

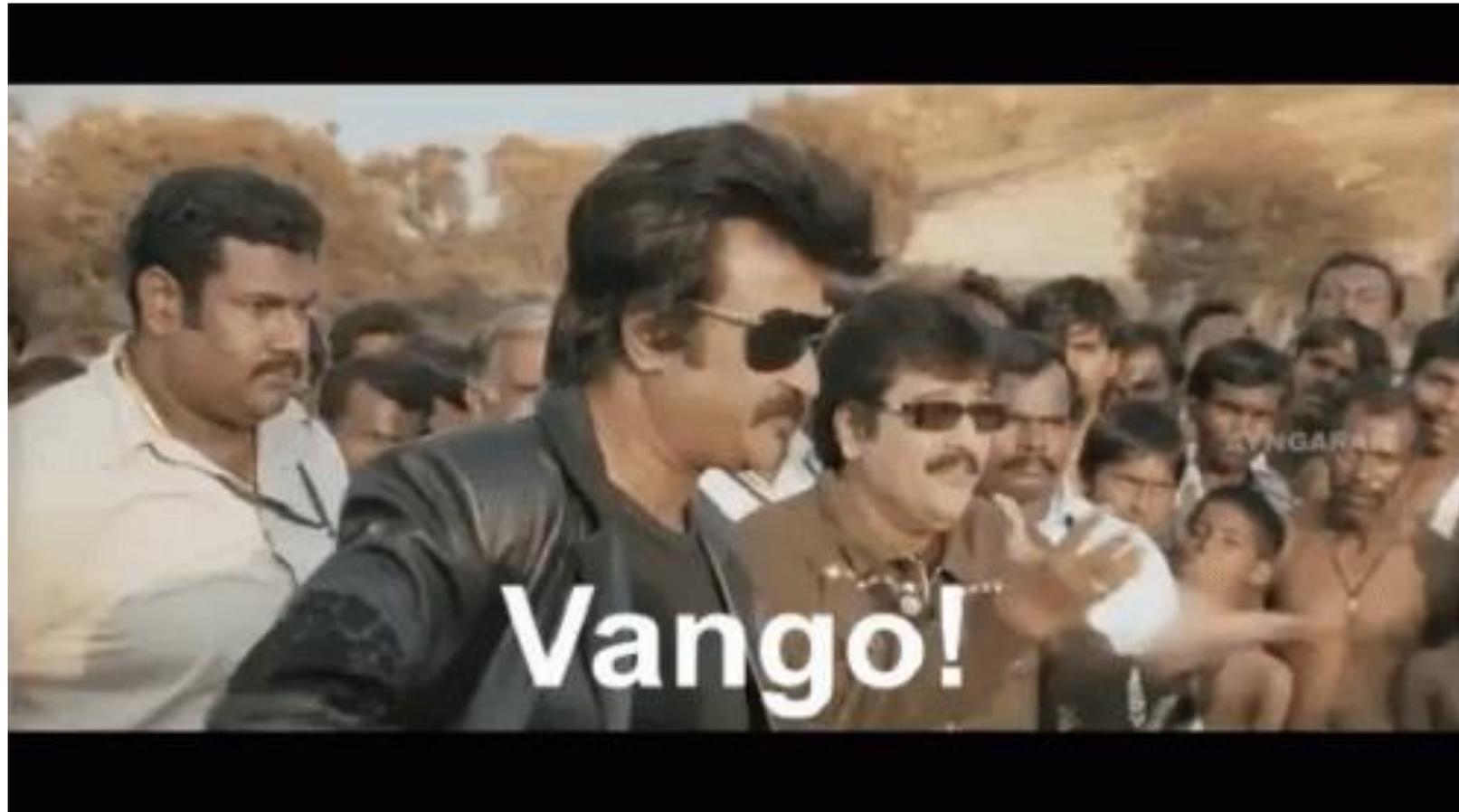
NEW INCOME TAX BILL 2025

By

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Notices Now Being Issued by Income Tax – AIS/TIS



Introduction

- During the Budget Speech on July 23, 2024, Finance Minister Smt. Nirmala Sitharaman announced a comprehensive review of the Income Tax Act of 1961 (ITA).
- This move aims to make the Act concise, clear, and easier to read and understand.
- The aim is to reduce disputes and litigation, thereby providing taxpayers with tax certainty.
- The Income-tax Bill 2025 was tabled in parliament on 13th February 2025.
- When passed, the 600+ page Income Tax Bill will replace the 65-year-old Income Tax Act of 1961 and become the Income Tax Act of 2025. However, it will apply from 1 April 2026

2.56 Lakhs less words - 50% lesser

Essence of Tax Law retained

911 Secs reduced to 536 Secs

Eliminated 300 provisions

Zero provisos or explanations



Structural Changes

PARTICULARS	1961 ACT	2025 BILL
Number of sections	More than 700	536
Number of Chapters	23	23
Number of Schedules	14	16
Content - in terms of pages	823	622
Effective Date	Currently applicable	From 01st April, 2026

Structure of the Act

Section	PURPOSE
Sec 2	Definitions
Sec 4 & 5	Charge & Scope of Total Income
Sec 6 to 9	Residential Status & Income Deemed to Accrue or Arise
Sec 15	Income from Salary
Sec 20	House Property
Sec 26	Business/Profession
Sec 67	Capital Gains
Sec 92	Income from Other Sources
Sec 96 to 100	Clubbing
Sec 108 to 121	Set-Off & Carry Forward of Loss
Sec 122 to 154	Deductions
Sec 160 to 177	Transfer Pricing provisions
Secs 190 to 198	Special Tax Rates
Sec 199 to 205	New Tax Regime

Section	PURPOSE
Sec 207 to 220	Non Residents & Foreign Companies
Sec 263 to 286	Returns and Assessments
Sec 292 to 301	Block Assessment
Sec 332 to 355	Non Profit Organisations
Sec 356 to 374	Appeal Procedures
Sec 390 to 398	TDS & TCS
Sec 439 to 498	Penalties and prosecution

EXPLANATIONS HAVE BEEN REMOVED

- Explanation to a Sec is not a substantive provision by itself. The intention is that if anything is not clear in the main Sec, then it shall be made clear by adding the Explanation
- It is for abundant caution to clear any doubt surrounding the meaning of the statutory provision and to place what Legislature considers to be true meaning beyond any controversy or doubt
- Normally provisions are only prospective but an explanation is clarifactory is to explain the meaning and intendment of the Act



PREVIOUS YEAR/ASSESSMENT YEAR REPLACED WITH TAX YEAR



- The words “Previous Year” and “Assessment Year” are replaced with “Tax Year”.
- This means the 12-month period of the financial year commences on the 1st day of April.

Salary Income



MakeAGIF.com

Choosing Between Old & New Regime



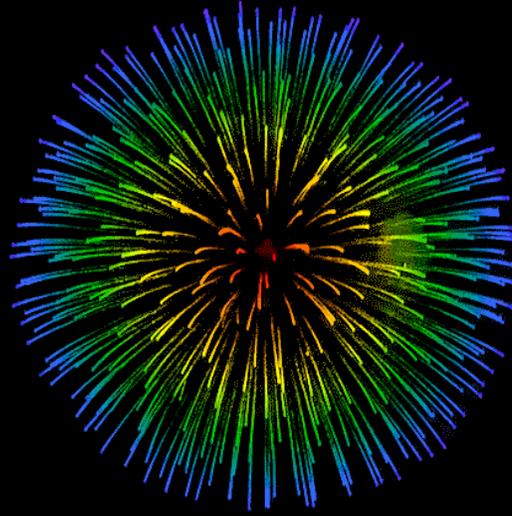
CBDT

Tax Payer



NEW NEW REGIME – SLAB RATE CHANGES

SLABS	OLD NEW REGIME (till FY 2024-25)	SLABS	NEW NEW REGIME (from FY 2025-26)
Upto Rs. 3 Lakhs	NIL	Upto Rs. 4 Lakhs	NIL
3 Lakhs to Rs.7 Lakhs	5%	Rs. 4 Lakhs - 8 Lakhs	5%
7 Lakhs to Rs.10 Lakhs	10%	Rs. 8 Lakhs - 12 Lakhs	10%
10 Lakhs to Rs.12 Lakhs	15%	Rs. 12 Lakhs - 16 Lakhs	15%
12 Lakhs to Rs.15 Lakhs	20%	Rs.16 Lakhs - 20 Lakhs	20%
Rs.15 Lakhs and above	30%	Rs.20 Lakhs – 24 Lakhs	25%
		Rs.24 Lakhs and above	30%



Upto Rs.12 Lakhs!!

Rebate u/s 87A

But wait!! – Not Available for these Incomes



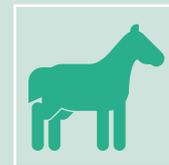
Long Term Capital Gains



Short Term Capital Gains



Sale of Crypto Currency

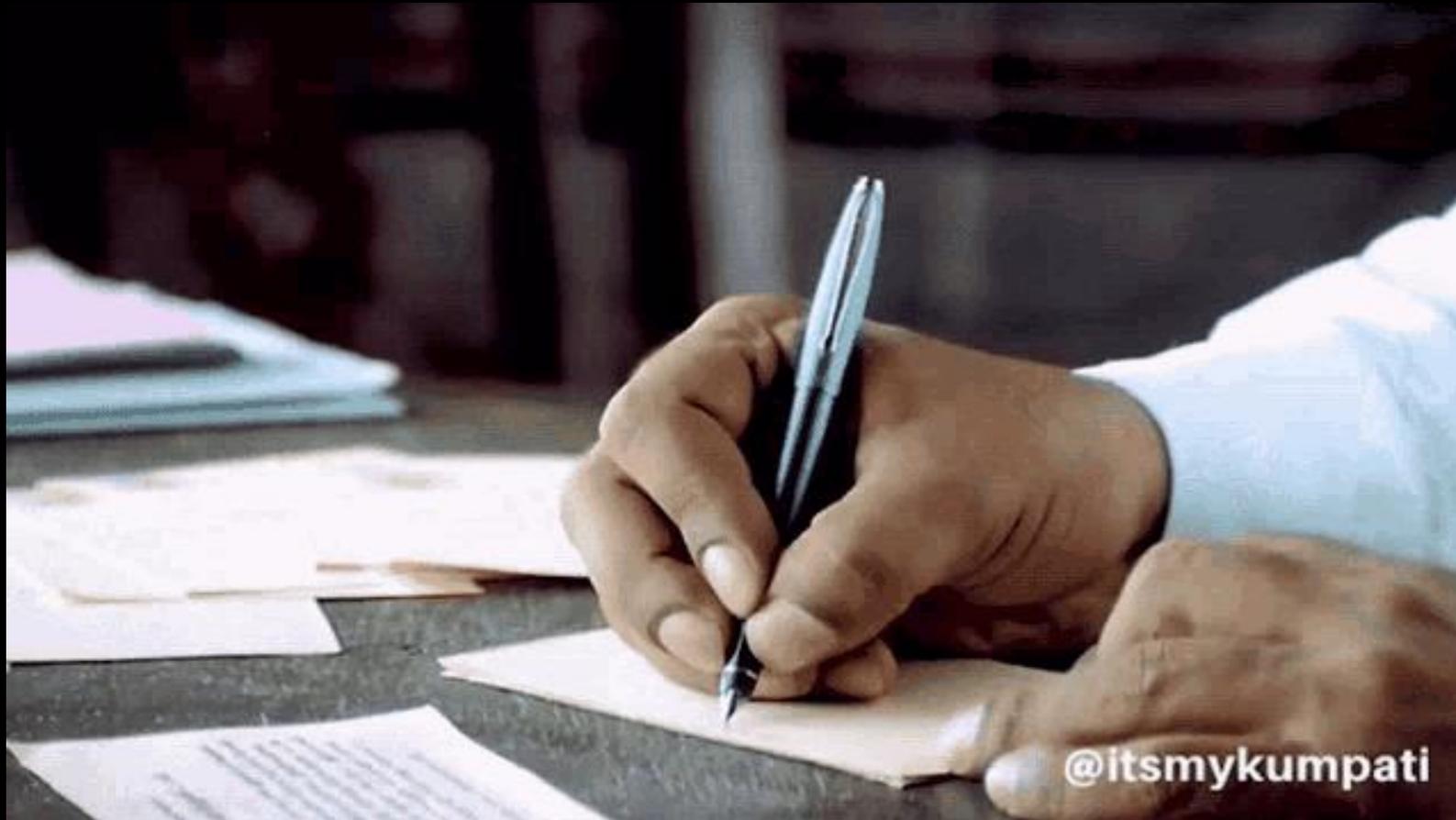


Horse-Racing / Betting
etc.

Then why first 3 slabs are there?

SLABS	NEW NEW REGIME (from FY 2025-26)
Upto Rs. 4 Lakhs	NIL
Rs. 4 Lakhs - 8 Lakhs	5%
Rs. 8 Lakhs - 12 Lakhs	10%
Rs. 12 Lakhs - 16 Lakhs	15%
Rs.16 Lakhs - 20 Lakhs	20%
Rs.20 Lakhs – 24 Lakhs	25%
Rs.24 Lakhs and above	30%

Return of Income MUST BE FILED STILL!





OLD REGIME
VS
NEW
REGIME –
WHICH IS
BETTER?



OLD TAX REGIME vs NEW TAX REGIME

OLD REGIME

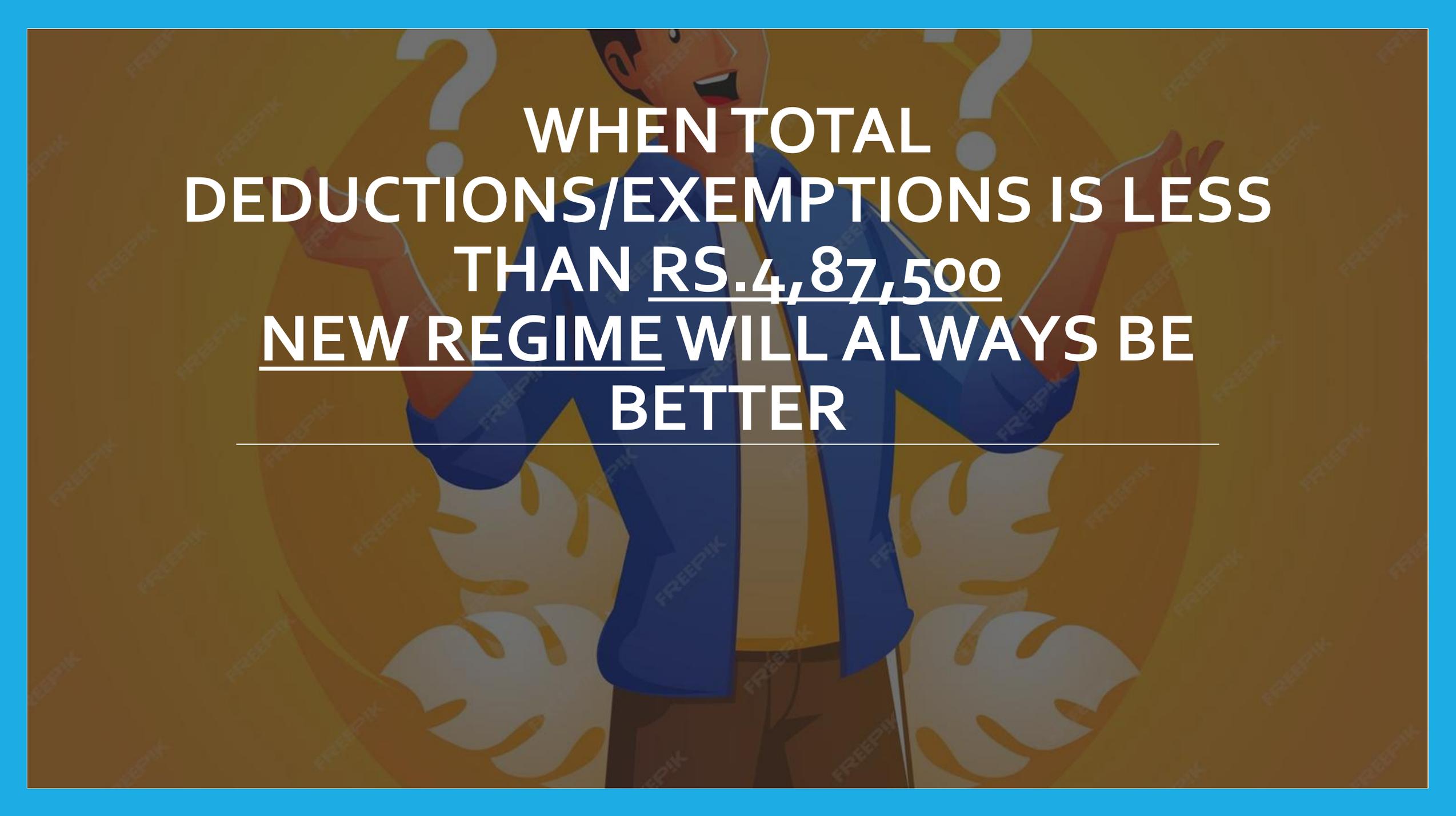
SLAB RATES	OLD TAX REGIME
Upto Rs.2.5 Lacs	NIL
Rs. 2.5 Lacs to Rs. 5 Lacs	5%
Rs. 5 Lacs to Rs. 10 lacs	20%
Above Rs. 10 Lacs	30%

NEW REGIME

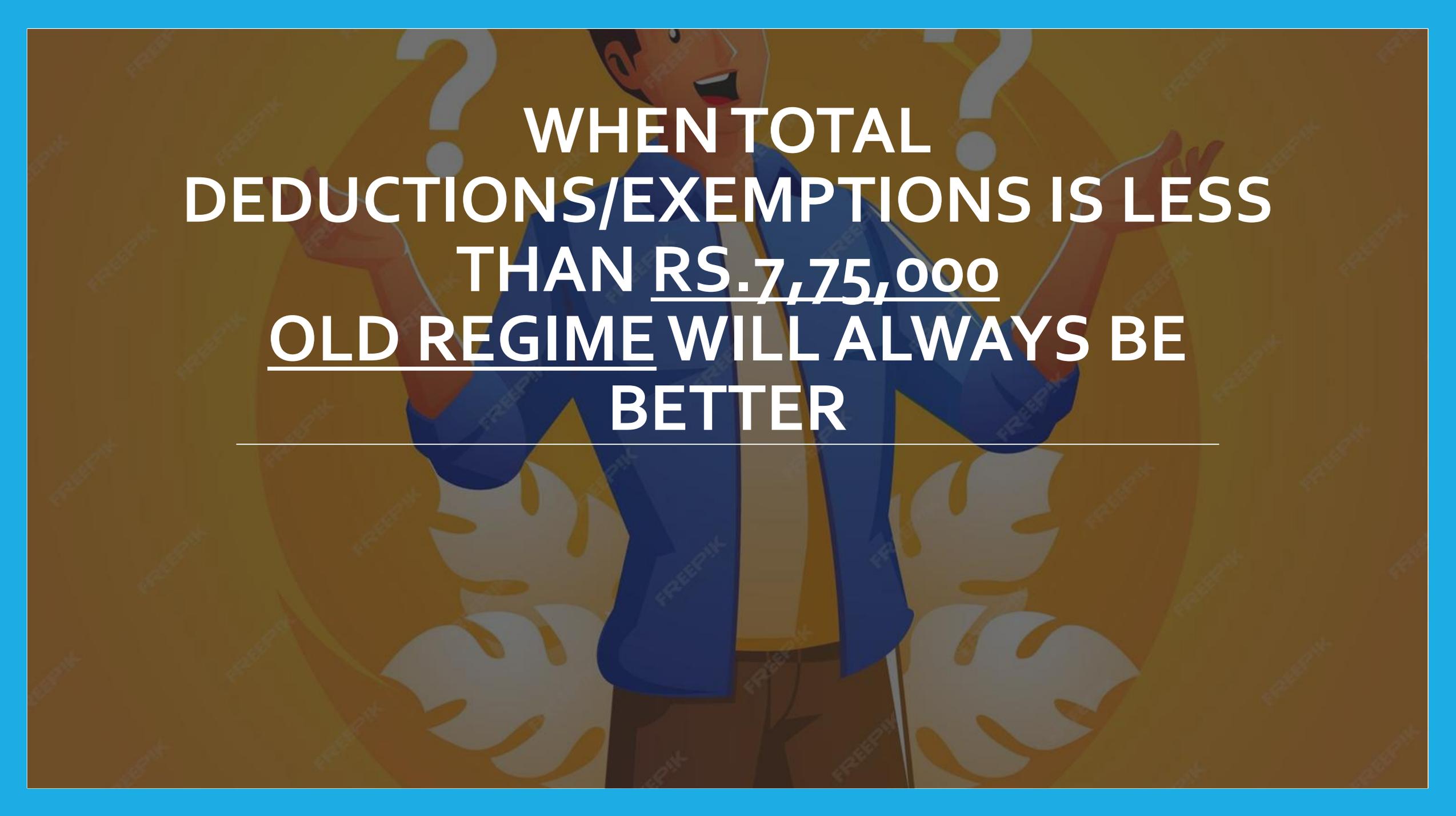
SLABS	NEW REGIME (from FY 2025-26)
Upto Rs. 4 Lakhs	NIL
Rs. 4 Lakhs - 8 Lakhs	5%
Rs. 8 Lakhs - 12 Lakhs	10%
Rs. 12 Lakhs - 16 Lakhs	15%
Rs.16 Lakhs - 20 Lakhs	20%
Rs.20 Lakhs – 24 Lakhs	25%
Rs.24 Lakhs and above	30%



**WHAT'S OUR MAGIC
NUMBER THIS TIME?**



**WHEN TOTAL
DEDUCTIONS/EXEMPTIONS IS LESS
THAN RS.4,87,500
NEW REGIME WILL ALWAYS BE
BETTER**



**WHEN TOTAL
DEDUCTIONS/EXEMPTIONS IS LESS
THAN RS.7,75,000
OLD REGIME WILL ALWAYS BE
BETTER**

**IF DEDUCTIONS/EXEMPTION IS
BETWEEN RS.4.875 LACS TO
RS.7.75 LACS – NEED TO
EVALUATE**



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Regional Council Member, SIRC of ICAI (2025-29)

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Chairperson, SIRC of ICMAI (2023-24)



OLD TAX REGIME VS NEW TAX REGIME 2025

Deductions	NIL	1,50,000	2,50,000	3,00,000	4,00,000	4,87,500	5,00,000	5,50,000	6,00,000	7,00,000	7,25,000	7,50,000	7,75,000	8,00,000
Income														
4,00,000	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME
5,00,000	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME
6,00,000	NEW	SAME												
7,00,000	NEW	NEW	SAME											
8,00,000	NEW	NEW	NEW	SAME										
9,00,000	NEW	NEW	NEW	NEW	SAME									
10,00,000	NEW	NEW	NEW	NEW	NEW	NEW	SAME							
11,00,000	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	SAME	SAME	SAME	SAME	SAME	SAME
12,00,000	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	SAME	SAME	SAME	SAME
13,00,000	NEW	NEW	NEW	NEW	NEW	SAME	OLD							
14,00,000	NEW	NEW	NEW	NEW	NEW	NEW	NEW	OLD						
15,00,000	NEW	NEW	NEW	NEW	NEW	NEW	NEW	OLD						
16,00,000	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	OLD	OLD	OLD	OLD	OLD	OLD
18,00,000	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	OLD	OLD	OLD	OLD	OLD
20,00,000	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	OLD	OLD	OLD	OLD
22,00,000	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	OLD	OLD	OLD
24,00,000	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	SAME	OLD
25,00,000	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	SAME	OLD
30,00,000	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	SAME	OLD
50,00,000	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	SAME	OLD

HOW TO HIT THESE EXEMPTION/DEDUCTION NUMBERS?

PARTICULARS	AMOUNT
Interest on Housing Loan (self occupied property)	2,00,000
80C	1,50,000
80D	75,000
HRA/LTA	1,80,000
80E, 80G, 80TTA/TTB (or other exemptions/deductions)	1,70,000
TOTAL	7,75,000



Exhaustive List of Deductions/Exemptions

S. No	Exemption/Deduction	Old Regime	New Regime
1	Standard Deduction (Rs.50,000) – Salaried	Rs.50,500	Rs.75,000
2	Rebate u/s 87A	Rs.12,500	Rs.60,000
3	HRA	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
4	LTA	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
5	Food allowance/uniform/travel etc	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
6	Professional Tax / Entertainment Allowance	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
7	Perquisites	✓ <input type="checkbox"/>	✓ <input type="checkbox"/>
8	Interest on Home Loan – Self Occupied Property	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
9	Interest on Home Loan – Let Out Property	✓ <input type="checkbox"/>	✓ <input type="checkbox"/>
10	80C Deduction	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
11	Employee contribution NPS	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
12	80D - Mediclaim	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
13	Disabled Person – 80U	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
14	Interest on Educational Loan – 80E	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
15	Interest on Vehicle – 80EEB	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>

S. No	Exemption/Deduction	Old Regime	New Regime
16	Donation u/s 80G	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
17	80TTA – Saving Bank Interest	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
18	80TTB – FD and SB Interest	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
19	Other Chapter VI A Deductions	✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
20	Contribution to Agni Veer Corpus – 80CCH	✓ <input type="checkbox"/>	✓ <input type="checkbox"/>
21	Deduction on Family Pension	✓ <input type="checkbox"/>	✓ <input type="checkbox"/>
22	Gratuity – Exemption u/s 10(10)	✓ <input type="checkbox"/>	✓ <input type="checkbox"/>
23	Leave Encashment u/s 10(10AA)	✓ <input type="checkbox"/>	✓ <input type="checkbox"/>

Changes to Salary in Direct Tax Code

- Exemptions for allowances and retirement benefits are consolidated into one single section under the salary head itself for easier understanding
- Entertainment allowance (which was available for Govt. employees) now removed
- Medical treatment for prescribed diseases provided to an employee or his family members in an approved hospital is not taxable as perquisite provided a certificate from the hospital and payment receipt are attached with the return of income. ITB proposes to remove this requirement.
- As per the existing law, if an employee uses a vehicle provided by his employer to commute between home and office, it is not considered a taxable perquisite. The ITB proposes that any expenditure incurred by the employer for an employee's commute shall not be treated as a taxable perquisite. Thus, even if the employee uses his own vehicle or a third-party vehicle, any reimbursement or expense covered by the employer will be tax-free.

DETERMINATION OF RESIDENTIAL STATUS



SEC 6(1) – RESIDENTIAL STATUS FOR INDIVIDUALS – CONCEPT 1

**In India in the PY
for a period 182
days or more
(Sec 6(1)(a))**

SEC 6(1) – RESIDENTIAL STATUS FOR INDIVIDUALS – CONCEPT 1 (ADDITION)

In India in the PY for a period **182 days** or more
(Sec 6(1)(a))

OR

4 years preceding that PY in India for a period of **365 days** or more and period **60 days** or more in that PY
(Sec 6(1)(c))



Exceptions to the Earlier 2nd Condition – Concept 2 - Sec 6(1)(ii)

- Indian citizen leaves India in PY for *purpose of Employment* outside India
- Indian citizen being crew member of **Indian Ship** leaves India in PY

TO MAKE IT SIMPLE – HE WILL BE TREATED AS RESIDENT ONLY IF THEY ARE IN INDIA FOR 182 DAYS OR MORE IN THE PY (IF YOU FALL UNDER THE ABOVE CATEGORY)

Exceptions to the Earlier 2nd Condition – Concept 2 - Sec 6(1)(ii)



- Indian citizen leaves India in PY *for Employment* outside India
- Indian citizen being crew member of Indian Ship leaves India in PY

TO MAKE IT SIMPLE – HE WILL BE TREATED AS RESIDENT ONLY IF THEY ARE IN INDIA FOR 182 DAYS OR MORE IN THE PY (IF YOU FALL UNDER THE ABOVE CATEGORY)

IMPACT OF REMOVING “FOR THE PURPOSE OF”



- It has been interpreted broadly to cover the cases even if the for leaving India was to take up (or even look for) employment abroad. The term ‘employment’ includes self-employment, like a business or profession, being taken up by the individual abroad. ***[CIT v. O. Abdul Razak [2011] 198 Taxman 1 (Ker.)]***.
- “For employment outside India” may require a clearer, more concrete employment arrangement. There’s a need to demonstrate that you actually have employment abroad rather than just intention

TAXABILITY OF INCOME

Sl o	Income	R & OR	R but NOR	NR
1	Indian Income	Taxable	Taxable	Taxable
2	Foreign Income Income from Business/ Profession controlled or set up in India	Taxable	Taxable	Non Taxable
3	Other Foreign Income	Taxable	Not taxable	Not Taxable

Resident but Not Ordinarily Resident

- For Resident Individual who has been a non-resident in India in 9 out of the 10 previous years preceding that year, or
- During the 7 previous years preceding that year been in India for a period of 729 days or less

Deemed to Accrue or Arise in India

- Sec 9(6)(a)(iii) deals with Taxation of Royalty payable by Non- Residents
- The ITB removes ***“in respect of any right, property or information used or services utilised for the purposes of a business or profession carried on by the resident outside India”***. It uses the term ***“payable for a business or profession carried on by the resident outside India”*** to exclude the royalty payable by a resident from the scope of the provision.



Reasonably Attributable Changed to Attributable

- Income Accruing/Arising from a Business Connection (i.e. reasonably attributable) in India or from any property in India, or from any asset or source of income in India, or the transfer of a capital asset situated in India.
- **In New Income Tax Bill it is proposed to remove “reasonably”.**
- **This helps remove the subjective nature of the law.**



INCOME FROM HOUSE PROPERTY

Basis of Taxation = Ownership



**HOW WILL THIS BE
TAXED?**



Rental Income from Flat/Apartment



Rent from
Individual
House



Rental Income from Shops



A photograph showing a large number of motorcycles parked in a row on a dirt lot. The motorcycles are parked in a neat line, and the ground is covered with dirt and some scattered leaves. In the background, there is a wooden fence and some trees. The overall scene suggests a dedicated parking area for motorcycles.

Vacant Land used for Parking

Rent from
Studio – Let out
to different
people on need
basis



Rental income
from Wedding
Hall

Best Wedding Halls in Chennai



Rent from
Agricultural
Land



Assessee is a IT
Professional and
earns rent from
Agricultural Land
given to Farmers

Will be treated as Agricultural Income – Exempt from Tax



Farm has a shed for parking a tractor and rent is earned from the same

Will be treated as Agricultural Income – Exempt from Tax

Rent Received from Farm House





Rent Received from Godown

Exempt based on
proximity to Farm

Butter Being
Made in Same
Agricultural
Land Premises.

Rent earned
from this
building – Will
it be
agricultural?



Will not be Agricultural Income as
there is an additional process involved



Rent from
Properties where
Fixed Rent is
received and a
Part of Sales is
received as Rent



Flat is Part of Rent Pool? How is it Taxed?

Power of
Attorney
Property –
How is Rental
Income Taxed?



Essential conditions for part performance of contract

- ▶ There should be a Written contract between buyer/seller
- ▶ Contract should be for a consideration
- ▶ Contract should be for transfer of immovable property
- ▶ Purchaser has taken possession and paid part consideration
- ▶ Purchaser willing to perform rest of the contract





Rent from Temporary Structure - How is it Taxed

PERSON HAS A
LADIES HOSTEL
– HOW IS IT
TAXED?





Upto 2 Houses can be Self-Occupied

How To Calculate Income from House Property

Particulars	Amount (Rs)
Gross Annual value	*****
Less : Municipal Taxes (It is deductible when it is born by the owner and actually paid by him during the year.)	(*****)
Net Annual value	*****
Less : Deduction U/s 24	
(i)Standard Deduction @ 30% (Section 24(a))	(*****)
(ii)Interest on borrowed Capital (Section 24(b))	(*****)
Income from House Property	*****

Changes in House Property Income

- If the owner may occupy house property for his business or profession, its annual value is not taxable. The Mumbai ITAT in the case of Tracstar Investment (P.) Ltd. v. DCWT [2005] 1 SOT 115 (Mumbai) held that the phrase "may occupy" covers cases where a property is kept ready for business use but not occupied all the time. The ITB replaces the term "may occupy" with "occupied", which could lead to the taxability of properties that are ready for business use but not actively occupied.
- For properties let out in normal course, actual rent received is considered annual value. If the property remains vacant for any period during the tax year, the ITB proposes that there is no need to compare the actual rent with the expected rent.

Who has to file a Return?



BEFORE - RETURN FILING WAS INCOME BASED

- A company or a Firm has to mandatorily file the return of income
- no limits or options or choices

For ALL OTHERS:

- Individual (<60 years old) - If Gross Total Income is > 2.5 lacs
- Individual (60-80 years old) - If Gross Total Income is > 3 lacs
- Individual (>80 years old) - If Gross Total Income is > 5 lacs

NEW RULES

DUA LIPA

NEW INCOME TAX RETURN FILING RULES

NEW RULES – NOT INCOME BASED

TDS + TCS is Rs.25,000 or more

If TDS & TCS aggregate is Rs.25,000 or more. Return of income has to be filed. If you are senior citizen, then limit is Rs.50,000/-

Credits to Bank – Rs.50 Lakh

Where the deposit in aggregate in Savings Bank Accounts is Rs.50 Lakhs or more during the year

Professional Receipts – Rs.10 lakh

Where professional RECEIPTS are Rs.10 lakhs or more during the year

Business Sales – Rs.60 Lakhs

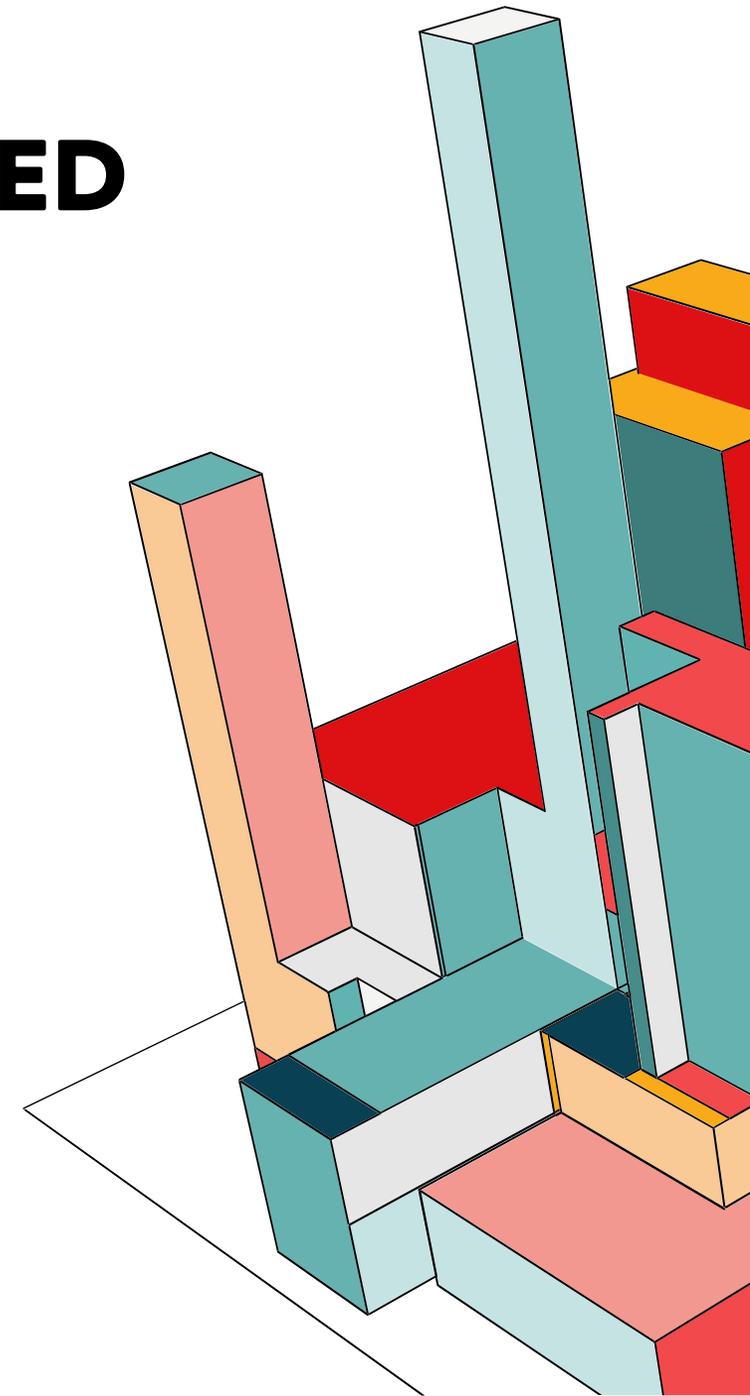
Where business sales/gross receipts are Rs.60 lakhs or more during the year

Electricity Bills Paid – Rs.1 Lakh

Persons paying electricity bills of Rs.1 Lakh or more during the year, have to file the return

Foreign Travel – Rs. 2 lakh

Persons paying for foreign travel either for themselves or someone else, if more than Rs.2 lakhs paid during the year, then return has to be filed



Under New Income Tax Bill

- ◇ These Provisos have been removed
- ◇ It has been replaced with Government will Notify

KEY DATES FOR FILING RETURNS

- Individual – 31st July
- Partnership Firms – 31st July
- Individual/Firm Requiring Tax Audit – 31st October
- Companies – 31st October
- Belated Date for Filing Return – 31st December

Thank You!

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Further doubts? Let's discuss!

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