"OM BHIKSHU JAI BHIKSHU"

INCOME U/H SALARY

(Revisionary notes)

IMPORTANT SECTIONS

(NOTE: - *NOT COMPULSORY TO MEMORIZE THE SECTIONS FOR IPC STUDENTS BUT IF LEARNED MAY PROVIDE GOOD IMPRESSION TO EXAMINER. WRONG QUOTING OF SECTIONS WILL LEAD TO DEDUCTION IN MARKS, SO YOU SHOULD BE CONFIDENT WHILE QUOTING THE SECTION NUMBERS.*)

Section 15	Charging Section
Section 10(14)	Allowances
Section 10(13A)	HRA
Section 16	Deduction of Professional Tax

SOME IMP. LIMITS RELATED TO COMPUTATION OF INCOME U/H SALARY:-

➲ Children Education Allowance	₹100 P.m. Per Child {for 2 children only}	
➲ Hostel Expenditure Allowance	₹300 P.m. Per Child {for 2 children only}	
➲ Transport Allowance	₹800 P.m. / 1600 P.m. → Blind/Handicapped	
➲ Allowances to Transport Employees/Driver	70% of Allowance OR ₹10,000 P.m., whichever is lower	
➲ HRA	1. Allowance actually received. 2.Rent Paid in Excess of 10% of SALARY 2. 50% of Salary (Chennai, Kolkata, Delhi, and Mumbai) OR 40% of salary (for other cities)	
➲ Rent Free Accommodation	OWNED BY EMPLOYER 1. Above ₹25 Lacs- 15% 2. Above ₹10 to 25 Lacs- 10% 3. Below and up to ₹10 lacs- 7.5%	NOT OWNED BY EMPLOYER ACTUAL RENT OR 15% OF SALARY
➲ Medical perquisites	₹15,000 other than govt. hospitals	
➲ Gifts in kind	₹5000	
➲ Interest free loan	1. Loan up to ₹20,000. OR 2. For specified Diseases *(e.g. TB, AIDS, Mental Disorder, Cancer etc.)*	
➲ Use of Movables	10% P.a. *(other than laptop, computer and telephone)*	
➲ Depreciation Rates while transferring Movable Assets	→ Computer & electronics- 50% (WDV) → Motor cars- 20% (WDV) → Other Assets- 10% (SLM)	
➲ Free meals	Up to ₹50 per meal	
➲ Children education perks	₹1000 p.m. per child	
➲ Motor car for official and personal (owned by employer)	₹1800/2400 + 900 OR	

	₹600/900 + 900 for Chauffeur/Driver etc.
➲ Provident fund	1. Employer's contribution up to 12% exempt 2. Up to 9.5% p.a. interest given in PF account is exempt.
➲ Gratuity	₹10,00,000
➲ Leave salary	₹3,00,000
➲ Retrenchment compensation	₹5,00,000

Important points to remember

- Notes are very important part of answers/solutions, give maximum relevant notes and assumptions while writing answers.
- Use of laptops, computers, telephones even bills paid for these are not taxable, but telephone allowances are fully taxable u/h salary.
- In case of transfer of movable assets, no depreciation will be charged if employer has used that asset for less than 12 months.
- Any expenses related to official purpose is not taxable u/h salary, if expenses are of partly official and partly personal nature than notional (assumed) amounts are taken.
- If employer has provided club or credit card facility to employee for personal purposes, then they are taxable except on use of health club, sports facilities nothing shall be taxable.
- In case of giving deduction U/s 16, remember professional tax paid by employer will be added in the gross salary while at the time of giving deduction tax paid by both employer and employee will be given deduction. (Note: check carefully that Tax should be "PAID" and not "PAYABLE" or "DUE".)
- Remember in case of children education allowance the limit is only applicable to 2 children where as in children education perks there is no limit.
- If nothing is mentioned about Dearness allowance and Commission in the question the assume that they are not under terms and not on turnover basis.
- If motor car is used for travelling from house to office & vice versa then nothing shall be taxable.

Meaning of SALARY in different cases:

1) **Salary for computation of RFA includes:**
   a) Basic salary
   b) Dearness allowance (under terms)
   c) Bonus
   d) Commission
   e) Taxable allowances
   f) Monetary payment

2) **Salary for computation of HRA:** *{also same for Leave salary, VRS, Provident Fund, Gratuity(not covered under gratuity act) }*
   a) Basic salary
   b) Dearness allowance (under terms)
   c) Commission (based on turnover)

3) **Salary for computation of Gratuity (covered under gratuity act)**
   a) Basic salary
   b) Dearness allowance