

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA

UNSTARRED QUESTION NO. 1803

TO BE ANSWERED ON MONDAY, MARCH 10, 2025/PHALGUNA 19, 1946 (SAKA)

SIMPLIFICATION OF INCOME TAX BILL, 2025

1803. SHRI MUKESHKUMAR CHANDRAKAANT DALAL:

Will the Minister of FINANCE be pleased to state:

- (a) the manner in which the Government plans to ensure that the simplifications do not lead to unintended ambiguities or legal challenges in interpretation;
- (b) whether the Bill impacts revenue collection and taxpayer behaviour;
- (c) whether the simplification exercise align with the broader objectives of tax transparency, ease of doing business and digitisation efforts under faceless assessment and e-filing initiatives, if so, the details thereof; and
- (d) whether the reorganisation of sections require businesses and professionals to undergo new compliance training?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) & (b) 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.

While the exercise of simplification carried out may not have a direct or immediate effect on revenue collection *per se*, all amendments proposed up to Finance Bill 2025 have been duly incorporated in the new Income tax bill 2025. Therefore, the Bill stands updated from a policy perspective. Further, it is expected that the changes proposed in the structure of the Bill, and efforts undertaken to make the provisions in the Bill concise, lucid, easy to read and understand (as noted above) shall act as a nudge towards increased taxpayer compliance.

(c) The simplification exercise aims to create a statute of taxation that is accessible to and comprehended by not just tax professionals but informed citizens as well. Ease of paying taxes is an important pillar of ease of doing business. The approach of using clear and lucid language, increased use of tabular format for representation of information and mathematical formulas for easier understanding aims to increase tax certainty, improve ease of paying taxes and enhance ease of doing business. The existing technological reforms undertaken by the department including initiatives like pre-filled ITRs, Annual Information Statement, faceless proceedings, e-filing of various forms etc. are all retained in the Bill.

(d) Reorganisation of sections in the Income-tax Bill, 2025 has been done to facilitate ease of reference and provide a legal framework for implementing direct tax policy that is simple, clear and unambiguous. This reorganisation of sections is not expected to require businesses and professionals to undergo any new compliance training. In fact, it is expected to make compliance easier for the ordinary tax-payer.

Further, with a view to ease understanding of the new Bill, the Notes on clauses to the Income-tax Bill, 2025 explain in detail the various provisions contained in the Bill.

In addition to the above, utility to check section of Income-tax Act, 1961 (as amended by Finance (No. 2) Act, 2024) vis-a-vis corresponding Clause of the Income-tax Bill, 2025, an Income-tax Bill, 2025 navigator and Frequently Asked Questions (FAQs) for the Income-tax Bill, 2025 have been made available in the public domain, and have been appreciated and well-received.
