

MOST IMMEDIATE

No. A/40303/IT/2015-16/CAO/A-2(B)

MINISTRY OF DEFENCE
[Office of the JS(T) & CAO]

Sub : **DEDUCTION OF INCOME-TAX AT SOURCE FOR THE FINANCIAL YEAR 2015-2016**

1. As per the Govt. orders, the recovery of tax, as due, from the Pay and Allowances of the employees is required to be ensured by the respective DDOs. As required under Income-Tax Act, the deduction of tax every month on proportionate basis is being made by the Admin sections for the current financial year 2015-16 in majority of cases. Further recoveries if any are to be regulated in respect of each employee in the ensuing months i.e. in Pay bills for the months of Nov 2015 to Feb 2016.

2. According to the Finance Act. 2015, Income Tax is required to be deducted from income for the financial year 2015-16 (Assessment Year 2016-17) at the following rates:-

(a) **For individual Assesseees below the age of 60 years :-**

(i)	Income upto Rs. 2,50,000	-	NIL.
(ii)	Rs. 2,50,001 to 5,00,000	-	10% of the amount by which the total income exceeds Rs.2,50,000/-.
(iii)	Rs. 5,00,001 to 10,00,000	-	Rs. 25,000/- plus 20% of the amount by which the total income exceeds Rs. 5,00,000/-.
(iv)	Income above Rs. 10,00,000	-	Rs. 1,25,000/- plus 30% of the amount by which the total income exceeds Rs. 10,00,000/-.

(b) **For individual Assesseees above 60 years or more but less than 80 years :-**

(i)	Income upto Rs. 3,00,000	-	NIL.
(ii)	Rs. 3,00,001 to 5,00,000	-	10% of the amount by which the total income exceeds Rs.3, 00,000/-.
(iii)	Rs. 5,00,001 to 10,00,000	-	Rs. 20,000/- plus 20% of the amount by which the total income exceeds Rs. 5,00,000/-.
(iv)	Income above Rs. 10,00,000	-	Rs. 1,20,000/- plus 30% of the amount by which the total income exceeds Rs. 10,00,000/-.

Contd.. P.2/-

3. **Surcharge/Education Cess on income Tax:-**

- (a) Surcharge - Nil (12% of IT only in case of income above 1 Crore)
- (b) Education Cess - 2% of IT
- (c) Secondary and Higher Education Cess - 1% of IT

4. **Exemption on HRA (u/s 10)**

Under Sec 10 the quantum of exemption allowable on account of HRA to meet expenditure on payment of rent shall be subject to the following conditions:-

- (a) the actual amount of HRA received during 2015-16 or
- (b) rent paid in excess of 10% of salary during 2015-16 or
- (c) 50% of salary, if rented accommodation in Metro cities, for other places 40% of salary.

Here "Salary" includes Dearness Allowances and no other allowances.

It may be noted that only the expenditure actually incurred on payment of rent is admissible in respect of residential accommodation occupied by the assessee subject to the above limit. HRA granted to an employee who is residing in a house owned by him/her or in a house for which he/she does not pay rent, is not exempt from Income-tax under any circumstances. For the purpose of getting rebate on HRA, the employees drawing more than Rs.3,000/- per month as HRA should produce rent receipts for verification. Employees paying rent upto Rs. 3,000/- per month will be exempted from production of rent receipt. However, they will be required to furnish a declaration alongwith the Income Tax Statement for the purpose of claiming rebate on HRA as per **Annexure-I**. Further, if annual rent paid by an employee exceeds Rs.1 Lakh per annum, it is mandatory for the employee to report PAN of the Landlord to the employer. In case the landlord does not have a PAN, a declaration to the effect from the landlord alongwith the name and address of the landlord should be filed by the employee.

5. **New provisions under Finance Act 2015.**

The following amendments have been made to the existing provisions effective from Assessment Year 2016-17:-

Deduction U/Sec 80C

- (i) The investments made in the Sukanya Samriddhi Account Scheme will be eligible for deduction under section 80C of the Act.
- (ii) The withdrawal from the said scheme in accordance with the rules of the said scheme will be exempt from tax.

Deduction U/Sec 80D – Maximum deductions under Section 80D relating to medical expenditure incurred on the health of the assessee or any member of his family, shall be Rs.30,000/-.

Deduction U/Sec 80DD and 80U : Maximum limit u/s 80DD and 80U relating to expenditure for the medical treatment, training and rehabilitation of a dependant, being a person with disability and insurance for maintenance of person with disability will be as under :-

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|-----------------------|---|---------------|
| (a) Normal Disability | : | Rs.75,000/- |
| (b) Severe Disability | : | Rs.1,25,000/- |

Deduction U/Sec 80CCC : Under amended provisions, deduction is available upto maximum of Rs.1.5 lakh u/s 80CCC, within the overall limit provided in section 80CCE.

Addl Deduction u/s 80CCD : Sub Section 1(A) has been omitted and inserted a new sub section 1(B). In addition to the enhancement of the limit u/s 80CCD(1), an additional deduction up to Rs.50,000/- towards contribution made by any individual assessee under the Pension System notified or as may be notified by the Central Government.

6. **Income/Loss from house property:-**

Self occupied residential house:- In case an assessee has only one house in the occupation for his own residence and is actually not let out during any part of the previous year and no other benefit is derived by the owner, the annual value of such a house shall be taken to be NIL. However, annual value of other houses shall be calculated as if these were let out.

*Setting off any loss on account of interest on borrowed capital invested in the acquisition or construction of a self occupied residential house (u/s24).
Annexure-II*

- (a) Loan taken for repair or renewal or reconstruction of house at any time - Rs. 30,000/- (maximum)
- (b) Loan taken before 1.4.1999 for Acquisition or construction of house. - Rs. 30,000/- (maximum)
- (c) Higher deduction allowable - Maximum limit of Rs.2 lakh allowable subject to the following conditions:-
 - (i) Loan has been taken on or after 1/4/99
 - (ii) Construction or acquisition of the residential unit out of such loan has been completed within **three** years from the end of the financial year in which the capital was borrowed (not from the date of borrowing capital).

(d) Higher deduction is not allowable in respect of interest on capital borrowed for the purposes of repairs or renovation of an existing residential house.

(e) To claim the higher deduction in respect of interest upto Rs. 2 lakh, the employee should furnish a certificate from the person to whom any interest is payable on the capital borrowed specifying the amount of interest payable by such employee for the purpose of construction or acquisition of the residential house.

Computation of income from let out house property: The net chargeable income from the let out property shall be computed in the following manner:-

(a) Annual value (reasonable rent for the property or the annual municipal rental value or actual rent received or receivable, which ever is the highest)	Rs.
(b) Less: Municipal taxes (Property tax, fire tax water and sewage tax etc.)	Rs.
(c) Net annual Value (a-b)	Rs.
(d) Repairs and collection charges 30% of Net Annual Value (c)	Rs.
(e) Interest/acquired interest on borrowed capital	Rs.
(f) Net chargeable income from the house property [c-(d+e)]	Rs.

If "(f)" is a minus figure, the loss can be set off against income from salary.

Self occupied residential property which cannot be occupied for some reason: Where the owner has only one residential house which cannot be occupied by him owing to his employment, business or profession, carried on at any other place, and he has to reside at that other place in a building not belonging to him, the annual value of such a house shall be taken to be nil provided that the house is not actually let out and no other benefit therefrom is derived by the owner, ignoring the fact of self occupation of such property for any part of the year. However, annual value of other such houses (other than the one specified), shall be calculated as if these were let-out.

7. Submission of annual income tax statement:

All officials whose income exceeds Rs.2,50,000/- during the financial year 2015-16 are required to submit income tax statement as per Proforma enclosed as **Appendices – 'A' & 'B'**, to their respective Admin sections latest by 31 Aug 2015 positively along with connected documents failing which the tax will be calculated by this office and recovery of tax will be made from Regular Pay Bills of Nov 2015 to Feb 2016.

