ANNEXURE (Attached to the Mail to CPC, …)

PROPOSITION:

Deduction is allowable as a 'standard deduction', in respect of the specified types of "interest income included in the gross total income". That is, the sine qua non, for its admissibility.

The point for discussion herein is whether in respect of such interest income standard deduction is entitled to be allowed regardless of taxpayer opting for the new or old regime.

OBSERVATIONS:

The new tax regime, if opted for by taxpayer, is applicable to all categories of income chargeable under any one or more of the 'heads of income' as listed in sec. 14.

A. One such head of income is 'salaries'. The related provisions are contained in sections 15,16 and 17.

Deductions permissible have been provided for in sec.16. One such deduction is allowable u/s 16 (i) as a "standard deduction" in its legal as well as legitimate sense (X not according to any interpretation founded on any individual convoluted thinking) . That is, as stipulated, required to be claimed as warranted, before claiming/ allowing any of the deductions permissible under Chapter VIA.

ASIDE

By and large, several deductions so specified in Chapter VIA, are in respect of 'tax saving ' schemes. Those have been made ineligible should taxpayer opt for the 'new tax regime' (laying down lower tax rates).

For the assessment years 2020-21 to 2022-23, the amount of standard deduction, earlier fixed for the assessment year 2019-20 @Rs. 40000, was increased to Rs 50000. And, to the best of one's knowledge and belief there is no quarrel or controversy in any literate circle that is accordingly allowable even after the new regime has been brought into being. In other words, the standard deduction should be allowed regardless of whether salaried taxpayer opts for the new or old regime.

B. In the case of a senior citizen, in respect of the specified types of "interest income included in the gross total income". a similar standard deduction up to a maximum amount of Rs 50,000 is permissible for the assessment years 2019-20 to 2022-23. In the nature of things, such interest income is chargeable under the residuary head of income namely, ‘other sources’ (sec 56). Accordingly, as done in respect of the standard deduction for salaries, the deduction for Rs 50000 ought to have been provided for under sec. 56. Be that as it may, for no reason known or readily decipherable such deduction has been provided for in sec 80 TTB (newly inserted in Chapter VIA).

That has bought to surface the prevailing controversy.

To elaborate:

1. Given below is the extract from the FM's Budget speech:

“Relief to senior citizen

152. A life with dignity is a right of every individual in general, more so for the senior citizens. To care of those who cared for us is one of the highest honours. To further the objective of providing a dignified life, I propose to announce the following incentives for senior citizens:

 Exemption of interest income on deposits with banks and post offices to be increased from `10,000/- to `50,000/- and TDS shall not be required to be deducted on such income, under section 194A.

This benefit SHALL BE AVAILABLE also for interest from all fixed deposits schemes and recurring deposit schemes.”

ASIDE

It is thus seen that the intent is clearly to exempt from chargeable income so much of the specified interest income. Nonetheless, by reason of such deduction having been covered in a newly introduced provision (i.e., sec 80TTB), instead of under sec. 56, being the relevant more appropriate head of income, an attempt is being made by the Revenue to disentitle taxpayer to such standard deduction.

It is to be noted that, in several contexts, wherever the intent is to allow a STANDARD DEDUCTION the provision is made under the relevant head of income. Look through and find more such contexts; e.g. standard deduction of one-third from ‘annual value' for computing the 'income from 'house property’!?

2. Sec 194A (TDS)

The two provisos of relevance for the limited purpose herein read (:

"Provided further that the amount referred to in the first proviso shall be computed with reference to the income credited or paid by the banking company or the co-operative society or the public company, as the case may be, where such banking company or the co-operative society or the public company has adopted core banking solutions:

Provided also that in case of payee being a senior citizen, the provisions of sub-clause (a), sub-clause (b), and sub-clause (c) shall have effect as if for the words "forty thousand rupees", the words "fifty thousand rupees" had been substituted."

Now, according to the view the Revenue has chosen to take, among others, the problems indicated below are bound to arise, should taxpayer have eventually opted for the new regime:

a) There are two possible types of cases, - one in which the taxpayer’s interest income is less than Rs. 40000/Rs. 50000 and therefore, no TDS made and paid; # or

b) TDS made and paid.

# ASIDE: Further, according to a view strongly canvassed in certain circles, genuinely so, - not known to have been seriously objected to by the REVENUE, - in the case of a taxpayer having multiple deposits with different banks or with different branches of the same bank, the limit for TDS is applicable on a bank wise or branch wise basis.

The proposition addressed / covered in brief therein is confined to taxpayers, being SCs o SSCs ; and specifically to such taxpayers who have made no other claim for deduction (under CHAP. VIA ), except entitlement to the deduction of a sum of Rs 50000(Tax effect max. being 30+ Cess = )

TENTATIVE (own thoughts , open to correction)-

The other more important Proposition which calls for a similar analytical study, in brief (:

Either of the two- the old and the new tax regime, ought to be made applicable , by default (suo motu) whichever is, in comparison , of advantage to taxpayer , depending on the facts and circumstances, in a case to case basis. Having done so , that will require to be reviewed and revised suitably at every subsequent stage , if so necessitated, having regard primarily to the 'break-even level' of chargeable income ?!

As to Which is so of more advantage may have to be ascertained and adopted at the time of initial auto processing by the CPC for issue of INTIMATION u/s 143 (1).

Otherwise, in my personal perspective, the present scheme is bound to be fraught with a host of predicaments/problems by reason of supervening factors of 'unpredictable' nature / 'uncertainties' of varying kinds !?!

(Open/ Invite to EDIT/Elaborate)

#share #tax

A Fresh Invite to spare and share MORE thoughts and viewpoints, for THE COMON GOOD of one and all concerned- including the professionals (CAs, Lawyers or any other) .

ADDs on (With a view to inciting/provoking those really interested or having 'vested concerns' (directly or indirectly) to spare and share eminent thoughts) (:

particularly for the benefit of, -

1. Taxpayer qualifying for special treatment as a SC or SSC; and/or

2. Taxpayer whose Total (chargeable) Income, with or without a claim under CHAPTER VI A , exceeds either a sum of Rs 10 lakhs (old regime) or Rs 15 lakhs under the new regime being the cut-off income level at which the maximum rate of tax (i.e. 30%) becomes applicable ?

This, in one's own independent perspective (open to correction , if were found faulty, for any reason), assumes every relevance having regard to the fact that in processing a tax return the CPC auto calculates the tax liability , differently, more so to the taxpayer's disadvantage, depending upon whether any claim under chapter VIA has been made or not ?!?

To be precise, does the question of exercising OPTION (sec 115BAC) / choosing the OLD or NEW TAX Regime by ticking 'YES ' or 'NO' in the applicable Form of tax return arise at all; or should that make all the difference?!?

In essence, the intriguing question is, - can a taxpayer whose Gross Total Income or Total Income is not less than but exceeds the cut-off level of 10 lakhs / 15 lakhs be denied the benefit of deduction under Chapter VIA , despite the provisions of sec 115 BAC?! 😡