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As the Finance Minister and her team start crafting the Union Budget 2025, anticipation is building across sectors. Personal finance enthusiasts and taxpayers alike are curious about what the Budget proposals will mean for their pockets. For this week's cover story, we reached out to industry experts, tax professionals and financial advisers to know what they want to see in the Finance Bill 2025.

Some of these expectations, such as a separate deduction for life insurance, lower tax on annuities and higher tax exemption for senior citizens, are longstanding demands and are unlikely to be fulfilled. However, North Block may find some other suggestions worth considering. For instance, one expert has suggested that taxpayers be rewarded with a group life insurance linked to the taxes they pay. As little as 1% of the tax paid by an individual can go into paying the premium of a group insurance cover equal to five times the tax paid.

Another expert has suggested steps that could make the NPS more attractive to investors. The ultra low-cost scheme has everything that one looks for in a pension plan, but it is still not the preferred investment vehicle for retirement planning. Perhaps more tax benefits are needed to push people towards a scheme that can help them retire in comfort.

One key suggestion is the reduction in the TCS on foreign remittances. Two years ago, this was hiked from 5% to 20%, making it very difficult for those wanting to invest, spend or send money abroad. The TCS can be claimed as a refund by filing tax returns. The rule was introduced to ensure that people sending (or spending) money overseas were also filing their tax returns. While the objective seems fair, there is no logic for such restrictions on capital flows in a globalised economy. The TCS should be reduced to 5-10% of the amount being sent abroad, if not completely removed.

At the same time, the government's focus on fiscal consolidation leaves little room for tax benefits that will result in lower revenue collections. One estimate says that every `10,000 increase in the basic tax exemption limit burns a Rs.3,000 crore hole in the government's coffers. The government has targeted a gross fiscal deficit of 4.9% of the GDP for 2024-25. It was 5.6% of the GDP in the previous year.

Experts have also suggested simplification of tax structures and fewer ambiguities in tax laws.
Our cover story analyses these suggestions and explores their potential impact on your finances. Dive into the story for expert perspectives and a better understanding of what may shape your financial year ahead.

Make NPS more attractive to investors

India faces a looming retirement crisis, with millions of individuals financially unprepared for retirement. The NPS has the potential to address this gap, but additional tax benefits are necessary to make it more appealing. The Budget should hike the deduction limit under Section 80CCD(1B) from Rs.50,000 to Rs.1 lakh. This would encourage higher investments by taxpayers and support long-term retirement savings, especially among small savers and middle-income earners. The deduction limit under Section 80CCD(2) should also be hiked. Under the old tax regime, this limit is 10% of the basic salary. This year's Budget had increased it to 14% of the basic salary for those opting for the new tax regime. This limit should be hiked to 20% of the basic salary. This would make the NPS more appealing to private sector employees.
RAJANI TANDALE SENIOR VICE PRESIDENT, MUTUAL FUND, 1 FINANCE

The mandatory purchase of annuity under NPS keeps many investors away from the pension scheme. A systematic withdrawal plan that replaces or complements the annuity would allow retirees to access their corpus in a structured manner while avoiding low returns and high taxation associated with annuities.
Lastly, the budget should also provide some relief to tax on annuity income to increase post-retirement income.

ET Wealth View

Over the years, the utility of the NPS has grown manifold owing to several improvements in its features and benefits. However, more needs to be done to make it the preferred retirement savings vehicle. Hiking the tax deduction limit can be an effective way to push people to invest in the NPS.

More incentives for term insurance

Term insurance is by far the best form of life cover because it offers a large cover at a low cost. Currently, term insurance premiums are included in the Rs.1.5 lakh deduction limit under Section 80C. This section has too many investment and savings options, including the Provident Fund, PPF, ELSS and home loan principal repayment. The Budget should offer a separate tax deduction for term insurance premiums. This will encourage more people to prioritise life insurance for their family's financial security.

NEHAL MOTA, CO-FOUNDER, FINNOVATE

There should also be incentives for employers to offer group term insurance to their employees. Targeted incentives, such as tax benefits or subsidies, will motivate employers to include group term insurance plans as part of their employee benefit package. This will ensure that even individuals who may not purchase term insurance policies on their own have a basic life cover through their workplace.

ET Wealth view

Term insurance should be a priority for any individual with dependents, but often gets ignored in the maze of other tax saving options under Section 80C. The government is giving precedence to the new tax regime, so a separate deduction for term life insurance seems unlikely.

Reward taxpayers with life cover linked to taxes paid

Indians are grossly underinsured, with insurance penetration at 4% of the GDP, compared to the global average of 7%. During the Covid mayhem, thousands of families were pushed into penury when sole breadwinners died. The Budget should fix this by offering group life insurance cover. Unlike the Ayushman Bharat scheme that provides free healthcare coverage to economically weaker sections of society, this scheme should cover individuals who are helping build the nation by paying taxes. The extent of the cover can be linked to the tax paid by the individual. So, if a person has paid Rs.10 lakh in tax, he should be eligible for a cover of Rs.50 lakh. That would require a premium of just 1% (Rs.10,000) of the tax paid.

SUDHIR KAUSHIK, CEO, TAXSPANNER.COM

ET Wealth view

Honest taxpayers who declare their income and pay due taxes deserve more than the commendation certificates mailed by the Finance Ministry. A group life insurance cover linked to the tax paid by the individual will be a more meaningful way to acknowledge their effort.

Do away with double taxation of annuities

Annuities are an important financial tool for providing regular income to retirees. But annuities are taxed doubly—once at the time of investment and again at the payout stage. Tax relief on the principal component of annuity income could encourage people to buy annuity products, stimulate the market and improve financial security in the country. Also, incentives should be announced for women, who account for about a third of life insurance buyers in India.

SUMIT RAI
MD & CEO, EDELWEISS LIFE INSURANCE

ET Wealth view

Annuity payouts are added to income and taxed at the slab rate. A long-standing demand by annuity distributors, reducing the tax on annuities will certainly make them more attractive. But it will burn a big hole in government revenues and may not be viable.

Reduce TCS on foreign remittances

Two years ago, the government enhanced the TCS on foreign remittances from 5% to 20%. Anybody investing, sending or spending more than Rs.7 lakh abroad has to shell out 20% more. Though this amount can be claimed as a refund while filing tax returns, the money gets locked for several months. The previous Budget had given some relief to salaried taxpayers by allowing them to adjust their tax liability against the TCS. Other taxpayers get no such option. In a globalised economy, there is no logic for such restrictions on the flow of capital. The TCS on remittances should be reduced to 5-10% of the amount being remitted.

KARAN BATRA
FOUNDER, THE CHARTERED CLUB

ET Wealth view

At 20% of the amount, the TCS is too high and needs to be reviewed. Reducing this to 5% will not only ease the burden for taxpayers, but also make capital account convertibility more meaningful.

Hike tax exemption for senior citizens

After they stop working, senior citizens are totally dependent on the income from their savings. Many incomes, such as dividends, have now come under the tax net, which eats into the overall returns of the investor. For senior citizens, there is an exemption of Rs.50,000 on the interest they earn, but it does not fully compensate the tax on other incomes. The basic exemption for senior citizens should be hiked to Rs.4 lakh and the exemption under Section 80TTB should be increased to at least Rs.1 lakh. This will provide some cushion to senior citizens in their sunset years.

RAJESH K.RATTAN, RETIRED TAXPAYER, 76 YEARS

ET Wealth view

Though senior citizens have received many tax benefits and other incentives in recent years, they deserve a higher basic exemption and an increase in tax exemption on interest income. These measures will help the grey population fight inflation to some extent.

Give tax relief to crypto investors

Indian investors are missing the splendid opportunity offered by cryptocurrencies because of the high tax introduced last year. The Budget should reduce the tax on virtual digital assets (VDA) below 30% and cut the TDS on all transactions from 1% to 0.01%. It is equally important to offer a set-off and carry-forward provision for losses in VDA transactions. These reforms are necessary to create a level playing field for crypto investors and traders. Lower taxes will also boost compliance and prevent investors from moving to exchanges abroad. India could lead the global Web3 and blockchain renaissance if a fair and friendly tax regime is put in place.

AVINASH SHEKHAR
CO-FOUNDER & CEO, PI42

ET Wealth view

The high tax and stiff rules were meant to discourage investments in cryptos. There is no separate regulator for crypto investments in India. The Budget should name a regulator to ensure that investors are protected.

Deduction of health cover premium

Medical insurance costs have gone up in recent years and the GST on premiums only makes matters worse. The high cost of medical insurance premiums deters many from securing insurance, leaving a significant portion of the population without adequate coverage. Reducing GST on health insurance premiums would make it more affordable. If such a reduction is not feasible, alternative measures must be considered. For instance, a complete tax deduction on premiums paid towards health insurance under Section 80D under the old tax regime could encourage a wider adoption without impacting the government's GST collection.

TAPAN SINGHEL, MD & CEO, BAJAJ ALLIANZ GENERAL INSURANCE

ET Wealth view

If the GST Council announces a cut in the 18% GST on health insurance premiums, the cost of medical insurance would come down considerably. Full tax deduction for the premium would be a bigger incentive for buying adequate health insurance.

Roll back TDS on interest from listed bonds

The previous Budget introduced a 10% TDS on coupon payments from listed bonds. While the intention behind this policy was to ensure greater tax compliance, it has created challenges for fixedincome investors, particularly retail and individual investors.

VISHAL GOENKA, CO-FOUNDER, INDIABONDS.COM

Many are unaware of the way bond investments work, particularly when it comes to timing coupon payments. Transactions done between two coupon payments have an adverse effect on cash flows and YTM (yield to maturity) calculations. The holder, on interest payment date, gets the coupon on the entire interest period and is subject to 10% TDS on the entire amount even though he may have bought the bond in the secondary market and had already paid accrued interest to the seller.

Senior citizens are exempt from TDS if they submit Form 15G or 15H, but the process is not always smooth. This can lead to unintentional deductions and require time-consuming refund claims, which adds unnecessary complications for those relying on regular coupon income. A rollback of the TDS provision on coupon payments would eliminate cashflow inefficiencies and administrative hurdles for investors, while preserving the predictability of bond returns.

ET Wealth view

TDS is applicable on income from fixed deposits and dividends. So keeping bonds out of the TDS ambit does not allow a level playing field. Given that the government is keen to rationalise the tax system and remove anomalies, the TDS may not be rolled back.

Don't remove the old tax regime

There is a growing concern that the government wants to do away with the old tax regime altogether. While the new regime has wider tax slabs and lower rates, there are very few deductions and exemptions. The taxpayers who have planned their long-term investments and expenses after factoring in the tax benefits will lose out under the new regime. The old regime should continue as before and taxpayers should be free to make a choice.

RISHI AHUJA
FINANCE PROFESSIONAL, DELHI

ET Wealth view

Last year, the new tax regime was made the default option. This year, it increased the standard deduction to Rs.75,000. While the government should make the new regime more attractive, it should not remove the option to stay with the old regime.

Rationalise cost of equity investments

With a growing section of the middle class taking to equities for wealth creation, there is merit in simplifying the overall tax and cost structure for equity investments. There are multiple cost structures levied on each equity transaction, including exchange transaction charges, STT brokerage, stamp duty and GST on total charges. A review of all these overhead costs and simplification can lead to wider participation, enabling wealth creation without impacting the overall tax collection.

DINESH ROHIRA, FOUNDER, 5NANCE.COM

ET Wealth view

There is a large-scale public participation in capital markets. The existing cost structure is not hampering it in any way, so a change is unlikely.

Tax deduction for house maintenance charges

In most urban areas, the maintenance of residential buildings is undertaken by the housing society, federation, company or a common body. In many cases, this can be a substantial expense, but is not allowed as a deduction. There is a spate of litigation in the country on account of this expense. The contribution towards maintenance charges paid to any of these bodies should be allowed as deduction against rental income to ensure that only real income is subjected to tax. Amending the law and allowing a deduction for the same would lead to considerable reduction in litigation and relief to homeowners.

RAJ LAKHOTIA
MANAGING PARTNER,LABH & ASSOCIATES

ET Wealth view

Despite 30% standard deduction for repairs and maintenance, the total maintenance contribution in apartment buildings often exceeds this limit. Allowing the deduction of maintenance charges would provide a realistic estimate of real rental income.

Exempt TDS payers from filing tax returns

Salaried individuals are required to file their tax returns even if TDS has been deducted on their salary. This mandatory filing of ITR creates an additional compliance for employees, particularly when no additional income or complex deductions are involved. In many developed countries, including the UK, employees don't have to file tax returns if their employer deducts tax from their salary. This reduces administrative work for the employee and eases the burden on the tax department. The Budget should exempt employees from filing ITR if TDS is already deducted. This would streamline compliance for millions of salaried taxpayers, freeing up time and resources for both individuals and the tax department.

NISHANT KHEMANI
MANAGING PARTNER, SATURN CONSULTING GROUP

ET Wealth view

Exemption from filing tax returns could lead to confusion over the eligibility criteria. Most salaried people also have income from other sources where TDS may not fully cover the due tax. Capital gains are also not subjected to TDS. Exemption is possible only if the individual declares all incomes to the employer and TDS is correctly deducted.

Simplify capital gains taxes further

The government wants to simplify the tax structure and, hence, has made capital gains tax uniform across various asset classes. Unfortunately, due to legacy issues, a lot of complexity still exists in the form of purchase dates of debt funds, international funds and even gold funds. These inconsistencies have created a lot of confusion in the minds of retail investors.

VIVEK BANKA, CO-FOUNDER, GOALTELLER

The capital gains tax structure can be simplified further by converging tax rates for different sub-asset classes. For example, international equities at par with domestic equities, debt funds at par with gold funds, and gold funds at par with gold ETFs. Also, unless there is a compelling reason, actions should not be either retrospective or deferred too far in the future. The taxation of gold funds, for instance, comes into effect only from 1 April 2025.

ET Wealth view

The government has taken significant steps to streamline the capital gains tax regime. However, certain inconsistencies remain. Addressing these will help rationalise the tax system further.

Extend study loan deduction to 12 years

Given the rising cost of higher studies, education loans have become necessary, but there is no tax deduction under the new tax regime. Even under the old regime, the deduction under Section 80E is available only for eight years. This 8-year window is sufficient for small loans, but the repayment term will have to be longer to make it affordable for new earners. The Budget should include deduction for education loan interest under the new regime and extend the claim period to at least 12 years.

UMESH JETHANI
CHARTERED ACCOUNTANT

ET Wealth view

The ticket size of education loans has risen in recent years as many students are going for foreign education. Extending the deduction window to 15 years will make repayment easier for them.