Budget 2023 Expectations highlights: PAN may become single business ID; change in tax slabs, rates expected

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Budget 2023 Expectations Live Updates : Nirmala Sitharaman may lower rates under the new direct tax regime and could bring in revised slabs in the upcoming Union Budget. Finance Ministry will most likely reduce 30 percent and 25 percent tax rate under the new regime as part of its efforts to make people slowly shift to a tax regime with no exemptions.

Change in slabs, tax rates: The present tax slab has a basic exemption limit of ₹ 2.5 lakh for

individual taxpayers, that has not seen any change since 2014-15. This means individuals with income below this limit do not have to file their tax returns. This limit is expected to be increased to ₹ 5 lakh in the Budget 2023. Taxpayers are hoping Sitharaman will double standard deduction from ₹ 50,000 to ₹ 1 lakh, keeping in mind the growing cost of living and rising inflation.

Separate deduction for home-loan principal repayment

This is a long-pending demand. The deduction limit under Section 80C is up to Rs 1.5 lakh. But the basket of eligible investments and expenses for this deduction is packed with nearly 10 items, one of which is principal repayment on a housing loan.

In most cases, people exhaust the 80C limit with the mandatory contribution to the employees' provident fund and children's tuition fee. If left with some room, the premium on life insurance policies fills that gap. Hence, there is hardly any room left to claim a home-loan deduction on the principal amount.

FM eyeing LTCG rates?

India's capital markets have outperformed those in peer emerging economies, generating returns for investors when wealth globally has been destroyed amid geopolitical events and the dregs of the pandemic. This gives a perfect opportunity for a government keen to streamline taxes on investments.

Centre must not sell public sector banks on whom it relies to rollout social scheme like the financial inclusion plan Jan-Dhan Yojana, the co-convener of Swadesh Jagran Manch has said. "Public sector banks must remain the public sector. They should not be sold at all. We have said this time and again," Ashwani Mahjan told Moneycontrol in an interview.

"What great stuff have private sector banks done?"

The Swadeshi Jagran Manch is the economic affiliate of the Rashtriya Swayamsevak Sangh, which provides India's ruling Bharatiya Janata Party with its top leadership and most committed cadres. The comments, which come ahead of the Union Budget 2023 presentation on February 1, are an indication of the mounting pressure on the government not to privatize state-sector banks as it heads to the general elections due in early 2024.

Fiscal deficit and interest payments before Budget 2023

India's fiscal deficit saw a significant jump amid the pandemic in FY21. Although the fiscal deficit has come down slightly since then, it still remains relatively high. As the government's borrowing has also grown to finance the fiscal deficit, the burden of interest payments on India's coffers have been growing. In fact, in the current fiscal, as much 23.85% of Centre's expenditure will be spent on interest payments, according to budget estimates. India's interest payments burden is expected to remain high in FY24 as well.

Budget 2023 live updates: The Centre's budgetary estimate on capital expenditure for the current financial year was Rs 7.5 lakh crore. This is 24% higher than what was spent in FY21, and more than double the amount spent on capex in FY20. During the past nine years, only FY18 saw a contraction in capex. Moreover, the share of capex in Centre's in overall expenditure has also been rising. As a percentage of total expenditure, capex stood at 19.02% in the last Budget, a steep increase from 15.99% in FY22, which was in itself a significant increase than the year before. After years of considerably slow growth in the share of capex in total expenditure, it seems to have picked up pace in the last two Budgets.

Budget 2023 expectations: What women want from FM

The income-tax levied remains almost gender-neutral, with only some benefits to women. They can reduce their tax liabilities, to some extent, by suitable investments, but most of these investments are long-term in nature.

"Some investments offer tax deductions but they have long lock-in periods. Schemes, such as PPFs and NPS and women-centric schemes like Sukanya Samriddhi Yojana (SSY), have lock-in periods that run as long as 15 years, at least 3 years and 21 years respectively. Many times, our expenditure grows and we are unable to invest in such schemes, thus defeating the purpose of those benefits. Moreover, investment in schemes such as SSY puts added burden as money is not available when required," says Astha Gupta (27), legal counsel at a Bengaluru-based firm.

THE COMPLEX WORLD OF CAPITAL GAINS

	Capital Gains Tax Rates	
	Short Term	Long Term
Equity and Equity MF	15%	10% without indexation
Non Equity MF	Slab Rate	20% with indexation
Real Estate	Slab Rate	20% with indexation
Listed bonds	Slab Rate	10% without indexation

Rates need to be further enhanced by surcharge and cess as applicable

HOW LONG IT TAKES TO BECOME A LONG TERM ASSET?

**Years an investment need to be held to make it a long term asset for taxation purpose*

moneycontrol

Budget 2023 expectations: Will FM increase LTCG tax rates?

The debate is whether the government should leave a considerable amount of wealth with investors to boost equity market sentiment or get its pound of flesh from the recent gains.

"Any decision on capital gains taxation on the sale of listed equity shares and units of an equity-oriented mutual fund (short or long term) is likely to have a direct impact on the Indian equity markets," said Parizad Sirwalla, partner and national head – tax, global mobility services, at KPMG India.

The benchmark indices have returned 3.8 percent so far in FY23. This may seem small, but it comes after a sharp drop post pandemic. Equity-oriented funds attracted a deluge of inflows through systematic investment plans. Then there are the outsized gains made in the past two years as the pandemic increased savings, a part of which flowed into equities. Worries that the government could increase long-term capital gains (LTCG) tax rates have emerged even as investors hope the Centre will simplify and rationalise the rules without bruising market sentiment. However, tax experts pointed out that the plethora of taxes on securities transactions are too complex to address at one go.

Budget 2023 live updates: No big-bang announcements expected for metals
With the November roll-back of export duty on steel and related raw materials, the upcoming Budget session may not offer any big-bang announcements for the metal sector, industry analysts opine. Clarity on 'green steel', increased infrastructure spending and electric mobility push are themes that are on the 'watch out' list for the sector. " Reduction in duties such as clean energy cess, or custom duty on import of raw materials or royalties applicable on mining, is always what metal companies hope for from the budget announcements as it means further cost reduction. However, (post roll-back of export duty) any further changes in the tax and duty structure for metal companies looks unlikely," said Hitesh Avachat, associate director, CareEdge Ratings.

Budget 2023 live updates: PAN card likely to get legal backing as single business ID

Union Budget 2023-24 will likely pave way for the legalisation of the permanent account number (PAN) as a single business identification.

The government is reportedly mulling rolling out the legal and operational framework for the adoption of the PAN number.

This will apply to all businesses securing approvals. The new provision will help investors save a lot of effort as they will no longer have to fill in multiple identifications details - there are 20 different IDs including GSTIN, TIN, and EPFO - for accessing the National Single Window System (NSWS) for project-related clearances and approvals.

Budget 2023 Expectations Live: India may moderate divestment target for FY24

India is likely to set a conservative target for the funds it can raise through the disinvestment of state enterprises in fiscal 2024 after mop-up fell short this year, analysts said. "We pencil in divestment receipts of 350 billion Indian rupees ($4.30 billion) in 2022/23...For 2023/24, we factor in divestments of 500 billion rupees," Kotak Institutional Equities said in a note.

Budget 2023 expectations: Is it time to declutter Section 80C of Income Tax Act?

Experts feel that the section needs a review as the last one happened in 2014 and incomes have surged since then along with other contributions like provident fund. This has shrunk the space within 80C.

"The 80C bucket is cluttered now – there's housing loan principal repaid, tax-saver fixed deposits, employees' provident fund and so on, along with life insurance premium paid. Salaries have increased over the years and alongside, so have employees' EPF contributions. This consumes a large part of the 80C limit," said Vighnesh Shahane, MD and CEO of Ageas Federal Life Insurance.