

Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

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PRESS RELEASE

Clarification regarding applicability of standard deduction to pension received from former employer

Finance Act, 2018 has amended Section 16 of the Income-tax Act, 1961 (“*the Act*”) to provide that a taxpayer having income chargeable under the head “Salaries” shall be allowed a deduction of Rs 40,000/- or the amount of salary, whichever is less, for computing his taxable income.

Representations have been received seeking clarification as to whether a taxpayer, who receives pension from his former employer, shall also be eligible to claim this deduction.

The pension received by a taxpayer from his former employer is taxable under the head “Salaries”. Accordingly, any taxpayer who is in receipt of pension from his former employer shall be entitled to claim a deduction of Rs 40,000/- or the amount of pension, whichever is less, under Section 16 of the Act.

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