

B. L. Tulsian

M. Com., LL.B., Advocate

R. Tulsian & Co.

CHARTERED ACCOUNTANTS

Serving Clients since 1965



A BUDGET ANALYSIS FOR A Y 2020-21

From the desk of -

B.L. Tulsian
Advocate

R. Tulsian & Co LLP
Chartered Accountants

www.rtulsian.com

Contents

Amendment of Section 16	3
Amendment to Section 23	3
Amendment to Section 24	3
Insertion of proviso to Section 54	4
Amendment to Section 80IBA	4
Amendment to Section 87A	4
Amendment to Section 194A	5
Amendment to Section 194I	5
Income Tax Slabs for A.Y. 2020-21:	6
Rates of Surcharge:	7

Disclaimer:

The views expressed by the Firm are based on reading of the Finance Bill 2019 and on analysis of the relevant provisions of the Act. The firm does not accept any liability incurred by any person based on this circular. This is meant for Internal Circulation only and is for educational purposes and shall not be construed as professional advice.

The Interim Budget, 2019 was presented by **CA Piyush Goyal**, on 1st February, 2019. The key highlights are as follows:

Amendment of Section 16

The Interim Budget 2019, has amended **Section 16** of the Income Tax Act, 1961 so as to allow extra benefit to the Salaried class.

The "**Standard Deduction**" has been increased from **Rs. 40,000/- to Rs. 50,000/-**.

This will come into effect from **A.Y. 2020-21**.

Amendment to Section 23

The Interim Budget 2019, has amended **Sub Section 4 of Section 23** of the Income Tax Act, 1961 so as to allow extra benefit to persons owning 2 Residential house properties by exempting "**Notional Rent**" for the Second House.

Thus, if a person has 2 Residential house properties, the owner shall not pay any tax on "notional rent" for the second residential property.

Sub Section 5 of Section 23 of the Income Tax Act, 1961 has also been amended to exempt the persons for "*two years*" from inclusion of "*notional rent*" as income where they have houses held as "*stock in trade*". Earlier the exemption was only for "*one year*" from the end of completion of the financial year when the "*completion certificate*" from appropriate authority was received.

This will come into effect from **A.Y. 2020-21**.

Amendment to Section 24

The Interim Budget 2019, has amended **Sub Section 4 of Section 23** of the Income Tax Act, 1961, and has brought consequential **Amendment to Section 24** of the Income Tax Act, 1961 so as to allow deduction for 2 house properties as per Section 23.

Thus, now the total standard deduction and the Interest on borrowed fund u/s 24 shall include "**aggregate deductions for 2 house properties**" as specified in Section 23.

This will come into effect from **A.Y. 2020-21**.

Insertion of proviso to Section 54

The Interim Budget 2019, has inserted **a new proviso** in **sub-section 1, after clause (ii) to Section 54** of the Income Tax Act, 1961, so as to allow **benefit of Capital Gains for Purchase/Construction of two residential houses in India.**

Thus, if a person earns Long term Capital Gains on sale of any land or building and such amount does not exceed Rs. 2 crores, then the assessee has the option to purchase/construct 2 residential houses in India within the specified period. Further as per the speech of the Finance Minister, this option shall be available once in a lifetime to any assessee.

This will come into effect from **A.Y. 2020-21.**

Amendment to Section 80IBA

The Interim Budget 2019, has amended **Section 80IBA** of the Income Tax Act, 1961 so as to extend the benefits for an additional year.

Thus, for persons in the business of developing and building housing projects, the benefit of this section shall be extended till 31st day of March, 2020.

This will come into effect from **A.Y. 2020-21.**

Amendment to Section 87A

The Interim Budget 2019, has amended **Section 87A** of the Income Tax Act, 1961 so as to extend the relief to small and middle class tax payers. The relief has been increased from *erst while* **Rs. 2,500/- to Rs. 12,500/-** for people whose Total Income does not exceed **Rs. 5 lakhs.**

Thus, effectively, assessee with taxable income **upto Rs. 5,00,000/- will pay NIL tax** as compared to earlier Rs. 12,500/-.

This will come into effect from **A.Y. 2020-21.**

Amendment to Section 194A

The Interim Budget 2019, has amended **Section 194A(3)** of the Income Tax Act, 1961 to allow further savings in Interests earned from various bank/ P.O. deposits for the year without bearing TDS. The exemption limit for section 194A (3) has been increased from *erst while* **Rs. 10,000/- to Rs. 40,000/-**.

Thus, for Individuals deriving income from any Bank deposits or Post office deposits, the TDS shall be applicable only if the Total Interest payout exceeds Rs. 40,000/- in a Financial Year.

This will come into effect from **A.Y. 2020-21**.

Amendment to Section 194I

The Interim Budget 2019, has amended **Section 194I** of the Income Tax Act, 1961, to allow persons earning rental income from House Properties an additional relief of Rs. 60,000/- by way of non deduction of tax.

Thus, TDS shall now be applicable only if Rent Payouts for the year exceeds Rs. 2,40,000/- from the erstwhile Rs. 1,80,000/-.

This will come into effect from **A.Y. 2020-21**.

Income Tax Slabs for A.Y. 2020-21:

1) In case of **every Individual, HUF, AOP, BOI** whether incorporated or not, or every artificial juridical person:

Slabs of Income	Rates of Tax
where the total income does not exceed ₹2,50,000	Nil
where the total income exceeds ₹2,50,000 but does not exceed ₹5,00,000 (Note: Full rebate of tax u/s 87A is allowable on income upto Rs. 5 Lakhs)	5%
where the total income exceeds ₹5,00,000 but does not exceed ₹10,00,000	₹ 12,500/- plus 20%
where the total income exceeds ₹10,00,000	₹ 1,12,500/- plus 30%

2) In case of an individual, whose age is **more than 60 years but less than 80 years**:

Slabs of Income	Rates of Tax
where the total income does not exceed ₹3,00,000	Nil
where the total income exceeds ₹3,00,000 but does not exceed ₹5,00,000	5%
where the total income exceeds ₹5,00,000 but does not exceed ₹10,00,000	₹ 10,000/- plus 20%
where the total income exceeds ₹10,00,000	₹ 1,10,000/- plus 30%

3) In case of an individual, whose age is **more than 80 years**:

Slabs of Income	Rates of Tax
where the total income does not exceed ₹5,00,000	Nil
where the total income exceeds ₹5,00,000 but does not exceed ₹10,00,000	20%
where the total income exceeds ₹10,00,000	₹ 1,00,000/- plus 30%

4) In case of **Firms including LLP's**:

Slabs of Income	Rates of Tax
On any or whole of income earned by it	30%

5) In case of **Domestic Companies**:

Slabs of Income	Rates of Tax
Where the total turnover or gross receipts for PY does not exceed ₹250 crores	25%
Where the total turnover or gross receipts for PY exceeds ₹250 crores	30%

6) In case of **Companies other than Domestic Companies:**

Slabs of Income	Rates of Tax
Where the total income consists of Royalties and Fees for rendering technical services and scheme is approved by Central Government	50%
In case of any Other Income	40%

Rates of Surcharge:

1) In case of **every Individual, HUF, AOP, BOI** whether incorporated or not, or every artificial juridical person:

Slabs of Income	Rates of Surcharge
Total Income exceeding ₹50,00,000/- but not exceeding ₹1,00,00,000/-	10%
Total Income exceeding ₹1,00,00,000/-	15%

2) In case of **Firms including LLP's:**

Slabs of Income	Rates of Surcharge
Where the total income exceeds ₹1,00,00,000/-	12%

3) In case of **Domestic Companies:**

Slabs of Income	Rates of Surcharge
Total Income exceeding ₹1,00,00,000/- but not exceeding ₹10,00,00,000/-	7%
Total Income exceeding ₹10,00,00,000/-	12%

4) In case of **Companies other than Domestic Companies:**

Slabs of Income	Rates of Surcharge
Total Income exceeding ₹1,00,00,000/- but not exceeding ₹10,00,00,000/-	2%
Total Income exceeding ₹10,00,00,000/-	5%



R. Tulsian and Co. LLP is a 53 year old full services multinational Chartered Accountancy and legal services practice having offices in India, UAE and Bahrain.

We provide complete range of financial services including tax, assurance, accounting, transactions, corporate law and CFO services.

A few years back we acquired a 21 year old accounting practice based out of Dubai, making it one of the first recorded instances of an Indian Chartered Accountancy practice making an acquisition in the Middle East market.

We have offices across the globe at various locations :

Girish Park | Metiabruz | Bankra | New Delhi | Mumbai | Dubai | Bahrain

Head Office:

7/1C, Jatindra Mohan Avenue,
1st Floor,
Kolkata - 700006

Email:

tulsian_tax@hotmail.com

Contact Us:

+91 78900 33454

www.rtulsian.com