

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE  
CENTRAL BOARD OF DIRECT TAXES

**DEDUCTION OF TAX AT SOURCE —  
INCOME-TAX DEDUCTION FROM SALARIES  
UNDER SECTION 192 OF THE  
INCOME-TAX ACT, 1961  
DURING THE FINANCIAL YEAR 2011-2012**

**CIRCULAR NO. 05/2011**

NEW DELHI, dated 16.08.2011

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**CIRCULAR NO : 05 /2011**

**F.No. 275/192/2011-IT(B)**  
 Government of India  
 Ministry of Finance  
 Department of Revenue  
 Central Board of Direct Taxes

.....

New Delhi, dated the

**SUBJECT: INCOME-TAX DEDUCTION FROM SALARIES DURING THE FINANCIAL YEAR 2011-2012 UNDER SECTION 192 OF THE INCOME-TAX ACT, 1961.**

.....

Reference is invited to Circular No.08/2010 dated 13.12.2010 whereby the rates of deduction of income-tax from the payment of income under the head "Salaries" under Section 192 of the Income-tax Act, 1961(hereinafter 'the Act'), during the financial year 2010-2011, were intimated. The present Circular contains the rates of deduction of income-tax from the payment of income chargeable under the head "Salaries" during the financial year 2011-2012 and explains certain related provisions of the Income-tax Act. The relevant Acts, Rules, Forms and Notifications are available at the website of the Income Tax Department-

[www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)

## **2. FINANCE ACT,2011**

As per the Finance Act, 2011, income-tax is required to be deducted under Section 192 of the Income-tax Act 1961 from income chargeable under the head "Salaries" for the financial year 2011-2012 (i.e. Assessment Year 2012-2013) at the following rates:

### **RATES OF INCOME-TAX**

#### **A. Normal Rates of tax:**

- |  |   |
|--|---|
| 1. Where the total income does not exceed Rs. 1,80,000/-.                            | Nil   |
| 2. Where the total income exceeds Rs. 1,80,000 but does not exceed Rs. 5,00,000/-.   | 10 per cent of the amount by which the total income exceeds Rs. 1,80,000/-                    |
| 3. Where the total income exceeds Rs. 5,00,000/- but does not exceed Rs. 8,00,000/-. | Rs. 32,000/- plus 20 per cent of the amount by which the total income exceeds Rs. 5,00,000/-. |
| 4. Where the total income exceeds Rs. 8,00,000/-.                                    | Rs. 92,000/- plus 30 per cent of the amount by which the total income exceeds Rs. 8,00,000/-. |

**B. Rates of tax for a woman, resident in India and below sixty years of age at any time during the financial year:**

- |  |   |
|--|---|
| 1. Where the total income does not exceed Rs. 1,90,000/-.                            | Nil   |
| 2. Where the total income exceeds Rs. 1,90,000 but does not exceed Rs. 5,00,000/-.   | 10 per cent, of the amount by which the total income exceeds Rs. 1,90,000/-                   |
| 3. Where the total income exceeds Rs. 5,00,000/- but does not exceed Rs. 8,00,000/-. | Rs. 31,000/- plus 20 per cent of the amount by which the total income exceeds Rs. 5,00,000/-. |
| 4. Where the total income exceeds Rs. 8,00,000/-.                                    | Rs. 91,000/- plus 30 per cent of the amount by which the total income exceeds Rs. 8,00,000/-. |

**C. Rates of tax for an individual, resident in India and of the age of sixty years or more but less than eighty years at any time during the financial year:**

- |  |   |
|--|---|
| 1. Where the total income does not exceed Rs. 2,50,000/-.                            | Nil   |
| 2. Where the total income exceeds Rs. 2,50,000 but does not exceed Rs. 5,00,000/-.   | 10 per cent, of the amount by which the total income exceeds Rs. 2,50,000/-                   |
| 3. Where the total income exceeds Rs. 5,00,000/- but does not exceed Rs. 8,00,000/-. | Rs. 25,000/- plus 20 per cent of the amount by which the total income exceeds Rs. 5,00,000/-. |
| 4. Where the total income exceeds Rs. 8,00,000/-.                                    | Rs. 85,000/- plus 30 per cent of the amount By which the total income exceeds Rs. 8,00,000/-. |

**D. In case of every individual being a resident in India, who is of the age of eighty years or more at any time during the financial year:**

- |   |  |
|---|--|
| 1. Where the total income does not exceed Rs. 5,00,000/-                            | Nil  |
| 2. Where the total income exceeds Rs. 5,00,000/- but does not exceed Rs. 8,00,000/- | 20 per cent of the amount by which the total income exceeds Rs. 5,00,000/-                   |
| 3. Where the total income exceeds Rs. 8,00,000/-                                    | Rs. 60,000/- plus 30 per cent of the amount by which the total income exceeds Rs. 8,00,000/- |

**Surcharge on Income tax:**

There will be **no surcharge** on income tax payments by individual taxpayers during FY 2011-12 (AY 2012-13).

**Education Cess on Income tax:**

The amount of income-tax shall be increased by Education Cess on Income Tax at the rate of **two percent** of the income-tax.

**Additional surcharge on Income Tax (Secondary and Higher Education Cess on Income-tax):**

From Financial Year 2007-08 onwards, an additional surcharge is chargeable at the rate of **one percent** of income-tax (not including the Education Cess on income tax).

Education Cess, and Secondary and Higher Education Cess are payable by both resident and non-resident assessees.

**3. SECTION 192 OF THE INCOME-TAX ACT, 1961: BROAD SCHEME OF TAX DEDUCTION AT SOURCE FROM "SALARIES".**

**Method of Tax Calculation:**

3.1 Every person who is responsible for paying any income chargeable under the head "Salaries" shall deduct income-tax on the estimated income of the assessee under the head "Salaries" for the financial year 2011-2012. The income-tax is required to be calculated on the basis of the rates given above subject to provisions of sec 206AA of the Income-tax Act and shall be deducted at the time of each payment. No tax will, however, be required to be deducted at source in any case unless the estimated salary income including the value of perquisites, for the financial year exceeds Rs. 1,80,000/- or Rs. 1,90,000/- or Rs. 2,50,000/- or Rs. 5,00,000/-, as the case may be, depending upon the gender and age of the employee. (Some typical examples of computation of tax are given at **Annexure-I**).

**Payment of Tax on Non-monetary Perquisites by Employer:**

3.2 An option has been given to the employer to pay the tax on non-monetary perquisites given to an employee. The employer may, at his option, make

payment of the tax on such perquisites himself without making any TDS from the salary of the employee. The employer will have to pay such tax at the time when such tax was otherwise deductible i.e. at the time of payment of income chargeable under the head "salaries" to the employee.

### **Computation of Average Income Tax:**

3.3 For the purpose of making the payment of tax mentioned in para 3.2 above, tax is to be determined at the average of income tax computed on the basis of rate in force for the financial year, on the income chargeable under the head "salaries", including the value of perquisites for which tax has been paid by the employer himself.

### **ILLUSTRATION:**

Suppose that the income chargeable under the head "salaries" of a male employee below sixty years of age for the year inclusive of all perquisites is Rs.4,50,000/-, out of which, Rs.50,000/- is on account of non-monetary perquisites and the employer opts to pay the tax on such perquisites as per the provisions discussed in para 3.2 above.

### **STEPS:**

Income Chargeable under the head "Salaries" inclusive of all perquisites:	Rs. 4,50,000
Tax on Total Salaries(including Cess):	Rs. 27,810
Average Rate of Tax $[(27,810/4,50,000) \times 100]$ :	6.18%
Tax payable on Rs.50,000/= (6.18% of 50,000):	Rs. 3,090
Amount required to be deposited each month:	Rs. 260(257.5) (3090/12)

**The tax so paid by the employer shall be deemed to be TDS made from the salary of the employee.**

### **Salary From More Than One Employer:**

3.4 Sub- section (2) of section 192 deals with situations where an individual is working under more than one employer or has changed from one employer to another. It provides for deduction of tax at source by such employer (as the tax payer may choose) from the aggregate salary of the employee who is or has been in receipt of salary from more than one employer. The employee is now required to furnish to the present/chosen employer details of the income under the head "Salaries" due or received from the former/other employer and also tax deducted at source there from, in writing and duly verified by him and by the former/other employer. The present/ chosen employer will be required to deduct tax at source on the aggregate amount of salary (including salary received from the former or other employer).

### **Relief When Salary Paid in Arrear or Advance:**

3.5 Under sub-section (2A)of section 192 where the assessee, being a Government servant or an employee in a company, co-operative society, local authority, university, institution, association or body is entitled to the relief

under Sub-section (1) of **Section 89**, he may furnish to the person responsible for making the payment referred to in Para (3.1), such particulars in Form No. 10E duly verified by him, and thereupon the person responsible as aforesaid shall compute the relief on the basis of such particulars and take the same into account in making the deduction under Para(3.1) above.

**Explanation** :- For this purpose "University means a University established or incorporated by or under a Central, State or Provincial Act, and includes an institution declared under section 3 of the University Grants Commission Act, 1956(3 of 1956), to be University for the purposes of the Act.

With effect from 1/04/2010 (AY 2010-11), *no such relief shall be granted in respect of any amount received or receivable by an assessee on his voluntary retirement or termination of his service, in accordance with any scheme or schemes of voluntary retirement or in the case of a public sector company referred to in sub-clause (i) of clause (10C) of section 10 (read with Rule 2BA), a scheme of voluntary separation, if an exemption in respect of any amount received or receivable on such voluntary retirement or termination of his service or voluntary separation has been claimed by the assessee under clause (10C) of section 10 in respect of such, or any other, assessment year*

3.6 (i) Sub-section (2B) of section 192 enables a taxpayer to furnish particulars of income under any head other than "Salaries" ( not being a loss under any such head other than the loss under the head " income from house property") received by the assessee for the same financial year and of any tax deducted at source thereon. Form no. 12C, which was earlier prescribed for furnishing such particulars, has since been omitted from the Income Tax Rules by the IT (24<sup>th</sup> amendment) Rules, 2003, w.e.f. 01.10.2003. However, the particulars may now be furnished in a **simple statement**, which is properly verified by the taxpayer in the manner as prescribed under Rule 26B(2 ) of the Income Tax Rules,1962 and shall be annexed to the simple statement. The form of verification is reproduced as under

#### **FORM OF VERIFICATION**

**I, ..... (name of the assessee), do declare that what is stated above is true to the best of my information and belief.**

(ii) Such income should not be a loss under any such head other than the loss under the head "Income from House Property" for the same financial year. The person responsible for making payment (DDO) shall take such other income and tax deducted at source, if any, on such income and the loss, if any, under the head "Income from House Property" into account for the purpose of computing tax deductible in terms of section 192(2B) of the Income-tax Act. However, this sub-section shall not in any case have the effect of reducing the tax deductible (except where the loss under the head "Income from House Property" has been taken into account) from income under the head "Salaries" below the amount that would be so deductible if the other income and the tax deducted thereon had not been taken into account'. In other words, **the DDO can take into account any loss (negative income) only under the head "income from House Property" and no other head for working out the amount of total tax to be deducted.** While taking into account the loss from House Property, the DDO shall ensure that the assessee files the declaration referred to above and encloses therewith a computation of such loss from House Property. Following details shall be obtained and kept by the

employer in respect of loss claimed under the head “ income from house property” separately for each house property:

(A) Computation of income under the head “ income from house property” specifying

- a) Gross annual rent/value
- b) Municipal Taxes paid, if any
- c) Deduction claimed for interest paid, if any
- d) Other deductions claimed

(B) Address of the property

( C) Amount of loan, if any; and

(D) Name and address of the lender (loan provider)

(iii) Sub-section (2C) lays down that a person responsible for paying any income chargeable under the head “salaries” shall furnish to the person to whom such payment is made a statement giving correct and complete particulars of perquisites or profits in lieu of salary provided to him and the value thereof in form no. 12BA (Annexure-II). Form no. 12BA alongwith form no. 16, as issued by the employer, are required to be produced on demand before the Assessing Officer in terms of Section 139C of the Income Tax Act.

#### **Conditions for Claim of Deduction of Interest on Borrowed Capital for Computation of Income From House Property**

3.7(i) For the purpose of computing income / loss under the head 'Income from House Property' **in respect of a self-occupied residential house**, a normal deduction of Rs.30,000/- is allowable in respect of interest on borrowed capital. However, a deduction on account of interest up to a maximum limit of Rs.1,50,000/- is available if such loan has been taken on or after 1.4.1999 for constructing or acquiring the residential house and the construction or acquisition of the residential unit out of such loan has been completed within three years from the end of the financial year in which capital was borrowed. Such higher deduction is not allowable in respect of interest on capital borrowed for the purposes of repairs or renovation of an existing residential house. To claim the higher deduction in respect of interest upto Rs.1,50,000/-,the employee should furnish a certificate from the person to whom any interest is payable on the capital borrowed, specifying the amount of interest payable by such employee for the purpose of construction or acquisition of the residential house or for conversion of a part or whole of the capital borrowed, which remains to be repaid as a new loan.

3.7(ii)The essential conditions for availing higher deduction of interest of Rs.1,50,000/- **in respect of a self-occupied residential house** are that the amount of capital must have been borrowed on or after 01.4.1999 and the acquisition or construction of residential house must have been completed within three years from the end of the financial year in which capital was borrowed. There is no stipulation regarding the date of commencement of construction. Consequently, the construction of the residential house could have commenced before 01.4.1999 but, as long as its construction/ acquisition is completed within three years, from the end of the financial year in which capital was borrowed the higher deduction would be available in respect of the capital borrowed after 1.4.1999. It may also be noted that there is no stipulation regarding the construction/ acquisition of the residential



unit being entirely financed by capital borrowed on or after 01.4.1999. The loan taken prior to 01.4.1999 will carry deduction of interest up to Rs.30,000/only. However, in any case the total amount of deduction of interest on borrowed capital will not exceed Rs.1,50,000/- in a year.

**Adjustment for Excess or Shortfall of Deduction:**

3.8 The provisions of sub-section (3) of Section 192 allow the deductor to make adjustments for any excess or shortfall in the deduction of tax already made during the financial year, in subsequent deductions for that employee within that financial year itself.

**TDS on Payment of Accumulated Balance Under Recognised Provident Fund and contribution from Approved Superannuation Fund:**

3.9 The trustees of a Recognized Provident Fund, or any person authorized by the regulations of the Fund to make payment of accumulated balances due to employees, shall, in cases where sub-rule(1) of rule 9 of Part A of the Fourth Schedule to the Act applies, at the time when the accumulated balance due to an employee is paid, make there from the deduction specified in rule 10 of Part A of the Fourth Schedule to the Act.

3.10 Where any contribution made by an employer, including interest on such contributions, if any, in an approved Superannuation Fund is paid to the employee, tax on the amount so paid shall be deducted by the trustees of the Fund to the extent provided in rule 6 of Part B of the Fourth Schedule to the Act.

**Salary Paid in Foreign Currency:**

3.11 For the purposes of deduction of tax on salary payable in foreign currency, the value in rupees of such salary shall be calculated at the prescribed rate of exchange.

**4. PERSONS RESPONSIBLE FOR DEDUCTING TAX AND THEIR DUTIES:**

4.1. Under clause (i) of Section 204 of the Act the "persons responsible for paying" for the purpose of Section 192 means the employer himself or if the employer is a Company, the Company itself including the Principal Officer thereof.

4.2. The tax determined as per para 6 should be deducted from the salary u/s 192 of the Act.

**Deduction of Tax at Lower Rate:**

4.3. Section 197 enables the tax-payer to make an application in form No.13 to the Assessing Officer(TDS), and, if the Assessing Officer(TDS) is satisfied that the total income of the tax-payer justifies the deduction of income-tax at any lower rate or no deduction of income tax, he may issue an appropriate certificate to that effect which should be taken into account by the Drawing and Disbursing Officer while deducting tax at source. In the absence of such a certificate furnished by the employee, the employer should deduct income tax on the salary payable at the normal rates: **(Circular No. 147 dated 28.10.1974.)**

**Deposit of Tax Deducted:**

4.4. Rule 30 of Income Tax Rules, 1962, as amended by S.O. 1261(E), Notification dated 31.05.2010, prescribes mode of payment of tax deducted to the account of Central Government as detailed below:

4.4.1.

(a) The Tax deducted at source in accordance with the provisions of Chapter XVII-B of the Income tax Act, 1961 by an office of the Government shall be paid to the credit of the Central Government -

- (i) on the same day where the tax is paid without production of an income tax challan; and
- (ii) on or before seven days from the end of the month in which the deduction is made or income-tax is due under sub-section (1A) of section 192, where tax is paid accompanied by an income-tax challan.

(b). The Tax deducted at source in accordance with the provisions of Chapter XVII-B of the Income tax Act, 1961 by deductors other than an office of the Government shall be paid to the credit of the Central Government -

- (i) on or before 30th day of April where the income or amount is credited or paid in the month of March; and
- (ii) in any other case, on or before seven days from the end of the month in which the deduction is made; or income-tax is due under sub-section (1A) of section 192.

(c) Notwithstanding anything contained in (b) above, in special cases, the Assessing Officer may, with the prior approval of the Joint Commissioner, permit quarterly payment of the tax deducted under section 192 or section 194A or section 194D or section 194H for the quarters of the financial year specified to in column (2) of the Table below by the date referred to in column (3) of the said Table:-

TABLE

Sl. No.	Quarter of the financial year ended on	Date for quarterly payment
(1)	(2)	(3)
1	30 <sup>th</sup> June	7 <sup>th</sup> July
2	30 <sup>th</sup> September	7 <sup>th</sup> October
3	31 <sup>st</sup> December	7 <sup>th</sup> January
4	31 <sup>st</sup> March	30 <sup>th</sup> April

**Mode of Payment of TDS**

4.4.2. In the case of an office of the Government, where tax has been paid to the credit of the Central Government without the production of a challan, the Pay and Accounts Officer or the Treasury Officer or the Cheque Drawing and Disbursing Officer or any other person by whatever name called to whom the deductor reports the tax so deducted and who is responsible for crediting such sum to the credit of the Central Government, shall-

(a) submit a statement in **Form No. 24G** within ten days from the end of the month to the agency authorised by the Director General of Income-tax

(Systems) in respect of tax deducted by the deductors and reported to him for that month; and

(b) intimate the number (hereinafter referred to as the **Book Identification Number or BIN** generated by the agency to each of the deductors in respect of whom the sum deducted has been credited. BIN consist of receipt number of Form 24G, DDO sequence number and date on which tax is deposited.

For the purpose of the above, the Director General of Income-tax (Systems) shall specify the procedures, formats and standards for ensuring secure capture and transmission of data, and shall also be responsible for the day-to-day administration in relation to furnishing the information in the manner so specified.

4.4.3. (i) Where tax has been deposited accompanied by an income-tax challan, the amount of tax so deducted or collected shall be deposited to the credit of the Central Government by remitting it within the time specified above into any branch of the Reserve Bank of India or of the State Bank of India or of any authorised bank;

(ii) In case of a company and a person (other than a company), to whom provisions of section 44AB are applicable, the amount deducted shall be electronically remitted into the Reserve Bank of India or the State Bank of India or any authorised bank accompanied by an electronic income-tax challan.

For the purpose of this rule, the amount shall be construed as electronically remitted to the Reserve Bank of India or to the State Bank of India or to any authorised bank, if the amount is remitted by way of:

- (a) internet banking facility of the Reserve Bank of India or of the State Bank of India or of any authorised bank; or
- (b) debit card.

#### **Interest, Penalty & Prosecution for Failure to Deposit Tax Deducted:**

4.5 If a person fails to deduct the whole or any part of the tax at source, or, after deducting, fails to pay the whole or any part of the tax to the credit of the Central Government within the prescribed time, he shall be liable to action in accordance with the provisions of section 201. Sub-section (1A) of section 201 lays down that such person shall be liable to pay **simple interest** (i) at one percent for every month or part of the month on the amount of such tax from the date on which such tax was deductible to the date on which such tax is deducted and (ii) at one and one-half percent for every month or part of a month on the amount of such tax from the date on which such tax was deducted to the date on which such tax is actually paid. Such interest, if chargeable, has to be paid before furnishing of quarterly statement of TDS for each quarter. Section 271C lays down that if any person fails to deduct whole or any part of tax at source or fails to pay the whole or part of tax deducted, he shall be liable to pay, by way of **penalty**, a sum equal to the amount of tax not deducted or paid by him. Further, section 276B lays down that if a person fails to pay to the credit of the Central Government within the prescribed time the tax deducted at source by him, he shall be **punishable with rigorous imprisonment for a term which shall be between 3 months and 7 years, along fine.**

#### **Furnishing of Certificate for Tax Deducted:**

4.6.1 According to the provisions of section 203, every person responsible for deducting tax at source is required to furnish a certificate in Form 16 to the payee to the effect that tax has been deducted and to specify therein the amount deducted and certain other particulars. The certificates in Forms 16 specified above shall be furnished to the employee by 31st day of May of the financial year immediately following the financial year in which the income was paid and tax deducted. Due care should be taken indicating correct CIN/ BIN in TDS certificate. Even the banks deducting tax at the time of payment of pension are required to issue such certificates. The Form 16 has been revised and TDS certificate only determine tax payable on total income and tax deducted is to be reported in annexure 'A' and 'B' of the Form 16 (**revised Form 16 annexed to Notification dated 31.05.2010 is enclosed**). The certificate in Form 16 shall specify

- (a) valid permanent account number (PAN) of the deductee;
- (b) valid tax deduction and collection account number (TAN) of the deductor;
- (c) (i) book identification number or numbers where deposit of tax deducted is without production of challan in case of an office of the Government;  
(ii) challan identification number or numbers in case of payment through bank.
- (d) receipt numbers of all the relevant quarterly statements in case the statement referred to in clause (i) is for tax deducted at source from income chargeable under the head "Salaries". The receipt number of the quarterly statement is of 8 digit.

**It may be noted that under the new TDS procedure, the accuracy and availability of TAN, PAN and receipt number of TDS statement filed by the deductor will be unique identifier for granting online credit for TDS. Hence due care should be taken in filling these particulars.**

It is, however, clarified that there is no obligation to issue the TDS certificate in case tax at source is not deductible/deducted by virtue of claims of exemptions and deductions.

4.6.2. If an assessee is employed by more than one employer during the year, each of the employers shall issue Part A of the certificate in Form No. 16 pertaining to the period for which such assessee was employed with each of the employers and Part B may be issued by each of the employers or the last employer at the option of the assessee.

4.6.3. The employer may issue a duplicate certificate in Form No. 16 if the deductee has lost the original certificate so issued and makes a request for issuance of a duplicate certificate and such duplicate certificate is certified as duplicate by the deductor.

- 4.6.4. (i) Where a certificate is to be furnished in Form No. 16, the deductor may, at his option, use **digital signatures** to authenticate such certificates.
- (ii) In case of certificates issued under clause (i), the deductor shall ensure that
  - (a) the conditions prescribed in para 4.6.1 above are complied with;
  - (b) once the certificate is digitally signed, the contents of the certificates are not amenable to change; and

(c) the certificates have a control number and a log of such certificates is maintained by the deductor.

The digital signature are being used to authenticate most of the e-transactions on the internet as transmission of information using digital signature is failsafe. It saves time specially in organisations having large number of employees where issuance of certificate of deduction of tax with manual signature is time consuming (circular no 2 of 2007 dated 21.05.2007)

*Explanation. For the purpose of this rule, challan identification number (CIN) means the number comprising the Basic Statistical Returns (BSR) Code of the Bank branch where the tax has been deposited, the date on which the tax has been deposited and challan serial number given by the bank.*

4.6.5. As per section 192, the responsibility of providing correct and complete particulars of perquisites or profits in lieu of salary given to an employee is placed on the person responsible for paying such income i.e., the person responsible for deducting tax at source. The form and manner of such particulars are prescribed in Rule 26A, Form 12BA and Form 16 of the Income-tax Rules . Information relating to the nature and value of perquisites is to be provided by the employer in Form no. 12BA in case of salary paid or payable is above Rs.1,80,000/-. In other cases, the information would have to be provided by the employer in Form 16 itself.

4.6.6. An employer, who has paid the tax on perquisites on behalf of the employee as per the provisions discussed in paras 3.2 and 3.3 of this circular, shall furnish to the employee concerned a certificate to the effect that tax has been paid to the Central Government and specify the amount so paid, the rate at which tax has been paid and certain other particulars in the amended Form 16.

4.6.7. The obligation cast on the employer under Section 192(2C) for furnishing a statement showing the value of perquisites provided to the employee is a serious responsibility of the employer, which is expected to be discharged in accordance with law and rules of valuation framed there under. Any false information, fabricated documentation or suppression of requisite information will entail consequences thereof provided under the law. The certificates in Forms 16 specified above shall be furnished to the employee by 31st day of May of the financial year immediately following the financial year in which the income was paid and tax deducted. If he fails to issue these certificates to the person concerned, as required by section 203, he will be liable to pay, by way of penalty, under section 272A, a sum which shall be Rs.100/- for every day during which the failure continues.

#### **Mandatory Quoting of PAN and TAN:**

4.7.1 According to the provisions of section 203A of the Income-tax Act, it is obligatory for all persons responsible for deducting tax at source to obtain and quote the Tax-deduction Account No. (TAN) in the challans, TDS-certificates, statements and other documents. Detailed instructions in this regard are available in this Department's Circular No.497 (F.No.275/118/87-IT(B) dated 9.10.1987). If a person fails to comply with the provisions of section 203A, he will be liable to pay, by way of penalty, under section 272BB, a sum of ten thousand rupees. Similarly, as per Section 139A(5B), it is obligatory for persons deducting tax at source to quote PAN of the persons from whose income tax has been deducted in the statement furnished u/s 192(2C), certificates furnished u/s 203 and all returns prepared and

delivered as per the provisions of section 200(3) of the Income Tax Act, 1961.

4.7.2 All tax deductors/collectors are required to file the TDS returns in Form No.24Q (for tax deducted from salaries). As the requirement of filing TDS/TCS certificates has been done away with, the lack of PAN of deductees is creating difficulties in giving credit for the tax deducted. Tax deductors and tax collectors are, therefore, advised to quote correct PAN details of all deductees in the TDS returns for salaries in Form 24Q. Taxpayers liable to TDS are also advised to furnish their correct PAN with their deductors, It may be noted that non-furnishing of PAN by the deductee (employee) to the deductor (employer) will result in deduction of TDS at higher rates u/s 206AA of the Income-tax Act,1961 mentioned in para 4.9 below.

#### **4.8 Section 206AA.**

4.8.1 Finance Act (No. 2) 2009, w.e.f. 01/04/2010 has inserted sec. 206AA in the Income-tax Act which makes furnishing of PAN by the employee compulsory in case of payments liable to TDS. **If employee (deductee) fails to furnish his/her PAN** to the deductor , the deductor shall make TDS at a higher of the following rates

- i. at the rate specified in the relevant provision of this Act; or
- ii. at the rate or rates in force; or
- iii. at the rate of twenty per cent.

4.8.2 The deductor has to determine the tax amount in all the three conditions and apply the higher rate of TDS . This section applies to any person entitled to receive any sum or income or amount, **on which tax is deductible** under Chapter XVII-B of Income Tax Act. As chapter XVII-B **covers all Payments including Salaries**, Salaries are also covered by Section 206AA. In case of salaries there can be following situations

- a) Where the income of the employee computed for TDS u/s 192 is below taxable limit.
- b) Where the income of the employee computed for TDS u/s 192 is above taxable limit.

In first situation, as the tax is **not liable to be deducted** no tax will be deducted. In the second case, if PAN is not furnished by the employee, the deductor will calculate the **average rate of income-tax based on rates in force as provided in sec 192**. If the tax so calculated is below 20%, deduction of tax will be made at the rate of 20% and in case the average rate exceeds 20%, tax is to deducted at the average rate. **Education cess@ 2% and Secondary and Higher Education Cess@ 1% is not to be deducted, in case the TDS is deducted at 20% u/s 206AA of the Income-tax Act.**

#### **Quarterly Statement of TDS:**

#### **4.9. Statement of deduction of tax under subsection (3) of section 200.**

4.9.1. The person deducting the tax (employer in case of salary income), is required to file Quarterly Statements of TDS in Form 24Q for the periods ending on 30<sup>th</sup> June, 30<sup>th</sup> September, 31<sup>st</sup> December and 31<sup>st</sup> March of each financial year, duly verified, to the Director General of Income Tax (Systems), ARA centre, Jhandewalan Extn, New Delhi or M/s National Securities Depository Ltd (NSDL). These statements are required to be filed on or before the 15<sup>th</sup> July, the 15<sup>th</sup> October, the 15<sup>th</sup> January in respect of the first three quarters of the financial year and on or before the 15<sup>th</sup> May following the last quarter of the financial year. The requirement of filing an annual return of TDS has been done

away with w.e.f. 1.4.2006. The quarterly statement for the last quarter filed in Form 24Q (as amended by Notification No. S.O.704(E) dated 12.5.2006) shall be treated as the annual return of TDS.

4.9.2. The statements referred above may be furnished in paper form or electronically in accordance with the procedures, formats and standards specified by the Director General of Income-tax (Systems) along with the verification of the statement in Form 27A.

**4.9.3. It is now mandatory for all Govt. deductors or companies or other deductors who are required to get their accounts audited under section 44AB of the Income Tax Act or where the number of deductee's records in a statement for any quarter of the financial year are twenty or more to file, quarterly statements of TDS on computer media only in accordance with the "Electronic Filing of Returns of Tax Deducted at Source Scheme, 2003" as notified vide Notification No. S.O. 974 (E) dated 26.8.2003 read with Notification No. SO 1261(E) dated 31.05.2010. The quarterly statements are to be filed by such deductors in electronic format with the e-TDS Intermediary at any of the TIN Facilitation Centres, particulars of which are available at [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in) and at <http://tin-nsdl.com>. If a person fails to furnish the quarterly statements in due time, he shall be liable to pay by way of penalty under section 272A(2)(k), a sum which shall be Rs.100/- for every day during which the failure continues. However, this sum shall not exceed the amount of tax which was deductible at source.**

4.9.4. At the time of preparing statements of tax deducted, the deductor is required to quote

- (i) his tax deduction and collection account number (TAN) in the statement;
- (ii) quote his permanent account number (PAN) in the statement except in the case where the deductor is an office of the Government( including state Govt). In case of Government deductors "PANNOTREQD" to be quoted in the eTDS statement.
- (iii) quote the permanent account number of all deductees;
- (iv) furnish particulars of the tax paid to the Central Government including book identification number or challan identification number, as the case may be.

4.10. A return filed on the prescribed computer readable media shall be deemed to be a return for the purposes of section 200(3) and the Rules made there under, and shall be admissible in any proceeding there under, without further proof of production of the original, as evidence of any contents of the original.

#### **TDS on Income from Pension:**

4.11. In the case of pensioners who receive their pension from a nationalized bank, the instructions contained in this circular shall apply in the same manner as they apply to salary-income. The deductions from the amount of pension under section 80C on account of contribution to Life Insurance, Provident Fund, NSC etc., if the pensioner furnishes the relevant details to the banks, may be allowed. Necessary instructions in this regard were issued by the Reserve Bank of India to the State Bank of India and other nationalized Banks vide RBI's Pension Circular(Central Series) No.7/C.D.R./1992 (Ref. CO: DGBA: GA (NBS) No.60/GA.64(11CVL)-/92) dated the 27th April, 1992, and, these instructions should be followed by all the branches of the Banks, which have been entrusted with the task of payment

of pensions. Further all branches of the banks are bound u/s 203 to issue certificate of tax deducted in Form 16 to the pensioners also vide CBDT **circular no. 761 dated 13.1.98.**

#### **4.12 New Pension Scheme**

The New Pension Scheme(NPS) has become operational since 1<sup>st</sup> Jan, 2004 and is mandatory for all new recruits to the Central Government Services from 1<sup>st</sup> January, 2004. Since then it has been opened to employees of State Governments, Private Sector and **Self Employed**. The income received by the NPS trust is exempt. The NPS trust is exempted from the Dividend Distribution Tax and is also exempted from the Securities Transaction Tax on all purchases and sales of equities and derivatives. The NPS trust will also receive income without tax deduction at source. The above amendments are retrospectively effective from 1/4/09 (AY 2009-10) onwards

4.13. Where Non-Residents are deputed to work in India and taxes are borne by the employer, if any refund becomes due to the employee after he has already left India and has no bank account in India by the time the assessment orders are passed, the refund can be issued to the employer as the tax has been borne by it: **Circular No. 707 dated 11.7.1995.**

4.14 In respect of non-residents, the salary paid for services rendered in India shall be regarded as income earned in India. It has been specifically provided in the Act that any salary payable for rest period or leave period which is both preceded or succeeded by service in India and forms part of the service contract of employment will also be regarded as income earned in India.

## **5. COMPUTATION OF INCOME UNDER THE HEAD "SALARIES"**

### **5.1 Income chargeable under the head "Salaries".**

(1) The following income shall be chargeable to income-tax under the head "Salaries" :

(a) any salary due from an employer or a former employer to an assessee in the previous year, whether paid or not;

(b) any salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer though not due or before it became due to him.

(c) any arrears of salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer, if not charged to income-tax for any earlier previous year.

(2) For the removal of doubts, it is clarified that where any salary paid in advance is included in the total income of any person for any previous year it shall not be included again in the total income of the person when the salary becomes due. Any salary, bonus, commission or remuneration, by whatever name called, due to, or received by, a partner of a firm from the firm shall not be regarded as "Salary".

#### **Definition of Salary:**

(3)"Salary" includes wages, fees, commissions, perquisites, profits in lieu of, or, in addition to salary, advance of salary, annuity or pension, gratuity,



payments in respect of encashment of leave etc. It also includes the annual accretion to the employee's account in a recognized provident fund to the extent it is chargeable to tax under rule 6 of Part A of the Fourth Schedule of the Income-tax Act. Contributions made by the employer to the account of the employee in a recognized provident fund in excess of 12% of the salary of the employee, along with interest applicable, shall be included in the income of the assessee for the previous year. **Any contribution made by the Central Government or any other employer to the account of the employee under the New Pension Scheme as notified vide Notification No. F.N. 5/7/2003- ECB&PR dated 22.12.2003(enclosed as Annexure-IVA) referred to in section 80CCD (para 5.4(C) of this Circular) shall also be included in the salary income.** Other items included in salary, profits in lieu of salary and perquisites are described in Section 17 of the Income-tax Act. It may be noted that, since salary includes pensions, tax at source would have to be deducted from pension also, if otherwise called for. However, no tax is required to be deducted from the commuted portion of pension which is exempt, as explained in clause (3) of para 5.2 of this Circular.

(4) Section 17 defines the terms "salary", "perquisite" and "profits in lieu of salary".

Perquisite includes:

- I. The value of rent free accommodation provided to the employee by his employer;
- II. The value of any concession in the matter of rent in respect of any accommodation provided to the employee by his employer;
- III. The value of any benefit or amenity granted or provided free of cost or at concessional rate in any of the following cases:
  - i) By a company to an employee who is a director of such company;
  - ii) By a company to an employee who has a substantial interest in the company;
  - iii) By an employer (including a company) to an employee, who is not covered by (i) or (ii) above and whose income under the head Salaries ( whether due from or paid or allowed by one or more employers), exclusive of the value of all benefits and amenities not provided by way of monetary payment, exceeds Rs.50,000/-.

What constitute concession in the matter of rent have been prescribed in Explanation 1 to 4 below 17(2)(ii) of the Income Tax Act, 1961.

- IV. Any sum paid by the employer in respect of any obligation which would have been paid by the assessee.
- V. Any sum payable by the employer, whether directly or through a fund, other than a recognized provident fund or an approved superannuation fund or other specified funds u/s 17, to effect

an assurance on the life of an assessee or to effect a contract for an annuity.

- VI. **With effect from 1/04/2010 (AY 2010-11) it is further clarified that the value of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer, or former employer, free of cost or at concessional rate to the assessee, shall constitute a perquisite in the hand of employees.**

*Explanation.—For the purposes of this sub-clause,—*

(a) “specified security” means the securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and, where employees’ stock option has been granted under any plan or scheme therefore, includes the securities offered under such plan or scheme;

(b) “sweat equity shares” means equity shares issued by a company to its employees or directors at a discount or for consideration other than cash for providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called;

(c) the value of any specified security or sweat equity shares shall be the fair market value of the specified security or sweat equity shares, as the case may be, on the date on which the option is exercised by the assessee as reduced by the amount actually paid by, or recovered from the assessee in respect of such security or shares;

(d) “fair market value” means the value determined in accordance with the method as may be prescribed;

(e) “option” means a right but not an obligation granted to an employee to apply for the specified security or sweat equity shares at a predetermined price;

- VII. *The amount of any contribution to an approved superannuation fund by the employer in respect of the assessee, to the extent it exceeds one lakh rupees; and*

VIII. *The value of any other fringe benefit or amenity as may be prescribed.*

It is further provided that '**profits in lieu of salary**' shall include amounts received in lump sum or otherwise, prior to employment or after cessation of employment for the purposes of taxation.

The rules for valuation of perquisite are as under : -

**I. Accommodation** :- For purpose of valuation of the perquisite of unfurnished accommodation, all employees are divided into two categories: (i) Central Govt. & State Govt. employees; and (ii) Others.

For employees of the Central and State governments the value of perquisite shall be equal to the licence fee charged for such accommodation as reduced by the rent actually paid by the employee.

For all others, i.e., those salaried taxpayers not in employment of the Central government and the State government, the valuation of perquisite in respect of accommodation would be at prescribed rates, as discussed below:

1. Where the accommodation provided to the employee is **owned by the employer**, the rate is 15% of 'salary' in cities having population exceeding 25 lakh as per the 2001 census. The rate is 10% of salary in cities having population exceeding 10 lakhs but not exceeding 25 lakhs as per 2001 Census. For other places, the perquisite value would be 7.5 % of the salary.
2. Where the accommodation so provided is **taken on lease/ rent by the employer**, the prescribed rate is 15% of the salary or the actual amount of lease rental payable by the employer, whichever is lower, as reduced by any amount of rent paid by the employee.

For **furnished accommodation**, the value of perquisite as determined by the above method shall be increased by-

- i) 10% of the cost of furniture, appliances and equipments, or
- ii) where the furniture, appliances and equipments have been taken on hire, by the amount of actual hire charges payable.  
- as reduced by any charges paid by the employee himself.

Explanation: For the purpose of this rule, where the accommodation is provided by the Central Government or any State Government to an employee who is serving on deputation with any body or undertaking under the control of such Government,-

- (i). the employer of such an employee shall be deemed to be that body or undertaking where the employee is serving on deputation; and
- (ii). the value of perquisite of such an accommodation shall be the amount calculated in accordance with Sl. No.(2)(a) of Table I, as if the accommodation is owned by the employer.

"Accommodation" includes a house, flat, farm house, hotel accommodation, motel, service apartment, guest house, a caravan, mobile home, ship etc. However, the value of any accommodation provided to an employee working at a mining site or an on-shore oil exploration site or a project execution site or a dam site or a power generation site or an off-shore site will not be treated as a perquisite. However, for not being treated as perquisite, such accommodation should either be located in a "remote area" or where it is not located in a "remote area", the accommodation should be of a temporary nature having plinth area of not more than 800 square feet and should not be located within 8 kilometers of the local limits of any municipality or cantonment board. A project execution site for the purposes of this sub-rule means a site of project up to the stage of its commissioning. A "remote area" means an area located at least 40 kilometers away from a town having a population not exceeding 20,000 as per the latest published all-India census.

If an accommodation is provided by an employer in a hotel the value of the benefit in such a case shall be 24% of the annual salary or the actual charges paid or payable to such hotel, whichever is lower, for the period during which such accommodation is provided as reduced by any rent actually paid or payable by the employee. However, where in cases the employee is provided such accommodation for a period not exceeding in aggregate fifteen days on transfer from one place to another, no perquisite value for such accommodation provided in a hotel shall be charged. It may be clarified that while services provided as an integral part of the accommodation, need not be valued separately as perquisite, any other services over and above that for which the employer makes payment or reimburses the employee shall be valued as a perquisite as per the residual clause. In other words, composite

tariff for accommodation will be valued as per these Rules and any other charges for other facilities provided by the hotel will be separately valued under the residual clause. Also, if on account of an employee's transfer from one place to another, the employee is provided with accommodation at the new place of posting while retaining the accommodation at the other place, the value of perquisite shall be determined with reference to only one such accommodation which has the lower value as per the table prescribed in Rule 3 of the Income Tax Rules, for a period up to 90 days. However, after that the value of perquisite shall be charged for both accommodations as prescribed.

**II Personal attendants etc.:** The value of free service of all personal attendants including a sweeper, gardener and a watchman is to be taken at actual cost to the employer. Where the attendant is provided at the residence of the employee, full cost will be taxed as perquisite in the hands of the employee irrespective of the degree of personal service rendered to him. Any amount paid by the employee for such facilities or services shall be reduced from the above amount.

**III Gas, electricity & water:** For free supply of gas, electricity and water for household consumption, the rules provide that the amount paid by the employer to the agency supplying the amenity shall be the value of perquisite. Where the supply is made from the employer's own resources, the manufacturing cost per unit incurred by the employer would be taken for the valuation of perquisite. Any amount paid by the employee for such facilities or services shall be reduced from the above amount.

**IV Free or concessional education:** Perquisite on account of free or concessional education shall be valued in a manner assuming that such expenses are borne by the employee, and would cover cases where an employer is running, maintaining or directly or indirectly financing the educational institution. Any amount paid by the employee for such facilities or services shall be reduced from the above amount. However, where such educational institution itself is maintained and owned by the employer or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, the value of the perquisite to the employee shall be determined with reference to the cost of such education in a similar institution in or near the locality if the cost of such education or such benefit per child exceeds Rs.1000/- p.m.

**V Interest free or concessional loans** - It is common practice, particularly in financial institutions, to provide interest free or concessional loans to employees or any member of his household. The value of perquisite arising from such loans would be the excess of interest payable at prescribed interest rate over interest, if any, actually paid by the employee or any member of his household. The prescribed interest rate would now be the rate charged per annum by the State Bank of India as on the 1<sup>st</sup> day of the relevant financial year in respect of loans of same type and for the same purpose advanced by it to the general public. Perquisite value would be calculated on the basis of the maximum outstanding monthly balance method. For valuing perquisites under this rule, any other method of calculation and adjustment otherwise adopted by the employer shall not be relevant.

However, small loans up to Rs. 20,000/- in the aggregate are exempt. Loans for medical treatment specified in Rule 3A are also exempt, provided the amount of loan for medical reimbursement is not reimbursed under any medical insurance scheme. Where any medical insurance reimbursement is received, the perquisite value at the prescribed rate shall be charged from the

date of reimbursement on the amount reimbursed, but not repaid against the outstanding loan taken specifically for this purpose.

**VI Use of assets:** It is common practice for an asset owned by the employer to be used by the employee or any member of his household. This perquisite is to be charged at the rate of 10% of the original cost of the asset as reduced by any charges recovered from the employee for such use. However, the use of Computers and Laptops would not give rise to any perquisite.

**VII Transfer of assets:** Often an employee or member of his household benefits from the transfer of movable asset (not being shares or securities) at no cost or at a cost less than its market value from the employer. The difference between the original cost of the movable asset(not being shares or securities) and the sum, if any, paid by the employee, shall be taken as the value of perquisite. In case of a movable asset, which has already been put to use, the original cost shall be reduced by a sum of 10% of such original cost for every completed year of use of the asset. Owing to a higher degree of obsolescence, in case of computers and electronic gadgets, however, the value of perquisite shall be worked out by reducing 50% of the actual cost by the reducing balance method for each completed year of use. Electronic gadgets in this case means data storage and handling devices like computer, digital diaries and printers. They do not include household appliance (i.e. white goods) like washing machines, microwave ovens, mixers, hot plates, ovens etc. Similarly, in case of cars, the value of perquisite shall be worked out by reducing 20% of its actual cost by the reducing balance method for each completed year of use.

**VIII Medical Reimbursement by the employer exceeding Rs. 15,000/- p.a. u/s. 17(2)(v) is to be taken as perquisites.**

**It is further clarified that the rule position regarding valuation of perquisites are given at Section 17(2) of Income Tax Act, 1961 and at Rule 3 of Income Tax Rules, 1962. The deductors may look into the above provisions carefully before they determine the perquisite value for deduction purposes.**

It is pertinent to mention that benefits specifically exempt u/s 10(13A), 10(5), 10(14), 17 etc. would continue to be exempt. These include benefits like travel on tour and transfer, leave travel, daily allowance to meet tour expenses as prescribed, medical facilities subject to conditions.

## **5.2 Incomes not included under the Head "Salaries"(Exemptions)**

Any income falling within any of the following clauses shall not be included in computing the income from salaries for the purpose of Section 192 of the Act :-

(1) The value of any **travel concession or assistance** received by or due to an employee from his employer or former employer for himself and his family, in connection with his proceeding (a) on leave to any place in India or (b) on retirement from service, or, after termination of service to any place in India is exempt under clause (5) of Section 10 subject, however, to the conditions prescribed in rule 2B of the Income-tax Rules, 1962.

For the purpose of this clause, "family" in relation to an individual means :

(i) The spouse and children of the individual; and

(ii) the parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual.

It may also be noted that the amount exempt under this clause shall in no case exceed the amount of expenses actually incurred for the purpose of such travel.

(2) **Death-cum-retirement gratuity** or any other gratuity which is exempt to the extent specified from inclusion in computing the total income under clause (10) of Section 10. Any death-cum-retirement gratuity received under the revised Pension Rules of the Central Government or, as the case may be, the Central Civil Services (Pension) Rules, 1972, or under any similar scheme applicable to the members of the civil services of the Union or holders of posts connected with defence or of civil posts under the Union (such members or holders being persons not governed by the said Rules) or to the members of the all-India services or to the members of the civil services of a State or holders of civil posts under a State or to the employees of a local authority or any payment of retiring gratuity received under the Pension Code or Regulations applicable to the members of the defence service. Gratuity received in cases other than above on retirement, termination etc is exempt up to the limit as prescribed by the Board. Presently the limit is Rs ten lakh w.e.f. 24.05.2010 in view of notification number 43/2010 S.O. 1414(E) issued under F.N. 200/33/2009-ITA-1.

- (3) Any payment in **commutation of pension** received under the Civil Pension(Commutation) Rules of the Central Government or under any similar scheme applicable to the members of the civil services of the Union, or holders of civil posts/posts connected with defence, under the Union, or civil posts under a State, or to the members of the All India Services/Defence Services, or, to the employees of a local authority or a corporation established by a Central, State or Provincial Act, is exempt under sub-clause (i) of clause (10A) of Section 10. As regards payments in commutation of pension received under any scheme of any other employer, exemption will be governed by the provisions of sub-clause (ii) of clause (10A) of section 10. Also, any payment in commutation of pension received from a Regimental Fund or Non-Public Fund established by the Armed Forces of the Union referred to in Section 10(23AAB) is exempt under sub-clause (iii) of clause (10A) of Section 10.
- (4) Any payment received by an employee of the Central Government or a State Government, as **cash-equivalent of the leave salary** in respect of the period of earned leave at his credit at the time of his retirement, whether on superannuation or otherwise, is exempt under sub-clause(i) of clause 10AA) of Section 10. In the case of other employees, this exemption will be determined with reference to the leave to their credit at the time of retirement on superannuation, or otherwise, subject to a maximum of ten months' leave. This exemption will be further limited to the maximum amount specified by the Government of India Notification No.S.O.588(E) dated 31.05.2002 at Rs. 3,00,000/- in relation to such employees who retire, whether on superannuation or otherwise, after 1.4.1998.
- (5) Under Section 10(10B), the **retrenchment compensation** received by a workman is exempt from income-tax subject to certain limits. The maximum amount of retrenchment compensation exempt is the sum calculated on the basis provided in section 25F(b) of the Industrial Disputes Act, 1947 or any amount not less than Rs.50,000/- as the Central Government may by notification specify in the official gazette, whichever is less. These limits shall not apply in the case where the compensation is paid under any scheme which is approved in this behalf by the Central

Government, having regard to the need for extending special protection to the workmen in the undertaking to which the scheme applies and other relevant circumstances. The maximum limit of such payment is Rs. 5,00,000 where retrenchment is on or after 1.1.1997.

(6) Under Section 10(10C), any payment received or receivable (even if received in installments) by an employee of the following bodies at the time of his voluntary retirement or termination of his service, in accordance with any scheme or **schemes of voluntary retirement** or in the case of public sector company, a scheme of voluntary separation, is exempted from income-tax to the extent that such amount does not exceed five lakh rupees:

- a) A public sector company;
- b) Any other company;
- c) An Authority established under a Central, State or Provincial Act;
- d) A Local Authority;
- e) A Cooperative Society;
- f) A university established or incorporated or under a Central, State or Provincial Act, or, an Institution declared to be a University under section 3 of the University Grants Commission Act, 1956;
- g) Any Indian Institute of Technology within the meaning of Clause (g) of Section 3 of the Institute of Technology Act, 1961;
- h) Such Institute of Management as the Central Government may by notification in the Official Gazette, specify in this behalf.

The exemption of amount received under VRS has been extended to employees of the Central Government and State Government and employees of notified institutions having importance throughout India or any State or States. It may also be noted that where this exemption has been allowed to any employee for any assessment year, it shall not be allowed to him for any other assessment year.

(7) Any **sum received under a Life Insurance Policy**, including the sum allocated by way of bonus on such policy other than:

- i) any sum received under sub-section (3) of section 80DD or sub-section (3) of section 80DDA or,
- ii) any sum received under Keyman insurance policy or,
- iii) any sum received under an insurance policy issued on or after 1.4.2003 in respect of which the premium payable for any of the years during the term of the policy exceeds 20 percent of the actual capital sum assured. However, any sum received under such policy on the death of a person would still be exempt.

(8) any **payment from a Provident Fund** to which the Provident Funds Act, 1925 (19 of 1925), applies or from any other provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette.

(9) Under Section **10(13A)** of the Income-tax Act, 1961, any special allowance specifically granted to an assessee by his employer to meet **expenditure incurred on payment of rent** (by whatever name called) in respect of residential accommodation occupied by the assessee is exempt from Income-tax to the extent as may be prescribed, having regard to the area or place in which such accommodation is situated and other relevant considerations. According to rule 2A of the Income-tax Rules, 1962, the quantum of exemption allowable on account of grant of special allowance to meet expenditure on payment of rent shall be:

- (a) The actual amount of such allowance received by the assessee in respect of the relevant period; or

- (b) The actual expenditure incurred in payment of rent in excess of 1/10 of the salary due for the relevant period; or
- (c) Where such accommodation is situated in Bombay, Calcutta, Delhi or Madras, 50% of the salary due to the employee for the relevant period; or
- (d) Where such accommodation is situated in any other places, 40% of the salary due to the employee for the relevant period,

whichever is the least.

For this purpose, "Salary" includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

It has to be noted that only the expenditure actually incurred on payment of rent in respect of residential accommodation occupied by the assessee subject to the limits laid down in Rule 2A, qualifies for exemption from income-tax. Thus, house rent allowance granted to an employee who is residing in a house/flat owned by him is not exempt from income-tax. The disbursing authorities should satisfy themselves in this regard by insisting on production of evidence of actual payment of rent before excluding the House Rent Allowance or any portion thereof from the total income of the employee.

Though incurring actual expenditure on payment of rent is a pre-requisite for claiming deduction under section 10(13A), it has been decided as an administrative measure that salaried employees drawing house rent allowance upto Rs.3000/- per month will be exempted from production of rent receipt. It may, however, be noted that this concession is only for the purpose of tax-deduction at source, and, in the regular assessment of the employee, the Assessing Officer will be free to make such enquiry as he deems fit for the purpose of satisfying himself that the employee has incurred actual expenditure on payment of rent.

Further if annual rent paid by the employee exceeds Rs 1,80,000 per annum, it is mandatory for the employee to report PAN of the landlord to the employer. In case the landlord does not have a PAN, a declaration to this effect from the landlord along with the name and address of the landlord should be filed by the employee.

(10) Clause (14) of section 10 provides for exemption of the following allowances :-

- (i) Any special allowance or benefit granted to an employee to meet the **expenses incurred in the performance of his duties** as prescribed under Rule 2BB subject to the extent to which such expenses are actually incurred for that purpose.
- (ii) Any allowance granted to an employee either to meet his personal expenses at the place of his posting or at the place he ordinarily resides or to **compensate him for the increased cost of living**, which may be prescribed and to the extent as may be prescribed.

However, the allowance referred to in (ii) above should not be in the nature of a personal allowance granted to the assessee to remunerate or compensate him for performing duties of a special nature relating to his office or employment unless such allowance is related to his place of posting or residence.



The CBDT has prescribed guidelines for the purpose of clauses (i) and (ii) of Section 10(14) vide notification No.SO617(E) dated 7th July, 1995 (F.No.142/9/95-TPL) which has been amended vide notification SO No.403(E) dt 24.4.2000 (F.No.142/34/99-TPL). The transport allowance granted to an employee to meet his expenditure for the purpose of commuting between the place of his residence and the place of duty is exempt to the extent of Rs.800 per month vide notification S.O.No. 395(E) dated 13.5.98.

- (11) Under Section 10(15)(iv)(i) of the Income-tax Act, interest payable by the Government on deposits made by an employee of the Central Government or a State Government or a public sector company out of his retirement benefits, in accordance with such scheme framed in this behalf by the Central Government and notified in the Official Gazette is exempt from income-tax. By notification No.F.2/14/89-NS-II dated 7.6.89, as amended by notification No.F.2/14/89-NS-II dated 12.10.89, the Central Government has notified a scheme called **Deposit Scheme for Retiring Government Employees, 1989** for the purpose of the said clause.
- (12) Any scholarship granted to meet the cost of education is not to be included in total income as per subsection (16) of section 10 of Income Tax Act.
- (13) Clause (18) of Section 10 provides for exemption of any income by way of pension received by an individual who has been in the service of the Central Government or State Government and has been awarded "Param Vir Chakra" or "Maha Vir Chakra" or "Vir Chakra" or such other gallantry award as may be specifically notified by the Central Government or family pension received by any member of the family of such individual. "Family" for this purpose shall have the meaning assigned to it in Section 10(5) of the Act. Such notification has been made vide Notifications No.S.O.1948(E) dated 24.11.2000 and 81(E) dated 29.1.2001, which are enclosed as per **Annexure VA & VB**.
- (14) Under Section 17 of the Act, exemption from tax will also be available in respect of:-
- (a) the value of any **medical treatment** provided to an employee or any member of his family, in any hospital maintained by the employer;
  - (b) any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or of any member of his family:
    - (i) in any hospital maintained by the Government or any local authority or any other hospital approved by the Government for the purposes of medical treatment of its employees;
    - (ii) in respect of the prescribed diseases or ailments as provided in Rule 3A(2) of I.T. Rules 1962, in any hospital approved by the Chief Commissioner having regard to the prescribed guidelines as provided in Rule 3(A)(1) of I.T. Rule, 1962 :
  - (c) premium paid by the employer in respect of medical insurance taken for his employees (under any scheme approved by the Central Government or Insurance Regulatory and Development Authority) or reimbursement of insurance premium to the employees who take medical insurance for themselves or for their family members (under any scheme approved by the Central Government or Insurance Regulatory and Development Authority);

- (d) reimbursement, by the employer, of the amount spent by an employee in obtaining medical treatment for himself or any member of his family from any doctor, not exceeding in the aggregate Rs.15,000/- in an year.
- (e) As regards medical treatment abroad, the actual expenditure on stay and treatment abroad of the employee or any member of his family, or, on stay abroad of one attendant who accompanies the patient, in connection with such treatment, will be excluded from perquisites to the extent permitted by the Reserve Bank of India. It may be noted that the expenditure incurred on travel abroad by the patient/attendant, shall be excluded from perquisites only if the employee's gross total income, as computed before including the said expenditure, does not exceed Rs.2 lakhs.

For the purpose of availing exemption on expenditure incurred on medical treatment, "hospital" includes a dispensary or clinic or nursing home, and "family" in relation to an individual means the spouse and children of the individual. Family also includes parents, brothers and sisters of the individual if they are wholly or mainly dependent on the individual.

### 5.3 Deductions from income from Salaries u/s 16 of the Act

#### **Entertainment Allowance:**

A deduction is also allowed under clause (ii) of section 16 in respect of any allowance in the nature of an entertainment allowance specifically granted by an employer to the assessee, who is in receipt of a salary from the Government, a sum equal to one-fifth of his salary(exclusive of any allowance, benefit or other perquisite) or five thousand rupees whichever is less. No deduction on account of entertainment allowance is available to non-government employees.

#### **Tax On Employment:**

The tax on employment (Professional Tax) within the meaning of clause (2) of Article 276 of the Constitution of India, leviable by or under any law, shall also be allowed as a deduction in computing the income under the head "Salaries".

**It may be clarified that "Standard Deduction" from gross salary income, which was being allowed up to financial year 2004-05 is not allowable from financial year 2005-06 onwards.**

### 5.4 Deductions under Chapter VI-A of the Act

In computing the taxable income of the employee, the following deductions under Chapter VI-A of the Act are to be allowed from his gross total income:

- A. As per **section 80C**, an employee will be entitled to deductions for the whole of amounts paid or deposited in the current financial year in the following schemes, **subject to a limit of Rs.1,00,000/-**:
- (1) Payment of **insurance premium** to effect or to keep in force an insurance on the life of the individual, the spouse or any child of the individual.
  - (2) Any payment made to effect or to keep in force a contract for a **deferred annuity**, not being an annuity plan as is referred to in item (7) herein below on the life of the individual, the spouse or any child of the individual, provided that such contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity;

(3) Any sum deducted from the salary payable by, or, on behalf of the Government to any individual, being a sum deducted in accordance with the conditions of his service for the purpose of securing to him a **deferred annuity** or making provision for his spouse or children, in so far as the sum deducted does not exceed 1/5th of the salary;

(4) Any contribution made :

(a) by an individual to any **Provident Fund** to which the Provident Fund Act, 1925 applies;

(b) to any provident fund set up by the Central Government, and notified by it in this behalf in the Official Gazette, where such contribution is to an account standing in the name of an individual, or spouse or children ;

*[The Central Government has since notified Public Provident Fund vide Notification S.O. No. 1559(E) dated 3.11.05.]*

(c) by an employee to a Recognized Provident Fund;

(d) by an employee to an approved **superannuation fund**;

It may be noted that "contribution" to any Fund shall not include any sums in repayment of loan;

(5) Any subscription :-

(a) to any such **security of the Central Government** or any such **deposit scheme** as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(b) to any such **saving certificates** as defined under section 2(c) of the Government Saving Certificate Act, 1959 as the Government may, by notification in the Official Gazette, specify in this behalf.

*[The Central Government has since notified National Saving Certificate (VIII<sup>th</sup> Issue) vide Notification S.O. No. 1560(E) dated 3.11.05.]*

(6) Any sum paid as contribution in the case of an individual, for himself, spouse or any child,

a. for participation in the **Unit Linked Insurance Plan, 1971** of the Unit Trust of India;

b. for participation in any **unit-linked insurance plan of the LIC Mutual Fund** referred to in clause (23D) of section 10 and as notified by the Central Government.

*[The Central Government has since notified Unit Linked Insurance Plan (formerly known as Dhanraksha, 1989) of LIC Mutual Fund vide Notification S.O. No. 1561(E) dated 3.11.05.]*

(7) Any subscription made to effect or keep in force a contract for such **annuity plan of the Life Insurance Corporation** or any other insurer as the Central Government may, by notification in the Official Gazette, specify;

*[The Central Government has since notified New Jeevan Dhara, New Jeevan Dhara-I, New Jeevan Akshay, New Jeevan Akshay-I and New Jeevan Akshay-II vide Notification S.O. No. 1562(E) dated 3.11.05 and Jeevan Akshay-III vide Notification S.O. No. 847(E) dated 1.6.2006 ]*

(8) Any subscription made to any **units of any Mutual Fund**, referred to in clause(23D) of section 10, or from the Administrator or the specified company referred to in Unit Trust of India (Transfer of Undertaking & Repeal) Act, 2002

under any plan formulated in accordance with any scheme as the Central Government, may, by notification in the Official Gazette, specify in this behalf;

*[The Central Government has since notified the Equity Linked Saving Scheme, 2005 for this purpose vide Notification S.O. No. 1563(E) dated 3.11.2005]*

The investments made after 1.4.2006 in plans formulated in accordance with Equity Linked Saving Scheme, 1992 or Equity Linked Saving Scheme, 1998 shall also qualify for deduction under section 80C.

- (9) Any contribution made by an individual to any **pension fund set up by any Mutual Fund** referred to in clause (23D) of section 10, or, by the Administrator or the specified company referred to in Unit Trust of India (Transfer of Undertaking & Repeal) Act, 2002, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

*[The Central Government has since notified UTI-Retirement Benefit Pension Fund vide Notification S.O. No. 1564(E) dated 3.11.05.]*

- (10) Any subscription made to any such deposit scheme of, or, any contribution made to any such pension fund set up by, the **National Housing Bank**, as the Central Government may, by notification in the Official Gazette, specify in this behalf;
- (11) Any subscription made to any such deposit scheme, as the Central Government may, by notification in the Official Gazette, specify for the purpose of being floated by (a) **public sector companies** engaged in providing long-term finance for construction or purchase of houses in India for residential purposes, or, (b) any authority constituted in India by, or, under any law, enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both.

*[The Central Government has since notified the Public Deposit Scheme of HUDCO vide Notification S.O. No.37(E), dated 11.01.2007, for the purposes of Section 80C(2)(xvi)(a)].*

- (12) Any sums paid by an assessee for the purpose of **purchase or construction of a residential house property**, the income from which is chargeable to tax under the head "Income from house property" (or which would, if it has not been used for assessee's own residence, have been chargeable to tax under that head) where such payments are made towards or by way of any instalment or part payment of the amount due under any self-financing or other scheme of any Development Authority, Housing Board etc.

The deduction will also be allowable in respect of re-payment of loans borrowed by an assessee from the Government, or any bank or Life Insurance Corporation, or National Housing Bank, or certain other categories of institutions engaged in the business of providing long term finance for construction or purchase of houses in India. Any repayment of loan borrowed from the employer will also be covered, if the employer happens to be a public company, or a public sector company, or a university established by law, or a college affiliated to such university, or a local authority, or a cooperative society, or an authority, or a board, or a corporation, or any other body established under a Central or State Act.

The stamp duty, registration fee and other expenses incurred for the purpose of transfer shall also be covered. Payment towards the cost of house property, however, will not include, admission fee or cost of share or initial

deposit or the cost of any addition or alteration to, or, renovation or repair of the house property which is carried out after the issue of the completion certificate by competent authority, or after the occupation of the house by the assessee or after it has been let out. Payments towards any expenditure in respect of which the deduction is allowable under the provisions of section 24 of the Income-tax Act will also not be included in payments towards the cost of purchase or construction of a house property.

Where the house property in respect of which deduction has been allowed under these provisions is transferred by the tax-payer at any time before the expiry of five years from the end of the financial year in which possession of such property is obtained by him or he receives back, by way of refund or otherwise, any sum specified in section 80C(2)(xviii), no deduction under these provisions shall be allowed in respect of such sums paid in such previous year in which the transfer is made and the aggregate amount of deductions of income so allowed in the earlier years shall be added to the total income of the assessee of such previous year and shall be liable to tax accordingly.

- (13) **Tuition fees**, whether at the time of admission or thereafter, paid to any university, college, school or other educational institution situated in India, for the purpose of full-time education of any two children of the employee.

**Full-time education includes any educational course offered by any university, college, school or other educational institution to a student who is enrolled full-time for the said course. It is also clarified that full-time education includes play-school activities, pre-nursery and nursery classes.**

*It is clarified that the amount allowable as tuition fees shall include any payment of fee to any university, college, school or other educational institution in India except the amount representing payment in the nature of development fees or donation or capitation fees or payment of similar nature.*

- (14) Subscription to **equity shares or debentures forming part of any eligible issue of capital** made by a public company, which is approved by the Board or by any public finance institution.

- (15) Subscription to any **units of any mutual fund** referred to in clause (23D) of Section 10 and approved by the Board, if the amount of subscription to such units is subscribed only in eligible issue of capital of any company.

- (16) Investment as a **term deposit for a fixed period** of not less than five years with a scheduled bank, which is in accordance with a scheme framed and notified by the Central Government, in the Official Gazette for these purposes.

*[The Central Government has since notified the Bank Term Deposit Scheme, 2006 for this purpose vide Notification S.O. No. 1220(E) dated 28.7.2006]*

- (17) Subscription to such bonds issued by the National Bank for Agriculture and Rural Development, as the Central Government may, by such notification in the Official Gazette, specify in this behalf.

- (18) Any investment in an account under the Senior Citizens Savings Scheme Rules, 2004.

- (19) Any investment as five year time deposit in an account under the Post Office Time Deposit Rules, 1981.

It may be clarified that the amount of premium or other payment made on an insurance policy [other than a contract for deferred annuity mentioned in sub-para (2)] shall be eligible for deduction only to the extent of 20 percent of the actual capital sum assured. In calculating any such actual capital sum, the following shall not be taken into account:

- i) the value of any premiums agreed to be returned, or
- ii) any benefit by way of bonus or otherwise over and above the sum actually assured which may be received under the policy.

- B. As per **section 80CCC**, where an assessee being an individual has in the previous year paid or deposited any amount out of his income chargeable to tax to effect or keep in force a contract for any **annuity plan of Life Insurance Corporation of India or any other insurer for receiving pension** from the Fund referred to in clause (23AAB) of section 10, he shall, in accordance with, and subject to the provisions of this section, be allowed a deduction in the computation of his total income, of the whole of the amount paid or deposited (excluding interest or bonus accrued or credited to the assessee's account, if any) **as does not exceed the amount of one lakh rupees in the previous year.**

Where any amount paid or deposited by the assessee has been taken into account for the purposes of this section, a rebate/ deduction with reference to such amount shall not be allowed under section 88 up to assessment year 2005-06 and under section 80C from assessment year 2006-07 onwards.

- C. As per the provisions of **section 80CCD**, where an assessee, being an **individual employed by the Central Government** on or after the 1st day of January, 2004, has in the previous year **paid or deposited any amount in his account under a pension scheme** as notified **vide Notification No. F.N. 5/7/2003- ECB&PR dated 22.12.2003**, he shall be allowed a deduction in the computation of his total income, of the whole of the amount so paid or deposited as does not exceed ten per cent of his salary in the previous year.

The benefit of new pension scheme has been extended to any other employees (also self employed person) w.r.e.f 1/04/09 and deduction is allowed to employees upto 10% of salary in the previous year and in other cases upto 10% of his gross total income in the previous year. Further it has been specified that w.r.e.f 1/04/09 any amount received by the assessee from the new pension scheme shall be deemed not to have received in the previous year if such amount is used for purchasing an annuity plan in the previous year.

***It may be noted that the contribution made by the Central Government or any other employer, towards a pension scheme notified for section 80 CCD, shall be allowed as deduction in the computation of total income of the employee to the extent that it does not exceed ten percent of employee's salary. W.e.f. 01.04.2011 (FY 2011-12), the amount of deduction so allowed shall be outside the overall limit of Rs one lakh under section 80CCE of the Income Tax Act, 1961. It is therefore, clarified that contribution made by an employee alone will be eligible to deduction limit of upto Rs.one lakh. The contribution made by the Central Government or any other employee to a pension scheme u/s 80CCD(2) shall be excluded from the limit of one lakh rupees provided under Section 80CCE.***

Where any amount standing to the credit of the assessee in his account under such pension scheme, in respect of which a deduction has been allowed as per the provisions discussed above, together with the amount accrued thereon, if

any, is received by the assessee or his nominee, in whole or in part, in any financial year,—

- (a) on account of closure or his opting out of such pension scheme; or
- (b) as pension received from the annuity plan purchased or taken on such closure or opting out,

the whole of the amount referred to in clause (a) or clause (b) above shall be deemed to be the income of the assessee or his nominee, as the case may be, in the financial year in which such amount is received, and shall accordingly be charged to tax as income of that financial year.

For the purposes of deduction under section 80CCD, “salary” includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

**The aggregate amount of deduction under sections 80C, 80CCC and sub section (1) of Section 80CCD shall not exceed Rs.1,00,000/- (Section 80CCE)**

- D. A new section 80CCF has been inserted by the Finance Act, 2010, wef 01.04.2011. The section 80CCF provides for deduction available to an individual or a HUF, the whole of the amount, to the extent such amount does not exceed Rs 20,000, paid or deposited during financial year 2010-11, as subscription to long-term infrastructure bonds as notified by the Central Govt for the purpose of this section.(Board Notification no 48/2010 dated 09.09.2010)

**Deduction under this section can not exceed Rs 20,000 and are available only for current financial year 2011-12. The deduction under this section will be in addition to overall limit of deduction of upto Rs one lakh under section 80C, 80CCC and sub section (1) of Section 80 CCD.**

- E. Section 80D provides for deduction available for health premia paid etc. In computing the total income of an assessee, being an individual or a Hindu undivided family, there shall be deducted such sum, as specified below payment of which is made by any mode, other than cash, in the previous year out of his income chargeable to tax.

Where the assessee is an **individual**, the sum referred to shall be the aggregate of the following, namely:—

- (a) the whole of the amount paid to effect or to keep in force an insurance on the health of the assessee or his family or any contribution made to the CGHS as does not exceed in the aggregate **fifteen thousand rupees**; and
- (b) the whole of the amount paid to effect or to keep in force an insurance on the health of the parent or parents of the assessee as does not exceed in the aggregate **fifteen thousand rupees**.

Explanation.—For the purposes of clause (a), “family” means the spouse and dependent children of the assessee.

Where the assessee is a **Hindu undivided family**, the sum referred to shall be the whole of the amount paid to effect or to keep in force an insurance on the health of any member of that Hindu undivided family as does not exceed in the aggregate **fifteen thousand rupees**.

Where the sum specified above is paid to effect or keep in force an insurance on the health of any person specified therein, and who is a **senior citizen**, the deduction available is “**twenty thousand rupees**” rather than fifteen thousand as specified above.

Explanation.—For the above “**senior citizen**” means an individual resident in India who is of the age of **sixty years** or more at any time during the relevant previous year.

The insurance referred to above shall be in accordance with a scheme made in this behalf by—

(a) the General Insurance Corporation of India formed under section 9 of the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972) and approved by the Central Government in this behalf; or

(b) any other insurer and approved by the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).]

F. Under **section 80DD**, where an assessee, who is a resident in India, has, during the previous year,-

(a) incurred any **expenditure for the medical treatment (including nursing), training and rehabilitation of a dependant, being a person with disability**; or

(b) paid or deposited any amount under a scheme framed in this behalf by the Life Insurance Corporation or any other insurer or the Administrator or the specified company subject to the conditions specified in this regard and approved by the Board in this behalf for the maintenance of a dependant, being a person with disability,

the assessee shall be allowed a deduction of a sum of **fifty** thousand rupees from his gross total income of that year.

However, where such dependant is a person with severe disability, an amount of one hundred thousand rupees shall be allowed as deduction subject to the specified conditions.

The deduction under clause (b) of sub-section (1) shall be allowed only if the following conditions are fulfilled:-

A.(i) the scheme referred to in clause (b) above provides for payment of annuity or lump sum amount for the benefit of a dependant, being a person with disability, in the event of the death of the individual in whose name subscription to the scheme has been made;

(ii) the assessee nominates either the dependant, being a person with disability, or any other person or a trust to receive the payment on his behalf, for the benefit of the dependant, being a person with disability.

However, if the dependant, being a person with disability, predeceases the assessee, an amount equal to the amount paid or deposited under sub-para(b) above shall be deemed to be the income of the assessee of the previous year in which such amount is received by the assessee and shall accordingly be chargeable to tax as the income of that previous year.

B. The assessee, claiming a deduction under this section, shall furnish a copy of the certificate issued by the medical authority in the prescribed form and manner, along with the return of income under section 139, in respect of the assessment year for which the deduction is claimed:

In cases where the condition of disability requires reassessment of its extent after a period stipulated in the aforesaid certificate, no deduction under this section shall be allowed for any subsequent period unless a new certificate is obtained



from the medical authority in the prescribed form and manner and a copy thereof is furnished along with the return of income.

For the purposes of section 80DD,—

(a) “Administrator” means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002);

(b) “dependant” means—

(i) in the case of an individual, the spouse, children, parents, brothers and sisters of the individual or any of them;

(ii) in the case of a Hindu undivided family, a member of the Hindu undivided family, dependant wholly or mainly on such individual or Hindu undivided family for his support and maintenance, and who has not claimed any deduction under section 80U in computing his total income for the assessment year relating to the previous year;

(c) “disability” shall have the meaning assigned to it in clause (i) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) and includes “autism”, “cerebral palsy” and “multiple disability” referred to in clauses (a), (c) and (h) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

(d) “Life Insurance Corporation” shall have the same meaning as in clause (iii) of sub-section (8) of section 88;

(e) “medical authority” means the medical authority as referred to in clause (p) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) or such other medical authority as may, by notification, be specified by the Central Government for certifying “autism”, “cerebral palsy”, “multiple disabilities”, “person with disability” and “severe disability” referred to in clauses (a), (c), (h), (j) and (o) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

(f) “person with disability” means a person as referred to in clause (t) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) or clause (j) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

(g) “person with severe disability” means—

(i) a person with eighty per cent or more of one or more disabilities, as referred to in sub-section (4) of section 56 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996); or

(ii) a person with severe disability referred to in clause (o) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

(h) “specified company” means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002).]

G. Under **Section 80E** of the Act a deduction will be allowed in respect of **repayment of interest on loan taken for higher education**, subject to the following conditions:

(i) In computing the total income of an assessee, being an individual, there shall be deducted, in accordance with and subject to the provisions of this section, any amount paid by him in the previous year, out

of his income chargeable to tax, by way of interest on loan, taken by him from any financial institution or any approved charitable institution for the purpose of pursuing his higher education or for the purpose of higher education of his spouse or children.

(ii) The deduction specified above shall be allowed in computing the total income in respect of the initial assessment year and seven assessment years immediately succeeding the initial assessment year or until the interest referred to above is paid in full by the assessee, whichever is earlier.

For this purpose -

(a) "approved charitable institution" means an institution established for charitable purposes and approved by the prescribed authority under clause (2C) of section 10, or, an institution referred to in clause (a) of sub-section (2) of Section 80G.

(b) "financial institution" means a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in section 51 of that Act); or any other financial institution which the Central Government may, by notification in the Official Gazette, specify in this behalf;

(c) "**higher education**" means any course of study pursued after passing the **Senior Secondary Examination or its equivalent from any school, board or university recognised by the Central Government or State Government or local authority or by any other authority authorised by the Central Government or State Government or local authority to do so;**

(d) "initial assessment year" means the assessment year relevant to the previous year, in which the assessee starts paying the interest on the loan.

(e) "**relative**", in relation to an individual, means the spouse and children of that individual or the student for whom the individual is the legal guardian

H. Section **80G** provides for deductions on account of donation made to various funds, charitable organizations etc. **Generally no deduction should be allowed by the D.D.O. from the salary income in respect of any donations made for charitable purposes.** The tax relief on such donations as admissible under section 80G of the Act, will have to be claimed by the tax payer in the return of income. However *in cases where employees make donations to the Prime Minister's National Relief Fund, the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund through their respective employers, it is not possible for such funds to issue separate certificate to every such employee in respect of donations made to such funds as contributions made to these funds are in the form of a consolidated cheque. An employee who makes donations towards these funds is eligible to claim deduction under section 80G. It is, hereby, clarified that the claim in respect of such donations as indicated above will be admissible under section 80G on the basis of the certificate issued by the Drawing and Disbursing Officer (DDO)/Employer in this behalf - Circular No. 2/2005, dated 12-1-2005.*

I. Under **Section 80GG** of the Act an assessee is entitled to a deduction in respect of **house rent paid by him for his own residence.** Such deduction is permissible subject to the following conditions :-

- (a) the assessee has not been in receipt of any House Rent Allowance specifically granted to him which qualifies for exemption under section 10(13A) of the Act;
- (b) the assessee files the declaration in Form No.10BA. **(Annexure-VI)**
- (c) He will be entitled to a deduction in respect of house rent paid by him in excess of 10 per cent of his total income, subject to a ceiling of 25 per

cent thereof or Rs. 2,000/- per month, whichever is less. The total income for working out these percentages will be computed before making any deduction under section 80GG.

(d) The assessee does not own:

- (i) any residential accommodation himself or by his spouse or minor child or where such assessee is a member of a Hindu Undivided Family, by such family, at the place where he ordinarily resides or performs duties of his office or carries on his business or profession; or
- (ii) at any other place, any residential accommodation being accommodation in the occupation of the assessee, the value of which is to be determined under clause (a) of sub section (2) or, as the case may be, clause (a) of sub-section (4) of section 23:

The Drawing and Disbursing Authorities should satisfy themselves that all the conditions mentioned above are satisfied before such deduction is allowed by them to the assessee. They should also satisfy themselves in this regard by insisting on production of evidence of actual payment of rent.

- J. Under **section 80U**, in computing the total income of an individual, being a resident, who, at any time during the previous year, is certified by the medical authority to be a **person with disability**, there shall be allowed a deduction of a sum of fifty thousand rupees. However, where such individual is a person with severe disability, a higher deduction of **one lakh rupees** shall be allowable.

Every individual claiming a deduction under this section shall furnish a copy of the certificate issued by the medical authority in the prescribed form and manner along with the return of income, in respect of the assessment year for which the deduction is claimed.

In cases where the condition of disability requires reassessment of its extent after a period stipulated in the aforesaid certificate, no deduction under this section shall be allowed for any subsequent period unless a new certificate is obtained from the medical authority in the prescribed form and manner and a copy thereof is furnished along with the return of income.

For the purposes of this section, the expressions "disability", "medical authority", "person with disability" and "person with severe disability" shall have the same meaning as given in section 80DD (sub-para E of para 5.4 of this Circular).

#### **DDOs to satisfy themselves of the genuineness of claim:**

The Drawing and Disbursing Officers should satisfy themselves about the actual deposits/ subscriptions / payments made by the employees, by calling for such particulars/ information as they deem necessary before allowing the aforesaid deductions. In case the DDO is not satisfied about the genuineness of the employee's claim regarding any deposit/subscription/payment made by the employee, he should not allow the same, and the employee would be free to claim the deduction/ rebate on such amount by filing his return of income and furnishing the necessary proof etc., therewith, to the satisfaction of the Assessing Officer.

## **6. CALCULATION OF INCOME-TAX TO BE DEDUCTED:**

### **6.1 Salary income for the purpose of Section 192 shall be computed as follow:-**

- (a) First compute the gross salary as mentioned in para 5.1 excluding all the incomes mentioned in para 5.2;**

***(b) Allow deductions mentioned in para 5.3 from the figure arrived at (a) above and compute the amount.***

***(c) Allow deductions mentioned in para 5.4 from the figure arrived at (b) above ensuring that the relevant conditions are satisfied. The aggregate of the deductions subject to the threshold limits mentioned in para 5.4 shall not exceed the amount at (b) above and if it exceeds, it should be restricted to that amount.***

***This will be the amount of income from salaries on which income tax would be required to be deducted. This income should be rounded off to the nearest multiple of ten rupees.***

- 6.2 Income-tax on such income shall be calculated at the rates given in para 2 of this Circular keeping in view the age and gender of the employee, subject to the provisions of sec. 206AA, as discussed in para 4.9.***
- 6.3 The amount of tax payable so arrived at shall be increased by educational cess as applicable (2% for primary and 1% for secondary education) to arrive at the total tax payable.***
- 6.4 The amount of tax as arrived at para 6.3 should be deducted every month in equal installments. Any excess or deficit arising out of any previous deduction can be adjusted by increasing or decreasing the amount of subsequent deductions during the same financial year.***

DDOs/ PAOs who fail to comply with the provisions of Sec 192 of the Income-tax Act, 1961, would be liable to pay interest u/s 201 (1A) of the Income-tax Act along with penal consequences.

## **7. MISCELLANEOUS:**

- 7.1 These instructions are not exhaustive and are issued only with a view to help the employers to understand the various provisions relating to deduction of tax from salaries. Wherever there is any doubt, reference may be made to the provisions of the Income-tax Act, 1961, the Income-tax Rules, 1962, the Finance Act 2011 and the relevant circulars / notifications.
- 7.2 In case any assistance is required, the Assessing Officer/the local Public Relation Officer of the Income-tax Department may be contacted.
- 7.3 These instructions may be brought to the notice of all Disbursing Officers and Undertakings including those under the control of the Central/ State Governments.
- 7.4 Copies of this Circular are available with the Director of Income-tax(Research, Statistics & Publications and Public Relations), 6th Floor, Mayur Bhavan, Connaught Place, New Delhi-110 001 and at the following websites:

[www.finmin.nic.in](http://www.finmin.nic.in)

[www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)

Hindi version will follow.

**(AJAY KUMAR)**  
**Director(Budget)**  
**Central Board of Direct Taxes**

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68. Deputy Accountant Geeneral, Post & Telegraph, Kolkata.
69. The Legal Adviuser, Export-Import Bank of India, P.B.No.19969, umbai.4000021.
70. The Deputy Finance4 Manager (Hqdr.) Indian Airlines, New Delhi.
71. Manager, State Bank of India, Local Head Office :-  
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- ii) Circle Top House, Rajai Salai, Chennai-600001.
  - (iii) Lucknowm Uttar Pradesh.
  - iv) Bank Street, Hyderabad-500001
  - v) Hamida Road, Bhopal-462001
  - vi)Shop Nos.101 to 105, Sector 17-B, Chandigarh
  - vii)New Amn.Building, Madam Cama Road, Mumbai-400021
  - viii) 9, Parliament Street, New Delhi-110001
  - ix) Bhedru, Ahmedabad-380001
  - x) Judges Court Road, Post Box No.103, Patna-800001
  - xi) 59, Forest Park, Bhubneshwar and Gauhati, Assam
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  - 96.University Grants Commission, Bahadur Shah Jafar Marg, New Delhi
  - 97.The Deputy Director(Admn.), NSSO (FOD), Mahalonobis Bhavan, 6th Floor, 164, G.L.Tagore Road, Kolkata-700108

**(AJAY KUMAR)**  
**Director(Budget)**  
**Central Board of Direct Taxes**

**ANNEXURE-I****Example 1**

For Assessment Year 2012-2013

**(A) Calculation of Income tax in the case of a male employee below the age of sixty years and having gross salary income of:**

- i) Rs.1,50,000/-,  
ii) Rs.2,00,000/- ,  
iii) Rs.5,00,000/- ,  
iv) Rs.10,00,000/- and  
v) Rs.20,00,000/-.

**(B) What will be the amount of TDS in case of above employees, if PAN is not submitted by them to their DDOs/Offices:**

<b>Particulars</b>	<b>Rupees (i)</b>	<b>Rupees (ii)</b>	<b>Rupees (iii)</b>	<b>Rupees (iv)</b>	<b>Rupees (v)</b>
Gross Salary Income (including allowances)	1,50,000	2,00,000	5,00,000	10,00,000	20,00,000
Contribution of G.P.F.	10,000	45,000	50,000	1,00,000	1,00,000

**Computation of Total Income and tax payable thereon**

<b>Particulars</b>	<b>Rupees (i)</b>	<b>Rupees (ii)</b>	<b>Rupees (iii)</b>	<b>Rupees (iv)</b>	<b>Rupees (v)</b>
Gross Salary	1,50,000	2,00,000	5,00,000	10,00,000	20,00,000
Less: Deduction U/s 80C	10,000	45,000	50,000	1,00,000	1,00,000
Taxable Income	1,40,000	1,55,000	4,50,000	9,00,000	19,00,000
<b>(A) Tax thereon</b>	<b>Nil</b>	<b>Nil</b>	<b>27,000</b>	<b>1,22,000</b>	<b>4,22,000</b>
Add:					
(i) Education Cess @ 2%.	<b>Nil</b>	Nil	540	2440	8440
(ii) Secondary and Higher Education Cess @1%	<b>Nil</b>	Nil	270	1220	4220
<b>Total tax payable</b>	<b>Nil</b>	<b>Nil</b>	<b>27,810</b>	<b>1,25,660</b>	<b>4,34,660</b>
<b>(B) TDS under sec. 206AA in case where PAN is not furnished by the employee</b>	<b>Nil</b>	<b>Nil</b>	<b>90,000</b>	<b>1,80,000</b>	<b>4,36,720</b>



**Example 2**

For Assessment Year 2012-2013

**Calculation of Income Tax in the case of a male employee below the age of sixty years having a handicapped dependent ( With valid PAN furnished to employer).**

<b>S.No.</b>	<b>Particulars</b>	<b>Rupees</b>
1	Gross Salary	3,20,000
2	Amount spent on treatment of a dependant, being person with disability (but not severe disability)	7000
3	Amount paid to LIC with regard to annuity for the maintenance of a dependant, being person with disability( but not severe disability)	50,000
4	GPF Contribution	25,000
5	LIP Paid	10,000

**Computation of Tax**

<b>S.No.</b>	<b>Particulars</b>	<b>Rupees</b>
1	Gross Salary	3,20,000
	<b>Less:</b> Deduction U/s 80DD (Restricted to Rs.50,000/- only)	(-) 50,000
2	<b>Taxable income</b>	<b>2,70,000</b>
	<b>Less:</b> Deduction U/s 80C (i) GPF Rs.25,000/- (ii) LIP Rs.10,000/- = Rs.35,000/-	(-)35,000
3	<b>Total Income</b>	<b>2,35,000</b>
4	<b>Income Tax thereon/payable</b>	<b>5,500</b>
	<b>Add:</b>	
	(i). Education Cess @2%	<b>110</b>
	(ii). Secondary and Higher Education Cess @1%	<b>55</b>
5	<b>Total Income Tax payable</b>	<b>5,665</b>
6	<b>Rounded off to</b>	<b>5,670</b>

**Example 3**

For Assessment Year 2012-2013

**Calculation of Income Tax in the case of a male employee below age of sixty years where medical treatment expenditure was borne by the employer ( With valid PAN furnished to employer).**

S.No.	Particulars	Rupees
1	Gross Salary	3,00,000
2	Medical Reimbursement by employer on the treatment of self and dependent family member	30,000
3	Contribution of GPF	20,000
4	LIC Premium	20,000
5	Repayment of House Building Advance	25,000
6	Tuition fees for two children	60,000
7	Investment in Unit-Linked Insurance Plan	20,000

**Computation of Tax**

S.No.	Particulars	Rupees
1	Gross Salary	3,00,000
	<b>Add:</b> Perquisite in respect of reimbursement of Medical Expenses In excess of Rs.15,000/- in view of Section 17(2)(v)	(+) 15,000
2	<b>Taxable income</b>	<b>3,15,000</b>
	<b>Less:</b> Deduction U/s 80C	
	(i) GPF Rs.20,000/-	
	(ii) LIC Rs.20,000/-	
	(iii) Repayment of House Building Advance Rs.25,000/-	
	(iv) Tuition fees for two children Rs.60,000/-	
	(v) Investment in Unit-Linked Insurance Plan Rs.20,000/-	
	<b>Total =Rs.1,45,000/-</b>	
	<b>Restricted to Rs. 1,00,000/-</b>	<b>(-)1,00,000</b>
3	<b>Total Income</b>	<b>2,15,000</b>
4	<b>Income Tax thereon/payable</b>	<b>3,500</b>
	<b>Add:</b>	
	(i). Education Cess @2%	<b>70</b>
	(ii). Secondary and Higher Education Cess @1%	<b>35</b>
5	<b>Total Income Tax payable</b>	<b>3,605</b>
6	<b>Rounded off to</b>	<b>3,610</b>

**Example 4**

For Assessment Year 2012-2013

**Illustrative calculation of House Rent Allowance U/s 10 (13A) in respect of residential accommodation situated in Delhi in case of a female employee below the age of sixty years (With valid PAN furnished to employer).**

S.No.	Particulars	Rupees
1	Salary	2,50,000
2	Dearness Allowance	1,00,000
3	House Rent Allowance	1,40,000
4	House rent paid	1,44,000
5	General Provident Fund	36,000
6	Life Insurance Premium	4,000
7	Subscription to Unit-Linked Insurance Plan	50,000

**Computation of total income and tax payable thereon**

S.No.	Particulars	Rupees
1	Salary + Dearness Allowance + House Rent Allowance 2,50,000+1,00,000+1,40,000 = 4,90,000	4,90,000
2	<b>Total Salary Income</b>	<b>4,90,000</b>
3	<b>Less:</b> House Rent allowance exempt U/s 10(13A): <b>Least of:</b> (a). Actual amount of HRA received= 1,40,000 (b). Expenditure of rent in excess of 10% of salary (including D.A. presuming that D.A. is taken for retirement benefit) (1,44,000-35,000) = <b>1,09,000</b> (c). 50% of Salary(Basic+ DA) = 1,75,000	(-1,09,000)
	<b>Gross Total Income</b>	<b>3,81,000</b>
	<b>Less:</b> Deduction U/s 80C (i) GPF Rs.36,000/- (ii) LIC Rs. 4,000/- (iii) Investment in Unit-Linked Insurance Plan Rs.50,000/- <b>Total =Rs.90,000/-</b>	(-90,000)
3	<b>Total Income</b>	<b>2,91,000</b>
	<b>Tax payable on total income</b>	<b>11,100</b>
	<b>Add:</b> (i). Education Cess @2% <b>222</b> (ii). Secondary and Higher Education Cess @1% <b>111</b>	
	<b>Total Income Tax payable</b>	<b>11,433</b>
	<b>Rounded off to</b>	<b>11,430</b>

**Example 5**

For Assessment Year 2012-2013

**Illustrating valuation of perquisite and calculation of tax in the case of a male employee below age of sixty years of a private company in Mumbai who was provided accommodation in a flat at concessional rate for ten months and in a hotel for two months ( With valid PAN furnished to employer).**

S.No.	Particulars	Rupees
1	Salary	7,00,000
2	Bonus	1,40,000
3	Free gas, electricity, water etc. (Actual bills paid by company)	40,000
4(a)	Flat at concessional rate (for ten month). = Rs.3,60,00	3,60,000
4(b)	Hotel rent paid by employer (for two month)	1,00,000
4(c)	Rent recovered from employee.	60,000
4(d)	Cost of furniture.	2,00,000
5	Subscription to Unit Linked Insurance Plan	50,000
6	Life Insurance Premium	10,000
7	Contribution to recognized P.F.	42,000
8	Investment in long term infrastructure bonds (80CCF)	20,000

**COMPUTATION OF TOTAL INCOME AND TAX PAID THEREON:**

S.No.	Particulars	Rupees
1	Salary	7,00,000
2	Bonus	1,40,000
3	Total Salary for Valuation of (1+2): Perquisites i.e. Rs.70,000 per month.	8,40,000
<b>Valuation of perquisites</b>		
4(a)	Perq. for flat: Lower of (15% of salary for ten onths=Rs.1,05,000/-) and (actual rent paid=3,60,000) 1,05,000	
4(b)	Perquisites for hotel : Lower of (24% of salary of 2 mths=33,600) and (actual payment=1,00,000) 33,600	
4(c)	Perquisites for furniture(Rs.2,00,000) @ 10% of cost 20,000	
4(c)(i)	<b>Total of [4(a)+(b)+(c)]</b> (1,05,000+ 33,600+ 20,000) Rs.158,600 <b>Less: rent recovered</b> (-)Rs. 60,000 <b>=</b> Rs. 98,600	
4(d)	Add perq. for free gas, electricity, water etc. Rs.40,000 (+) 98,600 [4(c)(i)] = <b>Rs 1,38,600</b> Total perquisites	1,38,600
5	Gross Total Income (Rs.8,40,000+ 1,38,600)	9,78,600
6	<b>Gross Total Income</b>	<b>9,78,600</b>
7	<b>Less: Deduction U/s 80C &amp; 80CCF:</b> (i). Provident Fund (80C) :42,000 (ii). LIC (80C) :10,000 (iii). Subscription to Unit Linked Insurance Plan(80C) :50,000/- (iv). Investment in Infrastructure Bond(80CCF) :20,000 Total = <b>1,22,000</b> <b>Restricted to Rs 1,00,000 u/s 80C and Rs 20,000 u/s 80CCF</b>	<b>(-)1,20,000</b>
8	<b>Total Income</b>	<b>8,58,600</b>
9	Tax Payable	<b>1,,09,580</b>
10	<b>Add:</b> (i). Surcharge Nil (ii). Education Cess @2% (ii). Secondary and Higher Education Cess @1%	<b>Nil</b> <b>2,192</b> <b>1,096</b>
11	<b>Total Income Tax payable</b>	<b>1,12,868</b>
12	<b>Rounded off to</b>	<b>1,12,870</b>

**Example 6**

For Assessment Year 2012-2013

**Illustrating Valuation of perquisite and calculation of tax in the case of a female employee below the age of 60 years of a Private Company posted at Delhi and repaying House Building Loan ( With valid PAN furnished to employer).**

S.No.	Particulars	Rupees
1	Salary	3,00,000
2	Dearness Allowance	1,00,000
3	House Rent Allowance	1,80,000
4	Special Duties Allowance	12,000
5	Provident Fund	60,000
6	LIP	10,000
7	Deposit in NSC VIII issue	30,000
8	Rent Paid by the employee for house hired by her	1,20,000
9	Repayment of House Building Loan (Principal)	60,000
10	Tuition Fees for three children (Rs.10,000 per child)	30,000

**Computation of total income and tax payable thereon**

S.No.	Particulars	Rupees
1	Gross Salary (Basic+DA+HRA+SDA)	5,92,000
	<b>Less:</b> House rent allowance exempt U/s 10 (13A) <u>Least of:</u> (a). Actual amount of HRA received. :Rs.1,80,000 (b). Expenditure on rent in excess of 10% of salary (Including D.A.)assuming D.A. is including for retirement benefits (1,20,000- 40,000) :Rs. <b>80,000</b> (c). 50% of salary (including D.A) : Rs. 2,00,000	(-) 80,000
2	<b>Gross Total Taxable Income</b>	<b>5,12,000</b>
	<b>Less:</b> Deduction U/s 80C (i). Provident Fund : 60,000 (ii). LIP : 10,000 (iii). NSC VIII Issue : 30,000 (iv). Repayment of HBA : 60,000 (v). Tuition Fees (Restricted to two children) : <u>20,000</u> Total : 1,80,000	
	<b>Restricted to 1,00,000</b>	(-)1,00,000
	<b>Total Income</b>	<b>4,12,000</b>
	<b>Income Tax thereon/payable</b>	<b>22,200</b>
	<b>Add:</b> (i). Education Cess @2% (ii). Secondary and Higher Education Cess @1%	<b>444</b> <b>222</b>
	<b>Total Income Tax payable</b>	<b>22866</b>
	<b>Rounded off to</b>	<b>22870</b>

**FORM NO.12BA**  
**{See rule 26A(2)(b)}**

**Statement showing particulars of perquisites, other fringe benefits or amenities and profits in lieu of salary with value thereof**

- 1) Name and address of employer :
- 2) TAN
- 3) TDS Assessment Range of the employer :
- 4) Name, designation and PAN of employee :
- 5) Is the employee a director or a person with :  
substantial interest in the company  
(where the employer is a company)
- 6) Income under the head "Salaries" of the employee :  
(other than from perquisites)
- 7) Financial Year :
- 8) Valuation of Perquisites

S.No	Nature of perquisite (see rule 3)	Value of perquisite as per rules (Rs.)	Amount, if any recovered from the employee (Rs.)	Amount of perquisite chargeable to tax Col(3) - Col(4) (Rs.)
(1)	(2)	(3)	(4)	(5)
1	Accommodation			
2	Cars/Other automotive			
3	Sweeper, gardener, watchman or personal attendant			
4	Gas, electricity, water			
5	Interest free or concessional loans			
6	Holiday expenses			
7	Free or concessional travel			
8	Free meals			
9	Free Education			
10	Gifts, vouchers etc.			
11	Credit card expenses			
12	Club expenses			
13	Use of movable assets by employees			
14	Transfer of assets to employees			
15	Value of any other benefit/amenity/service/privilege			
16	Stock options (non-qualified options)			
17	Other benefits or amenities			
18	Total value of perquisites			
19	Total value of Profits in lieu of salary as per 17(3)			

9. Details of tax, -

- (a) Tax deducted from salary of the employee u/s 192(1) .....
- (b) Tax paid by employer on behalf of the employee u/s 192(1A) .....
- (c) Total tax paid .....
- (d) Date of payment into Government treasury .....

**DECLARATION BY EMPLOYER**

I ..... s/o ..... working as .....(designation) do hereby declare on behalf of ..... (name of the employer) that the information given above is based on the books of account, documents and other relevant records or information available with us and the details of value of each such perquisite are in accordance with section 17 and rules framed thereunder and that such information is true and correct.

Signature of the person responsible  
for deduction of tax

Place...  
Date...

Full Name .....  
Designation ..... ";

F.No. SW/TDS/TIN/1/2010-DIT(S)-II  
 Directorate of Income-tax (System)  
 New Delhi

**REVISED PROCEDURE**

**Furnishing of Quarterly e-TDS/TCS Statements by deductors/collectors**

**1.1 QUARTERLY ELECTRONIC STATEMENTS FURNISHED THROUGH TIN-FC: After preparing and validating the quarterly e-TDS/TCS, the deductor/collector shall furnish the same at any TIN-FC managed by NSDL. Deductor/collector shall ensure that:**

- 1.1.1 Each quarterly e-TDS/TCS statement (Form 24Q, 26Q, 27Q and 27EQ) is in a separate computer media.
- 1.1.2 Computer media to be used for furnishing e-TDS/TCS statements will be as defined by e-TDS Intermediary with approval of e-filing Administrator.
- 1.1.3 Each quarterly e-TDS/TCS statement is accompanied by a duly filled and signed (by an authorized signatory) Form 27A in physical form.
- 1.1.4 Each quarterly e-TDS/TCS statement is in one computer media, it should not span across multiple computer media.
- 1.1.5 Quarterly e-TDS/TCS statement should be compressed, if required, only by using licensed version of Winzip 8.1 or ZipItFast 3.0 (or higher version) compression utility to ensure quick and smooth acceptance of the file.
- 1.1.6 There is no overwriting/striking on Form 27A. If there is any, then the same should be ratified by an authorized signatory.
- 1.1.7 No bank challan or copy of TDS/TCS certificate or physical copies of certificates or no/low deduction of TDS is required to be furnished along with the statements.
- 1.1.8 TAN of deductor is mandatory to be mentioned in the statement. Statement shall not be accepted if TAN is not quoted.
- 1.1.9 TAN details (name, address, etc.) of the deductor as provided in the quarterly e-TDS/TCS statement should be same as in the TAN database maintained by ITD (these details can be verified with the TIN-FC or the ITD web-site [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)). If they are different the deductor shall submit a TAN change request application to update the ITD TAN database or a copy of the acknowledgment of TAN change request already submitted.
- 1.1.10 Each branch or Drawing and Disbursement Officer (DDO) of a deductor/collector furnishing separate quarterly e-TDS/TCS statement should furnish the quarterly e-TDS/TCS statement quoting separate TAN issued to each branch/DDO respectively.
- 1.1.11 Quarterly e-TDS/TCS statement pertains to the period for which they are allowed to furnish.
- 1.1.12 The quarterly e-TDS/TCS statement has been successfully validated through the latest version of the FVU.
- 1.1.13 Control totals, TAN and name mentioned in the quarterly e-TDS/TCS statement match with those mentioned on Form 27A.
- 1.1.14 Computer media is virus free.

**Acceptance of Quarterly e-TDS/TCS Statements by e-TDS Intermediary (NSDL and TIN-FC branches)**

**2.1 ACCEPTANCE OF QUARTERLY E-TDS/TCS STATEMENT BY TIN-FC: After deductor/collector furnishes the quarterly e-TDS/TCS statement to TIN-FC in the manner prescribed, TIN-FC will carry out format level validations and other checks to validate the quarterly e-TDS/TCS statement.**

2.1.1 Acceptance

- 2.1.1.1 In case quarterly e-TDS/TCS statement is valid TIN-FC will issue a Provisional Receipt to the deductor/collector. The Provisional Receipt issued by TIN-FC to



deductor/collector is deemed to be the proof of quarterly e-TDS/TCS statements furnished by the deductor/collector.

- 2.1.1.2 Deductor/collector will pay upload fee along with service tax (as applicable – 10.20% at present) by demand draft or cash to the TIN-FC for every accepted quarterly e-TDS/TCS statement.

**Maximum charges payable per quarterly e-TDS/e-TCS statement accepted:**

<b>No. of Deductee Records in e-TDS/TCS Statement</b>	<b>Upload Charges</b>	<b>Upload Charges inclusive of service tax</b>
Upto 100 deductee records	₹ 27.50/-	₹ 30/-
101 to 1000 deductee records	₹ 165/-	₹ 182/-
More than 1000 deductee records	₹ 550/-	₹ 606/-

- 2.1.1.3 TIN-FC will return the computer media containing the e-TDS/TCS statement to the deductor/collector
- 2.1.1.4 TIN-FC will retain physical Form 27A along with other documents, if any, furnished by the deductor/collector. The retained physical Form 27A along with documents, if any, shall be stored by the TIN-FC for a period of one year from date of receipt of the statement.
- 2.1.2 NON-ACCEPTANCE : TIN-FC will not accept the quarterly e-TDS/TCS statement furnished by deductor/collector if:
- 2.1.2.1 each quarterly e-TDS/TCS statement (Form 24Q, 26Q, 27Q or 27EQ) is not furnished in a separate computer media along with duly filled and signed Form 27A in physical form;
- 2.1.2.2 separate Form 27A is not furnished for each quarterly e-TDS/TCS statement;
- 2.1.2.3 striking and overwriting, if any, on Form 27A are not duly ratified by the person who has signed Form 27A;
- 2.1.2.4 more than one quarterly e-TDS/TCS statement is furnished in one computer media;
- 2.1.2.5 more than one computer media is used for furnishing one quarterly e-TDS/TCS statement;
- 2.1.2.6 quarterly e-TDS/TCS statement is compressed using a compression utility other than winzip 8.1 or ZipItFast 3.0 (or higher version) compression utility;
- 2.1.2.7 quarterly e-TDS/TCS statement is not in conformity with the file formats prescribed by ITD;
- 2.1.2.8 TAN stated in quarterly e-TDS/TCS statement is not present in TAN Master database and deductor/collector does not submit any proof of TAN stated in the statement;
- 2.1.2.9 deductor/collector does not have a TAN;
- 2.1.2.10 name/address of deductor/collector displayed on TAN Master database does not match with name/address stated on Form 27A and deductor/collector does not provide TAN change request;
- 2.1.2.11 mismatch of control totals as per with Form 27A and as per e-file;
- 2.1.2.12 the quarterly statement has not been successfully passed through the latest version of FVU;
- 2.1.2.13 Quarterly e-TDS/TCS statements do not pertain to the period for which deductors/collectors are allowed to submit their statements.
- 2.1.2.14 Computer media is not virus free.

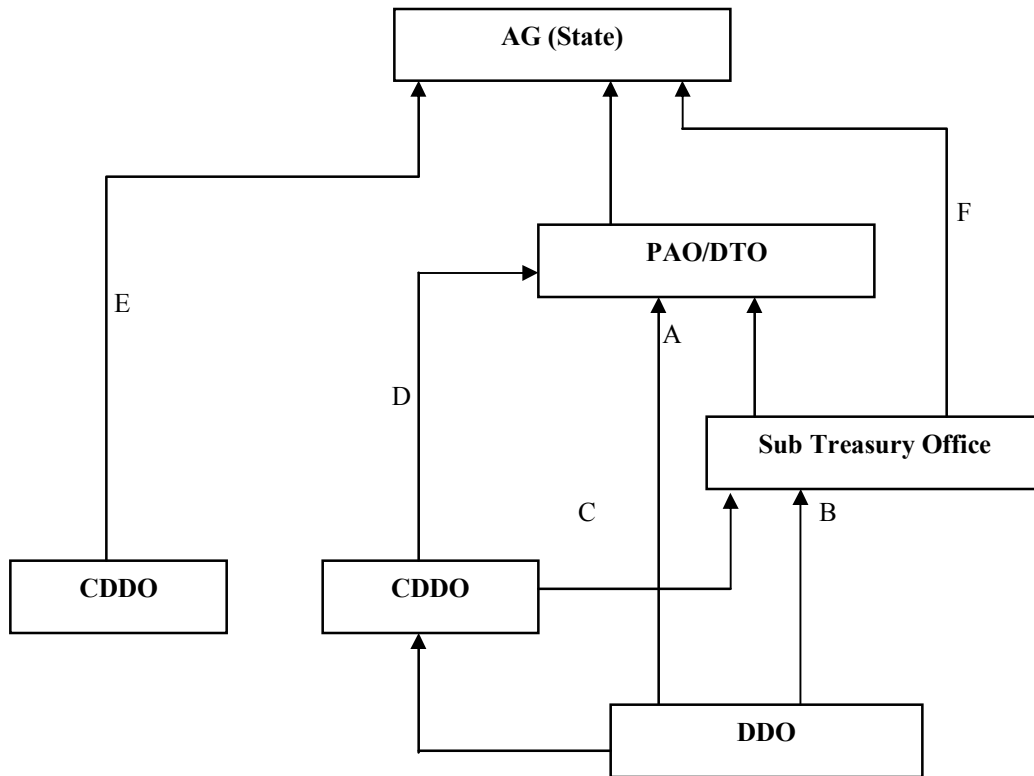
In such cases, TIN-FC shall issue a pre-printed Non - Acceptance Memo citing reasons for non acceptance to the deductor/collector to carry out necessary corrections.

In case of non-acceptance, TIN-FC shall return the computer media as well as any other documents furnished and physical Form 27A to the deductor/collector.

No fee will be charged for the e-TDS/e-TCS statement that is not accepted.

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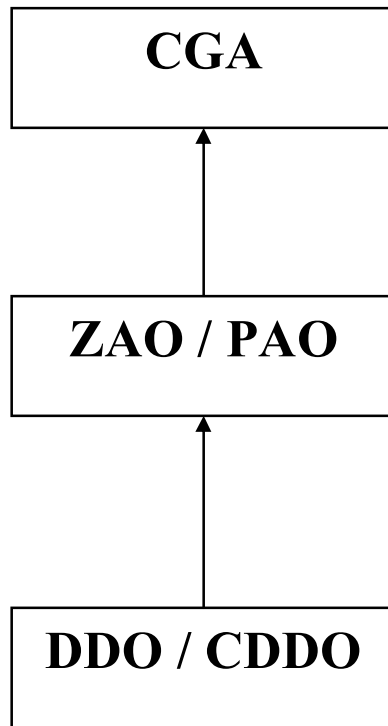
**“Person Responsible for filing Form No. 24G in case of State Govt. Departments”**



Type of Reporting of Book Entry	Person Responsible (AIN holder) for filing 24G.
A	PAO / DTO
B	PAO / DTO
C	PAO / DTO
D	PAO / DTO
E	CDDO
F	STO

<b>AG</b>	Accountant General
<b>PAO</b>	Pay & Accounts Officer
<b>DTO</b>	District Treasury Office
<b>STO</b>	Sub Treasury Office
<b>DDO</b>	Drawing & Disbursing Officer
<b>CDDO</b>	Cheque Drawing & Disbursing Officer

**“Person Responsible for filing Form No. 24G in case of Central Govt. Departments”**



**ZAO / PAO of Central Government Ministries is responsible for filing of Form No. 24G on monthly basis**

MINISTRY OF FINANCE  
(Department of Economic Affairs)  
(ECB & PR Division)

NOTIFICATION  
New Delhi, the 22<sup>nd</sup> December, 2003

F.No. 5/7/2003-ECB & PR- The government approved on 23<sup>rd</sup> August, 2003 the proposal to implement the budget announcement of 2003-04 relating to introducing a new restructured defined contribution pension system for new entrants to Central Government service, except to Armed Forces, in the first stage, replacing the existing system of defined benefit pension system.

- (i) The system would be mandatory for all new recruits to the Central Government service from 1<sup>st</sup> of January 2004 (except the armed forces in the first stage). The monthly contribution would be 10 percent of the salary and DA to be paid by the employee and matched by the Central government. However, there will be no contribution from the Government in respect of individuals who are not Government employees. The contribution and investment returns would be deposited in a non-withdrawable pension tier-I account. The existing provisions of defined benefit pension and GPF would not be available to the new recruits in the Central Government service.
- (ii) In addition to the above pension account, each individual may also have a voluntary tier-II withdrawable account at his option. This option is given as GPF will be withdrawn for new recruits in Central government service. Government will make no contribution into this account. These assets would be managed through exactly the above procedures. However, the employee would be free to withdraw part or all of the 'second tier' of his money anytime. This withdrawable account does not constitute pension investment, and would attract no special tax treatment.
- (iii) Individuals can normally exit at or after age 60 years for tier-I of the pension system. At the exit the individual would be mandatorily required to invest 40 percent of pension wealth to purchase an annuity (from an IRDA- regulated life insurance company). In case of Government employees the annuity should provide for pension for the lifetime of the employee and his dependent parents and his spouse at the time of retirement. The individual would receive a lump-sum of the remaining pension wealth, which he would be free to utilize in any manner. Individuals would have the flexibility to leave the pension system prior to age 60. However, in this case, the mandatory annuitisation would be 80% of the pension wealth.

### **Architecture of the new Pension System**

- (iv) It will have a central record keeping and accounting (CRA) infrastructure, several pension fund managers (PFMs) to offer three categories of schemes viz. option A, B and C.
  - (v) The participating entities (PFMs and CRA) would give out easily understood information about past performance, so that the individual would be able to make informed choices about which scheme to choose.
2. The effective date for operationalization of the new pension system shall be from 1<sup>st</sup> of January, 2004.

U.K. SINNHA, Jt. Secy.

MINISTRY OF FINANCE  
(Department of Revenue)  
(Central Board of Direct Taxes)  
Notification

New Delhi, the 24<sup>th</sup> November, 2000

**INCOME- TAX**

**S.O.1048 (E)** - In exercise of the powers conferred by sub-clause (i) of clause (18) of Section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government, hereby specifies the gallantry awards for the purposes of the said Section, mentioned in column 2 of the table below awarded in the circumstances as mentioned in corresponding column 3 thereof:-

**Table**

Sl. No.	Name of gallantry award	Circumstances for eligibility
(1)	(2)	(3)
1.	Ashok Chakra	When awarded to Civilians for gallantry
2.	Kirti Chakra	- do -
3.	Shaurya Chakra	- do -
4.	Sarvottan Jeevan Raksha Padak	When awarded to Civilians for bravery displayed by them in life saving acts.
5.	Uttam Jeevan Raksha Medal	- do -
6.	Jeevan Raksha Padak	- do -
7.	President's Police Medal for gallantry	When awarded for acts of exceptional courage displayed by members of police forces, Central police or security forces and certified to this effect by the head of the department concerned.
8.	Police Medal for Gallantry	- do -
9.	Sena Medal	When awarded for acts of courage or conspicuous gallantry and supported by certificate issued to this effect by relevant service headquarters.
10.	Nao Sena Medal	- do -
11.	Vayu Sena Medal	- do -
12.	Fire Services Medal for Gallantry	When awarded for acts of courage or conspicuous gallantry and supported by certificate issued to this effect by the last Head of Department.
13.	President's Police & Fire Services Medal for Gallantry	-do-
14.	President's Fire Services Medal for Gallantry	-do-
15.	President's Home Guards and Civil Defence Medal for Gallantry	-do-
16.	Home Guard and Civil Defence Medal for Gallantry	-do-

( Notification no. 1156/F.No. 142/29/99-TPL)

**T.K. SHAH**  
Director

**ANNEXURE VII**

MINISTRY OF FINANCE  
Department of Revenue  
Central Board of Direct Taxes

New Delhi, the 29<sup>th</sup> January, 2001

S.O.81(E)- In exercise of the powers conferred by sub-clause (i) of clause (18) of Section 10 of the Income –tax Act, 1961 (43 of 1961)), the Central Government, hereby specifies the gallantry awards for the purposes of the said Section and for that purpose makes the following amendment in the notification of the Government of India in the Ministry of Finance, Department of Revenue (Central Board of Direct Taxes) number S.O.1048(E), dated the 24<sup>th</sup> November 2000, namely:-

In the said notification, in the Table, against serial numbers 1,2 and 3 under column (3) relating to “Circumstances for eligibility” **the words** “to civilians” shall be omitted.

(Notification No.22/F.No.142/29/99-TPL)

**T.K. SHAH**  
**Director**

**FORM NO. 10BA  
(See rule 11B)  
DECLARATION TO BE FILED BY THE ASSESSEE  
CLAIMING DEDUCTION U/S 80 GG**

I/We.....

( Name of the assessee with permanent account number)

do hereby certify that during the previous Year.....I/We had occupied the premise.....(full address of the premise) for the purpose of my/our own residence for a period of.....months and have paid Rs. .... In cash/through crossed cheque, bank draft towards payment of rent to Shri/Ms/M/s.....(name and complete address of the landlord).

It is further certified that no other residential accommodation is owned by

- (a) me/my spouse/my minor child/our family (in case the assessee is HUF), at .....where I/we ordinarily reside/perform duties of officer or employment or carry on business or profession, or
- (a) me/us at any other place, being accommodation in my occupation, the value of which is to be determined u/s 23(2)(a)(i) of u/s 23(2)(b).

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