

Major Changes in respect of Income tax for FY 2018-19

1. LTCG tax on equity investments

The biggest change implemented this financial year is the reintroduction of the long term **capital gains** tax on stock market investments. 10% **Long Term Capital Gains**(LTCG) tax will be imposed on profits exceeding Rs. 1 lakh made from the sale of stocks and equity-oriented mutual funds that have been held for over a year. All profits made by investors up to 31 January 2018 have been grandfathered. Indexation benefit will be available on the sale of shares listed after 31 January. While Ulips are exempt from this tax at present, this can change going forward.

“Note: Calculation of Long Term gain along with its detailed calculation and its impact will discuss in upcoming article No.03.”

2. Standard deduction

The budget announced a standard deduction of Rs 40,000 for salaried employees, but it also did away with the tax exempt annual transport allowance of Rs 19,200 and medical reimbursement of Rs 15,000. The difference of Rs 5,800 is the reduction in the amount of taxable salary. The tax you save on this amount will depend on the income tax slab you are in.

The main advantage of the move is that the calculation will now be much less complicated. The deduction will be made directly from your salary, and you won't need to submit investment proof or bills to avail of the benefit.

3. Tax advantages for senior citizens

There's good news for senior citizens, many of whom rely on interest income to meet their expenses. The exemption limit on income from interest for those over 60 has been hiked five times from Rs 10,000 to Rs 50,000 per year. All deposits held by senior citizens across both banks and co-operative banks, as well as post offices will be eligible for this exemption.

Another important benefit extended to senior citizens is that of the higher limit of deduction for health insurance premium and medical expenditure. This amount has been raised from Rs 30,000 to Rs 50,000 under Section 80D of the Income Tax Act. The deduction limit for medical expenses for specified critical illnesses under section 80DDB, has been hiked to Rs 1 lakh for all senior citizens from Rs 60,000 (in case of senior citizens) and Rs 80,000 (for super senior citizens).

- Neurological Diseases

- Parkinson's Disease
- Malignant Cancers
- AIDS
- Chronic Renal failure
- Hemophilia
- Thalassaemia

4. NPS exemption for the self employed

Till date, only salaried employees were allowed to withdraw up to 40% of their total accumulated corpus from the National Pension Scheme (NPS) at maturity or account closure, without any tax implications. But now, self-employed subscribers are also eligible for this benefit. This move will bring non salaried subscribers of the NPS on par with salaried employees.

5. Longer lock-in for bonds under 54EC

The Union Budget has extended the lock-in period of investments in **capital gain** tax exemption bonds from three years to five years.

This means that earlier you had to stay invested in the 54EC bonds for three years to get the tax break, but from now on your money will be locked in for five years.

6. Long Term Capital Gains Bond only eligible for capital gains from property

From FY 2018-19, the long term capital gains tax exemption by investing in long term capital gains bond from specified companies (NHAI, REC or PFC) u/s 54EC would only be available for capital gains from sale of property including land, residential or commercial building. Until this year these bonds could be used for **capital gains** arising from sale of any asset.

7. DDT imposed on equity mutual funds

Dividend Distribution Tax (DDT), which was applicable only to debt funds so far, will now apply to equity mutual funds as well. While dividends will remain tax free in the hands of the investor, the fund house will have to pay 10% tax on income distributed to investors. This might be a good time for those who rely on dividends from equity funds as a form of income to review their investment strategy, since this tax will reduce the inhand return for investors if they choose the dividend option.

8. Hike in education cess on income tax

Although it is only a marginal increase, the hike in the education cess means all taxpayers will have to pay a little more tax than they used to. The cess on income tax has been increased by 3% to 4%, as a result of which, the effective tax liability of taxpayers in the highest tax bracket will increase to 31.2% from 30%. For the middle income taxpayers, it will go up from 20% at present to 20.8%; and for those in the lowest bracket, liability will increase from 5% to 5.2%.

Changes In Income Tax Slabs for the FY 2018-19

1. Income Tax Slab for Individual and HUF less than 60 years old

Income Tax Slab	Tax Rate	Cess
Income up to Rs 2,50,000*	No tax	
Income from Rs 2,50,000 – Rs 5,00,000	5%	4% of Income Tax
Income from Rs 5,00,000 – 10,00,000	20%	4% of Income Tax
Income more than Rs 10,00,000	30%	4% of Income Tax

Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore.

Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore.

*Income tax exemption limit for FY 2018-19 is up to Rs. 2,50,000.

Tax Relief u/s 87A – In case of tax payers, having total income not increasing ₹ 3,50,000/-, income tax chargeable on the income or ₹ 2,500/-, whichever is less.

2. Income Tax Slab for Senior Citizens (60 Years Old Or More but Less than 80 Years Old)

Income Tax Slab	Tax Rate	Cess
Income up to Rs 3,00,000*	No tax	
Income from Rs 3,00,000 – Rs 5,00,000	5%	4% of Income Tax
Income from Rs 5,00,000 – 10,00,000	20%	4% of Income Tax

Income more than Rs 10,00,000	30%	4% of Income Tax
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Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore.

Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore.

*Income tax exemption limit for FY 2018-19 is up to Rs. 3,00,000.

Tax Relief u/s 87A – In case of tax payers, having total income not increasing ₹ 3,50,000/-, income tax chargeable on the income or ₹ 2,500/-, whichever is less.

3. Income Tax Slab for Senior Citizens(80 Years Old Or More)

Income Tax Slab	Tax Rate	Cess
Income up to Rs 5,00,000*	No tax	
Income from Rs 5,00,000 – 10,00,000	20%	4% of Income Tax
Income more than Rs 10,00,000	30%	4% of Income Tax

Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore.

Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore.

*Income tax exemption limit for FY 2018-19 is up to Rs. 5,00,000.

4. Income Tax Slab for NRI or HUF or AOP or BOI or AJP

Income Tax Slab	Tax Rate	Cess
Income up to Rs 2,50,000*	No tax	
Income from Rs 2,50,000 – 5,00,000	5%	4% of Income Tax
Income from Rs 5,00,000 – 10,00,000	20%	4% of Income Tax
Income more than Rs 10,00,000	30%	4% of Income Tax

Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore.

Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore.

5. Income Tax Slab for Cooperative Societies

Income Tax Slab	Tax Rate	Cess
Income up to Rs 10,000*	10%	4%
Income from Rs 10,000 – 20,000	20%	4%
Income more than Rs 20,000	30%	4%

Surcharge: 12% of income tax, where total income exceeds Rs.1 crore.

Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore.

6. Income Tax slab for firm

Income Tax : 30% of taxable income.

Surcharge : 12% of the Income Tax, where taxable income is more than ₹ 1 crore. However, the amount of Income Tax and Surcharge shall not increase the amount of income tax payable on a taxable income of ₹ 1 crore by more than the amount of increase in taxable income.

Health & Education Cess : 4% of the total of Income Tax and Surcharge.

7. Income Tax slab for Local Authority

Income Tax : 30% of taxable income.

Surcharge : 12% of the Income Tax, where taxable income is more than ₹ 1 crore. However, the amount of Income Tax and Surcharge shall not increase the amount of income tax payable on a taxable income of ₹ 1 crore by more than the amount of increase in taxable income.

Health & Education Cess : 4% of the total of Income Tax and Surcharge.

8. Income Tax Slab for Domestic Companies

Turnover particulars	Tax Rate
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Gross Turnover up to Rs. 250 Crores in Previous year	25%
Gross Turnover exceeding Rs. 250 Crores	29%

In addition cess and surcharge is levied as follows:

Cess: 4% of corporate tax

Surcharge: Taxable income is more than 1Cr. but less than 10 Cr.: 7%

Taxable income is more than 10Cr. :12%

Income Tax Slab Rates for FY 2017-18 (AY 2018-19)

1. Income Tax Slab for Individual Tax Payers & HUF (Less Than 60 Years Old)

Income Tax Slab	Tax Rate	Cess
Income up to Rs 2,50,000*	No tax	
Income from Rs 2,50,000 – Rs 5,00,000	5%	3 % of Income tax
Income from Rs 5,00,000 – 10,00,000	20%	3 % of Income tax
Income more than Rs 10,00,000	30%	3 % of Income tax

Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore.

Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore.

*Income tax exemption limit for FY 2017-18 is up to Rs. 2,50,000 for individual & HUF

Tax Relief u/s 87A – In case of tax payers, having total income not increasing ₹ 3,50,000/-, income tax chargeable on the income or ₹ 2,500/-, whichever is less.

2. Income Tax Slab for Senior Citizens (60 Years Old Or More but Less than 80 Years Old)

Income Tax Slab	Tax Rate	Cess
Income up to Rs 3,00,000*	No tax	

Income from Rs 3,00,000 – Rs 5,00,000	5%	3 % of Income tax
Income from Rs 5,00,000 – 10,00,000	20%	3 % of Income tax
Income more than Rs 10,00,000	30%	3 % of Income tax

Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore.

Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore.

*Income tax exemption limit for FY 2017-18 is up to Rs. 3,00,000

Tax Relief u/s 87A – In case of tax payers, having total income not increasing ₹ 3,50,000/-, income tax chargeable on the income or ₹ 2,500/-, whichever is less.

3. Income Tax Slab for Senior Citizens(80 Years Old Or More)

Income Tax Slab	Tax Rate	Cess
Income up to Rs 5,00,000*	No tax	
Income from Rs 5,00,000 – 10,00,000	20%	3 % of Income tax
Income more than Rs 10,00,000	30%	3 % of Income tax

Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore.

Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore.

*Income tax exemption limit for FY 2017-18 is up to Rs. 5,00,000

4. Income Tax Slab for Domestic Companies

Turnover particulars	Tax Rate
Gross Turnover up to Rs. 50 Crores in Previous year	29%
Gross Turnover exceeding Rs. 50 Crores	30%

In addition cess and surcharge is levied as follows:

Cess: 3% of corporate tax

Surcharge: Taxable income is more than 1Cr. but less than 10 Cr.: 7%

Taxable income is more than 10Cr. :12%

Source courtesy : TaxGuru