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Key Words : Meaning of Salary, Allowances, Kinds of Allowances,

Perquisites & Kinds of Perquisites

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Income tax act 1961 Salary Means a Remuneration Paid by Employer to His Employees for giving the services. This remuneration also Includes Monetary values of those perquisites, along with cash receipts which are provided by the employer to the employee.

Income Tax Act 1961 Sec-17 (i) Salary Includes

Basic Salary	-----
Arrear Salary	-----
Advance Salary	-----
Bonus	-----
Commission	-----
Fees	-----
Dearness Pay	-----
Dearness Allowances	-----
Allowances	-----
Perquisites	-----
Commission	-----
Employers Contribution in R.P.F.	-----
in excess of 12% of Salary	-----
Pension	-----
Gratuity	-----
Earn Leave Salary	-----

Interest on Balance of P.F.	-----
in excess of 9.5%	-----
Gross Salary	_____
Less- Deductions u/s 16 -	
i) S.D. Max. 50,000	-----
ii) Entertainment Allowances	-----
(Only far Govt. Employees)	-----
(iii) Employment Tax	-----
Taxable Salary	_____

Allowances

Allowances is that sum which an employer Pays to his employees to Meet some special types of Exp. A Salary Person may get some other cash receipts in the form of allowances besides salary-various types of allowances are given below:

Types of Allowances		
(A)	(B)	(C)
Fully taxable	Partly taxable	Fully
Allowances	Allowances	Exempted
		Allowances

(A) Fully Taxable Allowances : The Name of some fully taxable Allowances are given below :

(i) Dearness Allowances

- (ii) Dearness Pay
- (iii) Additional Dearness Allowances
- (iv) City Compensatory Allowances
- (v) Rural Allowances
- (vi) Non Practising Allowances
- (vii) Medical Allowances
- (viii) Servant Allowances
- (ix) Proctor Allowances
- (x) Warden Allowances
- (xi) Tiffin Allowances
- (xii) Deputation Allowances

(B) Partly taxable allowances

Partly taxable allowances are also called partly exempted allowances. A list of Partly Taxable Allowances is given below :

- (i) House Rent Allowances
- (ii) Entertainment Allowances
- (iii) Special Allowances for meeting certain expenditure sec 10 (14)

(C) Fully Exempted Allowances

These Allowances are not included in Gross Salary. It is fully exempted for example- foreign Allowances, Allowances from U.N.O, Allowances to Supreme Court & High Court Judges.

Perquisites

A perquisites is a personal benefit which is given to employees alongwith his salary and Allowances due to his service. There are three kinds of perquisites.

Types of Perquisites		
(A)	(B)	(C)
Taxable For all employee or	Taxable for	Tax free
All Kinds of Employee	Specified	Perquisites
	employees	

(A) Taxable for All Employee

There are general perquisites. These perquisites are provided by the employer to any types of employees or to employees of any category. These perquisites are the following:

- (i) Rent free Accommodation
- (ii) Concessional Rent Accommodation
- (iii) Obligation Paid by employer on the behalf of employees

(I) Value of rent free House is calculated areas follows

Govt. employees		Other employees
Rent as per Govt. Rules	Own House	Rented House
+10% Cost of furniture	Population	15% of Salary
(Furnished House)	Upto 10 Lakh	or Fair Rental

	7.5% of salary	
	Population More	value whichever is less
	than 10 Lakh but	
	less than 25 Lakh	
	10% of Salary	
	Population More	
	than	
	25 lakh	
	15% of Salary	

At the time of valuation of Rent Free House Salary Means- Basic Salary+ Dearness Pay+Dearness Allowances (if given as term & condition)+Bonus+ Commission (Based on Fixed Percentage on Sales)+ All Taxable Allowances

II- Value of Concessional Rent House

Value of Rent Free House as per
above Rules

Less- Rent Paid by Employees

Value of Concessional House

(unfurnished)

+10% cost of Furniture

(Furnished House)

(B) Taxable for specified employees

Who is specified employees- On the Completion of any one condition of the following, the employee shall be considered a specific employee.

- (i) If the Employee is a Director in Employer's company
- (ii) The Employee has acquired at least 20% as more equity share
- (iii) The total Monetary Receipt to an Employee must exceed 50,000.

Some of the following Amenities may be provided to an employee by the Employes :

- (i) Facility of Motar Car
- (ii) Facility of Domestic Servant
- (iii) Facility of Free education of Children
- (iv) Facility of Gas, Electricity and Water
- (v) other Amenity

(C) Tax Free Perquisites – Tax Free Perquisites means monetary value of those facilities, which are provided by the Employer to his employees, shall not be included in taxable Salary of the Employees. A list of these perquisites is given below

1. Medical Facility
2. Facility of Refreshment
3. Telephone Facility
4. Transport Facility

5. Education Facility

6. Other Facility

Related Questions

(i) What do you understand by salary

(ii) What is Allowances

(iii) What is Perquisites

(iv) What is Rules the Valuation of Rent Free House

References :

1. H.C. Mehrotra- Income tax law & Account

2. R.K. Jain – Income Tax Law & Accounts

SELF DECLARATION

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