



Income tax day

[About Income Tax](#)

[Importance of Income Tax](#)

[Income Tax Returns](#)

[Conclusion](#)

Income Tax Day is celebrated on 24th July to mark a significant milestone in India's financial history.

On this day in 1860, income tax was introduced in India by Sir James Wilson. It laid the groundwork for the Income-tax Act of 1922 that in true sense established a structured tax system which formalized various income tax authorities and also laid the foundation for a systematic administration framework.

Further, the Indian taxation structure was strengthened by the Central Board of Revenue Act (1924) which established a statutory body to administer the Income-tax Act. Introduction of computerization in 1981 marked major technological upgradation, beginning with electronic processing of tax challans. By 2009, the Centralized Processing Centre (CPC) was set up in Bengaluru to handle bulk tax returns. The CPC operates in a jurisdiction-free, tech-driven manner, marking a major modernization milestone.

This Day commemorates the evolution of India's tax administration and showcases the government's ongoing efforts to build a streamlined and citizen-centric system.

About Income Tax

Income tax is more than a revenue tool – it fuels the spirit and strength of a prosperous and stable nation. Weaving society and opportunity for all, it represents the collective ambitions of a country.

A tax levied by the Government on the income earned by individuals and businesses in a financial year, Income Tax in India is governed by the Income Tax Act, 1961. The term 'Income' covers various sources, defined broadly under Section 2(24) of the Income Tax Act.

The Union Budget for 2025-26 announced the new tax structure that provides for no income tax up to income of Rs. 12 lakhs as per the new regime. The salaried tax payer will be paying NIL tax for income not exceeding Rs. 12.75 lakh after availing the benefit of the Standard Deduction of Rs. 75,000.

Rationalization of TDS/TCS

- Limit of tax deduction on interest for Senior Citizens doubled from Rs. 50,000 to Rs. 1 lakh.
- TDS limit on rent increased from Rs. 2.4 lakh to Rs. 6 lakh per annum.
- Threshold to collect tax at source (TCS) on foreign remittances under the Liberalized Remittance

Scheme (LRS) increased to Rs. 10 lakhs from Rs. 7 lakhs.

- Withdrawals on or after August 29, 2024 from National Savings Scheme (NSS) accounts are now fully tax-exempt for individuals.
- Tax deduction for National Pension Scheme (NPS) Vatsalya accounts under the old regime.
- Simplifying Compliance
 - The time-limit to file updated returns increased from 2 years to 4 years.
 - Increasing period of registration for small charitable trusts/ institutions from 5 years to 10 years.
 - Annual value of 2 self-occupied properties (previously 1) allowed without any conditions.



Revised Tax Slabs in New Tax Regime

0 – 4 Lakh Rupees	NIL
4 – 8 Lakh Rupees	5%
8 – 12 Lakh Rupees	10%
12 – 16 Lakh Rupees	15%
16 – 20 Lakh Rupees	20%
20 – 24 Lakh Rupees	25%
Above 24 Lakh Rupees	30%

Source: Ministry of Finance

Importance of Income Tax

- Income tax goes beyond finance - it's pivotal for constructing stable, equitable, and self-sustaining societies.
- Income tax funds crucial services like healthcare, education, infrastructure, and national security that support societal well-being.
- Tax revenue enables government investments in various sectors, fostering growth and creating jobs.
- Taxation balances wealth accumulation and redistribution, promoting fairness and social cohesion.
- It builds state capacity and reinforces the social contract, increasing accountability between citizens and the government.
- Tax reforms help shape policies that reflect public needs, strengthening legitimacy and trust in

- Tax reforms help shape policies that reflect public needs, strengthening legitimacy and trust in institutions.

Income Tax Returns

An Income Tax Return (ITR) is a form primarily used for filing details about an individual's income and the applicable tax to the Income Tax Department. It has to be filed by every individual and business earning an income for each financial year. It helps in determining taxable income, tax liability and tax deduction claims.

The leap to Digital Transformation

The Indian tax ecosystem has witnessed remarkable growth through various technology-driven initiatives in a phased manner. This has enabled the tax administration and taxpayers alike to meet their respective duties.

The introduction of Permanent Account Number (PAN) in 1972 to initial computerization in 1981 through establishment of Directorate of Income Tax-Systems (DIT-S) laid the foundation for information technology framework. The current series of PAN (10 digit alphanumeric) was launched in 1995 offering advantages like unique identification, information matching leading to widening of tax base. Linking of PAN with AADHAR was undertaken in 2017 to improve compliance and eliminate duplication.

The Annual Information Statement (AIS) was implemented on the Compliance Portal of Income-tax website on November 2021 which provides taxpayer's financial activities across the financial year, including records related to Tax Deducted at Source (TDS), Tax Collected at Source (TCS), stock market transactions, mutual fund investments, and other relevant financial data. AIS pre-fills tax returns, it facilitates tax payers in filing their returns and saves their time and minimizes errors. Further the e-Verification Scheme offers a completely digital mechanism for resolving mismatches, allowing taxpayers to respond electronically and eliminate physical interactions.

NUDGE (Non-Intrusive Usage of Data to Guide and Enable) Taxpayers Campaigns

Income Tax Department has adopted the philosophy of 'Trust First and Scrutinize Later'.

NUDGE stands for Non-Intrusive Usage of Data to Guide and Enable Taxpayers, which is based on nudge theory, based in behavioural economics and psychology that refers to a subtle suggestion or influence or intervention that can change behaviour of individuals in a predictable way without limiting their freedom of choice. It is appreciated that most taxpayers are inherently honest, and they should be rewarded for their honesty and scrutiny, or any invasive action, should be undertaken only as a last resort.

Conclusion

Income Tax Day stands as a tribute to India's enduring commitment to build a robust and inclusive taxation system. From the establishment of the Central Board of Revenue in 1924 to the tech-forward transformation marked by ongoing digital governance initiatives, the journey reflects a legacy of reform, resilience, and modernization. This day honours not only the people behind tax collection, but also the tax payers and the foundational role income tax plays in funding public services, driving economic progress, and reinforcing social equity. It reminds us that a transparent, efficient, and citizen-

friendly tax ecosystem is essential for a strong and self-sustaining democracy. Looking forward, the historical legacy and the current measures will contribute to a stable and strong economic structure driving towards prosperity.

Source : PIB

https://data.vikaspedia.in/short/lc?k=-RhVOaBYk_3cnGqYrENK9Q

