

Pre-Budget Suggestion to Finance Minister regarding Income tax

- (1.) **SECTION 80IB(4) OF INCOME TAX ACT 1961**
TO INCLUDE STATE OF BIHAR IN THE LIST OF INDUSTRIALLY BACKWARD STATES IN EIGHT SCHEDULES SO THAT SPECIAL NORM (IN RESPECT OF INCOME TAX ALSO) MAY BE PROVIDED TO THE BIHAR STATE SUB SECTION (4) OF SECTION 80 IB of Income Tax Act 1961 provides for deduction of 100% for five assessment years and thereafter for further 5 assessment years, twenty five percent (Thirty percent in case of company) of the profit and gains derived from Industrial undertaking in Industrially backward state specified in the Eight Schedule of Income Tax Act.

It is very unfortunate that industrially backward state Bihar, is not included in the list of Industrially backward states in Eight Schedule of Income Tax Act 1961.

To claim aforesaid deduction u/s 80 IB of Income Tax Act, 1961.

The demand of Bihar for Special Norms for the State is pending since long time. If decision is made for Special Norms for the state then Bihar will get 100% tax exemption for at least five years under Income Tax Act. Since decision for Special Norms for the state is pending hence pending demand for Special Status for Bihar we request that State of Bihar should be included in Eight Schedule of Income Tax Act, 1961 for 100% exemption to the Industrial undertakings from Income Tax for five years.

- (2.) **SECTION 80 IB(5) OF INCOME TAX ACT -1961**
Earlier there was provision that if whole state can not be declared as Industrially backward State, then Industrially backward districts of such State can avail deduction of 100% for five assessment year and thereafter for five years twenty five percent (thirty percent in the case of company) of the profit and gains for category 'A' Industrially backward districts and 'B' category districts can also avail deduction of 100% for three assessment years and thereafter 25% or 30% as applicable for further five assessment years.

But this deduction was withdrawn w.e.f. 01-04-2004 hence it is suggested to restore the provision so that industrialist of category 'A' districts of Bihar, i.e. (1) Araria (2) Madhepura (3) Khagaria (4) Kishanganj (5) Madhubani (6) Jehanabad (7) Saharsa (8) Nawadah (9) Sitamarhi (10) Aurangabad (11) East Champaran (12) Purnia (13) Siwan (14) Vaishali

And category 'B' districts of Bihar (1) Katihar (2) Bhagalpur (3) Gopalganj (4) Darbhanga (5) West Champaran (6) Saran (7) Bhojpur (8) Samastipur (9) Nalanda (10) Gaya (11) Muzaffarpur (12) Rohtas can also claim such deduction which will definitely increase the industrial progress of the State.

- (3.) Under the existing provisions of section 35 AD of the Income Tax Act, investment linked tax incentive is provided by way of allowing an amount equal to one fifty percent or hundred percent (as applicable) deduction in respect of any expenditure of capital nature (other than on land, goodwill and financial instrument) incurred wholly and exclusively, for the purposes of the certain "specified business" like:-

- (i) setting up and operating a cold chain facility;
- (ii) setting up and operating a warehousing facility for storage of agricultural produce;
- (iii) laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network;
- (iv) building and operating, anywhere in India, a [hotel] of two-star or above category as classified by the Central Government.
- (v) building and operating, anywhere in India, a [hospital] with at least one hundred beds for patients;
- (vi) developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed;
- (vii) developing and building a housing project under a scheme for affordable housing framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed;
- (viii) production of fertilizer in India.
- (ix) Setting up and operating an inland container depot or a container freight station notified or approved under the Customs Act, 1962 (5 of 1962);
- (x) bee-keeping and production of honey and beeswax;
- (xi) Setting up and operating a warehousing facility for storage of sugar.

This benefit has been given to above sectors where the government thinks it is vital for economic growth of the State.

In India LITCHI is the most delicious export commodity is grown mostly in Bihar. If benefits like 35 AD of Income Tax Act 1961 is given, it would encourage the production and processing of LITCHI. It would also enhance the export of LITCHI.

The State of Bihar is known for producing MAIZ. The produce is being dispatch outside the state without processing it. If similar concession is given u/s 35 AD of Income Tax Act 1961 on production and processing of the MAIZ, it would definitely boost the chances of industrial growth in Bihar State related to MAIZ and other allied Industries.

In view of the above, we request to include the following in the above list of 35 AD of Income Tax Act 1961.

1. Production, Processing & Packaging of LICHI.
2. Production & Processing of MAIZ.
3. Packaging of Food & Agro Produces.

(4.) APPOINTMENT OF INCOME TAX OMBUDSMAN AT PATNA ALSO

The present Income Tax Ombudsman Guidelines 2010, which came into effect from 1st May 2010, prescribes location of offices at 11 places in the country though presently it is working at 12 places because there is also provision to notify additional locations for appointment of an ombudsman. Chandigarh has been notified as an additional location later on.

We had earlier, on 16th March 2009, requested the Chairman, Central Board of Direct Taxes, Ministry of Finance, Govt. of India to appoint an Income Tax Ombudsman in the State of Bihar, so that the complaints from tax payers could be considered and suitable award be passed in accordance with the guidelines.

Our request for appointment of Ombudsman has not been as yet favorably considered. Therefore, it is requested on behalf of the tax payers of the State to consider the demand and do the needful for appointment of Income Tax Ombudsman at Patna also.
