

## Union Budget 2019-20



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# HIGHLIGHTS

## (Pertaining to Direct Taxes as per the IT Act, 1961)

- The tax slabs, tax rates and surcharge remain unchanged.
- For salaried individuals and pensioners, the **standard deduction** has been **increased to Rs 50,000** from the current Rs 40,000.
- All income-tax returns will now onwards be processed online within 24 hours of uploading return. In addition all scrutiny assessments are to be filed online without any personal interface between assessee and the Assessing officer.
- **Tax rebate u/s 87A** has been increased from Rs.2,500/- to **Rs.12,500/- for Resident Individuals whose total income does not exceed Rs.5,00,000 per annum.**
- **Therefore Individual taxpayers having total income up to Rs. 5 lakh will get full tax rebate and will NOT BE REQUIRED TO PAY ANY INCOME TAX.**



## CALCULATION OF THE MAXIMUM TOTAL INCOME, CONSIDERING REBATE

| CATEGORY  | General <60<br>Years | Senior<br>Citizens<br><80 Years | Very<br>Senior<br>Citizens<br>>80 Years |
|---|----------------------|---------------------------------|---|
| BASIC EXEMPTION LIMIT   | 2,50,000             | 3,00,000                        | 5,00,000                                |
| RECALCULATING THE MAXIMUM TOTAL INCOME AT WHICH , THERE IS NO TAX |                      |                                 |   |
| TOTAL INCOME AFTER DEDUCTIONS                                     | 5,00,000             | 5,00,000                        | 5,00,000                                |
| TAX ON TOTAL INCOME   | 12,500               | 10,000                          | 0                                       |
| LESS: REBATE u/s 87A  | -12,500              | -10,000                         | 0                                       |
| ACTUAL TAX LIABILITY  | 0                    | 0                               | 0                                       |
| EFFECTIVE TAX EXEMPTION LIMIT AT WHICH , THERE IS NO TAX          | 5,00,000             | 5,00,000                        | 5,00,000                                |

# ILLUSTRATION-1

| PARTICULARS   | AMOUNT( Rs.)    |
|---|-----------------|
|   |                 |
| <b>INCOME</b>   | <b>9,35,000</b> |
| Less: Interest paid on housing loan   | (2,00,000)      |
| <b>GROSS TOTAL INCOME</b>   | <b>7,35,000</b> |
| <b>Less: Chapter VI A Deductions</b>  |                 |
| Contribution to Provident Fund/ Life Insurance premium/ repayment of home loan (principal) etc. | (1,50,000)      |
| Mediclaime insurance  | 25,000          |
| Own contribution to National Pension Scheme   | 50,000          |
| Interest from Savings Bank Accounts   | 10,000          |
| <b>TOTAL INCOME</b>   | <b>5,00,000</b> |
| Tax Liability   | 12,500          |
| Less: Tax Rebate u/s 87A  | (12,500)        |
| Final Tax Liability   | <b>NIL</b>      |

# IMPACT ON INCOME FROM SALARY

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- For salaried individuals and pensioners, the standard deduction u/s 16(ia) has been hiked to Rs 50,000 from the current Rs 40,000.
- Tax rebate u/s 87A has been increased from Rs.2,500/- to Rs.12,500/- for Resident Individuals whose total income does not exceed Rs.5,00,000 per annum.



# IMPACT ON CHAPTER VI A DEDUCTION

Tax incentive under section 80-IBA for developers of affordable housing scheme has been extended by one year for projects registered upto March 31, 2020.

## ILLUSTRATION-2

| Particulars                         | AY 19-20            | AY 20-21            |
|-------------------------------------|---------------------|---------------------|
| Gross Salary                        | 10,50,000.00        | 10,50,000.00        |
| <b>Less – Std. Deduction</b>        | 40,000.00           | 50,000.00           |
| Income Under Head Salaries          | <b>10,10,000.00</b> | <b>10,00,000.00</b> |
| Interest on Borrowed Capital        | -2,00,000.00        | -2,00,000.00        |
| Gross Total Income                  | <b>8,10,000.00</b>  | <b>8,00,000.00</b>  |
| Deductions U/s 80C                  | 1,50,000.00         | 1,50,000.00         |
| Additional Deduction under NPS      | 50,000.00           | 50,000.00           |
| <b>Deductions U/s 80D</b>           |                     |                     |
| <b>In respect of senior citizen</b> | 50,000.00           | 50,000.00           |
| <b>In respect of self</b>           | 25,000.00           | 25,000.00           |
| Deductions U/s 80G                  | 25,000.00           | 25,000.00           |
| Total Income                        | <b>5,10,000.00</b>  | <b>5,00,000.00</b>  |
| Tax with cess on Total Income       | 14,500.00           | 12,500.00           |
| <b>Rebate U/S 87A</b>               | -                   | 12,500.00           |
| Net Tax                             | <b>14,500.00</b>    | <b>-</b>            |



# IMPACT ON HOUSE PROPERTY

- **House-owners will not be required to pay tax on notional rent if they have two self-occupied properties.**
- This means that earlier if an assessee had more than 1 house property, then according to the provisions of the Act, only one House Property would be considered as self-occupied and the remaining had to be considered as Deemed Let-Out and the same had to be brought to tax. **Now it has been deliberated on allowing two such house properties as self-occupied.**
- Income from two-self occupied properties will be exempt from income tax. However amount of deduction under section 24 in respect of 2 self- occupied properties will be limited to Rs. 2,00,000
- Exemption from Tax on Notional rent on unsold inventory and Land and Building u/s 23(5) has been extended from One year to Two years.



# IMPACT ON CAPITAL GAINS

- Normally when a long term residential house property is sold, capital gains at the rate of 20% is applicable. However, if an amount equal to the capital gains is re-invested in another residential house property within the time frame specified, then according to the provisions of section 54, the same shall be allowed as an exemption.
- Earlier the exemption was allowed only for 1 Residential house property which was purchased or constructed by investing the capital gains arising from sale. Provided the same was within the time frame given under the section. In the present scenario exemption will be allowed for 2 residential house properties if purchased or constructed within the timeframe specified by the section.



- The benefit of rollover of capital gains under section 54 of the Income Tax Act will be increased from investment in one residential house to two residential houses for a tax payer having capital gains up to 2 crore. This benefit can be availed once in a life time.
- Currently long-term capital gain on sale of a residential house is exempt from tax if such gain is invested to purchase / construct one house property, within the prescribed time frame. The FM has proposed to extend the above benefit for purchase/ construction of upto two house properties, provided the amount of gain does not exceed INR 2 crore. This benefit can be claimed only once in a lifetime.



# ILLUSTRATION-3

| Particulars                           | Amount (Before Budget)        | Amount (After Budget)  |
|---------------------------------------|-------------------------------|--|
|                                       |                               |  |
| Sale of Residential House             | 30,00,000.00                  | 30,00,000.00   |
|                                       |                               |  |
| Less - Indexed cost of Acquisition    | 12,27,540.98                  | 12,27,540.98   |
| Rs.5,20,000 purchased in year 2006-07 |                               |  |
|                                       |                               |  |
| <b>Capital Gain</b>                   | <b>17,72,459.02</b>           | <b>17,72,459.02</b>  |
|                                       |                               |  |
| <b>Less - Exemption U/s 54</b>        | <b>15,00,000.00</b>           | <b>17,72,459.02</b>  |
|                                       | <b>(only 1 House Allowed)</b> | <b>(2 House Allowed) Provided capital Gain does not exceed 2 crore</b> |
|                                       |                               |  |
| <b>Net Capital Gain</b>               | <b>2,72,459.02</b>            | <b>-</b>   |

# IMPACT ON TDS

## Section 194I(b)-

- This pertains to TDS on Rent of Land and Building. The TDS had to be deducted if the annual rent paid exceeded the threshold limit. The **Threshold limit** which was erstwhile Rs.1,80,000/- is **increased to Rs.2,40,000/-**

## Section 194A-

- This pertains to TDS on Interest other than interest on securities (Eg. Fixed Deposits). The **threshold limit** was Rs.10,000/- earlier which has now been **increased to Rs.40,000/-**.



# GRATUITY

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- Gratuity limit has been increased from Rs.10,00,000 to Rs.30,00,000

# THANK YOU

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