

Some Suggestions on Direct Tax

1. Tax holiday under Sec 80 IA benefit-
 - a. The Sec 80 IA tax holiday benefit to infrastructure projects is currently available only upto 2006. This should be extend further to help in achieving targeted capacity addition of 100,000 MW as per vision 2012.
 - b. The Sec 80 IA benefit should continue to be provided even in case of resale of assets used for power generation, transmission and distribution at least for the period the benefit is available to the original assets.
2. Minimum Alternate Tax (MAT)- MAT imposed on all companies including companies in the power sector who are required to pay MAT even during the Sec 80 IA tax holiday period and contradicting the principals of no tax in the initial stages of the project should not be imposed at least during the tax holiday period.
3. Power sector companies be exempted from Dividend Distribution Tax (DDT) Alternatively, credit should be given to a parent company when declaring dividends to its shareholders for DDT already paid on dividend received from its division/Joint ventures.
4. Sec 10 (23G) benefit- Currently Sec 10 (23G) benefit is available only for projects, which have entered into commercial operations before 2006. Capacity addition is an immediate requirement, which would require significant investments from financial institutions and corporates. If the benefit of Sec 10 (23G) is not available to the lenders, the higher tax incidence of the lenders would be reflected in high lending rates thereby increasing the tariffs for end users. Hence, it is suggested that Ministry of Finance (MoF) should extend the Sec 10 (23G) benefit upto the time, the targeted power capacity addition of 100,000 MW is achieved or at least till 2012.
5. 2004-05, an Additional education cess has been levied since 2004-05 over and above the basic income tax rate and the surcharge and having a compounding effect on the income tax may be discontinued.
6. Wealth Tax Act be abolished to reduce administrative work both at the Corporate level and the departmental level which in any case yields insignificant revenue.

It is therefore requested that this section may be abolished