

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

LOK SABHA

TO BE ANSWERED ON: MONDAY, MARCH 20, 2023/PHALGUNA 29, 1944 (SAKA)

CHANGE IN TAX STRUCTURE

3199. SHRI KOMATI REDDY VENKAT REDDY:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to change the tax structure primarily benefiting middle class and if so, the details thereof;
- (b) the details of proposals in this regard received by the Government from employees, pensioners and other stakeholders and the action taken by the Government thereon;
- (c) the details of income hike in the 5th, 6th and 7th pay commission-wise and the details of proportionate standard deductions and other relief given under various sections to employees/pensioners till now and the reasons for not taking steps for revising income tax brackets till last year; and
- (d) whether the Government is reportedly deducting tax equivalent to almost 1 to 3 months of salaries and pension out of 12 months of salaries and pension and if so, the details thereof and the reasons therefor?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) Finance Bill, 2023 has proposed to reduce rates of tax applicable in case of individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person by introducing a new tax regime under the proposed sub-section (1A) of section 115BAC of the Income-tax Act, 1961 (the Act), so as to provide that with effect from assessment year 2024-25, the following rates, as provided under the said sub-section, shall be the rates applicable for determining the income-tax payable in respect of the total income of such person:—

Sl. No.	Total income	Rate of tax
1	Upto Rs. 3,00,000	Nil
2	From Rs. 3,00,001 to Rs. 6,00,000	5 per cent.
3	From Rs. 6,00,001 to Rs.9,00,000	10 per cent.

4	From Rs. 9,00,001 to Rs. 12,00,000	15 per cent.
5	From Rs. 12,00,001 to Rs. 15,00,000	20 per cent.
6	Above Rs. 15,00,000	30 per cent.

II. Further, the income-tax payable in respect of the total income of the person [other than a person who has exercised an option under sub-section (6) of section 115BAC], shall be computed without allowing for any specified exemption or deductions. However, standard deduction as provided under clause (ia) of section 16 of the Act, deduction in respect of income in the nature of family pension as provided under clause (iia) of section 57 of the Act and deduction in respect of the amount paid or deposited in the Agniveer Corpus Fund as provided under the proposed sub-section (2) section 80CCH of the Act, shall be allowed for the purposes of computing the income chargeable to tax under sub-section (1A) of section 115BAC.

III. The new tax regime under proposed sub-section (1A) of section 115BAC of the Act is not mandatory and taxpayers can opt to be in the old tax regime after availing the exemptions or deductions under the Act.

IV. The above proposed tax regime intends to provide significant relief to middle class tax payers.

(b) Several proposals are examined during the annual budgetary exercise and the outcome of the same is reflected in the Finance Bill. The details of the new tax regime as proposed in the Finance Bill, 2023 has been provided in (a) above.

(c) The 7th CPC Report in Para No. 4.2.6 has shown real increase given by the Central Pay Commission/ Government over the previously set minimum pay as under :

V CPC	31%
VI CPC	54%
VII CPC	14.3%

The details of the standard deduction and other relief measures given under various sections of the Income-tax Act to employees/pensioners are provided in the Annexure.

(d) Section 192 of the Act provides that every person responsible for paying any income which is chargeable under the head 'salary' (salary, inter-alia, includes pension), shall deduct income tax on the estimated income of the assessee under the head salaries. The tax is required to be calculated at the average rate of income tax as computed on the basis of the rates in force. The deduction is to be made at the time of the actual payment. However, no tax is required to be deducted at source, unless the estimated salary income exceeds the maximum amount not chargeable to tax applicable in case of an individual during the relevant financial year.

Relief provided to employees/pensioners under the Income-tax Act, 1961

- (i) Vide Finance (No. 2) Act 2014, the basic tax exemption limit applicable in case of, inter-alia, individuals, was enhanced from Rs. 2 lakh to Rs 2.5 lakh. Further, the said Act also increased the limit for claiming deduction under section 80C of the Income-tax Act, 1961(the Act) from Rs 1 lakh to Rs 1.5 lakh;
- (ii) Finance Act, 2017, reduced the rate of income-tax for, inter-alia, individuals, whose total income is between Rs 2.5 lakh to Rs 5 lakh from 10% to 5%.
- (iii) Standard deduction of Rs. 40,000 was introduced for salaried taxpayers as well as pensioners vide Finance Act, 2018 which was further increased to Rs. 50,000 vide Finance Act, 2019.
- (iv) Finance Act, 2019 also provided for full tax rebate for individuals having taxable annual income up to Rs. 5 lakh under section 87A of the Act.
- (v) In order to provide relief to senior citizens including those senior citizens receiving pension, Finance Act, 2018 provided various incentives which included,-
 - a. increase in the limit of deduction on account of payment of health insurance premium and/or medical expenditure from Rs 30,000/- to Rs 50,000/- under section 80D of the Act;
 - b. increase in the limit of deduction for medical expenditure in respect of certain critical illness from Rs 60,000/- and Rs 80,000/-, in the case of senior citizens and very senior citizens respectively, to Rs 1,00,000/- in the case of all senior citizens (of the age of 60 years or more) under section 80DDB of the Act;
 - c. a deduction of Rs 50,000/- was provided to senior citizens on interest income from deposits with banks, co-operative societies and post offices under section 80TTB of the Act and the threshold level for tax deducted at source on interest income for senior citizens was increased from Rs 10,000/- to Rs 50,000/- under section 194A of the Act.
- (vi) In order to ease compliance burden on senior citizen pensioners who are of 75 years of age or above having pension and interest income, Finance Act, 2021 provided that such persons shall be exempted from the requirement of filing of income tax if the full amount of tax payable has been deducted by the paying bank.