

Income Under Head 'Salary'

Meaning of Salary in Different Cases

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Provisions or Cases:

✚ Sec 16(ii) - Entertainment Allowance

Assessee – Govt. Employee Opting Optional Scheme.

Least of following is exempt:

1. Actual Allowance Received
2. ₹5,000 p.a.
3. 20% of Salary.

Salary: - Only Basic Salary

Provisions or Cases:

✚ **Sec 10(13A) – House Rent Allowance [HRA]**

Least of following is exempt:

4. HRA Received
5. Rent paid – 10% of salary
6. 50% of Salary (for metro cities) **Or** 40% other cities.

✚ **Sec 10(10AA) – Leave Encashment**

Least of the following is exempt:

1. Actual Amount Received
2. ₹ 25,00,000
3. 10 Month × 10 Month Average Salary
4. Unutilised Leave × Last 10 Month Average Salary

✚ **Sec 10(10C) – Voluntary Retirement Scheme**

Least of the following is exempt:

1. Actual Amount Received
2. ₹ 5,00,000
3. Remaining Period of Service in months × Last Drawn Salary
4. Completed Year of Service × 3 Months Last Drawn Salary

✚ **Contribution by Employer in Recognised Statutory Fund**

1. Contribution more than 12% of Salary is fully Taxable.

2. If contribution is upto 12% of Salary then contribution upto ₹7,50,000 is not taxable otherwise excess is taxable.

Salary: - Basic Salary + Dearness Allowance (UTOE)* + Commission on Turnover (percentage basis)

*UTOE – Under the terms of employment.

If commission given directly (eg. ₹5000) it should not be considered here, only take commission on %age basis eg. Commission 2% on turnover of ₹20,00,000).

Provisions or Cases:

Sec 10(10) – Gratuity

Assessee – Non-Govt. Employee covered under Gratuity Act 1972.

Least of following is exempt:

1. Actual Amount Received
2. ₹ 20,00,000
3. $\frac{15}{26} \times \text{Last Drawn Salary} \times \text{Completed Year of Service}$

Salary: - Basic Salary + Dearness Allowance (Total)

Provisions or Cases:

Sec 10(10) – Gratuity

Assessee – Non-Govt. Employee Not covered under Gratuity Act 1972.

Least of following is exempt:

1. Actual Amount Received
2. ₹ 20,00,000 $\frac{15}{30} \times \text{Last 10 Month Average Salary} \times \text{Completed Year of Service}$

Salary: - Basic Salary + Dearness Allowance (UTOE) + Commission on Turnover (percentage basis)

If commission given directly (eg. ₹5000) it should not be considered here, only take commission on %age basis eg. Commission 2% on turnover of ₹20,00,000).

Provisions or Cases:

Rent-Free Accommodation / Concessional Rent-Free Accommodation

Assessee – Non-Govt. Employee

Where the accommodation provided to employee but Not Owned by Employer, in such case least of the following will be taxable perquisite:

1. Actual Charges paid by employer
2. 10% of Salary

Salary: - Basic Salary + Dearness Allowance (UTOE)* + Bonus + Commission + Allowances + Other Monetary Income.

*UTOE – Under the terms of employment.

Provisions or Cases:

+ Sec 80CCD – Deduction in respect of contribution to National Pension Scheme and Atal Pension Yojana (NPS & APY)

- Sec 80CCD(1) – In case of salaried individual deduction is restricted to 10% of salary. And in any other case 20% of gross total income.
- Sec 80CCD(1B) – Additional deduction of ₹50,000.
- Sec 80CCD(2) – If employer is Govt. then deduction is restricted to 14% and in other case 10% of salary.

Salary: - Basic Salary + Dearness Allowance (under the terms of employment)