

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4750
ANSWERED ON:07.08.2009
RELIEF FROM TAX BURDEN
Singh Shri Uma Shanaker

Will the Minister of FINANCE be pleased to state:

- (a) the justification for increasing the salary of Government employees and then imposing tax on it;
- (b) whether the Government proposes to increase the savings limit of Rs. One lakh;
- (c) if so, the details thereof;
- (d) if not, the reasons therefor; and
- (e) the details of the proposal with the Government to provide relief to the common man, especially the Government employees from tax burden?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE:(SHRI S.S. PALANIMANICKAM)

- (a) Income-tax is an ad-valorem tax levied on the principle of 'ability to pay', which is measured by the level of income. Since increase in salary results in increase in the person's ability to pay, it is logical to levy tax on such increase.
- (b) No Sir.
- (c) Does not arise.
- (d) Given the average rate of savings by households, the present limit is adequate. Any increase in the saving limit of rupees one lakh allowed under section 80-C of the Income-tax Act, 1961 will essentially benefit taxpayers in the higher income slabs only.
- (e) The proposals providing relief to the common man are reflected in the Finance (No.2) Bill 2009 as introduced in the Lok Sabha on 06.07.2009 and as amended thereafter. The tax relief has been granted by the Finance (No.2) Bill 2009 by way of an increase in basic income-tax exemption by Rs. 10000/- in case of individuals and women below the age of sixty-five years and by Rs. 15000/- in case of senior citizens i.e individuals above the age of sixty-five years. Further, the surcharge on Personal Income-tax (PIT) has also been removed.