

Salary

[Income ~~from~~ Under the head "Salary"]
{ Section → 15 to 17 }

Section → 15. Basis of charges :-

An Income arises due to Employer & Employee relation, can be taxed Under head "Salary".

- a). Any Salary due from an employer or former Employer to an assessee in previous year whether paid or not.
- b). Any Arrear of Salary paid or allowed in previous year.
- c). Any Bonus is taxable on receipt Basis.
- d). Fee & Commission paid or payable to Employee shall be fully taxable.
- e). Overtime payment is fully taxable.
- f). Salary in lieu of Notice period.

Section 17. Meaning of Salary :- →

- i). Wages , ii). Pension , iii). Gratuity ,
- iv). Fee, Commission , v). Perquisite,
- vi). advance salary,
- vii) Any Benefit given by Employer which is taxable.

In Briefly we can say that "gross salary" means

Income Under the head "Salary"

[Basic Salary	xxx	(d)
D.A.	xxx	

[Allowances. (refers to point no. 2.)		(b)
upto taxable amt.	xxx	

[Retirement Benefits		(b)
upto taxable amt. (refers to point no. 1)	xxx	

[Taxable perquisites (refers to point no. 3)	xxx	(c)
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Gross Salary		xxx
Less:- Standard deduction		
u/s. 16 (ii)	xxx	
16 (iii)	xxx	
		xxx

Net Salary Income xxx

ya

$$\frac{15}{26} \times \text{Salary} \times \text{Year}$$

(अगर 6 महीने से ऊपर हुआ हो, उसे हम 2 रा. साल मानेंगे)

Example →

26 year 7 month

So years is

27 year

ya

$$\frac{15}{30} \times \text{Salary} \times \text{Year}$$

(इसमें जितने भी महीने दिये हो, उस महीने के fraction को नहीं लेगे)

Example → 26 year 5 month

So not be allowed in fraction 5 month only Allowed 26 year

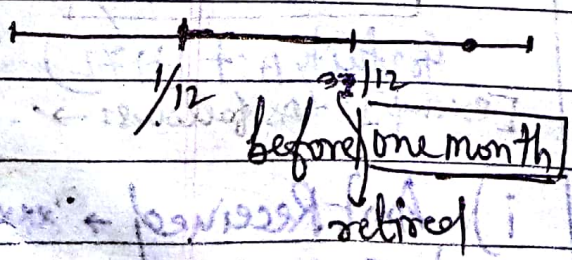
→ Salary

Basic + D.A.

→ Last drawn in while retired.

Average Salary for

i.e 3 month in case of Piece rate Employee.



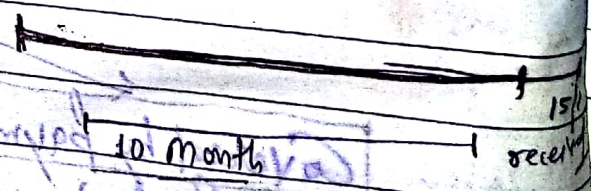
→ Salary

→ under the term of employee

Basic + D.A. (UTOE) + Commission

→ Average of 10 month Preceding the month in which Employee retire.

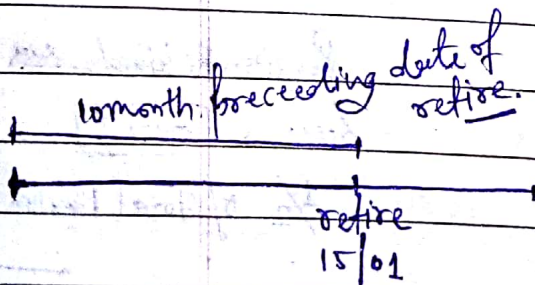
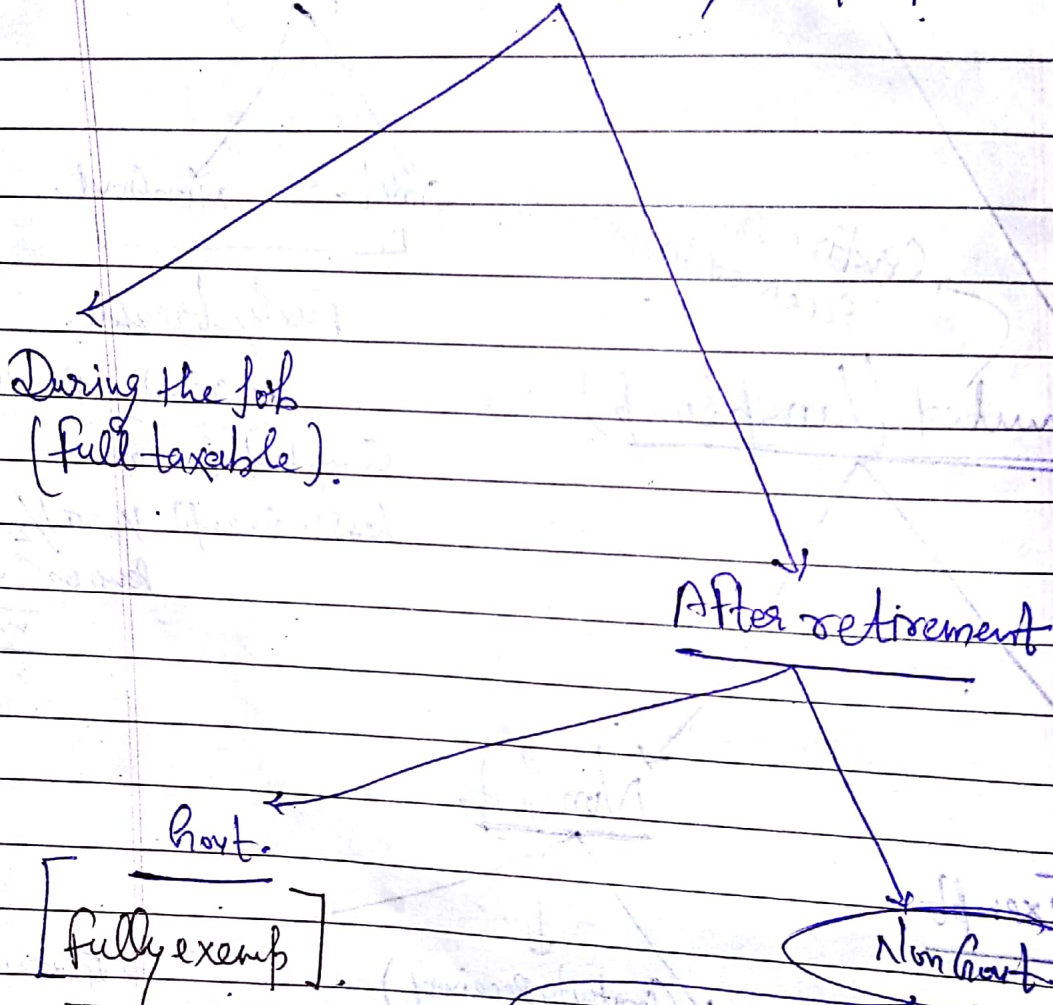
i.e



* If Gratuity Received earlier from previous Employer then monetary limit should be reduced

c) Leave Salary

Leave Salary means unavailed leave which is incashed by employee.



exemption from least of them

- i) Actual Received
- ii) ₹ 300,000
- iii) 10 month Average Salary Preceding the date of retirement

* Assumed employee does not work on 15/01.

iv) As per Income Tax i.e. Given below

Page No.:
Date:

Max. Allowed Cannot exceeds
30 days every year of Completed
year of service (fraction is not allowed).

Example
Q. No. 10

Allowed by Employer - 50 days.
Availed leave 20 days
Unavailed leave 30 days.

Solution:- following three steps :-

Step 1.

30 days per year or Actual allowed
in full service

$$\boxed{30} \times 10$$

$$\boxed{50} \times 10$$

whichever is less

300

Step 2.

Actually Availed

$$\boxed{20} \times 10$$

$$= \boxed{200}$$

Step 3.

(Step 1 - Step 2nd) \times Average Salary

$$(300 - 200)$$

$$\times \frac{1}{30}$$

\therefore taxable leave is 7 1/3

d). Retrenchment Compensation :->

following Amt exempt from tax :-
(whichever is less :->)

- i). Amt. Received in ₹
- ii). Amt. Notified by Govt. but it is not less than ₹ 500,000.
- iii). $\frac{15}{30}$ of Salary for every completed year or part thereof.

that means [Round of the year].

e). Salary :- B.S. + D.A.L.

➔ Provident fund / Super annuation funds :-

- 1) S.P.F
(Statutory provident fund)

This is not taxable
Because Govt. Employee

But employee contribution
Case in taxable.

2) URPF

(UNRECOGNISED PROVIDENT FUND)

Employee Contribution + Interest

at the time of retirement
Not Taxable

Employer Contribution + Interest

Taxable under the head "Salary"

Taxable in other sources

* Employee Contribution in of "at the time of retirement is NOT TAXABLE

* Interest in taxable is other sources

* "Employer Contribution + Interest" in this case Taxable under the head "Salary".

Q.No) Salary 10,000 + 800 employer cont.
less: P.F. 1000
9000 after deduction
P.F.

* Here taxable salary Every month Rs. 10,000. Therefore employee Contribution taxable every year.

3) RPF

(RECOGNISED PROVIDENT FUND)

Taxable in excess of 12% of Salary

as per Sec-7

Salary means [Salary + D.A. (U.T.O.E.) + % Commission]

Case of Interest

Excess of 9.5% P.A.
on Balance of R.P.F.
is taxable

as per Sec-7

Salary means : [Salary + D.A. (U.T.O.E.) + % Commission]

Some Important points : →

Payment out of fund RPF. Not taxable

i) Employee Retired after Continuous Service
of Five years

OR

ii) Left the job due to reason beyond his
Control. (Disability)

OR

3) The Balance is transferred to another R.P.F. i.e. (RPF to RPF).

OTHERWISE :- It shall be assumed that the payment here made out of U.R.P.F. In this situation the Amt. which has been already taxed during the job... which is in excess of 12% of Salary and 9.5% P.A. interest.

shall not be taxed again but less than 12% of Salary is taxable.

∴ Same rule as applicable of U.R.P.F.

* If Amount Transfer U.R.P.F. to R.P.F. with Same Employer, and Employer Contribution is more than the 12%. Then in excess of 12% of Salary is taxable with ~~ref~~ retrospective effect - 4.



Allowances :- Any Cash amt. which is fixed.

1) a) following Allowances

are exempt to the extent of Amt. received or Amt. Spent whichever ever is less

2) H.R.A Sec → 10 (B.A.)

3) following Allowances are exempt to the extent of Amt. received or The limit specified whichever ever is less

* Actual expenditures not relevant

1)

- i) Travelling Allowance - out station
- ii) Daily Allowance
- iii) Conveyance Allowance → officework.
- iv) Helper allowance
- v) Uniform allowance.
- vi) Academic allowance.

Academic allowance allowed for Books purchased whom engaged in Educational and Research Institution.

Children Education Allowance
 $50 \times 2 \times 12 \rightarrow 1200$
 less: exempt $\rightarrow 200$ / 1000

3). following Allowances are exempt to the extent of Amount received or the limit specified whichever ever is less :-

Conditions function

Example (50) Amt. Received. or Rs. 200 per child. upto max. of two child [whichever ever is less]
 $50 \times 2 = 100$
 $100 \times 12 = 1200$
 1200 per child
 1200 / 12 = 100

i) Children education allowance Rs. 100 per child or Rs. 100 per child upto maximum of two child. whichever ever is less.

* (1 child + twice child) then allowed for three child.

* if allowed only for one child by the Employer then only Rs. 100 per child or Amt. received whichever ever is less shall be exempt.

ii). Hostel Expenditure allowance :-

Amt. Received or Rs 300 P.M. per child Per child. Upto two child.

iii). Transport Allowance :- Any transport allowance granted to an employee to meet his expenditure for the purpose of commuting between the place of his residence and place of his duty.

to the extent of ₹ (800) P.m.

However,

(16,00) P.m. for Blind/Handicapped Employee.

iv). Tribal area allowances,

Border area Rs. 200 per month

or

Actual Received whichever is less.

v). Allowances allowed to transport Employees

a) 7% of Such allowances *

(or)

b) Rs. 10,000 per month which ever is less.

* [However i.e. should not received duty allowances].

vi). Under ground allowances :-

allowances to employee which is

engaged to employee which is uncongenial
unnatural

shall be exempt upto Rs. 800 P.m.

vii). Compensatory field :-

exempt to the extent of ₹ 2600 P.m.

viii) Compensatory, modified field area allowance:

Exempt to the extent of ₹ 1000 p.m.

ix) Counter (insurgency) allowance granted to members of armed forces:-

Exempt to the extent of ₹ 3900 p.m.

2. H.R.A. [SECTION → 10(3A). Rule 2A] [HOUSE RENT ALLOWANCES]

^{always}
(H.R.A. fixed in the month)

Least of following [exempt]

- i). Actually Received ✓
- ii). Rent paid over 10% of Salary ✓
[Rent paid - 10% of Salary]
- iii). 50% of Salary for CCDM
and other 40% of Salary Non CCDM
[whichever is less]

find Salary
means

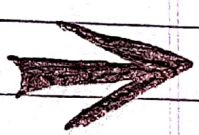
B.S. + D.A (V.T.O.E) + % Commission

Political City

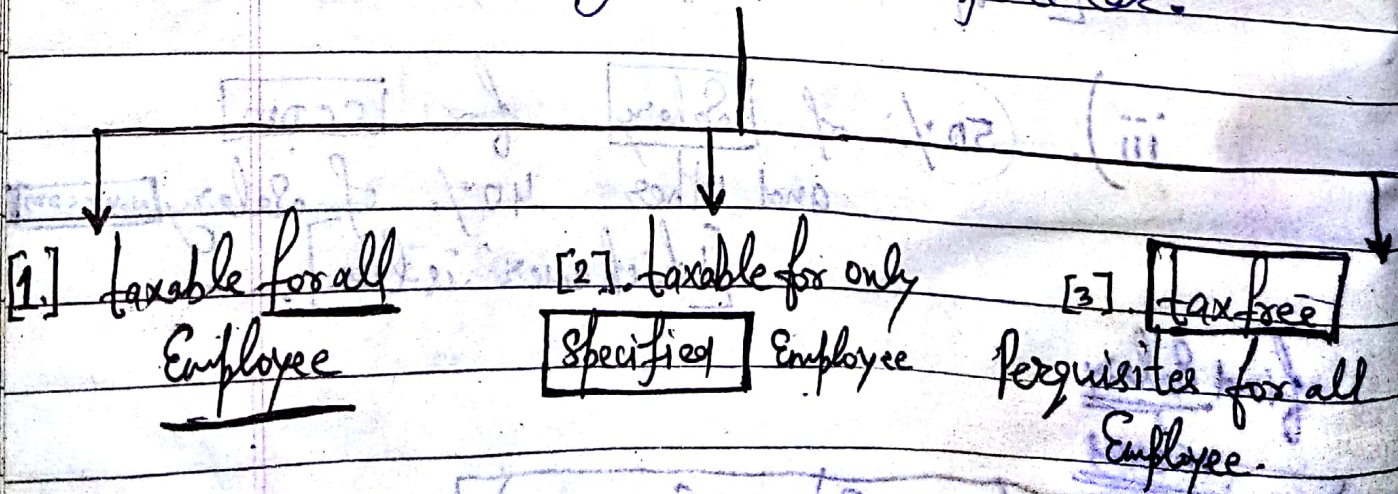
Chennai, Calcutta, Delhi, Mumbai → Include House
Not Job

* Allowance and Salary taken on Due Basis for the period in which:
house taken on Rent

- * 1) Allowance
 - 2) Salary
 - 3) Location
 - 4) Rent paid
- if any of them changed then calculation of exempt H.R.A. calculate for separately.



PERQUISITE :-
Perquisite can be monetary or non-monetary
Monetary perquisite like Re-imbursement.
Non-monetary like free Car.



[3] Tax free Perquisites :- (for all Employee)

a) Telephone :- Whether telephone provided by Employee. The Amount of Bill re-imbursed by Employer. Limit can be there, but not fixed.
[If allowed as fixed, then treated as allowance which is fully taxable].

b) Vehicle for Commutation between home and office :-

c) Sweet Equity Share to Employee (ESOP)
[Employee Stock Option Plan].

d) Medical facilities :-

A]. In India :-
i) to Employee or any member of ^{*}family in any hospital which is maintained by the Employer.

ii) Re-imbursment by the Employer of any amount actually spent by the Employee for his or his "family" Member treatment in any Hospital, etc. (including Medicine)
upto Maximum of Re. 15,000 Per Annum.

⇒ In the following Cases fully exempt.

If expenditure incurred in.

a) any hospital maintained by Govt.

or

b) Local Authority

or

c) Any approved hospital by CIT

or

d) Specify disease in approved hospital

Patients + One Attended.

B. Outside India :-

Permitted by R.B.I.

Exempt if his G.T.I. does not exceeds Rs. 2,00,000 before including such Travelling Exp.

- (i) Medical exp. which is permitted by R.B.I.
- (ii) Boarding & lodging Exp.
- (iii) Travelling Expenses

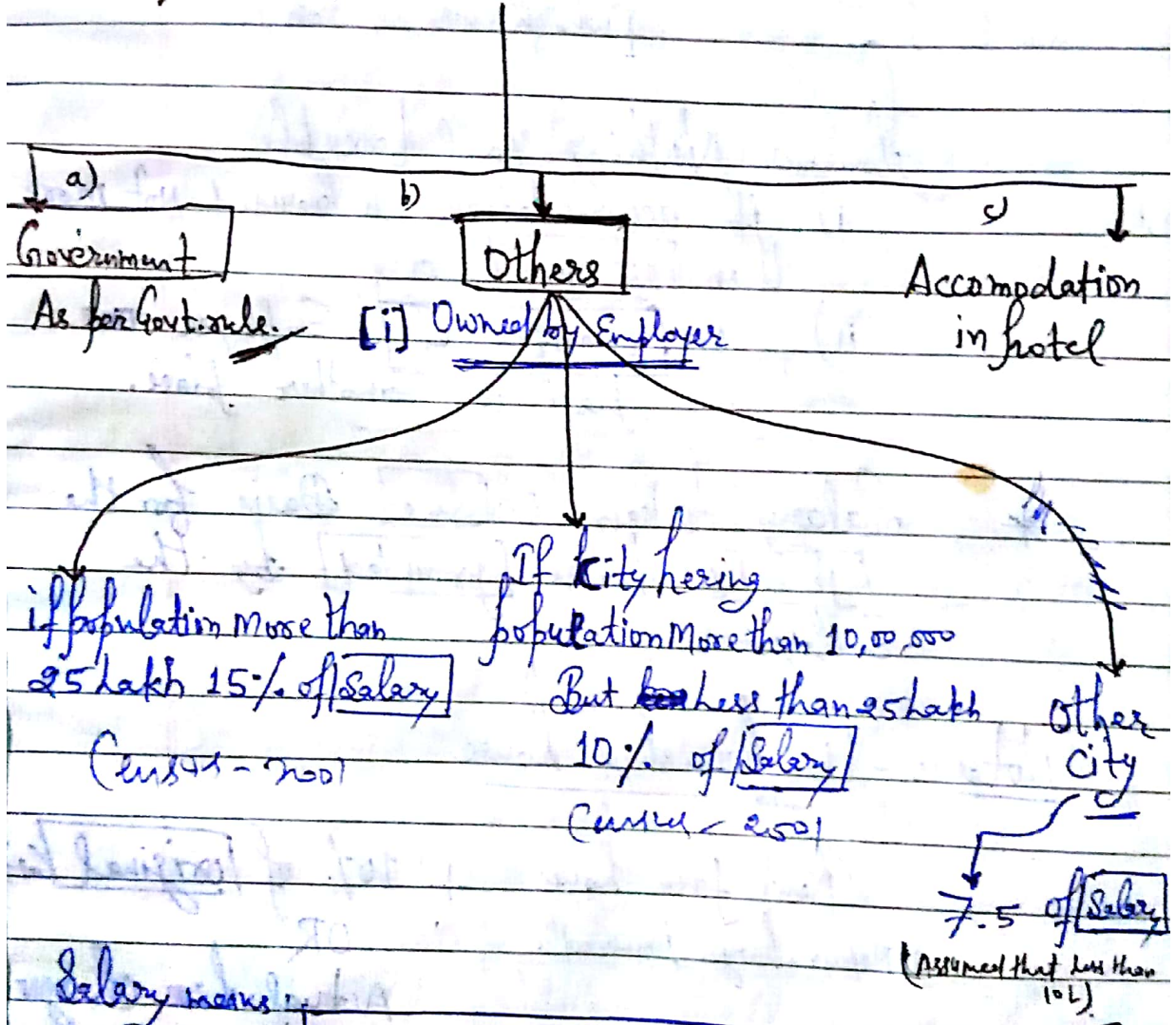
⇒ family means :- → i) Spouse or children When the dependant or Not

ii) Parents brother, sister Mainly dependant
↳ Grandparents not included.

① TAXABLE PERQUISITES. →

(In the hands of all Employee)

★ 1) Rent free house :-



Salary means

Basic Salary + D.A. (U.T.O.E.) + Commission
 + Taxable portion of Allowance + Bonus +
any other monetary payment
(immobilizable)

- * But No perquisites taken.
- * Commission whether is fixed or variable.

- (ii) Not owned by Employer
- a) Actual Rent O.R.
 - b) 15% of Salary
(whichever ever is less)

[c] Accommodation In Hotel

- a). 24% of Salary
 - b). actual charges
- [whichever is less]

However Nothing shall taxable

- i) if accommodation is provided not more than 15 Days and
- ii) On transfer of Employee one place to another place.

* Salary taken on due Basis for the period house provided by the Employee.

Notes :- (i) furnished house

Rent free house + 10% of original rent
* Repair charges ignored. OR
Actual hire charges if taken on rent

(ii). In Case of transfer, occupied Only one house taxable upto 90 days.
Old place → house }
New place → house } But after both houses will be taxed

(iii). Above [i] & [ii] Not applicable if house located in remote area and Employee

Working in Mining off Sore area

(iv). If any Amount [Received] from Employee
Such Amount shall be Reduced from
Value of amuninty for such house.

This rule Applicable in all perquisites.

* 2). Prescribed Fringe Benefits.

a). Value of Interest free loan

Any type of loan

Rate charged by
SBI on 1st day
of Relevant previous
Year

2014 2015
1/1/2014 SBI
R.O.S.

* Interest shall be charged on maximum outstanding monthly Balance.

However, Nothing shall be taxable if

* Loan for Entire period do not exceeds
Rs. 20,000

* Loan provided for Treatment of
specified diseases.

b). Use of Moveable Assets :-

a). Laptop & Computer →

NTL

c). Transfer of Movable Assets :-

The value of Benefit shall be **Actual Cost** to the Employer is **reduced** by the following percentage (%) for each Completed year during which Assets was put to use by the employer.

- i) Computer and Electronic item *
→ 50% on the W.D.V.
- ii) Motor Car → 20% on the W.D.V.
- iii) Any other Assets → 10% on the S.I.M.

NOTE :- The Benefit may be provided to employee or any **Member** of house.

→ Spouse (s), children, parents, servant.

* 3) Other Fringe Benefits :- [Employer]

These Benefits taxable in the hands of Employer.

1. Expense on Entertainment
2. Expense on food (up to Rs. 50 Per meal)
3. Expense on Conference
4. Use of hotel, lodging
5. Telephone
6. Use of health club.
7. Gifts
8. E. S. D. P. [Employee stock plan]

* 4). Re-imbursment for meeting personal Expenses.

If any Expenditure which a Employee is liable to pay. But Employer paid this Amount Called:

Obligation of employee paid by Employer

This re-imbursment Amount taxable in the hands of all Employee to the extent of Actual Cost to Employer

- Sweeper, gardner, watchman, personal Attendant.
- Gas, Electricity, water
- Children education
- Income tax and professional tax.

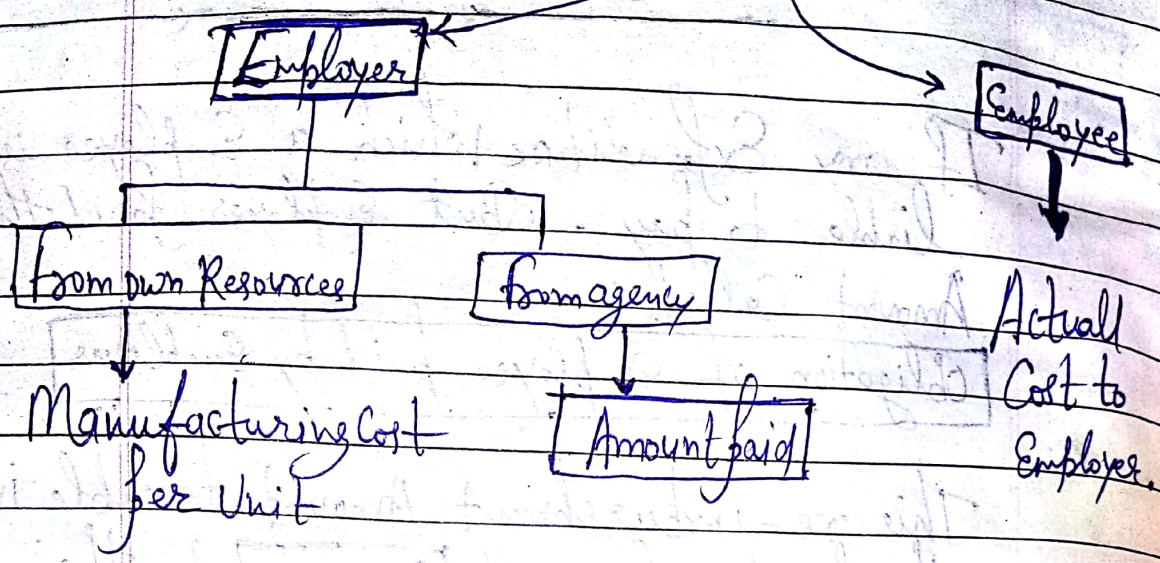
* TAXABLE IN THE HANDS OF SPECIFIED EMPLOYEE

(a). Sweeper, Gardner, watchman & personal Attendant.

Engaged by Employer
Salary p.m. (per Employee)

Employee
Actual Cost to Employer

b) Gas, Electricity, water *



c) Personal Journey for Employees of Transport Company.

Cost Similar as other General Public.

d) Children education (In)

Owned and maintained by employer.

Other Institution *

Free charged to other student

Actual Cost to employer

However Nothing shall be taxable if Value per child does not excess Rs 1000.

Specified Employee :-

- i) Director of Company.
- ii) Employee have 20% or more Equity share in Employer Company
- iii) Employee having Salary more than Rs 50,000/-

→ DEDUCTIONS
U/S. → 16

1) Standard deduction :- → Deleted.

2) Professional Tax :- → Any Amt. paid by Employee in the year.

NOTE :- If Professional tax paid by Employer then first it shall be include in Salary and then deduction shall be allowed.

3) Entertainment Allowance Received -

→ for Non Govt. Employee → fully taxable.

→ for Govt. Employee → first allowance include in Gross Salary and least of following will be deducted.

a) Actual Received

b) 20% of Salary

c) Rs. 5000

Note :- Salary means → Basic

Leave Travell Concession Section → 10(5)

Any Concession received by Employee for himself or his family for to any place in India ie Exempt to the extent of amount Spent. Subject to following Condition.

i]. Exemption Can be Claimed for two Journey in a Block of 4 years.

* Out of two Journey's exemption for one Journey Can be claimed - within 9 month at End of Block.

* Exemption available only for two children

[available of all children if children born before 1 October, 1998.]

ii]. Amount of Exemption
If Journey performed

a). By Air → then Economy fair.

b). By Any other mode → first AC rail fair.
(or)
first class Deluxe Bus fair

Note ⇒

Surcharge :-

SMES

- Education Cess :- 2%
- Higher education Cess (H.E.C.) → 1%
- S.T.C.G. on share → 10%
- L.T.C.G. : → 20%
- Lottery : → 30%

⇒ Deduction V/S → 80

1. 80C Re. 1,50,000 or Amt save on Savings, i.e. L.T.C., P.F., N.S.C., N.S.S.
2. 80-ccc Re. 1,50,000 or Amt paid in pension fund.
3. 80-CCE [80-C, 80ccc does not exceeds in Re 1,00,000]
4. 80D → medical insurance premium for self, spouse, dependent parents. Quantum of deduction Re. 15,000 [Re. 20,000]
or
Amt paid which ever is less
5. 80-G for Donation maximum limit 10,000

Owned and hired by [only for Employer specified employees]

Employer

Partially
[Both office & personal use]

Wholly for official use
[Tax free].

Personal
[NIL]

Owned by Employer
[for all employees]

Employee

Office
[NIL]

Running and maintenance
Driver
Wear and tear (depreciation)

Actual at
Actual.
→ 10% of cost
[includes Hire charges]

Taxable
Requisites → XX

1.6L cc
1800 P.M.

Paid by Employer

Paid by Employee

1.6L cc
2400 P.M.

1.6L cc
600 P.M.

900 P.M. Driver's salary

1.0L cc
900 P.M.

Partially
[Both office & personal use]

Actual expenses
(-) 1800 2400 P.M.

(-) 900 P.M.
Driver salary

Taxable
Requisites

⇒ Deduction v/s 87A [Rebate]

- i). Allowed to individual and H.V.F.
- ii). Taxable income should be less than ₹ 5,00,000
- iii). Amount of deduction ₹ 2000 or tax due whichever is less.
- iv). Deduction should be deduct before calculation of Surcharge.

⇒ Deduction v/s 89 [Relief fund]

a) Example B/s → 9,60,000
(without arrears)

	9,60,000
Tax Payable	1,17,000
Add: Cess & SHEC @ 3%	3510
	1,20,510 ✓

b) With Arrears

Basic Salary	→	9,60,000
Arrears of Salary	→	1,00,000
		10,60,000
Tax payable	→	1,43,000
Add:- Education Cess & SHEC @ 3%		4290
		1,47,290

c) Income without Arrears (of Previous year)

Basic Salary	→	5,49,000
Tax Payable	→	33,000
Add:- Education Cess & SHEC @ 3%		990
		33990

d). Income inclusive of Annuity

Salary Income [540,000 + Annuity (100,000)] \Rightarrow 6,40,000

Tax Payable \rightarrow 53,000
Add! - Education cess & S.H.E.C. @ 3% \rightarrow 1590
54590

So \rightarrow 4,47,290 - 1,20,510
 \Rightarrow 26780

\rightarrow 54,590 - 33,990 \Rightarrow 20600

① or 26780 - 20600 \Rightarrow 6180

6180

Relief allowed u/s. \rightarrow 891