

Dear Professional Colleagues,

Karneeti Part 282

Employers and Employees Beware!

Changes in Form 16.

Arjuna(Fictional Character) : Krishna, new format of Form 16 has been notified by CBDT, please throw some light on the same?

Krishna(Fictional Character):Arjuna, Form 16 is a certificate issued by an employer to employee evidencing details of salary and other income and the TDS which is deducted from salary and deposited with the Income Tax Department. Form 16, essentially has two components to it- Part A and Part B. Part A provides summary of tax deducted and deposited quarterly which is generated online through TRACES. Part B which is an annexure to Part A provides detailed breakup of salary and deductions and the same is issued offline. CBDT has notified new format for Part B of Form 16 on 12th April 2019.

Arjuna (Fictional Character): Krishna, please explain the changes in Form 16?

Krishna (Fictional Character): Arjuna, the changes in Form 16 are as follows-

- 1) In case the employee reports the salary received from other employers, the same is to be reported separately as "Reported total amount of salary received from other employer(s)".
- 2) The new format provides list of allowance exempt u/s 10 to be reported specifically such as:
 1. Leave travel concession exempt under section 10(5)
 2. Death cum retirement gratuity exempt under section 10(10)
 3. Commuted value of pension under section 10(10A)
 4. Leave encashment under section 10(10AA)
 5. House rent allowance under section 10(13A)

Also, the amount of any other exemption under section 10 has to be mentioned quoting the relevant clause.

- 3) Standard deduction from salary is available from A.Y. 2019-20. A field has been inserted for reporting the same.
- 4) The details of other income reported by employee have to be provided in two parts i.e. Income (or admissible loss) from house property and income from other sources.
- 5) A new line of item has been inserted for Deduction u/s 80CCD (1B) i.e. for additional deduction of Rs.50,000 in NPS and 80CCD (2) i.e. deduction in respect of contribution by Employer.
- 6) A new format provides a list of deductions to be reported specifically such as:
 1. Deduction for health insurance premium paid u/s 80D
 2. Deduction for interest paid on loan acquired for higher education u/s 80E
 3. Deduction for donations made u/s 80G
 4. Deduction for interest income on savings account u/s 80TTA

Any other section of Chapter VI-A have to mentioned quoting the respective section.

- 7) Details of Rebate and Surcharge, if applicable also need to be reported in the new format. Further Education Cess has been replaced by Health and Education Cess.
- 8) A similar break up of Exemptions u/s 10 and Deductions under Chapter VI-A is also added in Form 24Q i.e. the TDS return to be filed by the employer. Thus Form 24Q has been brought in line with Form 16.
- 9) The new Form 16 is made effective from 12 May 2019. Thus, employers issuing Form 16 for the financial year 2018-19 after that date will have to issue in the new format.

Arjuna: Krishna, what Employee need to take care of?

Krishna: Arjuna, now employees need to provide details along with supporting of all expenditures and investments for claiming allowances and deductions to their employer so that the same are properly reflected in Form 16. For e.g. travelling tickets, etc for claiming LTA exemption, LIC receipts, children school fees receipts, etc. for claiming deduction u/s 80C. If the details are not reflected in Form 16 and directly claimed in return of income, then discrepancy will arise which may initiate inquiry.

Arjuna: Krishna, what employer need to take care of?

Krishna: Arjuna, employer should verify the documents and details provided by the employee and examine the allowability of exemptions and deductions as per Income tax rules. The employer has been put in the place of Assessing officer for determining the taxable income and tax payable by the employee.

Arjuna: Krishna, what will be the impact of these changes in Form 16?

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Fwd: Employers and Employees Beware! Changes in Form 16. - sameer.patel939@gmail.com - Gmail

Krishna: Arjuna, some of the above changes have been made in line with amendments made in Income Tax Act while some are introduced to bring uniformity in reporting exemptions and deductions reported in Form 16. The Department will be able to cross verify the Incomes and Deductions reported in ITR, Form 16 and Form 24Q and can spot the discrepancy if any. Therefore, the employees need to provide proper details of deductions and exemptions to be claimed along with other income for proper deductions of TDS and reporting. Employer also need to maintain proper record of employee along with their supportings.