वित्त विभाग 2, इंडिया एक्सचेंज प्लेस, तृतीय तल कोलकाता- 700 001 Finance Department 2 India Exchange Place, 3rd Floor, Kolkata – 700 001	यूको बैंक UCO BANK सम्मान आपके विश्वास का HONOURS YOUR TRUST प्रधान कार्यालय Head Office	टेलिफोन-/TEL. 033- 44557258/40/24 E-MAIL – hofinance.tax@uco.bank.in hoacs.calcutta@uco.bank.in

Circular No: CHO/FIN/2026-27/01 **Date: 26/05/2026**

CIRCULAR TO ALL BRANCHES/ OFFICES IN INDIA

Sub: Tax Deduction at Source- On Salaries (including Pension) for Tax Year 2026-27

GIST

As per **Section 392(1)** of the **Income Tax Act, 2025**, any person responsible for paying any income chargeable under the head "**Salaries**" shall, at the time of payment, deduct tax on the amount payable at the **average rate of Income-Tax** computed on the basis of rates in force for the financial year in which the payment is made, on the estimated income of the assessee under the head of salary income for that financial year.

The section also provides that a person responsible for paying any income chargeable under the head "**Salaries**" shall furnish a statement giving correct and complete particulars of perquisites or profits in lieu of salary provided to the person to whom such payment is made.

Income is taxable as salary only if an employer-employee relationship exists between the payer and the payee. No tax is deductible where estimated salary does not exceed the maximum amount not chargeable to tax. This is applicable even if the assessee does not have PAN. But, If PAN is not furnished by assessee and the estimated salary amount exceeds the maximum amount not chargeable to tax, then tax will be deducted at the average rate or at the rate of 20%, whichever is higher.

For Tax Year 2026-27, the New Tax Regime has been made the default tax regime and tax will be deducted accordingly, if employee/ pensioner does not opt for Old Tax Regime. The option is to be given in HRMS/GBM for opting between New Tax Regime and Old Tax Regime (only once in a Financial year) and must be exercised preferably in the first quarter itself.

It must be noted that this intimation to employer is only for the purpose of deduction of tax. The employee/ pensioner has the right to opt any regime at the time of return filing on or before the due date specified. This option can be different from the intimation made to the employer.

As per **Section 395(4)** of the Income Tax Act, 2025 r/w **Rule 215** of the Income Tax Rules, 2026, the employer is required to issue **Form 130 (erstwhile Form 16)** to the deductees by 15th June after the end of the F.Y. in which the income was paid and tax was deducted. Even the banks deducting tax at the time of payment of pension are required to issue such certificate. There is no obligation to issue the TDS certificate in case tax at source is not deducted by virtue of claims of exemptions and deductions.

All Branches / Offices are hereby instructed to take note of these guidelines and ensure compliance.

This circular is for internal guidance purposes. In case of any conflict or interpretation issue, the provisions of Income Tax Act, 2025 and related rules / notifications issued by the competent authorities from time to time shall prevail over this circular.

(Sumit Khandelwal)
General Manager & C.F.O.
H.O. FINANCE

TABLE OF CONTENTS

1. **Meaning of Salary**: As per **section 15(1)** of the Act, Salary includes: -

a. Basic salary, dearness allowance, advance salary, city compensatory allowance, house rent allowance, special allowance, overtime allowance, hill and fuel allowance, any other allowances & wages.
b. Arrear of salary (if not taxed earlier).
c. Leave encashment i.e. any payment received by an employee in respect of any period of leave not availed of by him.
d. Any gratuity.
e. Any annuity or pension.
f. Any fees, commissions, perquisites or profits in lieu or in addition to any salary or wages.
g. The portion of annual accretion to the employee's account in a recognized provident fund to the extent to which it is chargeable to tax:-
   - Contribution made by the employer to the account of employee in a recognized provident fund in excess of 12% of the salary of employee is taxable.
   - Interest credited on the balance to the credit of employee in so far as it is allowed at a rate exceeding such rate as may be fixed by Central Government by notification in Official Gazette (i.e. 9.5% per annum) is taxable
h. Transferred balance in a recognized provident fund to the extent it is taxable.
i. The contribution by the Central Government or any other employer to the account of an employee under New Pension Scheme referred to in **Section 123.**

It is important to note that the taxability for the purpose of salary is **"salary due" and not "salary accrued"**.

Since salary includes pension, tax at source to be deducted from pension also, unless otherwise so required. No tax is required to be deducted from the commuted portion of pension to the extent exempted u/s 19(8).

Family pension is chargeable under then head "Income from other sources" and not under the head "salaries", hence **TDS not to be deducted on family pension paid**.

2. **Income Tax Rates**: Income Tax Act 2025 allows an assessee to choose the option (i.e. old tax regime or new tax regime) under which they want their income to be assessed. **For Tax Year 2026-27, the New Tax Regime has been made the default tax regime and tax will be deducted accordingly, if employee/ pensioner does not opt for Old Tax Regime**. Salient features of both the options are given hereunder: -

(A) Tax Rates Under Old Tax Regime (Optional): -

i) For Assessee who is below 60 Years: - For resident individual **born on or after 02.04.1967**:-

Net Income Range	Income Tax Rates	Surcharge	Health and Education Cess (HEC)
Up to ₹ 2,50,000	Nil	Nil	Nil
₹ 2,50,001 – ₹ 5,00,000	5% of (Total Income minus ₹ 2,50,000)	Nil	4% of Income Tax
₹ 5,00,001 – ₹ 10,00,000	₹ 12500 + 20% of (Total Income minus ₹ 5,00,000)	Nil	4% of Income Tax
₹10,00,001- ₹ 50,00,000	₹ 1,12,500 + 30% of (Total Income minus ₹ 10,00,000)	Nil	4% of Income Tax
₹ 50,00,001- ₹ 1,00,00,000	₹ 13,12,500 + 30% of (Total Income minus ₹ 50,00,000)	10% of Income Tax	4% of Income Tax and surcharge
₹1,00,00,001– ₹ 2,00,00,000	₹ 28,12,500 + 30% of (Total Income minus ₹ 1,00,00,000)	15% of Income Tax	4% of Income Tax and surcharge
₹ 2,00,00,001– ₹ 5,00,00,000	₹ 58,12,500 + 30% of (Total Income minus ₹ 2,00,00,000)	25% of Income Tax	4% of Income Tax and surcharge
Above ₹ 5,00,00,000	₹ 1,48,12,500 + 30% of (Total Income minus ₹ 5,00,00,000)	37% of Income Tax	4% of Income Tax and surcharge

ii) For Assessee who is a Resident Senior Citizen: - For a resident senior citizen (who is 60 years or more during the previous year but less than 80 years on the last day of the previous year i.e. **born on or after April 2, 1947, but before April 2, 1967**): -

Net Income Range	Income Tax Rates	Surcharge	Health and Education Cess (HEC)
Up to ₹ 3,00,000	Nil	Nil	Nil
₹ 3,00,001 – ₹ 5,00,000	5% of (Total Income minus ₹ 3,00,000)	Nil	4% of Income Tax
₹ 5,00,001 – ₹ 10,00,000	₹ 10,000 + 20% of (Total Income minus ₹ 5,00,000)	Nil	4% of Income Tax
₹10,00,001 – ₹ 50,00,000	₹ 1,10,000 + 30% of (Total Income minus ₹ 10,00,000)	Nil	4% of Income Tax
₹50,00,001 – ₹1,00,00,000	₹ 13,10,000 + 30% of (Total Income minus ₹ 50,00,000)	10% of Income Tax	4% of Income Tax and surcharge
₹1,00,00,001– ₹2,00,00,000	₹ 28,10,000 + 30% of (Total Income minus ₹ 1,00,00,000)	15% of Income Tax	4% of Income Tax and surcharge
₹2,00,00,001–	₹ 58,10,000 + 30% of (Total	25% of Income	4% of Income Tax and

₹5,00,00,000	Income minus ₹ 2,00,00,000)	Tax	surcharge
Above ₹5,00,00,000	₹1,48,10,000 + 30% of (Total Income minus ₹ 5,00,00,000)	37% of Income Tax	4% of Income Tax and surcharge

iii) **For Assessee who is a Resident Super Senior Citizen:** - For a resident super senior citizen (who is 80 years or more during previous year i.e. **born before 2nd April 1947**):-

Net Income Range	Income Tax Rates	Surcharge	Health and Education Cess (HEC)
Up to ₹ 5,00,000	Nil	Nil	Nil
₹ 5,00,001 – ₹ 10,00,000	20% of (Total Income minus ₹ 5,00,000)	Nil	4% of Income Tax
₹ 10,00,001 - ₹ 50,00,000	₹ 1,00,000+ 30% of (Total Income minus ₹ 10,00,000)	Nil	4% of Income Tax
₹ 50,00,001- ₹ 1,00,00,000	₹ 13,00,000+ 30% of (Total Income minus ₹ 50,00,000)	10% of Income Tax	4% of Income Tax and surcharge
₹1,00,00,001– ₹ 2,00,00,000	₹ 28,00,000 + 30% of (Total Income minus ₹ 1,00,00,000)	15% of Income Tax	4% of Income Tax and surcharge
₹ 2,00,00,001– ₹ 5,00,00,000	₹ 58,00,000 + 30% of (Total Income minus ₹ 2,00,00,000)	25% of Income Tax	4% of Income Tax and surcharge
Above ₹ 5,00,00,000	₹ 1,48,00,000 + 30% of (Total Income minus ₹ 5,00,00,000)	37% of Income Tax	4% of Income Tax and surcharge

Important: - For a non-resident senior/ super senior citizen, the exemption limit is ₹ 2,50,000/- only. Standard Deduction of Rs 50000 is available u/s 19(1)(2)(b).

(B) Tax Rates Under New Tax Regime u/s 202 (Default):-

Section 202 of the Income Tax Act 2025 provides tax benefit for individuals/HUFs resident or non-resident for deduction of tax at lower rates on income if they agree to forego prescribed deductions and exemptions specified under the Income Tax Act. **For Tax Year 2026-27, the New Tax Regime u/s 202 has been made the default tax regime.**

The Income tax computation as per new tax regime is given in the table below: -

Total Income	Income Tax Rates
Up to ₹ 4,00,000	NIL
From ₹ 4,00,001 to ₹ 8,00,000	5%
From ₹ 8,00,001 to ₹ 12,00,000	10%
From ₹ 12,00,001 to ₹ 16,00,000	15%
From ₹ 16,00,001 to ₹ 20,00,000	20%
From ₹ 20,00,001 to ₹ 24,00,000	25%
Above ₹ 24,00,000	30%

It must be noted that the exemption limit of Rs. 4,00,000/- in case of new tax regime is irrespective of assessee being senior citizen/ super senior citizen.

Tax Rebate u/s 156 up to Rs 60,000 if Total Income is upto Rs 12,00,000.

Standard Deduction of Rs 75,000 u/s 19(1)(2)(a) is applicable in the New Tax Regime for FY 2026-27.

Marginal relief- Rebate under section 156 is subject to marginal relief for the tax year 2026-27. If net income exceeds Rs 12,00,000 but does not exceed Rs 12,70,588, income tax on such income cannot exceed the amount by which the net income exceeds Rs 12,00,000.

Surcharge:-
10% of Income tax where total income exceeds ₹ 50,00,000 to ₹ 1,00,00,000/-
15% of Income tax where total income exceeds ₹ 1,00,00,000 to ₹ 2,00,00,000/-
25% of Income Tax where total income exceeds ₹ 2,00,00,000

Health and Education Cess: - 4% of income tax and surcharge.

❖ **Income Tax exemptions and deductions available under New Tax Regime**:-

i. Exemption u/s 19(1)(6) related to gratuity.
ii. Exemption u/s 19(1)(8) related to commutation of pension.
iii. Exemption u/s 19(1)(14) related to leave encashment.
iv. Interest on public provident fund u/s 11(Schedule II)(3) as well as final payment at the time of maturity.
v. Interest on Sukanya Samriddhi Account as well as withdrawal or final payment u/s 11(Schedule II)(5).
vi. Exemption u/s 11(Schedule II)(4) related to interest and withdrawal from recognized provident fund.
vii. Exemption u/s 11(Schedule II)(6) related to payment (including withdrawal) from NPS.
viii. Exemption u/s 11(Schedule II)(8) related to payment from approved superannuation fund.
ix. Exemptions related to conveyance allowance/ travelling allowance used for official purpose and transport allowance of ₹ 3,200/- p.m. to an employee who is blind or deaf and dumb or orthopaedically handicapped.

(C) Pension Payments to Non-Resident Individuals

For **Financial Year 2026-27**, the **new tax regime under Section 202** is the default regime. Accordingly, if the total pension payable to a non-resident pensioner during the year is **up to ₹4,75,000**, then after allowing the **standard deduction of ₹75,000** under Section 19(1)(2), the **total taxable income will be within the basic exemption limit of ₹4,00,000**. In such cases, there will be **no tax liability**.

However, if the **annual pension exceeds ₹4,75,000**, TDS shall be deducted as per the applicable slab rates. It is important to note that the **rebate under Section 156 is not available to non-residents**. Therefore, the Bank shall be required to **deduct TDS on the entire taxable income**, without allowing any rebate under Section 156, where the annual pension exceeds ₹4,75,000.

Additionally, we would like to highlight a practical issue regarding **PAN-Aadhaar linking**. As per the Income-tax Act, the requirement of linking PAN with Aadhaar does **not apply to non-residents**. However, if the pensioner has **not updated his residential status** with the Income Tax Department and has **not linked his PAN with Aadhaar**, then the **PAN may appear as inoperative** on the Income Tax Portal.

In such cases, the bank should **intimate the pensioner** to either:

1. Link PAN with Aadhaar, or
2. Update their **residential status** with the Income Tax Department.

If the pensioner fails to comply with this requirement, the bank should **deduct TDS at the higher of the applicable slab rates or 20% under 397(2)(b).**

Comparison of Exemption/Deduction Between Regular (Old) Tax Regime and Alternative (New) Tax Regime:-

Exemption/Deduction	Old Regime	New Regime
Rebate u/s 156	Available (Rs 12500)	Available (Rs 60000)
Standard Deduction	Available (Rs 50000)	Available (Rs 75000)
Exemption pertaining to Gratuity [Sec 19(1) Table: S. No. 6]	Available	Available
Exemption pertaining to Commutation of Pension [Sec 19(1) Table: S. No. 8]	Available	Available
Exemption pertaining to Leave Encashment [Sec 19(1) Table: S. No. 14]	Available	Available
Exemption pertaining to Conveyance/ Transport Allowance	Available	Available

Standard Deduction in case of Family Pension	Available (Rs 15000)	Available (Rs 25000)
Leave Travel Concession [Schedule III – Table: S. No. 8]	Available	Not Available
House Rent Allowance	Available	Not Available
Special Allowance Other Than Mentioned Above	Available	Not Available
Allowances to MPs/ MLAs	Available	Not Available
Entertainment Allowance Deduction	Available	Not Available
Professional Tax Deduction	Available	Not Available
Interest on Housing Loan	Available	Not Available
Deduction u/s 123 to 154	Available	Not Available [Other than Sec. 124(1)]

As per Section 392, the person responsible for paying income chargeable under the head "Salaries" shall be responsible for providing complete and correct particulars of perquisites or profits in lieu of salary to the employee. It must be noted that Form 123 is to be furnished in addition to Form 130 to the employee whose salary is more than ₹ 2,00,000/-.

(3) <u>Incomes Which Do Not Form Part of Total Income</u>:-

A. **<u>Gratuity – Section 19 (1) old Section 10(10)</u>**:-

A.1. **<u>In case of Employee Covered by the Payment of Gratuity Act [Sec 19(1) Table Sl no 5] old section 10(10)(ii)</u>**:-

The extent of exemption for gratuity would be the **least** of the following:

a) 15 days' salary based on salary last drawn for every completed year of service or part thereof in excess of 6 months [Salary of 15 days' is calculated by dividing last salary drawn by 26 (being the number of working days in a month) and multiplying by 15].

b) ₹ 20,00,000/-

c) Gratuity actually received.

Salary means basic salary last drawn by the employee and includes dearness allowance (only when it is a part of salary for computing all retirement benefits like pension, leave encashment, gratuity, provident fund etc.) but excludes all other allowances and perquisites.

A.2 **<u>Payment of any other Gratuity–[Sec 19(1) Table Sl no 5] old section 10(10)(iii)</u>**:-

Any other gratuity (not covered by above) is exempt from tax to the extent of the **least** of the following:

a) ₹ 20,00,000/-

b) Half month's average salary for each completed year of service

c) Gratuity actually received

Note-1: **Average salary for point no. A.2 above**:- Average salary is calculated on the basis of salary of 10 months immediately preceding the month in which the person retires.

Note-2: **Salary for point no. A.2 above**:- Basic Pay + DA (only if is part of salary for calculating all retirement benefits) but excludes all other allowances and perquisites. For the purpose of calculating completed years, any fraction of the year will be ignored.

Excess Gratuity in both the points A.1 and A.2 above:-

Gratuity received in excess of the limits is taxable. The assessee is entitled to claim tax relief u/s 157, but no relief is admissible if taxable gratuity is in respect of service rendered for less than five years.

Any death cum retirement gratuity received by an employee of the Central Government, State Government or local authority (but not of statutory corporation) is wholly exempt from tax. **[Sec 19(1) Table Sl no 3] old Sec. 10(10)(i).**

B. **Leave Encashment on Retirement – [Sec 19(1) Table Sl no 14] old Section 10(10AA)(ii)**

The extent of exemption of leave encashment at the time of retirement in case of a non-Government employee would be the least of the following:-

(i) Cash equivalent of leave salary in respect of the period of earned leave to the credit of an employee only at the time of retirement whether on superannuation or otherwise (earned leave entitlements cannot exceed 30 days for every year of actual service rendered.

(ii) 10 months' "average salary". (Average salary of last 10 months immediately preceding retirement).

(iii) Leave encashment actually received at the time of retirement.

(iv) ₹ 2500000 (Date of retirement (whether on superannuation or otherwise) on or after April 1, 2023)

Note -1: **Salary means:-**

Salary for this purpose means basic salary and includes Dearness Allowance if terms of employment so provides, but excludes all other allowances and perquisites. (DA is considered only when it is part of salary for computing all retirement benefits).

Note -2 : **Leave Salary of Deceased Employee: -**

Salary paid to the legal heirs of the deceased employee in respect of privilege leave standing to the credit of such employee at the time of his/her death is not taxable as salary.

C. **House Rent Allowance (HRA) – [Schedule III, Table Sl. No. 11 read with rule 279] old Section 10(13A) & Rule2A**:-

The quantum of exemption available will be the **least** of the following:

Delhi/ Kolkata/ Mumbai/Bangalore/ Chennai/Hyderabad/Pune/Ahmedabad	Other Places
▪ HRA actually received	▪ HRA actually received
▪ Rent paid in excess of 10% of salary	▪ Rent paid in excess of 10% of salary
▪ 50% of salary	▪ 40% of salary

Important:-

(a) Salary here means Basic salary and includes dearness allowance if terms of employment so provide. Dearness allowance/pay shall be considered only when it is a part of salary for computing all retirement benefits (like pension, leave encashment, gratuity, provident fund etc.). If dearness allowance/pay is part of salary for computing only some (not all) of the retirement benefits, then it is not taken into consideration for this purpose.

(b) Employees receiving HRA but residing in their own houses and those who are not producing any rent receipt would not be eligible for the exemption as no rent is paid by them and the alternative rent paid in excess of salary, would be NIL in their case.

(c) If HRA is up to ₹ 3,000/- per month then employee would be exempted from production of rent receipts. Evidence of actual payment of rent before excluding the house rent allowance or any portion thereof for purview of TDS should be insisted upon.

(d) PAN of landlord is required only if rent paid is more than ₹1,00,000/- p.a.

(e) The new rules require disclosure of the relationship between tenant and landlord while claiming HRA exemption. This is intended to tighten scrutiny on rent paid to relatives.

D. **Exempted Allowances – [Schedule III, Table Sl. No. 12/13 read with rule 280] old [Section10(14)**:-

The following allowances, specifically granted to meet expenses wholly, necessarily and exclusively incurred in the performance of the duties of an office or employment of profit, are exempt from tax. However, the exemption is limited to the extent of expenses actually incurred for the purpose of such employment

Travelling allowance - Any allowance granted to meet the cost of travel on tour or on transfer.

Transfer allowance - Any sum paid in connection with transfer, packing and transportation of personal effects on such transfer.

Daily allowance-Any allowance, whether granted on tour or for the period of journey in connection with transfer, to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty.

Conveyance allowance - Any allowance granted to meet the expenditure incurred on conveyance in performance of duties of an office or employment of profit where no free conveyance is provided by the employer.

Helper allowance-Any allowance granted to meet the expenditure incurred on a helper where such helper is engaged for the performance of the duties of an office or employment of profit.

Academic research allowance-Any allowance granted for encouraging the academic, research and training pursuits in educational and research institutions.

Uniform allowance - Any allowance granted to meet the expenditure incurred on the purchase or maintenance of uniform for wear during the performance of the duties of an office or employment of profit.

LIMIT ON EXEMPTION In the above cases, the exemption shall not exceed the actual expenditure incurred by the employee for the aforesaid purposes. The following points should be noted -

1. No exemption is available if the aforesaid allowances are perquisite within the meaning of section 17(1)

2. Under the new tax regime, exemption is not available in the case of helper allowance, academic research allowance and uniform allowance.)

E. **Pension – Section 16 old Section17 (1)(ii)**:-

The taxability of pension in different cases is given below:-

	Different Situations	***Tax Treatment***
Case 1	Family pension received by family members	It is taxable in the hands of recipients under the head "Income from other sources". Standard Deduction is available which is 1/3rd of such pension or ₹ 15000/- whichever is lower under the Old Tax Regime. Standard Deduction is Rs 25000 or 1/3rd of salary whichever is less under New Tax Regime). No TDS to be deducted from family Pension.

Case 2	Pension in case of an employee (received after retirement but during his lifetime) who has joined the Central Govt. (on or after January 1, 2004) or any other employer (on, before or after 01.01.2004)	New Pension Scheme (NPS) is applicable to new entrants to Government service or any other employer. It is mandatory for persons who come under the scheme, to contribute 10% of salary every month towards NPS. A matching contribution is required to be made by the employer to the said account. The tax treatment under the new scheme is as follows- 1. Contribution by the employer to NPS is first included under the head "Salaries" in the hands of the employee. 2. Such contribution is deductible (to the extent of 14% of the salary of the employee). 3. Employee's contribution to NPS (to the extent of 10% of the salary of the employee) is also deductible. **Note:-** a) The aggregate amount of deduction [i.e. contribution by employee/ other persons towards NPS] cannot exceed ₹1,50,000/-. b) The employee who has joined NPS, can claim an additional amount (up to ₹50,000/-) u/s 124(3) in respect of his contribution towards NPS as deduction. Contribution u/s 124(3) is not covered by cumulative ceiling of ₹ 1.5 Lacs mentioned above. c) When pension is received out of the aforesaid amount, it is chargeable to tax in the hands of the recipient. However, such exemption is available on partial withdrawal before retirement or withdrawal at the time of retirement. "Salary" for this purpose includes Dearness allowance (if the terms of employment so provide) but excludes all other allowances and perquisites.
Case 3	Pension (received by the employee after retirement but during his life time, in any other case)	*Un-commuted* Un-commuted pension is taxable as salary in the hands of the employee.

		Commuted i. where employee receives gratuity, the commuted value of $1/3^{rd}$ of the pension which he is normally entitled to receive is exempt from tax. ii. In any other case, the commuted value of one-half of such pension is exempt from tax. (If payment in commutation of pension received by the employee exceeds the aforesaid limits, such excess is liable to tax in the assessment year relevant to the previous year in which it is due or paid. However, pensioners can claim relief u/s 157).

(4) TDS in case of "Specified Senior Citizen" [393(1) Table Sl No 8(iii)] old (Sec. 194P):- Under this section a bank responsible for deduction of tax would require computing the income of "specified senior citizen" (**75 years or more**) after giving deduction u/s 123 to 154 and rebate u/s 156 and thereafter deduct tax as per rates in force.

The declaration and evidence for claiming deduction under Chapter VI-A to be maintained by the specified bank.

A "specified senior citizen" must satisfy following conditions:-

- He is an individual resident in India
- He is 75 years or more at any time during the relevant TAX year(For the TAX year 26-27, any resident individual who was born at any time before April 2, 1952, is qualified for this condition).
- The individual has pension income and no other income except interest received or receivable from any account maintained by such individual in the same bank in which he is receiving his pension income.
- He has furnished a declaration in prescribed form 125 to the bank **(Annexure 1)**.

The specified senior citizen has to furnish declaration in Form 125 to the specified bank. Section" [393(1) Table Sl No 8(iii)] is applicable in both old and new tax regime.

(5) Valuation of Perquisites- [Sec. 17(1)] Old Sec.17(2)/Rule3(a)(ii):-

As per Section 17 (1) of the Act, perquisites include:-

1. Value of rent free furnished/ unfurnished accommodation provided to the employee by his employer.
2. Value of any concession in rent in respect of any furnished/ unfurnished accommodation provided to the employee by his employer.

3. Value of any benefit or amenity granted or provided free of cost or at concessional rates.
4. **<u>Any sum paid by employer is respect of any obligation which would otherwise have been payable by the employee is taxable in all cases.</u>**
5. Any sum payable by employer, other than a recognized provident fund or an approved superannuation fund or other specified funds, to effect an assurance on the life of an assessee or to effect a contract for an annuity.
6. Value of any specified security or sweat equity shares allotted or transferred by the employer free of cost or at concessional rate to the employee.
7. The amount of any contribution made to the account of assessee by the employer:-
   - In a recognized provident fund
   - In a scheme referred to in sub-section (1) of Section 124 and
   - In an approved superannuation fund

to the extent it exceeds seven lakh and fifty thousand rupees in a previous year.

8. The annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme referred to in point 7 above to the extent it relates to contribution which is included in total income.

<u>(A) Residential Accommodation provided by the Employer</u>:-

(a) **<u>Unfurnished Accommodation</u>**:-

Basis of Valuation-The Basis of valuation is given below-

Population of the city as per 2011 census where Accommodation is provided.	**Where the accommodation is owned by Employer**	**Where accommodation is taken on lease rent by the Employer**
Exceeding 40 Lac	10% of salary in respect of the period during which the accommodation is occupied by the employee.	a) 10% of Salary; or b) Lease rent paid or payable by the employer, whichever is less
Exceeding 15 Lac but not exceeding 40 Lac	7.5% of salary in respect of period during which the accommodation is occupied by the employee.	
In other areas not covered above	5 % of salary in respect of period during which the accommodation is occupied by the employee.	

(b) **Furnished Accommodation**:-

In the case of furnished accommodation, first presume that the accommodation is unfurnished and then work out the valuation. To the figure so arrived at, add:

- **a.** 10 per cent (per annum) of the original cost of furniture, if furniture is owned by the employer.
- **b.** Actual hire charges payable (whether paid or payable), if furniture is hired by the employer.

Accommodation provided in a hotel- - In case of accommodation provided in a hotel, the perquisite value shall be calculated at the rate of 24 percent of salary paid or payable for the tax year or actual charges paid or payable to such hotel, whichever is lower for the period during which such accommodation is provided. Where, however accommodation is provided in hotel and the following two conditions are satisfied, nothing is chargeable.

a. the hotel accommodation is provided for a period not exceeding aggregate 15 days and

b. such accommodation is provided on an employee transfer from one place to another.

(C) **Motor Car**:- Following are the basis of valuation of perquisite in respect of motor car and other modes of conveyance provided to the employees:-

<table>
<tr><th>Different Situations</th><th>Value of Perquisites</th></tr>
<tr><td colspan="2">When Car is Owned by Employee and Maintenance and Running Expenses are met or Reimbursed by the Employer</td></tr>
<tr><td>If the car is used wholly for official purpose</td><td>NIL if the employer or the employee claims that the motor car is used wholly and exclusively in the performance of official duty and employer has maintained complete details of journey undertaken (such as date of journey, destination, mileage, expenses etc.).</td></tr>
<tr><td>If the car is used wholly for private purpose</td><td>Actual expenditure incurred by the employer less amount recovered from the employee.</td></tr>
<tr><td>If the car is partly used for official purpose and partly for private purpose</td><td>Actual expenditure incurred by the employer less
<table><tr><th>For engine capacity upto 1.6 Litres</th><th>For engine capacity above 1.6 Litres</th></tr><tr><td>₹ 5000/- p.m.</td><td>₹ 7000/- p.m.</td></tr><tr><td colspan="2">Extra ₹ 3000/- p.m. if chauffeur is provided or a higher sum higher as per records of employer.</td></tr></table>
Less Amount recovered from employee.</td></tr>
</table>

<table>
<tr><th colspan="2">When Car is Owned or Hired by Employer and Maintenance and Running Expenses are met or Reimbursed by the Employer</th></tr>
<tr><td>If the car is used wholly for official purpose</td><td>NIL if the employer or the employee claims that the motor car is used wholly and exclusively in the performance of official duty and employer has maintained complete details of journey undertaken (such as date of journey, destination, mileage, expenses etc.).</td></tr>
<tr><td>If the car is used wholly for private purpose</td><td>Actual expenditure incurred by the employer less amount recovered from the employee.</td></tr>
<tr><td>If the car is partly used for official purpose and partly for private purpose</td><td>Actual expenditure incurred by the employer less
<table>
<tr><th>For engine capacity upto 1.6 Litres</th><th>For engine capacity above 1.6 Litres</th></tr>
<tr><td>₹ 5000/- p.m.</td><td>₹ 7000/- p.m.</td></tr>
<tr><td colspan="2">Extra ₹ 3000/- p.m. if chauffeur is provided</td></tr>
</table>
Nothing is deductible in respect of any amount recovered from employee</td></tr>
<tr><td colspan="2"></td></tr>
<tr><th colspan="2">When Car is Owned or Hired by Employer and Maintenance and Running Expenses are met or Reimbursed by the Employee</th></tr>
<tr><td>If the car is used wholly for official purpose</td><td>Not a perquisite, hence not taxable</td></tr>
<tr><td>If the car is used wholly for private purpose</td><td>Actual expenditure incurred by the employer less amount recovered from the employee.</td></tr>
<tr><td>If the car is partly used for official purpose and partly for private purpose</td><td>Actual expenditure incurred by the employer less
<table>
<tr><th>For engine capacity upto 1.6 Litres</th><th>For engine capacity above 1.6 Litres</th></tr>
<tr><td>₹ 2000/- p.m.</td><td>₹ 3000/- p.m.</td></tr>
<tr><td colspan="2">Extra ₹ 3000/- p.m. if chauffeur is provided</td></tr>
</table>
Nothing is deductible in respect of any amount recovered from employee</td></tr>
<tr><td colspan="2"></td></tr>
<tr><th colspan="2">When Employee Owns any Automotive (other than car) and Maintenance and Running Expenses are met or Reimbursed by the Employer</th></tr>
<tr><td>If the car is used wholly for official purpose</td><td>NIL if the employer or the employee claims that the motor car is used wholly and exclusively in the performance of official duty and employer has maintained complete details of journey undertaken (such as date of journey, destination, mileage, expenses etc.).</td></tr>
<tr><td>If the car is partly used for</td><td>Actual expenditure incurred by the employer less</td></tr>
</table>

official purpose and partly for private purpose	Amount used for official purpose ₹ 3000/- p.m. or a higher sum as per records of employer **Less** Amount recovered from employee

The use of motor car by employee for the purpose of going from his residence to the place where the duties of employment are to be performed or from such place back to his residence is not chargeable to tax.

C. Valuation of Perquisites in respect of Club Expenditure:-

Step-1	Expenditure incurred by the employer in respect of club facility used by the employee or any member of his household [see Note-1]
Step-2	Deduct : Expenditure on use for official purposes [see Note-2]
Step-3	Deduct : Amount, if any, recovered from the employee

The balance amount, if any, is the taxable value of perquisites.

Note-1: Expenditure incurred by employer- The following points should be noted: –

a. It includes any expenditure on club facility used by the employee or any member of his household, which is paid or reimbursed by the employer.
b. It includes amount of annual or periodical fees paid or payable to a club.
c. The initial one time deposit or fees for corporate or institutional membership where benefit does not remain with a particular employee after cessation of employment are exempt.
d. Health, club, sports facilities provided uniformly to all classes of employees by the employer at employer's premises are exempt.

Note-2: Expenditure for official use – Such expenditures are deductible if the following conditions are satisfied:

a. The employer has maintained complete details of such expenditure, which may, inter alia, include date of expenditure, the nature of expenditure and its business expediency.
b. The employer gives a certificate to the effect that the expenditure was incurred wholly and exclusively for the performance of official duties.

D. Interest Free or Concessional Loan:-

Interest free loan or loan at concessional rate of interest given by an employer to the employee (or any member of his household) it is a perquisite chargeable to tax. It is taxable on the following basis:-

Step-1	Find out the "maximum outstanding monthly balance" (i.e. aggregate outstanding balance for each loan as on the last day of each month).
Step-2	Find out the rate of interest charged by SBI as on the first day of the relevant previous year in respect of loan for the same purpose advanced by it.
Step-3	Calculate interest for each month of the previous year on the outstanding amount mentioned in Step 1at the rate of interest given in Step 2.
Step-4	From the total interest calculated for the entire previous year under Step 3, deduct interest actually recovered, if any, from the employee during the previous year.
Step-5	The balance amount (i.e. Step 3 minus Step 4) is taxable value of perquisite.

SBI Lending rates on April 1, 2026 is applicable for the Tax Year 2026-27. The rates are available on SBI website.

Note-1: However in the following cases, the perquisite is not chargeable to tax:-

Exemption 1	If a loan is made available for medical treatment in respect of diseases specified in Rule 18 (corresponding to rule 3A of the 1962 Rules). The exemption is however not applicable to so much of the loan as has been reimbursed to the employee under any medical insurance scheme.
Exemption 2	Where the amount of original loan (or loans) does not exceed in the aggregate of ₹ 20000/-

E. Valuation of Medical Expenses etc.- Section 17(2)(v):-

The following shall not be treated as perquisites: -

1. Medical facility provided in a hospital, clinic, dispensary or nursing home maintained by the employer.

2. Reimbursement, by the employer, of expenditure incurred by the employee on his medical treatment or treatment of any member of his family in any hospital (including dispensary/clinic/nursing home) maintained by the Government, local authority, or in a hospital approved by the Government for its employees.

3. Payment made by the employer directly (or reimbursement of the expenditure to the employee) to a hospital (including dispensary/clinic/nursing home) which is approved by the Chief Commissioner having regard to the prescribed guidelines in connection with the medical treatment of the employee or any member of his family for treatment of prescribed diseases or ailments subject to the condition that the employee shall attach with his return of income a certificate from the approved hospital specifying the prescribed

disease or ailment for which hospitalization was required and the receipt for the amount paid to the hospital.

4. Group medical insurance (ie., Mediclaim) obtained by the employer for his employees or reimbursement of insurance premium to the employee who takes such medical insurance on his life or on the life of his family members.

5. Any expenditure incurred by the employer (or reimbursement of expenditure incurred by the employee) on medical treatment of the employee or any member of the family[11] of such employee outside India is taxable subject to the conditions given below :-

Perquisite Not Chargeable to Tax	**Condition to be Satisfied**
Medical treatment of employee or any member of family of such employee outside India	Expenditure shall be excluded from perquisite only to the extent permitted by the Reserve Bank of India
Cost on travel of the employee/any member of his family and one attendant who accompanies the patient in connection with treatment outside India.	Expenditure shall be excluded from perquisite only in the case of an employee whose gross total income, as computed before including the said expenditure, does not exceed such amount as may be prescribed.

<u>PRESCRIBED DISEASES OR AILMENTS</u> - For the purpose of section 17(2)(b)(ii), the prescribed dis eases or ailments shall be the following, namely: (a) cancer; (b) tuberculosis; (c) acquired immunity deficiency syndrome; (d) disease or ailment of the heart, blood, lymph glands, bone marrow, respiratory system, central nervous system, urinary system, liver, gall bladder, digestive system, endocrine glands or the skin, requiring surgical operation; (e) ailment or disease of the eye, ear, nose or throat, requiring surgical operation; (1) fracture in any part of the skeletal system or dislocation of vertebrae requiring surgical operation or orthopaedic treatment; (g) gynaecological or obstetric ailment or disease requiring surgical operation, caesarean operation or laparoscopic intervention; (h) ailment or disease of the organs mentioned at (d), requiring medical treatment in a hospital for at least three continuous days; (1) gynaecological or obstetric ailment or disease requiring medical treatment in a hospital for at least three continuous days; () burn injuries requiring medical treatment in a hospital for at least three continuous days; (k) mental disorder-neurotic or psychotic-requiring medical treatment in a hospital for at least three continuous () drug addiction requiring medical treatment in a hospital for at least seven continuous days; (m) anaphylactic shocks including insulin shocks, drug reactions and other allergic manifestations requiring medical treatment in a hospital for at least three continuous days.

F. Household Servants:-

Where the services of household servants (i.e. sweeper, gardener, watchman or personal attendant) are provided by the employer to the employee or any member of his household, the value of perquisite shall be the total amount of salary paid or payable by the employer or any person on his behalf, for such services, as reduced by amount paid by the employee for such services.

G. LTC /LFC in India – [Schedule III (Table Sl. No 8)] old Section-10(5):-

Leave travel assistance, extended by an employer to its employee for going anywhere in India along with his family, is exempt of the basis of provisions as below:-

Different Situations	Amount of Exemption
Where the journey is performed by air	Amount of air economy class fare of the national carrier by the shortest route or the amount spent, whichever is less.
Where journey is performed by rail	Amount of air-conditioned first class rail fare by the shortest route or the amount spent, whichever is less.
Where places of origin of journey and destination are connected by rail and the journey is performed by any mode of transport.	Amount of air-conditioned first class rail fare by the shortest route or the amount spent, whichever is less.
Where the places of origin of journey and destination or part thereof are not connected by rail:- ➢ Where a recognized public transport system exists ➢ Where no recognized public transport system exists	First class or deluxe class fare, by the shortest route or the amount spent, whichever is less. Air-conditioned first class rail fare by the shortest route (as if the journey had been performed by rail) or the amount spent, whichever is less.

Points to Note:-

- The exemption referred to above shall be available to an individual in respect of two journeys performed in a block of four calendar years commencing from the calendar year 1986. Accordingly, current block of four years will be from 01.01.2022 to 31.12.2025 and 01.01.2026 to 31.12.2029.
- Where such travel concession or assistance has not been availed during any such block of four calendar years, exemption can be claimed in the first calendar year of the next block known as "carry over "concession. The exemption so availed will not be counted for the purpose of claiming future exemptions allowable in

respect of 2 journeys in subsequent block.

- Family means (a) the spouse and children of the employee (b) parents, brothers and sisters of the employee who are wholly or mainly dependent on him. However, family does not include more than two surviving children of an individual born on or after1st October1998.
- The quantum of exemption is limited to the actual expenses incurred on the journey. Also exemption is limited to what is admissible by the shortest route.
- The Exemption is strictly limited to expenses on air fare, rail fare, bus fare only. No other expenses like scooter or taxi charges at both ends, porterage expenses during the journey and lodging/boarding expenses will qualify for exemption.
- **It must be noted that under Alternative (New) tax regime exemption u/s 10(5) is not available from A.Y. 2021-22.**

H. Movable Assets Sold to Employees at a Nominal Price:-

The amount of benefit from transfer of any movable asset belonging to employer to the employee (or any member of his household) shall be actual cost os such asset as reduced by normal wear and tear calculated as per rate given below for each completed year for which such asset was put to use by employer. Any recovery made by employee for such transfer shall be reduced. Rate of normal wear and tear:-

Item	Rate
Electronic Items/ Computer	50% by reducing balance method
Motor Car	20% by reducing balance method
Any Other	10% of cost

I. Lunch/ Refreshment Etc.:-

If any lunch allowance, dinner allowance or refreshment allowance is given to an employee, it is chargeable to tax.

The value of free meals provided by employer is taxable as:-

Mode of Valuation	Lunch/ Refreshment provided by employer	
	Tea/ Snacks/ Non Alcoholic Beverage	Food in Office Premises or Through Non- transferable Paid Vouchers
Step1- Find out cost to the	Nil	Cost of Employee in excess

employer		of Rs. 200 per meal
Step 2- Less Amount recovered from the employee	Nil	Recovery from the employee
Taxable Value of Perquisite (Step1 – Step2)	Nil	Balancing Amount

Note:- An employee who has opted Alternative (New) tax regime under section 202 cannot avail the exemption of Rs. 200 per meal if paid through paid vouchers.

(6) <u>Deduction from Salary u/s Section 19 old Section 16</u>:-

(I) **Standard Deduction [Sec 19(1)(2)] old section 16(ia)**:-The standard deduction is available to the extent of ₹ 50,000/- or the amount of salary, whichever is lower. **<u>For Tax Year 2026-27, standard deduction Rs 75000 under section 19(1)(2) is available if tax is payable under the Alternative (New) Tax Regime.</u>**

(II) **Professional Tax [Section 19(1) Table Sl no. 2) old section 16(iii)]**:- Deduction from income is allowed on any sum paid on account of tax on employment or professional tax levied by State under clause (2) of Article 276(2) of the Constitution of India.

(7) <u>Deduction From Total Income under chapter VIII (123 to 154) old (Chapter VIA) (Sections 80C to 80U)</u>:-

Deductions u/s chapter VIII (123 to 154) are allowed from Gross Total income so as to arrive at Net Income. Aggregate of deductions chapter VIII (123 to 154) cannot exceed gross total income. Details are as below:-

A. <u>Deduction u/s 123 old 80C:- In respect of life insurance premia, deferred annuity, contributions to PF, contributions to certain equity shares or debentures etc.</u>:-

Under Sec 123 deduction would be available from gross total income in respect of the following items:-

S. No.	Particulars
a	Sum paid towards life insurance premium. **<u>Note</u> -: For the purpose of claiming deduction, insurance premium cannot exceed the maximum ceiling given below:-**

Particulars	Policy on the life of person with disability or severe disability or on the life of a person suffering from disease as given in section 128	Policy on the life of any other person
1. If policy issued before 01.04.2012	20 percent of sum assured	20 percent of sum assured
2. If policy is issued during F.Y. 2012-13	10 percent of sum assured	10 percent of sum assured
3. If policy is issued on or after 01.04.2013	15 percent of sum assured	10 percent of sum assured

Sum assured- means minimum amount assured under the policy without including any premium agreed to be returned and / or any benefit by way of bonus.

b	Sum paid under a deferred annuity contract on the life of individual, spouse, or any child (no option for cash payment in lieu of annuity)
c	Sum deducted from salary of a Government employee for securing deferred annuity for spouse/children (max 20% of salary)
d	Contribution to statutory provident fund under the Provident Funds Act, 1925
e	Contribution (excluding loan repayment) to 15-year Public Provident Fund (PPF) for self, spouse, or child / HUF member
f	Contribution (excluding loan repayment) to recognized provident fund
g	Contribution to an approved superannuation fund
h	Deposit in Sukanya Samriddhi Account (for self or girl child/legal ward)
i	Subscription to National Savings Certificates (NSC), including reinvested accrued interest (except last year)
j	Contribution to ULIP of Unit Trust of India (UTI)
k	Contribution to ULIP of LIC Mutual Fund
l	Payment for notified annuity plan of LIC or other insurer
m	Subscription to notified units of Mutual Fund or UTI
n	Contribution to notified pension fund set up by Mutual Fund or UTI
o	Subscription or contribution to deposit/pension scheme of National Housing Bank (notified by Central Government)
p	Subscription to notified schemes of: (a) public sector companies for housing finance, (b) housing boards for urban development
q	Tuition fees (excluding donation/development fees) for full-time education of up to two children in India
r	Payment for purchase or construction of residential house property The following payment made towards the cost purchase/construction of a new residential house property is qualified.

a. any instalments or part payment of the amount due under any self-financing or other scheme of a development authority, housing board or other authority engaged in the construction and sale of house property on ownership basis; or

b. any instalment or part payment of the amount due to any company or co-operative society of which t is a shareholder or member applicable if the assessee is not a shareholder or member of the company/co-operative society which provides house to the assessee); or
c. repayment of the amount borrowed by the assessee from -

i.the Central Government or any State Government, or

ii.any bank, including a co-operative bank, or

iii.the Life Insurance Corporation of India, or

iv. the National Housing Bank, or

v. any public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residence purposes which is eligible for deduction under section 32(e) [corresponding to sec. 36(1)(viii the 1961 Act), or

vi. any company in which the public are substantially interested or any co-operative society, where such company or co-operative society is engaged in the business of financing the construction houses, or

vii. the assessee's employer where such employer is an authority or a board or a corporation or other body established or constituted under a Central or State Act, or

viii. the assessee's employer where such employer is a public company or public sector company or a university established by law or a college affiliated to such university or local authority co-operative society;

d. stamp duty, registration fee and other expenses for the purpose of transfer of such house property the assessee.

The following payments are not qualified for the purpose of section 123-

a. the admission fee, cost of the share and initial deposit which a shareholder of a company or a member of a co-operative society has to pay for becoming such shareholder or member; or

b. the cost of any addition or alteration to, or renovation or repair of, the house property which is car out after the issue of the completion certificate in respect of the house property by the authority com tent to issue such certificate or after the house property (or any part thereof) has either been occupied by the assessee or any other person on his behalf or been let out; or

	c. any expenditure in respect of which deduction is allowable under the provisions of section 22 (corresponding to sec. 24 of the 1961 Act).
s	Deposit in 5-year fixed deposit with a scheduled bank (notified scheme)
t	Subscription to NABARD Rural Development Bonds
u	Deposit under Senior Citizens Savings Scheme
v	Deposit in 5-Year Time Deposit Scheme in post office
w	Contribution (min 3 years) by Central Government employee to NPS Tier-II account
x	Contribution to annuity plan of LIC/insurer (post Aug 1, 1996) for pension
y	Contribution to National Pension System (NPS) (up to 10% of salary for employees / 20% of GTI for others)
z	Investment in approved infrastructure debentures, equity shares, or mutual fund units

Note -1: Maximum amount deductible under Sec. 123 is ₹ 1.5 Lac.

Note-2: Where the construction of the property does not get completed by the end of the year, no deduction shall be allowed under (r) above.

Note-3: If the house property is transferred before expiry of 5 years from the end of the financial year in which construction completed/possession is obtained no deduction should be allowed in that year. Besides total of income tax deductions in respect of such repayment allowed in earlier years shall be added to the tax on the total (taxable) income for that year.

B. Deduction in respect of contribution to Pension Funds –Section 123 old section 80CCC:-

Section 123 provides for a deduction maximum up to ₹ 150,000/- to an individual for any amount paid by him in any annuity plan of the Life Insurance Corporation of India or any other insurer approved by IRDA for receiving pension from a fund.

C. Deduction in respect of contribution to National Pension Scheme (NPS) notified by Central Government- Section 124 (Old section 80CCD):-

Employer's contribution to NPS [Sec. 124(1)/(2)] - Employer's contribution to NPS is included in salary income by virtue of section 16(k) [corresponding to sec. 17(1)(viii) of the 1961 Act]. The same amount is deductible in the hands of concerned employee under section 124(1)/(2) in the tax year in which contribution is made. However, deduction cannot exceed the ceiling given below –

Employer	Employee under old tax regime	Employee under new tax regime
Central Government / State Government	14% of salary	14% of salary
Any other person	10% of salary	14% of salary

"Salary for this pursue includes dearness allowance, (if the terms of employment so provide) and commission (if is payable at a percentage of turnover achieved by the employee), but excludes all other

<u>Employee's Contribution to NPS</u>-An employee's contribution to NPS is not eligible for deduction under section 124. However, it qualifies for deduction under section 123, subject to the oven of Rs. 150000.

<u>Additional contribution up to Rs. 50.000 towards NPS under section 124(3) (corresponding to sec. 80CCD(18) of the 1961 Act/ Section 124(3)</u> allows an additional deduction of up to Rs. 50000 for contributions made by an individual assesse to NPS. If this deduction is claimed the same amount cannot be claimed under section 123. This additional deduction is available irrespective of Rs 50,000 for contributions made by an individual assesse to NPS. If this deduction is claimed a claim under section 123 has been made or not, as clarified in Circular No. 19/2015 dated Nov 2015.

I. **<u>Tax at the Time of Withdrawal</u>**: -The amount standing to the credit of an assessee in NPS for which deduction has already been claimed by him shall be taxed as:-

Sl. No	**Taxability of the payment to be received from NPS**	**From AY 2020-21**
1	Amount received by the employee (or a non-employee) on closure of account or on his opting out of the NPS Scheme.	60% exempted
2	In (1), amount is received by a nominee on the death of the assessee.	Exempt
3	Pension received out of NPS.	Taxable
4	Amount received in (1), (2), (3) is utilized for purchasing an annuity plan in the same previous year.	Exempt
5	Pension received out of annuity plan purchased in (4).	Taxable
6	Partial withdrawal from NPS (to the extent it does not exceed 25 % of an employee's contribution)	Exempt

D. <u>Deduction in respect of Medical Insurance Premia u/s 126 old section 80D</u>:-

Maximum deductible amount and other points are as below:

		Individual	
For whose benefits payment can be made		**Family i.e. self, spouse and dependent children**	**Parents**
A	a) Medi-claim insurance premium	Deduction available	Deduction available

	b) Contribution made to Central Government Health Scheme (CGHS) or any notified scheme.	Deduction available	Deduction not available
	c) Payment on account of preventive health check-up.	Deduction available	Deduction available
	Maximum amount of Deduction: -		
	General deduction	₹25,000/-	₹25,000/-
	Additional deduction (applicable only in case of medi-claim insurance premium when policy is taken on the life of a **senior citizen**).	₹25,000/-	₹25,000/-
B	Medical expenditure on the health of a person who is **senior citizen** if medi- claim insurance is not paid on the health of such person.	₹50,000/-	₹50,000/-
C	Maximum Deduction in respect of (A) & (B)	₹50,000/-	₹50,000/-

Notes:-

1. Family includes individual, spouse of the individual and dependent children of the individual.
2. Parents include father and mother (dependent or otherwise), Father-in-law and mother-in-law are not included.
3. The aggregate payment on account of preventive health check-up of self, spouse, dependent children farther and mother exceed Rs. 5,000.
4. The above payments [given under (A) and (8)) should be made by any mode other than cash. However, payment on account of preventive health check-up can be made by any mode (including cash)
5. "Senior citizen" is a resident individual who is at least 60 years of age at any time during the tax year.
6. In case of single premium health insurance policies having cover of more than one year, the aforesaid Deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided

E. <u>Deduction in Respect of Maintenance including Medical Treatment of Handicapped Dependent who is a Person with Disability u/s section 127 old section 80DD</u>:-

Deduction is allowed in respect of –

(i)Any expenditure incurred by an employee, during the previous year for the medical treatment (including nursing), training and rehabilitation of one or more handicapped dependents (being a person with disability) and/or

(ii) Amount deposited, under an approved scheme of the Life Insurance Corporation or any other insurer or the Unit Trust of India for the maintenance of a handicapped dependent (being a person with disability).

- A fixed deduction of **<u>₹75,000/-</u>** is allowed in aggregate for any or both the purposes specified above, <u>irrespective of the actual amount of expenditure incurred</u>. In case the dependent is suffering from a severe disability i.e. 80% or more, a higher deduction of **<u>₹ 1,25,000/-</u>** shall be allowed. Such person should not claim deduction u/s 154 old 80U.
- A "dependent being a person with disability "means a spouse, children, parents, brothers and sisters of the individual, dependent wholly or mainly on the employee for his support and maintenance and is suffering from disability not less than 40 %.
- The assessee, claiming a deduction under this section, shall furnish a copy of the certificate issued by the medical authority in the prescribed form and manner
- In case the handicapped dependent pre-deceases the employee, the amount for which deduction has been claimed under this section shall be deemed to be the income of the assessee for the previous year in which such amount is received.
- Further, deduction for deposit in approved scheme (point ii above) shall be available if:–

1) The employee nominates either the handicapped dependent or any other person or a trust to receive the payment under the scheme for the benefit of the handicapped dependent.
2) In the event of the death of the employee or on attaining 65 years of age, the amount of annuity or lumpsum under the scheme is paid for the benefit of the handicapped dependent.

F. <u>Deduction in respect of Medical Treatment u/s 128 OLD section 80DDB</u>:-

The person shall be allowed a deduction of the amount "**actually paid**" or a "**sum of ₹ 40,000/-** (**₹ 1,00,000/-** for treatment of senior citizen)" whichever is less in respect of that previous year in which such amount was actually paid. The expenditure must be incurred for medical treatment of specified disease as prescribed:-

Specified Disease	Prescription to be Issued by
Neurological diseases where disability level certified to be 40% and above- Dementia/ Dystonia Musculorum Deformans/ Motor Neuron Disease/ Ataxia/ Chorea/ Hemiballismus/ Aphasia/ Parkinsons Disease	Neurologist having Doctorate of Medicine (DM) degree in Neurology or any equivalent recognized degree.
Malignant Cancers	Oncologist having Doctorate of Medicine (DM) degree in Oncology or any equivalent recognized degree.
Full Blown Acquired Immuno- Deficiency Syndrome (AIDS)	Any specialist having a post- graduate degree in General or Internal Medicine or any equivalent recognized degree.
Chronic Renal Failure	A Nephrologist having Doctorate of Medicine (DM) degree in Nephrology or a Urologist having a Master of Chirurgiae (MCh) degree in Urology or any equivalent recognized degree.
Hematological Disorders:- • Hemophilia • Thalassaemia	A specialist having a Doctorate of Medicine (DM) degree in Hematology or any equivalent recognized degree.

No such deduction is available unless a prescription from a specialist doctor is provided for availing deduction. Although where in respect of any disease specified above, the patient is receiving treatment in Government hospital, the prescription may be issued by any specialist working full time in that hospital and having post graduate degree in General or Internal Medicine or any equivalent recognized degree.

The deduction under this section shall be reduced by the amount received, if any, under insurance from an insurer, or reimbursed by employer, for medical treatment.

G. Deduction in respect of interest on loan taken for higher education u/s 129 old section 80E:-

Deduction under section 129 is available if the following conditions are satisfied-

1. The assessee is an individual.

2. He has taken a loan from any financial institution [ie. a banking company or notified financial ins 10(230) or 80G(2)(a) of the 1961 Act] or an approved charitable institution [Le, a registered

non-profit organization for the purpose of Me

3. The loan was taken for the purpose of pursuing higher education [ie, all fields of studies (including vocational studies) pursued after passing the Senior Secondary Examination or its equivalent from school board or university recognised by the Central Government or State Government or local authority or by any other authority authorized by the Central Government or State Government or local authority to do so. There is no condition that higher education should be in India only.

4. The loan is taken by the taxpayer for the purpose of pursuing his own higher education or higher education of relatives (ie. spouse and children of the individual or the student for whom the individual is the legal guardian).
5. Interest on the above loan is paid by the individual during the tax year out of his income chargeable

Amount of deduction - If the above conditions are fulfilled, the entire amount of interest paid shall be eligible for deduction. This deduction is available for a maximum period of eight years or und interest is fully repaid, whichever occurs earlier. It is allowed while computing the taxable income for the initial tax year-ie, the year in which the assessee commences repayment of interest on the loan-and the seven immediately succeeding tax years, or until the interest is paid in full, whichever is earlier.

H. Deduction of Interest on Loan taken for Residential House Property u/s 130 (old section 80EE):-

This deduction is available to an individual on following conditions being fulfilled:-

a. The assesse is an individual resident or non-resident.
b. He has taken a loan for acquisition of residential house property.
c. Loan is taken by an individual from a bank or a housing finance company (i.e. an Indian public limited company with main object of providing long term finance for construction or purchase of residential house in India).
d. Loan is sanctioned during the financial year 2016-17 i.e. April 1, 2016 and March 31,2017.
e. Loan amount does not exceed ₹35 Lacs and value of residential house property does not exceed ₹50 Lacs.
f. Assese is not the owner of any other residential house property on the date of sanctioning of Loan.

If the above conditions satisfied, the assesse can claim deduction in respect of interest payable on above loan or ₹ 50,000 whichever is less. If deduction is claimed under section 130, no deduction will be allowed under any other provision of the Act for the same or any other tax year.

I. Deduction in respect of interest on loan taken for certain house property u/s section 131 (old Sec.80EEA):-

Deduction under this section is available if the following conditions are satisfied-

a) The assesse is an individual.
b) He is not eligible to claim any deduction under section 130.
c) He has taken a loan for the purpose of acquisition of residential house property.
d) The loan is sanctioned by a financial institution (i.e. a bank or banking institution or housing Finance company) during April,1 2019 and March 31,2022.
e) The stamp duty value of the residential house property does not exceed ₹ 45 lakh. The expression "stamp duty value" means value adopted (or assessed or assessable) by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property.
f) The assessee does not own any residential house property on the date of sanction of loan.

If the above conditions are satisfied, the assessee can claim deduction under section 131. Deduction is available in respect of interest payable on the above loan or ₹ 1,50,000/-, whichever is less. Deduction is available for the assessment year 2020-21 and subsequent assessment years.

If interest is claimed as deduction under section 131, such interest is not again deductible under any section or under any other provision of the Act for the same or any other tax year.

J. Deduction in respect of interest on loan taken for purchase of electric vehicle u/s 132 (old Sec.80EEB):-

Under this section, deduction is available if the following conditions are satisfied-

a) The assessee is an individual.
b) He has taken a loan for purchase of an electric vehicle.
c) Loan is taken from a financial institution (i.e. a bank or any deposit taking NBFC or a systematically important non- deposit taking NBFC)
d) Loan is sanctioned during April 1, 2019 and March 31, 2023.

If the above conditions are satisfied, the assessee can claim deduction under **section 132**. Deduction is available in respect of interest payable on the above loan or ₹ 1,50,000, whichever is less.

K. Deduction in respect of Donations to Certain Funds, Charitable Institutions etc. u/s 133 old section 80G and Section 133(1)(b)

The tax relief on such donations as are admissible under section 133 (Rate 100%) and Section 133(1)(b) (Rate 50 %) of the Act, will have to be claimed by the taxpayer in the return of income. The table below denotes the amount deductible under this section:-

S No	Donee	Maximum Limit	Deduction (as a %age of net qualifying amount)
1	Prime Minister Drought Relief Fund	Not Applicable	50%
2	National Defence Fund	Not Applicable	100%
3	Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)	Not Applicable	100%
4	Prime Minister's Armenia Earthquake Relief Fund	Not Applicable	100%
5	Africa (Public Contributions- India) Fund	Not Applicable	100%
6	National Children's Fund	Not Applicable	100%
7	National Foundation for Communal Harmony	Not Applicable	100%
8	An approved university/ educational institution	Not Applicable	100%
9	Any Fund set up by State Government of Gujarat for providing relief to the victims of earthquake in Gujarat	Not Applicable	100%
10	Zila Saksharta Samiti	Not Applicable	100%
11	National Blood Transfusion Council and State Council for Blood Transfusion	Not Applicable	100%
12	Fund set up by State Government for medical relief to the poor	Not Applicable	100%
13	Central Welfare fund of the Army and Air Force and Indian Naval Benevolent Fund	Not Applicable	100%
14	Andhra Pradesh Chief Minister's Cyclone Relief Fund	Not Applicable	100%
15	National Illness Assistance Fund	Not Applicable	100%
16	Chief Minister Relief Fund or Lieutenant Governor's Relief Fund	Not Applicable	100%
17	National Sports Development Fund	Not Applicable	100%
18	National Cultural Fund	Not Applicable	100%
19	Fund for Technology Development and Application	Not Applicable	100%
20	Government or any local authority to be	As per note 1	50%

	utilized for any charitable purpose other than the purpose of promoting family planning		
21	Any authority constituted in India for the purpose of dealing with and satisfying the need for housing accommodation or for purpose of planning/ development of towns/ villages etc.	As per note 1	50%
22	A corporation established by the Central / State Government for promoting the interest of the member of a notified minority community.	As per note 1	50%
23	Any notified temple, mosque, gurudwara, church or other place (for renovation or repair)	As per note 1	50%
24	Government or any approved local authority to be utilized for the purpose of promoting family planning	As per note 1	100%
25	Swachh Bharat Kosh	Not Applicable	100%
26	Clean Ganga Fund	Not Applicable	100%
27	National Fund for Control of Drug Abuse	Not Applicable	100%
28	Donation by a company to the Indian Olympics Association or any other association or institution notified for the development of sports and games in India.	As per Note 1	100%
29	National Trust for Welfare of Persons with Autism , Cerebral Palsy Mental Retardation and Multiple Disabilities.	Not Applicable	100%
30	Any fund or any institution if established in India for a charitable purpose and is registered non-profit organization/ institution/fund mentioned in schedule VII and approved under section 354	As per Note 1	50%

Note1:- The maximum limit is restricted to the net qualifying amount limited to 10% of Gross Total Income of the assesse as reduced by following:-

- Amount deductible u/s 123 to 154 (but not section 134)
- Such incomes on which income tax is not payable
- Long term capital gains
- Short term capital gains taxable @ 20% u/s 196 and
- Income referred to in section 207 to 210.

Mode of Payment : Donation can be given in cash or by cheque or draft. However, no deduction shall be allowed in respect of donation in cash of an amount exceeding ₹2,000/-.

L. Deduction in respect of rent paid sec 134 old [Sec.80GG]:-

An assessee is allowed accommodation occupied by him for the purpose of his own residence provided the following conditions are satisfied:

i. Assessee is an individual.

ii. He or his spouse or minor child (including step child and adopted child) or the Hindu undivided family of which he is a member, should not own any residential accommodation in India of abroad. Deduction under section 80GG is denied where the taxpayer, his spouse or minor child or the Hindu undivided family of which he is a member, owns any residential accommodation at the place where the taxpayer resides, performs the duties of his office, or employment or carries on his business or profession. Where, however, the taxpayer owns any residential accommodation at any other place and the concession in respect of self-occupied house property under section 23(2(a) or 23(4) is claimed by him in respect of such accommodation, no deduction is allowed in respect of the rent paid under section 134 even if he does not own any residential accommodation at the place where he ordinarily resides, performs the duties of his office or employment or carries on his business or profession.

iii. The assessee should file online declaration in Form No. 131 regarding the expenditure incurred by his towards payment of rent.

Amount of deduction:-

1) ₹ 5,000 per month
2) 25 per cent of total income (total income is calculated after excluding long-term capital gain, short-term capital gain under section 196, and income referred to in section 207(1) or 213 and amount deductible under section 123 to 154 but before making any deduction under this section)or
3) The excess of actual rent paid over 10 per cent of total income (total income is calculated after excluding long-term capital gain, short-term capital gain section 196, and income referred to in section 207(1) or 213 and amount deductible under section 123 to 154 but before making any deduction under this section).

M. Contribution to Political Parties u/s section 137 old section 80GGC:-

This deduction is available @ 100% where assessee makes any contribution to a political party or an electoral trust. No deduction shall be allowed in respect of any sum contributed by way of cash. "**Political party**" means a political party registered under section 29A of the Representation of the People Act, 1951. Advertisement expenditure (in a magazine owned by a political party) is not deductible.

N. **<u>Deduction in respect of Interest on Deposits in Savings Account u/s 153 old section 80TTA</u>:-**

Deduction up to ₹10,000/- in aggregate **to an Individual not being a Senior Citizen** (a senior citizen can avail deduction u/s 153) in respect of any income by way of interest on Savings Deposit (not being time deposits) with a Banking Company or a Co-operative society engaged in carrying on the business of banking or a Post Office.

O. **<u>Deduction in respect of Interest on Deposits in case of Senior Citizens u/s 153 (old section 80TTB)</u>:-**

A senior citizen having interest income on deposits with a bank/ co-operative bank/ post office (includes interest on fixed deposits/ interest on savings account or any other interest) can claim deduction u/s 153 equal to the amount of interest or ₹ 50,000/-, whichever is lower.

P. **<u>Deduction in case of a person with Disability u/s 154 old section 80U</u>:-**

A person with disability means a person suffering not less than 40% form any of the following disability:-

- Blindness
- Low vision
- Leprosy-cured
- Hearing impairment
- Locomoter disability
- Mental retardation
- Mental illness

<u>A fixed deduction</u> of **₹ 75,000/-** is available (**₹ 1,25,000/-** in respect of person with severe disability i.e. 80% or more) which is certified by medical authority.)

(8) **<u>Interest on Borrowed Capital: - Sec 22(1)(b) (old Sec. 24(b)</u>**

An employee may furnish a statement of his/her other incomes (or loss under the head 'House Property'– computation to be attached) to his employer, who shall deduct out of salary payment the tax due on total income (after allowing set off of loss from house property).

The employer can take into account loss only under the head "Income from house property". **Loss under any other head cannot be considered by the employer for calculating the TDS to be deducted from "Salaries"**. The loss under "Income from house property" can be set off only **upto Rs. 2 lakh.** Following details to be obtained by the assessee in respect of loss claimed under the head "Income from house property":-

- Gross annual rent value
- Municipal Taxes paid, if any
- Deduction claimed for interest paid, if any
- Other deductions claimed
- Address of the property

Note: Interest on loan taken for the case of **two self-occupied properties from the A.Y. 2020-21 subject to maximum ceiling as given below:**

a) The deduction is allowed only in case of house property which is owned and is in the occupation of the employee for his own residence. In case the house property is not occupied by the employee on account of his place of employment being at other place, then his residence in that other place should not be in a building belonging to him.

b) The quantum of deduction allowed is as per table below:-

S No.	Purpose of Borrowing Capital	Date of Borrowing Capital	Maximum Deduction Allowable
1	Repair or renewal or reconstruction of the house	Any time	₹ 30,000/-
2	Acquisition or construction of house	Before 01/04/1999	₹ 30,000/-
3	Acquisition or construction of house	On or after 01/04/1999	₹ 2,00,000/-
4	Aggregate deduction of S No. 1 and 3 shall not exceed ₹ 2,00,000/-		

The following details in respect of interest deductible needs to be obtained by the employee:-

- Interest payable or paid
- Name of the lender
- Address of the lender
- PAN or Aadhaar number of the lender

PAN or Aadhaar of the lender being a financial institution or bank is to be provided if it is available with employee. In case of other lenders, obtaining of PAN or Aadhaar number is mandatory by the employer

(9) Calculation of Tax:-

At the beginning of each financial year, "Estimated Total (Taxable) Income" of each employee may be calculated after taking into account increment, if any, and allowances including perquisites and allowing exemptions & deductions as may be applicable. Income Tax is to be calculated after allowing deduction u/s 123 to 154 among others. Total salary income excluding exemptions and deductions as aforesaid, and including income other than salary, if furnished by the employee, would be the total (taxable) income chargeable to tax. This income must be rounded off to the nearest multiple of ten rupees. Income Tax on such income shall be calculated based on Default (New)/ Optional (Old) Tax Regime. Thereafter Rebate u/s 156 if applicable must be provided. Surcharge and Health & Education Cess must be computed so as to arrive at total tax payable. 1/12th of the tax so arrived at is to be deducted from monthly salary or proportionately in case of employees going to retire before the end of the financial year. Adjustments may be made within the financial year in respect of individual employees for any excess or short fall arising out of any previous deduction. This amount must be deducted every month in equal installments and must be remitted to the Income Tax Department.

While deducting TDS on salary on the basis of Other Income Declaration Form, credit of the TDS already deducted on other income is to be given to avoid double taxation of income. Any supporting document, e.g., 26AS, TDS Certificate for 1st three quarters and a self-declaration form for the March quarter is to be provided to validate the TDS deducted on other incomes.

E.g. Mr. A has Salary Income of ₹ 10,00,000/- and projected FDR Interest income is ₹ 88,000/-. His Form 26AS is reflecting TDS of ₹ 8,800/- deducted on FDR Interest of ₹ 88,000/-. So amount of TDS should be deducted on total income of ₹ 10,88,000/- after considering TDS of ₹ 8,800/- already deducted.

Deduction of Tax at Nil or Lower Rate:-

If the jurisdictional TDS officer of the employer issues a certificate of Non or Lower Deduction of Tax under section 395 of the Act, then employer should take into account such certificate and mention the LDC Number in Quarterly Statement of TDS [Form 138]

(10) Deposit of Tax Deducted

The prescribed time for deposit of TDS to the credit of Central Government account is:-

S No.	Description	Date of Deposit of TDS
1	Tax deducted in March	30th April next F.Y.
2	Tax deducted in any other month	7th day of next month
3	Tax on perquisites opted to be deposited by employer	7th day of next month

This process of remittance of TDS is being handled centrally by Head Office Finance Department.

(11) Quarterly Statement of TDS in Form 138 [SEC.-397(3)]:-

Quarterly statement (Rule 219) – Quarterly statement of tax deducted at source u/s 392 and other deductions of tax for the financial year has to be submitted as follows:-

Quarter Ended	TDS Return Filing Due Date
June	31^{st} July of the F.Y.
September	31^{st} Oct of the F.Y.
December	31^{st} Jan of the F.Y.
March	31^{st} May of the F.Y. immediately following the F.Y. in which the deduction is made

If a person fails to deliver statement within the prescribed time, fee of Rs. 200/- per day is liable to be paid for the period during which failure continues. This amount shall not exceed the amount of tax which was deductible at source.

(12) Furnishing of TDS Certificates (Section 395):- TDS certificates in Form No. 130 and No. 123 are to be issued by 15^{th} June for the financial year. Form No. 123 will be issued only where Salary paid or payable to the employee is more than ₹1,50,000/-. A statement of salary and allowances, deductions and rebates and tax deducted at source may be given to the employees to facilitate their tax computation and filing of Income Tax Return. While issuing TDS certificate payees PAN should be quoted without fail. TDS certificate in Form No. 130 shall be issued by downloading from TRACES portal only.

(13) Penalty/ Interest for Non Compliance:-

i. Penalty equivalent to the amount of tax not deducted in case of failure to deduct/pay tax at source wholly or partly

ii. Penalty of ₹100/- per day for failing to furnish in due time the quarterly statement in Form 138, 140, 143 and 144. However, in no case, the penalty shall exceed the amount of tax deductible –

iii. Penalty of ₹100/- per day for failure to furnish TDS certificate in Form 130 within the stipulated time. However, in no case, the penalty shall exceed the amount of tax deductible

iv. Penalty of ₹10000/- for failing to quote TAN in Challan/Returns etc.

v. Rigorous imprisonment for a term between 3 months to 7 years and with fine if any person fails to pay the tax deducted at source to the credit of the Central Government within the prescribed time

vi. In case a person fails to deduct tax at source or after deducting fails to deposit the same in Government Account, such person shall be deemed to be an assessee in default and simple interest has to be paid as follows:-

Rate of Interest (p.m. or part)	**Period for which interest is payable**
1%	From the date on which such tax was deductible to the date on which such tax is actually deducted.
1.5 %	From the date on which tax was deducted to the date on which tax is actually paid.

In addition, penalty is also applicable mentioned hereinbefore.

The payer shall not be deemed to be an assessee in default if -

1. The resident recipient has included such income in the return submitted u/s 263 and the recipient has paid the tax on such income and
2. The payer submits a certificate to this effect from a chartered accountant in Form No. 149.

vii. Penalty between ₹10,000/- to ₹1,00,000/- for failing to submit or furnishing incorrect statements in quarterly TDS/TCS returns- **Section 461**

(14) <u>Rebate u/s 156</u>:-

A resident individual whose total income does not exceed ₹ 5,00,000/- can avail rebate under this section. It is deductible from income tax before adding health and education cess. Under the old tax regime, the amount of rebate is 100 percent of income tax or ₹ 12,500/-, whichever is less.

Section 156 has been amended and w.e.f. A.Y. 2024-25 rebate is applicable under alternative (new) tax regime. The rebate u/s 156 is 100 percent of income tax or ₹ 60000/-, whichever is less provided the taxable income does not exceed ₹ 12,00,000/-

(15) Marginal Tax Relief Under Alternative (New) Regime: -

Where the total income of the assessee is chargeable to tax under clause (ii) of sub-section (1A) of section 202, and the total income exceeds **₹ 12,00,000/-** and the income-tax payable on such total income exceeds the amount by which the total income is in excess of **₹ 12,00,000/-**, the assessee shall be entitled to a deduction from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income, of an amount equal to the amount by which the income-tax payable on such total income is in excess of the amount by which the total income exceeds **₹ 12,00,000/-**.
In other words, If net income exceeds **₹ 12,00,000/-** but does not exceed **₹ 12,70,588/-** income tax on such amount cannot exceed the amount by which the net income exceeds Rs. 12,00,000/-. This marginal relief is not available in case of Regular (Old) Tax Regime.

(16) Relief When Salary is Paid in Arrear or Advance section 157 (Old Section 89):-

If an individual receives any portion of his salary in arrears or in advance, he can claim relief in terms of Section 157. The concerned employee/ pensioner should submit electronically Form No. 39, **duly verified by him**, along with his return of income to claim rebate u/s 157. The relief is also available in respect of family pension received in arrears.

(17) Interest on Employees Provident Fund:- The exemption shall not apply to interest accrued in employees recognized/ statutory provident fund account to the extent:-

- The amount of interest on employee's contribution in excess of Rs. 2,50,000/- per year (in case employer also contributes) or
- The amount of interest on employee's contribution in excess of Rs. 5,00,000/- per year (in case no contribution by the employer).

(18) Salary from more than one Employer:-
In case salary is received from more than one employer, the assessee is required to furnish to the present employer details of income under the head "Salaries" due or received from former employer and also tax deducted at source, **in writing and duly verified by him and by the former employer.** The present employer will be required to deduct tax on the aggregate amount of salary (including salary received from former employer.

(19) Compensation received for termination/ modification of employment agreement

Any compensation due to or received by any person by whatever name called in connection with the termination of his employment shall be chargeable to tax under the head "Income from Other Sources.

(20) Data Entry -GBM

Bank uses Government Business Module (GBM) for payment of Pension as well as other government related transactions. Pension payment provides a good opportunity for earning commission along with generation of deposits at lower cost. Since bank is paying pension to retired officials from different government departments, it is the responsibility of the bank to deduct tax as per applicable rates laid down by the Income Tax Act, 2025 in order to deduct correct tax and to avoid any TDS compliance issues. **Updation of correct information in GBM is utmost important**.

We have observed certain irregularities which affected the overall TDS calculations and also increased income tax default after filing of returns. Some of the irregularities found were (a) incorrect updation of non-taxable income (b) incorrect updation of other income (c) Wrong PAN.

Accordingly, income/details updated under following columns needs to be checked:-

1. **Non Taxable Component**: In GBM, there is an option to update non-taxable income which is mainly on account of certain payments which are exempted from income tax ambit. Some of the examples of such emoluments are payment made on account of :-

S. No.	Section	Related to
1.	Schedule III – Table: S. No. 8	Leave Travel Concession
2.	Schedule IV – Table: S. No. 2	Remuneration Received by an official of an embassy, high commission etc.
3.	Sec 19(1) Table: S. No. 6	Gratuity
4.	Sec 19(1) Table: S. No. 8	Commuted value of pension received
5.	Sec 19(1) Table: S. No. 14	Leave Encashment on Retirement
6.	Sec 19(1) Table: S. No. 12	Amount received on voluntary retirement or termination of service
7.	Schedule III – Table: S. No. 3	Statutory Provident Fund received
8.	Schedule III – Table: S. No. 4	Recognised Provident Fund received
9.	Schedule III – Table: S. No. 8	Approved Superannuation Fund received
10.	Schedule III – Table: S. No. 6/7	Allowance received by MP/MLA/MLC
11.	Schedule III – Table: S. No. 14	Payment made to Gallantry Award recipients
12.	Schedule III – Table: S. No. 19	Pensioner being a member of Scheduled Tribe of North-Eastern State
13.	Schedule III – Table: S. No. 20	Pensioner being a Sikkimese
14.	Any Other	Allowed as per Income Tax Act such as defense medical disability pensioner etc.

It must strictly be noted that no amount should be mentioned unless the amount falls under exempted category. Further branches should review the list attached herewith wherein the non-taxable amount is updated. If the amount is wrongly mentioned then same has to be modified immediately. (Please note that we would be calling details of amount shown under non-taxable column after the last pension payment)

2. **Other Income**: Some pensioners declare their income from other sources for the purpose of deduction of TDS on that income along with TDS on pension. Other income may be entered in the system only if the pension amount is sufficient for deducting the TDS applicable on pension amount and the other income component within that Financial Year.
   Branches must refrain from entering other income after the month of December. As we will be left with only two months pension payment where we may not have sufficient pension amount to deduct tax if other income declared by pensioner is at very high level.

3. Deduction **u/s 153 up to Rs. 50,000/-** (deduction in respect of interest on deposits in case of Senior Citizen) must be considered only when the pensioner has reported at least equivalent amount in their other income.

4. **Wrong Feeding of PAN:** We have come across instances where the PAN of joint account holder is entered in GBM instead of the pensioner resulting in wrong reporting of pension to Income Tax portal or Incorrect PAN of customer/ pensioner is updated in system. Please ensure that PAN in GBM belongs to the pensioner only for correct reporting and generation of Form 130.

General Instruction:

A. If an employee/ pensioner does not make any declaration, tax will be deducted by the employer under the alternative (new) tax regime. In case an employee wants to pay tax under regular (old) tax regime, same needs to be intimated to the employer
B. This intimation to the employer shall only be for the purpose of TDS and cannot be modified during that year. This intimation does not amount to exercise of option under Section 202(6). The option u/s 202(6) must be exercised at the time of submission of return of income (which may differ from the option given to employer).
C. Personnel Services Department will ensure correct computation of tax liability of all employees as well as our ex-employees. They will ensure through documentary evidence that the employee is actually eligible for various exemptions/ deductions declared by him. Further the declaration submitted must be verified in a timely manner preferably by **08/01/2027**. Documentary evidence/investment proof submitted by employee must be kept in branch/ office record for cross verification (if any) by Income Tax Department.
D. Government Business Cell to ensure that correct computation of tax liability is made in GBM module for all the pensioners (other than UCO Bank staff pensioners). Further, no

default should arise on account of non- deduction/ less deduction of TDS.

E. Request from any employee for non-deduction of tax or deduction of tax at lower rates can be entertained only if the concerned employee produces a certificate from the related assessing officer authorizing the paying authority not to deduct tax at source from the salary of such employee or deduct the tax at lower rate on the TAN **CALU04019B**.

F. Filing of income tax return by the employees (unless exempted) is compulsory. Non-compliance would invite penalty as mentioned from the Income Tax Department.

Annexure 1

Declaration- TDS u/s 393(1) [Table: Sl. No. 8(iii)] of Income Tax Act, 2025 (Form125)

Date:

The Branch Manager
UCO Bank
.... Branch

Declaration to be furnished by Specified Senior Citizen for deduction of tax under Section 393(1) [Table: Sl. No. 8(iii)]

	Details of the specified senior citizen		
1.	Name	*(refer Note 1)*	
2.	Address	*(refer Note 2)*	
3.	Permanent Account Number		
4.	Date of birth		
5.	Tax year	*(refer Note 3)*	
6.	Email id		
7.	Contact number	Country Code	Number
8.	Name of the Specified Bank		
9.	Name of Employer from which pension is drawn		
10.	Pension Payment Order (PPO) Number		
11.	Details of the Accounts maintained with the Bank:		
	Sl. No. / Account Number	Individual Account / Joint Account	
12.	Whether opting out of New Tax Regime under section 202?	*(Yes/No)* *(refer Note 4)*	

DECLARATION

I, ... having Permanent Account Number .... do hereby certify that the information given above is complete and correct and that I do not have any income other than the income of the nature of pension and/or interest which is received or receivable only in the account(s) of the specified bank stated above.

Date ....
Place ....

Signature of person
Name: ....

Notes:

1. In case of individual, the first, middle and last name shall be provided in full without any abbreviations.

2. The address shall contain i. Country/Region, ii. Flat/Door/Block number iii. Road/Street/Block/Sector, iv. PIN/ZIP Code, v. Post Office, vi. Area/locality, vii. District, viii. State.

3. Tax year means the tax year in respect of whose income, declaration is being made

4. The deduction allowable and rebate allowable shall be in accordance with the new tax regime, unless the individual opts out of the said regime.