

10 BUDGET EXPECTATIONS PERSONAL TAX



Vivek Jalan

[FCA, LL.M (Constitutional Law), LL.B, B.Com (H)]

E-Mail - vivek.jalan@taxconnect.co.in

Call - +91 98315 94980

[MUMBAI BANGALORE KOLKATA DELHI]



1. Changes in Valuation u/s 17(2) of Company Owned Accommodation – The taxable value of residential accommodation owned by a company and provided to its employees is taken @ 15%/10%/7.5% of “Salary” in cities having different levels of population. Hence, the same employee staying in the same company owned accommodation, the perquisite value will increase with every salary increase. This is a demotivating factor for employees and hence it is suggested that in case of company owned accommodation, the concept of fair value should be introduced for the purpose of determining perquisite value, so as to ensure that the employee is taxed on the right value of this perquisite. Fair Value should be defined as the comparable rent in the location concerned.

2. Leave Travel Concession/Assistance u/s 10(5) - Tax relief may be granted annually and should include both domestic and foreign travel, to give a fillip to the Travel and Tourism Industry. Tax relief should be extended to cover even accommodation expenses apart from travel costs.

3. Exemption from tax for payment of Leave Encashment to be raised to Rs.10 lakhs - The exemption limit for payment of leave encashment u/s 10(10AA) of the Act is only Rs. 3 lakhs from last 21 years and needs to be raised substantially with immediate effect.

Personal Tax Expectations from Budget 2023

4. Contribution to National Pension Scheme (NPS) - At present the voluntary contribution of Rs 50,000 is allowed as a deduction u/s 80CCD(1B) of the Act. It should be raised to atleast Rs. 1 Lakhs.

5. Rationalization of tax rate for income of dividend earned by residents - With the abolition of Dividend Distribution Tax (DDT) by Finance Act 2020, dividend is now taxed in the hands of shareholders at applicable slab rate. Accordingly the Dividend tax could go upto 43% for residents, which for non-residents is only 28.5%. Like NRIs, for residents also dividends may now be taxed at a lower rate.

6. The high personal tax rate for individuals in India stands out as an exceptionally high rate as compared to other countries. For example, the maximum rates of personal income in Hongkong is 15%, Sri Lanka – 18%, Bangladesh – 25% & Singapore – 22%. Salaried class and the middle class bear the highest brunt of high income tax.

Further, the highest marginal rate for individuals has now gone up to 43% approx (highest slab). As compared to corporates where it is 29% approx. Equity requires that there should be some parity atleast on the same. This budget may see the finance minister do the following –

- a. Increasing the basic income tax exemption limit from Rs 2.5 lakh for individual taxpayers to Rs 3.5 Lakh,
- b. Enhancing the standard deduction of Rs 50,000 to around Rs 75,000, rendering some tax relief to the country's middle-class population.

Personal Tax Expectations from Budget 2023

7. Despite the introduction of a new tax system, the majority of taxpayers have not adopted it since it is less viable than the previous system. Hence it is expected that a new 'hybrid system' combining the new and old scheme would be introduced and the highest slab of income tax of 30% which starts at Rs.10 Lakhs could also be enhanced to at least Rs. 15 Lakhs.

8. Further, The Finance (No.2) Act, 2014 had fixed an overall limit to Rs.1.5 lakhs in respect of deduction under section 80C of the Act. Even if we consider an inflation of 6% per annum, the deduction Needs to increase to at least Rs.2.5 Lakhs. These reliefs would incentivise savings and investments too.

9. With rising healthcare costs, compounded by rising inflation concerns impacting household incomes, increase in rebate on medical and health insurance u/s 80D is the next big ask among the consumers. The limit now is Rs.50000 for non-senior citizens and Rs.1 lakhs for senior citizens. It is expected to increase by 50% atleast.

10. Further, the deduction limit for interest on housing loan is around Rs 2 lakhs. With the rise in Interest rates, it is expected that the limit should also be increased to at least Rs.3 Lakhs.

THANK YOU



Vivek Jalan

[FCA, LL.M (Constitutional Law), LL.B, B.Com (H)]

E-mail-

Vivek.jalan@taxconnect.co.in

Call:

+91 98315 94980

[MUMBAI

BANGALORE

KOLKATA

DELHI]