



## DIRECT TAX UPDATE- INCOME TAX BILL 2025

On 11 August 2025, the Government of India introduced the Income-tax Bill (No. 2), 2025 (“**New Bill**”) in the Lok Sabha, following the withdrawal of the Income-tax Bill, 2025 (“**Original Bill**”). The Original Bill, tabled in February 2025 by the Hon’ble Finance Minister, aimed to simplify and modernise the Income-tax Act, 1961 (“**Existing Act**”). It was subsequently referred to a Select Committee of Parliament for detailed examination and stakeholder consultation.

Based on the Committee’s recommendations, many of which were accepted by the Ministry of Finance, the New Bill was introduced and has now been passed by both Houses of Parliament and received Presidential assent. The New Bill will come into effect from **1 April 2026**.

### Key Highlights of the New Bill are as:

S.no	Particular	Remarks
1.	<b>Streamlining the Statute</b>	Reduction in the number of sections from 819 in the Existing Act to 536 sections in the New Bill.
2.	<b>Substantive Alignment</b>	Retains core principles of income computation and classification from the Existing Act.
3.	<b>Transition Provisions</b>	Includes mechanisms to ensure smooth migration from the Existing Act to the New Bill.
4.	<b>Updating the concept of Tax period</b>	Replaces “ <i>previous year</i> ” and “ <i>assessment year</i> ” with a unified concept of “ <i>tax year</i> ”.
5.	<b>Change in definition of ‘Perquisites’</b>	Excludes employer-provided commute expenses (residence to office and vice versa) from the definition of “perquisites”.
6.	<b>Expanded Definition of ‘Royalty’</b>	Now includes both transfer and grant of rights related to intellectual property such as patents and inventions.
7.	<b>Revised Definition of ‘Associate Enterprise’</b>	Updates criteria for determining associated entities.
8.	<b>ITR filing by charitable institutions</b>	Mandates timely filing of income tax returns to claim exemptions.
9.	<b>TDS correction timeline</b>	Reduces the permissible period for correcting TDS statements from six years to two years.
10.	<b>Expanded scope of “Information” for reassessment proceedings</b>	Expands the definition of “ <i>information</i> ” to include additional data categories.



*Disclaimer: This tax alert is only for general informational purposes, and nothing in this edition could possibly constitute legal advice (which can only be given after being formally engaged and familiarizing ourselves with all the relevant facts).*

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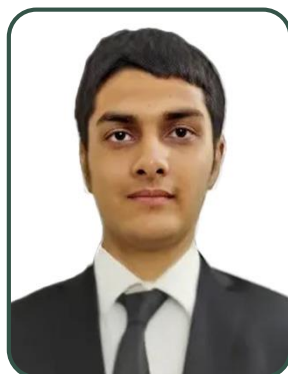
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