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INCOME TAX DEPARTMENT

कर सेतु

सरल कानून, सशक्त भारत

FAQs on Interplay and Transition

from the Income Tax Act, 1961 to the Income Tax Act, 2025

DIRECTORATE OF INCOME TAX

(Organisation & Management Services)

CBDT, New Delhi

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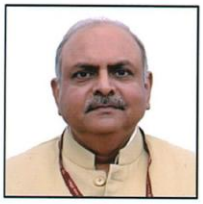

MESSAGE

The enactment of the Income Tax Act, 2025 marks a defining moment in the history of India's direct tax administration. After more than six decades of the Income-tax Act, 1961 — a statute that served the nation through successive phases of economic transformation — the new Act represents the resolve of the Government to provide the people of India with a tax law that is modern, transparent, and aligned with the aspirations of a rapidly evolving economy.

Every transition of this magnitude, however, carries with it a set of practical challenges. Taxpayers, professionals, and departmental officers alike are naturally concerned about the interplay between the two statutes — how ongoing proceedings will be treated, how compliance timelines will operate during the changeover, and how the rights and obligations under the existing law will dovetail with the new framework. It was with these very concerns in mind that the Board planned the preparation of a set of Frequently Asked Questions on the interplay and transition between the Income-tax Act, 1961 and the Income Tax Act, 2025.

I am pleased that the Directorate of Organisation and Management Services (DOMS), working under the guidance of the Board, has prepared this compilation of FAQs covering ten critical thematic areas. The document has benefited from the expertise of senior officers of the Indian Revenue Service and the valuable inputs received from professional bodies and industry associations including ICAI, ICSI, CII, FICCI, ASSOCHAM, and PHDCCI. This participative approach reflects the Board's commitment to an inclusive and consultative process in tax governance.

These Guidance Notes are not merely an explanatory document; they are a bridge - a bridge between what has been and what lies ahead. They are intended to provide clarity, instil confidence, and ensure that the transition to the new law is smooth, orderly, and free from avoidable hardship for all stakeholders.

I commend the officers and officials who have worked tirelessly on this exercise and trust that this document will serve its intended purpose of facilitating a seamless transition to the Income Tax Act, 2025.

(RAVI AGRAWAL)

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Special Secretary
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Central Board of Direct Taxes

MESSAGE

The enactment of the Income Tax Act, 2025 is a profound rearticulation of the country's Direct Tax framework. By simplifying the language, rationalizing the structure, and consolidating the provisions that have evolved over more than six decades, it seeks to enhance clarity, coherence, and ease of compliance.

As we approach the commencement of the IT Act, 2025 on 1 April 2026, ensuring a seamless, predictable, and minimally disruptive transition from the Income-tax Act, 1961 to the new regime is among the Board's foremost priorities.

In furtherance of this objective, the Board has curated these "Frequently Asked Questions" (FAQs) to address key issues arising from the interplay of the provisions between the two statutes. This document is the outcome of a rigorous and structured exercise spearheaded by the Directorate of Organisation and Management Services (DOMS), with the active involvement of officers across the department, whose frontline experience has enriched each response.

The FAQs are designed to systematically address the critical queries & concerns that taxpayers and professionals are likely to encounter during this crucial phase. These include, inter alia, the treatment of pending proceedings, continuity of TDS compliance, filing of returns for Assessment Year 2026–27, and the status of pending appeals. This document endeavours to provide clear, practical, and scenario-based guidance, while remaining firmly anchored in the statutory framework.

I am particularly pleased that this initiative is further enriched & strengthened by the contributions of leading professional bodies and industry chambers. This collaborative approach reflects the Board's commitment to consultative, transparent, and effective governance.

I extend my sincere appreciation to all the officers and officials who contributed to this effort and I am confident that this document will serve as a reliable reference for everyone navigating this historic transition.

(G. Aparna Rao)

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Preface

The Income-tax Act, 2025 replaces the Income-tax Act, 1961 with effect from 01.04.2026, marking a significant milestone in India's ongoing effort to build a tax system that is simpler, more transparent, and taxpayer-friendly. A legislative transition of this magnitude inevitably gives rise to a range of interpretational and practical questions, particularly in relation to the treatment of pending proceedings, ongoing compliance obligations, existing claims, and rights and liabilities that have accrued under the earlier law. Recognising these concerns, this compendium of Frequently Asked Questions has been prepared to provide clear, structured, and accessible guidance on the interplay and transitional provisions between the two statutes.

The FAQs are organised into ten thematic areas: the general philosophy underlying the transition, tax payments, filing of income-tax returns, other statutory forms and procedural requirements, reassessment proceedings, TDS compliance, dispute resolution mechanisms, carry forward and set-off of losses, NRI-related provisions, and other miscellaneous transitional issues. These sections collectively seek to address both the foundational principles guiding the shift to the new regime and the practical situations that taxpayers, professionals, and administrators are likely to encounter during the transition phase.

Efforts have been made to present the issues clearly and systematically, supporting a seamless transition from the earlier regime to the new one. This compendium is intended to offer clarity and foster a consistent understanding and approach among taxpayers, tax professionals, tax officers and tax officials.

The transition to a new statute is a shared and evolving exercise involving all stakeholders including tax officers and officials. It is hoped that this compendium will serve as a practical and reliable reference, facilitating informed compliance, reducing uncertainty, and supporting a smooth and effective migration to the Income-tax Act, 2025.

Disclaimer

This compendium is for general guidance only and does not constitute a binding interpretation of law. It is based on the Income-tax Act, 2025 and the Income-tax Act, 1961 as on the date of publication; subsequent changes may affect its accuracy. The readers should verify the current legal position before relying on it. It is not a substitute for professional advice, and in case of any conflict, the statutory provisions shall prevail.

General Philosophy of Transition

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TOPIC 1: GENERAL PHILOSOPHY OF TRANSITION

A. OBJECTIVE AND SCOPE OF THE NEW ACT

Q1.1 What is the primary objective of replacing the Income-tax Act 1961 with the Income-tax Act, 2025?

Ans: The Income-tax Act, 2025 has been enacted to provide a streamlined, simplified, and modern tax code with reduced compliance burden, consolidated provisions, and clear definitions. Over six decades, the Income-tax Act, 1961 had accumulated numerous amendments, provisos, and explanations making it complex and difficult to navigate. The new Act aims to present the same tax policy in a more logical, accessible, and reader-friendly format. The Act further advances taxpayer -centric approach by making compliance simpler, promoting ease of doing business, and aligning the Indian tax system with contemporary global standards.

Q1.2 Does the Income Tax Act, 2025 completely replace the Income Tax Act, 1961?

Ans: Yes. The 1961 Act stands repealed on the 01.04.2026. However, certain transitional provisions specify continuation of proceedings under the old Act to avoid disruption in pending matters and ensure a smooth transition.

Q1.3 Is the Income Tax Act 2025 introducing new taxes or increasing tax burden?"

Ans: No. The income Tax Act, 2025 does not impose any new tax. The intent behind replacing the old Act with the new Act is to:

- Simplify statutory language
- Improve structural clarity
- Reduce interpretational disputes
- Align drafting style with modern legislative standards
- Enhance voluntary compliance

The reform is aimed at making the tax law more predictable, transparent, and easier to comply with, rather than increasing the financial or compliance burden on taxpayers.

Q1.4 As a small taxpayer, how does this change help me?

Ans: One of the key shifts is readability and ease of understanding. Under the 1961 Act, compliance often required expert interpretation because of its layered drafting. The 2025 Act aims to:

- Use simpler language

- Reduce excessive cross-referencing
- Consolidate scattered provisions
- Improve digital integration

The long-term goal is lowering compliance friction and dependency on complex interpretation.

Q1.5 How has the volume and complexity of the legislation changed in the new Act?

Ans. The Income-tax Act, 2025 contains 536 sections and 16 schedules compared to the 819 sections and 14 schedules of the 1961 Act. In the new Act, the overall complexity has been reduced because:

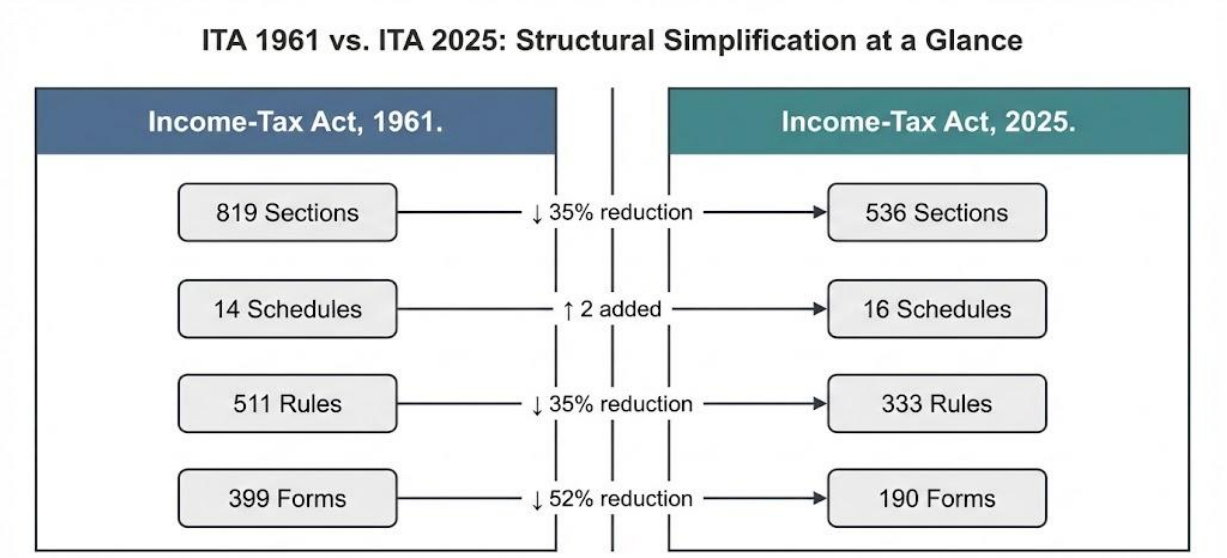
(i) Explanations and provisos have been incorporated into the main text of the sections;

(ii) Tables and formulas replace verbose narrative provisions;

(iii) Redundant and obsolete provisions have been removed; and

(iv) Cross-references are clearer and more direct.

Similarly, the Income-tax Rules have been reduced from 511 rules with 399 forms to 333 rules with 190 forms.



Q1.6 Is the structure of chapters reorganised in the Income Tax Act, 2025?

Ans: Yes. The Income-tax Act, 2025 reorganises the chapter structure compared to the Income-tax Act, 1961 by regrouping provisions in a more logical sequence, simplifying language, and integrating provisos and explanations into the main text. The 1961 Act had a fragmented structure due to decades of amendments, while the 2025 Act presents a cleaner, more coherent layout.

Q1.7 Since the Income Tax Act,1961 is repealed and a new Income Tax Act comes into force on 01.04.2026, does everything done under the old Act become invalid?

Ans: No. The repeal of the 1961 Act does not disturb anything relating to tax years before April 1, 2026. For example, if taxpayer's assessment for the assessment year 2023–24 was completed under the old Act, that assessment will continue to be valid even after the new Act comes into force. Similarly, any pending proceedings relating to earlier years will continue as per the relevant transitional provisions.

Q1.8 Is there any change regarding the 'basis of charge of Income-tax' in the Income Tax Act, 2025?

Ans. In the new Income Tax Act, 2025, the charging section has been simplified.

In the Income-tax Act, 1961, the charge of income-tax is on 'total income' of the 'previous year' of a person. Further, income-tax is charged for any 'assessment year' at the rate or rates provided by any Central Act and in accordance with and subject to the provisions of the Income-tax Act, 1961.

On the other hand, in the Income tax Act, 2025, 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 charge of income-tax is on 'total income' of the 'tax year' of a person at the rate or rates provided for such tax year by any Central Act and in accordance with and subject to the provisions of the Income-tax Act, 2025.

B. CONCEPT OF 'TAX YEAR' Vs. 'ASSESSMENT YEAR'

Q1.9 What is the concept of "Tax Year" and how will the income be assessed in view of removal of "Assessment Year" ('AY') concept?

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.

The concept of "Tax Year" is applicable from 01 April 2026, i.e., for income earned during FY 2026-27 onwards and this will be referred to as Tax Year 2026-27 under the Income Tax Act 2025. Simply put, Tax Year concept under the new Act corresponds to Previous Year concept under the Income-tax Act, 1961. Accordingly, the income of a Tax Year continues to be assessed after the end of that Tax Year, similar to the existing system under the ITA 1961 where income of a Previous Year is assessed after the end of that Previous Year.

Use of the terms ‘previous year’ and ‘assessment year’ was causing confusion among taxpayers as they referred to two different financial years. This alignment of Tax Year with Previous Year/ Financial Year eliminates the confusion caused by dual-year references under the Income-tax Act, 1961.

Tax Year vs. Assessment Year — Terminology Equivalence under ITA 1961 and ITA 2025

Concept	ITA 1961 — Term Used	ITA 2025 — Term Used
Year in which income is earned	Previous Year	Tax Year
Year for which tax is assessed	Assessment Year (year after Previous Year)	Tax Year serves both purposes
Alignment with Financial Year	Previous Year = FY; Assessment Year = FY+1	Tax Year = FY — single reference
Example	Income of FY 2025-26 → AY 2026-27	Income of FY 2026-27 → Tax Year 2026-27

Key simplification: Under ITA 2025, the year of income and the year of assessment share the same reference — Tax Year 2026-27.

Q1.10 Can a ‘tax year’ be a period which is less than a ‘financial year’?

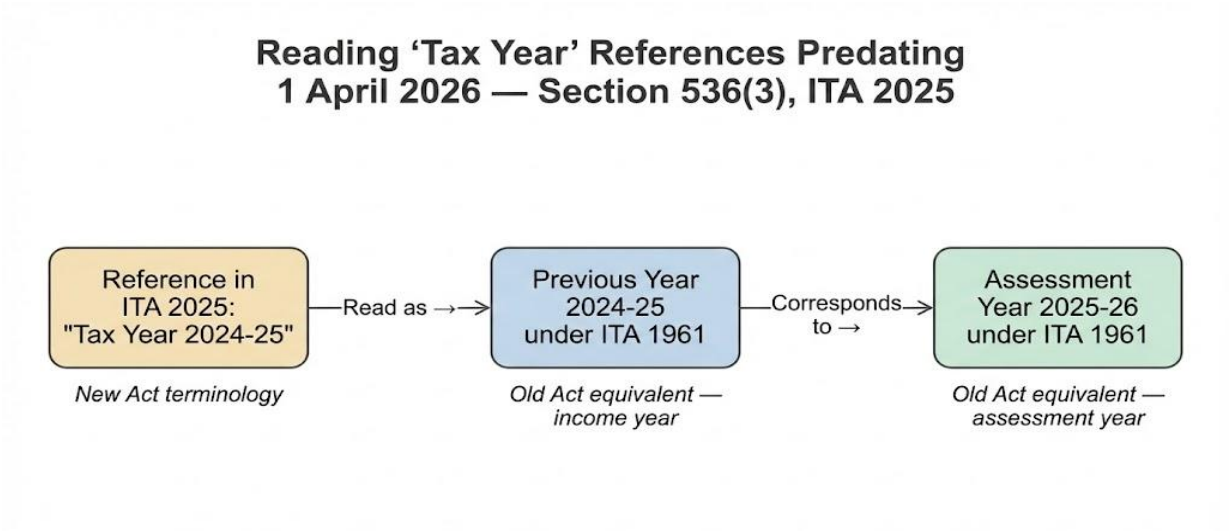
Ans: Yes. This will happen when a business is newly set up during any financial year, or a source of income comes into existence during a financial year. In such cases, the tax year will begin from the date of setting up of the business or the source of income coming into existence, and end on the last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

For example, if a business is set up on 1 December 2026, the Tax Year for that business will commence from 1 December 2026 to 31 March 2027

Q1.11 When the Income-tax Act, 2025 refers to a "tax year" starting on 1st April 2025 or earlier, how should that be understood?

Ans. Section 536(3) of the Income-tax Act, 2025 provides that any reference of a tax year shall be read as a reference to the corresponding 'previous year' under the old Act. This provision is transitional and does not change the tax treatment applicable to those years.

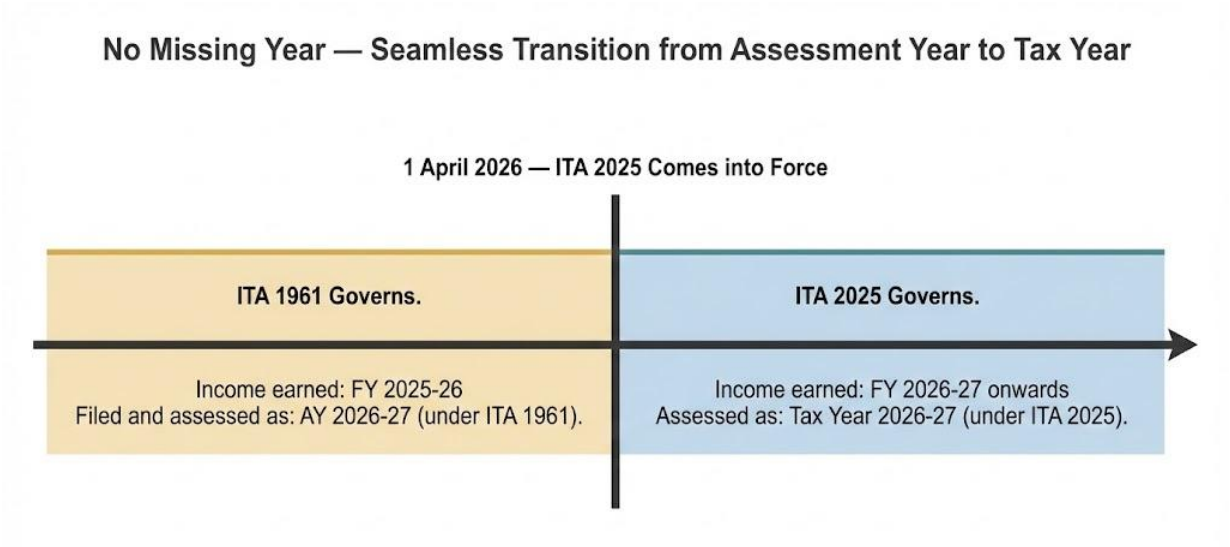
Example: If the new Act refers to 'tax year 2024-25,' it corresponds to the 'previous year 2024-25' under the old Act, which in turn corresponds to Assessment Year 2025-26.



Q1.12 Is there any "missing year" or overlap due to the shift from Assessment Year to Tax Year?

Ans: No, there is no missing year or overlap. Income earned during the FY 2025-26 will be governed by the Income-tax Act, 1961 and assessed in AY 2026-27. Income earned from 01 April 2026 onwards will be governed by the Income Tax Act, 2025 and assessed for Tax Year 2026-27 and onwards. The same is tabulated as under for quick reference:

Period of Income	Governing Act	Reference
01 April 2025 – 31 March 2026	Income-tax Act, 1961	AY 2026-27
01 April 2026 – 31 March 2027	Income-tax Act, 2025	Tax Year 2026-27



Q1.13 Is there a need to change the accounting periods of businesses due to the introduction of 'Tax Year' concept?

Ans: No, since the Tax Year is aligned with the Financial Year, no change in accounting year or financial statements is required for businesses or other taxpayers.

C. CONTINUITY AND TRANSITION FRAMEWORK

Q1.14 Will the existing administrative frameworks such as Permanent Account Number (PAN), Tax Deduction Account Number (TAN), faceless proceedings, etc. continue under the Income Tax Act 2025?

Ans: Yes, existing Permanent Account Number, Tax Deduction Account Number (TAN)**,** faceless assessment, faceless appellate framework, etc., shall continue under the Income Tax Act 2025.

Q1.15 How does the Income Tax Act, 2025 ensure continuity and smooth transition from the Income-tax Act, 1961?

Ans: Tax law does not operate strictly within annual boundaries. While some compliances such as TDS, TCS, Advance tax payments, etc., occur within the financial year, others—such as return filing, assessments, reassessments, appeals, penalties, and refunds—often extend well beyond the year, sometimes for many years in select cases. Therefore, when a new tax law comes into force, the old and new laws must coexist for a transitional period. The Income Tax Act, 2025 acknowledges this practical reality and handles the transition through Section 536, the repeal and savings clause.

Section 536 of the Income Tax Act, 2025:

- Contains 22 sub clauses addressing various transitional situations.
- Ensures the old tax framework continues to apply to earlier years
- Aligns terminology between the two Acts,
- Allows the law to be modernised without unsettling established positions.

Q1.16 There may be some circumstances or situations which may not be directly covered under the specific savings clauses enumerated in Section 536? How does the Act ensure that there are no unintended gaps in handling such cases?

Ans: Sub-section (2) of section 536 is broadly structured to leave as little uncertainty as possible. However, in order to cover any unforeseen situation which is not directly covered by the situations specified under sub-section (2) of section 536 of the Income Tax Act, 2025, the subsection (4) provides that Section 6 of the General Clauses Act, 1897 shall apply with regard to the effect of the repeal of 1961 Act. This provision upholds rights and obligations even beyond what is explicitly stated. By applying broad principles that safeguard established rights and obligations, it guarantees that unforeseen circumstances are also covered.

Q1.17. If someone had a right or benefit under the old Act, does that right disappear when the new Act comes into force on 01.04.2026?

Ans: No. Rights, benefits, obligations or liabilities that arose under the old Act continue to exist. For instance, if a taxpayer was entitled to claim a refund under the old Act for

any tax year prior to the commencement of the new Act, he still remains entitled to that refund even after the new Act comes into force.

Q1.18 How will pending proceedings and notices issued under the Income-tax Act, 1961 be treated after the new Act comes into force?

Ans. 536(2)(c) of the new Act provides that the provisions of the repealed Income-tax Act shall continue to apply to any proceeding pending on the date of commencement of this Act and to any proceedings initiated on or after the 1st April, 2026 (including notices, assessment, re-assessment, recomputation, rectification, penalty, reference, revision and appeals) in respect of any tax year beginning before the 1st April, 2026 and such proceedings shall be carried out as per the procedure specified in the repealed Income-tax Act. For instance, if the assessing officer initiated assessment of a taxpayer's income for assessment year 2024–25 before the new Act comes into force, that entire assessment and other proceedings will be completed under the provisions of old Act.

Q1.19 Are old approvals, registrations, and recognitions still valid under the new Income Tax Act?

Ans: Yes, if such approvals are not inconsistent with the provisions of the new Act, they are treated as if granted under the new Act.
For example, a charitable trust recognized under the old Act will be treated as recognized under the corresponding provision of the new Act, unless there is a conflict with the provisions in the new Act.

Q1.20 Do old circulars, instructions and notifications issued by the tax department continue even after the new Act comes into force?

Ans: Yes. As per the provisions of section 536(2)(j) of the Income Tax Act, 2025, circulars, notifications, instructions, approvals, etc, issued under the old Act will remain valid as long as they do not conflict with the new Act.

Example: TDS provisions (Section 194C of old Act → Section 393 of new Act)
A circular clarifying the term "work" under section 194C of the old Act will continue to apply to section 393 of the ITA 2025, where the intent remains unchanged.

Q1.21 Are schemes designed to reduce direct contact between taxpayers and tax officers (such as faceless assessment/faceless appeals schemes) under the old Act still valid under the new Act?

Ans: Yes. Such schemes are treated as made under the corresponding provisions of the new Act, or in case, there is no corresponding section in the new Act, such schemes are treated to have been made under section 532 of the new Act which authorizes the

Central government to make schemes. In other words, the existing faceless assessment scheme will continue without interruption under the new Act.

Q1.22 For how long will the old and new Acts run in parallel? What does this mean for taxpayers practically?

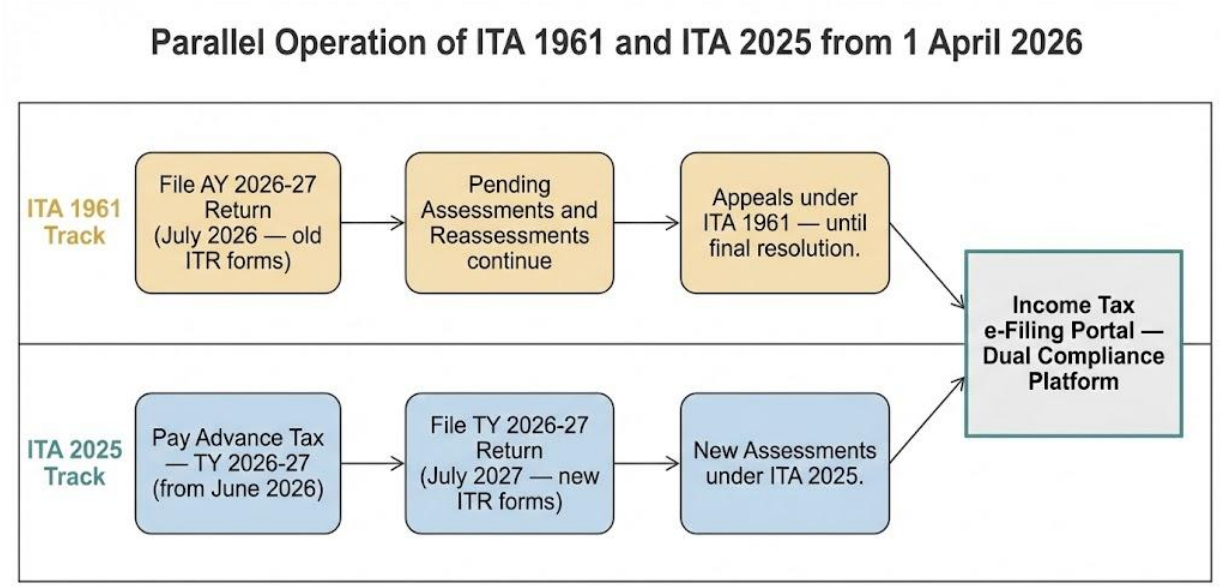
Ans. Effective 1 April 2026, the 1961 Act will be repealed. However, its provisions will continue to govern all tax years beginning before 1st April, 2026. Accordingly:

(i) The Income-tax Department's e-filing portal will facilitate compliance under both the old and the new Acts concurrently.

(ii) Taxpayers filing returns for AY 2026–27 (pertaining to the period governed by the old Act) in July 2026 will do so using the forms prescribed under the old Act. At the same time, advance tax payments for Tax Year 2026–27, commencing from June 2026, will be made in accordance with the new Act.

(iii) All assessments, appeals, and other proceedings relating to earlier years will continue to be conducted under the old Act until their final resolution.

The Government is implementing necessary measures to ensure that both legislative frameworks operate seamlessly and simultaneously on the income tax portal.



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Tax Payments, Collection and Refunds

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TOPIC 2: TAX PAYMENTS, COLLECTION AND REFUNDS

A. OVERVIEW OF TDS PROVISIONS AND TDS PAYMENTS UNDER THE NEW ACT

Q2.1 Does the fundamental obligation to discharge income-tax through TDS/TCS, advance tax, or self-assessment tax continue under the Income-tax Act, 2025?

Ans. Yes. The core obligation to pay income-tax—whether by way of tax deducted or collected at source (TDS/TCS), advance tax, self-assessment tax, or regular assessment—continues unchanged under the Income-tax Act, 2025. The new Act does not modify the framework governing the manner of tax payments; it preserves the existing compliance structure while streamlining the statutory language.

Q2.2 Have the permissible modes of tax payment been altered under the Income-tax Act, 2025?

Ans. No. The modes for remittance of taxes remain unchanged under the Income-tax Act, 2025. Taxes are to be paid through authorised banking channels, including electronic payment mechanisms, as may be notified by the Government from time to time.

Q2.3 What change has been introduced in the Income Tax Act, 2025 with respect to the Tax Deducted at Source (TDS) provisions contained in the Income Tax Act, 1961?

Ans: Broadly, there is no change in policy but new Act presents the TDS provisions in a simplified and tabular manner. All the TDS sections (Section 192 to 194T) in the Income Tax Act, 1961 are now consolidated under two sections, section 392 and section 393 of the income Tax Act, 2025. Section 392 of the new Act lays down the provisions relating to deduction of tax at source on payments made under the head 'Salaries'. Section 393, on the other hand, provides for deduction of tax at source on other types of payments, such as commission or brokerage, rent, payment on transfer of certain immovable property (other than agricultural land) and other specified payments. Section 393 of the new Act 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.

The rates of TDS/TCS as well as thresholds are largely the same as in new Act with that of old Act. For exact TDS/TCS rates, reference may be made to the relevant provisions of new Act and the Finance Act, as applicable.

Q2.4 Which Act will govern the TDS obligations during the transition period?

Ans: TDS obligations shall continue to be governed by the Act applicable to the financial year in which the sum is paid or credited. Accordingly, any sum paid or credited on or before 31st March, 2026 shall be governed by the provisions of the Income-tax Act, 1961. Further, any sum paid or credited on or after 1st April, 2026 shall be governed by the corresponding withholding provisions of the Income-tax Act, 2025.

Q2.5 Which section should be quoted for TDS/TCS made after 01st April 2026?

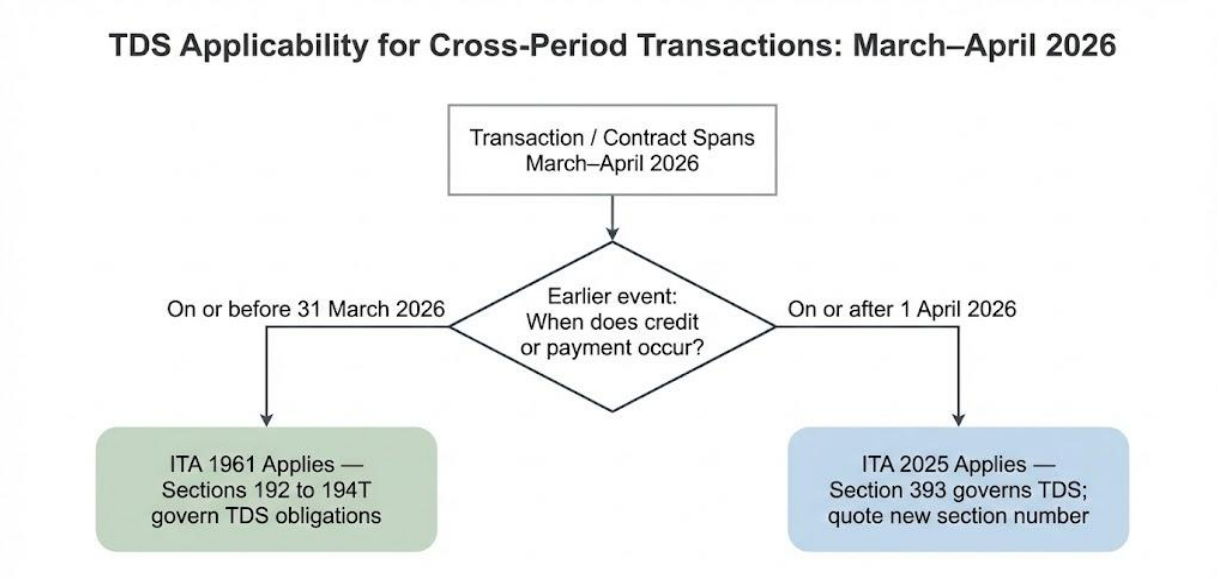
Ans: For transactions entered into on or after 01 April 2026, deductors/collectors must quote the relevant table item of section 393 (or section 394 for TCS) of the Income Tax Act, 2025. Quoting old section numbers such as 194C, 194J, or 194H of the Income Tax Act, 1961 for such transactions may result in system-level validation errors.

Example: M/s. XYZ Industries makes a payment to a contractor on 5th April, 2026. While filing the TDS return for Q1 of Tax Year 2026-27, the firm must quote Section 393(1) [Table: Sl. No. 6(i)] of the new Act, and not Section 194C of the old Act.

Q2.6 How is TDS determined for contracts or services spanning over the period of March–April 2026?

Ans: Similar to the provisions under the repealed Income Tax Act, 1961, TDS applicability in Income Tax Act, 2025 also depends on the mechanism of "event earlier of credit or payment".

If earlier event of credit or payment lies on or before 31 March 2026 → TDS provisions under the Income Tax Act, 1961 apply.
If earlier event of credit or payment lies on or after 01 April 2026 → TDS provisions under section 393 of Income Tax Act, 2025 apply.



Q2.7 What is the due date for depositing the TDS to the Government account and whether there is any change regarding these timelines in the Income Tax Act, 2025?

Ans. Under the Income-tax Act, 1961, the TDS must, in general, be deposited to the credit of the Central Government within the 7th of the month following the month of deduction. Exceptions to this general rule are; (i) TDS deducted in the month of March, where the due date is 30th April for non-government deductors; and (ii) TDS under Sections 194-IA, 194-IB, 194M, and 194S of the old Act (challan-cum-statement cases relating to purchase of immovable property, rent by specified individuals/HUFs, payments to contractors/professionals by individuals/HUFs, and transfer of virtual digital assets), where the due date is 30 days from the end of the month in which the tax is deducted.

Under the Income-tax Act, 2025, the due date of payment to the Government account continues to be prescribed by Rules. The Income-tax Rules, 2026 (Rule 218, corresponding to Rule 30 of the old Rules) retain the same timelines without any policy change.

Q2.8 What is the due date for depositing the tax deducted at source in the month of March, 2026?

Ans. The tax deducted in the month of March, 2026 is required to be deposited in the Government account by 30th April, 2026 by non-government deductors. In case of Government Deductors depositing TDS by way of challan, the due date will be 7th April, 2026. In case of any default, interest and penal actions may be attracted.

Q2.9 For TDS to be deposited after 1st April 2026 on a sum paid/credited before 31.03.26, should the challan be of 1961 Act or 2025 Act?

Ans. The governing principle is that TDS deduction and deposit are linked to the date of deduction of tax at source. Since TDS obligation crystallises on the date of payment/credit to payee, the old challan will be applicable, if the payment/credit to the payee has been done on or before 31.03.2026.

Thus, if tax is deducted under the 1961 Act prior to the transition date, deposit obligations will continue under the 1961 Act. Thus, existing challans and payment codes linked to the Income Tax Act 1961 will continue for depositing the tax deducted before 01.04.2026.

Q2.10 If tax has already been deducted at source prior to 01 April 2026 at the time of credit to the payee's account, is there any requirement to deduct tax again upon actual payment made on or after 01 April 2026?

Ans: No. In such situations, once tax has been deducted under the Income Tax Act, 1961, on the date of credit of a sum in the account of payee, no further deduction is required on payment of the same sum under the Income Tax Act, 2025.

Q2.11 Where tax has been deducted under the Income-tax Act, 1961 pursuant to a lower withholding certificate valid up to 31 March 2026, will such deduction

remain legally valid even if the corresponding tax is remitted to the Government after 1 April 2026?

Ans: Yes, where the event of payment or credit occurs on or before 31 March 2026, TDS compliances—including deduction of tax at the lower rate specified in a certificate valid up to 31 March 2026—shall continue to be governed by the Income Tax Act, 1961. Even if such tax is deposited with the Government treasury after 31 March 2026, the provisions of the Income Tax Act, 1961, along with the lower withholding certificate issued thereunder, shall continue to apply.

Q2.12 Will a lower/nil withholding certificate issued under Section 197 of the old Act remain valid for payments/credits made on or after 1st April, 2026?

Ans. Yes. A certificate issued under Section 197 of the Income-tax Act, 1961 shall remain valid for payments/credits made on or after 1st April, 2026 provided that it is issued for lower/Nil deduction of tax in respect of projected receivable for tax year 2026-27.

Q2.13 Is there any change in the rate of interest for delayed deposit of TDS/TCS under the new Act?

Ans. No. The interest rates applicable for defaults in deducting or depositing TDS/TCS remain unchanged from those prescribed under the old Act. In accordance with Section 398(3)(a) of the Income-tax Act, 2025, interest is calculated as follows:

(i) **Failure to deduct/collect TDS/TCS:** Interest at 1% per month or part thereof, from the date the tax was deductible/collectible to the date it is actually deducted/collected — Section 398(3)(a)(i).

(ii) Failure to deposit TDS/TCS after deduction/collection: Interest at 1.5% per month or part thereof, from the date of deduction/collection to the date of actual payment — Section 398(3)(a)(ii).

TDS/TCS Interest Rates: ITA 1961 vs. ITA 2025 — No Change

Default Scenario	ITA 1961	ITA 2025
Failure to Deduct / Collect TDS or TCS	1% per month or part thereof — Section 201	1% per month or part thereof — Section 398(3)(a)(i)
Failure to Deposit after Deduction / Collection	1.5% per month or part thereof — Section 201	1.5% per month or part thereof — Section 398(3)(a)(ii)

B. ADVANCE TAX PAYMENT

Q2.14 Are there any changes in the provisions related to advance tax in the new Income Tax Act, 2025?

Ans: There are no policy changes regarding the provisions related to payment of Advance Tax. However, the provisions regarding payment of Advance Tax 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 in section 405 of the new Act for the computation of the advance tax liability

Q2.15 How will Advance Tax be paid under the 'Tax Year' system as introduced in the Income Tax Act, 2025?

Ans: The only change after the introduction of concept of "Tax Year", is that the liability of advance tax will now be referenced in terms of Tax Year instead of Assessment Year. Advance tax will be paid during the same year in which the income is earned likewise it is paid under the Income Tax Act, 1961. The quarterly instalment dates and quantum remain unchanged and are as under:

Sl. No.	Due Date	Cumulative Minimum Advance Tax Payable
1	On or before 15th June	Not less than 15% of advance tax
2	On or before 15th September	Not less than 45% of advance tax
3	On or before 15th December	Not less than 75% of advance tax
4	On or before 15th March	100% of advance tax

Q2.16 Last Advance tax instalment for Assessment year 2026-27 (FY 2025-26) is scheduled to be paid on 15 March 2026. Which Act governs this payment?

Ans. Advance tax liability is linked to the **tax year to which the income pertains**, not the date on which the new Act comes into force. Since this instalment relates to income earned during FY 2025-26 and is paid before 1 April 2026, The **Income-tax Act, 1961** governs this advance tax payment.

Q2.17 If advance tax for FY 2025–26 (AY 2026-27) is short-paid, and interest is levied in FY 2026–27, which Act governs the interest?

Ans. The obligation to pay advance tax arose during FY 2025–26, and such obligation was created under the provisions of the Income-tax Act, 1961. The default in payment of the due advance tax also occurred prior to the commencement of the new Act. Accordingly, the consequential liability to pay interest shall be governed by the Income-tax Act, 1961.

In these circumstances, the assessee would be liable to pay interest for default in payment of advance tax under section 234B (default in payment of advance tax) and section 234C (deferment of instalments of advance tax) of the Income-tax Act, 1961.

Q2.18 What is the threshold for payment of advance tax under the new Act?

Ans. Under Section 404 of the Income-tax Act, 2025, advance tax is payable if the amount of tax payable during the year, computed under the advance tax provisions, is Rs. 10,000 or more. This threshold is unchanged from the old Act.

Q2.19 The first instalment of advance tax for tax year 2026-27 (Financial year 2026-27) is due to be paid on 15th June 2026. Which Act will apply to such payments?

Ans. Income earned during the financial year 2026–27 will be chargeable to tax in accordance with the provisions of the Income-tax Act, 2025. Accordingly, the liability to pay advance tax for the tax year 2026–27 shall arise and be discharged under the new Act.

Q2.20 For assesses paying taxes on business income under presumptive taxation scheme, what is the advance tax requirement under the new Act?

Ans. Under the new Act, assessees opting for the presumptive taxation scheme (Section 58) must discharge their entire advance tax liability in a single instalment on or before 15 March of the relevant financial year, in accordance with Section 408(2). This requirement remains the same as under the old Act.

Q2.21 Is there any change in the interest rates for shortfall in payment of advance tax under the new Act?

Ans. No. The interest rates applicable for defaults in payment of Advance tax remain unchanged from those prescribed under the old Act. Under the Income-tax Act, 2025, interest is calculated as follows:

(i) Interest under Section 424 (corresponding to Section 234B of old Act) — 1% per month or part of the month for the specified period for failure to pay advance tax or where advance tax paid is less than 90% of assessed tax;

(ii) Interest under Section 425 (corresponding to Section 234C of old Act) — 1% or 3% for the specified period for deferment of advance tax instalments.

C. SELF ASSESSMENT TAX PAYMENT AND BROUGHT FORWARD MAT/AMT CREDIT

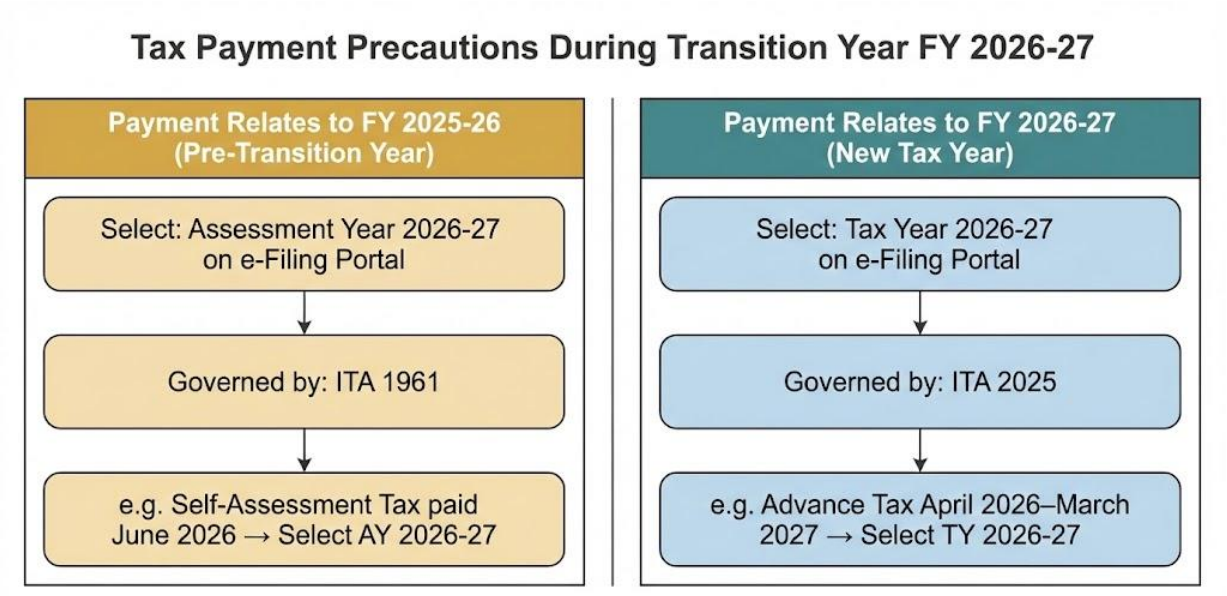
Q2.22 Self-assessment tax for AY 2026-27 (FY 2025-26) is paid in July 2026. Which Act governs this payment?

Ans. Self-assessment tax is merely a mode of discharging the tax liability, and the applicable law is determined by the year of income, not by the date of payment. The section 140A of the Income-tax Act, 1961 shall govern the payment of self-assessment tax in this situation.

Q2.23 What precautions should taxpayers take during the transition year (FY 2026-27) while making tax payments?

Ans: The government is taking appropriate measures to ensure simultaneous functionality for both Acts on the tax filing Portals, during this transition period. However, taxpayers should ensure correct selection of Assessment Year (AY 2026-27) for tax payments relating to FY 2025-26; and correct selection of Tax Year 2026-27 for tax payments relating to FY 2026-27, so that tax credit is granted in correct year.

Example: For self-assessment tax for FY 2025-26 paid in June 2026 - taxpayer will select AY 2026-27.
For advance tax on income earned during April 2026 to March 2027 - taxpayer will select Tax Year 2026-27.



Q2.24 Will the Annual Information Statement continue under the new Act?

Ans. Annual Information Statement will continue for tax periods governed by the Income-tax Act, 1961 (up to AY 2026–27), and from Tax Year 2026–27 onwards under the Income-tax Act, 2025, it will stand replaced by Form No. 168 as the evolved Annual Information Statement.

Q2.25 What happens to Minimum Alternate Tax (MAT)/Alternate Minimum Tax (AMT) credits allowable to be carried forward under the old Act but not yet utilised before 1 April 2026?

Ans: Any unutilised credit for MAT/AMT allowed to be carried forward under the provisions of section 115JAA or 115JD of the Income Tax Act, 1961, are treated as eligible credits under the Income Tax Act, 2025.

For instance, if a taxpayer has carried forward MAT credit from AY 2024–25, that credit will be available under the new Act and can be used in future years, subject to the conditions prescribed in the Income Tax Act, 2025.

Q2.26 For how long can such carried-forward tax credits from the old Act be used under the new Act?

Ans: Unutilised credits can be carried forward for a total of 15 years from the year they first became available. The un-utilised MAT credit can be set off for a tax year commencing on or after 01.04.2026, subject to the conditions prescribed in the Income Tax Act, 2025.

D. OUTSTANDING TAX ARREARS

Q2.27 If a person had an outstanding tax liability under the old Act, is that tax still payable after the new Act comes into force?

Ans: Yes, the tax liability as computed under the old Act remains. For example, if a taxpayer was issued a tax demand notice for AY 2022–23 under the old Act, and he has not yet paid it, he still has to pay that amount even after the new Act comes into force.

Q2.28 Can the tax department recover old tax dues after the commencement of the Income Tax Act, 2025?

Ans: Yes. Any amount that was payable under the old law remains recoverable under the Income Tax Act, 2025. The department may use the recovery mechanisms provided in the Income Tax Act, 2025 to collect unpaid tax arrears raised under the Income Tax Act, 1961.

Q2.29 Are tax recovery certificates or attachment orders issued under the old Income Tax Act still enforceable after the new Act comes in to force?

Ans: Yes. Recovery actions already taken under the Income Tax Act, 1961 remain effective, and remaining amounts can also be recovered using the recovery machinery provided in the new Act.

For example, if a property of a taxpayer was attached under the provisions of the Income Tax Act, 1961, that attachment remains valid even after the Income Tax Act, 2025 comes into force.

E. REFUND CLAIMS

Q2.30 What will happen to refund claims arising under the Income-tax Act, 1961 that are pending on the commencement of the Income-tax Act, 2025?

Ans. Rights, benefits, obligations or liabilities that arose under the old Act continue to exist. Thus, if a taxpayer was entitled to claim a refund under the old Act for any tax year prior to the commencement of the new Act, he still remains entitled to that refund even after the new Act comes into force.

Q2.31 A deductor deducted excess TDS during FY 2024–25. After the new Act comes into force on 1st April, 2026, can a refund claim for such excess deduction still be filed? If yes, which Act would apply—the law in force at the time of deduction or the new Act in force at the time of filing the claim?

Ans. As mentioned earlier, the rights, benefits, obligations or liabilities that arose under the old Act continue to exist. Thus, if a tax deductor was entitled to claim a refund under the old Act for any tax year prior to the commencement of the new Act, he still remains entitled to that refund even after the new Act comes into force subject to the condition that the refund claim is filed within stipulated time of 2 years from the end of the financial year in which tax was deductible.

This claim is required to be filed in Form No. 26B of Income Tax Rules, 1962 which shall be processed as per the provisions of the Income Tax Act, 1961.

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Furnishing of Income Tax Returns

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TOPIC 3: FURNISHING OF INCOME TAX RETURN (ITR)

A. OVERVIEW — RETURN FILING FRAMEWORK DURING TRANSITION

Q3.1 What are the key provisions relating to filing of return of income under the Income-tax Act, 2025?

Ans. The provisions relating to filing of return of income are contained in Section 263 of the Income-tax Act, 2025. Section 263 contains the provisions for original return (sub-section 1), belated return (sub-section 4), revised return (sub-section 5), and updated return (sub-section 6) into one unified section. The fundamental structure — mandatory filing, due dates, categories of persons obligated to file — remains the same as that under the old Act.

Q3.2 Is there any change in the obligation to file return of income under the new Act — i.e. which persons must mandatorily file a return?

Ans. Section 263(1) of the new Act prescribes the categories of persons who must mandatorily file a return. These categories are broadly the same as that under the old Act.

Q3.3 What is the due date for filing return of income under the Income-tax Act, 2025?

Ans. Section 263(1) of the Income-tax Act, 2025 prescribes the due dates for filing the return of income. The due dates are the same as under the old Act. Table for due dates as appearing in section 263(1)(c) [proposed as per Finance Bill, 2026] is as under:

Sl. No.	Person	Conditions	Due date
(A)	(B)	(C)	(D)
1	Assessee, including the partners of the firm or the spouse of such partner (if section 10 applies to such spouse).	Where the provisions of section 172 apply.	30th November
2	(i) Company; (ii) Assessee (other than a company) whose accounts are required to be audited under this Act or under any other law in force; (iii) partner of a firm whose accounts are required to be audited under this	Where the provisions of section 172 do not apply.	31st October

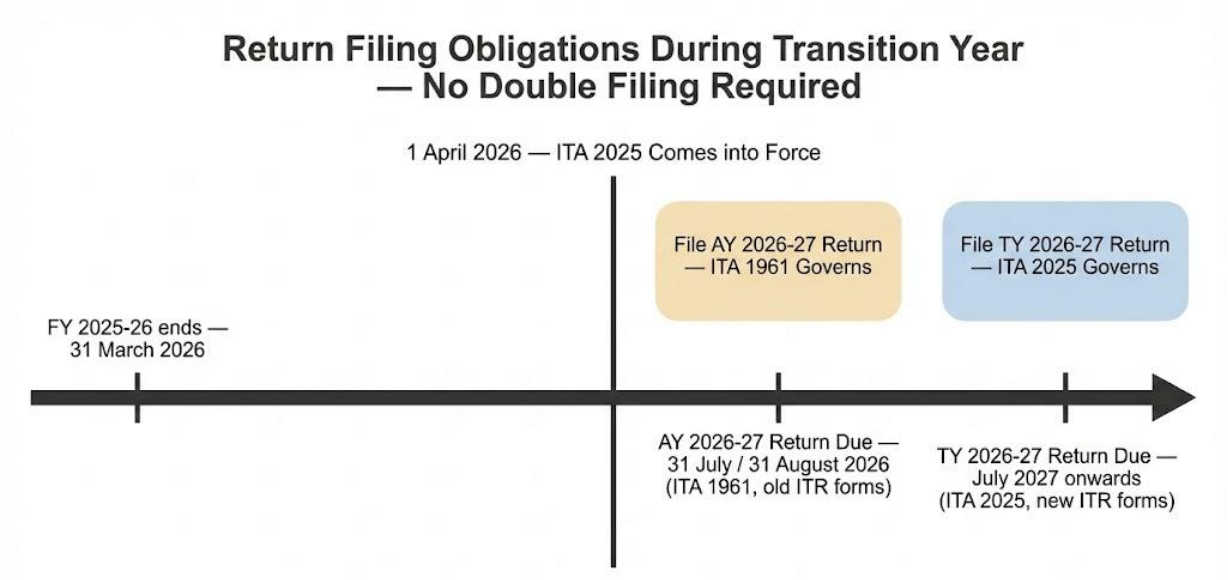
Sl. No.	Person	Conditions	Due date
	Act or under any other law in force; or the spouse of such partner (if section 10 applies to such spouse).		
3	(i) Assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law in force; (ii) partner of a firm whose accounts are not required to be audited under this Act or under any other law in force or the spouse of such partner (if section 10 applies to such spouse).	Where the provisions of section 172 do not apply.	31st August
4	Any other assessee.	—	31st July

Q3.4 Will taxpayers be required to file two returns (for AY 2026-27 as well as TY 2026-27) during the transition year (FY 2026-27)?

Ans. No. The obligation to file the return for the Tax Year 2026-27 will arise after the end of the Tax Year and it is similar to the framework existing in Income Tax Act, 1961. The timelines for filing Income Tax returns during transition period (as proposed in Finance Bill, 2026) are tabulated as under:

Period of Income	Reference	Due date for filing of Income Tax Return
01 April 2025 – 31 March 2026	AY 2026-27	31 July 2026, 31 August, 2026 31 October 2026 or 30 November 2026; as the case may be
01 April 2026 – 31 March 2027	Tax Year 2026-27	31 July 2027, 31 August, 2027, 31 October 2027 or 30 November 2027; as the case may be

In simple words, the obligation to file the return for the Tax Year 2026-27 will arise after the end of the Tax Year. The Income Tax Returns, Forms etc. for the Tax Year 2026-27 shall be notified by the Government well before the due dates.



Q3.5 Under which Act will the ITR for income earned during FY 2025-26 be filed?

Ans. The ITR for income earned during FY 2025-26 will be filed for Assessment Year 2026-27 under the provisions of the Income-tax Act, 1961. Even though the filing will typically occur after 1st April, 2026 (i.e., after the new Act has come into force), the return relates to a tax year beginning before 1st April, 2026 and is therefore governed entirely by the old Act.

Q3.6 Which ITR form should be used for AY 2026-27?

Ans. For AY 2026-27, the ITR forms (ITR-1, ITR-2, ITR-3, ITR-4, ITR-5, ITR-6, ITR-7) applicable under the Income-tax Act, 1961 will soon be notified. These forms will be available on the e-filing portal well before the due date. Taxpayers should select AY 2026-27 while filing the ITR for income earned during FY 2025-26.

Q3.7 If a taxpayer discovers an error in the ITR filed for AY 2026-27 and wishes to file a revised return, which Act governs the revision?

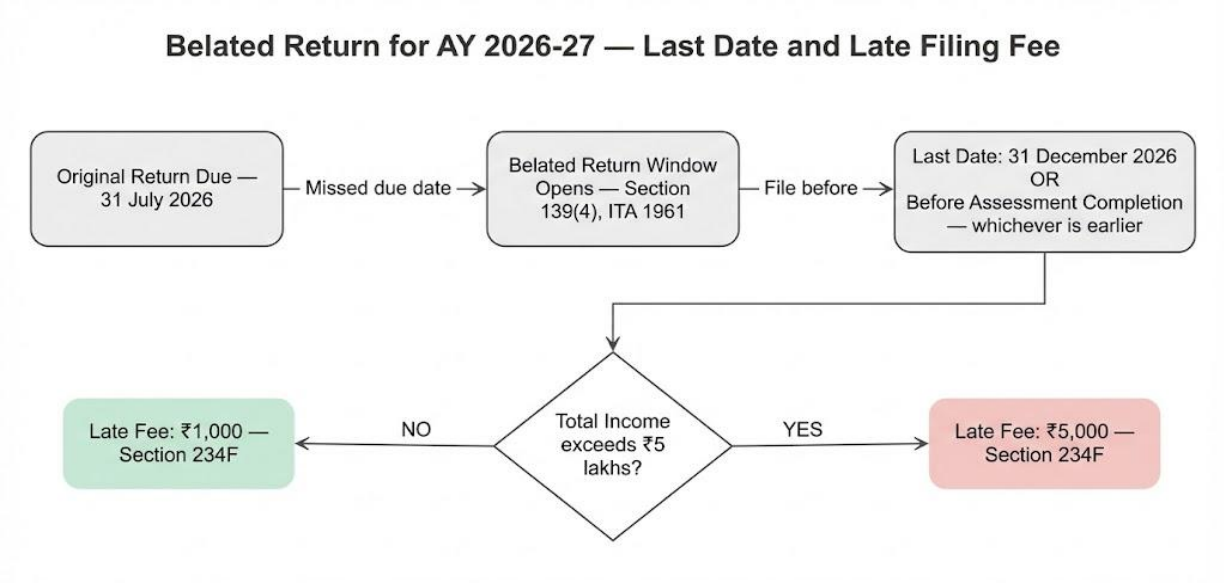
Ans. The revised return for AY 2026-27 will be governed by the Income-tax Act, 1961. Under Section 139(5) of the old Act, a revised return can be filed before the expiry of the relevant assessment year (i.e., before 31st March*, 2027 for AY 2026-27) or before completion of assessment, whichever is earlier. The fact that the revision is being done after 01.04.2026 does not change the applicable Act. The old Act will continue to govern all filings relating to AY 2026-27 and earlier years.

(* as proposed in the Finance Bill, 2026)

Q3.8 What is the last date to file a belated return for AY 2026-27 under the old Act?

Ans. Pursuant to Section 139(4) of the Income-tax Act, 1961, a belated return for Assessment Year (AY) 2026–27 may be furnished on or before 31st December 2026, or prior to the completion of the assessment, whichever occurs earlier.

Further, in accordance with Section 234F of the Act, a fee for delayed filing shall be levied at ₹1,000 where the total income does not exceed ₹5,00,000, and ₹5,000 in all other cases.



Q3.9 Can a taxpayer file an updated return (ITR-U) for AY 2026-27 under the old Act after the new Act comes into force?

Ans. Yes. The updated return for AY 2026-27 under Section 139(8A) of the old Act can be filed within the time period prescribed therein, even after the new Act has come into force. The old Act continues to govern all proceedings relating to tax years before 1st April, 2026.

Example: Mr. X filed his original ITR for AY 2026-27 on 25th July, 2026. In January 2028, he discovers additional income that was not reported. He can file an updated return (ITR-U) for AY 2026-27 under the old Act, subject to the time limits and additional tax requirements prescribed in Section 139(8A) of the old Act.

B. FILING OF ITR FOR EARLIER ASSESSMENT YEARS (AY 2025-26 AND BEFORE)

Q3.10 Can revised/belated/updated returns for AY 2025-26 or earlier years be filed on or after 1st April, 2026?

Ans. The time for filing revised or belated return for AY 2025-26 or an earlier assessment year will expire before 1st April, 2026. Therefore, revised/belated return for AY 2025-26 or an earlier assessment year, cannot be filed after 1st April, 2026. However, a taxpayer may still file his updated return (ITR-U), subject to the time limits prescribed under Section 139(8A) of the old Act.

Q3.11 Which ITR forms will be used for filing returns of earlier assessment years after 01.04.2026?

Ans. The ITR forms applicable under the old Act for the respective assessment year will continue to be used. The e-filing portal will continue to support old forms for earlier assessment years even after the new Act comes into force.

C. FILING OF ITR FOR TAX YEAR 2026-27 (INCOME OF FY 2026-27 — UNDER NEW ACT)

Q3.12 When will the new ITR forms for Tax Year 2026-27 be available?

Ans. The new ITR forms under the Income-tax Rules, 2026 will be notified by the Government well before the due dates for filing returns for Tax Year 2026-27. These ITR forms will be made available on the e-filing portal.

Q3.13 What are the time-limits for filing belated return, revised return and updated return in the Income Tax Act, 2025?

Ans: The time limits for filing belated return, revised return and updated return in the Income Tax Act, 2025 are tabulated as under:

Type of return	Applicable section of IT Act 2025	Time limit
Belated Return	Section 263(4)	Within 9 months from the end of the relevant tax year, or before completion of assessment, whichever is earlier
Revised Return	Section 263(5)	Within 12* months from the end of the relevant tax year, or before completion of assessment, whichever is earlier
Updated Return (ITR-U)	Section 263(6)	Within 48 months from the end of the financial year succeeding the relevant tax year

(* as proposed in the Finance Bill, 2026)

Q3.14 What are the key provisions regarding updated returns (ITR-U) under the new Act?

Ans. Section 263(6) of the Income-tax Act, 2025 provides for filing of updated returns. The key provisions are:

(i) An updated return may be filed within forty-eight months from the end of the financial year succeeding the relevant tax year;

(ii) It is available whether or not the person has furnished an original, belated, or revised return;

(iii) The updated return cannot result in a return of enhanced loss, or decrease in total tax liability, or increase in refund;

(iv) Only one updated return can be filed per tax year;

(v) Additional income-tax is payable under Section 267 at prescribed rates along with the updated return.

These provisions are substantively the same as under Section 139(8A) of the old Act.

D. RETURN FILING SUBSEQUENT TO SEARCH OPERATION

Q3.15 If a search is initiated on a person under section 132 of the old Act before the new Act came into effect but notice for filing return of income for the block-period is issued after 01.04.2026. Under which Act, the taxpayer is required to file the return of income?

Ans: All proceedings connected with such a search continue to be governed by the old Act as if the new Act had not been enacted. Therefore, the taxpayer is required to file his return of income for the block period as per the provisions of section 158BC of the Income Tax Act, 1961.
For example, if a search on a taxpayer is initiated in the month of January 2026, assessments and all other proceedings connected with the search will be under the provisions of the old Act.

Q3.16 If books of account, other documents or assets were requisitioned u/s 132A of the old Act, before the new Act comes into force, are the follow-up actions under the old Act or the new Act?

Ans: All proceedings connected with such requisition will be under the provisions of the old Act.

E. PRACTICAL SCENARIOS DURING PARALLEL OPERATION

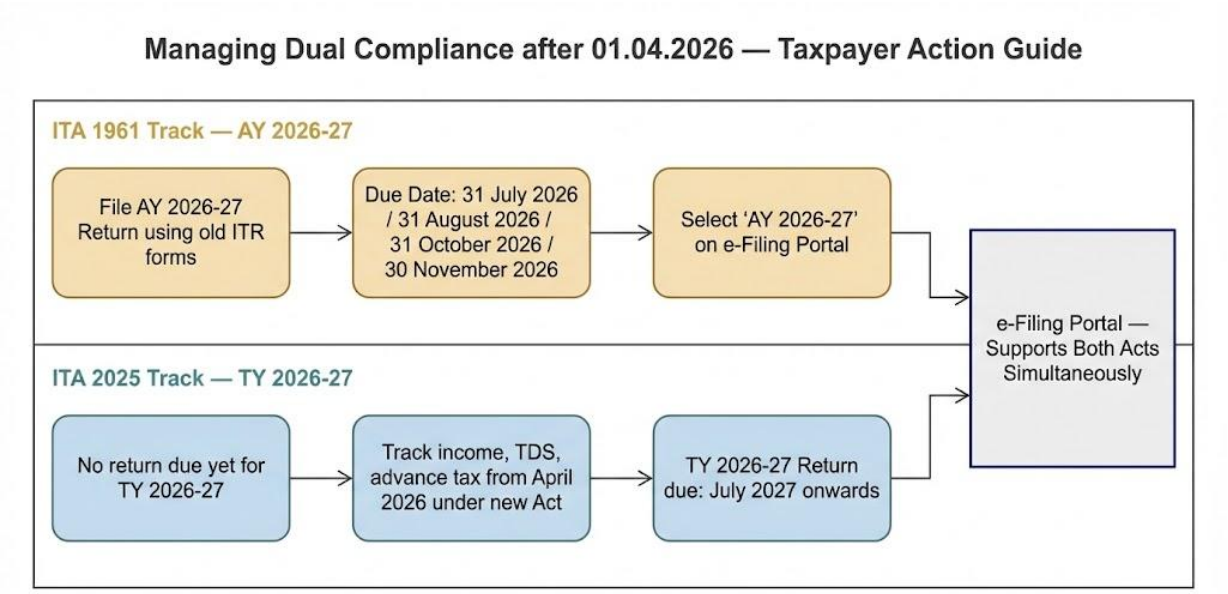
Q3.17 Are AY 2026-27 and Tax Year 2026-27 the same?

Ans. These are two entirely separate compliance obligations:

(i) For AY 2026-27 (income of FY 2025-26): File the return using old ITR forms on the e-filing portal, selecting AY 2026-27. The due date is 31st July, 2026 or 31st August for non-audit cases, etc.

(ii) For Tax Year 2026-27 (income of FY 2026-27): This return is not due until July 2027. However, the taxpayer should keep track of income, TDS, and advance tax payments under the new Act framework from April 2026 onwards.

The e-filing portal will support compliances under both the Acts simultaneously.



Q3.18 If the Income-tax Department sends a notice of defective return u/s 139(9) for AY 2026-27 after the new Act comes into force, which Act governs the response to such notice?

Ans. The response will be governed by the Income-tax Act, 1961. All proceedings relating to AY 2026-27 and earlier years continue under the old Act by virtue of Section 536(2)(c). The defective return must be rectified under Section 139(9) of the old Act within the time allowed in the notice.

Q3.19 If a taxpayer has filed return for AY 2026-27 but receives a notice under Section 143(2) of the old Act for scrutiny assessment, will that scrutiny continue under the old Act even though the new Act is in force?

Ans. Yes. The scrutiny assessment for AY 2026-27 (or any earlier year) will be completed under the provisions of the Income-tax Act, 1961. Section 536(2)(c) provides that the assessment proceedings relating to tax years beginning before 1st April, 2026 shall continue under the old Act.

Q3.20 What happens if a taxpayer who is required to file return for both AY 2026-27 and TY 2026-27 files only one of them?

Ans. Both are independent legal obligations and both the returns must be filed within their respective due dates. Non-filing of either return will attract consequences under the respective Act.

F. LOSS RETURNS AND CARRY FORWARD OF LOSSES

Q3.21 If a taxpayer incurred a loss in FY 2025-26 (AY 2026-27), can this loss be carried forward under the new Act?

Ans. Yes. Losses determined for AY 2026-27 under the old Act can be carried forward and set off in Tax Year 2026-27 and subsequent tax years under the new Act, subject to the conditions prescribed. Section 536(2)(b) protects rights acquired under the old

Act, and the carry-forward of losses is one such right subject to fulfilment of specified conditions.

Example: M/s. XYZ Trading LLP incurred a business loss of Rs. 15 lakhs in FY 2025-26 (AY 2026-27) and filed a return of loss within the due date. This loss can be carried forward and set off against business income of Tax Year 2026-27 and subsequent tax years, following the prescribed conditions.

Q3.22 Is filing the return of loss within the due date necessary for carry-forward purposes under the new Act?

Ans. Yes. The requirement to file the return of loss within the due date prescribed in Section 263(1) (corresponding to Section 139(1) of the old Act) continues to be a prerequisite for carry-forward of losses under the new Act as well. This condition applies to losses under the heads "Profits and gains of business or profession", activity of owning and maintaining race horses and "Capital gains". The new Act retains this condition under Section 121.

Q3.23 If a loss was already being carried forward from AY 2022-23 under the old Act and remains unabsorbed till AY2026-27, does the carry-forward continue seamlessly under the new Act?

Ans. Yes. The unabsorbed losses from earlier years that are being carried forward under the old Act will continue to be carried forward under the new Act, subject to the same conditions (type of loss, period of carry-forward, etc.). The transition does not interrupt or restart the carry-forward period.

Example: M/s. ABC Pvt. Ltd. had an unabsorbed business loss from AY 2022-23 being carried forward. As of Tax Year 2026-27, this loss has already been carried forward for four years. It can continue to be set off for the remaining four years (total eight years from AY 2022-23) under the new Act.

G. VERIFICATION, AUDIT REPORT AND PENALTY

Q3.24 Is there any change in the manner of verification of the return of income or as regards person who is required to verify the return under the new Act?

Ans. There is no substantive change in the manner of verification of the return of income or as regards person who is required to verify the return under the new Act. Section 265 of the Income Tax Act, 2025 prescribes the persons authorised to verify the return for each category of assessee (individual, company, firm, etc.), and these are the same as under the old Act. Electronic verification through Aadhaar OTP, net banking, Digital signature or other prescribed modes will continue.

Q3.25 The tax audit report for FY 2025-26 will be filed after 1st April, 2026. Which Act will govern the filing of the tax audit report for FY 2025-26 (AY2026-27)?

Ans. The audit report for FY 2025-26 relates to AY 2026-27 under the Income-tax Act, 1961. It must be filed in the prescribed form under the old Act (Form 3CA/3CB/3CD as

applicable), even if the actual filing occurs after 01.04.2026. The due date for furnishing the tax audit report for AY 2026-27 is one month before the ITR due date, e.g., 30th September, 2026 for cases where the ITR due date is 31st October, 2026, and 31st October, 2026 for transfer pricing cases where the ITR due date is 30th November, 2026.

Q3.26 What is the fee for late filing of return under the new Act?

Ans. Section 428 of the Income-tax Act, 2025 prescribes the fee for delayed filing of income tax return. The amount is the same as under the old Act (Section 234F of 1961 Act):

(i) Rs. 1,000 if total income does not exceed Rs. 5 lakhs;

(ii) Rs. 5,000 in any other case

Note: This fee applies for returns under the new Act (Tax Year 2026-27 onwards). For AY 2026-27 and earlier years, the fee as prescribed under Section 234F of the old Act will apply.

Q3.27 Will the e-filing portal simultaneously supports filings under both the old and new Acts?

Ans. Yes. The Government is taking appropriate measures to ensure the e-filing portal supports return filing under both Acts during the transition period. Taxpayers will be able to select either the Assessment Year (for filings under the old Act) or the Tax Year (for filings under the new Act) on the portal. The portal interface will guide taxpayers to the correct forms based on their selection.

Q3.28 How should taxpayers keep records for the transition year to ensure smooth filing under both Acts?

Ans. Taxpayers should:

(i) Maintain clear demarcation of income, expenses, TDS, and advance tax between FY 2025-26 (governed by old Act) and FY 2026-27 (governed by new Act);

(ii) Ensure all challans correctly reflect AY 2026-27 or Tax Year 2026-27 as applicable;

(iii) Reconcile Form 26AS / Annual Tax Statement for each year separately;

(iv) Keep a section-mapping reference handy (old Act section to new Act section) for accurate reporting;

(v) File returns well before due dates to have buffer time for any transition issues in portal.

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Other Forms & Compliance Statements

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TOPIC 4: OTHER FORMS & COMPLIANCE STATEMENTS

Q4.1 Is there any change in the application forms for applying for a new PAN number?

Ans. Yes. The PAN application forms being used in the framework of Income Tax Act, 2025 have been restructured as under:

Old Form	New Form(s)	Applicable To
Form 49A	Form No. 93	Indian individuals (Citizens of India)
Form 49A	Form No. 94	Indian Companies / Entities incorporated or formed in India
Form 49AA	Form No. 95	Individuals not being Citizens of India
Form 49AA	Form No. 96	Entities incorporated or formed outside India

By splitting multi-purpose forms into category-specific forms, each new form contains only relevant fields, making them easier to understand and fill.

Q4.2 I want to apply for a new Permanent Account Number after 1st April, 2026. Which form should I use?

Ans. The applications for allotment of a new permanent account Number on or after 01.04.2026 should be filed in the new Forms as prescribed under Income Tax Rules, 2026.

Q4.3 What will happen to PAN applications pending as on 31.03.2026? Will they become invalid on 01.04.2026? Is a fresh application required under the new Act?

Ans. PAN allotment applications that are pending as on 31.03.2026 will continue to remain valid. There is no requirement to submit a fresh application under the new Act.

Q4.4 How has the TAN application form been simplified under the new Act?

Ans. The old single TAN application Form 49B has been split into two forms:

Old Form	New Form	Applicable To
Form 49B	Form No. 134	Government entities (mandatory AIN and PAO/ZAO/DTO/CDDO certificate)
Form 49B	Form No. 135	Entities other than Government (Individual/HUF, business, LLP, firm, company, statutory body)

Q4.5 Are existing PAN/TAN numbers affected by the new forms?

Ans. No. Existing PAN/TAN numbers remain valid and continue under the Income Tax Act, 2025. The new forms (93, 94, 95, 96, 134 and 135) are only for fresh applications to be filed on or after 01.04.2026.

Q 4.6 Under the Income Tax Act 1961, quoting of PAN is mandatory at the time of undertaking certain specified transaction. However, if an individual does not have PAN number, he can undertake such transactions by filing form No. 60. Does a similar mechanism available in the Income Tax Act, 2025?

Ans. Yes. Under the Income Tax Act, 2025 persons who do not possess PAN number may enter into a transaction specified in Rule 159(2) of the Income Tax Rules 2026 upon filing a declaration in Form No. 97. Thus, the Form No. 97 under the new Act replaces the earlier form number No. 60. However, there is some change in the scope of transactions mentioned in the new Rule 159(2) as against transactions mentioned in Rule 114B and 114BA of IT Rules, 1962.

Q4.7 Under the Income Tax Act 1961, every person who has received declaration in form No. 60 was required to file a half yearly statement to the Income Tax Department in form No. 61. Does this requirement continue under the Income Tax Act 2025?

Ans. Yes. Under the Income Tax Rule 2026, every person receiving declaration in form No. 97 is required to file half yearly statement in Form No. 98 to the Income Tax Department.

Q4.8 What are the due dates of filling of Form 97 and Form 98 under the framework of Income Tax Act 2025?

Ans: The periodicity of filing of Form 97 and Form 98 is as under:

Form Number	Period	Due Date for Filing
97 (by declarant)	Not Applicable	At the time of undertaking the specified transaction.
98 (by Reporting Entity)	Declarations received during April – September	31st October of the Financial Year
98 (by Reporting Entity)	Declarations received during October - March	30th April of the next Financial Year

Q4.9 What is the purpose of a lower/nil withholding certificate and what is its corresponding provision under the Income-tax Act, 2025?

Ans. A lower/nil withholding certificate enables a taxpayer to have TDS deducted at a rate lower than the prescribed/ Nil rate, where the taxpayer's estimated total income justifies this. Under the Income-tax Act, 1961, this provision was contained in Section 197. Under the Income-tax Act, 2025, the corresponding provisions are contained in Section 395(1). The substantive provisions remain the same — the payee applies to the

Assessing Officer, who, on being satisfied that the total income justifies the lower rate, issues a certificate accordingly.

Q4.10 Will a lower/nil withholding certificate issued under Section 197 of the old Act remain valid for payments/credits made on or after 1st April, 2026?

Ans. Yes. A certificate issued under Section 197 of the Income-tax Act, 1961 shall remain valid for payments/credits made on or after 1st April, 2026 provided that it is issued for lower/Nil deduction of tax in respect of projected receivable for tax year 2026-27.

Q4.11 What is the process for obtaining a lower/nil withholding certificate under the new Act for Tax Year 2026-27?

Ans. The payee must make an application in form No. 128 as prescribed in the Income Tax Rules 2026. The Assessing Officer, on being satisfied that the total income of the payee justifies a lower rate or no deduction, will issue a certificate specifying the rate and its period of validity. The application process will be available through the TRACES portal or the e-filing portal, similar to the existing process.

Q4.12 What is the underlying purpose of Form 15G and Form 15H being filed under the 1961 Act?

Ans. Under the statutory framework of 1961 Act, Form 15G and Form 15H are self-declarations submitted by eligible taxpayers to the payer (such as a bank or financial institution) requesting non-deduction of TDS.

Q4.13 Which statutory provisions governed Forms 15G and 15H under the Income Tax Act, 1961, and what is the corresponding provision under the Income Tax Act, 2025?

Ans. Under the Income-tax Act, 1961, Forms 15G and 15H were governed by Section 197A. Under the Income-tax Act, 2025, the corresponding provision is Section 393(6), which permits a recipient of income to furnish a written declaration that tax on his estimated total income of the tax year will be nil.

Q4.14 In what format should Form 15G/15H be submitted for Tax Year 2026-27?

Ans. For a tax year beginning on or after 01.04.2026, such declaration must be furnished in Form No. 121 as prescribed under the Income-tax Rules, 2026

Q4.15 Who are eligible to furnish Form 15G and Form 15H under the old statutory framework and is there any change in the eligibility criteria under the 2025 Act?

Ans. Form 15G may be furnished by a resident individual below 60 years of age or other eligible persons (excluding companies and firms), subject to prescribed income

thresholds. Form 15H may be furnished by a resident individual aged 60 years or more. The eligibility criteria continue to be same under Section 393(6) of the 2025 Act.

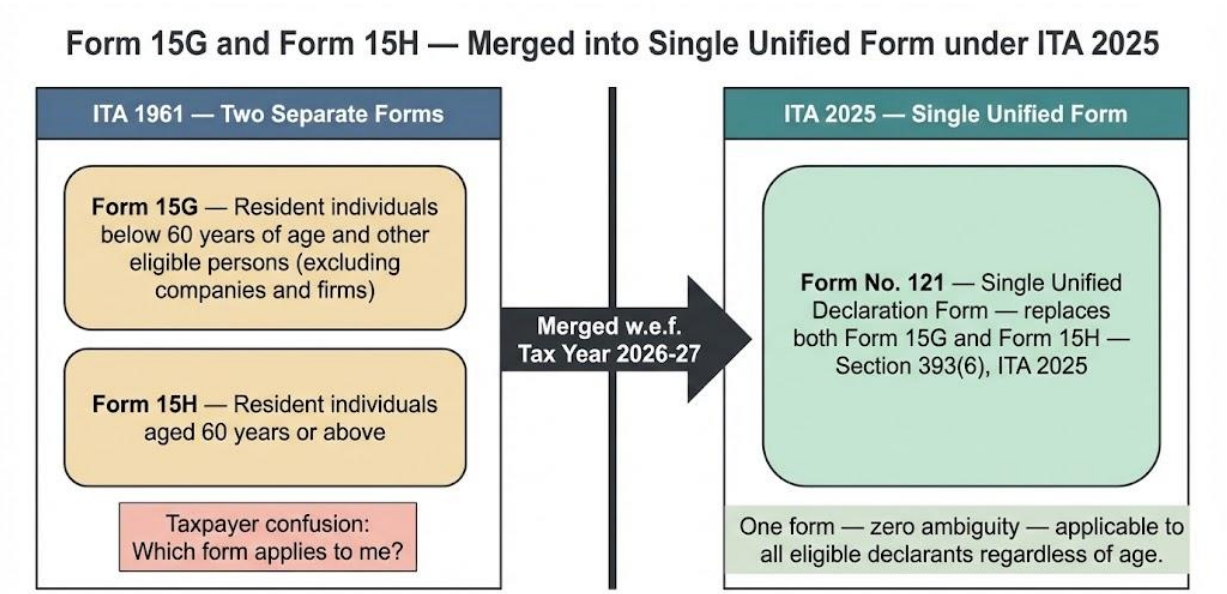
Q4.16 What difficulties were being faced under the earlier system of allotting separate UIN for each Form 15G/15H, and how has the revised framework addressed this issue?

Ans. Under the earlier system, each payer or deductor was required to generate a separate Unique Identification Number (UIN) for every Form 15G/15H received, even if the declarant's PAN and the tax year were the same. This resulted in duplication and practical difficulties in reconciliation.

Under the revised framework, a single UIN will be allotted by the department for each PAN for a given tax year. All declarations furnished by the same taxpayer to different payers will be linked to this one UIN, thereby ensuring consolidation, streamlined tracking, and elimination of duplication. A facility will be provided to payers to fetch the relevant UIN from the departmental portal.

Q4.17 In the earlier framework, taxpayers often faced confusion in determining whether to file Form 15G or Form 15H. How has this issue been resolved in the new system?

Ans. Previously, taxpayers had to determine eligibility and furnish either Form 15G or Form 15H, which sometimes created uncertainty. The revised framework merges both forms into a single unified Form 121, thereby eliminating ambiguity and simplifying compliance for taxpayers as well as payers.



Q4.18 Which form is required to be filed in order to claim relief for mitigating the higher tax liability arising from receipt of salary in arrears or advance under the Income Tax Act, 2025?

Ans. Section 157 of the Income Tax Act, 2025 provides relief to a taxpayer where salary is being received in advance or arrears or receipt of gratuity or retrenchment compensation or commutation of pension. The purpose is to neutralise the higher tax burden from bunching of income in a single year. Under the Income Tax Act, 1961, the assessee was required to file Form 10E in order to claim such relief, however, under the Income Tax Act, 2025, the assessee is required to file Form No. 39, on or before the due date specified under section 263(1)(c) of the Act for claiming this relief.

Q4.19 What is the structure of Form 39 required to be filed under the Income Tax Act, 2025?

Ans. The **Form 39** comprises two parts:

(i) Part A — Basic details of the taxpayer and the Tax Year for which relief is claimed;

(ii) Part B — Details of receipts (additional salary, gratuity, retrenchment compensation, commutation of pension) with uniform computation tables and auto-populated relief;

Q4.20 How the Form No. 39 has been improved as compared to earlier Form No. 10E?

Ans. Earlier, Form No. 10E required taxpayers to repeatedly enter the same personal and financial details, increasing compliance burden, consuming time, and leading to errors.

Form 39 addresses these issues through a smart, technology-driven interface featuring auto-population of data, real-time validations, standardized input tools (drop-downs and date pickers), database integration, checkbox-based verification, etc. These improvements reduce duplication, enhance accuracy, and simplify compliance.

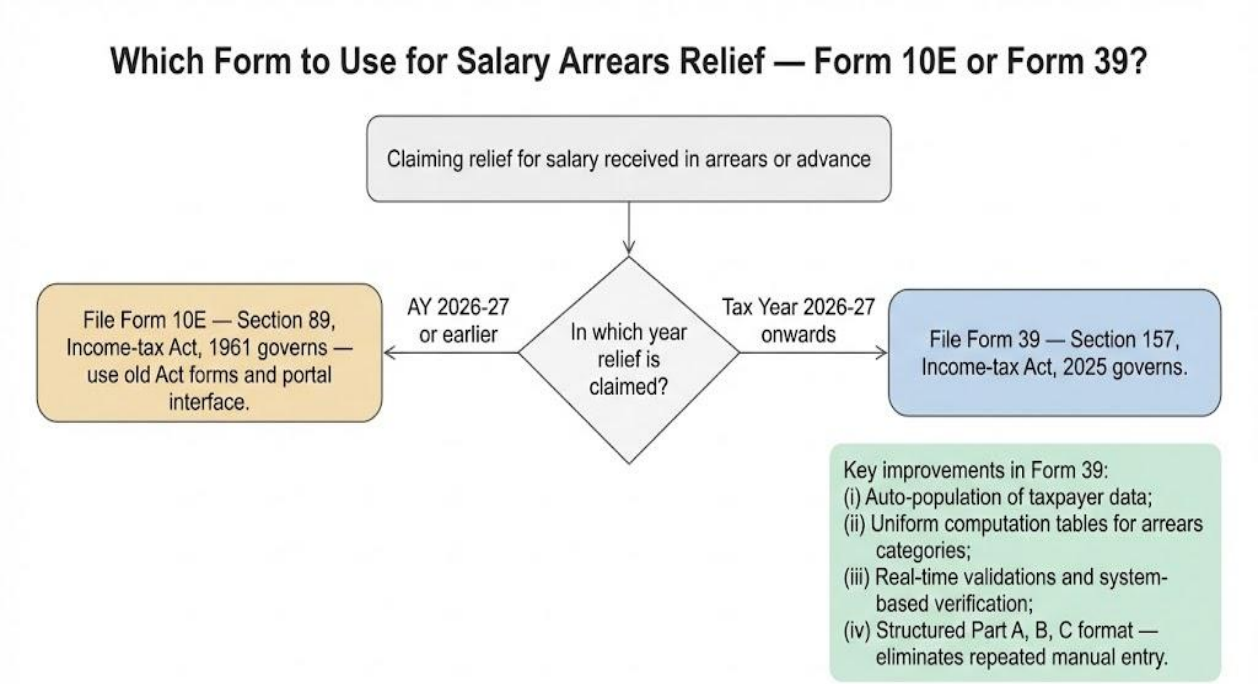
Q4.21 What are other improvements made in the Form No. 39 as compared to the earlier Form No. 10E?

Ans. The earlier Form did not contain structured computation tables to calculate total income and tax relief under Section 89(1) of the 1961 Act. This lack of clarity often caused confusion for taxpayers while determining eligible relief amounts.

However, Form No. 39 now includes uniform computation tables for each category of receipt, such as Additional salary, Gratuity, Pension and Other eligible arrears/receipts. These tables clearly depict formulas and structured calculations, simplifying taxpayer inputs and enabling system-based validation. This brings greater clarity, transparency, and ease of filing.

Q4.22 Which Form should I use to claim relief in AY 2026-27 for which return is to be filed by 31st July 2026?

Ans. The taxability of income for AY 2026-27 will be governed by the Income Tax Act, 1961, therefore, for claiming any relief under section 89 of the old Act, the assessee will be required to file Form 10E only. The new Form no. 39 shall be applicable only for the relief claimed under the Income Tax act, 2025 and shall be applicable w.e.f. Tax Year 2026-27.



Q4.23 What is the purpose of Form 15CA and Form 15CB under the Income Tax Act, 1961 and what are the corresponding provisions in the Income Tax Act, 2025?

Ans. Form 15CA is a declaration by the remitter (person making a payment to a non-resident) for furnishing information regarding the nature of remittance and applicable TDS. Form 15CB is a certificate from a Chartered Accountant certifying the nature of remittance, the applicable DTAA provisions, and the TDS rate. Under the old Act, these were governed by Section 195(6) of the Income Tax Act, 1961.
Under the Income-tax Act, 2025, the corresponding provision are contained in Section 397(3)(d). The corresponding Forms under the new Act are Form No. 145 (equivalent to old Form 15CA) and Form No. 146 (equivalent to old Form No. 15CB).

Q4.24 Will Form 15CA/15CB submitted for remittances made before 31st March, 2026 remain valid after the new Act commences?

Ans. Yes — Form 15CA/15CB already submitted for remittances made before 31 March 2026 will continue to remain valid even after the new Income-tax Act comes into effect from 1 April 2026, provided the remittance actually took place on or before the date mentioned in the form. Under current practice, these forms are valid up to the proposed date of remittance specified in the filed Form 15CA/15CB. If for any reason

the remittance was not completed within that period, the taxpayer would need to file fresh forms again before processing the payment.

Q4.25 For remittances made on or after 1st April, 2026, which forms and provisions will apply?

Ans. For remittances made on or after 1st April, 2026, the provisions of the Income-tax Act, 2025 will apply. The prescribed forms (Form No. 145 and 146) under the Income-tax Rules, 2026 are required to be used. The substantive requirements — furnishing information about the remittance, obtaining CA certificate for amounts exceeding the prescribed threshold, ensuring TDS compliance — remain the same.

Q4.26 Are there any changes in the threshold for filing Form 15CA/15CB under the new Act?

Ans. The thresholds for filing the information form in Form No. 145 (Form 15CA equivalent) and the CA certificate in Form No. 146 (Form 15CB equivalent) are prescribed under the Rule 220 of Income-tax Rules, 2026. The Income-tax Rules, 2026 retain similar thresholds as under the old Rules.

Q4.27 If a remittance is made in April 2026 for a liability accrued in February 2026, then the TDS rates and reporting formats would be governed by which statute (IT ACT 1961 or 2025)?

Ans. The procedural requirement (Form 15CA/CB) follows the law in force on the date of remittance (2025 Act). However, the taxability of the underlying income is governed by the Act applicable to the year of accrual (1961 Act).

Q4.28 What is the structure of Form 145 under the Income Tax Rules, 2026 and how does it benefit remitters?

Ans. The Form No. 145 has four parts:

(i) Part A — To be filed if remittance is taxable under the Act or aggregate does not exceed Rs. 5 lakh during the year;

(ii) Part B — To be filed if remittance is taxable under the Act and remittance exceeds Rs. 5 lakh and certificate has been obtained from the Assessing Officer u/s 395(1)/395(2);

(iii) Part C — To be filed if remittance is taxable under the Act and the remittance exceeds Rs. 5 lakh and a CA certificate (Form No. 146) has been obtained;

(iv) Part D — To be filed if the remittance is not taxable under the Act {Other than payments referred to in Rule 220(3).

Key benefit: Under the New Framework, in Form 145 where Part B is furnished (AO certificate obtained), Part C is NOT required. This eliminates the duplication that existed under the old system.

Q4.29 What is the UDIN feature introduced in Form 146?

Ans. The UDIN (Unique Document Identification Number) has been introduced for real-time verification through the ICAI API. This ensures authenticity of the CA's certificate and prevents fraud. Only genuine Form 146 submissions are accepted, benefiting both taxpayers and the Department.

Q4.30 Is a certificate from a Chartered Accountant (Form 146) still required if the remitter has an AO certificate?

Ans. No. Taxpayers filing Part B of Form 145 (with AO certificate) are not required to obtain Form 146 from a Chartered Accountant. This is a significant reduction in compliance burden and cost for remitters.

Q4.31 What is the requirement for tax audit under the Income-tax Act, 2025, and has the threshold changed?

Ans. Section 63 of the Income-tax Act, 2025 (corresponding to Section 44AB of the old Act) prescribes the requirement of audit of accounts. The thresholds for tax audit remain the same as were in the old Act:

(i) Business: Total sales, turnover, or gross receipts exceed Rs. 1 crore (Rs. 10 crore where cash transactions do not exceed 5% of total receipts and 5% of total payments);

(ii) Profession: Gross receipts exceed Rs. 50 lakhs;

(iii) Persons opting out of presumptive taxation and declaring income below the prescribed threshold.

Q4.32 Which form should be used for the tax audit for FY 2025-26 (AY 2026-27)?

Ans. For FY 2025-26 (AY 2026-27), the tax audit report must be filed using the existing forms prescribed under the Income-tax Act, 1961 — Form 3CA (for persons audited under another law), Form 3CB (for all others), and Form 3CD (statement of particulars under section 44AB of the 1961 Act). The due date for filing the tax audit report for AY 2026-27 is 30th September, 2026.

Q4.33 What form will be used for tax audit for Tax Year 2026-27 under the Income Tax Act, 2025?

Ans. For Tax Year 2026-27, the tax audit report must be filed using the Form No. 26 as prescribed under the Income Tax Rules 2026. Form No. 26 merges erstwhile Form No. 3CA, Form 3CB and Form 3CD. The due date for filing the tax audit report for Tax Year 2026-27 shall be 30th September, 2027.

Tax Audit Report Forms — AY 2026-27 vs. Tax Year 2026-27

AY 2026-27 (ITA 1961)	Tax Year 2026-27 (ITA 2025)
Three separate forms: Form 3CA + Form 3CB + Form 3CD	Single unified Form 26 — merges all three forms
Section 44AB, ITA 1961	Section 63, ITA 2025
Due date: 30 September 2026	Due date: 30 September 2027
Item-wise disallowance reporting — detailed and fragmented	Single consolidated disclosure — rationalised and ITR-aligned

Q4.34 What are the key features of new Form no. 26 (Tax Audit Report) as prescribed under the Income Tax Rules, 2026?

Ans. The key features of the new Form no. 26 are summarized as under:

(i) All three erstwhile audit forms (Form No. 3CA, Form No. 3CB and Form No. 3CD) have been consolidated into a single smart, unified form with structured and standardised reporting.

(ii) Audit clauses and disclosures have been rationalised and aligned with the ITR framework to ensure consistency between audit report and return of income.

(iii) Clause relating to disallowable expenditure has been streamlined into a single consolidated disclosure instead of detailed item-wise reporting.

(iv) Separate Schedules format such as Schedule- Losses, Depreciation and Deductions, Schedule- Prior Period, Schedule- Computation of receipt/income, Schedule- Computation of expenses has been inserted for more transparency.

(v) Mandatory disclosure of auditor's membership number, firm registration number, and UDIN has been introduced.

Dedicated fields have been introduced for reporting capital receipts and deemed incomes not routed through the Profit & Loss Accounts.

Q4.35 Is the provisional approval granted to a charitable institution under the Income Tax Act 1961 valid after 01.04.2026?

Ans. As per provisions of sections 536 (2) (j) of the Income Tax Act 2025, any approval given or recognition granted under any provision of the Income Tax Act 1961 shall, so far as it not inconsistent with the corresponding provisions of 2025 Act, shall continue to be in force. Thus, a provisional approval granted to a charitable organisation under the old Act shall not be invalid merely because the new Act commences on 01.04.2026.

Q4.36 If a charitable organization wants to apply for provisional registration after 01.04.2026, in which form it should file the application?

Ans. All applications freshly filed on or after 01.04.2026 shall be governed by the Income Tax 2025. Therefore, after 01.04.2026, any charitable organisation should file its application in Form No. 104 (corresponding to earlier form No. 10A).

Q4.37 What will happen to the registration applications filed during F.Y. 2025-26 and remained pending as on 31.03.2026?

Ans. As per the provisions of section 536(2)(e), all such applications shall be disposed of under the provisions of Income Tax Act, 1961. Therefore, there is no need to file fresh application merely because the new Act commences on 01.04.2026.

Q4.38 What are the key features of new Form No. 104 as prescribed under the Income Tax Rules 2026?

Ans. The key features of new Form No. 104 are summarized as under:

(i) The overall Form No. 104 has been substantially simplified and its length significantly reduced.

(ii) Details of assets and liabilities have been removed from the main form and are now required only to be uploaded where the applicant has not filed the return of income.

(iii) Requirement to provide break-up of total income and details of religious expenditure for past three tax years has been completely removed from the form.

Q4.39 Will e-filing utilities on the portal support both old and new form versions simultaneously?

Ans. Yes. The Government is taking appropriate measures to ensure that the e-filing portal supports both old forms (for AY 2026-27 and earlier) and new forms (for Tax Year

2026-27 onwards) simultaneously during the transition period. Taxpayers should ensure they select the correct year (AY or TY) and the portal will guide them to the appropriate form.

Q4.40 What is the consolidated mapping of the key forms between the old and new Acts?

Ans. The following table provides the mapping for some frequently used forms:

Purpose	Forms under Old Act/Rules	Forms under New Act/Rules
PAN application – Indian Individual	Form 49A	Form 93
PAN application – Indian Company/Entity	Form 49A	Form 94
PAN application – Foreign Individual	Form 49AA	Form 95
PAN application – Foreign Entity	Form 49AA	Form 96
TAN application – Government	Form 49B	Form 134
TAN application – Other than government	Form 49B	Form 135
Declaration where PAN not available	Form 60	Form 97
Half-yearly statement of declarations	Form 61	Form 98
Lower/nil withholding certificate	Form 13	Form No.128
Self-declaration for no TDS (below 60 yrs)	Form 15G	Form No.121
Self-declaration for no TDS (60 yrs+)	Form 15H	Form No.121
Relief for salary arrears	Form 10E	Form 39
Foreign remittance information	Form 15CA	Form No.145
CA certificate for foreign remittance	Form 15CB	Form No.146
Tax audit report (audited under other law)	Form 3CA	Form 26
Tax audit report (others)	Form 3CB	Form 26
Statement of particulars (audit)	Form 3CD	Form 26
Provisional registration (Charitable trust)	Form 10A	Form 104

Reassessment of Income Escaping Assessment

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TOPIC 5: REASSESSMENT OF INCOME ESCAPING ASSESSMENT

A. REASSESSMENT FRAMEWORK UNDER THE NEW ACT

Q5.1 What are the provisions for reopening of assessment (income escaping assessment) under the Income-tax Act, 2025?

Ans. The provisions for assessment or reassessment of income which has escaped assessment are contained in Sections 279 to 286 of the Income-tax Act, 2025. These correspond to Sections 147, 148, 148A, 148B, 149, 150, 151, and 153 of the Income-tax Act, 1961. The framework has been streamlined and made more structured:

Subject	Old Act Section	New Act Section
Power to assess/reassess escaped income	147	279
Issue of notice for reassessment	148	280
Procedure before issuance of notice (show cause)	148A	281
Time limit for notices	149	282
Assessment in pursuance of appellate/court orders	150	283
Sanction for issue of notice	151	284
Other provisions (rate of tax, dropping of reassessment proceedings)	152	285
Time limit for completion of assessment, reassessment and recomputation	153	286

Q5.2 Briefly explain the procedure for issuing reopening notice under the Income Tax Act, 2025.

Ans: The procedure for issuing a notice under section 280 of the Income-tax Act, 2025, where income has escaped assessment for the relevant tax year is briefed as under:

i) Information – The assessing officer must have information suggesting income has escaped assessment.

ii) Show-cause notice – Before issuing notice u/s 280 of the Act, Assessing officer must provide an opportunity of being heard to the assessee by issuing a show-cause notice under section 281(1) of the new Act, providing the information which suggests that income chargeable to tax has escaped assessment and giving an opportunity to respond within the prescribed time.

iii) Consider reply – AO must consider the assessee's response.

iv) Reasoned order – Pass an order under section 281(3) with the prior approval of the Additional commissioner or Joint Commissioner, deciding whether it is a fit case for reassessment.

v) Issue of reopening notice under section 280 of the Act.

Note: Under some situations as provided in Section 281(4) of the Act, the assessing officer is not required to follow the procedure provided in section 281 of the Act. However, even in such cases, the approval of Additional commissioner or Joint Commissioner is mandatory before notice under section 280 is issued.

Q5.3 For the purposes of reopening of assessment under the new Act, what is considered to be 'information suggesting that income has escaped assessment'?

Ans. Section 280(6) of the Act provides that following will be considered to be information suggesting that income has escaped assessment:

(i) Information identified under the Board's risk management strategy for the relevant year.

(ii) Audit objections indicating the assessment was not done as per the Act.

(iii) Information received under any agreements with the Government of any foreign country or specified territory as referred to section 159 of the Act.

(iv) Information made available to Assessing Officer under any scheme notified under section 260 of the Act for the purposes of collection of information.

(v) Information requiring action in consequence of a Tribunal or Court order.

(vi) Information emanating from surveys conducted under section 253 (except sub-section 4).

(vii) Directions from the Approving Panel under section 274(6).

(viii) Findings or directions contained in an order passed by any authority, Tribunal, or Court in proceedings under the Income Tax Act, 2025 or by a Court in any proceedings under any other law.

Q5.4 Can the AO make any assessment, reassessment or recomputation without issuing a notice to the assessee under section 280 of the new Act?

Ans. No, the AO shall not make any assessment, reassessment or recomputation under section 279 without issuing a notice under section 280 which is corresponding to section 148 of the Income Tax Act, 1961.

Q5.5 In which specific circumstances the Assessing Officer is not required to follow the procedure under section 281, before issuing a notice under section 280 of the new Act?

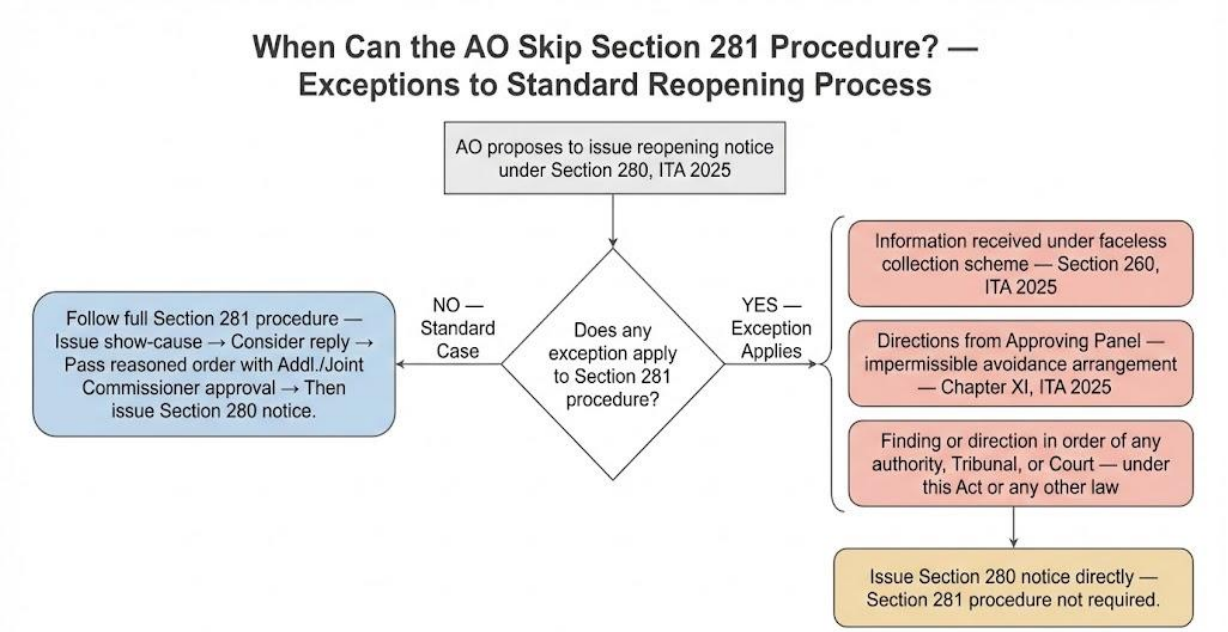
Ans. As per the provisions of the new Act, generally, the AO shall complete the procedure laid down in section 281 and he shall issue notice under section 280 along with the order under section 281(3). However, the AO shall skip the procedure laid down in section 281 in the cases where the AO has received:

(i) information under the scheme for faceless collection of information as notified under section 260 of the new Act; or

(ii) directions issued by the Approving Panel in respect of the declaration of the arrangement as an impermissible avoidance arrangement as per the provisions of Chapter XI, specifying the tax year or years to which such declaration of an

arrangement as an impermissible avoidance arrangement shall apply, under section 274(6); or

(iii) any finding or direction contained in an order passed by any authority, Tribunal or court in any proceeding under this Act by way of appeal, reference or revision, or by a Court in any proceeding under any other law.



Q5.6 For which tax years will the reassessment provisions of the new Act apply?

Ans. The reassessment provisions of the Income-tax Act, 2025 (Sections 279–286) will apply to Tax Year 2026-27 and subsequent tax years. For any tax year beginning before 1st April, 2026, only the old Act provisions will apply for reassessment.

Q5.7 What are the time limits under the old Act for issuing reassessment notices for earlier years?

Ans. Under Section 149 of the Income-tax Act, 1961 (as applicable after the amendment vide the Finance Act, 2025):

Time Limit from end of AY	Condition	Monetary threshold
Issuing notice under Section 148A : (as amended w.e.f. 01-09-2024)	If the escaped assessment amounts to or likely to amounts to —	
	(i) less than Rs. 50,00,000	Within 3 years from end of relevant assessment year
	(ii) Rs. 50,00,000 or more	Within 5 years from end of relevant assessment year

Issuing notice under Section 148: (as amended w.e.f. 01-09-2024)	If the escaped assessment amounts to or likely to amounts to —	
	(i) less than Rs. 50,00,000	Within 3 years and 3 months from end of relevant assessment year
	(ii) Rs. 50,00,000 or more	Within 5 years and 3 months from end of relevant assessment year

Q5.8 What are the time limits for issuing reassessment notices under the Income Tax Act, 2025?

Ans. Section 282 of the Income-tax Act, 2025 prescribes the following time limits:

Notice Type	General Time Limit	Extended Time Limit (if the income which has escaped assessment is likely to be Rs. 50 lakh or more)
Notice u/s 281 (show cause notice)	4 years from end of Tax Year	6 years from end of Tax Year
Notice u/s 280 (reassessment notice)	4 years and 3 months from end of Tax Year	6 years and 3 months from end of Tax Year

Additionally, Section 282(3) provides that no notice under Section 280 or 281 shall be issued within one year from the end of any tax year.

Time Limits for Reassessment Notices — ITA 1961 vs. ITA 2025

Notice Type	Condition	ITA 1961 — Section 149 Time Limit	ITA 2025 — Section 282 Time Limit
Show-cause / Pre-notice (148A / Section 281)	Escaped income ≤ ₹50 lakhs	Within 3 years from end of AY	Within 4 years from end of Tax Year
Show-cause / Pre-notice (148A / Section 281)	Escaped income ≥ ₹50 lakhs	Within 5 years from end of AY	Within 6 years from end of Tax Year
Reassessment notice (Section 148 / Section 280)	Escaped income ≤ ₹50 lakhs	Within 3 years 3 months from end of AY	Within 4 years 3 months from end of Tax Year
Reassessment notice (Section 148 / Section 280)	Escaped income ≥ ₹50 lakhs	Within 5 years 3 months from end of AY	Within 6 years 3 months from end of Tax Year

Q5.9 What is the time limit for completion of reassessment under the Income Tax Act, 2025?

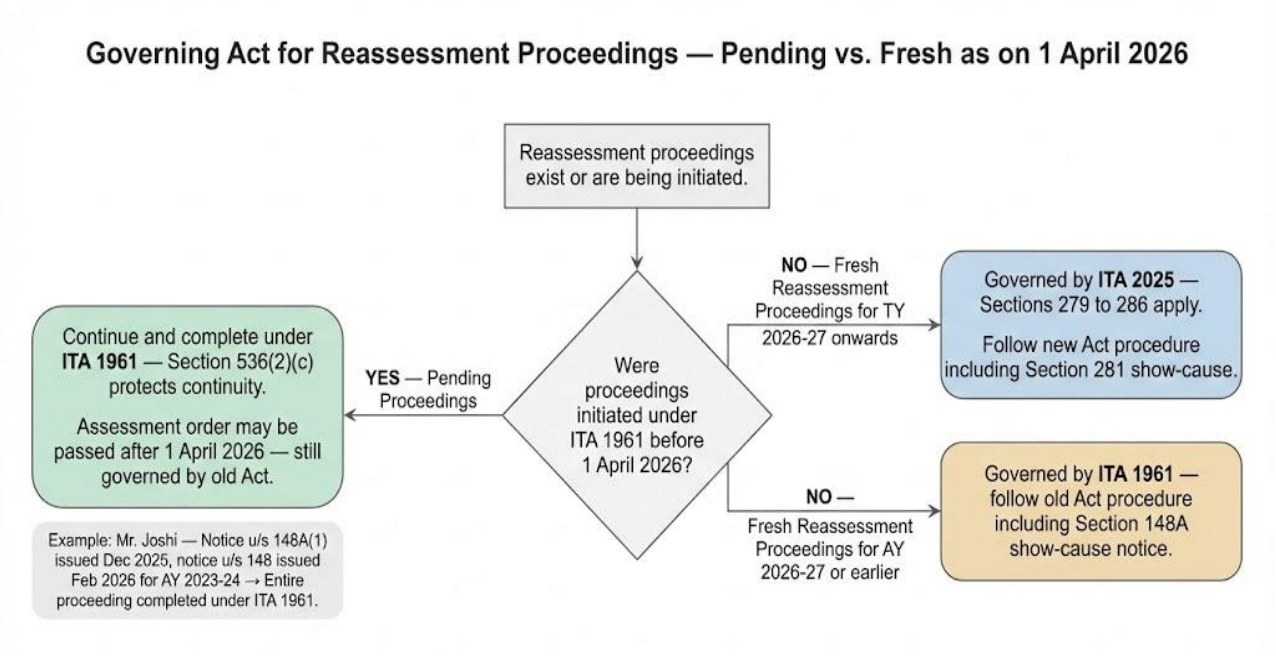
Ans. Section 286(1) [Table: Sl. No. 4] provides that the reassessment order under Section 279 must be passed within one year from the end of the financial year in which the notice under Section 280 was served. Various extensions and exclusions are provided for specific situations (e.g., transfer pricing references, ITAT/court stay orders, etc).

B. TRANSITION — REASSESSMENT OF ASSESSMENT YEARS GOVERNED BY THE OLD ACT

Q5.10 If reassessment proceedings for an earlier assessment year were initiated under Section 147/148 of the old Act and are pending as on 01.04.2026, will they continue under the old Act?

Ans. Yes. Section 536(2)(c) of the Income-tax Act, 2025 expressly provides that the provisions of the repealed Act shall continue to apply to any proceeding pending on the date of commencement of the new Act. Therefore, reassessment proceedings already initiated under the old Act will continue to be governed by the provisions of the Income Tax act, 1961.

Example: The Assessing Officer issued a notice under Section 148A(1) of the old Act to Mr. X for AY 2023-24 in December 2025 and subsequently issued a notice under Section 148 in February 2026. The reassessment will be completed under the old Act, even though the assessment order may be passed after 01.04.2026.



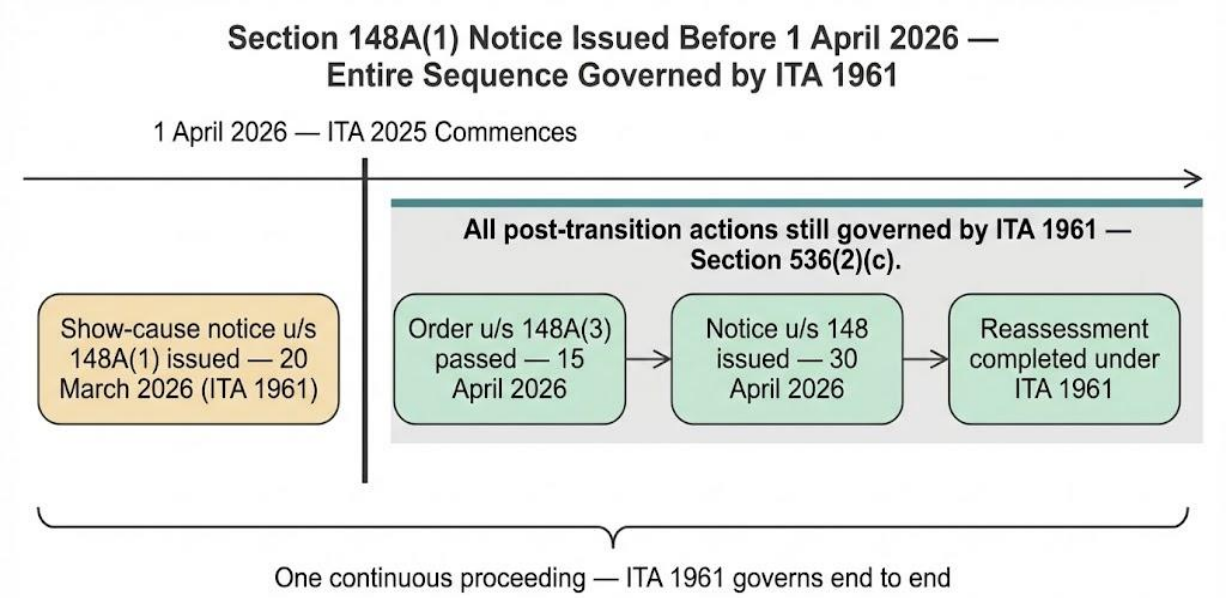
Q5.11 After 01.04.2026, can the Income-tax Department initiate fresh reassessment proceedings for earlier assessment years (such as AY 2022–23 or AY 2024–25) under the old Act?

Ans. Yes, even after 1 April 2026, proceedings such as assessment, reassessment, rectification, penalty, revision, etc. can still be initiated and completed under the old Act for earlier Assessment Years till A.Y.2026-27.
For example, in FY 2027-28, the department can reopen an assessment for AY 2023–24 under the old Act, if the conditions regarding reopening as prescribed in the Income Tax Act, 1961 are met.

Q5.12 If a notice under Section 148A (1) of the old Act was issued before 01.04.2026, but the notice under Section 148 is yet to be issued, can it be issued after 01.04.2026?

Ans. Yes. Section 536(2)(c) of the Income-tax Act, 2025 expressly provides that the provisions of the repealed Act shall continue to apply to any proceeding pending on the date of commencement of the new Act. Since the proceedings were initiated under the Income-tax Act, 1961 through issuance of a notice under section 148A (1), the entire sequence of consequential actions — including the order under section 148A (3) and notice under section 148 — shall be governed by the provisions of the 1961 Act. However, such continuation is subject to compliance with the limitation period prescribed under section 149 of the Income Tax Act, 1961.

Example: The AO issued a show cause notice under Section 148A(1) to a taxpayer for AY 2022-23 on 20th March, 2026. After considering his response, the AO passes an order under Section 148A (3) on 15th April, 2026 and issues the notice under section 148 of the old Act on 30th April, 2026. All these actions are valid even though the new Act commences on 1st April, 2026.



Q5.13 After the new Act comes into force on 01.04.2026, whose approval will be required to issue reassessment notices for AY 2026–27 or any earlier assessment year?

Ans. Since the assessment proceedings for AY 2026–27 or for any earlier assessment year are governed by the old Act, the approval hierarchy prescribed in Section 151 of the old Act will apply and therefore, Additional Commissioner, Additional Director, Joint Commissioner or Joint Director is the specified authority for the purposes of section 148 and 148A of the Income Tax Act, 1961.

Q5.14 If a reassessment notice under Section 148 of the old Act was issued for AY 2022-23 in February 2026, and the assessee has not yet furnished the return in response, can the return be filed after 01.04.2026?

Ans. Yes. Since the entire reassessment proceeding is governed by the old Act (as per Section 536(2)(c)), the assessee must furnish the return in response to the Section 148 notice under the old Act's framework, within the time specified in the notice, not exceeding three months from the end of the month in which notice under section 148 is issued. The form in which ITR is to be filed will be corresponding to the Income Tax Act, 1961.

Q5.15 Can the Assessing Officer simultaneously conduct reassessment for AY 2024-25 (under the old Act) and assessment for Tax Year 2026-27 (under the new Act) for the same assessee?

Ans. Yes. These are independent proceedings under two different Acts for two different income periods. The Department can run parallel proceedings where necessary. The old Act will govern the reassessment proceedings for AY 2024-25 while the new Act will govern the assessment proceedings for TY 2026-27.

Q5.16 Which Act will govern the penalty proceedings relating to any tax year beginning before 1st April, 2026?

Ans. Section 536(2)(d) expressly provides that any proceeding for imposition of penalty for any tax year beginning before 1st April, 2026 may be initiated and the penalty imposed under the old Act, as if the new Act had not been enacted. Therefore, penalties arising from reassessment of earlier years will follow the framework for penalties as provided in the Income Tax Act, 1961.

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TDS Compliance

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TOPIC 6: TDS COMPLIANCE (BY DEDUCTOR & BY DEDUCTEE)

A. OBLIGATION TO DEDUCT — TRANSITION

Q6.1 What is the fundamental rule for determining which Act governs TDS obligations during the transition?

Ans. The Act governing TDS depends on when the "earlier of the event of credit or payment" occurs. If the earlier event occurs on or before 31st March, 2026, the Income-tax Act, 1961 will be applicable. However, if the earlier event occurs on or after 1st April, 2026, the provisions of the Income-tax Act, 2025 shall be applicable.

Example: Professional fees credited in March, 2026 in books. However, payment is made in April, 2026. In this situation, provisions of the Income-Tax Act, 1961 will be applicable and TDS must be deducted in March, 2026.

Advance payment made in March, 2026. However, it is credited in books in April, 2026. In this situation, provisions of the Income-tax Act, 1961 will be applicable and TDS must be deducted in March, 2026.

Q6.2 If a deductor has an ongoing contract with monthly payments, how does the deductor handle the switch from the old Act to the new Act?

Ans. The deductor applies the old Act for all payments/credits up to and including 31st March, 2026, and will apply the new Act for payments/credits from 1st April, 2026 onwards. There is no need to amend the contract merely because the new Act is commencing on 1st April, 2026. The deductor is required to apply the applicable TDS provision based on the date of credit or payment, whichever is earlier.

Example: M/s. XYZ Ltd. has a monthly housekeeping contract with M/s. ABC Cleaning Services. Payments for March 2026 (credited on 31.03.2026) → TDS obligation shall be under Section 194C of old Act. Payment for April 2026 (credited on 30.04.2026) → TDS obligations shall be under Section 393(1) [Table: Sl. No. 6(i)] of the new Act. Rates and thresholds remain the same under both the Acts.

Q6.3 Has there been any change in the rates of TDS under the new Act?

Ans. No. The TDS rates and monetary thresholds for all categories of payments have been retained as they are under the Income-tax Act, 1961. The consolidation of TDS provisions under Section 393 is a simplified tabular presentation and not a change in TDS rates or tax policy.

Q6.4 What happens if a deductor erroneously deducts TDS quoting the old Act section number for a payment made after 01.04.2026?

Ans. Although the substantive provisions—such as the applicable rate and threshold—remain unchanged, citing the old section number (for example, Section 194C instead of Section 393(1) [Table: Sl. No. 6(i)]) may lead to processing errors at

the time of filing the TDS return. In such cases, the deductor may be required to submit a correction statement to rectify the section reference.

Q6.5 A company makes payment to a contractor on 28 March 2026. Which Act governs TDS in this situation?

Ans. The TDS provisions of the Income-tax Act, 1961 shall apply, since the triggering event—being the payment or credit of income, whichever is earlier—occurred prior to 1 April 2026. The commencement of the Income-tax Act, 2025 does not affect liabilities or obligations that arose under the 1961 Act in respect of tax years beginning before 1st April, 2026.

Q6.6 Interest income is credited in the account of payee on 31 March 2026 but paid in April 2026. Which Act will govern the TDS on such interest payments?

Ans. The TDS provisions of the Income-tax Act, 1961 shall apply, since the triggering event—being the payment or credit of income, whichever is earlier—occurred prior to 1 April 2026. The subsequent date of deposit of TDS or payment of interest does not alter the governing law once the triggering event has occurred.

Q6.7 Are tax deductors required to modify their ERP and payroll systems after commencement of Income Tax Act, 2025?

Ans. Yes. Systems are required to be updated to reflect new section numbering, terminology, and reporting requirements under the Income Tax Act, 2025.

B. DEPOSIT OF TDS — TIMELINES AND COMPLIANCE

Q6.8 What are the due dates for depositing TDS with the Government during the transition year i.e. FY 2026-27?

Ans. The due dates for depositing the TDS for non-government deductors remain the same under both the Acts. For the transition phase, the due dates for depositing TDS are tabulated as under:

Period of Deduction of Tax at Source	Due Date for Deposit	Governed By
January 2026 to February 2026	7th of next month	IT Act, 1961 (Rule 30)
March 2026	30th April, 2026	IT Act, 1961 (Rule 30)
April 2026 onwards	7th of next month	IT Act, 2025 (Rule 218 of Income-tax Rules, 2026)

The due dates for depositing the TDS for Government deductors remain the same under both the Acts. For the transition phase, the due dates for depositing TDS are tabulated as under:

Period of Deduction of Tax at Source	Due Date for Deposit		Governed By
	With Challan	Without challan	
January 2026 to February 2026	7th of next month	Same Day	IT Act, 1961 (Rule 30)
March 2026	7th April, 2026	Same Day	IT Act, 1961 (Rule 30)
April 2026 onwards	7th of next month	Same Day	IT Act, 2025 (Rule 218 of Income-tax Rules, 2026)

For Challan-cum-TDS statement (Form 26QB /26QC /26QD/ 26QE under the old Act), the due date of depositing TDS is 30 days from end of month in which TDS was made. These due dates for depositing TDS remain same in the new Act.

Q6.9 If tax was deducted in March 2026 but the deposit is made in May 2026, will there be a late deposit consequence?

Ans. Yes. The due date for depositing the tax deducted in the month of March 2026 is 30th April, 2026. In this situation, the TDS is deposited in May 2026 and this delay will attract interest liability @ 1.5% per month from the date of deduction to the date of actual payment.

C. TDS RETURNS AND STATEMENTS

Q6.10 Which TDS returns must be filed during the transition year, and under which Act?

Ans. During FY 2026-27, a deductor may need to file TDS returns under both the Acts:

Quarter	Period of TDS	Governed By	Form	Due Date of filing of TDS Return
Q4 of FY 2025-26	Jan–Mar 2026	IT Act, 1961	24Q/26Q/27Q/27EQ	31st May, 2026
Q1 of TY 2026-27	Apr–Jun 2026	IT Act, 2025	New Forms under IT Rules, 2026 Salary TDS Return in Form 138 (in place of Form 24Q under the old Act) Non-Salary TDS Return in Form 140 (in place of Form 26Q under the old Act)	31st July, 2026

Quarter	Period of TDS	Governed By	Form	Due Date of filing of TDS Return
			Non-Resident TDS Return in Form 144 (in place of Form 27Q under the old Act) TCS Return in Form 143 (in place of Form 27EQ under the old Act)	
Q2 of TY 2026-27	Jul–Sep 2026	IT Act, 2025	New Forms under IT Rules, 2026	31st October, 2026

Note: Correction statements for Q1–Q4 of FY 2025-26 (or earlier) must be filed under the framework of Income Tax Act, 1961.

Q6.11 What is the Challan-cum-TDS statement mechanism and how does it operate during the transition?

Ans. Under the old Act, certain specified transactions required the deductor to file a TDS-cum-Challan statement (Forms 26QB, 26QC, 26QD, and 26QE) instead of the regular quarterly TDS return. These apply to:

(i) Form 26QB — TDS on purchase of immovable property (Section 194-IA);

(ii) Form 26QC — TDS on rent by individual/HUF (Section 194-IB);

(iii) Form 26QD — TDS on payments by individuals/HUFs to contractors and professionals (Section 194M);

(iv) Form 26QE — TDS on transfer of virtual digital assets (Section 194S).

For transactions where the event of credit or payment occurred on or before 31st March, 2026, these Forms under the old Act continue to apply.

For transactions where the event of credit or payment occurred on or after 1st April, 2026, the Challan-cum-TDS statement is required to be filed under the new Act. As per Income Tax Rules, 2026 a common form i.e. Form No. 141 can be used for any of the above four type of transactions.

Q6.12 Will the e-TDS/TCS return preparation utility (RPU) support both old and new formats?

Ans. Yes. The Government will ensure that the return preparation utilities and the TRACES portal support both old format returns (for periods up to March 2026) and new format returns (for periods from April 2026 onwards) during the transition period.

Q6.13 If a deductor discovers an error in a TDS return for Q3 of FY 2025-26 (October–December 2025), can a correction be filed after 01.04.2026?

Ans. Yes. Corrections to TDS returns for periods governed by the old Act can be filed even after the new Act has come into force. Such correction statements can be furnished within a period of two years from the end of the tax year in which the original statement was due.

Q6.14 Will revised or correction TDS returns for periods prior to 31.03.2026 be filed under the old or new Act?

Ans. Revised or correction TDS returns relating to periods governed by the Income-tax Act, 1961 must continue to be filed under the old Act framework, even if such revision is made after 1st April, 2026. The form numbers and formats applicable to the old Act will apply for such corrections.

D. ISSUANCE OF TDS CERTIFICATES

Q6.15 What are the obligations of a tax deductor regarding issuance of TDS certificates during the transition year?

Ans. The obligations of TDS deductors to issue certificates during the transition phase, are tabulated as under:

Description	For Period	Governed By	Form No.	Due Date
TDS on Salary	FY 2025-26	IT Act, 1961	Form 16 under the old Act	15th June, 2026
TDS on payments other than Salary	Jan–Mar 2026	IT Act, 1961	Form 16A under the old Act	15th June, 2026 (15 days from due date of TDS return)
TDS on Salary	TY 2026-27	IT Act, 2025	Form No. 130 under the new Act	15th June, 2027
TDS on payments other than Salary	Apr–Jun 2026	IT Act, 2025	Form No. 131 under the new Act	15th August, 2026

Q6.16 If a deductor fails to issue Form 16A for Q4 of FY 2025-26 within the due date, which Act governs the penalty?

Ans. The penalty for failure to issue certificates for FY 2025-26 is governed by the Income-tax Act, 1961. Under Section 272A(2)(g) of the old Act, a penalty of Rs. 500 per day for the period of default can be levied. Since this relates to a compliance for a period covered by the old Act, the penalty provisions under the old Act shall apply.

E. ASSESSEE-IN-DEFAULT — DEDUCTOR'S LIABILITY

Q6.17 What happens if a deductor fails to deduct TDS on a payment or credit made before 31.03.2026?

Ans. The deductor is treated as an "assessee in default" under Section 201(1) of the old Act. The consequences include:

(i) Recovery of the TDS amount from the deductor;

(ii) Interest at 1% per month for failure to deduct (from date deductible to date of deduction) and 1.5% per month for failure to deposit (from date of deduction to date of actual payment);

(iii) Penalty under Section 271C of the old Act (equal to the amount of tax not deducted);

These proceedings can be initiated even after 01.04.2026 by virtue of Section 536(2)(c) and (d) of the Income Tax act, 2025.

Q6.18 Is there any change in the time-limits for passing an order deeming the deductor as assessee-in-default under the new Act?

Ans. No. The time-limit for passing an order deeming the deductor as assessee-in-default under the new Act remains same as provided in the old Act. Under Section 398(5) of the Income-tax Act, 2025, such order shall not be made after the later of: (i) six years from the end of the tax year in which tax was deductible or collectible; or (ii) two years from the end of the tax year in which the correction statement is delivered.

Q6.19 Where the deductor has not deducted the tax and If the deductee has paid tax directly on the income, is the deductor still liable?

Ans. Under Section 398(2) of the new Act (corresponding to the proviso to Section 201(1) of the old Act), the deductor shall not be deemed to be an assessee-in-default if the deductee has furnished a return of income, considered the amount on which tax was deductible while computing the income, and paid the tax due thereon subject to furnishing a certificate to this effect in the prescribed form (Form 26A). However, the deductor remains liable for interest for the period of delay. This provision is same under both the Acts.

Q6.20 If tax is not deducted or not deposited by the due date, what is the consequence for the deductor under the new Act?

Ans. There will be multiple consequences for not deducting the tax or not depositing the TDS by the due date. The deductor may be treated as an "assessee in default" which may lead to the recovery of the TDS amount along-with interest from the deductor. The deductor may also be liable for penalty in the cases of non-deduction of TDS and for prosecution proceedings in cases of deduction but non -deposition within due date.

Besides above, as per Section 35(b) of the Income-tax Act, 2025 (corresponding to Section 40(a)(ia) of the old Act), 30% of any sum payable to a resident on which tax was deductible but not deducted or not deposited by the due date of filing the return, shall be disallowed while computing business income.

Example: M/s. ABC Traders pays Rs. 5 lakhs as professional fees in Tax Year 2026-27 but does not deduct tax. In computing business income for TY 2026-27, Rs. 1.5 lakhs (30% of Rs. 5 lakhs) will be disallowed under Section 35(b).

Q6.21 What is the position for TCS compliance during the transition period?

Ans. The provisions relating to Tax Collected at Source (TCS) have been consolidated under Section 394 of the Income-tax Act, 2025. The same transition principles—such as the trigger for debit/receipt shall apply equally to TCS.

Accordingly, for amounts debited or received on or before 31 March 2026 TCS provisions shall continue to be governed by the provisions of the erstwhile Act. Similarly, for amounts debited or received on or after 1 April 2026 TCS provisions shall be governed by Section 394 of the Income-tax Act, 2025.

F. TDS ON SALARY — SPECIFIC TRANSITION ISSUES

Q6.22 An employer pays salary for the month of March 2026 on 31 March 2026, and salary for the month of April 2026 on 30 April 2026. Considering the transition from the Income-tax Act, 1961 to the Income-tax Act, 2025, how should tax be deducted at source (TDS) on these salary payments?

Ans. Under the TDS provisions relating to salary, tax is required to be deducted at the time of payment. Thus, TDS on salary shall be governed by different Acts, based on the date of payment of salary, as explained below:

- Salary for March 2026 paid on 31 March 2026 will be governed by the Income-tax Act, 1961, since the payment was made before the new Act came into force.
- Salary for April 2026 paid on 30 April 2026 will be governed by the Income-tax Act, 2025, as the payment was made on or after 1 April 2026.

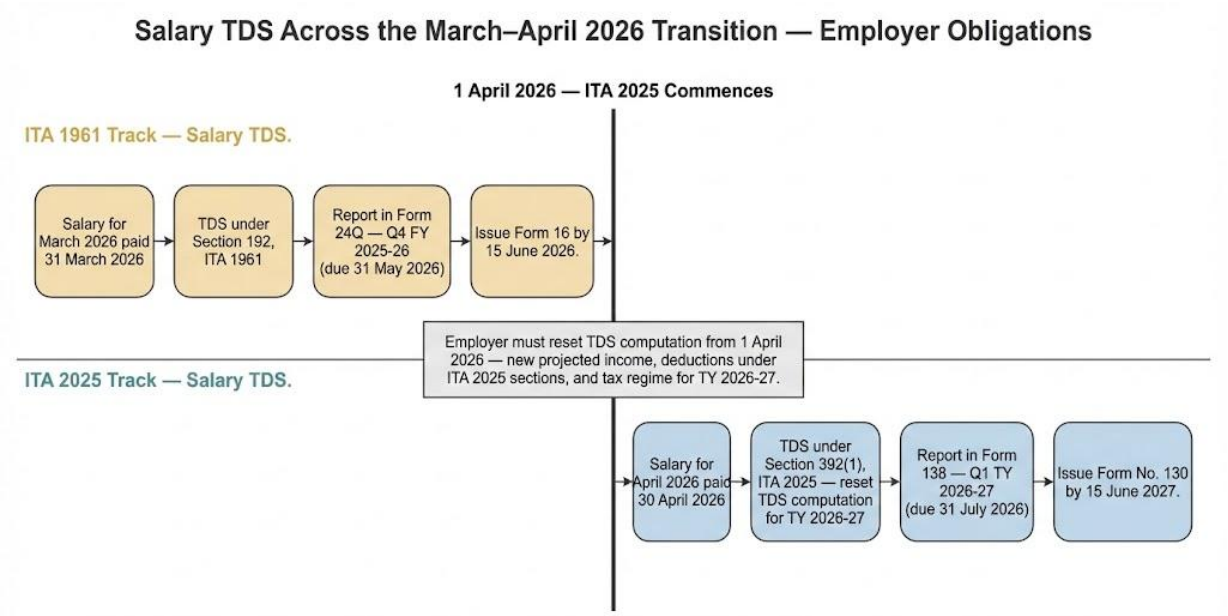
Q6.23 How should employers handle TDS on salary during the transition from FY 2025-26 to Tax Year 2026-27?

Ans. Employers must handle salary TDS as follows:

(i) For salary pertaining to FY 2025-26 (paid up to March 2026): TDS obligations shall be in accordance to Section 192 of the old Act;

(ii) For salary pertaining to Tax Year 2026-27 (paid from April 2026 onwards): TDS obligations shall be in accordance to Section 392(1) of the new Act;

(iii) The employer must reset the TDS computation from 1st April, 2026 for the new tax year, considering projected income, deductions, and tax regime for TY 2026-27.



Q6.24 If an employee submits an investment declaration for TY 2026-27, should it reference old Act or new Act provisions?

Ans. The investment declaration for Tax Year 2026-27 should reference the provisions of the Income-tax Act, 2025. For instance, deductions under Section 80C of the old Act will now be referenced as the Schedule XV read with section 123 of the Income Tax Act, 2025. The employer's payroll system should be updated to reflect the new section numbering from April 2026.

G. CLAIMING TDS CREDIT

Q6.25 How will a deductee claim credit for tax deducted under the old Act in the return for AY 2026-27?

Ans. Tax deducted on income pertaining to FY 2025-26 will be reflected in Annual Information Statement (AIS) for AY 2026-27. The deductee will claim this credit in the return of income for AY 2026-27 filed under the old Act. The old section numbers will appear in AIS for the period up to March 2026.

Q6.26 If tax was deducted in March 2026 under the old Act but deposited by the deductor after 01.04.2026, will the deductee still get credit?

Ans. Yes. The TDS credit is linked to the year in which the income is assessable, not the date of TDS deposit. Even if the deductor deposits the TDS after 1st April 2026, the credit will be reflected against AY 2026-27 in AIS, provided the deductor correctly files the TDS return for Q4 of FY 2025-26.

Q6.27 How will TDS credit be handled where tax was deducted in both March 2026 (old Act) and April 2026 (new Act)?

Ans. The credits will be mapped to different assessment periods:

(i) Tax deducted in March 2026 → Credit in AY 2026-27 (covered by I.T. Act, 1961);

(ii) Tax deducted in April 2026 → Credit in Tax Year 2026-27 (covered by I.T. Act, 2025).

The e-filing system and Annual Information Statement (AIS for AY 2026-27 and Form No. 168 for TY 2026-27) will automatically segregate the credits based on the TDS return filed by the deductor.

Q6.28 Will there be two separate AIS statements — one for AY 2026-27 and another for Tax Year 2026-27?

Ans. Yes. The Annual Information Statement will be generated separately for each assessment/tax year. The statement for AY 2026-27 will be in AIS and will reflect TDS/TCS along-with other information relating to FY 2025-26 under the old Act. However, the Annual Information Statement for Tax Year 2026-27 will be in Form No. 168 and will reflect information for FY 2026-27 under the new Act. Both the statements will be accessible on e-filing portal.

Q6.29 What should a deductee do if there is a mismatch between TDS claimed and AIS for the transition period?

Ans. During the transition, mismatches may arise due to the deductor quoting of section numbers corresponding to the old Act instead of quoting the sections of the new Act, or selecting the wrong AY/TY on the challan or in the TDS return. An early reconciliation is advisable at the end of the deductees.

If there is a mismatch in TDS, the deductee should immediately inform the employer / deductor responsible for deducting tax. The employer / deductor needs to file a revised TDS return to rectify the mismatch.

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Appeals, Revision and Alternate Dispute Resolution

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TOPIC 7: APPEALS, REVISIONS AND ALTERNATE DISPUTE RESOLUTIONS

A. TRANSITIONAL ISSUES REGARDING APPEALS

Q7.1 What are the key provisions contained in the Chapter on Appeals, Revision and Dispute Resolution Committee (DRC) under the Income-tax Act, 2025?

Ans: The Chapter on Appeals, Revision and Alternate Dispute Resolution under the Income-tax Act, 2025 comprehensively consolidates the entire remedial framework of the Act.

It covers first appeals before the Joint Commissioner (Appeals) and Commissioner (Appeals) (Sections 356–360), appeals to the Appellate Tribunal (Sections 361–364), further appeals to the High Court and Supreme Court (Sections 365–368), and general provisions relating to limitation, monetary limits and effect of appeals.

It also incorporates revisionary powers of the Competent Authority (Sections 377–378), the Dispute Resolution Committee mechanism (Section 379), the Advance Ruling framework (Board for Advance Rulings), and the structured mechanism for avoiding repetitive litigation through Sections 375 and 376.

Q7.2 Is there any change in appellate hierarchy under Income-tax Act, 2025 vis-a-vis Income-tax Act, 1961? Is there any change in the powers of the appellate authorities or the procedure for deciding the appeal?

Ans: No, there is no structural change in the appellate hierarchy under the Income-tax Act, 2025. The architecture of appellate remedies remains intact and continues in the same sequential manner:

Assessing Officer → JCIT(A)/CIT(A) → ITAT → High Court → Supreme Court

The powers of appellate authorities — including power to confirm, reduce, enhance or annul assessment, admit additional grounds, call for remand report, rectify mistakes, grant stay subject to conditions, etc. has remain materially unchanged. The procedural framework also remains unchanged.

Q7.3 Is there any change in the limitation period for filing appeal in the new Income-tax Act, 2025 vis a vis the Income-tax Act, 1961?

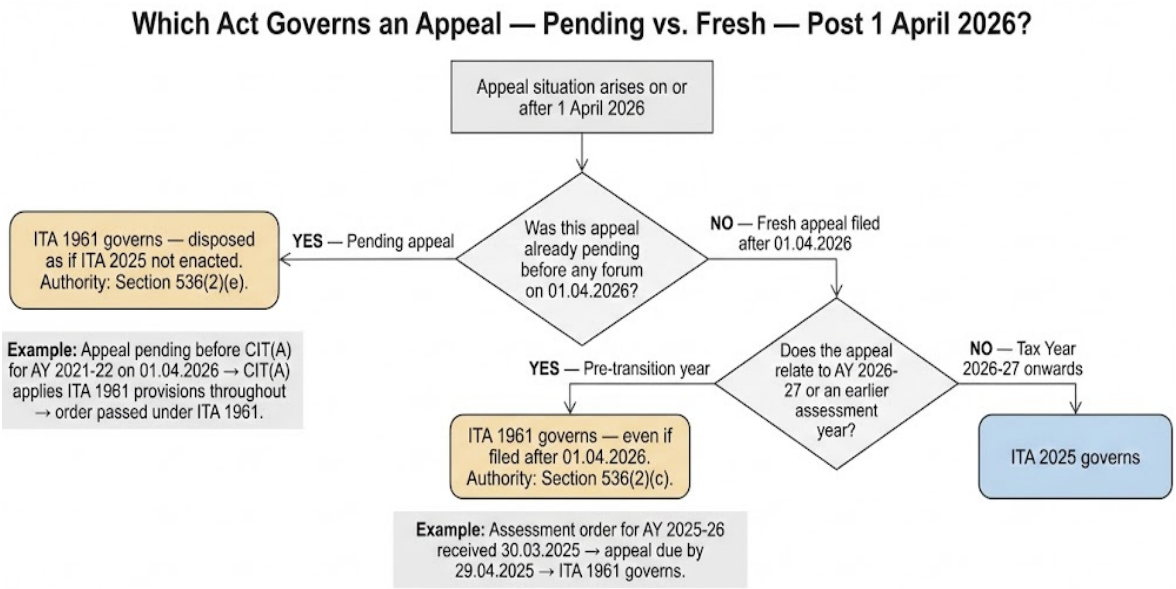
Ans: The limitation period for filing appeal in Income-tax Act, 2025 as against Income-tax Act, 1961 has remains unchanged.

Q7.4 If an appeal is pending before the CIT(A) as on 01.04.2026, will it be decided under the Income-tax Act, 1961 or the Income-tax Act, 2025? Do I need to file a new appeal?

Ans: Section 536(2)(e) of the new Act expressly states that any proceeding pending before any income-tax authority, Appellate Tribunal or Court shall continue and be disposed of as if this Act had not been enacted. Accordingly, the pending appeal shall continue and be disposed of in accordance with the provisions of the Income-tax Act, 1961. No new appeal needs to be filed.

Q7.5 If an appeal is filed after 1 April 2026 in respect of Assessment Year 2026–27 or any earlier assessment year, will it be governed by the Income-tax Act, 1961 or the Income-tax Act, 2025?

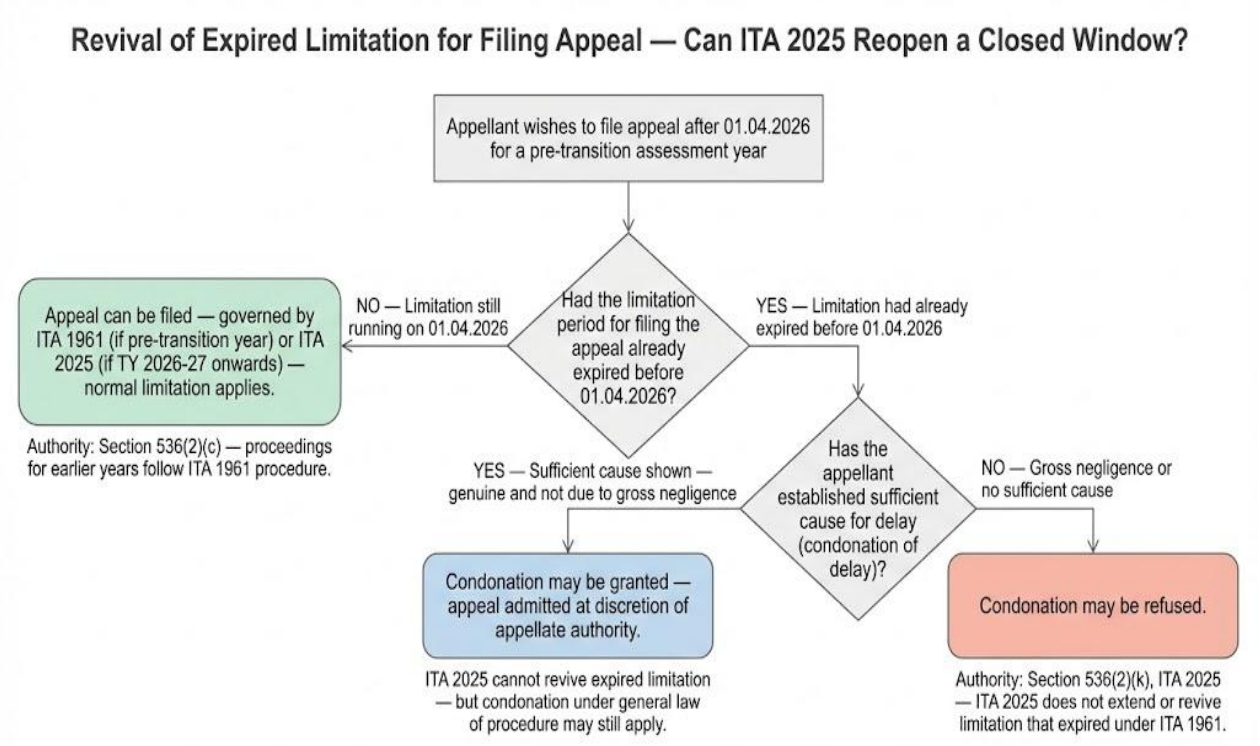
Ans: Section 536(2)(c) provides that proceedings initiated on or after 1 April 2026 in respect of a tax year beginning before 1 April 2026 shall be carried out in accordance with the provisions of the repealed Act. Accordingly, even if an appeal is filed after the commencement of the Income-tax Act, 2025, where it relates to Assessment Year 2026–27 or any earlier assessment year, such appeal shall be governed by and disposed of under the provisions of the Income-tax Act, 1961.



Q7.6 Can expired limitation for filing an appeal under the Income-tax Act, 1961 be revived under the Income-tax Act, 2025?

Ans: No. Section 536(2)(k) of the Income-tax Act, 2025 expressly provides that where the time for filing an appeal, revision, or reference had already expired before the commencement of the new Act, such right cannot be revived merely because the new Act prescribes a different or extended limitation period.

However, the procedural remedy of condonation of delay may still be available under the old Act where the appellant establishes that, despite due diligence, the appeal could not be filed within time. If the delay is attributable to gross negligence or no sufficient cause is shown, the application for condonation is liable to be rejected.



Q7.7 If rectification of an appellate order passed for Assessment Year 2024–25 by the Commissioner (Appeals) is sought after 1 April 2026, under which Act will such rectification be governed?

Ans: Rectification will lie under the corresponding provision of the Income-tax Act, 1961. Rectification is a continuation of the original appellate proceeding. By virtue of section 536(2)(c) and (e), proceedings relating to a tax year beginning before 01.04.2026 must continue under the Income-tax Act, 1961 framework, including rectification and limitation.

Q7.8 If an appeal for AY 2025–26 is pending as on 01.04.2026, can such appeal be transferred from JCIT(A) to CIT(A) or vice versa?

Ans: Yes. Such appeals can be transferred from JCIT(A) to CIT(A) or vice versa, as provided under section 246(2) and 246(3) of the Income Tax Act, 1961. The corresponding provisions in the new Act are section 356(3)(a) and section 356(3)(b).

Q 7.9 If a case is remanded back by ITAT on or after 01.04.2026 for AY 2023-24, the remand proceedings will be governed by Income-tax Act, 1961 or Income-tax Act, 2025?

Ans. If the ITAT remands a case on or after 01.04.2026 in respect of AY 2023–24, the remand proceedings will continue to be governed by the Income-tax Act, 1961. Section 536(2)(c) and (e) of the Income-tax Act, 2025 expressly provide that proceedings relating to tax years beginning before 01.04.2026 shall be continued and disposed of under the repealed Act as if the new Act had not been enacted. A remand by the ITAT is only a continuation of the original assessment proceedings and does not create a fresh cause under the new law. Therefore, the Assessing Officer must pass the order giving effect, strictly in accordance with the procedural and substantive provisions of the Income-tax Act, 1961.

Q7.10 In respect of AY 2024–25, which Act would govern the filing of an appeal against an assessment order received on 30.03.2025, and what would be the applicable limitation period?

Ans. As the assessment order pertains for Assessment Year 2024–25, the appeal would be governed by the Income-tax Act, 1961 and can be filed even after the commencement of the new Act. The appeal must be filed within the limitation period prescribed under the 1961 Act i.e. 30 days from the date of receipt of the order.

Q7.11 What happens to appeals that are pending before Courts, Tribunal or Commissioner (Appeals) when the new Act comes into force?

Ans: Such appeals continue under the old Act and shall be disposed in accordance with the provisions of the old Act. For instance, if a taxpayer has an appeal pending before the Income Tax Appellate Tribunal regarding AY 2021–22, that appeal will be decided by applying the provisions of the old Act and not the new Act.

B. PROVISIONS FOR AVOIDING REPETITIVE APPEALS

Q7.12 What were the statutory mechanisms under the Income-tax Act, 1961 for avoiding repetitive appeals on identical questions of law, and how have they been reorganised under the Income-tax Act, 2025?

Ans: Under the Income-tax Act, 1961, avoidance of repetitive litigation was governed by two separate provisions, namely section 158A and section 158AB. Section 158A provided an assessee-driven mechanism whereby the assessee could declare that an identical question of law was pending before the High Court or Supreme Court and agree to abide by its final decision. Section 158AB, on the other hand, enabled a departmental collegium to defer filing of appeal where the same question of law was already pending before a high court or Supreme Court. Under the Income-tax Act, 2025, these two mechanisms have been reorganised as sections 375 and 376 respectively, thereby streamlining but not altering the earlier framework.

Q7.13 Has the trigger condition for invoking the mechanism changed under the Income-tax Act, 2025 as compared to the Income-tax Act, 1961?

Ans: No, the essential trigger condition remains the same under both enactments. Under sections 158A and 158AB of the Income Tax Act, 1961, the mechanism could be invoked only where an identical question of law arose in the case and the same question was pending before the High Court or the Supreme Court. Sections 375 and 376 of the Income-tax Act, 2025 retain this foundational requirement of identity of the legal issue and its pendency before a higher judicial forum i.e. High Court and Supreme Court. The Income-tax Act, 2025 further provides that such pendency may relate to proceedings under either the Income Tax Act, 1961 or the Income Tax Act, 2025, thereby ensuring continuity across the statutory transition.

Q7.14 At what stage could sections 158A & 158AB be invoked under the Income-tax Act, 1961, and has the stage of operation changed under the Income-tax Act, 2025?

Ans: Under the Income-tax Act, 1961, section 158A could be invoked during assessment or appellate proceedings when the matter was pending before the Assessing Officer or appellate authority, whereas section 158AB operated at the stage of deciding whether the Department should file a further appeal against an order of the Commissioner (Appeals) or the Tribunal. The Income-tax Act, 2025 maintains an identical structural position by providing in section 375 an assessee-driven mechanism applicable at the assessment or appellate stage, and in section 376 a collegium-based mechanism applicable at the stage of filing further appeal. Thus, the stages of invocation remain consistent with the earlier law.

Q7.15 Is assessee acceptance required under both Acts for deferrment of appeal?

Ans: Yes, the principle of assessee acceptance continues under both enactments. Under section 158A of the Income Tax Act, 1961, the mechanism itself was based on a declaration by the assessee agreeing to abide by the final decision on the identical question of law, and section 158AB also required acceptance of the identity of the question before deferral of appeal. Similarly, under the Income-tax Act, 2025, section 375 is founded on an assessee's declaration, and section 376 requires concurrence regarding the identity of the legal issue before appeal is deferred. Therefore, there is no substantive change in this respect.

C. DISPUTE RESOLUTION COMMITTEE AND ADVANCE RULING

Q7.16 Has the Dispute Resolution Committee (DRC) framework been substantially changed under the Income-tax Act, 2025?

Ans: No substantive structural change has been made in the Dispute Resolution Committee (DRC) framework. Section 379 of the Income Tax Act 2025 substantially reenacts Section 245MA of the Income-tax Act, 1961. The objective, eligibility criteria, monetary thresholds (variation lower than Rs 10 lakh; returned income lower than Rs 50 lakh), and power to grant penalty waiver and prosecution immunity remain materially

the same. The categories of excluded persons also remain the same. The changes are primarily in placement, drafting clarity, and section renumbering.

Q7.17 What are the powers of the Dispute Resolution Committee (DRC) under the Income Tax Act 2025?

Ans: Under Section 379(2) of the Income-tax Act, 2025, it is expressly stated that the DRC may make modifications to the variations in the specified order, apart from granting penalty waiver or prosecution immunity. This clarifies DRC authority to modify tax variations in the specified order.

Q7.18 Do the DRC provisions operate differently during the transition period post 01.04.2026?

Ans: No. The Dispute Resolution Committee (DRC) provisions do not operate differently merely because of the transition after 01.04.2026. By virtue of the savings and transitional provisions of the Income-tax Act, 2025, proceedings relating to tax years prior to its commencement continue to be governed by the Income-tax Act, 1961. Accordingly, the availability and applicability of the DRC mechanism would depend on the Act governing the relevant tax year, and the transition does not create an independent or expanded right to invoke the DRC under the 2025 Act for matters preserved under the 1961 Act.

Q7.19 Where the Income Tax Act, 1961 and Income Tax, Act 2025 defines "specified order" to include a draft assessment order, can an assessee choose between Dispute Resolution Panel (DRP) and Dispute Resolution Committee (DRC)?

Ans: Yes — in principle, both mechanisms are available because a draft order under section 144C of the 1961 Act (section 275(1) of the 2025 Act) falls within the definition of a "specified order" for DRC purposes. However, the availability of DRC is subject to statutory eligibility conditions (such as monetary thresholds, nature of variation, absence of serious offences, etc.). Thus, while the definition permits overlap at the threshold stage, the two remedies are alternative and not concurrent, and the assessee cannot pursue both simultaneously.

Q7.20 Has the Income-tax Act, 2025 introduced any substantive or procedural change in the Advance Ruling mechanism compared to Chapter XIX-B of the Income-tax Act, 1961?

Ans: No substantive or procedural change has been introduced in the Advance Ruling framework under the Income-tax Act, 2025. The Income Tax Act essentially consolidates, renumbers, and streamlines the provisions earlier contained in Sections 245N to 245W of the Income Tax Act'1961 (as amended post-Finance Act, 2021)

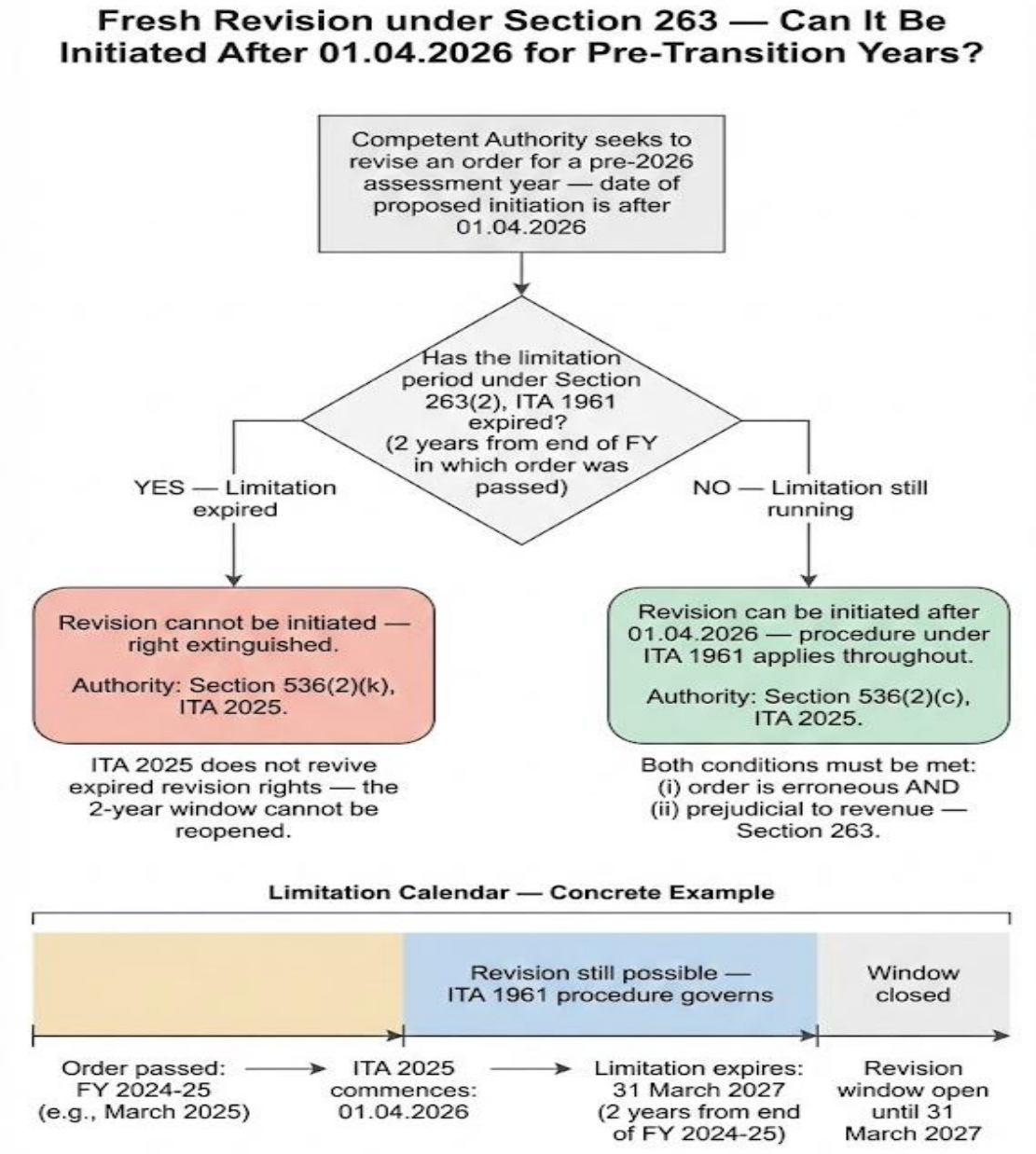
Q7.21 If an advance ruling application was pending under the Income-tax Act, 1961 as on 01.04.2026, how will it be dealt with?

Ans: By virtue of section 536(2)(e) and (j), pending proceedings continue unaffected by repeal unless specifically altered. Therefore, a pending advance ruling application shall continue before the competent authority as constituted under the law then in force. The Income Tax Act'2025 does not disturb pending advance ruling proceedings.

D. REVISION OF ORDERS

Q7.22 If no revision under section 263 of the Income Tax Act, 1961 was initiated before repeal, can fresh revision be initiated after 01.04.2026 for a pre-2026 tax year?

Ans: Yes, provided limitation under section 263(2) of the Income-tax Act, 1961 has not expired. Section 536(2)(c) permits initiation of proceedings after 01.04.2026 for earlier tax years, but strictly under the procedure of the Income-tax Act, 1961. However, if limitation has already expired, it cannot be revived under the Income-tax Act, 2025.



Q7.23 Under the Income-tax Act, 2025, does the requirement that an order must be both "erroneous" and "prejudicial to the interests of revenue" continue to apply as the jurisdictional condition for revision of an order?

Ans: The fundamental jurisdictional requirement that the order of the Assessing Officer must be both erroneous and prejudicial to the interests of the revenue continues under section 377 of the Income-tax Act, 2025, just as it existed under section 263 of the Income-tax Act, 1961.

Q7.24 Has the limitation period for revision under Section 263 of the Income-tax Act, 1961 and Section 377 of the Income-tax Act, 2025 undergone any change?
Ans: No substantive changes are made in the outer limitation period. Under both Section 263 of the Income-tax Act, 1961 and Section 377(4) of the Income-tax Act, 2025, revision must be exercised within two years from the end of the financial year in which the order sought to be revised was passed.

However, the Income-tax Act, 2025 refines and clarifies the computation mechanism. While the Income-tax Act, 1961 provided for exclusion of time during stay of proceedings or rehearing (under Section 129), the Income-tax Act, 2025 (Section 377(6)) expressly enumerates the periods to be excluded—such as time consumed in rehearing and period during which proceedings are stayed by a court. More importantly, Section 377(7) introduces an explicit 60-day minimum residual period rule, providing that if, after excluding the relevant periods, the remaining time available for passing the revision order is less than 60 days, it shall automatically stand extended to 60 days.

Q7.25 If an application under section 264 of the Income-tax Act, 1961 is pending as on 01.04.2026, under which Act will it be disposed of — the Income-tax Act, 1961 or the Income-tax Act, 2025?

Ans: A revision application filed under section 264 of the Income-tax Act, 1961 and pending as on 01.04.2026 shall be disposed of under the provisions of the Income-tax Act, 1961. Section 536(2)(c) and (e) of the Income-tax Act, 2025 clearly provide that any proceeding pending on the date of commencement of the new Act, including revision proceedings, shall continue and be disposed of as if the new Act had not been enacted. A revision under section 264 is a statutory proceeding initiated under the repealed Act, and its rights, scope, limitation and powers are governed by that Act.

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Set-off/Carry Forward of Losses and Deductions

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TOPIC 8: SET-OFF / CARRY FORWARD OF LOSSES AND DEDUCTIONS

Q8.1 Has the fundamental principle of set off and carry forward of losses changed under the Income Tax Act, 2025

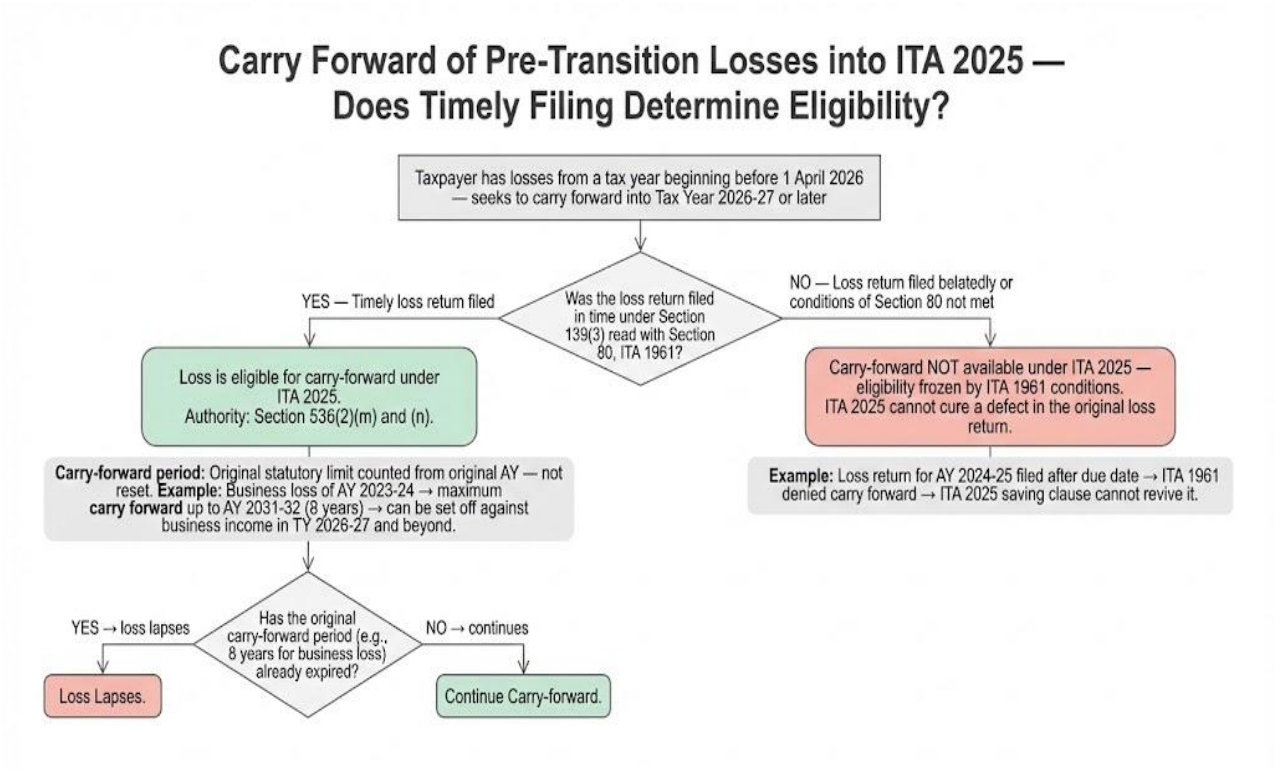
Ans: No. The core architecture remains the same—losses are first adjusted intra-head i.e., within the same head of income and then inter-head subject to statutory restrictions, after which the balance,if any, is carried forward. The duration for which loss can be carried forward also remain unchanged. The structural comparison is brought out in the table below:

Subject	Income Tax Act, 1961	Income tax Act, 2025	Change
Intra-head set off	Sec 70	Sec 108	No Change
Inter-head set off	Sec 71	Sec 109	No Change
House property loss cap	Rs 2 lakh (71(3A))	Rs 2 lakh (109(1)(b))	No Change
Capital loss restriction	Sec 71(3)	Sec 109(2)	No Change
Business loss carry forward	Sec 72	Sec 112	8 years retained
Capital loss carry forward	Sec 74	Sec 111	8 years retained
Speculation loss	Sec 73	Sec 113	4 years retained
Specified business	Sec 73A	Sec 114	No Change
Race horse loss	Sec 74A	Sec 115	4 years retained

Q8.2 Can losses computed under the Income-tax Act, 1961 be carried forward under the Income-tax Act, 2025?

Ans: Yes. The position is expressly clarified under the repeal and saving clause contained in section 536 of the Income-tax Act, 2025. Clauses (m) and (n) of section 536(2) expressly provide that losses brought forward for tax years beginning before 1 April 2026 shall continue to be carried forward and set off under the new Act in the manner provided under the corresponding provisions of the repealed Act.

Example: Eligible business loss of AY 2023-24 (Income-tax Act, 1961) can be carried forward under the new Income Tax Act, 2025 but total carry forward period cannot exceed the original eight-year limit counted from AY 2023–24.



Q8.3 Are brought-forward losses from "Income from house property" under the old Act still available for set-off under the new Act?

Ans: Yes. Loss from house property brought forward for years before 1 April 2026 can be set off and carried forward under the new Act, in the manner as contained in the section 71B of the old Act.
For example, if Mrs. R had a house property loss in AY 2024–25, that loss can be adjusted against house property income under the new Act in later years.

Q8.4 Are there any provisions in the new Income Tax Act about set-off of brought forward business losses from earlier years under the old Act?

Ans: Yes. Business losses brought forward from years before 1 April 2026 can be set off against only business income and carried forward under the new Act, in the manner provided under section 72 of the old Act.

For instance, a taxpayer's business loss of AY 2023–24 can be adjusted against his business income for Tax Year 2026–27 under the new Act, subject to fulfilment of prescribed conditions.

Q8.5 How are brought-forward capital losses (both long-term and short-term) from earlier years treated under the new Act?

Ans: They can be carried forward and set off against capital gains computed under the new Act, but only in the manner the old Act allowed.

For instance, a long-term capital loss that a taxpayer had in AY 2024–25 can be used for set-off against his long-term capital gains in later years, following the conditions prescribed in the old Act.

Q8.6 If an amalgamation took place in FY2024-25 under section 72A of the Income-tax Act, 1961, and the prescribed conditions are violated in FY 26-27, which Act governs the taxability of such violation?

Ans: If the statutory conditions prescribed under section 72A of the Income Tax Act, 1961—such as continuation of business or maintenance of prescribed levels of assets—are violated in a tax year beginning on or after 1st April, 2026 (say FY 2026-27), the consequences of such violation are determined under section 536(2)(o) of the Income Tax Act, 2025. This clause specifically provides that where any set-off of loss or allowance for depreciation was made before 1 April 2026 under section 72A of the old Act, and the stipulated conditions are subsequently not complied with, the amount so set off shall be deemed to be the income of the amalgamated (or successor) entity in the tax year of violation. Accordingly, the deemed income arising in tax year 2026-27 will be chargeable to tax under the Income-tax Act, 2025.

Q8.7 Are losses computed under the Income-tax Act, 1961 preserved in their original nature under the Income-tax Act, 2025, or does the new Act reclassify them under different heads of income?

Ans: The Income-tax Act, 2025 does not reclassify losses determined under the Income-tax Act, 1961 into different heads of income. Section 536 (repeal and saving clause) explicitly preserves the original character of such losses. Under sections 536(2)(m) and (n), losses retain their original nature—business, speculation, capital, etc.—and are carried forward and set off as per the corresponding provisions of the repealed Act. Thus, old losses are not converted or re-characterised; only their carry forward and set-off continues under the corresponding head in the 2025 Act.

Q8.8 If loss return for AY 2024-25 was filed belatedly under Income Tax Act, 1961, can it be carried forward under Income Tax Act, 2025?

Ans: No. If the loss return for AY 2024–25 was filed belatedly and did not meet the conditions of section 139(3) read with section 80 of the Income-tax Act, 1961, the loss cannot be carried forward. Since the tax year falls before 1 April 2026, carry-forward eligibility is governed solely by the old Act. The repeal and saving clause in section 536 of the Income-tax Act, 2025 preserves only validly determined losses and does not remedy defects or revive ineligible claims. Therefore, losses not eligible for carry-forward under the 1961 Act cannot be carried forward under the 2025 Act.

Q8.9 Has the restriction on set-off of losses against undisclosed income changed under the Income Tax Act, 2025?

Ans: No. The restriction has remained the same in principle. Section 120 Income Tax Act, 2025 bars set-off of brought forward losses and/or unabsorbed depreciation against undisclosed income included in the total income of assessee consequent to search, requisition, or survey proceedings just like section 79A of Income-tax Act, 1961.

Deductions

Q8.10 Has the basic deduction for specified savings instruments as available under section 80C of the old Act changed under the Income-tax Act, 2025?

Ans: No. Section 123 of the Income-tax Act, 2025 retains the Rs 1.5 lakh aggregate deduction for specified savings instruments for individuals or HUF, structurally similar to Section 80C read with 80CCE of the Income Tax Act, 1961. The eligible instruments are now placed in Schedule XV, but the nature of qualifying payments such as life insurance, provident fund, tuition fees, etc., remains unchanged in substance.

Q8.11 Whether assessee can claim deduction under section 123 of the 2025 Act, under the New Tax Regime?

Ans. No, deduction under section 123 of the Act is not allowed to the assessee under the new concessional tax regime under section 202.

Q8.12 Is timely furnishing of return mandatory for claiming deductions under Part C of Chapter VIII of Income-tax Act, 2025, even if the income otherwise qualifies?

Ans: Yes. Under Section 122(5) of the Income-tax Act, 2025, furnishing the return of income within the prescribed due date is a statutory pre-condition for claiming deductions under Part C of Chapter VIII of Income-the tax Act, 2025.This continues the legislative policy earlier reflected in Section 80AC of the old Act that compliance with return furnishing timelines is integral to deduction entitlement.

Q8.13 Where a profit-linked deduction under section 80-IA of the Income-tax Act, 1961 was allowed for certain number of years, can the assessee continue to claim it after 1 April 2026?

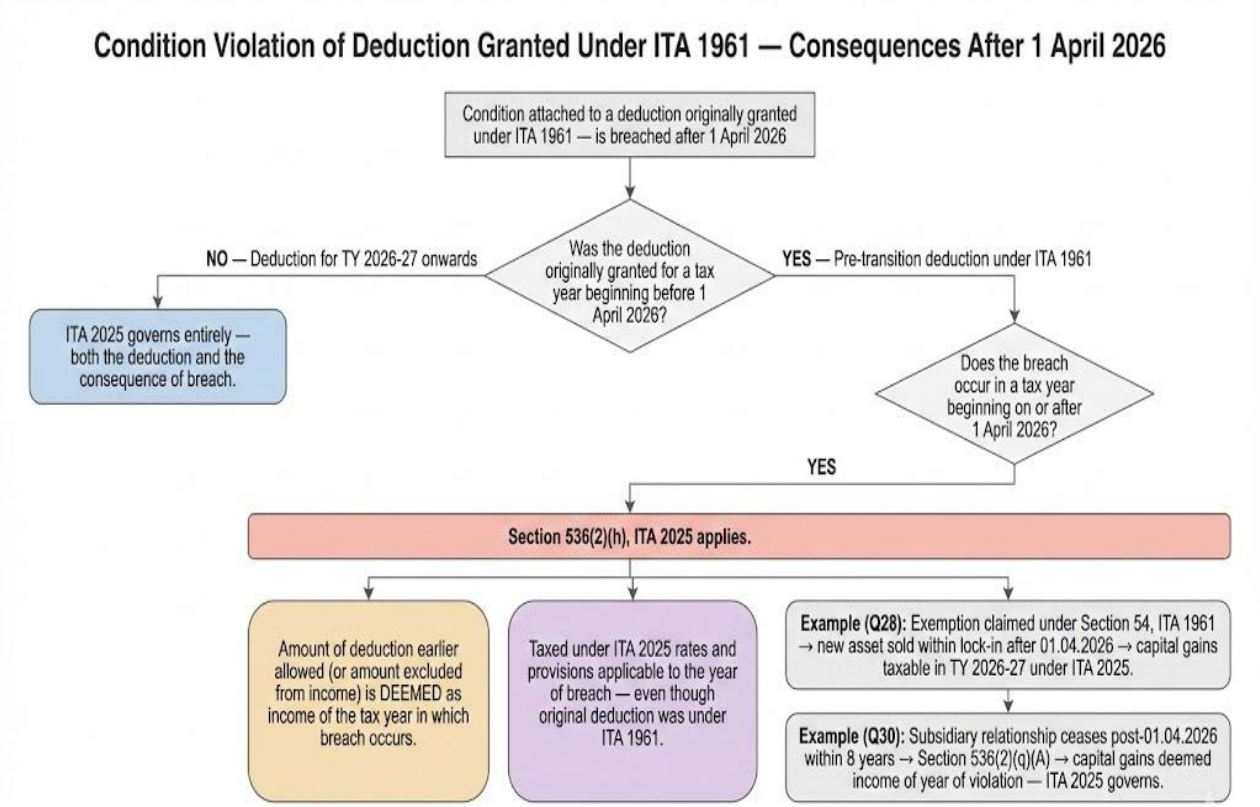
Ans: Yes, but only for the remaining period and in manner as provided in the original Income-tax Act, 1961. The Income-tax Act, 2025 contains specific transitional provisions (for example, sections 138, 139, 141, 142, etc.) that permit continuation of deductions in respect of eligible businesses where the assessee would have remained eligible under the Income-tax Act, 1961 had it not been repealed. The deduction is not freshly granted under the new Act but is allowed as a continuation of the old Act.

The continuation is strictly time-bound. If under the Income-tax Act, 1961 the deduction was available for ten consecutive years, the assessee may claim deduction for the

remaining years after 1 April 2026 as would have been claimed under the old Act, but cannot extend the benefit beyond that statutory window.

Q8.14 If conditions attached to a deduction claimed under the Income Tax Act, 1961 are violated after 1 April 2026, under which Act will the tax consequences arise?

Ans: The issue is specifically governed by Section 536(2)(h) of the Income-tax Act, 2025 (Repeal and Savings).This clause provides that where, under the repealed Act, such sum would have been required to be included in total income upon violation, the same shall be deemed to be the income of the assessee for the tax year in which the violation takes place and shall be included under the same head of income as it would have been included under the repealed Act.



Q8.15 Do pending appeals or assessments or reassessments or other proceedings relating to deductions under Chapter VI-A of the income Tax Act, 1961 continue under the old Act?

Ans. Yes. The section 536(2)(c) of Income Tax Act, 2025 clearly states that proceedings pending on the date of commencement of the Income-tax Act, 2025, or initiated thereafter in respect of tax years beginning before 1 April 2026, shall continue to be governed by the repealed Act. This includes assessment, reassessment, rectification, revision, penalty proceedings and appellate proceedings. Accordingly, if an appeal relating to disallowance of deduction under section 80P or 80-IA is pending, the matter will be decided under the Income-tax Act, 1961. Similarly, if deduction under Chapter VI-A was wrongly allowed, reassessment can still be initiated under the framework of the Income-tax Act, 1961 despite its repeal.

Q8.16 If a housing project eligible under section 80-IBA of the Income-tax Act, 1961 continues beyond 01.04.2026, can deduction still be claimed?

Ans: Yes, subject to section 142 of the 2025 Act, which allows deduction for such tax years as would have been allowed under section 80-IBA of the 1961 Act (as if not repealed).

Accordingly, if a housing project had validly qualified under section 80-IBA of the Income-tax Act, 1961, the deduction may continue for the remaining period, provided all conditions of the original provision are satisfied. The computation and eligibility remain governed by the framework of the repealed Act, but the deduction is granted under section 142 of the Income-tax Act, 2025.

Q8.17 If an option or declaration was exercised under the Income Tax Act, 1961, does it survive repeal?

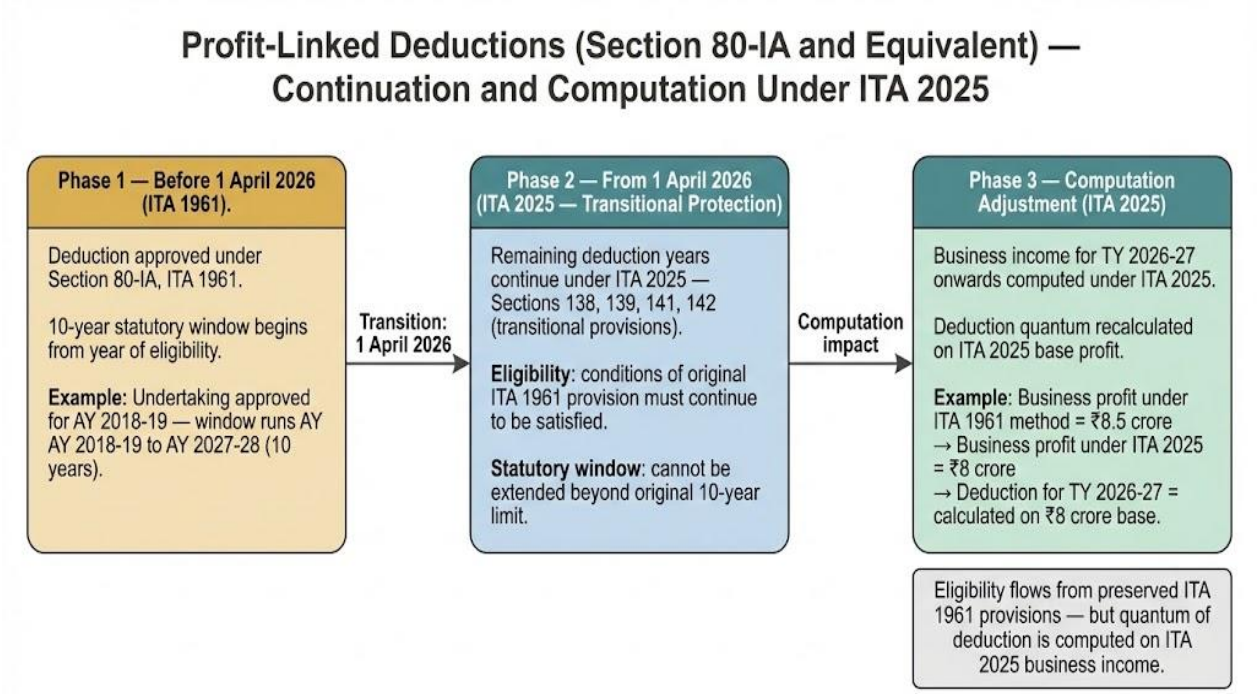
Ans: Yes, subject to Section 536(2)(f) of the Income-tax Act, 2025. This clause provides that any election, declaration or option exercised under the repealed Income-tax Act, 1961 and in force immediately before commencement of the Income-tax Act, 2025 shall be deemed to have been exercised under the corresponding provision of the new Act. Thus, continuity is preserved where the new Act contains a parallel or mapped provision.

However, if the Income-tax Act, 2025 does not have a parallel provision, the earlier option cannot independently survive beyond the scope preserved by the saving clause. The deeming fiction operates only to the extent a corresponding statutory framework exists in the new law.

Q8.18 Can repeal of old Act affect the computation base for deduction if business income is computed under the Income-tax Act, 2025?

Ans: Yes. For tax years beginning on or after 1 April 2026, business income is computed under the Income-tax Act, 2025, even if the deduction itself is grandfathered from the Income-tax Act, 1961. While the eligibility for deduction may flow from the preserved provisions of the old law, the quantum of eligible profit is determined under the computation mechanism of the new Act. In simple terms, the right to claim deduction may come from the old regime, but the profit figure on which it is calculated comes from the new regime.

Example: Suppose an undertaking eligible under section 80-IA (Income Tax Act, 1961) has two years of deduction remaining after 01.04.2026. For FY 2027-28, its business income is computed under the Income-tax Act, 2025. If the recomputed business profit under the new Act is Rs 8 crore instead of Rs 8.5 crore under the old Act, the deduction will apply to Rs 8 crore and not Rs 8.5 crore.



Q8.19 Can a deduction be claimed after 01.04.2026 if the undertaking had not satisfied eligibility conditions before repeal — but an identical provision exists in the Income Tax Act, 2025?

Ans: Yes, but only if the undertaking independently satisfies the eligibility conditions under the Income-tax Act, 2025 on fresh verification. If the new law contains a corresponding or identical deduction provision, the assessee's claim will be examined under the conditions of the Income-tax Act, 2025. In that case, the claim is not a continuation of an old right; it is a fresh claim under the new statute. The undertaking must satisfy all conditions as required under the Income-tax Act, 2025 for the relevant tax year.

Q8.20 If a deduction was partly disallowed under the Income Tax Act, 1961 and the appeal is decided after repeal, which law governs?

Ans: The matter will be governed by the Income-tax Act, 1961. Under Section 536(2)(c), (d) and (e) of the Income-tax Act, 2025, any proceeding relating to a tax year beginning before 1 April 2026 — including appeal, reassessment, rectification or penalty — shall continue and be disposed of as if the Income-tax Act, 1961 had not been repealed. Therefore, the appellate authority will determine the entitlement strictly under the provisions of the Income-tax Act, 1961. However, if the appellate decision has consequences for subsequent tax years (for example, affecting carry forward of losses or quantum of unabsorbed depreciation), the forward impact for the tax years beginning from 1.04.2026 and onwards, will operate within the computational framework of the Income-tax Act, 2025.

Example: Suppose for AY 2025-26, an assessee claimed Rs 10 crore deduction under section 80-IA, but the same was reduced to Rs 7 Crore by AO. The appeal is decided

in FY26-27 (after repeal) as per provisions of old Act, and the appellate authority allows the full Rs 10 crore deduction. The question of whether deduction of Rs 3 crore was allowable, will be decided under the Income-tax Act, 1961.

If that decision affects carry forward of business loss or MAT credit into TY 2026-27 onwards, the carry forward survives by virtue of Section 536, but its utilisation in future years will be governed by the provisions of Income-tax Act, 2025.

Q8.21 Has the relationship between Gross Total Income (GTI) and the deduction ceiling changed in Income Tax Act, 2025

Ans: No, there is no change. Under section 80A of the Income Tax Act, 1961, deductions under Chapter VI-A could not exceed the Gross Total Income (GTI). The same principle continues under the Income Tax Act, 2025 vide section 122 of the same - total deductions cannot exceed the GTI of the assessee.

Q8.22 If a search was initiated in March 2026 and a Chapter VI-A deduction is under scrutiny, which Act applies?

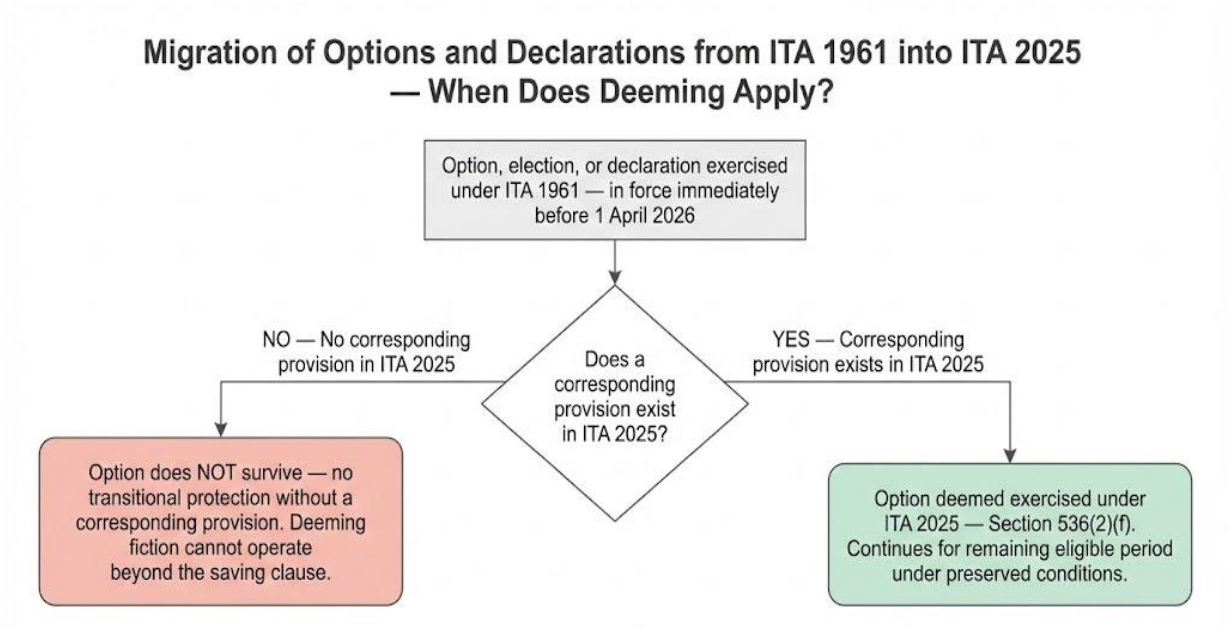
Ans: The Income-tax Act, 1961 will apply. If a search was initiated before 1 April 2026, the entire proceeding - including assessment, reassessment, penalty and appeal - will continue under the Income-tax Act, 1961, even if the assessment order is passed after 01.04.2026. This position is expressly protected by the saving clause in Section 536(2)(v) of the Income-tax Act, 2025, which states that where a search has been initiated under section 132 (or requisition under section 132A) before commencement of the Income-tax Act, 2025, the provisions of the repealed Act shall continue to apply as if the new Act had not been enacted.

Q8.23 Is a revision under Section 263 of the Income-tax Act, 1961 by the CIT, after repeal, for AY 2024–25 involving an 80IA claim still valid?

Ans: Yes, it is valid. AY 2024-25 is a tax year beginning before 1 April 2026. Under Section 536(2)(c) and (e) of the Income-tax Act, 2025, any proceeding relating to a tax year prior to 1 April 2026 - including revision - shall continue and be disposed of as if the Income-tax Act, 1961 had not been repealed.

Q8.24 If an assessee had opted for a specific deduction regime under the Income Tax Act, 1961, does that option automatically migrate into the Income Tax Act, 2025?

Ans: It continues only if the saving clause specifically protects it. Under Section 536(2)(f) of the Income-tax Act, 2025, any election, declaration or option exercised under the Income Tax Act, 1961 and in force immediately before repeal is deemed to have been exercised under the corresponding provision of the Income Tax Act, 2025 — but only if a corresponding provision exists. This means the old option survives only where the new law contains a mapped continuation. It does not create a permanent or independent right.



Q8.25 Whether provisions to prevent inflation of eligible profits through inter-unit transfers provided in the Income-tax Act, 1961 are incorporated in the Income-tax Act, 2025?

Ans: Yes. Both the Income-tax Act, 1961 and the Income-tax Act, 2025 contain similar anti-abuse safeguards to prevent artificial inflation of profits of an eligible undertaking through inter-unit transfers.

Q8.26 How are deductions claimed under the old Act dealt with if the conditions attached to them are breached in a subsequent year after the new Act comes into force?

Ans: When a deduction granted in earlier years under the old income tax Act was subject to conditions, and those conditions are breached in a later year after the new Act has come into effect, the previously allowed benefit will be reversed. The amount earlier deducted (or excluded from total income) is then taxed as income in the year of violation as per provisions of the new Act.

Q8.27 If exemption was claimed under Sections 54 of the Income-tax Act, 1961, and the new asset is transferred after 1 April 2026 but within the prescribed lock-in period, how will the withdrawal of exemption be taxed under the Income-tax Act, 2025?

Ans: Where exemption was originally claimed under Sections 54, 54B, 54F, etc., of the Income-tax Act, 1961 and the new asset is transferred after 1 April 2026 but within the prescribed lock-in period, Section 536(2)(h) of the 2025 Act applies. It provides that if conditions attached to a deduction or exemption granted under the repealed Act are violated after commencement of the new Act, the amount earlier claimed as exempt

shall be deemed to be income of the assessee in the year of violation. For instance, if a house (being the new asset for claiming exemption from capital gains) purchased in March 2025 is sold in May 2027 (within three years), the earlier exempted capital gain will be taxed in Tax Year 2027–28 under the Income-tax Act, 2025, but the triggering condition and quantum will be determined as per Section 54 of the old Act.

Q8.28 How will amounts deposited before 1 April 2026 in the Capital Gains Account Scheme under the Income-tax Act, 1961 be taxed if they remain unutilised after the prescribed period, and will such taxation be governed by the old Act or the Income-tax Act, 2025?

Ans: If an assessee deposited unutilised capital gains in the Capital Gains Account Scheme under the Income-tax Act, 1961 before 1 April 2026, such deposit continues to be governed by the conditions of the old Act. If the amount is not utilised within the prescribed period (for example, three years under Section 54), then as per Section 536(2)(h), the unutilised portion will be taxed in the year in which the time limit expires. For example, if the transfer occurred in June 2024 and the deposit remains unutilised till June 2027, the amount becomes taxable in Tax Year 2027–28 under the new Act, but computation follows the old exemption structure.

Q8.29 How are violations of conditions under Sections 47(xiii), 47(xiiib) and 47(xiv) treated after repeal of Income Tax Act, 1961?

Ans: Sections 47(xiii), 47(xiiib) and 47(xiv) of the 1961 Act granted capital gains exemption on conversion of firm to company, company to LLP, and proprietary concern to company, respectively, subject to continuity and shareholding conditions. If these conditions were not complied with, the exemption would be withdrawn under Section 47A. Section 536(2)(q)(B) of the 2025 Act provides that if such non-compliance occurs after 1 April 2026, the previously exempted capital gains shall be deemed taxable under the 2025 Act in the year of violation. Therefore, the repeal does not absolve entities from compliance with post-conversion lock-in conditions.

Q8.30 Do multi-year deductions as provided in sections 35ABA, 35ABB, 35D, 35DD, 35DDA, 35E or the first proviso to section 36(1)(ix) of the Income Tax Act, 1961 (like preliminary expenses, telecom/licence fees amortized over several years, etc.) claimed under the old Act continue under the new Act?

Ans: Yes. As per section 536(2)(s) of the Income Tax Act, 2025, these deductions continue for the remaining years under the new Act, provided the conditions are met.
For example, if M/s. ABC started claiming a preliminary expense deduction in five equal parts from AY 2025-26, it will continue to get the remaining portions in AY 2026–27 and later years under the new Act.

Q8.31 A telecom company incurred expenditure for obtaining right to use spectrum for telecommunication services before 01.04.2026 and had started claiming a multi-year deduction u/s 35ABA of the old Act. Will it lose the balance after the new Act commences?

Ans: No. The deduction continues for the remaining years under the new Act, provided the conditions are met.
For example, XYZ Telecom Ltd. paid a license fee in FY2024-25 and had already claimed two years of deduction before the new Act commenced. From Tax Year 2026–27, the remaining deduction becomes part of the new Act's deferred expenditure allowance, and the company will continue claiming it each year subject to fulfilment of conditions prescribed.

Q8.32 Whether unabsorbed depreciation from AY prior to 2026 continues with unlimited carry forward under 2025 Act?

Ans. Yes. By virtue of saving clause, character and time-limit (or absence thereof) remains intact.

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Issues concerning Non-Resident Indians (NRIs)

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TOPIC 9: ISSUES CONCERNING NON-RESIDENT INDIANS (NRIs)

Q9.1 Has the basic test of residence for individuals changed under the Income-tax Act, 2025?

Ans: No change has been made in the basic conditions for determining individual residency. Under section 6 of the Income-tax Act, 2025, an individual continues to be treated as tax-resident if he stays in India for 182 days or more in the relevant tax year, or for 60 days or more in that year coupled with 365 days or more in the preceding four years. These conditions are identical to section 6(1) of the Income-tax Act, 1961.

Q9.2 Does the special relaxation under the 1961 Act continue to apply under which a citizen of India leaving India for employment outside India or as a crew member of an Indian ship is considered a resident only if he stays in India for 182 days or more during the relevant tax year?

Ans: Yes, the special relaxation continues without any change. If a citizen of India leaves the country for employment outside India or as a crew member of an Indian ship, he will be regarded as a resident only if his stay in India is 182 days or more during the relevant tax year. In such cases, the condition of stay of 60 days in the relevant tax year along with 365 days in the four preceding tax years does not apply.

Q9.3 Has the rule for Indian citizens or Persons of Indian Origin visiting India been modified in the new Act?

Ans: No. The rule remains the same under the Income-tax Act, 2025. Visiting Indian citizen or person of Indian origin shall be treated as 'resident' in a tax year if he is in India for a total period of more than182 days in that tax year. For persons earning more than Rs. 15 lakh (other than the income from foreign sources) during the tax year, alternate condition u/s 6(2)(b) of the new Act also applies with modification that '60 days' in the said section is to be read as '120 days' along with 365 days or more in the four years preceding such tax year.

Q9.4 What is meant by deemed to be a resident? Has the 'deemed residency' provision of Income Tax Act, 1961 undergone any change?

Ans: As per section 6(1A) of the Income-tax Act, 1961, a citizen of India having total income exceeding Rs 15 lakh (other than income from foreign sources), and not liable to tax in any other country by reason of domicile, residence or similar criteria, is considered to be deemed resident. This deemed residency rule has been retained in the Income-tax Act, 2025.Section 6(7) of the Income-tax Act, 2025 is similar to section 6(1A) of the Income-tax Act, 1961. In this scenario, stay of number of days in India is insignificant.

Q9.5 Has the concept of 'Not Ordinarily Resident' (NOR) been altered under the new Act?

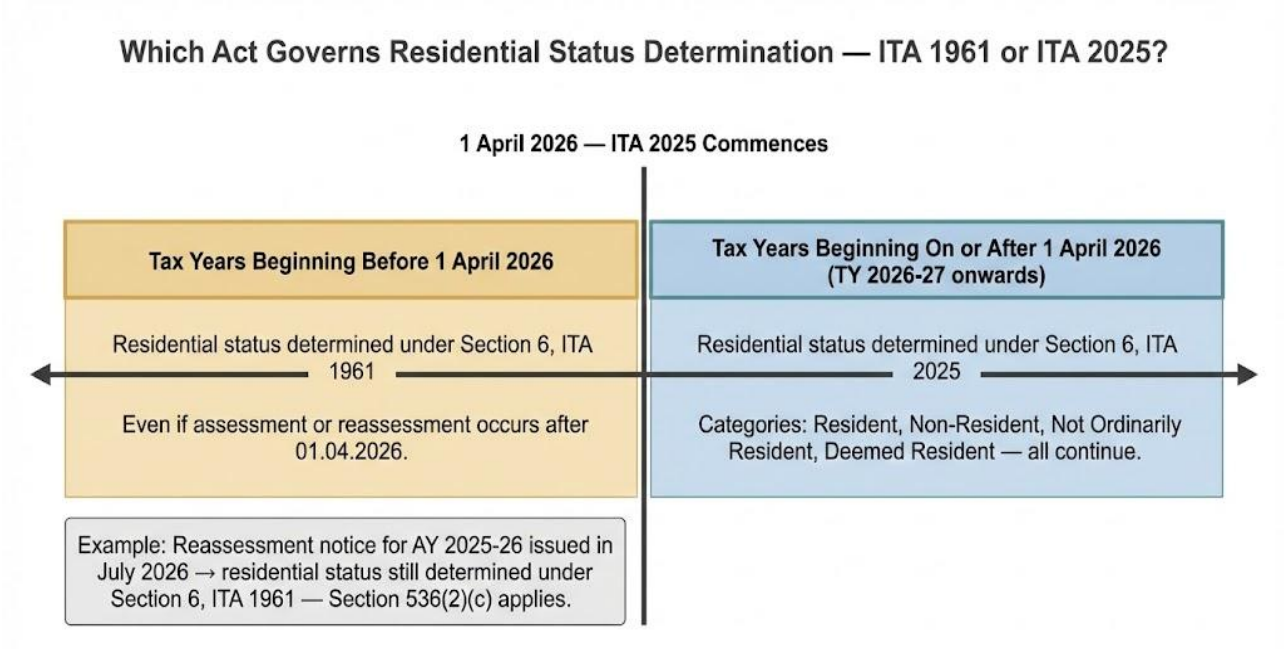
Ans: There is no modification in the NOR criteria. An individual remains not ordinarily resident in a tax year if he was non-resident in nine out of ten preceding years or stayed in India for 729 days or less in the preceding seven years. Section 6(13) of the Income-tax Act, 2025 is similar to section 6(6) of the Income-tax Act, 1961.

Q9.6 Whether the Residency Test for a Company Has Changed under the Income-tax Act, 2025?

Ans: No, the residency test for a company has not changed under the Income-tax Act, 2025. Under both the Income-tax Act, 1961 and the Income-tax Act, 2025, a company is regarded as resident in India if it is an Indian company or if its Place of Effective Management (POEM) during the relevant year is in India.

Q9.7 Which law will determine residential status for tax years prior to 1 April 2026?

Ans: Residential status for any tax year beginning before 1 April 2026 will continue to be determined under section 6 of the Income-tax Act, 1961, even if the assessment or reassessment takes place after the commencement of the Income-tax Act, 2025. This flows from the savings clause which preserves the applicability of the 1961 Act for all proceedings relating to earlier tax years.



Q9.8 If reassessment for AY 2025-26 is initiated after 1 April 2026, which provisions will apply for determining the tax-residency of a person?

Ans: Even if notice for reassessment for AY 2025-26 is issued after 1 April 2026, the residential status must be determined strictly under section 6 of the Income-tax Act, 1961 because the tax year involved begins before 1 April 2026. The section 536 of the new Act expressly provides that proceedings relating to such years shall be carried out under the old Act as if the new act had not been enacted. Thus, the Income-tax Act, 2025 has no application in determining tax-residency for any tax year beginning before 1 April 2026.

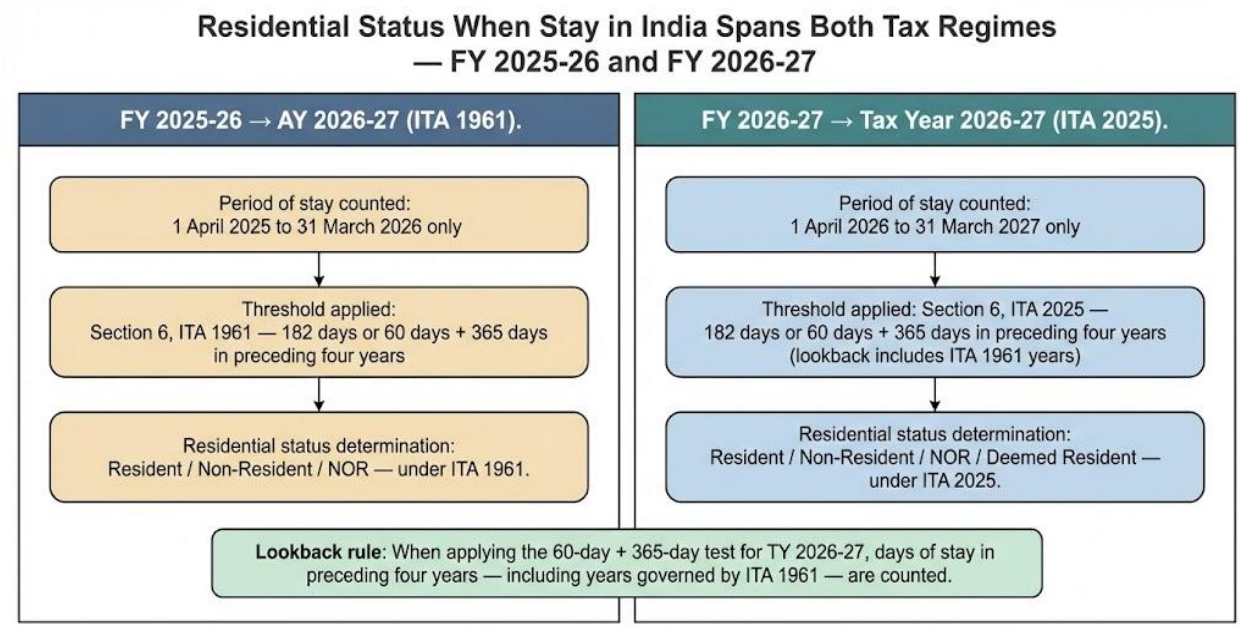
Q9.9 From which year will residential status be governed by the Income-tax Act, 2025?

Ans: Residential status under section 6 of the Income-tax Act, 2025 will apply only for tax years beginning on or after 1 April 2026. For such years, the determination of resident, non-resident, deemed resident and not ordinarily resident will be governed entirely by the new Act. There is no overlapping application for the same tax year. The dividing line is the commencement date of the tax year, not the date of proceedings.

Q9.10 If a person's stay in India spans across time period where both Acts are effective, how is residential status evaluated?

Ans: Residential status is assessed separately for each tax year. Where an individual's stay in India extends across financial years 2025–26 and 2026–27, the tax residency for FY 2025–26 (AY 2026–27) shall be determined based on the period of stay up to 31 March 2026, in accordance with the provisions of the Income-tax Act, 1961.

For FY 2026–27, residential status shall be determined under the provisions of the Income-tax Act, 2025, and the period of stay from 1 April 2026 onwards will be considered for this purpose. However, while applying the "60 days (stay in the relevant tax year) + 365 days (stay in the preceding four tax years)" test, the stay during FY 2025–26 and earlier years shall also be taken into account, as relevant.



Q9.11 Does the repeal affect the continuity conditions relevant for 'Not Ordinarily Resident' status?

Ans: No, the continuity-based tests such as "nine out of ten preceding years" or "729 days in seven preceding years" will continue to look back to earlier years even if those years were governed by the Income-tax Act, 1961. When applying section 6 of the Income-tax Act, 2025 for tax year beginning on or after 01.04.26, the preceding years may include years under the repealed Act.

Q9.12 How does deemed residency interplay with the repeal clause?

Ans: For tax years prior to 1 April 2026, deemed residency of Indian citizens not liable to tax elsewhere and having income exceeding Rs 15 lakh will be governed by section 6(1A) of the Income-tax Act, 1961. For tax years beginning on or after 1 April 2026, the corresponding deemed residency provision in section 6(7) of the Income-tax Act, 2025 will apply. The repeal clause ensures that deemed residency for earlier years cannot be tested under the new provision.

Q9.13 If a person was treated as resident for a particular year under the Income-tax Act, 1961, can that status be reopened under the Income-tax Act, 2025?

Ans: No, residential status once determined for a tax year under the Income-tax Act, 1961 can only be reopened in accordance with the provisions of that Act.

Q9.14 Whether the provisions relating to concessional tax regimes for NRIs as contained in sections 115D, 115E and 115F of the Income-tax Act, 1961 have undergone any change under the Income-tax Act, 2025?

Ans: No. The core features of the special NRI taxation regime remain unchanged. Under the Income-tax Act, 1961:

- Section 115D disallowed deduction of any expenditure or allowance while computing investment income of a Non-resident Indian (NRI) and restricted Chapter VI-A deductions where the gross total income consisted of such income.
- Section 115E provided for concessional tax rates of 20% on investment income and 10%/12.5% on long-term capital gains depending on the date of transfer.
- Section 115F granted exemption from capital gains where the net consideration from transfer of foreign exchange assets was reinvested in specified assets within six months, subject to a proportional exemption formula and a three-year lock-in period, along with a claw-back provision on premature transfer.

The corresponding Sections 213, 214 and 215 of the Income-tax Act, 2025 substantially reproduce these provisions. Thus, the restriction on deductions, concessional tax treatment, reinvestment exemption (including the formula A = B × C / D), lock-in condition, and claw-back mechanism have been retained under the new Act without material alteration.

Q9.15 Has the return filing exemption for NRIs under Section 115G of the 1961 Act been continued in Income-tax Act, 2025?

Ans: Yes. Section 115G of the Income-tax Act, 1961 exempted NRIs from filing a return where total income consisted only of investment income or long-term capital gains or both, subject to TDS. Section 216 of the Income-tax Act, 2025 retains this relief in similar terms, maintaining the compliance simplification approach. The conditions—limited income category and proper tax deduction at source—remain the same.

Q9.16 Has the continuation of benefits after becoming resident under Section 115H of the old Act been preserved in Income-tax Act, 2025?

Ans: Section 115H of the Income-tax Act, 1961 allowed an NRI who became resident to continue enjoying concessional taxation on certain foreign exchange assets (other than shares) upon filing a declaration. Section 217 of the Income-tax Act, 2025 preserves this continuation benefit. The requirement of furnishing a declaration along with the return and continuation until transfer or conversion of asset remains intact. Accordingly, continuity of benefits has not been withdrawn.

Q9.17 Has the elective mechanism under Section 115-I of the Income-tax Act, 1961, allowing an NRI to opt out of the special concessional regime and be taxed under normal provisions, been retained in the Income-tax Act, 2025?

Ans: Section 115-I of the Income-tax Act, 1961 allowed an NRI to elect not to be governed by the special concessional regime for any assessment year and instead be

taxed under normal provisions. The Income-tax Act, 2025 retains this elective mechanism allowing the assessee to declare in the return that the special provisions shall not apply. Upon such declaration, taxation shall be under the general provisions of the Act. The voluntary nature of the special regime therefore remains intact.

Q9.18 If an NRI had exercised the option under Section 115-I (old Act) to opt out of the concessional regime, does that election survive repeal?

Ans: Yes, the repeal and saving clause preserves elections validly exercised under the Income-tax Act, 1961 for the relevant assessment year. Since the option under Section 115-I was year-specific, its effect continues for that particular year even after repeal. For tax years governed by the Income-tax Act, 2025, the corresponding opt-out provision will apply prospectively. The repeal does not retrospectively invalidate an option previously exercised. Thus, each tax year shall be examined independently based on the governing statute applicable to that year and the option chosen by the assessee.

Q9.19 An NRI had claimed exemption under Section 115F of the Income-tax Act, 1961. He transfers the new asset after 01.04.2026 (i.e., after commencement of the Income-tax Act, 2025) but within the three-year lock-in period, which Act will apply for the claw-back and in which year will the income be taxed?

Ans: If the new asset is transferred after 01.04.2026 but within the three-year lock-in period, the claw-back liability arises under Section 115F(2) of the Income-tax Act, 1961, as that is the provision granting the original exemption. The repeal and saving clause of the Income-tax Act, 2025 preserves the exemption's liability, keeping its rights and conditions governed by the 1961 Act.

However, the year of taxability shall be the tax year in which the new asset is transferred. If this occurs after 01.04.2026, the transfer falls under the 2025 Act, and assessment for that year will follow its provisions.

Q9.20 Does a declaration filed by an NRI under Section 115H of the Income-tax Act, 1961 to continue concessional taxation after becoming a resident remain valid under the Income-tax Act, 2025?

Ans: Where an NRI had filed a declaration under Section 115H of the Income-tax Act, 1961 to continue concessional taxation after becoming resident, such declaration is a valid declaration for the purposes of the new Act as provided in section 536(2)(f) of the Income Tax Act, 2025.

Q9.21 How are pending assessments or reassessments involving Sections 115C–115I treated after repeal of the old Act?

Ans: Assessments relating to tax years governed by the Income-tax Act, 1961 will continue under that Act by virtue of the saving clause. The repeal does not invalidate completed proceedings or ongoing reassessment actions initiated under the provisions of the old Act. Therefore, disputes involving concessional rates, denial of deduction under Section 115D, or exemption under Section 115F will be adjudicated under the old Act for those years. The new Act applies only prospectively to tax years beginning on or after 1st April, 2026.

Q9.22 Does repeal affect the definition of "foreign exchange asset" for assets acquired under the old regime?

Ans: No, assets acquired as "foreign exchange assets" under Section 115C of the Income-tax Act, 1961 retain their character for the purposes of taxation in respect of earlier years. Since the Income-tax Act, 2025 adopts similar definitions under Section 212, there is no discontinuity in classification. The saving clause ensures that characterization of assets and tax treatment determined under the old law remains valid.

Q9.23 Has exemption for interest earned on NRE account as available under section 10(4)(ii) of the Income Tax Act, 1961 been retained in the Income-tax Act, 2025?

Ans: Section 10(4)(ii) of the Income-tax Act, 1961 exempted interest earned by an individual from a Non-Resident (External) Account (NRE) maintained in accordance with FEMA, provided the individual is a "person resident outside India as defined in FEMA" or is permitted by RBI to maintain such an account. In the Income-tax Act, 2025, this exemption has been kept in Schedule IV. The substantive conditions remain the same—eligibility continues to depend on non-resident status under FEMA and RBI permission. There is no withdrawal or dilution of this exemption.

Q9.24 Does the Income-tax Act, 2025 alter the linkage between FEMA residential status and income-tax exemption under Section 10(4)(ii) of the old Act?

Ans: Under the Income-tax Act, 1961, the exemption under Section 10(4)(ii) of the old Act was based on the FEMA definition of "person resident outside India" rather than tax residency under the Income-tax Act. The Income-tax Act, 2025 continues to maintain this distinction.

Q9.25. Does the Income-tax Act, 2025 retain the mechanism provided under the first proviso to Section 48 of the Income-tax Act, 1961, allowing non-residents to compute capital gains on shares or debentures in the original foreign currency and reconvert the net gain into Indian currency?

Ans: Under the first proviso to Section 48 of the Income-tax Act, 1961, Non-resident computing capital gains on transfer of shares or debentures of an Indian company were permitted to compute gains in the same foreign currency in which the investment was

made, and reconvert the net gain into Indian currency. This neutralized exchange fluctuation impact. Under the Income-tax Act, 2025, Section 72 retains this mechanism for non-residents.

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Miscellaneous

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TOPIC 10: MISCELLANEOUS

Q10.1 The Section 115BAC of the Income-tax Act, 1961 provides the new tax regime for Individuals and HUFs. Does the said new tax regime continue in the Income-tax Act, 2025?

Ans: Yes. In the Income-tax Act, 2025 the new tax regime is provided under section 202 and is available for Individuals, HUF, Association of Persons (other than a cooperative society), Body of Individuals, whether incorporated or not and Artificial Juridical Person referred to in section 2(77)(g). In the new Act also, the new regime is the default tax regime and the option for opting out of the new tax regime has been made available to the taxpayers.

Q10.2 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 Act, 2025?

Ans: No. An option exercised under a provision of the old Act as was in force immediately before the commencement of new Act, is treated as if it was made under the equivalent provision of the new Act.

Q10.3 Is there a need to change the accounting periods of businesses due to the introduction of 'Tax Year' concept?

Ans: No, since the Tax Year is aligned with the Financial Year i.e., is a year starting from 1st April and ending on 31st March, no change in accounting year or financial statements is required for businesses or other taxpayers.

Q10.4 What has changed in provisions relating to presumptive taxation of residents in the new Income-tax Act, 2025?

Ans: Under the provisions of the Income-tax Act, 1961 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 Income-tax Act, 2025, all these presumptive taxation schemes have been consolidated into one section (section 58) in a tabular format, while adopting simplified language.

Q10.5 If a person had chosen a particular tax option under the old Act (like opting for a special tax scheme), does that choice carry over to the new Act automatically?

Ans: Yes. The clause (f) of Section 536(2) of the new Act specifically provides that an option exercised under a provision of the old Act as was in force immediately before the

commencement of new Act, is treated as if it was made under the equivalent provision of the new Act.

Q10.6 Are old approvals, registrations, and recognitions still valid under the new Income-tax Act?

Ans: Yes, if such approvals are not inconsistent with the new Act, they are treated as if granted under the new Act.
For example, a charitable trust recognized under the old Act will be treated as recognized under the corresponding provision of the new Act, unless there is a conflict with the provisions in the new Act.

Q10.7 Do old circulars, instructions and notifications issued by the Income tax department continue even after the new Act comes into force?

Ans: Yes. As per the provisions of section 536(2)(j) of the Income-tax Act, 2025, circulars, notifications, instructions, approvals, etc, issued under the old Act will continue, provided they are not inconsistent with the provisions of the new Act.

Q10.8 If an assessing officer wants to rectify an assessment order passed before 1st April 2026, can this still be done under the old Act after the new Act has come into force?

Ans: Yes. Rectification proceedings under section 154 of the Income Tax Act 1961 relating to assessment years governed by that Act may be initiated and concluded in accordance with the said provisions, notwithstanding the repeal of the Income-tax Act 1961.
For example, if a mistake apparent from record in the assessment order for AY 2023-24 is found in FY 2027-28, the officer can rectify it as per the provisions of the old Act.

Q10.9 If an assessee had chosen a particular method of accounting or depreciation under the old Act, does this choice automatically continue under the new Act?

Ans: Yes, if the new Act has a corresponding provision and there is no inconsistency, the earlier choice is treated as if it is made under the new Act.

Q10.10 What happens to applications (such as rectification or revision requests) that were already filed before 1st April 2026?

Ans. If your application relates to a tax year starting before 1st April 2026, it will continue to be processed under the Income-tax Act, 1961. You do not need to file it again.

Q10.11 If a search was initiated on a person under section 132 of the old Act before the new law came into effect, which law applies to the connected proceedings?

Ans: All proceedings connected with such a search continue to be governed by the old Act as if the new Act had not been enacted.
For example, if a search on Mr. A is initiated in the month of January 2026, assessments and all other proceedings connected with the search will be under the provisions of the old Act.

Q10.12 If an assessee had signed an APA (Advance Pricing Agreement) under the old Act, does it still bind the assessee and the department under the new Act?

Ans: Yes. The agreement continues to apply as long as it is not inconsistent with the corresponding provisions of the new Act.
For instance, an APA signed by Company ABC in FY 2024-25 on a specific international transaction will still guide the tax treatment under the new Act if the same rules exist in the new Act.

Q10.13 If a case is pending in a High Court or the Supreme Court concerning an issue under the old Act, will the final decision affect tax liability even after the new Act has come into force?

Ans: Yes. The final judgment will apply to that old period as per the old Act, and any tax payable or refundable as a result will be dealt with accordingly.
For example, Company XYZ's dispute for AY 2018–19 decided in FY 2027-28 will still be implemented using old Act principles.

Q10.14 Do General Anti-Avoidance Rules ('GAAR') continue under the ITA 2025?

Ans: Yes, GAAR provisions are retained as it is. Thresholds, approval mechanisms and procedural safeguards remain unchanged.

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