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Central Board of Direct Taxes (CBDT)

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Every year, crores of Indians file an income tax return. Behind that system sits one body: the Central Board of Direct Taxes, or CBDT. For over 60 years it ran the Income Tax Act, 1961. From 1 April 2026, it runs a brand-new law. This lesson explains what the CBDT is, how it began, what the new law changed, and the 2026 scheme for hidden foreign assets.

> **1 Jan 1964** CBDT created, when the Central Board of Revenue split.
> **1 + 6** A Chairman and six Members, all from the IRS.
> **536 sections** In the Income-tax Act, 2025, in force from 1 April 2026.
> **FAST-DS** 2026 scheme to declare hidden foreign assets.



Aaykar Bhavan, an Income Tax Department office in Pune. Photo: DesiBoy101, Wikimedia Commons, CC BY 4.0.

Direct tax: A tax paid straight to the government by the person who earns, like income tax.

Indirect tax: A tax added to the price of goods and services, like GST. The buyer pays it through the seller.

IRS: Indian Revenue Service. The civil service that runs India's tax departments.

Black money: Income hidden from the tax department, so no tax is paid on it.

1 What is the CBDT, and who runs it?

Must Know

India has two big tax bosses. One handles taxes on what you earn. The other handles taxes on what you buy. The CBDT is the first one.

- The CBDT runs India's **direct taxes**, mainly income tax.
- It works under the **Department of Revenue**, in the **Ministry of Finance**.
- It gets its powers from the **Central Boards of Revenue Act, 1963**.
- It also heads the **Income Tax Department**, which collects the tax.
- Its sibling board, the **CBIC**, handles indirect taxes like GST and customs.

Who sits on the board?

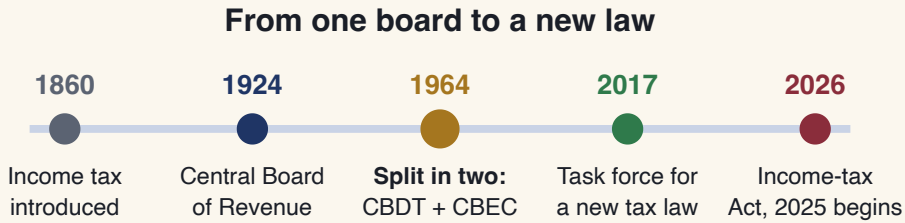
- The board has a **Chairman and six Members**.
- All of them come from the **Indian Revenue Service (IRS)**.
- The Chairman ranks as an ex-officio Special Secretary. Each Member ranks as an ex-officio Additional Secretary.

- The Chairman is **Ravi Agrawal**, a 1988-batch IRS officer. He took charge on 1 July 2024.
- In June 2026, his term was extended by six months, to **31 December 2026**. (Business Standard)

> **Quick check 1.** Q1. True or False: The CBDT works under the Department of Revenue in the Ministry of Finance. *(True or False?)*
>
> See answer ↓

2 How did the CBDT begin?

Must Know



CBDT = direct taxes (income tax). CBEC, now CBIC = indirect taxes (GST, customs). Both under the Department of Revenue.

The CBDT was born in 1964. Its roots go back to 1924.

- Income tax first came to India in **1860**, under British rule. Sir James Wilson brought it in.
- It began on **24 July**. That is why 24 July is marked as **Income Tax Day**.
- In **1924**, the **Central Board of Revenue** was set up. It handled both direct and indirect taxes.

- The job grew too big for one board. So on **1 January 1964**, it was split in two.
- The **CBDT** took direct taxes. The **Central Board of Excise and Customs (CBEC)** took indirect taxes.
- When GST came in 2017, CBEC was renamed the **CBIC**, the Central Board of Indirect Taxes and Customs.

> **Quick check 2.** Q2. True or False: The CBDT was set up in 1924 to handle both direct and indirect taxes. *(True or False?)* See answer ↓

3 What changed with the Income-tax Act, 2025?

Must Know

The 1961 Act was amended again and again for 65 years. It grew long and hard to read. Even experts argued over what it meant. So the government wrote a fresh law.

The long road to a new law

- In **November 2017**, a task force was set up to draft a new direct tax law. Its first convener was **Arbind Modi**, a CBDT Member.
- It later worked under **Akhilesh Ranjan**, and gave its report in 2019.
- The **Income-tax Act, 2025** was passed by Parliament in 2025.
- It came into force on **1 April 2026**, replacing the 1961 Act.

What is different?

- The new Act has **536 sections** in **23 chapters**. The old one had more than 800 sections.
- The old law used two terms: “Previous Year” (when you earned) and “Assessment Year” (when you were taxed).
- The new Act uses **one term: “Tax Year”**.
- It applies from Tax Year **2026-27** onwards.
- The aim is a shorter, clearer law, with lower costs and fewer disputes.

> **Think it through, before reading on.** Why might “Previous Year” and “Assessment Year” confuse an ordinary taxpayer?
>
> **Show the explanation**
>
> Say you earned money in 2024-25. Under the old law, that was your “Previous Year”. But you were taxed in “Assessment Year” 2025-26. So one income carried two different year labels. That is easy to mix up. “Tax Year” uses just one label: the year you earned the money.

Quick check 3. Q3. True or False: The Income-tax Act, 2025 replaces “Assessment Year” and “Previous Year” with a single term, “Tax Year”. *(True or False?)* See answer ↓

Quick check 4. Q4. True or False: The Income-tax Act, 2025 has more than 800 sections. *(True or False?)* See answer ↓

4 How is the CBDT changing the way it treats taxpayers?

Good to Know

A tax office can act like a police station or like a help desk. The CBDT says it wants to be more of a help desk for honest taxpayers.

The PRUDENT approach

- The CBDT’s **Central Action Plan 2026-27** is built on the word **PRUDENT**. (Business Today)
- It stands for Professionalism, Responsibility, Understanding of law and business, Data-driven decisions, Enforcement with empathy, Non-intrusive administration, and Technology-driven processes.
- **Faceless assessment** is one tool. Cases are handled online, so the taxpayer and officer never meet.

Income Tax Day 2026 and the 5Rs

- On 24 July 2026, the **167th Income Tax Day** was marked in New Delhi.
- Finance Minister Nirmala Sitharaman set out the **5Rs of Responsive Tax Governance**: Recognise, Respond, Redress, Reflect and

Reform.

- She said honest taxpayers should get a chance to correct genuine mistakes.
- She also called for less litigation and more tax certainty.
- The CBDT Chairman listed tech upgrades such as **PAN 2.0** and **ITBA 2.0**. (PIB)

Remember this: CBR 1924 → split on 1 Jan 1964 into CBDT (direct) and CBEC (now CBIC, indirect). CBDT: Department of Revenue, 1 Chairman + 6 Members, all IRS. Income-tax Act, 2025: 536 sections, "Tax Year", in force 1 April 2026. 2017 task force convener: Arbind Modi. 5Rs: Recognise, Respond, Redress, Reflect, Reform.

5 How have exams tested the CBDT and tax reform?

Asked before

PYQ 1 · UPSC CSP 2021, Q9

Which one of the following effects of creation of black money in India has been the main cause of worry to the Government of India?

(a) Diversion of resources to the purchase of real estate and investment in luxury housing

(b) Investment in unproductive activities and purchase of precious stones, jewellery, gold, etc.

(c) Large donations to political parties and growth of regionalism

(d) Loss of revenue to the State Exchequer due to tax evasion

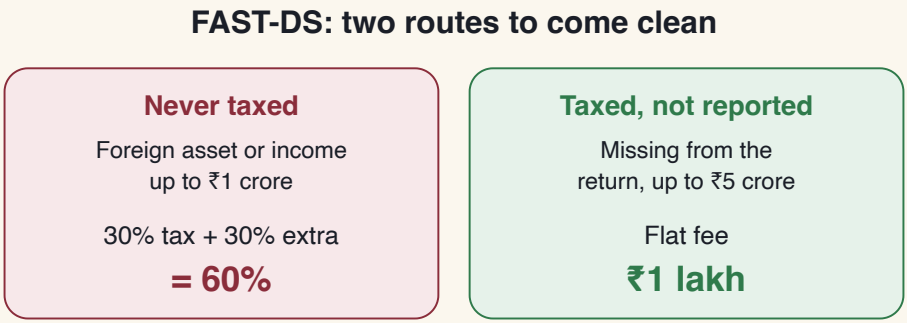
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6 What is FAST-DS, the 2026 foreign asset scheme?

Current Affairs

Many Indians study or work abroad. Some open a foreign bank account or get shares from a foreign employer. Then they forget to report it in their Indian return. FAST-DS lets them fix this.



- The **Foreign Assets of Small Taxpayers-Disclosure Scheme (FAST-DS)** was notified on 15 August 2026.
- It opened on **16 August**. Declarations can be made online until **31 December 2026**.
- It was announced in the **2026-27 Budget**.
- It is meant for students, young professionals, tech workers and Indians who have moved back from abroad.
- Hidden assets up to **₹1 crore** pay 30% tax plus an equal extra amount. That is an effective **60%**.
- Assets already taxed but left out of the return, up to **₹5 crore**, need only a **₹1 lakh fee**.

- Those who declare get **immunity from prosecution** under the Black Money Act, 2015.

(Source: The Hindu)

> **Quick check 5.** Q5. True or False: People who declare assets under FAST-DS can still be prosecuted under the Black Money Act, 2015. *(True or False?)* See answer ↓

Quick Q&A

- **When was the CBDT created?** 1 January 1964.
- **Which board did the CBDT come from?** The Central Board of Revenue, set up in 1924.
- **Which service do CBDT Members come from?** The Indian Revenue Service (IRS).
- **When did the Income-tax Act, 2025 come into force?** 1 April 2026.
- **What is the effective tax rate under FAST-DS for never-taxed assets?** 60%.

Practice MCQs

1. The Central Board of Direct Taxes (CBDT) came into being on 1 January 1964 when an older board split in two. What was that older board called?

A. The Central Board of Revenue

B. The Imperial Board of Taxation

C. The Direct Taxes Commission

D. The Board of Inland Revenue

See answer ↓

2. Which ministry does the CBDT function under?

A. NITI Aayog

B. Ministry of Corporate Affairs

C. Ministry of Finance (Department of Revenue)

D. Ministry of Law and Justice

See answer ↓

3. From which date does the Income-tax Act, 2025 replace the Income Tax Act, 1961, which CBDT had administered for 65 years?

A. 1 April 2026

B. 26 January 2026

C. 1 January 2027

D. 1 July 2026

See answer ↓

4. The Income-tax Act, 2025 replaces the older terms 'Assessment Year' and 'Previous Year' with a single new term. What is it?

A. Fiscal Cycle

B. Revenue Year

C. Filing Year

D. Tax Year

See answer ↓

5. CBDT's Chairman and its 6 Members are all drawn from which civil service?

A. Indian Audit and Accounts Service (IAAS)

B. Indian Administrative Service (IAS)

C. Indian Economic Service (IES)

D. Indian Revenue Service (IRS)

See answer ↓

6. At the 167th Income Tax Day celebrations, Finance Minister Nirmala Sitharaman set out the "5Rs" of what?

A. Responsive Tax Governance

B. Digital Payments Reform

C. Fiscal Deficit Reduction

D. Customs Modernisation

See answer ↓

7. Which of these is NOT one of CBDT's technology-led tax administration initiatives, named at the 167th Income Tax Day event?

A. PAN 2.0

B. GSTN 3.0

C. IEC 3.0

D. ITBA 2.0

See answer ↓

8. Under FAST-DS (2026), undisclosed foreign assets of small taxpayers can be declared at what effective tax rate?

A. 75%

B. 60%

C. 30%

D. 45%

See answer ↓

Answer Key

1. **A.** CBDT and CBEC (now CBIC) were created on 1 January 1964 by splitting the Central Board of Revenue, which had handled both direct and indirect taxes since 1924. ↑ Q1
2. **C.** CBDT operates under the Department of Revenue in the Ministry of Finance, and administers India's direct-tax laws. ↑ Q2
3. **A.** The Income-tax Act, 2025 comes into force on 1 April 2026, replacing the 1961 Act. Rates and exemptions stay the same, but the law's structure is condensed. ↑ Q3
4. **D.** The new Act introduces 'Tax Year' as a single, simplified concept, replacing the older twin terms 'Assessment Year' and 'Previous Year'. ↑ Q4
5. **D.** CBDT's Chairman (an ex-officio Special Secretary) and its 6 Members (ex-officio Additional Secretaries) are all officers of the Indian Revenue Service (IRS). ↑ Q5
6. **A.** Sitharaman outlined the 5Rs of Responsive Tax Governance -- Recognise, Respond, Redress, Reflect and Reform -- as guiding principles for taxpayer service. ↑ Q6
7. **B.** CBDT is advancing technology-led tax administration through PAN 2.0, ITBA 2.0, IEC 3.0, and the SAKSHAM NUDGE framework. GSTN falls under GST administration, not CBDT's direct-tax initiatives. ↑ Q7
8. **B.** Tax is 30% plus an equal additional amount. The effective rate is 60%. ↑ Q8

Quick-check answers

1. **True.** ↑ 1
2. **False.** ↑ 2
3. **True.** ↑ 3
4. **False.** ↑ 4
5. **False.** ↑ 5

Previous year answers

1. **(d) Loss of revenue to the State Exchequer due to tax evasion** Black money means income on which taxes have been evaded. Its biggest cost to the state is the direct revenue loss to the exchequer. The other listed effects also matter, but they stem from this evasion.

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