

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

RAJYA SABHA
UNSTARRED QUESTION NO. 1850

ANSWERED ON - 05/08/2025

‘Shortfall in Direct Tax Revenue and Implications on fiscal deficit targets’

1850. Shri Sandeep Kumar Pathak:

Will the Minister of FINANCE be pleased to state: -

- (a) The state-wise and year-wise actual realisations from direct taxes over the past 5 financial years’ vis-a-vis the budget estimates;
- (b) The impact of shortfalls on fiscal deficit targets and Government’s capacity to execute key public expenditure programmes.
- (c) Whether the Ministry has identified systemic issues such as high evasion, underreporting, and gaps in enforcement as major contributors to the shortfall, If so, the details thereof; and
- (d) The policy, administrative or technology reforms proposed to expand the Direct Tax base, strengthen taxpayer surveillance, and improve voluntary compliance across income groups?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) The data for state wise collections of direct taxes is as follows:

S. No.	States/UT	FY 2020-21*	FY 2021-22*	FY 2022-23*	FY 2023-24*
1	Andhra Pradesh	40,314.07	56,663.27	57,324.09	26,066.46
2	Arunachal Pradesh	182.06	233.34	293.90	233.98
3	Assam	4,550.89	5,688.45	8,111.38	7,510.93
4	Bihar	5,381.96	7,396.60	6,845.32	6,692.73
5	Jharkhand	5,581.39	7,031.06	9,213.47	10,500.59
6	Goa	2,655.27	2,879.41	3,379.19	3,867.43
7	Gujarat	46,863.55	71,642.27	85,018.91	93,300.72

8	Haryana	24,492.81	37,729.33	45,649.85	70,947.31
9	Himachal Pradesh	2,322.74	3,072.86	3,537.79	3,150.17
10	Karnataka	1,16,254.58	1,68,678.09	2,08,168.88	2,34,098.39
11	Kerala	14,515.59	19,562.02	23,983.26	23,966.92
12	Madhya Pradesh	13,283.23	18,137.83	19,484.78	20,086.99
13	Chhattisgarh	4,451.08	7,782.70	8,747.52	13,534.13
14	Maharashtra	3,31,969.03	5,24,497.65	6,05,268.35	7,61,716.30
15	Manipur	417.65	310.50	383.13	323.12
16	Meghalaya	999.73	1,063.86	1,608.82	1,800.73
17	Mizoram	44.07	90.14	105.36	81.78
18	Nagaland	176.91	292.70	295.44	344.10
19	Delhi	1,20,120.94	1,77,824.22	2,21,522.20	2,03,197.06
20	Odisha	10,257.99	15,587.24	19,590.40	20,865.54
21	Punjab	10,491.10	15,981.11	17,271.44	17,215.00
22	Rajasthan	17,539.35	25,215.64	30,609.56	30,551.42
23	Sikkim	291.82	384.10	365.17	287.83
24	Tamil Nadu	61,122.33	88,438.33	1,07,063.82	1,27,067.17
25	Tripura	488.73	424.19	481.39	417.38
26	Uttar Pradesh	26,735.17	34,719.83	37,983.05	48,333.44
27	Uttarakhand	3,088.27	4,208.44	4,632.19	15,861.49
28	West Bengal	40,310.24	53,774.61	55,560.62	60,374.64
29	Telangana	15,853.93	27,184.95	35,433.56	84,439.24
	State Sub-total	9,20,756.48	13,76,494.77	16,17,932.86	18,86,832.99
30	Andaman Nicobar	67.88	88.86	96.18	79.88
31	Chandigarh	1,868.01	3,574.08	3,939.81	3,972.80
32	Dadar and Nagar Haveli and Daman and Diu	548.34	985.00	1013.96	958.98
33	Puducherry	611.86	991.78	1,268.68	1,273.44
34	Ladakh	0.02	-0.06	0.01	-1.54
35	Lakshadweep	20.77	28.79	33.52	39.79
36	Jammu Kashmir	1,036.83	1,778.40	2,036.10	1,965.17
	UT Sub-total	4153.71	7446.85	8388.26	8288.52
	C.T.D.S.	22,266.20	28,480.83	37,365.35	
	Foreign (see Note-1)				26,122.34
	Unapportioned (see Note-2)				31.64
	Grand Total	9,47,176.37	14,12,422.45	16,63,686.47	19,21,275.49

*Source: Pr. CCA, CBDT

Actual Direct Tax Collections for F.Y. 2024-25 as on 31.03.2025 (on provisional basis) is Rs. 22,26,231 Crores. However, the data pertaining to State-wise collections of direct taxes for the Financial Year 2024-25 is presently not available. The information shall be laid before the House in due course.

The year wise-collections for the past 5 years the data is as follows:

Sr. No.	Financial Year	Budget Estimate (Rs. in crore)	Actual Direct tax Collections* (Rs. in crore)
1.	2020-21	13,19,000	9,47,176
2.	2021-22	11,08,000	14,12,422
3.	2022-23	14,20,000	16,63,686
4.	2023-24	18,23,250	19,60,166
5.	2024-25	22,07,000	22,26,231 [#]

* Source: Pr. CCA, CBDT

[#] Provisional

- (b) Except during 2020-21 Actual Direct Tax Collections were higher than Budget Estimates. 2020-21, it is relevant to mention, was a CoVID year. In 2020-21, the Fiscal Deficit was 9.2%, compared to a BE of 3.5% of GDP. Government's capacity to execute key public expenditure programmes were not impacted in 2020-21 since the Government responded to the challenges posed by the pandemic and announced economic packages through schemes such as the Pradhan Mantri Garib Kalyan Yojana at regular intervals.
- (c) No such systemic high evasion or under-reporting contributing to shortfall significantly has been identified. However, CBDT has taken data driven analytics on sample datasets to identify tax evasion patterns using data from different sources including deductions and exemptions claimed by taxpayers where certain anomalies have been detected. Accordingly, NUDGE (Non-intrusive usage of data to guide and enable) taxpayer campaigns were undertaken to improve compliance ecosystem and to assist taxpayers to review their ITRs and correct mistakes, if any, by filing revised/updated ITRs.
- (d) In this regard, it is stated that any proposals related to amendment of the Income-tax Act, 1961 are examined during the budgetary exercise only and decision of the Government on these is reflected in the Finance Bill passed thereafter. However, the government has taken a series of reforms in the last 10 years for expansion of tax base, strengthening taxpayer surveillance and improving voluntary compliance which are enclosed as **Annexure-A**.

Major Direct Tax Reforms since 2014:**I. Reduction in tax rates & Simplification of direct tax laws**

- (i) **Corporate Tax:** In order to promote growth and investment, the Government has brought in a historic tax reform through the Taxation Laws (Amendment) Act, 2019 which provided a concessional tax regime of 22% for all existing domestic companies. In line with the Government's stated policy of removing exemption/deductions, these reduced rates are applicable for only those companies which do not avail exemptions/deductions. These companies have also been exempted from Minimum Alternate Tax (MAT).
- (ii) **Reduction of rate of foreign companies to 35 per cent:** The rate of income-tax chargeable on income of foreign company (other than that chargeable at special rates) has been reduced from 40% to 35% vide Finance (No. 2) Act, 2024.
- (iii) **Personal Income Tax:** In order to reform personal income tax, Finance Act, 2020 has provided an option to individual taxpayers for paying income-tax at lower slab rates if they do not avail specified exemption and incentive. Apart from the above, Finance Act, 2020 has also provided an option to the co-operatives to pay taxes at concessional rates without claiming any specified deduction or incentive. Finance (No.2) Act, 2024 further reduced the rates applicable in case of individuals by proposing to provide that with effect from assessment year 2025-26, the following rates provided under sub-section (1A) of section 115BAC of the Act shall be the default rates applicable for determining the income-tax payable in respect of the total income of a person, being an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person.

Total income	Rate of tax
Upto Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 7,00,000	5 per cent
From Rs. 7,00,001 to Rs. 10,00,000	10 per cent
From Rs. 10,00,001 to Rs. 12,00,000	15 per cent
From Rs. 12,00,001 to Rs. 15,00,000	20 per cent
Above Rs. 15,00,000	30 per cent

- (iv) **Tax incentives to Co-operative Societies:** Finance Act, 2020 had provided that co-operative societies may opt to pay tax at the rate of 22% provided that they do not avail of any specified tax exemptions and deductions. Further, an opportunity to sugar co-operatives has further been provided to claim payments made to sugarcane farmers for the period prior to assessment year 2016-17 as expenditure. A higher limit of Rs 2 lakh per member for cash deposits has also been provided to and loans in cash by Primary

Agricultural Co-operative Societies (PACS) and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs). Similarly, a higher limit of Rs 3 crore has been provided for TDS on cash withdrawal made by co-operative societies.

- (v) **Abolition of Dividend Distribution Tax (DDT):** In order to increase the attractiveness of the Indian Equity Market and to provide relief to a large class of investors in whose case dividend income is taxable at the rate lower than the rate of DDT, the Finance Act, 2020 removed the Dividend Distribution Tax under which the companies shall not be required to pay DDT with effect from 01.04.2020. The dividend income shall be taxed only in the hands of the recipients at their applicable rate.
- (vi) **Affordable Housing/Rental Housing:** Keeping in view of the vision of 'Housing for All' and to promote affordable housing an additional deduction of 1.5 lakh available for the purchase of an affordable house was extended for loans taken up till 31st March 2022 by the Finance Act, 2021. Further, to keep up the supply of affordable houses, affordable housing projects tax holiday has been extended for projects approved till 31st March, 2022. Also to promote supply of Affordable Rental Housing for migrant workers 100% tax exemption will be available for notified Affordable Rental Housing Projects.
- (vii) **Incentives for Start-ups:** In order to incentivize start-ups in the country, the eligibility for claiming tax holiday for start-ups was extended for start-ups incorporated - till 31st March, 2025 by the Finance Act, 2024. Further, in order to incentivize funding of the start-ups, the capital gains exemption for investment in start-ups was also extended by one more year till 31st March, 2022 vide Finance Act, 2021. The threshold limit for eligible start-ups was earlier raised to Rs 100 crores from Rs 25 crores. Finance Act, 2023, had further provided that carried forward loss of eligible start-ups shall be considered for set off, if such loss has been incurred during the period of ten years beginning from the year in which such company was incorporated.
- (viii) **Scheme of presumptive taxation for cruise ship operations by non-residents:** A presumptive taxation regime for cruise ship operations of non-residents has been put in place. Further, exemption has been provided for any income of a foreign company from lease rentals of cruise ships, received from a related company which operates such ship or ships in India.
- (ix) **Incentives for Sovereign Wealth Funds/Pension Funds-** In order to boost investment in infrastructure, Finance Act, 2020 provided exemption to income of Sovereign Wealth Funds (SWFs) and Pension Funds (PFs), in the nature of long-term capital gains, dividend and interest, arising from their investment in infrastructure in India. In order to ensure that a large number of such funds invest in India, Finance Act, 2021 relaxed some of the conditions relating to prohibition on private funding, restriction on commercial activities, and direct investment in infrastructure.

II. Ease of Compliance for Taxpayers

- (i) **Simplification and rationalisation of capital gains taxation regime:** The period of holding of capital assets has been simplified with amended provisions providing for a period of 12/24 months as holding period for capital assets. The rate of tax on short term capital gains under section 111A of the Act has been increased from 15% to 20% for STT paid listed equity shares, units of equity-oriented funds and business trusts. The rate for long term capital gains on above capital assets has been rationalised from 10% to 12.5%. Rate of taxation in respect of other long term capital assets has been rationalised and simplified to 12.5% without indexation from earlier rate of 20% with indexation, with an option being provided to opt for a beneficial regime in respect of immovable property acquired before the 23rd July, 2024. This option has been provided to resident Individuals/HUFs.
- (ii) **Simplification of re-assessments and search assessments:** The procedure for re-assessments has been considerably simplified and the period for which assessments can be re-opened has been reduced to 5 years from earlier 10 years. Also scheme of search assessments has been revamped with the introduction of block assessment concept. The period covered for search assessments has also been reduced to 6 years from earlier 10 years period.
- (iii) **Rationalisation of certain TDS rates:** To improve ease of doing business and encourage voluntary compliance by taxpayers, certain Tax Deduction at Source (TDS) rates have been reduced from 5% to 2% vide Finance (No. 2) Act, 2024. These include sections 194D (Payment of insurance commission (in case of person other than company) (with effect from 1.4.2025), 194DA (Payment in respect of life insurance policy), 194G (Commission etc on sale of lottery tickets), 194H (Payment of commission or brokerage), 194-IB (Payment of rent by certain individuals or HUF), 194M (Payment of certain sums by certain individuals or Hindu undivided family). Rate of TDS u/s 194-O (Payment of certain sums by e-commerce operator to e-commerce participant) has been reduced to 0.1%. Further, section 194F of the Act has been omitted pertaining to payments on account of repurchase of units by Mutual Fund or Unit Trust of India.
- (iv) **Charitable trusts/ Institutions:** Amendments have been made to merge the two schemes for exemption and also provide for rationalisation of filing of applications and the timelines for registration and approval of certain benefits to charitable trusts and institutions.
- (v) **Faceless Assessment:** The e-Assessment Scheme, 2019 notified on 12th September, 2019 provides for a new mechanism for making assessment by eliminating the interface between the Assessing Officer and the assessee, optimizing use of resources through functional specialization and introducing the team-based assessment. Further, the said scheme was later renamed as Faceless Assessment Scheme, 2019. Vide Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 (TOLA), the said scheme was incorporated in to Income-tax Act by inserting section 144B.
- (vi) **Faceless Appeals-** In order take the reforms to the next level and to eliminate human interface, the Finance Act, 2020 empowered the Central Government to notify Faceless

appeal Scheme to eliminate human interface in the appellate function of the department between the appellant and the Commissioner of Income-tax (Appeals). The Faceless Appeal Scheme, 2020 was notified on 25.09.2020 and later amended as Faceless Appeal Scheme, 2021 which was notified on 28.12.2021.

- (vii) **New Form 26AS -** New Form-26AS has already been notified. This new form contains all information of deduction or collection of tax at source, specified financial transaction, and payment of taxes, demand and refund, pending and completed proceedings. Hence, the new form 26AS will enable tax payers to fill their ITRs correctly, Further, if any discrepancy is observed, the tax payer will also have an opportunity to file a revised return of income, before any such case is picked for scrutiny. Hence such measures are expected to lead to an overall increase in trust and transparency between the taxpayers and the tax authorities.
- (viii) **Document Identification Number (DIN)-**In order to bring efficiency and transparency in the functioning of the income tax department, every communication of the department whether it is related to assessment, appeals, investigation, penalty, and rectification among other things issued from 1st October, 2019 onwards are mandatorily having a computer-generated unique document identification number (DIN).
- (ix) **Pre-filing of Income-tax Returns-** In order to make tax compliance more convenient, pre-filled Income tax Returns (ITR) have been provided to individual taxpayers. The ITR form now contains pre-filled details of certain incomes such as salary income. The scope of information for pre-filing is being further expanded by including information such as house property income, capital gains from securities, bank interest, dividends, etc.
- (x) **Increasing threshold limits for presumptive taxation schemes:** Finance Act, 2023 has increased the threshold limits for availing the presumptive scheme of taxation subject to certain conditions. In case of small enterprises, whose cash receipts are no more than 5 per cent, the threshold limit to avail presumptive scheme has been increased from Rs 2 crore to Rs 3 crore. In case of professionals whose cash receipts are no more than 5 per cent, the said limit has been increased from Rs 50 lakh to Rs 75 lakh.

III. Reduction in Litigation:

- (i) **Introduction of Direct Tax Vivad se Vishwas Scheme, 2024 for reducing pending litigation:** Keeping in view the success of the previous Vivaad Se Vishwas Act, 2020 and the mounting pendency of appeals at CIT(A) level, Direct Tax Vivad se Vishwas Scheme, 2024 has been introduced vide Finance (No. 2) Act, 2024 with the objective of providing a mechanism of settlement of disputed issues, thereby reducing litigation without much cost to the exchequer.
- (ii) **Updated Return-** Provisions of section 139(8A) of the Act allow the taxpayer to file an updated return by voluntarily admitting omissions or mistakes and paying an additional tax as applicable. Vide Finance Act 2025, the time-limit to file the updated return of income

has been extended from the existing 24 months to 48 months from the end of the relevant assessment year.

- (iii) **Introduction of the authority of Joint Commissioner (Appeals):** In order to clear the bottleneck in pendency of appeals, a new authority for appeals has been provided vide Finance Act 2023 to be created at Joint Commissioner/ Additional Commissioner level to handle certain class of cases involving small amount of disputed demand. Such authority has all powers, responsibilities and accountability similar to that of Commissioner (Appeals) with respect to the procedure for disposal of appeals.
- (iv) **Setting up of Dispute Resolution Committee (DRC)-** For reducing litigation and to give an impetus to the dispute resolution for small taxpayers, Dispute Resolution Committee has been constituted. A taxpayer having taxable income up to Rs. 50 lakh and disputed income up to Rs. 10 lakh shall be eligible to approach the Committee. For ensuring efficiency, transparency and accountability, the procedure of the Committee will be conducted in a faceless manner under the e-Dispute Resolution Committee Scheme, 2021.
- (v) **Repetitive appeals:** Taking forward the policy of litigation management, a new section 158AB is inserted into the Income-tax Act. If a question of law in the case of an assessee is identical to a question of law pending in appeal before the jurisdictional High Court or the Supreme Court in any case, the filing of further appeal to the Appellate Tribunal or the jurisdictional High Court in the case of the assessee shall be deferred till such question of law is decided by the relevant Court subject to certain conditions.

IV. Measures undertaken to promote digital transactions

- (i) **Introduction of TDS on certain cash withdrawals-**The Finance (No.2) Act, 2019 has inserted section 194N in the Act to provide for levy of TDS @ 2% on aggregate cash withdrawal exceeding Rs. 1 crore from a Bank/Post Office account. To ensure filing of return and to keep track on cash withdrawals by the non-filers, the Finance Act, 2020 lowered the threshold of cash withdrawal to Rs. 20 Lakh and also mandated TDS at the higher rate of 5% on cash withdrawal exceeding Rs. 1 crore by these non-filers. Finance Act, 2023 has provided relief to co-operative societies by raising the limit on aggregate cash withdrawal of Rs 1 crore to 3 crore.
- (ii) **Promotion of Digital transactions-** The earlier existing rate of deemed profit under presumptive scheme for small businesses was reduced from 8% to 6% in respect of digital turnover. The limit of turnover for tax audit for persons who are undertaking 95% of their transactions digitally has been increased to Rs. 10 crore. Finance Act, 2023 has increased the threshold limits for availing the presumptive scheme of taxation subject to certain conditions. In case of small enterprises, whose cash receipts are no more than 5 per cent, the threshold limit to avail presumptive scheme has been increased from Rs 2 crore to Rs 3 crore. In case of professionals whose cash receipts are no more than 5 per cent, the said limit has increased from Rs 50 lakh to Rs 75 lakh.

(iii)**Mandatory facility for prescribed electronic mode of payment**- It has been provided that every business entity having turnover exceeding Rs.50 crore shall provide facility for accepting payment through the prescribed electronic modes on which no MDR shall be charged.

(iv)**Prohibition of cash transactions** - Cash receipt of rupees two lakh or more otherwise than by electronic modes has been prohibited under section 269ST of the Act. The limit of cash donation to charitable organisation has been reduced from Rs. 10,000/- to Rs. 2,000/-. Acceptance of cash donations exceeding Rs. 2,000/- has been prohibited for political parties. The limit for cash business expenditure has been reduced from Rs. 20,000/- to Rs. 10,000/-.

V. Measures undertaken to curb Tax Evasion & widening of tax base

(i) **Mandatory Quoting of PAN and linking of PAN Aadhaar**- Quoting of PAN has been mandated and linking of PAN and Aadhaar has also been made compulsory.

(ii) **Black Money Act**-In order to curb the flow of black money stashed abroad, the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (the Black Money Act) has been enacted.

(iii)**Benami Law**-The Benami Transactions (Prohibition) Act, 1988 was comprehensively amended by the Benami Transactions (Prohibition) Amendment Act, 2016 to enable confiscation of Benami Property and prosecution of benamidar and the beneficial owner.

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Major Direct Tax Reforms in 2025

1. Providing tax relief —

1.1. Finance Act, 2025 has provided substantial relief under the new tax regime with new slabs and tax rates as under:-

Total income	Rate of tax
Upto Rs. 4,00,000	Nil
From Rs. 4,00,001 to Rs. 8,00,000	5 per cent
From Rs. 8,00,001 to Rs. 12,00,000	10 per cent
From Rs. 12,00,001 to Rs. 16,00,000	15 per cent
From Rs. 16,00,001 to Rs. 20,00,000	20 per cent
From Rs. 20,00,001 to Rs. 24,00,000	25 per cent
Above Rs. 24,00,000	30 per cent

1.2. Increase in rebate in new tax regime —

Finance Bill, 2025 has increased the rebate for the resident individual under the new regime so that they do not pay tax if their total income is up to Rs. 12,00,000. Marginal

relief as provided earlier under the new tax regime is also applicable for income marginally higher than Rs. 12,00,000.

2. Measures to promote investment and employment—

2.1. Incentives to IFSC—

Finance Act, 2025 has provided the following incentives to IFSC -

- The sunset dates related to IFSC units for exemptions, deductions and relocation in various sections of the Act, viz. section 80LA(2)(d), section 10(4D), section 10(4F), section (4H) and section 47(viiad) have been extended to 31st March, 2030.
- The proceeds received on life insurance policy issued by IFSC insurance intermediary office shall be exempt without any condition on premium amount as specified in provisos to section 10(10D).
- The exemption in section 10(4H) shall be extended to capital gains for non-resident or a unit of IFSC on transfer of equity shares of a ship leasing domestic company.
- Any advance or loan between two group entities, where one of the group entity is set up in IFSC for undertaking treasury activities or treasury services, shall be excluded from dividend.
- A simplified safe harbor regime in section 9A is provided for investment funds managed by fund manager based in IFSC. The relaxation of conditions for IFSC units has been extended for units commencing till 31st March, 2030.
- The exemption under section 10(4E) is extended to any income accruing or arising to or received by a non-resident as a result of transfer of non-deliverable forward contracts or ODIs or OTCs, or distribution of income on ODIs, entered into with any Foreign Portfolio Investor, meaning a person registered in accordance with the provisions of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014.
- Further, transfer of the specified capital asset, in relation to retail scheme or an Exchange Traded Funds (ETF) as specified in section 10(4D) of the Act shall not be regarded as transfer for the purpose of calculating capital gains.

2.2. Exemption to Sovereign Wealth Funds, Pension Funds and others —

In the case of person specified under section 10(23FE) of the Act, the date of making investment has been extended from 31st day of March, 2025 to 31st day of March, 2030. Further, in the case of such specified person, exemption shall be available to long-term capital gains even if such capital gains are deemed as short-term capital gains under section 50AA.

2.3. Scheme of presumptive taxation for non-resident providing services for electronics manufacturing facility—

A presumptive taxation regime has been provided for non-residents, engaged in the business of providing services including provision of technology to a resident company, which is establishing or operating electronics manufacturing facility or a connected facility for manufacturing or production of electronic goods, article or thing in India, under a scheme notified by the Ministry of Electronics and Information Technology.

2.4. Extension of benefits of tonnage tax scheme to inland vessels —

The benefits of tonnage tax scheme have been extended to Inland Vessels for promoting inland water transportation in the country.

3. Simplification and Rationalisation —

3.1. Introduction of Income tax Bill, 2025:

The Government announced a comprehensive review of the Income-tax Act, 1961 (the Act). As a consequence of the said review, the Income-tax Bill, 2025 (Bill No. 24 of 2025) has been introduced in the Lok Sabha on 13.02.2025 and referred to the Select Committee of Lok Sabha for examination.

The purpose behind the introduction of the Income-tax Bill was to simplify the existing Income-tax Act, 1961 by making it concise, lucid, easy to read and understand. The simplification exercise was guided by three core principles: -

1. Textual and structural simplification for improved clarity and coherence.
2. No major tax policy changes to ensure continuity and certainty.
3. No modifications of tax rates, preserving predictability for taxpayers

For this purpose, a three-pronged approach was adopted: -

1. Eliminating intricate language to enhance readability.
2. Removing redundant and repetitive provisions for better navigation.
3. Reorganizing sections logically to facilitate ease of reference.

While undertaking the simplification exercise, conscious attempt has been made to minimise the scope of unintended ambiguity, leading to fresh interpretations and litigation. For this purpose, the following measures have been taken among others:

- a. Key words/phrases, especially where courts have given rulings, have been retained with minimal modifications, and language has been simplified by use of short sentences.
- b. Provisions have been made clear to minimize scope for multiple interpretations. The provisos and explanations have been removed and simplified content has been placed as sub-sections and clauses.
- c. Formulae and tables have been used to enhance clarity.
- d. Provisions involving same issues and definitions, which were present in different chapters in the existing Act have been consolidated.

The Income-tax Bill, 2025, thus reflects the Government's commitment to enhance ease of doing business by providing a tax framework that is simple, clear and unambiguous.

3.2. Rationalisation of certain TDS rates—

To reduce multiplicity of rates and compliance burden, certain TDS and TCS rates have been brought down while, certain thresholds for requirement to deduct tax at source or collect tax at source have been increased. Further, section 206C(1H) of the Act has been made non-applicable.

3.3. Charitable trusts/ Institutions—

Amendments have been made to amend the period of validity of registration of trust or institution from 5 years to 10 years for smaller trusts or institutions. The definition of specified violation for cancellation of registration of trust or institution has been rationalised so as to not apply the same for minor default as in-complete applications. Further, the definition of persons making substantial contribution to a trust or institution for denial of exemption has also been rationalized.

3.4. Amendment of definition of ‘capital asset’—

The definition of Capital Asset has been amended to include any securities held by an investment fund recognized as a Category I or a Category II Alternative Investment Fund and regulated under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, or regulated under the International Financial Services Centres Authority (Fund Management) Regulations, 2022 which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 or under the IFSCA Act, 2019.

3.5. Extension of timeline for tax benefits to start-ups —

The Act has been amended to extend the benefit provided under section 80-IAC to startups for another period of five years, i.e. the benefit will be available to eligible start-ups incorporated before 01.04.2030.

3.6. Rationalisation of transfer pricing provisions for carrying out multi-year arm’s length price determination—

The Act has been amended to provide that transfer pricing provisions for arm’s length price determination in relation to similar transactions shall now be applicable for a period of 3 years.

4. Tax administration —

4.1. Obligation to furnish information in respect of crypto-asset—

Section 285BAA, being the Obligation to furnish information of crypto-asset, as per rules prescribed there under for entities prescribed therein has been inserted in the Act. Further, the definition of virtual digital asset in clause (47A) of section 2 of the Act, has been amended to state that virtual digital asset includes any crypto-asset as per definition given under CARF.

4.2. Extending the time-limit to file the updated return-

The time-limit to file the updated return has been extended from the existing 24 months to 48 months from the end of the relevant assessment year.