



## Understanding Income Tax Deduction from Salaries for FY 2024-25: Key Updates for Employers and Employees

### Description

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The Central Board of Direct Taxes (CBDT) has issued **Circular No. 3/2025**, dated **February 20, 2025**, outlining the guidelines for **income tax deduction from salaries under Section 192** of the Income-tax Act, 1961, for the **Financial Year 2024-25**. This circular provides clarity on the latest amendments introduced through the **Finance (No.2) Act, 2024, Finance (No.1) Act, 2024, and the Finance Act, 2023**. Here's a detailed breakdown of the key updates affecting salaried individuals and their employers.

### Definition of Salary and Perquisites

1. **Expanded Salary Definition:** Salary now includes contributions made by the Central Government to the **Agniveer Corpus Fund** under the **Agnipath Scheme** (Section 80CCH).
2. **Perquisites Inclusion:** The definition of perquisites now encompasses **rent-free accommodations** and accommodations provided at a **concessional rate** by employers.

### Revised Tax Rates Under the Old and New Regimes

#### Surcharge Rates (Old Tax Regime)

- **10%** on income between **₹50 lakh – ₹1 crore**
- **15%** on income between **₹1 crore – ₹2 crore**
- **25%** on income between **₹2 crore – ₹5 crore** (*excluding dividend income and capital gains under Sections 111A, 112, 112A*)
- **37%** on income **above ₹5 crore** (*excluding dividend income and capital gains under Sections 111A, 112, 112A*)
- **15%** on income **above ₹2 crore** (*including dividend income and capital gains under Sections 111A, 112, 112A*)

#### Tax Slabs Under the New Tax Regime (Section 115BAC)

- **₹0 – ₹3,00,000 – Nil**

- ₹3,00,001 – ₹7,00,000 – 5%
- ₹7,00,001 – ₹10,00,000 – 10%
- ₹10,00,001 – ₹12,00,000 – 15%
- ₹12,00,001 – ₹15,00,000 – 20%
- Above ₹15,00,000 – 30%

## Additional Key Amendments

1. **Form No. 16 & 24Q Updates:**
  - The **Health and Education Cess** has replaced the **Education Cess**.
  - New provisions added to Form No. **24Q**, including a dedicated field for **other tax deducted or collected at source**.
2. **Leave Encashment Exemption Increased:**
  - The exemption limit for **leave encashment** for non-government employees has been **raised to ₹25 lakh**.
3. **Agniveer Corpus Fund Tax Exemption:**
  - Payments from the **Agniveer Corpus Fund** under the **Agnipath Scheme** are **fully tax-exempt**.
4. **Rebate Under Section 87A:**
  - For those opting for the **new tax regime**, total income **up to ₹7 lakh** qualifies for a **rebate**, ensuring **zero tax liability**.
5. **Penalty & Prosecution for TDS Defaults:**
  - **Penalty under Section 271C:** Failure to deduct/pay TDS can result in a penalty **equal to the tax not deducted**.
  - **Prosecution under Section 276B:** Non-payment of deducted TDS can attract **imprisonment of 3 months to 7 years**.

## Employer Responsibilities

Employers must ensure:

- **Accurate TDS deductions** based on employees' selected tax regimes.
- **Compliance with the revised Form 16 & 24Q formats**.
- **Prompt deposit of deducted taxes** to avoid penalties.
- **Timely issuance of Form 16** to employees.

## Conclusion

With these new amendments, employees should evaluate **which tax regime suits them best**. Employers, on the other hand, must align their payroll and tax deduction processes with these updates to **ensure compliance and avoid penalties**. For further details, refer to the [official circular here](#).

For expert tax planning and compliance guidance, consult a **Chartered Accountant** today!

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