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INDIAN ECONOMY

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1. Tax exemption at all three stages (EEE) - savings, accretions and withdrawals - to be allowed for provident funds (GPF, EPF, and PPF), NPS (new pension scheme administered by PFRDA), Retirement benefits (gratuity, leave encashment ,etc), pure life insurance products & annuity schemes. Earlier DTC wanted to tax withdrawals.
2. Surcharge and education cess are to be abolished.
3. Tax exemption on LTA (Leave travel allowance) is abolished.
4. Tax exemption on Education loan to continue.
5. Corporate tax reduced from 34% to 30% including education cess and surcharge.
6. For taxation of Capital gains from property sale within one year, gain is to be added to taxable salary. For long term gain (after one year of purchase), instead of flat rate of 20% of gain after indexation benefit, new concept has been introduced. Now gain after indexation will be added to taxable income and taxed as per the tax slab. Base date for cost of acquisition has been changed to 1st April, 2000 instead of earlier 1st April, 1981.
7. Maximum limit for medical reimbursements has been increased to Rs. -50,000 per year from current Rs. 15,000 limit.
8. Dividends will attract 5% tax.
9. As per the current laws, a NRI is liable to pay tax on global income if he is in India for a period of more than 182 days in a financial year. But in the new bill, this duration has been changed to just 60 days.
10. It consolidates and integrates all direct tax laws and replaces both the Income Tax Act 1961 and the Wealth Tax Act 1957 with a single legislation.
11. It simplifies the language of the legislation. The use of direct, active speech, expressing only a single point through one sub - section and rearranging the provisions into a rational structure will assist a lay person to understand the provisions of the DTC.
12. It indicates stability in direct tax rates. Currently, the rates of tax for a particular year are stipulated in the Finance Act for that relevant year. Therefore, even if there is no change proposed in the rates of tax, the Finance Bill has still to be passed indicating the same rates of tax. Under the Code, all rates of taxes are

proposed to be prescribed in Schedules to the Code, thereby obviating the need for an annual finance bill, if no change in the tax rate is proposed.

13. It strengthens taxation provisions for international transaction. In the context of a globalized economy, it has become necessary to provide a stable framework for taxation of international transactions and global capital.
14. General Anti Avoidance Rule to curb Aggressive Tax Planning - Direct tax rates have been moderated over the last decade and are in line with international norms. A general anti-avoidance rule assists the tax administration in deterring aggressive tax avoidance in a globalized economy. Such general anti- avoidance rules already form a part of the tax legislation in a number of G- 20 countries. These will also apply to investments under DTAAs.

Some of the important provisions of DTC have since been incorporated in the tax structure. As such, DTC has been abandoned as proposed in the Union Budget of 2015-16.

GENERAL ANTI-AVOIDANCE RULES (GAAR)

GAAR is incorporated in Direct Tax Code as a very important provision of direct tax policy.

Objective of GAAR: Its objective is to prevent misuse and abuse of tax policy and counter aggressive tax avoidance schemes while ensuring that it is used only in appropriate cases by enabling a review of GAAR. It aims at preventing deals and incomes that are structured only to avoid paying tax. The global practice on anti-avoidance rules is that most countries have codified "substance over form" doctrine in the form of GAAR. As many as 30 countries have such rules, including many of the G-20 countries. There are also retrospective tax provisions in these rules in many countries.

GAAR has generated a serious debate in India not only due to its retro tax provisions but also for having created uncertainty in tax policy. These rules along with DTC were referred to a Parliamentary Standing Committee in March, 2012 which observed as follows:

1. GAAR gives arbitrary powers to taxmen to challenge complex deals. Such powers are prone to misuse.
2. Onus lies on the taxpayer to prove that a transaction is genuine.