

INCOME TAX

POINTS OF PRESENTATION

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INTRODUCTION

WHAT IS TAX ? & WHY IT IS REQUIRED?

TAX IS A PART OF AN INDIVIDUAL'S EARNING WHICH IS REQUIRED TO BE PAID TO THE GOVERNMENT IN ORDER TO GENERATE REVENUE. IT IS A MANDATORY LIABILITY FOR EVERY CITIZEN OF THE COUNTRY. THERE ARE TWO TYPES OF TAX IN INDIA I.E. **DIRECT** AND **INDIRECT TAX**. INCOME TAX IS **DIRECT TAX**.

WHY TAX IS REQUIRED?

INCOME TAX IS THE MAIN SOURCE OF INCOME FOR THE GOVT. TAX MONEY IS USED IN INITIATING VARIOUS WELFARE AND OTHER ACTIVITIES SUCH AS

INTRODUCTION

- PROVIDING HEALTHCARE FACILITIES
- PROVIDING EDUCATION THROUGH GOVT SCHOOLS WHERE FEE IS NEGLIGIBLE
- SUBSIDY ON COOKING GAS, FERTILIZERS AND OTHER ESSENTIAL COMMODITIES.
- SALARY AND PENSION TO LAKHS OF GOVT EMPLOYEES.
- NATIONAL SECURITY AND INFRASTRUCTURE DEVELOPMENT

BRIEF HISTORY OF INCOME TAX

- **ORIGIN OF TAXATION IN INDIA DATES BACK TO ANCIENT INDIA AS FOUND MENTIONED IN ANCIENT BOOKS SUCH AS ARTHA SHASTRA AND MANUSMRITI.**
- **ACCORDING TO MANUSMRITI ARTISANS USED TO PAY 1/5TH OF THEIR PROFITS AS TAX WHEREAS AGRICULTURIST WERE REQUIRED TO PAY 1/6TH, 1/8TH OR 1/10TH OF THEIR PRODUCE DEPENDING UPON THE CIRCUMSTANCES.**



BRIEF HISTORY OF INCOME TAX

IN MODERN INDIA, TAX WAS INTRODUCED FOR THE FIRST TIME IN 1860 BY SIR JAMES WILSON IN ORDER TO MEET THE LOSSES SUSTAINED ON ACCOUNT OF MILITARY MUTINY OF 1857. THIS WAS THE FIRST INCOME TAX ACT OF MODERN INDIA.

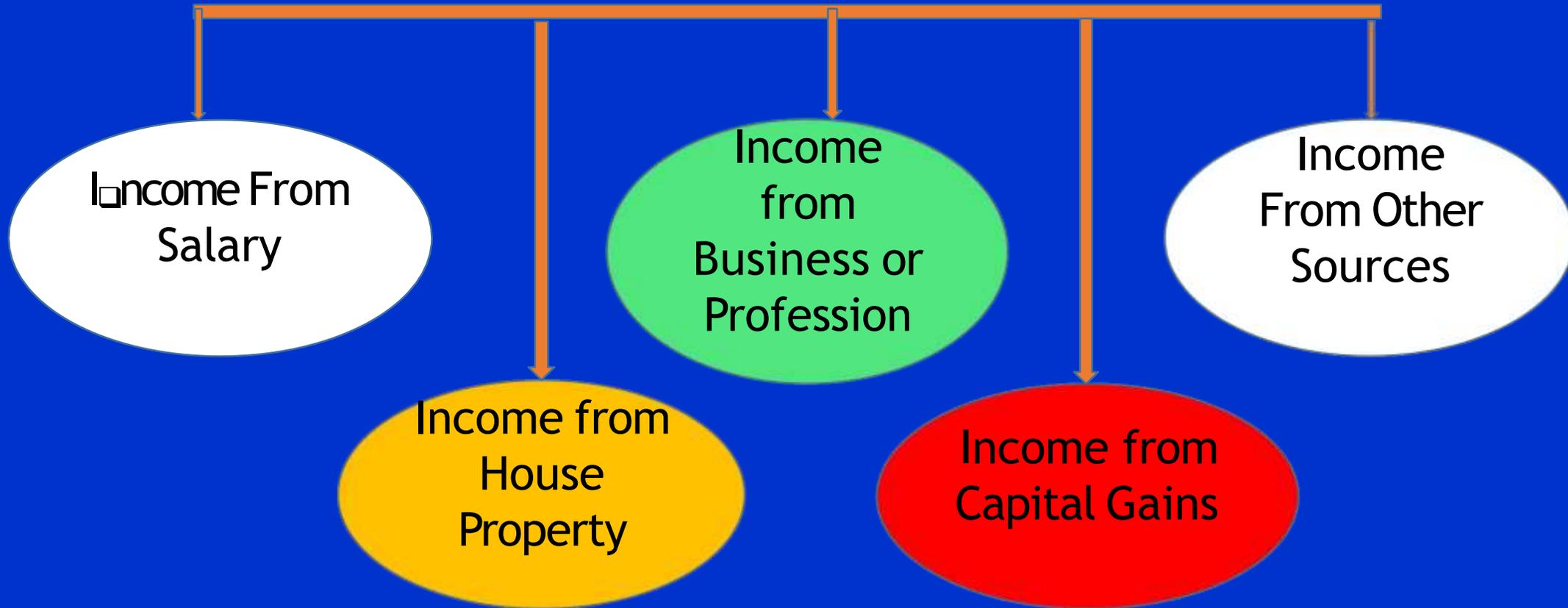
SUBSEQUENTLY ANOTHER INCOME TAX ACTS WERE PASSED DURING 1886, 1918 AND 1922.

INCOME TAX ACT 1922 WAS THE LAST INCOME TAX OF BRITISH INDIA AND REMAINED IN FORCE TILL 1962.

BRIEF HISTORY OF INCOME TAX

- IN INDEPENDENT INDIA THE INCOME TAX ACT 1922 WAS REPLACED WITH INCOME TAX ACT 1961 WHICH WAS IMPLEMENTED WEF. 01 APR 1962 AND IT IS STILL IN FORCE.
- SINCE 1962 SEVERAL AMENDMENTS OF FAR REACHING NATURE HAVE BEEN MADE IN INCOME TAX ACT BY THE UNION BUDGET EVERY YEAR.

HEADS OF INCOME



IMPORTANT TERMS

- ❑ ASSESSEE
- ❑ ASSESSMENT YEAR & PREVIOUS YEAR
- ❑ RESIDENTIAL STATUS
- ❑ GROSS TOTAL INCOME
- ❑ DEDUCTIONS
- ❑ TOTAL INCOME

IMPORTANT TERMS

- **ASSESSEE** MEANS A PERSON BY WHOM ANY TAX OR ANY OTHER SUM OF MONEY IS PAYABLE UNDER THIS ACT. IN SIMPLE TERM THE ASSESSEE MEANS “**TAX PAYERS**”

- **ASSESSMENT YEAR & PREVIOUS YEAR:-**

ASSESSMENT YEAR MEANS THE PERIOD STARTING FROM APRIL 1 AND ENDING ON MARCH 31 OF THE NEXT YEAR AND PREVIOUS YEAR MEANS THE FINANCIAL YEAR IMMEDIATELY BEFORE THE ASSESSMENT YEAR.



IMPORTANT TERMS Cont....,

- RESIDENTIAL STATUS:- THERE ARE THREE TYPES OF RESIDENTIAL STATUS OF ASSESSEES AS PER INCOME TAX ACT 1961.

RESIDENT- MEANS A CITIZEN OF INDIA WHO RESIDED IN INDIA FOR A PERIOD OF 182 DAYS OR MORE IN DURING PREVIOUS YEAR. HIS INCOME EARNED ANY WHERE IN THE WORLD WILL BE TAXABLE IN INDIA.

NON RESIDENT(NRI)- INCOME EARNED IN INDIA ONLY WILL BE SUBJECT TO INCOME TAX IN INDIA.

RESIDENT BUT NOT RESIDING IN INDIA- CITIZEN OF INDIA WHO STAYED IN INDIA FOR LESS THAN 182 DAYS DURING PREVIOUS YEAR. HIS/HER INCOME ARISING OUTSIDE INDIA MAY ALSO BE TAXABLE IN INDIA.

IMPORTANT TERMS Cont....,

GROSS TOTAL INCOME – IT COMPRISES SUM OF THE INCOME EARNED THROUGH ALL THE FIVE HEADS OF INCOME WITHOUT ANY DEDUCTION.

DEDUCTIONS – THE AMOUNT WHICH IS ALLOWED TO BE DEDUCTED FROM GROSS TOTAL INCOME BEFORE DETERMINING TAX LIABILITY OF AN ASSESSEE SUCH AS CERTAIN SAVINGS, DONATIONS ETC.

TOTAL INCOME - IT IS GROSS TOTAL INCOME (MINUS) DEDUCTIONS. THIS IS THE NET TAXABLE INCOME OF ASSESSEE.

CURRENT INCOME TAX RATES

INCOME TAX RATES FOR CURRENT FINANCIAL YEAR I.E. 2019-20

GENERAL PUBLIC BELOW 60 Years OF AGE		SENIOR CITIZENS 60-80 Yrs		VERY SENIOR CITIZENS (ABOVE 80Yrs OF AGE)	
Income Range	Tax	Income Range	Tax	Income Range	Tax
➤ Upto Rs.2.5 Lakh	Nil	➤ Upto 3 Lakh	Nil	➤ Upto 5 Lakh	Nil
➤ Above 2.5 to 5 Lakh	5%	➤ Above 3 to 5 Lakh	5%	➤ Above 5 to 10 Lakh	20%
➤ Above 5 to 10 Lakh	20%	➤ Above 5 to 10 Lakh	20%	➤ Above 10 Lakh	30%
➤ Above 10 Lakh	30%	➤ Above 10 Lakh	30%		

❑ Education Cess 3% +Health Cess 1 % of Income tax for all tax payers.

❑ Tax credit of Rs. 12,500/- or actual amt of tax for income of Rs. 5 Lakhs or less u/s 87A.

❑ Standard deduction of Rs. 50,000/-for Salaried and Pensioners

❑ There are no separate slab for male & Female.

EXEMPTIONS & DEDUCTIONS

- EXEMPTIONS: IT IS THE PART OF INCOME WHICH IS NOT TAXABLE. IT IS REQUIRED TO BE DEDUCTED BEFORE COMPUTING GROSS TOTAL INCOME. E.G. CFA @ RS.2600/-PM, MFA @ RS.1000/PM SO ON. IN ANY CASE EXEMPTIONS CAN NOT BE MORE THAN GROSS TOTAL INCOME.
- DEDUCTIONS: AMOUNT OF EXPENDITURE INCURRED BY INDIVIDUAL TOWARDS SPECIFIC INVESTMENT, DONATIONS, INSURANCE ETC. THESE AMOUNTS ARE DEDUCTED FROM GROSS TOTAL INCOME BEFORE COMPUTING TAX LIABILITY. LIST OF SOME DEDUCTIONS ARE APPENDED AT NEXT PAGE.

IMPORTANT EXEMPTIONS

Name of Allowances	Amount of exemption	Name of Allowances	Amount of exemption
High Altitude Allowance	Rs.1600/- pm	Siachin Allowance	Rs.7000/-pm
Spl Compensatory Allowance	Rs.1300/pm	CEA	Rs.100/pm per child
Hostel Subsidy	Rs.300/-pm	CFA	Rs.2600/pm
MFA	Rs.1000/-pm	CI Allowance	Rs.3900/pm
HAFA	Rs.4200/-	Island Special Duty Allowance	Rs.3250/pm
Monetary Allowance for Gallantry Awards	Fully Exempted		
House Rent Allowance	Up to certain amount based on specific conditions. Explained separately.		

IMPORTANT EXEMPTIONS

Cont...

❑ AMOUNT OF EXEMPTION ON HRA:-

MINIMUM OF THE FOLLOWING (A,B,AND C) WILL BE THE AMOUNT OF EXEMPTION HOUSE RENT ALLOWANCE.

(a) AMOUNT OF HRA

(b) RENT PAID (MINUS) 10 % OF PAY (BASIC PAY)

(c) 50% OF PAY (BASIC PAY) IF RESIDING IN METRO AND 40% OF PAY IF RESIDING IN A CITY OTHER THAN METRO.

IMPORTANT DEDUCTIONS

Section (of IT Act 1961)	Details of Deductions	Maximum Amount
80C	PF SUBSCRIPTION, GIS SUBSCRIPTION, LIC PREMIUM, REFUND OF HOUSE BUILDING LOAN (PRINCIPAL), REFUND OF EDUCATION LOAN (PRINCIPAL), PAYMENT OF TUITION FEE FOR HIGHER EDUCATION, TERM DEPOSIT FOR NOT LESS THAN 5 YEARS IN A SCHEDULED BANK, POST OFFICE 5 YEARS TERM DEPOSIT ,CONTRIBUTION TO CERTAIN PENSION FUNDS.	RS.1,50,000/-
80CCD	CONTRIBUTION UNDER NEW PENSION SCHEME	RS.50,000/-
80D	CGHS/ECHS CONTRIBUTION, EXPENSES ON PREVENTIVE HEALTH CHECK UP, MEDICAL INSURANCE PREMIUM	RS.25000/ RS.50000/- (FOR SENIOR CITIZENS)

IMPORTANT DEDUCTIONS

Section (of IT Act 1961)	Details of Deductions	Maximum Amount
80DD	MAINTENANCE & MEDICAL TREATMENT OF PERSON WITH DISABILITY.	RS.75,000/- (UP TO 80% DISABILITY) RS.1,25,000/- (IN CASE OF SEVERE DISABILITY (<80%))
80DDB	TREATMENT FOR SPECIFIC DISEASES I.E. CANCER, AIDS,CHRONIC RENAL FAILURE,HAEMOPHILIA, THALASSAEMIA, DEMENTIA,ETC	RS.40,000/- RS.1,00,000/- IN CASE OF SENIOR CITIZEN.
80E	PAYMENT OF INTEREST ON EDUCATION LOAN	FULL AMOUNT OF INTEREST TILL REFUND OF LOAN/FOR 8 YEARS WHICH EVER IS EARLIER.
80EE	PAYMENT OF INTEREST ON HOUSING LOAN AVAILED DURING 01 APR 2016 TO 31 MAR 2017. (LOAN AMOUNT UPTO 35 LAKH)	RS.50,000/-

IMPORTANT DEDUCTIONS

Cont...

SECTION (OF IT ACT 1961)	DETAILS OF DEDUCTIONS	MAXIMUM AMOUNT
24	PAYMENT OF INTEREST ON HOUSING LOAN AVAILED ON OR AFTER 01.04.1999	RS.2,00,000
80EEA	INTEREST ON HOUSING LOAN AVAILED DURING FY 2019-20 ONWARDS PROVIDED THE STAMP DUTY VALUE OF THE HOUSE DOES NOT EXCEED RS.45 LAKH	RS.1,50,000/- IT IS NOT IN ADDITION TO RS.2 LAKH U/S 24 AND RS.50000/- U/S 80EE
80EEB	INTEREST ON LOAN AVAILED TO PURCHASE ANY ELECTRONIC VEHICLE DURING FY 2019-20 ONWARDS	RS.1,50,000/-
80G	DONATION TO CERTAIN FUNDS, CHARITABLE INSTITUTIONS. E.G. IAFCWF, PMNRF ETC.	50% OR 100% OF TOTAL AMOUNT AS NOTIFIED BY GOVT. (CASH DONATION UP TO RS.2000/- ONLY)

IMPORTANT DEDUCTIONS

Cont...

Section (of IT Act 1961)	Details of Deductions	Maximum Amount
80GG	NOT DRAWING HRA AND RESIDING IN A RENTED HOUSE	TOTAL RENT PAID (-) 10% OF TOTAL INCOME/25% OF TOTAL INCOME/RS.5000/PM.
80GGA	CERTAIN DONATIONS FOR SCIENTIFIC RESEARCH OR RURAL DEVELOPMENT.	100% OF SUM DONATED. (CASH DONATION UP TO RS.10,000 ONLY)
80GGC	CONTRIBUTION TO POLITICAL PARTIES.	100% OF CONTRIBUTION. (CASH CONTRIBUTIONRS.2,000/- ONLY)
80TTA	INTEREST ON SAVING BANK ACCOUNT (FOR INDIVIDUAL BELOW 60 YRS OF AGE)	RS.10,000/-
80TTB	INTEREST ON SAVING BANK ACCOUNT (FOR SENIOR CITIZENS)	RS.50,000/-
80U	PERSON WITH DISABILITY (a) DISABILITY ABOVE 40% TO <80% (b) DISABILITY OF 80% OR MORE	(a) RS.75,000/- (b) RS.1,25,000/-

SOME USEFUL TIPS

- **PAN IS A 10 DIGIT ALPHANUMERIC NUMBER SUCH AS ADGPY1234A ALLOTTED BY IT DEPTT. THE 4TH ALPHABET OF PAN REPRESENTS THE CATEGORY OF PAN HOLDER SUCH AS 'P' FOR INDIVIDUAL/PERSON, 'C FOR COMPANY, 'F' FOR FIRMS ETC. WE ALL HAVE PAN WITH 4TH LETTER "P" SIMILARLY THE 5TH LETTER REPRESENTS THE FIRST LETTER OF "SURNAME" OR "LAST NAME OF THE PAN HOLDER.**
- **IT IS THE RESPONSIBILITY OF EVERY INDIVIDUAL TO PROVIDE VALID PAN TO HIS/HER EMPLOYER. FAILING WHICH A PENALTY OF RS.10,000/- MAY BE CHARGED AND HIGHER RATE OF TAX WILL BE DEDUCTED U/S 272B OF INCOME TAX ACT 1961. IN CASE OF AIR FORCE PERSONNEL AFCAO ACTS AS EMPLOYER.**



SOME USEFUL TIPS

- PAN ALLOTTED TO A PERSON WILL BE DEEMED INVALID IF HE/SHE FAILS TO INTIMATE AADHAR DETAILS TO INCOME TAX DEPARTMENT.
- IF PAN HAS NOT BEEN ALLOTTED, ITR CAN BE FILED USING AADHAR NUMBER.
- AS PER SECTION 139(10) OF IT ACT 1961, EVERY INDIVIDUAL HAVING TOTAL INCOME EXCEEDING RS.2.5 LAKH DURING 2019-20 IS REQUIRED TO FILE ITR BY 31 JUL 2020.
- IN CASE OF FAILURE TO FILE ITR, PROSECUTION MAY BE INITIATED UNDER SECTION 276CC OF IT ACT PROVIDED THE TAX PAYABLE BY ASSESSEE IS RS.10,000/- OR MORE.

SOME USEFUL TIPS

- ITR CAN BE FILED AFTER DUE DATE ASLO PAYING MANDATORY FINE AS TABULATED BELOW.

PERIOD OF FILING ITR	LATE FEE
01 APR TO 31 JUL	NIL
01 AUG TO 31 DEC	RS.5000/-
01 JAN TO 31 MAR (NEXT YEAR)	RS.10,000/-

However, if the total income of a person does not exceed Rs.5 Lakh, the maximum late fee will be Rs.1000/-

At the time of filing ITR after due date, if any Tax is payable, then penal interest @1% of tax per month will be levied from due date till date of filing.

SOME USEFUL TIPS

- **IN CASE OF INCOME FROM THE SALARY THE TAX IS ASSESSED BY THE EMPLOYER AND TAX IS DEDUCTED FROM MONTHLY SALARY WHICH IS CALLED TDS I.E. TAX DEDUCTED AT SOURCE.**
- **IF ANY INDIVIDUAL IS HAVING INCOME OTHER THAN FROM SALARY, THE TAX ON SUCH INCOME TO BE ASSESSED BY THE INDIVIDUAL HIMSELF WHICH IS CALLED SELF ASSESSMENT.**
- **IN SUCH CASES IF THE TOTAL TAX PAYABLE IS MORE THAN 10,000/- THE INDIVIDUAL IS REQUIRED TO PAY ADVANCE TAX AS PER THE FOLLOWING TIME SCHEDULE.**

SOME USEFUL TIPS

- **DUE DATE FOR PAYMENT OF ADVANCE TAX:-**

ON OR BEFORE 15 JUN OF PREVIOUS YEAR	UP TO 15% OF TAX PAYABLE
ON OR BEFORE 15 SEP OF PREVIOUS YEAR	UP TO 45% OF TAX PAYABLE
ON OR BEFORE 15 DEC OF PREVIOUS YEAR	UP TO 75% OF TAX PAYABLE
ON OR BEFORE 15 MAR OF PREVIOUS YEAR	UP TO 100% OF TAX PAYABLE

CONCLUSION

IN THE SUBJECT PRESENTATION VARIOUS ASPECTS OF INDIVIDUAL TAXATION WERE EXPLAINED WHICH MAY BE HELPFULL IN DEALING WITH PERSONAL TAX PLANNING. AS EXPLAINED IN THE PRESENTATION THERE ARE A NUMBER OF TAX SAVING DEDUCTIONS AVAILABLE WHICH CAN BE UTILISED TO MINIMISE THE TAX BURDEN.

INDIVIDUAL SHOULD BE AWARE ABOUT THE RESPONSIBILITY TOWARDS TAX DEDUCTION, DEPOSIT OR FILING OF ITR ETC. AS THE CASE MAY BE.

WE ALL SHOULD BE CAREFUL ABOUT LAST DATE FOR FILING OF ITR E.I. 31 JUL EVERY YEAR AND ALSO THE DUE DATE FOR DEPOSITING ADVANCE TAX IF ANY.

THANK YOU,

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