

INCOME FROM SALARY(RETIREMENT)XIV

(Pension and commuted Pension.)

After retirement or death of an employee a certain amount is paid on monthly basis by the employer, which is called 'PENSION'. Pension paid after the death of an employee is called 'FAMILY PENSION' Family pension is taxable under the head 'Income from other sources'. The pension received by the employee is taxable under the head 'Income from salaries'

The amount of pension is given in two form.

a) Uncommuted pension:

Pension given on monthly basis is called uncommuted pension. It is calculated under the head 'Income from salary'

b) Commuted Pension:

Some employer give pension to the employee in commuted form. The lump-sum amount is given in cash to the employee by the employer and its remaining part is given on monthly basis.

Some part of commuted pension received by the employee from his employer is included in salary and some part of this commuted pension is exempt.

Following rules are regarding its exemption:

i) Commuted pension to the government employees:

Commuted pension received by the central or state Government are fully exempted from tax.

ii) Commuted pension to non-Government employees:

Commutated pension received by the employee from any other employer shall be exempt upto the following limit:

- I) If the employee gets gratuity along with pension:

1/3 part of total pension shall be exempt.
- II) If the employee does not get gratuity along with gratuity:

1/2 part of total pension shall be exempt.

THANK YOU.