

Rebate and Reliefs under income tax

REBATE UNDER SECTION 87A

Rebate under section 87A of Income Tax Act is a provision which helps the taxpayers to reduce the tax liability. This section is available to the person whose income does not exceed Rs. 5 Lakhs. The tax liability of person becomes nil if he claims rebate under section 87A.

HOW TO CALCULATE TAX REBATE UNDER SECTION 87A

- **Step 1:** Calculate your gross total income for the financial year.
- **Step 2:** After that decrease your tax deduction for investment or tax savings etc.
- **Step 3:** Get your total income after decreasing the tax deduction.
- **Step 4:** File your income tax return which declare your gross total income.
- **Step 5:** Claim rebate under section 87A if your total income is not exceeding Rs 5 Lakhs.
- **Step 6:** Maximum limit for claiming rebate for the financial year 2020-2021 is Rs 12,500.

ELIGIBILITY FOR CLAIMING REBATE UNDER SECTION 87A

The taxpayer person can claim rebate if the following conditions are satisfied:

1. If the person is residential individual.
2. If the persons total income does not exceed Rs 5 Lakhs after deducting all the deduction under Chapter VI-A.
3. Maximum limit for claiming rebate is Rs 12,500 and important note is the rebate shall be claimed before adding health and educational cess.

RELIEF UNDER SECTION 89

WHAT IS RELIEF?

Income Tax Act provides provision which is for the taxpayers who is receiving income of the past year in current year. If anyone is receiving past years due in current year then he

will be worried that he will have to pay extra tax on such income so income tax provides relief under section 89(1) for such person. So basically, the taxpayer will not have to pay extra tax on such extra income which is delayed.

HOW TO CALCULATE TAX RELIEF UNDER SECTION 89(1)

You can calculate tax relief by the following steps:

- **Step 1:** Firstly, calculate your tax payable which is on your total income which shall include your additional income which is received in a year and that will be showed in Part B of Form 16.
- **Step 2:** Now calculate your tax payable on your total income but here your addition income shall be excluded so that you will get the amount of the income which is delayed. Now you have to decrease this amount from the total income, so the calculation will give you the exact amount of tax liability for the year if there was no arrears.
- **Step 3:** Now calculate the differential amount from step 1 and step 2, this will give you the additional amount of tax liability which was due to delay.
- **Step 4:** Now calculate tax payable on the total income for the year to which the arrear income relate.
- **Step 5:** After that calculate tax payable on the total income for the year to which the arrear income relate which shall include arrear income.
- **Step 6:** Calculate the differential amount from step 4 and step 5.
- **Step 7:** Excess amount which is left after Step 3 and Step 6 will be your amount of relief under section 89(1). If your amount in step 6 is more than step 3 then you will not get any relief.

Source : CAclubindia