

FAQ's on Payroll and Income Tax

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Salary related information and tax implication

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What does Salary Income mean?

Salary normally includes wages, annuity, pension, gratuity, commission, perquisites, etc. and any other payment received by an employee from the employer during the year. These are paid and tax is deducted at source by your current employer. An annual statement of earning and deductions (Form 16) is given to each employee at the end of each financial year (April –March).

How do I calculate my House Rent Allowance (HRA) and exemption thereon?

House Rent Allowance will be applicable only for Employees who are part of Option 3.

From the House Rent Allowance (HRA) received as part of salary during the year, least of the following three amounts are exempt from tax (or not included in income):

- Amount equal to 50% of annual salary for persons staying in metros (Mumbai, Chennai, Calcutta or Delhi) and 40%, for other cities
- Actual amount of HRA received
- Amount of rent actually paid in excess of 10% of annual salary

For HRA exemption purpose, Salary is defined as basic salary, dearness allowance, and commission on fixed percentage, but not other allowances.

Illustration

1. Basic salary for the year Rs. 300,000/-
2. Actual HRA received Rs. 72,000/-
3. Rent paid for the entire year Rs. 60,000/- (5000 pm * 12 months)

HRA exemption for this case is:

- a) Actual HRA received = Rs. 72,000
- b) Rent paid less 10% of Salary = Rs. 30,000 (60,000 minus 30,000 (10% of 300,000))
- c) 40% of Salary (300,000) = Rs. 120,000

Least of the above, Rs. 30,000, is exempt from tax

How is the exemption on Leave Travel allowance calculated?

Leave Travel Allowance will be applicable only for Employees who are part of Option 3.

Allowance to meet the cost of travel incurred by employee:

- Leave Travel Expenses exempt for 2 domestic journeys in a block of 4 calendar years (Current block is 2014 –2017).
- One un-availed journey for previous block can be availed in the 1st year of the next block.
- Assessee should be part of the travel throughout the journey.
- Boarding and lodging are not exempt.
- Leave should be availed during the period of travel.
- Only fare cost is exempt, which is restricted to:

Particulars	Exempt Amount
Journey performed by air	Economy fare by the shortest route or actual amount spent, whichever is the least.
Journey performed by rail	Air-conditioned first class rail fare by the shortest route or actual amount spent, whichever is least.
Journey performed by any other mode but the origin and destination are covered by Rail	Air-conditioned first class rail fare by the shortest route or actual amount spent, whichever is least.
Where the origin and destination are not connected by rail, and <ul style="list-style-type: none"> • Where an organized public transport exists • Where no organized public transport exists 	First class or deluxe class fare by shortest route or amount actually spent, whichever is least. Air-conditioned first class rail fare by shortest route or actual amount spent, whichever is least.

Example:

1. LTA received for the entire year = Rs. 40,000
2. Air tickets for the travel undertaken = Rs. 35,000

Rs. 35,000 will be exempted from tax.

Transport allowance / Conveyance Allowance

Transport allowance for traveling from residence to office is exempt up to Rs. 1600 per month, if provided as part of your compensation structure.

No exemption for those who are availing Company provided Transport.

What is the tax benefit of Medical reimbursement and how that can be claimed?

Every employee will be eligible to claim a medical reimbursement for Rs. 1250/month. In the year end along with investment proofs you need to produce the medical bills. The unclaimed portion of Medical will be paid as taxable in March payroll.

Special Allowance

Special Allowance will be applicable only for Employees who are part of Option 3.

What is Perquisite and how is it taxed?

Perquisites are emoluments or benefits received from an employer, in addition to salary, bonus, allowances, gratuity, etc. They include rent-free accommodation, free electricity, gas, or water supply, free domestic servant, etc. provided / paid for, by the employer.

These perquisites are added to the Salary Income for arriving at the tax liability as per the applicable slabs. Examples of perquisites are:

1. Motor Car

If Car is owned by the company

Car Used for Partially for official and partially for personal purposes.

Expense paid by Running and maintenance expense is reimbursed by the employer.

Car CC	<1.6 cc	> 1.6 cc
Perk Amount	1800/-p.m	2400/-p.m

If Car is owned by the Employee

Car Used for Partially for official and partially for personal purposes.

Expense paid by Running and maintenance expense is reimbursed by the employer.

Car CC	<1.6 cc	> 1.6 cc
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Perk Amount	Actual Amount	Actual Amount
	Reimbursed less	reimbursed less
	Rs.1800/-p.m	Rs. 2400/-p.m

Driver Salary

Car Owned by Employer	Employee
Perk Amount Rs.900/-pm	Actual driver salary reimbursed reduced by Rs,900/-p.m.

I am new hire and would like to update my Bank account details for salary credit?

You can login to Payroll portal, available under “Tools and Applications” on Quintiles Homepage. Login to Payroll Portal (HR Workways) and update your Bank account number - My Personal Details - Update Bank Info

What is IFSC while updating Bank Details?

It is the 11 digit alphanumeric code which is mandatory. It is available in your Cheque book. If you are a HDFC Bank holder you can either use your actual IFSC code OR standard IFSC code - HDFC0000240

In HR work ways portal, under Claim Reimbursement option and why there are no records shown?

This option is applicable for employees who are under Car lease programme. If you are not under Car scheme you will not see any records or the Option to update.

I am trying to update HRA Rent details from 1st April but getting some error message?

If you are a new hire joined after 1st April, system will not allow you to update rent from 1st April. One of the reason for getting error message. You can enter rent from your date of joining. The amount will be per month value.

Without updating this value, the HRA Tax exemption will not be calculated.

My Pay slip is available online in HR Work ways. So it is not required to save it locally?

It is a good option to save your monthly pay slips for easy reference. The Pay slips will be available for last 18 months on the Portal.

I need some clarifications regarding my pay slip. Whom should I approach?

Write a mail to info@excelityglobal.com and the team will revert on your query. Please quote your 6 digit QID.

My name in Pay slip is incorrect. I need to change the same

Please login to EDA (Employee Direct Access) and make a change. Any further support, please raise a GetIT ticket for HRPSC.

What is a Permanent Account Number (PAN)?

Permanent Account Number is a unique identification number by which the Assessing Officer of the Income Tax Department can identify any assessee. PAN consists of ten alphanumeric characters, and every employee of the company must possess PAN. As per Sec 206AA of the Income Tax, it is mandatory to submit the PAN to the employer, failure to which the income tax will be deducted at the rate of 20% of the taxable income

Or the average tax whichever is higher. Any excess tax deducted on account of non-submission of PAN will only be adjusted and will not be refunded.

I would like to update my PAN details as it is not reflecting in pay slip.

Please update your PAN details in HR Work ways under My Personal Details-Update PAN Option

Income Tax and Form-16 related queries

What is the current Income Tax slab?

What is IT Computation given under My Reports?

What is Investment Declaration?

Can I make the changes to investment declaration?

When should I submit my investment proof copies for tax exemption purpose?

My actual investments are not as per my declaration, how it will impact?

What is Form 16?

How do I Account for my Salary from more than one Employer in a single financial year?

How do I file my tax returns?

What is the current Income Tax slab?

In case of individuals (Other than individuals who are of the age of 60 years or more at any time during the financial year 2016-17)

Income (In Rs.)	Tax Liability (In Rs.)
Upto Rs. 2,50,000	Nil
Between Rs. 2,00,001 - Rs.5,00,000	10% of income in excess of Rs.2,50,000
Between Rs. 5,00,001 – Rs. 10,00,000	Rs. 25,000 + 20% of income in excess of Rs. 5,00,000
Above Rs.10,00,000	Rs. 125,000 + 30% of income in excess of Rs. 10,00,000

- Tax rates are same for Male and Female assesses for the FY 2016-2017.
- Education Cess is computed at 3% of total tax payable at all levels of income.
- Surcharge will be applicable @ 15% on Tax Amount, if the taxable income exceeds Rs.1,00,00,000.

Tax relief up to Rs.5000 u/s 87 will be provided to employees, if their taxable income is less than Rs. 5,00,000 for the current Financial Year.

What is IT Computation given under My Reports?

It is the Annual Income tax statement giving details about the tax calculations and exemptions. It contains the Annualised values (Actual income till date + Projected income for the rest of the year and investment declarations for exemptions).

What is Investment Declaration?

It is the investment plan to be given by employee in the beginning of the year (April) OR date of joining whichever is later. Income tax will be calculated after considering the investment declarations.

Can I make the changes to investment declaration?

You can make the changes based on your actual investment planning. You can update your declarations between specific days in the month. You can refer to 'Schedule' page in the Payroll Portal (excluding year end months where actual investments will be considered for taxation)

When should I submit my investment proof copies for tax exemption purpose?

In the year end, you will get detailed communication regarding submission of investment proofs. Till such time, your income tax will be computed based on the declarations made by you.

My actual investments are not as per my declaration, how it will impact?

Income tax will get recalculated based on the actual proofs submission and tax will get recovered as per the new tax liability.

What is Form 16?

Form 16 is a certificate issued by the employer every year to its employees under section 203 of Income Tax Act for Tax Deducted at Source from the Income chargeable under "Salaries".

How do I Account for my Salary from More Than One Employer in a single financial year?

The employee is required to furnish details of the income, under "Salaries" due or received from the former/other employer, to the present/current employer, and also tax deducted at source, in writing and duly verified by him and by the former/other employer in **Form 12B** (copy of this Form is available on www.hrworkwaysindia.com). The present/current employer will deduct tax at source based on the aggregate amount of salary (including salary received from the former or other employer).

Note – Previous employment Income & details does not reflect on the Form 16 of the current employer.

How do I file my tax returns?

Once you receive Form16, you can file your individual returns with income tax department. You can either file it through a third party auditor OR file it online in Income Tax web site. It is the responsibility of employee to file individual tax returns.

Tax Savings Scheme and Exemptions

How do I account for my loss on House Property?

I am currently staying in a rented house and my own house is in other state, can I claim both exemptions?

What are the various Deductions allowed under Chapter VI A?

Is VPF/PF tax exempted/ should we update our PF/VPF contributions in HR Work ways portal?

80CCF – Long Term Infrastructure Bond exemption Applicability

80CCG – Rajiv Gandhi Equity Savings Scheme

80D –Medical Insurance

80DD –Medical Treatment for Handicapped Dependent

80DDB –Medical Treatment for Specified Illness/Diseases

80E –Interest on Education Loan

80U –Permanent Physical Disability Including Blindness

80G –Donations

80TTA - Interest on Savings Bank account

National Pension System (NPS) - deduction under Section 80CCD(2)

How do I account for my loss on House Property?

For Self-Occupied property

House that is constructed or acquired after April 1999 by using borrowed capital, interest on such borrowed capital up to an amount of Rs.200,000.00 can be claimed as deduction.

In case, the house was acquired / constructed prior to April 1999, the amount of deduction is Rs.30,000.

80EE –Interest on Education Loan

Additional exemption of Rs. 50,000 for housing loans up to Rs. 35 lakh, provided cost of house is not above Rs. 50 lakh. (new loans taken after 1st Apr-16)

For Let Out property

Rent received for let out property reduced by Interest on borrowed capital and 30% of the net annual value for repair and maintenance is taken as loss / income.

For both the above, assessee has to produce a certificate from the lender specifying the interest payable towards the capital borrowed for construction or acquisition of a house.

Only interest paid post completion of house is entitled / eligible for deduction and Pre-EMI interest is amortized over a period of 5 years.

Illustration :

1. Interest payable on housing loan (Loan taken after 01.04.1999): 180,000
2. Pre-EMI paid is Rs. 30,000
3. Rent received (in case of Let Out Property) Rs. 36000/- pa

For Self-Occupied property

Interest on housing loan (loan post 1/4/99) is Rs. 180,000

Pre EMI at 20% on Rs. 30,000/- (Amortized over 5 years) is Rs. 6,000/-

Total loss is Rs. 186,000 though maximum allowed is restricted to Rs. 200,000/-

For Let out Property

Interest on borrowed capital is Rs. 180,000/-

Pre EMI at 20% (Amortized over 5 years) is Rs. 6,000/-

30% of annual value (36,000) is 10,800 (for repairs and maintenance)

Total of 196,800 is reduced by Rs. 36,000 (rent received) = 160,800

Total loss eligible for deduction is Rs.160, 800

I am currently staying in a rented house and my own house is in other state, can I claim both exemptions?

If employees are staying a city on rental accommodation but has own accommodation in any other city, they can avail both exemptions, i.e both HRA and housing loan benefit can be availed.

What are the various Deductions allowed under Chapter VI A?

Under 80C, an employee is entitled to deductions for the amounts paid or deposited in the current financial year in the following schemes, subject to a limit of Rs.150, 000/.

- Life Insurance Premium
- Contributions to Pension Fund (80CCC)
- Contributions to recognized Provident Fund / V P F / PPF
- Contributions to approved Superannuation Fund
- Contribution to U L I P, 1971 of Unit Trust of India
- Contribution to U L I P of LIC Mutual Funds
- Annuity with any Insurance Company
- Subscription to Tax Saving Mutual Funds

- Subscription to NSC & Interest accrued on NSC subscription
- Repayment of Housing Loan principal
- Children Tuition Fees (education)
- Tax Saving Term Deposits ; VScheduled Bank (5 years and more)
- Deposit under the Senior Citizen Saving Rules.
- Five Year time deposit in an account under the Post Office Time Deposit Rules.

Illustration:

1. Investments in LIC Rs.30000/-, PPF Rs.70000/-
Deduction available will be Rs. 100000/-

2. Investments in LIC Rs.30000/-, PPF Rs.70000/- and Infrastructure Bonds Rs.30000/-
Deduction available will be Rs. 130000/-

3. Investments in Infrastructure Bonds Rs.170000/-
Deduction available will be Rs. 150000/-

4. Investments in LIC Rs.30000/-, PPF Rs.30000/- , and Infrastructure Bonds Rs.30000/-
Deduction available will be Rs. 90000/-

Is VPF/PF tax exempted/ should we update our PF/VPF contributions in HR Work ways portal?
All PF/VPF contributions are by default considered for Tax calculation. You need not update it.

80CCF - Long Term Infrastructure Bond

Deduction u/s 80CCF has been removed from FY 2012-13.

80CCG - Rajiv Gandhi Equity Savings Scheme

Amount of deduction is at 50% of amount invested in notified equity shares to new retail investors. However, the amount of deduction under this provision cannot exceed Rs. 25,000. Tax Benefit will not be extended, if the gross total income exceeds Rs. 12 lakhs

80D - Medical Insurance

General Deduction up to Rs. 25,000/- (i.e., individual, spouse & dependent children) plus Rs. 25000/- (i.e., Parents of the taxpayer whether dependent or not). So, total up to Rs. 50000/- will be allowed.

In case of Senior Citizen, an additional amount of Rs. 5000/-, which is deductible when policy is taken on the health of a senior citizen (i.e., resident in India & 60 years or more)

However, the deduction cannot exceed Rs. 50000/- in case of general category and Rs. 55000/- in case of Senior Citizen.

This section also include any payment made by an assessee on account of preventive health check-up of self, spouse, dependent children or parents(s) during the previous year as eligible for deduction within the overall limits prescribed in the section. However, the proposed deduction on account of expenditure on preventive health check-up (for self, spouse, dependent children and parents) shall not exceed in the aggregate Rs.5,000.

80DD - Medical Treatment for Handicapped Dependent

Deduction on medical treatment and maintenance of handicapped dependent up to Rs. 75,000 for disability below 80% and Rs. 1,25,000 for disability above 80%

80DDB - Medical Treatment for Specified Illness/Diseases

Deduction on medical treatment of specified illness/diseases is up to Rs. 40,000 for general category and Rs. 80,000 in case of senior citizen.

80E- Interest on Education Loan

Under the amendment of Section 80E (1)(3), w.e.f, 1-4-2008(assessment year 2008-09 and onwards). The said deduction in respect of interest on loan taken for higher Education of Individual's relative also will be allowed i.e., 100% of amount of interest paid on such loan. "Relative" is defined in the mean the spouse and children of the individual.

Deduction is allowed in respect of Interest on Loans taken for pursuing higher education in specified fields of study to be extended to cover all fields of study, including vocational studies, pursued after completion of school.

80U -Permanent Physical Disability Including Blindness

An assessee certified by the medical authority with permanent physical disability is allowed a deduction of Rs. 75,000, and in case the assessee is certified with (severe) permanent physical disability (More than 80%), the deduction of Rs. 1,25,000 will qualify for deduction.

80G –Donations

For deduction in respect of donations to certain funds, charitable institutions etc. The employee can claim the deduction while filing individual returns.

80TTA - Interest on Savings Bank account

Maximum deduction is allowed under Sec-80TTA is Rs.10,000/-
Interest from savings account declared will also be accounted as "Other Income".

National Pension System (NPS) - deduction under Section 80CCD(2)

There are two types of National Pension System (NPS) accounts - Tier I & II. Tier I account is mandatory, whereas Tier II account is optional. Thus, only Tier I account is eligible for tax benefits and is, in the true sense, the core of NPS.

However, normal tax provisions of taxation of profits on sale of investments are applicable when you redeem the units credited in your Tier II account. But all deposits and withdrawals to and from the Tier II account are tax neutral. There are no limits as to number and amount of withdrawals from Tier II account.

The Section 80 CCD allows you deduction for contributions made by you or your employer towards NPS account. There are some restrictions on the contribution which you can make towards your NPS Tier I account under this Section. Like if you are employed, you can claim deduction up to 10% of your salary, which comprises basic + DA.

POINTS TO REMEMBER

- Surcharge of 15% on Taxable Income above Rs. 1 Crore has been amended from financial year 2016-2017.
- Every person whose total income exceeds the taxable limit should possess a PAN.
- Deduction under section 80DD in respect of maintenance, including medical Treatment, of a dependent who is a person with severe disability being raised from the limit of Rs.1 Lakh to Rs.1.25 lakh. (2015 Union Budget)
- Deduction under section 80U in respect of Permanent Physical Disability including Blindness with severe disability being raised from the limit of Rs.1 lakh to Rs.1.25 lakh. (2015 Union Budget).
- Section 80EE benefit is applicable for FY 2016-17.
- The Finance Act, 2011, lower the qualifying age of senior citizens from 65 years to 60 years and also to increase the current exemption limit in such cases. Provide a higher exemption limit to very senior citizens above the age of 80 years.