

DIRECT TAXES CODE TO GET A MAKEOVER

The govt wants to table it in monsoon session

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Faced with a lot of opposition from various quarters on the Direct Taxes Code (DTC), the finance ministry is completely rewriting the original draft rather than just making changes in some sections.

A senior official in the finance ministry said the Central Board of Direct Taxes (CBDT) addressed the nine areas of concern in the Code identified by Finance Minister Pranab Mukherjee. Besides, many other parts would be changed to take care of the concerns of various stakeholders.

"It (DTC) is being rewritten. We want to make it progressive. While many parts have been completely revisited, minor changes have been made at some other places," the official said.

The government has re-examined the proposals relating to the Minimum Alternate Tax (MAT) on gross assets, capital gains tax in case of non-resident Indians, Double Taxation Avoidance Agreement, General Anti-Avoidance Rule, taxation of charitable organisations,

effective management control and taxation of foreign companies in India, shift from exempt-exempt-exempt (EEE) to exempt-exempt-tax (EET) taxation system for savings and investments, taxation of income from house property in case of self-occupied property by the individual, and deductions in case of retirement benefits.

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The widening of income-tax slabs proposed in the Code may also undergo a change. The Direct Taxes Code had suggested that those with an annual income between Rs 1.6 lakh and Rs 10 lakh pay 10 per cent tax, those between Rs 10 lakh and Rs 25 lakh pay 20 per cent, and those above Rs 25 lakh are taxed at 30 per cent. "The slabs are only indicative, but we would like to continue with the tax rates," said another official.

The first official said the re-drafted code would ensure a level playing field for all. He said the Bill would be ready by June, and after being approved by the Cabinet, it would be discussed by the standing committee of Parliament. The official added the government might not go for another public discussion on the Bill, as it was determined to table it in the monsoon session.

This is the second time CBDT is completely redrafting the legislation on direct taxes. The Code, released in August last year for public discussion, itself was written from scratch, as the government wanted it to replace (not amend) the five-decade old Income Tax Act of 1961.

Another official in the ministry agreed that completely redrafting the Code before July could prove to be a challenging task. The first draft of the Direct Taxes Code, spearheaded by P Chidambaram as finance minister in 2005, took four years to see the light of the day.

The government plans to implement the Code from April 2011. To speed the process, it has posted seven Officers on Special Duty to the task force of CBDT working on the Code.