Salary refers to the compensation paid to an employee by an employer in exchange for services rendered. It is typically paid on a regular basis, such as monthly or bi-weekly, and may include base pay, bonuses, commissions, and other forms of compensation.

1. Taxable Income: Salaries are generally considered taxable income, subject to income tax at the applicable rates. Income tax is typically withheld from an employee's salary by the employer through the payroll system, based on the employee's tax withholding allowances and the tax rates specified by the tax authorities.

2. Tax Deductions and Credits: Employees may be eligible for various tax deductions and credits that can reduce their taxable income and overall tax liability. Common deductions include contributions to retirement accounts (e.g., 401(k) contributions), health savings accounts (HSAs), and deductible expenses related to work (e.g., unreimbursed business expenses). Tax credits, such as the Earned Income Tax Credit (EITC) or Child Tax Credit, can directly reduce the amount of tax owed.

3. Taxable Benefits: In addition to cash compensation, employees may receive non-cash benefits from their employer, such as health insurance, retirement plan contributions, stock options, or fringe benefits like company cars or gym memberships. These benefits may be partially or fully taxable depending on the specific benefit and tax laws.

4. Tax Reporting: Employers are required to provide employees with a Form W-2 (in the United States) or similar tax document that summarizes their annual compensation, tax withholding, and other relevant information for income tax purposes. Employees use this information to file their tax returns with the tax authorities.

5. Taxable vs. Non-taxable Income: While salaries are generally taxable, certain types of income may be non-taxable or partially taxable under specific circumstances. For example, certain employee benefits, such as employer-provided health insurance premiums or qualified retirement contributions, may be excluded from taxable income.

6. Tax Planning: Employees can engage in tax planning strategies to minimize their tax liability, such as contributing to tax-advantaged retirement accounts, maximizing available deductions and credits, and structuring compensation packages to optimize tax outcomes.

7. State and Local Taxes: In addition to federal income tax, employees may also be subject to state and local income taxes, which vary by jurisdiction. These taxes are typically withheld from employees' salaries along with federal income tax, and employees must file separate state and local tax returns.