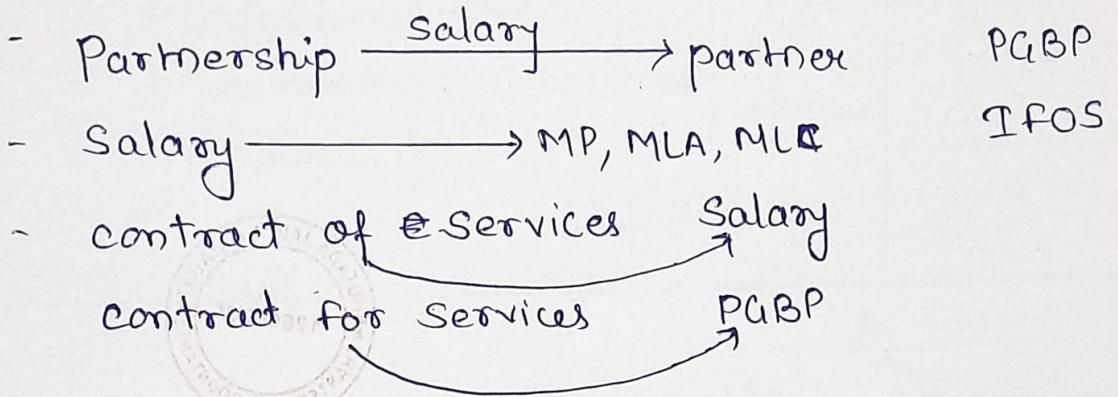


Salary

- Employee - Employer Relationship.
- due or received, whichever is earlier.



Computation of Salary

Particulars	✓
Basic Salary.	xxx
Dearness Allowance (D.A.)	xxx
Commission	xxx
Bonus	xxx
Advance salary / Arrears Salary.	xxx
Gratuity	xxx
Pension	xxx
Leave Salary	xxx
Allowances	xxx
Provident Funds	xxx
Voluntary Retirement Compensation	xxx
Super Annuation funds.	xxx

Retrenchment Compensation	xxx
Perquisite	xxx
<u>Gross salary</u>	xxx
Less: Deduction u/s 16:	
1. Professional Tax	(xxx)
2. Entertainment Allowance	(xxx)
3. Standard deduction	(xxx)
<u>Net salary</u>	xxx

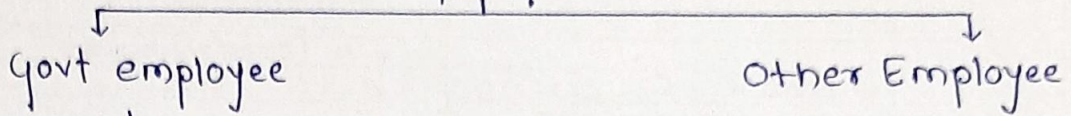
- Basic Salary → Fully Taxable
 - Dearness Allowance → fully Taxable, wheather 'in terms' or 'not in terms'.
 - Commission → fully Taxable, wheather it is turnover Commission or any other.
 - Bonus → Taxable,
 - on receipt basis.
 - declared is given → ignore.
 - Advance and Arrear Salary.
 - Advance - Taxable on receipt basis advance against salary, only advance is given then ignore to be Treated as loan.
 - Arrear - Taxable on due or received basis whichever is earlier.
- (dispute or increase retrospectively).

Gratuity

A. during the employment → Fully Taxable

B. at retirement

Exempt u/s 10(10)



Fully Exempt

POGA Employee

Non POGA Employee

Exempt Amt

Exempt Amt

1) $\frac{15}{26} \times \text{Salary Pm} \times \text{No. of yr of job}$
(round off if > 6m)

1) $\frac{1}{2} \times \text{Avg Salary} \times \text{No. of yr of job}$
(No round off)

2) Actual Amt received

2) Actual Amt received

3) Max 20 lakhs

3) Max 20 lakhs

Salary pm =

Latest Basic Salary xx

+ Latest DA (both) $\frac{xx}{xx}$

Avg salary (Don't

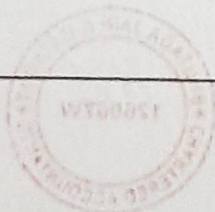
include months of retirement)

Avg Basic Salary (last 10m) xx

+ Avg DA (last 10m) xx

+ Avg T/O commⁿ (of last 10m)

xx

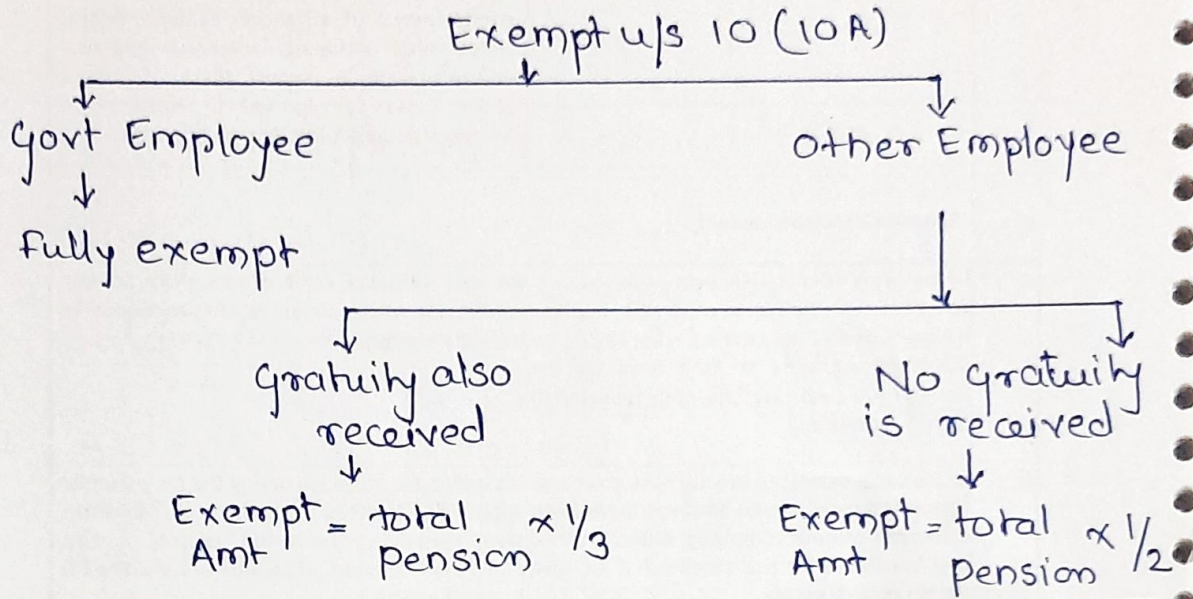


- Pension

uncommuted pension - monthly pension

↓
Taxable for All

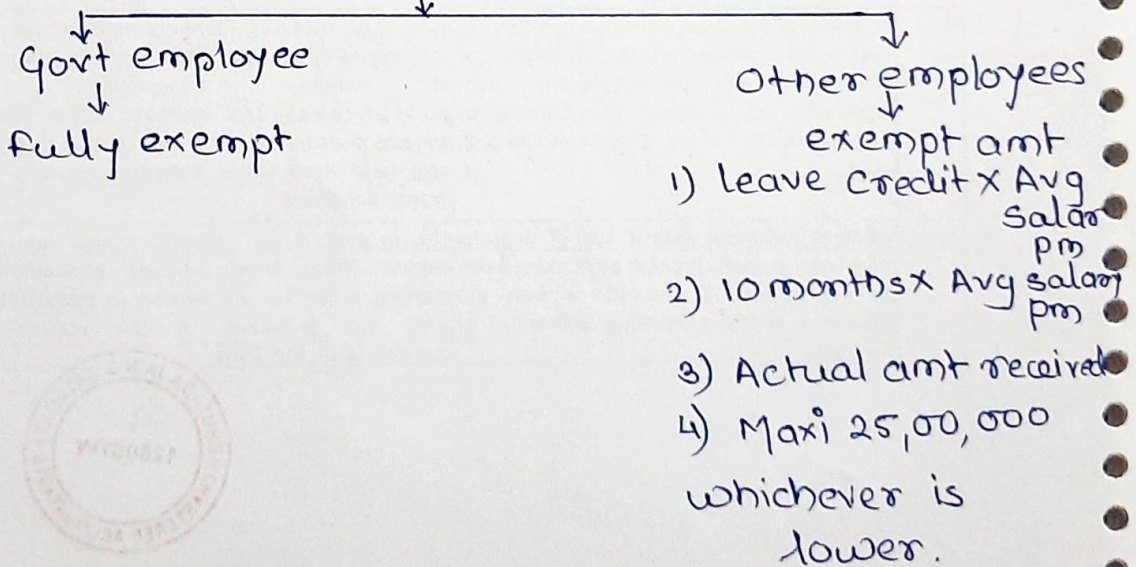
Commutated pension - Lumpsum pension



- Leave Salary

- encashment of unutilised leave

1. during employment - fully Taxable for all.
2. at the time of retirement



* Avg salary pm.

Avg Basic salary of last 10m x x

Avg DA (in terms) of last 10m x x

Avg T/O comm' of last 10m x x

—————
x x x

* leave credit

= leave allowed - leave taken

↓
(Max 30 days for every completed yr)

- Voluntary Retirement Scheme (VRS) (10(10C))

1. Salary pm x 3m x No of yrs of completion of service (ignore fraction)
 2. Salary pm x No of remaining months of service.
 3. Actual Amt received.
 4. Max ₹ 5,00,000.
- whichever is lower.

* Salary pm = Basic + DA(T) + T/O comm'.

- Retrenchment compensation (10(10B))

1. $15/26 \times$ Avg salary of 3m x No of yr of completion of service (>6 round off)
↓
(Basic + DA + T/O comm)

2. Maxi ₹ 500,000.
whichever is lower.

when employees are remove by company



Allowances

Allowance	Exempt u/s 10(14)
Commutation/Transport Allowance (office \longleftrightarrow home)	Max ₹ 3200 pm (in case of blind/deaf & dumb or handicapped)
children education Allowance	Max ₹ 100 pm per child (Max 2 child)
children Hostel Allowance	Max ₹ 300 pm per child (Max 2 child)
underground Allowance (Mines)	Max 800 ₹ pm
Trial Area Allowance	Max ₹ 200 pm
Allowance to employees of Transport undertaking.	Amount received \times 70% OR 10,000 pm.
Travelling or tour Allowance	} Exempt amt = Amount spent.
Conveyance Allowance	
uniform Allowance	
Daily allowance	
Helper allowance (for office purpose)	
Research Allowance/	

All other allowances are fully Taxable.

50% if metro cities (Mumbai, Delhi, Chennai, Kolkata). 40% for other cities.

House Rent Allowance u/s 10(13A)

- i) 40%/50% of salary (BS+DA(T)+T/O comm)
- ii) Actual Amount Received
- iii) Rent paid - 10% of salary (BS+DA(T)+T/O comm) whichever is lower.

- Provident fund

* Statutory provident fund

- Employee Contribution (ignore) **Deduction u/s 80C allowed**
- Int (exempt)
- Employer's Contribution (exempt)
- At retirement - (Exempt u/s 10(11))

* Recognised provident fund

- Employee Contribution (ignore) **Deduction u/s 80C allowed**
- Int (exempt **upto 9.5% pa**)
- Employer's Contribution (exempt **upto 12% of Salary**) (Salary = BS + DA + 10 com).
- At retirement - (Exempt u/s **10(12)**)

except
- retired due to
• ill health
• shut down of employer's business
• Transfer to new ER or NPS.

rendered service for **more than 5 yrs**

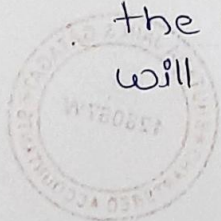
* Int on Contribution (exception)

- When employer + employee contrib^o

If employees contrib^o is $> 2,50,000$ ^{pa}, then
then Int received on amt exceeding 2,50,000 will be Taxable.

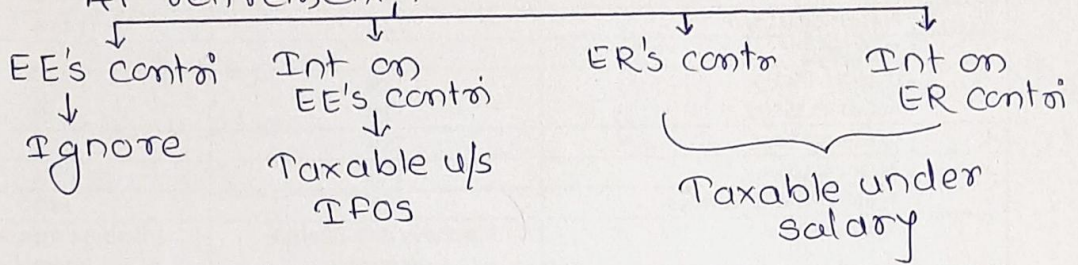
- When only employee contrib^o

Amt contrib^o is $> 500,000$ per yr. then
the Int received on amt exceeding 500,000 will be Taxable.



* unrecognised provident fund (URPF)

- Employee contri (ignore)
- Int (Exempt)
- Employer's contri (Exempt)
- At retirement,



- Super Annuation fund

a. Approved Super annuation fund.

- Employee contri (ignore)
- Int (Exempt)
- Employer contri (Exempt upto ₹ 750,000 p.a) (as per sec 17.(2)(vii))
- At retirement (exempt u/s 10(13))

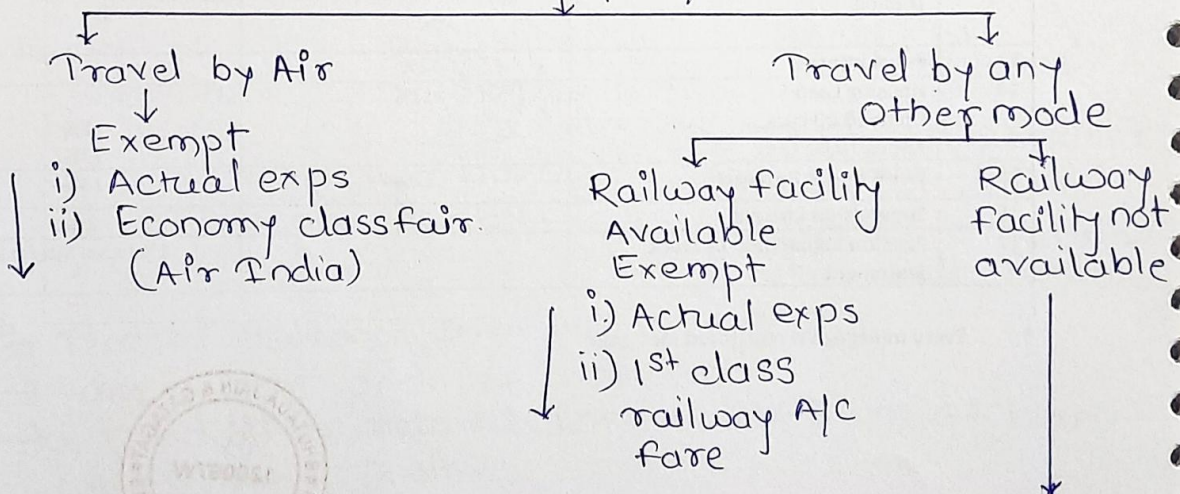
b. unapproved Super annuation fund.

- Same as URPF.

- Perquisites (sec 17(2))

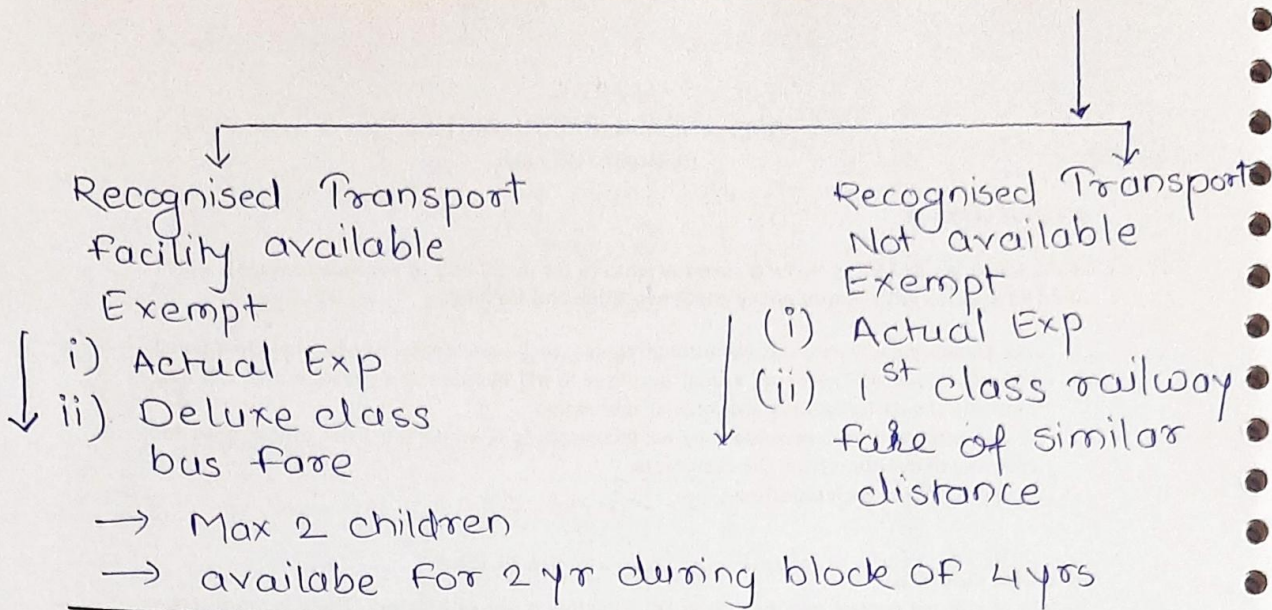
o. Leave Travel concession

Exempt u/s 10(5)

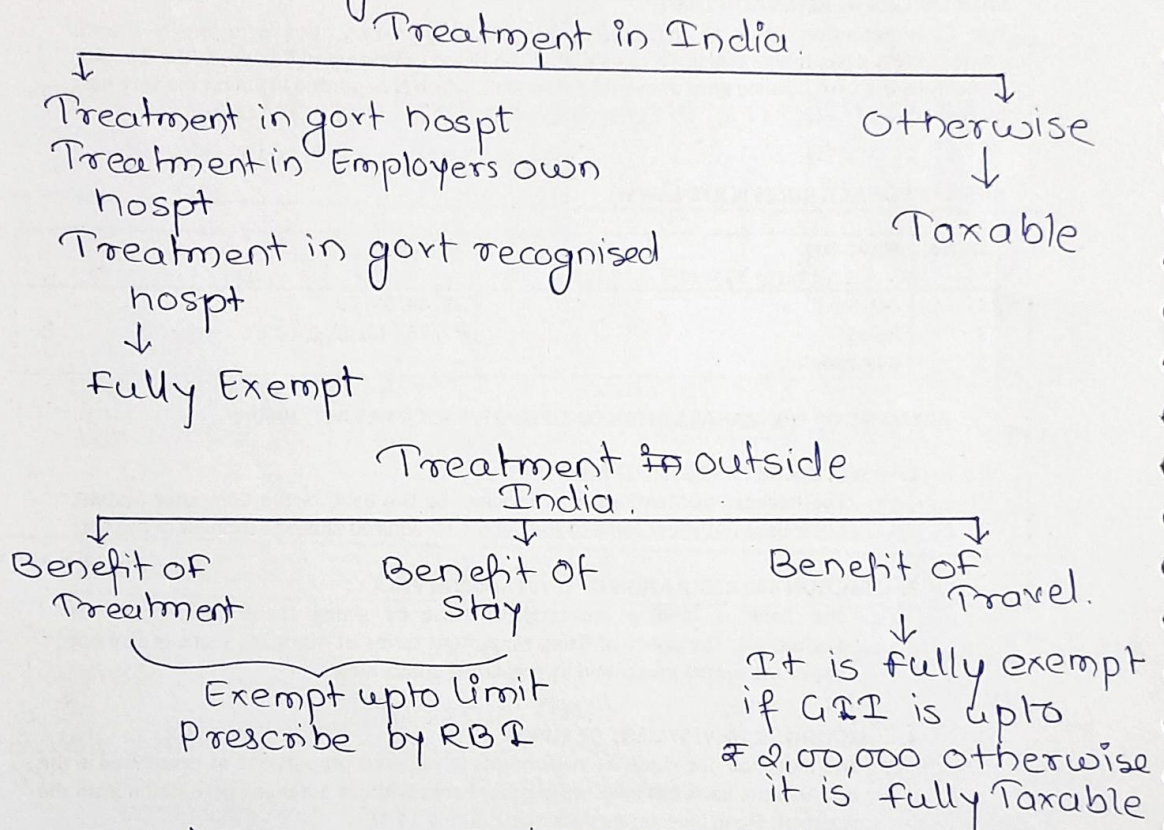


*. Public Provident Fund. (PPF)

- Employee contri (ignore) Deduction
u/s 80C
- Int (Exempt)
- Employer's contri NA as there is
only assessee's own contribution
- At Retirement (Exempt u/s 10(11))



→ Medical facility.



- Medical insurance premium exempt fully
- one patient and one attendant.
- Covid-19 or related illness within 6m of being determined positive.

- Employee loan, Employee

$$\text{Taxable amt} = \text{Loan amt} \times \left(\frac{\text{SBI Int - Actual Int}}{\text{rate}} \right)$$

→ upto 20,000 → not Taxable

→ for specified disease → not Taxable even if amt is more than ₹ 20,000.

◦ Gift.

a. Cash = Taxable

b. Kind = less than ₹ 5000 pa. → Exempt
 otherwise fully Taxable

◦ ESOP : Employee stock option plan.

$$\text{Taxable amt} = \text{FMV of share} - \text{Issue price}$$

FMV should be taken on date on which option is exercised by employee.

◦ Use of Movable asset.

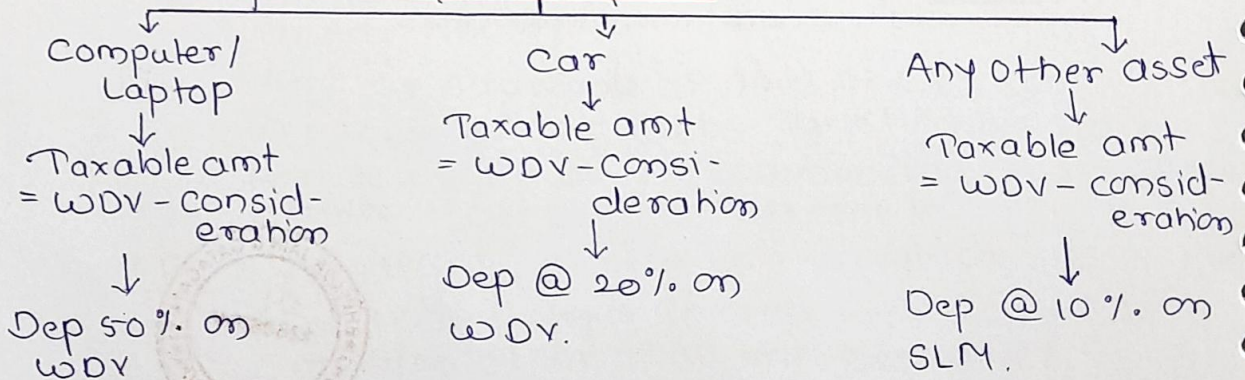
a. Computer / Laptop → fully exempt.

b. Other asset (TV, AC, etc)

◦ owned by Employer
 Taxable = 10% of cost
 amt

◦ Hired by Employer
 Taxable = Hire chrgs
 Paid by
 Employer.

◦ Transfer of Movable Assets.



* Note: Depⁿ should be computed for every completed for year.

• Lunch facility

- exempt upto ₹ 50 per meal, if lunch is provided in office premises or through paid voucher.

Note :- → Tea, coffee or breakfast provide in office - Not Taxable
→ Lunch is provided in remote area is not Taxable.

• Sec 17(2)(vii) :

- Employer contribution towards recognized provided fund (RPF), New Pension Scheme (NPS) referred up to 80CCD, Approved super annuation fund (ASF) in excess of ₹ 1,50,000 is treated as perquisite in hands of EE and Taxable.

• Sec 17(2)(viii) : Annual Accretion by way of Interest/dividend/similar amount on contribution of more than ₹ 1,50,000 by ER also treated as perquisite in hands of EE and Taxable

$$TP = (PC/2)^* R + (PCI + TP1)^* R$$

TP : Taxable perquisite under section 17(2)(viii) for current PY.

PC : Amt or Aggregate of Amts of ER's contribution in excess of ₹ 7.5 lakhs to RPF, NPS and ASF during the PY.

PCI : Amt or Aggregate of amts of ER's contribution in excess of 7.5 lakhs to RPF, NPS and ASF for the PY or yr commencing on or after 01/04/20 other than current PY.

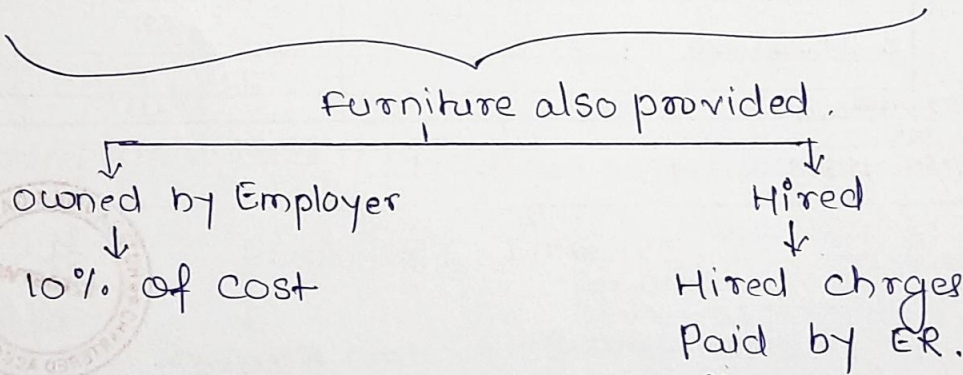
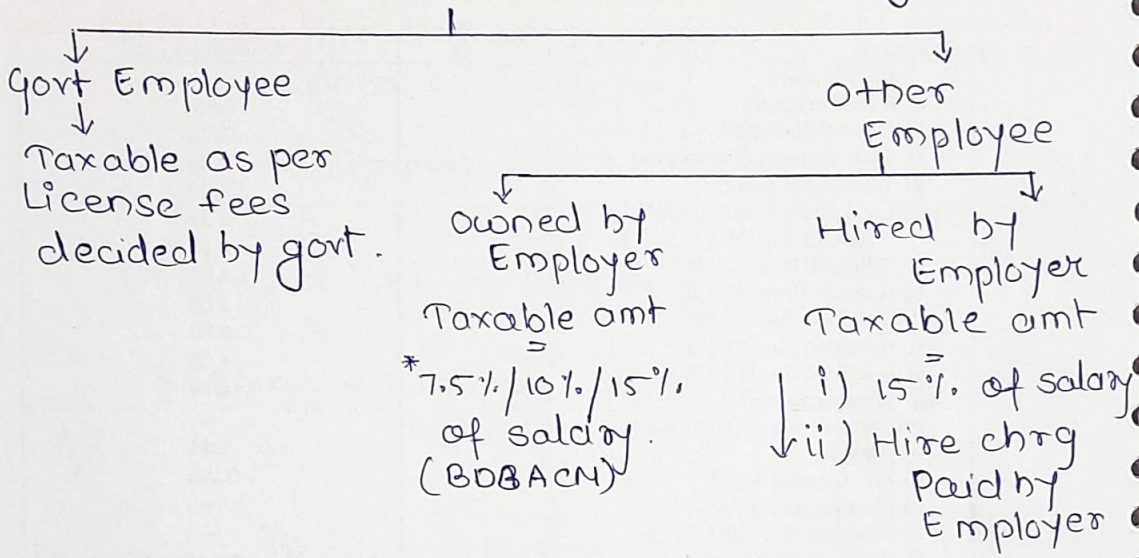
TP1 : Aggregate of Taxable perquisite u/s 17(2)(viii) for the yrs. or yrs commencing on or after 01/04/20 other than the current PY.

R : I / favg.

I : Amt or aggregate of amounts of income accrued during the current py in RPF, NPS and ASF.

Favg: (Amount or aggregate of amt of balance to credit of RPF, NPS and ASF on 01/04/22 + Amt or agg of amt of balance credit of RPF/NPS and ASF on 31/03/23) / 2.

◦ Rent free Accomodation (House facility)



Note: ① Population upto 10 lakhs = 7.5%
> 10 lakhs upto 25 L = 10%
> 25 L = 15%.

- ② BOBACM
- B - Basic salary A - Taxable Allowance
 - D - Dearness Allowance (T) C - Commission (AI)
 - B - Bonus M - other Monetary income excluding Perks.

o. Hotel Benefit

- Taxable amt =
1. 24% of salary (BDABCM)
 2. Hire (Rent) chrg paid by Employer.

upto 15 days = not Taxable.

o. Car facility

→ car fully use for office purpose → Fully Exempt

→ car use for personal purpose car is owned by Employer = 10% of cost

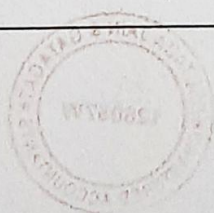
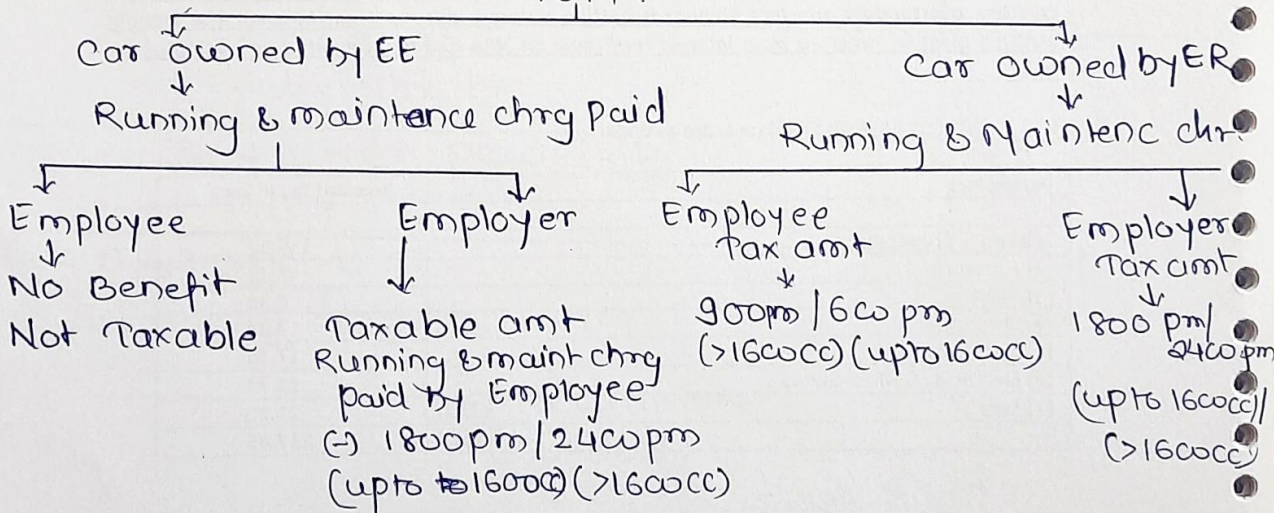
Hired by Employer OR = Hire chrgs Paid by ER

+ Drivers's salary (if paid by ER) = xxx

+ Running & maintenance chrg (by ER) = xxx

xxx

→ car is used for partly office & partly personal POPP.



◦ Transport Facility for Transport Employee

- i) for airlines & railway employee - Airline & Railway facility is fully exempt.
 - ii) for other employee - It is fully taxable.
-

◦ Education facility

1. For employee - fully exempt
 2. for children - It is exempt if value of education is upto ₹ 1000 pm per child & education is provided in employer's own institution or institution where tie ups. otherwise fully taxable
 3. for other relative - fully taxable.
-

◦ Gas, Electricity and water supply

→ fully taxable.

◦ Free Servant

→ fully taxable

◦ Free Servant

→ fully taxable

◦ Any other perquisite

→ fully taxable

- Professional Tax.

Paid by → Employer

↓
Add to statement
(Taxable)

↓
deduction u/s 16

Employee

↓

-

↓

Deduction
u/s 16.

- Entertainment allowance

1. 20% of Basic Salary.
 2. Actual amt received.
 3. Maxi ₹ 5000
- whichever is lower

- Standard Deduction

- ₹ 50,000

~~Following benefits NOT Available when assessee paid
Tax regime 115BAC~~

Following benefits are not available under
default regime 115BAC :

1. Exemption u/s 10(5) for leave Travel Concession
 2. Exemption u/s 10(13A) for HRA.
 3. Exemption of allowance u/s 10(14) Except DPOC
 4. Deduction u/s 16(ii) and (iii) for entertainment allowance & professional Tax.
 5. Exemption of perquisite for foods upto ₹ 50. per meal during office hours or through paid voucher.
-