

INCOME UPTO RS 5 LAKH TO GET FULL TAX REBATE; HIGHER STANDARD DEDUCTION PROPOSED

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Ministry of Finance

Income upto Rs 5 Lakh to get full tax rebate; higher standard deduction proposed

Relief of over Rs 23,000 crore to estimated 3 Crore small and middle class tax-payers

TDS threshold on interests on small savings raised

Boost to housing and real estate sector

FM announces a slew of tax reliefs for middle class and small tax payers

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Individual taxpayers having taxable annual income up to Rs.5 lakhs will get full tax rebate and therefore will not be required to pay any income tax. While presenting the Interim Budget 2019-20 in Parliament today the Union Minister for Finance, Corporate Affairs, Railways & Coal, Shri Piyush Goyal said "Because of major tax reforms undertaken by us during last four and half years, both tax collections as well as tax base have shown significant increase, achieving a moderate taxation- high compliance regime. It is, therefore, just and fair that some benefits from the tax reforms must also be passed on to the middle class taxpayers"

As a result, the Finance Minister added that even persons having gross income up to Rs. 6.50 lakhs may not be required to pay any income tax if they make investments in provident funds, specified savings, insurance etc. In fact, with additional deductions such as interest on home loan up to Rs.2 lakh, interest on education loans, National Pension Scheme contributions, medical insurance, medical expenditure on senior citizens etc, persons having even higher income will not have to pay any tax. This will provide tax benefit of Rs.18,500 crore to an estimated 3 crore middle class taxpayers comprising self employed, small business, small traders, salary earners, pensioners and senior citizens.

STANDARD DEDUCTIONS RAISED

For salaried persons, Standard Deduction is being raised from the current Rs.40,000 to Rs.50,000. "This will provide additional tax benefit of Rs.4,700 crore to more than 3 crore salary earners and pensioners", the Finance Minister informed.

TDS THRESHHOLD INCREASED

Tax Deduction at Source (TDS) threshold on interest earned on bank/post office deposits has been proposed to be raised from Rs.10,000 to Rs.40,000. Shri Goyal said, "This will benefit small depositors and non-working spouses". Further, the TDS threshold for deduction of tax on rent has also been proposed to be increased from Rs.1,80,000 to Rs.2,40,000 for providing relief to small taxpayers.

MORE RELIEF TO RESIDENTIAL HOUSES

It has been proposed to exempt the levy of income tax on notional rent on a second self-occupied house. Currently, income tax on notional rent is payable if one has more than one self-occupied house. Shri Goyal announced the relief 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.

Further, the Finance Minister proposed to increase the benefit of rollover of capital gains under Section 54 of the Income Tax Act from investment in one residential house to two residential houses for a taxpayer having capital gains up to Rs. 2 crore. This benefit can be availed once in a life time. For making more homes available under affordable housing, the benefits under Section 80-IBA of the Income Tax Act is being extended for one more year, i.e., to the housing projects approved till 31st March, 2020. Also, for giving impetus to the real estate sector, the Finance Minister proposed to extend the period of exemption from levy of tax on notional rent, on unsold inventories, from one year to two years, from the end of the year in which the project is completed.

GG/DSM/RM/RCJ/DM

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