

## FAQs ON SALARY INCOME

**1. What is considered as Salary income?**

Whatever is received by an employee from an employer in cash, kind or as a facility [perquisite] is considered as Salary.

**2. What is meant by an employer-employee relationship?**

If a person has the right/power to hire and fire another, then he is an employer of the latter.

**3. What are allowances? Are all allowances taxable?**

Allowances are fixed amounts, apart from salary, which are paid by an employer for the purpose of meeting some particular requirements of the employee. There are generally three types of allowances for the purpose of income tax- taxable, fully exempted and partially exempted.

**4. I am always on tour and my employer gives me substantial daily allowance, most of which is saved. Will this saving be treated as income?**

Yes.

**5. My employer reimburses all my expenses on grocery and children's education. Would this be considered as income?**

Yes. These are in the nature of perquisite.

**6. During the year, I had worked with three different employers and none of them deducted any tax from salary paid to me. If all these amounts are clubbed, my income will exceed the minimum exemption limit. Do I have to pay taxes on my own?**

Yes. You will have to pay self-assessment tax and file the return.

**7. Even if no taxes have been deducted from salary, is there any need for my employer to issue Form-16 to me?**

Form-16 is a certificate of TDS and in your case it will not apply. However your employer must issue a salary statement.

**8. Is pension income considered as salary?**

Yes. However pension received from the United Nation is exempt.

**9. Is Family pension considered as salary?**

No. It is taxable under other sources.

**10. If I am receiving my pension through a bank who will issue Form-16 or pension statement to me- the bank or my former employer?**

The bank.

**11. Are retirement benefits such as PF and Gratuity taxable?**

No. They are exempt subject to conditions and limits laid down in the Income Tax Act.

**12. Are arrears of salary taxable?**

Yes. However certain benefit of spread over of income to the years to which it relates can be availed for lower incidence of tax. This is called relief u/s 89(1) of Income-tax Act.

**13. Can my employer consider relief u/s 89(1) for the purposes of calculating my tax liability?**

Yes.

**14. My income from let out house property is negative. Can I ask my employer to consider this loss against my salary income while computing my tax liability?**

Yes.

**15. Is leave encashment taxable as salary?**

It is taxable if received while in service. Received as retirement benefit, however it is exempt subject to certain conditions.

**16. Life insurance amount received on maturity along with bonus - is it taxable?**

No.

