

Redefine. Reinvent. Rise.

Income Tax Bill, 2025

Key Highlights

ITR WORLD TAX

RECOMMENDED
FIRM

2025

CONTENTS

01

Overview

02

Key Changes

03

Takeaways

OVERVIEW

INCOME TAX BILL, 2025
REDEFINE. REINVENT. RISE.

OVERVIEW

- The Income Tax Bill, 2025 ('New Bill') has been introduced to replace the existing more than 6-decade old Income Tax Act, 1961 ('the Act')
- Government tried revamping way back in 2009 by proposing implementation of Direct Tax Code, however, the same could not be implemented

The proposed New Bill seeks to

- 01 Simplify tax provisions
- 02 Consolidate scattered provisions
- 03 Remove explanations and provisos
- 04 Enhance clarity by inserting formula's and tables
- 05 Remove redundant provisions

Items	The Act	New Bill	Change
Words	512,535	259,676	-252,859
Chapters	47	23	-24
Sections	819	536	-283
Tables	18	57	+39
Formulae	6	46	+40

OVERVIEW

INCOME TAX BILL, 2025
REDEFINE. REINVENT. RISE.

While concept of 'assessment year' and 'previous year' is proposed to be removed and concept of 'tax year' akin to financial year is proposed to be introduced, no substantive changes proposed but changes only in form.

The New Bill is proposed to be effective 1 April 2026 i.e. Tax Year 2026-27

Certain aspects which remain unchanged:



For ease of reference, government has also issued dedicated navigator and FAQs, the link of which is provided below



KEY CHANGES

INCOME TAX BILL, 2025
REDEFINE. REINVENT. RISE.

Deduction in respect of inter-corporate dividends

- Presently, deduction in respect of dividend income is available to extent of dividend distributed by the Indian company
- The said deduction is available both under the new as well as old regime
- The New Bill proposes to remove the deduction of inter-corporate dividend under new regime for domestic companies
- Deduction in the new regime to manufacturing companies continues

The New Bill proposes to exclude GST from the cost of the asset if the taxpayer has claimed input tax credit

Surcharge is proposed to be specifically included in 'tax' for the purposes of claim of deduction on payment basis – *controversy of whether tax includes surcharge or not may come to rest*

Scope of disallowance is proposed to be expanded to include '**tax paid on income**' as against '**tax on business income**' under the existing Act

BUSINESS PROFITS

INCOME TAX BILL, 2025
REDEFINE. REINVENT. RISE.



MAT and AMT are proposed to be combined – AMT provisions are not applicable to successor LLP?

‘Information Technology’ and ‘Company Secretary’ are proposed to be added in the definition of specified profession

Specified businesses (business of plying, hiring and leasing of goods carriage) will be allowed to claim deduction of Salary and Interest to be paid to partners in arriving at their presumptive income subject to fulfilment of specified conditions

Deeming Provisions

New Bill proposes to un-settle certain exemptions by treating the gains from deemed short-term capital asset as short-term capital gains irrespective of the period of holding

It is also proposed that all gains from specified Mutual Funds/Market Linked Debentures (MLDs) shall now be treated as Short-term capital gains

Definition of VDA is proposed to be expanded



INTERNATIONAL TAXATION/NON-RESIDENTS

INCOME TAX BILL, 2025
REDEFINE. REINVENT. RISE.

- Non-resident shipping/aircraft companies are proposed to have option to offer lower profits than that available under the presumptive regime, provided books are audited
- Taxability of Royalty income earned by a non-resident from a non-resident

Presently such income is taxable only if the same is deemed to accrue/arise in India from any source in India

New Bill proposes to replace the term 'any source in India' to 'any source outside India'

Interpretation of terms

Presently, meaning of any term which is undefined under Act or Treaty was obtained from Notification issued by Central Government

New Bill proposes to imply the definition provided under any Act/Law of Central Government thereby expanding the power

- No discussions on BEPS/Pillar I or Pillar II
- While the provisions in relation to exemptions available to IFSC are proposed to be re-aligned and consolidated under one roof, definition of investment fund proposes to extend pass-through status to Category III AIF located in IFSC



TRANSFER PRICING

INCOME TAX BILL, 2025
REDEFINE. REINVENT. RISE.

- Definition of 'associated enterprises' proposed to be expanded - De-facto conditions to be evaluated even in cases where objective threshold conditions are not met.
 - AE definition of SDTs also clarified
 - Multi-year TP assessment mechanism included in line with amendments proposed in Finance Bill 2025
-
- New Bill proposes to clarify that +/- 3% tolerance limit is only applicable where a single price is determined as ALP. In case of multiple price determination, ALP mechanism will be prescribed separately.
 - New Bill proposes to shift onus on DRP to issue a speaking order stating
 - Points of determination
 - Decision
 - Reasons for decision
 - No introduction for faceless scheme in DRP in the near future, as earlier provisions indicating introduction have been deleted



LDC Provisions

- New Bill proposes to enhance the scope of LDC and allows taxpayers to opt for LDC on all types of incomes
- It further proposes to use the term 'lower deduction of taxes' as against 'lower or nil deduction of taxes' under the existing Act
- Residential status provisions proposed to be simplified
- Finance Bill 2025 provisions are incorporated in the New Bill
- Monetary limits of perquisites for benefits/amenity provided to an employee are proposed to be prescribed under the New Bill
- All provisions relating to non-profit organizations have been consolidated into a single chapter for ease of reference
- Claiming income-tax refund is proposed to be included specifically as a part of return of income to be furnished on or before due date
- While the TDS provisions are rationalized and tabularized, one needs to minutely see the conditions/exemptions stated separately for applicability of provisions
- NOC required to be taken from authorities in case of transfer of 'virtual digital assets' as well
- Reassessment provisions – the term 'information available with the AO' is widened to include the directions of the GAAR panel. No pre-notice is required to reopen the assessment in case of direction by the Panel/Courts
- Timelines for issue of notice for reassessment remain unchanged – difference in year is merely due to change in terminology from 'assessment year' to 'tax year'
- Repeal and saving provisions are well enacted for matters prior to 1 April 2026. The transitional provisions for the losses, credits, etc. of past years are defined
- Simplification of language or replacing provisos/explanation with sub-sections v/s. settled legal position based on old provisions/judicial views

TAKEAWAYS

INCOME TAX BILL, 2025
REDEFINE. REINVENT. RISE.

While the New Bill is intended to simplify the legislations, it will entail certain legal and administrative hassles

Legal Issues



- Despite the revamp, a question over the reformative intent remains.
- Unintentional miss-outs to be **addressed such as NR to NR source outside India Royalty tax, 80M in new regime, AIF definition**
- **Possibility of settled precedents getting** disturbed/interpreted otherwise on account of change in language
- Wait for Rules, circulars, notifications to understand if it is really simplified?
- Wait for the final shape of the Bill – after it passes through the Select Committee and final draft is submitted by the monsoon session

Administrative Hassles



- Since the framework remains the same, though the current size is reduced, amendments in the upcoming years may lead to bulkier Act going forward
- Significant changes in documentation and IT infrastructure framework would be required:
 - Taxpayers - for their accounting package, other software and professional support
 - Government - for their Income-tax portal including Forms, challans, etc

In a nutshell, while the new tax bill may achieve the objective of it being simple and concise, it is far from being considered as a significant reform and the common man will still find it difficult to navigate through the new law

USA • Canada • Poland • UAE • India • Hong Kong • Japan

ThinkNext@nexdigm.com

www.nexdigm.com

Disclaimer

The contents of this presentation are intended for general marketing and informative purposes only and should not be construed to be complete. This presentation may contain information other than our services and credentials. Such information should neither be considered as an opinion or advice nor be relied upon as being comprehensive and accurate. We accept no liability or responsibility to any person for any loss or damage incurred by relying on such information. This presentation may contain proprietary, confidential or legally privileged information and any unauthorised reproduction, misuse or disclosure of its contents is strictly prohibited and will be unlawful.

© 2025 Nexdigm. All rights reserved.

Connect with us

