Direct Taxes Code Important Provisions

n there are specific acts that have been enacted by the government from time to time to look into different matters that has bearing on the people of the and affects their interest in any way. We all pay income tax or see someone talking about income tax. But not everyone knows that this income tax is too is governed by the Income tax Act, 1961 which has been amended from time to time to bring about the changes necessary for to earn a good revenue by the government without affecting much the interest of the people of India. But now this Income Tax Act, 1961 will soon be substituted by the Direct Tax Code (DTC) which has already been cleared by cabinet and will soon be presented in parliament for clearance and completing substituting the present act governing the income tax.

Now that we know that DTC will soon be the in thing, so everyone must have a query how and what propose changes this will bring. Well it will bring about a lot of changes in the presently followed tax determination system and few of them are enumerated below:

- The first and the foremost change we can point out is the change in the tax slab. In the present structure the exemption limit is Rs. 160000 which has been raised to Rs.200000. the exemption limit for senior citizen has been raised to Rs. 250000 as against Rs. 240000 in the present structure.
- In the tax earlier slab income above Rs. 500000 were charged at a rate of 30% and now this limit has increased to Rs. 1000000.
- The tax rate for Indian company is 33.90% and that of foreign company is 42.33% but under DTC the tax rate for both will be flat 30%.

- Companies in the present structure does not pay any wealth tax but DTC has proposed a change and introduced wealth tax on non-productive assets on the excess amount of Rs.1crore at a flat rate of 20% without any surcharge.
- There have been a few minor changes in the components which are used to derive the salary of a person.
- The medical reimbursement from the employer is exempt up to Rs. 15000 which been increased to Rs. 50000 in the DTC.
- Leave travel concession available in the present structure has been done away with in the DTC.
- The employees will get exemption on retirement benefit. The exemption limit in case of gratuity has been raised to Rs. 1000000.
- The DTC continues with no tax for long term gain on equity shares and units of equity linked scheme but there is a change in taxation of short term gain(more than 12 months).
- Earlier short term gain was taxed at a rate of 15% but under DTC short term gain will first be allowed a deduction of 50% and the balance will be taxable at a rate of 5%, 10%, and !5%on the basis of assesses income.
- The holding period (36 months) in case of other assets which were now calculated from the date of purchase to the date of sale will now be calculated under DTC from the end of the financial year post acquisition.
- In the house property head the income a new concept is to be introduced. Presently house property income is taxed on the deemed rent basis but under DTC it will now be taxed on rent actually received or receivable basis.
- Property incomes are subject to 30% deduction on account of repairs and renewals but DTC proposes to introduce a 20% rate.

Source: etaxindia.org