

A complete guide on the latest tax reforms, income tax structure and things to do to make 2020-2021 a successful financial year for you.

Income tax related changes were announced in the Budget 2020 on 1st of February 2020.

TAX GUIDE 2020-21



Foreword

Income tax is the unfortunate reality of income. If given a choice, most of us wouldn't want to pay tax on the income we earn. But we should, because the income tax we pay is an important source of revenue for the government. As citizens of India, we are also consumers of the country's public infrastructure and facilities. When we want these facilities and infrastructure to improve, it is also our duty and responsibility to contribute towards building and maintaining it. Paying income tax and filing income tax returns is one way of doing that.

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1.1 What is an Income Tax?

Income tax is a tax levied directly on the income of an individual/organization/business by the government for the purpose of financing its various operations.

There are two types of income tax - direct tax and the newly launched Goods and Services Tax (GST) which subsumed all other indirect taxes such as VAT, service tax, excise etc.



Income tax collected by government is not only used for various government schemes but also acts as a fiscal stabilizer that aid in distributing wealth evenly among the population.

According to the Income Tax Act of India, income from the following sources is considered taxable:

| |
|---|
| Income from salary |
| Income from house property |
| Income from profits and gains of business or profession |
| Income from capital gains |
| Income from other sources |

1.2 Why do you have to file Income Tax Returns?

Irrespective of whether you live in India currently or not, filing an income tax return is compulsory, if your total Indian income exceeds **Rs.2,50,000**.

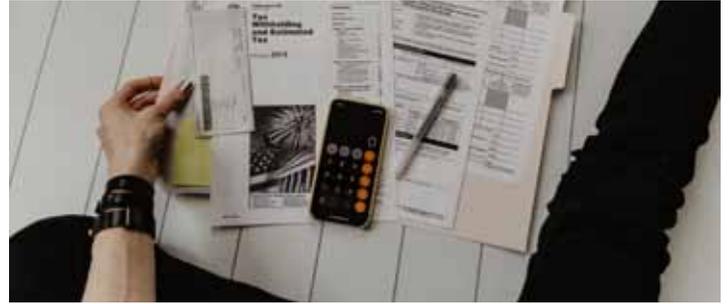
Even if you don't meet the **Rs.2,50,000** threshold, it's a good practice to file or **e-file** your income tax return. An income tax return is an important document that you must produce at the time of availing a home loan, as it reflects your financial prosperity. An income tax return as a proof of income shows your capacity to repay a loan.



If you are planning to go abroad for higher studies or are about to take up a job outside of India, you'll need at least three years' filed income tax returns to show as proof of income. People processing your visa application may request for this financial information to evaluate your financial health, which in return shows that you can support yourself on your own in their country.

1.3 What is Income from Other Sources?

Income from other sources is a residual category used to classify income that is not classified taxed under any other head of income. Income from other sources must be calculated by the taxpayer based on the mercantile system used by the taxpayer, i.e cash basis or accrual basis. In this article, we look at income from other sources in detail along with list of allowed deductions.



Items Classified as Income from Other Sources

Apart from income that cannot be classified under any other heads, there are certain types of incomes which are always taxed under income from other sources. Such incomes are as under:

Dividends are always taxed under income from other sources. However, dividends from domestic company are normally exempt from tax, as the company declaring dividend pays dividend distribution tax

Winnings from lotteries, crossword puzzles, races including horse races, card game and other game of any sort, gambling or betting of any form is classified as income from other sources

Interest received on compensation or on enhanced compensation is taxed under the head "Income from other sources"

Gifts received by an individual or HUF (which are chargeable to tax) are also taxed under this head

The following types of income can be classified as Income from Other Sources, if it is not taxed under the head "Profits and gains of business or profession":

- Any contribution to a fund for welfare of employees received by the employer
- Income received by way of interest on securities
- Income from letting out or hiring of plant, machinery or furniture
- Income from letting out of plant, machinery or furniture along with building; both the lettings are inseparable
- Money received under a Key Man Insurance Policy including bonus

1.4 Understanding Income Tax in India

Income tax refers to the tax levied by the government for financing its various operations. Taxes are of two types, direct and indirect. Whereas Income Tax is a direct tax, VAT, service tax, excise and the latest one to subsume all these taxes Goods and Services Tax (GST) are all indirect taxes.

Apart from funding the activities of the government, taxes also act as a fiscal stabilizer that aid in distributing wealth evenly among the population. Furthermore, taxes are instrumental in cushioning the effects of economic cycles. The payment of Income Tax in India is made according to the provisions made under the Income Tax Act.

According to the Indian Income Tax laws, income from the following sources is deemed taxable:

| | | | | |
|----------|----------------------------|---|---------------|---------------------------|
| Salaries | Income from house property | Profits and gains of business or profession | Capital gains | Income from other sources |
|----------|----------------------------|---|---------------|---------------------------|

The sum of income from all the sources above is calculated according to the provisions of Income Tax Act. The tax rates in India vary according to the earnings of an individual and are referred to as Income Tax slabs. These Income Tax rates are revised every year during the budget. Income tax is calculated on an annual basis. It is levied on the income earned in the previous year which is also known as the Assessment Year. In the eyes of the law, the Financial Year begins on the 1st of April in a given year and ends on the 31st of March of the following year.

1.5 Save Income Tax

While the government expects you to pay income tax, it also allows you to legally save on income tax. You don't have to pay income tax if you earn less than Rs.2.5 lakh in a year. Income more than that is taxed as per different slabs, with the tax rates going up with increase in income. No matter how much taxable income you earn, there are certain exemptions and deductions available to all individual and HUF taxpayers that can be used to pay less income tax.

Tax saving options in India

The most popular tax-saving options available to individuals and HUFs in India are under Section 80C of the Income Tax Act. Section 80C includes various investments and expenses that can be used to claim deductions. The Section 80C limit is Rs.1.5 lakh in a financial year, which means that you can use this entire amount to reduce your taxable income.



Saving tax beyond Section 80C

Apart from the deductions available under Section 80C, there are various other Section 80 deductions that can also be claimed to save on income tax. These deductions include health insurance premiums, tax benefits on home loans, Another way to save tax is by creating a Hindu Undivided Family (HUF). An HUF can be created by married Hindu individuals. An HUF would include the creator, who is called Karta, and his or her family members. The advantage of an HUF is that you can split your income between two entities—yourself as an individual taxpayer and the HUF. This way, you can avail the same tax-saving deductions twice.

How to plan your tax-saving investments for the year

The best time to start planning your tax-saving investments is at the beginning of the financial year. Most taxpayers procrastinate till the last quarter of the year and end up taking hurried decisions. Instead, if you plan at the start of the year, you can make investments that can also help you fulfill your long-term goals. Tax-saving investments should be used to build wealth as well, not only to just save tax.

Use the following pointers to plan your tax-saving for the year:

- Check the tax-saving expenses that you're already making that you can claim. This includes expenses like insurance premium, children's tuition fees, etc
- Deduct this amount from 1.5 lakh to figure out how much to invest. The entire amount doesn't need to be invested if expenses are covering it
- Choose tax-saving investments based on your goals and profile. ELSS funds, PPF, NPS and fixed deposits are some of the popular options

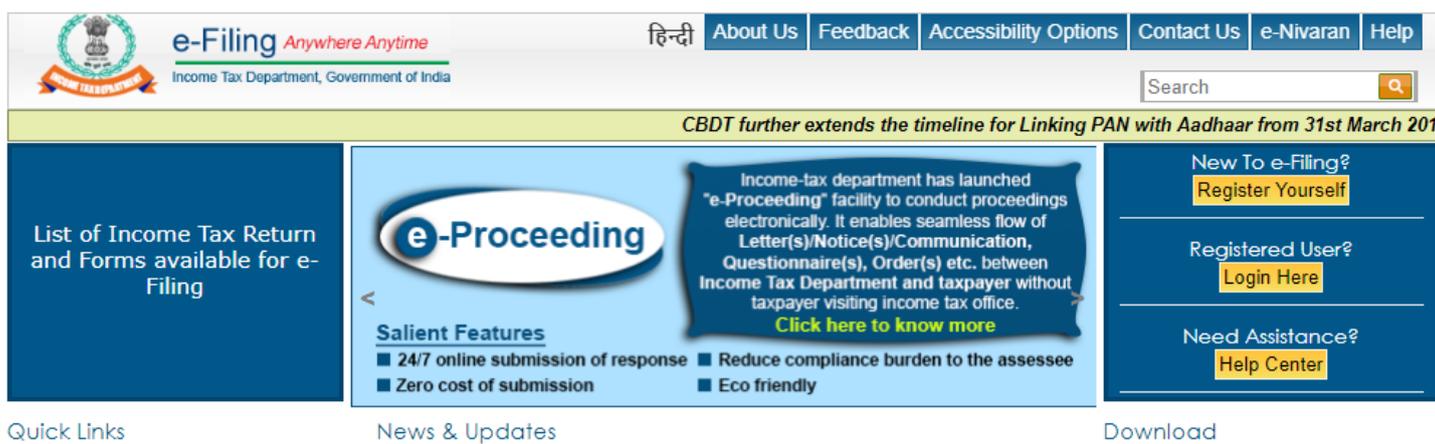


This way, you can figure out how much you need to invest to save taxes. It is best to begin investing in the first quarter of the financial year so that you can spread the investments over the year. Doing this won't burden you at the end of the year and will also allow you to make informed investment decisions.

1.6 Different Types of ITR Forms

| | |
|---------------------|---|
| ITR 1 SAHAJ | Individuals with income from salary & interest |
| ITR 2 | Individuals & Hindu Undivided Families (HUF) not having income from business or profession |
| ITR 3 | Individuals/HUFs being partners in firms and not carrying out business or profession under any proprietorship |
| ITR 4 | Individuals & HUFs having income from a proprietary business or profession |
| ITR 4S SUGAM | Individuals/HUF having income from presumptive business |
| ITR 5 | Firms, AOPs, BOIs and LLP |
| ITR 6 | Companies other than companies claiming exemption under section 11 |
| ITR 7* | Persons including companies required to furnish return under section 139(4A) or section 139(4B) or section 139(4C) or section 139(4D) |

*ITR-7: The ITR-7 income tax form is to be filed by individuals or companies that are required to submit their returns under the following sections:



The screenshot shows the e-Filing portal homepage. At the top left is the Income Tax Department logo and the text 'e-Filing Anywhere Anytime' and 'Income Tax Department, Government of India'. To the right are navigation links: 'हिन्दी', 'About Us', 'Feedback', 'Accessibility Options', 'Contact Us', 'e-Nivaran', and 'Help'. A search bar is located on the right. Below the navigation is a banner for 'CBDT further extends the timeline for Linking PAN with Aadhaar from 31st March 2017'. The main content area is divided into three columns: 'List of Income Tax Return and Forms available for e-Filing', 'e-Proceeding' (with a description of the facility and salient features like 24/7 online submission, zero cost, and eco-friendly), and 'New To e-Filing?' (with links for 'Register Yourself', 'Login Here', and 'Help Center'). At the bottom are 'Quick Links', 'News & Updates', and 'Download' sections.

2.1 Who Should e-File

- Online filing of tax returns is easy and can be done by most assessees
- Assessee with a total income of Rs. 5 Lakhs and above
- Individual/HUF resident with assets located outside India
- An assessee required to furnish a report of audit specified under sections 10(23C) (IV), 10(23C) (v), 10(23C) (VI), 10(23C) (via), 10A, 12A (1) (b), 44AB, 80IA, 80IB, 80IC, 80ID, 80JJAA, 80LA, 92E or 115JB of the Act
- Assessee required to give a notice under Section 11(2) (a) to the assessing officer
- A firm (which does not come under the provisions of section 44AB), AOP, BOI, Artificial Juridical Person, Cooperative Society and Local Authority (ITR 5)
- An assessee required to furnish returns U/S 139 (4B) (ITR 7)
- A resident who has signing authority in any account located outside India
- A person who claims relief under sections 90 or 90A or deductions under section 91
- All companies



2.2 Types Of e-Filing

- Use Digital Signature Certificate (DSC) to e-file. It is mandatory to file IT forms using Digital Signature Certificate (DSC) by a chartered accountant
- If you e-file without DSC, ITR V form is generated, which should then be printed, signed and submitted to CPC, Bangalore by ordinary post or speed post within 120 days from the date of e-filing
- You can file e-file IT returns through an E-return Intermediary (ERI) with or without DSC

2.3 Steps to Follow To File Income Tax Returns

Filing your income tax returns online doesn't have to be a complicated process. Simply follow the below steps.

First, log on to IncomeTaxIndiaeFiling.gov.in And register on the website.

- Your Permanent Account Number (PAN) is your user ID
- View your tax credit statement or Form 26AS. The TDS as per your Form 16 must tally with the figures in Form 26AS
- Click on the income tax return forms and choose the financial year
- Download the ITR form applicable to you. If you're exempt income exceeds Rs. 5,000, the appropriate form will be ITR-2 (If the applicable form is ITR-1 or ITR 4S, you can complete the process on the portal itself, by using the 'Quick e-file ITR' link - this has been explained below)
- Open excel utility (the downloaded return preparation software) and fill out the form by entering all details using your Form 16
- Check the tax payable amount by clicking the 'calculate tax' tab
- Pay tax (if applicable) and fill in the challan details
- Confirm all the data provided in the worksheet by clicking the 'validate' tab
- Generate an XML file and save it on your desktop
- Go to 'upload return' on the portal's panel and upload the saved XML file
- A pop-up will be displayed asking you to digitally sign the file. In case you have obtained a digital signature, select 'Yes'. If you have not got digital signature, choose 'No'
- The acknowledgment form, ITR Verification (ITR-V) will be generated which can be downloaded by you
- Take a printout of the form ITR-V and sign it in blue ink
- Send the form by ordinary or speed post to the Income-Tax Department-CPC, Post Bag No. 1, Electronic City Post Office, Bangalore, 560 100, Karnataka within 120 days of filing your returns online

2.4 Things to Watch Out For

- If the same mobile number or email address is used for more than four taxpayers, you cannot file returns on the website, unless the required change is done. For instance, in some cases, more than five returns may be filed yours, wife, mother, mother-in-law and the Hindu undivided family (HUF) of which you are the Karta, the executor of a will
- If your name mentioned in your bank documents or official statements is even slightly different from the one given in the PAN card, the portal will consider you a different individual. In certain instances, some individuals give their father's name as their 'middle' name in their PAN card, but do not use it for their bank accounts
- If a non-resident Indian must file income tax returns, he will need both an India number and a foreign number

1. TDS on additional payments made when purchasing immovable property

From September 1, 2020, while buying a property, you will have to include the payment made for other services or amenities such as club membership fee, car parking fee, electricity and water facility fee and so on when computing the amount paid for the property for the purpose of deducting TDS.

2. TDS on cash withdrawals from bank account

Cash withdrawals exceeding Rs 1 crore on aggregate basis during the year from an account held with a bank, cooperative bank or post office will invite levy of TDS from September 1. The move is aimed at discouraging large cash transactions and also to promote a less cash economy. A new section 194N has been inserted in the Income Tax Act which defines that TDS will be levied at the rate of two per cent on cash withdrawals made from the account.

3. TDS on payments made by individuals and HUFs to contractors and professionals

From September 1, individuals and HUFs making a payment to contractors and professionals exceeding Rs 50 lakh in aggregate per annum will also be required to deduct TDS at the rate of 5 per cent.

This would mean that individuals making payments over this limit for house renovation, wedding functions or for any other purpose to a single professional in a year would be required to deduct tax at the time of making the payment.

A new section 194N has been inserted in the Income Tax Act for this purpose. However, in order to provide ease of compliance, individuals and HUFs, deducting the tax will not be required to obtain TAN (tax deduction account number). The new law will be applicable to all the payments made by the individual whether for personal use or for business purposes (in case their accounts are not required to be audited.)

4. TDS on non-exempt portion of life insurance

If life insurance maturity proceeds received by you are taxable in your hands, then TDS will be deducted at the rate of five per cent on the net income portion. The net income portion is defined as the total sum received less of total amount of insurance premium paid.

Currently, proceeds received at the maturity of a life insurance policy are exempted from tax if the annual premium paid does not exceed 10 per cent (20 per cent in case of insurance policies sold prior to April 2012) of the sum assured.

5. Banks and FIs can be asked to report even small transactions

Till now banks and other financial institutions are required to report specified financial transactions if the amount exceeded the threshold limit. In most of the reportable transactions, the limit has been Rs 50,000 or more. These transactions were to be reported to the income tax department through a Statement of Financial Transactions (SFT) required to be filed by all banks and FIs.

However, the government has widened the scope of reporting requirement for such transactions by removing the minimum floor of Rs 50,000, above which financial transactions are required to be reported. This has been done via legislation introduced in the last budget. This means that from September 1, banks and FIs can be asked to report even small transactions to the tax department which in turn can use the data to check your ITR.

6. If PAN is not linked with Aadhaar

As per rules existing prior to changes announced in July Budget 2019 PAN would have become invalid if not linked with Aadhaar by a specified deadline. This would have meant that in case of a person's PAN becoming invalid, it would be treated as if the person never had a PAN. However, to protect the validity of previous transactions done using the PAN, Budget 2019 changed the rules such that PAN will become now become inoperative but not invalid if not linked with Aadhaar by the specified deadline.

7. Inter-changeability of PAN and Aadhaar and mandatory quoting in prescribed transactions

Another important announcement in Budget 2020 was inter-changeability of PAN and Aadhaar. Aadhaar can be quoted in lieu of PAN only for certain prescribed transactions. Though the new law comes into effect from September 1, the government is yet to notify the certain prescribed transactions.

10-point Vision for the decade

- Building Team India with Jan Bhagidari: Minimum Government Maximum Governance.
- Achieving green Mother Earth and Blue Skies through a pollution-free India.
- Making Digital India reach every sector of the economy.
- Launching Gaganyaan, Chandrayan, other Space and Satellite programmes.
- Building physical and social infrastructure.
- Water, water management, clean rivers.
- Blue Economy.
- Self-sufficiency and export of food-grains, pulses, oilseeds, fruits and vegetables.
- Achieving a healthy society via Ayushman Bharat, well-nourished women & children, safety of citizens.
- Emphasis on MSMEs, Start-ups, defence manufacturing, automobiles, electronics, fabs and batteries, and medical devices under Make in India.

Direct Taxes

- Tax rate reduced to 25% for companies with annual turnover up to Rs. 400 crore
- Surcharge increased on individuals having taxable income from Rs. 2 crore to Rs. 5 crore and Rs. 5 crore and above.
- India's Ease of Doing Business ranking under the category of 'paying taxes' jumped from 172 in 2017 to 121 in the 2020.
- Direct tax revenue increased by over 78% in past 5 years to Rs. 11.37 lakh crore
- Tax Simplification and Ease of living - making compliance easier by leveraging technology:
- **Interchangeability of PAN and Aadhaar**
 - Those who don't have PAN can file tax returns using Aadhaar.
 - Aadhaar can be used wherever PAN is required.
- **Pre-filing of Income-tax Returns for faster, more accurate tax returns**
 - Pre-filled tax returns with details of several incomes and deductions to be made available.
 - Information to be collected from Banks, Stock exchanges, mutual funds etc.
- **Faceless e-assessment**
 - Faceless e-assessment with no human interface to be launched.
 - To be carried out initially in cases requiring verification of certain specified transactions or discrepancies.

Affordable housing

- Additional deduction up to Rs. 1.5 lakhs for interest paid on loans borrowed up to 31st March, 2020 for purchase of house valued up to Rs. 45 lakh.
 - Overall benefit of around Rs. 7 lakh over loan period of 15 years.

Boost to Electric Vehicles

- Additional income tax deduction of Rs. 1.5 lakh on interest paid on electric vehicle loans.
- Customs duty exempted on certain parts of electric vehicles.

Other Direct Tax measures

- Simplification of tax laws to reduce genuine hardships of taxpayers:
 - Higher tax threshold for launching prosecution for non-filing of returns
 - Appropriate class of persons exempted from the anti-abuse provisions of Section 50CA and Section 56 of the Income Tax Act.

Relief for Start-ups

- Capital gains exemptions from sale of residential house for investment in start-ups extended till FY21.
- 'Angel tax' issue resolved- start-ups and investors filing requisite declarations and providing information in their returns not to be subjected to any kind of scrutiny in respect of valuations of share premiums.
- Funds raised by start-ups to not require scrutiny from Income Tax Department
 - E-verification mechanism for establishing identity of the investor and source of funds.
- Special administrative arrangements for pending assessments and grievance redressal
 - No inquiry in such cases by the Assessing Officer without obtaining approval of the supervisory officer.
- No scrutiny of valuation of shares issued to Category-II Alternative Investment Funds.
- Relaxation of conditions for carry forward and set off of losses.

NBFCs

- Interest on certain bad or doubtful debts by deposit taking as well as systemically important non-deposit taking NBFCs to be taxed in the year in which interest is actually received. International Financial Services Centre (IFSC)

International Financial Services Centre (IFSC)

Direct tax incentives proposed for an IFSC:

- 100 % profit-linked deduction in any ten-year block within a fifteen-year period.
- Exemption from dividend distribution tax from current and accumulated income to companies and mutual funds.
- Exemptions on capital gain to Category-III Alternative Investment Funds (AIFs).
- Exemption to interest payment on loan taken from non-residents.

Securities Transaction Tax (STT)

- STT restricted only to the difference between settlement and strike price in case of exercise of options.

Indirect Taxes

Make In India

- Basic Customs Duty increased on cashew kernels, PVC, tiles, auto parts, marble slabs, optical fibre cable, CCTV camera etc.
- Exemptions from Custom Duty on certain electronic items now manufactured in India withdrawn.
- End use based exemptions on palm stearin, fatty oils withdrawn.
- Exemptions to various kinds of papers withdrawn.
- 5% Basic Custom Duty imposed on imported books.
- Customs duty reduced on certain raw materials such as:
 - Inputs for artificial kidney and disposable sterilised dialyser and fuels for nuclear power plants etc.
 - Capital goods required for manufacture of specified electronic goods.

Defence

- Defence equipment not manufactured in India exempted from basic customs duty

Other Indirect Tax provisions

- Export duty rationalised on raw and semi-finished leather
- Increase in Special Additional Excise Duty and Road and Infrastructure Cess each by Rs. 1 per litre on petrol and diesel
- Custom duty on gold and other precious metals increased
- Legacy Dispute Resolution Scheme for quick closure of pending litigations in Central Excise and Service tax from pre-GST regime.

Income Tax Slabs 2020 – 2021 for Individuals & HUF below 60 Years of Age

| Taxable income slabs | Tax and Cess | | Change In Amount | |
|--------------------------------|---------------------------|------------------|---------------------------|-----------------------------|
| | Income tax rates and cess | Educational cess | Post Budget Tax Liability | Increase in TAX due to cess |
| Up to Rs. 2,50,000 | Nil | Nil | - | - |
| Rs. 2,50,001 to Rs. 5,00,000 | 5% | 5% | 13,000 | 125 |
| Rs. 5,00,001 to Rs. 7,50,000 | 20% | 10% | 1,17,000 | 1,125 |
| Rs. 7,50,001 to Rs. 10,00,000 | 20% | 15% | 2,73,000 | 2,625 |
| Rs. 10,00,001 to Rs. 12,50,000 | 30% | 20% | | |
| Rs. 12,50,001 to Rs. 15,00,000 | 30% | 25% | | |
| Above Rs. 15,00,000 | 30% | 30% | | |

***Rebate of Rs 12,500 will be available for taxpayers with taxable income up to Rs 5 lakh available under Section 87A**

Income Tax Slabs 2020 – 2021 for Senior Citizens (Aged 60 Years but Less than 80 Years)

| Taxable income slabs | Tax and Cess | | Change In Amount | |
|--------------------------------|---------------------------|------------------|---------------------------|-----------------------------|
| | Income tax rates and cess | Educational cess | Post Budget Tax Liability | Increase in TAX due to cess |
| Up to Rs. 2,50,000 | Nil | Nil | - | - |
| Rs. 2,50,001 to Rs. 3,00,000 | Nil | 5% | 10,400 | 100 |
| Rs. 3,00,001 to Rs. 5,00,000 | 5% | 5% | 1,14,400 | 1,100 |
| Rs. 5,00,001 to Rs. 7,50,000 | 20% | 10% | 2,70,400 | 2,600 |
| Rs. 7,50,001 to Rs. 10,00,000 | 20% | 15% | | |
| Rs. 10,00,001 to Rs. 12,50,000 | 30% | 20% | | |
| Rs. 12,50,001 to Rs. 15,00,000 | 30% | 25% | | |
| Above Rs. 15,00,000 | 30% | 30% | | |

***Rebate of Rs 12,500 will be available for taxpayers with taxable income up to Rs 5 lakh available under Section 87A**

Income Tax Slabs 2020 – 2021 for Super Senior Citizens (Above 80 Years)

| Taxable income slabs | Tax and Cess | | Change In Amount | |
|--------------------------------|---------------------------|------------------|---------------------------|-----------------------------|
| | Income tax rates and cess | Educational cess | Post Budget Tax Liability | Increase in TAX due to cess |
| Up to Rs. 2,50,000 | Nil | Nil | - | - |
| Rs. 2,50,001 to Rs. 5,00,000 | Nil | 5% | 1,04,000 | 1,000 |
| Rs. 5,00,001 to Rs. 7,50,000 | 20% | 10% | 2,60,000 | 2,500 |
| Rs. 7,50,001 to Rs. 10,00,000 | 20% | 15% | | |
| Rs. 10,00,001 to Rs. 12,50,000 | 30% | 20% | | |
| Rs. 12,50,001 to Rs. 15,00,000 | 30% | 25% | | |
| Above Rs. 15,00,000 | 30% | 30% | | |

Surcharge to be levied for F.Y. 2020 - 21

| Taxable Income | Surcharge (%) |
|--|---------------|
| Total income above Rs.50 Lakh but below Rs. 1 Crore | 10 |
| Total income above Rs.1 Crore but below : Rs. 2 Crore | 15 |
| Total income above Rs.2 Crore but below 5 Crore | 25 |
| Total income above Rs.5 Crore | 37 |

For Non-Resident Individuals (NRI), the basic exemption limit is of Rs. 2.5 lakh in a financial year irrespective of their age

Note: Surcharge and cess shall be continued to be levied at the existing rates.

Sec-80EEA- Tax benefit on the new housing loans, additional deduction of Rs.150,000/- extended for the loans taken till March 31, 2021.

What changed for Super HNIs?

Income Between 2 Crore and 5 Crore

| | Existing | Proposed |
|--------------------|--------------------|-------------|
| Total Income | 3,00,00,000 | 3,00,00,000 |
| Deduction Claimed | -6,00,000 | -6,00,000 |
| New Taxable Income | 2,94,00,000 | 2,94,00,000 |
| Tax on this | 86,32,500 | 86,32,500 |
| Surcharge | 12,94,875 | 21,58,125 |
| Cess | 3,97,095 | 4,31,625 |
| Total Tax | 1.03 Crore | 1.12 Crore |
| Higher By | 8.98 Lakh Per Year | |
| | 74,815 Per Year | |

Income Above 5 Crore

| | Existing | Proposed |
|--------------------|--------------------|-------------|
| Total Income | 6,00,00,000 | 6,00,00,000 |
| Deduction Claimed | -10,00,000 | -10,00,000 |
| New Taxable Income | 5,90,00,000 | 5,90,00,000 |
| Tax on this | 1,75,12,500 | 1,75,12,500 |
| Surcharge | 26,26,875 | 64,79,625 |
| Cess | 8,05,575 | 9,59,685 |
| Total Tax | 2.09 Crore | 2.49 Crore |
| Higher By | 40 Lakh Per Year | |
| | 3.33 Lakh Per Year | |

What are the benefits of filling income tax returns (ITR)?

Filing returns or not has never been a choice – it's a legal obligation and must be fulfilled by everyone who falls under the prescribed category. Apart from legal obligation, filing tax returns is helpful in the following situations:

- To get a home or personal loan
- For visa and immigration processing
- As a proof of income/ net worth certificate
- To claiming excess tax paid via refund
- Apply for a higher insurance cover
- And last and most important is, peace of mind

Why do I need to file tax return if my company deducts tax at source (TDS) and pays it to the government?

A) Although tax is deducted at source (TDS), and you're not liable to any more tax to the government, it is compulsory to file returns if your income exceeds the basic exemption limit. Tax returns act as a declaration to the government that you have derived income only from the source revealed by you, and no other. It's like getting a No Objection Certificate (NOC) from the library when you leave college, even if you never stepped into the library, to reveal to the authorities that you have no pending books to return.

Are gifts from certain relatives not taxable?

Gifts from following relatives are not taxable as per the Income Tax Act:

1. Spouse of the individual
2. Brother or Sister of the individual
3. Brother or Sister of the spouse of the Individual
4. Brother or sister of either of the parents of the individual
5. Any lineal ascendant or descendant of the individual such as grandfather, great grandfather, grandson or great grandson
6. Any lineal ascendant or descendant of the spouse of the individual such as grandfather, great grandfather, grandson or great grandson
7. Spouses of the people mentioned in point 2 to 7.

What are the benefits of obtaining a Permanent Account Number [PAN] and PAN Card?

A Permanent Account Number has been made compulsory for every transaction with the Income-tax Department. It is also mandatory for numerous other financial transactions such as opening of bank accounts, in bank account, deposit of cash in bank account, opening of DEMAT account, transaction of immovable properties, dealing in securities, etc. A PAN card is a valuable means of

photo identification accepted by all Government and non-Government institutions in the country. Is rental income from sub-letting chargeable to tax under the head "Income from house property"? Rental income in the hands of owner is charged to tax under the head "Income from house property". Rental income of a person other than the owner cannot be charged to tax under the head "Income from house property". Hence, rental income received by a tenant from sub-letting cannot be charged to tax under the head "Income from house property". Such income is taxable under the head "Income from other sources" or profits and gains from business or profession.

Are retirement benefits like PF and Gratuity taxable?

In the hands of a Government Employee Gratuity and PF receipts on retirement are exempt from tax. In the hands of non-Government employee, gratuity is exempt subject to the limits prescribed in this regard and PF receipts are exempt from tax, if the same are received from a recognized PF after rendering continuous service of not less than 5 years.

Even if no taxes have been deducted from salary, is there any need for my employer to issue Form-16 to me?

Form-16 is a certificate of TDS. In your case it will not apply. However, your employer can issue a salary statement.

If my income is taxed in India as well as abroad, can I claim any sort of relief because of double taxation?

Yes, you can claim relief in respect of income which is charged to tax both in India as well as abroad. Relief is either granted as per the provisions of double taxation avoidance agreement entered into with that country (if any) by the Government of India or by allowing relief as per section 91 of the Act in respect of tax paid in the foreign country.

What is exempt income and taxable income?

An exempt income is not charged to tax, i.e., Income-tax Law specifically grants exemption from tax to such income. Incomes which are chargeable to tax are called as taxable incomes.

If I win a lottery or prize money in a competition, am I required to pay Income-tax on it?

Yes, such winnings are liable to flat rate of tax at 30% without any basic exemption limit. In such a case the payer of prize money will generally deduct tax at source (i.e., TDS) from the winnings and will pay you only the balance amount.

Can a person change Tax Regime year on year?

- The persons who have Income from sources of Salary, House Property, Capital Gain and from other sources are allowed to select tax regime year on year basis. However, those having Income from Business Profession are allowed to select tax regime only once in lifetime.

Is Standard Deduction of Rs. 50000 available under new tax regime to Individuals having Income from Salary?

- The main condition of availing an option of paying tax at concessional rates on Income up to Rs. 15 Lacs is "to forego certain tax deductions and exemptions". Here Deductions includes Standard deduction which is otherwise available of Rs. 50000 to those having Income from Salary. It means that Standard Deduction is not available under new tax regime.

Can a person opting New Tax Regime avail benefit of Rebate u/s 87A?

- The new tax regime only talks about foregoing most of the exemptions and deductions, and therefore Rebate u/s 87A is available under both Old as well as New Tax Regime.

4) If Employee does not give Intimation of going for new tax regime to the employer while deciding tax liability and later on wish to go for new regime while filing Income Tax Return, can he do so?

- The CBDT via circular dtd. 13th April has clarified that an Employee can change the tax structure at the time of filing income tax and that the amount of TDS will be adjusted accordingly