Direct tax Code 2011 cleared by Cabinet

- Effective Date : April 1, 2012
- New Direct Tax Code 2011: Major relief for salaried class
- The new provisions under the Direct Tax Code are as follows:
  - Tax for income between Rs. 2 lakh – Rs. 5 lakh: 10%
  - Tax for income between Rs. 5 lakh – Rs. 10 lakh: 20%
  - Tax for income over Rs. 10 lakh: 30%
- Corporate tax has been kept at 30%.
- The limit for exemptions for salaried people is Rs. 2 lakh including resident women, while that for senior citizens is Rs. 2.5 lakh.
- Under the DTC Bill, the annual deduction has been raised to Rs. 1.5 lakh.
- The Government has also proposed to restore back the taxation of retirement savings, in the nature of provident fund contributions and pure life insurance and annuity products, to the Exempt-Exempt-Exempt scheme from the earlier proposition of Exempt-Exempt-Tax scheme
- Wealth tax under the provisions of initial DTC, was required to be paid only on wealth in excess of Rs. 50 crores at a tax rate of 0.25% but on all assets including financial assets i.e. investments in shares. Under the current tax regime, wealth tax is required to be paid @ 1% on wealth in excess of Rs.30 lakhs.
- Currently under the Act, no tax is required to be paid on securities held for more than a year from the date of acquisition and sold on the stock exchange on which securities transaction tax is paid. In addition to this, for securities held for less than one year, the tax liability is restricted to 15%. However, under the DTC, there has been some relief granted to the tax payers by providing for a specified percentage deduction from income / indexation benefit depending on the nature of security on assets held for long term. However, in case of short-term assets, there is no relaxation to the taxpayer and tax will be required to paid as in case of any other ordinary income.