

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4018
ANSWERED ON:03.12.2010
IMPROVEMENT IN DIRECT TAXES COLLECTION
Alagiri Shri S. ;Choudhary Shri Harish

Will the Minister of FINANCE be pleased to state:

- (a) whether any committee has suggested for improving direct tax collection and reducing leakages, calling for simpler procedures and fewer exemptions;
- (b) if so, the reaction of the Government thereto;
- (c) the details of actions taken in this regard; and
- (d) the progress made therefrom ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE:(SHRI S.S. PALANIMANICKAM)

(a) Yes, Madam. Various Standing Committees on Finance (specifically 2007-08 and 2010-11) and Advisory Group on Tax Policy & Tax Administration headed by Parthasarathi Shome made recommendations on these issues. The principle recommendations are as under:-

1. Emphasis on the need for a moderate tax regime wherein tax exemptions are minimal and restricted to exceptional cases.
2. Need for reduction in Revenue Foregone as it is having adverse impact on revenue buoyancy.

(b), (c) and (d) In accordance with these recommendations, various policy changes have been made. Some such changes are as under:-

1. Under the Income-tax Act, 1961, Profit linked incentives are being phased out over a period of time and investment linked incentives are being provided.
2. In accordance with the policy that entities earning revenue should pay taxes, exemptions have been phased for the institutions engaged in commercial activities like Development Boards, Sports Associations and Maritime Boards etc. Exemptions have been withdrawn from certain incomes as well like interest payment on external commercial borrowings etc.
3. The same policy has been continued in the Direct Taxes Code Bill, 2010, recently introduced in the parliament. Under the DTC Bill, :-
 - (i) the profit linked incentives are completely phased out and only investment linked incentives have been provided.
 - (ii) tax incentives in the form of deductions from income are available only for pure Life Insurance instruments and for long term saving instruments.
4. Over the years moderation of tax rates have yielded in increased revenue, therefore the policy of moderation has been continued with broadening of slabs and has also been carried forward in the DTC Bill.