

New tax code to bring clarity on financial lease taxation

The Direct Taxes Code (DTC) proposes to do the necessary for bringing some certainty on tax treatment of a financial lease, but this is not sufficient to make it a preferred mode of finance, say industry and tax experts. The levy of multiple taxes on a financial lease continued to hamper their widespread usage, they said. "The DTC proposal to specify that the lessee will be allowed to claim depreciation under a financial lease is a welcome step. It provides certainty on taxation front. But financial lease as a mode of finance will take off only when the issue of multiple taxation is addressed. The biggest issue is that of service tax on lease rentals. There is also the issue of VAT as leasing is considered as deemed sale by State Governments," Mr Raman Agarwal, Co-Chairman, FIDC told Business Line.