

Personal Taxation – Options given to Taxpayer To Choose Tax Rates

Section 115BAC proposed to be inserted – granting an option to the Individual or HUFs. In non-Business Income cases, such option to be exercised **Every Year** on or before furnishing the return u/s 139(1). – In case of business income, such option can be exercised only once and same shall be valid for subsequent years as well. However, such option can be withdrawn only **ONCE** and can never be opted again.

Option I – pay taxes as per the existing tax rate slab as under: –

Income Slab of Resident Individual and HUF's*	Tax Rate
Upto Rs 2,50,000**	Nil
Rs 2,50,001 to Rs 5,00,000	5%
Rs 5,00,001 to Rs 10,00,000	20%
Above Rs 10,00,000	30%

Option II – Section 115BAC – pay taxes as per the new regime as under: –

Income Slab of Resident Individual and HUF's*	Tax Rate
Upto Rs 2,50,000	Nil
Rs 2,50,001 to Rs 5,00,000	5%
Rs 5,00,001 to Rs 7,50,000	10%
Rs 7,50,001 to Rs 10,00,000	15%
Rs 10,00,001 to Rs 12,50,000	20%
Rs 12,50,001 to Rs 15,00,000	25%
Above Rs 15,00,000	30%

The following will be applicable in Option I & II

* subject to rebate u/s 87A if total income does not exceed Rs 5 Lakh
** Rs 3,00,000 in case of Senior Citizen and Rs 5,00,000 in case of Super senior Citizens

- Health and Education Cess: 4% Cess on income tax including surcharge
- Rebate under Section 87A: Rs 12,500 or 100% of income tax (whichever is lower) for individuals with income below Rs 5 Lakhs
- Surcharge:
 - 10% surcharge on tax if the total income exceeds Rs 50 Lakhs but below Rs 1 crore
 - 15% surcharge on tax if the total income exceeds Rs 1 crore but below Rs 2 crore
 - 25% surcharge on tax if the total income exceeds Rs 2 crore but below Rs 5 crore
 - 37% surcharge on income tax if the total income exceeds Rs 5 crore

Comparison of Option I and Option II

Benefits of Exemptions / Deductions	Option I	Option II
	Existing	New
Section 10(5) – Travel concession	√	x
Section 10(13A) – House Rent Allowance	√	x
Section 10(14) – Various allowances to employees	√	x
		(will be notified)
Section 10(17) – Daily allowance	√	x
Section 10(32) – Minor child income deduction	√	x
Section 10AA – Income from SEZ	√	x
Section 16 – Deduction from Salary (Standard Deduction, Professional Tax)	√	x
Section 17 Rule 3 – Free Food & Beverage Through Vouchers Provided by employer	√	x
Section 24(b) – Interest for self-occupied House	√	x
Section 32(1)(iia) – Additional Depreciation	√	x
Section 32AD – Investment in Backward Area Deduction	√	x
Section 33AB – Tea, Coffee, Rubber development account	√	x
Section 33ABA – Site Restoration Fund	√	x
Section 35 – Few clauses of scientific research expenditure	√	x
Section 35AD – Deduction for specified business	√	x
Section 35CCC – Expenditure on agriculture extension project	√	x
Section 57(iia) – deduction for family pension	√	x
Any deduction under chapter VIA (like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc). However, deduction under sub-section (2) of section 80CCD (employer contribution on account of employee in notified pension scheme such as NPS) and section 80JJAA (for new employment) can be availed.	√	x
Set off of carried forward or depreciation from any earlier assessment year – in respect of above items	√	x
Set off of loss of house property of the same year	√	x
Any exemption or deduction for allowances or perquisite, by whatever name called	√	x

Loss under the head income from house property for rented house shall not be allowed to for set off under any other head and would be allowed to be carried forward as per extant law.

Exemptions Allowed

However, following allowances notified under section 10(14) of the Act to the Individual or HUF exercising option under the proposed section shall be allowed:

1. Transport Allowance granted to a divyang employee to meet expenditure for the purpose of commuting between place of residence and place of duty
2. Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office;
3. Any Allowance granted to meet the cost of travel on tour or on transfer;
4. Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty
5. Standard Deduction on rent
6. Agricultural Income
7. Income from Life Insurance
8. VRS proceeds
9. Retrenchment Compensation, Leave encashment on retirement, other retirement benefits
10. EPFO: Employers contribution, commutation of pension
11. NPS withdrawal benefits
12. Education scholarships

Note: Once you adopt the new tax slab by not using any deductions or exemptions, you are just forgoing the tax saving part of these schemes. However, the interest earned and maturity amount will remain tax free for you as it was earlier.

Earlier these products used to classified as EEE (Exempt-Exempt-Exempt) but now they turned into TEE (Taxable-Exempt-Exempt).

– Assessee must choose the option very wisely after making proper cost benefit analysis.

Note: The above are proposals subject to approval of The Finance Bill.

Tax Rates On Partnership Firms & Companies

Tax rates on partnership firms remains unchanged @ 30%, Surcharge at 12 per cent where, income exceeds 10 million, Health and Education Cess 4% of income **tax** plus surcharge.

3) Corporate tax rate remains unchanged i.e.

COMPANY	RATE (%)
Domestic	
1 MSME / New enterprise	25
2 Others	30
3 Foreign	40

Notes-

a) Surcharge remains at 7 per cent and 12 per cent where income exceeds 10 million and 100 million respectively

b) The benefit of lower rate of tax is applicable to companies with turnover up to 4 billion during financial year 2018-19

c) Surcharge remains at 2 per cent and 5 per cent where income exceeds 10 million and 100 million respectively

4) Concessional Tax Scheme

COMPANY	RATE (%)
Domestic	
1 New enterprise	15
2 Others	22

Notes-

a) Surcharge at 10 per cent and education cess at 4 per cent will be applicable

b) The benefit applicable to companies registered on or after October 1, 2019 and commencing manufacturing (including electricity generation) on or before March 31, 2023 with certain conditions

c) Deductions under chapter VIA restricted for availing concessional tax rate