



Basics of Income Tax

Income Form Salary

Income Form House Property

CA Rohit Kapoor



Introduction

Basics



Taxation Rates



Surcharges



Marginal Relief



Relief

Income From Salary



Basis of Charge of Income from Salaries



Allowances



Perquisites



Computation of Taxable Salary



Tax Computation



Case Studies & Tax Planning Tools

Income Form House Property



Basis of Charge of Income from House Property



Understanding of the Legal Provisions



Gross Annual Value etc



Deductions from Rental Incomes (Section 24)



Computation of Income from House Property



Case Studies & Tax Planning Tools



Basic of Income Tax

CA Rohit Kapoor



Rates of Income Tax - Basic

Assessment Year 2020-21 & 2021-22

Income		RATES OF INCOME TAX		
		Individual Resident (Age less than 60 Years) and Non Resident	Senior Citizen Resident (Age above 60 Years)	Super Senior Citizen Resident (Age above 80 Years)
1.	Up to Rs. 2,50,000	Nil	Nil	Nil
2.	Rs. 2,50,000 to Rs. 3,00,000	5%	Nil	Nil
3.	Rs. 3,00,000 to Rs. 5,00,000	5%	5%	Nil
4.	Rs. 5,00,000 to Rs. 10,00,000	20%	20%	20%
5.	Above Rs. 10,00,000	30%	30%	30%



Rates of Surcharge & Cess

Assessment Year 2020-21 & 2021-22

Surcharge Rates

Range of Income				
Rs. 50 Lakhs to Rs. 1 Crore	Rs. 1 Crore to Rs. 2 Crores	Rs. 2 Crores to Rs. 5 Crores	Rs. 5 crores to Rs.10 Crores	Exceeding Rs. 10 Crores
10%	15%	25%	37%	37%

Health & Education Cess Rate

Levied on Income Tax + Surcharge
4%



Rebate

Section 87A



- Rebate Available for Resident Individual
- Having NTI up to Rs. 5 Lac
- Rebate Amount is Lower of;
 - 100% Tax Payable
 - Rs. 12,500/-
- Rebate shall be Reduced before adding Cess.



Income From Salary

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Basics

**Under
Income From
Salary**



Meaning of Salary

Salary Includes

Wages

Annuity

Pension

Gratuity

Fees, Commission, Perquisites, Profits in lieu of or in addition to Salary or Wages

Advance of Salary

Leave Encashment

Annual accretion to the balance of Recognized Provident Fund

Transferred balance in Recognized Provident Fund

Contribution by CG or any other employer to Employees Pension Account as referred in Sec. 80CCD



Some Important Points

- Income is Chargeable to Tax under the Head Salary, if there is Employer & Employee Relationship
- Salary Taxable, on basis of earlier of Receipt or Due
- Salary by MP, MLA, MLC, taxable under IFOS.
- Salary of Partner, Taxable under PGBP.
- Income related to “*Contract of Service*”, taxable as Salary
- Income related to “*Contract for Service*”, taxable as PGBP
- *Any amount received by Employee before and after Job, is treated as, “Profit in lieu of Salary”*



Taxability of Various Components of Salary

Basic Salary	• <i>Fully Taxable</i>
Dearness Allowance	• <i>Fully Taxable</i>
Commission	• <i>Fully Taxable</i>
Bonus	• <i>Fully Taxable, On Receipt Basis.</i>
Advance Salary	• <i>On Receipt Basis, If it is Advance against Salary</i>
Arrears Salary	• <i>Taxable in the Year of Receipt</i>
Allowance	• <i>As per Valuation</i>
Perquisite	• <i>As per Valuation</i>



Allowances

**Under
Income From
Salary**



House Rent Allowance

(Section 10(13A) read with Rule 2A)

Least of the following is Exempt:

- Actual HRA Received
- 40% of Salary (50%, if house situated in Mumbai, Delhi, Chennai or Kolkata)
- Rent paid *minus* 10% of Salary

Note:

- HRA is Fully taxable, if HRA is received by an employee who is living in his own house or if he does not pay any rent
- It is mandatory for employee to report PAN of the landlord to the employer if rent paid is more than Rs. 1,00,000 [Circular No. 08/2013 dated 10-10-2013].



House Rent Allowance

Case Study

Ram receives salary for the year 2019-20. He resides at Rajkot. The data for salary is given below:

Particular	Amount (Annual Data)
Basic	2,00,000
DA (included as per terms of employment)	1,00,000
Bonus	50,000
House rent allowance (HRA)	24,000 (2,000 P.M.)
Rent paid during the year	36,000 (3,000 P.M.)
Basic salary	2,00,000
Dearness allowance	1,00,000
Total	3,00,000
10% of salary	30,000
40% of salary	1,20,000



House Rent Allowance

Case Study

Calculation of HRA – Exempt & Taxable Amount

Particular	Amount
Actual HRA received	24,000
Rent paid Less 10% of salary	36,000 – 30,000 = 6,000
40% of salary	1,20,000
Available exemption (least of the above)	6,000
Taxable HRA	18,000



Other Misc. Allowance – Exempt up to Specified Limits

Section 10(14)



<i>Allowance</i>	Maximum Exemption	Conditions
<i>Children Education Allowance</i>	Rs. 100 p.m. per child	Maximum For Two Children
<i>Hostel Expenditure Allowance</i>	Rs. 300 p.m. per child	Maximum For Two Children
<i>Transport Allowance</i>	Rs. 3200 p.m.	Employee who is blind or deaf and dumb or orthopedically handicapped with disability of lower extremities



Other Misc. Allowance – Exempt up to Specified Limits

Section 10(14)



<i>Allowance</i>	<i>Maximum Exemption</i>	<i>Conditions</i>
<i>Transport Allowance</i>	Lower of <ul style="list-style-type: none">• 70% of Allowance• Rs. 10,000/- p.m.	Rs. 3,200 per month granted to an employee, who is blind or deaf and dumb or orthopedically handicapped with disability of lower extremities

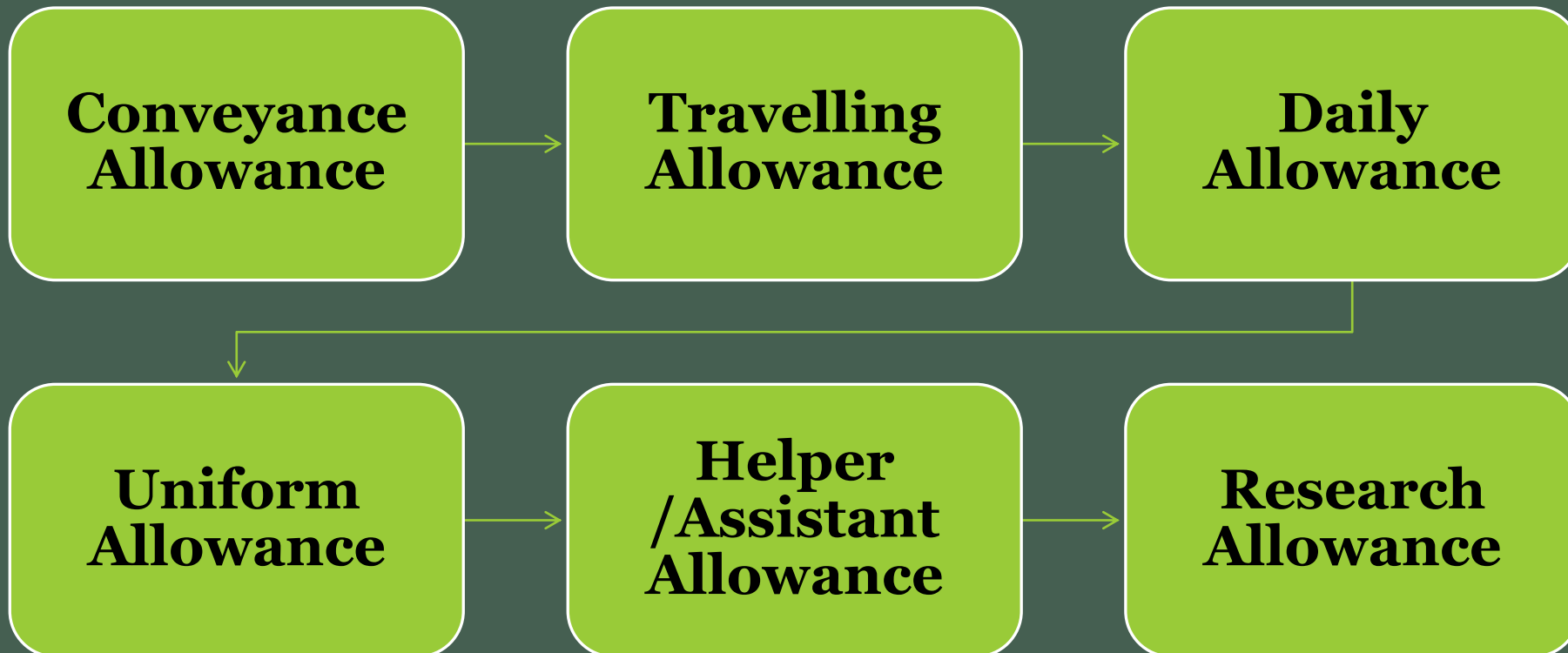


Other Misc. Allowance

– Exempt up to Extent of Expenditure Incurred for Official Purpose



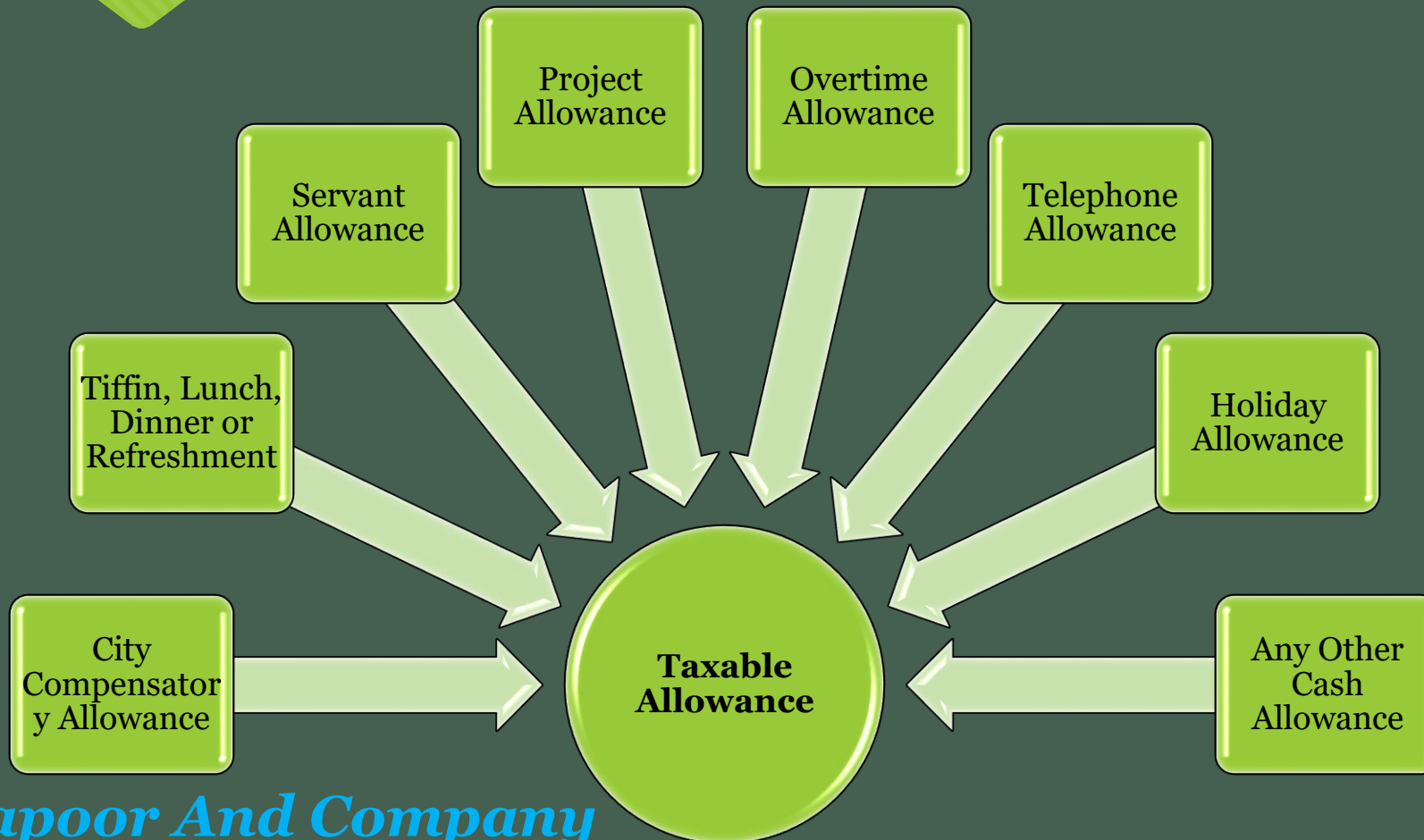
Section 10(14)





Other Misc. Allowance – Fully Taxable

Section 10(14)





Perquisite

**Under
Income From
Salary**



Allowance V/s. Perquisites

Section 10(14)

Allowance

- Means Monthly Fixed Amount Received by Employee from Employer
- Whether Actual Expenditure is Incurred or not.
- e.g. HRA, Medical Allowance

Perquisites

- Means Benefits or Facility Provided by Employer to Employee
- It is Received when actual expenditure incurred
- e.g. Medical Facility, Car Facility



Perquisite

Section 10(5)

- Leave Travel Concession
- Medical Facility
- Loan
- Gift
- ESOP
- Use of Moveable Asset
- Transfer of Moveable Assets
- Lunch Facility
- Rent Free Accommodation
- Car Facility
- Transport Facility for Transport Employee
- Education Facility
- GAS, Electricity & Water Supply
- Free Servant
- Any other Perquisite



LEAVE TRAVEL CONCESSION

- **Exempt u/s. 10(5)**

- **Travel by Air**

- Actual Expense
- Economy Class Fare

- **Travel by any other mode**

- **Railway Facility Available**

- Actual Expense
- Ist Class Railway Fare

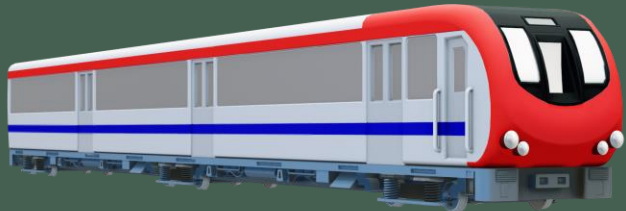
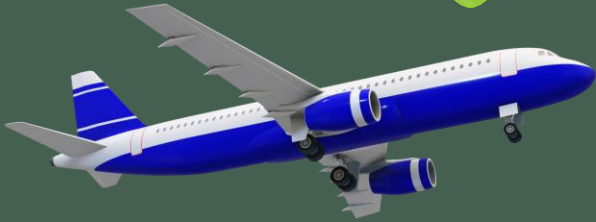
- **Railway Facility not Available**

- **Recognized Transport Facility Available**

- Actual Expense
- First / Delux Class Bus Fare

- **Recognized Transport Facility Not Available**

- Actual Expense
- Air Conditioned Ist Class Railway Fare





LEAVE TRAVEL CONCESSION

- LTC exemption is Available for Travel of Employee, his spouse, children and dependent relative (M, F, B, S)
- Exemption of LTC is available only for 2 Children born on or after 1-10-1998
 - First Time One Child & Second Time Twins
 - Total 3 Children = Exemption allowed for all 3 Children
 - First Time Twins & Second Time Child
 - Total 3 Children = Exemption allowed to only 2 Children
- LTC exemption is available for 2 Years during the Block of 4 Years (Current Block is 2018-2021)
- LTC Always Taxable, in case of following Specified Employee
 - A Director Employee
 - An Employee who has substantial interest (i.e. beneficial owner of equity shares carrying 20% or more voting power) in the employer-company
 - An employee whose **Monetary Income** under the salary exceeds Rs.50,000
 - Monetary Income means Income chargeable under the salary but excluding perquisite value of all non-monetary perquisites



Medical Facility

Treatment in India

- ***Treatment in Govt./Employer/Govt. Approved Hospital***
 - Fully Exempt

Treatment Outside India

- ***Benefit of Treatment & Stay***
 - Exempt up to Limit Prescribed by RBI
- ***Benefit of Travel***
 - Fully Exempt, if Gross Total Income is up to Rs. 2,00,000/-
 - otherwise it is fully Taxable

Notes

- Medical Insurance Premium is Fully Allowed
- Exemption for Treatment is allowed for Employee's Spouse, Children & Dependent Relative
- Exemption of Stay & Travel is allowed only for 1 Patient & 1 Attendant



Loan By Employer to Employee

1

Loan Given by Employer to Employee at Concessional Rate of Interest or Without Rate of Interest

2

Taxable Amount

- ***Loan Amount*** (Monthly) \times (***SBI Interest Rate*** (On First Day of PY) – ***Actual Interest Rate***)

3

Not Taxable

- *Loan Amount is up to Rs. 20,000/-*
- *Loan is Taken for Specified Disease*



Gift or Voucher or Coupon



- Gift or Voucher or Coupon on ceremonial occasions or otherwise provided to the employee
- Gifts in Cash
 - Taxable
- Gifts in Kind
 - FMV is up to Rs. 5,000 p.a.
 - Fully Exempt
 - Otherwise
 - Fully Taxable



Use of Movable Asset

- Laptop or Computer
 - Fully Exempt
- Other Assets (TV, AC other than Car)
 - **Owned by Employer**
 - Taxable Amount = 10% of Cost
 - **Hired by Employed**
 - Taxable Amount = Hire Charges Paid by Employer





Transfer of Movable Asset

Sale of
Asset



Gift of
Asset

Calculation of Taxable Value

Particular	Motor Car	Computer & Electronic Items	Any Other Assets
Cost of Asset			
Less: Dep ⁿ for Each Completed Year at the Rate	20% (WDV)	50%(WDV)	10%(SLM)
Less: Sale Price			
Taxable Value of Perquisite			



Transfer of Movable Asset



Case Study

Particular	Motor Car	Computer & Electronic Items	Any Other Assets
Cost of Asset (May 2018)	8,72,000	1,22,000	35,000
Sale Price (June 2020)	5,15,000	25,000	10,000
<u>Calculation of Perquisite Value</u>			
Cost of Asset (May 2018)	8,72,000	1,22,000	35,000
Less: Dep ⁿ for Each Completed Year			
Rate of Dep	20%	50%	10%
For FY 2018-2019	1,74,400	61,250	3,500
For FY 2019-2020	1,39,520	30,625	3,500
Less: Sale Price	5,15,000	25,000	10,000
Taxable Value of Perquisite	43,080	5,625	18,000

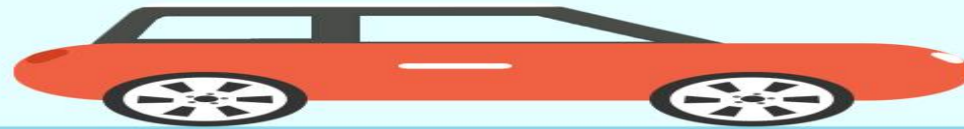


Rent Free Accommodation

Particular	Value of Perquisite		
Accommodation is Owned by Employer	City having population as per 2001 Census		
	Not Exceeding 10 Lac	Exceeding 10 Lac but not exceeding 25 Lac	Exceeding 25 Lac
	7.5 % of Salary	10% of Salary	15% of Salary
Accommodation is Taken on Lease or Rent	Lower of	<ul style="list-style-type: none">• Actual Amount Paid by Employer• 15% of Salary	
Accommodation provided in Hotel by Employer	Lower of	<ul style="list-style-type: none">• 24% of Salary• Actual Charges Paid for Hotel	
Furniture also Provided by Employer	If Owned by Employer	<ul style="list-style-type: none">• 10% p.a. of Cost	
	If Hired by Employer	<ul style="list-style-type: none">• Actual Charges Paid by Employer	



Motor Car or Conveyance Facility



Perquisite in case used for	Taxable Value
exclusively Business purpose	Nothing would be taxable.
exclusively Personal purpose	Expenses of Maintenance & Driver and 10% of Actual Cost of Car
motor car is used partly for performance of duties and partly for private or personal purpose	Refer Table on Next Slide



Motor Car or Conveyance Facility



Car owned/hired by employer and expenses on maintenance and running are met or reimbursed by	Motor Car below 1.6 ltrs. Engine capacity	Motor Car Above 1.6 ltrs. engine capacity	If Driver provided by employer to run the motor car, an additional amount as below is also charged
Employer	Rs. 1,800 per month	Rs. 2400 per month	Rs. 900 per month
Employee	Rs. 600 pm	Rs. 900 pm	Rs. 900 per month



Deduction from Salary

Under Income From Salary



Deductions from Salary

Standard Deduction	Rs. 50,000 or the amount of salary, whichever is lower
Entertainment Allowance received by the Government employees <i>(Fully taxable in case of other employees)</i>	Least of the following is deductible : a) Rs 5,000 b) 1/5th of salary (excluding any allowance, benefits or other perquisite) c) Actual entertainment allowance received
Employment Tax/Professional Tax	Amount actually paid during the year is deductible. However, if professional tax is paid by the employer on behalf of its employee than it is first included in the salary of the employee as a perquisite and then same amount is allowed as deduction



Computation of Taxable Salary

Under Income From Salary



Computation of Taxable



Salary

Calculate Annual Salary

Calculate the estimate annual income of the employee that would be classified as "salaries"

Addition /Deletion

Add Income or deduct loss declared by the employee. Deduct allowed deductions declared by Employee.

Estimated Tax

Calculate Income tax payable by the employee based on the Income tax rate in force.

Deduct TDS

Divide the Total In. tax payable by the employee by the number of month in employment and deduct tax at source prior to Salary Payment.



New Tax Regime

Under Income From Salary



New Rates of Income Tax

Assessment Year 2021-22 : Individual / HUF Only

**Section
115BAC**

Annual Income	New Income Tax Slab Rate
Nil to Rs. 2.5 lakh	Exempt
Above Rs. 2.5 lakh to Rs. 5 lakh	5%
Above Rs. 5 lakh to Rs. 7.5 lakh	10%
Above Rs. 7.5 lakh to Rs. 10 lakh	15%
Above Rs. 10 lakh to Rs. 12.5 lakh	20%
Above Rs. 12.5 lakh to Rs. 15 lakh	25%
Above Rs. 15 lakh	30%

Above Rates are subject to health and education cess of 4%



New Rates of Income Tax



Assessment Year 2021-22 : Individual / HUF Only

Eligibility Criteria

**Section
115BAC**

- The declared income does not include any business income.
- It is calculated without claiming any depreciation under clause (iia) of Section 32.
- It is calculated without any exemption or deduction with respect to any allowances or perquisites.
- It is calculated without setting off losses from any earlier assessment year (AY) due to the under-mentioned deductions or from house property.
- It is calculated without any exemptions or deductions provided under the following
 - Chapter VI-A except those u/s 80CCD/ 80JJAA,
 - Section 24b,
 - Clause (5)/(13A)/(14)/(17)/(32) of Section 10/10AA/16,
 - Section 32(1)/ 32AD/ 33AB/ 33ABA,
 - Section 35/ 35AD/ 35CCC,
 - Clause (iia) of Section 57.



New Rates of Income Tax



Assessment Year 2021-22 : Individual / HUF Only

Deduction & Exemption – Not Allowed

**Section
115BAC**

Major Deductions under Chapter VIA (u/s 80C, 80CCC, 80CCD, 80DD, 80DDB, 80E, 80EE, 80EEA, 80G, 80IA, etc)

House Rent Allowance (HRA) u/s 10(13A)

Home Loan Interest u/s 24(b)

Standard Deduction

Leave Travel Allowance u/s 10(5)

Deduction for Donation or Expenditure on Scientific Research

Allowances u/s 10(14)

Deduction for Entertainment Allowance and Employment/Professional Tax u/s 16

Depreciation u/s 32(iia)

Deductions u/s 32AD, 33AB, 33ABA, 35AD, 35CCC

Exemption for SEZ unit u/s 10AA

Deduction from Family Pension u/s 57(iia)



New Rates of Income Tax



Assessment Year 2021-22 : Individual / HUF Only

Deduction & Exemption – Allowed

**Section
115BAC**

Deduction u/s 80CCD(2) (employer's contribution to your pension account)	Deduction u/s 80JJAA (additional employee cost)	Transport Allowance for Differently Abled Employees (Divyang)
Conveyance Allowance for Performance of Office Duties	Any Allowance for the Cost of Travel/ Tour/ Transfer	Daily Allowance given to Employees under Certain Conditions



Old Tax Regime V/s New Tax Regime

- Mr. RAK aged 48 years has the total income of ₹11 Lac. He has made the investment under section 80C of ₹1.50 Lac & under Section 80CCD of ₹0.50 Lac.
- He has claimed income tax deduction with medical and Leave travel allowance of ₹0.50 Lac and HRA of ₹ 1.50 Lac

Particulars	New Regime	Old Regime
Gross total income	₹ 11,00,000	₹ 11,00,000
Less: Deductions under 80C	₹ 0	₹ 1,50,000
Less: Standard Deduction (Medical & Travel Allowance)	₹ 0	₹ 50,000
Less: Deductions under 80CCD	₹ 0	₹ 50,000
Less : HRA deduction as per section 10(13A)	₹ 0	₹ 1,50,000
Taxable Income	₹ 11,00,000	₹ 7,00,000



Old Tax Regime V/s New Tax Regime

Computation of Tax Payable

Particulars	New Regime	Old Regime
Taxable Income	₹ 11,00,000	₹ 7,00,000
Taxes payable as per slab rates		
₹0 - ₹2,50,000	₹ 0	₹ 0
₹2,50,001 - ₹ 5,00,000	₹ 12,500	₹ 12,500
₹5,00,001 - ₹ 7,50,000	₹ 25,000	₹ 40,000
₹7,50,001 - ₹ 10,00,000	₹ 37,500	₹ 0
₹10,00,001 - ₹12,50,000	₹ 20,000	₹ 0
Total taxes	₹ 95,000	₹ 52,500



Income From House Property

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Basics

Under Income From House Property



Basis of Charge

Section 22

Income from house property shall be taxable under this head if following conditions are satisfied:

The house property should consist of any **BUILDING OR LAND** appurtenant thereto;

The house property **SHOULD NOT BE USED** for the purpose of **BUSINESS OR PROFESSION** carried on by the taxpayer

The taxpayer should be the **OWNER** of the property;



Computation

Under Income From House Property



Computation of House Property

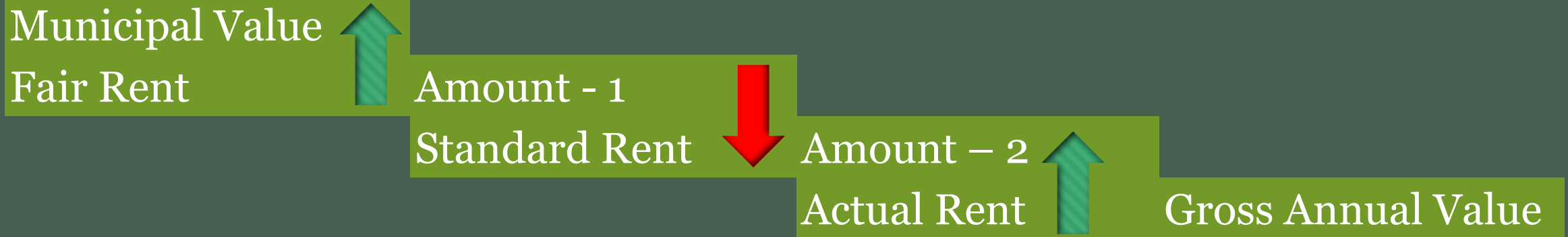
Section 23

Particulars	Amount
Gross Annual Value	XX.XX
Less: Municipal Taxes	XX.XX
Net Annual Value	XX.XX
Less: Standard deduction @ 30% [Section 24(a)]	XX.XX
Less: Interest on borrowed capital [Section 24(b)]	XX.XX
Income from House Property	XX.XX



Computation of Gross Annual Value

Section 23(1)





Meaning of Different Terms, for GAV

Municipal Rent	<ul style="list-style-type: none">• Value as per Municipality
Fair Rent	<ul style="list-style-type: none">• Rent of Similar Property in same Locality (also known as Reasonable Rent)
Standard Rent	<ul style="list-style-type: none">• Rent as per Rent Control Act
Actual Rent	<ul style="list-style-type: none">• Rent Received+ Rent Receivable– Unrealized Rent



Deduction – Municipal Tax

Taxes levied by any local authority in respect of house property

It is allowed if borne/paid by the owner

Municipal taxes includes service-taxes (i.e. GST)

It is allowed on actual payment basis



Deduction – Interest

Interest on
Loan Taken
for
Acquisition,
Construction,
Repair &
Renovation

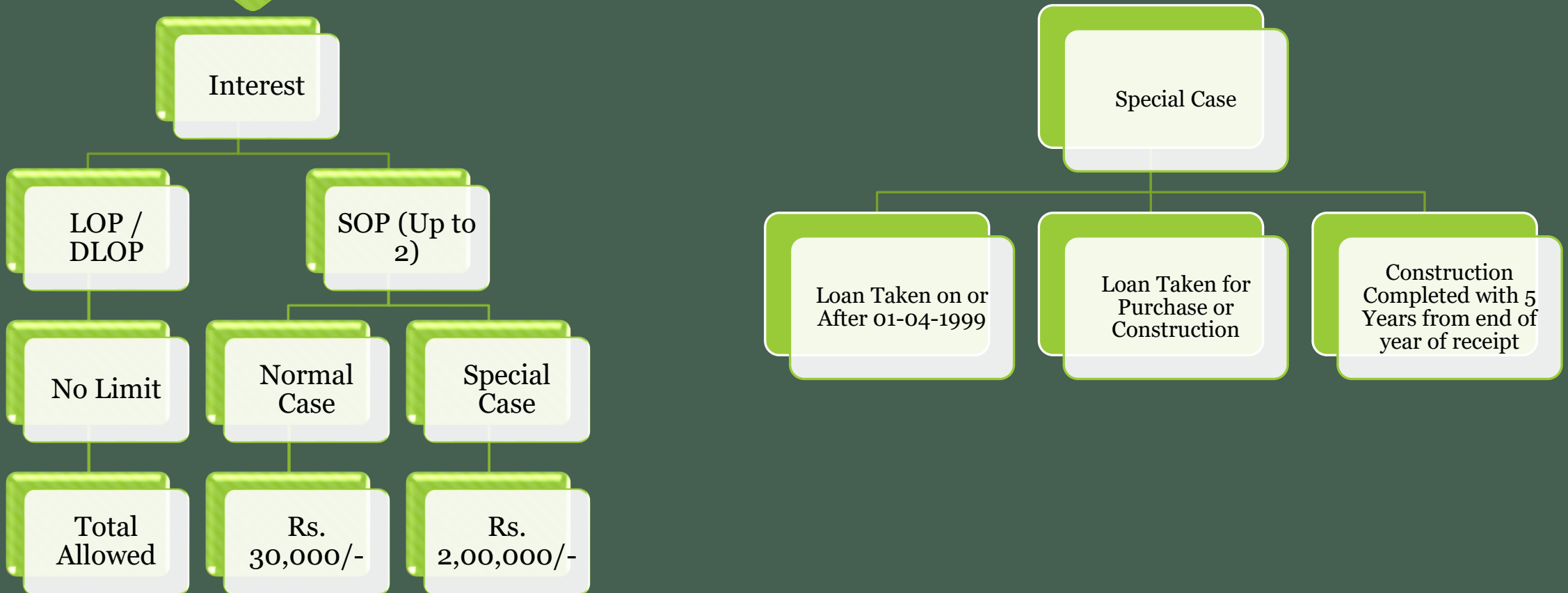
Interest
allowed on
Due Basis

Loan Taken
from Banks,
Friend,
Family etc

Penal Interest
Not Allowed



Deduction – Interest





THANKYOU

ConsulatEase

&

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RAK Foundation India

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Chartered Accountants