

MOTILAL NEHRU COLLEGE (EVENING)

CIRCULAR

Dated: 6.9.2020

Subject: Deduction of Income Tax at source under Section 192 of Income Tax Act for the Financial Year 2020-21.

1. As per the Income Tax Act, the Income Tax is leviable annually for each financial year commencing on the 1st day of April and ending of the 31st March following. In the case of Salaries, the payment of tax is effected by deducting at source. Under Section 192 of Income Tax Act, 1961, it is the duty of any person responsible for paying any income chargeable under the head 'Salaries' to deduct the tax at the rate appropriate to the estimated salary of the year after allowing the permissible deduction.
2. As per the Sec 115BAC inserted by Finance Act, 2020, an option has been given to pay tax as per the new slab rates (optional tax regime) on the total income computed without claiming any deduction/exemptions applicable from FY 2020-21 (AY 2021-22)..
3. In Finance Act, 2020, the government has introduced a **new** income tax regime under **the Section 115BAC** that comprises a significant change in the tax slabs rates. Taxpayers have been provided with an option whether they want to pay taxes according to the new regime or if they want to continue paying taxes according to the existing regime. Under the Old regime, the tax shall be calculated considering all deductions and exemptions allowed under Income Tax Act, 1961, which were hitherto available.

The following table summarizes tax rates as per optional tax regime Vs old rates:-

New Vs Old Tax Slab Rate

Before making any conclusion we should know and compare New and old tax slab rate applicable for non-senior individual as under:-

NEW TAX SLAB RATE (NON-SENIOR CITIZENS)

Income Range	Tax Rate
Upto Rs. 2,50,000.00	NIL
Rs. 2,50,001 to Rs. 5,00,000.00	5% (Tax rebate of Rs. 12,500.00 U/s. 87A is allowed)
Rs. 5,00,001.00 to Rs.7,50,000.00	10%
Rs.7,50,0001.00 to Rs.10,00,000.00	15%
Rs. 10,00,001.00 to Rs. 12,50,000.00	20%
Rs. 12,50,000.00 to Rs. 15,00,000.00	25%
Rs. 15,00,000.00 and above	30%

OLD TAX SLAB RATE (NON-SENIOR CITIZENS)

Income Range	Tax Rate
UptoRs. 2,50,000.00	NIL
Rs.2,50,001 to Rs. 5,00,000.00	5% (Tax rebate of Rs. 12,500.00 U/s. 87A is allowed)
Rs. 5,00,001.00 to Rs. 10,00,000.00	20%
Rs.10,00,000.00 and above	30%

Note: Add Health and education cess @4% on tax amount. Surcharge as applicable.

4. Some of the salient points of new tax regime(optional) are mentioned below:
 - i. At the start of each financial year, the employees will have to submit option to choose either the existing income tax regime or new tax regime (optional).
 - ii. Option once exercised cannot be modified during the year. However, it can be modified at the start of the next financial year.

- iii. All deductions allowed under Chapter VI-A (except the deduction and Section 80CCD(2) and deductions allowed under Section 10(13A) HRA and under Section 24(interest on borrowed capital/income from House property) etc. will have to forgo.
 - iv. Various allowances/investments will not be eligible for claiming deduction/exemption.
5. It is also worthwhile to mention here that in case the Option form is not received by the due date in respect of any employee, it shall be presumed that the employee is not willing to opt for new tax regime and the Income Tax will be deducted as per the tax slab meant for existing Income Tax regime.
 6. Therefore, all Employees (Teaching and Non-teaching Staff) are requested to send their duly completed and verified option form (whichever beneficial) so as to reach the undersigned latest by **16th Sep 2020**, enabling to deduct the tax from the monthly salary as per the option exercised in proportion to the estimated salary of the year. Apart from the above, the employees are also requested to submit their details of saving and investment etc. if any, with the supporting documents in the prescribed form, who opted to continue with existing tax regime.
 7. It is also mentioned that under Section 206-AA, it is compulsory for all to furnish PAN to the deductor even though the tax payable is NIL. Such employees, who have not yet obtained PAN, should apply for it immediately and intimate the same as soon as possible. It may be noted that if an employee fails to furnish his/her PAN, the TDS will be deducted at higher rate.

The Income Tax Rebate claim form (existing regime) is available on the college web site.



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