Direct Tax Proposals (Interim Budget'2019)

CA Tarun Kumar

06 February'2019

Mob: +91-888-282-8112

Sec 16: Increased Standard Deduction

Section 16 provides for a standard deduction up to Rs. 40,000 to salaried taxpayers. The deduction is available to all assessee's drawing salary income including retired employees drawing pension income.

The relief is provided to the salaried taxpayers in this budget by way of increasing the amount of standard deduction from salary income, from existing 40,000 rupees to 50,000 rupees.

Sec 23(4): Two Self Occupied House

The assessee owning more than one residential house properties for his residence has the option to opt for any one house as a self occupied house. The annual value of one self-occupied house is taken as nil.

The budget seeks to provide relief to the taxpayer by allowing him an option to claim nil annual value in respect of any two houses, declared as self-occupied, instead of one such house as currently provided.

Sec 24: Deduction of Interest on Self-occupied house

A taxpayer can now claim that he has two self-occupied house properties, instead of one such house as currently provided u/s 23(4).Consequently, the deduction with respect to interest on borrowed capital can be claimed with respect to both the houses. However, the aggregate monetary limit for the deduction would remain the same, i.e., Rs. 2,00,000.

Sec 23(5): Notional Income for property held as Stock-in-trade

Sec 23(5) provides that where the house property consisting of any building or land appurtenant thereto is held as stock-in-trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period up to one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be Nil.

The Finance bill seeks to provide relief to the taxpayers that notional rent in respect of unsold inventory shall not be charged to tax up to two years, instead of existing one year, from the end of the financial year in which the certificate of completion is obtained from the competent authority.

Sec 54: Exemption for investment in Two Houses

Sec 54 provides an exemption from the long term capital gains arising to an individual or HUF, if such capital gains are invested in another residential house property in India. However, the exemption can only be claimed for the investment made in one residential house property.

The budget seeks to provide relief to the taxpayers having long-term capital gains up to two crore rupees, arising from transfer of a residential house, by affording the assessee a one time opportunity, at his option, to utilise the said amount for the purchase or construction of two residential houses in India instead of one residential house as currently provided.

Sec 80-IBA: Extension of time limit for obtaining approval

Sec 80-IBA allows deduction in respect of profits and gains derived from the business of developing and building affordable housing projects subject to the certain conditions, *inter-alia*, the housing project should be approved on or before March 31, 2019.

The finance bill seeks to amend section 80-IBA so as to augment the supply of affordable houses by extending the time limit from 31st March, 2019 to 31st March, 2020 for obtaining approval of the housing project for availing deduction.

Sec 87A: Rebate increased from Rs. 2,500 to Rs. 12,500

Section 87A of the Act provides for a rebate from income-tax payable by an assessee being an individual resident in India. The rebate is allowed up to Rs. 2,500 to a resident individual if his total income does not exceed Rs. 3,50,000.

The rebate under Section 87A is proposed to be increased to Rs. 12,500, which shall be available to those resident individuals whose total income does not exceed Rs. 5,00,000 during the Previous Year 2019-20.

Sec 194A: Increase in threshold limit for TDS on Interest other than "Interest on securities"

The TDS is deducted from interest (other than interest on securities) paid or payable by a banking company or co-operative society or post office if the aggregate amount of interest exceeds Rs. 10,000. The limit is Rs. 50,000 for Senior Citizens.

To ease the burden of compliance the threshold limit is increased from Rs. 10,000 to Rs. 40,000, for deduction of tax at source on interest income, other than interest on securities, paid by a banking company, co-operative society or a post office.

Sec 194I: Increase in threshold limit for TDS on Rent

Every person (including an individual or HUF who are subject to tax audit) responsible for paying any income by way of Rent to a resident is required to deduct tax at source. TDS is required to be deducted, if the amount of rent during the previous year exceeds Rs. 1,80,000.

The Finance bill seeks to amend section 194-I of the Income-tax Act to rationalize the threshold limit from Rs. 1,80,000 to Rs. 2,40,000, for deduction of tax at source on rental income.