

# DIRECT TAX PROVISIONS

~ EFFECTIVE FROM 01.04.2026

EIRC-ICAI



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FCA, DISA, IP  
31.03.2026

# SCOPE OF DISCUSSIONS TODAY

<b>Statute</b>	<b>Particulars</b>
<b>ITA 61 Vs ITA 25</b>	<b>Transitional Provisions and important changes</b>
<b>Income Tax Rules 2026 r/w Forms</b>	<b>Notified on 20.03.2026 – Effecting TDS returns and some other Forms w.e.f. 01.04.26 (qua ITA 2025)</b>
<b>Finance Bill 2026</b>	<b>Total number of Clauses – 128 (1961 Act- Clause 4 to 26, (2025 Act – Clause 27 onwards)</b>

# INCOME TAX ACT 2025

March 31, 2026

CA K.K.Chhaparia

# WHY INCOME TAX ACT, 2025 ?

Purpose	Result Achieved
Clarity & Simplicity	To make the Act concise, easy to read and understand. For instance : <ul style="list-style-type: none"><li>• The words “Previous Year” is replaced with “<b>Tax Year</b>”. The word ‘Assessment year’ is dropped from ITA 2025.</li><li>• ‘<b>Not withstanding</b>’ replaced by ‘irrespective of’</li><li>• ‘<b>In accordance with</b>’ replaced by ‘As per’</li></ul>
Removal of Redundancy	About <b>300 redundant provisions</b> have been deleted.
Simplified Legal Language	Around <b>1,200 Provisos and 900 Explanation</b> have been eliminated and rewritten as sub-sections, clauses, or sub-clauses for clarity.
Improved Readability	Extensive use of <b>tables &amp; formulas</b> for easier interpretation ‘Notes’ provided below tables .

# OVERVIEW OF THE STRUCTURE

Topic	Sections of ITA 1961	Sections of ITA 2025
Exemption sections	10	11 r/w 6 Schedules
NGO	2(15) ; 10(23C) & 11 to 13, 80G, 115BBC & 115BBI, 115TD	322 to 355 r/w Schedule XVI
Income under 'Salary'	15 to 17	15 to 19
Income under 'HP'	22 to 27	20 to 25
Income under 'PGBP'	28 to 44DB	26 to 66
Income under 'CG'	45 to 55A	67 to 91
Income under 'OS'	56 to 59	92 to 95
Clubbing provisions	60 to 65	96 to 100
Aggregation of Income	66 to 69D	101 to 107
Set off & c/fd of loss	70 to 80	108 to 121
Deductions	80A to 80VVA	122 to 154

# OVERVIEW OF THE STRUCTURE (2)

Topic	Sections of ITA 1961	Sections of ITA 2025
Transfer Pricing	92 to 94B	161 to 177
Special Tax Rates	110 to 115BBJ	190 to 198
Alternative Tax Regime	Part of 115BA to 115BAD	199 to 205
Income Tax Returns & assessments	139 to 158	262 to 267 – returns 268 to 301 – assessments
Penalty	270A to 275	439 to 472
TDS & TCS	190 to 206CC	390 to 402

# OVERVIEW OF THE STRUCTURE (3)

## - SCHEDULES

Schedules	Particulars
I	Deals with conditions for certain activities not to constitute Business Connection in India
II	<b>Deals with Income not to be included in Total Income</b>
III	<b>Deals with Income not to be included of Eligible Persons</b>
IV	Deals with Income not to be included of eligible Non-Residents, Foreign Companies and Other such persons
V	Deals with Income not to be included to certain eligible person including Investment Funds, Business Trust and Unit Holders
VI	Deals with Income not to be included to certain eligible person in International Financial Services Centre or therefrom
VII	Deals with Person Exempt from Tax
VIII	Deals with income of Political Parties and Electoral Trusts not to be included in total income
IX	Deals with deductions to Tea, Coffee and Rubber Development
X	Deals with deduction to Site Restoration Fund

# OVERVIEW OF THE STRUCTURE (4)

## - SCHEDULES

Schedules	Particulars
XI	Provides rules related to recognised provident funds or approved superannuation funds or gratuity funds.
XII	Comprises of List of Minerals and Associated Minerals
XIII	Comprises of List of Articles or Things
XIV	Deals with Provisions relating to Insurance Business
XV	Deals with deductions to Life Insurance Premia, Contribution to Provident Fund etc.
XVI	Details the forms and modes of investment or deposits permitted for NPO's

### Important comments

- The entire exemption section contain in Section 10 of ITA 1961 have been split in to various Schedules II to VII. The important Schedules, being II & III
- Schedule XV covers all deductions as available in erstwhile section 80C/80CCC. Other deductions like 80D are forming part of main sections.

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# EXEMPTION PROVISIONS

## ITA 1961

### Exemptions dealt under section 10

There are 140 clauses in section 10 and several provisos and explanations are attached to the clauses.

For example: 3rd proviso to 10(23C) had 7 Explanations. Further, Explanation 2 to 3rd proviso had 8 provisos.

## ITA 2025

### Exemptions dealt under section 11

There are 6 different schedules related to specific category of taxpayers - Income eligible for exemption, eligible persons and the applicable conditions have been provided in different columns of the Table under each of these schedules.

Sch	Particulars
II	Income not to be included in Total Income
III	Income not to be included of Eligible Persons
IV	Income not to be included of eligible Non-Residents, Foreign Companies and Other such persons
V	Income not to be included to certain eligible person including Investment Funds, Business Trust and Unit Holders
VI	Income not to be included to certain eligible person in International Financial Services Centre
VII	Person Exempt from Tax

# UNEXPLAINED INCOME

## SECTION 68 TO 69D OF ITA 1961

S. No.	ITA 1961	ITA 2025
1	Earlier unexplained income was under Section 68 to 69D of the ITA 1961	Under ITA 2025 it has been broken down into separate sections in Chapter VI of the ITA 2025 ranging from sections 102 to 106.
2	Section 68 of the ITA 1961 was titled as 'Cash Credits'	Section 102 of the ITA 2025 has been renamed to 'Unexplained Credits'.
3	Section 69B of the ITA 1961 which dealt with investments not fully disclosed in the books of accounts.	Under ITA 2025 it have been split and merged into sections 103 and 104 of the ITA 2025.
4	Section 69D of the ITA 1961 dealing with amount borrowed or repaid on hundi	Section 106 of the ITA 2025, has been expanded to include any negotiable instrument along with hundi.

### Important comments

- 'Charge of Tax' has also been included under the said Chapter VI of the ITA 2025. Earlier section 115BBE prescribing special rate of tax on such kind of income was in a different Chapter.

# NON PROFIT ORGANISATION (NPO)

Particulars	Proposed Provisions	Effective from
Merger of NPO	Merger of registered NPO with other registered NPO having similar objects – not to attract accreted income	01.04.26
Commercial Activity – Specific Violation	If commercial activity beyond 20% - not to be treated as specific violation	01.04.26
Filing of return by NPO	Amendment in 2025 Act to provide that NPO will not lose exemption even if the ROI is submitted belatedly u/s 263(4)	Tax Year 2026-27

# TDS AND TCS - IT ACT 2025

S.No.	Particulars
1	All TDS deduction sections consolidated into two sections - Section 392 (Salary) & Section 393 (Other than Salary). TCS in section 394.
2	TDS provisions are consolidated into single table and three categories—payments to residents, non-residents, and any person.
3	TDS rates, thresholds, etc consolidated into a single table.
4	The power to issue removal of difficulty guidelines by CBDT now covers the entire TDS/TCS chapter.

# SEARCH AND SEIZURE - WAY FORWARD

Feature	ITA 1961	ITA 2025
<b>Search Powers</b>	Physical premises, documents, electronic records (implicit)	Adds explicit inclusion of “virtual digital space”
<b>Digital Access</b>	Implicit → via electronic records and devices	Explicit → override access codes, enter digital accounts
<b>Legal Safeguards</b>	Authorization required, rational belief, procedural safeguards	Retained; with clearer statutory framing of digital powers

# POWER OF SURVEY - WAY FORWARD

Aspect	ITA 1961 (Section 133A)	ITA 2025 (Section 253)
Premises of Entry	Business, professional, charitable premises during business hours	Same, plus places storing documents, assets, or systems—even if declared elsewhere
Scope of Inspection	Physical books, documents, cash, stock; no digital systems	Explicit inclusion of digital: with requirement to provide access, including passwords or access codes
Statements	Record statements;	Record statements on oath
Enforcement Mechanism	Section 131 for non-cooperation	Enforcement powers remain, including expanded digital scope

# BLOCK ASSESSMENT TAX

## -TAX RATE FROM 01.09.2024

Section	Particulars
158BA(7) r/w Section 113 – Tax rates	60% (No Surcharge or Cess) as of now S. 158BB(5) - Tax shall be charged on total income determined in the manner specified in 158BA(1) <b>as reduced by the total income referred to in clause (ii), clause (iii) and clause (iv) of subsection (1).</b>
158BF –Interest or penalty	No interest u/s 234A, 234B or 234C or penalty u/s 270A shall be levied or imposed upon the assessee in respect of the undisclosed income assessed or reassessed for the block period.

# REPEAL AND SAVINGS

- TO PREVENT LEGAL VACUUM DURING THE TRANSITIONAL PERIOD

S.No.	Particulars
1	There is no applicability of ITA 2025 for any proceedings up to 31.03.2026 (AY 2026-27). Thus, all returns / proceedings up to 31.03.2026 shall be governed by ITA 1961
2	Proceedings for Imposition of Penalty in respect of tax year beginning before 01.04.2026 may be initiated under the repealed ITA 1961.
3	Continuity of : Approvals or recognition granted ; Carry forward of loss or unexpired deductions ; Pending refunds/recovery

# INCOME TAX RULES 2026

March 31, 2026

CA K.K.Chhaparia

# FM SPEECH – PRARAMBH 2026 (WHILE INTRODUCING IT RULES, 2026)

On March 20, 2026, Finance Minister Nirmala Sitharaman addressed the PRARAMBH 2026 event in New Delhi, announcing the notification of the new Income-Tax Rules, 2026, which enable the Income Tax Act, 2025 to come into effect from April 1, 2026.

Finance Minister Nirmala Sitharaman referenced the spirit of change, quoting a Hindi song: “Chodo kal ki baatein, kal ki baat purani, naye daur mein likhenge ham, mil kar income tax ki nayi kahani”(forget about yesterday, let’s start a new income tax chapter),” she said, underscoring the intent to usher in a new tax regime.



# INCOME TAX RULES, 2026

Purpose	Result Achieved
Date of notification	The new Income Tax Rules, 2026 were notified by way of notification dated <b>20<sup>th</sup> March, 2026</b> .
Key Numbers	<b>Total 511 rules have been reduced to 333.</b> Total 399 old forms have been reduced to 190. Phase 1 : <b>54 Forms go live immediately (discussed later)</b> Phase 2 : Residual forms rolled out in a phased manner throughout tax year 2026-27, max by 30 <sup>th</sup> Sept, 2026
Utilities launched	2 CBDT navigators published <ul style="list-style-type: none"><li>• Old Act → New Act</li><li>• Old Form → New Form (discussed later)</li></ul>
Address to the Nation	Nationwide awareness campaign launched by FM with rules notification.

# SOME INCOME TAX FORMS

Particulars	ITA 1961	ITA 2025
TDS Return (Salary)	Form 24Q	Form 138
TDS Return (other than salary)	Form 26Q	Form 140
TDS Return cum Challan	Form 26QB, 26QC, 26QD, 26QE	Form 141
TCS Return	Form 27EQ	Form 143
Foreign remittance	Form 15CA	Form 145
CA Certificate	Form 15CB	Form 146
SFT Filing	Form 61A	Form 165
Tax Audit Report	Form 3CA/3CB read with Form 3CD	Form 26
Transfer Pricing Audit	Form 3CEB	Form 48
Annual Information Statement	Form 26AS	Form 168

# SFT & REPORTING - WIDENED

Category	New Rules
Insurance Premium	<ul style="list-style-type: none"><li>- Where PAN available: Premiums above ₹5 lakh reported by insurer</li><li>- Where PAN not available: Premiums above ₹2.5 lakh to be reported</li></ul>
Property	Purchase or sale or gift or JDA of Immovable property – 45 lacs (earlier 30 lacs purchase or sale)
Purchase of stamp paper	With PAN > 2lacs, without PAN > 1 lac
Crypto and Digital Assets	<ul style="list-style-type: none"><li>▶ Crypto and digital assets: NOW formally covered under reporting framework u/s 509 r/w Rule 243 r/w Form 167</li><li>▶ Crypto exchanges and VDA platforms: mandatory PAN-level transaction reporting</li><li>▶ CBDC (Central Bank Digital Currency): also brought within Reporting net</li></ul>
Stock Exchange Reporting	<ul style="list-style-type: none"><li>• Monthly statement for client code modifications (Form 1)</li><li>▶ <b>Exchanges</b> must report client-level PAN and unique identification data for all derivatives transactions</li></ul>

# NEW INCOME TAX RULES

## SALARY & HRA

Purpose	Result Achieved
<b>HRA – Expended Metro Coverage</b>	<p>Higher 50% HRA exemption now applicable to 8 cities. (New additions: Bengaluru, Hyderabad, Pune and Ahmedabad)</p> <p>Rest all cities limit remains at 40%.</p> <p>Beneficial for salaries employees in newly added cities.</p>
<b>FORM 124 – Replacing FORM 12BB</b>	<ul style="list-style-type: none"><li>▶ Form 12BB (employee investment declaration) replaced by Form 124 under new Rules.</li><li>▶ Form 124 now mandatory for all claims of HRA, LTA, deductions under Chapter VI-A and interest on housing loan</li><li>▶ New disclosure requirement: Landlord's PAN, name and <b>RELATIONSHIP</b> with employee (where rent exceeds ₹1 lakh p.a.)</li></ul>

# NEW INCOME TAX RULES PERQUISITES AND OTHER ALLOWANCES

Parameters	IT Rules, 1962	IT Rules, 2026
Children Education Allowance	100 p.m. per child for 2 child	3000 p.m. per child for 2 child
Children Hostel Allowance	300 p.m. per child for 2 child	9000 p.m. per child for 2 child
Meals Voucher /Free Food	50 per meal	200 per meal
Gifts and Non cash perquisites from employer	5000 per year	Revised upwards as specified.
Motor Car	EV not specified	EV part of vehicles with <1.6L engine capacity

# **FINANCE BILL 2026**

**(as passed by Lok Sabha)**

March 31, 2026

CA K.K.Chhaparia

# TDS PROVISIONS AS PROPOSED BY FINANCE BILL 2026

Particulars	Proposed provisions	Proposed from
TDS on manpower supply	Rate 2%	01.04.2026
Filing of Form 15G/15H	Electronic filing allowed for small taxpayers	01.04.2026
CBDT Guidelines	A new provision empowers the CBDT to issue guidelines for removing difficulties	01.04.2026
Lower/Nil TDS Certificates	Assessee can now obtain lower or Nil TDS certificates for all TDS – Earlier it was for Interest, commission, professional fees etc	01.04.2026
Correction Statement	Time limit reduced to 2 years from the relevant tax year	01.04.2026

# TCS RATES

## EFFECTIVE - 01.04.2026

Particulars	Existing Rates	New Rates
Sale of alcoholic liquors, scrap, minerals etc	1%	2%
Remittance under LRS (Educational/Medical etc) > 10 lacs and Tendu Leaves	5%	2%
Remittance under LRS (Other purposes) > 10 lacs	20%	20%
Overseas tour programme package (upto 10 lacs)	5%	2%
Overseas tour programme package (> 10 lacs)	20%	2%

# INCOME TAX RETURN

Particulars	Existing Provisions	Proposed Provisions	Applicability from
Due Date	TP cases – 30 <sup>th</sup> Nov Audit cases - 31 <sup>st</sup> Oct Other cases – 31 <sup>st</sup> July	TP cases – 30 <sup>th</sup> November Audit cases 31 <sup>st</sup> October <b>PGBP or partner of firm – 31<sup>st</sup> Aug</b> Other cases – 31 <sup>st</sup> July	AY 2026-27
Revised Return	31 <sup>st</sup> December	31 <sup>st</sup> March Applicable for FY 2025-26 onwards Additional fee – 1K/5K	AY 2026-27 (01.03.2026)
Updated Return	Additional tax 25/50/60/70%	Further additional tax of 10% where 148 Notice issued Can be done to reduce loss	01.03.2026

# TAX RATES (TAX YEAR 2026-27)

Particulars	Existing Provisions	Proposed Provisions
<b>Tax Rates</b>	<b>No change in Tax Rates</b>	
<b>Income u/s 68, 69, 69A, 69B &amp; 69C</b>	<b>Tax rate 60% + Surcharge 25% - Effective 75% plus cess Penalty 10% of tax, i.e. 6%</b>	<b>Tax rate 30% + Surcharge 25% - Effective 37.5% plus cess Penalty 200% of tax</b>
<b>Buyback</b>	<b>Entire BB amount – IOS Acquisition price – Loss under CG</b>	<b>Chargeable as Chargeable as CG- In case of promoters, effective tax 22%(if promoters are corporate entities) and 30%(if promoters are non-corporate entities)</b>
<b>STT</b>	<b>Future 0.02% Option 0.10%</b>	<b>Future 0.05% Option 0.15%</b>

# MAT PROVISIONS

## TAX YEAR 2026-07 ONWARDS

Particulars	Existing Provisions	Proposed Provisions
<b>Tax Rate</b>	<b>15% ++</b>	<b>14% ++</b>
<b>MAT Credit c/fd</b>	<b>Allowed – tax payable under old regime</b>	<b>Not allowed for tax paid for tax year 2026-27</b>  <b>b/fd MAT Credit under old regime can be c/fd (subject to conditions)</b>
<b>Tax Regime to be followed for adjustment of MAT credit</b>	<b>Old Regime</b>	<b>To switch to Alternative tax regime – any year after tax year 2026-27</b>

# ASSESSMENT & PENALTY

Particulars	Existing Provisions	Proposed Provisions	Applicability from
Block Assessment	12 months from the end of quarter in which search completed	18 months from the end of quarter in which search initiated	Search initiated on or after 01.04.26
Penalty u/s 270A	Assessment Order and Penalty order different	Single Assessment and Penalty order	Order after 01.04.27
Penalty vs Fees	271B – lower of ½% of turnover or 150000/- Specified Financial transaction – delay penalty - 500/- per day	271B – Graded Fee depending on period of delay. Delay fee 500/- per day, max 1Lac	Tax year 2026-27
Penalty u/s 133B	1000/-	25000/-	Tax year 2026-27

# MODIFICATION OF REASSESSMENT PROCEDURES

## ■ Jurisdiction clarified

- Exclusive authority of JAO to issue reassessment notices
- Ruling in various HC judgments nullified

## ■ Time limit for submission of return in response to notice u/s 148 (Section 280 of ITA 25)

- AO shall allow time of not less than 30 days from the date of notice and not more than three months
- Amendment applicable under 1961 Act from 30.03.2026 and under 2025 Act from 01.04.2026

# CLARIFICATIONS ON VALIDITY OF ASSESSMENTS AND DIN

## ■ Document Identification Number (DIN)

- Section 282B of 1961 Act – 522(1) of 2025 Act
- CBDT Circular 19/2019 dated 14.08.2019
- Some Courts have held that absence of DIN is not a mere procedural irregularity curable u/s 292B of the Act, but a fundamental defect rendering the communication non-est in law
- Retrospective amendment by FB 2026 (from 01.10.2019) to clarify that assessment will not be treated as invalid merely due to any mistake, defect or omission in quoting DIN, provided the assessment is referenced by such DIN in any manner

## ■ Judicial precedents on defective approvals superseded

- Any approval granted by income tax authority shall not be considered invalid due to insufficiency of reason recorded, defect in the form or manner of communication (Effective retrospectively from 01.04.21)

# OTHER PROVISIONS

Particulars	Existing Provisions	Proposed Provisions	Applicable from
Block assessment in search provisions – other assessee	Reopening 1+6 years	Reopening relevant years	Search initiated on or after 01.04.26
Stay of demand	20% of demand as per assessment order	10% of core demand	Not yet specified
Immunity from penalty – misreporting of income	No immunity	Immunity – if no appeal – penalty 100/120% of tax	01.03.2026 (On passing of Finance Bill 2026)
Interest u/s 220(2) on penalty demand	After assessment order	After 1 <sup>st</sup> appellate order	01.03.2026 (On passing of FB 26)

# BLACK MONEY ACT

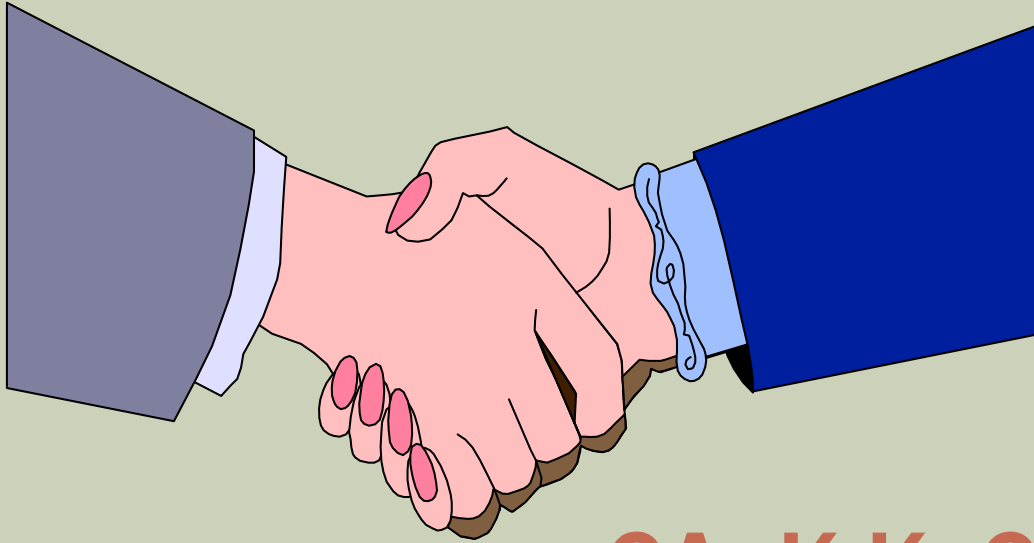
## THE FOREIGN ASSETS OF SMALL TAXPAYERS DISCLOSURE SCHEME 2026 (FAST-DS 2026)

Particulars	Existing Provisions	Proposed Scheme
Undisclosed income or assets outside India	Tax rate 30% Penalty 90%	Tax rate 30% Penalty Scheme 30%  (threshold limit of such income Rs 1 Cr)
Non Disclosure in ITR or non filing of ITR if amount >20 lacs (other than immovable property)	Rs. 10 lacs	Rs. 1 lac  (threshold limit of such non disclosure Rs. 5 Cr)

# OTHER PROVISIONS(2)

## APPLICABLE FROM TAX YEAR 2026-27

Particulars	Existing Provisions	Proposed Provisions
Exemption for Sovereign Gold Bonds	Exempt if held till maturity	Exempt if original allottee and held till maturity
Income from HP	Interest on pre-acquisition allowed	To be part of composite allowance of HP 2 lacs
Deduction of interest against dividend income from UTI/MF	Allowed upto 20%	Not allowed
Delay in payment of employee's contribution to PF/ESI etc	Disallowed if delay beyond the date as per relevant statute	Disallowed if not paid before furnishing of return
RFCTLARR Act	Alignment with the Act – compensation received in respect of any award etc	



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