

TAXATION SHORT NOTES

ALLOWANCES

Allowance is the fixed monetary amount paid by the employer to employee for meeting some particular expenses, whether personal or for performance of duties.

HOUSE RENT ALLOWANCE [SECTION 10(13A)]

METRO CITIES (Least of following)	OTHER CITIES (Least of following)
<ul style="list-style-type: none"> • Allowance received • Rent paid in excess of 10% of salary • 50% of salary 	<ul style="list-style-type: none"> • Allowance received • Rent paid in excess of 10% of salary • 40% of salary

ALLOWANCES WHICH ARE EXEMPT TO CERTAIN PEOPLE

- Allowances to a citizen of India, who is a Government employee, rendering services to India.
- Allowance to High Court judges.
- Sumptuary allowance given to High Court and the Supreme Court judges.
- Allowances received by an employee of United Nations Organization(UNO) From employer.

PRESCRIBED SPECIAL ALLOWANCE [SECTION 10(14)]

For performance of official duties

Minimum of following: Actual allowance received OR Actual amount spend.

- Travelling allowance
- Daily allowance
- Conveyance allowance
- Helper allowance
- Academic allowance
- Uniform allowance

For meeting Personal expenses

Allowance exempt to extent of amount received or limit specified

LIMIT PRESCRIBED

- CHILDREN EDUCATION ALLOWANCE: ₹100 p.m. per child upto maximum of 2 children
- HOSTEL EXPENDITURE ALLOWANCE: ₹300 p.m. per child upto maximum of 2 children
- TRIBAL AREA, SCHEDULED AREA ALLOWANCE: ₹200 p.m.
- SPECIAL COMPENSATORY HILLY AREA ALLOWANCE: ₹300 to ₹7000 p.m.
- BORDER AREA ALLOWANCE: ₹200 to ₹1300 p.m.
- COMPENSATORY FIELD AREA ALLOWANCE: ₹2600 p.m.
- COUNTER INSURGENCY ALLOWANCE TO ARMED FORCE MEMBERS: ₹3900 p.m.
- TRANSPORT ALLOWANCE: ₹1600 p.m. For person with disability, allowance is ₹3200 p.m.
- UNDERGROUND ALLOWANCE: ₹800 p.m.
- HIGH ALTITUDE ALLOWANCE FOR ARMED FORCES MEMBERS: ₹1060 p.m. (9000ft to 15000ft) and ₹1600 p.m.(above 15000ft)
- ISLAND ALLOWANCE FOR ARMED FORCES MEMBERS: ₹3250 p.m.

Allowance exempt to the extent of certain percentage of amount received

ALLOWANCE ALLOWED TO TRANSPORT EMPLOYEES WORKING IN TRANSPORT SYSTEM: 70% of such allowance or ₹10000 p.m. whichever is less.

ALLOWANCES WHICH ARE FULLY TAXABLE

- Dearness Allowance
- City Compensatory Allowance
- Medical Allowance
- Lunch Allowance
- Overtime Allowance
- Servant Allowance
- Warden Allowance
- Non-practicing Allowance
- Family Allowance

ENTERTAINMENT ALLOWANCE

Allowed only to Government employees

Minimum of following 3 limits:

- Actual entertainment allowance
- 20% of salary exclusive of allowance, benefit, etc
- ₹5000

TAXATION SHORT NOTES

PERQUISITES

It is the kind of Benefits provided to the employee by employer.

TAXABLE IN THE HANDS OF ALL CATEGORIES OF EMPLOYEES

- Rent free Accommodation
- Any concession in rent provided by employer to employee
- Any sum paid by employer in discharging monetary obligations of employee
- Any sum paid by employer through a fund (other than contribution in recognized provident fund, approved superannuation fund, etc)
- The value of any Fringe Benefit or amenity as may be prescribed.

TAXABLE ONLY WHEN EMPLOYEE BELONGS TO SPECIFIED GROUP

- Valuation of Motor car/other vehicles
- Services of a sweeper, gardener, watchmen or personal attendant
- Benefit of supply of gas, electric energy or water for household consumption
- Free or concessional educational facilities to any member of employee's household.
- Free or concessional journey given to transport employees & their family

SPECIFIED SECURITY OR EQUITY SHARES ALLOTTED OR TRANSFERRED BY THE EMPLOYER TO ASSESSEE

CONTRIBUTION BY EMPLOYER TO APPROVED SUPERANNUATION FUNDS TO THE EXTENT IT EXCEEDS TO ₹150000

TAX FREE PERQUISITES

- Medical facility or reimbursement (subject to maximum amount of ₹15000 per year).
- Recreational facilities
- Training of employees
- Use of health clubs, sports and similar facilities
- Telephone expenses
- Employer contribution to Superannuation Fund not exceeding ₹150000 per employee per year
- The premium paid by employer on accident policy
- Amount given by employer of assessee to assessee's child as scholarship
- Food and beverages provided to employees
- Loans to employees (not exceeding ₹20000)
- Perquisites provided outside India by Government to its employees.
- Rent free house/Conveyance facility provided to Judge of Supreme court/High court
- Residence to officials of Parliament
- Accommodation provided to an employee working at mining site or an offshore oil exploration site.
- Educational facility for children of employee (cost of education or value of benefit per child does not exceed ₹1000 p.m.
- Laptops or computers provided to employee or any member of his household.
- Tax paid by the employer on non-monetary perquisites.