



KAMARAJ IAS ACADEMY
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Income Tax Bill- 2025

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Context:

The **Income Tax Bill** proposes a comprehensive overhaul of the existing **Income-tax Act, 1961** with the aim of simplifying its structure and language, making it more user-friendly, and enhancing the ease of doing business in India. Here are the key aspects of the bill:

Need for the Bill:

1. **Numerous Amendments:** The existing IT Act, 1961, has undergone numerous amendments over the years, leading to a complex and fragmented structure that needs updating.
2. **Complicated Language:** The language of the Act has become difficult to understand, increasing compliance costs for taxpayers and reducing the efficiency of direct-tax authorities.

Key Highlights of the Bill:

1. Reduced Volume:

- The bill proposes to **remove 283 sections** and **24 chapters** from the existing IT Act, 1961, significantly reducing its complexity.

1. Language Simplification:

- The bill introduces the term **'tax year'** to replace confusing terms like **'financial year'** and **'assessment year'**, simplifying the understanding of the tax cycle.

1. Detailed Framework:

- The bill provides a **clear definition of taxable income**, compliance rules, and restrictions related to commercial activities, making it easier for businesses and individuals to navigate the tax system.

1. Provision for Virtual Digital Assets:

- The bill explicitly **defines "virtual digital assets"** (such as cryptocurrencies and NFTs) and lays out clear provisions for their taxation, addressing the growing need for clarity in this area.

1. No Change to Tax Slabs:

- **Tax slabs and rebate structures** remain unchanged, ensuring **continuity** while the bill focuses on enhancing usability and clarity.

1. Removal of Redundant Sections:

- The bill removes outdated provisions, such as the **'fringe benefit tax'**, which are no longer relevant, further simplifying the legislation.

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthy Colony, Anna Nagar, Chennai, Tamil Nadu 600040

Phone: **044 4353 9988 / 98403 94477 / Whatsapp : 09710729833**

1. Other Key Features:

- The bill introduces **easy-to-read tables** to explain tax-related matters.
- It incorporates a **Taxpayers' Charter**, which outlines the rights and responsibilities of taxpayers, fostering greater transparency.
- **Alternate dispute resolution mechanisms** are also provided for, ensuring smoother resolution of any tax-related conflicts.

Overall Impact:

- The bill's focus on simplification, clarity, and the inclusion of provisions for modern financial concepts like virtual digital assets aims to reduce compliance burdens, enhance transparency, and improve the efficiency of the tax administration system.