

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

New Delhi, 5th April, 2018

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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