2016

Ipcc Salaries Head

Made easy for students

I made this easy to read for ipcc students. Most of the students has confusion in this topic particularly because of lots of provisions which are not relevant for exam. So I have made an attempt to make it easy by removing unnecessary information for exam. This is more than enough for exam. Happy reading All The Best

Prashanth Koya

- Allowances
  1. Fully taxable allowances
  2. Fully exempted allowances
  3. Partly exempted allowances
  4. HRA
- Retirement benefits
  1. Gratuity
  2. Pension
  3. Retrenchment compensation
  4. Provident fund
  5. Leave salary
  6. Voluntary retirement scheme
- Leave travel concession
- Perquisites
  - i. Rent free accommodation
  - ii. Concessional rent accommodation
  - iii. Specified employee
  - iv. Amount paid by employer in respect of obligation of employee
  - v. Other perquisites
    1. Free transportation / free or concessional tickets
    2. Moto car
    3. Medical facilities
    4. Interest free or concessional loan
    5. Use of movable assets
    6. Transfer of movable assets
    7. Free or concessional meal
    8. Gift
    9. Credit card expenses
    10. Membership in club
    11. ESOP
- Deductions from gross salary

Allowances

1. Fully taxable allowances

- Interim allowance
- Medical allowance
- Project allowance
- Non practicing allowance
- Entertainment allowance
- Warden allowance
- Servant allowance
- Overtime allowance
- Family allowance
- Any other cash allowance
- Lunch & Tiffin allowance
- City compensatory allowance

2. Fully exempted allowances

- Daily allowance
- Travelling allowance
- Conveyance allowance
- Academic allowance
- Helper allowance
- Uniform allowance
- Transfer allowance
- Allowances received by HC/SC judges
- Allowances received by employees of UNO
- Allowances and perks paid by Indian government to Indian citizen outside India

3. Partly exempted allowances

Allowance	Amount of exemption	limitation
Child education allowance	100/month/child	2 child
Child hostel expenditure allowance	300/month/child	2 child
Tribal area allowance	200/month	
allowance for transport employee	10000/month Or 70% of allowance	Employee not in receipt daily allowance
mining/underground allowance	800/month	
Transport allowance • Normal person • Handicapped person	1600/month 3200/month	

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4. House rent allowance(HRA)

- Conditions:
    - Employee shall not stay in own house
    - Employee shall pay rent
- Amount of exemption:
    - i. HRA received
    - ii. (Rent paid) – (10% salary)
    - iii. 50%salary : Chennai Mumbai Kolkata Delhi
      40% salary: Other places
- Salary=basic pay + DA forms part + commission as % of turnover

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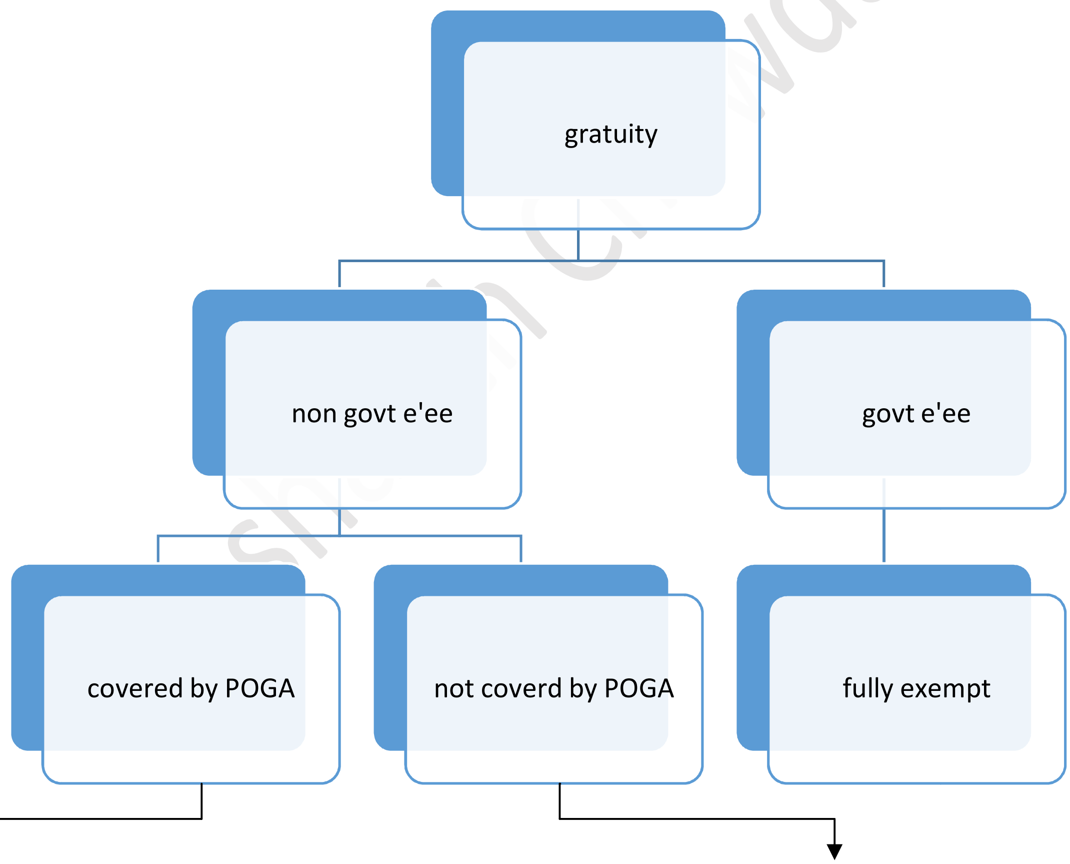
- Retirement benefits:

1) Gratuity:

- Gratuity received during period of service is fully taxable



Amount of exemption

- I. Gratuity received
- II. 1000000
- III. (15/26)*LDS*(CYS+ >6M)

SALARY=BP + DA

amount of exemption

- I. Gratuity received
- II. 1000000
- III. (1/2)*avg. sal. of last 10M * CYS

SALARY=BP + DA forms part + comm as % of T/O

2) Pension:

PENSION

- Uncommuted pension
  - Govt/non govt e'ee
    - Fully taxable
- commuted pension
  - Govt/ LA/statutory corp./ Members of civil services/ All India services/ Defense services.
    - Fully exempt
  - Other employees
    - E'ee receiving gratuity
      - Amount of exemption
        - (1/3)*Full value of pension
    - E'ee not receiving gratuity
      - Amount of exemption
        - (1/2)*Full value of pension

- FULL VALUE OF PENSION= (amount received on commutation)**/** (% of commutation)

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3) Retrenchment compensation:

Amount of exemption

I. Actual amount received
II. 500000
III. (15/26)*(Avg. sal. of last 3M)*(CYS + >6M)

Salary= BP + DA

- If retrenchment compensation scheme is approved by CG, then it is fully exempt

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4) Provident fund (PF):

Particulars	RPF	URPF	SPF	PPF
Er's contribution	Amount in excess of 12% of salary is taxable	Not taxable	Fully exempt	NA
E'ees contribution	Eligible for deduction u/s 80C	Not eligible for deduction	Eligible for deduction u/s 80C	Eligible for deduction u/s 80C
Interest credited	Amount in excess of 9.5% of salary is taxable	Not taxable	Fully exempt	Fully exempt
Amount received on retirement	Exempt if e'ee served continuous period of 5 years /retires before 5 years because of reason beyond the control of e'ee	*(E'rs contribution + interest) = taxable *e'es contribution=not taxable *Interest on e'es contribution = taxable U/H IFOS	Fully exempt	Fully exempt

5) Leave salary:

- Leave salary received during the period of service is fully taxable

LEAVE SALARY

Govt e'ee → Fully exempt

non govt e'ee → amount of exemption

1. Leave salary actually received
2. 300000
3. 10M sal. Based on avg. sal. of last 10M
4. (Avg. sal. Of last 10M)*(leave credit to e'ee)

- Leave credit is calculated by taking 30 days credit for each CYS

6) Voluntary retirement scheme:

- This is applicable for the employees of
  1. Public sector company or any other company
  2. Authority established under State , central or provincial Act
  3. Local authority
  4. Co-operative society
  5. University
  6. IIT
  7. State govt. or central govt.
  8. IIM
  9. Notified institutions having, importance throughout India or state or states

- Amount of exemption:
  1) Actual amount received
  2) 500000
  3) LDS*3*CYS
     Or
     LDS* balance of no of months of service left

- VRS is available only once in life time

Leave travel concession(LTC):

- LTC may be provided by the employer, to the employee and his family in connection with his proceedings
  a. On leave to any place in India while on service
  b. To any place in India after retirement or termination from employment.
- Family= spouse + parents +children +dependent brothers + dependent sisters
- Exemption is available to only two surviving children born after 1/10/1998. This restriction is not applicable to child born before 1998
- Exemption is available for two journeys in a block of calendar years
- Current block is 2014-2017
- If an individual has not availed the benefit twice in a block , the first LTC availed in the first financial year of next block can be taken for previous block

EXEMPTION

Journey performed by

- Air
  - Economy class fare of shortest route collected by national airways
- any other mode
  - train
    - 1st class AC fare by shortest route
  - train not available
    - recognized public transport
      - 1st class/ deluxe fare By shortest route
    - no recognized public transport
      - same as 1st class AC train fare by shortest route

- Exemption is only for travelling charges

- Perquisites:
  i. Rent free accommodation:

Accommodation

- Rent free furnished Accommodation (RFFA)
  - Taxable value of Perquisite (TVP) =
    1. Taxable value of RFUFA
       +
    2. Value of furniture(VOF)
- Rent free unfurnished Accommodation (RFUFA)
  - govt
    - TVP= license fee prescribed in service rules
  - other
    - owned by e'r
      - City/town POP≤10L
        - TVP= 7.5% sal.
      - city/ town POP>10L, ≤25L
        - 10% sal.
      - city/town POP>25L
        - 15% sal.
    - taken on lease by e'r
      - TVP=
        1. 15% sal. of POO
        2. Lease rent paid by E'r

VOF

- Furniture owned by employer
  - 10% p.a of original cost
- furniture hired by employer
  - hire charges paid by employer

- Salary excludes – E'rs contribution to PF, interest credited thereon , DA not forms part, allowances to the extent exempt, Perquisites , terminal benefits (gratuity…..)
- Salary shall be computed on due basis
- Advance salary to be ignored
- HOTEL ACCOMODATION
  - TVP
    A. 24% of salary of period of occupation
    B. Expenses incurred by employer
- EXEMPTION:
  a. SC/HC judge
  b. Union minister

c. official of parliament
d. leader of opposition
e. hotel accommodation given to employee for a period ≤15 days in a year on account of transfer
f. workers deployed at
   - power generation site
   - dam construction site
   - mining site
   - onshore / offshore
   - project execution site

   *temporary accommodation

   *plinth area ≤800 sq. ft.

   *remote are
g. if accommodation is provided both at existing place of work and new place
   - for the 1st 90 days - the accommodation which has lower value shall be taxable
   - after 90 days - both accommodations shall be taxable

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ii. concessional rent accommodation:

Taxable value under RFA	XXX
Amount recovered from employee	(XXX)
TVP =	XXX

(iii. + iv.): (specified employee) + (amount paid by employer in respect of obligation of employee):

a) Domestic servant:

Hired by e'ee → Salary to servant is paid by e'r → Taxable in the hands of all e'ees

hired by e'r → Salary to servant is paid by e'r → taxable in the hands of only specified e'ee

- Domestic servant= sweeper , gardener , watch man , PA

- TVP: expense incurred by e'r XXX
  Amount received from e'ee (XXX)
  TVP = XXX

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b) Gas, electricity , water:

Connection in the name of e'ee → Payment made by e'r → Taxable in the hands of all e'ees

connection in the name of e'r → payment made by e'r → taxable only in the hands specified e'ees

- If gas , electricity , water are owned by employer then it is taxable only in the hands of specified employee
- TVP=
  Expenses incurred by employer XXX
  Amount paid by employee (XXX)
  TVP = XXX

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c) Educational facility:

E’r provides education facility to MOHH of E’ee at free/ concessional rate

In an educational institution owned and maintained by E’r

in any other educational institution by virtue of employment of E’ee with E’r

Taxable only in the hands of specified E’ee

MOHH= Member Of House Hold

- TVP:

Cost in similar educational institution		XXX
Amount paid by E’ee		(XXX)
TVP	=	XXX

- If education facility is at free of cost for children of e’ee , cost of such education in similar educational institution does not exceed 1000/ month / child

NOT TAXABLE

- If E’r provides educational facility/training to E’ee

- Children of E’ee studying in a school which is not connected with E’r and bill is raised in the name of E’ee then the fee is reimbursed by E’r

Taxable in the hands of all E’ees

v. other perquisites:

1. Free transportation / free or concessional tickets:

- Employer is in business of transportation of goods or passengers.
- Employer provides transportation of goods or passengers service to employee at free or concessional rate then it is a perquisite
- TVP:

Value offered to public		XXX
Amount paid by employee		(XXX)
TVP	=	XXX

- This rule does not applies to employees of railways and airways

2. Motor car:

Owner	Expense met by	Wholly personal	Partly personal
employer	employer	a) Actual expense incurred XXX b) Driver salary XXX c) 10% of cost of car/hire charges XXX d) Amount paid by employee (XXX) TVP = XXX	Cc of car — TVP ≤1.6 liter — 1800/M + 900(driver) >1.6 liter — 2400/M + 900(driver)
employee	employer	TVP = actual expense incurred by employer	actual expense incurred by employer XXX TVP as computed above (XXX) TVP = XXX
employer	employee	10% of cot of car or hire charges	Cc of car — TVP ≤1.6 liter — 600/M + 900(driver) >1.6 liter — 900/M + 900(driver)

- In any case car used for fully official purpose then it is not a perquisite and not taxable

3. Medical facilities:

Not taxable

- Treatment to employee or any member of his family in
  - Hospital maintained by employer
  - Govt hospital
  - Notified hospital for prescribed disease
- Insurance premium paid by employer on the health of employee or his family member
- Personal accident premium paid by employer
- Any other medical expenditure reimbursed
  - Up to 15000 -- not taxable
  - More than 1500 -- taxable as perquisite
- Medical treatment in abroad
  - Medical and stay expenses for patient and attendant in abroad are exempt up to the amount permitted by RBI
  - Travel expense of the patient and attendant

Gross total income	taxability
Up to 200000	fully exempt
Above 200000	fully taxable

4. Interest free or concessional loan:

- TVP=
  (Max outstanding monthly balance)*(rate pa by SBI as on 1st day of relevant PY) XXX
  Interest if any actually paid by employee (XXX)
  Taxable value of perquisite(TVP) = XXX

- Free / concessional interest medical loan for treatment of disease specified in rule 3A , is exempt
- Loans not exceeding 20000 in aggregate are exempt

5. Use of movable assets:

- TVP= 10% of actual cost / hire charges XXX
  Amount if any paid by employee (XXX)
  TVP = XXX

- Use of laptops and computers are exempt

6. Transfer of movable assets:

computers & electronic gadgets		Motor cars		others	
Actual cost	XXX	Actual cost	XXX	Actual cost	XXX
Dep@50% under WDV method	(XXX)	Dep@50% under WDV method	(XXX)	Dep@10% under SLM	(XXX)
Amount if any paid by E'r	(XXX)	Amount if any paid by E'r	(XXX)	Amount if any paid by E'r	(XXX)
TVP =	XXX	TVP =	XXX	TVP =	XXX

7. Free or concessional meal:
   - Free meals or non alcoholic beverages during working hours are exempt up to Rs.50/meal
   - Tea or snacks provided during working hours
   - Free meals or non alcoholic beverages during working hours in a remote area or offshore installation

8. Gift:
    - The value any gift or voucher or token is less than 5000 in aggregate during the PY, the value of perquisite shall be taken as nill
    - The value any gift or voucher or token is more than 5000 in aggregate during the PY, the value in excess of 5000 shall be taxable

9. Credit card expenses:

Actual expense incurred by employer		XXX
Amount recovered from employee		(XXX)
TVP	=	XXX

- If it is incurred for wholly official purpose supported with necessary documents this is not a taxable perquisite

10. Membership in club:

- Expenditure on club other than health club or sports club or similar facilities provided uniformly to all employees
- Initial fee of corporate membership of a club is not a taxable perquisite
- If the expenditure is incurred for wholly official purpose it is not a taxable perquisite

- TVP

Actual expense incurred by employer		XXX
Amount recovered from employee		(XXX)
TVP	=	XXX

11. ESOP:

FMV of the security/sweat equity shares on the date on which the option exercised		XXX
Amount recovered from employee		(XXX)
Taxable value of perquisite (TVP)	=	XXX

- Deductions from gross salary:

Deductions u/s.16

Entertainment allowance{s.16(ii)}

Available only for govt employees

Amount of deduction

1. 5000
2. 20% of basic pa
3. Entertainment allowance received

profession tax {s.16(iii)}

available for all employees

Amount of deduction

*any sum paid by employee as tax on employment is allowed

*if paid by employer then tax paid shall be included in gross salary as a perquisite and then deduction can be claimed