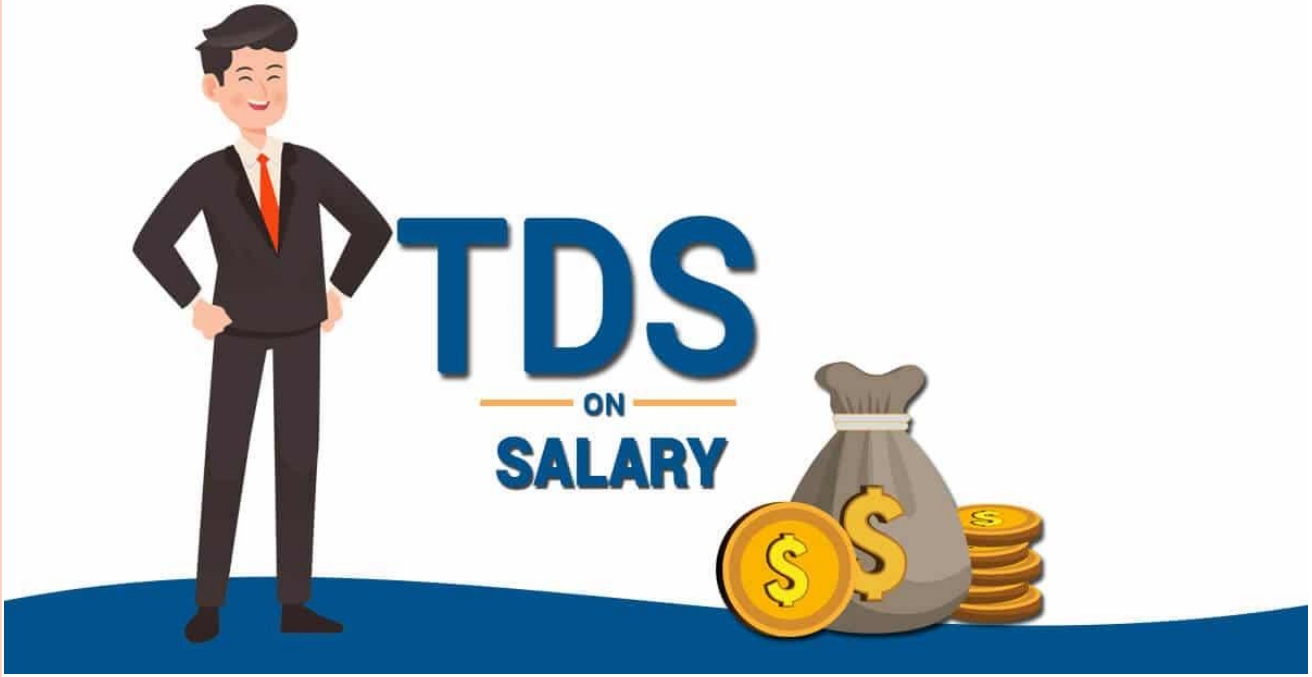

SEC. 192 OF INCOME TAX ACT

CA Ajith Sivadas

B.Com, ACMA, ACA, Ad Dip MA CIMA(UK)

1. Definition of "salary", "perquisite" and "profit in lieu of salary" (section 17)

1.1 What is salary?

As per section 15 of the Act, the following incomes are chargeable to income-tax under the head "Salaries"—

(*a*) any salary due from an employer or a former employer to an assessee in the previous year, whether paid or not;

(*b*) any salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer though not due or before it became due to him;

(*c*) any arrears of salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer, if not charged to income-tax for any earlier previous year.

As per section 17 of the Act, Salary includes the following:

i) wages;

ii) any annuity or pension;

iii) any gratuity;

iv) any fees, commissions, perquisites or profits in lieu of or in addition to any salary or wages;

v) any advance of salary;

vi) any payment received by an employee in respect of any period of leave not availed of by him;

vii) the portion of the annual accretion to the balance at the credit of an employee participating in a recognised provident fund, to the extent to which it is chargeable to tax under rule 6 of Part A of the Fourth Schedule;

a) contributions made by the employer to the account of the employee in a recognized provident fund in excess of 12% of the salary of the employee, and

b) interest credited on the balance to the credit of the employee in so far as it is allowed at a rate exceeding such rate as may be fixed by Central Government by notification in the Official Gazette;

viii) the contribution made by the Central Government or any other employer to the account of the employee under the New Pension Scheme as notified vide Notification F.N. 5/7/2003- ECB&PR dated 22.12.2003 (enclosed as Annexure VII) referred to in section 80CCD (para 5.5.3 of this Circular);

ix) the aggregate of all sums that are comprised in the transferred balance as referred to in sub rule (2) of rule 11 of Part A of the Fourth schedule of the Act in case of an employee participating in a recognized provident fund, to the extent to which it is chargeable to tax under sub-rule (4) thereof.

1.2 What is a Perquisite?

As per Section 17(2) of the Act, perquisites include:

i) The value of rent-free accommodation provided to the employee by his employer;

ii) The value of any concession in the matter of rent in respect of any accommodation provided to the employee by his employer;

iii) The value of any benefit or amenity granted or provided free of cost or at concessional rate in any of the following cases:

a) By a company to an employee who is a director of such company;

b) By a company to an employee who has a substantial interest in the company;

c) By an employer (including a company) to an employee, who is not covered by (a) or (b) above and whose income under the head "Salaries" (whether due from or paid or allowed by, one or more employers), exclusive of the value of all benefits or amenities not provided for by way of monetary payment, exceeds Rs.50,000/-.

[What constitutes concession in the matter of rent have been prescribed in Explanations 1 to 4 below section 17(2)(ii) of the Act.]

iv) Any sum paid by the employer in respect of any obligation which would otherwise have been payable by the assessee.

v) Any sum payable by the employer, whether directly or through a fund, other than a recognized provident fund or an approved superannuation fund or other specified funds u/s 17, to effect an assurance on the life of an assessee or to effect a contract for an annuity

vi) The value of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer, or former employer, free of cost or at concessional rate to the employee. For this purpose,

(a) "specified security" means the securities as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956 and, where employees' stock option has been granted under any plan or scheme therefore, includes the securities offered under such plan or scheme;

(b) "sweat equity shares" means equity shares issued by a company to its employees or directors at a discount or for consideration other than cash for providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called;

(c) the value of any specified security or sweat equity shares shall be the fair market value of the specified security or sweat equity shares, as the case may be, on the date on which the option is exercised by the assessee as reduced by the amount actually paid by, or recovered from the assessee in respect of such security or shares;

(d) "fair market value" means the value determined in accordance with the method as may be prescribed (refer Rule 3(9) of the IT Rules);

(e) "option" means a right but not an obligation granted to an employee to apply for the specified security or sweat equity shares at a predetermined price;

(vii) the amount or the aggregate of amounts of any contribution made to the account of the assessee by the employer—

(a) in a recognised provident fund;

(b) in the scheme referred to in sub-section (1) of section 80CCD; and

(c) in an approved superannuation fund,

to the extent it exceeds seven lakh and fifty thousand rupees in a previous year;

(viia) the annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme referred to in clause (vii) above to the extent it relates to the contribution referred to in the said clause which is included in total income; and

(viii) the value of any other fringe benefit or amenity as prescribed in **Rule 3**.

1.3 What is profit in lieu of salary ?

As per Section 17(2) of the Act, 'Profits in lieu of salary' include:

I. the amount of any compensation due to or received by an assessee from his employer or former employer at or in connection with the termination of his employment or the modification of the terms and conditions relating thereto;

II. any payment (other than any payment referred to in clauses (10), (*10A*), (*10B*), (*11*), (*12*) (*13*) or (*13A*) of section 10) due to or received by an assessee from an employer or a former employer or from a provident or other fund, to the extent to which it does not consist of contributions by the assessee or interest on such contributions or any sum received under a Keyman insurance policy including the sum allocated by way of bonus on such policy.

"Keyman insurance policy" shall have the same meaning as assigned to it in section 10(*10D*);

2. RATES OF INCOME-TAX AS PER FINANCE ACT, 2021

As per the Finance Act, 2021, the rates of income tax for the FY 2021-22 (i.e. Assessment Year 2022-23) are as follows:

2.1 Rates of tax

A. Normal Rates of tax: In the case of every individual other than the individuals referred to in para (B) and (C) below:

S. No	Total Income	Rate of tax
1	Where the total income does not exceed Rs. 2,50,000/-.	Nil;
2	Where the total income exceeds Rs. 2,50,000/- but does not exceed Rs. 5,00,000/-.	5 per cent of the amount by which the total income exceeds Rs. 2,50,000/-;
3	Where the total income exceeds Rs. 5,00,000/- but does not exceed Rs. 10,00,000/-.	Rs. 12,500/- plus 20 per cent of the amount by which the total income exceeds Rs. 5,00,000/-;
4	Where the total income exceeds Rs. 10,00,000/-.	Rs. 1,12,500/- plus 30 per cent of the amount by which the total income exceeds Rs. 10,00,000/-.

B. Rates of tax for every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the financial year:

Sl No	Total Income	Rate of tax
1	Where the total income does not exceed Rs. 3,00,000/-	Nil;
2	Where the total income exceeds Rs. 3,00,000 but does not exceed Rs. 5,00,000/-	5 per cent of the amount by which the total income exceeds Rs. 3,00,000/-;
3	Where the total income exceeds Rs. 5,00,000/- but does not exceed Rs. 10,00,000/-	Rs. 10,000/- plus 20 per cent of the amount by which the total income exceeds Rs. 5,00,000/-;
4	Where the total income exceeds Rs. 10,00,000/-	Rs. 1,10,000/- plus 30 per cent of the amount by which the total income exceeds Rs. 10,00,000/-

C. In case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the financial year:

Sl No	Total Income	Rate of tax
1	Where the total income does not exceed Rs. 5,00,000/-	Nil;
2	Where the total income exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000/-	20 per cent of the amount by which the total income exceeds Rs. 5,00,000/-;
4	Where the total income exceeds Rs. 10,00,000/-	Rs. 1,00,000/- plus 30 per cent of the amount by which the total income exceeds Rs. 10,00,000/-.

Surcharge on tax after rebate u/s 87A

Surcharge at the following rate is also payable on tax as computed above after rebate u/s 87A

Total Income	Rate of Surcharge
Total income does not exceed ₹ 50 lacs	Nil
Total income exceeds ₹ 50 lacs but does not exceed ₹ 1 crore	10% of tax
Total income exceeds ₹ 1 crore but does not exceed ₹ 2 crores	15% of tax
Total income exceeds ₹ 2 crores but does not exceed ₹ 5 crores	25% of tax*
Total income exceeds ₹ 5 crores	37% of tax*

* Where the total income includes dividend, any income chargeable u/s 111A and 112A, the surcharge on the amount of income-tax computed on that part of income shall not exceed 15%. In other words, surcharge higher than 15% is applicable only on tax on income other than dividend, income covered u/s 111A and 112A.

Health & Education Cess

Applicable on: All assessee

Rate of cess: 4% of Tax liability after Surcharge

2.4 Concessional Rates of Tax u/s 115BAC

Section 115BAC of the Income-tax Act, 1961 was inserted by the Finance Act, 2020 w.e.f. Assessment Year 2021-22. The new section 115BAC provides that the income-tax payable in respect of the total income of a person, being an individual or a HUF, for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2021, shall, at the option of such person, be computed at the concessional rates as given in table below:

Sl. No.	Total Income	Rate of tax
1	Up to Rs. 2,50,000	Nil
2	From Rs. 2,50,001 to Rs. 5,00,000	5 per cent
3	From Rs. 5,00,001 to Rs. 7,50,000	10 per cent
4	From Rs. 7,50,001 to Rs. 10,00,000	15 per cent
5	From Rs. 10,00,001 to Rs. 12,50,000	20 per cent
6	From Rs. 12,50,001 to Rs. 15,00,000	25 per cent
7	Above Rs. 15,00,000	30 percent

Such person is required to exercise the option in the prescribed manner along with the return of income to be furnished under section 139(1) of the Act for the previous year relevant to the assessment year. The concessional rates of tax provided under section 115BAC are subject to the condition that the total income of the individual or HUF shall be computed : -

a) Without any exemption or deduction specified under clause (i) of sub-section (2) of section 115BAC.

b) Without set off of any loss specified in clause (ii) of sub-section (2) of section 115BAC.

c) Without any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force, as specified in the clause (iv) of sub-section (2) of section 115BAC.

Further, surcharge on income-tax as contained in Para 2.2 shall be applicable in case of person opting for concessional tax regime. Where the person fails to satisfy the conditions contained in sub-section (2) in any previous year, the option shall become invalid in respect of the assessment year relevant to that previous year and other provisions of the Act shall apply, as if the option had not been exercised for the assessment year relevant to that previous year. Further, where the option is exercised under clause (i) of sub-section (5), in the event of failure to satisfy the conditions contained in sub-section (2), it shall become invalid for subsequent assessment years also and other provisions of the Act shall apply for those years accordingly.

The conditions specified in subsection (2) of section 115BAC is as follows:

For the purposes of sub-section (1), the total income of the individual or Hindu undivided family shall be computed—

(i) without any exemption or deduction under the provisions of clause (5) or clause (13A) or prescribed under clause (14) (other than those as may be prescribed for this purpose) or clause (17) or clause (32), of section 10 or section 10AA or section 16 or clause (b) of section 24 (in respect of the property referred to in sub-section (2) of section 23) or clause (iia) of sub-section (1) of section 32 or section 32AD or section 33AB or section 33ABA or sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35 or section 35AD or section 35CCC or clause (iia) of section 57 or under any of the provisions of Chapter VI-A other than the provisions of sub-section (2) of section 80CCD or section 80JJAA;

(ii) without set off of any loss,—

(a) carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in clause (i);

(b) under the head "Income from house property" with any other head of income;

(iii) by claiming the depreciation, if any, under any provision of section 32, except clause (iia) of sub-section (1) of the said section, determined in such manner as may be prescribed; and

(iv) without any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force.

Furthermore, in case of a person having income from business or profession, such person is required to exercise the option in prescribed manner on or before the due date specified under such-section (1) of section 139 of the Act for any previous year relevant to assessment year commencing on or after 01.04.2021 and such option once exercised shall apply to subsequent assessment years. However, in case of such persons, the option once exercised can be withdrawn only once and such person shall never be eligible to exercise the option again unless such person ceases to have income from business or profession.

3. SECTION 192 OF THE INCOME-TAX ACT, 1961: BROAD SCHEME OF TAX DEDUCTION AT SOURCE FROM "SALARIES"

3.1 Method of Tax Calculation

Every person who is responsible for paying any income chargeable under the head "Salaries" shall deduct income-tax on the estimated income of the assessee under the head "Salaries" for the financial year 2021-22. The income-tax is required to be calculated on the basis of the rates given in para 2 above, subject to the provisions related to requirement to furnish PAN or Aadhaar number, as the case may be, as per sec 206AA of the Act, and TDS u/s 192 shall be deducted at the time of each payment.

As per section 192(1C) of the Act, a person, being an eligible start-up referred to in section 80-IAC, responsible for paying any income to the assessee being perquisite of the nature specified in sub-clause (vi) of clause (2) of Section 17 in any previous year relevant to Assessment year 2021-22 and thereafter, shall deduct or pay, as the case may be, tax on such income within 14 days—

a) after the expiry of 48 months from end of the relevant assessment year; or
b) from the date of sale of such specified security or sweat equity share by the assessee; or
c) from the date of the assessee ceasing to be the employee of the person,

whichever is the earliest, on the basis of rates in force for the financial year in which the said specified security or sweat equity share is allotted or transferred.

Any employee intending to opt for the concessional rates of tax under section 115BAC of the Act, may intimate the deductor, being his employer, of such intention for each previous year and upon such intimation, the deductor shall compute his total income, and make TDS thereon in accordance with the provisions of section 115BAC. If such intimation is not made by the employee, the employer shall make TDS without considering the provision of section 115BAC of the Act. The intimation so made to the deductor shall be only for the purpose of TDS during the previous year and cannot be modified during that year. (CBDT Circular No. C1 of 2020 dated 13.04.2020)

No tax, however, will be required to be deducted at source in a case unless the estimated salary income including the value of perquisites is taxable after giving effect to the exemptions, deductions and relief as applicable. *(Some typical illustrations of computation of tax are given at **Annexure-I**).*

3.2 Payment of Tax on Perquisites by Employer

Perquisites are divided in two parts i.e. monetary perquisites and non-monetary perquisites. Monetary perquisites are taxable for all employees and non-monetary perquisites are taxable in the hands of specified employees. 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.

The taxable value of perquisites can be determined on the basis of specific rules for valuation of certain perquisites as laid down in Rule 3 of the Income-tax Rules

An option has been given to the employer to pay the tax on non-monetary perquisites given to an employee. The employer may, at its option, make payment of the tax on such perquisites himself without making any TDS from the salary of the employee. As per Section 10(10CC) of the Act, the tax paid on such non-monetary perquisites by the employer is exempt from tax in the hands of the employee. However, the employer will have to pay the tax at the time when such tax was otherwise deductible i.e. at the time of payment of income chargeable under the head "salaries" to the employee.

3.3 Computation of Average Income Tax

For the purpose of making the payment of tax on the payment of any income in the nature of non-monetary perquisites, mentioned in para 3.2 above, tax payable is to be determined by calculating the average rate of tax on the income chargeable under the head "salaries", including the value of perquisites for which tax has been paid by the employer himself.

3.4 Salary from more than one employer

Section 192(2) deals with situations where an individual is working under more than one employer or has changed from one employer to another. It provides for deduction of tax at source by such employer (as the tax payer/employee may choose) from the aggregate salary of the employee, who is or has been in receipt of salary from more than one employer. The employee is now required to furnish to the present/chosen employer details of the income under the head "Salaries" due or received from the former/other employer and also tax deducted at source therefrom, **in writing and duly verified by him and by the former/other employer**. The present/chosen employer will be required to deduct tax at source on the aggregate amount of salary (including salary received from the former or other employer).

3.5 Relief When Salary Paid in Arrear or Advance

3.5.1 Section 89 of the Act provides for relief to an assessee to whom salary is being paid in arrear or advance as a result of which, his total income is assessed at a higher rate than that at which it would otherwise have been assessed. Such an assessee can make an application to the Assessing Officer who shall grant relief in the prescribed manner. Rule 21A of the Rules provide the manner for computation of such relief.

3.5.2 Under section 192(2A) where the assessee, being a Government servant or an employee in a company, co-operative society, local authority, university, institution, association or body is entitled to the relief under Section 89, he/she may furnish to the person responsible for making the payment referred to in Para (3.1), such particulars in **Form No. 10E** (Rule 21AA of the Income tax Rules) duly verified by him, and thereupon the person responsible, as aforesaid, shall compute the relief on the basis of such particulars and take the same into account in making the deduction under Para(3.1) above. Further, such assessee shall upload the aforesaid Form 10E electronically in the e-Filing portal along with the return of income.

3.5.3 Here "university" means a university established or incorporated by or under a Central, State or Provincial Act, and includes an institution declared under Section 3 of the University Grants Commission Act, 1956 to be a university for the purpose of that Act.

3.5.4 With effect from 1/04/2010 (AY 2010-11), no such relief shall be granted in respect of any amount received or receivable by an assessee on his voluntary retirement or termination of his service, in accordance with any scheme or schemes of voluntary retirement or in the case of a public sector company referred to in section 10(10C)(i) (read with Rule 2BA), a scheme of voluntary separation, if an exemption in respect of any amount received or receivable on such voluntary retirement or termination of his service or voluntary separation has been claimed by the assessee under section 10(10C) in respect of such, or any other, assessment year.

3.6 Information regarding Income under any other head

Section 192(2B) enables a taxpayer to furnish particulars of income under any head other than "Salaries" (not being a loss under any such head other than the loss under the head — 'Income from house property') received by the taxpayer for the same financial year and of any tax deducted at source thereon. The particulars may now be furnished in a simple statement, which is properly signed and verified by the taxpayer in the manner as prescribed under Rule 26B(2) of the Rules and shall be annexed to the simple statement. The form of verification is reproduced as under:

I, (name of the assessee), do declare that what is stated above is true to the best of my information and belief.

It is reiterated that the DDO can take into account **loss only under the head** "Income from house property". Loss under any other head cannot be considered by the DDO for calculating the amount of tax to be deducted. It may be noted that loss under the head "Income from house property" can be set off only up to Rs. 2.00 lakh with the income under any other head of income in view of the amendment to section 71 of the Act vide Finance Act, 2017. Hence, loss under the head "Income from house property" in excess of Rs. 2.00 lakh is to be ignored for calculating the amount of tax deduction.

3.7 Computation of income under the head "Income from house property"

Section 192(2D) enables the person responsible for making the payment, to obtain the evidence or proof of the prescribed claims, including claim for set-off of loss. While taking into account the loss from House Property, the DDO shall ensure that the employee files the declaration referred to above and encloses therewith a computation of such loss from house property. Following details shall be obtained and kept by the employer in respect of loss claimed under the head "Income from House Property" separately for each house property:

a) Gross annual rent/value

b) Municipal Taxes paid, if any

c) Deduction claimed for interest paid, if any

d) Other deductions claimed

e) Address of the property

The DDO shall also ensure furnishing of the evidence or particulars in Form No. 12BB in respect of deduction of interest as specified in Rule 26C read with section 192 (2D).

3.7.1 Conditions for claim of deduction of interest on borrowed capital for computation of Income from House Property [section 24(b)]

Section 24(b) of the Act allows deduction from income from houses property on interest on borrowed capital as under :

i. the deduction is allowed only in case of house property which is owned and is in the occupation of the employee for his own residence. In case the house property is not occupied by the employee in view of his place of the employment being at other place, then his residence in that other place should not be in a building belonging to him.

ii. the quantum of deduction allowed as per table below:

Sl No	Purpose of borrowing capital	Date of borrowing capital	Maximum Deduction Allowable
1	Repair or renewal or reconstruction of the house	Any time	Rs. 30,000/-
2	Acquisition or construction of the house	Before 01.04.1999	Rs. 30,000/-
3	Acquisition or construction of the house	On or after 01.04.1999	Rs. 1,50,000/- (upto AY 2014-15)
			Rs. 2,00,000/- (w. e. f. AY 2015-16)
4	Aggregate deduction of Sl. 1 and Sl. 3 of the table above shall not exceed Rs.2,00,000/- from the Financial Year 2019-20.		

In case of Serial No. 3 above:

(a) The acquisition or construction of the house should be completed within 5 years from the end of the FY in which the capital was borrowed. Hence, it is necessary for the DDO to have the completion certificate of the house property against which deduction is claimed either from the builder or through self-declaration from the employee.

(b) Further any prior period interest for the FYs upto the FY in which the property was acquired or constructed (as reduced by any part of interest allowed as deduction under any other section of the Act) shall be deducted in equal installments for the

FY in question and subsequent four FYs.

(c) The employee has to furnish before the DDO a certificate from the person to whom any interest is payable on the borrowed capital specifying the amount of interest payable. In case a new loan is taken to repay the earlier loan, then the certificate should also show the details of Principal and Interest of the loan so repaid.

As discussed in para 4.7.4, section 192(2D) read with rule 26C makes it mandatory for the DDO to obtain following details/evidences in respect of Interest deductible.

(i) Interest payable or paid

(ii) Name of the lender

(iii) Address of the lender

(iv) PAN or Aadhaar number of the lender

PAN or Aadhaar number, as the case may be, of the lender being financial institution or employer, is to be provided if it is available with the employee. However, in case of other lenders, obtaining of PAN or Aadhaar number is mandatory by the DDO.

3.8 Adjustment for Excess or Shortfall of Deduction

The provisions of Section 192(3) allow the deductor to make adjustments for any excess or shortfall in Tax deduction arising out of any previous deduction or failure to deduct during the financial year.

3.9 Salary Paid in Foreign Currency

For the purposes of deduction of tax on salary payable in foreign currency, the value in rupees of such salary shall be calculated at the **"Telegraphic transfer buying rate"** of such currency as on the date on which tax is required to be deducted at source (see Rule 26 and Rule 115).

4 Persons Responsible For Deducting Tax And Their Duties

Section 204 of the Act explains the meaning of the expression "Person responsible for paying".

As per Clause (i) of section 204, in the case of payment of Salary, other than payments by the Central Government or the State Government, the "person responsible for paying" for the purpose of Section 192 means the employer himself or if the employer is a Company, the Company itself including the Principal Officer thereof.

4.1 Tax Deduction at Source

The concept of Tax deduction at Source (TDS) was introduced with an aim to collect tax from the source of income. As per this concept, a person (deductor) who is liable to make payment of specified nature to any other person (deductee) shall deduct tax at source and remit the same into the account of the Central Government. The deductee, from whose income, tax has been deducted at source, would be entitled to get credit of the amount so deducted on the basis of Form 26AS or TDS certificate issued by the deductor.

4.1.2 Rates for tax deduction at source

Section 192 does not specify any TDS rate. However as per section 192(1), the tax deduction shall be made at the average rate of income tax on the amount payable, computed on the basis of the rates in force for the financial year in which the payment is made, on the estimated income under the head of Salary for that financial year. The rates as per different income slabs are specified in the First Schedule to the Finance Act. In the case of payment to non-resident persons, the withholding tax rates specified under the Double Taxation Avoidance Agreements shall also be considered.

4.2 Deduction of Tax at Nil or Lower Rate

If the jurisdictional TDS officer of the employer issues a certificate of No Deduction or Lower Deduction of Tax under section 197 of the Act, in response to the application filed before him in Form No 13 by the employee, then the DDO should take into account such certificate and deduct tax on the salary payable at the rates mentioned therein. **(see Rule 28AA).** The Unique Identification Number of the certificate is required to be reported in Quarterly Statement of TDS **(Form 24Q)**.

4.3 Deposit of Tax Deducted

As per section 200 of the Act, any person responsible for deducting any sum has to pay within the prescribed time, the sum so deducted to the credit of the Central Government.

4.3.1 Due dates for payment of TDS

Prescribed time of payment/deposit of TDS to the credit of Central Government account is as under:

In case of deduction by an Office of Government:

Sl No.	Description	Time up to which the tax deducted is to be deposited
1	Tax deposited without Challan [Book Entry]	same day
2	Tax deposited with Challan	7th day of next month
3	Tax on perquisites opted to be deposited by the employer.	7th day of next month

In case of deduction by deductor other than an Office of Government

Sl No.	Description	Time up to which to be deposited.
1	Tax deducted in March	30th April next financial year
2	Tax deducted in any other month	7th day of next month
3	Tax on perquisites opted to be deposited by the employer	7th day of next month

As per Rule 30(3), an Assessing officer with prior approval of the Joint Commissioner of Income Tax may permit quarterly payments of TDS under section 192, for the quarters of the financial year on the dates specified in Table below:

Sl. No.	Quarter of the financial year ended on	Date for quarterly payment
1	30th June	7th July
2	30th September	7th October
3	31st December	7th January
4	31st March	30th April of the next Financial Year

4.4 Mode of Payment of TDS

4.4.1 Compulsory filing of Statement by PAO, Treasury Officer, etc in case of payment of TDS by Book Entry u/ s 200 (2A)

In case of an office of the Government, where tax has been paid to the credit of the Central Government without the production of a challan [**Book Entry**], the Pay and Accounts Officer or the Treasury Officer or the Cheque Drawing and Disbursing Officer or any other person, by whatever name called, to whom the deductor reports about the tax deducted and who is responsible for crediting such sum to the credit of the Central Government, shall-

(a) submit a statement in Form No. 24G **under section 200 (2A)** on or before the 30th day of April where statement relates to the month of March; and in any other case, on or before 15 days from the end of relevant month to the agency authorized by the Principal Director General of Income-tax (Systems) [TIN Facilitation Centres currently managed by M/s

National Securities Depository Ltd] in respect of tax deducted by the deductors and reported to him for that month; and

(b) intimate the number (hereinafter referred to as the Book Identification Number or BIN) generated by the agency to each of the deductors in respect of whom the sum deducted has been credited. BIN consist of receipt number of Form 24G, DDO sequence number in Form No. 24G and date on which tax is deposited.

The statement in Form 24G shall be furnished electronically under digital signature or electronically along with the verification in Form 27A.

If the Pay and Accounts Officer or the Treasury Officer or the Cheque Drawing and Disbursing Officer or any other person, by whatever name called, as stated above, fails to deliver the statement within the time as required u/s 200(2A), he/she will be liable to pay, by way of penalty, under section 272A(2)(m), a sum which shall be Rs.100/- for every day during which the failure continues. However, the amount of such penalty shall not exceed the amount of tax which is deductible at source.

The procedure of furnishing Form 24G is detailed in ***Annexure III***. PAOs/DDOs should go through the FAQs in ***Annexure IV*** to understand the correct process to be followed. The ZAO / PAO of Central Government Ministries is responsible for filing of Form No. 24G on monthly basis. The person responsible for filing Form No. 24G in case of State Govt. Departments is shown at ***Annexure V***.

4.4.2 Payment by an Income Tax Challan

(i) In case the payment is made by an income-tax challan, the amount of tax so deducted shall be deposited to the credit of the Central Government by remitting it, within the time specified in Table in para 4.4.1 above, into any branch of the Reserve Bank of India or of the State Bank of India or of any authorized bank;

(ii) In case of a company and a person (other than a company), to whom provisions of section 44AB are applicable, the amount deducted shall be electronically remitted into the Reserve Bank of India or the State Bank of India or any authorised bank accompanied by an electronic income-tax challan (Rule125).

The amount shall be *construed as electronically remitted* to the Reserve Bank of India or to the State Bank of India or to any authorized bank, if the amount is remitted by way of:

(a) internet banking facility of the Reserve Bank of India or of the State Bank of India or of any authorized bank; or

(b) debit card. {Rule 30(7)}

4.5 Interest, Penalty & Prosecution for Failure to Deposit Tax Deducted

If a person fails to deduct the whole or any part of the tax at source, or, after deducting, fails to pay the whole or any part of the tax to the credit of the Central Government within the prescribed time, he/she shall be deemed to be an assessee-in-default in respect of such tax in accordance with the provisions of section 201, and shall also be liable to penal action u/s 221 of the Act. Further Section 201(1A) provides that such person shall be liable to pay simple interest at the rate of 1% for every month or part of the month on the amount of such tax from the date on which such tax was deductible to the date on which such tax is deducted; and at the rate of one and one-half percent for every month or part of a month on the amount of such tax from the date on which such tax was deducted to the date on which such tax is actually paid. Such interest shall be paid before furnishing the statement in accordance with the provisions of subsection (3) of section 200.

Section 271C inter alia lays down that if any person fails to deduct whole or any part of tax at source or fails to pay the whole or part of tax under the second proviso to section 194B, he/she shall be liable to pay, by way of penalty, a sum equal to the amount of tax not deducted or paid by him.

4.6 Furnishing of Certificate for Tax Deducted (Section 203)

4.6.1 Section 203 requires the DDO to furnish to the employee a certificate in Form 16 detailing the amount of TDS and certain other particulars. Rule 31 prescribes that Form 16 should be furnished to the employee by 15th June after the end of the financial year in which the income was paid and tax deducted. Even the banks deducting tax at the time of payment of pension are required to issue such certificates. Through Circular No. 12 of 2021 dated 25th June 2021, the Central Board of Direct taxes extended the due date for furnishing Form 16 for F.Y. 2020-21 to the employee up to 31st July, 2021.

4.6.2 The certificate in Form 16 shall specify the following:

(a) Valid permanent account number (PAN) or Aadhaar number, as the case may be, of the deductee;

(b) Valid tax deduction and collection account number (TAN) of the deductor;

(c) (i) Book identification number or numbers (BIN) where deposit of tax deducted is without production of challan in case of an office of the Government;

(ii) Challan identification number or numbers (CIN*) in case of payment through bank.

(*CIN means the number comprising the Basic Statistical Returns (BSR) Code of the Bank branch where the tax has been deposited, the date on which the tax has been deposited and challan serial number given by the bank.)

(d) Receipt numbers of all the relevant quarterly statements of TDS (24Q). The receipt number of the quarterly statement is of 8 digit.

4.6.3 Further as per Circular 04/2013 dated 17-04-2013 all deductors (including Government deductors who deposit TDS in the Central Government Account through book entry) shall issue the Part A of Form No. 16, by generating and subsequently downloading it through TRACES Portal and after duly authenticating and verifying it, in respect of all sums deducted on or after the 1st day of April, 2012 under the provisions of section 192 of Chapter XVII-B. Part A of Form No 16 shall have a unique TDS certificate number. The deductor shall generate 'Part B (Annexure)' of Form No. 16 from the Traces website and issue to the deductee after due authentication and verification along with the Part A of the Form No. 16.

4.6.4 It may be noted that under the new TDS procedure, TAN of deductor/ PAN or Aadhaar number of the deductee and receipt number of TDS statement filed by the deductor act as unique identifier for granting online credit of TDS to the deductee. Hence due care should be taken in filling these particulars. Due care should also be taken in indicating correct CIN/ BIN in TDS statement.

4.6.5 If the DDO fails to issue these certificates to the person concerned, as required by section 203, he/she will be liable to pay, by way of penalty, under section 272A(2)(g), a sum which shall be Rs.100/- for every day during which the failure continues. However, the amount of such penalty shall not exceed the amount of tax which is deductible at source.

It is, however, clarified that there is no obligation to issue the TDS certificate in case tax at source is not deductible/deducted by virtue of claims of exemptions and deductions.

4.6.6 Vide CBDT notification 36/2019 dated 12.04.2019, Income-Tax (3rd Amendment Rules) 2019 were notified in which the 'Part-B (Annexure)' of Form 16 under Appendix-II of the Income Tax Rules, was modified. Form 16 has been further modified vide Income-tax (26th Amendment) Rules, 2021 notified on 02.09.2021. The modified Form 16 is placed at **Annexure B** of this TDS Circular.

4.6.7 Following points are to be kept in mind while filling amended Form 16:

1. Government deductors are required to fill information in item I of Part A if tax is paid without production of an income-tax challan and in item II of Part A if tax is paid accompanied by an income-tax challan.
2. Non-Government deductors are to fill information in item II of Part A.
3. The deductor shall furnish the address of the Commissioner of Income-tax (TDS) having jurisdiction as regards TDS statements of the assessee.
4. If an assessee is employed under one employer only during the year, certificate in Form No. 16 issued for the quarter ending on 31st March of the financial year shall contain the details of tax deducted and deposited for all the quarters of the financial year.

5. (i) If an assessee is employed under more than one employer during the year, each of the employers shall issue Part A of the certificate in Form No. 16 pertaining to the period for which such assessee was employed with each of the employers.

(ii) Part B (Annexure-I) of the certificate in Form No.16 may be issued by each of the employers or the last employer at the option of the assessee.

(iii) Part B (Annexure-II) of the certificate in Form 16 may be issued by the specified bank to a specified senior citizen (refer section 194P of the Act).

6. In Part A, in items I and II, in the column for tax deposited in respect of deductee, furnish total amount of tax, surcharge and health and education cess.

7. Deductor shall duly fill details, where available, in item numbers 2(f) and 10(k) before furnishing of Part B (Annexure) to the employee.

8. If an assessee is employed by more than one employer during the year, each of the employers shall issue Part A of the certificate in Form No. 16 pertaining to the period for which such assessee was employed with each of the employers and Part B may be issued by each of the employers or the last employer at the option of the assessee.

9. TDS certificate (Form16) would be generated for the deductee only if Valid PAN or Aadhaar number as the case may be, is correctly mentioned in the Annexure II of Form 24Q in Quarter 4 filed by the deductor. Moreover, employers are advised to ensure in Form 16 that the status of 'matching" with respect to "Form 24G/OLTAS" is 'F'. If the status of matching is other than 'F', kindly take necessary action promptly to rectify the same. It is pertinent to mention here that certain facilities have been provided to the deductors at website www.tdscpc.gov.in/including online correction of statements (Form 24Q).

[Note: TRACES is a web-based application of the Income-tax Department that provides an interface to all stakeholders associated with TDS administration. It enables viewing of challan status, downloading of NSDL Conso File, Justification Report and Form 16 / 16A as well as viewing of annual tax credit statements (Form 26AS). Each deductor is required to Register in the Traces portal. Form 16/16A issued to deductees should mandatorily be generated and downloaded from the TRACES portal].

4.6.8 Certain essential points regarding the filing of the Statement in Form 24Q are mentioned below:

a. The employer should quote the **gross amount of salary** (including any amount exempt under section 10 and the deductions under chapter VI A) in column 321 (Amount paid/credited) of Annexure I of Form 24Q as per NSDL RPU (hereafter Return Preparation Utility).

b. The employer should quote the amount of salary excluding any amount exempt under section 10 in column 338 (Total amount of gross salary) of Annexure II of Form 24Q as per NSDL RPU.

c. The reason for non-deduction, lower rate of deduction (as provided under section 197) or higher rate of deduction(on account of non-furnishing of PAN by the deductee) has to be mentioned in column 328 of Annexure I of Form 24Q.

d. The total amount of salary received from other employer(s) to be quoted in column 337 of Annexure II of Form No. 24Q.

e. Employer is advised to quote Total Taxable Income (Column 346) in Annexure II without rounding-off and TDS should be deducted and reported accordingly i.e. without rounding-off of TDS also.

f. It is mandatory for non-Government deductors to quote PAN. In case of Government deductors,"PANNOTREQD" should be mentioned.

g. Fee paid under section 234E for late filling of TDS statement to be mentioned in separate column of' Fee (column306)

h. In column 308, Government DDOs to mention the amount of TDS remitted by the PAO/TO/CDDO. Other deductors to write the exact amount of TDS deposited through challan.

i. In column 309, Government deductors to write "B" where TDS is remitted to the credit of Central Government through book adjustment. Other deductors to write"C".

j. Challan/Transfer Voucher (CIN/BIN) particulars, i.e. 310, 311, 312 should be exactly the same as available at Tax Information Network.

k. In column 313, mention minor head as marked on the challan.

l. Where an employer deducts from the emoluments paid to an employee or pays on his behalf any contributions of that employee to any approved superannuation fund, all such deductions or payments should be included in the statement.

4.6.9 Authentication by Digital Signatures:

(i) Where a certificate is to be furnished in Form No. 16, the deductor may, at his option, use **digital signatures** to authenticate such certificates.

(ii) In case of certificates issued under clause (i), the deductor shall ensure that

a) the conditions prescribed in para 4.6.1 above are complied with;

b) once the certificate is digitally signed, the contents of the certificates are not amenable to change; and

c) the certificates have a control number and a log of such certificates is maintained by the deductor.

The digital signature is being used to authenticate most of the e-transactions on the internet as transmission of information using digital signature is failsafe. It saves time specially in organisations having large number of employees where issuance of certificate of deduction of tax with manual signature is time consuming (Circular no 2 of 2007 dated 21.05.2007)

4.7 Furnishing of particulars pertaining to perquisites, etc. - Section 192(2C)

4.7.1 As per section 192(2C), the person responsible for paying income chargeable under the head "Salary" shall be responsible for providing correct and complete particulars of *perquisites or profits in lieu of salary* to the employee. The form and manner of such particulars are prescribed in Rule 26A i.e **Form 12BA** (placed as Annexure II) and **Form 16** of the Rules. Information relating to the *nature and value of perquisites, other fringe benefits or amenities and profits in lieu of salary* is to be provided by the employer in Form 12BA in case the salary paid or payable is above Rs.1,50,000/-. In other cases, the information would have to be provided by the employer in Form 16 itself.

It may be noted that Form 12BA is to be furnished in addition to Form 16 to the employee whose salary is more than one lakh and fifty thousand rupees.

4.7.2 An employer, who has paid the tax on perquisites on behalf of the employee as per the provisions discussed in para 3.2 of this circular, shall furnish to the employee concerned, a certificate to the effect that the tax has been paid to Central Government and specify the amount so paid, the rate at which tax has been paid and certain other particulars in the amended Form 16.

4.7.3 The obligation cast on the employer under Section 192(2C) for furnishing a statement showing the value of perquisites provided to the employee is a crucial responsibility of the employer, which is expected to be discharged in accordance with law and rules of valuation framed there under. Any false information, fabricated documentation or suppression of requisite information will entail consequences thereof provided under the law. The certificates in Forms 16 shall be furnished to the employee by 15th June of the financial year immediately following the financial year in which the income was paid and taxes deducted. **Through the Circular no. 12 of 2021 dated 25th June 2021, the due date for furnishing Form 16 for F.Y. 2020-21 to the employee was extended up to 31.07.2021.** Form 12BA should be furnished to the employee by 30th April of the Assessment Year. If the person responsible for paying any income chargeable under the head salaries and therefore responsible for furnishing statement under Form 12BA and Form 16, as the case may be , fails to issue these certificates to the person concerned, as required by section 192(2C), he/she will be liable to pay, by way of penalty, under section 272A(2)(i), a sum which shall be Rs.100/- for every day during which the failure continues.

4.7.4 DDOs empowered to obtain evidence of proof or particulars of the prescribed claim (including claim for set-off of loss) under the section 192(2D)

DDOs have been authorized u/s 192 to allow certain deductions, exemptions or allowances or set-off of certain loss as per the provisions of the Act for the purpose of estimating the income of the assessee or computing the amount of tax deductible under the said section. The evidence /proof /particulars for some of the deductions/exemptions/allowances/set-off of loss claimed by the employee such as rent receipt for claiming deduction in HRA, evidence of interest payments for claiming loss from self-occupied house property, etc. is not available to the DDO. To bring certainty and uniformity in this matter, section 192(2D) provides that person responsible for paying (DDOs) shall obtain from the assessee evidence or proof or particular of claims such as House rent Allowance (where aggregate annual rent exceeds one lakh rupees); Leave Travel Concession or Assistance; Deduction of interest under the head Income from house property and deduction under Chapter VI-A as per the prescribed form 12BB laid down by Rule 26C of the Rules. **Form 12BB is enclosed as Annexure IIa.**

4.8 Mandatory Quoting of PAN or Aadhaar number as the case may be and TAN

4.8.1 Section 203A of the Act makes it obligatory for all persons responsible for deducting tax at source to obtain and quote the Tax deduction and collection Account Number (TAN) in the challans, TDS-certificates, statements and other documents. Detailed instructions in this regard are available in this Department's Circular No.497 [F.No.275/118/87-IT(B) dated 01.10.1987]. If a person fails to comply with the provisions of section 203A, he/she will be liable to pay, by way of penalty, under section 272BB, a sum of ten thousand rupees. Similarly, as per Section 139A(5B), it is obligatory for persons deducting tax at source to quote PAN or Aadhaar number as the case may be, of the persons from whose income tax has been deducted in the statement furnished u/s 192(2C), certificates furnished u/s 203 and all statements prepared and delivered as per the provisions of section 200(3) of the Act.

4.8.2 All tax deductors are required to fi le the TDS statements in Form No.24Q (for tax deducted from salaries). As the requirement of filing TDS certificates along with the return of income has been done away with, the lack of PAN or Aadhar number as the case may be, of deductees is creating difficulties in giving credit for the tax deducted. Tax deductors are, therefore, advised to procure and quote correct PAN or Aadhar number, as the case may be, of all deductees in the TDS statements for salaries in Form 24Q.

4.9 Compulsory Requirement to furnish PAN or Aadhaar by employee (Section 206AA)

4.9.1 Section 206AA in the Act makes furnishing of PAN or Aadhaar number as the case may be, by the employee compulsory in case of receipt of any sum or income or amount, on which tax is deductible. If the employee(deductee) fails to furnish his/her PAN or Aadhaar number, as the case may be, to the deductor, the deductor has been made responsible to make TDS at higher of the following rates:

i) at the rate specified in the relevant provision of this Act; or
ii) at the rate or rates in force; or
iii) at the rate of twenty per cent

4.9.2 The deductor has to determine the tax amount in all the three conditions and apply the higher rate of TDS. However, where the income of the employee computed for TDS u/s 192 is below taxable limit, no tax will be deducted. But where the income of the employee computed for TDS u/s 192 is above taxable limit, the deductor will calculate the average rate of income- tax based on rates in force as provided in sec 192. If the tax so calculated is below 20%, deduction of tax will be made at the rate of 20% and in case the average rate exceeds 20%, tax is to be deducted at the average rate.

4.10 Statement of deduction of tax under section 200(3) [Quarterly Statement of TDS]

4.10.1 The person deducting the tax (employer in case of salary income), is required to file duly verified Quarterly Statements of TDS in **Form 24Q** for the periods [details in Table below] of each financial year, to the TIN Facilitation Centres authorized by Pr.DGIT (Systems) which is currently managed by M/s National Securities Depository Ltd (NSDL) or at www.incometaxindiaefiling.gov.in after registering as Deductor. Particulars of e-TDS Intermediary at any of the TIN Facilitation Centres are available at http://www.incometaxindia.gov.in and http://tin-nsdl.com portals. ***The requirement of filing an annual return of TDS has been done away with w.e.f. 1.4.2006.*** The quarterly statement for the last quarter filed in Form 24Q (as amended by Notification No. S.O.704(E) dated 12.5.2006) shall be treated as the annual return of TDS. Due dates of filing this statement quarter wise is as in the Table below:

TABLE: Due dates of filing Quarterly Statements in Form 24Q

Sl. No.	Date of ending of quarter of financial year	Due date
1	30th June	31st July of the financial year
2	30th September	31st October of the financial year
3	31st December	31st January of the financial year
4	31st March	31st May of the financial year immediately following the financial year in which the deduction is made.

4.10.2 The statements in Form 24Q may be furnished in paper form or electronically under digital signature or along with verification of the statement in Form 27A or verified through an electronic process in accordance with the procedures, formats and standards specified by the Director General of Income-tax (Systems). The procedure for furnishing the e-TDS/TCS statement is detailed at **Annexure VI**.

4.10.3 Where the deductor is an office of the Government or is the principal officer of a company or is a person who is required to get his accounts audited under section 44AB in the immediately preceding financial year, or the number of deductee's records in a statement for any quarter of the financial year are twenty or more, the deductor shall furnish the statement *electronically under digital signature or along with the verification of the statement in Form 27A or verified through an electronic process* [Rule 31A(3)].

4.11 Fee for default in furnishing statements u/s 200(3) of the Act

Under section 234E of the Act, if a person fails to deliver or caused to be delivered a statement within the time prescribed in section 200(3) in respect of tax deducted at source [on or after 1.07.2012] he/she shall be liable to pay, by way of fee a sum of Rs. 200 for every day during which the failure continues. However, the amount of such fee shall not exceed the amount of tax which was deductible at source. This fee is mandatory in nature and to be paid before furnishing of such statement.

4.12 Rectification of mistake in filing TDS Statement

A DDO can also file a correction statement for rectification of any mistake or to add, delete or update the information furnished in the statement delivered earlier.

4.13 Penalty for failure to furnishing statements or furnishing incorrect information (section 271H)

Under section 271H of the Act, if a person fails to deliver or caused to be delivered a statement within the time prescribed in section 200(3) or furnishes an incorrect statement, in respect of tax deducted at source [on or after 1.07.2012], he/she shall be liable to pay, by way of penalty, a sum which shall not be less than Rs. 10,000/- but which may extend to Rs 1,00,000/-. However, the penalty shall not be levied if the person proves that after paying TDS with the fee and interest, if any, to the credit of Central Government, he/she had delivered such statement before the expiry of one year from the time prescribed for delivering the statement. At the time of preparing statements of tax deducted, the deductor is required to:

(i) mandatorily quote his tax deduction and collection account number (TAN) in the statement;

(ii) mandatorily quote his permanent account number (PAN) or Aadhaar number as the case may be, in the statement except in the case where the deductor is an office of the Government (including State Government). In case of Government deductors –PANNOTREQD to be quoted in the e-TDS statement;

(iii) mandatorily quote of permanent account number PAN or or Aadhaar number as the case may be, of all deductees;

(iv) furnish particulars of the tax paid to the Central Government including book identification number or challan identification number, as the case may be.

(v) furnish particular of amounts paid or credited on which tax was not deducted in view of the issue of certificate of no deduction of tax u/s 197 by the assessing officer of the payee.

4.14 TDS on Income from Pension

4.14.1 As per section 17(1)(*ii*) of the Income-tax Act, 1961, the term 'salary' includes pension. In the case of pensioners who receive their pension (not being family pension paid to a spouse) from a nationalized bank, the instructions contained in this circular shall apply in the same manner as they apply to Salary-income. The deductions from the amount of pension under section 80C on account of contribution to Life Insurance, Provident Fund, subscription to certain equity shares or debentures, etc., if the pensioner furnishes the relevant details to the banks, may be allowed. **Necessary instructions in this regard were issued by the Reserve Bank of India to the State Bank of India and other nationalized Banks vide RBI's Pension Circular (Central Series) No.7/C.D.R./1992 (Ref. CO: DGBA: GA (NBS) No.60/GA.64 (11CVL)-/92) dated the 27th April 1992, and, these instructions should be followed by all the branches of the Banks, which have been entrusted with the task of payment of pensions.**

4.14.2 Under section 194P of the Act, the specified bank shall compute the total income of specified senior citizen and deduct income tax on the basis of rates in force. As per clause (2) of section 194P, the provisions of section 139 will not apply to specified senior citizen for the assessment year for which tax has been deducted. The specified senior citizen has been defined as an individual resident in India who has attained age of 75 years or more at any time during the Financial year and who is having income of the nature of pension and no other income except the income of the nature of interest received or receivable from any account maintained by such individual in the same specified bank in which he is receiving his pension income. Further the specified senior citizen has to furnish declaration in Form 12BBA (Rule 26D) to the specified Bank.

4.14.3 The declaration in Form no. 12BBA is to be furnished in paper form duly verified. The specified bank shall, after giving effect to the deduction allowable under Chapter VI-A and rebate allowable under section 87A, compute the total income of such specified senior citizen for the relevant assessment year and deduct income-tax on such total income on the basis of the rates in force. The declaration and evidence for claiming deduction under Chapter VI-A shall be properly maintained by the Specified Bank and shall be made available to the Principal Chief Commissioner of Income-tax or Chief Commissioner of Income-tax, as and when required.

4.15 Matters pertaining to the TDS made in case of Non-Resident

4.15.1 Under section 192 of the Act, any person responsible for paying any income chargeable under the head Salaries, shall at the time of payment, deduct income tax on the amount payable. This section does not distinguish between the salary paid to a resident or a non resident. Hence all payments taxable under the head Salaries are liable for deduction of TDS irrespective of the residential status of the recipient.

4.15.2 In respect of non-residents, the salary paid for services rendered in India shall be regarded as income earned in India. It has been specifically provided in the explanation to section 9(1)(ii) of the Act that any salary payable for rest period or leave period which is both preceded or succeeded by service in India and forms part of the service contract of employment will also be regarded as income earned in India.

4.15.3 Where Non-Residents are deputed to work in India and taxes are borne by the employer, if any refund becomes due to the employee after he/she has already left India and has no bank account in India by the time the assessment orders are passed, the refund can be issued to the employer as the tax has been borne by it **[Circular No. 707 dated 11.07.1995].**

5 Computation Of Income Under The Head "Salaries"

5.1 Income chargeable under the head "Salaries"

(1) The following income shall be chargeable to income-tax under the head "Salaries":

(a) any salary due from an employer or a former employer to an assessee in the previous year, whether paid or not;

(b) any salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer though not due or before it became due to him.

(c) any arrears of salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer, if not charged to income-tax for any earlier previous year.

(2) For the removal of doubts, it is clarified that where any salary paid in advance is included in the total income of any person for any previous year it shall not be included again in the total income of the person when the salary becomes due.

Any salary, bonus, commission or remuneration, by whatever name called, due to, or received by, a partner of a firm from the firm shall not be regarded as "Salary".

5.2 Value of Perquisites as per Rule 3

The value of perquisites provided directly or indirectly by the employer to the employee or to any member of household of employee, for the purpose of computing the income chargeable under the head "Salaries" for that employee shall be determined on the basis of Rule 3 of the Income-tax Rules 1962. The provisions of Rule 3 are as follows: -

Valuation of Rent-free unfurnished accommodation (RFA) [Rule 3(1)]

Rent-free accommodation is taxable in the hands of all employees (except the Judges of High Court or Supreme Court and Official of the Parliament or Union Minister and a leader of Opposition).

Accommodation here includes fixed as well as floating structure.

Fixed Structure	A house, flat, farm house (or a part there of), accommodation in hotel, motel, service apartment, a guest house, etc.
Floating Structure	A caravan, mobile home, ship etc.

For the purpose of valuation, employees are divided into three categories:

a. Employees of the Central or State Government or of any undertaking under the control of the Government;
b. Accommodation provided by Government to an employee serving on deputation
c. Other employees

I) Central and State Government Employee (including military person)

Where the accommodation is provided by the Central Government or any State Government to the employees either holding office or post in connection with the affairs of the Union or of such State, the value of perquisite in respect of such accommodation is equal to the licence fee, which would have been determined by the Central or State Government in accordance with the rules framed by the Government.

{**Academically**, the taxable value of the perquisite will be mentioned in the problem}

Taxpoint: *Employees of a local authority or a foreign government are not covered under this category.*

II) Accommodation provided by Government to an employee serving on deputation

Where the accommodation is provided by the Central Government or any State Government to an employee who is serving on deputation with any body or undertaking under the control of such Government, then the value of perquisite of such an accommodation shall be:

City in which accommodation is provided	Value of perquisite
Having population *exceeding 25 lacs* as per 2001 census	15% of salary for the period during which the employee *occupied* the said accommodation.
Having population *exceeding 10 lacs but not exceeding 25 lacs* as per 2001 census	10% of salary for the period during which the employee *occupied* the said accommodation.
Any other city	7.5% of salary for the period during which the employee *occupied* the said accommodation.

a) **Salary for the purpose of Rent free accommodation:** Salary here means:

Basic + Dearness allowance/pay (if it forms a part of retirement benefit) + Bonus + Commission + Fees + All other taxable allowances (only taxable amount) + Any other monetary payment by whatever name called (excluding perquisites and lump-sum payments received at the time of termination of service or superannuation or voluntary retirement, like gratuity, severance pay leave encashment, voluntary retrenchment benefits, commutation of pension and similar payments)

Taxpoint:

- Salary shall be determined on due basis.
- Where an assessee is receiving salary from two or more employers, the aggregate salary for the period during which accommodation has been provided (by any of the employer) shall be taken into account.
- Monetary payments, which are not in the nature of perquisite, shall be taken into account. E.g. Leave encashment received during the continuation of service shall be included in salary for this purpose. However, if such pay leave is received at the time of retirement, then such receipt shall not be considered.
- Here salary does not include employer's contribution to Provident Fund of the employee.

b) The employer of such an employee shall be deemed to be that body or undertaking where the employee is serving on deputation.

III) Other Employees (residual category)

The value of perquisite is determined as per the following table:

City in which accommodation is provided	Accommodation is owned by the employer	Accommodation is not owned by the employer
Having population *exceeding 25 lacs* as per 2001 census	15% of salary for the period during which the employee *occupied* the said accommodation.	Rent paid or payable by the employer or 15% of salary, whichever is lower.
Having population *exceeding 10 lacs* but not exceeding 25 lacs as per 2001 census	10% of salary for the period during which the employee *occupied* the said accommodation.	
Any other city	7.5% of salary for the period during which the employee *occupied* the said accommodation.	

b) **Furnished accommodation:** The accommodation is divided into two categories:

(i) *Accommodation provided by the Central Government or any State governments:*

The value of perquisite shall be as determined for unfurnished accommodation and increased by 10% per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air-conditioning plant or equipment) or if such furniture is hired from a third party, the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee.

(ii) *Accommodation is provided by any other employer:*

The value of perquisite shall be as determined for unfurnished accommodation and increased by 10% per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air-conditioning plant or equipment or other similar appliances or gadgets) or if such furniture is hired from a third party, the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee.

It is added that where the accommodation is provided by the Central Government or any State Government to an employee who is serving on deputation with any body or undertaking under the control of such Government, -

(i). the employer of such an employee shall be deemed to be that body or undertaking where the employee is serving on deputation; and

(ii). the value of perquisite of such an accommodation shall be the amount calculated in accordance with Table in Para (a)(ii) above, as if the accommodation is owned by the employer.

c) **Furnished Accommodation in a Hotel:** The value of perquisite shall be determined on the basis of lower of the following two:

1. 24% of salary paid or payable in respect of period during which the accommodation is provided; or
2. Actual charges paid or payable to such hotel,

for the period during which such accommodation is provided as reduced by any rent actually paid or payable by the employee.

However, nothing in para c) above shall be taxable if the hotel accommodation is provided for a total period not exceeding in aggregate 15 days on transfer of an employee from one place to another place.

It may be clarified that while services provided as an integral part of the accommodation, need not be valued separately as perquisite, any other services over and above that for which the employer makes payment or reimburses the employee shall be valued as a perquisite as per the residual clause. In other words, composite tariff for accommodation will be valued as per the Rules and any other charges for other facilities provided by the hotel will be separately valued under the residual clause.

d) However, the value of any accommodation provided to an employee working at a mining site or an on-shore oil exploration site or a project execution site or a dam site or a power generation site or an off-shore site will not be treated as a perquisite if:

(i) such accommodation is located in a "remote Area" or

(ii) the accommodation is of a temporary nature having plinth area of not more than 800 square feet and is not located within 8 kilometers of the local limits of any municipality or cantonment board.

B. Perquisite on Motor car provided by the employer [Rule 3(2)]

Motor-car facility provided by an employer is taxable in the hands of employee on the following basis:

Car is owned by	Car is Maintained by	Used by employee for	Taxable value	Who is Chargeable
Employer		Office purpose	Not a perquisite	Not applicable
		Personal purpose	M [1] + D [2]	Specified Employee
		Both purpose	₹ 1800 or ₹ 2400 p.m.[3]	
Employer	Employee	Office purpose	Not a perquisite	Not applicable
		Personal purpose	D	Specified employee
		Both purpose	₹ 600 / ₹ 900 p.m.[4]	
Employee	Employer	Office purpose	Not a perquisite	Not applicable
		Personal purpose	M	All employee
		Both purpose	Actual expenditure incurred by the employer as reduced by ₹ 1800 / ₹ 2400 p.m.[3] (further deduction of ₹ 900 p.m. for driver) or a higher deduction if prescribed conditions are satisfied[5]	
Employee		Any purpose	Not a perquisite	Not applicable

[1] M = Maintenance cost [2] D = Depreciation @ 10% of actual cost of the car. However, if the car is not owned by employer then actual hire charge incurred by employer shall be considered.

[3] ₹ 2400 p.m. in case of higher capacity car# and ₹ 1800 p.m. for lower capacity car.

[4] ₹ 900 p.m. in case of higher capacity car# and ₹ 600 p.m. for lower capacity car.

Higher capacity car means a car whose cubic capacity of engine *exceeds* 1.6 litres.

(C) Personal attendants etc. [Rule 3(3)]:

The value of benefit of all personal attendants including a sweeper, gardener and a watchman shall be the actual cost to the employer. Where the attendant is provided at the residence of the employee, full cost will be taxed as perquisite in the hands of the employee irrespective of the degree of personal service rendered to him. Any amount paid by the employee for such facilities or services shall be reduced from the above amount.

(D) Gas, electricity & water for household consumption [Rule 3(4)]:

The value of benefit in the nature of gas, electricity and water shall be the amount paid by the employer to the agency supplying gas, electricity and water. Where the supply is made from the employer's own resources, the manufacturing cost per unit incurred by the employer would be taken for the valuation of perquisite. Any amount paid by the employee for such facilities or services shall be reduced from the perquisite value.

(E) Free or concessional education [Rule 3(5)]:

Perquisite on account of free or concessional education for any member of the employee's household shall be determined as

- the sum equal to the amount of expenditure incurred by the employer in that behalf, or
- where such educational institution is maintained and owned by the employer or where free educational facilities for such member of employee's household is provided in any other institution by reason of his being in employment of that employer, the value of the perquisite to the employee shall be determined with reference to the cost of such education in a similar institution in or near the locality.

The value of perquisite shall be reduced by the amount, if any, paid or recovered from the employee.

In case where the educational institution itself is maintained and owned by the employer and free educational facilities are provided to the children of the employee or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, the value of perquisite shall be taken as Nil if the cost of such education or the value of such benefit per child does not exceed one thousand rupees per month.

(F) Carriage of Passenger Goods [Rule 3(6)]:

The value of any benefit or amenity resulting from the provision by an employer, who is engaged in the carriage of passengers or goods, to any employee or to any member of his/her household for personal or private journey free of cost or at concessional fare, in any conveyance owned, leased or made available by any other arrangement by such employer for the purpose of transport of passengers or goods shall be taken to be the value at which such benefit or amenity is offered by such employer to the public as reduced by the amount, if any, paid by or recovered from the employee for such benefit or amenity. This will not apply to the employees of an airline or the railways.

(G) Interest free or concessional loans [Rule 3(7)(i)]

The value of perquisite arising from interest free or concessional loans to employees or any member of his/her household would be the excess of interest payable at **prescribed interest rate** over interest, if any, actually paid by the employee or any member of his household. The **prescribed interest rate** would be **the rate charged per annum by the State Bank of India as on the 1st day of the relevant financial year in respect of loans of same type and for the same purpose advanced by it to the general public.**

Perquisite value would be calculated on the basis of the maximum outstanding monthly balance method. For valuing perquisites under this rule, any other method of calculation and adjustment otherwise adopted by the employer shall not be relevant. However, for loans up to Rs. 20,000/- in the aggregate no value would be charged.

Loans for medical treatment of diseases specified in Rule 3A are also exempt, provided the amount of loan for medical reimbursement is not reimbursed under any medical insurance scheme. Where any medical insurance reimbursement is received, the perquisite value at the prescribed rate shall be charged from the date of reimbursement on the amount reimbursed, but not repaid against the outstanding loan taken specifically for this purpose.

(H) Perquisite on account of travelling, touring, accommodation and any other expenses paid for or reimbursed by the employer for any holiday availed [Rule 3(7)(ii)]

The value of perquisite on account of travelling, touring, accommodation and any other expenses paid for or reimbursed by the employer for any holiday availed of by the employee or any member of his/her household, other than travel concession or assistance (as per clause 5 of section 10), shall be the amount of the expenditure incurred by the employer in that behalf. However, any amount recovered from or paid by the employee shall be reduced from the perquisite value so determined.

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.

Where the employee is on official tour and the expenses are incurred in respect of any member of his/her household accompanying him, the amount of expenditure with respect to the member of the household shall be a perquisite.

Where the employee is on official tour which is extended as a vacation, the value of such fringe benefit shall be limited to the expenses incurred in relation to such extended period of stay or vacation, reduced by the amount paid or recovered from the employee for such perquisite.

(I) **Value of Subsidized / Free food / non-alcoholic beverages provided by employer to an employee [Rule 3(7)(iii)]**

The value of free food and non-alcoholic beverages provided by the employer to an employee shall be the amount of expenditure incurred by such employer, as reduced by the amount paid or recovered from the employee.

For the following the value shall be treated as NIL:

(a) free food and non-alcoholic beverages provided during working hours at office or business premises or through paid vouchers which are not transferable and usable only at eating joints, to the extent the value thereof does not exceed fifty rupees per meal, or

(b) tea or snacks provided during working hours, or

(c) free food and non-alcoholic beverages during working hours provided in a remote area or an off-shore installation

Vide Notification no. G.S.R. 415(E) dated 26.06.2020, the said rule has been amended so as to provide that in case of an employee opting for concessional taxation regime under section 115BAC of the Act, the exemption provided in respect of free food and non-alcoholic beverages provided by employer through paid voucher shall not be available.

(J) Gifts [Rule 3(7)(iv)]

The value of any gift or vouchers or token in lieu of which such gift may be received by the employee or member of his/her household shall be the sum equal to the amount of such gift. However, in case the gift, etc is less than Rs. 5,000 in aggregate per annum, the value of perquisite shall be Nil.

(K) Membership fees and Annual Fees [Rule 3(7)(v)]

Any membership fees and annual fees incurred by the employee (or any member of his/her household), which is charged to a credit card (including any add-on card) provided by the employer, or otherwise, paid for or reimbursed by the employer is taxable on the following basis:

Amount of expenditure incurred by the employer		XXX
Less: Expenditure on use for official purposes	XXX	
Less: Amount, if any, recovered from the employee	XXX	XXX
Amount taxable as perquisite		**XXX**

5.3 Incomes not included under the head "Salaries" (Exemptions)

Any income falling within any of the following clauses shall not be included in computing the income from salaries for the purpose of section 192 of the Act :-

5.3.1 The value of any **travel concession or assistance** received by or due to an employee from his employer or former employer for self and his/her family, in connection with proceeding on (a) leave to **any place in India** or (b) after retirement from service, or, after termination of service to any place in India is exempt under Section 10(5) subject, however, to the conditions prescribed in Rule 2B of the Rules.

For the purpose of this clause, "family" in relation to an individual means:

(i) the spouse and children of the individual; and

(ii) the parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual.

It may also be noted that the amount exempt under this clause shall in no case exceed the amount of expenses actually incurred for the purpose of such travel.

5.3.2 . Any **death-cum- retirement gratuity** received under the revised Pension Rules of the Central Government or, as the case may be, the Central Civil Services (Pension) Rules, 1972, or under any similar scheme applicable to the members of the civil services of the Union or holders of posts connected with defense or of civil posts under the Union (such members or holders being persons not governed by the said Rules) or to the members of the all-India services or to the members of the civil services of a State or holders of civil posts under a State or to the employees of a local authority or any payment of retiring gratuity received under the Pension Code or Regulations applicable to the members of the defense service is exempt.

5.3.3. Any payment in commutation of pension received under the Civil Pensions (Commutation) Rules of the Central Government or under any similar scheme applicable to the members of the civil services of the Union or holders of posts connected with defense or of civil posts under the Union (such members or holders being persons not governed by the said Rules) or to the members of the all- India services or to the members of the defense services or to the members of the civil services of a State or holders of civil posts under a State or to the employees of a local authority] or a corporation established by a Central, State or Provincial Act, is exempt under Section10(A)(i) of the Act.

534 Any payment received by an employee of the Central Government or a State Government, as **cash-equivalent of the leave salary** in respect of the period of earned leave at his credit at the time of his retirement, whether on superannuation or otherwise, is exempt under Section 10(10AA)(i) of the Act.

535 Under Section 10(10B), the **retrenchment compensation** received by a workman is exempt from income-tax subject to certain limits. The maximum amount of retrenchment compensation exempt is the sum calculated on the basis provided in section 25F(b) of the Industrial Disputes Act, 1947 or any amount not less than Rs.50,000/- as the Central Government may by notification specify in the Official Gazette, whichever is less. These limits shall not apply in the case where the compensation is paid under any scheme which is approved in this behalf by the Central Government, having regard to the need for extending special protection to the workmen in the undertaking to which the scheme applies and other relevant circumstances. The maximum limit of such payment is Rs. 5,00,000/- where retrenchment is on or after 1.1.1997 as specified in Notification No. 10969 dated 25-06-1999.

53.7 Any sum received under a Life Insurance Policy [Sec 10(10D)], including the sum allocated by way of bonus on such policy other than the following is exempt under section 10(10D):

i) any sum received under section 80DD(3) or section 80DDA(3); or

ii) any sum received under a Keyman insurance policy; or

iii) any sum received under an insurance policy issued on or after 1.4.2003, but on or before 31-03-2012, in respect of which the premium payable for any of the years during the term of the policy exceeds 20 percent of the actual capital sum assured; or

iv) any sum received under an insurance policy issued on or after 1.4.2012 in respect of which the premium payable for any of the years during the term of the policy exceeds 10 percent of the actual capital sum assured; or

v) any sum received under an insurance policy issued on or after 1.4.2013 in cases of persons with disability or person with severe disability as per Sec 80U or suffering from disease or ailment as specified in Sec 80DDB, in respect of which the premium payable for any of the years during the term of the policy exceeds 15 percent of the actual capital sum assured.

However, any sum received under such policy referred to in (iii), (iv) and (v) above, on the death of a person would be exempt.

5.3.8 Any payment from a Provident Fund to which the Provident Funds Act, 1925, applies or from any other provident fund set up by the Central Government and notified by it in the Official Gazette, is exempt under section 10(11). First proviso to clause (11) of section 10, with effect from 1st April, 2022, provides that exemption under said clause will not be available in case of an income by way of interest accrued during the previous year in the account of a person to the extent it relates to the amount or the aggregate of amounts of contribution made by that person exceeding two lakh and fifty thousand rupees in any previous year in that fund, on or after the 1st day of April, 2021 and computed in prescribed manner. Second proviso to clause (11) of section 10, with effect from 1st April, 2022, provides that if the contribution by a person is in a fund in which there is no contribution by the employer of such person, the provisions of the first proviso shall have the effect as if for the words "two lakh and fifty thousand rupees", the words "five lakh rupees" had been substituted. Rule 9D of the Income-tax Rules, 1962 provides for the calculation of taxable interest relating to contribution in a provident fund or recognized provident fund, exceeding specified limit.

5.3.11 Section 10(14) provides for exemption of the following allowances :-

i. Any special allowance or benefit granted to an employee to meet the expenses wholly, necessarily and exclusively incurred in the performance of his duties as prescribed under Rule 2BB subject to the extent to which such expenses are actually incurred for that purpose.

ii. Any allowance granted to an employee either to meet his personal expenses at the place of his posting or at the place he/she ordinarily resides or to compensate him for the increased cost of living, which may be prescribed and to the extent as may be prescribed.

However, the allowance referred to in (ii) above should not be in the nature of a personal allowance granted to the assessee to remunerate or compensate him for performing duties of a special nature relating to his office or employment unless such allowance is related to his place of posting or residence.

5.3.13 Any scholarship granted to meet the cost of education is not to be included in total income as per provisions of section 10(16) of the Act.

5.3.17 Vide Notification no. G.S.R. 415(E) dated 26.06.2020, rule 2BB has been amended so as to provide that in case of an assessee opting for concessional taxation regime under section 115BAC of the Act shall be entitled exemption only in respect of the following allowances:

(a) Transport Allowance granted to an employee who is blind or deaf and dumb or orthopedically handicapped with disability of lower extremities to meet expenditure for the purpose of commuting between place of his residence and place of his duty;

(b) Any allowance granted to meet the cost of travel on tour or on transfer;

(c) Any allowance, whether, granted on tour or for the period of journey in connection with transfer, to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty;

(d) Any allowance granted to meet the expenditure incurred on conveyance in performance of duties of an office or employment of profit subject to the condition that the free conveyance is not provided by the employer."

5.4 Deductions u/s 16 of the Act

5.4.1 Standard deduction under section 16 (ia):

From financial year 2019-20, a deduction of fifty thousand rupees or the amount of salary whichever is less, shall be allowed as standard deduction.

5.4.2 Entertainment Allowance [Section 16(ii)]:

A deduction is also allowed under section 16(ii) in respect of any allowance in the nature of an entertainment allowance specifically granted by an employer to the assessee, who is in receipt of a salary from the Government, a sum equal to one-fifth of his salary(exclusive of any allowance, benefit or other perquisite) or five thousand rupees whichever is less.

5.4.3 Tax on Employment [Section 16(iii)]:

The tax on employment (Professional Tax) within the meaning of article 276(2) of the Constitution of India, leviable by or under any law, shall also be allowed as a deduction in computing the income under the head "Salaries".

5.5 Deductions Under Chapter VI-A of the Act

In computing the taxable income of the employee, the following deductions under Chapter VI-A of the Act are to be allowed from his gross total income:

<table>
<tr><th>Particulars</th><th>Notes</th></tr>
<tr><td colspan="2">Category A</td></tr>
<tr><td colspan="2">Applicable to Individual & HUF both</td></tr>
<tr><td>1. Life insurance premium paid by a person to effect or to keep in force an insurance policy (life policy or endowment policy) [Sec. 80C(2)(i)]</td><td>1. Insurance policy can be taken on life of the following:
(a) In case of an individual: Himself, spouse and child (whether major or minor) of such individual;
(b) In case of HUF: Any member of the HUF.
2. Maximum limit: Premium on insurance policy in excess of following % of the actual sum assured shall be ignored.
<table>
<tr><th>Policy issued</th><th>Insured is disable[1] or suffering from disease specified u/s 80DDB</th><th>Insured is any other person</th></tr>
<tr><td>Upto 31-03-2012</td><td>20%</td><td>20%</td></tr>
<tr><td>During P.Y. 2012-13</td><td>10%</td><td>10%</td></tr>
<tr><td>On or after 01-04-2013</td><td>15%</td><td>10%</td></tr>
</table>
3. Actual capital sum assured in relation to a life insurance policy shall mean the minimum amount assured under the policy on happening of the insured event at any time during the term of the policy, not taking into account:
(i) the value of any premium agreed to be returned; or
(ii) any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.</td></tr>
<tr><td>2. Contribution made towards Public provident fund (PPF). [Sec. 80C(2)(v)]</td><td>1. Subscription should be in the name of following persons:
a) In case of individual: Such individual, his spouse and child (whether major or minor);
b) In case of HUF: Any member of HUF.
2. Contribution must not be in form of repayment of loan</td></tr>
</table>

3. Any subscription to National Savings Certificates, VIII Issue and IX Issue [Sec. 80C(2)(ix)]	**1.** If contribution is made in joint names, the person who has contributed the money is eligible to claim deduction. **2.** An individual can claim deduction in respect of certificates purchased in the name of his spouse or minor child. **3. Treatment of accrued interest:** Deduction is also available on accrued interest which is reinvested. i.e., interest upto penultimate year of lock-in-period is eligible for deduction.
4. Contribution for participating in the Unit-linked Insurance Plan (ULIP) of Unit Trust of India (UTI) or ULIP of LIC Mutual fund u/s 10(23D) formerly known as Dhanraksha 1989. [Sec.80C(2)(x)]	Contribution can be made in the names of following persons: **In case of individual:** Such individual, spouse and child (major or minor) of such individual; **In the case of HUF:** Any member of HUF.
5. Sum paid to effect or keep in force a contract for notified annuity plan of the LIC or any other insurer. [Sec. 80C(2)(xii)]	
6. Subscription to notified units of a specified Mutual fund u/s 10(23D)/ administrator or the specified company as referred in sec. 2 of UTI. [Sec. 80C(2)(xiii)]	Eligible scheme: Equity Linked Saving Scheme, 2005.
7. Any sum paid as subscription to Home Loan Account Scheme or notified pension fund of the National Housing Bank. [Sec 80C(2)(xv)]	National Housing Bank (Tax Saving) Term Deposit Scheme, 2008

8. Any sum paid as subscription to a notified deposit scheme. [Sec. 80C(2)(xvi)]	Such deposit scheme shall be of - • Public sector companies engaged in providing long-term finance for construction or purchase of houses in India for residential purpose; or • Any authority constituted in India for the purpose of satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns, villages or for both.
9. Any payment for purchase or construction of a residential house property (the income from which is chargeable to tax under the head "Income from house property), by way of - **a)** any instalment due under any self-financing or other scheme of any development authority, housing board or other authority engaged in the construction and sale of house property on ownership basis; or **b)** any instalment due to any company or co-operative society of which the assessee is a shareholder or member towards the cost of the house property allotted to him; or **c)** repayment of the amount borrowed by the assessee from specified person# **d)** stamp duty, registration fee and other expenses for the purpose of transfer of such house property to the assessee [Sec. 80C(2)(xviii)]	# Specified person includes - **i.** the Central or State Government; or **ii.** any bank, including a co-operative bank; or **iii.** the National Housing Bank; or **iv.** Life Insurance Corporation; or **v.** any public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes; or **vi.** any company in which the public are substantially interested or any co-operative society, where such company or co-operative society is engaged in the business of financing the construction of house; or **vii.** the assessee's employer where such employer is an authority or a board or a corporation or any other body established or constituted under a Central or State Act; **viii.** the assessee's employer where such employer is a public company or public sector company, or a university established by law or a college affiliated to such university or local authority or co-operative society.

10. Any amount invested in - **a.** Debentures of or equity shares in an eligible issue of capital; or **b.** Eligible issue of capital of any public financial institution. [Sec. 80C(2)(xix)]	*Eligible issue of capital* means an issue made by a public company formed and registered in India or a public financial institution and the entire proceeds of the issue are utilized wholly and exclusively for the purpose of any business referred to in sec. 80IA(4).
11. Subscription to units of any mutual fund u/s 10(23D) provided amount of subscription to such units is subscribed only in the eligible issue of capital [Sec. 80C(2)(xx)]	
12. Investment as term deposit for a period of 5 years or more with a scheduled bank. [Sec. 80C(2)(xxi)]	Such term deposit scheme shall be framed and notified by the Central Government.
13. Notified Bonds issued by the National Bank for Agriculture and Rural Development (NABARD) [Sec. 80C(2)(xxii)]	
14. Senior Citizens Savings Scheme Rules, 2004 [Sec. 80C(2)(xxiii)]	
15. 5 year time deposit in an account under the Post Office Time Deposit Rules, 1981 [Sec. 80C(2)(xxiv)]	

Applicable to Individual only	
1. Payment by an individual in respect of non-commutable deferred annuity. [Sec. 80C(2)(ii)]	**1.** Annuity may be taken in the name of the individual, spouse and any child of such individual. **2.** Such contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity
2. Any sum deducted from salary of a Government employee for the purpose of securing to him a deferred annuity or making provision for his wife or children. [Sec. 80C(2)(iii)]	**Maximum limit:** 20% of salary of the employee
3. Contribution made towards statutory provident fund and recognised provident fund. [Sec. 80C(2)(iv)& (vi)]	Contribution must not be in form of repayment of loan
4. Contribution made towards an approved superannuation fund. [Sec. 80C(2)(vii)]	
5. Subscription to any notified Government security or any notified deposit scheme (i.e., Sukanya Samriddhi Account Scheme) [Sec. 80C(2)(viii)]	Subscription should be in the name of following persons: In the case of an individual: Such Individual or any girl child of that individual, or any girl child for whom such person is the legal guardian, if the scheme so specifies

6. Contribution to any notified pension fund set up by a Mutual Fund u/s 10(23D) or by the administrator or the specified company referred u/s 2 of the UTI [Sec. 80C(2)(xiv)]	
7. Any payment by way of tuition fees to any university, college, school or other educational institution *situated within India* for the purpose of *full*-time *education*. [Sec. 80C(2)(xvii)] **Restriction on number of child:** Deduction shall be allowed in respect of maximum 2 children.	**Admission fee:** Tuition fees may be at the time of admission or thereafter **Donation to school, etc:** Such payment does not include any payment towards any development fees or donation or payment of similar nature. **Private tuition fee** is not covered.
8. Contribution to a specified account (i.e., NPS Tier-II account) of the notified pension scheme referred to in sec. 80CCD for a fixed period of not less than 3 years by an employee of the Central Government	

Notes:

1. **Deduction not available in certain cases:** Deduction is not available from short-term capital gain covered u/s 111A and long-term capital gain.
2. **Cash basis:** For the purpose of Deduction u/s 80C, amount paid, invested or deposited shall be considered on payment basis. Payments, which have become due during the previous year but not paid till the end of the previous year, shall not be eligible for deduction. Above rule holds good, even though the assessee follows mercantile system of accounting.

5.5.2 Deduction in respect of contribution to certain pension funds (Section 80CCC)

Section 80CCC allows an employee deduction of an amount paid or deposited out of his income chargeable to tax to effect or keep in force a contract for any annuity plan of Life Insurance Corporation of India or any other insurer for receiving pension from the Fund referred to in section 10(23AAB). However, the deduction shall exclude interest or bonus accrued or credited to the employee's account, if any and shall not exceed Rs. 1,50,000. However, if any amount is standing to the credit of the employee in the fund referred to above and deduction has been allowed as stated above and the employee or his nominee receives this amount together with the interest or bonus accrued or credited to this account due to the reason of

(i) Surrender of annuity plan whether in whole or part

(ii) Pension received from the annuity plan

then the amount so received during the Financial Year shall be the income of the employee or his nominee for that Financial Year and accordingly will be charged to tax.

Where any amount paid or deposited by the employee has been taken into account for the purposes of this section, a deduction with reference to such amount shall not be allowed under section 80C.

5.5.3 Deduction in respect of contribution to pension scheme of Central Government (Section 80CCD):

Quantum of Deduction

Deduction u/s 80CCD(1)	
A. In case of salaried individual	
Lower of the following	₹
• Amount so paid or deposited	***
• 10% of his salary[1] in the previous year	***
	***
Add: Whole of the contribution made by the employer to such account to the maximum of 10% (**14%** where such contribution is made by the Central Govt.) of his salary[1] in the previous year.	***
Amount of Deduction	***
B. In case of other individual	
Lower of the following • Amount so paid or deposited • 20% of his gross total income in the previous year	
Additional Deduction u/s 80CCD(1B)	
Lower of the following shall also be eligible for deduction	₹
• Contribution to the scheme by any individual [Other than amount claimed and allowed as deduction u/s 80CCD(1)]	***
• ₹ 50,000	***

5.5.4 Deduction in respect of health insurance premia paid, etc. (Section 80D)

Particulars	Case-1		Case-2		Case-3	
	Self & Family (*no one of them is a senior citizen*)	Parents (no one of them is a senior citizen)	Self & Family (no one of them is a senior citizen)	Parents (atleast one of them is a senior citizen)	Self & Family (atleast one of them is a senior citizen)	Parents (atleast one of them is a senior citizen)
Medical Insurance, etc.*	25,000	25,000	25,000	50,000	50,000	50,000
Medical Expenditure**	--	--	--	50,000	50,000	50,000
Maximum deduction allowable	25,000	25,000	25,000	50,000	50,000	50,000
Aggregate amount of deduction allowable under section 80D	50,000		75,000		1,00,000	

5.5.5 Deductions in respect of expenditure on persons or dependants with disability

a) Deductions in respect of maintenance including medical treatment of a dependent who is a person with disability (section 80DD):

Quantum of deduction

Relative is suffering from severe disability	₹ 1,25,000
Relative is suffering from disability but not severe disability	₹ 75,000
Taxpoint: Deduction shall be irrespective of actual expenditure incurred i.e. deduction is statutory in nature.	
Person with severe disability means • a person with 80% or more of one or more disabilities, as referred to in sec. 56(4) of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995; or • a person with severe disability referred to in sec. 2(o) of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999.	

b. Deductions in respect of a person with disability (section 80U)

Under section 80U, in computing the total income of an individual, being a resident, who, at any time during the previous year, is certified by the medical authority to be a person with disability, there shall be allowed a deduction of a sum of Rs 75,000/-. However, where such individual is a person with severe disability, a higher deduction of Rs 1,25,000/- shall be allowable.

5.5.6 Deduction in respect of medical treatment, etc. (Section 80DDB):

Section **80DDB** allows a deduction in case of employee, who is resident in India, during the previous year, of any amount actually paid for the medical treatment of such disease or ailment as may be specified in the rules 11DD (1) for himself or a dependant. The deduction allowed is equal to the amount actually paid is in respect of the employee or his dependant or Rs. 40,000 whichever is less.

Now the deduction can be allowed on the basis of a prescription from an oncologist, a urologist, nephrologist, a hematologist, an immunologist or such other specialist, as mentioned in Rule 11DD. However, the amount of the claim shall be reduced by the amount if any received from the insurer or reimbursed by the employer. Further in case of the person against whom such claim is made is a senior citizen (60 age years or more) then the deduction up to one lakh rupees is allowed

5.5.7 Deduction in respect of interest on loan taken for higher education (Section 80E):

Section 80E allows deduction in respect of payment of interest on loan taken from any financial institution or any approved charitable institution for higher education for the purpose of pursuing his higher education or for the purpose of higher education of his spouse or his children or the student for whom he/she is the legal guardian.

The deduction shall be allowed in computing the total income for the Financial year in which the employee starts paying the interest on the loan taken and immediately succeeding seven Financial years or until the Financial year in which the interest is paid in full by the employee, whichever is earlier.

5.5.8 Deduction in respect of interest on loan taken for certain house property (Section 80EEA):

Section 80EEA introduced by the Finance (No.2) Act, 2019 (No. 23 of 2019), allows deduction from gross total income of an individual (not eligible to claim deduction under section 80EE) in respect of the interest payable on loan taken by him from any financial institution for the purpose of acquisition of a residential house property if following conditions are met:-

(i) the loan has been sanctioned by the financial institution during the period beginning on the 1st day of April, 2019 and ending on the 31st day of March, 2021;

(ii) the stamp duty value of residential house property does not exceed forty-five lakh rupees;

(iii) the assessee does not own any residential house property on the date of sanction of loan.

5.5.9 Deduction in respect of the interest payable on loan taken for the purpose of purchase of an electric vehicle (80EEB)

Section 80EEB introduced by the Finance (No.2) Act, 2019 (No. 23 of 2019), allows deduction from gross total income of an individual in respect of the interest payable on loan taken by him from any financial institution for the purpose of purchase of an electric vehicle if the loan has been sanctioned by the financial institution during the period from 01.04.2019 to 31.03.2023.

5.5.10 Deductions on respect of donations to certain funds, charitable institutions, etc. (Section 80G):

Section 80G provides for deductions on account of donation made to various funds, charitable organizations etc. In cases where employees make donations to the Prime Minister's National Relief Fund, the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund through their respective employers, it is not possible for such funds to issue separate certificate to every such employee in respect of donations made to such funds as contributions made to these funds are in the form of a consolidated cheque. An employee who makes donations towards these funds is eligible to claim deduction under section 80G. It is, hereby, clarified that the claim in respect of such donations as indicated above will be admissible under section 80G on the basis of the certificate issued by the Drawing and Disbursing Officer (DDO)/Employer in this behalf - Circular No. 2/2005, dated 12-1-2005.

No deduction under this section is allowable in case the amount of donation exceeds Rs 2000/- unless the amount is paid by any mode other than cash.

5.5.11 Deductions in respect of rents paid (Section 80GG):

Section 80GG allows the employee to a deduction in respect of **house rent paid by him for his own residence**. Such deduction is permissible subject to the following conditions:-

(a) the employee has not been in receipt of any House Rent Allowance specifically granted to him which qualifies for exemption under section 10(13A) of the Act;

(b) the employee files the declaration in Form No.10BA. **(Annexure X)**

(c) The employee does not own:

(i) any residential accommodation himself or by his spouse or minor child or where such employee is a member of a Hindu Undivided Family, by such family, at the place where he/she ordinarily resides or performs duties of his office or carries on his business or profession; or

(ii) at any other place, any residential accommodation which is in the occupation of the employee, the value of which is to be determined under section 23(2)(a) or section 23(4)(a), as the case may be.

(d) He will be entitled to a deduction in respect of house rent paid by him in excess of 10% of his total income. The deduction shall be equal to 25% of total income or Rs. 5,000/- per month, whichever is less. The total income for working out these percentages will be computed before making any deduction under section 80GG.

5.5.13 Deduction in respect of interest on deposits in savings account (Section 80TTA):

Section 80TTA allows to an employee, not being a senior citizen employee, from his gross total income if it includes any income by way of interest on deposits (not being time deposits) in a savings account, a deduction amounting to:

(i) in a case where the amount of such income does not exceed in the aggregate ten thousand rupees, the whole of such amount; and

(ii) in any other case, ten thousand rupees.

The deduction is available if such savings account is maintained in a-

(a) banking company to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act);

(b) co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank); or

(c) Post Office as defined in clause (k) of section 2 of the Indian Post Office Act, 1898.

For this section, "time deposits" means the deposits repayable on expiry of fixed periods.

5.5.14 Deduction in respect of interest on deposits in case of senior citizens (Section 80TTB):

Section 80TTB introduced by Finance Act, 2018 allows deduction to a senior citizen from his gross total income in respect of income by way of interest on deposits with –

(a) banking company to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act);

(b) co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank); or

(c) a Post Office as defined in clause (k) of section 2 of the Indian Post Office Act, 1898.

The amount of deduction in respect of above interest on deposit is as under:-

(i) in a case where the amount of such income does not exceed in the aggregate fifty thousand rupees, the whole of such amount; and

(ii) in any other case, fifty thousand rupees.

However, no deduction is allowed under section 80TTB to any partner of the firm or any member of the association or any individual of the body if said interest is derived from any deposits held by, or on behalf of, a firm, an association of persons or a body of individuals.

6. Rebate Of Rs12,500 For Individuals Having Total Income Upto Rs 5 Lakh [Section 87A]

Finance Act, 2019 w.e.f. 01.04.2019, provided relief in the form of rebate to individual taxpayers, resident in India, who are in lower income bracket, i.e. having total income not exceeding Rs 5,00,000/-. The amount of rebate available under section 87A is Rs 12,500/- or the amount of tax payable, whichever is less from financial year 2019-20.

7. TDS on payment of accumulated balance under recognised provident fund and contribution from approved superannuation fund:

7.1 The trustees of a Recognized Provident Fund, or any person authorized by the regulations of the Fund to make payment of accumulated balances due to employees, shall in cases where sub-rule(1) of Rule 9 of Part A of the Fourth Schedule to the Act applies, at the time when the accumulated balance due to an employee is paid, make therefrom the deduction specified in Rule 10 of Part A of the Fourth Schedule to the Act. The accumulated balance is treated as income chargeable under the head "Salaries".

72 Where any contribution made by an employer, including interest on such contributions, if any, in an approved Superannuation Fund is paid to the employee, tax on the amount so paid shall be deducted by the trustees of the Fund to the extent provided in Rule 6 of Part B of the Fourth Schedule to the Act. TDS should be at the average rate of tax at which, the employee was liable to be taxed during the preceding three years or during the period, if that period is less than three years, when he/she was member of the fund.

The deductor shall remain liable to deduct tax on any sum paid on account of returned contributions (including interest, if any) even if a fund or part of a fund ceases to be an approved Superannuation fund.

73 As per section 192A of the Act, w. e. f. 01.06.2015 the trustees of the EPF Scheme 1952 framed under section 5 of the EPF & Misc. Provisions Act, 1952 or any person authorized under the scheme to make payment of accumulated balance due to employees, shall, in a case where the accumulated balance due to an employee participating in a recognized provident fund is includible in his total income owing to the provisions of Rule 8 of Part A of Fourth Schedule not being applicable at the time of payment of accumulated balance due to the employee, deduct income tax thereon @ 10% if the amount of such payment or aggregate of such payment exceeds Rs 50,000. In case the employee does not provide his/her PAN or Aadhaar number as the case may be, or provides an invalid PAN or Aadhaar number as the case may be, then the deduction will have to be made at maximum marginal rate.

8. DDOs to obtain evidence/proof of claims:

For the purpose of estimating income of the assesse or computing tax deductions, section 192(2D) provides that person responsible for paying (DDOs) shall obtain from the assessee evidence or proof or particular of claims such as House rent Allowance (where aggregate annual rent exceeds one lakh rupees); Deduction of interest under the head "Income from house property" and deduction under Chapter VI-A as per the prescribed form 12BB laid down by Rule 26C of the Rules.

Further, as per section 192 (2D) read with the rule 26C, it is mandatory for the DDOs to obtain details/evidence in respect of claim of exemption for leave travel concession or assistance before allowing the said exemption. The relevant form for furnishing details by employee is Form 12BB.

It may be noted that the DDOs shall allow income-tax exemption as referred to in Para 5.3.1 after, obtaining copies of invoices of specified expenditure incurred during the specified period.

9. Calculation of income-tax to be deducted:

9.1 Salary income for the purpose of section 192 shall be computed as follow:-

a) First compute the gross salary as mentioned in para 5.1 including all the incomes mentioned in para 5.2 and excluding the income mentioned in para 5.3.

b) Allow deductions mentioned in para 5.4 from the figure arrived at (a) above and compute the amount to arrive at Net salary of the employee

c) Add income from all other heads- "House property", "Profits & gains of Business or Profession", Capital gains and Income from other Sources to arrive at the Gross Total Income as shown in the form of simple statement mentioned para 3.6. However, it may be remembered that no loss under any such head is allowable by DDO other than loss under the head "Income from House property" to the extent of Rs. 2.00 lakh.

d) Allow deductions mentioned in para 5.5 from the figure arrived at (c) above ensuring that the relevant conditions are satisfied. The aggregate of the deductions subject to the threshold limits mentioned in para 5.5 shall not exceed the amount at (b) above and if it exceeds, it should be restricted to that amount.

This will be the amount of total income of the employee on which income tax would be required to be deducted. This income should be rounded off to the nearest multiple of ten rupees.

9.2 Income-tax on such income shall be calculated at the rates given in para 2.1 of this Circular keeping in view the age of the employee and subject to the provisions of section 206AA, as discussed in para 4.8. Rebate as per Section 87A up to Rs 12,500/- to eligible persons (see para 6) may be given. Surcharge shall be calculated in cases where applicable (see para 2.2).

9.3 The amount of tax as increased by the surcharge if applicable so arrived at shall be increased by Health and Education Cess at the rate of 4% to arrive at the total tax payable.

9.4 The amount of total tax payable as arrived at para 9.3 should be deducted every month in equal installments. Any excess or deficit arising out of any previous deduction can be adjusted by increasing or decreasing the amount of subsequent deductions during the same financial year.