



Income Tax Act, 2025
Wef 01/04/2026



INCOME TAX ACT 2025 & INCOME TAX RULES 2026

We wish to bring to your attention the major changes introduced under the **New Income Tax Act, 2025** (effective from 1st April 2026) along with significant amendments in the **Income Tax Rules, 2026** released by the CBDT.

The new Act aims to simplify, reorganize, and modernize the tax law, whereas the Income Tax Rules introduce new compliance requirements and relaxations.

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MAJOR CHANGES IN INCOME TAX ACT 2025

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Structural Highlights of the New Income Tax Act

Particulars	Income Tax Act, 1961	Income Tax Act, 2025
Number of Sections	700+	536
Chapters	23	23
Schedules	14	16
Total Pages (Approx.)	823	622
Effective Date	Ongoing	1 April 2026

Sections are now sequentially numbered without alphanumeric combinations (e.g., 80C, 80D).



Replacement of Assessment Year with “Tax Year”

- The new Act replaces “Previous Year” and “Assessment Year” with a single concept of Tax Year (TY) = Financial Year (1 April to 31 March)

New Tax Regime – Section 202 (Earlier Section 115BAC)

- Section 202 continues the New Tax Regime as the default regime. It applies to:
 - Individuals
 - HUF
 - AOP
 - BOI
 - Artificial Juridical Person
- The option to opt out continues.
- Deductions allowed/disallowed under earlier Section 115BAC remain the same.



Revised Due Dates for Income Tax return (As per Budget 2026)- Effective from FY 25-26

ITR Category	Due Date
ITR-1 & ITR-2	31 July
ITR-3 & ITR-4 (Non-Audit)	31 August
Companies	31 October
Tax Audit Cases	31 October
Partners of audited firms (including spouse)	31 October
Transfer Pricing Cases	30 November



TDS Provisions – Consolidated Under Section 393

- All TDS sections (192 to 194T) are now merged into a **single comprehensive section: Section 393.**
- Section 393 uses tables (e.g., Table 1 for Residents) to determine TDS rates, thresholds, and applicability, replacing section-based references.
- Thresholds and rates remain unchanged.



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A. House Rent Allowance (HRA) – New Requirements

- **HRA Exemption Criterion(Revised)**

For cities such as Bengaluru, Pune, Hyderabad and Ahmedabad, HRA Exemption can be computed using **50 % of Basic Pay**, in line with earlier metro classification.

- **Mandatory Disclosure of Relationship**

Employees claiming HRA must now **disclose whether the landlord is their relative.**

Form 124 must now explicitly state the relationship with the landlord. The initiative aims to verify if rent is paid to close family members. This is a key compliance update at preventing fraudulent HRA claims.

B. PAN Quoting Requirements

- PAN must be quoted in specified high value transactions only.
- Low risk, low value transactions will no longer require mandatory PAN quoting.
- Rules are streamlined to avoid unnecessary disclosures.

Category	Revised Requirement (New Rules)	Earlier Requirement
Bank Cash Transactions	PAN mandatory if aggregate cash deposits/withdrawals \geq ₹10 lakh in a financial year	PAN required for cash transactions \geq ₹50,000 per day
Property Transactions	PAN required for buying/selling immovable property valued above ₹20 lakh	Threshold was ₹10 lakh
Vehicle Purchases	PAN mandatory for purchase of any motor vehicle above ₹5 lakh (including two-wheelers)	PAN required for all four-wheelers, irrespective of amount
Hospitality / Event Payments	PAN required if hotel, banquet, or event payments exceed ₹1 lakh	Threshold was ₹50,000
Insurance	PAN required at the onboarding stage for account-based relationships, irrespective of premium amount	PAN requirement triggered only when premium exceeded ₹50,000

C. Children Education Allowance

- Increased from Rs. 100/Month/Child to Rs 3,000/Month/Child.

D. High-Value Transactions Reporting

Reporting obligations have been revised for:

- Purchase/sale of immovable property
- Large-value cash deposits/withdrawals
- High-value payments made through digital modes
- Significant investments (mutual funds, securities, insurance, etc.)

Entities may be required to furnish **Statement of Financial Transactions (SFT)** for broader categories.

E. Updated Documentation for Salaried Employees

Employers need to:

- Collect additional declarations for HRA, LTA, deductions, etc.
- Obtain spouse-relationship declaration where landlord is spouse
- Maintain more structured employee tax documents as per new rules.

Changes in Various Form Number

As part of the transition from the Income-tax Act, 1961 to the proposed Income-tax Act, 2025, the CBDT has renumbered and re-organised several statutory forms to bring uniformity and simplify compliance.

Key forms such as **ITR forms, Tax Audit reports (Form 3CA/3CB/3CD), TDS/TCS returns (24Q, 26Q, 27Q), TADS certificates (Form 16/16A), Form 15CA/CB** and various declarations have been assigned new form numbers and reporting formats.

Taxpayers are advised to carefully note these changes while filing returns, tax audits, TDS returns, applying for lower deduction certificates, or seeking trust registrations.

Changes in Various Form Number

Purpose/Description	Old Form(1961 Act)	New Notified Forms (2026 Rules)
Declaration to Avoid TDS	Form 15G/H	Form 121
Employee Investment & HRA Declaration	Form 12BB	Form 124
TDS Certificate for Salary	Form 16	Form 130
TDS Certificate(Non Salary)	Form 16A	Form 131
TCS Certificate	Form 27D	Form 133
Quarterly TDS return(Salary)	Form 24Q	Form 138
Quarterly TDS return(Non Salary Resident)	Form 26Q	Form 140
TDS on Property, Rent and VDA	Form 26QB/QC/QD/QE	Form 141
Quarterly TDS Return(Non Resident)	Form 27Q	Form 144
Foreign Remittance Information	Form 15CA	Form 145
Accountant's Certificate for Remittance	Form 15CB	Form 146
Tax Audit Report & Statement of particulars	Form 3CA/3CB/3CD	Form 26
Statement of Perquisites & Amenities	Form 12BA	Form 123
Relief for Salary arrears (Section 89)	Form 10E	Form 39
Foreign Tax Credit Claim	Form 67	Form 44
Application for Lower TDS/TCS	Form 13	Form 128
PAN Application (NRI)	Form 49AA	Form 95

Lower TDS/ NIL TDS Certificate

Particulars	Income Tax Act, 1961	Income Tax Act, 2025
Scope of applicability	Restricted to specified sections only (e.g., 192, 194A, 194C, 194H, 194I, 194J, etc.)	No restriction – applicable for any income on which TDS is deductible
Eligible payments	Only “notified categories” allowed for Form 13	All types of TDS payments eligible if justified
Flexibility to taxpayers	Limited – taxpayers dealing with non-specified categories could not apply	High – universal eligibility removes ambiguity and increases access
Basis of approval	Computation of estimated total income and specific section-wise justification	Estimated income computation only; no section-wise eligibility check
Administrative burden	Higher due to section-specific scrutiny	Lower – simplified and standardised evaluation process
Purpose / Intent	Control misuse by restricting to certain payments	Ease of compliance and reduction in excess TDS/cashflow blockage
Form used	Form 13	Form 128

THANK YOU



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