

Concept of surcharge (levied on Income tax)

Surcharge is levied on the amount of income-tax at following rates if total income of an assessee **exceeds** specified limits:- (AY 20-21 i.e PY 20-21)

Particulars	Surcharge rate
Total income upto 50 lakhs	Nil
Total income more than 50 lakhs but upto 1 crore	10%
Total income more than 1 crore but upto 2 crore	15%
Total income more than 2 crore but upto 5 crore	25%
Total income more than 5 crore but upto 10 crore	37%
Total income more than 10 crore	37%

Note: The enhanced surcharge of 25% & 37%, as the case may be, **is not levied**, from income chargeable to tax as dividend income and income taxable under sections 111A, 112A and 115AD. Hence, the maximum rate of surcharge on tax payable on such incomes shall be 15%.

However, marginal relief is available from surcharge in following manner-

i. in case where net income **exceeds Rs. 50 lakh but doesn't exceed Rs. 1 Crore**, the amount payable as income tax and surcharge shall not exceed the total amount payable as income tax on total income of Rs 50 Lakh by more than the amount of income that exceeds Rs 50 Lakhs.

ii. in case where net income **exceeds Rs. 1 crore but doesn't exceed Rs. 2 crore**, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.

iii. in case where net income **exceeds Rs. 2 crore but doesn't exceed Rs. 5 crore**, marginal relief shall be available from surcharge in such a manner that the amount

payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 2 crore by more than the amount of income that exceeds Rs. 2 crore.

iv. in case where net income exceeds Rs. 5 crore, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 5 crore by more than the amount of income that exceeds Rs. 5 crore.

Health and Education Cess : Health and Education Cess is levied at the rate of 4% on the amount of income-tax plus surcharge.

Note 1: A resident individual (whose net income does not exceed Rs. 5,00,000) can avail rebate under [section 87A](#). It is deductible from income-tax before calculating education cess. The amount of rebate is 100 per cent of income-tax or Rs. 12,500, whichever is less.

Note 2: The option to pay tax at lower rates shall be available **only if** the total income of assessee is computed without claiming specified exemptions or deductions [REFER BELOW]:

For the purposes of **Note - 2**, the total income of the individual or Hindu undivided family shall be computed,—

(i) **without any exemption or deduction of**

- Section 10(5) or LTC
- Section 10(13A) or HRA
- Section 10(14) (other than those as may be prescribed for this purpose) or
- Section 10(17) or Allowance to MP/MHA
- Section 10(32), or MINOR CHILD upto 1500 pm.
- section 10AA or SEZ UNITS
- section 16 or (Standard deduction, Ent. All, P-Tax)

→ TIP Allowance for handicapped
 → Conveyance Allowance
 → Travelling Allowance
 → ~~Deduction~~ Allowance

- section 24(b) (in respect of the property referred to in sub-section (2) of section 23) or Interest on loan [24(a) Available]
- section 32(1)(ia) or Add. dep
- section 32AD or Investment Allowances
- section 33AB or TIRIC
- section 33ABA or
- Section 35(1)((ii)(ia)(iii) S. Research association.
- Section 35(2AA)(ii)(ia)(iii) IT Payment
- Section 35AD In Business
- Section 35CCC Ag. Ex+
- Section 57(1)(ia) Family Pension
- under any of the provisions of Chapter VI-A (Section 80C to 80U) **other than** Section 80CCD(2) or section 80JJAA;

(ii) without set off of any loss,—

(a) carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in clause (i);

(b) under the head "Income from house property" with any other head of income;

[NP loss can be set off only with NP income] [RUB? loss can be set off with any other In one exhibit]

(iii) by claiming the depreciation, if any, under any provision of section 32, **except** Section 32(1)(ia), determined in such manner as may be prescribed; and

(iv) without any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force.

(3) The loss and depreciation referred to in clause (ii) of sub-section (2) shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year:

Provided that where there is a depreciation allowance in respect of a block of assets which has not been given full effect to prior to the assessment year beginning on the 1st day of April, 2021, corresponding adjustment shall be made to

the written down value of such block of assets as on the 1st day of April, 2020 in the prescribed manner, if the option under sub-section (5) is exercised for a previous year relevant to the assessment year beginning on the 1st day of April, 2021.

(4) In case of a person, having a Unit in the International Financial Services Centre, as referred to in sub-section (1A) of section 80LA, which has exercised option under sub-section (5), the conditions contained in sub-section (2) shall be modified to the extent that the deduction under section 80LA shall be available to such Unit subject to fulfilment of the conditions contained in the said section.

Explanation.—For the purposes of this sub-section, the term “Unit” shall have the meaning assigned to it in clause (zc) of section 2 of the Special Economic Zones Act, 2005

(5) Nothing contained in this section shall apply **unless option is exercised** in the prescribed manner by the person,—

- i. having income from business or profession, on or before the due date specified under sub-section (1) of section 139 for furnishing the returns of income for any previous year relevant to the assessment year commencing on or after the 1st day of April, 2021, and **such option once exercised shall apply to subsequent assessment years;**
- ii. having income other than the income referred to in clause (i), alongwith the return of income to be furnished under sub-section (1) of section 139 for a previous year relevant to the assessment year:

Provided that the option under clause (i), **once exercised for any previous year can be withdrawn only once for a previous year other than the year in which** it was exercised and thereafter, the person shall never be eligible to exercise option under this section, except where such person ceases to have any income from business or profession in which case, option under clause (ii) shall be available.

opt out for life time

2) If assessee ceases to have BIP in a P.Y then he is liberty to opt out ~~of~~ the Section for Any P.Y.

Example 1 based on Amendment: (without cess & Surcharge)

Annual income	NEW slab rate	Tax as per NEW slab rate	OLD slab rate	Tax as per OLD slab rate	Benefit under new slab rate
2,50,000	Nil	Nil	Nil	Nil	Nil
5,00,000	5%	Nil (after rebate)	5%	Nil (after rebate)	Nil
7,50,000	10%	37,500	20%	62,500	25,000
8,00,000	15%	45,000	20%	72,500	27,500
10,00,000	15%	75,000	20%	1,12,500	37,500
12,00,000	20%	1,25,000	30%	1,92,500	57,500
15,00,000	25%	1,87,500	30%	2,62,500	75,000 (max)
50,00,000	30%	12,37,500	30%	13,12,500	75,000

Example 2 based on Amendment:

Binod is a bank employee who earns Rs 8 lakh a year. Being salaried, he contributes towards EPF and also gets HRA benefits in his salary as he is living on rent. Apart from this, he is eligible for LTA and this year, he incurred Rs 25,000 on his travelling and will be claiming it. Due to his family obligations, he is not able to save anything beyond his EPF contribution.

Let's see which tax regime will save more taxes for him.

Particular	Old tax regime	New tax regime
a) Annual Income	8,00,000	8,00,000
b) Standard Deduction	-50,000	
c) EPF Contribution (Section 80C)	-25,000	
d) HRA	-30,000	
e) Leave Travel Allowance	-25,000	

f) Total (Deduction & Exemption)	1,30,000	
NET TAXABLE INCOME (a-f)	6,70,000	8,00,000

OPTION - 1 (TAX AS PER OLD REGIME)

$$\text{TAX} - 46,500 + 4\% \text{ (CESS)} = 48,360$$

OPTION - 2 (TAX AS PER NEW REGIME)

$$\text{TAX} - 45,000 + 4\% \text{ (CESS)} = 46,800$$

ADVICE - As you can see, Binod will save more taxes in the new tax system, with tax burden going down by Rs 1,560 HENCE OPTION 2 (NEW TAX REGIME) IS BENEFICIAL FOR ASSSESSEE.

Example 3 based on Amendment:

Rahul, an IT professional, earns Rs 13 lakh a year. Being salaried, he contributes 25,000 towards the EPF. Also, he has invested Rs 40,000 in tax saving mutual fund (ELSS) and purchased a term life insurance with a coverage of Rs 1 crore. For this, he has paid a premium of Rs 10,000. Moreover, he is also eligible to claim tax exemption for Rs 30,000 in HRA , Rs. 20,000 in LTA, and Rs 26,400 for Sodexo meal coupons respectively in his taxable income.

Now, let's see how his tax liability changes in either of the tax structures

Particular	Old tax regime	New tax regime
a) Annual Income	13,00,000	13,00,000
b) Standard Deduction	-50,000	
c) Section 80C	-75,000	
d) HRA	-30,000	
e) Leave Travel Allowance	-20,000	
f) meal coupon	-26,400	
g) Total (Deduction & Exemption)	2,01,400	
NET TAXABLE INCOME (a-g)	10,98,600	13,00,000

OPTION - 1 (TAX AS PER OLD REGIME)

TAX - 1,42,080 + 4% (CESS) = 1,47,763

OPTION - 2 (TAX AS PER NEW REGIME)

TAX - 1,37,500 + 4% (CESS) = 1,43,000

ADVICE - As you can see, in this case too, the new tax system works better. In fact, in the old tax regime, Amit will end up paying Rs 4,763 more in taxes. **HENCE OPTION 2 (NEW TAX REGIME) IS BENEFICIAL FOR ASSESSEE.**

Example 4 based on Amendment:

Sidharth, who earns Rs 20 lakh annually. He avails the full Rs. 1.5 lakh limit of Section 80C through a combination of contribution to EPF and ELSS mutual funds. Besides this, he bought health insurance, for which he paid a premium of Rs 25,000 that he claims as tax deduction under Section 80D. Also, to save more taxes from his salary, he made additional investments of Rs 30,000 in NPS. **HRA Exemption 50,000** he also claimed a LTA amount of Rs 25,000, which is tax exempted. **HRA Exemption 50,000**

Now let's see which tax regime will give more money in his hand.

Particular	Old tax regime	New tax regime
a) Annual Income	20,00,000	20,00,000
b) Standard Deduction	-50,000	
c) Section 80C	-1,50,000	
d) HRA	-50,000	
e) Leave Travel Allowance	-25,000	
f) health insurance	-25,000	
g) section 80CCD(1B) NPS	-30,000	
i) Total (Deduction & Exemption)	3,30,000	
NET TAXABLE INCOME (a-i)	16,70,000	20,00,000

OPTION - 1 (TAX AS PER OLD REGIME)

TAX - 3,13,000 + 4% (CESS) = 3,26,040

OPTION - 2 (TAX AS PER NEW REGIME)

TAX - 3,37,500 + 4% (CESS) = 3,51,000

ADVICE - In this case, the old tax slab works better. It will result in lower taxes with the difference of Rs 24,960.

CRUX:

It's very clear that the changes introduced doesn't make things easier for tax payers. One shall choose the regime which is most beneficial for him. New regime will do good to someone who is not intending to invest any money in any tax savings plan.

Tax Rates of Partnership Firm

For the Assessment Year 2020-21 & 2021-22, a partnership firm (including LLP) is taxable at 30%.

Surcharge : The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

Health and Education Cess : The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of **4% percent of such income-tax and surcharge**

NO CHANGE

Tax Rates of Local Authority

For the Assessment Year ~~2020-21~~ & ~~2021-22~~, a local authority is **taxable at 30%**.

Surcharge : The amount of income-tax shall be increased by a **surcharge at the rate of 12%** of such tax, where total **income exceeds one crore rupees**. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

Health and Education Cess : The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of **4% percent of such income-tax and surcharge**.

NO CHANGE

Tax Rates of Domestic Company

Income-tax rates applicable in case of domestic companies for assessment year ~~2021-22~~ are as follows:

Where its total turnover or gross receipt during the previous year 2019-20 does not exceed Rs. 400 crore	25%
Any other domestic company	30%

Surcharge : The amount of income-tax shall be increased by a surcharge at the **rate of 7%** of such tax, where total **income exceeds one crore rupees but not exceeding ten crore rupees** and at the **rate of 12%** of such tax, where total **income exceeds ten crore rupees**. The surcharge shall be subject to marginal

relief, which shall be as under:

(i) Where income exceeds Rs. 1 crore but not exceeding Rs. 10 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.

(ii) Where income exceeds Rs. 10 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 10 crore by more than the amount of income that exceeds Rs. 10 crore

Health and Education Cess : The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of 4% percent of such income-tax and surcharge.

Special Tax rates applicable to a domestic company

The special Income-tax rates applicable in case of domestic companies for assessment year 2020-21 and 2021-22 are as follows:

Domestic company	AY 20-21	AY 21-22
Where it opted for section 115BA	25%	25%
Where it opted for Section 115BAA	22%	22%
Where it opted for Section 115BAB	15%	15%

Surcharge: The rate of surcharge in case of a company opting for taxability under [Section 115BAA](#) or [Section 115BAB](#) shall be flat 10% irrespective of amount of total income.

Health and Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at