

Government Withdraws Income-Tax Bill, New Version to Be Tabled Monday



The government has withdrawn the Income-Tax Bill, 2025, from the Lok Sabha, citing the need to incorporate key recommendations from a parliamentary committee. A revised version of the bill is set to be introduced on Monday to provide a clear and consolidated legislative text.

The bill, initially tabled by Finance Minister Nirmala Sitharaman on February 13, aimed to replace the six-decade-old Income-Tax Act, 1961, with a modern, simplified framework. After its introduction, the bill was referred to a Select Committee for review. The committee, led by BJP MP Baijayant Panda, submitted its report containing numerous suggestions for modifications.

In a statement to Parliament, Sitharaman explained the withdrawal, saying, “Suggestions have been received which are required to be incorporated to convey the correct legislative meaning. There are corrections in the nature of drafting, alignment of phrases, consequential changes, and cross-referencing.” She added that a fresh bill would be introduced to replace the existing law.

The decision to withdraw the original draft and introduce a new one is intended to prevent confusion from multiple versions of the legislation.

The updated bill will reflect most of the changes recommended by the Select Committee. These changes include drafting issues that could lead to ambiguity in taxing vacant properties, proposing to allow taxpayers to claim refunds for Tax Deducted at Source (TDS) even after the

due date for filing returns without incurring penal charges, and maintaining the tax exemption on anonymous donations made to religious-cum-charitable trusts.

The original Income-Tax Bill, 2025, was part of the government's effort to modernize and streamline direct tax laws. Its core principles focused on using simpler language, reducing penalties, and simplifying provisions to make compliance easier for taxpayers.

The revised bill is expected to maintain this core structure while integrating the technical and procedural modifications deemed necessary for enhancing fairness and clarity. Officials stated the goal is to have a consolidated draft that is easy to understand and free of drafting errors, ensuring a more equitable tax treatment for citizens. The new bill will be presented for consideration in the Lok Sabha on Monday, August 11.