



SYNOPSIS

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**15. SALARIES.**

**15(1): Income Chargeable Under the Head “Salaries”**

**The following income shall be chargeable to income-tax under the head “Salaries”:**—

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

**(b) any salary paid or allowed to him in the tax year by or on behalf of an employer though not due or before it became due to him;**



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

**15(2): Employer Includes Former Employer**

For the purposes of sub-section (1), employer includes former employer.

**15(3): No Double Taxation of Advance Salary**

If any salary paid in advance is included in the total income of any person for any tax year, it shall not be included again in the total income of such person when the salary becomes due.

**15(4): Partner’s Remuneration Not Treated as Salary**

Any salary, bonus, commission or remuneration, by whatever name called, due to, or received by, a partner of a firm from the firm shall not be regarded as salary for the purposes of this section.

**16. INCOME FROM SALARY.**

**16: Income from Salary**

For the purposes of this Part, “salary” includes—

- (a) wages;
- (b) any annuity or pension;
- (c) any gratuity;
- (d) any fees or commission;
- (e) perquisites;

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- (f) profits in lieu of, or in addition to, any salary or wages;**
- (g) any advance of salary;**
- (h) any payment received by an employee in respect of any period of leave not availed of by him;**
- (i) the annual accretion to the balance at the credit of an employee participating in a recognised provident fund, to the extent to which it is chargeable to tax as per paragraph 6 of Part A of Schedule XI;**
- (j) the aggregate of all sums that are comprised in the transferred balance as referred to in paragraph 11(2) of Part A of Schedule XI of an employee participating in a recognised provident fund, to the extent to which it is chargeable to tax under sub-paragraphs (4) and (5) thereof;**
- (k) the contribution made by the Central Government or any other employer in any tax year, to the account of an employee under a pension scheme referred to in section 124; and**
- (l) the contribution made by the Central Government in any tax year, to the Agniveer Corpus Fund account of an individual enrolled in the Agnipath Scheme referred to in section 125.**

## **17. PERQUISITE**

### **17(1): Perquisite**

**For the purposes of this Part, “perquisite” includes—**

- (a) the value of rent-free accommodation provided to the assessee by his employer computed in such manner as may be prescribed;**

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**(b) the value of any accommodation, computed in such manner as may be prescribed, provided to the assessee by his employer at a concessional rate which is in excess of rent recoverable from or payable by the assessee;**

**(c) the value of any benefit or amenity granted or provided free of cost or at concessional rate in the following cases:—**

**(i) by a company to an employee, who is a director thereof or who has a substantial interest in the company;**

**(ii) by any employer (including a company) to an employee other than employee referred in sub-clause (i) whose income under the head “Salaries” by way of monetary payment (from one or more employers) exceeds such amount as may be prescribed;**

**(d) the value of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the current employer, or former employer, free of cost or at concessional rate to the assessee;**

**(e) the value of any other benefit or amenity, as may be prescribed;**

**(f) any sum paid by the employer in respect of any obligation which, but for such payment, would have been payable by the assessee;**

**(g) any sum payable by the employer to effect an assurance on the life of the assessee or to effect a contract for an annuity, whether directly or through a fund, other than—**

**(i) a recognised provident fund; or**

**(ii) an approved superannuation fund; or**

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**(iii) a Deposit-linked Insurance Fund established under—**

**(A) section 3G of the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948; or**

**(B) section 6C of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952;**

**(h) aggregate amount of any contribution, in excess of ₹ 750000 in a tax year, made to the account of the assessee by the employer—**

**(i) in a recognised provident fund;**

**(ii) in the scheme referred to in section 124(1); and**

**(iii) in an approved superannuation fund;**

**(i) the annual accretion by way of interest, dividend or any other amount of similar nature during the tax year to the balance at the credit of the fund or scheme referred to in clause (h), computed in such manner, as may be prescribed (to the extent it relates to the contribution referred to in the said clause in any tax year).**

### **17(2): Exclusions from Perquisites**

**Nothing in sub-section (1) shall apply to—**

**(a) the value of any medical treatment provided to an employee or any member of his family in any hospital maintained by the employer;**

**(b) any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family—**

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**(i) in any hospital maintained by the Government, or any local authority, or any other hospital approved by the Government for the purposes of medical treatment of its employees;**

**(ii) in respect of the prescribed diseases or ailments, in any hospital approved by the Principal Chief Commissioner or Chief Commissioner having regard to such guidelines as may be issued in this behalf;**

**(c) any portion of the premium paid by an employer in relation to an employee, to effect or to keep in force an insurance on the health of such employee under any scheme approved, for the purposes of section 30(c), by the—**

**(i) Central Government; or**

**(ii) Insurance Regulatory and Development Authority established under section 3(1) of the Insurance Regulatory and Development Authority Act, 1999;**

**(d) any sum paid by the employer in respect of any premium paid by the employee to effect or to keep in force an insurance on his health or the health of any member of his family under any scheme, approved for the purposes of section 126, by the— (i) Central Government; or**

**(ii) Insurance Regulatory and Development Authority established under section 3(1) of the Insurance Regulatory and Development Authority Act, 1999;**

**(e) any expenditure incurred by the employer for the use of any vehicle for journey by the assessee from his residence to his office or other place of work, or from such office or place to his residence;**

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**(f) any expenditure incurred by the employer, or any sum paid by the employer in respect of any expenditure actually incurred by the employee, on—**

**(i) medical treatment of the employee or any family member of such employee outside India;**

**(ii) travel and stay abroad for the employee or any member of the family of such employee for medical treatment;**

**(iii) travel and stay abroad of one attendant who accompanies the patient in connection with such treatment.**

**17(3): Conditions for Exclusion of Foreign Medical Treatment and Travel**

**For the purposes of sub-section (2) (f),—**

**(a) the expenditure on medical treatment and stay abroad shall be excluded from the perquisite only to the extent permitted by the Reserve Bank of India; and**

**(b) the expenditure on travel shall be excluded from perquisite only in the case of an employee whose gross total income, as computed before including therein the said expenditure, does not exceed such amount as may be prescribed.**

**17(4): Definitions for This Section**

**For the purposes of this section,—**

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

**(b) “family”, in relation to an individual, shall have the meaning assigned to it in Schedule III (Note 2);**

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(c) “gross total income” shall have the meaning assigned to it in section 122(10);

(d) “hospital” includes a dispensary or a clinic or a nursing home;

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

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

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

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

## **18. PROFITS IN LIEU OF SALARY**

### **18(1): Profits in Lieu of Salary**

For the purposes of this Part, “profits in lieu of salary” includes,—

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**(a) the amount of any compensation due to, or received by, an assessee from his employer or former employer at or in connection with the—**

**(i) termination of his employment; or**

**(ii) modification of the terms and conditions relating thereto;**

**(b) any amount due to, or received, whether in lump sum or otherwise, by any assessee from any person—**

**(i) before his joining any employment with that person; or**

**(ii) after cessation of his employment with that person;**

**(c) any payment due to or received by an assessee—**

**(i) from an employer or a former employer; or**

**(ii) from a provident or other fund, to the extent to which it does not consist of contributions by the assessee or interest on such contributions; or**

**(iii) any sum received under a Keyman insurance policy as defined in Schedule II (Note 1), including the sum allocated by way of bonus on such policy.**

**18(2): Exclusions from Payments Treated as Profits in Lieu of Salary**

The payment referred in sub-section (1)(c) shall not include any payment referred to in— (a) Schedule II (Table: Sl. No. 3); (b) Schedule II (Table: Sl. No. 4); (c) Schedule II (Table: Sl. No. 8); and (d) Schedule III (Table: Sl. No. 11).

**19. DEDUCTIONS FROM SALARIES.**

**19(1): Deductions from Salaries**

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The income chargeable under the head “Salaries” shall be computed after making the deductions in respect of sums of the nature mentioned in column B of the following Table, not exceeding the amount as mentioned in column C thereof: —

Table

| Sl. No. | Nature of sum                                                                                                            | Amount of deduction                                                                                                                                                        |
|---------|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A       | B                                                                                                                        | C                                                                                                                                                                          |
| 1       | Sum paid by the assessee as a tax on employment as per Article 276(2) of the Constitution, leviable by or under any law. | Entire amount.                                                                                                                                                             |
| 2       | Standard deduction                                                                                                       | (a) ₹ 75,000 or the salary, whichever is less, where income-tax is computed under section 202(1);<br><br>(b) ₹ 50,000 or the salary, whichever is less, in any other case. |
| 3       | Death-cum-retirement gratuity received as referred to in sub-section (2) (g).                                            | Entire amount.                                                                                                                                                             |
| 4       | Payment of retiring gratuity received under the Pension Code or Regulations                                              | Entire amount.                                                                                                                                                             |

| Sl. No. | Nature of sum                                                                                                                                                                        | Amount of deduction                                                                                                                                                                                                                                                                                                                 |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A       | B                                                                                                                                                                                    | C                                                                                                                                                                                                                                                                                                                                   |
|         | applicable to members of the defence services.                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                     |
| 5       | Gratuity received under the Payment of Gratuity Act, 1972 (39 of 1972).                                                                                                              | Amount received, restricted to the amount calculated as per section 4(2) and (3) of the said Act.                                                                                                                                                                                                                                   |
| 6       | Any other gratuity received by an employee—<br>(i) on his retirement; or<br>(ii) on his becoming incapacitated before such retirement; or<br>(iii) on termination of his employment. | Minimum of:<br>(a) Actual gratuity received;<br>(b) Amount specified by the Central Government, having regard to the limit applicable to employees of the Central Government; and<br>(c) Half month's salary for each completed year of service, calculated as:<br><br>Amount = (A × B)<br><br>where—<br><br>A = Average salary for |

| Sl. No. | Nature of sum                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Amount of deduction                                                                                                    |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| A       | B                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | C                                                                                                                      |
|         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>ten months immediately preceding the month when such event occurs;</p> <p><b>B = Number of completed years.</b></p> |
| 7       | <p><b>Payment in commutation of pension received—</b></p> <p><b>(a) under the Civil Pensions (Commutation) Rules of the Central Government; or</b></p> <p><b>(b) under any similar scheme applicable to—</b></p> <p><b>(i) the members of the civil services of the Union or holders of posts connected with defence or of civil posts under the Union, such members or holders not covered under (a);</b></p> <p><b>(ii) the members of the all-India services;</b></p> <p><b>(iii) the members of the defence services;</b></p> | <p><b>Entire amount.</b></p>                                                                                           |

| Sl. No. | Nature of sum                                                                                                                                                                                                                       | Amount of deduction                                                                                                                                                                                                                                                                                                                                  |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A       | B                                                                                                                                                                                                                                   | C                                                                                                                                                                                                                                                                                                                                                    |
|         | <p>(iv)the members of the civil services of a State, or the holders of civil posts under a State; or</p> <p>(v)the employees of a local authority or a corporation established by a Central Act or State Act or Provincial Act.</p> |                                                                                                                                                                                                                                                                                                                                                      |
| 8       | <p>Payment in commutation of pension under any scheme from any other employer.</p>                                                                                                                                                  | <p>The commuted value shall be determined having regard to the age, health, rate of interest, and officially recognised mortality tables:</p> <p>(a) Where the employee has received gratuity – the commuted value of one-third of the pension normally entitled;</p> <p>(b) In any other case – the commuted value of one-half of such pension.</p> |

| Sl. No. | Nature of sum                                                                                                                                                                                                                                                                                                                             | Amount of deduction                                                                                                                                                                                                                         |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A       | B                                                                                                                                                                                                                                                                                                                                         | C                                                                                                                                                                                                                                           |
| 9       | Payment in commutation of pension received from a fund specified in Schedule VII (Table: Sl. No. 3).                                                                                                                                                                                                                                      | Entire amount.                                                                                                                                                                                                                              |
| 10      | <p>Compensation received by a workman at the time of his retrenchment—</p> <p>(a) under the Industrial Disputes Act, 1947 (14 of 1947); or</p> <p>(b) under any other Act or rules/orders/notifications issued thereunder; or</p> <p>(c) under any standing orders; or</p> <p>(d) under any award, contract of service, or otherwise.</p> | <p>Minimum of:</p> <p>(a) Compensation received;</p> <p>(b) Amount calculated as per section 25F(b) of the Industrial Disputes Act, 1947;</p> <p>(c) Such amount (not less than ₹ 50,000) as may be notified by the Central Government.</p> |
| 11      | In case of compensation referred to in Sl. No. 10, where such compensation is in accordance with a scheme approved by the Central Government, having regard to:                                                                                                                                                                           | Compensation received.                                                                                                                                                                                                                      |

| Sl. No. | Nature of sum                                                                                                                                                        | Amount of deduction                                                                                            |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| A       | B                                                                                                                                                                    | C                                                                                                              |
|         | <p>(a) The need for extending special protection to the workmen in the undertaking; and</p> <p>(b) Other relevant circumstances.</p>                                 |                                                                                                                |
| 12      | Amount received or receivable on voluntary retirement or termination of service under a scheme of voluntary retirement, as referred to in sub-section (2)(h).        | <p>Minimum of:</p> <p>(a) Compensation received; and</p> <p>(b) ₹ 5,00,000.</p>                                |
| 13      | Payment received by a Central/State Government employee as cash equivalent of leave salary for earned leave at the time of retirement (superannuation or otherwise). | Entire amount.                                                                                                 |
| 14      | Payment of the nature referred to in Sl. No. 13, received by a non-Central/State Government employee.                                                                | <p>Amount being minimum of—</p> <p>(a) the cash equivalent of the leave salary in respect of the period of</p> |

| Sl. No. | Nature of sum | Amount of deduction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A       | B             | C                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|         |               | <p>earned leave at his credit at the time of his retirement, whether on superannuation or otherwise (entitlement of earned leave shall not exceed thirty days for every year of actual service);</p> <p>(b) amount “A”,</p> <p>where,—</p> <p><math>A = 10 \times B</math>;</p> <p><b>B = average monthly salary for the ten months immediately preceding his retirement whether on superannuation or otherwise;</b></p> <p>(c) amount as the Central Government may, by notification, specify in this behalf having regard to the limit applicable in this</p> |

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Sl. No.	Nature of sum	Amount of deduction
A	B	C
		behalf to the employees of that Government; and  (d) actual payment received.

**19(2): Provisions for Deductions Listed in the Table under Sub-section (1)**

For the purposes of the Table referred to in sub-section (1),—

(a) in respect of the entries against serial number 6 thereof, if gratuity or gratuities was or were received from one or more than one employer in the same tax year (whether or not any gratuity or gratuities was or were received in any earlier tax year), the aggregate amount of deduction shall not exceed—

A – B,

where,—

A = the limit specified by the Central Government, by notification; and

B = the aggregate amount of gratuity or gratuities which was or were received in any one or more earlier tax years and allowed as an exemption or a deduction (whether whole or part) from the total income of any such tax year or years;

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**(b) in respect of the entries against serial numbers 6 and 14 thereof, “Salary” includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites;**

**(c) in respect of the entries against serial numbers 10 and 11 thereof, the following amounts shall be deemed to be compensation received at the time of retrenchment:—**

**(i) compensation received by a workman at the time of the closing down of the undertaking in which he is employed;**

**(ii) compensation received by a workman, at the time of the transfer (whether by agreement or by operation of law) of the ownership or management of the undertaking in which he is employed, from the employer in relation to that undertaking to a new employer, if—**

**(A) the service of the workman has been interrupted by such transfer; or**

**(B) the terms and conditions of service applicable to the workman after such transfer are in any way less favourable to the workman than those applicable to him immediately before such transfer; or**

**(C) the new employer is, under the terms of such transfer or otherwise, legally not liable to pay to the workman, in the event of his retrenchment or compensation on the basis that his service has been continuous and has not been interrupted by such transfer;**

**(d) in respect of the entries against serial numbers 10 and 11 thereof, the expressions “employer” and “workman” shall**

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have the same meanings as respectively assigned to them in the Industrial Disputes Act, 1947;

(e) the provisions of the entries against serial number 12 thereof shall be subject to the following conditions:—

(i) the applicable schemes of the said companies or authorities or societies or Universities or the institutes referred to in clauses (h)(vii) and (x), governing the payment of such amount are made as per such guidelines (including, inter alia, criteria of economic viability) as may be issued in this behalf;

(ii) where deduction has been allowed to an employee in respect of the said item for any tax year, no deduction thereunder shall be allowed to him in relation to any other tax year; and

(iii) where any relief under section 157 has been allowed to an assessee for any tax year in respect of any amount referred to in the said item, such amount shall not be allowed as a deduction from the compensation received or receivable in any tax year;

(f) in respect of the entries against serial number 14 thereof, if any payment on account of cash equivalent of leave salary is received from one or more than one employer in the same tax year (whether or not any such payment or payments was or were received in any earlier tax year), the aggregate amount of deduction shall not exceed—

A – B,

where,—

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**A = the limit specified by the Central Government, by notification; and**

**B = the aggregate amount of payment or payments which was received in any one or more earlier tax years and allowed as an exemption or a deduction (whether whole or part) from total income of any such tax year or years;**

**(g) the death-cum-retirement gratuity referred to in sub-section (1) (Table: Sl. No. 3) shall be as—**

**(A) received under the revised pension rules of the Central Government, or the Central Civil Services (Pension) Rules, 2021; or**

**(B) received under any similar scheme applicable—**

**(i) to the members of the civil services of the Union or holders of posts connected with defence or of civil posts under the Union (such members or holders being persons not governed by the said rules);**

**(ii) to the members of the all-India services;**

**(iii) to the members of the civil services of a State or holders of civil posts under a State; or**

**(iv) to the employees of a local authority;**

**(h) the schemes of voluntary retirement or termination of service as referred to in sub-section (1) (Table: Sl. No. 12) shall be for the employees of—**

**(i) a public sector company (under a scheme of voluntary separation); or**

**(ii) any other company; or**

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**(iii) an authority established under a Central Act or State Act or Provincial Act; or (iv) a local authority; or**

**(v) a co-operative society; or**

**(vi) a University established or incorporated by or under a Central Act or State Act or Provincial Act and an institution declared to be a University under section 3 of the University Grants Commission Act, 1956; or**

**(vii) an Indian Institute of Technology within the meaning of section 3(g) of the Institutes of Technology Act, 1961; or**

**(viii) the Central or any State Government; or**

**(ix) an institution, having importance throughout India or in any State or States, as the Central Government may, by notification, specify in this behalf; or**

**(x) such institute of management, as the Central Government may, by notification, specify in this behalf.**

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