



Income Tax Department

Ministry of Finance, Government of India

FINANCIAL YEAR 1992-93

1675. Instructions for deduction of tax at source from salary - Rate of tax for the financial year 1992-93

1. Reference is invited to Board's Circular No. 612, dated 13-11-1991 wherein the rates of deduction of income-tax during the financial year 1991-92, from the payment of income under the head "Salaries", under section 192 of the Income-tax Act, 1961, were intimated. The present Circular contains the rates of deduction of income-tax from the payment of income chargeable under the head "Salaries" during the financial year 1992-93 and explains certain related provisions of the Income-tax Act.

2. The Finance Act, 1992 has raised the income-tax exemption limit for individuals from Rs. 22,000 to Rs. 28,000. Further, the number of taxable income slabs has been reduced from four to three, viz, (i) Rs. 28,001 to Rs. 50,000, (ii) Rs. 50,001 to Rs. 1,00,000, and (iii) over Rs. 1,00,000, attracting the tax rate of 20%, 30% and 40% respectively, on the portion of the income falling within these slabs. The limit of total income for the purpose of levying surcharge on income-tax has also been raised from Rs. 75,000 to Rs. 1,00,000. The rate of surcharge, however, remains unchanged at 12% of the income-tax computed on the total income. An extract of sub-paragraph 1 of paragraph A of Part III of the First Schedule to the Finance Act, 1992 giving the tax rates applicable, is given at Annexure I.

3. Some of the other important changes brought about by the Finance Act, 1992 are as follows :

- (i) Insertion of a proviso to clause (i) of section 16 to enhance the standard deduction to fifteen thousand rupees in respect of working women whose total income before making the standard deduction does not exceed seventy-five thousand rupees.
- (ii) Amendment of clause (2) of section 17 to provide that all payments made by an employer directly to a hospital, approved by the Chief Commissioner of Income-tax, having regard to the prescribed guidelines, in connection with the medical treatment of the employee or any member of his family, shall not be included in the value of the perquisites. Also, the existing restriction upon the admissibility of expenditure on travel abroad for medical treatment, only in the case of employees whose total income does not exceed Rs. one lakh, has been relaxed so as to cover employees whose gross total income does not exceed Rs. two lakhs.
- (iii) Amendment of section 80CCA to provide that no deduction under that section shall be allowed on or after the 1st April, 1992 in relation to any amount paid or deposited in respect of any schemes covered by this section (e.g., National Savings Scheme, Jeevan Dhara, Jeevan Akshay, etc.). However, investments in notified Schemes will now qualify for tax rebate as per the provisions of section 88.
- (iv) Amendment of section 80CCB to provide that no deduction under that section shall be allowed in relation to any amount invested in the Equity Linked Savings Schemes, on or after the 1st April, 1992. However, subscriptions to units of notified Mutual Funds and UTI will now qualify for tax rebate as per the provisions of section 88.
- (v) Amendment of section 80D so as to enhance the deduction allowed thereunder in respect of sums paid by an assessee to effect or keep in force an insurance on his health or on the health of his family members from Rs. three thousand to Rs. six thousand.
- (vi) Amendment of section 80DD so as to enhance the deduction in respect of medical treatment of handicapped dependents from Rs. six thousand to Rs. twelve thousand. Further, the ceiling of the assessee's total income being one lakh rupees or less for claiming the deduction under this section has been withdrawn.
- (vii) Omission of the first and second provisos to sub-section (1) of section 80L which has the effect of limiting the deduction allowed under that section, in respect of income by way of interest, dividend, etc., as specified, up to a maximum of Rs. seven thousand.
- (viii) Amendment of section 88 so as to provide that a higher limit of tax rebate of Rs. 12,000 can be availed of in the case of individuals, and Rs. 17,500 in the case of authors, playwrights, artists, musicians, actors, athletes, and sportsmen, whose income derived from the exercise of these professions, constitutes 25% or more of their total income.
- (ix) Insertion of a new section 88B so as to provide an additional rebate of ten per cent of the amount of income-tax (as computed before allowing the rebate under Chapter VIII of the Income-tax Act, 1961) payable by individuals, resident in India, who are of the age of sixty-five years or more at any time during the relevant previous year and have a gross total income not exceeding fifty thousand rupees.

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 1992-93 is given hereunder and in the succeeding paragraphs:

- (i) 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, under this heads, of the assessee for that financial year. The provisions of sub-section (3) of the said section are intended for making adjustment for any excess or shortfall in the deduction of tax made during the financial year. 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. No tax will, however, be deducted at source in any case unless the estimated salary income for the financial year exceeds Rs. 28,000. (Some typical examples of calculations are given 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 to the Income-tax Act. Other items included in salary, profits in lieu of salary and perquisites as described in section 17 of the Income-tax Act. It may be noted that, since salary includes pension, tax at source would have to be deducted from pension also, if otherwise called for. However, no tax is required to be deducted from the commuted portion of pension as explained in para 5(iii) of this Circular.
- (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.

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 purpose of such travel.
- (ii) Death- cum-retirement gratuity or any other gratuity is exempt to the extent specified from inclusion in computing the total income under clause (10) of section 10.
- (iii) Any payment in commutation of pension received under the Civil Pension (Commutation) Rules of the Central Government or, under any similar scheme applicable to the members of the civil services of the Union, or, holders of civil posts/posts connected with defence, under the Union, or civil posts under a State, or, to the members of the All India Services/Defence Services, or, to the employees of a local authority or a corporation established by a Central, State or Provincial Act, is exempt under sub-clause (i) of clause (10A) of section 10. As regards payments in commutation of pension received under any scheme of any other employer, exemption will be governed by the provisions of sub-clause (ii) of clause (10A) of section 10.
- (iv) 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 (j) 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 a maximum of eight months' leave. This exemption will be further limited to the 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. S.O. 553(E), [F. No. 142/11/88-TPL], dated 8-6-1988, at Rs. 79,920.
- (v) 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 workmen in the undertaking to which the scheme applies and other relevant circumstances.
- (vi) Hitherto, under section 10(10C) of the Income-tax Act, any payment received by an employee of a public sector company at the time of his voluntary retirement was exempt from tax provided the payment was in accordance with any scheme approved by the Central Government. The Finance Act, 1992 has enlarged the ambit of section 10(10C) to provide that exemption will be available not only to the employees of the public sector companies but also of other companies, if the payment made at the time of voluntary retirement is in accordance with any scheme(s) of voluntary retirement. These schemes will have to be in accordance with the guidelines prescribed by the Central Government which may, *inter alia*, include criteria of economic viability of the concerned companies. The only distinction between the voluntary retirement schemes of public sector companies and other companies will be that the latter will have to be approved by the Chief Commissioner of Income-tax or Director General of Income-tax, as the case may be.



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(vii) 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—

- The actual amount of such allowance received by an employee in respect of the relevant period; or
- The actual expenditure incurred in payment of rent in excess of 1/10 of the salary due for the relevant period; or
- Where such accommodation is situated in Bombay, Calcutta, Delhi or Madras, 50% of the salary due to the employee for the relevant period; or
- 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 decided 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.

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

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

- 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;
- Any Special compensatory allowance in the nature of border area allowance or remote area allowance or difficult area allowance or disturbed area allowance;
- Tribal area allowance;
- 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;
- Children education allowance;
- Any allowance granted to an employee to meet the hostel expenditure of his child;
- Any allowance granted to meet the expenditure incurred on conveyance in the performance of duties of an office or employment of profit;
- Any special compensatory allowance in the nature of Composite Hill Compensatory Allowance or High Altitude Allowance or Uncongenial Climate Allowance or Snowbound Area Allowance or Avalanche Allowance; and
- 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. The reimbursement of tuition fee is also not exempt from tax.

(ix) 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. 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.

- (x) (a) Under section 16 of the Income-tax Act, as amended by the Finance Act, 1992, that taxable salary is to be computed after making a standard deduction equal to 33 1/3% of the salary, subject to the following limits :
- Rs. 15,000 in the case of working women whose total income before making the standard deduction does not exceed Rs. 75,000 in the financial year.
 - Rs. 12,000 in any other case, not covered by (i).

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 under clauses (10), (10A), (10AA), (10B), (10C), (10D), (11), (12), (13A) and (14) of section 10 of the Act. Thus, for example, 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 standard deduction.

This deduction will also be available to all persons drawing pension during the current financial year at the same rate and subject to the ceiling of Rs. 12,000.

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

- 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".
- 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 of 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.

(xi) Under section 17, as amended by the Finance (No. 2) Act, 1991 and, further amended by the Finance Act, 1992, exemption from tax will also be available in respect of,—

- the value of any medical treatment provided to an employee or any member of his family in any hospital maintained by the employer;
- reimbursement by the employer, of expenditure incurred by an employee on his medical treatment or treatment of any member of his family 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;
- any sum paid by the employer directly to a hospital, approved by the Chief Commissioner of Income-tax, having regard to the prescribed guidelines for the purposes of medical treatment of the prescribed diseases or ailments, on account of such treatment or any member of his family;
- 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);
- reimbursement by the employer, of 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;
- 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 Rs. two lakhs, and, subject to such further conditions as the Central Board of Direct Taxes may prescribe.

(xii) The Finance Act, 1992 has amended sections 80CCA and 80CCB so as to provide that the deductions in respect of investments/deposits made in the schemes or plans covered by these sections, which were hitherto being allowed in the computation of total income of the investor, will cease to be so allowed in respect of such investments made on or after the 1st April, 1992. These investments will now qualify for tax rebate under section 88, subject to the limits prescribed under that section. However, the amendment of section 80CCA also provides that no tax will be levied on any amount received by the assessee on account of the surrender of the policy in accordance with the annuity plan of the LIC, where the assessee elects to surrender the said annuity plan before the 1st October, 1992, in respect of which he had paid the amount before 1st April, 1992.



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(xiii) Under section 80D as amended by the Finance Act, 1992, in the case of the following categories of persons, a deduction can be allowed of a sum not exceeding Rs. 6,000 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 "Mediclam".

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 of husband and wife governed by the system of community of 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.
- (xiv) Under section 80DD, as amended by the Finance Act, 1992, a deduction of Rs. 12,000 shall be allowed in the case of resident individuals who incur expenditure on the medical treatment (including nursing), training and rehabilitation of a handicapped dependent relative, suffering from permanent physical disability (including blindness) or mental retardation, specified in rule 11A of the Income-tax Rules, 1962. The deduction will be available to all assesseees without any restriction with regard to their total income. 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 Officers should, therefore, call for such particulars/certificates/ information from the employees as they deem necessary to verify the genuineness of the claim before they allow this deduction.
- (xv) 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 per cent 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.
- (xvi) 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 :—
- (a) 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;
 - (b) 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 25 per cent thereof or 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 80GG;
 - (c) the assessee does not own:
 - (i) 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
 - (ii) 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.
 - (d) The accommodation occupied by him for the purpose of his own residence is situated in any of the following places, namely :—
 - (i) 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 (Banarasi) or the Urban Agglomeration of each of such places; or
 - (ii) Bombay, Calicut, Cochin, Ghaziabad, Hubli-Dharwar, Madras, Solapur, Trivandrum or Vishakhapatnam.

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 assessee. They should also satisfy themselves in this regard by insisting on production of evidence of actual payment of rent.

(xvii) Section 80RRR (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 following shall be allowed as deduction in computing the total income of the individual:

- (i) fifty per cent of the remuneration, or
- (ii) 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 80RRR. 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 80RRR. The expression "foreign employer" has been defined in *Explanation (b)* to section 80RRR 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 :

- (a) 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;
- (b) in the case of any other individual being a technician, the fact of the terms and conditions of 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).

(xviii) Section 80U allows deduction of a sum of twenty thousand rupees in computing the total income of a resident individual, who, at the end of 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 rule 11D of the Income-tax Rules, 1962 which is certified by a physician, surgeon, oculist or 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. The expression 'Government hospital' will include a departmental dispensary or a hospital maintained by a local authority as specified in the *Explanation* given below section 80DD.

Tax rebate

6. According to section 88, as amended by the Finance Act, 1992, an assessee will be entitled to a rebate (subject to the specified limits) in respect of the amounts invested or deposited in the following items during the previous year out of his income chargeable to tax from the income-tax payable by him on his total income :

- (i) Payment of insurance premium to effect or to keep in force an insurance on the life of the individual. (It may be noted that any premium or other payment made on a policy as is not in excess of 10% of the sum assured, will alone qualify for deduction).
- (ii) Any payment made to effect or keep in force a contract for a deferred annuity, not being an annuity plan as is referred to in item (viii) hereinbelow, 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.
- (iii) 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 purpose 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.
- (iv) Any contribution made :
 - (a) by an individual to any Provident Fund to which the Provident Funds Act, 1925 applies;
 - (b) 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 minor of whom he is the guardian;
 - (c) by an employee to a recognised provident fund;
 - (d) 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.

- (v) 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.
- (vi) Any subscription—
 - (a) to any such security of the Central Government or any such deposit scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf;



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- (b) to any such savings certificates as defined under section 2(c) of the Government Saving Certificate Act, 1959 as the Government may, by notification in the Official Gazette, specify in this behalf. Interest on NSC (VI Issue) and NSC (VIII Issue) which is deemed as investment also qualifies for deduction.
- (vii) 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 payment made to effect or keep in force a contract for such annuity plan of the Life Insurance Corporation as the Central Government may, by notification in the Official Gazette, specify.
- (ix) Any subscription not exceeding rupees ten thousand, made to any units of any Mutual Fund, notified under clause (23D) of section 10 or, of the Unit Trust of India established under the Unit Trust of India Act, 1963, under any plan formulated in accordance with any such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf.
- (x) Any contribution made by an individual to any pension fund set up by any Mutual Fund notified under clause (23D) of section 10, as the Central Government may, by notification in the Official Gazette, specify in this behalf.
- (xi) Any subscription made to any such deposit scheme of, or any contribution made to any such pension fund set up by, the National Housing Bank, as the Central Government may, by notification in the Official Gazette, specify in this behalf.
- (xii) Any subscription made to any such deposit scheme, 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 purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both.
- (xiii) 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 a public company, public sector company or a university established by law or a college affiliated to such university, or a local authority or a co-operative society. 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 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 of 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 1992-93, no tax rebate in respect of these items shall be admissible to the employees.

6.1 Subject to the limits mentioned for the various items, the entitlement to tax rebate will be calculated at the rate of 20% of the total amount of the aforesaid savings, etc., in the case of individuals, and, at the rate of 25% in the case of an author or playwright or artist or musician or actor or sportsman (including an athlete) whose income derived from the exercise of his profession as such author/playwright/artist/musician/actor/sportsman/athlete constitutes twenty-five per cent or more of his total income. As per the amendment carried out by the Finance Act, 1992, the maximum tax rebate allowable will be Rs. 12,000 generally, and Rs. 17,500 in the case of authors, playwrights, artists, musicians, actors, sportsmen and athletes. There will, therefore, be an overall limit or savings which will qualify for tax rebate. In the case of individuals, the limit will be Rs. 60,000 and in the case of authors, sportsmen, etc., Rs. 70,000.

6.2 The Finance Act, 1992 has introduced a new provision in the form of section 88B which stipulates that an assessee, being an individual resident in India, who is of the age of 65 years or more at any time during the previous year and whose gross total income does not exceed Rs. 50,000 shall be allowed a deduction, from the amount of income-tax (as computed before allowing the rebate under Chapter VIII) on his total income chargeable to tax of an amount equal to 10% of such income-tax.

6.3 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 1992-93, at the rates referred in para 2 above. After calculating the tax liability, the tax rebate provided for in section 88 and section 88B (wherever applicable) 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 total tax rebate under sections 88 and 88B 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. 1,00,000 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 the 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 4 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-sections (2), (2A) and (2B) in section 192. The salient features of these provisions as further modified by the Finance Act, 1989 are given below :—

- 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).
- 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., is paid in arrears or in advance.
- Sub-section (2B) enables a taxpayer to furnish particulars of income under any head other than "Salaries" and of any tax deducted at source thereon in the prescribed form (No. 12C). Such income under any other head should not be a loss. The employer shall take such other income and tax, if any, deducted at source from such income, into account for the purpose of computing tax deductible under section 192 of the Income-tax Act. However, if such aggregation results in tax deductible which is less than in the case where income under the head "Salaries" alone is taken into account for computing tax deductible, then such aggregation under sub-section (2B) is not permissible. In other words, a loss from any other source cannot be adjusted by the DDO against salary income. To meet the requirement of these provisions, the Central Government have enacted Rule 26B in the Income-tax Rules. 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.

8.1 Section 197 further enables the taxpayer to make an application in Form No. 13 to his Assessing Officer, and, if the Assessing Officer is satisfied that the total income of the taxpayer justifies the deduction of income-tax at any lower rate or no deduction of income-tax, he may issue an appropriate certificate to that effect which should be taken into account by the Drawing and Disbursing Officer while deducting tax at source.

8.2 In the case of pensioners who receive their pension from a nationalised bank, the instructions contained in this circular shall apply in the same manner as they apply to salary income. The deductions from the amount of pension on account of standard deduction under section 16, the rebate in income-tax under section 88 on account of contributions to Provident Fund, Life Insurance, National Savings Certificates, etc., and the further tax rebate under section 88B (in the case of pensioners, residents in India, who are 65 years of age and above and, whose gross total income does not exceed Rs. 50,000 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. Necessary instructions in this regard have been issued by the Reserve Bank of India to the State Bank and other Nationalised Banks vide RBI's Pension Circular (Central Series) No. 7/CDR/1992 [Ref. CO:DGBA:GA(NBS) No. 60/GA. 64(11 CVL)91/92] dated the 27th April, 1992, and these instructions should be followed by all such branches of the State Bank/Nationalised Banks as have been entrusted with the task of payment of pensions.

9. 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.



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9.1 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.

9.2 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 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. S.O. 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.

9.3 According to the provisions of section 203A of the Income-tax Act, it is obligatory for all persons responsible for deducting tax 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.

9.4 According to the provisions of section 206 of the Income-tax Act, 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 under section 192, from 'salaries' 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 Officer. 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 helping 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, 1961 and the Finance Act, 1992.

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

Circular: No. 629, dated 31-7-1992.

ANNEXURE I

EXTRACT FROM THE FINANCE ACT, 1992, PART III OF THE FIRST SCHEDULE

Paragraph A - Sub-Paragraph I

In the case of every individual or Hindu undivided family 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

- | | | |
|-----|--|---|
| (1) | where the total income does not exceed Rs. 28,000 | Nil; |
| (2) | where the total income exceeds Rs. 28,000 but does not exceed Rs. 50,000 | 20 per cent of the amount by which the total income exceeds Rs. 28,000; |
| (3) | where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 4,400 plus 30 per cent of the amount by which the total income exceeds Rs. 50,000; |
| (4) | where the total income exceeds Rs. 1,00,000 | Rs. 19,400 plus 40 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 or section 112 shall—

- in the case of every individual, Hindu undivided family or association of persons or body of individuals referred to in sections 88 and 88B having a total income exceeding one hundred thousand rupees be reduced by the amount of rebate of income-tax calculated under those sections, and the income-tax as so reduced,
- in the case of every persons, other than those mentioned in item (i), having a total income exceeding one hundred 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

Example I

	Rs.	Rs.
1. Total Salary Income (including allowances)		76,000
2. Deposits under the Notified Schemes	6,000	
3. Contribution to G.P.F.	12,000	
4. Payment towards L.I.P.	1,000	
5. Contribution for participation in Unit linked Insurance Plan, 1971, made under section 19(1)(cc) of the Unit Trust of India Act, 1963	300	23,520
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

1. Gross Total Salary Income	76,000
2. Standard deduction	(-)12,000
3. Gross Total Income (1-2)	64,000
4. Tax on Total Income (Rs. 4,400, plus 30% of the amount in excess of Rs. 50,000, i.e., 30% of Rs.14,000)	8,600
5. Deduct rebate on savings, etc., under section 88@ 20% of Rs. 23,520	4,704
6. Tax payable	3,896

(Average monthly deduction comes to Rs. 325 for 11 months and Rs. 321 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.



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1.	Salary (excluding allowances)		1,20,000
2.	House rent allowance received		9,600
3.	Actual Rent paid		19,200
4.	Deposits under Notified Schemes	12,000	
5.	Contribution to General Provident Fund	24,000	40,000
6.	Life Insurance Policy (LIP)	3,000	
7.	Deposits in a 10-year account under the post Office Savings Bank (Cumulative Time Deposit) Rules,1959	1,000	

Computation of total income

1.	Salary		1,20,000
2.	House Rent Allowance received		9,600
3.	Total salary income		1,29,600

4. Less: House Rent Allowance exempt under section 10(13A):

(a) Actual amount of HRA Received (Rs. 9,600); or

(b) Expenditure on rent in excess of 10 per cent of salary (Rs. 19,200-Rs. 12,000 = Rs. 7,200); or

(c) 50 per cent of salary (Rs.60,000) whichever is the least, therefore (b) is taken as exempt (-) 7,200

			1,22,400
5.	Standard deduction under section 16(i) @ 33 $\frac{1}{3}$ per cent subject to a maximum of Rs.12,000		(-) 12,000
6.	Gross Total Income		1,10,400
7.	Tax on Gross Total Income (Rs. 19,400+ 40 per cent of Rs. 10,400, i.e., 19,400 + 4,160)		23,560
8.	Deduct tax rebate on saving under section 88 (80 per cent of Rs.40,000)		(-) 8,000
9.	Tax payable		15,560
10.	Surcharge (12% of Rs.15,560)		1,867
11.	Total tax payable		17,427

(Average monthly deduction comes to Rs. 1,4,52 for 11 months and Rs. 1,455 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		65,000
2.	Bonus		10,000
3.	Free gas,electricity,water, etc.(actual bills paid by the Company)		3000
4.	Furniture at cost (including television set, radio set, refrigerator, other household appliances and air-conditioner) belonging to the company		40,000
5.	(i) Furnished flat provided to the employee for which actual rent paid by the Company		48,000
	(ii) Rent recovered from the employee		6,000
6.	Deposits under Notified Schemes	5,000	
7.	Subscription to Mutual Fund	8,000	
8.	Life Insurance Policy (LIP)	2,000	24,000
9.	Subscription to National Savings Certificates (VIII Issue)	3,000	
10.	Contribution to Recognised Provident Fund	6,000	

Computation of total income

1.	Salary		65,000
2.	Bonus		10,000
3.	Valuation of perquisites		75,000

(a) Furnished flat at concessional rent under section 17(2) read with clauses (a) and (b) of rule 3 of the IT Rules, 1962. Fair Rental Value (FRV) (assumed to be equal to actual rent Rs. 48,000); 10% of salary including bonus

Add: Excess of (FRV) over 60% of salary including bonus (i.e., Rs. 48,000 - 45,000) 3000

Add: Perquisite of the furniture (10% of cost,i.e., Rs, 40,000) 4000

14,500



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Less: Rent recovered from the employee	6,000	8,500
		83,500
4. Free gas, electricity, etc.,		3,000
		86,500
Less: Standard deduction under section 16(i) of the Income-tax Act, 1961, 33 ¹ / ₃ per cent of amount subject to maximum of Rs.12,000	(-)	12,000
6. Gross Total income		74,500
		Rs.
7. Tax on total income (Rs. 4,400 plus 30 per cent of Rs.74,500)		11,750
8. Deduct tax rebate on savings (Notified Scheme, Mutual Fund, LIP, PF, NCS) @ 20 per cent of Rs.24,000		(-) 4,800
9. Tax payable		6,950

(Average monthly deduction comes to Rs. 580 for 11 months and Rs. 570 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 cent 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 Income-tax Rules, say, a nationalised bank, State Trading Corporation, etc., it is taken as 10 per cent of the salary due to the employee and where the accommodation is furnished as in other cases, an additional 10 per cent 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 per cent of salary over fair rental value, as against 50 per cent in other cases, is required to be added in determining the value of perquisites in view of Board's Circular No. 374 dated 14-12-1983.

Example IV
[EXAMPLES OF INCOME-TAX CALCULATION IN THE CASE OF AN EMPLOYEE, POSTED IN DELHI AND REPAYING HOUSE BUILDING LOAN]

	Rs.	Rs.
1. Total Salary		90,000
2. House Rent Allowance		12,000
3. Subscription to units of Mutual Fund referred to in para 6(ix)	12,000	
4. Contribution to GPF, Payment of LIC premium, etc.	15,000	27,000
5. Actual rent paid		24,000
6. Payment of loan taken from LIC for construction of house		12,000
<i>Computation of total income</i>		
1. Gross Total Salary	Rs.	90,000
2. House rent allowance received		12,000
		1,02,000
3. Less: Allowance under section 10(13A): (a) Actual amount of HRA received or	12,000	
(b) Expenditure on rent in excess of 10 per cent of salary (Rs. 24,000—9,000)	15,000	
or		
(c) 50 per cent of salary,	45,000	
whichever is the least; therefore (a) is exempt		(-) 12,000
		90,000
4. Less: Standard deduction under section 16(i) of the Income-tax Act, 1961 at 33 ¹ / ₃ % of salary subject to a maximum of Rs. 12,000		(-) 12,000
5. Gross Total Income		78,000
6. Tax on total income (Rs. 4,400 + 30 per cent of Rs. 28,000)		12,800
7. Tax rebate to be allowed under section 88;		
Amounts qualifying for rebate:		
(i) Mutual Fund [Limited to Rs.10,000 see para 6(ix)]	10,000	
(ii) Contribution to GPF, LIC	15,000	
(iii) Repayment of Housing Loan [limited to Rs.10,000; see para 6(xiii)]	10,000	
Tax rebate (20 per cent of Rs. 35,000)		7,000
8. Tax payable (6-7)		5,800

(Average monthly deduction comes to Rs. 483 for 11 months and Rs.487 in the last month)

Example V

[SHOWING CALCULATION OF TAX LIABILITIES OF A PERSON OF 65 YEARS OF AGE (OR MORE) AND DRAWING PENSION]

Rs. Rs.



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1. Total pension income (Including dearness relief)		48,000
2. Deposits under notified schemes	2,000	6,000
3. Subscriptions to National Savings Certificates	2,000	
4. Subscription to Mutual Fund	2,000	

Computation of total income

	Rs.
1. Total Pension Income	48,000
2. Standard deduction	(-) 12,000
3. Gross total income	36,000
4. Tax on Gross Total Income (20% of Rs. 36,000-Rs. 28,000)	1,600
5. Tax Rebate under section 88B (i.e., 10 per cent of Rs.1,600)	(-) 160
6. Tax payable	1,440
7. Tax Rebate under section 88 (20 per cent of Rs 6,000)	1,200
8. Net Tax payable	240

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"

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...	

सत्यमेव जयते
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....		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			
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



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(a)		Rs....	Rs....		
(b)		Rs....	Rs....		
(c)		Rs....	Rs....		
(d)		Rs....	Rs....		
(e)		Rs....	Rs....		
(f) Total (a) to (e)		Rs....	Rs....		
II. Under section 88A (please specify)					
(a)			Rs....	Rs....	
(b)			Rs....	Rs....	
(c) Total (a) + (b)				Rs....	Rs....
III. Under section 89 (Attach details)					
					Rs....
14.	Aggregate of Tax Rebates and relief at 13 Above [I(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

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.

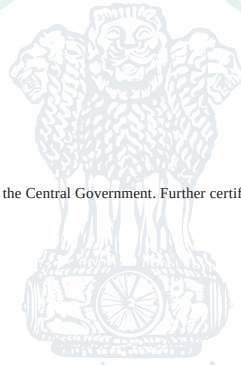
Signature of the person responsible for deduction of tax

Place.....

Full Name.....

Date.....

Designation.....



सत्यमेव जयते

कोष मूलो दण्डः

INCOME TAX DEPARTMENT