Income Tax.

Salary

→ Theee should be employer / employee eelationship.

→ Basis of chaege :' Due or Receipt basis which evee is eaelioe'.

→ taxable

→ Foegoing of salary ! meeely an application of income&, is chaegeable to tax.

→ Not taxable

→ Sueeendee of salary : To CG.

→ salary so sueeendeeed would not be taxable in his hand & will be excluded from taxable income.

→ Advance Against salary !

→ It is on advance taken by an employee from his employer

→ It cannot be taxed as salary. just like a loan.

→ full time or part time employment does not matter,

→ Arrears of salary !

→ taxed in the year of receipts.

→ foregoing of salary is taxable
→ surrender of salary is not taxable.

→ Computation

Particulars	
Salary	XX
Allowances	XX
Perquisites.	XX
Total - Gross salary	(XX)
less: Deduction u/s 16.	
-16(ia) Standard deduction	(50,000)
-16(ii) Entertainment allowance.	(XX)
-16(iii) Profession Tax.	(XX)
Net Salary	XX

→ Allowances :

① House Rent allowance. (HRA)

→ given to allow the employee to pay rent for an accomodation.

→ HRA is exempt at least of the following:

① HRA Received

② 50% or 40% of Salary.

→ 50% for Metropolitical cities such Mumbai, Delhi, Chennai, Kolkata.

→ 40% for other than these.

③ Rent paid - 10% of Salary.

→ Salary for HRA purpose.

Salary = Basic + DA (R) + Comm (TO)

→ Place of Residence is important, not place of work.

(2) Enteetainment Allowance.

- deduction is allowed only to the Govt employee
- EA deduction is least of following.
  1. Actually received.
  2. ₹ 5,000 /- pa.
  3. 20% of Basic Salary.

(3) Fully Taxable Allowances!

- Dearness Allowance,
- Enteetainment Allowance.
- Lunch /Tiffin allowance.
- Non - Practising allowance.
- overtime Allowance.
- Warden Allowance.
- Teanspoet allowance.
- City compensatory allowance.
- Fixed Medical Allowance
- Family Allowance.
- Servant Allowance.
- Interim Allowance.
- Project Allowance.
- Telephone Allowance.
- Any other Cash Allowance.

(4) Allowances where exemption is dependent on expenditure:

- Travelling Allowance (official purpose).
- Conveyance Allowance (official Purpose)
- Helper allowance / assistant allowance
- Academic allowance / Research allowance / Book Allowance.
- Uniform Allowance / Dress Allowance.
- Daily Allowance.

→

Amt. received	xx
(-) spent	(xx)
Taxable.	xx

(5) Fully exempt Allowances:

- Allowance payable to outside of India.
- Sumptuary Allowance
- Allowance received from United Nations of Organizations.
- Allowance to high court judges
- compensatory allowance ~~u/s~~ under article 222(2) of the constitution.

⑥ Allowance where exemption not depending upon expenditure (specified amt.)

→ Children Education Allowance:
exemption: ₹100 per month per child subject to 2 children.

→ Children Hostel Allowance:
Exemption: ₹300 per month per child subject to 2 children.

→ Transport allowance for Handicapped employee:
exemption: Max. ₹3,200 / month.

→ Underground allowance:
exempt: max ₹800 / month.

→ Tribal Area allowance:
exempt: max ₹200 / month.

→ Counter Insurgency allowance:
exempt: max. ₹3,900 / month.

→ Allowance to employee working in transport system
exempt: lower of ① 10,000 pm
② 70% of such allowance

→ Peequisites

Taxable in hands of both specified & Non-specified employee!

1 → Int. Ceedited to RPF:
exempt : upto 9.5%.

→ Employers Contribution to RPF
exempt: upto 12%. of Salary

→ Int. feee loans / loans at concessional Rates:
- If loan is upto ₹20,000 - exempt perq.
- If loan is taken for Medical purpose of diseased specified - exempt.

SBI Int. eate. > Int. eate on loan taken from employer:
then diff. of eate. x. loan amount = perq.

→ use of movable Asset.
peequisite = 10% p.a. of original cost of Asset.
- use of employers computer & laptop is exempt peequisite.

→ **Sale of Movable Asset.**

Perquisite = WDV - Sale price

• WDV is calculated as follows:

Particulars	Electronic items related to computer & laptops / Computers.	Motor car.	others.
Rate of depr.	50%	20%	10%
Method of depr.	WDV	WDV	SLM.

→ Depr. is calculated for completed no. of years.

→ **Perquisite in respect of Gifts, vouchers & token:**

Gift received in kind — exempt upto ₹5000 pa.

Gift received in cash / cheques - fully taxable.

→ **Travelling, Touring & Accomodation:**

perquisite = Expenses incurred by employer - exp. incurred for official purpose - amt. recovered from employee.

→ **Credit Card Expenses:**

Perquisite = Expenses incurred by employer - exp. incurred for official purpose - Amt. recovered from employee.

→ Club Expenditure:
peequisite = Expenses incureed by employer - exp. incureed foe official purpose - amt. recovered from employee.
following club expenditures are not taxable
→ Health club & Sports facility provide to all employees uniformly.
→ initial fees oe deposits for club membership

→ Lunch & Refeeshments:
peequisite = cost to employer - ₹50/meal - Amt. Recovered

→ Tea / non-alchoholic beveeages & snacks
→ not taxable as peequisite.

→ Employer's Contribution to Superannutation Fund:
peequisite = employers contribution - ₹150,000/-

→ Employee stock option plan / sweat equity.
peequisite = FMV as on the date of exceeeising option - cost to employee.

Rent Free Accomodation (RFA).

- Unfurnished.
  - Govt. Employee
    - license fees
      (-) Recovered
      Taxable.
  - Non. Govt Employee
    - Owned by Employer.
      - population of city.
        upto 15lakh - 5.1% of S.
        15lac - 40lac - 7.5% of S.
        above 40lac - 10% of S.
        (-) Recovered.
        Taxable.
    - Hired by Employer
      - lower of
        ① Actual Rent.
        ② 15% of salary
    - Hotel.
      - upto 15days → Nil.
        Beyond 15 days → 24% of salary
        (-) Recovered
        Taxable.
- Furnished.
  - value of unfurnished xx
    (+) Furniture : xx
    • owned.
    10% of Actual cost.
    • Hired
    Hiring chrgs.
    (-) Recovered. (xx)
    Taxable xx

Salary = Basic + DA(R) + Commission (TO) + Bonus + All Taxable Allowance.

Taxable in hands of Specified Employees :

Specified Employees :
→ person employed as a director of company.
→ person who have 20% of voting power in a company i.e. substantial interest.
→ Annual income from Salary exceeds ₹ 50,000.

① facility of Sweeper, gardner, watchman, domestic seevantiete :
→ peequisite = amt. of exp. incurred by employer (-) Recovered from employee.

② Education facility :

→	School maintained by Employer.		Education cost Reimburssed
	cost Pm < 1000..	Nil.	cost to ER (-) Recovered.
	cost pm > 1000.	cost in similar school (-) Recovered.	

→ exemption in perquisite is only available for employere's child. & if education facility given by ER to EE' any other family member then it is fully taxable.

③ Gas / Electricity / water facility.

Connection in the name.

Employer = Taxable only to specified employees.		Employee = Taxable to all employees.	
manufacturing cost per unit.	XX	Actual cost to ER.	XX
(-) Recovered.	(XX)	(-) Recovered.	(XX)
Taxable.	XX.	Taxable.	XX

④ Travel Facility:

If employer is engaged in transportation business.

① Rail Air → Nil.

② other → Amount charged from public for such facility is taxable in the hands of specified employee (-) Recovered.

In other cases → Actual cost of employer for such facility is taxable in the hands of all employee (-) Recovered from employee.

⑥ Medical facility:

In India → Exempt → Hospital maintained by ER.
→ Govt. Hospital.
→ Approved Hospital.
→ Any health insurance/ group insurance.

→ Taxable → Reimburssment in peivate hospital is fully taxable.

Outside India. → Medical Treatment → exempt upto an amt. specified by RBI.

→ Stay in abroad. → exempt upto an amt. specified by RBI.

→ Travel: → GTI ≤ 2L → Nil.
GTI > 2L → fully Taxable.

⑥ Leave Travel Concession.

→ Travel assistance extended by ER → EE for going anywhere in India along with family members

→ family members

- spouse, children
- Mother, father, Brother & sister if wholly & mainly dependent on employee.

Exemption: LTC Received or expenditure incurred ↓

• Points to be noted:

→ exemption shall not be available to more than 2 surviving children.

→ above rule is not applicable in case of multiple births after one child. (twins in 2nd delivery)

ex. LTC Received = 100,000/-

Exp. for ~~f~~ = 90,000/- family consists, employee, spouse, 3 children. ∴ ~~exemptn~~ = $\frac{90,000}{5}$ = 18,000 ∴ exemptn = 18,000 × 4 = 72,000/- Taxable = 28,000/-	if there is multiple birth (twins) after 1st child. then $\frac{90,000}{5}$ = 18,000. ∴ exemption = 18,000 × 5 = 90,000/- Taxable = 10,000/-

(7)

Motor vehicle (Perquisite values).

Owned by ER.

Maintained by ER.

Official. → Nil.

Personal. → exp. incurred by ER (+) 10% p.a. of Actual cost (+) Hiring chrg (-) Recovered.

~~Off~~ Both.

cc upto 1.6 litre	1800pm (+) 900 for driver.
cc above 1.6 litre	2400pm (+) 900.

Here, amt recovered ~~(-)~~.

Maintained by EE.

Both.

cc upto 1.6 ltr.	600 pm (+) 900 pm for driver.
cc above 1.6 ltr.	900 pm (+) 900 pm for driver

Owned by EE.

Maintained by EE. → Nit.

Maintained by ER.

Official. → Nil.

Personal. → Actual cost to ER (-) Recovered.

Both. → Actual cost to ER (-) 1800/2400 pm. (-) 900 pm (if driver) (-) recovered

→ only completed month to be taken into consideration for calculation of months.
part of month is to be ignored.
such as 5 months 20 days → 5 months.
5 months 29 days → 5 months.

→ Retirement Benefits

Gratuity [sec 10(10)]

- during the service → Taxable.
- on Retirement.
  - ~~No~~ Govt. EE → exempt.
  - Non-Govt. EE.
    - Covered under GA
    - Not Covered under GA.
- after the death. → exempt.

Covered under GA

Actual Received.	XX.
(-) lower of	(XX)
① Actual..	
② ₹ 20,00,000	
③ 15/26 × last drawn salary × no. of yrs of completed or part thereof in excess of 6 months.	
Taxable Amt.	XX

Salary = Basic + DA.

Not Covered under GA

Actual Received	XX
(-) lower of	(XX)
① Actual	
② 20,00,000/-	
③ 1/2 × Avg. salary of 10m. preceding the month of retirement × no. of yrs of completed service.	
Taxable.	XX

Salary = Basic + DA (R) + Comm. (TO)

Pension [sec 10(10A)]

- During employment.
  - → Taxable.
- At the time of retirement.
  - Uncommuted.
    - → Taxable to all including Govt. employee.
  - Commuted.
    - Govt. employee. (whethee geatuity Received (Not).
      - → exempt.
    - Non. Govt employee..
      - Gratuity Received.

Actual	XX
(–) 1/3 of value of pension.	(XX)
	XX

      - Gratuity Not-received

Actual	XX
(–) 1/2 of full value of pension.	(XX)
	XX

- After the death of employee.
  - → Taxable under IFOS.

Notes

→ Pension Received from UNO is not taxable.

→ Relief u/s 89(1) available for commuted pension.

→ Full value of pension. = $\dfrac{\text{Commuted Amt. Received}}{\text{\% of Commutation}}$

Retrenchment Compensation

As per scheme of Central Govt.

→ amt. specified by CG.

Other.

Actual Rcvd.	xx
(–) lower of	(xx)
① Actual Rcvd.	
② max ₹ 500,000	
③ Amt. calculated as per industrial dispute Act, 1947.	
Taxable (eligible for relief under 89(1))	xx

Notes

→ If amt. recelv determined as per industrial dispute Act is not Given, then.

$\frac{15}{26}$ × Avg. salary of last 3 months × no. of yrs of completed service part thereof in excess of 6 months.

→ Salary = Basic + DA (R).

Leave Encashment / Leave Salary [Sec 10(10AA)]

During Employment
→ Fully taxable.

On Retirement

- **Govt. Employee**
  → Full exemt.

- **Non-Govt. employee**
  Actual Rvd.
  (–) lower of
  1. leave salary rcvd
  2. 10 months ~~avg~~ Avg salary
  3. ₹ 3,00,000
  4. leave at cr. in days / 30 × Avg salary for 10 months

While calculating leave at credit in months remember the following Rules:
→ for leave allowed, Income Tax ~~it~~ has a ceiling of 30 day per year.
→ Consider completed no. of years of service.

Voluntary Retirement Scheme :

⇒ Conditions to apply for VRS

→ an employee of specified undertaking.

⇒ Exemption

Actual Received.	xx.
(−) lowe of	(xx)
① Actual Rcvd.	
② Rs. 500,000.	
③ 3 months salary × completed yrs of services.	
④ Salary at time of Retirement × Balance of service left in months.	
Taxable →	xx

⇒ Guildeline Rule 2BA.

① Applied to employee completed 10 yrs of service or 40 yrs of age. (except public sector undertaking employee)

② not applicable to directors of Company & of Co-operative society.

Salary = Basic + DA(R) + Comm.(TO)

→ Taxability of Provident Fund:

Sec.	~~SPF~~ Particulars	~~RPF~~ SPF	~~URPF~~ RPF	URPF	PPF.
10(11)	Employer's Contribution → Benefit / perquisite.	Exempt	Exempt upto 12% of salary (HRA)	Exempt.	N.A.
10(11)	Interest Credited. → Benefit.	Exempt.	exempt upto 9.5% p.a.	Exempt.	Fully exempt.
80C.	Employees Contribution → investment → Deduction	Available	Available	Not Available	eligible for deductn u/s 80C.
10(12)	Lumpsum payment at the time of retirement/ Termination of service.	Exempt. u/s 10(11)	Exempt u/s 10(12). ★★★★★ अगर 5 साल काम किया है तो।	Taxable. ★★★★★	Exempt u/s 10(11)