The increase in tax slabs may have made the *aam aadmi* happy. But as chartered accountant **G Sekar** points out, the devil lies in the detail. Those with a monthly income of Rs 40,000 or less would get nil benefit

BAD NEWS FOR THE COMMON MAN

TAXATION

FINANCE Minister Pranab Mukherjee's General Budget proposals on Friday might have made the common man happy because of the increase in tax slabs. But the real impact could be so negative that the *aam admi* might face a massive heart attack. The highest tax slab is 10 per cent up to an annual income of Rs 5 lakh. The table below explains the effect of the budgetary proposals on the common man whose monthly salary is Rs 40,000 or less.

Clearly, only if your annual taxable income after all benefits exceeds Rs 8 lakh, this budget would give you savings of Rs 51,500. But the gross salary of not even senior managers of nationalised banks/ insurance firms/income tax officers is over Rs 40,000 pm, so they get nil benefit.

The corporate tax rate has been slashed from 33.99% to 33.2175% for those whose income is over Rs 1 crore. How many small and medium enterprises (SMEs) earn over Rs 1 crore? Obviously they are not the targeted beneficiaries. It's the big firms that would be laughing all the way to the bank.

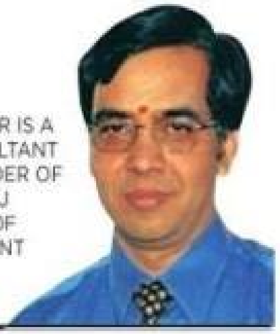
The spike in the BSE index is not the real yardstick to measure the impact of the budget. Each corporate unit will have a benefit of Rs 77,250 by way of savings on surcharge on tax for every crore of profit over and above Rs 1 crore. This would increase the firm's net worth as well the distributable profit available for the investors. Since not every common man is an investor, the *aam admi* would be out of the benefit loop.

Further, the increase in excise duty from 8% to 10% and fuel prices would push the cost of living up. So, the budgetary proposals do not offer any benefit to the middle income/ lower income group.

Besides, Mukherjee has introduced a new taxable service, which could hurt the common man. Under this provision, any service provided by any hospital to an employee of any business entity, where the payment is made by the business entity direct to such hospital; or to a person covered by health insurance scheme, where the payment is made by the insurance firm direct to such hospital, shall be taxable at the rate of 10.3%.

All the big companies, including nationalised banks, insurance sector and PSUs generally meet the cost of treatment of their employees or their dependants. Now their medical benefit bill will be increased by another 10.3% because of the proposed service tax. Would the companies meet the increased liability out of their pocket or recover them from their employees? Similarly an insured person who has a Mediclaim policy and his treatment expenditure is met by the insurance company, comes within the scope of the service tax. Perhaps the only option for the insurance company is to pass on the liability to the insured.

Not good news for the common man.



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IMPACT ON SALARY SECTOR

Particulars	Case A	Case B	Case C	Case D
Taxable salary per month (Rs)	1,00,000	75,000	50,000	40,000
Annual salary (Rs)	12,00,000	9,00,000	6,00,000	4,80,000
Less: Housing loan interest benefit – self occupied	1,50,000	1,50,000	1,50,000	1,50,000
Gross total income	**10,50,000**	**7,50,000**	**4,50,000**	**3,30,000**
Less: 80C deduction	1,00,000	1,00,000	1,00,000	1,00,000
Less: 80CCF deduction (Proposed)	20,000	20,000	20,000	20,000
Total income	**9,30,000**	**6,30,000**	**3,30,000**	**2,10,000**
Tax payable at proposed rates	**1,36,990**	**61,800**	**17,510**	**5,150**
Tax payable at present rates	**1,88,490**	**95,790**	**20,600**	**5,150**
Tax savings	**51,500**	**33,990**	**3,090**	**0**

TAX FOR RESIDENT INDIVIDUAL (GENERAL)

Financial year 2010 – 11		Assessment year 2011 – 12	
Total taxable income (Rs)	**Present tax**	**Proposed**	**Tax savings**
1,60,000	---	---	---
2,00,000	4,120	4,120	---
3,00,000	14,420	14,420	---
3,01,000	14,630	14,520	110
4,00,000	35,020	24,720	10,300
5,00,000	55,620	35,020	20,600
8,00,000 and above	148,320	96,820	51,500

TAX FOR RESIDENT WOMAN ASSESSEE

Financial year 2010 – 11		Assessment year 2011 – 12	
Total taxable income (Rs)	**Present tax**	**Proposed**	**Tax savings**
1,90,000	---	---	---
2,00,000	1,030	1,030	---
3,00,000	11,330	11,330	---
3,01,000	11,540	11,430	110
4,00,000	31,930	21,630	10,300
5,00,000	52,530	31,930	20,600
8,00,000 and above	145,230	93,730	51,500

TAX FOR RESIDENT SENIOR CITIZEN

Financial year 2010 – 11		Assessment year 2011 – 12	
Total taxable income (Rs)	**Present tax**	**Proposed**	**Tax savings**
2,40,000	---	---	---
3,00,000	6,180	6,180	---
3,01,000	6,390	6,280	110
4,00,000	26,780	16,480	10,300
5,00,000	47,380	26,780	20,600
8,00,000 and above	140,080	88,580	51,500