"The proposed Income-Tax Bill, 2025 introduces detailed procedural reforms that, while not as sweeping as major legislative changes, are crucial for the efficient administration of income-tax law. These adjustments enhance operational clarity and effectiveness. The Bill reflects the intent to improve lucidity and ease of understanding, aligning with the stated objective of the comprehensive review of the Income Tax Act, 1961. The proposed Income-Tax Bill, 2025 retains the same number of chapters as the existing law but significantly expands its scope with 536 sections and 16 schedules, compared to the current Income Tax Act's 298 sections and 14 schedules. This comprehensive framework reflects an effort to enhance lucidity and ease of understanding, aligning with the objective of the comprehensive review of the Income Tax Act, 1961.

To simplify the statute, the Bill eliminates explanations and provisos, opting instead for a more straightforward structure. It introduces new concepts such as the "Tax Year" in place of the traditional "Previous Year" and "Assessment Year." Additionally, it incorporates provisions on revenue recognition for service contracts, the allowability of Mark-to-Market (MTM) losses, and the valuation of inventory at the lower of cost or net realizable value, which were previously governed by Income Computation and Disclosure Standards (ICDS). Certain judicial interpretations, such as the set-off of short-term capital loss against business income on scrapping business-held capital assets, have been explicitly incorporated into the Profits and Gains from Business or Profession (PGBP) computation. Also, the proposed Bill requires DRP directions to clearly specify points of determination, decisions, and reasons, thereby enhancing transparency and dispute resolution quality in tax matters.

The Bill also enhances clarity by consolidating salary-related deductions, such as standard deduction, gratuity, and leave encashment, into one section, reducing complexity by avoiding multiple cross-references. A formula-based approach has been adopted to simplify calculations, as seen in the redefinition of Written Down Value (WDV) for asset blocks. Furthermore, all provisions related to Tax Deducted at Source (TDS) are unified under a single clause with simplified tabular representations, streamlining compliance and reporting requirements. However, this consolidation will necessitate substantial updates to reporting forms and utilities once the Bill is enacted.

Post parliamentary approval and potential amendments, the new Bill is expected to take effect from April 1, 2026. Consequently, the computation and reporting of taxable income for the financial years ending March 2025 and March 2026 will continue under the provisions of the current Income Tax Act."

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