Income Tax Rebate Under Section 87A For A.Y. 2016-17 (F.Y.2015-16)

Rebate of up to Rs. 2,000 for resident individuals having **total income of up to** Rs. 5,00,000 as per Sec-87A of Income Tax Act, 1961 for A.Y. 2016-17 i.e. F.Y. 2015-16.

The rebate shall be equal to the amount of income tax payable on the total income for assessment year 2016-17 or an amount of Rs. 2,000, whichever is less.

Key Point :-

- **Individual residential** of India,
- Whose **Total Income** is up to Rs. 5,00,000,
- Shall be allowed a rebate,
- From Income Tax,
- **100% of Income Tax or Rs.2,000**, Whichever is Less.

The above points have been represented below showing the manner of computation:-

	Income under head Salary	xxx
(Add)	Income under head House Property	xxx
(Add)	Income under head Profit from Business or Profession	xxx
(Add)	Income under head Capital Gains	xxx
(Add)	Income under head Other Sources	xxx
	Gross Total Income	xxx
(Less)	Deductions from Sec 80C to Sec 80U	(xxx)
	Total Income	xxx
	Tax payable on Total Income as per Slab Rate	xxx
(Less)	Income Tax Rebate under Section 87A	(2000)
	Total Tax Payable	xxx
(Add)	Education Cess @ 2% and SHEC @ 3%	xxx
	Balance Tax Payable	xxx

Total Income should be less than Rs 5 Lakh

Relief of Rs. 2000 from Tax Payable

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Example 1

Compute the tax liability of X Ltd., a domestic company, assuming that the total income of X Ltd. Is Rs. 2,80,000.

Answer	**Rs.**
Tax on total income@30% of Rs.2,80,000	84,000
Less: Rebate under section 87A*	(-)
	84,000
Add: Education cess@2%	1,640
Secondary and higher education cess@1%	840
Total tax liability	86,480

*As per section 87A the rebate of Rs. 2,000 is allowed to residential individual.

Example 2

Compute the tax liability of Mr. X, a salaried employee (age: 45 years), assuming that the total income of Rs. 4,80,000. During the previous year ending on March 31, 2015.

Answer	**Rs.**
Tax on total income@10% of Rs.2,30,000	23,000
Less: Rebate under section 87A	(2,000)
	21,000
Add: Education cess@2%	420
Secondary and higher education cess@1%	210
Total tax liability	21,630

***As per section 87A the rebate shall be equal to the amount of income tax payable or an amount of Rs. 2,000, whichever is less.**

Example 3

Compute the tax liability of Mr. X, a salaried employee (age: 45 years), assuming that the total income of Rs. 2,60,000. During the previous year ending on March 31, 2015.

Answer	**Rs.**
Tax on total income@10% of Rs.10,000	1,000
Less: Rebate under section 87A	(1,000)
	-
Add: Education cess@2%	-
Secondary and higher education cess@1%	-
Total tax liability	-

*****As per section 87A the rebate shall be equal to the amount of income tax payable or an amount of Rs. 2,000, whichever is less.

a) 10000*10% = 1000

b) 2000

Rebate allowed of Rs.1000.

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Example 4

Compute the tax liability of Mr. X (age: 45 years), assuming that the total income of Rs. 5,40,000. During the previous year ending on March 31, 2015.

Answer	**Rs.**
Tax on total income@10% of Rs.2,90,000	29,000
Less: Rebate under section 87A	(-)
	29,000
Add: Education cess@2%	580
Secondary and higher education cess@1%	290
Total tax liability	29,870

*****As per section 87A the rebate shall be equal to the amount of income tax payable or an amount of Rs. 2,000, whichever is less.

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