INCOME TAX RATES FOR THE FINANCIAL YEAR 2019-20.

Tax Planning helps you to smartly invest in savings instruments, thereby offering combined benefits of investment growth as well as reduction in the amount of taxes paid to the Government.

With the financial year 2019-20 approaching its end, you can see the rush amongst individuals in planning their finances and knowing about the income tax slabs using tax calculators. A meagre mistake people make is to look for ways to minimize liability for a financial year at its end. Planning at the right time and checking your tax bracket is imperative as it can help you add more money to your savings. With effective planning using online tax calculators, you can cut down the amount payable as per the income tax slabs. Leaving the critical decisions until the last minute may make your income fall into a higher tax bracket.

Before continuing to talk about the income tax slabs for 2019 – 20, let's start from the fundamentals related to tax planning.

Latest Income Tax Slabs and Rates for Financial Year 2019-20

Here are the summarized income tax brackets for 2019-20 for taxpayers in India:

1. Zero tax liability for individuals with income in the tax bracket of less than 2.5 lakh rupees

2. Up to 5% tax for income falling into the tax bracket of 2.5 to 5 lakh rupees based on their specific age groups

3. 20% tax for income in the tax bracket of 5 to 10 lakh rupees

4. 30% tax for individuals with income above 10 lakh rupees

Understanding more about your tax liability is not a tough task if you know how to use tax calculators. You can even ask for help from professionals to check your income tax liability.

Let's dig deeper to know about the new income tax slabs for 2019-20 part by part –

Part 1:

Income Tax Slabs for Individual Taxpayers Who Are Less Than 60 Years Old

Income Tax Slabs	Tax Rates

Up to ₹2,50,000	Nil
Within the tax bracket of ₹2,50,001 to ₹5,00,000	5% of total income exceeding ₹2,50,000
Within the tax bracket of ₹5,00,001 to ₹10,00,000	₹12,500 + 20% of total income exceeding ₹5,00,000
Above ₹10,00,000	₹1,12,500 + 30% of total income exceeding ₹10,00,000

Part 2:
Income Tax Slabs for Senior Citizens Aged Between 60 to 80 Years

Income Tax Slabs	**Tax Rates**
Up to ₹3,00,000	Nil
Within the tax bracket of ₹3,00,000 to ₹5,00,000	5%
Within the tax bracket of ₹5,00,001 to ₹10,00,000	₹10,000 + 20% of total income exceeding ₹5,00,000
Above ₹10,00,000	₹1,10,000 + 30% of total income exceeding ₹10,00,000

Part 3:
Income Tax Slabs for Super Senior Citizens Who Are 80 Years of Age or Above:

Income Tax Slabs	Tax Rates
Up to ₹5,00,000	Nil
Within the tax bracket of ₹5,00,000 to ₹10,00,000	20%
Above ₹10,00,000	₹1,00,000 + 30% of total income exceeding Rs. 1000000.

Some other points related to above tax slabs you must know:

1. The rates of the income tax slabs mentioned above do not contain surcharge and cess. While computing the taxable income using tax calculators, both are considered additionally.

a. If the income ranges in the tax bracket of 50 lakhs to 1 crore rupees, the surcharge is 20%.
b. For income falling into the tax bracket of 1 crore to 2 crore rupees, there is a 15% surcharge.
c. 25% surcharge is applicable if the income lies in the tax bracket of 2 crore rupees to 5 crore rupees.

d. 37% surcharge is applicable if the net income exceeds 5 crore rupees.
e. 4% health and education cess apply to the income tax and surcharge.
2. The income tax slabs and rates are the same for both men and women.

3. If your income lies in the tax bracket of up to 5 lakh rupees, you are eligible for a full tax rebate under Section 87A of the Income Tax Act 1961.

Income Tax Slabs Rate for a Co-operative Society for FY 2019-20

Taxable Income	Tax Rate
Max. INR 10,000	10%

Within the tax Bracket of INR 10,000 to INR 20,000	20%
Above INR 20,000	30%

1. The income tax slabs increase by a surcharge, which equals 12% of the tax in case the total income exceeds 1 crore rupees.

2. 4% of income tax and the surcharge is further added as health and education cess.

Income Tax Slabs Rate for a Partnership Firm for FY 2019-20

1. A partnership firm, including an LLP, is taxable at the rate of 30%.

2. The additional surcharge equals 12% of the income tax if the net income exceeds the tax bracket of 1 crore rupees.

3. Health and education cess equals 4% of the income tax plus surcharge.

To help you better understand various income tax slabs for the Assessment Year 2020-21, let's consider an example –

Suresh is a salaried individual and earns a total income of 5.5 lakhs rupees in the FY 2019-20. On the other hand, Yashi's annual salary is 10 lakh rupees.

As per tax calculator, the following table shows the tax liabilities of both Suresh and Yashi as per their Income Tax Slabs –

In INR	**Suresh**	**Yashi**
Total salary in a year	5,50,000	10,00,000
Rebate: Standard Deduction	50,000	50,000
Rebate: Under Section 80C	80,000	1,50,000

Rebate: HRA deduction	95,000	95,000
Gross Taxable Income	2,75,000	7,05,000
Income Tax Calculation		
Up to INR 2.5 Lakhs	0	0
Within the tax bracket of INR 2.5 Lakhs to INR 5 Lakhs (5%)	1,250	12,500
Within the tax bracket of INR 5 Lakhs to INR 10 Lakhs (20%)	0	41,000
Above INR 10 Lakhs (30%)	0	0
Total Income Tax Liability	1,250	53,500
Tax rebate under Section 87A*	1,250	0
Additional Cess @ 4%	0	2,140
Payable Income Tax	0	55,640

*Total income is below five lakh rupees per annum, you are eligible for a full tax rebate under Section 87A of the Income Tax Act, 1961.

What Do Income Tax Slabs Mean?

As an individual, you work hard to grow your income with time. Whether you are a salaried individual or a businessman in India, you must pay income tax to the government based on the total income earned in a specific financial year. You can use an online tax calculator for computation or hire a professional as paying the taxes as per your tax bracket is a legal liability.

Based on their annual income, all Indian citizens are categorized within a system of income tax slabs or tax brackets associated with several categories.

Income tax slabs are the correlation between the tax to be paid and your annual income. They are commonly known as tax rates or tax brackets, which keep on increasing as your income grows and falls into higher income tax slabs.

Furthermore, income tax slabs may change every year. As per the Union Budget 2019 announcement, there have been no changes in the income tax slabs for the financial year 2019-20. In terms of age, Indian taxpayers fall into three categories:

1. Indian residents as well as non-residents below 60 years

2. Resident senior citizens between 60 to 80 years

3. Resident super senior citizens above the age of 80 years

How to Save Income Tax for the FY 2019-20

It is crucial to know about the income tax slabs for the FY 2019-20. It not only tells you about the tax bracket your annual income falls into but also prepares you for various tax-saving investments. You can use these details to determine your tax liability with the help of online tax calculators. Depending on the income tax slabs for the assessment year 2020 – 21, you can increase your savings. You can get the benefits of tax-saving investments provided you plan for them at the beginning of the financial year. Many taxpayers procrastinate till the last month of the year, which often results in failing to save taxes. Investing in tax-saving instruments and using a tax calculator timely makes your total annual income fall into lower income tax slabs. Also, your tax-savings can help you achieve long-term goals in life.

With proper planning, your income tax slabs for the assessment year 2020-21 get subtracted from Gross Total Income. It implies you need to pay the income tax on the remaining income. For more details, you can hire professionals who are experienced in this field and use efficient tax calculators.

Here are some of the most effective ways to save income tax and make your earnings fall into a lower tax bracket:

1. Buy Life Insurance

It is a must to have life insurance for providing financial security for your family members. In terms of income tax benefits, the premium you pay on your life insurance policy is eligible for deduction from your taxable income under Section 80C of the Income Tax Act 1961. Furthermore, you can include critical illness add-on to your life insurance policy to get additional tax benefits under Section 80D. You can use insurance tax calculators to dig deeper into this aspect.
With proper planning, your income tax slabs for the assessment year 2020-21 get subtracted from Gross Total Income.

It implies you need to pay the income tax on the remaining income. For more details, you can hire professionals who are experienced in this field and use efficient tax calculators.

If your total earnings fall into higher income tax slabs, a life insurance policy can help in reducing your tax liability. Also, it is easy to know about the premium using online premium calculators.

More About Investment Options Under Section 80C

Section 80C of the Income Tax Act, 1961, can help you save taxes on various investments and expenses. Under this section, you can claim up to a limit of INR 1.5 Lakh in a financial year. It will help if you use a tax calculator wisely to maximize your benefits under all these investment options.

Investment Options	**Rate of Returns (approx.)**	**Liquidity**	**Eligibility**	**Investment Limit**	**In**
Fixed Deposit in Bank	6-7%	5 years	Indian residents	NR 1,000 to INR 1.5 Lakh	Int tax
PPF	7-8%	15 years	Indian residents; non-HUF	INR 500 to INR 1.5 Lakh	Int
NPS	12-14%	Till retirement	Indian residents aged between 18 to 60	No Limit	Th co

EPF	8%	2 Months after leaving the job	Basic salary higher than 15K/month	Minimum 12% of Basic Pay + D.A.	Th tax aft
ELSS	15-18%	3 years	Indian residents	No Upper limit	Up car

Note: Rate of Return is assumed

Buy Health Insurance

Health insurance safeguards you and your family members from the unexpected financial burden that may arise in case of medical emergencies. Under Section 80D, the premium you pay in any mode other than cash to cover yourself, spouse and dependent is eligible for a deduction for INR 25,000 maximum and deduction of Rs 50,000 for senior citizens. It can help prevent your total income from falling into a higher tax bracket.

In addition to the above, one can claim a deduction of Rs. 25,000 if you buy health insurance policies for your parents and Rs. 50,000 if they are above the age of 60 years.

You can claim the deduction in the final taxable income calculated as per your income tax slabs. Furthermore, you can know more about your tax liability using an online tax calculator.

3. Submit Rent Receipts

If you live in a rented home and get HRA from your employer, you can get a deduction under Section 10(13A) of the Income Tax Act. Using a tax calculator, you need to determine the maximum rent you can save under this section. The exemption from your taxable income will be based on the following factors:

1. HRA received from the employer

2. Home rent paid

3. 50% of your salary (i.e. Basic + DA) if you live in a metropolitan city; 40% of the salary (i.e. Basic + DA) in case you are a resident of a non-metro city

4. Give Charitable Donation

The donation you give to the relief funds and charitable societies is eligible for deduction as per Section 80G of the Income Tax Act. As per your preferences, you can use a reliable tax calculator to find out how much money you can donate and make your income fall into a lower tax bracket.

5. Consider Higher Education Loan for Your Child

If you borrow an education loan to pay for your child's higher education, you can claim a deduction in your taxable income under Section 80E as per your tax bracket. You can avail this benefit for a maximum of 8 years or till the time you pay the interest on the loan, whichever is earlier.
You can determine the maximum amount you can save this way using an online tax calculator.

6. Finance a New Home Through a Home Loan

If you have bought a new home and borrowed a home loan to pay for it, you can claim a deduction of up to INR 2 Lakhs on the loan interest paid during the financial year. To get this income tax benefit, you must reside in the home you have bought. Also, you can take advantage of a tax calculator to find out more about your tax-saving capability.

Frequently Asked Questions About Income Tax Slabs in India

1. Who Must Pay the Income Tax?

Every Indian citizen must pay their taxes as per the income tax slabs into which their total annual income falls. It is our responsibility to pay the income tax, which serves as an essential source of revenue for the government to lead to further development. You must be aware of your income tax brackets.

Also, Hindu Undivided Families (HUFs), Association of Persons (AOPs), firms, LLPs, companies and local authorities are liable to pay the income tax as per the tax brackets of their total income.

2. How Does Government Collect Income Tax?

1. Voluntary payment made by taxpayers into designated banks as per their tax brackets

2. Tax Deducted at Source (TDS) from an individual's income source

3. Tax collected at Source (TCS)

3. What is a Tax Deduction?

Tax deduction refers to the claim you can make to reduce your taxable income and save taxes. Depending on various investments and expenses incurred during a specific financial year, you can avail deductions and make your income lie into a lower tax bracket.

The total tax deduction you can claim depends on various sections of the Income Tax Act and your income tax slab.

4. As per Income Tax Law, What Does Income Constitute?

Many people in India think that income refers to the money they earn. However, as per the Income Tax Law, the term 'income' has a broad meaning.

1. For Salaried Individuals – The money you receive from your employer in cash or any other mode of payment is considered your income.
2. For Businessmen – Your total income constitutes your net profit. It also includes the capital inflow you earn in the form of investment interest, commission and similar other sources.

5. How Does Taxable Income Differ from Exempted Income?

As per law, you can get tax benefits in the form of deductions to your total earnings in a financial year. So, your exempted income is the one over which you need not to pay any tax.

On the other hand, taxable income forms the remaining part of your total earnings that excludes the exempted income. You need to pay the taxes depending on the tax liability calculated as per the Income tax slabs.

6. What are the Different Allowances in Salary Income?

Allowances form the part of the total salary of an individual and are given to meet some specific requirements of the employees. For instance, HRA or House Rent Allowance is the salary component that also helps in reducing the tax liability.

In general, allowances are of three types – fully exempted, partially exempted, and taxable.

7. Is Agriculture Considered an Income Source?

If you are a farmer and have agriculture as your only earning source, your income is non-taxable and does not fall into any of the income tax slabs. But if your total income also includes a part that comes from non-agricultural sources, then your agriculture income will also be considered to determine your income tax bracket.

For more details in this aspect, check out Section 2(IA) of the Income Tax Act.

8. Is It Necessary to Maintain All Records or Proof of Income?

While paying the taxes and filing the ITR (Income tax Return) as per income tax slabs, you must maintain all proofs of your income from several sources. In case you fail to do so, you need some reasonable records that can support your income declaration and the tax brackets it falls into.

9. What is Gross Total Income?

As per Section 14 of the Income Tax Act, there are five heads that define the income of an Indian taxpayer–

1. Salary

2. Income from house property

3. Profits and gains from business

4. Capital Gains

5. Income from other sources

The sum of income from all these heads is known as Gross Total Income.

10. Can I Claim Tax Benefits for My Personal Expenditure?

No taxpayer can claim deductions for his household expenses. They can only claim tax deductions as defined in different sections of the Income Tax Act. Depending on the tax brackets of their annual income, they are liable to pay the taxes.

11. What will be the taxable income if I donate a significant part of my net income to charities?

Irrespective of the income tax slabs, what you do with what you earn does not give tax exemption or lower down your tax bracket. Your contribution to the non-profit organizations will provide you with the benefits only as per Section 80G.

12. What are the tax benefits under Section 87A for FY 2019-20?

As an Indian resident, you can claim tax rebate under Section 87A if your income lies in the tax bracket of up to 5 lakh rupees. Specifically, the deduction under this section will be 100% of income tax liability or INR 12,500, whichever is lower.

Also, only individual taxpayers can get this benefit. Partnership firms cannot ask for tax benefits under this section, irrespective of their income tax slabs.

13. Do I Get Any Benefit of Filing ITR on Time?

The Indian government utilizes income tax for the development of the nation. So, paying tax on time as per the income tax slabs is your contribution to the country's overall development.

The ITRs you file as per your income tax bracket support your creditworthiness, which makes you eligible to get bank loans to achieve your life goals.

14. Is it Mandatory to Hire a Tax Professional for filing ITR?

There is no need to hire a tax professional to file an ITR provided you have enough knowledge about different sections of the Income Tax Act, tax brackets and other related laws. You can even file ITR online to save your time and efforts. You can also use an online tax calculator to know about various benefits.

15. What Will Happen if I Pay Tax in Excess?

Incorrect tax calculation may lead you to pay more tax than what you should. If you pay more than the tax bracket of your income, you will get the excess amount refunded along with interest.

16. For How Long Do I Need to Keep the Copy of ITRs?

The legal proceedings related to the ITA can come up around 8 years after filing the ITR, which varies from one case to another. So, you must keep records of the ITRs for this period, at least. In some cases, legal action may arise even after 8 years. Therefore, you are advised to keep these documents if you can.

With the introduction of e-filing facility, maintaining the records of ITRs is quite simple and easy.

17. What is the Process of Filing an ITR?

You can go to www.tin-nsdl.com to pay income tax online. You will need Form 16 – Part A and B to complete the process in addition to verification documents.