Finance Bill 2019

Impact of Proposed Direct Tax Amendments

Salaried Taxpayers w.e.f

Financial Year 2019-20

Assessment Year 2020-21

2 Major Amendments for Salaried Taxpayers

Context	Relevant Section
– Rates of Income Tax	– Part I of First Schedule
– Tax Rebate	– Section 87A
– Standard Deduction	– Section 16(ia)
– TDS on Interest	– Section 194A
– Long Term Capital Gain on Sale of Residential House	– Section 54
– Annual Value	– Section 23
– Deductions from House Property	– Section 24

3 Tax Rates for A.Y.2020-21

- No change in basic exemption limit & tax rates for **Individuals/HUF/Non-Residents i.e Rs 250,000**
- No change in basic exemption limit & tax rates for resident **Individuals having age of 60 years or more but less than 80 years i.e Rs 300,000**
- No change in basic exemption limit & tax rates for resident **Individuals having age of 80 years or more i.e Rs 500,000**

4 Tax Rebate for Total Income up to Rs 500,000

- The Basic exemption limit has not been increased from Rs 250,000 to Rs 500,000
- If the total income from all heads after deductions under Chapter VI-A i.e 80C, 80D, 80E (also after set-off of loss from House Property)etc **does not exceed Rs 500,000,** then a tax **rebate of Rs 12,500 or the tax amount whichever is less would be allowed.**
- Applicable to **Individual/HUF** only
- The current basic tax exemption for individuals is Rs 250,0000. Consequently, if the total income is Rs 500,000 then the resultant tax impact @5% amounts to Rs 12500.(500000-250000*5%). This is nothing but the tax rebate.
- If the total income **exceeds Rs 500,000,** this tax **rebate is not allowed.**

5 Exhibit on Section 87A

Particulars	Amount(Rs)
Income From Salary	XXX
Standard Deduction	(50,000)
Income from Self Occupied House Property	(200,000)
Income from Business & Profession	XXX
Income from Capital Gain	XXX
Income From Other Sources	XXX
Gross Total Income	**685,000**
Deductions under 80C	150,000
Deductions under 80D	25,000
Deduction under 80TTA	10,000
Total Income	**500,000**

6 Comments on Exhibit

- In order to get the maximum benefit of Rebate u/s 87A, the taxpayer has to strategize the following:
- His/Her investments under section 80C
- Mediclaim Insurance Premium under 80D,
- Interest on Housing Loan u/s 24(b)
- Components of Salary Income
- Rental Income from Let-Out Property
- If a taxpayer having gross total income of approximately Rs 935,000 can claim the benefit of tax rebate which can result in zero tax outgo for taxpayers having gross total income of Rs 935,000(685,000+200,000+50,000)

7 Change in Standard Deduction

- Standard Deduction introduced w. e. f A.Y.2019-20
- Rs 40,0000

- Standard Deduction w. e. f A.Y.2020-21
- Rs 50,0000

8 TDS on Interest

- The ceiling limit for interest on bank/post office/co-operative society deposits is Rs 10,000
- Hence, no TDS is required to be deducted if the interest on such deposits annually for a Customer ID or single branch amounts to Rs 10,000 or less
- The ceiling limit has been raised to **Rs 40,000** for non-deduction of TDS on interest deposits
- Hence, an assesse **need not furnish** a declaration to the effect in Form **15G/15H to the extent of Rs 40,000** from now onwards.
- For Senior Citizens, this limit is Rs 50,000 as introduced in last budget
- Don’t get confused with Savings Bank Interest the deduction of which is still available u/s 80TTA to the extent of Rs 10,000. Hence, any excess of Rs 10,000 is liable to be taxed but does not require tax deduction.

9 Long Term Capital Gain on Sale of Residential House Property

– Previously, the resultant capital gain on sale of **one** residential house property should be invested in buying or constructing another house property within a specified period of time for claiming the exemption.

– Now with the amendment, the assesse now can make the investment in buying or constructing **two** house property within a specified period of time for claiming the exemption provided the amount of capital gain **does not exceed Rs 2 crores.**

– **The benefit is available once in a lifetime**

– The benefit is **not available** of capital gain **exceeds Rs 2 crores.**

10 Annual Value of Self-Occupied House Property

– Previously, if an assesse has **two** self occupied residential house property, then the **one house property** at the option, **is deemed to be let out** and **notional rent** on the same is **chargeable to tax** under the head Income from House Property after deduction of 30% from the deemed annual rent receivable.

– Now, with the amendment, the notional rent in respect of **second house too has been exempted** from tax levy.

11 Deductions from House Property

- Previously, the deduction of interest on housing loan is available for **one** self occupied residential house property subject to overall ceiling of Rs 200,000
- Now, with the amendment, the deduction of interest on housing loan is now available for **two** self occupied residential house property subject to overall ceiling of Rs 200,000.

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THANK YOU