New Income Tax Bill, 2025

Why in News?

The new income tax bill, 2025 is expected to come into effect on 01 April 2026, will replace the existing Income Tax Act, 1961 ('Act').

- **Simplified legislation -** The new bill aims to simplify the current tax system by reducing the section count from 819 to 536 and reducing the word count by 40% to 50%.
- A significant number of explanations and conditions have been removed.
- **Introduction of tax year -** The new bill proposes the adoption of ***'tax year'*** to eliminate confusion between terms like previous year (i.e., financial year) and assessment year.
- The tax year will generally run from ***01 April to 31 March*** of the following year.
- **Simplification of legal language-** Legal terms like 'notwithstanding anything contained' will be replaced with simpler language like 'irrespective of anything contained.'
- Formulas and tables have been added to clearly present key provisions, especially for salary perquisites, presumptive taxation and TDS/TCS rates.
- **Residency laws remain unchanged -** The residency laws continue to remain the same.
- The new bill keeps the current residency provisions intact, which classify individuals into 3 categories of residents
    - Ordinarily resident,
    - Not-ordinarily resident and
    - Non-resident.
- **Heads of income remain intact-** The new Bill has proposed no change in heads of income compared to the existing Act.
- It will remove many of existing redundant provisions which have become obsolete over time.
- **Addition of new schedules-** The new bill adds 2 new schedules, enhancing the total number of schedules to ***16,*** to improve the organization of the new bill.
- However, the structure of 23 chapters, will remain unchanged for stability.
- **Easy referencing by salaried class -** Salary-related provisions are now consolidated in one section for easier understanding, eliminating the need for multiple references.
- Deductions like gratuity and leave encashment are now part of the salary chapter.
- Allowances like Leave Travel concession and House Rent allowance are included in Schedule II and III of the new bill.
- **Streamlined provisions for exempt Income-** Existing provisions for exempt income, previously detailed in Section 10, are now moved to separate schedules.
- **Streamlining TDS rules-** Tax Deducted at Source (TDS) regulations will be simplified under the new bill making it more transparent and easier and comply with TDS obligations.
- The new bill allows taxpayers to apply for lower or nil withholding tax certificates across all TDS/TCS provisions, rather than a select few, thereby reducing compliance burdens for taxpayers
- **Budget 2025 updates incorporated-** The changes proposed in Budget 2025, such as the new rates for the concessional tax regime have also been incorporated in the new Bill.
- Virtual digital assets such as cryptocurrencies have been included in the definition of property to be counted as a capital asset of the assessee along with existing categories of immovable property.

- Senior citizens are eligible to claim a tax deduction of Rs 50,000 for interest income earned from savings accounts and time deposits in banks, post offices, and cooperative banks.

References

1. The Indian Express | Income Tax Bill, 2025
2. Times of India | New Income Tax Bill 2025
3. Business Today | Income-Tax Bill 2025

