

# Income Tax Act 2025: 10 Game-Changing Reforms Taking Effect April 1, 2026

The biggest overhaul of Indian income tax law in 64 years. Here is what changes for taxpayers, CAs, and businesses.

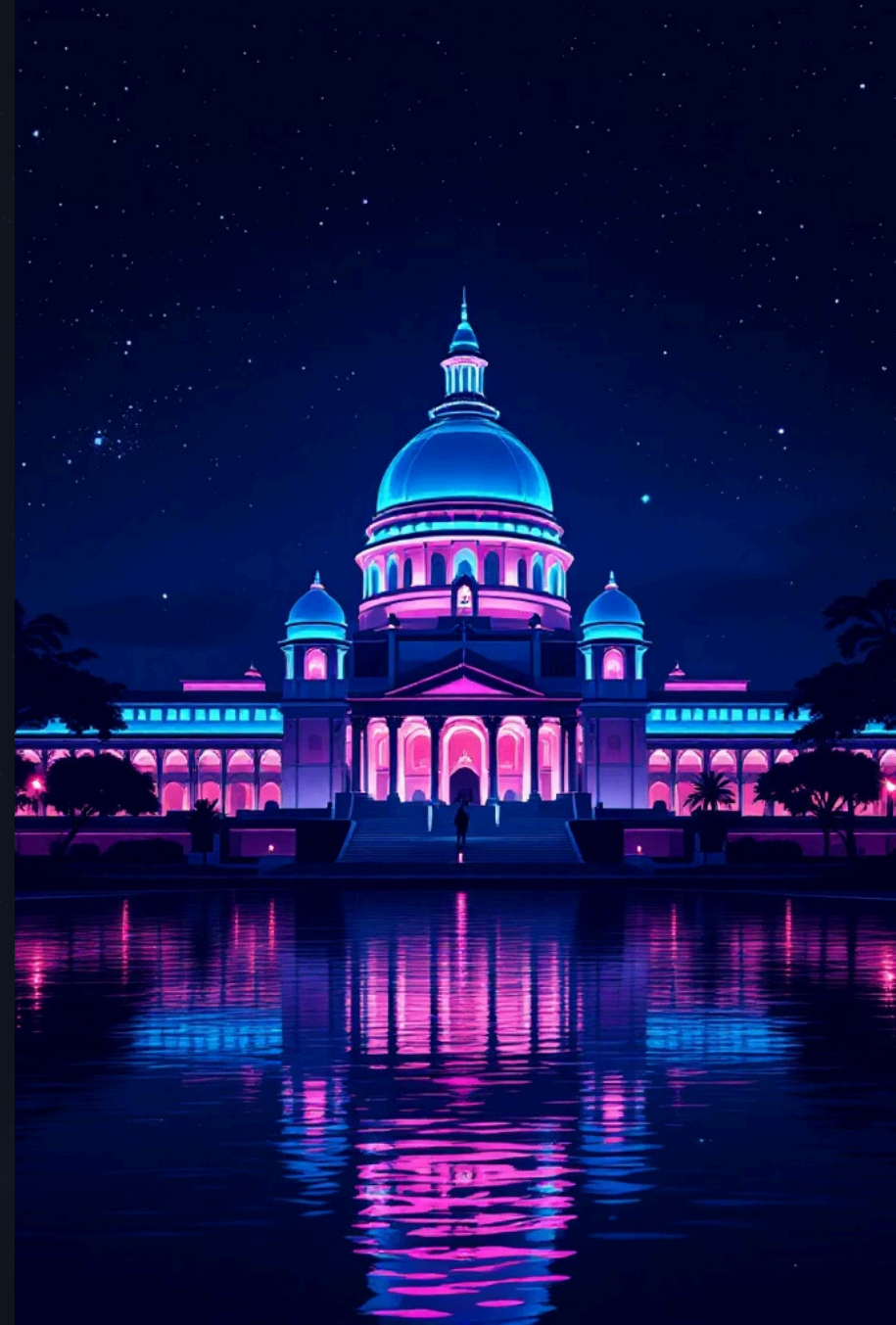
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# The Big Picture: Why This Matters

The Income Tax Act, 1961 governed India for 64 years. On **April 1, 2026**, the **Income Tax Act, 2025** replaces it entirely — a sweeping transformation of the entire legislative framework.

**819 sections reduced to 536 sections — a 35% reduction in complexity**

## Chapters Compressed

47 chapters compressed to 23 chapters + 16 new schedules organize complex provisions

## Provisos Eliminated

1,200+ provisos and 900 explanations eliminated for cleaner, more readable law

## Rules Simplified

500+ rules simplified to 333 rules under Income Tax Rules, 2026

## Official Notification

CBDT Notification No. 22/2026 dated March 20, 2026. Presidential assent received March 29, 2025.



# Top 5 Changes — Part 1

1

## Tax Year Replaces AY/FY

Section 2(94) consolidates Financial Year and Assessment Year into a single "**Tax Year**." Tax Year 2026-27 runs April 1, 2026 to March 31, 2027. No more AY/FY confusion.

2

## TDS Consolidated (Sections 392–393)

Section 392 covers salary TDS (replaces old Section 192). Section 393 consolidates **30+ TDS sections into 3 structured tables**. One section to rule them all.

3

## New Form 130 Replaces Form 16

Form 130 is the new TDS certificate for salary, pension, and specified senior citizen interest income under Section 395. **Deadline: June 15, 2026.**

4

## HRA Exemption Expands to 8 Cities

50% HRA exemption now covers Delhi, Mumbai, Chennai, Kolkata + **NEW: Bengaluru, Pune, Hyderabad, Ahmedabad**. Previously only 4 metro cities qualified.

5

## ITR Deadline Extended

Non-audit taxpayers (ITR-3, ITR-4) get deadline extension from **July 31 to August 31**. Audit-case deadlines remain October 31.

# Top 5 Changes — Part 2

- 1 Capital Gains Reorganized**

Clause 67 defines capital gains. Clauses 196–198 restructure treatment for short-term equity, long-term non-equity, and long-term equity. **Share buybacks now taxed as capital gains** — reversing old Section 115QA deemed dividend treatment.
- 2 Property TDS Simplified for NRI Purchases**

Buyers purchasing immovable property from NRIs can now **use their own PAN for TDS**. No need to obtain a separate TAN. Reduces compliance burden significantly.
- 3 TDS Correction Window Shortened**

Correction statement window reduced from **6 years to 2 years**. As of March 31, 2026, the window for FY 2018-19 to FY 2023-24 Q3 permanently closed.
- 4 Digital Compliance Built In**


Virtual digital assets (crypto), digital record-keeping, and electronic communication channels **integrated from inception**. No more retrofitting digital rules via amendments.
- 5 Simplified Structure**

From 819 to 536 sections. From 47 to 23 chapters. **16 new schedules** organize complex provisions. Cleaner language, fewer cross-references throughout.

# Old Act vs New Act: Quick Reference Guide

This mapping is essential for every CA and tax professional transitioning to the new framework. Use this table to update all internal references, software, and compliance documents.

Concept	Old Act (1961)	New Act (2025)
Salary TDS	Section 192	<a href="#">Section 392</a>
TDS (Other Payments)	Sections 194C / 194J / 194I	<a href="#">Section 393 (consolidated)</a>
Capital Gains Definition	Section 45	<a href="#">Clause 67</a>
HRA Exemption	Section 10(13A)	<a href="#">Schedule-specific</a>
Advance Tax	Sections 208–211	<a href="#">Sections 398–401</a>
Return of Income	Section 139	<a href="#">Section 263</a>
Assessment	Sections 143–147	<a href="#">Sections 268–275</a>
Penalties	Sections 270A–275	<a href="#">Sections 460–470</a>
TDS Certificate	Form 16	<a href="#">Form 130</a>

 Every section number has changed. Internal compliance manuals, software, templates, and SOPs referencing old section numbers must be updated before April 1, 2026.

# Critical Dates You Cannot Miss

**March 31, 2026**

TDS correction window **permanently closed** for FY 2018-19 to FY 2023-24 Q3. File all pending corrections before this date — no extensions possible.

1

2

**April 1, 2026**

**Income Tax Act 2025 takes effect.** Old Act ceases to apply. All filings, references, and compliance must align with the new framework from this date.

**June 15, 2026**

**Form 130 issuance deadline** for employers. New TDS certificate for salary, pension, and specified senior citizen interest income under Section 395.

3

4


**August 31, 2026**

**Extended ITR filing deadline** for non-audit taxpayers (ITR-3 / ITR-4). One full month extension from the previous July 31 deadline.

**October 31, 2026**

**ITR filing deadline for audit cases.** Audit-case deadlines remain unchanged from prior practice under the new Act.

5

 **Warning:** Any TDS corrections for old periods must be filed BEFORE March 31, 2026. The 6-year window has been permanently shortened to 2 years. There are no exceptions or extensions.

# Who Is Impacted: Stakeholder Analysis



## CA Professionals

- Must learn 536 new section numbers
- TDS advisory needs complete overhaul (392–393 vs 30+ old sections)
- Form 130 replaces Form 16 workflow
- Correction statement window now only 2 years
- Client advisory on capital gains restructuring



## Startup Founders

- Simplified ITR filing (August 31 deadline for non-audit)
- Buyback taxation changes (capital gains, not dividend)
- Property purchase from NRIs easier (no separate TAN)
- HRA benefits for employees in 4 new cities
- Digital compliance framework built-in



## MSME & Business Owners

- TDS compliance simplified under Section 393
- Advance tax rules renumbered (Sections 398–401)
- Penalty framework restructured (Sections 460–470)
- Must update all internal tax references and systems
- Training needed for accounts teams on new framework

# Watch Out: 4 Things That Could Catch You Off Guard

## TDS Correction Deadline Trap

The correction window is **permanently shortened to 2 years**. If you have pending corrections for FY 2018-19 to FY 2023-24 Q3, they cannot be filed after March 31, 2026. No extensions possible under any circumstances.

## Buyback Tax Reversal

Share buybacks are now **capital gains, not deemed dividend**. This changes the tax burden calculation for both companies and shareholders. Review all planned buybacks immediately before the new Act takes effect.

## Section Number Chaos

**Every section number has changed**. Internal compliance manuals, software, templates, and SOPs referencing old section numbers must be updated. Budget significant time and resources for this transition.

## Form 16 Is Dead

Employers must issue **Form 130 (not Form 16)** for TY 2026-27 salary TDS. Payroll systems and HR software need updates before the June 15, 2026 deadline. Do not wait until the last minute.

# Start Today: 5 Steps to Prepare for the New Tax Regime



## Step 1: Audit Your References

Review all compliance manuals, templates, and SOPs for old section numbers. Map to new Act references using the Quick Reference Guide.



## Step 2: Update Software & Systems

Ensure payroll software generates Form 130 (not Form 16). Update TDS modules for Sections 392–393. Verify ITR filing systems support new deadlines.



## Step 3: File Pending TDS Corrections Now

Any corrections for FY 2018–19 to FY 2023–24 must be filed before March 31, 2026. The 2-year window is permanent — act immediately.




## Step 4: Train Your Team

CAs, accountants, and compliance officers need structured training on the new Act. The 35% section reduction means learning a new organizational framework entirely.



## Step 5: Consult an Expert

For capital gains restructuring, buyback taxation, and NRI property TDS changes, get professional advisory. Book a quick call: [calendly.com/asbanka-info/30min](https://calendly.com/asbanka-info/30min)

 **The clock is ticking.** With April 1, 2026 as the hard deadline, every day of preparation counts. Start with Step 3 immediately — it has the earliest and most unforgiving deadline.