

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE

**LOK SABHA**  
**STARRED QUESTION NO. \*2**

TO BE ANSWERED ON MONDAY, THE 03<sup>rd</sup> FEBRUARY, 2025/14 MAGHA, 1946 (SAKA)

**‘TAX EXEMPTIONS AND BENEFITS’**

**\*2. MS. KANGNA RANAUT:**  
**SHRI SURESH KUMAR KASHYAP:**

Will the Minister of FINANCE be pleased to state: -

- (a) the distribution of tax exemptions and benefits between corporations and individual taxpayers during the last five years;
- (b) the specific policies or measures that have been implemented by the Government to ensure that the middle-class is benefited more from tax exemptions; and
- (c) the details of estimated impact of these measures on middle-class taxpayers?

**ANSWER**

**THE MINISTER OF FINANCE**

**(SMT. NIRMALA SITHARAMAN)**

**(a) to (c): A statement is laid on the Table of the House.**

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**STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) IN RESPECT OF LOK SABHA STARRED QUESTION NO. \*2 FOR REPLY ON 03.02.2025 REGARDING ‘TAX EXEMPTION AND BENEFITS’ ASKED BY Ms. KANGNA RANAUT AND SHRI SURESH KUMAR KASHYAP.**

**(a) the distribution of tax exemptions and benefits between corporations and individual taxpayers during the last five years;**

**Reply:**

(i) The direct tax policy through Income-tax Act,1961 (‘the Act’), *inter alia*, provides for tax incentives to promote exports; balanced regional development; creation of infrastructure facilities; employment; rural development; scientific research and development; cooperative sector, encourage savings by individuals and donations for charity. The revenue impact of major tax incentives due to tax exemptions and benefits under the Act in respect of corporates and Individuals/HUFs from FY 2019-20 to FY 2023-24 are tabulated as under:

**Table 1: Revenue impact of major tax incentives**

<b>Financial Year</b>	<b>For Corporates (in Rs Crore)</b>	<b>For Individuals/HUFs (in Rs Crore)</b>
2019-20	94,109.83	1,55,429.45
2020-21	75,218.02	1,28,244.23
2021-22	96,892.39	1,68,566.30
2022-23	88,109.27	1,96,678.95
2023-24*	98,999.57	2,20,988.47
<b>Total</b>	<b>4,53,329.08</b>	<b>8,69,907.40</b>

*Source: Receipt Budget of respective years*

*\*Total Revenue Impact for FY 2023-24 is projected revenue impact.*

(ii) The total revenue impact of major tax incentives for Individual/HUF taxpayers for last five years is **Rs 8,69,907.40** Crores. In comparison, the total revenue impact of major tax incentives for corporate taxpayers for last five years is **Rs 4,53,329.08** Crores. Therefore, it can be seen that the government has foregone huge revenue benefiting Individuals/HUFs taxpayers.

**(b) the specific policies or measures that have been implemented by the Government to ensure that the middle-class is benefited more from tax exemptions; and**

**Reply:** The New tax regime was introduced in the Budget 2020-21 to simplify, reduce and make it easy for complying with income tax provisions and also to provide significant relief to the middle-class taxpayers. About 75% of taxpayers have opted for the New tax regime. It is highlighted that one of the objectives of proposals regarding Direct taxes presented in the Budget 2025 is personal income tax reforms with special focus on middle class taxpayers. Some of the measures that would benefit middle class taxpayers are discussed as under.

- **Increase in basic exemption limit:** Under the New tax regime introduced in the Budget 2020-21, the threshold total income limit exempt from income-tax i.e. 'Nil' income tax slab was upto Rs. 2.5 lakh, which was increased to Rs.3 lakh in the Budget 2023-24 and also now proposed to be increased to Rs.4 lakh in the Budget 2025-26.
- **Rebate u/s 87A:** In the Budget 2023-24, the income tax rebate limit was made applicable in the new tax regime. Accordingly, resident individual with total income up to Rs.7 lakh do not pay any income tax due to rebate under the new tax regime. In the Budget 2025-26 presented on 01<sup>st</sup> February,2025, it has been proposed to further increase the rebate for the resident individual under the new tax regime so that they do not pay tax if their total income is up to Rs. 12 lakh (other than the special rate income). By increasing this limit to Rs.12 lakh, around one crore taxpayers who were earlier required to pay tax varying from Rs.20,000 to Rs.80,000 will be now paying 'Nil' tax. This limit will be Rs. 12.75 lakh for salaried tax payers, due to standard deduction of Rs. 75,000. Marginal relief as provided earlier under the new tax regime is also applicable for income marginally higher than Rs. 12 lakh.
- **Reduction in Income tax rates:** There is a continuous decrease in the personal income tax rates in various income slabs since the introduction of new tax regime in the Budget 2020-21. It has been proposed in the current Budget 2025-26 that the higher tax rate @30% will be made applicable to total income above Rs.24 lakh. Details of income tax rates slab-wise announced in the Budget 2020-21, Budget 2023-24, Budget 2024-25 (July,2024) and Budget 2025-26 are provided in the **Annexure A**.
- **Increase in Standard deduction Limit:** In the Budget 2023-24, the standard deduction of Rs 50,000/- was made available to the salaried persons opting for new tax regime. This limit was increased to Rs.75,000/- in the Budget 2024-25 (July,2024). Similarly, deduction on family pension for pensioners was enhanced from Rs.15,000/- to Rs.25,000/-in the Budget 2024-25(July,2024). This has provided relief to about four crore salaried individuals and pensioners.
- **Exemptions under New Tax regime:** Taxpayers opting for New Tax regime can also avail benefit of certain exemptions which inter-alia include leave encashment upto Rs.25 lakh, increased deduction of employers contribution under NPS, some allowances received by salaried persons like daily allowance, conveyance allowance etc. and gratuity amount. (refer **Annexure B**).
- **Rationalisation of TDS/TCS provisions:** In the current Budget 2025-26, it has been proposed to increase the limit for tax deduction at source in respect of certain income such as interest income for senior citizens and rental income etc (refer **Annexure C**). Further, it was also announced in the current Budget 2025-26 to remove tax collected at Source (TCS) on remittances for education purposes where such remittance is out of a loan taken from a specified financial institution.

- **Tax exemption for Income from Long-Term Capital Gains (LTCG):** For investments in equities and mutual funds, long-term capital gains (gains made on assets held for more than a year) up to Rs 1.25 lakh per financial year are exempted from income tax.
- **Option of tax regimes:** Though the New income tax regime was made the default tax regime in the Budget 2023-24, taxpayers have the option to avail the benefit of the old tax regime. Under the old regime, Individual/ HUF taxpayers are eligible to claim these exemptions/deductions and have a wide range of tax preferences available to them.

Periodically, the Government has reduced tax burden of middle-class taxpayers through changes in income slab and tax rates. The tax rates under the new tax regime are comparatively lower than the tax rates in old regime for the respective income slabs. The new structure proposed in the current Budget will substantially reduce the taxes of the middle class and leave more money in their hands, boosting household consumption, savings and investment. As a result of proposals introduced in the Budget 2025-26, revenue of about ₹ 1 lakh crore in direct taxes will be forgone.

*(c) the details of estimated impact of these measures on middle-class taxpayers?*

**Reply:**

- (1) The tax benefits provided under the new tax regime by the Government to individuals are intended to have a multiplier effect in the economy. Tax benefits are specifically designed to ease the financial burden on individuals and households falling within the middle-income bracket that help reduce their tax liability and encourage consumption, savings investments and long-term financial planning. By leveraging the various provisions available under the Income Tax Act, middle-class taxpayers can effectively reduce their tax liability and increase their disposable income, which in turn would increase the purchasing power of the middle class.
- (2) The estimated revenue foregone for the measures introduced in the Budget 2023-24 for the middle-class taxpayers is Rs 35,000 Crore annually and for the measures introduced in the Budget 2024-25 (July,2024) is Rs 7,000 Crore annually. For the measures proposed in the current Budget 2025-26, the estimated revenue of about Rs 1 lakh crore in direct taxes will be forgone.
- (3) The tax exemptions and benefits availed by the individuals/HUFs have progressively increased over the years as evident from the reply in part (a) above. The total revenue impact of major tax incentives for Individual/HUF taxpayers for last five years amounts to Rs 8,69,907.40 Crores. Further, the tax benefits which were earlier granted through the exemptions and deductions (under Chapter VIA) of the Income-tax Act,1961 in the old regime are now in-built into the slab and rate structure as well as some exemptions and deductions such as employers' contribution under NPS, Rebate etc. available under the new tax regime. Therefore, tax benefits by way of slabs and rates under the New tax regime is more than what is available through exemptions and deductions (under Chapter VIA) in the Old regime. This is clearly shown by the number of taxpayers opting for the new tax regime i.e. about 75% of taxpayers paid lesser tax than what they would have paid had they availed the old tax regime with deductions and exemptions. It shows that the greater benefits have been given to middle-class taxpayers.

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**Annexure A**

- (i) A comparison of the tax rates and slabs under the old regime and the new regime introduced in the Budget 2020-21 is as under:-

<b>Taxable Income Slab (Rs)</b>	<b>Existing Tax Rates under old regime</b>	<b>New Tax Rates under new tax regime</b>
Upto 2,50,000	Nil	Nil
From 2,50,001 to 5,00,000	5%	5%
From 5,00,001 to 7,50,000	20%	10%
From 7,50,001 to 10,00,000	20%	15%
From 10,00,001 to 12,50,000	30%	20%
From 12,50,001 to 15,00,000	30%	25%
Above 15,00,000	30%	30%

- (ii) The tax slabs and rates in the new regime were further revised in the Budget 2023-24 for Assessment Year 2024-25 as under:-

<b>Taxable Income (Rs)</b>	<b>Rates</b>
Upto Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 6,00,000	5 %
From Rs. 6,00,001 to Rs. 9,00,000	10 %
From Rs. 9,00,001 to Rs. 12,00,000	15 %
From Rs. 12,00,001 to Rs. 15,00,000	20 %
Above Rs. 15,00,000	30 %

- (iii) The tax rates under the new tax regime were further revised in the Budget 2024-25 (July,2024) w.e.f. Assessment Year 2025-26 as under:

<b>Taxable Income (Rs.)</b>	<b>Rates</b>
Upto Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 7,00,000	5 %
From Rs. 7,00,001 to Rs. 10,00,000	10 %
From Rs. 10,00,001 to Rs. 12,00,000	15%
From Rs. 12,00,001 to Rs. 15,00,000	20 %
Above Rs. 15,00,000	30 %

- (iv) The tax rates under the new tax regime proposed in the current Budget 2025-26 w.e.f. from Assessment Year 2026-27 is proposed to be as under:

<b>Taxable Income (Rs.)</b>	<b>Rates</b>
Upto Rs. 4,00,000	Nil
From Rs. 4,00,001 to Rs. 8,00,000	5 %
From Rs. 8,00,001 to Rs. 12,00,000	10 %
From Rs. 12,00,001 to Rs. 16,00,000	15%
From Rs. 16,00,001 to Rs. 20,00,000	20 %
From Rs. 20,00,001 to Rs. 24,00,000	25%
Above Rs. 24,00,000	30%

- A few examples for calculation of tax benefit to the middle-class tax payers are given in the table below:

<b>Income</b>	<b>Tax on Slabs and rates</b>		<b>Benefit of Rate /Slab</b>	<b>Rebate benefit Full upto Rs 12 lacs</b>	<b>Total Benefit</b>	<b>Tax after rebate Benefit</b>
	<b>Present</b>	<b>Proposed</b>				
8 lac	30,000	20,000	10,000	20,000	30,000	0
9 lac	40,000	30,000	10,000	30,000	40,000	0
10 lac	50,000	40,000	10,000	40,000	50,000	0
11 lac	65,000	50,000	15,000	50,000	65,000	0
12 lac	80,000	60,000	20,000	60,000	80,000	0
16 lac	1,70,000	1,20,000	50,000	0	50,000	1,20,000
20 lac	2,90,000	2,00,000	90,000	0	90,000	2,00,000
24 lac	4,10,000	3,00,000	1,10,000	0	1,10,000	3,00,000
50 lac	11,90,000	10,80,000	1,10,000	0	1,10,000	10,80,000

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**Exemptions/tax benefits available under New tax regime:**

- (i) **Increase in exemption of Leave encashment limit u/s 10(10AA):** In the Budget 2023-24, the limit of encashment of leave up to 10 months of average salary, at the time of retirement in case of an employee (other than an employee of the Central Government or State Government), was enhanced to **Rs.25 lakh** from Rs.3 lakh.
- (ii) **Deduction under section 80CCD(2)** for employer's (other than the Central Government and State Government) contribution to employee NPS accounts, has been increased from 10% to 14% in the Budget 2024-25 (July,2024).
- (iii) Tax exemptions are available for the following allowances received by the **salaried persons:**
- any travel allowance granted to meet the cost of travel on tour or on transfer;
  - any daily allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty, whether granted on tour or for the period of journey in connection with transfer,
  - any conveyance allowance granted to meet the expenditure incurred on conveyance in performance of duties of an office or employment;
  - any such special allowance or benefit, specifically granted to meet expenses wholly incurred in the performance of the duties of an office or employment
  - any such allowance granted to the assessee either to meet his personal expenses at the place where the duties of his office or employment of profit are ordinarily performed by him or at the place where he ordinarily resides, or to compensate him for the increased cost of living, as may be prescribed and to the extent as may be prescribed:
- (iv) Tax exemption in respect of the amount received on voluntary retirement u/s 10(10C) and gratuity u/s 10(10) subject to the limit prescribed.
- (v) **Reduction in surcharge and maximum tax rate:** Highest surcharge under the new regime has been reduced to 25 percent from 37 percent in the Budget 2023-24. This has reduced the maximum rate from 42.74 per cent to 39 per cent.
- (vi) **Annual value of the self-occupied property simplified u/s 23:** Presently taxpayers can claim the annual value of self-occupied properties as 'Nil' only on the fulfilment of certain conditions. Considering the difficulties faced by taxpayers, in the Budget 2025, it has been proposed to allow the benefit of two such self-occupied properties, if the owner occupies it for his own residence or cannot actually occupy it due to any reason.
- (vii) **Increase in limits of certain perquisites:** In the Budget 2025, it has been proposed to increase the limits on the income of the employees for the purpose of calculating perquisites u/s 17 of the Act which will benefit salaried class taxpayers.

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**Annexure C**

**Rationalisation of TDS/TCS provision :** The increased threshold for TDS rates under various provisions which will have a positive impact are enumerated as follows:-

<b>S. No.</b>	<b>Section of the Act</b>	<b>Present TDS/TCS threshold (in Rs.)</b>	<b>Proposed TDS/TCS threshold (in Rs.)</b>
1	194A – Interest other than Interest on securities	(i) 50,000/- for senior citizen; (ii) 40,000/- in case of others when payer is bank, cooperative society and post office (iii) 5,000/- in other cases	(i) 1,00,000/- for senior citizen; (ii) 50,000/- in case of others when payer is bank, co-operative society and post office (iii) 10,000/- in other cases
2	194-I Rent	2,40,000/- during the financial year	50,000/- per month or part of a month
3	193 – Interest on securities	Nil	10,000/-
4	194- Dividend, for an individual shareholder	5,000/-	10,000/-
5	194K- Income in respect of units of a mutual fund or specified company or undertaking	5,000/-	10,000/-
6	194D – Insurance commission	15,000/-	20,000/-
7	194G – Income by way of commission, prize etc. on lottery tickets	15,000/-	20,000/-
8	194H – Commission or brokerage	15,000/-	20,000/-
9	194J – Fee for professional or technical services	30,000/-	50,000/-
10	194LA – Income by way of enhanced compensation	2,50,000/-	5,00,000/-
11	206C(1G)- Remittance under LRS and overseas tour program package	7,00,000/-	10,00,000/-
<b>(c) <u>No TCS on remittances for education purposes</u></b>			
It has been proposed to remove TCS on remittances for education purposes, where such remittance is out of a loan taken from a specified financial institution.			

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