

Bill Summary

The Income-Tax Bill, 2025

- The Income-Tax Bill, 2025 was introduced in Lok Sabha on February 13, 2025. It seeks to replace the Income-Tax Act, 1961. The Bill retains most of the provisions of the 1961 Act. It primarily aims to simplify the language and remove redundant provisions. Tax rates and regimes for individuals and corporations remain unchanged. Most definitions have also been retained. There are no changes in offences and penalties. The Bill proposes April 1, 2026 as the date of its commencement. Key changes include:
- **Power to frame schemes:** The Act provides for faceless collection of information and assessment of tax cases. The Bill retains these provisions. It also seeks to empower the central government to frame new schemes for greater efficiency, transparency, and accountability. This can be done by: (i) eliminating the interface with the assessee through technology and (ii) optimising resource utilisation through economies of scale and functional specialisation. The schemes framed by the central government must be laid before Parliament.
- **Undisclosed income:** Under the Act, undisclosed income for assessing search cases is defined to include money, bullion, jewellery, or other valuable articles. The Bill expands this definition to include virtual digital assets. These include any code, number, or token generated cryptographically and provide a digital representation of value exchanged. This change has also been proposed in the Finance Bill, 2025.
- **Virtual digital space:** The Act allows income tax authorities to enter and search buildings and break open locks. This can be done if certain documents or books of accounts are not produced by a person for whom a summons has been issued under the Act. The Act also empowers the authorities to inspect electronic documents. The Bill retains these provisions and also allows authorities to gain access of a virtual digital space during search and seizure proceedings. The authorities will have power to gain access by overriding any required access code. The Bill defines virtual digital space as an environment, area, or realm that is constructed and experienced through computer technology. It includes email servers, social media accounts, online investment and trading accounts, and websites for storing details of asset ownership.
- **Dispute resolution panel:** The Act allows certain eligible assesseees to refer draft orders passed by assessing officers to a dispute resolution panel. These assesseees include persons engaged in transfer pricing cases, non-residents, or foreign companies. Transfer pricing refers to the price charged in a transaction between related entities of a multinational enterprise. The panel may issue directions to guide the completion of the assessment. The Bill retains these provisions and adds that the panel must issue directions along with the points of determination and the reasons for arriving at the decision.
- **Interpretation of tax treaties:** The Act allows the central government to enter into agreements with other countries to provide relief in cases of double taxation. It specifies that if a term used in such agreements is neither defined in the agreement nor in the Act, its meaning will be as notified by the central government. The Bill retains these provisions and adds that if a term in a treaty is not defined in the treaty, the Act, or a notification by the central government, its meaning will be as assigned in any other central law.

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