

Title : Regarding need to continue the system of exemption of saving instruments from taxation at all three stages of contribution, accumulation and withdrawal.

**(x) Need to continue the system of exemption of saving instruments
from taxation at all three stages of contribution,
accumulation and withdrawal.**

SHRI SWADESH CHAKRABORTTY (HOWRAH): The saving instruments comprising provident funds, small savings, insurance policies etc. have all been exempted from taxation at all three stages, viz. contribution, accumulation and withdrawal known as EEE System. But the proposed migration to the EET System, on which an expert committee is reportedly at work, will virtually make the exemption at the earlier stages of contribution and accumulation, a mockery. The imposition of tax at the withdrawal stage is nothing but cumulative taxation on the entire corpus and will be at the peak rate of tax. This will not only discourage the savings of vast section of people, it will doom the institution like LIC, GIC, PF, and Small Savings and cause financial hardship to the millions of workers and employees and vast community of small savings public including the senior citizens.

Sir, the Government had, over the year, cut down the administered rate of interest, payable on all these instruments, from 12 per cent in June 2000 to 8 per cent from 2002. The Government has not responded to the unanimous demand of the trade unions for restoration of the interest rate to 12 per cent. The move to tax all savings instruments at the withdrawal states, is a further attack on the workers and employees and saving public.

Hence, I urge upon the Government to give up this retrograde move and continue the decades old EEE mode for all savings instruments.