



Key Highlights of the **Income-Tax Act, 2025**

Applicable from April 1, 2026



Streamlined Tax Structure

Aspect	1961 Act	2025 Act
Year of enforcement	1 April 1962	1 April 2026
Words	5,12,535	2,59,676
Sections	819	536
Chapters	47	23
Schedules	14	16
Drafting style	Legalese, long proviso, multiple sub-clauses	Plain language, shorter clauses

Streamlined Tax Structure

Aspect	1961 Act	2025 Act
Assessment vs previous year	Previous Year" (income earned) & "Assessment Year" (taxed)	Unified Tax Year to align with global standards. Also reduces confusion
Tax Regimes	Old regime (exemption heavy), new regime (optional and default, lower rates)	New regime default and optional; ₹12 lakh threshold for no-tax
Income heads	Salary, HP, Business, Capital Gains, Other Sources	Retained, but clearer definitions
Exemptions & deductions	Large number (80C, 10AA, etc.)	Rationalised — fewer, sunset clauses
Digital assets	Barely defined (Finance Act 2022)	Comprehensive definition of Virtual Digital Assets
Tax administration	Manual, discretion-heavy	Faceless, AI-driven, e-appeals

Language Differences

Aspect	1961 Act	2025 Act
Notwithstanding anything contained	Frequently used to override other provisions	Usage reduced; in some contexts replaced with "In spite of the foregoing..." or "Despite anything to the contrary..."
Provisos	Multiple provisos stacked in a single section	Recast as separate sub-sections
Definitions	Often circular, long	Crisp, with illustrations/examples
Cross-references	Dense, scattered	Streamlined; sections arranged by logical flow

Key Highlights

OLD RULE 2BB – NEW RULE 280 (SPECIAL ALLOWANCES)

Allowances	Old limit	New Limit
Compensatory filed area	₹ 2,600 per month	₹ 13,500 per month
Compensatory modified field area	₹ 1,000 per month	₹ 8,000 per month
Allowance to employees working in the transport system	70% of allowance up to INR 10,000 p.m.	70% of allowance up to INR 25,000 per month
Children's education allowance	₹ 100 per month per child (Max 2 children)	₹ 3,000 per month per child (Max 2 children)
Children's hostel expenditure	₹ 300 per month per child (Max 2 children)	₹ 9,000 per month per child (Max 2 children)
Counter-insurgency allowance to the armed forces	₹ 3,900 per month	₹ 22,000 per month
Transport allowance to employees with specified disability	₹ 3,200 per month	<ul style="list-style-type: none"> • Metro cities - ₹ 15,000 + DA • Other cities - ₹ 8,000 + DA
Underground allowance for employees working in underground mines	₹ 800 per month	<ul style="list-style-type: none"> • 15% of basic pay
High altitude allowance	<ul style="list-style-type: none"> • For altitude 9000 feet to 15000 feet - ₹ 1,060 per month • Altitude above 15,000 feet - ₹ 1,600 per month" 	<ul style="list-style-type: none"> • For altitude below 9,000 feet or 9,000 feet to 15,000 feet - ₹ 4,500 per month • Altitude above 15,000 feet - ₹ 7,000 per month • All locations of Jammu & Kashmir, Ladakh, Sikkim and Uttarakhand- INR 30,000 per month
Highly active field area allowance to armed forces	₹ 4,200 per month	₹22,000 per month
Siachen allowance to armed forces	Siachen area of Jammu and Kashmir - ₹ 7,000 per month	Siachen area of Ladakh- ₹ 42,500 per month

Key Highlights

OLD RULE 3 – NEW RULE 15 (VALUATION OF PERQUISITES)

Value of perquisite for use of motor car

Scenarios	Cubic Capacity < 1.6 litres	Cubic Capacity > 1.6 litres
Owned or hired by the employer, and mixed use of official and personal purposes		
The employer meets expenses for running and maintenance	Existing ₹ 2,700 per month (₹ 1,800 plus ₹ 900 for chauffeur) increased to ₹ 8,000 per month (₹ 5,000 plus ₹ 3,000 for chauffeur)	₹ 10,000 per month (₹ 7,000 plus ₹ 3,000 for chauffeur)
The employee meets expenses for running and maintenance for personal purposes	Existing ₹ 1,500 per month (₹ 600 plus ₹ 900 for chauffeur) increased to ₹ 5,000 ₹ (₹ 2,000 plus ₹ 3,000 for chauffeur)	₹ 6,000 per month (₹ 3,000 plus ₹ 3,000 for chauffeur)
Employees own other automotive conveyance (Bike) partly for personal and professional use, but running and maintenance are met by the employer	Amount actually incurred by employer as reduced by ₹ 3,000 per month (from existing ₹ 900)	

Key Highlights

OLD RULE 3 – NEW RULE 15 (VALUATION OF PERQUISITES)

Value of perquisite for any other benefit

Scenarios	Changes
Provision of free or concessional educational facilities where the employer owns facilities, or provision of free educational facilities in any other educational institution by reason of employment	Taxable as perquisite if the value of free education exceeds ₹ 3,000 per child/month (increased from existing ₹ 1,000 per child/month)
Interest-free or concessional loan to an employee or any member of his household	Loan amount increased from ₹ 20,000 to ₹ 2 lakh
Value of free food voucher	Increased from ₹ 50 per meal to ₹ 200 per meal
Value of any gift or voucher to an employee or any member of his household during the year	Increased from existing ₹ 5,000 to ₹ 15,000

Key Highlights

OLD RULE 21AD – NEW RULE 136 (Exercise / withdrawal of new tax regime)

The scope of this rule has been broadened. Earlier, it applied only to the exercise of the option; it now extends to both the exercise and the withdrawal of the option. The scope of the earlier rule was restricted to Section 115BA of the 1961 Act. The new rule is now expanded to cover multiple provisions as follows:

Section Number (1961 Act)	Section number (2025 Act)	Description
Section 115BA	Section 199(3)	Tax on the income of certain manufacturing domestic companies
Section 115BAA	Section 200(5)	Tax on the income of certain domestic companies.
Section 115BAB	Section 201(2)	Tax on the income of new manufacturing domestic companies
Section 115BAC	Section 202(4)	Tax on the income of certain resident co-operative societies
Section 115BAD	Section 203(5)	Tax on the income of certain new manufacturing co-operative societies.
Section 115BAE	Section 204(2)	Conditions for tax on the income of certain companies and co-operative societies

Newly inserted – Rule 166 prescribing conditions for Defective Return)

A return of income shall be treated as defective if any of the following conditions are fulfilled:

- ✓ All fields, parts, schedules, statements, and columns in the return of income have not been duly filled in:
- ✓ Audit report not furnished before furnishing ITR,
- ✓ Details of the payment of tax not filled in
- ✓ MAT/ AMT credit not in accordance with last ITR

Old Rule 6F → New Rule 46 (Maintenance of books of accounts by persons carrying on certain professions)

In the context of maintenance of books of account and supporting documentation, the prescribed thresholds have been revised as follows:

- ✓ The threshold for retaining copies of bills issued has been increased from INR 25 to INR 250.
- ✓ A new threshold has been introduced mandating retention of original bills and receipts for expenditures of INR 250 or more.
- ✓ The threshold for preparation of payment vouchers has been increased from INR 50 to INR 250 in cases where the cash book does not contain adequate particulars of such expenditure.

Key Highlights

Old Rule 6F → New Rule 46 (Maintenance of books of accounts by persons carrying on certain professions)

- Further, a new sub-rule (8) has been inserted to provide that books of account and other documents maintained in electronic form must remain accessible in India at all times. It also mandates that backups of such electronic records be maintained on servers physically located in India and updated on a daily basis.
- Additionally, the record retention period has been extended from six years to seven years from the end of the relevant tax year.

Old Rule 114E – New Rule 237 (Furnishing of statement of financial transaction)

- Separate thresholds have been prescribed for cases where PAN is available and where it is not.
- The reporting threshold for purchase or sale of immovable property has been increased from INR 30 lakh to INR 45 lakh. The scope has also been expanded to cover transactions undertaken pursuant to gifts and Joint Development Agreements.
- Additional categories of reportable transactions have been introduced, as under:
 - ✓ Purchase of stamp papers exceeding INR 1 lakh (in the absence of PAN) or INR 2 lakh (where PAN is available).
 - ✓ Receipt of insurance premium exceeding INR 5 lakh (in the absence of PAN) or INR 10 lakh (where PAN is available).

Key Highlights – Rules 2026

COMPARISON OF TDS OLD AND NEW RATES AND THRESHOLD LIMITS

Nature of Payment	Old Section	New Section	Rates and threshold
Salary and accumulated balance due to an employee	Sec. 192 & Sec. 192A	Clause 392(1) & (6)	Slab rates
Commission or brokerage	Sec. 194H	Clause 393(1)(1)	2%; threshold ₹20,000
Rent	Sec. 194I	Clause 393(1)(2)	10% (land/building) / 2% (machinery); threshold ₹50K for a month or part of a month
Payment on transfer of certain immovable property other than agricultural land	Sec. 194-IA	Clause 393(1)(3)(i)	(1%) on higher of consideration or stamp duty value; threshold (₹50L)
Income from capital market	Sec. 194K / related	Clause 393(1)(4)	10%
Interest on Securitites	Sec. 193	Clause 393(1)(5)(i)	10%; threshold ₹10,000
Interest (other than securities)	Sec. 194A	Clause 393(1)(5)(ii)/(iii)	10%; thresholds (1L/50K/10K)
Dividend	Sec. 194	Clause 393(1)(7)	10%
Contractor payments	Sec. 194C	Clause 393(1)(6)(i)	1% (Ind/HUF) / 2% (others); ₹30k/₹1L

Key Highlights – Rules 2026

COMPARISON OF TDS OLD AND NEW RATES AND THRESHOLD LIMITS

Nature of Payment	Old Section	New Section	Rates and threshold
Professional / Technical fees	Sec. 194J	Clause 393(1)(6)(iii)	2% in case of Royalty, Fess for Technical Service;10% for Professional Services; threshold ₹50,000
Compensation on compulsory acquisition	Sec. 194LA	Clause 393(1)(3)(iii)	10%, threshold ₹ 5 lakhs
Purchase of goods (buyer collection)	Sec. 194Q	Clause 393(1)(8)(ii)	0.1% beyond ₹50L
E-commerce payments / sales	Sec. 194-O	Clause 393(1)(8)(v)	0.1% on gross
Benefits / Perquisites	Sec. 194R	Clause 393(1)(8)(iv)	10%; threshold ₹20,000
Virtual Digital Assets (VDA)	Sec. 194S	Clause 393(1)(8)(vi)	1% (no threshold)
Payments to non-residents (interest)	Sec. 195	Clause 393(2)	5%/4%/9%
Nil / Lower deduction certificates	Sec. 197	Sec.400	Nil / lower deduction

COMPARISON OF TCS OLD AND NEW RATES AND THRESHOLD LIMITS

Nature of Payment	Old Section	New Clause	Rate
Alcoholic liquor for human consumption	Sec. 206C(1)(a)	Clause 394(1)	1%
Tendu leaves	Sec. 206C(1)(b)	Clause 394(1)	5%
Timber / forest produce	Sec. 206C(1)(c)/(d)	Clause 394(1)	2%
Scrap	Sec. 206C(1)(d)	Clause 394(1)	1%
Minerals (coal, lignite, iron ore)	Sec. 206C(1)(e)	Clause 394(1)	1%
Sale of goods (general TCS)	Sec. 206C(1H)	Clause 394(2)	"0.1% on consideration > ₹50L; seller turnover > ₹10 cr"
Motor vehicle > ₹10 lakh	Sec. 206C(1F)	Clause 394(2)(b)	1%
Overseas tour packages	Sec. 206C(1G)(a)	Clause 394(3)(a)	5% upto 10L/20% exceeding 10L
Foreign remittance / LRS	Sec. 206C(1G)(b)	Clause 394(3)(b)	5% for education or medical purposes and 20% for others

Key Highlights

TDS RETURN FILING DATES (QUARTERLY)

Quarter	Period	Due Date of Filing Return(Old)	Due Date of Filing Return(New)
Q1	April – June	July 31 st	July 31 st
Q2	July - September	October 31 st	October 31 st
Q3	October - December	January 31 st	January 31 st
Q4	January - March	May 31 st (of the following year)	May 31 st (of the following year)

TDS RETURN FORMS UNDER IT ACT, 1961 VIS-À-VIS IT ACT, 2025

Nature of Return	Form No.(Old)	Form No. (New)
TDS Return (Salary)	24Q	138
TDS Return (Other than Salary)	26Q	140
TDS Return (Non Resident)	27Q	144
TCS Return	27EQ	143
Certificate of Salary	Form 16	130
Certificate (Other than Salary)	Form 16A	131
Certificates for Remittance outside India	Form 15CA/15CB	Form 145/146
Documents and information to be provided for claiming double taxation relief	Form 10F	Form 41

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