

Salary Structure Revision

November 2018

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Purpose, Objective and General Guidelines

Objective:

- ❑ To introduce the concept of Flexible Benefits Plan (FBP) for the employees and to provide them with a tax efficient salary structure without affecting the CTC.
- ❑ FBP will provide the employees a flexible basket of tax-saving options as a part of their salary structure.

General Guidelines:

- ❑ Flexible Benefits Plan (FBP) gives an employee the flexibility to opt for tax saving schemes.
- ❑ The components of FBP are flexible and can be changed twice in a year, once at the beginning of the Income Tax computation year and second time post the Merit Cycle Increase depending on the employee's requirements.
- ❑ New employees joining Smiths can avail the benefits of FBP from their second salary cycle.
- ❑ All salary components are be governed by company policy, taxation rules and statutory requirements.

Salary Structure Components and its Tax Implications

Salary Components	Tax Implication
Basic [as per the salary structure]	Non Exempt from Tax
HRA	Exempt from Tax [subject to a maximum of 50% of the Basic in metro cities]
Provident Fund [As per statute – 12% of Basic]	Exempt from Tax
Flexible Benefits Plan [CTC – (Basic + HRA + PF)]	Exempt from Tax [to the extent of proofs submitted subject to Income Tax ceiling towards the end of every Income Tax computation year].

Flexible Benefits Plan Components and its Tax Implications

Salary Components	Tax Implication
Children Education Allowance	Exempt from Tax to the extent of INR.100/- pm per child up to a maximum of 2 children
Children Hostel Allowance	Exempt from Tax to the extent of INR.300/- pm per child up to a maximum of 2 children
<u>Leave Travel Allowance (LTA)</u>	Exempt from Tax to the extent INR 4167/- pm [can be claimed twice in a block of 4 years. Current Block is 2018-2021]
<u>Communication Allowance</u>	Exempt from Tax to the extent of INR.3000/- pm [Rental & taxes of all phones (landlines, post-paid connections, Broad band connections) in the employee's name can be claimed]

Flexible Benefits Plan Components and its Tax Implications

Salary Components	Tax Implication
<u>Business Attire Allowance</u>	Exempt from Tax to the extent of INR.4000/- pm [clothes purchased for office wear in the employee's name can be claimed]
<u>Books and Periodicals Allowance</u>	Exempt from Tax to the extent of INR.1000/- pm [books and periodicals purchased in the employee's name related to the job profile can be claimed]
Food Coupons/Meal Vouchers	Exempt from Tax for maximum of INR.2200/- pm
<u>Fuel and Vehicle Maintenance and Driver Salary Allowance</u>	Exempt from Tax for maximum of INR 1800/- pm for vehicles below 1600cc and INR. 2400/- pm for vehicles above 1600cc. Additionally, Driver Salary is Exempt from Tax for maximum of INR. 900/- pm
Special Allowance	Balancing part of Flexible Benefits Plan which is fully taxed.

Flexible Benefits Plan - EPIC

Component Name	Allocated Value	Maximum Per Month Limit	Remarks
Children Education Allowance		200	
Children Hostel Allowance		600	Bills to be submitted at year end
Meal Voucher		2200	Fixed Value of 2200
LTA		4167	Bills to be submitted at year end
Communication Allowance		3000	Bills to be submitted at year end
Business Attire Allowance		4000	Bills to be submitted at year end
Books and Periodicals Allowance		1000	Bills to be submitted at year end
Fuel, Vehicle Maintenance and Driver Salary Allowance		2700/3300	Bills to be submitted at year end
Special Allowance		0	Balancing Part of Flexible Allowance

Thank you!

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Leave Travel Allowance (LTA)

- LTA is extended by an employer to an employee for going anywhere in India along with family.
- Family includes spouse, children and dependent brother/sister/parents. However, family doesn't include more than 2 children of an Individual born on or after 01-10-1998.
- Leave Travel Allowance is subject to IT rules and can be claimed twice in a block of four years.
- The current slab is 2018-2021.
- The exemption shall be limited to fare for going anywhere in India along with family twice in a block of four years:
 - i. Exemption limit where journey is performed by Air - Air fare of economy class in the National Carrier by the shortest route or the amount spent, whichever is less
 - ii. Exemption limit where journey is performed by Rail - Air-conditioned first class rail fare by the shortest route or the amount spent, whichever is less
 - iii. Exemption limit if places of origin of journey and destination are connected by rail but the journey is performed by any other mode of transport - Air-conditioned first class rail fare by the shortest route or the amount spent, whichever is less
 - iv. Exemption limit where the places of origin of journey and destination are not connected by rail:
 - a. Where a recognized public transport system exists - First Class or deluxe class fare by the shortest route or the amount spent, whichever is less
 - b. Where no recognized public transport system exists - Air conditioned first class rail fare by shortest route or the amount spent, whichever is less.

Communication Allowance

- All phones (landlines, post-paid mobile connections, Broad band connections in the employee's name can be claimed subject to a maximum of INR.3000/- per month on rental and taxes. Also be noted only those connections can be claimed which are not reimbursed by the company.

Business Attire Allowance

- This allowance is given to employees to meet the expenditure on the purchase and maintenance of office wear worn while performing office duties according to the dress code of the office, claimed subject to a maximum of INR.4000/- per month.

Books and Periodicals Allowance

- This is paid to an employee to reimburse expenditures made on the purchase of books and periodicals related to their job profile. It is non-taxable if bills are submitted subject to a maximum of INR.1000/- per month

Fuel and Vehicle Maintenance and Driver Salary Allowance

- It is segregated as fuel and vehicle maintenance allowance and driver salary allowance. For fuel and maintenance the limit is INR.1800/- per month for vehicle less than 1600cc & INR.2400/- per month for vehicle more than 1600cc. For driver the amount is INR.900/- per month.