Income Tax enjoys a pride place in Indian Public Finance and it is supposed to be one of the major sources of revenue for the Government. Entry 82 of the Union List of the Seventh Schedule read with Article 246(1) of the Constitution of India empowers the Parliament to make laws with respect to taxes on income other than agricultural income. Although the administration and collection of the income-tax is with the Central Government, net proceeds of the tax (amount collected less collection charges) are sent to the divisible pool for sharing by the State Governments according to the bases provided by the Finance Commission appointed by the President of India, after every five years.

It may be noted that income-tax paid by companies, tax collected in respect of Union emoluments and surcharge remain with the Central Government. Tax collected in Union Territories also goes to the Central Government.

The Income-tax Act, 1961 has about 300 sections, numerous sub-sections and twelve schedules. They keep changing every year with deletions and additions.

For its governance, the department of Income-tax has framed about 200 rules under the title 'Income-tax Rules, 1962' which in turn have hundreds of sub-rules. Many supplementary
laws have been enacted and many amendments have been made, with a view to simplifying the tax structure. But all these efforts have, in real terms, complicated the Income-tax law further.

The Income-tax Act of 1961, which extends to the whole of India, retains the basic structure of the Act of 1922, but has only re-arranged its provisions in a more logical and convenient manner. It has amplified several provisions, re-written some provisions in more simple language and introduced some new provisions with a view to frame a comprehensive tax law.

It is regrettable that the Income-tax Act, 1961 has met the same fate of amendments, deletions, additions and omissions as had been the case with the Income-tax Act of 1922. Hence, the Income-tax Act of 1961 is characterised by lack of stability.

Moreover, we are aware of the fact that the Finance Minister of the Union Government of India presents the Budget to the Parliament every year, generally on the last date of February unless there are imperative reasons for presenting it on any other date. In his budget speech the Finance Minister declares the policies of the Government in fiscal areas and presents the income and expenditure statistics for the coming year. To give effect to the various proposals contained in the Budget speech, the Finance Minister moves a bell known as the Finance Bill each year. It contains proposals in the areas of direct taxes (like Income-tax, wealth-tax, Gift-tax, etc.) and
Indirect taxes (like custom and excise, etc.) The tax rates of Income-tax are also contained in the Finance Bill because the rate schedule does not form part of the Income-tax Act, 1961. As the Government claims that people should be taxed according to the needs of the country, and it thought it worthwhile to exact the tax rates every year instead of incorporating them in the permanent exactment, namely, the Income-tax Act, 1961. It again proves the high instability in Tax Policy.