

PRESS RELEASE – VIEWS ON BUDGET 2009 -2010

The second budget of the new UPA Government has reiterated Government's resolve in attaining a high GDP growth of 9%, harnessing economic growth to make development more inclusive, and addressing the institutional and inter-regulatory cohesion in structuring a strong government system. The Budget further rationalizes on an already initiated roadmap of Direct Tax Code and Goods and Services Tax by leaving more in the hands of public, who is renowned for high savings inclination, while streamlining Indirect Taxes. India has recovered better out of economic challenges of 2009-10 beset by double-digit food inflation and a looming recession than most of the developed world and upcoming Asian countries.

The further slackening of income tax slabs will benefit 60% of tax-payers. A male tax-payer with a net taxable income of Rs. 5 lakh is slated to save on income tax to the extent of Rs. 20,600 over the previous year. A taxable income of Rs. 8 lakh and above would get benefit in tax savings of Rs. 51,500. Apart from these a tax payer can also avail deduction of Rs. 20,000 in infrastructure bonds of as notified by the Government, in addition to a limit of Rs. 1 lakh under Section 80C. However, the lock-in period and impact of tax on redemption needs a careful study.

Hence, from the perspective of Financial Planning, a tax payer can channelize more funds towards their chosen financial goals despite earning the same income. Also, to optimize the use of excess disposable income, a tax-payer should employ strategic asset allocation towards better asset creation in future.

For professionals the limit for compulsory audit under Section 44AB of IT Act has been increased to Rs. 15 lakh from Rs. 10 lakh, which is very marginal. For small business owners, the same limit has been increased to Rs. 60 lakh from Rs. 40 lakh, along with increase in the limit of turnover to Rs. 60 lakh for the purpose of presumptive taxation.

Government has further stimulated financial inclusion by increasing the banking and insurance access to areas where population exceeds 2,000. Ten lakh subscribers to New Pension Scheme from the unorganized sector will benefit by Rs. 1,000 per annum who contribute a minimum of Rs. 1,000 and up to Rs. 12,000 p.a. during FY 2010-11. The stress has been laid on fiscal consolidation by reigning in fiscal deficit at 5.5% in 2010-11 and containing it further to 4.1% by 2012-13. This is expected to spiral the GDP growth in coming years to double-digits and set up a robust base for the decade 2010-20.