



YOUR MONEY

INCOME-TAX BILL, 2025

File tax return by due date to be eligible for refund, warn experts

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The government has introduced a new Income-Tax (I-T) Bill in Parliament, to replace the I-T Act 1961. While this is largely a positive development for individual taxpayers, they need to be watchful on a few counts.

Better organised, simplified

For salaried taxpayers, navigating the I-T Bill (or Act, once passed) will be simpler. "All provisions pertaining to salary have been consolidated under clauses 15 to 19. Taxpayers do not have to refer to separate chapters for filing their return of income," says Vivek Jalan, partner, Tax Connect Advisory Services LLP. Deductions related to salary, including standard deduction and leave encashment, are now grouped under a single clause.

The Bill focuses on simplifying language and structure.

"Archaic terms have been replaced with clearer alternatives. Redundant sections, provisos and explanations have been removed, enhancing readability and understanding," says Sandeep Jhunjunwala, partner, Nangia Andersen LLP.

The introduction of tables and formulae will ease understanding. "It makes tax calculation more straightforward,"

I-T BILL: EXERCISE IN SIMPLIFICATION

Changes in Section 80 (deductions) - Chapter VIA

SECTION 80C: Savings instruments listed in a simplified table in Schedule XV

SECTION 80G: Donations now segregated based on eligibility for 100% and 50% deductions

SECTIONS 80TTA & 80TTB: Merged into a single section with clear sub-sections, clarifying deductions for interest on savings accounts (especially for senior citizens)

says Suresh Surana, a Mumbai-based chartered accountant.

A streamlined law is expected to improve compliance. Taxpayers who opted for the new tax regime under the I-T Act, 1961, will not need to reselect it under the new law. The Bill will also not affect taxpayers' existing tax liabilities. "All the rights and liabilities accrued under the old law, like refunds due to individual taxpayers, will be protected," says Jalan.

Delayed filing may create challenges

Currently, refund returns can be filed until December 31 of the relevant assessment year. "Under the proposed I-T Bill, 2025, refund returns must be filed within the due date specified under Section 263(1) of the I-T Bill, 2025 (corresponding to Section 139(1) of the I-T Act, 1961). This means taxpayers who fail to file their returns within the original deadline will lose the opportunity to claim refunds," says Surana.

While this provision is

meant to inculcate discipline, it has a flip side. "It may become a cause for concern for taxpayers whose income tax returns get delayed due to genuine reasons," says Jalan.

Taxpayers may also face challenges initially in navigating the restructured Bill. "This is due to changes in section numbering, relocation of provisions, and the allocation of allowances and deductions into schedules," says Surana. Surana warns that a significant overhaul of the I-T portal will be required to adapt to the I-T Bill, 2025.

Maintain accurate records

Individual taxpayers must file their ITRs on time. "Refunds may not be available under the new I-T Bill, 2025 if the ITR is delayed," says Jalan.

Jhunjunwala advises taxpayers to proactively understand the Bill's provisions and their implications. "Additionally, individuals should maintain accurate records of income and expenses, as the Bill includes provisions for enhanced digital scrutiny by the tax authorities," he says.

Surana recommends taxpayers use the Central Board of Direct Taxes' (CBDT) section mapping for guidance. Key provisions, including house rent allowance (HRA) and perquisite valuation, have moved to schedules and rules. "This will require careful review while filing returns," he says.

Once passed, the Bill will apply from financial year (FY) 2026-27. Taxpayers should watch out for any further changes introduced in the Finance Act, 2026.

TDS/TCS provisions

■ 43 sections related to TDS now merged into one section with 3 tables, which differentiate payees as Residents, Non-Residents, and Any Person, listing applicable rates and thresholds

Clubbing of income

■ Clear formulas define how income transferred to spouses or minor children is clubbed

Source: FAQs-I-T Bill