



HEADS OF INCOME

INCOME FROM SALARY

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This blog will feed with an informative topic about INCOME AND HEADS OF INCOME under Income Tax. Starting from income definition, Income heads and ultimately some detailed information on the INCOME FROM SALARY.



INCOME – DEFINITION

The sum of money received by an individual or business in exchange of sale of goods or services, or through any capital investment is said to be INCOME.

Thus income is the key need that all individuals strives for.



FIVE MAIN HEADS OF INCOME

The following are the five main heads of Income as per Income Tax Act:

- **Income from Salary**
- **Income from House Property**
- **Income from Profits and gains of Business**
- **Income from Capital gain**
- **Income from Other Sources**



○ INCOME FROM SALARY

SECTION 17(1) – DEFINITION OF SALARY UNDER INCOME TAX ACT AND INCOME FROM SALARY:

- **Salary is a form of compensation provided to an individual for his/ her contribution in work during a specified period.**
- **Generally, Salary is a wider term than it sounds. The amount received by an individual in the following forms also constituted as salary:**
 - ✓ **WAGES**
 - ✓ **PENSION OR ANNUITY**
 - ✓ **GRATUITY**
 - ✓ **COMMISSION**
 - ✓ **PERQUISITES**



Let's get through this in detail:

1. WAGES:

For the service rendered, the amount paid by the employer to the employees on contract basis accounts as wages. Employees tend to get it in the name of salary, basic pay, remuneration etc.

2. PENSION OR ANNUITY:

Pension or Annuity is the amount received from the current or previous employer after attaining retirement, based on the pension plans of the employer to the employee.

3. GRATUITY:

As per the Payment of Gratuity Act, 1972, Gratuity is a lump sum of money paid by the employer to the employee for his/her tremendous service rendered to the organisation as a token of appreciation.

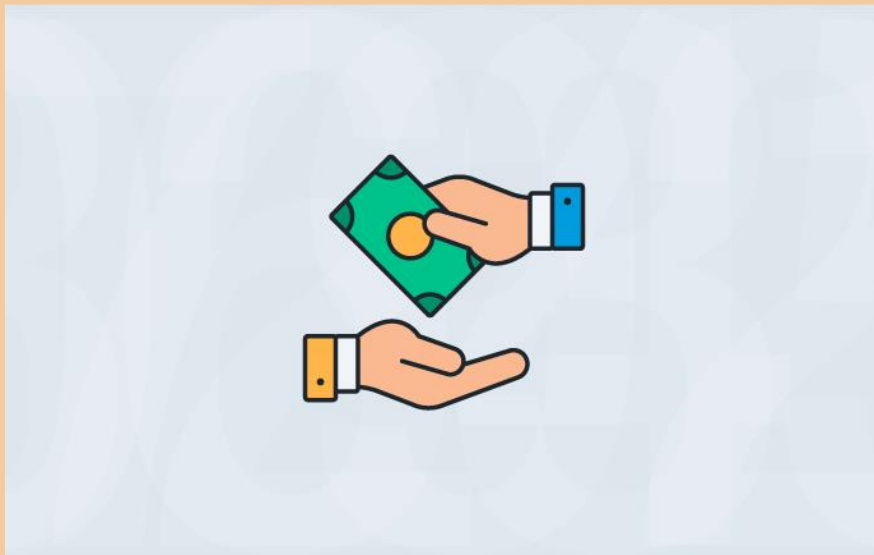
4. COMMISSION:

Any payment received as commission for the service provided, to the employee is termed as commission.

5. PERQUISITES:

Any additional benefits received over and above the salary for the official position the employee holds.

ALLOWANCES IN SALARY



Allowances are financial benefits provided by the employer to the employee along with the regular salary. Allowances are of three types; they are:

- **Taxable Allowance:**

Allowances that are fully taxable under Income Tax Act are said to be taxable allowance. Example: Dearness allowance, Entertainment allowance, Overtime allowance, Project allowance, etc.

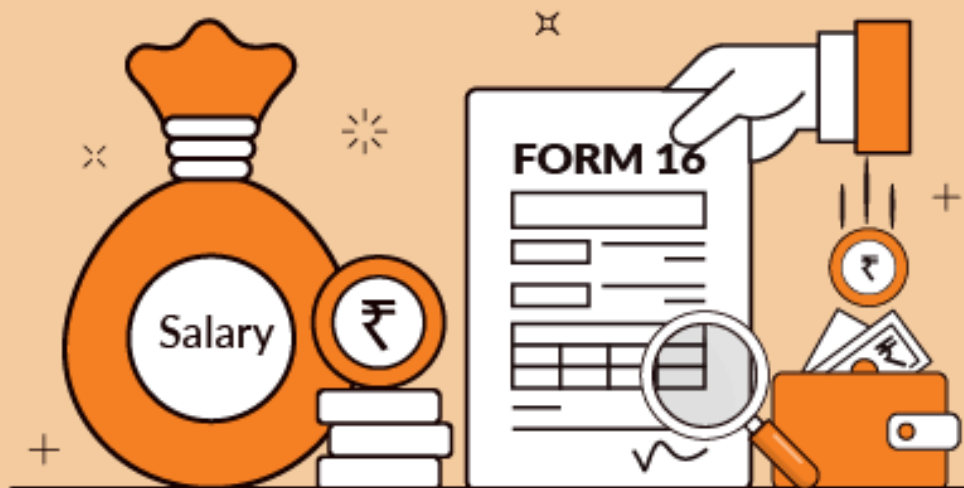
- **Partially Taxable Allowance:**

Allowances that are not fully taxable under Income Tax Act are said to be partially taxable allowance. Example: House Rent allowance, Fixed medical allowance and special allowance

- **Non-Taxable Allowance:**

Allowances that are not taxable under Income Tax Act are said to be non-taxable allowance. Example: Compensatory allowance paid to judges; Allowance paid to UNO etc.

FORM – 16 TDS CERTIFICATE



It is a TDS Certificate which possess the details about the salary paid to the employee and the TDS deducted. The Income Tax Department made it mandatory for the employer to deduct TDS from the Employee's salary and deposit it with the government.

Form 16 has two parts:

- **Part A deals with the details of the employer, employee, Name and address of the office, PAN and TAN details and TDS deductions.**
- **Part B details with the salary paid, other incomes, deductions and allowance.**

Thus finally based on the income you receive and the deductions that can be claimed over all paves way for the income tax return filing.

Hope this blog helps you with the information about salary income on a detailed and elegant manner. Follow us for more updates and information.