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INCOME-TAX ACT, 2025

B: Deduction and collection at source

Section 392 - Salary and accumulated balance due to an employee.

(1) Any person responsible for paying any income chargeable under the head “Salaries” shall deduct income-tax on the amount payable and this deduction shall be made at the time of such payment at the average rate of income-tax computed on the basis of the rates in force for the tax year in which the payment is made, on the estimated income of the assessee under this head for such year.

2) (a) Without prejudice to the provisions of sub-section (1), the person responsible for paying any income in the nature of a non-monetary perquisite chargeable to tax under section 17(1), may pay, at his option, tax on the whole or part of such income without making any deduction therefrom, at the time when such tax was deductible under sub-section (1);

(b) the tax under clause (a) shall be determined at the average rate as per sub-section (1), on the income chargeable under the head “Salaries” including the income referred to in the said clause, and shall be construed as if it were a tax deductible at source from the income under the head “Salaries”, and be subject to the provisions of this Chapter.

(3) Any person, being an eligible start-up referred to in section 140, responsible for paying any income of the nature specified in section 17(1)(d) in any tax year, shall deduct or pay, as the case may be, tax on such income, on the basis of rates in force for the tax year in which the specified security or sweat equity share is allotted or transferred, within the time as specified for the payee in section 289(3).

4) (a) The person responsible for making payment under sub-section (1), shall take into account the following particulars furnished by the assessee, at his option, in such form and verified in such manner as may be prescribed, for the purpose of making deduction under the said sub-section and such particulars shall have an effect of increasing or decreasing the tax to be deducted:—

(i) any income under the head “Salaries” due or received by the assessee, from any other employer or employers during the tax year;

(ii) any relief allowable under section 157, where the assessee being a Government servant, or an employee in a company, co-operative society, local authority, university, institution, association or body is entitled for such relief;

(iii) any loss under the head “Income from house property” for the same tax year;

(iv) any income chargeable under any other head of income, not being a loss under any such head other than the loss specified in sub-clause (iii) for the same tax year;

(v) any tax deducted or collected at source under this Chapter for the same tax year;

(b) the tax deductible from income under the head “Salaries” shall not be reduced in any case, except on account of––

(i) loss under the head “Income from house property”; and

(ii) the tax deducted and collected as per other provisions of this Chapter.

(5) The person responsible for paying any income chargeable under the head “Salaries” to the assessee—

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(a) shall furnish a statement in such form and manner, as may be prescribed, with correct and complete particulars of perquisites or profits *in lieu* of salary paid, along with their value, to the assessee;

(b) shall, for the purposes of estimating income of the assessee or computing tax deductible under sub-section (1), obtain from the assessee the evidence or proof or particulars of prescribed claims (including claim for set off of loss) under the provisions of this Act in such form and manner, as may be prescribed; and

(c) may, increase or reduce the amount to be deducted under this section for adjusting any excess or deficiency arising out of any previous deduction or failure to deduct during the tax year.

6) (a) The trustees of a recognised provident fund, or any person authorised by the regulations of the fund to make payment of the accumulated balances due to employees shall, in cases where paragraph 9 of Part A of Schedule XI applies, at the time an accumulated balance due to an employee is paid, make therefrom the deduction provided in paragraph 10 of Part A of Schedule XI;

(b) where any contribution made by an employer, including interest on such contributions, if any, in an approved superannuation fund is paid to the employee, tax on the amount so paid shall be deducted by the trustees of the fund to the extent provided in paragraph 7 of Part B of Schedule XI.

7) (a) Irrespective of anything contained in this Act, the trustees of the Employees' Provident Funds Scheme, 1952, made under section 5 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952; or

(b) any person authorised under such scheme to make payment of accumulated balance due to employees,

shall at the time of payment of accumulated balance due to the employee participating in a recognised provident fund, deduct income-tax thereon at the rate of 10%, where the aggregate amount of such payment is ₹ 50000 or more, and such accumulated balance is includible in his total income owing to the provisions of paragraph 8 of Part A of Schedule XI not being applicable.

(8) For the purposes of deduction of tax on salary payable in foreign currency, the value in rupees of such salary shall be calculated at such rate of exchange as may be prescribed.

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