W S & Co

Proposed Direct Tax Amendments in Interim Finance Bill 2019

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Individuals, HUF, AOP, BOI

1. No change in Tax Rate

(a) For a resident senior citizen (who is 60 yrs or more at any time during the previous but less than 80 yrs on the last day of the previous year)

Net income range	Income tax rates	Surcharge	Health and Education Cess
Up to Rs. 3,00,000	Nil	Nil	Nil
Rs. 3,00,000- Rs.5,00,000	5% of (total income minus Rs.3,00,000)	Nil	4% of income-tax
Rs. 5,00,000- Rs. 10,00,000	Rs. 10,000+20% of (total income minus Rs. 5,00,000	Nil	4% of income-tax
Rs. 10,00,000 – Rs. 50,00,000	Rs. 1,10,000+30% of (total income minus Rs. 10,00,000	Nil	4% of income-tax
Rs. 50,00,000- 1,00,00,000	Rs. 13,10,000+30% of (total income minus Rs. 50,00,000	10% of income tax	4%of income tax and surcharge
Above 1,00,00,000	Rs. 28,10,000+30 % of (total income minus Rs. 1,00,00,000	15% of income-tax	4% of income-tax And surcharge

(b) For a resident super senior citizen (who is 80 yrs or more at any time during the previous year)

Net income range	Income tax rates	Surcharge	Health and Education Cess
Up to 5,00,000	Nil	Nil	Nill
Rs. 5,00,000- Rs. 10,00,000	20% of (total income minus Rs.5,00,000	Nil	4% of income -tax
Rs. 10,00,000 -Rs. 50,00,000	Rs. 1,00,000+30% of (total income minus 10,00,000	Nil	4% of income-tax
Rs. 50,00,000 -Rs. 1,00,00,000	Rs. 13,00,000+30 % of (total income minus Rs. 50,00,000	10% of income tax	4% of income-tax and surcharge
Above Rs. 1,00,00,000	Rs. 28,00,000+30 % of total income minus Rs 1,00,00,000.	15% of income-tax	4% of income-tax and surcharge

(c) For any other resident individual, any non-resident individual, every HUF / AOP / BOI / artificial juridical person

Net income range	Income tax rates	Surcharge	Health and Education Cess
Upto Rs. 2,50,000	Nil	Nil	Nil
Rs. 2,50,000 - Rs. 5,00,000	5% of (total income minus Rs. 2,50,000)	Nil	4% of income tax inclusive of surcharge
Rs. 500,000 - Rs. 10,00,000	Rs. 12,500 + 20% of (total income minus Rs. 5,00,000)	Nil	4% of income tax inclusive of surcharge
Rs. 10,00,000 - Rs. 50,00,000	Rs. 1,12,500 + 30% of (total income minus Rs.10,00,000)	Nil	4% of income tax inclusive of surcharge
Rs. 50,00,000 - Rs. 1,00,00,000	Rs. 13,12,500 + 30% of (total income minus Rs. 50,00,000)	10% of income tax if income exceeds Rs 50,00,000	4% of income tax inclusive of surcharge
Above Rs. 1,00,00,000	Rs. 28,12,500 + 30% of (total income minus Rs. 100,00,000)	15% of income tax	4% of income tax inclusive of surcharge

2. Rebate under section 87A- a resident individual (whose net income does not exceed Rs. 500,000) can avail rebate under section 87A. It is deductible from income-tax before calculating education cess. The amount of rebate is 100 per cent of income-tax or Rs. 12,500, whichever is less

3. Standard Deduction of Rs 40,000 available for deduction under the income head "Income from Salaries" is proposed to be increased to Rs 50,000.

Firms

4. A firm is taxable at the rate of 30 percent for the assessment year 2020-21. Surcharge is 12 per cent of income-tax if net income exceeds Rs 1 crore. Health and Education Cess - 4% of income tax inclusive of surcharge.

5. Alternate minimum tax- Tax payable by firm cannot be less than 18.5 per cent [+SC + (EC+SHEC) or HEC] of "adjusted total income" as per section 115JC.

Corporates

6. Corporate Tax Rate

   (i) Domestic Companies having total turnover or gross receipts not exceeding Rs. 250 crores in Financial year 2016-17 shall be liable to pay tax at 25%.

COMPANY	AY 2020~21
Where its total turnover or gross receipt during the previous year 2017-18 does not exceed Rs. 250 crores	25%
Where its total turnover or gross receipt during the previous year 2017-18 exceeds Rs. 250 crores	30%
any other domestic company	30%

   (ii) No proposed change in the tax rate of foreign company (i.e. 40% plus applicable surcharge and health & education cess).

7. No change in surcharge rate

Company	If net income does not exceed Rs.1 Crore	If net income is in the range of Rs.1 Crore - Rs 10 crore	If net income exceeds Rs.10 Crore
Domestic Company	-	7%*	12%**
Foreign Company	-	2%*	5%**

In other cases (including sections 115-O (dividend distributed), 115QA (buy-back of shares), 115R (distributed income to unit holders), 115TA (distributed income to investors) or 115TD (tax on accreted income of trusts and institutions)), the surcharge shall be levied at the rate of twelve per cent.

*Marginal relief – In the case of a company having a net income of exceed Rs. 1 crore, the amount payable as income-tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.

**Marginal relief – In the case of a company having a net income of exceeding Rs. 10 crore, the amount payable as income-tax and surcharge shall not exceed the total amount payable as income-tax and surcharge on total income of Rs. 10 crore by more than the amount of income that exceed Rs. 10 crore.

8. Minimum Alternate Tax-

No change in the minimum alternative tax rate.

Agricultural Loss

9. Carry forward of agricultural losses.

- It is proposed to amend sub-rule 1 and 2 of the Rule 8 of Income-tax Rules to provide the benefit of carry forward losses earned through agricultural activities.
- As per the proposed provision, the loss incurred from AY 2011-12 till AY 2018-19, if not set off with the agriculture income of subsequent years, will be allowed to be set off against the agriculture income earned for AY 2019-20.
- Further, in case there is any unutilized portion of loss for any of the assessment year between AY 2011-12 to AY 2018-19 is also proposed to be set off against the agriculture income earned for AY 2019-20.
- Furthermore, if during AY 2020-21, there is an agricultural income chargeable to tax of any previous year in AY 2020-21 for any reason, the loss from AY 2012-13 to AY 2019-20 to the extent not set off previously, will be available for set off against the agricultural income earned for AY 2020-21.
- However, the loss so eligible to be carried forward will only be the loss to the extent determined by the assessing officer for the respective year.

House Property

10. As per the current provisions of the Act, a person having two or more properties can opt for treating anyone property as a self-occupied property. Thereafter, the person has to pay tax on the notional rent from the other properties (i.e. other than the self-occupied property).

It is proposed to extend the choice of considering the property as self-occupied property from one to two. Accordingly, the person may choose two properties as self-occupied property from AY 2020-21. However, in case the person owns house property more than two, the tax on notional from other properties will continue.

Further, the deduction of interest paid on self-occupied house property is restricted to Rs 200,000 only for both houses.

Capital Gain

11. As per the provisions of section 54 of the Act, where an individual or HUF earns capital gain from sale of residential property, may purchase another residential property and save the capital gain on the sale. The purchase of property and the capital gain exemption is subject to certain conditions.

From AY 2015-16, a restriction was imposed on eligibility of capital gain tax exemption on purchase of one property only. Thus, where the capital gain so earned was invested in more than one property, the exemption was restricted to the cost of only one property.

It is proposed to again extend the benefit of exemption to two residential properties provide that the total capital gain does not exceed Rs 2 crore.

Further, the benefit of opting for two property to claim capital gain exemption can be exercised only once in a life time of such individual or HUF.

Increase in threshold limit of TDS

12. Section 194A of the Act provides for the withholding of tax on the interest earned from securities by an individual or HUF. The section provides that where the interest paid by banking company, co-operative society or on deposits from post-office does not exceed Rs 10,000, no tax will be withheld.

It is proposed to increase the present limit of Rs 10,000 to Rs 40,000. Accordingly, the proposed withholding rate will be as under:

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Who is Payer	Interest is payable on	From April 1,2019	
		When payee is a senior citizen Rs.	When payee is any other person Rs.
Banking company	Time deposit	50,000	40,000
A co-operative society engaged in carrying on the banking business	Time deposit	50,000	40,000
Post office	Notified scheme (i.e senior Citizen savings scheme, 2004	50,000	40,000
Any other person	-	5,000	5,000

13. Section 194I of the Act provides for withholding of tax on the rent paid to a resident. However, there is a minimum exemption of Rs 180,000 up to which no tax is withheld.

It is proposed to increase the minimum exemption limit for withholding of tax from Rs 180,000 to Rs 240,000. The applicable proposed rate will be as under:

Type of Payment	Proposed threshold	Withholding rate
For the use of any machinery or plant or equipment	2,40,000	2%
For the use of nay land or building or furniture or fittings for all persons,	2,40,000	10%

Building or Land held as Stock-in trade

14. Currently, if the property consisting of any building or land appurtenant thereto is held as stock-in-trade and the property or any part of the property is not let out for whole or part of the year, the notional income from such property under the head Income from house property is not chargeable to tax up to one year from the end of the financial year in which construction certificate is obtained.

Considering, the real estate sector growth, it is proposed to not levy tax on the notional income from such property held as stock-in-trade for two years instead of only one year from the end of the financial year in which construction certificate is obtained.

Deduction in respect of profit and gains from housing projects

15. Section 80IBA of the Act provides for deduction of 100% of profits and gains derived from the business of developing and building housing projects. However, the deduction contains a condition that the projects approved by the competent authority before 31 March 2019 are only eligible for the deduction.

It is proposed to extend the benefit to one more year i.e. the projects approved till 31 March 2020 will also be eligible for deduction.

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