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New Tax Code Introduced for Influencers in FY25; ITR Rules and Deductions Explained

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The Income Tax Department has introduced a new profession code for social media influencers, vloggers, and digital content creators starting in the financial year 2024-2025. This change aims to streamline tax filings by allowing influencers to report their income under a distinct classification for the first time.

Profession code 16021 has been added under the “Profession” category in ITR forms. This code covers individuals earning from platforms like YouTube, Instagram, or through online coaching and brand collaborations. Depending on how influencers manage their finances, they may file using either ITR-3 or ITR-4. Those opting for the presumptive taxation scheme under Section 44ADA can use ITR-4, while those with detailed accounting and business expenses should file using ITR-3.

Influencers earning up to ₹75 lakh annually; ₹50 lakh if significant cash transactions are involved, can take advantage of the presumptive tax system. Under this system, 50 percent of the gross receipts are considered taxable income without needing to maintain detailed records. Those exceeding this threshold or who wish to claim actual expenses must declare income under the regular business or profession category and maintain books of accounts.

All income earned from digital content creation, including cash payments, affiliate commissions, and non-cash benefits such as gifts and brand sponsorships, must be reported. Influencers are also required to disclose any gifts or freebies exceeding ₹20,000, which fall under Section 194R and are subject to 10 percent TDS by the brand or payer.

Those not using the presumptive taxation option may deduct actual business-related expenses such as camera equipment, editing tools, content production costs, and professional services. These deductions must be backed by valid documentation and receipts.

However, some tax professionals caution that the current classification of influencers as a “profession” may not align with the professions officially notified under Section 44AA. This could create confusion over the correct ITR form, audit thresholds, and eligibility for simplified taxation.

Experts recommend that influencers review their Annual Information Statement and Form 26AS before filing, maintain documentation for all income and expenses, and seek guidance if unsure about the correct return form or classification. The new code is intended to clarify income reporting for digital creators but also brings challenges due to its unique nature in existing tax laws.