Income Tax Credit/REBATE of Rs. 2,000 - Detailed Analysis / FAQ's

Frequently Asked Questions (FAQ's)

Q1. Whether basic exemption limit for Individuals, HUF's, AOP & BOI under the Income Tax Act, 1961 has been raised from Rs. 2,00,000/- to Rs. 2,20,000/-

Ans. NO, the basic exemption limit remains unchanged at Rs. 2 Lakh for FY 2013-14 (AY 2014-15).

Q2. In the Budget 2013 Speech, The Finance Minister had said,

"Nevertheless, I am inclined to give some relief to the tax payers in the first bracket of Rs. 2 Lakh to Rs. 5 Lakh. Assuming an inflation rate of 10% and a notional rise in the threshold exemption from Rs. 2,00,000/- to Rs. 2,20,000/- I propose to provide a tax credit of Rs. 2,000/- to **every person** who has a total income upto Rs. 5 Lakh. 1.8 crore tax payers are expected to benefit to the value of Rs. 3,600 crore."

So doesn't it mean that the exemption has been raised by Rs. 20,000 and tax relief of Rs. 2,000/- given to every person?

Ans. No, it doesn't mean that!!!

Q3. So what is the point? Many people are saying that the exemption has been raised by Rs. 20,000/-. I am confused!

Ans. It means that though threshold exemption remains unchanged, tax benefit of upto Rs. 2,000/- is given.

Q4. How that is made possible?

Ans. This has been made possible by inserting a new section 87A in the Income Tax Act, 1961 which allows REBATE of upto Rs. 2,000/- from the income tax payable.

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Q5. Whether there is any condition for availing this benefit?

Ans. Yes, this benefit is available only if the income doesn't exceed Rs. 5 Lakh.

Q6. Say my income is Rs. 5,50,000/- and I have paid Life Insurance premium of Rs. 50,000/-. Will I be eligible to claim the rebate?

Ans. Yes, because the 'Total Income' after deducting all the deductions available under Chapter VI from the 'Gross Total Income' shall not exceed Rs. 5 Lakh.

Q7. That's great!! I am filing IT returns for myself and as Karta of HUF, so I can take total benefit of Rs. 4,000/-.

Ans. No, this rebate is available ONLY to an 'INDIVIDUAL' tax payer, resident in India.

Q8. But in the Budget Speech, as quoted above, the FM used the words 'I propose to provide a tax credit of Rs. 2,000/- to **every person..**" and person also includes a HUF?

Ans. The words used in the budget speech are for general understanding and have no statutory implications. As per new section 87A, "An assessee, being an **individual** resident in India, whose total income does not exceed five hundred thousand rupees, shall be entitled to a deduction, **from the amount of income-tax** (as computed before allowing the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to hundred per cent of such income-tax or an amount of **two thousand rupees**, whichever is less."

Q9. Ohhh… but is it available to both Male and Female assesses?

Ans. Yes.

Q10. How will this benefit a senior citizen (age 60 or above) because the exemption limit in his case is already Rs. 2,50,000/- i.e. in excess of Rs. 2,20,000/-?

Ans. Tax Rebate of Rs. 2,000/- is also available to a senior citizen, if the total income is Rs. 5 Lakh or less. Effectively, it means, a senior citizen, both male and female, need not pay any tax on total income of upto Rs. 2,70,000/-. However, this benefit is not available to a super senior citizen (age 80 or above) as his total income upto Rs. 5 Lakh is already fully exempted.

Q11. The rebate of Rs. 2000/- is available from which year?

Ans. The new section has been inserted with effect from the 1st day of April, 2014 means it is applicable for Assessment Year 2014-15 and thereafter. In simple words, when you will be filing your income tax return for the Financial Year 2013-14, you will get rebate of upto Rs. 2000/-

Q12. Ok… Can we say that a new type of deduction has been provided for individuals?

Ans. A 'deduction' is given under Chapter VI from the gross total income, but this is a 'rebate' under Paragraph A of Chapter VIII of the Income Tax Act, 1961 which is deducted from the income-tax payable.

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For further clarification, kindly contact:

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