

Budget 2014: 10 tax issues the government needs to address

By Prabhakar Chinhole

The final budget for 2014-15 is expected to be presented in the first week of July. ET takes a look at the tax issues the budget needs to address:

INDIRECT TAXES

Goods and services tax (GST)

BJP has indicated indirect tax reform will be its priority.

What can be expected

A road map to roll out the big indirect tax reform A strong statement promising to address all concerns of states.

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Reduction in CST rate

Central sales tax was to be abolished with introduction of GST.

What can be expected

CST rate could be lowered to 1% from 2% along with the announcement of GST.

Measures to reduce litigation

Over Rs 1 lakh crore stuck in indirect tax litigation.

What can be expected

One-time settlement scheme to end previous backlog A forward looking plan to reduce litigation.

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Cenvat credit reforms

Current regime is complex and limited. It adds to cost and administrative burden.

What can be expected

Recommendations of MK Gupta committee available Some measures can be expected based on the recommendations.

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Stimulus through excise cuts

Industrial and manufacturing revival tops government agenda.

What can be expected

Selective sops to stimulate demand till economy improves.

DIRECT TAXES

Retrospective tax FM has opposed amendments with retrospective affect but has not said on specific amendment.

What can be expected

The budget could clarify that amendment would have prospective affect Apart from Vodafone, it would benefit other MNCs as well.

Direct taxes code The code is ready and can be passed quickly.

What can be expected

Some elements of the DTC could be included in the budget.

Mauritius tax treaty could be clarified.

Time-bound incentives for corporates to invest more.

Big thrust to infrastructure sector.

Threshold limit for income tax

BJP leader Yashwant Sinha had favoured big relief to taxpayers through slab recast in his standing committee report on direct taxes code.

What can be expected

Fiscal condition rules out a big relaxation but lowest slabs could be provided relief.

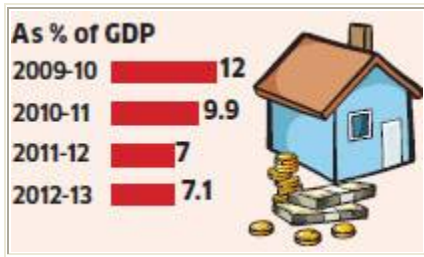
Income up to Rs 5 lakh could be made tax exempt.

The super-rich tax could continue.

Steps to stimulate savings

Financial savings have taken a big knock in recent years, contributing to high interest rates.

Household financial savings



What can be expected

The Rs 1 lakh threshold for Section 80C benefit could be raised.

Rebate for infrastructure investments could be brought back.

Sops for housing

Construction and housing sector has been sluggish for a while.

What can be expected

Tax incentive for the sector could be raised for a fixed period.

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