IT ACT 2025 - BUSINESS INCOME & MSME PROVISIONS

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TOPIC COVERAGE

- Part – 1- MSMED Act Vs. Business Income computation

- Part – 2 – Income from Business/ profession under IT Act 2025

PART – 1
MSMED Act Vs. Business Income computation

APPLICABLE PROVISIONS

Provisions of MSMED Act 2006

- Sec 2 (h) "micro enterprise" means an enterprise classified as such under sub-clause (i) of clause (a) or sub-clause (i) of clause (b) of sub-section (1) of section 7;
- Sec 2 (m) "small enterprise" means an enterprise classified as such under sub-clause (ii) of clause (a) or sub-clause (ii) of clause (b) of sub-section (1) of section 7;
- Sec 2 (e) "enterprise" means an industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 (55 of 1951) or engaged in providing or rendering of any service or services;

Enhanced limit of MSMEs – w e f 1-4-2025
Notification No. S.O. 1364(E) dt. 21-3-2025

Categories of Enterprises/ classification basis	Investment in P & M /Eq		Annual Turnover	
	Upto 31-03-25	From 01-04-25	Upto 31-03-25	From 01-04-25
Micro Enterprise	Up to ₹1 cr	Up to ₹2.5 cr	Up to ₹5 cr	Up to ₹10 cr
Small Enterprise	Up to ₹10 cr	Up to ₹25 cr	Up to ₹50 cr	Up to ₹100 cr
Medium Enterprise	Up to ₹50 cr	Up to ₹125 cr	Up to ₹250 cr	Up to ₹500 cr

Provisions of MSMED Act 2006

- Sec. 15.Liability of buyer to make payment.—Where any supplier supplies any goods or renders any services to any buyer, the buyer shall make payment therefor on or before the date agreed upon between him and the supplier in writing or, where there is no agreement in this behalf, before the appointed day:
- Provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed forty-five days from the day of acceptance or the day of deemed acceptance.

Provisions of MSMED Act 2006

- Sec 2 (b) "appointed day" means the day following immediately after the expiry of the period of fifteen days from the day of acceptance or the day of deemed acceptance of any goods or any services by a buyer from a supplier.
- Explanation.—For the purposes of this clause,—
  - (i) "the day of acceptance" means,—
    (a) the day of the actual delivery of goods or the rendering of services; or
    (b) where any objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day on which such objection is removed by the supplier;
  - (ii) "the day of deemed acceptance" means, where no objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day of the actual delivery of goods or the rendering of services;

Provisions of MSMED Act 2006

- Sec 2 (n) "supplier" means a micro or small enterprise, which has filed a memorandum with the authority referred to in sub-section (1) of section 8, and includes,—

  (i) the National Small Industries Corporation, being a company, registered under the Companies Act, 1956 (1 of 1956);

  (ii) the Small Industries Development Corporation of a State or a Union territory, by whatever name called, being a company registered under the Companies Act, 1956 (1 of 1956);

  (iii) any company, co-operative society, trust or a body, by whatever name called, registered or constituted under any law for the time being in force and engaged in selling goods produced by micro or small enterprises and rendering services which are provided by such enterprises;

Provisions of Sec 43B of the Act 1961

- **43B.** Notwithstanding anything contained in any other provision of this Act, a deduction otherwise allowable under this Act in respect of—
  - (a).. (b)... (c)…. (d)... (e)...(f)…. (g).....
  - (h) *any sum payable by the assessee to a micro or small enterprise beyond the time limit specified in section 15 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006),*
- shall be allowed (irrespective of the previous year in which the liability to pay such sum was incurred by the assessee according to the method of accounting regularly employed by him) only in computing the income referred to in section 28 of that previous year in which such sum is actually paid by him :

Provisions of Sec 37 of the Act 2015

- (1) The sums payable, as specified in sub-section (2), which are otherwise allowable as a deduction under this Act, shall be allowed as a deduction while computing the income chargeable under section 26 only in the tax year in which such sums are actually paid irrespective of
  - any provision to the contrary in this Act; or
  - method of accounting regularly followed; or
  - the tax year in which the liability was incurred
- (2) The sums payable for the purposes of sub-section (1), shall be
  - (a), (b), (c), (d), (e) (f) ....
  - (g) amount payable by the assessee to a micro or small enterprise beyond the time limit specified in section 15 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006)

Provisions of Income tax Act, 1961/2025

- *Sec 43B of the IT Act 1961*
- *Explanation 4.*—For the purposes of this section,—
  - (a)…. (b)….(c)….(d)….
  - *(e) "micro enterprise" shall have the meaning assigned to it in clause (h) of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006);*
  - *(f)….*
  - *(g) "small enterprise" shall have the meaning assigned to it in clause (m) of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006).*

- Sec 66 of the IT Act 2025
  - *(11) "micro enterprise" shall be an enterprise classified as such under the notification in this behalf by the Central Government under the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006*
  - *(30) "small enterprise" shall be an enterprise classified as such under the notification in this behalf by the Central Government under the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006*

ISSUES IN SEC 43B(h) of IT Act 1961 / 37(g) of the IT Act 2025

Issues in sec 43B(h) of the Act, 1961 (S. 37(g) of the Act 2025)

- Date of applicability – w e f 1-4-2024 – AY 2024-25 (PY 2023-24)
- Only MSEs are covered – Medium enterprises are not covered
- Only enterprises engaged in manufacture or production of goods / rendering of services are covered
- How to identify whether supplier is MSEs or not?
  - if Udyam regn no: available
    - https://udyamregistration.gov.in/Udyam_Login.aspx
    - Choose – Verify Udyam Registration Number – Enter 19 digit Udyam Regn Number – download certificate / preserve for future.
  - If no such info. Available – by adverse inference
- How frequently one has to check the status of MSEs in portal

Issues in sec 43B(h) of the Act, 1961 (S. 37(g) of the Act 2025)

- The registration is obtained only during the middle of the year – payment due for the transactions prior to the registration
- The registration was surrendered during the middle of the year – payment due for the transactions after the surrender of the registration??
- Payment in respect of deduction otherwise allowable under the Act would only be hit by section
- Provision would apply in respect of outstanding balance as at the year end. (Any delay in payment – however payment made prior to year end would not be hit by section

Practical aspects of disallowances u/s. 43B(h) /37(g)

- M/s. ABC & Co has to pay to Mr. Y, a MSE Rs.1.00 lac at year end
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.1.00 lac
  - During the year Rs. NIL
  - As at 31-03-2026 Rs 1.00 lac
- Would there be any disallowance

- M/s. ABC & Co has to pay to Mr. Y, a MSE Rs.1.00 lac at year end
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.1.00 lac
  - During the year
    - Purchase Rs. 4.00 lac
    - Paid Rs. 4.00 lac
  - As at 31-03-2026 Rs.1.00 lac
- Sec 59, 60, 61 of Contract Act

Practical aspects of disallowances u/s. 43B(h) / 37(g)

- M/s. ABC & Co has transacted with Mr. Y, a MSE
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.NIL
  - During the year
    - Purchase Rs. 1.18 lac
    - Paid Rs. 1.18 lac
  - As at 31-03-2026 Rs.NIL
- Payment made after appointed day (within the year end)

- M/s. ABC & Co has transacted with Mr. Y, a MSE
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.NIL
  - During the year
    - Purchase – 25.03.2026 Rs. 1.18 lac
    - Paid Rs. 0.50 lac
  - As at 31-03-2026 Rs.0.68 lac
- Balance Payment made on
  - 9.4.2026 or 10.05.2026

Practical aspects of disallowances u/s. 43B(h)/37(g)

- M/s. ABC & Co has transacted with Mr. Y, a MSE
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.NIL
  - During the year
    - Purchase – 25.03.2026 Rs. 1.18 lac
    - Paid Rs. 1.00 lac
  - As at 31-03-2026 Rs.0.18lac
- Balance Payment made on
  - 12.04.2026(GST outstanding)

- M/s. ABC & Co has transacted with Mr. Y, a MSE
- As per Udyam Certificate, Mr. Y is Manufacturer of die castings
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.NIL
  - Purchase of Stationery
    - (25-02-2026) Rs.1.18 lac
  - As at 31-03-2026 Rs.1.18lac
- Payment was made - 15th June 26

Practical aspects of disallowances u/s. 43B(h) / 37(g)

- M/s. ABC & Co has transacted with Mr. Y, a MSE
- As per Udyam Certificate, Mr. Y is service provider
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.NIL
  - Purchase of goods
    - (25-02-2026) Rs.1.18 lac
  - As at 31-03-2026 Rs.1.18lac
- Payment was made - 15th June 26

- M/s. ABC & Co has transacted with Mr. Y, a MSE
- As per Udyam Certificate, Mr. Y is Manufacturer of die castings
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.NIL
  - Purchase on 25-02-2026
    - Stationery Rs.0.59 lac
    - Die castings Rs.1.18 lac
  - As at 31-03-2026 Rs.1.77lac
- Payment was made - 15th June 26

Practical aspects of disallowances u/s. 43B(h) / 37(g)

- M/s. ABC & Co has to pay to Mr. Y, a MSE Rs.1.18 lac at year end
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.NIL
  - Service availed 7-2-26 Rs.1.18 lac
  - As at 31-03-2026 Rs.1.18 lac
- No Payment upto 31-05-2026
- No TDS effected.

- In the above case study, facts remain the same
- In the FY 2026-27,
  - Payment was made on 15-06-2026
  - TDS was effected for FY 2026-27
- Consequences

Practical aspects of disallowances u/s. 43B(h) / 37(g)

- M/s. ABC & Co has to pay to Mr. Y, a MSE Rs.1.18 lac at year end
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.NIL
  - Capital goods purchased

    On 7-2-26 Rs.1.18 lac
  - As at 31-03-2026 Rs.1.18 lac
- No Payment upto 31-05-2026
- Disallowance of depreciation?

- M/s. ABC & Co has to pay to Mr. Y, a MSE Rs.1.18 lac at year end
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.NIL
  - Capital goods purchased

    On 7-2-26 Rs.1.18 lac
  - As at 31-03-2026 Rs.1.18 lac
- No Payment upto 31-05-2026
- Cost of Capital goods purchased was claimed in full

Practical aspects of disallowances u/s. 43B(h)/37(g)

- M/s. ABC & Co has transacted with Mr. Y. The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.NIL
  - Goods purchased Rs.1.18 lac
  - Amount settled Rs.1.18 lac
  - Advance paid Rs.1.00 lac
  - As at 31-03-2026 (-)Rs.1.00 lac
- Goods purchased in subsequent year
- Can advance be claimed in this year under this section?

- M/s. ABC & Co (opting u/s. 44AD) has transacted with Mr. Y, a MSE
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.NIL
  - Purchase of goods
    - (25-02-2026) Rs.1.18 lac
  - As at 31-03-2026 Rs.1.18lac
- Payment was made - 15th June 26
- GOOD LUCK KINETIC - 2015 (6) TMI 648 - ITAT PANAJI

Practical aspects of disallowances u/s. 43B(h)/37(g)

- M/s. ABC Ch. Trust running college has transport division.
- For transport division, it transacted with Mr. Y, a MSE (service provider)
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.NIL
  - Repair of bus
    - (25-02-2026) Rs.1.18 lac
  - As at 31-03-2026 Rs.1.18lac
- Payment was made - 15th June 26
- Any disallowance for ABC Trust?

- M/s. ABC Co P Ltd provided for audit fees of Rs.1.00 lakh in its books on 31.03.2026
- Post completion of the audit, the invoice for the audit fees raised by the auditor on 05.11.20246
- The amount, net of TDS, with GST settled by the company on 20.04.2026
- Applicability of sec 43B(h)/37(g)
  - For the FY 2025-26
  - For the FY 2026-27 and
  - For the FY 2027-28.

Practical aspects of disallowances u/s. 43B(h)/37(g)

- M/s. ABC & Co maintains its books under ERP.
- Under ERP, only consumption is debited to Revenue Account, instead of purchases. Closing inventory is shown directly in Balance sheet.
- It has transacted with Mr. Y, a MSE.
- The summary of transaction between parties are as under
  - As at 31-03-2025 Rs.NIL
  - Goods purchased Rs.1.18 lac
  - Amount settled Rs.0.18 lac
  - As at 31-03-2026 Rs.1.00 lac
- Entire purchase was in closing stock
- Can assessee say that no claim in Revenue account and hence no disallowance u/s.43B

Disallowance – Due date – quick glance

Particulars	No agreement	Credit period as per agreement equal to or more than 45 days (PO - accepted is agreement)
Balance outstanding on 31-03-2026	Credit on or before 16-03-2026 – disallowed	Credit on or before 13-02-2026 – disallowed
	Credit on or after 17-03-2026 Paid within 15 days of credit – allowed Paid after 15 days of credit – disallowed	Credit on or after 14-02-2026 Paid within 45 days of credit – allowed Paid after 45 days of credit – disallowed

Reporting responsibility of auditor in tax audit report

Scenarios	Whether creditors is MSE or not	Whether creditor o/s balance is deductible or not	Remarks in Para 3 of 3CA / Para 5 of 3CB
Case 1	100% verification	100% verification	NIL
Case 2	100% verification	Test check	Comment on reliance of MRL with or without disclaimer on disallowance
Case 3	Test check	100% verification	
Case 4	Test check	Test check	
Case 5	Details available	Details incomplete	Qualification about inability to quantify the disallowance
Case 6	Details incomplete	NA	Qualification about inability to ascertain the party and consequential inability to quantify disallowance

PART – 2
Income from Business/ Profession under IT Act 2025

RATIONALE FOR CHANGE – DEPT FAQ

- **QV - 1** What are the major changes in the chapter Profits and gains of business and profession?
- **Ans:** Major changes brought about in the chapter Profits and Gains of Business and Profession are as follows:
  1. The flow of the sections has been revised to improve coherence, create logical links, and ensure a smoother progression.
  2. Similar sections, such as those on presumptive taxation for residents and non residents, have been merged to simplify the content, make it more concise, and consolidate all related scenarios in one place.

RATIONALE FOR CHANGE – DEPT FAQ

- **Ans:** Major changes brought about in the chapter Profits and Gains of Business and Profession are as follows:
  - iii. Provisions on similar topics, such as deductions on employee welfare, which were previously scattered across the chapter, have been grouped together for easier understanding and compliance.
  - iv. Formula-based explanations have been added to clarify complex concepts that were previously difficult to understand, such as the definition of Written-down Value.
  - v. Provisions involving multiple scenarios, like those for determining Actual Cost, which were previously presented as provisos or explanations, have been organized into a table for better readability and comprehension.

RATIONALE FOR CHANGE – DEPT FAQ

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

vi. All provisos and explanations in the chapter have been converted into sub-sections to eliminate ambiguity and ensure clarity

vii. Redundant and already sun-set provisions have been removed.

viii. Provisions specific to a single business segment which are used by small sub set of taxpayers have been moved to a new Schedule, while some procedural provisions have been transferred to rules to reduce complexity and focus on the substance of the section.

ix. As a result, the total word count has been reduced by more than half, and the number of sections has decreased from 65 to 41.

RATIONALE FOR CHANGE – DEPT FAQ

- **QV.2** How and why the order of sections been changed in the chapter on PGBP?
- **Ans:** An effort has been made to group similar provisions together. For example, provisions related to general expenditure allowances (section 37) and deductions for actual payments (section 43B) have been placed along with the provisions of sections 40 and 40A. Similarly, provisions on scientific research expenditure, section 35AD (investment-linked deductions), skill development project expenditure, and agricultural extension project expenditure have been grouped together in the proposed sections 45,46 and 47.

Section 26 and 27

In IT Act 2025	In IT Act 1961	Description
S.26	S.28	Income under the head “Profits and Gains of Business or Profession” • All incentives are chargeable on due basis – when mercantile systems followed
S. 27	S. 29	Manner of computing profits and gains of business or profession • Income shall be computed under sec 28 to 60 except sec 58

Section 28

In IT Act 2025	In IT Act 1961	Description
S. 28	S.30, 31	Rent, rates, taxes, repairs, and insurance 1. Both building and other assets merged 2. Current repairs alone allowed 3. Sec 38 contents introduced as a subsection 4. Machinery rent paid – covered in sec 34 (previous Sec.37) 5. Only current repair even for un-owned machinery

Section 29

- **QV.3** What are the differences in provisions relating to, “Deductions related to employee welfare” in the Income Tax Bill 2025?
- **Ans:** In the Income Tax Act, 1961, provisions related to expenses for contributions to Provident Fund, Gratuity Fund, Superannuation Fund, etc., were spread across various sections, such as 40A (7), (9) and 36(1)(iv), (iva), (v), (va). To determine the allowability of these expenses, one had to refer to multiple provisions in addition to the charging sections. In the new tax bill, these provisions have been consolidated under a single section (proposed section 28[29]), making them easier to understand and comply with. While the language has been simplified, there is no change in the tax incidence or deductibility.

Section 29

In IT Act 2025	In IT Act 1961	Description
S. 29	S. 36(1)(iv), 36(1)(iva), 36(1)(v), 36(1)(va), 40A(7), 40A(9)	Deductions related to employee welfare 1. RPF and Approved Superannuation Fund 2. Pension fund 3. Gratuity fund 4. Employee RPF - upto time allowed u/s 263(1) 5. Gratuity due - allowable - subsequently not allowed upon payment basis 6. Other fund contributions shall not be allowed

Section 30

In IT Act 2025	In IT Act 1961	Description
S. 30	S. 36(1)(i), 36(1)(ia) 36(1)(ib)	Deduction in respect of certain premiums • Items covered are ❑Insurance on stock, ❑On cattle by milk society ❑On employee medi-claim - no change • Other type of insurance like cash burglary etc not covered here – rely on section 34 (previous sec 37)

Section 31

- QV.4. What is the difference in provisions relating to, “Deduction for bad debt and provision for bad and doubtful debt” in the Income Tax Bill 2025?
- Ans: In the Income Tax Act, 1961, provisions related to the deduction for bad debts are contained in Section 36(1)(vii),(viia) and 36(2), which include 10 clauses/subsections, 6 provisos, and 4 explanations. These provisions have now been consolidated into a separate section, with all provisos and explanations converted into sub-sections/clauses. Additionally, for banks and financial institutions, the allowance for bad debt provisions has been presented in a tabular format. These changes make the provision easier to understand and comply with. There is no change in the allowability or timing of allowability.

Section 31

In IT Act 2025	In IT Act 1961	Description
S. 31	S. 36(1)(vii), 36(1)(viia), 36(2)	Deduction for bad debts and provision for bad and doubtful debts for banks, FI, NBFCs • How to claim deduction towards advance write off
R. 22	*R. 6ABA*	*Computation of Aggregate Average advance for sec 31(1)*

Section 32

In IT Act 2025	In IT Act 1961	Description
S. 32	S. 36 - all other clauses	Other deductions • Interest etc included - ICDS impact
R. 23 ***R.24***	*R.8C* *R. 6ABAA*	*Computation of pro-rata amount of discount on ZCB for sec 32(d)* *Notification of infrastructure facility for Sec 32(e)*

Section 33

- **QV.5** What is the difference between section 32 of IT Act,1961 and new section 33 of Income Tax Bill,2025, i.e. “Deduction for depreciation”?
- **Ans:** Section 32 of the Income Tax Act, 1961, which deals with depreciation, has become very complex over the past 63 years. It includes 6 clauses/subsections, 9 provisos, and 6 explanations. In the new bill, all provisos and explanations have been converted into subsections/clauses, reducing the word count by 40%. These changes make the provision easier to understand and comply with. There has been no change in the rate of depreciation, eligibility, or method of allowance.

Section 33

In IT Act 2025	In IT Act 1961	Description
S. 33	S. 32	Depreciation 1. Sec. 38 introduced in sec 33 itself 2. Unabsorbed depreciation - to the extent of profit available - balance c/f - but deemed to be allowed 3. Impact of Virmani Industries LTD (SC) 4. For half of normal rate - acquired and put to use in same year
R.25	*R.5*	*Depreciation*

Section 34

In IT Act 2025	In IT Act 1961	Description
S. 34	S. 37	General conditions for allowable deductions 1. Sec 28 to 33, 44 to 49, 51 and 52 not covered 2. Ss.2 deals with offence, CSR and Political party advertisement 3. Ss.3 deals with explaining Ss2 what offence is - compounding under specified law

Section 34

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

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

Section 35

In IT Act 2025	In IT Act 1961	Description
S. 35	S. 40	amount not deductible in certain circumstances 1. Irrespective of ch, IV D - for purchase of goods? 2. S. 40(a)(ia) - no TDS - other party offered to tax - impact 3. S. 40(b) - whether deed to be amended - sec 536(1)(j)

Section 36 & 37

In IT Act 2025	In IT Act 1961	Description
S. 36	S. 40A	Expenses/payments not deductible in certain circumstances • 40A(3)/(3A) - same language
R.26	*R. 6DD*	*Payments exceeding 10K in a mode other than specified – cases allowed*
S. 37	S. 43B	Certain deductions allowed on actual payment basis only • deduction otherwise allowable missing in bill/introduced in Act

Section 38

In IT Act 2025	In IT Act 1961	Description
S. 38	S. 41	Certain sums deemed as profits and gains of business or profession 1. Polyflex India (SC) brought in Statute 2. Loss in the year of discontinuation allowed beyond 8 yrs

Section 39, 40, & 41

- **QV.6** What are the changes in the definition of ‘Actual cost’ and ‘Written down Value’?
- **Ans:** The definitions of ‘Actual Cost’ and ‘Written-Down Value’ have been simplified by converting various explanations, provisos, and provisions into a tabular format. However, the current definitions of Actual Cost and Written-Down Value remain unchanged. Only redundant provisions (e.g., Goodwill adjustment for determining Written-Down Value) have been removed. The tabular format simplifies the understanding, improves clarity and reduces the potential for ambiguity.

Section 39, 40 & 41

In IT Act 2025	In IT Act 1961	Description
S. 39	S. 43(1)	Computation of actual cost 1. GST portion to be removed if ITC claimed – made explicit 2. Formula introduced for indirect subsidy 3. Explanation 5 continues with building 4. For lorry freight 35k not included 5. Explanation 3 - became Ss 5
S. 40	S. 43C	Special provision for cost of acquisition • Demerger, succession, conversion into capital asset covered
S. 41	S. 43(6)	Written down value – defined

Section 42 & 43

- **QV.8** How is the section on ‘Capitalising the impact of foreign exchange fluctuation’ is different compared to section 43A of IT Act,1961?
- **Ans:** Section 43A of the current Act addresses capitalizing the impact of foreign exchange fluctuations when paying for a capital asset liability. The existing text is lengthy, complex, and contains repetition and redundancy. In the new Bill, while preserving the meaning of the section, it has been divided into four subsections, which are drafted in a more coordinated manner. The complexity has been reduced by introducing a formula for "Variation in liability," further simplifying the understanding of the section.

Section 42 & 43

In IT Act 2025	In IT Act 1961	Description
S. 42	S. 43A	Capitalizing the impact of foreign exchange fluctuation • Asset acquired outside India only
S. 43	S. 43AA	Taxation of forex fluctuation • All other fluctuation as per ICDS

Section 58

- **QV.11** What has changed in provisions relating to presumptive taxation of residents in the new Income Tax Bill ,2025?
- **Ans:** Under the current provisions of the Act, residents earning income from business (Section 44AD), profession (Section 44ADA), and the business of plying, hiring, or leasing goods carriages (Section 44AE) are allowed a simplified taxation regime. In the proposed Income Tax Bill 2025, an effort has been made to consolidate all these identical presumptive taxation schemes into one section in tabular form, while adopting simplified language without suggesting any policy changes. Common eligibility conditions are listed as sub-sections below the table. This approach offers a clearer understanding of the presumptive taxation regimes for residents, improves readability, and significantly shortens the text compared to the existing provisions.

Section 58

In IT Act 2025	In IT Act 1961	Description
S. 58	S. 44AD, 44ADA, 44AE	Presumptive taxation for residents 1. Sec 26 to 54 shall not apply 2. S. 44AD cases - mandatory for first year - Ss3 3. Eligible assessee (resident Indl, HUF and Firm [Other than LLP]) does not have agency/professional/commission income 4. Assessee not eligible to remain in s. 44AD for 5 years, must maintain books & get it audited

Section 58

In IT Act 2025	In IT Act 1961	Description
S. 58	S. 44AD, 44ADA, 44AE	Presumptive taxation for residents 1. Sec 26 to 54 shall not apply 2. Income must exceed basic limit to trigger audit 44AE also 3. For lorry business, once income offered • Further partners int & remuneration shall be allowed • All type of assessee eligible • Turnover and income shall not be counted for sec 62

Section 58

IT Act 2025 - 58

- Ss.4 - Any loss, allowance or deduction allowable *under the provisions of this Act, shall not be allowed* against the income computed in the manner specified in sub-section (2).

IT Act 1961 - 44AD/44ADA/44AE

- Ss.2 - Any deduction allowable *under the provisions of sections 30 to 38* shall, for the purposes of sub-section (1), be deemed to have been already given full effect to and no further deduction under those sections shall be allowed.

Section 58

Nature of profession - Doctor	Year Ended March 2026 - Rs. Lacs	Year Ended March 2027 - Rs. Lacs
Professional Gross receipts	30.48	30.48
Income estimated @ 50%	15.24	15.24
Less: Loss under HP	2.00	
Net income	13.24	15.24

Section 58

Nature of Business – Retail trade	Year Ended March 2026 - Rs. Lacs	Year Ended March 2027 - Rs. Lacs
Net income	13.24	15.24
Turnover/gross receipts	170.00	170.00
Income estimated @ 8%	13.60	13.60
Business loss b/f	2.45	
Net income	11.15	13.60

Section 62

In IT Act 2025	In IT Act 1961	**Description**
S. 62	S. 44AA	Maintenance of books of account • Information Technology and CS made part of specified professionals • Authorised Representative and Film Artists - notified professionals
R. 46	R. 6F	Maintenance of Books of account • In rules, AR and Film artist included in Sub-rule (2)

Section 62 - Applicability

Criteria	Specified professional - R.46(3)	Other professional & Business - Sec 62(2)	
		Indl & HUF	Others
Newly set up/started – CY • likely Turnover exceeds • likely income exceeds	1.50 lakhs	25.00 lakhs 2.50 lakhs	10.00 lakhs 1.20 lakhs
Existing one – Last three years	Not to exceed in any of last 3 years	Exceeds in any of last 3 years	
• Turnover • Income	1.50 lakhs	25.00 lakhs 2.50 lakhs	10.00 lakhs 1.20 lakhs
Cases falling under sec 58(2)	N.A	When income < specified %	

Section 63

In IT Act 2025	In IT Act 1961	Description
S. 63	S. 44AB	Tax audit 1. Before/by that date - issue continues 2. Sec 58(2) cases, minimum not offered, liable for Tax audit – Sec 58(8)???
R. 47	*R. 6G*	*Report of audit u/s. 63* *1. Where audit under other law - Form 26 - Part A, C & D* *2. In other cases - Form 26 - Part B, C & D* • *Sec 58(8) specified as one more category -C.9*

Others

In IT Act 2025	In IT Act 1961	Description
S. 44	S. 35D	Amortization of certain preliminary expenses
R.27	*R. 6ABBB*	*Form to be furnished by assessee*
R.28	*R. 6AB*	*Form of audit report - Form No:6*
S. 45	S. 35	Expenditure on scientific research
S. 46	S. 35AD	Capital expenditure of specified business
S. 47	S. 35CCC / 35CCD	Expenditure on agricultural extension and skill development project

Others

In IT Act 2025	In IT Act 1961	Description
S. 48	S. 33AB	Tea development, coffee development and rubber development - As per Schedule IX
S. 49	S. 33ABA	Site restoration fund - As per Schedule X
S. 50	S. 44A	Special provision for deduction in case of trade association
S. 51	S. 35E	Deduction for expenditure on prospecting for certain minerals
S. 52	S.35ABA/ 35ABB	Right to use spectrum/obtaining licence to operate telecommunication services

Others

In IT Act 2025	In IT Act 1961	Description
S. 52	S. 35DD/ 35DDA	Amortization of expenditure in case of amalgamation or demerger/VRS scheme
S. 53	S. 43CA	Full value of consideration for transfer of assets other than CA in certain cases
S. 54	S. 42	Business of prospecting mineral oils
S. 55	S. 44	insurance business
S. 56	S. 43D	Interest income of Specified financial institutions
S. 57	S. 43CB	income computation for construction/service contracts • for ICDS purposes

Others

In IT Act 2025	In IT Act 1961	Description
S.59	S. 44D/44DA	Spl provision for computing income by way of royalties
S. 60	S. 44C	Deduction of HO expenditure of non-residents
S. 61	S. 44B, BB, BBA, BBB, BBC, BBD	Presumptive taxation for non-residents
S. 64	S. 44DB	Business reorganisation of co-op banks
S. 65	S. 44DB	Interpretation for sec 64
S. 66	S. 43	Interpretation • Other definitions included (40 numbers)
R. 48	*R. 6ABBA*	*Permitted other electronic modes of payment*

Questions……

Thank you