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Budget 2012 likely to increase income tax exemption limit to Rs 2 lakh

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NEW DELHI: The government is likely to provide some relief to individual income tax payers in the forthcoming Budget by raising the exemption limit to Rs 2 lakh, as provided in the Direct Taxes Code (DTC), and hiking the slabs for different tax brackets.

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 Rs 2 lakh from Rs 1.8 lakh at present. It also proposes that the highest [personal income tax rate](#) of 30 per cent should apply to annual income above Rs 10 lakh, as against Rs 8 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 Rs 1.8 lakh to Rs 2.5 lakh for individuals. "We have suggested that the income in the range of Rs 2.5 lakh to Rs 6 lakh should be taxed at the rate of 10 per cent, whereas that in the next slab up to Rs 10 lakh can be taxed at the rate of 20 per cent. Above Rs 10 lakh, it should be taxed at 30 per cent," 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 per cent for such assesses be made applicable over an income of Rs 10 lakh, against Rs 8 lakh at present," Kumar said.

Assocham President Dilip Modi said the Budget should provide basic exemption limit of Rs 2 lakh and the tax rate of 10 per cent should apply to persons having income above Rs 2 lakh and up to Rs 5 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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