

New income tax regime may offer a treat to salaried class

Rationalisation of tax slabs and rate adjustments under consideration



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New Delhi, 20 June

The government is undertaking an exercise to refine the new tax regime, aiming to enhance its simplicity and appeal to the salaried

demographic. This effort may involve rationalising tax slabs and adjusting rates.

Amid the Budget preparation, the revenue department is assessing the feasibility of further adjustments to maximise benefits for salaried individuals.

“Gradually transitioning to a predictable tax regime with minimal rates and phasing out deductions and exemptions have always been the intention, and will be a central focus in the review process, which could potentially include changes in tax rates,” an official familiar with discussions on the matter told *Business Standard*.

Another official indicated: “Such a move requires extensive deliberation and

TAXING MATTER

- Gradual phasing out of deductions and exemptions for a predictable tax regime
- Demand to raise threshold for highest personal income tax rate of 30% – from above ₹15 lakh to at least ₹20 lakh
- A decision may be reached close to the July 2024 Budget or the February 2025 Budget
- Revenue officials estimate that around 60% taxpayers have switched to new income tax regime



calculations. Any decision may be finalised close to the July 2024 Budget or possibly in the February 2025 Budget.”

The exemption-free tax system, which became effective on April 1, 2020, aims to offer lower tax rates but has struggled to meet expectations despite efforts to boost its attractiveness. The FY24 Budget introduced significant modifications, yet challenges remain.

Official data on the number of taxpayers

PAGE 4

Empower NBFCs, open AIFs: Fin sector to FM

Financial and capital markets players met Union Finance Minister Nirmala Sitharaman for pre-Budget consultation on Thursday and put forth a clutch of demands, including taking measures to bring down reliance of NBFCs on bank funding.

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P4

who have transitioned to the new regime is unavailable. However, revenue officials estimate that around 60 per cent have made the switch.

Tax experts suggest the government should consider raising the threshold for the highest personal income tax rate of 30 per cent —from the above ₹15 lakh slab to at least ₹20 lakh.

Turn to Page 6 ▶

‘Need personal I-T scheme with only few deductions’



“The government should contemplate a more enticing personal income-tax scheme with minimal deductions for housing, health insurance, and pension, by reducing the number of slabs and corresponding rates, and expanding the higher threshold from ₹15 lakh to at least ₹20 lakh before the maximum rate applies,” said Sudhir Kapadia, partner (tax & regulatory services), EY. “This adjustment would provide substantial relief to taxpayers with incomes up to ₹20 lakh and significantly simplify compliance for the majority.”

The new tax regime is now the default for taxpayers, though they can choose between the old and new systems.

The old regime offers numerous deductions and exemptions, potentially lowering taxable income but comes with higher rates.

The FY24 Budget brought notable changes to the new regime, including a Section 87A rebate for up to ₹7 lakh income and a standard deduction of ₹50,000 to enhance its appeal.

Additionally, the government has modified the tax slab rates.

Under the revised slabs, income up to ₹3 lakh is tax-free, income above ₹3 lakh to ₹6 lakh is taxed at 5 per cent, ₹6 lakh to ₹9 lakh at 10 per cent, ₹9 lakh to ₹12 lakh at 15 per cent, ₹12 lakh to ₹15 lakh at 20 per cent, and income above ₹15 lakh at 30 per cent.

