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## Budget 2019: Will the FM lower the maximum marginal income tax rate of 35.88% in her maiden budget?

By: Sunil Dhawan | Updated: June 27, 2019 10:38:45 PM

The Union Budget 2019 India is expected to bring about a revision in the effective marginal tax rates for the Indian taxpayers.



Will there be anything for the salaried and the professions to look forward to in the Budget 2019?

Budget 2019 India: The income tax rates of 5 per cent, 20 per cent and 30 per cent for the financial year 2019-20 may be considered to be on the higher side if cess and surcharge are also taken into account. It remains to be seen if the Union Budget 2019 India brings about any revision in the effective marginal tax rates for the Indian taxpayers.

Currently, the Health and Education Cess of 4 per cent is levied on the income tax that makes the effective tax rates to become 5.2 per cent, 20.8 per cent and 31.2 per cent for the 5 per cent, 20 per cent and 30 per cent tax rates respectively.

However, for those with income above Rs 50 lakh, there is an additional payout in the form of a surcharge. If net income is more than Rs 50 lakh but less than Rs 1 crore, a Surcharge of 10 per cent on the amount of income tax is to be levied. For net income more than Rs 1 crore, a Surcharge of 15 per cent on the amount of income tax is to be levied. In such cases, the Health and Education cess of 4 per cent will be levied on the amount of income tax plus surcharge.

### Revision in surcharge

“Tax rate for the individual with an income of around 50 lakh is 34.32 per cent and tax rate for the individual with an income of around Rs 1 crore is 35.88 per cent.

Surcharge should be removed entirely or it should be reduced to 5% as the individual is already paying 30 per cent tax and 4 per cent cess,” says Sameer Mittal, Managing Partner, Sameer Mittal & Associates LLP. As per the income tax rules, the surcharge is subject to marginal relief (where income exceeds Rs 50 lakh or Rs 1 crore, the total amount payable as income-tax and surcharge

"The higher rate of surcharge needs to be reduced from 15 per cent to 10 per cent across the board. Given the vast increase in tax base and the improving compliance, this would make the structure reasonable and equitable and yet meet the fiscal objectives," says Dr Suresh Surana, Founder of RSM Astute.

On the other hand, with a fiscal situation not too promising, could the government look at raising revenues through the imposition of any new cess? "Since already individual has to pay 4 per cent cess and 10 per cent /15 per cent surcharge, no new cess is expected from the current budget. Also, last year itself the government has increased to 4 per cent from 3 per cent. Hence, we do not expect any increase in cess this year," feels Mittal.

### Revision in income slabs

Currently, the income up to Rs 2.5 lakh is exempted. Thereafter, income between Rs. 2,50,000 and Rs 5,00,000 is taxed at a marginal tax rate of 5 per cent, while income between Rs. 5,00,000 to Rs. 10,00,000 is taxed at marginal tax rate of 20 per cent and income above Rs 10 lakh is taxed at marginal tax rate of 30 per cent. However, for those who are 60 years or more but less than 80 years, the income is exempted up to Rs 3 lakh and for those who are 80 years or more, the exemption limit is Rs 5 lakh.

"We expect that there should be relaxation in the highest tax bracket i.e. 30 per cent slab which is applicable on income above Rs 10 lakh. Highest tax bracket is charged at much higher income in other nations and it should be at least Rs 20 lakh to maintain the same standards. Apart from that tax bracket (20 per cent) should also be relaxed and should be charged at income above Rs. 10 lakh to Rs 20 lakh," says Mittal.

Dr Surana echoes the view. According to him, "Tax rate structure is very skewed with the rate of 5 per cent for taxable income up to Rs.5 lakh and thereafter 20 per cent for taxable income between Rs.5 lakh to Rs.10 lakh. This can certainly be reduced to 15 per cent and the slab can be increased from Rs. 5 lakh to Rs.15 lakh . As a result, the present tax slab of 30 per cent which is applicable for taxable income exceeding Rs. 10 lakh would stand increased to Rs.15 lakh"

In addition, there is a rebate available under section 87A for the assessee to make use of and bring down the taxable income. Further, there are deductions available under chapter VIA of the Income Tax Act such as section 80C, Section 80D, Section 24 etc, that an assessee may avail to reduce the taxable income.

Will there be anything for the salaried and the professions to look forward to in the Budget 2019? "We are expecting few positive changes like Increase in limit of various salary-related allowances exempt from tax and considering the competitive environment, the government may consider reducing the presumptive income in case of professionals," says Mittal.

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