confronting women in the country. Higher exemption limits should be considered for women and senior citizens and the age for senior citizens for availing the same should be brought down from 65 years to 60 years. DTC also does not suggest any linking of adjustment of tax slabs with inflation which, according to some, should be restricted to the lowest slab only.

Corporate Tax

- Tax on foreign companies have been proposed to be reduced from 40% to 30% and hence made equal to domestic companies. Proposal to abolish surcharge and cess on corporate tax can result in further revenue loss for the government
- Minimum Alternate Tax (MAT) is proposed to be on 'book profits' rather than on 'gross assets'. Book profits can be easily manipulated to avoid tax whereas gross assets can't be manipulated. Carry forward provision in MAT, as suggested to be increased from 10 to 15 years, appears as a form of appeasement for the corporate sector.
- DTC should also focus on various exemptions due to which the Effective Rate of Taxation of 22.85 per cent is substantially lower than the statutory rate of 32.44 per cent. Also, at present, companies having lower profits are being subjected to higher effective rate of taxation as compared to companies having higher profits.

Capital Gains Tax

- Proposals for nil tax on long term capital gains earned on sale of listed shares, privileges stock market speculation over income from labour and business. This liberal policy is resulting in considerable revenue loss to the government. Proposed 50% deduction mechanism on Short Term Capital Gain in transfer of Equity Shares / Units of Equity Oriented Fund would result in further lowering of tax impact. Proposals regarding capital gains tax at 25 % in the original DTC-2009 were more progressive and should be reconsidered.

Non- Profit Organisation (NPO)

- The NPOs whose activities are for public religious purpose are proposed to be exempt whereas NPOs set up for charitable purpose are supposed to be taxed with conditions. It would be improper to deny the benefit to genuine charitable institutions, research organizations and other NPOs. However, according to some observers, NPOs should pay taxes on capital gains etc.

Special Economic Zone (SEZ)

- DTC proposal of unlimited carry forward of losses as against maximum 8 year under IT Act can have adverse impact on efficiency. According to some economists, the proposed investment linking of deductions in DTC-2010 is not going to be effective as the code has already granted grandfathering provision to firms operating from SEZs. There are also recommendations by some to have a sunset clause of 2 to 3 years for tax incentives.

International Taxation

- Introduction of GAAR as anti-avoidance measure was a welcome step to check aggressive tax planning by corporates. GAAR provisions were advanced into Finance Bill 2012; however; the government has deferred the implementation of GAAR till 2016 by partially accepting the Shome Committee recommendation on the same.

- Major provisions on GAAR (General Anti Avoidance Rules) that have been debated in India already exist in a number of developed countries.
- DTC proposal on taxing indirect transfer of capital assets, as in the Vodafone case, was also a welcome step. This provision was advanced into the Finance Bill 2012. However, the provision is still awaiting implementation in light of the consultations going on. Examples of retrospective tax law amendments, particularly if they are anti-avoidance, are not uncommon. The UK in 2008 and 2012, and China in 2009 have introduced retrospective provisions to check the avoidance of corporation tax.
- Big corporates and MNCs are using tax avoidance treaties like India's DTAA with Mauritius to indulge in 'treaty shopping'. Also, according to some, no provisions have been proposed in DTC to aid the Government agencies in framing the DTAAs and TIEAs. It does not contain any proposals to prevent generation of unaccounted money and bring to book the unaccounted funds stashed away. Some economists opine that various DTAAs and TIEAs are about declared incomes abroad and not black savings held abroad. Also ignored by DTC is the fact black income generated in country are around ten times of what is siphoned out of country.

Wealth Tax

- Wealth tax collection in India is rather measly, both in absolute terms and relative terms. Wealth tax at flat 1%, as proposed in the DTC, is highly regressive and should be increased. With a very low wealth tax to GDP ratio, India performs very poorly in wealth tax collection as compared to a number of other countries.

Inheritance Tax

- DTC completely ignores the issue of Inheritance Tax which should be re-introduced in the country. It being an unearned income should be taxed as is done in many of the developed countries.

1. Introduction

"The Code is not an attempt to amend the Income Tax Act, 1961, nor is it an attempt to improve upon the present Act. It is an all new exercise in which assumptions which have held the ground for many years have been discarded."[1]

A Direct Tax by definition is a levy on the incomes, profits and wealth earned and generated by individuals and entities. It has necessarily to be a focused levy, which should reflect and tap the rising incomes and prosperity in a growing economy. The proposed Direct Taxes Code (2010) aims to achieve the same by consolidating and integrating all the direct taxes laws and replacing both the Income Tax Act, 1961 and the Wealth Tax Act, 1957 by a single legislation, namely the Direct Taxes Code (DTC). This paper tries to look at the evolution of Direct Taxes Code, since its inception in 2009, and it's potential to fulfill the parameters of simplicity, minimising litigation, broad basing the tax base and eliminating exemptions, which were the main objectives of introducing DTC in 2009.

The Income Tax Act, 1961 lays down the framework or the basis of charge and the computation of total income of a person. It also stipulates the manner in which it is to be brought to tax, defining in detail the exemptions, deductions, rebates and reliefs. The Act has been amended annually through the Finance Act. The Income Tax Act, 1961 comprises 23 Chapters, 656 Sections and 14 Schedules.

Wealth tax, in India, is levied under Wealth Tax Act, 1957. Wealth tax is a tax on the benefits derived from property ownership. Similar to income tax, the liability to pay wealth tax also depends upon the residential status of the assessee. The Wealth Tax Act, 1957 comprises 8 Chapters and 47 Sections.

The Direct Taxes Code Bill-2010 consolidates and integrates all direct tax laws and replaces both the Income-Tax Act, 1961 and the Wealth-Tax Act, 1957 by a single legislation. The provisions applicable to a taxpayer are in the main clauses while complex computations and exceptions have been placed in Schedules. The proposed DTC Bill, 2010 comprises 22 Chapters, 319 Clauses and 22 Schedules.