

P Chidambaram unhappy with Pranab Mukherjee's Direct Tax Code bill

Finance minister P Chidambaram has expressed his disappointment with the present Direct Tax Code bill which he is scheduled to present in the monsoon session of Parliament as it substantially dilutes his original proposals. Chidambaram, however, said that he will do his best to integrate the original proposals as envisaged by him and the bill and also incorporate the proposals of the parliamentary panel.

Speaking at the 32nd Skoch Summit in Mumbai, Chidambaram said that what he had envisaged in 2008 was a completely new Direct Tax Code in place of the 1961 Income Tax Act. However, in the wake of the 2008 Mumbai attacks, Chidambaram was made the home minister and a revised bill was tabled by his successor Pranab Mukherjee in Parliament in 2010. "I now have to present a bill in the monsoon session which does not reject the recommendations of the standing committee yet it must as far as possible incorporate the original philosophy of a new direct tax code," he said. "How do I reconcile the DTC 2008, the DTC 2010 and the recommendations of the standing committee? It is like the impossible trinity of the Reserve Bank of India," said Chidambaram, alluding to RBI's dilemma of meeting conflicting goals of rupee stability, free flow of capital and control over monetary policy.

The bill tabled by Mukherjee was completely different from the draft finalized by Chidambaram. For instance, Chidambaram's draft sought 10% personal income tax on Rs 1.6 lakh to Rs 10 lakh annual income, 20% on Rs 10 lakh to Rs 25 lakh and 30% on all income above Rs 25 lakh. The present bill proposes 10% on income between Rs 2 lakh to Rs 5 lakh and 20% on income between Rs 5 lakh to Rs 10 lakh and 30% on income above Rs 10 lakh. The parliamentary standing committee, headed by Yeshwant Sinha, wanted the exemption limit to be raised to Rs 3 lakh.

Speaking on the sidelines of the summit, the finance minister said that the government was ready with the food security bill, but no decision on it has been taken.

Earlier in the day, Chidambaram said that he expected that the rupee would stabilize soon and find its level given that capital inflows from foreign investors have been strong. Stating that the fall in value would add to costs of imports, Chidambaram said that it was not a cause for alarm.

Reiterating government measures to bring down gold imports, Chidambaram said that banks have been discouraged from selling gold coins and he hoped that gold imports would come down and investors will shift to financial instruments such as gold exchange traded funds. "All I can do is to plead to the people of India that they should not buy too much gold," he added.

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