

Income Tax Rebate Under Section 87A For A.Y. 2017-18 (F.Y.2016-17)

Rebate of up to Rs. 5,000 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. 2017-18 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 2017-18 or an amount of Rs. 5,000, 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.5,000**, 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	Total Income should be UPTO Rs 5 Lakh
Tax payable on Total Income as per Slab Rate	xxx	
(Less) Income Tax Rebate under Section 87A	(5000)	Relief of Rs. 5000 from Tax Payable
Total Tax Payable	xxx	
(Add) Education Cess @ 2% and SHEC @ 3%	xxx	
Balance Tax Payable	xxx	

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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. 5,000 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, 2017.

Answer

	Rs.
Tax on total income@10% of Rs.2,30,000	23,000
(Rs.4,80,000-2,50,000)	
Less: Rebate under section 87A	(5,000)
	18,000
Add: Education cess@2%	360
Secondary and higher education cess@1%	180
Total tax liability	18,540

*As per section 87A the rebate shall be equal to the amount of income tax payable or an amount of Rs. 5,000, whichever is less.

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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, 2017.

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. 5,000, whichever is less.

a) $10000 \times 10\% = 1000$

b) 5000

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, 2017.

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

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Example 5

Compute the tax liability of Mr. X, a salaried employee (age: 45 years), assuming that his **casual income** of Rs. 4,80,000. During the previous year ending on March 31, 2017.

Answer

	Rs.
Tax on total income@30% of Rs.4,80,000	1,44,000
Less: Rebate under section 87A	(5,000)
	1,39,000
Add: Education cess@2%	2,780
Secondary and higher education cess@1%	1,390
Total tax liability	1,43,170

*As per section 87A the rebate shall be equal to the amount of income tax payable or an amount of Rs. 5,000, whichever is less.