India Inc seeks a simplified capital gains tax regime

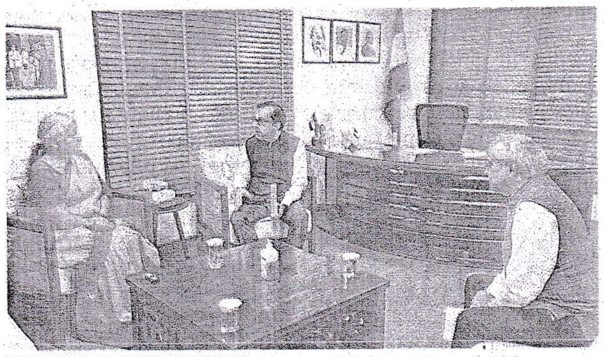
BUDGET WISHLIST. Chambers also want tweaks to I-T to boost middle class spending power

KR Srivats
New Delhi

India Inc wants the government to make the capital gains tax regime simple, consistent, and rational in the upcoming Budget, noting that past policy decisions had led to a complex structure.

At a pre-Budget meeting on Tuesday with Revenue Secretary Sanjay Malhotra and top Revenue Department officials, industry leaders also called for status quo on the corporate tax rates, stressing the need for tax certainty.

The Modi 2.0 government had in September 2019 slashed the corporate tax rate to 22 per cent for existing companies and introduced a 15 per cent cent rate for new manufacturing corporates incorporated after October 1, 2019. These rates have remained unchanged since, bolstering corporate tax collections as the economy grew at a robust average 8 per cent (other than in the Covid years).



EYEING MORE RELIEF. Finance Minister Nirmala Sitharaman along with Confederation of Indian Industry President Sanjiv Puri and CII Director General Chandrajit Banerjee during a meeting PTI

CHANGES IN I-T SLABS

Apex industry chambers, however, called for changes in the personal income tax slabs in the Budget to boost consumption, by providing the middle-class with a higher disposable income. This set has been squeezed by a disproportionately high-income tax and GST rates, they pointed out.

"To boost consumption demand in the short term, steps such as providing a marginal relief in income-tax at the lower end of the spectrum with taxable income up to ₹20 lakh; reduction in excise duties on petrol and diesel; upward revision of minimum wages of MNREGA, and raising the DBT amount under PM Kisan are needed," Sanjiv Puri, President, CII, said at the meeting at North Block on Tuesday.

PHDCCI called for a reduction in the tax rates of individuals and limited liability partnerships. "Indian middle-class is currently taxed at 30 per cent. Because of this they don't have disposable income for saving and consumption needs. Middle-class must be spared from the 30 per cent tax rate and this rate must be applicable only to those with taxable income above ₹40 lakh," Mukul Bagla, Chairman, Direct Taxes Committee, PHDCCI, said.

Tuesday's meeting was attended by Central Board of Indirect Taxes and Customs (CBIC) Chairman Sanjay Kumar Aggarwal as also senior officials of the Central Board of Direct Taxes (CBDT).

CAPITAL GAINS TAX

The Confederation of Indian Industry (CII), in its submissions to the Finance Ministry, highlighted that there is no consistency in tax rates or the holding period for different types of instruments falling within the same asset class. Even the indexation benefit differs in different situations. The tax rates also differ for residents and non-residents.

The CII suggested a capital gains tax regime where financial assets attract 10 per cent long-term rate and 15 per cent short-term tax rate. Also, the holding period for turning long-term should be 12 months, the CII said.

For non-financial assets (such as immovable property), the long-term gains tax rate can be 20 per cent (with indexation), the short-term gains tax rate must be applicable rates and the holding period must be 36 months, the CII suggested.

Dinesh Kanabar, Mentor, Ficci Tax Committee, said the issue of simplification of capital gains tax regime was very much on the agenda of FICCI's submissions to the Finance Ministry.

Subhrakanta Panda, Immediate Past President, FICCI, said the basic approach of the chamber was to drive home the point that the next five years are critical for India to maintain the growth momentum.