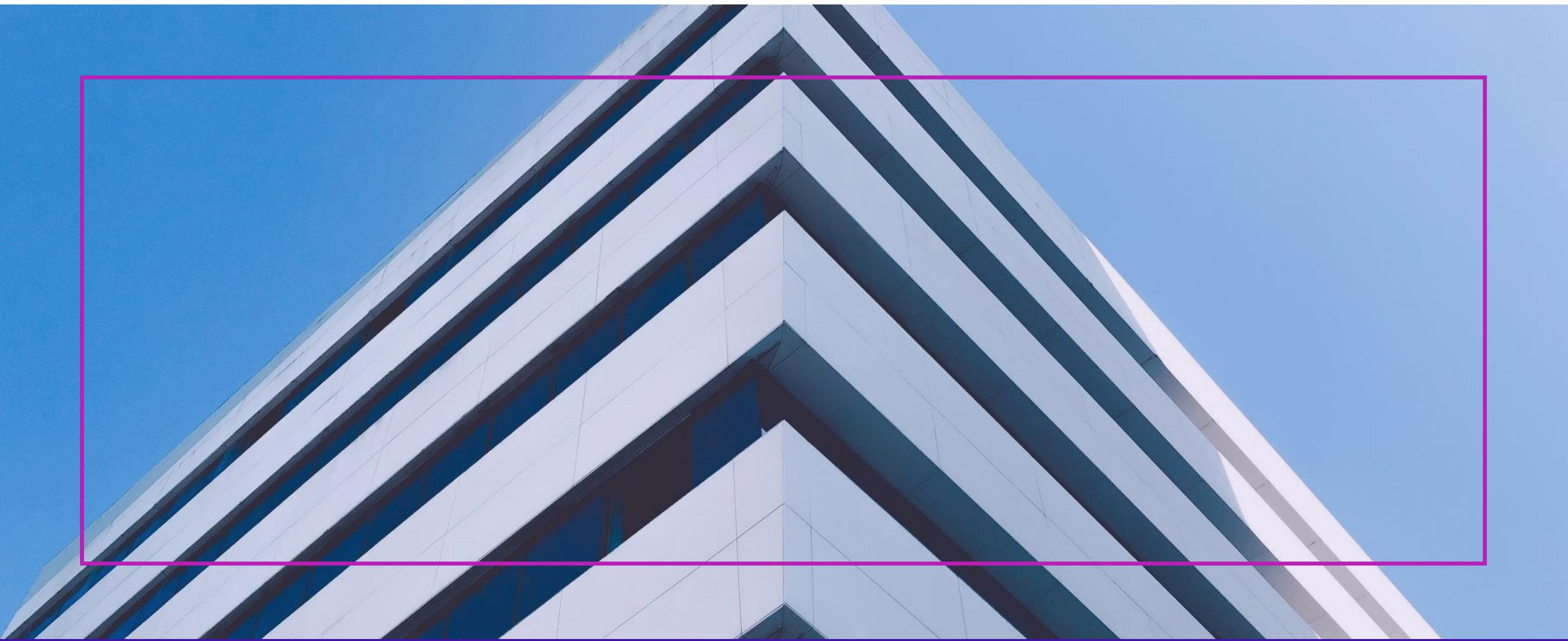

UNION BUDGET 2025-26

Top 6 Budget 2025 Expectations For Individual Taxpayers

Government of India is already in the process of simplifying the income tax laws by introducing a new tax regime, TDS rate rationalization, a user-friendly process for filing income tax returns, etc.

Still, there are more expectations from the upcoming budget, and the focus should be on individual taxpayers.

We expect that the forthcoming budget shall implement the mentioned tax reliefs, which will help middle-class taxpayers increase their savings by providing a few additional tax exemptions, and they become more tax compliant.

1. Including Tier-2 cities for HRA exemption

As of now, only four metro cities of India (Delhi, Mumbai, Chennai, and Kolkata) are considered for 50% of basic salary to calculate HRA exemption. Expanding the category of cities for 50% HRA exemption by including Tier 2 cities, namely Ahmedabad, Bengaluru, Hyderabad, and Pune, will give equitable tax benefits to individuals residing in these rapidly growing urban areas.

2. Raising standard deduction limit and reducing tax slabs with rates under 'New Regime'

The standard deduction limit should be increased from INR 75,000 to INR 100,000. Further, the tax slabs should be reduced from 6 to 3 slabs and the higher tax rate from 30% to 25% to align with the corporate tax rate to ease out the tax for individual taxpayers opting for the new regime.

3. Allow deduction of interest on housing loan for individuals opting for the 'new regime'

In line with the government's goal of 'housing for all,' the deduction of INR 2,00,000 for self-occupied house property should be made available under 'New Regime. It is currently available only under the old tax regime.

4. Tax benefit for interest on savings accounts and fixed deposits

The interest rates on savings accounts are low, and taxpayers typically invest funds in fixed deposits to earn higher returns on savings. Currently, section 80TTA allows a deduction of upto INR 10,000 on interest earned from savings accounts. To incentivize savings, the government should extend the benefit to interest on fixed deposits and increase the deduction limit to INR 50,000.

5. Simplification of taxation of perquisites on employer PF contributions

Currently, both employer and employees are facing administrative challenges in the perquisites benefit arising from employer contributions to recognized provident funds, approved superannuation funds, and National Pension Scheme exceeding INR 750,000. Government should simplify the overall taxation on the same. Further, to enhance employee benefits, the government should defer the TDS arising on interest earned on an employee's PF contribution exceeding INR 250,000 per annum until withdrawal or cessation so that taxation is aligned with income realization.

6. Electric vehicles to be considered in perquisite valuation under Rule 3

Rule 3 of Income Tax rules provides a valuation of motor car benefits where the employer reimburses running and maintenance expenses. The valuation rule currently covers only fuel cars; no separate criteria have been laid down concerning electric vehicles. The government is already providing tax deductions for interest on loans taken for the purchase of electric vehicles. Hence, to continue to promote the usage of electric vehicles and pave for a greener future, Rule 3 should be amended to add the valuation for electric as well as hybrid vehicles.

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