

## Budget 2023 Expectations

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The Finance Budget 2023 is just around the corner. Considering the recent inflationary trend, interest rates, etc., taxpayers have a lot of relief expectations from the ruling Modi Government. The key expectations from the upcoming Budget would be as under:

1. Modi Government has encouraged investments in India by introducing “Make in India” initiative. The corporate tax rate is reduced from 30% to 15%[\[1\]](#) for newly incorporated manufacturing companies who have started their manufacturing activities up to 31 March 2024. This window for applicability of special tax rates should be extended by at least 3 years for boosting manufacturing sector to position India as supply chain hub for the world. This will also result in job creation for the youth. Our economy has received setback on employment generation due to Covid-19. Accordingly, our Government can also expand the provisions of section 80JJAA of the Income-tax Act, 1961 (‘the IT Act’) to extend additional deduction of employment costs for newly joined employees.
2. Recent Budgets have denied deduction for depreciation on goodwill, education cess retrospectively and brought an end to the long-drawn litigation from a technical perspective. However, this has increased litigation at ground level for rectifying aged records with Income-tax department. Hence, it is reiterated that no such retrospective amendments should be brought in into the Budget announcements.
3. In previous three Budgets, the Government has shifted and increased tax collection burden on taxpayers by introducing section 206C(IH), 194Q, 194R in the IT Act and burden on recipient by introducing section 16(2)(aa) and 38 in the CGST Act. This has also increased technological challenges for corporate sector for aligning accounting systems with the tax announcements. Hence, the Government should revisit such procedural aspects to reduce compliance burden on taxpayers in line with its intent to promote the “Ease of Doing Business” initiative.
4. From an individual tax perspective, the surcharge rate of 37% for individuals having higher income has resulted in highest tax rate of 42.75%. Such high tax rate is discouraging industrialists who are inclined to shift their residence from developing country like India to developed countries with better infrastructure facilities. Hence, the Government should reduce the surcharge rate for retaining such individuals in India.

5. Government has provided a deduction of interest on loans obtained for purchasing electric vehicles up to 31 March 2023. The Indian market has seen a lot of attention from middle income group to purchase electric vehicles. Extension in period and increase in such interest deductions can help accelerate the automobile sector. Similarly, an increase in REPO rates has impacted home loan interest rates and they have moved upward from 7% to 9% in just a couple of months. Hence, an additional deduction for interest on home loans should be provided considering such interest burden on taxpayers.
6. The high-income tax and GST rates leave very minuscule amount in the hands of middle-income group for consumption and investments. Reasonable increase in tax exemption threshold and standard deductions for salaried taxpayers will help improve the liquidity in the market.

In light of the above, it will be interesting to see how the Modi Government will manage taxpayer's expectations and boost the Indian economy at the same time.

*\* Views expressed by individuals are personal and may not reflect that of the organisation.*

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[\[1\]](#) Excluding applicable surcharge and education cess