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# Budget Changes (Amendments 2020)

by **CA Maninder Singh**

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## New Optional income Tax Rate for Individuals

Govt has introduced new income tax rates for individuals under **Section 115BAC**

This is applicable for Financial year 2020-21 (Assessment year 2021-22)

<b>Earlier</b> Financial Year 2019-20 (Assessment Year 2020-21)		<b>Now</b> Financial Year 2020-21 (Assessment Year 2021-22)	
<b>Income Upto</b>	<b>Tax</b>	<b>Income Upto</b>	<b>Tax</b>
Upto 250000	0%	Upto 250000	0%
250001 to 500000	5%	250001 to 500000	5%
500001 to 1000000	20%	500001 to 750000	10%
Above 1000000	30%	750001 to 1000000	15%
		1000001 to 1250000	20%
		1250001 to 1500000	25%
		Above 1500000	30%
<b>Rebate</b> if income between 250000-500000 Max 12500 Rebate		<b>Rebate</b> if income between 250000-500000 Max 12500 Rebate	
Cess 4% Extra		Cess 4% Extra	

## How to calculate using new Slab rate

### EXAMPLES

#### TAX ON INCOME 200000

INCOME	TAX RATE	TAX
200000	0%	0

*If Income Upto 250000, No Tax*

#### TAX ON INCOME 300000

INCOME	TAX RATE	TAX
250000	0%	0
50000	5%	2500
<b>300000</b>		<b>2500</b>

*(First 250000 Is Tax Free, On Balance We Calculate 5%)*

#### TAX ON INCOME 500000

INCOME	TAX RATE	TAX
250000	0%	0
250000	5%	12500
<b>500000</b>		<b>12500</b>

*(First 250000 Is Tax Free, On Balance We Calculate 5%)*

#### TAX ON INCOME 600000

INCOME	TAX RATE	TAX
250000	0%	0
250000	5%	12500
100000	10%	10000
<b>600000</b>		<b>22500</b>

*(First 250000 Is Tax Free, On Balance We Calculate 5% Till 500000 Only)*

*On Remaining, We Calculate 10%*

#### TAX ON INCOME 1000000

INCOME	TAX RATE	TAX
250000	0%	0
250000	5%	12500
250000	10%	25000
250000	15%	37500
<b>1000000</b>		<b>75000</b>

*(First 250000 Is Tax Free, On Balance We Calculate 5% Till 500000 Only)*

*On Remaining, We Calculate 10% Till 7.5 Lac*

*On Remaining, We Calculate 15%*

**TAX ON INCOME 1100000**

INCOME	TAX RATE	TAX
250000	0%	0
250000	5%	12500
250000	10%	25000
250000	15%	37500
100000	20%	20000
<b>1100000</b>		<b>95000</b>

*(First 250000 Is Tax Free, On Balance We Calculate 5% Till 500000 Only)  
On Remaining ,We Calculate 10% Till 7.5 Lac  
On Remaining ,We Calculate 15% Till 10 Lac  
On Remaining ,We Calculate 20%*

**TAX ON INCOME 1400000**

INCOME	TAX RATE	TAX
250000	0%	0
250000	5%	12500
250000	10%	25000
250000	15%	37500
250000	20%	50000
150000	25%	37500
<b>1400000</b>		<b>162500</b>

*(First 250000 Is Tax Free, On Balance We Calculate 5% Till 500000 Only)  
On Remaining ,We Calculate 10% Till 7.5 Lac  
On Remaining ,We Calculate 15% Till 10 Lac  
On Remaining ,We Calculate 20% Till 12.5 Lac  
On Remaining ,We Calculate 25%*

**TAX ON INCOME 5000000**

INCOME	TAX RATE	TAX
250000	0%	0
250000	5%	12500
250000	10%	25000
250000	15%	37500
250000	20%	50000
250000	25%	62500
3500000	30%	1050000
<b>5000000</b>		<b>1237500</b>

*(First 250000 Is Tax Free, On Balance We Calculate 5% Till 500000 Only)  
On Remaining ,We Calculate 10% Till 7.5 Lac  
On Remaining ,We Calculate 15% Till 10 Lac  
On Remaining ,We Calculate 20% Till 12.5 Lac  
On Remaining ,We Calculate 25% Till 15 Lac  
On Income More Than 15 Lacs, We Calculate 30%*

## New Income Tax Rate is Optional

If the taxpayer opts for new scheme, he will not get benefit of standard deduction, loss from house property, Chapter VI A deduction like 80C, 80D, etc

If Old Rate Claimed	If New Rate Claimed
Standard Deduction of 50000	No Standard Deduction
80C, 80D etc Benefit	No 80C, 80D etc
Loss from House Property Max 2 Lacs	No Loss from House Property

### Example 1

Suppose a Person has Salary Inome of 50000 per month  
Tax as per Current Slab Rate and New Slab Rate is as follows

Particular	Current	New
Monthly salary	50000	50000
Annual salary	600000	600000
Less: Standard deduction	50000	-- (no standard deduction is available)
Net annual salary	550000	600000
Tax	22500	22500
REBATE	0	0
NET TAX	22500	22500
CESS 4%	900	900
NET TAX + CESS	23400	23400

**Example 2**

Suppose a Person has Business Income of 800000 during the year

He has claimed Deduction for 150000 in Section 80C

Tax as per Current Slab Rate and New Slab Rate is as follows

Particular	Current	New
	Option 1	Option 2
Annual salary	800000	800000
Less: Standard deduction	50000	--
Net annual salary	750000	800000
Less Deduction - Chapter VIA		
80C	150000	--
<b>Total deductions</b>	150000	--
Net Total Income	600000	800000
Tax	32500	45000
REBATE	0	0
NET TAX	32500	45000
CESS 4%	1300	1800
NET TAX + CESS	33800	46800

## Surcharge Rate for Individuals Changed in case having Income from Sale of Shares

Currently, Surcharge Rate for Individuals is

Income Upto	Surcharge Rate
Upto 50 Lacs	0%
50 lac- 1 Crore	10%
1 Crore -2 Crore	15%
2 Crore - 5 Crore	25%
> 5 Crore	37%

In current year, Surcharge Rate has been kept same

But an exception has been provided for Income under Section 111A (Short Term Capital gain on sale of shares and Section 112A on long term capital gain on shares)

Max Surcharge Rate on them cant be more than 12%

Earlier		Now		
Income Upto	Surcharge Rate	Income Upto	Surcharge Rate for Non shares Income	Surcharge Rate for Shares Income
Upto 50 Lacs	0%	Upto 50 Lacs	0%	0%
50 lac- 1 Crore	10%	50 lac- 1 Crore	10%	10%
1 Crore-2 Crore	15%	1 Crore-2 Crore	15%	15%
2 Crore- 5 Crore	25%	2 Crore- 5 Crore	25%	15%
> 5 Crore	37%	> 5 Crore	37%	15%

## New Section 194O on TDS Deducted by E commerce Operators

Suppose a dealer sells his goods online through E-commerce operators like Flipkart Amazon

Customer pays Flipkart/Amazon and Amazon pays to Dealer after deducting its charges

Now Amazon will also deduct 1% TDS if amount paid is more than 5 lacs

TDS Section	Description	Cutoff	Rate
Section 194O	TDS on Payments by Ecommerce Operators to E Commerce Participants	500000	1%

Earlier	Now																														
<p><b>If No TDS</b></p> <p style="text-align: center;"><i>Sales through Amazon</i></p> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <table style="border-collapse: collapse;"> <tr><td style="padding-right: 10px;">Sales</td><td style="text-align: right;">100000</td></tr> <tr><td style="padding-right: 10px;">- Commission</td><td style="text-align: right;">20000</td></tr> <tr><td style="padding-right: 10px;">Balance</td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">80000</td></tr> </table> <table style="border-collapse: collapse;"> <tr><td style="padding-right: 10px;">Sales</td><td style="text-align: right;">100000</td></tr> <tr><td style="padding-right: 10px;">- Commission</td><td style="text-align: right;">20000</td></tr> <tr><td style="padding-right: 10px;">- TDS</td><td style="text-align: right;">1000</td></tr> <tr><td style="padding-right: 10px;">Balance</td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">79000</td></tr> </table> </div>	Sales	100000	- Commission	20000	Balance	80000	Sales	100000	- Commission	20000	- TDS	1000	Balance	79000	<p><b>If TDS Applicable under Section 194O</b></p> <p style="text-align: center;"><i>Sales through Amazon</i></p> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <table style="border-collapse: collapse;"> <tr><td style="padding-right: 10px;">Sales</td><td style="text-align: right;">100000</td></tr> <tr><td style="padding-right: 10px;">- Commission</td><td style="text-align: right;">20000</td></tr> <tr><td style="padding-right: 10px;">- TDS</td><td style="text-align: right;">1000</td></tr> <tr><td style="padding-right: 10px;">Balance</td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">79000</td></tr> </table> <table style="border-collapse: collapse;"> <tr><td style="padding-right: 10px;">Sales</td><td style="text-align: right;">100000</td></tr> <tr><td style="padding-right: 10px;">- Commission</td><td style="text-align: right;">20000</td></tr> <tr><td style="padding-right: 10px;">- TDS</td><td style="text-align: right;">1000</td></tr> <tr><td style="padding-right: 10px;">Balance</td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">79000</td></tr> </table> </div>	Sales	100000	- Commission	20000	- TDS	1000	Balance	79000	Sales	100000	- Commission	20000	- TDS	1000	Balance	79000
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## TDS if no Pan Number for Section 194O is 5%

Earlier	Now
Normal Sections (194C/194J/194H)	Normal Sections (194C/194J/194H)
If No Pan Number	If No Pan Number
TDS Deducted @ 20%	TDS Deducted @ 20%
	<b>New Section 194O</b>
	If No Pan No
	TDS Deducted @ 5%

## Due date for ITR and Audit report Made Different

Earlier for those business whose accounts were required to be audited

Due date for Audit and ITR was same (30 Sep extended to 31 Oct)

Now due date for both have been made different

Audit Report had to be filed one month before ITR Due date

Earlier		Now	
<b>Due Date for Audit Business</b>			
ITR	<del>30-Sep</del> 31 Oct	ITR	30-Sep
Tax Audit Report and ITR	<del>30-Sep</del> 31 Oct	Tax Audit Report	31-Oct

## Now 2 Rates for TDS under Section 194J

Earlier there was only 1 rate under Section 194J of 10%

Now 2 TDS Rates were deducted under Section 194J

10% for Professional Services

2% for Other than Professional Services

Earlier		Now	
TDS Under Section 194J of		TDS Under Section 194J of	
Professional	10%	Professional	10%
Technical		Other than Professional	2%
Royalty			
Non Compete Fees			

## Turnover Limit for Section 44AD

### Earlier

If turnover of a business upto 2 crore

it can opt for presumptive income scheme under 44AD

He has to pay Tax @ 8% for Bank turnover and 6% for Cash Turnover

### Now

In this scheme, turnover limit is increased to 5 Crore provided

Total cash receipts are not more than 5% of total receipts

and

Total cash payments are not more than 5% of total payments

Earlier	Now
If turnover upto 2 cr 8%/6% is profit	If turnover upto 2 cr 8%/6% is profit (for Normal business)
	If turnover upto 5 cr 8%/6% is profit (for Non cash business) Max 5% cash transactions

## Who is required to Deduct TDS

TDS is now to be deducted in case turnover > 1Crore in case of proprietorship business instead of 2 Crore earlier

### Earlier

TDS was required to be deducted if deductor is

- Company (Always)
- Partnership (Always)
- Proprietorship (If last year audit was compulsory)

Audit was compulsory if turnover > 2crore in case of business and gross receipts > 50 lacs in case of professions

...

### Now

TDS is required to be deducted if deductor is

- Company (Always)
- Partnership (Always)
- Proprietorship (If last turnover was more than 1 Crore in case of business and 50 lacs in case of professionals)

## Dividend Distribution Tax Abolished

If Companies wanted to distribute its profit (dividend) to its shareholders, it had to pay dividend distribution tax

Rate of DDT was 15% + Surcharge + Cess = Effective **20.56%**

This was exempt in the hands of shareholder upto **1000000**

Now DDT has been abolished and this dividend is taxable in the hands of shareholder

Earlier	Now
Companies paid DDT	No DDT
Shareholder Dividend Income was exempt upto 10 lacs	Shareholder Dividend Income is taxable
TDS Rate on Dividend Distribution was	Companies have to now Deduct TDS on this dividend income under <b>Section 194</b> if Dividend more than <del>2500</del> <b>5000</b>

## Faceless Scrutiny and appeal in Income Tax

### Earlier

Scrutiny of Income Tax Return was done online

However for Appeal, we had to visit Income Tax Department and file appeal manually

Now, even appeal is done online and no need to visit Income Tax Department

Earlier	Now
Scrutiny Online	Scrutiny and Appeal both online
Appeal Manual	

## Instant Pan Card Generation from Aadhar Card

Earlier, Pan Card is to be manually applied

Various documents had to be submitted like Photograph, Address proof and age proof

Whole procedure used to take at least 7 days

Now, Pan Card is Instantly Generated from Adhar card and no more documents are required

Earlier	Now
<b>Pan Card Documents Required</b>	<b>Pan Card Documents Required</b>
Address Proof	Adhar Card (Instant Generation)
Age Proof	
Photo	

## New TCS Rates Introduced

On Certain Transactions, Seller has to collect TCS (Tax Collected at Source) from the buyer

like Sale of Scrap etc

Following New Services have been added In TCS Chart in Section 206C

Transaction	TCS Rate	Cutoff
Remittance out of India by a Money changer	5%	7 lacs
Sale of Overseas Tour package by Tour Operator	5%	-
Sale of Any Goods if turnover of Seller is more than 10 Crores	0.10%	50 Lacs

## About the Author



### CA Maninder Singh

CA Maninder Singh is a Chartered Accountant for the past 8 years. He provides courses for Practical Accounts, Taxation , GST and Efiling at

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