

Cabinet Puts off Decision on Amendments to Direct Taxes Code

The Union Cabinet has 'postponed' considering official amendments to the Direct Taxes Code (DTC). With this, there is little chance of bringing the code back to Parliament for consideration and passage during the ongoing session.

Although no official reason was given for the postponement, Government sources said the Prime Minister's Office had raised some questions, following which the proposal, listed for Thursday's Cabinet meeting, was put off. No fresh date has been set for bringing the proposal back to the Cabinet. Interestingly, the Government changed its mind within 24 hours of the agenda note for DTC being circulated.

It is believed that three key provisions of the revised Code did not find favour with the PMO. These included the proposed new slab of 35 per cent for persons earning more than Rs 10 crore, additional tax at the rate of 10 per cent on the recipient of dividends exceeding Rs 1 crore and provisions related with wealth tax.

It had been proposed to redefine wealth by including shares along with immovable property besides others, fixing a threshold limit of Rs 50 crore and levying tax at the rate of 0.25 per cent. It is also believed that non acceptance of three key recommendations given by the Standing Committee on Finance also forced the Government on the back foot.

These recommendations included raising the minimum slab to Rs 3 lakh from Rs 2 lakh, abolition of Securities Transaction Tax and levy of dividend distribution tax in the hand of policy holders.

In the revised draft bill, the Finance Ministry proposed a new tax slab for the super rich, besides a tax benefit on contribution to political parties apart from life insurance, health insurance, school tuition fees and investments in equity-linked saving schemes.

The Direct Taxes Code Bill was introduced in Lok Sabha on August 30, 2010. It was referred to the Standing Committee on September 9, 2010.

After detailed examination and hearing views from various stakeholders, the Standing Committee on Finance, chaired by former External Affairs and Finance Minister Yashwant Sinha, submitted its report to the Lok Sabha Speaker on March 6, 2012, which was subsequently presented to the Lok Sabha and tabled in the Rajya Sabha on March 13, 2012.

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