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"COMPARING OLD AND NEW TAX REGIMES AND REASSESSMENT CHANGES UNDER THE INCOME TAX ACT, 1961"

AUTHORED BY - SALONI RANA

Abstract

This research paper is going to make a comparison of the old and new tax regime under the Income Tax Act, 1961 while taking into account the recent amendments in Finance Act (2) incorporated in the discussion. The study begins by providing background and amendments to the Income Tax Act, 2024. This is followed by a comparison of the old federal tax, which allows for many deductions and exemptions, to the details of the new tax characterized by the lowest and lowest tax rates. The paper assesses the implications of these regulations on different taxpayer groups and evaluates their impact on tax compliance and revenue collection. In addition, the paper explores in great detail the reforms of the Budget (2) 2024, focusing attention on revaluation changes including removal of time constraints and new procedures. Analysis will show how tax administration, tax law, and litigation might be affected by these changes. These findings are aimed at not only giving an enhanced understanding of the benefits and challenges surrounding tax and audit returns but also an insight into their effectiveness in improving performance relative to tax and performance.

Keywords: Income Tax Act, 1961, Finance Bill (2), 2024, Reassessment provisions, Tax reforms, Reassessment period, Taxpayer rights, Material evidence, Indian tax regime, Tax audits, Simplification of tax laws, Tax administration, Compliance, Economic growth.

Introduction

The Income-tax Act ¹, 1961 is the bedrock of India's direct tax system and governs the collection, assessment, and recovery of income from individuals, companies, and other sources. Since its inception, the Act has provided a holistic framework for the administration of direct taxes that reflect the needs of economic growth and development. The tax system for direct taxes requires periodic updates to remain relevant. In 2020, the Indian Government notified a new tax policy to enhance the tax structure. This system features lower tax rates compared to

the old regime and introduces a more intricate system of deductions and rebates, with most tax exemptions and deductions being removed. The Finance Bill (2) ², 2024 introduces further changes to the reassessment process under the Act. These changes aim to address concerns of inefficiency and lack of fairness in tax administration by simplifying the process, shortening the duration, and clarifying procedural requirements. As business activities evolve, these reforms are intended to improve compliance³, reduce confusion, and align the tax system with modern practices, providing an updated overview of the status of direct taxes in India.

Literature Review

The tax administration in India has changed with time wherein major reforms have been directed towards eliminating inefficiencies and maintaining taxpayers' confidence. The law that has covered taxation for more than five decades is the Income Tax Act, 1961; however, the current version of the act has been criticized on grounds that these rules are pretty stringent, mainly about the returns given by the taxpayer. Historically, tax authorities have been permitted to reassess as far back as six years. In effect, this leaves taxpayers without knowledge and always in a perennial state of uncertainty. Long-term review, along with widespread discretion of tax authorities, leads to often arbitrary audit, sometimes unfair. It causes a little problem for long-term financial planning of individuals and businesses. For example, Saxena, Taxation and Economic Growth: A Study of the Income Tax Act, 1961 depicts the manner in which reassessment period creates uncertainty, thus curtailing investments and economic slowdown. Besides, Jains and Bhatia also discuss another burden in the form of frequency audits on taxpayers. They say that it is often stressful for businesses and people to maintain information on time according to the Income Tax and Employment Act. Among the major changes, the reassessment period has been reduced from six years to three years, which can be extended to five years in specific cases. It is such a reduction that is regarded as a good step towards an environment of much more efficiency that leaves taxpayers even more self-confident, with which better financial planning will be possible. According to Kumar (2021) in his book "Simplifying the Indian Tax System", this would be a positive change to India's rankings in the ease of doing business. The business could not live up to expectations for long-term analysis. Another key amendment to Bill 2024 is that there should be stricter proof before reassessment can be initiated. Tax authorities previously could use amorphous or general information to justify reassessment. The new rules require "physical evidence" so that the exercise of retrospective assessment is fact-based and verifiable. There will be fewer suspicious audits, and hence, more trusts in the system by taxpayers. Patel (2021) feels that these changes can

bring taxpayers and tax authorities closer to each other and incite a culture of compliance through the fear of worst being unfair. Though not without criticism. Others contend that the information flows for a short reassessment period may not be thorough enough for tax authorities to identify and solve complicated tax evasion cases. A short time span may also create problems in case of unearthed hidden incomes or otherwise financial crimes, which may manifest long after these periods. However, the general trend of the literature points to the fact that there is a positive overall impact of this reform, especially on the transparency side, with much taxpayer exposure reduced and its support towards the economic growth. Radical changes in tax administration. The government expects that by scaling down the reassessment period and streamlining the process for submission of initiation for audit, it will introduce a far more efficient, transparent, and taxpayer-friendly system. Although challenges exist and are mainly conformity issues with new rules, reforms should build taxpayers' confidence and support a more healthy economy through transparency in compliance.

Analysis of the New and Old Tax Regime under the Income Tax Act, 1961

The Income Tax Act, 1961, is one of the most crucial and valuable laws. At present, direct tax is administered in India through a tax system. Various reforms have been introduced to adapt to the changes in the economy and taxpayers. The tax policy under the Act has undergone major changes to simplify and improve compliance. In the old system, there were numerous sections in the tax law, with sections like Section 80C and 80D providing detailed information that enabled the use of various tools for tax saving. This marked the beginning of greater integration. The new system effectively reduces the tax rate on all types of income but eliminates most of the deductions and exemptions present in the old system. The idea behind the reform is to simplify tax filing for individuals and businesses.

This section will provide a comparison of the old tax and the new tax regimes, focusing on the features, benefits, and weaknesses of both. Comparing the various factors provides a clear understanding of the real impact of the reform on taxpayers and the functioning of the tax system.

Historical Background of the Income Tax Regime in India

The Income Tax Act, 1961, provided the foundation for direct taxes within the country that, ever since it has been in effect, has molded the taxation approach of the country. After all these

years, the Act has undergone alterations to meet the situation that is fiscally imperative to the nation, to address the needs of taxpayers, and for other purposes. This part gives an overview of how the Indian income tax system has evolved and led to the birth of the new tax system. This attempt was made by inducting key reforms and amendments. The Income Tax Act, 1961, consolidated and amended all laws relating to income and pensions, replacing the Indian Income Tax Act, 1922. The Act was comprehensive and included various sections offering different kinds of exemptions and deductions. Sections 80C and 80D, for instance, promote savings while mitigating tax liabilities by providing taxpayers with opportunities to reduce their taxable income through investments and insurance.⁴In the 1980s, the changes were significant due to economic problems and inflation during that period. Raja J. Chelliah, of the five-member Tax Reform Commission constituted in 1985, played a vital role in recommending reforms. The committee advocated simplifying the tax structure, reducing tax rates, and broadening the tax base to enhance compliance and efficiency.⁵The liberalization era led to further changes in the income tax system. These reforms aimed to improve the tax system in alignment with broader economic principles such as democratic values, support for the private sector, and integration with international trade. For instance, many of the proposals from the Taxation Committee were incorporated into the Budget Bill of 1997, including reductions in tax rates and simplification of the tax structure.⁶ These reforms were designed to provide a more predictable and clear tax environment that would support investment and economic growth⁷.

The Greatest Revolution – Finance Act, 2020

The most significant transformation was the development of a new tax system under the Finance Act, 2020. This new system replaced the previous structure of exemptions and deductions with a more streamlined approach. The aim was to simplify tax compliance for individuals and businesses by reducing complexity and inefficiency. The new regime introduced lower tax rates, with tax rates of 5% for income between ₹250,000 and ₹500,000, 10% for income between ₹500,000 and ₹750,000, and up to 30% for income exceeding ₹1.5 million.⁸ In contrast, the old regime featured different slabs with varying rates and allowed numerous deductions under sections 80C, 80D, and 24(b) related to home loan interest, charitable contributions, life insurance, and mortgage interest. The reform was intended to simplify tax collection by reducing the number of deductions and exemptions required⁹.

The Finance Bill (2), 2024, introduced additional changes aimed at improving the tax system. These amendments focus on enhancing the accuracy and efficiency of the reassessment

implementing new procedures designed to be more transparent and fair in tax administration. The government's goal with these reforms is to reduce litigation, increase taxpayer confidence, and make the process clearer and more straightforward. These ongoing efforts reflect a commitment to ensuring security, efficiency, and integrity in the tax system. From the introduction of the Income Tax Act, 1961, through the minor amendments of the 1980s and 1990s, to the major overhauls under the new tax regime and subsequent reforms, the income tax system has continually adapted to meet the evolving needs of economic development¹⁰.

Inheritance Tax under the Income Tax Act, 1961

The old tax rules under the Income Tax Act, 1961, were notably intricate due to the numerous exemptions and deductions available. The system was meticulously designed to facilitate financial planning and encourage savings and investments through various tax relief mechanisms. Income under this regime was taxed according to specific schedules where different tax rates were applicable to varying income brackets. For individuals below 60 years of age, the tax schedule was structured such that income up to ₹2.5 lakh was exempt from tax, income between ₹2.5 lakh and ₹5 lakh was taxed at 5%, income between ₹5 lakh and ₹10 lakh was taxed at 20%, and income exceeding ₹10 lakh was taxed at 30%.¹¹ Senior citizens (aged 60 years and above but below 80 years) and super senior citizens (aged 80 years and above) benefited from higher basic exemption limits and differing tax slabs¹².

A key feature of the old tax regime was Section 80C of the Income Tax Act, which allowed taxpayers to claim deductions of up to ₹1.5 lakh per annum on investments in specified assets. These included contributions to Employee Provident Fund (EPF), Public Provident Fund (PPF), and National Pension System (NPS) contributions.¹³ Such provisions were designed to incentivize savings and investments while providing tax relief. Additionally, Section 80D permitted deductions up to ₹25,000 per annum for premiums paid on health insurance policies for the taxpayer, their spouse, and dependent children, with an additional ₹25,000 available for premiums paid for parents, increasing to ₹50,000 if the parents were senior citizens¹⁴.

Section 24(b) allowed a deduction of up to ₹2 lakh per annum on the interest paid on home loans for self-occupied properties, providing significant relief to homeowners and supporting property ownership.¹⁵ Section 10(14) of the Act exempted specific allowances such as House Rent Allowance (HRA), conveyance allowance, and other compensatory allowances received by employees. For HRA, the exemption was determined based on the rent paid, the city of

residence, and the taxpayer's salary.

Further, Section 80E provided deductions for interest paid on loans taken for higher education, aiding taxpayers who undertook advanced studies by alleviating the financial burden of educational loans.¹⁶ Section 80G allowed deductions for donations made to charitable institutions and organizations, with the extent of the deduction depending on the nature of the organization and the type of donation. Some donations were eligible for 100% deductions, while others qualified for 50% deductions.¹⁷

The old tax regime was lauded for promoting savings and financial planning but faced criticism for its complexity and administrative burden. The multitude of exemptions and deductions created significant compliance challenges for taxpayers. In response to these issues, the new tax regime introduced in 2020 aimed to simplify tax compliance by offering lower tax rates and removing most exemptions and deductions, thus reducing the overall compliance burden and streamlining the tax filing process¹⁸.

Features of the New Tax Regime

As a transformative overhaul of India's income tax system, the new tax law introduced under the Finance Act, 2020, seeks to restructure the tax framework to facilitate ease of compliance and lower tax rates. This new regime has largely eliminated most tax exemptions and deductions, aiming to streamline the taxation process and reduce the compliance burden on taxpayers.¹⁹ Under this law, many incomes now benefit from reduced tax rates, and the overall tax base has been adjusted accordingly.

According to the new tax law, the income tax schedule has been revised as follows: incomes up to ₹2,50,000 are tax-free, incomes between ₹2,50,000 and ₹5,00,000 are taxed at 5%, incomes between ₹5,00,000 and ₹7,50,000 are taxed at 10%, and incomes between ₹7,50,000 and ₹10,00,000 are taxed at 15%. Further, incomes between ₹10,00,000 and ₹12,50,000 are taxed at 20%, incomes between ₹12,50,000 and ₹15,00,000 are taxed at 25%, and incomes exceeding ₹15,00,000 are taxed at 30%. This adjustment aims to reduce the total tax liability for individuals across various income brackets²⁰.

The new regime notably eliminates several deductions and exemptions previously available under the old tax laws. Deductions under Section 80C for investments in EPF, PPF, and ELSS,

as well as deductions for health insurance premiums under Section 80D, are no longer applicable. Additionally, deductions for interest paid on home loans under Section 24(b), exemptions for HRA under Section 10(14), and deductions for mortgage loans under Section 80E, as well as allowances under Section 80G, have been removed. By removing these provisions, the government aims to simplify tax calculations and reduce the complexities associated with tax compliance and record-keeping²¹.

The removal of numerous exemptions and deductions is intended to simplify the tax process, making tax management clearer and more straightforward. This approach is designed to increase efficiency in tax administration by minimizing conflicts and errors related to the implementation of various tax benefits. The new tax law allows taxpayers to choose between the old and new tax systems based on their economic status and preferences. Individuals who benefit more from deductions may choose the old regime, while those who prefer a simplified tax structure with lower rates may opt for the new regime. Overall, the new tax policy represents a shift towards a more taxpayer-friendly system, aimed at improving compliance and easing the tax collection process²².

A Comparative Analysis of the New and Old Regimes

The transition from the old tax regime to the new tax structure under the Finance Act, 2020, represents a significant overhaul in India's tax policy, aiming to simplify compliance while lowering tax rates. The old tax regime, while offering a range of exemptions and deductions, was characterized by a complex tax structure with various brackets and numerous provisions. For individuals under 60 years, the tax brackets were set as follows: income up to ₹2.5 lakh was exempt, income between ₹2.5 lakh and ₹5 lakh was taxed at 5%, income from ₹5 lakh to ₹10 lakh at 20%, and income exceeding ₹10 lakh at 30%. Senior citizens, between 60 and 80 years, had a higher exemption limit of ₹3 lakh, while those above 80 years benefited from even more favorable tax conditions²³.

The old tax regime included several key provisions designed to encourage savings and financial planning. Section 80C allowed for deductions up to ₹1.5 lakh on investments in instruments such as EPF, PPF, and ELSS.²⁴ Section 80D provided deductions on health insurance premiums, with a limit of ₹25,000 for oneself, spouse, and dependent children, and an additional ₹25,000 for senior citizens.²⁵ Section 24(b) permitted deductions of up to ₹2 lakh on home loan interest.²⁶ Section 10(14) offered exemptions on HRA based on factors such as rent and city of

residence, while Section 80E allowed deductions for education loan interest. Section 80G facilitated deductions for charitable donations. Although these provisions supported taxpayers by reducing taxable income, they also introduced complexity into the tax calculation process.

In contrast, the new tax regime simplifies the tax structure by eliminating most deductions and exemptions. Under this system, income up to ₹2.5 lakh remains tax-free, with the following slabs: 5% tax on income between ₹2.5 lakh and ₹5 lakh, 10% on income between ₹5 lakh and ₹7.5 lakh, 15% on income between ₹7.5 lakh and ₹10 lakh, 20% on income between ₹10 lakh and ₹12.5 lakh, 25% on income between ₹12.5 lakh and ₹15 lakh, and 30% on income exceeding ₹15 lakh.²⁷The new regime does away with deductions under Section 80C for investments, Section 80D for health insurance premiums, Section 24(b) for home loan interest, and Section 10(14) for HRA, which were previously integral to reducing tax liabilities²⁸.

The impact of these changes varies among different income groups. Low-income taxpayers see little difference, as both regimes offer similar exemption thresholds. Middle-income earners, who previously benefited from various deductions, may find themselves facing higher tax liabilities under the new regime due to the removal of these benefits, despite the simpler calculation process. High-income earners may benefit from the new regime's lower tax rates on higher income brackets and simplified filing process, although they lose out on specific deductions. Senior citizens, who enjoyed additional exemptions and deductions under the old regime, may face increased tax liabilities under the new system, but will benefit from a less complex tax structure.

Overall, the new tax regime represents a shift towards a more straightforward tax process with reduced rates, but it comes at the cost of eliminating significant deductions. Taxpayers need to evaluate their individual financial situations to determine which regime suits them best: the old system, which offers more opportunities for deductions, or the new system, which simplifies tax calculations and offers lower rates.

Changes in the Reassessment Regime Vide Finance Bill (2), 2024 Budget (2), 2024-2025 There are considerable overhauls in the reform measures taken by the Indian government to make the system more efficient, transparent, and better to pay taxes²⁹. These reforms aim at reducing unnecessary litigation, streamlining procedures for tax authorities, and ensuring environmental compliance while preventing abuse of power. The new law has reduced this

period to three years, but in the earlier regulations, it used to be six years from the last date of the relevant assessment year. It in turn binds the power of the tax department to audit the senior citizens in no time, and it increases the confusion and frustration of the taxpayers in the long run³⁰. Currently, reassessment is only possible after three years in special cases, especially when income from the assessment is 50 million or more. This change is an important service to taxpayers since they can manage their finances more confidently by reducing unnecessary and lengthened assessments³¹. Conditions for Reassessment, It provides that reassessment is allowed only when the Assessing Officer has "correct information" that the income has not been assessed. Such information must come from authentic sources such as tax treaties, auditing institutions, or information obtained through financial or non-financial sources. This particular requirement guards against improper assessment practices by a tax authority by not reassessing on mere suspicion but reasonable grounds³². The intention of this step is to avoid errors in or misleading reports. The Agreement, This supplementary checking procedure aims at reassessment decisions being reasonable and aligned with the laws laid down. On that note, it is to avoid lower ranking tax authorities' misuse of reassessment authority and reopen cases in a more disciplined, systematic manner³³. The new system would specifically focus its attention on high-risk groups of taxpayers by applying a risk-based approach, thus minimizing the risk of returns from few risky taxpayers who almost always follow up³⁴. Separation helps in channelling the resources appropriately towards non-compliance cases where feasible and avoid unnecessary attention on the majority of taxpayers. The positive change also aims at eliminating triviality grounds for reassessment. A small key in an employee's tax return could be the cause of a reassessment and would then subject the taxpayer to undue stress and anxiety. This would not be so with the Finance Law 2024 (2), which appeared to reopen only items that were inconsistent with that taxpayer's income. This change reduces the administrative burden on taxpayers and tax authorities, ensuring that audits are only conducted where there is reason to believe that money has been taken or most of it has been removed. Introduction to Anonymous Analysis, The government has gone digital in all areas of tax administration, and tax returns are no exception. It reduces the direct interaction between taxpayers and tax authorities, which otherwise would harass or extort them. Its review is more transparent and fair; reviewers are neutral and fair. It is one step forward towards creating a better environment for more taxpayers and protecting the interest of tax authorities. The new system will balance revenue protection with the reduction of time burden on taxpayers. The reduction period wherein a case can be reopened with the necessity to provide specific information when reopening a case, presents risk as a strategy and provides

for an anonymous assessment. Litigation is likely to reduce while compliance improves as the review process becomes more transparent.

Reassessment Laws Before Finance Bill (2), 2024

Assessment under Income Tax Act means that whenever it is believed that there is a portion of income which has not been accounted for, the Assessing Officer can verify if the assessment already completed in the past is correct or not³⁵. The rationale of the Act is correcting ignorance in the original assessment or determination of the unreported income of the taxpayer. However, the system has been criticized for the long existence, ambiguity, and vulnerability to abuse by the tax authorities³⁶. Prior to the Finance Bill (2), 2024, there was a more general time frame for resumption of assessments. If the income of the evader crosses a particular point, then the policy will be reassessed within four years from the end of the assessment year. The same can even go up to six years in cases where income exceeds Rs 1 lakh. In all important cases involving foreign assets or even where the account holder has not reported significant income, the assessment can even be done after 16 years. This raises a concern because they tend to remain open to reassessment for quite a very long period³⁷. This sets a scenario where taxpayers, especially the high-income earners, are not in a position to shun the fear of reassessment even after years from the completion of the first assessment. The Reopening Power of the Tax Authorities: Tax authorities' reopening power is imperative. If the AO "believes" that he has not assessed the income, he can reopen the case. But this can be explained and normally done to insist on the precursory returns from the general where the law mandates the AO to have valid information or new evidence showing the income. The administrative office has to be approved by a superior authority such as the Joint Director of Revenue³⁸. But these measures are not long-term as the taxpayers complain that the process is so casual that it allows an opened case to once more fail at reopening. It is seen that most cases are once more reopened by the court on grounds of weak or deficient evidence, adding a lot of unnecessary burden on the taxpayer and the judiciary since common places for taxpayers who go to court or tribunal against such decisions. Though tax authorities possess wide powers, there are still so many checks that prevent a taxpayer from discovering questionable facts³⁹. The first check is that the AO can reassess only after acquiring new evidence. And if there is no valid reason, the taxman may not even reach the court itself. The assessee cannot raise new grounds under mere change of opinion by the AO. The Supreme Court and the High Courts have traditionally held that the new information or evidence must be available only after the original assessment has been made. Therefore, once a notice has issued under Section 148, the

taxpayer can place his reasons for not opening the case. The AO would weigh such objections before making a revised decision⁴⁰. This allows taxpayers time to protect themselves against the reassessment. There is a problem of abuse. The liberal time allows for cases to be opened years after the initial assessment, which confuses and frustrates taxpayers. This is majorly because of discontent that harassment is carried out in reassessments instead of correcting undeclared income. Additionally, the number of audit notifications heightens the pressure on the Tax Courts and tribunals hence prolonging the time spans involved in the various cases. Finance Bill (2), 2024 grants broad discretionary powers to tax authorities to reopen cases long term. Although there are some safeguards, such as the fact that new information requires approval from higher authorities and sometimes is deemed to be insufficient enough to prevent its abuse, the critiques of the reforms set up in the Budget Bill (2), 2024 largely targeted the reassessment process as being inadequate, unfair, and inefficient.

Significant Changes in Tax Bill 2024(2)

A significant change in India's tax administration is brought about by the Finance Bill (2), 2024⁴¹, especially through amendments to the Income Tax Act. The changes aim to make the system of tax reassessment more transparent, efficient, and fair, while also rectifying grievances held regarding reassessments and the rights of taxpayers for years. One of the most important changes introduced by the Finance Bill (2) is the reduction of the reassessment period from six years to three years in most cases. In special circumstances, the period may be extended up to five years. This change is important for better reassessment, focusing on new and relevant financial information. This would reduce long-term uncertainties that most taxpayers face regarding their tax liabilities. In effect, this makes the process more transparent and enables taxpayers to engage in proper financial planning, thus creating an enabling environment for economic growth and development⁴². Taxpayers will benefit from increased predictability of their tax liabilities, which will enable them to make informed decisions concerning investments, savings, and spending. Businesses, for one, would appreciate operating without the fear of long-term tax audits that may disrupt their financial planning. With this clearer timeline, assessments will be more efficient, leading to a more effective tax administration. Another major alteration requires "substantial evidence" to be submitted before issuing a reassessment notice. Previously, tax authorities were allowed to reassess after receiving dubious or general information from other sources. However, the new rules mandate that, in order to reassess, there must be evidence that income had been evaded assessment. This is essential for protecting taxpayer rights and preventing audits without a solid basis. The

claims made by tax authorities must now be validated, leading to a more comprehensive and accurate assessment of tax documents. Consequently, this will increase the overall efficiency of tax audits since officials will have to rely on reliable and accurate information rather than guesswork. Thus, taxpayers can feel assured that any action taken against them will be based on solid evidence, reducing the perception of unfair assessments. Moreover,⁴³ the Finance Bill (2) has strengthened the doctrine of finality in tax assessments by prohibiting the reopening of cases that have surpassed the five-year mark. The rules now stipulate that tax authorities are not allowed to reassess after five years have passed since the case was closed unless there is sufficient proof that income has escaped assessment. This is a breakthrough in safeguarding taxpayers from frequent and unaccountable audits over the years. It underscores the importance of pre-assessment accuracy for taxpayers. This change will not only alleviate the pressure that frequent audits bring but also motivate taxpayers to maintain accurate records and comply with tax laws, knowing that their previous returns are not under constant scrutiny. These modifications aim to improve taxpayer confidence. When taxpayers know that transparency and fairness are integral to the process, they are more likely to comply, ultimately resulting in increased government revenue for India. Not only will this update the process to align with international best practices, but it also sends a strong message of the government's intention to create a fair and efficient tax environment. These reforms may enhance India's reputation as a destination for domestic and foreign investment, facilitating better decision-making and financial management. The Finance Bill (2), 2024, represents a significant step change in India's tax landscape. The reforms focus on efficiency, accountability, and the protection of taxpayer rights⁴⁴ with the aim of creating a fair tax environment. They are expected to strengthen the relationship between taxpayers and tax authorities, resulting in a stronger and more reliable tax system in India. Such changes will not only enhance taxpayer compliance but also further solidify the fundamentals of the Indian economy, promoting sustainable growth in the long run.

Conclusion

The merits and demerits of the old and new tax regimes, and the quantum leap in the system through the Budget, 2024 (2), are discussed at length. It has been criticized for being an over-complicated budget with a long review phase and message, usually resulting in muddle and lack of transparency and trust among taxpayers. Reassessments may take as long as six years; thus, there is extended uncertainty for individuals and enterprises. Because of the substantial degree of discretion vested in the tax authorities to reassess based on general guidelines or

questions, it becomes subject to frequent and sometimes unfair audits. The system, though well-established, is being defeated in its objectives because of administrative hurdles and lack of clarity regarding the responsibilities of taxpayers. Tax System (2), 2024 reflects the aim of simplifying the tax process and solving many long-standing problems. The most effective changes include reducing the reassessment period from six years to three years, which may further be extended up to five years in exceptional cases. This is a huge benefit to taxpayers, given their different needs, as it will enable them to have good financial planning without any uncertainty over unexpected measures in the year following the return presentation. In addition, this system increases the equity and accountability of the tax audit process, particularly in making reassessments more informative. This is because, before a notice of reassessment is filed, there must be "substantial evidence." Taxpayers will now be more assured that they are unlikely to suffer from inappropriate or inadequate audits, which were the cruel faults of the old system. Businesses can better plan their strategies with shorter periods and stronger evidence, reducing the shock of lengthy reviews and delayed reassessments. The period for reopening a case beyond five years is specifically restricted to limited cases, which saves businesses and individuals from reassessment, thus providing a stable and predictable environment.

The Finance Bill 2024 (2) changes are much-needed steps for making the Indian tax system efficient, transparent, and taxpayer-friendly. Most of the lacunas surrounding the previous system, particularly concerning reassessment, have been addressed in the new system, making it fair and transparent to taxpayers. While challenges remain, especially with a shorter period for recovery, the overall impact of these reforms is likely to be beneficial for both taxpayers and the government. The new tax policy can play a significant role in improving the business environment in India and support long-term growth and development by fostering trust and compliance.