



IMPACT OF UNION BUDGET 2015 ON INDIVIDUALS

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IMPACT OF UNION BUDGET 2015 ON INDIVIDUAL FOR FY 15-16 (AY 16-17)

THE HONORABLE FINANCE MINISTER ENDED HIS BUDGET SPEECH ON 28TH FEB 2015 WITH THE UPANISHAD -INSPIRED MANTRA -OM SARVE BHAVANTU SUKHINAH.

BELOW ARE SOME OF THE KEY CHANGES WHICH WAS MADE BY THE HONORABLE FINANCE MINISTER:-

The Finance Minister made no changes with personal Tax Rates and Income Slabs remains the same as compared to financial year 2014-15.

No Change in Individual Tax Rate (Other than Companies) except Rate of Surcharge

SL No.	Income Slabs	Resident individual less than 60 Years	Resident individual more than 60 years but less than 80 years	Resident individual of 80 years or Above
1	Upto 2,50,000	Nil	Nil	Nil
2	2,50,001 to 3,00,000	10%	Nil	Nil
3	3,00,001 to 5,00,000	10%	10%	Nil
4	5,00,001 to 10,00,000	20%	20%	20%
5	Above 10,00,001	30%	30%	30%

Changes in Relation to Surcharge :-

It was proposed to levy additional Surcharge @2% (Being a total of 12%) on Individuals having a Total Income exceeding One Crores Rupees.

The Finance Minister did not tinkered with the Income Tax Slab rates but however there are slew of Deductions/Exemptions which was announced by him in the Budget

I. Exemption limit for Transport Allowance u/s 10 raised to Rs 1600 Per Month.

Previously, Section 10 of the Income-tax Act, 1961 provided for exemption in respect of Transport Allowance to an individual having income from Salary to the tune of maximum Rs 800Per Month. This limit has been increased to maximum Rs.1600/-Per Month from Assessment Year 2016-17 (FY15-16)& onwards.

Comment

Therefore an Individual can now claim extra Deduction of Rs9600 annually.

II. Tax Benefit u/s 80C for the girl child under the Sukanya Samriddhi Account Scheme

Section 80C of the Income Tax Act 1961, provides for Deductions in respect of certain payments from the Total Income of an assessee being an individual or HUF. It is proposed that any contributions made under Sukanya Samriddhi Account Scheme will be eligible for Deductions u/s 80C of the Act and also interest accruing on such Deposit and withdrawals therefrom in accordance with the Rules are also exempt from Tax. It is further clarified that this provision has retrospective effect from

01.04.2014. So any deposits made under this scheme during FY14-15 will be eligible for Deduction under Section 80C for the AY 15-16 and subsequent assessment years. Under the said scheme Parents and legal Guardian can open accounts in the name of maximum of two Girl child upto 10 years of age from the date of Birth. However for initial operations of Scheme, one year grace period is being given. With the grace, girl child who is born between 2nd December 2003 and 1st December 2004 can open the said Account till 1st December 2015. The account can be opened in Post Office or Commercial Bank with a minimum deposit of Rs 1000/- and thereafter any sum in the multiple of Rs 100/- and a maximum deposit of Rs 150000/- is allowed in a Financial Year, irrespective of number of deposits in a month or in a Financial Year. The rate of Interest of interest 9.1% per annum from FY 14-15, calculated on yearly basis, yearly compounded.

Comment

It is a very welcome step for AAM ADMI as it EEE scheme i.e. Exempt at the time of investment, exempt at time of interest accrued and also exempt at time of withdrawal also. It is one of the only scheme which has EEE feature other than provident fund. The scheme has vision to provide for girl child education and her marriage expense. It is scheme for girl child as a part of " Beti Bachao Beti Padhao" campaign.

III. Additional Deductions limit u/s 80CCD (Contribution to New Pension Scheme) of Rs.50000/-

An additional deduction is proposed for contributions to New Pension Scheme upto an amount of Rs 50,000. This measure is aimed to provide for old age retirement security and is in line with The Government's vision manifesto to look at retirement benefits for all sections of society.

Comment

Maximum Quantum of Deduction which an individual can claim u/s 80CCDD

In case of Salaried Employee:- 10% of his salary for the Financial Year.

Other than Salaried Employee:- 10% of his Gross Total Income in the Financial Year.

Earlier u/s 80CCD(1A) the deduction allowed for contribution to NPS was limited to Rs 1 Lakhs. However, with a view to encourage contribution to NPS, the maximum amount allowed to be invested has been increased from 1lakhs to Rs 1.5 Lakhs.

Moreover it was announced by the Honorable Finance Minister that a new sub section 80CCD(1B) has been introduced so as to provide for additional deduction in respect of any amount paid for contributions made by an individual under NPS subject to Rs 50000/-

So Section 80CCE which provides that deduction can be claimed by an assessee upto Rs 1.5Lakhs for the contributions made under 80C,80CCC,80CCD would be increased by Rs 50000/- if additional amount of Rs 50000/- is invested in NPS. It can further save tax on Rs 50000/-

IV. Deduction limit u/s 80D raised to Rs. 25,000/- . (Earlier it was Rs. 15,000/-)

Previously ,section 80D of the Income-tax Act,1961 provided for deduction in respect of Health Insurance/ Medical Insurance to an individual or a Hindu undivided family to the tune of maximum Rs.15000/- This limit has been increased to maximum Rs. 25000/- from Assessment Year 2016-17 and onwards.

For Senior Citizen, the limit has been increased from Rs. 20000/- to Rs Rs.30000/-

Comment

Quantum of Deduction which an individual can claim u/s 80D

DESCRIPTION	MEDICAL INSURANCE PAID		TOTAL DEDUCTION U/S 80D
	SELF, SPOUSE, DEPENDENT CHILDREN	PARENTS (WHETHER DEPENDENT OR NOT)	
No-one has attained the age of 60 Years	25000	25000	50000
Assessee and his family is less than 60 Years & Parents are above 60 Years of age	25000	30000	55000
Assessee and & his Parents are above 60 Years of age	30000	30000	60000

V. Deduction limit u/s 80DDB raised to Rs. 80,000/- (For Very Senior Citizen) (Earlier it was Rs 60000/-)

Previously, Section 80DDB of the Act, provided deduction in respect expenditure incurred for Medical Treatment with respect to Certain Specified Diseases to the tune of maximum Rs.60,000/- (For Very Senior Citizen). This limit has been increased to maximum Rs. 80,000/- (For Very Senior Citizen) from Assessment Year 2016-17 & onwards. However to claim this Deduction it was required earlier to submit a Certificate from a Specialist Doctor working in a government hospital, Now to claim Deduction tax payer is only required to obtain a prescription from a Specialist Doctor. It is now not compulsory that Doctor should be working in Government Hospital.

Comment

Hence after the Budget 2015 an assessee can submit a certificate from a specialist doctor whether working in Government Hospital or Not.

VI. Deduction limit u/s 80CCC raised to Rs.1500000/- (Contribution to Pension Scheme)

Previously, section 80CCC of the Act, provided deduction in respect of contribution made to certain Pension Funds to an Individual assessee to the tune of maximum Rs.100000/- This limit has been increased to maximum Rs150000/- from Assessment Year 2016-17 & onwards.

Comment

The amendment does not provide any additional benefit to the assessee as the maximum amount allowable u/s 80CCE (which limits the aggregate deduction to be allowed u/s 80C, 80CCC, and Sub section (1) of 80CCD) remains unchanged at Rs 150000/-

VII. Deductions limit u/s 80DD raised to Rs 75,000/- (For Disabled Dependent) & 125,000/- (For Severe Disabled Dependent. (Earlier it was Rs 50,000/- & Rs100000/- respectively.)

Previously, Section 80DD of the Income-tax Act, 1961 provided deduction in respect expenses incurred on maintenance / Medical treatment of Disabled Dependent or money paid to LIC, UTI, or any other Insurance for the purpose of maintenance of such dependent to the tune of Rs.50,000/- (For Not suffering from severe Disability) & Rs 100000/- (For suffering from severe Disability) . This limit has been increased to Rs. 75,000/- (For Not suffering from severe Disability) and Rs.125000/- (

For suffering from severe Disability) from Assessment Year 2016-17 & onwards. The Definition of Disability and severe Disability has been explained in the Act.

Comment

Deduction under this section is irrespective of actual expenses incurred as explained below:-

Even if actual expenses on disabled dependent relative is less then amount mentioned above,tax payer is eligible to full deduction.

For Example, Actual medical treatment expenses incurred on disabled dependent relative is Rs30000/- then amount of Deduction which can be claimed is Rs75000/-i.e. irrespective of actual amount incurred.

VIII. Addition of Swachh Bharat Kosh and Clean Ganga Fund eligible to Deductions u/s 80G.

It is proposed that any contributions made to above scheme will be eligible for 100% Deductions u/s 80G of the Act. It is further clarified that this provision has retrospective effect from 01.04.2015. So any amount contributed to above during FY14-15 will be eligible for Deduction under Section 80G for the AY 15-16 and subsequent assessment years.

IX. Contributions to National Fund for Control of Drug Abuse eligible for Deductions u/s 80G.

It is proposed that any contributions made to above Fund will be eligible for 100% Deductions u/s 80G of the Act. It is further clarified that this provision will take effect from FY 15-16 and eligible for Deduction under Section 80G from the AY 16-17 and subsequent assessment years.

X. Propositions to Abolish Wealth Tax.

It is proposed to abolish Wealth Tax Act, 1957 with effect from FY 15-16 (AY 16-17) and onwards. This is however sought to be compensated by the additional 2% surcharge in high income cases. It was also proposed that information relating to assets which is currently required to be furnished in the Wealth Tax Return shall be captured by suitably modifying the Income Tax Returns forms.

XI. Mandatory Disclosure of Foreign Assets in Income Tax Return Tax.

Under the proposed Budget, It has become mandatory to disclose the Foreign Assets and Income earned from such assets. If any concealment of Income and assets and inadequate disclosure in relation to foreign assets, tax payer will be prosecutable with imprisonment of upto 10years and also could be subject to a penalty @ 300% of tax sought to be evaded.

XII. Others.

The Budget also announced a slew of measures to stamp out Black Money. PAN has been mandatory for any purchase or sale transactions exceeding Rs 1Lakh.

As per the above amendments in the section, an individual can claim Minimum of Tax Benefit of Rs 4,44,200.00/- over and above of Basic Exemption Limit:-

The detailed of the same is explained below:-

<i>Nature</i>	<i>Amount</i>
Interest on Housing Loan u/s 24B in case of Self Occupied House	2,00,000
Transport Allowance u/s 10 (In case of Salary Income)	19,200
Deduction u/s 80C	1,50,000
Deduction u/s 80D	25,000
Additional Deduction for NPS	50,000
<i>TOTAL</i>	<i>4,44,200</i>