

Get ready for higher professional tax as states plan revision

Chartered accountants, lawyers and other professionals may have to shell out more money as state governments are contemplating raising the incidence of professional tax, reports PTI.

The issue of raising the professional tax, currently capped at Rs2,500 per annum, will come up for discussion at the meeting of the Empowered committee of state Finance Ministers on Goods and Services Tax (GST) to be held in Bhopal on Monday.

“As per the current provisions, states have the power to revisit the maximum limit of Rs2,500 payable as professional tax...we will obviously look at increasing it, and take the states’ views on the issue,” Bihar deputy chief minister Sushil Kumar Modi, who heads the panel on GST, told PTI.

Besides, he added, “We will also discuss the concept paper prepared by the (Union) finance ministry on negative list of services.”

Professional tax, according to KPMG executive director Pratik Jain, “is a state-level duty payable by employers (both public and private), who deduct it from the salaries of employees on a monthly basis.”

Mr Jain said that although the professional tax does not have significant financial implications, “companies want to avoid monthly compliance as it is cumbersome and would like to see it merged in GST.”

The Empowered Committee meeting, according to sources, will also deliberate on the issue of CST (Central Sales Tax) compensation.

Several states have expressed their unhappiness over delay in release of funds by the Centre to compensate them for revenue losses due to phased withdrawal of CST.

The Centre has released only Rs900 crore to states as CST compensation as against the provision of Rs 12,000 crore in the budget for 2011-12.

CST, a tax on inter-state movement of goods, was reduced from 4% to 3% in 2007-08, and further to 2% in 2008-09, after the introduction of Value Added Tax (VAT).

There will be a presentation on the best I-T practices in states like Maharashtra, Kerala and Madhya Pradesh as a robust infrastructure is required for GST, Mr Modi said.

The progress with regard to the Constitution Amendment Bill relating to GST, currently pending with the Standing Committee on Finance, will also be reviewed by the Empowered Committee, Mr Modi added.