

- Limit of exemption

Exemption in respect of 2 journey performed in a block of 4 calendar years. Where such LTC is not availed by individual during any block of 4 calendar year. then one such unavailed LTC will be carry forward for next block of 4 calendar year

### Monetary Limit

By Air = Economy class fare exempt.

By Rail = First class fare exempt.

By Bus = Delux class fare exempt  
(subject to shortest route)

### NOTE:

- In case LTC is encashed without performing the journey then 100% amount received by employee would be taxable.
- The exemption shall not be available to more than 2 children of an individual after October 1998. This restriction shall not apply in respect of children born before October 1998 and also in case of multiple birth after child.

### ↳ Club Membership / Credit card expenditure

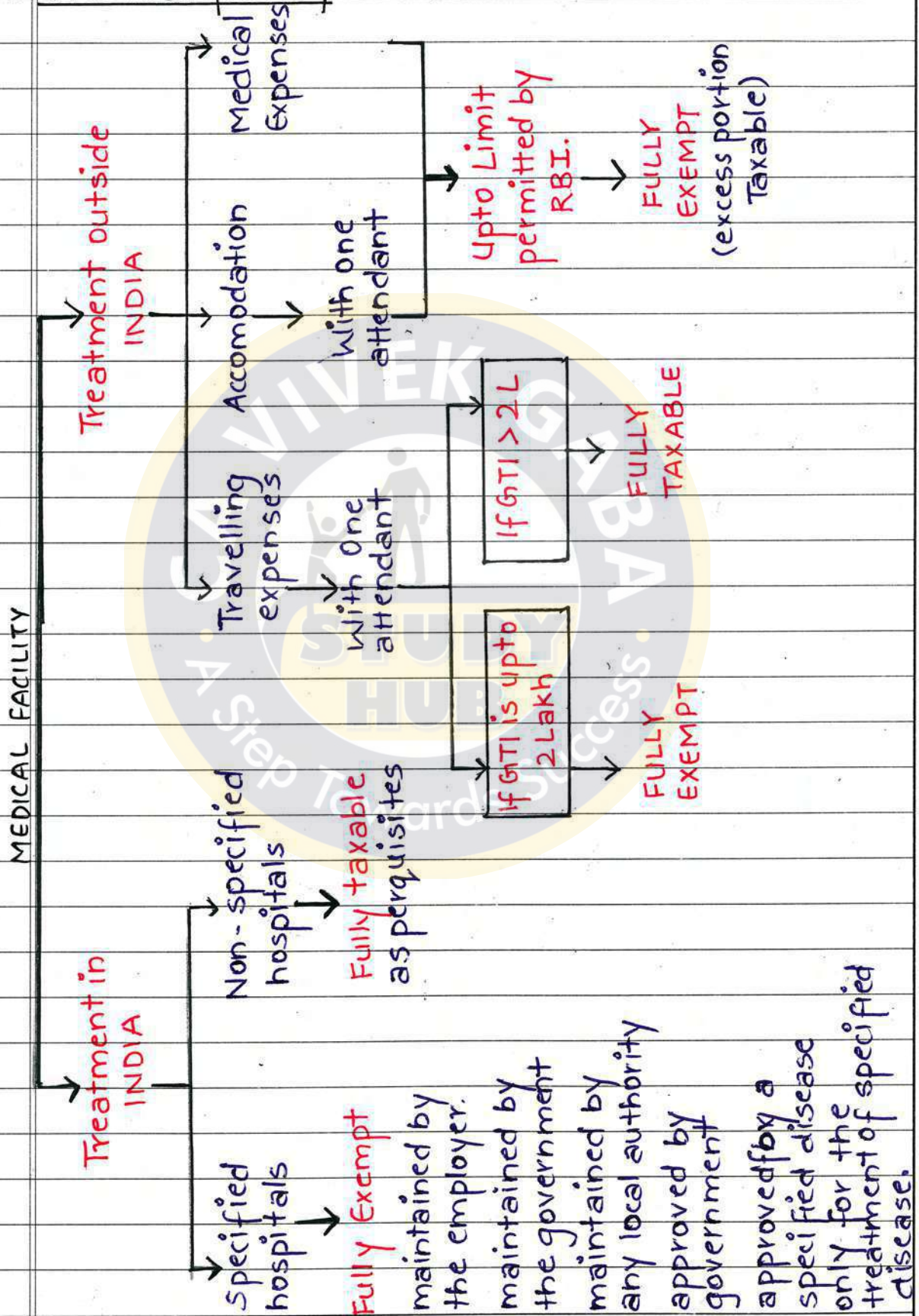
Official purpose

Value of = NIL  
perquisite

Other purpose

Actual expenditure incurred  
by employer.

Medical facility



Remarks

- **Fully Exempt** specified hospitals maintained by the employer.
- maintained by the government
- maintained by any local authority
- approved by government
- approved by a specified disease only for the treatment of specified disease.

NOTE :

Family means spouse and children of the employer whether dependant or not, married or unmarried. Parents, brother, sister who are mainly dependant.

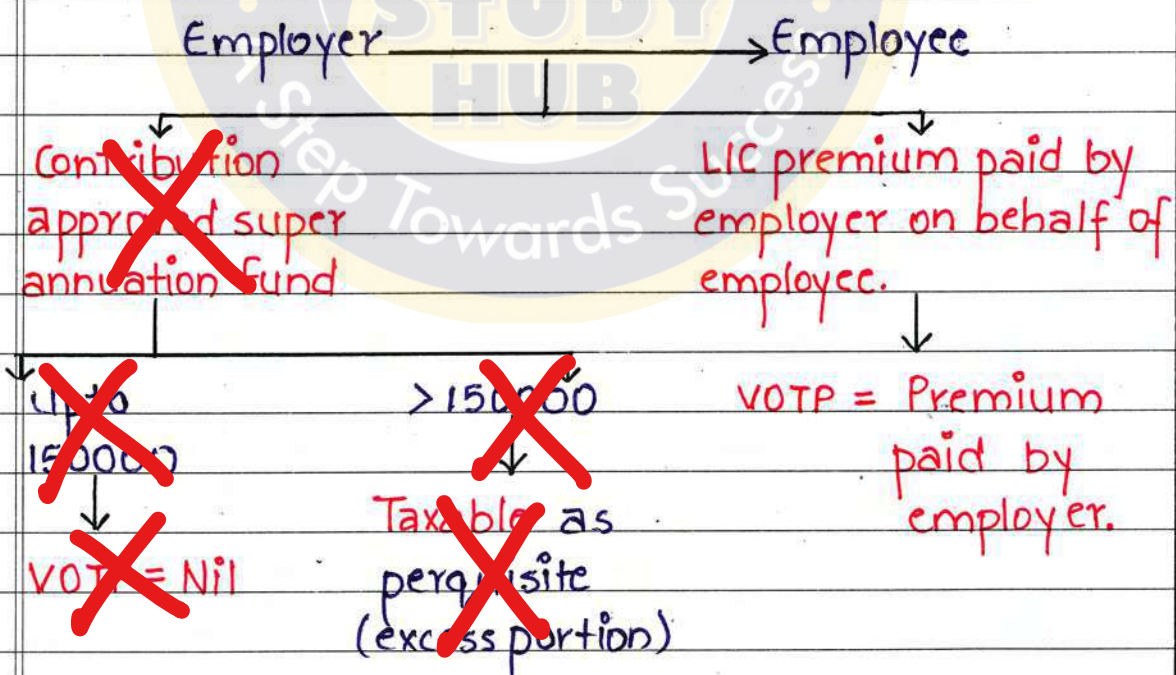
•> ESOP : Employee Stock Option Plan

It means company offers shares to employee at concessional rates.

Taxable Amount = FMV - Issue Price

FMV should be taken on the date on which option is exercised by employee.

•> Super Annuation Fund and LIC Premium.



Remarks

NOTE : Professional Tax

Whatever the amount is deposited by employee in this account shall be deductible at all irrespective of the fact whether he is getting any amount from employer or not.

- Any amount received from employer = ADD
- Any amount paid by employee = MINUS

NOTE : Entertainment Allowance

Govt. Employee

Non-govt. employee

Firstly, includible in salary then deduction allowed as per sec. 16(ii)

Fully taxable i.e., No deduction at all.

Least of the following shall be deductible.

- Actual amount received
- ₹ 5000
- 20% of the basic salary

NOTE:

Actual expenditure is irrelevant.

Remarks

➤ NOTE : STANDARD DEDUCTION

₹ 50,000

(or)

Amount of annual salary



Whichever is Less.

Example :

- |                          |                          |
|--------------------------|--------------------------|
| • Annual Salary = 30000  | • Annual Salary = 100000 |
| Deduction = <u>30000</u> | Deduction = <u>50000</u> |
| xxx                      | <u>50000</u>             |

➤ How to compute salary in grade pay system.

Certain employees are entitled to a graded system of salary. Under this system, the normal annual increments to be given to the employee are already fixed in the grade.

For example, if an employee joins on 1-5-05 and is placed in the grade of 12200 - 300 - 17400 - 500 - 19400. This means that, he will get a basic salary of 12200 w.e.f 1-5-2005. He will get annual increment of 300 w.e.f 1-5-2006 and onwards till his salary reaches 17400. Therefore, he will get an annual increment of 500 till his salary reaches 19400. No further increment will be given thereafter till he is placed in other grade.

CHAPTER - 5

HOUSE PROPERTY

Sec. 22 to 27

Sec. 22 says = Sec. 23 - Sec. 24 = Income from house Property  
 Charging Section      ↓      ↓  
                                  Annual Value      Deductions from annual Value,

→ Background of House Property



Income arise from sale of house property

Income arise from let out of house property.

Property held as stock-in-trade

Property held as investment

Property held as stock-in-trade

Property held as investment

Income taxable under the head "PGIBP" (Sec. 28-44DB)

Income taxable under the head "Capital Gain" (Sec. 45 - 55A)

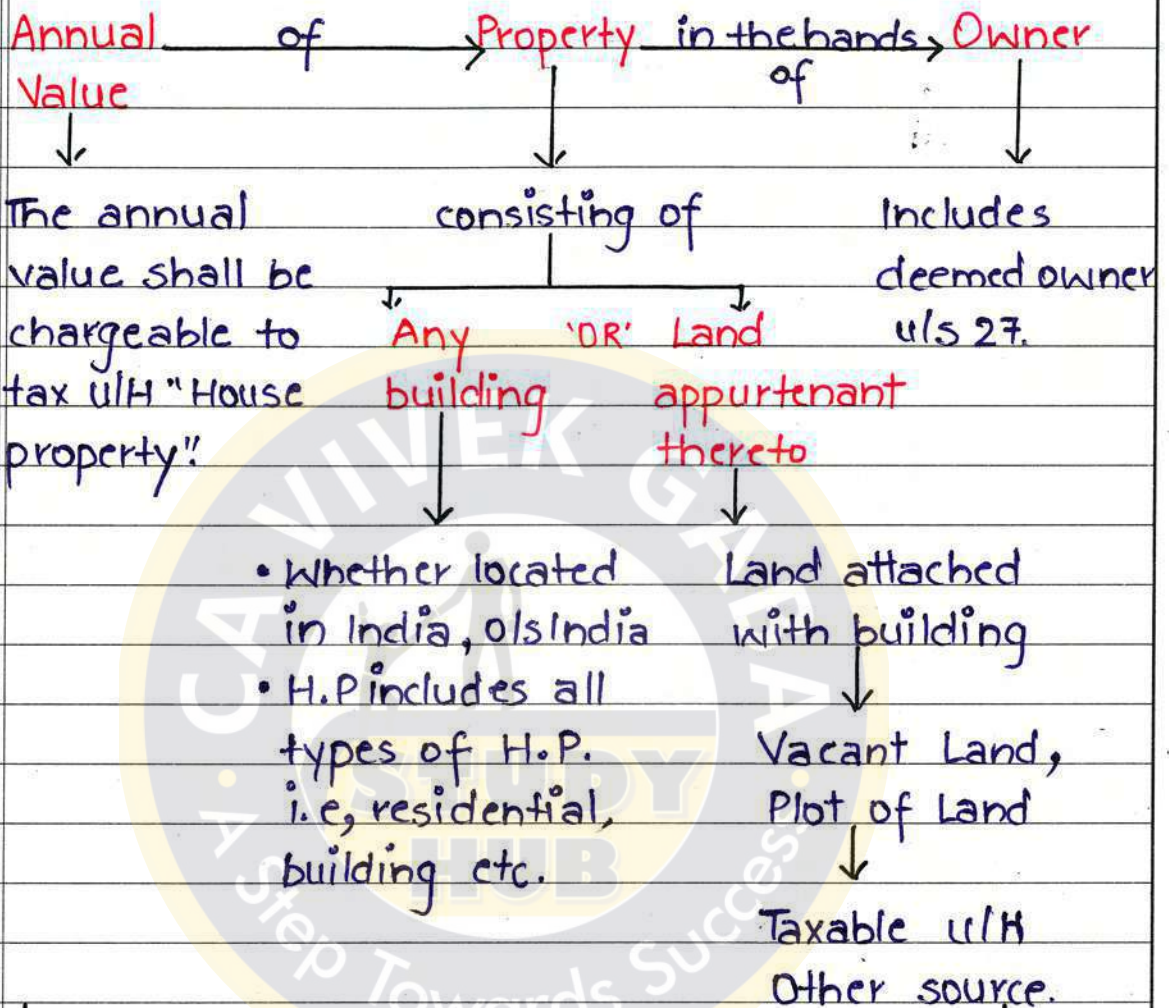
Income taxable under the head "PGIBP" (Sec. 28-44DB)

Income taxable under the head "House Property"

(Sec. 22-27)

Remarks

→ Section - 22 Charging Section



Property की A.V हर case में house property में taxable होगी। except following 3 cases :-

- I Given in charging section.
- II & III Decided by Supreme court.

Case - I

If it is used for own business or profession, then it is **not taxable** under this head.

Case - II

If the building is let out to carry on the business more efficiently, then income is **taxable u/H PGBP**.

Case - III

## Composite Rent

↓  
**Seperable**

H.P value will be defined

↓  
**Taxable u/H "H.P"**

↓  
Furnishing value will be seperately defined.

↓  
**Taxable u/H 'PGBP' or '0.5' as the case may be.**

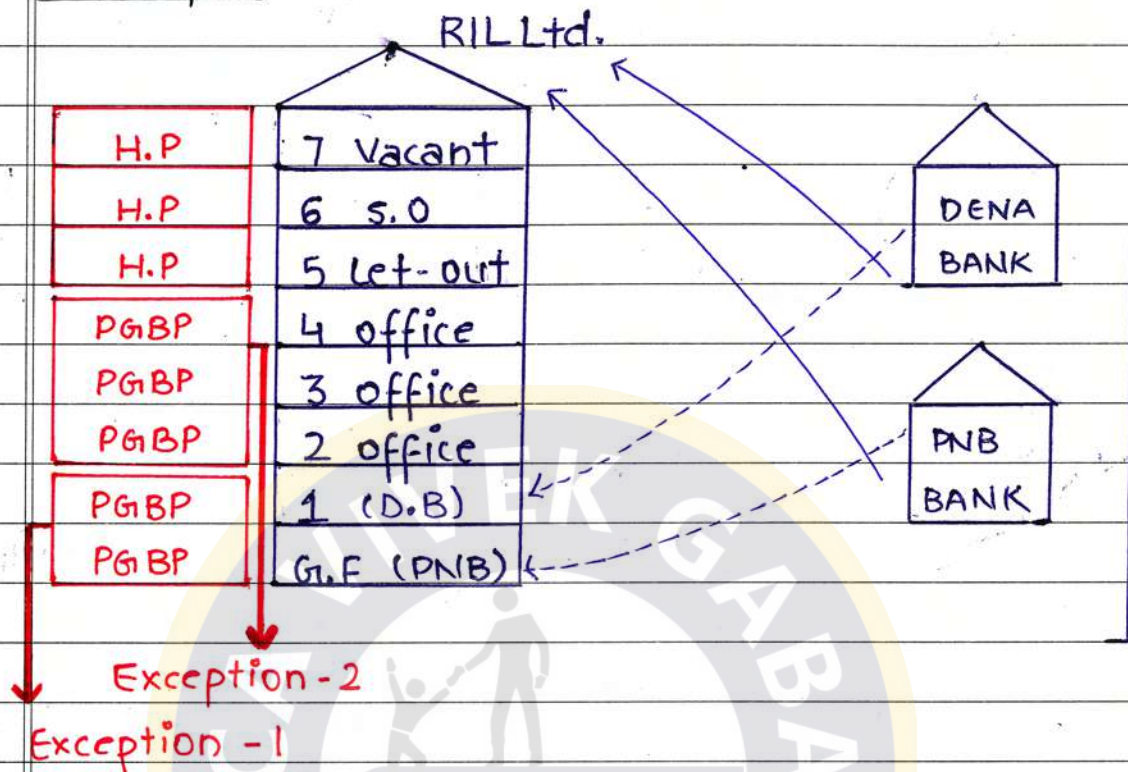
↓  
**Inseperable**

↓  
Whole rent shall be chargeable to tax u/H "PGBP" or '0.5' as the case may be.

CRUX:

Property की annual value हर case में owner के हाथ में house property में taxable होगी, ऊपर दिये हुए 3 cases को छोड़कर

Example



➤ Computation of Income from House Property

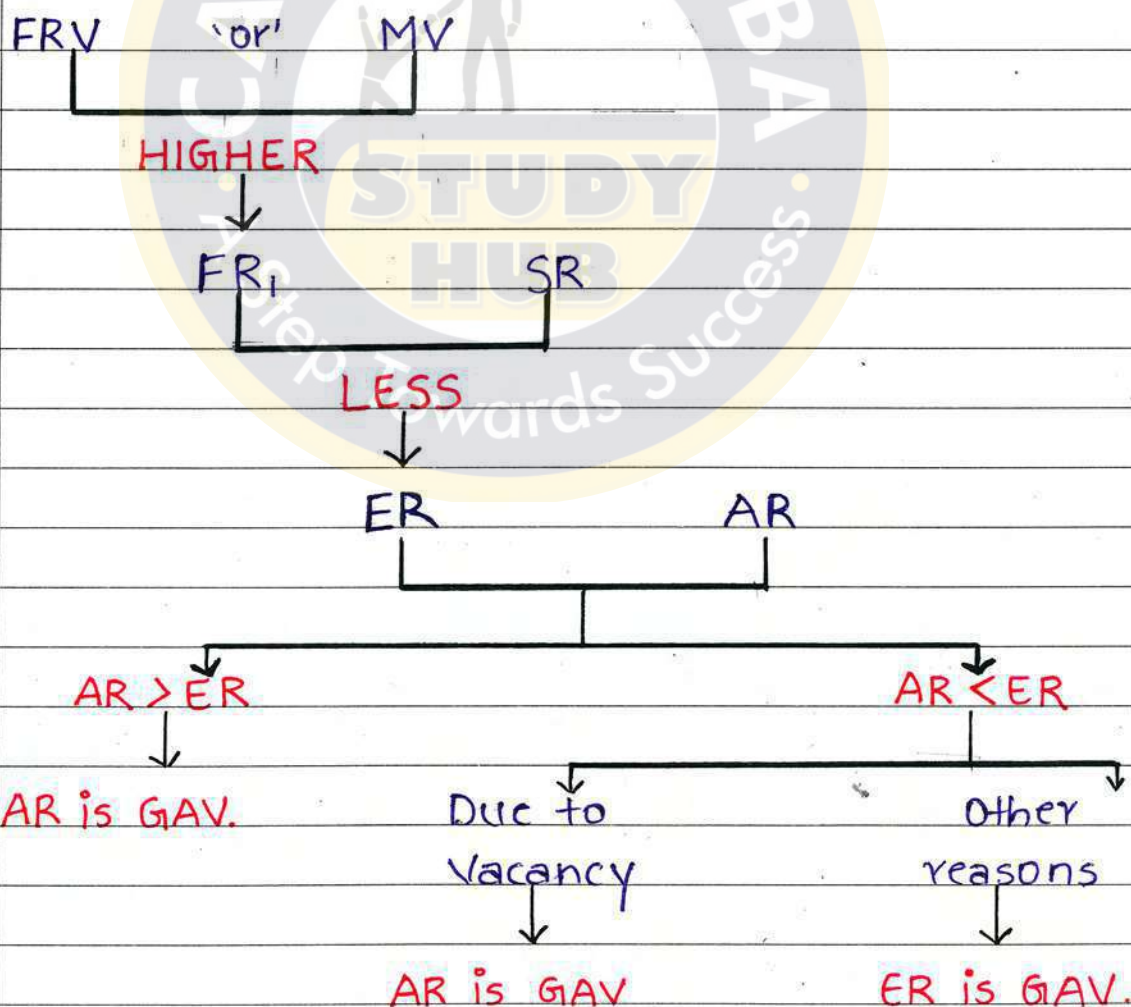
* Gross Annual Value (GAV) (Note-1)	xxx
- Municipal taxes paid by owner during the previous year	xxx
Net Annual Value (NAV)	<u>xxx</u>
- Deductions u/s 24	
• Standard Deductions u/s 24(a) (30% of NAV)	xxx
• interest on loan u/s 24(b)	<u>xxx</u>
Income from House Property	<u>xxx</u>
+ Recovery of UR / AOR	<u>xxx</u>
Total Income from House Property	<u>xxxx</u>

Remarks

\* How to compute Gross Annual Value :-

GAV means the reasonable rental value of a house. It is computed with the help of 4 rents :-

- **FRV** → The rent of similar types of building in the same locality.
- **MV** → Rental value determined by the municipality for the purpose of charging municipal taxes.
- **SR** → The highest possible rent as per Rent Control Act.
- **AR** → Actual rent received or receivable.



Remarks