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CBDT Kar Saathi & New Income Tax Act 2025 — UPSC Notes

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CURATED & WRITTEN BY

**Bharat Choudhary**

UPSC Educator & Content Creator

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WHY IN NEWS

The Income Tax Act, 2025 came into force on April 1, 2026, replacing the Income-tax Act, 1961 after 65 years. CBDT launched the Kar Saathi AI chatbot on April 2, 2026, and Finance Minister Nirmala Sitharaman earlier launched the PRARAMBH nationwide awareness campaign to facilitate the transition.



BACKGROUND: WHY WAS THE OLD ACT REPLACED?

The Income-tax Act, 1961 had grown to over 1,300 sections through decades of amendments, making it complex, verbose, and difficult for ordinary taxpayers to navigate. A comprehensive review was announced in the Union Budget 2024-25 with the goal of simplification without changing tax policy or rates.

Key drivers:

- **Complexity:** The 1961 Act used archaic language, cross-references, and provisos that required expert interpretation
- **Litigation burden:** India has one of the highest volumes of direct tax disputes globally
- **Compliance cost:** Businesses and individuals spent disproportionate time and resources understanding obligations

THE NEW INCOME TAX ACT, 2025

Core Simplifications

PARAMETER	OLD ACT (1961)	NEW ACT (2025)
Rules	510	333
Forms	399	190
Total sections	~1,300+	Restructured, compact
Language	Complex provisos	Plain, readable English

- **No change in tax rates or policy** – purely a structural and language exercise
- Rules notified by CBDT on **March 20, 2026** to operationalise the new Act
- FAQs: Over **2,200 FAQs** covering 186 forms were published for taxpayer guidance

Key Structural Features

- **Uniform financial year:** All references unified to “tax year” (April–March) to reduce confusion
- **Formula-based provisions:** Calculations expressed as formulas, not as long textual provisions
- **Removed redundancy:** Sunset clauses and expired provisions removed
- **Digital-first design:** Structured for e-filing, API-driven tax services, and AI processing



CBDT'S KAR SAATHI INITIATIVE

Kar Saathi (Hindi: “tax companion”) is a 24x7 AI-powered chatbot launched on April 2, 2026 via a revamped Income Tax Department website.

Features

- Answers taxpayer queries on the new Act, ITR forms, deductions, and deadlines
- Available via the IT Department website and Aaykar Seva Kendras
- Multi-language capability for regional taxpayer outreach

PRARAMBH Campaign

PRARAMBH — Policy Reform and Responsible Action for Mission Viksit Bharat — is the nationwide outreach programme launched by Finance Minister Nirmala Sitharaman to:

- Train chartered accountants, tax practitioners, and industry associations
- Hold workshops in state capitals
- Distribute simplified guides for common taxpayers

CBDT Chairman **Ravi Agrawal** led the technical implementation of both the new Act rules and the Kar Saathi rollout.

CENTRAL BOARD OF DIRECT TAXES (CBDT)

Institutional Background

- **Established:** Statutory body under the **Central Boards of Revenue Act, 1963**
- **Parent Ministry:** Ministry of Finance (Department of Revenue)
- **Functions:** Administers direct tax laws (income tax, corporation tax, securities transaction tax, etc.); frames rules under the Income Tax Act; oversees the Income Tax Department
- **Composition:** Chairman + up to six members (appointed by the Central Government)

Powers and Jurisdiction

- Issues circulars, instructions, and notifications binding on IT officers (not on taxpayers or courts)
- Enters **Advance Pricing Agreements (APAs)** with multinational companies
- Administers the **TDS/TCS** (Tax Deducted/Collected at Source) ecosystem
- Oversees the **Faceless Assessment Scheme** (introduced 2020) — all scrutiny assessments without face-to-face interaction



Recent CBDT Initiatives

- **Faceless Appeals:** Extended faceless proceedings to appellate tribunals
- **Annual Information Statement (AIS):** Replaced Form 26AS with comprehensive pre-filled data
- **Updated Return (ITR-U):** Allows taxpayers to update returns within 2 years of filing
- **Project Insight:** AI-based data mining platform to detect tax evasion by cross-referencing multiple databases

UPSC RELEVANCE

GS Paper 2 — Governance

- Taxation law simplification as e-governance and service delivery reform
- Digital India initiative integration with tax services
- CBDT's role in direct tax administration

GS Paper 3 — Economy

- Direct tax policy and its impact on revenue mobilisation
- Tax compliance and its relationship with formalisation of the economy
- Reducing litigation in tax disputes: significance and mechanisms

Mains Questions to Practice

- 1 “Simplification of tax law alone cannot improve compliance without strengthening tax administration.” Critically examine in the context of the Income Tax Act, 2025. (250 words)
- 2 What is the role of CBDT in India's direct tax system? How does the Faceless Assessment Scheme change tax governance? (150 words)



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NEW INCOME TAX ACT, 2025:

Replaced: Income-tax Act, 1961

Effective from: April 1, 2026

Rules: 510 → 333 (reduction); Forms: 399 → 190

2,200+ FAQs published; 186 forms covered

No change in tax rates or tax policy

KAR SAATHI:

Launched: April 2, 2026 by CBDT

Type: 24x7 AI chatbot (tax guidance assistant)

Accessible via IT Department website + Aaykar Seva Kendras

PRARAMBH CAMPAIGN:

Full form: Policy Reform and Responsible Action for Mission Viksit Bharat

Launched by: Finance Minister Nirmala Sitharaman

CBDT Chairman: Ravi Agrawal

CBDT:

Statutory body under Central Boards of Revenue Act, 1963

Under Ministry of Finance (Department of Revenue)

Administers direct taxes; frames income tax rules

Sources: [PIB](#), [Income Tax Department](#), [Business Standard](#)

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[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)[Read Full Article on Ujiyari →](#)<https://ujiyari.com/daily/2026/04/04/cbd-t-kar-saathi-income-tax-act-2025/>

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