

Tax Year in Income Tax: Meaning, Example, Start and End Date

Description

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Quick summary

- From 1 April 2026 the Income-tax Act, 2025 replaces the Income-tax Act, 1961.
- The old Previous Year and Assessment Year are replaced by a single Tax Year of 12 months, from 1 April to 31 March.
- Tax Year 2026-27 runs from 1 April 2026 to 31 March 2027. For a new business or source of income it starts on the date of setting up.
- Income of FY 2025-26 (AY 2026-27) is still assessed under the 1961 Act, and the filing dates and process do not change.

The Income-tax Act, 2025 (Act 30 of 2025, which received assent on 21 August 2025) replaces both the “Financial Year (FY)” and “Assessment Year (AY)” with a single, unified concept called the “Tax Year”, which is a straightforward 12 month period from April to March, during which income will be earned and for which taxes are filed in the following tax year. This concept is effective from 01st April, 2026.

What is a Tax Year in Income Tax?

Tax year as per the Income Tax Act 2025 will replace the existing concept of Financial Year and Assessment Year. A Tax Year is a **12 month period that begins on the 1st of April and ends on 31st March of the following year**. However, for newly established business and profession, the tax year starts from the date of establishment.

For example, Tax Year 2026-27 is a 12 month period which starts from 1st April 2026 and ends on 31st March 2027.

Earlier Law (Income-tax Act, 1961): Which Years were relevant?

Under the Income-tax Act, 1961, the concepts of Previous Year and Assessment Year were used.

- **Previous Year:** Simply speaking, it is the year in which the income is earned. It can be less than 12

months in case the business is newly set up or the source of income is new. In those cases, the previous year is from the date of beginning of the new business/income source to March 31st.
- **Assessment Year:** Simply speaking, it is the year in which the tax is paid for income earned. It is the year next to previous year. In assessment year, the income earned in previous year considered for tax purposes and tax is paid, if applicable.

This dual reference to years created a lot of confusion among tax-payers. Therefore, these concepts were revamped and the concept of “Tax Year” was introduced.

How are Previous Year and Assessment Year referred to in the Income-tax Act, 2025?

- The new Act does not use the terms Previous Year and Assessment Year. Everything is expressed in terms of a Tax Year.
- Section 263 of the Income-tax Act, 2025 deals with the return of income. Filing still happens after the end of the relevant tax year.

Can a Tax Year be less than 12 months?

Yes! Very much. As previously mentioned, a tax year can be less than 12 months in the following cases:

- A new business or profession is set up in the middle of the financial year.
- A new source of income set up in the middle of the financial year.

For example, a new business is set up on 01st June 2026, the tax year in this case would be from 01st June 2026 to 31st March 2027. Not 1st April to 31st March.

Comparison: Tax Year v/s Financial Year v/s Assessment Year

The comparison of tax year under the Income-tax Act, 2025 and Financial year and Assessment year is as follows:

Aspec	Tax Year (New Law)	Financial Year (Old Law)	Assessment Year (Old Law)
Defini	12-month period forearning and reportingincome	12-month period when income is earned	The year following the Financial Year when tax is computed
Durati	April 1 - March 31	April 1 - March 31	April 1 - March 31 (subsequent year)
Filing Perioc	Tax is filed after the taxyear ends	Used to refer to income-earning period	A tax return is filed in the AY
Exam	Tax Year 2026-27(Income earned from April1, 2026, to March 31,2027)	FY 2026-27 (Incomeearned from April 1,2026, to March 31, 2027	AY 2026-27 (Tax return to be filed for FY 2025-26)

Will this Impact my Tax Filing?

- Income earned in FY 2025-26 (AY 2026-27) is still assessed under the Income-tax Act, 1961. Tax Year 2026-27 is the first tax year under the new Act.
- The removal of the concept of financial year and assessment year simplifies the tax process, giving taxpayers a better overview and lesser confusion.
- It tends to simplify the operation of the tax authorities additionally by minimizing amounts of disparities and misinterpretations concerning assessment periods and the financial periods.
- Therefore we can conclude that introduction of the concept of Tax Year does not change the dates of filing return, or the manner of filing. It has resulted in nothing but simplification of law and make it more accessible to public at large.

Final Word

The concept of tax year removes significant hurdles in understanding the tax laws, its applicability, relevant income and deductions. This is one of the most crucial changes made by the government, toward the goal of simplified tax laws and compliance.

Frequently asked questions

What is a Tax Year?

A Tax Year under the Income-tax Act, 2025 is the 12 month period from 1 April to 31 March in which income is earned. It replaces the Previous Year and the Assessment Year.

When does the Tax Year concept start?

It applies from 1 April 2026, so Tax Year 2026-27 is the first tax year under the new Act.

Can a Tax Year be shorter than 12 months?

Yes. For a business or profession set up during the year, or a new source of income, the tax year starts on the date of setting up and ends on 31 March.

Does the Tax Year change my return filing dates?

No. The introduction of the Tax Year simplifies the terminology but does not change the filing dates or the manner of filing.

Official sources

- Income Tax Department: Income-tax Act, 2025 as amended by the Finance Act, 2026
- e-Gazette: Income-tax Act, 2025 (Act 30 of 2025)
- Income Tax Department: FAQs on interplay and transition to the Income-tax Act, 2025

Related reading

- What is Income Tax? Meaning, Rules, Tax Slabs, Types and Tax Guide for Tax Year 2026-27
- Understanding Tax on ?12 Lakh Income in India (Tax Year 2025-26)
- Deferred Tax Asset and Deferred Tax Liability

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