

**Mr.Nihar Jambusaria's  
interview appeared in Bangalore  
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# Don't lose sleep over taxes, IT's bound to get a little milder

## Q&A

**Nihar Jambusaria**  
National head of Tax  
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*If it goes through, it will be a change that will affect all tax payers in the country. The Direct Tax Code (DTC) is being proposed as a replacement for the Income Tax Act, 1961, and is likely to come into effect from April 2011. The draft DTC, say finance experts, is a bitter pill. If it is not sweetened, it could prove debilitating. A talk on the issue was organised in the city by the Federation of Indian Chambers of Commerce and Industry on Tuesday. Nihar Jambusaria, national head of Tax Advisory Services, Mumbai, said that although the 'language' of the DTC is harsh, the law will be milder once it came into effect. He was in conversation with PK Surendran.*

### **What benefits will DTC offer the ordinary tax payer?**

Ordinary tax payers with a fixed income worry that the tax benefits they enjoy will be withdrawn. Beyond that, all else is secondary.

### **Do you think the changes proposed might give ordinary tax payers real cause for worry?**

The tone and tenor of the new rules are not friendly. There are indications that very many benefits a tax payer today enjoys might be taken away. The DTC, if implemented as it is, would take away many benefits like IT exemption on housing loans, leave travel allowance, long term capital gains, and tax holidays for special economic zones.

### **So what good news can the ordinary tax payer expect?**

**Surely, there must be some.** Indeed, there is. I could see some positive aspects — raising the slab for income tax, for instance. Tax rates will be 10% for income from Rs1.6 lakh to

Rs10 lakh; 20% for income up to Rs25 lakh and 30% for earnings above Rs25 lakh per annum. This is good, provided the Union finance minister does not take away with the right hand what he gives with his left. I strongly believe that the finance minister will bow to popular pressure and keep most of the benefits enjoyed by common tax payers intact. But that is only conjecture for now.

### **So prepare us then, for the bad news.**

Currently, a maximum deduction of Rs1.5 lakh per year is allowed for interest paid on a home loan. Under the DTC, self-occupied property will get no deduction. This could be quite a blow to millions who have taken housing loans. Also, many financial institutions have a great stake in the housing sector. But there are indications that Pranab Mukherjee has realised the enormity of the problem. He may be inclined to drop this move.



**The tone and tenor of new rules are not friendly. There are indications that many tax benefits might be taken away. The DTC, if implemented, will take away IT exemption."**

Capital gains on sale of shares, which is now 15%, could go up. But there are many things the corporate sector should worry about. They should study the DTC and start countering them logically with the government. I believe that in the end, the final DTC will be a milder version that will go down well with a majority of tax payers.

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