

Old Income-tax Act, 1961 vs New Income-tax Bill, 2025

(Passed on 11th of August 2025 – A Comparison)

1. Structure and Organisation

- **Old Law (1961 Act):** The law had grown bulky and complex over six decades, with approx. 300 sections, many provisos, cross-references, and multiple amendments leading to confusion.
- **New Law (2025 Bill):** The entire Act is rewritten in a cleaner, chapter-wise, sequential manner with approx. 536 well organised sections. Provisions are grouped logically (e.g., definitions, income categories, exemptions, computation, deductions, special provisions, administration, penalties). Numbering is fresh, starting from Clause/section 1, avoiding decades of scattered insertions.

2. Definitions and Terminology

- **Simplified language:** Many outdated definitions from the 1961 Act are re-written in shorter and simpler terms.
- **New inclusions:** Terms like “tax year”, “specified person/entity”, “faceless jurisdiction”, and “offshore banking units” are formally defined.
- **Removals:** Several obsolete references (like Gold Bonds of the 1970s, old bearer bonds, outdated company law terms) have been dropped.

3. Year of Taxation

- **Old Act:** Used the concept of “Previous Year” and “Assessment Year” for most provisions.
- **New Bill:** Introduces “Tax Year” as a clearer primary reference for the period of income assessment, aiming to reduce confusion for taxpayers.

4. Income Classification

- Both laws keep the five main heads of income (salary, house property, business/profession, capital gains, other sources).

Changes in New Bill:

- Certain income types (like some capital receipts from specified persons) are now explicitly taxable.
- More precise treatment for digital assets, foreign income, and gifts from entities.
- Some exemptions removed or narrowed down for better targeting.

5. Exemptions and Deductions

New Bill:

- Many small, rarely used exemptions from the old law have been scrapped.
- Deductions are consolidated and conditions simplified.
- New deductions for electric vehicle purchases, Agnipath Scheme contributions, and specific housing loan interest are included.
- Some political donation provisions are separated for transparency.

- **Old Act:** Had a scattered list under Section 10, 80C to 80U, with frequent overlaps and exceptions.

6. Capital Gains

New Bill: Brings in clearer rules for:

- *Market Linked Debentures*
- *Slump sale transactions*
- *Fair market value substitutions* in more situations.
- Consolidated exemptions with uniform timelines for reinvestment.

- **Old Act:** Rules were spread over multiple sections with varied conditions and timelines.

7. Anti-Avoidance and Special Provisions

- **Old Act:** Contained General Anti-Avoidance Rules (GAAR) and some specific anti-avoidance clauses, but scattered and difficult to apply.
 - **New Bill:** Retains GAAR but integrates it with specific anti-abuse measures (like limitation on interest deduction, secondary adjustments in transfer pricing) in a more connected chapter.
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8. Administration and Taxpayer Services

- **New Bill:**
 - Introduces *Taxpayer's Charter* as a formal part of law.
 - "Faceless" systems for assessment, appeals, information collection are codified, not just in rules.
 - Jurisdiction and powers of officers simplified.
 - **Old Act:** These features existed via notifications/circulars but were not fully embedded in the main Act.
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9. Appeals and Dispute Resolution

- **New Bill:** Creates new forums like *Dispute Resolution Committee* for small taxpayers, restructures appeal authorities, and makes advance rulings part of the main structure.
- **Old Act:** Had separate sections for appeals to Commissioner (Appeals), ITAT, High Court, SC, with some ad-hoc schemes for dispute settlement.

Thank You

Best wishes

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10. Penalties and Prosecution

- **New Bill:**
 - Penalties are reorganised by type of default, with clear description of non-compliance and corresponding consequence.
 - New penalties for failure in electronic compliance and inaccurate digital reporting.
 - **Old Act:** Penalty sections were numbered in 270A range and spread across with multiple overlapping clauses.
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