

## **Direct Tax Code set for debut only in 2013**

With the parliamentary standing committee now scheduled to give its report only in the budget session, the much awaited Direct Tax Code, in all probability, is expected to see the light of the day only next year.

The bill, which seeks to replace the archaic Income Tax Act, 1961, was tabled in Parliament way back in 2010 and has already missed two deadlines. The bill aims at reducing tax rates by expanding the tax base and minimising exemptions.

“We will be able to submit our report only by the budget session,” a key member of the panel has said. Analysts are of the view that the finance ministry will take another three to four months to go through the report and consider committee’s recommendations. So, in all probability, the revised bill will be tabled in Monsoon session. This implies that the DTC will now come in force only from next year, because unlike the Goods and Services Tax, the DTC cannot be introduced from the middle of the year.

The finance ministry, however, may introduce some of the key provisions of DTC in the budget for 2012-13 itself to help it deal with tax avoidance, especially in cross border transactions. Currently, the domestic laws are not very clear on this issue and the courts are called to decide.

The tax authorities in India have suffered a big blow after the Supreme Court recent ruling on Vodafone tax dispute, whereby it exempted the company from paying capital gains tax in India for a transaction carried out abroad. Finance ministry sources said the provisions like Controlled Foreign Corporation and General Anti-Avoidance Rules may be announced in this year’s budget, in case there is a delay in bringing out the DTC Bill. The DTC Bill proposes to tax yearly incomes over Rs 2 lakh to Rs 5 lakh at the rate of 10 per cent, from Rs 5 lakh to Rs 10 lakh at 20 per cent and beyond Rs 10 lakh at 30 per cent.

Currently, income over Rs 1.80 lakh to Rs 5 lakh are taxed at 10 per cent, from Rs 5 lakh to Rs 8 lakh at 20 per cent and beyond Rs 8 lakh at the rate of 30 per cent. The tax code also seeks to bring uniformity in tax rates for men and women.

[Source: www.deccanherald.com](http://www.deccanherald.com)