Chapter - 5

Income from Salaries

Computation of Taxable Income from Salary for the A. Y. 2019-20

Basic Salary		✓
D.A / D.S		✓
Entertainment Allowance		✓
Employer contribution to R.P.F		✓
Excess of 12% of Salary		✓
Int. on R.P.F excess of 9.5%		✓
Bonus		✓
Gratuity		✓
Rent free house facilities		✓
House Rent Allowance		✓
Gas		✓
Gardener		✓
Electricity		✓
Motor Car		✓
Sweeper		✓
less:- i) Standard deduction	40000	
ii) Entertainment Allowance (Max. limit 5000) (Govt. Empty)		
iii) Professional Tax	—	—
Taxable Salary		=

Date
Page

1. House Rent allowance

The amount which ever lower is exempted for Tax.

i) H.R.A received
ii) Excess of rent paid over 10% of Salary
iii) 50% of Salary

Note :- For 50% — Mumbai, Kolkata, Delhi, Chennai
For 40% — Rest india

Salary = Basic Salary + D.A (Under service condition) + Commission on sales.

2. Valuation of rent free house facilities.

a) For government employee :

Amount determined by govt. —
(+) 10% of furniture —
—
(-) Amount paid by Employee —
—
V.R.F.H.F —

b) For others

15%, 10%, 7.5% of Salary —

(+) 10% of furniture —

(-) Amount paid by Employee —

V.R.F.A.F =

1) Population - 2001
Excess 25 lac → 15%
10 - 25 → 10%
Below 10 lac → 7.5%

3) Motor Car

i) If car owner is Employer

Use → Personal Exp. Employer

Exp. of car for running —
Salary of driver —
Dpn of Car @10% p.a. —

(-) Amount paid by Employee =
Value of Motor Car

ii) If car leased or Rented

Use - Personal, Expenses by Employer

Exp. of Car —
Salary of Driver —
—
(-) Amount paid by Employee —
—

iii) If Car leased or rented

Use - Private + Office
Exp... - Employer.

Small Car (1.6L) 1800 P.m
Large Car (1.6 L Excess) 2400 P.m
(+) Driver 900 P.m

Exp. by Employee

Small Car 600 p.m
Large Car 900 p.m
Driver 900 p.m.

iv) More than one car

Ist Car

Small 1800 p.m.
Large 2400 p.m.
Driver 900 p.m

Hindustan
Date
Page

Other Car

It is assumed personal use

I. a) Owner of Car - Employee
Expenses - Employer
Use - Office
Value - Nil

b) Owner of Car - Employee
Expenses - Employer
Use - Office + personal

Small Car - 1800
Large Car - 2400
driver - 900 p.m.

4) Free Breakfast

Tax - Exempt
Food (lunch) - Exempt till 50/meal

5) Gift - Exempt till ₹ 5000

6) Provident Fund

i) Statutory P. Fund - Not taxable
ii) Recognised P. Fund - Taxable Excess of 12% of Salary
iii) Unrecognised P. F - 1/2 Taxable

Scanned with CamScanner

Hindustan
Date
Page

iv) Public P.F - Exempt

7) Standard deduction -> 40000

8) Entertainment allowance -> for Govt. employee.

The amount which ever is lower is deductable.

a) Entertainment allowance received
b) 20% of Salary
c) Maximum limit 5000

9) Int. on R.P.F
Excess of 9.5% of Amt.

Int. 12000
9.5 9500 2500

ii) Employer Govt. to R.P.F excess of 12% of Salary

$15000 \times 12 = 180000 \times \frac{3}{100} = 5400$

7900

10) For pilot flight allowance

Exemption the amt. which ever is lower

i) 70% of allowance
ii) 10000 @ p.m.

11) Medicial allowance

Expenses on travelling abroad if Gross total Income not exceeds 200000 —— no exemption

12) Educational Allowance, Children

100 @ p.m. per child (Maxi 2 child)

13) Children hostel allowance

300 @ p.m. per child (Maxi 2 child)

14) Compensatory field area allowance = 2600 @ p.m.

15) Field area allowance 1000 @ p.m.

16) Special allowance 3900 @ p.m.

Scanned with CamScanner