TAX RATE CHART & PERSONAL TAXATION

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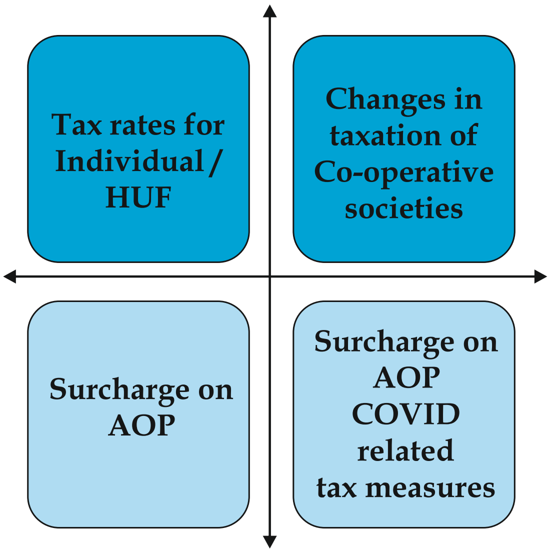
Introduction

The Union Budget 2022-23 was presented in Parliament on 1st February, 2022 and was the shortest budget speech by the Hon. Finance Minister; however impressive, impactful and futuristic by all means. There was a clear focus on infrastructure, agriculture and technology. Before unveiling the Budget 2022, numerous expectations were flowing in the minds of people from various walks of life and were pinning high hopes from the Modi Government.

The Finance Bill, 2022 as introduced on the budget day would get enacted as the Finance Act, 2022 except for changes on account of disputed matters, relief measures, certain omissions and inadvertent errors. In this article, an attempt has been made to elaborate on proposed amendments pertaining to Personal Taxation and Updated tax returns.

Personal Taxation



I. Tax Rates for Individual/HUF

Contradicting to the expectations, the Hon. Finance Minister did not tinker with the personal income tax rates in the Budget for 2022-23. Hence, no change has been proposed to the slab rates on the personal front.

Total Taxable Income	Old Regime			New Regime
	Age < 60 years	Senior Citizens	Very Senior	
Upto 2.5 L	0%	0%	0%	0%
2.5L to 3L	5%	0%	0%	5%
3L to 5L	5%	5%	0%	5%
5L to 7.5L	20%	20%	20%	10%
7.5L to 10L	20%	20%	20%	15%
10L to 12.5L	30%	30%	30%	20%
12.5L to 15L	30%	30%	30%	25%
Above 15L	30%	30%	30%	30%

Standard deduction with respect to Salary Income is kept unchanged at Rs. 50,000/-. Tax Rebate u/s 87A continues. Graded surcharge mechanism ranging from 0% to 37% remains.

However, an amendment is proposed to surcharge rates which are now capped to 15% in case of **Long-term capital gains**. This brings in parity with the surcharge rates for listed securities and dividend income. This proposal shall benefit only to those with a total income above Rs 2 crores.

II. Changes in taxation of Co-operative societies

Minimum Alternative Tax (MAT) for cooperative societies is proposed to be reduced from 18.5% to 15%.

Surcharge is also proposed to be reduced from 12% to 7% on total income of more than 1 crore upto 10 crores.

The Government has provided a level playing field between co-operative societies and the companies.

III. Surcharge on AOPs

In order to streamline taxability of Association of Persons in line with that of companies, surcharge rate on AOPs (comprising of all members as companies) is proposed to be capped at 15% as compared to progressive rates depending on the total income.

IV. Covid-19 related tax measures

a. Exemption of amount received for medical treatment related to Covid-19 for self and family

Amount received by the taxpayer on account of Covid-19 related medical treatment of self or family members is not taxable as below:

Amt received by	From	Purpose	Not taxable u/s
Taxpayer	Employer	Covid-19 medical treatment for himself or family member	17(2) - Perquisites
	Any other person		56(2)(x) – IFOS

b. Exemption of amount received on account of death due to Covid-19 by family member of the deceased person

Amount received by the family member of the deceased person shall not be taxable u/s 56(2)(x) as per the below limits:

Amt received by	From	Purpose	Exemption limit	Time period
Family member	Employer	Due to death of person related to COVID	No limit	Within 12 months from the date of death
	Any other person		Rs. 10 lakhs	

If the amount received by the family member of a deceased person is within 12 months of the date of death of the said person, then the said amount shall be exempt from gift taxation.

c. Incentives to NPS by State Govt. employees

Until Budget 2022, the limit of deduction in respect of contribution made to pension scheme by

Central Government employees – 14%

State Government employees – 10%

As per the proposed amendment, the limit of deduction in respect of contribution made to pension scheme shall be

Central Government employees – 14%

State Government employees – 14%

The above amendments given in (a), (b) & (c) are retrospectively effective from AY 2020-21.

d. <u>Deduction in respect of medical treatment of dependent person with disability</u>

At present, the deduction for contribution made to LIC or any other insurance company is available u/s 80DD for the benefit of the dependent who is suffering from disability. The deduction is available only if the scheme provides annuity or lumpsum amount after the death of such individual or the member of the HUF

Now, it is proposed to allow deduction even if the annuity or lumpsum amount is payable by the insurance company during the lifetime but upon attaining age of 60 years or more of the individual or the member of the HUF in whose name the scheme is subscribed and where payment or deposit has been discontinued. It is further proposed that amount received by the individual or member of HUF on the event of death of the dependent is not liable to tax by application of conditions specified.

Updated Tax Returns

In order to encourage voluntary compliance and reduce litigation, a new provision is proposed to be introduced for filing an updated tax return with additional tax within 3 years from end of respective financial year

Purpose of filing the updated return:

- Only for improving mistakes
- For correcting internal mistakes

Restrictions based on end result of updated return:

- It is a loss return
- It reduces tax liability determined on basis of earlier ITR filed
- It results in refund or increase in refund due on the basis of earlier ITR filed
- In the years, where proceeding for assessment or reassessment or recomputation or revision are pending or completed
- In case of search or survey
- In case where any prosecution proceeding has been initiated prior to date of filing updated ITR
- In case where an updated return has already been filed
- In case where the Assessing Officer has any information under PMLA, BMA, etc. and the same has been communicated to such person prior of filing updated return

Updated return shall be treated as defective unless such return is accompanied by the proof of payment of tax as required under Section 140B. Amount of additional tax payable alongwith updated return shall be computed as under:

Date of filing updated return	For AY 2022-23	Additional income tax payable
Within 12 months from end of relevant Assessment Year	1-4-23 to 31-3-24	25% of aggregate tax
After 12 months bur before 24 months from end of the relevant Assessment year	1-4-24 to 31-3-25	50% of aggregate tax

- Return for AY 2020-21 can also be updated since the time limit is upto 31-3-23 i.e. within the proposed limits for updated returns
- % of aggregate tax is including surcharge and cess and interest payable under updated ITR
- Tax payable shall be computed after all the claimed tax credits, advance tax, additional tax credits pertaining to additional income shown, available tax relief u/s 90 or 91 or 91A
- Interest u/s 234A, 234B & 234C already paid earlier in the return filed can be claimed under updated ITR

Conclusion

Despite the limited tax reforms, Budget 2022 adds to the government's triumphant efforts to rationalise direct tax system and provide covid-19 relief measures to benefit individual tax-payers.

It is advisable for all the taxpayers to wisely plan the Income tax returns to be filed on the original due dates considering the restrictions listed down so as to avoid the additional tax leviable in order to curb the deferment of the same bearing nominal interest charges.