



EXEMPTIONS UNDER SECTION 10 OF INCOME TAX ACT

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Abstract

It is generally seen that the words deductions and exemptions are used inter changeably. It is worth nothing that exemption means exempted. Therefore, exempted income means income which is not taxable at all. Exempted incomes are wholly exempt and not required to be added in the statement of total income while computing the taxable income of an assessee. The exempted incomes are specified in section 10, 10A, 10AA, 10B & of the Income - Tax Act.

Key Words : Income, Assessee, Exemptions, Deductions Etc.

Objectives of the Study

1. To study provision of sec. 10 regarding exemption of income.
2. Differentiate the concept of exemption and deductions.

Introduction

According to Section 10 of the Income Tax Act 1961, the salaried employees are entitled to enjoy the tax exemption. The objective of section 10 of the Income Tax Act is to reduce the burden of the different structure of the tax such as rent allowance, allowance for children education, travel allowance, gratuity and so on. This article will help you understand all the tax exemptions that will ultimately broaden the ways of appreciation on tax. There are various types of incomes that are entitled to exemptions under section 10 of the Income Tax Act.

Exemption of Special Allowance under the section of 10(14)

There are certain kinds of allowances that are considered special allowances under this section of the Income Tax Act. , 1961. These special allowances are mentioned below for further understanding:

Exemption of Agriculture Income under section 10(1)

1. UNO employees are entitled to receive this allowance.
2. The judges of Supreme Court and High Court are entitled to receive the sumptuary allowance.
3. Those who are Indian citizens working as government employees outside India are considered the beneficiary of this allowance.
4. The special allowances have been granted under this section of the income tax act to high court judges.

There are several advantages under this section. Let check out the allowances that are given to the beneficiary.

Section 10(2), exemption on the income of the HUF

According to the section of 10(2), those who earn the income of HUF are entitled to get tax exemption. Please go through the given illustration for better understanding:

Section 10(2a), profit sharing from partnership firm.

1. According to section 10(2), the profit which is earned by a co-owner is exempted from tax in the other co-owners.
2. In addition to, the profit which is earned by the partner of LLP will be exempted from the tax.
3. Such exemption is limited to the share of profit by the partners of LLP/firm.

Section 10(4) of the income tax act----certain types of interest to NRI

Those who are non-resident Indian are entitled to enjoy the exemption on tax on the certain condition such as earnings on bonds or account of NRE in the individual taxpayer's hands.



Section 10(4)(ii), interest to non-resident account or non-resident Indian

1. Those who are Non-Resident Indian earns the money on security bonds or those who have accounts in Indian banks are entitled to enjoy this tax exemption.
2. This exemption is not available for earning any interest on or after 1-04-2005.

Section 10(5) Travel Concession

1. According to the 10(5) section, an employee can receive the exemption on his leave travel
2. Under this section of the Income Tax Act, all the employees (including Indian and foreign citizens) are entitled to enjoy the particular benefit.
3. The employees are entitled to get travel concession in respect to any amount from his employer on a leave across India.

Section 10(6), Remuneration to Indian citizens who are working outside India

1. According to Section 10(6), this is a special package for those individuals who are working outside India and representing India in that country. There are such individuals i.e, High Commissioners, top-rated officials of the Embassy, trade commissioners and the other officers that are entitled to enjoy the benefits of this section.
2. The employees of the foreign companies are too, entitled to enjoy the tax benefit under this act, subject to following limitations:
3. The foreign company should not be engaged in any business or trade in India.
4. Under this act, the remuneration of the employer is not entitled to be deducted.

Section 10(7), Government pay the allowances and perquisites to the employees who are serving outside India

1. All the allowances and the perquisites that are provided by the government of India to its employees for furnishing its services outside India are exempted from tax.
2. The Indian citizens who are government employee have entitled to avail this benefit.

Section 10(10CC) Employers pay the taxes on Perquisites

The Indian citizens who are government employee have entitled to avail this benefit. Sometimes, the employers pay taxes for the perquisites of non-monetary on behalf of their employees. In that case, the paying of the tax by the employer will be treated as the exemption from tax in employees' hands.

Section 10(10d)---Exemption on tax of LIC

Whatever, the citizen of India earns on the sum of the LIC policy will be entitled to enjoy the tax benefits under this section of the Income Tax Act. There are some criteria to receive the benefit of the sum of the insurance.

1. If any money is received by the policyholder when a member of the family or the policyholder is suffering from any dangerous disease under the subsection of 3 of section 80DDA.
2. If any sum is received under the policy of key man insurance.
3. If any money is received from the insurance company of a handicapped member under the subsection of 3 of section 80DD.

Section 10(11) of the income tax act---payment of statutory provident fund

Any sum is received of the statutory provident fund relating to the contribution, amount and interest on his termination from the company or firm will be exempted.

Section 10(10BC) of the income tax act

The employee is entitled to enjoy the exemption on tax over receiving the compensation for natural disaster from central government.



Section 10(13A) of the income tax act

The salaried employees are entitled to receive the allowance on rent of the house which is exempted from tax.

The special allowance is given under section 10(14) of Income Tax Act

The exemption of the special allowance under the 10(14) can be classified into 2 parts.

Exemption of allowance under 10(14)(i)

Exemption of allowance under 10(14)(ii)

Under the section of 10(14), the exemption should be granted on the expenditure of government employee for a special purpose.

Section 10(14)(i)

Travel allowance

The allowance of travel is given to the government employee for transferring him or her to the new location within the country on duty. While the employee on tour, the allowance is exempted from tax under this section of the income tax act.

Daily allowance

The employees can receive the daily allowance to meet the charges which take place on daily basis. Such type of allowance is given when the employee is not in his actual place of duty.

Uniform allowance

Those employees who need to maintain its uniform while on duty can receive the uniform allowance.

Academic/Research allowance

The allowance granted for aiming the encouragement for research, vocational training is considered the research or academic allowance.

For most of the cases, the employees are not liable to submit the necessary documentation relating to the exemption of the tax on the allowance.

Section 10(14)(ii)

The allowance is granted under this section of this income tax act, to the employees who are serving under the several sets of conditions on duty. Let's check out the kinds of allowances that are exempted from tax.

Climate allowance

(those who are working in hilly regions of the country):

1. Those who are working in the hilly regions of HP, J&K, and North East would get the allowance of Rs. 800
2. Those who are working in the regions of Siachen would get Rs.7000 per month.

The tribal or scheduled areas allowances

Those who are working in the tribal parts of West Bengal, Karnataka, MP, Odisha, Tamil Nadu, UP, Bihar and Tripura, would receive Rs.200 as allowance.

The remote areas allowances

Those who are working in the remote areas or the disturbed areas of the country would be entitled to receive the allowance ranging between Rs.200 to Rs.1300. This allowance is exempted under the rule of 2BB.

Allowance for the education of children

The allowance of Rs.100 per month is given to the government employee for the education of each child. This allowance is given to those who have a maximum of 2 children.

The allowance is given to the Armed forces

Army members who are serving the nation at the height of ranging between 9000-15000ft should get the allowance of Rs.1060 per month and those who posted on the height of above 15000ft should get Rs.1600 per month.

Allowance for serving in underground mines

Those who are working for the central government project in underground mines is entitled to receive Rs. 800 per month.

Transport allowance for those who are physically disabled serving for the government

Under this section of the Income tax act, those who are working for the government is entitled to enjoy the allowance of Rs. 1600 per month while on duty and need to travel for the government assignment.

Island allowance to the armed forces

Those who are working as an armed force in Lakshadweep and Andaman & Nicobar island are entitled to receive the allowance of 3250 per month.

Section 10(15)—the income earned from interest exempt from the tax

Those who earn the income from interest are exempted as per the rules of section 10(15). The below-mentioned table will show the exact details which come under the sheds of this section of the Income tax act.

Section	Income	Exemption to
10(15)(i)	The exemption would be availed on the interest, redemption or the premium on bonds, securities, deposits and certificates which are subject to some conditions and limitations.	All assesses
10(15)(iib)	Interest on the bonds of Capital Investment which should be notified before the date of 1-6-2002	HUF/Individual
10(15)(iic)	Interest on Relief bonds	HUF/Individual
10(15)(iid)	Interest on declared bonds (which should be declared before 1-6-2002) and should be bought in foreign exchange which must be subject to some limitations and conditions.	NRI-Individual/NRI gift the bonds to the individual.
10(15)(iii)	Securities' interest	Issue department under the central bank of Ceylon
10(15)(iiia)	The interest on deposits with the scheduled bank with the approval from RBI	Incorporation of bank Abroad
10(15)(iiib)	Paying of interest to Nordic Investment Bank	Nordic Investment Bank
10(15)(iiic)	In the execution of an agreement which takes place on 25-11-1993, the interest is payable to the European Investment Bank for granting of the loan by it between that bank and the central government.	European Investment Bank
10(15)(iv)(a)	Receiving the interest from the local authority or the government on money lent to it prior to 1-6-2001	All the assess which have committed to lent on money from sources outside the nation.
10(15)(iv)(b)	Under the agreement of loan, received the interest from the industrial undertaking in India prior to 1-6-2001.	Approved the financial institution of foreign nations.
10(15)(iv)(c)	Receiving the interest on a certain rate from the industrial undertaking of India on debt or lent prior to the date of 1-6-2001	All the assesses who have committed to lent such cash.



	in a foreign nation for the purpose of purchasing the capital plant, raw materials and machinery within certain limitations and conditions.	
10(15)(iv)(d)	Receiving the interest prior to 1-6-2001 at an approved rate from certain financial institutions on lending of money in India	All the assess which have committed to lent on such money
10(15)(iv)(e)	Receiving the interest at an approved rate from country's financial institutions on lending of money from outside India prior to 1-6-2001 under the certain loan agreement	All the assess which have committed to lent on such money.
10(15)(iv)(h)	Receiving of the interest from any company concerning for approved debentures or bonds.	All assesses

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