

Impact of Budget on Individual taxpayers- Direct Tax Proposals

Finance Minister, Mr. Arun Jaitley, did not propose any change in the income tax slab rates. However, various changes have been proposed in the income tax provisions which impact the taxable income of an individual.

All relevant proposals made for an Individual are as under:

- Rate of surcharge is proposed to be increased to 15% from 12% if total income of an individual exceeds Rs. 1 crore.
- An additional tax at the rate of 10% of gross amount of dividend shall be paid by a resident individual, HUF or a firm, if dividend received by them from a domestic company exceed Rs. 10 lakhs per annum.
- Relief under Section 87A is proposed to be raised from Rs. 2,000 to Rs. 5,000 in order to provide relief to small taxpayers. Relief under Section 87A is available to a resident individual if his total income does not exceed Rs. 5,00,000.
- Tax shall be collected at source at 1% in respect of following [Section 206C]:
 - a. Purchase of motor vehicle, if value thereof exceeds Rs. 10 lakhs
 - b. Purchase of any goods or service, if value thereof exceeds Rs. 2 lakhs and the payment thereof is made in cash.
- No tax on capital gain arising on redemption of Sovereign Gold Bond issued by the RBI under Sovereign Gold Bond Scheme, 2015 [Section 47]
- Any benefit provided to an individual by way of allotment of shares at free or at concessional price is taxable as income from other source if value of such benefit exceeds Rs. 50,000. However, no tax shall be charged if such allotment is made in:
- Section 80EE proposes an additional deduction of up to Rs. 50,000 every year in respect of interest on housing loan. Such deduction shall be allowed to the first time individual buyers of a residential house property, if:
 - a. Value of residential house property does not exceed Rs. 50 lakh;
 - b. Amount of loan does not exceed Rs. 35 lakh; and

- c. The loan is sanctioned between 01-04-2016 and 31-03-2017. The proposed deduction shall be in addition to deduction of Rs. 2,00,000 allowed under section 24 of the Act.
- Presumptive taxation scheme is proposed for a resident individual engaged in the specified profession. The presumptive scheme shall be available if the gross receipts from the profession does not exceed Rs. 50,00,000. The presumptive income shall be 50% of the gross receipts [Section 44ADA].
- The threshold limit for audit under Section 44AB has been proposed to be increase to Rs. 50 lakhs in case of specified professions [Section 44AB].
- An individual can claim deduction under section 80GG if he is paying house rent but not receiving any HRA from the employer. The least of following is allowed as deduction:
 - a. Rent paid in excess of 10% of total income;
 - b. Rs. 2,000 per month; or
 - c. 25% of total income.The existing limit of Rs. 2,000 per month is proposed to be increase to Rs. 5,000 per month.
- Section 54GB proposes that long term capital gains arising from transfer of residential property of individual or HUF shall not be charged to tax if such capital gain is invested in shares of an eligible start-up. Such exemption shall be available if:
 - a. Individual or HUF holds more than 50% shares of such start-up; and
 - b. Such investment is utilized by the start-up to purchase new assets before due date of filing of return of investor.
- Section 197A provides that no tax shall be deducted if the payee furnishes to the payer a self- declaration in prescribed Form No. 15G/15H declaring that the tax on his estimated total income would be nil. At present, declaration under section 197A could be furnished only when payee is in receipt of following income:
 - a. Interest
 - b. Dividend
 - c. Payment in respect of life insurance policy
 - d. Payment in respect of deposit made in National Saving Scheme

- It is proposed to amend section 197A to provide that a person who is in receipt of rental income can also furnish self-declaration to the payer for no deduction of tax at source if tax on his total income (including rental income) is nil.
- Presently, any contribution made by the employer to the provident fund account of an employee is not charged to tax if it does not exceed 12% of salary. It is proposed that contribution in excess of 12% of salary or Rs. 1,50,000, whichever is less shall now be charged to tax in the hands of the employees as salary.
- Any amount contributed to superannuation fund by an employer is treated as perquisite in hands of employee and chargeable to tax if the amount of contribution exceeds Rs. 1,00,000. It is proposed to amend the said section so as to increase the limit of employer's contribution from Rs. 1,00,000 to Rs. 1,50,000. [Section 17(2)(vii)]
- A new Section 54EE is inserted to provide for exemption up to Rs. 50 Lakhs for long term capital gains invested in units of funds set up by Government to promote start-ups. Exemption shall be reversed if amount invested is withdrawn within 3 years from date of making investment in specified funds.
- Non-compete fee received by an individual for not carrying out any profession is proposed to be charged to tax under section 28.
- It is now mandatory for an individual/HUF/AOP/BOI/artificial juridical person to file return of income even if their entire income is exempt from tax under Section 10(38).
- Currently, non-corporates taxpayers pay advance tax in three instalments, viz. @30%, 60%, and 100% of tax on or before 15th September, 15th December and 15th March of each fiscal year respectively. The Finance Bill, 2016 proposes to treat the non-corporates at par with corporate taxpayers. In other words, non-corporate taxpayers shall be required to pay advance tax in four installments, viz; 15%, 45%, 75% and 100% of tax on or before 15th June, 15th September, 15th December and 15th March respectively.