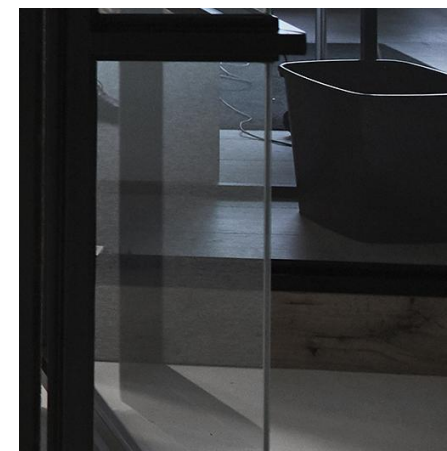




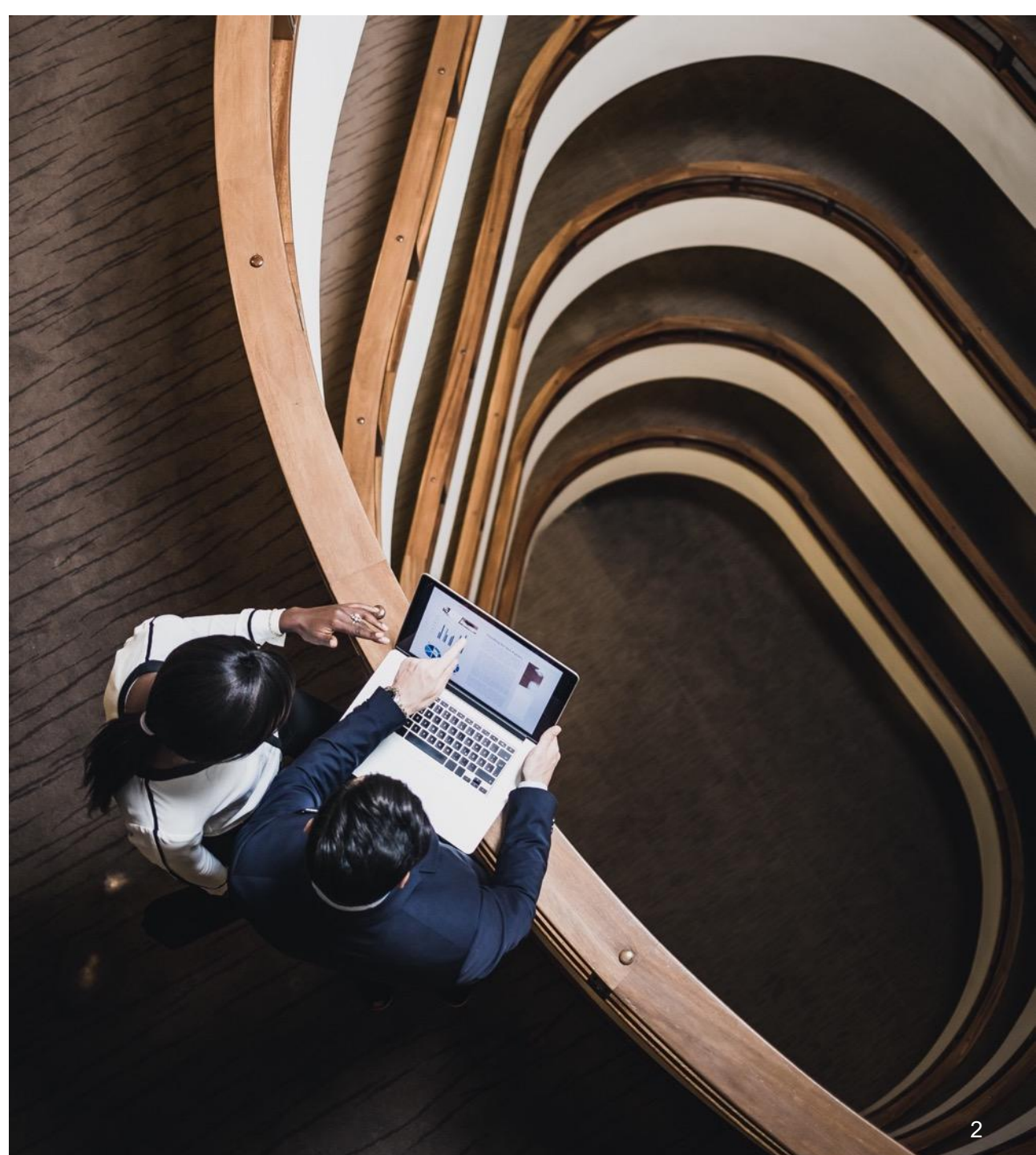
Overview of key provisions of Income Tax Act, 2025



ITA 2025 & IT Rules, 2026: The Big Picture

01

Overview of key provisions of Income Tax Act, 2025



The story of Indian income tax

What happened prior to the enactment of the ITA 2025?



1961

Income-tax Act, 1961
(‘ITA 1961’/ ‘Old Act’)
passed – replaced the
Indian Income-tax Act,
1922



2009-2013

Direct Taxes Code Bill
– many far- reaching
changes proposed, but
the Bill lapsed in 2014



2017-2019

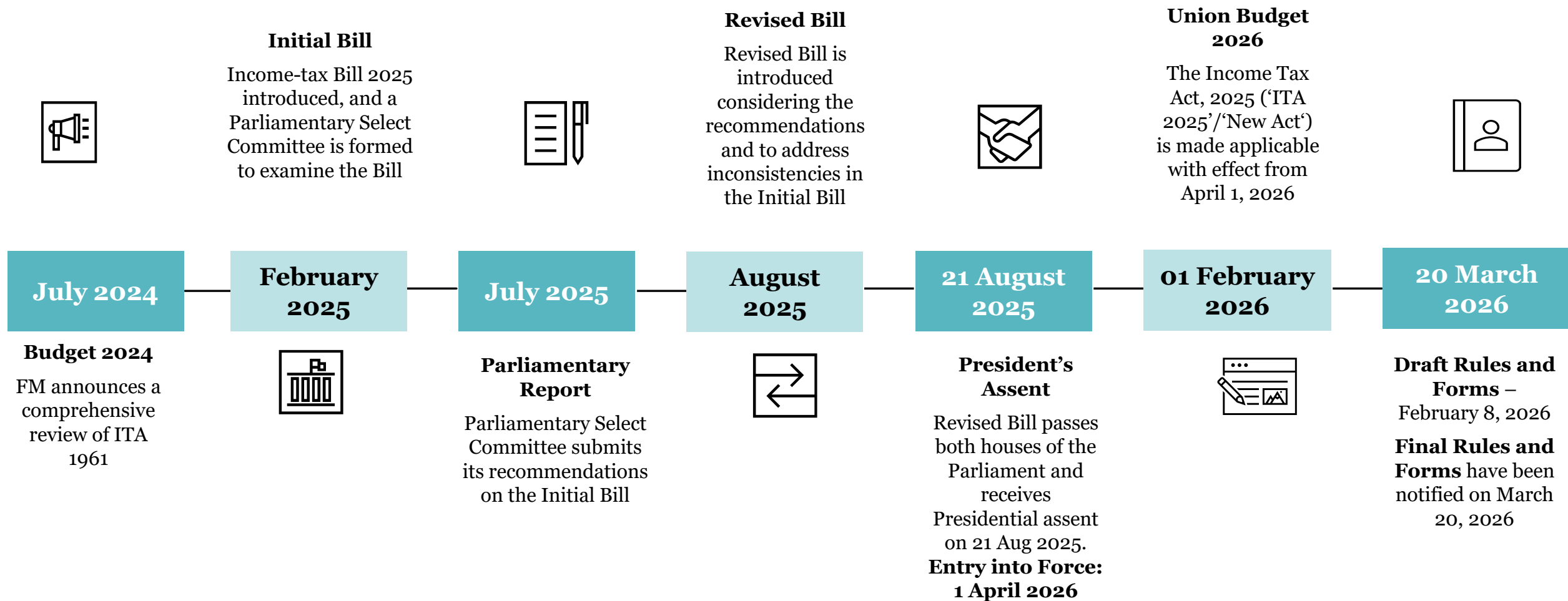
New direct tax law
planned- task force
set up



2024

Comprehensive
review of Income-tax
law announced

Journey towards ITA 2025



ITA 2025 – Stated objective

“

I am now announcing a comprehensive review of the Income-tax Act, 1961. The purpose is to make the Act concise, lucid, easy to read and understand. This will reduce disputes and litigation, thereby providing tax certainty to the taxpayers.

”

Finance Minister

Budget Speech of 2024-25

ITA 2025 – Intent behind the revamp



Simplification of provisions



Consolidation of provisions



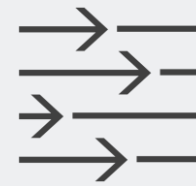
Removal of obsolete and redundant provisions



Tabulation of provisions



Simplified cross-referencing



Removal of explanations and provisions

Maintain continuity, without policy change

Structural changes: A quick glance

ITA 1961	ITA 2025
512k words	260k words
47 Chapters	23 Chapters
819 Sections (including sub-sections)	536 Sections
14 Schedules	16 Schedules
1200+ provisos & 900+ explanations	NIL
IT Rules 1962	IT Rules 2026
511 Rules	333 Rules
399 Forms	190 Forms



'Assessment year/ Financial year' → 'Tax Year'



'Notwithstanding' → 'Irrespective of'



'in accordance with' → 'as per'



Explanations and provisos → inserted as part of provisions/ sub-sections



'Notes' provided below tables



Simplified computation / conditions through formulae/ tables

Structural changes: Transition from AY/FY to Tax year

Tax Year vs Assessment Year – Terminology Equivalence under ITA 1961 and ITA 2025

Concept	ITA 1961 – Term used	ITA 2025 – Term used
Year in which income is earned	Previous Year	Tax Year
Year for which tax is assessed	Assessment year (year after Previous Year)	Tax Year serves both purposes
Alignment with Financial Year	Previous Year = FY Assessment Year = FY +1	Tax Year = FY – single reference
Example	Income of FY 2025-26 ↓ AY 2026-27	Income of FY 2026-27 ↓ Tax Year 2026-27

Key Simplification – Under ITA 2025, the year of income and the year of assessment share the same reference – Tax Year 2026-27

Is there any "missing year" or overlap due to the shift from Assessment Year to Tax Year?

No Missing Year – Seamless Transition from AY to Tax Year

ITA 1961 Governs	ITA 2025 Governs
Income earned : FY 2025-26 Filed and assessed as : AY 2026-27 (under ITA 1961)	Income earned: FY 2026-27 onwards Assessed as: Tax Year 2026-27 (under ITA 2025)

Continuity: What remains the same?



Tax rates



Withholding tax – scope and timing



Classification and Computation of income



Anti-abuse rules

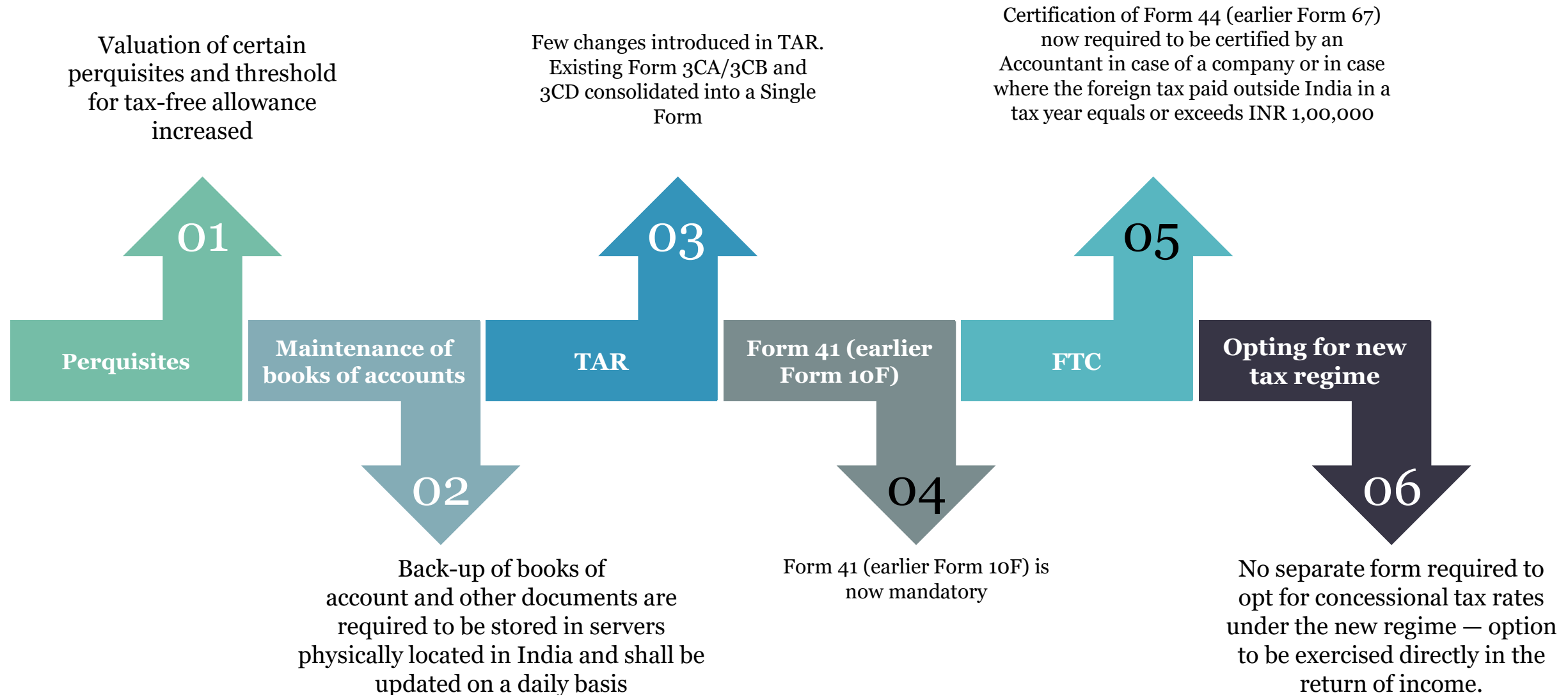


Non-resident taxation rules



Compliance and Procedures

Overview of Income Tax Rules 2026



Overview of key provisions of ITA 2025

02






Heads of Income

Heads of Income - Salaries



What simplified?

- All salary provisions that were earlier in separate chapters like certain allowances under section 10 brought under Chapter IV, part B 'Salaries'.
- Deductions and exemptions now put together in a single table.

Sec 19 of ITA, 2025
- Redundancy removed (e.g. COVID-19 exemption omitted).



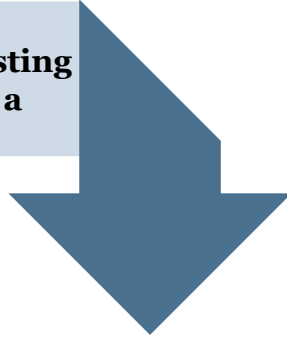
Rationalisation

- Threshold for certain perquisites increased viz., Motor car, Other exempt allowances (Children Education Allowance, Hostel Allowance etc.), Other perquisites (interest free loans, value of gifts by employer, value of food etc.)

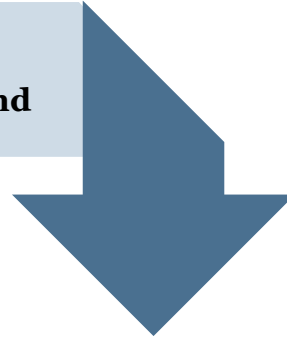


Heads of income – Income from house property and PGBP

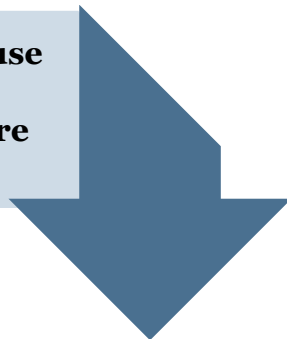
Simplified and modernized the existing framework without a complete overhaul



ITA 2025 preserves continuity while enhancing clarity and efficiency



Provisions w.r.t. house property remain unchanged as they are fair and simple



- Flow of sections have been revised
- All provisos and explanations in the chapter converted into sub-sections to eliminate ambiguity



01

02



- Similar sections (e.g. presumptive taxation of residents and non-residents) have been consolidated into 2 sections in tabular format with simplified language



03

04



- Provisions on similar topics [e.g. provisions related to employee welfare which were scattered in section 40A(7), 40A(9), 36(i)(iv),(iva),(v),(va)] grouped together

- Formula based explanations have been added
- Redundant and sunset provisions removed
- Provisions shifted to schedule (site restoration fund, tea development account etc.)

Heads of income – Capital gains and income from other sources

No major changes in the provisions of capital gains and income from other sources

There has only been textual simplifications to ensure clarity

For the purpose of section 56(2) of ITA 1961, definition of relative clarified to include both maternal and paternal lineage

Section - 56 Income from other sources | Income-tax Act, 1961

- (e) "relative" means,—
- (i) in case of an individual—
 - (A) spouse of the individual;
 - (B) brother or sister of the individual;
 - (C) brother or sister of the spouse of the individual;
 - (D) brother or sister of either of the parents of the individual;
 - (E) any lineal ascendant or descendant of the individual;
 - (F) any lineal ascendant or descendant of the spouse of the individual;
 - (G) spouse of the person referred to in items (B) to (F); and
 - (ii) in case of a Hindu undivided family, any member thereof;
- (f) "stamp duty value" means the value adopted or assessed or assessable by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property;
- (vii) where a firm or a company not being a company in which the public are substantially interested, receives, in any previous year, from any person or persons, on or after the 1st day of June, 2010 but before the 1st day of April, 2017, any property, being shares of a company not being a

Section 92 Income from other sources. | Income-tax Act, 2025

- (vii) sculptures;
 - (viii) any work of art;
 - (ix) bullion; or
 - (x) virtual digital asset;
- (g) "relative" means—
- (i) in case of an individual—
 - (A) spouse;
 - (B) brother or sister;
 - (C) brother or sister of the spouse;
 - (D) brother or sister of either of the parents;
 - (E) any lineal ascendant (maternal as well as paternal) or descendant;
 - (F) any lineal ascendant (maternal as well as paternal) or descendant of the spouse;
 - (G) spouse of the person referred to in items (B) to (F); and
 - (ii) for a Hindu undivided family, any member thereof;
- (h) "unit linked insurance policy" shall have the meaning assigned to it in Schedule II (Note 1).



Rationalization of TDS/TCS provisions

Rationalization of TDS/TCS provisions

Everything consolidated into 3 core section

69
Old Act Sections

3
New core sections

Section 392
Salary and accumulated
balance due to an
employee

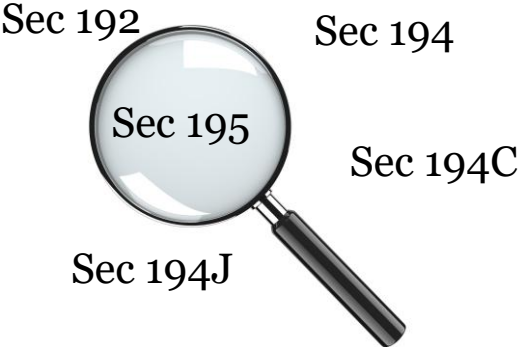
Section 393
Tax to be deducted at
source

Section 394
Collection of tax at
source

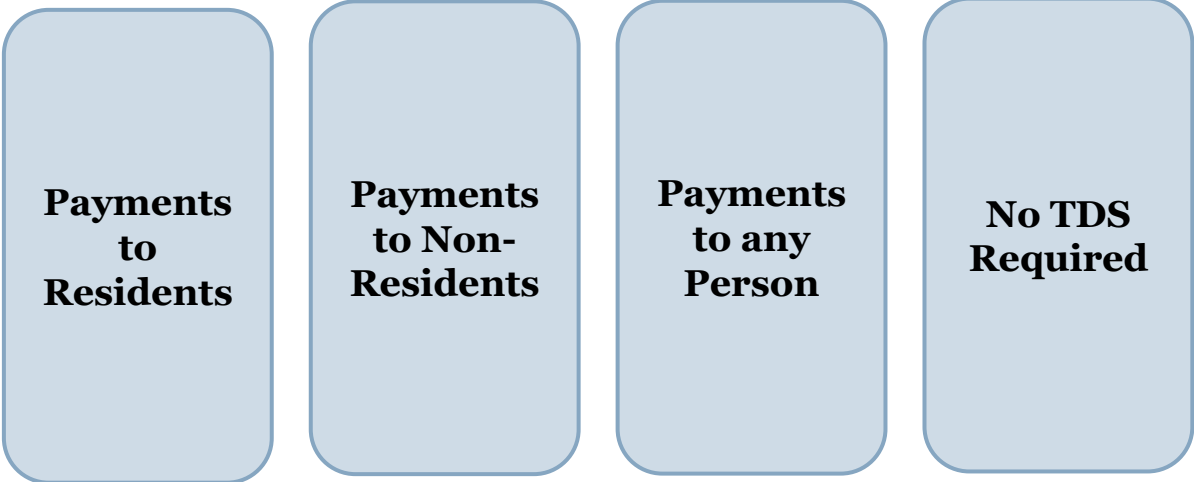
Rationalization of TDS provisions

Enhanced clarity through use of tables

**ITA 1961
(Total 43 sections)**



**ITA 2025
(Only one section – sec 393)**



Section 393

Overview of other key changes

03





Return of income

Expanded scope of Revised Return

01

Extended from 9 months (31 December) → 12 months (31 March) with late revision fee (post 9 months): Income ≤ INR 5 Lakh → INR 1,000; Others → INR 5,000.

02

Amendments in Finance Act 2026 to section 139(5) of ITA 1961 is effective from 1 March 2026

03

Similar changes introduced in the corresponding section of ITA 2025 with effect from 1 April 2026 [Tax year 2026-27 and subsequent years]

Issue w.r.t. revised return for AY 2025-26?

The screenshot displays the e-Filing portal interface for filing an Income Tax Return (ITR). The page title is "Income Tax Return (ITR)". The assessment year is set to "2025-26 (Current A.Y.)". The "Select Filing Type" dropdown menu is open, showing the following options:

- Select
- u/s 92CD - Modified Return
- u/s 139(9A) – After condonation of delay u/s 119(2)(b) / Court Order or Sanction Order of Business re-organisation of the Competent authority issued prior to 01.04.2022
- 139(8A) - Updated Return

The "Continue" button is visible at the bottom right of the form. The footer of the page includes the India.gov.in logo and the text "Last reviewed and updated on : 31-Mar-2026". The system tray at the bottom shows the date as 31/03/2026 and the time as 10:40.

Expanded scope of updated return (1/3)

Provisions under ITA 1961

Updated return not allowed if assessment / reassessment / re-computation / revision is pending or completed for that AY.

Provisions under ITA 2025

*Permitted post reassessment initiation within prescribed limits. However, higher additional tax (extra 10% over existing slabs) payable.
No penalty to be levied on additional income*

Some quick thoughts

Can file updated return even after 148, including where 143(3) completed, but only if still within 48 months from end of AY

No updated return can be filed if notice under section 148 is issued after expiry of 48 months from the end of the relevant AY

If notice received before 1 March 2026, prima facie it seems possible to file an updated return within the time specified in the notice to the extent it is beyond 1 March 2026

Option available with taxpayer to file updated return or original return. Additional tax liability applicable only if updated return is filed

Expanded scope of Updated Return (2/3)

An updated return can be filed even if a show-cause notice (SCN) under section 148A has been issued; however, no updated return can be filed where the SCN under section 148A is issued after 36 months from the end of the relevant AY



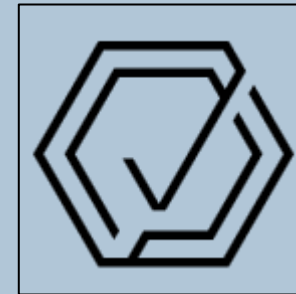
Incremental Tax Cost

Additional 10% liability under Section 140B when responding to notice



Penalty Exposure

Quantum of potential penalty through regular assessment process



Reputational Risk

Sensitivity to reputational impact from penalty levy in proceedings

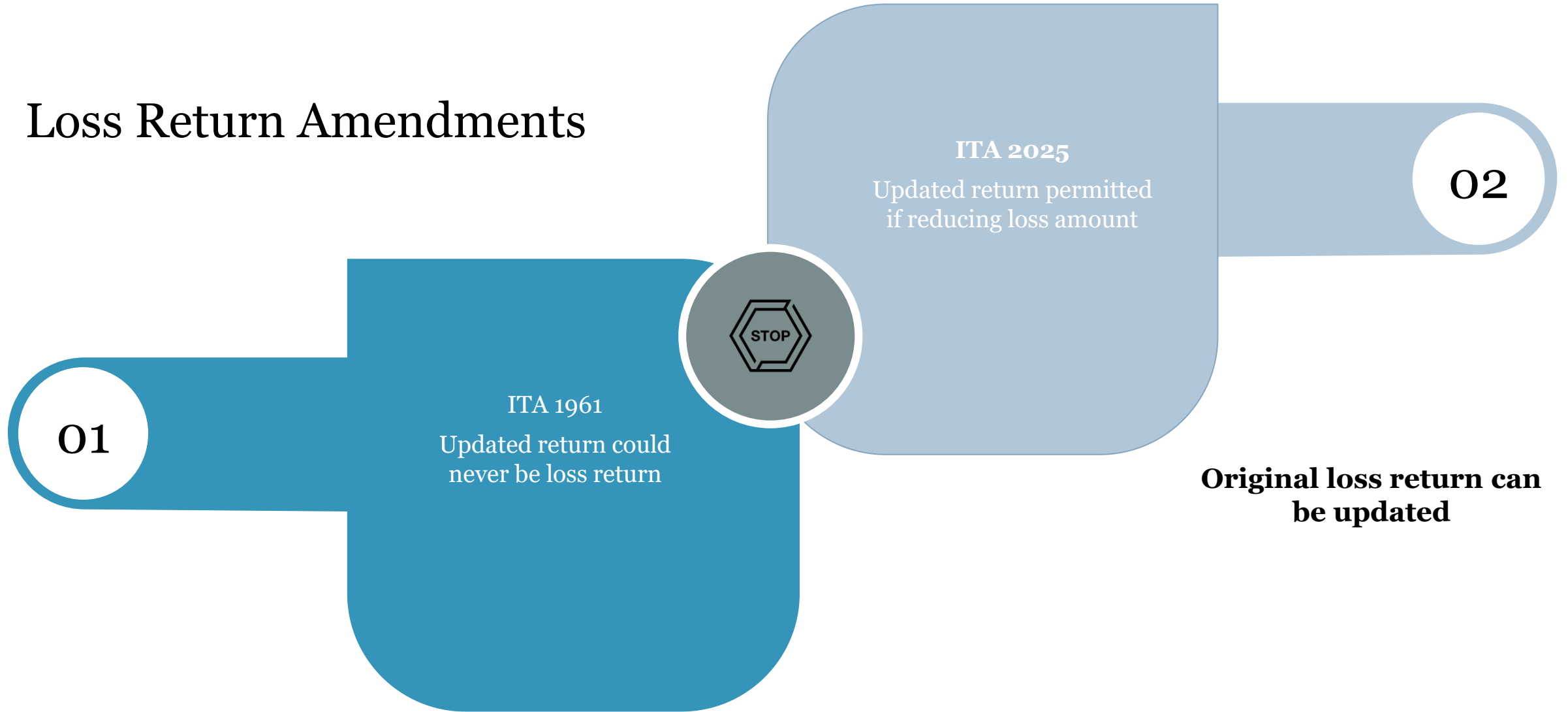


Prosecution Risk

Potential exposure to prosecution proceedings under income tax laws

Expanded scope of Updated Return (3/3)

Loss Return Amendments





Assessment Proceedings

Document Identification Number (1/2)

Background & Objective



- Section inserted to ensure assessments are not declared invalid merely due to a mistake, defect or omission in quoting the DIN, provided that the assessment order is referenced by such DIN in any manner

Key Features



- Clarificatory provision for section 292B: assessments not invalid for DIN-related mistakes if the order is referenced by that DIN “in any manner.”
- “In any manner” suggests - valid assessment order if DIN mentioned in a covering letter, email, accompanying communication, or on any page of the order.
- Protection only in cases where DIN was generated but there was a mistake/defect in its quoting.



Limitations

- Where no DIN is generated, or it is created later and communicated separately, applicability of this protection remains uncertain.
- This protection applies only to assessment orders, and not to notices, summons, demand notices, or other communications issued without a DIN.

Document Identification Number (2/2)

Situation	Particulars	Potential Impact / Discussion Points
Situation 1	Notice issued without a DIN; assessment proceedings concluded	<ul style="list-style-type: none"> <input type="checkbox"/> Amendment does not cure the defect; the notice remains invalid without a DIN. <input type="checkbox"/> The assessment may still survive if the final order carries a valid DIN. <input type="checkbox"/> If the order has a DIN but does not refer to the original DIN-less notice, the impact remains uncertain and case-specific.
Situation 2	Other communications (demand notice, summons, correspondence) issued without DIN	<ul style="list-style-type: none"> <input type="checkbox"/> The amendment applies only to assessment orders, not to other communications. <input type="checkbox"/> Communications issued without a DIN remain prima facie invalid under Circular No. 19 of 2019 (14 August 2019).

JAO/FAO Controversy

1

Background

- ✓ Insertion of Section 147A in the ITA, 1961 with retrospective effect from 1 April 2021 (Corresponding provision inserted in ITA, 2025)
- ✓ AO for Sections 148 and 148A shall mean an AO other than NaFAC or any unit under section 144B(3)
- ✓ Amendment clarifies that JAO had authority to issue notices under sections 148/148A, resolving the dispute on whether such power lay exclusively with FAO via NaFAC after notification of the e-Assessment Scheme under section 151A

2

Impact on notices issued by FAO

- ✓ The revised language indicates that only the JAO is recognized as the AO for issuing notices under sections 148 and 148A.
- ✓ This raises the issue of retrospective conferment or clarification of jurisdiction in favour of the JAO.
- ✓ Whether such jurisdiction can be validly conferred or clarified retrospectively is a matter requiring closer judicial scrutiny

3

Impact on ongoing litigation

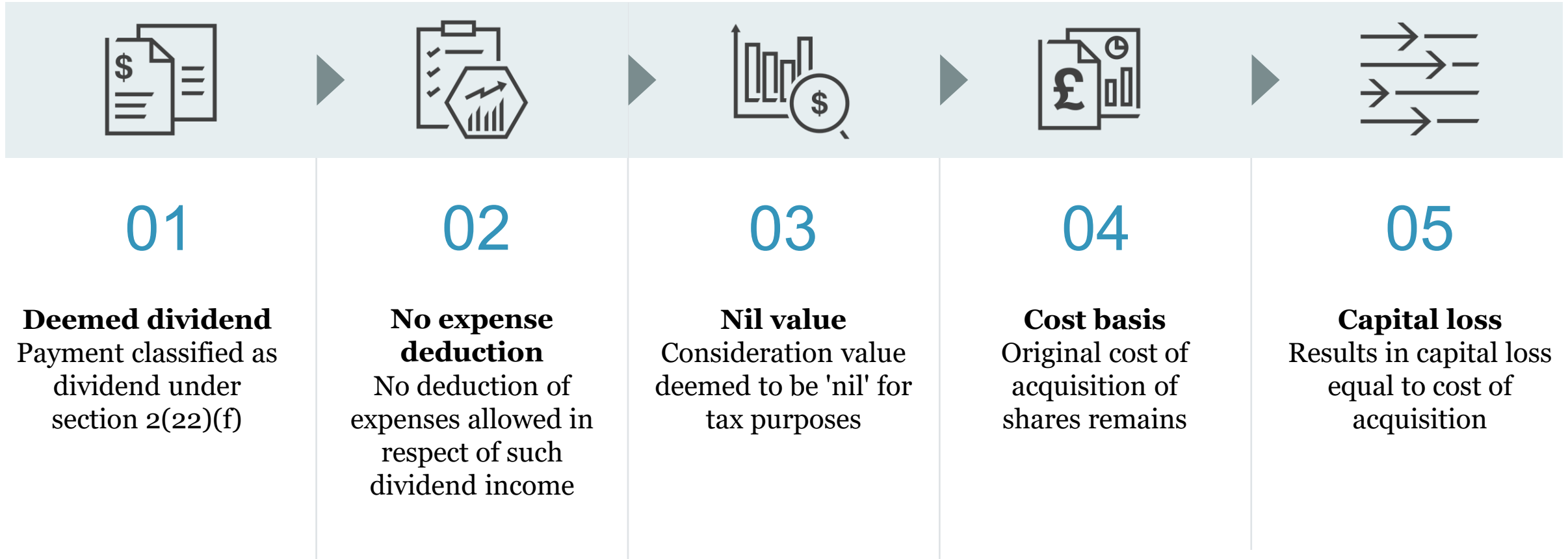
- ✓ The Supreme Court has disposed of a batch of cases, permitting the Revenue to approach the High Courts and place on record the retrospective amendment (***ITO v. Vandana Malhotra, SLP (Civil) Diary No. 57403 of 2025***)
- ✓ The Revenue is likely to contend that JAO-issued notices remain valid in matters where appeals or stays are pending



Buy-back taxation

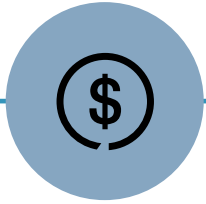
Buy-back taxation (1/3)

The ITA 1961



Buy-back taxation (2/3)

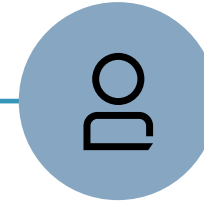
The ITA 2025



To do away with taxing share buy-backs as dividend income



Difference between consideration received and cost of acquisition to be taxable as 'capital gains'



To levy additional income-tax on capital gains, where shares or securities are held by a 'promoter'

Additional income-tax (*plus surcharge @12%*) for promoters:

Sl. No.	Income	Cases where promoter [#] is a domestic company	Cases where the promoter [#] is other than a domestic company
1.	Short-term capital gains – listed securities	2% ¹	10% ³
2.	Long-term capital gains - listed and unlisted securities	9.5% ²	17.5% ⁴

¹ Tax rate (inclusive of additional tax) - 22%

² Tax rate (inclusive of additional tax) - 22%

³ Tax rate (inclusive of additional tax) - 30%

⁴ Tax rate (inclusive of additional tax) - 30%

Buy-back taxation (3/3)

'Promoter' definition – Areas for consideration

'A person who holds, directly or indirectly, more than 10% of the shareholding in the company'



When to test the definition of 'promoter'?



Meaning of 'indirect'? – agent, custodian, etc.



Shareholding – equity and / or preference shares?

Minimum Alternate Tax



MAT

Minimum Alternate Tax (MAT)

The ITA 2025

01

MAT Rate

Reduced to 14% (from 15%)
IFSC units: continue at 9%

02

Domestic Companies – Old Regime

MAT to be final tax
No new MAT credit
No set-off of past MAT credit

Effective from tax year 2026-27 onwards.

03

Domestic Companies – Transition to 22% CTR

MAT credit set-off allowed up to 25% of normal tax
Balance carried forward (same 25% utilization rule)
Carry forward period: 15 year

04

Foreign Companies

No changes in the provisions of set-off and carry forward of MAT credit for foreign companies

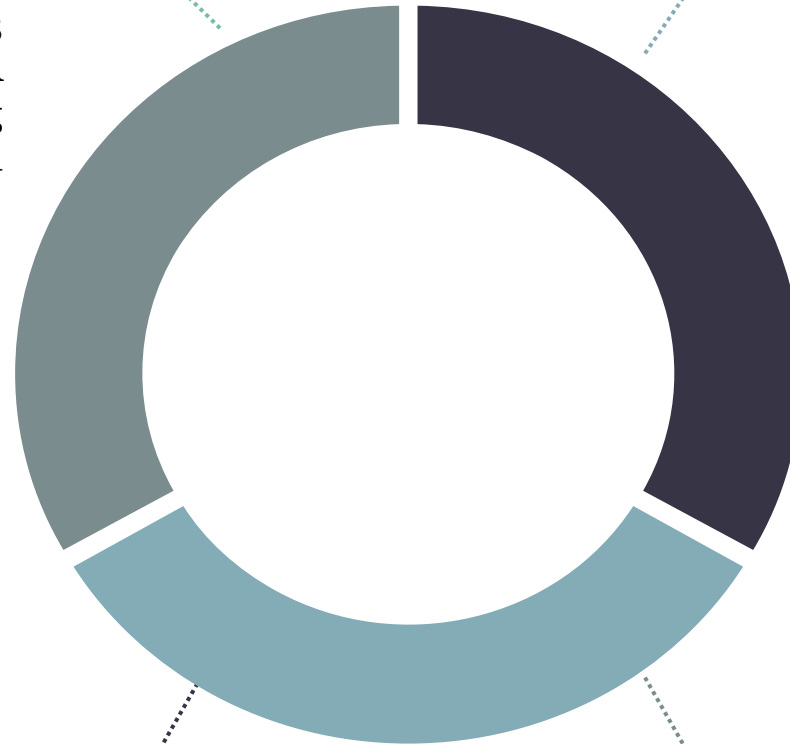
MAT provisions not applicable for foreign companies opting for presumptive taxation



Fast track demerger

Fast Track Demerger

- Fast-track demerger under **Section 233 of the Companies Act 2013 (CA 2013)** is a new, simplified route requiring approval of the Regional Director instead of NCLT.
- ITA 2025 **expressly recognizes only demergers under Sections 230–232 of the CA 2013** by omitting Section 233
- It implies **fast-track demergers may not qualify** for tax-neutral treatment under the ITA



- **Section 2(19AA) of the ITA** defines “demerger” by reference to schemes under **Sections 391–394 of CA 1956**, while the corresponding provisions are now **Sections 230–232 of CA 2013**, creating ambiguity for fast-track demergers under Section 233.
- Companies considering restructuring should **weigh NCLT route (Secs. 230–232)** vs. fast-track route, factoring in **tax cost**.



Financial Services Sector - IFSC

Financial Service Sector



Tax Holiday:

Extended from 10 years to 20 years for banks/offshore units and 20 out of 25 years for other IFSC units

01



Post-Holiday Tax:

Specified income taxable at 15% concessional rate

02



Restriction:

No tax holiday for units starting on/after 1 April 2026 if formed by splitting, reconstruction, reorganization, or transfer of existing business in India

03



Deemed Dividend Relief:

Loans via IFSC finance entities excluded from deemed dividend, subject to conditions on overseas listed parent and entities in notified jurisdictions

04



Repeal and savings

Repeal and savings/ Transition from ITA 1961 to ITA 2025

Bridge between old and new Act

- Repeals the old Act
- Transitional provision



Saves certain aspects of 1961 Act

- Rights, privileges, obligation or liability acquired, accrued or incurred



Circulars and notifications

- Saved provided it is not inconsistent with the corresponding provisions of 2025 Act
- Binding nature of guidelines issued under specific provisions (e.g. section 194R)



Proceedings until AY 2026-27

- Law as on 31 March 2026 frozen for all proceedings
- Includes proceedings which are pending as well as proceedings which are yet to be initiated

Transitional impact of disallowances [43B, 40(a)(i)/(ia)] under 1961 Act

- Not expressly saved by savings clause
- Is it an 'accrued right'?

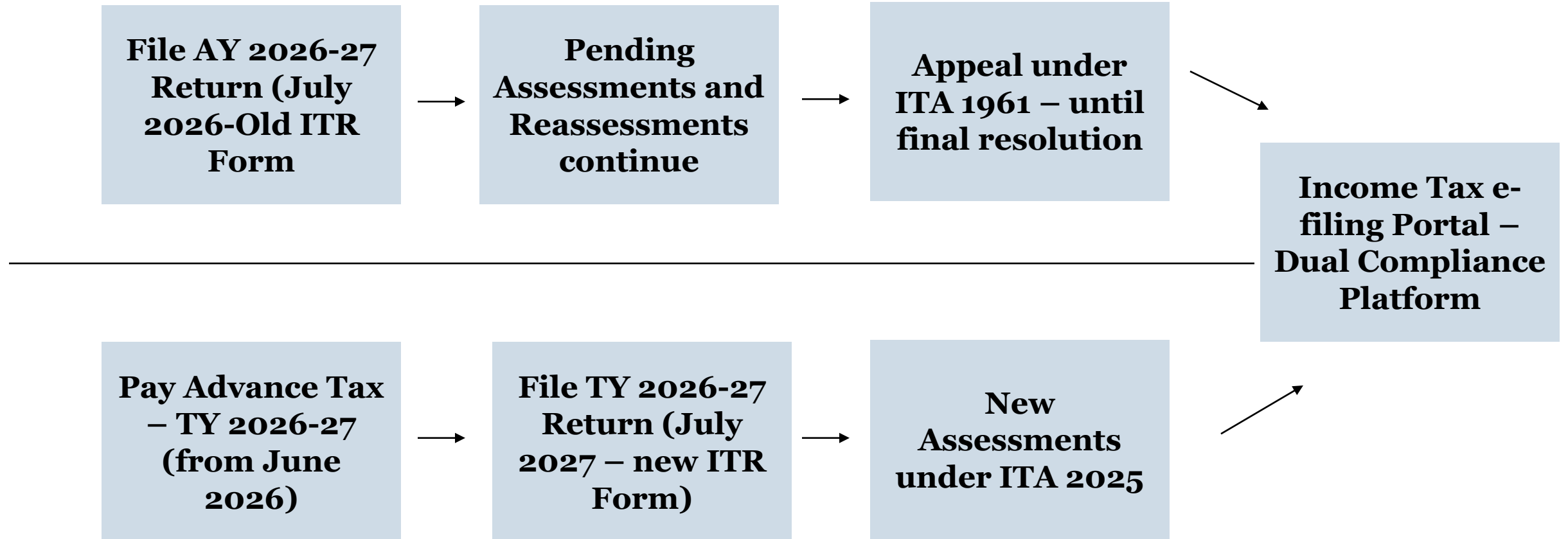


Interest on tax refunds and demands

- 2025 Act governs interest if default happens after 1 April 2026 or refund falls due after 1 April 2026 (even for earlier tax years)
- Continuing default?

Repeal and savings/ Transition from ITA 1961 to ITA 2025

Parallel operation of ITA 1961 and ITA 2025 from 1 April 2026



Repeal and savings/ Transition from ITA 1961 to ITA 2025

Parallel operation of ITA 1961 and ITA 2025 from 1 April 2026

Payment of taxes

Income Tax Department, Government of India

Call Us English A A+ Firm

Dashboard e-File Authorised Partners Services AIS Pending Actions Grievances Help Session Time 1 4 : 5 7

Dashboard > e-Pay Tax -1961

Select Applicable Income Tax Act

- Income-tax Act, 2025
For Tax Year 2026-27 and onwards (including Advance Tax for TY 2026-27)
- Income-tax Act, 1961
For Assessment Year 2026-27 or earlier AYs includes Self-Assessment Tax for AY 2026-27, Equalization Levy and Payments under Black Money

Go To Dashboard Continue >

File income tax forms

File Income Tax Forms

Need Help?

- Navigator of Forms as per Income Tax Act 2025/1961

Forms as per Income Tax Act 2025 Forms as per Income Tax Act 1961 Forms as per other Acts

Profits and gains of business or profession (Form 19)
Application for notification of a semiconductor wafer fabrication manufacturing unit as specified business under section 46 of the Act

File Now

Refer link - <https://eportal.incometax.gov.in/iec/foservices/#/login>

Repeal and savings/ Transition from ITA 1961 to ITA 2025

Useful Tools and Resources

Parallel reading functionality ([click here](#)) that enables users to:

- ▶ Map old provisions to the corresponding new provisions.
- ▶ Compare provisions of the ITA 1961 and ITA 2025 side-by-side.

The screenshot shows two side-by-side panels. The left panel is titled "Income-tax Act, 1961" and contains a dropdown menu for "Please select Act" with "Income-tax Act, 1961" selected, and another dropdown for "Please select Section No." with "2 - Definitions" selected. Below these are links for "View Income-tax Act, 1961" and "View All Acts". The right panel is titled "Income-tax Act, 2025" and shows "Corresponding Section of Income-tax Act, 2025" with "2 - Definitions" selected and a "View in Parallel Reading" button. It also includes links for "View Income-tax Act 2025" and "View All Acts".

The screenshot displays a side-by-side comparison of Section 3. The left pane, titled "Section - 3 'Previous year' defined | Income-tax Act, 1961", contains the text: "Previous year" defined. 3. For the purposes of this Act, "previous year" means the financial year immediately preceding the assessment year : Provided that, in the case of a business or profession newly set up, or a source of income newly coming into existence, in the said financial year, the previous year shall be the period beginning with the date of setting up of the business or profession or, as the case may be, the date on which the source of income newly comes into existence and ending with the said financial year. The right pane, titled "Section 3 Definition of 'tax year' | Income-tax Act, 2025", contains the text: Definition of "tax year" . 3. (1) For the purposes of this Act, "tax year" means the twelve months period of the financial year commencing on the 1st April. (2) In the case of a business or profession newly set up, or a source of income newly coming into existence in any financial year, the tax year shall be the period beginning with— (a) the date of setting up of such business or profession; or (b) the date on which such source of income newly comes into existence, and ending with the said financial year.

Repeal and savings/ Transition from ITA 1961 to ITA 2025

Useful Tools and Resources

- Navigator - Income-tax Bill, 2025



Navigator - IT Bill

- Navigator - Income-tax Rules, 2026



Navigator - IT
Rules

- Form Mapping Guide



IT Forms -
Mapping guide

- [FAQs and Guidance Notes on Forms as per Rules](#)

- FAQs on interplay and transition from the ITA 1961 to the ITA 2025



FAQs

- Income-tax Act, 2025 – Hyperlinked Booklet



ITA, 2025



Appendix

Motor Car – Perquisite valuation

Engine Capacity	IT Rules 1962	IT Rules 2026
Motor car is owned or hired by employer – Provided to the employee for official Duties and Personal Use		
→ Employer bearing /reimbursing running and maintenance expenses		
Engine cubic capacity Up to 1.6 litres	INR 1,800 p.m. (plus INR 900 p.m. for chauffeur, if provided)	INR 5,000 p.m. (plus INR 3,000 p.m. for chauffeur, if provided)
Engine cubic capacity Above 1.6 litres	INR 2,400 p.m. (plus INR 900 p.m. for chauffeur, if provided)	INR 7,000 p.m. (plus INR 3,000 p.m. for chauffeur, if provided)
→ Employee bearing running and maintenance expenses		
Engine cubic capacity Up to 1.6 litres	INR 600 p.m. (plus INR 900 p.m. for chauffeur, if provided)	INR 2,000 p.m. (plus INR 3,000 p.m. for chauffeur, if provided)
Engine cubic capacity Above 1.6 litres	INR 900 p.m. (plus INR 900 p.m. for chauffeur, if provided)	INR 3,000 p.m. (plus INR 3,000 p.m. for chauffeur, if provided)

Valuation of electric vehicle shall be the same as that of a motor car with an engine capacity not exceeding 1.6 litre.



Motor Car – Exemption limits

Engine Capacity	IT Rules 1962	IT Rules 2026
Motor car is owned by employee – Used by the employee for official Duties and Personal Use		
→ Employer bearing /reimbursing running and maintenance expenses		
Engine cubic capacity Up to 1.6 litres	Exemption – INR 1,800 p.m. (plus INR 900 p.m. for chauffeur, if provided)	Exemption – INR 5,000 p.m. (plus INR 3,000 p.m. for chauffeur, if provided)
Engine cubic capacity Above 1.6 litres	Exemption – INR 2,400 p.m. (plus INR 900 p.m. for chauffeur, if provided)	Exemption – INR 7,000 p.m. (plus INR 3,000 p.m. for chauffeur, if provided)
Any other automotive vehicle is owned by employee – Used by the employee for official Duties and Personal Use		
Not applicable	Exemption – INR 900 p.m.	Exemption – INR 3,000 p.m.

Valuation of electric vehicle shall be the same as that of a motor car with an engine capacity not exceeding 1.6 litre.



Exempt Allowances

Engine Capacity	IT Rules 1962	IT Rules 2026
House Rent Allowance	Only 4 cities covered under 50% limit	50% limit extended to Ahmedabad, Bengaluru, Hyderabad and Pune
Children's Education Allowance	INR 100 p.m. per child (max. 2 child)	INR 3,000 p.m. per child (max. 2 child)
Hostel Allowance	INR 300 p.m. per child (max. 2 child)	INR 9,000 p.m. per child (max. 2 child)
Transport Allowance for disabled employees	INR 3,200 p.m.	<ul style="list-style-type: none"> • For metro cities – INR 15,000 + DA thereon • For other cities – INR 8,000 + DA thereon

Open Issues for Transport Allowance:

- Is omission of “per month” intentional?



Leave Travel Concession

Engine Capacity	IT Rules 1962	IT Rules 2026
Travel by Air	Not exceeding economy fare of national carrier	Not exceeding the fare admissible for the class of travel for which employee is entitled
Travel to place not connected by rail and no recognised system of public transport exists	AC first class rail fare for equivalent distance of journey by shortest route as if journey has been performed by rail	Where no specific rates have been provided by Directorate of Transport of Concerned state or of neighbouring state – INR 30 per km for the distance of journey by shortest route



Other perquisites

Engine Capacity	IT Rules 1962	IT Rules 2026
Interest-free or concessional loans	<ul style="list-style-type: none">Aggregate threshold for petty loans – INR 20,000	<ul style="list-style-type: none">Threshold increased to INR 2,00,000
Value of any gift/ voucher/ token by employer to employee	<ul style="list-style-type: none">Threshold is INR 5,000	<ul style="list-style-type: none">Threshold increased to INR 15,000
Value of free food and non-alcoholic beverages	<ul style="list-style-type: none">Exemption of INR 50 per mealNot available under the concessional tax regime	<ul style="list-style-type: none">Exemption enhanced to INR 200 per mealAvailable to all employees irrespective of tax regime



Thank you