



KPMG in India's survey on the proposed comprehensive review of the Income-tax Act, 1961



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KPMG in India's survey on the proposed comprehensive review of the Income-tax Act, 1961

- The Government of India had, in July 2024, announced to undertake a comprehensive review of the Income-tax Act, 1961 ('the Act'). The aim is to make the Act concise, lucid, easy to read and understand, which will reduce disputes and litigation, thereby providing tax certainty to the taxpayers.
- While the simplification exercise is underway, KPMG in India conducted a survey in January 2025 to capture industry views and expectations therefrom. The key findings of this survey are briefly set out below:

Areas of tax simplification and tax rates

- Simplification in the area of dispute/litigation is one of the topmost ask for about **84 per cent** of the respondents. Apart from tax litigation/disputes, the respondents felt that other key area that requires attention is simplification of TDS provisions, which today covers more than 30 provisions for various transaction categories. About **64 per cent** of the respondents believe that simplification of TDS provisions is the need of the hour.

Bringing more certainty in interpretation of law

The focus of the Government has been on 'minimum government and maximum governance'.

- A step towards this could be by providing upfront clarity to the taxpayers for reducing litigation. Respondents were asked as to whether the Government should create an income-tax commentary *akin* to the OECD commentary, to which **96 per cent** responded that such a commentary would be beneficial.
- Similarly, **93 per cent** of the respondents agree that incorporating beneficial clarifications from existing circulars/notifications directly into the Income-tax Act could enhance certainty, reduce ambiguity, and ensure uniform application of tax laws by both the taxpayers and the tax authorities.

Action for dispute resolution

With more than 6 lakhs tax cases pending disposal at various forums, out of which about five and half lakhs¹ cases pending just with the Appellate Commissioner forum ['CIT(Appeals)'], there is an urgent need for the Government to take some concrete steps to accelerate disposal of these pending cases.

- **69 per cent** of the respondents supported the idea of the Government exploring the introduction of a mediation/arbitration scheme, as such an initiative could facilitate early and amicable dispute resolution, thereby reducing litigation.
- On the Dispute Resolution Panel ('DRP') front, it appears that the inability of the tax department to appeal against the decision of the DRP has reduced its efficacy. Nearly **62 per cent** of the respondents are of the view that allowing tax authorities to appeal DRP orders would enhance the effectiveness of the dispute resolution panel process.
- About **83 per cent** of the respondents agree that while selecting cases for scrutiny, due weightage should be assigned to quality of controls implemented in the tax function of corporate taxpayers. As the Indian economy matures, there may be an opportunity for tax administration to design parameters which may be used as a guidance to assess quality of controls in the tax function of the taxpayers. The idea seems progressive and can help the country move to trust based compliance.

Making compliance easier

- The Government has taken series of steps to ease the compliance burden for taxpayers in India. With the objective of imparting greater transparency, efficiency, and accountability, the Government has introduced faceless assessment and appeal mechanism. While **61 per cent** of the respondents prefer the hybrid mode of interactions with tax officials, with some improvements, **35 per cent** of the respondents are inclined towards complete transition to faceless mode for all interactions (including transfer pricing and international tax). **Only 4 per cent** of the respondents would prefer to completely go back to offline mode. This feedback validates the initiatives taken by the Government on this front.
- While a lot has been done to automate processes, there are few areas which still require the attention of the Government. Nearly **87 per cent** of the respondents ask for doing away with the mandatory issuance of TDS certificates. With the amount of TDS already getting reflected in Form 26AS, issuance of TDS certificate only leads to additional compliance burden, without any effective utility. About **64 per cent** of the respondents also believe that TDS credit in all situations should be given as per Form 26AS, irrespective of the year in which the underlying income is offered to tax.

1. Central Action Plan 2024-25 issued by the Central Board of Direct Taxes

- About **82 per cent** of the respondents believe that the time limit to file the belated/revised return should be extended to at least 31 March of the relevant assessment year. The current time limit is too short, especially for taxpayers subject to transfer pricing provisions, leaving them with a very limited window to rectify errors, if any, or consider any additional information received post filing of the original tax return.
- About **61 per cent** of the respondents want to continue with the current faceless regime, albeit with some improvements.

However, specifically with respect to the CIT(A) appellate process, **61 per cent** of the respondents want it moved out of faceless mode. More than **98 per cent** of the respondents want the Government to introduce mandatory timelines for disposal of appeals by the CIT(A). This feedback may be evaluated in the backdrop of huge pendency of appeals at the CIT(A) level.

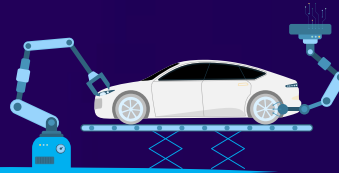
Some interesting results

- While the outcome of the tax simplification/comprehensive review of the Act is eagerly awaited, **56 per cent** of the respondents believe that given the time constraint, the exercise may not result in any material changes immediately and they believe that the feedback/public comments collected in the course of this exercise could help the Government to bring about changes in a gradual manner.
- On being asked as to whether there is a need for rationalisation of corporate tax rates, **58 per cent** of the respondents want the rates to be reduced. Interestingly, almost **one-third** of the respondents are happy with the existing rates.
- While the respondents have overwhelmingly appreciated the use faceless mode for interacting with the tax authorities, the overall experience on faceless assessment have evoked a mixed response. Out of those respondents who experienced faceless assessment, half of them felt that it did not result in reduction of high-pitched assessments.
- Lastly, as high as **94 per cent** of the respondents believe that the Government should reorient the transfer pricing safe harbour rules to expand its scope and attractive enough for taxpayers to opt for.

Sector

216
Responses

2.31
per cent
Automotive



16.20
per cent

Financial services



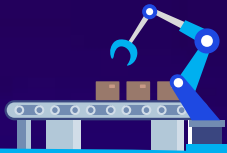
5.09
per cent

Consumer markets



20.37
per cent

Industrial
manufacturing



6.48 per cent

ENR



3.70
per cent

Infrastructure



18.06
per cent

Others



7.41 per cent

Life sciences pharma
and healthcare



20.37
per cent

Technology



01

General questions

What do you think will be the likely outcome of the simplification exercise being carried out by the government?

25.46
per cent

The exercise may only simplify provisions without any substantive changes

18.52
per cent

The exercise may simplify provisions with substantive changes

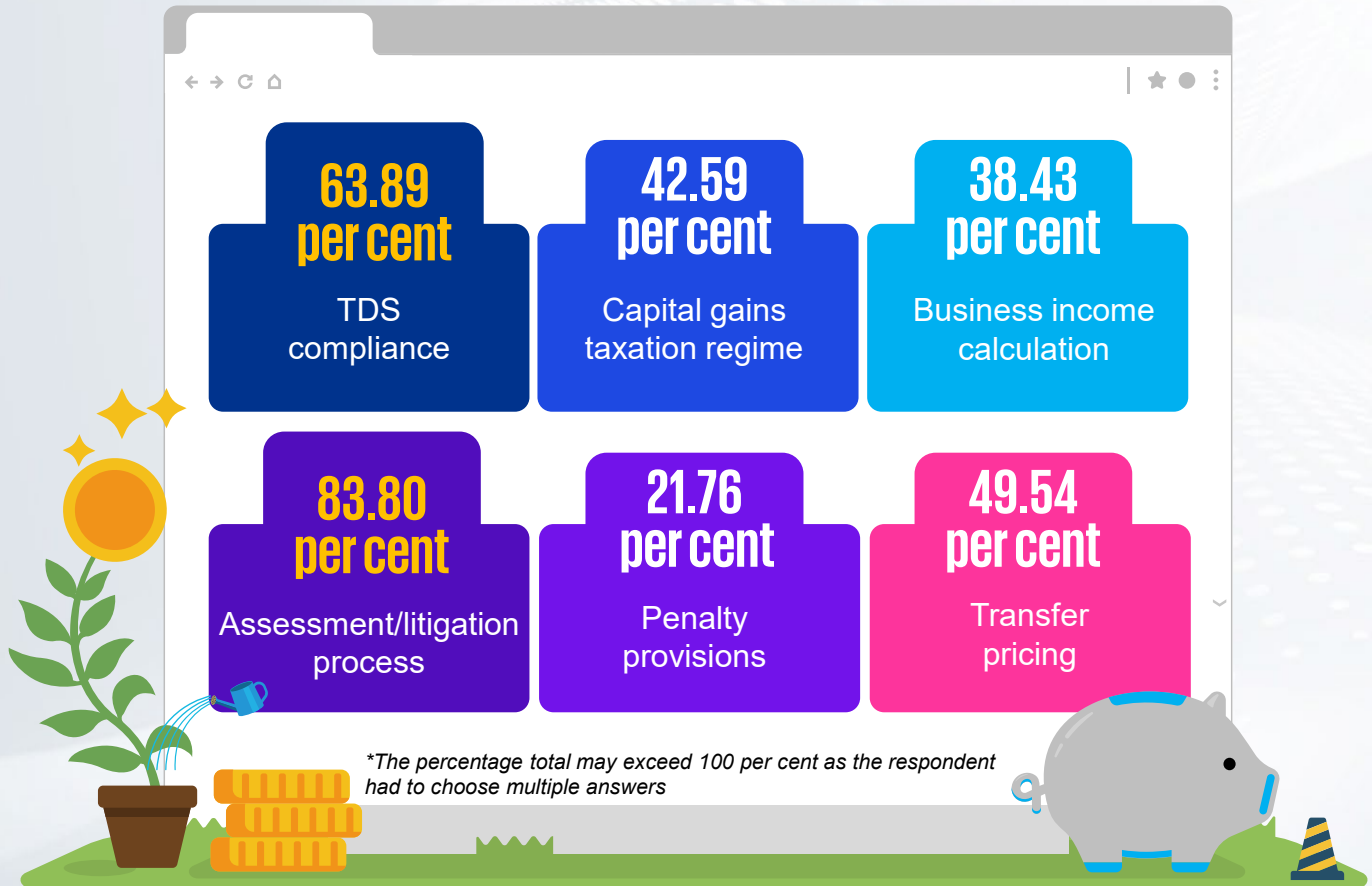
56.02
per cent

Current time-bound exercise may not yield much immediately, but the feedback collected will help bring out amendments in the income-tax in gradual manner



02

Which three areas require the most attention/simplification out of the following?



03

Do you think the existing corporate-tax rates require rationalisation?

58.33
per cent

Yes, all rates should be reduced further as the effective tax rates after considering tax on dividends in the hands of shareholder is high

7.41
per cent

Yes, but only rates for non-resident companies should be rationalised

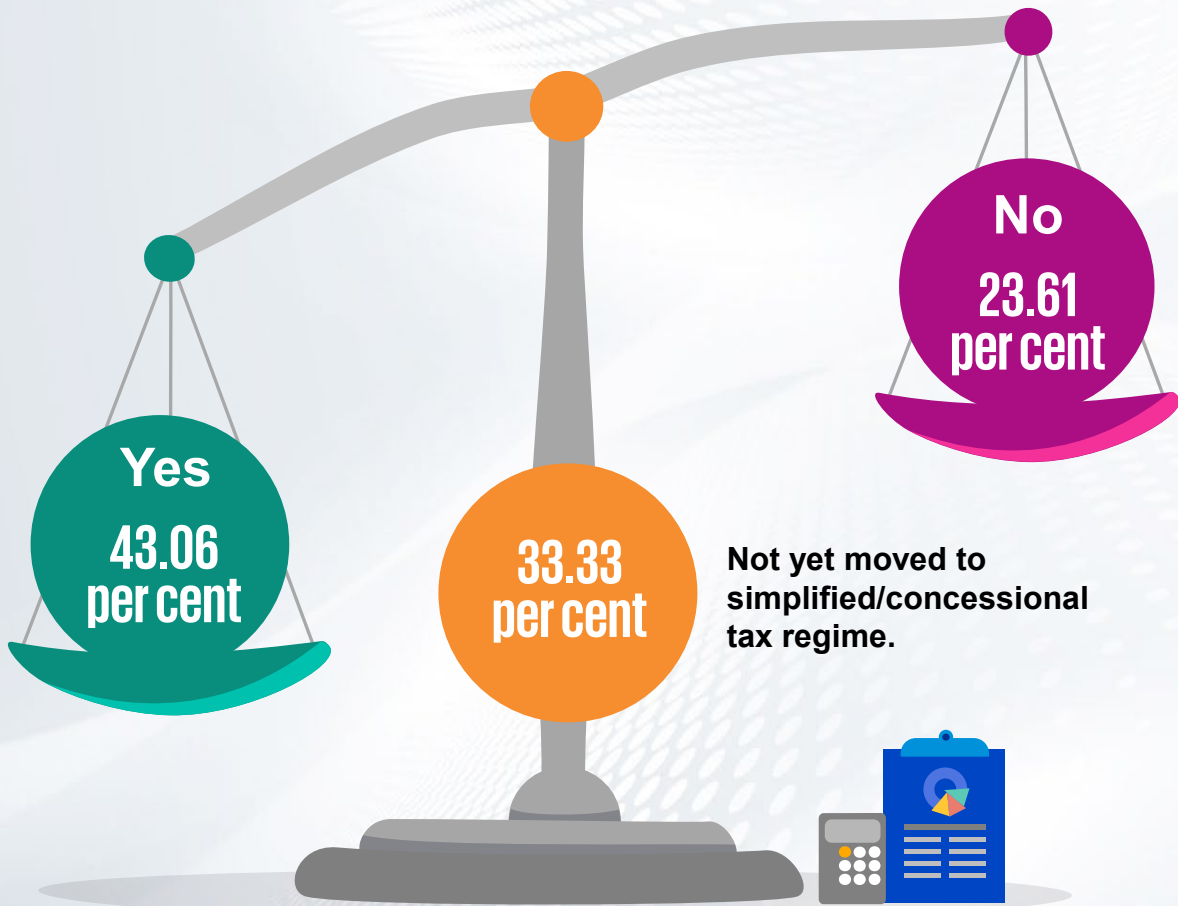
34.26
per cent

No, existing rates are good



04

Has the simplified/concessional tax regime made compliance easier?



05

Bringing more certainty in interpretation of law

Should the government come up with income tax commentary (similar to OECD commentary) to clarify the tax positions for the benefit of the taxpayer?

96.30
per cent



Yes

3.70
per cent

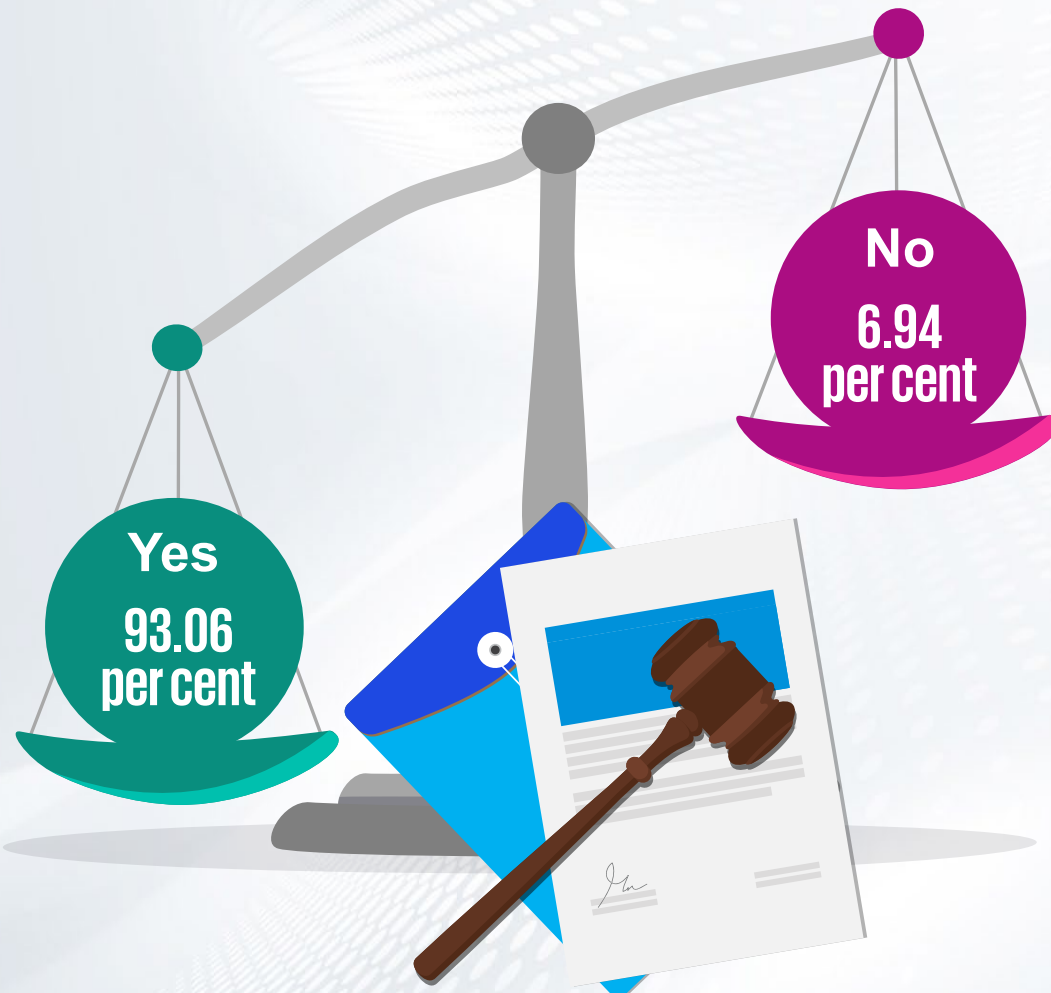


No



06

Should the government include beneficial clarifications from existing circulars/notifications into the Act itself?



07

Action for dispute resolution

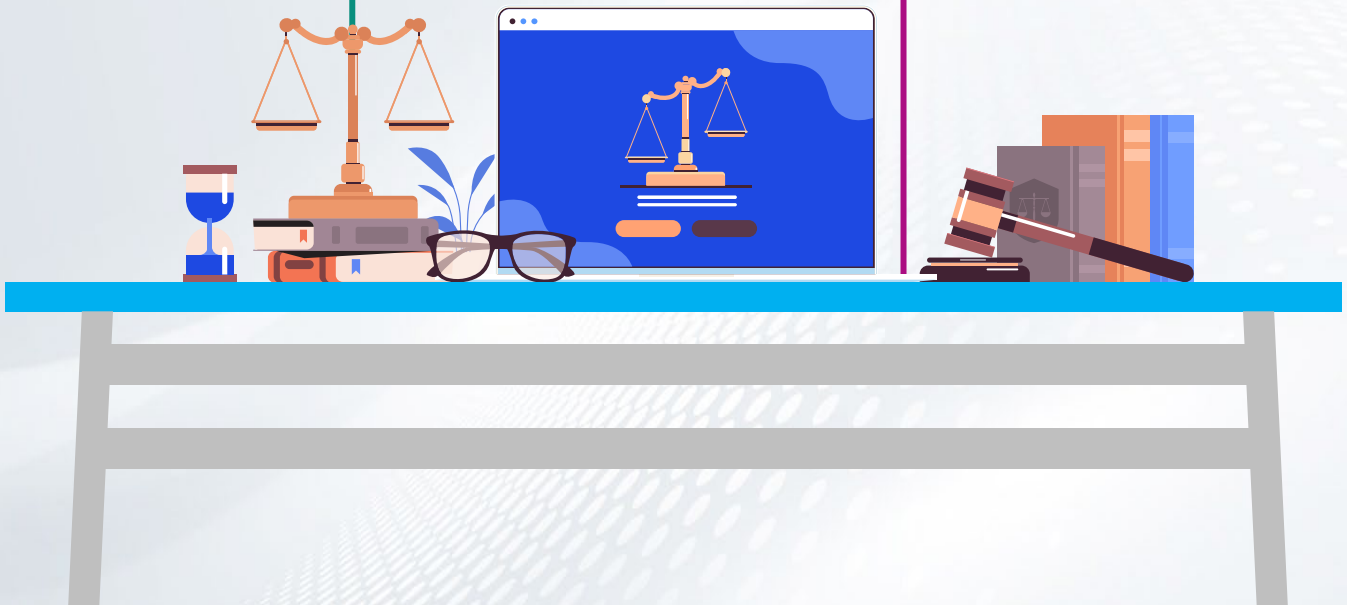
Would introduction of an alternate resolution mechanism (like mediation/arbitration) be helpful in reduction of litigation?



Yes
69.44
per cent



No
30.56
per cent



08

Do you think the appeals before the Commissioner of Income-tax (Appeals) should be out of the faceless mode?



09

Do you think the government should introduce mandatory timelines for disposal of appeals by Commissioner of Income-tax (Appeals) and rectification applications for litigation reduction?



98.61
per cent

1.39
per cent

10

Do you think the current automatic processing of returns by CPC has resulted in increase in disputes/litigation?

43.52
per cent



56.48
per cent



11

Do you think that the Dispute Resolution Panel ('DRP') process should be made more effective by allowing the tax authorities to file an appeal against the order of the DRP?

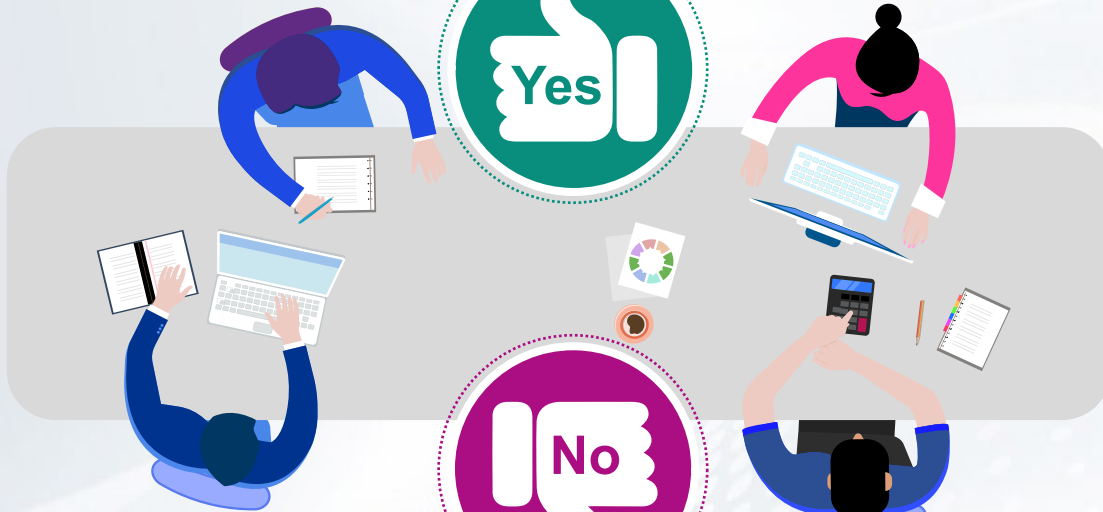
Yes
62.04
per cent

No
37.96
per cent

12

Should risk based assessment criteria for shortlisting cases for income tax assessment also assign due weightage to quality of controls implemented in the tax function of a corporate assessee?

83.33
per cent



16.67
per cent

13

Making compliance easier

Do you prefer all communication/interaction with the tax authorities to move to faceless mode?

Yes
34.72
per cent

Yes, extend faceless mode to all interactions (including transfer pricing and international taxation matters).

No
60.65
per cent

No. Current hybrid model is working well, but requires some improvements.

4.63
per cent

Go back to offline mode.

14

In your experience, has faceless assessment resulted in reduction of aggressive/high-pitched assessments?

Yes

41.67
per cent

No

41.67
per cent

No experience
with faceless
assessments

16.67
per cent

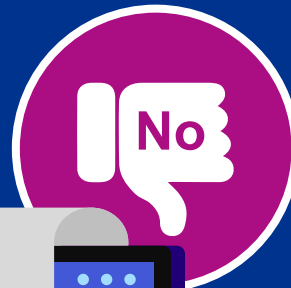
15

Do you think the government should remove the requirement of mandatory issuance of TDS certificates (i.e. Form 16A) to ease compliance burden?

86.57
per cent



13.43
per cent



16

Should the timeline for filing belated return/revised returns be extended [till 31 March of the relevant assessment year] to provide enough time to the taxpayers?

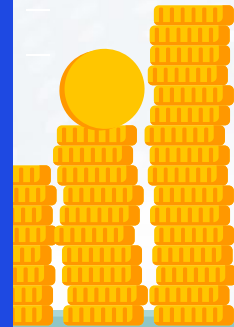


Yes
81.94
per cent

No
18.06
per cent



1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				



17

Should TDS credit be allowed as per Form 26AS, irrespective of the year in which the underlying income is offered to tax by the assessee?

64.35
per cent

Yes, for all situations

26.85
per cent

Yes, only for situations
where income is
already offered to tax
in an earlier year, but
TDS is deducted
subsequently

8.80
per cent

No, TDS credit be
allowed only in the
year in which
underlying income
is offered to tax

18

Transfer pricing

Do you think the government should reorient the safe harbour provisions to make them more effective?



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