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The COMMUNIQUE



Senthil Kumar S

Our Leadership Speaks

US midterm elections

The recent US midterm elections could have implications beyond American politics, particularly for the future of Artificial Intelligence. With Democrats set to take control of both chambers of Congress in January 2027, greater scrutiny of AI companies, data centres and technology investments is expected. Concerns around energy consumption, infrastructure costs and data governance could influence future regulations and investment decisions. However, AI's strategic importance in global competition is likely to keep innovation and investment firmly on the agenda.

For businesses, this signals a new phase of AI development. Automation, AI agents and intelligent systems offer significant opportunities to improve productivity and decision-making. At the same time, concerns around data security, accuracy, accountability and regulatory compliance cannot be overlooked. The future of AI will depend not just on technological breakthroughs, but also on responsible governance, reliable infrastructure and public trust.

AI is already transforming business compliance, making regulatory monitoring, risk identification and financial analysis more efficient and proactive. AI-enabled solutions are helping organisations track regulatory changes, identify potential compliance gaps, automate routine checks and improve the accuracy of reporting. As these capabilities become more integrated into business processes, the focus must remain on data security, accuracy and human oversight. The real opportunity lies not simply in automating compliance, but in making it smarter, faster and more accountable.

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Never miss a date

November 7th

Declaration by a buyer for obtaining goods without collection of tax during November 2026.

November 7th

Deposit of tax deducted or collected at source during November 2026.

November 7th

Deposit of Securities Transaction Tax collected during November 2026.

November 7th

Deposit of Commodities Transaction Tax collected during November 2026.

November 15th

Payment of the third instalment of advance tax for Tax Year 2026-27.

November 15th

Monthly statement by stock exchanges reporting client code modifications made during November 2026.

November 15th

Issue of TDS certificates for tax deducted at source during October 2026.

November 15th

Furnishing of the TDS/TCS Book Adjustment Statement by government offices for November 2026.

November 30th

Filing of the annual compliance report relating to an Advance Pricing Agreement.

November 31st

Furnishing of challan-cum-statement for specified tax deductions made during November 2026.

November 31st

Last date for filing belated income tax returns for Assessment Year 2026-27.

November 31st

Filing of Country-by-Country Report by the Indian parent entity or constituent entity for the reporting year 2025.

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ALL YOU NEED TO KNOW ABOUT CARRY-FORWARD OF BUSINESS LOSSES UNDER THE INCOME-TAX ACT, 2025

The introduction of the Income-tax Act, 2025 marks an important transition in India's direct tax framework. While the new legislation aims to simplify the language and structure of tax law, businesses may have a practical concern: What happens to losses accumulated under the Income-tax Act, 1961?

For companies that have carried forward business losses over several financial years, the change in legislation raises an important question about the continuity of these tax benefits.

Do Existing Business Losses Expire Under the New Act?

No. The repeal of the Income-tax Act, 1961 does not automatically extinguish business losses accumulated under the earlier legislation.

The Income-tax Act, 2025 contains transitional and saving provisions to ensure continuity of existing tax rights, liabilities and proceedings. Consequently, eligible losses carried forward under the old law do not simply disappear when the new Act comes into operation.

This is particularly important for businesses that have reported losses during earlier financial years and intend to adjust them against future taxable profits.

How Does Carry-Forward of Losses Work?

Under the earlier Income-tax Act, 1961, eligible business losses could generally be carried forward and set off against profits from subsequent years, subject to prescribed conditions.

For example, consider a company that incurred a business loss of ₹20 lakh in an earlier year. In a subsequent year, it earns a profit of ₹35 lakh before adjusting eligible brought-forward losses.

If the company satisfies the applicable conditions, it may set off the eligible loss of ₹20 lakh against its profits, reducing its taxable business income to ₹15 lakh.

The new legislation does not mean that this accumulated tax benefit is automatically lost. Businesses must, however, continue to satisfy the applicable statutory conditions governing the availability and utilisation of such losses.

What Should Businesses Pay Attention To?

Although the transition preserves continuity, businesses should review their existing tax records and accumulated losses carefully.

Some important areas include:

- **Validity of accumulated losses:** Verify the amount of losses eligible for carry-forward and the remaining period for which they can be utilised.

- **Return filing compliance:** Ensure that losses were reported in accordance with the applicable return-filing requirements.

- **Separate loss categories:** Business losses, speculation losses and capital losses are governed by different set-off and carry-forward rules. They should not be treated as interchangeable.

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- **Changes in ownership:** Business losses, speculation losses and capital losses are governed by different set-off and carry-forward rules. They should not be treated as interchangeable.
- **Changes in ownership:** Companies should examine applicable restrictions, including those relating to changes in shareholding, before relying on accumulated losses.
- **Documentation:** Maintain assessment records, income-tax returns and supporting computations to substantiate the losses being carried forward.

What Does This Mean for Finance and Tax Teams?

The transition to the Income-tax Act, 2025 is not merely a change in statutory references. It also makes it important for businesses to ensure that their historical tax records remain accurate and accessible.

Finance teams should reconcile brought-forward losses with previously filed returns and tax computations. They should also review the relevant provisions of the new legislation before claiming any set-off.

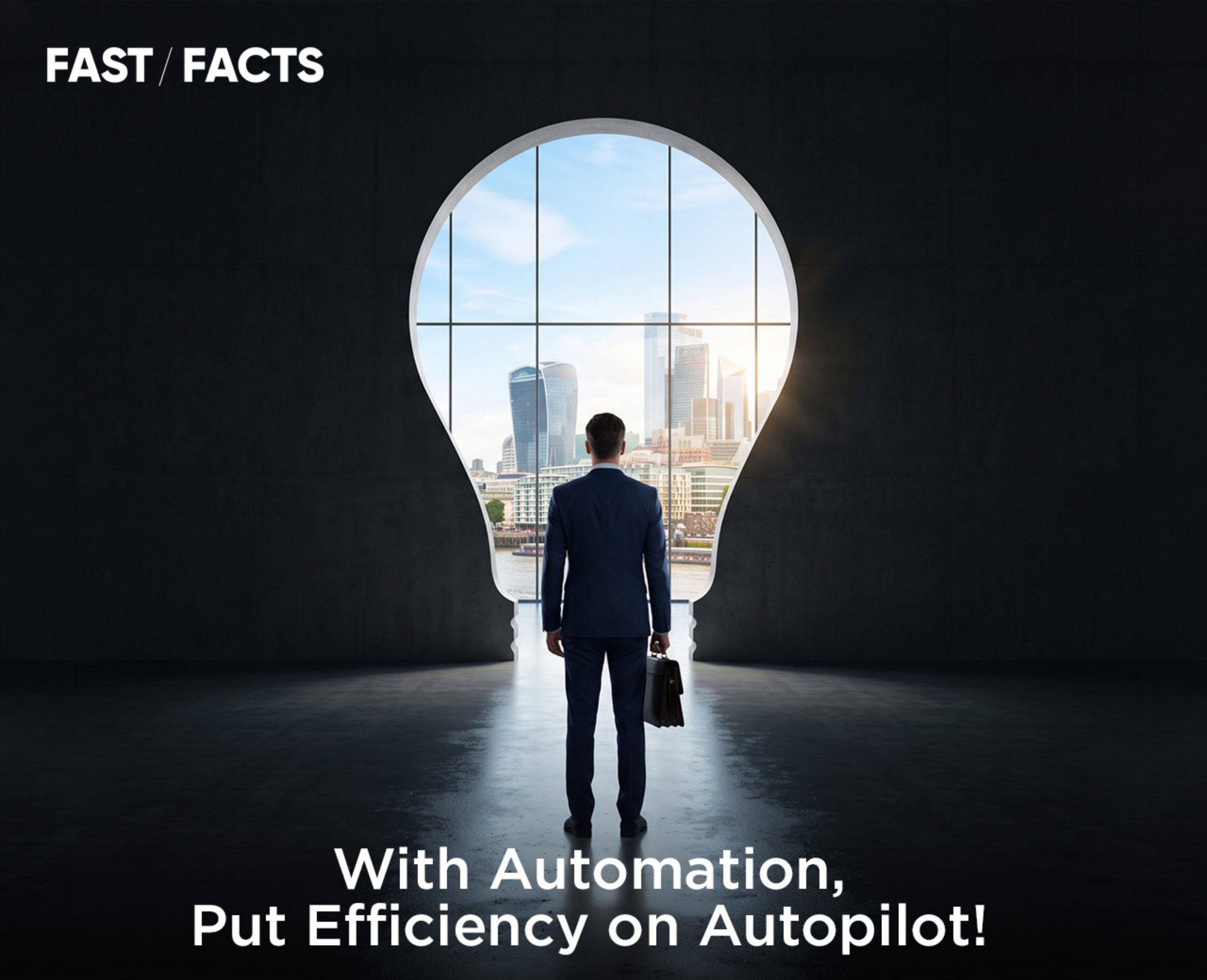
A well-maintained record of accumulated losses can help businesses avoid unnecessary tax disputes and ensure that eligible tax benefits are not overlooked.

The Way Forward

The transition to the Income-tax Act, 2025 is intended to simplify India's tax legislation while maintaining continuity in the tax system. For businesses, the key takeaway is that the replacement of the old Act does not automatically erase eligible tax losses accumulated under it.

However, the availability of these losses continues to depend on statutory conditions, filing compliance and applicable restrictions. Reviewing historical tax positions now can help businesses enter the new tax regime with greater clarity and confidence.

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