

Income-tax Act, 2025

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Income-tax Act, 2025 – An Overview

- The Government of India introduced the Income-tax Bill, 2025 on 13 February 2025, aiming to modernize and simplify the country's six decade-old tax law. The Bill was referred to the Select Committee of Parliament for detailed examination. After receiving extensive recommendations and suggestions from stakeholders, the Government decided to withdraw the Bill and introduce a revised version Income-tax (No.2) Bill, 2025. It was passed by both Houses of the Parliament in the Monsoon session. The assent of the Hon'ble President of India was obtained on 21st August, 2025. The Income-tax Act, 2025 comes into force on 1st April, 2026. The Income-tax Rules, 2026 were notified on 20th March, 2026.
- The Income-tax Act, 1961 (1961 Act) had seen more than 4,000 amendments over the years based on the evolving taxation policy. Consequently, the 1961 Act had become complex, voluminous, scattered, and has redundant provisions.
- This comprehensive reform aims to make the income-tax law more concise, lucid and easier to understand by enhancing clarity, removing ambiguities and reducing litigation.
- The Income-tax Act, 2025 largely retains the basic tax provisions, tax regimes (old and new), tax rates and judicially interpreted terms to provide tax certainty.

Income-tax Act, 2025 – Significant Amendments by the Finance Act, 2026

- The Finance Act, 2026 has made the following significant amendments in the Income-tax Act, 2025.
 - Decriminalisation of prosecution provisions,
 - Provision of immunity from penalty where under-reported income is in consequence of misreporting,
 - Enabling application for lower deduction of tax in online mode,
 - Exemption from TAN for a resident buying immovable property from a non-resident,
 - Filing of updated return permitted in case of reduction of losses,
 - Extension of time for filing revised return

Income-tax Act, 2025 – Amendments by the Finance Act, 2026

- Exemption of interest on compensation amount awarded by Motor Accidents Claims Tribunal to an individual or legal heir and consequent exemption from TDS
- Reduction of rate of income-tax on undisclosed investment/asset from 60% to 30%. The rate of surcharge continues @25%. Cess@4% would be applicable.
- Limit of Rs.2 lakh for interest deduction for self-occupied property to also apply to prior period interest
- Non-applicability of TDS on interest income credited or paid to a co-operative society engaged in carrying on business of banking (This exemption was there under the Income-tax Act, 1961 but was not present in the Income-tax Act, 2025 notified in August, 2025. The Finance Act, 2026 has re-instated this exemption in the Income-tax Act, 2025 also).
- Rationalisation of rates of TCS

Key Features of the Income-tax Act, 2025

Simplified tax provisions with clearer language

Reduced legal disputes by removing ambiguities

Enhanced digital oversight and efficient tax reforms

Taxpayer-centric Approach

Structural Simplification of income-tax law

- The simplification is reflected in the reduction of volume of text in comparison to the Income-tax Act, 1961.

Particulars	Income-tax Act, 1961	Income-tax Act, 2025	Changes
Chapters	47	23	(-) 24 chapters
Sections	819	536	(-) 283 sections
Schedules	14	16	(+) 2 Schedules
Rules	511	333	(-) 178 Rules
Forms	399	190	(-) 209 forms

Replacement of “Notwithstanding anything contained in” in the 1961 Act with “Irrespective of anything contained in” or “Irrespective of anything to the contrary contained in” in the 2025 Act

- The phrases **“Notwithstanding anything contained in” / “Notwithstanding anything to the contrary contained in”** in the Income-tax Act, 1961 has been replaced with **“Irrespective of anything contained in” / “Irrespective of anything to the contrary contained in”** at **152 places** in the Income-tax Act, 2025.
- There is significant jurisprudence on the expression “Notwithstanding anything contained in” and “Notwithstanding anything to the contrary contained in” which has now been replaced with “Irrespective of anything contained in” and “Irrespective of anything to the contrary contained in”.
- Since the meaning of “notwithstanding anything” is judicially settled, replacing the same with “irrespective of anything” due to the reason that it sounds more simple, may give rise to a fresh spate of litigation as to whether “irrespective of anything” has the same meaning as “notwithstanding anything”.

'Without prejudice' removed or replaced with "irrespective", "nothing contained", "apart from" & "regardless"

Income-tax Act, 1961	Income-tax Act, 2025
The words ' without prejudice ' is used at 62 places in Income-tax Act, 1961	The words ' without prejudice ' is used only at 27 places in the Income-tax Act 2025.
	At many places, " without prejudice " has been omitted in the Income-tax Act, 2025
	In a few places, it is replaced by " irrespective ", " nothing contained ", " apart from " or " regardless ".

Provisos/Explanations in the Income-tax Act, 1961 converted into Sub-Sections/Clauses in the Income-tax Act, 2025

Income-tax Act, 1961	Income-tax Act, 2025
There are around 1200 Provisos and 900 Explanations in the Income-tax Act, 1961	Those Provisos and Explanations which are no longer relevant have been removed
	The other Provisos and Explanations have been converted into sub-sections and clauses in the Income-tax Act, 2025.
	This is in line with the objective of simplification of the income-tax law. Provisos and Explanations make the law complex and conversion into sub-sections/clauses is to facilitate ease of comprehension.

Extensive Use of Tabular Formats in the Income-tax Act, 2025

- **Around 55 tables have been used in the 2025 Act** as compared to 18 in the 1961 Act.
- Examples of sections presented in tabular format:
 - Sections 393 & 394 –TDS & TCS provisions
 - Section 19 – Deduction from salaries
 - Section 31 – Deduction for provision for bad and doubtful debts
 - Section 39(4) – Determination of actual cost in specified circumstances.
 - Sections 58 & 61 – Presumptive income for residents and non-residents
 - Section 194 – Tax on certain incomes chargeable at special rates (lottery, crossword puzzles, transfer of carbon credits, transfer of VDA, profits from life insurance business)

Extensive use of Formulae in the Income-tax Act, 2025

- The Income-tax Act, 2025 makes extensive use of formulas (**40+ in the 2025 Act** vis-à-vis 6 in the 1961 Act) to simplify computation and enhance clarity. Some examples of formulae used are -

	1961 Act	2025 Act	Formula used in the Income-tax Act, 2025
Special provision for computation of capital gains in case of Market Linked Debenture	50AA	76	$X=A-B-C$, where $X = \text{STCG}$; $A =$ Full value of consideration recd or accruing on transfer or redemption or maturity of the debenture/unit or bond $B =$ Cost of acquisition of debenture/unit/bond $C =$ Exp. Incurred wholly and exclusively on such transfer/redemption/maturity.
Computation of tonnage income	115VG (2)	227	$TI=DTI * N$, where TI – the tonnage income of each qualifying ship; DTI – daily tonnage income of each qualifying ship; $N =$ No. of days in a tax year.

Extensive use of Formulae in the Income-tax Act, 2025

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 2(19AA) Explanation 2: For the purposes of this clause, the liabilities referred to in sub-clause (ii), shall include –</p> <ul style="list-style-type: none"> (a) the liabilities which arise out of the activities or operations of the undertaking; (b) the specific loans or borrowings (including debentures) raised, incurred and utilized solely for the activities or operations of the undertaking; and (c) in cases, other than those referred to in clause (a) or clause (b), so much of the amounts of general or multipurpose borrowings, if any, of the demerged company as stand in the same proportion which the value of the assets transferred in a demerger bears to the total value of the assets of such demerged company immediately before the demerger. 	<p>Section 2(35) where,</p> <ul style="list-style-type: none"> ii. “liabilities relatable to the undertaking”, referred to in sub-clause (b), shall include – <ul style="list-style-type: none"> (A) the liabilities which arise out of the activities or operations of the undertaking; (B) the specific loans or borrowings (including debentures) raised, incurred and utilized solely for the activities or operations of the undertaking; and (C) the amount “N”, as computed below, in cases other than those referred to in item (A) or (B), - $N = K \times \frac{L}{M}$ <p>where,</p> <ul style="list-style-type: none"> K = the amount of general or multipurpose borrowings of demerged company; L = the value of the assets transferred in a demerger; and M = the total value of the assets of such demerged company immediately before the demerger

Placing of commonly used terms in section 2 for ease of reference in other provisions of the Act

In the Income-tax Act, 2025, some terms were defined repeatedly across multiple sections or reference to the particular section which defined the term had to be mentioned at every place the term is used. Such terms have now been defined in section 2 itself.

Income-tax Act, 1961	Income-tax Act, 2025
<p>Accountant – Since “accountant” is defined in the Explanation below sub-section (2) of section 288, at every place in the Act where accountant is referred to, it is followed by “as defined in the Explanation below sub-section (2) of section 288”</p>	<p>Section 2(1) defines an “accountant” to have the meaning assigned to it in section 515(3)(b). Therefore, there is no need to refer to add “under section 515(3)(b)” after “accountant” at the places where it is being referred to.</p>
<p>International Financial Services Centre - At every place in the Act where “International Financial Services Centre” is used, the same has to be followed by “as defined in clause (a) of the Explanation to section 80LA” or “as referred to in sub-section (1A) of section 80LA”.</p>	<p>Section 2(61) defines “International Financial Services Centre” to have the same meaning as assigned to it in section 2(q) of the Special Economic Zones Act, 2005; Therefore, there is no need to refer to section 147 at all places.</p>
<p>Senior Citizen - The definition of “Senior citizen” appears in four places in the Income-tax Act, 1961 [in sections 80D, 80DDB, 80TTB, 194A]</p>	<p>Section 2(100) defines a “senior citizen” to mean an individual resident in India who is of the age of sixty years or more at any time during the relevant tax year</p>

Tax Year in the 2025 Act *vis-à-vis* Previous Year in the 1961 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>The terms 'previous year' and 'assessment year' are being used in the Income-tax Act, 1961.</p> <p>"previous year" means the financial year immediately preceding the assessment year</p> <p>"assessment year" means the period of twelve months commencing on the 1st day of April every year</p>	<p>The terms "Assessment year" and previous year are not used in the Income-tax Act, 2025. The term "Tax Year" replaces the term 'previous year' used in the Income-tax Act, 1961.</p> <p>The term 'Tax year' is commonly used in income-tax legislation in comparable tax jurisdictions. A 'tax year' is a period of twelve months contained in a financial year.</p> <p>In case of a newly set up business or profession or source of income newly coming into existence in any financial year, "Tax Year" would be the period beginning with –</p> <ul style="list-style-type: none">(a) The date of setting up of such business or profession; or(b) The date on which the source of income newly comes into existence <p>and ending with the said financial year.</p> <p>This provision is in line with the provision in the 1961 Act.</p> <p>The stated reason for this change is that these terms were creating confusion in the minds of the taxpayers as they represented two different financial years.</p>

Presentation of Exclusions from total income u/s 10 of the 1961 Act in Schedules II to VI r.w. section 11(1) of the 2025 Act

Particulars	Income-tax Act, 1961	Income-tax Act, 2025
Examples :		
Agricultural Income, Sum received under LIC, Scholarships etc.	10(1)/10(10D)/10(16) etc.	Schedule II
Sum recd by a member from HUF, Share income of a partner, LTC recd by an individual etc.	10(2)/10(2A)/10(5) etc.	Schedule III
Exempt Income of non-residents	10(4), 10(6), 10(6A), 10(6B), 10(15)(viii) etc.	Schedule IV
Exemption to Business Trusts, Investment Fund and their unit holders	10(23FBA)/10(23FBB)/ 10(23FC)/ 10(23FCA) / 10(23FD) etc.	Schedule V
Exempt income of eligible persons in IFSCs or having income therefrom	10(4D)/10(4E)/10(4F)/10(4G)/10(4H) / 10(23FBC)/ 10(23FF)/10(34B) etc.	Schedule VI

Exclusions from total income u/s 10/13A/13B & Deductions u/s 33AB & 33ABA of the 1961 Act *vis-a-vis* Schedules VII, VIII, IX and X to the Income-tax Act, 2025

Particulars	Income-tax Act, 1961	Income-tax Act, 2025
Persons exempt from tax – PM Cares Fund, Swachh Bharat Kosh, Clean Ganga Fund etc	10(23C)(i)/(iiiiaa)/(iiiiaaa) etc.	Schedule VII read with section 11(3)
Income not to be included in the total income of political parties and electoral trusts	13A & 13B	Schedule VIII read with section 12(1)
Tea/Coffee/Rubber Development Account	33AB	Schedule IX read with section 48
Deduction for site restoration fund	33ABA	Schedule X read with section 49

Chapter IV-B Salaries

Section of the 2025 Act	Provision	Section of the 1961 Act
15	Salaries – Charging provision	15
16	Meaning of salary	17(1)
17	Perquisite	17(2)
18	Profits in lieu of salary	17(3)
19	Deductions from salaries	16 & 10(10)/(10A)/(10AA)/(10B)/(10C)

Retirement benefits – Exclusion from total income u/s 10 of the 1961 Act *vis-à-vis* deduction u/s 19(1) from Salaries

Income-tax Act, 1961	Income-tax Act, 2025
<p>Chapter III Incomes which do not form part of total income provides the sum to be excluded from total income in respect of –</p> <ul style="list-style-type: none">❑ Gratuity [Section 10(10)]❑ commuted pension [Section 10(10A)],❑ leave salary [Section 10(10AA)],❑ retrenchment compensation [Section 10(10B)] and❑ voluntary retirement [Section 10(10C)].	<p>Sl. Nos in the Table under section 19(1) in Chapter IV B – Salaries provide for the deductions from salary in respect of –</p> <ul style="list-style-type: none">❑ Gratuity [Sl. Nos. 3 to 6]❑ commuted pension [Sl. No.7 to 9],❑ retrenchment compensation [Sl. No. 10 and 11] and❑ voluntary retirement [Sl. No.12]❑ leave salary [Sl. No.13 and 14]

Deduction u/s 16 of the 1961 Act *vis-à-vis* deduction u/s 19(1) from Salaries

Income-tax Act, 1961	Income-tax Act, 2025
Deductions from Salaries u/s 16 are:	Corresponding deductions u/s 19(1) are:
(i) Standard deduction: Lower of	Table Sl. No.2 Standard deduction: Lower of
- amount of salary or Rs.50,000 (Old Tax Regime)	- salary or Rs.50,000 (Old Tax Regime)
- amount of salary or Rs.75,000 (New Tax Regime)	- salary or Rs.75,000 (New Tax Regime)
(ii) Entertainment allowance	Entertainment Allowance is <u>not</u> allowed as deduction both in the case of Government as well as other employees.
Government employees: 1/5th of salary or Rs.5000, whichever is lower.	
Other employees: Nil	
(iii) Professional tax	Table Sl. No.1 Professional tax – entire amount

u/s 19(1) of the 2025 Act, the above deductions as well as the deductions in respect of retirement benefits are provided.

Employer's contribution to Recognised Provident Fund (RPF)

Income-tax Act, 1961	Income-tax Act, 2025
As per section 17(1)(vi), Salary includes the annual accretion to the balance at the credit of an employee participating in a RPF, to the extent to which it is chargeable to tax under Rule 6 of Part A of the Fourth Schedule.	As per section 16(i), Salary includes the annual accretion to the balance at the credit of an employee participating in a RPF, to the extent to which it is chargeable to tax as per para 6 of Part A of Schedule XI.
As per Rule 6 of Para A, the following is deemed to be received by the employee and shall be included in total income and liable to tax.	As per para 6 of Para A, only interest credited on the balance to the credit of the employee which is in excess of 9.5% is deemed to be received by the employee and shall be included in total income and liable to tax.
(a) Employer contribution to RPF in excess of 12% of salary of the employee; and (b) Interest credited on the balance to the credit of the employee which is in excess of 9.5%.	Thus, the upper limit of 12% of salary for employer contribution to RPF has been removed by the FA, 2026. Therefore, employer contribution to RPF in excess of 12% of salary will not be included in salary.

Employer's contribution to RPF, NPS and Superannuation Fund

Income-tax Act, 1961	Income-tax Act, 2025
<p>As per section 17(2)(vii), perquisite includes the amount or agg. Of amts of contribution by employer to the account of the assessee in RPF, NPS and superannuation fund, to the extent it exceeds Rs.7,50,000 in a previous year.</p>	<p>As per section 17(1)(h), aggregate of employer contribution in excess of Rs.7,50,000 in a tax year to the account of the assessee in RPF, NPS and superannuation fund will be treated as a perquisite.</p> <p>Thus, while the 12% cap on employer's contribution to RPF has been removed, the overall cap of Rs.7,50,000 in a tax year for employer contribution to RPF, NPS and superannuation fund continues.</p>

Exemption of HRA [Section 10(13A) of 1961 Act r.w. Rule 2A of 1962 Rules vis-a-vis Schedule III to the 2025 Act r.w. Rule 279 of 2026 Rules]

Income-tax Act, 1961		Income-tax Act, 2025
Where an employee opts out of the default/new tax regime and computes income and pays tax under the old tax regime he is eligible for exemption of HRA upto certain limits. <u>The higher exemption of upto 50% of salary has been extended to accommodation situated in Hyderabad, Pune, Ahmedabad and Bengaluru.</u>		
Exemption u/s 10(13A) subject to the limits in Rule 2A of 1962 Rules		Exemption under Schedule III [Table Sl. No. 11] subject to the limits in Rule 279 of 2026 Rules
(i)	Actual HRA received for the period of occupation	Actual HRA received for the period of occupation (No change)
(ii)	Rent paid (–) 1/10 th of Salary for the period of occupation	Rent paid (–) 1/10 th of Salary for the period of occupation (No change)
(iii)	1/2 i.e., 50% of salary for the period of occupation where the accommodation is situated in Bombay, Calcutta, Delhi or Madras	50% of salary for the period of occupation where the accommodation is situated in Mumbai, Kolkata, Delhi, Chennai, <u>Hyderabad, Pune, Ahmedabad and Bengaluru</u>
	2/5 th i.e., 40% of salary if accommodation is situated in any other place.	40% of salary, if the accommodation is situated in any other place.

Exemption of allowances [Section 10(14) of 1961 Act r.w. Rule 2BB of 1962 Rules vis-a-vis Schedule III to the 2025 Act r.w. Rule 280(2) of 2026 Rules]

Income-tax Act, 1961		Income-tax Act, 2025
Where an employee opts out of the default/new tax regime and computes income and pays tax under the old tax regime he is eligible for exemption of certain allowances. The exemption limits have been substantially increased in the Income-tax Rules, 2026 :		
Exemption u/s 10(14) subject to the limits prescribed in Rule 2BB of 1962 Rules		Exemption under Schedule III subject to the limits prescribed in Rule 280(2) of 2026 Rules
Children education allowance	Rs.100 pm per child up to a maximum of 2 children	Rs.3,000 pm per child subject to a maximum of 2 children.
Hostel allowance	Rs.300 pm per child up to a maximum of 2 children	Rs.9,000 pm per child subject to a maximum of 2 children
Transport allowance to an employee who is blind/deaf & dumb/orthopaedically handicapped	Rs.3,200 per month [This is allowable both under the old and new tax regime]	(i) Metro cities : Rs.15,000 plus DA thereon per month (ii) Other cities: Rs.8,000 plus DA thereon per month. [This is allowable both under the old and new tax regime]

Valuation of Perquisites [Section 17(2) of 1961 Act r.w. Rule 3 of 1962 Rules vis-a-vis Section 17(1) the 2025 Act r.w. Rule 15 of 2026 Rules]

Income-tax Act, 1961		Income-tax Act, 2025		
Motor car partly used for official purposes and partly for personal purposes of employee:				
I Where it is owned or hired by employer	Rule 3 of the 1962 Rules		Rule 15 of the 2026 Rules	
	Engine cc ≤ 1.6 litres	Engine cc > 1.6 litres	Engine cc ≤ 1.6 ltrs <u>or the motor car is an Electric vehicle</u>	Engine cc > 1.6 litres
(i) Maintenance & running exp are met or reimbursed by employer	Rs.1800 pm (+ Rs.900 pm if chauffeur is also prov. by employer)	Rs.2400 pm (+ Rs.900 pm if chauffeur is prov. by employer)	Rs.5000 pm (+ Rs.3000 pm if chauffeur is prov by employer)	Rs.7000 pm (+ Rs.3000 pm if chauffeur is prov by employer)
(ii) Maintenance & running exp for personal use are fully met by the employee	Rs.600 pm (+ Rs.900 pm if chauffeur is also prov. by employer)	Rs.900 pm (+ Rs.900 pm if chauffeur is prov. by employer)	Rs.2000 pm (+ Rs.3000 pm if chauffeur is prov by employer)	Rs.3000 pm (+ Rs.3000 pm if chauffeur is prov by employer)
II Where it is owned by employee & running & maint exp are met by employer	Actual exp incurred by employer (-) amt specified in I (i) above		Actual exp incurred by employer (-) amt specified in I (i) above	

Limits upto which Perquisites are not taxable [Section 17(2) of 1961 Act r.w. Rule 3 of 1962 Rules vis-a-vis Section 17(1) the 2025 Act r.w. Rule 15 of 2026 Rules]

Limits upto which perquisites are not taxable		
Income-tax Act, 1961		Income-tax Act, 2025
Perquisite	Rule 3 of the 1962 Rules	Rule 15 of the 2026 Rules
Prov of free or concessional education facilities for any member of employee household - (i) where educational institution is owned and maintained by employer (ii) In any other educational institution by reason of his employment.	Not a taxable perquisite, if the cost of education or value of benefit per child does not exceed Rs.1000 per month	Not a taxable perquisite, if the cost of education or value of benefit per child does not exceed Rs.3000 per month
Provision of interest-free or concessional loan	Not a taxable perquisite, if the loans do not exceed Rs.20,000 in aggregate	Not a taxable perquisite, if the loans do not exceed Rs.2,00,000 in aggregate

Limits upto which Perquisites are not taxable [Section 17(2) of 1961 Act r.w. Rule 3 of 1962 Rules vis-a-vis Section 17(1) the 2025 Act r.w. Rule 15 of 2026

Limits upto which perquisites are not taxable

Income-tax Act, 1961		Income-tax Act, 2025
Perquisite	Rule 3 of the 1962 Rules	Rule 15 of the 2026 Rules
Free food and non-alcoholic beverages provided by employer during working hours at office or business premises or through paid vouchers usable only at eating joints	Not taxable to the extent the value thereof does not exceed Rs.50 per meal (this exemption is not available under new tax regime)	Not taxable to the extent the value thereof does not exceed Rs.200 per meal (this exemption is available both under old and new tax regime)
Value of gift, or voucher or token (in lieu of gift) recd by employee or member of household	Nil, if the value is below Rs.5,000 in aggregate during the previous year.	Nil, if the value is below Rs.15,000 in aggregate during the tax year.

Chapter IV-D Profits and gains of business or profession

Section of the 2025 Act	Provision	Section of the 1961 Act
26	Income under head "Profits and gains of business or profession"	28
27	Manner of computing profits and gains of business or profession	29
28	Rent, rates, taxes, repairs and insurance.	30, 31, 38
29	Deductions related to employee welfare.	36, 40A
30	Deduction on certain premium.	36
31	Deduction for bad debt and provision for bad and doubtful debt.	36
32	Other deductions.	36
33	Deduction for depreciation.	32 and 38
34	General conditions for allowable deductions.	37
38	Certain sums deemed as profits and gains of business or profession.	41
39	Computation of actual cost.	43

Chapter IV-D Profits and gains of business or profession

Section of the 2025 Act	Provision	Section of the 1961 Act
41	Written down value of depreciable asset.	43
42	Capitalising impact of foreign exchange fluctuation.	43A
44	Amortisation of certain preliminary expenses.	35D
45	Expenditure on scientific research.	35
46	Capital expenditure of specified business.	35AD
57	Revenue recognition for construction and service contracts.	43CB
58	Special provision for computing profits and gains of business or profession on presumptive basis in case of certain residents.	44AD, 44ADA, 44AE
60	Deduction of head office expenditure in case of non-residents.	44C
61	Special provision for computation of income on presumptive basis in respect of certain business activities of certain non-residents	44B, 44BB, 44BBA, 44BBB, 44BBC, 44BBD
62	Maintenance of books of account.	44AA
63	Tax Audit	44AB

Conditions for claim of additional depreciation – Section 32(1)(ia) of the 1961 Act *vis-à-vis* section 33(8) of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>U/s 32(1)(ia), additional depreciation of 20% of actual cost of new plant and machinery acquired and installed by an assessee engaged in the business of manufacture or production of any article or thing or in the business of transmission or distribution of power is allowed.</p>	<p>The parallel provision is contained in section 33(8). In addition to the four conditions, there is an additional condition in clause (c), namely:</p>
<p>Conditions to be satisfied: The P or M should not be</p> <ul style="list-style-type: none"> (i) used either within or outside India by any other person before installation by the assessee (ii) installed in office premises/residence/guest house (iii) in the nature of office appliances or road transport vehicles (iv) one where the whole of actual cost is allowed as deduction in computing PGBP of any one PY. 	<p>The new machinery or plant is first put to use by the assessee for the purposes of business. This implies that a new machinery acquired by the assessee should be first put to use by him for business purposes (and not any other purposes and thereafter for business purposes) to be eligible for additional depreciation.</p>

Consolidation of Provisions related to Employee Benefit Contributions

Income-tax Act, 1961	Income-tax Act, 2025
<p>The provisions governing deductions for employer contributions to:</p> <ul style="list-style-type: none">➤ Provident Fund➤ Gratuity Fund➤ Superannuation Fund, etc. <p>are spread across various sections.</p> <p>Sections 36(1)(iv)/(iva)/(v)/(va) contain the allowances</p> <p>Section 40A(7) and 40A(9) contain the disallowances.</p> <p>Determining the allowability of these expenses required cross-referencing several provisions along with the charging sections.</p>	<p>These provisions are consolidated in a single section i.e., section 29 "Deductions related to employee welfare", making them easier to understand and comply with.</p>

Time limit for credit of employee's contribution to PF/superannuation fund etc. to employee's account in the relevant fund extended – Section 36(1)(va) of the 1961 Act vis-à-vis section 29(1)(e) of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>As per section 36(1)(va), sum received by the assessee-employer from his employees –</p> <ul style="list-style-type: none">- as contribution to PF/ Superannuation fund/Fund set up under the ESI Act/Employee welfare fund- would be allowed as deduction only if the same is credited by the employer to the employee's account in the relevant fund/funds on or before the due date i.e., the date by which the assessee is required to credit to the employee's account in the relevant fund under any Act, Rule, order or notification issued thereunder etc.	<p>As per section 29(1)(e), as amended by the FA, 2026, the employer would be eligible for deduction if the employee's contribution is credited to the A/c of the employee in the relevant fund on or before the due date of filing of return of income u/s 263(1) for the tax year.</p> <p>Thus, for allowability of deduction, the time limit for credit to employee's account in the relevant fund has been extended upto the due date of filing of ROI u/s 263(1) for the tax year.</p>

Certain deductions to be allowed only on actual payment – Section 43B of the 1961 Act *vis-à-vis* section 37 of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>As per section 43B, notwithstanding anything contained in any other provision of the Act, a deduction otherwise allowable under this Act in respect of any sum payable by the assessee by way of tax, duty, cess or fee, by whatever name called, under any law for the time being in force would be allowed only in computing the income of that PY in which such sum is actually paid by him.</p>	<p>As per section 37(1), sums payable as specified in sub-section (2) which are otherwise allowable as a deduction under this Act shall be allowed as deduction only in the tax year in which such sum are actually paid irrespective of any provision to the contrary in the Act, method of accounting regularly followed, or the tax year in which liability was incurred.</p> <p>The sums payable shall be, inter alia, tax duty cess, surcharge or fee, by whatever name called, levied under any law in force.</p> <p>Under the 1961 Act, deduction on account of surcharge was not explicitly mentioned u/s 43B(a). However, under the 2025 Act, deduction on account of surcharge is specifically mentioned u/s 37(2)(a).</p>

Certain deductions to be allowed only on actual payment – Section 43B of the 1961 Act *vis-à-vis* section 37 of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>The proviso to section 43B provides that disallowance will not be attracted of the sums specified in clauses (a) to (g) which is actually paid by the assessee on or before the due date applicable for furnishing the return of income u/s 139(1) in respect of the PY in which the liability to pay such sum was incurred and the evidence of such payment is furnished by the assessee along with such return.</p>	<p>As per section 37(3), in case the amounts specified in clauses (a) to (f) of sub-section (2) are paid after the end of the tax year in which the liability was incurred, but on or before the due date of filing of return of income u/s 263(1) for such tax year, the deduction towards such sum shall be allowed in such tax year.</p> <p>The requirement of furnishing evidence of such payment by assessee along with such return has been removed, since all the requisite information is furnished in the ROI itself in the different schedules.</p>

Presumptive income & Tax Audit - Section 58 & 63 of the 2025 Act vis-à-vis Section 44AD & 44AB of the 1961 Act]

Income-tax Act, 1961	Income-tax Act, 2025
<p>U/s 44AD(5) (presumptive income in case of eligible assessee engaged in eligible business), the requirement of tax audit is in cases where there is a violation specified in section 44AD(4).</p>	<p>This provision is contained in section 58(8) of the Income-tax Act, 2025</p>
<p>Clause (e) of section 44AB contains the provision corresponding to section 44AD(5).</p>	<p>Section 63 does not contain a provision corresponding to section 58(8)</p>
<p>Section 44ADA(4) contains the requirement of tax audit where the eligible assessee claimed that his profits and gains from the profession or business are lower than the presumptive profits & their total income exceeds the basic exemption limit. Similar provision is however not present in section 44AD of the Income-tax Act, 1961.</p> <p>Section 44AE contains similar requirement of tax audit, however the requirement that the total income should exceed the BEL for tax audit is not present.</p>	<p>Sec 58(3) requires tax audit where the eligible assessee in Sl. No.1, 2 & 3 of the Table in sub-section (2) claimed lower profits than presumptive profits & their total income exceeds the basic exemption limit. Thus, an eligible assessee claiming his profits to be lower than 6%/8% of sales/turnover/gross receipts have to get their accounts audited.</p> <p>Corresponding requirement is contained in Sl. No.2 of the Table in section 63(1).</p>

Non-allowability of deductions and losses and allowances under section 58 of the 2025 Act *vis-à-vis* 44AD, 44ADA and 44AE of the 1961 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>Sections 44AD, 44ADA and 44AE contains a provision that any deduction allowable under the provisions of sections 30 to 38 shall be deemed to have been already given full effect to and no further deduction under those sections shall be allowed.</p>	<p>Corresponding Section 58(4) provides that any loss or allowance or deduction allowable under the provisions of the Act shall not be allowed in respect of the presumptive income computed u/s 58(2).</p> <p>This means that even intra-head and inter-head set off losses and deductions under Chapter VIII (corresponding to Chapter VI-A of the 1961 Act) in respect of certain payments, otherwise permissible, would not be permissible from such presumptive income.</p>

Chapter IV-E Capital Gains

Section of the 2025 Act	Provision	Section of the 1961 Act
67	Capital gains – Charging provision	45
68	Capital gains on distribution of assets by companies in liquidation.	46
69	Capital gains on purchase by company of its own shares or other specified securities.	46A
70	Transactions not regarded as transfer	47
71	Withdrawal of exemption in certain cases.	47A
72	Mode of computation of capital gains.	48
73	Cost with reference to certain modes of acquisition.	49
74	Special provision for computation of capital gains in case of depreciable assets.	50
75	Special provision for cost of acquisition in case of depreciable asset.	50A

Chapter IV-E Capital Gains

Section of the 2025 Act	Provision	Section of the 1961 Act
76	Special provision for computation of capital gains in case of Market Linked Debenture	50AA
77	Special provision for computation of capital gains in case of slump sale.	50B
78	Special provision for full value of consideration in certain cases.	50C
79	Special provision for full value of consideration for transfer of share other than quoted share	50CA
80	Fair market value deemed to be full value of consideration in certain cases.	50D
81	Advance money received.	51
82	Profit on sale of property used for residence.	54
83	Capital gains on transfer of land used for agricultural purposes not to be charged in certain cases.	54B
84	Capital gains on compulsory acquisition of lands and buildings not to be charged in certain cases.	54D

Chapter IV-E Capital Gains

Section of the 2025 Act	Provision	Section of the 1961 Act
85	Capital gains not to be charged on investment in certain bonds.	54EC
86	Capital gains on transfer of certain capital assets not to be charged in case of investment in residential house.	54F
87	Exemption of capital gains on transfer of assets in cases of shifting of industrial undertaking from urban area	54G
88	Exemption of capital gains on transfer of assets in cases of shifting of industrial undertaking from urban area to any Special Economic Zone.	54GA
89	Extension of time for acquiring new asset or depositing or investing amount of capital gains.	54H
90	Meaning of "adjusted", "cost of improvement" and "cost of acquisition".	55
91	Reference to Valuation Officer.	55A

Capital Gains Charging Section – Section 45(1) of the 1961 Act vis-à-vis section 67 of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>As per section 45(1), any profits or gains arising from the transfer of a capital asset effected in the previous year shall, save as otherwise provided in sections 54, 54B, 54D, 54E, 54EA, 54EB, 54F, 54G and 54H, be chargeable to income-tax under the head "Capital gains", and shall be deemed to be the income of the previous year in which the transfer took place.</p> <p>In this charging provision, the reference to section 54EC (exemption for re-investment in RECL/NHAI bonds) and section 54GA (Exemption of Capital Gains on transfer of assets in case of shifting of industrial undertaking from urban area to any SEZ) was missing.</p>	<p>As per section 67(1), any profits or gains arising from the transfer of a capital asset effected in a tax year shall, save as otherwise provided in sections 82, 83, 84, 85, 86, 87, 88 and 89, be chargeable to income-tax under the head "Capital gains" and shall be deemed to be the income of the tax year in which the transfer took place.</p> <p>In the charging provision, reference to section 85 (corresponding to section 54EC relating to exemption for re-investment in RECL/NHAI bonds) and section 88 (corresponding to section 54GA relating to Exemption of Capital Gains on transfer of assets in case of shifting of industrial undertaking from urban area to any SEZ) have also been included. This was an omission in the 1961 Act which has now been corrected.</p>

Capital Gains on Buyback – Section 2(22)(f) of the 1961 Act vis-à-vis section 69 of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>Under section 2(22)(f) of the Income-tax Act, 1961, consideration received by a shareholder on buy-back of shares by a company is treated as dividend income and taxed accordingly, while the cost of acquisition of the shares extinguished on buy-back is recognised separately as a capital loss.</p>	<p>The consideration received on buy-back shall be chargeable to tax under the head “Capital gains” under section 69. The rate of tax would accordingly be 12.5% for long-term capital gains and 20% for short-term capital gains.</p> <p>A differential rate is applicable for promoters wherein the effective rate on gains in buyback will be –</p> <ul style="list-style-type: none">• 22% for promoters which are domestic companies (additional 9.5% for LTCG and 2% for STCG)• 30% for promoters other than domestic companies (additional 17.5% for LTCG and 10% for STCG) <p>Thus, the taxation of share buy-backs been rationalised by providing that consideration received on buy-back shall be chargeable to tax under the head “Capital gains” instead of being treated as dividend income.</p>

Income in respect of any award or agreement made on A/c of compulsory acquisition of any land – Section 11 of the 2025 Act r.w. Sl. No.38C of Schedule III

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act) provides that income-tax shall not be levied on any award or agreement (other than those under section 46 of that Act) made under the said Act.</p> <p>There is no specific exemption provided in the 1961 Act.</p> <p>CBDT Circular No. 36/2016 clarified that compensation exempt under section 96 of the RFCTLARR Act shall not be taxable even in the absence of a specific exemption under the Income-tax Act, 1961.</p>	<p>In order to provide for such exemption, Sl. No.38C has been inserted in Schedule III to the 2025 Act by FA, 2026 to provide exemption to an individual or HUF in respect of any income in respect of any award or agreement made on account of compulsory acquisition of land.</p> <p>Such award or agreement is made under the provisions of the RFCTLARR Act, 2013, except u/s 46 of the said Act.</p> <p>Since the above exemption in Sch III applies only to individual and HUF, the CBDT Circular 36/2016 may continue to apply for persons other than individuals and HUFs.</p>

Chapter IV-F Income from Other Sources

Section of the 2025 Act	Provision	Section of the 1961 Act
92	Income from other sources – Charging provision	56
93	Deductions	57
94	Amounts not deductible	58
95	Profits chargeable to tax – Deemed income	59

Definition of relative – Section 56(2)(x) of the 1961 Act vis-à-vis section 92(5)(g) of the 2025 Act

Income-tax Act, 1961		Income-tax Act, 2025
Section 56(2)(x) of the 1961 Act and section 92(5) of the 2025 Act provides for taxability in the hands of the recipient in respect of sum or property received without consideration or property received for inadequate consideration. However, such sum or property would not be taxable if received from a relative. For this purpose, relative, in case of an individual, means –		
(A)	Spouse of the individual	spouse
(B)	Brother or sister of the individual	Brother or sister
(C)	Brother or sister of the spouse of the individual	Brother or sister of the spouse
(D)	Brother or sister of either of the parents of the indl	Brother or sister of either of the parents
(E)	Any lineal ascendant or descendant of the individual	Any lineal ascendant (maternal or paternal) or descendant
(F)	Any lineal ascendant or descendant of the spouse of the individual	Any lineal ascendant (maternal or paternal) or descendant of the spouse
(G)	Spouse of the person referred to in (B) to (F)	Spouse of the person ref. to in (B) to (F)
Note - The 2025 Act makes clear that an individual's lineal ascendant may be traced through either the maternal or paternal line.		

Interest awarded on compensation under the Motor Vehicles Act, 1988 and TDS – Section 56 and 194A of the 1961 Act vis-à-vis Schedule III and section 393(1) of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>Interest on the compensation amount awarded by the Motor Accidents Claims Tribunal to any person is taxable under Income from Other Sources.</p> <p>At present, TDS u/s 194A is applicable on interest on the compensation amount awarded by the Motor Accidents Claims Tribunal to any person if such interest paid exceeds Rs.50,000 during the previous year.</p>	<p>Sl. No.38B has been inserted in Schedule III by the FA, 2026 to provide exemption to an individual or his legal heir, on any interest on compensation awarded under the Motor Vehicles Act, 1988.</p> <p>Consequent to the exemption, there would be no requirement of TDS on the payment of interest on the compensation amount awarded by a Motor Accidents Claims Tribunal, to an individual.</p> <p>However, TDS u/s 393(1) [Table Sl. No. 5(ii) and (iii)] would continue to be applicable on interest on compensation amount awarded by the Motor Accidents Claims Tribunal to any person, other than an individual, where the aggregate interest on such compensation exceeds Rs.50,000 during the tax year.</p>

Deductions in respect of dividend and income from units of mutual fund – Section 57 of the 1961 Act vis-à-vis section 93 of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>Dividend income and income from units of mutual funds are taxable under the head “Income from other sources”.</p> <p>As per proviso to section 57, in respect of dividend income and income from units of a mutual fund registered under SEBI Act, 1992 or set up by a public sector bank or a public financial institution or authorized by RBI, no deduction except deduction on account of interest expense is allowable. Such interest cannot, however, exceed 20% of the dividend income or income from units.</p>	<p>As per section 93(2), no deduction is allowable in respect of interest expenditure for earning dividend or income from units of mutual fund registered under SEBI Act, 1992 or set up by a public sector bank or a public financial institution or authorized by RBI [Amendment by the Finance Act, 2026]</p>

Permissible deduction from income from letting on hire P & M or furniture and also buildings and the lettings are inseparable and not chargeable under PGBP– Section 57 of the 1961 Act vis-à-vis Section 93 of the 2025 Act

Income-tax Act, 1961		Income-tax Act, 2025	
As per section 57(1) of the 1961 Act and 93(1) of the 2025 Act, the following deductions are allowed from income from letting on hire P & M or furniture alongwith buildings and the lettings are inseparable and are not chargeable under PGBP.			
Section	Deduction	Section	Deduction
30(a)((ii)	Current repairs, where premises are occupied as an owner	28(1)(d)	Current repairs, where premises are occupied as an owner
30(c)(ii)	Insurance premium for premises	28(1)(a)	Insurance premium for premises, P & M and furniture
31	Current Repairs and insurance of P & M and furniture		
32(1)/(2)	Depreciation & Unabsorbed depreciation.	33	Depreciation and Unabsorbed depreciation.
-	-	28(1)(b)	Land revenue, local rates or municipal taxes paid.
Note – Deduction for land revenue, local rates or municipal taxes paid is being expressly allowed under the 2025 Act.			

Chapter VI Aggregation of Income

Section of the 2025 Act	Provision	Section of the 1961 Act
101	Total income.	66
102	Unexplained credits.	68
103	Unexplained investment.	69 69B
104	Unexplained asset.	69A 69B
105	Unexplained expenditure.	69C
106	Amount borrowed or repaid through negotiable instrument, hundi, etc.	69D
107	Charge of tax.	-

Deeming provisions u/s 102 to 105 of the 2025 Act (68 to 69C of the 1961 Act)

Income-tax Act, 1961	Income-tax Act, 2025
<p>Sections 68 to 69C contain the provisions whereby if the assessee offers no explanation or the explanation offered by the assessee is not found satisfactory, the value of cash credits, unexplained investments/money/expenditure may be deemed to be the income of the assessee for the F.Y.</p>	<p>The corresponding provisions 102 to 105 provide that if the assessee offers no explanation or the explanation offered by the assessee is not found satisfactory, the value of unexplained credits, unexplained investment/asset/expenditure shall be deemed to be the income of the assessee for the F.Y.</p> <p>Thus, the words "may be deemed" have been replaced with "shall be deemed".</p>

Deeming provisions u/s 102 to 105 of the 2025 Act (68 to 69C of the 1961 Act)

Income-tax Act, 1961	Income-tax Act, 2025
The title of section 68 is “ Cash Credits ” .	The title of Section 102 is “ Unexplained Credits ”
<p>Section 69 deals with <u>Unexplained investment not recorded in books of account</u></p> <p>Section 69A deals with Unexplained money etc. not recorded in books of account</p> <p>Section 69B separately deals with the situation where the AO finds that amount of investments, etc. or amount expended in bullion, Jewellery, etc. is not fully disclosed in books of account.</p>	<p>Section 103 on Unexplained investment deals with investment not recorded in books of account or where the AO finds that the amount of investment <u>exceeds the amount recorded in books of account.</u></p> <p>Likewise, section 104 on Unexplained asset deals with assets owned but not recorded in books of account or where the AO finds that the amount expended in acquiring such asset exceeds the amount recorded in books of account.</p>

Deeming provisions u/s 69D of the 1961 Act vis-à-vis 106 of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>Amount borrowed or repaid on hundi [Section 69D]</p> <p>Where any amount is borrowed on a hundi from, or any amount due thereon is repaid to, any person otherwise than through an account payee cheque drawn on a bank, the amount so borrowed or repaid shall be deemed to be the income of the person borrowing or repaying the amount aforesaid for the previous year in which the amount was borrowed or repaid, as the case may be</p>	<p>Amount borrowed or repaid through negotiable instrument, hundi, etc. [Section 106]</p> <p>Where any amount (including interest thereof) is borrowed or repaid through a negotiable instrument or on a hundi, otherwise than an account payee cheque, or through any mode as specified by the Board in this behalf, the amount so borrowed or repaid (including interest paid on the borrowed amount) shall be deemed to be the income of the person borrowing or repaying, as the case may be, for the tax year in which the amount was borrowed or repaid.</p> <p>Thus, amount (incl. interest thereof) borrowed or repaid through a negotiable instrument (otherwise than by A/c payee cheque) has also been included in the scope of this provision.</p>

Rate of tax u/s 115BBE & 271AAC of the 1961 Act vis-à-vis section 195 and 439 of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>Deemed income u/s 68 to 69D is subject to tax@60% u/s 115BBE.</p> <p>This is increased by surcharge@25% and cess@4%.</p> <p>The effective rate of tax is 78%.</p>	<p>Income under section 102 to 106 reflected in the ROI u/s 263 or determined by the AO would be subject to tax@30%.</p> <p>This is increased by surcharge@25% and cess@4%.</p> <p>The effective rate of tax is 39% (half of 78%).</p>
<p>Penalty@10% is imposable u/s 271AAC.</p> <p>However, if such income has been included by the assessee in ROI furnished u/s 139 and tax@78% has been paid on or before the end of the relevant previous year, then, no penalty is leviable.</p> <p>Penalty u/s 270A in respect of under-reporting of income is not leviable.</p>	<p>Such income is included within the scope of cases of misreporting of income.</p> <p>Accordingly, penalty@200% of the tax payable on under-reported income is leviable u/s 439. No penalty would, however, be leviable where such income is reflected in the return furnished by the assessee u/s 263.</p> <p>Assessee can make an application for immunity from penalty within 1 month from the end of the month in which order is received by him, if he pays additional income-tax@120% of the tax payable on under-reported income within the period specified in the notice of demand, in lieu of penalty, and no appeal is filed against the penalty order.</p>

Chapter VIII Deductions to be made in computing total income

Section of the 2025 Act	Provision	Section of the 1961 Act
122	A. General	
122	Deductions to be made in computing total income.	80A, 80AB, 80AC, 80B
[123-137]	B. Deductions in respect of Certain Payments	
123	Deduction for life insurance premia, deferred annuity, contributions to provident fund, etc	80C, 80CCC, 80CCE
124	Deduction in respect of employer and assessee contribution to pension scheme of Central Govt.	80CCD
125	Deduction i.r.o. contribution to Agnipath Scheme.	80CCH
126	Deduction in respect of health insurance premia.	80D
127	Deduction i.r.o. maintenance incl. medical treatment of a dependant who is a person with disability.	80DD

Chapter VIII Deductions to be made in computing total income

Section of the 2025 Act	Provision	Section of the 1961 Act
128	Dedn i.r.o. medical treatment, etc.	80DDB
129	Dedn i.r.o. interest on loan taken for higher education.	80E
130	Dedn i.r.o interest on loan taken for residential house property.	80EE
131	Dedn i.r.o interest on loan taken for certain house property.	80EEA
132	Dedn i.r.o. purchase of electric vehicle.	80EEB
133	Dedn i.r.o. donations to certain funds, charitable institutions, etc.	80G
134	Dedn i.r.o rents paid.	80GG
135	Dedn i.r.o. donations for scientific research or rural development.	80GGA
136	Dedn i.r.o. contributions given by companies to political parties.	80GGB
137	Dedn i.r.o. contributions given by any person to political parties.	80GGC

Chapter VIII Deductions to be made in computing total income

Section of the 2025 Act	Provision	Section of the 1961 Act
[138-152]	C. Deductions in respect of Certain Incomes	
138	Dedns i.r.o profits and gains from industrial undertakings or enterprises engaged in infrastructure development, etc.	80-IA
139	Dedns i.r.o profits and gains by an undertaking or enterprise engaged in development of Special Economic Zone.	80-IAB
140	Special provision in respect of specified business.	80-IAC
141	Dedn i.r.o profits and gains from certain industrial undertakings.	80-IB
142	Dedns i.r.o profits and gains from housing projects.	80-IBA
143	Special provisions in respect of certain undertakings in North-Eastern States.	80-IE
144	Special provisions in respect of newly established Units in SEZs	10AA
145	Dedn for businesses engaged in collecting and processing of bio-degradable waste.	80JJA
146	Dedn in respect of additional employee cost.	80JJAA

Chapter VIII Deductions to be made in computing total income

Section of the 2025 Act	Provision	Section of the 1961 Act
147	Dedns for income of Offshore Banking Units and Units of IFSCs	80LA
148	Dedn i.r.o certain inter-corporate dividends.	80M
149	Dedn i.r.o income of co-operative societies.	80P
150	Dedn i.r.o. income of federal co-operative.	80PA
151	Dedn i.r.o royalty income, etc., of authors of certain books other than text-books.	80QQB
152	Dedn i.r.o. royalty on patents.	80RRB
	D. Deductions in respect of Other Incomes	
153	Dedn for interest on deposits.	80TTA, 80TTB
	E. Other Deductions	
154	Dedn in case of a person with disability.	80U

Deduction in respect of maintenance including medical treatment of a dependant who is a person with disability – Section 80DD of the 1961 Act vis-à-vis Section 127 of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
A flat deduction of Rs. 75,000 is allowed from the gross total income of a resident individual/HUF for expenses incurred on medical treatment, training, rehabilitation, or for payments to approved LIC/insurer schemes for a dependent with disability.	Deduction up to Rs. 75,000 is allowed from the gross total income of a resident individual/HUF for expenses incurred on medical treatment, training, rehabilitation, or for payments to approved LIC/insurer schemes for a dependent with disability. The use of “<u>up to</u>” before the amount implies that if the expenses incurred/payments made are lower than Rs.75,000, the deduction would be restricted to that extent.
In case the dependent is a person with severe disability, the flat deduction would be Rs.1,25,000.	The upper limit is Rs.1,25,000, if the dependent is a person with severe disability.

Profit-linked deductions from Gross Total Income – Requirement of audit of accounts for claim of deductions

Income-tax Act, 1961	Income-tax Act, 2025
<p>80-IA, 80-IAB, 80-IB and 10AA are the profit-linked deductions available under the Income-tax Act, 1961 for a certain number of assessment years on fulfillment of certain conditions specified thereunder.</p>	<p>Section 138, 139, 141 and 144, corresponding to section 80-IA, 80-IAB, 80-IB and 10AA of the Income-tax Act, 1961 provides deduction of an amount calculated as per the provisions of section 80-IA, 80-IAB, 80-IB and 10AA the Income-tax Act, 1961 and for the unexpired period after considering the number of years for which deduction is provided under the Income-tax Act, 1961.</p> <p>These sections require that the amount of deduction be calculated as per the corresponding section of the Income-tax Act, 1961 and that the deduction under the 2025 Act be allowed only for such tax years as would have been allowed under the corresponding section of the Income-tax Act, 1961 if the said Act had not been repealed.</p> <p style="text-align: right;">Contd...</p>

Profit-linked deductions from Gross Total Income – Requirement of audit of accounts for claim of deductions

Income-tax Act, 1961	Income-tax Act, 2025
<p>One of the conditions for claim of deduction is that the accounts of the undertaking/enterprise etc. have to be audited by an accountant and the report of audit has to be furnished by the specified date.</p>	<p>The requirement of audit of accounts by an accountant stipulated in these sections of 1961 Act have not been spelt out in sections 138, 139, 141 and 144 of the Income-tax Act, 2025, but has been given in Rule 66 of the Income-tax Rules, 2026.</p> <p>It may be noted that the standalone sections 140 (section 80IAC of the 1961 Act) and 143 (section 80IE of the 1961 Act) contain the requirement of audit of accounts by an accountant before the specified date u/s 63. Standalone sections 146 (80JJAA of the 1961 Act) and 147 (80LA of the 1961 Act) contain the requirement of furnishing report of an accountant before the specified date u/s 63.</p>

Definition of eligible start up – Section 80IAC of the 1961 Act vis-à-vis Section 140 of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>Under section 80-IAC, an assessee, being an eligible start-up, having profits from eligible business is entitled to 100% deduction of profits for 3 consecutive AYs out of 10 AYs from the year of incorporation of the start-up.</p>	<p>The parallel provision in the Income-tax Act, 2025 is section 140. Under section 140, where the GTI of an assessee being an eligible start up includes profits and gains derived from eligible business, the assessee would be entitled to 100% deduction of profits for 3 consecutive tax years out of 10 tax years from the year of incorporation of the start-up.</p>
<p>For being an eligible start up, the total turnover of the business of the company or LLP engaged in eligible business should not exceed Rs.100 crore in the P.Y. relevant to the A.Y. for which deduction is claimed.</p>	<p>For being an eligible start up, the total turnover of the business of the company or LLP engaged in eligible business should not exceed Rs.300 crore in the tax year relevant to the tax year for which deduction is claimed. This is an amendment by the FA, 2026.</p>

Deduction for income of Offshore Banking Units (OBUs) and units of IFSC – Section 80LA of the 1961 Act vis-à-vis Section 147 of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 80LA provides 100% deduction of income of an OBU in a SEZ for 10 consecutive AYs beginning from the AY in which permission under Banking Regulation Act, 1949 or registration under SEBI Act or any other law was obtained.</p>	<p>Section 147 provides deduction to OBU in a SEZ for 20 consecutive tax years beginning from the relevant tax year in which permission under Banking Regulation Act, 1949 or registration under SEBI Act or any other law was obtained. Where the 10th year u/s 80LA has ended on 31.3.2025, the assessee would be entitled to deduction for further 10 consecutive years from the tax year beginning on 1.4.2026.</p>
<p>In case of Unit of IFSC, 100% deduction of income of unit of IFSC for which it has been approved or income arising from transfer of aircraft or ship leased by such unit, where the unit has commenced operation on or before 31.3.2030 would be allowed for any 10 consecutive AYs out of 15 years, beginning from the AY in which permission under Banking Regulation Act, 1949 or registration under SEBI Act or permission or regn under IFSCA, 2019 was obtained, at the option of the assessee.</p>	<p>For unit of IFSC, 100% deduction of income from approved business activities of the Unit or transfer of aircraft or ship leased by such unit which has commenced its business operations by 31.3.2030, would be allowed for any 20 consecutive tax years out of 25 years, beginning from the relevant tax year in which permission under Banking Regulation Act, 1949 or registration under SEBI Act or permission or regn under IFSCA, 2019 was obtained, at the option of the assessee. The business income of these units from IFSC before or after the expiry of period of deduction will be taxed at rate of 15% [Section 218]. The increase in the period of benefit by 10 years is consequent to amendment by the FA, 2026.</p>

Deduction in respect of income of a federal co-operative – Section 150 of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
There is no corresponding provision in the Income-tax Act, 1961.	<p>Section 150 has been inserted in the Income-tax Act, 2025 by the FA, 2026.</p> <p>If the GTI of an assessee-federal cooperative, in any tax year, includes any income by way of dividends received from its investment with any company, a deduction would be allowed from such income, to the extent of the amount which,—</p> <p>(a) has arisen from such investment as recorded in its books of account on or before 31st January, 2026; and</p> <p>(b) has been distributed by it to its members at least one month before the due date for filing the return of income under section 263(1).</p> <p>“Federal cooperative” means a federation of cooperative societies registered under this Act and whose membership is available only to a cooperative society or a multi-state cooperative society.</p>
	(2) This benefit is available upto tax year 2028-29.

Chapter XIII Determination of tax in Special Cases

Section of the 2025 Act	Provision	Section of the 1961 Act
	D.—Special provisions relating to Minimum Alternate Tax and Alternate Minimum Tax	
206	Special provision for minimum alternate tax and alternate minimum tax.	115JAA 115JB 115JC 115JD 115JE 115JEE 115JF

Rate of MAT and carry forward and set-off of MAT credit – Section 115JB and 115JAA of the 1961 Act vis-à-vis Section 206 of the 2025 Act.

Income-tax Act, 1961	Income-tax Act, 2025
<ul style="list-style-type: none">• The rate of MAT was 15% of book profit.• Set-off of MAT credit was allowed only if the company computed total income and paid tax as per the normal provisions of the Income-tax Act, 1961.• Set-off of MAT credit was not allowed where the company opted for the new tax regime section 115BAA .	<ul style="list-style-type: none">• Tax paid under provisions of MAT be made as final tax in the old regime and no new MAT credit be allowed.• The tax rate of MAT is 14% of book profit.• Set-off of MAT credit may be allowed only in the new tax regime u/s 200 for domestic companies to the extent of 25% of the tax liability.• In the case of foreign companies, set off would be allowed to the extent of the difference between the tax on the total income and the minimum alternate tax, for the tax year in which normal tax is more than MAT.• Exemption from Minimum Alternate Tax (MAT) to all non-residents who pay tax on presumptive basis

Chapter XVII-B - Consolidation of Provisions related to Registered Non-profit Organisations (NPOs) in one Chapter

Income-tax Act, 1961		Income-tax Act, 2025
The following sections in different Chapters of the Act contain the provisions relating to Charitable Trusts –		These provisions are now consolidated in Part B of Chapter XVII – “Special Provisions for registered non-profit organisation”
Chapter of the 1961 Act	Provisions	
Chapter I	Definition of Charitable Purpose in section 2(15)	
Chapter III	Sections 10(23C), 11, 12, 12A, 12AA, 12AB, 12AC & 13	
Chapter VIA	Section 80G	
Chapter XII	Anonymous Donation (Section 115BBC) & Specified Income (Section 115BBI).	
Chapter XII-EB	Accreted income provisions - Sections 115TD, 115TE & 115TF	

Use of common terminology – Registered non-profit organization and Registration

Income-tax Act, 1961	Income-tax Act, 2025
<p>Different terms such as trust, institution, university, educational institution, hospital etc. is used in different provisions of the said Act.</p>	<p>A common term “registered non-profit organization” has been used in line with the international practices. Registered NPO means any person having a valid registration under any specified provision and such registration has not been cancelled.</p>
<p>Section 10(23C) uses the term “approval” while section 12AB uses the term “registration”.</p>	<p>In order to avoid confusion, the term “registration” has been used in the Income-tax Act, 2025</p> <p>“Registration” has been defined in section 355(f) to include provisional registration, provisional approval and approval under section 10(23C) and section 12AB of the Income-tax Act, 1961 and section 332 of the Income-tax Act, 2025.</p> <p>However, “registration” shall not include approval under the second proviso to section 80G(5) or section 354 of the Income-tax Act, 2025.</p>

Regular Income, Residual Income and Specified Income

Income-tax Act, 1961	Income-tax Act, 2025
<p>There was no concept of "regular income" and "residual income".</p> <p>The income taxable@30% u/s 115BBI was referred to as "specified income"</p>	<p>Regular income has been defined in section 335 and the exclusions are specified in section 338.</p> <p>Taxable regular income has been defined in section 336 to mean -</p> <ul style="list-style-type: none">(i) Where 85% of regular income of the tax year has been applied as per sec 341 or accumulated as per sec 342, then, taxable regular income would be Nil.(ii) In any other case, taxable regular income would be 85% of regular income of the tax year <ul style="list-style-type: none">(-) application of income for charitable purposes as per section 341(-) accumulation thereof as per section 342 in such tax year as per the provisions of Part B of Chapter XVII <p>Residual income has been defined in section 355(j) to mean total income, before giving effect to the provisions of Chapter XVII-B, as reduced by the regular income and specified income.</p>

Scope of Specified income u/s 337 widened

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 115BBC provides for levy of tax@30% on anonymous donations</p> <p>section 115BBI provided for levy of tax@30% on specified income.</p>	<p>Section 337 provides the meaning of “specified income” which includes anonymous donation and other specified income. Section 334(a) provides for levy of tax@30% on such specified income.</p>
<p>Section 11(4) provides that where any income so determined is in excess of the income as shown in the accounts of the undertaking, such excess shall be deemed to be applied to purposes other than charitable or religious purposes.</p> <p>However, this is not specifically included in the definition of specified income u/s 115BBI.</p>	<p>Scope of “specified income” has been widened to include any income determined by the AO u/s 344 [Section 11(4) of 1961 Act] in excess of income shown in the books of account of such undertaking. Therefore, such income will now be chargeable to tax@30%.</p>

Scope of Specified income u/s 337 widened

Income-tax Act, 1961	Income-tax Act, 2025
<p>Expln 1A to sec 11(1) provides that voluntary contribution received by trust for renovation of temple, church or other place of worship, being property held under trust, then, it may choose to treat the same as corpus donation subject to satisfaction of the following conditions in (a) to (d) below -</p>	<p>Section 340 is the corresponding provision in the 2025 Act. The conditions to be satisfied mentioned in (a) to (d) remain the same.</p>
<p>(a) applies such corpus only for the purpose for which the voluntary contribution was made;</p> <p>(b) does not apply such corpus for making contribution or donation to any person;</p> <p>(c) maintains such corpus as separately identifiable; and</p> <p>(d) invests or deposits such corpus in forms & modes specified u/s 11(5)</p>	<p>Specified income u/s 337 includes any deemed corpus donation in respect of which any of the conditions specified in section 340 are violated.</p>
<p>Expln 1B to sec 11(1) - If any of the conditions are violated then the sum shall be deemed to be the income of such trust or institution of the previous year during which the violation takes place.</p> <p>However, such deemed income is not included in the definition of specified income u/s 115BBI.</p> <p>Violation of (d) alone is covered u/s 13(1)(d), due to which it would fall within the purview of specified income u/s 115BBI.</p>	<p>Therefore, violation of any of the conditions in (a) to (d) will lead to taxation of deemed income as specified income@30%.</p>

Chapter XIX-B Deduction and Collection at Source

Section of the 2025 Act	Provision	Section of the 1961 Act
[392-402]	B. Deduction and collection at source	
392	Salary and accumulated balance due to an employee	192 & 192A
393	Tax to be deducted at source	193 to 196D, 197A
394	Collection of tax at source	206C
395	Certificates	197, 195, 203 & 206C
396	Tax deducted is income received	198
397	Compliance and reporting.	203A, 206AA, 206CC, 200 206A, 206C, 194-IA, 194- IB, 194M, 194S, 195

Chapter XIX-B Deduction and Collection at Source

Section of the 2025 Act	Provision	Section of the 1961 Act
398	Consequences of failure to deduct or pay or, collect or pay	201 & 206C
399	Processing	200A & 206CB
400	Power of Central Government to relax provisions of this Chapter	194A, 194BA, 194N, 194-O, 194Q, 194R, 194S, 195, 197, 197A & 206C
401	Bar against direct demand on assessee	205
402	Interpretation	192 to 206CB

Scope of Definition of “Work” amplified for TDS [Explanation to Section 194C of the 1961 Act vis-à-vis Section 402(47) of the 2025 Act]

Income-tax Act, 1961	Income-tax Act, 2025
<p>As per clause (iv) of Explanation to section 194C, "work" shall include:</p> <ul style="list-style-type: none"> (a) advertising; (b) broadcasting and telecasting including production of programmes for such broadcasting or telecasting; (c) carriage of goods or passengers by any mode of transport other than by railways; (d) catering; (e) manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer or its associate, being a person placed similarly in relation to such customer as is the person placed in relation to the assessee under the provisions contained in clause (b) of sub-section (2) of section 40A, but does not include— <ul style="list-style-type: none"> (A) manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer or associate of such customer; or (B) any sum referred to in sub-section (1) of section 194J.] 	<p>Supply of manpower to a person to work under his supervision, control or direction has been included within the ambit of “work” u/s 402(47) by the FA, 2026, so that the provisions of section 393(1) [Table: Sl. No. 6(i)] apply. Accordingly, tax shall be deducted at source at the rate of 1% where payment is made to an individual or a HUF, and at the rate of 2% in other cases.</p>

Tax deduction on payment for advertising services

Income-tax Act, 1961	Income-tax Act, 2025
<p>There is a separate definition of “professional services” contained in section 194H and 194J of the Income-tax Act, 1961.</p> <p>The definition in section 194J includes advertising services within its scope whereas the definition in section 194H does not.</p>	<p>Section 402(28) contains a common interpretation of “professional services,” for Chapter XIX, which is in line with the definition in section 194J of the Income-tax Act, 1961, i.e., it includes advertising.</p>
<p>Since section 194H requires tax deduction at source on commission or brokerage which specifically excludes income from professional services (as defined thereunder), payment for advertising services was included within the scope of tax deduction u/s 194H and 194J</p>	<p>Therefore, advertising would now be excluded from commission/brokerage in Sl. No.1(ii) [Corresp. to section 194H] in the Table in section 393(1), since it is treated as professional services, which is covered under Sl. No. 6(iii) [Corresp to sec 194J] in the Table in sec 393(1).</p>
<p>The rate of TDS is 10% and the threshold is Rs.50,000 under section 194J while rate of 2% and threshold of Rs.20,000 u/s 194H.</p>	<p>Therefore, the rate of TDS would be 10% and the threshold is Rs.50,000 under Sl. No.6(iii) Corresp to section.</p>

Tax deduction on payment for advertising services

Income-tax Act, 1961	Income-tax Act, 2025
<p>The definition of “work” u/s 194C includes advertising, however, it does not include any sum referred to in section 194J(1). Therefore, advertising services falling within the purview of section 194J(1) is excluded from the definition of work u/s 194C.</p> <p>However, there is no exclusion in respect of advertising services falling within the purview of section 194H.</p>	<p>The definition of work u/s 402(47) includes advertising, however, it does not include any sum referred to in section 393(1) [Table: Sl. No.6(iii)].</p> <p>Therefore, advertising services falling within the purview of professional services, which is subject to TDS@10% above the threshold of Rs.50,000, is excluded from the definition of work [Table Sl. No.6(i)] in section 393(1).</p>
<p>CBDT Circular No.5/2002 relating to TDS on advertising –</p> <ol style="list-style-type: none">1. Section 194C would apply when a client makes payment to an advertising agency and not when advertising agency makes payment to the media, which incl. both electronic and print media.2. When an ad agency makes payts to their models, artists, photographers etc., the tax shall be deducted at the rate as applicable to fees for professional and technical services u/s 194J.	<p>Read with CBDT Circular No.5/2002, it can be inferred that in case 2 where section 194J applies, the same would be excluded from the definition of work u/s 194C.</p>

TDS on fees for technical services paid by an individual or HUF exclusively for personal purposes [Sec 393(4) Table Sl. No.9 & Sec 393(1) Table Sl. No.6 (ii) & (iii) corresponding to sections 194C and 194M]

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 194J requires tax deduction at source@10% by individuals and HUFs whose turnover exceeds Rs.1 crore from business or those gross receipts from profession exceeds Rs.50 lakhs on, inter alia, fees for professional services, where the threshold exceeds Rs.50,000.</p> <p>Where the fees for professional services is credited or paid by such individual or Hindu undivided family exclusively for personal purposes of such individual or any member of Hindu undivided family, no tax would be deducted as per section 194J. However, if such fees exceeds Rs.50 lakh, tax is deductible @2% under section 194M.</p>	<p>Section 393(1) Table Sl. No.6(iii) (corresponding to section 194J) has provided for no deduction of tax at source in respect of both fees for professional services and fees for technical services credited or paid by a specified person, being an individual or HUF, exclusively for personal purposes.</p> <p>However, fees for technical services has not been correspondingly included in Table Sl. No.6(ii) (corresponding to section 194M) along with fees for professional services to require tax deduction@2% where the sum exceeds Rs.50 lakhs.</p>

Tax deduction on payment of certain sums in case [Section 194N of the 1961 Act vis-a-vs Sl. No.5 of the Table in section 393(3)]

Income-tax Act, 1961	Income-tax Act, 2025
<p>U/s 194N, TDS @2% by every person being a bank, co-operative society engaged in banking business or post office, who is responsible for paying any sum, being the amount or the aggregate of amounts in cash exceeding Rs.1 crore during the P.Y., to a recipient from one or more accounts maintained by the recipient with it, at the time of payment of such sum. In case the recipient is a co-operative society, the threshold is Rs.3 crore.</p>	<p>Sl. No.5 of the Table in section 393(3) contains the corresponding provisions.</p>
<p>First Proviso to section 194N - In case of a recipient who has not filed the ROI for all of the 3 AYs relevant to the 3 PYs, for which the time limit of file ROI u/s 139(1) has expired, immediately preceding the P.Y. in which the payment of the sum is made to him, the threshold for TDS@2% would be Rs.20 lakh instead of Rs.1 crore. A higher rate of 5% would apply for sum exceeding Rs.5 crore.</p>	<p>However, there is no provision stipulating higher threshold for non-filers of return of income in the Income-tax Act, 2025.</p>

Tax deduction on payment of certain sums in case [Section 194N of the 1961 Act vis-a-vs Sl. No.5 of the Table in section 393(3)]

Income-tax Act, 1961

U/s 194N, TDS @2% by every person being a bank, co-operative society engaged in banking business or post office, who is responsible for paying any sum, being the amount or the aggregate of amounts in cash exceeding Rs.1 crore during the P.Y., to a recipient from one or more accounts maintained by the recipient with it, at the time of payment of such sum. In case the recipient is a co-operative society, the threshold is Rs.3 crore.

Thus, tax has to be deducted on the amount of aggregate of amounts in cash exceeding Rs.1 crore/Rs. 3 crore during the P.Y.

Income-tax Act, 2025

Sl. No.5 of the Table in section 393(3) contains the corresponding provisions. Colum B specifies any sum, paid in cash, from one or more accounts maintained by any person.

However, **section 393(3)(a) requires deduction of tax on the entire amount of such income or sum, where the amount or aggregate of amounts exceed the threshold limit specified in Column D i.e., in case of Sl. No.5, Rs. 3 crore, where the recipient is a co-operative society and Rs.1 crore, where the recipient is other than a co-operative society.**

Time limit for delivering a correction statement of TDS/TCS [Second proviso to section 200(3) & proviso to section 206C(3B) of the 1961 Act vis-a-vis Section 397(3)(f) of the 2025 Act]

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 200(3)/206C(3B)</p> <p>No correction statement shall be delivered after the expiry of six years from the end of financial year in which the statement of TDS/TCS, as the case may be, is required to be delivered.</p>	<p>Section 397(3)(f)</p> <p>A correction statement in the prescribed form has to be delivered within two years from the end of the tax year in which such statement is required to be delivered.</p> <p>The time period of six years has been reduced to two years in the Income-tax Act, 2025.</p> <p>This implies that 31.3.2026 is the last date for delivering the correction statement, where statement of TDS/TCS is required to be delivered on or before 31.3.2024.</p> <p>Thus, correction statements for FY 2018-19 (Q4), FY 2019-20 to FY 2022-23 (all quarters), and FY 2023-24 (Q1 to Q3) will be accepted only until 31st March 2026. After this date, such statements will be time-barred</p>

Certificate for lower deduction or no deduction of income-tax [Section 197 of the 1961 Act vis-à-vis Section 395 of the 2025 Act]

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 197 provides that in cases where tax is deductible under sections 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194K, 194LA, 194LBA, 194LBB, 194LBC, 194M, 194-O, 194Q and 195, and the AO is satisfied that the total income of the recipient justifies the deduction of income-tax at any lower rates or no deduction of income-tax, the AO shall, on an application made by the assessee in this behalf, give to him such certificate as may be appropriate.</p>	<p>Section 395 is the corresponding provision which pertains to issuance of certificates for deduction of TDS and TCS at nil or lower rate on the application made by the payee to the Assessing Officer. The payee may make an application before the AO for deduction of income-tax at a lower rate or no deduction of tax where tax is required to be deducted on any income or sum under Chapter XIX. The AO on being satisfied that the total income of the payee justifies tax deduction at a lower rate or no deduction of income-tax, as the case may be, shall issue to him a certificate as appropriate.</p>
<p>Due to reference of specific sections in section 197, an assessee cannot make an application for lower deduction in respect of other sections not covered above, like, 192A, 194DA, 194-IA, 194-IB, 194-IC etc.</p>	<p>Since reference has been made to Chapter XIX, application can be made by a payee in respect of any TDS provision, without any restriction.</p>

Certificate for lower deduction or no deduction of income-tax [Section 197 of the 1961 Act *vis-à-vis* Section 395 of the 2025 Act]

Income-tax Act, 1961	Income-tax Act, 2025
	<p>To reduce the compliance burden of small taxpayers, sub-section (6) has been inserted in section 395 to allow electronic filing of applications for such certificates before the prescribed income-tax authority, which, on electronic verification of the contents of the application, may either –</p> <ul style="list-style-type: none"><li data-bbox="659 792 1818 834">• issue the certificate subject to prescribed conditions; or<li data-bbox="659 867 1818 964">• reject the application if the conditions are not fulfilled or the application is incomplete.

Rates of TCS – Section 206C of the 1961 Act vis-à-vis Section 394 of the 2025 Act

The rates of TCS u/s 394(1) of the Income-tax Act, 2025 have been rationalized by the FA, 2026, to have a uniform rate of 2% (except for LRS on other than education and medical treatment):

S. No.	Nature of receipt	Section 206C of the 1961 Act	Section 394 of the 2025 Act
1	Sale of alcoholic liquor for human consumption	1%	2%
2	Sale of tendu leaves	5%	2%
3	Sale of timber whether obtained under a forest lease or otherwise; or any other forest produce (not being timber or tendu leaves) obtained under a forest lease	2%	2%
4	Sale of scrap	1%	2%
5	Sale of minerals, being coal or lignite or iron ore	1%	2%
6	Sale consideration exceeding Rs.10 lakh in case of - (a) Motor vehicle; (b) Any other goods, as may be notified by the Central Govt.	1% of the entire consideration where it exceeds the threshold of Rs.10 lakh	1% of the sale consideration exceeding Rs.10 lakh.

Rates of TCS – Section 206C of the 1961 Act vis-à-vis Section 394 of the 2025 Act

S. No.	Nature of receipt	Section 206C of the 1961 Act	Section 394 of the 2025 Act
7	Remittance under the LRS of an amount or aggregate of the amounts exceeding Rs. 10 lakhs	(a) 5% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment.	(a) 2% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment.
8	Sale of "overseas tour programme package" including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure.	(a) 5% of amount or aggregate of amounts up to Rs. 10 lakhs; (b) 20% of amount or aggregate of amounts exceeding Rs. 10 lakhs	2%
9	Use of parking lot or toll plaza or mine or quarry for the purpose of business, excluding of mining and quarrying of mineral oil (incl. petroleum and natural gas)	2%	2%

Chapter XIV Tax Administration

Section of the 2025 Act	Provision	Section of the 1961 Act
[246-261]	B- Powers	
246	Power regarding discovery, production of evidence, etc.	131
247	Search and seizure.	132
248	Powers to requisition.	132A
249	Reasons not to be disclosed.	132 & 132A
250	Application of seized or requisitioned assets.	132B
251	Copying, extraction, retention and release of books of account and documents seized or requisitioned.	132 & 132A
252	Power to call for information.	133

Chapter XIV Tax Administration

Section of the 2025 Act	Provision	Section of the 1961 Act
253	Powers of survey.	133A
254	Power to collect certain information.	133B
255	Power to inspect registers of companies.	134
256	Power of certain income-tax authorities	135
257	Proceedings before income-tax authorities to be judicial proceedings.	136
258	Disclosure of information relating to assessees.	138
259	Power to call for information by prescribed income-tax authority.	133C
260	Faceless collection of information.	135A
261	Interpretation.	131 to 135

Powers of authorized officer to issue summons – Section 131(1A) of the 1961 Act and section 246(2)(c) of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 131(1A) If the authorised officer referred to in section 132(1), <u>before he takes action under clauses (i) to (v) of that sub-section</u>, has reason to suspect that any income has been concealed, or is likely to be concealed, by any person or class of persons, within his jurisdiction, then, for the purposes of making any enquiry or investigation relating thereto, it shall be competent for him to exercise the powers u/s 131(1) on the income-tax authorities referred to in that sub-section.</p>	<p>Section 246(2)(c) The powers conferred u/s 246(1) may also be exercised in respect of any person or class of persons by the authorised officer referred to in section 247(1) (Corresponding to section 132(1) of the 1961 Act), <u>before taking action u/s 247(1)(i) to (vii), or during the course of such action</u>, if he has reason to suspect that any income has been concealed, or is likely to be concealed by such person or class of persons within his jurisdiction.</p>
<p>Thus, u/s 131(1A), the power to issue summons can be exercised only before taking action u/s 132(1).</p>	<p>U/s 246(2)(c), the power to issue summons can be exercised before and during the course of search, to examine a person suspected to be concealing income</p>

Search & seizure – Section 132(1)(c) of 1961 Act & section 247(1)(b) of 2025 Act - Inclusion of person in possession of foreign asset which represents undisclosed income under the Black Money Act within the scope of search and seizure.

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 132(1)(c) Where the PDG/DG/PCC/CC/PCIT in consequence of information in his possession has reason to believe that any person is in possession of any money, bullion, jewellery or other valuable article or thing and such money, bullion, jewellery or other valuable article or thing represents either wholly or partly income or property which has not been, or would not be, disclosed for the purposes of the Indian Income-tax Act, 1922 or the Income-tax Act, 1961</p>	<p>Section 247(1)(b) Where the competent authority, in consequence of information in his possession, has reason to believe that any person is in possession of any asset or information in relation to any asset and such asset represents either wholly or partly, income or property which has not been, or would not be, disclosed, for the purposes of the Income-tax Act, 1961 <u>or the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015</u> or the Income-tax Act, 2025</p> <p>Thus, the 2025 Act expands the subject-matter of search to include undisclosed foreign income/assets under Black Money Act.</p>

Search & seizure – Section 132(3) of 1961 Act & section 247(4)(b) of 2025 Act – Order can be passed restraining removing or parting with or otherwise dealing with bank locker, bank account and computer system.

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 132(3) The authorised officer may, where it is not practicable to seize any such books of account, other documents, money, bullion, jewellery or other valuable article or thing, for reasons other than those mentioned in the second proviso to sub-section (1), serve an order on the owner or the person who is in immediate possession or control thereof that he shall not remove, part with or otherwise deal with it except with the previous permission of such officer and such officer may take such steps as may be necessary for ensuring compliance with this sub-section.</p>	<p>Section 247(4)(b) The authorised officer may, where it is not practicable to seize, any books of account, other documents, asset, bank locker, bank account, or computer system, for reasons other than mentioned under clause (a), serve an order on the owner or the person who is in immediate possession or control thereof, not to remove, part with or otherwise deal with it except with the previous permission of such officer and such authorised officer may also take such steps as may be necessary for ensuring compliance with this clause</p> <p>Thus, the 2025 Act expands the scope of this provision to expressly allow serving an order not to remove, part with or other wise deal with bank locker, bank account or computer system.</p>

Search and seizure – Section 132 of the 1961 Act and section 247 of the 2025 Act - Scope broadend to inspect any information in electronic form or on a computer system

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 132 containing the provisions for search and seizure, provide for the consequences for omission or failure to produce books of account or other documents for which summons was issued u/s 131(1) or notice was issued u/s 142(1).</p>	<p>Section 247 provides for the consequences for omission or failure to produce books of account or other documents or any information in electronic form or on a computer system for which summons was issued u/s 131(1) of the 1961 Act or 246(1) of the 2025 Act or notice was issued u/s 142(1) of the 1961 Act or 268(1) of the 2025 Act.</p> <p>The provisions of section 247 allow the authorised officers to inspect any information in electronic form or on a computer system. Thus, the scope of this provision has been significantly broadened in the Income-tax Act, 2025.</p> <p>During search also power given to override the access code to any computer system 247(1)(iii)</p> <p style="text-align: right;">Contd...</p>

Search and seizure – Section 132 of 1961 Act & section 247 of 2025 Act - Scope broadened to inspect any information in electronic form or on a computer system

Income-tax Act, 1961	Income-tax Act, 2025
<p>Search and survey mainly focused on physical premises and tangible documents.</p> <p>The definition of computer system is as per the Information Technology Act, 2000.</p>	<p>“Computer system” has been defined for the purpose of the chapter on Tax Administration to mean computers, computer networks, computer resources, communication devices, digital or electronic data storage devices, used on stand-alone mode or part of a computer system, linked through a network, or utilised through intermediaries for information creation or processing or storage or exchange, and includes the remote server or cloud server or virtual digital space.</p> <p>Thus, computer system categorically includes remote server/cloud server/virtual digital space.</p> <p>The Income-tax Act, 2025 also allows authorities to gain access of a virtual digital space during search and seizure proceedings. The authorities will have power to gain access by overriding any required access code.</p> <p>The Act defines virtual digital space as an environment, area, or realm that is constructed and experienced through computer technology. It includes email servers, social media accounts, online investment and trading accounts, any websites for storing details of asset ownership, remote server or cloud servers, digital application platforms and any other space of similar nature.</p> <p>Thus, the scope under the 2025 Act explicitly extends to computer systems, virtual space and digital assets.</p>

Search and seizure – Section 132(9A) of 1961 Act & section 251(1) of 2025 Act - Time limit for handing over seized assets & material to Jurisdictional AO

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 132(9A)</p> <p>Where the authorised officer has no jurisdiction over the person, the books of account or other documents, or any money, bullion, jewellery or other valuable article or thing seized under that sub-section shall be handed over by the authorised officer to the Assessing Officer having jurisdiction over such person within a period of 60 days from the date on which the last of the authorisations for search was executed</p>	<p>Section 251(1)</p> <p>Where the authorised officer referred to in section 247(1) has no jurisdiction over the person referred to in section 247(1)(a) or (b), assets and material seized or requisitioned under section 247(1) to 247(4) shall be handed over to the Assessing Officer having jurisdiction over such person within a period of 180 days from the date on which a search is initiated under section 247 or requisition is made under section 248</p> <p>Extension of time to 180 days provides authorities time for comprehensive digital analysis and verification.</p>

Search and seizure – Section 132(4) of the 1961 Act and section 247(6) of the 2025 Act - Persons who can be examined on oath

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 132(4)</p> <p>The authorised officer may, during the course of the search or seizure, examine on oath any person who is found to be in possession or control of any books of account, documents, money, bullion, jewellery or other valuable article or thing and any statement made by such person during such examination may thereafter be used in evidence in any proceeding under the Act.</p>	<p>Section 247(6)</p> <p>The authorised officer may, during the course of any search or seizure, examine on oath any person who is found to be in possession or control of any books of account or other documents, or asset, <u>or any information in electronic form or on a computer system or having access to such computer system or any other person who is present in the premises or is being searched</u> and any statement made by such person, during such examination may thereafter be used in evidence in any proceeding under the Income-tax Act, 1961 or this Act.</p> <p>Thus, the 2025 Act broadens the scope of oath-examination to include persons present during search and also the person being searched.</p>

Powers of Survey – Section 133A(3) of the 1961 Act and section 253(5) of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 133A(3)(iii)</p> <p>An income-tax authority acting under this section dealing with the powers of survey may record the statement of any person which may be useful for, or relevant to, any proceeding under this Act.</p> <p>Thus, the Authority may record statement of any person, <u>not on oath</u>.</p> <p>CIT v. S. Kader Khan Son (352 ITR 480, SC) - statements not on oath lack evidentiary value.</p> <p>Statements not admissible as evidence</p>	<p>Section 253(5)(b)</p> <p>An income-tax authority acting under this section dealing with the powers of survey may record the statement of any person <u>on oath</u> which may be useful for, or relevant to, any proceeding under this Act</p> <p>Thus, the Income-tax authority may record the statement of any person <u>on oath</u>.</p> <p>Statements on oath admissible as evidence.</p>

Powers of Survey – Section 133A of the 1961 Act and section 253 of the 2025 Act – Expanding scope to digital information

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 133A</p> <p>An income-tax authority acting under this section has to be afforded the necessary facility to inspect such books of account or other documents as he may require and which may be available at such place.</p> <p>He can impound and retain in his custody for such period as he thinks fit any books of account or other documents inspected by him.</p>	<p>Section 253</p> <p>An income-tax authority acting under this section to be provided the <u>necessary technical and other assistance (including access code)</u> to enable the inspection of such books of account or other documents, or information in electronic form or on a computer system, as may be required and which may be available at such place</p> <p>He can impound after recording reasons for doing so, any books of account or other documents, or any computer system inspected by it, and retain in his custody for the specified period.</p> <p>The 2025 Act has expanded the powers of survey to authorize access to electronic data and computer systems and impound any computer system inspected.</p>

Chapter XV Return of Income

Section of the 2025 Act	Provision	Section of the 1961 Act
[262- 267]	CHAPTER XV- RETURN OF INCOME	
	A- Allotment of Permanent Account Number	
262	Permanent Account Number.	139A & 139AA
	B- Filing of Return of Income	
263	Return of income.	139, 139D & 194P
264	Scheme for submission of returns through tax return preparers	139B
265	Return by whom to be verified.	140
266	Self-assessment.	140A
267	Tax on updated return.	140B

Due date for filing ROI for persons carrying on business but not subject to tax audit – Section 139(1) of the 1961 Act *vis-à-vis* sections 263(1) of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>The due date for filing ROI u/s 139(1) for the following persons would be 31st August of the assessment year, where the provisions of section 92CE do not apply -</p> <p>(i) Assessee having income from PGBP whose accounts are not required to be audited under the 1961 Act or under any other law in force.</p> <p>(ii) Partner of a firm whose accounts are not required to be audited under this Act or under any other law in force or the spouse of such partner (if section 5A relating to apportionment of income between spouses governed by Portuguese Civil Code applies).</p> <p>This amendment has been made by the FA, 2026 w.e.f. 1.3.2026.</p>	<p>The due date for filing return of income u/s 263(1) for the following persons would be 31st August of the financial year following the relevant tax year, where the provisions of section 172 (corresponding to section 92CE of the 1961 Act) do not apply -</p> <p>(i) Assessee having income from PGBP whose accounts are not required to be audited under the 2025 Act or under any other law in force.</p> <p>(ii) Partner of a firm whose accounts are not required to be audited under this Act or under any other law in force or the spouse of such partner (if section 10 relating to apportionment of income between spouses governed by Portuguese Civil Code applies).</p> <p>This amendment has been made by the FA, 2026 from 1.4.2026.</p> <p>Therefore, this amendment has been simultaneously in the 1961 Act and 2025 Act.</p>

Revised Return and fee – Section 139(5) and 234-I of the 1961 Act *vis-à-vis* sections 263(5) and 428(b) of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<ul style="list-style-type: none">• A revised return of income u/s 139(5) can be filed at any time before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier i.e., from December to March of the assessment year.• However, for revised returns which are filed between Jan – March, a fee u/s 234-I of a sum of<ul style="list-style-type: none">○ Rs. 1000 would be levied, if the total income of such person does not exceed Rs. 5,00,000; and○ Rs. 5000, in any other case. <p>These amendments have been made by the FA, 2026 with effect from 1.3.2026 i.e., A.Y.2026-27.</p>	<ul style="list-style-type: none">• The due date for filing a revised return of income u/s 263(5) is 12 months from the end of the relevant tax year i.e., 31st March of the financial year immediately succeeding the relevant tax year.• However, for revised returns which are filed between Jan – March, a fee u/s 428(b) of a sum of<ul style="list-style-type: none">○ Rs. 1000 would be levied, if the total income of such person does not exceed Rs. 5,00,000; and○ Rs. 5000, in any other case. <p>These amendments have been made by the FA, 2026 with effect from 1.4.2026 i.e., tax year 2026-27.</p> <p>Thus, amendments have been made simultaneously in the 1961 Act and 2025 Act.</p>

Updated Return of Income – Section 139(8A) of the 1961 Act *vis-à-vis* section 263(6) of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<ul style="list-style-type: none">• Section 139(8A) provides for filing an updated return by any person, whether or not he has furnished a return u/s 139(1) or (4) or (5), for an A.Y. within 48 months from the end of the relevant A.Y.• Prior to amendment by the FA, 2026, updated return could not be filed if it is a return of loss.• Consequent to FA, 2026, filing of updated return would now be permitted in cases where taxpayer furnished the original loss return within the due date u/s 139(1) and the updated return is a –<ul style="list-style-type: none">• return of income or• has the effect of reducing the amount of loss in comparison to the amount of loss claimed in the return of loss	<p>Consequent to amendment by the FA, 2026, Section 263(6) permits filing an updated return where taxpayer furnished the original loss return within the due date u/s 263(1) and the updated return is –</p> <ul style="list-style-type: none">(i) a return of income or(ii) has the effect of reducing the amount of loss in comparison to the amount of loss claimed in the return of loss <p>Thus, both under the 1961 Act and 2025 Act, an updated return can be filed which has the effect of reducing the amount of loss in comparison to the amount of loss claimed in the return of loss</p>

Updated Return of Income – Section 139(8A) of the 1961 Act *vis-à-vis* section 263(6) of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<ul style="list-style-type: none">• Also, prior to amendment by the FA, 2026, no updated return can be furnished by any person for the relevant A.Y. where any proceeding for assessment or reassessment or re-computation or revision of income under the Act is pending or has been completed for the relevant A.Y.• Consequent to FA, 2026, updated return can be furnished by a person for the relevant A.Y. in pursuance of a notice issued u/s 148 within such period specified in the notice. In such a case, the assessee would be precluded from filing ROI in any other manner.• Where an updated return is filed in pursuance of a notice issued u/s 148 within the period specified in the said notice, the additional income-tax payable shall be increased by a further sum of 10% of the aggregate of tax and interest payable on account of furnishing the updated return.• Where such additional income-tax is paid, the income on which such additional income-tax is paid shall not form the basis of imposition of penalty u/s 270A.	<ul style="list-style-type: none">• Consequent to FA, 2026, updated return can be furnished by a person for the relevant tax year in pursuance of a notice issued u/s 280 within such period specified in the notice.• In such a case, the assessee would be precluded from filing ROI in any other manner.• Where an updated return is filed in pursuance of a notice issued u/s 280 within the period specified in the said notice, the additional income-tax payable shall be increased by a further sum of 10% of the aggregate of tax and interest payable on account of furnishing the updated return.• Where such additional income-tax is paid, the income on which such additional income-tax is paid shall not form the basis of imposition of penalty u/s 439.

Other Provisions

Section of the 2025 Act	Provision	Section of the 1961 Act
275	Reference to Dispute Resolution Panel	144C
281	Procedure before issuance of notice u/s 280	148A
159	Meaning of terms used in DTAA	90 & 90A
162	Meaning of Associated Enterprise	92A
SCH IV Sl. No. 13A	Exemption to a foreign company on any income arising on account of providing capital goods, equipment or tooling to a contract manufacturer, being a company resident in India	-
Sl. No.13C	Exemption to a foreign company on any income arising in India by using data centre services procured from a specified data centre	
Chap XXI	Rationalisation of Penal provisions	Chap XXI
446	Penalty for failure to furnish information or for furnishing inaccurate information on transaction of crypto-asset	271B
Chap XXII	Decriminalisation of Prosecution Provisions	Chap XXII
532	Power to frame schemes	92CA, 142B, 144C, 151A, 231, 245MA, 245R, 245W, 250, 254, 255, 246A, 264B, 274, 279 and 293D.

Reference to Dispute Resolution Panel u/s 275 (144C of the 1961 Act)]

The Income-tax Act, 1961 and 2025 allow certain eligible assesseees to refer draft orders passed by AOs to a Dispute Resolution Panel (DRP). These assesseees include persons engaged in transfer pricing cases, non-residents, or foreign companies.

Income-tax Act, 1961	Income-tax Act, 2025
<p>As per section 144C(6), the DRP shall issue the directions referred to in sub-section (5) for guidance of the AO to enable him to complete the assessment, after considering the following, namely:—</p> <ul style="list-style-type: none">(a) draft order;(b) objections filed by the assessee;(c) evidence furnished by the assessee;(d) report, if any, of the Assessing Officer, Valuation Officer or Transfer Pricing Officer or any other authority;(e) records relating to the draft order;(f) evidence collected by, or caused to be collected by, it; and(g) result of any enquiry made by, or caused to be made by, it.	<p>Corresponding provision i.e., section 275(6) provides that the DRP shall issue the directions as referred to in sub-section (5) for guidance of the AO to enable him to complete the assessment –</p> <ul style="list-style-type: none">i) Such directions should be in writing, stating the points of determinationii) The decision thereoniii) The reason for such decision. <p>These are additional requirements in the 2025 Act.</p>

Procedure before issuance of notice u/s 280 (148 of the 1961 Act) [Section 281 (148A of the 1961 Act)]

Income-tax Act, 1961	Income-tax Act, 2025
<p>Section 148A requires that, before issuing any notice u/s 148, opportunity of being heard be provided to the assessee by serving upon him a show cause notice as to why notice u/s 148 should not be issued.</p>	<p>Section 281 contains the corresponding provisions.</p> <p style="text-align: right;">Contd...</p>
<p>This notice has to be accompanied by information which suggests that income chargeable to tax has escaped assessment in his case for the relevant A.Y. On receipt of such notice, the assessee may furnish reply within the period specified therein.</p>	
<p>The AO, on the basis of material available on record and taking into a/c the reply of the assessee, pass an order with the prior approval of specified authority determining whether or not it is a fit case to issue notice u/s 148.</p>	

Procedure before issuance of notice u/s 280 (148 of the 1961 Act) [Section 281 (148A of the 1961 Act)]

Income-tax Act, 1961	Income-tax Act, 2025
<p>The procedure prescribed u/s 148A is not required in the case of an assessee where the Assessing Officer has received information under the scheme notified under section 135A [Faceless collection of information].</p>	<p>The following have been included as 'information' for the purposes of issue of notice under section 280 (section 148 of the 1961 Act), for which the procedure prescribed under section 281 (section 148A of the 1961 Act) shall not be required, -</p> <ul style="list-style-type: none"> i. Information under the scheme notified u/s 260 (section 135A of the 1961 Act) ii. Directions of Approving Panel iii. Any finding or direction contained in an order passed by any authority, Tribunal or Court.
<p>Section 148 already provides that in such a case, notice cannot be issued without prior approval of the specified authority.</p>	<p>Section 280 provides that in all the three cases mentioned above, no notice u/s 280 shall be issued without the prior approval of the specified authority.</p>
<p>Therefore, in this case, a show-cause notice need not be issued u/s 148A accompanied by information which suggests that income chargeable to tax has escaped assessment in his case for the relevant A.Y.</p>	<p>Therefore, in all three cases mentioned above, a show-cause notice need not be issued u/s 281 accompanied by information which suggests that income chargeable to tax has escaped assessment in his case for the relevant tax years.</p>

Meaning of terms used in DTAA – Sections 90 and 90A of the 1961 Act *vis-à-vis* section 159 of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p><i>Explanations 3 and 4</i> to sections 90 and 90A clarifies the manner of interpreting the meaning of certain terms used in agreement, where such term is –</p> <ul style="list-style-type: none">▪ defined in the agreement,▪ not defined in the agreement but defined in the Act,▪ not defined in the Act or agreement but assigned meaning in the notification issued by the Central Government.	<p>The corresponding provisions are contained in section 159(7)(a) and (b).</p> <p>In addition, clause (c) has been added in section 159 to provide that if any term is used in the agreement and is not defined in the agreement or in the Act or in any notification, it will have the meaning assigned to it –</p> <p>(i) in any Act of the Central Govt relating to taxes; and</p> <p>(ii) in any other case, in any other law of the Central Govt,</p> <p>and such meaning will be applicable from the date on which the said agreement comes into force.</p>

Meaning of Associated Enterprise – Section 92A of the 1961 Act *vis-à-vis* 162 of the 2025 Act

Income-tax Act, 1961	Income-tax Act, 2025
<p>Under the Income-tax Act, 1961, the meaning of the term Associated Enterprise (AE) is contained in section 92A(1).</p> <p>Section 92A(2) enlists the circumstances when two enterprises would be deemed to be AEs for the purpose of section 92A(1).</p>	<p>Section 162(1) provides the meaning of the term “Associated Enterprise” (AE) for the purposes of Chapter X Special Provisions relating to Avoidance of Tax.</p> <p>Here, the overarching provision contained in section 92A(1) is also listed as one of the circumstances in 162(1)(a)(i).</p> <p>The revised section 162(1)(a) lists various circumstances wherein the two enterprises shall be considered as associated enterprises. It has become more specific by removing the general provisions and deeming provisions.</p> <p>This change allows more specific description and circumstance by which two enterprises can be treated as AE</p>

Exemption to a foreign company on any income arising on account of providing capital goods, equipment or tooling to a contract manufacturer, being a company resident in India [Schedule IV Sl. No.13A of the 2025 Act]

A

- Any income arising to a foreign company on account of providing capital goods, equipment or tooling to a contract manufacturer, being a company resident in India, subject to the following conditions -
 - Ownership of capital goods/equipment/tooling should remain with the foreign Co.
 - Such capital goods/equipment/tooling is under the control and direction of the Contract Manufacturer, who is located in a custom bonded area.
 - Contract Manufacturer produces electronic goods on behalf of the foreign company for a consideration.
 - Exemption would be available upto tax year 2030-31.
 - This provision has been inserted by FA, 2026 in the 2025 Act.

Exemption to a foreign company on any income arising in India by using data centre services procured from a specified data centre [Schedule IV Sl. No.13C of the 2025 Act]

- In order to attract investment in data centre and promote artificial intelligence data centre framework in India, exemption is provided to a foreign company, on any income accruing or arising in India or deemed to accrue or arise in India by using data centre services procured from a specified data centre owned and operated by an Indian company, for a period upto tax year ending on 31st March, 2047.
- One of the conditions for exemption is that where services are provided to Indian users by the foreign company, it shall be routed through an Indian reseller entity.
- A safe harbour of 15% has been provided to the resident entity providing data centre services to a related foreign company (which is providing cloud services to any part of the world outside India).
- This provision has been inserted by FA, 2026 in the 2025 Act.

Rationalisation of Penal provisions – Chapter XXI of the 1961 Act *vis-à-vis* XXI of the 2025 Act

- i. Immunity from penalty from underreporting in consequence of misreporting of income and prosecution in such cases –**
- There two types of penalties u/s 270A of the 1961 Act/ u/s 439 of the 2025 Act –
 - 1.** For underreporting of income due to mistakes or oversight where penalty is 50% of tax payable on under-reported income.
 - 2.** For underreporting in consequence of misreporting of income on account of giving wrong or faulty information or misrepresenting the type of income where the penalty is 200% of tax payable on under-reported income.
 - Prior to amendment by the FA, 2026, immunity u/s 270AA of the 1961 Act / u/s 440 of the 2025 Act can only be granted in the cases of underreporting of income and not in the case of under-reporting of income in consequence of misreporting.
 - **Consequent to amendment by FA, 2026, provision of immunity has been extended to such cases where under-reporting of income is in consequence of misreporting.**

Rationalisation of Penal provisions – Chapter XXI of the 1961 Act *vis-à-vis* Chapter XXI of the 2025 Act

- However, the taxpayer is required to pay an additional income-tax amounting **100%** of the amount of tax payable on such income within the period specified in the notice of demand in lieu of the penalty.
- The additional income-tax payable would be **120%** of the amount of tax payable on income which is the nature referred to in section 68 to 69D of the 1961 Act / section 102 to 106 of the 2025 Act (unexplained investment/asset/expenditure etc).
- This amendment has been effected both in the 1961 Act and 2025 Act.

Conversion of penalty into fee [Section 271B, 271BA & 271FA of the 1961 Act vis-à-vis Section 428 & 427 of the 2025 Act]

Income-tax Act, 1961	Income-tax Act, 2025
<p>Penalty for failure to get accounts audited or furnish report of audit u/s 44AB</p> <p>Penalty u/s 271B – Lower of -</p> <ul style="list-style-type: none">- 0.5% of the total sales, turnover or gross receipts in business or gross receipts in profession; or- Rs.1,50,000	<p>Fee for failure to get accounts audited and furnish the report of audit u/s 63</p> <p>Fee u/s 428(c)</p> <ul style="list-style-type: none">- Sum of Rs.75,000 for delay upto one month for which the failure continues.- Sum of Rs.1,50,000 thereafter.
<p>Penalty for non-furnishing of TP report u/s 92E</p> <p>Penalty u/s 271BA Rs.1,00,000</p>	<p>Fee for failure to furnish TP report u/s 172</p> <p>Fee u/s 428(d)</p> <ul style="list-style-type: none">- Sum of Rs.50,000 for delay upto one month for which the failure continues.- Sum of Rs.1,00,000 thereafter.

Conversion of penalty into fee [Section 271B, 271BA & 271FA of the 1961 Act vis-à-vis Section 428 & 427 of the 2025 Act]

Income-tax Act, 1961	Income-tax Act, 2025
<p>Penalty for default in furnishing statement for financial transaction or reportable account within the prescribed time i.e., on or before 31st May immediately following the F.Y. in which the transaction is registered or recorded.</p> <p>Penalty u/s 271FA Rs.500 for every day during which such failure continues.</p> <p>Penalty for failure to furnish statement within the time allowed by notice u/s 285BA(5) Rs. 1000 per day during which the failure continues.</p> <p>Penalty for furnishing inaccurate stt or reportable account u/s 271FAA– Rs.50,000</p>	<p>Fee for failure to furnish a statement of financial transaction or reportable account within the prescribed time i.e., on or before 31st May immediately following the F.Y. in which the transaction is registered or recorded.</p> <p>Fee u/s 427(3) Rs.200 for every day for which the failure continues. Such fee shall not exceed Rs.1 lakh.</p> <p>Penalty u/s 454 for failure to furnish statement of financial transaction or reportable account after a notice Rs.1000 for every day for which failure continues. Such penalty should not exceed Rs.1 lakh.</p> <p>Penalty u/s 455 for furnishing inaccurate stt of financial transaction or reportable account - Rs.50,000</p>

Rationalisation of Penal provisions – Chapter XXI of the the 2025 Act

Reduction in multiplicity of proceedings

- With a view to provide fast-track settlement of disputes, the assessment and penalty proceedings u/s 439 of the 2025 Act would be integrated by way of a common order. This would be applicable where the draft of the proposed order of assessment or reassessment is made on or after 1st April, 2027.
- Further the interest on penalty would be kept in abeyance during the pendency of appeal before first appellate authority.

Penalty for failure to furnish information or for furnishing inaccurate information on transaction of crypto asset – Section 446 of the 2025 Act

Penalty provision for non-furnishing of statement or furnishing inaccurate information in a statement on transaction of crypto-assets [Section 446 of the 2025 Act]

- Penalty of Rs. 200 per day is leviable for non-furnishing of statement of transaction of crypto assets
- Penalty of Rs. 50,000 is leviable for furnishing inaccurate particulars, failure to correct such inaccuracy and failure to comply within due diligence requirement for identification of any crypto asset user or owner.

This penal provision has been introduced by the FA, 2026 in the 2025 Act. There is no corresponding provision in the 1961 Act.

Decriminalisation of prosecution provisions – Chapter XXII of the 1961 Act *vis-à-vis* Chapter XXII of the 2025 Act

- FA, 2026 has completely decriminalised offences in the following cases in both the 1961 Act and the 2025 Act–
 - Failure to produce accounts and documents.
 - failure to ensure payment of tax in case of –
 - benefits and perquisites provided or
 - winnings from lotteries, crossword puzzles, online games or
 - consideration for transfer of virtual digital asset, where the winnings/consideration are wholly in kind.

Decriminalisation of prosecution provisions – Chapter XXII of the 1961 Act *vis-à-vis* Chapter XXII of the 2025 Act

Decriminalisation of certain Prosecution Provisions in the 1961 Act and 2025 Act

- Offences where the amount sought to be evaded does not exceed Rs.10 lakh would attract fine only (no imprisonment in such cases).
- Prosecution for the offences under Income-tax Act, 2025 would be based on the amount of tax evaded and the punishment shall be proportionate to the gravity of crime.
- Maximum punishment for any offence (except for repeated offence) has been reduced to simple imprisonment of upto 2 years instead of rigorous imprisonment of 7 years. Also, the same shall be applicable where the amount sought to be evaded or the tax on under-reported income exceeds Rs.50 lakhs.
- Where the amount sought to be evaded or the tax on under-reported income is between Rs.10 lakhs to Rs.50 lakhs, the maximum imprisonment is simple imprisonment of upto 6 months.
- Fine can be levied in lieu of or in addition to imprisonment.

Power to frame schemes under different provisions relating to faceless schemes under the Income-tax Act, 1961 consolidated in section 532 of the Income-tax Act, 2025

Income-tax Act, 1961	Income-tax Act, 2025
The provisions relating to various faceless schemes under Income-tax Act, 1961 are contained in sections 92CA, 142B, 144C, 151A, 231, 245MA, 245R, 245W, 250, 254, 255, 246A, 264B, 274, 279 and 293D.	<p>These provisions have been consolidated in one section, namely Section 532 which confers powers on the Central Government to frame schemes for the purposes of the Act in order to impart greater efficiency, transparency, and accountability by:</p> <ol style="list-style-type: none">i. Eliminating the interface with the assessee or any other person to the extent technologically feasible, andii. Optimising utilisation of the resources through economies of scale and functional specialisation.

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