

CNK & Associates LLP

News Flash

The CBDT has issued clarification in respect of deduction of TDS by the employer from salaries paid to employees opting for the new scheme under section 115BAC

The Central Board of Direct Taxes (CBDT) by circular dated 13 April, 2020 has clarified that employees may intimate their employer their intention to opt for the concessional rate under section 115BAC of the Income-tax Act, 1961 (the Act). The employers, on receipt of such intimation, should withhold the tax from salary payments at the rates prescribed under the new scheme.

The provisions of the circular are enumerated below

Particulars	Employee not having income from 'profits and gains of business or profession'	Employee having income from 'profits and gains of business or profession'
Intimation by employee to employer	Employee intending to opt for the concessional rate under the new scheme in section 115BAC of the Act may intimate the employer of such intention. On receipt of such intimation, the employer shall compute his total income and deduct tax at source in accordance with the new scheme. If such intimation is not made by the employee, the employer shall continue to deduct TDS without considering the rates as prescribed under the new scheme.	
Modification to the option	Once the option for new scheme is intimated to the employer, the same cannot be modified during the year for the purposes of TDS. However, such option intimated to the employer for a year pursuant to which the employer has deducted TDS can be changed by the employee at the time of filing tax return for that year	Once the option for new scheme is intimated to the employer, the same cannot be modified during the year for the purposes of TDS. However, such option intimated to the employer for the first year pursuant to which the employer has deducted TDS can be changed by the employee at the time of filing tax return for that year. However, once the new scheme is opted by the employee, the same can be withdrawn only once subsequent to the year in which the option is exercised and thereafter the employee shall never be eligible to opt for this scheme unless the employee ceases to have any income from business and profession.
Frequency of intimation	Employee intending to opt for the new scheme must intimate this to the employer every year.	So long as the employee continues to opt for the new scheme in subsequent years, the intimation by the employee to the employer must not deviate from the one exercised in earlier year.

An employee opting for the new scheme will have to forego certain exemptions / deductions mentioned in section 115BAC, such as:

1. Certain exemptions under section 10 such as Leave Travel Concession, House Rent Allowance
2. Standard Deduction, Professional tax
3. Interest on housing loan
4. Deductions under Chapter VIA such as section 80C such as LIC premium, principal repayment of home loan, section 80D (Mediclaime), section 80G (donation), etc.

CNK Comments:

This is a welcome clarification by the CBDT to address the concerns raised by tax experts and Chartered Accountants. By providing early clarification on this matter, employers (deductor) have got enough time to compute appropriate withholding tax/TDS on the salary payment under section 192 of the Act.

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This e-publication is published by CNK & Associates, LLP, Chartered Accountants, India, solely for the purposes of providing necessary information to employees, clients and other business associates. This publication summarises the CBDT's clarification for the purpose of deducting TDS by the employer as per the new scheme (Section 115BAC). Whilst every care has been taken in the preparation of this publication, it may contain inadvertent errors for which we shall not be held responsible.

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