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BBA/B.Com/ Ist Year

Subject- E-Accounting and Taxation with GST

SYLLABUS

Class –I Year

Subject – E-Accounting and Taxation with GST

Units	Syllabus
Unit 1	Introduction to Accounting: 1) Meaning & Definition of E.Accounting 2) Difference between Traditional Accounting & E.Accounting 3) Types of Accounts & user of Accounting information 4) Components of E.Accounting System 5) Tally
Unit 2	Introduction of Tax : Types of Taxes :Direct & indirect Taxes 1) Theoretical knowledge of various heads of Income Tax 2) Introduction, Important Terms, Structure and Classification of GST 3) Concept and Impact of Tax Credit
Unit 3	Computation of Tax 1) Computation of assessable value under GST 2) Procedure of tax Assessment and types of tax assessment 3) TDS 4) Tax Refund 5) Computation of assessable value under Gst



Unit – 1

Introduction to E.Accounting

E-accounting, or electronic accounting, is the application of internet and computer technologies to traditional accounting functions. It moves the entire accounting process—from recording transactions to reporting financial data—from manual, paper-based methods to a digital environment.

E-accounting involves performing regular accounting functions, accounting research, and the accounting training and education through various internet-based or computer-based accounting tools, like a digital tool kits, different internet resources, international web-based materials, institute and company databases. Which are internet based, web links, internet based accounting software and electronic financial spreadsheet tools for efficient decision making.

Key features of E.Accounting

- **Automation:** Many routine tasks, such as generating invoices, tracking expenses, and reconciling bank accounts, are automated, which saves time and reduces manual effort.
- **Real-time information:** Unlike manual accounting, where reports are prepared periodically, e-accounting systems provide instant, up-to-date access to financial information. This helps with more informed and quicker decision-making.
- **Data security:** Cloud-based e-accounting platforms often provide secure, encrypted data storage with automatic backups. This protects valuable financial records from loss due to hardware failures, natural disasters, or theft.
- **Remote access:** With cloud-based software, authorized users can access the accounting system and financial data from anywhere with an internet connection. This is especially beneficial for remote work or managing multiple business locations.
- **Reduced errors:** Automated processes and built-in error detection reduce the risk of human error that can occur with manual data entry, leading to more accurate financial reports.
- **Cost-effectiveness:** E-accounting often reduces or eliminates the need for expensive paper records, printing, and storage. Cloud-based solutions can also be more affordable than traditional installed software.



- **Integration:** Many e-accounting systems can integrate with other business applications, such as online banking, e-commerce platforms, and payroll software, for a seamless flow of financial information.

Components of E-accounting

The main components of E-accounting (electronic accounting) include digital tools and systems for automating and managing various accounting functions such as ledgers, transactions, and reports. E-accounting relies on online technologies and software platforms, allowing companies to process, store, and analyze financial data more efficiently and securely. The following components are:

- **System Manager:** Manages system-wide operations, user permissions, tax management, and integration with banking and organization charts.
- **General Ledger:** Central module recording and classifying all financial transactions. It ensures data integrity and integrates with other modules for flexible financial reporting.
- **Accounts Payable and Receivable:** Modules for handling payments to suppliers and receipts from customers, streamlining invoice management, cash application, and reconciliation processes.
- **Encumbrance Accounting:** Tracks budgeted versus actual expenses in real time, offering auditing and approval tools to control financial oversight.
- **Purchase Orders and Order Entry/Invoicing:** Facilitates ordering processes and invoice generation, integrating with inventory and manufacturing for comprehensive purchasing and sales management.
- **Sales Commission Calculation:** Automates commission tracking and reporting for sales teams.
- **External Payroll Integration:** Manages payroll exports and imports while synchronizing with external payroll providers and recording transactions in the general ledger.
- **Electronic Document Management:** Stores and processes accounting records, transactions, and filings electronically for paperless operations.

Benefits of E-Accounting

- No need for house clerks, preparation and expertise.
- No correspondence difficulties between the bookkeeper and the business owner.
- Less expense.



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- Save time and money.
- There is no need to download and install any software.
- Gain greater control over finances by moving from paper records to computerized accounting software.
- Transactions affecting the organization's bank records may result in being sent online
- Accounting Application.

What are the uses of E-Accounting

- In the E-accounting accounts Payable
- In this accounts Receivable
- E-accounts Payroll
- E-accounts job cost
- If we see financial writing-up and reporting
- Bank and records reconciliation
- Quarterly assessment reports
- Compliant reporting
- Tax Return Preparation
- Internal money related specialist
- Provide understanding, courses of action
- Facilitate future arrangement and development.

E-accounting (electronic accounting) and traditional accounting differ mainly in their methods, efficiency, and technology use. E-accounting uses digital and cloud-based tools, while traditional accounting relies on manual, paper-based records and calculations.

Key Differences of E.Accounting & Traditional Accounting

- **Method of Recording**
E-accounting records transactions electronically using specialized software (like Tally, QuickBooks), while traditional accounting uses physical ledgers, journals, and manual entries.
- **Accuracy and Errors**
E-accounting automates calculations, drastically reducing the chance of human errors.



Traditional accounting is more prone to arithmetic and clerical mistakes due to manual processes.

- **Efficiency and Speed**

E-accounting processes data and generates financial reports quickly, often in real-time. Traditional methods are time-consuming, requiring hours or days for the same tasks.

- **Accessibility and Storage**

E-accounting offers anywhere, anytime access through cloud storage, with secure backups and digital data retrieval. Traditional accounting requires physical presence and is vulnerable to damage, loss, and theft of paper records.

- **Cost Effectiveness**

Though traditional accounting has lower initial costs, e-accounting saves money long-term by reducing paper usage, storage, and manual labor costs.

- **Data Analysis and Reporting**

E-accounting enables instant analytics and easily customizable financial reports, supporting better decision-making. Traditional accounting has limited data analysis abilities and slower report generation.

Comparison Table

Factor	Traditional Accounting	E-Accounting
Record Keeping	Manual, paper-based	Digital, automated
Error Likelihood	High	Low, minimized by automation
Data Access	Local, needs physical access	Remote & real-time
Time Consumption	High	Low, fast processing



Factor	Traditional Accounting	E-Accounting
Security	Susceptible to loss/theft	Secured, cloud-based
Cost	Higher long-term	Lower long-term
Integration	Difficult	Easy with software/other systems
Analysis/Reporting	Limited, delayed	Real-time, advanced

E-accounting thus brings automation, speed, security, and analytical capability to accounting.

Meaning of Business

“Business” simply means any economic activity carried on for earning profits. In other words “any trade, commerce, manufacturing activity or any adventure or concern in the nature of trade, commerce and manufacture”.

It is the regular occupation of a person in which they engage in an activity to earn the profit and acquire wealth. It can be a for-profit entity, like publicly owned or privately owned company or not-for-profit entity. There are mainly five forms of business organization which are Sole Proprietorship, Partnership, Cooperative Societies, Joint Hindu family business, and Joint Stock Company.

The main characteristics of business are:

- An economic activity
- Production or purchase and sale of goods and services on a regular basis.
- The main purpose is to earn profit
- Uncertainty of return



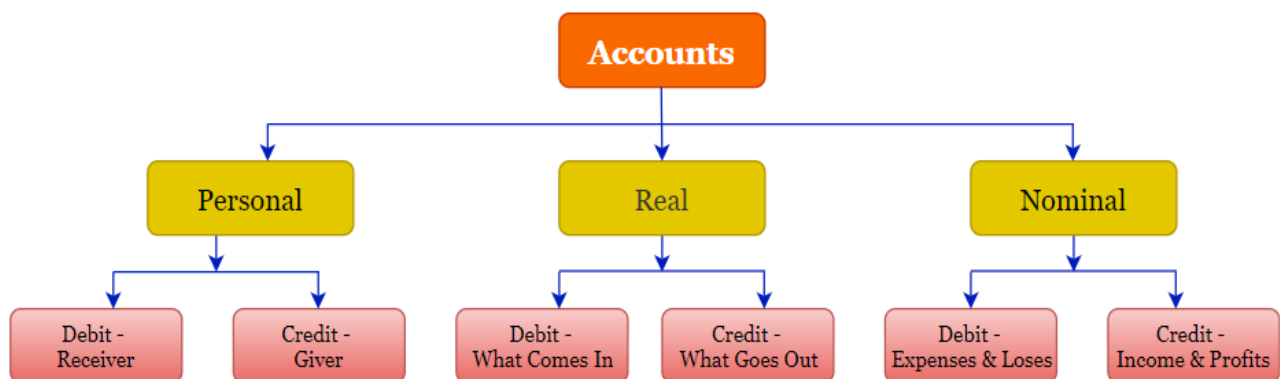
- Presence of element of risk

Concept of Profession

The profession is defined as a paid occupation in which a person is formally qualified and has undergone prolonged training, render services to general public. It refers to any activity that requires expertise in specialized knowledge and skills acquired by way of formal learning and practical experience, to be applied by the individual in their respective occupation. Some common examples of the profession are Doctors, Lawyers, Chartered Accountants, Engineers, Architects, etc.

To be called as a professional, a person should be a registered member of a profession. In every profession, there are certain rules called as the professional code of ethics; that governs it. The purpose of a profession is to provide services to those who need it, for a direct and certain compensation called fee.

Types of Accounts



Personal Accounts:

Personal accounts are those accounts that are related to an individual, a company, a firm or a group of associations etc. These persons might incorporate natural persons, artificial persons or representative persons, as the case may be.

For example–Manoj and Saroj trading Co, Charitable trusts, ABC Bank Ltd ,X company Ltd, etc.



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There are some accounts that might come under the category of personal representative account.

For instance – When we speak of salary, it means how much amount is payable to each of the employees. But all salary accounts are clubbed collectively under an account called 'salary payable A/c'.

Rule for this Account

- The receiver is debited
- The Giver is credited.
- Type of Personal Accounts
 - a. Natural Persons
 - These types of accounts are related to individuals or natural persons like Ranveer's A/c, Aryan's A/c, Ritwik's A/c etc.
 - b. Artificial Accounts
 - These accounts are related to various companies and institutions like Roy Brothers Pvt Ltd A/c, Lion's Club A/c, etc. Thus, such types of institutions and companies are those entities that are there in the eyes of law.
 - c. Representative Accounts
 - Accounts that represent a specific purpose of work are called representative accounts. For instance, Outstanding Wages A/c, Outstanding Interest A/c, Prepaid Expense A/c, etc.

Real Account:

Real Accounts are those accounts that relate to assets, properties or possessions. These related properties might exist in physical or non-physical form.

Golden Rule relating to this type of personal account:

- What comes in is to be debited
- What goes out is to be credited

Nominal Account:



Nominal accounts are those types of accounts that are related to any form of income or expenditure, gain or loss. For example Rent A/c, Salary A/c, Wages A/c, etc.

Golden rule for such accounts:

- All types of expenditure and losses relating to the business are to be debited.
- All forms of income of business and gains, if any are to be credited.

Journal

Meaning of journal

Journal is a chronological record of financial transactions of a business.” o It is book of prime entry or original entry in which all the business transactions are recorded the first in the sequence in which the transactions had actually occurred.

Characteristics:

- a. It is a chronological record of financial transactions of a business.
- b. It is a book of original entry which records all the details of transactions from various source documents.
- c. It records both the aspects of a transaction i.e., debit and credit using Double Entry System of Book Keeping.
- d. It gives complete details of a transaction in one entry.
- e. It form the base for recording or transferring the journalized transactions to the individual accounts known as ledger accounts.
- f. It is known as books of original entry.

Types of Journal Entries:

o Simple Journal Entry:

It is the type of entry in which only two accounts are affected where one account is debited and another account is credited with an equal amount.

Compound journal entry:

It is the type of entry in which more than two accounts are affected i.e. one or more accounts are debited and or one or more accounts are credited or vice versa.

Ledger

All the accounts recognized on the basis of transactions recorded in different journals will be opened and maintained in a separate book called Ledger.



So a ledger is a book of account; in which all types of accounts relating to assets, liabilities, capital, expenses and revenues are maintained. It is a complete set of accounts of a business enterprise.

Ledger is in a book with pages consecutively numbered. It can also be a bundle of sheets.

All the items from the journal are recorded in ledger accounts and this process is known as posting entries from Journal to ledger accounts.

Features of Ledger Account

1. Ledger book is an accounts book to which various transactions of an enterprise are posted under different accounts.
2. It follows the double-entry system.
3. It is also known as the Principal book of account as it is the book of final entry of transactions after the journal or all-purpose books.
4. In the ledger, all the types of accounts relating to assets, liabilities, capital and revenue are maintained.
5. It is the only record of the business transaction classified into relevant accounts.
6. It facilitates the preparation of financial statements in future.

Trial Balance

Trial balance is a statement prepared with the debit and credit balances of ledger accounts to test the arithmetical accuracy of the books.

1. Objectives, Needs or Functions of Preparing a Trial Balance

2. Ascertain the arithmetical accuracy of the ledger accounts
3. Helps in locating errors
4. Summary of the ledger accounts
5. Helps in the preparation of final accounts

Balance Method of Preparing Trial Balance

Balance method is the most commonly used method of preparing trial balance as it facilitates the preparation of final accounts. Under this method, trial balance is prepared



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by showing the balances of all ledger accounts (including cash and bank accounts) and then totaling up the debit and credit column of the trial balance to assure their correctness. The account balances are used because the balance summarizes the net effect of all transactions relating to an account and helps in preparing the financial statements. Trial balance can be prepared under this method, only when all the ledger accounts have been balanced.

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Unit II

Introduction of Taxes

Tax is a compulsory financial contribution from a person to the state. This contribution funds the expenses incurred by the government in the common interest of all citizens, without offering a specific benefit to any single individual.

Types of taxes

Based on the incidence and burden, taxes are classified into two main types: direct tax and indirect tax.

Direct tax

- **Meaning:** A direct tax is levied directly on the income or profits of an individual or entity. The burden of this tax cannot be shifted to another person. The Central Board of Direct Taxes (CBDT) governs and administers direct taxes.
- **Examples:**
 - **Income Tax:** A tax levied on the income earned by individuals, corporations, Hindu Undivided Families (HUFs), and other entities. Tax slabs and rates are determined annually.
 - **Corporate Tax:** A tax imposed on the profits of a company.
 - **Capital Gains Tax:** A tax on the profit from the sale of a capital asset, such as real estate or shares.
 - **Securities Transaction Tax (STT):** A tax on the purchase and sale of securities through a recognized stock exchange.
 - **Wealth Tax:** Formerly levied on net wealth, it was abolished in 2016.

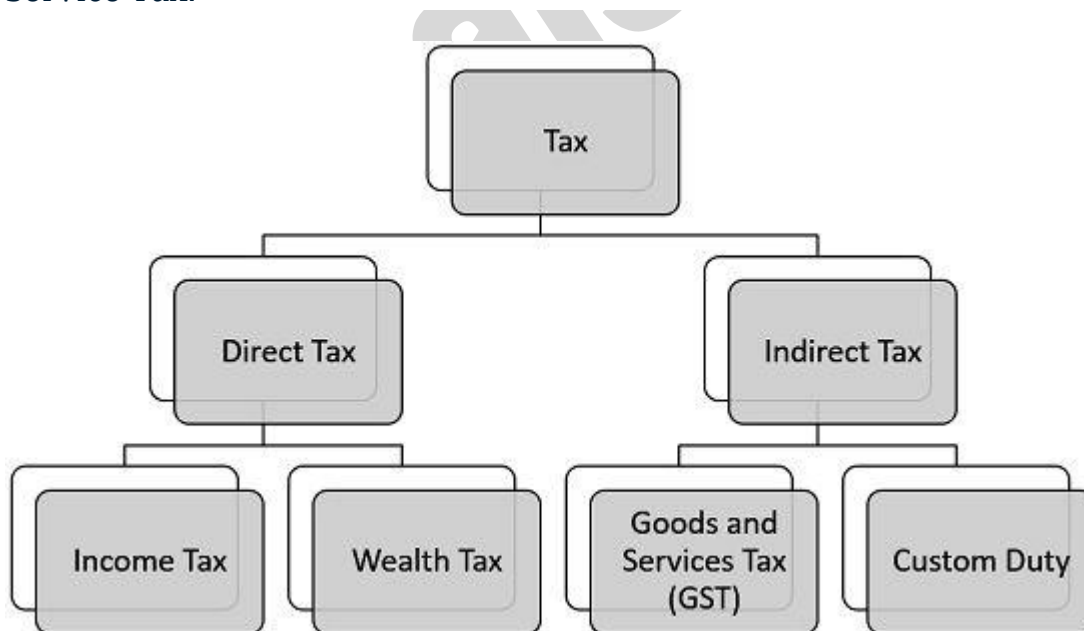
Indirect tax

- **Meaning:** Indirect taxes are levied on goods and services, with the burden often shifted to the final consumer through the price of the product or service. These taxes are managed by the Central Board of Indirect Taxes and Customs (CBIC).



- **Examples:**

- **Goods and Services Tax (GST):** A comprehensive tax that replaced several previous taxes on the supply of goods and services.
- **Customs Duty:** A tax applied to imported and exported goods.
- **Excise Duty:** A tax on certain goods manufactured within the country.
- Other indirect taxes that existed before GST include Value Added Tax (VAT) and Service Tax.





Meaning of Income Tax

Income tax is a tax on year taxable income of a person levied by the Central Government at prescribed rates. Tax payers include individual, firm, company, Hindu undivided family, association of persons, trust etc. Taxable income means income

SALIENT FEATURES OF INCOME TAX -

- | | |
|--|---|
| 1. Central Tax | 8. Separate Administration |
| 2. Direct Tax | 9. Distribution of Tax between Central and State Government. |
| 3. Tax on Taxable Income | 10. It is largest source of revenue. |
| 4. Progressive rates of Tax | 11. Tax for country welfare |
| 5. Scope of Taxation not only with individual but also with firm, company, HUF, Trust & Co-Operative Societies | 12. History of income Tax in India is about 150 years old. |
| 6. Tax Exemption limit | 13. Control on Income by Income tax |
| 7. Burden on Rich class persons | 14. Beginning of Income Tax by sir James Wilson in 1860 in India. |



Income [Section 2(24)]

Though 'Income' is a very important word for the Income Tax Act but no precise definition of the word "Income" is attempted under the Income Tax Act, 1961. The term "Income", in the context of the Act, is inclusive. The narration given in Sub-Section (24) of Section 2 of the Act enumerates certain items, including those which cannot ordinarily be considered as income but are treated statutorily as such.

Definition of Income [Section 2(24)]

Income Includes:-

1. Profit and gains;
2. Dividend;
3. Voluntary contributions received by a trust.
4. The value of a perquisite or profit in lieu of salary.
5. Any special allowance or benefit other than perquisites included under 4.
6. Any allowance granted to the assessee either to meet his personal expenses at the place where the duties of his office
7. The value of any benefit or perquisite obtained from a company.
8. Any compensation
9. Profit on sale of License
10. Cash assistance received
11. Any interest, salary, bonus, commission/remunerations
12. Profit/gain of mutual or co-operative insurance co.
13. Capital gain arising from transfer of capital gain
14. Any sum received under a key man insurance policy.

Agricultural Income [Section 2 (1A)]

Definition of Agriculture Income

Sec. 2(1A) defines "agricultural income" to mean –

- (A) any rent or revenue derived from land which is situated in India and is used for agricultural purposes,
- (B) any income derived from such land by agriculture or by the process employed to render the produce fit for the market or by sale of such produce by a cultivator or receiver of rent in kind,



- (C) Any income derived from any building provided the following conditions are satisfied (i) The Building is immediate vicinity of the agriculture land (ii) it is occupied by the cultivator or received of rent or revenue (iii) It is used as a dwelling house or store house/out house. (iv) The land is assessed to land revenue or a local rate.
- (D) Any income derived from saplings/seedling grown in a nursery shall be deemed to be agricultural income.

Partly Agricultural Income Shown by Chart

S.No.	Partly Agricultural Income	Agricultural Income	Non Agricultural Income
1	Growing & manufacturing tea in India	60%	40%
2	Growing & cured coffee in India by the seller	75%	25%
3	Sale of Coffee grown, cured, roasted and grounded	60%	40%
4	Sale of centrifuged latex or cenex manufactured from rubber	65%	35%
5	Other Agricultural produce grown by the manufacturer and used for own product.	Market value of agricultural produce used in production	Remaining Business income will be taxable.

INCOME CONNECTED WITH LAND BUT NOT AGRICULTURAL INCOME –

- | | |
|--|---|
| <ol style="list-style-type: none">1. Profit earned on purchasing the standing crop.2. Income from mines3. Income from self grown grass, trees/bamboos4. Divided from a company engaged in Agricultural5. Income from warehouses and godowns. | <ol style="list-style-type: none">6. Income from land used for brick making7. Income from supply of water for irrigation purposes.8. Remuneration for managing agricultural property.9. Income from dairying.10. Interest accrued on promissory notes executed for arrears of rent. |
|--|---|



Agricultural Income and Tax Liability -

Though agricultural income is exempt and it is not included in computation of total income of an assessee but from tax calculation point of view it is added to total income. The agricultural income is integrated with non-agricultural income in those cases where assessee has both incomes. Such integration is done only in the case of individual, HUF, AOP/BOI and Artificial juridical person.

Condition for Integration -

When the following two conditions are satisfied-

- (i) Non agricultural income of the assessee exceeds the maximum exemption limit which for the assessment year 2025-26 is Rs. 2.5 lakh in the case of an individual, Women and HUF in case of Senior citizen it will be Rs. 3,00,000 and Super senior citizen Rs. 5,00,000 instead of Rs. 2,50,000/-.
- (ii) Net agricultural income exceed Rs. 5,000

Procedure for computation of Tax-payable an non-agricultural income after Integration-

1. Aggregate the Agricultural income with non Agricultural income and determine the tax payable on such amount.
2. Aggregate the Agricultural income with basis exemption limit and determine the tax payable on such amount.
3. The difference between the tax computed in step (a) and step (b) will be the tax payable in respect of non-agricultural income.

CASUAL INCOME

Causal Income means such income the receipt of which is accidental and without any stipulation. It is the nature of an unexpected windfall.

Though causal income is fully taxable but it is necessary to clear this meaning from the following point of view –

1. Causal income like lottery, race income are taxable at special rate of 30%
2. Causal income cannot be set off against other causal income as well as casual income cannot be used for setting off loss of other head.



4. ASSESSMENT YEAR : (2025-2026) [Section 2 9]

It means the period of twelve months commencing on 1st of April every year. In other words period of 12 months – 1st April to 31st March is called assessment year.

5. PREVIOUS YEAR (Section 3) (2024-2025) [Section3]

Previous year means the financial year immediately preceding the assessment year e.g. for the assessment year 2025-2026 previous year will commence on 1st of April, 2024 and end on 31st March, 2025. Previous year for income tax purposes will be financial year which ends on 31st of March, however the assessee can close his books of accounts on other date e.g. an assessee may maintain books of accounts on calendar year basis but his previous year, for Income Tax purpose, will be financial year and not the calendar year. This uniform previous year has to be followed for all sources of income.

Important points in relation to previous year: Under the following situation the previous year would be -

1. Where a different accounting year is followed
2. Previous year in case of newly set up business
3. In case of newly created source of income

Exception to the rule of Previous Year:

These exceptions are:

1. Shipping business income of non-resident ship-owners
2. In case of persons leaving India
3. In case of persons who are likely to transfer their assets to avoid tax
4. In case of discontinued business

PERSON [SECTION-2 (31)]

The term 'person' includes:



- (1) An individual
- (2) A Hindu undivided family
- (3) A Company;
- (4) A Firm;
- (5) An association of persons or a body of individuals, whether incorporated or not;
- (6) A local authority like Municipalities, Panchayats, Cantonment Boards, Port Trusts etc.
- (7) Every artificial juridical person Like Life Insurance Corporation, University etc.

ASSESSEE [SECTION-2 (7)]

In simple word, An Assessee is a person who is liable to pay any sum under Income Tax Act or in respect of whom the proceeding have been initiated under this Act.

The word 'assessee' has been defined in Section 2(7) of the Act according to which assessee means a person by whom any tax or any other sum of money is payable under the Act and includes –

(a) Every person:

- (i) Who is liable to pay any tax; or
- (ii) Who is liable to pay any other sum of money under this Act (e.g. interest, penalty, etc); or
- (iii) In respect of whom any proceeding under this Act has been taken for the assessment of the income; or
- (iv) In respect of whom any proceeding under this Act has been taken for the assessment of the income of any other person in respect of which he is assessable; or
- (v) In respect of whom any proceeding under this Act has been taken for the assessment for the loss sustained by him or by such other person; or
- (vi) In respect of whom any proceeding under this Act has been taken for the amount of refund due to him or to such other person;

(b) A Deemed Assessee:

A person who is liable to pay tax not only on his own income but on the income of any another person. Deemed assesses includes legal representative, agent of non resident, guardian or manager of an infant and lunatic, trustees and administrators etc.

(c) Who is deemed to be an assessee in default?



A person is said to be an assessee in default if he fails to comply with the duties imposed upon him under the Income tax Act.

GROSS TOTAL INCOME

Gross Total Income means aggregate amount of taxable income computed under five heads of income i.e. salaries, house property, business & profession, capital gains and other sources. In other words, Gross Total Income means total income computed in accordance with the provisions of the Act before making any deduction under sections 80C to 80U.

In Simple words, the aggregate amount of the following heads of income is called Gross Total Income –

- | | |
|-------|---|
| (i) | Salaries (Cash receipts and perquisites from the employer), |
| (ii) | Income from House Property (Rental income) |
| (iii) | Profits and Gains of Business or Profession, |
| (iv) | Capital Gains from transfer of movable and immovable assets, |
| (v) | Income from other Sources i.e. interest, royalty, lottery etc. |
| (vi) | so, aggregate amount of income computed under the above 5 heads, after |
| (vii) | making adjustments of set off and carry forward of losses and clubbing of |
| | income is known |
| | as Gross Total Income (G.T.I.). |

TOTAL INCOME

'Taxable income of an assessee is called Total Income. Income Tax Liability is calculated on such income. It is computed as per provisions and rules of Income Tax.

As per Section 2 (45) " Total income means the total amount of income referred to in section 5, computed in the manner laid down in the Income Tax Act.

In other words, total income means the amount left after making the deductions under sections 80C to 80U from the gross total income.

Gross Total Income and Total Income at a glance



1. Income from Salary	
2. Income from House Property	
3. Income from Business/Profession	
4. Income from Capital Gain	
5. Income from Other Sources	
Less: Set off and carry forward losses	
Add: Clubbed income	
	
Gross Total Income	
Less: Deduction u/s 80C to 80U	

S.No.	Gross Total Income	Total Income
1.	Aggregate of various heads of income salary, house property, business/profession, capital gains and other sources is called gross total income.	After deducting deduction u/s 80C to 80U from Gross Total Income the remaining amount is called Total Income.
2.	Tax calculation is not done on Gross Total Income.	Tax calculation is done on Total income.
3.	Gross Total Income can remain more than or equal to total income.	Total income can remain less than or equal to Gross Total Income.
4.	Rounding off procedure does not apply.	Total income shall be rounded off to the nearest multiple of ten rupees.
5.	Due to exemption agricultural income shall not be included in Gross total income.	Only for tax purpose, agricultural Income shall be added to Total income.

INCOME WHICH DOES NOT FORM PART OF TOTAL INCOME

EXEMPTED INCOME

Section -10 of Income Tax Act lay down income which is totally or partially exempted from tax-

A. EXEMPTED INCOME FOR ALL ASSESSES



1. Agricultural Income Sec. 10(1)
2. Share of income from partnership firm Sec. 10 (2A)
3. Share of HUF Income Sec. 10(2)
4. Scholarships – Sec.10(16)
5. Income as divided Sec. 10 (34 & 35)
6. Capital gain on transfer of u/s 64 (Sec. 10 (33))
7. Allowance of M.P./MLA Sec. 10 (17)
8. Award / reward Sec. 10 (17A)
9. Pension to gallantry award winner Sec. 10(18)
10. Family Pension received by the family members of armed forces Sec. 10(19).
11. Capital gain on compulsory acquisition of urban Agriculture land Sec. 10(37)
12. Interest on notified Government Securities Sec. 10(15)
13. Income of minor child which is clubbed Sec. 10(32) [Up to 1,500/- per child]
14. Compensation under Bhopal Gas Leak Disaster Sec. 10(10BB)
15. Income of subsidy from Tea Board Sec. 10(30)
16. Income of schedule Tribe members Sec. 10(26)
17. Amount received under a life Insurance Policy Sec. 10(10D)
18. Income of subsidy from Rubber Board/Coffee Board /spices board / any other notified Board Sec. 10(31)
19. Income from Sukanya Samriddhi Account – Sec. 10(11)A.

B. EXEMPTED INCOME FOR EMPLOYEES

1. House Rent Exempted upto a certain limit Sec.10(13A)
2. Gratuity :- Sec. 10(10)
 - a) Gratuity for Government employees is fully exempted
 - b) Gratuity for non-government, employees is exempted up to a certain limit.
3. pension Sec. 10(10A)
 - a) Pension for government employees, fully exempted
 - b) Pension for non-government employee exempted upto certain limit.
4. Leave travel concession in India Sec. 10(5) :-

Actual Amount Received or

Amount Prescribed or

}

Which ever is less

is exempted



Amount Actual Spent

5. Amount received as leave encashment on retirement Sec.-10 (10AA)
 - a) Central/State Government Employee – Fully Exempted
 - b) Other Employee exempted upto certain limit
6. Compensation on retrenchment Exempted upto certain limit. Sec.10(10 B)
7. Allowance or perquisite outside India Sec 10(7)
8. Allowance/perquisite paid outside India by Indian Government is exempted.
9. Provident fund Sec. 10(11)
 - a) P.F. received from Recognised P.F. fully exempted
 - b) P.F. received from unrecognised P.F. Taxable
10. Superannuation fund Sec. 10(13)
11. Voluntary retirement Scheme Sec. 10(10c) (Amount received by this scheme is exempted upto 5 lakh.)
12. Tax on perquisite paid by the employer is exempted Sec. 10 (10 CC)
13. **Special Allowance Sec. 10 (14) for performing duty**

1	Travel/Tour Allowance	Actual Expenses Exempted
2	Daily Allowance	Actual Expenses Exempted
3	Conveyance Allowance	Actual Expenses Exempted
4	Helper Allowance	Actual Expenses exempted
5	Training Allowance	Actual Expenses exempted
6	Uniform Allowance	Actual Expenses exempted

14. compensatory allowances to Employee ---

1	Education Allowance	100/- Per month Per Child (for 2 child)
2	Hostel Allowance	300/- Per month Per Child (for 2 child)
3	Transfer Allowance	70% of Allowance Or } Whichever is less 10,000 Rs. Per month
4	Tribal Area Allowance	Up to 200 Rs. Per month



5	Field Area Allowance	Rs. 2,600 Per month
6	Composite Hill Compensatory Allowance	From 300 Rs. to 7000 Rs. Per month. according to place
7	Border/Remote area allowance	200 to Rs. 1,300 Per month. according to place
8	Allowance to workers of coal mines	Rs. 500 Per month
9	High Attitude allowance	Rs. 1060 to Rs. 1600 Per month
10	Highly Active field area allowance	Rs. 4,200 Per month
11	Modified field area allowance	Rs. 1,000 per month.
12	Counter Insurgency Allowance	Rs. 3,900 per month.
13	Transport Allowance	Rs1600 per month (Rs. 3200 per month in the case of handicapped, blind or disabled employee) Upto 31/03/2018
14	Island (Duty) Allowance	Rs. 3,250 per month.

C. EXEMPTED INCOME FOR INSTITUTIONS

1. Income of scientific research association Sec. 10(21)
2. Income of employee's welfare fund Sec. 10 (23AAA)
3. Venture capital fund/Company Sec. 10 (23F)
4. Income of news Agency Sec. 10 (22B)
5. Income of Professional institutions Sec. 10 (23A)
6. Income of Regimental Fund of the Armed forces Sec. 10(23AA)
7. Income of Khadi/Village industrial Sec. 10(23B)
8. Income of Khadi Board Sec. 10(23BB)
9. Income of the European Economic Community Sec. 10 (23BBB)
10. Income of statutory bodies Sec. 10 (23 BBA)
11. Income of pension fund (Set up by LIC) Sec. 10 (23AAB)
12. Income from mutual fund Sec. 10 (23D)
13. Income of Registered Trade unions Sec. 10 (24)
14. Income of local authorities Sec. 10(20)
15. Income of Co-operative Societies for Scheduled castes/Tribes Sec. 10 (27)
16. Income of political party Sec. 13 (A)
17. Income of the SAARC fund for regional Project Sec. 10(23BBC)
18. Income of a corporation promoting the interest of a minority community Sec. 10 (26BB)



19. Income of certain national funds Sec. 10 (23 c)
20. Income of Hospitals and Educational Institution association Sec. 10 (23C)
21. Exemption of income of Investor Protection Fund – Sec. 10 (23EA)
22. Income of Swachh Bharat Kosh and Clean Ganga Fund – Sec. 10 (23C)

D. EXEMPTIONS FOR NON-RESIDENT /FOREIGN CITIZEN

1. Interest received on prescribed securities.
2. Interest received by “non-resident(External) Account”
3. Interest from notified central Government if such certificates are subscribed in foreign currency.
4. Remuneration received by foreign diplomats.
5. Salary received by foreign citizen in India/by non-resident foreign citizen/by an employee being a foreign national.
6. Tax paid by Government/Indian concern in case of non-resident/Foreign company.
7. Income arising to notified foreign companies projects connected with security of India.
8. Foreign allowance granted by the Indian government to its employee posted abroad.
9. Remuneration received from foreign government by an individual who is in India in connection with any sponsored Co-operative technical assistance programme.
10. Remuneration received by non-resident consultants and their foreign employers.

E. EXEMPTIONS FOR OTHERS

1. Exemptions for newly established industrial undertaking in free trade zones Sec. 10 (A)
2. Exemptions for newly established industrial undertaking in special Economic Zone Sec. 10 (AA) after 31st March, 2005
3. Exemptions for newly established industrial undertaking Hundred percent export oriented undertakings Sec. 10(B)
4. Deduction in respect of export of artistic hand made wooden articles section 10 (BA)
5. Income exempted of charitable/Religions trusts Sec.-11

I head: Income from Salary



As per Section 17(1) of the Income Tax Act, salary is broadly defined to include any payment received by an employee from an employer, whether in cash, kind, or as a facility. This encompasses various components such as basic salary, allowances, bonuses, commissions, perquisites, and profits in lieu of salary. The definition is comprehensive, covering all forms of remuneration received by an employee in the course of employment.

Computation of Income from Salary

(Assessment Year 2025-26)

(A) Cash Receipts :-	
Salary	-----
Bonus	-----
Commission	-----
All Taxable Allowances	-----
Advance Salary	-----
Arrears of Salary	-----
(B) (i) Employer's Contribution in R.P.F. (Recognized provident fund) in excess of 12% of salary	-----
(ii) Interest on R.P.F. in excess of 9.5%	-----
C) All taxable Perquisites:-	-----
Rent free house	-----
Medical facility	-----
Motor car	-----
Education facility	-----
Gross Salary	-----
Less:- Deduction u/s 16 (ii)	-----
1. Entertainment allowance (Only for govt.	-----



employee)	-----
2 Professional tax (Paid during the previous year)	----- -(-----)
3. Standard Deduction(Fixed Amount Rs 50000)	
Taxable Salary	-----

Deduction form Gross Salary

- (1) Entertainment allowance u/s 16(ii) :-** This deduction is allowable only to government employees.

Salary = Basic Salary :-

- | | |
|------------------------|---------------------|
| (i) Allowance received | } Whichever is less |
| (ii) 20% of Salary | |
| (iii) Rs. 5000 | |

- (2) Professional Tax or Employment tax u/s 16(iii) :-**
Actual Payment will be deductible.

Allowances		
Fully Taxable Allowance (Taxable under both regime)	Fully Tax free allowance(exempted in both regime)	Partly Taxable allowance (partly exempt under old tax regime but taxable new tax regime)



(1) City compensatory allowance (2) Dearness Allowance (3) Deputation Allowance (4) Entertainment Allowance (5) Family allowance (6) High cost of living allowance (7) Medical Allowance (8) Non-practicing allowance (9) Overtime allowance (10) Project allowance (11) Rural area allowance (12) Servant allowance (13) Tiffin allowance (14) Warden and proctor allowance	1) Conveyance allowance 2) Travelling allowance 3) Tour allowance 4) Helper or assistant allowance 5) Academic and research allowance 6) Uniform allowance 7) Special allowance for performing duty. Above allowances will be fully exempted if :- (i) Whole amount is spent (ii) Amount is spent for office use only	1) Education allowance 2) Hostel allowance 3) Tribal area allowance 4) Transport allowance 5) Composite hill compensatory allowance 6) Running allowance to the employees of transport undertakings 7) House rent allowance 8) Under Ground Allowance
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Rules regarding partly taxable allowance

- 1) Education allowance :-** Exempted to Rs.100/- P.M. per child for maximum 2 children i.e. $100 \times 2 \times 12 = \text{Rs. } 2,400/-$
- 2) Hostel allowance :-** Exempted up to Rs. 300/- P.M. per child for maximum 2 children i.e. $300 \times 2 \times 12 = \text{Rs. } 7,200$
- 3) Tribal area allowance:-** Exempted up to Rs. 200/- P.M.
- 4) Transport allowance:-** Allowance for going to office and coming back to home is exempted up to Rs. 800 P.M.
- 5) Composite hill compensatory allowance:-**
 - (i) Manipur skim, u.p., H.P. and J & K where height is 9000 ft. and above Rs. 800 P.M. exempted
 - (ii) In Siachin area Rs. 7000 P.M. exempted.
 - (iii) Places located at a height of 1,000 meter or more above the sea level Rs. 300 per month.
- 6) Running allowance for employees of Transport undertakings**

70% of allowance received

or

Whichever is less is exempted



Rs. 10,000/- P.M.

7) House Rent allowance:-

Salary = Basic Salary + D.A. Under the terms + Commission at fixed percentage

Allowance received		-----
Less:-		
1) Allowance received	} Whichever is less will be	-----
2) Rent paid – 10% of salary		-----
3) 40% or 50% of salary		-----
Taxable H.R.A.		-----

8) Under Ground Allowance : - Exempted upto Rs. 800 Per Month