Salary

Sec 15: Charging Section

Salary taxable – due or receipt – whe is earlier.
↳ Income from employer – employee relationship.

Sec 17(i) – Salary included –
Basic Pay, Allowances (Read in case), Bonus, Commission, Perquisites, Retirement Benefits & Profits in lieu of Salary.

Allowances (in cash)

Sec 10(14)(i)
Exemptions on basis of actual expense incurred for official purposes.
1. Travelling Allowances
2. Daily Travelling Allowances
3. Uniform Allowance
4. Academic Pursuit Allowance
5. Helper Allowance

Sec 10(14)(ii)
Fixed Exemptions
1. Child Education Allowance (Max ₹100pm per child Max 2child)
2. Child Hostel Allowance (Max ₹300pm per child Max 2child)
3. Tribal Area Allowance (Max ₹200 pm)
4. Transportation Allowance (Disabled – ₹3200 pm max)
5. Special Transportation Allowance (Related to employees whose employer – Business of Transportation
least is exempt:
① 70% of Allowance
② ~~Max ₹10000 pm~~

Fully Taxable
1. City Compensatory Allowance
2. Medical Allowance
3. Telephone Allowance
4. Dearness Allowance
5. Deputational / Project Allowance

Sec 10(13A): (Employees to Help in payment of House (residential) rents)
House Rent Allowance
least is exempt:
① Actual HRA received
② 40% of Salary (50% for metro City)
③ Rent paid by employee – 10% of salary

Salary = Basic + Dearness Allowance (forming) + Commission (% of turnover)

Perquisits (Personal Benefits) Sec 17(2)

Non Taxable Perks

1. Use of Telephone / Mobile
2. Use of Laptop / Computer
3. Lunch facily (Exempt ~~₹50~~ ₹50/meal) Rule 3(7)(iii)
4. Gifts (upto ₹5000 exempt) Rule 3(7)(iv)
5. Medical Insurance premium paid by employer

Rule 3(7)(viii) Transfer of Movable Asset

Car	Computer	Any other Item
for every COMPLETED YEAR reduce 20% notional dep" on WDV Basis	for every COMPLETED YEAR 50% notional Dep" on WDV Basis	for every COMPLETED YEAR reduce 10% notional Dep" on SLM basis
Date of transfer (WDV − Sale value)		is Taxable

Rule 3(1) Rent Free Accomodation

- Govt. Employees → Taxable = Fair Rental Value
  - Simultaneous Accomodation
    - 90 days (anyone taxable)
    - 90 days both Taxable
    - After
  - Yes → Population of City?
    - > 25 lacs → 15%
    - ≤ 25 lacs > 10 lacs → 10%
    - ≤ 10 lacs → 7.5%
  - No. → of Salary is Taxable
- Non Govt. Employees → House owned by employer
  - Yes → least is Taxable
    - ① Actual Rent Paid by employer
    - ② 15% of Salary (Hotel − 24% of Salary)
  - No. → T.V. of unfurnished Rent free Accomodation + Use of furniture (Rule 3(7)(vii)) TV of furnished Rent free Accomodation (−) Amt. reimbursed by employee to employer T.V. of furnished concessional Accomodation

Salary = Basic
+ All Taxable Allowance (DA - forming part)
+ Bonus
+ Commission

Rule 3(7)(vii) Use of Movable assets

① Telephone — Not Taxable

② Furniture / Electronics

- Owned by employer → 10% of Actual cost is Taxable
- Not owned by employer → Hire Charges paid by employer

Rule 3(5): Educational Facility

- Provided to employee → NOT TAXABLE
- Provided to family members of employee → Educational Institute owned by employer
  - Yes → Outside Students admitted?
    - Yes → Fees chargable from outsiders → Taxable
    - No → Fees charged by similar schools providing similar facilities in similar locality → Taxable.
  - No → Taxable - Actual fees paid by the employer

If Education Institute is owned by employer (and) facility is provided to Children of employee then ₹ 1000 pm is exempt

Rule 3(3): Personnel Facility

(Cook, Sweeper, watchman, Gardener etc)

- Provided by employer → Taxable to specified employees
- Employed by employee but expenses are given by employer → Taxable to all employees

Specified employee = Salary > 50000 p.a.

Rule 3(2): Use of Motor Car

Car provided by employer

- For Official Purpose only → NOT TAXABLE
- fully for personal Purpose → Owned by employ?
  - Yes → 10% p.a of actual cost
  - No → Actual cost paid by employer
  - ⊕ Running, Repair & Maintenance cost given by employer
  - ⊕ Driver's salary Paid by employer
  - (-) Amt reimbursed by employer
  - → Taxable
- Partly official and Partly personal → Running, Repairs & Maintenance borne by employer?
  - Yes → Engine Capacity?
    - >1600 cc → 2400pm
    - ≤1600 cc → 1800pm
    - >1600 cc → 900pm
    - ≤1600 cc → 600pm
    - ⊕ Driver's salary by employer – 900pm
    - Amt reimbursed does not reduce Taxable value
  - No → NOT TAXABLE

Car Owned by employee & Expenses by employer

- fully for offical purpose → NOT TAXABLE
- fully for personal purpose → Expenses incurred by employer is TAXABLE
- Partly offical and partly personal → Actual expenses incurred by employer is Taxable
  - (-) Exemption (Min)
  - Car: 1800pm (≤1600 cc) | 2400 pm (>1600 cc)
  - Driver: 900pm
  - if employee maintain log book & employer certificate is provided exemption to to that extent.

Rule 3(4): Gas / Electricity / Water Facility

- Connection in name of employer → TAXABLE to Specified employees
- Otherwise → Taxable to all employees

If Gas / Electricity is provided by employer from own source then manufacturing cost is taxable.

Rule 3(7)(v): Club Facility

Taxable Value – Amount Paid by employer to club.

Sec 17(2): Medical Facility in India

- Hospital owned by employer → NOT TAXABLE
- Govt. Hospital → NOT TAXABLE
- Hospitals approved by Chief Commissioner of Income Tax → NOT TAXABLE
- Private Hospital → TAXABLE VALUE = Actual expenses by employer.

Patient = Employee, Spouse, Children, (Parents, Brother, Sister) → Dependent of employee

Medical Facility outside India

- Treatment Expenses, lodging & accomodation → exempt to the extent certified by RBI (1 patient + 1 Attendent)
- Travelling expenses → If GTI > 2 lakhs TAXABLE

Rule 3(7)(i) Interest Free / Concessional rate of loan

- Petty cash loan upto ₹20000 p.a & loan for Medical purpose → NOT TAXABLE
- Otherwise → TAXABLE VALUE = O/s Principle × (Market Rate − Borrowing Rate) × no. of months / 12

Market Rate – Rate of SBI prevailing as on 1st day of P.Y.

Rule 3(7)(vi): Credit Card Facility

- Official purpose → NOT TAXABLE
- Personal Purpose → TAXABLE

Annual Maintenance Charges paid by employer – TAXABLE (Proportion of personal use)

Rule 3(7)(ix):

Any kind of facility not covered by preceeding rules are taxable (eg: food grains, Cereals etc)

Sec 17(2):

Taxable value of Perks under ESOP : difference between Fair market value and the price paid.

Sec 10(5): Leave Travel Concession (LTC) (only govt. employees)

It can be availed 2 times - block of 4 yrs (2018-2021) - Benefit only in India - Family (Employee, Spouse, Children, Brother, Sister, Parents)

CHILDREN

↳ Birth before 1/4/98 — any no. of children

↳ After 1/4/98 — max 2 children. (if 2nd child - Twins counted as 1)

MODE OF TRANSPORTATION

↳ Flight — economy class fare is exempt

↳ Railway — First class A/c fare is exempt

↳ Road → SRTC - Yes charge by them exempt
→ No First class AC fare is exempt (Railway)

Retirement Benefits

① Provident fund (during Course of Employment)

	Statutory P.F. (Govt. employees) SPF Act, 1925	Recognised P.F. (Non govt. employees) EPF Act, 1952	Unrecognised P.F.
① Employers contribution	Exempt	Exempt 12% of salary	–
② Employees contribution	Ded^n U/s 80C	Ded^n U/s 80C	–
③ Interest Income	Exempt	Exempt upto 9.5% p.a.	–

Salary : Basic + D.A (forming) + Commission (% of Turnover)

On Retirement

SPF - Exempt U/s 10(11)

RPF - Exempt U/s 10(12)

URPF - Employer's contribution + Interest credited
Taxable under salary Sec 17(3)
Profits in lieu of salary.

Employees' contribution — Exempt.
Interest on it — Taxable : IFOS

② Pension

- **Uncommuted** (every month, regular)
  - Govt. Employee (Fully TAXABLE)
  - Non Govt.
- **Commuted** (lump sum)
  - Govt. Employee → Fully Exempt U/s 10(10A)
  - Non Govt. Employee → Gratuity Recd?
    - Yes → 1/3 Pension is exempt (Total commuted Value) U/s (10(10A)
    - No → 1/2 Pension is exempt

③ Gratuity

- **During course of employment**
  - Govt. Employee (Fully TAXABLE)
  - Non govt.
- **leaving employment, Retirement, Become incapable to work or death**
  - Govt. Employee → Fully exempt U/s 10(10)
  - Non Govt. Employee
    - Payment as Per Payment of Gratuity Act (POGrA) → Exempt U/s 10(10)(iii)(a)
      - least of following Exempt
      - ① Actual Amt recd.
      - ② Max 20 lakhs
      - ③ last Month salary × 15/26 × Completed years of service
      - (Retirement 6m > = 1 year)
      - SALARY = Basic + DA (full)
    - Not as per POGrA → 10(10)(ii)(b)
      - ① Actual Amt recd.
      - ② Max 10 lakhs
      - ③ Avg salary last 10m × 1/2 × completed years
      - SALARY = Basic + DA (forming + Comm (% of TO)

④ Compensation under Voluntary Retirement Scheme
Sec 10(10)(C))
least of the following is exempt
① Actual Amount Recd.
② Max 5 lakh (once in lifetime)
③ Higher of 2:
(a) last month Salary × 3 months × complete years of service
(b) last month salary × No. of months left in service
Salary = Basic + DA (forming) + Commission (% of TO)

⑤ Sec 10(10AA) Leave Encashment

Recd. during cource of employment

Govt Employee
Fully TAXABLE

Non Govt.
Govt. Employee
↓
fully exempt

SALARY = Basic + D.A (forming)
+ Commission (% of TO)
Leave at Credit
= No. of Complete yrs × 1m (30days)
(-) leave availed.

Retirement, leave employment, becoming incapable to work, death

Non Govt employee
↓
Least of the following is exempt.
① Actual Amt. recd
② Max 3 lakhs
③ last 10 months total Salary
④ last 10 month Avg salary × leaves at credit
(max 1 month for every completed year)

⑥ Sec 10(10B) Exemption for Retrenchment Compensation
least is exempt.
① Actual amt recd.
② Max ₹5 lakhs (once in lifetime)
③ last 3m avg salary × 15/26 × Complete yr of service (6m > = 1yr)
(Basic + DA)

Sec 17(3)

Profits in lieu of Salary

① Employee's contribution & interest thereon recd from URPF

② Compensation under VRS & Retrenchment Compensation (After one exemption)

③ Compensation under keyman Insurance Policy recd by employee

(employee – PGBP Family – IFOS)

Deductions

Sec 16

(i & a) Standard Ded^n

Gross Salary or ₹40000 wh is lower.

(ii) Entertainment Allowance (only Govt. Employees)

least is ded^n

① Amt. recd. ② 1/5th of Basic Salary

③ Max 5000 p.a.

(iii) Professional Tax paid.

Relief U/s 89(1)

It is available from tax payable when arrears of salary is taxed on receipt basis.