

THE DIRECT TAXES CODE

First time Direct Taxes Code Bill, 2010, introduced in Lok Sabha on 30 August, 2010 was referred to the Committee on 09 September, 2010 for examination and report thereon, by the Speaker, Lok Sabha.

When new government came in power in the year 2014 finance minister Sri Arun Jaitley proposed the Direct Tax Code on 22nd November 2017, the finance ministry sets up a six-member task force to draft a new direct tax law that will better serve the country's economic needs by widening the tax base, improving compliance and ease of doing business. The task force will submit its report to the government within six months.

How Direct Tax Code will impact me?

Direct Tax Code (DTC) is an attempt by the GOI. DTC main aim is to simplify, revise and consolidate the structure of direct taxes laws in India. While Income Tax Act and Direct tax code have lot of similarities.

Evolution and Objective

It consolidates and integrates all the direct tax laws and replaces both the Income Tax Act, 1961 and the Wealth-tax Act, 1957 by a single legislation, namely the Direct Taxes Code (DTC). Direct Tax Code was formulated to replace the five-decade-old Income-Tax Act and Wealth-tax Act . Since India has a very complex tax structure.

Main factors of this complexity are:-

1. Wide-spread exemptions and concessions.
2. Tax provisions are complex
3. Cascading effects of taxes.

In addition to that, the multitude of judgments of courts at different level made the act incomprehensible to the average tax-payer.

The prime objective was:-

- ✓ To do away the present shortcomings of the taxation system.
- ✓ Eliminating distortion. It will improve the efficiency and equity of the tax system.
- ✓ Also, The tax base in the country will expand.

Thereafter, DTC has undergone many changes. These were based on the suggestions received from various classes of assesses and other stakeholders. As a result of that, the final draft incorporating appropriate suggestions was presented in 2013.

Speaking about DTC, it's purpose is to establish a direct-tax system. Direct-tax system will be economical, efficient and impartial. DTC will also to reduce disputes and minimize litigation. DTC will also help:-

- Tax-GDP ratio to increase.
- Another benefit of DTC is that it will enhance GDP growth, improve equity and allocative efficiency.
- Reducing compliance costs.
- Lower administrative burden.
- Reduce discretion.
- Providing moderate rates of tax to all taxpayer.

Overview:-

The proposed DTC Bill, 2010 comprises of :

- 22 Chapters
- 319 Clauses
- 22 Schedules

Important Events

- **12th August 2009:** First of all an initial draft of DTC with a concept paper was released. In addition to that public suggestions were also invited.
- **15th June 2010:** Revised discussion paper incorporating suggestions was released. The suggestions were from various stakeholders
- **30th August 2010:** The Direct Tax Code Bill, 2010 was introduced in Lok Sabha.
- **9th September 2010:** SCF (Standing Committee on Finance) In the Chairmanship of Mr. Yashwant Sinha examined the bill and report thereon. The report was presented in March 2012. The bill was having two parts. One with general recommendations. Other with specific clause wise recommendations. The report had 190 recommendations.
- **31st March 2014:** DTC (Direct Tax Code 2013) revised versions released. The bill included the suggestions of SCF for public comments.
- **22nd November 2017:** Constitution of Task Force for drafting a New Direct Tax Legislation by Ministry of Finance.

Salient Features of the DTC

- It is a move towards rationalization of direct tax structure.
- The code would also help in removing ambiguity in law. Thus, facilitating tax avoidance. Therefore resulting in broadening of the tax base of the country.
- This code is a single code for all direct taxes including wealth tax.

- The lawsuit scope is expected to decrease. Since the code is drafted in a simple and lucid manner.
- In order to reduce the complexity. The Direct tax Code has been drafted in a unique manner. Indeed the related sections have been grouped under the respective chapters only.

Example: Exemptions related to salary. This would now fall under the head “Income from Employment”, Residuary Source of Income fall would fall under the head “Income from Residuary Sources”.

Some DTC difference

Comparison	DTC	IT ACT
Residential Status	Only Resident and Non-Resident.	Includes Resident, Non Resident. Resident but not ordinary resident
Year	Only Financial Year prevails.	Concept of Previous year and assessment year is used
Long Term Capital Gain on transfer of listed share or units	Will become part of normal income. But indexation benefit will be there. Since there is a proposal to abolish STT. So STT will not be required to be paid on trading of listed shares	It is exempt.
Definition of Assessee	1)Tax-payer or/and who is liable for proceeding under the Act. 2)To whom the amount is refundable 3)finally someone who voluntarily files tax return irrespective of tax liability	1.)Tax-payer or/and who is liable for proceeding under the Act.

Income-Sources	Income are broadly classified into 2 parts 1.Special sources 2.Ordinary sources • Employment income • House property income • Also Income Business • Capital Gains • Income from Residuary Sources	Income in IT Act has only one part. i.e income from ordinary sources
Who can conduct Tax Audit?	As per the new DTC. CA's, CS's and even cost accountant can do tax audit	As per IT Act 1961 the tax audit was only done by the CA's

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