



INCOME UNDER THE HEAD SALARIES

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PERQUISITES [Sec. 17 (2)]



- ▶ Perquisites are emoluments or benefits received from an employer, in addition to salary .
- ▶ Perquisites are included in salary income only if it is received by an employee from an employer . Perquisites , received from a person other than a employer ,are taxable under the head “Income from other sources”.

TYPES OF PERQUISITES

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graph TD; A[TYPES OF PERQUISITES] --> B[Perquisites taxable in the case of all employees]; A --> C[Perquisites taxable only in the hands of specified employees]; A --> D[Perquisites exempt in case of all employees];
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Perquisites taxable in the case of all employees

Perquisites taxable only in the hands of specified employees

Perquisites exempt in case of all employees

SPECIFIED EMPLOYEES:

- ▶ A Director employee– an employee who is a director in the employer company at any time during the previous year , is a specified employee.
- ▶ An employee who has substantial interest in the employer's company, i.e., if he/she is a beneficial owner of equity shares carrying 20% or more voting power in the employer company.
- ▶ Employee drawing in excess of Rs.50,000 (not covered in the above two categories), i.e. ,whose income chargeable under the head “Salaries” (excluding all benefits or amenities not provided by way of monetary payments) exceed Rs.50,000, is a specified employee.



Perquisites taxable in the case of all employees

Rent free unfurnished accommodation-

► For the purpose of valuation of perquisites in respect of unfurnished accommodation, employees are divided in the following 2 categories:

❑ **Central and State Government employees:** Valuation on the basis of **Licence Fees**.

Exception: *in some cases employees are fully exempt from tax like, Judges of High or Supreme Court; an official of parliament, a union minister, Leader of opposition in Parliament; serving Chairman/members of UPSC.*

❑ **Private Sector or Other Employees:** Valuation of the perquisites depends upon salary of the employee & lease rent of the accommodation.

Basis of Valuation & its Exceptions:

Population of City as per 2001 Census where accommodation is provided	Where the accommodation is owned by employer	Where the accommodation is taken on Lease/Rent by the employer
Exceeding 25 Lakhs	15% of salary in respect of the period during which the accommodation is occupied by the employee.	(a) 15% of Salary; or (b) Lease Rent (paid or payable by employer) Whichever is Less
Exceeding 10 Lakhs but not 25 Lakhs	10% of salary in respect of the period during which the accommodation is occupied by the employee.	
Any other	7.5% of salary in respect of the period during which the accommodation is occupied by the employee.	

Salary for RFA – How to Calculate

Salary includes:

- ▶ *Basic salary*
- ▶ *D.A. (forming part of retirement benefits)*
- ▶ *Bonus*
- ▶ *Commission*
- ▶ *Fees*
- ▶ *All other taxable allowances*
- ▶ *Monetary payments which are chargeable to tax.*

It excludes value of perquisites specified in Section 17(2) of Income-tax Act; employer's contribution to provident fund account of employee; lump-sum retirement benefits etc.

- **Salary from 2 or more employers: In respect of the period in which accommodation is provided salary from all employers are taken into consideration.**

Exceptions:

- ▶ When accommodation is located in a 'Remote area' (i.e., an area located at least 40km away from a town having population not exceeding 20,000), usually in case of mine work or dams etc.
- ▶ If perquisite is acquired on temporary nature (and having plinth area of 800 sq. ft. or less) which is located at least 8km away from local limits of a municipality or cantonment board provided to an employee working at a mining site or an offshore site, is not chargeable to tax.
- ▶ When on the account of the transfer of an employee from one place to another and he/she is provided accommodation at new place of posting while retaining the accommodation at other place . Here the value of the perquisite is determined from only 1 such accommodation which has lower value for a period not more than 90 days after which the value of perquisite shall be charged for both such accommodations.

Valuation of a Rent-Free Furnished Accommodation:-

1. A furnished accommodation (not in a Hotel, Motel, Service Apartment or Guest House): Value of such perquisites can be calculated by using the following steps:-
 - ▶ Find out the value of the accommodation in an unfurnished condition.
 - ▶ Add: The value of the furniture. If the furniture is provided by the employer then add 10 % p.a. of the actual cost else add the actual hiring charges if furniture is hired from third party.

2. A furnished accommodation in a Hotel, Motel, Service Apartment or Guest House: Value of such perquisite is determined in the following way:

- ▶ 24 % of the salary payable during such accommodation is provided in the previous year; or
- ▶ Actual charges paid by the employer to such hotel.

Whichever is **less**.

▶ **No perquisite value** if accommodation is provided in a hotel if the following 2 conditions are satisfied:

1. Such accommodation is provided for a period not exceeding 15 days and
2. It has been provided on the transfer of the employee from one place to another.

Valuation of Accommodation provided at Concessional Rent

1. Find out the valuation of the perquisite on the assumption that no rent is charged by the employer.
2. From Step 1) deduct the rent charged by the employer from the employee.

The remaining balance will be a taxable perquisite.

Monetary obligation of employee met by employer

- ▶ If any monetary obligation of employee has been fulfilled by employer on behalf of employee then whatever payment has been made by employer shall be treated as value of perquisite for employee.
- ▶ Taxable in the hands of all employees
- ▶ Examples:
 - ▶ Gas, electricity bill paid or reimbursed
 - ▶ Servant, watchman, etc. salary paid
 - ▶ Children education expenses paid or reimbursed
 - ▶ Medical expenses reimbursed
 - ▶ Income tax or professional tax paid by employer
- ▶ **Value of Perquisite = Actual amount Spent by employer**

Valuation of life insurance premium/deferred annuity premium paid/payable by employer

- ▶ Any sum payable by the employer, whether directly or through a fund other than a recognised provident fund or an approved superannuation fund or Deposit Linked Insurance Fund
 1. to effect an assurance on the life of the assessee or
 2. to effect a contract for an annuity

is a perquisite taxable in the hands of all employees.

- ▶ **Value of Perquisite = Actual expenditure incurred by employer**
- ▶ Since the payment of LIP was on behalf of the employee and the same has been included in the total income of the employee, such employee shall be entitled to a deduction under section 80C.
- ▶ **Exception:**

Employer pays insurance premium under certain schemes such as Employees' State Insurance Schemes, Fidelity Guarantee Scheme, it shall not be regarded as a perquisite for the employees

FRINGE BENEFITS

Interest free loan or at Concessional Rate of Interest

- ▶ Find out the outstanding monthly balance (on the last day of each month) and find out the interest rate by SBI on the first day of relevant previous year for the same purpose advanced by it.
- ▶ Calculate the interest of each month and deduct the amount actually recovered from the employee in the previous year.

Exception:

- ▶ If a loan is made available for the disease specified in Rule 3A. However, it is not applicable when loan has been reimbursed to the employee under any medical insurance scheme.
- ▶ When the amount of original loan does not exceed Rs 20,000.

VALUATION OF PERQUISITE IN RESPECT OF TRAVELLING, TOURING, ACCOMMODATION

When such facility is available uniformly to all Employees	Where such facility is maintained by employer and When such facility is not available uniformly to all Employees
<p>Taxable Value= Actual expenditure of the employer</p> <p>(–) Any amount recovered from the employee</p>	<p>Taxable Value= Value at which such facilities are offered by other agencies to the public</p> <p>(–) Any amount recovered from the employee</p>

Other points:

- 1) Where the employee is on an **official tour and the expenditure is incurred in respect of any member of his household accompanying him**, the amount of expenditure so incurred shall be taxable.
- 2) Where any **official tour is extended as an vacation**, the value of such perquisite will be limited to the expenses incurred in relation to such extended period of stay or vacation

Value of free food and non-alcoholic beverages

CASES	VALUE OF PERQUISITE
Tea or snacks (refreshment) provided during working hours	Nil
Free food and non-alcoholic beverages during working hours provided in a: (i) Remote area (ii) An off shore installation	Nil
Free food and non-alcoholic beverages during working hours provided (i) At office or business premise ; or (ii) Through paid vouchers which are not transferable and usable only at eating joints	Exempt up to Rs. 50 per meal i.e. taxable in excess of Rs. 50 per meal
In any other case	Actual expenditure incurred by the employer

Notes: 1. working hours include overtime, working on holidays, etc.
2. If any amount has been charged from employee then it should be deducted from value of perquisite.

VALUATION OF PERQUISITE IN RESPECT OF GIFT, VOUCHER OR TOKEN

- ▶ Gift may be made either to an employee or any member of his household on ceremonial occasions or otherwise.
- ▶ Taxable Value: Actual expenditure incurred by the employer.
- ▶ Gift in kind up to Rs. 5,000 (in aggregate) per annum is exempt.
- ▶ However, if it is in monetary terms (Cheque, cash, draft etc.) then it is fully taxable.

VALUATION OF PERQUISITE IN RESPECT OF CREDIT CARD FACILITIES

Cases	Value of Perquisite
Where expenditure (including membership fees and annual fees) are incurred by the employee or any other member of his household, which is charged to a credit card (including any add-on-card) provided by the employer and Such expenses are incurred wholly and exclusively for official purposes only	Nil
For any purpose other than mentioned above	Actual expenditure incurred or reimbursed by employer

Conditions to be satisfied to find out 'Expenditure for Official Use':

- Complete details related to date of expenditure and nature of expenditure should be maintained by employer.
- The employer gives a certificate for such expenditure to the effect that the same was incurred wholly and exclusively for the performance of official duties.

Note: If any amount has been charged from employee then it should be deducted from value of perquisite

VALUATION OF PERQUISITE IN RESPECT OF CLUB FACILITIES

Cases	Value of Perquisite
The payment or reimbursement by the employer of any expenditure incurred (including amount of annual or periodical fee) in a club by the employee or any other member of his household, Such expenses are incurred wholly and exclusively for official purposes only	Nil
For any purpose other than mentioned above	Actual expenditure incurred or reimbursed by employer

Conditions to be satisfied to find out 'Expenditure for Official Use':

- Complete details related to date of expenditure and nature of expenditure and its business expediency should be maintained by employer.
- The employer gives a certificate for such expenditure to the effect that the same was incurred wholly and exclusively for the performance of official duties.

Note: 1. If any amount has been charged from employee then it should be deducted from value of perquisite.
2. There would be no perquisite for use of health club, sports and similar facilities Provided uniformly to all employees by the employer.

PERQUISITE IN RESPECT OF USE OF MOVABLE ASSETS

Computer/laptop is provided by an employer to his employee

- ▶ Nothing is chargeable to tax in the hands of employee.

If any other movable asset is provided to an employee

- ▶ 10 per cent per annum of actual cost of asset to the employer;

or

- ▶ Hire charges paid or payable by employer

The above amount shall be reduced by any amount recovered from the employee and balance is a taxable perquisite in the hands of an employee.

PERQUISITE IN RESPECT OF TRANSFER OF MOVABLE ASSETS

Value of perquisite is determined as under:

Assets transferred	Value of perquisite
Computers and electronic items	Depreciated value of asset [depreciation is computed @ 50% on WDV for each completed year of usage]
Motor cars	Depreciated value of asset [depreciation is computed @ 20% on WDV for each completed year of usage]
Any other asset	Depreciated value of asset [depreciation is computed @ 10% on SLM for each completed year of usage]

Note: Where the employee is paying any amount in respect of such asset, the amount so paid shall be deducted from the value of perquisite determined above.

PERQUISITE IN RESPECT OF TRANSFER OF MOVABLE ASSETS

VALUE OF PERQUISITE = BOOK VALUE* - ACTUAL SALE PRICE

*Book Value = Actual Cost- Depreciation

Notes:

-> Normal Wear & Tear will be calculated only if the assets is used by the employer for his business purposes.
Only for completed years not for fraction of years.

->Electronic Gadgets means data storage and handling devices like computer, digital diaries and printers.

Other benefit or amenity



The value of any other benefit or amenity, service, right or privilege provided by the employer shall be determined on the basis of cost to the employer under an arm's length transaction as reduced by the employee's contribution, if any

Provided that nothing contained in this clause shall apply to the expenses on telephones including a mobile phone actually incurred on behalf of the employee by the employer.



Perquisites taxable in the hands of Specified Employees

Valuation of motor car/other vehicles

[Rule 3 (2)]

- ▶ Refer to PDF provided

Valuation of benefit of provision by the employer of services of a sweeper, gardener, watchman or personal attendant [Rule 3 (3)]

- ▶ **Value of perquisite = Actual cost to the employer**
Less (-)
Amount charged from employee (if any)
- ▶ The actual cost in such a case shall be the total amount of salary paid or payable by the employer or any other person on his behalf for such services

Valuation of gas, electricity or water supplied by employer to employee for his household consumption [Rule 3(4)]

Cases	Value of benefit
Where such supply is made from resources owned by the employer , without purchasing them from any other outside agency	Manufacturing cost per unit incurred by the employer
In any other case	Amount paid by the employer to the agency supplying the gas, electric energy or water

Note: If any amount has been charged from employee then it should be deducted from value of perquisite.

Valuation of free or concessional educational facilities to any member of employees' household

[Rule 3(5)]

- ▶ where the educational institution is itself maintained and owned by the employer or
- ▶ where free educational facilities for such member of employees' household are allowed in any other educational institution by reason of his being in employment of that employer
- ▶ **Value of perquisite = Cost of such education in a similar institution in or near the locality/amount of expenditure incurred by the employer**

Less (-)

Amount charged from employee (if any)

Valuation of free or concessional educational facilities to any member of employees' household

[Rule 3(5)]

Points to remember:

- ▶ Where such educational facilities are provided to the **children of the employee**, the value of perquisite shall be nil if cost of such education or the value of such benefit per child does not exceed ₹ 1000 per month.
- ▶ The exemption of ₹ 1000 per month is not available for the education facility of any other household members.
- ▶ Amount incurred by employer for providing **educational facility or training to employees is not taxable.**
- ▶ Payment of tuition fees or reimbursement of tuition fees is **chargeable to tax.**

Free or concessional journey given to transport employees and their family members

[Rule 3 (6)]

- ▶ The value of any benefit or amenity resulting from the provision by an employer
 - (i) who is engaged in the carriage of passengers or goods
 - (ii) to any employee or to any member of his household for personal or private journey free of cost or at concessional fare,
 - (iii) in any conveyance owned, leased or made available by any other arrangement by such employer for the purpose of transport of passengers or goods
- ▶ **Value of perquisite = Value at which benefit is offered by such employer to the public**
Less (-)
Amount charged from employee (if any)
- ▶ In the case of an employee of **airlines or railways, Value of perquisite is Nil.**

Valuation of any specified security or sweat equity shares

Taxable Value of Perquisite:

- **Fair Market Value** of shares or securities on the date on which employee exercises the option *minus* Any amount **Recovered/Paid** by the employee for such shares or securities.

FMV on the date of exercise of Option:

- **Listed on recognized stock exchange:** Average of Opening & closing exchange rate on the date of exercise of option.
- If Shares are **listed on more than one recognized stock exchanges:** Average of opening & closing price of the shares on the recognized stock exchange which records the highest volume of trading in the share.
- If there is **no trading on the date of exercise of option:** The closing price of share in any recognized stock exchange in India on the closet immediately preceding option date.
- Unlisted Shares: FMV will be determined by the Merchant Banker.

Year in which it will be Chargeable to tax:

- In the P.Y. in which shares or securities are allotted or transferred to him.

TAX TREATMENT OF SUPERANNUATION FUND

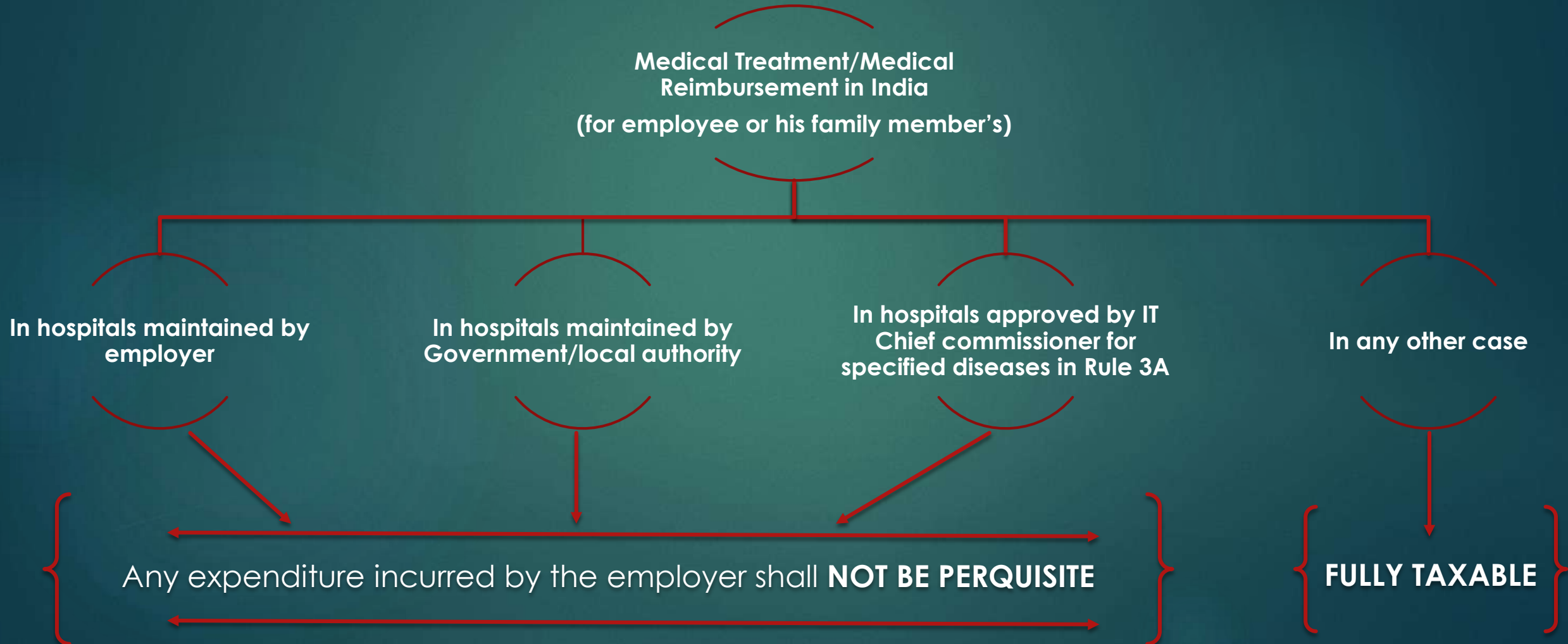
- ▶ It means a superannuation fund which is approved by the Commissioner of Income-Tax.
- ▶ Employer's Contribution: Up to ₹ 1,50,000 per annum is exempt from tax.
- ▶ i.e. amount to the extent it exceeds ₹ 1,50,000 shall be taxable perquisite in the hands of employee.

TAX FREE PERQUISITES



- ▶ Recreational facilities provided to group of employees by the employer
- ▶ Any expenditure incurred by the employer for providing **training to employees** or by way of payment of **fees of refresher courses** attended by employees.
- ▶ Use of health club, sports and similar facilities provided uniformly to all employees by employer
- ▶ Expenses on telephone, including a mobile phone, actually incurred on behalf of the employee by the employer.
- ▶ Premium paid by the employer on accident policy taken out by it in respect of employee
- ▶ Amount given by employer of assessee to assessee's child as scholarship
- ▶ Perquisites provided outside India by Govt. to its employees, who are citizen of India

Tax treatment of Medical facilities



Tax Treatment of Medical facilities

- ▶ Health insurance premium of an employee paid by employer under any scheme approved by the Central Government or the Insurance Regulatory and Development Authority **shall not be a perquisite**
- ▶ **Reimbursement** of Health insurance premium of an **employee or any member of his family** under any scheme approved by the Central Government or the Insurance Regulatory and Development Authority **shall not be a perquisite**
- ▶ **Notes:**
- ▶ Fixed **Medical Allowance** is always chargeable to tax.
- ▶ **'Family'** for medical facilities mean:
 - (i) the spouse and children of the individual ; (Children may be dependent/independent/ married/unmarried);and
 - (ii) the parents, brothers and sisters of the individual or any of them, **wholly or mainly dependent on the individual;**

**Medical facilities outside India
(for employee or his family member's)**

Travelling expenses of the patient & one attendant

Expenses of lodging (stay abroad) of patient & one attendant

Medical treatment expenses of patient

**Tax-free provided Gross Total Income does not exceed ₹ 2,00,000 (before including medical travel expenditure as perquisite).
Otherwise Fully Taxable**

Tax-free to the extent permitted by RBI

Illustration 4.31: Compute the taxable value of the perquisite in respect of medical facilities availed of by X from his employer in the following situations:

- (a) the employer reimburses the following medical expenses:
 - (i) treatment of X by his family physician ₹4,200
 - (ii) treatment of Mrs. X in a private nursing home ₹3,600
 - (iii) treatment of X's mother (dependent upon him) ₹1,200 by a private doctor
 - (iv) treatment of X's brother (not dependent upon him) ₹400
 - (v) treatment of X's grandfather (dependent upon him) ₹1,500
- (b) The employer pays an insurance premium of ₹3,000 under a health insurance scheme on the health of X.
- (c) The employer maintains a hospital for the employees where they and their family members are provided free treatment. The expenses on treatment of X and his family members during the previous year 2019-20 were as under:

	₹
(i) treatment of X's major son (dependent upon him)	2,200
(ii) treatment of X	5,200
(iii) treatment of X's uncle	4,600
(iv) treatment of Mrs. X	8,000
(v) treatment of X's widowed sister (dependent upon him)	4,100
(vi) treatment of X's handicapped nephew	2,500

- (d) Expenses on cancer treatment of married daughter of X at Tata Memorial Hospital, Mumbai (an approved hospital for this purpose) paid by the employer ₹50,000 and reimbursement of expenses for medical treatment of himself amounting to ₹20,000.
- (e) The following expenses on treatment of X's major son outside India were paid by the employer.

		<i>Actual expenses</i>	<i>Expenses permitted by RBI</i>
		₹	₹
(i)	Actual medical expenses	75,000	60,000
(ii)	Expenses on stay abroad of X's son and brother who accompanied the patient	65,000	45,000
(iii)	Travelling expenses of X's son and X's brother	1,20,000	—

Assume that the other income of X is (a) ₹1,50,000 (b) ₹1,80,000.

Solution: (a)

Valuation of Leave Travel Concession in India

- ▶ LTC is exempted only when the employee along with his family travels anywhere in India in the specified block of four years.
- ▶ **When the journey is performed by Air:** The amount of economy class airfare of the national carrier by the shortest route or the actual amount spent, whichever is less is exempted.
- ▶ **When the journey is performed by Rail:** The amount of first class rail fare by the shortest route or the actual amount spent, whichever is less is exempted.
- ▶ **When the origin and destination are not connected by rail:**
 - > **If a recognised public transport exist:** The first class deluxe fare by the shortest route or the amount spent whichever is less is exempted.
 - > **If there is no recognised public transport exist:** The first class rail fare by the shortest route (as if the journey is performed by rail) or the amount spent, whichever is less.

Notes

▶ Family includes:

-> Spouse

-> Children (Maximum 2 surviving children born on or after October 1, 1998); the children born out of multiple births after the first child will be treated as 'one child only')

-> Parents, Brothers and Sisters of employee, who are wholly and mainly dependent upon the employee.

Notes

- ▶ Only 2 journeys in a block of 4 years is exempt.
- ▶ Different blocks are: first block was Calendar Years: 1986-1989
 - > Calendar Years: 2010-2013
 - > Calendar Years: 2014-2017
 - > Calendar Years: 2018-2021
- ▶ Carry-Over Concessions: If an assessee haven't availed the travel concessions on one or both journeys, exemption can be claimed in the first calendar year of the next block (for one journey only)
- ▶ LTC can be claimed for the journey undertaken while on leave during the tenure of service or even after retirement/termination from service
- ▶ If **LTC is encashed** i.e. no journey has been performed then amount of LTC is **fully taxable**.

Profits in lieu of Salary [Sec. 17 (3)]

- ▶ **any compensation** in connection with the **termination of his employment or the modification of the terms and conditions**
- ▶ **Payment from an URPF or an unrecognized superannuation fund-** accumulated balance employer's contribution and interest thereon at the time of termination or retirement
- ▶ **Payment under Keyman Insurance Policy**
- ▶ any amount due to or received, whether in lump sum or otherwise, by any assessee from any person—
 - (A) before his joining any employment with that person; or
 - (B) after cessation of his employment with that person.

TAX TREATMENT OF PROVIDENT FUND

	Statutory Provident Fund	Recognised Provident Fund	Unrecognised Provident Fund	Public Provident Fund
Employer's Contribution to Provident Fund	Exempt from Tax	Exempt up to 12% of Salary	Not taxable yearly	Employer does not contribute
Employee's Contribution (Deduction u/s 80C)	Available	Available	Not Available	Available
Interest credited to Provident Fund	Exempt from Tax	Exempt upto notified rate of interest; i.e., 9.5%	Not taxable yearly	Exempt from Tax
Lump Sum Payment at the time of retirement or termination of service	Exempt from Tax	Exempt from tax except in some cases [Note 2]. If not exempt it will be treated as URPF	Only Employee's contribution is exempt [Note 3].	Exempt from Tax

Note 1

- ▶ Salary means basic salary plus commission if, based on percentage of turnover plus Dearness Allowance ,if it is part of Salary for computation of retirement benefits.

Note 2

- ▶ **Accumulated balance** payable to an employee participating in a Recognized provident Fund **shall be exempt in the hands of the employee** in the following situations:
 - > Services rendered for at least 5 years or more. The time of previous employer can be included if the previous employer also maintains the RPF and the PF balance of the employee is transferred by him to the current employer.
 - > Termination because of reasons beyond the control. Eg.: Ill health of the employee, discontinuation of the business by employer, completion of project, etc.
 - > If the employer resigns before 5 years and the balance with previous employer is transferred to current employer.
 - > If the entire balance standing to the credit of an employee is transferred to his account under a pension scheme referred to in Section 80CCD and notified by the Central Government (i.e., NPS)

Note 3

S.No.	Nature	Treatment
1	Employer's Contribution and Interest thereon	Taxable under the Head Salaries i.e. Profits in lieu of salary
2	Interest on Employee's Contribution	Taxable under the Head Income from Other Sources
3	Employee's Contribution	Not Chargeable to tax

Illustration 4.43: From the following particulars of Shri Ram Kishan, a manager of a firm, compute his taxable income from salary for the assessment year 2020-21.

		₹
(i)	Basic Salary (p.m.)	23,400
(ii)	D.A. (included in Salary for retirement benefits (p.m.)	4,000
(iii)	Own contribution towards recognised provident fund (p.m.)	2,880
(iv)	Employer's contribution towards recognised provident fund (p.m.)	2,880
(v)	Interest on RPF @13% (p.a.)	46,800
(vi)	House Rent Allowance ₹7,200 (p.m.), rent paid for house at Delhi	₹13,800 (p.m.)
(vii)	Medical Allowance (p.m.)	1,000
(viii)	Shri Ram Kishan was also provided with a motor car of 1.3 litre rating for his official as well as private use by the employer. Express of running and maintenance including depreciation are	₹40,000
(ix)	Professional tax paid	800

PERMISSIBLE DEDUCTIONS FROM SALARY INCOME

Particulars	
1) Standard Deduction [Sec 16(i)/(ia)]	From the A.Y. 2020-21: Rs. 50,000 or Amount of Salary, whichever is lower.
2) Entertainment Allowance [Sec 16(ii)]	<p>-> It is first included in Salary and thereafter a deduction is allowed.</p> <p>-> In case of Government employee (i.e., a Central Government or a State Government Employee), the least of the following is deductible:</p> <ul style="list-style-type: none">a) Rs. 5,000 ; orb) 20% of Basic Salary ; orc) Amount of Entertainment allowance granted during the P.Y. <p>-> In case of non-government employee, it is not deductible.</p>
3) Professional tax or tax on employment [Sec 16(iii)]	<p>-> it is levied by a State under Article 276 of the Constitution.</p> <p>-> It is available only in the year in which professional tax is paid.</p>

Note: where Professional tax is paid by the employer on behalf of employee, it will first be included in Gross Salary as perquisite and thereafter a deduction is allowed.

HOW TO CALCULATE SALARY INCOME

Particulars	Amount (Rs.)	Amount(Rs.)
Income From Salary	XXX	
Income by way of Allowances	XXX	
Taxable Value of Perquisites	XXX	
Gross Salary	XXX	XXX
Less:		
Standard Deduction	xxx	
Entertainment allowance	XXX	
Professional Tax	XXX	XXX
Income From Salaries		XXX

Deductions from Gross Total Income (GTI)

- ▶ In computing the total income of an assessee, being an individual or a Hindu undivided family, a deduction is allowed under section 80C from GTI on account of savings and investments made to the maximum amount of ₹ 1,50,000.
- ▶ Some of them are:
- ▶ Employee's contribution to SPF, RPF
- ▶ Assessee's contribution to PPF
- ▶ LIC premium paid by assessee for himself/herself or his/her spouse and his or her children
- ▶ Amount invested in NSC
- ▶ Contribution to Sukanya Samriddhi Account
- ▶ Payment to ULIP
- ▶ Term deposit for a fixed period of not less than 5 years with a scheduled bank
- ▶ Subscription to notified bonds issued by NABARD



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