



## Simplifying Taxation: A Study of the New Income-Tax Bill 2025

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### ABSTRACT

The complexity of tax laws and administrative burdens often hinders tax compliance. This study examines whether simplifying the tax system can enhance compliance and reduce taxpayers' fear of penalties. It also explores the impact of occupation, income level, and type of business on perceptions of tax burden reduction. Data was collected from 100 respondents and analyzed using descriptive statistics and ANOVA in SPSS. The results show that most respondents belong to younger age groups and lower income brackets, indicating a potential gap in tax awareness. The ANOVA results ( $p = 0.071$ ) suggest that while occupation, income, and business type moderately influence tax burden perceptions, they are not the sole determining factors.

The findings highlight that tax simplification alone is not enough to ensure compliance. Additional measures such as taxpayer education, digital tax solutions, incentives, and transparent policies are essential to encourage voluntary compliance. The study recommends a holistic approach integrating simplification with supportive initiatives to create a taxpayer-friendly system. Future research should explore behavioral and technological factors that further influence tax compliance.

**Keywords:** Tax simplification, tax compliance, voluntary compliance, tax burden, ANOVA, SPSS.

### Introduction

The New Income Tax Bill 2025 is a major reform introduced by the Indian government to simplify taxation, to reduce the compliance burden and provide relief to taxpayers. It aims to make the tax system more transparent and efficient while ensuring economic growth. The bill introduces higher tax exemption limits, revised tax slabs, and an easier filing process to benefit individuals and businesses. By increasing disposable income and encouraging investment, this reform is expected to have a significant impact on India's financial landscape. The 2025 reforms have introduced several key changes:

- **Increased Tax Exemption Limit:** Individuals earning up to ₹12 lakhs annually are now exempt from income tax, effectively increasing disposable income for a significant portion of the middle class.
- **Revised Tax Slabs:** For incomes above ₹12 lakhs, the tax rates have been adjusted to reduce the overall tax burden:
  - ₹12,00,001 to ₹16,00,000: 15%
  - ₹16,00,001 to ₹20,00,000: 20%
  - ₹20,00,001 to ₹24,00,000: 25%
  - Above ₹24,00,000: 30%

These adjustments aim to simplify the tax structure and encourage compliance.

- **Standard Deduction:** The standard deduction has been increased from ₹50,000 to ₹75,000, providing additional relief to salaried individuals.

### Economic Implications:

The reforms are anticipated to have several economic effects:

- **Boost in Consumer Spending:** With more disposable income, there is potential for increased consumer expenditure, which can drive economic growth.
- **Encouragement for Private Investment:** Lower tax rates may incentivize private investments, fostering business expansion and job creation.
- **Fiscal Considerations:** While the reforms aim to stimulate the economy, there are concerns about revenue growth and expenditure management.

The New Income Tax Bill 2025 signifies a substantial shift towards a more taxpayer-friendly system, with the potential to enhance economic activity through increased consumer spending and investment. However, its long-term success will depend on balanced fiscal policies and effective implementation.

It was Announced during the Union Budget 2025; this bill aims to make taxation more straightforward and taxpayer-friendly

1. Simplification of Tax Filing:

- The bill proposes to streamline the tax return process, making it more user-friendly and reducing the chances of disputes.

2. Rationalization of TDS and TCS:

- The limits for Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) have been revised to ease compliance:

- TDS on Interest for Senior Citizens: Increased from ₹50,000 to ₹1 lakh.
- TDS on Rent: Annual limit raised from ₹2.4 lakh to ₹6 lakh.

- These changes aim to reduce the tax compliance burden on individuals and businesses.

3. Tax Exemption on National Savings Scheme (NSS) Withdrawals:

- Withdrawals from the NSS made on or after August 29, 2024, will be exempt from tax, encouraging savings among citizens.

4. Extended Deadline for Filing Updated Tax Returns:

- The time limit to file updated income tax returns has been extended from two years to four years, providing taxpayers with more flexibility to correct any omissions or errors committed.

Impact on Taxpayers:

These reforms are designed to increase the disposable income of the middle class, thereby stimulating consumer demand and contributing to economic growth. By simplifying the tax structure and reducing rates, the government aims to encourage.

### Industry Profile

The Indian government has introduced the Income-tax Bill, 2025 to make paying taxes easier and reduce the burden on taxpayers. This bill aims to replace the old Income Tax Act of 1961, making tax laws simpler, clearer, and fairer for everyone.

1. Easier Tax Laws: The new bill removes unnecessary rules and makes tax filing more straightforward. This will help businesses and individuals understand and follow tax laws more easily, reducing legal disputes.
2. No Harsh Punishments for Late Filers: Earlier, people who did not file their taxes on time could face harsh penalties and even arrests. Now, late filing is no longer a serious crime, making the system friendlier for taxpayers.
3. 'Tax Year' Instead of 'Assessment Year', The bill introduces the concept of a 'Tax Year' to avoid confusion about when taxes should be paid. This makes the process simpler and more transparent.

Many industry experts welcome the new tax bill, believing it will boost the economy by putting more money in people's hands.

- Kamal Bali (Volvo India) says that with more spending power, people will buy more goods and services, helping businesses grow.
- Preetha Reddy (Apollo Hospitals) believes the tax changes will make healthcare more accessible, especially for serious diseases like cancer.
- Angshu Mallick (Adani Wilmar) expects farmers and businesses to benefit, leading to better crop production and higher demand for consumer goods.

With lower taxes and fewer complications, people will have more money to spend and save. This will encourage businesses to invest more, create jobs, and improve economic growth. However, experts say that while this is a good step, the government must also focus on creating jobs and improving industries to fully support the economy.

The Income-tax Bill, 2025 is a big move towards making taxation easier and fairer. It reduces legal complexity, removes fear of punishment for small mistakes, and gives people more financial freedom. Businesses and experts see this as a positive change that could help India's economy grow.

## Literature Review

1. **“Exploring Indian Taxpayer Perspectives: An Analysis of Old vs New Income Tax Regimes”** is authored by Nithing Ranka. This study looks at what Indian taxpayers think about the old and new income tax systems. A survey of 46 people showed mixed opinions. Most respondents knew about the proposed changes, but they had different views on how they would work. Many people feel that the new tax system could make filing taxes easier and encourage more people to pay on time. However, they also believe that the tax system still needs improvements. Most taxpayers prefer the old system because they are used to it and see certain benefits in it. The results highlight the need for ongoing improvements, better communication, and a balanced approach to address the needs of different taxpayers.
2. **“Comparative Study of New Income Tax System with Old Tax System”** written by DR. Suresh and Nikita Choudhary talks about how Tax is a very important source of money for the government and plays a key role in a country’s economic growth. Paying taxes is required by law, and people must give a certain amount of their money to the government. In India, taxes are divided into direct and indirect taxes and can be paid with money or sometimes through work. Direct taxes directly affect a person’s income, while income tax is one of the main sources of government money. It also helps reduce income inequality by ensuring that people pay taxes based on their earnings. Income tax is collected by the Income Tax Department for the Central Government. India’s tax-to-GDP ratio was around 17-17.5% until 2018-19, showing how much tax contributes to the economy. In the current financial year, the government collected ₹7.52 lakh crore in direct taxes by the end of January. Although the Indian tax system has improved over time, it is still far from perfect. Problems like tax evasion, illegal income, and black money show that more reforms are needed to fix these issues. This study is based on secondary data collected from various websites. It compares the new and old income tax systems in India and reviews the latest tax reforms. In the end, the study provides some suggestions for the government to improve the tax system for taxpayers.
3. **“A Comparison Between Old and New Tax Regime of Income Tax Act, 1961 for Salaried Individuals”** is written by DR. Meghali Bora. This paper compares the old and new tax systems under the Income Tax Act, 1961, with a focus on salaried employees. It examines the factors that influence people’s choice of a tax system and how their decision affects their tax payments, financial planning, and savings. The study starts by looking at recent tax changes, especially those introduced in the 2023 Budget. It explores how the government is encouraging taxpayers to switch to the new tax system while still allowing them to choose between the old and new regimes.
4. **“A Comparative Study between Old and New Tax Regime for the Financial Year 2023-2024”** written by Dr. Balaji G Kamble, Shaikh Suhanalsak talks about how one of the main ways the government collects money is through income taxes. In the 2020 budget, a new personal income tax system was introduced for individual taxpayers in India. Since the financial year 2020–2021, taxpayers have been able to choose between the old tax system and the new one. In the 2023–2024 Union Budget, the finance minister announced some changes to the new tax system. Now, the new system will be the default option, meaning taxpayers will be automatically placed in it unless they choose the old system. However, the old tax system remains unchanged. This essay examines which tax system is more beneficial for taxpayers based on the updates in the 2023–2024 budget. The study relies entirely on secondary data from journals, articles, newspapers, and books. This article specifically focuses on the changes made to the new tax system in the 2023–2024 budget.
5. **“Tax System in India: Origin, Structure and Issues”** authored by DR. Rabinarayan Samanatar, this research aims to closely examine various aspects of India’s tax system. According to the author, even though the Constitution clearly defines the taxation powers of the Central and State governments, India’s tax system remains highly complex. This complexity arises due to multiple types of taxes, numerous compliance rules, an inefficient tax administration, and other challenges.

In addition to reviewing existing studies on the subject, this paper traces the historical development of taxation in India through three phases:

1. Taxes in Ancient India
2. Taxes During British Rule
3. Taxes in Independent India

Although the Seventh Schedule of the Indian Constitution (List 1 and List 2) defines taxation powers for the Union and State governments, these provisions have undergone several amendments over time to adapt to changing economic and administrative needs.

This paper also provides an overview of direct taxes, such as:

- Income Tax
- Corporation Tax
- Wealth Tax
- Gift Tax
- Estate Duty
- Other taxes on capital and property

Additionally, it covers indirect taxes, including:

- Customs Duties
- Excise Duties
- Sales Tax
- Service Tax
- Value-Added Tax (VAT)
- Goods and Services Tax (GST)

Finally, the research highlights key challenges and issues related to tax reforms in India. It also suggests important steps the government can take to simplify and improve the tax system for better efficiency and compliance.

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### Statement of the problem

India's current tax system, governed by the Income Tax Act of 1961, has become too complicated and difficult for taxpayers to understand. Over the years, numerous amendments and new provisions have made the tax laws confusing, lengthy, and full of legal complexities. As a result, both individual taxpayers and businesses face difficulties in filing tax returns, understanding their tax liabilities, and complying with the rules.

One major issue is the complicated tax terminology and multiple tax provisions, which often lead to errors in filing taxes. Many people struggle to understand which rules apply to them, and even small mistakes can result in heavy fines or legal trouble. This discourages honest taxpayers and makes the system less friendly for businesses and individuals.

Another significant problem is the harsh penalties for late tax filing. In the past, if someone failed to file their taxes on time, it was considered a serious offense, leading to heavy fines or even legal action. This created a fearful environment where taxpayers, instead of feeling encouraged to comply, were afraid of making mistakes.

Additionally, the old tax system included two separate terms "Previous Year" and "Assessment Year", which made it difficult for people to understand when they need to file their taxes. This confusion led to missed deadlines, penalties, and unnecessary disputes with tax authorities.

Another issue is the high number of tax disputes in India. Due to unclear tax rules and complicated filing procedures, many businesses and individuals end up in legal battles with the tax department. These cases often take years to resolve, leading to financial stress and delays in tax refunds. This slows down business growth and discourages investment.

Finally, the lack of modern technology and automation in the tax system has made tax filing a slow and difficult process. Many taxpayers have to rely on accountants or tax professionals because the system is not user-friendly. This increases costs for businesses and individuals and makes tax compliance more burdensome.

To solve these issues, the Income-tax Bill, 2025 has been introduced. The goal of this new law is to simplify the tax system, reduce unnecessary rules, lower penalties, and introduce modern digital tools to make tax filing easier. By making these changes, the government hopes to encourage more people to pay taxes voluntarily, reduce legal disputes, and boost economic growth.

A simpler, fairer, and more transparent tax system will benefit everyone—individuals, businesses, and the overall economy. The success of this new bill will depend on how effectively it is implemented and how well taxpayers adapt to the new system.

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### Objectives of the Study

The Objective of this study is to understand how the simplifying of taxation, 2025 affects individuals and businesses. An analysis will be conducted to see if the simplified taxation will reduce complexity and make it easier and to understand what measures can be implemented to encourage voluntary tax compliance:

1. How can the tax system be simplified to reduce complexity and make it easier for individuals and businesses to understand and comply with tax laws?
2. What measures can be implemented to encourage voluntary tax compliance and reduce the fear of penalties among taxpayers?

### Hypotheses:

**H<sub>1</sub>: Simplifying the tax system has a significant positive impact on taxpayers' understanding and compliance.**

**H<sub>2</sub>: Implementing supportive measures, such as incentives and reduced penalties, encourages voluntary tax compliance.**

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## Scope of the study

This study focuses on the Income-tax Bill, 2025, looking at how it changes the current tax system and affects taxpayers, businesses, and the economy. It aims to understand how the new bill simplifies tax laws, makes tax filing easier, and encourages people to pay their taxes willingly.

### 1. Understanding the Changes in the New Bill

This study will explain the key differences between the new tax bill and the old tax law from 1961.

It will look at what unnecessary rules have been removed and how tax laws have been made simpler and clearer.

It will also examine how the new system will help reduce confusion for taxpayers.

### 2. How the Bill Affects Individual Taxpayers

The study will explore how the new tax bill makes filing taxes easier for individuals.

It will check if removing strict penalties for late tax filing encourages more people to file their taxes without fear.

It will also look at whether introducing a simpler "Tax Year" system helps taxpayers better understand when to file their taxes.

### 3. Impact on Businesses and Companies

The study will analyse how the bill affects companies, startups, and small businesses.

It will see if the new tax system helps businesses save time and money by reducing complicated rules.

The study will also check if the bill encourages more investment and business growth.

### 4. Changes in Legal and Government Processes

The study will examine how tax disputes can be solved faster under the new bill.

It will see if the bill helps reduce the number of court cases related to tax issues.

It will also explore how digital tools and automation will make tax filing and management easier for both taxpayers and the tax department.

### 5. Impact on the Economy

This study will analyse whether the new tax bill increases tax collection and helps the government generate more revenue.

It will look at how a simpler tax system affects businesses, jobs, and the economy.

It will also study whether these changes help improve India's overall financial growth.

### 6. Challenges in Implementing the New System

The study will identify any difficulties people may face when adjusting to the new tax system.

It will also look at whether businesses and individuals need extra support to understand and follow the new rules.

Finally, the study will explore whether more improvements are needed to make the tax system even better

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## Limitation of the Study

This study provides useful insights into the Income-tax Bill, 2025, but there are some challenges and limitations that may affect the accuracy of the findings. These include:

### 1. Limited Real-World Data

Since the Income-tax Bill, 2025 is new, there is not enough real-world data to fully understand its impact.

The study is based on predictions and expert opinions, but the actual effects will become clearer only after the bill is put into practice.

### 2. Uncertainty in How the Law Will Be Applied

The effectiveness of the new tax system depends on how well the government and tax authorities apply the changes.

Different tax officers may interpret the rules differently, leading to unequal enforcement in different regions.

### 3. Taxpayers and Businesses May Struggle to Adapt

Many taxpayers and businesses are used to the old system, so they might find it difficult to adjust to the new rules. Small businesses and individuals may need extra time and support to fully understand the changes.

### 4. Focus on Short-Term Effects

This study mostly looks at the immediate effects of the new tax bill. The long-term impact on the economy, businesses, and tax collection will take several years to understand fully.

### 5. Success Depends on Government Implementation

The new tax system will only work well if the government properly implements the planned changes, such as digital filing, automation, and better dispute resolution.

If there are delays or technical problems, the expected benefits may not be fully achieved.

### 6. Limited Comparison with Other Countries

The study mainly focuses on India's tax system and does not compare it with tax reforms in other countries.

A global comparison could provide additional insights but is not covered in this study.

Even with these limitations, the study offers a helpful understanding of how the Income-tax Bill, 2025 makes tax filing easier and impacts businesses and the economy. However, to get a complete picture, more research and real-world data will be needed once the new tax system is fully implemented.

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## Research Methodology

To effectively analyse the Income-tax Bill, 2025, the study requires a combination of qualitative and quantitative research methods. The following methodologies are most suitable for this study:

#### 1. Document Analysis (Secondary Research)

- Reviewing government reports, tax policies, and official documents related to the Income-tax Bill, 2025.
- Provides a historical background and helps in understanding the key changes in the new tax bill.
- Helps identify the challenges of the previous tax system and how the new law aims to solve them.

#### 2. Surveys and Questionnaires (Quantitative Research)

- Collecting data from taxpayers through structured surveys.
- Asking about their opinions, experiences, and challenges with the old tax system.
- Provides statistical data on how people perceive the new tax bill.
- Helps measure how well taxpayers and businesses are prepared for the new system.

#### 3. Interviews (Qualitative Research)

- Conducting one-on-one interviews with tax experts, policymakers, and government officials.
- Discussing the practical benefits and challenges of implementing the new tax law.
- Helps understand potential loopholes or weaknesses in the new system.

#### 5. Analysis of Government and Economic Data (Quantitative Research)

- Examining tax collection reports, compliance rates, and economic indicators before and after the new bill.
- Helps measure the actual impact of the new tax law on government revenue and the economy.
- Provides data-driven evidence to support conclusions.

This study will use a combination of document analysis, surveys, expert interviews, case studies, and economic data analysis to provide a comprehensive understanding of how the Income-tax Bill, 2025 simplifies taxation and impacts businesses, individuals, and the economy. By using both qualitative and quantitative methods, the research will ensure a balanced and well-supported analysis.

## Analysis and Interpretation

Table Showing the Descriptive Statistics of Respondents' Demographic Variables :

Descriptive Statistics									
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
How old are you currently?	100	1	2	1.05	.219	4.193	.241	15.896	.478
Gender	100	1	2	1.63	.485	-.547	.241	-1.736	.478
Occupation	100	1	5	1.29	.656	3.123	.241	12.309	.478
Annual Income Bracket	100	1	5	1.49	.745	1.902	.241	4.847	.478
Type of Business	99	1	4	1.95	1.215	.795	.243	-1.053	.481
Valid N (listwise)	99								

The descriptive statistics indicate that the majority of respondents are young (mean = **1.05**, highly skewed **4.193**), likely in the lower-income bracket (mean = **1.49**, skewness = **1.902**), and primarily in lower occupation levels (mean = **1.29**, skewness = **3.123**). This suggests that many individuals may have limited tax knowledge and struggle with understanding complex tax laws, supporting H<sub>0</sub>. Simplifying the tax system could particularly benefit these groups by making compliance more accessible.

Furthermore, voluntary tax compliance can be influenced by incentives and reduced penalties. Since the majority of respondents are from lower-income groups, fear of penalties may deter them from compliance rather than motivate them. The slightly right-skewed distribution in business type responses (mean = **1.95**, skewness = **0.795**) indicates a diverse taxpayer base, reinforcing the need for targeted compliance measures. If tax incentives and simplified processes are implemented, voluntary compliance is likely to increase, supporting H<sub>0</sub>.

Table Showing the ANOVA Results on the Impact of Occupation, Annual Income, and Type of Business on Perceived Tax Burden Reduction

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.575	3	1.858	2.421	.071 <sup>b</sup>
	Residual	72.930	95	.768		
	Total	78.505	98			
a. Dependent Variable: Do you believe the 1 will reduce your overall tax burden?						
b. Predictors: (Constant), Type of Business , Annual Income Bracket, Occupation						

The ANOVA results provide insights into whether occupation, annual income bracket, and type of business influence individuals' belief that tax system simplification will reduce their overall tax burden. The F-value of 2.421 indicates the overall model fit, but the p-value (0.071) is slightly above the conventional 0.05 significance level, suggesting that these factors do not have a statistically significant impact at the 95% confidence level. However, since the p-value is close to 0.05, there may still be a moderate influence, indicating that these variables could contribute to taxpayers' perceptions but are not the sole determinants. This finding partially supports H<sub>0</sub>, as it suggests that simplifying tax laws alone may not be sufficient to enhance compliance and understanding; other factors such as awareness, education, or policy transparency may play a more significant role. Similarly, the results provide mixed support for H<sub>0</sub>, as they indicate that occupation, income, and business type alone may not strongly influence voluntary tax compliance. However, since the model is approaching significance, implementing supportive measures such as incentives and reduced penalties could have a more substantial impact on improving compliance. Overall, while occupation, income, and business type have some influence, additional factors like tax education, digitalization, and policy clarity may be necessary to enhance taxpayers' confidence in the system and encourage voluntary compliance.

## Findings

The research aimed to analyze the impact of tax system simplification on compliance and voluntary tax adherence among individuals and businesses. The descriptive statistics revealed that the majority of respondents were young, belonged to lower income brackets, and were primarily in lower occupation levels, suggesting that they might face challenges in understanding complex tax regulations. This supports the need for a simplified tax system to improve taxpayer compliance and understanding.

The ANOVA results indicated that occupation, annual income, and type of business had a moderate but not statistically significant impact ( $p = 0.071$ ) on the belief that tax simplification would reduce the overall tax burden. This suggests that while these factors may contribute to perceptions of tax burden, they are not the sole determinants. Other factors, such as tax awareness, incentives, and policy transparency, might play a crucial role in influencing compliance.

Additionally, the findings indicate that voluntary tax compliance is influenced not just by financial status but also by the fear of penalties and the complexity of tax laws. While simplifying the tax system is essential (supporting  $H_1$ ), the study also highlights the need for incentives, digitalization, and taxpayer education to enhance compliance (supporting  $H_2$ ).

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## Conclusion:

This study concludes that while tax system simplification plays a crucial role in improving taxpayer compliance and understanding, it is not the only factor influencing voluntary tax adherence. The findings indicate that young and lower-income individuals may struggle with tax compliance due to the complexity of tax laws. However, the ANOVA results suggest that occupation, income, and business type alone do not significantly determine whether taxpayers believe simplification will reduce their burden ( $p = 0.071$ ), implying that other factors, such as tax awareness and policy transparency, also play a vital role.

To enhance voluntary compliance, governments should not only simplify tax procedures but also introduce incentives, digital tax solutions, and awareness programs. Fear of penalties and lack of trust in the system often discourage taxpayers from complying, making it essential to adopt supportive measures such as clear guidelines and user-friendly tax platforms. A comprehensive approach—combining simplification with education and incentives—can foster a more efficient and taxpayer-friendly system, ultimately increasing compliance and reducing tax-related complexities.

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