Esops make a comeback

First of all, three cheers to the finance minister Pranab Mukherjee from our ilk, and three more to him from India Inc.

No increase in corporate taxes and a goodbye to the dreaded fringe benefit tax (FBT) -- this alone gives him five stars in my book of excellence.

The past year has been a very tough one for all of us — job losses, pay cuts, economic insecurity and stock market crashes — in short it has been one dry, scorching, parched year. Fortunately, all that is behind us now and for those who braved the past twelve months, the rains have finally arrived. A stable UPA government is making all the right noises of putting the economy back on track. For the scorched salaried class the 'cooling down' provided by today's budget was very necessary and may well be the beginning of pleasant times ahead.

Employee stock options should come back into vogue not only as a retention tool but also as a means to buttress employee morale and to re-energise and re-engage high performers in organisations.

Shiv Agrawal
CEO, ABC Consultants

EXPERT VIEW

I would dare say that scrapping the FBT may well be the biggest good news for the salaried class in recent times.

One hopes that it will help increase their take-home pay, once companies start tweaking salary structures and build in substantial cash reimbursements to help offset any earlier pay cuts. Those earning a taxable salary of Rs 15 lakh and Rs 20 lakh will see their tax outflow going down by Rs 37,596 and Rs 53,046 respectively.

The dreaded 10% surcharge is also gone and this will also help, coupled with a marginal increase in exemption limits.

Of course the rest is up to India Inc to ensure that this momentum isn't lost.

Since now cash reimbursements will not affect their tax outflows, one expects that salary structures will become more employee-friendly.

Increased cash in-hand to employees might help offset the effect of pay cuts and might also get people to be less tightfisted which may just go to energise the overall sentiment. As an optimist once put it quite eloquently— "at least it didn't get worse" — that is why I am glad that the monsoons are here … finally.

Allowances help	Scheme A	Scheme B
Basic monthly salary (taxable)	50,000	37,000
Company's PF contribution	6,000	4,440
House Rent Allowance	25,000	18,500
Medical Allowance	1,250	1,250
Leave Travel Allowance	2,000	2,000
Reimbursements		
Company car and driver	0	10,060
Mobile phone bill	0	3,000
Entertainment expenses	0	5,000
Books and periodicals	0	3,000
Total monthly salary (A)	84,250	84,250
Taxable income (basic salary x 12) (assuming the entire HRA is taken as a deduction)	600,000	444,000
Deductions allowed under Section 80C	100,000	100,000
Deductions allowed under Section 80D (Mediclaim)	15,000	15,000
Taxable income after deductions	485,000	329,000
Tax		
Tax payable for the first Rs 1.5 lakh	0	0
Tax payable between Rs 1.6 lakh and Rs 3 lakh (@10%)	14,000	14,000
Tax payable between Rs 3 lakh and Rs5 lakh (@20%)	37,000	5,800
Total tax payable	51,000	19,800
Add education cess (@3% of total tax payable)	1530	594
Total tax payable including education cess	52,530	20,394
Total tax payable every month (B)	4377.5	1699.5
Professional tax payable every month (C)	200	200
Total monthly salary after taxes (A-B-C)	**79,673**	**82,351**