

CIRCULAR NO : 01/2012

F.No. 275/192/2012-IT(B)
 Government of India
 Ministry of Finance
 Department of Revenue
 Central Board of Direct Taxes

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New Delhi, dated the

SUBJECT: INCOME-TAX DEDUCTION FROM SALARIES DURING THE FINANCIAL YEAR 2012-2013 UNDER SECTION 192 OF THE INCOME-TAX ACT, 1961.

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Reference is invited to Circular No.05/2011 dated 16.08.2011 whereby the rates of deduction of income-tax from the payment of income under the head "Salaries" under Section 192 of the Income-tax Act, 1961 (hereinafter 'the Act'), during the financial year 2011-2012, were intimated. The present Circular contains the rates of deduction of income-tax from the payment of income chargeable under the head "Salaries" during the financial year 2012-2013 and explains certain related provisions of the Income-tax Act, 1961 (hereinafter the Act) and Income-tax Rules, 1962 (hereinafter the Rules). The relevant Acts, Rules, Forms and Notifications are available at the website of the Income Tax Department- www.incometaxindia.gov.in.

2. RATES OF INCOME-TAX AS PER FINANCE ACT, 2012:

As per the Finance Act, 2012, income-tax is required to be deducted under Section 192 of the Income-tax Act 1961 from income chargeable under the head "Salaries" for the financial year 2012-2013 (i.e. Assessment Year 2013-2014) at the following rates:

2.1 Rates of tax

A. Normal Rates of tax:

Sl No	Total Income	Rate of tax
1	Where the total income does not exceed Rs. 2,00,000/-.	Nil
2	Where the total income exceeds Rs. 2,00,000 but does not exceed Rs. 5,00,000/-.	10 per cent of the amount by which the total income exceeds Rs. 2,00,000/-
3	Where the total income exceeds Rs. 5,00,000/- but does not exceed Rs. 10,00,000/-.	Rs. 30,000/- plus 20 per cent of the amount by which the total income exceeds Rs. 5,00,000/-.
4	Where the total income exceeds Rs. 10,00,000/-.	Rs. 1,30,000/- plus 30 Per cent of the amount by which the total income exceeds Rs. 10,00,000/-

2	Parent or Parents of employee	<ul style="list-style-type: none"> ❖ the whole of the amount paid to effect or keep in force an insurance on the health of the parent or parents of the employee or ❖ any payment made on account of preventive health check-up of the parent or parents of the employee <i>[restricted to Rs 5000/-; cash payment allowed here]</i> 	any mode other than cash	Aggregate allowable is Rs 15,000/ {For Senior Citizens it is Rs 20000/- }
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- i) “family” means the spouse and dependent children of the employee.
- ii) **Senior citizen**” means an individual **resident** in India who is of the age of **sixty years {For AY 2013-14 onwards}** or more at any time during the relevant previous year.

The DDO must ensure that the medical insurance referred to above shall be in accordance with a scheme made in this behalf by-

- (a) the General Insurance Corporation of India formed under section 9 of the General Insurance Business (Nationalization) Act, 1972 (57 of 1972) and approved by the Central Government in this behalf; or
- (b) any other insurer and approved by the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).

5.5.7 Deductions in respect of expenditure on persons or dependants with disability

5.5.7.1 Deductions in respect of maintenance including medical treatment of a dependent who is a person with disability (section 80DD):

Under **section 80DD**, where an employee, who is a resident in India, has, during the previous year-

- (a) incurred any **expenditure for the medical treatment (including nursing), training and rehabilitation of a dependant, being a person with disability**; or
- (b) paid or deposited any amount under a scheme framed in this behalf by the Life Insurance Corporation or any other insurer or the Administrator or the specified company subject to the conditions specified in this regard and **approved by the Board** in this behalf for the maintenance of a dependant, being a person with disability, the employee shall be allowed a deduction of a sum of **fifty** thousand rupees from his gross total income of that year.

However, where such dependant is a person with **severe disability**, an amount of one hundred thousand rupees shall be allowed as deduction subject to the specified conditions.

The deduction under (b) above shall be allowed only if the following conditions are fulfilled:-

- (i) the scheme referred to in (b) above provides for payment of annuity or lump sum amount for the benefit of a dependant, being a person with disability, in the event of the death of the individual in whose name subscription to the scheme has been made;
- (ii) the employee nominates either the dependant, being a person with disability, or any other person or a trust to receive the payment on his behalf, for the benefit of the dependant, being a person with disability.

However, if the dependant, being a person with disability, predeceases the employee, an amount equal to the amount paid or deposited under sub-para(b) above shall be deemed to be the income of the employee of the previous year in which such amount is received by the employee and shall accordingly be chargeable to tax as the income of that previous year.

5.5.7.2 Deductions in respect of a person with disability (section 80U):

Under **section 80U**, in computing the total income of an individual, being a resident, who, at any time during the previous year, is certified by the medical authority to be a **person with disability**, there shall be allowed a deduction of a sum of fifty thousand rupees. However, where such individual is a person with **severe disability**, a higher deduction of **one lakh rupees** shall be allowable.

DDOs should note that 80DD deduction is in case of the dependent of the employee whereas 80U deduction is in case of the employee himself. However under both the Sections the employee **shall** furnish to the DDO following:

1. A copy of the certificate issued by the medical authority as defined in Rule 11A(1) in the prescribed form as per Rule 11A(2) of the Rules. The DDO has to allow deduction only after seeing that the Certificate furnished is from the Medical Authority defined in this Rule and the same is in the form as mentioned therein.
2. Further In cases where the condition of disability is temporary and requires reassessment of its extent after a period stipulated in the aforesaid certificate, no deduction under this section shall be allowed for any subsequent period **unless a new certificate** is obtained from the medical authority as in 1 above and furnished before the DDO.
3. For the purposes of section 80DD and 80 U some of the terms defined are as under:-

(a) “Administrator” means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002);

(b) “dependant” means—

- (i) in the case of an individual, the spouse, children, parents, brothers and sisters of the individual or any of them;
- (ii) in the case of a Hindu undivided family, a member of the Hindu undivided family, dependant wholly or mainly on such individual or Hindu undivided family for his support and maintenance, and who has not claimed any deduction under section 80U in computing his total income for the assessment year relating to the previous year;

(c) “disability” shall have the meaning assigned to it in clause (i) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) and includes “autism”, “cerebral palsy” and “multiple disability” referred to in clauses (a), (c) and (h) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

(d) “Life Insurance Corporation” shall have the same meaning as in clause (iii) of sub-section (8) of section 88;

(e) “medical authority” means the medical authority as referred to in clause (p) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) or such other medical authority as may, by notification, be specified by the Central Government for certifying “autism”, “cerebral palsy”, “multiple

disabilities”, “person with disability” and “severe disability” referred to in clauses (a), (c), (h), (j) and (o) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

(f) “person with disability” means a person as referred to in clause (t) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) or clause (j) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

(g) “person with severe disability” means—

(i) a person with eighty per cent or more of one or more disabilities, as referred to in sub-section (4) of section 56 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996); or

(ii) a person with severe disability referred to in clause (o) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

(h) “specified company” means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002).

5.5.8. Deduction in respect of medical treatment, etc. (Section 80DDB):

Section **80DDB** allows a deduction in case of employee, who is resident in India, during the previous year, actually paid any amount for the medical treatment of such disease or ailment as may be specified in the rules 11DD (1) (see Annexure) for himself or a dependant. The deduction allowed is equal to the amount actually paid or Rs. 40,000 whichever is less. Further the amount paid should also be reduced by the amount received if any under insurance from an insurer or reimbursed by an employer. In case of a senior citizen (an individual resident in India who is of the age of **sixty years** or more at any time during the relevant previous year) the amount of deduction allowed is Rs. 60,000/-.

DDO must ensure that the employee furnishes a certificate in Form 10-I from a neurologist, an oncologist, a urologist, nephrologist, a haematologist, an immunologist or such other specialist, as mentioned in proviso rule 11(2) of the rules.

For the purpose of this section in the case of an employee "dependant" means individual, the spouse, children, parents, brothers and sisters of the individual or any of them,

5.5.9 Deduction in respect of interest on loan taken for higher education (Section 80E):

Section 80E allows deduction in respect of repayment of interest on loan taken from any financial institution or any approved charitable institution for higher education for the purpose of pursuing his higher education or for the purpose of higher education of his spouse or his children or the student for whom he is the legal guardian.

The deduction shall be allowed in computing the total income for the Financial year in which the employee starts repaying the interest on the loan was taken and immediately succeeding seven Financial years or until the Financial year the interest is paid in full by the taxpayer, whichever is earlier.

1. PERQUISITES

“Perquisite” may be defined as any casual emolument or benefit attached to an office or position in addition to salary or wages. In essence, these are usually non-cash benefits given by an employer to employees in addition to cash salary or wages. However, they may include cases where the employer reimburses expenses or pays for obligations incurred by the employee. Perquisites are also referred to as fringe benefits.

Broadly, “perquisite” is defined in the section 17(2) of the Income-tax Act as including:

- 1) Value of rent-free or concessional rent accommodation provided by the employer.
- 2) Value of any benefit/amenity granted free or at concessional rate to specified employees etc.
- 3) Any sum paid by employer in respect of an obligation, which was actually payable by the assessee.
- 4) Any sum paid by the employer for assurance on life of the employee or to effect a contract for an annuity.
- 5) Value of any other fringe benefit as may be prescribed.

the employee exclusive of the value of all perquisites not provided as monetary payment does not exceed Rs. 1 lakh.

5.3 Exemption of leave travel concession for travel in India

The value of any leave travel concession or assistance received by an employee for himself and his family for proceeding on leave to any place in India is exempt under clause (5) of section 10 of the Income-tax Act subject to conditions in Rule 2B of the Income-tax Rules.

5.4 Exemption of perquisites allowed outside India by the Government to a citizen of India

Perquisites allowed outside India by the Government to a citizen of India for rendering services outside India are exempt under clause (7) of section 10 of the Income-tax Act.

5.5 Exemption of children’s education allowance and transport allowance subject to limits

Children’s education allowance up to Rs. 100 per month per child for a maximum of two children is exempt. Hostel expenditure allowance of Rs. 300 per month per child for a maximum of two children is exempt.

Transport allowance for the purpose of commuting between residence and place of duty is exempt up to Rs. 800 per month. A higher exemption of Rs. 1600 per month is available for employees who are blind or orthopaedically handicapped with disability of lower extremities.

Some simple illustrative examples of valuation of perquisites and fringe benefits are given below with regard to the provisions as they stand w.e.f. 1/4/2007:

- 1) Mr. X and Ms. Y are employees of/in Company A (i.e. an employer other than the Central Government or any State Government). Company A has a total of 10 employees including Mr. X and Ms. Y.

Mr. X is provided with furnished accommodation in a city with a population exceeding 10 lakhs but not exceeding 25 lakhs as per the 2001 census. The accommodation provided to Mr. X is owned by the employer and has an estimated fair market value Rs. 25 lakhs. The furniture and fixture provided with the accommodation is also owned by the employer and was bought at a cost of Rs. 1 lakh. Mr. X pays a nominal amount of Rs. 500 per month for the furnished accommodation. Mr. X has a salary of Rs. 80,000 per month exclusive of the value of perquisites. He is also provided with a sweeper who receives a salary of Rs. 2000 per month for services to Mr. X. Mr. X pays nothing to the employer for this benefit. Mr. X is provided by the employer with a car and driver only for travel to and from residence to the place of work.

Ms. Y is provided with an unfurnished accommodation in the same city as Mr. X. This accommodation is not owned by the employer but taken on a lease of Rs. 6000 per month. She does not pay the employer any amount for the use of the accommodation. Ms. Y also has a salary of Rs. 80,000 per month exclusive of the value of perquisites. Ms. Y has her gas bills paid by the employer. They amount to Rs. 100 per month and Ms. Y pays nothing to the employer for this benefit. Ms. Y is also provided with a laptop computer that costs Rs. 1 lakh.

The employer also makes an expenditure of Rs. 1 lakh per year for providing health club facilities to its 10 employees. Mr. X uses these facilities regularly but Ms. Y rarely uses these facilities.

The valuation of perquisites for Mr. X and Ms. Y are given below:

Mr. X	Ms. Y
Value of furnished accommodation owned by employer: 10% of salary – Rs. 96,000 per year Plus value of furniture and fixtures: 10% of cost per annum- Rs. 10,000 per year	Value of unfurnished accommodation taken on lease rent: Actual amount of lease rent paid/payable by the employer (Rs. 72,000 per year) or 15% of the salary (Rs. 1,44,000 per year), whichever is lower.