

Here's how you can save more income tax after the announcement made by FM in the current Budget

Tax rates reduced to 5% from 10% on income in the slab 2.5 lakhs to 5 lakhs. This will largely increase the tax compliance as well as the tax base. In order to increase this benefit, the FM also announced that a rebate of Rs 2,500 will now be available to all assesses who earn income up to Rs 3.5 lakhs.

In the current budget, the FM has given much relief to taxpayers. All taxpayers whose taxable income is equal to and above Rs.5 lakh can save more taxes compared to under the previous rates.

“Tax rates reduced to 5% from 10% on income in the slab 2.5 lakhs to 5 lakhs. This will largely increase the tax compliance as well as the tax base. In order to increase this benefit, the FM also announced that a rebate of Rs 2,500 will now be available to all assesses who earn income up to Rs 3.5 lakhs. This will either reduce their tax liability to zero or at least by 50%. Hence this is a welcome move. Even if you earn up to 4.5 lakhs and exhaust the limit of 1.5 lakhs available in section 80C deductions, then you do not pay any tax. Apart from this, the overall tax liability has been reduced and taxpayers will end up saving Rs 12,500 in taxes,” says Vaibhav Sankla, Managing Director, H&R Block India.

In respect of income of all categories of assessee liable to pay tax for the assessment year 2017-18, the rates of income-tax have been specified in Part I of the First Schedule to the Bill. These are the same as those laid down in Part III of the First Schedule to the Finance Act, 2016 as amended by the Taxation Laws (Second Amendment) Act, 2016 (No.48 of 2016).

Let us understand that how you can automatically save your taxes through this tax relief given to you by the finance minister.

Particulars		Maximum Deductions	Amount
Salary			700000
Income from other sources (Interest on Taxable GOI Bonds)			10000
Interest Income from Savings Bank Account			10000
Taxable Income			720000
LESS:			
Deduction u/s 80C			
ULIP Plan	50000		
PF Contribution	50000		
ELSS Fund	30000		
NPS Contribution	20000		
Total Investments	150000		
Deductions limited up to		150000	
Deduction u/s 80TTA			
Interest Income from saving bank Account	10000		
Deductions limited up to		10000	
Deduction u/s 80D			
Health Insurance		25000	
TOTAL DEDUCTION			185000
Net Taxable Income			535000

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Computation of Income Tax			
0-2,50,000			0
2,50,001-5,00,000 @ 5%			12500
5,00,001-5,35,000 @ 20%			7000
10,00,001 & Above @ 30%	N/A	N/A	0
Total Income Tax			19500
Education Cess @ 3%			585
Total Income Tax payable			20085

Computation of Income Tax			
0-2,50,000			0
2,50,001-5,00,000 @ 10%			25000
5,00,001-5,35,000 @ 20%			7000
10,00,001 & Above @ 30%	N/A	N/A	0
Total Income Tax			32000
Education Cess @ 3%			960
Total Income Tax payable			32960

In the earlier case, a taxpayer who was having an income of Rs.7lakhs would have paid Rs.32960 after exhausting his limit of investments under section 80C while through the current slab, having an income of Rs.7lakhs, the taxpayer needs to pay the only Rs.20085. Total tax savings have increased up to Rs.12875 after the amendment being imposed in the current tax slab.

The amount of income-tax computed in accordance with the preceding provisions shall be increased by a surcharge at the rate of,—

10% of such income-tax in case of a person having a total income exceeding Rs.50lakhs but not exceeding Rs.1Cr.; and 15% of such income-tax in case of a person having a total income exceeding 1Cr.

“The Budget 2017-18 is on expected lines of giving marginal relief to taxpayers without any big bang reforms. For taxpayers with annual income up to Rs. 50 lacs the max income relief is Rs. 12,500. This is because the initial slab of 10% is now reduced to 5%. However, Budget is harsh for those whose income is between 50 lacs – 1 crore as they will end up paying a higher tax to the tune of Rs. 1 lac to Rs. 3 lacs and relief of Rs. 12,500 is minuscule in front of additional surcharge at the rate @ 10%,” says Anil Chopra- Group CEO & Director, Bajaj Capital.

The above calculations are only for an illustrative purpose. However, you should consult your financial adviser or CA for further details while calculating your income tax.

(Financial Express)