

4 Income Exempt from Tax

Details of income exempt from tax (Tax free income) described in Section 10 of Income Tax Act, out of which, some important provisions are described in brief, are as follows:

- Sec. 10(1)** Income from Agriculture is exempt. However, if Net Agriculture Income exceeds Rs. 5000, than it is required to be taken into account for slab purpose.
- Sec. 10(2)** Share of income of Hindu Undivided Family for the Member is exempt.
- Sec. 10(2A)** After assessment of tax of a partnership firm the income for its partners is exempt from tax.
- Sec. 10(10D)** Any sum received from Life Insurance Policy including Bonus is exempt, except the following:
 - (i) Any sum received from key man Insurance Scheme and other insurance scheme eligible for deduction u/s 80DD/DDA
 - (ii) Any sum received from Life Insurance Policy issued after April, 2003 whose Annual Premium is more than 20% of sum assured and insured person is alive
- Sec. 10(12A)** Payment from superannuation fund transferred to the employee's account in a pension scheme notified u/s 80CCD to be exempt.
- Sec. 10(13)** 40% of amount received by an employee from National Pension System Trust at the time of closure of account/opting out of scheme to be exempt.
- Sec. 10(15)** Interest received from Post Office Saving Scheme & Govt. Relief Bond.
- Sec. 10(16)** Scholarship received to meet out the Expenditure of Education.
- Sec. 10(17)** Daily Allowance received by MLA/MP is exempt, but Salary received is Taxable. Other allowance received by MP is Tax free, but Allowance received by MLA is Tax Free up to a maximum limit of Rs. 2,000 per month
- Sec. 10(20)** Income of Local authority, i.e., Panchayat, Municipal etc. is exempt.
- Sec. 10(23C)** Income of University/Educational Institutional/Hospital or Medical Institution wholly or substantially financed by Govt. Or the Annual receipt of which do not exceed the prescribed amount Or which is approved by the competent authority is exempt.
- Sec. 24(4)** Income of Trade Union or Association of Trade Unions from House Property or Income from other sources is exempt.
- Sec. 10(25)** Income of statutory provident fund or an approved Superannuation fund or Gratuity fund is exempt.
- Sec. 10(32)** Income of Minor child up to Rs. 1,500 is tax free; but if exceeds will be added to the parent's income.
- Sec. 10(34)** Dividend distributed on or after April 1, 2003 by a Domestic Company is exempted from tax in the hand of investor
- Sec. 10(38)** Any Long Term Capital Gain ; arising from transfer of equity shares of a Company or Units of an Equity Oriented Fund on or after Oct 01, 2004, subjected to Securities, Transaction Tax are exempt from Tax for investor
- Sec. 13(A)** Income of Political party from Capital Gains, House Property and other Sources are tax free

Note: Income exempt from tax, for working/retired employees are described in pages 23 & 30.

