

Statutory Deductions & Calculations

Are those deductions that are required by law or regulation



What are statutory deductions in India?

Below are the four main statutory deduction components :

- PF
- ESI
- PT
- Income Tax
- LWF



PF Calculation

Employee Provident fund interest is calculated on the Contributions made by the employee as well as the employer. Contribution made by the employee equals 12% of his/her Basic Pay plus Dearness Allowance (DA). When the Basic Pay + DA is less than or equal to Rs 15000, the employee contribution is 12% of Basic Pay + DA, whereas the employer contribution is 3.67% of the Basic Pay + DA.

Note:(12% Employer contribution will be divided into 2 parts i.e. 8.33% towards Employees pension scheme and rest 3.67% towards Provident fund)

PF Calculation

Typically, Employer 12% Contribution is divided as follows:

- 3.67% into Employee Provident fund
- 8.33% into Employees pension scheme
- 0.5% into Employees' Deposit Linked Insurance Scheme (EDLIS)
- 0.01% towards EDLIS Administrative Charges

If the employee income is below or equal to 15,000/- (Compulsory)

- Employees' Basic Pay + DA: Rs 15000.
- Employee contribution towards EPF: $12\% \times 15000 = \text{Rs.}1,800/-$

12% Employer contribution will be divided into 2 parts i.e. 8.33% towards Employees pension scheme and rest 3.67% towards Employee Provident fund.

- But employer contribution towards provident fund is $\text{Rs.}15,000 \times 3.67\% = \text{Rs.}550.5/-$
- Remaining 8.33% towards Employee pension scheme (EPS) that is $15,000/- \times 8.33\% = \text{Rs.}1249.5/-$.

If the employee income is above 15,000/- (Exempted but Voluntary)

There are 3 methods of computing the contributions if the income is above the threshold of Rs 15000. Any one of these methods can be adopted by an employer. The most commonly used is the first method.

PF Calculation

Methods	Employee PF Contribution	Employer PF Contribution
1	12% of Basic Pay plus DA	12% of Basic pay - 8.33% of 15000
2	12% of Basic Pay plus DA	3.67% of 15000
3	12% of 15000	3.67% of 15000

Computation of ESI

The rates of the ESI contribution are calculated on the wages paid. Currently, the employee contribution is 0.75% of wages paid/payable, and employer contribution is 3.25% of wages paid/payable.

Total ESI Contribution = Employer's Contribution + Employees Contribution

Let us say Mr Hard Working with wages of Rs.18,000 work in a factory unit.

The contribution will be as follows:

Employee Contribution – $0.75\% * 18,000 = 135$

Employer Contribution – $3.25\% * 18,000 = 585$

Wages as per the ESI Act

The contributions (employee and employer) are made basis on the wages paid to the employees. Some of the inclusions and exclusions from the wage component are as follows:



ESI Components

Inclusions	Exclusions
Basic Pay	Entertainment Allowance
Dearness Allowance	Retrenchment Compensation
City Compensatory Allowance	Encashment of leave and gratuity
House Rent Allowance	Deduction of health insurance
Incentives (including sales commission)	Tax Deductions
Medical Allowance	-
Meal allowance	-
Any other special allowances	-
Attendance and Overtime Payments	-

The Karnataka Tax on Profession, Trades, Callings and Employment Act, 1976

Profession tax is levied under the Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976. This tax shall be paid by every person exercising any profession or calling or is engaged in any trade or holds any appointment, public or private, as specified in the Schedule to the Act.

Monthly Salary Range	PT/Month
Rs. 1 to Rs. 9,999	0
Rs.10,000 to Rs.14,999	0
Rs.15,000 and above	Rs.200

Income Tax Slabs

Salaried Individuals for AY 2022-23

For Individual (resident or non-resident), 60 years or more but less than 80 years of age anytime during the previous year:

Existing Tax Regime		New Tax Regime u/s 115BAC	
Income Tax Slab	Income Tax Rate	Income Tax Slab	Income Tax Rate
Up to ₹ 3,00,000	Nil	Up to ₹ 2,50,000	Nil
₹ 3,00,001 - ₹ 5,00,000	5% above ₹ 3,00,000	₹ 2,50,001 - ₹ 5,00,000	5% above ₹ 2,50,000
₹ 5,00,001 - ₹ 10,00,000	₹ 10,000 + 20% above ₹ 5,00,000	₹ 5,00,001 - ₹ 7,50,000	₹ 12,500 + 10% above ₹ 5,00,000
Above ₹ 10,00,000	₹ 1,10,000 + 30% above ₹ 10,00,000	₹ 7,50,001 - ₹ 10,00,000	₹ 37,500 + 15% above ₹ 7,50,000
		₹ 10,00,001 - ₹ 12,50,000	₹ 75,000 + 20% above ₹ 10,00,000
		₹ 12,50,001 - ₹ 15,00,000	₹ 1,25,000 + 25% above ₹ 12,50,000
		Above ₹ 15,00,000	₹ 1,87,500 + 30% above ₹ 15,00,000

Income Tax Slabs

Salaried Individuals for AY 2022-23

For Individual (resident or non-resident) less than 60 years of age anytime during the previous year:

Existing Tax Regime		New Tax Regime u/s 115BAC	
Income Tax Slab	Income Tax Rate	Income Tax Slab	Income Tax Rate
Up to ₹ 2,50,000	Nil	Up to ₹ 2,50,000	Nil
₹ 2,50,001 - ₹ 5,00,000	5% above ₹ 2,50,000	₹ 2,50,001 - ₹ 5,00,000	5% above ₹ 2,50,000
₹ 5,00,001 - ₹ 10,00,000	₹ 12,500 + 20% above ₹ 5,00,000	₹ 5,00,001 - ₹ 7,50,000	₹ 12,500 + 10% above ₹ 5,00,000
Above ₹ 10,00,000	₹ 1,12,500 + 30% above ₹ 10,00,000	₹ 7,50,001 - ₹ 10,00,000	₹ 37,500 + 15% above ₹ 7,50,000
		₹ 10,00,001 - ₹ 12,50,000	₹ 75,000 + 20% above ₹ 10,00,000
		₹ 12,50,001 - ₹ 15,00,000	₹ 1,25,000 + 25% above ₹ 12,50,000
		Above ₹ 15,00,000	₹ 1,87,500 + 30% above ₹ 15,00,000

Income Tax Slabs

Salaried Individuals for AY 2022-23

For Individual (resident or non-resident) 80 years of age or more anytime during the previous year:

Existing Tax Regime		New Tax Regime u/s 115BAC	
Income Tax Slab	Income Tax Rate	Income Tax Slab	Income Tax Rate
Up to ₹ 5,00,000	Nil	Up to ₹ 2,50,000	Nil
₹ 5,00,001 - ₹ 10,00,000	20% above ₹ 5,00,000	₹ 2,50,001 - ₹ 5,00,000	5% above ₹ 2,50,000
Above ₹ 10,00,000	₹ 1,00,000 + 30% above ₹ 10,00,000	₹ 5,00,001 - ₹ 7,50,000	₹ 12,500 + 10% above ₹ 5,00,000
		₹ 7,50,001 - ₹ 10,00,000	₹ 37,500 + 15% above ₹ 7,50,000
		₹ 10,00,001 - ₹ 12,50,000	₹ 75,000 + 20% above ₹ 10,00,000
		₹ 12,50,001 - ₹ 15,00,000	₹ 1,25,000 + 25% above ₹ 12,50,000
		Above ₹ 15,00,000	₹ 1,87,500 + 30% above ₹ 15,00,000