Income from Salary

Sec-15 Chargeability of Salary

The following income shall be chargeable to income-tax under the head "Salaries"—

(*a*) Any ***salary due*** from an employer or a former employer to an assessee in the previous year, whether paid or not;

(*b*) Any ***salary paid*** or allowed to him in the previous year by or on behalf of an employer or a former employer though not due or before it became due to him;

(*c*) Any ***arrears of salary*** paid or allowed to him in the previous year by or on behalf of an employer or a former employer, if not charged to income-tax ***for any earlier previous year***.

Explanation 1.— where any ***salary paid in advance*** is included in the total income of any person for any previous year it ***shall not be included again in the total income*** of the person when the salary becomes due.

Explanation 2.—Any salary, bonus, commission or remuneration, by whatever name called, due to, or received by, a partner of a firm from the firm shall not be regarded as "salary" for the purposes of this section.]

ANALYSIS OF SECTION 15

1. Salary will be taxable on the basis of ***DUE or PAID Basis Whichever is earlier.***
2. Arrears of salary shall include in the previous year income if it is not taxed earlier.

Exp. 1- if any advance salary taxed in any previous year on receipt basis then such advance salary is not taxed again in the year of salary become due.

Exp. 2- if salary, bonus, commission or remuneration, recived by partners from firm is chargeable as income from PGBP u/s 28, but not as SALARY.

Sec-16 Deductions from salaries.

The income chargeable under the head "Salaries" shall be computed after making the following deductions, namely:—

(1). a deduction in respect of any allowance in the nature of an entertainment allowance specifically granted by an employer to the assessee who is in receipt of a salary from the Government, a sum equal to one-fifth of his salary (exclusive of any allowance, benefit or other perquisite) or five thousand rupees, whichever is less;

(2.) a deduction of any sum paid by the assessee on account of a tax on employment within the meaning of clause (*2*) of article 276 of the Constitution, leviable by or under any law.]

ANALYSIS OF SECTION-16

1. Entertainment Allowances- Allowed to Govt. Employees only, lower of the following.

- Amount Received
- 20% of *BASIC SALARY*
- Rs. 5000

Whicher is LOWER

2.Deduction for Professional Tax. - Allowed to employee for an *amount actually paid* by *any one (*employee or any other person on the behalf of the employee).

Sec-17(1) Meaning of Salary

For the purposes of sections 15 and 16 and of this section,—

"salary" includes—

(*i*) *wages*;

(*ii*) any *annuity or pension*;

(*iii*) any *gratuity*;

(*iv*) any fees, commissions, perquisites or *profits in lieu* of or in addition to any salary or wages;

(*v*) any *advance of salary*;

(*va*) any payment received by an employee in respect of any period of *leave not availed* of by him;

(*vi*) the annual accretion to the balance at the credit of an employee participating in a *recognized provident fund*, to the extent to which it is chargeable to tax under rule 6 of Part A of the Fourth Schedule;

(*vii*) the aggregate of all sums that are comprised in the transferred balance as referred to in sub-rule (2) of rule 11 of Part A of the Fourth Schedule of an employee participating in a *recognised provident fund*, to the extent to which it is chargeable to tax under sub-rule (4) thereof; and

(*viii*) the *contribution made by the Central Government* [or any other employer] in the previous year, to the account of an employee under a pension scheme referred to in section 80CCD;

Analysis of section 17(1)

Salary includes- Wages, Profit in lieu of Salary, Advance Salary, leave encashment Gratuity, Pension, Taxable Amt & Intt. On Recognized Provident Fund (RPF) transferred by employer, contribution made by central govt. under pension scheme.