# Income-tax Act, 1961 vs Income-tax Act, 2025: Does a New Section Number Mean a New Law?

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## Introduction: Beyond the change of section numbers

The Income-tax Act, 2025, which came into force on 1 April 2026, is a major exercise in legislative restructuring. It replaces the Income-tax Act, 1961, a statute that evolved over six decades through amendments, provisos, explanations, judicial interpretations and procedural changes.

The new Act has 536 sections against 819 in the old one, and its provisions have been reorganised into a more coherent framework. The stated objective is to simplify the law, improve readability, consolidate related provisions and reduce interpretational difficulties. The Income Tax Department's own transition FAQs describe the exercise as presenting the same tax policy in a more logical and reader-friendly form, and say that the Act does not impose any new tax. A smaller number of sections, however, should not be mistaken for a matching reduction in the complexity of every legal issue.

The fundamental question is whether the new Act merely changes the address of a legal provision or changes the legal rule itself.

**A new section number does not necessarily mean a 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.**

This distinction matters to taxpayers, chartered accountants, tax administrators, advocates and judicial authorities. An incorrect assumption of continuity may overlook a substantive amendment. An incorrect assumption of change may disregard established legal principles that remain applicable.

The following ten illustrations show how the distinction should be approached.

## Ten illustrations: From renumbering to substantive change

### Illustration 1: Previous year and assessment year replaced by tax year

**Old Act:** Sections 2(9), 2(34) and 3

**New Act:** Section 3

Under the 1961 Act, the expression *previous year* identified the period in which income was earned, while *assessment year* referred to the following year in which that income was assessed.

The 2025 Act replaces both with a single *tax year*, defined in section 3 as the twelve-month period of the financial year commencing on 1 April. Where a business or profession is newly set up, or a

source of income newly comes into existence, during a financial year, the tax year begins on that date and ends with the financial year, so it can be shorter than twelve months.

For example, income earned during FY 2026–27 is income of Tax Year 2026–27 under the new Act. Under the earlier terminology the same period would have been called Previous Year 2026–27, assessed in AY 2027–28. Income earned in FY 2025–26 continues to be governed by the 1961 Act and is assessed in AY 2026–27, so there is neither a missing year nor an overlap.

**What does this establish?**

The terminology and statutory framework have changed, but the principle that income is assessed after the period in which it is earned continues. This is mainly a change in presentation and not a new annual charge on income.

### Illustration 2: Definition of assessment

**Old Act:** Section 2(8)

**New Act:** Section 2(13)

Under the old definition, *assessment* included reassessment. The new definition provides that assessment includes reassessment and recomputation.

**What does this establish?**

A change in a definition can have consequences beyond the definition itself, because the defined expression is used throughout the statute. It is therefore unsafe to assume that a revised definition is merely editorial.

The practitioner must examine whether the wider meaning affects other provisions, procedural powers or taxpayer rights. This is a change that needs substantive analysis even though it sits in the definitions section.

### Illustration 3: Books of account maintained on cloud storage

**Old Act:** Section 2(12A)

**New Act:** Section 2(19)

The old definition of *books of account* covered books kept in written form or as print-outs of data stored on a floppy, disc, tape or other electro-magnetic storage device. Section 2(19) of the new Act expressly includes books kept in electronic or digital form, or on cloud based storage, or on electromagnetic data storage devices such as portable drives and memory cards, along with print-outs of such data.

**What does this establish?**

The new provision accommodates modern ways of keeping accounting records. The purpose of identifying books of account is unchanged, but the express reference to cloud-based records adds clarity for digital businesses.

Updating the language of a definition can clarify how an existing concept applies without creating a new tax obligation.

### Illustration 4: Charitable purpose and commercial activity

**Old Act:** Section 2(15), including its provisos

**New Act:** Section 2(23), with the commercial-activity conditions in sections 345 and 346

Section 2(23) of the new Act lists the same kinds of charitable purpose as the old section 2(15), ending with the advancement of any other object of general public utility. The difference is where the commercial-activity conditions now sit. The provisos that restricted trade, commerce or business by organisations pursuing general public utility are no longer part of the definition. Commentary on the new Act places them in section 346 for registered non-profit organisations: commercial activity must be undertaken in the course of actually carrying out the object, commercial receipts must not exceed 20% of total receipts for the tax year, and separate books must be maintained. Section 345 deals with commercial activity by organisations pursuing other charitable purposes.

**What does this establish?**

This shows why a renumbering table cannot replace reading the enacted text. A charitable organisation that charges fees or undertakes commercial activity cannot stop at the definition. It has to read section 2(23) together with the registration provisions, sections 345 and 346 and the definition of commercial activity.

The purposes may look familiar, but the legal test for qualifying for tax treatment now sits in more than one place and should be checked afresh against the enacted sections.

### Illustration 5: Depreciation on business assets

**Old Act:** Sections 32 and 38

**New Act:** Section 33

Section 33(1) allows depreciation on tangible assets (buildings, machinery, plant and furniture) and on specified intangible assets acquired on or after 1 April 1998, other than goodwill, where the assets are owned wholly or partly by the assessee and used wholly and exclusively for the purposes of the business or profession.

The drafting differs from the old law. Section 32(1) spoke of assets used for the purposes of the business or profession, and section 38 separately restricted the deduction where an asset was used partly for other purposes. Commentary on the new Act describes section 33 as the successor to both sections.

**What does this establish?**

Depreciation remains a familiar deduction, but the revised wording can influence how the conditions for claiming it are read.

A business claiming depreciation on an intangible asset, or on an asset that is partly used for non-business purposes, should not rely only on the general proposition that depreciation was allowable under the old Act. It should read the new section and apply it to the particular asset and facts.

Continuity of the broad tax concept does not automatically mean identical legal consequences in every case.

### Illustration 6: Tax paid on income as a non-deductible expense

**Old Act:** Section 40(a)(ii)

**New Act:** Section 35(a)

The old provision disallowed any rate or tax levied on the profits or gains of a business or profession. Section 35(a) of the new Act provides that, in computing business income, no deduction is allowed for any amount on account of tax paid on income, tax paid by an employer that is referred to in Schedule III, or tax paid in another country for which relief is available under section 159 or 160. It also includes any surcharge or cess on such tax.

**What does this establish?**

The new wording states the restriction more directly, and in its terms it is not tied to business profits.

The interpretational question is whether the new language only clarifies the scope of the earlier rule or reaches situations the earlier rule did not cover in the same way. That can only be answered by comparing the operative words, the context and the practical consequences, not by matching section numbers.

### Illustration 7: Unexplained assets and virtual digital assets

**Old Act:** Section 69A (unexplained money, bullion, jewellery and valuable articles)

**New Act:** Section 104 (unexplained asset)

Section 104 applies where an asset found to be owned by or belonging to the assessee is not recorded in the books of account, and the assessee offers no explanation or an unsatisfactory one. Section 104(2) provides that *asset* includes money, bullion, jewellery, virtual digital asset or other valuable article. *Virtual digital asset* is defined in section 2(111) and covers crypto-assets and non-fungible tokens, among other things.

**What does this establish?**

This shows a modern asset class being named expressly in the legislation. The heading has also changed from unexplained money to unexplained asset, and the section speaks of assets owned by or belonging to the assessee, where section 69A spoke of the assessee being the owner. How far that wording reaches is a question for interpretation.

A taxpayer holding cryptocurrency or another virtual digital asset that is not recorded in the books must look at the statutory conditions and keep supporting evidence. An asset outside the books does not remove the need to establish the facts and apply the legal tests.

### Illustration 8: Deduction subject to timely filing of return

**Old Act:** Section 80AC

**New Act:** Section 122(5)

Section 80AC of the old Act provided that deductions under the heading "C.—Deductions in respect of certain incomes" would not be allowed unless the return of income was furnished by the due date under section 139(1).

The new Act has no separate section with that number, but the rule has not been dropped. It now sits in section 122, the general provision at the start of Chapter VIII. Section 122(5) provides that a deduction under Part C of that Chapter is not allowed to an assessee who fails to furnish a return of income on or before the due date under section 263(1), or who fails to claim the deduction in a return furnished under section 263(1).

**What does this establish?**

This is one of the clearest warnings against concluding that a provision has been dropped because a mapping table shows no section with the same number. The restriction has moved into the general conditions of the Chapter, and the new sub-section also covers the requirement to make the claim in the return. The old Act dealt with that requirement separately, in section 80A(5).

A taxpayer who files a belated return should therefore not assume that Part C deductions remain available. The conditions of the individual deduction provision, the tax year concerned and the enacted text of section 122 must be checked.

### Illustration 9: Reassessment and the procedure before issuing a notice

**Old Act:** Sections 148 and 148A

**New Act:** Sections 280 and 281, respectively

The new Act retains a structured reassessment framework. Before issuing a notice under section 280, the Assessing Officer ordinarily issues a show-cause notice under section 281(1), considers the reply and passes an order under section 281(3) with the prior approval of the specified senior officer. Section 281(4) lists situations in which this pre-notice procedure is not required. According to the CBDT's transition FAQs, these include information received under the faceless information-collection scheme, directions of the Approving Panel under section 274(6), and findings or directions contained in orders of authorities, tribunals or courts. Even then, approval is needed before a notice under section 280 is issued.

The reassessment provisions of the new Act apply to Tax Year 2026–27 and later years. Reassessment for earlier years remains governed by the 1961 Act.

**What does this establish?**

The power to reassess income continues, but the procedural safeguards and exceptions must be read in the new provisions.

For example, a taxpayer challenging a reassessment notice must first identify the Act that governs the relevant tax year and then the circumstances in which the notice was issued. It would be wrong to assume that the old procedural framework applies identically merely because the new Act also provides for reassessment.

A familiar power can survive while its procedure is redrafted.

### Illustration 10: Time limit for completing assessment and reassessment

**Old Act:** Section 153

**New Act:** Section 286

Section 153 of the old Act has been reorganised into a table under section 286 of the new Act, with the stated aim of improving readability. The reorganisation also changed one limitation period. Under old section 153(5), an order giving effect to an appellate or revisional order had to be passed within three months from the end of the month in which the order was received, and the Principal Commissioner or Commissioner could allow a further six months on request. Under section 286, the corresponding period is six months from the end of that month, extendable to nine months with approval. The outer limit of nine months is the same, but the ordinary period has doubled.

**What does this establish?**

This is a strong illustration of the central proposition. A provision can be reorganised for readability while specific timelines inside it are also changed.

A practitioner who relies only on the new section heading, or who assumes the old limitation period continues, may reach the wrong conclusion. The applicable row of the table, the triggering event, the authority competent to extend the period and the transitional provisions must all be examined.

Consolidation and tabular drafting can coexist with substantive procedural changes.

## What the ten illustrations demonstrate together

The examples show three different legislative outcomes.

**First, continuity with clearer presentation.** The change from previous year and assessment year to tax year, the express reference to cloud-based books and the relocation of the section 80AC rule into section 122 show familiar concepts presented more clearly or placed differently without losing the underlying rule.

**Second, clarification or possible expansion of an existing rule.** The definitions of assessment and virtual digital asset, together with the provisions on depreciation, non-deductible taxes and unexplained assets, need a check on whether the new wording changes the scope of the earlier rule.

**Third, relocation, restructuring or procedural change.** The move of the commercial-activity conditions for charities out of the definition, the reassessment framework and the revised time limit for giving effect to appellate orders show why one-to-one section mapping is not enough to establish the legal position.

The Government's own explanation of the restructuring supports this reading. It lists the incorporation of provisos and explanations into the main text, the use of tables and formulas, the removal of redundant and obsolete provisions and clearer cross-references as the main features of the new Act.

## Conclusion: Compare the legal effect, not just the number

The Income-tax Act, 2025 is best understood as a restructuring of the direct-tax statute, accompanied by particular clarifications and changes. It is neither a purely cosmetic renumbering nor an entirely new tax system in every respect.

The correct method is to identify the corresponding provision, compare its operative language, examine the linked provisions and schedules, and decide whether the change affects substantive rights, liabilities, procedural safeguards or limitation periods.

A section-mapping table is an excellent starting point, but it is not the final legal analysis.

For tax professionals, the practical rule is simple:

**Never conclude that the law has changed merely because the section number has changed. Equally, never conclude that the law remains unchanged merely because the subject matter and broad purpose of the provision remain the same.**

The real test is the legal effect of the enacted provision, read in its statutory context and applied to the relevant facts and tax year. That approach will help ensure that the simplification intended by the 2025 Act translates into greater certainty in compliance, advisory work and litigation.

## Sources


- Income-tax Act, 2025, section 2 (definitions, including clauses 13, 19, 23 and 111) and section 3 (tax year) — Income Tax Department.
- Income-tax Act, 2025, section 33 (depreciation) and section 35 (amounts not deductible) — Income Tax Department.
- Income-tax Act, 2025, section 122 (deductions: general) and section 286 (time limits for completion of assessment) — Income Tax Department.
- Income-tax Act, 1961, section 80AC and section 153 — Income Tax Department.
- CBDT, FAQs on Interplay and Transition to the Income-tax Act, 2025 (536 sections, tax year, reassessment sections 279 to 286, section 536).
- Commentary on the commercial-activity provisions for charities (sections 345 and 346): TaxGuru, Key provisions for Charitable Trusts under the new Income Tax Act, 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.*