



# **Indian Union Budget – 2019 (Interim Budget) An Analysis**

**of**

## **Income Tax Proposals**



**Analysis by**

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- ✚ Honorary visiting lecturer at some educational institutions to impart knowledge to B. Com, MBA and CA students for last 10 years.
- ✚ He has delivered CPE lectures on various subjects at Bhavnagar, Ahmedabad, Rajkot and Surat.
- ✚ Empanelled Peer Reviewer of ICAI.
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- ✚ Was an elected managing committee member of Bhavnagar Branch of WIRC of Institute of Chartered Accountants of India.
- ✚ Former President of Bhavnagar Chartered Accountants’ Association (for last two consecutive terms).
- ✚ Writing articles on the national level websites like [www.taxguru.in](http://www.taxguru.in), [www.caclubindia.com](http://www.caclubindia.com) etc. and **have channel on Youtube (Videos on diversified topics) with more than 40,000 subscribers all over the world.**
- ✚ Developed many utilities in MS Excel and VBA of general and special use.
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  - ❖ Caclubindia.com : <https://goo.gl/CUVt97>
- ✚ Other Links about Author
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1. *Income Tax slabs, rate of surcharge and rate of cess are not changed, but **standard deduction** available against income under the head of salary (pension also) is proposed to be increased to Rs. 50,000/- from Rs. 40,000. [Applicability A. Y. 2020-21]*
2. ***Rebate u/s. 87A** which was available upto maximum of Rs. 2,500/- if the income does not exceed Rs. 3,50,000/- is now proposed to be increased to maximum of Rs. 12,500 with an income threshold of Rs. 5,00,000/-. [Applicability A. Y. 2020-21]*
3. *Aggregating the effects of above mentioned two points, let's see certain examples.*

**For Senior Citizens (60years =< Age <80 Years)**

Particulars	AY 2020-21 (FY 2019-20)	AY 2019-20 (FY 2018-19)
Pension/Salary	6,50,000	5,00,000
Interest from Bank, Post Office etc.	1,00,000	90,000
<b>Actual Total Income</b>	<b>7,50,000</b>	<b>5,90,000</b>
Less : Std Deduction from Salary/Pension	50,000	40,000
Less : 80C Deduction PPF, LIP etc.	1,50,000	1,50,000
Less : 80TTB Deduction against Interest from Bank, Post Office etc.	50,000	50,000
<b>Net Taxable Income</b>	<b>5,00,000</b>	<b>3,50,000</b>
<b>Income Tax Slab Limit</b>	<b>3,00,000</b>	<b>3,00,000</b>
Tax	10,000	2,500
<b>Rebate under Section 87A</b>	<b>10,000</b>	<b>2,500</b>
Net Tax (Effective Tax)	0	0

**For Very Senior Citizens (Age >= 80 Years)**

Particulars	AY 2020-21 (FY 2019-20)	AY 2019-20 (FY 2018-19)
Pension/Salary	6,50,000	6,40,000
Interest from Bank, Post Office etc.	1,00,000	1,00,000
<b>Actual Total Income</b>	<b>7,50,000</b>	<b>7,40,000</b>
Less : Std Deduction from Salary/Pension	50,000	40,000
Less : 80C Deduction PPF, LIP etc.	1,50,000	1,50,000
Less : 80TTB Deduction against Interest from Bank, Post Office etc.	50,000	50,000
<b>Net Taxable Income</b>	<b>5,00,000</b>	<b>5,00,000</b>
<b>Income Tax Slab Limit</b>	<b>5,00,000</b>	<b>5,00,000</b>
Tax	0	0
<b>Rebate under Section 87A</b>	<b>0</b>	<b>0</b>
Net Tax (Effective Tax)	0	0

**For Other Individual (Age < 60 Years)**

Particulars	AY 2020-21 (FY 2019-20)	AY 2019-20 (FY 2018-19)
Pension/Salary	6,10,000	4,00,000
Interest from Bank, Post Office etc.	1,00,000	1,00,000
<b>Actual Total Income</b>	<b>7,10,000</b>	<b>5,00,000</b>
<b>Less : Std Deduction from Salary/Pension</b>	<b>50,000</b>	<b>40,000</b>
<b>Less : 80C Deduction PPF, LIP etc.</b>	<b>1,50,000</b>	<b>1,50,000</b>
<b>Less : 80TTA Deduction against Savings A/c. Interest from Bank, Post Office etc.</b>	<b>10,000</b>	<b>10,000</b>
<b>Net Taxable Income</b>	<b>5,00,000</b>	<b>3,00,000</b>
<b>Income Tax Slab Limit</b>	<b>2,50,000</b>	<b>2,50,000</b>
Tax	12,500	2,500
<b>Rebate under Section 87A</b>	<b>12,500</b>	<b>2,500</b>
Net Tax (Effective Tax)	0	0

**Extreme Tax Saving**

	Case-1	Case-2	Case-3
	<b>For Senior Citizens (60years =&lt; Age &lt;80 Years)</b>	<b>For Very Senior Citizens (Age &gt;= 80 Years)</b>	<b>For Other Individual (Age &lt; 60 Years)</b>
<b>Particulars</b>	<b>AY 2020-21 (FY 2019-20)</b>	<b>AY 2020-21 (FY 2019-20)</b>	<b>AY 2020-21 (FY 2019-20)</b>
Pension/Salary	10,00,000	9,50,000	9,35,000
Interest from Bank, Post Office etc.	1,00,000	1,00,000	1,00,000
<b>Actual Total Income</b>	<b>11,00,000</b>	<b>10,50,000</b>	<b>10,35,000</b>
<b>Less : Std Deduction from Salary/Pension</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>
<b>Less : Home Loan Interest Section 24</b>	<b>2,00,000</b>	<b>2,00,000</b>	<b>2,00,000</b>
<b>Less : 80C Deduction PPF, LIP etc.</b>	<b>1,50,000</b>	<b>1,50,000</b>	<b>1,50,000</b>
<b>Less : 80TTB Deduction against Interest from Bank, Post Office etc.</b>	<b>50,000</b>	<b>50,000</b>	<b>N.A.</b>
<b>Less : 80TTA Deduction against Savings A/c. Interest from Bank, Post Office etc.</b>	<b>N.A.</b>	<b>N.A.</b>	<b>10,000</b>
<b>Less : 80D Mediclaim Premium to all / Medical Expenditure for Age &lt;= 60 Years (Taken own premium/exp. Plus premium/exp. Of Sr. Citizen Parents)</b>	<b>1,00,000</b>	<b>1,00,000</b>	<b>75,000</b>
<b>Less : 80CCD - NPS (18 to 65 years age)</b>	<b>50,000</b>	<b>N.A.</b>	<b>50,000</b>
<b>Net Taxable Income</b>	<b>5,00,000</b>	<b>5,00,000</b>	<b>5,00,000</b>
<b>Income Tax Slab Limit</b>	<b>3,00,000</b>	<b>5,00,000</b>	<b>2,50,000</b>
Tax	10,000	0	12,500
<b>Rebate under Section 87A</b>	<b>10,000</b>	<b>0</b>	<b>12,500</b>
Net Tax (Effective Tax)	0	0	0

<b>Tax Planning</b>	<b>Case-1</b>	<b>Case-2</b>	<b>Case-3</b>	<b>Case-4</b>
	<b>For Other Individual Age &lt; 60 Years AY 2020-21 (FY 2019-20)</b>	<b>For Other Individual Age &lt; 60 Years AY 2020-21 (FY 2019-20)</b>	<b>For Other Individual Age &lt; 60 Years AY 2020-21 (FY 2019-20)</b>	<b>For Other Individual Age &lt; 60 Years AY 2020-21 (FY 2019-20)</b>
<b>Particulars</b>				
<b>Net Taxable Income</b>	<b>5,00,000</b>	<b>5,00,004.99</b>	<b>5,00,005</b>	<b>5,16,410</b>
<b>Income Rounded Off u/s. 288A</b>	<b>5,00,000</b>	<b>5,00,000</b>	<b>5,00,010</b>	<b>5,16,410</b>
<b>Income Tax Slab Limit</b>	<b>2,50,000</b>	<b>2,50,000</b>	<b>2,50,000</b>	<b>2,50,000</b>
<b>Tax</b>	<b>12,500</b>	<b>12,500</b>	<b>12,501</b>	<b>15,782</b>
<b>Rebate under Section 87A</b>	<b>12,500</b>	<b>12,500</b>	<b>0</b>	<b>0</b>
<b>Health &amp; Education Cess @ 4% of Tax</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>631</b>
<b>Tax + Cess</b>	<b>0</b>	<b>0</b>	<b>13,001</b>	<b>16,413</b>
<b>Tax Rounded Off u/s. 288B (Effective Tax)</b>	<b>0</b>	<b>0</b>	<b>13,000</b>	<b>16,410</b>

**Tax Planning:** One can observe from the above example that if the taxable income exceeds 5 lakhs, then due to non-availability of rebate under section 87A, tax burden will start from income of Rs. 2,50,001 itself and there will be a huge impact of tax in comparison to marginal income in excess of Rs. 5 Lakhs. So, in such cases, one can check again whether it has taken benefit of all available deductions, if yes, then one may donate to Prime Minister's National Relief Fund the excess income and make the Tax amount Zero. As we have seen in Case-4, Rs. 16,410/- (marginal income in excess of Rs. 5 Lakhs) is the break even situation.

**N.B. :** Minimum amount of Contribution to PMNRF is fixed as Rs. 100 by Government.

Section 112A r.w.s. 87A Effect	Case-1	Case-2	Case-3
Particulars	For Senior Citizens (60years =< Age <80 Years) AY 2020-21 (FY 2019-20)	For Very Senior Citizens (Age >= 80 Years) AY 2020-21 (FY 2019-20)	For Other Individual (Age < 60 Years) AY 2020-21 (FY 2019-20)
Pension/Salary	6,00,000	6,00,000	5,60,000
Long Term Capital Gain on sale of equity share in a company or a unit of an equity oriented fund or a unit of a business trust under section 112A	1,50,000	1,50,000	1,50,000
Interest from Bank, Post Office etc.	1,00,000	1,00,000	1,00,000
<b>Actual Total Income</b>	<b>8,50,000</b>	<b>8,50,000</b>	<b>8,10,000</b>
Less : Std Deduction from Salary/Pension	50,000	50,000	50,000
Less : Std Deduction from LTCG u/s. 112A	1,00,000	1,00,000	1,00,000
Less : 80C Deduction PPF, LIP etc.	1,50,000	1,50,000	1,50,000
Less : 80TTB Deduction against Interest from Bank, Post Office etc.	50,000	50,000	N.A.
Less : 80TTA Deduction against Savings A/c. Interest from Bank, Post Office etc.	N.A.	N.A.	10,000
<b>Net Taxable Income</b>	<b>5,00,000</b>	<b>5,00,000</b>	<b>5,00,000</b>
<b>Income Tax Slab Limit</b>	<b>3,00,000</b>	<b>5,00,000</b>	<b>2,50,000</b>
Normal Rated Tax (5,00,000 - 50,000 112A - Slab Limit) * 5%	7,500	0	10,000
Special Rated Tax u/s 112A	5,000	0	5,000
<b>Rebate under Section 87A</b>	<b>7,500</b>	<b>0</b>	<b>10,000</b>
Tax before Cess	5,000	0	5,000
<b>Health &amp; Education Cess @ 4% of Tax</b>	<b>200</b>	<b>0</b>	<b>200</b>
<b>Tax + Cess</b>	<b>5,200</b>	<b>0</b>	<b>5,200</b>

In above table, one can observe that though the taxable income is upto Rs. 5 Lakhs only, yet there arises a tax liability. This is because of Section 112A(6) which says that rebate of section 87A is not available against tax computed u/s. 112A.

4. ***Increase in limit of number of self-occupied house properties:*** Till now, in cases, where there are more than one house property, one house property could be selected at choice of assessee to be the self-occupied property and its income was considered as NIL. Now, it's proposed to amend section 23, whereby **two** house properties selected by assessee will get such exemption instead of **one**. **Corresponding amendment** is also proposed in section 24, whereby interest upto Rs. 2 lakhs is deductible in respect of **two** such house properties. **[Applicability A. Y. 2020-21]**

5. **Relief to Builders / Property Dealers:** In finance bill 2017, relief was given to those for whom house properties are stock-in-trade by inserting sub-section (5) to section 23 which said that Where 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 during the whole or any part of the previous year, the annual value of such property or part of the property, for the period up to **one year** from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be nil. Now it is proposed in finance bill 2019 to increase the said limit of **one year** to **two years**. **[Applicability A. Y. 2020-21]**
  
6. **Increase in exemption limit of capital gain u/s. 54:** New proviso is proposed to be added after section 54(1)(ii) whereby **option** is given to assessee by which instead of **one** residential house in India, **two** residential houses in India can be purchased or constructed, **if** amount of capital gain **does not exceed** Rs. 2 crores. It is further proposed to give such option **only once in the lifetime of assessee**. **[Applicable from A.Y. 2020-21]**
  
7. **Time limit extension for Housing Project Approval:** Amendment is proposed in clause (a) to section 80-IBA(2) whereby last date of approval of housing project by competent authority is proposed to be extended from 31/03/2019 to 31/03/2020. **[Applicable from A. Y. 2020-21]**
  
8. **Relief in submission of Form No. 15G:** Clause (i) to sub-section (3) to Section 194A is proposed to be amended whereby the threshold of interest amount for making TDS will be increased to Rs. 40,000/- from current limit of Rs. 10,000/-. So, interest earners will no more be required to submit Form No. 15G in cases, where interest amount does not exceed Rs. 40,000/-. [For your kind information its hereby reiterated that the similar benefit in submission of Form No. 15H was given in finance bill 2018 to senior citizens by increasing said limit to Rs. 50,000/- for them] **[Applicable from A. Y. 2020-21]**
  
9. **Increase in Rent threshold limit for TDS:** Amendment is proposed in first proviso to section 194-I whereby it is proposed to increase rent threshold limit for TDS from Rs. 1,80,000/- to Rs. 2,40,000/-. **[Applicable from A. Y. 2020-21]**



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