BUDGET 2012-12 EXPECTATION FOR INDIVIDUAL

1. ***Revision of various limits prescribed under the Act:***

- An Assessee is entitled to certain deductions if he has incurred expenses. The limit for such expenses was fixed years ago and with increase in cost of living, the same needs to be re-looked and limits to be revised upwards:-

Particulars	***Amount Rs.***	***W.e.f.***
Children Education Allowance	1200/- per child p.a.	01/08/1997
Hostel Allowance	3600/- per child p.a.	01/08/1997
Transport Allowance	800/- per month	01/08/1997
Medical Allowance	15,000/- p.a. for family	01/04/1999
Interest on House Property (SOP)	1,50,000/-	01/04/2003
Deduction from Family Pension	1/3 or 15,000/-	01/04/1990
Exemption limit for income of minor	1,500/-	01/04/1993
Leave Travel Assistance	Actual expenditure two times in a block of 4 years.	01/04/1986
Encashment of Leave Salary	3,00,000/-	01/04/1998

- Similarly the limit for exemption from TDS on debenture interest and other interest also needs to be revised upward.

Particulars	***Amount Rs.***	***W.e.f.***
TDS u/s. 193	2,500/-	01/06/1989
TDS u/s.194A	5,000/-	01/06/2007

- Section 54EC provides relief from Capital Gains Tax if Capital Gains is invested in specified schemes subject to maximum limit of Rs.50 lakhs. This limit was fixed on April 1, 2007. With the increase in property prices, this also needs to be revised upwards.

2. *Rates of tax deducted at source and scope of reduction in rates:*

Presently, tax is deducted at source while making payment under following sections at the specified rates:-

U/s.194A	10%
U/s. 194C	2% for Corporates and 1% for individuals.
U/s.194H	10%
U/s.194I	2% for Plant & Machinery and 10% for land and building.
U/s.194J	10%

It appears that these TDS rates have been fixed based on some kind of presumption on income of the recipients.

In present time of high inflation, we do not find that net income, whether of a commission agent or a professional or property hirer is beyond 20%. Even for presumptive taxation, the income is considered at 8% of the turnover by the Department.

Under the circumstances, it is suggested that the rate of TDS should be brought down from 10% to 5%.

3. *TDS on Service Tax:*

Every entrepreneur makes payment, either to a contractor or to a professional or to a property hirer, commission agent. Payment is made after deduction of tax at source.

All these parties while raising invoice, charges Service tax @ 10% which they deposit with Government Treasury.

A question was raised, whether Income-tax should be deducted at source on Service Tax and CBDT clarified that while paying the rent to property owner, tax need not be deducted on Service Tax. This circular was applicable only in case of rent.

There is a principle that there cannot be tax on tax. Service Tax in invoice is not income of recipient; hence we would request you to please issue instructions that no TDS be deducted on Service Tax element while making such payment.

4. ***Salaried tax payer not to file Income-tax Returns having income up to Rs.5,00,000/-***

Vide Press Release No. 402/92/2006-MC (14 of 2011) dated June 23, 2011, CBDT notified a scheme exempting salaried tax payer whose income is up to Rs.5,00,000/- need not file Income-tax Return from Assessment Year 2011-12 and onwards. However, there is a condition that such salaried person should report to his employer his interest income from Savings Bank Account and such Savings Bank Account interest should not exceed Rs.10,000/- p.a.

Many Banks are crediting interest at the end of the year i.e. March 31, 2011 and as such it is not possible for concerned employee to declare the same to his employer.

Instead of this, it will be nice if interest income from Savings Bank Account is exempted up to a limit of Rs.10,000/- so that the notification of CBDT is properly given effect.

5. ***Anomaly in tax rates / calculations for individual:-***

Please consider this example for the Financial Year 2011-12, Assessment Year 2012-13:-

i. if a person's income is Rs.5,00,000/- (other than capital gains) then he has to pay tax of Rs.32,000/- at slab rate of 10%.

ii. if a person's income from different sources (other than capital gains) is Rs.1,80,000/- and he also has short term capital gain, STT paid, of Rs.3,20,000/-, he has to pay tax @ 15% i.e. Rs.48,000/-.

In both the examples, income is Rs.5,00,000/- but in the first case tax is Rs.32,000/- whereas in the second case, it is Rs.48,000/-. We suggest this anomaly should be corrected.