

## Budget 2017 - Income Tax

### What are the changes made?

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- The income tax for earning between Rs.2.5 lakh and Rs.5 lakh a year is reduced from the rate of 10% to 5%.

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- All the other categories of tax payers in the subsequent slabs will also get a **uniform benefit of Rs.12,500** per person.

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- The existing **rebate** for those earning Rs.5 lakh or less will now be reduced to Rs.2,500 and it is available only to those earning an income of up to Rs.3.5 lakh.

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- A surcharge of 10% is levied on tax payable for those with annual taxable income between Rs.50 lakh and Rs.1 crore.

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- The existing surcharge of 15% of tax on people earning more than Rs.1 crore will continue.

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### How all tax payers benefit of up to Rs 12,500?

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- People who earn below Rs.2.5 lakh do not pay any income tax.

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- People who earn above Rs. 2.5 lakh pay IT, only for the amount exceeding Rs. 2.5 lakh. e.g If a person earns 5 lakh per annum, he pays tax for 2.5 lakh only. The initial 2.5 lakh is outside the ambit of tax.

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\n	Yearly Income	Taxable Amount	Tax rate	Tax amount
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2016	10,00,000	7,50,000	10% for 2,50,000 & 20% for remaining 5,00,000	1,25,000
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2016	20,00,000	17,50,000	10% for 2,50,000 & 20% for 7,50,000 & 30% for remaining 10,00,000	4,25,000
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2017	10,00,000	7,50,000	5% for 2,50,000 & 20% for remaining 5,00,000	1,12,500
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\n	\n	\n	\n	\n
2017	20,00,000	17,50,000	5% for 2,50,000 & 20% for 7,50,000 & 30% for remaining 10,00,000	4,12,500
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Hence Rs.12,500 saved for other slabs too.

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## What is a rebate?

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For people with total income less than 5lakh rupees/annum, **section 87A of Income-tax Act**, provide for a rebate of an amount equal to 100% of such income-tax or an amount of Rs. 5000, whichever is less. e.g If one pays an IT of

Rs.7500, Rs. 5000 will be given back, making the tax amount only to Rs.2500.

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### What is the change made in Budget 2017?

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The existing rebate amount is reduced from Rs.5000 to Rs.2,500 and it is available only to those earning an income of up to Rs.3.5 lakh and not for those earning upto Rs.5 lakh.

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\n	Yearly Income	Taxable Amount	Tax rate	Rebate amount	Net Tax = Tax amount - Rebate
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2016	3,00,000	50,000	10% i.e 5,000	5000	0
2016	5,00,000	2,50,000	10% i.e 25,000	5000	20,000
2017	3,00,000	50,000	5% i.e 2500	2500	0
2017	5,00,000	2,50,000	5% i.e 12,500	0	12,500
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