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## OVERDUE! IT CITY MUST BE PART OF I-T 'NET'WORK OF METROS



Among the many takeaways from PM Narendra Modi's state visit to the US last year was the announcement intending to establish a US Consulate in Bengaluru, something that was long pending given that the country's IT capital has been one of India's most discussed global cities in the last decade.

But the US Consulate is not the only thing that has remained elusive. Bengaluru is yet to officially make it to the Income Tax (I-T) department's 'metro city' list, denying lakhs of its citizens, who together form one of India's largest salaried-class employees, key benefits.

This, years after the 74th Amendment to the Constitution made India's Silicon Valley, among many other cities, eligible to be called a metropolis.

As another Union budget approaches and the state government settles in, it may be time to revisit the matter. A Niti Aayog-ADB report titled Cities as Engines of Growth, 2022, while highlighting the fact that cities in India just occupy 3% of the land but their contribution to GDP is around 60%, said: "...

This economic dynamism is primarily limited to India's large cities, such as [in this order] Bengaluru, Delhi, Chennai, Mumbai, Kolkata, Hyderabad, and Pune. Many others are not meeting their potential in serving as engines of economic growth and job creation.

"That inflation continues to be a pain point affecting affordability of day-today items at households even as rentals and land value skyrocket while average growth in salaries don't add up to offset rising costs and prices makes Bengaluru's demand more justifiable.

As per section 10 (13A) of the I-T Act, 1961, salaried employees can claim exemption of House Rent Allowance (HRA) in their salary tax computation.

And, according to rule 2A of the I-T rules, 1962, the least of the following is exempt: “Actual HRA received; 40% of basic salary plus dearness allowance [50% in case of employees working in Mumbai, Calcutta, Delhi or Chennai]; excess of rent paid over 10% of salary”.

As reported by TOI in 2023, data from multiple brokerage agencies and realty firms had shown rentals in Bengaluru are skyrocketing, while the government is now considering increasing the guidance value in the city, which will impact overall price of land.

The revision in I-T rules, therefore, would benefit lakhs of middle-class taxpayers in the city. For instance, if the basic monthly salary is assumed to be Rs 30,000. As per old provision, 40% of Rs 30,000 is Rs 12,000, which is exempted under HRA.

If our request is implemented, Rs 15,000 will be exempted — a difference of Rs 3,000 per month. If an individual is paying 30% tax then she saves 30% of Rs 3,000, which would be around Rs 1,000 [900 to be precise]. This means around Rs 10,000-12,000 per year.

Time has come multiple experts and other influencers TOI spoke with also bat for the union finance ministry to revisit I-T rules that they term archaic.

Bengaluru South MP, Tejaswi Surya, who had, in December 2022 raised this issue in the Parliament told TOI earlier: “...I’ve taken up this issue personally with the union finance ministry.

We have been assured that they will look into the matter and we are hopeful of getting a positive response and things changing by the time the next union budget is presented.

”Deputy chief minister DK Shivakumar, who also holds the Bengaluru in-charge portfolio had spoken about the need to build ‘Brand Bengaluru’ soon after he formally took charge of the city.

While he has appeared keen on doing so and has been meeting various stakeholders to assess the Bengaluru’s situation and propose measures, getting the city a metro tag should become one of his priorities.

Murali M, CMD, Shriram Properties, one of the many industry honchos Shivakumar met recently, said:

“Businesses have already considered Bengaluru a metropolis even if some rules keep it out of the list. Frankly, Bengaluru is the only Indian city today other than Mumbai to have a potential of becoming a truly global city.

To think that the government is not reviewing its rules is surprising. It should be done immediately.” Surya, pointing out how the external affairs minister had described the need for a US Consulate in Bengaluru, said: “That the city deserved to be a metro is a no-brainer.”