STATUTORY COMPARISON / MAP-BDE5111D5F57

Previous year becomes tax year without resetting the income period

RETAINED

1961 ACT / 3 - “PREVIOUS YEAR” DEFINED

Section 3 defines previous year by reference to the financial year immediately preceding the assessment year and provides a shortened first period for a newly established business or source.

2025 ACT / 3 - DEFINITION OF “TAX YEAR”

Section 3(1) defines tax year directly as the financial year beginning 1 April; section 3(2) preserves the shortened first period.

READING CHRONOLOGY

01 Operative provisions / 02 Change analysis / 03 Transition / 04 Compliance / 05 Disputes / 06 Expert Commentary

02 PRECISE CHANGE ANALYSIS

The relational assessment-year terminology is replaced by a direct financial-year definition in section 3(1). The former proviso is recast as section 3(2)(a),(b), retaining the date of setting up or creation of the source through financial-year end. No different accounting-year election is created by these provisions.

Status scope: the financial-year period and short first-year rule are retained; the terminology and statutory framing change. This is not classified as a substantive change in income allocation.

03 TRANSITION AND EFFECTIVE DATES

Section 536(3) translates references to a tax year commencing 1 April 2025 or earlier into the corresponding previous year under the 1961 Act.

04 COMPLIANCE IMPACT

Systems must distinguish AY 2026-27, relating to the preceding previous year, from tax year 2026-27. Retain actual start and end dates so labels cannot shift income into the wrong statutory period.

05 ASSESSMENT AND LITIGATION IMPACT

For a new business, preserve evidence of setting up; the rewrite does not replace that statutory trigger with the first invoice, first profit or incorporation date.

06 AKHB EXPERT COMMENTARY

The reform simplifies the name of the income period, but it does not justify moving receipts or expenses between years. A newly set-up business still has a short first tax year ending on 31 March. The legal issue remains when the business was set up or the source came into existence. A migration that changes only headings without preserving those dates may distort deduction timing and the opening year of subsequent statutory periods.

STATUTORY SOURCES AND PINPOINTS

Income-tax Act, 1961 - “Previous year” defined - 3 - “Previous year” defined

Income-tax Act, 2025 - Definition of “tax year” - 3 - Definition of “Tax year”

Income-tax Act, 2025 - Repeal and savings - 536(2)(b)-(c): accrued positions and legacy proceedings; 536(3): earlier-year references where applicable

SOURCE AND ANALYTICAL SCOPE

Whole sections 3 and 2025 section 536(3). Substantively changed concerns period nomenclature; retained concerns the first-period rule. Based on CBDT statutory text cached 5 October 2026, consolidation labelled as amended by Finance Act 2026. Corresponding 2025 source page was opened live on 18 October 2026; this is not a Gazette-to-consolidation audit.

Status labels describe the analysed provision and may coexist: a provision can be renumbered and substantively changed. Retained does not certify every surrounding rule or notification. Commentary is separate from the legislation.

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