Employees can opt for new I-T regime before filing return

Move to mitigate mismatch between TDS and ITR

SHISHIR SINHA

New Delhi, April 13

The Central Board of Direct Taxes (CBDT) — the apex income tax policy-making body — has come out with a detailed clarification to make it easy for individuals opting for the new income tax regime, without any exemption.

The Budget for 2020-21 prescribed a new personal income tax regime, wherein income tax rates will be significantly reduced for individual taxpayers who forgo certain deductions and exemptions. Some of these deductions/exemptions include HRA (house rent allowance), interest on home loan, and deposits in Public Provident Fund, National Saving Certificates etc.

The new tax regime is optional for the taxpayers. An individual currently availing himself of deductions and exemptions under the Income Tax Act may choose to avail them and continue to pay tax as per the old regime. It was said that the assessee will have to opt for the new scheme at the time of filing income tax return (ITR).

Earlier, it was said that individuals can opt for new regime (no exemption, lower tax) or old regime (with exemption, higher tax) at the time of filing ITR. However, employers were required to deduct TDS (tax deducted at sources) only under the old regime, which could have resulted in a mismatch between TDS and ITR.

Now, there will no such problem, as the clarification says that "an employee, having income other than the income under the head profit and gains of businesses and profession and intending to opt for the concessional rate under Section 115BAC of the Income Tax Act, may intimate the deductor, being his employer, of such intention for each previous year and upon such intimation, the deductor shall compute his total income and make TDS thereon in accordance with the provision of Act."

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Further, if there is no intimation from the employee, the employer will deduct according to the old regime.

By this clarification, the government has allowed employers to deduct TDS under the new regime, if they obtain a declaration from employees in this regard.

This will mitigate the mismatch between the TDS and the ITR.

Bringing more clarity

Shailesh Kumar, Director at Nangia Andersen Consulting said this will bring in clarity among employers and also enable employees to opt for the new scheme even at the time of TDS.

"This will also ensure there is minimum mismatch in the TDS and ITR of employees, if they adopt a consistent position while making declaration to the employer as well as in their ITR, regarding the option (new or old) chosen by them," he said.

Logo

How to deduct TDS against salary under new rules from April? CBDT clarifies

The circular also addresses the confusion that there cannot be a change in option by the employee during the year, coming as a relief for employers

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The Budget introduced an alternative taxation regime for individuals, allowing an option for lower tax rates, provided they don't avail of certain exemptions/deductions otherwise available under the Income tax Act

Employees could now take home a higher portion of their salary, by intimating employers about migrating to the new tax regime, introduced in the Budget, beginning April — in line with the clarification issued by the tax department on Monday.

Clearing confusion related to tax deduction at source (TDS) by employers, the central board of direct taxes (CBDT) — in a circular — said employers could deduct TDS in accordance with the new optional tax regime at the time of paying salaries from the beginning of the financial year, reversing its earlier stance that the option may only be availed at the time of filing of the income tax returns (ITR). The move will help avoid instances of mismatch between TDS and income tax returns.

However, employees will have the option of reverting to the old regime at the time of filing their ITR, the circular states. Experts pointed out that the move would allow employees get some extra cash in hand amid the lockdown.

SHAILESH KUMAR

Deadline for several tax compliance measures extended

THE MONTH OF March holds great significance for individual as well as corporate taxpayers. This year, March 31 marked the due date of linking PAN and Aadhar, filing of revised/ belated return pertaining to FY 2018-19. It was also the last date for those taxpayers who desired to avail the Vivad se Vishwas Scheme to settle their tax disputes.

In view of the nationwide lockdown due to coronavirus pandemic, the government on March 24 announced a series of statutory and regulatory compliance relief measures, deferring deadline and reducing interest rates on delayed payments of tax. Subsequently, on March 31, the government issued an ordinance amending relevant tax laws and giving a statutory force to relaxations announced earlier.

Relaxations for individuals

Every year, March 31 is the last date for making investments in tax-saving instruments, be it insurance premiums, ELSS mutual funds, PPF, NPS, medical insurance, etc. Due date for all such investments has been extended to June 30, 2020. Also, deduction for donations made under Section 80G

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can be claimed for FY 2019-20 both by individual as well as corporate taxpayers, if such donation is made by June 30, 2020. It may be noted that investments made during this period should be counted for only one of the two financial years(FY 19-20 or FY 20-21). Additionally, due date of linking PAN with Aadhar has been extended to June 30, 2020.

Relaxations in compliances

The due date of filing revised/ delayed income tax return for FY 2018-19 has also been extended by three months, i.e. till June 30, 2020. The government has reduced the interest rates for delayed payment of advance tax/ self-assessment tax/TDS/TCS during March 20, 2020 to June 30, 2020 from 1/1.5% per month to 0.75% per month. Further, it has been stipulated that no late fee/ penalty shall be charged for delay relating to this period.

Vivad se Vishwas Scheme was rolled out with stringent deadlines and required payment of additional 10% of tax in dispute, if payment was made beyond March 31, 2020. The due date has been extended to June 30 without any additional payment now.

The due dates for issuance of any notice, intimation, notification, approval or sanction order, has also been extended by a period of three months. Filing of an appeal, furnishing of return, statements, applications and any compliance by the taxpayer including investment in saving instruments or investments for rollover benefit of capital gains under the tax laws has been relaxed up to June 30 if the same fall due between March 20 and June 29, 2020.

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Extension of lower tax withholding certificates

The Centre has extended validity of all lower withholding orders applicable till June 30. This relaxation will ensure continuity of payments to contractors/ service providers, resident and non-resident, where for reasons such as character of income, tax treaty benefits, estimated losses, etc., taxpayers were authorised to receive payments, either without deduction of income tax or deduction at a lower rates vis-a-vis normal rates.

Such relaxation would be important for cash flow management of both resident as well as non-resident taxpayers, and in present circumstances, where taxpayers and businesses are already facing severe liquidity and cash flow issues.

The writer is director, Nangia Andersen Consulting. Inputs from Vasudha Arora

TAX TALK

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