



Income Tax Department

Government of India

1.b Allowances available to different categories of Tax Payers

[AY 2015-16]

S. No.	Section	Particulars	Limit of exemption	Exemption available to
A. Under the head Salaries				
1.	10(7)	Any allowance or perquisite paid or allowed by Government to its employees posted outside India	Entire Amount	Individual-Salaried Employee (being a citizen of India)
2.	-	Allowances to Judges of High Court/Supreme Court	Exempt, subject to certain conditions.	Individual - Judges of High Court/Supreme Court
3.	-	Compensatory allowance received by a Judge under article 222(2) of the Constitution	Fully Exempt	Individual - Judges
4.	-	Salary and allowances received by a teacher /professor from SAARC member state (Subject to certain conditions).	Fully Exempt	Individual - Teacher from SAARC member State
5.	10(45)	Following allowances and perquisites given to serving Chairman/Member of UPSC is exempt from tax: a) Value of rent free official residence b) Value of conveyance facilities including transport allowance c) Sumptuary allowance d) Leave travel concession	Fully Exempt	Individual - Chairman/Member of UPSC
6.	10(45)	Allowances to Retired Chairman/Members of UPSC	Exempt subject to maximum of Rs. 14,000 per month for defraying the services of an orderly and for meeting expenses incurred towards secretarial assistant on contract basis.	Individual - Retired Chairman/Member of UPSC
7.	-	Allowances paid by the UNO to	Fully Exempt	Individual -

		its employees	Government employee	Employees of UNO
8.	16(ii)	Entertainment Allowance received by the Government employees (Fully taxable in case of other employees)	Least of the following is exempt from tax: a) Rs 5,000 b) 1/5th of salary (excluding any allowance, benefits or other perquisite) c) Actual entertainment allowance received	Individual Government Employee -
9.	10(13A)	House Rent Allowance (Sec. 10(13A) & Rule 2A)	Least of the following is exempt: a) Actual HRA Received b) 40% of Salary (50%, if house situated in Mumbai, Calcutta, Delhi or Madras) c) Rent paid minus 10% of salary * Salary= Basic + DA (if part of retirement benefit) + Turnover based Commission Note: i. Fully Taxable, if HRA is received by an employee who is living in his own house or if he does not pay any rent ii. It is mandatory for employee to report PAN of the landlord to the employer if rent paid is more than Rs. 1,00,000 [Circular No. 08 /2013 dated 10th October, 2013].	Individual Salaried employee -
10.	10(14)	Children Education Allowance	Up to Rs. 100 per month per child up to a maximum of 2 children is exempt	Individual Salaried employee -
11.	10(14)	Hostel Expenditure Allowance	Up to Rs. 300 per month per child up to a maximum of 2 children is exempt	Individual Salaried employee -
12.	10(14)	Transport Allowance is granted to an employee to meet expenditure on commuting between place of residence and place of duty	Up to Rs. 800 per month (Rs. 1,600 per month for blind and handicapped employees) is exempt	Individual Salaried employee -

13.	Sec. 10(14)	Allowance granted to an employee working in any transport business to meet his personal expenditure during his duty performed in the course of running of such transport from one place to another place provided employee is not in receipt of daily allowance.	Amount of exemption shall be lower of following: a) 70% of such allowance; or Rs. 10,000 per month.	Individual - Salaried employee
14.	10(14)	Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office	Exempt to the extent of expenditure incurred for official purposes	Individual - Salaried employee
15.	10(14)	Any Allowance to meet the cost of travel on tour or on transfer	Exempt to the extent of expenditure incurred for official purposes	Individual - Salaried employee
16.	10(14)	Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty	Exempt to the extent of expenditure incurred for official purposes	Individual - Salaried employee
17.	10(14)	Helper/Assistant Allowance	Exempt to the extent of expenditure incurred for official purposes	Individual - Salaried employee
1.	10(14)	Research Allowance granted for encouraging the academic research and other professional pursuits	Exempt to the extent of expenditure incurred for official purposes	Individual - Salaried employee
2.	10(14)	Uniform Allowance	Exempt to the extent of expenditure incurred for official purposes	Individual - Salaried employee
3.	Sec. 10(14)	Special compensatory Allowance (Hilly Areas) (Subject to certain conditions and locations)	Amount exempt from tax varies from Rs. 300 per month to Rs. 7,000 per month.	Individual - Salaried employee
4.	Sec. 10(14) read with Rule 2BB	Border area allowance Remote Locality or allowance or Disturbed Area allowance or Difficult Area Allowance (Subject to certain conditions and locations)	Amount exempt from tax varies from Rs. 200 per month to Rs. 1,300 per month.	Individual - Salaried employee
5.	Sec. 10(14)	Tribal area allowance in (a) Madhya Pradesh (b) Tamil Nadu (c) Uttar Pradesh (d) Karnataka (e) Tripura (f) Assam (g) West Bengal (h) Bihar (i) Orissa	Up to Rs. 200 per month	Individual - Salaried employee

6.	Sec. 10(14)	Compensatory Field Area Allowance. If this exemption is taken, employee cannot claim any exemption in respect of border area allowance (Subject to certain conditions and locations)	Up to Rs. 2,600 per month	Individual Salaried employee -
7.	Sec. 10(14)	Compensatory Modified Area Allowance. If this exemption is taken, employee cannot claim any exemption in respect of border area allowance (Subject to certain conditions and locations)	Up to Rs. 1,000 per month	Individual Salaried employee -
8.	Sec. 10(14)	Counter Insurgency Allowance if this exemption is taken, employee cannot claim any exemption in respect of border area allowance (Subject to certain conditions and locations)	Up to Rs. 3,900 per month	Individual Members of Armed Forces -
9.	Sec. 10(14)	Underground Allowance is granted to employees working in uncongenial, unnatural climate in underground mines	Up to Rs. 800 per month	Individual Salaried employee -
10.	Sec. 10(14)	High Altitude Allowance is granted to armed forces operating in high altitude areas (Subject to certain conditions and locations)	a) Up to Rs. 1,060 per month (for altitude of 9,000 to 15,000 feet) b) Up to Rs. 1,600 per month (for altitude above 15,000 feet)	Individual Members of Armed Forces -
11.	Sec. 10(14)	Highly active field area allowance is granted to members of armed forces (Subject to certain conditions and locations)	Up to Rs. 4,200 per month	Individual Members of Armed Forces -
12.	Sec. 10(14)	Island Duty Allowance is granted to members of armed forces in Andaman and Nicobar and Lakshadweep group of Island (Subject to certain conditions and locations)	Up to Rs. 3,250 per month	Individual Members of Armed Forces -
13.	-	City Compensatory Allowance	Fully Taxable	Individual Salaried employee -
14.	-	Fixed Medical Allowance	Fully Taxable	Individual Salaried employee -
15.	-	Tiffin/Lunch/Dinner/Refreshment Allowance	Fully Taxable	Individual Salaried employee -
16.	-	Servant Allowance	Fully Taxable	Individual Salaried employee -

17.	-	Dearness Allowance	Fully Taxable	Individual - Salaried employee
18.	-	Project Allowance	Fully Taxable	Individual - Salaried employee
19.	-	Overtime Allowance	Fully Taxable	Individual - Salaried employee
20.	-	Telephone Allowance	Fully Taxable	Individual - Salaried employee
21.	-	Holiday Allowance	Fully Taxable	Individual - Salaried employee
22.	-	Any Other Cash Allowance	Fully Taxable	Individual - Salaried employee

B. Under the head Income from house property

1.	First proviso to section 23(1)	Municipal tax levied by local authority and borne by owner in respect of house property	Amount actually paid during the relevant previous year	All assessee
2.	24(a)	Standard Deduction	30% of the Annual Value (Gross Annual Value-Municipal Taxes)	All assessee
3.	24(b)	Interest incurred on borrowed capital	Interest on borrowed capital is allowed as deduction from income from house property as under: <ul style="list-style-type: none"> a) Up to Rs. 2,00,000 (if amount is borrowed for construction/acquisition of self-occupied house property on or after 01-04-1999), subject to certain other conditions b) Up to Rs. 30,000 (if amount is borrowed for reconstruction, repair or renewals of self-occupied house property) c) Actual amount of interest paid or payable during the year (in case of let-out property) d) Pre-construction period interest is allowed in 5 annual equal installments (Subject to certain conditions) 	All assessee

4.	25B	Standard Deduction from arrears of rent received subsequently	30% of arrears of rent received subsequently.	All assessee
C. Under the head Profits and gains from business or profession				
1.	32AC	Deduction under section 32AC is available if actual cost of new plant and machinery acquired and installed by a manufacturing company after 31-3-2013 but before 1-4-2015 exceeds Rs. 25/100 Crores, as the case may be.(Subject to certain conditions)	15% of actual cost of new asset acquired and installed (if it exceeds Rs. 25 Crores/100 Crores, as the case may be)	Company engaged in business or manufacturing or production of any article or thing
2.	33AB	Amount deposited in Tea/Coffee/Rubber Development Account by assessee engaged in business of growing and manufacturing tea/Coffee/Rubber in India	Deduction shall be lower of following: a) Amount deposited in account with National Bank for Agricultural and Rural Development (NABARD) or in Deposit Account of Tea Board, Coffee Board or Rubber Board in accordance with approved scheme; or b) 40% of profits from such business before making any deduction under section 33AB and before adjusting any brought forward loss. (Subject to certain conditions)	All assessee engaged in business of growing and manufacturing tea/Coffee/Rubber
3.	33ABA	Amount deposited in Special Account with SBI/Site Restoration Account by assessee carrying on business of prospecting for, or extraction or production of, petroleum or natural gas or both in India	Deduction shall be lower of following: a) Amount deposited in Special Account with SBI/Site Restoration Account; or b) 20% of profits from such business before making any deduction under section 33ABA and before adjusting any brought forward loss. (Subject to certain conditions)	All assessee engaged in business of prospecting for, or extraction or production of, petroleum or natural gas or both in India
4.	35(1)(i)	Revenue expenditure on scientific research pertaining to business of assessee is allowed as deduction (Subject to certain	Entire amount incurred on scientific research is allowed as deduction.	All assessee

		conditions).	Expenditure on scientific research within 3 years before commencement of business (in the nature of purchase of materials and salary of employees other than perquisite) is allowed as deduction in the year of commencement of business to the extent certified by prescribed authority.	
5.	35(1)(ii)	Contribution to approved research association, university, college or other institution to be used for scientific research shall be allowed as deduction (Subject to certain conditions)	175% of sum paid to such association, university, college, or other institution is allowed as deduction.	All assessee
6.	35(1)(iia)	Contribution to an approved company registered in India to be used for the purpose of scientific research is allowed as deduction (Subject to certain conditions)	125% of sum paid to the company is allowed as deduction	All assessee
7.	35(1)(iii)	Contribution to approved research association, university, college or other institution with objects of undertaking statistical research or research in social sciences shall be allowed as deduction (Subject to certain conditions)	125% of sum paid to such association, university, college, or other institution is allowed as deduction	All assessee
8.	35(1)(iv) read with 35(2)	Capital expenditure incurred during the year on scientific research relating to the business carried on by the assessee is allowed as deduction (Subject to certain conditions)	Entire capital expenditure incurred on scientific research is allowed as deduction. Capital expenditure incurred within 3 years before commencement of business is allowed as deduction in the year of commencement of business. <i>Note:</i> i. Capital expenditure excludes land and any interest in land; ii. No depreciation shall be allowed on such assets.	All assessee
9.	35(2AA)	Payment to a National Laboratory or University or an Indian Institute of Technology or a specified person is allowed as	200% of payment is allowed as deduction (Subject to certain conditions).	All assessee

		deduction. The payment should be made with the specified direction that the sum shall be used in a scientific research undertaken under an approved programme.		
10.	35(2AB)	Any expenditure incurred by a company on scientific research (including capital expenditure other than on land and building) on in-house scientific research and development facilities as approved by the prescribed authorities shall be allowed as deduction (Subject to certain conditions). Expenditure on scientific research in relation to Drug and Pharmaceuticals shall include expenses incurred on clinical trials, obtaining approvals from authorities and for filing an application for patent.	200% of expenditure so incurred shall be as deduction.	Company engaged in business of bio-technology or in any business of manufacturing or production of eligible articles or things
11.	35AD	Deduction in respect of expenditure on specified businesses, as under: a) Setting up and operating a cold chain facility b) Setting up and operating a warehousing facility for storage of agricultural produce c) Building and operating, anywhere in India, a hospital with at least 100 beds for patients d) Developing and building a housing project under a notified scheme for affordable housing e) Production of fertilizer in India (Subject to certain conditions)	150% of capital expenditure incurred for the purpose of business is allowed as deduction provided the specified business has commenced its operation on or after 01-04-2012. <i>Note:</i> If such specified businesses commence operations on or before 31-03-2012 but after prescribed dates, deduction shall be limited to 100% of capital expenditure.	All assessee
12.	35AD	Deduction in respect of expenditure on specified businesses, as under: a) Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution,	100% of capital expenditure incurred for the purpose of business is allowed as deduction provided specified businesses commence operations on or after the prescribed dates.	All assessee (Indian company in case of specified business of laying and operating a cross-country natural

		<p>including storage facilities being an integral part of such network;</p> <p>b) Building and operating, anywhere in India, a hotel of two-star or above category;</p> <p>c) Developing and building a housing project under a scheme for slum redevelopment or rehabilitation</p> <p>d) Setting up and operating an inland container depot or a container freight station</p> <p>e) Bee-keeping and production of honey and beeswax</p> <p>f) Setting up and operating a warehousing facility for storage of sugar</p> <p>g) Laying and operating a slurry pipeline for the transportation of iron ore</p> <p>h) Setting up and operating a semi-conductor wafer fabrication manufacturing unit</p> <p>(Subject to certain conditions)</p>		gas or crude or petroleum oil pipeline network)
13.	42	<p>Special Allowance in case of business for prospecting etc. for mineral oil (including petroleum & natural gas) in relation to which the Central Government has entered into an agreement with the taxpayer for the association or participation (Subject to certain conditions).</p>	<p>Following deductions shall be allowed as deductions:</p> <p>a) Any infructuous exploration expenditure</p> <p>b) Expenditure on drilling or exploration activities or services, etc.</p> <p>c) Allowance in relation to depletion of mineral oil, etc.</p> <p>Such allowances shall be computed in the manner specified in the agreement.</p>	All assessee
D. Under the head Income from other sources				
1.	56(2) (vii)	<p>Any sum of money or immovable property or movable property received without consideration or for inadequate consideration from a relative or member of HUF (subject to certain conditions and circumstances).</p>	<p>The whole amount received from specified relatives or in specified circumstances shall not be included in taxable income.</p>	Individual and HUF

2.	57(ia)	Standard Deduction for family pension	33.33% of Family Pension subject to maximum of Rs. 15,000	Individual
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[As amended by Finance (No. 2) Act, 2014]