

Easwar panel wants higher threshold & lower rates for TDS on bank deposits

Ahead of the Union Budget for 2016- 17, a committee asked to make recommendations on simplifying the current income tax (I- T) law has recommended a higher threshold for deduction of tax at source and cuts in rates, plus measures to reduce litigation.

The 10- member panel is chaired by R V Easwar, a former high court judge. Appointed in late October 2015, its first report, 78 pages, was given on Monday. This is a draft report, issued to elicit feedback before finalisation.

It focuses on simpler issues that it feels need immediate attention. Comments have been invited till the coming Saturday, after which the committee will finalise the first part of the report by January 31.

The Union Budget for 201617 is to be tabled on February 29.

The report says nearly 65 per cent of personal I- T collection in India was through tax deducted at source (TDS) and the provisions in this regard needed to be made less ‘ tedious’, which they have remained over the years.

It recommends ‘enhancement and rationalisation’ of the threshold limits. TDS rates for individuals and Hindu Undivided Families (HUFs) should be reduced to five per cent from the present 10 per cent.

TDS, it noted, is presently applicable on “ such tiny annual limits” of Rs. 2,500 in the case of payment of interest on securities and on interest on National Savings Scheme accounts, Rs. 5,000 for payment of interest on private deposits and commission or brokerage, and Rs. 10,000 for payment of bank interest. “... one can imagine the enormous work that goes into compliance with these provisions... considering the importance of the long overdue revision of these puny limits, the committee has recommended suitable hikes”, it said.

This first draft report contains 27 suggestions for amendments in the I- T Act and eight for reform through administrative instructions.

For interest on securities, it proposes raising the threshold for TDS to Rs. 15,000 from the present Rs. 2,500 annually and halving the tax rate to five per cent.

For other interest earnings, the limit to be raised to Rs. 15,000 from the current Rs. 10,000 for bank deposits and Rs. 5,000 for others.

Also, raising the TDS limit for payment to contractors from the current Rs. 30,000 for a single transaction and Rs. 75,000 annually to Rs.1 lakh annually. The TDS limit on rent income to be raised from Rs. 1.8 lakh annually to Rs. 2.4 lakh. The threshold for fees in return for professional or technical services is recommended to be raised to Rs. 50,000 from the present Rs. 30,000 but the TDS rate to be retained at 10 per cent.

(Business Standard)