

## 20 Provisions of Income Tax for Post Office - LIC & UTI Agents

Ad hoc deduction for post office, LIC, UTI agents from income derived by commission is allowed as per CBDT circular no.648 dated Mar 30, 1993 as detailed below:

**Situation 1:** If gross commission received in financial year is not more than Rs. 60,000 & accounting of expenses has not been done then following deductions are allowed:

S.N	Particulars	Amount of std. deduction
(A)	Agents of Post office, mutual fund, UTI	Up to 50% of comm. received
(B)	LIC agent	
	(i) First year commission	Up to 50% of comm. received
	(ii) Renewal commission	Up to 15% of comm. received
	(iii) If accounting of above is not kept separately	Up to 33.3% of com. received
	(iv) Bonus commission	No deduction

Note – for LIC agent max. Deduction in respect of (i) (ii) (iii) is allowed up to Rs. 20,000

**Situation 2:** If all situations other than situation 1, tax assessment officer can allow deduction up to the limit of actual expenses.

**Example:** Mr. Sharma is an LIC agent, whose income in the year 2016-17 is as follows: -

A)	Income from commission	
(i)	First year commission	= Rs. 3,00,000
(ii)	Renewal commission	= Rs. 40,000
(iii)	Bonus commission	= Rs. 5,000
B)	Income from other sources (Interest of bank/NSC)	= Rs. 65,000
C)	LIC premium paid	= Rs. 30,000
	Calculate the Income Tax Payable?	

Solution:

(i)	Total Income	3,00,000 + 40,000 + 5,000 + 65,000	=	4,10,000
(ii)	ad hoc deduction on commission – not granted as the total commission is > Rs.60,000.			
	So deduction of actual expenses can be allowed if accounts are maintained properly as :			
	a) Transportation expenses		=	20,000
	b) office rent		=	60,000
	c) telephone and electricity charges		=	30,000
	Total Deduction		= (-)	1,10,000
(iii)	Gross Total Income		=	3,00,000
(iv)	Deduction in respect of LIC premium paid		= (-)	30,000
(v)	Total Taxable Income		=	2,70,000
(vi)	Total Income Tax			
	1 <sup>st</sup> 2,50,000	= Nil		
	Next 20,000 @ 10%	= 20000	=	2000
(vii)	Income tax rebate u/s 87 A		=	2000
(b) (viii)	Net tax payable		=	Nil

