Ðïrê¢† †åx ÇöÐê ßïll, 2Ø1Ø

- **Release of Discussion paper – August, 2009**
- **Revised Discussion paper – June, 2010**
- **Introduced in Lok Sabha – August, 2010**

- **General Aspects**
- **Corporate**
- **Individuals**
- **Capital Gains**
- **Wealth Tax**

General:

- ✓ The new code will be applicable from April 1, 2012

Corporate Taxation:

Tax Rates:

- ✓ Corporate tax rate for domestic as well as foreign company is proposed at **30%.** However, there is no clarification with regard to Education cess and Surcharge. Which means that 30% tax rate may be inclusive of 10% surcharge and 3% education cess.

- ✓ Dividend Distribution Tax to be paid by the Domestic Company would be **15%**.

- ✓ Cascading effect of DDT in case of vertical structure (eg. Subsidiary Holding) removed.

- ✓ Foreign Company would be liable to pay extra "Branch Profit Tax" at the rate of 15% on income attributable directly or indirectly to a Permanent Establishment or immovable property situated in India.

- ✓ The DTC 2009 had proposed to levy a MAT based on 'asset base'. This however, had raised strong apprehensions in corporate circles. In view of the same, the RDP proposed that the current approach in the ITA of levying MAT with reference to 'book profit' would continue.

- ✓ Thus, now Minimum Alternative Tax is revised to **20%** on the Book Profits for the year.

- ✓ MAT Credit will be allowed to be carried forwarded up to 15 years as against current period of 10 years.

R&D Expenditure:

- ✓ In-house R&D expenditure now qualifies for 200% weighted deduction except for cost of Land and Building.

SEZ provisions:

- ✓ SEZ developers will be liable for MAT as well as DDT.

- ✓ SEZ units also brought under the ambit of MAT.

- Exemption u/s 10AA will continue to be in force for the SEZ units starting operations before 31st March, 2014.

- The finance ministry has stuck to its intent to do away with the profit-linked tax exemption regime for developers of special economic zones and units in these designated areas. It has, however, given more time to units in the zones to come under the new tax regime.

- SEZ developers will be allowed profit-linked deduction u/s 80IAB for all SEZs notified on or before 31st March, 2012.

- Further, SEZ developer notified after 31st March, 2012 will be eligible to claim investment linked deduction instead of Profit – linked deduction, as contemplated under the DTC 2009 proposals.

- Similarly, deduction u/s 80IA shall also be continued for generation and Distribution Company eligible for such deduction on 31st March 2012.

Business Income:

- DTC does not specify any limit for carry forward of losses. Hence, it may allow Business loss to be carried forwarded for indefinite period. (earlier 8 years)

- Expenses such as non-compete fees, premium for obtaining any asset on lease will be allowable over a period of 6 years.

- Companies in the business of Generation, transmission and distribution of power will fall under category of Specified Business and hence, for computing the profit and loss of such companies, revenue as well as **capital expenditure** shall be deducted as allowable business expenditure.

Capital Gain:

- STT to be continued

- Short term capital gain on Equity shares or Equity oriented mutual fund (held for less than 12 months) shall be eligible for 50% deduction

- LTCG on sale of Equity shares will continue to get exemption.

- Base date for calculating Fair Market Value shifted to 1/04/2000 from 1/04/1981

- ✓ Conversion of investment asset to business will be attracted to Capital gain on transfer of the asset to business instead of sale of asset.

- ✓ Consideration value on transfer of Land and Building to be the Stamp Duty Value.

- ✓ Capital Gain on sale of Rural Agricultural Land will be taxable.

Individual Taxation:

Basic Exemption limit:

- ✓ For Male assesses – Rs.2,00,000 (presently, Rs.1,60,000)
- ✓ For Female assesses – Rs.2,00,000 (presently, Rs.1,90,000)
- ✓ For Senior Citizen – Rs.2,50,000 (presently, Rs.2,40,000)

Tax Slabs:

Rate	DTC Bill	Income Tax Act
10%	Up to Rs.5,00,000	Up to Rs.5,00,000
20%	Rs.5,00,000 to Rs.10,00,000	Rs.5,00,000 to Rs.8,00,000
30%	Above Rs.10,00,000	Above Rs.8,00,000

Investment avenues:

- ✓ Life Insurance premium (<5% of sum assured – earlier 20%) , Mediclaim premium, Equity linked policy insurance premium, Tuition Fees for children education covered under aggregate deduction limit of Rs.50,000/-

- ✓ Contribution to approved fund (for eg. PF, Pension fund, etc.) covered under the limit of Rs.1,00,000/-

- ✓ This brings total deduction limit to Rs.1,50,000/- (earlier Rs.1,00,000/-)

- ✓ However, following are excluded from tax saving investments –
  - o Mutual fund investments,
  - o ELSS, (no grandfathering of presently issued policies)
  - o ULIP,
  - o Principal repayment of Housing Loan

- ✓ Equity linked life insurance scheme will be attracted to 5% tax on distribution (hence, lowering the return)

Income from Employment & Retirement Benefits:

- ✓ Medical reimbursement exemption limit increased to Rs.50,000 (earlier Rs.15,000).
- ✓ Commuted Gratuity, VRS, Commuted Pension on retirement will be exempt subject to conditions.
- ✓ Govt. PF, Recognized PF, PPF, Superannuation Fund continues to be under “Exempt – Exempt – Exempt” scheme. (Exempt on contribution, income on contribution and withdrawal)

House Property:

- ✓ Income from House Property to be taxable only if the property is actually let-out.
- ✓ Deemed-let out concept removed.
- ✓ Deduction for repairs allowable @ 20% (presently 30%)
- ✓ Interest on housing loan limit will be same as existing – Rs.1,50,000/-
- ✓ Two or more person owning a house property can be considered as AOP if their share is not determinate.

Wealth Tax:

- ✓ Applicable to all assesses except non-profit making organisation.
- ✓ Wealth Tax would be applicable @ 1% above wealth of Rs.1 Crore.
- ✓ Equity or preference shares held in Controlled Foreign Company (50% or more holding) would be subject to Wealth Tax.
- ✓ The meaning of assets has been broadened to include helicopter, archaeological collections, drawings, paintings, sculptures, or any other work of art, watch having value in excess of Rs.50,000/-