

# Simplified I-T Bill brings in concept of 'tax year'

## Replaces textual definitions with formulae

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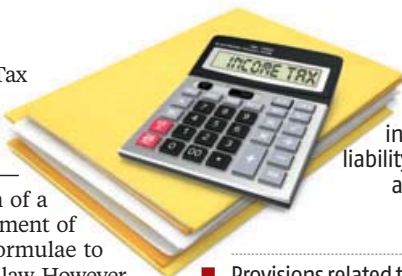
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**T**he New Income Tax Bill, 2025 — expected to be introduced in the Lok Sabha on Thursday — proposes the introduction of a “tax year” and the replacement of textual definitions with formulae to simplify the six-decade-old law. However, the Bill does not propose any changes to tax rates.

If approved by Parliament and upon the President's nod, the Bill will take effect from April 1, 2026, replacing the Income Tax Act, 1961, according to a copy circulated among Members of Parliament (MPs) and reviewed by *Business Standard*.

In a statement of objects and reasons included in the Bill, Finance Minister Nirmala Sitharaman said the Income Tax Bill, 2025, aims to make tax laws concise, clear, and easier to understand. “The Income-tax Act passed in 1961 has been subjected to numerous amendments since its passage 60 years ago. As a result of these amendments the basic structure of the Income Tax Act has been overburdened and language has become complex, increasing cost of compliance for taxpayers and hampering efficiency of direct-tax administration. Tax administrators, practitioners and taxpayers have also raised concerns about the complicated provisions and structure of the Income Tax Act,” she added.

The Bill reduces the word count from



## WHAT'S NEW

■ Introduces the concept of a ‘tax year’ for the year in which income is earned and tax liability is computed and does away with the terms like ‘assessment year’ and ‘previous year’

■ Provisions related to non-profit organisations, previously scattered across the Act, have been consolidated under Clauses 334 to 346

■ The word count has been reduced from 520,000 to 260,000, while the number of pages has decreased from 823 to 622

■ Explanations and provisos have been removed and incorporated directly into sections and subsections for clarity

■ Amendments expanding the definition of virtual digital assets in the Finance Bill, 2025, will be included in the Income Tax Bill

520,000 in the current Act to 260,000, while the number of pages has been cut from 823 to 622.

It also introduces the concept of a “tax year”, defined as the 12-month financial year starting in April. The terms “assessment year” and “previous year” have been removed, with “tax year” becoming the standard term for the year in which income is earned and tax liability is calculated.

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# 71 sections on TDS and TCS provisions merge into 11 in new I-T Bill

“As of now, there are 71 sections covering various TDS and TCS provisions. In the new Bill, these have been merged into just 11 sections, from Section 392 to 402. Furthermore, TDS rates are now compiled only under Sections 393 and 394,” said Vivek Jalan, a partner at Tax Connect Advisory Services.

Provisions related to non-profit organisations, previously scattered throughout the Income Tax Act, 1961, have now been grouped under Clauses 334 to 346 in the new Bill. “The provisions relating to tax on accreted income of certain trusts and institutions have been provided in the current Income Tax Act in Section 115TD. Now, these have also been consolidated under the said clauses,” Jalan said.

Deductions under salaries — including standard deduction, gratuity, leave encashment, pension, compensation for retrenchment, and voluntary retirement benefits — have been consolidated under Section 19 of the new Bill, whereas they were previously spread across the Act.

“In the current Income Tax Act, explanations and provisos pose difficulties in understanding and make the law unnecessarily complicated. The new Income Tax Bill, 2025, appears to remove such explanations and provisos, instead incorporating them into sections and subsections, simplifying the Act,” said Jalan.

According to Sandeep Jhunjhunwala, a partner at Nangia Andersen LLP, income that does not form part of total income has now been moved to schedules to simplify the statute. A formula-based approach has



been adopted for definitions, such as written-down value (WDV) in the case of a block of assets, which was previously verbose but has now been simplified into a formula.

A government official noted that when the Income Tax Act, 1961, was implemented in 1962, it contained 298 sections. Over the years, with the introduction of various provisions like Sections 115A and 115B, the number of sections grew to 819. “Now, the sections have been reduced by one-third, to 536, in the proposed law,” the official said.

“All the amendments proposed in the Finance Bill, 2025, have also been incorporated into the new Bill. These amendments are expected to be approved in the Budget session in March. Once introduced in Parliament, the new Income Tax Bill will be sent to a select committee for approval. Stakeholders will likely be consulted, and Finance Ministry officials will be invited to provide explanations for the proposed changes,” another official stated.