CALCULATION OF INCOME TAX FOR SALARIED EMPLOYEES

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Laws applicable:

INCOME TAX ACT, 1961;

INCOME TAX RULES, 1962; & Finance (No.2) Act of 2014
Website: www.incometaxindia.gov.in

Personal Income Tax for the Financial Year 2014-15 / Assessment Year 2015-16

i) Individual Assesseees
ii) Women Assesseees... not distinct now
iii) Senior Citizens
iv) Very Senior Citizens
IT IS INEVITABLE FOR A GOVERNMENT EMPLOYEE TO BE FAMILIAR WITH TWO ‘ITs’ TO SUCCEED IN ONE’S CAREER

- INCOME TAX (I.T)
- INFORMATION TECHNOLOGY (I.T)
### INCOME TAX RATES/SLABS
(As amended vide Finance (No.2) Act, 2014)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Taxable Income (Rs.)</th>
<th>Male</th>
<th>Female</th>
<th>Senior Citizen (60 yrs &amp; above)</th>
<th>Very Senior Citizen (80 yrs &amp; above)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>up to 2,50,000</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td>2</td>
<td>2,50,001 to 3,00,000</td>
<td>10%</td>
<td>10%</td>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td>3</td>
<td>3,00,001 to 5,00,000</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>NIL</td>
</tr>
<tr>
<td>4</td>
<td>5,00,001 to 10,00,000</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>5</td>
<td>ABOVE 10,00,000</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>
EDUCATION CESS & SURCHARGE

- Education Cess - 2% of I.T. and Surcharge
- Secondary & Higher Edn Cess – 1% of I.T. and Surcharge
- Surcharge – 10% of I.T., where the total taxable income is more than Rs. 1 crore
➢ Salary from more than one employer

➢ If PAN is not furnished….u/s 206AA (20% or if the tax deductible at a higher rate then that amount)

➢ Relief when salary paid in Arrears or Advance

➢ Income under any other head (not being a loss under any head other than Income from House Property) eg. besides IfOS, Capital Gains, Profit & Gains from Business/Prof.

➢ Computation of Income under the head ‘Income from House Property’. Loss from house property can only be adjusted against salary income.

➢ Computation of Income from self occupied property (pre-EMI installments and Processing fee)

➢ Computation of income from let out property
- **Self Occupied House Property**:
  - Gross Annual Rent/value: Nil
  - Municipal taxes paid, if any
  - Ded: interest paid, if any, u/s 24(b) …max. Rs.2.00 lakhs for construction or ready built house for the properties acquired with capital borrowed after 1-4-1999. If prior to that period …only Rs.30,000
  - For Repairs, maximum limit on interest deduction is Rs.30,000.
  - Address of the property
  - Amount of the loan, if any and
  - Name and address of the lender
  - If more than one HP, at the option of the owner.
**TAXABLE INCOME FROM LET OUT HOUSE PROPERTY**

- Gross rental value of property is the highest of the following items:
  
  a) Municipal Value; (b) **Fair rental Value** subject to the standard rent under Rent Control Act; (c) Actual Rent received.

- **Deduct** municipal taxes,
- the remaining is the Net Annual Value (NAV)

- Deduct 30% of NAV towards maintenance charges, insurance premia etc. (irrespective of actuals)

- Deduct Interest on borrowed capital (actuals)

- = Taxable income from the house property.
✓ Adjustment for excess or shortfall deduction with reference to an employee within that financial year itself

✓ Salary paid in Foreign currency-as per telegraphic transfer buying rate of the currency as on the date on which tax is required to be deducted at source(Rule 26)

✓ ‘No deduction’ or ‘deduction of tax at lower rate’ certificate issued by the jurisdictional TDS officer

✓ Furnishing certificate/duplicate certificate for the tax deducted by the DDO(Part-A and Part-B of Form 16)
Income-Tax Annual Return (Sec.139)

1. By 31\textsuperscript{st} July of Assessment year; 30\textsuperscript{th} Sep. for Companies etc.
2. In electronic form (ON LINE) if the taxable income is Rs.5.00 lakhs and more.

Form-16

- Employer- PAN, TAN, BIN, CIN
- Employee, PAN*
- Assessment year u/s -2(9)
- Previous year u/s -3
- Period of the return
- Address of CIT
Gross salary as per the Statement of Income

Allowances exempted under section 10
✓ House Rent Allowance
   (least of the following three):
(1) HRA received
(2) HR paid in excess of 10% of salary
(3) 40% of salary
✓ Leave Travel Concession
✓ Death-cum-Retirement Gratuity
✓ Commutation value
✓ Encashment of EL/HPL at the time of retirement

(continued.....)
Exemptions under Section 10 (contd):

- Retrenchment Compensation
- Voluntary retirement payment
- Any sum received under a LIC policy
- Any payment of Provident Fund
- Conveyance Allowance up to.....
- Uniform Allowance
- Conveyance allowance for Physically Handicapped up to....
- Travelling Allowance
- Interest payable on notified scheme for Retiring Govt. employees, 1989
- Any scholarship to meet the cost of education
- Pension/family pension received by an individual awarded ‘Param Vir Chakra’, ‘Maha vir chakra’ or ‘Vir Chakra’
- Sumptuary Allowance
Deduction allowed u/s 16
i) Entertainment Allowance up to......
ii) Professional Tax up to.....

Types of incomes
i) Income from salary
ii) Income from house property
iii) Income from agriculture
iv) Income from capital gains
v) Profits and gains of business or profession
Capital Gains calculation

1. Sale proceeds as on the date of sale....
2. Less indexed cost of acquisition (Inflation index with 1981-82 as the base year)
3. Net value
4. Less exemption under 54
5. Capital gains chargeable to tax:
6. New house purchased (within one year if ready built; 3 years if construction of a new house) from capital gains should not to be sold within 3 years
7. In case of agricultural land, it has to be purchased within 2 years from the date of sale for exemption u/s 54B
8. Rate of LTCG
9. Rate of STCG
Problem on Capital Gains

- Mr. Rama Rao furnished his transactions during 2014-15:
- Sold a residential house in Jubilee Hills for Rs.1.45 crore in Aug., 2014 (which he purchased in Feb., 2000 at a cost of Rs.15.56 lakhs)
- Sold Listed shares of M/s. Infosys for Rs.2.00 lakhs in Sept., 2014 (which he purchased in May, 2012 at a cost of Rs.1.00 lakh)
- Sold unlisted shares for Rs.0.75 lakh in Nov., 2014 (which he purchased in May, 2012 at a cost of Rs.0.50 lakh).
- Purchased a residential flat at Vijayawada at a cost of Rs.35.00 lakhs on 21.3.2015
- Purchased 3-year bonds of NHAI for Rs.40.00 lakhs on 20-03-2015.
- Purchased 3-year bonds of RECL for Rs.30.00 lakhs on 15-05-2015.
- Cost Inflation Index for FY 2013-14 is 939.
## Cost Inflation Index

(Average raise in the consumer price index for urban non-manual employees)

<table>
<thead>
<tr>
<th>Year</th>
<th>CII</th>
<th>Year</th>
<th>CII</th>
<th>Year</th>
<th>CII</th>
<th>Year</th>
<th>CII</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981-82</td>
<td>100</td>
<td>1989-90</td>
<td>172</td>
<td>1997-98</td>
<td>331</td>
<td>2005-06</td>
<td>497</td>
</tr>
<tr>
<td>1985-86</td>
<td>133</td>
<td>1993-94</td>
<td>244</td>
<td>2001-02</td>
<td>426</td>
<td>2009-10</td>
<td>632</td>
</tr>
<tr>
<td>1986-87</td>
<td>140</td>
<td>1994-95</td>
<td>259</td>
<td>2002-03</td>
<td>447</td>
<td>2010-11</td>
<td>711</td>
</tr>
</tbody>
</table>
# Capital Gains-Solution:

<table>
<thead>
<tr>
<th>Term</th>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Houses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LTCG</td>
<td>Gross sale consideration</td>
<td>1,45,00,000</td>
</tr>
<tr>
<td></td>
<td>Less: Indexed cost of acquisition</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(15,56,000 X 1024/389)</td>
<td>40,96,000</td>
</tr>
<tr>
<td></td>
<td><strong>Capital gained:</strong></td>
<td>1,04,04,000</td>
</tr>
<tr>
<td></td>
<td>Less: Exemption under Sec.54</td>
<td></td>
</tr>
<tr>
<td></td>
<td>for investment in residential flat at Vijayawada</td>
<td>Rs.35,00,000</td>
</tr>
<tr>
<td></td>
<td>For investment in NHAI/RECL restricted to u/s.54 EC</td>
<td>Rs.50,00,000</td>
</tr>
<tr>
<td></td>
<td><strong>BALANCE OF CAPITAL GAIN TAXABLE</strong></td>
<td>85,00,000</td>
</tr>
<tr>
<td></td>
<td>(Long-term Capital Gains are taxable @ 20% u/s.112)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Listed Equity shares held for more than 12 M is long term capital gain and</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>exempted under sec.10(38)</td>
<td></td>
</tr>
<tr>
<td>STCG</td>
<td>Add: Gain on sale Unlisted shares (less than 36 M)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rs.75,000 minus Rs.50,000 (taxable at normal rates of I.T)</td>
<td>...........25,000</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL:</strong></td>
<td><strong>19,29,000</strong></td>
</tr>
</tbody>
</table>
Deductions under Chapter VI-A of the Act

Under Section 80 C
i) LIC Policy Premia
ii) Subscription to GPF/PF/PPF
iii) ULIP
iv) Mutual Funds
v) Deposits with NHB
vi) Principal on HBA including stamp duty, regn. fee etc.
vii) Tuition Fee
viii) Senior Citizens Savings Scheme, 2004
ix) Subscription to NABARD Bonds
x) 5 year time deposit at Post Office
Deduction under section 80CCC

eg. Jeevan Suraksha – Pension linked scheme
(Maximum limit Rs.1.00 lakh)

Deduction under Section 80CCD(1)..
(Contribution to notified pension scheme of GoI restricted to Rs.1,00,000)

Exemption under Section 80CCD(2)..
(Employer’s contribution to notified pension scheme .. To be first included under the head “Salaries” while computing gross total income and the deduction is allowed subject to a maximum of 10% salary).
u/s 80 C + 80CCC + 80 CCD(1) should not exceed Rs. 1.50 lakh as per Section 80CCE

Under Section 80 CCG – inserted in 2013-14 A.Y.

Rajiv Gandhi Equity Savings Scheme

i) Maximum invest Rs.50,000

ii) Lock in period 3 years

iii) Gross total income should not exceed Rs.12 lakh per year

iv) The investment can be made in three years.. Exemption applicable for 3 yrs.

v) The deduction will be ½ of the investment subject to a maximum of Rs.25,000

vi) New investor only is eligible for deduction
Under Section 80 D

i) Health Insurance premium to self or spouse or children (any mode other than cash)

ii) any contribution to CGHS (any mode other than cash)

iii) Master Health Checkup up to Rs.5,000 P.A.(in cash) (Aggregate Rs.15,000......)

iv) in case of senior Citizen (Aggregate Rs.5,000 extra)

v) In addition Health Insurance premium to parents upto Rs.15000

Under Section 80 DD maintenance including medical treatment of a dependent who is a person with disability.................

>40%....Rs.50,000 or actual expenditure
Severe disability..........>80%.... Rs.1,00,000 which ever is lesser.

If reimbursed by employer, deduction needs to be reduced to that extent.
Deduction Under Section 80DDB

Deduction towards medical treatment of employee or a dependent actually paid amount for medical treatment of such disease or ailment ...............Rs.40,000

Senior Citizen..............................................Rs.60,000

Note:- Reduced by the amount received from an insurer or reimbursed by the employer
Under Section 80 U if the individual is with
disability 40% & above but below 80%............50,000

Severe disability 80% & above ............1,00,000

(Only if the Assessee him/herself not dependents)
Under section 80 E

i) Loan for Higher Education; ii) interest on loan in full
iii) for seven years only; iv) self, spouse, children

Under Section 80 G

- Donation for 100% deduction (Cat.A eg. NDF, PMNRF)
- Donation for 50% deduction (Cat.B eg. JNMF, IGMT) *(NOT MORE THAN 10% OF GROSS INCOME)*
- Donations for 100% deduction subject to QA (Cat.C eg. Indian Olympic Association etc.)
- Donations for 50% deduction subject to QA (Cat.D Donations to approved charitable institutions, notified place of public worship, GoI Corporations for promoting minority welfare, authority set up for housing accommodation etc)
Under Section 80 GG
i) HRA Rs.2,000/-P.M.
ii) House rent paid in excess of 10% of his total income
iii) 25% of his total income

Under Section 80 GGA Certain donations for Scientific Research or Rural Development (u/s 35)

i) No deduction if the employee’s gross total income includes profits and gains of business or profession.
ii) 100% deduction allowed.
iii) If it exceeds Rs.10,000 and is paid in cash
Under Section 80 TTA
Deduction of interest on deposits in savings account (upto Rs.10,000)

Relief under section 89 in case of arrears of salary
i) Calculation of tax in the present year including arrears
ii) Calculation of tax in the present year excluding arrears
iii) Difference of (i) and (ii)
iv) Calculation of tax in the relevant year including arrears
v) Calculation of tax in the relevant year excluding arrears
vi) Difference of (iv) and (v)
vii) The excess of tax computed at (iii) over (vi) is the relief
Calculation of tax

i) if it is capital gains, tax has to be deducted at special rates

ii) Agricultural income is used for arriving at the slab at which the IT has to be deducted
Income Tax Returns
ITR 1........................only Salary income
ITR 2.......................... salary income along with Agricultural income and House rent income etc.
Mr. Venkat purchased a house property for Rs.30.00 lakhs on 1.8.2013 with a finance of Rs.25.00 lakhs from Vijaya Bank with interest rate @ 11% p.a.

Compute the eligible deduction in respect of interest on housing loan for A.Y. 2014-15 and A.Y. 2015-16 presuming that (a) he does not own any other house property; and (b) the entire loan is outstanding as on 31.3.2015.
Thank you and wish you MANY MANY HAPPY TAX RETURNS

LAKSHMAJI RAO, BNN.,
AAO, Dr. MCR HRD Institute, Hyd.