

Easwar panel to study salary deductions tax treaties next

Recommendations to be considered only in Budget for 2017-18

A tax simplification committee chaired by retired high court judge R V Easwar will examine vexed issues such as salary deductions, general anti-avoidance agreement and tax treaty interpretations in its second report, expected in October this year. The panel's recommendations will be aimed at making a predictable and non-adversarial tax regime in the economy. The 10-member committee had submitted its first report in January. It will start consultations for the next round of issues in March.

A few key suggestions it made in the first report, including suggestions towards a friendlier tax regime and revision of threshold and rates on tax deduction at source, could form part of the Budget for 2016-17. Examining the issue of salary deductions, the high-level panel will take a re-look at exemption limits and medical reimbursements, among other things. These recommendations will be considered only in the Budget for 2017-18.

"The next report will reflect on several issues, including salary deductions," Easwar told Business Standard. "Salaried class is probably the most tax-compliant as salaries are tax deducted. But there is a case to look into the exemption limits and medical reimbursements."

However, it will not make any recommendations on the tax slabs as this might impact tax base and revenue. That would be contrary to the terms of reference of the committee, set up by Finance Minister Arun Jaitley in October last year. The committee will also deliberate on if there is a need for standard deduction. "The focus will be to ensure simplicity, certainty and predictability in the income tax regime and cut litigation," he said.

The panel will also attempt to bring in some standards for the interpretational issues in the double-taxation avoidance (DTAA) treaties. "We will have to see if the judicial view runs counter to the view accepted internationally," said the chair of the tax simplification panel. The panel will invite suggestions from experts and stakeholders on the complex matter.

The committee is also considering travelling and meeting stakeholders. "We may travel from place to place and meet stakeholders personally and invite suggestions," he added.

The committee will deliberate on incorporation of limitation of benefits clause in India's tax treaties.

Besides, the committee will also recommend simplification of rules for computation of income for charitable trusts. "We will also look at the non-resident tax issue, of Section 9 with respect to Section 195, which forms a major chunk of litigation," Easwar added.

(Business Standard)