

# Navigating the Parallel Interface

A Strategic Explainer and Reference  
Guide for the Transition from the Income-  
tax Act, 1961 to the Income-tax Act, 2025.

Designed for Corporate Finance & Taxpayers

# The Objective is Clarity, Not New Taxation

The Income-tax Act, 2025 does not impose any new tax. The goal is to reduce compliance friction, consolidate scattered provisions, and integrate with modern digital standards.

## Income-Tax Act, 1961.



819 Sections



14 Schedules



511 Rules



399 Forms

↓ 35% reduction



↑ 2 added



↓ 35% reduction



↓ 52% reduction

## Income-Tax Act, 2025.



536 Sections



16 Schedules



333 Rules



190 Forms

# The Elimination of the Assessment Year

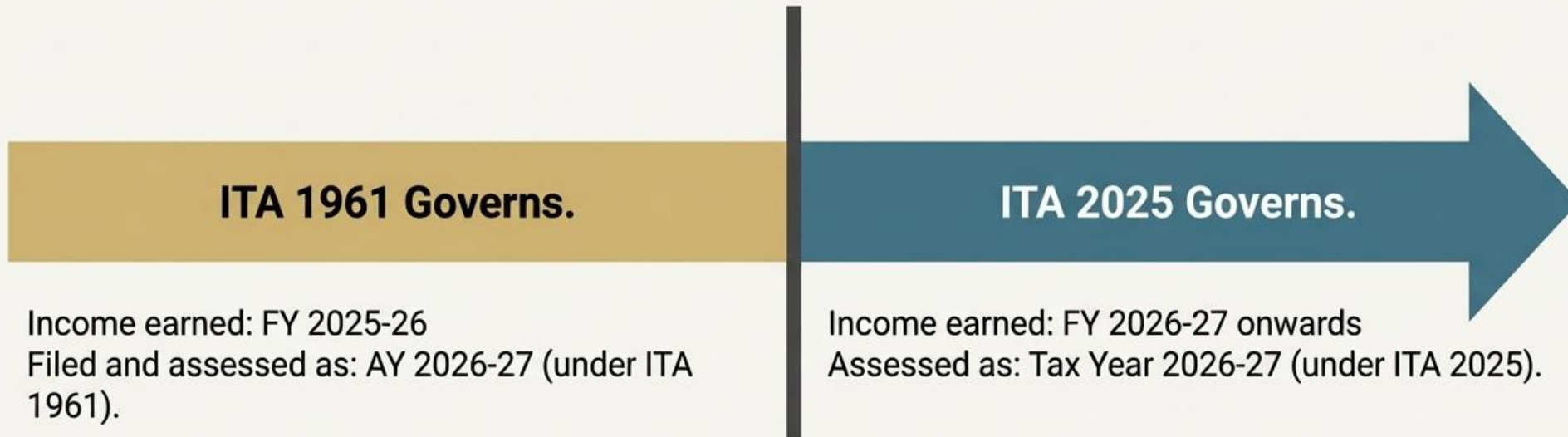
Concept	ITA 1961 — Term Used	ITA 2025 — Term Used
Year in which income is earned	Previous Year	Tax Year
Year for which tax is assessed	<b>Assessment Year</b> (year after <b>Previous Year</b> )	Tax Year serves both purposes
Alignment with Financial Year	Previous Year = FY; Assessment Year = FY+1	Tax Year = FY — single reference
Example	Income of FY 2025-26 -> AY 2026-27	Income of FY 2026-27 -> Tax Year 2026-27



**Section 536(3) Transitional Rule:** Any reference in the new Act to a 'tax year' starting on or before April 1, 2025, shall be read as a reference to the corresponding 'previous year' under the old Act.

# A Seamless Temporal Bridge: No Missing Years

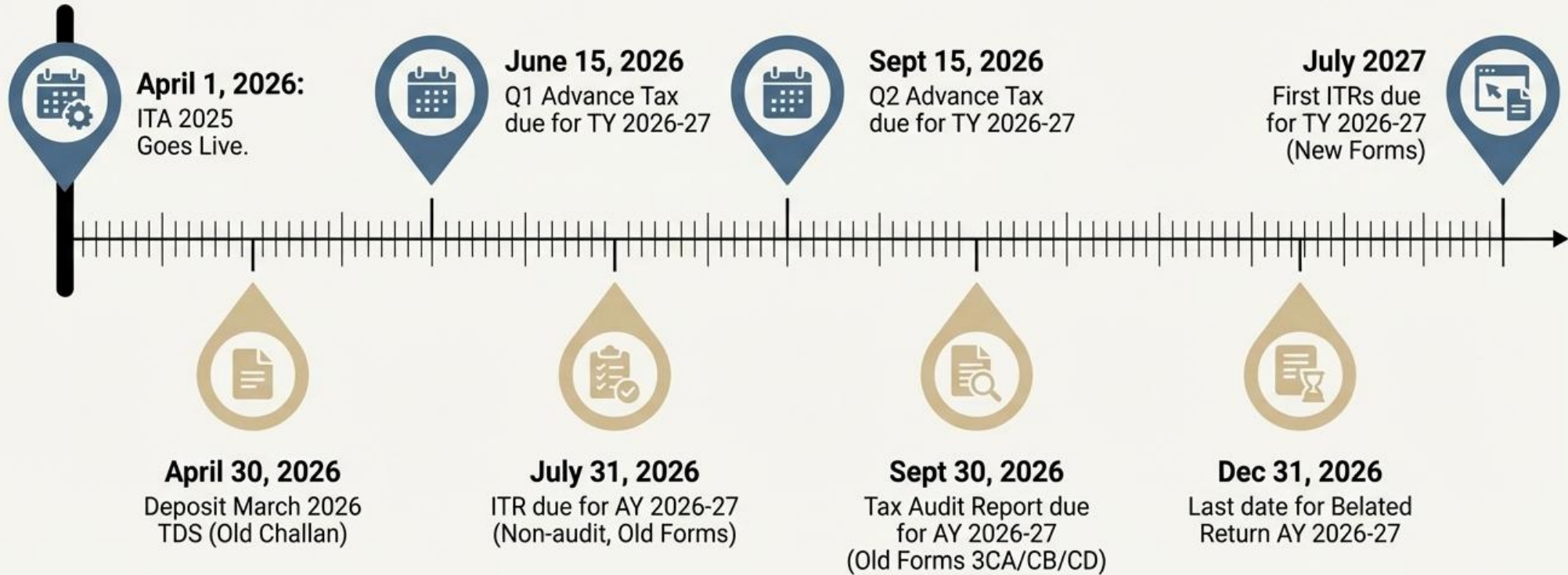
1 April 2026 – ITA 2025 Comes into Force



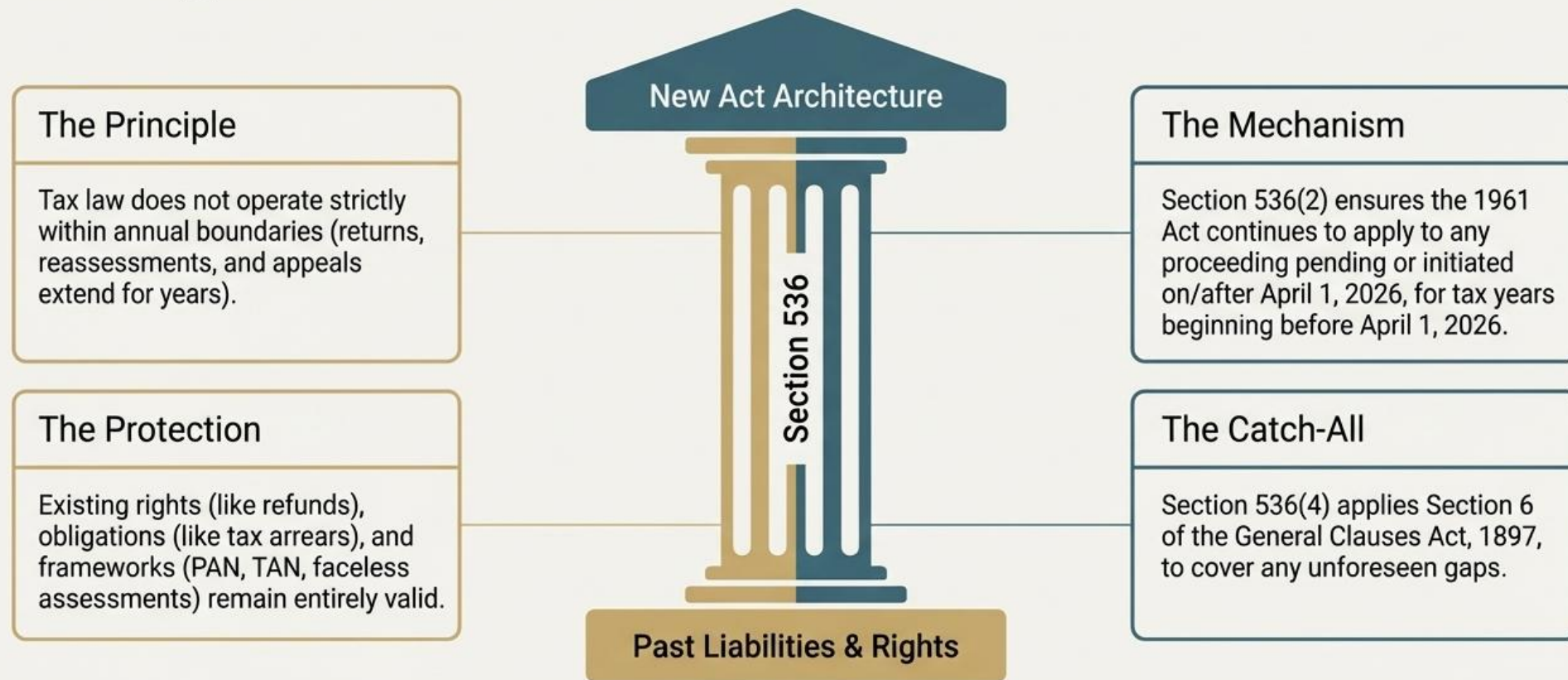
**Key Insight:** Tax year alignment means no change in accounting periods or financial statements is required for businesses.

# Synthesis: The Taxpayer's Transition Calendar (FY 2026-27)

■ 1961 Act Deadlines  
■ 2025 Act Deadlines

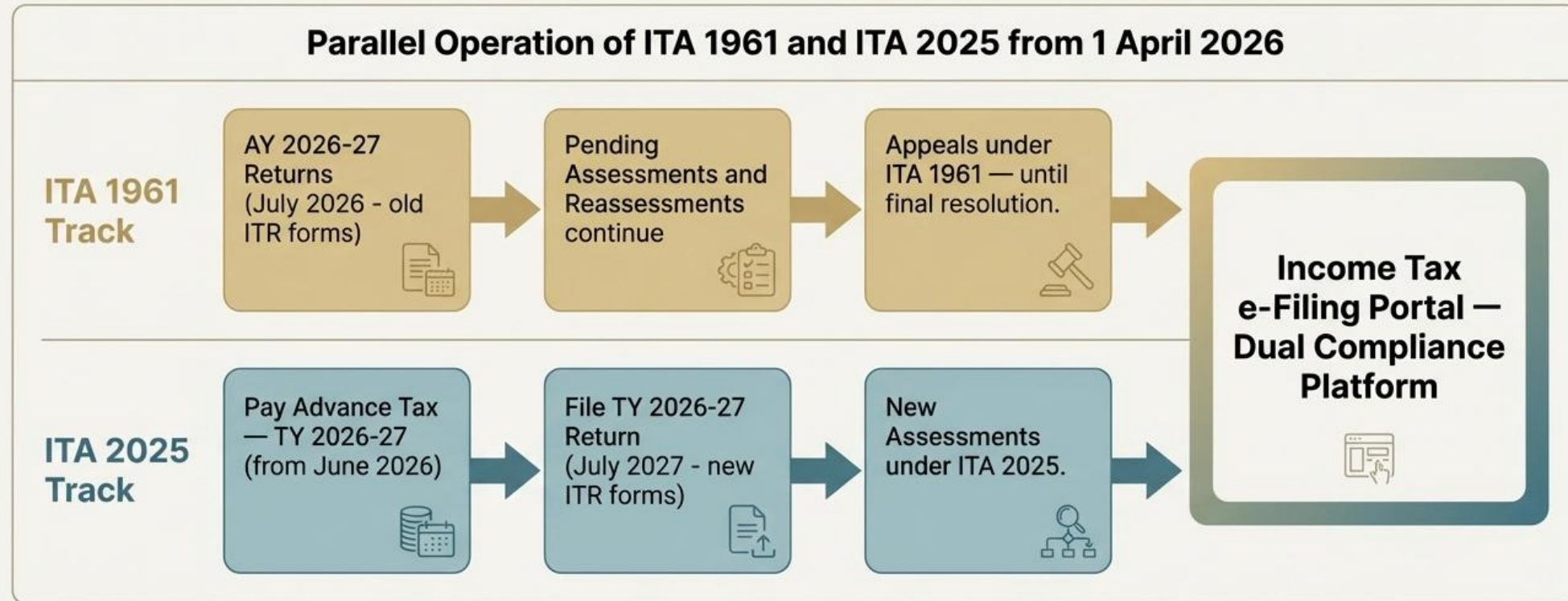


# Section 536: The Repeal and Savings Framework



# The Dual-Track Compliance Reality

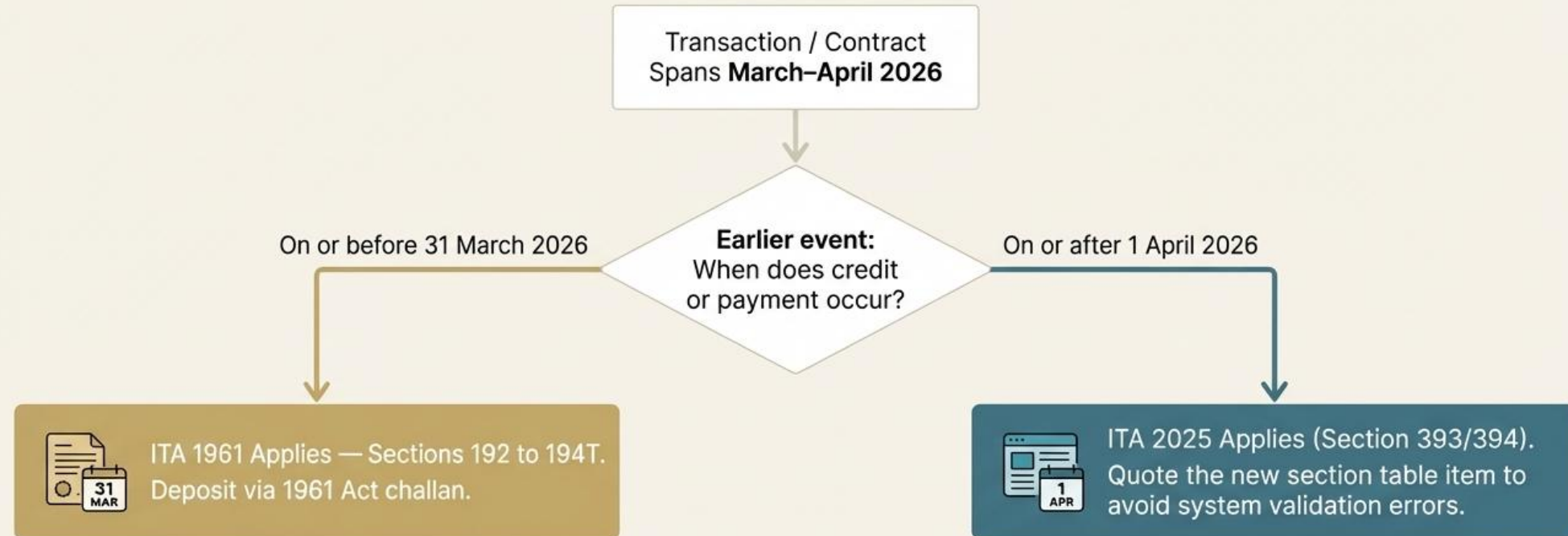
## Parallel Operation of ITA 1961 and ITA 2025 from 1 April 2026



**Takeaway Note:** The portal interface will guide taxpayers to the correct forms based on their year selection.

# Pillar 1: Tax Deduction at Source (TDS)

The 'Earlier Event' Rule determines the governing Act.



**Key Rule: Once tax is deducted upon credit under the 1961 Act, no further deduction is required on actual payment made under the 2025 Act.**

## TDS & TCS Penalty Continuity

Default Scenario	ITA 1961	ITA 2025
Failure to Deduct / Collect TDS or TCS	1% per month or part thereof — Section 201	1% per month or part thereof — Section 398(3)(a)(i)
Failure to Deposit after Deduction / Collection	1.5% per month or part thereof — Section 201	1.5% per month or part thereof — Section 398(3)(a)(ii)



Context Note: Lower/nil withholding certificates (Sec 197 old / Sec 395 new) valid up to March 31, 2026, remain legally valid even if the remittance to the Government happens after April 1, 2026.

# Tax Payment Portal Precautions During FY 2026-27

Payment Relates to FY 2025-26  
(Pre-Transition Year)

 Select: Assessment Year 2026-27  
on e-Filing Portal

Governed by: ITA 1961

e.g. Self-Assessment Tax paid June 2026  
→ Select AY 2026-27

Payment Relates to FY 2026-27  
(New Tax Year)

 Select: Tax Year 2026-27 on  
e-Filing Portal

Governed by: ITA 2025

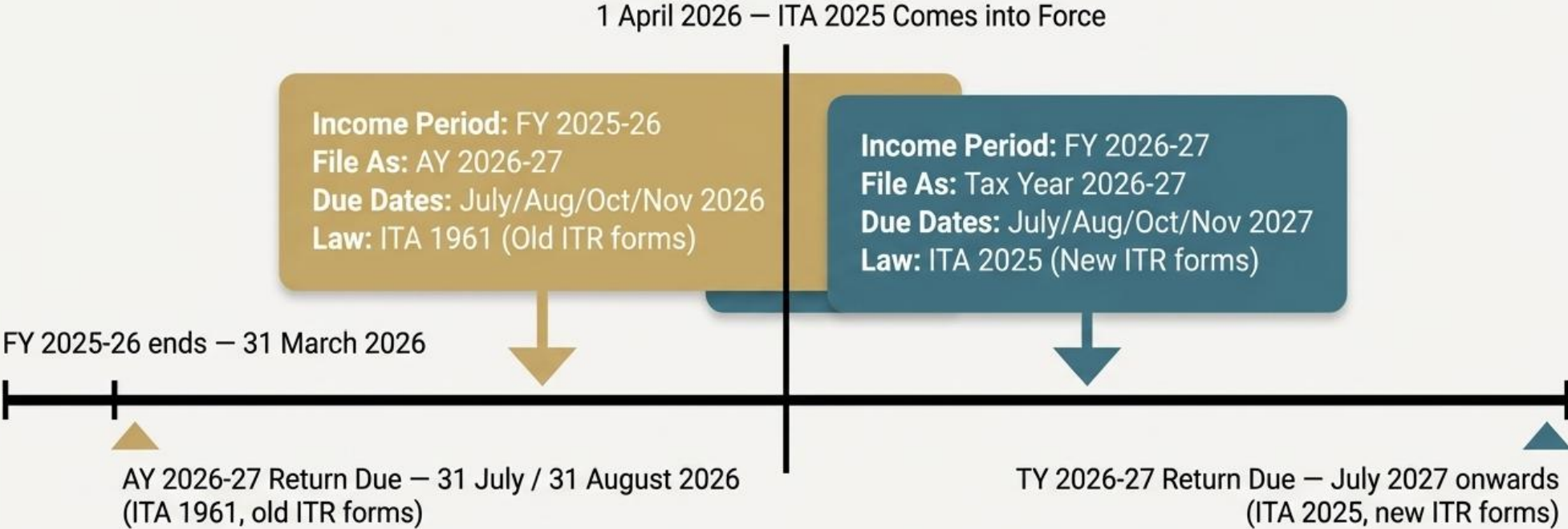
e.g. Advance Tax April 2026–March 2027  
→ Select TY 2026-27



**Warning:** Cross-applying these designations will result in tax credits being granted to the incorrect period.

# Pillar 2: Return Filing Obligations

**Key Principle:** No Double Filing Required. Obligations arise strictly after the end of the respective earning periods.



**i Section Alignment Note:** Section 263 of ITA 2025 unifies original, belated, revised, and updated returns into one framework, matching the exact due date structure of the old Act.

# Corrections and Late Filings

## Process Flow (AY 2026-27 under old Act)



## Equivalence Table (New Act - Sec 263)

Provision (Sec 263)	Filing Timeline & Conditions
Belated Return (Sec 263(4))	Within 9 months from the end of the tax year.
Revised Return (Sec 263(5))	Within 12 months from the end of the tax year.
Updated Return (Sec 263(6))	Within 48 months from the end of the succeeding financial year. Cannot result in lower tax/higher refund. One per tax year.

# The Continuity of Rights: Losses and MAT Credits

## Carry-Forward of Losses

Losses determined for AY 2026-27 (or unabsorbed from earlier years like AY 2022-23) transition seamlessly. They can be set off in Tax Year 2026-27 for the remainder of their eligible period.

- **Condition retained:** Return of loss must still be filed within the due date (Sec 121 of 2025 Act).











## MAT / AMT Credits

Unutilised credits under Sections 115JAA/115JD transition as eligible credits under the 2025 Act.

They retain their 15-year total lifecycle from the year they first became available.

## Pillar 3: Master Forms Transaction Matrix

Old Form (ITA 1961)	New Form (ITA 2025)	Purpose
49A	93/94	 PAN for Indian Individuals / Entities
49AA	95/96	 PAN for Foreign Individuals / Entities
49B	134/135	 TAN for Gov / Non-Gov Entities
60	97	 Declaration where PAN not available
10E	39	 Relief for salary arrears
15CA/CB	145/146	 Foreign remittances
3CA/3CB/3CD	26	 Tax audit report
10A	104	 Provisional registration for Charitable Trusts

Note: All old applications pending as of 31.03.2026 remain valid. No fresh applications are required.

# The end of Form 15G/15H confusion (Form 121)

## ITA 1961 — Two Separate Forms



**Form 15G** — Resident individuals below 60 years of age and other eligible persons



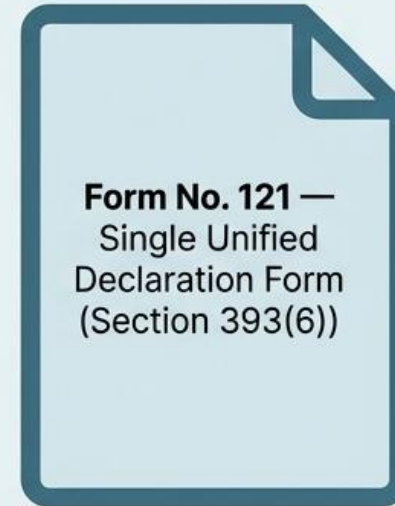
**Form 15H** — Resident individuals aged 60 years or above

Caused duplicate tracking. Generated separate UINs for every submission.



**Merged w.e.f.  
Tax Year 2026-27**

## ITA 2025 — Single Unified Form



**Form No. 121** —  
Single Unified  
Declaration Form  
(Section 393(6))

**System Upgrade:** A single UIN is allotted by the department per PAN per tax year. Payers fetch UIN directly from portal.

# Modernizing Salary Arrears Relief (Form 39)



## Form 39 Improvements

- ✓ **Auto-Population:** Eliminates repeated manual entry of personal data.
- ✓ **Standardized Inputs:** Drop-downs, date pickers, and real-time validations.
- ✓ **Uniform Computation Tables:** Built-in formulas for Gratuity, Pension, and Additional Salary, replacing the old unstructured format.

# The Unified Tax Audit Report (Form 26)

AY 2026-27 (ITA 1961)	Tax Year 2026-27 (ITA 2025)
Three separate forms: Form 3CA + Form 3CB + Form 3CD	Single unified Form 26 – merges all three forms
Section 44AB	Section 63
Item-wise disallowance reporting	Single consolidated disclosure of disallowable expenditure

## Key Upgrades in Form 26:



Audit clauses structurally aligned with the ITR framework to ensure data consistency.



Separate, transparent schedules for Losses, Depreciation, and Prior Period items.

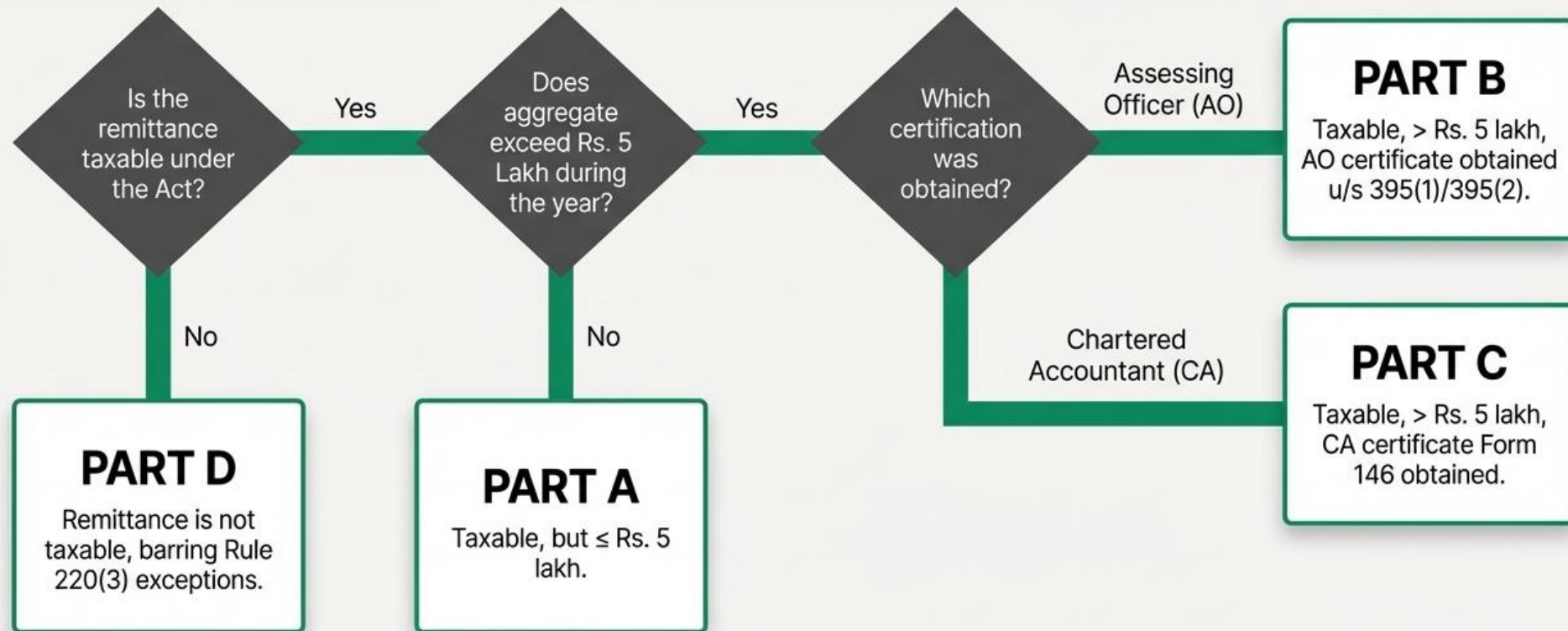


Mandatory disclosure of auditor's membership, firm registration, and UDIN.

## Pillar 4 - Navigating foreign remittance compliances

	Legacy Framework (1961 Act)	Modernized Framework (2025 Act)
Governing Statute	Section 195(6)	Section 397(3)(d)
Remitter Declaration	Form 15CA	Form No. 145
CA Certificate	Form 15CB	Form No. 146
Threshold Rules	Prescribed under old Rules	Rule 220, Income-tax Rules, 2026
Authentication	Manual / Standalone	Real-time UDIN API Integration

# The Anatomy of Form 145



# Navigating the Cutover: Accrual vs. Execution

April 1, 2026: Act Commences



## Taxability

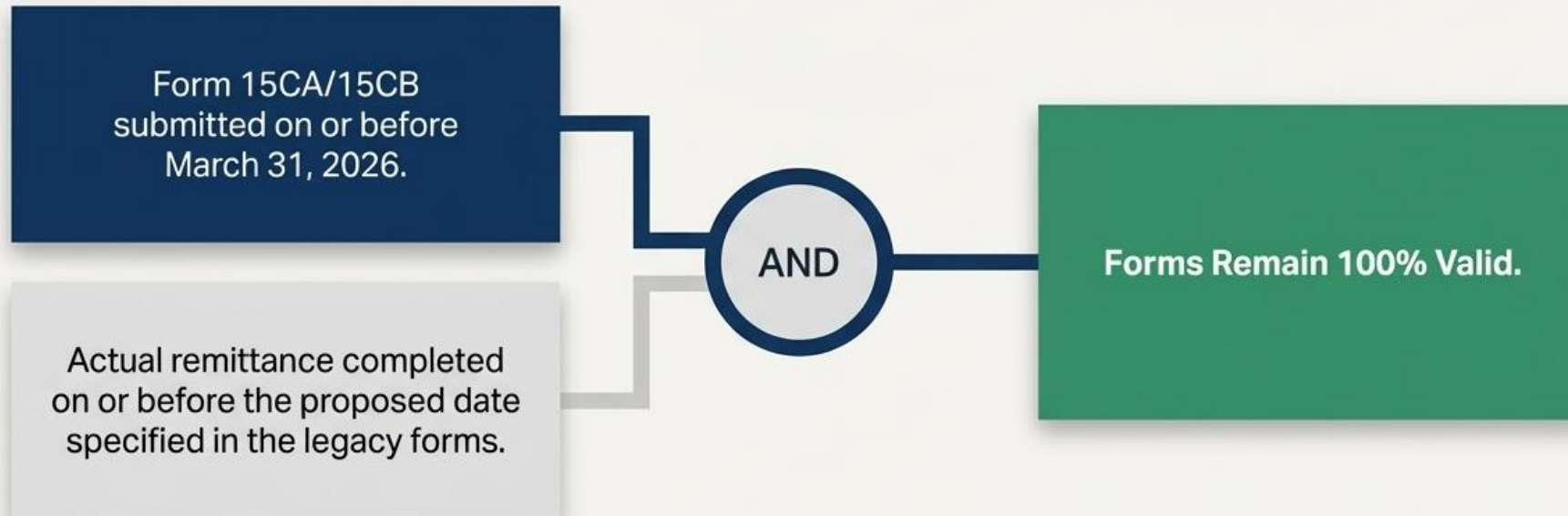
Governed by the 1961 Act.

Taxability is locked to the statute active during the year of accrual.

## Procedure

Governed by the 2025 Act. The reporting format relies on the statute active on the date of actual payment (Requires Forms 145/146).

# Transitional validity of Legacy Forms



**Operational Warning:** If the remittance is delayed beyond the date specified in the originally filed 15CA/15CB, the legacy forms expire. A fresh submission using the new Forms 145/146 will be required before processing the payment.

# Navigating 2026 with Confidence



## 1. The Law Follows the Event

Whether it's TDS credit dates or income earning periods, the date of the dase of the underlying event dictates which Act applies, not the date of compliance.



## 2. Structural Preservation

While forms are unified and sections consolidated, slidated, core tax policies, penalty rates, and accrued rights (losses/refunds) transition intact.



## 3. A Unified Digital Front

The e-Filing portal is the great equalizer, engineered to manage dual-compliance seamlessly. Always double-check your Year Selection (AY vs TY).

**Disclaimer: This presentation is for general guidance based on the transition FAQs released by Income Tax Department. It is recommended to consult statutory provisions as on date for any specific queries.**



# Thank You

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