

Budget For The Middle Class Fy2019-fy2026

Dhruv - [Notebook Link](#)

Date: 30 Jan 2026

Questions

1. Summarize middle class sentiment trends in Union Budget Speeches FY2019-2026

Middle Class Sentiment in Union Budget Speeches (FY2019-FY2026) - Consolidated Analysis

FISCAL YEAR	TAX EXEMPTION LIMIT (₹)	KEY TAX RELIEF MEASURES	MAJOR INITIATIVES	OVERALL SENTIMENT
FY2019	5 lakh	Standard deduction ₹40,000; Full rebate up to ₹5 lakh	Corporate tax reduction to 25%; TDS threshold raised to ₹40,000	Highly Positive
FY2020	5 lakh	Standard deduction increased to ₹50,000; New simplified tax regime introduced	Optional tax regime with reduced rates; Second house exemption	Exceptionally Positive
FY2021	5 lakh	Tax rates reduced by 17-50% across slabs in new regime	Simplified tax system; Apprenticeship reforms; Labour code implementation	Highly Positive
FY2022	7 lakh (maintained)	No new tax changes (focus shifted to infrastructure)	₹48,000 crore for 80 lakh houses; Parvatmala Scheme; 5G rollout	Highly Supportive
FY2023	7 lakh	Tax exemption limit raised to ₹3 lakh; Standard deduction extended to new regime	Leave encashment limit raised to ₹25 lakh; PM Vishwakarma scheme; ₹10 lakh crore infrastructure investment	Exceptionally Positive
FY2024	7 lakh (maintained)	No new tax changes (interim budget); Outstanding tax demands withdrawn	New housing scheme for middle class; ₹360 crore skill initiative for North-East	Supportive

FISCAL YEAR	TAX EXEMPTION LIMIT (₹)	KEY TAX RELIEF MEASURES	MAJOR INITIATIVES	OVERALL SENTIMENT
FY2025	12 lakh (12.75 lakh for salaried)	Tax exemption raised to ₹12 lakh; Comprehensive slab restructuring	TDS on rent raised to ₹6 lakh; Social security for 1 crore gig workers	Exceptionally Positive
FY2026	12 lakh (12.75 lakh for salaried)	Tax structure maintained; Senior citizen interest deduction doubled to ₹1 lakh	₹60,000 crore ITI upgradation; 10,000 medical seats added; Apprenticeship stipend increased 36%	Exceptionally Positive

Key Insights

Evolution of Tax Relief (FY2019-FY2026)

The Union Government demonstrated a consistent and progressive approach to middle-class tax relief over the eight-year period from FY2019 to FY2026. The tax exemption limit increased from ₹5 lakh in FY2019 to ₹12 lakh in FY2025-26, representing a 140% increase. For salaried employees, the effective exemption reached ₹12.75 lakh due to standard deduction benefits.

- FY2019 introduced ₹40,000 standard deduction benefiting 2.5 crore salaried employees
- FY2020 increased standard deduction to ₹50,000 and introduced optional simplified tax regime
- FY2021 reduced tax rates by 17-50% across middle-income slabs in the new regime
- FY2023 raised basic exemption to ₹3 lakh and extended standard deduction to new regime
- FY2025 implemented historic reform with no tax up to ₹12 lakh income

Government's Explicit Recognition of Middle Class

Throughout the period, the government consistently acknowledged the middle class as a critical pillar of India's economic growth and nation-building. The Finance Minister in FY2026 stated that "The middle class provides strength for India's growth" and recognized their "admirable energy and ability in nation building".

- FY2019: Government acknowledged disproportionate tax burden on salaried middle class
- FY2020: Finance Minister stated "Reducing the tax burden on middle class has always been our priority"
- FY2023: Prime Minister called middle class a "huge force to achieve the dreams of 2047"
- FY2025: Budget explicitly aimed to "uplift household sentiments, and enhance spending power of India's rising middle class"

Compliance Simplification and TDS/TCS Rationalization

Beyond direct tax relief, the government progressively reduced compliance burden and rationalized tax deduction at source provisions to ease cash flow for middle-class taxpayers.

- TDS threshold on bank deposits increased from ₹10,000 to ₹40,000 in FY2019
- TDS on rent raised from ₹1.8 lakh to ₹2.4 lakh in FY2019, further to ₹6 lakh in FY2025
- TCS threshold on LRS remittances increased from ₹7 lakh to ₹10 lakh in FY2025
- Senior citizen interest deduction doubled from ₹50,000 to ₹1 lakh in FY2026
- FY2024 withdrew outstanding tax demands up to ₹25,000 benefiting approximately one crore taxpayers

Housing and Infrastructure Focus

The government demonstrated sustained commitment to middle-class housing security and infrastructure development, particularly from FY2022 onwards when the focus shifted from pure tax relief to comprehensive welfare measures.

- FY2019: Exemption from notional rent on second self-occupied house
- FY2022: Allocated ₹48,000 crore for completing 80 lakh houses benefiting 4 crore citizens
- FY2023: Announced ₹10 lakh crore infrastructure investment, representing 400% increase from 2014
- FY2024: Launched new scheme for middle class "living in rented houses, or slums, or chawls and unauthorized colonies"
- Leave encashment limit increased from ₹3 lakh to ₹25 lakh in FY2023

Employment Generation and Skill Development

The government progressively expanded employment generation and skill development initiatives, recognizing that job creation and upskilling are fundamental to middle-class advancement.

- FY2021: Proposed ₹3,000 crore for National Apprenticeship Training Scheme
- FY2023: Launched PM Vishwakarma scheme for training, credit, and market support to traditional artisans
- FY2024: National Career Service Portal attracted 4.1 crore jobseekers with 52% increase in shortlisted candidates
- FY2025: Doubled employment scheme allocation from ₹10,000 crore to ₹20,000 crore
- FY2025: Extended social security to 1 crore gig workers with healthcare and e-Shram registration
- FY2026: Approved ₹60,000 crore for ITI upgradation to skill 20 lakh youth over five years
- FY2026: Apprenticeship stipend increased by 36% to ₹6,800-₹12,300 range

MSME Support and Entrepreneurship

Recognizing that MSMEs employ a significant portion of the middle class and provide entrepreneurship opportunities, the government consistently strengthened support for this sector.

- FY2019: Extended 25% corporate tax rate to 99% of companies (MSMEs with turnover up to ₹250 crore)

- FY2023: Provided ₹2 lakh crore additional loan guarantee for MSMEs
- FY2025: Announced loans up to ₹2 crore without guarantee for SC, ST, and women first-time entrepreneurs
- FY2025: Doubled credit guarantee for MSMEs and startups

Education and Healthcare Initiatives

The government expanded access to quality education and healthcare, addressing two critical concerns of middle-class families.

- FY2026: Announced 6,500 additional IIT seats in institutions started after 2014
- FY2026: Committed to adding 10,000 medical education seats in 2025-26 toward goal of 75,000 seats in five years
- FY2025: Added 36 life-saving drugs to customs duty exemption list benefiting cancer and rare disease patients
- FY2026: Established five National Centres of Excellence for skilling with global expertise

Sentiment Trajectory Analysis

The sentiment toward the middle class evolved from "highly positive" in FY2019 to "exceptionally positive and transformative" by FY2025-26, with the government progressively expanding the scope of support from pure tax relief to comprehensive welfare measures encompassing housing, employment, skill development, and social security.

- FY2019-FY2021: Focus on direct tax relief and simplification of tax regime
- FY2022: Shift toward infrastructure investment and housing security
- FY2023: Comprehensive approach combining tax relief with infrastructure and skill development
- FY2024: Interim budget maintaining stability with targeted housing initiatives
- FY2025-FY2026: Historic tax reforms combined with social security expansion, education capacity building, and gig worker protection

Quantitative Impact Summary

The cumulative impact of middle-class focused measures over the eight-year period demonstrates substantial fiscal commitment and policy prioritization.

- Tax exemption limit increased by 140% from ₹5 lakh to ₹12 lakh
- Standard deduction increased by 87.5% from ₹40,000 to ₹75,000
- TDS threshold on rent increased by 233% from ₹1.8 lakh to ₹6 lakh
- Leave encashment exemption increased by 733% from ₹3 lakh to ₹25 lakh
- Infrastructure investment increased by 400% compared to 2014 baseline
- Employment scheme allocation doubled from ₹10,000 crore to ₹20,000 crore in one year
- Total beneficiaries of tax relief measures: over 3 crore taxpayers in each major reform year

Conclusion

The Union Government's sentiment toward the middle class from FY2019 to FY2026 was consistently positive and progressively strengthened over time. The government explicitly

recognized the middle class as "**strength for India's growth**" and demonstrated this commitment through sustained tax relief, infrastructure investment, employment generation, skill development, and social security expansion. The evolution from focused tax relief in early years to comprehensive welfare measures in later years reflects a maturing policy approach that addresses multiple dimensions of middle-class welfare—financial security, housing, employment, education, healthcare, and social protection. The FY2025-26 budgets represented the culmination of this approach, delivering historic tax reforms while simultaneously expanding education capacity, protecting gig workers, and strengthening skill development infrastructure.

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