

Section - 16 Deduction From Salary

- 16 (ia) standard Deduction
- 16 (ii) Entertainment Allowance Deduction
- 16 (iii) Professional Tax/ Employment Tax deduction

Deductions

Internal Deduction
↓
Deductable at the time of computation of income of any particular chapter.

- Example :-
- Sec-16 in salary
 - Sec-24 in the House property
 - Sec-30 to 38 in PG&BP etc.....

External Deductions
↓
Deductable from gross total income for computation of total income

- Example :-
- Sec - 80 C to 80U

Section - 16 (ia) Standard Deduction

→ Eligible Employees : All types of Employee (whether govt, non-govt, Pvt, public etc..)

→ Amount of Deduction $\left\langle \begin{array}{l} \text{Annual salary} \\ \text{OLD Regime} \\ \text{Rs. } 50,000 \text{ p.a.} \end{array} \right\rangle$ LESS

Maximum
↓
50,000

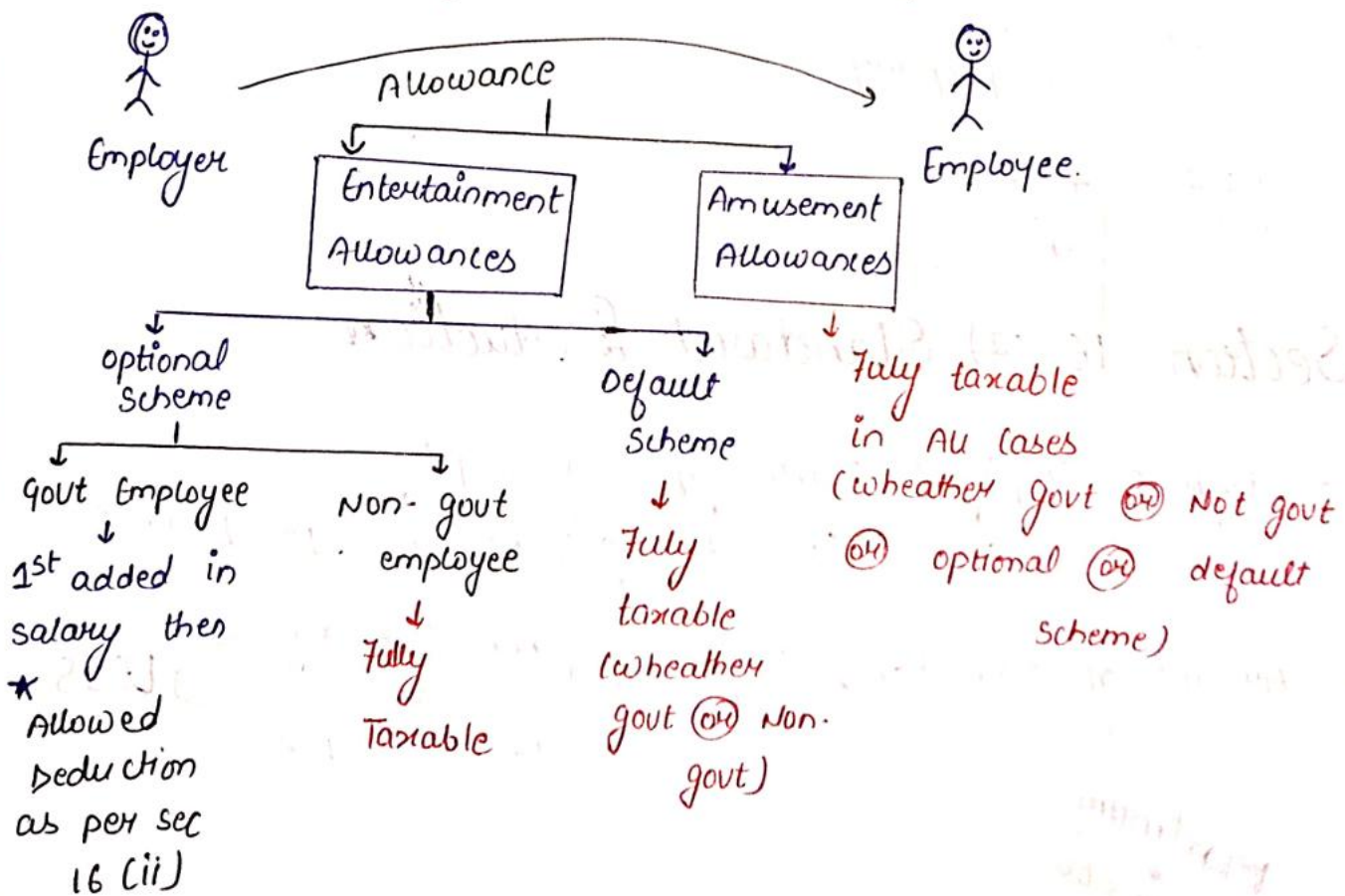
→ Amount of Deduction \leftarrow Annual Salary \rightarrow (NEW Regime) \rightarrow LESS

Maximum = 75,000 Rs. Rs. 75,000 p.a.

Example :-

	M.V. opt for default scheme			M.V. opt for optional scheme		
Gross salary	6,00,000	80,000	30,000	6,00,000	80,000	30,000
Deductions.	(75,000)	(75,000)	(30,000)	(50,000)	(50,000)	(30,000)
Taxable salary	5,25,000	5000	NIL	5,50,000	30,000	NIL.

Section - 16 (ii) Entertainment Allowance Deduction (Only for optional tax Regime)



*** Deduction U/s 16(ii)**

least of the following shall be allowed as deduction.

a) Actual Amount Received.

or

b) Rs. 5,000 p.a

or

c) 20% of Basic Salary.

Example :- Mr. Yash is an Employee of VG Ltd. His basic Salary is 40,000 p.m. He receive Entertainment allowance 4,000 Rs. p.m and amusement allowances Rs. 2,000 p.m. Determine his taxable salary as per following cases :-

- a) If he is Govt Employee opted optional Regime
- b) If he is Govt employee opted Default Regime.
- c) If he is Non-govt employer opted optional Regime.
- d) If he is Non-govt employer opted Default Regime.

Solution :-

default scheme		optional scheme	
Govt	Non-govt	Govt	Non-govt
4,00,000	4,00,000	4,00,000	4,00,000
48,000	48,000	24,000	24,000
24,000	24,000	48,000	48,000
5,52,000	5,52,000	5,52,000	5,52,000
(75,000)	(75,000)	(5,000)	(50,000)
4,77,000	4,77,000	5,47,000	5,02,000
		(50,000)	
		4,97,000	

Section - 16 (iii) Professional Tax / Employment Tax Deduction

(ONLY FOR OPTIONAL TAX REGIME)

→ Amount Received from Employer = Added in Salary

→ Amount paid By Employee = Deductible from Salary.

Example :-

Amount Received from Employer	Amount paid by an Employee	Assessee opt optional Scheme		Assessee opt Default Scheme	
		Add	Deduct	Add	Deduct
500	500	500	500	500	NO
500	800	500	800	500	DEDUC-
NIL	800	NIL	800	NIL	TION
800	NIL	800	NIL	800	
800	500	800	500	800	

If Question silent = same amt. add
same amt. Minus

Q. Mr. Abhishek is working in VCA Ltd. His salary Grade 40,000 - 500 - 42,000 - 800 - 46000 - 1000 - 55000

Joining = 1/7/2019 @ 44,400 p.m.

other Amount Received during the P.Y 24-25

- 1) Entertainment Allowance = 1200 p.m (Amt spent = 1,000 p.m)
- 2) Amusement Allowance = 1000 p.m / A.S = 800 p.m)
- 3) Prof. Tax by employee = 2000 p.a (Rs. 1500 p.a Received from Employer)

◦ Section- 10 Allowances & Retirement Benefits

