Income Tax Guidelines for FY 2023-24

A ready reckoner for Investment Declarations

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Income Tax Guidelines for the Financial Year 2023-24
A ready reckoner for **Investment Declarations**

This document provides information on relevant provisions of the Income Tax Act, 1961 with reference to Salary Income - deductions available under income tax act for salaried employees

Important:

- Any one of the below tax structures can be applied for tax computation
  - New Tax Regime - (page 2)
  - Traditional (Old) Tax Regime - (page 4)
- For each April, every individual employee gets an option to choose in between the new and
  - Traditional (old) tax regime. Also, once if the employee chooses the "Old" tax regime, he or she cannot change their choice through payroll but can make the necessary changes while filing their ITR.
    In case an individual fail to select any option, new tax would be applied (as stated under income tax act & finance bill 2023 Section 115BAC)
- Please note that investments /payments during the year April 2023- March 2024 alone will be considered.
- Note: Transport allowance for disabled person of Rs.3200 per month remains the same (for traditional tax regime).
- Tax exemption towards the Employer contribution to Provident Fund (PF), NPS and superannuation fund restricted to 7.5 Lakh per annum. Thus, anything contributed over and above 7.5 Lakh would be taxable in the hand of the employee. This is applicable to both new and traditional tax regime
- For individual who are contributing more than 2.5 Lakh under PF (Both EPF + VPF), then the interest earned on excess contribution would be calculated as taxable income (Budget 2021 amendment)
- In case the investment declaration forms (online submissions) are not received by the due date, TDS will be deducted based on the assumption that there is no investment.
- In case an individual fails to file income tax return on or before due date, then appropriate penalty would be imposed on such defaulting individuals.

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1. New Tax Regime

From April 2023, all tax-payers have the option to choose the "new and reduced" tax rates for themselves and plan their annual investment accordingly.

TAX RATES: The same rate table applies to all individuals (irrespective of the age group) Thus there are no senior or super senior citizen limits under the new tax regime.

Income tax slab	Tax rate
0 to 3 Lakh	0%
3 Lakh to 6 Lakh	5%
6 Lakh to 9 Lakh	10%
9 Lakh to 12 Lakh	15%
12 Lakh to 15 Lakh	20%
15 Lakh and above	30%

Note: 4% of Health & education cess is to be levied on the total tax payable.
Surcharge @ 10% is to be levied on tax payable if the total income exceeding Rs.50 Lac but not exceeding Rs.1 crore, Marginal relief if applicable.
Surcharge @ 15% is to be levied on tax payable if the total income exceeding Rs.1 crore-2 crore, Marginal relief if applicable.
Surcharge @ 25% is to be levied on tax payable if the total income exceeding Rs.2 crore, Marginal relief f applicable.

Section 87A: Rebate of Rs.25000 for individuals having total income up to Rs.700000

(87A) An assessee, being an individual resident in India, whose net taxable income does not exceed Rs.700000, the rebate shall be equal to the amount of income tax payable on the total income for any assessment year or an amount of Rs.25000, whichever is less.

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2. Disallowed exemptions

While you may enjoy reduced rates of tax, you as a taxpayer must forgo the below listed exemptions and allowances. Hence, if you choose the new tax regime no deduction or exemptions would be available under:

- All chapter VIA section - 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EEA, 80EEB, 80G, 80IA, 80IAB, 80IAC, 80IB, 80IBA, 80Uetc. (Excluding Section 80CCD (2))
- House Rent Allowance under section 10 (13A)
- Leave Travel Concession under section 10(5)
- Special Allowance under section 10(14) (such as Children education allowance, Hostel Allowance, Per diem Allowance, Uniform Allowance, etc.)
- Interest on borrowed loan for a self-occupied property (Rented property not covered) under section 24. (Note: Interest claim for let out property remains the same)
- Entertainment allowance, Employment / Professional tax under section 16.
- Set off of any loss, under the head "Income from house property" with any other head of income;
- Any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force.
- Income by way of daily allowance / any other allowance received by MP, member of state legislature, etc. under section 10(17)

Very Important Note: If the Individual fails to comply the conditions mentioned as above; their option would be considered invalid, and the taxes would be calculated as if the option had not been exercised for the assessment year relevant to the previous year.

3. Allowable exemptions

Therefore, let's understand the benefits that are applicable if one chooses the new tax regime.

- Standard Deduction
- You may claim interest paid on a home loan towards a let-out(rented) house property under section 24. However, please note that when you apply this interest to the calculations of income/loss from house property (standard deduction of 30% of rental income and all applicable taxes), if there is net loss, the same will not be adjusted against any other source of income.
- Section 80CCD (2) employer contribution under National Pension Scheme (NPS).
- Employer contribution to Provident Fund (PF), NPS and superannuation fund restricted to 7.5 Lakh per annum.
- Gratuity
- Travel allowance and reimbursement to the employee for official purposes.
- Leave encashment on retirement
- Amount received on Voluntary retirement scheme (VRS) up to INR 5 lakh

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4. Traditional Tax Regime (Old):

The below exemption and details continue to apply if an individual employee chooses to continue the existing (traditional) tax rules.

Individuals less than 60 years:

Income tax slab	Tax rate
0 to 2.5 Lakh	0%
2.5 Lakh to 5 Lakh	5%
5 Lakh to 10 Lakh	20%
10 Lakh and above	30%

Individuals to 60 - 80 years:

Income tax slab	Tax rate
0 to 3 Lakh	0%
3 Lakh to 5 Lakh	5%
5 Lakh to 10 Lakh	20%
10 Lakh and above	30%

Individuals above 80 years:

Income tax slab	Tax rate
0 to 5 Lakh	0%
5 Lakh to 10 Lakh	20%
10 Lakh and above	30%

Note: 4% of Health & education cess is to be levied on the total tax payable.
Surcharge @ 10% is to be levied on tax payable if the total income exceeding Rs.50 Lac but not exceeding Rs.1 crore, Marginal relief if applicable.
Surcharge @ 15% is to be levied on tax payable if the total income exceeding Rs.1 crore, Marginal relief if applicable.
Surcharge @ 25% is to be levied on tax payable if the total income exceeding Rs.2 crore - 5 crore, Marginal relief if applicable.
Surcharge @ 37%% is to be levied on tax payable if the total income exceeding Rs.5 crore, Marginal relief if applicable.

Section 87A: Rebate of Rs.12500 for individuals having net taxable income up to Rs.500000 An assessee, being an individual resident in India, whose total income does not exceed Rs.500000, the rebate shall be equal to the amount of income tax payable on the total income for any assessment year or an amount of Rs.12500, whichever is less.

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5. Allowable exemptions

5.1. HRA Exemption u/s 10(13A):

- An employee cannot claim HRA exemption if employee himself resides in his own house.
- An employee who does not pay rent for his/her accommodation is not eligible to claim HRA exemption.
- Exemption under this section is allowed for those employees who pay rent for their accommodation. The exemption is restricted to a minimum of:
  - Actual HRA received
  - Actual Rent paid Less 10% of the salary
  - 50% in case of metro cities and 40% of the salary in any other case.
- HRA received, which is more than the above limits, is taxable. Salary for this purpose means, Basic, dearness allowance if the terms of employment and Commission based on Fixed Percentage

Documents required to avail HRA Deduction

a. Copy of House Agreement along with Rent Receipts
b. Rent receipts given by Landlord
c. PAN, name and address of the landlord in case the rental payment exceeds Rs.1 Lac for the financial year.

Proof of Rent Paid Should Give Details of

a. Name and address of landlord
b. Address of rented premises for which rent paid
c. Period for which rent paid & the amount

Note:

As per Form 12BB, if the Annual Rent paid by the employee exceeds Rs.1,00,000 per annum, it is mandatory for the employee to report the PAN or AADHAAR Number, name and address of the Landlord. **Notification Link:** http://www.incometaxindia.gov.in/communications/notification/notification30_2016.pdf

Please note: The TDS return filed based on the details keyed in by you under HRA tab, allows the company to only enter upto 4 landlord details. Also the TDS return form (24Q) doesnt yet allow the company to enter proper bifurcation (i.e. amount and months rent paid). Thus HRA shown by individual might not match with the ITR income of the landlord. Please inform the landlord accordingly.

5.2. House Property Exemptions

Interest paid on Housing Loan for self-occupied property u/s 24

Interest paid on housing loan availed for a self-occupied property can be set off against salary income. To avail this benefit:

a. House property should be in the name of the employee who claims this deduction.
b. If the capital for acquisition/construction of house is borrowed before 01-Apr-1999 the salary income can be set off against interest paid subject to maximum of INR 30,000 per annum.

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c. If the capital for acquisition/construction of house is borrowed on or after 01-Apr-1999 and the construction/purchase is completed within 5 years before end of Financial year in which loan is taken, the salary income can be set off against interest paid subject to maximum of INR 2,00,000 p.a.

d. If the loan taken for reconstruction or repairs or renewal of existing house, then the maximum deduction can be allowed only to the extent of INR 30,000 per annum.

DEEMED LET OUT: From 2019 onwards, if an individual is in possession of more than one self-occupied house property or vacant house property or house property occupied by the, the individual can choose two properties of his choice as self-occupied. Any other property(ies) would be deemed as let out and notional rental income would be calculated accordingly.

Note: The limit of Rs.2 Lac of self-occupied house property remains unchanged. Thus, total interest for 2 houses cannot exceed Rs. 2 Lac (Irrespective what interest one is paying and also for self-occupied one cannot carry forward the unclaimed value)

Interest paid on housing loan for let out property u/s 24

The rent received from let out property should be disclosed as an income. From the above income following deductions can be claimed:

a. Property tax paid during the year for the let-out property.

b. 30% of Net Annual Value (Rental Income less Property tax) can be claimed for repairs and maintenance of the house irrespective of the expenses incurred.

c. Interest payable on housing loan for let out property can be claimed as deduction with no upper limits.

Adjustment of Net Loss under house property (Section 71)

As per the amendment made during 2017 budget, set-off of house property losses (Section 71) against any other source of income is restricted up to Rs.2 Lac only. Thus, based on the above restriction, the overall net loss to be claimed under house property (irrespective of let out or self-occupied or any number of house properties) would be restricted to Rs.2 lac alone. No amount exceeding Rs.2 Lac would be eligible for the claim. `But in case there is any unadjusted house property losses would be eligible to carry forward and claim in the next 8 years.

Please Note: The carry forwarded losses can be adjusted only against "Income from House property". Thus, no such losses can be adjusted against salary income.

Additional deduction for Interest paid on Housing Loan for self-occupied property u/s 80EE

Individual can claim additional benefit Rs.50000 in case interest paid, if he complies with the below conditions:

a. First time home buyer in FY 2016-17 i.e. assesse doesn't own any house property on the loan sanction date.

b. Loan was sanctioned in between 1st April 2016 to 31st March 2017.

c. Loan sanction amount doesn't exceed Rs.35,00,000.

d. Value of house property doesn't exceed Rs.50,00,000.

Please note: The claim is allowed only if the employee has paid the interest. This is not a standard deduction. Please verify section 24 and the total interest paid before giving the claim.

Additional deduction for Interest paid on Housing Loan for self-occupied property u/s 80EEA

Individual can claim additional benefit Rs.150000 in case interest paid, if he complies with the below conditions:

a. First time home buyer in FY 2019-22 i.e. assesse doesn't own any house property on the loan sanction date.

b. Loan was sanctioned in between 1st April 2019 to 31st March 2022

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c. Stamp Value of property doesn't exceed Rs.45,00,000.

Documents required for availing House Property Exemptions:

a. Statement/Certificate from Financial Institution / Bank for the interest payable on home loan giving the breakup of interest and principle repayment and the date of loan sanction.
b. Duly Signed Declaration Form with details of House Property whether it is self-occupied or let out.
c. Completion certificate of the House Property.
d. Most importantly, in case of Joint Loan (Joint Names in Interest certificate), Joint declaration to be provided stating amount of claim.
e. Statement claiming that this is first house owned and have no pending home loan in his name (In case to claim Section 80EE).

Please note: The claim is allowed only if the employee has paid the interest. This is not a standard deduction. Please verify section 24 and the total interest paid before giving the claim.

5.3. Deductions allowed under Section 80 C

a. Payment of Life Insurance Premiums for Self/Spouse/Children.
b. Contribution to Public Provident Fund for Self/Spouse/Children.
c. Contribution to Unit Trust of India in the name of self.
d. Investments in National Savings Certificate only in the name of self.
e. Interest accrued on National Savings Certificate (Copy of NSC Certificates of the previous years must be submitted to get rebate on NSC accrued Interest).
f. Principal repayment on Housing Loan. Also Stamp duty and registration fees paid for acquiring the house property.
g. Contribution (including Voluntary Cont.) to Employee Provident Fund.
h. Investments in National Savings Scheme (NSS).
i. Tax Saving Bonds / Infrastructure Bonds.
j. Investments in Tax saving Mutual Fund or Equity Linked Saving Scheme / Systematic Investment Plan (SIP).
k. Child Tuition Fees and Expenditure.
l. Tax Saving Fixed Deposits (With Minimum Lock in period of 5 Years).
m. Investment in Post Office Time Deposits (With Minimum Lock in period of 5 Years).
n. Senior Citizen Saving Scheme 2004
o. Post Office Time Deposit Account
p. Sukanya Samriddhi Yojana:
    a. The scheme applies to investment for girl child below 10 years.
    b. Any amount deposited in specified post office account or any designated branch of PSU bank as an investment for girl child restricted 2 girl children.
    c. Minimum investment is Rs.1000/- and extend up to overall 80C, 80CCC, 80CCD limit of Rs. 150,000/-

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d. The account matures when the girl reaches 21 years, though up to 50%of the corpus can be withdrawn after she is 18 or gets married.

e. The investments made in the Scheme, the interest accruing on deposits in such account and the withdrawal from the said scheme in accordance with the rules of the said scheme will be exempt from tax. Maximum investments under the above investment schemes are restricted to INR 1,50,000 per year.

Documents required to claim deduction:

Copy of Proof of Investment made during the current financial year.

5.4. Investment in Pension Scheme of LIC or any other insurer (e.g. Jeevan Suraksha of LIC or any other Pension Plan) u/s 80 CCC

Premium paid for pension scheme is allowed as deduction from Total Income. Documents required:

a. Copy of current year premium receipt

5.5. Investment in pension scheme created by Government of India u/s 80CCD

a. Under Section 80CCD (1) - Employee contribution exemption claim for notified NPS up to a maximum of 10 % of Basic Salary

b. Note: The maximum investment limit allowed under the above sections 80C, 80CCC, 80CCD (1) is INR 1,50,000 per year.

c. Section 80CCD (2) employer contribution under National Pension Scheme (NPS). Please note that when taken along with employer contributions to Provident Fund (PF) and superannuation fund this is restricted to 7.5 Lakh per annum for tax exemption.

d. Under Section 80CCD (1B), an additional tax exemption of Rs.50,000 is to be provided for the amount invested in National Pension Scheme. The amount of exemption is over and above the limit.

Note:

To claim under NPS scheme, all contribution needs to be made under Tier I scheme

Documents required to claim deduction:

a. Copy of Proof of Investment made during the current financial year.

5.6. Investment in Agnipath Scheme u/s 80CCH

Where an individual has enrolled in the Agnipath Scheme or has contributed to the Agniveer Corpus Fund has in the previous year paid or deposited any amount in his account, he or she shall be allowed a tax exemption of the whole of the amount so paid or deposited.

Documents required to claim this: The contribution payment acknowledgment copy

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5.7. Mediclaim Insurance Premium u/s 80 D

Medical Insurance premium is allowed as deduction up to INR 25,000/- per year for self, spouse & dependent children. An additional 25,000/- is allowed as deduction towards premium for parents (even if they are not dependent).

In case of senior citizen above 60 years of age, then a total amount of 50,000/- can be claimed.

S No	Immediate Family (Self, Spouse, Children)	Maximum Eligible in INR	Dependent Parents	Maximum Eligible in INR	Maximum Eligible deduction in INR (inclusive of Preventive Health) Checkup)
1	Senior Citizen	50,000/-	Senior Citizen	50,000/-	50,000/- + 50,000/- = 100,000/-
2	Other than	25,000/-	Senior Citizen	50,000/-	25,000/- + 50,000/- =
	Senior Citizen				75,000/-
3	Other than Senior Citizen	25,000/-	Other than Senior Citizen	25,000/-	25,000/- + 25,000/- = 50,000/-

Note:

Preventive Health Checkup for self, spouse, dependent children or parents are also allowed to the extent of Rs.5,000/- per year (which is part of overall above limits)

Advance payment claim:

Where premium amount is paid in lump sum in the previous year to effect or to keep in force an insurance on the health of any person specified therein for more than a year: such amount shall be allowed for each of the relevant previous year, a deduction equal to the appropriate fraction of the amount.

Documents required:

Current Year Receipt for payment of Mediclaim insurance premium.

Medical expenses for Senior Citizen

- Only if the individual for whom one is claiming is 60 year and above
- Have no insurance in their name (individual or corporate)

Then upto Rs.50,000 medical expenses can be claimed after submitting necessary bills.

5.8. Deduction in respect of maintenance, including medical treatment, of a disabled dependent

u/s 80 DD

The amount of deduction is

a. Rs.75,000 to a person with disability (above 40% and less than 80%), and
b. Rs.1,25,000 to a person with severe disability (Above 80%)

Documents required:

a. Form 10IA & self-declaration for expenses incurred for this specific cause
b. As per recent amendment, medical prescription providing all details of disease and patient is also allowable document for claim instead of Form 10IA.

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5.9. Deduction in respect of person with disability u/s 80U

Deduction is allowed for a person suffering from a permanent physical disability or mental Retardation under sec 80U. The amount of deduction is:

a. 75,000 to a person with disability (above 40% and less than 80%)
b. 1,25,000 to a person with severe disability (Above 80%)

Documents required:

a. Form 10IA
b. As per recent amendment, medical prescription providing all details of disease and patient is also allowable document for claim instead of Form 10IA.

5.10.Interest on Education Loan u/s 80E

The total amount of interest paid for self and dependents towards education loan taken for higher education extended to all courses pursued after Senior Secondary Examination from any school, board or university recognized by the Central Government or State Government or local authority or by any other authority authorized by the Central Government or State Government or local authority to do so will be allowed as deduction over a period of 8 years or until the interest is paid by the assesse in full, whichever is earlier.

Documents required to claim deduction:

a. Proof for repayment of educational loan for the amount claimed

5.11.Interest on electric vehicle Loan. (Section 80EEB)

An individual who taken up a loan for purchase of electric vehicle from any financial institution:

- Loan sanction date is in between 1 April 2019 to 31 March 2023,

Such an individual can claim interest deduction on such loan payment up to Rs.1.5 lac.

5.12.Deductions for Rent Paid (Section 80GG)

Assesse can claim rent paid under this section up to lower of the three:

1) Rent paid minus 10% of the adjusted total income.
2) ₹5,000 per month
3) 25% of the adjusted total income

If the following conditions are complied with:

- No HRA component in salary structure
- Neither the assesse, spouse, nor minor child should not own any house in their names. Also, the assesse must not own any other place or accommodation in the occupation of the assesse

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6. COMMON / GENERAL DETAILS

6.1. Previous Employer Income

- Income period should be after 1st of April in the current financial year.
- A statement / certificate (form 12B) showing the computation of tax and the income details with breakup along with seal of previous employer.
- Only salary after section 10 alone should be taken.

6.2. Previous Employer PT

- Profession Tax deducted by Previous employer for the current financial year to be taken

6.3. Tax Deducted by Previous Employer

- Tax Deducted and remitted by Previous Employer alone should be taken for deduction
- It should be for the period 1st April to 31st March of the current financial year.

6.4. Provident Fund Taxation

	Employer Contribution	Employee Contribution
Threshold Limit for Taxability	Contribution Above 7.5 Lakh (Including PF, NPS and Superannuation)	Interest Taxability if individual employee **contribution exceeds 2.5 Lakh (This **contribution includes VPF + EPF)
Chargeable to Income under section 10 (12)		Interest portion on contribution above the threshold limit
Taxable perquisites as per Sec 17(2)(vii) of the IT Act 1961 (On Contribution)	Total Contribution (Less) 7.5 Lakh	
Taxable perquisites as per Sec 17(2)(viia) of the IT Act 1961 (On Income Earned)	[(Amount more than 7.5 Lakh for the year / 2) X Average rate of interest] + [(Aggregate value of contribution perks under 17(2) in previous years + Total Taxable perk u/s 17(2) in previous years) X Average rate of interest	

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Thank you