

Basic Pay

As the name suggests, this forms the very basis of your salary. This is the core of your salary, and many other components may be calculated based on this amount.

Basic usually depends on your grade within the company's salary structure.

Many deductions are also dependent on the basic – for example, your contribution and the matching component by your employer) to provident fund is 8 % of your basic.

Basic is paid out every month, and is a taxable component of your salary.

Dearness Allowance (DA)

The Dearness Allowance is paid out to compensate for increase in the general cost of living due to inflation.

DA is paid out every month. It is a taxable component of your salary.

Incentive / Bonus

Incentives or bonuses are paid out depending on your performance (and at times, depending on the company's / division's performance as well). This is to reward employees for their better performance.

Incentive is usually paid out monthly. A bonus can be paid out monthly or can be paid out once a year.

Incentive and bonus are fully taxable.

Conveyance Allowance

Conveyance allowance is paid out to meet your expenses on commute related transportation.

Conveyance allowance is paid out every month.

Conveyance allowance upto Rs. 800 per month (Rs. 9,600 per year) is tax-free. Any amount over it is taxable.

House Rent Allowance (HRA)

House Rent Allowance (HRA) is paid out to meet full or part of your expenditure on renting a house.

HRA may be expressed as a percentage of your basic.

House Rent Allowance is paid out every month.

HRA can be tax-free, subject to certain conditions.

Medical Allowance (Reimbursements)

Medical allowance is paid out to help you with the amount that you spend on medical treatment and medicines.

Medical allowance can be paid out monthly or yearly.

Medical allowance is a fully taxable component of your salary.

However, if you receive reimbursement of your medical expenses against submission of bills, such medical reimbursement is tax-free upto Rs. 15,000 per year.

Leave Travel Allowance / Concession (LTA / LTC)

LTA is paid to encourage you to take periodic vacations and travel with your family.

Leave Travel Allowance is usually paid out once a year.

LTA / LTC can be tax-free, provided certain conditions are met.

Vehicle Allowance

This is an allowance given to you so that you can maintain a vehicle.

It is usually paid out monthly, and is taxable.

Telephone / Mobile Allowance

This is an allowance given to you so that you can maintain a telephone (landline or a cell phone).

It is usually paid out monthly, and is taxable.

Special Allowance

Special Allowance can be given out to pay money that doesn't fit into any other head!

Such allowances are paid out monthly, and are taxable.