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Budget 2024: Individual taxpayers hope for tax relief in the Union Budget from Nirmala Sitharaman

Personal income tax collections exceed corporate tax mop up in recent years but experts caution not comparable.



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Experts however, note that while there is a case to provide some tax relief to individuals, companies often pay tax at a much higher rate than individuals.

Neeraj Agarwala, Partner, Nangia Andersen India said that the tax collected from corporations is at a much higher rate than from individuals, making a direct comparison between the two groups unfair.

"If we examine the income tax return statistics issued by the Income Tax Department for the past five years (AY 22-23 to AY 18-19), we find that, on average, only 1.41% of the returns are filed by corporations. These corporations, however, declare an average of 30% of the total gross income and account for 48% of the total tax collection," he said.

In comparison, individuals file approximately 94% of the returns, declaring an average of 65% of the total gross income but with an aggregate tax liability of only 42%. "This means that, despite similar tax collection figures from corporations and individuals, corporations contribute income tax at an average tax rate of 24% of the total gross income, while individuals tax rate stands at 10%," he pointed out.

However, from an individual taxpayer's perspective, there exists a frustration with limited tax deductions and confusion surrounding the tax regime with marginal tax reliefs, he noted, adding that the expectations from the Union Budget should be to provide tax deductions that reflect modern expenses and offer respite to homeowners. While lower tax rates may alleviate some burden on taxpayers, the focus should be on providing deductions to those who need them, he said.

"The tax structure should encourage deductions for investments rather than promoting an alternate tax regime for individuals without such deductions. The exemption of Rs 1 lakh for long-term capital gains is also not investor-friendly, leading many individuals to resort to tax harvesting to save on taxes," he pointed out. BT