

# **NDA Update – New Income Tax Act, Finance Act & Rules**

Effective 1<sup>st</sup> April 2026, there will be major changes in direct tax laws in India. Income Tax Act of 1961 will be replaced by new Act of 2025. Similarly, Income Tax Rules of 1962 will be replaced by new set of Rules of 2026.

So far as Income Tax Act is concerned, while most core taxation principles and provisions remain the same, it aims to modernize the direct tax system by significantly simplifying language and reducing legal complexity. The number of Chapters and sections have been reduced. The language is simple but the compliance standard has not been lowered. This new Act is without any proviso.

The Income Tax Rules, 2026 and corresponding forms have already been notified on 20.03.2026 and shall come into force from 1<sup>st</sup> April, 2026.

There won't be major challenge in understanding the provisions of the new Act because the provisions are more or less similar. However, one will be required to adapt the changes in section numbers. One will be required to adapt not only the new section numbers but will also be required to unlearn the section numbers of old Act gradually.

The accounting software will be required to be update with the changes in law.

**Certain important changes required to be kept in mind from 01.04.2026 itself:**

1. **Concept of “assessment year” is gone. Now it is “Tax Year”.** Tax Year means 12 months period of financial year commencing on 1<sup>st</sup> April.

## **2. TDS Provisions:**

The Income Tax Act, 2025 has introduced a structural change in the provisions relating to Tax Deducted at Source (TDS). There have been no changes in the TDS rates as well as threshold limit for deduction of tax at source. There is no change in the obligation to deduct tax also.

However, significant changes have been made in the referencing of the TDS provisions. In the 1961 Act, there were large number of individual sections which have been consolidated in 2 sections only in the 2025 Act. TDS on Salaries is now covered under Section 392 under the 2025 Act. All the individual sections of 1961 Act (other than TDS on Salaries), which were having individual dedicated section, have been clubbed under one section (Section 393).

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Thus, different types of payment are no longer covered by individual dedicated sections (like 194C for Contract payments, 194J for fees for professional and technical services, 194H for commission and brokerage etc) but are instead mapped through specific Table references and serial numbers within a consolidated Section.

Under the Income Tax Act, 1961, each category of payment attracting TDS was having a dedicated section. Professionals and accountants were accustomed to referencing these sections directly. These section numbers were short, easy to remember, and could be quoted instantly in vouchers, challans, account codes etc. Under the new law, those simple section numbers are not there. Instead, one now needs to refer to a parent section plus a table number and serial number. For example, what used to be just “Section 194C” is now “Section 393(1) [Table: Sl. No. 6(i)]”. That is clearly longer, harder to remember, and less convenient in daily use. Then for the payment, one needs to refer to 4 digits numeric section code for that section.

In the Income Tax Rules, 2026, there are new numeric payment codes (such as 1001, 1005, 1023, etc.) which will be used for challan payments and TDS return filing purposes. These codes will effectively replace the earlier section-wise identification.

Based on the Rules, the accounting system should be aligned with the new payment codes rather than the earlier individual section numbers, as the challan reporting and return filing will be driven by these codes going forward.

- 3. Existing Forms in the new Income Tax Rules, 2026 have been renumbered.** Content of some of these forms have been modified.
4. The Income Tax Department has released utilities (link given below) to compare section numbers of the Income Tax Act, 1961 with that of Income Tax Act, 2025, rule and form number of Income Tax Rules, 1962 with that of Income Tax Rules, 2026

Section: <https://www.incometaxindia.gov.in/utility-to-check-provisions-of-income-tax-act-1961-vis-a-vis-income-tax-act-2025>

Rules: <https://www.incometaxindia.gov.in/utility-to-check-provisions-of-income-tax-rules-1962-vis-a-vis-income-tax-rules-2026>

Forms: <https://www.incometaxindia.gov.in/utility-to-check-provisions-of-forms-of-rule-1962-vis-%C3%A0-vis-forms-2026>

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5. The Finance Act, 2026 has been notified on 30.03.2026.  
[https://egazette.gov.in/\(S\(kgrqv5kssb0prpu4xrjvzu2m\)\)/ViewPDF.aspx](https://egazette.gov.in/(S(kgrqv5kssb0prpu4xrjvzu2m))/ViewPDF.aspx)
6. Income Tax Return Forms for A.Y. 2026-27 have been notified on 30.03.2026.