‘Budget may bring in exemptions in new I-T regime, slabs may be inflation-adjusted’

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The Budget is expected to bring new income tax (I-T) legislations. What are the changes likely in the overall tax structure? Rakesh Nangia, Managing Partner at Nangia & Co LLP, introspects.

Edited excerpts:

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> **RAKESH NANGIA**
> Managing Partner at Nangia & Co LLP

There is a speculation that the new I-T legislation will do away with the concept of assessment year and stick to just one year...

There are 298 sections in the present I-T Act. Then you have rules, schedules *et al*. In one section, there are 10 sub-sections and many court judgments have been bundled up. So many amendments have taken place. The Act has become cumbersome.

If you make the law easy, it becomes easy to comply. So long as the revenue of the government is going up, the government can afford to give more flexibility and simplify the Act. Everything has a shelf life.

The 1961 Act has lived for 65 years. In my view, the proposed legislation would be a cleansed document.

Sections will be reduced and those having sunset clause, would be taken off.

Sections which have become redundant because of court judgments, would be taken out. You'll see a much more linear document.

Latest data show almost 3 out of 4 assessees are moving to the new I-T regime even when it gives no exemption. How do you read this trend? Can we expect some changes in the old as well as the new regime?

I do not see major changes in the old regime. However, I expect some changes in the new regime to make it more effective.

These are exemptions which have been withdrawn. For example, some deductions under HRA were given under the old regime.

It has been taken away in the new regime. It should be given in some form or the other.

How to boost consumption? What kind of tax benefits should be given?

Unfortunately, manoeuvrability in the hand of the government to reduce taxes and increase cash flow in the hands of the taxpayer is limited.

Till ₹15 lakh is in the new regime. What has been done above that, the government may not like to touch. So, where is the manoeuvrability?

You may see some exemptions in the new tax regime. That will be the extra cash flow which will have a direct bearing on private expenditure.

You can't do much with GST because that it is a different ball game in terms of compliance and is independently regulated.

In such a situation, you can only touch direct tax assessees and direct taxes. You may find slabs going down in the new regime.

The government may make it inflation-adjusted basic exemption. If inflation goes up by 10 per cent, your basic exemption will increase by 10 per cent.

About reduction in corporate tax rate...

I don't see any change except restoring manufacturing tax rate of 15 per cent which had a sunset.

The government thought it would not be possible to bring it back. But it appears that the government has realised that manufacturing needs a boost.

This is available everywhere in the world to the small sector.

It is a catalyst which will help you in growing the bank; will give you GDP and employment; create capital; give you private expenditure. This is a very important sector. Else, the government may give it to MSME only.

About 98 per cent of the production is happening in MSME.

So the government may give some benefit to MSMEs.

We need to remember that corporate tax collection growth rate is lower this year compared to personal taxes, which the government is concerned about.

Any possibility of changes in capital gains tax structure?

I represented to the government that there should not be any concession on that.

But I want the government to make all the slabs into two rates without compromising on the collection.

I think the government is looking into this.

We are not asking for any exemption on debt fund or equity. Neither can the government afford to give that.