CS EXECUTIVE CHART BOOK QUICK REVISION GUIDE

TAX LAWS AND PRACTICE

- **Summarised Tabular Chart** Format for revising the subject matter in an easy-to-learn format
- **Point-wise Summaries** of each chapter are provided in a nutshell
- **Full-coverage of the New Syllabus** for CS-Executive exams

Module 2

Contents

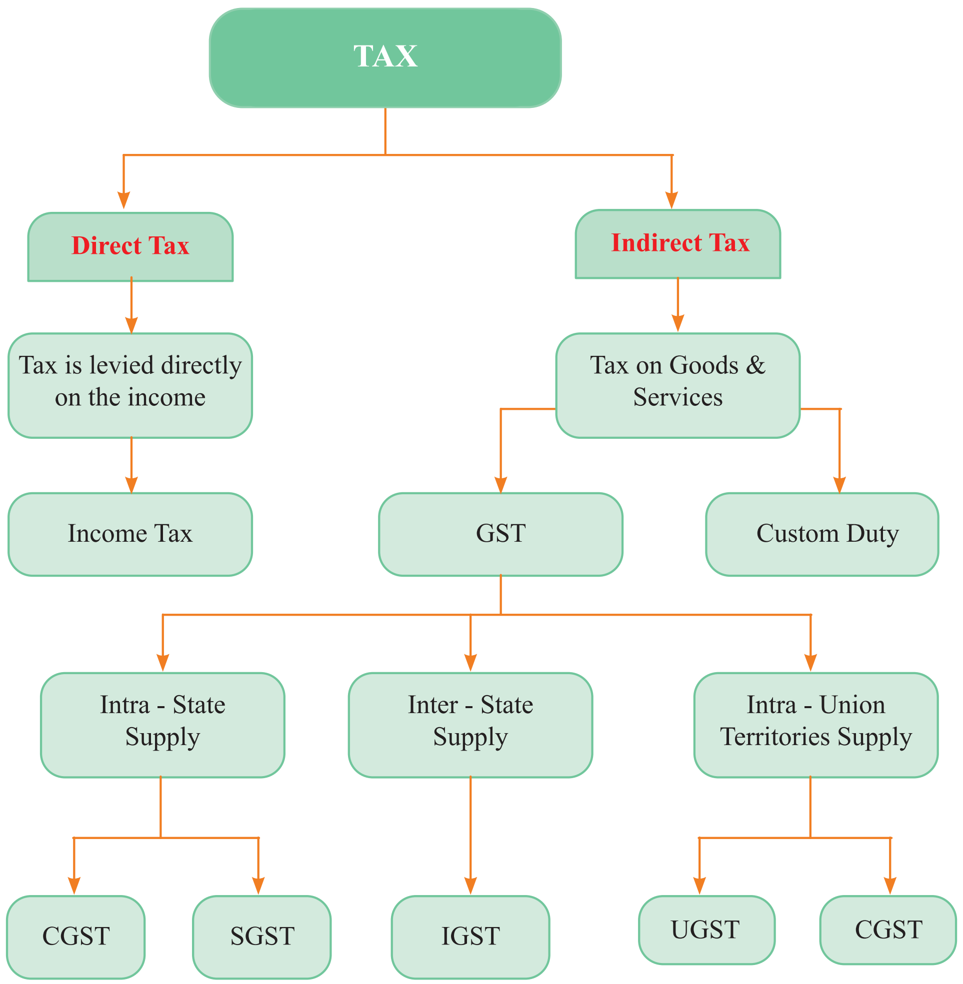
1 BASIC CONCEPT OF INCOME TAX

MEANING OF TAX

- A tax is a compulsory financial charge or some other type of levy imposed on a taxpayer (an individual or legal entity) by a governmental organization in order to fund government spending and various public expenditures (regional, local, or national).
- Taxes are considered to be the "cost of living in a society".

CLASSIFICATION OF TAX

Taxes are usually classified into two categories. These are direct tax and indirect tax.



Direct Taxes

Taxes which are directly levied on Income of the person and its burden cannot be shifted. It is the payment made by assessee directly to the government after income is received.

For example: Income Tax, Gift Tax etc.

Indirect Taxes

Indirect taxes are imposed on price of goods or services. Person paying the indirect tax can shift the incidence to another person.

For example: GST or Customs duty.

DIRECT VS. INDIRECT TAX

Differences between Direct Tax and Indirect Tax

Point of Difference	Direct Tax	Indirect Tax
Meaning	Direct tax is a tax wherein the levy of tax is made on a person and the responsibility of paying such tax is fixed on that person.	In this the levy of tax is made on one person and the responsibility of paying the tax to the Government is fixed on some other person.
Levy	Direct tax is levied on income and wealth.	Indirect tax is levied on goods and services.
Transfer of Tax Burden	The burden of direct tax cannot be transferred to other person.	The burden of indirect tax can be transferred to the end users.
Effect	The purpose of direct tax is to redistribute the wealth of a nation.	Indirect tax increases the price of goods or services.
Example	Income Tax.	Goods and Services Tax.
Penalty	It is levied on the Assessee.	It is levied on supplier of goods & Services.

MERITS AND DEMERITS

Merits of Direct Tax

1. Equity
2. Elasticity and productivity
3. Certainty
4. Reduce inequality
5. Good instrument in the case of inflation.
6. Simplicity

Demerits of Direct Tax

1. Evasion
2. Uneconomical
3. Little incentive to work and save
4. Not suitable to a poor country
5. Arbitrary

CENTRAL BOARD OF DIRECT TAXES (CBDT)

- The CBDT is a statutory authority functioning under the Central Board of Revenue Act, 1963.

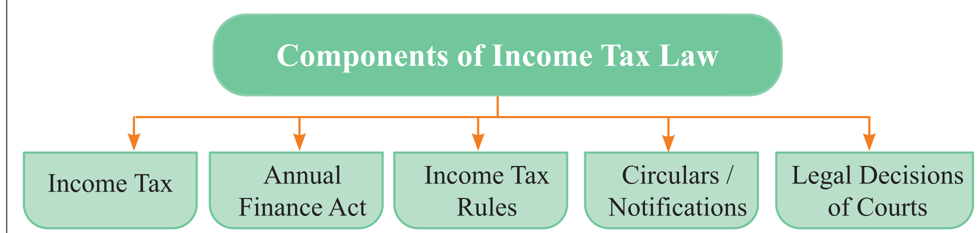
INCOME TAX DEPARTMENT

The Income Tax department functions under the department of Revenue in Ministry of Finance.

Income Tax Department is responsible for administering following direct taxation acts passed by parliament.

- Income Tax Act, 1961
- Various Finance Acts (Passed every Year in Budget Session)

COMPONENTS OF INCOME TAX LAW



Income-Tax Act, 1961

- The levy of income-tax in India is governed by the Income-tax Act, 1961.
- This Act came into force on 1st April, 1962.
- It extends to the whole of India.
- It contains sections 1 to 298 and schedules I to XIV.

Annual Finance Act

- Every year Budget is presented before the parliament by the Finance Minister
- One of the important components of the Budget is the Finance Bill.
- When the Finance Bill is passed by both the houses of the Parliament and gets the assent of the President, it becomes the Finance Act.

Income-Tax Rules, 1962

- For implementation of the Act and for administration of the direct taxes, Central Board of Direct Taxes (CBDT) is empowered to frame these rules from time to time.
- These rules are collectively called as the Income-tax Rules, 1962.
- Rules also have sub-rules, provisos and Explanations.

Circulars/Clarifications

- Circulars and clarifications are issued by the CBDT
- Clarify the doubts regarding the scope and meaning of certain provisions of the law and
- Provide guidance to the Income Tax officers.
- These circulars are binding on the Income Tax Authorities but not on the assessee however an assessee can take benefit of these circulars.

Notifications

- Notifications are issued either by the Central Government or by CBDT to take care of the procedural aspects of the Act from time to time.
- These notifications are binding on everyone, i.e., on Income Tax Authorities as well as on the assessees.

Judicial Decisions (Case Laws)

- Decisions pronounced by the Supreme Court become Judicial Precedent and are binding on all the courts, Appellate Tribunal, Income Tax Authorities and on assesses.
- High Court decisions are binding on assesses and Income Tax Authorities which come under its jurisdiction unless it is overruled by a higher authority.
- The decision of a High Court cannot bind other High Court.

CHARGING SECTION (SECTION 4)

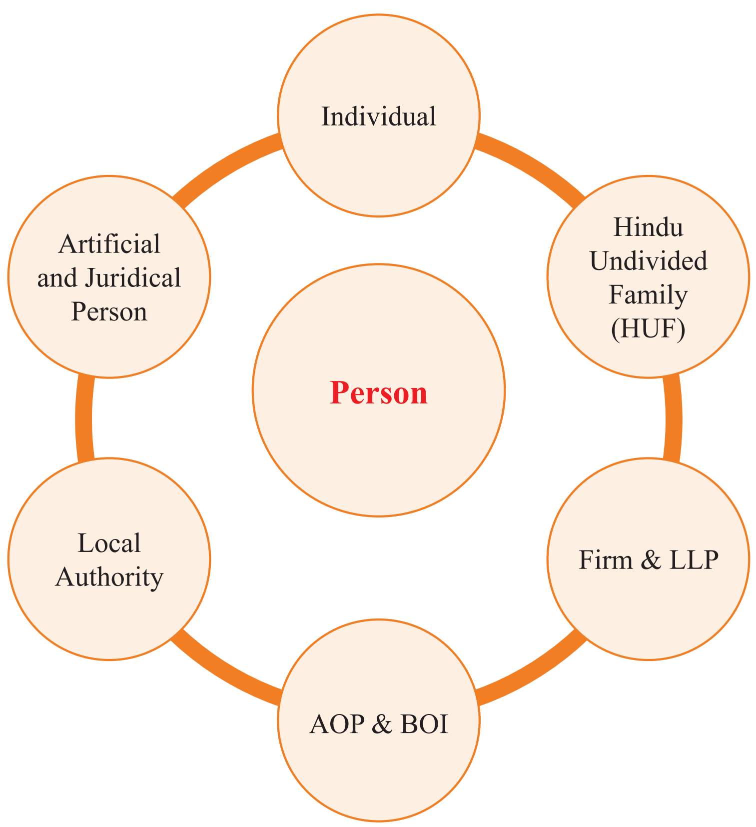
Sec. 4 of the Income Tax Act provides that the tax shall be charged –

1. For any Assessment Year (AY), at the rate(s) specified in the annual Finance Act for that year, and
2. In respect of the total income of the previous year of every person.

IMPORTANT DEFINITIONS

1. **Person (Section 2(31))**

   Income-tax is charged in respect of the total income of the previous year of every person. As per Section 2(31) Person includes-



2. **Assessee [Section 2(7)]**
   - "Assessee" means a person by whom any tax or any other sum of money is payable under this Act.

3. **Previous Year [Section 3]:**
   - Income Tax is payable on the Income which is earned during the Previous Year and it is assessed in the immediately succeeding financial year which is called an Assessment Year.
   - In accounts, we call it as financial year.
   - As per income tax act, previous year begins on 1st of April and ends on 31st March of the subsequent year.
   - Business or profession newly set up during the financial year - In such a case, the previous year shall be the period beginning on the date of setting up of the business or profession and ending with 31st March of the said financial year.

4. **Assessment Year [Section 2(9)]:**
   - Assessment Year means the period of twelve months commencing on 01st April every year.
   - As per income tax act, assessment year begins on 1st of April and ends on 31st March of the year following the P.Y.
   - It means in the previous year we earn income & in the assessment year we calculate income & tax.
   - Income of the P.Y. is assessed in the A.Y.

General Rule

Income of a previous year is assessed in the assessment year following the previous year

Exceptions to the General Rule

In the following cases, the Income of previous year of an assessee is assessed in the previous year itself.

1. **Income of Non Resident from Shipping (Sec. 172)**
2. **Income of Persons leaving India either permanently or for long duration (Sec.174)**
3. **Income of bodies formed for short duration (Sec.174A)**
4. **Persons likely to transfer property to avoid tax (Sec. 175)**
5. **Discontinued business (Sec. 176)**

TAX RATE & SLAB

Components of Tax are:

Tax + Surcharge + Education Cess + SHEC = Tax Payable

1. **For Resident Individual of age below 60 years, Non Resident Individual, HUF, AOP, BOI, Artificial Juridical Person**

Total Income (Rs.)	Tax Rate	Tax liability (Rs.)
Upto 2,50,000	Nil	Nil
2,50,001 - 5,00,000	5%	5% of (Total Income - 2,50,000)
5,00,001 - 10,00,000	20%	20% of (Total Income - 5,00,000) + 12,500
Above 10,00,000	30%	30% of (Total Income - 10,00,000) + 1,12,500

2. **For Senior Citizen (Resident Individual of age 60 years or more in PY but less than 80 years)**

Total Income (Rs.)	Tax Rate	Tax liability (Rs.)
Upto 3,00,000	Nil	Nil
3,00,001 - 5,00,000	5%	5% of (Total Income - 3,00,000)
5,00,001 - 10,00,000	20%	20% of (Total Income - 5,00,000) + 10,000
Above 10,00,000	30%	30% of (Total Income - 10,00,000) + 1,10,000

3. **For Super Senior Citizen (Resident Individual of age 80 years or more in PY)**

Total Income (Rs.)	Tax Rate	Tax liability (Rs.)
Upto 5,00,000	Nil	Nil
5,00,001 - 10,00,000	20%	20% of (Total Income - 5,00,000)
Above 10,00,000	30%	30% of (Total Income - 10,00,000) + 1,00,000

4. **For Firm and Local Authorities**

Types of Person	Tax Rate
Firms (including LLP)	30% of total Income
Local Authorities	30% of total Income

5. **For Company**

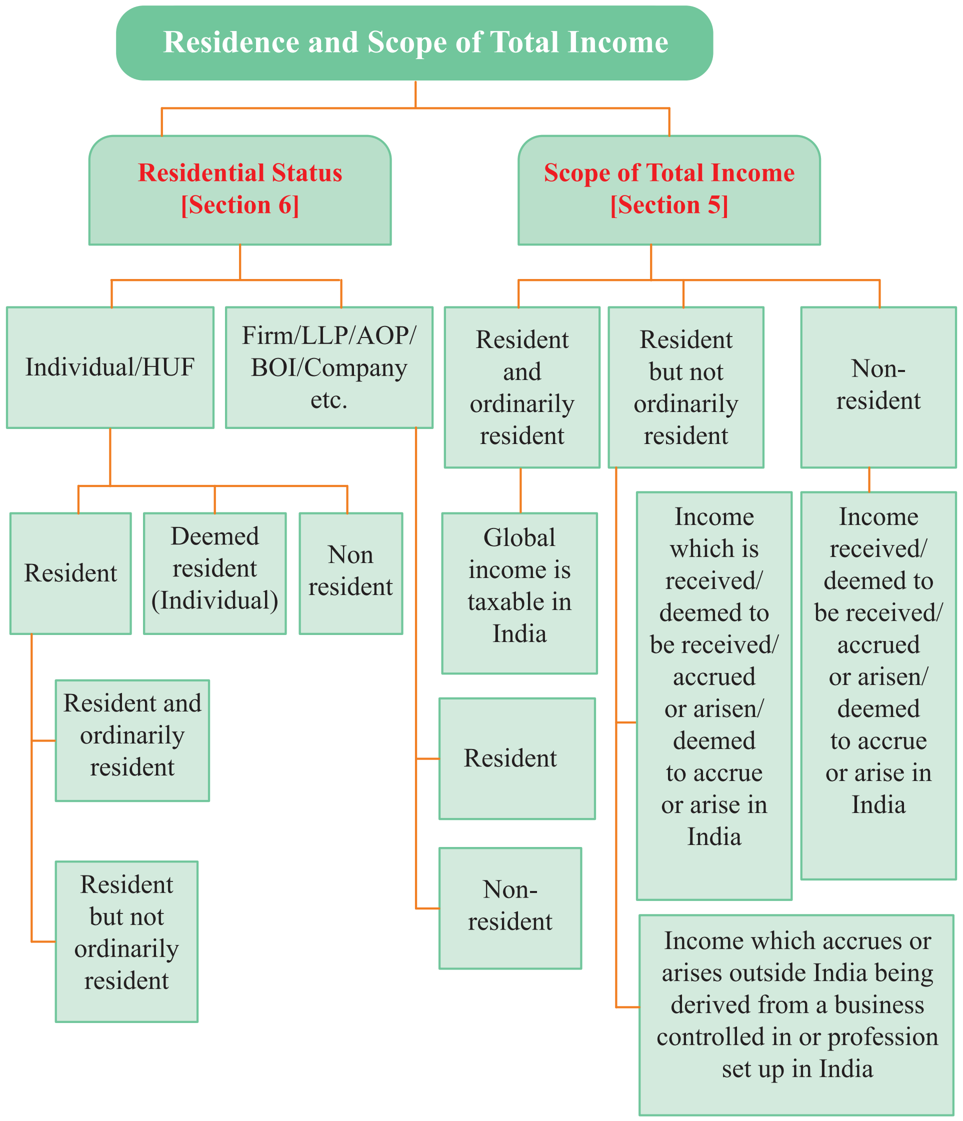
Domestic Company	Assessment Year
Where it opted for Section 115BA	25%
Where it opted for Section 115BAA [This benefit shall be available when total income of the company is computed without claiming specified deductions, incentives, exemptions and additional depreciation available under the Income-tax Act.]	22%
Where it opted for Section 115BAB [This regime shall be available only for the manufacturing companies incorporated in India on or after 01-10-2019 & commences manufacture of article or thing before 31.3.2024. Hence, old companies will not be able to take the benefit of this section.]	15%
Where it has not opted for Section 115BAA and the Total Turnover or Gross receipts of the company in the previous year 2022-23 does not exceeds 400 crore rupees.	25%
Any other domestic company	30%
Foreign Company	**35%**

6. **For Co-operative Society**

	Income Slabs	Tax Rates
i.	Where the taxable income does not exceed Rs. 10,000/-	10% of the income
ii.	Where the taxable income exceeds Rs. 10,000/- but does not exceed Rs. 20,000/-	Rs. 1,000/- + 20% of income in excess of Rs. 10,000/-

2 RESIDENTIAL STATUS & SCOPE OF TOTAL INCOME

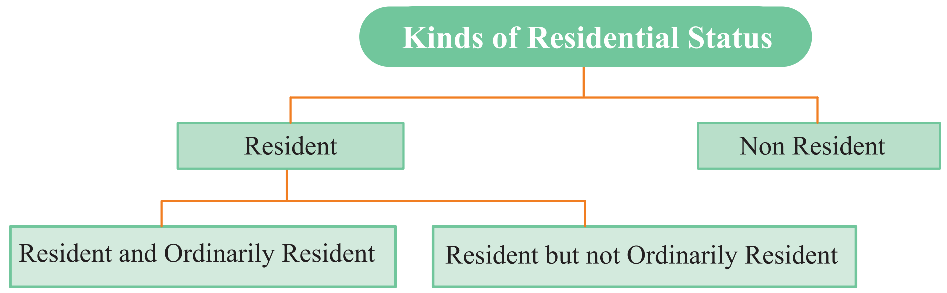
INTRODUCTION

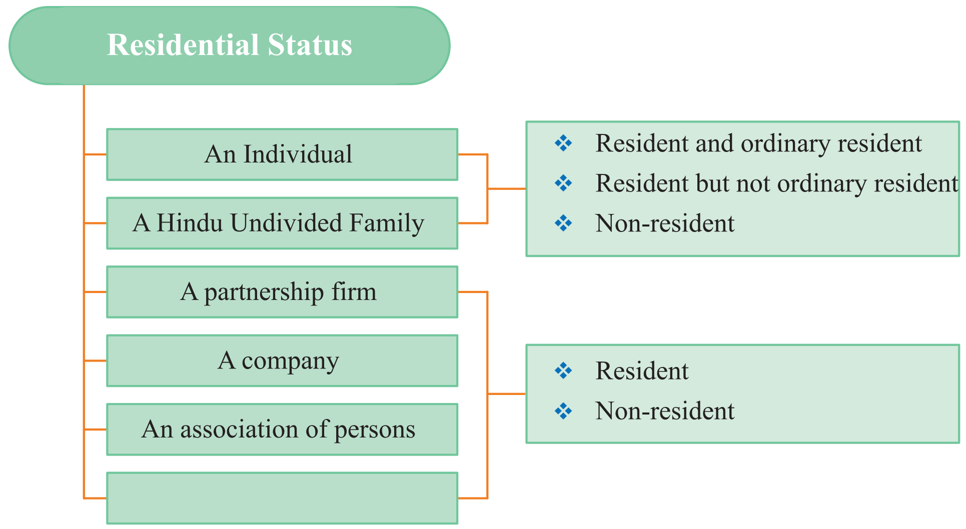


RESIDENTIAL STATUS (SECTION 6)

- It is important for the Income Tax Department to determine the residential status of a tax paying individual or company. In fact, this is one of the factors based on which a person's taxability is decided.
- The taxability of an individual in India depends upon his residential status in India for any particular financial year.
- An individual may be a citizen of India but may end up being a non-resident for a particular year. Similarly, a foreign citizen may end up being a resident of India for income tax purposes for a particular year.

HOW TO DETERMINE RESIDENTIAL STATUS?





RESIDENTIAL STATUS OF INDIVIDUALS

Basic Condition

Residential status on the basis of number of days of stay in India –

Under section 6(1), an individual is said to be resident in India, if he satisfies any one of the following two conditions:

1. He has been in India during the previous year for a total period of 182 days or more,

Or

2. He has been in India for at least 60 days or more in the relevant previous year and 365 days or more during the 4 years immediately preceding previous year.

Exceptions to Residential Status

The following categories of individuals will be treated as resident in India only if the period of their stay during the relevant previous year amounts to 182 days or more

- Indian citizen, who leaves India during the relevant previous year as a member of the crew of an Indian ship,
- Indian citizen, who leaves India during the relevant previous year for purposes of employment outside India,
- Indian citizen or person of Indian origin who, being outside India comes on a visit to India during the relevant previous year.

However, in case of Indian citizen or person of Indian origin having total income, other than the income from foreign sources exceeding Rs.15 lakhs during the previous year the period of 182 days shall be replaced by 120 days.

Deemed Resident

An Individual will be considered as Deemed Resident in the below case:

1. Individual being a Citizen of India,

AND

2. Having Total Income in excess 15 lakhs in the Previous Year (Other than foreign Source)

AND

3. Not liable to tax in any other country/territory, by reason of domicile, residence or any similar criteria.

NON-RESIDENT

An individual failing to satisfy the condition of stay in India for:

- 182 days or more in the previous year

Or

- 60 days or more in the previous year and 365 days in the 4 years preceding previous years

will be considered as a Non-Resident for that financial year.

ADDITIONAL CONDITION

Resident and ordinarily resident/Resident but not ordinarily resident

An individual He will be an ROR if he meets both of the following conditions:

1. Has been a resident of India in at least 2 out of 10 immediately previous years

And

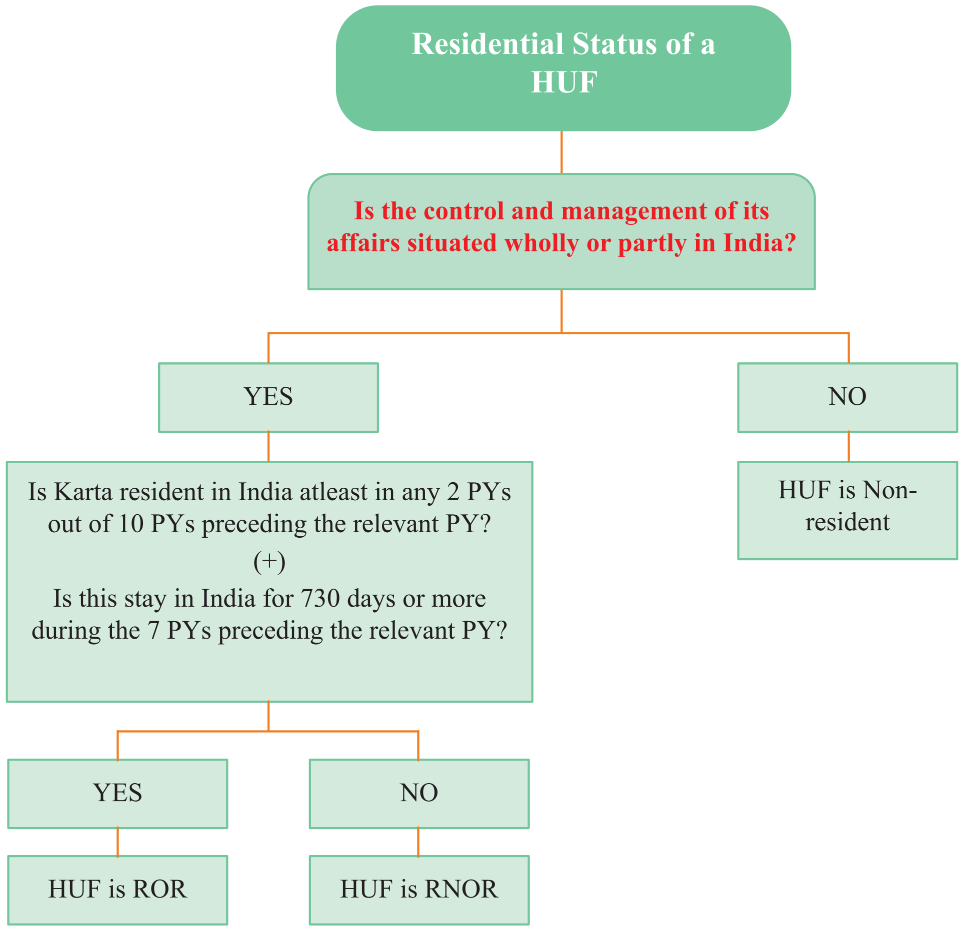
2. Has stayed in India for at least 730 days in 7 immediately preceding years

NOTES: If assessee fulfills both of the above conditions then he becomes ROR otherwise RNOR.

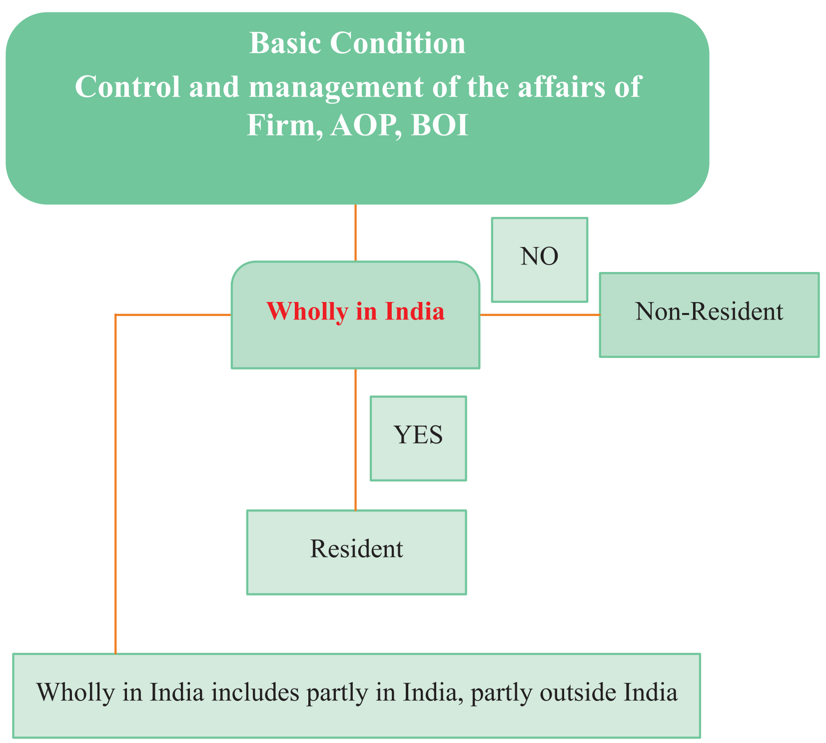
Therefore, there are 3 situations in which an individual is said to be RNOR

- If any individual fails to satisfy either or none of the above-mentioned conditions.
- If an individual is an Indian citizen or person of Indian origin having a total income more than exceeding Rs.15 lakhs (excluding foreign income), who has been in India for 120 days or more but less than 182 days during that previous year.
- If an individual is deemed to be a resident in India, by default, he will be considered as a Resident and Not Ordinarily Resident.

RESIDENTIAL STATUS OF HUF



RESIDENTIAL STATUS OF FIRM AOP/BOI



RESIDENTIAL STATUS OF COMPANY

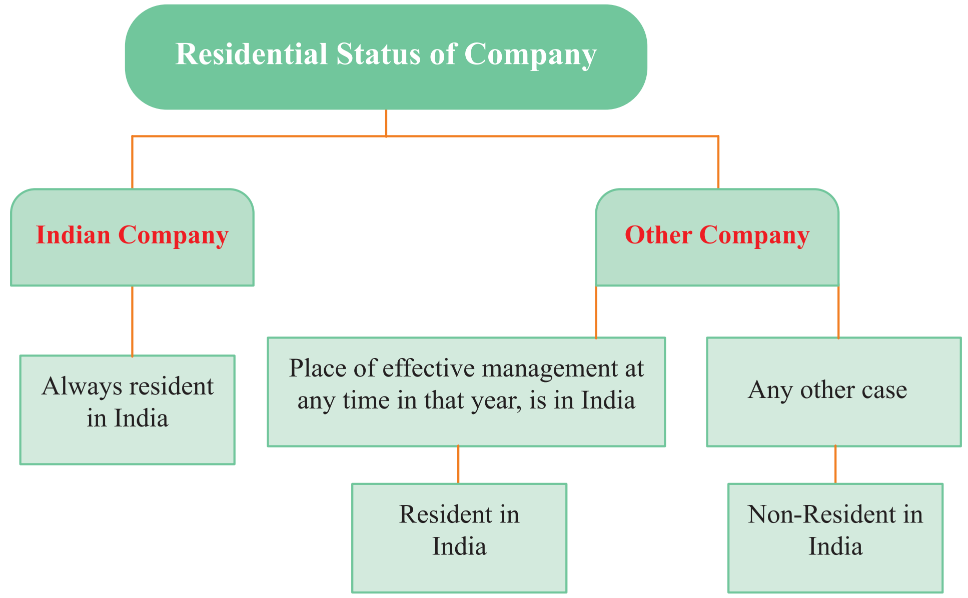
A company would be resident in India in any previous year, if-

1. It is an Indian company;

Or

2. Its place of effective management, in that year, is in India.

"Place of effective management" to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made



"PLACE OF EFFECTIVE MANAGEMENT" (POEM)

Criteria

As per the POEM guidelines, a company shall be said to be engaged in "active business outside India" if the passive income is not more than 50% of its total income and

1. less than 50% of its total assets are situated in India;

And

2. less than 50% of total number of employees are situated in India or are resident in India;

And

3. the payroll expenses incurred on such employees is less than 50% of its total payroll expenditure.

Determination of Poem will be a two stage process:

First Stage:

Identification or ascertaining the person or persons who actually make the key management and commercial decision for conduct of the company business as a whole.

Second Stage:

Determination of place here these decisions are in fact being made.

Note: The place where these management decisions are taken would be more important than the place where such decisions are implemented.

RESIDENTIAL STATUS OF LOCAL AUTHORITIES AND ARTIFICIAL JURIDICAL PERSONS

Resident:

Local authorities and artificial juridical persons would be resident in India if the control and management of its affairs is situated wholly or partly in India.

Non-resident:

Where the control and management of the affairs is situated wholly outside India, they would become non-residents.

SCOPE OF TOTAL INCOME (SECTION 5)

Section 5 provides the scope of total income in terms of the residential status of the assessee because the incidence of tax on any person depends upon his residential status.

The scope of total income of an assessee depends upon the following three important considerations:

1. The residential status of the assessee;
2. The place of accrual or receipt of income, whether actual or deemed; and
3. The point of time at which the income had accrued to or was received by or on behalf of the assessee.

The ambit of total income of the three classes of assessees would be as follows:

1. **RESIDENT AND ORDINARILY RESIDENT**

   According to Sub-section (1) of Section 5 of the Act, The total income of a resident and ordinarily resident assessee would consist of:

   i. Income received or deemed to be received in India during the previous year;
   ii. Income which accrues or arises or is deemed to accrue or arise in India during the previous year;
   iii. Income which accrues or arises outside India even if it is not received or brought into India during the previous year.

In simpler terms, a resident and ordinarily resident has to pay tax on the total income accrued or deemed to accrue, received or deemed to be received in or outside India during the relevant previous year.

2. **RESIDENT BUT NOT ORDINARILY RESIDENT**

   Under section 5(1), total income of resident but not ordinarily resident would consist of

   i. Income received or deemed to be received in India during the previous year;
   ii. Income which accrues or arises or is deemed to accrue or arise in India during the previous year;
   iii. Income derived from a business controlled in or profession set up in India, even though it accrues or arises outside India.

Note: All other income accruing or arising outside India which is not received or deemed to be received or deemed to accrue or arise in India would not be included in his total income.

3. **NON-RESIDENT**

   A non-resident's total income under section 5(2) includes:

   i. Income received or deemed to be received in India in the previous year; and
   ii. Income which accrues or arises or is deemed to accrue or arise in India during the previous year.

Note: All assessees, whether resident or not, are chargeable to tax in respect of their income accrued, arisen, received or deemed to accrue, arise or to be received in India whereas a resident alone (resident and ordinarily resident in the case of individuals and HUF) is chargeable to tax in respect of income which accrues or arises outside India.

3 INCOMES WHICH DO NOT FORM PART OF TOTAL INCOME

INTRODUCTION

Exemption:

- Exemptions are claimed on the basis of the source of income.
- The exempted income is not included in the total income of the assessee for computing Gross Total Income

Deduction:

- Deductions are allowed on the basis of the payments/investments made during the year.
- The tax deductions are allowed under different heads of income as well as from the gross income.

Rebate:

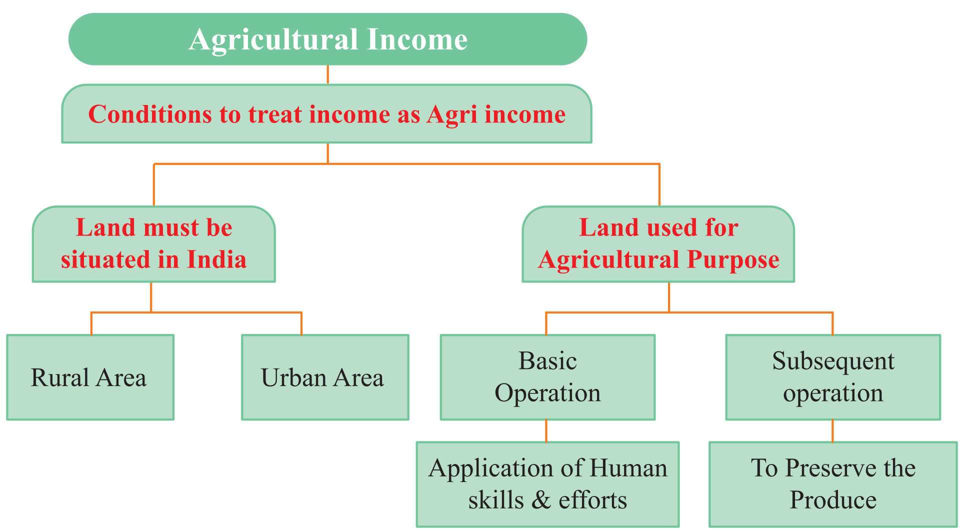
- Rebate is a percentage amount reduced from the total Income tax payable.
- Tax rebate is allowed as a reduction to the total tax payable.

EXEMPTIONS UNDER SECTION 10 The incomes which are exempt under section 10 will not be included for computing total income.

DEDUCTIONS UNDER CHAPTER VI-A Income from which deductions are allowable under Chapter VI-A will first be included in the gross total income (GTI) and then the deductions will be allowed from GTI

INCOMES NOT INCLUDED IN TOTAL INCOME [SECTION 10]

Agricultural Income [Section 10(1)]



DEFINITION OF AGRICULTURAL INCOME [SECTION 2(1A)]

1. Any rent or revenue derived from a land, which is situated in India and is used for agricultural purposes.
   - Rent may be in cash or in kind.
   - Assessee may be the owner or tenant of such land.
2. Any income derived from such land by agricultural operation.
3. Any income derived from such land by
   - The cultivator by processing the agricultural produce raised;
   - The receiver of rent in kind by processing the agricultural produce received; so as to render it fit for sale in market.
4. Any income derived from such land on sale made by
   - The cultivator of the agricultural produce raised;
   - The receiver of rent in kind of the agricultural produce received. Without carrying on any process, other than the process required to render it fit for the market.
5. Any income derived from a building subject to fulfilment of the following conditions
   - The building should be occupied by the cultivator or receiver of rent in kind.
   - The building should be on or in the immediate vicinity of the land, being situated in India and used for agricultural purposes.
   - The building should be used as dwelling house or store-house or other out building.

In addition to the above conditions any one of the following two conditions should also be satisfied

i. The land should either be assessed to land revenue in India or be subject to a local rate assessed an collected by the officers of the government as such or;

ii. Where the land is not so assessed to land revenue in India or is not subject to local rate:

  a. It should not be situated in any area as comprise within the jurisdiction of a municipality or a cantonment board and which has a population not less than 10,000, Or

  b. It should not be situated in any area within such distance, measured aerially, in relation to the range of population as shown hereunder –

SL. NO	Shortest aerial distance from the local limits of a municipality or cantonment board referred to in item a.	Population according to the last preceding census of which the relevant figures have been published before the first day of the previous year
(i)	≤ 2 Kilometers	> 10,000 ≤ 1,00,000
(ii)	≤ 6 Kilometers	> 1,00,000 ≤ 10,00,000
(iii)	≤ 8 Kilometers	> 10,00,000

Note: Profit on transfer of agricultural land: Profit on transfer of agricultural land shall not be treated as agricultural income.

STEPS FOR AGGREGATION OF AGRICULTURAL INCOME

Step 1: Calculate basic tax on agricultural income and non-agricultural income

Step 2: Calculate tax on Agricultural income + Basic exemption

Tax Liability = Step 1 –Step 2

[Add Surcharge and Health and Education Cess, as applicable.]

Note: The concept of aggregation is applicable only for individuals & HUF.

AGRICULTURE INCLUDES 2 OPERATIONS

Basic Operations:

Those operations by agriculturists which are absolutely necessary for the purpose of effectively raising produce from the land are the basic operations.

Subsequent Operations:

Operations to be performed after the produce sprouts from the land (e.g., weeding, digging etc.) are subsequent operations. These subsequent operations would be agricultural operations only when taken in conjunction with and as a continuation of the basic operations.

RULE 7

Where income is partially agricultural income and partially income chargeable to income-tax as business income, the market value of any agricultural produce so raised by the assessee, which has been further utilised such business shall be deducted.

Determination of market value - There are two possibilities here:

i. The agricultural produce is capable of being sold in the market either in its raw stage or after application of any ordinary process to make it fit to be taken to the market. In such a case, the value calculated at the average price at which it has been so sold during the relevant previous year will be the market value.

ii. It is possible that the agricultural produce is not capable of being ordinarily sold in the market in its raw form or after application of any ordinary process. In such case the market value will be the total of the following:—
   - The expenses of cultivation;
   - The land revenue or rent paid for the area in which it was grown; and
   - Such amount as the Assessing Officer finds having regard to the circumstances in each case to represent at reasonable profit.

4 INCOME UNDER THE HEAD SALARY

INTRODUCTION

The provisions pertaining to Income under the head "Salaries" are contained in section 15, 16 and 17 in the following manner.

- Chargeability [Section 15]
- Deduction [Section 16]
- Constituents [Section 17]

BASIC OF CHARGE (SECTION 15)

- Salary is taxable on due or receipt basis whichever is earlier.
- Advance salary is taxable on receipt basis
- Advance salary V/s. Advance against salary; Advance salary is taxable/s 17(1) (e) whereas Advance against salary' is treated a loan hence not taxable
- Arrears of salary (means any increment with salary on retrospective effect) is taxable on Receipt basis, if the same has not been subjected to tax earlier on due basis.
- Even if any part of salary is foregone by the employee voluntarily, still it will be taxable in his hands.

COMPUTATION OF SALARY INCOME

Particulars	(Rs.)
Income from Salary	
Salary	xxxxx
Allowances received (taxable allowances)	xxxxx
Taxable value of perquisite	xxxxx
Gross Salary	xxxxx
Less: Deduction under section 16	
Standard Deduction	(xxxxx)
Professional Tax	(xxxxx)
Entertainment allowance	(xxxxx)
Income from Salary	xxxxxxx

CONSTITUENTS OF SALARY (SECTION 17)

Section 17(1), defined the term "Salary". It is an inclusive definition and includes monetary as well as non-monetary items.

ALLOWANCES

Allowance can be defined as a fixed amount either in the form of money or otherwise, given regularly in addition to salary for the purpose of meeting a particular requirement connected with the services rendered by the employee or as a compensation for unusual / peculiar conditions of that service.

Allowances

Fully Exempt	Partly Taxable	Fully Taxable
(Allowances to HC / SC Judges & to Govt. Employees outside India)	(HRA u/s 10(13A) & Special Allowances u/s 10(14) included)	(Entertainment, Dearness, Overtime, City Compensatory, Servant, Meal Allowances)

FULLY TAXABLE

- Dearness Allowance, Additional Dearness Allowance and Dearness Pay
- Fixed Medical Allowance
- Tiffin/Lunch/Dinner Allowance
- Servant Allowance
- Non-practicing Allowance
- Hill Allowance
- Warden Allowance and Proctor Allowance
- Deputation Allowance
- Overtime Allowance
- Other Allowance

PARTLY TAXABLE ALLOWANCE

Leave Travel Concession (Section 10(5))

- This clause exempts leave travel concession (LTC) received by employees from their employers for proceeding to any place in India,
- The benefit is available for assessee, spouse, children and (dependent) parents/ brother/sister.
- Exemption will be available in respect of 2 journeys performed in a block of 4 calendar years. The block applicable for the current period is calendar year 2022-25
- Where such travel concession or assistance is not availed by the individual during any block of 4 calendar years, one such unavailed LTC will be carried forward to the immediately succeeding block of 4 calendar years and will be eligible for exemption if used in the first year of the block.
- The exemption referred to shall not be available to more than two surviving children of an individual on or after 1.10.1998. This restrictive sub-rule shall not apply in respect of children born before 1.10.1998 and also in case of multiple births after one child.

Other provisions to be kept in mind in this regard are as follows:

Where journey is performed by air	Where journey is performed by rail	Where journey is performed by any other mode and the place of origin of journey and destination are connected by rail.
Amount of exemption will be lower of amount of economy class air fare of the National Carrier by the shortest route or actual amount spent.	Amount of exemption will be lower of amount of air-conditioned first-class rail fare by the shortest route or actual amount spent.	Same rule will apply

Where the place of origin and destination are not connected by rail and journey is performed by any mode of transport other than by air. The exemption will be as follows:

If recognised public transport exists	If no recognised public transport exists
Exemption will be lower of first class or deluxe class fare by the shortest route or actual amount spent.	Exemption will be lower of amount of air conditioned first class rail fare by the shortest route (considering as if journey is performed by rail) or actual amount

HOUSE RENT ALLOWANCE (SECTION 10(13A))

House Rent Allowance (HRA) received by an employee is exempt to the extent of least of the following.

1. An amount equal to 50% of salary, if residential house is situated at Mumbai, Delhi, Kolkata or Chennai & 40% of salary where residential house in other place,
2. House Rent Allowance actually received by the employee
3. Rent paid minus 10% of salary.

Note: Salary for the purpose of HRA = Basic + DA (If forming part of salary/ retirement benefit) + Commission as a fixed % of Turnover.

SPECIAL ALLOWANCES (SECTION 10(14))

Allowances prescribed for the purposes of section 10(14)(ii)

Allowances	Exemption Limit
Children Education Allowance	Rs.100 per month per child upto a maximum of two children.
Hostel Expenditure Allowance	Rs.300 per month per child upto a maximum of two children.
Transport Allowance granted to an employee to meet expenditure on commuting between place of residence and place of duty. Consequent to introduction of Standard Deduction under section 16, exemption of transport allowance of Rs.1600 p.m. is withdrawn.	Only Rs. 3,200 per month for blind, handicapped, deaf and dumb employee is exempt
Any allowance granted to an employee working in any transport system to meet his personal expenditure during his duty performed in the course of running such transport from one place to another, provided that such employee is not in receipt of daily allowance	Least of the following in exempt: 70% of such allowance or Rs. 10,000 per month
Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office	Exempt to the extent of expenditure incurred for official purpose
Traveling Allowance to meet the cost of travel on tour or on transfer for official purpose	Exempt to the extent of expenditure incurred for official purpose
Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal duty	Exempt to the extent of expenditure incurred for official purpose
Helper/Assistant Allowance	Exempt to the extent of expenditure incurred for official purpose
Research Allowance granted for encouraging the academic research and other professional pursuits.	Exempt to the extent of expenditure incurred for official purpose
Uniform Allowance	Exempt to the extent of expenditure incurred for official purpose
Special Compensatory Allowance (Hilly Areas) (Subject to certain conditions and locations)	Amount exempt from tax varies from Rs. 300 to Rs.7,000 per month.
Border area, Remote locality or Disturbed area or Difficult area Allowance (Subject to certain conditions and locations)	Amount exempt from tax varies from Rs. 200 to Rs.1,300 per month.
Tribal area allowance in Madhya Pradesh, Tamil Nadu, U.P, Karnataka, Tripura, Assam, West Bengal, Bihar, Orissa	Rs. 200 month.

Allowances	Exemption Limit
Compensatory Field Area Allowance. If this exemption is taken, employee cannot claim any exemption in respect of border area allowance (Subject to certain conditions and locations)	Up to Rs. 2,600 per month
Compensatory Modified Area Allowance. If this exemption is taken, employee cannot claim any exemption in respect of border area allowance (Subject to certain conditions and locations)	Up to Rs. 1,000 per month
Counter Insurgency Allowance granted to members of Armed Forces operating in areas away from their permanent locations. If this exemption is taken, employee cannot claim any exemption in respect of border area allowance (Subject to certain conditions and locations)	Up to Rs. 3,900 per month
Underground Allowance to employees working In uncongenial, unnatural climate in underground mines	Up to Rs. 800 per month
High Altitude Allowance granted to armed forces operating in high altitude areas (Subject to certain conditions and locations)	(a) Up to Rs. 1,060 per month (for altitude of 9,000 to 15,000 feet) (b) Up to Rs. 1,600 per month (for altitude above 15,000 feet)

ANNUITY/PENSION

Pension is a periodical payment in consideration of past services of the retired employees. The pension is payable for the remaining life of the employee. In case of family pension, it is even paid to the surviving spouse of the deceased employee.

Employee can get pension in following two forms.

Uncommuted Pension
- Received Periodically
- Fully Taxable for all employees

Commuted Pension
- Received in Lumpsum (whole or in part)
- Future right to receive payments given up to receive immediate lumpsum **(refer below for the treatment)**

COMMUTED PENSION

Pension
- **Commuted Pension (Lump sum Pension)**
  - Government Employee (exempt)
  - Non-Government Employee
    - If Gratuity is received: 1/3 of the full value of commuted pension is exempt
    - If Gratuity is not received: 1/2 of the full value of commuted pension is exempt
- **Un-commuted Pension (Monthly Pension)**
  - Fully Taxable to All Employee

Tax Treatment

Pension	Govt. Employee (Central / State / Local authority / statutory corporation)	Non Govt. Employee
Uncommuted	Fully taxable	Fully taxable
Commuted	Fully exempt u/s 10(10A)(i)	If Gratuity is received: 1/3 of the full value of commuted pension is exempt
		If Gratuity is not received: 1/2 of the full value of commuted pension is exempt

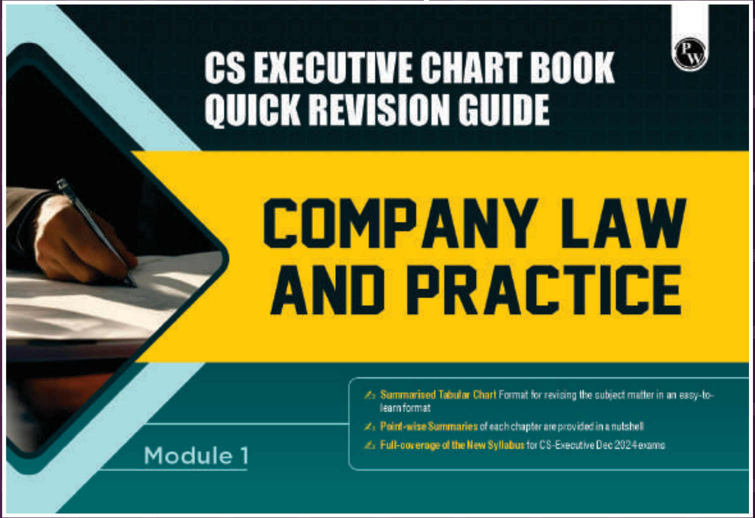
GRATUITY (SECTION 10(10))

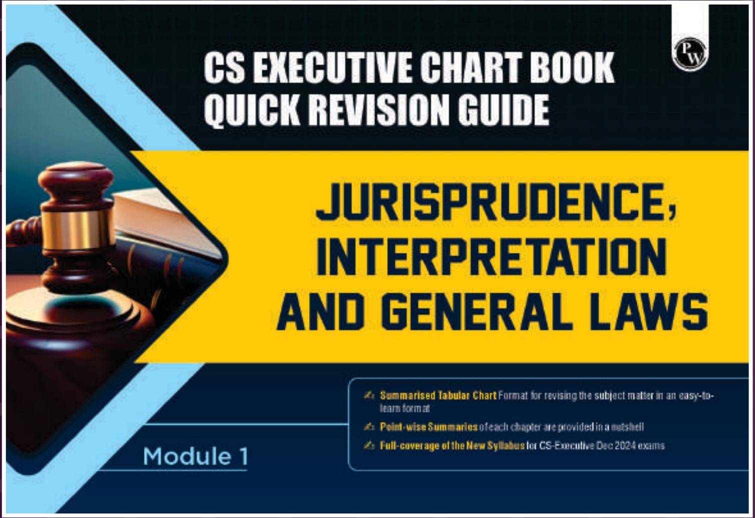
Gratuity
- **Received during the continuation of Employment**
  - Fully Taxable to all employee
- **AT the time of retirement**
  - Government Employee (Central / State / Local / Authority Sec 10(10)(i)
    - Fully Exempt
  - Non-Government Employee
    - Covered by Payment of Gratuity Act 1972 (Sec (10(10)(ii))
      - Fully or Partly exempt subject to condition
    - Not covered by payment of Gratuity Act (Sec 10(10)(iii))
      - Fully or Partly Exempt subject to condition
- **Death cum retirement gratuity**

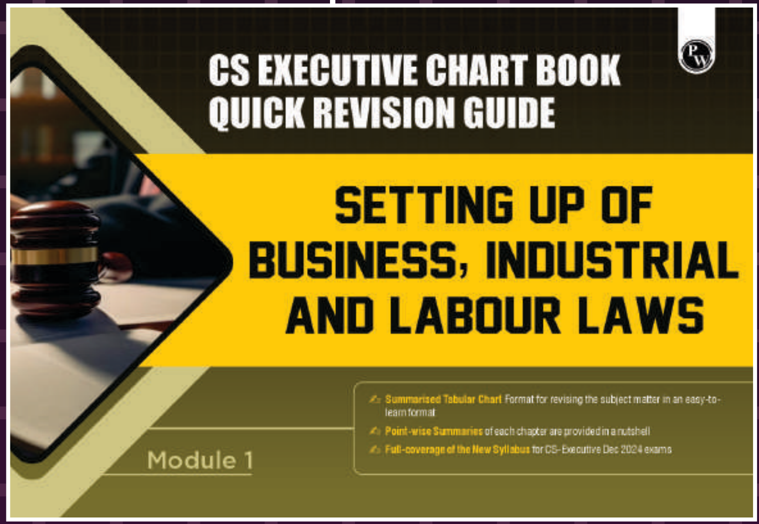
Tax Treatment

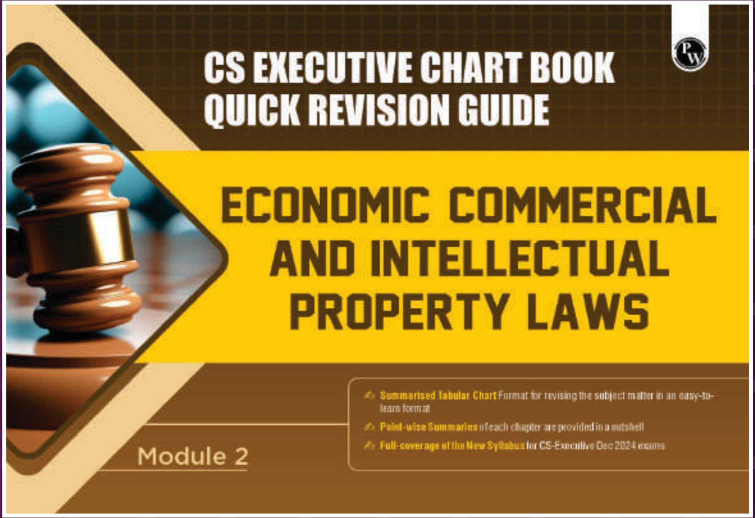
S.NO.	Cases	Tax Treatment
1	Gratuity received during continuation of service	Fully taxable for all employee [Govt. + Non Govt.]
2	Received at the time of Termination of service/Death by government employees	The Gratuity received by employees of Central or State Government or Local Authority is fully exempt [Sec.10(10)(i)]

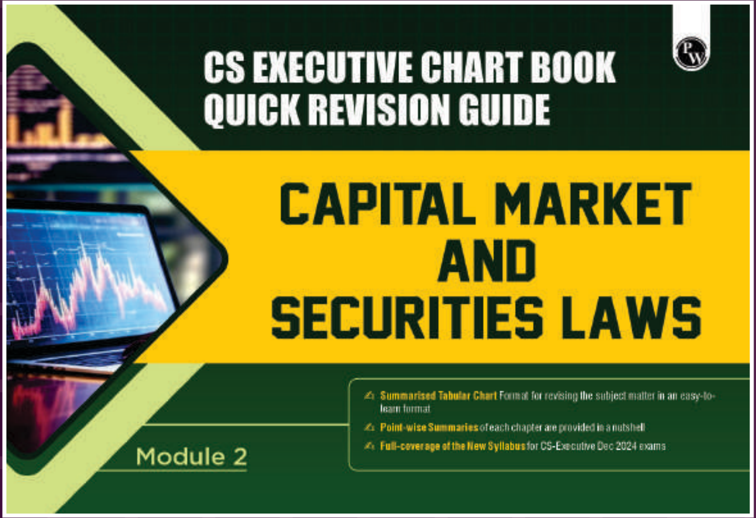
COMPLETE YOUR PREPARATION

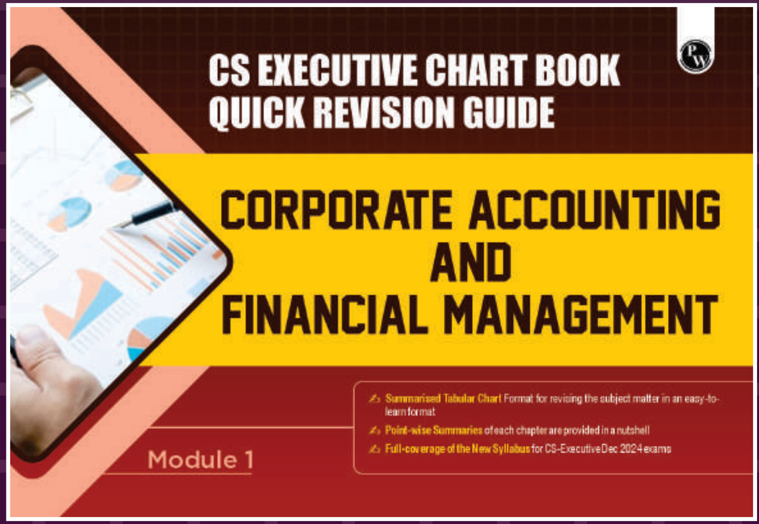












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