

# CBDT forms internal panel for full review of Income-Tax Act

Public feedback invited to help make the Act concise and easy to understand

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New Delhi, 7 October

The Union finance ministry on Monday invited public input and suggestions for a review of the Income-Tax Act, which was announced in this year's Budget.

Comments were sought in four categories: Simplifying the language, litigation reduction, compliance lessening, and redundant/obsolete provisions.

The Central Board of Direct Taxes (CBDT), under the ministry, has set up an internal committee to oversee the review.

"The goal is to make the Act concise, clear, and easy to understand, which will reduce disputes, litigation, and provide greater tax certainty to taxpayers," the finance ministry said in a statement.

However, it didn't give the details about the committee.

Union Finance Minister Nirmala Sitharaman in her Budget speech this year announced a review of the Act.

"It has been our endeavour to simplify taxation. We have taken a number of measures in the last few years including introduction of simplified tax regimes without exemptions and deductions for corporate tax and personal income tax. This has been appreciated by tax payers. 58 per cent of corporate tax came from the simplified tax regime in financial year 2022-23. Similarly, as per data available till now for the last fiscal, more than two thirds have availed the new personal income tax regime," she said.



## IN REFORMS MODE

Govt has categorised suggestions into four key focus areas:

- **Simplification of language:** Reducing complexity and making the Act easier to understand
- **Litigation reduction:** Identifying provisions that lead

to disputes and offering solutions to minimise litigation

- **Compliance reduction:** Streamlining processes to reduce administrative burden on taxpayers
- **Redundant/obsolete provisions:** Highlighting outdated provisions that can be removed to modernise the law

The ministry statement said: "Suggestions should specify the relevant provision of the Income-tax Act, 1961 or Income-tax Rules, 1962 (mentioning the specific section, sub-section, clause, rule, sub-rule, or form number), as the case may be, to which the suggestion relates under the aforementioned four categories."

Tax experts are of the view that the government's initiative underpins transparency in tax policy making.

"Not only is this an unprecedented opportunity for businesses to participate in evolving tax legislation, which will govern them in future, it will also provide the policymakers with

the adequate breadth in their formulation approach. The impending tax legislation will be an important pillar of India's aspirational macro-economic future, and it is of utmost importance that the process deployed in developing this legislation is thorough, transparent and worthy," said Sumit Singhania, partner, Deloitte India.

Maneesh Bawa, partner at Nangia Andersen India, said: "This crowd-sourced approach aims to address the practical challenges faced by taxpayers, accountants, and legal professionals, ensuring that their real-world experiences help shape the reforms."

# Decades-old tax laws are set for revamp with real-world solutions

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India's direct tax authority has sought feedback from the public on revamping the six-decade-old Income Tax Act so it's easier to comprehend and comply with, while reducing the scope for disputes and erasing red tape.

The Central Board of Direct Taxes (CBDT) said on Monday that an internal committee set up to review the Income Tax Act has sought public feedback on four categories: simplification of language, litigation and compliance reduction, and redundant/obsolete

provisions. The Centre intends to make tax laws less complicated while improving ease of doing business and removing sections that have lost relevance. The Income Tax Act has 298 sections under 23 chapters. It also has 14 schedules.

Public feedback will allow the government to align proposed revamp of the tax laws with industry expectations. CBDT said the department's website will accept suggestions from 13 October, giving the government enough time to draft a Bill by the next budget session, in February.

In the past, when the government examined the need for a direct tax code, key sug-



gestions were incorporated into the Act itself rather than into a new tax code.

Experts have welcomed the move. "The focus should be on simplification and removing outdated clauses and sections.

Reducing litigation and compliance burden on taxpayers is an area that should be looked into. It's easy for taxpayers to participate in this process as the suggestions can be submitted online," said Amit Maheshwari, tax partner, AKM Global, a tax and consulting firm.

Referring to finance minister Nirmala Sitharaman's budget announcement on the tax law revamp, CBDT said its goal was to make the law concise, clear, and easy to understand, which will reduce disputes, litigation, and provide greater tax certainty to taxpayers.

Crowdsourcing of ideas is aimed at addressing practical challenges faced by taxpayers,

accountants, and legal professionals, ensuring real-world experience will help shape the reforms, said Maneesh Bawa, partner at Nangia Andersen India, a business advisory firm.

With inputs on the four specified areas, the Centre aims to make the tax system more user-friendly and efficient, ensuring benefits for all, said Bawa.

Reducing litigation has been a priority for the government as often high-pitched assessments end up in courts, which take up resour-

ces and time but result in limited recovery. It leads to large amounts being classified as tax arrears, which are difficult to recover. Over the years, the tax

department has raised the monetary threshold for filing appeals in higher courts to reduce litigation.

In the Union budget for 2024-25, the central government had raised the monetary limit for fil-

ing appeals related to direct taxes, excise duty and service tax in tax tribunals, high courts and the Supreme Court.

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