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B. Com. Part III
Sub - Taxation Law and Accounts
Allowances

B. Partially Exempted Allowances -

These allowances are also called partially taxable allowances, partially exempted allowances are as below -

1. House Rent Allowance - According to Section-10(13A) and Rule 2A, An allowance granted to an employee by his employer to meet the expenditure incurred on payment of rent in respect of residential accommodation occupied by him is called House Rent Allowance (HRA). If the employee has own house, house rent allowance shall be fully taxable. If the employee is living in rented house, in this situation least of following three amount shall be exempted and remaining amount (after deducting exempted from received house rent allowance) shall be included in salary -
(i) Actual amount of HRA received by employee for the related period,
or,

- (i) Excess amount of rent paid over 10% of employee's salary for the related period, or
- (ii) If the accommodation is situated in Delhi, Mumbai, Chennai and Kolkata - 50% of salary due to the assessee, or
- If the accommodation is situated at any other place - 40% of salary due to the assessee.

2. Entertainment Allowance - The deduction of this allowance shall be allowed only to Government employees. The following three amounts shall be deducted from gross salary -

- (i) Actual amount of entertainment allowance, or
- (ii) 20% or 1/5th of employee's basic salary, or
- (iii) Maximum amount Rs. 5000/-

3. Transport Allowance - Transport allowance is given by employer to his employee for meeting the expenses paid for attending official duties from his residence to his office and back to his residence from his office. This exemption shall be allowed upto Rs. 3200/- in case of blind or deaf and dumb or orthopaedically disabled employees.

4. Underground Allowance - This allowance is given to an employee for working

- in underground place upto Rs. 800/- PM
4. Children Education Allowance - It is exempted upto Rs. 100 per month per child upto maximum of two children.
 5. Hostel Allowance - This allowance is given to the employee's children in India upto Rs. 300/- PM, per child upto a maximum of two children.
 6. Special Allowance to Employees of Transport Agencies - This allowance is exempted upto 70% of such allowance received or Rs. 10,000/- PM, (whichever is less).
 7. Tribal Area Allowance - This allowance is exempt @ Rs. 200/- PM, following are the tribal areas of States - U.P., Uttarabhad, M.P., Chhattisgarh, T.N., Karnataka, Tripura, W.B., Assam, Bihar, Jharkhand and Orissa.
 8. Unused amount of fully exempted allowance.
 9. Special allowance for meeting certain expenditures are fully exempted.
- (Contd.)