

## 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](#)

