Pre-budget Expectations Survey Report
Individual taxation and personal finance
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General tax payers
The basic exemption limit for individuals younger than 60 years is INR 250,000. Should the exemption limit be increased?

All respondents are in favor of increasing the existing basic exemption limit of INR 250,000.

The response highlights that majority of the respondents (58%) want the basic exemption slab limit to be raised from INR 250,000 to INR 500,000. It will help widen the tax base and increase compliance. It will place more money in the hands of consumers resulting in increase in demand pick up. Also the increase in the slab limit will kickstart savings which will ultimately lead to increase in investment in the system.
The limit under Section 80C of the Income tax Act (‘Act’) is capped at INR 150,000 wherein payments towards investment and expenditure qualify for deduction. Do you think the proposed Budget should increase the limit to the following considering the current state of inflation?

A majority of the respondents (71%) want the limit of section 80C to be increased to INR 250,000. Given the increase in income levels and inflation, the existing limit is low. Increase in limit will help channelize the household savings to productive avenues such as insurance, provident fund, equity, etc., which will in turn help boost infrastructure spending and job creation.
To bring parity in the tax treatment of withdrawal from National Pension scheme (NPS) vis-a-vis Provident Fund (PF), withdrawal of NPS proceeds should be fully exempted.

Currently, NPS is subject to income tax under the EET (Exempt Exempt Tax) regime, that is, withdrawals made from NPS are taxed in the hands of the individual to the extent of 60%. However, this is not in parity with other pension schemes such as provident fund, which is under the EEE regime. The government has positioned NPS as an alternative to PF. Therefore, to bring parity and incentivize the employees to be part of NPS, NPS must be brought under EEE regime. 88% of the respondents indicated that withdrawal of NPS proceeds should be fully exempt.
Should the deduction of investment in long-term infrastructure bonds be reintroduced (in addition to section 80C deductions) on lines similar to section 80CCF (available during Assessment Year (AY) 2011-2012, 2012-13) and if yes, what should the limit be?

The government has set an ambitious target to boost infrastructure spending and is in need of long-term funds. Hence, it is an apt time to reintroduce deduction for investment in long-term infrastructure bonds as it will provide additional avenue for individuals to make investment and save taxes. At the same time, it will provide funds to finance various infrastructure projects. Majority of the respondents indicated that the deduction for investment in infrastructure bonds should be introduced with a limit of INR 50,000.
Should Section 80TTA deduction (currently available on interest on saving bank account) be extended to interest on time deposits?

Should the limit of deduction under section 80TTA (currently INR 10,000) be increased to the following limits?

Section 80TTA was introduced in Assessment Year 2013-14 to promote savings by providing for deduction on interest income earned on savings bank account. Currently deduction can be availed up to maximum of INR 10,000 only in respect of saving account interest. A majority of the respondents are (74% and 54% respectively) clearly in favor of increasing the scope of the deduction to include interest earned on time deposits and increasing the deduction to INR 20,000, respectively.
Applicability of Advance tax – In case the estimated tax payable exceeds INR 10,000, advance tax will be applicable. Should the above limit be increased to the following limit?

The respondents felt that the threshold limit for advance tax payments should be increased of which 36% felt that the limit should be increased to INR 20,000.
Working women
In case of working couple with kids, substantial expense is incurred in respect of day care centre/crèche facilities. In case of working mothers having kids, should the following deduction be introduced to the extent of expenses incurred?

More and more Indian families are going nuclear, wherein both husband and wife are working. Consequently, today’s working parents have to depend on good day-care facilities to ensure adequate care of their kids while at work. As these day-care facilities are expensive, all the respondents indicated that a deduction should be introduced with the minimum deduction being INR 24,000 per child per year.
Salaried employees
Given the increasing cost of medical expenses, should the limit for reimbursement of medical expenses by the employer be revised from INR 15,000 to the following?

With the increase in lifestyle diseases, the cost of medical treatment is increasing. The current medical expense limit of INR 15,000 per year fixed several years back is too low considering the soaring medical cost.

All the respondents are in favour of the increase in the limit of which 58% believe that the limit should be INR 50,000.

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<th>Limit</th>
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<tr>
<td>INR 50,000</td>
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Revival of standard deduction - A standard deduction was earlier available to the salaried individuals from their taxable salary income. However, the same was abolished with effect from AY 2006-07. Whether the limit of standard deduction be reintroduced. If yes, what should the limit be?

As of now, salaried employees are not treated at par with tax payers who are self-employed such as a businessmen/professionals who enjoy tax deduction for the expenses incurred by them. It is time the government reintroduces the standard deduction for salaried class. Half of the respondents want the standard deduction to be introduced with a limit of INR 100,000 whereas the balance 50% indicated that the limit should be INR 50,000 or INR 75,000.
Transport allowance – Currently, a tax exemption of INR 1,600 per month is provided for transport allowance. This is very small amount compared to the rising cost of conveyance. Thus, the limit should be increased to the following limits?

Currently, the transportation allowance granted by the employer to his/her employees for commuting between the place of work and residence is tax-free to the extent of INR 1,600 per month. This limit is too low considering the rising commuting cost. 55% of the respondents are in favour of the limit to be increased to INR 5,000 per month.
Education Allowance – Currently, a tax exemption of INR 100 per month per child is provided for education allowance. This is negligible compared to the rising inflation and education cost. Thus the limit should be increased to the following limit:

Hostel expenditure allowance – Currently, a tax exemption at INR 300 per month per child is provided for hostel expenditure. This limit is considerably less as compared to the increase in the hostel fee cost. Therefore, this allowance should be increased to the following limits:

The above exemption limits are too low compared to the existing education and hostel cost. Exemption limit for these allowances should be substantially revised. A majority of respondents believe that the limit of deduction for education and hostel expenditure should be increased to INR 5,000 per month per child and INR 6,000 per month per child, respectively.
Leave travel allowances – Currently, a tax exemption is allowed for actual expenditure incurred in respect of travel in India. Further the exemption is allowed only for two journeys in a block of four calendar years. Should the exemption be enhanced to allow for exemption in respect of one journey per year and be extended for travel in and outside India?

More than 3/4th of the respondents are of the view that the leave travel allowance exemption should be allowed per annum and should be extended for foreign travel.

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<th>NO</th>
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<td>24%</td>
<td>76%</td>
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Free meals / lunch provided by employer – Currently, free meals in excess of INR 50 per meal less amount paid by the employee is a taxable perquisite. Considering increase in inflation rate, should the above limit be increased to the following limit?

Currently the exemption limit of INR 50 per meal is miniscule. It is time to relook at the exemption limit with respect to free meals. Considering the inflation the respondents have indicated that this limit should be increased in the range of INR 100 to INR 250 per meal.
House owners
In case an individual who owns additional house properties apart from self-occupied property, an individual is required to pay tax on notional/deemed rent from the second house property in which case individuals have to pay tax on notional income which they have not received. In such a case should the concept of deemed let out property be deleted?

As per well-established principles of taxation, income tax is levied on any income actually earned by an assessee. In other words, there should not be any levy of income-tax on notional or hypothetical income. One such case is of taxability of a house property wherein tax is sought to be levied on a notional basis in respect of property that is not let out. Deemed income for unoccupied house property seems unfair as there is no ‘real income’ earned. At times when there is not much income from other sources, it poses a challenge for paying the tax for an individual on such notional income.

According to the survey, 69% of the respondents opined that the concept of taxability of deemed rent on notional basis should be deleted. Interestingly, 31% of the respondents indicated otherwise.
In case of self-occupied property, deduction of interest on housing loan is available upto INR 200,000. Should the said limit be increase to the following limit?

Currently, the limit with respect to deduction of interest on housing loan is upto INR 200,000. To incentivize affordable housing, higher tax exemption limits on interest payment for home buyers should be considered.

This will give impetus to the housing industry, thus boosting the economy in the long run. Half of the respondents voted to increase the limit to INR 500,000. Surprisingly, 20% of the respondents wanted the limit unchanged.
Others
Currently, the Act does not provide for pro-rata taxation of Employee Stock Options (ESOPs) given to mobile employees for Non Residents (NR) and Not Ordinarily Residents (NOR). Whether, the Act should now specifically provide for pro-rata taxation in respect of mobile employees in line with the OECD commentary and various judicial precedents in this regard such that only perquisite pertaining to services rendered in India is considered taxable?

ESOPs are taxable as perquisite on the date of allotment/transfer in the hands of the employees. With regard to mobile employees being NRs or NORs, the Act does not provide for pro-rata taxation. The OECD commentary and various judicial precedents support the position for pro-rata taxability wherein the above employees should be taxed only in respect of days spent in India during the period from grant to vest. A substantial majority of the respondents (73%) are of the view that the Act should be amended to introduce provisions allowing pro-rata taxability of ESOPs in case of NRs or NORs.