
Income under the head Salaries

1. Salary is defined to include:

- a) Wages
- b) Annuity
- c) Pension
- d) Gratuity
- e) Fees, Commission, Perquisites, Profits in lieu of or in addition to Salary or Wages
- f) Advance of Salary
- g) Leave Encashment
- h) Annual accretion to the balance of Recognized Provident Fund
- i) Transferred balance in Recognized Provident Fund
- j) Contribution by Central Government or any other employer to Employees Pension Account as referred in 80CCD

2. Points to consider:

- a) Salary income is chargeable to tax on “due basis” or “receipt basis” whichever is earlier.
- b) Existence of relationship of employer and employee is must between the payer and payee to tax the income under this head.
- c) Income from salary taxable during the year shall consists of following:
 - i. Salary due from employer (including former employer) to taxpayer during the previous year, whether paid or not;
 - ii. Salary paid by employer (including former employer) to taxpayer during the previous year before it became due;

iii. Arrear of salary paid by the employer (including former employer) to taxpayer during the previous year, if not charged to tax in any earlier year;

Exceptions – Remuneration, bonus or commission received by a partner from the firm is not taxable under the head Salaries rather it would be taxable under the head business or profession.

3. Place of accrual of salary:

- a) Salary accrues where the services are rendered even if it is paid outside India;
- b) Salary paid by the Foreign Government to his employee serving in India is taxable under the head Salaries;
- c) Leave salary paid abroad in respect of leave earned in India shall be deemed to accrue or arise in India.

Exceptions – If a Citizen of India render services outside India, and receives salary from Government of India, it would be taxable as salary deemed to have accrued in India.

4. Taxability of various components of salary:

S.No.	Section	Particulars	Taxability/Exemption
1.	17	Basic salary	Fully taxable
2.	17	Dearness Allowance (referred to as 'DA')	Fully taxable
3.	17	Bonus, fees or commission	Fully taxable
A.	Allowances		

Least of the following is exempt:

a) Actual HRA Received

b) 40% of Salary (50%, if house situated in Mumbai, Calcutta, Delhi or Chennai)

c) Rent paid *minus* 10% of salary

* Salary = Basic + DA (if part of retirement benefit) + Turnover based Commission

Note:

i. Fully taxable, if HRA is received by an employee who is living in his own house or if he does not pay any rent

ii. It is mandatory for employee to report PAN of the landlord to the employer if rent paid is more than Rs. 1,00,000 [[Circular No. 08 /2013 dated 10-10-2013](#)].

4.	10(13A) read with Rule 2A	House rent allowance	
5.	10(14)	Children education allowance	Up to Rs. 100 per month per child up to a maximum of 2 children is exempt
6.	10(14)	Hostel expenditure allowance	Up to Rs. 300 per month per child up to a maximum of 2 children is exempt
7.	10(14)	Transport Allowance granted to an employee to meet expenditure for the purpose of commuting between place of residence and place of duty	Rs. 3,200 per month granted to an employee, who is blind or deaf and dumb or orthopedically handicapped with disability of lower extremities
8.	Sec. 10(14)	Allowance granted to an employee working in any transport business to meet his personal expenditure during his duty performed in the course of running of such transport from one place to another place provided employee is not in receipt of daily allowance.	Amount of exemption shall be lower of following: a) 70% of such allowance; or b) Rs. 10,000 per month.
9.	10(14)	Conveyance allowance granted to meet the expenditure on conveyance in performance of duties of an office	Exempt to the extent of expenditure incurred for official purposes
10.	10(14)	Travelling allowance to meet the cost of travel on tour or on transfer	Exempt to the extent of expenditure incurred for official purposes
11.	10(14)	Daily allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty	Exempt to the extent of expenditure incurred for official purposes

12.	10(14)	Helper/Assistant allowance	Exempt to the extent of expenditure incurred for official purposes
13.	10(14)	Research allowance granted for encouraging the academic research and other professional pursuits	Exempt to the extent of expenditure incurred for official purposes
14.	10(14)	Uniform allowance	Exempt to the extent of expenditure incurred for official purposes
15.	10(7)	Any allowance or perquisite paid or allowed by Government to its employees (an Indian citizen) posted outside India	Fully Exempt
16.	–	Allowances to Judges of High Court/Supreme Court (Subject to certain conditions) Following allowances and perquisites given to serving Chairman /Member of UPSC is exempt from tax: a) Value of rent free official residence b) Value of conveyance facilities including transport allowance c) Sumptuary allowance d) Leave travel concession	Fully Exempt.
17.	10(45)		Fully Exempt
18.	–	Allowances paid by the UNO to its employees	Fully Exempt
19.	Sec. 10(14) read with Rule 2BB	Special compensatory Allowance (Hilly Areas) (Subject to certain conditions and locations)	Amount exempt from tax varies from Rs. 300 to Rs. 7,000 per month.
20.	Sec. 10(14) read with Rule 2BB	Border area, Remote Locality or Disturbed Area or Difficult Area Allowance (Subject to certain conditions and locations)	Amount exempt from tax varies from Rs. 200 to Rs. 1,300 per month.
21.	Sec. 10(14) read with Rule 2BB	Tribal area allowance in (a) Madhya Pradesh (b) Tamil Nadu (c) Uttar Pradesh (d) Karnataka (e) Tripura (f) Assam (g) West Bengal (h) Bihar (i) Orissa	Up to Rs. 200 per month is exempt

22.	Sec. 10(14) read with Rule 2BB	Compensatory Field Area Allowance. If this exemption is taken, employee cannot claim any exemption in respect of border area allowance (Subject to certain conditions and locations)	Up to Rs. 2,600 per month is exempt
23.	Sec. 10(14) read with Rule 2BB	Compensatory Modified Area Allowance. If this exemption is taken, employee cannot claim any exemption in respect of border area allowance (Subject to certain conditions and locations)	Up to Rs. 1,000 per month is exempt
24.	Sec. 10(14) read with Rule 2BB	Counter Insurgency Allowance granted to members of Armed Forces operating in areas away from their permanent locations. If this exemption is taken, employee cannot claim any exemption in respect of border area allowance (Subject to certain conditions and locations)	Up to Rs. 3,900 per month is exempt
25.	Sec. 10(14) read with Rule 2BB	Underground Allowance to employees working in uncongenial, unnatural climate in underground mines	Up to Rs. 800 per month is exempt
26.	Sec. 10(14) read with Rule 2BB	High Altitude Allowance granted to armed forces operating in high altitude areas (Subject to certain conditions and locations)	a) Up to Rs. 1,060 per month (for altitude of 9,000 to 15,000 feet) is exempt b) Up to Rs. 1,600 per month (for altitude above 15,000 feet) is exempt
27.	Sec. 10(14) read with Rule 2BB	Highly active field area allowance granted to members of armed forces (Subject to certain conditions and locations)	Up to Rs. 4,200 per month is exempt
28.	Sec. 10(14) read with Rule 2BB	Island Duty Allowance granted to members of armed forces in Andaman and Nicobar and Lakshadweep group of Island (Subject to certain conditions and locations)	Up to Rs. 3,250 per month is exempt
29.	10(14)	City Compensatory Allowance	Fully Taxable
30.	10(14)	Fixed Medical Allowance	Fully Taxable
31.	10(14)	Tiffin, Lunch, Dinner or Refreshment Allowance	Fully Taxable
32.	10(14)	Servant Allowance	Fully Taxable
33.	10(14)	Project Allowance	Fully Taxable

34.	10(14)	Overtime Allowance	Fully Taxable
35.	10(14)	Telephone Allowance	Fully Taxable
36.	10(14)	Holiday Allowance	Fully Taxable
37.	10(14)	Any Other Cash Allowance	Fully Taxable

The exemption shall be limited to fare for going anywhere in India along with family twice in a block of four years:

- Where journey is performed by Air – Exemption up to Air fare of economy class in the National Carrier by the shortest route
 - Where journey is performed by Rail – Exemption up to air-conditioned first class rail fare by the shortest route
 - If places of origin of journey and destination are connected by rail but the journey is performed by any other mode of transport – Exemption up to air-conditioned first class rail fare by the shortest route.
 - Where the places of origin of journey and destination are not connected by rail:
 - * Where a recognized public transport system exists – Exemption up to first Class or deluxe class fare by the shortest route
 - * Where no recognized public transport system exists – Exemption up to air conditioned first class rail fare by shortest route.
38. 10(5) Leave Travel Concession or Assistance (LTC/LTA), extended by an employer to an employee for going anywhere in India along with his family*
 *Family includes spouse, children and dependent brother/sister/parents. However, family doesn't include more than 2 children of an Individual born on or after 01-10-1998.
 (Subject to certain conditions)

Notes:

- i. Two journeys in a block of 4 calendar years is exempt
- ii. Taxable only in case of Specified Employees [See note 4]

B. Perquisites

39.	17(2)(i)/(ii) read with Rule 3(1)	Rent free unfurnished accommodation provided to Central and State Government employees	License fees determined in accordance with rules framed by Government for allotment of houses shall be deemed to be the taxable value of perquisites.
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Taxable value of perquisites

i. If house property is owned by the employer, the taxable value of perquisite shall be:

A. 15% of salary, if population of city where accommodation is provided exceeds 25 lakhs

B. 10% of salary, if population of city where accommodation is provided exceeds 10 lakhs but does not exceed 25 lakhs

C. 7.5% of salary, if accommodation is provided in any other city

ii. If house property is taken on lease or rent by the employer, the taxable value of perquisite shall be:

i. Lease rent paid or payable by the employer or 15% of the salary, whichever is lower

*Salary includes:

a) Basic Pay

b) Dearness Allowance (only to the extent it forms part of retirement benefit salary)

c) Bonus

d) Commission

e) All other allowances (only taxable portion)

f) Any monetary payment which is chargeable to tax

But does not include

i. Value of any perquisite

ii. Employer's contribution to PF

iii. Benefits received at the time of retirement like gratuity, pension etc.

Note:

1) Rent free accommodation is not chargeable to tax if provided in remote area.

2) Rent free accommodation provided to High Court or Supreme Court Judges, Union Ministers, Leader of Opposition in Parliament, an official in Parliament and Serving Chairman and members

40. 17(2)(i)/(ii) read Unfurnished rent free accommodation provided to other employees

Taxable value of perquisites shall be computed in following manner:

a) Taxable value of perquisite assuming accommodation to be provided to the employee is unfurnished

41. 17(2)(i)/(ii) read with Rule 3(1) Rent free furnished accommodation

b) *Add:* 10% of original cost of furniture and fixtures (if these are owned by the employer) or actual higher charges paid or payable (if these are taken on rent by the employer).

c) *Less:* The value so determined shall be reduced by the amount of rent, if any, recovered from the employee

Accommodation provided in a hotel

Hotel accommodation will not be chargeable to tax if :

Taxable value of perquisite shall be lower of following:

42. 17(2)(i)/(ii) read with Rule 3(1) a) It is provided for a total period not exceeding in aggregate 15 days in the financial year; and

a) Actual charges paid or payable by the employer to such hotel; or

b) Such accommodation in hotel is provided on employee's transfer from one place to another place.

b) 24% of salary

43. 17(2)(viii) read with Rule 3(2) Motor Car / Other Conveyance

Taxable value of perquisites (*See Note 1 below*)

43A. 17(2)(iv) Any sum paid by employer in respect of any obligation of an employee

Fully Taxable

44. 17(2)(viii) read with Rule 3(3) Services of a domestic servant including sweeper, gardener, watchmen or personal attendant (taxable only in case of specified employee [See Note 4])

Taxable value of perquisite shall be salary paid or payable by the employer for such services *less* any amount recovered from the employee.

Taxable value of perquisites:

? Manufacturing cost per unit incurred by the employer., if provided from resources owned by the employer;

? Amount paid by the employer, if purchased by the employer from outside agency

Note:

1. Any amount recovered from the employee shall be deducted from the taxable value of perquisite.

2. Taxable in case of specified employees only [*See note 4*]

45. 17(2)(viii) read Supply of gas, electricity or water for with Rule 3(4) household purposes

46. 17(2)(viii) read Education Facilities with Rule 3(5)

Taxable value of perquisites (*See Note 2 below*)

47. 17(2)(viii) read Transport facilities provided by the employer engaged in carriage of passenger or goods (except Airlines or Railways) with Rule 3(6)

Value at which services are offered by the employer to the public *less* amount recovered from the employee shall be a taxable perquisite

48. 17(2)(v) Amount payable by the employer to effect an insurance on life of employee or to effect a contract for an annuity

Fully Taxable

Fair Market value of shares or securities on the date of exercise of option by the assessee *less* amount recovered from the employee in respect of such shares shall be the taxable value of perquisites.

Fair Market Value shall be determined as follows:

a) In case of listed Shares: Average of opening and closing price as on date of exercise of option (Subject to certain conditions and circumstances)

b) In case of unlisted shares/ security other than equity shares: Value determined by a Merchant Banker as on date of exercise of option or an earlier date, not being a date which is more than 180 days earlier than the date of exercise of the option.

Note:

The Finance Act, 2020 has deferred the taxation of perquisite in case of start-ups from date of allotment to the earliest of the following three dates:

1. Expiry of 48 months from the end of the relevant assessment year;
2. Sale of such shares by the employees;
3. Date on which employee ceases to be employee of the start-up.

The eligible start-up shall accordingly, be required to deposit tax with the government within 14 days of the happening of any of the above events (whichever is earlier).

However, Section 17(2)(vi) has not been amended, thus the income shall be computed in the year in which shares are allotted but tax shall be paid in subsequent year.

49. 17(2)(vi) read with Rule 3(8)/3(9) ESOP/ Sweat Equity Shares

50. 17(2)(vii) Employer's contribution towards superannuation fund Taxable in the hands of employee to the extent such contribution exceeds Rs.1,50,000

Interest free loan or loan at concessional rate of interest given by an employer to the employee (or any member of his household) is a perquisite chargeable to tax in the hands of all employees on following basis:

1) Find out the “maximum outstanding monthly balance” (i.e. the aggregate outstanding balance for each loan as on the last day of each month);

2) Find out rate of interest charged by the SBI as on the first day of relevant previous year in respect of loan for the same purpose advanced by it;

3) Calculate interest for each month of the previous year on the outstanding amount (mentioned in Step 1) at the rate of interest given in Step 2

4) From the total interest calculated for the entire previous year (step 3), deduct interest actually recovered, if any, from employee

5) The balance amount (Step 3-Step 4) is taxable value of perquisite

Nothing is taxable if:

a) Loan in aggregate does not exceed Rs. 20,000; or

b) Loan is provided for treatment of specified diseases (Rule 3A) like neurological diseases, Cancer, AIDS, Chronic renal failure, Hemophilia (specified diseases). However, exemption is not applicable to so much of the loan as has been reimbursed to the employee under any medical insurance scheme.

51. 17(2)(viii) read with Rule 3(7)(i) Interest free loan or Loan at concessional rate of interest

a) Taxable value of perquisite shall be expenditure incurred by the employer *less* amount recovered from employee.

52. 17(2)(viii) read with Rule 3(7)(ii) Facility of travelling, touring and accommodation availed of by the employee or any member of his household for any holiday
- b) Where such facility is maintained by the employer, and is not available uniformly to all employees, the value of benefit shall be taken to be the value at which such facilities are offered by other agencies to the public.

1) Fully Taxable: Free meals in excess of Rs. 50 per meal *less* amount paid by the employee shall be a taxable perquisite

2) Exempt from tax: Following free meals shall be exempt from tax:

53. 17(2)(viii) read with Rule 3(7)(iii) Free food and beverages provided to the employee
- a) Food and non-alcoholic beverages provided during working hours in remote area or in an offshore installation;
- b) Tea, Coffee or Non-Alcoholic beverages and Snacks during working hours are tax free perquisites;
- c) Food in office premises or through non-transferable paid vouchers usable only at eating joints provided by an employer is not taxable, if cost to the employer is Rs. 50(or less) per meal.

a) Gifts in cash or convertible into money (like gift cheque) are fully taxable

54. 17(2)(viii) read with Rule 3(7)(iv) Gift or Voucher or Coupon on ceremonial occasions or otherwise provided to the employee
- b) Gift in kind up to Rs.5,000 in aggregate per annum would be exempt, beyond which it would be taxable.

a) Expenditure incurred by the employer in respect of credit card used by the employee or any member of his household *less* amount recovered from the employee is a taxable perquisite

55. 17(2)(viii) read with Rule 3(7)(v) Credit Card
- b) Expenses incurred for official purposes shall not be a taxable perquisite provided complete details in respect of such expenditure are maintained by the employer

a) Expenditure incurred by the employer towards annual or periodical fee etc. (excluding initial fee to acquire corporate membership) *less* amount recovered from the employee is a taxable perquisite

56. 17(2)(viii) read with Rule 3(7)(vi) Free Recreation/ Club Facilities

b) Expenses incurred on club facilities for the official purposes are exempt from tax.

c) Use of health club, sports and similar facilities provided uniformly to all employees shall be exempt from tax.

Taxable value of perquisites

a) Use of Laptops and Computers: *Nil*

57. 17(2)(viii) read with Rule 3(7)(vii) Use of movable assets of the employer by the employee is a taxable perquisite

b) Movable asset other than Laptops, computers and Motor Car*: 10% of original cost of the asset (if asset is owned by the employer) or actual higher charges incurred by the employer (if asset is taken on rent) *less* amount recovered from employee.

*See *Note 1* for computation of perquisite value in case of use of the Motor Car

Taxable value of perquisites

a) Computers, Laptop and Electronics items: Actual cost of asset *less* depreciation at 50% (using reducing balance method) for each completed year of usage by employer *less* amount recovered from the employee

58. 17(2)(viii) read with Rule 3(7)(viii) Transfer of movable assets by an employer to its employee

b) Motor Car: Actual cost of asset *less* depreciation at 20% (using reducing balance method) for each completed year of usage by employer *less* amount recovered from the employee

c) Other movable assets: Actual cost of asset *less* depreciation at 10% (on SLM basis) for each completed year of usage by employer *less* amount recovered from the employee.

Taxable value of perquisite shall be computed on the basis of cost to the employer (under an arm's length transaction) *less* amount recovered from the employee.

59. 17(2)(viii) read with Rule 3(7)(ix) Any other benefit or amenity extended by employer to employee

However, expenses on telephones including a mobile phone incurred by the employer on behalf of employee shall not be treated as taxable perquisite.

60. 10(10CC) Tax paid by the employer on perquisites (not provided for by way of monetary payments) given to employee Fully exempt

a) Expense incurred or reimbursed by the employer for the medical treatment of the employee or his family (spouse and children, dependent – parents, brothers and sisters) in any of the following hospital is not chargeable to tax in the hands of the employee:

i. Hospital maintained by the employer.

ii. Hospital maintained by the Government or Local Authority or any other hospital approved by Central Government

61. Proviso to section 17(2) Medical facilities in India

iii. Hospital approved by the Chief Commissioner having regard to the prescribed guidelines for treatment of the prescribed diseases.

b) Medical insurance premium paid or reimbursed by the employer is not chargeable to tax.

However, the medical facility is taxable only in case of Specified Employees [See note 4]

Any expenditure incurred or reimbursed by the employer for medical treatment of the employee or his family member outside India is exempt to the extent of following (subject to certain condition):

62. Proviso to section 17(2) Medical facilities outside India

a. Expenses on medical treatment – exempt to the extent permitted by RBI.

b. Expenses on stay abroad for patient and one attendant – exempt to the extent permitted by RBI.

c. Expenditure incurred on travelling of patient and one attendant- exempt, if Gross Total Income (before including the travel expenditure) of the employee, does not exceed Rs. 2,00,000.

63. Proviso to section 17(2) Medical facility or reimbursement for COVID-19 treatment

Any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family in respect of any illness relating to Covid-19, shall not be taxable as perquisite in the hands of the employee. However, this benefit shall be allowed subject to certain conditions as may be notified by the Government in this behalf. [applicable w.e.f. Assessment Year 2020-21]

C. Deduction from salary

1. 16(ia) Standard Deduction

Rs. 50,000 or the amount of salary, whichever is lower (Any salaried person & pensioners)

Least of the following is exempt from tax:

a) Rs 5,000

2. 16 (ii) Entertainment Allowance received by the Government employees (Fully taxable in case of other employees)

b) 1/5th of salary (excluding any allowance, benefits or other perquisite)

c) Actual entertainment allowance received

3. 16(iii) Employment Tax/Professional Tax.

Amount actually paid during the year. However, if professional tax is paid by the employer on behalf of its employee than it is first included in the salary of the employee as a perquisite and then same amount is allowed as deduction.

**D. Retirement Benefits
Leave Encashment**

1. 10(10AA) Encashment of unutilized earned leave at the time of retirement of Fully Exempt Government employees
- Least of the following shall be exempt from tax:
- a) Amount actually received
 - b) Unutilized earned leave* X Average monthly salary
 - c) 10 months Average Salary**
 - d) Rs. 3,00,000
2. 10(10AA) Encashment of unutilized earned leave at the time of retirement of other employees (not being a Government employee)
- * While computing unutilized earned leave, earned leave entitlements cannot exceed 30 days for each completed year of service rendered to the current employer
- ** Average salary = Average Salary*** of last 10 months immediately preceding the retirement
- ***Salary = Basic Pay + DA (to the extent it forms part of retirement benefits)+ turnover based commission

Retrenchment Compensation

- Least of the following shall be exempt from tax:
- a) Amount calculated as per section 25F(b) of the Industrial Disputes Act, 1947;
 - b) Rs. 5,00,000; or
 - c) Amount actually received
3. 10(10B) Retrenchment Compensation received by a workman under the Industrial Dispute Act, 1947 (Subject to certain conditions). *Note:*
- i. Relief under Section 89(1) is available
 - ii. 15 days average pay for each completed year of continuous service or any part thereof in excess of 6 months is to be adopted under section 25F(b) of the Industrial Disputes Act, 1947

Gratuity

4. 10(10)(i) Gratuity received by Government Employees (Other than employees of Fully Exempt statutory corporations)

Least of following amount is exempt from tax:

1. (*15/26) X Last drawn salary** X completed year of service or part thereof in excess of 6 months.

2. Rs. 20,00,000

3. Gratuity actually received.

*7 days in case of employee of seasonal establishment.

** Salary = Last drawn salary including DA but excluding any bonus, commission, HRA, overtime and any other allowance, benefits or perquisite

Least of following amount is exempt from tax:

1. Half month's Average Salary* X Completed years of service

2. Rs. 20,00,000

3. Gratuity actually received.

*Average salary = Average Salary of last 10 months immediately preceding the month of retirement

** Salary = Basic Pay + DA (to the extent it forms part of retirement benefits)+ turnover based commission

5.	10(10)(ii)	Death -cum-Retirement Gratuity received by other employees who are covered under Gratuity Act, 1972 (other than Government employee) (Subject to certain conditions).
6.	10(10)(iii)	Death -cum-Retirement Gratuity received by other employees who are not covered under Gratuity Act, 1972 (other than Government employee) (Subject to certain conditions).
Pension		
7.	–	Pension received from United Nation Organization by the employee of his family members Fully Exempt
8.	10(10A)(i)	Commutated Pension received by an employee of Central Government, State Government, Local Authority Employees and Statutory Corporation Fully Exempt
9.	10(10A)(ii)	Commutated Pension received by other employees who also receive gratuity 1/3 of full value of commuted pension will be exempt from tax
10.	10(10A)(iii)	Commutated Pension received by other employees who do not receive any gratuity 1/2 of full value of commuted pension will be exempt from tax

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| 11. | 10(19) | Family Pension received by the family members of Armed Forces | Fully Exempt |
| 12. | 57(iia) | Family pension received by family members in any other case | 33.33% of Family Pension subject to maximum of Rs. 15,000 shall be exempt from tax |

Voluntary Retirement

Least of the following is exempt from tax:

1) Actual amount received as per the guidelines i.e. least of the following

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| 13. | 10(10C) | Amount received on Voluntary Retirement or Voluntary Separation (Subject to certain conditions) | <p>a) 3 months salary for each completed year of services</p> <p>b) Salary at the time of retirement X No. of months of services left for retirement; or</p> <p>2) Rs. 5,00,000</p> |
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Provident Fund

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| 14. | – | Employee's Provident Fund | For taxability of contribution made to various employee's provident fund and interest arising thereon <i>see Note 3.</i> |
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National Pension System (NPS)

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| 15. | 10(12A)/10(12B) | National Pension System | <p>Any payment from the National Pension System Trust to an assessee on closure of his account or on his opting out of the pension scheme referred to in section 80CCD, to the extent it does not exceed 60% of the total amount payable to him at the time of such closure or his opting out of the scheme.</p> |
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Note: Partial withdrawal from NPS shall be exempt to the extent of 25% of amount of contributions made by the employee.

E. Arrear of Salary and relief under section 89(1)

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| 1. | 15 | Arrear of salary and advance salary | Taxable in the year of receipt. However relief under section 89 is available |
| 2. | 89 | Relief under Section 89 | If an individual receives any portion of his salary in arrears or in advance or receives profits in lieu of salary, he can claim relief as per provisions of section 89 read with rule 21A |
| 3. | 89A | Relief under 89A | Relief from taxation in income from retirement benefit account maintained in a notified country in accordance with Rule 21AAA. |

F. Other Benefits

1. – Lump-sum payment made gratuitously or by way of compensation or otherwise to widow or other legal heirs of an employee who dies while still in active service [Circular No. 573, dated 21-08-1990] Fully exempt in the hands of widow or other legal heirs of employee
2. – Ex-gratia payment to a person (or legal heirs) by Central or State Government, Local Authority or Public Sector Undertaking consequent upon injury to the person or death of family member while on duty [Circular No. 776, dated 08-06-1999] Fully exempt in the hands of individual or legal heirs
3. – Salary received from United Nation Organization [Circular No. 293, dated 10-02-1981] Fully exempt
4. 10(6)(ii) Salary received by foreign national as an officials of an embassy, high commission, legation, consulate or trade representation of a foreign state Fully exempt if corresponding official in that foreign country enjoys a similar exemption
5. 10(6)(vi) Remuneration received by non-resident foreign citizen as an employee of a foreign enterprise for services rendered in India, if:
 - a) Foreign enterprise is not engaged in any trade or business in India
 - b) His stay in India does not exceed in aggregate a period of 90 days in such previous year Fully exempt
 - c) Such remuneration is not liable to deducted from the income of employer chargeable under this Act
6. 10(6)(viii) Salary received by a non-resident foreign national for services rendered in connection with his employment on a foreign ship if his total stay in India does not exceed 90 days in the previous year. Fully exempt
7. – Salary and allowances received by a teacher /professor from SAARC member state (Subject to certain conditions). Fully exempt

Notes:

1. Motor Car (taxable only in case of specified employees [See note 4] except when car owned by the employee is used by him or members of his household wholly for personal purposes and for which reimbursement is made by the employer)

S. No.	Circumstances	Engine Capacity up to 1600 cc	Engine Capacity above 1600 cc
1	Motor Car is owned or hired by the employer		
1.1	Where maintenances and running expenses including remuneration of the chauffeur are met or reimbursed by the employer.		
1.1- A	Used wholly and exclusively in the performance of official duties.	Fully exempt subject to maintenance of documents	Fully exempt subject to specified maintenance of documents
1.1- B	Used exclusively for the personal purposes of the employee or any member of his household.	Actual amount of expenditure incurred by the employer on the running and maintenance of motor car including remuneration paid by the employer to the chauffeur and increased by the amount representing normal wear and tear of the motor car at 10% per annum of the cost of vehicle <i>less</i> any amount charged from the employee for such use is taxable value of perquisite. Rs. 1,800 per month (<i>plus</i> Rs. 900 per month, if chauffeur is also provided to run the motor car) shall be taxable value of perquisite	Actual amount of expenditure incurred by the employer on the running and maintenance of motor car including remuneration paid by the employer to the chauffeur and increased by the amount representing normal wear and tear of the motor car at 10% per annum of the cost of vehicle <i>less</i> any amount charged from the employee for such use is taxable value of perquisite. Rs. 2,400 per month (<i>plus</i> Rs. 900 per month, if chauffeur is also provided to run the motor car) shall be taxable value of perquisite
1.1- C	The motor car is used partly in the performance of duties and partly for personal purposes of the employee or any member of his household.	Nothing is deductible in respect of any amount recovered from the employee.	Nothing is deductible in respect of any amount recovered from the employee.
1.2	Where maintenances and running expenses are met by the employee.		
1.2- A	Used wholly and exclusively in the performance of official duties.	Not a perquisite, hence, not taxable	Not a perquisite, hence, not taxable
1.2- B	Used exclusively for the personal purposes of the employee or any member of his household	Expenditure incurred by the employer (i.e. hire charges, if car is on rent or normal wear and tear at 10% of actual cost of the car, if car is owned by the employer) <i>plus</i> salary of chauffeur if paid or payable by the employer <i>minus</i> amount recovered from the employee. Rs. 600 per month (<i>plus</i> Rs. 900 per month, if chauffeur is also provided to run the motor car) shall be taxable value of perquisite	Expenditure incurred by the employer (i.e. hire charges, if car is on rent or normal wear and tear at 10% of actual cost of the car, if car is owned by the employer) <i>plus</i> salary of chauffeur if paid or payable by the employer <i>minus</i> amount recovered from the employee. Rs. 900 per month (<i>plus</i> Rs. 900 per month, if chauffeur is also provided to run the motor car) shall be taxable value of perquisite
1.2- C	The motor car is used partly in the performance of duties and partly for personal purposes of the employee or any member of his household	Nothing is deductible in respect of any amount recovered from the employee.	Nothing is deductible in respect of any amount recovered from the employee.
2	Motor Car is owned by the employee		
2.1	Where maintenances and running expenses including remuneration of the chauffeur are met or reimbursed by the employer.		

2.1- The reimbursement is for the use of the Fully exempt subject to Fully exempt subject to
A vehicle wholly and exclusively for maintenance of specified maintenance of specified
official purposes documents documents

The reimbursement is for the use of the
vehicle exclusively for the personal
2.1- purposes of the employee or any Actual expenditure incurred by the employer *minus* amount recovered
B member of his household (taxable in from the employee
case of specified employee as well as
non-specified employee)

The reimbursement is for the use of the Actual expenditure incurred by the Actual expenditure incurred by the
2.1- vehicle partly for official purposes and employer *minus* Rs. 1800 per employer *minus* Rs. 2400 per
C partly for personal purposes of the month and Rs. 900 per month if month and Rs. 900 per month if
employee or any member of his chauffer is also provided *minus* chauffer is also provided *minus*
household. amount recovered from employee amount recovered from employee
shall be taxable value of perquisite. shall be taxable value of perquisite.

3 Where the employee owns any other automotive conveyance and actual running and maintenance charges are met or reimbursed by the employer

Reimbursement for the use of the Fully exempt subject to Fully exempt subject to
3.1 vehicle wholly and exclusively for maintenance of specified maintenance of specified
official purposes; documents documents

Reimbursement for the use of vehicle Actual expenditure incurred by the
3.2 partly for official purposes and partly employer as reduced by Rs. 900 per Not Applicable
for personal purposes of the employee. month

2. Educational Facilities

Taxable only in the hands of specified employees [See note 4]

Facility extended to	Value of perquisite	
	Provided in the school owned by the employer	Provided in any other school
Children	Cost of such education in similar school <i>less</i> Rs. 1,000 per month per child (irrespective of numbers of children) <i>less</i> amount recovered from employee	Amount incurred <i>less</i> amount recovered from employee (an exemption of Rs. 1,000 per month per child is allowed)
Other family member	Cost of such education in similar school <i>less</i> amount recovered from employee	Cost of such education incurred

2.1 Other Educational Facilities

Particulars	Taxable Value of Perquisites
Reimbursement of school fees of children or family member of employees	Fully taxable
Free educational facilities/ training of employees	Fully exempt

3. Employees Provident Fund

Tax treatment in respect of contributions made to and payment from various provident funds are summarized in the table given below:

Particulars	Statutory provident fund	Recognized provident fund	Unrecognized provident fund	Public provident fund
Employers contribution to provident fund	Fully Exempt	Exempt only to the extent of 12% of salary*	Fully Exempt	–

Deduction under section 80C on contribution	employees Available	Available	Not Available	Available
Interest credited to provident fund	Fully Exempt	Exempt only to the extent rate of interest does not exceed 9.5%	Fully Exempt	Fully Exempt
See Note				
Payment received at the time of retirement or termination of service	Fully Exempt	Fully Exempt (Subject to certain conditions and circumstances)	Fully Taxable (except employee's contribution)	Fully Exempt

* Salary = Basic Pay + Dearness Allowance (to the extent it forms part of retirement benefits) + turnover based commission

Payment from recognized provident fund shall be exempt in the hands of employees in following circumstances:

- a) If employee has rendered continue service with his employer (including previous employer, when PF account is transferred to current employer) for a period of 5 years or more
- b) If employee has been terminated because of certain reasons which are beyond his control (ill health, discontinuation of business of employer, etc.)

Note:

No exemption shall be available for the interest income accrued during the previous year in the recognised and statutory provident fund to the extent it relates to the contribution made by the employees over Rs. 2,50,000 in the previous year.

However, if an employee is contributing to the fund but there is no contribution to such fund by the employer, then the interest income accrued during the previous year shall be taxable to the extent it relates to the contribution made by the employee to that fund in excess of Rs. 5,00,000 in a financial year.

4. Specified Employee

The following employees are deemed as specified employees:

1) A director-employee

2) An employee who has substantial interest (i.e. beneficial owner of equity shares carrying 20% or more voting power) in the employer-company

3) An employee whose monetary income* under the salary exceeds Rs.50,000

*Monetary Income means Income chargeable under the salary but excluding perquisite value of all non-monetary perquisites
