

Direct Taxes Code will come next year: Finmin

The government on Wednesday expressed optimism that the Direct Taxes Code (DTC) would come into force from the next financial year.

Finance minister Pranab Mukherjee said he was confident of the DTC being recommended by the standing committee in the coming (winter) Parliament session. "I hope that I will get the legislation by the Budget session," he told an economic editors' conference here, answering a question.

Mukherjee said he had a "good" discussion with the pertinent standing committee's chairman (Yashwant Sinha) on whether it was possible to pass certain legislations with his help. "But that is at the committee level and the chairman's level. What would happen on the floor of the House would be decided by others," he added. "The Direct Taxes Code will come." The DTC Bill introduced in Parliament on August 30 last year, proposes to replace the 50-year old Income Tax Act.

The Act was initially proposed to come into force at the start of the ongoing financial year. The deadline was then extended to April next year, as the draft Bill has been referred to the Parliamentary Standing Committee.

Revenue department officials doubt if they will get sufficient time to get the legislative work completed in the time left for implementation of DTC from 2012-13.

This even if the standing committee gave its report in the winter session of Parliament.

The Act needs to be passed by March 31 for implementation of DTC from the next day, which marks the start of the 2012-13 fiscal.

If the standing committee report comes in this winter session, the final Bill at best can be tabled in Parliament in the budget session. If the Act is not passed, it will be difficult to avoid in the next budget an announcement about the DTC's implementation from next financial year. Things may now change, as the finance minister has expressed the hope that the DTC would be implemented from next year.

The new direct tax law, which is proposed to simplify and streamline the income tax regime in the country, has already missed the April 2011 deadline. Central Board of Direct Taxes (CBDT) officials say the delay in the implementation of the DTC by one more year was not going to create any problem, as the government had already started the process of movement towards DTC under the existing income tax provisions in the last two years.

One Parliament passes the Act, both the income tax department and industry should ideally get at least nine months to understand and prepare themselves to handle the new DTC framework, they added.

CBDT, on its part, is currently working on the systems requirement to handle DTC and the implementation of the code. The annual I-T exemption limit is proposed at Rs 2 lakh in the DTC Bill, compared to Rs 1.8 lakh at present.

Under the Bill, the government proposes to widen tax slabs to levy 10 per cent tax on income between Rs 2 lakh and Rs 5 lakh, 20 per cent on Rs 5-10 lakh and 30 per cent above Rs 10 lakh.

Currently, income up to Rs 1.8 lakh per annum is exempt from tax for individuals. For women and senior citizens, the limit is Rs 1.9 lakh and Rs 2.5 lakh, respectively. The tax is levied at a 10 per cent rate on income between Rs 1.8 lakh and Rs 5 lakh, 20 per cent on Rs 5-8 lakh and 30 per cent above Rs 8 lakh.

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