| Section Mapping | | |
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| **Section Number of Income-tax Act, 1961** | **Section heading as per Income-tax Act, 1961** | **Section number as per latest draft** |
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| 10(2) | Any sum received by a member from Hindu undivided family. | Schedule III(Table: S.No 1) |
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| 10(4D) | Any income accrued or arisen to, or received, as a result of transfer of capital asset referred to in section 47 (viiiab). | Schedule VI(Table: S.No. 1) |
| 10(4D)(b) | Any income accrued or arisen to, or received, as a result of transfer of securities (other than shares in a company resident in India). | Schedule VI(Table: S. No. 2) |
| 10(4D)(c)10(4D)(d) | Any income from securities issued by a non-resident. | Schedule VI(Table: S. No. 3) |
| 10(4D)(e)10(4D)(f) | Any income from a securitisation trust, which is chargeable under the head "Profits and gains of business or profession". | Schedule VI(Table: S. No. 4) |
| 10(4E) | Any income accrued or arisen to, or received as a result of—(a) transfer of non-deliverable forward contracts or offshore derivative instruments or over-the-counter derivatives; or(b) distribution of income on offshore derivative instruments. | Schedule VI(Table: S. No. 5) |
| 10(4F) | Any income by way of royalty or interest on account of lease of an aircraft or a ship in a tax year. | Schedule VI(Table: S. No.6) |
| 10(4G) | Any income received from–– (a) portfolio of securities or financial products or funds, managed or administered by any portfolio manager on behalf of the non-resident; or (b) such activity carried out by such person, as may be notified by the Central Government. | Schedule VI(Table: S. No. 7) |
| 10(4H) | Any income by way of Capital gains arising from the transfer of equity shares of domestic company. | Schedule VI(Table: S. No. 8) |
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| 10(6) | Any remuneration received for service in the capacity as an official mentioned in column (2). | Schedule IV(Table: S. No. 2) |
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| 10(6)(viii) | Any income chargeable under the head "Sal-aries", received or due as remuneration for services rendered in connection with his employment on a foreign ship. | Schedule IV(Table: S. No. 4) |
| 10(6)(xi) | Any remuneration received as an employee of the Government of a foreign State | Schedule IV(Table: S. No. 5) |
| 10(6A) | Any income falling under clauses 6A, 6B, 6BB of section 10. | Schedule IV(Table: S. No.14) |
| 10(6C) | Any income arising by way of royalty or fees for technical services. | Schedule IV(Table: S. No. 6) |
| 10(6D) | Any income arising by way of royalty from, or fees for technical services rendered in or outside India. | Schedule IV(Table: S. No. 7) |
| 10(7) | Any allowances or perquisites paid or allowed as such outside India by the Government. | Schedule III(Table: S. No. 9) |
| 10(10BC) | Any amount received or receivable from the Central Government or a State Government or a local authority by way of compensation on account of any disaster. | Schedule III(Table: S. No. 3) |
| 10(10CC) | Income in the nature of a perquisite | Schedule III(Table: S. No. 10) |
| 10(10D) | Any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy. | Schedule II(Table: S. No. 2) |
| 10(11) | Any amount payable from a provident fund to which the Provi-dent Funds Act, 1925 (19 of 1925) applies, or from any other provident fund set up by the Central Government and notified by it in this behalf. | Schedule II(Table: S. No. 3) |
| 10(11A) | Any payment from any account opened in accordance with the Sukanya Samriddhi Account Rules, 2014 made under the Government Savings Promotion Act, 1873 (5 of 1873). | Schedule II(Table: S. No. 5) |
| 10(12) | The accumulated balance due and becoming payable to an employee participating in a recognised provident fund to the extent provided in paragraph 8 of Part A of the Fourth Schedule | Schedule II(Table: S. No. 4) |
| 10(12A) | Any payment from the National Pension System Trust. | Schedule II(Table: S. No. 6) |
| 10(12B) | Any payment from the National Pension System Trust under the pension scheme referred to in section 80CCD. | Schedule III(Table: S. No. 4) |

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| 10(12C) | Any payment from the Agniveer Corpus Fund to a person enrolled under the Agnipath Scheme or to his nominee. | Schedule II(Table: S. No. 7) |
| 10(13) | Any payment from an approved superannuation fund. | Schedule II(Table: S. No. 8) |
| 10(13A) | Any special allowance from employer. | Schedule III(Table: S. No. 11) |
| 10(14)(i) | Any special allowance or benefit. | Schedule III(Table: S. No. 12) |
| 10(14)(ii) | Any other allowance. | Schedule III(Table: S. No. 13) |
| 10(15)(i) | Income by way of interest, premium on redemption or other payment on such securities, bonds, annuity certificates, savings certificates, other certificates issued by the Central Government and deposits. | Schedule II(Table: S. No. 11) |
| 10(15)(iic) | Any interest income falling under clause (15)(iic) of section 10 | Schedule III(Table: S. No. 38) |
| 10(15)(iii) | Any interest income covered under clause (15)(iii) of section 10. | Schedule II(Table: S. No. 16) |
| 10(15)(iiia)10(15)(iiib)10(15)(iiic)10(15)(iva)10(15)(ivb) | Any interest income falling under clauses 15A, (15)(iiia), (15)(iiib), (15)(iiic), (15)(iv)(a) or (15)(iv)(b) of section 10 . | Schedule IV(Table: S. No. 14) |
| 10(15)(iv)(c)10(15)(iv)(d)10(15)(iv)(e)10(15)(iv)(f) | Any interest income covered under clauses (15)(iv)(c), (15)(iv)(d), (15)(iv)€ and (15)(iv)(f) of section 10. | Schedule II(Table: S. No. 16) |
| 10(15)(iv)(fa) | Any interest ncome falling under clause (15)(iv)(fa) of section 10. | Schedule IV(Table: S. No. 14) |
| 10(15)(iv)(g)10(15)(iv)(h) | Any interest income covered under clauses (15)(iv)(g) and (15)(iv)(h) of section 10. | Schedule II(Table: S. No. 16) |
| 10(15)(i) | Anyinterest income falling under clause 15(i) of section 10. | Schedule III(Table: S. No. 38) |
| 10(15)(vi) | Interest on Gold Deposit Bonds issued under the Gold Deposit Scheme, 1999 or deposit certificates issued under the Gold Monetisation Scheme, 2015 notified by the Central Government. | Schedule II(Table: S. No. 12) |
| 10(15)(vii) | Interest on bonds issued by a local authority or by a State Pooled Finance Entity | Schedule II(Table: S. No. 13) |
| 10(15)(viii) | Interest received. | Schedule IV(Table: S. No. 8) |
| 10(15)(ix) | Interest payable. | Schedule VI(Table: S. No. 12) |
| 10(15A) | Any income falling under clauses (15A) of section 10. | Schedule IV(Table: S. No. 14) |
| 10(15B) | Income from lease rentals, by whatever name called, of a cruise ship. | Schedule IV(Table: S. No. 9) |
| 10(16) | Scholarships. | Schedule II(Table: S. No. 9) |
| 10(17) | Daily allowance received. | Schedule III(Table: S. No. 5) |
| 10(17)(ii) | Any allowance received. | Schedule III(Table: S. No. 6) |
| 10(17)(iii) | Any constituency allowance received. | Schedule III(Table: S. No. 7) |
| 10(17A) | Any payment made, whether in cash or in kind for any award or reward. | Schedule II(Table: S. No. 10) |
| 10(18)(i) | Pension received. | Schedule III(Table: S. No. 14) |
| 10(18)(ii) | Family pension received. | Schedule III(Table: S. No. 15) |
| 10(19) | Family pension received. | Schedule III(Table: S. No. 16) |
| 10(19A) | Any income falling under clause (19A) of section 10. | Schedule III(Table: S. No. 38) |
| 10(20) | The income which is chargeable under the head "Income from house property", "Capital gains" or "Income from other sources" or from a trade or business. | Schedule III(Table: S. No. 22) |
| 10(21) | Any income of a research association. | Schedule III(Table: S. No. 23) |
| 10(23A) | Any income (other than income chargeable under the head "Income from house property" or any income re-ceived for rendering any specific services or income by way of interest or dividends derived from its investments). | Schedule III(Table: S. No. 24) |
| 10(23AA) | Any regimental Fund or Non-public Fund established by the armed forces of the Union. | Schedule VII(Table: S. No. 1) |
| 10(23AAA) | Any fund established for such purposes as may be notified by the Board for the welfare of employees or their dependants and such employees are members of such fund. | Schedule VII(Table: S. No. 2) |
| 10(23AAB) | Any fund, by whatever name called, set up by the Life Insurance Corporation of India on or after the 1st day of August, 1996 or any other insurer under a pension scheme. | Schedule VII(Table: S. No. 3) |
| 10(23B) | Any income attributable to the business of production, sale, or marketing, of khadi or products of village industries | Schedule III(Table: S. No. 25) |
| 10(23BB) | An authority (whether known as the Khadi and Village Industries Board or by any other name). | Schedule VII(Table: S. No. 4) |
| 10(23BAA) | Any body or authority (whether or not a body corporate or corporation sole) established, constitut-ed or appointed by or under any Central Act or State Act or Provincial Act. | Schedule VII(Table: S. No. 5) |
| 10(23BBB) | Any income derived in India by way of interest, dividends or Capital gains from investments made | Schedule IV(Table: S. No. 10) |
| 10(23BBC) | SAARC Fund for Regional Projects set up by Colombo Declaration. | Schedule VII(Table: S. No. 6) |
| 10(23BBE) | Insurance Regulatory and Development Authority. | Schedule VII(Table: S. No. 7) |
| 10(23BBG) | Central Electricity Regulatory Commission. | Schedule VII(Table: S. No. 8) |
| 10(23BBH) | Prasar Bharati (Broadcasting Corporation of India). | Schedule VII(Table: S. No. 9) |
| 10(23C)(i) | The Prime Minister's National Relief Fund or the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND). | Schedule VII(Table: S. No. 10) |
| 10(23C)(ii) | The Prime Minister's Fund (Promotion of Folk Art) | Schedule VII(Table: S. No.11) |
| 10(23C)(iii) | The Prime Minister's Aid to Students Fund. | Schedule VII(Table: S. No. 12) |
| 10(23C)(iiia) | The National Foundation for Communal Harmony. | Schedule VII(Table: S. No. 13) |
| 10(23C)(iiiaa) | The Swachh Bharat Kosh, set up by the Central Government. | Schedule VII(Table: S. No. 14) |
| 10(23C)(iiiaaa) | The Clean Ganga Fund set up by the Central Government. | Schedule VII(Table: S. No. 15) |

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| 10(23C)(iiiaaaa) | The Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund in respect of any State or Union territory as referred to in section 80G(2)(a)(iiihf). | Schedule VII(Table: S. No. 16) |
| 10(23C)(iiiab) | Any University or other educational institution wholly or substantially financed by the Government | Schedule VII(Table: S. No. 17) |
| 10(23C)(iiiac) | Any hospital or other institution wholly or substantially financed by the Government. | Schedule VII(Table: S. No. 18) |
| 10(23C)(iiiad)10(23C)(iiiae) | (a) Any University or other educational institution;(b) any hospital or other institution. | Schedule VII(Table: S. No. 19) |
| 10(23D)(i) | A Mutual Fund registered under the Securities and Exchange Board of India Act, 1992. | Schedule VII(Table: S. No. 20) |
| 10(23D)(ii) | Any Mutual Fund set up by a public sector bank or a public financial institution or authorised by the Reserve Bank of India. | Schedule VII(Table: S. No. 21) |
| 10(23DA) | Any income from the activity of securitisation | Schedule III(Table: S. No. 26) |
| 10(23EA) | Any income, by way of contributions received from recognised stock exchanges and the members thereof. | Schedule III(Table: S. No. 27) |
| 10(23EC) | Any income, by way of contributions received from commodity exchanges and the members thereof. | Schedule III(Table: S. No. 28) |
| 10(23ED) | Any income, by way of contributions received from a depository. | Schedule III(Table: S. No. 29) |
| 10(23EE) | (a) Any income by way of contribution received from specified persons;(b) any income by way of penalties imposed by the recognised clearing corporation and credited to the Core Settlement Guarantee Fund; or(c) any income from investment made by the Fund. | Schedule III(Table: S. No. 30) |
| 10(23F) | Any income falling under clauses (23F) and (23FA) of section 10 | Schedule V(Table: S. No. 8) |
| 10(23FB) | any income from investment in a venture capital undertaking . | Schedule V(Table: S. No. 6) |
| 10(23FBA) | Any income other than the income chargeable under the head "Profits and gains of business or profession". | Schedule V(Table: S. No. 1) |
| 10(23FBB) | Any income referred to in section 115UB, accruing or arising to, or received being that proportion of income which is of the same nature as income chargeable under the head "Profits and gains of business or profession". | Schedule V(Table: S. No. 2) |
| 10(23FBC) | Any income accruing or arising to, or received from a specified fund or on transfer of units in a specified fund | Schedule VI(Table: S. No. 9) |
| 10(23FC) | Any income by way of— (a) interest received or receivable from a special purpose vehicle; or (b) dividend received or receivable from a special purpose vehicle. | Schedule V(Table: S. No. 3) |
| 10(23FCA) | Any income by way of renting or leasing or letting out any real estate asset owned directly by such business trust. | Schedule V(Table: S. No. 4) |
| 10(23FD) | Any distributed income referred to in section 115UA,other than––(a) that proportion of the income which is of the same nature; or(b) interest received or receivable from a special purpose vehicle by the business trust; or(c) dividend received or receivable from a special purpose vehicle by the business trust (in a case where the special purpose vehicle has exercised the option under section 115BAA); or(d)income of a business trust by way of renting or leasing or letting out any real estate asset owned directly by such business trust. | Schedule V(Table: S. No. 5) |
| 10(23FE) | Any income of the nature of––(a) dividend;(b) interest;(c) any sum referred to in section 56(2)(xii); or (d) long-term capital gains,arising from an investment made by a specified person in India, whether in the form of debt or share capital or unit | Schedule V(Table: S. No. 7) |
| 10(23FF) | Any income of the nature of Capital gains, arising or received on account of transfer of share of a company resident in India. | Schedule VI(Table: S. No. 10) |
| 10(24) | Any income chargeable under the heads "Income from house property" and "Income from other sources" | Schedule III(Table: S. No. 31) |
| 10(25)(i) | Any interest on securities, and any capital gains of the fund arising from the sale, exchange or transfer of such securities. | Schedule III(Table: S. No. 32) |
| 10(25)(ii) | A recognised provident fund. | Schedule VII(Table: S. No. 22) |
| 10(25)(iii) | An approved superannuation fund. | Schedule VII(Table: S. No. 23) |
| 10(25)(iv) | An approved gratuity fund. | Schedule VII(Table: S. No. 24) |
| 10(25)(v) | Deposit-linked Insurance Fund estab-lished under section 3G of the Coal Mines Provident Funds and Miscellaneous Provisions Act. | Schedule VII(Table: S. No. 25) |
| 10(25)(v)(b) | Deposit-linked Insurance Fund estab-lished under section 6C of Employ-ees' Provident Funds and Miscellaneous Provisions Act | Schedule VII(Table: S. No. 26) |
| 10(25A) | Employees' State Insurance Fund set up under the provisions of the Employees' State Insurance Act. | Schedule VII(Table: S. No. 27) |
| 10(26) | Any income which accrues or arises— (a) from any source in the areas or States mentioned in column (3), or (b) by way of dividend or interest on securities; | Schedule III(Table: S. No. 19) |
| 10(26AAA) | Any income which accrues or arises— (a) from any source in the State of Sikkim; or (b) by way of dividend or interest on securities. | Schedule III(Table: S. No. 20) |
| 10(26AAB) | An agricultural produce market committee or board constituted under any law | Schedule VII(Table: S. No. 28) |
| 10(26B) | A corporation established by a Central Act or State Act or Provincial Act or of any other body, institution or association (being a body, institution or association wholly financed by the Government). | Schedule VII(Table: S. No. 29) |
| 10(26BB) | A corporation established by the Central Government or any State Government for promoting the interests of the members of a minority community | Schedule VII(Table: S. No. 30) |
| 10(26BBB) | Any corporation established by a Central Act or State Act or Provincial Act for the welfare and economic upliftment of ex-servicemen being the citizens of India. | Schedule VII(Table: S. No. 31) |

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| 10(27) | Any co-operative society formed for promoting the interests of the members of either the Scheduled Castes or Scheduled Tribes, or both | Schedule VII(Table: S. No. 32) |
| 10(29A)(a) | Coffee Board constituted under section 4 of the Coffee Act, 1942. | Schedule VII(Table: 33) |
| 10(29A)(b) | Rubber Board constituted under section 4(1) of the Rubber Board Act, 1947. | Schedule VII(Table: 34) |
| 10(29A)( c) | Tea Board established under section 4 of the Tea Act, 1953. | Schedule VII(Table: S. No. 5) |
| 10(29A)(d) | Tobacco Board constituted under the Tobacco Board Act, 1975. | Schedule VII(Table: S. No. 36) |
| 10(29A)( e) | Marine Products Export Development Authority estab-lished under section 4 of the Marine Products Export Development Authority Act, 1972. | Schedule VII(Table: S. No. 37) |
| 10(29A)(f) | Agricultural and Processed Food Products Export Development Authority established under section 4 of the Agricul-tural and Processed Food Products Export Development Act, 1985 | Schedule VII(Table: S. No. 38) |
| 10(29A)(g) | Spices Board constituted under section 3(1) of the Spices Board Act, 1986. | Schedule VII(Table: S. No. 39) |
| 10(29A)(h) | New Pension System Trust established on the 27th day of February, 2008 under the provisions of the Indian Trusts Act, 1882. | Schedule VII(Table: S. No. 40) |
| 10(30)10(31) | The amount of any subsidy received from or through the concerned Board under a scheme | Schedule III(Table: S. No. 21) |
| 10(32) | Any income includible in the total income under section 64(1A). | Schedule III(Table: S. No. 17) |
| 10(33) | Any income arising from the transfer of a capital asset, being a unit of the Unit Scheme, 1964 referred to in Schedule I to the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002). | Schedule II(Table: S. No. 14) |
| 10(34B) | Any income by way of dividends from a company being a Unit of an International Financial Services Centre primarily engaged in the business of leasing of an aircraft | Schedule VI(Table: S. No. 11) |
| 10(36) | Any income covered under clause (36)of section 10. | Schedule II(Table: S. No. 16) |
| 10(37) | Any income chargeable under the head "Capital gains" arising from the transfer of agricultural land. | Schedule III(Table: S. No. 18) |
| 10(39) | Any income of the nature and to the extent, aris-ing from the international sporting event held in India. | Schedule III(Table: S. No. 33) |
| 10(40) | Any income falling under clause (40) of section 10 . | Schedule III(Table: S. No. 38) |
| 10(42) | Any income, of the nature and to the extent, which the Central Government may notify in this behalf. | Schedule III(Table: S. No. 34) |
| 10(43) | Any amount received as a loan, either in lump sum or in instalment, in a transaction of reverse mortgage referred to in section 47(xvi). | Schedule III(Table: S. No. 35) |
| 10(44) | New Pension System Trust established on the 27th day of February, 2008 under the provisions of the Indian Trusts Act, 1882 | Schedule VII(Table: S. No. 41) |
| 10(46) | Any income of the nature and to the extent which the Central Government may, by notification, specify in this behalf. | Schedule III(Table: S. No. 36) |
| 10(46A) | Any body or authority or Board or Trust or Commission, not being a company, which has been established or constituted by or under a Central Act or State Act with one or more of the following purposes, namely:-- (a) dealing with and satisfying the need for housing accommodation; (b) planning, development or improvement of cities, towns and villages;(c) regulating, or regulating and developing, any activity for the benefit of the general public; or(d) regulating any matter, for the benefit of the general public, arising out of the object for which it has been created. | Schedule VII(Table: S. No. 42) |
| 10(46B)(i) | National Credit Guarantee Trustee Company Limited, being a company established and wholly financed by the Central Government for the purposes of operating credit guarantee funds established and wholly financed by the Central Government | Schedule VII(Table: S. No. 43) |
| 10(46B)(ii) | A credit guarantee fund established and wholly financed by the Central Government and managed by the National Credit Guarantee Trustee Company Limited. | Schedule VII(Table: S. No. 44) |
| 10(46B)(iii) | Credit Guarantee Fund Trust for Micro and Small Enterprises, being a trust created by the Central Government and the Small Industries Development Bank of India established under sub-section (1) of section 3 of the Small Industries Development Bank of India Act, 1989 (39 of 1989) | Schedule VII(Table: S. No. 45) |
| 10(47) | An infrastructure debt fund. | Schedule VII(Table: S. No. 46) |
| 10(48) | Any income received in India in Indian currency. | Schedule IV(Table: S. No. 11) |
| 10(48A) | Any income accruing or arising on account of storage of crude oil in a facility in India and sale of such crude oil to any person resident in India. | Schedule IV(Table: S. No.12) |
| 10(48B) | Any income accruing or arising to on account of sale of leftover stock of crude oil, if any, from the facility in India after the expiry of the agreement or arrangement referred to against serial number 12 or on termination of the said agreement or arrangement | Schedule IV(Table: S. No. 13) |
| 10(48C) | Any income accruing or arising as a result of arrangement for replenishment of crude oil stored in its storage facility in pursuance of the directions of the Central Government in this behalf. | Schedule III(Table: S. No. 37) |
| 10(48D) | An institution established for financing the infrastructure and development set up under an Act of Parliament | Schedule VII(Table: S. No. 47) |
| 10(48E) | A developmental financing institution, licensed by the Reserve Bank of India under an Act of Parliament referred to against serial number 47. | Schedule VII(Table: S. No. 48) |
| 10(50)(i) | Any income arising from any specified service provided on or after the date on which the provisions of Chapter VIII of the Finance Act, 2016 comes into force and chargeable to equalisation levy under that Chapter. | Schedule II(Table: S. No. 15) |
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| 10BA | Special provisions in respect of export of certain articles or things. | Redundant |
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# I. Broad scope of new Income-tax Bill

## Answers to Frequently Asked Questions

### Q I.1 When was the current Income-tax Act passed?

Ans: The current Income-tax Act was enacted in 1961 and came into existence with effect from 01.04.1962. It has been amended nearly 65 times with more than 4000 amendments, year on year through Finance Acts, based on the evolving requirements of modifications in taxation policy.

### Q I.2 What concerns have been raised regarding the Income-tax Act 1961?

Ans: Tax administrators, practitioners and taxpayers have acknowledged the contribution of the Income-tax Act, 1961 in overall tax governance and economy. However, over the time concerns have also been expressed over the accumulation of amendments, the intricate language, detailed provisions, redundancies and the heavy structure of the Income-tax Act.

### Q I.3 What are the reasons for regular amendments in the Income Tax Act as against other Acts?

Ans: The Income-tax Act is dynamic legislation requiring regular updating and amendments to reflect the nation's changing economic, social, and political realities. Criminal and other civil laws do not undergo such frequent updating and amendments whereas the Income-tax Act is regularly updated (on annual basis) to reflect the economic changes, fiscal policies, and government priorities. It, therefore, adapts to changes in the economy, business environments, inflation rates, income sources, and global financial trends. The government has introduced tax reforms to encourage specific sectors of the economy while balancing the same with requirements of revenue collection and widening/deepening of the tax base. Given its direct link to taxation and economic conditions, the Act needs to be more adaptable to reflect shifting economic policies, changing incomes, inflation, and emerging industries. The dynamic nature of the Income-tax Act provides it flexibility to accommodate new economic trends.

**Examples:**

i. To promote exports, specific provisions such as 80HH, 80HHC were brought into the statute. The same having served intended purpose have been since omitted or made inapplicable after sun set date.

ii. To promote infrastructure development, section 80IA was brought into Income-tax Act, 1961.

iii. Sections 80HHE, 10A and 10AA were introduced for facilitating software exports.

iv. Section 80IAC is yet another example of encouraging the start-ups.

**Q I.4 Why has the Income-tax Act 1961, become bulky over time?**

Ans: The income tax law has become increasingly bulky over time, with its traditional style of drafting and numerous amendments. The complexity of language in the present Act is a product of different factors. To keep pace with certain legal pronouncements, explanations and provisos were often inserted to clarify legislative intent. Changing taxation priorities also led to introduction of additional text to an otherwise simple provision. Further, certain provisions remained in the statute, despite becoming non-operational, in view of pending claims/issues from earlier years.

**Q I.5 What simplification efforts have been made in the past?**

Ans: Attempts have been made in the past, including those in 2009 and 2019 for simplification of the Income tax Act. The recommendations from these efforts, as regards policy, have been considered in the amendments carried out from time to time.

**Q I.6 Has the present simplification exercise considered international experience of other countries who have undertaken similar exercise?**

Ans: Simplification of tax laws has received attention globally. Countries have undertaken similar exercises to enhance clarity and compliance in their taxation laws.

In the UK, the process was carried out during the period 1994 to 2010 for simplifying the language. Before simplification, the UK Income and Corporation Tax Act, 1988 comprised 960 pages. However, after simplification, it was divided into five separate Acts, with their page counts increased, resulting in a more segmented but overall larger body of tax law.

Similarly, Australia underwent a similar process during 1994 to 1997, where simplification of language also resulted in a longer tax code.

These international experiences emphasize the delicate balance between simplification and the need for clear, unambiguous legal language. Drawing from these lessons, effort has been made to focus not just on linguistic simplification but also on structural rationalization.

**Q I.7 What is the scope of exercise undertaken for the new Income-tax Bill?**

Ans: The Hon'ble Finance Minister in the budget speech in July 2024 stated that the purpose of the comprehensive review of the Income-tax Act, 1961, is to make the Act "*concise, lucid, easy to read and understand*".

**Q I.8 What ground rules are set for making the existing provisions concise, lucid, easy to read and understand?**

Ans: Following ground rules have been considered for simplifying the existing provisions:

i. The Bill proposes to eliminate redundant provisions, reducing its length by nearly half.

ii. The drafting style of the new Bill is straightforward and clear, making the provisions easier to understand by incorporating more than 57 tables compared to 18 tables in the Income-tax Act, 1961. Sub-sections and clauses have been used, instead of relying on provisos and explanations for exceptions and carve-outs. This minimises cross-references and conflict by aggregating all applicable provisions related to a single scenario in one place.

iii. All provisos (about 1200) and explanations (about 900) have been removed.

iv. The 1961 Act contains numerous cross-references to sections, sub-sections, clauses, sub-clauses, items, and sub-items, making the provisions challenging to interpret. The new Bill adopts a simplified reference system, allowing provisions to be cited by simply mentioning the section. For instance, section 133 (1)(b)(ii) in the new bill would indicate sub-clause (ii) of clause (b) of sub-section (1) of section 133 in the existing Act. This change makes the Act's language easier to understand.

v. A significant aspect of the Bill is the elimination of the concepts of 'previous year' and 'assessment year'. Prior to 1989, the concept of 'previous year' and 'assessment year' had been brought because the taxpayers could have different twelve-month previous years for each source of income. From 1st April 1989, previous year was aligned to a financial year in all cases. However, 'assessment year' continued to be used for various proceedings under the Act. Thus, a taxpayer was required to track two different periods, i.e., the 'previous year' as well as the 'assessment year'. This presented difficulties in complying to the provisions of the Act especially for a new taxpayer who had to keep track of 'previous year', 'assessment year' as well as 'financial year'.

**Q I.9 Whether any consultations have been done with stakeholders, while drafting new bill?**

Ans: A comprehensive consultative process was undertaken for the simplification exercise. A total of 20,976 online suggestions for simplification and removal of redundancies were received, analysed and relevant suggestions were categorized into policy-related, language simplification, removal of redundant or obsolete provisions, etc. Meetings with industry and professional associations were held and field-level brainstorming sessions were held within the Income Tax Department, towards this exercise.

At the international level, consultations were held with some of the taxation authorities that had undertaken similar exercise in the recent past, viz. the Australian Tax Office and Treasury, and the UK's Office of Tax Simplification.

The documents prepared in 2009 and 2019, were also referred, while undertaking the exercise. International and national guidance material such as 'Drafting Guide for Simplification of Laws' issued by Legislative Department, Ministry of Law and Justice, was studied for simplification of legal language.

**Q I.10 What processes were followed in conducting the simplification exercise?**

Ans: In addition to the stakeholder exercise mentioned in Q I.9, suggestions were sought from taxpayers, industry and professional associations, and field level officers of the Department. A committee of around 150 officers of the Department was actively involved in the entire exercise. The Committee prepared the draft text of various chapters, which was meticulously vetted by the Legislative Department of Ministry of Law and Justice, and consolidated in the form of the final Bill, after necessary approvals.

More than 60,000 man-hours were dedicated by the team for finalising the new Bill.

**Q I.11 How has the readability improved in the new Bill?**

Ans: The readability of tax law has been improved by using simpler language, as against traditional legal language. Where multiple situations are covered, the sections have been made enumerative. Wherever feasible, extensive use of table formats has been made. TDS provisions have been presented in a tabular form. Certain provisions such as section 10, which contained about 150 clauses has been placed in Schedules and presented in the form of tables.

As a result of the comprehensive exercise, the size of the new Bill has reduced by about half on one hand and one the other, the provisions have been consolidated and presented in a user-friendly format.

**QI.12 What is the treatment of numerous 'provisos' and 'explanations' and procedural aspects in the existing Act?**

Ans: Provisos (more than 1200) and Explanations (more than 900) have been removed, with their simplified content placed as sub-sections or clauses. Wherever feasible, procedural aspects and specific details are proposed to be provided by way of Rules.

**QI.13 Have the redundant provisions of the Income-tax Act 1961 been removed in the new Income-tax Bill?**

Ans: Yes. Certain provisions became redundant due to numerous amendments and/or policy changes over the years. This resulted in large number of such provisions in the Act. For example, deduction under 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. Such obsolete provisions have been removed from the text of the Bill. However, provisions applicable to earlier Assessment Years shall be governed by Repeal and Savings provisions.

**QI.14 What other steps have been taken to enhance clarity in the new Bill?**

Ans: In addition to removal of 'provisos', 'explanation' and redundant provisions, formulae, tables, and structures have been used to enhance clarity in the new bill. To the extent possible, provisions involving the same issues, which were present in different chapters in the current Act, have now been consolidated. Redundancy has been removed and definitions at multiple places have been consolidated.

In case of provisions relating to Non-Profit organisations (NPOs), the entire text related to NPOs has been consolidated and structured into 7 sub-parts which contain provisions related to Registration, Income, Commercial activities, Compliances, Violations, Registrations for the purposes of eligibility of donations and Interpretations.

**QI.15 How have principles of Tax Certainty followed in drafting of the new Income Tax Bill?**

Ans: The new Income-tax Bill is approximately half the length of the existing Income-tax Act 1961, with significant re-organisation of provisions in different sections. While undertaking simplification exercise, a conscious attempt has been made to minimise the scope of litigation and fresh interpretations. For this purpose:

a. Key words/phrases, especially where courts have given rulings, have been retained with minimal modifications.
b. Language has been simplified by use of short sentences to the extent possible.
c. Sections have been translated into row or sub-rows in tables, reducing the number of words and bringing clarity.
d. Provisions have been made clear to minimize scope for multiple interpretations. The provisos and explanations have been removed and simplified content has been placed as sub-sections and clauses.
e. Provisions related to international taxation have been dealt with, broadly, to ensure tax certainty.
f. NGO chapter has been made more comprehensive with use of plain language.
g. Exemption sections, for example section 10 in the present Act, has been made simpler through tables and placing large number of provisions in Schedules.
h. Formulae and tables have been used to enhance clarity, wherever feasible.
i. Provisions involving same issues and definitions, which were present in different chapters in the existing Act have been consolidated, to the extent possible.

**QI.16 How does the new Bill compare to the Income-tax Act, 1961 in terms of numbers of Chapters, sections and words?**

Ans: There has been a significant reduction in the text of new Bill, in comparison to the existing Income Tax Act, as summarised below.

| Particulars | Income-tax Act, 1961 | The proposed Act |
|---|---|---|
| Chapters | 47 | 23 |
| Sections | 819* | 536 |
| Words | 5.12 lakhs | 2.60 lakhs |

* Effective Sections

Besides about 1200 Provisos and 900 Explanations have been removed.

**QI.17 What is the basis of the statement that the Income tax Act, 1961 consists of 819 sections, while the text of the Act only mentions sections till 298?**

Ans: During the course of numerous amendments to the Income tax Act, 1961, several policy decisions were incorporated as separate provisions. Many a times such provisions were connected to already existing sections and accordingly the new sections were numbered in continuation to the existing sections. For example, several provisions relating to tax on special cases were inserted as sections starting with 115 series viz 115 AC,115AD, 115JB, 115VP etc. As a result of such insertions, effective sections existing in the Income tax Act, 1961 are 819.

**Q I.18 Why does the new Bill still contain 536 sections and 2.6 lakh words?**

Ans: While the existing Income-tax Act contains 298 numbered sections, effective sections in the current Act are 819. This is because other than numeric section numbers there are large number of sections with alpha-numeric codes such as 115A to 115WM (117 sections) and so on. The Income-tax Act not only deals with levy of tax but it is a comprehensive document, which encompasses all aspects of tax administration. It also includes other aspects such as:

(a) laying down the administrative framework, assigning roles and responsibilities for assessing officers, taxpayers, tax deductors, and professionals etc;

(b) setting out the framework for income determination, timelines, appellate procedures, enforcement, assessments, and penalties; and

(c) taking into account the impact of interpretations on economic policy, affecting both domestic and international investments.

The new Bill proposes 536 sections to meet the above-mentioned requirements. Further, several sections in the new Bill exist primarily to honour the commitments under the existing tax regime, including provisions relating to Minimum Alternate Tax (MAT), various deductions and exemptions, etc. These provisions will remain in force until their respective sunset clauses take effect. Therefore, these are required to be part of new Bill to ensure a smooth transition, while maintaining legal and policy continuity.

**QI.19 Whether the simplification exercise has led to no 'material' change?**

Ans: The simplification exercise, inter-alia, encompasses following aspects:

i. Redundant provisions of the Income tax Act have been removed;
ii. Sub-sections and clauses have been used, instead of relying on provisos and explanations for exceptions and carve-outs;
iii. Simplified system for cross referencing of sections, sub-sections, clauses etc has been used;
iv. Extensive use of tables, formulae for enhanced clarity;
v. Consolidation of provisions scattered across various sections/ Chapters relating to a single issue; etc

Since there have been regular amendments to the Income Tax Act, 1961 including amendments proposed in Finance Bill, 2025, the Act stands updated from policy perspective. All amendments proposed upto Finance Bill 2025 have been duly incorporated in the new Income tax bill 2025. Therefore, while no major policy related changes have been made in the Bill, the above aspects have led to proposed 'material' changes in the existing law.

**QI.20 Whether any mapping of old and new sections will be available?**

Ans: Section-wise mapping will be made available on the official website of the Income Tax Department.

**QI.21 How has 'previous year' and 'assessment year' been dealt with in the new bill?**

Ans: The concept of 'tax year' has been introduced replacing 'previous year' and 'assessment year'. The timelines and computation in the Bill are now with reference to the financial year for which the income is liable to be taxed. It is expected that the use of 'tax year' will make the new Bill easier to comprehend. Further, many of the comparable tax jurisdictions in the world are using one single term, for purpose of denoting the unit period of taxation. 'Tax year' is commonly used in many countries.

With the introduction of 'tax year', broadly the following principles have been adopted:

i. 'Tax Year': Unit period of taxation. This term shall be referred in respect of all transactions and income for that period.
ii. 'Financial Year': For purposes of timelines for compliance and for procedural issues.

**QI.22 How have the provisions of TDS and TCS been simplified in the new bill?**

Ans: TDS and TCS provisions have been made easier to comprehend by providing tables. There are separate tables for payment to residents and non-residents, and where no deduction at source is required. For example, the proposed provisions relating to TDS on rent are shown below:

| **2.** | **Rent** | | |
|---|---|---|---|
| **S. No.** | **Nature of Income or sum** | **Payer** | **Rate**<br>Threshold limit |
| (i) | Income by way of rent | Person other than specified person | Rate: 2%<br>Threshold limit:<br>Rs. 50,000 for a month or part of a month |

(Reference can be made to Table in proposed section 393 of the Bill)

**QI.23 What has been done to simplify the provisions related to Non-Profit Organizations?**

Ans: The provisions related to Non-Profit Organizations were present at different places in the existing Act, in section 11, section 12, section 12A, section 12AA, section 12AB, section 13, section 115BBC, section 115BBI, section 115TD, section 115TE, section 115TF. The provisions related to approval are under the first and second proviso to section 80G (5). These have been simplified and consolidated into one chapter. All the provisions related to registered Non-Profit Organisations have now been arranged in Part B of Chapter XVII titled "*B.—Special Provisions for Registered Non-Profit Organisation"* in the new Bill.

**Present: Provisions scattered across Chapters**

**Chapter I**

Commercial activities in case of GPU: Proviso to sec 2(15)

**Chapter III**

Sections 10(23C), 11, 12, 12A, 12AA 12AB,12AC & 13

**Chapter VIA**

Section 80G

**Chapter XII**

Section 115BBC

Section 115BBI

**Chapter XII EB**

Section 115TD, 115TE, 115TF

**Proposed: All provisions in single Part (XVII-B)**

1.-Registration

2-Income

3.Commercial activities

4.Compliances

5. Violations

6. Approval for donations

7.Interpretations

**Use of the term registered non-profit organisation**

Replacing trust, institution, university, educational institution, hospital, etc. to remove confusion

**All the Explanations and provisos removed**

In Section 11 itself, there are 13 Explanations and 16 provisos.

**Tables:**

- Application for registration;
- Specified income and the tax year in which it is taxable;
- Computation of tax on accreted income

**Minimum cross references due to better structuring**

**Redundant provisions removed**

**QI.24 What simplification has been carried out for salaried employees in the new bill?**

Ans: All the provisions pertaining to salary have been consolidated at one place for ease of understanding so that the taxpayer does not have to refer to separate chapters for filing his return of income. The deductions which were earlier allowed under section 10 of the Income Tax Act,1961, like gratuity, leave encashment, commutation of pension, compensation on VRS and retrenchment compensation, are now part of the salary chapter itself. Some of the allowances like HRA are now provided in Schedule II of the new Bill that finds reference in the provisions relating to salary. The objective was to improve readability by way of providing tables and formulas.

While the chargeability of all the perquisites has been retained in the Act, their valuation, conditions and exceptions have been shifted to Rules as they do not affect every taxpayer. Similarly, redundant and repetitive provisions have also been removed for better readability.

**QI.25 What changes are being made to exemptions for specific incomes and persons?**

Ans: Provisions relating to exemptions for specific incomes and persons are being moved to separate schedules for easier reference and simpler compliance as follows:

| | |
|---|---|
| **Schedule II (16 rows)** | •Incomes exempt such as agricultural income |
| **Schedule III (39 rows)** | •Certain persons eligible for exemption on certain income such as partners of firms and HUF etc |
| **Schedule IV (14 rows)** | •Exemptions to non-residents |
| **Schedule V (8 rows)** | •Exemption to Business trusts, Sovereign Wealth Funds etc |
| **Schedule VI (12 rows)** | •Exemptions to IFSC units |
| **Schedule VII (48 rows)** | •Persons exempt from tax |

An example of the Schedules is given below:

| Sl. No. | Eligible persons | Conditions |
|---|---|---|
| **A** | **B** | **C** |
| **1.** | Any regimental Fund or non-public Fund established by the armed forces of the Union | Such Fund is for the welfare of the past and present members of the armed forces or their dependants. |

(References to Schedules has been made in section 11 of the Bill)

**QI.26 What are the next steps after the new Bill is introduced?**

Ans: Stage 1: Bill is passed by the Parliament and becomes an Act
Stage 2: Operational and delegated legislation framework

i. Notification of new Rules and Forms.
ii. Simultaneous exercise of software development to set up the systems and processes for various administrative and quasi-judicial functions.

**QI.27 How will the old and new provisions co-exist?**

Ans: Various facets of compliance for the respective years have been mentioned in the Repeals and Savings clause in the Bill, which will safeguard all rights and liabilities accrued under the old law.

**QI.28 What are the changes on rates and other policy in the new bill?**

Ans: There are no changes related to rates. Since there have been regular amendments to the Income Tax Act, 1961 including amendments proposed in Finance Bill, 2025, the Act stands updated from policy perspective. All amendments proposed upto Finance Bill 2025 have been duly incorporated in the new Income tax bill 2025. Therefore, while no major policy related changes have been made in the Bill, the above aspects have led to proposed 'material' changes in the existing law.

**QI.29 Why is it that on comparison of new Income Tax Bill and earlier provisions, it is found that in some cases viz 'virtual digital assets', etc there are certain changes?**

Ans: The Income Tax Bill 2025 also contains all amendments proposed in Finance Bill 2025. Therefore, the users are advised to compare the provisions of the Income Tax Act, 1961, as updated with proposed amendments in Finance bill 2025, while reading the Income Tax Bill, 2025. There is, therefore, no change in the scope of 'virtual digital asset' under the Income Tax Bill, 2025. The definition under the Bill incorporates the amendment already proposed under the Finance Bill, 2025.

**QI.30 Which Chapters of the Income tax Act, 1961 have seen large reduction of words, as a result of the simplification exercise?**

Ans: As noted above, the total words in the new Income Tax Bill, 2025 are around 2.6 lakhs, as against 5.12 lakh words in the Income Tax Act, 1961. Some of the Chapters where substantial reduction of words have been achieved are as given below:

| **Income Tax Act, 1961** | | **Income Tax Bill, 2025** | | **Reduction of words** |
|---|---|---|---|---|
| **Topic** | **Words** | **Topic** | **Words** | |
| Exemption related provision | 30000 | Exemption related provisions | 13500 | 16500 |
| TDS/TCS | 27453 | TDS/TCS | 14606 | 12847 |
| Non-profit Organization | 12800 | Non-profit Organization | 7600 | 5200 |

TAX KUNDALi

## I. Preliminary Chapter

**Answers to Frequently Asked Questions**

**QI.1 What simplification has been carried out in section 2 pertaining to 'definitions' in the new Bill?**

Ans. Following simplifications have been carried out:

i. The language has been simplified wherever possible, without disturbing the meaning;
ii. All definitions continue to be in alphabetical order;
iii. Terms which have been defined at a number of places in the Income-tax Act, 1961 in the same manner have now been placed in section 2 itself. For example, the definition of 'senior citizen', which was appearing at six places in the 1961 Act, has been now placed in section 2;

**QI.2 What is a 'tax year'? What does it replace? What was the need for introducing it? Why was the term 'financial year' not used in place of the term 'tax year'?**

Ans. A 'tax year' is a period of twelve months contained in a financial year. It replaces the term 'previous year' used in the Income-tax Act, 1961. Further, with the discontinuance of the use of the term 'assessment year' in the Income-tax Bill, now the term 'tax year' will now be used in relation to the rate or rates of income-tax also. In addition, any assessment of the income or total income will also be done for a 'tax year'.

Use of the terms 'previous year' and 'assessment year' were creating confusion in the minds of the taxpayers as they represented two different financial years. The rationale for the use of two terms is no longer valid in view of alignment of 'previous year' with the financial year or part of the financial year (in specific cases). The term 'Tax year' is commonly used in income-tax legislation in comparable tax jurisdictions.

As a tax year can be a period which is less than the financial year in certain cases, the term 'financial year' has not been used while doing away with the terms 'previous year' and 'assessment year'. However, many actions are carried out by tax authorities and other stakeholders while implementing the tax law, being procedural actions and compliances, such as time period for filing returns, rectifications etc, which require reference to a financial year. In such cases, the time period denoted by a financial year has more relevance. This means that the term 'financial year' is required separately.

**QI.3 Is 'financial year' also defined in the new Bill? Has the term 'financial year' also been used in the new Bill? Why is it still appearing in the Bill if it is the same as a 'tax year?**

Ans: The term 'financial year is not defined in the Income-tax Bill. It is not defined in the Income-tax Act, 1961 also. It is defined in section 3(21) of the General Clauses Act, 1897 as the year commencing on 1st April.

The term 'financial year' has been used in the Income-tax Bill. For example, in the proposed section 21(5) of the Bill, reference has been made to a financial year in relation to the completion certificate issued by a competent authority in case of a building held as stock-in-trade. In such cases, the term financial year has relevance instead of the term 'tax year'.

**QI.4 Can a 'tax year' be a period which is less than a 'financial year'?**

Ans: Yes. This will happen when a business is newly set up during any financial year, or a source of income comes into existence during a financial year. In such cases, the tax year will begin from the date of setting up of the business or the source of income coming into existence, and end on the last day of that financial year.

**QI.5 Will the concept of 'tax year' conflict with the concept of an 'assessment year' at any particular time? For example, if the new Act comes into effect from 1st April, 2026, will the tax year 2026-27 of the new Act conflict with the Assessment Year 2026-27 of the Income-tax Act, 1961?**

Ans. No. The reasons are as follows:

i. The Assessment Year 2026-27 of the Income-tax Act, 1961 will pertain to the income of a taxpayer for the previous year 2025-26 and not to the income of the financial year 2026-27;
ii. The tax year 2026-27 of the new Act will pertain to the income of a taxpayer for the financial year 2026-27;
iii. The assessment for income of the previous year (financial year) 2025-26 of a taxpayer shall be done as per the provisions of the Income-tax Act, 1961 for the assessment year 2026-27;
iv. The assessment for income of tax year (financial year) 2026-27 of a taxpayer shall be done as per the provisions of the Bill for tax year 2026-27.

**QI.6 Is there any change in the content of the charging section?**

Ans. In the Income-tax Act, 1961, the charge of income-tax was on 'total income' of the 'previous year' of a person. Further, income-tax is charged for an 'assessment year' at the rate or rates provided by a Central Act. In the Income-tax Bill, in place of the term 'previous year', the term 'tax year' has been used. Further, the use of term 'assessment year' has been discontinued. Now, the total income also pertains to a 'tax year' and the rate or rates of income-tax also pertain to that 'tax year'.

**QI.7 In what way has the charging section been simplified?**

Ans. In the Income-tax Act, 1961, section 4 has two sub-sections and one proviso. Long sentences have been used in the section. In the Income-tax Bill, there are five sub-sections, explaining the charge of income-tax in smaller and simpler sentences.

**QI.8 Whether the Bill has introduced references to 'Finance Companies' and 'Finance Units' in the context of dividends, which could have implications for financial institutions and investors?**

Ans: The Income Tax Bill 2025 also contains all amendments proposed in Finance Bill 2025. Therefore, the users are advised to compare the provisions of the Income Tax Act, 1961, as updated with proposed amendments in Finance bill 2025, while reading the Income Tax Bill, 2025. Therefore, no such additional term has been introduced in the Bill. Finance Bill 2025 has proposed exclusion of advance or loans between two group entities where one of the entities is "Finance Company" or a "Finance Unit", from the definition of the term 'dividend'. The Bill only incorporates the proposal made in the Finance Bill, 2025.

## II. Non-Profit Organisations

**Answers to Frequently Asked Questions**

**QII.1 Why have the provisions related to non-profit organisations been revamped in this Bill?**

Ans: The Income-tax Act provides for exemptions to various entities including Government funded entities engaged in objects which are charitable in nature. In addition to this, specific exemption is also available to entities engaged in certain activities which satisfy social purposes. These entities receive donations, voluntary contributions and have other incomes from activities which are charitable in nature. The total number of electronically filed returns of such entities till 30th November 2024 for the assessment year 2023-24 is 2,50,682. The total amount applied by such entities for charitable and religious purposes during the FY 2022-23 is Rs 10,01,572.04 crores. Therefore, it was considered necessary to simplify and consolidate all the provisions relating to non-profit organisations for ease of understanding and compliance.

**QII.2 Where are the provisions related to non-profit organisations contained in the present Income-tax Act?**

Ans: The present provisions related to registered non-profit organisations are contained across the following Chapters:

i. Chapter I: Charitable Purpose sec 2(15)
ii. Chapter III: Sections 10(23C), section 11, section 12, section 12A, section 12AA, section 12AB, section 12AC & section 13
iii. Chapter VIA: Section 80G
iv. Chapter XII: Section 115BBC, Section 115BBI
v. Chapter XII EB: Section 115TD, Section 115TE, Section 115TF

**QII.3. What are the challenges with the present provisions of the Act related to NPOs?**

Ans: The present provisions related to registered non-profit organisations are difficult to comprehend due to the following reasons:

i. Since the provisions are spread across Chapters, there are several cross references.
ii. Since the provisions related to registered non-profit organisations evolved with time, several amendments have been brought to the present Act in the form of Explanations and provisos which make them difficult to read. In Section 11 itself, there are 13 Explanations and 16 provisos.
iii. The interplay of different provisos and Explanations makes it quite difficult to understand.

**QII.4 What is the approach followed while redrafting the provisions related to registered non-profit organisations?**

Ans: The following approach has been followed while redrafting the provisions related to non-profit organisations:

i. The present Act uses different terms such as trust, institution, university, educational institution, hospital etc. in different provisions. A common term registered non-profit organisation has been used in the Bill in line with the international practices.
ii. Section 10(23C) uses the term "approval" while section 12AB uses the term "registration". In order to avoid confusion, "registration" has been used in the Bill.
iii. All the provisions related to registered non-profit organisations have been arranged in Part B of Chapter XVII titled "*B.—Special Provisions for Registered Non-Profit Organisation" which* comprises provisions corresponding to present sections 11, section 12, section 12A, section 12AA, section 12AB, section 13, section 115BBC, section 115BBI, section 115TD, section 115TE, section 115TF, and the provisions related to approval under the first and second proviso to section 80G(5) of the present Income-tax Act.
iv. Redundant provisions have been removed.
v. Some of the provisions have been tabulated for lucid understanding of different scenarios such as the provisions related to:
   a. Application for registration;
   b. Specified income and the tax year in which it is taxable;
   c. Computation of tax on accreted income

**QII.5 How many words have been reduced as a result of this exercise?**

Ans: As a result of the exercise, there has been a substantial reduction of the words from the approximately 12,800 words to 7,600 words.

**QII.6. What is the structure of the new Part?**

Ans: The following is the structure of new Part XVII-B

| 1.-Registration | 2-Income | 3.-Commercial activities | 4.-Compliances | 5.-Violations |
|---|---|---|---|---|
| • Application for registration<br>• Switching over of regimes | • Tax on income of a registered NPO<br>• Regular Income<br>• Taxable Regular Income<br>• Specified income<br>• Income not to be included in total income<br>• Corpus donation<br>• Deemed corpus donation<br>• Application of Income<br>• Accumulation of income<br>• Deemed Accumulation of income | • Business undertaking held as the property<br>• Commercial activities by a registered NPO<br>• Commercial activities by registered NPO with GPU | • Books of account<br>• Audit<br>• Return of income<br>• Permitted Modes of Investments | • Specified violation<br>• Tax on accreted income<br>• Other Violations<br><br>• **6. Approval for donations (Old 80G)**<br>• **7. Interpretations** |

The entire Part related to non-profit organisations has been divided into 7 sub-parts which contain the provisions related to registration, income, commercial activities, compliances, violations, registrations for the purposes of eligibility of donations and interpretations.

**QII.7 What is the meaning of 'registered non-profit organization' which is not used in the present Act?**

Ans: The present Income-tax Act uses different terms such as trust, institution, university, educational institution, hospital etc. in different provisions. The term registered non-profit organisation has been defined to mean any person having a valid registration under section 12A, 12AA or 12AB or section 10 (23C) of the Income-tax Act, 1961 and such registration has not been cancelled. The use of common term 'registered non-profit organisation' intends tp avoid confusion and for lucid understanding of the provisions of the Bill.

**QII.8 What is the meaning of registration under the new provisions? Is the same word registration now used for approval as well?**

Ans: Section 10(23C) uses the term "approval" while section 12AB uses the term "registration". In order to avoid confusion, "registration" has been defined in the Bill to include provisional registration, provisional approval or approval, as referred to in the second proviso to sections 10(23C) or 12AB (1) of the Income-tax Act, 1961 and under proposed section 332 of the new Income Tax Bill, 2025. However, it does not include approval under the second proviso to section 80G (5) of Income Tax Act, 1961 or section 354 of the Income Tax Bill, 2025.

**QII.9 Will the existing registered non-profit organisations be again required to get themselves registered under the new provisions?**

Ans: There were two regimes for exemption of registered non-profit organisations. The first regime is contained in section 10(23C) and the second one was contained in section 11 to 13 of the Income Tax Act, 1961. There were certain provisions common to both the regimes that were contained in section 115BBC, 115BBI, 115TD, 115TE, 115TF and section 2(15) of the Income Tax Act, 1961. The Finance (No. 2) Act, 2024 provides that no application can be made under the first regime on or after 01st October, 2024. However, the approvals granted under the first regime shall continue to be valid for the period of their approval. They are eligible to apply for registration, subsequently, under the second regime.

As per the provisions of the Bill, all the registered non-profit organisations are eligible to claim benefits. The registered non-profit organisation has been defined to mean any person having a valid registration under section 12A, 12AA or 12AB or section 10 (23C) of the Income-tax Act, 1961 and such registration has not been cancelled.

Thus, the Bill proposes to protect the eligibility of existing registered non-profit organisations under the first as well as the second regime.

**QII.10 Can you provide an example as to how the new provisions will help better understand the provisions?**

Ans: The provisions of the present Act contained several cross references. The Table in the proposed section 332(3) of the Income Tax Bill, 2025 provides the time limits for furnishing application, time limit for passing the order and the validity of registration in different cases in a very simple and lucid manner.

**QII.11 There is a dedicated proposed section 334 on the taxability of income of the registered non-profit organisations. Is there any additional tax proposed to be levied on the income of registered non-profit organisations?**

Ans: No. Since most registered non-profit organisations apply 85% of their regular income for charitable or religious purposes, the taxable regular income in their cases shall be nil and there shall be no tax liability in their hands. However, if a registered non-profit organisation is not able to apply 85% of its regular income or accumulate the same, then regular income for such tax year as reduced by its application for charitable or religious purposes or accumulation thereof shall be its taxable regular income and chargeable to tax.

**QII. 12 What is the concept of specified income and does it propose to tax any new income of the registered non-profit organisations?**

Ans: No. No new income is proposed to be taxed. Present Act provides taxability of income scattered in different provisions such as section 13, section 115BBC and section 115BBI for different violations. The Bill seeks to bring all such provisions at the same place.

**QII.13 The provisions related to capital gains under section 11(1A) have been done away with? Can you explain the rationale behind that?**

Ans: Section 11(1A) of the present Income-tax Act provides that where a capital asset, being property held under trust wholly for charitable or religious purposes, is transferred and the whole or any part of the net consideration is utilised for acquiring another capital asset to be so held, then, the capital gain arising from the transfer shall be deemed to have been applied to charitable or religious purposes to the extent provided under the said section.

Since the cost of acquisition of an asset for the objects of the registered non-profit organisation is considered as application of income, these provisions were redundant and therefore removed.

**QII.14 Provisions related to deemed application have also been done away with the Bill. Can you explain the reason for the same?**

Ans: There are two types of accumulations allowed to the registered non-profit organisations. First, as per the provisions of section 11(2) accumulation is allowed for a period of five tax years. Second, deemed application is allowed as per the provisions of Explanation 1(2) to section 11(1) for certain specified reasons (generally accumulation for one year on account of non-receipt of the income). The dual provisions for accumulation were creating difficulties in implementation and interpretation.

The provisions related to deemed application under Explanation 1(2) to section 11(1) of the present Income-tax Act have been rationalised. This will help reducing litigation and ease the compliance. Accumulation under proposed section 342 of the Bill can be for any purpose stated in the prescribed Form.

## III. Section 10 'Exemptions'

**Answers to Frequently Asked Questions**

**QIII.1 Can you briefly explain the provisions related to exemptions provided in the present section 10 of the Income Tax Act, 1961?**

Ans: The provisions related to exemptions are contained in section 10 of the present Income-tax Act, 1961. There are around 140 clauses in said section 10, providing exemption to different persons and incomes. Section 10 evolved into its present shape with changes being made in different years to either provide exemption to a class of persons or income or their withdrawal, as the case may be.

**QIII.2 What are the difficulties in comprehending the existing provisions?**

Ans: Since section 10 of the Income Tax Act,1961 starts with an opening sentence and different exemptions provided therein are in the form of clauses, there were inherent limitations in the drafting. Clause 23C of section 10 contains 15 sub-clauses with numbers such as 10(23C)(i), (ii), (iii), (iiia), (iiiaa), (iiiaaa), (iiiaaaa), (iiiab), (iiiac), (iiiad), (iiiae), (iv), (v), (vi), and (via). Clause (23C) has 24 provisos. The $3^{rd}$ proviso to clause (23C) has 7 Explanations and Explanation 2 to the $3^{rd}$ proviso has again 8 provisos. Thus, there are provisos within clauses, Explanations to these provisos and again provisos to the Explanations making it difficulte to comprehend the provisions!

**QIII.3 What is the approach followed while considering the provisions of section 10 presently in the Income Tax Act, 1961, writing the Bill?**

Ans: The following approach has been followed while redrafting the provisions:

i. All the provisions related to exemptions have been drafted in 6 different schedules related to specific category of taxpayers as mentioned below.
ii. Redundant provisions have been removed.
iii. Income eligible for exemption, eligible persons and the applicable conditions have been provided in different columns of the Table under each of these Schedules for the ease of understanding.

All the clauses of section 10 have been placed in 6 different schedules as follows:

| | |
|---|---|
| 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-residents |
| Schedule V | • Exemption to Business trusts, Sovereign Wealth Funds etc |
| Schedule VI | • Exemptions to IFSC units |
| Schedule VII | • Persons exempt from tax |

**QIII.4 How many words have been reduced as a result of the exercise?**

Ans: As a result of the exercise, there has been a substantial reduction of the words from the approximately 30,000 words presently in Income Tax Act, 1961 to approximately 13,500 words in the new Income Tax Bill, 2025, in so far as section 10 is concerned.

**Q.III.5 How are complexities proposed to be reduced by the Bill?**

Ans: Besides rationalisation of provisions, as per question III.10 and III.11 above, all 90 Explanations and 134 provisos in the present section 10 have been done away with in the new Bill.

**Q.III.6 If the provisions related to exemptions are proposed to be taken to Schedules, then are there any provisions in the main body of the Bill?**

Ans: Yes, Section 11 of the proposed Bill contains certain provisions relating to exemptions while the rest are placed in the Schedules.

**QIII.7 What about the clauses of section 10 which do not find place in the Schedules?**

Ans: The clauses of section 10 of the Income Tax Act, 1961 which have been sun-set have not been included in the Schedules. However, certain exemptions which have been protected for past investments etc. have been protected in the Bill through the saving clause.

## IV Salary and House Property

**Answers to Frequently Asked Questions**

**QIV.1 How has the simplification been done in the language and structure in salary and house property provisions in the new Bill to make it easier for the taxpayer?**

Ans: The simplification focuses on enhancing clarity and ensuring ease of compliance. The chapter on Salary and House Property has been specifically crafted for this purpose so that the taxpayer can on his own read those chapters and file his own Return of Income. While drafting these Chapters, areas/issues resulting in common grievances received from such category of taxpayers have been addressed.

**QIV.2 How has the Chapter been simplified and how many words have been reduced in the new chapter?**

Ans: The restructuring has significantly reduced the length of the chapter by eliminating redundant provisions while retaining all essential provisions. All existing provisos and explanations across various sections have been integrated into the main provisions for eliminating fragmentation, improving readability, and ensuring that related provisions are presented cohesively. The key changes are summarized in the table below:

- The number of words has been reduced from 4401 to 3420 for the Part 'Salaries' and from 1658 to 1177 for the Part 'Income from House Property'
- All provisions related to salary are brought under the part 'Salaries' so that the taxpayer does not have to refer to separate chapters for filing of his Return of Income.
- The language is simple to read, clarifying all crucial terminology like Perquisite, Profit *in lieu of* salary, Standard Deduction etc and placing them in separate sections.
- The legal and technical jargons have been minimized, and provisions like Perquisites have been rewritten in a more structured and clear manner.
- Some of the provisions have been taken to the Rules, and redundant and repetitive provisions have been removed for better readability.

**QIV.3 Why have more changes not been carried out in the Chapter for 'Salary' and 'House Property'?**

Ans: The objective of this exercise was to simplify the existing framework rather than completely overhaul it. The proposed Bill maintains continuity while ensuring improved clarity and efficiency.

Especially for the part on 'Income from House Property', it was noted that the provisions are already fairly simple and have been well received by the general public. The concepts like Annual Value of House Property, Self-occupied property etc. have been accepted well and there is minimal dispute in interpreting the provisions and computation of this Head of income. Hence, minimal changes have been proposed in this part to ensure smooth transition and minimal confusion.

## V.Profits and gains of business and profession

**Answers to Frequently Asked Questions**

**QV.1. What are the major changes in the chapter Profits and gains of business and profession?**

Ans: Major changes brought about in the chapter Profits and Gains of Business and Profession are as follows:

1. The flow of the sections has been revised to improve coherence, create logical links, and ensure a smoother progression.
2. Similar sections, such as those on presumptive taxation for residents and non-residents, have been merged to simplify the content, make it more concise, and consolidate all related scenarios in one place.
3. Provisions on similar topics, such as deductions on employee welfare, which were previously scattered across the chapter, have been grouped together for easier understanding and compliance.
4. Formula-based explanations have been added to clarify complex concepts that were previously difficult to understand, such as the definition of Written-down Value.
5. Provisions involving multiple scenarios, like those for determining Actual Cost, which were previously presented as provisos or explanations, have been organized into a table for better readability and comprehension.
6. All provisos and explanations in the chapter have been converted into sub-sections to eliminate ambiguity and ensure clarity.
7. Redundant and already sun-set provisions have been removed.
8. Provisions specific to a single business segment which are used by small sub set of taxpayers have been moved to a new Schedule, while some procedural provisions have been transferred to rules to reduce complexity and focus on the substance of the section.
9. As a result, the total word count has been reduced by more than half, and the number of sections has decreased from 65 to 41.

**QV.2 How and why the order of sections been changed in the chapter on PGBP?**

Ans: An effort has been made to group similar provisions together. For example, provisions related to general expenditure allowances (section 37) and deductions for actual payments (section 43B) have been placed along with the provisions of sections 40 and 40A. Similarly, provisions on scientific research expenditure, section 35AD (investment-linked deductions), skill development project expenditure, and agricultural extension project expenditure have been grouped together in the proposed sections 45,46 and 47.

**QV.3 What are the differences in provisions relating to, “Deductions related to employee welfare” in the Income Tax Bill 2025?**

Ans: In the Income Tax Act, 1961, provisions related to expenses for contributions to Provident Fund, Gratuity Fund, Superannuation Fund, etc., were spread across various sections, such as 40A (7), (9) and 36(1)(iv), (iva), (v), (va). To determine the allowability of these expenses, one had to refer to multiple provisions in addition to the charging sections. In the new tax bill, these provisions have been consolidated under a single section (proposed section 28), making them easier to understand and comply with. While the language has been simplified, there is no change in the tax incidence or deductibility.

**QV.4. What is the difference in provisions relating to, "Deduction for bad debt and provision for bad and doubtful debt" in the Income Tax Bill 2025?**

Ans: In the Income Tax Act, 1961, provisions related to the deduction for bad debts are contained in Section 36(1)(vii),(viia) and 36(2), which include 10 clauses/subsections, 6 provisos, and 4 explanations. These provisions have now been consolidated into a separate section, with all provisos and explanations converted into sub-sections/clauses. Additionally, for banks and financial institutions, the allowance for bad debt provisions has been presented in a tabular format. These changes make the provision easier to understand and comply with. There is no change in the allowability or timing of allowability.

**QV.5 What is the difference between section 32 of IT Act,1961 and new section 33 of Income Tax Bill,2025, i.e. "Deduction for depreciation"?**

Ans: Section 32 of the Income Tax Act, 1961, which deals with depreciation, has become very complex over the past 63 years. It includes 6 clauses/subsections, 9 provisos, and 6 explanations. In the new bill, all provisos and explanations have been converted into subsections/clauses, reducing the word count by 40%. These changes make the provision easier to understand and comply with. There has been no change in the rate of depreciation, eligibility, or method of allowance.

**QV.6 What are the changes in the definition of 'Actual cost' and 'Written down Value'?**

Ans: The definitions of 'Actual Cost' and 'Written-Down Value' have been simplified by converting various explanations, provisos, and provisions into a tabular format. However, the current definitions of Actual Cost and Written-Down Value remain unchanged. Only redundant provisions (e.g., Goodwill adjustment for determining Written-Down Value) have been removed. The tabular format simplifies the understanding, improves clarity and reduces the potential for ambiguity.

**QV.7 What are the changes in the provisions relating to 'Expenditure on Scientific Research'?**

Ans: The existing provision in Section 35 deals with the deductibility of expenses for scientific research. However, it has become complex and unnecessarily lengthy due to the addition of several provisos over time. In the Income Tax Bill 2025, the clarity of scientific research expenditure deductions has been improved by reorganizing the flow while maintaining the existing policy in the proposed section 45.

**QV.8 How is the section on 'Capitalising the impact of foreign exchange fluctuation' is different compared to section 43A of IT Act,1961?**

Ans: Section 43A of the current Act addresses capitalizing the impact of foreign exchange fluctuations when paying for a capital asset liability. The existing text is lengthy, complex, and contains repetition and redundancy. In the new Bill, while preserving the meaning of the section, it has been divided into four subsections, which are drafted in a more coordinated manner. The complexity has been reduced by introducing a formula for "Variation in liability," further simplifying the understanding of the section.

**QV.9 Which provisions have been shifted to Schedule and the reasons for the same ?**

Ans: Provisions related to the Site Restoration Fund, as well as those for the Tea Development Account, Coffee Development Account, and Rubber Development Account, which apply only to specific trades and a small number of taxpayers, have been moved to the Schedules. The provisions related to the insurance business remain in the schedule as they were previously.

**QV.10 How have the provisions relating to deferred expenditure been changed under the Income Tax Bill ,2025?**

Ans: Provisions related to the amortization of expenses for telecommunications services, amalgamation, demerger, and voluntary retirement schemes have been presented in a tabular form. In the current text, the repetitive presentation has lengthened the text and also made it difficult to read. In the proposed Income Tax Bill 2025, an effort has been made to consolidate these expenses into one section while simplifying the language, without suggesting any policy changes.

Provisions related to the amortization of preliminary expenses and expenses for prospecting minerals have been kept in a separate section.

**QV.11 What has changed in provisions relating to presumptive taxation of residents in the new Income Tax Bill ,2025?**

Ans: Under the current provisions of the Act, residents earning income from business (Section 44AD), profession (Section 44ADA), and the business of plying, hiring, or leasing goods carriages (Section 44AE) are allowed a simplified taxation regime.
In the proposed Income Tax Bill 2025, an effort has been made to consolidate all these identical presumptive taxation schemes into one section in tabular form, while adopting simplified language without suggesting any policy changes. Common eligibility conditions are listed as sub-sections below the table. This approach offers a clearer understanding of the presumptive

taxation regimes for residents, improves readability, and significantly shortens the text compared to the existing provisions.

**QV.12 What has changed in provisions relating to presumptive taxation of non-resident in New Income Tax bill?**

Ans: Under the current provisions of the Act, non-residents earning income from certain business activities are allowed a simplified taxation regime. Currently, these presumptive taxation schemes are spread across five sections.

The Finance Bill 2025 has also proposed a similar scheme for non-residents providing services to domestic electronic goods manufacturing.

In the proposed Income Tax Bill 2025, an effort has been made to consolidate these identical presumptive taxation schemes into one section in tabular form, while simplifying the language. The common eligibility conditions are listed as sub-sections below the table. This approach provides a clearer understanding of the presumptive taxation regimes for non-residents, improves readability, and significantly reduces the text length compared to the existing provisions.

**QV.13 What has changed in provisions relating to "Special provision for computing deductions in case of business reorganisation of co-operative banks" in the new Income Tax Bill, 2025?**

Ans: To simplify the section and eliminate repetitiveness, the formula for determining depreciation and other deductions for the predecessor co-operative bank and the successor co-operative bank/converted banking company has been merged. This ensures that the section is easier to understand, while the intent remains unchanged.

**QV.14 Whether the Bill has introduced new sections for revenue recognition of service contracts and inventory valuation?**

Ans: As has been noted elsewhere, the Bill has not made any major policy changes. No new sections have been introduced for revenue recognition of service contracts and inventory valuation. Section 43CB of the Income tax Act,1961 already prescribes the methodology for determining the profits and gains of business arising from service contract while section 145A prescribes the method for valuation of inventory. Clauses 57 and 277 of the Bill have been proposed as clauses for service contracts and inventory valuation corresponding to relevant section sunder the Income Tax Act,1961.

**QV.15 Is there any change in the new Bill as regards powers of the Assessing Officers to examine legitimacy of business expenditure?**

Ans: Section 37 of the Income Tax Act, 1961 prescribes conditions for allowing deduction of expenditure for the purpose of computing the income chargeable under the head "Profits and gains of business or profession”. The Income tax Bill,2025 retains the scope of such provisions. Clause 34 of the Bill provides for similar general conditions for allowing deduction of expenditure for the purposes of business or profession being carried on by taxpayer.

## VI. Clubbing provisions

**Answers to Frequently Asked Questions**

**QVI.1 Is there any change in incidence of taxation or methodology of clubbing in the proposed Income Tax Bil, 2025?**

Ans: There are no changes in incidence of taxation, or methodology of clubbing of income in the new Bill.

**Q.VI.2 What has been changed in the provisions relating to 'Clubbing of Income'?**

Ans: We have simplified the language and removed redundant provisions. Further, certainty has been brought in wherever it was possible. Formula has been introduced for ease of understanding and certainty in computation. For example

| Section in existing Income Tax Act, 1961 | Section in new Income Tax Bill 2025 |
|---|---|
| Explanation 3 to s. 64 (1) in IT Act, 1961<br>Explanation 3. —For the purposes of clauses (*iv*) and (*vi*), where the assets transferred directly or indirectly by an individual to his spouse or son's wife (hereafter in this *Explanation* referred to as "the transferee") are invested by the transferee,—<br>(*i*) in any business, such investment being not in the nature of contribution of capital as a partner in a firm or, as the case may be, for being admitted to the benefits of partnership in a firm, that part of the income arising out of the business to the transferee in any previous year, which bears the same proportion to the income of the transferee from the business as the value of the assets aforesaid as on the first day of the previous year bears to the total investment in the business by the transferee as on the said day ;<br>(*ii*) in the nature of contribution of capital as a partner in a firm, that part of the interest receivable by the transferee from the firm in any previous year, which bears the same proportion to the interest receivable by the transferee from the firm as the value of investment aforesaid as on the first day of the previous year bears to the total investment by way of capital contribution as a partner in the firm as on the said day, | Formula (sample):<br>$A = B \times (C/D)$<br><br>where, —<br><br>A = Income to be included in the hands of individual for the tax year.<br><br>B = Income or interest or both, arising to the spouse or son's wife from the business or from the firm, as applicable during the tax year.<br><br>C = Value of such assets invested, or contributed as capital by the spouse or son's wife as on the first day of the tax year.<br><br>D = Total investment or total capital contribution, as the case may be, by the spouse or son's wife as on the day for which A is being computed. |

| | |
|---|---|
| shall be included in the total income of the individual in that previous year. | |

## VII. Deeming Provisions (S 68-69D of the Income Tax Act, 1961)

**Answers to Frequently Asked Questions**

**Q.VII.1 Please highlight any major changes made through Income Tax Bill 2025 in deeming provisions? How has the change improved certainty?**

Ans: The provisions have been simplified. Section 69B has been split and merged with sections 69 and 69A. In order to reduce disputes on rate of taxation and to provide certainty, the reference of the section specifying the rates of taxation has been provided in this Chapter. Towards reducing ambiguity, certainty has been provided as far as possible and rate of taxation has been specified in the chapter itself.

**QVII.2 Why has the name of section 68 'cash credits' in the existing Income Tax Act been changed to 'unexplained credits' in the Bill?**

Ans: Section 68 of the Income Tax Act, 1961 is concerned with taxing the unexplained credits (rather than credits on account of cash) found in the books of accounts. In the corresponding section 102 of the new bill, the provisions of the section remain the same and there is only change in nomenclature. The unexplained credits will continue to be taxed under this section.

VIII. **Set-off and Carry-forward of loss and unabsorbed depreciation, etc (S 70-80 of the Income Tax Act,1961)**

**Answers to Frequently Asked Questions**

**Q.VIII.1 Will the changes announced in the recent Budget speech pertaining to capping the carry forward loss in the amalgamation and business reorganisation provisions be included in the Income Tax Bill,2025?**

Ans: Yes, the proposed simplified Income Tax Bill has included such amended provisions in the Income Tax Act introduced by Budget 2025.

**Q.VIII.2. Can you give examples of removal of redundant sections and provisions in this Chapter?**

Ans: Yes. The examples are Sec. 71A and Sec 75.

| Section in existing Income Tax Act, 1961 | Section in new Income Tax Bill 2025 |
|---|---|
| Transitional provisions for set off of loss under the head "Income from house property".<br>71A. Where in respect of the assessment year commencing on the 1st day of April, 1993 or the 1st day of April, 1994, the net result of the computation under the head "Income from house property" is a loss, such loss in so far as it relates to interest on borrowed capital referred to in clause (*vi*) of sub-section (1) of section 24 and to the extent it has not been set off shall be carried forward and set off in the assessment year commencing on the 1st day of April, 1995, and the balance, if any, in the assessment year commencing on the 1st day of April, 1996, against the income under any head. | omitted |
| Losses of firms.<br>75. Where the assessee is a firm, any loss in relation to the assessment year commencing on or before the 1st day of April, 1992, which could not be set off against any other income of the firm and which had been apportioned to a partner of the firm but could not be set off by such partner prior to the assessment year commencing on the 1st day of April, 1993, then, such loss shall be allowed to be set off against the income of the firm subject to the condition that the partner continues in the said firm and to be carried forward for set off under sections 70, 71, 72, 73, 74 and 74A. | omitted |

## IX. Chapter VIA of the Income Tax Act, 1961

**Answers to Frequently Asked Questions**

**QIX.1: What are the major snapshots of simplification with reference to Chapter VIA?**

Ans: In this Chapter, the existing provisos and explanations have been integrated into the main sections, improving clarity and coherence. Large and complex sections, such as Section 80C, have been streamlined, and detailed provisions have been moved to Schedule XV for better presentation and comprehension.

Further, the provisions of Section 80-IA, 80-IB, 80-IAB, 80-IBA of the Income-tax Act, 1961 would still be applicable for the undertakings or enterprises or projects which were already eligible to avail deductions as per these sections, which is ensured by incorporating necessary savings and repeals clause.

**QIX.2 What major restructuring has been done in Section 80C?**

Ans: The various sums eligible for deduction under Section 80C, which were previously spread throughout the section, have now been transformed into a simplified arrangement of eligible savings instruments in the proposed Schedule XV. The deduction limit remains clearly stated within the section, while the Schedule provides an easy-to-understand breakdown of eligible deductions. This simplifies the process for taxpayers, making it more transparent and organized. The changes have been made for better accessibility and comprehension.

**QIX.3 How has Section 80G been improved?**

Ans: Section 80G, which provides deductions for donations, has been revised to clearly segregate deductions based on the percentage of eligible deductions—100% and 50%, without making any policy change. This makes it easier for taxpayers to identify and claim the correct deduction amount.

**QIX.4 What changes have been made to Sections 80TTA and 80TTB?**

Ans: Previously, Sections 80TTA and 80TTB provided deductions on interest earned from savings accounts—80TTA for the general public and 80TTB for senior citizens. These sections have now been merged into a single proposed section, with clearly defined sub-sections. The eligibility criteria and deduction limits for different categories of assessees are now explicit, reducing the need to refer to multiple sections. This change enhances clarity and ease of use, particularly for senior citizens.

**QIX.5 What improvements have been made to Section 80PA?**
Ans: The definition of eligible assessees under Section 80PA has been clarified, and the various eligibility criteria have been listed pointwise. This ensures that taxpayers can easily determine their eligibility without misinterpretation.

**QIX.6 How has Section 80RRB been simplified?**

Ans: The definition of eligible assessees who can claim deductions on royalties earned from patents has been made clearer. Additionally, the language has been modified to explain the computation of the deduction amount.

**QIX.7 The tax incentives under Chapter VIA of Income-tax Act, 1961 are not available in new tax regime. Has the same approach been adopted in proposed legislation?**

Ans: There are several provisions for which sunset date had earlier been outlined in Finance Act, 2016. Hence, the deduction for the same is available till such date. However, investment linked deductions have not been phased out. Hence, deduction under 80C, 80CCD, 80D, 80DD, 80DDB, 80EEA, 80EEB, 80U, etc. find place in the new Income Tax Bill, 2025.

**QIX.8 How has section 80JJAA or provision relating to start-up or IFSC been addressed?**

Ans: These provisions continue to be in operation in the new Income Tax Bill, 2025.

## X. Advance tax, refund and Interest

**Answers to Frequently Asked Questions**

**QX.1 Are there any changes in the provisions related to advance tax in the new Income Tax Bill, 2025?**

Ans: There are no policy changes. However, the provisions have been made easy to read with the following approach:

i. The provisions related to the payment by the assessee on his own accord and as per the order of the Assessing Officer have been segregated in two different sections to avoid confusion.
ii. Redundant provisions have been removed.
iii. A formula has been provided for the computation of the advance tax liability

**QX.2 What are the major improvements in the provisions related to refunds and interest?**

Ans: Formulas have been provided for the computation of interest in different situations for example, the following formula has been provided for the computation of interest for defaults in furnishing of the return of income:

I= 1%* A*T

where,—

I = the interest payable;

A = the amount of tax on which interest is payable;

T = number of months comprised in the period commencing on the date immediately following the starting date and ending on the end date.

**QX.3 What are other improvements in the provisions related to interest computation?**

Ans: The computation of interest is based on the period and rate of interest. For the computation of period, the most crucial factors are the start date and the end date and the same have been provided in the form of a Table as follows:

| Sl. No | Circumstances | Starting date | Ending date | The amount of tax on which interest is payable |
|---|---|---|---|---|
| A | B | C | D | E |

Thus, the taxpayers will have clarity about the start date and the end date for the computation of the period for which interest is payable in different scenarios and also the amount on which interest is payable.

## XI. Taxation in Special Rate cases

**Answers to Frequently Asked Questions**

**QXI.1 I have opted for New tax regime under the Income-tax Act, 1961. Do I have to opt for it again in the new Income Tax Bill, 2025?**

Ans: No, all the rights and duties of taxpayers will continue to remain intact. In fact, the transition is expected to be seamless.

**QXI.2 Will new rules and forms be prescribed for the proposed Act, especially for opting for new tax regime or for claiming MAT?**

Ans: The proposed Bill has been tabled in the Parliament. As and when the law is enacted, the administrative measures for implementing them will be made operational, keeping in mind the convenience of tax payers and all stakeholders. The necessary details will be informed in due course.

**Q XI.3 Have the changes made in the recent budget been incorporated in the proposed Act, especially for individual taxpayers?**

Ans: Yes, the changes made in the slab rates and the related rebate have been incorporated in the proposed Bill.

**QXI.4 Are there any changes in the rates or conditions for taxation of special cases?**

Ans: No policy change has been proposed for such special rate provisions. Special rate regimes will work as before. However, there is substantial simplification through structural change in the Act which makes it taxpayer friendly.

Q.63. Are there any changes in the provisions related to special rates for domestic taxpayers?
Ans: There are no policy changes. However, the provisions have been made easy with the following approach:

a) New Tax Regime is now separate part that is dedicated for special rate of taxation for individual taxpayers, domestic companies, cooperative societies and other eligible taxpayers.
b) Redundant provisions have been removed.

c) Tables have been provided to do away with multiple explanations and provisos and also for bringing together various special types of income that attract special rates under the Act.

## XII. Double Taxation Relief

**Answers to Frequently Asked Questions**

**QXII.1. Is there anything new in relation to interpretation of terms contained in a tax treaty?**

Ans. The Bill only clarifies India's tax treaty position in relation to terms used in such treaty. The proposed section 159(7) of the Bill now mentions that:

i. If any term is used in the agreement and defined both in the agreement and the Bill, it will have the meaning which is provided in the agreement;
ii. If any term is used in the agreement but has not been defined in it, but has a definition in the Bill, it will have the meaning provided in the Bill or in any explanation which is given to it by the Central Government, and the meaning will be applicable from the date of the agreement;
iii. If any term is used in the agreement and is neither defined in the agreement nor in the Bill, it will have the meaning given to it in any notification issued by the Central Government, and such meaning will be applicable from the date of the agreement;
iv. If any term is used in the agreement and is not defined in the agreement or in the Bill or in any notification, it will have the meaning given in any Act of the Central Government relating to taxes, or in its absence, in any other law of the Central Government, and such meaning will be applicable from the date of the agreement.

This clarified position will reduce litigation and provide certainty to how any term is interpreted in a tax treaty situation. It reflects India's present tax treaty position and is also aligned with international tax treaty practices in this regard.

## XIII. Tonnage Tax

**Answers to Frequently Asked Questions**

**QXIII.1 What changes are made in the proposed Act as regards the tonnage tax scheme?**

Ans: No substantive changes have been made in the tonnage tax scheme. The sections have however been rearranged and reorganized for better readability. The changes made in the Budget 2025 have also been suitably incorporated.

## XIV. Tax Administration

**Answers to Frequently Asked Questions**

**QXIV.1 Section 247 of the proposed bill equivalent to section 132 of the income tax Act provides for "competent authority", "approving authority" etc. Why such change is proposed?**

Ans. The terms "Competent Authority" and "Approving Authority" have been defined in the proposed bill to avoid confusion in the mind of taxpayers and to clearly distinguish roles and functions of such authorities.

**QXIV.2. Why the definition of 'computer system' in section 261(e) of the proposed Act is different from the meaning as given in the Information Technology Act, 2000?**

Ans. Income tax Act and Information Technology Act are two different Acts and serve different purposes. The definition of computer system in the Income Tax Act includes computer network, computer resources, communication devices, digital or electronic data storage devices, virtual digital space etc.

**QXIV.3 While there are four parts in the Income Tax Act, 1961 under chapter XIII pertaining to Income tax authorities, there are only two parts in the proposed bill under the heading 'tax administration' under chapter XIV. What is the difference?**

Ans. In the proposed Bill, Part A & B is merged as they pertain to income tax Authorities and their jurisdiction. Further, Part C relating to powers and part D relating to disclosure of information have been merged in the proposed bill.

# XV. OFFENCES AND PROSECUTION

**Answers to Frequently Asked Questions**

**QXV.1 Is there any increase in the punishment for any offence under the Bill?**

Ans: No.

**QXV.2 Has any new prosecution section been introduced for any of the provisions of the Bill?**

Ans: No.

# XVI. MISCELLANEOUS

**Answers to Frequently Asked Questions**

**QXVI.1 If I have a pending refund under the Income-tax Act, 1961, will I get it after the new Act comes into force?**

Ans: Yes. All the rights and duties of taxpayers will continue to remain intact. The taxpayer will get his due refund in accordance with law.

**QXVI.2 Has the faceless approval or registration been removed?**

Ans: No.

**QXVI.3 Will new rules and forms be prescribed for the proposed Bill?**

Ans: The proposed Act has been laid before the Parliament. Subsequently, the administrative measures for implementing them will be made operational, in terms of the provisions in the new Income Tax Bill, 2025. The necessary details will be informed in due course.

**QXVI.4 Whether the Bill gives additional responsibilities to CBDT to frame tax administration rules, introduce compliance measures, and enforce digital tax monitoring systems without requiring legislative amendments?**

Ans: Section 295 of the Income tax Act, 1961 already requires CBDT to frame rules for carrying out the purposes of the Act. Without prejudice to the generality of such powers in sub-section 1, specific matters are also enumerated in sub-section 2 of the section. Clause 533 of the Income Tax Bill, 2025 replicates these responsibilities which are already conferred on CBDT.

## XVII. Assessment Procedure

**Answers to Frequently Asked Questions**

**QXVII.1 What are highlights of changes made in this Chapter?**

Ans. Section 153 of the Income-tax Act, 1961 which provides limitation for making assessment and reassessment etc. and section 155 of the said Act which deals with other amendments have been converted into tabular format for ease of readability.

Section 144B of the said Act which lays down the procedure for making faceless assessment has been simplified and redrafted as proposed section 273 of the Bill.

Sections 153A to 153D stand omitted in the Bill as these provisions do not apply to searches conducted after 1st April' 2021.

**QXVII.2 What is the extent of reduction in terms of number of sections and number of words in this Chapter?**

Ans. Part A of the Chapter XVI in the new Income Tax Bill,2025 contains 24 sections as against 33 sections in the Income-tax Act, 1961. Further, number of words has also been reduced from 26,651 words to 13,160 words.

**QXVII.3 Please state policy changes made, if any, in this Chapter.**

Ans. No major policy changes have been made in this Chapter of the Bill. However, minor changes that are clarificatory/procedural in nature have been made in certain provisions, as under-

a. The following has been included as 'information' for the purposes of issue of notice under section 148, for which the procedure prescribed under section 148A shall not be required, -
    i. Directions of Approving Panel
    ii. Any finding or direction contained in an order passed by any authority, Tribunal or Court.
b. Provisions relating to various faceless schemes have been consolidated into one proposed section, namely Section 532 which confers powers on the Central Government to frame schemes for eliminating interface with the assessee.
c. Virtual digital asset has been included in the definition of 'undisclosed income' for the purposes of search assessment.

## XVIII. Return of Income

**Answers to Frequently Asked Questions**

**QXVIII.1 How will the simplification efforts in filing the return of income will help me as tax-payer?**

Ans. Chapter XV of the bill is divided into two parts: Part A (pertaining to PAN) and Part B (pertaining to the filing of return of income). The proposed section 263(1)(a) of the Bill lists the various categories of assessees who are required to file the returns of income. Under Section 139 of the Income Tax Act, 1961, these assessees are scattered across various sub-sections. In the proposed Income Tax Bill, all assessees are consolidated in one place which makes it easier for each category of assessees to locate and fulfil their return filing obligations.

**QXVIII.2 Are exempt entities required to file return of income?**

Ans. Yes, exempt entities continue to be under obligation to file return of income if their total income before allowing exemption exceeds the maximum amount not chargeable to income tax.

**QXVIII.3 Have the due dates for filing returns of income changed?**

Ans. No, the due dates for filing returns of income for each category of assessees are still the same. They are now presented in a tabular format for easier understanding.

**QXVIII.4 Have the provisions for belated returns, revised returns, and updated returns changed?**

A. No, the provisions regarding belated returns, revised returns, and updated returns remain the same as in the Income Tax Act, 1961(including amendments proposed vide Finance Act, 2025).

## XIX.Tax Deduction and Collection at Source

**Answers to Frequently Asked Questions**

**QXIX.1. What are highlights of simplification made in TDS/TCS provisions?**

Ans. In the existing Act, there are 43 sections which specify the various sums which are liable to TDS, depending on the status of the payer/payee, subject to applicable monetary limits. The sections provide the rate at which tax is liable to be deducted at source.

In the proposed Bill, all these sections have been merged into one section. Section 393 of the proposed bill contains 3 Tables applicable to three broad categories of Payees- Residents, Non-residents and any person. The respective Table for each category in turn specifies the nature of income or sum, monetary threshold, payer/person and the applicable rate of TDS.

In the table for Resident payees, similar nature of sums have been clubbed together, such as Commission, Rent, Interest, Income from Capital Market, etc. Further, a separate Table has been provided covering the cases/conditions where TDS is not required to be deducted.

Similarly, the provisions relating to TCS have been merged and placed in one section. Section 394 of the proposed bill contains one Table which specifies the nature of receipts, monetary threshold, collector and rate of TCS. The said section also lays down the conditions for no collection of TCS.

Furthermore, provisions relating to the following matters, which were present through-out the Chapter in the existing Act, have been merged and placed together as independent sections in the proposed Bill,

a. Certificates including Lower Deduction/Collection Certificates
b. Compliance and reporting (filing of statements etc.)
c. Consequences of failure to deduct or collect tax or pay the tax deducted or collected
d. Processing of Statements

**QXIX.2. What is the extent of reduction in terms of number of sections and number of words?**

Ans. In the proposed Bill, provisions relating to TDS/TCS are contained in 13 sections as against 69 sections in the existing Income Tax Act,1961.

The relevant parts of the Chapter XIX of the proposed Bill contains 14,675 words as against 27,452 words in the existing Income Tax Act,1961.

**QXIX.3 How many rates of TDS /TCS have been prescribed in the proposed Bill?**

Ans. Rates of TDS/TCS as well as thresholds are same as in Income Tax Act, 1961(being amended upto Finance Bill, 2025)