

MAJOR CHANGES PROPOSED IN THE INCOME TAX BILL, 2025

Sr. No.	Section	Provision under Income-tax Act, 1961	Clause	Provision under Income Tax Bill (ITB)
(i)	3	<p>"Previous year" defined.</p> <p>For the purposes of this Act, "previous year" means the financial year immediately preceding the assessment year:</p> <p><i>Provided</i> that, in the case of a business or profession newly set up, or a source of income newly coming into existence, in the said financial year, the previous year shall be the period beginning with the date of setting up of the business or profession or, as the case may be, the date on which the source of income newly comes into existence and ending with the said financial year.</p>	3	<p>Definition of "Tax Year"</p> <p>(1) For the purposes of this Act, "tax year" means the twelve months period of the financial year commencing on the 1st April.</p> <p>(2) In the case of a business or profession newly set up, or a source of income newly coming into existence in any financial year, the tax year shall be the period beginning with—</p> <p>(a) the date of setting up of such business or profession; or</p> <p>(b) the date on which such source of income newly comes into existence, and, ending with the said financial year.</p>
(ii)	6	<p>Residential Status</p> <p>Income-tax Act, 1961, provides that the condition of stay in India for 60 days or more in the current year does not apply to a citizen of India who leaves India "for the purpose of employment outside India".</p>	6	<p>Residential Status</p> <p>Income-tax Bill, 2025 proposes to replace this expression with "for employment outside India".</p>
(iii)	16	<p>Deduction from Salaries</p> <p>A Government employee is allowed a deduction under section 16(ii).</p>	19	<p>Deduction from Salaries</p> <p>The ITB does not allow any deduction for the entertainment allowance.</p>
(iv)	22	<p>Income from House Property</p> <p>The annual value of property consisting of any buildings or lands appurtenant thereto of which the assessee is the owner, <i>other than</i> such portions of such property <i>as he may occupy for the purposes of any business or profession</i> carried on by him the profits of which are chargeable to income-tax, shall be chargeable to income-tax under the head "Income from house property".</p>	20	<p>(1) The annual value of property consisting of any buildings or lands appurtenant thereto, owned by the assessee shall be chargeable to income-tax under the head "Income from house property."</p> <p>(2) The provisions of sub-section (1) shall not apply to such portions of the property, <i>as occupied by the assessee for his business or profession</i>, the profits of which are chargeable to income-tax</p>

		Profits and Gains of Business or Profession		
(v)	30 & 31	<p>Rent, rates, taxes, repairs and insurance for buildings. In respect of rent, rates, taxes, repairs and insurance for premises, used for the purposes of the business or profession, the following deductions shall be allowed—</p> <p>(a) where the premises are occupied by the assessee—</p> <p>(i) as a tenant, the rent paid for such premises ; and further if he has undertaken to bear the cost of repairs to the premises, the amount paid on account of such repairs ;</p> <p>(ii) otherwise than as a tenant, the amount paid by him on account of current repairs to the premises ;</p> <p>(b) any sums paid on account of land revenue, local rates or municipal taxes;</p> <p>(c) the amount of any premium paid in respect of insurance against risk of damage or destruction of the premises.</p> <p>Explanation.—For the removal of doubts, it is hereby declared that the amount paid on account of the cost of repairs referred to in sub-clause (i), and the amount paid on account of current repairs referred to in sub-clause (ii), of clause (a), shall not include any expenditure in the nature of capital expenditure.</p>	28	<p>(1) The following amounts shall be allowed as deduction in respect of premises, machinery, plant or furniture, wholly and exclusively, used for the purposes of the business or profession:—</p> <p>(a) any premium paid in respect of insurance against risk of damage or destruction thereof;</p> <p>(b) land revenue, local rates or municipal taxes paid;</p> <p>(c) rent paid, when the premises are occupied by the assessee as a tenant;</p> <p>(d) amount paid on account of current repairs, not being capital expenditure, when the premises are occupied by the assessee otherwise than as a tenant; and</p> <p>(e) cost of repairs, not being capital expenditure, when the premises occupied by the premises occupied by the assessee as a tenant.</p> <p>(2) In case where the premises, building, machinery, plant or furniture is partly used or not wholly and exclusively used for the purposes of the business or profession, the deduction allowable under sub-section (1) shall be restricted to the fair proportionate part thereof as determined by the Assessing Officer, having regard to the usage for the purposes of the business or profession.</p>
(vi)	31	<p>Repairs and insurance of machinery, plant and furniture. In respect of repairs and insurance of machinery, plant or furniture used for the purposes of the business or profession, the following deductions shall be allowed—</p> <p>(i) the amount paid on account of current repairs thereto ;</p> <p>(ii) the amount of any premium paid in respect of insurance against risk of damage or destruction thereof.</p>		

		Explanation.—For the removal of doubts, it is hereby declared that the amount paid on account of current repairs shall not include any expenditure in the nature of capital expenditure.		
(vii)	43(1)	<p>Actual cost of assets used for business or profession</p> <p>"actual cost" means the actual cost of the assets to the assessee, reduced by that portion of the cost thereof, if any, as has been met directly or indirectly by any other person or authority:</p> <p>Provided that where the actual cost of an asset, being a motor car which is acquired by the assessee after the 31st day of March, 1967, but before the 1st day of March, 1975, and is used otherwise than in a business of running it on hire for tourists, exceeds twenty-five thousand rupees, the excess of the actual cost over such amount shall be ignored, and the actual cost thereof shall be taken to be twenty-five thousand rupees:</p> <p>Provided further that where the assessee incurs any expenditure for acquisition of any asset or part thereof in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed, exceeds ten thousand rupees, such expenditure shall be ignored for the purposes of determination of actual cost.</p>	39	<p>(1) The actual cost of an asset used for the purposes of the business or profession shall be the actual cost to the assessee as, reduced by the following amounts:—</p> <p>(a) part of cost of asset, if any, met by any other person or authority, directly or indirectly;</p> <p>(b) goods and services tax paid in respect of which input tax credit has been claimed and allowed under the relevant law;</p> <p>(c) additional duty leviable under section 3 of the Customs Tariff Act, 1975 in respect of which a claim of credit has been made and allowed under the Central Excise Rules, 1944;</p> <p>(d) subsidy, grant or reimbursement, by whatever name called, if any, relating to the acquisition of the asset, received by the assessee from—</p> <p>(i) the Central Government;</p> <p>(ii) a State Government;</p> <p>(iii) any authority established under any law; or</p> <p>(iv) any other person.</p> <p>(2) The payment or aggregate of payments exceeding ten thousand rupees in a day for acquisition of an asset, made to a person in a mode otherwise than by specified banking or online mode, shall be excluded from the actual cost of the asset.</p> <p>(3) In a case where the subsidy, grant or reimbursement referred to in sub-section (1)(d) is not directly relating to the asset acquired, the amount of reduction under sub-section (1)(d) shall be determined as under:</p>

				$A \times \frac{B}{C}$ <p>Where,— A = total amount of subsidy, grant or reimbursement not directly relatable to the asset; B = cost of the asset acquired for which actual cost is to be determined; C = cost of all the assets in respect of or in reference to which the subsidy or grant or reimbursement is so received.</p> <p>(4) In circumstances specified under column B of the Table below, the actual cost of the capital asset shall be as specified in column C thereof.</p>
(viii)	44AA	Maintenance of Accounts (1) Every person carrying on legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or any other profession as is notified by the Board in the Official Gazette shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provisions of this Act.	62	(1) (a) Any person carrying on specified profession; (b) any person carrying on, business; or any profession [not being a profession referred to in clause (a)] and satisfying the conditions referred to in sub-section (2); or (c) any other person carrying on profession notified by the Board in this behalf, shall keep and maintain such books of account and other documents to enable the Assessing Officer to compute his total income under this Act. (4) In this section, “specified profession” means— (a) legal, medical, engineering, architectural, accountancy, technical consultancy, interior decoration, information technology or company secretary ; or (b) any other profession, as notified by the Board.
(ix)	56	Gift from lineal ascendant or descendant As per section 56(2)(x) of ITA, the gifts received by an individual from his lineal ascendants or descendants (or those of his spouse) are not chargeable to income tax.	92	In the ITB, it is explicitly mentioned that a lineal ascendant or descendant can be maternal or paternal .
(x)	64	Clubbing of Income Income of individual to include income of spouse, minor child, etc. (1) In computing the total income of any individual, there shall be included all	99	(1) The total income of any individual, for a tax year, shall include the income arising directly or indirectly,— (a) to the spouse,— (i) by way of salary, commission, fees or any other form of remuneration, whether in cash or kind,

		<p>such income as arises directly or indirectly—</p> <p>(ii) to the spouse of such individual by way of salary, commission, fees or any other form of remuneration whether in cash or in kind from a concern in which such individual has a substantial interest:</p> <p>Provided that nothing in this clause shall apply in relation to any income arising to the spouse where the spouse possesses technical or professional qualifications and the income is solely attributable to the application of his or her technical or professional knowledge and experience;</p>		<p>from a concern in which such individual has a substantial interest but shall not exclude income solely attributable to the application of technical or professional knowledge, experience and professional qualification of the spouse;</p>
(xi)	148	<p>Income Escaping Assessment</p> <p>Meaning of “information with the Assessing officer which suggests that the income chargeable to tax has escaped assessment</p> <p>Section 148(3) of ITA</p> <p>3) For the purposes of this section and <u>section 148A</u>, the information with the Assessing Officer which suggests that the income chargeable to tax has escaped assessment means,—</p> <p>(i) any information in the case of the assessee for the relevant assessment year in accordance with the risk management strategy formulated by the Board from time to time; or</p> <p>(ii) any audit objection to the effect that the assessment in the case of the assessee for the relevant assessment year has not been made in accordance with the provisions of this Act; or</p> <p>(iii) any information received under an agreement referred to in <u>section 90</u> or <u>section 90A</u> of the Act; or</p> <p>(iv) any information made available to the Assessing Officer under the scheme notified under <u>section 135A</u>; or</p> <p>(v) any information which requires action in consequence of the order of a Tribunal or a Court; or</p>	279	<p>For the purposes of this section and section 281, the information with the Assessing Officer which suggests that the income chargeable to tax has escaped assessment means—</p> <p>(a) any information in the case of the assessee for the relevant tax year as per the risk management strategy formulated by the Board from time to time;</p> <p>(b) any audit objection to the effect that the assessment in the case of the assessee for the relevant tax year has not been made as per this Act;</p> <p>(c) any information received under an agreement referred to in section 159 of this Act;</p> <p>(d) any information made available to the Assessing Officer under the scheme notified under section 260;</p> <p>(e) any information which requires action in consequence of the order of a Tribunal or a Court;</p> <p>(f) any information in the case of the assessee emanating from the survey conducted under section 253, other than under sub-section (4) of the said section;</p> <p>(g) any directions in the case of the assessee given by the Approving Panel under section 274(6);</p> <p>(h) any finding or direction contained in an order passed by any authority, Tribunal or court in any</p>

		(vi) any information in the case of the assessee emanating from survey conducted under <u>section 133A</u> , other than under sub-section (2A) of the said section, on or after the 1st day of September, 2024.		<p>proceeding under this Act by way of appeal, reference or revision, or by a Court in any proceeding under any other law.</p> <p>Income escaping assessment, if invoked then only after one year: Clause 282 (3):- No notice under section 280 or 281 shall be issued within one year from the end of any tax year.</p>
(xii)	131	<p>Tax Administration Section 131(1)/(1A) contains the power to issue summonses for discovery, production of evidence, enforcing the attendance of any person, and examining him on oath. Section 131(1A) empowers various authorities, including the Deputy Director, to issue summons.</p>	246	Clause 246 of the ITB removes the reference to the Deputy Director from the list of authorities empowered to issue summons.

(xiii) Revision of orders (Section 263, 364 of ITA and Clause 377 and 378 of ITB)

Additional time given to complete the revision proceedings in particular situations

In computing the period of limitation for passing revision order, the following period shall be excluded:—

(a) the time taken in giving an opportunity to the assessee to be reheard under section 244(2); and

(b) the period commencing on the date on which stay on any proceeding under this section has been granted by an order or injunction of any court and ending on the date on which certified copy of the order or injunction vacating the stay is received by the jurisdictional Principal Commissioner or Commissioner.

If after the exclusion of the period stated above, the time limit for completion is less than sixty days, such remaining period shall be extended to sixty days and such period of limitation shall be deemed to have been extended accordingly.

(xiv) Search and seizure [Clause 247 of the ITB/Section 132 of the ITA]

Scope extended to cover e-info: The expression "any books of account or other documents" has been changed to "any books of account or other documents **or any information stored in any electronic media or a computer system**" in the ITB.

Authorities to conduct search: The ITB removes an Additional Director, Additional Commissioner, Deputy Director or Deputy Commissioner from the list of authorities who can initiate a search.

Access code requirement: Section 132 empowers the authorised officer to exercise certain powers where he has reason to suspect that the books of account or assets are kept in any building, place, vessel, vehicle or aircraft ('places'). *One such power is to break open the lock of any door, box, locker, safe, almirah or other receptacle where the keys thereof are not available.*

In the ITB, the provision expands the scope by empowering the authorities **to gain access by overriding the access code to any said computer systems or virtual digital space where the access code thereof is not available.**

Restraint Orders: Section 132(3) of the ITA provides that where it is not practicable to seize books of account, other documents, money, bullion, jewellery, or other valuable articles or things, the assessing officer can pass a restraint order.

The ITB adds computer systems, bank lockers, and bank accounts to the list of assets for which a restraint order can be passed.

Presumption: Section 132(4A) and Section 292C of the ITA contain certain legal presumptions against the person from whose possession or control any books of account, other documents or assets are found.

The ITB expands the list of assets against which such presumptions shall be assumed, which are **virtual digital assets, virtual digital space, electronic content, records, and communication found on computer systems.**

Powers to requisition books of account, etc. [Clause 248 of the ITB/Section 132A of the ITA]

The expression "any books of account or other documents" has been changed to "any books of account or other documents **or any information stored in any electronic media or a computer system**" in the ITB. The addition of the phrase "any information stored in an electronic media or computer systems" expands the scope of circumstances in which a requisition can be made.

Retention of seized books/ documents after completion of assessment in search cases [Clause 251 of the ITB/Section 132(8)/(9)/(9A) of the ITA]

The authorised officer can retain the books of account or other documents seized during the search for 30 days from the date of the order of assessment or reassessment without obtaining approval from the higher authorities for such retention.

The ITB amends the time limit for retaining seized or requisitioned material, **extending to one month from the end of the quarter in which assessment, re-assessment or recomputation order is issued.**

(xv) Power of survey [Clause 253 of the ITB/Section 133A of the ITA]

The following are the key changes in the ITB:

- (a) **Scope of inspection extended to cover e-info:** Section 133A empowers income tax authorities to conduct surveys to gather information and verify tax compliance. During a survey, authorities can inspect books of account and documents, mark them for identification, make copies or extracts, create inventories of cash and stock, and record statements.

The ITB extends the scope of inspection beyond books of account or other documents to include computer systems, any other material connected with such systems and virtual digital space.

- (b) **Scope of taking copies or making extract extended to cover e-info:** An income-tax authority conducting a survey has the powers to make extracts or copies from the books of account or other documents inspected by him.

The ITB expands the scope of authorities to extract or copy data beyond physical books of account or documents to include electronic media and computer systems.

- (c) **Recording of statement modified to be taken “on oath” :** The ITA provides powers to the income-tax authorities conducting a survey to record the statement of any person that may be relevant to any proceeding under this Act.

The ITB requires that such statements must be recorded by the Income Tax Authority on oath, enhancing their legal validity and accountability in tax proceedings.