

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
CENTRAL BOARD OF DIRECT TAXES

DEDUCTION OF TAX AT SOURCE —
INCOME-TAX DEDUCTION FROM SALARIES
UNDER SECTION 192 OF THE
INCOME-TAX ACT, 1961

DURING THE FINANCIAL YEAR 2001-2002

CIRCULAR NO.15/2001 [F.No.275/192/2001-IT(B)]

INDEX

| Para No. | Page Nos. |
|---|-----------|
| 1. General | 1 |
| 2. Finance Act, 2001 | 1 |
| 3. Section 192 of Income-tax Act 1961 | 2 |
| 4. Persons responsible for deducting tax and their duties | 4 |
| 5. Estimation of income under the head "Salaries" | 7 |
| 5.1 <i>Income chargeable under the head "Salaries"</i> | 7 |
| 5.2 <i>Income not included in the head "Salaries" (Exemptions)</i> | 15 |
| 5.3 <i>Deductions u/s 16 of the Act</i> | 20 |
| 5.4 <i>Deductions under Chapter VI-A of the Act</i> | 20 |
| 6. Tax Rebate | 24 |
| 7. Calculation of Income-tax to be deducted | 28 |
| 8. Miscellaneous | 29 |
| Annexures | |
| I. Examples | 31-39 |
| II. Form 12C for sending particulars u/s 192(2B) | 40 |
| III. Form No.16 (as amended) & 12BA | 41-43 |
| IV. Board's Notification dated 7.7.1995 u/s 10(14) | 44-55 |
| V. Board's Notification dated 24.4.2000 u/s 10(14) | 56-62 |
| VI. Board's Notification dated 13.5.1998 u/s 10(14) | 63-64 |
| VII. Board's Notifications dated 24.11.2000 and 29.1.2001 u/s 10(18) | 65-66 |
| VIII. Form No. 10BA | 67 |

NEW DELHI, the 12th December, 2001
21 Agrahayana, 1923 (Saka)

CIRCULAR NO.15/2001

F.No. 275/192/2001-IT(B)

Government of India

Ministry of Finance

Department of Revenue

Central Board of Direct Taxes

New Delhi, the 12th December, 2001

Subject: *Income-tax deduction from salaries during the financial year 2001-2002 under Section 192 of the Income-tax Act, 1961.*

Reference is invited to Circular No.798 dated 30-10-2000 wherein the rates of deduction of income-tax from the payment of income under the head "Salaries" under Section 192 of the Income-tax Act, 1961, during the financial year 2000-2001, 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 2001-2002 and explains certain related provisions of the Income-tax Act.

2. Finance Act 2001:

According to the Finance Act, 2001, income-tax is required to be deducted under Section 192 of the Income-tax Act 1961 from income chargeable under the head "Salaries" for the financial year 2001-2002 (i.e. assessment year 2002-2003) at the following rates:.

Rates of Income-tax

- | | |
|---|---|
| 1. Where the total income does not exceed Rs.50,000/-. | Nil |
| 2. Where the total income exceeds Rs.50,000 but does not exceed Rs.60,000/-. | 10 per cent, of the amount by which the total income exceeds Rs.50,000/- |
| 3. Where the total income exceeds Rs.60,000/- but does not exceed Rs.1,50,000/- | Rs.1,000/- plus 20 per cent of the amount by which the total income exceeds Rs. 60,000/- |
| 4. Where the total income exceeds Rs.1,50,000/-. | Rs.19,000/- plus 30 per cent of the amount by which the total income exceeds Rs.1,50,000/-. |

Surcharge on income-tax

The amount of income tax computed in accordance with the preceding provisions of this paragraph shall be reduced by the amount of rebate of income tax calculated under Chapter VIIIA and the income tax so reduced shall be increased by a surcharge at the rate of two percent of such income tax where the total income exceeds sixty thousand rupees.

However, the total amount payable as income tax and surcharge shall not exceed the total amount payable as income tax on a total income of Rs.60,000 by more than the amount of income that exceeds Rs.60,000.

Surcharge is payable by both resident and non-resident assesseees.

3. Section 192 of the Income-tax Act, 1961: Broad Scheme of tax deduction at Source from "Salaries" etc.

3.1 Every person who is responsible for paying any income chargeable under the head "Salaries" shall deduct income-tax on the estimated income of the assessee under the head "Salaries" for the financial year 2001-2002. The income-tax is required to be calculated on the basis of the rates given above and shall be deducted on average at the time of each payment. No tax will, however, be deducted at source in any case unless the estimated salary income including the value of perquisites, for the financial year exceeds Rs.50,000/-. (Some typical examples of computation of tax are given at **Annexure-I**).

3.2 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 tax payer 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).

3.3 Under sub-section (2A) of Section 192 where the assessee, being a Government servant or an employee in a Company, Cooperative Society, Local Authority, University, Institution, Association or Body is entitled to the relief under sub-section (1) of Section 89, he may furnish to the person responsible for making the payment referred to in Para (3.1), such particulars in Form No.10E duly verified by him, and thereupon the person responsible as aforesaid shall compute the relief on the basis of such particulars and take into account in making the deduction under Para (3.1) above.

Explanation : For this purpose "University" means a University established or incorporated by or under a Central, State or Provincial Act, and includes an institution declared under Section 3 of the University Grants Commission Act, 1956 (3 of 1956), to be University for the purpose of the Act.

3.4 Sub-section (2B) of Section 192 enables a tax payer 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) vide **Annexure II**. Such income should not

be a loss under any such head other than the loss under the head "Income from House Property" for the same financial year. The person responsible for making payment (DDO) shall take such other income and tax, if any, deducted at source from such income, and the loss if any, under the head "Income from House property" into account for the purpose of computing tax deductible under Section 192 of the Income-tax Act. It is, however, provided that this sub-section shall not in any case have the effect of reducing the tax deductible except where the loss under the head "Income from House Property" has been taken into account, from income under the head "Salaries" below the amount that would be so deductible if the other income and the tax deducted thereon had not been taken into account.

In other words, the DDO can take into account the loss from House Property only for working out the amount of total tax to be deducted. While taking into the account the loss from House Property, the DDO shall ensure that the assessee files declaration in Form No. 12C and encloses therewith a computation of such loss from House Property.

Sub-section (2C) lays down that a person responsible for paying any income chargeable under the head "Salaries" shall furnish to the person to whom such payment is made a statement giving correct and complete particulars of perquisites or profits in lieu of salary provided to him and the value thereof in such form and manner as may be prescribed.

3.4 (i) For the purpose of computing loss under the head "Income from House Property" in respect of a self-occupied residential house, the ceiling of deduction of interest on borrowed capital invested in the acquisition or construction of a self-occupied residential house has been enhanced to Rs.1,50,000/- w.e.f. assessment year 2002-2003. However, this deduction on account of interest up to a limit of Rs.1,50,000, is available only if such loan has been taken for constructing or acquiring the residential unit on or after 1.4.1999 and the construction or acquisition of the residential unit out of such loan has been completed before 1.4.2003.

3.4 (ii) The essential conditions necessary for availing higher deduction of interest are that the relevant loan must have been taken after 1.4.1999 and the acquisition or construction of residential unit must be completed before 1.4.2003. There is no stipulation regarding the date of commencement of construction. Consequently, the construction of the residential unit could have commenced before 1.4.1999 but, as long as its construction/acquisition is completed before 1.4.2003, the higher deduction would be available. Also, there is no stipulation regarding the construction/acquisition of the residential unit being entirely financed by loan taken after 1.4.1999. (The loan taken prior to 1.4.1999 will carry deduction of interest upto Rs.30,000 or Rs. 15000 or Rs. 10,000 or Rs. 5000, as the case may be, depending upon the year in which the loan was taken).

3.5 The provisions of sub-section (3) of Section 192 allow the deductor to make adjustments for any excess or shortfall in the deduction of tax already made during the financial year, in subsequent deductions during that financial year itself.

3.6 The trustees of a Recognised Provident Fund or any person authorised by the regulations of the fund to make payment of accumulated balances due to employees, shall, in cases where sub-rule(1) of rule 9 of Part A of the Fourth Schedule to the Act applies, at the time when the accumulated balance due to an employee is paid, make therefrom the deduction specified in rule 10 of Part A of the Fourth Schedule.

3.7 Where any contribution made by an employer, including interest on such contributions, if any, in an approved Superannuation Fund is paid to the employee, tax on the amount so paid shall be deducted by the trustees of the Fund to the extent provided in rule 6 of Part B of the Fourth Schedule to the Act.

3.8 For the purposes of deduction of tax on salary payable in foreign currency, the value in rupees of such salary shall be calculated at the prescribed rate of exchange.

4. Persons responsible for deducting tax and their duties:

4.1 Under clause (i) of Section 204 of the Act the "persons responsible for paying" for the purpose of Section 192 means the employer himself or if the employer is a company, the company itself including the principal officer thereof.

4.2 The tax determined as per para 7 should be deducted from the salary u/s 192 of the Act.

4.3 Section 197 enables the tax-payer 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 tax-payer 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. In the absence of such a certificate from the employee, the employer should deduct income-tax on the salary payable at the normal rates: Circular No. 147 dated 28.10.1974.

4.4 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 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.

4.5 If a person fails to deduct the whole or any part of the tax at source, or, after deducting, fails to pay the the whole or any part of 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 w.e.f. 1.6.2001

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.

4.6 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. Even the banks deducting tax at the time of payment of pension are required to issue such certificates. In the case of employees receiving salary income including pension, the certificate has to be issued in Form No.16 which has been prescribed under Board's Notification No.S.O.940(E) dated 25-9-2001. It is, however, clarified that there is no obligation to issue the TDS certificate (Form 16) in case tax at source is not deductible/deducted by virtue of claims of exemptions and deductions. As per the amended section 192, the responsibility of providing correct and complete particulars of perquisites or profits in lieu of salary given to an employee is placed on the person responsible for paying such income i.e., the person responsible for deducting tax at source. The form and manner of such particulars are prescribed in rule 26A, Form 12BA and Form 16 of the Income-tax Rules as amended by notification No. 940(E) dated 25.9.2001. A new form (Form 12BA) stating the nature and value of perquisites is to be provided by the employer in case of salary above Rs. 1,50,000/-. In other cases, the information would have to be provided by the employer in the amended Form 16. In either case, Form 16 with Form 12BA or Form 16 by itself have to be furnished within a period of one month from the end of relevant financial year.

The newly amended Section 192 casting an obligation on the employer for providing a statement showing the value of perquisites provided to the employee is a serious responsibility of the employer which is expected to be discharged in accordance with law and rules of valuation framed thereunder. Any false information, fabricated documentation or suppression of requisite information will entail consequences therefor provided under the law.

A specimen of these certificates is enclosed at **Annexure III**. These certificates are to be issued on the tax-deductor's own stationery within one month from the close of the financial year i.e. by April 30 of every year. If he fails to issue these certificates 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 be Rs. 100/- for every day during which the failure continues.

4.7 According to the provisions of Section 203A of the Income-tax Act, it is obligatory for all persons responsible for deducting tax at source to obtain and quote the Tax-deduction Account No. (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 of ten thousand rupees. Similarly, as per Section 139A(5B), it is obligatory for persons deducting tax at source to quote PAN of the persons from whose income tax has been deducted in the statement furnished u/s 192(2C), certificates furnished u/s 203 and all returns prepared and delivered as per the provisions of Section 206 of the Income Tax Act, 1961.

4.8. 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 following the 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 be Rs.100/- 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.

4.9. A return filed on a floppy, diskette, magnetic cartridge tape, CD-ROM or any other computer readable media as may be specified by the Board shall be deemed to be a return for the purposes of Section 206 and the Rules made thereunder, and shall be admissible in any proceeding thereunder, without further proof of production of the original, as evidence of any contents of the original or of any fact stated therein. While receiving such returns on computer media, necessary checks by scanning the documents filed on computer media will be carried out and the media may be duly authenticated by the Assessing Officer.

4.10. While making the payment of tax deducted at source to the credit of the Central Government, it may 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.

4.11. 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 and the tax rebate under Section 88B (in the case of pensioners, resident in India, who are 65 years of age or more : refer Para 6(17)) 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 pensioner. As regards the tax rebate under Section 88 on account of contribution to Life Insurance, Provident Fund, NSC etc., if the pensioners furnish the relevant details to the banks, the tax rebate at the specified rate may also be allowed. Necessary instructions in this regard were issued by the Reserve Bank of India to the State Bank of India and other nationalised Banks vide RBI's Pension Circular (Central Series) No.7/C.D.R./1992 (Ref. CO:DGBA:GA(NBS) No.60/GA.64 (11CVL)-91/92) dated the 27th April, 1992, and, these instructions should be followed by all the branches of the Banks, which have been entrusted with the task of payment of pensions. Further all branches of the banks are bound u/s 203 to issue certificate of tax deducted in Form 16 to the pensioners also vide CBDT circular no. 761 dated 13.1.98.

4.12. Where Non-Residents are deputed to work in India and taxes are borne by the employer, if any refund becomes due to the employee after he has already left India and has no bank account in India by the time the assessment orders are passed, the refund can be issued to the employer as the tax has been borne by it : Circular No. 707 dated 11.7.1995.

4.13. TDS certificates issued by Central Government Departments which are making payments by book adjustment, should be accepted by the Assessing Officers if they indicate that credit has been effected to the Income Tax Department by book adjustment and the date of such adjustment is given therein. In such cases, the Assessing Officers may not insist on details like challan numbers, dates of payment into Government Account etc., but they should in any case satisfy themselves regarding the genuineness of the certificates produced before them : Circular No. 747 dated 27.12.1996.

4.14 There is a specific procedure laid down for refund of payments made by the deductor in excess of taxes deducted at source, vide Circular No. 285 dated 21.10.1980.

4.15 In respect of non-residents, the salary paid for services rendered in India shall be regarded as income earned in India, so as to specifically provide that any salary payable for rest period or leave period which is both preceded or succeeded by service in India and forms part of the service contract of employment will also be regarded as income earned in India.

5. ESTIMATION OF INCOME UNDER THE HEAD "SALARIES"

5.1 Income chargeable under the head "Salaries".

(1) The following income shall be chargeable to income-tax under the head "Salaries":

(a) any salary due from an employer or a former employer to an assessee in the previous year, whether paid or not.

- (b) any salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer though not due or before it became due to him.
- (c) any arrears of salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer, if not charged to income-tax for any earlier previous year.

(2) For the removal of doubts, it is clarified that where any salary paid in advance is included in the total income of any person for any previous year it shall not be included again in the total income of the person when the salary becomes due. Any salary, bonus, commission or remuneration, by whatever name called, due to, or received by, a partner of a firm from the firm shall not be regarded as "Salary".

(3) "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 it is chargeable to tax under rule 6 of Part A of the Fourth Schedule of the Income-tax Act. Contributions made by the employer in excess of 12% of the salary of the employee, alongwith interest applicable, shall be included in the income of the assessee for the previous year. Other items included in salary, profits in lieu of salary and perquisites are described in Section 17 of the Income-tax Act. The scope of the term profit in lieu of salary has been amended so as not to include interest on contributions or any sum received under a Keyman insurance policy including the sum allocated by way of bonus on such policy. For the purposes of this sub-clause, the expression Keyman insurance policy shall have the meaning assigned to it in clause (10D) of Section 10. It may be noted that, since salary includes pensions, 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 clause (3) of para 5.2 of this Circular.

(4) Section 17 defines the terms "salary", "perquisite" and "profits in lieu of salary". "Perquisite", includes the value of any benefit or amenity granted or provided free of cost or at concessional rate, in specified cases. Perquisites are charged to tax under the existing provisions for employees who are directors of companies or have substantial interest in a company, or have an income from salaries, excluding the value of all benefits or amenities, exceeding Rs. 24,000. The Finance Act, 2001 amends the provision to raise the monetary limit to Rs. 50,000. The definition of "perquisite" has also been amended to include the value of any other fringe benefit or amenity as may be prescribed. The details of fringe benefits are to be calculated in the manner prescribed in the Income-tax Rules. It is further provided that 'profits in lieu of salary' shall include amounts received in lump sum or otherwise, prior to employment or after cessation of employment for the purposes of taxation. The new rules for valuation of perquisite have been prescribed in the amended Rule 3 :-

I. Accommodation :- Under the old Rule 3 for purpose of valuation of the perquisite of unfurnished accommodation all employees were divided into three

categories; Central & State Government employees, employees of Public Sector undertaking and Semi-government organisation and others including, private sector employees. Under the new Rule 3, for purposes of valuation of perquisite of accommodation, employees are divided into two categories instead — Govt. & State Govt. employees; and Others.

For employees of the Central and State government the value of perquisite shall be equal to the licence fee charged for such accommodation.

For all others, i.e., those salaried taxpayers not in employment of the Central government and the State government, the valuation of perquisite in respect of accommodation would be at prescribed rates. The rate is 10% of 'salary' in cities having population exceeding four lakhs as per the 1991 census. For other places, the perquisite value would be 7.5% of salary.

The scope of the word "accommodation" has been widened by clarifying that it includes a house, flat, farm house, hotel accommodation, guest house, a caravan, mobile home, ship etc. However, the value of any accommodation located in a 'remote area' provided to an employee working at a mining site or an on-shore oil exploration site or a project execution site or an accommodation provided in an off-shore site will not be treated as a perquisite. A project site for the purposes of this sub-rule means a site of project upto the stage of its commissioning. A "remote area" means an area located at least 40 kilometers away from a town having a population not exceeding 20,000 as per the latest published all India census. Off-shore sites of similar nature do not have to meet any requirement of distance.

The definition of "salary" for calculating perquisite value is the same as per earlier Rules. The only change is that, medical allowances and reimbursement for treatment of serious illnesses as prescribed in proviso below Section 17 (2) (vi) have now been excluded from the definition of salary for this purpose. For furnished accommodation, the provision of valuation of perquisite of furnishings, fittings and furniture at 10% of original cost per annum or actual hire charges is continued.

If an accommodation is provided by an employer in a hotel the value of the benefit in such a case shall be 24% of the annual salary or the actual charges paid or payable to such hotel, whichever is lower, for the period during which such accommodation is provided as reduced by any rent actually paid or payable by the employee. However, where in cases the employee is provided such accommodation for a period not exceeding in aggregate fifteen days on transfer from one place to another, no perquisite value for such accommodation provided in a hotel shall be charged. It may be clarified that while services provided as an integral part of the accommodation, need not be valued separately as perquisite any other services over and above that for which the employer makes payment or reimburses the employee shall be valued as a perquisite as per the residual clause. In other words, composite tariff for accommodation will be valued as per these Rules and any other changes for other facilities provided by the hotel will be separately valued under the residual clause. Also, if on account of an employee's transfer from one place to

another, the employee is provided with accommodation at the new place of posting while retaining the accommodation at the other place, the value of perquisite shall be determined with reference to only one such accommodation which has the lower value as per the table prescribed, for a period upto 90 days. However, after that the value of perquisite shall be charged for both accommodations as prescribed.

II Motor Car: Under the old rules the basis of valuation of perquisite of a motor car provided by the employer was the sum actually expended by the employer, including expenditure on maintenance, running cost & remuneration of chauffeur, in case of exclusively personal use, and apportionment of the same in case of part personal & part official use. However, for simplicity it is also provided that where determination of the above basis is difficult, the valuation would be as per prescribed rates. The criteria for small and large cars have been revised on the basis of their engine capacity only. Where the car is used exclusively for personal purposes of the employee or any member of his household, the perquisite value shall be taken to be the full amount of expenditure incurred by the employer including the remuneration paid to the chauffeur and the normal wear and tear calculated at 10% of the cost of the car. However, the normal wear and tear cost will not be calculated in a hired car as the replacement of the same is not the responsibility of the employer. The rates for part official and part personal use of motor cars have now been revised as follows:-

| | Small car (upto 1.6ltrs engine capacity) | Large car (above 1.6 ltrs engine capacity) | Chauffeur where provided by employer to run the motor car an additional amount as below is also charged |
|---|---|---|---|
| Car owned/hired by employer and maintained and run at their cost: | Rs. 1200 per month | Rs.1600 per month | Rs.600 per month |
| Car owned/hired by employer but run at employees cost | Rs.400 per month | Rs.600 per month | Rs.600 per month |

However, where a second and additional cars are provided, such other cars shall be deemed to be for personal use and the value of perquisite shall be computed accordingly. Where fuel and upkeep cost of the employees' car is borne or reimbursed by the employer, the amount reasonably attributable to business use is not to be charged as perquisite. For this, user details in the form of log books, odometer readings etc. should be maintained. Where the car is used partly for purposes of official duties and partly for private or personal use and such details are not available or not properly maintained, the amount paid for or reimbursed less Rs.1200 per month

for small car or Rs.1,600 per month for large car would be valued as a perquisite. A higher amount may be deducted on the basis of proper maintenance of details of official use. For claiming higher amount of official use in respect of reimbursement of car expenses or wholly official use of car provided by an employer, the following details and documents need to be maintained:

- i) the employer has maintained complete details of journeys undertaken for official purpose which may include date of journey, destination, mileage and the amount of expenditure incurred thereon;
- ii) the employee gives a certificate that the expenditure was incurred wholly and exclusively for the performance of his official duty;
- iii) the supervising authority of the employee, wherever applicable, gives a certificate to the effect that the expenditure was incurred wholly and exclusively for the performance of official duties.

However, these rules of valuation for employee owned cars should not be taken to apply to conveyance allowance regularly paid or payable to the employee under terms of employment or otherwise. The conveyance allowance is a cash disbursement and is to be taxed separately as an allowance subject to the provisions contained in Section 10(14). What the present rules provide for is the value of perquisite where the expenses on the running or maintenance of employee owned car is met or reimbursed by the employer.

III Personal attendants etc.: The old rules provided for valuation of perquisite of free services of a sweeper, a gardener and a watchman at Rs.120 per month. Under the new rules the value of free service of all personal attendants including a sweeper, gardener, and a watchman is to be at actual cost to the employer. Where the attendant is provided at the residence of the employee, full cost will be taxed as perquisite in the hands of the employee irrespective of the degree of personal service rendered to him. Any amount paid by the employee for such facilities or services shall be reduced from the above amount.

IV Gas, electricity & water: For free supply of gas, electricity and water for household consumption the old rules already provide that the amount paid by the employer to the agency supplying the amenity shall be the value of perquisite. However, when the supply is made from employer's own resources, the value of perquisite was taken as Nil. The separate provision in the old rules of valuation at 6.25% of salary of the taxpayer for part official use is discontinued. Under the new rules even where the supply is made from the employer's own resources, the manufacturing cost per unit incurred by the employer would be the value of perquisite. Any amount paid by the employee for such facilities or services shall be reduced from the above amount.

V Free or concessional education: The old rules already provide that value of free education facility would be the expenditure incurred by the employer. Under the new rules, free or concessional education shall be valued in a manner assuming that such expenses are borne by the employee, and would cover cases where an

employer may be running, maintaining or directly or indirectly financing the educational institution. Any amount paid by the employee for such facilities or services shall be reduced from the above amount. However, where such educational institution itself is maintained and owned by the employer or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, the sub-rule shall not apply if the cost of such education or such benefit per child does not exceed Rs.1000/- p.m.

VI Free or concessional journeys: Under the old rules where an employee avails of free or concessional journeys in conveyance owned by the undertaking for the purpose of transport of passengers or goods, the value of perquisite was taken as Nil. However, under the new rules the value at which such benefit or amenity is offered by such undertaking to the public, the value of perquisite shall now be taken as such value as reduced by any amount actually paid by the employee. The conveyance may be owned, leased or made available by any other arrangement by the undertaking. Journey tickets for leave travel, tours and transfers which are already exempt under Sections 10(5) and 10(14) would continue to be exempt.

VII Interest free or concessional loans : It is common practice particularly in financial institutions to provide interest free or concessional loans to employees. The value of such perquisite would be the excess of interest payable at prescribed interest rate over interest if any actually paid by the employee. The prescribed interest rate would now be 10% p.a. for loans for housing and conveyance and 13% p.a. for other loans. Perquisite value would be calculated on the basis of the maximum outstanding monthly balance by the simple interest method. Such housing or conveyance loans must be for "acquiring capital assets" i.e., house or conveyance, as the case may be, and not for repairs thereof, however extensive they may be. For valuing perquisites under this rule, any other method of calculation and adjustment otherwise adopted by the employer shall not be material for purposes of this rule. However, small loans upto Rs. 20,000/- in the aggregate are exempt. Loans for medical treatment specified in Rule 3A are also exempt, provided the amount of loan for medical reimbursement is not reimbursed under any medical insurance scheme. Where any medical insurance reimbursement is received, the perquisite value at normal rates shall be charged from the date of reimbursement on the amount reimbursed, but not repaid against the outstanding loan taken specifically for this purpose. It is further clarified that the above sub-rule shall also apply to loans outstanding as on 1st April, 2001, (if the new rule is applied from that date) or 1st October, 2001 (if the new rule is applied from that date).

VIII Travelling, touring, accommodation and other holiday expenses : It is increasingly common for employees to be provided with vacation and holiday facilities. The value of such perquisite shall be the expenditure incurred by the employer. This would also apply to official tours extended as a vacation and family members accompanying taxpayers on official tours. However leave travel as per Section 10(5) and enjoyment of holiday home facilities available uniformly to all classes of employees would remain exempt.

IX Free meals - The provision of free meals varies widely from uniform canteen food, coupons etc. to lavish hotel meals. The scheme of free meals as a staff welfare measure had been recognized and was admissible upto Rs.35 for each meal. The new rule does not treat as perquisite free meals if the cost per meal does not exceed Rs.50/-. Where any amount is recovered from the employer, such amount shall be reduced from the value of perquisite. Such free or subsidised meal should, however, be provided at office premises or through non-transferable vouchers meant for only meals during working hours. These vouchers should be provided by employers encashable only at an eatery, a restaurant or a cafe. Tea or similar non-alcoholic beverages and snacks - in the form of light refreshments during working hours are not charged as perquisite. Also, arrangements for meals in 'remote areas' as prescribed in para 5.1 and similar off-shore sites as specified, shall be exempt. However, expenditure on provision of free meals by the employer in excess of Rs.50/- should be treated as perquisite, as reduced by recoveries made from the employee.

X Gift, voucher or token in lieu of gift : It is customary in India, as it is in other parts of the world, to provide presents directly or indirectly in the form of vouchers or tokens to employees on social and religious occasions like Diwali, Christmas, New Year, the anniversary of the organization etc. Such gifts upto Rs. 5000/- in the aggregate per annum would be exempt, beyond which it would be taxed as a perquisite. However, gifts made in cash or convertible into cash, like gift cheques etc. do not fall in the purview of this sub-rule.

XI Credit card & Club expenses : Credit card expenses of employees both business and personal, are often borne by employers. Such credit card payments would ordinarily be chargeable to tax as a perquisite. However, these expenses are often incurred to entertain customers and clients for the purposes of business. Therefore where such expenses on entertainment including meals are for purposes of business and proper records for the same are maintained no perquisite would arise.

Club expenses of employees borne by employers are already charged as perquisite by virtue of Section 17(2)(iv). To formalize the issue, it has been specified that annual and periodical club fees paid by the employer is chargeable as a perquisite. However to ensure that basic facilities for the health and recreation of employees are not hit, health clubs, sports facilities etc provided uniformly to all classes of employees by the employer at the employer's premises are exempt. The initial one time deposits or fees for corporate or institutional membership, where the benefit does not remain with a particular employee after cessation of employment, are exempt. Where such expenses on entertainment including meals are for purposes of business and proper records for the same are maintained no perquisite would arise.

For credit card and club expenses to be exempt for business purposes, the following documentation needs to be maintained:

- (a) complete details in respect of such expenditure maintained by the employer including the date of expenditure and the nature of expenditure;

- (b) it is certified by the employee that such expenditure was incurred wholly and exclusively for the performance of official duty;
- (c) the supervising authority of the employee, wherever applicable, gives a certificate for such expenditure to the effect that the same was incurred wholly and exclusively for the performance of official duties;
- (d) where an employee incurs expenditure on entertainment and claims the same to have been incurred wholly and exclusively in the performance of his duties, details of such entertainment expenses including the nature and purpose of entertainment and persons entertained.

XII Use of assets: It is common practice for an asset owned by the employer to be used by the assessee. This perquisite is to be charged at the rate of 10% of the original cost of the asset as reduced by any charges paid for such use. However, Computers and laptops are exempt. Further, the value of perquisite for an asset used for income for more than ten years would be taken as Nil.

XIII Transfer of assets: Often an employee or member of his household benefits from the transfer of movable asset (not being shares or securities) at no cost or at a cost less than its market value from the employer. The difference between the original cost of the movable asset(not being shares or securities) and the sum, if any, paid by the employee, shall be taken as the value of perquisite. In case of a movable asset, which has already been put to use, the original cost shall be reduced by a sum of 10% of such original cost for every completed year of use of the asset. Owing to a higher degree of obsolescence, in case of computers and electronic gadgets, however, the value of perquisite shall be worked out by reducing 50% of the actual cost by the reducing balance method for each completed year of use. Electronic gadgets in this case means data storage and handling devices like computer, digital diaries and printers. They do not include household appliance (i.e. white goods) like washing machines, microwave ovens, mixers, hot plates, ovens etc. In case of cars, similarly, the value of perquisite shall be worked out by reducing 20% of its actual cost by the reducing balance method for each completed year of use.

XIV Prior to Finance Act, 2000, stock options were taxed at two stages i.e., as perquisite (on the amount representing the difference between the exercise price and the fair market value on the date of exercise), and as capital gains. With effect from 1.4.2001 (relevant to assessment year 2001-2002) onward, stock options issued as per guidelines of the Central Government are to be taxed only once, at the time of sale, as capital gains. In cases, where perquisite has been assessed with reference to exercise of the option by the employee under Section 17(2), the fair market value at the time of exercise of the option shall be the cost of acquisition of share for working out the capital gains. The relevant guidelines of the Central Government have been issued vide Notification No.1021(E) dt.11.10.2001. Stock options not in conformity with the above guidelines (non-qualified stock options) shall continue to be taxed at both the stages.

XV Residual Clause: A benefit or amenity not included in the rules shall be valued at the cost to the employer where the employer pays for the benefit or amenity. Otherwise, it would be valued at the amount the employee could reasonably be expected to pay to acquire such benefit or amenity from the market. However, the benefit of conveyance to and from residence to place of work, periodicals and journals required for discharge of work and expenses on telephones including a mobile phone shall not be included in calculating perquisite value.

While this Rule shall come into force with effect from the 1st day of April, 2001 it has been provided that the employee may, at his option, compute the value of perquisites made available to him or any member of his household for the period beginning on 1st day of April, 2001 and ending on 30th day of September, 2001 in accordance with the Rules, as they stood prior to this amendment. It may, therefore, be desirable for the employer to obtain a declaration from each employee as to the option he wants to follow for purposes of tax deduction at source. However, it should be noted that the option to the taxpayer of using the old or new rules for the period specified above shall be applied uniformly in respect of all perquisites, in case of a particular taxpayer. In other words, one cannot selectively value a particular perquisite by the old rule and another one by the new rule. It is pertinent to mention that benefits specifically exempt u/s 10(13A), 10(5), 10(14), 17 etc. would continue to be exempt. These include benefits like travel on tour and transfer, leave travel, daily allowance to meet tour expenses as prescribed, medical facilities subject to conditions. However, administrative circulars and instructions relating to perquisites falling under the purview of Rule 3 issued before the adoption of the new rules, shall stand superseded or modified, as the case may be.

5.2 Income not included in the Head "Salaries"(Exemptions)

Any income falling within any of the following clauses shall not be included in computing the income from salaries for the purpose of Section 192 of the Act :-

(1) 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 :

- (i) The spouse and children of the individual; and
- (ii) 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.

(2) Death-cum-retirement gratuity or any other gratuity which is exempt to the extent specified from inclusion in computing the total income under clause (10) of Section 10.

(3) 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.

(4) 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 a maximum of ten months' leave. This exemption will be further limited to the maximum amount specified by the Government of India Notification No.S.O.1015(E) dated 27.11.1997 at Rs.2,40,000/-.

(5) 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.

(6) Under Section 10(10C), any payment received by an employee of the following bodies at the time of his voluntary retirement or termination of his service, in accordance with any scheme or schemes of voluntary retirement or in the case of public sector company, a scheme of voluntary separation, is exempted from income-tax to the extent that such amount does not exceed five lakh rupees:

- a) A public sector company;
- b) Any other company;
- c) An Authority established under a Central, State or Provincial Act;
- d) A Local Authority;

- e) A Cooperative Society;
- f) A university established or incorporated or under a Central, State or Provincial Act, or, an Institution declared to be a University under Section 3 of the University Grants Commission Act, 1956;
- g) Any Indian Institute of Technology within the meaning of Clause (g) of Section 3 of the Institute of Technology Act, 1961;
- h) Such Institute of Management as the Central Government may by notification in the Official Gazette, specify in this behalf.

It may also be noted that where this exemption has been allowed to any employee for any assessment year, it shall not be allowed to him for any other assessment year. The exemption of amount received under VRS is extended to employees of the Central Government w.e.f. Assessment Year 2002-2003 and State Government employees w.e.f. Assessment Year 2001-2002.

(7) Any sum received under a Life Insurance Policy, including the sum allotted by way of bonus on such policy other than any sum received under sub-section (3) of Section 80DDA.

(8) any payment from a Provident Fund to which the Provident Funds Act, 1925 (19 of 1925), applies (or from any other provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette).

(9) 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 employer in respect of the relevant period; or
- (b) The actual expenditure incurred in payment of rent in excess of 1/10 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, 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 upto Rs.3000/- 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.

(10) 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 as prescribed under Rule 2BB subject to the extent to which such expenses are actually incurred for that purpose.
- (ii) Any allowance granted to an employee 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 may be prescribed and to the extent as may be prescribed.

However, the allowance referred to in (ii) above should not be in the nature of a 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 his place of posting or residence.

The CBDT has prescribed guidelines for the purpose of clauses (i) and (ii) of Section 10(14) vide Notification No.SO617(E) dated 7th July, 1995 (F.No.142/9/95-TPL) which has been amended vide Notification SO No.403(E) dated 24.4.2000 (F.No.142/34/99-TPL) These Notifications may be referred to in **Annexures IV and V**. The transport allowance granted to an employee to meet his expenditure for the purpose of commuting between the place of his residence and the place of duty is exempt to the extent of Rs.800 per month vide Notification S.O.No. 395(E) dated 13.5.98 (**Annexure VI**).

(11) Under Section 10(15)(iv)(i) of the Income-tax Act, interest payable by the Government on deposits made by an employee of the Central Government or a 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 7.6.89, as amended by Notification No.F.2/14/89-NS-II dated 12.10.89,

the Central Government has notified a scheme called Deposit Scheme for Retiring Government Employees, 1989 for the purpose of the said clause.

(12) Clause (18) of Section 10 provides for exemption of any income by way of pension received by an individual or family pension received by any member of the family of an individual who has been in the service of the Central Government or State Government and has been awarded "Param Vir Chakra" or "Maha Vir Chakra" or "Vir Chakra" or such other gallantry award as may be specifically notified by the Central Government. Such notification has been made vide Notifications No.S.O.1948(E) dated 24.11.2000 and 81(E) dated 29.1.2001 which are enclosed as per **Annexure VII**.

(13) Under Section 17 of the Act, 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) any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or of any member of his family:
 - (i) in any hospital maintained by the Government or any local authority or any other hospital approved by the Government for the purposes of medical treatment of its employees;
 - (ii) in respect of the prescribed diseases or ailments, in any hospital approved by the Chief Commissioner having regard to the prescribed guidelines :
Provided that, in a case falling in sub-clause (ii), the employee shall attach with his return of income a certificate from the hospital specifying the disease or ailment for which medical treatment was required and the receipt for the amount paid to the hospital.
- (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, 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.15,000/- in an year.
- (e) As regards medical treatment abroad, the actual expenditure on stay and treatment abroad of the employee or any member of his family, or, on stay abroad of one attendant who accompanies the patient, in connection with such treatment, will be excluded from perquisites to the extent permitted by the Reserve Bank of India. As regards the expenditure incurred on travel abroad by the patient/attendant, it shall be excluded from perquisites only if the employee's gross total income, as computed before including the said expenditure, does not exceed Rs.2 lakhs.

5.3 Deductions u/s 16 of the Act :

Under Section 16 of the Income-tax Act, the standard deduction available is as under :—

“in the case of an assessee whose income from salary, before allowing a deduction under this clause :—

- (a) does not exceed one lakh fifty thousand rupees, a deduction of a sum equal to thirty-three and one-third per cent of the salary or thirty thousand rupees, whichever is less :
- (b) exceeds one lakh fifty thousand rupees but does not exceed three lakh rupees, a deduction of a sum of twenty five thousand rupees.
- (c) exceeds three lakh rupees but does not exceed five lakh rupees, a deduction of a sum of twenty thousand rupees;

No standard deduction is available to an assessee whose income from salary exceeds 5 lakh rupees.

Explanation :— For the purposes of this clause, where salary is due from, or paid or allowed by, more than one employer, the deduction under this clause shall be computed with reference to the aggregate salary due, paid or allowed to the assessee and shall in no case exceed the amount specified under this clause”.

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, who is in receipt of a salary from the Government, a sum equal to one-fifth of his salary (exclusive of any allowance, benefit or other perquisite) or five thousand rupees whichever is less. The deduction hitherto available to non-government employees has been withdrawn.

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 under the head "Salaries".

5.4 Deductions under Chapter VI-A of the Act :

The following deductions under Chapter VI-A of the Act are available:

(1) As per Section 80CCC, where an assessee being an individual has in the previous year paid or deposited any amount out of his income chargeable to tax to effect or keep in force a contract for any annuity plan of Life Insurance Corporation of India or any other insurer for receiving pension from the Fund referred to in clause (23AAB) of Section 10, he shall, in accordance with, and subject, the provisions of this Section, be allowed a deduction in the computation of his total income, of the whole of the amount paid or deposited (excluding interest or bonus accrued or credited to the assessee's account, if any) as does not exceed the amount of ten thousand rupees in the previous year.

Where any amount paid or deposited by the assessee has been taken into account for the purposes of this Section, a rebate with reference to such amount shall not be allowed under Section 88.

(2) Under Section 80D, in the case of the following categories of persons, a deduction can be allowed for a sum not exceeding Rs. 10,000/- 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 shall be in accordance with the scheme framed in this behalf by -

- (a) the General Insurance Corporation of India formed under Section 9 of the General Insurance Business (Nationalisation) Act, 1972 and approved by the Central Government in this behalf; or
- (b) any other insurer and approved by the Insurance Regulatory and Development Authority established under sub-section (1) of Section 3 of the Insurance Regulatory and Development Authority Act, 1999.

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.

However, the deduction can be allowed for a sum not exceeding Rs.15,000/- per annum where the assessee or his wife or husband, or dependent parents or any member of the family (in case the assessee is a Hindu Undivided Family) is a senior citizen which means an individual resident in India who is of the age of sixty-five years or more at any time during the relevant previous year.

(3) Under Section 80DD an assessee, who is a resident in India being an individual or a Hindu Undivided Family has during the previous year -

- (a) incurred any expenditure for the medical treatment (Including Nursing), training and rehabilitation of a handicapped dependent; or
- (b) paid or deposited any amount under a Scheme framed in this behalf by the Life Insurance Corporation or any other insurer or Unit Trust of India subject to the conditions specified in sub-section (2) and approved by the Board in this behalf for the maintenance of handicapped dependent —

shall in accordance with and subject to the provisions of this Section be allowed a deduction of a sum of forty thousand rupees in the previous year.

The handicapped dependant means a person who is a relative of the individual or a member of HUF and is not dependent on any person other than such individual or HUF for his support and maintenance and is 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 individuals 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. It would be sufficient if the employee furnishes a medical certificate from a Government Hospital and a declaration in writing duly signed by the claimant certifying the actual amount of expenditure on account of medical treatment (including nursing) training and rehabilitation of the handicapped dependent and receipt/acknowledgement for the amount paid or deposited in the specified schemes

of LIC or UTI. Therefore, DDOs may not insist on production of vouchers/bills by the employees for having incurred expenditure on medical treatment of their handicapped dependents for allowing the deduction u/s 80DD for the purpose of computing tax deductible at source. (Ref. CBDT Circular No.775 dated 26.3.99).

(4) Under Section 80DDB, where an assessee who is resident in India has, during the previous year, actually incurred any expenditure on the medical treatment of such disease or ailment as may be specified in rule 11DD made in this behalf by the Board—

- (a) for himself or a dependent relative, in case the assessee is an individual,
- (b) for any member of a Hindu Undivided Family in case the assessee is a Hindu Undivided Family —

The assessee shall be allowed a deduction of a sum of forty thousand rupees in respect of that previous year in which such expenditure was actually incurred. However, if the assessee or his dependent relative or any member of the Hindu Undivided Family of the assessee, is a senior citizen, deduction of a sum of Rs.60,000 shall be allowed in respect of that previous year in which such expenditure was actually incurred. Such deduction shall be reduced by the amount received, if any, under an insurance from an insurer on the medical treatment of the person referred to above. The listed diseases as per the relevant Rule 11 DD are specified neurological diseases, and 40% and above disability caused by cancer, full-blown AIDS, Chronic Renal Failure, Nemophiha and Thalassaemia.

Provided that no such deduction shall be allowed unless the assessee furnishes a certificate in such form and from such authority as may be prescribed. The form is Form 10-1, and the prescribed authority is any doctor registered with the Indian Medical Association and holding Post-graduate qualifications.

For the purposes of this Section, "dependant" means a person who is not dependant for his support or maintenance on any person other than the assessee.

(5) Under Section 80E of the Act a deduction will be allowed in respect of repayment of loan taken for higher education, subject to the following conditions:

- (i) In computing the total income of an assessee, being an individual, there shall be deducted, in accordance with and subject to the provisions of this section, any amount paid by him in the previous year, out of his income chargeable to tax, by way of repayment of loan, taken by him from any financial institution or any approved charitable institution for the purpose of pursuing his higher education, or interest on such loan.

Provided that the amount which may be so deducted shall not exceed forty thousand rupees.

- (ii) The deduction specified above shall be allowed in computing the total income in respect of the initial assessment year and seven assessment years immediately succeeding the initial assessment year or until the loan referred to above together with interest thereon is paid by the assessee in full, whichever is earlier.

For this purpose -

- (a) "approved charitable institution" means an institution established for charitable purposes and notified by the Central Government under clause (2C) of Section 10, or, an institution referred to in clause (a) of sub-section (2) of Section 80G.

(b) "financial institution" means a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in Section 51 of that Act); or any other financial institution which the Central Government may, by notification in the Official Gazette, specify in this behalf;

(c) "higher education" means full-time studies for any graduate or post-graduate course in engineering, medicine, management, or, for post-graduate course in applied sciences or pure sciences, including mathematics and statistics;

(d) "initial assessment year" means the assessment year relevant to the previous year, in which the assessee starts repaying the loan or interest thereon.

(6) No deduction should be allowed by the D.D.O. from the salary income in respect of any donations made for charitable purposes. The tax relief on such donations as admissible under Section 80G of the Act, will have to be claimed by the tax payer in the return of income. However, DDOs., on due verification may allow donations to the following bodies to the extent of 50% of the contribution:

- i. Jawaharlal Nehru Memorial Fund,
- ii. The Prime Minister's Drought Relief Fund,
- iii. The National Children's Fund,
- iv. The Indira Gandhi Memorial Trust,
- v. The Rajiv Gandhi Foundation,

and to the following bodies to the extent of 100% of the contribution:

- i. National Defence Fund or The Prime Minister's National Relief Fund,
- ii. The Prime Minister's Armenia Earthquake Relief Fund,
- iii. The Africa (Public Contributions-India) Fund,
- iv. The National Foundation for Communal Harmony ,
- v. Chief Minister's Earthquake Relief Fund, Maharashtra,
- vi. National Blood Transfusion Council,
- vii. State Blood Transfusion Council,
- viii. Army Central Welfare Fund,
- ix. Indian Naval Benevolent Fund,
- x. Air Force Central Welfare Fund,
- xi. The Andhra Pradesh Chief Minister's Cyclone Relief Fund -1996.
- xii. The National Illness Assistance Fund,
- xiii. The Chief Minister's Relief Fund or Lieutenant Governor's Relief Fund, in respect of any State or Union Territory as the case may be, subject to certain conditions.
- xiv. The university or educational institution of national eminence approved by the prescribed authority.
- xv. The National Sports Fund to be set up by Central Government.
- xvi. The National Cultural Fund Set up by the Central Government.
- xvii. The Fund for Technology Development and Application set by the Central Govt.
- xviii. The National Trust for Welfare of persons with Autism, Cerebral Palsy, Mental Retardation and Multiple disabilities.

(7) 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. 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) the assessee files the declaration in Form No. 10 BA. **(Annexure-VII)**.
- (c) 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. 2,000/- per month, whichever is less, the total income for working out these percentages will be computed before making any deduction under Section 80GG.
- (d) 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:

The Drawing and 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.

(8) Section 80L of the Income-tax Act allows deduction of interest from certain specified investments including interest on bank deposits and certain securities. The limit of Rs. 12,000/- deductible on account of such interest hitherto available has been now reduced to Rs. 9,000/-. The deduction of Rs. 3000/- for Government Securities separately available shall, however, continue to be available.

(9) Section 80U allows deduction of forty thousand rupees 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 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 Section 80DD(4).

6. Tax Rebate :

An assessee, being an individual, will be entitled to tax rebates under Chapter VIII of the Act as given below:

(1) 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.

(2) Any payment made to effect or to keep in force a contract for a deferred annuity, not being an annuity plan as is referred to in item (8) herein below 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;

(3) 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, in so far as the sum deducted does not exceed 1/5th of the salary;

(4) Any contribution made :

- (a) by an individual to any Provident Fund to which the Provident Fund 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 a minor, or of whom he is a 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;

(5) 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, or of whom he is the guardian.

(6) 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;
- (b) to any such saving 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 investment also qualifies for the rebate.

(7) Any sum paid as contribution in the case of an individual, for himself, spouse or any child,

- (a) for participation in the Unit Linked Insurance Plan, 1971 of the Unit Trust of India;
- (b) for participation in any unit-linked insurance plan of the LIC Mutual Fund notified by the Central Government under clause (23D) of Section 10.

(8) Any subscription 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;

(9) Any subscription not exceeding rupees ten thousand, made to any units of any Mutual Fund, notified under clause (23D) of Section 10, by the Unit Trust of India established under the Unit Trust of India Act, 1963, under any plan formulated in accordance with any scheme as the Central Government, may, by notification in the Official Gazette, specify in this behalf;

(10) Any contribution made by an individual to any pension fund set up by any Mutual Fund notified under clause (23D) of Section 10, or, by the Unit Trust of India established under the Unit Trust of India Act, 1963, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(11) 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;

(12) Any subscription made to any such deposit scheme (not being a scheme the interest on deposits whereunder qualifies for deduction under Section 80L), as the Central Government may, by notification in the Official Gazette, specify for the purpose of being 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.

(13) 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 re-payment 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 cooperative 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 tax-payer 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.20,000/-. 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 2000-2001, no tax rebate in respect of these items shall be admissible to the employees.

(14) subscription to equity shares or debentures forming part of any eligible issue of capital approved by the Board on an application made by a public company or as subscription to any eligible issue of capital by any public finance institution in the prescribed form:

Provided that where a deduction is claimed and allowed under this clause with reference to the cost of any equity shares or debentures, the cost of such shares or debentures shall not be taken into account for the purposes of Sections 54EA and 54EB.

Explanation: For the purposes of this clause -

- (i) "eligible issue of capital" means an issue made by a public company formed and registered in India or a public financial institution and the entire proceeds of the purposes of developing, maintaining and operating an infrastructure facility or for generating, or for generating and distributing, power or for providing telecommunication services whether basic or cellular;
- (ii) "infrastructure facility" shall have the meaning assigned to it in the Explanation to sub-section (4) of Section 80 1A.
- (iii) "Public Company" shall have the meaning assigned to it in Section 3 of the Companies Act, 1956 (1 of 1956);
- (iv) "Public Financial Institution" shall have the meaning assigned to it in Section 4A of the Companies Act, 1956.

(15) Subscription to any units of any mutual fund referred to in clause (23D) of Section 10 and approved by the Board on an application made by such mutual fund in the prescribed form:

Provided that where a deduction is claimed and allowed under this clause with reference to the cost of units, the cost of such units shall not be taken into account for the purposes of Section 54EA and 54EB:

Provided further that this clause shall apply if the amount of subscription to such units is subscribed only in the eligible issue of capital of any company.

Explanation: For the purposes of this clause - "eligible issue of capital" means an issue referred to in clause (i) of Explanation to clause (xvi) in sub-section (2) of Section 88:

(16) 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.

The maximum tax-rebate allowable will be Rs.16,000/- generally, and Rs.17,500/ in the case of authors, playwrights, artists, musicians, actors, sportsmen and athletes. There will, therefore, be an overall limit for savings which will qualify for tax-rebate. In the case of individuals, the limit on investments made as above, excluding that mentioned in paras 14 & 15, will be Rs.60,000/- and in the case of authors, sportsmen etc. Rs.70,000/-.

Further, in the case of a taxpayer having a gross salary of upto Rs.1.00 lakh where atleast 90% of such income is from salary income, the amount of rebate under Section 88 in such cases would be thirty per cent. This will, however, be effective from 1st April, 2002 and will, therefore, apply in relation to the assessment year 2002-2003 and onwards.

(17) Under Section 88B, an assessee, being an individual resident in India, who is of the age of sixty five years or more at any time during the previous year shall be entitled to a deduction from the amount of income tax (as computed before allowing the deductions under Chapter VIII) on his total income, with which he is chargeable for any assessment year, of an amount equal to One hundred per cent of such income tax or an amount of fifteen thousand rupees, whichever is less.

(18) Under Section 88C, as inserted by Finance Act, 2000, an assessee, being a woman resident in India, and below the age of sixty-five years, at any time during the previous year, shall be entitled to a deduction from the amount of income-tax (as computed before allowing the deductions under Chapter VIII) her total income, with which she is chargeable for any assessment year, of an amount equal to hundred per cent, of such income tax or an amount of five thousand rupees, whichever is less.

(19) 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.

7. CALCULATION OF INCOME-TAX TO BE DEDUCTED:

7.1 Salary income for the purpose of Section 192 shall be estimated as follow:-

- (a) First compute the gross salary as mentioned in para 5.1 excluding all the incomes mentioned in para 5.2;
- (b) Allow deductions mentioned in para 5.3 from the figure arrived at (a) above.
- (c) Allow deductions mentioned in para 5.4 from the figure arrived at (b) above ensuring that aggregate of the deductions mentioned in para 5.4 does not exceed the figure of (b) and if it exceeds, it should be restricted to that amount. This will be the amount of income under the head "Salaries" on which income tax would be required to be deducted. This income should be rounded off to the nearest multiple of ten rupees.

7.2 Income-tax on the estimated income from salary as shown in para 7.1 shall be calculated at the rates given in para 2.

7.3 The amount of tax rebates computed under para 6 shall be deducted from the income-tax calculated according to para 7.2. However, it is to be ensured that the tax rebates given as per para 6 is limited to the income-tax calculated as per para 7.2. Further, tax payable so arrived at shall be increased by surcharge at the rate of two per cent to arrive at the total tax payable.

7.4 It is also to be noted that deductions under Chapter VIA of the Act as mentioned in para 5.4 and the tax rebates as mentioned in para 6 are allowed only if the investments or the payments have been made out of the income chargeable to tax during the financial year 2001-2002.

7.5 The amount of tax as arrived at para 7.3 should be deducted every month in

equal instalments. The net amount of tax deductible should be rounded off to the nearest rupee.

8. MISCELLANEOUS:

8.1 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, the Income-tax Rules, 1962 and the Finance Act, 2001.

8.2 In case any assistance is required, the Assessing Officer/the local Public Relation Officer of the Income-tax Department may be contacted.

8.3 These instructions may please be brought to the notice of all Disbursing Officers and Undertakings including those under the control of the Central/State Governments.

8.4 Copies of this Circular are available with the Director of Income-tax (Research, Statistics & Publications and Public Relations) 6th Floor, Mayur Bhavan, Indira Chowk, New Delhi-110 001.



(S.C. Gupta)

Deputy Secretary (IT-B)

Central Board of Direct Taxes

1. All State Governments (including Administration of Union Territories).
2. All Ministries/Departments of Government of India etc.
3. President's Secretariat.
4. Vice-President's Secretariat.
5. Prime Minister's Office.
6. Lok Sabha Secretariat.
7. Rajya Sabha Secretariat.
8. Cabinet Secretariat.
9. Secretary, U.P.S.C., Dholpur House, New Delhi.
10. Secretary, Staff Selection Commission, Lodhi Complex, New Delhi.
11. Supreme Court of India, New Delhi.
12. Election Commission, New Delhi.
13. Planning Commission, New Delhi.
14. Secretariat of Governors/Lt. Governors of all States/Union Territories.
15. All Integrated Financial Advisors to Ministries/Departments of Government of India.
16. All Heads of Departments & Offices subordinate to the Department of Revenue CBDT, CBEC etc.
17. Army Headquarters, New Delhi.
18. Air Headquarters, New Delhi.
19. Naval Headquarters, New Delhi.
20. Director-General of Posts & Telegraphs, New Delhi (10 copies).
21. Comptroller & Auditor General of India (50 copies).
22. Accountant General - I, Andhra Pradesh, Hyderabad.
23. Accountant General - II, Andhra Pradesh, Hyderabad.
24. Accountant General, Assam, Shillong.
25. Accountant General - I, Bihar, Ranchi.
26. Accountant General - II, Bihar, Patna.
27. Accountant General-I, Gujarat, Ahmedabad.
28. Accountant General - II, Gujarat, Rajkot.
29. Accountant General, Kerala, Trivandrum.
30. Accountant General, Madhya Pradesh, Gwalior.
31. Accountant General, Tamil Nadu, Madras.
32. Accountant General-I, Maharashtra, Bombay.
33. Accountant General-II, Maharashtra, Nagpur.
34. Accountant General, Karnataka, Bangalore.
35. Accountant General, Orissa, Bhubeshwar.
36. Accountant General, Punjab, Chandigarh.
37. Accountant General, Himachal Pradesh, Simla.
38. Accountant General, Rajasthan, Jaipur.
39. Accountant General - I, II & III, Uttar Pradesh, Allahabad.
40. Accountant General, West Bengal, Calcutta.
41. Accountant General, Haryana, Chandigarh.
42. Accountant General, Jammu & Kashmir, Srinagar.
43. Accountant General, Manipur, Imphal.
44. Accountant General, Tripura, Agartala.
45. Accountant General, Nagaland, Kohima.
46. Director of Audit (Central), Calcutta.
47. Dir. of Audit (Central Revenue), New Delhi.
48. Director of Audit (Central), Bombay.
49. Director of Audit, Scientific & Commercial Department, Bombay.

50. All Banks (Public Sector, Nationalised including State Bank of India).
51. Secretary, Reserve Bank of India, Central Office, P.B.No.406, Bombay-400001 (25 copies for distribution to its Branches).
52. Accounts Officer, Inspector General of Assam Rifles, (Hqrs.), Shillong.
53. All Chambers of Commerce & Industry.
54. Lok Sabha/Rajya Sabha Secretariat Libraries (15 copies each).
55. All Officers and Sections in Technical Wing of CBDT.
56. Controller of Accounts, Department of Economic Affairs, New Delhi.
57. Manager, Reserve Bank of India, Public Debt Office, Ahmedabad/ Bangalore/Bhubeshwar/ Bombay (Fort)/Bombay Central/Bombay-8/ Calcutta/Hyderabad/Kanpur/Jaipur/Madras/ Nagpur/New Delhi/Patna/Guwahati/ Trivandrum.
58. Asst. Chief Inspector, R.B.I. Inspection Department Regional audit Cell/ Bombay/ Calcutta/ Madras/ New Delhi/ Kanpur.
59. Accountant General, Post & Telegraph, Simla.
60. Controller General of Defence Accounts, New Delhi.
61. Dir. of Audit, Defence Services, New Delhi.
62. World Health Organisation, New Delhi.
63. International Labour Office, India Branch, New Delhi.
64. Secretary, Indian Red Cross Society , India, N.Delhi.
65. Atomic Energy Department, Bombay.
66. Secretary, Development Board, Ministry of Commerce & Industry, New Delhi.
67. National Savings Organisation, Nagpur
68. Deputy Accountant General, Post & Telegraph, Calcutta.
69. The Legal Adviser, Export - Import Bank of India. Post Box No. 19969, Nariman Point, Bombay - 400021.
70. The Deputy Finance Manager (Headquarters), Indian Airlines (H), - Airlines House, 11, Gurudwara Rakabganj Road, New Delhi - 110001.
71. Manager, State Bank of India, Local Head Office :-
 - i) Jeevan Deep Building, 1, Middleton Street, Calcutta.
 - ii) Circle Top House, Rajaji Salai, Madras-600001.
 - iii) Lucknow, Uttar Pradesh.
 - iv) Bank Street, Hyderabad - 500001.
 - v) Hamida Road, Bhopal - 462001.
 - vi) Shop Nos. 101 to 105, Sector 17-B, Chandigarh.
 - vii) New Admn. Building, Madam Cama Road, Bombay-400021.
 - viii) 9, Parliament Street, New Delhi-110001.
 - ix) Bhedru, Ahmedabad-380001.
 - x) Judges Court Road, Post Box No. 103, Patna-800001.
 - xi) 59, Forest Park, Bhubneshwar and
 - xii) Gauhati, Assam.
72. Chief Controller of Accounts (CBDT), Lok Nayak Bhavan, Khan Market, New Delhi.
73. State Bank of Patiala (Head Office), The Mall, Patiala.
74. State Bank of Bikaner and Jaipur, Head Office, Tilak Marg, 'C' Scheme, Jaipur.
75. State Bank of Hyderabad, Head Office, Gun Factory, Hyderabad.
76. State Bank of Indore, 5 Yashwant Nivas Road, Indore.
77. State Bank of Mysore (Head Office), K.G. Road, Bangalore.
78. State Bank of Saurashtra, Behind Satyanarayan Road, Bhavnagar, Gujarat.
79. State Bank of Travancore, Post Box No. 34, Trivandrum.
80. N.S. Branch, Department of Economic Affairs, New Delhi.
81. The Editor, "The Income-tax Reporter", Company Law Institute of India (P) Ltd., 88, Thyagaraja Road, Thyagaraj Nagar, Madras-600017.
82. The Editor, Chartered Secretary, The Institute of Company Secretaries of India, "ICSI House, 22, Institutional Area, Lodhi Road, New Delhi - 110003.
83. The Editor, "Taxation", 174, Jorbagh, New Delhi.
84. The Editor, "The Tax Law Review", Post Box No. 152, Jalandhar - 144001.
85. The Editor, "Taxmann", Allied Service (P) Ltd., 1871, Kucha Chelan, Khari Baoli, Delhi - 110006.
86. The Min. of Law (Deptt. fo Legal Affairs) Shastri Bhawan, New Delhi.
87. Food Corporation of India, 16-17 Barakhamba Lane, New Delhi-110001.
88. IFCI, Bank of Baroda Building, 16, Parliament Street, New Delhi
89. IDBI, IDBI Tower, Cuff Parade, Bombay-400 005.
90. ICICI, 163, Backbay Reclamation, Bombay -20.
91. NABARD, Poonam Chambers, Dr. Annie Besant Road, P.B. No. 552, Worli, Bombay
92. National Housing Bank, 3rd Floor, Bombay Life Building, 45, Veer Nariman Road, Bombay
93. IRBI, 19, Netaji Subhash Road, Calcutta
94. All Foreign Banks, operating in India.
95. Air India, New Delhi
96. University Grants Commission, Bahadur Shah Jafar Marg, New Delhi.



(S.C. Gupta)
Deputy Secretary (IT-B)
Central Board of Direct Taxes

ANNEXURE - I
For Assessment Year 2002-03

EXAMPLE -1

Calculation of Income tax in the case of an employee having gross salary income

- i) upto Rs.1,00,000/-.
- ii) More than Rs.1,00,000/- but less than Rs.5,00,000/- and
- iii) Exceeding Rs.5,00,000/-

| Particulars | (Rupees) | (Rupees) | (Rupees) |
|---|----------|----------|----------|
| | (i) | (ii) | (iii) |
| Gross Salary Income (including allowances) | 1,00,000 | 5,00,000 | 6,00,000 |
| Contribution to G.P.F. | 10,000 | 20,000 | 30,000 |

Computation of Total Income and tax payable thereon

| | | | |
|--|---------------|-----------------|-----------------|
| 1. Gross Salary | 1,00,000 | 5,00,000 | 6,00,000 |
| 2. Less Standard deduction u/s-16 (i) | <u>30,000</u> | <u>20,000</u> | <u>Nil</u> |
| Taxable Income | <u>70,000</u> | <u>4,80,000</u> | <u>6,00,000</u> |
| Tax thereon | 3,000 | 1,18,000 | 1,54,000 |
| Less tax rebate u/s 88 | 3,000 | 4,000 | 6,000 |
| Income Tax payable | NIL | 1,14,000 | 1,48,000 |
| Add: Surcharge @ 2% | | 2,280 | 2,960 |
| Total Tax Payable | | <u>1,16,280</u> | <u>1,50,960</u> |

For Assessment Year 2002-03

EXAMPLE -2

Calculation of Income tax in the case of assessee having handicapped dependent.

| Particulars | (Rupees) |
|---|----------|
| 1. Gross Salary | 3,20,000 |
| 2. Amount Spent on treatment of dependent who is handicapped | 7,000 |
| 3. Amount paid to LIC with regard to annuity for the maintenance of handicapped dependent | 40,000 |
| 4. G.P.F. contribution | 25,000 |
| 5. LIP paid | 10,000 |

Computation of Tax

| | |
|--|-----------------|
| 1. Gross Salary | 3,20,000 |
| 2. Less Standard deduction | <u>20,000</u> |
| | 3,00,000 |
| Less: Deduction u/s 80 DD(1) (Restricted to Rs.40,000/- only) | 40,000 |
| Taxable Income | <u>2,60,000</u> |
| Income Tax thereon | 52,000 |
| Rebate u/s 88 | |
| GPF | 25,000 |
| LIP | 10,000 |
| Total | <u>35,000</u> |
| Rebate @ 20% on Rs.35,000/- | <u>7,000</u> |
| Tax payable | 45,000 |
| Add: Surcharge @ 2% | 900 |
| Total Tax payable | <u>45,900</u> |

EXAMPLE - 3

2. Calculation of Income tax in the case of an employee where Medical Treatment expenditure was borne by the employer.

| Particulars | (Rupees) |
|---|----------|
| 1. Gross Salary | 3,00,000 |
| 2. Medical Reimbursement by employer on the treatment of self and dependent family member | 30,000 |
| 3. Contribution to GPF | 20,000 |
| 4. LIP | 20,000 |
| 5. Repayment of House Building Advance | 25,000 |
| 6. Investment in infrastructure Bond u/s 88 (xvi) | 20,000 |

Computation of Tax

| | |
|--|-----------------|
| Gross Salary | 3,00,000 |
| Add: Perquisite in respect of reimbursement of Medical Expenses in excess of Rs.15,000/- in view of Sec.17(2)(v) | <u>15,000</u> |
| | 3,15,000 |
| Less: Standard deduction | 20,000 |
| Taxable Income | <u>2,95,000</u> |
| Tax thereon | 62,500 |
| Rebate u/s 88 | |
| GPF | 20,000 |
| LIC | 20,000 |
| Repayment of House Building Advance (Maximum) | 20,000 |
| Investment in Infrastructural Bonds u/s 88 (xvi) | <u>20,000</u> |
| Total | <u>80,000</u> |
| Rebate @ 20% on Rs.80,000 | <u>16,000</u> |
| Tax payable | 46,500 |
| Add: Surcharge @ 2% | 930 |
| Total Tax payable | <u>47,430</u> |

EXAMPLE - 4

- ILLUSTRATING calculation of House Rent Allowance u/s 10(13A) in respect of residential accommodation situated in Delhi

| Particulars | (Rupees) |
|--------------------------------|----------|
| 1. Salary | 49,500 |
| 2. Dearness Allowances | 43,680 |
| 3. House Rent allowance | 9,600 |
| 4. C.C.A. | 1,200 |
| 5. House rent paid | 18,000 |
| 6. General Provident Fund | 24,000 |
| 7. Life Insurance Premium | 2,500 |
| 8. Cumulative Time Deposit | 2,400 |
| 9. Contribution to Mutual Fund | 12,000 |

Computation of total income and tax payable thereon

| | |
|--|---------------|
| 1. Salary + D.A. + C.C.A. | 94,380 |
| House rent allowance | <u>9,600</u> |
| 2. Total Salary Income | 1,03,980 |
| 3. Less: House Rent allowance exempt u/s 10(13A): Least of | |
| (a) Actual amount of HRA received= 9600 | |
| (b) Expenditure of rent in excess of 10% of salary (including D.A.as presumed that D.A is taken for retirement benefit)(18000-9318=8682) | <u>8,682</u> |
| (c) 50% of Salary (+Basic) Rs.46,590/- | <u>95,298</u> |
| Less standard deduction u/s 16(i) @ 33.33% or 30,000/- whichever is less | 30,000 |
| Total Income (rounded off) | <u>65,300</u> |
| Tax on Total Income | <u>2,060</u> |
| Rebate u/s 88 | |
| GPF | 24,000 |
| LIP | 2,500 |
| CTD | 2,400 |
| Contribution to Mutual Fund | <u>10,000</u> |
| U/s 88(xiiib)38,900 @ 20% | 7,780ss |
| Tax on Total Income | 2,060 |
| Less Tax rebate restricted to Rs. | <u>2,060</u> |
| Tax payable | <u>NIL</u> |

EXAMPLE - 5

Illustrating valuation of perquisite and calculation of tax in the case of an employee of a private company in Mumbai who was provided accommodation in a flat at concessional rate for ten months and in a hotel for two months. Employee owns a car (cubic capacity of engine exceeds 1.61) used partly for personal and partly for official work and actual running and maintenance charges including chauffeur's salary are reimbursed by employer, but no documents are maintained regarding details of journeys.

| Particulars | (Rupees) |
|--|-----------------|
| 1. Salary | 1,08,000 |
| 2. Bonus | 12,000 |
| 3. Free gas, electricity, water etc. (actual bills paid by Company) | 6,000 |
| 4(a) Furnished flat provided to the employee for which actual rent paid by the Company per annum | 78,000 |
| 4(b) Hotel rent paid by employer (for two months) | 30,000 |
| 4(c) Rent recovered from the employee | 5,000 |
| 5. Car expenses reimbursed | 40,200 |
| 6. Furniture at cost | 50,000 |
| 7. Subscription of Mutual Fund 88 XVII | 12,000 |
| 8. Life Insurance Premium | 3,000 |
| 9. Subscription to NS C (VIII) Issue | 18,000 |
| 10. Contribution to Recognised PF | 24,000 |
| 11. Contribution to Infrastructure bonds u/s 88 (XVI) | 15,000 |

Computation of total income and tax payable thereon

| | |
|--|-----------------|
| 1. Salary | 1,08,000 |
| 2. Bonus | 12,000 |
| 3. Total Salary for valuation of perquisite @ 10,000 p.m. | 1,20,000 |
| 4. Valuation of perquisites: | |
| (a) Perquisite for flat | |
| Less of (10% of salary for ten months= Rs.10,000 actual rent paid=Rs.65,000) | 10,000 |
| (b) Perquisite for hotel | |
| Less of (24% of salary of 2 months=Rs.4,800, actual payment=Rs.30,000) | 4,800 |
| (c) Perquisite for furniture @ 10% | 5,000 |
| Less : Rent recovered from employee | 5,000 |
| (d) Add perquisite of free gas, electricity, water | 6,000 |
| (e) Add perquisite for car expenses reimbursement (40,200-12(1600+600)) | 13,800 |
| Gross total Income | <u>1,54,600</u> |
| Less Standard deduction u/s 16(i) | 25,000 |
| Total income | <u>1,29,600</u> |
| Tax on Total Income | 14,920 |
| Tax Rebate u/s 88 | |
| Provident Fund | 24,000 |
| Subscription to NSC VIII issue | 18,000 |
| LIP | 3,000 |
| Subscription to Mutual Fund approved by the Board | 12,000 |
| Contribution to Infrastructural Bond | <u>15,000</u> |
| | <u>72,000</u> |
| Tax Rebate @ 20% | 14,400 |
| Tax on Total Income | 14,920 |
| Tax rebate (restricted) | 14,400 |
| Tax Payable | 520 |
| Surcharge @ 2% | 10 |
| Tax Payable | <u>530</u> |

EXAMPLE - 6

Illustrating valuation of perquisite and calculation of tax in the case of an employee of a Private Company posted at Delhi and repaying Housing Building Loan.

| Particulars | (Rupees) |
|---|-----------------|
| 1. Salary | 1,18,000 |
| 2. Dearness allowance | 36,000 |
| 3. House Rent Allowance | 12,000 |
| 4. Special Duties allowance | 2,400 |
| 5. Provident Fund | 20,000 |
| 6. L.I.P | 10,000 |
| 7. Deposit in NSC VIII Issue | 20,000 |
| 8. Rent paid by the employee for house hired by him | 24,000 |
| 9. Repayment of House Building loan taken by the employee from LIC | 12,000 |
| 10. Subscription to eligible issue of capital of a Co. approved u/s 88(xvi) | 5,000 |
| 11. Subscription to units of mutual fund u/s 88(xvii) | <u>15,000</u> |

Computation of total income and tax payable thereon

| | |
|---|---------------------|
| 1. Gross Salary | 1,68,400 |
| Less House rent allowance exempt u/s 10(13A) | |
| (a) Actual amount of HRA received | 12,000 |
| (b) Expenditure on rent in excess of 10% of salary (including D.A.) as personal D.A. is included for retirement benefits) | 8,600 |
| (c) 50% of salary (including D.A.) | 77,000 |
| | <u>(-) 8,600</u> |
| Total Salary Income | 1,59,800 |
| Less: Standard deduction | 25,000 |
| Total Taxable Income | <u>1,34,800</u> |
| Tax on total income | 15,960 |
| Tax rebate u/s 88 | |
| (i) Provident Fund | 20,000 |
| (ii) LIP | 10,000 |
| (iii) NSC VIII Issue | 20,000 |
| (iv) Repayment of HBA | 12,000 |
| (v) Subscription to eligible issue of capital of a Co. approved u/s 88(xvi) | 5,000 |
| (vi) Subscription of units of mutual fund (u/s 88(xvii) 82,000 limited to | <u>15,000</u> |
| | 80,000 |
| | @ 20% |
| | 15,960 |
| | <u>(restricted)</u> |
| Net Tax Payable | NIL |

EXAMPLE - 7

Income-tax calculation in the case of an employee who claims loss under the head Income from house property.

| Particulars | (Rupees) |
|--|-----------------|
| 1. Gross Salary | 4,00,000 |
| 2. Housing Loan repaid (principal) | 30,000 |
| 3. Interest payable on housing loan (Loan taken after 01.04.1999) | 2,00,000 |
| 4. Donation paid to National Children's Fund | 5,000 |
| 5. N.S.C. purchased | 10,000 |
| 6. G.P.F. | 20,000 |

Computation of Taxable Income and Tax thereon

| | | |
|--|---------------|-----------------|
| 1. Salary Income | | |
| Gross Salary | | 4,00,000 |
| Less: Standard deduction | | <u>20,000</u> |
| Taxable Salary | | 3,80,000 |
| 2. Income from House Property | | |
| Annual value | Nil | |
| Interest payable on loan u/s 24 | 2,00,000 | |
| Loss from House Property (maximum allowable) | | <u>1,50,000</u> |
| Gross Total Income | | 2,30,000 |
| Less: Deduction u/s 80G 50% of Rs.5,000/- | | <u>2,500</u> |
| Net Taxable Income | | <u>2,27,500</u> |
| Tax thereon | | 42,250 |
| Less Rebate u/s 88 | | |
| G.P.F. | 20,000 | |
| N.S.C. | 10,000 | |
| Housing Loan repaid | 20,000 | |
| Total | <u>50,000</u> | |
| Rebate @ 20% of Rs.50,000/- | | 10,000 |
| Tax payable | | 32,250 |
| Add: Surcharge @ 2% | | 645 |
| Total Tax payable | | <u>32,895</u> |

EXAMPLE - 8

Income-tax calculation in the case of an employee who claims loss under the head Income from house property, loan taken before 1.4.1999.

| Particulars | (Rupees) |
|--|-----------------|
| 1. Gross Salary | 4,00,000 |
| 2. Housing Lona repaid (Principal) | 30,000 |
| 3. Interest payable on housing loan (Loan taken after 1.4.1999) | 2,00,000 |
| 4. Donation paid to National Children's Fund | 5,000 |
| 5. N.S.C. purchased | 10,000 |
| 6. G.P.F. | 20,000 |

Computation of Taxable Income and Tax thereon

| | | | |
|--|---------------|----------|-----------------|
| 1. Salary Income | | | 4,00,000 |
| Gross Salary | | | 4,00,000 |
| Less: Standard deduction | | | <u>20,000</u> |
| Taxable Salary | | | 3,80,000 |
| 2. Income from House Property | | | |
| Annual value | | Nil | |
| Interest payable on loan u/s 24 | | 2,00,000 | |
| Loss from House property (maximum allowable for loans taken before 1.4.1999) | | | 30,000 |
| Gross total income | | | 3,50,000 |
| Less Deduction u/s 80G 50% of Rs.5,000 | | | <u>2,500</u> |
| Net Taxable Income | | | <u>3,47,500</u> |
| Tax thereon | | | 78,250 |
| Less: Rebate u/s 88 | | | |
| G.P.F. | 20,000 | | |
| N.S.C. | 10,000 | | |
| Housing Loan repaid (maximum) | 20,000 | | |
| Total | <u>50,000</u> | | |
| Rebate @ 20% of Rs.50,000/- | | | 10,000 |
| Tax payable | | | 68,250 |
| Add: Surcharge @ 2% | | | <u>1,365</u> |
| Total tax payable | | | <u>69,615</u> |

EXAMPLE - 9

Income-tax calculation in the case of a women assessee who is less than age of 65 years.

| Particulars | (Rupees) |
|--------------------|-----------------|
| Gross Salary | 1,20,000 |
| G.P.F. | 10,000 |
| N.S.C. purchased | 10,000 |

Computation of Taxable Income and Tax thereon

| | |
|---|---------------|
| Gross Salary | 1,20,000 |
| Less Standard deduction u/s 16(i) | <u>30,000</u> |
| Taxable Income | 90,000 |
| Tax thereon | 7,000 |
| Less: Rebate u/s 88C (Being women) | 5,000 |
| Less: Rebate u/s 88 | |
| G.P.F. | 10,000 |
| N.S.C. | <u>10,000</u> |
| Total | <u>20,000</u> |
| | |
| Rebate u/s 88 @ 20% of Rs.20,000/-= Rs.4,000 restricted to Rs.2000 | 2,000 |
| Tax payable | <u>Nil</u> |

Note:- In the case of a women assessee who is of 65 years'age or more, she will be entitled to rebate only u/s 88B of the Act meant for Senior citizens and not u/s 88C of the Act.

Form for sending particulars of income u/s 192(2B) for the year ending 31st March, 2001

1. Name and address of the employee _____
 2. Permanent Account Number _____
 3. Residential status _____
 4. Particulars of income under any head of income other than "salaries" (not being a loss under any such head other than the loss under the head "Income from house property") received in the financial year
 - (i) Income from house property _____
(in case of loss, enclose computation thereof)
 - (ii) Profits and gains of business or profession _____
 - (iii) Capital gains _____
 - (iv) Income from other sources _____
 - (a) Dividends _____
 - (b) Interest _____
 - (c) Other incomes (specify) _____
- Total _____
5. Aggregate of sub-items (i) to (iv) of item 4 _____
 6. Tax deducted at source (enclose certificates) issued under section 203) _____
- Place _____
- Date _____
- _____
Signature of the employee

Verification

I, _____, do hereby declare that what is stated above is true to the best of my knowledge and belief.

Verified today, the _____ day of _____ 2001.

Place _____

Date _____

Signature of the employee

ANNEXURE- III-A**Form No. 12BA**
[(See Rule 26A(2))]

Statement showing particulars of perquisites, other fringe benefits or amenities and profits in lieu of salary with value thereof

- (1) Name and address of Employer
 (2) Name and designation of employee:
 (3) Assessment year:

| Sl. No. | Nature of perquisite (See Rule 3) | Value of perquisite as per rules (Rs.) | Amount, if any paid by employee (Rs.) | Amount of taxable perquisite (Rs.) |
|---------|---|--|---------------------------------------|------------------------------------|
| 1. | Accommodation | | | |
| 2. | Cars | | | |
| 3. | Sweeper, gardener, watchman or personal attendant | | | |
| 4. | Gas, electricity, water | | | |
| 5. | Interest free or concessional loans | | | |
| 6. | Holiday expenses | | | |
| 7. | Free or concessional travel | | | |
| 8. | Free meals | | | |
| 9. | Education | | | |
| 10. | Gifts, vouchers etc. | | | |
| 11. | Credit card expenses | | | |
| 12. | Club expenses | | | |
| 13. | Use of movable assets by employees | | | |
| 14. | Transfer of assets to employees | | | |
| 15. | Stock options (non-qualified options) | | | |
| 16. | Other benefits or amenities | | | |
| 17. | Profits in lieu of salary as per 17(3) | | | |
| | Total value of perquisites | | | |
| | Total value of profits in lieu of salary | | | |

DECLARATION BY EMPLOYER

I..... son of..... working as..... (designation) do hereby declare on behalf of..... (name of the employer) that the information given above is based on the books of account, documents and other relevant records or information available with us and the details of value of each such perquisite are in accordance with Section 17 and rules framed thereunder and that such information is true and correct.

Signature of the person responsible
for deduction of tax

Place : _____
Date : _____

Full Name _____
Designation _____

ANNEXURE- III-B

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 employee |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

| | | |
|---------------|-----|-------------|
| PAN / GIR NO. | TAN | PAN/GIR NO. |
|---------------|-----|-------------|

| | |
|---|-------------------------------|
| TDS Circle where annual return/statement under Section 206 is to be filed | Period From To Assesment year |
|---|-------------------------------|

DETAILS OF SALARY PAID AND ANY OTHER INCOME AND TAX DEDUCTED

1. Gross Salary
 - (a) Salary as per provisions contained in Sec.17(1) Rs._____
 - (b) Value of perquisites u/s 17(2) (as per Form No.12BA, wherever applicable). Rs._____
 - (c) Profits in lieu of salary under Section 17(3) (as per Form No.12BA, wherever applicable) Rs._____
 - (d) Total Rs._____
2. Less : Allowance to the extent exempt under Section 10

| |
|-------------------|
| Rs._____ |
| Rs._____ |
| 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)
7. Add: Any other income reported by the employee

| |
|----------|
| Rs._____ |
| Rs._____ |
| Rs._____ |
8. Gross Total Income (6+7)

| | |
|----------|----------|
| Rs._____ | Rs._____ |
| Rs._____ | 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. (a) Under Section 88B Rs._____
 - (b) Under Section 88C Rs._____
 - III. Under Section 89 (attach details) Rs._____
14. Aggregate of Tax Rebates and Relief at 13 above (I (f) + II (a) + II(b) + 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 |
|--------|-----------------|---|

I..... son of..... working in the capacity of(designation) do hereby certify that a sum of Rs.....(Rupees.....(in words) has been deducted at source and paid to the credit of the Central Government. I further certified that the information given above is true and correct based on the book of accounts, documents and other available records.

Signature of the person responsible for deduction of tax

Place : _____
Date : _____

Full Name _____
Designation _____

ANNEXURE-IV**TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY PART II,
SECTION 3, SUB SECTION (ii) DATED THE 7TH JULY, 1995**

F.No.142/9/95-TPL
Government of India
 Ministry of Finance
 Department of Revenue
Central Board of Direct Taxes

New Delhi, the 7th July, 1995

**NOTIFICATION
INCOME-TAX**

S.O. 617(E) - In exercise of powers conferred by section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend Income-tax Rules, 1962, namely:—

1. (1) These rules may be called the Income-tax (Eighth Amendment) Rules, 1995.
- (2) They shall come into force with effect from the 1st day of July, 1995.
2. In the Income-tax Rules, 1962,—
- (a) after rule 2BA, the following rule shall be inserted namely:—

Prescribed allowances for the purposes of clause (14) of section 10., - 2BB.

(1) For the purposes of sub-clause (i) of clause (14) of section 10, prescribed allowances, by whatever name called, shall be the following, namely:—

- (a) any allowance granted to meet the cost of travel on tour or on transfer;
- (b) any allowance, whether granted on tour or for the period of journey in connection with transfer, to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty;
- (c) any allowance granted to meet the expenditure incurred on conveyance in performance of duties of an officer or employment of profit;
 Provided that free conveyance is not provided by the employer;
- (d) any allowance granted to meet the expenditure incurred on a helper where such helper is engaged for the performance of the duties of an office or employment of profit;
- (e) any allowance granted for encouraging the academic; research and training pursuits in educational and research institutions;

- (f) any allowance granted to meet the expenditure incurred on the purchase or maintenance of uniform for wear during the performance of the duties of an office or employment of profit.

Explanation - For the purpose of clause (a), "allowance granted to meet the cost of travel on transfer" includes any sum paid in connection with transfer, packing and transportation of personal effects on such transfer.

- (2) For the purposes of sub-clause (ii) of clause (14) of section 10, the prescribed allowances, by whatever name called, and the extent thereof shall be following, namely:—

| Serial No. | Name of allowance | Place at which allowance is exempt | Extent to which allowance is exempt |
|------------|---|--|-------------------------------------|
| (1) | (2) | (3) | (4) |
| 1. | Any Special Compensatory Allowance in the nature of Composite Hill Compensatory Allowance or High Altitude Allowance or Uncongenial Climate Allowance or Snow Bound Area Allowance or Avalanche Allowance | I. (a) Manipur Mollan/RH-2365 (b) Arunachal Pradesh (i) Kameng (ii) North Eastern Arunachal Pradesh where heights are 9,000 ft. and above. (iii) Areas east or west of Siang and Subansiri sectors. (c) Sikkim (i) Area North-NE-East of line Chhaten L.R. 0105, Launchung LR 1902, pt.4326, W1790, pt. 4349 LW 1479, pt.3601 LW 1471 to mile 13 LW 1367 to Berluk LW 2253. (ii) All other areas at 9,000 ft. and above. (d) Uttar Pradesh Areas of Harsil, Mana and Malari Sub-divisions and other areas of heights at 9,000 ft. and above. (e) Himachal Pradesh (i) All areas at 9,000 ft. and above ahead of line joining puhkaja-kunzomla towards the bower. (ii) Area ahead of line joining Karchham and Shigrila towards the bower. | Rupees 600 per month |

(iii) All areas in Kalpa, Spiti, Lahul and Tisa.

(f) Jammu and Kashmir

- (i) All areas from NR 396950 to NR 350850, NR 370790, NR 311776, North of Shaikhra Village, North of Pindi Village to NR 240800.
- (ii) Areas of Doda, Sank and other posts located in areas at a height of 9,000 ft. and above.
- (iii) North of line Kud-Dudu and Basttgarh, Bilwar, Batote and Patnitop.
- (iv) All areas ahead of Zojila served by Road Srinagar - Zojila-Leh in Leh District.
- (v) Gulmarg - All areas forward of line joining anita 'Linyan 3309 - Kaunrali - 2407.
- (vi) Uri South - All areas forward of Kaunrali - Kandi 1810 Kustam 1505 - Sebasantra 1006 Changez 0507 - Jak 19904 Keekar 9704 Jamun 9607 Neeta 9508.
- (vii) BAAZ Kaiyan Bowl - All areas forward of Dulurja 9712 - BAAZ 0317 - Shamsher 0416 including New Shamsher 0615 - Zorawar 1017 - Malaugan Base 1027 - Radha 0836 to Nastachun Pass 9847.
- (viii) Tangdhar - All areas west of Nastachun Pass Tangdhar Bowl and on Shamshabari Range and forward of it.
- (ix) Karan and Machhal sub-sectors - All areas along the line Pharkiangali 0869 to Z Gali 4376 and forward of Shamshabari Range.
- (x) Panzgam, Trehgam and Drugmul.

- II. Siachen area of Jammu and Kashmir Rupees 1200 per month
- III. All places located at a height of 1,000 metres or more above the sea level, other than places specified at (I) and (II) above. Rupees 150 per month
- I. (a) Little Andaman, Nicobar and Narcondum Islands Rupees 650 per month
- (b) North and Middle Andamans
- (c) Throughout Lakshadweep and Minicoy Islands
- (d) All places on or north of the following demarcation line: Point 14600 (2881) to Sala MS 2686 - Matau MS 6777 - Sakong MT 1379 - Bamong-Khonawa MO 2803-Nyapin MO 7525 - River Khru to its junction with the river Kamla MP - 2226 - Taliha Yapuik MK 7410-Gshong MK 9749-Yinki Yong NF - 4324-Damoroh MF 6208-Ahinkolin NF 8811-Kronli MG 2407-Hanli NM 4096-Gurongon NM 4592-Loon NM 7579-Mayu-Liang NM 0169-Chawah NM 9943 Kamphu NM 1125 - Point 6490 (NM 1493) Vijayanagar NSA-486.
- (e) Following areas in Himachal Pradesh:—
 - (i) Pangi Sub-Division of Chamba District;
 - (ii) Baramaur Tehsil of Chamba District;
 - (iii) Lahul and Spiti District;
 - (iv) Kinnaur District;
 - (v) Dodra-Kawar areas of Rohru Tehsil, Parganas of Pandrabis and Atharabis, Gram Panchayats of Munish, Derkali and Kashapat of Rampur Tehsil of Simla District;
 - (vi) Pargana of Pandrabis of Kulu District;

2. Any Special Compensatory Allowance in the nature of border area allowance or remote area allowance or difficult area allowance or disturbed area allowance

- (vii) Chhota Bhangal and Bara Bhangal area of Palampur Sub-Division of Kangra District;
 - (viii) Gram Panchayat Deothi (Teklech area) and Parganas of Chhaibis, Naubis, Sarahan and Barabis of Rampur Tehsil of Simla District;
 - (ix) Chhuhar Valley of Joginder-Nagar Tehsil of Mandi District;
 - (x) Mangal Panchayat area of Solan District;
 - (xi) Cuter-Seraj and Malana Panchayat area of Kulu District;
 - (xii) Janardru Panchayat area of Bhatiyat Tehsil of Chamba District;
 - (xiii) Mahog Sarhan, Gopalpur, Teban, Pelhi, Nanj, Khanoj, Bagra, Saiaj Mahundi and Balidhar Panchayat of Karsog Tehsil;
 - (xiv) Transgiri Tract of Sirmur District;
 - (xv) Simla Town and its suburbs (Mashobra, Dhalli, Taradevi, Kasumppti, Jatog and Tulu).
- (f) Chhimpui District of Mizoram and areas beyond 25 km. from Lungali town in Lungali District of Mizoram.
- (g) Following areas in Jammu and Kashmir,—
- (i) Niabat Bani, Lohi, Malahar and Macchodi in Kathua District;
 - (ii) Dudu Basantgarh, Llander Thamag Illaga;
 - (iii) All areas in Tehsil Mahore except those specified at III (g)(i) below in Udhampur District;
 - (iv) Illagas of Padder in Kishtwar Tehsil and Niabat Nowgam in Kishtwar of Doda District;

- (v) Noyama, Zanskar and Nobre of Leh District;
 - (vi) Entire Gurez-Niabat, Tangdhar Sub-Division and Keran Illaqa of Baramulla District.
- (h) Following areas of Uttar Pradesh:—
- (i) Dharachula;
 - (ii) Munsiyari;
 - (iii) Joshimath; and
 - (iv) Bhatwari Development Blocks (except District headquarters of Uttarkashi).
- (II) Installations in the Continental Shelf of India and the Exclusive Economic Zone of India. Rupees 1100 per month
- (III) (a) Throughout Arunachal Pradesh other than areas covered by those specified at I(d) above Rupees 525 per month
- (b) Throughout Nagaland.
 - (c) Throughout Sikkim.
 - (d) South Andaman (including Port Blair)
 - (e) Throughout Lunglei District (excluding areas beyond 25 km. from Lunglei town) of Mizoram.
 - (f) Dharmanagar, Kailashahar, Amarapur and Khowai in Tripura.
 - (g) Following areas in Jammu and Kashmir,—
 - (i) Areas up to Goel from Kamban side and areas up to Arans from Keasi side in Tehsil Mahore of Udhampur District;
 - (ii) All places in Leh District other than those specified at I(g) above;
 - (iii) Matchill in Baramulla District.
- (IV) (a) Throughout Aizawl District of Mizoram Rupees 375 per month
- (b) Throughout Tripura except areas those specified at III(f) above.

- (c) Throughout Manipur.
- (d) Following areas of Himachal Pradesh:—
- (i) Janjehli Block of Chachiet Tehsil of Mandi District;
 - (ii) Chopal Tehsil of Shimla District;
 - (iii) Transgiri Tract of Sirmur District;
 - (iv) Churah Tehsil of Chamba District;
 - (v) Kunr Panchayat and Balaj Parghana of Chamba Tehsil of Chamba District;
 - (vi) Dalhousie town;
 - (vii) Janjheli Block of Chachiet Tehsil in Mandi District;
 - (viii) Trah chopal Tehsil of Shimla District;
 - (ix) Churah Tehsil of Chamba District;
 - (x) Munr Panchayat and Balaj Pargana of Chamba District;
 - (xi) Karsog Tehsil;
 - (xii) Rampur Tehsil;
- (e) Following areas in Jammu and Kashmir:—
- Areas in Poonch and Rajouri Districts excluding the towns of Poonch and Rajouri and Sunderbani and urban areas in the two Districts.
- (f) Following areas in Jammu and Kashmir:—
- Areas not included in I(g), III(g) and IV (e) above but which are within the distance of 8km. from the line of actual control on at places which may be declared as qualifying for border allowance from time to time by the State Government for their own staff.

- (g) Following areas in Uttar Pradesh:—

Areas other than those covered in the border district of Uttarkashi, Chamoli and Pithoragarh, including District Headquarters of Uttarkashi, but excluding champavat Tehsil of Pithoragarh District.

- | | |
|---|--|
| <p>(V) Jog Falls in Shimoga District in Karnataka.</p> | <p>Rupees 300 per month</p> |
| <p>(VI) (a) Manali-Ujhi area, Parvati and Lagg Valley and Banjar Blocks of Kulu District in Himachal Pradesh</p> | <p>Rupees 100 per month</p> |
| <p>(b) Throughout Assam and Meghalaya:</p> <ol style="list-style-type: none"> (a) Madhya Pradesh (b) Tamil Nadu (c) Uttar Pradesh (d) Karnataka (e) Tripura (f) Assam (g) West Bengal (h) Bihar (i) Orissa | <p>Rupees 100 per month</p> |
| <p>3. Tribal Area Allowance</p> | <p>Whole of India</p> |
| <p>4. Any allowance granted to an employee working in any transport system to meet his personal expenditure during his duty performed in the course of running of such transport from one place to another place, provided that such employee is not in receipt of daily allowance.</p> | <p>70 per cent. of such allowance up to a maximum of Rupees 3000 per month</p> |

| | | |
|---|---|--|
| 5. Children Education Allowance | Whole of India | Rupees 50 per month per child upto a maximum of two children. |
| 6. Any allowance granted to an employee to meet the hostel expenditure on his child | Whole of India | Rupees 150 per month per child up to a maximum to two children |
| 7. Compensatory Field Area Allowance | (a) Following Areas in Arunachal Pradesh,— | Rupees 975 per month |
| | (i) Tirap and Changlang districts; | |
| | (ii) all areas north of line joining point 4448 in LZ 4179-Nukme Dong MS 3272-Sepla MT 2969-Palin MO 9213-Daporijo NR 5841-Along NL 1273-Hunli NM 3196-Tidding Tuwi MT 6369-Hayuliang NN 0170-Tawaken MT 8136-Champai Bun NM 8814, all inclusive; | |
| | (b) Throughout Manipur and Nagaland; | |
| | (c) Following areas in Sikkim,— | |
| | All areas north and north east of line joining Phalut LV 4750-Gezing LV 7059-Mangkha LV 6160-Penlang La LW 0666-Rangli LW 1448-BP 1 in LW 2453 on Indo-Bhutan Bonder, all inclusive. | |
| | (d) Following areas in Himachal Pradesh,— | |
| | All areas east of line joining Umasila NV 3951-Udaipur NY 8663-Manikaran SB 2300-Pir Parbati Pass TA 1458-Taranda TA 2335-Barasua - Pass TA 8801, all inclusive. | |

| | | |
|---|--|----------------------|
| 8. Compensatory Modified Field Area Allowance | (e) Following areas in Uttar Pradesh,— | Rupees 375 per month |
| | All areas north and northeast of line joining Barasua Pass Ganganani TG 1362-Govind Ghat TG 0937-Tapovan Th 1822-Musiari TN 8982-Relagad TO 2466, all inclusive. | |
| | (f) Following areas in Jammu and Kashmir:— | |
| | (i) areas north and east of line joining Zojila MU 3036-Baralachala NE 6672 along the Great Himalayan Range, all inclusive; | |
| | (ii) all areas west of line joining Point 1556 in NR 5470-Gulmarg MT 3105-Naushara MY 3105-Ringapat MT 2133-Handwara MT 2043-Laingyal MT. 2339-Point 8405 in NG 4565-north of line joining point 8403-Bunakut MT 5453-Razan NN 2239-Zojila, all inclusive; | |
| | (iii) all areas west of line joining tip of Chicken Neck RD 7073-Canal junction RD 6364-Mawa Brahmana RD 6183-Chauki RD 6393-Road junction RD 6499-Baramgala MY 3854-Point 1556 in NR 5470, all inclusive. | |
| | (a) Following areas in Punjab and Rajasthan, areas west of line joining Jessai, Barmar, Jaisalmer, Pokharan, Udasar, Mahajan Ranges, Suratgarh, Lalgah, Jattan, Abohar, Govindgarh, Fazilka, Jandiala Guru, Moga, Dholewal, Deas, Bir Sarangwal, Hussainiwala, Dera Baba Nank, Laisain pulge upto the international border, all inclusive; | |
| | (b) Following areas in Haryana,— Satrod (Hissar), | |
| | (c) Following areas in Himachal Pradesh,— areas North of line joining Narkhanda, Keylong upto Field Area line/High Altitude line. | |

- (d) Following areas in Arunachal Pradesh and Assam,—
- (i) Cachar and North Cachar districts of Assam including Silchar;
 - (ii) All areas of Arunachal Pradesh and Assam north of river Brahmaputra except Tejpur, Misamari and Filed Areas;
- (e) Throughout Mizoram and Tripura;
- (f) Following areas in Sikkim and West Bengal,—
- areas northwards of line joining Sevoke LV 9112-Burdong LV 985 (Sherwani LV 9453-Bagrakot LW 0113-Damdim LW 1109-New Mal-Hasimara-QB 7894 Ganga Ram Tea Estate QA 1377 upto the High altitude line/Field Area line/ international border, all inclusive.
- (g) Following areas in Uttar Pradesh,—
- areas north of line joining Uttarkashi, Karan Prayag, Gauchar, Joshimath, Chamoli, Rudra Prayag, Askote, Charamgad, Dharchula, Kausani and Narendra Nagar upto international border, all inclusive.
- (h) Following areas in Jammu and Kashmir,—
- (i) areas west of line joining Pattan, Baramulla, Kupwara, Drugmula, Panges, Mankes, Buniyar, Pantha Chowk, Khanabal, Anantnag, Khundru and Khru upto the existing High Altitude line, all inclusive;
 - (ii) areas west of line joining BP-19, Brahmana-di-Bari, Jindra, Dhansal, Katra, Sanjhi Chatt, Batote, Patni Top, Ramban and Banihal upto the existing High altitude line, all inclusive.

9. Any special allowance in

Whole of India

Rupees 975 per month

the nature of counter-insurgency allowance granted to the members of armed forces operating in areas away from their permanent locations for a period of more than 30 days.

Provided that any assessee claiming exemption in respect of the allowances mentioned at serial number 7 and 8 shall not be entitled to the exemption in respect of the allowance referred to at serial number 2.

Provided further that any assessee claiming exemption in respect of the allowance mentioned at serial number 9 shall not be entitled to the exemption in respect of disturbed area allowance referred to at serial number 2.

Sd/-
(K.G. BANSAL)
DIRECTOR (TPL. III)

**TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY PART-II
SECTION 3, SUB-SECTION (II) DATED 24.4.2000**

MINISTRY OF FINANCE
(Department of Revenue)
(Central Board of Direct Taxes)

NOTIFICATION

New Delhi, the 24th April, 2000

INCOME-TAX

S.O. 403 (E) — In exercise of the powers conferred by section 295 read with clause (14) of section 10 of the income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes, hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:—

- (1) (1) These rules may called the Income-tax (Third Amendment) Rules, 2000.
- (2) (2) They shall be deemed to have come into force on the 1st day of August, 1997.
 - (a) against sl. No.1, -
 - (i) in column 2 relating to name of allowance for the words “Composite Hill Compensatory Allowance”, the words and brackets “Special Compensatory (Hilly Areas) Allowance” shall be substituted;
 - (ii) In column 4 relating to “extent to which allowance is exempt”.-
 - (A) for the words, figures and letters “Rs.600 per month”, the words, figures and letters “Rs.800 per month” shall be substituted;
 - (B) for the letters, figures and words “Rs.1,200 per month the letters, figures and words, Rs.7,000 shall be substituted;
 - (C) for the letters, figures and words “Rs.150 per month”, the letters, figures and words “Rs.300 per month” shall be substituted;

For serial number 2 and the entries relating thereto, the following shall be substituted, namely:—

| 1 | 2 | 3 | 4 |
|---|---|--|-------------------|
| 2 | Any special 1. Compensatory Allowance in the nature of Border Area Allowance, Remote Locality Allowance or Difficult Area Allowance or Disturbed Area Allowance | (a) Little Andaman, Nicobar and Narcondum Islands; (b) North and Middle Andamans; (c) Throughout Lakshadweep and Minicoy Islands; (d) All places on or north of the following demarcation line; Point 14600 (2881) to Sala MS 2686-Matau MS 6777-Sakong MT 1379 Bamong+Khonawa MO 2803-Nyapin MO 7525-River Khru to its junction with the river Kamla MP-2226-Taliha - Yapuik MK | Rs.1300 per month |

7410 -Gshong MK 9749 - Yinki Yong NF 4324 - Damoroh MF 6208 - Ahinkolin NF 8811 - Kronli MG 2407 - Hanli NM 4096 Gurongon NM 4592 Loon NM 7579 — Mayuliang NM 0169 - Chawah NM 9943 - Kamphu NM 1125 - Point 6490 (NM 1493) Vijayanagar NSA-486.

- (e) Following areas in Himachal Pradesh:
 - (i) Pangi Tehsil of Chamba District;
 - (ii) Following Panchayats and villages of Bharmour Tehsil of Chamba District
 - (A) Panchayat**
Badgaum, Bajol, Deol Kugti Nayagam and Tundah.
 - (B) Villages**
Ghatu of Gram Panchayat Jagayt Kanarsi of Gram Panchayat Cauhata.
 - (iii) Lahul and Spiti District;
 - (iv) Kinnaur district:
 - (A) Asrang, Chitkul and Hango Kuno Charang Panchayats
 - (B) 15/20 Area comprising the Gram Pachayats of Chhota Khamba, Nathpa and Rupi.
 - (C) Pooh sub-Division excluding the Panchayat Areas specified above.
 - (v) 15/20 Area of Rampur Tehsil comprising of Panchayats of Koot, Labana-Sadana, Sarpara and Chandi Branda of Shimla District.
 - (vi) 15/20 Area of Nirmand Tehsil, comprising the Gram Panchayats of Kharga, Kushwar and Sarga of Kullu District.
- (f) Chimgtuipui District of Mizoram and areas beyond 25 km from Lunglei town in Lunglei District of Mizoram.
- (g) Following areas in Jammu and Kashmir:-
 - (i) Niabai Bani, Lohi, Malhar and Macehodi of Kathua District;
 - (ii) Dudu Basantgarh Lander Bhamag Illaqa, Thakrakote and Nagote of Udhampur District.
 - (iii) All areas in Tehsil Mahore except those specified at III (f) (i) below in Udhampur District;
 - (iv) Illaqa of Padder and Niabat Nowgaon in Kishtwar Tehsil of Doda District.

- (v) Leh District;
- (vi) Entire Gurez - Nirabat. Tangdar Sub-Division and Keran Illaqa of Baramull District.
- (h) Following areas of Uttar Pradesh:-
- (i) Chamoli District;
- (ii) Pithoragarh District;
- (iii) Uttarakashi District;
- (i) Throughout Sikkim State
- II Installations in the continental shelf of India and the Exclusive Economic Zone of India Rs.1100 per month
- III (a) Throughout Arunachal Pradesh other than areas covered by those specified at I (d) above. Rs.1050 per month
- (b) Throughout Nagaland State.
- (c) South Andaman (including Port Blair).
- (d) Throughout Lunglei District (excluding areas beyond 25 km from Lungled town) of Mizoram.
- (e) Dharmanager, Kailasahar, Amarpur and Khowai in Tripura.
- (f) Following areas in Jammu and Kashmir:-
- (i) Areas up to Goel from Kamban side and areas upto Arnas from Keasi side in Tehsil Mahore of Udhampur District;
- (ii) Matchill in Barmulla District.
- (g) Following areas in Himachal Pradesh:-
- (i) Bharmour Tehsil, excluding Panchayats and villages covered by those specified at 1 (e) (ii) above of Chamba District.
- (ii) Chhota Bhangal and Bara Bhangal area of Kangra District;
- (iii) Kinnaur District other than areas specified at 1 (c) (iv)
- (iv) Dodra - Kavar Tehsil, Gram Panchayats of Darkali in Rampur, Kashapath Tehsil and Munish, Ghori Chaibis of Pargana Sarhan of Shimla District.
- IV. (a) Throughout Aizawal District of Mizoram Rs.750 per month
- (b) Throughout Tripura except areas those specified at III(c).
- (c) Throughout Manipur.
- (d) Following areas of Himachal Pradesh:-
- (i) Jhandru Panchayat in Bhatiyat Tehsil, Churah Tehsil, Dalhousie Town (including Banikhet proper) of

- Chamba District.
- (ii) Outer Seraj (excluding Village of Jakat-Khana and burow in Nirmand Tehsil of Kullu District.
- (iii) Following areas of Mandi District:-
- (A) Chhuar Valley (Jogindernagar Tehsil)
- (B) Bagara, Chhatri, Chhotdhar, Garagushain, Gatoo, Gharyas, Janjheli, Jaryar, Johar Kalhani Kalwan Kholanai, Loth, Silibagi, Somachan, Thachdhar, Tachi and Thana Panchayats of Thunag Tehsil;
- (C) Binga, Kamlah, Saklana, Tanyar and Tarnkholah, Panchayats of Dharampur Block.
- (D) Balidhar, Bagra, Gopalpur, Khajol, Mahog, Mehudi, Manj, Pekhi, Sainj, Sarahan and Teban, Panchayats of Karsog Tehsil.
- (E) Bohi, Batwara, Dhanyara, Paura-Kothi, Seri and Shoja, Panchayats of Sundernagar Tehsil.
- (iv) Following areas and offices of Kangara District:
- (A) Dharamsala town and Women's ITI, Dari, Mechanical Workshop, Ramnagar; Child Welfare and Town Country Planning Offices, Sakoh; CRSF Office at lower Sakoh; Kangra Milk Supply Scheme, Shamnagar; Tea Factory, Dari; Forest Corporation Office, Shamnagar; Tea Factory, Dari; Settlement Office, Shamnagar and Binwa Project, Shamnagar. Offices located outside the Municipal limit of Dharamshala town but included in Dharamsala town for purposes of eligibility to special Compensatory (Remote Locality) Allowance;
- (B) Palampur town, including HPKVV Campus at Palampur and H.P. Krishi Vishvavidyala Campus; Cattle Development Office/Jersey Farm, Banuri; Sericulture Office/Indo-German Agriculture Workshop/HPPWD

Division, Bundla; Electrical Sub-Division, Lohna; D.P.O. Corporation, Bundla and Electrical HPSEE Division, Ghuggar offices located outside the municipal limits of Palampur town but included in Palampur town for the purpose of above allowance.

- (v) Chopal Tehsil; Ghoris, Panjgaon, Patsnu, Naubis and Teen Koti of Pargana Sarahan; Deothi Gram Panchayat of Taklesh Area; Pargana Barabis; Kasba Rampur and Ghori Nog of Pargana Rampur of Rampur Tehsil of Shimla District and Shimla Town and its suburbs (Dhalli, Jatog, Kasumpti, Mashobra, Taradevi and Tutu);
- (vi) Panchayats of Bani, Bakhali (Pachhad Tehsil), Bharog Bheneri (Paonata Tehsil), Birla (Nahan Tehsil), Dibber (Pachhad Tehsil) of Thanan Kasoga (Nahan Tehsil) in Sirmour district and Thansgiri Tract of Sirmour District;
- (vii) Mangal Panchayat of Solan District;
- (e) Following areas in Jammu and Kashmir:-
- (i) Areas in Poonch and Rajouri Districts excluding the towns of Poonch and Rajouri and Sunderbani and other Uraban areas in the two districts;
- (f) Following areas in Jammu and Kashmir:- Areas not included in I(g), III(f) and IV(e) above, but which are within a distance of 8 km from the line of actual control or at places which may be declared as qualifying for Border Allowance from time to time by the State Government for their own staff
- V. Jog Falls in Shimoga District in Karnataka. Rs.300 per month
- VI. (a) Throughout the State of Himachal Pradesh other than areas covered by those specified in I(c), III(g) and IV(d) Rs.200 per month
- (b) Throughout the State of Assam and Meghalaya.

- (c) against sl. No.,3,-
- (i) in column 2 relating to "name of allowance", for the words "Tribal Area Allowance", the words and brackets "Special Compensatory (Tribal Areas/Schedule Areas/Agency Areas) Allowance" shall be substituted;
- (ii) in column 4 relating to "extent to which allowance is exempt" for letters, figures and words "Rs.100 per month", the letters, figures and words "Rs.200 per month" shall be substituted;
- (d) against sl. No.4, in column 4, for letters, figures and words "Rs.3,000 per month" the letters, figures and words "Rs.6,000 per month" shall be substituted;
- (e) against sl. No.5, in column 4, for letters, figures and words "Rs.50 per month per child," the letters, figures and words "Rs.100 per month per child" shall be substituted;
- (f) against sl. No.6, in column 4, for letters, figures and words "Rs.150 per month per child," the letters, figures and words "Rs.300 per month per child" shall be substituted;
- (g) against sl. No.7, in column 4, for letters, figures and words "Rs.975 per month" the letters, figures and words "Rs.1300 per month" shall be substituted;
- (h) against sl. No.8, in column 4, for letters, figures and words "Rs.375 per month" the letters, figures and words "Rs.500 per month" shall be substituted;
- (i) against sl. No.9, in column 4, for letters, figures and words "Rs.975 per month" the letters, figures and words "Rs.1300 per month" shall be substituted;

[Notification No. 11344/F.No.142/34/99-TPL]
DEEPA KRISHAN, Director (TPL-I)

Foot Note :- The principal rules were published under Notification No.S.O.969 dated 26.3.1962 and was last amended vide S.O. No.353(E) dated 6th April, 2000.

EXPLANATORY MEMORANDUM

The Central Government Employees are entitled to various types of special allowances not being in the nature of prerequisite which are specifically granted to meet expenses wholly, necessarily and exclusively incurred in the performance of the duties of an office, posted at that place. Following types of allowances are exempt from income-tax under section 10(14) of the Income-tax Act, 1961 as prescribed in table below sub-rule (2) of rule 2BB under rule 2BB of the Income-tax rule, 1962.

1. Any special compensatory Allowance in the nature of Composite Hill Compensatory Allowance or High Altitude Allowance or Uncongenial Climate Allowance or Snow Bound Area Allowance or Avalanche Allowance.
2. Any Special Compensatory Allowance in the nature of Border Area Allowance or Remote Area Allowance or Difficult Area Allowance or Disturbed Area Allowance.
3. Tribal Area Allowance.

4. Any allowance granted to an employee working in any transport system to meet his personal expenditure during his duty performed in the course of running of such transport from one place to another place, provided that such employee is not in receipt of daily allowance.
 5. Children Education Allowance.
 6. Any allowance granted to an employee to meet the hostel expenditure on his child.
 7. Compensatory field Area Allowance.
 8. Compensatory Modified Field Area Allowance.
 9. Any special allowance in the nature of counter-insurgency allowance granted to the members of armed forces operating in areas away from their permanent locations for a period of more than 30 days.
 10. Transport allowance granted to an employee to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty.
2. Present exemption limit was given effect vide notification S.O. 617(E) dated 7-7-1995.
3. The above allowances were recommended to be enhanced by the Vth Pay Commission. Accordingly Central Government issued various orders enhancing the amount of the above allowances being paid to the Central Government Employees. As consequence to these orders, it has been decided to raise the exemption limit of these allowances except Transport Allowances, which has already been notified vide S.O.395(E) dated 13.5.1998 and subsequently amended vide notification number S.O.1009(E) dated 4.10.1999.
4. All the orders of the Central Government enhancing the amount of the allowances were effective from 1st day of August, 1997. It is, therefore, proposed to amend rule 2BB of the income-tax rules, 1962 w.e.f. the 1st day of August, 1997 to give effect to the said proposal.
5. It is certified that the retrospective effect to the proposed amendment to the said rule 2BB shall not prejudicially effect the interest of the assessee.

ANNEXURE-VI**TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY PART-II
SECTION 3, SUB-SECTION (II) DATED 13.5.98**

F.No. 142/18/98-TPL
Government of India
Ministry of Finance
 Department of Revenue
 (Central Board of Direct Taxes)

S.O. 395(E)-In exercise of the powers conferred by section 295 of the Income Tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1961, namely:—

- (1) These rules may called the Income-tax (Seventh Amendment) Rules, 1998.
- (2) They shall be deemed to have come into forced on the 1st day of August, 1997,

2. In the Income-tax Rules, 1962 in rule 2BB, in sub-rule (2), in the Table, after serial number 9, the following serial number and entries relating thereto shall be inserted, namely:—

| S.No. | Name of allowance | Place of which allowance is exempt. | Extent to which allowance is exempt |
|-------|---|-------------------------------------|-------------------------------------|
| 1. | 2. | 3. | 4. |
| "10 | Transport allowance granted to an employee to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty. | whole of India | Rs.800 per month |

Sd/-
(S. BALASUBRAMANIAN)
Under Secretary (TPL-III)

[Explanatory Notes— The Central Government have, on the recommendations of the Fifth Pay Commission, given to officers and employees of the Central Government, with effect from the 1st day of August, 1997, a transport allowance of an amount not exceeding Rs.800/- per month, in accordance with their entitlement. The officers of the rank of Joint secretary and above in the Central Government are entitled for official vehicles for the purpose of their journeys from home to office and back in lieu of the

transport allowance which is not treated as a perquisite and is not taxed under the Income-tax Act, 1961. But, the transport allowance given to,—

- (a) the officers of the rank of Joint Secretary and above who opt for transport allowance in lieu of the said facility of availing vehicle; and
- (b) all other officers and employees, including Group "C" and "D" officials.

for the same purpose is liable to Income-tax.

2. To remove the above anomaly and treat all the persons equally in the matter of taxation of transport allowance, the Central Board of Direct Taxes has decided to exempt with retrospective effect, that is, with effect from the 1st day of August, 1997 the transport allowance equal to an amount not exceeding Rs.800 per month drawn by any officer or employee working under the central Government or State Governments or any establishment other than Central Government or State Governments, under the Income-tax Act, 1961.

3. It is, therefore, proposed to amend rule 2BB of the Income Tax Rules, 1962 with effect from the 1st day of August, 1997 to give effect to the said proposal.

4. It is certified that the retrospective effect to the proposed amendment to the said Rule 2BB shall not prejudicially affect the interest of assesseees].

Annexure VII-A

MINISTRY OF FINANCE
(Department of Revenue)
(Central Board of Direct Taxes)

NOTIFICATION

New Delhi, the 24th November, 2000

INCOME-TAX

S.O. 1048 (E) — In exercise of the powers conferred by sub-clause (i) of clause (18) of Section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government, hereby specifies the gallantry awards for the purposes of the said Section, mentioned in column 2 of the table below awarded in the circumstances as mentioned in corresponding column 3 thereof :-

Table

| Sl. No. | Name of gallantry award | Circumstances for eligibility |
|---------|---|---|
| (1) | (2) | (3) |
| 1. | Ashok Chakra | When awarded to Civilians for gallantry |
| 2. | Kirti Chakra | -do- |
| 3. | Shaurya Chakra | -do- |
| 4. | Sarvottam Jeevan Raksha Padak | When awarded to civilians for bravery displayed by them in life saving acts. |
| 5. | Uttam Jeevan Raksha Medal | -do- |
| 6. | Jeevan Raksha Padak | -do- |
| 7. | President's Police Medal for Gallantry | When awarded for acts of exceptional courage displayed by members of police forces, Central police or security forces and certified to this effect by the head of the department concerned. |
| 8. | Police Medal for Gallantry | -do- |
| 9. | Sena Medal | When awarded for acts of courage or conspicuous gallantry and supported by certificate issued to this effect by relevant service headquarters. |
| 10. | Nao Sena Medal | -do- |
| 11. | Vayu Sena Medal | -do- |
| 12. | Fire Services Medal for Gallantry | When awarded for acts of courage or conspicuous gallantry and supported by certificate issued to this effect by the last Head of Department. |
| 13. | President's Police and Fire Services Medal for Gallantry | -do- |
| 14. | President's Fire Services Medal for Gallantry | -do- |
| 15. | President's Home Guards and Civil Defence Medal for Gallantry | -do- |
| 16. | Home Guards and Civil Defence Medal for Gallantry | -do- |

(Notification No. 1156/F.No.142/29/99-TPL.)

T.K. SHAH, Director

Annexure VII-B

MINISTRY OF FINANCE
(Department of Revenue)
(Central Board of Direct Taxes)

NOTIFICATION

New Delhi, the 29th January, 2001

S.O. 81 (E) — In exercise of the powers conferred by sub-clause (i) of clause (18) of Section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government, hereby specifies the gallantry awards for the purposes of the said Section and for that purpose makes the following amendment in the notification of the Government of India in the Ministry of Finance, Department of Revenue (Central Board of Direct Taxes) number S.O.1048(E), dated the 24th November, 2000, namely:-

In the said notification, in the Table, against serial numbers 1, 2 and 3 under column (3) relating to "Circumstances for eligibility" **the words** "to civilians" shall be omitted.

(Notification No. 22/F. No. 142/29/99-TPL)

T.K. SHAH, Director

ANNEXURE-VIII

**“FORM NO. 10BA
(See rule 11B)**

**DECLARATION TO BE FILED BY THE ASSESSEE
CLAIMING DEDUCTION U/S 80GG**

I/We
(Name of the assessee with permanent account number)
do hereby certify that during the previous Year I/we had occupied
the premise (full address of the
premise) for the purpose of my/our own residence for a period of
months and have paid Rs. in cash/through crossed
cheque, bank draft towards payment of rent to Shri/Ms/M/s
..... (name and complete address of the landlord).

It is further certified that no other residential accommodation is owned by

- (a) me/my spouse/my minor child/our family (in case the assessee is HUF), at
..... where I/we ordinarily reside/perform duties of officer
or employment or carry on business or profession, or
- (b) me/us at any other place, being accommodation in my occupation, the value
of which is to be determined u/s23(2)(a)(i) or u/s23(2)(b).”

*F.No. 142/47/98-TPL
NOTIFICATION NO. 10722*

Sd/-
(SUNITI SRIVASTAVA)
Under Secretary to the Govt. of India

The principal rules were published vide notification No.S.O., 969 (E) dated 26.3.1962
and were last amended vide notification No. SO. 897 (E) dated 12.10.98.