

[New Income Tax Bill 2025 - Clause wise details of the Income Tax Act 2025 - \(Download\)](#)

New Income Tax Act, 2025 (PDF) - Download

The Income-tax Act passed in 1961 has been subjected to numerous amendments since its passage sixty years ago. As a result of these amendments the basic structure of the Income-tax Act has been overburdened and language has become complex, increasing cost of compliance for taxpayers and hampering efficiency of direct-tax administration. Tax administrators, practitioners and taxpayers have also raised concerns about the complicated provisions and structure of the Income-tax Act.

Therefore, the Government in the budget in July 2024 announced that a time bound comprehensive review of the Income-tax Act, 1961 would be undertaken to make the Act concise, lucid, easy to read and understand. Accordingly, the Income-tax Bill, 2025 has been prepared which proposes to repeal and replace the Income-tax Act, 1961.

The Notes on clauses explain in detail the various provisions contained in the Bill.

Read also: **Section Mapping | Income Tax Act, 1961 corresponding to Income Tax Bill, 2025**

Clause wise summary of the Bill as under:

1. General Provisions

- **Clause 1:** Defines the short title, extent, and commencement of the legislation.
 - **Clause 2:** Provides definitions of various terms and expressions used in the bill.
 - **Clause 3:** Defines the term "tax year" for consistency in tax calculations.
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2. Income Tax Provisions

Chargeability & Scope of Income

- **Clause 4:** Specifies the chargeability of income tax.
- **Clause 5:** Defines total income for both residents and non-residents.
- **Clause 6:** Outlines conditions for determining residential status in India.
- **Clause 7:** Covers income deemed to be received.
- **Clause 8:** Addresses income from receipt of capital assets or stock.
- **Clause 9:** Defines income deemed to accrue or arise in India, including business connections, interest, dividends, royalties, and capital asset transfers.
- **Clause 10:** Special provision for income apportionment between spouses under the Portuguese Civil Code.

Income Exemptions

- **Clause 11:** Lists incomes not included in total taxable income (as per Schedules II-VII).
- **Clause 12:** Exempts incomes of political parties and electoral trusts.

Income Classification & Computation

- **Clause 13:** Classifies income under different heads for tax computation.
 - **Clause 14:** Specifies non-deductible expenses linked to tax-exempt income.
 - **Clause 15-17:** Covers salary income, including wages, pensions, gratuity, commissions, and exclusions for specific perquisites.
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3. Taxation of Specific Income Categories

Income from House Property

- **Clause 20:** Defines taxation of rental income from house property.
- **Clause 21:** Determines the annual value of properties.
- **Clause 22-24:** Provides deductions and co-ownership taxation rules.

Profits & Gains from Business or Profession

- **Clause 26-29:** Covers business income, deductible expenses, and employee welfare deductions.
- **Clauses 30-33:** Deductions for insurance, bad debts, depreciation, and other business expenses.
- **Clauses 34-38:** Specifies conditions for allowing expenses and outlines taxable deemed business profits.
- **Clauses 39-43:** Discusses definitions related to business expenses, asset valuation, and forex fluctuations.

Capital Gains

- **Clause 67-77:** Covers taxation on asset transfers, distributions during liquidation, and exemptions.
- **Clauses 78-80:** Special cases where market value is used instead of transaction value.
- **Clauses 81-86:** Exemptions for capital gains reinvested in property, bonds, or Special Economic Zones.
- **Clauses 87-91:** Rules for capital gains in mergers, acquisitions, and compulsory land acquisition.

Income from Other Sources

- **Clauses 92-96:** Covers miscellaneous taxable income sources and their deductions.
 - **Clauses 97-100:** Clubbing provisions where income is transferred without transferring assets.
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4. Special Taxation Provisions

Taxation of Non-Residents & International Transactions

- **Clause 59:** Taxability of royalties and technical service fees for non-residents.
- **Clauses 60-61:** Presumptive taxation for specific non-resident businesses.
- **Clauses 159-161:** Agreements for double taxation relief and foreign tax credits.
- **Clauses 162-170:** Transfer pricing rules and determination of arm's length price.

Deductions & Incentives

- **Clause 123-140:** Deductions for insurance, health expenses, higher education loans, electric vehicles, donations, and contributions to political parties.
- **Clauses 141-149:** Business-related tax deductions, including SEZ development and start-ups.

Special Industry Taxation

- **Clause 225-235:** Tonnage tax scheme for shipping companies.
 - **Clause 221-224:** Special taxation regimes for venture capital funds, infrastructure investment trusts, and real estate investment trusts.
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5. Compliance, Filing, and Assessments

Tax Returns & Assessments

- **Clauses 262-270:** Return filing requirements, electronic submissions, and audits.
- **Clauses 271-278:** Processing returns, reassessments, and rectifications.
- **Clauses 279-287:** Assessment of income that has escaped tax.
- **Clauses 288-296:** Rules for reassessment in search cases.

Tax Recovery & Penalties

- **Clauses 289-295:** Tax demand notices, appeals, and recovery proceedings.
- **Clauses 296-305:** Legal representatives' responsibilities for tax payments.
- **Clauses 312-328:** Special cases for taxation of estates, partnerships, and dissolved firms.

Dispute Resolution & Appeals

- **Clauses 356-379:** Appeal procedures before Income Tax Appellate Tribunal, High Courts, and Supreme Court.
 - **Clauses 380-390:** Advance Rulings for tax disputes.
 - **Clauses 391-404:** Tax deduction at source (TDS), tax collection at source (TCS), and advance tax payments.
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6. Enforcement, Penalties, and Prosecution

Penalties for Non-Compliance

- **Clauses 439-450:** Penalties for under-reporting income, non-maintenance of accounts, and tax evasion.
- **Clauses 451-465:** Fines for non-deduction of TDS, false financial reporting, and non-filing of returns.
- **Clauses 466-470:** Rules for penalty waivers in genuine cases.

Prosecution & Criminal Offenses

- **Clauses 471-498:** Punishments for evading tax, falsifying accounts, and aiding tax fraud.
 - **Clauses 499-505:** Asset transfers to avoid tax liabilities deemed void.
 - **Clauses 506-510:** Reporting obligations for crypto transactions and high-value financial activities.
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7. Miscellaneous Provisions

- **Clauses 511-520:** Reporting of high-value transactions and information sharing.
 - **Clauses 521-530:** Compliance regulations for digital transactions and linking PAN with Aadhaar.
 - **Clauses 531-540:** Rules for processing tax refunds and interest on delayed refunds.
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This bill provides a **comprehensive framework** for **tax administration, compliance, deductions, and enforcement**. It incorporates:

1. **Resident & Non-Resident Taxation:** Clear rules for income earned within and outside India.
2. **Corporate Taxation & Start-up Benefits:** Special incentives for businesses in key sectors.
3. **International Taxation & Transfer Pricing:** Guidelines to ensure fair taxation in global trade.
4. **Stringent Anti-Tax Avoidance Measures:** Strong penalties and prosecution for tax fraud.
5. **Digital & Faceless Tax Assessment:** Increased use of electronic filing and automated processing.

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