

**INCOME  
FROM  
SALARIES**

## FULLY TAXABLE ALLOWANCES

- **Dearness Allowance:** The allowance is paid to the employees to cope with inflation.
- **Entertainment Allowance:** This is an allowance that is provided to the employees to reimburse the expenses which are incurred on the hospitality.
- **Overtime Allowance:** Overtime allowance is the allowance which is paid to the employees for working above the regular work hours.
- **City Compensatory Allowance:** This allowance is paid to those employees who move to urban cities.

- **Project Allowance:** When an employer provides an allowance to the employees to meet the project expenses.
- **Tiffin/Meals Allowance:** Employees may be provided with meal allowances in some cases.
- **Cash Allowance:** Employer may also provide cash allowance in some cases like for marriage or holiday purposes.

## PARTLY TAXABLE ALLOWANCES

- **House Rent Allowance:** It is the allowance that an employer pays to his employee for accommodation.
- **Entertainment allowance**
- **Special allowances** like allowance for travel, uniform, research allowance etc.
- **Special allowance to meet personal expenses** like children's education allowance, children hostel allowance etc.

## NON TAXABLE ALLOWANCES

- **Allowances that is paid to the Govt. servants abroad:** When the government employee of India are paid allowances when they are serving abroad.
- **Sumptuary allowances:** Sumptuary allowances which are paid to the judges of HC and SC are not taxed.
- **Allowance paid by UNO:** Allowances which is received by the employees of UNO are fully exempt from tax.
- **Compensatory allowance paid to judges:** When a judge receives a compensatory allowance, it is also not taxable.

**Perquisites** are those payments which are received by an employee from the employer over and above the salary.

**Perquisites that are taxable for all the employees:**

- Rent free accommodation
- Club fee payments
- Movable assets
- Concession in accommodation rent
- Interest-free loans
- Educational expenses
- Insurance premium paid on behalf of employees

## **Perquisites that are taxable only to specified employees:**

- Free gas, electricity etc. for domestic purpose
- Concessional transport facility
- Concessional educational expenses
- Payment made to gardener, sweeper and attendant.

## **Perquisites that are exempt from tax:**

- Medical benefits
- Health Insurance Premium
- Leave travel concession
- Staff Welfare Scheme
- Car, laptop etc. for personal use.