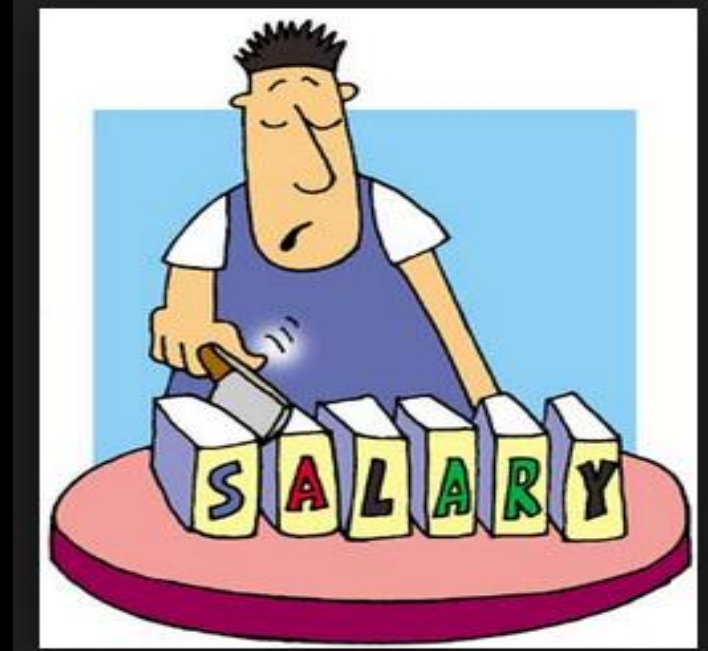


# Issues in Taxation of Salaries & ETDS Returns



CA PANKAJ KUMAR TRIVEDI

# Agenda

- Old Regime and New Regime
- Issues in Taxation of Salary Components
- Taxation of ESOPs
- Income from House Property
- General Precautions-As Employer
- Issues in Filing ETDS Returns
- Filing of Income Tax Returns-Salaried Employees



# New Vs Old Regime

- An employee Can choose rates of taxation
  - Old rates with Existing Tax benefits
  - New & Reduced rates of Taxation if Several tax benefits are foregone
- Choosing the Regime

# TAX SLABS under New Regime

Taxable Income	Tax Rate
From 0 to 2,50,000	Nil
From 2,50,001 to 5,00,000	5%
From 5,00,001 to 7,50,000	12500+10% of amount exceeding 500000
From 7,50,001 to 10,00,000	37500+15% of amount exceeding 750000
From 10,00,001 to 12,50,000	75000+20% of amount exceeding 1000000
From 12,50,001 to 15,00,000	125000+25% of amount exceeding 1250000
Above 15,00,000	187500+30% of amount exceeding 1500000

## **Deductions/Exemptions Not Available to salaried employee in New Regime**

1. Leave Travel concession
2. House rent allowance
3. Standard Deduction U/s 16(ia)
4. Professional tax U/s 16(iii)
5. Loss from Self Occupied House Property cannot be set off
6. Deductions U/s 80C, 80CCC, (Provident Fund, Life Insurance, ELSS etc) , NPS (Except through Employer which is upto 10% of Basic).
7. All Other Deductions under Chapter VI-A i.e 80D, 80DD, 80DDB, 80E etc
8. 80TTA interest on Savings Bank Account

## **Deductions that would still be available for Individuals under the New Regime:**

- Sec 10(10)- Death–cum-retirement gratuity received
- Sec 10(10A)- Commuted value of pension received
- Sec 10(10CC)- Tax paid by employer on non-monetary perquisite
- Sec 24- Interest on Home Loan on rented out properties to extent of Positive income
- Sec 80CCD(2)- Contribution of employer to pension scheme of Central Government (NPS)

# Table showing the differential tax in 2 Regimes

Gross Total Income	Deductions	Taxable Income	Tax Payable New Regime after cess	Gross Total Income	Deductions (Standard deduction, PT)	Taxable Income	Tax Payable Old Regime after cess Without Invt, Exemption	Additional tax	Exemption/ Investment required to Nullify Extra Tax	Possible areas of Exemption and Investment
5,00,000	0	5,00,000	NIL	5,00,000	52,400	4,47,600	NIL	0	0	
6,00,000	0	6,00,000	23,400	6,00,000	52,400	5,47,600	22,901	499	0	
7,50,000	0	7,50,000	39,000	7,50,000	52,400	6,97,600	54,101	-15,101	72601	Rent & PF
8,50,000	0	8,50,000	54,600	8,50,000	52,400	7,97,600	74,901	-20,301	97601	Rent & PF
9,50,000	0	9,50,000	70,200	9,50,000	52,400	8,97,600	95,701	-25,501	122601	Rent, PF and 80C
10,00,000	0	10,00,000	78,000	10,00,000	52,400	9,47,600	1,06,101	-28,101	135101	Rent, PF and 80C 25000
11,00,000	0	11,00,000	98,800	11,00,000	52,400	10,47,600	1,31,852	-33,052	105936	Rent, PF and 80C 25000
12,50,000	0	12,50,000	1,30,000	12,50,000	52,400	11,97,600	1,78,652	-48,652	155936	Rent, PF and 80C
13,50,000	0	13,50,000	1,56,000	13,50,000	52,400	12,97,600	2,09,852	-53,852	172603	Rent, PF and 80C
15,00,000	0	15,00,000	1,95,000	15,00,000	52,400	14,47,600	2,56,652	-61,652	197603	Rent, PF and 80C
20,00,000	0	20,00,000	3,51,000	20,00,000	52,400	19,47,600	4,12,652	-61,652	197603	Rent, PF and 80C
30,00,000	0	30,00,000	6,63,000	30,00,000	52,400	29,47,600	7,24,652	-61,652	197603	Rent, PF and 80C
40,00,000	0	40,00,000	9,75,000	40,00,000	52,400	39,47,600	10,36,652	-61,652	197603	Rent, PF and 80C
50,00,000	0	50,00,000	12,87,000	50,00,000	52,400	49,47,600	13,48,652	-61,652	197603	Rent, PF and 80C
51,95,000	0	51,95,000	14,89,800	51,95,000	52,400	51,42,600	15,13,304	-23,504	75333	Due to Marginal Relief
60,00,000	0	60,00,000	17,58,900	60,00,000	52,400	59,47,600	18,26,717	-67,817	197602	Rent, PF and 80C

# Which is Better ?

- Standard Deduction and Professional Tax is automatic.
- Many of us stay either in Rented House or in our Own house where EMI's are paid.
- PF is mandatory.
- Principal repayment of Housing Loan, Tuition fees, Life Insurance + PF will cover 1.50 lakhs
- 80D of Up to Rs 50000 is generally availed of.
- LTA claim is generally availed of.
- Interest on SB account is there in every case.
- Investments are made not only for Tax Savings but also for Financial safety of self and family.

Finally

If we can get Tax benefit on Rs.2,50,000 including Standard Deduction, Professional Tax, Interest on Housing Loan /House Rent, Investments etc. we can continue in Old Regime.

Structure Once selected has to be followed with Employer for rest of the year.





# ISSUES IN TAXATION OF PAY COMPONENTS-HRA



- PAN Number of Landlord
- Rent Paid for the House which is not in the city of Employment
- TDS U/s 194IB- House Rent exceeds Rs 50000 per month @ 5% of Month in March
- Payment of Rent to Non Residents
- Withdrawals in Bank account
- Tax benefit against HRA during work from home policy

# ISSUES IN TAXATION OF PAY COMPONENTS-MISC

- Notice Period Buy out
- Recoveries in Joining Bonus & Referral Bonus
- Leave Encashment & Gratuity
- Gifts
- Medical BILLS
- Facilities during Covid Provided by Employer-  
Treatment/Facilities

# Taxation of ESOPs

- Can be RSUs or under ESPP
- Taxable as perquisite at the time of Vesting
- Taxable as capital Gains-STCG or LTCG at time of sale
- Declaration of Figures in ITR-Schedule FA
- Dividends and Interest earned on Stock Units
- Form 67A



# Income from House Property



Only Loss that can be adjusted by Employer

- Pre EMI Interest
- Construction of Property to be Completed in year of claim
- Joint Loans
- Maximum Loss that can be allowed is 200000
- B/f Loss as per last year Submission

# General Precautions as Employer

- 80DDB vs 80DD/80U
- PAN Number or PAN Card
- Previous employment income - Deductions and TDS adjustment
- Tax on Non Monetary Perquisite



# Issues in ETDS Returns



- Rounding off of Income and TDS
- Matching of Data for Part A with Part B
- House Property Loss to be shown as negative Figure
- PAN Number of the Landlord & PAN number of the financial Institution from where Loan is taken
- 80D is still an Issue where the amount is greater than 50000
- Preferable to also give amounts in First 3 quarters where TDS not done

# Issues in ETDS Returns



- Regime chosen only to be given in q4
- Format of DD/MM/YYYY to be carefully checked
- Date of Payment to match with date of TDS
- NPS Employer contribution to be part of Gross salary and separate deduction shown
- Tax paid by Employer to be put as Perquisite only or else claiming deduction will be problem in Return
- Tax, Rebate, Surcharge, Cess to be provided separately

# Filing of Returns

- Collection of Data for filing returns.
- 26AS/AIS/TIS. Items not being captured in AIS/TIS as of now
- E Verification
- Pending Demands
- New Regime –Filing of returns beyond due date
- Income from Minor Children
- Compliance Notices -2021 & 2022





Questions can be emailed to

[pankaj.trivedi@trivbang.com](mailto:pankaj.trivedi@trivbang.com)

9246509697