



17 July 2018

**The Chairman**  
15<sup>th</sup> Finance Commission  
9<sup>th</sup> floor, Jawahar Vayapar Bhawan  
Tolstoy Marg  
New Delhi – 110 001  
(Camp: Kolkata)

Respected Sir,

**Re: Points for consideration**

I would like to submit the following points for your kind consideration.

**Sukanya Samridhi Yojana:** Under the scheme "Beti Bachao Beti Padhao" Government has introduced "Sukanya Samridhi Yojana. As per income tax law amount deposited in SSY account for the girl child is eligible for deduction under 80C. There are various different options also available which gives better return than SSY scheme return. Inclusion of SSY contribution in 80C limit will discourage the people to deposit in SSY account. SSY deposit should be eligible for additional deduction and the same should not be clubbed in the limit of 80C. The same will encourage the public to invest in SSY scheme.

**Extension of Beti Bachao, Beti Padhao:** BBBP a campaign of the Government of India that aims to generate awareness and improve the efficiency of welfare services intended for girls, targets the clusters in Uttar Pradesh, Haryana, Uttarakhand, Punjab, Bihar and Delhi. The same should also be extended to West Bengal aggressively.

**Non Refund of Excess ITC:** Introduction of Goods and services tax subsumed many central and state taxes. Amongst the taxes subsumed was service tax paid on services. Irony under GST regime is that a person who has availed input tax credit on goods and services to make output is not allowed for claim refund on input services availed. This is causing unnecessary hardship to persons whose output is taxed at lower rate than rate of tax on services. For a business such amount of input credit is an expenditure in substance. Such credit is like demonetized currency in one's locker. We humbly request the Commission, to suggest the GST Governing Council to make suitable amendments to the GST rules to take care of the menace. This unwelcome change was introduced vide notification no. 21/2018 dated April 18, 2018. Such provisions in law are policy regressive and fritters away the essence of law.

**Rationalization of tax rates charged to Corporates:** Currently, corporates having turnover above specified threshold limit are subject to corporate tax rate of 35% appx. including surcharge and cess. Upon appropriation of profit remaining after payment of tax, when the said profit is distributed to shareholders of the company again there is two point tax. One in form of



Dividend distribution tax @ 20.5% appx which is paid by the Company on payment of dividend to shareholders and secondly if a shareholder receives dividend above threshold amount specified he has to pay tax @ 10.4%. This threefold taxation on same income is not justified and should be rationalized on yesterday basis. Assuming dividend payout @ 30% of profit remaining after tax, please note that the same income is taxed at more than 40%. Such tax regime is highly regressive. The rationalization is needed immediately to make citizens in general law abiding. Onus of making citizens law abiding also rest with the administration. Assuming one's citizens as tax avoiding is sheer disrespect for the country when policies at administrative level are not conducive.

**Social security benefits for tax payers:** Sir(s), we have a humble suggestion that individual taxpayers should be bestowed social security benefits. An individual taxpayer who has paid tax, say more than INR 10 million over his lifetime gets nothing upon his retirement. This is agonizing. Such social security schemes may be in form of retirement benefits, medical assistance, assistance in education of children/ grandchildren, etc. In order to bring more citizens under tax, administration should seriously think of abolishing Income Tax on individuals and tax them as social security tax. Since our Honourable Finance Minister has already admitted that only a miniscule percentage of population pays tax, therefore in order to rationalize the same and make citizens in general come under tax regime, Commission may seriously start discussion on abolishing income tax and on the other hand introduce social security tax on individuals. This will reign in principle of "quid pro quo"

**Allowing CSR expenditure as business expense:** In recent years, corporate laws have undergone sea changes and kudos to administrative machinery for proactively thinking and implementing amendments in corporate laws. One such welcome change was making specified corporates to contribute to the society a certain percentage of their profit under "Corporate Social Responsibility". It is very much expected of the corporates to give back to the society in general which has supported them directly and/or indirectly to achieve. But the irony is that corporates are not allowed to claim the legitimate expenditure made by them under CSR as business expenditure under Income Tax. This is like a person has to pay tax even on charity done by him. Commission should seriously think on it and suggest Finance Ministry to make suitable amendments in law.

Thanking you,

Yours faithfully,

  
(Ramesh Agarwal)  
President