

# General Philosophy Of Transition



## A. Objective And Scope Of The New Act

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

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.

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

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 The 1961 Act stands repealed on the 01.04.2026.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.

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

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.

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

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.

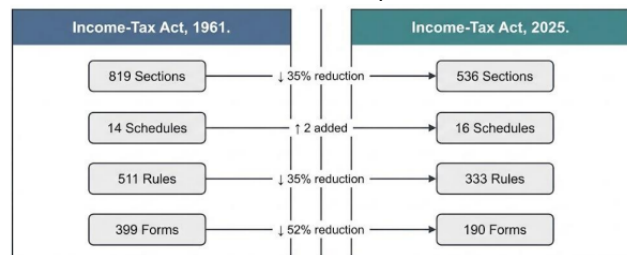
5. How has the volume and complexity of the legislation changed in the new Act?

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:

- Explanations and provisos have been incorporated into the main text of the sections;
- Tables and formulas replace verbose narrative provisions;
- Redundant and obsolete provisions have been removed; and
- 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.

ITA 1961 vs. ITA 2025: Structural Simplification at a Glance



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

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.

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?

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.

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

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'

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

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.

10. Can a 'tax year' be a period which is less than a 'financial year'?

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.

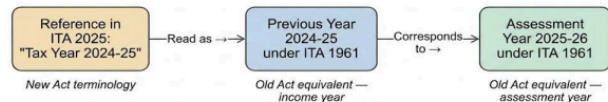
For example, if a business is set up on 1 December 2026, the Tax Year for that business will commence from 1 December 2026 to 31 March 2027.

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

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.

Reading 'Tax Year' References Predating 1 April 2026 – Section 536(3), ITA 2025



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

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

No Missing Year – Seamless Transition from Assessment Year to Tax Year

1 April 2026-ITA 2025 Comes into Force

ITA 1961 Governs.	ITA 2025 Governs.
Income earned: FY 2025-26 Filed and assessed as: AY 2026-27 (under ITA 1961).	Income earned: FY 2026-27 onwards Assessed as: Tax Year 2026-27 (under ITA 2025).

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

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

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?

Yes, existing Permanent Account Number, Tax Deduction Account Number (TAN),

faceless assessment, faceless appellate framework, etc., shall continue under the Income Tax Act 2025.

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

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.

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?

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.

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?

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.

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

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.

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

Yes, if such approvals are not inconsistent with the provisions of the new Act, they are treated as if granted under the new Act.

**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.

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

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.

**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?**

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.

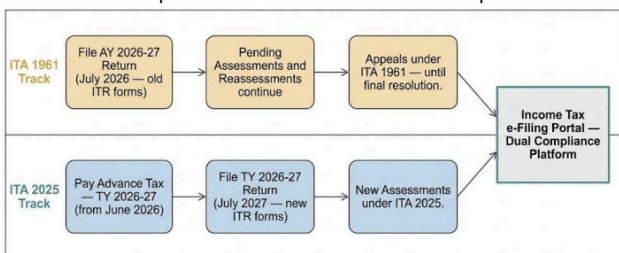
**22. For how long will the old and new Acts run in parallel? What does this mean for taxpayers practically?**

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.

Parallel Operation of ITA 1961 and ITA 2025 from 1 April 2026



## 1. Tax Payments, Collection And Refunds

### A. Overview Of Tds Provisions And Tds Payments Under The New Act



**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?**

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.

**2. Have the permissible modes of tax payment been altered under the Incometax Act, 2025?**

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.

**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?**

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 PayeesResidents, 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.

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

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.

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

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.

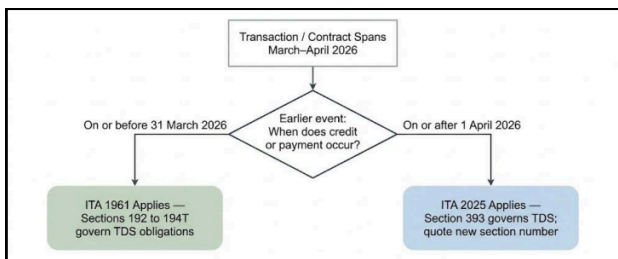
**6. How is TDS determined for contracts or services spanning over the period of March–April 2026?**

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.

TDS Applicability for Cross-Period Transactions: March–April 2026



**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**

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.

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

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 7<sup>th</sup> April, 2026. In case of any default, interest and penal actions may be attracted.

**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?**

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.

**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?**

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.

**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?**

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.

**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?**

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.

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

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**

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

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

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



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 15 <sup>th</sup> June	Not less than 15% of advance tax
2.	On or before 15 <sup>th</sup> September	Not less than 45% of advance tax
3.	On or before 15 <sup>th</sup> December	Not less than 75% of advance tax
4.	On or before 15 <sup>th</sup> March	100% of advance tax

**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?**

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.

**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?**

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 Incometax 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.

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

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.

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?

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.

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

Under the new Act, assessee 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.

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

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. elf Assessment Tax Payment And Brought Forward Mat/Amt Credit**

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

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.

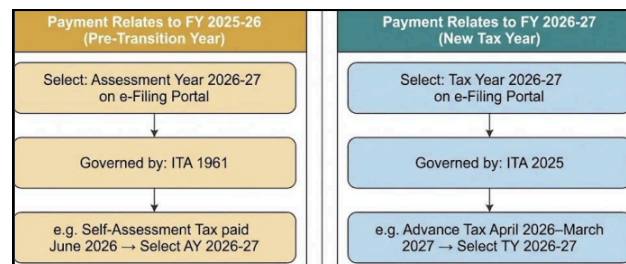
23. What precautions should taxpayers take during the transition year (FY 2026-27) while making tax payments?

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.

Tax Payment Precautions During Transition Year FY 2026-27



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

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.

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?

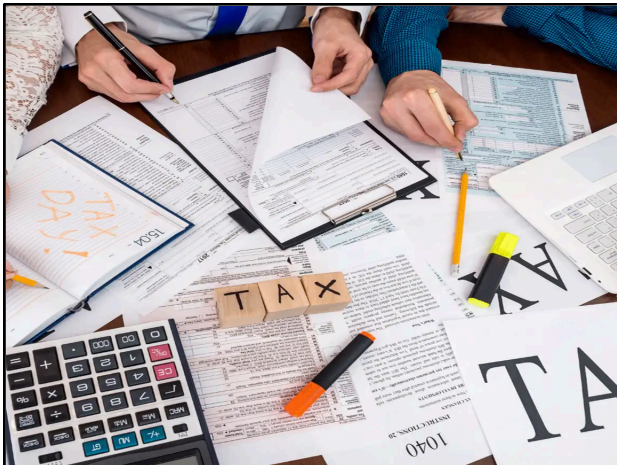
Any unutilised credit for MAT/AMT allowed to be carried forward under the provisions of section 115JAA or 115JD of the Income Tax Act, 1961, are treated as eligible credits under the Income Tax Act, 2025.

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.

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

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

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?

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.

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

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.

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?

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

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?

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.

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?

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.



## 2. Furnishing Of Income Tax Return (ITR)

### A. Overview – Return Filing Framework During Transition

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

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 (subsection 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.

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?

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.

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

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.	30 <sup>th</sup> 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 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	31 <sup>st</sup> October
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.	31 <sup>st</sup> August
4.	Any other assessee.	—————	31 <sup>st</sup> July

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)?

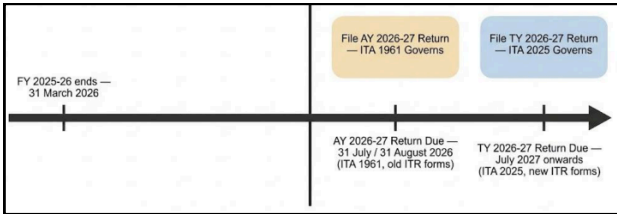
No. The obligation to file the return for the Tax Year 2026-27 will arise after the end of the Tax Year and it is similar to the framework existing in Income Tax Act, 1961. The timelines for filing Income Tax returns during transition period (as proposed in Finance Bill, 2026) are tabulated as under:



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.

**Return Filing Obligations During Transition Year  
No Double Filing Required  
1 April 2026–ITA 2025 Comes into Force**



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

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.

**6. Which ITR form should be used for AY 2026–27?**

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.

**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?**

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.

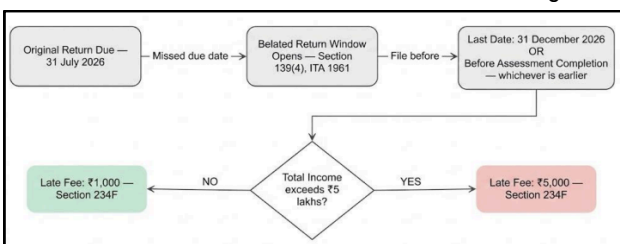
(as proposed in the Finance Bill, 2026)

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

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.

**Belated Return for AY 2026–27 – Last Date and Late Filing Fee**



**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?**

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)**

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

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.

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

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)**

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

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.

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

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 (ITRU)	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)

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

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**

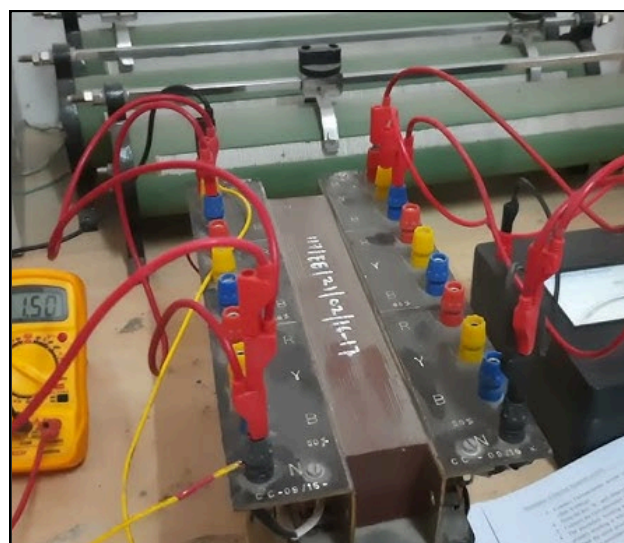
15. If a search is initiated on a person under section 132 of the old Act before the new Act came into effect but notice for filing return of income for the blockperiod is issued after 01.04.2026. Under which Act, the taxpayer is required to file the return of income?

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.

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?

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



**E. Practical Scenarios During Parallel Operation**

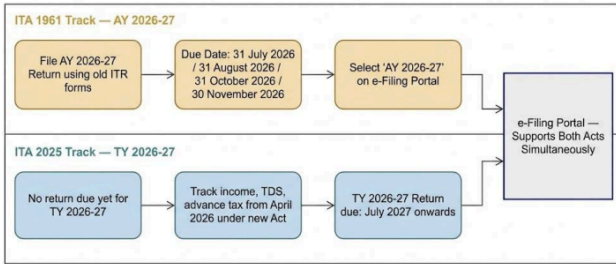
17. Are AY 2026-27 and Tax Year 2026-27 the same?

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 31<sup>st</sup> 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.

**Managing Dual Compliance after 01.04.2026 - Taxpayer Action Guide**



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?

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.

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?

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.

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?

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**

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

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.

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

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.

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?

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**

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?

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.

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)?

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 31<sup>st</sup> October, 2026, and 31st October, 2026 for transfer pricing cases where the ITR due date is 30th November, 2026.

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

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.

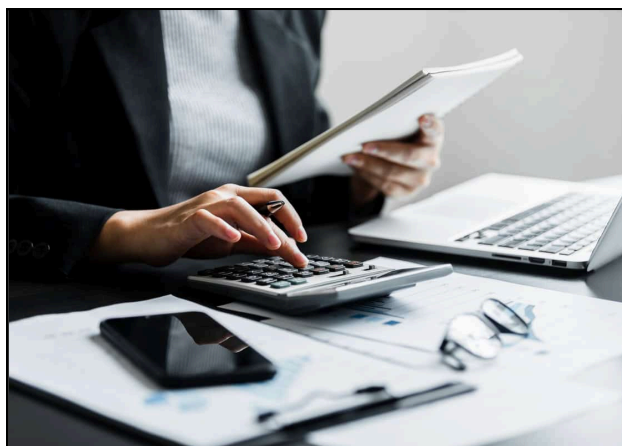
**27. Will the e-filing portal simultaneously supports filings under both the old and new Acts?**

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.

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

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.



### 3. Miscellaneous

**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?**

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.

**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?**

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.

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

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.

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

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.

**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?**

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.

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

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.



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

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.

**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?**

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.

**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?**

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.

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

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

**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?**

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.

**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?**

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.

**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?**

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.

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

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



**Source :**

Income Tax Act 2025