WHAT TO EXPECT FROM UPCOMING FINANCE BUDGET 2015

BJP Government first budget under the leadership of Shri Narendra Modi making it the most crucial one. General Expectation of people from budget is favourable tax rates, more reliefs, deductions, easy tax Compliance etc. Every year in the month of February Finance Minister presents budget in parliament and each tax payer have their own list of expectation from the budget.

LIST OF PROBABLE EXPECTATION FROM BUDGET

1. **Enhancement in income tax exemption limit:** How could individual save much in rising inflation?? One way is to increase income tax slab which will either provide incentive to people to save more or this would place more disposable income and spending power in the hands of a common man.

2. **Raising of Exemption limits for various Allowances provided to Salaried Individual :** For long Children Education Allowance Exemption Amount is only Rs. 100/- per month upto a maximum of 2 children this should see a change of up to a minimum of Rs 1,500. , Transport allowance is exempt upto Rs. 800/- per month and needs to be revised upwards to at least Rs 4,000 per month, given the rising commuting costs and Rs 15,000 to Rs 50,000 for medical reimbursements/allowances.

3. **80C deduction limit should be Increased :** 80c deduction limit of Rs 1,50,000/- limit already includes lots of items like Tuition fees , fixed deposits , Invest in ELSS / ULIP / Mutual fund/PPF/NSC , principal repayment of housing loan , Life Insurance Premium etc. If finance minister increases the maximum permissible investment limit under section 80 C, individuals would invest more in various tax saving instruments and claim deduction to save income tax. Flow of Premium in Life Insurance Sector will improve; tax saving funds should be the biggest beneficiary of such an increase like ELSS. Raghuram Rajan rightly said “benefits of this instrument have been lost over time as the limit was anchored at Rs 1 lakh for a long time.”

4. **INTEREST ON HOME LOANS:** An enhancement in the limits of the deduction on Interest for Home Loans on self occupied property from the existing limit of Rs 1.5 lakhs to Rs 3 lakhs will have an impact on the revival of the real estate market.

5. **IMPLEMENTATION OF GST :** GST or the Goods and Services Tax is an indirect tax that brings together most of the taxes that are imposed on all goods and services under a single banner. This is in contrast to the current system, where taxes are levied separately on goods and services. The GST, however, is a comprehensive form of tax based on a uniform rate of tax for both goods and services. However, the GST is payable only at the final point of consumption. The new tax regime seeks to ensure seamless transfer of goods and services across the country by removing the cascading effect of several state and central levies. The Bill, which is likely to be taken up for discussion in the Budget session, is vital for the roll out of GST as it empowers the Centre to tax beyond the factory gate while allowing states to tax services as well, hitherto in the Centre’s domain. For its passage, the Bill needs two-thirds majority in both the Houses and ratification by 50 per cent states’ legislatures. It’s about time the government helps businesses become efficient.

6. **Priority Sector :**
   A. **AGRICULTURE:** Modernization/up gradation of agriculture to make agriculture a viable proposition, in similar line to FDI making positive Impact on the other sectors of the Economy like industry or services. There is need to strengthen the agricultural research system to meet the future challenges of a growing population. This year’s budget is expected to include incentives for

investments in sectors such as fertilisers, cold chains and agricultural supply chains, Increase in spending related to irrigation projects, allowing further usage of hybrid seeds.

B. **DEFENCE:** Increase foreign direct investment from 26 % to 49 % – with this reform, French aircraft giant Airbus is likely to tie up with the Tata's to manufacture transport planes for the defence sector. Need of Fund Allocation for defence strengthening. We need Fighter Aircraft, Medium Role Combat Aircraft in particular; we need Artillery Guns to replace the ageing bofors; we need munitions; we need urgent infusion of Naval Craft in several categories and so on and so forth.

C. **EDUCATION:** Allocation of fund for digitization in both government and government aided schools, as also in private schools. With increased usage of e-books, taxation of e-books and other forms electronic content should be reviewed earnestly. Copyright infringement, piracy and plagiarism of content should be dealt with seriously so that authors and publishers are incentivised to produce high-quality and original work for learners. A reduction in VAT/custom duty on paper which unduly increase price of books shall certainly be a welcome step in 2015.

D. **HEALTH:** The Government must look at providing incentives for doctors who work in rural areas and strengthen the emergency services at the primary health centre level. Removal of service tax on 'Medical Insurance'. Upgrade districts hospitals to medical colleges or super- specialty hospitals. Removal of import duty on equipment, specially diagnostic and scanning equipment which will allow new technology to enter India. Increase in tax holiday period for setting up a hospital

7. **TAX ADMINISTRATION REFORM COMMISSION (TARC):** As part of bringing in more credibility among tax payers and to streamline income tax procedures, the government has set up a Tax Administration Reform Commission (TARC). It would be good if suggestions given by TARC are considered in the budget like further empowering Ombudsman, educating tax officers on complex tax matters etc. The most significant change is the Recommendations of the **Tax Administration Reform Commission (TARC)**, set up by the government to bring in more credibility amongst tax payers and streamlining income tax procedures. Key amongst these is the focus on improving tax payer experience with measures like setting up of a dedicated organisation, specialized and intensive training to be provided to the officers and staff of tax administration, an allocation of 10 per cent of the tax administration budget on tax payer services, providing pre-filled tax returns to all individuals who would have the option to accept or modify the details.

   The Central Board of Direct Taxes (CBDT) had recently issued Standard Operating Procedures (SOPs) which would guide the tax authorities in better handling of TDS related issues and to address various features in the re-engineered processes in TDS administration.