

New income tax rules come into effect from September 1. Latest changes explained

- Under new income tax laws, aggregate cash withdrawal beyond a certain threshold in a year from banks, post offices will attract TDS
- For TDS calculation from income tax perspective, while buying a property, the buyer has to include payment made for other charges like club membership fee, car parking fee

Some income tax changes announced in this year's Budget comes from September 1, 2019. The full Budget for this year was presented in July this year. Cash withdrawals exceeding ₹1 crore in aggregate in a year from finance institutions will attract TDS while in case of property transactions the definition of immovable property has been widened to include charges like club membership fee and car parking fee for TDS levy. Also, in another income tax rule change, a higher TDS will be levied if life insurance maturity proceeds received are taxable in your hands.

Here are 5 changes in income tax rules that come into effect from September 1:

1) The government has introduced a new Section called 194N in income tax laws under which cash withdrawals exceeding ₹1 crore in aggregate in a year from banks, post offices or co-operative society engaged in carrying on the business of banking will attract a TDS @2. Payments made on or after September 1 will attract the provisions of Section 194N.

The income tax department has clarified that cash withdrawal prior to 1 September, 2019, will not be subjected to TDS under Section 194N. However, since threshold of ₹1 crore is with respect to the previous year, the calculation of amount of cash withdrawal for triggering deduction under section 194N will be counted from 1 April, 2019.

2) The government has amended 194-IA of Income Tax Act to include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property, under immovable property, for levy of TDS. This comes into effect from 1 September. It is to be noted that the TDS is levied @1% if the value of the property exceeds ₹50 lakh. So now, charges like club membership fee, car parking fee, electricity or water facility fee will also be included for calculation of TDS.

3) The government has introduced a new Section called 194M in income tax laws under which individual is required to deduct TDS @5% for paying a sum in excess of ₹50 lakh for carrying out any work in pursuance of a contract or by way of fees for professional services during a financial year. Payments made on or after September 1 will attract the provisions of Section 194M.

4) A higher TDS of 5%, from 1% earlier, will be levied if life insurance maturity proceeds received that are taxable in your hands. According to current tax laws, if the annual premium paid on the insurance policy is less than 10% of the sum assured the amount received on maturity are exempt from tax. (For insurance policies purchased before April 2012, the premium must be less than 20% of the sum assured to get the tax benefit on maturity).

It is to be noted that TDS is levied if the maturity proceeds exceeds ₹1 lakh.

5) In Budget 2019, Finance Minister Nirmala Sitharaman had proposed to allow interchangeability between Permanent Account Number (PAN) and Aadhaar with effect from 1 September 2019.

Those who don't have PAN can quote Aadhaar in transactions that otherwise require quoting of PAN like cash deposit above ₹50,000.