Income from Salary

* **BASIC CONCEPTS :-**

→ Salary = Monetary + Non – Monetary.

→ Employer – Employee Relationship.

→ FBT liable to pay by 'Employer'.

→ "Member of Household" means
(i) Spouse(s);
(ii) Children & their Spouse;
(iii) Parents;
(iv) Servants;
(v) Dependents.

→ "Electronic Gadgets" means data storage devices not house hold appliances.

* **EXEMPTIONS:-** **(u/s 10)**

✓ Leave Encashment:- [u/s 10 (10AA)]

Employee

Pvt. Employee → Least of following:

(1) Rs. 3,00,000/-;
(2) Amt. actually received;
(3) Last 10 months salary;
(4) Cash Equivalent i.e.
(Salary X Credit Months)

Govt. Employee → Fully Exempt

$$\text{Credit Months} = \text{Completed year of Service} \; (-) \; \text{Leave Taken}$$

→ Salary

$$\text{Salary For this Section} = \frac{\text{(BS + DA + Commission on sales) for last 10 months}}{10}$$

✓ <u>Retrenchment Compensation</u>:- [u/s 10 (10C)]

Least of following:

(1) Rs. 5,00,000/-; OR
(2) Amt. as per Law.

✓ <u>VRS Compensation</u>:- [u/s 10(10C)]

Least of following:

(1) Rs. 5,00,000/-;
(2) Amt. Actually Received;
(3) Least of following 2 amounts.

Last Month Salary X 3 X Completed years Service

Last Month Salary X Remaining months of Service

✓ <u>HRA</u>:- [u/s 10(13A)]

Least of following:

(1) 10 % of Salary;
(2) Amt. Actually Received;
(3) Amt. if Accommodation situated in

Mumbai, Delhi, Kolkata & Chennai → 50%

Other Case → 40%

✓ <u>Gratuity</u>:- [u/s 10 (10)]

Employee

- Pvt. Employee → Least of following:
  1. Rs. 3,50,000/-;
  2. Amt. actually received;
  3. Formula.
- Govt. Employee → Fully Exempt

→ Formula:

Pvt. Employee

- Covered under Act → $\text{Last Drawn Salary} \times \frac{15}{26} \times \text{No. of years Service}$
- Not Covered under Act → $\text{Last Drawn Salary} \times \frac{1}{2} \times \text{No. of years Services}$

→ Salary:

As per Leave Encashment.

→ Fraction:

Pvt. Employee

- Covered under Act → √
- Not Covered under Act → **X**

✓ **Provident Fund**: -

	SPF	RPF	URPF	PPF
Contribution by Employee	Deduction u/s 80 C	Deduction u/s 80 C	No any Deductions	Deduction u/s 80 C
Contribution by Employer	Fully Exempt	Exempt up to 12 % of Salary	Exempt $	NA
Interest Credited in Account	Fully Exempt	Exempt up to 9.5 % p.a.	Exempt $	Fully Exempt
Amt. Withdrawn	Fully Exempt	Exempt *	Exempt $	Fully Exempt

→ Notes:-

1. Exempt $

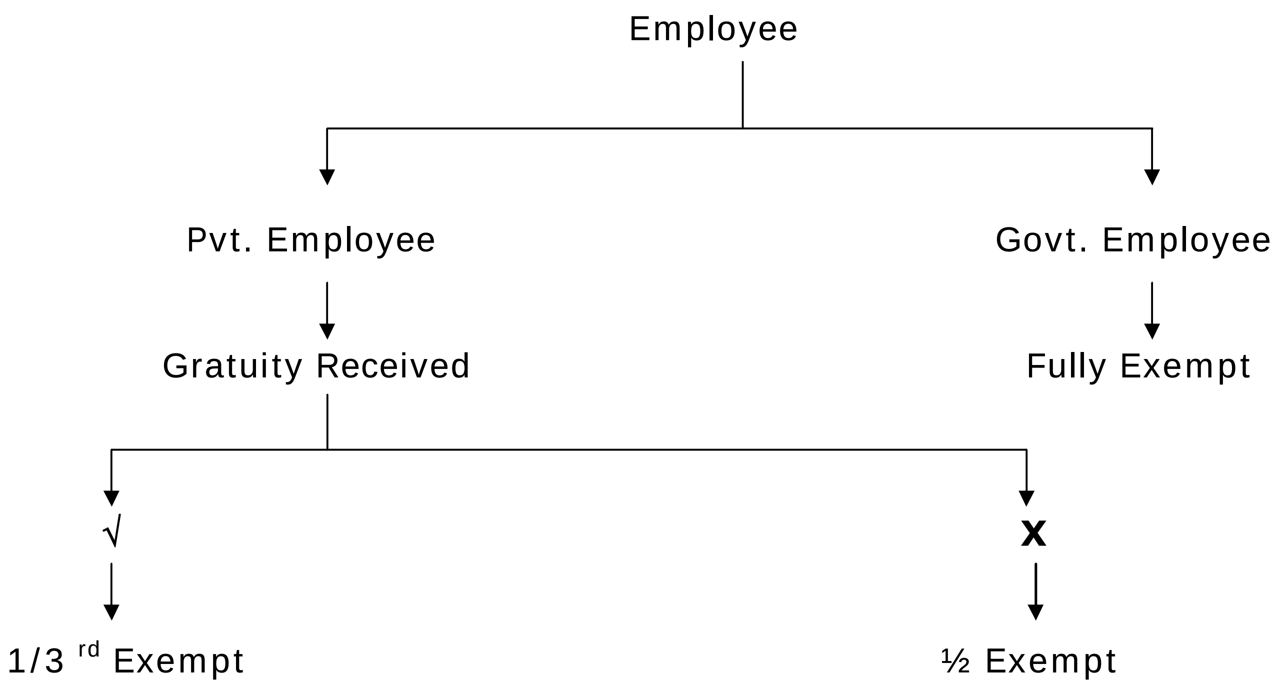
Contribution of		***Interest Credited***
Employee	Employer	
Fully Exempt	Taxable under "Profit in lieu of Salary"	Taxable under "Income from Other Sources"

2. Exempt *
   (i) Service More than 5 yrs; OR
   (ii) Tfd. PF to next Service.

- <u>Pension</u>: - [u/s10 (10A)]

→ Uncommuted Pension is Fully Taxable for All Cases.

→ Commuted Pension:



* **PERQUISITES:-** **[U/S 17 (2)]**

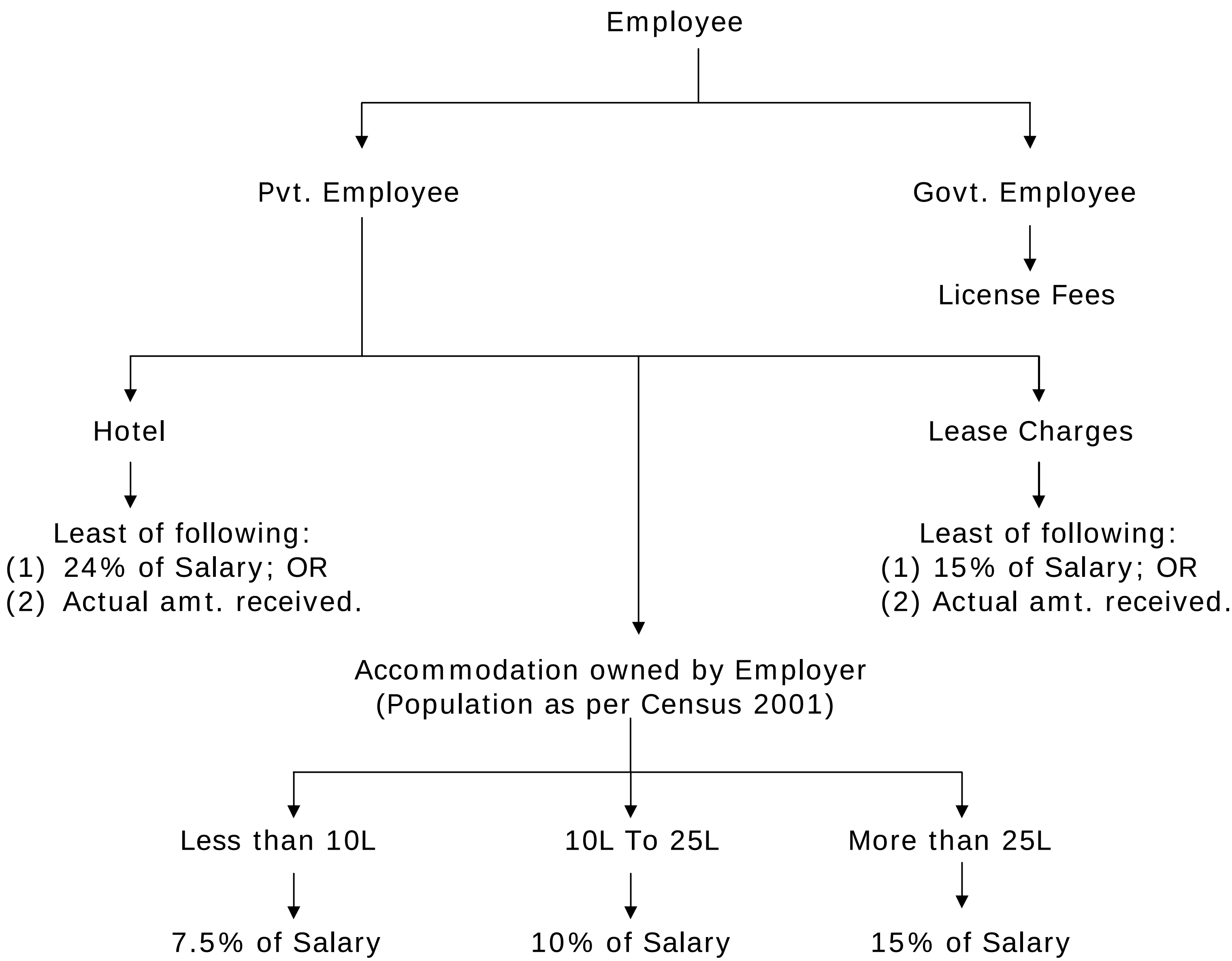
✓ Value for Rent Free Accommodation :-

(a) Furnished:

Value as per Unfurnished Accommodation	XXX
+ 10 % Original Cost (If Furniture Owned & Provided by Employer)	X
+ Lease Charges, if any	X

	XXX

(b) Unfurnished:


Employee
Pvt. Employee
Govt. Employee
License Fees
Hotel
Lease Charges
Least of following:
(1) 24% of Salary; OR
(2) Actual amt. received.
Least of following:
(1) 15% of Salary; OR
(2) Actual amt. received.
Accommodation owned by Employer
(Population as per Census 2001)
Less than 10L
10L To 25L
More than 25L
7.5% of Salary
10% of Salary
15% of Salary

✓ <u>Accommodation Provided at concessional Rate</u> :-

Value as per Accommodation at Rent Free	XXX
(-) Cash Collected from Employee	(X)
	XXX

✓ <u>Value for Any Benefit / Amenity</u> :-

Only for "Specified Employees"

(a) Domestic Servants;

(b) Gas, Water & Electricity Charges;

(c) Education Facility provided by Employer for Household Member :-

→ If facility provided to Children of Employee then exemption up to Rs. 1,000/-p.m.

→ If the institution owned by:

<u>Employer</u>	***<u>Other Case</u>***
Exemption up to Rs. 1 Th.	Entire Amt. as Perquisites

✓ Perquisites of Other FBT :-

(A) Applicable for All Employees; OR
(B) Applicable to Employee whose Employer not subject to FBT.

(A) Applicable for All Employees:

(i) Interest free / concessional Loan:
→ Difference between Actual & SBI Interest Rate.

(ii) Usage of Movable Assets:
→ There must be owned / hire by Employer.
→ (a) 10 % of Original Cost; OR
(b) Actual Cost taken.

(iii) Transfer of Movable Assets:

Movable Assets	***Rate of Depn.***	***Method of Depn.***
Motor Car	20 %	W.D.V.
Computers & Electronic Gadgets	50 %	W.D.V.
Other Assets	10 %	S.L.M.

.

(B) Applicable to Employee whose Employer not subject to FBT:

Motor Car Usage & it's Expenses:-

(i) Exps. Paid by Employer / Employee:-

Exps. Born by ↓ / Particulars →	***First 1.6 Lt3***	***Next 1.6 Lt3***	***Driver's Salary***
Employer	Rs. 1200/- p.m.	Rs. 1600/- p.m.	Rs. 600/- p.m.
Employee	Rs. 400/- p.m.	Rs. 600/- p.m.	Rs. 600/- p.m.

(ii) Conveyance provided:-

Use of M. Car for:

Pvt. Purpose	**Partial Pvt. Purpose**
Running & Maintenance Exps.	Actually Incurred by Employer reduce by Rs. 600/-.

∗ **<u>DEDUCTIONS</u>** :- **(u/s 16)**

(i) <u>Entertainment Allowance</u> : -

Only for “Govt. Employees”.

(a) Rs. 5 Th.;
(b) Amt. Actually Received; OR
(c) 20 % of Salary.
Whichever is Least

(ii) <u>Profession Tax</u> :-

→ On the Payment Basis.