

TDS threshold raised to Rs 40,000 from Rs 10,000

This is only a rise in TDS ceiling, not in tax exemption limit on interest incomes.

The TDS (tax deducted at source) threshold for bank and post office deposits has been raised from Rs 10,000 to Rs 40,000, according to the Interim Budget proposals for 2019-20.

This means that your bank and post office will no longer deduct any tax if the interest income from your deposits is up to Rs 40,000, as opposed to Rs 10,000 earlier. This does not imply a rise in the tax exemption limit on interest income of more than Rs 10,000 on bank and post office deposits. So, you will continue to pay any tax due on your aggregate income, after adding the interest income of more than Rs 10,000 to your basic income.

“This is a convenience, rather than a tax benefit. Now, small depositors will not have to go through the hassle of depositing Form 15G and later claim the amount as refund while filing tax returns,” says Priya Sunder, Director, PeakAlpha Investment Services.

Earlier, if you were a resident individual below 60 years and your total income did not fall within the taxable limit, but the interest income was more than Rs 10,000, you had to deposit Form 15G with the bank at the start of the financial year, to stop it from deducting tax at source. If you did not do so, you would have to claim tax refund while filing your tax returns. Now, you don't need to deposit Form 15G if your interest income is up to Rs 40,000.

This move is likely to benefit small depositors and non-working spouses, most of whom have low or no salaries, but high interest incomes on banks and post office deposits. The move is unlikely to impact senior citizens, for whom last year's Budget raised the tax exemption limit, as well as the TDS threshold, to Rs 50,000 for interest income on bank and post office deposits. This means that seniors above 60 years, whose incomes do not fall within the taxable limit, don't need to submit Form 15H to banks and post offices if their interest income is up to Rs 50,000.