Filing Assets and Liabilities is mandatory for every Public Servants

Section 44 of the Lokpal and Lokayuktas Act, 2013 mandates that every public servant (as defined in the Act, which includes Ministers, Members of Parliament, Government employees, employees of statutory bodies, PSUs, etc.) shall make a declaration of his assets and liabilities as well of his spouse and dependent children in the manner as provided by or under the said Act. In exercise of the powers conferred by sub-section (1) read with clause (k) and clause (l) of sub-section (2) of section 59 of the Lokpal and Lokayuktas Act, 2013 (1 of 2014), read with section 44 and section 45 of the said Act, the Central Government has notified the Public Servants (Furnishing of Information and Annual Return of Assets and Liabilities and the Limits for Exemption of Assets in Filing Returns) Rules, 2014 in the official Gazette on 14th July, 2014, which, inter alia, contain the forms in which such information/return is required to be filed.

Subsequently, concerns and apprehensions were raised by several Ministries/Departments and other stakeholders, inter alia, about the complexity involved in furnishing the desired details in the forms prescribed under the Rules. Accordingly, the Government of India vide its order dated 28-08-2014, constituted a Committee to simplify the forms and the process in which public servants shall make declaration of assets and liabilities. The said Committee has submitted its First Report on 01-10-2014, recommending simplified formats for declaration of moveable property and for declaration of debts and other liabilities by public servants.

The Public Servants (Furnishing of Information and Annual Return of Assets and Liabilities and the Limits for Exemption of Assets in Filing Returns) Rules, 2014 have also been amended by a notification dated 8th September, 2014, by which the time limit, for furnishing of such information/return by public servants, has been extended till 31st December, 2014.

This was stated by Minister of State for Personnel, Public Grievances & Pensions Dr. Jitendra Singh in a written reply to Shri Sudheer Gupta & others in the Lok Sabha today.

Computation of Tax Liability – Frequently Asked Questions and Answers

1. Under how many heads the income of a taxpayer is classified?

Section 14 of the Income-tax Act has classified the income of a taxpayer under five different heads of income, viz.:

- **Salaries**
- **Income from house property**
- **Profits and gains of business or profession**
- **Capital gains**
- **Income from other sources**

2. What is gross total income?

Total income of a taxpayer from all the heads of income (as discussed in previous FAQ) is referred to as Gross Total Income.

3. What is the difference between gross total income and total income?

Section 80C to 80U provides certain deductions which can be claimed from Gross Total Income (GTI). After claiming these deductions from GTI, the income remaining is called as Total Income. In other words, GTI less Deductions (under section 80C to 80U) = Total Income (TI). Total income can also be understood as taxable income. Following table gives a better understanding of the difference between GTI and TI :

Computation of gross total income and Taxable Income

Particulars	Amount
Income from salary	XXXXX
Income from house property	XXXXX
Profits and gains of business or profession	XXXXX
Capital gains	XXXXX
Income from other sources	XXXXX
Gross Total Income	XXXXX
Less : Deductions under Chapter VI-A (i.e. under section 80C to 80U)	(XXXXX)
Total Income (i.e., taxable income)	XXXXX

Note : Inter source losses, inter head losses, brought forward losses, unabsorbed depreciation, etc., (if any) will have to be adjusted (as per the Income-tax Law) while computing the gross total income.

4. How to round off total income before computing tax liability?

As per section 288 A, total income computed in accordance with the provisions of the Income-tax Law, shall be rounded off to the nearest multiple of ten. Following points should be kept in mind while rounding off the total income:

First any part of rupee consisting of any paisa should be ignored.

After ignoring paisa, if such amount is not in multiples of ten, and last figure in that amount is five or more, the amount shall be increased to the next higher amount which is in multiple of ten and if the last figure is less than five, the amount shall be reduced to the next lower amount which is in multiple of ten and the amount so rounded off shall be deemed to be the total income of the taxpayer.

Illustration for better understanding

If the taxable income of Mr. Keshav is Rs. 2,52,844.99, then first paisa shall be ignored, i.e., 0.99 paisa shall be ignored) and the remaining amount of Rs. 2,52,844 shall be rounded off to Rs. 2,52,840 (since last figure is less than five). If the total income is Rs. 2,52,845 or Rs. 2,52,846.01, then it shall be rounded off to Rs. 2,52,850 (since the last figure is five or above).

5. Can I claim deduction for my personal and household expenditure while calculating my taxable income or profit?

No, you cannot claim deduction of personal expenses while computing the taxable income.

While computing income under various heads, deduction can be claimed only for those expenses which are provided under the Income-tax Act.

6.Most of my income is given away in charity and I am left with just enough money to meet my personal requirements. What will be considered as my income?

What is done after the income is earned by you will not give you tax exemption. However, contribution to approved institutions will give you the benefit of deduction from taxable income under section 80G subject to limits specified therein.

7.My daughter stays in USA. She owns a house in India and has let it out. She has asked tenants to pay rent to me. She has not received any rent. Is she still liable to tax? What if she transfers the house to me?

Rental income is charged to tax in the hands of the owner of the property. Your daughter is the owner of the house and, therefore, she is liable to pay tax, even though you receive rent. If the house is transferred to you, then you will become the owner and you will have to pay Income-tax on the rental income.

8. Is there any limit of income below which I need not pay tax?

At this moment (i.e., for the financial year 2014-15) Individual, HUF, AOP, and BOI having income below Rs. 2,50,000 need not pay any Income-tax. In respect of resident individuals of the age of 60 years and above but below 80 years, the basic exemption limit is Rs. 3,00,000 and in respect of resident individuals of 80 years and above, the limit is Rs. 5,00,000. For other categories of persons such as co-operative societies, firms, companies and local authorities, no basic exemption limit exists and, hence, they have to pay taxes on their entire income chargeable to tax.

9. How to compute the total tax liability?

After ascertaining the total income, i.e., income liable to tax, the next step is to compute the tax liability for the year. Tax liability is to be computed by applying the rates prescribed in this regard. For rates of tax, refer "Tax Rate" section. Following table will help in understanding the manner of computation of the total tax liability of the taxpayer.

Computation of total income and tax liability for the year

Particulars	Amount
Income from salary	XXXXX
Income from house property	XXXXX
Profits and gains of business or profession	XXXXX
Capital gains	XXXXX
Income from other sources	XXXXX
Gross Total Income	XXXXX
Less : Deductions under Chapter VI-A (i.e., under section 80C to 80U))	(XXXXX)
Total Income (i.e., taxable income)	XXXXX

Tax on total income to be computed at the applicable rates (for rates of tax, refer "Tax Rate" section)	**XXXXX**
Less : Rebate under section 87A (discussed in later FAQ)	**(XXXXX)**
Tax Liability After Rebate	**XXXXX**
Add: Surcharge (discussed in later FAQ)	**XXXXX**
Tax Liability After Surcharge	**XXXXX**
Add: Education cess @ 2% on tax liability after surcharge	**XXXXX**
Add: Secondary and higher education cess @ 1% on tax liability after surcharge	**XXXXX**
Tax liability before rebate under sections 86, section 89, sections 90, 90A and 91 (if any) (*)	**XXXXX**
Less : Rebate under sections 86, section 89, sections 90, 90A and 91(if any) (*)	**(XXXXX)**
Tax liability for the year before pre-paid taxes	**XXXXX**
Less: Prepaid taxes in the form of TDS, TCS and advance tax	**(XXXXX)**
Tax payable/Refundable	**XXXXX**

(*) Rebate under section 86 is available to a member of association of persons (AOP) or body of individuals (BOI) in respect of income received by such member from the AOP/BOI.

Rebate (i.e., relief) under section 89 is available to a salaried employee in respect of sum received towards arrears of salary, gratuity, etc.

Rebate under sections 90, 90A and 91 is available to a taxpayer in respect of double taxed income, i.e., income which is taxed in India as well as abroad.

Note : For provisions relating to Minimum Alternate Tax (MAT) in case of corporate taxpayers and Alternate Minimum Tax (AMT) in case of non-corporate taxpayers refer tutorial on "MAT/AMT".

10. How to round off the tax liability?

As per section 288B, tax payable by the taxpayer or tax refundable to the taxpayer shall be rounded off to the nearest multiple of ten, following points should be kept in mind while rounding off the tax :

First any part of rupee consisting of any paisa should be ignored.

After ignoring paisa, if such amount is not a multiples of ten, and the last figure in that amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last figure is less than five, the amount shall be reduced to the next lower amount which is a multiple of ten; and the amount so rounded off shall be deemed to be the tax payable by the taxpayer or refundable to the taxpayer.

Illustration for better understanding

If the tax liability or refund due to Mr. Keshav is Rs. 2,52,844.99, then first paisa shall be ignored, (i.e., 0.99 paisa shall be ignored) and the remaining amount of Rs. 2,52,844 shall be rounded off to Rs. 2,52,840 (since last figure is less than five). If the tax liability or refund due is Rs. 2,52,845 or Rs. 2,52,846.01, then it shall be rounded off to Rs. 2,52,850 (since the last figure is five or above).

11. What is rebate under section 87A and who can claim it?

An individual who is resident in India and whose total income does not exceed Rs. 5,00,000 is entitled to claim rebate under section 87A. Rebate under section 87A is available in the form of deduction from the tax liability. Rebate under section 87A will be lower of 100% of income-tax liability or Rs. 2,000. In other words, if the tax liability exceeds Rs. 2,000, rebate will be available to the extent of Rs. 2,000 only and no rebate will be available if the total income (i.e. taxable income) exceeds Rs. 5,00,000.

Illustration for better understanding

Mr. Raja (age 35 and resident in India) is a salaried employee. His taxable salary for the year 2014-15 amounted to Rs. 5,84,000. He has deposited Rs. 94,000 in public provident fund untitled for deduction under section 80C. The employer has deducted tax of Rs. 22,660 from his salary. What will be his tax liability for the year?

Particulars	Amount
Income from salary	5,84,000
Income from house property	Nil
Profits and gains of business or profession	Nil
Capital gains	Nil
Income from other sources	Nil
Gross Total Income	5,84,000
Less : Deductions under section 80C on account of investment in PPF	94,000
Total Income (i.e., taxable income)	4,90,000
Tax on taxable income to be computed by applying the applicable rates (*)	24,000
Less : Rebate under section 87A (**)	2,000
Tax Liability After Rebate	22,000
Add: Surcharge ($)	Nil
Tax Liability After Surcharge	22,000
Add: Education cess @ 2% on tax liability after surcharge	440
Add: Secondary and higher education cess @ 1% on tax liability after surcharge	220
Tax liability before rebate under sections 86, section 89, sections 90, 90A and 91 (if any)	22,660

Less : Rebate under sections 86, section 89, sections 90, 90A and 91 (if any)	**Nil**
Tax Liability for the Year Before Pre-paid Taxes	**22,660**
Less: Prepaid taxes in the form of TDS	**22,660**
Tax payable/Refundable	**Nil**

(*) The tax rates for the financial year 2014-15 applicable to an individual below the age of 60 years are as follows :
Nil upto income of Rs. 2,50,000

10% for income above Rs. 2,50,000 but upto Rs. 5,00,000

20% for income above Rs. 5,00,000 but upto Rs. 10,00,000

30% for income above Rs. 10,00,000.

Apart from above, education cess @ 2% and secondary and higher education cess @ 1% will be levied on the amount of income-tax. Applying the above normal tax rates, tax on income (before cess) will come to Rs. 24,000.

(**) Rebate under section 87A will be Rs. 2,000, being lower of following :
(a) Tax on total income, i.e., Rs. 24,000; or

(b) Rs. 2,000

($) Surcharge is levied @ 10% on the amount of income-tax where the total income of the taxpayer exceeds Rs. 1 crore. In this case, the total income is below Rs. 1 crore and, hence, no surcharge will be levied.

Illustration for better understanding

Mr. Kapoor (age 35 years and resident in India) is running a medical store. Taxable business income for the year amounted to Rs. 5,84,000. He does not have any other income. He deposited Rs. 50,000 in public provident fund. Can he claim rebate under section 87A?

Rebate under section 87A is available to an individual who is resident in India and whose total income does not exceed Rs. 5,00,000. In this case, the gross total income of Mr. Kapoor is Rs. 5,84,000 and he has deposited Rs. 50,000 in PPF and, hence, total income i.e. taxable income will come to Rs. 5,34,000 (Rs. 5,84,000 less Rs. 50,000). Rebate under section 87A is available only if the total income does not exceed Rs. 5,00,000. In this case, the total income exceeds Rs. 5,00,000 and, hence, he cannot claim rebate under section 87A.

source: incometaxindia.gov.in

Salary Income – Frequently Asked Questions and Answers

1.What is considered as salary income?

Section 17(1) of the Income-tax Act defines the term ‘salary’. However, not going into the technical definition, generally whatever is received by an employee from an employer in cash, kind or as a facility [perquisite] is considered as salary.

2.What are allowances? Are all allowances taxable?

Allowances are fixed periodic amounts, apart from salary, which are paid by an employer for the purpose of meeting some particular requirements of the employee. E.g., Tiffin allowance, transport allowance, uniform allowance, etc.

There are generally three types of allowances for the purpose of Income-tax Act – taxable allowances, fully exempted allowances and partially exempted allowances.

3. My employer reimburses to me all my expenses on grocery and children’s education. Would these be considered as my income?

Yes, these are in the nature of perquisites and should be valued as per the rules prescribed in this behalf.

4. During the year I had worked with three different employers and none of them deducted any tax from salary paid to me. If all these amounts are clubbed together, my income will exceed the basic exemption limit. Do I have to pay taxes on my own?

Yes, you will have to pay self-assessment tax and file the return of income.

5. Even if no taxes have been deducted from salary, is there any need for my employer to issue Form-16 to me?

Form-16 is a certificate of TDS. In your case it will not apply. However, your employer must issue a salary statement.

6. Is pension income taxed as salary income?

Yes. However, pension received from the United Nations Organisation is exempt.

7. Is Family pension taxed as salary income?

No, it is taxable as income from other sources.

8. If I receive my pension through a bank who will issue Form-16 or pension statement to me- the bank or my former employer?

The bank.

9. Are retirement benefits like PF and Gratuity taxable?

In the hands of a Government employee Gratuity and PF receipts on retirement are exempt from tax. In the hands of non-Government employee, gratuity is exempt subject to the limits

prescribed in this regard and PF receipts are exempt from tax, if the same are received from a recognised PF after rendering continuous service of not less than 5 years.

10. Are arrears of salary taxable?

Yes. However, the benefit of spread over of income to the years to which it relates to can be availed for lower incidence of tax. This is called as relief u/s 89 of the Income-tax Act.

11. Can my employer consider relief u/s 89 for the purposes of calculating the TDS from salary?

Yes, if you are a Government employee or an employee of a PSU or company or co-operative society or local authority or university or institution or association or body. In such a case you need to furnish Form No. 10E to your employer.

12. My income from let out house property is negative. Can I ask my employer to consider this loss against my salary income while computing the TDS on my salary?

Yes, however, losses other than losses under the head 'Income from house property' cannot be set-off while determining the TDS from salary.

13. Is leave encashment taxable as salary?

It is taxable if received while in service. Leave encashment received at the time of retirement is exempt in the hands of the Government employee. In the hands of non-Government employee leave encashment will be exempt subject to the limit prescribed in this behalf under the Income-tax Law.

14. Are receipts from life insurance policies on maturity along with bonus taxable?

As per section 10(10D), any amount received under a life insurance policy, including bonus is exempt from tax. However, following receipts would be subject to tax:

1.Any sum received under sub-section (3) of section 80DD; or

2.Any sum received under Keyman insurance policy; or

3.Any sum received in respect of policies issued on or after April 1st, 2003, in respect of which the amount of premium paid on such policy in any financial year exceeds 20% (10% in respect of policy taken on or after 1st April, 2012) of the actual capital sum assured; or
4.Any sum received for insurance on life of *specified person (issued on or after April 1st 2013) in respect of which the amount of premium exceeds 15% of the actual capital sum assured.

* Any person who is –

i) A person with disability or severe disability specified under section 80U; or

ii) suffering from disease or ailment as specified in the rule made under section 80DDB.

Following points should be noted in this regard:

Exemption is available only in respect of amount received from life insurance policy.

Exemption under section 10(10D) is unconditionally available in respect of sum received for a policy which is issued on or before March 31, 2003.

Amount received on the death of the person will continue to be exempt without any condition.

Source : Income tax India.gov.in