

# Simplification of Income Tax Law: What Does the New Bill Say?

India's existing **Income Tax Act, 1961**, has undergone multiple amendments, making it complex. To simplify the tax law, the **New Income Tax Bill, 2025**, was introduced in the Lok Sabha on **February 13, 2025**.

## Key Highlights of the New Income Tax Bill (2025):

### 1. Reduction in Word Count and Page Length:

- The **1961 Act** had **5,12,000 words**; the new bill reduces this to **2,60,000 words**.
- The total pages are reduced from **823** to **622**.

### 2. Changes in Sections & Chapters:

- Old Act: **298 sections**
- New Bill: **536 sections** (increase)
- Old Act: **47 chapters**
- New Bill: **23 chapters** (simplification)

### 3. Changes in Schedules & Explanations:

- Old Act: **18 schedules**
- New Bill: **57 schedules**
- The old law had **900 explanations**, which have now been removed for clarity.

### 4. Simplified Tax Calculation:

- A **formula for tax calculation** is provided, allowing taxpayers to estimate their tax liability easily.
- The new law uses **simpler language** and concise sentences.

### 5. Terminology Changes:

- The terms **Financial Year, Assessment Year, and Previous Year** are replaced by a single term: **Tax Year**.
- The **Tax Year** will be from **April 1 to March 31** to reduce confusion.

### 6. Virtual Digital Assets (VDA) Taxation:

- Cryptocurrencies, **NFTs**, and other digital assets, which were taxed from **2022**, now have a **clear legal definition** in the new bill.

### 7. Income Tax Heads Remain Unchanged:

- The five tax heads remain the same:
  - Salary Income
  - Income from House Property
  - Profits & Gains from Business/Profession
  - Capital Gains
  - Other Sources Income

**8. Revised Rules for Non-Profit Organizations (NPOs):**

- More **detailed tax structures** for non-profits.
- Compliance rules and **restrictions on commercial activities** are clarified.

**9. Tax Benefits for Startups & Green Energy Investments:**

- **Startups, digital businesses, and renewable energy** investments will receive **capital gains tax benefits**.

**10. Implementation Timeline:**

- The **Lok Sabha committee** will review and approve the bill.
- Once passed in **Parliament**, the new law will be **effective from April 1, 2026**.

**Conclusion:**

The **New Income Tax Bill, 2025**, aims to simplify the existing law, reduce complexity, and make tax calculations easier. With **fewer explanations, fewer chapters, and clearer definitions**, taxpayers are expected to benefit from a **more structured and predictable tax regime**.