

Retirement benefits, including PF, not to be taxed: Govt

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NEW DELHI: The government today said provident funds would not be taxed on withdrawal and dropped a proposal to levy Minimum Alternate Tax from corporates based on their assets from the revised draft Direct Taxes Code.

The Code, released for public discussion, does not give any details on the Income Tax structure such as the slabs or rates, which were provided in the first draft released in August 2009.

Based on the outcome of discussion on the revised draft code, the government will bring in a new Income Tax legislation to replace the archaic Act of 1961.

Revenue Secretary Sunil Mitra said the taxation rates in the first draft, which suggested 10 per cent tax on income from Rs 1.60-10 lakhs and 20 per cent on income between Rs 10-25 lakhs and 30 per cent beyond that, were illustrative.

He said the tax rates would be made known only in the proposed Act, a bill for which will be introduced in Parliament in the coming monsoon session.

"As of now, it is proposed to provide the EEE (Exempt- Exempt-Exempt) method of taxation for Government Provident Fund (GPF), Public Provident Fund (PPF) and Recognised Provident Funds (RPF) ...", the revised DTC released by the Finance Ministry said.

The revised draft also puts pensions administered by the interim regulator PFRDA, including pension of government employees who were recruited since January 2004, under EEE treatment.

The first DTC draft had proposed to tax all savings schemes including provident funds at the time of withdrawal bringing them under the EET (Exempt-Exempt-Tax) mode.

The proposal drew flak from several quarters, especially the trade unions and salary earners.

The fresh draft, on which the government has invited comments from stakeholders till June 30, also dropped the proposal to impose MAT on gross assets, a move which too was fiercely opposed by the industry.

"We welcome both the changes (on MAT and long-term savings)", a spokesman for industry chamber FICCI said.