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10 MAR, 2012, 05.19AM IST, ET BUREAU

## Budget 2012: Finance ministry may accept house panel's recommendations on DTC bill

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NEW DELHI: A parliamentary panel has submitted its recommendations on the Direct Taxes Code (DTC) bill, potentially giving the government leeway to please taxpayers in the March 16 budget and win back favour after suffering severe setbacks in recent state elections.

If the recommendations of the standing committee on finance headed by senior BJP leader Yashwant Sinha are accepted, nearly 90% of taxpayers will drop out of the tax net while others could see their tax liabilities come down.

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The committee has suggested that the basic exemption limit be raised to Rs 3 lakh from Rs 1.8 lakh now and income up to Rs 10 lakh attract only 10% tax. The highest 30% tax slab is proposed to kick in only on income in excess of Rs 20 lakh.

The government is not obliged to accept the recommendations of the committee, but may go with it because of the reduced political clout it has now.

"Where the government is aligned with the standing committee's recommendations and that are potentially revenue accretive, one can expect those provisions to be incorporated in the upcoming finance bill," said Amitabh Singh, partner at Ernst & Young.

The committee has also suggested increasing the threshold for wealth tax to Rs 5 crore from Rs 30 lakh and the abolition of the securities transaction tax, but suggested that the corporate tax rate be retained at 30%.

"The committee would expect the tax policy and procedures to be fair, just and equitable, bringing fiscal stability at least over the medium term, obviating the need to make changes in rates structure during every Budget," said the standing committee's report, which was made public on Friday.

### A Liberal Regime For Taxpayers

| Current         | Tax Slab | Proposed*     |
|-----------------|----------|---------------|
| Up to ₹1.8 lakh | Nil      | Up to ₹3 lakh |
| ₹1.8-5 lakh     | 10%      | ₹3-10 lakh    |
| ₹5-8 lakh       | 20%      | ₹10-20 lakh   |
| Over ₹8 lakh    | 30%      | Over ₹20 lakh |

\*By standing committee

#### INVESTMENTS

|            |                  |           |
|------------|------------------|-----------|
| ₹1.55 lakh | Max rebate       | ₹3.2 lakh |
| ₹1.5 lakh  | Int on home loan | ₹1.5 lakh |



#### OTHER SUGGESTIONS

No wealth tax up to ₹5 crore

No change in 30% corporate tax rate

Investment-based tax incentives

The report is not unanimous as two of its members - Gurudas Dasgupta and Moinul Hassan, both belonging to the Left parties - submitted dissent notes.

The [finance ministry](#) is debating bringing DTC provisions in the upcoming budget, notably an increase in basic exemption limit and expansion in wealth tax net.

Other proposals being considered include anti-evasion measures in the form of a General Anti Avoidance Rule and a provision to impose taxes on asset transfers if more than 50% ownership lies in India, the latter a fallout of the Vodafone case.

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