



# Income Under the head Salary





# Topics Covered

- How to Calculate?
- Allowances
- Perquisites
- Deduction u/s 16
- Retirement benefits



## Salaries



Salary  
u/s 17(1)

Allowances  
u/s 17(3)

Perquisites  
u/s 17(2)

Profit in lieu  
of Salary

Gross  
Salary



Standard  
Deduction  
u/s 16(ia)

Entertainment  
Allowance  
u/s 16(ii)

Employment  
Tax u/s 16(iii)

Net  
Salary

When  
income is  
to be  
taxed  
under  
head  
Salary ?



Employer



Employee



## Salaries under Section 17(1)

- 1) Wages
- 2) Any Annuity or Pension
- 3) Any Gratuity
- 4) Any Fees, Commission, Perquisite or Profit in lieu of or in addition Salary or Wages
- 5) Any advance of Salary
- 6) Any Leave Encashment



## Salaries under Section 17(1)

7) Annual accretion to the balance of Recognized Provident Fund .

1. Employer Contr > 12%
2. Interest > 9.5% p.a.

8) Taxable portion of transferred balance from unrecognized provident fund to recognized fund.



Salaries  
under  
Section  
17(1)

9) Any Contribution by Central Govt or Employer to account of employee Pension Scheme in Section 80CCD i.e. National Pension Scheme.





Allowances



Fully Taxable

Fully Exempt

Partly taxable/  
Partly Exempt





## 1. Dearness Allowance

Fully  
Taxable  
Allowance

Dearness Allowance (DA) is given by government to offset effect of Inflation





## 2. City Compensatory Allowance

Fully  
Taxable  
Allowance

City Compensatory Allowance (CCA) is given to employees to compensate for high cost of living in metropolises and large cities.





### 3. Lunch Allowance

Lunch Allowance is given to meet food expenses of employees.



Fully  
Taxable  
Allowance



Fully  
Taxable  
Allowance

#### 4. Overtime Allowance

Overtime Allowance is paid for the amount of time employees work beyond normal working hours.





Fully  
Taxable  
Allowance

## 5. Servant Allowance

When an employer pays an employee to engage services of a servant.





## 6. Warden Allowance

When an employer pays an allowance to an employee working as a Warden i.e. Keeper in an educational Institute.

Fully  
Taxable  
Allowance





## 7. Transport Allowance

Fully  
Taxable  
Allowance

- ◆ Transport Allowance is granted to an employee to meet his expenditure for the purpose of commuting between the place of residence and the place of his duty.
- ◆ Rs. 3,200 per month granted to an employee, who is blind or deaf and dumb or orthopedically handicapped with disability of lower extremities.





## 8. Fixed Medical Allowance

Medical Allowance is a fixed allowance that an employer pays to its employees as a part of their salary to meet their regular medical needs.



Fully  
Taxable  
Allowance



Fully  
Taxable  
Allowance

## 9. Project Allowance

It is the allowance paid by the employer to the employees who are engaged in a specific project to compensate for the expenses incurred due to their engagement in the project.





Fully  
Taxable  
Allowance

9. Holiday Allowance

10. Any other Cash Allowance

11. Telephone Allowance



## 5. Travelling Allowance

Any allowance granted to meet the cost of travel or on transfer.



Fully  
Exempt  
Allowance  
(to the extent  
used for  
official  
purpose)



## 6. Academic/Research Allowance

An allowance granted for encouraging the academic, research and training per suits in educational and research institutions.



Fully  
Exempt  
Allowance  
(to the extent  
used for  
official  
purpose)



## Fully Exempt Allowance

7. Any allowance or perquisite paid or allowed by Government to its employees (an Indian citizen) posted outside India.
8. Allowances to Judges of High Court/Supreme Court (Subject to certain conditions)
9. Allowances paid by the UNO to its employees



## Fully Exempt Allowance

Following allowances and perquisites given to serving Chairman/Member of UPSC is exempt from tax:

- a) Value of rent free official residence
- b) Value of conveyance facilities including transport allowance
- c) Sumptuary allowance
- d) Leave travel concession



Partly  
Taxable  
Allowance

## 1. House Rent Allowances

Minimum of the following is exempt from HRA:

- a) Actual Rent Paid - 10% of Salary
- b) 50% of Salary if reside in Metro city  
/40% of Salary if reside in Non Metro City
- c) Actual HRA Received



Partly  
Taxable  
Allowance

## 2. Children Education Allowance

- ◆ This is given for children education.
- ◆ Exempt Upto ₹ 100 per month per child upto maximum of two children.



## Partly Taxable Allowance



### 3. Hostel Expenditure Allowance

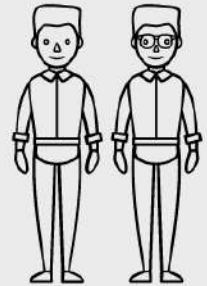
- ◆ This is given to meet the hostel expenditure of employee children.
- ◆ Exempt Up to ₹ 300 per month per child upto maximum of two children.



Fully  
Exempt  
Allowance  
(to the extent  
used for  
official  
purpose)

## 1. Uniform Allowance

An allowance granted to meet the expenditure incurred on the purchase or maintenance of uniform for wear during the performance of duties of office or employment.

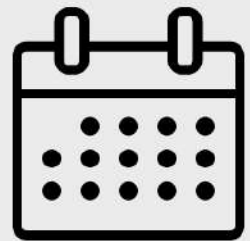




Fully  
Exempt  
Allowance  
(to the extent  
used for  
official  
purpose)

## 2. Daily Allowance

An Allowance whether granted on tour or for the period of 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.





Fully  
Exempt  
Allowance  
(to the extent  
used for  
official  
purpose)

### 3. Conveyance Allowance

An Allowance granted to meet the expenditure incurred in conveyance in performance of duties of an office.





#### 4. Helper Allowance

An allowance granted to meet the expenditure incurred on a helper where such helper is engaged for the performance of the duties of an office or employment.



Fully  
Exempt  
Allowance  
(to the extent  
used for  
official  
purpose)