

Budget may increase tax exemption limit to Rs2 lakh

The government is likely to provide some relief to individual income tax payers in the forthcoming Budget by raising the exemption limit to Rs2 lakh, as provided in the Direct Taxes Code (DTC), and hiking the slabs for different tax brackets, reports PTI.

The possibility of lowering the tax rates, however, is remote in view of the fiscal constraints being faced by the government, sources said, adding that the government will take on board some of the key recommendations of the DTC.

DTC, which is currently being scrutinised by the Parliamentary Standing Committee, has suggested that the income tax exemption limit be hiked to Rs2 lakh from Rs1.8 lakh at present.

It also proposes that the highest personal income tax rate of 30% should apply to annual income above Rs10 lakh, as against Rs8 lakh.

Finance minister Pranab Mukherjee will be unveiling the Budget proposals for 2012-13 sometime around mid-March.

The industry, too, is demanding that in view of high inflation, the income tax slab should be increased although the government may retain the existing tax rates.

CII director general Chandrajit Banerjee suggested that basic exemption limit should be increased from Rs1.8 lakh to Rs2.5 lakh for individuals.

“We have suggested that the income in the range of Rs2.5 lakh to Rs6 lakh should be taxed at the rate of 10%, whereas that in the next slab up to Rs10 lakh can be taxed at the rate of 20%. Above Rs10 lakh, it should be taxed at 30%,” Mr Banerjee said.

Ficci secretary general Rajiv Kumar said the government should incentivise people to come into tax bracket.

“Given the revenue constraints, the income tax rates for individuals may not be reduced. It is, however, imperative that the peak rate of 30% for such assesses be made applicable over an income of Rs10 lakh, against Rs8 lakh at present,” Mr Kumar said.

Assocham president Dilip Modi said the Budget should provide basic exemption limit of Rs2 lakh and the tax rate of 10% should apply to persons having income above Rs2 lakh and up to Rs5 lakh.

Calling for raising the tax exemption limit, PHD Chamber secretary general Sushmita Shekhar argued that it is necessary to increase disposable income and boost demand in the economy.

“India is a consumption-led economy. Role of private sector consumption in boosting the overall economic growth is immense,” she said.

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