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CHARTERED
ACCOUNTANTS

THE INCOME

TAX



BILL 2025

WHAT YOU NEED TO KNOW

BACKGROUND

On 13th February 2025, the Hon'ble Finance Minister introduced the Income Tax Bill 2025 ('ITB 2025') in Parliament, aiming to replace the six-decade-old Income Tax Act, 1961 ('ITA 1961') with a modern, streamlined, and technology-driven tax system. The ITB 2025 has been sent to the standing committee for suggestions and changes and is likely to be enacted in the next parliamentary session.

The ITB 2025 is proposed to be brought into effect from **1st April 2026**. (i.e. Tax Year 2026-27)

This bill seeks to simplify tax laws, improve administration, and enhance compliance through digital integration and automation. By reducing complexities and making tax regulations more structured and transparent, it aims to benefit both individuals and businesses, ensuring a fairer and more efficient taxation framework.

Structural Changes in ITB 2025

1. The structural change ensures a more efficient framework and provides language to understand and interpret correctly. There has been a significant change in the text of ITB 2025 in the comparison with the ITA 1961 as summarised below:

Particulars	ITA 1961	ITB 2025
Chapter	47	23
Section	819 (effective Sections)	536
Words	5.12 lakh	2.6 Lakhs
Pages	833	622
Tables	18	57
Formulae	6	46

2. Formulas and tables have been introduced to present key provisions more clearly, particularly for salary perquisites, presumptive taxation, and TDS/TCS rates.
3. Obsolete Sections that are no longer relevant are eliminated, such as investment incentives for new equipment and machinery, fringe benefits, and the government's right of first refusal on real estate purchases.
4. All existing provisos and explanations have been integrated into Sections and schedules for ease of understanding.
5. Simplified cross referencing between the different provisions. For example, Clause (ii) of sub-Section (3) of Section 148 in existing ITA 1961 is changed to reader friendly "Section 148(3)(ii)".
6. Complex legal terms such as "notwithstanding anything contained" have been replaced with terms like "irrespective of anything contained" to improve readability and understanding. Also, "in accordance with," is replaced with "as per" and "as may be prescribed," replace with "prescribed"
7. The Official navigator and utility have been released by Income tax department for comparing the corresponding Sections between ITB 2025 and ITA 1961.
8. The ITB 2025 aims to simplify language without altering tax rates or incidence for individuals or corporates. It also retains the old tax regime as an option and incorporates changes announced in the Finance Bill 2025 on February 1, 2025.

Key changes in ITB 2025

Scope of Definitions

1. Changes of Chapter & Clause no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter I - Preliminary	Chapter I - Preliminary
Section 2	Clause 2

2. Simplified and crisp language

Language has been simplified without changing the meaning of any particular term. Terms which have been defined at several places in the ITA 1961, have now been placed in Clause 2 itself. For example, the definition of 'senior citizen', meaning of accountant, convertible foreign exchange, currency, etc.

3. Introduction of Tax Year

The Tax Year is the new standard period for earning and assessing income, replacing the Previous Year and Assessment Year. The Financial Year (FY) continues to be relevant for legal and procedural compliance, such as audits and statutory filings.

The term "Tax year" refers to the twelve-month period starting on the 1st day of April of each financial year. In the case of a business or profession that is newly established, or a new source of income that arises during any financial year, the tax year will begin on:

- (a) the date on which the business or profession is set up; or
- (b) the date on which the new source of income comes into existence, and will end at the conclusion of that financial year.

4. Crypto asset added to the definition of Virtual Digital Asset

Crypto asset is added to the definition of Virtual digital asset - "any crypto-asset being a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions" ensuring that digital income is appropriately taxed within the formal tax structure.

Basis of charge and residential status

5. Changes of Chapter & Clause no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter II – Basis of Charge	Chapter II – Basis of Charge
Section 4-9B	Clause 4-10

6. Amendment to Section 6- for person leaving India for employment

Section 6 of the ITA 1961, provides that the condition of stay in India for 60 days or more in the current year does not apply to a citizen of India who leaves India “for the purpose of employment outside India”. The ITB 2025 proposes to replace this expression with “for employment outside India”.

This change in language may have significant implications for people who are leaving India without employment, potentially excluding them from the relaxed tax residency rules.

Income which do not form part of Total Income

7. Changes of Chapter & Clause no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter III – Income which do not form part of total income	Chapter III – Income which do not form part of total income
Section 10-13B	Clause 11-12

8. Structural changes to exemptions under Income tax

Clause 11 of the ITB 2025 contains certain provisions relating to exemptions and the rest are placed in the 6 different Schedules related to



specific category of taxpayers as mentioned below:

- **Schedule II** – Income such as agricultural income
- **Schedule III** – Certain eligible persons for exemption such as partners of firms and HUF etc.
- **Schedule IV** – Exemptions to non-resident
- **Schedule V** – Exemption to Business trusts, Sovereign wealth funds etc.
- **Schedule VI** - Exemption to IFSC units
- **Schedule VII** – Person exempt from tax

Redundant provisions of ITA 1961 have been removed from ITB 2025, for example: Section 10A, which was a special provision for newly established industrial undertakings in the free trade zones, is no longer available from the Assessment Year 2012-13, onwards.

Salaries

9. Changes of Chapter & Clause no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter IV – Computation of Total Income A – Salaries	Chapter IV – Computation of Total Income B – Salaries
Section 15-17	Clause 15-19

The restructuring for the salary head of income has resulted in deletion of the redundant provisions, simplifying certain terminology and all the provisions related to these heads are combined in a way that taxpayer can easily read their relevant chapter while filing the income tax return.

10. Improved and simplified provisions

All the salary related provisions, like gratuity, HRA, leave encashment, commuted and uncommuted pension, retrenchment compensation, etc., are now consolidated under the Part B of Chapter IV of ITB 2025.

11. Clarity on vehicle used for employment

ITA 1961 mentions that use of any vehicle provided by a company or an employer for journey by the assessee from employee’s residence to employee’s office or other place of work, or from such office or place to employee’s residence shall not be treated as a taxable perquisite. However, ITB 2025 proposes to change the language to suggest that the expenditure incurred by the employer for use of any vehicle by the employee for such travel shall not be treated as a taxable perquisite.

12. Changes for medical expenses

ITA 1961 previously provided exemptions from perquisite taxation for amounts paid by an employer for medical treatment related to COVID-19 illness of an employee or their family member, as well as for ex gratia payments made to the family of an employee in case of their death. However, these provisions are set to be removed in the ITB 2025.

ITB 2025 proposes to remove the requirement for employees to submit a hospital certificate and payment receipt to claim non-taxable medical treatment benefits for themselves or their family members under the ITA 1961.

13. No entertainment allowance for Govt. employee.

The ITB 2025 proposes to remove the entertainment allowance for a government employee.

Income from House Property

14. Changes of Chapter & Clause no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter IV - Computation of Total Income	Chapter IV - Computation of Total Income
C - Income from House Property	C - Income from House Property
Section 22-27	Clause 20-25

15. Changes in Income from house property

While providing for vacancy allowance for computing the income from house property which was let but vacant for the whole or any part of the year, an additional condition of 'let in normal course' is proposed to be inserted by ITB 2025, which creates ambiguity.

Profits and gains of business or profession

16. Changes of Chapter & Clause no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter IV - Computation of Total Income	Chapter IV - Computation of Total Income
D - Profits and gains of business or profession	D - Profits and gains of business or profession
Section 28 – 44BD	Clause 26 – 66

17. Cost of an asset should exclude the ITC that has been claimed

The ITB 2025 proposes that GST paid on the cost of an asset, for which credit has been claimed or allowed under applicable GST laws, shall be excluded from the computation of actual cost for income tax purposes. This aligns with Income Computation and Disclosure Standards (ICDS) V, which provides that actual cost is determined net of any input tax credit.

The proposal aims to eliminate ambiguity, ensuring uniform application, preventing unwarranted inflation of the depreciation base, and aligning tax computations with accounting standards.

18. Lower profit under presumptive scheme

It is proposed under Clause 61 of the ITB 2025 that non-resident entities engaged in the business of operation of ships, including cruise ships and aircraft operations, are now allowed to declare lower profit than the presumptive limit. If lower profits are declared they are required to maintain the books of accounts and would also require to obtain an audit report from an Accountant.

This proposal aims at removing disparity in certain presumptive Sections by allowing the non-resident to claim lower profit subject to maintenance and audit of books of account.

19. Deduction of marked-to-market loss

Furthermore, the ITB 2025 expressly provides that such loss shall not be allowed as a deduction under any other provision. However, the ITB 2025 does not explicitly prohibit the deduction of MTM losses or other expected losses that are not in accordance with ICDS (eg – Loss from derivative transaction).

Under the ITA 1961 and ITB 2025, mark-to-market (MTM) or other expected losses are deductible only if computed in accordance with ICDS.

20. Expanding the definition of tax under Section 40

Under the provisions of Section 40 of the ITA 1961, any rate or tax levied on the profits or gains of any business or profession was specifically stated to be not allowable. Now, under the ITB 2025, Clause 35 has widened the scope of tax stating tax paid on income shall not be an allowable expenditure.

This proposal specifically provides that tax paid in relation to any income shall not be an allowable expenditure.

Capital Gains

21. Changes of Chapter & Section no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter IV - Computation of Total Income E - Capital Gains Section 45 - 55A	Chapter IV - Computation of Total Income E - Capital Gains Clause 67 - 91

22. Redundant provisions omitted

Various redundant provisions such as Section 54E, 54EA, 54EB, 54ED, 54GB 47A(2) of the ITA 1961 relating to gain arising from transfer of capital assets have been omitted in the ITB 2025.

Income from other sources

23. Changes of Chapter & Clause no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter IV - Computation of Total Income F - Income from other source Section 56-59	Chapter IV - Computation of Total Income F - Income from other source Clause 92-95

24. Redundant provisions omitted

The redundant sub-sections such as sub-sections (v) and (vi) of Section 56(2) dealing with the



provisions relating to transfer of property for inadequate consideration have been omitted in the new ITB 2025.

25. Change in the interpretation of the exemption list of persons from whom any sum or property received will not be taxable

Under the ITA 1961, provisions of Section 56(2)(vii) were not applicable wherein the sum of money or property is received by a person from any person referred to in Clause (23C) of Section 10. The said provisions are now covered by Clause 92(2)(m) of the ITB 2025.

However, as per the ITB 2025 the provisions of Clause 92(2)(m) shall not be applicable where the sum of money or property is received from or by any **registered** non-profit organization.

Earlier certain institutions, not requiring to obtain specific registration was also covered by the exception provided in Section 56(2)(vii) (Eg. – Educational institution whose annual receipts do not exceed INR 5 crore). However, under the ITB 2025, only registered educational institutions are covered. This could lead to undue compliance burden on small institutions and thus could lead to cumbersome additional activities for the institutions.

26. Extending the scope of the definition of Property

The definition of property under the ITA 1961, included the following:

- (d) "property" means the following capital asset of the assessee, namely:
- (i) immovable property being land or building or both;
 - (ii) shares and securities;
 - (iii) jewellery;
 - (iv) archaeological collections;
 - (v) drawings;
 - (vi) paintings;
 - (vii) sculptures;
 - (viii) any work of art; or
 - (ix) bullion;

Now, "Virtual Digital Asset" has specifically been included in the definition of "Property". The proposed amendment will bring VDA on par with other specified property and transfer of same without consideration/inadequate consideration shall result into tax implication in hands of recipient.

27. Clarity to the definition of relative

As per Section 56(2)(x) of the ITA 1961, any gift received by an individual from his lineal ascendants or descendants are not chargeable to income tax. However, there were litigation whether lineal ascendants or descendants of only paternal side will be covered, or even maternal lineal ascendants or descendants are covered.

In the ITB 2025, it is explicitly provided that a lineal ascendant or descendant can be maternal or paternal.

Income of other persons, included in total income of assessee

28. Changes of Chapter & Clause no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter V - Income of Other Persons, included in assesses total income Section 60 – 65	Chapter V – Income of other persons included in total income of assessee. Clause 96 – 100

29. No specific requirement of professional qualification of spouse

Under Section 64 of the ITA 1961, if an individual holds a substantial interest in a concern, any income received by the spouse of that individual, in the form of salary, commission, fees, or other remuneration from the concern, is included in the total income of the individual.

However, the clubbing provisions do not apply if the spouse has "technical or professional qualifications," **and** the income is solely attributable to their application of such qualifications, knowledge, or experience. These two conditions are cumulative, not alternative.

The ITB 2025 proposes to alter the above conditions to make them alternative and not cumulative. The ITB 2025 does not explicitly require the spouse to possess formal qualifications, and it will cover cases where the spouse applies technical or professional knowledge and experience without formal qualifications.

Aggregation of Total Income

30. Changes of Chapter and Section no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter VI – Aggregation of Income and set off or carry forward of loss Section 66 - 80	Chapter VI – Aggregation of Income Clause 101 - 107

31. Section 69D of ITA 1961, provides that any borrowing on a hundi or any repayment of a hundi loan (including interest) other than through an account payee cheque shall be deemed to be income of person borrowing or repaying the amount. In the ITB 2025 the scope is extended to include negotiable instruments as well.

32. 'Cash credits' as per Section 68 of the ITA 1961, has been changed to 'unexplained credits' in the ITB 2025.

33. Section 69 and 69B of the ITA 1961 has been merged in Clause 103 of the ITB 2025. Similarly, provisions of 69A and 69B of the ITA 1961 have been covered by Clause 104 of the ITB 2025.

Set Off, Or Carry Forward and Set Off Of Losses

34. Changes of Chapter & Clause no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter VI – Aggregation of income and set off or carry forward of loss. Section 70 - 80	Chapter VII – Set off or carry forward and set off of losses. Clause 108 - 121

35. Merging of relevant Sections in order to simplify the interpretation of the provision

The Section 78 and 79 of the Act which contain provisions for "Carry forward and set off of losses in case of change in constitution of firm or on succession" and "Carry forward and set off of losses in case of certain companies" respectively has now been merged in a single Clause in the ITB 2025 which provides condition for "Carry forward of losses when there is change in constitution of an entity".

36. Beneficial owner specifically mentioned in the section

It is proposed to replace the term “Beneficially held” included in Section 79 of the ITA 1961 to “Beneficial owner” in Clause 119 of the ITB 2025. There were various matters before the court due to its ambiguous wordings. The words “beneficially held” is a wider term and opens to various interpretation whereas the word “Beneficial Owner” is more defined and specific.

37. Set-off of capital losses

The current provisions of the ITA 1961, (Section 74) state that Long term capital loss can be set off against Long term capital gain only. Further, loss from transfer of Short term capital asset can be set off against gain from any other capital asset (i.e. Long term as well as Short term). The same provisions have been continued in Clause 111 of the ITB 2025.

However, in the transitional provisions, the language used is such that it can be interpreted that brought forward losses from the ITA 1961 (LTCL or STCL) could be set off against any capital gain under the ITB 2025. This seems to be a drafting error and likely to be corrected before the bill is enacted.

Deductions to be made in computing total Income

38. Changes of Chapter & Section no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter VI A – Deductions to be made in Computing of Total Income Section 80A– 80VV	Chapter VIII – Deductions to be made in Computing of Total Income Clause 122 – 154

39. For claiming deductions under Chapter VIII, return of income must be furnished on or before the due date

Clause 122 of the ITB 2025 proposes to allow the deduction under the provisions of Part C of this



Chapter to the Assessee who furnish a return of income on or before the due date specified under Clause 263(1) of the ITB 2025.

40. Contribution to annuity plan for receiving pension from Life Insurance Corporation of India or any other Insurer

The ITB 2025 has proposed to include the deduction of the contribution for annuity plan under Clause 123 of the ITB 2025 which has an effect of clubbing Section 80CCC with Section 80C of the ITA 1961.

41. Simplification of deduction in respect of donations to certain funds

The ITB 2025 has proposed to simplify the provisions of Section 80G of the ITA 1961, to segregate the deductions available i.e. 100% / 50% for the donations made.

42. Deductions for 10 consecutive years for income of Offshore Banking Units

Clause 147 of the ITB 2025 proposes to allow deduction to Scheduled Bank, or a Bank incorporated under the laws of a Country outside India, having an Offshore Banking Unit in a Special Economic Zone as under:

Section 80LA of ITA 1961	Clause 147 of ITB 2025
(a) One hundred per cent of such income for five consecutive assessment years beginning with the assessment year relevant to the previous year in which the permission, under Banking Regulation Act, 1949 / Securities Exchange Board of India Act, 1992 / any other relevant law was obtained.	100% of such income for ten consecutive tax years beginning from the relevant tax year
(b) Fifty per cent of such income for five consecutive assessment years	

43. Deduction for interest on deposits

Clause 153 of the ITB 2025 proposes to merge the deduction allowable for interest on deposits in case of individuals, HUF and Senior Citizens under Sections 80TTA and 80TTB of the ITA 1961 into one provision.

Provisions of Transfer Pricing in the ITB 2025

44. The provisions pertaining to Transfer Pricing, are now regrouped under Chapter X.

45. Changes of Chapter & Section no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter X	Chapter X
Section 92-94	Clause 161-177

46. Insertion in the definition of AE in respect to SDT and clarification in the definition of Associated Enterprise

a) As per the ITB 2025, it is now proposed to include the meaning of AE in respect of Specified Domestic Transaction ('SDT'). The following entities are proposed to be included in the definition of AE for the purposes of SDT, if there exists a close connection between Assessee and such entities:

- Units / Undertakings / Business of Assessee engaged in infrastructure development
- Industrial Units
- Party which is covered by concessional scheme for new manufacturing domestic company
- Newly established units in SEZ

b) In the ITA 1961, there was an ambiguity as to whether sub-Section 92A(1) and 92A(2) of the ITA 1961 are inter-related. Now it is clarified that the two sub-Sections are independent and not interrelated.

47. Clarification on the applicability of the tolerance range in case of single price determined as Arm's Length Price (ALP)

- a) The ITB 2025 has now specifically mentioned that the tolerance range of +/- 3% is to be available in case where a single price is determined as ALP.
- b) The ITB 2025 has mentioned that where more than one ALP price is determined, the ALP determination is left open to be prescribed separately as against the computing the arithmetical mean of such prices as prescribed under the ITA 1961.

48. Change in the language of the law for determination of the ALP

- a) A change in the language in Clause 161 of ITB 2025 (as compared to corresponding Section 92 of ITA 1961) from 'computed' to 'determined' having regard to the ALP.

- b) The ITB 2025 intends to clarify that application of the arm's length principle is a conclusion to be based on various factors or criteria and not just a mathematical calculation.

49. Time limit determined in case of pending APA application proceedings

- a) Currently, the ITA 1961 did not specify the period till when the APA application proceeding is deemed to be pending. In the ITB 2025, the time limit of the proceeding is clarified to be 'till the APA is entered into' or 'closure of such proceedings as per rules prescribed.'
- b) The definition of 'non-banking finance company' which was prevalent in Section 94B of the ITA 1961 is missing under corresponding Clause 177 of ITB 2025.

Determination of tax in special cases

50. Changes of Chapter & Clause no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter XII – Determination of tax in certain special cases	Chapter XIII – Determination of tax in special cases
Section 110 – 115WM	Clause 190 - 235

51. Withdrawing the benefit of inter-company deductions on dividend when claiming a special tax rate of 22% available to certain companies

Currently as per the provisions of Section 115BAA, Indian companies opting for tax rate of 22% are permitted to deduct inter-corporate dividend, subject to fulfilment of specified conditions. As per the Clause 200 of the ITB 2025, this deduction for inter-corporate dividend is not available in case the company has opted for the tax rate of 22% as per Clause 200 of the ITB 2025.

52. Restricting the exemption available to non-residents and foreign company.

Clause 215 (previous 115F) deals with the provisions relating to certain situation where capital gains on transfer of foreign exchange assets shall not be chargeable to tax in the hands of Non-resident Indian.

Under the ITA 1961, any gain arising to a NRI on transfer of certain foreign exchange asset shall not be taxable if the consideration received is invested in specified asset or in saving certificate.

In the ITB 2025 the words “or in any savings certificates referred to in Clause (4B) of Section 10” has been omitted, having effect that the saving certificates will not be eligible for investment for the purpose of exemption.

53. Sunset Clause for issuing guidelines for Companies/Co-operative societies opting for special rate taxation

In the ITB 2025 it has been explicitly provided that no guideline prescribing the conditions for claiming the special tax rate can be issued after expiration of 2 years from 1st April 2026.

Search and Seizure and Power to Survey

54. Changes of Chapter & Section no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter XIII – Income Tax Authorities	Chapter XIV - Tax Administration
Section 116-138	Clause 236-261

55. Administrative proposed modification in Search and Seizure and Survey:

- Under the existing law, the scope of term used in various Section 132, 132A and 133A of ITA 1961 i.e. "any books of account or other documents" has been expanded to "any books of account or other documents or any information stored in any electronic media or a computer system" in Clause 247, 248 and 253 of ITB 2025.
- Section 132 of the ITA 1961, empowers the authorised officer to enter and search any building, place, vessel, vehicle, or aircraft where suspected items are kept, to break open the lock of any door, box, locker, safe, almirah or other receptacle where the keys thereof are not available. In the ITB 2025 under Clause 247, the provision expands the scope by empowering the authorities to gain access by overriding the access code to any said computer systems or virtual digital space where the access code thereof is not available.
- Section 132(3) of the ITA 1961, provides that the assessing officer can pass a restraint order where it is not practicable to seize books of account, other documents, money, bullion, jewellery, or other valuable articles or things. Clause 247(4) of ITB 2025 adds computer

systems, bank lockers, and bank accounts to the list of assets for which a restraint order can be passed.

- Section 132(4A) and Section 292C of the ITA 1961, contain certain legal presumptions against the person whose possession or control of any books of account, other documents, or assets are found. The ITB 2025 under Clause 247(7)(b) and 524 expands the list of assets against which such presumptions shall be assumed, which are virtual digital assets, virtual digital space, electronic content, records, and communication found on computer systems.
- Section 133A(3)(iii) of ITA 1961, empowers the income-tax authorities conducting a survey to record the statement of any person that may be relevant to any proceeding under this Act. The ITB 2025 under Clause 253(5)(b) requires that such statements must be recorded by the income tax authority on oath.

56. Other Proposed Modifications

Section 255 of ITA 1961, authorises certain authorities to inspect, and if necessary, take copies of any register of the members, debenture holders or mortgages of any company or of any entry in such register. Clause 255 of ITB 2025 expands the list of authorities by including assessment units and verification units who can inspect and take copies of company records.

Return of Income

57. Changes of Chapter & Clause no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter XIV- Procedure for assessment	Chapter XV – Return of Income
Section – 139-140B	Clause 262-267

58. Return of Income

Section 139 of the ITA 1961, these assesseees are scattered across various sub-Sections. In the ITB 2025, all assesseees are consolidated in one place which makes it easier for each category of assesseees to locate and fulfil their return filing obligations.

The ITB 2025 does not include language which require filing of return in case of large deposits (excess of 1 crore), foreign travel, or exceeding

certain turnover limits. However, the Board has the authority to set rules for when return filing will be required.

The Board has been given the powers to seek the details of credit card held by the assessee, expenditure exceeding the threshold, outgoings, particulars of principal place of business, etc.

59. No refund if return not filed within due date

As per the current provisions of the ITA 1961, the taxpayer is eligible for refund of tax in its return of income even if it is not filed within due date of filing original tax return. However as per ITB 2025 proposes that refund can be claimed only if the return of income filed within the due date of filing original tax return.

60. Changes for filing an updated return

Where a taxpayer has filed updated return of earlier tax year resulting into reduction of loss or unabsorbed depreciation, alternate minimum tax credit or minimum alternate tax credit of subsequent years, in such cases, requirement to file updated return for subsequent years has been removed.

Assessment Procedure

61. Changes of Chapter & Section no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter XIV - Procedure for Assessment	Chapter XVI - Procedure for assessment
Chapter XIVA - Special provision for avoiding repetitive appeals	A - Procedure for assessment B - Special procedure for assessment of search cases
Chapter XIVB - Special provision for assessment of search cases.	
Section - 142 - 158BI	Clause 268 - 301

62. Time Limit to submit Special Audit report

As per the ITA 1961, the maximum time limit (including extension) to submit the audit report under Section 142(2A) was **180 days from the date** of receiving directions to get the accounts audited. As per the Clause 268 of ITB 2025 the extended time limit is **six months from the end of the month** in which the directions are received by the assessee to get the accounts audited.



63. Provisions related to Dispute Resolution Panel (DRP)

Section 144C(6) of the ITA 1961, gives a list of points that DRP should consider while issuing its directions. Clause 275 of the ITB 2025 has removed the list and has generalized that the directions of the DRP must be in writing and must state the points of determination, the decision on each point, and the reasons for those decisions.

64. "Information" to initiate the reassessment

Clause 280 of the ITB 2025, expands the scope of the term "information" for the purpose of income that has escaped assessment. As per the ITB such 'Information' shall now also include - (1) the directions given by the Approving Panel (2) Any finding contained in an order passed by any authority or Tribunal or Court.

65. Procedure before issuance of notice for Reassessment

As per the ITA 1961, Section 148A (procedure before issuance of reassessment notice) was not applicable if the information for the purpose of income escaping assessment has been received under a Scheme notified under Section 260 i.e. Faceless Collection of Information. As per the Clause 281 of the ITB 2025, two additional cases have been added where the procedure before issuance of reassessment notice is not applicable.

(1) Where directions are issued by Approving Panel.

(2) Where any finding contained in an order passed by any authority or Tribunal or Court.

66. Limitation period for assessment or reassessment not applicable in certain cases.

Section 150 of the ITA 1961, provides that the notice under Section 148 for assessment / re-assessment may be issued *at any time, i.e. limitation period shall not be applicable* when effect is required to be given to any order passed by any authority in any proceeding by way of appeal, reference or revision or by a Court. A new circumstance has been added in its corresponding Clause 283 of the ITB 2025 wherein the limitation period for assessment / reassessment notice shall not apply i.e. when any directions are given by the Approving Panel declaring the arrangement as an impermissible avoidance arrangement.

Search Assessment

67. Time limit for passing appeal effect order.

As per the ITA 1961, the time limit for order giving effect to orders were required to be given effect within **three months** from the end of the month in which the said orders are received or passed by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, **with additional period of six months** in a case where same cannot be passed within the said due date for the reasons beyond the control of the Assessing Officer.

Now, as per Clause 286 of the ITB 2025, time limit for passing the order giving effect to the said orders has been **extended to six months from the end of the month in which the order is received or passed by the jurisdictional Principal Commissioner or Commissioner**, which can be extendable up to **nine months** with the approval of the Joint Commissioner or Joint Commissioner (Appeals).

Charitable Trusts and other Institutions



68. Changes of Chapter & Section no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
<ul style="list-style-type: none"> • Chapter III - Incomes which do not form part of Total Income • Chapter VIA - Deductions to be made in Computing Total Income • Chapter XII - Determination of tax in certain Special Cases • Chapter XII-EB - Special Provisions Relating to tax on Accreted Income of certain Trusts and Institutions 	<ul style="list-style-type: none"> • Chapter XVII - Special Provisions Relating to Certain Persons • B - Special Provisions for Registered non-profit organisation
Section 10(23C), 11, 12, 12A, 12AA, 12AB, 12AC, 13, 80G, 115BBC, 115BBI, 115TD, 115TE and 115TF	Clause 332 – 355
Trust, Institution, University, Educational Institution, Hospital, etc.	Non-profit Organization

69. Revamping of provisions dealing with Non-profit Organisation (NPOs)

- Under ITA 1961, the extensive provisions are scattered across different chapters which have been proposed to be placed under a single separate Chapter (Chapter XVII) for the purpose of simplification and easy reading/interpretation.
- The current expressions for trust, institution, university, educational institution, hospital, etc have been merged into a single expression as “Non-Profit Organization”.
- The proposed framework under ITB 2025 consists of the following provisions:- Registration, income, commercial activities, compliances, violations, approval for purpose of deduction and interpretation.
- There is no change in the taxability of the income of the registered NPOs under the existing law.
- It is proposed that the NPOs whose activities have not commenced and who are not

registered under any specific provision at any time before making the application, such NPOs can make an application at any time during the year in which registration is sought.

- f) As per ITA 1961, the registered NPOs shall be allowed to re-invest the gains on sale of its assets for acquisition of another capital asset or apply 85% of it. However, it is proposed to remove the option of such reinvestment. Thus, it appears that such receipt would be treated as regular income and the same shall be required to be applied (to the extent of 85%).
- g) NPOs registered prior to 2021 that have not transitioned to the new registration regime operative since 1st April, 2021 until now for any reason, will receive an additional chance to apply for registration under ITB 2025. If the Tax Authority accepts the delay due to a reasonable cause, such registration will be effective retrospectively from the tax year 2021-22.

73. Removal of provision relating to non-filers under Section 194N of ITA 1961

The threshold limit of INR 20 Lakhs and TDS rate of 2% (upto payment of INR 1 Crore) / 5% (on payment exceeding INR 1 Crore) in case of non-filers under Section 194N of the ITA 1961 are proposed to be eliminated in the corresponding Clause 393(3)(5) of the ITB 2025.

74. Extension of exemption from withholding tax in respect of payment under National Savings Scheme to Assessee.

The ITB 2025 has proposed to extend the erstwhile exemption in respect of TDS on payment under National Savings Scheme available to heirs of the Assessee, even to the Assessee under the corresponding Clause 393(4).

75. Levy of TDS on interest on compensation by Motor Accidents Claim Tribunal (MACT) exceeding INR 50,000 on payment/ credit basis.

The ITB 2025 proposes to levy the TDS on interest on compensation awarded by MACT in excess of Rs. 50,000 at the time of credit or payment, whichever is earlier.

76. Rationalisation of any income/ sum recorded under Suspense Account

The ITB 2025 proposes to generalise the provision regarding the credit of any income / sum to any account (whether called 'suspense account' or any

Collection and Recovery of tax

70. Changes of Chapter & Clause no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter XVII – Collection and Recovery of tax	Chapter XIX – Collection and Recovery of tax
Sections 190 – 234H	Clauses 390 - 430

71. Streamlining TDS based on residential status of recipients

The ITB 2025 suggested a comprehensive approach to streamline the TDS / TCS provisions by consolidating the various provisions into three categories:

- a) TDS on payments to residents
- b) TDS on payments to non-residents
- c) TDS on payments to any person (viz. residents or non-residents or both)

72. Elimination of the threshold limit specified in Section 194 of the ITA 1961.

The ITB 2025 proposes to eliminate the erstwhile threshold limit for deducting TDS on dividend payable by a company of INR 10,000 under Section 194 of the ITA 1961 in the corresponding Clause 393(1) of the ITB 2025.



other name) applicable in the following Sections of the ITA 1961 to all the TDS provisions:

Sr. No.	Section	Particulars of Section
1	193	Interest on securities
2	194A	Interest other than 'Interest on securities'
3	194C	Payment to contractors
4	194G	Commission, etc. on sale of lottery tickets
5	194H	Commission or brokerage
6	194-I	Rent
7	194-J	Fees for professional or technical services
8	194K	Income in respect of units
9	194LBB	Income in respect of units of investment fund
10	194LBC	Income in respect of investment in securitization trust
11	194Q	Deduction of tax at source on payment of certain sums for purchase of goods
12	194S	Payment on transfer of virtual digital asset
13	195	Other sums
14	196A	Income in respect of units of non-residents

77. Simplification of provision relating to lower withholding certificate

The ITB 2025 proposes to remove the word 'NIL' from the provision relating to NIL / lower withholding certificate under the erstwhile Section 195 and Section 197 of the ITA 1961 applicable to residents and non-residents respectively in the corresponding Clause 395(1) and Clause 395(2) of the ITB 2025 respectively. There exists an ambiguity on whether an application for NIL withholding tax certificate can be applied under the ITB 2025. However, it could be argued that the term 'lower withholding certificate' includes a NIL withholding certificate.

78. Reduction for treating the Assessee in default in case of TDS proceedings by 1 year.

The ITB 2025 proposes to reduce the period for passing an order for deeming an Assessee as 'Assessee-in-default' from 7 years to 6 years from the end of Financial Year in which the tax was deductible/collectible, in cases other than cases where correction statement is delivered under

Clause 393(3) in which case the period continues to be 2 years.

79. Power of Central Government with respect to lower rates of TDS/TCS

The ITB 2025 has introduced a new provision empowering the Central Government to exempt the TDS / TCS provision or apply lower rates for TDS /TCS in respect of a payment / receipt and applicable to such person or a class of persons [Clause 400].

80. Bifurcation of payment of Advance tax by the Assessee into 2 different Clauses.

The ITB 2025 proposes to bifurcate the provision of Section 210 of the ITA 1961 dealing with payment of advance tax by the Assessee into two Clauses – Clause 406 applicable to advance tax payment by the Assessee on his own accord and Clause 407 applicable to advance tax payment in pursuance of order passed by Assessing Officer.

Refunds

81. Changes of Chapter & Clause no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter XIX - Refunds	Chapter XX - Refunds
Section 237 - 245	Clauses 431 - 438

82. Withdrawal of withholding period for calculating interest under Section 245(2) of the ITA 1961.

The ITB 2025 provides that the additional interest of 3% per annum on an income-tax refund arising by way of order giving effect to an appellate order or revisionary order (excluding case of fresh assessment / reassessment), would be computed from the **date of assessment/ reassessment order** under Clause 437(5) as against *the date up to which refund is withheld* as per erstwhile Section 245(2) of the ITA 1961.

83. Redundant provisions omitted

References to the provisions in respect of Fringe Benefits Tax under Chapter XII – H of the ITA 1961 and Settlement Commission under Chapter XIX-A of the ITA 1961 have been omitted in the ITB 2025 as these provisions are redundant.

Penalties

84. Changes of Chapter and Section no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter XXI – Penalties Imposable	Chapter XXI – Penalties
Section 270 - 275	Clause 439 - 472

85. Penalties not to be imposed in certain cases

As per Section 273B of ITA 1961, (Clause 470 of ITB 2025) penalty in specified cases was not to be levied if the assessee proves that there was reasonable cause for the said failure. Section 273B of ITA 1961, also included penalty under Section 271E of the ITA 1961 (levied for violation of Section 269T of the ITA 1961). However, Clause 470 of ITB 2025 does not cover the said penalty Clause in its scope.

86. Opportunity of Being Heard

The mandatory requirement of giving an opportunity of being heard to the assessee before imposition of penalty has been proposed to be removed in the ITB 2025 from following Sections:

- Penalty under Clause 465 of ITB 2025 / Section 272A of ITA 1961 for failure to answer questions, sign statements, furnish information, returns or statements, allow inspections, etc.
- Penalty under Clause 466 of ITB 2025 for failure to comply with provisions of Section 133B of ITA 1961 / Clause 254 of ITB 2025.
- Penalty under Clause 467 of ITB 2025 for failure to comply with provisions of Section 139A of ITA 1961 / Clause 262 of ITB 2025.
- Penalty under Clause 468 of ITB 2025 for failure to comply with provisions of Section 203A of ITA 1961 / Clause 397(1) of ITB 2025.

However, Clause 471 of ITB 2025 / Section 274A of ITA 1961, which governs the procedure for imposing penalties, provides a general procedural Clause wherein it is mentioned that penalty cannot be imposed under Chapter XXI unless the assessee has been given a reasonable opportunity of being heard.

Offences and Prosecution

87. Changes of Chapter and Section no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter XXII - Offences and Prosecution	Chapter XXII - Offences and Prosecution
Section 275A - 280D	Clause 473 - 498

88. Initiation of Prosecution

As per Section 279 of ITA 1961, no person should be proceeded against for an offence unless there is prior sanction of Principal Commissioner or Commissioner or Commissioner (Appeals) or Joint Commissioner (Appeals) or the appropriate authority. However, as per proposed Clause 491 of ITB 2025 the words 'appropriate authority' has been omitted. Hence, only the approval of authorities specifically mentioned in Clause 491 of ITB 2025 can be obtained.

89. Failure to furnish return of income in search cases

The ITB 2025 proposes that failure to furnish return of income in search cases (276CCC of ITA 1961 / Clause 397 (1) of ITB 2025) will be a non-cognizable offence and prosecution can only be initiated with prior sanction of PCIT, CIT, JCIT (Appeals), CIT (Appeals) or appropriate authority.

Miscellaneous

90. Changes of Chapter & Section no. in the ITB 2025

Relevant Chapter and Section as per the ITA 1961	Proposed Chapter and Clause as per the ITB 2025
Chapter XXIII – Miscellaneous	Chapter XXIII – Miscellaneous
Section 281- 298	Clause 499-536

91. In the ITA 1961, Section 293D empowers the Government to make faceless schemes for registration or approval. The ITB 2025 has proposed to expand the government's powers. **The government can now introduce faceless schemes for any purpose.** Further, the government has the power to amend or modify any faceless scheme even after it has been issued.