

FM talks to BJP on pension Bill, DTC

Ahead of Parliament's Budget session, Finance Minister P Chidambaram has tried to break a standoff over two measures the government is keen on — the pension Bill and the Direct Taxes Code (DTC) — with the main Opposition, the Bharatiya Janata Party.

He has spoken to the party's heads in the Lok Sabha and the Rajya Sabha, Sushma Swaraj and Arun Jaitley, respectively, to seek support for the two items of proposed legislation. He got no assurance. The BJP has already said it would try to corner the government in Parliament on various issues.

The BJP, its leaders reiterated to Chidambaram, had severe reservations on the limit of foreign direct investment (FDI) to be allowed in the proposed pensions Bill. As for the DTC, they said they'd discuss it with other party members.

The Pension Fund Regulatory and Development Authority (PFRDA) Bill, as proposed by the Cabinet, says 26 per cent FDI will be allowed in the pension sector or in line with the insurance sector, whichever is higher. The Insurance Laws (Amendment) Bill pegs the FDI cap in private insurance at 49 per cent. BJP leaders told Chidambaram they are agreeable to 26 per cent FDI in pensions, not 49 per cent. This is what Parliament's standing committee on finance (chaired by a BJP senior) had recommended; they say it should be accepted.

“The Union government is talking to the opposition but senior ministers of the government are also not willing to back 49 per cent FDI in the pension sector. The government has to first try and build a consensus within the UPA (the ruling coalition),” said a BJP senior.

The party says even the Congress members in the standing committee had agreed on a 26 per cent FDI cap in the Bill.

Chidambaram has tried for an agreement on this earlier, too, before the start of the winter session. The government is trying to defuse the tension with the BJP. Home Minister Sushilkumar Shinde, who'd angered the party with his remarks on 'saffron terrorism' had offered to issue a statement to clarify his comments but the BJP insists on an apology. They've already said they'd take up the issue in Parliament and boycott Shinde.

The finance minister had earlier indicated the DTC Bill will have to be rewritten. The standing committee had suggested various changes, such as raising of the threshold for income tax exemption to Rs 3 lakh from the Rs 2 lakh recommended. The current threshold is also Rs 2 lakh. The panel wanted a 10 per cent rate to kick in for annual income of Rs 3-10 lakh. The Bill had proposed this rate be imposed on a slab of Rs 2-5 lakh. The panel also recommended a 20 per cent income tax rate be paid by those earning Rs 10-20 lakh a year. This slab was proposed to be Rs 5-8 lakh in the Bill. The committee wanted a peak rate of 30 per cent on annual income above Rs 20 lakh, as against above Rs 10 lakh sought in the Bill.

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