# Union Budget 2013- Analysis Of Direct Taxes

**Subrahmanya Bhat. K. M**
Associate Professor
Shree Damodar College Of Commerce And Economics
Margao-Goa.

**ABSTRACT:** A vast majority of salaried class employees wanted Finance Minister P Chidambaram to raise the income tax exemption limit to at least rupees three lakhs. It is very disappointing by not increasing the slab rates. The tax slab should be appropriately raised for more domestic saving and expenditure without which demand cannot be increased. Further the tax relief is increased only in respect of housing loan interest in cases of loans during the period 2013-14 and that too for fresh loans only. Besides the budget has many expenditure proposals without balancing it with income. The Finance Minister has promised to bring the Direct Tax Code (DTC) back to the house before the end of budget Session. However about the Goods and Services Tax (GST) not made any commitment this time.Therefore, the first impression one gets of the budget is that of an election manifesto that gets forgotten once the election gets over.

**KEYWORDS:** Analysis , class employees , macroeconomic , environment..

**INTRODUCTION:**

The Union Budget of 2013-14 held special importance this year as it was announced in the challenging macroeconomic environment where India had achieved its lowest GDP growth in a decade. Characterized with a depressed global economic outlook and prevalence of domestic policy bottlenecks, the year started with news that the previous fiscal's fourth quarter GDP had dropped to 5.5%. That coupled with low growth ,macro-economic issues such as high fiscal deficit, expansionary subsidies and worsening current account balance has added to the slowdown. Expectations were therefore high as to the path the Finance Minister will take in guiding the Indian economy to recovery.

A key positive aspect of the Budget was in respect to commitment shown towards the fiscal consolidation plan. Despite the fact that planned expenditure has increased by almost30% from the last year, the Finance Minister continued to target fiscal deficit of 4.8% in 2013-14. The Finance minister also announced that fiscal deficit for 2012-13 has been limited to 5.2%. This is clearly due to the focused measures undertaken in the second half of the year in cutting expenditure.

Gross tax revenue was budgeted at ₹ 10,77,612 crore for 2012-13. As a proportion of BE, gross tax revenue in April-December 2012 was 63.2 per cent, lower than the last five-years' average of 69.0 per cent. The growth in gross tax revenue in April-December 2012 was 15.0 per cent, comprising a growth of 17.4 per cent in union excise duties; 6 per cent in customs; 22.5 per cent in personal income tax; 33 per cent in service tax; and 10.6 per cent incorporate income tax.

In the eve of budget 2013, there were a lot of hopes that the finance minister will address the middle class investors concerns on increasing inflation by increasing the tax exemption slab and provide more deductions on tax saving investments. But budget 2013 has just been unraveled and the initial reaction is that of some disappointment on the investor's front as a lot could have been done. This paper presents the highlights and analysis of Union Budget 2013.

After resuming the office of Finance Minister P.Chidambaram presented first Budget and the last budget of UPA-II government. Shri P.Chidambaram proposed various amendments in the Finance Bill 2013 on direct taxes. The proposed amendments are analysed below.

The major highlights are -

a) As according to Indian Budget 2013-14**,** The Income Tax slabs and Rates not revised.

b) Tax payers have still relief in the first bracket of ₹ 2 lakhs to ₹5 lakhs. A notional rise in the threshold exemption from ₹ 2,00, 000 to ₹ 2,20,000 by providing a tax credit of ₹2,000 to every person who has a total income up to ₹5 lakhs.

c) Surcharge of 10 percent on persons whose taxable income exceeds ₹1 crore per year. This will apply to individuals, HUFs, firms and entities with similar tax status.

d) Surcharges are increased on domestic companies from 5 percent to 10 percent whose taxable income exceeds ₹ 10 crore per year.

e) The surcharge also increased from 2 percent to 5 percent on the foreign companies whose taxable income exceeds ₹10 crore per year.

f) In all other cases, such as dividend distribution tax or tax on distributed income, surcharge increased from 5 percent to 10 percent.

g) Rajiv Gandhi Equity Saving Scheme eligibility limit raised from ₹10 lacs to ₹12 lakhs.

**ANALYSIS OF BUDGET:**

1)**Tax rates –** There is no change in the Tax rates. The Finance Minister has proposed no change in the current slabs of the income tax. The existing limit will continue to be the same for individual, HUF, association of persons, body of individuals, and every juridical person.

The following are the tax slabs for the financial year 2013-14 (Assessment Year 2014-15)

Tax slabs for general tax payers and women.

| Income | Tax Rate |
|---|---|
| Up to ₹ 2,00,000 | Nil |
| ₹ 2,00,001 to ₹ 5,00,000 | 10% |
| ₹5,00,001 to ₹ 10,00,000 | 20% |

ISSN 2230-7850
Volume-3, Issue-7, August-2013

| | |
|---|---|
| Above ₹10,00,000 | 30% |

For Senior citizens

(Aged 60 years but less than 80 years)

| Income | Tax Rate |
|---|---|
| Up to ₹ 2,50,000 | Nil |
| ₹2,00,001 to ₹ 5,00,000 | 10% |
| ₹ 5,00,001 to ₹10,00,000 | 20% |
| Above ₹10,00,000 | 30% |

For very senior citizens (Aged 80 and above)

| Income | Tax Rate |
|---|---|
| Up to ₹ 5,00,000 | Nil |
| ₹ 5,00,001 to ₹ 10,00,000 | 20% |
| Above ₹, 10,00,000 | 30% |

In addition an rebate of ₹ 2000 will be available for income less than ₹ 5 lakhs. and Income above ₹1 crore to attract 10% tax surcharge. The Finance Minister has proposed to allow credit to an individual resident in India whose total income does not exceeds ₹5,00,000.The credit shall be ₹ 2,000 or tax payable whichever is less. No change has been proposed in the threshold exemption for senior and very senior citizens therefore the proposed tax credit will not be available to this senior and very senior citizens. The credit shall be available to only to Indian resident Individual.

2) **Surcharge on Non corporate assesses-** Finance Minister proposed surcharge of 10 percent on persons whose taxable income exceeds Rupees one crore per year. This will apply to individuals, HUFs, firms and entities with similar tax status. Similarly co- operative societies ,local bodies shall also required to pay surcharge at the rate of 10% of the tax in case of income exceeds Rupees one Crore.

3) **Surcharge on corporate assesses** : There is no change in the basic tax rates for companies. It is proposed to levy a surcharge at the rate of 10% and 5% of the Income tax for domestic companies and foreign companies respectively, where the total income exceeds ₹ 10 crore

4) **Additional deduction for interest paid on housing loan for first home buyers-(Under Section 80EE)-** The Finance bill proposes to introduce a new section 80EE to provide deduction in respect of the interest payable on loan taken by an individual from a bank or a housing finance company. The scheme is for first-home buyers, it is proposed to allow an additional deduction of ₹ 100,000 in respect of interest payable on housing loan sanctioned by a

financial institution during financial year 2013-14 subject to the following conditions:

a) The loan amount sanctioned does not exceed ₹ 25 lakhs;

b) The value of the residential house property does not exceed ₹ 40lakhs;

c)The owner does not own any other residential house property on the date of sanction of the loan.

In case the interest payable during financial year 2013-14 is less than ₹ 100,000, the balance amount not claimed as a deduction may be claimed in financial year 2014-15.it may be noted that the benefit available only in respect of loan sanctioned between 1st April 2013 to 1St April 2014.

5) **Deduction for donation made to National Children's Fund:** Currently, deduction of 50% is allowed for donation made to National Children's Fund. It is proposed to allow 100%deduction for donation made to the National Children's Fund.

6) **Deduction for investment in Rajiv Gandhi Equity Savings Scheme (RGESS):** The much delayed scheme has been proposed to be extended for 3 successive financial years and the income eligibility criteria has also been raised from ₹ 10 lakhs to ₹ 12 lakhs for next year. Under this scheme one can invest in specified stocks, Exchange traded funds or mutual funds up to ₹ 50,000 a year and claim a deduction of ₹25,000. The compulsory redemption of this scheme after 3 years is a dampener though as at the time of redemption if the markets are down, the returns might get affected.

7) **TDS on property:** From 1st June 2013, on the sale of any property worth ₹ 50 lakhs and above there will be a compulsory deduction of TDS at the rate of 1%. This may increase paperwork for claiming the deduction for investors especially if the sale proceeds are to be invested in capital gains instruments or another property for saving tax.

**Conclusion:** Finance minister Mr. P Chidhambaram doesn't understand the difficulties of middleclass salaried people. House rent, Transportation charges has gone up 8 to 10 times more, but still ₹ 800 will be allowed for tax exemption for transportation but every month there is a increase in petrol & diesel prices. The price index is soaring the value of money value has gone down, even the commodities like Petroleum products which are in control of Government their prices have increased in last

ISSN 2230-7850
Volume-3, Issue-7, August-2013

two years. A vast majority of salaried class employees wanted Finance Minister to raise the income tax exemption limit to at least Rupees three lakhs. It is very disappointing by keeping the same slab rate . The tax slab should be appropriately raised for more domestic saving and expenditure without which demand cannot be increased. Further the tax relief is increased only in respect of housing loan interest in cases of loans taken during the period2013-14 and that too for fresh loans only.

**REFERENCES;**

1) Ved Jain (2013). Salient Features of Finance Bill, 2013: Direct Taxes. The Chartered Accountant, April 2013.

2) Various Issues of Business Line

3) Various Issues of The Economic Times

4) www.deloitte.com

5) www.sify.com

6) www.taxmanagementindia.com