From Section Hunting to Structured Understanding: How the Income-tax Act, 2025 Makes Tax Law Easier to Navigate

PROFESSIONAL ARTICLE | DIRECT TAXATION | LEGISLATIVE SIMPLIFICATION

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Introduction: A new approach to reading tax law

For decades, the Income-tax Act, 1961 served as the foundation of India's direct tax system. However, successive amendments, inserted clauses, provisos and explanations gradually made the legislation more difficult to navigate. Tax professionals often had to move between several provisions to understand a single transaction, while taxpayers depended heavily on professional assistance to interpret their obligations.

The Income-tax Act, 2025, effective from 1 April 2026, represents an important attempt to address this structural complexity. Its significance lies not merely in replacing old section numbers with new ones, but in reorganising the law into a more coherent, accessible and systematic framework.

The Government's stated simplification exercise reduced the legislation from 819 sections to 536 sections and from 47 chapters to 23 chapters, while increasing the use of tables and formulae to present complex provisions more clearly.

The central question, therefore, is not simply whether the new Act is shorter. It is whether a better organised numbering system, clearer section headings and more systematic presentation can make the law easier to reference, understand and apply.

The answer is broadly yes, although the ultimate test will be consistency in interpretation, judicial application and practical compliance.

1. Why section numbering matters in tax legislation

Section numbers are more than statutory labels. They are the coordinates through which taxpayers, Chartered Accountants, lawyers, tax officers, appellate authorities and courts locate legal provisions.

Under a complex statute, a professional may need to examine the principal section, several inserted provisions, multiple exceptions and cross-referenced explanations before reaching a conclusion. Over time, this creates what may be called **reference friction**—the additional effort required to locate, connect and understand the applicable law.

The Income-tax Act, 2025 seeks to reduce this friction through three broad improvements.

First, logical sequencing. Related provisions are grouped in a more structured order, allowing readers to follow a subject without repeatedly navigating disconnected provisions.

Second, consolidation. Provisions that had become fragmented through decades of amendments have been reorganised, with greater use of integrated text, tables and formulae.

Third, clearer navigation. Section headings and the overall structure help readers identify the subject matter of a provision before examining its detailed legal conditions.

An important qualification is necessary: renumbering alone does not simplify law. A provision becomes easier to interpret when its number, heading, placement, wording and relationship with other provisions work together.

2. Three illustrations of how the new structure improves reference and interpretation

Illustration 1: From separate provisions to a more coherent understanding of income

Consider the taxation of dividend income and income deemed to be received.

Under the Income-tax Act, 1961, provisions concerning income deemed to be received and dividend income were addressed separately under sections 7 and 8. Under the Income-tax Act, 2025, these subjects are brought together under section 7, whose heading covers income deemed to be received and dividend deemed to be income in a tax year.

What does this achieve?

A professional researching the relevant tax treatment can begin with a single section covering these connected subjects, rather than treating them as separate starting points. This improves the initial reference process and provides a more integrated view of the statutory framework.

The benefit is particularly relevant when preparing tax opinions, reviewing income classifications or explaining the applicable provisions to clients.

It is important to note, however, that consolidation does not automatically make every dividend-related issue straightforward. Questions concerning the timing of taxation, deemed receipt, exemptions and other applicable conditions still require examination of the relevant statutory text.

The lesson: Bringing related provisions together can reduce the effort required to locate the law, even where substantive interpretation remains necessary.

Illustration 2: The new tax regime—finding the governing provision becomes easier

The new tax regime for eligible taxpayers provides a useful illustration of the transition from the old numbering system to the new one.

Under the Income-tax Act, 1961, the new tax regime was principally associated with section 115BAC. Under the Income-tax Act, 2025, the corresponding provision is section 202.

For a tax professional, this change has two implications.

First, the new section number is part of a redesigned statutory framework rather than an isolated amendment appended to an existing section. This allows the reader to approach the provision through the organisation of the new Act.

Second, the change creates an opportunity to distinguish between the legal framework applicable to earlier tax years and that applicable to the new regime. Instead of relying exclusively on familiar section numbers, practitioners must identify the relevant tax year and consult the corresponding provision in the correct Act.

For example, a Chartered Accountant advising an individual on the applicable tax regime must establish whether the matter relates to a period governed by the 1961 Act or to a tax year governed by the 2025 Act. The professional can then locate section 115BAC or section 202, as appropriate, and examine the applicable eligibility conditions, rates, deductions and option requirements.

This is especially important during the transition period, when the two Acts may remain relevant to different tax years and proceedings.

The lesson: A redesigned numbering system can improve long-term navigation, but transitional cross-referencing is essential to prevent errors when moving between the old and new legislation.

Illustration 3: Exempt income—moving from a familiar section to a structured framework

Under the Income-tax Act, 1961, section 10 became one of the most familiar references in tax practice because it dealt with incomes not included in total income. Over time, the provision accumulated numerous clauses and sub-clauses covering different categories of exempt income.

Under the Income-tax Act, 2025, the principal provision is section 11, read with Schedules II to VII. Section 11(1) excludes the income enumerated in Schedules II to VI from total income, subject to the conditions specified in those Schedules, while section 11(3) provides that the persons enumerated in Schedule VII are not chargeable to tax, again subject to the specified conditions. The revised framework therefore uses schedules to organise both categories of exempt income and categories of exempt persons.

This is a meaningful change in the method of reference.

Under the earlier framework, a reader might begin with section 10 and then navigate through a long series of clauses to identify the relevant exemption. Under the new framework, the reader starts with section 11 and examines the applicable schedule and its relevant entry.

For instance, when examining whether a particular category of income is excluded from total income, a professional must identify the nature of the income, locate the relevant provision and schedule, and verify the conditions attached to the exclusion.

The revised presentation can make this process more systematic, particularly for professionals who regularly review multiple exemption categories. However, the schedules must be read with the principal section and all applicable conditions; a schedule entry should not be treated as an independent, unconditional exemption. Where the specified conditions are not satisfied, sections 11(2) and 11(4) provide that the income is charged to tax.

The lesson: Tables and schedules can make extensive lists of statutory categories easier to navigate, provided the relationship between the main provision and the schedules is clearly understood.

3. The wider significance: From memorising section numbers to understanding legal structure

These illustrations reveal a broader shift in how tax law can be approached.

For many years, professional familiarity with the Income-tax Act, 1961 was closely associated with remembering section numbers such as sections 10, 80C, 115BAC, 143(3) and 147. Such familiarity remains valuable when interpreting historical assessments, judicial precedents and transactions relating to earlier years.

However, effective tax practice requires more than memorisation. It requires the ability to identify the governing legal principle, locate the applicable provision and understand its relationship with the rest of the statute.

The new Act provides an opportunity to strengthen this approach in four ways:

- **For taxpayers:** clearer presentation may help them understand the broad nature of their obligations and identify relevant provisions more readily.
- **For Chartered Accountants:** a structured framework can improve research, tax planning, compliance reviews and preparation of written opinions.
- **For tax administration:** more coherent provisions may assist in drafting notices, explaining decisions and maintaining consistency in departmental processes.
- **For courts and appellate authorities:** improved statutory organisation may make it easier to identify the relevant provisions, although the outcome of a dispute will continue to depend on statutory interpretation, evidence and binding judicial precedents.

The official section-mapping utility provided by the Income Tax Department is particularly useful in this transition. It allows users to identify corresponding provisions under the two Acts and reduces the risk of relying on an obsolete section reference.

4. A word of caution: Better numbering does not eliminate interpretation

A well-designed statute can make legal research easier, but it cannot eliminate every interpretational difficulty.

Three issues deserve attention.

First, a new number does not necessarily mean an entirely new legal rule. A provision may substantially continue an existing rule despite being renumbered or reorganised. Conversely, the consolidation of provisions may require careful comparison before concluding that the legal effect remains unchanged.

Second, cross-references remain important. A section may need to be read with schedules, rules, definitions or other provisions. Readers should not assume that the section heading alone determines the legal outcome.

Third, historical matters require the correct statute. The Income-tax Act, 1961 continues to govern relevant tax years beginning before 1 April 2026, subject to the applicable transitional provisions. Section 536 of the 2025 Act repeals the 1961 Act but saves its application to pending proceedings, and to proceedings initiated on or after 1 April 2026 in respect of tax years beginning before that date. The repeal of the old Act therefore does not mean that every earlier assessment, claim or pending proceeding must be reconstructed under the new Act.

Accordingly, professionals should adopt a disciplined approach: identify the relevant tax year, establish which Act governs the matter, consult the section-mapping reference where necessary, and verify the complete applicable provision before advising a client.

Conclusion: A reform in the way tax law is accessed

The Income-tax Act, 2025 should be viewed as an effort to improve not merely the language of tax legislation, but also the architecture through which the law is accessed and understood.

The consolidation of related provisions, the use of clearer headings, the systematic organisation of schedules and the reduction in the overall number of sections can collectively reduce the time and effort required to locate relevant legal provisions.

The three illustrations demonstrate different dimensions of this improvement: bringing connected subjects together under section 7, relocating the new tax regime from section 115BAC to section 202, and reorganising the treatment of excluded income around section 11 and the relevant schedules.

The true benefit will emerge when these structural improvements translate into better professional research, fewer reference errors, more accessible compliance guidance and greater consistency in tax administration.

For the profession, the transition also calls for a change in working habits. Familiarity with the old section numbers must be supplemented by a clear understanding of the new Act's structure and reliable use of statutory mapping tools.

Ultimately, the success of the Income-tax Act, 2025 will depend not simply on how many sections have been removed, but on how effectively taxpayers and professionals can find, understand and apply the law.

Sources

- Income-tax Act, 2025, section 7 (Income deemed to be received and dividend deemed to be income in a tax year): Income Tax Department

- Income-tax Act, 2025, section 202 (New tax regime for individuals, Hindu undivided family and others): Income Tax Department
- Income-tax Act, 2025, Schedule II, read with section 11 (Income not to be included in total income): Income Tax Department
- Income-tax Act, 2025, section 536 (Repeal and savings): Income Tax Department
- Reduction from 819 to 536 sections and from 47 to 23 chapters, as stated on publication of the Act in the Official Gazette: All India Radio, 22 August 2025

Disclaimer: This article is intended for professional discussion and general information. The statutory provisions, applicable rules and transitional requirements should be verified for the relevant tax year before reliance.