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Pre-Budget Expectations Survey

Personal Taxation

Contents

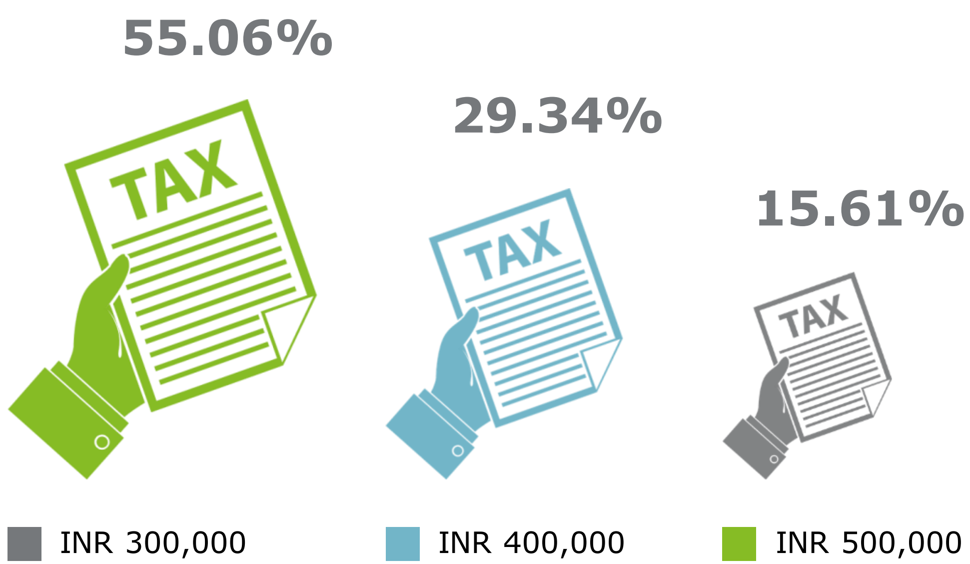
General Tax Payers

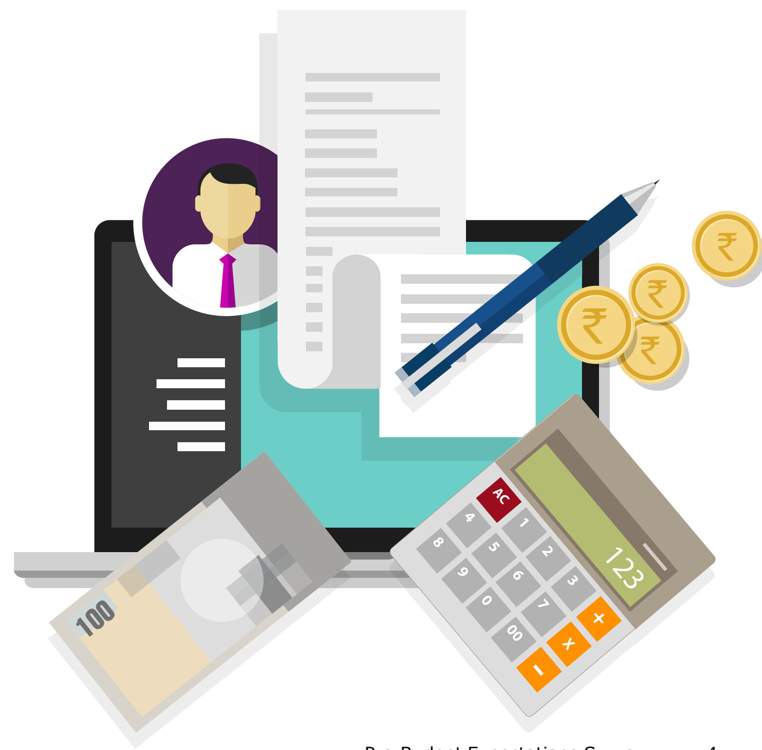
The basic exemption limit for individuals less than 60 years of age is INR 250,000. Considering the current state of inflation, should the exemption limit be increased to

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

Majority of the respondents (55%) want the basic exemption limit to be raised from INR 250,000 to INR 500,000, followed by 29% of respondents who want the exemption limit to be increased to INR 400,000 .

Considering the steep rise in cost of living due to inflation, the increase in the basic exemption limit will benefit the lower income group, boost savings / investments and lead to increased tax compliance.





Pursuant to the gradual reduction of corporate tax rates (for domestic companies) from 30% to 25%, whether there should be a reduction in the tax rates for individuals from 30% to 25%.

Majority of the survey respondents (86%) are of the view that a similar reduction of tax rate should be given to individual tax payers.

The reduction in the tax rate will place more money in the hands of end consumers resulting in boosting domestic demand.

Yes

85.57%

No

6.27%

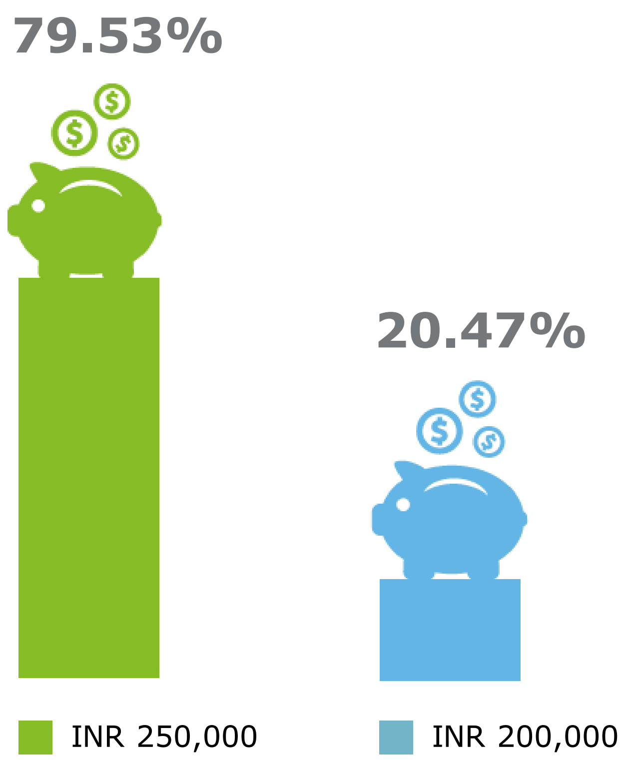
May be

8.19%

The limit for deduction under section 80C towards certain payments / investments is capped at INR 150,000. Should the limit be increased to?

A majority of the respondents (80%) desire the limit under section 80C be increased to INR 250,000.

Such benefit would be two-fold wherein individual taxpayers would be willing to save more and in turn will benefit from a lower tax outgo.

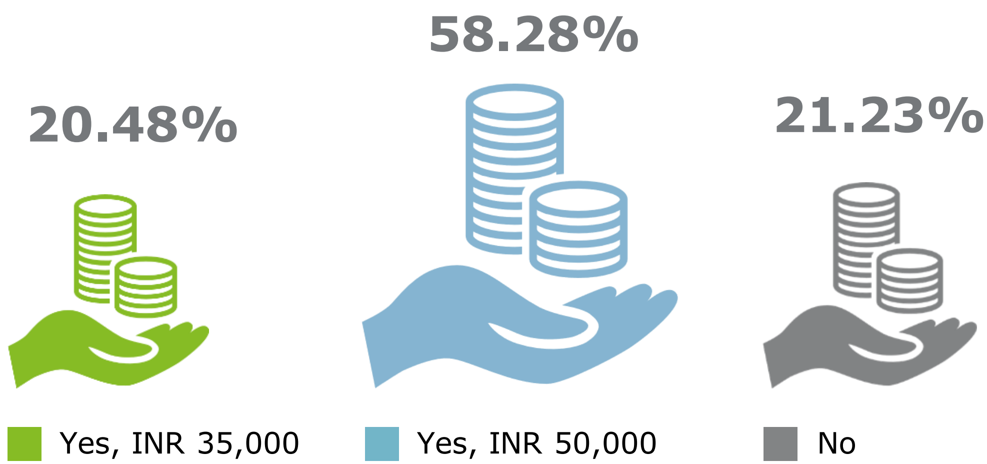


Investments in tax saving infrastructure bonds upto INR 20,000 were eligible for tax deduction in FY 2010-11 and FY 2011-12. Do you think that this deduction should be revived to serve a dual purpose of boosting the Indian infrastructure and claiming tax benefit? If yes, what should be the limit?

In Budget 2017, the government had given special attention to the affordable housing projects and infrastructure in India.

Majority of the respondents (79%) are of the view that the deduction for tax saving infrastructure bonds should be re-introduced. Out of these, 58% of the respondents indicated that the deduction should be introduced with a limit of INR 50,000 while 21% of respondents were of the view to reintroduce the deduction with a limit of INR 35,000.

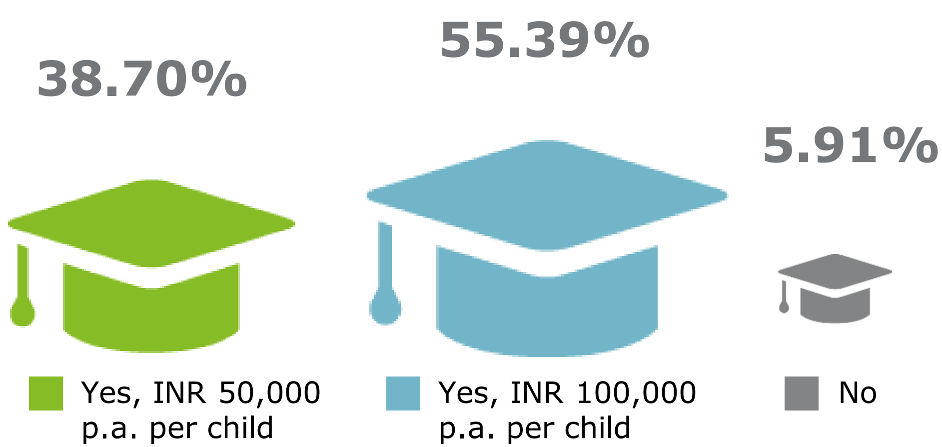
Such a deduction will provide additional avenue for individuals to make investment and save taxes. At the same time, it will provide funds to finance various infrastructure projects.

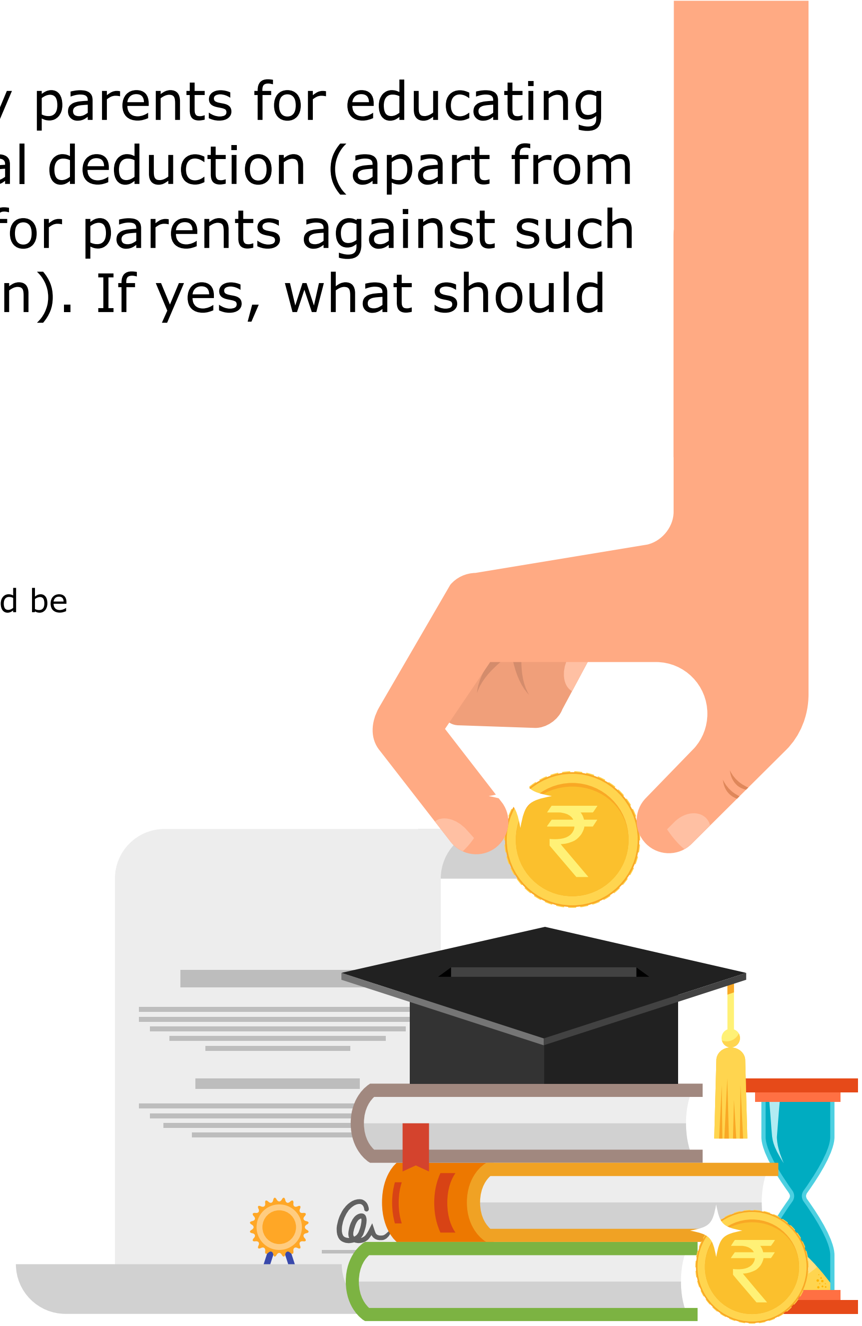


A substantial expense is incurred by parents for educating their children. Whether an additional deduction (apart from Section 80C) should be introduced for parents against such expense incurred (up to two children). If yes, what should be the limit for the deduction?

The cost of education is increasing rapidly annually.

Given the increasing cost of education, majority of the respondents (94%) indicated an additional deduction should be introduced towards the expenses incurred for education of children (up to two children) with a minimum limit of INR 50,000 per annum per child.





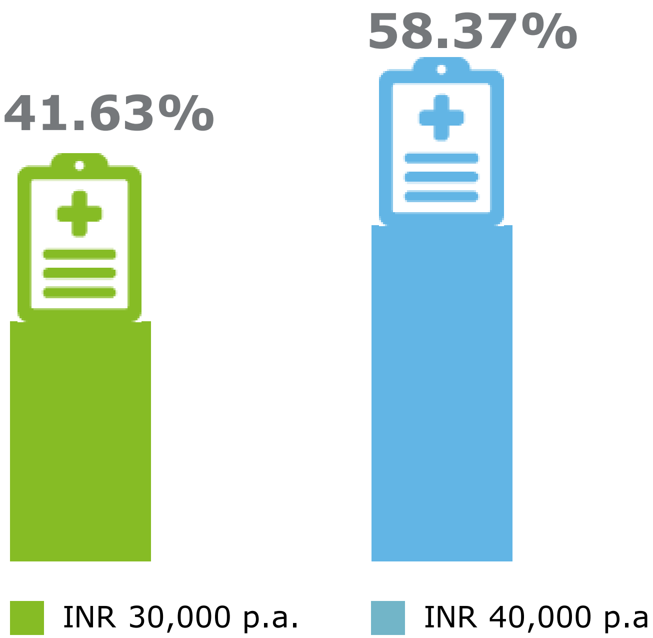
Salaried Employees

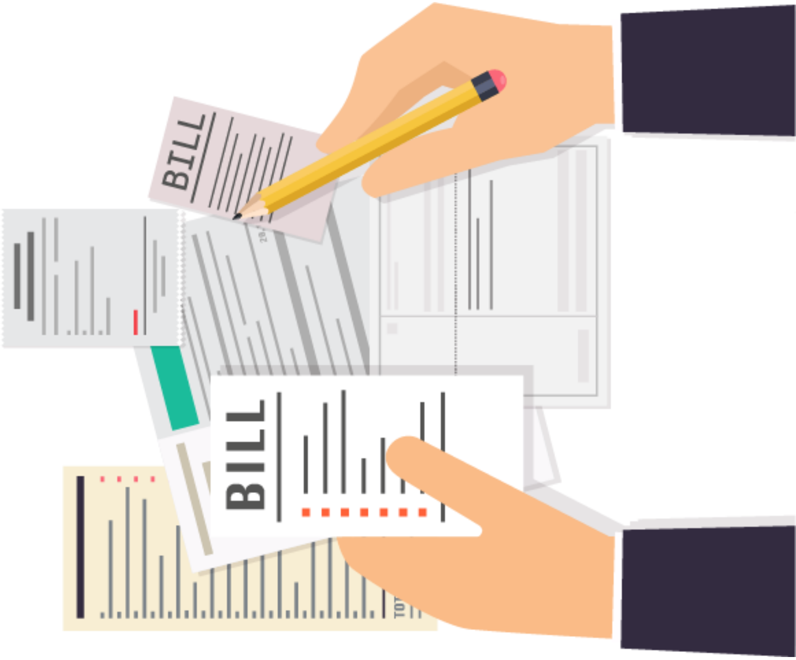
Given the increasing cost of living, should the tax free limit for reimbursement for Medical expenses be increased to

Currently the tax free limit for reimbursement of medical expenses (which includes cost of medicine, doctor consultation fees, hospitalization charges, etc.) is INR 15,000 per year.

Given the soaring medical costs, this limit is highly inadequate.

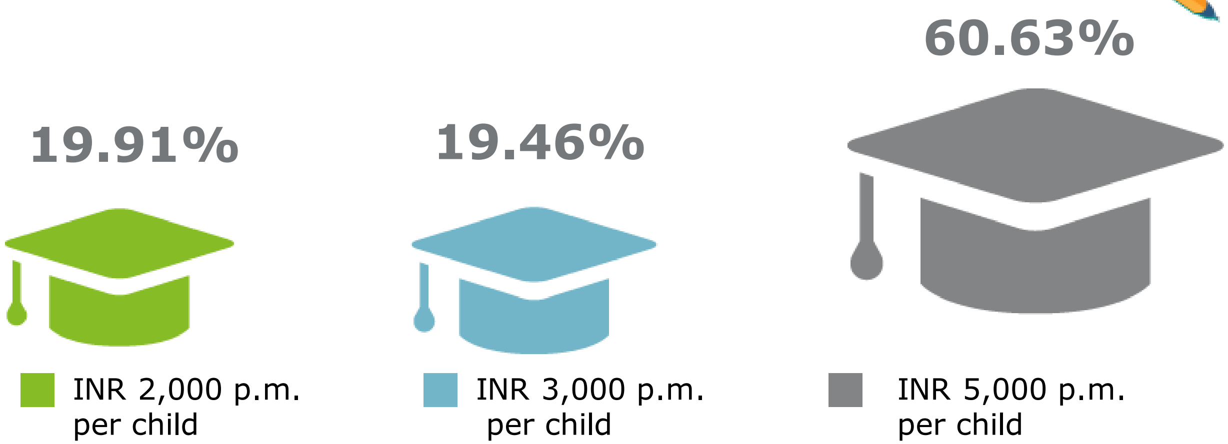
All the respondents are in favor of increasing the limit of which 58% of the respondents want the limit to be increased to INR 40,000 and the balance 42% of the respondents want the limit to be increased to INR 30,000.





Education Allowance – Currently, INR 100 p.m. per child up to two children is tax free

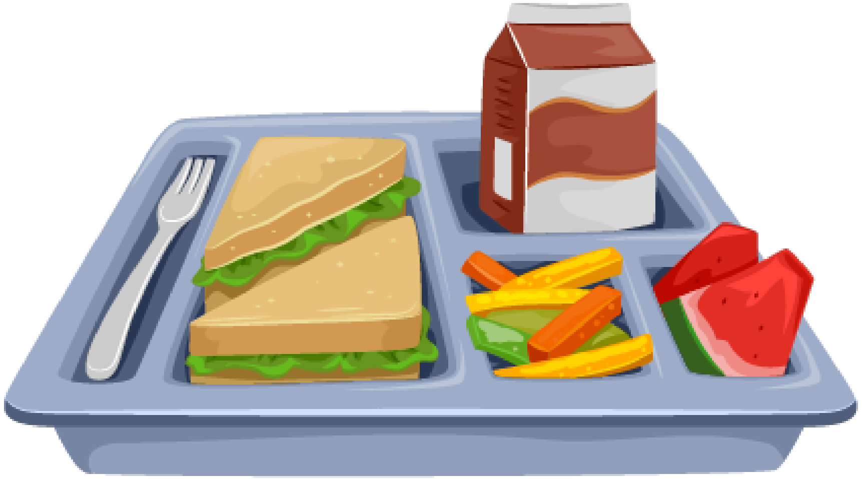
- Currently, a salaried employee is allowed tax exemption on education allowance upto INR 100 per month, up to two children. In the last decade itself, the expenditure on education has increased manifold. Hence there is an urgent need to increase the threshold limit.
- A majority of respondents (60%) believe that the limit of exemption should be increased to INR 5,000 per month per child.

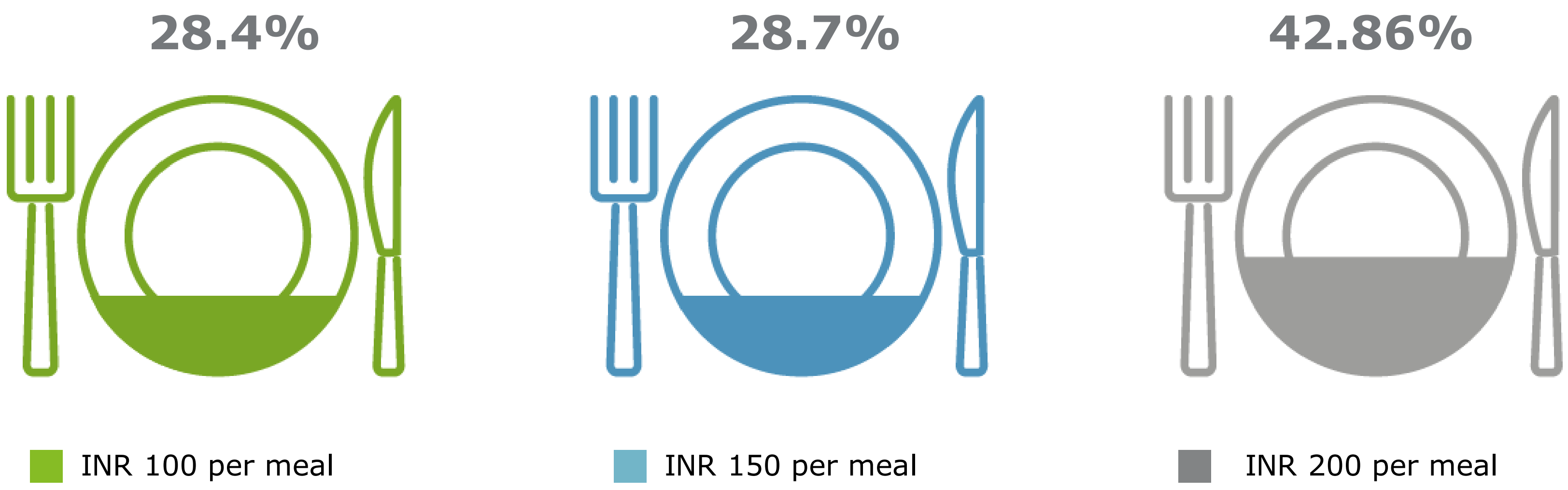


Given the increased cost of living, should the limit for Free meals / lunch provided by an employer be increased to:

Currently, any free meals provided by the employer to the employees during office hours is taxable if the value of the meals exceed INR 50 per meal. Considering the high cost of living and inflation, the limit of INR 50 per meal is meagre and needs to be relooked.

The respondents have indicated that this limit should be increased in the range of INR 100 to INR 200 per meal.



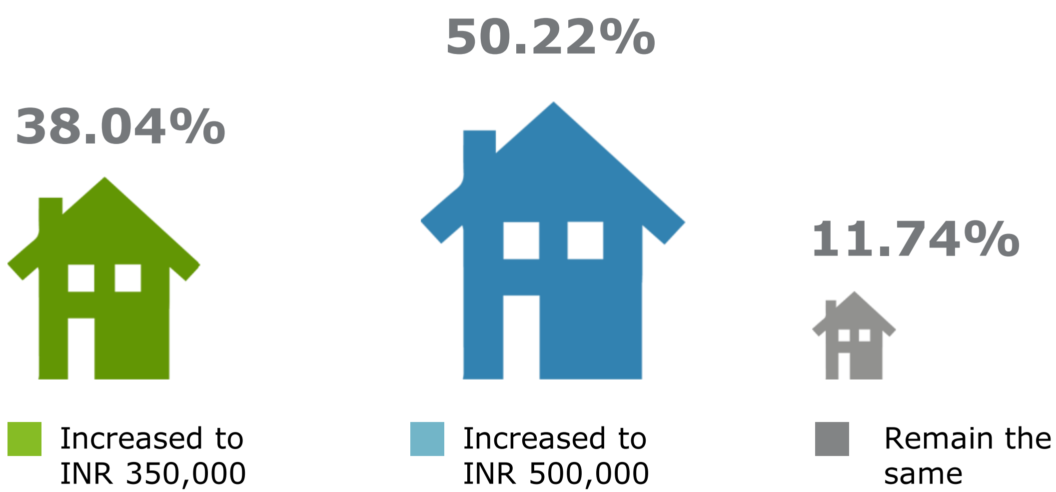


Home owners

In case of self-occupied property, deduction of interest on housing loan is available upto INR 200,000. Should the said limit be

Most of the respondents are of the view that the limit should be increased to at least INR 350,000.

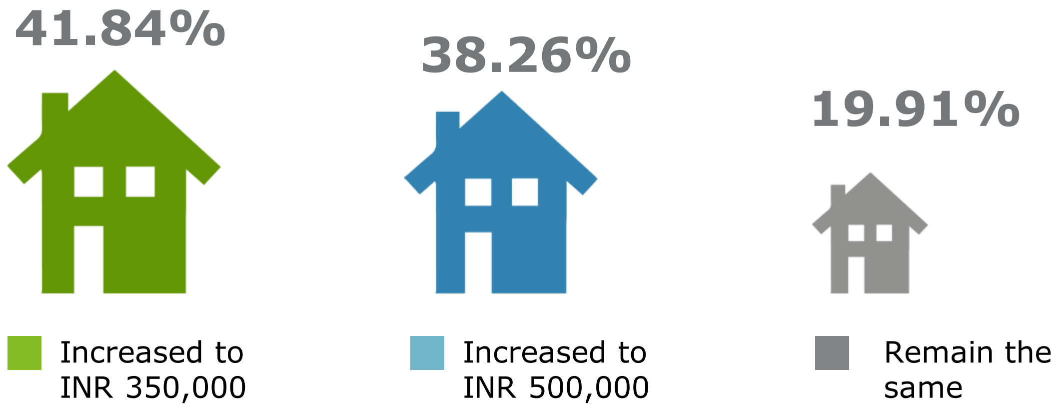
In a bid to fulfill its dream of 'Housing for All' by 2022 as well as to give a leg up to the ailing realty sector, the government should provide more tax incentives on home loans.



In case of let-out property, the house property loss can be set-off upto INR 200,000 in aggregate during a financial year and the balance loss has to be carried forward for set-off in succeeding eight financial years. Should the said limit be

Budget 2017 introduced a provision wherein the loss from house property was available for set off to the extent of INR 200,000 only against other income including salary income and the remaining loss should be carried forward for succeeding eight years.

The introduction of the said clause has significantly impacted the real estate investors and multiple house owners. Accordingly, majority of the respondents wants the limit to be enhanced to at least INR 350,000.



In case an individual owns more than one house property, only one can be considered to be self-occupied. If the other properties are vacant, still a notional rent is offered to tax. Should the provision of taxing the notional rental income be discontinued?

As per well-established principles of taxation, income tax is levied on any income actually earned by an assessee.

Taxability of deemed income for a vacant house property seems unfair as there is no 'real income' earned and should be done away with.

According to the survey, 58% of the respondents opined that the concept of taxability of deemed rent on vacant properties should be discontinued. Interestingly, 29% of the respondents indicated otherwise.

58 %
Yes

29.3%
No

12.7%
May be

Assessments and online procedures

Should there be a jurisdiction free system for assessment proceedings via e-assessment (i.e. taxpayer located in Mumbai can be assessed by tax officer located in Delhi, etc.)?

The concept of jurisdiction free e-assessment would be a big step in tax department’s endeavor to expedite and simplify assessment proceedings, reduce tax payer’s inconvenience and stamp out corruption.

64% of the respondents welcome this initiative. However, 20% of the respondents believe that this move will not be beneficial and balance 16% are not sure if this move will be helpful.

63.8%
Yes

20.4%
No

15.8%
May be

Others

Will the change in Indian tax year from April-March (financial year) to January-December (calendar year) lead to ease in compliance?

The financial year is not aligned with international practices.

A majority of respondents (84%) want the Indian tax year to be changed from financial year to calendar year.

This move may have some hardships initially However, eventually it may bring parity with tax years of most countries which have the tax year as the calendar year.

83.7%
Yes

3%
No

13.3%
May be

Should agriculture income be taxed?

- Majority of the respondents (52%) are in favor of bringing agricultural income under the tax ambit.
- It is believed that in order to widen the tax base of personal income tax, besides removing tax exemptions, rural income including agriculture income should be taxed.

52.3% Yes

33.6% No

14.1% May be

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