



Karneeti Part 643

“Important things to know about New Income Tax Act 2026 Transition”

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Arjuna (Fictional Character): Krishna, last week we have already discussed the "Dual Track" era and carry-forward of losses. But looking deeper into this "bridge" document, what are the other structural changes and procedural shifts that will impact us daily starting April 1, 2026?

Krishna (Fictional Character): Arjuna, the transition is not just about moving dates; it's a massive cleanup of the legislative landscape. The Department has simplified the very "DNA" of the Act to make it modern and transparent.

Arjuna (Fictional Character): Krishna, what are the additional important points from this FAQ that we should incorporate into our learning?

Krishna (Fictional Character): Arjuna, here are the further critical points to note:

1. Reduction in number of sections and rules

The Department has put the Income Tax Act on a "diet" to make it more logical. The number of sections has dropped by 35%, from 819 down to

536. Similarly, rules are down by 35% and forms have been slashed by 52%, from 399 down to 190. To make the law easier to navigate, explanations and provisos are now woven directly into the main text of the sections rather than being listed separately.

Furthermore, tables and formulas are now being used to replace long, confusing narrative paragraphs to improve structural clarity.

2. Which ITR form to be filed this year while filing ITR:

Even after the new Act starts, taxpayers must use the old Act forms for past years. For the transition year AY 2026-27 (income of FY 2025-26), taxpayers will still use the old ITR forms like ITR-1 to ITR-7 on the portal. The e-filing portal is being updated to support these old forms for all earlier assessment years simultaneously with the new ones.

3. Removal of redundant forms and simplification

The new "Kar Setu" philosophy introduces technology-driven compliance to reduce the burden on taxpayers. There is no more juggling three separate forms for audits; the new Form 26 now merges the old Form 3CA, 3CB, and 3CD into one smart, unified document.

To end taxpayer confusion between Form 15G and Form 15H, they have been merged into a single "Declaration" known as Form No. 121. Additionally, instead of a deductor generating a new Unique Identification Number (UIN) for every single form, a single UIN will be allotted per PAN for the entire tax year to stop duplication and streamline tracking.

4. Change in timelines of assessment

The timelines for reopening old cases have been updated to provide more clarity to taxpayers. Under the earlier system of the 1961 Act, the notice period was 3 years and 3 months from the end of the AY for small cases, and 5 years and 3 months if escaped income was ₹50 lakh or more.

Under the new system of the 2025 Act, for Tax Year 2026-27 onwards, the general limit is 4 years and 3 months, while the extended limit is 6 years and 3 months from the end of the Tax Year for cases involving ₹50 lakh or more.


5. Forms for making foreign payment after 01.04.2026

If taxpayers are sending money abroad during the changeover, they should remember that reporting is based on the date of payment. For example, if your business incurred a consultancy expense in March 2026 but the actual remittance is made in April 2026, taxpayers must use the new reporting forms (Form 145 and 146) previously known as form 15 CA/CB.

6. Changes for charitable institutions

Charitable trusts should note that existing provisional approvals remain fully valid. Any provisional approval or recognition granted under the 1961 Act will continue to be in force as long as it isn't inconsistent with the new law.

However, if a charitable organization applies for fresh provisional registration on or after April 1, 2026, it must use the new Form No. 104, which replaces the earlier Form No. 10A.



Arjuna (Fictional Character): Krishna, what should the taxpayers learn from all these changes?

Krishna (Fictional Character): Arjuna, the biggest takeaway is that "Procedural Law changes instantly, but Substantive Law follows the year of income." Taxpayers must learn that while the portal and form numbers will change on April 1, 2026, the calculations for your past income will still respect the old rules. The lesson is to stay tech-savvy for the new forms while keeping your old records impeccable for the next few years.

