Release Notes for FBP Reimbursement Enhancement

With respect to the amendments to the Income Tax Act for the Financial Year 2020-21, the FBP Components to be brought to taxation in case of New Tax Regime.

To make the same effective Paybooks, the following process is being developed:

- FBP Configuration must be changed to "Process along with the payroll". (Settings >> Configuration rules >> Add-on Modules)

- The FBP components need to be configured as "Taxable" and opt for "Tax distributed across the year".

- The Section 10 and Section 17 component value will be updated to Earnings and allowed as a deduction. Hence there will be a change in Earnings post-implementation and the tax as well.

- At ESS End declared amount will be treated as Income and Tax is calculated. (View Tax Summary) with an exception that the Admin End Projected Values and ESS end values will not match when Processed but not locked as Processed Values will not be considered for ESS End unless locked.

- Section 10 items will be exempted on a monthly basis.

- For Employees under New Tax Regime, if some client wants to use section 17 items, they can do the same as mentioned hereunder.

  Note:
  With respect to IT changes with effect from 01/04/2020, Paybooks has provided option for the Employees to choose the regime of their liking, Old Tax Regime or New Tax Regime.
  And in the New Tax Regime, no exemption is allowed.
  As per Paybooks, any FBP declarations made will be reduced from the Special Allowance.
  This will reduce Gross Earnings and IT on that too.
  Only unclaimed Reimbursements will be considered for IT computation.

  Since the Allowances given as Reimbursements too are taxable, the following changes have been done in Paybooks.
- All the components declared under FBP will be added to Gross Earnings and then allowed as exemptions u/s 10 or u/s 17.
- Since the declared values are added to Gross Earnings, the said values will appear the IT sheet.
- And it is understood FBP is processed along with Payroll; if not, then the claimed values will be displayed in Earnings alone in the Payslips and not in the IT sheet.
- If the FBP components are configured as Reimbursement and Non-Taxable, then there will be no changes as mentioned.


  Also Note:
- At the ESS End, in View Tax summary, the FBP taxable and reimbursement declared values will be added as Earnings by default.
- However, at the Admin end, to avoid confusion, there is a dropdown list to select FBP with Projection.
- Again, this will display FBP declared values as Earnings.
- Please note that view tax summary is for the Employees to verify their Tax details only.
- The Tax Process will happen only on claims processed for the month.

  Configurations Required:

- The FBP components shall be configured as Paid, Reimbursement, Variable, FBP, Part of CTC, Taxable, Tax distributed across the year (optional) and Flat.
  Note: If the FBP components are mapped as Non-Taxable, then the claimed amount will neither be considered as Earnings nor as Deductions even if mapped for exemption.

- FBP shall be along with Payroll; if not, then no action needed either in the Old Tax Regime or in the New Tax Regime.
- For exemption to be availed, the FBP Components must be mapped under the below path:

  Homepage >> Transactions >> Map Tax Deduction Components
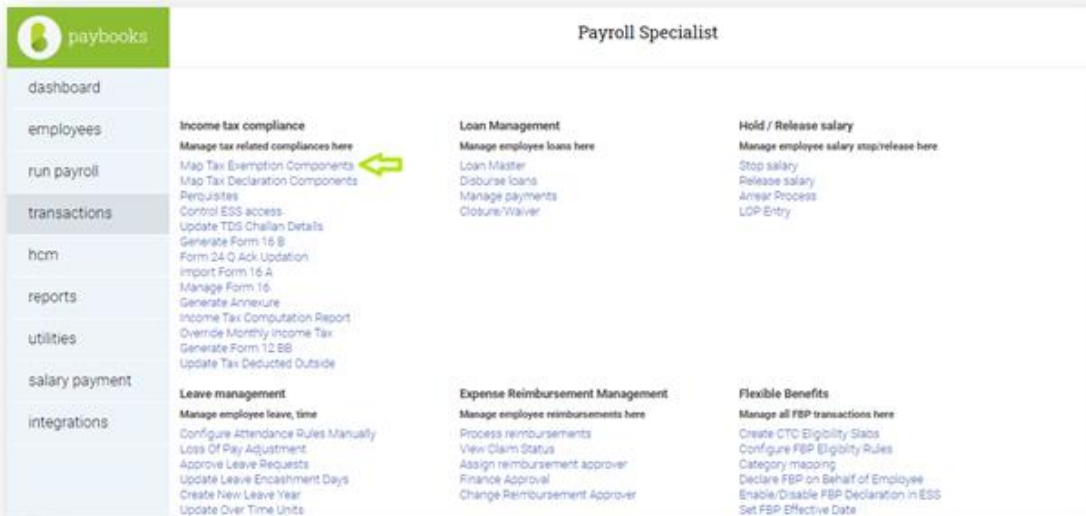
For the New Tax Regime, section 17 items, there is new column in the Map Tax Deduction Components, which needs to be enabled to show in the exemption.

This is as per the Company configurations; if the company wants it enabled, else disable it.

For example, Food Coupons, being section 17 items, some are interpreting it as exempted and some as not exempted.

Implementation:

Admin End
- Once the Employees declare their FBP Values, ensure the same is deducted from Special Allowance.
- After they submit their claims, see that they are approved.
- Then Lock the month for FBP Claims.
- Process the FBP for the month
- Now the claimed amount will be added to the exemptions, to the extent of monthly eligibility.

Exemption u/s 10 or u/s 17 happens as under:
If the component has the maximum value along with monthly maximum value, the monthly maximum value will be displayed as exemption.
For example, for Food Coupons (u/s 17), if INR 26400/- is set as annual value and INR 2200/- as monthly value, then INR 2200/- will be shown in the exemption.
If component has maximum value as INR 0/-, then only the claimed amount will be shown as exempted amount.
There is no component which has no monthly value but has the annual maximum value.
This has effect on the existing computations as currently Annual values are being displayed for section 10 exemptions wherever limit is mentioned.

The Income Tax computation sheet has got two options, FBP with Projection and FBP without Projection.

- With Projection will show values with declared values as Earnings and yearly exemption if any
- Without Projection will show only the claimed amounts as per the conditions mentioned.

  For all other purpose, only the claimed amount will be taken for Payroll Process, Update to IT Excel, etc.

  Note:
  Every month Income Tax changes based on the claimed amount. The Employees must refer their Income Sheets which will be updated to the ESS End upon locking the payroll and publishing the Payslips.
  This is nothing but the IT Sheet as per the Payroll execution.

  Earlier for the Employees under Old Tax Regime, the claimed amount was not updating under Gross Earnings, but exemptions were duly considered; hence the Taxable income was less.
  Post-implementation, the claimed amount will be added to their income and exemptions will be as it is, hence resulted in more taxable income.
  All FBP reports will be as earlier and no changes in the FBP reports.
  These reimbursement components will be added to IT Excel and IT PDF

  ESS End:
  Gross Earnings will include Earnings plus FBP declared amounts.
  For Employees under New Tax Regime, the Deductions will be as per the components selected for exemption.
  For Employees under Old Tax Regime, the Deductions will be as earlier