

**Government of India
Ministry of Finance
Department of Revenue**

**RAJYA SABHA
UN-STARRED QUESTION NO-1025
ANSWERED ON-09/12/2025**

INCREASING DIGITALIZATION AND IMPROVING TAX COMPLIANCE

1025 # SHRI TEJVEER SINGH:

Will the Minister of FINANCE be pleased to state:

- (a) the key features of the new digital financial governance framework introduced by the Government to enhance digitalization and improve tax compliance;
- (b) whether Government is planning to implement any reforms, particularly to simplify GST procedures, as part of a new tax-relief policy to provide financial support to small businesses and startups; and
- (c) whether Government is considering any new strategy in the next financial year to increase capital expenditure or manage the fiscal deficit in order to boost economic growth and maintain financial stability?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a): There is no digital financial governance frame work introduced.

Ministry of Finance has been at the forefront of adopting digitalization and improving tax compliance. The key highlights are:

- **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 crores. 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 crores to Rs. 3 crores. In case of professionals whose cash receipts are no more than 5 per cent, the said limit has increased from Rs. 50 lakhs to Rs. 75 lakhs.
- **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 Income-tax Act, 1961 (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/-.
- **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.
- **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.
- **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.
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- **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.
- **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 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.
- **GST Portal :** The common GST Portal developed by GSTN functions as the front-end of the overall GST IT eco-system and include filling of registration application, filling of return, creation of challans for tax payment, payment of GST, processing of refund, settlement of IGST payment, and generation of business intelligence and analytics.

(b): Some of the major policy measures under taken/being taken by the Government are as follows:-

- Sanction of risk-based provisional refund to facilitate refund claims on account of zero-rated supply of goods or services or both, or refunds arising on account of Inverted duty structure. Both these reforms had been approved in the 56th meeting of the GST Council. The amendment provides for the provisional release of 90% of eligible refunds in low-risk cases.
- The Council recommended amendment so as to remove the threshold limit for refunds arising out of exports made with payment of tax. This will particularly help small exporters making exports through courier, postal mode etc.
- Simplified GST Registration Scheme for Small and Low-Risk Businesses has been introduced wherein registration shall be granted on an automated basis within three working days from the date of submission of application in case of low risk applicants and applicants who based on their own assessment, determine that their output tax liability on supplies to registered persons will not exceed Rs. 2.5 lakh per month. Nearly 1.42 lakh applications were auto approved in the first 15 days of launching this scheme.
- The Council approved in- principle, the concept of a simplified GST registration mechanism for small suppliers making supplies through e-commerce operators (ECOs) across multiple States facing challenges in maintaining principal place of business in each State as currently required under the GST framework.
- The Council recommended the place of supply for “intermediary services” will be determined by the location of the recipient of such services. This will help Indian exporters of such services to claim export benefits.
- The Council has recommended to omit section 15(3)(b)(i) of CGST Act, 2017 thereby omitting the requirement of establishing the discount in terms of an agreement entered into before or at the time of such supply and specifically linking of the same with relevant invoices.
- Clarifications have been issued relating to treatment of secondary or post-sale discounts under GST. These changes aim to remove ambiguity and prevent legal disputes regarding post-sale discounts

(c) The Government's strategy to boost economic growth and maintain financial stability for the next financial year and till FY 2030-31 has been indicated in the statements of Fiscal Policy as required under FRBM Act, 2003, presented along with the Union Budget 2025-26. This is to "keep fiscal deficit in each year from FY 2026-27 till FY 2030-31 such that the Central Government debt is on declining path to attain a debt to GDP level of at least 50±1% by 31st March, 2031 (the last year of the Sixteenth Finance Commission cycle).