

Panel formed to simplify direct tax laws

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The revenue department in the finance ministry has formed a panel headed by V K Gupta, chief commissioner of income-tax (I-T), to simplify the decades-old I-T Act.

In its preliminary discussions, the panel focused on rationalising exemptions, raising the computation methods to global standards, and making the appeals system less cumbersome.

During discussions over the past few days and supervised by Central Board of Direct Taxes (CBDT) Chairman Ravi Agrawal, it emerged that more than 90 Sections of the

1961 law have lost their relevance, officials privy to the deliberations told Business Standard.

“This (redundant Sections) is especially in the areas of exemptions and deductions, including special economic zones, telecommunications, capital gains, and so on,” said one of the officials.

This will also help transition the tax system further towards an exemption-free regime.

“Applicability of several exemptions and deductions has ended, but they are still part of the statute and make the law complicated. There could be a separate annexure for

these Sections for reference in pending judicial matters,” the official explained.

The finance minister, while presenting this year’s Budget on July 23, had promised a “comprehensive” review of the I-T laws in six months to make them simpler, more lucid, and easier to understand. The CBDT, the apex body governing direct taxes, is confident of meeting this timeline.

In addition, the panel broadly discussed streamlining the tax filing process, simplifying the language, and further technological advancement.

Committee, led by I-T Chief Commissioner V K Gupta, finds more than 90 Sections as redundant

Panel to simplify direct tax laws in line with Budget promise

One of the ideas on the table is to align the computation of taxable profits with global accounting principles, barring a few sectors. The panel is expected to hold a series of meetings from September onwards, based on inputs from field officers.

A text message to Gupta and an email sent to CBDT remained unanswered until the time of going to press.

Another official said it was too early to say whether the fresh draft would replace the I-T Act, 1961, as more clarity would emerge after understanding the issues on the ground. "That is why we sought inputs from field formations," said the official.

In 2017, the National Democratic Alliance government set up an expert committee to draft a new direct tax code (DTC) whose report was submitted to Finance Minister Nirmala Sitharaman on August 19, 2019. It is yet to be made

public, but it is learned that the task force suggested major changes to make the law more effective and equitable. "Much water has flown under the bridge since the DTC draft was submitted, given the changes brought over the years. The whole exercise requires a fresh look," said one of the two officials cited above.

According to Sudhir Kapadia, senior advisor with professional services firm EY, the current direct tax law has become too complicated due to multiple changes and interventions over the years.

"One approach for simplification could be to focus on the 'design principles' of the law and the process part in a differential manner," he said. Experts say the government should engage with all stakeholders before coming out with a draft of changes in the law to make the exercise more relevant and meaningful for taxpayers.

