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# Budget 2018: Here's how much the tax reliefs you want will cost the finance minister

BY ET BUREAU | UPDATED: JAN 29, 2018, 11.49 AM IST

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## By Team ET Wealth

C. Sogani is hoping that the Budget changes the [tax slabs](#) so that his tax liability goes down. Though the Delhi-based chartered accountant is a senior citizen, almost 12.5% of his annual income goes in tax. In Mumbai, corporate manager Mala Nair wants the Budget to change the tax treatment of the NPS. "I want to invest in the [NPS](#) for my retirement but the tax on the maturity corpus is a deterrent," she says.

Eishan Agnihotri, who is studying law in Ahmedabad, wants the tax benefits on education loans to be extended beyond the current limit of eight financial years. Can Finance Minister Arun Jaitley fulfill these expectations?

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ET Wealth reached out to tax professionals and financial experts to know their views on what taxpayers are looking forward to. Contrary to the expectations of taxpayers, most experts think the Budget will not offer a big tax relief. "A working group has been set up to recommend changes in the Direct Taxes Code. So we don't expect major changes being announced in the Budget till the working group submits its recommendations," says Vishal Dhawan, Founder and Chief Financial Planner at Plan Ahead Wealth Advisors.

"People are expecting a populist Budget due to the coming elections. But any change in slabs or deductions will hit revenue collections while the focus of the government is to increase collections and improve compliance," points out Mumbai-based chartered accountant Shubham Agarwal. The tax cuts and deductions will certainly hit the exchequer.

ET Wealth estimates that increasing the basic exemption to Rs 3 lakh will reduce tax collections by Rs 5,300 crore and hiking the Sec 80C limit to Rs 2 lakh will dent the exchequer by almost Rs 2,575 crore. It will be a balancing act for the Finance Minister. "He has to increase the collections, while giving some relief to individual taxpayers," says Kamal Rampuria, Senior Vice-President, AUM Capital Markets. Some believe Jaitley may play Robin Hood once again. "The Finance Minister might balance the tax cuts for some taxpayers with higher tax outgo for some others," says Preeti Khurana, tax expert, Cleartax.in, hinting at a hike in [surcharge](#) rate.



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## CAN FM AFFORD TO GIVE TAX SOPS THIS YEAR?

Any tax relief will adversely hit revenue collections

### I. Measure : Hike Sec 80C limit to Rs 2 lakh

**Impact on taxpayers:** They can lower their tax by saving more

**Impact on revenues :** If 50 lakh taxpayers save Rs 50,000 more every year, Rs 25,000 crore will escape the tax net. Assuming a

median tax rate of 10.3%, this will reduce tax collections by almost Rs 2,575 Crore

## II. Measure : Hike basic exemption to Rs 3 lakh for general taxpayers

**Impact on taxpayers:** Lowers tax for all taxpayers, though low-income earners will see big percentage drop.

**Impact on revenues:** An additional exemption of Rs 50,000 for two crore assesseees will reduce tax collections by almost Rs 5,300 Crore

## III. Measure : Widen income tax slabs

**Impact on taxpayers:** Lowers the tax for taxpayers in the higher income brackets. Those in middle bracket will gain most in percentage terms.

**Impact on revenues:** Only 6.22 lakh taxpayers report incomes of more than Rs 5 lakh. If the 10% slab is raised to Rs 6 lakh, tax collections would dip by almost Rs 640 Crore

If the 20% tax slab is increased to Rs 12 lakh, tax collections would be hit by almost Rs 520 Crore

## IV. Measure : Remove surcharge on higher incomes

**Impact on taxpayers:** Lowers the tax for rich taxpayers.

**Impact on revenues:** There is a 15% surcharge on tax if income is above Rs 1 cr & 10% if income is above Rs 50 L. Removing these would reduce tax collections by almost Rs 3,500 Crore

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