

Section - Taxation Law and AccountsIncome from SalarySome important points regarding salary

10. Loan taken from employer - Loan taken by employee from his employer shall not be included in salary.
11. Surrendering of salary - If an employee surrenders his whole salary or any part of it, this surrendered salary shall be included while computing his taxable salary. If there has been a contract between the employer and employee not to be taken salary or partial salary, then salary not taken shall not be included in taxable income under the head 'Income from Salary'.
12. Salary under contract - If there has been a contract between an employee and employer for not taking salary, in this case, salary not taken by the employee from the employer shall not be included in taxable income.
13. Receipt on Retirement - After retirement an employee may get some payments, e.g., computed pension, gratuity, encashment of



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earned leave, unvested provident fund etc. These all are included in salary as per the provision of Income Tax Law.

14. Family Pension — Pension received to a legal heir or widow of a deceased employee will not be taxable under head of the 'Salary', it will be included under the head 'Income from other sources'.
15. Arrears of Salary — Arrears of salary is taxable on receipt basis, not on due basis. If an employee gets any salary relating to preceding years from present or past employer, it will be treated income under 'Salary' Head of current financial year, in case it had not been taxed in preceding years.
16. Grade of Salary — Often the employees are appointed in the services under various salary grades. This salary grade indicates basic salary of the employee. The basic salary of any employee relating to any previous year may be determined.