

✚ Income Tax Rates (A. Y. 2019-20)

✚ For Individual/HUF :

<u>TAX RATE</u>	<u>INDL/HUF/WOMEN</u>	<u>SENIOR CITIZEN (60 - 79 YEARS)</u>	<u>VERY SENIOR CITIZEN (80 YEARS ABOVE)</u>
NIL	up to 250,000	up to 300,000	up to 500,000
5%	250,001 - 500,000	300,001 - 500,000	-
20%	500,001 - 10,00,000	500,001 - 10,00,000	500,001 - 10,00,000
30%	10,00,001 & above	10,00,001 & above	10,00,001 & above

No Change in Basic Exemption Limit or rate of tax or any slabs

- Surcharge @ **10 %** on Tax for Indl/HUF having Total Income > Rs. 50 Lacs.
- Surcharge @ **15 %** on Tax for Indl/HUF having Total Income > Rs. 1 Crore.

✚ Partnership Firm:

- Rate of Taxation remains same at 30 %.
- Surcharge @ 12 % on Tax for Firm having Total Income > Rs. 1 Crore.

✚ Domestic Company :

- Reduced Rate of Taxation of 25% for Companies having Turnover less than 250 Crores in FY 2016-17. (This turnover limit increased from 50 crores)
- Rate of Taxation remains same at 30 % for other Companies.
- Surcharge @ 7 % for Co. having Income from Rs. 1 Crore to 10 Crores.
- Surcharge @ 12 % for Co. having Income above Rs. 10 Crores.
- MAT remains same at 18.5 % can be carried forward upto 15 years.

✚ Cess :

Education Cess & SHE Cess shall be discontinued. However new cess by Name **Health & Education Cess** shall be levied @ **4 %** of Income Tax including surcharge.

✚ Rebate U/s. 87A :

Rebate U/s 87 A continues at Rs.2,500/- for assessee having Total Income Less than Rs. 3,50,000/-

Other Changes in Income Tax Act

(All these Amendments are effective from **A. Y. 2019-20** unless mentioned otherwise)

Section (11) – Amendment related to Trust Income

For calculating trust Income, deduction will not be allowed for following case in line with business assessee.

- where no TDS is deducted, when transaction is liable for TDS.
- where cash payment done for any expenditure to any person exceeds Rs. 10,000/- in a day.

Section (16) - Standard deduction from Salary Income

Standard deduction of Rs. 40,000/- will be available to all assessee having Salary Income. Flat reduction from salary income will be given while calculating taxable salary.

Against this FM in his budget speech mentioned to delete Transport Allowance of Rs. 19,200/- p.a. (This will come in Rule directly) and Medical reimbursement of Rs. 15,000/- which was tax free till now, will also be deleted.

This 2 deletion of exemptions will nullify the standard deduction given of Rs. 40,000/-

Section 28 – Compensation in connection with Business Contract

Any compensation received or receivable, whether revenue or capital in connection with termination or modification of the terms & conditions of any contract relating to its business shall be taxable as Business Income.

Section 43 – Agriculture Commodity derivatives

Income from Trading in Agriculture Commodity derivatives will not be termed as speculative transaction even if Commodity Transaction Tax (CTT) is not paid on the same.

Section 54 EC– Capital Gain Bond

- Duration of Bond taken after 01/04/2018 increased from 3 years to 5 years.
- Investment U/s 54 EC Bond will be restricted to Long Term Capital Gain from Land or Building or Both and not available for any other assets.

✦ Section 50C/ 56 – Market Valuation on Sale of Property

At present any difference in Market Value as per Stamp Duty Authority and Sale Consideration is treated as Income U/s 50C in hands of Seller and U/s 56 in hands of Buyer.

It is now proposed to Amended this provision by allowing difference between Market Value & Sale Consideration up to 5% of sale consideration. So now if market value is Rs. 105 and Agreement Value is Rs. 100/- then there will not be any additional taxation in hands of buyer & seller.

✦ Section 56 – Compensation on termination of employment

Any compensation received or receivable whether in nature of revenue or capital in connection with termination or modification of Terms & Condition of employment contract shall be taxable U/s 56.

✦ Section 80D – Mediclaim Premium

Deduction limit for Senior Citizen increased from Rs. 30,000/- to Rs. 50,000/-. This Rs. 50,000/- deduction shall be allowed in respect of Medical Insurance, preventive health check-ups or **medical expenditure** for senior citizen.

Where Mediclaim Premium is paid for more than 1 years, then deduction will be allowed for multiple years on proportionate basis.

✦ Section 80DDB–Deduction for Medical treatment of Specified disease

Deduction limit for medical treatment of specified disease for Senior Citizen & Very Senior Citizen increased from Rs. 60,000 & 80,000/- to Rs. 1,00,000/-

✦ Section 80TTA – Deduction for Saving Bank Interest

This deduction is not eligible for Senior Citizen as new separate deduction is created for them.

✦ Section 80TTB – Deduction for Interest on Deposit for Senior Citizen

Deduction upto Rs. 50,000/- is allowed under this new section for senior citizen from following Interest Income.

- Saving Bank Interest.
- Interest on Deposited with Banks (including FD & RD)
- Interest on Post Office Deposit.

★ Section 112A – Taxation of Long Term Capital Gain on Shares

Long Term Capital Gain on Sale of **Equity Shares** & **Equity MF** is currently exempt u/s 10(38). Which is proposed to be withdrawn and now it will be taxable w.e.f. 1st April, 2018 under **Section 112A** as below.

1. Long Term Capital Gain upto Rs. 1,00,000/- will not be taxed. So any amount exceeding Rs. 1,00,000/- during the year will be liable for taxation.
2. Such Gain will be liable for Income Tax @ **10%**.
3. No indexation benefit will be available for calculation of such Gain.
4. Concessional rate of 10% is applicable only if STT is paid on sale & purchase of shares except for transactions notified by government. For Equity MF STT need to be paid on sale side.
5. Cost of Acquisition for assets purchased before 1st Feb 2018 shall deemed to be **higher** of
 - a. **Actual cost of acquisition**
 - and
 - b. **Lower** of (i) **Fair Market Value as on 31st Jan, 2018** and (ii) **Sale consideration**
6. Fair Market Value to be calculated for shares as highest price quoted on stock exchange on 31st Jan 2018 and for MF unit NAV value of such scheme on 31st Jan 2018.
7. Deductions under chapter VI-A such as 80C, 80D, 80G etc are not allowed on such Gain.
8. Rebate U/s 87A is not allowed on such Gain.
9. If total Income, other than this Long Term Capital Gain, is below basic exemption limit then benefit of balance basic limit will be available.

In short, Long Term Capital Gain is now taxable but impact will not be much for shares held as on today, due to cost of acquisition formula. Some points to be noted in this regard is that your Bonus shares now will have cost of today's valuation & shall not be taxable at full sale value. Also deemed loss due to today's high market value will not be granted. Detailed notes with examples will be given separately later on.

✦ Section 139A – Allotment of PAN

PAN should be applied by all non individual entities, which do Financial Transaction of Rs. 2,50,000/- or more during Financial Year. Also all managing director, partner, trustee, author, founder, karta, CEO, principal officer or office bearer or any person competent to act on behalf of such entities shall also apply for PAN.

✦ Section 143(1)(a) – Adjustment in Income Tax Intimation

No Adjustment will be done w.r.t. Income shown in 26AS or 16A or 16 while processing intimation u/s 143(1)(a) for Income Tax Return filed.

✦ Section 143(3) – New scheme of Scrutiny Assessment

New scheme of scrutiny Assessment is proposed for greater transparency and accountability by eliminating interface between assessing officer and assessee by introduction of team based assessment. So now all scrutiny assessment will be done online without knowing the assessing officer. Detail of such scheme will be notified in due course.

✦ Amendment relation to ICDS

Various sections of Income Tax Act has been amended, so as to provide deductions or taxability as per the manner provided in Income Computation & Disclosure Standard (ICDS) w.r.e.f. A.Y. 2017-18 for all Tax Audit assessee.

✦ Section 194A – TDS on Interest by Banks

Limit for TDS on Interest paid by all **Banks & Post Office** to senior citizen is increased from Rs.10,000/- to Rs.50,000/-. For others limit of Rs.10,000/- continues. For Interest paid by Companies, Firm & Prop. Concerns limit of Rs. 10,000/- continues.

Other than this direct tax provisions, various other acts have been amended which needs to be seen. After ease of doing business now focus will be Ease of Living. So lets hope for better and compliance friendly future.

