

**You can submit Form 15G/H even if your Gross Interest Income exceeds  
your Tax-Exempt Slab**

**You can submit Form 15G/H even if your gross interest income exceeds your tax-exempt slab, Provided**

**Many banks interpret the term 'total income' concerning declaration in 15G/H, as any non-professional would and not as expected of them under the IT Act and due to lack of proper understanding, many times reject an otherwise in order Form 15G or 15H.**

Some banks link **15G/15H** declaration to income profiling and KYC. Linking it to KYC profiling directly is also absurd. KYC profiling is done at the time of opening the account/commencement of a relationship (based on past data and/or interest income on deposits with the bank etc) and is reviewed periodically.

Experiencing this with many banks I had discussed with them the intent of introducing 15G and 15H introduced by the Income Tax and banks understanding of the terms ' total income of the previous year' , gross interest income, estimated income, etc. I observed the following:

-All bank depositors are also not well informed of IT provisions. As a result in many eligible cases TDS u/s 194A is wrongfully deducted. The assessee just do not bother to file a tax return (due to lack of proper knowledge, access to the process of filing, etc) and claim the refund.

In cases where tax is deducted due to wrongful rejection of 15G/H, just for getting the refund citizens have to go through the process of filing returns, within the stipulated time frame.

-Few banks did have a proper understanding of the terms used in the forms but expressed that due to something like hardcoding of some parameters in core banking software system/solutions like Flexcube/Iflex/Finacle they are unable to accept 15G and 15H (where gross interest income exceeds Rs 2.5 lacs/3.00 Lacs/Rs.5 lacs respectively for non-senior/senior and super senior citizens respectively) where gross interest income exceeds the tax-exempt level of the declarant. That is to say where estimated total income is shown to be less than the ceiling prescribed for payment of tax but stand-alone interest income is above individuals tax-exempt bracket.

One needs to also examine whether a bank has the right to reject 15G or 15H (where there is no apparent misstatement of ' total income in the previous year' and is shown below individuals tax threshold' whereas gross interest income qualifies Sec 194A as it crosses Rs 2.5 lacs/Rs.3.00 Lacs/Rs.5 lacs respectively for non-senior/senior and super senior citizens respectively).

I noticed that no bank has written to Income Tax Department to know whether banks have the right to reject 15 G/H where the gross interest income of declarant is shown above the applicable threshold to qualify for the tax-free status of the assessee.

I feel banks need to remember that wrongful rejection of 15 G/H could be beyond the authority and cause avoidable hardship to citizens.

To comprehend the position of 15G/H under IT Laws, required inputs are given below.

**One may read carefully points No 16 and 17 in form 15G**

- **16- Estimated income** for which this declaration is made
- **17- Estimated total income** of the P.Y. (Previous year meaning current Financial Year) for which declaration is made, including the income mentioned in point no 16.

Terms 'Estimated income' and 'Estimated total income' as referred to in 15G have to be read in the context of the provisions of the Income-tax Act, 1961

**Definition of term 'Total income' under Income Tax Act**

- Total Income is a loaded/ encumbered word: Section 80C to 80U provides certain deductions, which can be claimed, from **Gross Total Income (GTI)**. After claiming these deductions **from GTI, the income** remaining is called **Total Income**. In simple words, **GTI minus Deductions (under section 80C to 80U) = Total Income (TI)**. It may include exempted income like dividend, certain interest like PPF, and other gains
- In colloquial terms, 'total income' aggregate incomes/receipts/revenues i.e the sum of all money received by an individual, including **income** from employment or providing services, revenue from sales, payments from pension plans, **income** from dividends, or other sources. It may convey to many it is Gross/aggregate income.

Term 'Estimated Total income of PY' referred to in point 17 is different from 'Gross income/receipts' and also 'any Net Income', as generally understood, it is estimated taxable income for the year under reference (current financial year) for which 'no TDS status' is requested. As one cannot precisely state absolute number to indicate it, to indicate it to be on a fair basis the word 'estimated' has been used.

Further, it may be noted that 15G or 15H are based on this estimated 'total income' computed as per the IT Act and not on 'Gross income/receipts' and also 'Net Income'.

It may be also noted that fully/partially exempt items of income such as LTCG on equity where STT is paid, Net Agricultural income, Dividend received up to Rs 10 lacs, Interest on PPF, etc don't come under total income as it is under the exempt category.

**Example:**

One must remember: The Tax Liability of a normal citizen would be Nil if his 'total income' does not exceed Rs 2,50,000/- (after taking into account Standard deduction and other eligible deductions like 80C, 80D, 80TTA, etc). The tax liability can also be nil (in many cases) after the application of the exemption under Sec 87A if a person's 'total income' does not exceed Rs 5,00,000/-.

The Tax Liability of a senior citizen would be Nil if his 'total income' does not exceed Rs 3,00,000/- (after taking into account Standard deduction and other eligible deductions like 80C, 80D, 80TTB, etc). The tax liability can also be nil after the application of the exemption under Sec 87A if a person's 'total income' does not exceed Rs 5,00,000/- (from FY2020-21). This is after considering a rebate.

Probably government has not changed the basic exemption limit of Rs 2.50 lakh formally as the government may not want people to go out of the tax net and be exempt from filing ITR.

Further as per section 115BAC of the Income-tax Act, 1961, an individual can exercise the option of choosing a new tax regime\* at each time of filing the income tax return. It introduced a dual tax regime and individuals to migrate from one to another subject to certain riders (listed at the end). Thus the declaration given at the beginning of the year can at the time, go haywire, while technically it is still valid if one switches between tax regimes.

If the estimated 'Gross Income' of a senior citizen (below the age of 80 years) is Rs. 5,90,000 (with FD+SB interest income say Rs 4,50,000/-) and has qualifying deductions under 80C is Rs 1,50,000/-, Under 80D is Rs 50,000/-, under 80TTB is Rs 50,000/- and Standard Deduction is Rs 50,000/-. Total taxable income (total income) falls below Rs 3,00,000/- (and is declaring accordingly) thus he/she can file 15H as per the law and the case is in sync with the declaration. In the current scenario with modification to Sec87A Total taxable income (total income) of senior /super senior or general category individual falls below Rs 5,00,000/- such individual can file 15 H /G as per the law and it should be treated to be consistent.

**One must understand the difference in the following**

1. It is an estimate - which can overshoot or get understated due to circumstances not envisaged
2. Total income - Here total income is income under as defined the IT Act (and not one generic perception)
3. In 15G/H estimates are made/submitted at the beginning of the year, which may change due to taking of new job or losing employment or losing in shares or winning something unexpected etc.

**The relevant clause in the current format of declaration signed by the general/non-senior citizen (15G) reads as**

**\*I/We further declare that the tax \*on my/our estimated total income including \*income/incomes referred to in column 16 \*and the aggregate amount of \*income/incomes referred to in column 18 computed following the provisions of the Income-tax Act, 1961, for the previous year ending on relevant to the assessment year will be nil.**

**\*I/We also declare that \*my/our \*income/incomes referred to in column 16 \*and the aggregate amount of \*income/incomes referred to in column 18 for the previous year ending on 31/03/2022 relevant to the assessment year 2022-23 will not exceed the maximum amount which is not chargeable to income-tax.**

**This declaration appears above part II of form 15G.**

'Before signing the declaration/verification, the declarant is expected to satisfy that the information furnished in this form is true, correct, and complete in all respects.

Any person making a false statement in the declaration shall be liable to prosecution under section 277 of the Income-tax Act, 1961 and on conviction be punishable:

- (i) in a case where tax sought to be evaded exceeds twenty-five lakh rupees, with rigorous imprisonment which shall not be less than six months but which may extend to seven years and with fine;
- (ii) in any other case, with rigorous imprisonment which shall not be less than three months but which may extend to two years and with a fine”.

**Banks person accepting can at the most make the declarant aware of the declaration in 15G in case it observes some inconsistency.**

All the above holds good for 15H that is submitted by senior citizens. However, the declaration in 15H is a little differently worded

**The relevant clause in the current format of declaration signed by the senior and super senior citizen (15H) reads as:**

**Declaration appears in place between 'Part I and Part II' of the form 15H, which reads as under 'I further declare that the tax on my ' estimated total income' including \*income/incomes referred to in column 15 \*and the aggregate amount of \*income/incomes referred to in column 17 computed following the provisions of the Income-tax Act, 1961, for the previous year ending on 31-03-2022 relevant to the assessment year 2022-23 will be nil'.**

If anyone has, still some doubt/s one may consult a competent person in the Income Tax Department.

## **Annexure -I**

### **Some details of Sec 87A of the Income Tax Act are given below for reference. Income tax rebate under Section 87A to Rs. 5 lakh - Few observations**

Section 87A was introduced in Finance Act 2003 which was changed from time to time. Presently the rebate of tax is available for those whose income does not exceed Rs. 5 lakh.

The government has not changed the basic exemption limit of 2.50 lakh for some time as the government does not want people to go out of the tax net and be exempt from filing ITR. However, at the same time, successive governments have proposed rebates from taxes for taxpayers up to certain income limits. Presently the rebate of tax is available for those whose income does not exceed Rs. 5 lakh. This rebate is available under Section 87A. Let us discuss how it works.

### **Provision**

Section 87A was introduced in Finance Act 2003 which was changed from time to time. Presently an individual taxpayer, who is a resident of India for income tax purposes, is entitled to claim a tax rebate up to Rs. 12,500/- against his tax liability if your income does not exceed Rs. 5 lakh. However, your entitlement to claim the rebate under Section 87A gets lost altogether once the income exceeds this limit.

Anybody and everybody is not entitled to avail of this rebate. Though the basic exemption limit of Rs. 2.50 lakh is applicable for all Individuals and HUFs whether resident or non-resident but the rebate under Section 87A is available only to an individual and that too only if he is resident for income tax purposes. HUFs and nonresident individuals are not entitled to this rebate.

### **Which income is to be taken into account to check eligibility criteria**

There has always been confusion in the minds of taxpayers as to which income is to be considered for being eligible for this rebate. It is the income on which your ultimate tax liability is computed. So to start with, the income to be considered for this purpose is the income arrived at after setting off all the brought forward old losses against the income of the current year.

Likewise, from the net income after such set-off of losses, you have to reduce all the available deductions under various sections of Chapter VIA. Chapter VIA contains deductions for various items under sections like Section 80C (For LIP, EPF, PPF, ELSS, tuition fee, home loan repayment, etc.), Section 80 CCD (NPS), Section 80 D (Health Insurance), 80 G (donations) and 80 TTA and 80TTB (Bank interest Sr citizens).

Against which tax liability this rebate can be adjusted and cannot be adjusted.

It is not that the rebate up to Rs. 12,500/- available under Section 87A can be claimed against the tax liability of any nature. This rebate can be claimed against your tax liability in respect of normal income which is taxed at the slab rate, long-term capital gains under Section 112. (Section 112 applies for long-term capital gains on the sale of any capital assets other than Listed equity shares as well as equity-oriented schemes of mutual funds.)

This rebate is also available against the tax liability for short-term capital gains on listed equity shares as well as equity-oriented schemes of mutual funds under Section 111A on which tax is payable at a flat rate of 15%.

Please note, you are not entitled to set off tax liability in respect of long-term capital gains under Section 112A arising on sale of listed equity shares as well as equity-oriented schemes of mutual funds, which is payable 10% after initial exemption of Rs. 1 lakh.

### **How the rebate works**

People are generally under the impression that in case their income does not exceed the magic number of Rs. 5 lakh, he does not have to pay any tax. This is because for normal income the tax rate between 2.50 lakhs and 5 lakhs is 5% and the tax liability at 5% on 2.50 lakhs comes to exactly 12,500/-. However in case, your income comprises of income that is taxed at a higher rate of 15% (being Short term capital gains) or 20% (being other long term capital gains), you will have to still pay some tax even if your income does not exceed five lakhs. For your income of Rs., 5 lakh comprises one lakhs of short-term capital gains on listed shares of one lakhs and the balance is your regular income. Your tax liability would be Rs. 22,500, comprised of Rs. 7,500( 5% on 1.50 lakh)+15,000 (15% on 1 lakhs of Short term capital gain). After a rebate of 12500/- you will have to pay Rs. 10,000/- and cess even when income does not exceed the threshold of five lakhs.

### **\*About new tax regime**

Budget for 2020-21 has introduced a new tax regime, which an individual taxpayer can opt, of lower tax rates coupled with very few deductions available and fewer exempt allowances available instead of the regular tax regime where you have to pay tax at higher rates but have right to claim various exemptions and deductions. FY 2020-21 will be the first year when you have to exercise the option of whether to remain in the old tax regime or migrate to the new tax regime. The salaried people have the right to choose between the old tax regime or the new tax regime every year but the person with business income cannot go back to the old regime once he opts for the new regime unless you discontinue your business. So one with business income has to make this

choice between these two alternative tax regimes taking into account long-term implications.

The salaried who have exercised a particular option with the employer can opt for another option while filing their ITR as the option exercised with the employer was only for the limited purpose of tax deduction. If you have business income and do not wish to opt for a new tax regime this year, you can opt for a new tax regime in any subsequent year but once migrate to the new tax regime, you cannot go back to the old regime

**Source : Caclub India**