Comments/Suggestions on Revised Discussion Paper on Direct Tax Code released on 15/06/2010

- It is mentioned that the indicative tax slabs and tax rates and monetary limits for exemptions and deductions proposed in the DTC will be calibrated while finalizing the legislation. In other words it appears that the assesses will have to bear higher tax burden as per revised Discussion paper. This is against the earlier intension. The tax slabs, tax rates and monetary limits for exemptions should be maintained as proposed earlier.

- Minimum alternate tax is an artificial tax. It is not a tax on real income. It is necessary to encourage the assessees in capital formation. Capital formation helps the assessee in faster growth. Taxing book profits proves to be counterproductive. It discourages small & medium entrepreneurs to show more book profits. Hence the system of taxing book profits under MAT instead of Real income should abolished.

- The revised discussion paper on DTC has left out all the issues concerning taxation of income from business and profession. The issues raised earlier should be duly considered.

- Tax concessions should be given to certain priority sectors like Small Scale Industry, Industries in remote and tribal areas, Industries in naxal affected areas etc.

- Elimination of distinction between Short Term Capital Assets and Long Term Capital Assets will discourage Long Term Holding of Assets. This will also discourage investments in Capital Assets. Hence system of concessional rate of tax to capital gains from long term capital assets should be continued.

- A new Capital Gain saving scheme is proposed. However, at the time of withdrawal of deposits it is proposed to tax the amount withdrawn. This is disincentive to assesses going in for any such investments. Senior citizens or persons requiring funds at a later date generally go for such type of investments. Now they will have to pay tax at the time of need of funds.

- Under the revised code, income under the head Capital Gains will be taxed at normal rate. There should be a distinction between taxing main source of income and taxing income from investment. By removing this distinction investments in capital assets will be discouraged.

- Taxing income from equity shares as regular income will prove counterproductive to the stock market. Indian Stock Market is in developing stage. Still it requires thousands of crores of rupees for development of Indian corporate. The existing system of taxing income from shares at 15% for Short Term and Nil if holding is beyond 1 year should continue.

- The proposal to reduce the thresh hold limit and rate of tax under wealth tax will hit small assesses very badly. Hence the exemption limit of wealth tax and rate of tax should be maintained at the same level as was suggested in original discussion papers.