

Direct Tax





Tax Rates

- No change in income slabs or tax rates or surcharge
- Education cess of 3% substituted with Health and Education cess of 4%

Withdrawals from NPS

- 40% of the withdrawals from National Pension System (NPS) was tax exempt for employees. This has now been extended to all assesses.

Standard Deduction

- Standard deduction of INR40,000 or amount of salary received whichever is less has been introduced. Exemptions currently available for Transport Allowance amounting to INR19,200 per annum and reimbursement of medical expenses amounting to INR15,000 per annum is proposed to be withdrawn. Transport allowance exemption for differently abled persons to continue.



Capital Gains

- The period of lock-in for specified bonds for investment of capital gains under section 54EC is increased to 5 years from 3 years. For this purpose, long term capital assets are now limited to Land, Building or both.

Increased deductions for health insurance and treatment relating to senior citizens

- Deductions under Section 80D for health insurance premium, preventive health check up or medical expenditure in respect of senior citizens enhanced to INR50,000 as against current overall limit of INR30,000. In case of a single premium policy having cover for more than one year, the deduction shall be available on a proportionate basis for the period of cover.
- Deduction under section 80DDB in respect of medical treatment of specified diseases relating to senior and very senior citizens has been enhanced to INR100,000 from the existing limits of INR60,000 and INR80,000 respectively.

Benefits to Senior citizens

- Deduction of INR50,000 against interest income on deposits held by senior citizens introduced. Current exemption of INR10,000 available for interest on savings account no longer separately available. The threshold for tax withholding on such interest income is also raised to INR50,000