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Budget '08-09: hike in Section 80C limit likely

Source: Balvir Chawla

Will the salaried have to pay more taxes or will the FM dole out more avenues to save tax this budget? Balvir Chawla, certified financial planner, Lifelite throws light on what exactly you can expect from Budget '08-09

February is Budget time. And there's much speculation as usual on what the FM is going to announce on February 29. With elections next year the coming budget will be a populous one, say most. So does that mean more benefits? Or will the budget take away some? Will the salaried have to pay more taxes or will the FM dole out more avenues to save tax? And what about benefits for NRIs? Read on to find out what the budget will unfold

- 1) Section 80 C limit to go up: If you're a salaried employee, there's some good news. A hike in the tax limit from Rs 1,10,000 and Rs 1,45,000 for men and women respectively is in the offing by upto 25%. Also the Sec 80C limit could go up from the present Rs 1 lakh to around Rs 1,25,000/- enabling you to save more.
- 2) Senior citizens – be happy: A hike in the interest rates on deposit schemes or perhaps more tax benefits, senior citizens have reason to smile.
- 3) Expect no changes in PF interest rates: PF interest rates will continue to remain the same at 8%.
- 4) More flexibility on real estate investments: NRIs may not have much to rejoice. The existing structure will continue with some tinkering. While it is a fact that NRIs do not have as many investment avenues as resident Indians it doesn't seem like the FM has much of an urge to do more for them now. For instance NRIs have been crying hoarse about not being able to invest in post office schemes but it doesn't look like Chidambaram will extend the benefits to NRIs in the coming budget. Perhaps he'll give it in stages over a period of time. But on the real estate investment I think there will be more flexibility.
- 5) No change in service tax rates: I don't see any reduction in service tax but more services will be brought under the tax net.
- 6) Agriculture to get a boost: Agriculture related sops like interest free loans, more farmer friendly schemes are in the pipeline.