

B. Com Part III

Taxation Law and Accounts

Salary

Under Section 17(1) of Income-tax Act, the term 'Salary' includes the following receipts -

- (i) Basic Salary or wages
- (ii) ~~Annual~~ Annuity or Pension
- (iii) Bonus
- (iv) Gratuity
- (v) Fee, commission and Interim Relief
- (vi) Over time Payments
- (vii) Advance Salary and Arrears of Salary
- (viii) Encashment of earned leave
- (ix) Taxable part of transferred Balance
- (x) Annual accretion in Employer's Recognized Provident Fund.
- (xi) Contribution made by Central Government in previous year under notified pension scheme in employees account referred to in Section 80CCD.
- (xii) Compensation on Retrenchment.
- (xiii) Amount received on Voluntary Retirement.

Allowances

Payments made by the employer to his employees monthly, other than salary is called as allowance. A salaried person may get some other cash receipts in the form of allowances besides salary. Some of these allowances are exempt for all types of employees while some allowances are partially exempt.

From the view of Income-tax, various types of allowances are given below -

A. Taxable Allowances - Taxable Allowances are as below -

- (i) Dearness Allowances
- (ii) Dearness Pay
- (iii) Dearness Allowance under service condition
- (iv) City Compensatory Allowance
- (v) Medical Allowance
- (vi) Servant Allowance
- (vii) Warden and Proctor Allowance