



Mumbai Celebrates 166th Income Tax Day

Why in News?

The **Income Tax Department, Mumbai, celebrated the 166th Income Tax Day on 24th July 2025**, marking the **enactment of India's first income tax law in 1860**.

- The event, **attended by Maharashtra Governor Shri C.P. Radhakrishnan** and key dignitaries from the Income Tax Department and the Income Tax Appellate Tribunal (ITAT), **emphasized the department's crucial role in revenue mobilization**, voluntary compliance, and combating economic malfeasance.

Key Points

- The Principal Chief Commissioner of Income Tax, Mumbai, reflected on the evolution of income tax laws in India since 1860.
 - She emphasized the **importance of adapting tax frameworks to align with India's growing economy as it aims to become the third-largest global economy by 2028**.
- The Governor unveiled a statue of **Chanakya (Kautilya)**, whose famous verse '***kosha moolo danda***' (**treasury is the root of administration**) is the motto of the **Income Tax Department**, symbolizing the foundation of the taxation system.

Use of AI by the Income Tax Department: The Income Tax Department, through the use of **advanced artificial intelligence (AI) tools**, has generated an **additional Rs 11,000 crore in tax revenue over the past four years (since 2021-22)**.

- In addition to the Rs 11,000 crore generated from updated returns, the AI tools also revealed Rs 29,000 crore worth of previously undisclosed foreign assets and Rs 1,000 crore in foreign income related to [cryptocurrencies](#) or [virtual digital assets \(VDAs\)](#) in the 2024-25 financial year.

Note:

- Maharashtra has a diverse economy with a mix of agriculture, industry, and services sectors. **Maharashtra has a nominal Gross State Domestic Product (GSDP) of approximately USD 435 billion (2022-23), which makes it the largest economy in India.**

Trends in Tax Revenue Collection

- A data released by the [Central Board of Direct Taxes \(CBDT\)](#) under the Ministry of Finance revealed the trends in tax revenue collection for the FY 2023-24.
- **Direct taxes** surged to 56.72% of total revenue in FY24, the highest in 14 years while **indirect taxes** dropped to 43.28%.
 - A Direct tax is imposed directly on the taxpayer and paid directly to the government by the

persons (juristic or natural) on whom it is imposed.

- An indirect tax is one collected by an intermediary (like a store) from the person who ultimately pays it (the customer). The taxpayer can pass this tax on to others.
- **Personal income tax (PIT)** (Rs 10.45 lakh crore) was higher than **corporate tax** (Rs 9.11 lakh crore) collections.
- The direct **tax-to-GDP ratio** climbed to a 20-year high of 6.64%.
- **Tax buoyancy** grew to 2.12 in 2023-24.
 - A tax buoyancy above 2 means tax revenues grew more than twice as fast as **nominal GDP**, reflecting strong tax collection growth.

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