

OVER VIEW OF INCOME FROM SALARY

BY

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Income from Salary

- Sec 15-
- EMPLOYER & EMPLOYEE RELATION SHOULD EXIST
- taxable on due basis whether paid or not.
- Salary received from former employer.
- Arrears of Salary.

SALARY --CONTD

- DEFINED U/S 17(1)
- INCLUSIVE DEFINITION
- INCLUDES PERQUISITES
- INCLUDES PROFITS IN LIEU OF SALARY

SALARY --CONTD

- SALARY INCLUDES
- WAGES,
- ANNUITY OR PENSION
- RETIREMENT BENEFITS
- BONUS
- NOTICE PERIOD SALARY
- FEE OR COMMISSION
- OVERTIME ALLOWANCES

SALARY CONTD

- PROFITS IN LIEU OF SALARY INCLUDES
- COMPENSATION RECEIVED FOR TERMINATION OR MODIFICATION OF TERMS OF EMPLOYMENT
- EMPLOYERS CONTRIBUTION RECEIVED FROM UNAPPROVED FUNDS.
- AMOUNT RECEIVED BEFORE JOINING EMPLOYMENT OR AT THE TERMINATION OF EMPLOYMENT.

SALARY -TDS

- U/S 192(2B)
- EMPLOYEE MAY GIVE INFORMATION TO EMPLOYER, IF HE HAS ANY OTHER INCOME AND TDS THEREON.
- DISCRETION IS WITH THE EMPLOYEE.
- THEN, EMPLOYER SHALL CONSIDER SUCH INCOME FOR TDS COMPUTATION

ARREARS of Salary

- Arrears of salary is taxable
- Employee can claim relief u/s 89(1)
- Filing of Form 10E along with RI is compulsory
- Otherwise CPC does not allow 89(1) RELIEF.

HRA Exemption

Exempt U/s 10(13A)

Read with Rule 2A

HRA Continued – Rule 2A

- As per Rule 2A , least of the following is exempted

I . Actual HRA received		XXXX
II. Actual Rent Paid	xxx	
Less: 1 /10 th of salary	<u>xxx</u>	YYYY
III. 2/5 th of the Salary		ZZZZ

Least of the above

Salary

Salary for purposes of HRA Means

“ Salary” includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

CONDITIONS

- EMPLOYEE SHOULD FURNISH FOLLOWING DETAILS TO EMPLOYER IN FORM NO 12BB.
- RENT PAID
- NAME OF LANDLORD
- ADDRESS OF LANDLORD
- IF RENT PAID BY EMPLOYEE EXCEEDS
Rs 100,000/- PA, THEN PAN OF LANDLORD

Example

Computation of HRA Exemption

Particulars	Amount	Amount	
1.HRA Received			2,70,000
2. Rent Paid		3,60,000/2,40,000	
less: 1/10 th of salary			
Basic Salary	9,00,000		
DA	<u>14,00,000</u>		
	23,00,000		
1/10 th of salary		2,30,000	
Balance			1,30,000/ 10,000
3. 2/5 th of Salary			9,20,000
4.Least of the above			1,30,000/10,000

HRA-- CONTD

- IF EMPLOYEE LIVES IN HIS OWN HOUSE, THEN NO HRA EXEMPTION.
- If he owns a house, but unable to live therein, and lives in rented house, then such employee can claim HRA EXEMPTION.
- THE OWN HOUSE,IF NOT LET OUT, WILL BE CONSIDERED AS SOP, ANNUAL VALUE AT NIL.

HRA --CONTD

- IF employee owns more than one house, then at the option of employee, one house is considered as SOP.
- For other house or houses, employee has to admit income from property.
- Unless the above information is furnished by employee to employer, in writing and verified, employer **NEED NOT CONSIDER THE ABOVE INCOME FOR TDS ON SALARIES.**

LOSS -SOP

- If employee has an SOP(only one SOP is allowed)
- Even if it is not occupied by him
- Then interest paid on loans will be allowed
- -if loan is borrowed for construction/acquisition after 1-4-1999 and construction is completed within 5 years, then int upto Rs 2 lakhs is allowed as deduction.
- In any other case Rs 30,000/-

EMPLOYEES PROVIDED WITH QTRS- PERQUISITIES

- BROADLY DIVIDED INTO TWO CATEGORIES
- CENTRAL/STATE GOVT EMPLOYEES
- OTHERS
- EMPLOYEES OF STATE/CENTRAL GOVT PSU, AUTONOMOUS BODIES, GOVT COMPANIES, ARE NOT TREATED AS GOVT EMPLOYEES.

FOR GOVT EMPLOYEES

- License fee as determined by respective govt rules less amount recovered.
- In case, for such employee HRA is paid and deducted towards rent, then
- If license fee and HRA IS EQUAL, THEN NO HRA DEDUCTION.
- IF LICENCE FEE IS MORE THAN HRA, THEN LICENCE FEE MINUS HRA IS TREATED AS PERQUISITES AND ADDED TO SALARY INCOME.

OTHER EMPLOYEES

- IN MYSORE
- POPULATION AS PER LAST CENSUS < 10 LAKHS.
- IF BUILDING IS OWNED BY EMPLOYER. THEN 7.5% OF SALARY LESS AMOUNT RECOVERED.
- If building is NOT owned by employer
- ACTUAL RENT PAID OR 15% SAL WHICHEVR IS LOWER, LESS AMOUNT RECOVERED

PERQUISITIES-LOANS

- LOANS TO EMPLOYEES AT CONCESSIONAL RATES.—ANY PURPOSES
- Bench mark rate –rate charged by SBI as on 1st April of relevant FY.
- Loan given employer at a rate less than the bench mark rate.
- INT TO BE CALCULATED ON MONTHLY MAX LOAN BALANCE

CONTD...

- EXAMPLE: HOUSING LOAN
- BENCH MARK RATE 8.6%
- LOAN PROVIDED BY EMPLOYERS SAY AT 7%
- THEN THE DIFF IN INTEREST PAID, AT 8.6% AND 7% SHALL BE TREATED AS PERQUISITIES.
- THE SAID DIFF WILL BE ADDED TO SAL INCOME AND TAXABLE.

Exempt Allowances

- All allowances are taxable unless it is specifically exempt U/s 10(14)

Medical Reimbursement

- Medical Allowance – Any amount received is taxable.
- Reimbursement of
- Medical Expenses } The whole amount is taxable

Exempt [10(14)]

Name of Allowances	Maximum Amount exempt from Tax
1. Any Allowance (by whatever name called) granted to meet the cost of travel on tour or on transfer (including any sum paid in connection with transfer, packing and transportation of personal effect on such transfers)	To the extent the allowance is utilised for the purpose specified in Column 1
2. Conveyance allowance granted to meet the expenditure on conveyance in performance of duties of an office.	To the extent the allowance is utilised for the purpose specified in Column 1
3. Any allowance, whether granted period on tour or for the 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.	To the extent the allowance is utilised for the purpose specified in Column 1

Exempt [10(14)]

Name of Allowances	Maximum Amount exempt from Tax
4.Any allowances (by whatever name called) to meet the expenditure on a helper where such helper is engaged for the performance of duties of an office.	To the extent the allowance is utilised for the purpose specified in Column 1
5.Any allowance (by whatever name called) granted for encouraging the academic, research and other professional pursuits.	To the extent the allowance is utilised for the purpose specified in Column 1
6. Any allowances (by whatever name called) to meet the expenditure on the purchase or maintenance of uniform for wear during the performance of duties of an office.	To the extent the allowance is utilised for the purpose specified in Column 1

Exempt [10(14)]

Name of Allowances	Maximum Amount exempt from Tax
7.Any Special Compensatory allowance in the nature of special compensatory (hilly area) allowance or high altitude allowance or uncongenial climate allowance or snow bound area allowance.	Rs.300 PM- All places located at a height of 1000M or more above the sea level .
8.Any Special Compensatory Allowance in the nature of Border area allowances, Remote locality allowance or difficult area allowance or disturbed area allowance.	Rs .300 PM –In Jog falls in Shivmoga district in Karnataka.

Exempt [10(14)]

Name of Allowances	Maximum Amount exempt from Tax
10.Children education allowance (by what ever name called) .	Rs.100 per month per child up to a maximum of two children.
11.Any allowance granted to an employee to meet the hostel expenses on his child (by whatever name called).	Rs.300 per month per child up to a maximum of two children.
12. Transport allowance granted to an employee, who is blind or deaf and dumb or ortho- paedically handicapped with disability of lower extremities to meet his expenditure for the purpose of commuting the place of his residence and the place of his duty.	Rs.3,200 per month.
13.Underground allowance granted to an employee who is working in uncongenial, unnatural climate in underground mines.	Rs.800 per month.

Conveyance Allowance

- Upto 31.03.2018 , Conveyance allowance of Rs. 1,600/-, PM was exempt U/s 10(14).
- This exemption has been withdrawn by IT (Third Amendment Rules) 2018.
- Due to this Amendment Conveyance allowance is taxable for AY 2019-20.

Medical Expenses

- Exempt where expenses for reimbursed to the hospital maintained by the employee.
- To hospital maintained by Government or local authority or approved by the Government.
- To the prescribed diseases in any hospital approved by the Principal chief Commissioner of Income Tax.

Medical Expenses

- Reimbursement of medical expenses upto Rs.15,000 / PA was exempt upto AY 2018-19.
- The above exemption is withdrawn by Finance Act 2018 w.e.f 1.04.2019 i.e, for AY 2019-20.

PENSION POLICY -80CCC

- PREMIUM PAID ARE DEDUCTIBLE
- MAX AMT DEDUCTIBLE 1.5 LAKHS
- THE ABOVE LIMIT INCLUDES DEDUCTION U/S 80C.
- ON MATURITY, THE ANNUITY IS TAXABLE.
- IF PENSION POLICY IS SURRENDERED BEFORE ITS MATURITY, THEN ENTIRE/WHOLE AMT RECEIVED WILL BE TAXABLE IN THE YR OF RECEIPT.

SEC 80CCD -NPS

- Sub sec (1)
- Central govt employees employed on or after 1-1-2004
- Amount contributed by employee not exceeding 10 % of salary.
- This contribution is included in limits u/s 80CCE.

80CCD..contd

- If an employee over and above THE AMOUNT STATED ABOVE, contributes to NPS, THEN
- THE AMOUNT SO CONTRIBUTED OR
- A SUM OF Rs 50,000/-
- WHICHEVER IS LESS
- WILL BE ALLOWED AS ADDITIONAL DEDUCTION.

80CCD CONTD...

- If an employee receives money from NPS on account of closure of a/c OR opting out of scheme, then
- 40% of the amount received is exempt.(u/s 10(12A))
- Balance 60% is taxable.
- If such employee utilises the whole amount in purchasing a annuity plan in the same FY, then the such amount is not taxable.
- Annuity income is taxable.

- THANK YOU

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