

Budget 2023 - Expectations

Jan 24, 2023



Srouta Gopal Mukherji

Senior Deputy General Manager, Direct Taxation at Exide Industries Limited

Every year, the Indian Government presents the Budget on 1 February, and a lot of expectations and buzz occurs as to what the Hon'ble Finance Minister would unfurl on the D-Day. From the salaried class to businesses as well as the corporates, all look forward to and expect that the Budget brings some cheer to them. The salaried class hopes that the Budget would elevate their disposable income. Corporates would look forward to measures or incentives to promote manufacturing in India, keeping in mind the present Government's vision of a "AtmaNirbhar Bharat" and ease of doing business in India. With the said background in mind, let me put across some of my thoughts and expectations from Budget 2023 both from a corporate's as well as a salaried person's perspective:

From a Corporate perspective:

- Incentive for R&D spends** - The expenditure on scientific research should be incentivised so that Indian corporates spend more on R&D expenditure to manufacture indigenous products. Weighted deduction under section 35(2AB) of the Income-tax Act, 1961 ('the Act') should be reintroduced so that corporate India spends more on in-house research and development rather than import of technology for manufacturing of products. Further, the said deduction should also be extended to corporates who have opted for lower tax regime under section 115BAA or section 115BAB of the Act.
- Tax Benefits to promote Solar/Green Energy** - As India is focused on lowering dependence on fossil fuels, corporate India would require a significant push from the Government for investment in solar /green energy and would look forward for tax benefits and subsidies for promotion of manufacture and usage of renewable energy.
- Ease of doing business:** Although the Government of India has taken considerable measures in the recent past for ease of doing business, corporates would be more than happy that the current compliances can be eased out a bit. An example would be to do away with the requirement of issuance of withholding tax certificate by the deductor as per section 203 of the Act read with Rule 31 of the Income-tax Rules, 1962. Reason being, for all practical purpose, withholding tax credit is availed by the deductee on the basis of Form 26AS and not on the receipt of withholding tax certificate.

From Salaried person's perspective:

- Increase in deduction under section 80C of the Act** - The current exemption limit of INR 150,000 has been static since 2014 and thus merits increase to atleast INR 200,000 if not more. The increased limit will help in increasing savings of the salaried class/individuals.
- Enhancement of deduction under section 80D of the Act** - The present limit of deduction under section 80D seems insignificant as compared to the amount spent on medical insurance. Taking this into consideration, increasing the section 80D deduction limit from present INR 25,000 for non-senior citizens and INR 50,000 for senior citizens is an expectation which every individual has. Further, people who are opting for lower tax regime under section 115BAC may be allowed to claim deduction under section 80D as an exception.
- Tax free withdrawal from NPS** - Currently, section 10(12A) of the Act provides for exemption

up to 60% of the total amount payable at the time of withdrawal. To make NPS popular, the said limit may be increased to 100% of the total amount payable as is the benefit enjoyed by subscribers of PPF. Further, as per existing provisions section 36(1)(iva) of the Act, deduction allowed to employer with respect to contribution made is limited up to 10% of salary of employee - the said limit may be increased to 14% to keep parity with the contribution of Central Govt towards NPS.

The other aspect which needs to be highlighted is the functioning of a proper grievance redressal mechanism which unfortunately is not in place as on date. The taxpayers have to struggle between the jurisdictional Tax Officers and the IT systems like ITBA and ITD to get a refund or give effect to an order passed by the appellate authorities. If a designated officer can be entrusted to look after the grievances of taxpayers and resolve the same within a timeline, I believe the tax payers would be more than happy. Keeping fingers crossed, with these thoughts and expectations would look forward what our Hon'ble FM brings to the table on 1st February 2023.

** Views expressed above are personal & may not reflect that of the organisation.*