

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2217  
ANSWERED ON:05.12.2014  
TAXING SMALL TRADERS  
Misra Shri Ajay (Teni)

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the small traders unable to maintain accounts were earlier taxed by Income Tax Department by assuming 5 per cent of their turnover as dividend;
- (b) if so, whether the dividend is now calculated by assuming 8 per cent of their turnover;
- (c) if so, whether the Government proposes to assess income tax again at 5 per cent of their turnover; and
- (d) if so, the reasons thereof and the time by which the proposal is likely to be put into practice?

**Answer**

FINANCE MINISTER: (SHRI ARUN JAITLEY)

- a) Till Assessment Year 2010-11, as per provisions of section 44AF of the Income Tax Act, 1961 ('Act'), small traders engaged in retail trade in any goods or merchandise having turnover not exceeding Rs.40 lakhs were taxed on presumptive basis at the rate of 5 percent of their total turnover.
- b) With effect from Assessment Year 2011-2012, under section 44 AD of the Act, small traders being resident individuals/HUFs/Partnership firms (not being a limited liability partnership firm), are taxed on presumptive basis at the rate of 8 percent of the gross receipt or turnover provided such gross receipts or turnover does not exceed Rs. 1 crore from AY 2013-14. However, assessee with gross receipts or turnover below Rs.1 crore, can declare lower income (less than 8%), provided audited books of accounts are maintained in support of the claim of such lower income.
- c) & d) Any amendment in the provisions of the direct tax laws is examined during the annual budgetary exercise and the outcome is reflected in the Finance Bill presented before the Parliament.