Budget 2024

4 personal tax expectations

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Over the past five years, individuals have consistently contributed an average of 49 per cent to the direct tax collection, with the majority coming from those earning between ₹5 lakh and ₹15 lakh.

Despite their significant contribution, these taxpayers often feel overlooked as government priorities lean towards infrastructure development, social upliftment, and fiscal consolidation.

There is a need for the upcoming Budget to address concerns and ease the tax burden on individuals.

SIMPLIFYING THE TAX REGIME

Taxpayers now face the dual task of calculating their income tax liability and choosing between two alternate tax regimes to determine which one is more beneficial.

While individuals have the freedom to choose, the new tax regime is applied by default for those who are unaware.

Given that the average taxpayer is often not equipped to navigate the complexities of taxation, many individuals must rely on experts to fulfil their basic obligations, increasing their cost of compliance. Taxpayers need simplification to become more self-reliant.

DECLARATION OF TCS FOR REDUCED TDS

To monitor high-value transactions, TCS is currently levied on various purchases, including motor cars and overseas tour packages.

While individuals can take credit of the TCS deducted while filing their income tax return, there is no provision for considering this TCS while computing the overall TDS obligation by employers.

This poses a challenge, especially for salaried employees, who are left with excess refunds at the end of the financial year, creating cash constraints for the year. Incorporating a mechanism in the Budget that allows employers to factor in TCS while computing TDS obligations of employees could be a pragmatic solution.

DEDUCTIONS FOR HOUSE RENT AND INTEREST ON HOUSING LOAN

The existing formula for House Rent Allowance (HRA) deduction faces scrutiny, with anticipation surrounding the expansion of metro city definitions to include emerging urban hubs such as Bengaluru, Hyderabad and Pune.

Extending the definition of metro cities, currently limited to Delhi, Mumbai, Chennai, and Kolkata, will enable employees in these burgeoning hubs to avail higher HRA deductions, reflecting the increased cost of living.

For individuals living in self-occupied properties, the deduction of interest on housing loans is presently capped at ₹2 lakh per annum.

This figure, amounting to ₹16,667 per month, falls short, particularly in cities with exorbitant property rates, such as Mumbai and Delhi.

This limit not only proves insufficient relief but also fails to account for the escalating property values nationwide.

TAX EXEMPTIONS FOR RETAIL INVESTORS

In recent years, India has witnessed a significant shift in investment mindsets, with more individuals moving away from conservative deposits, and towards the Indian equity markets.

There is a need to incentivise retail investors by providing higher exemptions for long-term capital gains on equity.