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RMDAY players

*Presents:*

# **PAYROLL AND COMPLIANCE SKILL**

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## PAYROLL AND COMPLIANCE SKILL

Dear Colleagues,

As you know, today the Payroll has assumed much important a part of any corporate organizations. Payroll management can be quite a challenge for a business owner because there are many federal and state laws regulating what you have to track related to payroll. Failure to do so could result in heavy fines-or worse.

Many business owners use outside payroll services. These companies guarantee compliance with all the applicable laws. This keeps the business owner out of trouble with the law and saves time that can be devoted to something else in the business and many business owners are held their payroll records at own processed in house. In general companies outsource the payroll functions to reduce operating cost, time and improve productivity in core business and some more:-

- *The opportunity to focus on core business areas.*
- *Long-term cost advantages.*
- *Cost and time effective.*
- *Improve quality, efficiency, and effectiveness.*
- *Access to our valuable HR expertise.*
- *Limit fiduciary, audit, and litigation risks and liabilities.*
- *Upgrade level of customer service.*
- *Allow HR to focus on core competencies.*
- *Expertise consulting and report generations on weekly / monthly / quarterly / yearly.*

Therefore, I would like to sharing here owns payroll experience with you, hope after reading these notes you will be able to understood good skill in payroll.

**Note:** Although care has been taken in issuing this note material, yet the possible of errors, omissions and discrepancies and should there be any discrepancy, error notes in this notes, the team shall be obliged if the same are brought to its notices any time. Therefore Readers are advised to send us their response/query to: [ajityadav121@gmail.com](mailto:ajityadav121@gmail.com). Thank You.

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## PART – A

### (SALARY)

#### INTRODUCTION

As per section 14, income of a person is computed under the five heads: - **1. Salaries** **2. Income from house property** **3. Profits and gains of business or profession** **4. Capital gains** **5. Income from other sources.** "**SALARY**" word defined in Section 17 (1) of Income Tax Act, 1961 and the term of "salary" to include -wages, any annuity or pension, any gratuity, any fee, commissions, perquisites or profits in lieu or addition to any salary or wages, any advance of salary etc.

Different Items/Allowances	Tax Treatment (section reference)	Important explanation
Basic Salary	Fully Taxable u/s 15	PF will apply if number of employees on company roll exceeds 20; ESI will apply if number of employees on company roll exceeds 10. the basic salary should not be less than declared by govt. for particular type of industry and minimum wages should be fulfilled first to cover statutory liability.
Dearness allowance	Fully Taxable u/s 15	
HRA	Exempt up to certain u/s 10(13A) and rule 2A	See computation given below
Conveyance Allowance	Exempted up to 800/- month	1600/- month if handicap.
Leave encashment at the time of retirement	Exemption u/s10(10AA)(ii)	
Salary in lieu of Notice	Fully taxable	
Bonus	Fully taxable	Bonus act 1965
Gratuity	Exemption u/s10(10)(ii)	Gratuity act 1972
Annuity from employer		

Remuneration of extra work (OT)	Fully taxable	
City compensatory allowance	Fully taxable	
Fixed medical allowance	Fully taxable	
Entertainment allowance	Full taxable for non-govt. employee	For Govt. employee- the least of 1. 5000 2. 20% of basic 3 the actual amount of, is eligible for deduction
Medical reimbursement	Not perquisite up to 15000/- with certain limitation & conditions.	Medical treatment up to 15000/- annual.
LTA	Exempt u/s 10(5)	Conditions – vide rule 2B u/s 10(5)
Any other cash allowance	Fully taxable	

- Advice to reader that they will refer certain section and rule for appropriate understanding. They can also refer my other notes on LTA, investment etc.

### Here are some definitions of payroll:–

-Records of wages, various types of payment and net pay to require paying an employee or worker during a period is called payroll.

-The payroll means that the computation of all compensation that an organization must pay to own employees for a set period.

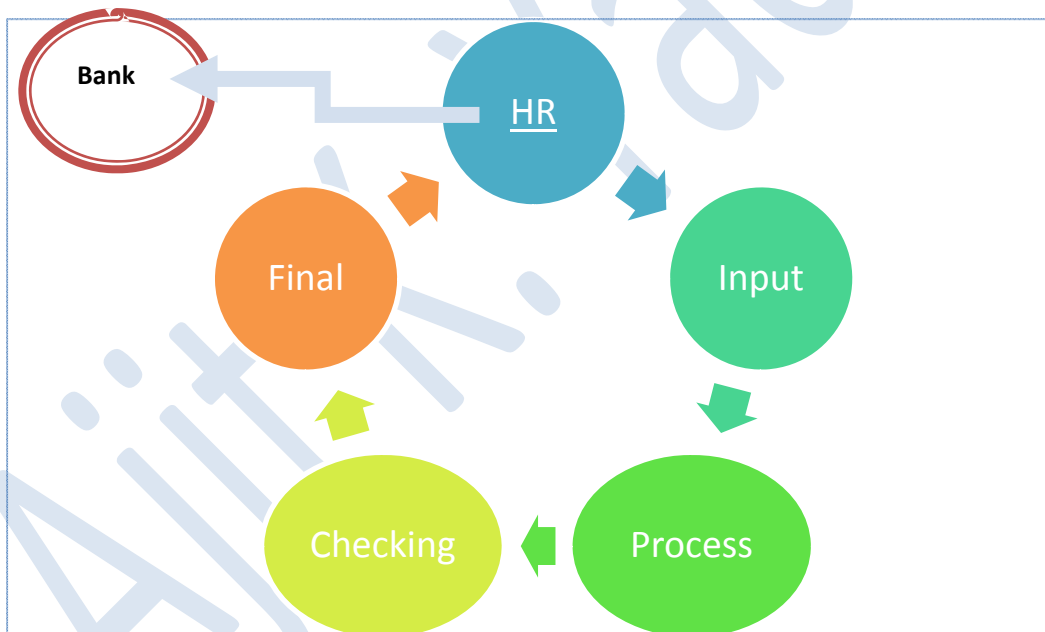
-Payroll is a process where an organization carry on or maintain documentation of wages, various type of payment, leave, net pay, deduction e.g. TDS, PF, ESI etc as per state/center government law or rules for a period to pay its' employees.

## PAYROLL INPUT

Payroll input means any changes, addition and deletion has to be done in a month. Payroll input includes- Monthly, Quarterly, Yearly payments, adjustments, recoveries, Current month New joiners, reginees, revision etc. Inputs can be received either from HR or finance or both by mail or courier in specified format or words.

Here some more example of input- employee name, employee's father name, date of joining, date of birth, address, type of employment, bank account number, cost center, department, salary revision, location change, bonus payment, incentive, overtime, salary advance deduction, loan deduction, other deductions etc.

## PAYROLL COMMUNICATION CHART



## PAYROLL PROCESSING (WORK ON INPUT)

Once, you received payroll input, this should be checked by you in proper line then organize or translate raw input as per your system requirements and you will also be verify the data for correct transaction or operation entry. There is much important part of this step is new joiner detail.

## **PAYROLL CHECKING**

Payroll Checking is valuable stage and this stage till be affect to payroll delivery is **100% sure** or not where a payroll checker should be keep in mind as-

1. Received Input should be correct finalized
2. Employee head count, deduction of PF, ESI., P. Tax, Welfare, TDS etc should be correct and as per law/rules.

## **SALARY PAYROLL (BANK TRANSFER)**

After finalized salary register, you should be prepare bank file, covering letter for sending to bank before pressing with a cheque of certain amount should be with cover letter.

Today, some organizations are using net banking facility hence bank file will be change accordingly and you should be issue cheques to rest of those employees who have not opened their bank account with bank.

## **COMPLIANCES REPORTS (PAYROLL REPORTS)**

After finalized salary, processor needs to prepare al compliances reports e.g. PF statement, PF challan, ESI reports, TDS, loan deduction sheet etc.

## PART – B (STATUTORY COMPLIANCES)

### LEARNING OBJECTIVES

After studying this part you will be able to:-

- Understand BONUS and Gratuity payment, limitation, compliances.
- Understand the procedure of payment /deduction of gratuity, PF, ESI, Income tax and professional tax.
- Understand the various law and rules related to PF, ESI, and TDS etc.

### STATUTORY BONUS (THE PAYMENT OF BONUS ACT, 1965 AND RULES)

An Act to provide for the payment of bonus to persons employed in certain establishments on the basis of profits or on the basis of production or productivity and for matters connected therewith.

- Short title, extent and application
- It extends to the whole of India
- Every other establishment in which twenty or more persons are employed on any day during an accounting year.

### BONUS – APPLICABILITY AND ELIGIBILITY

**(a)** Every factory (as def. in Factories Act), & Every other establishment in which **20 or more persons less than 20 but 10 or more if appropriate Govt. notifies** are employed on any day subject to certain exemptions. **(b)** Bonus to be paid within **eight months from the expiry of the accounting year.**

Every employee shall be entitled to be paid by his employer in an accounting year, bonus, in accordance with the provisions of this Act, provided he has worked in the establishment **for not less than thirty working days in that year.**



**PAYMENT OF MINIMUM & MAXIMUM BONUS**

- A minimum bonus which shall be 8.33 per cent of the salary or wage earned by the employee during the accounting year.
- Where in respect of any accounting year referred to in section 10, the allocable surplus exceeds the amount of maximum bonus payable to the employees. be bound to pay to every employee in respect of that accounting; year bonus which shall be an amount in proportion to the salary or wage earned by the employee during the accounting year subject to a maximum of 20 per cent, of such salary or wage.

**Other Points:**

- Bonus is fully taxable component as per income tax act, 1961 and whole tax to be deduct on bonus amount at one time of bonus payment & this type tax may called “add tax”.
- Form D use for annual return submission to regional Labour Inspector by the company.
- The Payment of Bonus Act, 1965 amended to enhance the eligibility limit from Rs. 3,500/- per month to Rs. 10,000/- and calculation ceiling from Rs. 2,500 to Rs. 3,500/- per month while making employees employed through contractors on building operations eligible for payment of bonus under the Act.

**GRATUITY (THE PAYMENT OF GRATUITY ACT, 1972)**

Gratuity is a kind of retirement benefit like the provident fund or pension. Intended to help them after retirement, whether the retirement is the result of superannuation or physical disability. General Principal behind Gratuity is that the length of the service of the workmen is to be considered to claim a certain amount as a retrial benefit.

The Payment of Gratuity Act is a small Indian Act with 15 sections. It is a part of various Acts that come under Industrial Law and was introduced to provide social security to the workmen. This Act was introduced in 1972 and was amended in 1984 and 1987.

**GRATUITY ELIGIBILITY**

Gratuity shall be payable to an employee on the termination of his employment after he has rendered continuous service for not less than five years, - (a) on his superannuation, or (b) on his retirement or resignation, or (c) on his death or disablement due to accident or disease: Provided that the completion of continuous service of five years shall not be necessary where the termination of the employment of any employee is due to death or disablement.

**GRATUITY CALCULATING:**

- 15 day average pay = (Total Salary for the month / 26 working days of the month) \* 15 days
- Total Gratuity payment amount = 15 day average pay \* total years in service.

**Other Points:**

- Section 10(10) (iii) of the Income-tax Act, 1961 - Gratuity exemption limit raised to Rs.10 lakhs.

**PROVIDENT FUND - PF (THE EMPLOYEE'S PROVIDENT FUND & MISCELLANEOUS ACT 1952)**

The Act which has come into force from 1<sup>st</sup> November 1952 is a piece of social security enactment designed to provide for a scheme to make provisions for the future of industrial workers and their dependents in case of their retirement and event of their premature death.

**COVERAGE**

The Act was initially made applicable only to such establishments, which have employed 50, and above and the same has been reduced to 20 and above w.e.f 31<sup>st</sup> December 1960. A special provision has been made in respect of cinema theaters enabling coverage of those employed 5 above.

**ELIGIBILITY**

The period of eligibility for becoming a member of the fund has been progressively reduced from 240 days to 120 days and to 60 days and w.e.f. 1<sup>st</sup> November 1990 an employee is eligible from the day one.

**RATE OF CONTRIBUTION**

The rate of contribution is 12% with effect from 22<sup>nd</sup> September 1997. The employer shall have to pay matching/equal contribution together the employee share deducted from wages within 15 days of close of every month. The employer will pay administrative charges on PF & EDLI Scheme.

**PAYMENT LIMIT**

The Pay limit of becoming a member of the fund was set initially at Rs. 300/- has been increased to Rs. 3500/- w.e.f 1-11-1990 and to Rs. 5000/- and Rs. 6500/- w.e.f 01-06-2001 and now Rs. 15000/- w.e.f 1<sup>st</sup> September 2014.

**SOME OTHER INFORMATION**

- 1) P.F. Deducted on Basic + D.A + Cash value of Food Allowance @ 12%. It is a statutory deduction. D.A is provided only in government departments. Private companies generally do not give Daily Allowance to its employees.
- 2) Company pays P.F on either actual basic or Capped Basic. Capped basic decided depend on Company rules it is not restricted. It's applicable those employee basic exceeds Rs. 15000/- only.
- 3) Employers and Employee Contribution is equal in P.F which 12%. This means 12% Contribution from Employee and 12% Contribution from Employer. Company contribution is split into two parts. 8.33 % on Family pension Fund and 3.67 % on Employee Provident Fund.
- 4) Employer also needs to pay additional charges on every month over and above PF Company Contribution. The break up is:-

1.1% P.F Administration Charges, 0.5 % on Employee Deposit Linked Insurance (E.D. L.I) and 0.01% E.D.L.I Administration Charges.

- 5) The company needs to upload monthly ECR on RPFC website for generate challan and pay the amount within 15 days. Company have to submit every moth duly paid P.F Challan, Form 12A, Form 5 (additions) and Form 10 (deletions) and Nomination from 2 (newly joined employee details). In annual Return we need file Form 3A and 6A along with the details of Annul PF Challan payment details. **Now annual return has been removed.**
- 6) The employer needs to collect, certify and submit the Nomination and Declaration Form in Form-2 revised of every new joineers to the scheme along with the monthly report.
- 7) P.F. Monthly payment due date is 15th (with grace up to 21st) and Annual Return due date is 30th April of every Year as per P.F authorities treated one year is from 1st March to 28th February. **Now annual return has been removed.**
- 8) Any employee who wishes to transfer his old company's PF balances, He can transfer his PF Current A/C with using Form 13 signed by current employer (who he joined new company employer) and old employer to submit Form 3A to P.F office. Employee P.F Number will be change of every company.

## **EMPLOYEES STATE INSURANCE CORPORATION - ESI (THE EMPLOYEE'S STATE INSURANCE ACT, 1948)**

The Employees' State Insurance Scheme is an integrated measure of Social Insurance embodied in the Employees' State Insurance Act and is designed to accomplish the task of protecting 'employees' as defined in the Employees' State Insurance Act against the hazards of sickness, maternity, disablement and death due to employment injury and to provide medical care to insured persons and their families. The Scheme covers employees of non-seasonal power-using factories employing 10 or more persons. There is, however, a built-in provision for its extension to other establishments or classes of establishments, industrial, commercial, agricultural or otherwise. The Scheme has been

progressively extended to cover employees in non-power using factories employing 20 or more persons and to commercial establishments.

### **SCHEME PROTECT**

The Scheme protects all “employees” engaged on a monthly remuneration not exceeding Rs. 15000/- in a factory/establishment to which the Act applies. Persons employed for wages on any work connected with the administration of the factory or establishment or any part, department or branch thereof or purchase of raw materials, or distribution or sale of the product of a factory or establishment are also covered. Mines, Railway Running Sheds, Naval, Military and Air Force Workshops and specified seasonal factories are excluded. The scheme also provides full medical cover to the dependants of insured persons. In the event of death of an insured person due to employment injury dependants become eligible to cash benefit.

### **RATES OF CONTRIBUTION**

An employee covered under the scheme has to contribute 1.75% of the wages whereas; an employer contributes 4.75% of the wages payable to an employee. The total contribution in respect of an employee thus works out to 6.50% of the wages payable. The Contribution is deposited by the Employer in cash or by cheque at the designated branches of some nationalized banks. The responsibility for payment of all contributions is that of the employer with a right to deduct the Employees’ share of contributions from employees’ wages relating to the period in respect of which the Contribution is payable.

### **CONTRIBUTION PERIODS’ AND ‘BENEFIT PERIODS**

Workers, covered under the ESI Act, are required to pay contribution towards the scheme on a monthly basis. A contribution period means a six-month time span from 1st April to 30th September and 1st October to 31st March. Thus, in a financial year there are two contribution periods of six months duration.

### **SOME OTHER INFORMATION**

- 1) E.S.I is also Statutory Deduction from employee whose GROSS salary is less than or equal to Rs. 15,000/-. If company has below 20 employees in E.S.I Purview Company have not applicable to pay E.S.I.

- 2) E.S.I is calculated on Gross Salary of Employee @ 1.75% as Employee contribution and 4.75% from Employer Contribution there by totaling to 6.5% of Gross Salary.
- 3) The Company needs to file Half Yearly Returns for the period 1st April to 30 September and 1st October to 31st March.
- 4) There are no monthly Returns for ESI. Employer must pay the ESI amounts every month on 15th (with grace by 25th).
- 5) In case any employees cross the limit of Rs. 15000/- of Gross Salary, he must be continued to pay till the end of half year.
- 6) E.S.I half Yearly Returns submission / due dates are; November 15th and May 15.

### **TAX DEDUCTION AT SOURCE – TDS (THE INCOME TAX ACT 1961)**

TDS is one of the modes of collection of taxes, by which a certain percentage of amounts are deducted by a person at the time of making/crediting certain specific nature of payment to the other person and deducted amount is remitted to the Government account. Income earned in the twelve months contained in the period from 1st April to 31st March (commonly called Financial Year [FY]) is taken into account for purposes of calculating Income Tax. Under the income tax Act this period is called a previous year.

#### **OR**

TDS means Tax Deducted at Source. It is the amount withheld from payments of various kinds such as salary, contract payment, commission etc. This withheld amount can be adjusted against your tax due.

#### **ASSESSMENT YEAR**

It is the twelve-month period 1st April to 31st March immediately following the previous year [refer answer-4]. In the Assessment year a person files his return for the income earned in the previous year. For example for FY: 2006-07 the AY is 2007-08.

#### **SUPPOSED TO PAY INCOME TAX**

Any Individual or group of Individual or artificial bodies who/which have earned income during the previous years are required to pay Income tax on it. The IT Act recognizes the earners of income under seven [7] categories. Each category is called a Status. These are

Individuals, Hindu Undivided Family [HUF], Association of Persons [AOP], Body of individuals [BOI], Firms, Companies, Local authority, artificial juridical person.

\*\*please note when Companies pay taxes under the Income tax Act it is called corporate Tax.

### **A RESIDENT**

If an individual stays in India for 182 days or more in a year, he is treated as resident in that year regardless of his citizenship. If the stay is less than 182 days he is a non-resident.

### **SALARY INCOME**

Whatever is received by an employee from an employer in cash, kind or as a facility [perquisite] is considered as Salary.

### **INCOME FROM HOUSE PROPERTY**

Income from house property is a notional income based on a concept called Annual value. This is the value a property is expected to fetch if it is let out. It may be more than the actual rent being received if let out. If it is not let out the expected market/fair rent will be considered as annual value for the purpose of taxation. Property includes the building and the land surrounding it.

### **INCOME FROM BUSINESS AND PROFESSION**

Profession means exploitation of one's skills and knowledge independently. Profession includes vocation. Some examples are legal, medical, engineering, architecture, accountancy, technical consultancy, interior decoration, artists, writers, etc.

### **TAXABLE INCOME**

The word Income has a very broad and inclusive meaning. In case of a salaried person, all that is received from an employer in cash, kind or as a facility is considered as income. For a businessman, his net profits will constitute income. Income may also flow from investments in the form of Interest, Dividend, and Commission etc. Infact the Income Tax Act does not differentiate between legal and illegal income for purpose of taxation. Under the Act, all incomes earned by persons are classified into 5 different heads, such as:

- a. Income from Salary
- b. Income from House property
- c. Income from Business or Profession
- d. Income from capital gains
- e. Income from other sources

### REVENUE AND CAPITAL RECEIPTS

In a simple language, all that one derives from a source is called revenue receipt. For ex. Salary from employment, Rent from property, Interest or Divided from Investments, Profits from business. When an income is earned on account of transacting the source itself, it is called Capital receipt, for example Sale of land and building, business, investment etc.

### TAX ON INCOME

It is the constitutional obligation of every person earning income to compute his income and pay taxes correctly. Taxes are collected by three means:

- a) Voluntary payment by persons into various designated Banks. For example Advance Tax and Self Assessment Tax.
- b) Taxes deducted at source [TDS] on your behalf from the payments receivable by you.
- c) Taxes collected at source [TCS] on your behalf at the time of spending

It is the constitutional obligation of every person earning income to compute his income and pay taxes correctly.

### ADVANCE TAX CALCULATED AND PAID

It is paid in installments. The amount payable is to be calculated in the following manner:

### FOR NON-CORPORATE ASSESSEE

(1) On or before 15 September - not less than 30% of tax payable (2) On or before 15 December - not less than 60% of tax payable (3) On or before 15 March - not less than 100% of tax payable



**FOR CORPORATE ASSESSEE**

(1) On or before 15 June - not less than 15% of tax payable (2) On or before 15 September - not less than 45% of tax payable (3) On or before 15 December - not less than 75% of tax payable (4) On or before 15 March - not less than 100% of tax payable

**TDS RETURNS**

As per Section 206 of Income Tax Act all corporate and government deductors are compulsorily required to file their TDS return on electronic media (i.e. e-TDS returns). However, for other Deductors, filing of e-TDS return is optional. E-TDS return is a TDS return prepared in form No.24, 26 or 27 in electronic media as per prescribed data structure in either a floppy or a CD ROM. The floppy or CD ROM prepared should be accompanied by a signed verification in Form No.27A.

Following are the returns for TDS and TCS and their periodicity:

Form No	Particulars	Periodicity
Form 24	Annual return of "Salaries" under Section 206 of Income Tax Act, 1961	Annual
Form 26	Annual return of deduction of tax under section 206 of Income Tax Act, 1961 in respect of all payments other than "Salaries"	Annual
Form 27	Statement of deduction of tax from interest, dividend or any other sum payable to certain persons	Quarterly
Form 27E	Annual return of collection of tax under section 206C of Income Tax Act, 1961	Annual
Form 24Q	Quarterly statement for tax deducted at source from "Salaries"	Quarterly
Form 26Q	Quarterly statement of tax deducted at source in respect of all payments other than "Salaries"	Quarterly
Form 27Q	Quarterly statement of deduction of tax	Quarterly

	from interest, dividend or any other sum payable to non-residents	
Form 27EQ	Quarterly statement of collection of tax at source	

### DUE DATES FOR FILING QUARTERLY TDS RETURNS

Quarter	Due Date	Due Date for 27 Q
April to June	July 15	14 July
July to September	October 15	14 October
October to December	January 15	14 January
January to March	June 15	14 June

**INCOME TAX RATES/SLABS** – For individuals, HUF, Association of Persons (AOP) and Body of individuals (BOI):-

Income Tax Rates/Slabs	Rate (%)
Up to 2,50,000 Up to 2,50,000 (for women) Up to 3,00,000 (senior citizens) (Tax Rebate u/s 87A of Rs. Up 2000/- annual if taxable income less than 5,00,000/- )	NIL
2,50,001 – 5,00,000	10
5,00,001 – 10,00,000	20
10,00,001 and above	30

Section 192 of the I.T. Act, 1961 provides that every person responsible for paying any income which is chargeable under the head 'salary' shall deduct income tax on the estimated income of the assessee under the head salaries. The tax is required to be calculated at the average rate of income tax as computed on the basis of the rates in force. The tax once deducted is required to be deposited in government account and a certificate of deduction of tax at source (also referred as Form No.16) is to be issued to the employee. This certificate is to be furnished by the employee with his income tax return after which he gets the credit of the TDS in his personal income tax assessment.

### TDS ON SIMULTANEOUS EMPLOYMENT WITH MORE THAN ONE EMPLOYER OR ON CHANGE OF EMPLOYMENT

Sub-Section 2 of Section 192 provides that where a person is simultaneously employed with more than one employer, he may furnish the particulars of salary payments and

TDS to the employer of his choice. Similarly, on change of employment the particulars of salary and TDS of earlier employment may be furnished to the subsequent employer. These particulars are to be furnished in Form 12 B in accordance with Rule 26A of the I.T. Rules. The employer on receipt of such information is required to take into account the particulars of salary and TDS and then deduct tax at source considering the aggregate salary from all sources.

### **EDUCATION AND HIGHER EDUCATION CESS**

The amount of income tax (as increased by surcharge, if any), shall be further increased by an Education and higher Education Cess of 3% on the income tax and surcharge, which is payable by Resident as well as Non-Resident assesseees. The deduction of tax at source is then to be made after also taking into account the Cess on tax so calculated.

**SURCHARGE:** 10% surcharge application on income greater than 1 crore.

### **AVERAGE RATE OF DEDUCTION**

The statute enjoins the employer to compute the tax liability of the employee on the basis of the rates in force and to deduct the tax at the average rate computed on the basis of the same. Thus, the employer is required to compute at the beginning of the financial year, the total salary income payable to an employee during the financial year. Further, the employer should also take into account any other income as reported by the employee. After considering the incomes exempt, deductions and relief, the tax liability of the employee should be determined on the basis of the rates in force for the financial year. Every month, 1/12 of this net tax liability as computed above is required to be deducted.

### **TDS WHERE THE SALARY PAID IS NET OF TAX**

Where the employee enters into an agreement or an arrangement as per which the tax chargeable on the income is borne by the employer then for the purpose of deduction of tax, the income is to be increased to such an amount as would, after deduction of tax thereon be equal to the net amount payable as per the agreement or arrangement (Section 195A). However, this provision is not applicable where the employer has made payment of tax on non-monetary perquisites as provided in section 192(1A).

## PROFESSIONAL TAX – P.TAX

In India, the professional tax is imposed at the state level. However, not all the states impose this tax; the following states impose this levy in India – Karnataka, West Bengal, Andhra Pradesh, Maharashtra, Tamilnadu, Gujarat, Assam, Orrissa, Bihar, Kerala and Madhya Pradesh. Business owners, working individuals, merchants and people carrying out various occupations comes under the purview of this tax. Professional tax is levied by particular Municipal Corporations and majority of the Indian states impose this duty. It is a source of revenue for the government. The maximum amount payable per year is Rs. 2, 400/- and in line with your salary, there are predetermined slabs.

It is a tax charged by the state government. It is nothing but a source of revenue to the government. As you know everyone earning the income more than the exempted income as per income tax pays the tax same way every government has defined the slabs their own. It is a tax charged by the state government and it varies from state to state. The employee has to pay the professional tax to the state government each month OR half yearly and need to submit the amount in the Local Municipality office by the employer.

### Professional Tax Slabs in Various States

STATE_NAME	ELIGIBLT Y	SLA B	FROM	TO	RAT E	REMARKS
ANDHRA PRADESH	Monthly	1	0	5000	0	
ANDHRA PRADESH	Monthly	2	5001	6000	0	
ANDHRA PRADESH	Monthly	3	6001	10000	0	
ANDHRA PRADESH	Monthly	4	10001	15000	0	
ANDHRA PRADESH	Monthly	5	15001	20000	150	
ANDHRA PRADESH	Monthly	6	20001	99999999	200	
ANDHRA PRADESH	Monthly	7	99999999	99999999	200	
ANDHRA PRADESH	Monthly	8	99999999	99999999	200	
ANDHRA PRADESH	Monthly	9	99999999	99999999	200	
ANDHRA PRADESH	Monthly	10	99999999	99999999	200	
ANDHRA PRADESH	Monthly	11	99999999	99999999	200	

ASSAM	Monthly	1	0	3500	0
ASSAM	Monthly	2	3501	5000	30
ASSAM	Monthly	3	5001	7000	75
ASSAM	Monthly	4	7001	9000	110
ASSAM	Monthly	5	9001	99999999 9	208
ASSAM	Monthly	6	99999999 9	99999999 9	208
ASSAM	Monthly	7	99999999 9	99999999 9	208
ASSAM	Monthly	8	99999999 9	99999999 9	208
ASSAM	Monthly	9	99999999 9	99999999 9	208
ASSAM	Monthly	10	99999999 9	99999999 9	208
ASSAM	Monthly	11	99999999 9	99999999 9	208
BIHAR	Monthly	1	0	25000	0
BIHAR	Monthly	2	25001	41667	83
BIHAR	Monthly	3	41668	83333	167
BIHAR	Monthly	4	83334	99999999 9	208
BIHAR	Monthly	5	99999999 9	99999999 9	208
BIHAR	Monthly	6	99999999 9	99999999 9	208
BIHAR	Monthly	7	99999999 9	99999999 9	208
BIHAR	Monthly	8	99999999 9	99999999 9	208
BIHAR	Monthly	9	99999999 9	99999999 9	208
BIHAR	Monthly	10	99999999 9	99999999 9	208
BIHAR	Monthly	11	99999999 9	99999999 9	208
GUJRAT	Monthly	1	0	3000	0
GUJRAT	Monthly	2	3001	6000	0
GUJRAT	Monthly	3	6001	9000	80
GUJRAT	Monthly	4	9001	12000	150
GUJRAT	Monthly	5	12001	99999999 9	200
GUJRAT	Monthly	6	99999999 9	99999999 9	200
GUJRAT	Monthly	7	99999999 9	99999999 9	200
GUJRAT	Monthly	8	99999999 9	99999999 9	200

GUJRAT	Monthly	9	99999999 9	99999999 9	200	
GUJRAT	Monthly	10	99999999 9	99999999 9	200	
GUJRAT	Monthly	11	99999999 9	99999999 9	200	
KARNATAKA	Monthly	1	0	9999	0	
KARNATAKA	Monthly	2	10000	14999	150	
KARNATAKA	Monthly	3	15000	99999999 9	200	
KARNATAKA	Monthly	4	99999999 9	99999999 9	200	
KARNATAKA	Monthly	5	99999999 9	99999999 9	200	
KARNATAKA	Monthly	6	99999999 9	99999999 9	200	
KARNATAKA	Monthly	7	99999999 9	99999999 9	200	
KARNATAKA	Monthly	8	99999999 9	99999999 9	200	
KARNATAKA	Monthly	9	99999999 9	99999999 9	200	
KARNATAKA	Monthly	10	99999999 9	99999999 9	200	
KARNATAKA	Monthly	11	99999999 9	99999999 9	200	
MADHYA PRADESH	Monthly	1	0	12500	0	
MADHYA PRADESH	Monthly	2	12501	15000	0	
MADHYA PRADESH	Monthly	3	15001	99999999 9	208	
MADHYA PRADESH	Monthly	4	99999999 9	99999999 9	208	
MADHYA PRADESH	Monthly	5	99999999 9	99999999 9	208	
MADHYA PRADESH	Monthly	6	99999999 9	99999999 9	208	
MADHYA PRADESH	Monthly	7	99999999 9	99999999 9	208	
MADHYA PRADESH	Monthly	8	99999999 9	99999999 9	208	
MADHYA PRADESH	Monthly	9	99999999 9	99999999 9	208	
MADHYA PRADESH	Monthly	10	99999999 9	99999999 9	208	
MADHYA PRADESH	Monthly	11	99999999 9	99999999 9	208	Rs. 212 in March Month
MAHARASHTRA	Monthly	1	0	7500	0	

MAHARASHTRA	Monthly	2	7501	10000	175	
MAHARASHTRA	Monthly	3	10001	99999999	9	200
MAHARASHTRA	Monthly	4	99999999	9	99999999	200
MAHARASHTRA	Monthly	5	99999999	9	99999999	200
MAHARASHTRA	Monthly	6	99999999	9	99999999	200
MAHARASHTRA	Monthly	7	99999999	9	99999999	200
MAHARASHTRA	Monthly	8	99999999	9	99999999	200
MAHARASHTRA	Monthly	9	99999999	9	99999999	200
MAHARASHTRA	Monthly	10	99999999	9	99999999	200
MAHARASHTRA	Monthly	11	99999999	9	99999999	Rs. 300 in Feb. month
ORRISSA	Monthly	1	0	13333	0	
ORRISSA	Monthly	2	13333	25000	125	
ORRISSA	Monthly	3	25001	99999999	9	200
ORRISSA	Monthly	4	99999999	9	99999999	200
ORRISSA	Monthly	5	99999999	9	99999999	200
ORRISSA	Monthly	6	99999999	9	99999999	200
ORRISSA	Monthly	7	99999999	9	99999999	200
ORRISSA	Monthly	8	99999999	9	99999999	200
ORRISSA	Monthly	9	99999999	9	99999999	200
ORRISSA	Monthly	10	99999999	9	99999999	200
ORRISSA	Monthly	11	99999999	9	99999999	200
TRIPURA	Monthly	1	0	5000	0	AGARTALA
TRIPURA	Monthly	2	5001	7000	65	AGARTALA
TRIPURA	Monthly	3	7001	9000	100	AGARTALA
TRIPURA	Monthly	4	9001	12000	120	AGARTALA
TRIPURA	Monthly	5	12001	15000	160	AGARTALA
TRIPURA	Monthly	6	15001	18000	195	AGARTALA
TRIPURA	Monthly	7	18001	99999999	9	208
TRIPURA	Monthly	8	99999999	9	99999999	208
TRIPURA	Monthly	9	99999999	99999999	208	AGARTALA



			9	9		
TRIPURA	Monthly	10	99999999 9	99999999 9	208	AGARTALA
TRIPURA	Monthly	11	99999999 9	99999999 9	208	AGARTALA
WEST BANGAL	Monthly	1	0	3000	0	
WEST BANGAL	Monthly	2	3001	5000	0	
WEST BANGAL	Monthly	3	5001	6000	0	
WEST BANGAL	Monthly	4	6001	7000	0	
WEST BANGAL	Monthly	5	7001	8500	0	
WEST BANGAL	Monthly	6	8501	10000	90	
WEST BANGAL	Monthly	7	10001	15000	110	
WEST BANGAL	Monthly	8	15001	25000	130	
WEST BANGAL	Monthly	9	25001	40000	150	
WEST BANGAL	Monthly	10	40001	99999999 9	200	
WEST BANGAL	Monthly	11	99999999 9	99999999 9	200	
COIMBATORE	Half-Yearly	1	0	21000	0	TAMILNADU
COIMBATORE	Half-Yearly	2	21001	30000	98	TAMILNADU
COIMBATORE	Half-Yearly	3	30001	45000	244	TAMILNADU
COIMBATORE	Half-Yearly	4	45001	60000	488	TAMILNADU
COIMBATORE	Half-Yearly	5	60001	75000	731	TAMILNADU
COIMBATORE	Half-Yearly	6	75001	99999999 9	975	TAMILNADU
COIMBATORE	Half-Yearly	7	99999999 9	99999999 9	975	TAMILNADU
COIMBATORE	Half-Yearly	8	99999999 9	99999999 9	975	TAMILNADU
COIMBATORE	Half-Yearly	9	99999999 9	99999999 9	975	TAMILNADU
COIMBATORE	Half-Yearly	10	99999999 9	99999999 9	975	TAMILNADU
COIMBATORE	Half-Yearly	11	99999999 9	99999999 9	975	TAMILNADU
JHARKHAND	Monthly	1	0	25000	0	JHARKHAND
JHARKHAND	Monthly	2	25001	41667	100	JHARKHAND
JHARKHAND	Monthly	3	41668	66667	150	JHARKHAND
JHARKHAND	Monthly	4	66668	83334	175	JHARKHAND
JHARKHAND	Monthly	5	83335	99999999 9	208	JHARKHAND
JHARKHAND	Monthly	6	99999999 9	99999999 9	208	JHARKHAND
JHARKHAND	Monthly	7	99999999 9	99999999 9	208	JHARKHAND
JHARKHAND	Monthly	8	99999999 9	99999999 9	208	JHARKHAND
JHARKHAND	Monthly	9	99999999 9	99999999 9	208	JHARKHAND



			9	9		
JHARKHAND	Monthly	10	99999999	99999999	208	JHARKHAND
JHARKHAND	Monthly	11	99999999	99999999	208	JHARKHAND
TAMILNADU	Half-Yearly	1	0	21000	0	CHANNAI
TAMILNADU	Half-Yearly	2	21001	30000	100	CHANNAI
TAMILNADU	Half-Yearly	3	30001	45000	235	CHANNAI
TAMILNADU	Half-Yearly	4	45001	60000	510	CHANNAI
TAMILNADU	Half-Yearly	5	60001	75000	760	CHANNAI
TAMILNADU	Half-Yearly	6	75001	99999999	1095	CHANNAI
TAMILNADU	Half-Yearly	7	99999999	99999999	1095	CHANNAI
TAMILNADU	Half-Yearly	8	99999999	99999999	1095	CHANNAI
TAMILNADU	Half-Yearly	9	99999999	99999999	1095	CHANNAI
TAMILNADU	Half-Yearly	10	99999999	99999999	1095	CHANNAI
TAMILNADU	Half-Yearly	11	99999999	99999999	1095	CHANNAI
KERALA	Half-Yearly	1	0	11999	0	
KERALA	Half-Yearly	2	12000	17999	120	
KERALA	Half-Yearly	3	18000	29999	180	
KERALA	Half-Yearly	4	30000	44999	300	
KERALA	Half-Yearly	5	45000	59999	450	
KERALA	Half-Yearly	6	60000	74999	600	
KERALA	Half-Yearly	7	75000	99999	750	
KERALA	Half-Yearly	8	100000	124999	1000	
KERALA	Half-Yearly	9	125000	99999999	1250	
KERALA	Half-Yearly	10	99999999	99999999	1250	
KERALA	Half-Yearly	11	99999999	99999999	1250	
PONDICHERRY	Half-Yearly	1	0	299	0	
PONDICHERRY	Half-Yearly	2	300	600	1	
PONDICHERRY	Half-Yearly	3	601	1200	2	
PONDICHERRY	Half-Yearly	4	1201	1800	4	
PONDICHERRY	Half-Yearly	5	1801	3000	6	
PONDICHERRY	Half-Yearly	6	3001	4800	12	
PONDICHERRY	Half-Yearly	7	4801	6000	25	
PONDICHERRY	Half-Yearly	8	6001	9000	50	
PONDICHERRY	Half-Yearly	9	9001	12000	75	
PONDICHERRY	Half-Yearly	10	12001	15000	100	
PONDICHERRY	Half-Yearly	11	15001	99999999	125	

### LABOUR WELFARE FUND

In India, the labour welfare fund is imposed at the state level. However, not all the states impose this tax; the following states impose this levy in India, details are given below:-

STATE	STATUS	DEDUCTION MONTH	EMPLOYEE	EMPLOYEE	TOTAL
ANDHRA PRADESH	Yearly	DECEMBER	2	5	7
KARNATAKA	Yearly	DECEMBER	6	12	18
TAMILNADU	Yearly	DECEMBER	7	14	21
KERALA	Monthly	Every Month	20	20	40
HARYANA	Monthly	Every Month	10	20	30
PUNJAB	Monthly	Every Month	5	20	25
CHANDIGARH	Monthly	Every Month	2	4	6
GUJRAT	Half Yearly	JUNE & DECEMBER	3	6	9
MAHARASHTRA	Half Yearly	JUNE & DECEMBER	12	36	48
WEST BANGAL	Half Yearly	JUNE & DECEMBER	3	6	9
MADHYA PRADESH	Half Yearly	JUNE & DECEMBER	10	30	40
DELHI	Half Yearly	JUNE & DECEMBER	1	2	3
CHATTISGARH	Half Yearly	JUNE & DECEMBER	15	45	60
GOA	Half Yearly	JUNE & DECEMBER	30	90	120

### PART – C (TAX SAVING - DEDUCTIONS AND EXEMPTION)

The Income Tax Act provides for allow ability of certain deductions from the gross total income of the assessee. These deductions are given in Chapter VIA of the Income Tax Act 1961. For the purpose of TDS, the employer/DDO may allow some of these

deductions to the employee on furnishing of the required particulars. Or you can say Section 80C of the Income Tax Act, 1961 allows certain investments and expenditure to be deducted from total income up to the maximum of 1 Lac. The total limit under this section is Rs. 100,000 (Rupees One Lac) which can be any combination of the below:-

### SECTION 80C: DEDUCTIONS

As per Section 80C deduction eligible u/s. 80C (reintroduced w.e.f.-01.04.2006) the following investments/payments are eligible for deduction.

NATURE OF INVESTMENT	REMARKS	MAXIMUM LIMIT
Life Insurance Premium	For individual, policy must be in self or spouse's or any child's Name. For HUF, it may be on life of any member of HUF.	150000
Contribution made under Employee's Provident Fund Scheme to which Provident Funds Act 1925 (19 of 1925 applies)	Employee provided fund which is deducted from the salary of the person. This is about 10% to 12% of the BASIC salary component	150000
Contribution to PPF	For individual, can be in the name of self/spouse, any child & for HUF, it can be in the name of any Member of the family. And Maximum limit to contribute in it is 70,000 for each year. It is a long term investment with complete withdrawal not possible till 15 years though partial withdrawal is possible after 5 years.	150000
Sum deposited in 10 year/15year account of Post Office Saving Bank	For individual, policy must be in self or spouse's or any child's Name. For HUF, it may be on life of any member of HUF.	150000
Subscription to any notified savings certificate, Unit Linked Savings certificates. (NSC)	For individual, policy must be in self or spouse's or any child's Name. For HUF, it may be on life of any member of HUF.	150000
Contribution to Unit Linked Insurance Plan of LIC Mutual Fund	For individual, policy must be in self or spouse's or any child's Name. For HUF, it may be on life of any member of HUF.	150000

Certain payments made by way of Installment or part payment of loan taken for purchase/ construction of residential house property.	Condition has been laid that in case the property is transferred before the expiry of 5 years from the end of the financial year in which possession of such property is obtained by him, the aggregate amount of deduction of income so allowed for various years shall be liable to tax in that year.	150000
Tuition fees paid at the time of admission or otherwise to any school, college, university or other Educational institution situated within India for the purpose of full time education of any two children.	Available in respect of any two children. Any payment towards any development fees or donation Or payment of similar nature will not be eligible.	150000
Term of a fixed deposit in State Bank of India, its subsidiary bank, Corresponding new bank (constituted u/s 3 of Banking Companies Act, or any other Bank included in Second schedule to RBI Act, 1939.	The term of the deposit should not be less than five years and should be in accordance a scheme framed and notified by the Central Government (Notification S.O. No. 1220(E), dated 28-7-2006).	150000
Subscription to Bonds issued by NABARD as notified by Central Government.	Applicable w.e.f. 1.4.08 from A.Y. 2008-09.	150000
Payment made as five year time deposit in an account under the Post Office time Deposit Rules, 1981.	This has been introduced by Finance Act, 2008 and shall come into effect from 1.4.2009.	150000

**OTHER DEDUCTIONS:**

The other allowable deductions are briefly described below:-

SECTION AND NATURE OF DEDUCTION	REMARKS	MAXIMUM LIMIT
80CCC	Payment of premium for annuity plan of LIC or any Other insurer. The premium must be deposited to keep in force a contract for an annuity plan of the LIC or any other insurer for receiving pension from the fund.	150000
80D Payment of medical insurance premium. Deduction is available up to Rs. 15,000/- for self/family and also up to Rs. 15,000/- for insurance in respect of parent/parents of the Assessee. W.e.f. 1.4.2011 (i.e. for A.Y. 2011-12 & F.Y. 2010-11 onwards). The aforesaid will also include contribution made to the Central Government Health Scheme (not exceeding Rs. 15000/-)	<p>The premium is to be paid by any mode of payment other than cash and the insurance scheme should be framed by the General Insurance Corporation of India and approved by the Central Government or Scheme framed by any other insurer and approved by the Insurance Regulatory and Development Authority. The premium should be paid in respect of health insurance of the assessee or his family members. The Finance Act 2008 has also provided deduction up to Rs, 15,000/- in respect of health insurance premium paid by the Assessee towards his parent/parents.</p> <p><b>Deduction is available up to Rs. 15,000/- for self/family and also up to Rs. 15,000/- for insurance in respect of parent/parents of the Assessee.</b></p> <p><b>if it is paid for the person having the age of 60 years or more, then a further additional deduction of Rs 5,000/- would be allowed. But this deduction will be allowed only if payment is made by other than cash Maximum limit is Rs 40,000 /-.</b></p>	40000 (20000+ 20000)

<p>80DD Deduction of Rs. 50,000 in respect of a) expenditure incurred on medical treatment, (including nursing), training and rehabilitation of a handicapped dependant relative. Further if the dependent is a person with severe disability a deduction of Rs. 1,00,000/- shall be available under this section. b) Payment or deposit to specified scheme for maintenance of dependant handicapped relative.</p>	<p>The handicapped dependant should be a dependant relative suffering a permanent disability (including blindness) or mentally retarded, as certified by a specified physician or psychiatrist. Note : A person with severe disability means a person with 80% or more of one or more disabilities as outlined in Section 56(4) of the Persons with Disabilities (Equal Opportunities Protection of Rights and Full Participation) Act.</p>	<p>50000 (*100000)</p>
<p>80DDB Deduction of Rs. 40,000 in respect of medical expenditure actually paid. Further, where the expenditure is incurred in respect of assessee or dependent who is a senior citizen a deduction of Rs. 60,000/- or the amount actually paid, whichever is less, will be available.</p>	<p>Expenditure must be actually incurred by resident assessee on himself or dependant relative for medical treatment of specified disease or ailment. The diseases have been specified in Rule 11DD. A certificate in form 10I is to be furnished by the assessee from any Registered Doctor</p>	<p>40000 *(60000)</p>
<p>80E Deduction in respect of payment in the previous year of interest on loan taken from a financial institution or approved</p>	<p>This provision has been introduced to provide relief to students taking loans for higher studies. The payment of the interest thereon will be allowed as deduction over a period of up to 8 years. Further, by Finance Act, 2008 deduction under this section shall be available not only in</p>	<p>No limit</p>

<p>charitable institution for higher education of self or higher education of a relative. Higher education means any course of study pursued after senior secondary examination or its equivalent.</p>	<p>respect of loan for pursuing higher education by self but also by spouse or children of the assessee or a child where assessee is a legal guardian.</p>	
<p>80G Donations to certain funds, Charitable institutions etc.</p>	<p>The various donations specified in Sec.80G are eligible for deduction up to either 100% or 50% with or without restriction as provided in Sec. 80G. (see para 6.4). In respect of Section 80G, no deduction should be allowed by the employer/DDO, from the salary income in respect of any donations made for charitable purposes. The tax relief on such donations as admissible u/s 80G will have to be claimed by the taxpayer in the return of income.</p>	<p>No limit</p>
<p>80U Deduction of Rs. 50,000/- to an individual who suffers from a physical disability (including blindness) or mental retardation. Further in case of individuals with severe disability a deduction of Rs.75,000/- is permissible. W.e.f. 1.4.2010/- the amount of Rs. 75,000/- shall be enhanced to Rs. 1,00,000/-</p>	<p>Certificate should be obtained from a Govt. Doctor. The relevant rule is Rule 11D.</p>	<p>100000</p>
<p>RELIEF UNDER SECTION 89 (1)</p>	<p>Relief u/s 89(1) is available to an employee when he receives salary in advance or in arrear or when in one financial year, he receives salary of more than 12 months, or receives 'profit in lieu of salary' covered u/s 17(3).</p>	<p>—</p>

## INTEREST ON HOUSING LOANS SECTION

For self occupied properties, interest paid on a housing loan up to Rs **200,000** per year is exempt from tax.(Excluding Rs.1,50,000/p.a. u/s 80c Saving) However, this is only applicable for a residence constructed within three financial years after the loan is taken and also the loan if taken after April 1, 1999.

If the house is not occupied due to employment, the house will be considered self occupied.

For let out properties, the entire interest paid is deductible under section 24 of the Income Tax act. However, the rent is to be shown as income from such properties. 30% of rent received and municipal taxes paid are available for deduction of tax.

The losses from all properties shall be allowed to be adjusted against salary income at the source itself.

## EXEMPTIONS FROM SALARY INCOME

Section 10 of the I.T. Act provides for certain categories of payments to be exempt from taxation, either wholly or partly. Such payments are not to be included under the head 'salary' for computing the tax deductible. Some of these are listed below and are discussed in detail in Chapter-5 of this booklet.

- i)** Death cum retirement gratuity or any other gratuity: Exempt to the extent specified u/s 10(10).
- ii)** Commutation of pension - Exempt to the extent as provided in sec. 10(10A)
- iii)** Leave encashment - Exempt to the extent provided in sec. 10(AA).
- iv)** Retrenchment Compensation - exempt to the extent provided by section 10(10B).
- v)** Compensation on voluntary retirement - Exempt to the extent provided by sec. 10(10C)
- vi)** Payment from provident fund - Exempt to the extent provided in sec. 10(11) & sec. 10(12).
- vii)** Payment from approved superannuation fund – Exempt under section 10(13).



**viii) Interest income & investments - As provided u/s 10(15).**

There are various other receipts besides the above given regularly in addition to salary for meeting specific requirements of the employee. These are referred to as allowances; in common parlance and taxability of some of these are discussed here.

- (i) Leave travel concession - LTA:-** The value of any travel concession or assistance accrued by or due to an employee from his employer or former employer in connection of his proceeding on leave (a) to any place in India (b) to any place in India on retirement or after termination of service. The amount exempt as prescribed in Rule 2B is the amount actually incurred on performance of travel in India by the shortest route to that place, subject to economy air fare or A.C. 1st class fare. This exemption is available only in respect of two journeys in a block of 4 calendar years.
- (ii) House Rent allowance -** House rent allowance granted to the employee is exempt u/s 10(13A) to the following extent; Provided expenditure on rent is actually incurred, the amount of exemption granted is the least of
  - (1) HRA received**
  - (2) Rent paid Less 10% of salary**
  - (3) 40% of salary, (50% in case of Mumbai, Chennai, Kolkata & Delhi). Salary includes bonus + Dearness allowance, where provided by terms of employment.**

**(PERQUISITE COMPONENTS & PERK VALUE)**

**A - CLA PERK** - Valuation of residential accommodation provided by the employer (Rule 3(1)):- Where the accommodation is taken on lease by the employer the perquisite is the actual amount of lease rental paid or payable by the employer or 15% of salary whichever is lower, as reduced by the rent if any actually paid by the employee.

**B- Value of Furnished Accommodation** - The value would be the value of unfurnished accommodation as computed above increased by 10% per annum of the cost of furniture (including T.V./radio/ refrigerator/AC/other gadgets). In case such furniture is hired from a third party, the value of unfurnished accommodation would be increased by the hire charges paid/payable by the employer. However, any payment recovered from the employee towards the above would be reduced from this amount.

**C- Value of hotel accommodation provided by the employer-** The value of perquisite arising out of the above would be 24% of salary of the previous year or the actual charges paid or payable to the hotel, whichever is lower. The above would be reduced by any rent actually paid by the employee. It may be noted that no perquisite would arise if the employee is provided such accommodation on transfer from one place to another for a period of 15 days or less.

**CAR & DRIVER PERK** - Perquisite of motor car provided by the employer Rule 3(2):-

(i) Where motor car is owned or hired by the employer and is used wholly and exclusively in the performance of official duties, no perquisite arises provided specified documents are maintained.

(ii) Where the motor car is owned or hired by the employer but used exclusively for private or personal purposes, the perquisite is the actual amount of expenditure incurred by the employer on running and maintenance including remuneration if any paid to the chauffeur.

(iii) Where motor car is used partly in performance of duties and partly for private or personal purposes. The perquisite is

(a) Rs. 1800 (plus Rs. 900 if chauffeur is provided) if running and maintenance is borne by employer.

(b) Rs. 600 (plus Rs. 900 if chauffeur is provided) where running and maintenance for private use is fully met by employee.

The aforesaid amounts will be increased to Rs. 2400 (instead of Rs. 1800 and Rs. 900/- (instead of Rs. 600) where the motor car provided, has cubic capacity of engine exceeding 1.6 litres.

**(iv)** Where employee owns a motor car but the actual running and maintenance charges (including remuneration of the chauffeur if any) are met or reimbursed to him by the employer and.

**(a)** Where the reimbursement is for use of vehicle for official purpose the perquisite will be nil. However specified documents need to be maintained.

**(b)** Where vehicle is used partly for official and partly for personal purposes, the perquisite is the actual amount of expenditure incurred by the employer as reduced by amount specified in 3.3.2 (iii) above.

#### Examples:

**Question 1** – if Car Provided By Employee below 1600 cc

Car Entitlement - 72000 P A  
 Driver Entitlement - 72000 P A  
 Car partially used personal & official.

**Ans: 1.** Car Entitlement Rs. 72000 - 21600 = 50400 to be taxable and Driver Entitlement Rs.72000- 16200=55800 to be taxable

**Question 2** – if Car Provided By Employer below 1600 cc

Car Entitlement - 72000 P A  
 Driver Entitlement - 72000 P A  
 Car partially used personal & official.

**Ans: 2.** Car Perk Rs. 21600 and driver perk 16200 to be taxable

**Question 3** – if Car Provided By Employee below 1600 cc

Car Entitlement - 72000 P A  
 Driver Entitlement - 72000 P A  
 Car used only personal.

Ans: 3. All amount to be taxable

**Question 4** – if Car Provided By Employer below 1600 cc

Car Entitlement - 72000 P A  
Driver Entitlement - 72000 P A  
Car used only personal.

Ans: 4. All amount to be taxable

### **SUPERANNUATION PERK**

Employer's contribution towards an approved superannuation fund is chargeable to tax in the hand of employee to the extent such contribution exceed Rs. 100000/- per assessment year. It is taxable in the year in which contribution is made.

### **LOAN PERK**

The value of the perquisite shall be the excess of interest payable at the prescribed interest rate over, interest, if any, actually paid by the employee or any member of his household. The prescribed interest rate would be the rate charged by State Bank of India as on the 1st Day of the relevant Financial Year in respect of loans of the same type and for same purpose advanced by it to general public. Perquisite is to be calculated on the basis of the maximum outstanding monthly balance method. However, loans upto Rs. 20,000/-, loans for medical treatment specified in Rule 3A are exempt, provided the same are not reimbursed under medical insurance.

**Value of gift or voucher or token** - Perquisite is the sum equal to the amount of such gift. However where the value of such gifts and voucher is below Rs. 5000/- in aggregate during the previous year, the perquisite shall be nil.

<b>A PAYROLL SOFTWARE MAY HAVE THESE MENU HIERARCHY</b>		
<p>1. Masters</p> <ul style="list-style-type: none"> <li>1. Company Master Entry</li> <li>2. Department Master</li> <li>3. Employee Master Entry</li> <li>4. Transfer of Employee</li> <li>5. Leave/Loan Opening Balance</li> <li>6. System Parameters</li> <li>7. Employee Category</li> <li>8. Bank Master</li> </ul> <p>2. Data Entry</p> <ul style="list-style-type: none"> <li>1. Monthly Payment Entry</li> <li>2. Cheque Number Entry</li> <li>3. Loan Payment Entry</li> <li>4. Leave &amp; Loan Opening Bal.</li> <li>5. PF Data File Creation</li> <li>6. Income Tax - Form 16 Entry</li> <li>7. Change PF Rate</li> <li>8. Attendance Entry</li> <li>9. Loan Adjustment Entry</li> </ul> <p>3. Reports</p> <ul style="list-style-type: none"> <li>1. Monthly Reports</li> <li>1. O.T Statement</li> <li>2. PT Register</li> <li>3. Coinage Statement</li> <li>4. Bank Transfer Statement</li> <li>5. Cheque Payment Statement</li> <li>6. Payment Summary</li> <li>7. Pay Register without Leave</li> <li>2. Monthly Statements</li> <li>1. Income Tax Statement</li> <li>2. Loan Deduction Statement</li> </ul>	<ul style="list-style-type: none"> <li>4. Medical Statement</li> <li>5. Conveyance Statement</li> <li>6. Overtime Statement</li> <li>7. LIC Premium Statement</li> <li>8. Monthly Leave Statement</li> <li>9 LWF Deduction Statement</li> <li>3. Challans</li> <li>1. PF Challans</li> <li>2. ESIC Challan</li> <li>3. P.T. Form-III</li> <li>4. LWF Form Cum Return</li> <li>5. PF Challans Form 12A</li> <li>4. PF Reports</li> <li>1. PF Register (3A &amp; 12A)</li> <li>2. PF Summary</li> <li>3. Monthly PF Register</li> <li>4. PF Data file Printing</li> <li>5. PF Forms &amp; Returns</li> <li>1. PF Form - 3A</li> <li>2. PF Form - 6A</li> <li>3. PF Form - 5</li> <li>4. PF Form - 10</li> <li>5. PF Form - 12A</li> <li>6. PF Form - 10C</li> <li>7. PF Form - 9</li> <li>8. PF Reconciliation</li> <li>6. ESIC Forms &amp; Returns</li> <li>1. Monthly ESIC Statement</li> <li>2. ESIC Summary</li> <li>3. ESIC Register 32 (form 7)</li> <li>4. ESI Form - 6</li> <li>5. ESIC Statement</li> <li>6. ESIC Nomination</li> <li>7. ESI Form 1 – B</li> <li>8. ESIC Declaration Form</li> </ul>	<p>7. Yearly Reports</p> <ul style="list-style-type: none"> <li>1. Loan Register</li> <li>2. Leave Register</li> <li>3. Bonus Register-Fiscal Period</li> <li>4. Bonus Register-Period wise</li> <li>5. Yearly Pay Register</li> <li>6. Yearly Pay Statement</li> <li>7. Loan Summary</li> <li>8. TDS Form - 16</li> </ul> <p>4. Pay-Slip</p> <ul style="list-style-type: none"> <li>1. Payment Register</li> <li>2. Pay Slip Printing</li> <li>3. Single Pay slip</li> <li>4. Cheque Printing</li> <li>5. Single Cheque Printing</li> <li>6. Attendance Register</li> <li>7. Monthly Data Sheet</li> <li>8. Category wise Pay Summary</li> <li>9. Dept. wise Pay Summary</li> </ul> <p>5. Utilities</p> <ul style="list-style-type: none"> <li>1. View Print File</li> <li>2. Send Message to Terminal</li> <li>3. List of Menu</li> <li>4. Data Base Structure Viewer</li> <li>5. Filer Utility</li> <li>6. Dos Shell</li> </ul> <p>6. Maintenance</p> <ul style="list-style-type: none"> <li>1. Re-Indexing</li> <li>2. Transfer Leave/Loan Bal.</li> <li>3. List of Employees</li> <li>4. User Information</li> <li>5. Backup</li> <li>6. Restore</li> </ul>

**IMPORTANT CIRCULARS & NOTIFICATIONS**

- (1) Notification dt. 31.5.2010 - Income-tax (6<sup>th</sup> Amendment) Rules 2010. The Income-tax (6<sup>th</sup> Amendment) Rules 2010 provides for amendment in 30, Rule 31, Rule 31A and Rule 31AA.
- (2) Circular No. 1/2010 dt. 11.1.2010. Income tax deduction from salaries u/s. 192 during F.Y. 2009-10.
- (3) Notification No. 238/2007, dated 30.8.2007 of CBDT; The scope of mandatory filing of e-TDS returns has been expanded to include certain additional categories of deductors.
- (4) Circular No. 2/2007 dt. 21.5.2007, The deductors may at their option, in respect of the tax to be deducted at source from income chargeable under the head Salaries, use their digital signatures to authenticate the certificates of deduction of tax at source in form No. 16.
- (5) Notification no. 928 E dt. 30.6.2005 of CBDT. Regarding quarterly statements of TDS and amendment in form 16.
- (6) Notification No. S.O. 974(e)dt. 26.08.03 regarding filing of annual TDS return in electronic form with the e-TDS intermediary.
- (7) Notification No.1062(E) dt. 04.10.02 regarding amended Form16 & form 12BA.
- (8) Notification No. 688 dt. 25-9-01 - Valuation of perquisites as per rule 3 of I.T. Rules (As per Income Tax (22<sup>nd</sup> amendment) Rules 2001).
- (9) Circular No. 761 dt. 13-1-98 - Issue of TDS certificate to persons by all branches of banks.
  - (10) Circular No. 749 dt. 27-12-98 - clarification regarding certificate for deduction of tax made by Central Govt. departments who are making payments by book adjustments.
- (11) Circular No. 719 dt. 22-8-95 - Filing of returns u/s 206 of the I.T.Act 1961, in respect of TDS from salary of employees of a company working at its headquarters or at other branches, clarification regarding.
- (12) Circular No. 707 dt. 11-7-95 - Refunds due to non-resident employees after their departure from India.
- (13) Circular No. 701 dt. 23-3-95 - Taxability of allowances received by persons having income under the head 'Salaries'.
- (14) Circular No. 640 dt. 26-11-92 - Guideline for the purpose of sec. 10(10C) of the Income tax Act. Clarification of the queries regarding.
- (15) Circular No. 597 dt. 27-3-96 - Issue of TDS certificate and prescribed form thereof, regarding.
- (16) Notification No. S:o 148(E) dt. 28/2/91 – Details prescribed vide form No. 16.
- (17) Circular No. 586 dt. 28-2-90 - Members of crew of foreign going Indian ship, liability to income tax in India and deduction of tax at source clarification regarding.
- (18) Circular No. 306 dt. 19-6-81 - Place of payment of direct tax etc.
- (19) Circular No. 293 dt. 10-2-86 - Exemption of person from U.N.O.

(20) Circular No. 292 dt. 5-2-81 - Challan forms for payment of Income tax deducted at source clarification regarding use of 4th counterfoil.

(21) Circular No. 285 dt. 21-10-80 - Procedure for regulating refund of amounts paid in excess of tax deducted and/or deductible.

(22) Circular No. 232 dt. 26-11-97 - Filling up of details in challan for payment of TDS.

(23) Circular No. 147 dt. 28-10-74 - Issue of certificate for non deduction of tax/T.D.S. at lower rate.

(24) Circular No. 141 dt. 23-7-74 - Regarding payment made by cheque date of encashment will be the date of payment of tax.

### SOME IMPARTMENT FORMS

Type & Nature Of Document	Description Of the Form	Relevant Clause	Schedule Of Submission/ Maintenance	Submitting Authority	Remarks
Form A	Form Of Individual Application	Section 15(2)	Within 12 months from the the date on which deductions were made or the date on which payment was due, as the case may be.	Inspector Of Factories	PAYMENT OF WAGES ACT
Form B	Form Of Group application	Section 15(2)	Within 12 months from the the date on which deductions were made or the date on which payment was due, as the case may be.	Inspector Of Factories	PAYMENT OF WAGES ACT
Form C	Form of application by an inspector or person permitted by the authority	Section 15(2) & Section 16	Within 12 months from the the date on which deductions were made or the date on which payment was	Inspector Of Factories	PAYMENT OF WAGES ACT

	or authorised to act		due, as the case may be.		
Form D	Certificate Of Authorisation	Section 15(2)	Within 12 months from the the date on which deductions were made or the date on which payment was due, as the case may be.	Inspector Of Factories	PAYMENT OF WAGES ACT
Form E	Notice for disposal of application	Section 15(3)	When an application is entertained under section 15(2), the authority shall hear the applicant & the employer and direct the employer for refund of deductions made or payment of delayed wages or make no directions if the application is found to be malafide.		PAYMENT OF WAGES ACT
Form F	Record of order or direction	Section 15(3)	Record of order of direction to be made by the authority under the act		PAYMENT OF WAGES ACT



Form G	Notice to respondent of the day fixed for the hearing of appeal under section 17 of the act	Section 17	Within 30 days of the date on which order or direction was made, an appeal could be made by the employer/ employee or his legal practitioner and the judge of the district court to issue the notice to the respondent of the day fixed for hearing of appeal.		PAYMENT OF WAGES ACT
FORM 16			TDS Certificate		