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Assignment 1

TDS on Flat Salary

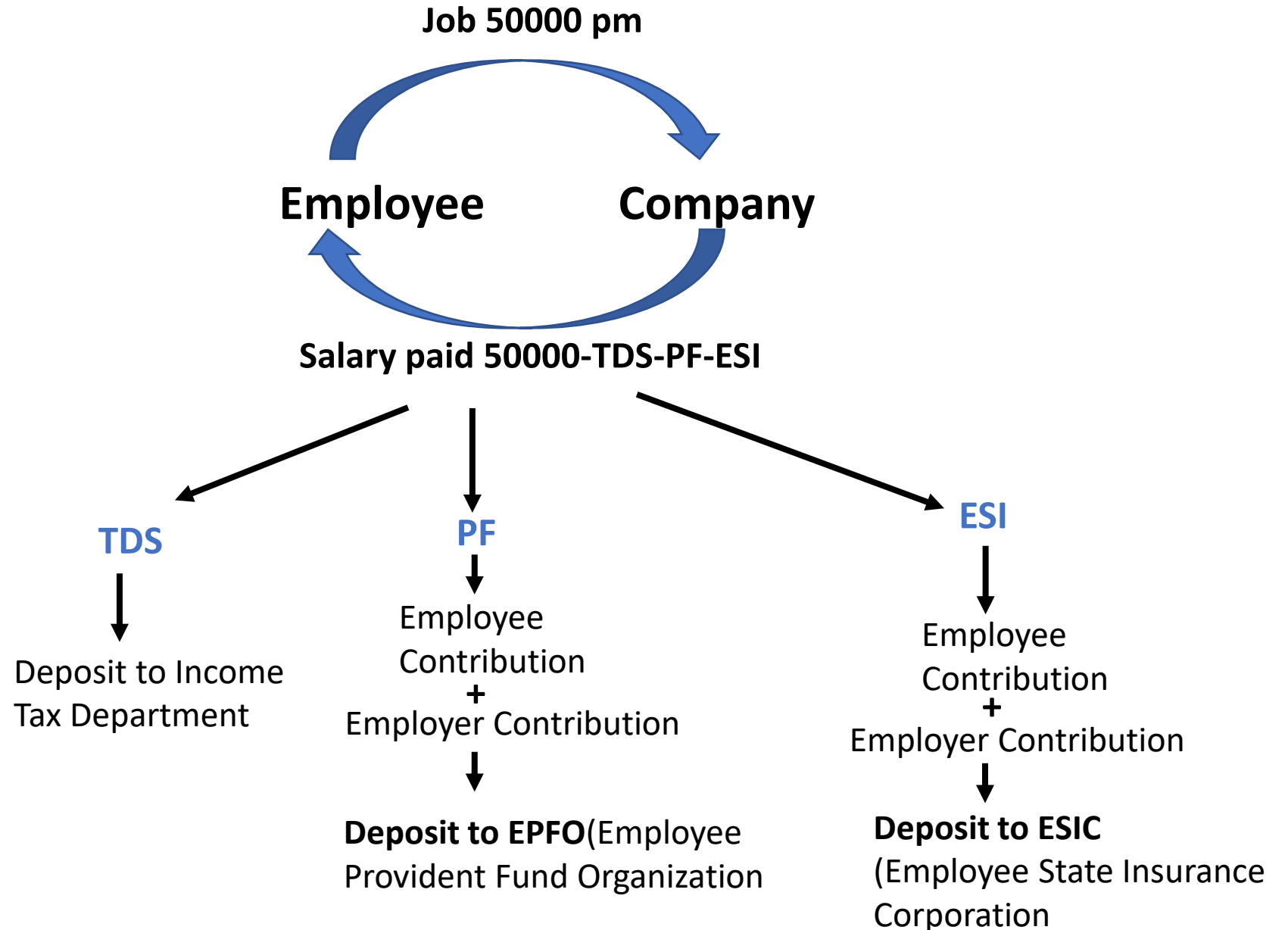
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Suppose a person gets a job in Company @ 50000 p.m

Will the company pay him full 50000?

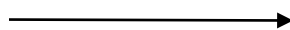
No

Company will deduct PF,ESI,TDS
From his salary



What we will learn in this Assignment?

We will learn about Calculation of TDS



What about PF ESI

That we will cover in Later Assignments

How is TDS Calculated?

$$\text{TDS} = \frac{\text{Annual Tax}}{12}$$

Suppose Annual Tax is 60000

$$\text{TDS} = \frac{60000}{12} = 5000$$

Steps to Calculate Annual Tax and TDS

1. Take Monthly Salary of Employee
2. Calculate Annual Salary by Multiplying by 12
3. Reducing Standard Deduction
4. Calculating Income from Salary(After Standard Deduction)
5. Calculate Tax, Rebate and Net Tax
6. Calculate Cess
7. Tax + Cess
8. Divide it by 12 to get Monthly TDS

PARTICULARS	Amt
Monrhly Salary	60000
Annual Salary	720000
Standard Deduction	50000
Income from Salary	670000
Tax	46500
Rebate	0
Net Tax	46500
Cess (4%*Net Tax)	1860
Net Tax+Cess	48360
TDS (Net tax+cess/12)	4030

What is

Gross Salary(Monthly)	60000
TDS (Monthly)	4030
Net Salary (Monthly)	55970

What is Standard Deduction

The government allows the Salaried people to deduct a certain amount from their Annual income for their expenses etc. which is exempt from tax.

Standard Deduction in Last Year

In FY 2019-20 onwards standard deduction of 50000 is available for all salaried employees

Standard Deduction in Current Year

For FY 2020-21, In this year we have Two options for calculate Tax

(1) As per FY 2019-20 Slab rate -standard deduction of 50000

(2) As per New Slab rate - No standard deduction available

	Option 1	Option 2
Salary	50000	50000
Annual Salary	600000	600000
Standard Deduction	50000	0
Income from Salary	550000	600000
	↓	↓
	Tax at Higher Rate (Old)	Tax at Lower Rate (New)

Income Tax Rates for Individuals

Financial year 2019-20 (AY 2020-21)

INCOME	TAX
UPTO 250000	0
250001-500000	5% of (Income-250000)
5000001-1000000	20% of (Income-500000)+12500
>1000000	30% of (Income-1000000)+112500

→ *This Slab Rate was Applicable Last Year*

Tax on Income 200000

Income	Tax Rate	Tax
200000	0%	0

(If Income Upto 250000, No Tax)

Tax on Income 260000

Income	Tax Rate	Tax
250000	0%	0
10000	5%	500
260000		500

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

Income Tax Rates for Financial year 2020-21 (AY 2021-22)

Person can choose Old or New Slab Rate

OPTION 1- OLD SLAB RATE

INCOME	TAX
UPTO 250000	0
250001-500000	5% of (Income-250000)
5000001-1000000	20% of (Income-500000)+12500
>1000000	30% of (Income-1000000)+112500

→All Deductions and Exemptions Available
Example- Standard Deduction

OR

OPTION 2 NEW SLAB RATE

INCOME	TAX
UPTO 250000	0
250001-500000	5% of (Income-250000)
5000001-750000	10% of (Income-500000)+12500
750001-1000000	15% of (Income-750000)+37500
1000001-1250000	20% of (Income-1000000)+75000
1250000-1500000	25% of (Income-1250000)+125000
>1500000	30% of (Income-1000000)+187500

→No Deduction Available in this Case
Hence No Standard Deduction Available

Comparison-Old and New Option

PARTICULARS	OPTION 1	OPTION 2
Monrhly Salary	75000	75000
Annual Salary	900000	900000
Standard Deduction	50000	0
Income from Salary	850000	900000
Tax	82500	60000

How to Calculate Rebate

What is Rebate?

Discount on Tax is called Rebate

It is reduced from Tax

Amount of Rebate

If income is between 250000-500000, then 12500 Maximum Rebate

Note:-

Rebate cannot be more than tax

Rebate Available under Both Options

Example-Old Slab Rate

Income	500000	600000	400000	200000
Tax	12500	32500	7500	0
Rebate	12500	0	7500	0
Net Tax	0	32500	0	0

If income is between 250000-500000, then 12500 Maximum Rebate
Rebate cannot be more than tax

Example-New Slab Rate

Income	500000	600000	400000	200000
Tax	12500	22500	7500	0
Rebate	12500	0	7500	0
Net Tax	0	32500	0	0

If income is between 250000-500000, then 12500 Maximum Rebate
Rebate cannot be more than tax