

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
RAJYA SABHA
UNSTARRED QUESTION NO. - 1509

ANSWERED ON 20.20.2022

INCOME TAX LIMIT FOR EMPLOYEES

1509. SHRI P. BHATTACHARYA.

Will the Minister of FINANCE be pleased to state:

- (a) whether it is appropriate that an individual earning ₹ 2.5 lakh annually be asked to pay income tax, in view of a Government notification that a person/family earning ₹ 8 lakh annually is considered to be poor; and
- (b) if so, the details thereof, and if not, the reasons therefor?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) and (b) :-The annual income limit of the family from all sources for the Economically Weaker Section [EWS] group of General category for availing the benefit of reservation has been fixed at Rs.8 lakh by the Government. This limit of ₹ 8 lakh for qualifying into the EWS category is a gross income limit which includes the income from all sources of all family members as opposed to the basic exemption limit under the Income-tax Act which is applicable to the income of a single individual. Further, it may also be noted that gross family income from all sources may also include certain income which is exempt under the provisions of the Income-tax Act, for example, agricultural income.

II. It may be pertinent to note that vide Finance Act, 2019, section 87A of the Income-tax Act was amended to provide a 100% tax rebate to individuals having total income up to ₹ 5 lakh. Hence under the existing provisions of the Income-tax Act an individual having total income up to ₹ 5 lakh is not required to pay any income-tax.

III. It may be further noted that even individuals having income greater than ₹ 5 lakh may avail of several incentives and deductions provided under the Income-tax Act thereby reducing their total income on which tax is payable. Hence even an individual earning an annual income of ₹ 8 lakh may avail of the available deductions under the Income-tax Act and reduce his total income on which tax is payable.

IV. As is evident from the above, the basic exemption limit as provided under the Income-tax Act and the threshold income for categorization in the EWS group are not comparable as the two are computed in a different manner for different purposes.
