

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:507
ANSWERED ON:19.05.2006
ADOPTION OF EET FORMULA
Murmu Shri Hemlal

Will the Minister of FINANCE be pleased to state:

- (a) whether Exempt Exempt Exempt (EEE) formula is followed in India in contrast to the Exempt Exempt Tax (EET) formula for taxation of saving followed in many countries the world over;
- (b) if so, the details thereof and complete details of EET and EEE formula;
- (c) whether the Government has recently constituted a committee to examine the adoption of EET formula in India; and
- (d) if so, the details thereof?

Answer

MINISTER OF FINANCE:(SHRI P. CHIDAMBARAM)

(a) to (d): A statement is laid on the Table of the House.

Statement referred to in reply to the Lok Sabha Starred Question No. 507 raised by Shri Hemlal Murmu, Member of Parliament, for 19.5.2006 regarding "Adoption of EET Formula".

(a) Yes Sir.

(b) The existing method of taxing financial savings in India is generally in conformity with the Exempt-Exempt-Exempt (EEE) method. The international practice relating to taxation of financial savings is, normally, the Exempt-Exempt-Tax (EET) method.

In the EEE method, savings enjoy exemption from tax at all the three stages of contribution, accumulation and withdrawal. On the other hand, in the EET method, the contribution and accumulation are exempt from tax but the withdrawals/benefits are subject to tax.

(c) Yes Sir.

(d) The Committee has submitted its report on 28th November, 2005 and the report is under the consideration of the Government.