

when required. [Notification No. 99/2021/F.No.370142/11/2021-TPL dated 2-9-2021 [G.S.R. 612(E)]]].

4.14.4 A specified Bank means a banking company which is a scheduled bank and has been appointed as agents of Reserve Bank of India under section 45 of the Reserve Bank of India Act, 1934 (2 of 1934). [Notification No. 98/2021/F.No. 370142/11/2021-TPL dated 2-9-2021 [S.O. 3595(E)]]].

#### 4.15 Matters pertaining to the TDS made in case of Non-Resident

4.15.1 Under section 192 of the Act, any person responsible for paying any income chargeable under the head Salaries, shall at the time of payment, deduct income tax on the amount payable. This section does not distinguish between the salary paid to a resident or a non resident. Hence all payments taxable under the head Salaries are liable for deduction of TDS irrespective of the residential status of the recipient.

4.15.2 In respect of non-residents, the salary paid for services rendered in India shall be regarded as income earned in India. It has been specifically provided in the explanation to section 9(1)(ii) of the Act 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.

4.15.3 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/she 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 11.07.1995**].

### 5 Computation 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".

## 5.2 Value of Perquisites as per Rule 3

The value of perquisites provided directly or indirectly by the employer to the employee or to any member of household of employee, for the purpose of computing the income chargeable under the head "Salaries" for that employee shall be determined on the basis of Rule 3 of the Income-tax Rules 1962. The provisions of Rule 3 are as follows: -

### **A. Residential Accommodation provided by the employer [Rule 3(1)]**

As per rule 3 of the Income-tax Rules 1962, "accommodation" includes a house, flat, farm house or part thereof, hotel accommodation, motel, service apartment, guest house, a caravan, mobile home, ship or other floating structure. The value of perquisites for unfurnished, furnished or hotel accommodation provided by different category of employers is detailed below:

**a) Rent-free unfurnished accommodation:** The accommodation is divided into two categories:

(i) Accommodation provided by the Central Government or any State governments:

The value of perquisite shall be equal to the license fee determined by the Central Government or any State Government as reduced by the rent actually paid by the employee.

(ii) Accommodation is provided by any other employer:

The valuation of perquisite in respect of accommodation would be at prescribed rates, as discussed below:

- Where the accommodation provided to the employee is **owned by the employer:**

SI No	Cities having population as per the 2001 census	Value of the Perquisite
1	Exceeds 25 lakh	15% of salary
2	Exceeds 10 lakhs but does not exceed 25 lakhs	10% of salary
3	For other places	7.5 % of salary

- Where the accommodation so provided is taken on lease/ rent by the employer: The value of perquisite is lower of the two: -

- (i) 15% of the salary or
  - (ii) the actual amount of lease rental paid or payable by the employer,
- as reduced by any amount of rent actually paid by the employee.

For the purpose of calculation of value of perquisite under rule 3, the term 'Salary' includes the pay, allowances, bonus or commission payable monthly or otherwise or any monetary payment, by whatever name called from one or more employers, as the case may be, but does not include the following:

- (a) dearness allowance or dearness pay unless it enters into the computation of superannuation or retirement benefits of the employee concerned;
- (b) employer's contribution to the provident fund account of the employee;
- (c) allowances which are exempted from payment of tax;
- (d) the value of perquisites specified in clause (2) of section 17 of the Income-tax Act;
- (e) any payment or expenditure specifically excluded under proviso to sub-clause (iii) of clause (2) or proviso to clause (2) of section 17;
- (f) lump-sum payments received at the time of termination of service or superannuation or voluntary retirement, like gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension and similar payments;

Salary from all employers shall be taken into consideration in respect of the period during which an accommodation is provided. Where on account of the transfer of an employee from one place to another, he/she 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 for a period not exceeding 90 days and thereafter the value of perquisite shall be charged for both such accommodation.

**b) Furnished accommodation:** The accommodation is divided into two categories:

(i) Accommodation provided by the Central Government or any State governments:

The value of perquisite shall be as determined for unfurnished accommodation and increased by 10% per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air-conditioning plant or equipment) or if such furniture is hired from a third party, the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee.

(ii) Accommodation is provided by any other employer:

The value of perquisite shall be as determined for unfurnished accommodation and increased by 10% per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air-conditioning plant or equipment or other similar appliances or gadgets) or if such furniture is hired from a third party, the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee.

It is added that where the accommodation is provided by the Central Government or any State Government to an employee who is serving on deputation with anybody or undertaking under the control of such Government, -

- (i). the employer of such an employee shall be deemed to be that body or undertaking where the employee is serving on deputation; and
- (ii). the value of perquisite of such an accommodation shall be the amount calculated in accordance with Table in Para (a)(ii) above, as if the accommodation is owned by the employer.

**c) Furnished Accommodation in a Hotel:** The value of perquisite shall be determined on the basis of lower of the following two:

1. 24% of salary paid or payable in respect of period during which the accommodation is provided; or
2. Actual charges paid or payable to such hotel,

for the period during which such accommodation is provided as reduced by any rent actually paid or payable by the employee.

However, nothing in para c) above shall be taxable if the hotel accommodation is provided for a total period not exceeding in aggregate 15 days on transfer of an employee from one place to another place.

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 the Rules and any other charges for other facilities provided by the hotel will be separately valued under the residual clause.

**d)** However, the value of any accommodation provided to an employee working at a mining site or an on-shore oil exploration site or a project execution site or a dam site or a power generation site or an off-shore site will not be treated as a perquisite if:

- (i) such accommodation is located in a “remote Area” or
- (ii) the accommodation is of a temporary nature having plinth area of not more than 800 square feet and is not located within 8 kilometers of the local limits of any municipality or cantonment board.

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.

**B. Perquisite on Motor car provided by the employer [ Rule 3(2)]**

- (I) If an **employer provides motor car** facility to his employee, the value of such perquisite shall be determined as follows:
- a) If the motor car is used by the employee *wholly and exclusively in the performance of his official duties*, the value of perquisite shall be taken as **Nil**. However, following compliances are necessary:
    - The employer has maintained complete details of the journey undertaken which may include date of journey, destination, mileage and the amount of expenditure incurred thereon for official purposes;
    - The employer gives a certificate that the expenditure was incurred wholly and exclusively for performance of official duties.
  - b) In case the motor car is *exclusively for private or personal purposes* of the employee or any member of his household the value of perquisite shall be, the actual expenditure incurred by the employer on the running and maintenance of motor car including remuneration, if any, paid by the employer to the chauffeur as increased by the amount representing normal wear and tear of the motor car (10% per annum of the actual cost of the motor-car) and as reduced by any amount charged from the employee for such use.
  - c) In case the motor car is used *partly in performance of duties and partly for private or personal purposes* of the employee or any member of his household, and
    - the expenses on maintenance and running of motor car are met or reimbursed by the employer, the value of perquisite will be Rs. 1800/- (plus Rs. 900/-, if chauffeur is also provided) per month for motor car where cubic capacity of engine does not exceed 1.6 litres. However, the value of perquisite will be Rs. 2400/- (plus Rs. 900/-, if chauffeur is also provided) per month if the cubic capacity of engine of the motor car exceeds 1.6 litres.
    - the expenses on maintenance and running of motor car for such private or personal

use are fully met by the employee the value of perquisite will be Rs. 600/- (plus Rs. 900/-, if chauffeur is also provided) per month for motor car where cubic capacity of engine does not exceed 1.6 litres. However, the value of perquisite will be Rs. 900/- (plus Rs. 900/-, if chauffeur is also provided) per month if the cubic capacity of engine of the motor car exceeds 1.6 litres.

(II) If the **motor car is owned by the employee** but the actual running and maintenance charges (including remuneration of chauffeur, if any) are met or reimbursed by the employer, and

(a) Such reimbursement is for the use of vehicle wholly and exclusively for official purposes, the value of perquisites shall be **Nil**. However, following compliances are necessary:

- The employer has maintained complete details of the journey undertaken which may include date of journey, destination, mileage and the amount of expenditure incurred thereon for official purposes;
- The employer gives a certificate that the expenditure was incurred wholly and exclusively for performance of official duties.

(b) Such reimbursement is for the use of the vehicle partly for official purposes and partly for personal or private purposes of the employee or any member of his household, the value of perquisite shall be the actual amount of expenditure incurred by the employer as reduced by the amount of Rs. 1800/- (plus Rs. 900/-, if chauffeur is also provided) per month for motor car where cubic capacity of engine does not exceed 1.6 litres, and if the cubic capacity of engine of the motor car exceeds 1.6 litres, reduced by Rs. 2400/- (plus Rs. 900/-, if chauffeur is also provided) per month. However, following compliances are necessary:

- The employer has maintained complete details of the journey undertaken which may include date of journey, destination, mileage and the amount of expenditure incurred thereon for official purposes;
- The employer gives a certificate that the expenditure was incurred wholly and exclusively for performance of official duties.

(III) Where **any other automotive conveyance is owned by the employee** but actual maintenance & running expenses are met or reimbursed by the employer, no perquisite shall be chargeable to tax if the reimbursement is for the use of the vehicle wholly and exclusively for official purposes. However, if the reimbursement is for the use of vehicle partly for official or partly for private purposes then the amount of perquisite shall be the actual expenditure incurred by the employer as reduced by the amount of Rs 900. In both the cases following compliances are necessary:

- The employer has maintained complete details of the journey undertaken which may include date of journey, destination, mileage and the amount of expenditure incurred thereon for official purposes;
- The employer gives a certificate that the expenditure was incurred wholly and exclusively for performance of official duties.

(IV) In case where one or more motor-cars are owned or hired by the employer and the employee or any member of his household are allowed the use of such motor-car or all of any of such motor-cars (otherwise than wholly and exclusively in the performance of his duties), the value of perquisite shall be the amount calculated in respect of one car as if the employee had been provided one motor-car for use partly in the performance of his duties and partly for his private or personal purposes and the amount calculated in respect of the other car or cars as if he had been provided with such car exclusively for his private or personal purposes.

The normal wear and tear of the motor shall be taken at 10 % per annum of the actual cost of the motor car.

**(C) Personal attendants etc. [Rule 3(3)]:**

The value of benefit of all personal attendants including a sweeper, gardener and a watchman shall be the 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.

**(D) Gas, electricity & water for household consumption [Rule 3(4)]:**

The value of benefit in the nature of gas, electricity and water shall be the amount paid by the employer to the agency supplying gas, electricity and water. Where the supply is made from the employer's own resources, the manufacturing cost per unit incurred by the employer would be taken for the valuation of perquisite. Any amount paid by the employee for such facilities or services shall be reduced from the perquisite value.

**(E) Free or concessional education [Rule 3(5)]:**

Perquisite on account of free or concessional education for any member of the employee's household shall be determined as

- the sum equal to the amount of expenditure incurred by the employer in that behalf, or

- where such educational institution is maintained and owned by the employer or where free educational facilities for such member of employee's household is provided in any other institution by reason of his being in employment of that employer, the value of the perquisite to the employee shall be determined with reference to the cost of such education in a similar institution in or near the locality.

The value of perquisite shall be reduced by the amount, if any, paid or recovered from the employee.

In case where the educational institution itself is maintained and owned by the employer and free educational facilities are provided to the children of the employee or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, the value of perquisite shall be taken as Nil if the cost of such education or the value of such benefit per child does not exceed one thousand rupees per month.

**(F) Carriage of Passenger Goods [Rule 3(6)]:**

The value of any benefit or amenity resulting from the provision by an employer, who is engaged in the carriage of passengers or goods, to any employee or to any member of his/her household for personal or private journey free of cost or at concessional fare, in any conveyance owned, leased or made available by any other arrangement by such employer for the purpose of transport of passengers or goods shall be taken to be the value at which such benefit or amenity is offered by such employer to the public as reduced by the amount, if any, paid by or recovered from the employee for such benefit or amenity. This will not apply to the employees of an airline or the railways.

**(G) Interest free or concessional loans [Rule 3(7)(i)]**

The value of perquisite arising from interest free or concessional loans to employees or any member of his/her household would be the excess of interest payable at **prescribed interest rate** over interest, if any, actually paid by the employee or any member of his household. The **prescribed interest rate** would be **the rate charged per annum by the State Bank of India as on the 1<sup>st</sup> day of the relevant financial year in respect of loans of same type and for the same purpose advanced by it to the general public**. Perquisite value would be calculated on the basis of the maximum outstanding monthly balance method. For valuing perquisites under this rule, any other method of calculation and adjustment otherwise adopted by the employer shall not be relevant. However, for loans up to Rs. 20,000/- in the aggregate no value would be charged.



Loans for medical treatment of diseases 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 the prescribed rate shall be charged from the date of reimbursement on the amount reimbursed, but not repaid against the outstanding loan taken specifically for this purpose.

**(H) Perquisite on account of travelling, touring, accommodation and any other expenses paid for or reimbursed by the employer for any holiday availed [Rule 3(7)(ii)]**

The value of perquisite on account of travelling, touring, accommodation and any other expenses paid for or reimbursed by the employer for any holiday availed of by the employee or any member of his/her household, other than travel concession or assistance (as per clause 5 of section 10), shall be the amount of the expenditure incurred by the employer in that behalf. However, any amount recovered from or paid by the employee shall be reduced from the perquisite value so determined.

Where such facility is maintained by the employer, and is not available uniformly to all employees, the value of benefit shall be taken to be the value at which such facilities are offered by other agencies to the public.

Where the employee is on official tour and the expenses are incurred in respect of any member of his/her household accompanying him, the amount of expenditure with respect to the member of the household shall be a perquisite.

Where the employee is on official tour which is extended as a vacation, the value of such fringe benefit shall be limited to the expenses incurred in relation to such extended period of stay or vacation, reduced by the amount paid or recovered from the employee for such perquisite.

**(I) Value of Subsidized / Free food / non-alcoholic beverages provided by employer to an employee [Rule 3(7)(iii)]**

The value of free food and non-alcoholic beverages provided by the employer to an employee shall be the amount of expenditure incurred by such employer, as reduced by the amount paid or recovered from the employee.

For the following the value shall be treated as NIL:

(a) free food and non-alcoholic beverages provided during working hours at office or business premises or through paid vouchers which are not transferable and usable only at eating joints, to the extent the value thereof does not exceed fifty rupees per meal, or

(b) tea or snacks provided during working hours, or

(c) free food and non-alcoholic beverages during working hours provided in a remote area or an off-shore installation

Vide Notification no. G.S.R. 415(E) dated 26.06.2020, the said rule has been amended so as to provide that in case of an employee opting for concessional taxation regime under section 115BAC of the Act, the exemption provided in respect of free food and non-alcoholic beverages provided by employer through paid voucher shall not be available.

**(J) Gifts [Rule 3(7)(iv)]**

The value of any gift or vouchers or token in lieu of which such gift may be received by the employee or member of his/her household shall be the sum equal to the amount of such gift. However, in case the gift, etc is less than Rs. 5,000 in aggregate per annum, the value of perquisite shall be Nil.

**(K) Membership fees and Annual Fees [Rule 3(7)(v)]**

Any membership fees and annual fees incurred by the employee (or any member of his/her household), which is charged to a credit card (including any add-on card) provided by the employer, or otherwise, paid for or reimbursed by the employer is taxable on the following basis:

Amount of expenditure incurred by the employer	XXX
Less: Expenditure on use for official purposes	XXX
Less: Amount, if any, recovered from the employee	XXX <u>XXX</u>
<b>Amount taxable as perquisite</b>	<b>XXX</b>

However, if the amount is incurred wholly and exclusively for official purposes it will be exempt if the following conditions are fulfilled

- i) Complete details of such expense, including date and nature of expenditure, is maintained by the employer.
- ii) Employer gives a certificate that the same was incurred wholly and exclusively for official purpose.

**(L) Club Expenditure [Rule 3(7)(vi)]**

The value of perquisite for the reimbursement or payment done by the employer for any expenditure incurred (including annual and periodical fees) by the employee (or any member of his/her household) in a club, shall be the amount which is paid or reimbursed by the employer, as reduced by the any amount paid or recovered from the employee.

In case of *corporate membership* by the employer, the value of perquisite shall not include the initial fees paid for acquiring such corporate membership.

However, if the amount is incurred wholly and exclusively for business purposes it will be exempt if the following conditions are fulfilled

- i) Complete details of such expense, including date and nature of expenditure and its business expediency is maintained by the employer.
- ii) Employer gives a certificate that the same was incurred wholly and exclusively for official purpose.

Note: Use of health club, sport facilities etc. provided uniformly to all classes of employee by the employer are exempt.

**(M) Use of assets [Rule 3(7)(vii)]**

The value of perquisite of a movable asset (other than laptops and computers and those referred in other sub rules of rule 3) owned by the employer and used by the employee or any member of his/her household shall be calculated at 10% per annum of the actual cost of the asset or the amount of rent paid/payable by the employer as reduced by any charges recovered from the employee for such use.

**(N) Transfer of assets [Rule 3(7)(viii)]**

The value of perquisite arising from transfer of any movable asset belonging to the employer directly or indirectly to the employee or any member of his/her household shall be the actual cost of such asset to the employer as reduced by the following:

- (a) cost of normal wear and tear @10% for each year during which that asset is put to use, and further
- (b) the amount recovered or paid by the employee as consideration for such transfer.

Note: Rate of wear and tear for computers and electronic items is 50% and for motor cars is 20% (calculated by reducing balance method).

**(O) Value of perquisite [Rule 3(7)(viii)]:**

The value of any other benefit or amenity, service, right or privilege provided by the employer shall be determined on the basis of cost to the employer under arm's length transaction as reduced by the employee's contribution. If it is related to the expenses on telephones including a mobile phone actually incurred on behalf of the employee by the employer, the value shall be NIL.

In respect of para (A) to (N) above, the phrase, "member of household" shall include

- a. Spouse(s),
- b. Children and their spouses,
- c. Parents, and
- d. Servants and dependents.

**Medical Reimbursement by the employer :**

As per the amendment vide Finance Act, 2018, the total amount of medical re-imburement is to be taken as perquisite under section 17(2). The following shall not be included under the perquisites:

- (a) the value of any medical treatment provided to an employee or any member of his/her family in any hospital maintained by the employer;
- (b) any sum paid by the employer on medical expenditure incurred by the employee on self or any member of his/her family-
  - in any hospital maintained by the Government or any local authority or any other hospital approved by the Government for the purposes of medical treatment of its employees;
  - in respect of the prescribed diseases in any hospital approved by the Principal Chief Commissioner or Chief Commissioner.
  - in respect of any illness relating to COVID-19 subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf. This has been inserted as amendment through Finance Act 2022 with retrospective effect from 01.04.2020 and thus accordingly, applies in relation to the assessment year 2020-2021 and subsequent assessment years. The conditions have been notified vide CBDT Notification No. [S.O. 3703(E)] 90/2022 dated: 05.08.2022.
- (c) any portion of the premium paid by an employer in relation to an employee, to effect or to keep in force health insurance of such employee under any scheme approved by the Central Government or the Insurance Regulatory and Development Authority (IRDA) for the purposes of clause (ib) of sub-section (1) of section 36
- (d) any sum paid by the employer in respect of any premium paid by the employee to effect or to keep in force an insurance on his/her health or the health of any member of his family, under any scheme approved by the Central Government or IRDA, for the purpose of section 80D.
- (e) any expenditure incurred by the employer
  - on medical treatment of the employee (or any member of his/her family) outside India
  - on travel & stay abroad of the employee (or any member of his/her family) for

medical treatment

- on travel and stay abroad of one attendant who accompanies the patient.

However, the expenditures on medical treatment abroad are excluded from perquisites subject to the extent permitted by the Reserve Bank of India. Further, the expenditure on travel shall be excluded from perquisite only in the case of an employee whose gross total income, as computed before including therein the said expenditure, does not exceed two lakh rupees.

(f) any sum paid by the employer for any expenditure in relation with medical treatment abroad, subject to the conditions mentioned in (e) above.

“Family” in relation to an individual, shall have the same meaning as in clause (5) of section 10. It means the spouse and children of the individual and the parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual.

“Hospital” means a dispensary or a clinic or a nursing home.

*It is further clarified that the method regarding valuation of perquisites is given in section 17(2) of the Act and in Rule 3 of the Rules. The deductors may look into the above provisions carefully before they determine the perquisite value for deduction purposes.*

### 5.3 Incomes not included under 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 :-

53.1 The value of any **travel concession or assistance** received by or due to an employee from his employer or former employer for self and his/her family, in connection with proceeding on (a) leave to **any place in India** or (b) after retirement from service, or, after termination of service to any place in India is exempt under Section 10(5) subject, however, to the conditions prescribed in Rule 2B of the Rules.

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.

As discussed in para 4.6.5 section 192 (2D) read with the rule 26C makes it mandatory for the DDO to obtain details/evidence in respect of claim of exemption for leave travel concession or assistance before allowing the said exemption the relevant form for furnishing details by employee is Form 12BB.

to the employee is not liable for TDS under section 192A.

**8. DDOs to obtain evidence/proof of claims:**

For the purpose of estimating income of the assessee or computing tax deductions, section 192(2D) provides that person responsible for paying (DDOs) shall obtain from the assessee evidence or proof or particular of claims such as House rent Allowance (where aggregate annual rent exceeds one lakh rupees); Deduction of interest under the head “Income from house property” and deduction under Chapter VI-A as per the prescribed form 12BB laid down by Rule 26C of the Rules.

Further, as per section 192 (2D) read with the rule 26C, it is mandatory for the DDOs to obtain details/evidence in respect of claim of exemption for leave travel concession or assistance before allowing the said exemption. The relevant form for furnishing details by employee is Form 12BB.

**It may be noted that the DDOs shall allow income-tax exemption as referred to in Para 5.3.1 after obtaining copies of invoices of specified expenditure incurred during the specified period.**

**9. Calculation of income-tax to be deducted:**

9.1 Salary income for the purpose of section 192 shall be computed as follow: -

- a) First compute the gross salary as mentioned in para 5.1 including all the incomes mentioned in para 5.2 and excluding the income mentioned in para 5.3.
- b) Allow deductions mentioned in para 5.4 from the figure arrived at (a) above and compute the amount to arrive at Net salary of the employee
- c) Add income from all other heads- “House property”, “Profits & gains of Business or Profession”, Capital gains and Income from other Sources to arrive at the Gross Total Income as shown in the form of simple statement mentioned para 3.6. However, it may be remembered that no loss under any such head is allowable by DDO other than loss under the head “Income from House property” to the extent of Rs. 2.00 lakh.
- d) Allow deductions mentioned in para 5.5 from the figure arrived at (c) above ensuring that the relevant conditions are satisfied. The aggregate of the deductions subject to the threshold limits mentioned in para 5.5 shall not exceed the amount at (b) above and if it exceeds, it should be restricted to that amount.

This will be the amount of total income of the employee on which income tax would be required to be deducted. This income should be rounded off to the nearest multiple of ten rupees.

9.2 Income-tax on such income shall be calculated at the rates given in para 2.1 of this Circular keeping in view the age of the employee and subject to the provisions of section 206AA, as discussed in para 4.8. Rebate as per Section 87A up to Rs 12,500/- to eligible persons (see para 6) may be given. Surcharge shall be calculated in cases where applicable (see para 2.2).

9.3 The amount of tax as increased by the surcharge if applicable so arrived at shall be increased by Health and Education Cess at the rate of 4% to arrive at the total tax payable.

9.4 The amount of total tax payable as arrived at para 9.3 should be deducted every month in equal installments. Any excess or deficit arising out of any previous deduction can be adjusted by increasing or decreasing the amount of subsequent deductions during the same financial year.

**10. Miscellaneous:**

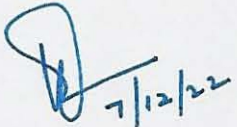
10.1 These instructions are not exhaustive and are issued only with a view to guide the employers to understand the various provisions relating to deduction of tax from salaries. Wherever there is any doubt, reference may be made to the provisions of the Income-tax Act, 1961, the Income-tax Rules, 1962, the Finance Act, 2022 (No.6 of 2022), the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 (No. 38 of 2020), the relevant circulars / notifications, etc.

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

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

10.4 Copies of this Circular are available at the following websites: [www.finmin.nic.in](http://www.finmin.nic.in) & [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)

Hindi version will follow.

  
(Kalpana Singh)  
Addl.CIT(OSD)  
(IT-Budget), CBDT

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