

No change in Income Tax Rates either in Interim or final Budget for AY 2020-21, Some relief provided to small taxpayers, especially to middle class and salaried earners

Union Budget for FY 2019-20 presented by the Union Finance Minister on July 5, 2019, does not propose any further changes made in the Interim Budget passed in February 2019 regarding the Income tax for individual – the highlight of that being full tax rebate for individuals earning below Rs 5 Lakhs with no changes in the following income tax slabs.

1. Income Tax Slab Rate for AY 2020-21 for Individuals:

1.1 Individual (resident or non-resident), who is of the age of less than 60 years on the last day of the relevant previous year:

Net income range	Income-Tax rate
Up to Rs. 2,50,000	Nil
Rs. 2,50,000- Rs. 5,00,000	5%
Rs. 5,00,000- Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

1.2 Resident senior citizen, i.e., every individual, being a resident in India, who is of the age of 60 years or more but less than 80 years at any time during the previous year:

Net income range	Income-Tax rate
Up to Rs. 3,00,000	Nil
Rs. 3,00,000 – Rs. 5,00,000	5%
Rs. 5,00,000- Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

Relief provided to small taxpayers, especially to middle class and salaried earners

While no changes were proposed in personal Income Tax rates and slabs, in the Interim Budget 2019 or in the Union Budget 2019-20, the Government has made certain to provide relief to small taxpayers, especially to middle class and salaried earners in the form of:

- Rebate on tax for total income of up to INR 5,00,000 for individuals changes
- Increase in standard deduction from INR 40,000 to INR 50,000 for salaried employees

- Relief for owners of more than one house; second self-occupied house not to be subject to tax on deeming/notional basis; aggregate deduction of interest on home loan for self-occupied properties retained at INR 2,00,000
- Prescribed monetary threshold for deduction of tax on interest from bank or Post Office deposits increased from INR 10,000 to INR 40,000
- Proportionate exemption on long-term capital gains arising from proceeds of sale of residential house extended to purchase of two residential houses from one house, subject to:
 - Amount of capital gain not exceeding INR 2 crore [no monetary threshold continues for investment in one residential house]
 - One-time opportunity to claim such exemption

Direct Tax revenue increases by over 78 % in FY2018-19 from FY 2013-14; rose to Rs. 11.37 lakh crore from Rs. 6.38 lakh crore Relief proposed in Levy of Securities Transaction Tax (STT) Additional deduction of up to Rs.1.5 lakh for interest paid on loans for purchase of affordable house Additional Income Tax deduction of Rs. 1.5 lakh on interest paid on loans taken to purchase Electric Vehicles

The effective tax rates for the higher income group individuals having taxable income from Rs. 2 crore to Rs. 5 crore and Rs. 5 crore and above is proposed to be increased by around 3 percent and 7 percent respectively. Presenting the General Budget 2019-20 in the Parliament today, Union Minister of Finance and Corporate Affairs Smt. Nirmala Sitharaman said, “In view of rising income levels, those in the highest income bracket need to contribute more to the Nation’s development”. Thanking the taxpayers, she said that they are playing a major role in Nation building.

Referring to several measures taken in the past to alleviate the tax burden on small and medium income earners, the Minister said, “Those having annual income upto Rs. 5 lakh are not required to pay any income tax”. This includes self-employed as well as small traders, salary earners, and senior citizens, she added.

Tax Revenue Up

Due to slew of efforts taken by the Government, the direct tax revenue has significantly increased by over 78 percent from Rs. 6.38 lakh crore in Financial Year 2013-14 to around Rs. 11.37 lakh crore in Financial Year 2018-19. The Minister stated that the increase has been significant in last couple of years. The

Direct Tax revenue grew by 19.13 percent to Rs. 10, 02, 741 crore in 2017-18 (Rs. 8, 41, 713 crore in 2016-17) and by 13.46 percent in 2018-19. The number of taxpayers also increased by approximately 48 percent over the period 2013-14 to 2017-18, from 5.71 crore taxpayers to 8.4 crore taxpayers, due to various initiatives and taxpayer outreach programmes undertaken by the Government.

Relief in Levy of Securities Transaction Tax (STT)

In her speech, the Finance Minister proposed to give relief in levy of Securities Transaction Tax by restricting it only to the difference between settlement and strike price in case of exercise of options.

Additional Deduction of Interest for Affordable Housing

In order to provide a further impetus to affordable housing, the Minister proposed to allow an additional deduction of up to Rs.1,50,000/- for interest paid on loans borrowed up to 31st March, 2020 for purchase of an affordable house valued up to Rs. 45 lakh. Therefore, a person purchasing an affordable house will now get an enhanced interest deduction up to Rs. 3.5 lakh. This will translate into a benefit of around Rs.7 lakh to the middle class home-buyers over their loan period of 15 years.

For realisation of the goal of 'Housing for All' and affordable housing, a tax holiday has already been provided on the profits earned by developers of affordable housing. Also, interest paid on housing loans is allowed as a deduction to the extent of Rs. 2 lakh in respect of self-occupied property.

Promoting Electric Vehicles

To make Electric Vehicles affordable to consumers, the Minister said that the Government will provide additional income tax deduction of Rs. 1.5 lakh on the interest paid on loans taken to purchase electric vehicles. This amounts to a benefit of around Rs. 2.5 lakh over the loan period to the taxpayers who take loans to purchase electric vehicle. Considering India's large consumer base, she stated, "We aim to leapfrog and envision India as a global hub of manufacturing of Electric Vehicles. Inclusion of Solar storage batteries and charging infrastructure in the above scheme will boost our efforts". The Government has already moved GST council to lower the GST rate on electric vehicles from 12% to 5%, she added.

Level Playing Field for Non Banking Financial Companies (NBFCs)

Recognising the increasingly important role of NBFCs in India's financial system and to provide level playing field, the Finance Minister has proposed to tax the interest on bad or doubtful debts in the year in which it is actually received. Presently this is allowed for **scheduled banks, public financial institutions, state**

financial corporations, state industrial investment corporations, cooperative banks and certain public companies like housing finance companies.

Measures to promote the International Financial Services Centre (IFSC)

To promote IFSC in GIFT City, the Finance Minister proposed to further provide several direct tax incentives to an IFSC including 100 percent profit-linked deduction under section 80-LA 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 AIF and interest payment on loan taken from non-residents.

Compulsory Filing of Return

The General Budget 2019-20 proposes to make return filing compulsory for persons, who have deposited more than Rs. 1 crore in a current account in a year, or who have expended more than Rs. 2 lakh on foreign travel or more than Rs. 1 lakh on electricity consumption in a year or who fulfils the prescribed conditions, in order to ensure that persons who enter into high value transactions also furnish return of income. It is also proposes to provide that a person whose income becomes lower than maximum amount not chargeable to tax due to claim of rollover benefit of capital gains shall also be required to furnish the return.