**Salary —** Sec 15 to 17
The amount received by an employee from his employer as consideration for the service rendered by him for the employer is known as salaries.

According to section 15, the following form of salaries are chargeable to tax in the previous year:
i. Salary due—whether paid or not.
ii. Salary received in advance—whether due or not;
iii. Arrears of salaries—if not charged to tax in any earlier previous year.

**Deductions —** Sec 16
Three kinds of deductions —
1. **Standard deductions —** Sec 16 (i);
    (a) Income <= 1,50,000 then 33% or 1/3rd part of the income, whichever is less, shall be deducted.
    (b) Income > 1,50,000 and <= 3,00,000, then Rs. 25,000/- shall be deducted.
    (c) Income > 3,00,000 and <= 5,00,000, then Rs. 20,000/- shall be deducted.
2. **Entertainment Allowances —** Sec 16 (ii);
    1/5th part of salary or Rs 5,000/- whichever is less shall be deducted.
3. **Employment Tax —** Sec 16 (iii);
    If the employee during previous year paid any amount as employment tax to state government then the amount shall be deducted from the amount to be taxed in the assessment year. **The employment tax cannot be more than Rs.2500/- per year.**

**Sec 17 (1) :** The consideration or remuneration is received by an employee in the form of —

| | | |
|---|---|---|
| **1.** Wages, overtime payment | **5.** Any perquisites or facilities | **9.** Pension from employer |
| **2.** Any annuity or Pension | **6.** Profits in lieu of salary | **10.** Compensation for voluntary retirement |
| **3.** Any gratuity | **7.** Advance salary | **11.** Gifts from employer |
| **4.** Any fee, commission, bonus | **8.** Leave encashment | **12.** Interest free loan from employer |

**Sec 17 (2) :** perquisites are also included within salary —
(a) Value of rent free accommodation provided or made available by employer to the taxpayer, end
(b) Value you concessions send accommodation provided by employer to the taxpayer.
But, above facilities provided to the judges of High Court and Supreme Court and ministers, etc. are not included in the salary.

**Sec 17 (2) :** profit in lieu are also included within salary —
(a) Compensation amount paid by the employer to employee at the time of termination of his service.
(b) Any payment made to taxpayer by employer.

**Profits And Gains Of Business Or Profession —** (Sec. 28)

The following incomes are chargeable to income tax under the head Profits and Gains of Business or Profession:

1. Profit and gain of any business or profession carried by the assessee during the previous year.
2. Income derived by a trade, professional or similar association.
3. Profit on sale of license.
4. Re-payment of any custom or excise duty.
5. Income from speculative transactions.
6. Interest on securities.
7. Any sum, whether received or receivable in cash, on account of any capital asset been destroyed.
8. Any profit on the transfer of the duty entitlement passbook scheme.
9. Any sum received under keyman insurance policy.
10. Any compensation due or received by any person managing the whole affair of an Indian company.

**GST**

1. Gross product variant :- This allows deduction for taxes on all purchases of raw materials and components, but no deduction is allowed for taxes on capital inputs. That is tax on capital goods such as plant & machinery are not deductible from the tax base in the year of purchase and tax on the depreciated part of plant & machinery is not deductible in the subsequent years. Capital goods carry a heavier tax burden as they are taxed twice. Modernization and upgrading of plant & machinery is delayed due to this double tax treatment.

2. Income variant :- This allows deduction on purchase of raw materials and components as well as depreciation on capital goods. This method provides incentives to classify purchases as current expenditure to claim set-off.

3. Consumption Variant :- This allows deduction on all business purchases including assets. Thus, gross investment is deductible in calculating value added. It neither distinguishes b/w capital and current expenditures nor specifies the life of assets or depreciation allowances for different assets. This form is neutral b/w the methods of production; there will be no effect on tax liability due to the method of production (i.e. substituting capital for labour or vice versa). The tax is also neutral b/w the decision to save or consume.