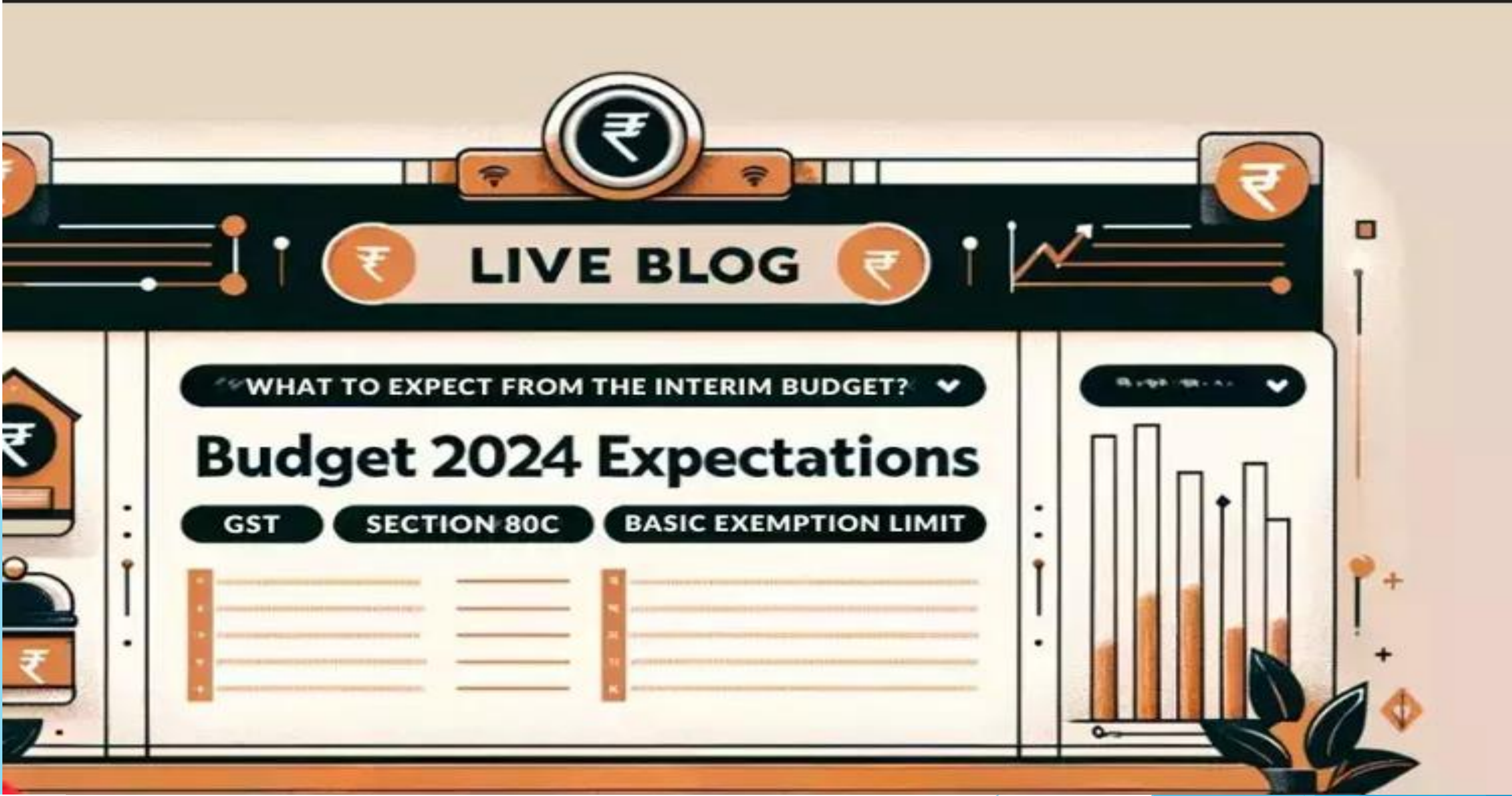
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INTERIM BUDGET 2024 EXPECTATIONS:
TAXATION AND DEDUCTION REFORMS

Background

Based on the past trend analysis of the Interim Budgets, it has been observed that Interim budgets are mostly continuation of the existing policies, and major policy changes or new initiatives are generally avoided.

As such, no significant changes are announced in the Interim Budgets. This has also been affirmed by the Finance Minister’s comment regarding the 2024 Interim budget claiming no spectacular changes to be announced considering that the upcoming budget would be a “Vote on Account” budget wherein the government seeks Parliament’s approval for the expenditure required to meet its essential obligations during the interim period and is usually granted without a detailed discussion on the budget.

INTERIM BUDGET 2024 EXPECTATIONS: TAXATION AND DEDUCTION REFORMS

In interim budgets, the tax structures and rates are generally not revised and significant changes to taxation are usually proposed in the subsequent full budget presented by the newly selected government.

The latest Interim Budget passed in 2019 proposed certain changes for individual taxpayers. It is entirely possible that the government may not make any changes or make certain minimal changes which are of wide applicability.

Wishlist For Budget 2024: Income Tax Reforms And Relief Demands

As the eagerly awaited Interim Budget 2024 approaches, individuals and taxpayers hold high expectations for positive changes in income tax policies. This presentation is a comprehensive wish list focusing on crucial aspects like **standard deduction**, metro city definitions, LTCG tax rates, basic exemption limits, Chapter VI-A deductions, and home loan interest deductions.

The basic changes which can be expected by the taxpayers either by way of amendments or by way of announcements to be implemented if the ruling party was voted back to power are discussed here in below:

1. Basic Exemption Limit

Currently, BEL under the old regime is Rs. 2.5 lakhs. For many years, this limit has not been increased. Considering the present scenarios and Given the current annual inflation rate of about 5%, higher cost of living and the time which has elapsed since last revision, the government should increase this limit to Rs. 4 lakhs or 5 lakhs, or at the very least, it should be matched with the new regime limit of Rs. 3 lakhs. This will benefit a large number out of the approximately 7 crore taxpayers and provide them some insulation against inflation. **For ready reference present slab rates ar given below:**

OLD REGIME

S. No.	TOTAL INCOME		18,00,000		
	SLAB RATES	RATE	TAX BEFORE REBATE	87A	TAX AFTER REBATE
1	0 to 2.5L	0%	-	-	-
2	2.5L to 5L	5%	12,500	12,500	-
3	5L to 10L	20%	1,12,500	-	1,12,500
4	Above 10L	30%	3,52,500	-	3,52,500
	Total tax on taxable income				3,52,500

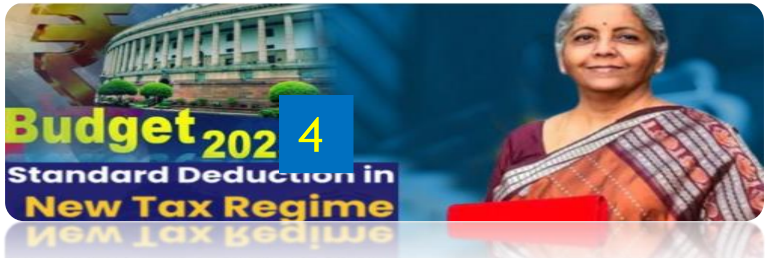
NEW REGIME

S. NO.	TOTAL INCOME		18,00,000		
	SLAB RATES	RATE	TAX BEFORE REBATE	87A	TAX AFTER REBATE
1	Upto 3L	0%	-	0	-
2	3L to 6L	5%	15,000	15,000	-
4	6L to 9L	10%	45,000	-	45,000
5	9L to 12L	15%	90,000	-	90,000
6	12L to 15L	20%	1,50,000	-	1,50,000
7	Above 15L	30%	2,40,000	-	2,40,000
	Total tax on taxable income				2,40,000

1,12,500

S. No.	TOTAL INCOME SLAB RATES	RATE	18,00,000 TAX BEFORE REBATE	87A	TAX AFTER REBATE	S. NO.	TOTAL INCOME SLAB RATES	RATE	18,00,000 TAX BEFORE REBATE	87A	TAX AFTER REBATE	DIFFERENCE
1	0 to 2.5L	0%	-	-		1	Upto 3L	0%	-			-
2	2.5L to 5L	5%	12,500	12,500	-	2	3L to 5L	5%	10,000	10,000	-	-
4	5L to 6L	20%	32,500	-	32,500	4	5L to 6L	5%	15,000	15,000	-	32,500
5	6L to 7L	20%	52,500		52,500	5	6L to 7L	10%	25,000	25,000	-	52,500
6	7L to 9L	20%	92,500		92,500	6	7L to 9L	10%	45,000		45,000	47,500
7	9L to 10L	20%	1,12,500		1,12,500	7	9L-10L	15%	60,000		60,000	52,500
8	10L to 12L	30%	1,72,500		1,72,500	8	10L to 12L	15%	90,000		90,000	82,500
9	12L to 15L	30%	2,62,500		2,62,500	9	12L to 15L	20%	1,50,000		1,50,000	1,12,500
10	15L to 18L	30%	3,52,500		3,52,500	10	15L to 18L	30%	2,40,000		2,40,000	1,12,500
	Total tax on taxable income				3,52,500		Total tax on taxable income				2,40,000	

NOTE: ABOVE 5CR. SURCHARGE IN NEW REGIME IS 25% & IN OLD REGIME 37%



2. Section 16 (ia) - Standard Deduction Limit:

Salaried individuals have long desired an increase in the Standard Deduction limit. Currently, the actual expenses faced by salaried individuals far exceed the existing limit of Rs. 50,000.

While some advocate for raising it to Rs. 1 lakh, preference for it to be a certain percentage of the salary. For instance, 10% of the Annual Salary or 30-40% of the Basic Salary, or any other relevant percentage. This approach would provide higher relief through the standard deduction to individuals with higher salaries.

3. Expansion in Metro City Definition

The definition of a metro city becomes relevant during HRA calculation u/s 10(13A). It is one of the most important deductions that the salaried class enjoys. A metro city is currently defined to include only 4 cities: Delhi, Mumbai, Chennai, and Kolkata. Nowadays, rentals have also increased steadily in other major cities **like Bangalore, Hyderabad, Pune, Gurugram**, Noida, etc. The definition of a metro city should be amended to include other cities also so that people accommodating there can also enjoy a higher limit of 50% during HRA calculation.

4. Deductions under Chapter VI-A

The 80C deduction is the most preferred investment option among taxpayers, but investments eligible under this section carry a maximum cap of Rs. 1.5 lakhs. It should be increased to a minimum of Rs. 2 lakhs.

The deduction limit for medical premium u/s 80D should also be increased to Rs. 50,000 from the present limit of Rs. 25,000 (other than for parents) as nowadays medical premiums and expenses have increased significantly, and it is a necessity for all of us to take medical policies for ourselves and our family members.

Section 80D of the IT Act provides for deduction with respect to the medical premium paid. Such deduction is restricted to Rs. 25,000 and in case of senior citizens, the maximum threshold has been restricted to Rs. 50,000. However, there has been a spike in the health insurance premiums due to the covid pandemic and inflation as well as need for higher coverage. Thus, there is a need to enhance the threshold from existing Rs. 25,000 to Rs.50,000 for non-senior citizens and for senior citizens from Rs. 50,000 to Rs. 75,000.

5. Deduction for Home Loan Interest

S 24 Home loan Interest

The present cap of Rs. 2 lakhs is now insufficient for taxpayers considering the current outlook for home loans. The cap should be increased to Rs. 3 lakhs to provide relief for high-interest expenses incurred.

6. Deduction for Electric Vehicle Loan Interest

S 80EEB Electric Vehicle Loan Interest

The deduction is provided for interest on a loan for the purchase of Electric Vehicles (EVs) for loans sanctioned between 01/04/2019 to 31/03/2023. Considering the rising demand for EVs in India and to boost the EV industry, loans availed up to the 31st March 2026 period for purchasing EVs should be considered eligible for interest deduction under this section.

7. Tax on Dividends Distributed by Domestic Companies to be Restricted to 20%

Under the existing provisions of the IT Act, there is a double taxation of income in case of companies – firstly the companies pay corporate tax and then the shareholders pay tax on the dividends. In case of resident individual shareholders, the tax on dividends can be as high as 35.88%. On the other hand, non-residents are liable to tax on dividends @ 20% (plus surcharge and cess) which gets further lowered by Double Tax Avoidance Agreements to 5%-15%.

In order to reduce the cascading effect of double taxation, it is expected that the maximum tax on dividends distributed by domestic companies in the hands of resident shareholders be limited to 20% (plus surcharge and cess).

As the Interim Budget 2024 unfolds, these expectations signal potential reforms in taxation and deductions. The proposed changes align with economic shifts, emerging needs, and the government's commitment to addressing key financial concerns. Taxpayers await clarity on these expectations, looking to the budget for insights into the fiscal landscape and potential benefits for individuals and businesses.

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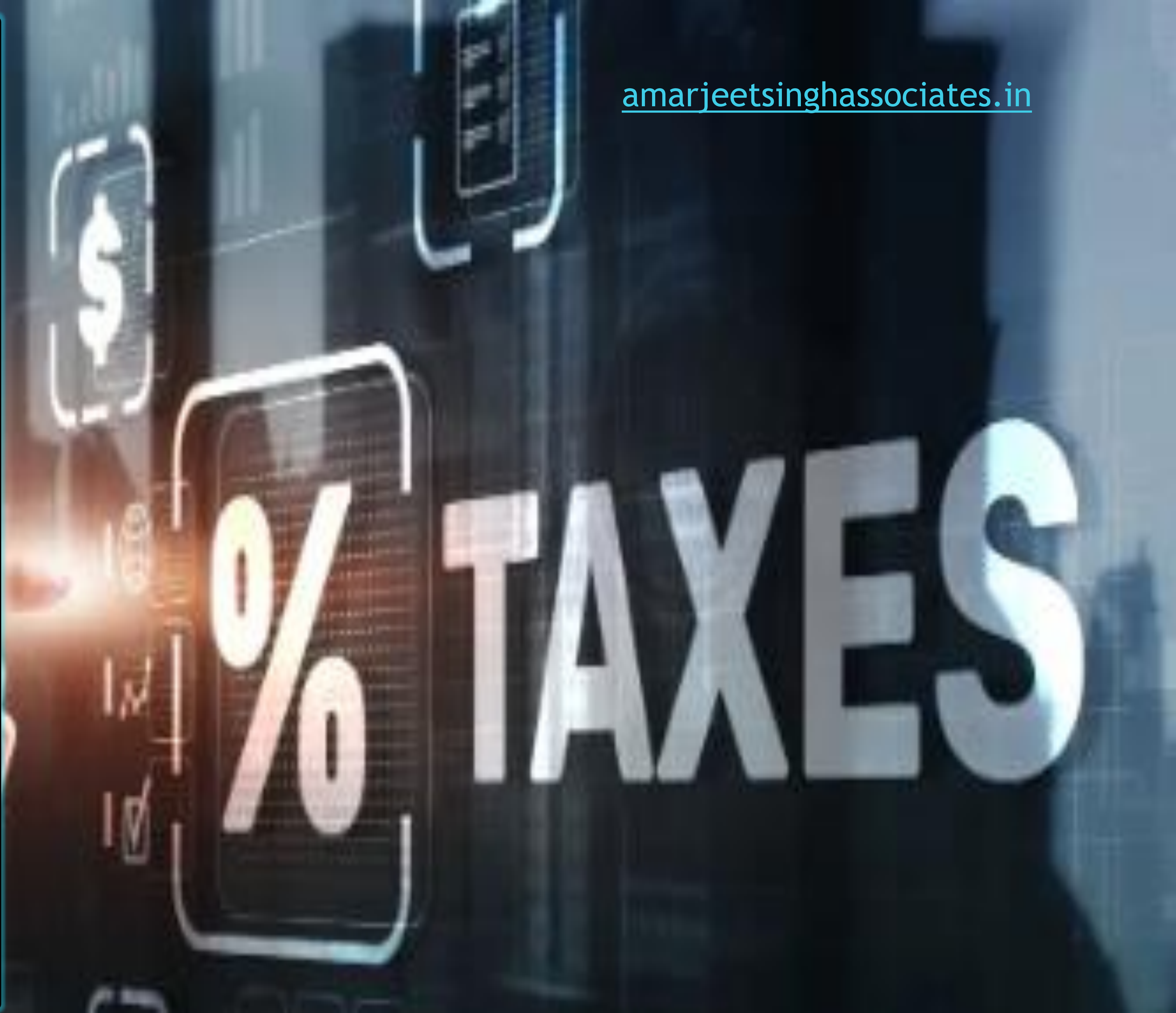

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