

Will tax benefits announced in the interim budget impact households significantly?

From tax sops to a mega pension scheme, the Budget has a lot for the middle-income group. Four experts tell us the impact on households



C.P. CHANDRASHEKHAR

Professor of economics, Jawaharlal Nehru University

Budget a hit with households

The not so "interim" 2019-20 Budget was clearly intended to win favour with a large number of households. For example, consider the 120 million landholders who will gain from a cash transfer and the undoubtedly large catchment of unorganised workers with an income of ₹15,000 or less who benefit from a new government-subsidised contributory pension scheme.

But the large beneficiary numbers seem to have been achieved by keeping individual concessions small. So, ₹6,000 a year transferred to the farmer would mean around ₹100 per capita per month for a family of five. A 29-year-old person entering the unorganised sector would have to give that up till he reaches age 59 to get ₹3,000 a month as pension after 30 years. This ₹3,000 amounts to just ₹695 in today's prices, if inflation is subdued at 5% a year. The concessions may reflect scale. But in absolute terms, they are unsubstantial.



JAIDEEP IYER

Head of strategy, RBL Bank

Slabs unchanged, but less taxes

This does attempt to positively impact middle class households. While there were no major changes in the tax slabs, the finance minister has attempted to reduce the tax outgo through tweaks in standard deduction and specific sections. This allows the benefits to be restricted to total taxable income below ₹5 lakh. By doing this, the government will be able to impact a larger number of individuals and restrict the fiscal cost of the exercise.

In addition, to this, TDS (tax deducted at source) exemption limit on interest income from fixed deposits has been raised. This, in addition to the tax benefit, will also simplify the tax process for individuals. Similarly, TDS thresholds have also been increased on rental incomes.

The sops given to real estate will benefit households.



VISHAL DHAWAN

Founder, Plan Ahead Wealth Advisors

Taxes saved should be invested

The interim budget has created choices for households that families need to think carefully about. While tax benefit in the form of an increase in rebate is restricted to households falling in the up to ₹5 lakh taxable total income bracket (after deductions), other households will benefit from slightly enhanced incomes in the form of an increase in standard deduction. This should present them with a good problem to deal with going forward i.e. should they spend the extra money that they now have and improve their lifestyles, or should they use

this money to help their families achieve their longer term financial goals. With the fiscal deficit numbers in the budget likely to keep general consumer inflation under control, it is most critical that households control their lifestyle inflation, so that their financial goals are achieved.



UMANG PAPNEJA

Senior managing partner, IIFL Investment Managers

Consumption to get a boost

The Budget is aimed at benefitting the salaried class and farmers. A full tax rebate for taxable incomes up to ₹5 lakh, increase in standard deduction to ₹50,000 for employees, no tax on notional rent on the second house, and increase in the limit of TDS on bank deposits to ₹40,000 will provide a tax benefit of ₹18,500 crore (0.1% of GDP) to around 30 million middle class taxpayers.

Increase in disposable income of farmers and the middle income class (almost 0.5% of the GDP) will boost consumption. To illustrate the impact on, say, a sector like FMCG: if 10% (₹100 billion) is spent on FMCG products, it would translate to an increase of 1.3% in the size of the FMCG industry. This could be a one-time impact, boosting sales by say 1-5% across segments and growth reverting to normal. This stimulus is targeted towards the lower income pyramid accounting for 15-20% of the national income. From that context, this stimulus becomes more meaningful.

| EXPERT SPEAK |

Disha Sanghvi