

INCOME
FROM
SALARIES

Section 17(1) of the Income tax Act

It gives an inclusive and not exhaustive definition of “Salaries” including therein

(i) Wages (ii) Annuity or pension (iii) Gratuity (iv) Fees, Commission, perquisites or profits in lieu of salary (v) Advance of Salary (vi) Amount transferred from unrecognized provident fund to recognized provident fund (vii) Contribution of employer to a Recognized Provident Fund in excess of the prescribed limit (viii) Leave Encashment (ix) Compensation as a result of variation in Service contract etc. (x) Contribution made by the Central Government to the account of an employee under a notified pension scheme.

INCOME FROM SALARY

Basis of Charge

[Section 15]

As per Section 15, Salary consists of the following:

- any salary due from an employer or former employer to an assessee in the previous year, whether actually paid or not; (**Normal Salary**)
- any salary paid to him in the previous year by an employer or a former employer though not due or before it became due to him. (**Advance Salary**)
- any arrears of salary paid to him by employer or former employer, if not charged to income tax for any earlier previous year. (**Arrears of Salary**)

SALARY
[Section 15, 16, & 17]

SALARY [17 (1)] **+** **ALLOWANCES** [17 (3) (ii)] **+** **Perquisites** [17 (2)] **+** **Profit in Lieu of Salary** [17 (3)]

LESS

Entertainment Allowance [16 (ii)] **+** **Tax on Employment** [16 (iii)]

Income under the Head Salary

Particulars	Amount
Basic Salary	—
Add:	—
1. Fees, Commission and Bonus	—
2. Allowances	—
3. Perquisites	—
4. Retirement Benefits	—
5. Fees, Commission and Bonus	—
Gross Salary	—
Less: Deductions from Salary	—
1. Entertainment Allowance u/s 16	—
2. Professional Tax u/s 16	—
Net Salary	—

2. Deduction From Salary Income

The following deductions from salary income are admissible as per Section 16 of the Income-tax Act.

- (i) Professional/Employment tax levied by the State Govt.
- (ii) Entertainment Allowance- Deduction in respect of this is available to a government employee to the extent of Rs. 5000/- or 20% of his salary or actual amount received, whichever is less.

- It is to be noted that standard deduction of Rs. 50,000/- is available from salary income w.e.f. 01.04.2019 i.e. AY 2020-21 onwards.

Monthly Salary	Amount payable in Madhya Pradesh
Less than Rs. 12500	Nil
Rs. 12500 to Rs. 14999	Rs. 125 pm
Rs. 15000 & above	Rs. 208 from April to Feb & Rs. 212 in March

Thank
you