

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

**RAJYA SABHA
UN-STARRED QUESTION NO-1987
ANSWERED ON-10/03/2026**

MULTI LAYERED TAX STRUCTURE

1987 SHRI R. GIRIRAJAN:

Will the Minister of FINANCE be pleased to state:

(a) whether Government has taken a serious note on the growing mind set of middle class people, salaried employees and professional class are feeling exploited, due to multiple taxes, including Income Tax, Surcharge, Cess and GST in the country, if so, the details thereof;

(b) whether Government acknowledges that this multi-layered tax structure is seriously impacting the real income, savings and life of citizens, if so, the details thereof; and

(c) whether Government has a clear road-map for bringing about real and concrete reforms in Income Tax, Cess, Surcharge and GST, if so, the details thereof?

ANSWER

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

(a) to (b): No. Based on the budget documents of Union and State governments, the Tax to GDP ratio for the nation for the year 2025-26 is 18.4%. This is one of the lowest amongst comparable G20 developing economies.

(c): The Government has undertaken various reforms in both direct and indirect taxation for ease of living of citizens. Details in **Annexure 'A'**.

With respect to Direct Taxes :

India does not have a multi-layered income-tax structure. The income-tax is levied, on the income earned, as per the Income-tax Act, 1961. Further, surcharge and cess are levied additionally on the amount of income-tax. Other direct taxes like Wealth Tax, Gift Tax and Fringe Benefit Tax have been removed from the statute over a period of time.

Moreover, the Government has undertaken wide-ranging and continuous reforms over the past several years with the objectives of simplification, rationalisation, ease of compliance, reduction of litigation and promotion of voluntary tax compliance. Major reforms undertaken, inter alia, include the following:

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).

Further, as proposed in the Finance Bill, 2026, the MAT rates have been reduced to 14% and the same has also been proposed to be the final minimum alternate tax. It has also been proposed that the set-off of accumulated MAT credit will only be available to domestic companies who chose to exercise option for the new tax regime. This will help domestic companies to shift towards the new tax regime. This will also enable a simpler taxation framework for these companies where they get lower tax rates without exemptions/deductions.

- (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 Act, 2025 has provided substantial relief under the new tax regime with new slabs and reduced tax rates.

- (iv) **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.

For salaried individuals, standard reduction of Rs 75000 is available. Therefore, salaried individuals do not pay tax if their gross total income is up to Rs 12,75,000.

- (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 would be taxed only in the hands of the recipients at their applicable rate.
- (vi) **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. Further, The Finance Act, 2025 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.

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) **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. Further, section 206C(1H) of the Act has been made non-applicable.

- (iii) **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. Further, 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.
- (iv) **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.
- (v) **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.
- (vi) **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.
- (vii) **Pre-filling 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.
- (viii) **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 to be 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) **Updated Return:** To increase ease of voluntary compliance and reduce litigation, a new sub-section (8A) is inserted in section 139, facilitating the taxpayer to be able to update his return anytime within two years from the end of the relevant assessment year. A taxpayer can file an updated return by voluntarily admitting omissions or mistakes and paying an additional tax as applicable. Section 140B was inserted in the Act to make provisions for paying an additional tax above the normal tax applicable for additional incomes as reflected in the updated return. Further, 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.

With respect to Indirect Taxes :

1. Reforms in GST (GST 2.0)

In the 56th meeting of the GST Council held on 3rd September, 2025, the Council approved reforms with a multi-sectoral and multi-thematic focus on improving the lives of all citizens and ensuring ease of doing business for all, including small traders and businessmen.

1.1 GST Rate Rationalization:

1.1.1 GST Council has approved rate rationalization with a focus on Common man, Labour-intensive industries, farmers and agriculture, health, the key drivers of the economy.

1.1.2 Rationalization of the current 4-tiered tax rate structure into a citizen friendly 'Simple Tax' - a 2 rate structure with a Standard Rate of 18% and a Merit Rate of 5%; a special de-merit rate of 40% for a select few goods and services.

1.1.3 The changes in the GST rates have been notified vide Notification No. 9/2025-Central Tax (Rate), Notification No. 10/2025-Central Tax (Rate), Notification No. 13/2025-Central Tax (Rate) and Notification 14/2025-Central Tax (Rate) and these notifications have come into effect from 22nd September, 2025. The new distribution of items across GST slabs after the 56th GST Council meeting is thus as under:

- **NIL rate:** Significantly expanded to cover essential food items (UHT milk, paneer, all Indian breads like chapati/roti/paratha), exercise books/notebooks, erasers, pencil sharpeners, maps, and 36 lifesaving drugs.
- **5% rate (Merit Rate):** Vastly expanded to include common man items (hair oil, soap, toothpaste, bicycles), most food items (packaged namkeens, pasta, noodles, chocolates, coffee, butter, ghee), agricultural goods (tractors, farming machinery), renewable energy devices, all drugs and medicines (reduced from 12%), textiles, handicrafts, footwear up to ₹2,500
- **18% (Standard Rate):** Now includes small cars and motorcycles ≤ 350 cc, TVs, ACs, dishwashers, cement, buses, trucks, ambulances, auto parts, bidis, and most other goods
- **40% (Demerit Rate):** Limited to select items including luxury cars, motorcycles > 350 cc, yachts, aircraft for personal use, tobacco products (except bidis), pan masala, aerated beverages, caffeinated beverage and similar demerit goods

This represents a major simplification with most goods now under either 5% or 18% rate, with the 12% slab being largely phased out and the 28% slab restructured to 40% for only the most demerit items.

1.1.4 The changes in the GST rates for services have been notified vide Notification No. 15/2025-Central Tax (Rate), Notification No. 16/2025-Central Tax (Rate) and Notification No. 17 /2025-Central Tax (Rate) and these notifications have come into effect from 22nd September, 2025. Many services were shifted from 12% GST slab to 5% slab, 18% slab, and few de-merit services were placed in the 40% slab such as:

- o **5% rate (Merit Rate):** Expanded to include services availed by common man like hotel accommodation, services with room tariff up to ₹7,500/day, third-party insurance of goods carriage, cinematograph films where price of admission ticket is up to ₹100, job work services (for goods like pharmaceuticals, leather products etc.), and beauty/wellness services.
- o **18% (Standard Rate):** Post rate rationalisation, GST on several services has been revised from 12% to 18% with ITC, including certain works contract services; services of air transport of passengers in other than economy class; professional, technical and business services relating to exploration, mining or drilling of petroleum crude or natural gas or both; support services to exploration, mining or drilling of petroleum crude or natural gas or both and residual job work services not expressly covered elsewhere.
- o **40% (Demerit Rate):** Very few services pertaining to casino, gambling, race club and specified actionable claims.

1.1.5 Further, full Exemption of GST on all individual life insurance policies whether term life, ULIP or endowment policies and reinsurance thereof to make insurance affordable for the common man and increase the insurance coverage in the country. Exemption of GST on all individual health insurance policies (including family floater policies and policies for senior citizens) and reinsurance thereof to make insurance affordable for the common man and increase the insurance coverage in the country.

2. Recent Measures for Simplification and Ease of Compliance (GST):

- **Simplified GST Registration Scheme for Small and Low-Risk Businesses:** The GST Council in its 56th meeting has recommended a simplified GST Registration Scheme for Small and Low-Risk Businesses 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 (inclusive of CGST, SGST/UTGST and IGST). The scheme provides for voluntary opting into and withdrawal from the scheme. This benefits around 96% of new applicants applying for GST registration. This has been operationalized from 1 November, 2025 and is reported to be working smoothly..
- **Introduction of Simplified Registration Scheme for small suppliers supplying through electronic commerce operators:** The Council has also 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. It will ease compliance for such suppliers and facilitate their participation in e-commerce across States.
- **Sanction of risk-based provisional refund to facilitate refund claims on account of zero-rated supply of goods or services or both (i.e. export of goods or services or both or supply to a Special Economic Zone developer/unit for authorised operations:** Amendment has been made in rule 91(2) of CGST Rules, 2017 to provide for sanction of 90% of refund claimed as provisional refund by the proper officer on the basis of identification and evaluation of risk by the system.

- **Proposal for Risk-Based Provisional Sanction of refunds arising out of inverted duty structure (IDS):** The Council has also recommended amending section 54(6) of the CGST Act, 2017, to provide for sanction of 90% of refund claimed on provisional basis, in cases arising out of inverted duty structure, on similar lines as is presently available for refund in respect of zero-rated supply.
- **Amendment in CGST Act to provide for GST Refunds in respect of low value export consignments:** The Council has further recommended amendment to section 54(14) of the CGST Act, 2017 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.
- **Amendment in place of supply provisions for intermediary services under section 13(8) of the IGST Act:** The Council recommended omission of clause (b) of section 13(8) of IGST Act 2017. Accordingly, after the said law amendment, the place of supply for “intermediary services” will be determined as per the default provision under section 13(2) of the IGST Act, 2017 i.e. the location of the recipient of such services. This helps Indian exporters of such services to claim export benefits.

3. Recent Measures (including ongoing measures) for Simplification and Ease of Compliance (CUSTOMS):

- **Central Repository for Non-Tariff Measures (NTMs)-** CBIC created a centralized system using UNCTAD methodology to map NTMs issued by PGAs. 481 NTMs with Control Numbers are published on the Compliance Information Portal for trade reference and ease of understanding for the trade.
- **Hub & Spoke Model for E-commerce Exports-** A transformative postal export model launched with DoP, leveraging 1.54 lakh post offices. Legal backing provided via Postal Bill of Export Regulations (Dec 2022). Supported by FTP 2023 to empower MSMEs.
- **Electronic Certificates of Origin (e-CoO)-** This is to reduce the compliance cost, enhance security and improve the transparency in the trade process.
- **ICETAB 2.0 Launch-** Revamped smart tablets (ICETAB 2.0) launched to enhance field operations for faster customs clearance process and improve India’s Ease of Doing Business ranking.
- **Faster Duty Drawback Disbursal-** Online PFMS-based payment system introduced in June 2024 for faster, paperless, and automated duty drawback disbursal.
- **Exchange Rate Automation Module (ERAM)-** Automated exchange rate publishing system launched in July 2024, replacing manual processes and improving transparency for importers/exporters.
- **Auto Let Export Order under ECCS -** Auto LEO enabled for courier shipping bills not flagged by RMS, streamlining express cargo clearance.
- **Electronic Cash Ledger (ECL)-** Phased implementation of ECL from April 2023 allows trade users to deposit funds digitally for customs duty payments via ICEGATE.
- **Gender-Inclusive Infrastructure -** Circular issued in March 2024 mandates safe and inclusive facilities for women at logistics hubs (CFS/AFS/ICD), promoting Nari Shakti.
- **Export Benefits via Courier Mode-** From Sept 2024, CBIC extended Duty Drawback, RoDTEP, and RoSCTL benefits to courier-mode exports, boosting e-commerce.

- **Revamping of National Assessment Centres (NACs)** – NACs in faceless assessment process have been restructured from 11 to 8 for better specialization and uniform assessments.
- **Automation of Customs Refund**- Refund process digitized via ICEGATE for faster, transparent, and paperless disbursal.
- **Electronic Bond & e-BG Facility**- Single electronic bond (SEB) introduced to replace multiple physical bonds at ports to reduce the compliance burdern of the trade.
- **VEGA Framework**- VEGA enables faster cargo clearance through on-arrival movement and importer-premises examination.
- **Provisional Assessment Regulation**- Customs (Finalisation of Provisional Assessment) Regulations, 2025 was issued in Sep 2025 defining clear time lines for finalization of provisional assessment, to reduce the blockage of working capital, increase predictability and faster refund for trade.
- **IFSC Code Auto-Approval Reform**- CBIC’s introduced a system-based auto-approval mechanism for IFSC code registration of incentive-linked bank accounts. Under this reform, once an exporter’s IEC and bank account–IFSC combination is approved at any one customs location, it is automatically validated across all customs ports in India, eliminating the earlier requirement of port-wise manual approvals. This reform significantly benefits exporters by enabling faster credit of IGST refunds and duty drawbacks, improving efficiency and transparency through ICEGATE, and easing compliance for exporters operating through multiple ports.
- **Regulation for Revision of Entries Post Clearance (Section 18A, Customs Act, 1962)**- The introduction of regulations under Section 18A of the Customs Act, 1962 establishes a structured and electronic mechanism for revising entries in Bills of Entry and Shipping Bills after clearance of goods. The reform enables importers and exporters to digitally request post-clearance corrections in areas such as classification, valuation, and quantity, with system-based validation and uniform procedures across all customs formations.