

Expectations from Union Budget 2023

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India has been witnessing growth in direct tax collections over the last few years (except the years affected by the Covid pandemic) which in itself is a very positive sign. While India is celebrating “Azadi ka Amrit Mahotsav” on completion of 75 years of Independence, it has set its target to become the world’s third largest economy by 2027, surpassing Japan and Germany, and have the third largest stock market by 2030, thanks to global trends and key investments the country has made in technology and energy. In a new Morgan Stanley Research Blue-paper, analysts working across sectors look at how this new era of economic development could bring about staggering changes: boosting India’s share of global manufacturing, expanding credit availability, creating new businesses, improving quality of life, and spurring a boom in consumer spending.

The salaried class of individuals of which a large portion fall in the middle-income category are significant contributors to this growth story of India. The salaried class tax payers are taxed at the source, i.e. TDS is deducted at the time of disbursement of salary. Hence, they are the most consistent source of generation of direct tax revenue for the country. Every year, the salaried class individuals expect some tax relief in the form of exemptions and deductions from the Budget which can optimize their tax liability. Considering the rising inflation and declining purchasing power of money, the following are the expectations of salaried taxpayers from the Budget:

1. The limit of deduction under section 80C of the Income-tax Act, 1961 (‘the Act’) to be reviewed for setting up a higher limit from the existing limit of INR 150,000. The limit may be set on the basis of the tax slabs with a higher limit set for a higher tax slab. The higher investments would contribute significantly towards the growth story of India.
2. The limit of deduction under section 80D of the Act also needs to be relooked at. With the growing Covid cases, citizens suffering from the after-effects of Covid 19 pandemic and other chronic ailments, medical costs are on a rise which is leading to the rise of medical premium for the taxpayers and their families including senior citizens. The cost of preventive check-up is also on a rise and the present limit of INR 5,000 falls significantly short of the actual cost incurred in conducting a preventive check up of all dependent family members.
3. Interest on Home loan under section 24 of the Act is capped at INR 200,000 for self-occupied house. With the rise of inflation globally, the rates of interest charged by Banks has also spiked significantly, coupled with the rise in the cost of constructing houses, specially in the metro cities. Hence in the present scenario, the interest paid to banks for availing home loan has significantly increased, which is causing tremendous hardships to salaried individuals. Building homes for all citizens of the country is one step forward towards transforming India to a developed nation. It is suggested that the Budget committee reviews the adequacy of the deduction for interest paid on home Loan.
4. The present standard deduction of INR 50,000 that is provided in computation of tax under the old regime needs to be reviewed by the Budget Committee for an upward revision. In 2018, the standard deduction was reintroduced in lieu of the transport allowance and medical reimbursement. Due to higher inflation, transport allowance and medical reimbursement have skyrocketed. Commutation from home to office and back has become a costly affair which makes the standard deduction inadequate for meeting the day to day expenses.

5. While paying income tax is the duty of every responsible citizen towards the development of the Country, an expectation that comes up is the provision of medical infrastructure and primary and secondary education infrastructure where there is a scope of improvement in India. Availing medical insurance should be mandatory law in India which will not only ensure that the Country builds up a strong medical infrastructure, but it will also guarantee medical treatment for all the citizens of the Country which in turn will enhance the life span of citizens of India. Quality medical treatment at affordable rates and education to be provided to all citizens of India and our children for a brighter future.

Note: The views expressed in this write up are strictly my personal opinion based on the Income Tax Act prevalent in India and some of the data have been referenced from the data available in the public domain.

** Views expressed are personal and may not reflect that of the organization.*