

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2928  
ANSWERED ON:13.03.2015  
PROFESSION TAX  
Rio Shri Neiphiu

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

- (a) the regulation in the Income Tax laws for profession tax;
- (b) whether Government proposes to increase the annual ceiling of profession tax; and
- (c) if so, the details thereof and the impact on the revenue of Centre and State Governments?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) Section 16 of the Income-tax Act, 1961 provides for a deduction of any sum paid by the assessee on account of a tax on employment within the meaning of clause (2) of article 276 of the Constitution, leviable by or under any law, from the income chargeable under the head "Salaries".

(b) The Fourteenth Finance Commission (FFC), in its recommendation (Para 9.97 of Volume I of the Report), has recommended raising the ceiling of profession tax from Rs. 2,500 to Rs. 12,000 per annum. FFC further recommended that article 276 (2) of the Constitution may be amended to increase the limits of the imposition of profession tax by States. The amendment may also vest the power to increase limits on Parliament with the caveat that the limits should adhere to the Finance Commission's recommendations and the Union Government should prescribe a uniform limit for all States.

The Government of India, in its Action Taken Report dated 24th February, 2015 has not made any specific mention of acceptance of this recommendation.

(c) Does not arise in view of (b) above.