Government of India
Ministry of Finance
Department of Revenue

LOK SABHA
UNSTARRED QUESTION NO. 2479
TO BE ANSWERED ON MONDAY, AUGUST 3, 2026/SHRAVANA 12, 1948 (SAKA)

TAX REFORMS FOR EXPANDING TAX BASE

2479. SHRI BAIJAYANT PANDA:

Will the Minister of FINANCE be please to state:

(a) the major tax reforms introduced during the FY 2025-26 aimed at promoting voluntary compliance, expanding the tax base and reducing litigation;
(b) whether the Government has conducted any assessment of the impact of these reforms on revenue buoyancy, taxpayer compliance costs and the investment climate;
(c) if so, the details thereof; and
(d) the steps taken by the Government to support taxpayers and businesses in understanding and adapting to these reforms through outreach, digital services and capacity-building initiatives?

ANSWER
MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a): Details of major tax reforms during FY 2025-26 aimed at promoting voluntary compliance, expanding the tax base and reducing litigation are placed at **Annexure- 1.**

(b) & (c): The tax reforms implemented during FY 2025–26 have resulted in a significant improvement in the revenue buoyancy of Corporate Income Tax. The revenue buoyancy of Non-corporate Income Tax was muted during FY 2025-26 on account of taxpayer relief measures, including the enhancement of the exemption limit for individuals and HUFs and the rationalisation of the tax slab structure.

The GST rate rationalisation, effective from 22nd September, 2025, is aimed at simplifying the tax structure and is part of the Government's continued emphasis on ease of doing business to boost consumption in the economy. The reduction in tax burden on essential goods, services, and emerging sectors is expected to lower the cost of living, improve affordability, and stimulate consumption demand, thereby having a positive impact on GST revenue. Available data indicates that after the implementation of GST rate rationalisation, the GST collection has shown continuous increase. Gross GST collections (CGST + SGST + IGST) have registered a growth of 7.93% during the period following the rate rationalisation, i.e., from November, 2025 to July, 2026, reflecting tax buoyancy.

However, given the relatively short period elapsed since the rollout of these next-gen GST reforms, it would be premature to draw definitive conclusions on revenue buoyancy, as GST collections are seasonal in nature. Further, this period was also intermittently affected by geopolitical developments in West Asia, which impacted trade and supply chains.

(d): The steps taken by the Government to support taxpayers and businesses in understanding and adapting to these reforms are placed at **Annexure- 2.**

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Annexure- 1

Direct Taxes

- The Income-tax Act, 2025 and Income-tax Rules, 2026 were enacted to make the law concise and easy to understand, with the aim of reducing litigation and boosting voluntary compliance.
- The safe harbor regime for IT/ITeS was expanded by merging IT services, software development, KPO, and R&D services into a single "ITS" category, and it is now available to entities with revenue up to ₹2,000 crore at a 15.5% operating margin.
- The deadline for filing a revised return was extended from 31st December to 31st March following the tax year.
- A time-bound scheme was announced under the Finance Act, 2026 to let small taxpayers declare foreign assets and foreign-sourced income and avoid stricter penal provisions.
- Supply of manpower was reclassified as "payment to contractors" rather than "fee for professional services" under Section 402(47) to reduce related litigation.
- Deductions for PF, superannuation, or ESI contributions are now allowed if credited by the return-filing due date under Section 263(1), resolving earlier disputes over what counted as the "due date."
- Assessment and penalty proceedings were integrated into a single common order to enable faster dispute resolution.
- In search assessments, the block period for “other person" was limited to one year when the undisclosed income relates to only one tax year.
- Taxpayers are now permitted to file an updated return even after reassessment proceedings have begun, or when reducing a previously claimed loss.
- Under the Black Money Act, prosecution can no longer be launched for non-disclosure of non-immovable foreign assets valued below ₹20 lakh.

Indirect Taxes — GST Rate Rationalization

- The 56th GST Council meeting approved a simplified two-rate "Simple Tax" structure, with a Standard Rate of 18%, a Merit Rate of 5%, and a special demerit rate of 40% for select goods and services.
- The 12% slab was largely phased out, and the former 28% slab was restructured into the new 40% demerit rate.

- GST was fully exempted on individual life insurance policies (term, ULIP, and endowment) and individual health insurance policies, including family floaters and senior citizen plans.
- These GST changes took effect on 22nd September 2025 through Notifications No. 9, 10, and 13–17/2025-Central Tax (Rate).

Customs Duty Rationalization

- In 2023, the first tranche of customs duty rationalization merged rates and reduced their number by eight.
- In 2025, a second tranche reduced customs duty rates to eight (including zero) by eliminating the 25%, 30%, 35%, 40%, 100%, 125%, and 150% slabs.
- A new policy ensures that no industrial good attracts more than one cess or surcharge.

Compliance & Refund Measures

- A simplified registration scheme now grants automated approval within three working days to low-risk applicants passing on ITC up to ₹2.5 lakh per month, effective from 1st November 2025.
- Provisional refunds of 90% are now sanctioned within seven days for zero-rated supply claims, based on system-driven risk evaluation.
- The Finance Act, 2026 amended the CGST Act to extend the same 90% provisional refund benefit to claims arising from an inverted duty structure.
- CBIC issued field instructions effective 1st October 2025 to implement 90% provisional refunds for inverted duty structure cases pending formal legislative amendments.
- Section 54(14) of the CGST Act was amended to remove the threshold limit for export refund claims, benefiting small exporters using courier or postal channels.
- All these changes took effect from 22nd September 2025, with the goal of simplifying compliance, reducing classification disputes, and expanding the tax base.

Annexure- 2

In respect of Direct taxes

i. Launch of New Income-tax website, inter alia, containing provisions of the newly enacted Income-tax Act, 2025 and Income-tax Rules, 2026.

ii. Artificial Intelligence enabled ChatBot named 'Kar Saathi' is hosted at the website www.incometaxindia.gov.in which facilitates the taxpayers in understanding income-tax provisions and comply voluntarily.

iii. Aaykar Setu 2.0 mobile app is launched which enables the taxpayers to track due dates of compliance and income-tax provisions on their portable devices.

iv. Outreach, social media campaigns, publication and distribution of brochures, issuance of FAQs and guidelines, and organization of physical camps were undertaken to enhance awareness and provide assistance to PAN holders, taxpayers and deductors.

In respect of Indirect taxes

i. Webinars were conducted on various topics to help taxpayers and businesses to understand and adapt to major tax reforms.

ii. Seminars were organized to disseminate information on tax reforms through presentations, discussions, and interactive Q&A sessions.

iii. Several awareness campaigns were organized.

iv. Short videos, reels, TV commercials (TVCs), and tutorial videos were developed to create awareness about major tax reforms and improve taxpayers' understanding.

v. Information on major reforms was disseminated through CBIC's digital platforms and social media channels to ensure wider outreach.

vi. Step-by-step tutorial videos and user guides were prepared to enable taxpayers and businesses to independently file returns and comply with GST requirements correctly.

vii. Brochures and guidance material were made available to assist taxpayers in day-to-day compliance.