Indian Express

Tax exmption on Rs 20,000 in infra bonds likely to be extended

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FACED with the mammoth task of arranging funds for a clogged infrastructure sector, which is likely to see an investment of a whopping $1 trillion in the 12th Five Plan period, the government is planning to extend the window of additional deduction of Rs 20,000 for investment in long-term infrastructure bonds for one more year in the upcoming Budget 2012-13.

This would be over and above the existing limit of Rs1 lakh on tax savings, the official sources told *The Indian Express*.

In the Budget 2010-11, the government had allowed a deduction of additional Rs 20,000 by investment in long-term infrastructure bonds. This was done for providing thrust to the infrastructure sector. The idea was also to promote savings and put in more money in the hands of individual taxpayers. Though it was supposed to be a one-

time affair, in the budget 2011-12, Finance Minister Pranab Mukherjee continued with the scheme.

Taxpayers could save tax by investing in the bonds under a new section 80CCF that allowed them to invest an additional Rs 20,000 in the bonds, and get deduction from the taxable income in addition to the Rs 1,00,000 deduction allowed by investing in instruments like PPF.

The government had allowed IFCI Ltd, Life Insurance Corporation (LIC), India Infrastructure Finance Co Ltd (IIFCL) and IDFC among other infrastructure financing non-banking financial companies (NBFCs) to issue long-term tax-free infrastructure bonds.

The sources added that the demand has been "to increase the Rs 20,000 limit but we will not do so given the tight fiscal situation".

Reeling under a high subsidy burden, a cash-strapped government is already mulling over various options for garnering funds in the wake of a ballooning fiscal deficit, which is likely to breach 5 per cent of GDP for the current fiscal as against the budgeted target of 4.6 per cent of GDP for the period.

The government has also not been able to meet the Rs 40,000 crore disinvestment target for the current fiscal so far. Given the pessimism in economy, other avenues of revenue like direct tax collection are also drying up.

Net direct tax collection rose 8.63 per cent during the first eight months (April-November) of the current fiscal and for meeting the target of Rs 5.85 lakh crore, the department would need to grow at a rate of 27 per cent, a distant dream given the present state of economy.