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HOW THE NEW TAX CODE WILL AFFECT YOU

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The planned Direct Taxes Code could be implemented next year now that the government has released a final discussion paper on it. BDO Consulting dissects the code for you.

TRIPLE EXEMPTION IS BACK

- Government has proposed not to tax the withdrawal from pension funds, provident funds, including PPF and life insurance schemes endorsing a three-phase exempt-exempt-exempt (EEE) regime involving tax exemptions at the time of investment, during the investment and at withdrawal. The earlier proposal was called the exempt-exempt-tax (EET) regime.

CAPITAL GAINS: FINE PRINT CRITICAL

- Currently, short term capital gains (for securities held for less than a year) from the stock markets are taxed at 15%. But, as per the revised DTC all short term gains will be clubbed with other income and taxed at the slab rates, without any deductions.
- As compared to the original DTC draft, the proposal to deduct a specified percentage from long-term capital gains on sale of equity share or unit of an equity-oriented mutual fund is a huge relief.

An illustration of the capital gains regime proposed

If you earn a profit of **Rs 5 lakh** on transfer of equity shares held for more than one year, the following tax calculation will apply:

Specified deduction	Tax liability for a taxpayer whose applicable marginal rate is		
	10%	20%	30%
50%	Rs 25,000	Rs 50,000	Rs 75,000
60%	Rs 20,000	Rs 40,000	Rs 60,000
70%	Rs 15,000	Rs 30,000	Rs 45,000

In case of other assets, no specified deduction will be available but the same will be eligible for indexation benefit.

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