

Rise in TDS limit to benefit small depositors

But bankers don't see problem of excess liquidity, say move aimed at operational ease for customers and banks

OUR BUREAU

Mumbai, February 1

Bankers are expecting a significant ease in operations and higher deposits by small depositors with the Interim Budget planning to raise the TDS threshold on interest earned from bank and postal deposits, although experts say there will be no real tax benefit from the proposal.

Interim Finance Minister Piyush Goyal on Friday announced that the tax deducted at source (TDS) threshold on interest earned on bank and post-office deposits will be raised to ₹40,000, from the current ₹10,000. "This will benefit small depositors and non-working spouses," Goyal said giving a partial relaxation amidst calls to make the interest income on bank depos-



its tax-free. State Bank of India Chairman Rajnish Kumar said, "Hiking the ceiling limit for TDS on bank deposits and small savings will act as a catalyst for this deposit segment by attracting the new depositors."

According to R Baskar Babu, Managing Director and CEO of Suryoday Small Finance Bank, this benefit will be especially useful for those who earn less than ₹5 lakh and have been promised an exemption from income tax.

"Many customers in this category will choose to put their money in fixed deposits and savings accounts as now the post tax returns will be better. For small finance banks, such as ours, this will give a boost to deposits," he said,



The Centre's move will be especially useful for those who earn less than ₹5 lakh and have been promised an exemption from income tax

adding that it will accelerate granulated deposits ranging from ₹2 lakh to ₹5 lakh.

However, bankers don't think

the move will lead to a significant push in liquidity with them. "I don't think it will have much impact. But it will lead to a lot of oper-

ational ease and comfort for both the customers and the banks as it removes the hassle of TDS," said an executive with a private sector lender.

Ease of compliance

Tax experts also said it will ease the burden of compliance. "This is not meant to bring any tax benefit, but to just ease the compliance burden for those who primarily earn income from deposit made with bank or post office or co-operative society. There shall be no tax benefit from this amendment," said Rakesh Nangia, Managing Partner, Nangia Advisors LLP.

Anne Maheshwari, Partner, Ashok Maheshwari & Associates, said the amount of interest will form part of income and the person will still have to pay tax if his income is above exemption limit.

Reinvest capital gains in two homes

The tax exemption on LTCG can be availed only once in a lifetime and up to a maximum of ₹2 crore

SUMIT JHA

AMONG A SLEW of tax concessions announced in the Interim Budget 2019 that will help home owners is the one where income tax that is levied on notional rent accruing from a second self-occupied house will be done away with.

“Considering the difficulty of the middle-class having to maintain families at two locations on account of their job, children’s education, care of parents, etc., I am proposing to exempt levy of income tax on notional rent on a second self-occupied house,” finance minister Piyush Goyal said.

Further, the capital gains accruing from selling a house will now be exempted from tax if the proceeds are used to buy two houses subject to a maximum gain of ₹2 crore. However, the benefit can be availed only once in a lifetime. “This change is meant to address the concerns of the parents who want to sell the existing house and buy two smaller homes for their children. Earlier, there was a limitation on claim of long term capital gains (LTCG) tax

exemption up to one new residential house property,” said Rakesh Nangia, managing partner at Nangia Advisors LLP.

Kuldip Kumar, partner and leader, Personal Tax at PWC, said this may not apply to existing unutilised capital gain, lying in capital gain account, which is to be utilised for buying or constructing house property in two or three years, respectively.”

Additionally, in what is expected to provide impetus to a sluggish real estate sector, the government has extended, by one year, the benefit under Section 80-IBA of the I-T Act for housing projects approved till March 31, 2020.

Separately, the minister also proposed to extend the period of exemption from levy of tax on notional rent for unsold inventories to two years from one year earlier.

Further, TDS threshold for deduction of tax on rent is proposed to be increased from ₹1.8 lakh to ₹2.4 lakh for providing relief to small taxpayers,” Goyal said.

Interest earnings of up to ₹40,000 from bank deposits and post office savings are now exempt from TDS, up from ₹10,000 earlier. The move will benefit small savers and non-working spouses.

The government has extended, by one year, the benefit under Section 80-IBA for housing projects approved till March 31, 2020



Reduce your tax outgo with the newly announced tax sops

Utilising tax deductions such as investments under Section 80C, NPS contribution, medical insurance, housing loan, taxpayers with gross income up to ₹9.25 lakh will not have to pay any tax

● YOUR MONEY

NEHA MALHOTRA

A MAJOR CHANGE has been brought in by the Interim Budget by granting full tax rebate to individual taxpayers having taxable annual income up to ₹5 lakh. Accordingly, taxpayers will not have to pay any tax if their total taxable income does not exceed ₹5 lakh. Factoring in tax deductions

for specified investments under Section 80C (₹1,50,000), NPS contribution (₹50,000), medical insurance (₹25,000), housing loan (₹2,00,000), taxpayers earning gross income up to ₹9,25,000 will not have to pay any tax. For salaried individuals, the threshold of the standard deduction from salary, as introduced by Budget 2018, has been raised from ₹40,000 to ₹50,000, thereby increasing the benefits to the salaried individuals.

Aid has also been imparted to individual taxpayers maintaining their residence at a location away from their home town on account of job or children's education. Such individuals need not worry about owning houses at two different locations. Prior to this year's Budget, taxpayers were required to pay income tax on notional rent in respect of more than one self-occupied property, whichever he selects. Considering the genuine hardships faced by such individuals, the government has eased the exemption provisions further and extended such exemption from levy



ILLUSTRATION: SHYAM KUMAR PRASAD

of income tax on notional rent on two house properties self-occupied by them.

Further, a step has been taken to simplify the TDS compliances by revising the withholding tax thresholds. Limits placed on withholding taxes on interest income earned on bank/post office deposits has been raised from ₹10,000 to ₹40,000. This is meant to ease the compliance burden of those who prefer to save rather than invest. Further, the TDS threshold on rent paid for using any property or machinery has been increased from ₹1,80,000 to ₹2,40,000 to provide relief to the small taxpayers.

Real estate gets a boost

The real estate sector gets a sweet deal

in the Interim Budget. The government focused on homebuyers and developers with unsold inventory, and addressed some of the key pain points of the sector. The benefit of rollover of capital gains under Section 54 has been increased from investment in one residential house to two residential houses for the taxpayer earning total capital gains of up to ₹2 crore.

This benefit can be availed once in a lifetime. The benefits under Section 80-IBA is being extended for one more year to the housing projects approved till March 31, 2020. The period of exemption from levy of tax on notional rent, on unsold inventories, has been extended from one year to two years, from the end of the year in which the project is completed.

The income tax refund process is going to get even smoother. The government announced that income tax returns will be verified in 24 hours and those who aren't under scrutiny will get refunds within the day. Verification and scrutiny will be done electronically without any interface between tax authorities and taxpayers.

This year's Budget has brought several new promises and additions with it. There are a lot of exemptions introduced this year and a lot of planning towards the welfare of the people.

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Union Budget 2019: A revolutionary Interim-budget

Published: February 1, 2019 6:37 PM

Expert Opinion on Union Budget 2019: Budget 2019 is a revolutionary Interim-budget deviating from the past practice and acknowledging that the country need not wait for tax reforms.



Union Budget 2019: The FM announced block-bolstered relief to middle strata of the population and rural economy.

Union Budget 2019: Budget 2019 is a revolutionary Interim-budget deviating from the past practice and acknowledging that the country need not wait for tax reforms. The FM announced block-bolstered relief to middle strata of the population from direct taxes and addressed the concern of the farmers and rural economy. Moving away from the convention, this interim budget did not shy away from making the much-awaited tax reforms for the salaried and middle-class taxpayers.

Tax perks for the middle-class

Interim-budget 2019 has filled the pockets of middle-class taxpayers with tax perks. The most talked about being the tax rebate of Rs 12,500 for individuals earning taxable income of up to Rs 5,00,000. This is a win-win change for the taxpayer and

Business Standard

Election bonanza for middle class, tax exemption limit up at Rs 5 lakh

IANIS February 01, 2019 Last Updated at 14:52 IST

In a bonanza for the country's middle class in an election year, the government on Friday proposed various tax sops including tax exemption for individual annual incomes of Rs 5 lakh, all of which add up to taking individual incomes up to Rs 9.5 lakhs outside the tax net.

Presenting the Interim Budget 2019-20, acting Finance Minister Piyush Goyal proposed doubling the tax exemption threshold for individual annual incomes from the current Rs 2.5 lakh to Rs 5 lakh. Individuals with yearly income within the proposed limit will not have to pay any income tax for the next fiscal.

He also proposed increasing the standard deduction limit by Rs 10,000, and raising the tax deducted at source (TDS) threshold on interest earned on bank and post office deposits which would benefit small depositors.

Besides proposing that standard deduction will be increased to Rs.50,000 from the current Rs.40,000 to benefit the salaried class, Goyal said individuals with annual incomes of Rs.6.5 lakh and who have invested in various tax savings schemes will not have to pay income tax.

According to the Minister, with additional deductions such as interest on home loans, national pension scheme contribution, medical expenditure on senior citizens, individuals with even higher income will not have to pay tax.

"This will provide tax benefit of 18,500 crore to over 3 crore middle class tax payers comprising self-employed, pensioners and senior citizens," he said.

The ceiling on payment of gratuity has been enhanced from Rs 10 lakh to Rs 20 lakh.

The increase in standard deduction for the salaried segment will provide an additional tax benefit of Rs 4,700 crore for over three crore salary earners and pensioners, Goyal said.

Moving to other sops, he said the benefit of rollover of capital gains under the Income Tax Act will be increased from investment in one residential house to two residential houses for a tax payer having capital gains up to Rs 2 crore. This benefit can be availed once in a life time.

Noting that income tax on notional rent is currently payable if one has more than one self-occupied house, Goyal said that to give a boost to the real estate sector, he is proposing to exempt levy of tax on notional rent on a second self-occupied house.

He also proposed to raise the TDS threshold on interest earned on bank and post office deposits from Rs 10,000 to Rs 40,000.

"This will benefit small depositors and non-working spouses. Further, the TDS threshold for deduction of tax on rent is proposed to be increased from Rs 1,80,000 to Rs 2,40,000 for providing relief to small taxpayers," Goyal said.

To summarize, the Budget provides a positive signal on the economic front and it is imperative that the ensuing government builds upon this to put India on a sustained growth path.

Rakesh Nangia (Managing Partner, Nangia Advisors LLP)



Budget 2019 is a revolutionary Interim-budget Deviating from the past practice and acknowledging the country need not wait for reforms to be implemented, the FM announced block bolstered relief to middle strata of the population from direct taxes and addressed the concern of the farmers and rural economy says Rakesh Nangia, Managing Partner, Nangia Advisors LLP.

With rebate of Rs 12,500 for the individuals having income upto RS 5 lacs will not have to pay any taxes and thus a big relief. This is a win-win change for the taxpayer and the government. Without losing much of the tax revenue, the government has managed to please a huge chunk of taxpayers. This tax change is expected to provide relief to about 3 crore people he said.

Middle-class taxpayer's pockets have been filled with tax perks. In addition to an increase in basic exemption limit, a series of other tax perks are there to relish. Standard deduction increase from 40k to 50k is expected to give some respite to the salaried class who were craving for a better standard deduction. Increase in the tax deduction on account of interest from saving bank from 10 k to 40 k shall address the genuine concerns of many who preferred to save rather than invest says Rakesh Nangia, Managing Partner, Nangia Advisors LLP.

Certain tax benefits serve dual purpose, one give a tax cherry to the taxpayers and also boost the lagging real estate sector. Real estate sector gets the attention that it was longing for. A series of amendments made to give the required impetus to boost the lagging Real Estate Sector.

- LTCG exemption under section 54 available on '2' residential houses for gains upto Rs. 2 cr. This change is meant to address the concerns of the parents who want sell the existing house and buy two smaller houses for their children. Earlier this led to a limitation on claim of LTCG exemption upto '1' new residential house property. However, in order to limit the misuse of this benefit, the benefit can be availed only once in lifetime.
- Section 80IBA benefit extended by one year for housing project approved upto 31 March 2020.
- TDS threshold for rent under Section 194I increased from 1.8K to 2.4K, hence, no requirement to withhold tax for rent upto Rs. 240000.
- Exempt levy of IT of notional rent on second house property. This is to address the concern of those who owned one house but had to buy another owing to a different place of work or place of education of their children. Such people can now claim exemption from tax on notional rent on the second house.

Some sweeteners for aam aadmi

Two important changes reduce the tax outgo for the common man

ANISH KAVYANIMHAN
A. Anishkavanimhan

The Change

There have been two important changes that will reduce the tax outgo for the common man.

One, standard deduction has been raised for salaried persons from ₹40,000 currently to ₹150,000 a year. This increase of ₹110,000 in the standard deduction will help all salaried taxpayers, including pensioners. It will mean less tax (including cess) of ₹120 for those in the 5 per cent tax slab, ₹2,600 for those in the 20 per cent tax slab and ₹2,620 for those in the 30 per cent tax slab.

Next, individual taxpayers having annual taxable income of up to ₹5 lakh will get full tax rebate and will not have to pay any income tax. This translates into lower tax (including cess) of up to ₹15,000 for those with taxable income up to ₹5 lakh. Note that the rates of tax have not changed — it remains 5 per cent on incomes between ₹2.5 lakh and ₹5 lakh.

The taxpayer has to calculate his tax liability and then claim the rebate under Section 87A. At present, a rebate of ₹2,500 is allowed for those

with taxable income up to ₹2.5 lakh. Budget 2019 has increased both the eligibility to claim the rebate amount (taxable income up to ₹5 lakh) and also the rebate amount (up to ₹15,000).

It is pertinent that this rebate benefit under Budget 2019 will not apply to those whose taxable income exceeds ₹5 lakh. So, for instance, if taxable income is ₹5 lakh, there is no rebate on income up to ₹5 lakh, the tax liability has to be calculated, without rebate benefit, on the entire ₹5 lakh as per the tax slab — all up to ₹2.5 lakh, 5 per cent on income between ₹2.5 lakh and ₹5 lakh, and 20 per cent for income between ₹5 lakh and ₹10 lakh.

How can taxpayers with earnings higher than ₹5 lakh get the rebate benefit and avoid paying tax?

To the extent possible, they can make investments and incur expenses that give tax breaks and try to bring their taxable income to ₹5 lakh or below.

For instance, say a taxpayer's gross income after raised standard deduction of ₹150,000 is ₹5.5 lakh. If he invests ₹3 lakh in Section 80C

BUDGET 2019-20

Small taxpayer gets the most

The full tax rebate for those with taxable income up to ₹5 lakh a year is a key positive for small taxpayers. The modest hike of ₹10,000 in standard deduction helps all salaried taxpayers.



INDIVIDUAL (Up to 60 years)

Current Income	Current Tax	Budget 2019 Income	Budget 2019 Tax
₹1,00,000	₹1,00,000	₹1,00,000	₹1,00,000
₹2,00,000	₹2,00,000	₹2,00,000	₹2,00,000
₹3,00,000	₹3,00,000	₹3,00,000	₹3,00,000
₹4,00,000	₹4,00,000	₹4,00,000	₹4,00,000
₹5,00,000	₹5,00,000	₹5,00,000	₹5,00,000



SENIOR CITIZEN (60-80 years)

Current Income	Current Tax	Budget 2019 Income	Budget 2019 Tax
₹1,00,000	₹1,00,000	₹1,00,000	₹1,00,000
₹2,00,000	₹2,00,000	₹2,00,000	₹2,00,000
₹3,00,000	₹3,00,000	₹3,00,000	₹3,00,000
₹4,00,000	₹4,00,000	₹4,00,000	₹4,00,000
₹5,00,000	₹5,00,000	₹5,00,000	₹5,00,000



SUPER SEN. CITIZEN (Above 80 years)

Current Income	Current Tax	Budget 2019 Income	Budget 2019 Tax
₹1,00,000	₹1,00,000	₹1,00,000	₹1,00,000
₹2,00,000	₹2,00,000	₹2,00,000	₹2,00,000
₹3,00,000	₹3,00,000	₹3,00,000	₹3,00,000
₹4,00,000	₹4,00,000	₹4,00,000	₹4,00,000
₹5,00,000	₹5,00,000	₹5,00,000	₹5,00,000

Individual Current slab rate

0-2,50,000	Nil
2,50,000-5,00,000	5%
5,00,000-7,50,000	20%
7,50,000-1,00,00,000	30%
1,00,00,000 and above	30%

Budget 2019 Proposed slab rate

Nil	0-2,50,000	Nil
5%	2,50,000-5,00,000	5%
20%	5,00,000-1,00,00,000	20%
30%	1,00,00,000 and above	30%

Health and Education Tax without a 1% of total tax

CURRENT LIMIT OF TAX DEDUCTIONS

Individual	₹1,50,000
Senior citizen	₹30,000
Super senior citizen	₹30,000

BUDGET 2019 PROPOSED LIMIT

Individual	₹1,50,000
Senior citizen	₹30,000
Super senior citizen	₹30,000

investments, ₹10,000 in the National Pension Scheme (NPS) and pays health insurance premium of ₹25,000 for himself and ₹25,000 for his parents, the taxable income comes down to ₹5 lakh. He then becomes eligible for the rebate benefit under Budget 2019 and ends up paying no tax.

Other expenses that can re-

duce taxable income include interest on home loan (up to ₹2 lakh) and interest on education loans.

The background

With the Lok Sabha election approaching, there was speculation and hope that the Budget, despite being an interim one, will provide some big tax breaks to individual

taxpayers. For instance, higher income exemption limit (from ₹2.5 lakh currently to ₹5 lakh or more), higher deduction limit under Section 80C (₹3 lakh currently to ₹2 lakh or more) and higher tax deduction on home loan interest (from ₹2 lakh currently to ₹2.5 lakh or more).

The last major tax benefits

across the board were given way back in Budget 2014 with only tweaks here and there in the next few Budgets. There has been an attempt to provide some incentives to the middle-class but the tax breaks are far fewer than expected.

The verdict
Something's better than nothing.



Illustration: Anish Kavanimhan

Compiled by Anish Kavanimhan

₹3,00,00,000

WITH A REBATE OF ₹12,500, THREE CRORE INDIVIDUALS EARNING UP TO ₹5 LAKH WILL PAY ZERO TAX. TAX SLABS, HOWEVER, HAVE NOT CHANGED

Middle-class sops

No tax payable for those who earn up to

₹5 lakh*

Impact due to (a) increase in rebate for income up to ₹5 lakh
(b) increase in standard deduction from ₹40,000 to ₹50,000

Salary (₹)	Tax paid	
	Earlier	Now
3,90,000	2,600	0
5,50,000	15,080	0

Impact due to increase in standard deduction from ₹40,000 to ₹50,000

9,00,000	87,880	85,800
15,00,000	2,60,520	2,57,400
60,00,000	18,30,972	18,27,540

*Will pay tax, then get rebate as tax exemption limit of ₹2.5 lakh hasn't changed

Around 3 crore taxpayers to benefit

Assumptions

No deduction under Chapter VIA have been considered in the above calculations

Goyal gets his target right

(AY 2017-18)

Salary	No. of returns	Sum of salary income (₹ cr)
Up to 2.5 lakh	3,06,24,673	63,558
2.5 to 5 lakh	79,56,997	3,01,205
5 to 10 lakh	80,51,310	5,54,700
10 to 50 lakh	30,96,823	5,17,261
50 to 1 crore	97,120	65,885
Above 1 crore	41,457	91,878
Total	4,98,68,380	15,94,487

AUM of mutual fund companies grows

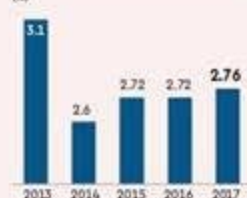
(₹ crore)



Source: ET, Nangia Advisors, IT Return Statistics

Life insurance penetration remains low

(%)



Union Budget 2019 budget analysis: After income tax benefits, FM Piyush Goyal can ask individual taxpayers, how's the josh

Updated: February 1, 2019 4:09 PM

Expert Opinion on Union Budget 2019 Expectations: As per the Budget announcement, individuals with income up to INR 5 lakhs will not have to pay any income tax.



Experts Opinion on Union Budget 2019: The Government, has indeed, handed over a "goodies bag" to the individual taxpayers in the form of beneficial announcements.

Budget 2019 Expert Opinion on Budget Expectations: Individual taxpayers much more than just a 'Thank You' from the Finance Minister in the Union Budget 2019-20. Breath were held before the FM come to Part-B of his Budget Speech and announced relaxation for the individual taxpayers. In Part-B of the speech, the Finance Minister thanked the taxpayers and assured them that the Government has used the tax contribution to serve the poor and create better infrastructure in the country. This being the current Government's last budget before the general elections later this year, speculation was rife that tax sops, new schemes and tax changes would be in the offing.

The Government, has indeed, handed over a "goodies bag" to the individual taxpayers in the form of beneficial announcements. As per the Budget announcement, individuals with income up to INR 5 lakhs will not have to pay any



up from existing INR 40,000 to INR 50,000. Budget 2018 had introduced a standard deduction of INR 40,000 for the salaried class, in lieu of deductions of INR 15,000 for medical reimbursement and INR 19,200 for transport allowance. TDS thresholds for interests on post office and bank deposits have been raised from Rs 10,000 to Rs 40,000. This would result in higher interest credits, a part of which was getting locked on account of TDS, to be subsequently claimed as refunds by the taxpayers falling under the exemption thresholds.

Also read [Budget 2019: Over 70% beneficiaries of Mudra Yojna are women, says Piyush Goyal](#)

On the housing side, as an amendment to Section 54 of the Income Tax Act, the benefit of rollover of capital gains has been proposed to be increased from one residential house to that of two now, for a taxpayer having capital gains upto INR 2 crores. This benefit could be exercised once in the lifetime of the taxpayer. The requirement of deducting tax at source is now applicable if the annual rental payment exceeds INR 2.4 lakhs. This has been increased from the earlier annual limit of Rs 1.8 lakhs. Presently, income tax on notional rent is payable if one has more than one self-occupied house. Considering the difficulty of the middle class having to maintain families at two locations on account of their job, children's education, care of parents etc, the Finance Minister has proposed to exempt levy of income tax on notional rent on a second self-occupied house. Even though the Finance Minister considers inflation as "hidden and unfair tax" on middle class, and the home loan rates on the rise, the existing deduction of INR 2 lakhs has not been tinkered.

Overall, the Budget announcements would bring big cheer to the middle-class. The Government can clearly ask the question "How is the josh?" to its individual taxpayer citizens now, to get an answer - "Much High".

(By Suraj Nangia, Partner and Sandeep Jhunjhunwala, Director, Nangia Advisors LLP (Andersen Global))

BUDGET 2019 : A step to alleviate rural distress, boost farm income; what experts say

By: Eram Tafair | Published: February 1, 2019 6:47 PM

India Union Budget 2019: Instead of going for loan waivers, the government has sought to give income to marginal farmers and lower the cost of borrowing for others by increasing the subvention rate to 5 per cent on rescheduled loans.



Budget 2019-20: The budget included various farmer-centric steps

With an eye on elections, Modi government has announced various sops to please the distressed farming community in its interim budget 2019. The move has come after the BJP lost power in three states— Chhattisgarh, Madhya Pradesh and Rajasthan, which are predominantly agrarian, with a high share of GDP and employment coming from the agriculture sector.

The budget included various farmer-centric steps such as Pradhan Mantri Kisan Samman Nidhi(PM-KISAN), Rashtriya Kamdhenu Aayog, a new Department of Fisheries and Interest Subvention Schemes.

Rising cost of living combined with falling food prices has led to pauperization of farmers, particularly small and marginal. This can be seen by various farm protests such as Delhi Kisan protest and Maharashtra Farmers' March and rising farmers' suicide. Against this background, the above announcement may give some hope to the disappointed farming community.