

Twin Tax Slabs In Budget 2020: A-La-Carte Or Buffet?

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One thing which excites the common man is the 'finance budget' and it is that time of the year when finance minister can assume the role of Santa for common masses. If the Santa showers tax sops, it could make a significant change in the take home pay for most of us. Choices make life more exciting and that seems to be the mantra for this year's budget. Whether it really reduces one's tax burden or not, keep guessing.

Needless to say that the Indian tax structure as it is very complicated thanks to the direct and indirect levies and the annual budget throws a fresh challenge each year to the tax payer, 'do you really understand me' trick. This year's budget is no different. The tax payer has all the reasons to be skeptical about the benefits but there are few announcements which do work in your favour.

The erstwhile tax slabs started with 5 per cent and moved to 20 per cent with a maximum of 30 per cent. This gap of 15 per cent needed to be revisited. Our Finance Minister has proposed a complete range from 5 per cent to 30 per cent progressing at 5 per cent for every increase in income slab with Rs 2.5 lakh which on the face looks more structured and reasonable. The tax slabs have not only been diversified but one also has the option to avail either of these. Alas! The second option comes without standard deduction, exemptions under chapter VI-A (HRA, 80C, medical insurance premium and LTA housing loan interest, education loan interest etc).

The new slabs may sound appealing to people who prefer to have money in hand, not worry about future and not save to 'live life king-size'. However for the others who plan for future, want to create wealth and be rational in their expenditure, the new structure is of no help. Imagine not getting benefits of Rs 1.5 lakh for 80 C and many others like 80 D, 80 DD and even 80 G and also foregoing standard deduction in order to move to a regime where you pay tax on what you earn. The amount of tax saved lost is phenomenal.

If one was to look behind the intention of this change, in order to become a 5 trillion economy, spending needs a boost. In order to spend, the disposable income should be high and that is exactly what the new slab does. It can be questioned that even savings add to the GDP but the growth via savings route is gradual as compared to the spending, where the impact is much more pronounced. For all the millennials out there who feel savings curtails their disposable income, this could be a good news.

Besides millennials, there is another category of individuals who do not have enough disposable income to pay taxes. This is usually seen in cases where expenditures are high due to large family size. These individuals would also opt for the new slabs.

For salaried employees, the twin slab system definitely increases the workload for the employer who now would need to get declaration from the employee and make tax deductions accordingly. One could expect more documentation required to that extent as now tracking is happening for two different preferences. I hope the taxman would have contemplated about this bit before introducing this provision.

To conclude, the comparison of the buffet to the ala carte has been done to exemplify the impact. In a buffet the food range is higher and so is the cost. In an a la carte, food and cost both can be controlled. If one's appetite is big, taking a buffet is advisable but if one wants to order few and small items in the menu, a la carte works well. The ball is in your court. The FinMin wants people to decide, their appetite to spend and save and to take decision to pay their taxes accordingly.

The article can be read online [here](#).