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# Income Tax Act 2025: PDF Download, Highlights, Chapters, Objectives, Features and Provisions

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The President of India has assented to the Income Tax Bill on **21st August, 2025**. It is now published in the official gazette. The new Income Tax Act will be applicable from **1st April, 2026**, replacing the six-decade-old [Income Tax Act, 1961](#). The new law aims to remove redundant provisions, simplification of language and keep pace with the evolving economic environment and technology.

## Key Takeaways

- Introduces the concept of 'tax year', removing confusion between previous year and assessment year.
- Consolidates and restructures provisions (e.g., all TDS sections in one table) and its sequence.

## What is the Income Tax Act 2025?

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## Chapters of the Income Tax Act 2025

The Income Tax Act has 23 chapters in total, some of which have subparts. Find them mentioned in the table below:

| Chapter      | Overview   |
|--------------|--|
| Chapter I    | Preliminary  |
| Chapter II   | Basis of Charge  |
| Chapter III  | Incomes which do not form part of Total Income                         |
| Chapter IV   | Computation of Total Income  |
| Chapter V    | Income of other persons, Included in the Total Income of the Assessee. |
| Chapter VI   | Aggregation of Income  |
| Chapter VII  | Set off, or Carry Forward And Set Off of Losses                        |
| Chapter VIII | Deductions to be made in Computing Total Income                        |
| Chapter IX   | Rebate And Reliefs   |
| Chapter X    | Special Provisions Relating to Avoidance of Tax                        |

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|               |   |
|---------------|---|
| Chapter XIII  | Determination of tax in Special Cases               |
| Chapter XIV   | Tax Administration                                  |
| Chapter XV    | Return of Income                                    |
| Chapter XVI   | Procedure for Assessment                            |
| Chapter XVII  | Special tax provisions for certain persons.         |
| Chapter XVIII | Appeals, Revision and Alternate Dispute Resolution. |
| Chapter XIX   | Collection and Recovery of Tax                      |
| Chapter XX    | Refunds   |
| Chapter XXI   | Penalties   |
| Chapter XXII  | Offences and Prosecution                            |
| Chapter XXIII | Miscellaneous                                       |

## Main Objectives of Income Tax Act 2025

The main objectives of the Income Tax Act 2025 are as follows:

### Simplified tax provisions with clearer language

The Income Tax Act 2025 aims to provide a more simpler tax code which is less complex, easily understandable and much easier to interpret.

### Reduced Tax rates and increased Rebate

This Act reduces the income tax rates in order to promote higher demand for goods and services. This, in turn, leads to increased money in the hands of the taxpayer which leads to more savings.

### Reduced legal disputes by removing ambiguities

▼

Much easier compliance

With a reduction in the content, the Act aim to make compliance more easier and efficient. This in turn will encourage more [tax filings](#) and reduced tax evasion.

Recognition of Virtual Digital Asset

The definition of Virtual Digital Asset has been broadened to include cryptocurrencies and other digital assets. This has been done with a focus to simplify the taxation process of such assets.

Scope of Income Tax Act 2025

The scope or extent of tax implications under the Income Tax Act 2025 depends upon the assessee's [residential status](#):

| Income Type  | Residential Status                     |                                      |              |
|--|--|--------------------------------------|--------------|
|  | Resident and Ordinarily Resident (ROR) | Resident but not-Ordinarily Resident | Non-Resident |
|  |  | (RNOR)                               | (NR)         |
| Income received or deemed to be received in India  | Taxable                                | Taxable                              | Taxable      |
| Accrued income in India  | Taxable                                | Taxable                              | Taxable      |
| Income accrues from outside India, but the profession or business is setup in or controlled from India | Taxable                                | Taxable                              | Non-taxable  |
| Income accrues from outside India, but the profession or business is                                   | Taxable                                | Non-taxable                          | Non-taxable  |

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foreign income remitted  
(brought back) to India

Non-taxable

Non-taxable

Non-taxable

## Features of Income Tax Act 2025

Some of the **salient features of the Income Tax Act 2025** are as follows:

- Income tax is a form of direct tax that needs to be borne by the taxpayer. It cannot be transferred to another individual.
- The Central Government of India controls this form of taxation.
- Broader scope of Virtual Digital Asset.
- Dispute resolution and Digital Compliance reforms.
- Relaxed [Income Tax Slab Rates](#)
- The government levies a progressive income tax rate so that rich and economically powerful individuals have to pay taxes at higher rates.
- Deductions apply to a maximum limit per financial year in certain cases.

## Provisions of The Income Tax Act 2025

There are several provisions under the Income Tax Act 2025, the important ones are:

- The introduction of the concept of [Tax Year](#)
- Use of modern mechanisms for compliance and a more structured tax recovery structure under Chapter XIX-D of the Act
- Provisions related to Tax on Updated Returns are covered under section 267 of the Income Tax Act 2025
- Procedure for Assessment
- Broader definition of Virtual Digital Asset under section 2(111)
- Consolidation of TDS provisions under one single section
- The rules cover the taxes of Indian taxpayers' on worldwide income, including their international earnings or investments.

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## Treatment of Capital Gains

The Income Tax Act 2025 retains the structure and essence of Capital Gains but the language has been made simpler. The provisions related to [Capital Gains](#) are now covered under Clause 67, 196, 197 and 198 of the Income Tax Act 2025.

| Clause     | Description   |
|------------|---|
| Clause 67  | Definition of Capital Gains   |
| Clause 196 | <a href="#">Short-term Capital Gains</a> for Equity Shares, Equity Oriented Funds, and Business Trust Units |
| Clause 197 | <a href="#">Long-term Capital Gains</a> for Non-Equity Long-term Assets                                     |
| Clause 198 | Long-term Capital Gains for Equity Shares, Equity Mutual Funds, and Business Trust Units                    |

[Section 47 of the Income Tax Act](#), 1961 has been redefined and now it has been proposed to remove the clauses given for the transfer of land of an industrially sick company and removal of stock exchange demutualisation.

Further, the Act has removed ambiguity by classifying cryptocurrencies and other virtual digital assets as taxable income. Cryptocurrency has now been formally included as a taxable capital asset.

## Income Tax Act 2025 Highlights

- **Simplified Structure:** Reduced from over 700 sections to 536, with improved layout for better clarity.
- **Tax Year:** The concept of "[Previous Year](#)" and "[Assessment Year](#)" is replaced by the unified "Tax Year" (April 1 to March 31).
- **Consolidation of TDS provisions:** TDS provisions (previously spread across Sections 192 to 194T) are consolidated into Section 393 for easier reference.
- **Definition of VDAs:** The definition of Virtual Digital Asset is expanded to include any asset with a digital representation of value that relies on a cryptographically secured ledger or similar technology.

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Parliament.

## Slab Rate in Income Tax Act 2025

The rates at which the taxpayer's income will be subject to taxation are known as the slab rates. India has a progressive tax rate system, meaning that as income rises, so does the tax slab rate. This ensures that the individuals earning higher income pay higher taxes.

There are two tax regimes in India;

- The New Tax Regime (Default Tax Scheme)
- The Old Tax Regime (Optional Tax Scheme)

### The New Tax Regime (Default Tax Regime)

The Slab Rates for The [New Tax Regime](#) is provided under [section 202](#) of the Income Tax Act 2025 as follows:

| Income Tax Slabs            | Tax Rate |
|-----------------------------|----------|
| Up to Rs. 4 lakhs           | NIL      |
| Rs. 4 lakhs – Rs. 8 lakhs   | 5%       |
| Rs. 8 lakhs – Rs. 12 lakhs  | 10%      |
| Rs. 12 lakhs – Rs. 16 lakhs | 15%      |
| Rs. 16 lakhs – Rs. 20 lakhs | 20%      |
| Rs. 20 lakhs – Rs. 24 lakhs | 25%      |
| Above Rs. 24 lakhs          | 30%      |

### The Old Tax Regime (Optional Tax Regime)

The Slab Rates under The Old Tax Regime is provided in the Income Tax Act 2025 as follow:

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|                            |     |     |     |
|----------------------------|-----|-----|-----|
| Upto Rs. 2,50,000          | NIL | NIL | NIL |
| Rs. 2,50,001 – Rs. 3 lakhs | 5%  | NIL | NIL |
| Rs. 3 lakhs – Rs. 5 lakhs  | 5%  | 5%  | NIL |
| Rs. 5 lakhs – Rs. 10 lakhs | 20% | 20% | 20% |
| Above Rs. 10 lakhs         | 30% | 30% | 30% |

## Rebate Limit in The Income Tax Act 2025

The Rebate Limit in the Income Tax Act are as follows:

- **New Tax Regime:** A person filing a tax return under the New Tax Regime can claim a rebate if his income is not more than Rs. 12 lakhs i.e., you can get a tax rebate of upto Rs. 60,000.
- **Old Tax Regime:** A person filing a tax return under the Old Tax Regime can claim a rebate if his income is not more than Rs. 5 lakhs i.e., you can get a tax rebate of up to Rs. 12,500.

## The Income Tax Act 1961 v/s The Income Tax Act 2025

The Income Tax Act of 1961 will be replaced by the Income Tax Act 2025. But not much has changed. When compared to the Income Tax Act of 1961, the Income Tax Act 2025 is thought to be shorter and simpler, yet it has a lot more sections. The introduction of the term "Tax Year" in the Income Tax Act 2025, which appears to replace the terms "Financial Year" and "Assessment Year" in the Income Tax Act 1961, may be one of the most notable changes.

## Final Word

Now that you have a clear idea of the Income Tax Act 2025, you can understand how the Income Tax Department works. Furthermore, you can take a look at the different sections in order to learn the various available deductions. This will help you make smarter investments and gain tax savings.



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When will the provisions of the Income Tax Act 2025 be applicable from?



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Content Writer

I'm a chartered accountant, well-versed in the ins and outs of income tax, GST, and keeping the books balanced. Numbers are my thing, I can sift through financial statements and tax codes with the best of them. But there's another side to me – a side that thrives on words, not figures. [Read more](#)

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