



**FINANCIAL YEAR 1991-92**

**1676. Instructions for deduction of tax at source from salary - Rates of tax for the financial year 1991-92**

1. Reference is invited to Board's Circular No.568, dated 27-7-1990 wherein the rates of income-tax deduction during the financial year 1990-91 from the payment of income chargeable under the head "Salaries" under section 192 of the Income-tax Act, 1961, etc., were intimated. The present circular contains the rates of deduction of income-tax from the payment of 'salaries' during the financial year 1991-92, and explains certain connected provisions of the Income-tax Act.
2. The Finance (No. 2) Act, 1991, does not make any change in the rate structure of personal income-tax for the financial year 1991-92. Thus, the income-tax exemption limit for individuals is retained at Rs. 22,000 and the same rates of tax, as applicable for the financial year 1990-91, will apply. An extract of sub-paragraph (1) of paragraph A of Part III of the First Schedule to the Finance (No. 2) Act, 1991, giving the tax rates applicable, is at *Annexure I*.
3. Sub-section (1) of section 192 provides that the person responsible for paying any income chargeable under the head 'Salaries' shall, at the time of making payment, deduct income-tax on the amount payable at the average rate of income-tax computed on the basis of the rates in force for the financial year in which the payment is made, on the estimated income of the assessee for that financial year. The provisions of sub-section (3) of the said section are intended for making adjustment for excess or shortfall or inadvertent nature and/or due to unforeseen circumstances. The aggregate tax thus calculated on the estimated income, divided by 12 and rounded off to the nearest rupee, is required to be deducted from the monthly salary.
4. The substance of the main provisions of law insofar as they relate to income chargeable under the head 'Salaries' on which tax is to be deducted at source during the financial year 1991-92 is given hereunder and in the succeeding paragraphs :
  - (i) No tax will be deducted at source in any case unless the estimated salary income for the financial year exceeds Rs. 22,000. Some typical examples of calculations are at *Annexure II*.
  - (ii) Salary includes wages, fees, commissions, perquisites, profits in lieu of or in addition to salary, advance of salary, annuity or pension gratuity, payments in respect of encashment of leave, etc. It also includes the annual accretion to the employee's account in a recognised provident fund to the extent to which it is chargeable to tax under rule 6 of Part A of the Fourth Schedule of the Income-tax Act. Other items included in salary, profits in lieu of salary and perquisites are described in section 17 of the Income-tax Act.
  - (iii) The value of perquisites by way of free or concessional residential accommodation, or motor car provided by employers to their employees shall be determined under rule 3 of the Income-tax Rules, 1962. It is, however, clarified that the use of any vehicle provided by a company or an employer 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 shall not be regarded as a benefit or amenity granted or provided to him free of cost or at concessional rate for the purpose.
  - (iv) Other benefits or amenities provided free of cost or at concessional rates to the employees like supply of gas, electric energy, water for household consumption, educational facilities, etc., should also be taken into account for the purpose of computing the estimated salary income of the employees during the current financial year (Example III at *Annexure II* illustrates computation of some such perquisites). The valuation has to be done in accordance with rule 3 of the Income-tax Rules.
  - (v) The value of any benefit or amenity granted or provided free of cost or at concessional rate by an employer to an employee (not being a Director of the company or a person who has substantial interest in the company) is not regarded as perquisites received by the employee unless the employee's income under the head 'Salary' exclusive of the value of any benefit or amenity not provided for by way of monetary payment exceeds Rs. 24,000.
  - (vi) In cases where salary is received from more than one employer, the aggregate salary from these employers will have to be taken into account for the purpose of tax deduction at source.
  - (vii) Hitherto, the value of medical facility provided to employees and members of their families was required to be included in the taxable income of the employees, except to the extent it was exempted under the administrative circulars issued by the Central Board of Direct Taxes. The Finance (No. 2) Act, 1991 has, however, now provided in the Income-tax Act itself, the extent, and the conditions, relevant for exemption from tax, of the medical facilities provided by the employer. The relevant details are given in para 5(ix) of this Circular.

**Exemptions/Deductions in computing total income**

5. The exemptions/deductions which can be taken into account for computing the total income of an employee are discussed hereunder :

- (i) The value of any travel concession or assistance received by or due to an employee from his employer or former employer for himself and his family, in connection with his proceeding (a) on leave to any place in India, or (b) on retirement from service, or after termination of service, to any place in India is exempt under clause (5) of section 10 subject, however, to the conditions prescribed in rule 2B of the Income-tax Rules, 1962. For the purpose of this clause, 'family' in relation to an individual means—
  - (1) The spouse and children of the individual; and
  - (2) The parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual.

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

- (ii) Death-cum-retirement gratuity is exempt to the extent specified from inclusion in computing the total income under clause (10) of section 10.
- (iii) Any payment received by an employee of the Central Government, or a State Government, as cash equivalent of the leave salary in respect of the period of earned leave at his credit at the time of his retirement on superannuation or otherwise, is exempt under sub-clause (i) of clause (10AA) of section 10. In the case of other employees, this exemption will be determined with reference to the leave to their credit at the time of retirement on superannuation, or otherwise, subject to maximum of eight months' leave. This exemption will be further limited to maximum amount specified by the Government of India from time to time. Presently, this limit has been specified in the Government of India [Notification No. SO 553 (E) (F.No. 142/11/88-TPL) dated 8-6-1988, at Rs.79,920].
- (iv) Under section 10(10B), the retrenchment compensation received by a workman is exempt from income-tax subject to certain limits. The maximum amount of retrenchment compensation exempt is the sum calculated on the basis provided in section 25F(b) of the Industrial Disputes Act, 1947 or any amount not less than Rs. 50,000 as the Central Government may by notification specify in the Official Gazette, whichever is less. These limits shall not apply in the case where the compensation is paid under any Scheme which is approved in this behalf by the Central Government, having regard to the need for extending special protection to the workman in the undertaking to which the Scheme applies and other relevant circumstances.

It may be added that a number of public sector undertakings have formulated voluntary retirement schemes for their employees. Any payment received by an employee, whether a workman or executive, of a public sector company at the time of his voluntary retirement in accordance with any scheme which the Central Government may approve having regard to the economic viability of the public sector undertaking/company and other relevant circumstances will be exempt under section 10(10C) of the Income-tax Act.

- (v) Under section 10(13A) of the Income-tax Act, 1961 any special allowance specifically granted to an assessee by his employer to meet expenditure incurred on payment of rent (by whatever name called) in respect of residential accommodation occupied by the assessee is exempt from income-tax to the extent as may be prescribed, having regard to the area or place in which such accommodation is situated and other relevant considerations. According to rule 2A of the Income-tax Rules, 1962, the quantum of exemption allowable on account of grant of special allowance to meet expenditure on payment of rent shall be :—
  - (a) The actual amount of such allowance received by an employee in respect of the relevant period; or
  - (b) The actual expenditure incurred in payment of rent in excess of 1/10th of the salary due for the relevant period; or
  - (c) Where such accommodation is situated in Bombay, Calcutta, Delhi or Madras, 50% of the salary due to the employee for the relevant period; or
  - (d) Where such accommodation is situated in any other place, 40% of the salary due to the employee for the relevant period,whichever is the least.

For this purpose 'salary' includes dearness allowance, i.e., if the terms of employment so provide, but excludes all other allowances and perquisites.

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

Though incurring actual expenditure on payment of rent is a pre-requisite for claiming deduction under section 10(13A), it has been deduced as an administrative measure that salaried employees drawing house rent allowance up to Rs. 600 per month will be exempted from production of rent receipt. It may, however, be noted that this concession is only for the purpose of tax deduction at source, and, in the regular assessment of the employee, the Assessing Officer will be free to make such enquiry as he deems fit for the purpose of satisfying himself that the employee has incurred actual expenditure on payment of rent.

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

- (i) Any special allowance or benefit granted to an employee to meet the expenses incurred in the performance of his duties, which the Central Government may specify by notification in the Official Gazette.
- (ii) Any allowance granted to an assessee either to meet his personal expenses at the place of his posting or at the place he ordinarily resides or to compensate him for the increased cost of living, which the Central Government may specify by notification in the Official Gazette.

The Direct Tax Laws (Second Amendment) Act, 1989 has inserted the following proviso to the aforesaid clause :

" Provided that nothing in sub-clause (ii) shall apply to any allowance in the nature of personal allowance granted to the assessee to remunerate or compensate him for performing duties of a special nature relating to his office or employment unless such allowance is related to the place of his posting or residence."

By Notification No. SO 143(E), dated 21-2-1989, SO 144(E), dated 21-2-1989, [as amended by Notification No. 259(E), dated 27-3-1990], GSR 606(E), dated 9-6-1989 and SO 267(E), dated 29-3-1990, the Central Government has specified the following allowances as exempt from tax to the extent and subject to the conditions indicated therein :—



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- (a) Any allowance granted to meet cost of travel on tour or on transfer, including any allowance granted to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty;
- (b) Any special compensatory allowance in the nature of border area allowance or remote area allowance or difficult area allowance or disturbed area allowance;
- (c) Tribal area allowance;
- (d) Any allowance granted to an employee working in a transport system to meet his personal expenses during his duty performed in the course of running of such transport from one place to another;
- (e) Children Education Allowance;
- (f) Any allowance granted to an employee to meet the hostel expenditure of his child;
- (g) Any allowance granted to meet the expenditure incurred on conveyance in the performance of duties of an office or employment of profit;
- (h) Any special compensatory allowance in the nature of Composite Hill Compensatory Allowance of High Altitude allowance or Uncongenial Climate allowance or snowbound Area Allowance or Avalanche Allowance; and
- (i) Any allowance granted to meet the expenditure incurred on a helper where such a helper is engaged for the performance of duties of an office or employment of profit; any allowance granted for encouraging academic research and any other professional pursuit; any allowance granted to meet the expenses incurred on the purchase or maintenance of uniform for wear during the performance of the duties of an office or employment of profit.

It may be noted that the Dearness Allowance and City Compensatory Allowance granted to an employee are not covered by the aforesaid notifications; these allowances will clearly be part of income and will have to be taken into account in the computation of income for the purpose of deduction of tax at source.

(vii) Under section 10(15)(iv)(i) of the Income-tax Act as amended by the Finance Act, 1990, interest payable by the Government on deposits made by an employee of the Central Government or State Government or a public sector company from out of his retirement benefits, in accordance with such scheme framed in this behalf by the Central Government and notified in the Official Gazette is exempt from income-tax. By Notification No. F.2/14/89-NS-II, dated 7-6-1989, as amended by Notification No. 2/14/89-NS-II, dated 12-10-1989, the Central Government has notified a scheme called Deposit Scheme for Retiring Government Employees, 1989 for the purpose of the said clause.

(viii)(a) Under section 16 of the Income-tax Act, the taxable salary is to be computed after making standard deduction of a sum equal to  $33\frac{1}{3}$  % of the salary or Rs. 12,000, whichever is less. For this purpose the term 'salary' will include fees, commissions, perquisites or profits in lieu of or in addition to salary, but will not include any payment received by the employees which is specifically exempt from tax under clauses (10), (10A), (10AA), (10B), (10C), (10D), (11), (12) and (13A) of section 10 of the Act. Thus, house rent allowance to the extent exempt under section 10(13A) of the Act will not be taken into account for the purpose of computing the amount of the standard deduction.

This deduction will be available also to persons drawing pension during the current financial year at the same rate and subject to the same ceiling as to the employees in actual service.

It may be noted that the standard deduction in full will be admissible even to those employees who are entitled to conveyance facilities.

(b) The tax on employment within the meaning of clause (2) of article 276 of the Constitution of India, leviable by or under any law shall also be allowed as a deduction in computing the income of the salaried taxpayers under the head 'Salaries'

(c) A deduction is also allowed under clause (ii) of section 16 in respect of any allowance in the nature of an entertainment allowance *specifically granted to the assessee by his employer* subject to certain limits. In the case of a Government employee, a sum equal to one-fifth of his salary (exclusive of any allowance, benefit or other perquisite) or five thousand rupees or the actual amount or entertainment allowance, whichever is the least, is allowable as deduction. In the case of a non-Government employee, deduction for entertainment allowance to the extent specified in sub-clause (b) of clause (ii) of section 16 will be given only if the allowance is regularly received by him from his present employer from a date prior to 1st April, 1955.

(ix) Under section 17, as amended by the Finance (No. 2) Act, 1991, exemption from tax will also be available in respect of—

- (a) the value of any medical treatment provided to an employee or any member of his family, in any hospital maintained by the employer;
- (b) reimbursement by the employer, of expenditure incurred by an employee on his medical treatment or on treatment of any member of his family, in any hospital maintained by Government or any local authority or any other hospital approved by the Government for the purposes of medical treatment of its employees;
- (c) premium paid by the employer in respect of medical insurance taken for his employees (under any scheme approved by the Central Government) or reimbursement of insurance premium to the employees who take medical insurance for themselves or for their family members (under any scheme approved by the Central Government);
- (d) reimbursement by the employer, if the amount spent by an employee in obtaining medical treatment for himself or any member of his family from any doctor, not exceeding in the aggregate Rs.10,000 in an year;
- (e) as regards medical treatment abroad, the actual expenditure incurred on medical treatment, including the expenditure on travel or stay abroad of the patient and one attendant, in cases where an attendant is permitted by the Reserve Bank of India to accompany the patient, will be exempted from tax. However, the expenditure on travel abroad will be exempted from tax only in the case of employees whose gross total income as computed under the Income-tax Act without including the amount reimbursed in connection with travel abroad does not exceed Rupees one lakh, and subject to such further conditions as the Central Board of Direct Taxes may prescribe.

(x) Under section 80CCA of the Income-tax Act, 100% deduction will be allowed to an individual, a Hindu undivided family, and certain categories of persons or bodies of individuals, subject to a ceiling of Rs. 40,000 in respect of,

- (1) any amount deposited under such schemes [e.g., National Savings Scheme (NSS)] as the Central Government may, by notification in the Official Gazette, specify in this behalf;
- (2) any amount paid to effect or keep in force a contract for such annuity plan of the LIC, as the Central Government may specify by notification. By Notification No. GSR 903(E), dated 6-9-1988, the Central Government have specified 'Jeevan Dhara' and 'Jeevan Akshay' plans of the Life Insurance Corporation of India for the purpose of section 80CCA.

It may be noted that the aforesaid deduction will be allowed only in respect of deposits/payments made out of the employee's income chargeable to tax. Also such deposits/payments made upto 31st March of the financial year will qualify for deduction. It should also be noted that where any amount standing to the credit of the employee under the National Savings Scheme or any other scheme notified by the Central Government, in respect of which deduction has already been claimed under section 80CCA, together with interest accrued thereon, is withdrawn in any previous year, or where any amount is received on account of the surrender of the policy or as annuity or bonus in accordance with the deferred annuity plan of the LIC, in any previous year, the whole of such amount shall be deemed to be the income of the employee in that previous year in which such withdrawal is made or such amount is received, and shall be chargeable to tax as the income of the previous year. The Drawing and Disbursing Officer should satisfy themselves about the actual deposits or payments made by the employees by calling for such particulars/information as they deem necessary before allowing the deduction. Similarly the DDOs should ascertain from the employees about the withdrawals made by them from the NSS or any other notified scheme of the amount received on account of the annuity plans of the LIC, and the said amount shall be included in the computation of the employee's income and charged to tax accordingly. For this purpose, the DDOs should call for such proof/particulars/information as they deem necessary.

(xi) Under section 80CCB deduction shall be allowed in the case of an assessee, being an individual, Hindu undivided family and certain categories of associations of persons or bodies of individuals, in relation to the investment made in the units of any plan framed in accordance with Equity Linked Savings Scheme of the Mutual Funds specified under section 10(23D) of the Income-tax Act or of the Unit Trust of India. The deduction shall be allowed on so much of the amount invested as does not exceed Rs.10,000. When any amount in respect of which deduction has been allowed is returned to the assessee either by way of repurchase of the units by the Funds or Trust or on the termination of the Plan, it shall be deemed to be his income of the previous year in which the amount is returned. Further, where a Hindu undivided family has effected a partition or an association or persons is dissolved after deduction has been allowed to it, such amount on its return shall be deemed to be the income of the recipient.

The Drawing and Disbursing Officers should satisfy themselves about the fact of investment made by the employees by calling for such information/particulars as they may deem necessary before allowing the deduction. Similarly, the DDOs should ascertain from the employees about the return of the investment either by way of repurchase of the units by the Fund, etc., or on the termination of the plan. In the case of such repurchase, etc., the amount returned should be included in the computation of the employee's income and charged to tax accordingly.

(xii) Under section 80D, introduced w.e.f. 1-4-1987, in the case of the following categories of persons, a deduction can be allowed for a sum not exceeding Rs. 3,000 per annum to the extent payment is made by cheque out of their income chargeable to tax to keep in force an insurance on the health of the categories of persons mentioned below provided that such insurance is in accordance with the scheme framed by the General Insurance Corporation of India as approved by the Central Government, popularly known as 'Mediclinam'.

The categories of persons are :

- (a) where the assessee is an individual, any sum paid to effect or to keep in force an insurance on the health of the assessee or on the health of the wife or husband, dependent parents or dependent children of the assessee;
- (b) where the assessee is a Hindu undivided family, any sum paid to effect or to keep in force an insurance on the health of any member of the family;
- (c) where the assessee is an association of persons or a body of individuals consisting in either case, only a husband and wife governed by the system of community or property in force in the State of Goa and the Union Territories of Dadra and Nagar Haveli and Daman and Diu, any sum paid to effect or to keep in force an insurance on the health of any member of such association or body or on the health of the dependent children of the members of such an association or body.

(xiii) Under section 80DD, introduced by the Finance Act, 1990, a deduction of Rs. 6,000 is allowed in the case of resident individuals who incur expenditure on medical treatment (including nursing), training and rehabilitation of a handicapped dependent relative suffering from permanent physical disability (including blindness) or mental retardation, specified in the rules being made in this behalf by the Board. The deduction will be available only to those assessee whose total income before allowance of this deduction does not exceed Rs. 1,00,000 in a year. Further, the permanent physical disability or mental retardation of the dependent relative has to be certified by a physician, surgeon, oculist, or a psychiatrist, as the case may be, working in a Government hospital including a departmental dispensary or a hospital maintained by a local authority as per *Explanation* given below section 80DD. The Drawing and Disbursing Officer should, therefore, call for such particulars/certificates/information from the employee as they deem necessary to verify the genuineness of the claim before they allow this deduction.



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- (xiv) No deduction should be made from the salary income in respect of any donations for charitable purposes. The tax relief on such donations, as admissible under section 80G of the Act, will have to be claimed by the taxpayer separately at the time of finalisation of the assessment. However, in cases where contributions to the National Defence Fund, Jawaharlal Nehru Memorial Fund, Prime Minister's Drought Relief Fund, National Children's Fund, Indira Gandhi Memorial Trust or Rajiv Gandhi Foundation, are made, 50% of such contributions may be deducted in computing the total income of the employee. The donations to the Prime Minister's National Relief Fund, the Prime Minister's Armenia Earthquake Relief Fund, and the Africa (Public Contributions - India) Fund will, however be eligible for 100% deduction. Deduction will not be admissible where the aggregate of all contributions during the financial year is less than Rs. 250.
- (xv) Under section 80GG of the Act, an assessee is entitled to a deduction in respect of house rent paid by him for his own residence at the places specified under rule 11B of the Income-tax Rules, 1962. Such deduction is permissible subject to the following conditions :—
- the assessee has not been in receipt of any house rent allowance specifically granted to him which qualifies for exemption under section 10(13A) of the Act;
  - he will be entitled to a deduction in respect of house rent paid by him in excess of 10 per cent of his total income, subject to a ceiling of Rs.1,000 per month, whichever is less. The total income for working out these percentages will be computed before making any deductions under section 88GG;
  - the assessee does not won :
    - any residential accommodation himself or by his spouse or minor child or where such assessee is a member of a Hindu undivided family, by such family, at the place where he ordinarily resides or performs duties of his office or carries on his business or profession; or
    - at any other place, any residential accommodation being accommodation in the occupation of the assessee, the value of which is to be determined under sub-clause (i) of clause (a), or as the case may be, clause (b) of sub-section (2) of section 23.
  - The accommodation occupied by him for the purpose of his own residence is situated in any of the following places, namely :—
    - Agra, Ahmedabad, Allahabad, Amritsar, Bangalore, Bhopal, Calcutta, Coimbatore, Delhi, Faridabad, Gwalior (Lashkar) Hyderabad, Indore, Jabalpur, Jaipur, Kanpur, Lucknow, Ludhiana City, Madurai, Nagpur, Patna, Pune, Srinagar, Surat, Vadodara (Baroda) or Varanasi (Banaras) or the urban agglomeration of each of such places; or
    - Bombay, Calicut, Cochin, Ghaziabad, Hubli- Dharwar, Madras, Solapur, Trivandrum or Vishakapatnam.  
*Explanation* : 'Urban agglomeration' in relation to a place means the area for the time being included in the urban agglomeration of such place for the purpose of grant of house rent allowance by the Central Government to its employees under the orders issued by it from time to time in this regard.  
The disbursing authorities should satisfy themselves that all the conditions mentioned above are satisfied before such deduction is allowed by them to the assesseees. They should also satisfy themselves in this regard by insisting on production of evidence of actual payment of rent.

- (xvi) Section 80RRA (as amended by the Finance Act,1990) provides that where the gross total income of an individual who is a citizen of India, includes any remuneration received by him in foreign currency from any employer ( i.e., a foreign employer or an Indian concern) for any services rendered by him outside India, an amount equal to the followings shall be allowed as deduction in computing the total income of the individual;

- fifty per cent of the remuneration, or
- seventy-five per cent of such remuneration as is brought into India, by or on behalf of, the assessee in accordance with the Foreign Exchange Regulation Act, 1973; and any rules made thereunder whichever is higher.

In the case of an employee of Central Government or any State Government, or a person who was immediately before taking up the service outside India, in the employment of the Central Government or any State Government, the deduction will be allowed only if the service of the employee is sponsored by the Central Government. In the case of any other individual, the deduction will be allowed only if he is a 'technician' and the terms and conditions of his service outside India are approved for the purpose of the said section by the Central Government or the prescribed authority. It is pertinent to note that the deduction is to be allowed with reference to the remuneration received by the individual in foreign currency for services rendered outside India. Thus, if the remuneration is paid to the Indian technician, etc., partly in Indian currency and partly in foreign currency, the amount paid in Indian Currency, will not be taken into account for purposes of deduction under section 80RRA. Likewise, if a part of the remuneration, although paid in foreign currency relates to service rendered in India, then such part of the remuneration will also not qualify for deduction under section 80RRA. The expression 'foreign employer' has been defined in *Explanation (b)* to section 80RRA to mean (i) the Government of a foreign State; or (ii) a foreign enterprise; or (iii) any association or body established outside India. While allowing the deduction under this section, documentary evidence should be obtained on the following points :

- in the case of an individual who is in the employment of the Central Government or any State Government, the fact of his service having been sponsored by the Central Government;
- in the case of any other individual being a technician, the fact of the terms and conditions or his service outside India having been approved in this behalf by the Central Government (Ministry of Finance, Department of Revenue, Foreign Tax Division, New Delhi).

(It should also be ensured that the deduction is allowed with reference to the remuneration received in foreign currency in respect of the period of service outside India).

- (xvii) The Finance (No.2) Act,1991 has substituted the existing section 80U by a new section, bearing the same number. According to the new section, in computing the total income of a resident individual, who at the end of the previous year, is suffering from a permanent physical disability (including blindness) or is subject to mental retardation, being a permanent physical disability, or mental retardation specified in the rules being made in this behalf by the Board, which is certified by physician, a surgeon, an oculist or a psychiatrist, as the case may be, working in a Government hospital, and which has the effect of reducing considerably such individual's capacity for normal work or engaging in a gainful employment or occupation, there shall be allowed a deduction of a sum of twenty thousand rupees. The rules specifying a permanent physical disability (including blindness or partial blindness) and mental retardation are being framed by the Central Board of Direct Taxes.

The deduction under this section can be allowed by the employer on the basis of a certificate from a physician, a surgeon, an oculist or a psychiatrist, as the case may be, working in a Government hospital, as stated above.

## Tax rebate

6. According to section 88, an assessee will be entitled to a deduction of 20% of the amount invested or deposited in the following items during the previous year from the income-tax payable by him on his total income:—

- Payment of insurance premium to effect or to keep in force an insurance on the life of the individual, the wife or husband or any child of the individual, it may be noted that any premium or other payments made on a policy as is not in excess of 10% of the actual capital sum assured, will alone qualify for deduction.
- Any payment made to effect or to keep in force a contract for a deferred annuity, not being an annuity plan as has been referred to in section 80CCA(1)(ii), on the life of the individual, the wife or husband or any child of the individual. Provided that such contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity.
- Any sum deducted from the salary payable by or on behalf of the Government to any individual, being a sum deducted in accordance with the conditions of his service for the purposes of securing to him a deferred annuity or making provision for his wife or children, insofar as the sum deducted does not exceed 1/5th of the salary.
- Any contribution made :
  - by an individual to any provident fund to which the Provident Fund Act,1925 applies;
  - to any provident fund set up by the Central Government, and notified by it in this behalf in the Official Gazette, where such contribution is to an account standing in the name of an individual, or a minor of whom he is the guardian;
  - by an employee to a recognised provident fund;
  - by an employee to an approved superannuation fund.It may be noted that "contribution" to any fund shall not include any sums in repayment of loan;
- Any deposit in a ten-year account or a fifteen-year account under the Post Office Savings Bank (Cumulative Time Deposit) Rules,1959, as amended from time to time where such sums are deposited in an account standing in the name of an individual, or a minor of whom he is the guardian.
- Any subscription :—
  - to any such security of the Central Government as the Central Government, may, by notification in the Official Gazette, specify in this behalf;
  - to any such savings certificate as defined under section 2(c) of the Government Savings Certificate Act, 1959 as the Government may, by notification in the Official Gazette, specify in this behalf. Interest on NSC (VI Issue) which is deemed investment also qualifies for deduction
- Any sum paid as contribution :—
  - for participation in the Unit Linked Insurance Plan, 1971 of the Unit Trust of India;
  - for participation in any Unit Linked Insurance plan of the LIC Mutual Fund notified by the Central Government under clause (23D) of section 10.

(viii) Any subscription made to any such deposit scheme of the National Housing Banks as the Central Government, may, by notification in the Official Gazette specify in this behalf.

- Any sums paid by an assessee for the purpose of purchase or construction of a residential house property, the income from which is chargeable to tax under the head "Income from house property" (or which would, if it has not been used for assessee's own residence, have been chargeable to tax under that head) where such payments are made towards or by way of any instalment or part payment of the amount due under any self-financing or other scheme of any development authority, housing board, etc. The deduction will also be allowable in respect of repayment of loans borrowed by an assessee from the Government, or any bank or Life Insurance Corporation, or National Housing Bank, or certain other categories of institutions engaged in the business of providing long-term finance for construction or purchase of houses in India. Any repayment of loan borrowed from the employer will also be covered, if the employer happens to be public company, public sector company or a university established by law or a college affiliated to such university, or a local authority. The stamp duty, registration fee and other expenses incurred for the purpose of transfer shall also be covered. Payment towards the cost of house property, however, will not include, admission fee or cost of share or initial deposit or the cost of any addition or alteration to or renovation or repair of the house property which is carried out after the issue of the completion certificate by competent authority, or after the occupation of the house by the assessee or after it has been let out. Payments



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towards any expenditure in respect of which the deduction is allowable under the provisions of section 24 of the Income-tax Act will also not be included in payments towards the cost purchase or construction of a house property. Where the house property in respect of which deduction has been allowed under these provisions is transferred by the taxpayer at any time before the expiry of five years from the end of the financial year in which possession of such property is obtained by him or he receives back, by way of refund or otherwise, any sum specified in section 88(2) (xv), no deduction under these provisions shall be allowed in respect of such sums paid in such previous year in which the transfer is made and the aggregate amount of deduction of income-tax so allowed in the earlier years shall be added to the tax on the total income of the assessee with which he is chargeable for such assessment year. It may be noted that the amount which will qualify for tax rebate in respect of this item will not exceed Rs. 10,000. In respect of repayment of loans taken for the purchase or construction of a new residential house property, the construction of which does not get completed by the end of the financial year 1991-92, no tax rebate in respect of these items shall be admissible to the employees.

- (x) The Finance (No. 2) Act, 1991 has introduced a new provision in section 88 so as to include in the list of savings, for purposes of tax rebate under this section, subscriptions to schemes similar to the Home Loan Accounts Scheme of the National Housing Bank, floated by (a) public sector companies engaged in providing long-term finance for construction or purchase of houses in India for residential purposes; or, (b) any authority constituted in India by or under any law enacted either for the purposes of dealing with and satisfying the need for housing accommodation or for the purposes of planning, development or improvement of cities, towns, villages, or for both.

Subject to the limits mentioned for various items, the entitlement to tax rebate will be calculated at the rate of 20% of the total amount of the aforesaid savings, etc. the maximum tax rebate allowable will be Rs. 10,000 generally and Rs. 14,000 in the case of authors, playwrights, artists, musicians, actors, sportsmen and athletes. The Drawing and Disbursing Officers should satisfy themselves about the actual deposits/subscriptions/payments made by the employees, by calling for such particulars/information as they deem necessary before allowing the aforesaid rebate. In case the DDO is not satisfied about the genuineness of the employee's claim regarding any deposit/subscription/ payment made by the employee, he should not allow the same, and the employee would be free to claim the rebate on such amount by filing his return of income and furnishing the necessary proof, etc., therewith, to the satisfaction of the Assessing Officer. It may also be mentioned here that the deposits/subscriptions/payments towards the items qualifying for the tax rebate should be made out of the employee's income chargeable to tax.

### Calculation of income-tax and surcharge

7. (a) The net salary income in the case of each employee arrived at after allowing the applicable deductions from the gross salary is liable to income-tax during the financial year 1991-92, at the rates referred to in para 2 above. After calculating the tax liability, the tax rebate provided for in section 88 of the I.T. Act should be allowed as a deduction. The balance amount is the tax payable by the employee which is required to be deducted from the monthly salary in equal instalments. It may be noted here that the tax rebate under section 88, shall not in any case exceed the amount of income-tax on the total income of the assessee with which he is chargeable.

(b) **Surcharge** : In the case of every person having a total income exceeding Rs. 75,000 the amount of income-tax thus computed, as reduced by the rebate of tax, mentioned above, shall be increased by a surcharge, for the purposes of union, calculated at the rate of 12% of such tax. This surcharge will, however, not apply to a non-resident.

(c) **Rounding off** : It may also be noted that the total income computed in accordance with the provisions of the Act should be rounded off to the nearest multiple of ten rupees by ignoring the fraction less than five rupees and increasing the fraction which is five rupees or more, to ten rupees. Similarly, the net amount of tax deductible should be rounded off to the nearest rupee by ignoring the fraction less than 50 paise and increasing the fraction which is fifty paise or more, to one rupee.

### Miscellaneous provisions for information/guidance of DDOs

8. As stated in para 2 above, sub-section (1) of section 192 makes the person responsible for paying salary, also responsible for deducting income-tax at source from the payment of salary. The scope of deduction of tax at source from "Salaries" was further modified by the Finance Act, 1987 by the insertion of sub-section (2), (2A) and (2B) in section 192. The salient features of these provisions as modified by the Finance Act, 1989 are given below :—

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

- (b) Sub-section (2A) of section 192 provides that in respect of salary payment of employees of Government company, co-operative society, local authority, university, institution, association or body deduction of tax at source may be made after allowing relief under section 89(1), whenever salary, etc., paid in arrears or in advance.

- (c) Sub-section (2B) enables a taxpayer to furnish particulars of income other than salaries to his employer who shall deduct out of the salary payment, the tax due on the total income subject to the conditions that the total amount of tax deducted shall not be less than the amount deductible from income from salaries only.

To meet the requirements of these provisions the Central Government have notified necessary amendments in the Income-tax Rules, 1962 vide Notification No. SO 963(E), dated 29-10-1987. Detailed instructions in this regard were issued by the Department vide Circular No. 504 [F. No. 275/138/87-IT(B)], dated 8-2-1988.

- (d) In the case of pensioners who receive their pension from any branch of a nationalized bank, the deduction from the amount of pension on account of standard deduction under section 16, contributions to National Savings Scheme, etc., under section 80CCA, contributions to Mutual Funds, etc., under section 80CCB, and the rebate in income-tax under section 88 on account of contributions to Provident Fund, Life Insurance, National Saving Certificates, etc., will be allowed by the concerned bank at the time of deduction of tax at source from the pension before making payment to the concerned pensioners, in the same manner as explained in the preceding paragraphs. In order to ensure uniformity of practice throughout the country in this regard, the Reserve Bank of India have issued necessary instructions to State Bank of India and all Nationalised Banks vide their pension Circular (Central Series) No. 12/C.D.R. 1991 [Ref.: CO: DGBA: GA(NBS) No. 56/GA, 64(11-CVL)-90-91], dated the 29th May, 1991. All such branches of the State Bank/Nationalised Banks as have been entrusted with task or payment of pension to pensioners must adhere to these instructions strictly.

9. (a) According to the provisions of section 200, any person deducting any sum in accordance with the provisions of section 192 shall pay, within the prescribed time. The sum so deducted to the credit of the Central Government in the prescribed manner (vide rule 30 of the Income-tax Rules, 1962). In the case of deductions made by or on behalf of the Government, the payment has to be made on the day of the tax-deduction itself. In other cases, the payment has to be normally made within one week of the deduction. If a person fails to deduct tax at source, or, after deducting, fails to pay the tax to the credit of the Central Government within the prescribed time, he shall be liable to action in accordance with the provisions of section 201. Sub-section (1A) of section 201 lays down that such person shall be liable to pay simple interest at fifteen per cent per annum on the amount of such tax from the date on which such tax was deductible to the date on which tax is actually paid. Section 271C lays down that if any person fails to deduct tax at source, he shall be liable to pay, by way of penalty, a sum equal to the amount of tax not deducted by him. Further, section 276B lays down that if a person fails to pay to the credit of the Central Government within the prescribed time the tax deducted at source by him, he shall be punishable with rigorous imprisonment for a term which shall be between 3 months and 7 years and with fine.

While making the payment of tax deducted at source to the credit of the Central Government, it may kindly be ensured that the correct amount of income-tax is recorded in the relevant challan. It may also be ensured that the right type of challan is used. The relevant challan for making payment of tax deducted at source from salaries is No. 9 with "Blue colour band". Where the amount of tax deducted at source is credited to the Central Government through book adjustment, care should be taken to ensure that the correct amount of income-tax is reflected therein.

(b) According to the provisions of section 203 every person responsible for deducting tax at source is required to furnish a certificate to the payee to the effect that the tax has been deducted, and, to specify therein the amount deducted, and certain other particulars. This certificate, usually called the TDS certificate, has to be furnished within a period of one month from the end of the relevant financial year, in the case of employees receiving salary income. The certificate has to be issued in Form No. 16 which has been prescribed under Board's Notification No. SO 148(E), dated 28-2-1991 and circulated by Circular No. 597, dated 27-3-1991 [F. No. 275/42/91-IT(B)]. A specimen of the certificate is enclosed as *Annexure III*. This certificate is to be issued on the tax deductor's own stationery. If he fails to issue the TDS certificate to the person concerned as required by section 203, he will be liable to pay by way of penalty under section 272A a sum which shall not be less than Rs. 100 but which may extend to Rs. 200 for every day during which the failure continues.

(c) According to the provisions of section 203A, it is obligatory for all persons responsible for deducting tax at source to obtain and quote the Tax-deduction Account Number (TAN) in the challans. TDS certificates, returns, etc. Detailed instructions in this regard are available in this Department's Circular No. 497 [F. No. 275/118/87-IT(B)], dated 9-10-1987. If a person fails to comply with the provisions of section 203A, he will be liable to pay, by way of penalty under section 272BB a sum up to Rs. 5,000.

(d) According to the provisions of section 206, read with rules 36A and 37 of the Income-tax Rules, the prescribed person in the case of every office of Government, the principal officer in the case of every company, the prescribed person in the case of every local authority or other public body or association, every private employer and every other person responsible for deducting tax shall, after the end of each financial year, prepare and deliver, by 31st May of the succeeding financial year, an annual return of deduction of tax to the designated/concerned Assessing Officers. This return has to be furnished in Form No. 24. It may be noted that a copy of each of the TDS certificates issued during the financial year should be enclosed with the annual return. If a person fails to furnish in due time the annual return, he shall be liable to pay by way of penalty under section 272A, a sum which shall not be less than Rs. 100 but which may extend to Rs. 200 for every day during which the failure continues, so, however, that this sum shall not exceed the amount of tax which was deductible at source.

10. These instructions are not exhaustive and are issued only with a view to help the employers to understand the various provisions relating to deduction of tax from salaries. Wherever there is any doubt, reference may be made to the provisions of the Income-tax Act, and the Finance (No. 2) Act, 1991.

11. In case any assistance is required, the Assessing Officer/the local Public Relations Officer of the Income-tax Department may be approached.

**Circular** : No. 612, dated 13-11-1991.

### ANNEXURE I

EXTRACT FROM THE FINANCE (NO. 2) ACT, 1991 - PART III  
OF THE FIRST SCHEDULE

### Paragraph A - Sub-Paragraph I

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

*Rates of income-tax*



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- (1) where the total income does not exceed Rs. 22,000 *Nil*;
- (2) where the total income exceeds Rs. 22,000 but does not exceed Rs. 30,000 20 per cent of the amount by which the total income exceeds Rs. 22,000.
- (3) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 Rs. 1,600 *plus* 30 per cent of the amount by which the total income exceeds Rs. 30,000.
- (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 Rs. 7,600 *plus* 40 per cent of the amount by which the total income exceeds Rs. 50,000.
- (5) where the total income exceeds Rs. 1,00,000 Rs. 27,600 *plus* 50 per cent of the amount by which the total income exceeds Rs. 1,00,000.

### Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall,—

(i) in the case of every individual, Hindu undivided family or association of persons or body of individuals referred to in sections 88 and 88A having a total income exceeding seventy-five thousand rupees, be reduced by the amount of rebate of income-tax calculated under Chapter VIII-A, and the income-tax as so reduced.

(ii) in the case of every person, other than those mentioned in item (i) having a total income exceeding seventy-five thousand rupees,

be increased by a surcharge for purposes of the Union calculated at the rate of twelve per cent of such income-tax :

**Provided** that no such surcharge shall be payable by a non-resident.

### ANNEXURE II

#### TYPICAL EXAMPLES OF INCOME-TAX CALCULATIONS

##### Example I

	Rs.	Rs.
1. Total Salary Income (including allowances)		66,000
2. Deposits under National Savings Scheme		12,000
3. Contribution to Government Provident Fund	6,000	
4. Payment towards Life Insurance Premia	1,000	
5. Contribution for participation in Unit-linked Insurance Plan, 1971, made under section 19(1) (c) of the Unit Trust of India Act, 1963	300	11,520
6. Deposits in a 10-Year account or 15-Year account under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959	500	
7. C.G.E.I.S.	720	
8. Subscription to National Savings Certificates VIII Issue	3,000	

##### Computation of total income

	Rs.
1. Gross Total Salary Income	66,000
2. <i>Deduct</i> : Amount of standard deduction under section 16(i) of the Income-tax Act, 1961, 33 <sup>1</sup> / <sub>3</sub> % of amount subject to maximum of Rs. 12,000	(-12,000)
3. Gross total income (1 <i>minus</i> 2)	54,000
4. <i>Deduct</i> : Under section 80CCA – Deposit under NSS	12,000
5. Total income	42,000
6. Tax on total income (Rs. 1,600 <i>plus</i> 30% of the amount in excess of Rs. 30,000 i.e., Rs. 12,000)	5,200
7. <i>Deduct</i> rebate on savings, etc., at 20% under section 88 on account of contribution/payment towards G.P.F., Life Insurance Premia, Unit-linked Insurance Plan and Deposit in 10-Year Account or 15-Year Account under Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959, CGEIS, National Savings Certificate totalling Rs. 11,520	2,304
8. Tax payable	2,896

(Average monthly deduction comes to Rs. 241 for 11 months and Rs. 245 in the last month).

##### Example II

#### (ILLUSTRATING CALCULATION OF HOUSE RENT ALLOWANCE UNDER SECTION 10(13A) IN RESPECT OF RESIDENTIAL ACCOMMODATION SITUATED IN DELHI)

	Rs.	Rs.
1. Salary (excluding allowances)		50,000
2. Dearness allowance		18,000
3. House rent allowance received		9,600
4. City compensatory allowance received		1,200
5. Actual rent paid		16,800
6. Deposits under the National Savings Scheme		12,000
7. Contribution to General Provident Fund, etc.	6,800	
8. LIP	3,000	
9. Deposits in a 10-Year account under the		10,800



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Post Office Savings Bank (Cumulative Time Deposit) Rules, 1959. 1,000

### Computation of total income

1.	Salary (including Dearness Allowance)	68,000	
2.	House rent allowance received	9,600	
3.	City compensatory allowance received	1,200	
	Total Salary Income	78,800	
4.	Less : House rent allowance exempt under section 10(L3A)		
	(a) Actual rent paid	16,800	
	Less: 10% of salary	6,800	
		<u>10,000</u>	
	(b) (Actual amount of house rent allowance received on expenditure on rent in excess of 10% of the salary or 50% of salary, whichever is the least)		(- )9,600
			<u>69,200</u>
5.	Standard deduction u/s 16(i) @ 33 <sup>1</sup> / <sub>3</sub> % or subject to a maximum of Rs. 12,000		(- )12,000
6.	Gross total income		<u>57,200</u>
7.	Less : Deduction u/s 80CCA (Deposits under NSS)	12,000	
8.	Total income		<u>45,200</u>
9.	Tax on total income (Rs. 1,600 plus 30% of Rs. 15,200)	6,160	
10.	Deduct tax rebate on savings u/s 88 (GPF, CTD, LIP, etc., Rs. 10,800 @ 20%)		(- )2,160
11.	Tax Payable		<u>4,000</u>

(Average monthly deduction comes to Rs. 333 for 11 months and Rs. 337 in the last month).

### Example III

(ILLUSTRATING CALCULATIONS AND VALUATION OF SOME PERQUISITES IN CASE OF AN EMPLOYEE OF A PRIVATE COMPANY POSTED AT BOMBAY)

	Rs.	
1.	Salary including Dearness Allowance	65,000
2.	Bonus	10,000
3.	Free gas, electricity, water, etc. (actual bills paid by the company)	3,000
4.	Furniture at cost (including television set, radio set, refrigerator, other household appliances and air-conditioner) to the company	40,000
5.	(i) Furnished flat provided to the employee for which actual rent paid by the company (actual rent assumed to be equal to the Fair Rental Value)	46,000
	(ii) Rent recovered from the employee	12,000
6.	Deposits under the National Savings Scheme	12,000
7.	Contribution to Recognised Provident Fund	11,000
8.	LIP	10,000
9.	Subscription to National Savings Certificates VIII Issue	5,000
10.	Interest accrued on investment in NSC VI Issue	620

### Computation of total income

1.	Salary	65,000	
2.	Bonus	10,000	75,000
3.	Valuation of perquisites :		
	(a) Furnished flat at concessional rent u/s 17(2) read with clauses (a) and (b) of rule 3 of the I. T. Rules, 1962. Fair Rental Value (FRV) (assumed to be equal to actual rent Rs. 46,000) 10% of salary including bonus	7,500	
	Add : Excess of (FRV) over 60% of salary including bonus of Rs. 75,000 (i.e., Rs. 46,000 - Rs. 45,000)	1,000	
	Add : Perquisite of the furniture (10% of cost, i.e., Rs. 40,000)	4,000	
		<u>12,500</u>	
	Less : Rent paid by the employee	12,000	500
			<u>75,500</u>
4.	Free gas, electricity, etc.		3,000
			<u>78,500</u>



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5.	Less : Standard deduction u/s 16(i) 33 <sup>1</sup> /3% subject to maximum of Rs. 12,000	(-)12,000
6.	Gross total income	<u>66,500</u>
7.	Less : Deduction u/s 80CCA (NSS)	(-)12,000
8.	Total income	<u>54,500</u>
9.	Tax on total income (Rs. 7,600 plus 40% of Rs. 4,500)	9,400
10.	Deduct :	
	Tax rebate on savings of (PF, LIP, NSC including interest on NSC VI Issue) @ 20% of Rs. 26,620	(-)5,324
11.	Tax payable	<u>4,076</u>

(Average monthly deduction comes to Rs. 340 for 11 months and Rs. 336 in the last month).

**Notes :**

- (i) In the case of Government servants, the value of perquisites of unfurnished accommodation provided free is determined in accordance with rules framed by the Government for allotment of residence to its employees. For determining the perquisite value of free furniture, it is taken as in other cases; at 10% per annum of the original cost of the furniture, or if it is hired from a third party, the actual hire charges payable.
- (ii) Where unfurnished accommodation is provided to its employees by the Reserve Bank of India or any other public sector body specified in sub-clause (2) of clause (a) of rule 3 of the Income-tax Rules, say, a Nationalised Bank, State Trading Corporation, etc., it is taken as 10% of the salary due to the employee and where the accommodation is furnished as in other cases, an additional 10% of the original cost of furniture, or if it is hired from a third party, the actual hire charges payable therefor.
- (iii) In the example given above the actual rent has been assumed to be equal to the "Fair Rental Value". "Fair Rental Value" can, however, be different from the actual rent. It is defined in *Explanation 2*, below clause (a) of rule 3 to mean in the case of an accommodation which is unfurnished, the rent which a similar accommodation would realise in the same locality or the municipal valuation in respect of the accommodation, whichever is higher.
- (iv) In case the accommodation is situated in Bombay, Calcutta, Delhi and Madras, the excess over 60% of salary over fair rental value, as against 50% in other cases, is required to be added in determining the value of perquisites in view of Board's Circular No. 374, dated 14-12-1982.

*Example IV*

(EXAMPLE OF INCOME-TAX AND SURCHARGE CALCULATION IN THE CASE OF AN EMPLOYEE POSTED IN DELHI AND REPAYING HOUSE BUILDING LOAN)

	Rs.	
1.	Total Salary (including D.A.)	1,20,000
2.	House Rent Allowance	12,000
3.	City Compensatory Allowance	1,200
4.	Deposits under the National Savings Scheme	30,000
5.	Contribution to GPF, Payment of LIC premium, etc.	16,500
6.	Actual rent paid	25,200
7.	Refund of loan taken for the construction of house	12,000

*Computation of total income*

1.	Salary (including DA & CCA)	1,21,200
2.	House rent allowance received	Rs. 12,000
3.	Less : Allowance u/s 10(13A)	1,33,200
	Actual rent paid	25,200
	Less : 10% of salary	(-)12,000
		<u>13,200</u>

(Actual amount of HRA received or expenditure on rent in excess of 1/10th of the salary or 50% of salary, whichever is the least) Rs. 12,000	(-)12,000
	<u>1,21,200</u>

4.	Less : Standard deduction u/s 16(i) @ 33 <sup>1</sup> /3% subject to a maximum of Rs. 12,000	(-)12,000
5.	Gross total income	<u>1,09,200</u>
6.	Less : Deduction u/s 80CCA (Deposits under NSS)	(-)30,000
7.	Total income	<u>79,200</u>
8.	Tax on total income (Rs. 7,600 plus 40% of Rs. 29,200)	19,280
9.	Deduction of tax rebate on savings u/s 88 GPF, etc.	16,500
	Refund of H.B. Loan limited to	10,000
	Rs. 10,000 @ 20% of Rs. 26,560	26,500 (-)5,300
10.	Tax payable	Rs. 13,980
	IT - Rs. 19,280 - Rs. 5,300	1,678
	Surcharge on Rs. 13,980	1,678
11.	Total	<u>15,658</u>

(Average monthly deduction comes to Rs. 1,305 for 11 months and Rs. 1,303 in the last month).

ANNEXURE III

FORM NO. 16

[See rule 31(1)(a)]

Certificate under section 203 of the Income-tax Act, 1961 for tax deducted at source from income chargeable under the head "Salaries"



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Name and address of the Employer		Name and Designation of the Employer	
.....		.....	
.....		.....	
.....		.....	
PAN /GIR NO.	TAN	PAN/GIR NO.	
TDS Circle where Annual Return/Statement under section 206 is to be filed		PERIOD	
		From	To
		Assessment Year 19...	

DETAILS OF SALARY PAID AND ANY OTHER INCOME AND TAX DEDUCTED

1.	Gross Salary*				Rs....
2.	Less: Allowance to the extent exempt under section 10				Rs....
3.	Balance (1-2)				Rs....
4.	Deductions :				
	(a) Standard deduction	Rs....			
	(b) Entertainment allowance	Rs....			
	(c) Tax on Employment	Rs....			
5.	Aggregate of 4 (a to c)		Rs....		
6.	Income chargeable under the head "Salaries" (3-5)				Rs....
7.	Add: Any other income reported by the employee				Rs....
8.	Gross Total Income (6+7)				Rs....
9.	Deductions under Chapter VI-A				
		Gross Amount	Qualifying Amount	Deductible Amount	
	(a)	Rs....	Rs....	Rs....	
	(b)	Rs....	Rs....	Rs....	
	(c)	Rs....	Rs....	Rs....	
	(d)	Rs....	Rs....	Rs....	
10.	Aggregate of deductible amount under chapter VI-A				Rs....
11.	Total income (8-10)				Rs....
12.	Tax on total income				Rs....
13.	Rebate and Relief under Chapter VIII				
	I. Under section 88 (please specify)				
		Gross Amount	Qualifying Amount	Tax Rebate/Relief	
	(a)	Rs....	Rs....		
	(b)	Rs....	Rs....		
	(c)	Rs....	Rs....		
	(d)	Rs....	Rs....		
	(e)	Rs....	Rs....		
	(f) Total (a) to (e)	Rs....	Rs....	Rs....	
	II. Under section 88A (please specify)				
	(a)	Rs....	Rs....		
	(b)	Rs....	Rs....		
	(c) Total [(a) + (b)]			Rs....	
	III Under section 89 (Attach details)				Rs....
14.	Aggregate of Tax Rebates and relief at 13 Above [(f) + II (c) + III]				Rs....
15.	Tax [payable (12-14) and surcharge thereon				Rs....
16.	Less: Tax deducted at source				Rs....
17.	Tax payable/Refundable (15-16)				Rs....

DETAILS OF TAX DEDUCTED AND DEPOSITED INTO CENTRAL GOVERNMENT ACCOUNT

Amount	Date of payment	Name of Bank & Branch where tax Deposited
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Certified that a sum of Rs. (in words)..... has been deducted at source and paid to the credit of the Central Government. Further certified that the above information is true and correct as per records.

*Signature of the person responsible for deduction of tax*

*Place.....*

*Full Name.....*

*Date.....*

*Designation.....*

