

Comprehensive review of the Income-tax Act

Key expectations from Budget 2025

A bird's eye view

In the budget for **FY 2024-25**, a comprehensive review of the Income-tax Act, 1961 was proposed to make the law more concise and lucid, in order to reduce disputes. The review was proposed to be completed within six months.

The Government had set up an internal committee to review the Act and the committee had invited suggestions for four categories: simplification of language, litigation reduction, compliance reduction, and redundant and obsolete provisions.¹

Source PIB

Key roadblocks and issues

Difficulty in simplifying provisions with a history of litigation (e.g. proceedings for reassessment, search and seizure, etc.) whilst retaining the essence and integrity of the provisions

Balancing the interests of the revenue authorities and taxpayers while ensuring that settled positions are not unjustly overturned

Given the diverse nature of taxpayers, simplification by way of a one-size-fits-all approach may not be conducive.

Possible unintended creation of additional loopholes by undertaking simplification

Key tax expectations from Union Budget 2025

Simplification of language

Simplify language of the provisions relating to Significant Economic Presence, faceless assessment and appeals, with the objective of making the language simple and easy to understand.

Simplify provisions relating to valuation of perquisites, enhancement of thresholds/limits etc.

Litigation reduction

Introduce a process of mediation (can be non-mandatory/non-binding) at the time of assessment or the appellate stage to expedite fair resolution of cases.

Removal of obsolete provisions

Consider removal of provisions wherein the sunset clause has expired – e.g. deduction for investments in plant and machinery, especially in backward areas (32AC and 32AD), tax holiday benefits for newly set up Special Economic Zone units, provisions relating to capital gains tax exemptions which are no longer in force etc.

Compliance reduction

Consider introducing a consolidated single master form system to replace the multiple event-based forms that are currently filed. This would ensure that taxpayers are not unnecessarily penalised if there is an unintended non-compliance merely due to the multitude of forms.

Facilitate real-time tracking and automatic update of tax deducted/collected at source, advance tax and self-assessment tax payments in income tax returns.

Clarify or provide clear monetary thresholds for filing of returns by overseas entities claiming tax treaty benefits.

Extend exemption from filing of returns to transfer pricing compliances as well as for transactions where taxes are withheld as per domestic tax law provisions.

Overview of the existing Income-tax Act

298 sections in the Income-tax Act, 1961

134 rules in the Income-tax Rules, 1962

14 schedules and 23 chapters in the Income-tax Act, 1961

More than 70 income tax forms



Our perspective

A simplified Income-tax Act is imperative for fostering a more transparent and efficient tax system. Simplification can significantly ease the burden of compliance on taxpayers by removing ambiguities in tax provisions and reducing the scope for disputes/varied interpretations. This shall facilitate greater compliance and reduced litigation, thereby promoting tax certainty for the taxpayer, and making the process of tax collection more efficient and less prone to errors or delays.”