



GOVERNMENT OF INDIA
GEOLOGICAL SURVEY OF INDIA
SOUTHERN REGION
HYDERABAD

No. 658 / GSI/SRO/Cash/2018

Date : 23/01/2019

CIRCULAR

During the 41st ROC held on 28/11/2018, at GSI, SRO, Hyderabad, a point was discussed regarding calculation of HRA exemption for Income Tax. The point of discussion was whether DA is to be included as salary for purpose of exemption of HRA.

In this context, the relevant rules as formulated by the Income Tax Department are as follows :---

1. As per Rule 2-A "Salary" shall have the meaning assigned to it in Clause (h) of Rule 2 of Part -A of the Fourth Schedule. Clause (h) of Rule 2 of Part -A of the Fourth Schedule defines that "Salary includes Dearness Allowance if the terms of appointment so provide but excludes all other allowances and perquisites."
2. As per Rule 3 of Income Tax Rules, "Salary includes Pay, allowances, bonus or commission payable monthly or otherwise but does not include Dearness Allowance or dearness pay unless it enters into computation of retirement benefits of the assessee concerned."

Since, Dearness Allowance is included in the salary of the all Central Government employees and since it is also taken into account while computing retirement benefits such as Retirement Gratuity and Leave Encashment on Retirement, therefore Dearness Allowance is to be included in salary for purpose of calculation of HRA exemption.

Hence, all DDOs/HOs of SRO (including State Units) are requested to take strict note of the above so that provisions of the Income Tax Rules are complied with.

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23/01/2019

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