

# 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.

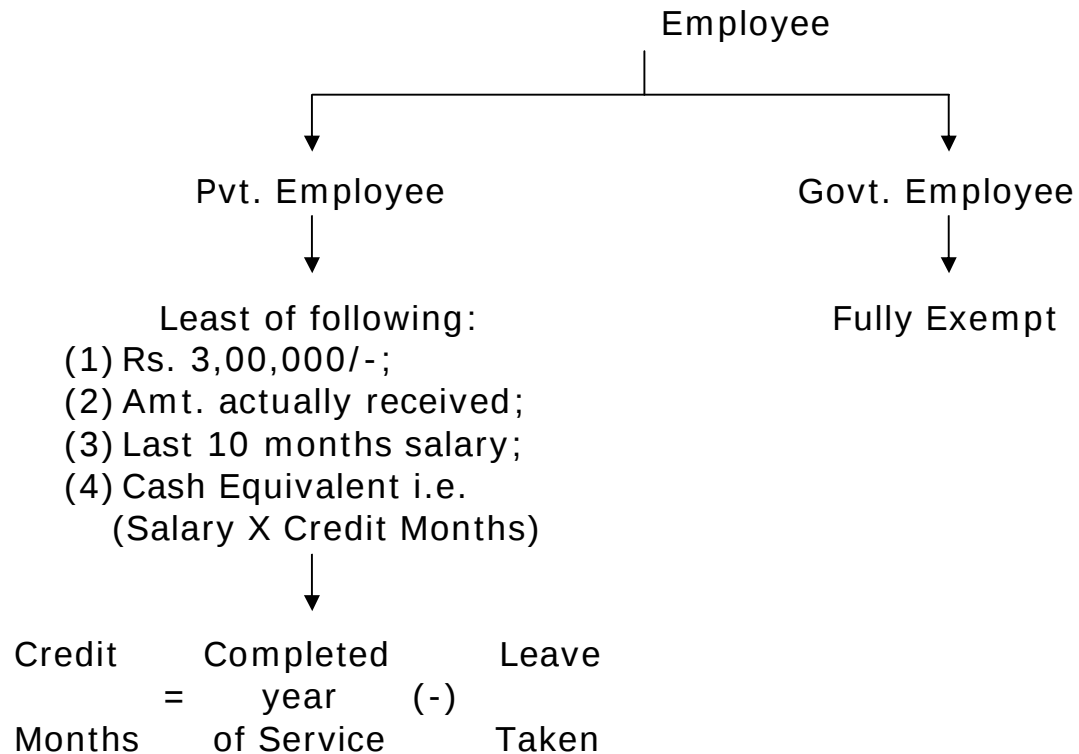
→ “Electronic Gadgets” means data storage devices not house hold appliances.

\* **EXEMPTIONS:-**

**(u/s 10)**

✓ **Leave Encashment:-**

**[u/s 10 (10AA)]**



→ Salary

Salary (BS + DA + Commission on sales) for last 10 months  
For this = -----  
Section 10

✓ Retrenchment Compensation:-

[u/s 10 (10C)]

Least of following:

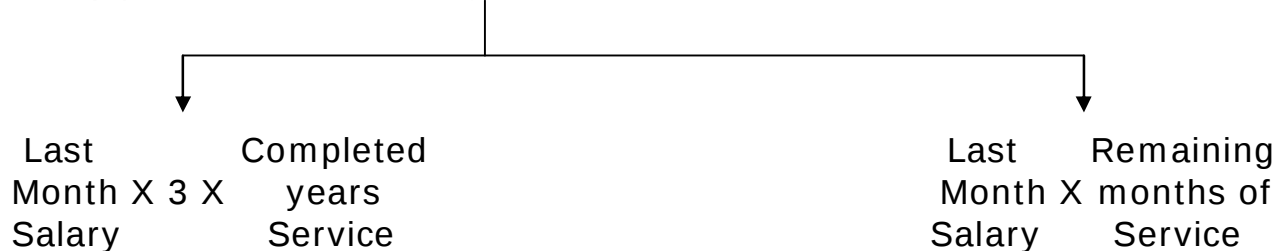
- (1) Rs. 5,00,000/-; OR
- (2) Amt. as per Law.

✓ VRS Compensation:-

[u/s 10(10C)]

Least of following:

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

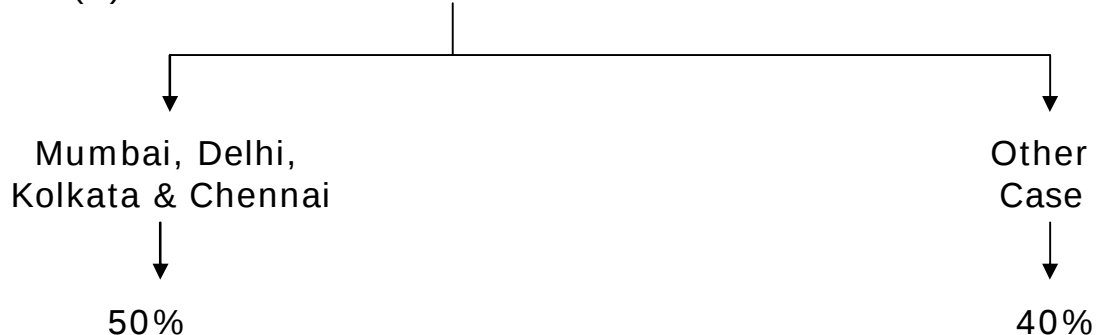


✓ HRA:-

[u/s 10(13A)]

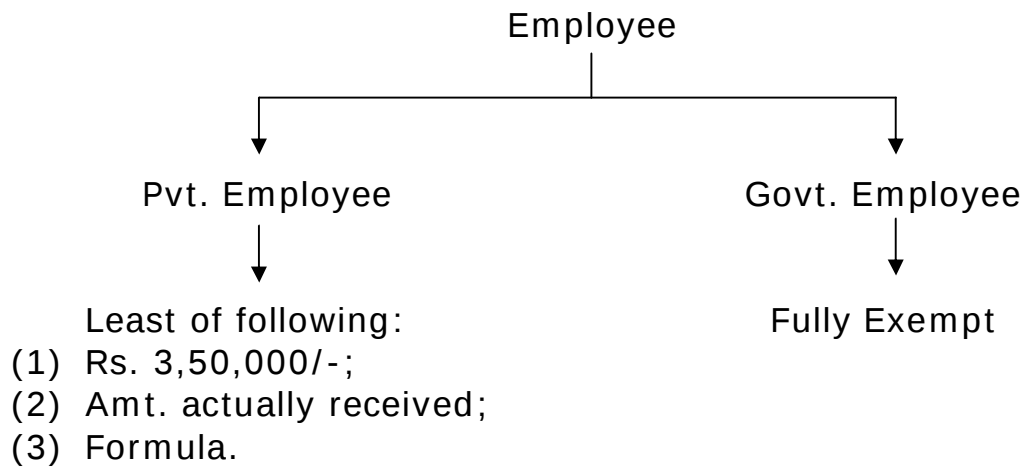
Least of following:

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

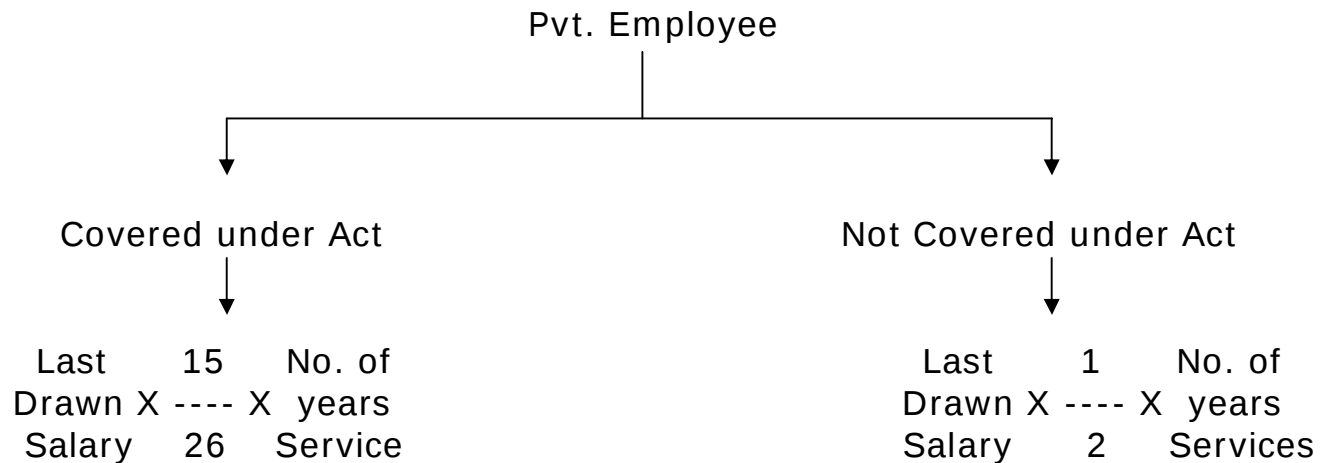


✓ Gratuity:-

[u/s 10 (10)]



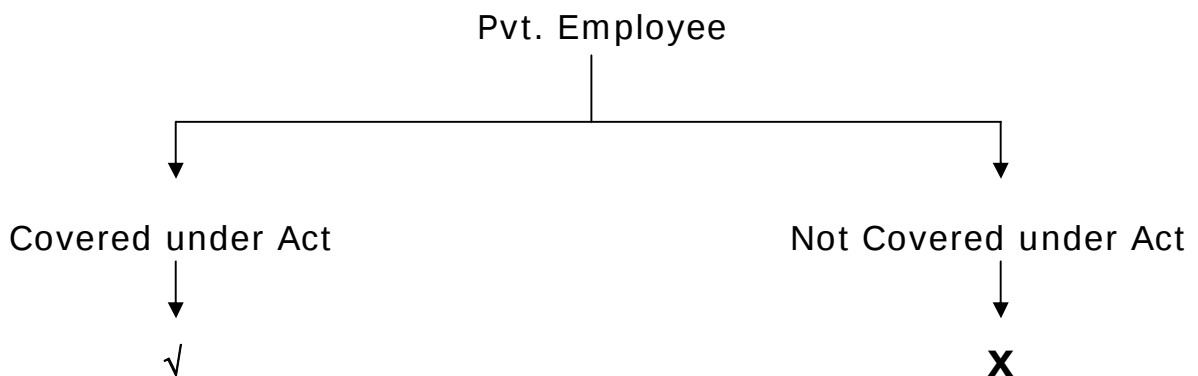
→ Formula:



→ Salary:

As per Leave Encashment.

→ Fraction:



✓ **Provident Fund**: -

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

→ Notes:-

1. Exempt <sup>\$</sup>

| <b><i>Contribution of</i></b> |                                          | <b><i>Interest Credited</i></b>           |
|-------------------------------|------------------------------------------|-------------------------------------------|
| Employee                      | Employer                                 |                                           |
| Fully Exempt                  | Taxable under "Profit in lieu of Salary" | Taxable under "Income from Other Sources" |

2. Exempt \*

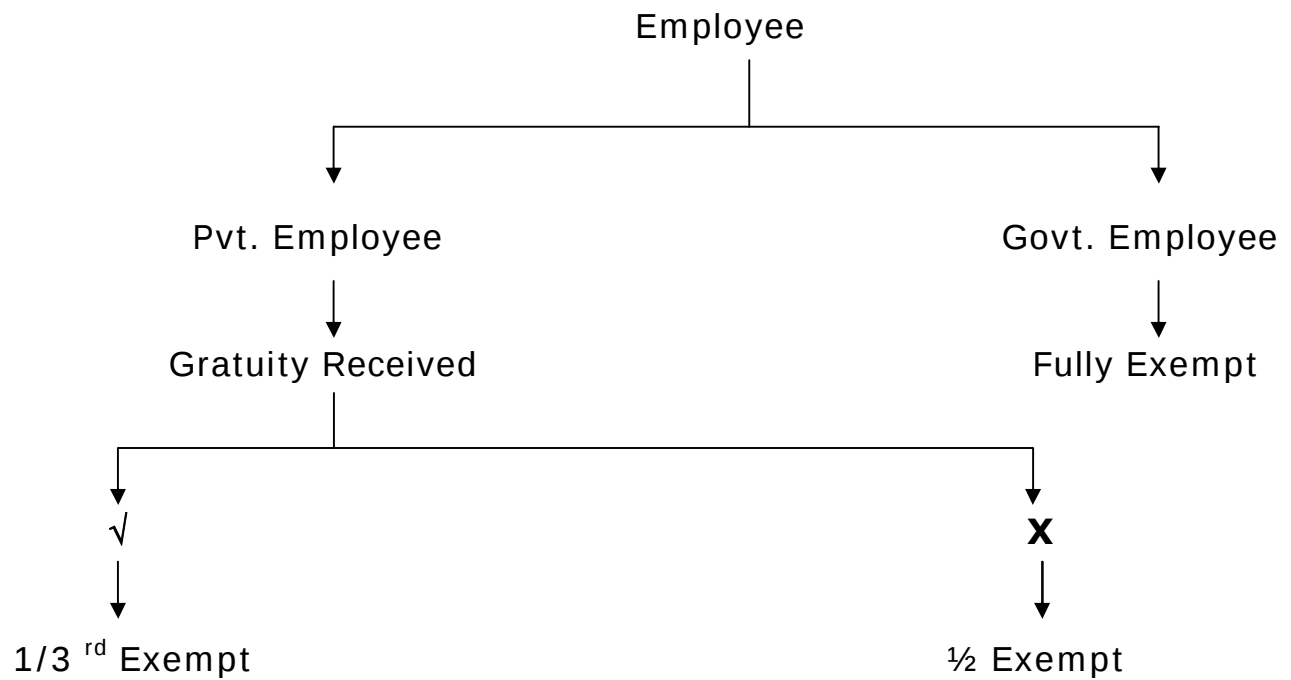
- (i) Service More than 5 yrs; OR
- (ii) Tfd. PF to next Service.

➤ Pension: -

[u/s10 (10A)]

→ Uncommuted Pension is Fully Taxable for All Cases.

→ Commuted Pension:



\* **PERQUISITES:-**

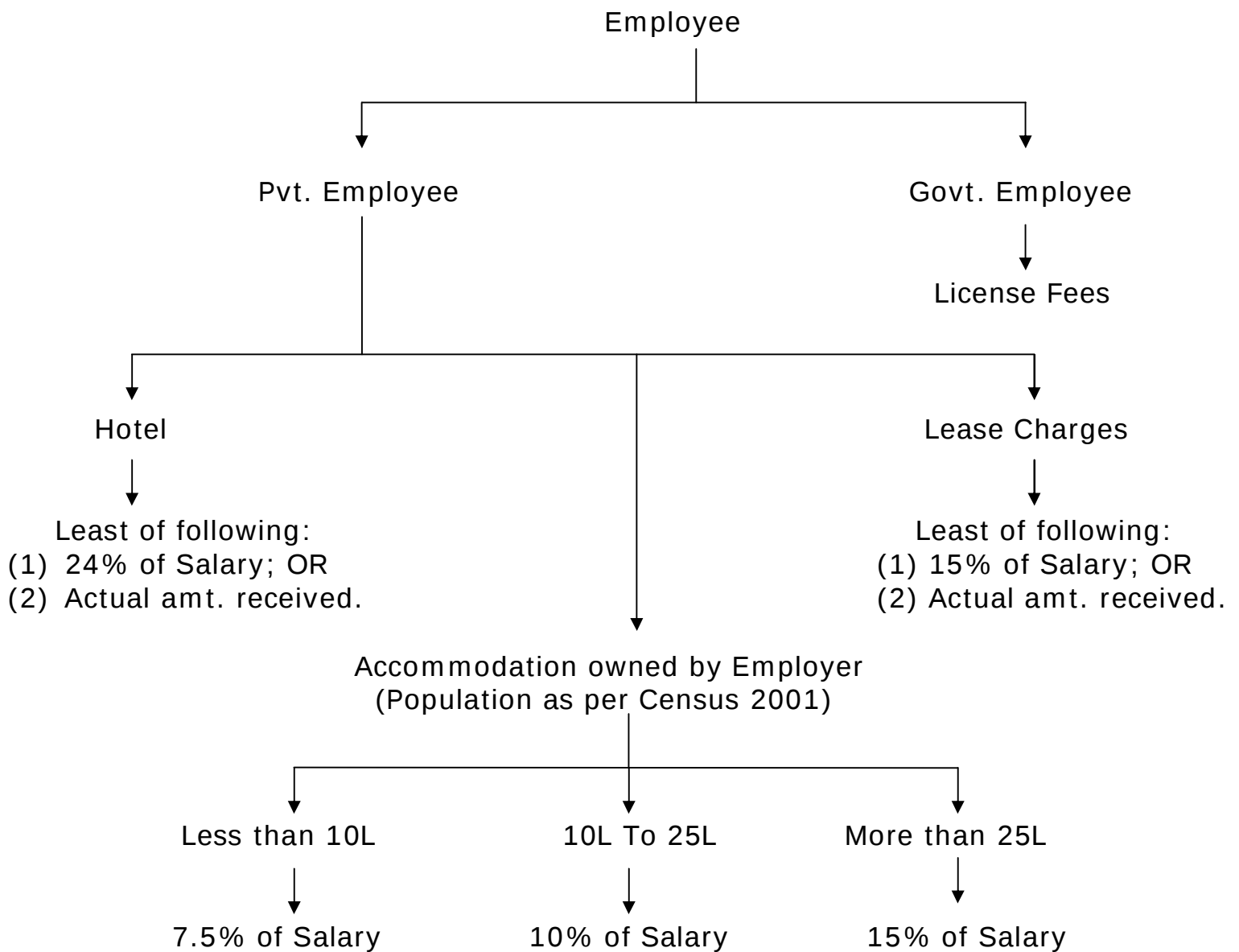
**[U/S 17 (2)]**

✓ Value for Rent Free Accommodation :-

(a) Furnished:

|                                                                     |            |
|---------------------------------------------------------------------|------------|
| Value as per Unfurnished Accommodation                              | XXX        |
| + 10 % Original Cost<br>(If Furniture Owned & Provided by Employer) | X          |
| + Lease Charges, if any                                             | X          |
|                                                                     | -----      |
|                                                                     | <u>XXX</u> |

(b) Unfurnished:



✓ Accommodation Provided at concessional Rate :-

|                                         |            |
|-----------------------------------------|------------|
| Value as per Accommodation at Rent Free | XXX        |
| (-) Cash Collected from Employee        | <u>(X)</u> |
|                                         | <u>XXX</u> |

✓ Value for Any Benefit / Amenity :-

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:

| <b><u>Employer</u></b>    | <b><u>Other Case</u></b>   |
|---------------------------|----------------------------|
| 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:

| <b><u>Movable Assets</u></b>         | <b><u>Rate of Depn.</u></b> | <b><u>Method of Depn.</u></b> |
|--------------------------------------|-----------------------------|-------------------------------|
| Motor Car                            | 20 %                        | W.D.V.                        |
| Computers &<br>Electronic<br>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:-

| <b><u>Exps. Born by ↓ /<br/>Particulars →</u></b> | <b><u>First 1.6<br/>Lt<sup>3</sup></u></b> | <b><u>Next 1.6<br/>Lt<sup>3</sup></u></b> | <b><u>Driver's<br/>Salary</u></b> |
|---------------------------------------------------|--------------------------------------------|-------------------------------------------|-----------------------------------|
| Employer                                          | Rs. 1200/-<br>p.m.                         | Rs. 1600/-<br>p.m.                        | Rs. 600/-<br>p.m.                 |
| Employee                                          | Rs. 400/-<br>p.m.                          | Rs. 600/-<br>p.m.                         | Rs. 600/-<br>p.m.                 |

(ii) Conveyance provided:-

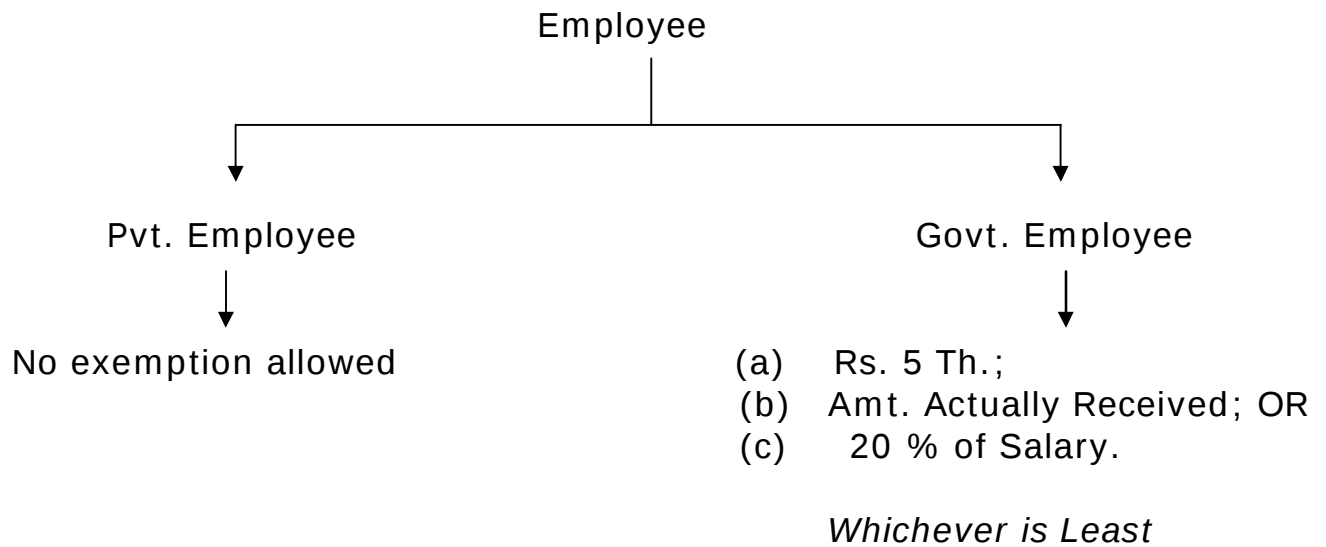
Use of M. Car for:

| <b><u>Pvt. Purpose</u></b>        | <b><u>Partial Pvt. Purpose</u></b>                       |
|-----------------------------------|----------------------------------------------------------|
| Running &<br>Maintenance<br>Exps. | Actually Incurred by<br>Employer reduce by Rs.<br>600/-. |

\* **DEDUCTIONS** :-

**(u/s 16)**

(i) Entertainment Allowance :-



(ii) Profession Tax :-

→ On the Payment Basis.