

Depreciation on the 1961 to 2025 Cutover

Your FY 2025-26 tax audit still files under Section 32 of the Income-tax Act 1961. Here is exactly what happens to your written-down value and unabsorbed depreciation when the Income-tax Act 2025 takes over for Tax Year 2026-27.

In Force

Income-tax Act 2025 from 1 April 2026

Section Mapping

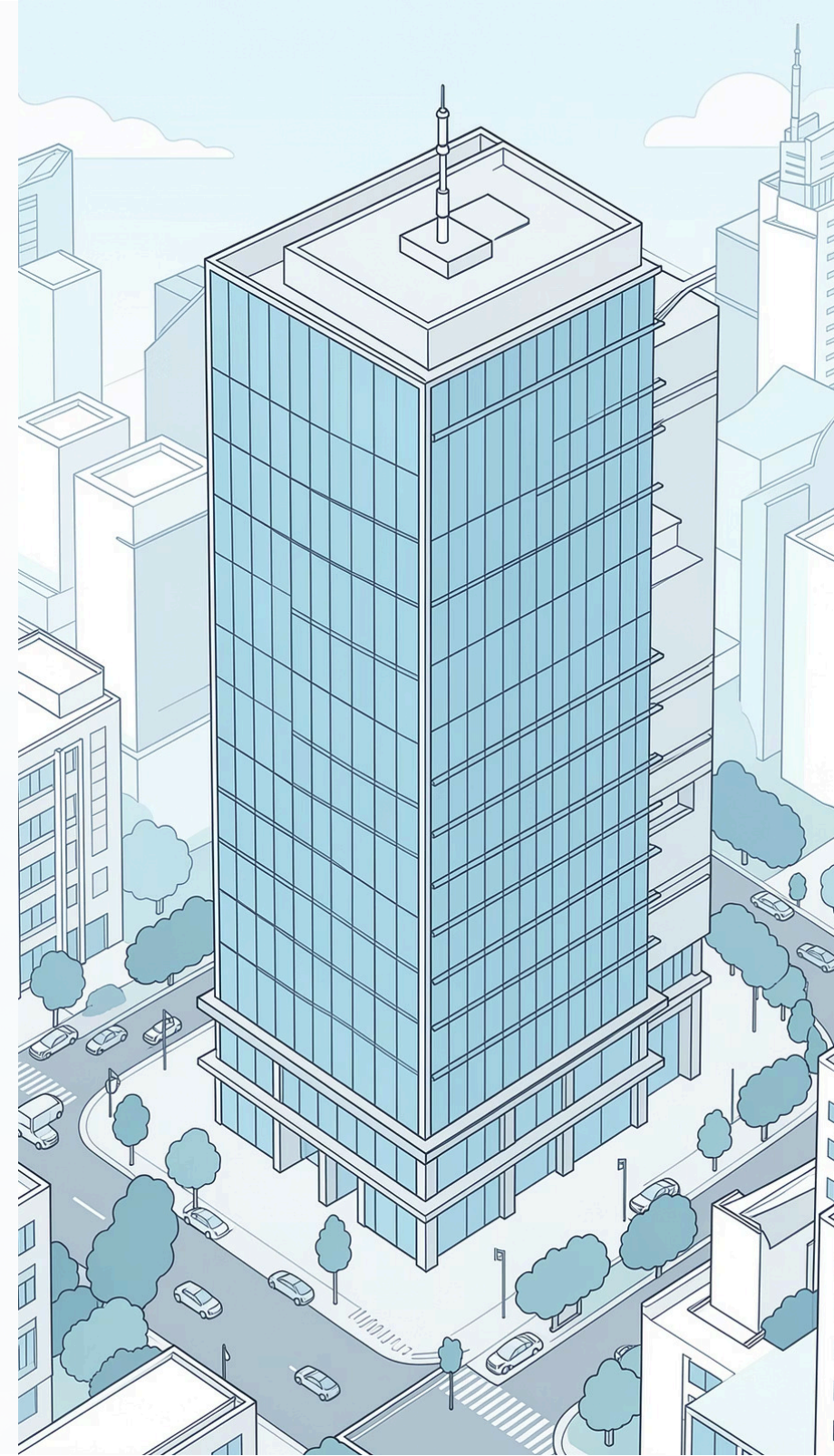
Section 32 to Section 33

Form

Form 3CD

Deadline

30 September 2026



The Rule is Period-Based

Identify which year your depreciation computation relates to, then apply the Act that governs that period.

FY 2025-26 (Year Ended 31 March 2026)

Income-tax Act 1961, Section 32.

Compute depreciation in your 2026 tax audit and return exactly as before. Nothing changes for this year.

Tax Year 2026-27 Onward (from 1 April 2026)

Income-tax Act 2025, Section 33.

Carry your closing WDV forward as the opening block. The new regime applies in full.

Pending FY 2024-25 and Earlier Assessments

1961 Act, Section 32 as it stood, preserved by Section 536. No reopening on account of the new Act. Prior rights and liabilities are protected.

Why Your FY 2025-26 Depreciation Still Files Under the 1961 Act

The Income-tax Act 2025 is in force from **1 April 2026**, which corresponds to Tax Year 2026-27. The year ended 31 March 2026 is the last full year governed by the Income-tax Act 1961.

Your statutory tax audit under Section 44AB and your income-tax return for FY 2025-26 are filed in the second half of 2026, but they relate to the pre-cutover year, so they are computed under the 1961 Act.

The Bridge: Section 536

The repeal-and-savings architecture in **Section 536 of the Income-tax Act 2025** ensures that rights accrued and liabilities incurred under the old Act survive the repeal. Your FY 2025-26 position is fully protected.



How Section 32 of the 1961 Act Maps to the 2025 Act

The core depreciation framework is preserved. The table below shows the direct correspondence between the two Acts for every key concept your tax audit will reference.

Concept	Income-tax Act 1961	Income-tax Act 2025
Depreciation on tangible and intangible assets	Section 32(1)	Section 33
WDV and block-of-assets method	Section 32(1) read with 43(6)	Section 33 (method and block retained)
Unabsorbed depreciation carry-forward	Section 32(2)	Section 33(11)
Continuity of brought-forward depreciation across the repeal	n/a	Section 536(2) saving clause

- ❑ Section 34 of the 2025 Act is the general-conditions-for-deductions provision, not depreciation. Depreciation sits at Section 33.

What Happens to Your WDV on 31 March 2026

This is the question that causes panic, and it has a calm answer.

- ✔ Your closing WDV of each block as on 31 March 2026, computed under the 1961 Act, becomes the **opening WDV of that block for Tax Year 2026-27 under Section 33 of the 2025 Act, with no adjustment.**

No History Recomputation

You do not recompute history. All prior depreciation claims stand exactly as filed.

No Re-Pooling of Assets

You do not re-pool assets. Block-of-assets pooling continues seamlessly under Section 33.

No Loss of Prior Claims

You do not lose any depreciation already claimed. The closing WDV carries forward intact.

15%

Plant and Machinery

Prescribed WDV rate, substantially unchanged under the 2025 Act

40%

Computers

Prescribed WDV rate, substantially unchanged under the 2025 Act

25%

Intangibles

Prescribed WDV rate, substantially unchanged under the 2025 Act

10%

Furniture

Prescribed WDV rate, substantially unchanged under the 2025 Act

Unabsorbed Depreciation: The Shelter You Do Not Lose

Under Section 32(2) of the 1961 Act, depreciation that could not be set off becomes unabsorbed depreciation, with indefinite carry-forward and set-off against any head of income other than salary. On many corporate balance sheets this is a valuable item.

On the cutover, unabsorbed depreciation merges automatically into the opening capital allowance pool under **Section 33(11) of the 2025 Act**.

1

No Fresh Election or Recomputation

The merger is automatic. You carry the brought-forward figure into the new pool without any additional filing or election.

2

Character is Retained

It stays unabsorbed depreciation, not a business loss (Section 536(2)). The favourable set-off treatment continues unchanged.

3

The Clock Continues

The carry-forward period continues from the original year. It does not restart on the cutover date.

Watch-Out: Do Not Assume Every Incentive Allowance Survives

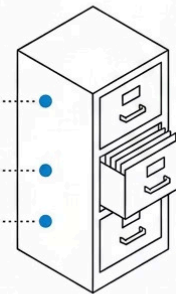
⚠️ FY 2025-26 Under the 1961 Act

Additional depreciation under **Section 32(1)(ia)** is available at **20%** of actual cost on new plant and machinery for manufacturers. Half-rate applies where used under 180 days, with the balance claimed the next year. Section 32AC sunset after 1 April 2018; Section 32AD was time-limited.

⊗ Tax Year 2026-27 Capex Models

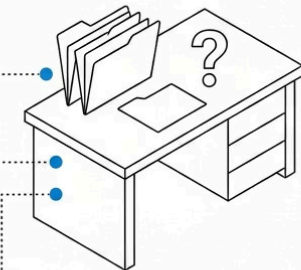
Do not assume every incentive-style allowance continues in identical form. Normal depreciation (Section 33) and the unabsorbed pool (Section 33(11)) clearly continue. The forward treatment of incentive allowances must be confirmed against the bare text of the Income-tax Act 2025 and the Income-tax Rules 2026 before you build it into a model.

Category 1 - Clearly Continuing



- Normal depreciation Section 33
- Unabsorbed pool Section 33(11)
- Block-of-assets method
- WDV carry-forward

Category 2 - Verify Before Modelling



- Additional depreciation Section 32(1)(ia)
- Incentive-style allowances
- Capex model assumptions
- Rules 2026 confirmation required

Practitioner Checklist Before the 30 September 2026 Tax Audit

📅 DEADLINE: 30 SEPTEMBER 2026

01

Freeze the 31 March 2026 Block-Wise WDV

Reconcile the fixed asset register to the depreciation schedule and lock the closing WDV of every block. This is the foundation of the entire cutover.

03

Quantify Additional Depreciation

Compute additional depreciation under Section 32(1)(iia) and carry any 180-day balance forward to the next year's computation.

05

Map Tax Year 2026-27 Opening Blocks Now

Prepare the opening block schedule under Section 33 so the first advance-tax computation under the new Act is correct from day one.

02

Apply the 180-Day Half-Rate Rule

Review all FY 2025-26 additions and apply the half-rate where assets were put to use for fewer than 180 days during the year.

04

Schedule Section 32(2) Unabsorbed Depreciation

List unabsorbed depreciation on its own line in the working papers so the merger into the Section 33(11) pool is fully auditable.

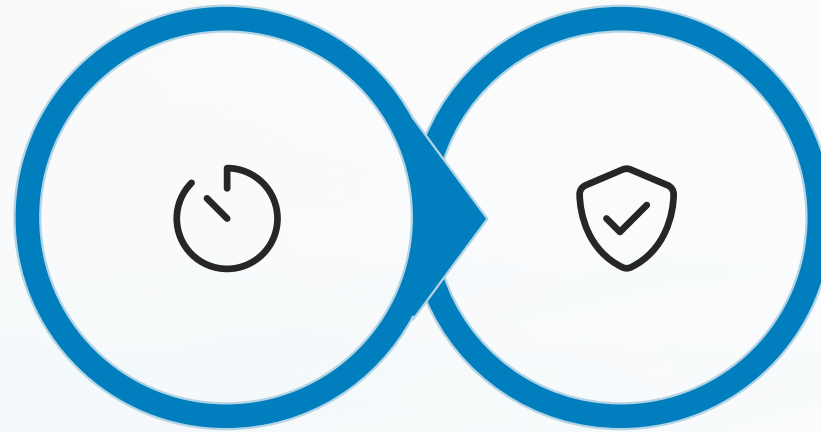
06

Reconcile Form 3CD Depreciation Clauses

Tie the Form 3CD depreciation clauses to the fixed asset register and cite the period-correct Act in every clause reference.

Get the Cutover Right Once

Getting the WDV freeze and the unabsorbed depreciation merger right now, well before the **30 September 2026** deadline, is far cheaper than fixing it in assessment.



**Get it right
now**

**Avoid
assessment
risk**

Talk to an Expert.

CA Adityavikram Banka, Founder, A S Banka Advisors Private Limited.