Fin Min against raising I-T exemption limit to Rs 3 lakh

The Finance Ministry has rejected the recommendation of the Parliamentary Standing Committee on raising the income tax exemption limit to Rs 3 lakh. The recommendation was made as part of the Committee's report on the Direct Tax Code (DTC). Adjusting the slabs will cause tax revenue losses to the tune of Rs 60,000 crore a year to the exchequer, the Ministry has said.

It has, however, agreed to the recommendation on reducing the age for tax exemption for senior citizens from 65 years to 60 years. The Ministry has also rejected the recommendation on inflation-proofing the tax exemption.

The Finance Ministry released the proposed Direct Taxes Code – 2013 on Tuesday. Of the 190 recommendations made by the Committee, the Finance Ministry has accepted 153 either wholly or with partial modifications. In his Budget speech in February, Union Finance Minister P. Chidambaram had said that the government will seek public opinion on the revised DTC.

Earlier, the UPA Government had introduced the DTC Bill in the Lok Sabha in 2010 and later referred to the Committee. The revised DTC Bill will now be re-introduced in Parliament by the next Finance Minister post-elections.

The Parliamentary Committee had proposed no tax on income of up to Rs 3 lakh per annum; at the rate of 10 percent for Rs 3-10 lakh; 20 percent, for Rs 10-20 lakh and 30 percent on annual income beyond Rs 20 lakh. At percent, there is no tax on income of up to Rs 2 lakh per annum. Income of Rs 2-5 lakh attracts tax at the rate of 10 percent, 20 per cent on Rs 5-10 lakh and 30 per cent on income beyond Rs 10 lakh.

The revised DTC provides for a fourth slab for individuals, HUFs and artificial judicial persons with a view to maintaining overall progressivity in the levy of income tax. If their total income exceeds Rs 10 crore, it is proposed to be taxed at the rate of 35 percent under the revised DTC.

The revised DTC also said the income from a house property, which is not used for business or commercial purposes, will be taxed under the head 'income from house property'.

The recommendations accepted include those pertaining to simplifying the structure and the content of the DTC for making it more user-friendly and at the same time “ensuring tax buoyancy by tapping high capacity/income and evasion prone segments”.

The recommendations ministry has rejected include the one on retaining the rate of taxation for life insurance companies at 15 percent against the proposed 30 percent and abolishing the Securities Transaction Tax (STT).

The Ministry has said that the revised DTC captures all assets for Wealth Tax, whether physical or financial, thereby removing the discrimination for taxation purposes against “conservative” taxpayers who invest their savings in physical assets.