

DAY 2 : Rebate [New Section 87A]-[Effective from A.Y.2014-15]

Rebate of up to Rs. 2,000 for resident individuals having total income of up to Rs. 5 lakh [New Section 87A]

Mr. Mohan provides the following information for the previous year 2013-14.

	Particulars	Amount Rs.
(i)	Income under the head house property	1,90,000
(ii)	Long term capital gain	1,00,000
(iii)	Contribution to Public Provident Fund	30,000

Calculate tax liability of Mr. Mohan under following alternatives

- (1) If he is resident.
- (2) If he is non-resident.

Let's understand the AMENDMENT first

The Finance Act, 2013 inserted new section 87A which reads as under:

- (a) Section 87A has been inserted to provide a rebate from the tax payable (before education cess) by an individual who is resident in India, provided his total income **does not exceed Rs.5,00,000.**
- (b) Such rebate shall be the amount of **income-tax payable** on the total income for any assessment year **or** an amount of **Rs. 2,000 whichever is less.**

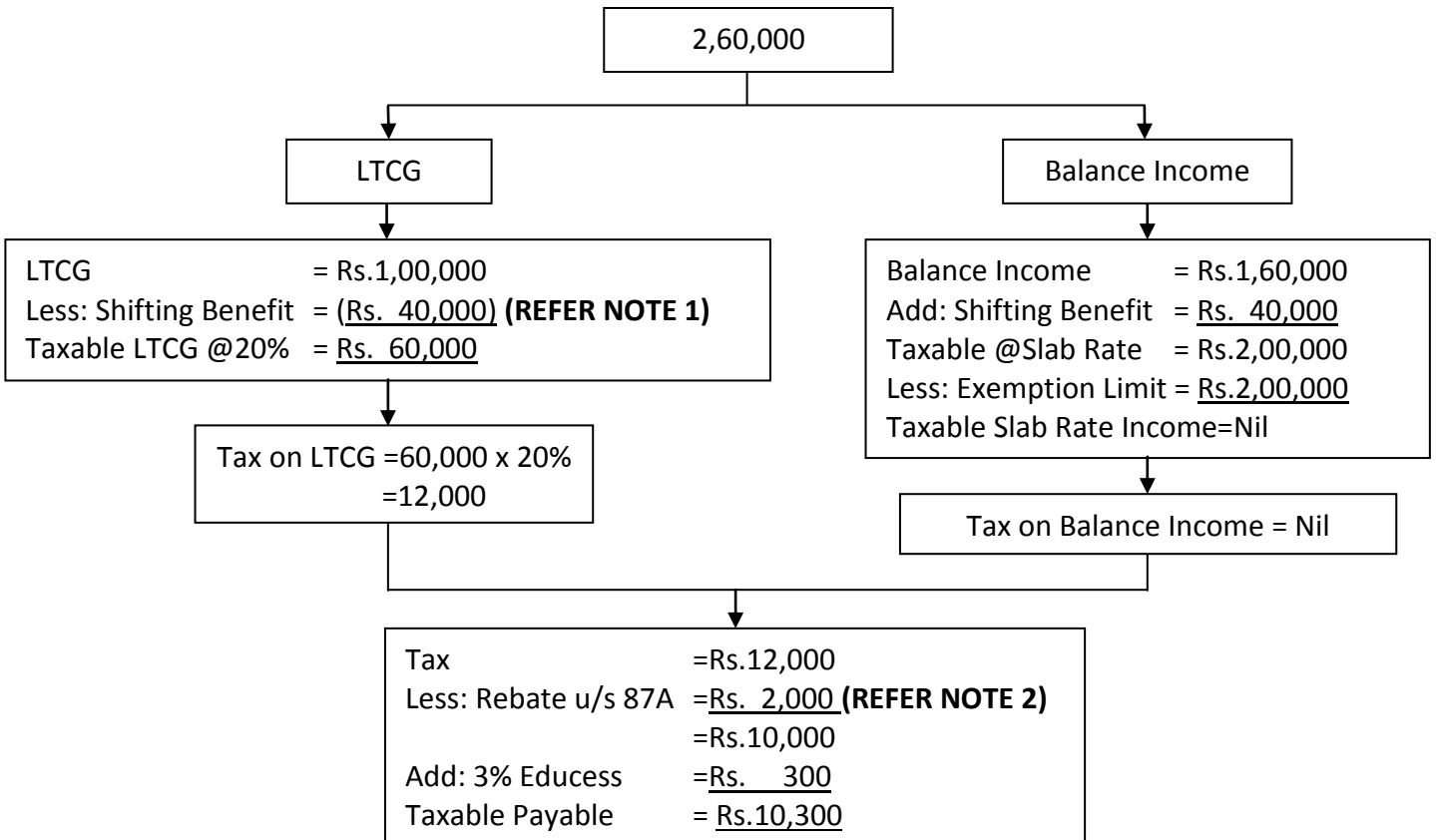
Solution:

Computation of Total Income of Mr. Mohan

	Particulars	Amount Rs.
(1)	Income under the head house property	1,90,000
(2)	Long term capital gain	1,00,000
	Gross Total Income	2,90,000
	<u>Less : Deduction u/s 80C</u>	
	Contribution to PPF	<u>(30,000)</u>
	TOTAL INCOME	<u>2,60,000</u>

Computation of Tax Liability

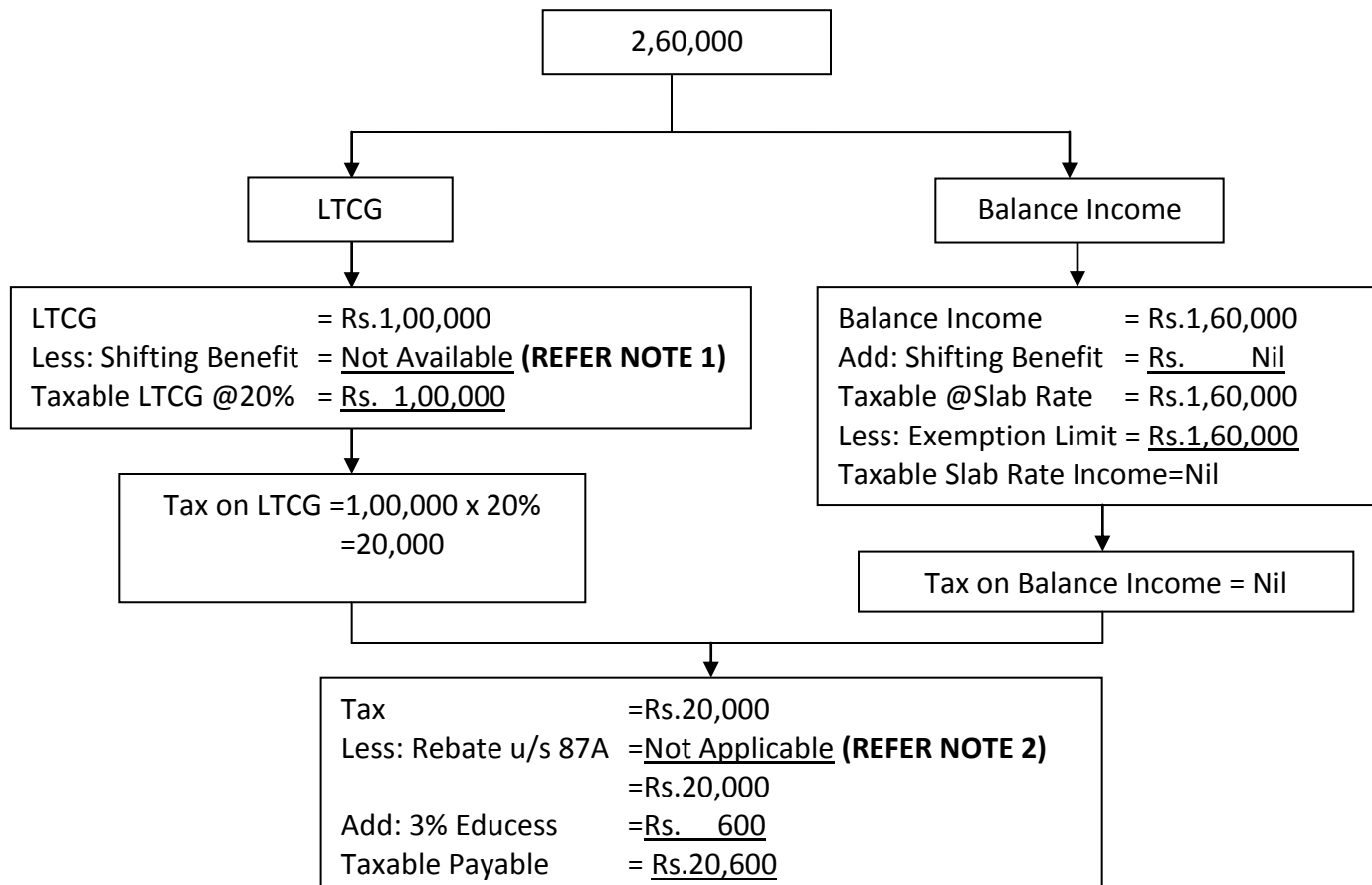
Alternative (1):- If Mr. Mohan is resident



NOTES:

1. Generally Long Term Capital Gain should be taxed at 20% under section 112. However, if other incomes are less than exemption limit, then to that extent long term capital gain shall be shifted to other income and balance long term capital gain shall be taxed at 20%. **[This is called Shifting Benefit].**
2. Here total income doesn't exceed Rs.5,00,000 and Mr. Mohan being resident individual, therefore he can avail rebate under section 87A which shall be Rs. 12,000 or Rs.2,000 whichever is less.

Alternative (2):- If Mr. Mohan is non-resident



NOTES:

1. Non-resident cannot avail shifting benefit.
2. Non-resident cannot avail rebate under section 87A.