

Income Tax Amendment 2025

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Introduction:-

India’s new Income Tax Bill 2025 brings substantial changes aimed at simplifying the tax code, broadening tax compliance, and modernizing regulations to fit a dynamic economy. This legislation replaces the old 1961 Act, focusing on clear language, transparent processes, and updated provisions for digital-era challenges.

Simplified Tax Framework:-

The primary intent behind the new bill is to make tax law simpler and more accessible for individuals and businesses. The act reduces redundant sections, provides a more straightforward framework, and introduces a single, standardized “tax year” system. This shift replaces the previous dual systems (financial year and assessment year), now favoring a 12-month period aligned with a taxpayer’s business start date or new source of income.

Revised Tax Slabs and Compliance:-

A central feature is the introduction of new income tax slab rates under the revised default regime, effective for FY 2025-26 onwards. The updated slabs are:

Income Range	Rate
Up to ₹4,00,000	NIL
₹4,00,001 – ₹8,00,000	5%
₹8,00,001 – ₹12,00,000	10%
₹12,00,001 – ₹16,00,000	15%
₹16,00,001 – ₹20,00,000	20%
₹20,00,001 – ₹24,00,000	25%
Above ₹24,00,000	30%

Those earning up to ₹1.2 million (₹12 lakh) will see no tax liability, thanks to the standard deduction and rebate provisions. The old tax regime remains as an alternate option for taxpayers who prefer previous slabs and deductions.

Presumptive Taxation Adjustments:-

The bill updates presumptive taxation with higher thresholds: businesses with up to ₹3 crore turnover (if over 95% is via digital modes) and professionals with receipts up to ₹75 lakh can opt in. Income computation is clarified using set percentages of total receipts, making it easier for small businesses to comply without detailed account-keeping.

Key Changes Beyond Slabs:-

Broader Definition of Virtual Digital Assets: Cryptocurrencies, NFTs, and emerging digital tokens now fall under the taxation scope.

Removal of Redundant Provisions: Outdated laws and rarely used clauses are dropped, streamlining the overall act.

Compliance Relief: The act introduces a five-year lock-in for presumptive tax, mandatory audit only for those declaring lower profits, and relaxations in some audit requirements to reduce the burden on small taxpayers.

Other Administrative Changes: The act removes the ITR refund clause and allows for “nil TDS” certificates in some cases, further easing compliance.

Implications and Transition:-

This overhaul aims to reduce disputes and ensure clarity, ultimately building taxpayer trust and broadening the tax base. Businesses, professionals, and individual taxpayers will benefit from the improved predictability and simplified structure once these provisions come into force from April 2026.

India's Income Tax Bill 2025 marks a significant evolution in tax administration, with modern, user-friendly provisions expected to drive higher compliance and ease of doing business in the digital era.

Pros:-

Simplification and Clarity: The new bill halves the size of the tax statute and consolidates scattered sections, making it far more readable and accessible for individual and business taxpayers.

Higher Basic Exemption and Rebate: The exemption limit rises to ₹4 lakh and the zero-tax threshold to ₹12 lakh (including rebate), immediately benefiting low and middle-income earners with less or no tax liability.

Less Paperwork, Easier Filing: With consolidated deductions, simplified forms, and pre-filled data, salaried individuals and small businesses face drastically reduced compliance time and costs.

Faceless and Digital Administration: The framework is tailored for digital processes, offering faceless assessments and faster refunds, which promote trust and transparency between taxpayers and authorities.

‘Trust First, Scrutinize Later’ Approach: Returns are to be largely accepted on self-assessment unless red flags appear, helping ease taxpayer anxiety and reduce unnecessary scrutiny.

Fewer Disputes, Greater Certainty: Clearer language, fewer ambiguous clauses, and harmonized schedules are expected to lower litigation and disputes with the tax department.

Cons:-

Limited Deductions in Default Regime: While the new regime is now the default, it restricts many traditional exemptions and deductions, potentially raising total tax for some taxpayers who previously relied on these benefits in the old structure.

Adjustment Required for Taxpayers: First-time or experienced filers will need to understand and adapt to the fresh terminologies and consolidated schedules, possibly incurring short-term confusion.

Narrower Appeal for High-Income Groups: Individuals with high deductions under the old regime (such as large home loan interest or section 80C investments) may find their tax liability higher under the simplified regime.

Greater Digital Dependency: Small businesses in rural or low-connectivity areas might find the increased digital interface an initial operational hurdle.

Presumptive Taxation Rigidity: The new presumptive taxation rules, with five-year lock-ins, may pose a challenge if business circumstances change unexpectedly for small entities.

Greater Surveillance and Enforcement: While aiming for higher compliance, stricter TDS/TCS tracking and monitoring could raise compliance anxiety among honest taxpayers, particularly those new to digital ecosystems.

Conclusion:-

The new bill is a significant step forward in making Indian taxation more modern, fair, and user-friendly. With streamlined processes and increased thresholds, many will benefit, but anyone with intricate financial planning or reliance on older deductions must carefully assess their position under the new law.

References:-

1. "India's New Income Tax Act: Key Highlights" – Business Standard
2. "Income Tax Bill 2025: Full Text and Analysis" – Ministry of Finance, Government of India
3. "India's New Income-Tax Act: Impact and Analysis" – Taxmann

