

# Report on I-T Act rejig by Dec

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New Delhi, August 22

**THE FINANCE MINISTRY** has set up a five-member committee to revamp the Income Tax Act, 1961, an official source said, adding the panel is expected to finalise its report by December.

The committee is headed by an officer of the rank of chief commissioner (of income tax). "After the committee submits its report, the government will amend the I-T Act...by the next Budget (in February 2025), it should be done," an official said.

While presenting the full Budget for FY25, finance minister Nirmala Sitharaman had said that the govern-

ment would set up a committee to undertake a "comprehensive review" of the I-T Act. "The purpose is to make the Act concise, lucid, and easy to read and understand."

Tax experts say that the I-T Act has witnessed several amendments since its inception, making it deep and wide, posing challenges for implementation without it being open for multiple interpretations, and thus simplification is needed. "A transition is necessitated to alleviate such interpretational issues by simplifying the definition and scope of certain terms such as 'royalty', 'income', 'liable to tax', etc, which assume significant weightage in analysing taxability of cross border transactions," said Sandeep

Jhunjhunwala, M&A Tax Partner at Nangia Andersen. Rationalising and condensing various expense types under the TDS provisions could be another zone requiring critical focus.

Shalini Mathur, Director-Tax, EY India, says that the I-T Act has as many as 33 sections that deal with different types of payments with TDS rates ranging from 0.1% to 30%. The complexity only encourages increased compliance, characterisation disputes and working capital blockage for businesses. "To simplify, B2B transactions covered by GST could be taken out of the withholding tax ambit and no more than 2-3 categories for TDS may be retained," she said.