

NDA Update

Effective 1st April 2026, Income Tax Act of 1961 has been replaced by new Act of 2025. Similarly, Income Tax Rules of 1962 has been replaced by new set of Rules of 2026.

Although, Income Tax Act, 1961 has been replaced by a new Act of 2025, yet provisions of both the Acts will apply simultaneously for some period of time.

One of the most major differences between the two acts is “year”. In 1961 Act it was “Assessment Year” whereas in 2025 Act, it is “Tax Year”. The meaning of both these years is different.

Tax Year means a 12 months period of financial year commencing on 1st April. Whereas an Assessment Year (AY) is the 12-month period immediately following a financial year (April 1 to March 31), during which the income earned in the previous year is taxed.

From April, 2026 onwards, taxpayers should select the correct Income Tax Act (1961 or 2025) before paying taxes or depositing TDS / TCS or filing of ITR or other forms. Even the selection of the correct year will be very crucial. Wrong selection will lead to credit mismatch, cost and time to fix or rectify the mistake.

While navigating the Income Tax Portal, one will be required to select Applicable Income Tax Act:

- Income-tax Act, 2025 [For Tax Year 2026-27 and onwards (including Advance Tax etc for TY 2026-27)]
- Income-tax Act, 1961 [For Assessment Year 2026-27 or earlier AYs includes Self-Assessment Tax for AY 2026-27, TDS /TCS of FY 2025-26 etc]