

Subject: Tax Planning and Management (Paper II)

Topic: Brief History of Income Tax in India.

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Income tax is an important direct tax. It is most significant source of revenue of the government, since government is wedded to a socialised pattern of society, its foremost duty is to bring out such welfare and development programmes which will bridge the gap between the rich and poor. Income tax is an important tool for achieving the socio-economic growth.

In India, the tax was first introduced

- In 1860 by SIR James Wilson for meeting the losses of government on account of military auditing of 1857
- In 1886 a separate Income tax Act was passed which remained in force upto 1917
- In 1918 new Income tax Act was passed and was replaced by new Act in 1922 with numerous amendments it remained upto assessment year 1961-62
- Due to increased complexities, 1922 Act was suffered to law Commission in 1956 with view of simplifying it and preventing tax evasion. The committee submitted its report in 1959.
- The Income Tax Act 1961 came into effect from 1 April 1962. It applies to whole of India and Sikkim (including J & K)

- several amendments have been made in this act every year.
- Since then various amendments have been made as Taxation laws Amendment Act 1984
Direct Tax (Amendment) Act 1987
Direct Tax (Amendment) Act 1988 and 1989
Direct Tax (second amendment) Act 1989 and
The Taxation law (amendment) Act 1991
- The amendments in Finance Acts, 1992 and 1993 are mostly based on recommendation of Chelliah Committee Report.
- So Income Tax Act 1961 which came into force on 1 April 1962 have been amended and reamended widely. So it became very complicated both for administrative authorities and taxpayers.