

Taxable and non-taxable allowances in India

Contributed by Deba
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Guys, let me first wish you all a Merry Christmas and Happy New Year. Wish you are having great time. Today's I am going to discuss some interesting things to the taxpayers. The bell, for all the Indian taxpayers, started to ring again. If you are a regular taxpayer, it's nothing to worry about. But many of us could not calculate our tax and at the end of the financial year struggle with void payslip.

Though I am not going to tell you the basic tax calculation. But something you might find interesting. In India, we have many exemptions in our income. As an employee of a private IT firm, I face some problems of what allowance is taxable and what not. Most of the small and medium level company offers allowance packages, which are a mix of taxable and non-taxable allowances. Some also get consolidated remuneration, without any break-ups of allowances, which might not be bothered by the employer, but works great to an employee to reduce tax payable.

I was going through Income Tax Rule Books and sites recently, and here is what I got.

1)
HRA(House
Rent Allowance) - HRA is exempted u/s 10(13A) of the income tax act. Least of
the following is exempted from HRA received

a)
HRA
received

b)
House
rent paid minus 10% of salary (salary means basic plus DP plus DA if term of
employment so provides)

c)
50%
of salary (same meaning as above)in case of rented house situated in Bombay, Madras, Delhi or Calcutta

d)
40%
of salary, if rented house is situated in any other places

(Pleasenote that, HRA is taxable, if it doesn't exceed 10%
of the salary){mosgoogle right}

2)

City
compensatory allowance : Fully taxable.

3)
Foreign
Allowance : Exempt from tax if paid outside India By the government to the Indian citizen for rendering services outside India.

4)
Fixed
medical allowance : Taxable.

5)
Project
Allowance : Taxable.

6)
Allowances
to Supreme court/High court Judges: Not taxable.

7)
Servant/helper
Allowance : Taxable, if helper used for official purpose then exempted.

8)
Transport
Allowance: Known also as LODA, means allowance to meet expenses incurred for office to home and home to office is exempted up to 800 per month maximum.

9)
Tiffin Allowance: Taxable

10) Allowance to meet the cost of travel on tour or on transfer (including amount paid for packing and transportation of personal effects on such transfer): Exempted to the extent allowances used for said purpose.

11) Allowance (know as DA in TA bill) paid for purpose explained in the point above, to meet the ordinary daily charges on account of absence from his normal place of duty): Exempted to the extent allowance used for the said purpose

12) Conveyance allowance : To meet the expenditure on conveyance in performance of duties of an official nature: Exempted to extent allowance used for said purpose

13) Uniform allowance : Exempted to the extent used for the said purpose

14) Children Education allowance : Rs 100 per month per child up to maximum of two child is exempted if expenses made in India

15) Children hostel allowance : Rs 150 per month per child up to maximum of two child is exempted if expenses made in India

16) Allowance granted to employee working in transport system where no daily allowance has not been allowed to meet daily expenses, done to meet his personal expenses during duty performance from one place to other place : 70 % of such allowable exempted maximum up to 6000 per month.

17) Allowance granted for encouraging the academic, research and other professional pursuits : exempted to the extent used for said purpose

18) Many hilly area, remote area, field allowances are exempted on various rate

19) Any other allowance : Generally Taxable.

structure in India

is a bit tricky and tax calculation needs some brainstorming for the general people. I hope, this list might be interesting to some of you.

Sources :

1)
"Salary : Taxable and Non-taxable allowance"
from <http://simpletaxindia.blogspot.com>

2)
"Income-Tax
Rules" from <http://taxmann.net>

3)
Manupatra's
"Income Tax Rule - 2008"