

TAXATION SHORT NOTES

INCOME UNDER HEAD SALARY (SECTION 15 to 17)

BASIS OF CHARGE (SECTION 15):

The following income shall be chargeable to income tax under the head 'Salaries':

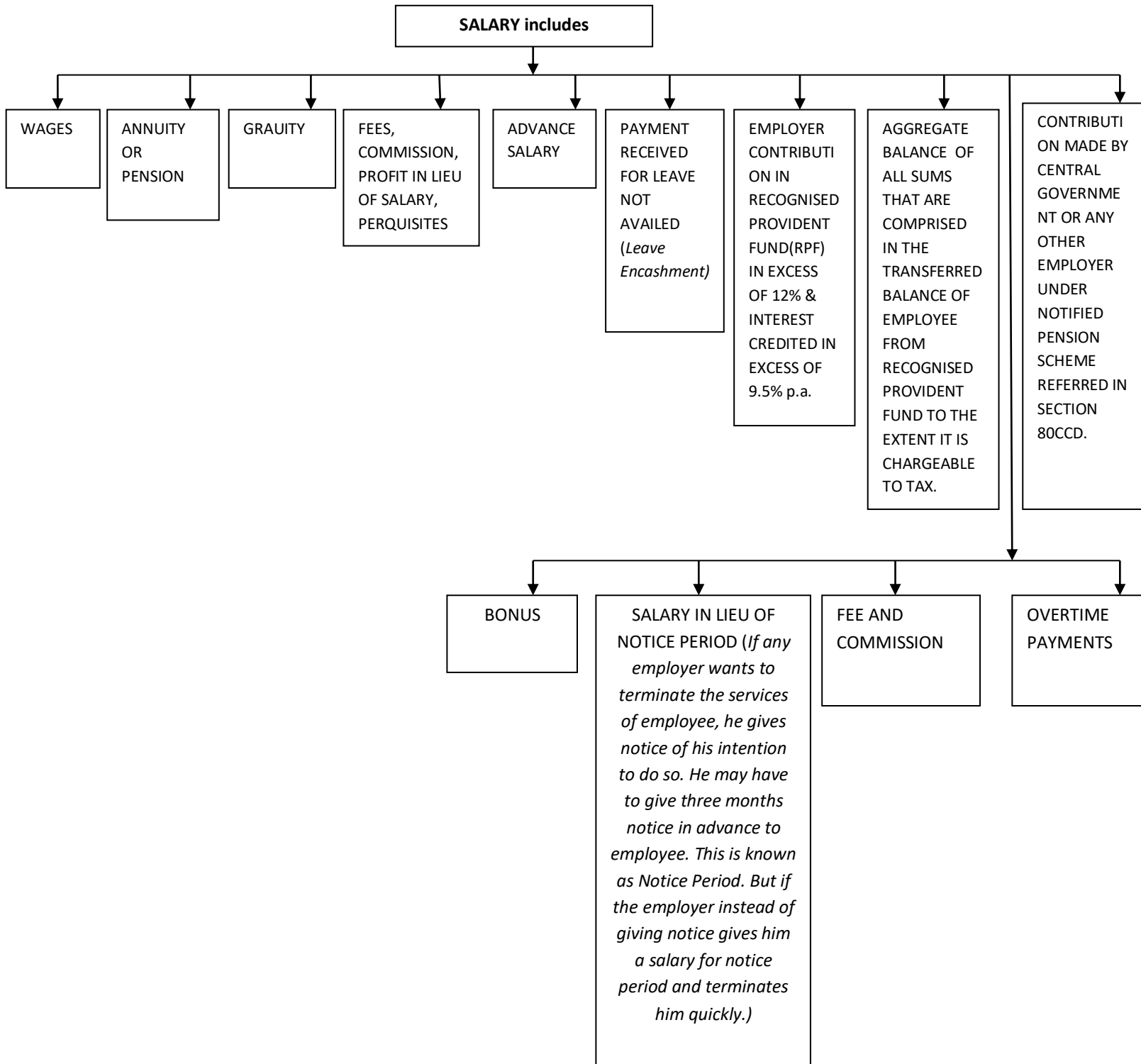
- a) Any salary due from an employer or a former employer to an assessee in the previous year, whether paid in that previous year or not;
- b) Any salary paid or allowed to him in the previous year by or on the behalf of employer or a former employer through not due in that previous year or before it becomes due to him;
- c) Any arrears of salary paid or allowed to him in the previous year by or on the behalf of an employer or a former employer, if not chargeable to Income Tax in any earlier previous year.

POINTS TO REMEMBER:

- a) Where any salary is paid in advance is included in the total income of any person of any person in previous year, then it shall not be included in the total income where the salary becomes due.
- b) Any salary, bonus, commission or remuneration, by whatever name called, due to or received by a partner of firm shall not be regarded as salary for this purpose. It will be taxable under head 'Profit or gains from business and profession'.
- c) The expression 'Paid' includes every type of receipts by the employee from the employer whether it was due to him or not.
- d) If the salary becomes payable on monthly basis, then it becomes due at the end of the month although it is paid in the next month. In such case it will be taxable on 'Due basis'. If the salary becomes due on the 1st day of next month, then we shall calculate tax on salary from March to February because the salary of March will become due only in April of the current year.

TAXATION SHORT NOTES

MEANING OF SALARY (SECTION 17(1)):



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

- 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.

TAX FREE PERQUISITES

TAXATION SHORT NOTES

VALUATION OF PERQUISITES

RENT FREE ACCOMMODATION OR ACCOMMODATION PROVIDED AT CONCESSIONAL RATE

ACCOMMODATION PROVIDED BY GOVERNMENT

WHERE ACCOMMODATION IS PROVIDED RENT FREE

The value of license fee is determined by Union or State Government in respect of rules framed by Government for allotment of houses.

WHERE ACCOMMODATION IS PROVIDED AT CONCESSIONAL RATE

For valuation of concession, such license fee shall be reduced by the rent actually paid by the employee.

ACCOMMODATION PROVIDED BY ANY OTHER EMPLOYER

ACCOMMODATION IS FURNISHED

WHERE ACCOMMODATION IS OWNED BY EMPLOYER

Accommodation in city < 10 lakhs: 7.5% of salary for period during which accommodation was occupied.

Accommodation in city from 10 lakhs to 25 lakhs: 10% of salary for period for which accommodation was occupied.

Accommodation in city > 25 lakhs: 15% of salary for period in which accommodation was occupied.

WHERE ACCOMMODATION IS TAKEN ON RENT OR LEASE

Actual amount of lease or rent paid or payable by the employer

OR

15% of salary

Whichever is lower

ACCOMMODATION IS PROVIDED BY EMPLOYER IN HOTEL

The value of accommodation is:

24% of salary paid or payable OR actual charges paid or payable, whichever is lower. If employee pays any rent, the value so determined shall be reduced by the rent.

ACCOMMODATION IF FURNISHED

The value shall be increased by 10% of cost of furniture (including home appliances). Any amount paid by employer shall be reduced by charges paid or payable.

Visit site- <https://wise-ing.co.in>

To get more informative contents!