

## **Apply 30% Peak Tax Rate to Personal Income over Rs. 20 lakh: FICCI**

**NEW DELHI, December 22, 2012.** The Federation of Indian Chambers of Commerce and Industry (FICCI) has suggested to the Finance Ministry that the maximum rate of personal income tax of 30% be made applicable to income of over Rs. 20 lakh from the fiscal year 2013-14.

In its pre-Budget memorandum to the Government, FICCI has pointed out that in recent years, personal income taxation has been streamlined resulting in reduction of tax liability at all levels, but has not gone far enough. This needs to be re-visited as the tax rate of 30.9% (inclusive of education cess) on income of Rs. 10 lakh and above casts a sizeable burden on the middle class, reducing the disposal surplus in their hands for consumption spending. It has therefore suggested that the peak rate of 30% be made applicable to income over of Rs. 20 lakh in the ensuing budget.

Apart from the proposal to reinstate the standard deduction for salaried employees to at least Rs. 50,000 to ease the tax burden of the employees, FICCI has called for an increase in threshold limit under Section 80C. It has proposed that the Government may look at increasing the overall deduction limit under section 80C to at least Rs. 200,000 to boost further investment and increase tax savings for the individual.

Further, FICCI has advocated the need for increase in age-old deduction limit for interest on housing loan. Currently, a deduction up to a maximum limit of Rs. 150,000 is available from taxable income towards interest on loan taken for acquisition/construction of self-occupied house property. With the property prices and interest rates rising steeply with each passing year, there is a need to revise the deduction limit to at least Rs. 250,000 per annum in harmony with the prevailing high interest rates.

As a measure to index the amount to the current levels of inflation, FICCI has suggested that the exemption for payment of leave encashment be raised to Rs. 10 lakh, from the current exemption limit of Rs. 3 lakh for leave encashment paid to the employees at the time of retirement or otherwise.

As for deduction for educational expenditure, FICCI has noted that education of children these days imposes a heavy burden on the middle class. Currently, tuition fee is eligible for deduction under section 80C of the Act. But Section 80C of the Act is particularly a provision granting incentive for savings and also considering the long list of eligible investments in this section, there is very little relief to the individual on account of the education fees incurred by him. FICCI recommends that there is a need to de-link deduction for educational expenditure for children from Section 80C and provide under a separate provision like Section 80D of the Act for medical insurance.

Finally, the Chamber has suggested that the tax exemption limit on expenditure in medical treatment be raised. Any sum paid by the employer in respect of any expenditure incurred by the employee on the medical treatment of self/family is currently exempt from tax, to the extent of Rs. 15,000 per annum. FICCI's submission is that the current tax exemption limit of Rs. 15,000 per annum was fixed long ago and needs to be increased to at least Rs. 50,000 per annum.

**FICCI MEDIA DIVISION**