

Income from Salaries

CA Final Paper7 Direct Tax Laws Chapter 4

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Section 17(1) of the Income Tax
Act 1961

Constituents of Salary



Salary Includes :-

Monetary payments (e.g. basic salary, bonus, commission, allowances etc)

Non monetary facilities (e.g. housing accommodation, medical facility, interest free loans).

Sections of Income Tax Act 1961 (herein referred to the Act) governing Income from Salary



Section

Section 15 : Chargeability

- Includes Full time as well as part time employment.
- Salary foregone by the employee is also a part of their salary
- Tax paid by the employer on salary of the employee also constitutes the income of the employee under the head

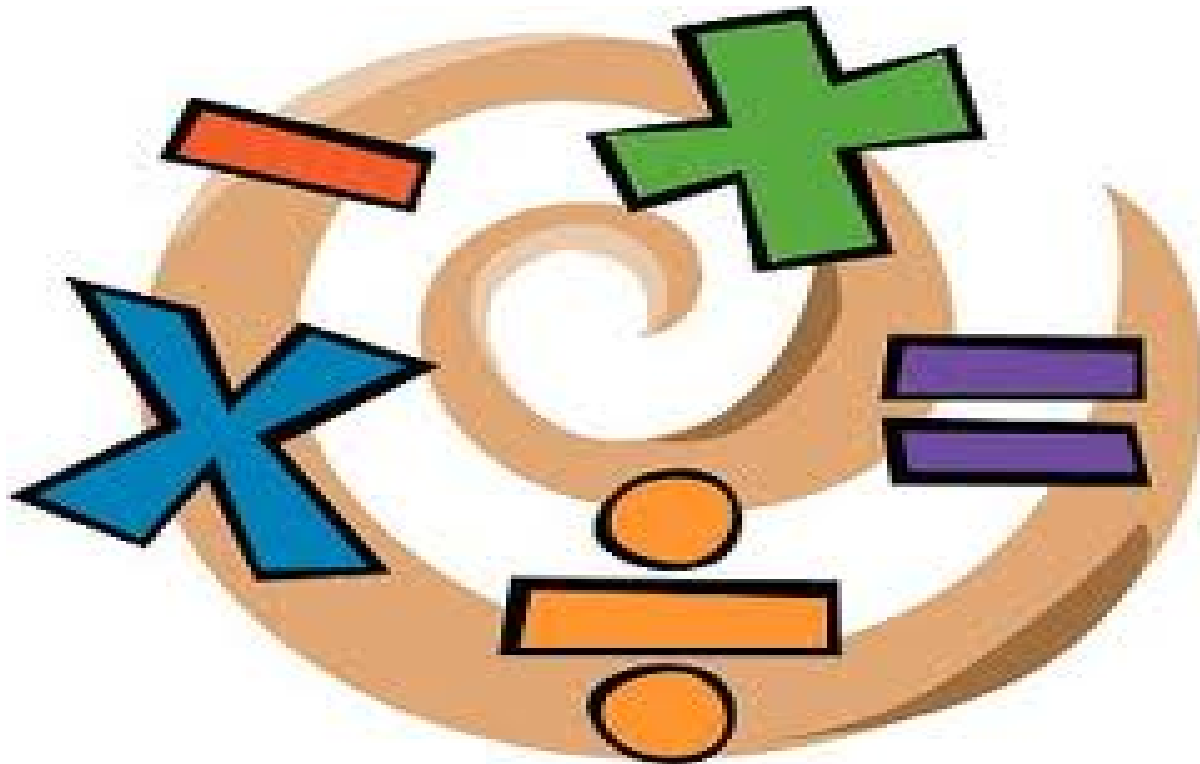
Section 16 : Deductions available

- Entertainment Allowance
- Professional Tax

Section 17 : Definitions

- Salary
- Perquisites
- Profit in lieu of Salary

Test for Chargeability of Income Under the Head Salaries



Concepts

Employer - Employee Relationship.

- Judges even though being constitutional functionaries their income is taxed under the head Salaries (Justice Deoki Nandan Agarwala vs Union of India (1999) 237 ITR 872 (SC)).
- Any salary bonus, commission or remuneration by whatever name called due to or received by a partner of the firm is not treated as “salary” for the purposes of section 15

Master Servant Relationship

- A person acting as agent for the principal during the course of his business does not exhibit any master servant relationship hence any commission or remuneration earned does not fall under the ambit of salaries.

Contract of Service vs Contract for Service

Basis of Charge

Salary is chargeable to tax either on “due” or “receipt” basis.

However :-

Any Salary paid in advance is assessed in the year of payment the same cannot be brought to tax in the year in which it becomes due.

Salary already assessed on due basis cannot be brought to tax when received by the employee

- **NOTE** : *Loan taken from employer if subsequently recovered from salary is not taxable in the hands of the employee.*

Salary Defined

Under section 17(1) of the Act



Salary Defined

The term salary is not exhaustively defined but it is defined in an inclusive manner u/s 17(1).

It includes :-

- Wages
- Any annuity or pension
- Any gratuity
- Any fees, commission perquisite or profits in lieu of or addition to any salary or wages.
- Any advance of salary.
- Leave encashment

Salary Defined

The annual accretion to recognized provident fund to the extent of the following –

- a. Employers contribution in excess of 12 % of salary
- b. Interest credited to recognized provident fund in excess of the prescribed limit.

The contribution made by the Central Government or any other employer in the previous year to the account of an employee under a pension scheme referred to in section 80CCD

NOTE:- Salary has been defined differently for different purposes in the Act i.e. there are different definitions for calculating exemptions in respect of gratuity, house rent allowance etc.

Terms defined



Profits in Lieu of Salary

Section 17(3) defines it to include

- The amount of any compensation due to or received by an assessee from his employer or former employer at or in connection with
 - Termination of employment or
 - Modification of the terms and conditions of employment.
- Any payment due to or received by an assessee from his employer or former employer from a provident fund or other fund, to the extent to which it does not consist of employee's contribution or interest on such contributions.
- Any sum received by an assessee under Keyman Insurance policy including the sum allocated by way of bonus on such policy

Profits in Lieu of Salary Continued

Any amount whether in lumpsum or otherwise, due to the assessee or received by him, from any person –

- a. Before joining employment with that person, or
- b. After cessation of his employment from the employer

Any other sum received by the employee from the employer

Annuity

Annuity is a sum payable in respect of a particular year, a yearly grant.

Annuity received from

Present employer – taxed as Salary

Past employer – taxed as profit in lieu of salary

Annuity received from person other than an employer is taxable as “Income from other Sources”

Deductions [Section 16]



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Deductions

Entertainment Allowance [sec 16(ii)]

Exemption available only to Government employees

Quantum of exemption least of the following

Rs. 5000.00

1/5th of basic salary

Actual allowance received

Professional Tax [sec 16(iii)]

Any sum paid on account of tax on employment within the meaning of clause (2) of Article 276 of the Constitution of India.

Note: Salary for the purpose of entertainment allowance would be basic salary and excludes all allowances including dearness allowance, benefits and perquisites.

Gratuity

Gratuity is a voluntary payment made by an employer in appreciation of service rendered by the employee.

Exemption is available under section 10(10)

Exemption is available to
Government Employees

Non Government employees

Those covered by the Payment of Gratuity Act 1972.

Those not covered by the Payment of Gratuity Act 1972

GRATUITY

Central /State Government Employees

- Fully Exempt from tax

Employees covered by Payment of Gratuity Act 1972

- Exemption available is least of following -
- **Rs. 1000000.00**
- **Gratuity actually received**
- **15 days salary based on last drawn salary for each completed year of service or part there of in excess of 6 months.**
- Salary means basic salary and dearness allowance .
- Number of days to be taken for calculation in a month would be 26.

Employees not covered by payment of Gratuity Act 1972

- Exemption available is least of the following -
- **Rs. 1000000.00**
- **Gratuity actually received.**
- **Half month's salary (based on last 10 months average salary immediately preceding the month of retirement or death) for each completed year of service.**
- Salary means basic salary , dearness allowance if provided in terms of employment and commission as a percentage of turnover achieved by the employee

Pension

Pension is divided into two
Uncommuted Pension
Commutated Pension.

Exemption is available under section 10(10A)

Uncommuted Pension is chargeable to tax under section 15 in the hands of all employees.

Pension Continued

☞ Commuted Pension received by

- Government Employees is fully exempt from tax.
- Non Government employees
 - a) Those in receipt of gratuity $\frac{1}{3}$ rd of the amount of pension which he would have received had he commuted the whole pension is exempted i.e.

$$= \left(\frac{1}{3} \times \frac{\text{commuted pension received} \times 100}{\text{commutation \%}} \right)$$

- b) If not in receipt of gratuity $\frac{1}{2}$ of the amount of pension which he would have received had he commuted the whole pension is exempted i.e.

$$= \left(\frac{1}{2} \times \frac{\text{commuted pension received} \times 100}{\text{commutation \%}} \right)$$

Leave Salary - Exemption Available u/s 10(10AA)

Government Employees

Any amount received as cash equivalent of leave to his credit at the time of retirement whether on superannuation or otherwise is exempt from tax.

Non Government employees

Least of the following is exempt

Rs. 300000.00

Leave salary actually received

10 months salary (on the basis of average of last 10 months.)

Cash equivalent of leave to the credit of the employee at the time of retirement (calculated at 30 days credit for each completed year of service).

NOTE :- Salary means basic salary, dearness allowance if provided in terms of employment and commission as a percentage of the turnover achieved by the employee.

Retrenchment Compensation

Compensation received by a workman at the time of retrenchment is exempt u/s 10(10B) to the extent of the lower of the following :-

- Amount calculated under Industrial Disputes Act 1947 i.e. $15/26 \times$ average salary of 3 months \times completed years of service and part there of in excess of 6 months **or**
- Rs. 500000.00

Voluntary Retirement Compensation

Eligible employees being the employees of :-

- A public sector Company.
- Any other Company
- An authority established under Central, State or Provincial Act.
- A local authority
- Co-operative Society
- University
- Indian Institute of Technology
- Any State Government
- The Central Government
- Any institutions having importance throughout India or in any State or States as the Central Government may notify in this regards
- Any Institute of Management as the Central Government may notify.

Voluntary Retirement Compensation Continued

The exemption is available u/s 10(10C)

The exemption is only allowed to an employee only once.

The quantum of exemption being the least of the following :-Rs. 500000.00

Actual compensation received **OR**

Higher if the following two :-

Last drawn salary x 3 x completed years of service **or** Last drawn salary x remaining months of service

NOTE :- Salary means basic salary, dearness allowance if provided in terms of employment and commission as a percentage of the turnover achieved by the employee.

Statutory / Public Provident Fund

There are four types of provident funds:-

Statutory Provident Fund (SPF)

Recognized Provident Fund (RPF)

Unrecognized Provident Fund (URPF)

Public Provident Fund (PPF)

The credit balance of the provident fund account of an employee consists of the following :-

Employer's Contribution

Employee's contribution

Interest on Employee contribution

Interest on Employer's contribution

Salary means basic salary, dearness allowance if provided in terms of employment and commission as a percentage of the turnover achieved by the employee.

Taxability of Fund

Particulars	RPF	URPF	SPF	PPF
Employer's Contribution	Amount in excess of 12% of salary is taxable	Not taxable yearly	Fully exempt	Not applicable
Employee's Contribution	Eligible for deduction u/s 80C	Not eligible for deduction	Eligible for deduction u/s 80C	Eligible for deduction u/s 80C
Interest Credited	Amount in excess of 9.50% p.a. is taxable	Not taxable yearly	Fully exempt	Fully exempt
Amount received on retirement	Fully exempt in case of employee who has rendered a continuous service for 5 years.	Employees Contribution is not taxable but the interest is taxable under the head IFOS	Fully exempt u/s 10(11)	Fully exempt u/s 10(11)

Approved Superannuation Fund

A Fund approved by the commissioner

Tax treatment is as under :-

- Employer's contribution is exempt from tax in the hands of employee upto Rs. 100000.00 per annum. An amount paid in excess of the above limit is taxable in the hands of the respective employee.
- Employee's contribution qualifies for deduction under section 80C.
- Interest on accumulated balance is exempt from tax.

Section 10(13) grants exemption in respect of payment from fund in certain conditions.



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Allowances – Their Taxability

Allowance

Fully Taxable	Partly Taxable	Fully Exempt
Entertainment Allowance	House Rent allowance – exemption u/s 10(13A)	Allowance granted to Government employees outside India
Dearness Allowance	Special Allowances – exemption u/s 10(14)	Sumptuary allowance granted to High Court or Supreme Court Judges
Overtime Allowance		Allowance paid by United Nations Organisation
Fixed Medical Allowance		Compensatory Allowance received by a Judge
Interim Allowance		
Servant Allowance		
Project Allowance		
Tiffin / Lunch/ Dinner Allowance		
Any other cash allowance		
Warden allowance		
Non practicing allowance		

House Rent Allowance (HRA)

HRA is exempt vide section 10(13A) to the extent of least of the following :-

Excess of rent paid over 10% of salary due for the relevant period.

For accommodation in

metro cities – 50% of salary for the relevant period

for any other places – 40% of salary due for relevant period

Actual allowance received for the relevant period

Note:- Salary means basic salary, dearness allowance – if provided in terms of employment and commission as a percentage of turnover.

- ***Relevant period means the period during which the said accommodation was occupied by the assessee during the previous year***

Special Allowances – Exempt u/s 10(14)

Special Allowance	Exemption u/s 10(14)
Transport Allowance to blind or orthopedically handicapped with disability of lower extremities for commuting between his residence and the place of duty	To the extent of Rs. 1600.00 p.m.
Transport allowance to those other than that mentioned above	To the extent of Rs. 800.00 p.m.
Children education allowance upto a maximum of 2 children	Rs. 100.00 per month per child
Hostel expenditure of Child upto a maximum of 2 children	Rs. 300.00 per month per child.
Composite hill compensatory allowance	Rs. 300.00 per month provided the place is located at a height of 1000 meters or more above the sea level.
Tribal area allowance	Rs. 200.00 per month if the place of employment is in Assam, Bihar, Karnataka, MP, Orissa, Tripura, TN, UP and WB.

Special Allowances – Exempt u/s 10(14)

Special Allowance	Exemption u/s 10(14)
Border Area or Remote Area or Difficult area or Disturbed Area allowance	To the extent of Rs. 200.00 or Rs. 300.00 or Rs. 750.00 or Rs. 1050.00 or Rs. 1100 .00 or Rs.1300 p.m. depending upon the notified place.
Underground allowance for working in uncongenial, unnatural climate underground.	Rs. 800.00 p.m.
High altitude allowance granted to member of armed forces	For altitude of 9000 to 15000 Ft Rs. 1060.00 per month and above 15000 ft Rs. 1600.00 p.m
Compensatory Field area allowance	To the extent of Rs. 2600.00 per month.
Compensatory modified field area allowance	To the extent of Rs. 1000.00p.m.
Counter – Insurgency allowance to member of armed forces operating in areas away from their permanent locations.	Rs. 3900.00per month



Perquisite

Perquisite Defined

According to section 17(2) perquisites includes :-

- The value of rent free accommodation provided.
- The value of accommodation provided at a concessional rate.
- The value of any benefit or amenity granted or provided free of cost or at concessional rate to specified employees
- Any sum paid by the employer in respect of any obligation on behalf of the employee.
- Any sum payable by the employer to effect an assurance on the life of the employee or contract for an annuity.
- Any contribution to an approved superannuation fund paid by employer to the extent it exceeds Rs. 1 lakh.

Perquisites Exempt from Tax

Telephone to an employee at his residence.

Goods sold by employer to employee at concessional rate.

Leave travel concession

Subsidized lunch / dinner to the employee.

Refreshment provided to all employees during the working hours in office premises.

Recreational facilities including club facilities extended to employees in general.

Employer contribution to staff group insurance scheme.

Perquisites allowed outside India by the Government to citizen of India for rendering services outside India.

Privilege passes / tickets granted by Indian Railways to its employees.

Payment of annual premium by employer on personal accident policy effected by him on the life of the employee.

Specified Employees

The following are the specified employees

- A director employee.
- An employee who has substantial interest in the Company.
- Employee not covered by above whose income under the head salaries exceeds Rs. 50000.00
- **Note:-** While computing the limit of Rs. 50000.00 the following are deducted / excluded
 - All non monetary benefits
 - Monetary benefits which are exempt under section 10
 - Deduction u/s 16(ii) & (iii).

Definition of Salary for Perquisite

Includes

Pay

Allowances

Bonus or

Commission payable
monthly

Monetary payments by
whatever name called

Excludes

Dearness allowance or pay unless it is a part
of superannuation or retirement benefits.

Employer's contribution to the provident fund
of employee

Allowances which are exempted from
payment of tax.

Value of the perquisites specified in section
17(2)

Any payment or expenditure specifically
excluded under the proviso to section 17(2)

Valuation of Residential Accommodation [Sub – rule (1) of Rule 3]

Employee	Value of perquisite
Central / State Government employee	License fee determined by the Government
Other than Government employee	
Accommodation owned by the employer	Accommodation is provided in a place where population as per 2001 census is a) Less than 10 lakhs – 7.5% of salary b) 10 lacks to 25 lackhs – 10% of salary c) More than 25 lakhs – 15% of salary
Accommodation taken on lease by employer	a) Actual amount of lease rental paid or payable ; or b) 15% of salary, whichever is lower For the period occupied by the employee.

Valuation of Accommodation

Employee	Value of perquisite
Accommodation provided by any employer in a hotel	1. 24 % of salary received or receivable; or 2. Actual charges paid or payable by the employer Whichever is lower

NOTE : Where the employee is provided such accommodation for a period not exceeding aggregate 15 days on his transfer from one place to another, there would be no perquisite.

Valuation of Furniture

Where the employer provides any furniture and other amenities to the employee in the rent free accommodation , the value of perquisite would also include the perquisite value for such furnishings

Value of Furniture (eg TV, Radio, Refrigerator, other household appliances, air conditioning plant or other similar appliances or gadgets)	a) 10% of the original cost of furniture owned and provided by the employer; or b) Actual lease charges in case the furniture is taken on lease and provided to the employee
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Valuation of Accommodation

The computation of the perquisite taxable in the hand of the employee would be as under :-

Particulars	Amount (Rs.)
Value of Unfurnished Accommodation as computed as per Sub -rule (1)	XXXX
Add : Value of Furniture	XXXX
Total	XXXX
Less : Rent recovered from the employee, if any	XXXX
Taxable perquisite value of Rent for a furnished accommodation provided by the employer	XXXX

To understand better refer to the illustration no. 4 to 7 given on page no. 4.22 to 4.44 of the study material provided to you.

Valuation of Motor Car [Sub – rule (2) of Rule 3]

➤ Where the car is owned by the employee and its expenses are also met by the employee then there is no question of taxability.

➤ When the car is provided by the employer or is owned by the employee and is used wholly and exclusively for official purpose then there is no taxability.

➤ In other cases the taxability is as under

Car belonging to	Expenses incurred by	Wholly personal use	Partly Personal use
Employee	Employer	Actual expenses incurred	Actual amount of expenditure incurred by the employer as reduced by – 1. Upto 1.6 lts CC engine Rs. 1800.00 2. Above 1.6 lts CC Rs. 2400.00 p.m. 3. Driver Salary Rs. 900.00 p.m

Valuation of Motor Car [Sub – rule (2) of Rule 3]

Car belonging to	Expenses incurred by	Wholly personal use	Partly Personal use
Employer	Employee	Wear and tear or Hire Charges, Drivers Salary	<ol style="list-style-type: none"> 1. Upto 1.6 ltrs CC engine Rs. 600.00 2. Above 1.6 ltrs CC Rs. 900.00 p.m. 3. Driver Salary Rs. 900.00 p.m
Employer	Employer	Running and maintenance expenses, Wear and tear or Hire Charges, Drivers Salary <i>Less amount charged from the employee for such use</i>	<ol style="list-style-type: none"> 1. Upto 1.6 ltrs CC engine Rs. 1800.00 p.m. 2. Above 1.6 ltrs CC Rs. 2400.00 p.m. 3. Driver Salary Rs. 900.00 p.m
In case any other conveyance is provided by the employer the value of the perquisite would be		<ol style="list-style-type: none"> 1. Private Purpose – running & maintenance expenses. 2. Partly private purpose – actual expenditure incurred by the employer as reduced by Rs. 900.00 	

Term defined

“Member of Household” shall include

- Spouse(s);
- Children and their spouses;
- Parents;
- Servants and dependents.

Domestic Servants [Sub rule (3) of Rule 3]

The value of benefit to the employee or any member of his household for the services of sweeper, a gardener, a watchman or a personal attendant shall be the actual cost to the employer.

Such cost would be reduced by the any amount paid by the employee for such services.

Gas Electricity or Water Supplied by Employer [Sub Rule (4) of Rule 3]

The value of benefit to the employee for his household consumption shall be determined as the sum equal to the actual cost paid by the employer to the agency supplying gas electric energy or water.

Where such supply is made from resources owned by the employer then the manufacturing cost per unit incurred by the employer would be treated as the perquisite value.

Such cost would be reduced by the any amount paid by the employee for such services

Free or concessional educational facilities [Sub rule (5) of Rule 3]

The value of benefit to the employee for free or concessional educational facilities for any member of his household shall be determined as the sum equal to the actual sum paid by the employer.

Where the educational institution is maintained and owned by the employer or is allowed in any other educational institution by the reason of his being in the employment of that employer the perquisite value shall be determined with reference to the cost of such education in a similar institution in or near the locality. However there would be no perquisite value if the cost of education or the value of such benefit per child does not exceed Rs.1000.00

Such cost would be reduced by the any amount paid by the employee for such services.

Free or Concessional Tickets[sub Rule (6) of Rule 3]

The value of benefit provided by the employer engaged in the carriage of passenger or goods for personal or private journey for free or on a concessional ticket of any employee or to any member of his household in any conveyance owned, leased or made available by any other arrangement by the employer shall be taken to be the value at which such benefit or amenity is offered by the employer to the public at large.

However there would be no perquisite value if given to the employees of an airline or the railways.

Such cost would be reduced by the any amount paid by the employee for such services

Interest Free or Concessional Loans[sub Rule 7(i) of Rule 3]

The value of benefit provided by the employer to employee or to any member of his household during the relevant previous year shall be determined as the sum equal to the interest computed at the rate charged p.a. by the SBI as on the 1st day of the relevant previous year in respect of the loans for the same purpose advanced by it on the maximum outstanding monthly balance as reduced by the interest, if any, actually paid by the employee or any such member of his household.

“Maximum outstanding monthly balance” means aggregate outstanding balance for each loan as on the last day of each month.

However if such loans are made available for medical treatment for prescribed diseases or where the loan amount is petty not exceeding in aggregate Rs. 20000.00 no value would be charged.

Travelling, Touring and Accommodation [Sub Rule 7(ii) of Rule 3]

The value of travelling, touring, accommodation and any other expenses paid for or borne or reimbursed by the employer for any holiday availed by employee or any member of his household other than leave travel concession shall be determined as the sum equal to the amount of expenditure incurred by the employer in that behalf.

Where such facilities are not being uniformly available to all the employees then the value would be taken as the value at which such facilities are offered by other agencies to the public.

Where an employee takes any member of household along with him while on the official tour then the expenditure incurred on the member of household will form the part of perquisite.

Where the official tour is extended as a vacation then expenditure incurred in relation to such extended period of stay or vacation will be treated as a part of perquisite.

Free or Concessional Food and Non – Alcoholic Beverages [Sub Rule 7(iii) of Rule 3]

The value of free or concessional food or non alcoholic beverages provided by the employer shall be the amount incurred by the employer as reduced by the amount, if any, paid or recovered from the employee.

However the following would not be included in the value of the perquisite

- Free food and non alcoholic beverages during the working hours at the Office or business premises or through the paid vouchers which are not transferable and usable only at the appointed eating joints to the extent the value of the meal does not exceed Rs. 50.00 per meal.
- Tea or snacks provided during working hours.
- Food and non alcoholic beverages provided during the working hours in a remote area or an off -shore installation .

Gift, Voucher or Token In Lieu of Gift [Sub Rule 7(iv) of Rule 3]

The value of any gift, voucher or token received by an employee or member of his household on ceremonial occasions or otherwise shall be determined as the sum equal to the amount of such gift.

However if the value of such gift is below Rs. 5000.00 in aggregate during the previous year the value of perquisite would be “nil”.

Credit Card Expenses [Sub Rule 7(v) of Rule 3]

The amount of expenses including membership fees and annual fees incurred by the employee or member of his household charged to credit card provided by the employer or otherwise paid for or reimbursed by the employer shall be taken as the value of perquisite as reduced by the amount so recovered from the employee if any.

However if such expenses are incurred wholly and exclusively for the official purpose then it shall not be treated as a perquisite provided certain conditions are fulfilled.

Club Expenditure [Sub Rule 7(vi) of Rule 3]

The value of benefit resulting from the payment or reimbursed by the employer of any expenditure incurred (including the amount of annual or periodical fees) in a club by him or member of his household shall be determined as the value of perquisite as reduced by the amount so recovered from the employee if any.

However if such employer has obtained corporate membership and the facility is enjoyed by employee or member of his household the value shall not include the initial fees paid for acquiring such membership.

Further if the expenses are incurred wholly and exclusively for the official purpose then it shall not be treated as a perquisite provided certain conditions are fulfilled.

There would be no perquisite value if the use of health club, sports and similar facilities are uniformly provided to all the employees by the employer.

Use of Moveable Asset [Sub Rule 7(vii) of Rule 3]

Value of perquisite would be determined as under :-

Asset given	Value of benefit
Use of laptop and computers	Nil
Moveable assets other than Laptops and computers	10% p.a. of the actual cost of such asset
Assets already specified	The amount of rent or charge paid or payable by the employer as the case may be.

Note :- Any amount paid by the employee shall be deducted from the value of perquisite.

Transfer of Moveable Asset [Sub Rule 7(viii) of Rule 3]

Value of perquisite would be determined as under :-

Asset transferred	Value of benefit
Computers and electronic items	Depreciated value of asset where depreciation would be computed @ 50% on WDV for each completed year of usage
Motor Cars	Depreciated value of asset where depreciation would be computed @ 20% on WDV for each completed year of usage
Any Other Asset	Depreciated value of asset where depreciation would be computed @ 10% on SLM for each completed year of usage


Note :- Any amount paid by the employee shall be deducted from the value of perquisite.

Other Benefit or Amenity [Sub Rule 7(ix) of Rule 3]

The value of any other benefit or amenity, service, right or privilege provided by the employer shall be determined on the basis of cost to the employer under an arms' length transaction as reduced by the employee contribution.

There would be no perquisite value in respect of expenses incurred or reimbursement of telephones including mobile phone actually incurred on behalf of the employee by the employer.

Valuation of Specified Security or Sweat Equity Share [Section 17(2)(vi) Sub-rule (8)]



The fair market value of any specified security or sweat equity share **being an equity share in a Company** on the date on which such option is exercised by the employee would be the value of perquisite.

If the share in the Company is listed on a recognized stock exchange on the date of exercising of the option then the fair value would be the average of the opening and closing price of the share on the recognized stock exchange which records the highest volume of trading in that share.

In case the same is not listed on the date of exercising of the option then:-

- The closing price of the share on any recognized stock exchange on the date closest to the date of exercising of the option and immediately preceding such date , or
- The closing price of the share on a recognized stock exchange which records the highest volume of trading in such share if the closing price is recorded on more than one recognized stock exchange.

Valuation of Specified Security Not Being a Equity Share [Section 17(2)(vi) Sub-rule (9)]

The fair market value of **the specified security** on the date such option is exercised by the employee, shall be such value as determined by a merchant banker on the specified date.

- Specified date means
 - The date of exercising of the option; or
 - Any date earlier than the date of exercising of the option, not being a date which is more than 180 days earlier than the date of the exercising.

Medical facilities

The following are not treated as perquisite

The value of any medical treatment provided to an employee or any member of his family in the hospital maintained by the employer.

Any sum paid by the employer in respect of expenditure incurred by the employee on treatment of himself or any member of his family in respect of prescribed disease or ailments in any hospital approved by the Chief Commissioner having regards to the prescribed guidelines.

Any sum paid by the employer in respect of expenditure incurred by the employee in the hospital maintained by Government/ Local authority / any other hospital approved by the government for the medical treatment of its employees.

Any premium paid by the employer in relation to the employee to effect an insurance on the health of employee under a scheme approved by Insurance Regulatory Development Authority (IRDA).

Any sum paid by the employer in respect of expenditure incurred by the employee on treatment of himself or any member of his family to the extent of Rs. 15000.00 in the previous year.

Any expenditure incurred outside India on the medical treatment of employee or member of his family including travel and stay abroad provided certain conditions are met.

Deductions / Relief



Deduction

- Deduction under Section 80 C

- An assessee will be entitled to a deduction from gross total income of the amount invested in LIC policies, Provident Fund, Payment of tuition fees, Repayment of housing loan etc subject to the maximum of Rs. 100000.00

- Relief under section 89

- Available on receipt of salary where his income is assessed at a rate higher than at which it would have been otherwise assessed by making an application to the Assessing Officer.
- The Computation is done as per rule 21 A.
- ***The students may for better understanding refer to Illustration 12 given on pg 4.39.***

Lesson Summary

Computation of Income from Salary

– Basic Salary	xxxxxxx
– Advance Salary	xxxxxxx
– Profits in lieu of Salary	xxxxxxx
– Taxable Allowances	xxxxxxx
– Taxable perquisites	<u>xxxxxxx</u>

LESS:

Deduction u/s 16(ii) & 16(iii)	<u>xxxx</u>
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Income from Salary	<u>xxxxxx</u>
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Study Well