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[Below copy of Government of India, Ministry of Finance (Department of Revenue), Central Board of Direct Taxes Circular No. 362 [F. No. 275/21/83-IT(B)], dated the 18th June 1983, regarding deduction of tax at source—Income-tax deduction from salaries during the financial year 1983-84, under section 192 of the Income-tax Act, 1961.]

CIRCULAR No. 362

F. No. 275/21/83-IT(B)
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
CENTRAL BOARD OF DIRECT TAXES

CR1983061801

North Block, New Delhi, the 18th June, 1983/28th Jaistha, 1905 (Saka)

From

Shri S. C. Mishra,
Officer on Special Duty,
Central Board of Direct Taxes.

To

All State Governments (including Administration of Union Territories).

Subject.—Deduction of tax at source—Income-tax deduction from salaries during the financial year 1983-84 under section 192 of the Income-tax Act, 1961.

Sir,

I am directed to invite a reference to this Ministry's Circular No. 342 [F. No. 275/16/82-IT(B)], dated the 19th May, 1982 [printed at (1982) 135 ITR (St.) 94] and corrigendum of even number, dated the 14th September, 1982 [printed at (1982) 132 ITR (St.) 37], wherein the rates of income-tax deduction during the financial year 1982-83 from the payments of income-tax chargeable under the head "Salaries" under section 192 of the Income-tax Act 1961 were intimated.

2. Sub-section (1) of the said section provides that the person responsible for paying any income chargeable under the head "Salaries" shall, at the time of making payment, deduct income-tax on the amount payable at the average rate of income tax computed on the basis of the rates in force for the financial year in which the payment is made, on the estimated income of the assessee for that financial year. The provisions of sub-section (3) are intended for making adjustments of excess or shortfalls of inadvertent nature and/or due to unforeseen circumstances. Thus, the aggregate tax calculated on the estimated income divided by twelve and rounded to the nearest rupee is required to be deducted from the monthly salary.

3. In the Finance Act, 1983, some modifications have been made. An extract of Sub-paragraph 1 of Paragraph A of Part III of the First Schedule is at Annexure I.

4. The Substance of the main provisions of law in so far as they relate to income chargeable under the head "Salaries", on which tax is to be deducted at source during the financial year 1983-84 is given hereunder:—

(i) No tax will be deductible at source in any case unless the estimated salary income for the financial year exceeds Rs. 15,000. Some typical examples of calculations are at Annexure II.

(ii) The value of perquisites by way of free or concessional residential accommodation, or motor cars provided by employers to their employees, shall be determined under Rule 3 of the Income-tax Rules, 1962. Further, the value of other benefits or amenities provided free of cost or at concessional rates to the employees, like supply of gas, electric energy, water for house-hold consumption, educational facilities, etc. should also be taken into account, for the purpose of computing the estimated salary income of the employees during the current financial year (Example II at Annexure II illustrates computation of some such perquisites).

(iii) *Exemptions in computing total income.*—

(a) Sub-clause (i) of clause (10) of section 10 provides exemption of death-cum-retirement gratuity from inclusion in computing total income. The maximum limit to which it can be excluded has been raised from Rs. 30,000 to Rs. 36,000 with effect from 1st April 1982;

(b) Sub-clause (i) of clause (10AA) of section 10 provides for exemption of any payment received by an employee 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; and

(c) In the case of an employee other than an employee of the Central or State Government any payment of the nature referred to in sub-clause (i) of clause (10AA) of section 10 is to be excluded in computing the total income subject to the provisions of sub-clause (ii) of the said clause (10AA).

(G. C. P.) Pub. II H 997—1

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(iv) The amount repaid to an employee from the Additional Dearness Allowance Deposit Account under the provisions of Additional Emoluments (Compulsory Deposit) Act, 1974 shall be liable to be included in his total income of the previous year in which it is repaid as already explained in the Ministry's Circular No. 182 (F. No. 275/12/75-ITJ), dated 28th October 1975 [printed at (1975) 101 ITR (St.) 130]. The amount repaid will include an element of interest also. While the repayment of principal sum will be regarded as salary paid during the relevant financial year and assessed to tax accordingly, the interest element qualifies for deduction in accordance with section 80-L of the Income-tax Act, 1961.

(v) The amount of deposit made by a tax-payer under the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974 is not allowable as deduction in computing his taxable income. Accordingly, such deposit has to be ignored for the purpose of determining the amount of income-tax deductible at source.

(vi) Under section 16 of the Income-tax Act, 1961 (hereinafter referred to as the Act) the taxable salary is to be computed after providing standard deduction. The standard deduction is to be allowed of an amount equal to 25 per cent of the salary subject to a maximum of Rs. 6,000. For this purpose, the term "salary" will include fees, commission, perquisites or profits in lieu of or in addition to salary, but will not include any payments received by the employees which are specifically exempt from tax under clause 10, (10A), (10AA), (10B), (11) (12) and (13A) of section 10 of the Act. Thus, house rent allowance to the extent exempt under section 10 (13A) of the Act will not be taken into account for the purposes of computing the amount of the standard deduction. It is to be noted that standard deduction on the above basis is to be allowed irrespective of whether any expenditure incidental to employment is actually incurred by the employee or not. This deduction will be available also to persons drawing pension during the current financial year at the same rates and subject to the same ceiling as to the employees in actual service. Further, the standard deduction will be limited to Rs. 1,000 only in cases where the employee if provided with any motor car, motor cycle, scooter or other moped by his employer (for use otherwise than wholly and exclusively in the performance of his duties, or where he is allowed the use of any one or more motor cars otherwise than wholly and exclusively in the performance of his duties) out of a pool of motor cars owned or hired by the employer at any time during the financial year. In this connection it may be noted that the use of a motor car by the employee for the purposes of going from his residence to the place where the duties of his employment are to be performed, or from such place back to his residence will not be regarded as use of the motor cars in the performance of his duties.

(vii)(a) Under Section 80C of the Act, while computing the taxable income the disbursing officers should allow a deduction of the whole of the first Rs. 6,000; 50 per cent of the next 6,000 and 40 per cent of the balance of the qualifying amount of payments towards life insurance premia, contributions to provident fund (including contributions to Public Provident Fund constituted under the Public Provident Fund Act, 1968), contributions for participation in the Unit-linked Insurance Plan, 1971 made under section 19(I)(cc) of the Unit Trust of India Act, 1963, deposits in a 10-year account or 15-year account under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959 and subscription to the National Savings Certificates (VI Issue) and the National Saving Certificates (VII Issue). The qualifying amount of payments of all these items will be subject to a maximum of Rs. 40,000.

(b) In respect of contributions to "recognised provident funds" there is another monetary ceiling limit laid down in clause (d) of sub-section (2) of section 80C of the Income-tax Act, 1961 in that the employee's own contribution to his individual account in the fund will not exceed 1/5th of his salary during the financial year or Rs. 10,000 whichever is less. "Salary" for this purpose would include dearness allowance if the terms of employment so provide but will exclude all other allowances or perquisites. The expression "recognised provident fund" has been defined in section 2(38) of the Act to mean a provident fund which has been and continues to be recognised by the Commissioner in accordance with the rules contained in Part A of the Fourth Schedule to the Act and includes a provident fund established under a scheme framed under the Employees' Provident Funds Act, 1952.

(c) The additional monetary ceiling of 1/5th of salary of Rs. 10,000 whichever is less will not be applicable to the contributions to the provident funds referred to in sub-clauses (iii) and (iv) of clause (a) of sub-section (2) of section 80C. Such provident funds are:—

A. Government Provident Fund and Railway Provident Fund;

B. Provident Funds established by such local authorities and institutions as are mentioned in the schedule to the Provident Fund Act, 1925 and those notified by the Government from time to time under section 8(3) of that Act; and

C. Any Provident Fund set up by the Central Government and notified by it in the Official Gazette, Public Provident Fund set up under the Public Fund Act, 1968 is an example of such a fund.

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(d) Clause (b) of sub-section (2) of section 80C has been substituted by a new clause with effect from 1st day of April, 1984 by the Finance Act, 1983. The new clause (b) is as under:—

(b) where the assessee is a Hindu undivided family:—

(i) any sums paid in the previous year by the assessee out of its income chargeable to tax—

(1) to effect or to keep in force an insurance on the life of any member of the family; or

(2) as a contribution to any provident funds referred to in sub-clause (iv) of clause (a), where such contribution is to an account standing, in the name of any member of the family; or

(ii) any sums deposited in the previous year by the assessee out of its income chargeable to tax in a ten-year-account or a fifteen year account under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959, as amended from time to time, where such sums are deposited in an account standing in the name of any member of the family.

In the existing Explanation below this clause, for the words, brackets and letter "clause (B)", the words, brackets, figure and letter "sub-clause (i) of clause (b)" have been substituted.

(e) in sub-section (4) of section *ibid.* for clauses (i) to (iv), the following clauses have also been substituted;

(i) in the case of an individual, being an author; playwright, artist, musician, actor or sportsman (including an athlete), sixty thousand rupees;

(ii) in the case of any other individual or a Hindu undivided family or any such association of persons or a body of individual as is referred to in clause (9) of sub-section (2), forty thousand rupees".

These changes may be taken note of while allowing deductions under this section.

(viii) 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 whichever name called) in respect of residential accommodation occupied by the assessee, is exempt from income-tax to the extent (not exceeding Rs. 400 p.m.) as may be prescribed having regard to the area or place in which such accommodation is situated and other relevant considerations. Rule 2A of the Income-tax Rules, 1962 prescribes the limits in respect of the amount which is not to be included in the total income of the assessee for the purpose of section 10(13A) of the Act. 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 house rent allowance from the total income of the employee.

However, the Hon'ble Punjab and Haryana High Court has held in the case of Commissioner of Income-tax v. Justice S. C. Mittal (1980) 121 ITR 503 that even in the case of an assessee occupying his own house, the house rent allowance received from the employer is not liable to tax subject to the limitations imposed under section 10(13A) of the Act and Rule 2A. That judgement had not been accepted by the Department and an appeal has been filed after Special Leave was granted by the Hon'ble Supreme Court. The disbursing authorities may, however, allow exemption in respect of house rent allowance granted to every employee assessable/assessed to income-tax under the jurisdiction of the Hon'ble Punjab and Haryana High Court and residing in the house/flat owned by him subject to limits laid down in Rule 2A in deference to the said judgement. The actual rent paid for the purpose of the said rule would be deemed to be the annual letting value of the house/flat for which production of evidence in the form of a document showing the annual letting value fixed by Municipal Authority etc. may be insisted upon before granting the exemption. In the annual salary return asterisk (*) against the name of each such employee may be given together with the following remark at the end of the return.

"*Admissible exemption of HRA allowed in view of Judgement in Justice S. C. Mittal's case".

(ix) No deduction should be made from the salary income in respect of any donations for charitable purpose. The tax relief on such donations, as admissible under section 80G of the Act will have to be claimed by the tax-payer separately at the time of finalisation of the assessment. However, in cases where contributions to the National Defence Fund, Jawaharlal Nehru Memorial Fund, the Prime Minister's Drought Relief Fund or the Prime Minister's National Relief Fund or the National Children's Fund are made, 50 per cent of such contributions may be deducted in computing the total income of the employee. Deduction will not be admissible where the aggregate of all contributions for the year is less than Rs. 250.

(x) Under section 80GG of the Act, an assessee is entitled to a deduction in respect of house rent paid by him for his own residence at the places specified under Rule 11B of the Income-tax Rules, 1962. Such deduction is permissible subject to the following conditions :—

(a) the assessee has not been in respect of any house rent allowance specifically granted to him which qualifies for exemption under section 10 (13A) of the Act.

(b) he will be entitled to a deduction in respect of house rent paid by him in excess of 10 per cent of his total income, subject to a ceiling of 15 per cent thereof, or Rs. 400 per month, whichever is less. The total income for working out these percentages will be computed before making any deduction under section 80GG;

(c) The assessee does not own :

(i) any residential accommodation himself or by his spouse or minor child or where such assessee is a member of a Hindu Undivided Family, by such family, at the place where he ordinarily resides or performs duties of his office or carries on his business or profession; or

(ii) at any other place, being accommodation in the occupation of the assessee, the value of which is to be determined under clause (i) or, as the case may be, clause (i) of sub-section (2) of section 23; and

(d) The accommodation occupied by him for the purpose of his own residence is situated in any of the following places, namely :—

(i) Agra, Ahmedabad, Allahabad, Amritsar, Bangalore, Bhopal, Calcutta, Coimbatore, Delhi, Faridabad, Gwalior (Laskhar) Hyderabad, Indore, Jabalpur, Jaipur, Kanpur, Lucknow, Ludhiana City, Madurai, Nagpur, Patna, Pune (Poona), Srinagar, Surat, Vadodara (Baroda) or Varanasi (Banaras) or the Urban agglomeration of each of such places ; and

(ii) Bombay, Calicut, Cochin, Ghaziabad, Hubli-Dharwar, Madras, Sholapur, Trivendrum or Vishakhapatnam.

Explanation.—“Urban Agglomeration” in relation to a place means the area for the time being included in the urban agglomeration of such place for the purpose of grant of house rent allowance by the Central Government to its employees under the orders issued by it from time to time in this regard.

The disbursing authorities should satisfy themselves that all the conditions mentioned above are satisfied before such deduction is allowed by them to the assessee. They should also satisfy themselves in this regard by insisting on production of evidence of actual payment of rent.

(xi) Section 10(14) of the Act provides for exemption from income-tax of any special allowance or benefit, not being in the nature of an entertainment allowance or other perquisite within the meaning of clause (2) of section 17 specially granted to the employee to meet the expenses actually incurred wholly, necessarily and exclusively in the performance of the duties of an office or employment of profit. In view of this provision, disbursing authorities have been authorised vide Board's Circular No. 196 (F. No. 275/29/76-ITJ) dated 31st March, 1976 [Printed at (1976) 103 ITR (St.) 38-39] not to deduct tax at source from conveyance allowance granted to an employee to the extent it is exempt under the said section. It has been stated herein that the employee in receipt of conveyance allowance would have to furnish the necessary certificate before the disbursing authority in support of the fact that the conveyance allowance is only a reimbursement of expenses laid down wholly, necessarily and exclusively in the performance of duties of an office or employment of profit. The satisfaction of the disbursing authorities would still be liable for scrutiny by the Income-tax Officer during regular assessment proceedings before him. The disbursing authority is also required to endorse a certificate in terms of section 10(14) on the tax deduction certificate issued under section 203 of the Act. In this connection, attention is invited to the Explanation to clause (14) of section 10 which clarifies that any allowance granted to the assessee to meet his personal expenses at the place where the duties of his office or employment of profit are ordinarily performed by him or at the place where he ordinarily resides shall not be regarded for purpose of that clause, as a special allowance granted to meet expenses wholly, necessarily and exclusively incurred in the performance of such duties. This may be kept in view while deciding whether any expenditure from the special allowance has been actually incurred; and if so, the extent to which it has been incurred to meet the expenses wholly, necessarily and exclusively in the performance of duties of an office or employment of profit.

(xii) Section 80RRA provides that where the gross total income of an individual who is a citizen of India, includes any remuneration received by him in foreign currency from any employer (i.e. a foreign employer of an Indian concern) for any services rendered by him outside India, 50 per cent of such remuneration will be deducted in computing the

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taxable income. It also provides that where the assessee renders continuous service abroad for more than 36 months, the remuneration received by him for any period of service after the expiry of the said 36 months will not qualify for any deduction. In the case of employee of Central Government or any State Government or a person who was immediately before taking up the service outside India, in the employment of Central Government or any State Government the deduction will be allowed only if the service of the employee is sponsored by the Central Government. In the case of any other individual, the deduction will be allowed only if he is a "technician" and the terms and conditions of his service outside India are approved for the purposes of the said section by the Central Government or the prescribed authority. It is pertinent to note that the deduction is to be allowed with reference to the remuneration received by the individual in foreign currency for services rendered outside India. Thus, if the remuneration is paid to the Indian technician, etc. partly in Indian currency and partly in Foreign currency, the amount paid in Indian currency will not be taken into account for purposes of the deduction under section 80 RRA. Likewise, if a part of the remuneration, although paid in foreign currency, relates to services rendered in India, then such part of the remuneration will also not qualify for deduction under section 80RRA.

The expression "foreign employer" has been defined in Explanation (b) to section 80RRA to mean (i) the Government of a foreign state; or (ii) a foreign enterprise of (iii) any association or body established outside India. While allowing the deduction under this section, documentary evidence should be obtained on the following points.—

(i) in the case of Individual who is in the employment of the Central Government or any State Government, the fact of his service having been sponsored by the Central Government ;

(ii) in the case of any other individual being a technician, the fact of the terms and conditions of his service outside India having been approved in this behalf by the Central Government (Ministry of Finance, Department of Revenue, Foreign Tax Division, New Delhi).

[It should also be ensured that the deduction is allowed only with reference to the remuneration received in foreign currency in respect of the period of service outside India. The fact that deduction is admissible only in relation to the first 36 months of continuous service outside India should also be kept in view.]

(xiii) Under section 80U in the case of every resident individual who is blind or suffers from permanent physical disability, which substantially reduces his capacity to be engaged in gainful employment, a deduction of Rs. 10,000 from the total income is allowed by the employer subject to the production of a certificate from the I.T.O. in favour of the employer as laid down in this Ministry's Circular No. 272, dated 27th May 1980 [printed at (1980) 124 TR(St.) 3]. The certificate once issued will continue to be in force till it is withdrawn by the I.T.O.

(xiv) The total income computed in accordance with the provisions of the Act should be rounded off to the nearest multiple of ten rupees by ignoring the fraction which is less than five rupees and increasing the fraction which amounts to five rupees or more, to ten rupees. The net amount of tax deductible should be similarly rounded off to the nearest rupee.

(xv) Section 201 provides:—

(i) If any such person and in the cases referred to in section 194 the principal officer and the company of which he is the principal officer does not deduct or after deducting fails to pay the tax as required by or under this Act, he is or it shall, without prejudice to any other consequences which he or it may incur, be deemed to be an assessee in default in respect of the tax:

Provided that no penalty shall be charged under section 221 from such person, principal Officer or company unless the Income-tax Officer, is satisfied that such person or principal Officer or company, as the case may be, has without good and sufficient reasons failed to deduct and pay the tax.

(1A) Without prejudice to the provisions of sub-section (1) if any person, principal officer or company as is referred to in that sub-section does not deduct or after deducting fails to pay the tax as required by or under this Act, he or it shall be liable to pay simple interest at twelve per cent, per annum on the amount of such tax from the date on which such tax was deductible to the date on which such tax is actually paid.

(2) Where the tax has not been paid as aforesaid after it is deducted the amount of tax together with the amount of simple interest thereon referred to in sub-section (1A) shall be a charge upon all the assets of a person or the company as the case may be, referred to in sub-section (1).

(xvi) Attention is also invited to section 276B, where it is provided that if a person without reasonable cause or excuse, fails to deduct, or after deducting fails to pay the tax as required under the provisions of Chapter XVIIB of the Income-tax Act, 1961, he shall be punishable:—

(i) in a case where the amount of tax which he has failed to deduct or pay exceeds one hundred thousand rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine; and

(ii) in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to three years and with fine.

5. While making the payment of tax deduct at source to the credit of the Central Government, it may kindly be ensured that the correct amount of income-tax and surcharge 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 and surcharge is reflected therein.

6. For the information of employees, the rates of compulsory deposit to be made during the financial year 1983-84 under the compulsory Deposit (Income-tax payer) Act, 1974 are given at Annexure III. The deposit has to be made by a person whose current income during the financial year exceeds Rs. 15,000. The last date for making the deposit in the case of a person who is not required to pay advance tax under the Income-tax Act, 1961 is the 31st March of the financial year in which the deposit is to be made and the deposit can be made in one or more instalments of his choice at any time during the financial year. A person who is required to pay advance tax, is liable to make the deposit (in one sum or in instalments of his choice) on or before the date on which the last instalment of advance tax is payable by him.

7. These instructions are not exhaustive and are issued only with a view to helping the employers to understand the various relevant provisions. Wherever, there is difference of opinion, a reference should also always be made to the provisions of the Income-tax Act, 1961 and the relevant Finance Act through which the changes in the tax structure are made.

8. These instructions may please be brought to the notice of all disbursing officers and State Undertakings under the control of the State Government.

9. In case any assistance is required the ITO concerned and/or the Local Public Relations Officer may be approached for the same, who will, if necessary obtain the orders of higher authorities in the matter.

10. Copies of this Circular are available with the Director of Inspection (Research, Statistics and Public Relations) 6th Floor, Mayur Bhawan, Connaught Circus, New Delhi 110 001.

Yours faithfully,

S. C. MISHRA,
Officer on Special duty,
Central Board of Direct Taxes.

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ANNEXURE I
EXTRACT FROM THE FINANCE ACT, 1983

PART III OF THE FIRST SCHEDULE

Paragraph A

Sub-Paragraph I

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

Rates of Income-tax

- | | |
|--|---|
| (1) Where the total income does not exceed Nil.
Rs. 15,000 | |
| (2) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | 25 per cent of the amount by which the total income exceeds Rs. 15,000; |
| (3) Where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 1,250 plus 30 per cent of the amount by which the total income exceeds Rs. 20,000; |
| (4) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 2,750 plus 35 per cent of the amount by which the total income exceeds Rs. 25,000; |
| (5) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 | Rs. 4,500 plus 40 per cent of the amount by which the total income exceeds Rs. 30,000; |
| (6) where the total income exceeds Rs. 50,000 but does not exceed Rs. 60,000 | Rs. 12,500 plus 50 per cent of the amount by which the total income exceeds Rs. 50,000; |
| (7) where the total income exceeds Rs. 60,000 but does not exceed Rs. 70,000 | Rs. 17,500 plus 52.5 per cent of the amount by which the total income exceeds Rs. 60,000; |
| (8) where the total income exceeds Rs. 70,000 but does not exceed Rs. 85,000 | Rs. 22,750 plus 55 per cent of the amount by which the total income exceeds Rs. 70,000; |
| (9) where the total income exceeds Rs. 85,000 but does not exceed Rs. 1,00,000 | Rs. 31,000 plus 57.5 per cent of the amount by which the total income exceeds Rs. 85,000; |
| (10) where the total income exceeds Rs. 1,00,000 | Rs. 39,625 plus 60 per cent of the amount by which the total income exceeds Rs. 1,00,000. |

Surcharge on Income-Tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of twelve and a half per cent of such income-tax.

ANNEXURE II

TYPICAL EXAMPLES OF INCOME-TAX CALCULATION

Example I

	Rs.	Rs.
1. Total salary income		25,000
2. Contribution to Government Provident Fund	4,200	
3. Payments towards life insurance premia	1,000	
4. Contribution for participation in Unit-linked Insurance Plan, 1971, made under section 19(I)(cc) of the Unit Trust of India, Act, 1963.	300	
5. Deposits in a 10-year account or 15-year account under the Post Office Saving Bank (Cumulative Time Deposits) Rules, 1959.	500	
		6,000

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						Rs.
6.	Total salary income	..	..	..	..	25,000
7.	Deduct : Amount of standard deduction under section 16(i) of the Income-tax Act, 1961 at 25 per cent of the amount subject to maximum of Rs. 6,000.					6,000
8.	Gross total income (6—7)	..	..	..	..	19,000
9.	Deduct : Amount on account of contribution towards G.P.F., Life Insurance premia, Unit-linked Insurance Plan and Deposit in 10-year account or 15 year account under Post Office Saving Bank (Cumulative Time Deposits) Rules, 1959. Total amount paid Rs. 6,000.					6,000
10.	Total income	..	..	..	..	13,000
11.	Total tax payable	..	..	..	..	Nil.

Example II

(Illustrating calculation of limits under Section 80C and valuation of some perquisites in case of an employee of a private company posted at Bombay)

						Rs.
1.	Salary including dearness allowance	..	..	..	..	48,000
2.	Bonus	..	..	..	..	9,600
3.	Contribution to Recognised Provident Fund	..	..	..	..	11,000
4.	L.I.P.	..	..	..	..	10,000
5.	Free gas, electricity, water, etc. (actual bills paid by the Company)	..	..	..	..	2,400
6.	Furniture at cost (including television set, radio set, refrigerator, other household appliances and an air-conditioner) belonging to the company.					40,000
7.	(i) Furnished flat provided to the employee for which actual rent paid by the company (Actual rent assumed to be equal to the 'Fair rental value').					24,000
	(ii) Rent recovered from the employee	..	..	..	..	12,000

Computation of total income

1.	Salary	..	..	..	..	48,000
2.	Bonus	..	..	..	..	9,600
						57,600
3.	Valuation of Perquisites					
	(a) Furnished flat at concessional rent u/s 17(2) read with clauses (a) and (b) of Rule 3 of the Income-tax Rules, 1962—					
	Fair Rental value (FRV) (assumed to be equal to actual rent)					5,760
	Rs. 24,000, 10 per cent of salary including bonus.					
	Add excess of FRV over 30 per cent of salary, including-bonus of Rs. 57,600 (i.e. Rs. 24,000—Rs. 17,280).					6,720
	Add perquisite of the furniture (10 per cent of cost i.e. Rs. 40,000)					4,000
						16,480
	Less rent paid by the employee	..	..	..	..	12,000
						4,480
						62,080
4.	Free gas, electricity, etc.	..	..	..	..	2,400
						64,480

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प्रस्तुत पुणे का