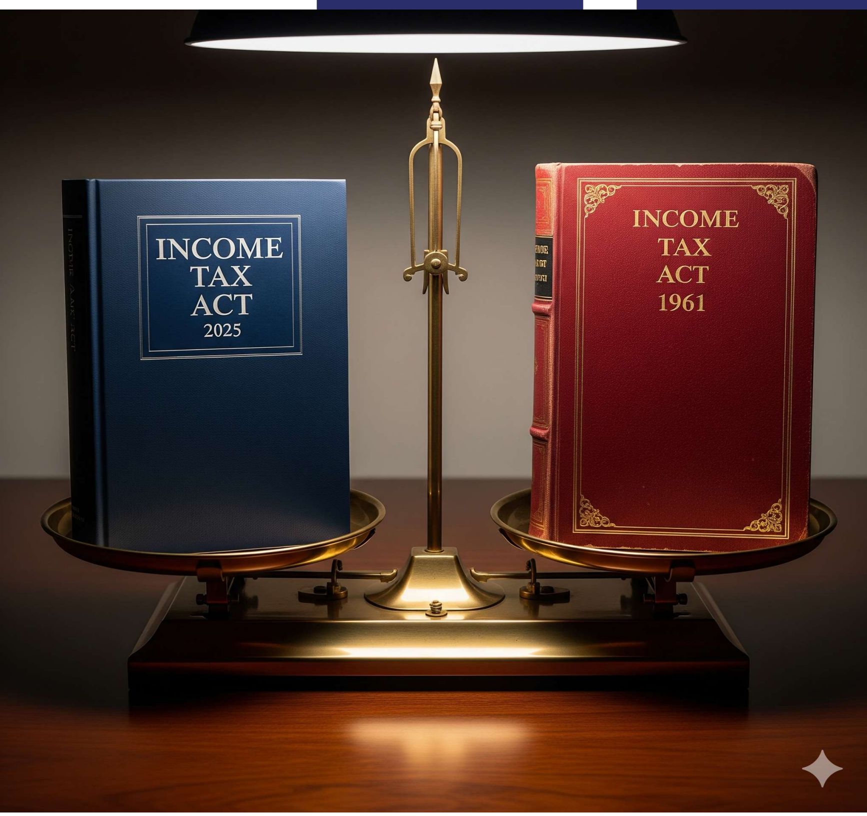
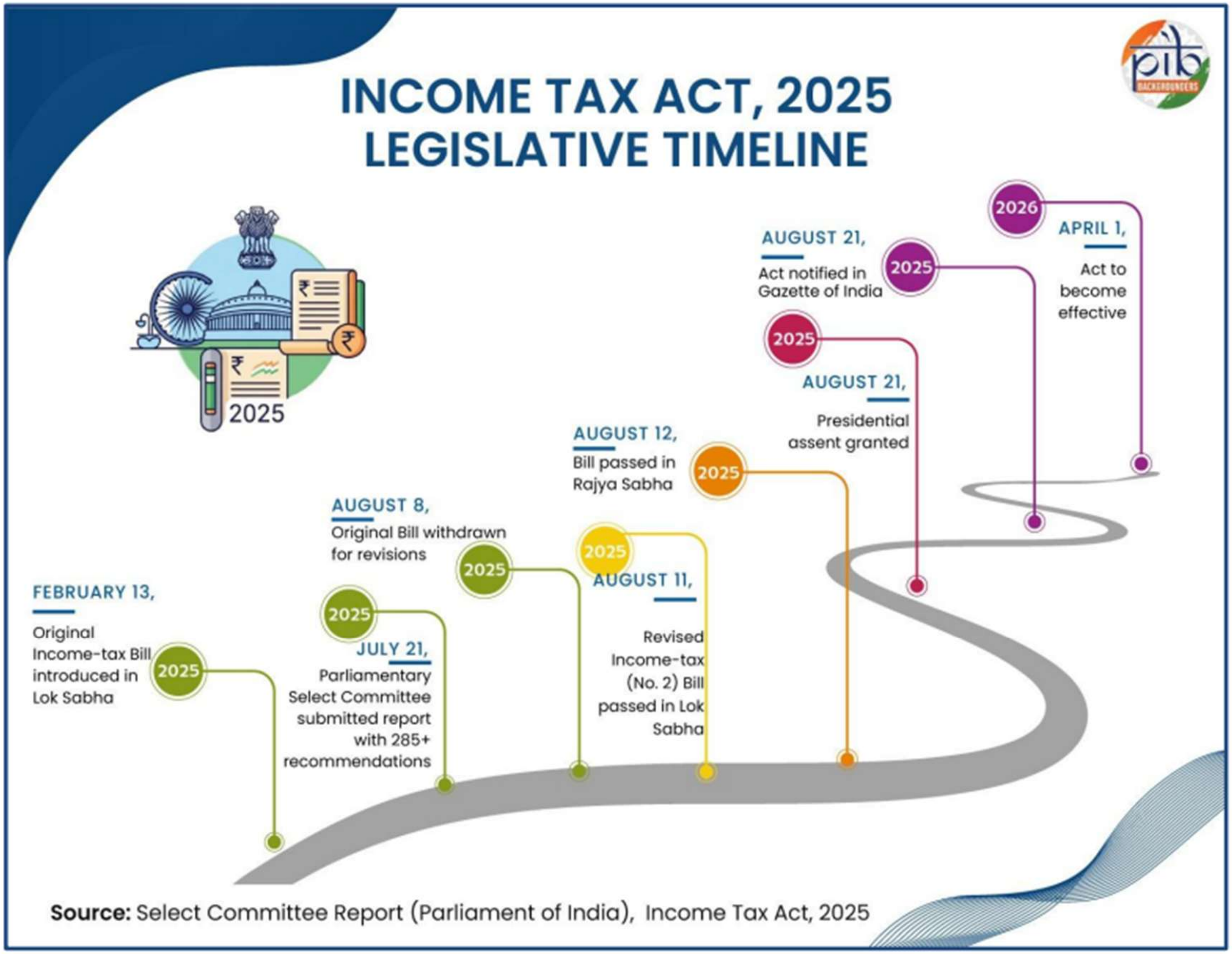


Definitions and TDS Provisions under the Income-tax Act, 2025 vis a vis Income-tax Act,1961

Transitioning from Six Decades of Tax Evolution – A Comprehensive Comparative Study of India's Tax Transformation

By CA. Shivangi Mittal


INCOME TAX ACT, 2025
LEGISLATIVE TIMELINE
2025
FEBRUARY 13,
Original Income-tax Bill introduced in Lok Sabha
2025
JULY 21,
Parliamentary Select Committee submitted report with 285+ recommendations
2025
AUGUST 8,
Original Bill withdrawn for revisions
2025
AUGUST 11,
Revised Income-tax (No. 2) Bill passed in Lok Sabha
2025
AUGUST 12,
Bill passed in Rajya Sabha
2025
AUGUST 21,
Presidential assent granted
2025
AUGUST 21,
Act notified in Gazette of India
2025
APRIL 1,
Act to become effective
2026
Source: Select Committee Report (Parliament of India), Income Tax Act, 2025

Historical Context & Legislative Journey

Tracing the evolution and modernization of the Income Tax Act from 1961 to 2025

April 1, 1962

- Enactment of Income Tax Act, 1961
- The Income Tax Act, 1961 was officially enacted, establishing the foundational legal framework for income taxation in India.

1970s

- Introduction of TDS Provisions
- A major overhaul introduced Tax Deducted at Source (TDS), enhancing tax collection efficiency and compliance mechanisms.

Since 1962

- Over 400 Amendments Made
- Continuous legislative updates reflect the evolving economic landscape and policy requirements over six decades.

February 2025

- First Parliamentary Reading
- The new Income Tax Bill 2025 was introduced in Parliament, marking the

Historical Context & Legislative Journey

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February 2025

- First Parliamentary Reading
- The new Income Tax Bill 2025 was introduced in Parliament, marking the start of formal legislative scrutiny.

March–June 2025

- Parliamentary Committee Review
- Comprehensive committee examination ensured alignment with contemporary economic realities and stakeholder interests.

July 2025

- Final Parliamentary Approval
- Parliament granted final approval, signifying consensus on modernization and reform of tax laws.

August 21, 2025

- Presidential Assent Granted
- The Bill received formal assent from the President, completing the legislative process for enactment.

Historical Context & Legislative Journey

Tracing the evolution and modernization of the Income Tax Act from 1961 to 2025

- Parliamentary Committee Review
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July 2025

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August 21, 2025

- Presidential Assent Granted
- The Bill received formal assent from the President, completing the legislative process for enactment.

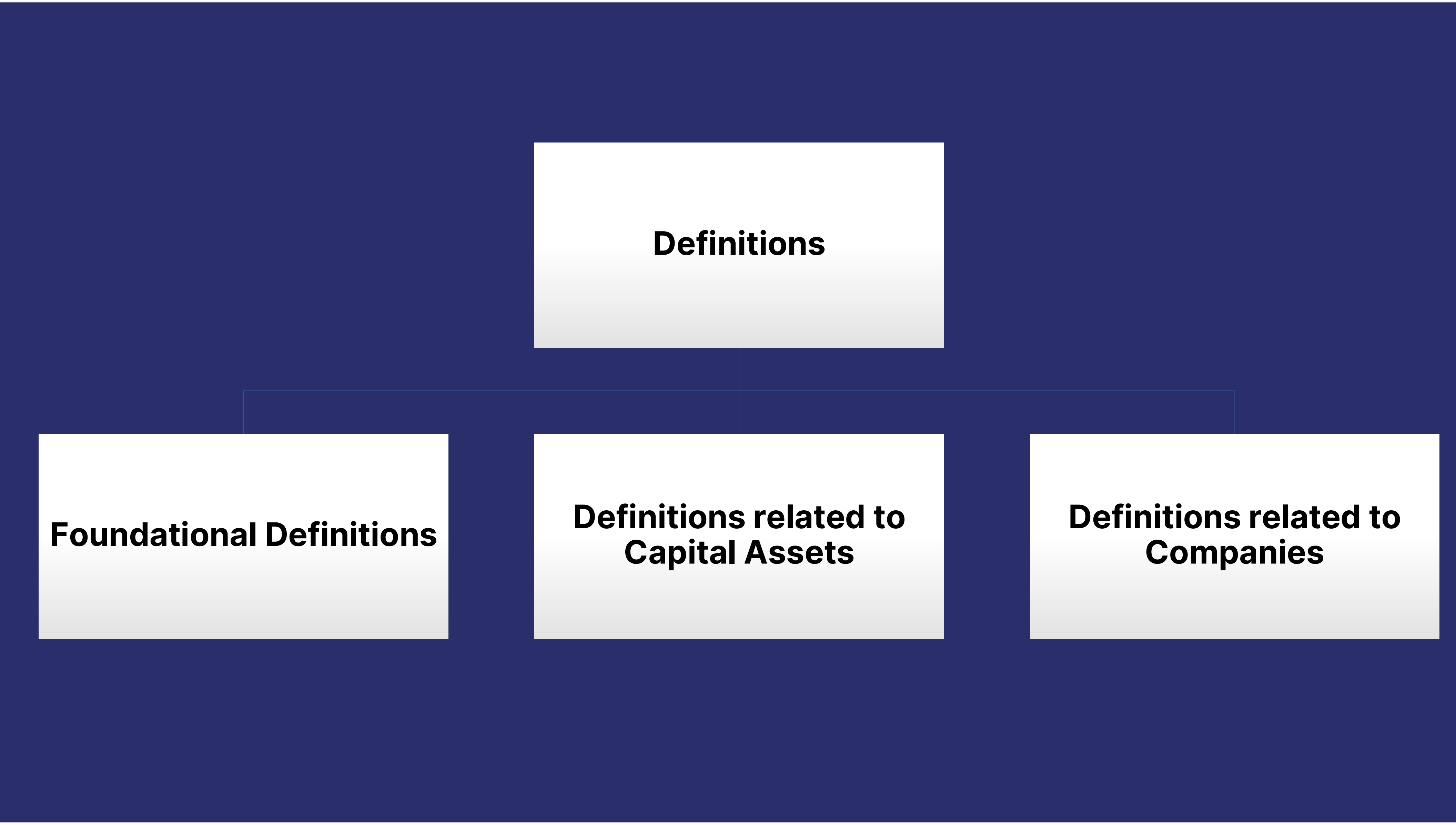
April 1, 2026

- Implementation of New Act
- The Income Tax Act 2025 comes into force, reflecting technological, economic, and administrative advancements.

Flow of Discussion

Comprehensive analysis of India's Income Tax Act transition and session roadmap

- Flow of Discussion
  - Definitions as per Income Tax Act, 2025
    - Foundational Definitions
    - Definitions Related to Capital Assets
    - Definitions related to Companies
  - TDS Provisions


Definitions
Foundational Definitions
Definitions related to Capital Assets
Definitions related to Companies

FOUNDATIONAL DEFINITIONS

FOUNDATIONAL DEFINITIONS

As per Income Tax Act, 1961	As per Income Tax Act, 2025
Assessment Year	NA
Previous Year	NA
NA	Tax Year
Assesses	Assessee
Person	Person

Foundational Definitions – Core Concepts

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
Assessment Year	Section 2(9) – means the period of twelve months commencing on the 1st day of April every year	Eliminated – No longer exists as a separate concept	Major Change: Simplifies tax computation, reduces confusion
Previous Year	Section 2(34) – Previous year as defined iin section 3. As per Section 3, "previous year" means the financial year immediately preceding the assessment year. For new businesses/ profession/ or other source: from commencement date to March 31	Replaced by Tax Year concept	Structural Reform: Single year system, eliminates lag
Tax Year	Not defined	Section 3(1) – 12-month period starting from April 1. For new businesses/ profession/ other source: from commencement date to March 31	New Introduction: Income earned and assessed in same year

Foundational Definitions – Core Concepts

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
Assessee	Section 2(7) – An assessee is any person liable to pay tax or money under the Act. This includes persons undergoing assessment proceedings - for income, fringe benefits, losses, or refunds due to him or other person; - persons deemed to be assessees under any Act provision; - and those deemed to be assessees in default.	Section 2(11) – An assessee is any person liable to pay tax or money under the Act. This includes persons undergoing assessment proceedings - for income, losses, or refunds due to him - For the assessment of any other person income, or loss sustained by or refund due to such other person. - persons deemed to be assessees under any Act provision; - and those deemed to be assessees in default.	More clarity in the definition. Simplified language

Foundational Definitions – Core Concepts

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
Person	Section 2(31) – Person includes: a. Individual, b. HUF, c. Company, d. Firm, e. AOP or BOI whether incorporated or not, f. Local Authority, g. Every artificial juridical person not covered above Whether or not such AOP, BOI, Local Authority or AJP was incorporated with the object of deriving income, profits and gains	Section 2(77) – Person includes: a. Individual, b. HUF, c. Company, d. Firm, e. AOP or BOI whether incorporated or not, f. Local Authority, g. Every artificial juridical person not covered above Whether or not such AOP, BOI, Local Authority or AJP was incorporated with the object of deriving income, profits and gains	No change in legal meaning

DEFINITIONS RELATED TO CAPITAL ASSETS

Definitions related to Capital Assets

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
Capital Asset	Section 2(14): **Inclusions:** "Capital asset" means— - property of any kind held by an assessee, whether or not connected with his business or profession. - any securities held by • a Foreign Institutional Investor which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 (15 of 1992); • held by investment funds referred to in Section 115UB which has invested in such security in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 or under IFSCAct, 2019 - any unit-linked insurance policy to which exemption under clause (10D) of section 10 does not apply.	Section 2(22): **Inclusions:** "Capital asset" means— - property of any kind held by an assessee, whether or not connected with his business or profession. - any securities held by • a Foreign Institutional Investor which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 (15 of 1992); • Specified investment fund specified which has invested such securities in accordance with the provisions of the regulations made under the Securities and Exchange Board of India Act, 1992 or under the International Financial Services Centers Authority Act, 2019; - any unit-linked insurance policy to which exemption under Schedule II (Table: Sr. No. 2) does not apply. Schedule II: Income not to be included in Total Income	No change in legal meaning

Definitions related to Capital Assets

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
Capital Asset	Section 2(14): **Exclusions:** (a) any stock-in-trade other than the securities referred to in sub-clause (b), consumable stores or raw materials held for the purposes of his business or profession; (b) personal effects, that is to say, movable property (including wearing apparel and furniture) held for personal use by the assessee or any member of his family dependent on him, but excludes - jewellery; - archaeological collections; - drawings; - paintings; - sculptures; or - any work of art.	Section 2(22) **Exclusions:** (a) any stock-in-trade other than the securities referred to in sub-clause (b), consumable stores or raw materials held for the purposes of his business or profession; (b) personal effects (c) Agricultural Land in India (d) Specified Gold Deposit Bonds Personal Effects exclude: - jewellery; - archaeological collections; - drawings; - paintings; - sculptures; or - any work of art.	No change in legal meaning

CAPITAL ASSET [Section 2(22)]

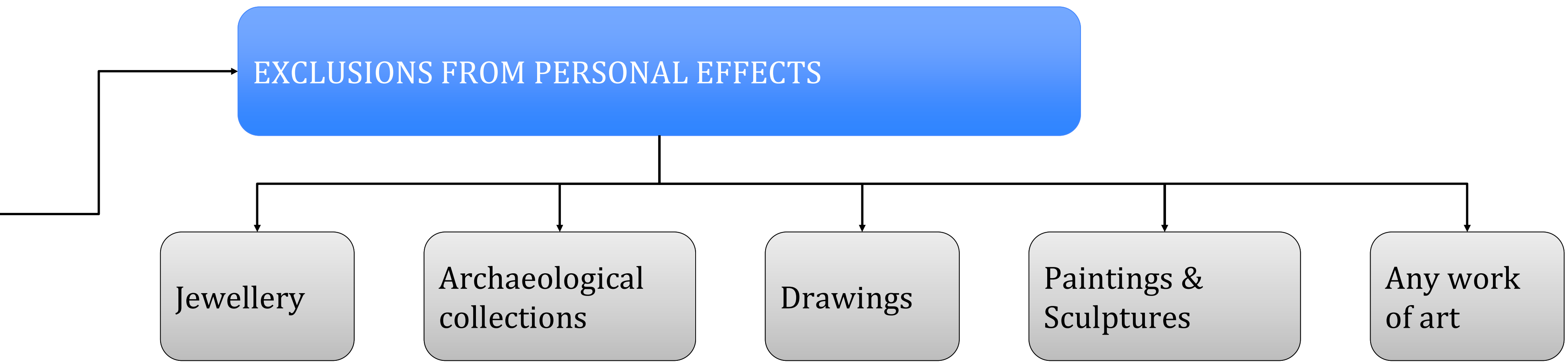
- Property of any kind held by an assessee, whether or not connected with his business or profession
- Any securities held by a FII which has invested in such securities as per SEBI Regulations and Specified Investment Fund
- Any unit linked insurance policy to which exemption under Schedule II does not apply.

Explanation 1.—For the removal of doubts, it is hereby clarified that "property" includes and shall be deemed to have always included any rights in or in relation to an Indian company, including rights of management or control or any other rights whatsoever.

All other ULIPs would be capital assets.

Exclusions

- Stock-intrade, consumable stores, raw materials held for business or profession
- **Personal Effects**
  [i.e., movable property including wearing apparel and furniture held for personal use by the assessee or his family] – Excluding Jewellery, Shares etc
- Rural Agricultural Land
- Specified Gold Deposit Bonds
- Gold Deposit Bonds issued under Gold Deposit Scheme, 1999/ Deposit Certificates issued under the Gold Monetisation Scheme, 2015 notified by the Central Govt.



These assets are hence, capital assets u/s 2(22)

Notes:

Explanation.—For the purposes of this sub-clause, "jewellery" includes—

(*a*) ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stone, and whether or not worked or sewn into any wearing apparel;

(*b*) precious or semi-precious stones, whether or not set in any furniture, utensil or other article or worked or sewn into any wearing apparel;

Definitions related to Capital Assets

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
Short-Term Capital Asset	Section 2(42A):	Section 2(101):	Clarity in the definition

Capital Asset (on or after 23/07/24)	STCA, if held for,	LTCA, if held for
• Security listed in a recognized stock exchange in India • Unit of Unit Trust of India • Unit of Equity oriented fund • Zero coupon Bond	**≤ 12 months** immediately preceding the date of its transfer	**> 12 months** Immediately preceding the date of its transfer
• Other capital assets (including Unlisted Shares, Jewellery, Land & Building etc)	**≤ 24 months** immediately preceding the date of its transfer	**> 24 months** immediately preceding the date of its transfer

Definitions related to Capital Assets

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
Long-Term Capital Asset	Section 2(29AA): means a capital asset which is not a short-term capital asset;	Section 2(67): means a capital asset which is not a short-term capital asset;	No Change

DEFINITIONS RELATED TO COMPANIES

Definitions related to Capital Assets

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
Indian Company	Section 2(26): "Indian company" means a company formed and registered under the Companies Act, 1956 (1 of 1956), and includes— (i) a company formed and registered under any law relating to companies formerly in force in any part of India (other than the State of Jammu and Kashmir and the Union territories specified in sub-clause (iii) of this clause) ; (ia) a corporation established by or under a Central, State or Provincial Act ; (ib) any institution, association or body which is declared by the Board to be a company under clause (17) ; (ii) in the case of the State of Jammu and Kashmir, a company formed and registered under any law for the time being in force in that State ; (iii) in the case of any of the Union territories of Dadra and Nagar Haveli, Goa, Daman and Diu, and Pondicherry, a company formed and registered under any law for the time being in force in that Union territory : Provided that the registered or, as the case may be, principal office of the company, corporation, institution, association or body in all cases is in India ;	Section 2(53): "Indian company" means a company formed and registered under the Companies Act, 2013 and includes— (*a*) company formed and registered under any law relating to companies formerly or currently in force in any part of India; or (*b*) corporation established by or under a Central Act or State Act or Provincial Act; or (*c*) institution or association or body which is declared by the Board to be a company under clause (*28*), the registered or principal office of which is in India;	Latest Provisions

TDS PROVISIONS AS PER INCOME TAX ACT, 2025 VIS-À-VIS INCOME TAX ACT, 1961

Foundational Definitions – Core Concepts

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

<table>
<tr><th>Concept</th><th>Income Tax Act, 1961
(FY 2025-26)</th><th>Income Tax Act, 2025
(FY 2026-27)</th><th>Analysis and Impact</th></tr>
<tr><td>TDS Provisions</td><td>
<table>
<tr><th>Section</th><th>Particulars</th></tr>
<tr><td>192</td><td>Salary</td></tr>
<tr><td>194</td><td>Dividend</td></tr>
<tr><td>194A</td><td>Interest other than</td></tr>
<tr><td>194C</td><td>Payment to Contractors</td></tr>
<tr><td>194D</td><td>Insurance Commission</td></tr>
<tr><td>194H</td><td>Commission or Brokerage</td></tr>
<tr><td>194-I</td><td>Rent</td></tr>
<tr><td>194-IA</td><td>Payment on transfer of Immovable Property</td></tr>
<tr><td>194-IB</td><td>Payment of rent by certain Individuals or HUF</td></tr>
<tr><td>194J</td><td>Fees for professional or technical services</td></tr>
</table>
</td><td>
<table>
<tr><th>Section</th><th>Particulars</th></tr>
<tr><td>392</td><td>Salary and accumulated balance due to an employee</td></tr>
<tr><td>393</td><td>TDS Rates as mentioned in Tabular Format:
a. For Payments to Resident
b. For Payments to Non-Resident
c. For Payments to any person
d. For No-Deduction at source</td></tr>
</table>
</td><td>Simplified and is in Tabular Format. Easily Understandable</td></tr>
</table>

TDS ON SALARY

TDS Provisions Income Tax Act, 2025 vs 1961

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
TDS on Salary	Section 192	Section 392	Modernized framework with enhanced clarity
Basic Provision	Deduct TDS at time of payment at average rate based on "financial year"	Deduct TDS at time of payment at average rate based on "tax year"	✅ Terminology updated - Consistent with new Act structure
Non-Monetary Perquisites	Complex language: "perquisite which is not provided for by way of monetary payment, referred to in clause (2) of section 17"	Non-monetary perquisite chargeable to tax under section 17(1) and TDS shall be deducted	✅ Simplified language - Easier compliance understanding
Multiple Employers and other considerations while deducting TDS	Same but as per different sub-sections	Employer should consider the following for the purpose of making deduction: a. Salary received from other employers during the tax year b. Relief allowable under section 157 c. Any loss under House Property d. Any income chargeable under any other head e. TDS/ TCS deducted for same tax year	✅ Better organization - Streamlined structure

TDS Provisions Income Tax Act, 2025 vs 1961

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
EPF Withdrawals ≥₹50,000	No specific provision in Section 192. However, it is mentioned in Section 192A of Income Tax Act, 1961	NEW: 10% TDS mandatory on EPF withdrawals ≥₹50,000	🆕 Section 192 and 192A merged.

TDS ON RENT

TDS Provisions Income Tax Act, 2025 vs 1961

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
Section Reference	Section 194-I	Section 393 (Ref. Table: For Payments to Resident: Sr. No. 2)	
Deductor	Category 1: Any person not being Individual or HUF Category 2: For Individual/ HUF: Total Sales/ Gross Receipts/ Turnover exceeds 1 crore in case of Business or 50 Lakhs Rupees in case of Profession	Category 1: Persons other than Specified Persons Category 2: Specified Persons	
Specified Person	-NA-	As per **Section 402(37),** **Specified Person means:** a. Any person not being an Individual or HUF, i.e., Company etc b. For Individual/ HUF - Total Sales/ Gross Receipts/ Turnover exceeds 1 crore in case of Business - 50 Lakhs Rupees in case of Profession During the tax year immediately preceeding the tax year in which such income is credited or paid.	*No Reference to Specified Persons under Income Tax Act, 1961*

TDS Provisions Income Tax Act, 2025 vs 1961

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)
Deductor	Category 1: Any person not being Individual or HUF Category 2: For Individual/ HUF: Total Sales/ Gross Receipts/ Turnover exceeds 1 crore in case of Business or 50 Lakhs Rupees in case of Profession	Category 1: Persons other than Specified Persons Category 2: Specified Persons
Deductee	Any Resident	Any Resident
Time of Deduction	-Same-	For Category 1: At the time of payment or credit whichever is earlier for the last month of tax year or last month of tenancy For Category 2: At the time of payment or credit whichever is earlier
Threshold Limit	-Same-	Threshold Limit: 50000 per month or part of the month
Tax Rate	-Same-	**For Category 1: Persons other than Specified Persons** i.e. Individuals/ HUF not having income from Business or Profession/ or having income from Business or profession not exceeding 1 crore or 50 lacs respectively. **Tax Rate: 2%** **For Category 2: Specified Persons** a. For Machinery or Equipment: 2% b. For Land, Building, Furniture or Fittings: 10%

TDS Provisions Income Tax Act, 2025 vs 1961

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

<table>
<tr><th>Concept</th><th>Income Tax Act, 1961
(FY 2025-26)</th><th>Income Tax Act, 2025
(FY 2026-27)</th></tr>
<tr><td>Cases where no deduction is required</td><td>Provided also that no deduction shall be made under this section where the income by way of rent is credited or paid to a business trust, being a real estate investment trust, in respect of any real estate asset, referred to in clause (23FCA) of section 10, owned directly by such business trust.</td><td>Reference: 393(4)
Income by way of rent credited or paid to a business trust, being a real estate investment trust, in respect of any real estate asset, referred to in Schedule V (Table: Sl. No. 4), owned directly by such business trust.
Schedule V: INCOME NOT TO BE INCLUDED IN TOTAL INCOME OF CERTAIN ELIGIBLE PERSONS INCLUDING INVESTMENT FUNDS, BUSINESS TRUSTS AND THEIR UNIT HOLDERS
<table>
<tr><th>S.No.</th><th>Income not to be included in Total Income</th><th>Eligible Persons</th><th>Conditions</th></tr>
<tr><td>4.</td><td>Any income by way of renting or leasing or letting out any real estate asset owned directly by such business trust.</td><td>A business trust, being a real estate investment trust.</td><td>Nil</td></tr>
</table></td></tr>
</table>

TDS ON PROFESSIONAL FEES OR TECHNICAL SERVICES

TDS Provisions Income Tax Act, 2025 vs 1961

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
Section Reference	Section 194J	Section 393 (Ref. Table: For Payments to Resident: Sr. No. 6 (iii))	
Deductor	Category 1: Any person not being Individual or HUF Category 2: For Individual/ HUF: Total Sales/ Gross Receipts/ Turnover exceeds 1 crore in case of Business or 50 Lakhs Rupees in case of Profession	Specified Persons	
Specified Person	-NA-	As per **Section 402(37),** **Specified Person means:** a. Any person not being an Individual or HUF, i.e., Company etc b. For Individual/ HUF - Total Sales/ Gross Receipts/ Turnover exceeds 1 crore in case of Business - 50 Lakhs Rupees in case of Profession During the tax year immediately preceeding the tax year in which such income is credited or paid.	*No Reference to Specified Persons under Income Tax Act, 1961*

TDS Provisions Income Tax Act, 2025 vs 1961

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

Concept	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
Deductee	Section 194J	Any Resident	
Nature of Income	Category 1: Any person not being Individual or HUF Category 2: For Individual/ HUF: Total Sales/ Gross Receipts/ Turnover exceeds 1 crore in case of Business or 50 Lakhs Rupees in case of Profession	Any sum by way of— a. fees for professional services; or b. fees for technical services; or c. remuneration or fees or commission by whatever name called, other than those on which tax is deductible under section 392, to a director of a company; or d. royalty; or e. any sum referred to in section 26(*2*)(*h*): Not carrying out any activity in relation to Business or Profession.	
Threshold Limit		INR 50,000 other than Director's Remuneration	
Tax Rate		**Tax Rate: 2% in following cases:** i. fees for technical services (not being a professional services); or ii. royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films; or iii. payee, engaged only in the business of operation of call centre; **Otherwise 10%**	

TDS Provisions Income Tax Act, 2025 vs 1961

Comparative analysis of Income Tax Act 1961 and 2025 highlighting key structural reforms

ConceptdE	Income Tax Act, 1961 (FY 2025-26)	Income Tax Act, 2025 (FY 2026-27)	Analysis and Impact
Cases where no deduction is required		Reference: 393(4): Sr. No. 9 Where such sum is credited or paid by individual or Hindu undivided family exclusively for personal purposes of such individual or any member of Hindu undivided family.	
Definition of Professional Services		As per Section 402(28), "professional services" means services rendered by a person in the course of carrying on legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or advertising or such other profession asmay be notified by the Board for the purposes of this section, or of section 62;	
Definition of Technical services		As defined in Section 9, "fees for technical services" means any consideration (including any lump sum consideration) for the rendering of any managerial, technical or consultancy services (including the provision of services of technical or other personnel) but does not include consideration— (*i*) for any construction, assembly, mining or like project undertaken by the recipient; or (*ii*) which would be income of the recipient chargeable under the head"Salaries".	

TDS ON COMMISSION OR BROKERAGE

	(*ii*) Any income by way of commission [not being insurance commission referred to in serial number 1(*i*)] or brokerage.	Specified person.	Rate: 2% —— Threshold limit: ₹ 20,000.

Thank You