



CA. Piyush S. Chhajed
Member of the Institute

India's journey in improving the ease of doing business has been noteworthy, with the country climbing 79 places in the World Bank Group's Doing Business Report (DBR) over five years, reaching the 63rd position in 2019. With the DBR discontinued in 2020, the World Bank introduced the B-Ready Assessment in 2024. Business Ready (B-Ready) project developed by the World Bank Group for international benchmarking takes a broader view, examining more than 180 economies across ten topics of the business lifecycle as depicted in Table 1.

Ease of Doing Business & Ease of Living : Exploring through the Lens of Tax Reforms

Table 1.

Stage of Business Lifecycle	Topics
Opening a business	Business Entry, Business Location
Operating a business	Utility Services, Labour, Financial Services, International Trade, Taxation, Dispute Resolution, Market Competition
Closing a business	Business Insolvency

The emphasis is on “quality of regulation” and its implementation. India is slated to feature in the third B-Ready Report, scheduled for release in 2026, setting the stage for the next chapter in its journey toward becoming a more competitive and business-friendly economy.

India's Tax Framework and the Three Pillars of Ease of Doing Business

In India, a Joint Working Group was constituted under the Chairmanship of Joint Secretary (Department of

Revenue) in May 2024 to steer the mandate under Taxation topic for the World Bank's Ease of Doing Business (EoDB) and Ease of Living initiatives (B-Ready Project). The Taxation topic measures the quality of regulation, administration, and practical implementation of tax systems across the three defined pillars. Each pillar is divided into categories and each category is further divided into sub-categories, which have indicators. A snapshot of the three pillars under the Taxation topic, and India's Tax Framework *vis-a-vis* select categories of the said pillars is outlined in Table 2.

Table 2.

Pillar I: Quality of Regulations on Taxation	
The first pillar assesses the quality of regulation related to taxation, encompassing both the legal framework (de jure) and the implementation (de facto) of the legal requirements.	
Select Categories and Indicators	India's Tax Framework
Clarity of Tax Regulations Issuance of rulings and interpretations of the law in a timely, transparent, and consistent manner is important for promoting predictability and fairness in tax administration, providing certainty for taxpayers, improving the tax environment for businesses and addressing tax uncertainty. One of the indicators in this category is availability of tax guides and the means to obtain the tax guides.	FAQs and Tutorials on a number of topics are available on the Income-tax website, which serve the purpose of tax guides. Tax charts and tables and calculators are also available on the website to facilitate computations. Circulars are also issued by the CBDT from time to time clarifying the position of law and these also serve as guidance to taxpayers. In the Union Budget 2026-27, not only is there an Explanatory Memorandum to the provisions of the Finance Bill, 2026, but also detailed FAQs have been issued by classifying the budget proposals in different categories. Also, the CBDT proposes to come out with a comprehensive Guidance Note containing FAQs on the different provisions of the Income-tax Act, 2025 which is to roll out from 1 st April, 2026. These FAQs, Tutorials, Explanatory memorandum are available on the website of the Income-tax Department. All these indicate the sustained efforts taken by the Government to educate and increase awareness amongst the public on provisions of the income-tax law as well as the related procedures and compliances.

Transparency of Changes in Tax Regulation

Having a transparent and predictable tax regulation enactment process enhances tax certainty. One of the most effective tools are announcing important changes in advance and engaging key participants of the private sector and society in the consultation.

Accordingly, one of the indicators is Obtaining Feedback and Broad Public Consultation.

The Income-tax department invites feedback and holds comprehensive stakeholder engagements while preparing and implementing the new income-tax law.

As regards the new income-tax law, the department had invited public feedback on the Income-tax Bill, 2025 tabled in the Parliament on 13.02.2025. The Select Committee of the Parliament, which was entrusted with the task of examining the Income-tax Bill, 2025, conducted extensive stakeholder consultations and then gave its recommendations.

Public feedback was also invited as early as in March 2025 seeking stakeholder inputs for drafting Income-tax Rules consequent to the Income-tax Bill, 2025. Thereafter, the Draft Income-tax Rules, 2026 have now been placed in public domain and public feedback is also being invited on the said Rules and forms. The Central Board of Direct Taxes is consulting with the stakeholders, including ICAI, on the changes required in the Draft Rules before notifying them.

Pillar II: Public Services Provided by the Tax Administration

The second pillar measures the quality of tax administration by assessing the public services related to tax matters.

Select Categories and Indicators**India's Tax Framework**

Digitisation of the Tax Administration, Governance of Tax Authority and Dispute Resolution Mechanism fall under this pillar.

One of the indicators is the availability of the facility of electronic filing of returns and making payments of tax.

In India, all categories of taxpayers can file their return electronically and pay their taxes online. In addition, they can submit response to outstanding tax demand, request for rectification, respond to defective notice, view tax credit etc. online. TAN and PAN can be applied online and TDS return can be filed online. A step by step guide is available for each of the activities in the portal.

Availability of two level Dispute Resolution Mechanism.

Yes, the first appellate authority is the JCIT (Appeals)/CIT (Appeals) and the second appellate authority is the Income-tax Appellate Tribunal. The appealable orders before the different appellate authorities are provided in the Income-tax Act.

Governance of Tax Authority

Public Accountability
Existence of Code of Ethics of Tax administration

The Taxpayers' Charter of the Income Tax Department is a declaration of its Vision, Mission and Standards of Service Delivery. The same is available on the Income-tax website, which details what the Income-tax Department is committed to do and what it expects from the taxpayers.

Taxpayers' Charter reports are also publicly available on the Income-tax website.

Existence of a tax ombudsman or equivalent authority.

Taxpayer can file their grievances at CPGRAMS which is an online platform available to the citizens to lodge their grievances to the public authorities on any subject related to service delivery.

Pillar III: Efficiency of Tax Systems in Practice

The third pillar evaluates the practical effectiveness of the implemented tax regulations and public services.

Select Categories and Indicators**India's Tax Framework**

Time to file and pay taxes and use of electronic systems to file and pay taxes.

The total time taken for preparation, filing and payment would differ depending on the ITR which a person is required to file. ITR 1 and 4 can be filed very quickly since the details required are less.

The total time taken for preparation, filing and payment is an indicator.

ITR 3, 5, 6 and 7 may take a longer time due to the extensive disclosures required. Auto-population from Form 3CD, AIS and Form 26AS reduces the time taken for preparing the return.

Pre-filled electronic declarations are available for all assessees, irrespective of size, turnover/gross receipts. The data from TDS statements and Annual Information Return are pre-filled in the income-tax return of the taxpayer, in addition to their personal information which is pre-filled from the earlier year's return of income.

Use of electronic systems to file and pay taxes.

In India, maximum percentage of the taxpayers use electronic systems to file and pay taxes.

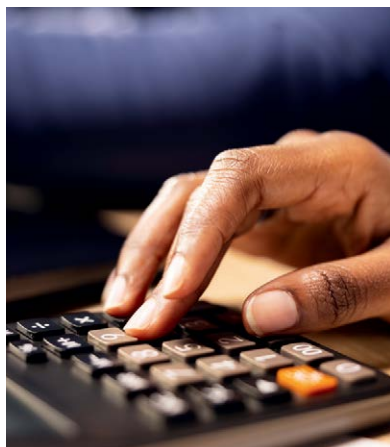
Thus, we can see India's substantial progress in –

- i. ensuring clarity of tax laws by simplifying the tax law and making available FAQs and tutorials on the provisions of tax laws and tax tables and charts on the website.
- ii. transparency of tax laws by inviting public feedback and holding extensive stakeholder consultations.
- iii. enabling e-filing of returns and e-payment of taxes for all categories of tax-payers to ensure ease of compliance.

It is noteworthy that a pan-India sensitisation exercise is being undertaken by the Tax Policy Research Unit (TPRU) of the Department of Revenue to apprise stakeholders on India's engagement with the B-READY assessment.

Tax Reforms for facilitating Ease of Doing Business: India's Path to Viksit Bharat@2047

Transformation of the direct tax framework, evolving from a system defining enforcement and deterrence into one that embodies simplicity and voluntary compliance, is the core to achieve India's aspiration of Viksit Bharat@2047. This shift reflects a deeper commitment to building a tax regime that fosters confidence between the Government and its people. Landmark initiatives



such as the Transparent Taxation – Honouring the Honest platform, the Jan Vishwas Act, 2023, and the enactment of the Income-tax Act, 2025 stand as milestones in this reform agenda.

The Transparent Taxation – Honouring the Honest platform, encompassing major reforms like Faceless Assessment, Faceless Appeal and Taxpayers Charter, is part of the Government's resolve to provide maximum governance with minimum government.

The Jan Vishwas (Amendment of Provisions) Act, 2023 which received Presidential assent on 11th August 2023 decriminalized 183 provisions across 42 Acts. It adopted multiple approaches to decriminalization, including removing both imprisonment and fines, converting imprisonment and/or fines into monetary penalties, and introducing compounding of offences in some cases.

Following recommendations of the Joint Parliamentary Committee, the Department for Promotion of Industry and Internal Trade (DPIIT) initiated further identification of minor criminal provisions for inclusion in a subsequent amendment bill. Building on this success, the Jan Vishwas (Amendment of Provisions) Bill, 2025, approved by the Union Cabinet on 12th August 2025, was introduced in the Lok Sabha on 18th August 2025. The Bill was then referred to a Select Committee, where it is currently under examination.

This new reform initiative expands the scope to 16 Central Acts, proposing amendments to 355 provisions in total. Of these, 288 provisions are targeted for decriminalization to promote Ease of Doing Business, and 67 provisions are proposed to be amended to facilitate Ease of Living.

Against this backdrop, it would be pertinent to examine the direct tax proposals in the Union Budget 2026-27 amending the Income-tax Act, 2025 aimed at enhancing ease of doing business and ease of living in India.



Union Budget 2026-27: Direct Tax Proposals to facilitate Ease of Doing Business in India

Ease of Doing Business (EoDB) stands as a central pillar of India's reform strategy, propelling growth and fostering sustainable development. The Union Budget 2026-27 drives India's EoDB agenda by ensuring tax clarity, easing compliance, and fostering trust-based governance. Key direct tax reforms include rationalising Minimum Alternate Tax (MAT) and buyback taxation, decriminalising prosecution provisions and rationalising penal provisions.

1. Rationalisation of MAT

In order to encourage companies to shift to the new tax regime under Section 200, the Finance Bill, 2026 proposes to allow set-off of MAT credit only in the new tax regime for domestic companies to the extent of 25% of the tax liability. Tax paid under the provisions of MAT would be the final tax in the old regime as per the regular provisions of the Act and no new MAT credit would be allowed. The rate of MAT is proposed to be reduced to 14% of book profit from the existing 15%. Also, all non-residents who pay tax on presumptive income would be exempt from MAT.

However, only domestic companies shifting to the new tax regime under Section 200 from April 1, 2026 will be eligible for MAT credit. According to the FAQs issued by the Department,

companies that transitioned earlier did so voluntarily, based on their financials, status, and analysis of deductions/exemptions, and benefited from lower tax rates under the new regime compared to the old. This rationale given highlights that inspite of being early adopters, the companies which shifted earlier are not entitled to MAT credit.

In contrast, the tax treatment proposed for gains arising from sale of Sovereign Gold Bonds reflects a different approach. Even in respect of bonds purchased from the secondary market prior to the proposed amendment by the Finance Bill, 2026, capital gains exemption would be denied inspite of holding the same until maturity. If we apply the rationale of denying MAT credit to early adopters in this case, then, those who purchased the bonds at that point of time were aware of the exemption and this benefit governed their decision to purchase the bonds. The proposed denial of capital gains exemption on bonds purchased from the secondary market before February 1, 2026, even if held until maturity, would cause hardship to taxpayers. Investors acquired these bonds with the legitimate expectation of exemption, and this tax benefit influenced their purchase decision. A grandfathering provision is, therefore, essential to protect the exemption for bonds purchased prior to February 1, 2026 and held until maturity.



2. Rationalisation of Buyback Taxation

It is proposed to rationalise the taxation of share buy-backs by providing that consideration received on buy-back shall be chargeable to tax under the head “Capital gains” instead of being treated as dividend income. This is a much sought after investor-friendly proposal in the Union Budget.

However, in case of promoters, it is proposed that the effective tax liability on gains arising from buy-back shall be 30%, comprising tax payable at the applicable rates together with an additional tax. In case of promoter, being a domestic company, the effective tax liability will be 22%. The definition of promoter would be as per SEBI (Buy-back of Securities) Regulations, 2018 made under the SEBI Act, 1992, in case of a company whose shares are listed on a recognized stock exchange. In case of a company other than a company whose shares are listed on a recognized stock exchange in India, “promoter” would mean a promoter as defined in Section 2(69) of the Companies Act, 2013 or a person who holds, directly or indirectly, more than 10% of the shareholding in the company. There may be venture capital investors holding more than 10% who do not exercise promoter-like control. These investors may also be subject to higher rate of tax on capital gains on account of the 10% shareholding criterion. Also, since both direct and indirect holding are being considered, there could be issues relating to legal ownership versus beneficial ownership. These are some concerns which need to be addressed.

3. Decriminalisation of Prosecution Provisions and Rationalisation of Penal Provisions

Prosecution provisions are being decriminalised and penal provisions are being rationalised

to foster trust-based governance, which will facilitate ease of doing business.

- i. The Finance Bill, 2026 proposes complete decriminalisation of offence wherein a person fails to produce accounts and documents. Also, complete decriminalisation is proposed for failure to ensure payment of tax in case of benefits and perquisites provided or winnings from lotteries, crossword puzzles, online games or consideration for transfer of virtual digital asset, where the winnings/consideration are wholly in kind or partly in kind, and the part in cash is not sufficient to meet the TDS liability. It may be noted that at present, both penalty and prosecution are being attracted in respect of this offence.
- ii. Offences where the amount sought to be evaded does not exceed Rs.10 lakh to attract only fine and there would be no imprisonment in such cases.
- iii. The remaining prosecution provisions are being graded in commensuration with the tax sought to be evaded or income under-reported. Instead of rigorous imprisonment, there would be a simple imprisonment, with maximum imprisonment reduced from 7 years to 2 years, which would be in a case where the amount sought to be evaded or tax on under-reported income exceeds Rs.50 lakhs. The maximum imprisonment would be 6 months where the amount sought to be evaded or tax on under-reported income is between Rs.10 lakhs to Rs.50 lakhs. Fine can be imposed in lieu of or in addition to simple imprisonment in both cases.
- iv. Penalties for certain technical defaults such as failure to get accounts audited, non-furnishing of transfer pricing

audit report and default in furnishing statement for financial transactions, are proposed to be converted into fee.

However, in case of fee for failure to get accounts audited, there is a concern due to the fee being a fixed amount of Rs.75,000 upto one month of delay and Rs.1,50,000 thereafter. It is noteworthy that the requirement to get books of account audited in case of an eligible assessee who declares lower than 6%/8% of total turnover as his profits and gains from business and whose total income exceeds the basic exemption limit has been introduced in the Income-tax Act, 2025. On account of this provision, even those individuals whose total income is less than Rs.12 lakh and have no tax liability on account of rebate under Section 156 (corresponding to Section 87A of the Income-tax Act, 1961) would be required to get their accounts audited, failing which they would be liable for a fee of Rs.1,50,000. Also, a salaried individual having a salary of say, Rs.9 lakh, and who makes a profit of say, Rs.20,000, from F & O transactions would have to get his accounts audited on account of his total income being higher than the basic exemption limit, failing which he would be liable for a fee of

Rs.1,50,000. Here again, the individual does not have to pay tax consequent to rebate, but would be liable for a fee of Rs.1,50,000 for failure to get accounts audited. The fee should, therefore, ideally be a percentage of total turnover subject to a maximum of Rs.75,000, for delay upto a month and a maximum of Rs.1,50,000, for delay beyond a month.

Addressing this concern will be essential as the Finance Bill, 2026 proceeds in the Lok Sabha.

- v. Immunity from penalty and prosecution for misreporting would be available if the taxpayer pays 100% of the tax amount as additional income-tax over and above the tax and interest due.
- vi. Immunity from prosecution with retrospective effect from 01.10.2024 for non-disclosure of non-immovable foreign assets with aggregate value less than Rs.20 lakh.

By decriminalising offences, introducing graded prosecution provisions and rationalising penal provisions, the Finance Bill, 2026 represents a significant move toward a more balanced and trust-based tax regime which encourages voluntary compliance. This outcome strengthens the foundation of a transparent, fair, and progressive tax system, one that supports ease of doing business.

Union Budget 2026-27: Direct Tax Proposals for "Ease of Living"

It is interesting to observe that this year, the Union Budget 2026-27 has introduced tax proposals in the category of "Ease of Living". The introduction of simplified rule-based automated processes for obtaining lower or nil deduction certificates, relief measures such as exemption of interest awarded by the Motor



Accident Claims Tribunal and consequent relief from deduction of tax, ease of compliance to investors filing declaration for no deduction of tax by enabling filing the same with the depository, increase in the time limit for filing revised return, extension of due date for filing of return in case of assessee carrying on business but not subject to audit are some of the proposals under this category.

However, the inclusion of "supply of manpower" in the meaning of work for the purposes of TDS and the extension of the timeline for depositing employee contributions to provident fund, superannuation fund, etc., until the due date of filing the return, does not align with the category "Ease of Living". While the former proposal introduces liability to deduct tax, the latter allows the employer to claim deduction by permitting remittance of employee's contribution to provident fund etc. upto the due date of filing return. Though it may be argued that there are deterrents in the respective laws for delaying remittances, still the extension of time does not lead to "ease of living" for the employee to whom these sums belong.

Outlined below are the tax proposals in the Union Budget 2026-27 aimed at facilitating ease of living –

- i. Extending the period of filing revised return by 3 months from its existing time limit of nine months to twelve months from the end of the relevant tax year i.e., from 31st December to 31st March. However, for revised returns which are filed beyond nine months from



the end of relevant tax year, a fee of a sum of Rs. 1000 is proposed to be levied, if the total income of such person does not exceed Rs. 5,00,000; and a sum of Rs. 5000, in any other case.

ii. Extending the due date for filing return of income from 31st July to 31st August of the financial year following the relevant tax year in the case of assessee having income from profits and gains of business, or profession whose accounts are not required to be audited, and in the case of a partner of a firm whose accounts are not required to be audited.

iii. Exemption to an individual or his legal heir, on any interest awarded on compensation under the Motor Vehicles Act, 1988. At present, TDS is applicable on interest on the compensation amount awarded by the Motor Accidents Claims Tribunal to any person if such interest exceeds Rs.50,000 during the tax year. Consequent to the exemption, there would be no requirement of TDS on the payment or credit of interest on the compensation amount awarded by a Motor Accidents Claims Tribunal, to an individual.



iv. Enabling Electronic filing of application for issuance of certificate of lower or nil deduction of tax to reduce the compliance burden of small taxpayers. It is proposed to allow electronic filing of applications for such certificates before the prescribed income-tax authority, which may issue the certificate subject to prescribed conditions or reject the application if the conditions are not fulfilled or the application is incomplete.

v. Enabling depositories to accept Form 15G/Form 15H from the investor and provide it directly to the companies for ease of taxpayers holding securities in multiple companies.

vi. Exemption from Tax deduction account number (TAN) for a resident buying immovable property from a non-resident. Tax can be deducted and deposited through resident buyer's PAN based challan. This facility is already available to a resident buying immovable property from another resident. It is now being extended to a resident buying immovable property from a non-resident.

vii. The launch of the Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026 (FAST-DS) reflects the Government's responsiveness to the genuine difficulties faced by small taxpayers in cases of inadvertent foreign asset non-disclosure.

Trust-Driven Tax Regime: Fostering Business & Empowering Citizens

Through these tax reforms, India takes a decisive step toward aligning its tax framework with global benchmarks of governance. This transformation embodies the Government's vision of a modern, trust-driven direct tax regime; one that empowers citizens, strengthens transparency, and reinforces India's commitment to fair and progressive taxation. These



reforms pave way for greater ease of doing business and ease of living, making India's tax system globally aligned, people-centric and business friendly.

References

- *Budget Speech Union Budget 2026-27*
- *Finance Bill, 2026, Explanatory Memorandum & FAQs*
- *Income-tax Act, 2025*
- *PIB Headquarters Press Release posted on 5th February, 2026*
- *PIB Press Release posted on 6th February, 2026 – Ministry of Finance*
- *PIB Press Release posted on 10th February, 2026 – Ministry of Commerce & Industry*
- *World bank website – Topic "Business Ready"*

[<https://www.worldbank.org/en/businessready/topic/taxation>]

Author may be reached at
eboard@icai.in