

UNION BUDGET 2019

SYNOPSIS OF PROPOSED AMENDMENTS TO DIRECT TAX

INTRODUCTION

We have provided the Direct Tax Concessions laid down in the Budget 2019 by the Union Minister acting Finance Minister Shri Piyush Goyal. The Budget aims at providing relief to small taxpayers particularly the salaried class who are recognized to be the most honest class of taxpayers. The current Government's intention of extending rewards to the desired group of people and enforcing stringent laws and compliance burden on the group which will give significant results in the exchequer are clear from its actions.

The Government is determined in its objective of technology driven direct tax processes with minimum interface between the assesses and the tax officers and keeping the focus on quality assessments. Many processes were launched online

INTRODUCTION

last year and about 99.54% of the tax returns were accepted without scrutiny. A commitment is put forth that the processing of tax return and tax refunds will be done within a day.

The tenfold agenda of the Government is indeed comprehensive covering the areas from Digital India to minimum Government and maximum Governance.



PROPOSED AMENDMENTS TO DIRECT TAX AT A GLANCE

Sr No	Section of the Act	Particulars
1	Section 87A	Rebate of Income Tax of Rs 12,500
2	Section 16	Increase in deduction from Rs 40,000 to Rs 50,000
3	Section 23	Option of two self occupied properties
4	Section 24	Limit of Rs 2,00,000 for interest on loan on self occupied property to continue
5	Section 54	Investment in residential house for deduction from capital gain
6	Section 80-IBA	Profits and gains from housing projects – Real Estate Sector
7	Section 194A	TDS on Interest other than “Interest on securities”
8	Section 194-I	TDS on rent

INDIVIDUAL TAXATION

- ❑ **Standard deduction** - of Rs 50,000 instead of existing Rs 40,000 is proposed for salaried individuals.
- ❑ **Rebate extended from Rs 2,500 to 12,500** – existing rebate of Rs 2,500 is proposed to be increased to Rs 12,500 for resident individuals. Tax rebate will be admissible for taxpayers up to total income of Rs 5,00,000 (instead of existing Rs 3,50,000). This means a Nil tax for individuals having total income up to Rs 5,00,000. Total income would mean the income after considering all the applicable deductions.

A normal misconception is that the slab rates have been changed. However, the slab rates remain the same as applicable to FY 2018-19.

INDIVIDUAL TAXATION

- ❑ **Option of two self occupied properties** – Owner of more than one house properties can treat one house property as self occupied and claim Nil annual value on this. Annual value is the amount to be offered to tax in respect of an owned house property. The remaining properties are considered to be deemed let out and hence were taxable. It is proposed that an option be allowed to an individual to claim nil annual value in respect of any two properties instead of one.

Section 23 provides that if property is held as stock in trade and is not let out during the previous year, the annual value of such property shall be taken as Nil 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. This period is proposed to be extended from one year to two years.

INDIVIDUAL TAXATION

- ❑ **Deduction limit of Rs 2,00,000 for interest on home loan will apply for the two self occupied properties** – The interest of Rs 2,00,000 on loan of a self occupied property is allowed as deduction from the income. This will apply to the aggregate of the amounts of deduction in case of more than one self occupied houses (two houses).

CAPITAL GAINS TAX

- ❑ **Investment in residential house for deduction from Capital Gains upto Rs 2 crore** – As per sec 54, the taxpayer having long term capital gain from a capital asset being a residential house (buildings or land appurtenant thereto), can invest the capital gains in purchasing or constructing one residential house in India, to avail the tax exemption on the invested capital gains. It is now proposed that the tax payer can utilize the capital gains to purchase/construct two residential houses instead of one residential house. This is a one time opportunity for capital gains up to Rs 2 crore.

OTHER PROPOSALS

- ❑ **Profits and gains from housing projects – Real Estate Sector** - As per the current provisions, the assessee in the business of developing and building housing projects, is allowed a deduction of an amount equal to hundred percent of the profits derived from such business subject to fulfilling certain terms and conditions. One of the conditions laid down was the project should be approved by the competent authority after 1st June 2016 but on or before the 31st March 2019. It is proposed the time limit for the same is extended by one year (31st March 2020 instead of 31st March 2019).

WITHHOLDING TAX

- ❑ **TDS under section 194A on interest income** – The threshold for deduction of tax on interest income by a banking company, co-operative society or a post office proposed to be raised from Rs 10,000 to Rs 40,000.
- ❑ **TDS under section 194I on rent** – The threshold for deduction of tax on rent payable by a person (including an individual or HUF who are subject to tax audit) proposed to be raised from Rs 1,80,000 to Rs 2,40,000.

TAX RATES

Applicable tax rates for AY 2020-21 in comparison to AY 2019-20

i) Individual below 60 years/HUF/AOP/BOI/AJP

Income range	Income tax rate	
	2020-21	2019-20
Upto Rs 2,50,000	Nil	Nil
Rs 2,50,000 – Rs 5,00,000	5%	5%
Rs 5,00,000 – Rs 10,00,000	20%	20%
Above Rs 10,00,000	30%	30%

TAX RATES

□ Applicable tax rates for AY 2020-21 in comparison to AY 2019-20

- ii) Resident senior citizen (whose age is 60 years or more but less than 80 years at any time during the previous year)

Income range	Income tax rate	
	2020-21	2019-20
Upto Rs 3,00,000	Nil	Nil
Rs 3,00,000 – Rs 5,00,000	5%	5%
Rs 5,00,000 – Rs 10,00,000	20%	20%
Above Rs 10,00,000	30%	30%

TAX RATES

Applicable tax rates for AY 2020-21 in comparison to AY 2019-20

iii) Resident super senior citizen (whose age is 80 years or more at any time during the previous year)

Income range	Income tax rate	
	2020-21	2019-20
Upto Rs 5,00,000	Nil	Nil
Rs 5,00,000 – Rs 10,00,000	20%	20%
Above Rs 10,00,000	30%	30%

TAX RATES

As per current provisions – A resident individual, whose taxable income does not exceed 3,50,000, can claim a tax rebate under section 87A. The amount of rebate shall be lower of 100% of income-tax or 2,500.

Proposed - A resident individual, whose taxable income does not exceed 5,00,000, can claim a tax rebate under section 87A. The amount of rebate shall be lower of 100% of income-tax or 12,500.

Surcharge is applicable at 10% for income range of Rs 50lakh to Rs 1 crore and 15% on above Rs 1 crore on the above basic tax rates (same for both years).

Health and education cess is applicable at 4% on the basic tax and surcharge (same for both years).

TAX RATES

□ Applicable tax rates for AY 2020-21 in comparison to AY 2019-20 for companies

i) Domestic Company

Tax rate is 30% for both the years if turnover or gross receipts exceed Rs 250 crores. Where the turnover or gross receipts doesn't exceed Rs 250 crores, tax rate is 25%.

Surcharge on the above tax rate is applicable at 7% for income range of Rs 1 crore to Rs 10 crores. Above Rs 10 crore, this is 12%.

Health and education cess is applicable at 4% on the basic tax and surcharge.

TAX RATES

Applicable tax rates for AY 2020-21 in comparison to AY 2019-20 for companies

ii) Foreign Company

Tax rate is 40% for both the tax years.

Surcharge on the above tax rate is applicable at 2% for income range of Rs 1 crore to Rs 10 crores. Above Rs 10 crore, this is 5%.

Health and education cess is applicable at 4% on the basic tax and surcharge.

TAX RATES

□ Table showing tax free income upto Rs 10 lakhs in the post budget scenario -

Sr No	Particulars	<u>Income/Deductions/Tax</u> <u>(Rs)</u>
1	Income under the head salary	10,00,000
2	Less: standard deduction	(50,000)
	Net Salary	9,50,000
3	Interest on loan on self occupied property	(2,00,000)
	Gross total income	7,50,000
4	Deductions	
	Under 80C	(1,50,000)
	Under 80D	(50,000)
	Under 80CCD	(50,000)
	Total income	5,00,000
5	Gross tax	12,500
6	Rebate under section 87A	12,500
7	Total tax payable	Nil



THANK YOU

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