-related benefits such as duty drawback, remission schemes, and other government incentives are now expressly covered within the charging framework, reducing interpretational ambiguity. The provision is more structured compared to the 1961 Act, the change is mainly clarificatory and drafting-oriented.

## Residual Changes — Snapshot

- GST credit exclusion from asset cost when ITC claimed — prevents double benefit.
- CBDT guidelines — 2-year time limit from 1 Apr 2026 for issuance (TDS/TCS correction statement)
- Loss set-off lapses where shareholding change >49% — higher restructuring risk.

# DETAILED TABLE – ICDS (I–X) AND TREATMENT IN THE INCOME-TAX ACT 2025

| ICDS No.  | Standard   | Core Area Covered   | Key Rules under ICDS  | Treatment under Income-tax Act 2025   |
|-----------|--|---|---|---|
| ICDS I    | Accounting Policies                                      | Selection and disclosure of accounting policies           | Prudence concept restricted; expected losses generally not recognized unless allowed under another ICDS                     | Principles largely <b>absorbed into general computation provisions for business income</b> ; emphasis on consistent accounting method |
| ICDS II   | Valuation of Inventories                                 | Inventory valuation for tax purposes                      | Inventory valued at <b>lower of cost or NRV</b> ; cost includes taxes and duties  | Rules <b>incorporated directly into business income computation provisions</b> for inventory valuation                                |
| ICDS III  | Construction Contracts                                   | Accounting for long-term construction contracts           | <b>Percentage of completion method (POCM)</b> mandatory; expected loss recognized immediately                               | Specific <b>statutory provisions inserted for construction contract income recognition</b>  |
| ICDS IV   | Revenue Recognition                                      | Recognition of revenue from goods, services, and interest | Revenue recognized when <b>reasonable certainty of collection exists</b> ; service income recognized by stage of completion | Revenue recognition principles <b>embedded directly into the Act</b> for business income computation                                  |
| ICDS V    | Tangible Fixed Assets                                    | Recognition and measurement of tangible assets            | Asset cost includes purchase price and expenses attributable to bringing asset to working condition                         | Covered under <b>existing provisions for depreciation and asset cost determination</b>  |
| ICDS VI   | Effects of Changes in Foreign Exchange Rates             | Forex gain/loss recognition                               | Monetary items translated at closing rate; exchange differences recognized in income  | Provisions integrated into <b>tax computation rules for foreign exchange transactions</b>   |
| ICDS VII  | Government Grants  | Treatment of subsidies and grants                         | Grants recognized when <b>reasonable assurance exists</b> ; reduces asset cost or recognized as income                      | Relevant rules now reflected in <b>taxability provisions for subsidies/grants</b>   |
| ICDS VIII | Securities   | Accounting for securities held as stock-in-trade          | Securities classified into categories and valued at <b>lower of cost or NRV</b> category-wise                               | Rules <b>codified in business income computation provisions</b>   |
| ICDS IX   | Borrowing Costs  | Capitalization of borrowing costs                         | Borrowing cost directly attributable to asset acquisition must be <b>capitalized</b>  | Treatment aligned with <b>asset cost provisions and depreciation rules</b>  |
| ICDS X    | Provisions, Contingent Liabilities and Contingent Assets | Recognition of provisions and contingencies               | Provision recognized when <b>present obligation exists and amount can be estimated</b>                                      | Concepts incorporated into <b>general deduction and allowance provisions</b>  |

# UNDEFINED TREATY TERMS & SPECIFIED EXPENSES – INTERPRETATION RISKS

## Undefined Treaty Terms — Broader Statutory Reference

ITA 2025 permits reference to any Central Government Act relating to taxation if terms are not defined in DTAA/ITB/notification, expanding interpretive sources and reducing narrow litigation pathways.

## Specified Expenses — Ambiguity Introduced

Phrase 'otherwise allowable' removed — creates uncertainty on whether non-qualifying payments can be deducted merely by payment. This may revive disputes on year-end outstanding expenses.

Mitigation: retain conservative positions on end-of-year accruals, bolster payment documentation, and seek timely rulings where material.



# TAXATION OF NON-PROFIT ORGANISATION & RETURN FILING CONDITIONS

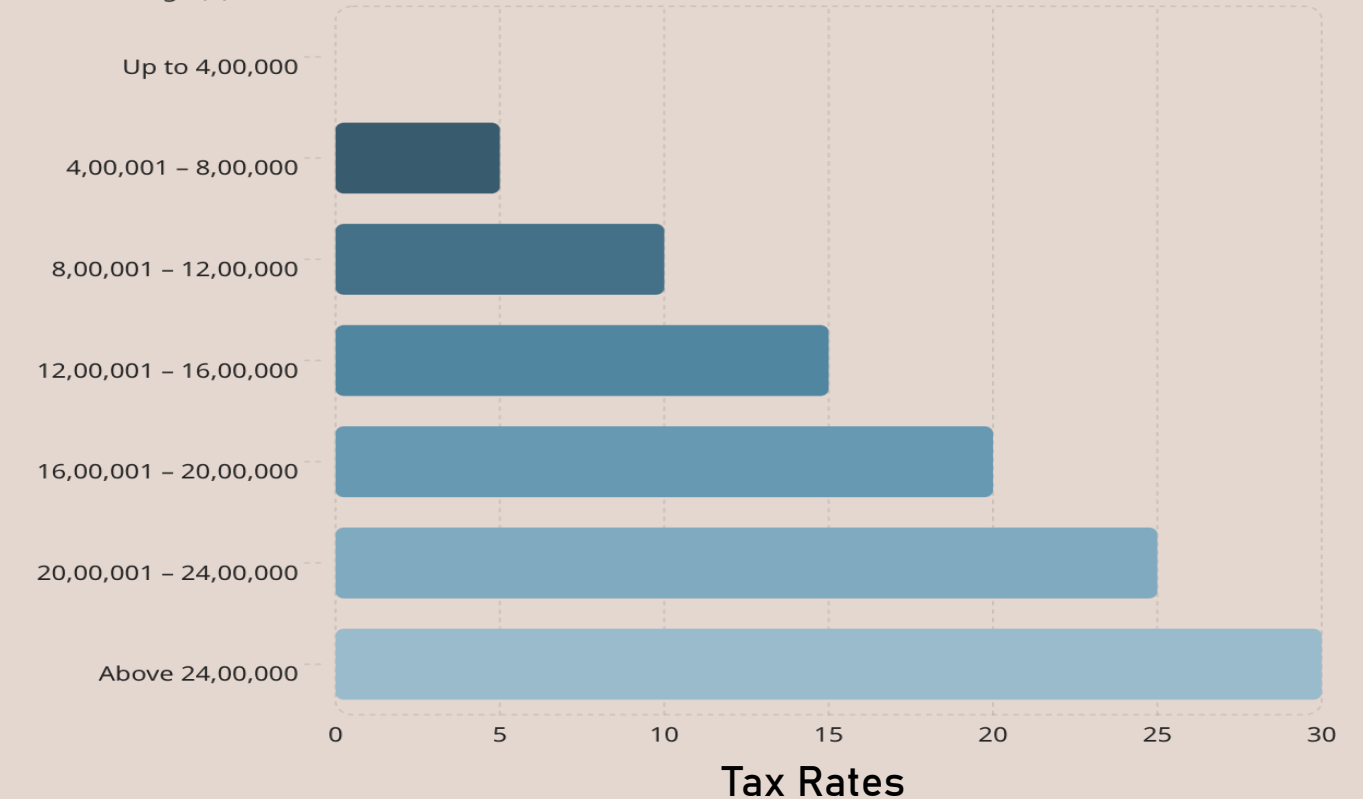
| Basis                            | Income-tax Act, 1961                                  | Income-tax Act, 2025                      | Key Difference                 |
|----------------------------------|---|---|--------------------------------|
| Overall Structure                | Scattered provisions: Sec 11, 12, 13, 12A, 80G, 115TD | Single consolidated chapter (Sec 332–355) | Highly simplified & structured |
| Drafting Style                   | Complex, proviso-heavy                                | Simple, table-based, logical flow         | Better readability             |
| Registration Renewal             | Periodic renewal (procedural complexity)              | Streamlined process                       | Reduced compliance burden      |
| Switching Regime                 | Not clearly defined                                   | Explicit provision (Sec 333)              | New clarity introduced         |
| Definition of Charitable Purpose | Sec 2(15), litigation-heavy                           | Covered u/S 2(33)                         | More clarity, less ambiguity   |
| “Wholly Charitable” Concept      | Not strongly emphasized                               | Explicit emphasis on “wholly”             | Stricter interpretation        |
| Classification of Income         | No clear classification                               | Regular, Specified, Corpus, Accumulated   | Clear categorization           |
| Deemed Corpus                    | Not clearly codified                                  | Explicit (Sec 340)                        | New clarity                    |
| Capital Expenditure              | Allowed via law + case laws                           | Explicitly structured                     | Reduced litigation             |
| Business Undertaking             | Allowed with conditions                               | Structured provision                      | More clarity                   |
| Violation Provisions             | Sec 13  | Specified Violation U/s Sec 351           | Consolidated                   |
| Books of Accounts                | Not centralized                                       | Explicit provision (Sec 347)              | Better compliance clarity      |
| Belated Return Impact            | Strict → Exemption denied                             | Relaxed → Allowed within time             | Major change                   |
| Litigation Level                 | High  | Reduced (due to clarity)                  | Practical improvement          |
| Focus of Law                     | Exemption-based                                       | Compliance-driven + structured            | Shift in approach              |



# INDIVIDUAL TAX SLABS (ITA 2025)

The ITA 2025 introduces simplified progressive tax rates. Below is a practical table for quick reference — use in payroll, employee communications and cash-flow modelling. (All amounts in ₹)

Income Range (₹)



Practical note: use these rates for withholding templates, payroll software updates, and forecasting. Confirm whether surcharges, cess or other additions apply separately under ITA 2025 when preparing final liability computations.

# DUE DATES UNDER ITA 2025 (AS PER BUDGET 2026)

Clear deadlines are critical to avoid penalties and to plan audit timelines. Below table summarizes the revised filing due dates; use for calendar integration and automated reminders.

## 1 ITR-1 & ITR-2

Due date: 31 July — Individual salaried taxpayers and basic filings. Ensure TDS/TCS reconciliation and Form 16 consolidation well ahead of July.

## 2 ITR-3 & ITR-4 (Non-Audit)

Due date: 31 August — Individuals/partners with business income not requiring audit. Coordinate bookkeeping closure and provisional computations.

## 3 Revised Return

**Old Act** – Dec 31<sup>st</sup> of the Assessment year

**New Act** – Extended to 31<sup>st</sup> March of the Tax year

## 4 Updated Return

**Old Act**- 24 months from the end of the relevant financial year

**New Act**- Extended to 48 months from end of the relevant Tax year

## 5 Taxpayers who are covered by audit and for companies

Due date: 31 October .

## 6 Assessee subject to Transfer Pricing

Due date: 30 November — Allow extra time for master file, local file, and benchmarking reports; ensure TP documentation is contemporaneous.



**Thank You**

For Your Time & Attention



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