

Income-tax Bill 2025 v. Income-tax Act 1961

The Finance Minister, Smt. Nirmala Sitharaman tabled the Income-tax Bill in the parliament on 13th February 2025. The top 50 changes proposed in the Income-tax Bill 2025 ('ITB') in comparison to the Income-tax Act, 2025 ('ITA') are given below.

Meanings

1. Clause 2 of the ITB consolidates the meaning of specific terms in one place. Previously, some of these terms were included in the relevant provisions, such as meaning of accountant, convertible foreign exchange, currency, etc.
2. The expression "previous year" has been replaced with the expression "tax year". This means the 12-month period of the financial year commences on the 1st day of April.

Residential Status

3. Section 6 of the ITA 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 proposes to replace this expression with "for employment outside India".

New tax regime for registered NPOs/Trusts/NGOs

4. The ITB introduces a comprehensive new taxation framework for non-profit organisations (NPOs), replacing the existing provisions applicable to trusts. The new regime adopts the term "Non-Profit Organisation (NPO)" instead of "trust," which was previously used. The ITB contains more than 20 provisions for the Registered NPOs, covering application for registration, computation and taxation of the Income of registered NPOs, Corpus donation, Application of Income, Accumulated Income, implications of the commercial activities conducted by the registered NPOs, compliances to be done by the registered NPOs, consequences on any violations by the NPOs and approval for deduction.

Salary

5. The ITB does not allow any deduction for the entertainment allowance to a government employee.

Business Income

6. Section 30 of the ITA allows a deduction of all revenue expenses incurred regarding a premise used for business. Section 31 provides deduction for repairs & insurances of machinery, plant or furniture. The ITB proposes to combine the provisions of sections 30 and 31 and allows fair and proportionate deductions when premises, machinery, plant or furniture are partially used for business or professional purposes.
7. ITB proposes that the GST be excluded from the cost of the asset if the assessee has claimed an input tax credit.
8. "Information Technology" and "Company Secretary" have been explicitly included in the list of specified professions, which were previously notified separately. Further, an authorised representative and firm artist have been proposed to be removed.

Capital Gains

9. Section 47 of ITA provides a list of transactions not treated as transfers for the purpose of capital gains. The ITB proposes to remove the redundant clauses given for the transfer of land of an industrially sick company and transfer in the course of demutualisation or corporatisation of a recognised stock exchange.

Income from Other Sources

10. As per section 56(2)(x), the gifts received by an individual from his lineal ascendants or descendants (or those of his spouse) are not chargeable to income tax. In the ITB, it is explicitly mentioned that a lineal ascendant or descendant can be maternal or paternal.

Clubbing of Income

11. As per Section 64 of the ITA, where an individual has a substantial interest in a concern, any income from that concern by way of salary, commission, fees, or any other form of remuneration paid to the spouse of the said individual is included in the total income of such individual. However, the clubbing provisions do not apply if the spouse possesses 'technical or professional qualifications', and the income is solely attributable to the application of his or her technical or professional knowledge and experience. These two conditions are cumulative and not alternative. The ITB proposes to remove the first condition and include the term "qualification" in the second condition alongside knowledge and experience. Thus, income could be attributable to the application of technical or professional knowledge, experience, and qualifications. However, the ITB does not explicitly say that the spouse must possess such qualifications. It will cover cases where a spouse applies technical or professional knowledge and experience without formal qualifications.

Deductions and Relief

12. The investments and expenditures eligible for deduction outlined in section 80C of the ITA are now proposed in Schedule XV of the ITB. This schedule also includes the deduction allowable under Section 80CCD.
13. ITB merges the deduction allowable under Sections 80TTA and 80TTB into one provision.

Tax Rates

14. Domestic companies and resident cooperative societies can opt for the alternative tax regime under section 115BAB and section 115BAE, respectively, provided they satisfy certain conditions. Section 115BAB empowers the CBDT to issue guidelines to address any difficulties in fulfilling these conditions. However, no such power is provided under section 115BAE. The ITB proposes to give powers to the CBDT to issue such guidelines for Clause 204 (corresponding to section 115BAE). No guideline shall be issued after two years from 1-4-2026.

Returns

15. The ITB does not contain a provision corresponding to the *seventh proviso* of the ITA, which specifies the circumstances under which the ITR must be filed, *such as* foreign travel, turnover or gross receipt exceeding the threshold limit, etc. However, the Board has been given the power to specify the conditions upon which the return filing will become mandatory.
16. 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.

Assessments

17. Powers of valuation officers to estimate the value of assets is defined within the provision instead of referring to section 38A of the Wealth-tax Act, 1957.
18. Section 144C(6) of the ITA lists specific elements the DRP must consider when issuing directions. The ITB, instead of listing out specific items to consider, focuses on the structure and content of the directions. It requires that the directions be in writing and must state the points of determination, the decision on each point, and the reasons for those decisions.

Re-assessments

19. The *Explanation* to section 147 of the ITA provides that the AO can assess or reassess all those incomes that come to his notice subsequently in the course of such proceeding, even if the procedure prescribed in section 148A was not followed. Clause 279(2) of the ITB expands the scope by validating the proceedings even if the notice is not issued under clause 280 (corresponding to section 148 of the ITA) and sanction for the issue of notice is not obtained under clause 284 (corresponding to section 151 of the ITA).

20. The ITB expands the scope of the term “information” to initiate the reassessment. It shall also include the directions given by the Approving Panel declaring the arrangement as an impermissible avoidance arrangement and any finding or direction contained in an order passed by any authority in any proceeding under this Act by way of appeal, reference or revision or by a Court in any proceeding under any other law.
21. The ITA provides that if the AO receives information in a faceless manner under the e-Verification Scheme, 2021 (notified under section 135A of the ITA), the notice can be issued without following the procedure under section 148A of the ITA. In such cases, prior approval of the specified authority is mandatory before issuing the notice under Section 148 of the ITA. The two situations have been added where no such notice is required to be issued, and prior approval of the specified authority is mandatory before issuing the notice, first, where any directions are given by the Approving Panel declaring the arrangement as an impermissible avoidance arrangement and second, any finding or direction contained in an order passed by any authority in any proceeding under this Act by way of appeal, reference or revision or by a Court in any proceeding under any other law.
22. The limitation period to issue a show-cause notice under clause 281 of the ITB (corresponding to section 148A of the ITA) has been increased from 3 Years and 5 Years to 4 Years and 6 Years, respectively.
23. The limitation period to issue a notice for reassessment under clause 280 of the ITB (corresponding to section 148 of the ITA) has been increased from “3 Years 3 Months” and “5 Years 3 Months” to “4 Years 3 Months” and “6 Years 3 Months,” respectively.
24. No notice under clause 280 of the ITB (corresponding to section 148 of the ITA) or clause 281 of the ITB (corresponding to section 148A of the ITA) shall be issued within one year from the end of any tax year.
25. Section 150 of the ITA provides that the notice under section 148 for reassessment may be issued at any time for the purpose of giving effect to any finding or direction contained in an 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, where the limitation period shall not apply when any directions are given by the Approving Panel declaring the arrangement as an impermissible avoidance arrangement.
26. There is no change in the limitation period to complete the assessment except that the limitation period to give effect to appeal results has been extended from 3 months to 6 months, while the total limitation period after extension shall remain 9 months.

Notice of Demand

27. Section 156 of the ITA provides that where a demand notice is issued to an employee of an eligible start-up to pay the tax on the perquisites arising from ESOPs, he shall be liable to pay the tax within 14 days from the date, *inter alia*, 48

months expire from the end of the Assessment year in which ESOPs are allotted. The ITB extends the time limit of 48 months to 60 months from the end of the relevant tax year.

Block Assessment

28. The ITB provides that the order for block assessment must be passed within twelve months from the end of the month in which the last authorisation for a search or requisition was executed or made. The Finance Bill, 2025 proposes changing the time limit for completing the block assessment to twelve months from the end of the quarter in which the last authorisation for search or requisition was executed. The ITB retains the original time limit of twelve months from the end of the month when the last authorisation for a search or requisition was executed or made.

TDS and TCS

29. Section 197 of the ITA permits an assessee (deductee) to apply to the AO for a *nil* or lower TDS certificate. The benefit of a *nil* or lower TDS certificate is restricted to specific payments prescribed under this section. The ITB broadens this provision, enabling a person to seek a lower TDS certificate for all types of payments.
30. Section 206C(9) of the ITA allows a buyer, licensee, or lessee to apply to the Assessing Officer for a certificate permitting the collection of tax at a lower rate. The application can be made for some transactions. The ITB expands the scope of this provision, allowing buyers to apply for a lower TCS certificate for any transaction.

Unexplained Income

31. Provisions of Sections 69A and 69B regarding under-reported money or assets have been included in clause 104 of the ITB, while the provisions of Section 69A dealing with unexplained investments are covered in Clause 103 of the ITB.
32. Section 69D provides that any borrowing on a Hundi or any repayment of a Hundi loan (including interest thereon) other than through an account payee cheque shall be deemed as income of the person borrowing or repaying the amount. In the ITB, the scope of this section has been expanded to include negotiable instruments as well.

Appeals

33. Section 158A of the ITA allows an assessee to submit a declaration stating that if the Assessing Officer or appellate authority agrees to apply the final decision taken in the "other case" to the "relevant case," the assessee will not file an appeal on the same question of law before any appellate authority, High Court, or Supreme Court. In the ITB, an additional reference has been included, covering cases where the question of law from an earlier assessment year (other case) is

pending in a Special Leave Petition (SLP) under Article 136, where the Revenue has challenged the decision of the Appellate Tribunal or the jurisdictional High Court.

34. Dispute Resolution Committee ('DRC') is a committee constituted by the Central Government for dispute resolution in the case of such persons or class of persons, as specified by the Board, who opt for dispute resolution in respect of a dispute arising from any variation in the *specified order* in his case and who fulfils the *specified conditions*, as prescribed. The ITA defined both "specified conditions" and "specified order." However, the ITB has removed the definition of "specified conditions."

Penalties

35. The mandatory requirement of giving an opportunity of being heard to the assessee before imposing a penalty has been proposed to be removed in the ITB:
(a) Penalty for failure to answer questions, sign statements, furnish information, returns or statements, allow inspections, etc., (b) Penalty for failure to comply with the provisions of clause 254 of ITB/Section 133B of ITA, (c) Penalty for failure to comply with the provisions of clause 262 of ITB/Section 139A of ITA, (d) Penalty for failure to comply with the provisions of clause 397(1) of ITB/Section 203A of ITA *and* (e) Failure to furnish ITR after the search will be a non-cognizable offence.
36. The ITB proposes that the prosecution under clause 476 of the ITB/Section 276CCC shall be a non-cognizable offence, and it can be initiated only with the prior sanction of PCIT, CIT, JCIT (Appeals), CIT (Appeals) or appropriate authority. Further, if a person is convicted for the same offence under this section again, then there will be rigorous punishment of a minimum period of six months to a maximum of seven years with a fine.

Liability in special cases

37. Clause 307 of the ITB largely retains the provisions of Section 164 of the ITA without significant changes. However, as a new taxation regime for NPOs has been introduced, sub-sections (2) and (3) of section 164, which relate to the taxation of income of charitable or religious trusts where beneficiary shares are unknown, have been moved to the relevant chapter dealing with NPO taxation.
38. Section 161 of the ITA provides that if a trustee is assessed as a representative for income that included business profits and gains, the entire income is taxed at the highest marginal rate used for an Association of Persons. However, the trustee may not be assessed on such income at MMR if profits and gains of business are receivable under a trust declared by any person by will exclusively for the benefit of any relative dependent on him for support and maintenance, and such trust is the only trust so declared by him. This provision has now been removed from the ITB.

39. A provision has been introduced to determine the taxable portion of a beneficiary's income from a trust when only part of the trust's income is chargeable under the Act.

Search and Seizure

40. The expression "any books of account or other documents" has been changed to "any books of account or other documents or any information stored in any electronic media or a computer system" in the ITB.
41. Section 132 of the ITA empowers the authorised officer to exercise certain powers where he has a reason to suspect that the books or assets are kept in any building, place, vessel, vehicle or aircraft ('places'). One such power is 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, 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.
42. Section 132(3) of the ITA 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. The ITB adds computer systems, bank lockers, and bank accounts to the list of assets for which a restraint order can be passed.
43. Section 132(4A) and Section 292C of the ITA contain certain legal presumptions against the person whose possession or control of any books of account, other documents, or assets are found. The ITB expands the list of assets against which such presumptions shall be assumed, which are virtual digital asset, virtual digital space, electronic content, records, and communication found on computer systems.
44. The ITB removes an Additional Director, Additional Commissioner, Deputy Director or Deputy Commissioner from the list of authorities who can initiate a search.
45. For requisition, the expression "any books of account or other documents" has been changed to "any books of account or other documents or any information stored in any electronic media or a computer system" in the ITB.

Power of survey

46. Section 133A empowers income tax authorities to conduct surveys to gather information and verify tax compliance. During a survey, authorities can inspect books of account and documents, mark them for identification, make copies or extracts, create inventories of cash and stock, and record statements. The ITB extends the scope beyond books of account or other documents to include computer systems, any other material connected with such systems and virtual digital space.
47. An income-tax authority conducting a survey has the powers to make extracts or copies from the books of account or other documents inspected by him. The ITB

- expands the scope of authorities to extract or copy data beyond physical books of account or documents to include electronic media and computer systems.
48. The ITA provides powers to 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 requires that such statements must be recorded by the Income Tax Authority on oath, enhancing their legal validity and accountability in tax proceedings.
 49. The ITA authorises certain authorities to inspect, and if necessary, take copies of any register of the members, debenture holders or mortgagees of any company or of any entry in such register. The ITB expands the list of authorities by including assessment units and verification units who can inspect and take copies of company records.

Transfer Pricing

50. Section 92C of the ITA prescribes methods for determining the Arm's Length Price (ALP) in international and specified domestic transactions between associated enterprises using the prescribed methods. When more than one price is determined using the most appropriate method, the arithmetical mean of such prices is considered the ALP. In the ITB, the concept of the arithmetical mean has been removed. If multiple prices are determined by the most appropriate method, the ALP shall be determined in a manner prescribed by the Board.

Miscellaneous

51. The ITA provides that where, during the pendency of any proceeding, any assessee creates a charge on, or parts with the possession of, any of his assets in favour of any other person, such charge or transfer shall be void as against any claim in respect of any tax or any other sum payable by the assessee as a result of the completion of the said proceeding. The "assets" here means land, building, machinery, plant, shares, securities and fixed deposits in banks, to the extent to which any of the assets aforesaid does not form part of the stock-in-trade of the business of the assessee. The ITB amends the definition of asset to include virtual digital assets.
52. In view of the omission of Section 66A of the Information Technology Act, 2000, the meaning of expressions "electronic mail" and "electronic mail message" have been defined in the section itself.
53. In the ITA, Section 293D empowers the Government to make faceless schemes for registration or approval. The ITB 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.