

Shimla • Delhi • Gurgaon • Jaipur • Mumbai • Surat • Bangalore

TAX YEAR 2026-27 • FOR SALARIED EMPLOYEES

Diwali Bonus & Gifts: What's Tax-Free and What's Not

Dhanteras falls on 6 November and Diwali on 8 November 2026, and bonuses, gift cards and hampers are about to land. Many employees assume every Diwali gift is tax-free. It is not. This guide gives you the simple version, based on the **Income-tax Act, 2025** and the **Income-tax Rules, 2026**, which apply to income from 1 April 2026.

100% of a cash bonus is taxable as salary, and your employer deducts TDS	₹15,000 yearly tax-free limit on employer gifts and vouchers (earlier ₹5,000)	Non-cash gifts only. Cash and cash-convertible gifts do not qualify
---	--	--

Quick reference: what you received and how it is taxed

What you received	Tax treatment
Cash Diwali bonus	Taxable as salary. Your employer deducts TDS at your slab rate.
Non-cash gift card or voucher, total for the year within the ₹15,000 limit	Nil perquisite . Not added to your taxable salary.
Cash, gift cheque, or any voucher that can be converted to cash	Taxable . The exemption is for non-cash gifts only.
Gifts and vouchers totalling more than the limit	Taxable perquisite . See page 2 for how the limit works.
Gifts from relatives (as defined in the Act)	Not taxable, whatever the amount.
Gifts from non-relatives, such as friends	Taxable as "Income from Other Sources" only if the total received in the year exceeds ₹50,000.

Bottom line: a cash bonus is simply more salary. A voucher is tax-free only while your **total gifts for the whole tax year** stay within the limit. Cross it and the gift can start behaving like cash.

Shimla · Delhi · Gurgaon · Jaipur · Mumbai · Surat · Bangalore

HOW THE LIMIT WORKS

The ₹15,000 rule, explained

From 1 April 2026, the Income-tax Rules, 2026 treat the value of gifts, vouchers and tokens from your employer as **nil** if the total for the tax year stays within ₹15,000. The old limit was ₹5,000. Five things to know:

- **It is a yearly total, not a per-gift limit.** A Diwali voucher, a birthday gift card and a spot-award token all count towards the same ₹15,000 for the tax year (1 April 2026 to 31 March 2027).
- **It is a threshold, not a deduction.** Treat it as a cliff. Once you cross it, the safe reading is that the **entire value** becomes a taxable perquisite, not only the excess. Some commentary reads it as the excess only, so plan for the stricter view and ask your payroll team how it will be treated.
- **Stay comfortably under the line.** Sources word the limit slightly differently (“does not exceed” versus “below” ₹15,000), so do not aim for exactly ₹15,000.
- **The gift must be non-cash.** Digital gift cards and vouchers qualify. Cash, gift cheques and cash-convertible items do not.
- **It applies in both the old and the new tax regime.**

What crossing the limit can cost you

Scenario	Taxable value	Extra tax
A. Non-cash vouchers totalling ₹14,000 in the tax year	Nil	₹0
B. Non-cash vouchers totalling ₹20,000 (limit crossed, whole value taxed)	₹20,000	₹4,160
C. Cash bonus of ₹20,000	₹20,000	₹4,160

Illustration for a taxpayer in the ₹16 to ₹20 lakh slab under the new regime: 20% tax plus 4% cess is 20.8% on the added amount, so ₹20,000 × 20.8% = ₹4,160. Your actual cost depends on your own slab. If your total taxable income, including the bonus, stays within ₹12 lakh under the new regime, the rebate (up to ₹60,000) can bring your tax to nil.

New regime slabs, Tax Year 2026-27 (for your own calculation)

Taxable income	Rate	Taxable income	Rate
Up to ₹4 lakh	Nil	₹16 to ₹20 lakh	20%
₹4 to ₹8 lakh	5%	₹20 to ₹24 lakh	25%
₹8 to ₹12 lakh	10%	Above ₹24 lakh	30%
₹12 to ₹16 lakh	15%	Standard deduction (salaried)	₹75,000

Plus 4% health and education cess. Surcharge applies at higher incomes.

Shimla • Delhi • Gurgaon • Jaipur • Mumbai • Surat • Bangalore

WHAT TO DO NEXT

Your pre-Diwali checklist

- ☐ Ask HR: is my Diwali benefit **cash** or a **voucher / gift card**?
- ☐ Add up **every** gift, voucher and token received since 1 April 2026: festive, birthday, awards and recognition.
- ☐ Keep the running total comfortably under **₹15,000**, and ask HR how payroll will treat anything above it.
- ☐ Check your payslip. Is the bonus or taxable perquisite included in your taxable salary, and is TDS deducted on it?
- ☐ Before filing your ITR, review your salary TDS statement, **AIS** and **Form 26AS** so nothing is missed or counted twice.
- ☐ Keep a record of gifts from non-relatives. Report them if the yearly total goes above **₹50,000**.

Common mistakes to avoid

- Assuming **all** Diwali gifts are tax-free.
- Counting each gift separately instead of adding them up for the whole tax year.
- Treating ₹15,000 as a deduction from a bigger gift. It is a threshold.
- Accepting gift cheques or cash-convertible vouchers as “gifts”. They do not qualify.
- Ignoring the payslip. If your employer deducts TDS on a perquisite, it will show in your Form 26AS and AIS.

Need help with your ITR or tax planning?

I am CA Mukander Beniwal, Partner at VSARK & Associates. We help salaried professionals and business owners with ITR filing, tax planning and compliance across our offices in Shimla, Delhi, Gurgaon, Jaipur, Mumbai, Surat and Bangalore.

Call / WhatsApp: +91 85804 61755 **Email:** mukander@vsark.com **Web:** www.vsark.com

Basis and note: Income-tax Act, 2025 and Income-tax Rules, 2026 (valuation of perquisites: gifts, vouchers and tokens), effective 1 April 2026, as understood on 5 October 2026. Tax rules and their interpretation can change. Your employer's payroll treatment decides the TDS, and any difference is settled when you file your return. Please confirm your specific case with your payroll team or a Chartered Accountant.