

CHAPTER 3A: INCOME UNDER HEAD SALARIES

Important Concepts Relating To Salaries

- (1) **Employer-employee relationship:** Every payment made by an employer to his employee for service rendered would be chargeable to tax as salaries.
- (2) **Full-time or part-time employment:** It does not matter whether the employee is a full-time employee or a part time one.
- (3) **Foregoing of salary:** Once salary accrues, the subsequent waiver by the employee does not absolve him from liability to income-tax. Such waiver is only an application and hence, chargeable to tax.
- (4) **Surrender of salary:** Exempt while computing his taxable income.
- (5) **Salary paid tax-free:** This, in other words, means that the employer bears the burden of the tax on the salary of the employee. In such a case, the income from salaries in the hands of the employee will consist of his salary income and also the tax on this salary paid by the employer.
- (6) **Place of accrual of salary:** salary earned in India is deemed to accrue or arise in India even if it is paid outside India or it is paid or payable after the contract of employment in India comes to an end.

BASIS OF CHARGE (SECTION 15)

- (i) Section 15 deals with the basis of charge. Salary is chargeable to tax either on 'due' basis or on 'receipt' basis, whichever is earlier.
- (ii) However, where any salary, paid in advance, is assessed in the year of payment, it cannot be subsequently brought to tax in the year in which it due.
- (iii) If the salary paid in arrears has already been assessed on due basis, the same cannot be taxed again when it is paid.

Example 1: Pay Scale : 20,000 – 500 – 22,000 – 1000 – 26,000 – 1500 – 32,000

Raghav Join A Ltd. on above pay scale @ ₹ 21000 on 1/9/2019

Calculate salary of Raghav for year 2024– 25

Note :- Salary due on last day of same month.

Example 2: Pay Scale : 22,500 – 750 – 25,500 – 1500 – 30,000 – 2000 – 36,000

Mr. Satyam Join A Ltd. on above pay scale @ ₹ 24000 on 1/12/2018

Calculate salary of Raghav for year 2024– 25

(A) Salary due on last day of same month.

(B) Salary due on 1st day of next month.

Example 3: Pay Scale : 35,000– 1000 – 38000 – 1500 – 42500 – 2000 – 48500.

Mr. X join @ ₹35000 on 1/1/2018

Calculate salary for PY 2024 – 25

Assume salary due on 1st day of next month.

ALLOWANCES

1. Fully Taxable Allowances

Servant Allowance	Fixed Medical Allowance	Meal Allowance
Dearness allowance.	City Compensatory Allowance	Overseas allowance
Entertainment allowance	Telephone Allowance	Overtime allowance
Rural allowance	Project allowance (personal research)	High Cost of living Allowance
Holiday Home Allowance	Non-Practising Allowance	Marriage / Family Allowance

2. Fully exempted allowances

Following allowances are fully exempted from tax:

- A. Allowances paid to Supreme Court and High Court Judges.
- B. Any salary or allowance or perquisites paid to the employees of United Nation Organisation.
- C. Section 10(7). Any allowances or perquisites paid or allowed by Government of India to Indian citizen for rendering services outside India.

3. Official Allowances

For The Following Allowances, amount received or actually spent by Employee, whichever is lower shall be exempt from tax under Old Regime

Transfer Allowance	Helper Allowance
Daily Allowance	Conveyance Allowance
Academic Allowance	Research & Development Allowance(R & D)
Uniform Allowance	Travelling Allowance

Note: Under Default Regime exemption is allowed only for Travelling Allowance/Daily Allowance/ Conveyance Allowance. Other official allowances are fully taxable.

4. Allowances For Personal Nature

Following Exemption is allowed only under old regime (under default regime no exemption is allowed for personal nature allowances)

- A. **Children Education Allowance:** exempt upto ₹100 p.m. per child upto two child.
- B. **Hostel Allowance:** exempt upto ₹300 p.m. per child upto two children.
- C. **Transport Allowance:** Fully Taxable. However, if granted to an employee, who is blind or orthopaedically handicapped with disability of lower extremities is exempt upto ₹3,200 p.m.
- D. **Outstation Allowance:** Granted to an employee working in any transport system to meet his personal expenditure. It is exempt to the extent of least of the following:
 - (i) 70% of the allowance received
 - (ii) ₹10,000 p.m.
- E. **Underground Allowance:** Allowance to the employees who are working in the mines. It is exempt upto ₹800 p.m.
- F. **Tribal Area Allowance:** exempt upto ₹200 p.m.
- G. **Other notified allowances:**
 - (i) Compensatory modified field area allowance. upto ₹ 1,000 p.m. is exempt.
 - (ii) Composite field area allowance. upto ₹ 2,600 p.m. is exempt.
 - (iii) Compensatory field area allowance. upto ₹ 2,600 p.m. is exempt.
 - (iv) Island Duty allowance. upto ₹ 3,250 p.m. is exempt.
 - (v) Counter insurgency allowance. upto ₹ 3,900 p.m. is exempt.
 - (vi) Special Compensatory highly active field area allowance. upto ₹4,200 p.m. is exempt.

Example 4. Helper allowance (official Allowance) = ₹ 10,000 pm.

Helper appointed @ ₹ 8000 pm from July 2024 to Month 25

Helper did work as follows :- 70% official help; 30% personal help

Compute Taxable Allowance

Illustration 1: Explain tax treatment following allowances

1. Mr. J is a Govt. employee and he receives entertainment allowance of 5,000 for the entertainment of clients of the Govt. He spend 3,000 p.m. for the entertainment of the clients of the Govt
2. Entertainment Allowance 300 p.m. (30% is used for official purpose)
3. Transport Allowance 3,400 p.m. Expenditure incurred in commuting 1,200 p.m. He is blind
4. Transport Allowance 3,600 p.m. Expenditure incurred in travelling from residence to office & back ₹ 300 p.m. He is dumb and deaf.
5. Transport Allowance 3,000 p.m. No expenditure is incurred. He is orthopaedic handicapped with lower extremities
6. Children Education Allowance for 3 children 120 p.m./each.

7. Children Education Allowance for 3 children 90 p.m./child
8. Special allowance to meet the cost of education and staying 500 p.m. for a child.
9. Hostel allowance for 3 child 400 p.m. per child for 4 months.
10. Children Education Allowance for 3 children 6,000. Actual school fees 3,000.
11. Hostel Allowance for a child 8,000. Actual hostel fees 9,000.
12. Children education allowance for his grandchild 4,000. Actual school fees 300.
13. Research and development allowance 4,000. 1,000 is spend wholly towards official purpose.
14. Meal Allowance 700. Expenditure on meal is 1,000.
15. Helper Allowance 1,500. 900 is spent wholly towards official purpose.
16. Conveyance Allowance 500 p.m. Whole of allowance is saved.
17. Mr. Abhay Jain, is a pilot in Jet Airways, He get a Flight Allowance of 10,000 p.m.
18. Mr. J is working in Delhi Transport Corporation. He gets a driver allowance of 6,000 p.m.
19. X is employed as a guard in railways. He is getting guard allowance of 24,000 p.a. He is not in receipt of daily allowance.
20. Hostel Allowance for 2 children 250 p.m./child. (actual expenditure incurred is 150 p.m./child).
21. Hostel Allowance for 4 children 320p.m./each.
22. High cost of living allowance @ 50,000.
23. Tribal area allowance in Madhya Pradesh 300 p.m.
24. Daily allowance 6,000.
25. Medical allowance 800 p.m.
26. X is employed as a caretaker in a transport company at Chennai. he gets transport duty allowance 3,600 p.m.
27. Bonus disputed in court.
28. Clothing Allowance.
29. He has received fixed allowance of 2,500 p.m. for medical treatment for the entire family had incurred an expenditure of 12,500 actually.
30. Children education allowance • First child 70 p.m. • Second child 90 p.m. • Third child 4,800
31. Overseas allowance, Physically fit allowance.
32. Medical allowance 2,000 p.m. received by an employee, the entire Amount of which has been spent by him for medical treatment.
33. Hostel allowance for 3 children 3,500 each.

Illustration 2: Mr. J posted at Hyderabad draws the following emoluments from F Ltd. Basic Salary 6,000 p.m. Bonus 2,000 p.m. Commission 8,000 p.a. CCA 1,000 p.m. Telephone allowance 200 p.m. Medical Allowance 300 p.m. Entertainment allowance 4,800 (6,000 spend on entertainment of clients of companies). Academic allowance 16,000 (9,000 spend on his education). Conveyance allowance 6,000 (7,000 is spend on conveyance for official purpose). Travelling allowance 18,000 (17,000 is spend on conveyance for official purpose). Transport allowance 1,700 p.m. (Expenses incurred on commuting between residence to

office and back 2,500 p.m.) Children education allowance for 4 child 160 p.m. per child. Hostel allowance for 3 child 280 per month per child (expenditure incurred on child education and their hostel 1,100 per month per child). Compute Gross Salaries

5. Section 10(13A) & Rule 2a. House Rent Allowance

- Exemption is allowed only under old regime (under default regime no exemption is allowed for HRA)
- House rent allowance is exempt to the extent of the least of the following:
 - (i) (Rent Paid – 10% of salary)
 - (ii) 50% of retirement benefit salary in case of Mumbai, Kolkata, Chennai or Delhi.
Or
40% of retirement benefit salary in case of any other place.
 - (iii) House rent allowance received

Meaning of Salary for HRA (also known as Retirement Benefit salary)

Basic Salary + DA (RB) + Commission (% of TO)

Note: If There Is Change In HRA, Salary, Rent Paid and Location of Accommodation, then Exemption shall be computed separately for each such Change.

Example 5. HRA Received = 10,000 pm
Rent paid = ₹ 15000 pm in Kanpur
Retirement Benefit Salary = ₹ 7,50,000
Calculate HRA taxable under old regime.

Example 6. Suppose in above Ques, Assesses opted default regime
Calculate HRA Taxable

Illustration 3: Mr. J is employed in F Ltd. getting basic pay 20,000 p.m., dearness allowance 7,000 p.m. and half of the dearness allowance forms the part of salary for the purpose of retirement benefits. The employer has paid bonus @ 500 p.m., commission @ 1% on the sales turnover of 20 lakhs. The employer paid him house rent allowance 6,000 p.m. Employee has paid rent 7,000 p.m. and was posted at Agra. Compute Taxable HRA.

Illustration 4: Compute Gross Salary : Basic Salary 5,000 p.m. Dearness allowance (70% forms part of salary) 500 p.m. Commission 1% p.a. based on sales. Sales achieved by the employee 24 lakhs p.a. House rent allowance 4,000 p.m. Rent paid at Gurgaon 5,000 p.m.

Illustration 5: Mr. J is employed with XY Ltd. on a basic salary of 10,000 p.m. He is also entitled to Dearness allowance @ 100% of basic salary, 50% of which is included in salary as per terms of employment. The company gives him house rent allowance of 6,000 p.m. which was increased to 7,000 p.m. with effect from 01.01.2025. He also got an increment of 1,000 p.m. in his basic salary with effect from 01.02.2025. Rent paid by him during the previous year 2024-25 is as under: April and May, 2024 - Nil, as he stayed with his parents.

June to October, 2024 - 6,000 p.m. for an accommodation in Ghaziabad. November, 2024 to March, 2025 - 8,000 p.m. for an accommodation in Delhi. Compute the gross salary for Assessment Year 2025-26.

Illustration 6: Mr. J is employed in Central Government getting basic pay 18,000 p.m., dearness allowance 6,000 p.m. Employer has paid children education allowance 700 p.m. per child w.e.f. 01.09.2024 and hostel allowance of 1,000 p.m. for one child w.e.f. 01.10.2024. Employer has paid transport allowance 1,700 p.m. w.e.f. 01.11.2024. Employer has paid house rent allowance 5,000 p.m. w.e.f. 01.01.2025. The employee has resigned from 01.02.2025 and has taken up a new job w.e.f. 01.03.2025. He is getting basic pay 27,000 p.m. and house rent allowance 4,000 p.m. Compute his Gross Salary

DEDUCTION U/S 16

A. Standard Deduction [Section 16(ia)] - Allowed under Both Regimes

A deduction of 50,000 or the amount of the gross salary, whichever is less is allowed in case of old regime.

However, Deduction of 75,000 or the amount of gross salary, whichever is less is allowed in case of default regime

B. Entertainment Allowance [Section 16(ii)] - Allowed only under Old Regime

Deduction shall be allowed only in case of government employees to the extent of the least of the following:

- (i) 20% of basic salary
- (ii) ₹ 5,000
- (iii) The actual allowance received by the employee

C. Professional Tax [Section 16(iii)] - Allowed only under Old Regime

- Employee will be allowed to claim deduction Of professional tax paid by him
- If the amount has been paid by the employer on behalf of the employee, it will be first included in gross salary and subsequently deduction is allowed
- If the amount is due but not paid, deduction is not allowed.

Illustration 7: Mr. J is employed in central Government getting basic pay 30,000 p.m., dearness allowance 7,000 p.m., servant allowance 2,000 p.m., entertainment allowance 1,000 p.m., city compensatory allowance 600 p.m. In this case taxable salary of Mr. J shall be?

Illustration 8: Mr. J is employed in Central Government getting basic pay 14,000 p.m., dearness allowance 5,000 p.m., House rent allowance 4,000 p.m. w.e.f. 01.07.2024. However, employee is residing in the house of his parents. Employer has paid cash allowance 300 p.m., medical allowance 250 p.m. and entertainment allowance 400 p.m. Employer has paid professional tax 75 p.m. on behalf of the employee. Employee has saved 35 p.m. out of entertainment allowance. Compute employee's income under the head

Salary. What will be your answer if professional tax is paid by Employee.

RETIREMENT BENEFITS

1. Gratuity

- Gratuity Received During Employment Is Fully Taxable
- Gratuity Received at the time of retirement is to be treated as follows:

Employee	Exemption u/s 10(10) [Allowed under Both Regime]
Government	Fully Exempt
Other EE covered under POGA	Least Of Following is Exempt: <ol style="list-style-type: none"> ₹ 20 Lakh Gratuity Received $15/26 \times \text{Last Drawn Salary} \times \text{CY}$ Note: <ol style="list-style-type: none"> CY = Completed year or part thereof in excess of 6m Last Drawn Salary = Basic + DA
Other EE Not covered under POGA	Least Of Following is Exempt: <ol style="list-style-type: none"> ₹ 20 Lakh Gratuity Received $1/2 \times \text{Avg Salary} \times \text{CY}$ Note: <ol style="list-style-type: none"> CY = Completed year Salary = Basic + DA(RS) + Comm(%) Avg Salary = 10m Avg Salary Immediately Preceding "month" of Retirement

Illustration 9: Mr. J retired on 1.06.2024 after completion of 26 years 8 months of service and received gratuity of 6,00,000. At the time of retirement his salary was:

- Basic Salary : 5,000 p.m.
- Dearness Allowance : 3,000 p.m. (60% of which is for retirement benefits)
- Commission : 1% of turnover (turnover in the last 12 months was 12,00,000)
- Bonus : 12,000 p.a.

Compute his taxable gratuity assuming:

- He is non-government employee and covered by the Payment of Gratuity Act 1972.
- He is non-government employee and not covered by Payment of Gratuity Act 1972.
- He is a Government employee.

Illustration 10: Mr. J was employed in F Ltd. getting basic pay 18,000 p.m. but it was increased to 24,000 p.m. w.e.f. 01-07-2024, dearness allowance 6,000 p.m. but it was increased to 9,000 p.m. w.e.f. 01-07-2024 (50% of DA forms part of salary). The employee was retired on 1.01.2025 after serving the employer for 20 years and 10 months. The employer has paid him gratuity of 9,10,000 and the employee was covered

under Payment of Gratuity Act, 1972. Compute GTI
 (b) Presume Mr. J is not covered in Payment of Gratuity Act 1972

2. Pension

- a) Uncommuted Pension – Fully Taxable
- b) Commuted Pension

Received By	Exemption u/s 10(10A) [Allowed under Both Regime]
Govt. EE	Fully Exempt
Non Govt.EE	<u>Gratuity Received</u> : 1/3 of Total Pension Is Exempt <u>Gratuity Not Received</u> : 1/2 of Total Pension Is Exempt

Total Pension = [Commuted Pension ÷ Commutation %]

Example 7. Mr. X retired & Received ₹ 3,60,000 as commuted pension for 60 % of pension

Calculate Taxable pension

- (a) Mr. X is Govt Employee
- (b) Mr. X is Non-Govt Employee & also Received Gratuity
- (c) Mr. X is Non – Govt Employee but no Gratuity has been received

Example 8. Mr. X Retired on 1/10/24 after serving employer for 26 years & 10 month .

He receives pension of ₹ 15000 p.m. w.e.f October 2024

On 1/2/25, He commuted 20% of his pension & Received 2,00,000

Calculate Taxable pension for PY 24-25

- (a) Mr. X is Govt Employee
- (b) Mr. X is Non-Govt Employee & also Received Gratuity
- (c) Mr. X is Non – Govt Employee but no Gratuity has been received

Illustration 11: Mr. J is employed in F Ltd. getting basic pay 22,000 p.m., dearness allowance 5,000 p.m. He was retired on 1.12.2024. The employer has allowed him pension of 9,000 p.m. and the employee has requested for commutation of 52% of his pension. The employer has allowed him such commutation on 01.02.2025 and has paid 5,61,600. The employer has paid him gratuity of 6,95,000 and employee has completed service of 20 years and 11 months. Compute GTI.

Illustration 12: Mr. J retired w.e.f 01.10.2024 receiving 5,000 p.m. as pension. On 01.02.2025, he commuted 60% of his pension and received 3,00,000 as commuted pension. You are required to compute his taxable pension assuming:

1. He is a government employee.
2. He is a non-government employee, receiving gratuity of 5,00,000 at the time of retirement.
3. He is a non-government employee and is in receipt of no gratuity at the time of retirement

3. Leave Encashment (Exemption u/s 10(10AA)) - [Allowed under Both Regime]

Least Of Following Is Exempt:

- a) Leave Encashment Received
- b) ₹ 25,00,000
- c) 10m x Average Salary
- d) Leave @ credit (in months) x AverageSalary

Note:

(i) Leave @ Credit (In Months)

Leaves Available For Completed Year (Max= 30 leaves per Year)	xx
(-) Leaves Availed During Employment	xx
(-) Leaves Encashed During Employment	xx
Leaves @ credit (in days)	Xx
	÷ 30 days
Leaves @ credit (in months)	xx

(ii) Salary = Basic + DA(RB) + Commission (% of TO)

(iii) Avg Salary= 10m Avg Salary ImmediatelyPreceding “Day” of Retirement.

(iv) Leave Encashed During Employment Is FullyTaxable

Example 9. Mr. X has provided service for 27 years & 11 month.

Employer Granted 35 days leave for every year.

Employee availed 150 days leave during Employment

Employee encashed 50 days leave during Employment

Calculate leave at credit

Example 10. Suppose Employer Grant 25 days leave every year in above eg.

Example 11. Un-availed leaves as per Employer records = 475 days

Employer grant 32 days leave every year

Service period of Employee = 30 years & 10 Months

Calculate leave at credit

Example 12. Un-availed leaves as per Employer records = 475 days

Employer grant 28 days leave every year

Service period of Employee = 30 years & 10 Months

Calculate leave at credit

Example 13. Leave Encashment Received = 6,00,000

Available Leaves = 32 days/year

Un-availed leave as per Employer = 420 d.

Service period = 26 years & 11 Month.

Basic Salary = 50,000 w.e.f 1/7/24 before that it was ₹ 40,000

Dearness Allowance = 100% of Basic Salary (60% forms part of Retirement Benefit)

Retirement Date = 1/12/24
Calculate Taxable leave Encashment

Illustration 13: Mr. J is retired from F Ltd. on 1.11.2024 after serving the employer for 20 years and 10 months. The employer has paid him leave salary of 5,00,000. The employee was entitled for 2 month leave per year of service. During entire service, he has availed 6 month leave and has encashed 7 month leave. The employee was getting basic pay 27,000 p.m. but it was increased to 33,000 p.m. w.e.f. 01-07-2024. He was getting DA 9,000 per month but it was increased to 12,000 per month w.e.f. 01-07-2024. 50% of DA forms part of salary. Compute his GTI

illustration 14: Mr. J is retired from F Ltd. w.e.f. 01.12.2024 after serving the employer for 20 years and 10 months. The employer has paid him leave salary of 3,75,000. The employee was entitled for 20 days leave per year of service. During entire service, he has availed 35 days of leave and has encashed 10 days of leave. The employee was getting basic pay 27,000 p.m. but it was increased to 30,000 p.m. w.e.f. 01-07-2024. The employer has allowed him pension of 6,000 p.m. and employee was allowed commutation of 1/3rd of his pension on 01.03.2025 Amounting to 2,40,000. Compute his GTI.

Illustration 15: Mr. J retired w.e.f 01.12.2024 after 20 years 10 months of service, receiving leave salary of 5,00,000. Other details of his salary income are:

- Basic Salary : 5,000 p.m. (1,000 was increased w.e.f. 01.04.2024)
- Dearness Allowance : 3,000 p.m. (60% of which is for retirement benefits)
- Commission : 500 p.m.
 Bonus : 1,000 p.m.
- Leave availed during service : 480 days.

He was entitled to 30 days leave every year. You are required to compute his taxable leave salary assuming: (a) He is a government employee. (b) He is a non government employee

4. Retrenchment Compensation S. 10(10B) - [Allowed under Both Regime]

Least of the following is exempt :

- a) Compensation actually received
- b) ₹ 5,00,000
- c) $15/26 \times$ Completed years of service and part thereof in excess of 6 months.

Illustration 16: Mr. J received retrenchment compensation of 10,00,000 after 30 years 4 months of service. At the time of retrenchment, he was receiving basic salary of 20,000 p.m.; dearness allowance of 5,000 p.m. Compute his taxable retrenchment compensation

5. Voluntary Retirement Compensation S. 10(10C) - [Allowed under Both Regime]

Least of the following is exempt :

- (i) Compensation received

- (ii) ₹ 5,00,000
- (iii) 3 months' salary x completed years of service
- (iv) Last drawn salary x remaining months of services left

Illustration 17: Mr. J has taken voluntary retirement after completion of 18 years of service and at that time remaining service was 7 years and employer paid 6,00,000 on voluntary retirement and his retirement benefit salary at the time of voluntary retirement was 5,000 p.m., in this case taxable Amount shall be?

Illustration 18: Mr. J received voluntary retirement compensation of 7,00,000 after 30 years 4 months of service. He still has 6 years of service left. At the time of voluntary retirement, he was drawing basic salary 20,000 p.m.; Dearness allowance (which forms part of pay) 5,000 p.m. Compute his taxable voluntary retirement compensation.

6. Provident Fund - [Allowed under Both Regime]

Particulars	SPF	RPF	URPF	PPF
ER Contribution	EXEMPT	Exempt Upto 12% of RBS	Taxable at the time of withdrawal	Not Applicable
EE Contribution	Deduction u/s 80C	Deduction u/s 80C	No Deduction allowed u/s 80C	Deduction u/s 80C
Interest Credited	EXEMPT (See Note 3)	Exempt Upto 9.5% (See Note 3)	Taxable at the time of withdrawal	EXEMPT (See Note 3)
Withdrawal	EXEMPT	EXEMPT (See Note 1)	See Note 2	EXEMPT

Note

- Exempt, If any of the following condition satisfied:
 - 5 years of continuous service with same employer
 - retires before rendering 5 years of service because of ill health, contraction or discontinuance of employer's business or reason beyond the control of the employee
 - on cessation of employment with existing ER, accumulated balance in RPF is transferred to new employer or transferred to his NPS account referred to in section 80CCD
- Withdrawal from URPF shall be treated as follows:

ER Contribution	EE Contribution	Int On EE Cont.	Int On ER Cont.
Taxable u/h salary	Exempt	Taxable u/h Other Source	Taxable u/h Salary

- Int on EE's Contribution towards SPF/RPF

- a) Exemption u/s 10(11) and 10(12) not available for interest accrued during the PY to the extent it relates to the contribution made by EE exceeding ₹ 2,50,000 in any PY on or after 1/4/2021.
- b) However if ER do not contribute in that fund then exemption in respect of interest is allowed upto ₹ 5,00,000 instead of ₹ 2,50,000.

Example 14.

Basic Salary = 1,00,000

Dearness Allowance = 100% Basic Salary (70% forms Part of Retirement Benefit)

Both employer and employee contributes 20% each of Basic Salary to RPF

Interest credited to RPF (15%) is ₹ 18500

Show Tax implication

TAXABILITY OF PERQUISITES

1. Rent Free or Concessional accommodation Section 17(2)(i) Rule 3(1)

	Particulars	Amount
Step 1	Value Of Accommodation	
	Case 1: Accommodation Is owned by Employer	
	Specified % of Salary (See Note 1)	XX
	Case 2: Accommodation Is Taken on Rent by Employer	
	Rent Paid by the ER or 10% of Salary – whichever is lower.	XX
	Case 3: Government Employees (Central or State Government)	
	Licence Fee determined by the Government	XX
Step 2	Add: 10% p.a of Cost Of Asset (If Asset is owned by ER)	XX
Step 3	Add: Hire Charges paid by the ER (Asset taken on rent by ER)	XX
Step 4	Less: Amount Recovered From EE	XX

Note 1

Population	% Of Salary
Exceeds 40 Lakhs	10%
Exceeds 15 Lakhs but upto 40 Lakhs	7.5%
Upto 15 Lakhs	5%

- a) Meaning of Salary Rent free accommodation salary shall include:
- (i) Basic pay
 - (ii) Dearness Allowance/Dearness Pay. If it forms part of salary for retirement benefits as per service agreement.
 - (iii) Taxable portion of all allowances.
 - (iv) Bonus /Commission /Fees etc.
 - (v) Leave salary (when the employee is in employment)

It will not include

- (i) Taxable portion of perquisites whether monetary or non-monetary
- (ii) Taxable portion of provident fund
- (iii) Any payment after retirement like gratuity/ commuted pension or provident fund etc.
- (iv) Arrear of salary or advance salary

Note: Salary only for the period for which rent free accommodation is provided shall be taken into consideration

Accommodation provided at two places

If any employee has been transferred and employer has provided him accommodation at the new place also, in such cases only one of the accommodation shall be taxable having lower perquisite value but only for a period of 90 days (three months) and thereafter both of the accommodations shall be taxable

Accommodation provided in a hotel

Perquisite value shall be 24% of salary or actual expenditure incurred whichever is less.

However, Perquisite shall not be taxable if both of the following conditions are satisfied:

1. Hotel accommodation is for a period not exceeding in aggregate 15 days
2. Employee has been transferred from one place to another

Illustration 19: Mr. J employed in F Ltd. and getting basic pay 20,000 p.m., dearness allowance 10,000 p.m. and 50% of DA forms part of salary. Employer has paid bonus 1,000 p.m. commission 2,000 p.m. children education allowance 150 p.m. per child for 3 children and hostel allowance 500 p.m. for one child and entertainment allowance 500 p.m., transport allowance 1,800 p.m. Employer has paid professional tax 200 p.m. on behalf of the employee. Employer has provided him club facility and has paid membership fee 1,000 p.m. Employer has provided him rent free accommodation for which rent paid by employer is 11,000 p.m. Compute his income and tax liability

Illustration 20: Mr. J is employed in Central Government getting basic pay 73,000 p.m. Employer has provided him rent free accommodation and the rent determined as per Government rules is 6,000 p.m. The employer has provided him furniture with actual cost 1,00,000 and written down value 65,000. The employer has provided one air-conditioner also during April and May' 2024. Rent paid by the employer for the air-conditioner is 1,000 p.m. Compute GTI

Illustration 21: Mr. J is employed in F Ltd. getting basic pay 37,000 p.m., dearness allowance 32,000 p.m. The employer has provided him rent free accommodation at a place with population of 13 lakhs and the rent paid by the employer is 10,000 p.m. The employer has provided him furniture with original cost 1,50,000. However, the employer has

discontinued the facility of rent free accommodation and furniture both w.e.f. 1st March, 2025. He has paid him house rent allowance 7,000 p.m. The employee has shifted in his own house w.e.f. 01.03.2025. Compute GTI (b) Presume in the above illustration the accommodation is owned by the employer

FRINGE BENEFITS UNDER SECTION 17(2)(viii)

1. Interest free or concessional loans Rule 3(7)(i)

Perquisite = Sum of Monthly Outstanding balance x (SBI Rate – ER Rate) x 1/12

Exception: No perquisite shall be computed in following cases:

- where aggregate amount of all such loan during a particular year is upto ₹20,000
- If employer has given loan for treatment of specified disease given under rule 3A, there is no perquisite value

Example 15.

Housing loan from employer = 50,00,000 @ 4% interest p.a.
 interest rate of SBI as on 1st day of PY = 10%
 Calculate the value of Perquisite

Example 16. Suppose in above question, Employer provided interest free loan.

Example 17.

Employee has taken car loan of ₹ 7,50,000 from Employer on 15/08/2024.
 Employee Repays 25,000 every month on last day of each month.
 Employer charged 2% Interest p.a. & SBI interest rate on 1/4/24 is 8%.
 Calculate Preq. Value for AY 2025-26

Illustration 22: Mr. J is employed in F Ltd. and he has taken a loan of 10 lakh from employer on 20.04.2024 at a rate of 4% p.a. but SBI rate is 10% p.a. and loan was repaid in monthly installment of 2 lakh each starting from 10.07.2024, in this case, taxable Amount shall be?

Illustration 23: Mr. J is employed in F Ltd. and he has taken interest free loan of 3,00,000 on 10.07.2024 for purchasing a new motor car in Delhi and the loan is to be repaid in monthly instalments of 10,000 and repayment shall start with effect from 21.09.2024, in this case perquisite value for the loan shall be computed in the manner given below (Presume SBI Rate 10%)

Illustration 24: Mr. J is employed in F Ltd. and he has taken interest free loan of 13,000 on 10.07.2024 for personal purpose and the loan is to be repaid in monthly instalments of 1,300 and repayment shall start with effect from 21.09.2024, in this case, taxable Amount shall be?

2. Free food or refreshment Rule 3(7)(iii)
- Free refreshments Tea or Non-Alcoholic Beverages / Snacks during working hours are Exempt.
 - Free meals taxable as follows:
Perquisite = (Cost of Meal – Amount Recovered).
However, perquisite upto ₹ 50 per meal is exempt [If Assessee Opts Out From Default Regime].

Example 18.

Employer Provides 200 meals to Employee Raj

Cost of each meal = ₹ 210

Amount Recovered from Raj = ₹ 75/Meal

Calculate Perquisite value under both regimes

3. Facility of travelling, touring, accommodation (holiday home) etc. Rule 3(7)(ii)
- Perquisite value shall be actual expenditure incurred by the employer, reduced by the amount recovered from the employee
 - If the employee is on official tour and any member of his household has accompanied him, perquisite value is amount spent on Family Member
 - If official tour was extended for personal purpose, expenditure for the extended part of the tour shall be taxable.

Example 19.

X Ltd. (Employee) has got holiday facility to Singapore (4 days and 3 nights)

Facility is not maintained by Employer

X Ltd. spent ₹ 4,50,000 on such Tour of Employee & Recover ₹ 1,80,000 from Employee.

4. Gifts to the employees Rule 3(7)(iv)
- Cash Gift = Fully Taxable
 - Kind Gift = Exempt Upto Rs 5000 p.a.
5. Credit card facility Rule 3(7)(v)
Perquisite Value = Amount spent for personal use of employee.
6. Club facilities Rule 3(7)(vi)
Perquisite Value = Amount spent for personal use of employee.
7. Use of employer's assets by the employees Rule 3(7)(vii)

Asset	Perquisite
Laptop / Computer	NIL
Other	10% p.a. of actual cost of such asset (or hire charges paid by ER) Less: amount recovered from EE

Illustration 25: Mr. J, finance manager of KLM Ltd. Mumbai, furnishes the following particulars for the financial year 2023-24:

- (1) Salary 46,000 per month
- (2) Rent free accommodation owned by the company
- (3) Housing loan of 6,00,000 at the interest rate of 5% p.a. (No repayment made during the year, but the loan is repayable in tenth year) (Presume SBI Rate 10.5% p.a.)
- (4) Gifts made by the company in kind on the occasion of wedding anniversary of Mr. J 4,750
- (5) A wooden table and 4 chairs were provided to Mr. J at his residence. These were purchased on 01.05.2021 for 60,000 and put to use on 01.06.2021 and sold to Mr. J on 01.08.2024 for 30,000
- (6) Personal purchases through credit card provided by the
- (7) company Amounting to 10,000 was paid by the company. No part of the Amount was recovered from Mr. J.
- (8) An ambassador car which was purchased by the company on 16.07.2021 for 2,50,000 and put to use on the same date. It was sold to the assessee on 14.07.2024 for 80,000. Compute the Total Income of Mr. J.

8. Amount or the aggregate of amounts of any contribution made to the account of the assessee by employer in a recognised provident fund/NPS/approved superannuation fund [Section 17(2)(vii)]

The amount or aggregate of amounts of any contribution made

- a) in a recognised provident fund
- b) in NPS referred to in section 80CCD(1)
- c) in an approved superannuation fund

by the employer to the account of the assessee, to the extent it exceeds ₹ 7,50,000 shall be considered as perquisites

9. Annual accretion to the balance at the credit of the recognised provident fund/NPS/approved superannuation fund which relates to the employer's contribution and included in total income

$$TP = (PC/2)*R + (PC_1 + TP_1)*R$$

Where,

TP = Taxable Perquisite

PC = Amt or agg. of amt of ER's contribution in excess of ₹ 7.5 lakh

PC₁ = Amt or agg. of amt of ER's contribution in excess of ₹ 7.5 lakh for earlier years

TP₁ = Agg. of taxable perquisite under section 17(2)(vii) for earlier year

R = I/ Favg.

Illustration 26: Mr. X is appointed as a CFO of ABC Ltd. in Mumbai from 1.9.2022. His basic salary is 6,00,000 p.m. He is paid 8% as D.A. He contributes 10% of his pay and D.A. towards his recognized provident fund and the company contributes the same amount. The

accumulated balance in recognized provident fund as on 1.4.2023, 31.3.2024 and 31.3.2025 is 9,81,137, 27,43,048 and 46,48,555, respectively. Compute the perquisite value chargeable to tax in the hands of Mr. X u/s 17(2)(vii) and 17(2)(viii) for the A.Y. 2024-25 and A.Y. 2025-26. Prior to 1.9.2022, he was a consultant, whose professional fees was taxable under the head “Profits and gains of business or profession”.

10. Any other benefit Rule 3(7)(ix)

Perquisite = Cost to the employer – Amount Recovered

Note: If the employer has provided telephone facility including the mobile phone, it will be exempt. However if any telephone allowance has been received, then it shall be fully taxable.

11. Sale Of Movable Asset

Particulars	Amount	Asset	Depreciation
Cost of Asset	-	Computer & Peripherals	50 % WDV
(-) Depreciation	-	Motor Vehicle	20% WDV
(-) Amount Recovered From EE	-	Other Asset	10% SLM
Taxable Value	-		

Note: Depreciation in all cases is charged For Complete Year.

Example 20. Employer sold “Computer” to Employee on 16/7/24 for ₹ 15000

Employer purchased Computer for ₹ 1,20,000 on 18/7/21

Calculate Perquisite value

Example 21. Employer sold car to Employee for ₹ 75000 on 1/12/24

Car purchased by Employer for ₹ 4,00,000 15/5/2020

Employer changed Depreciation on car @15% WDV

Calculate Perquisite value

Example 22. Employer Purchased Music system for ₹ 55000 on 15/8/2020

Since then, Employee uses Music system for personal use.

On 1/8/2024 Employer sold Music system to Employee for ₹ 15000.

Calculate Taxable Perquisite value

12. Medical Facility

A. In India

Expenses Incurred/ Facility Provided By ER	Treatment
In ER Hospital	Exempt
In Govt. Hospital	Exempt
In Approved hospital For Specified Disease	Exempt
Health Insurance Premium of EE & Family Member	Exempt
Any other	Taxable

B. Outside India

Expenses Incurred by ER	Treatment
Stay Abroad	Exempt upto Permitted By RBI
Treatment Abroad	Exempt upto Permitted By RBI
Travel Abroad	
a) GTI > 2L	Fully Taxable
b) GTI ≤ 2L	Fully Exempt

Note:

- Exemption is allowed for medical treatment of EE, Spouse, Children, Dependent family member (Parents, Brother & Sister)
- Exemption of stay and travel abroad is for patient and one attendant only.
- Exemption is allowed for COVID-19 treatment subject to conditions notified by CG.

Example 23.

Treatment of depended brother has done in Govt hospital in ₹ 15000
₹ 15000 is paid by Employee & then received reimbursement from Employer

Example 24.

Medical treatment of depended sister Rs. 25,000 paid by Employer
Employee Received Reimbursement 20,000.

Illustration 27: Compute the taxable value of the perquisite in respect of medical facilities received by Mr. G from his employer during the P.Y. 2024-25:

- Medical premium paid for insuring health of Mr. G 7,000
- Treatment of Mr. G by his family doctor 5,000
- Treatment of Mrs. G in a Government hospital 25,000
- Treatment of Mr. G's grandfather in a private clinic 12,000
- Treatment of Mr. G's mother (68 years and dependant) by family doctor 8,000
- Treatment of Mr. G's sister (dependant) in a nursing home 3,000
- Treatment of Mr. G's brother (independent) 6,000
- Treatment of Mr. G's father (75 years and dependent) abroad 50,000
- Expenses of staying abroad of the patient and 30,000
- Limit specified by RBI 75,000

13. Leave Travel Concession [Section 10(5) Rule 2B] - [Allowed Only under OLD Regime]

Journey Performed By	Maximum Exemption
Air	Economy Fare
Other Than Air	1st Class AC Fare Of Railway
Places Not connected By Rail	
a) Recognised Transport System (RTS) Exist	Deluxe or First Class Fare of RTS
b) No Recognised Transport System (RTS)	1st Class AC Fare Of Railways on the

Exist	basis of KM Travelled
-------	-----------------------

Notes:

1. Ceiling on number of journeys: The exemption shall be available to an individual two times in each block of four calendar year (current block is 2022-25)
2. Family”, shall include—
 - A. the spouse and children however exemption shall be allowed maximum 2 children but in case of multiple birth after the birth of one child, exemption is allowed for all the children
 - B. wholly or mainly dependent parents, brothers and sisters

Illustration 28: Mr. J went on a holiday on 15.11.2024 to Delhi with his wife and three children (one son – age 5 years; twin daughters – age 2 years). They went by flight (economy class) and the total cost of tickets reimbursed by his employer was 60,000 (45,000 for adults and 15,000 for the three minor children). Compute the Amount of LTC exemption.

Illustration 29: In the above illustration, will there be any difference if among his three children the twins were 5 years old and the son 3 years old? Discuss.

Illustration 30: Mr. X, an employee of XYZ Ltd., submits the following information
 Salary: 2,56,000 , City compensatory allowance 8,000 , Bonus 10,200 , Education allowance 4,000 (for her grand children) , Income tax penalty paid by the employer 2,000 , Leave travel concession 1,000 (expenditure incurred by the employee nil) , Free residential telephone 4,000 , Free refreshment during office hours 4,000 , reimbursement of electricity bill by the employer 1,060 , reimbursement of gas bills 1,000 , Professional tax paid by the employer 300 on behalf of MR.X , Professional tax paid by MR.X 150. Determine the Total Income

PERQUISITES ARE TAXABLE ONLY IN THE HANDS OF SPECIFIED EMPLOYEES

1. Gardener/watchman/ sweeper or any other servant
 Perquisite = Amount Spent By ER less Amount Recovered from EE
2. Transport Facilities
 - a) ER business is carriage of goods or passengers
 - b) Perq. Shall be Fair Market Value as reduced by Amount Recovered From EE

Example 25.

XYZ passenger transports (Employer) Run Buses on different Routes in India

Employee has availed Transport facility

Journey	Ticket	Employee
Kanpur – Delhi = 15 Journey	800	500
Delhi – Kanpur = 15 Journey	750	500

3. Education facility

Nature Of Expenditure	Perquisite
Training of Employees	Not Taxable
Education to Family Member	Fully Taxable
Education to Children of Employees	
a) school maintained by the ER or the school sponsored by the ER	Cost of education IN similar locality / institution as reduced by amount recovered from EE
b) Other Schools	Cost to the Employer as reduced by amount recovered from EE

Note: If the Cost of Education per Child does not exceed ₹ 1,000 p.m. then such benefit is Not Taxable, otherwise fully taxable.

Example 26. Mr. X Employed with A Ltd. And Employer provided following education facilities to Employee & his family member.

- 5 days training of Mr. X on Income Tax Amendments come into force w.e.f ₹ 1/11/24 – 15000/-
- Re-imbursed ₹ 7000/- coaching fees of his younger son.
- Daughter of Mr. X studied in Institute owned by A Ltd.
- Cost of education in similar institute = ₹ 50,000
- Amount recovered from Employee = 35000.

Calculate taxable Perquisite

Illustration 31:

Mr. J is employed in F Ltd. and is a specified employee. Compute perquisite value of educational facilities in the following situations:

- The employer has deputed him on one day seminar on Industrial Finance and Corporate Taxation and has paid participation fees of 3,000.
- The employer has made arrangements for the education of his three children's in his own school and has incurred 1,500 per month per child and has recovered 300 per month per child from the employee.
- If the employee himself has made arrangements of the education of his three children in a public school and the employer has reimbursed 1,500 per month per child.

4. Service of Sweeper, Gardener or Watchman or Personal Attendant

Perquisite = Amount Spent By ER less Amount Recovered from EE

5. Gas/Electricity or Water Facility

Particulars	Perquisite
ER has his own business	Manufacturing cost to the employer
Sourced From Third Party	Amount Paid To Third Party

Amount recovered from EE Shall be Deducted

6. Sweat Equity Share/ESOP

- a) Perquisite = FMV on Exercise Date – Amount Paid by Employee
- b) FMV should be taken on the date on which option is exercised by the EE.

Example 27.

Employee received 1,000 shares from Employer

Fair Market Value on exercise date = ₹ 500/-

Amount recovered from Employee = ₹ 270/-

7. Payments Of Life Insurance Premium By The Employer

Premium so paid shall be taxable. However premium paid for personal accident policy or for staff group insurance scheme shall be exempt.

8. Motor car facility

Valuation of Motor Car facility			
Car Owned By ER And Used By EE			
Purpose	Expenses Met By	Perquisite Value	
Partly Official And Partly Personal (Amount Recovered From Ee Is Ignored)	Employer	Small Car- 1800 Pm	For Driver - 900 Pm
		Big Car- 2400 Pm	
Partly Official And Partly Personal (Amount Recovered From Ee Is Ignored)	Employee	Small Car- 600 Pm	For Driver - 900 Pm
		Big Car- 900 Pm	
Personal	Employer	Expenses Incurred By ER	-
		+ Driver Salary	-
		+ 10% P.A Of Cost Of Car	-
		+ Hire Charges Of Car	-
		(-) Amount Recovered From EE	-
		Perquisite Value	-
Car Owned By EE & Used By EE			
Purpose	Expenses Met By	Perquisite Value	
Partly Official And Partly Personal	Employer	Expenses Incurred By ER	-
		+ Driver Salary	-
		(-) Fixed Personal Expense	
		Small Car	(1,800)
		Big Car	(2,400)
		Driver	(900)
		Perquisite Value	-

Personal	Employer	Expenses Incurred By ER	-
		+ Driver Salary	-
		(-) Amount Recovered From EE	(-)
		Perquisite Value	-
Other Vehicle			
Purpose	Expenses Met By	Perquisite Value	
Partly Official And Partly Personal	Employer	Expenditure By Employer - ₹ 900 P.M	

Note 1: More than one motor car is provided to the employee for official/personal use – Any 1 car shall be treated as used for partly official and partly personal purpose and other car(s) shall be treated as used for personal.

Note 2: If car is used for 100% official use then it shall not be considered as perquisite.

Example 28. Employee uses car for official As well as personal Purpose

	₹
• Expenses Incurred by Employer on Running & Maintainance	25,000
• Driver salary	15,000
• Amt Recovered from Employee	12,000
• Cost of Car	5,00,000
• CC	1400 CC

Calculate Perquisite value

Car owned by ER

Car owned by EE

Illustration 32: Determine the value of perquisite in the following cases.

- Motor car (cubic capacity of engine below 1.60 litres) owned by employer and provided to employee. It is partly used for official and personal purposes by the employee. Expenditure fully met by the employer 25,600 (car is self-driven by the employee).
- The company has given a motor car of 1.8 litre both for personal and official use. The actual expenditure for running and maintenance of car is 25,000 plus 3,000 for salary of the driver.
- Mr. A was provided with company's car (self-driven) also for personal use and it is not possible to determine expenditure on personal use and all expenses were borne by the employer.
- Motor car running and maintenance charges fully paid by employer (motor car is owned and driven by employee. The engine cubic capacity is below 1.60 litres. The motor car is used for both official and personal purpose by the employee. Expenditure incurred by the Company 36,000. How much value of car is taxable.

Illustration 33: Mr. J is employed in F Ltd. getting basic pay 22,000 p.m. Employer has paid professional tax of 75 p.m. on behalf of the employee and employee himself has paid professional tax of 25 p.m. The employer has provided him rent free accommodation

which is owned by the employer himself and it is provided at a place with population of 5,00,000. The employer has provided him three motor cars for official as well as personal use with particulars as given below:

Particulars	I	II	III
Actual cost	4,00,000	3,00,000	2,50,000
Engine capacity	1.8 litres	1.6 litres	1.4 litres
Petrol expenses	3,000	10,000	15,000
Repairs	5,000	4,000	3,000
Driver	4,000 p.m	3,000 p.m.	No Driver

All the expenses met by the employer. Compute his Income under the head Salary

Illustration 34: F Ltd. provided the following perquisites to its employee Mr. Y for the Relevant Previous Year

- Accommodation taken on lease by F Ltd. for 15,000 p.m. 5,000 p.m. is recovered from the salary of Mr. Y
- Furniture, for which the hire charges paid by F Ltd. is 3,000 p.m. No Amount is recovered from the employee in respect of the same.
- A Santro Car which is owned by F Ltd. and given to Mr. Y to be used both for official and personal purposes. All running and maintenance expenses are fully met by the employer. He is also provided with a chauffeur.
- A gift voucher of 10,000 on his birthday.

Compute the value of perquisites chargeable to tax, assuming his salary for perquisite valuation to be 10 lakh.

Illustration 35: Mr. J is employed with F Ltd. on a monthly salary of 25,000 per month and an entertainment allowance and commission of 1,000 p.m. each. The company provides him with the following benefits:

- A company owned accommodation is provided to him in Delhi. Furniture costing 2,40,000 was provided on 01.08.2024.
- A personal loan of 5,00,000 on 01.07.2024 on which it charges interest @ 6.75% p.a. The entire loan is still outstanding. (Assume SBI rate of interest to be 12.75% p.a.)
- His son is allowed to use a motor cycle belonging to the company. The company had purchased this motor cycle for 60,000 on 01.05.2021. The motor cycle was finally sold to him on 01.08.2024 for 30,000.
- Professional tax paid by Mr. J is 2,000

Income under head Salary

Illustration 1: Explain tax treatment following allowances

- Mr. J is a Govt. employee and he receives entertainment allowance of 5,000 for the entertainment of clients of the Govt. He spend 3,000 p.m. for the entertainment of the clients of the Govt

Solution: Fully Taxable Under Both Regimes.

- Entertainment Allowance 300 p.m. (30% is used for official purpose)

Solution: Fully Taxable Under Both Regimes.

- Transport Allowance 3,400 p.m. Expenditure incurred in commuting 1,200 p.m. He is blind.

Solution:

Transport Allowance Received (3,400 p.m. x 12m)	40,800
Less: Exempt (3,200 p.m. x 12m)	<u>38,400</u>
Taxable	2,400

- Transport Allowance 3,600 p.m. Expenditure incurred in travelling from residence to office & back ₹ 300 p.m. He is dumb and deaf.

Solution:

Transport Allowance Received (3,600 p.m. x 12m)	43,200
Less: Exempt (3,200 p.m. x 12m)	<u>38,400</u>
Taxable	4,800

- Transport Allowance 3,000 p.m. No expenditure is incurred. He is orthopaedic handicapped with lower extremities

Solution:

Transport Allowance Received (3,000 p.m. x 12m)	36,000
Less: Exempt (3,000 p.m. x 12m)	<u>36,000</u>
Taxable	NIL

- Children Education Allowance for 3 children 120 p.m./each.

Solution:

Allowance Received (3 child x 120 p.m. x 12m)	4,320
Less: Exempt (2 child x 100 p.m. x 12m)	<u>2,400</u>
Taxable	1,920

7. Children Education Allowance for 3 children 90 p.m./child**Solution:**

Allowance Received (3 child x 90 p.m. x 12m)	3,240
Less: Exempt (2 child x 90 p.m. x 12m)	<u>2,160</u>
Taxable	1,080

8. Special allowance to meet the cost of education and staying 500 p.m. for a child.**Solution:**

Allowance Received (500 p.m. x 12m)	6,000
Less: Exempt ((300 +100) x 12m)	<u>4,800</u>
Taxable	1,200

9. Hostel allowance for 3 child 400 p.m. per child for 4 months.**Solution:**

Allowance Received (3 child x 400 p.m. x 4m)	4,800
Less: Exempt (2 child x 300 p.m. x 4m)	<u>2,400</u>
Taxable	2,400

10. Children Education Allowance for 3 children 6,000. Actual school fees 3,000.**Solution:**

Allowance Received	6,000
Less: Exempt (2 child x 100 p.m. x 12m)	<u>2,400</u>
Taxable	3,600

11. Hostel Allowance for a child 8,000. Actual hostel fees 9,000.**Solution:**

Allowance Received	8,000
Less: Exempt (1 child x 300 p.m. x 12m)	<u>3,600</u>
Taxable	4,400

12. Children education allowance for his grandchild 4,000. Actual school fees 300.**Solution:**

Allowance Received	4,000
Less: Exempt	<u>NIL</u>
Taxable	4,000

13. Research and development allowance 4,000. 1,000 is spend wholly towards official purpose.

Solution:

Allowance Received	4,000
Less: Exempt	<u>1,000</u>
Taxable	3,000

14. Meal Allowance 700. Expenditure on meal is 1,000.

Solution: Fully taxable i.e. $700 \times 12 = 8,400$

15. Helper Allowance 1,500. 900 is spent wholly towards official purpose.

Solution:

Allowance Received	1,500
Less: Exempt	<u>900</u>
Taxable	600

16. Conveyance Allowance 500 p.m. Whole of allowance is saved.

Solution: Fully taxable i.e. $500 \times 12 = 6,000$

17. Mr. Abhay Jain, is a pilot in Jet Airways, He get a Flight Allowance of 10,000 p.m.

Solution:

Allowance Received (10,000 x 12)	1,20,000
Less: Exempt Least Of Following	
a) 70% Of Allowance i.e 84,000	
b) 10,000 pm	<u>84,000</u>
Taxable	36,000

18. Mr. J is working in Delhi Transport Corporation. He gets a driver allowance of 6,000 p.m.

Solution:

Allowance Received (6,000 x 12)	72,000
Less: Exempt Least Of Following	
c) 70% Of Allowance i.e 50,400	
d) 10,000 pm	<u>50,400</u>
Taxable	21,600

19. X is employed as a guard in railways. He is getting guard allowance of 24,000 p.a. He is not in receipt of daily allowance.

Solution:

Allowance Received	24,000
Less: Exempt Least Of Following	
e) 70% Of Allowance i.e 16,800	
f) 10,000 pm	<u>16,800</u>
Taxable	7,200

20. Hostel Allowance for 2 children 250 p.m./child. (actual expenditure incurred is 150 p.m./child).

Solution:

Allowance Received (2 child x 250 p.m. x 12m)	6,000
Less: Exempt (2 child x 250 p.m. x 12m)	<u>6,000</u>
Taxable	NIL

21. Hostel Allowance for 4 children 320p.m./each.

Solution:

Allowance Received (4 child x 320 p.m. x 12m)	15,360
Less: Exempt (2 child x 300 p.m. x 12m)	<u>7,200</u>
Taxable	8,160

22. High cost of living allowance @ 50,000.

Solution: Fully taxable

23. Tribal area allowance in Madhya Pradesh 300 p.m.

Solution:

Allowance Received (300 p.m. x 12m)	3,600
Less: Exempt (200 p.m. x 12m)	<u>2,400</u>
Taxable	1,200

24. Daily allowance 6,000.

Solution: Nothing is mentioned regarding amount spent, therefore if we assume 100% amount is spent for official purpose then nothing shall be taxable i.e. entire amount

shall be exempt.

25. Medical allowance 800 p.m.

Solution: Fully taxable i.e. $800 \times 12 = 9,600$.

26. X is employed as a caretaker in a transport company at Chennai. he gets transport duty allowance 3,600 p.m.

Solution:

Allowance Received ($3,600 \times 12$)	43,200
Less: Exempt Least Of Following	
g) 70% Of Allowance i.e 30,240	
h) 10,000 pm	<u>30,240</u>
Taxable	12,960

27. Bonus disputed in court.

Solution: Not taxable as it is not certain whether bonus is receivable or not.

28. Clothing Allowance.

Solution: It is a uniform allowance, exempt to the extent of the amount is spent on uniform or the allowance received, whichever is lower.

29. He has received fixed allowance of 2,500 p.m. for medical treatment for the entire family had incurred an expenditure of 12,500 actually.

Solution: Fully taxable i.e. $2,500 \times 12 = 30,000$.

30. Children education allowance • First child 70 p.m. • Second child 90 p.m. • Third child 4,800.

Solution:

Allowance Received ($70 \text{ pm} \times 12$) + ($90 \text{ pm} \times 12$) + 4,800	6,720
Less: Exempt ($100 \text{ pm} + 90 \text{ pm}$) $\times 12$	<u>2,280</u>
Taxable	4,400

31. Overseas allowance, physically fit allowance.

Solution: Fully taxable

32. Medical allowance 2,000 p.m. received by an employee, the entire Amount of which has

been spent by him for medical treatment.

Solution: Solution: Fully taxable i.e. $2,500 \times 12 = 30,000$.

33. Hostel allowance for 3 children 3,500 each.

Solution:

Allowance Received (3,500 x 3 child)	10,500
Less: Exempt (3,500 x 2 Child)	<u>7,000</u>
Taxable	3,500

Solution 2

Computation of Gross Salary of J under old regime

Particulars	Amount
Basic Salary (6,000 pm x 12)	72,000
Bonus (2,000 pm x 12)	24,000
Commission	8,000
City Compensatory Allowance (1,000 pm x 12) Fully Taxable	12,000
Telephone (Rs. 200 pm x 12) Fully Taxable	2,400
Medical Allowance (Rs 300 pm x 12) Fully Taxable	3,600
Entertainment Allowance (Fully Taxable)	4,800
Academic Allowance (Rs 16,000- Rs. 9,000)	7,000
Conveyance Allowance Rs 6,000 -6,000	0
Travelling Allowance Rs 18,000 -17,000	1,000
Transport Allowance Rs 1700 pm X 12 Fully Taxable	20,400
Children Allowance 4child Rs 160pm =7,680	5,280
Less Exempt up to 2 child Rs 100 pm = 2400	
Hostel Allowance 3 child Rs 280 pm	3,360
Less Exempt up to 2 child Rs 280 pm	
Gross Salary	1,63,440

Computation of Gross Salary of J under New Regime

Particulars	Amount
Basic Salary Rs 6,000 pm x 12	72,000
Bonus Rs 2,000 pm x 12	24,000
Commission	8,000
City Compensatory Allowance Rs 1,000 pm x 12 (Fully Taxable)	12,000
Telephone Rs 200 pm x 12 Fully Taxable	2,400
Medical Allowance Rs 300 pm x 12 - Fully Taxable	3,600
Entertainment Allowance - Fully Taxable	4,800
Academic Allowance	16,000

Conveyance Allowance	Rs 6,000	0
Less Exempt	Rs 6,000	
Travelling Allowance	Rs 18,000	1,000
Less Exempt up to	Rs 17,000	
Taxable	Rs 1,000	
Transport Allowance	Rs 1700 pm x 12	20,400
Children Allowance	4child Rs 160pm x 12	7,680
Hostel Allowance	3 child Rs 280 pm x 12	10,080
	Gross Salary	1,81,960

Solution 3**Computation of Taxable HRA of J under Old Regime**

Particulars	Amount	Amount
HRA received Rs 6000 per month		72,000
Less: Exempt (W.N.1)		53,800
Taxable HRA		18,200

Working Note :1

Particulars	Amount	Amount
Basic Salary Rs 2,00,00 pm	2,40,000	
DA Rs 3,500 pm	42,000	
Commission 1% of sales (1% of Rs 20 lakh)	20,000	
Salary for the Purpose of HRA	3,02,000	
10% of Salary	30,200	
HRA received		72,000
Least of the following :		
i) Actual HRA received	72,000	
ii) Rent paid over 10% of Salary Rs 84000 - 30200	53,800	
iii) 40% of salary	120800	
Hence Least Amount		53,800
Taxable HRA		18,200

Computation of Taxable HRA of J under New Regime

Particulars	Amount	Amount
HRA received Rs 6000pm		72,000
Less Exemption not available under Default tax regime since HRA fully taxable		0
Taxable HRA		72,000

Solution 4**Computation of Gross Salary of J under Normal Tax Provisions**

Particulars	Amount	Amount
Basic Salary Rs 5,000 pm		60,000
DA Rs 500 pm		6,000
Commission 1% of sales (1% of Rs 24 lakh)		24,000
HRA received Rs 4,000pm	48,000	
Less Exempt (Working Note 1)	35,880	
Taxable HRA	12,720	12,720
Gross Salary		1,02,720

Working Note 1

Particulars	Amount	Amount
Salary for the Purpose of HRA		
Basic Salary Rs 5,000 p.m.	60,000	
DA Rs 350 p.m. (70% forms part of Salary)	4,200	
Commission 1% of sales (1% of Rs 24 lakh)	24,000	
	88,200	
Least of the following :		
i) Actual HRA received	48,000	
ii) Rent paid over 10% of Salary 60,000 - 8,820	51,180	
iii) 40% of salary	35,280	
Hence Least Amount		35,280
Taxable HRA		12,720

Computation of Gross Salary of J under Default Tax Provisions

Particulars	Amount	Amount
Basic Salary Rs 5,000 pm		60,000
DA Rs 500 pm		6,000
Commission 1% of sales ie 1% of Rs 24 lakh		24,000
HRA received Rs 4,000pm	48,000	
Less Exemption not available under Default tax regime	0	
Taxable HRA	48,000	48,000
Gross Salary		1,38,000

Solution 5**Computation of Gross Salary of J under Normal Tax Provisions**

Particulars	Amount	Amount
Basic Salary : Rs 10,000 per month for the period 1April 24 to 31 Jan 25 = 10,000x 10	1,00,000	
Basic Salary for the period Feb to March = Rs 11,000 x 2	22,000	1,22,000
Dearness Allowance (100% of Basic Salary)		1,22,000

HRA for year =12,000+7,500+0+500+1,300=21,300		21,300
	Gross Salary	2,65,300

Working Note 1 Taxable HRA for the month of April & May 24

Particulars	Amount	Amount
Basic Salary Rs 10000 pm x 2	20,000	
Dearness Allowances 50% of Basic Salary Rs 5000 x 2	10,000	
Salary for the Purpose of HRA	30,000	
10% of Salary	3,000	
HRA received		12,000
Least of the following :		
i) Actual HRA received	12,000	
ii) Rent paid over 10% of Salary since he stayed with his parents hence rent paid by the employee is NIL	Nil	
iii) 40% of salary i.e. Rs 30000 x 40%	12,000	
Hence Least Amount to be exempt		NIL
	Taxable HRA for April & May	12,000

Working Note 2 Taxable HRA for June to Oct 24

Particulars	Amount	Amount
Basic Salary Rs 10,000 pm x 5	50,000	
Dearness Allowances 50% of Basic Salary Rs 5000 x 5	25,000	
Salary for the Purpose of HRA	75,000	
10% of Salary	7,500	
HRA received		30,000
Least of the following :		
i) Actual HRA received	30,000	
ii) Rent paid over 10% of Salary Rs 6,000 x 5 = 7,500	22,500	
iii) 40% of salary i.e. Rs 75,000 x 40%	30,000	
Hence Least Amount to be exempt		22,500
	Taxable HRA for June to Oct	7,500

Working Note 3 Taxable HRA for Nov & Dec 24

Particulars	Amount	Amount
Basic Salary Rs 10,000 pm x 2	20,000	
Dearness Allowances 50% of Basic Salary Rs 5000 x 2	10,000	
Salary for the Purpose of HRA	30,000	
10% of Salary	3,000	
HRA received		12,000

Least of the following :			
i)	Actual HRA received	12,000	
ii)	Rent paid over 10% of Salary Rs 8,000 x 2 – 3,000	13,000	
iii)	40% of salary i.e. Rs 30,000 x 50%	15,000	
Hence Least Amount to be exempt			12,000
Taxable HRA for Nov & Dec			0

Working Note 4 Taxable HRA for Jan 25

Particulars	Amount	Amount
Basic Salary Rs 10,000 pm x 1	10,000	
Dearness Allowances 50% of Basic Salary Rs 5000 x 1	5,000	
Salary for the Purpose of HRA	15,000	
10% of Salary	1,500	
HRA received		7,000
Least of the following :		
i) Actual HRA received	7,000	
ii) Rent paid over 10% of Salary Rs 8,000 x 1 – 1,500	6,500	
iii) 50% of salary i.e. Rs 15,000 x 50%	7,500	
Hence Least Amount to be exempt		6,500
Taxable HRA for Jan 25		500

Working Note 5 Taxable HRA for Feb & March 25

Particulars	Amount	Amount
Basic Salary Rs 11,000 pm x 2	22,000	
Dearness Allowances 50% of Basic Salary Rs 5,500 x 2	11,000	
Salary for the Purpose of HRA	33,000	
10% of Salary	3,300	
HRA received		14,000
Least of the following :		
i) Actual HRA received	14,000	
ii) Rent paid over 10% of Salary Rs 8,000 x 2 – 3,300	12,700	
iii) 50% of salary i.e. Rs 33,000 x 50%	16,500	
Hence Least Amount to be exempt		12,700
Taxable HRA for Feb & March 25		1,300

Computation of Gross Salary of J under Default Tax Regime

Particulars	Amount	Amount
Basic Salary : Rs 10,000 per month for the period 1 April 24 to 31 Jan 25 = 10,000 x 10	1,00,000	

Basic Salary for the period Feb to March = Rs 11,000 x 2	22,000	1,22,000
Dearness Allowance (100% of Basic Salary)		1,22,000
HRA		75,000
Gross Salary		3,19,000

Solution 6**Computation of Gross Salary of J under Normal Tax Provisions**

Particulars	Amount	Amount
Basic Salary : Rs 18,000 per month for the period 1April 24 to 31 Jan 25 = 18,000x 10	1,80,000	
Basic Salary for the month of March = Rs 27000	27,000	2,07,000
Dearness Allowance Rs 6000 pm for the period 1April 24 to 31 Jan 25 = Rs 6000x10		60,000
HRA (4,000 + 5,000)		9,000
Children Education Allowance for the period of 5 months i.e. 1 Sept 24 to 31 Jan 25 Rs 700 pm = Rs 700x5x1child	3,500	
Less Exempt up to Rs 100 pm per child = 100x5	5,00	
Taxable Children Education Allowance		3,000
Children Hostel Allowance for the period of 4 months i.e. 1 Oct 24 to 31 Jan 25 Rs 1,000 pm = Rs 1,000x4x1child	4,000	
Less Exempt up to Rs 300 pm per child = 300x4	1,200	
Taxable Children Hostel Allowance		2,800
Transport Allowance for the period of 3 months i.e. 1 nov 24 to 31 Jan 25 Rs 1700x3- fully taxable		5,100
Gross Salary		2,86,900

Computation of Gross Salary of J under Default Tax Provisions

Particulars	Amount	Amount
Basic Salary : Rs 18,000 per month for the period 1April 24 to 31 Jan 25 = 18,000x 10	1,80,000	
Basic Salary for the month of March = Rs 27000	27,000	2,07,000
Dearness Allowance Rs 6000 pm for the period 1April 24 to 31 Jan 25 = Rs 6000x10		60,000
HRA		9,000
Children Education Allowance for the period of 5 months i.e. 1 Sept 24 to 31 Jan 25 Rs 700 pm = Rs 700x5x1child Fully Taxable		3,500
Children Hostel Allowance for the period of 4 months i.e. 1 Oct 24 to 31 Jan 25 Rs 1,000 pm = Rs 1,000x4x1child		4,000
Transport Allowance for the period of 3 months i.e. 1 nov 24 to 31 Jan 25 Rs 1700x3- fully taxable		5,100

Gross Salary	2,88,600
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Solution 7**Computation of Taxable Salary of J under Normal Tax Provisions**

Particulars	Amount	Amount
Basic Salary Rs 30,000 pm		3,60,000
DA Rs 7,000 pm		84,000
Servant Allowance Rs 2000 pm		24,000
Entertainment Allowance Rs 1000 pm		12,000
City Compensatory Allowance Rs 600 pm		7,200
Gross Salary		487200
Less : Deduction u/s 16		
i) Standard deduction	50,000	
ii) Entertainment Allowance	5,000	
Total Deduction		55,000
Taxable Salary		4,32,200

Working Note :

Particulars	Amount	Amount
Entertainment Allowance		
Less Deduction u/s 16 (ii) Least of the following :		
i) 20% of Basic Salary	72,000	
ii) 5000	5,000	
iii) Actual Entertainment Allowance received	12,000	
Amount deductible		5,000

Computation of Taxable Salary of J under Default Tax Provisions

Particulars	Amount	Amount
Basic Salary Rs 30,000 pm		3,60,000
DA Rs 7,000 pm		84,000
Servant Allowance Rs 2000 pm		24,000
Entertainment Allowance Rs 1000 pm		12,000
City Compensatory Allowance Rs 600 pm		7,200
Gross Salary		4,87,200
Less : Deduction u/s 16		
iii) Standard deduction	75,000	
iv) Entertainment Allowance not allowed	0	
Total Deduction		75,000
Taxable Salary		4,12,200

Solution 8

Computation of Taxable Salary of J under Normal Tax Provisions

Particulars	Amount	Amount
Basic Salary Rs 14,000 pm		1,68,000
DA Rs 5,000 pm		60,000
HRA received Rs 4,000 pm for 9 months from 1 July 24 to 31 march 25 = Rs 4,000 pm x 9	36,000	
Less : Exempt	NIL	
Taxable HRA		36,000
Cash Allowance Rs 300 pm x12		3,600
Medical Allowance Rs 250 pm x12		3,000
Entertainment Allowance Rs 400 pmx12		4,800
Professional Tax Rs 75 pm x12		900
Gross Salary		2,76,300
Less : Deduction u/s 16		
i) Standard deduction	50,000	
ii) Entertainment Allowance (W.No. 1)	4,800	
iii) Professional Tax Rs 75 pm x12	9,00	
Total Deduction		55,700
Taxable Income under the head Salary		2,20,600

W.no.1 Deduction regarding Entertainment Allowance		
Particulars	Amount	Amount
Entertainment Allowance		
Less Deduction u/s 16 - Least of the following :		
i) 20% of Basic Salary = 20% of 1,68,000	33,600	
ii) 5000	5,000	
iii) Actual Entertainment Allowance received	4,800	
Amount deductible		4,800

Computation of Taxable Salary of J under Default Tax Provisions

Particulars	Amount	Amount
Basic Salary Rs 14,000 pm		1,68,000
DA Rs 5,000 pm		60,000
HRA Rs 4,000 pm w.e.f. 1 July 24 – Fully Taxable		36,000
Cash Allowance Rs 300 pm x12		3,600
Medical Allowance Rs 250 pm x12		3,000
Entertainment Allowance Rs 400 pmx12		4,800
Professional Tax Rs 75 pm x12		900
Gross Salary		2,76,300
Less : Deduction u/s 16		

i)	Standard deduction	75,000	
ii)	Entertainment Allowance not allowed	0	
iii)	Professional tax not allowed	0	
Total Deduction			75,000
Taxable Income under the head Salary			2,01,300

Solution 9**Computation of Taxable Gratuity of Mr. J**

Particulars	Amount	Amount
a) Mr. J – Pvt Sector Employee & covered under POGA		
Gratuity received		6,00,000
Less Exempt Working Note 1		1,24,615
Taxable Gratuity		4,75,385
Working Note 1: Least of the amount to be exempted		
a) Actual Gratuity Received	6,00,000	
b) Statutory Limit	20,00,000	
c) 15 days salary based on last drawn salary for each completed year of service or part there of in excess of 6 months = $15/26 \times \text{last drawn salary} \times \text{years of service}$ = $15/26 \times 8,000 \times 27$	1,24,615	
Exempted amount	1,24,615	
Years if Service Completed 26 yrs 8 months = 27 years		
Last Salary Drawn : Basic Pay + D.A (5,000+3,000= Rs 8,000)		
Particulars		
b) Mr. J – Pvt Sector Employee & is not covered under POGA		
Gratuity received		6,00,000
Less : Exempt Working Note 1		1,01,400
Taxable Gratuity		4,98,600
Working Note 1: Least of the amount to be exempted		
a) Actual Gratuity Received	6,00,000	
b) Statutory Limit	20,00,000	
c) Half month salary for each completed year of service = $1/2 \times \text{last drawn salary} \times \text{years of service}$ = $1/2 \times (78000/10) \times 26$	1,01,400	
Exempted amount	1,01,400	
Years of Service Completed 26 yrs 8 months = 26 years		
Salary here means Average Salary for 10 months immediately preceding the month of retirement		
Basic Pay 5,000 x 10	50,000	

Dearness Allowance 60% of Rs 3,000 = Rs 1,800 x 10	18,000	
Commission on sales turnover 1% x 12 lakh x 10/12	10,000	
	78,000	
Particulars	Amount	Amount
c) Mr. J – Government Employee		
Gratuity received		6,00,000
Less Fully Exempted		6,00,000
Taxable Gratuity		NIL

Solution 10**Computation of Gross Total Income Mr. J**

Particulars	Amount	Amount
If Mr. J – Pvt Sector Employee & covered under POGA		
Basic Pay – April to June 18,000 pm x 3	54,000	
July to Dec 24,000 pm x 6	144,000	1,98,000
Dearness Allowance April to June 6,000 pm x 3	18,000	
July to Dec 9,000 pm x 6	54,000	72,000
Taxable Gratuity 9,10,000 - 3,99,808=5,10,192		5,10,192
Gross Salary		7,80,192
Less : Standard Deduction		50,000
Income under the head Salary		7,30,192
Gross Total Income		7,30,192

Working Note 1: Least of the amount to be exempted		
a) Actual Gratuity Received	9,10,000	
b) Statutory Limit	20,00,000	
c) 15 days salary based on last drawn salary for each completed year of service or part there of in excess of 6 months = 15/26 x last drawn salary x years of service = 15/26 x 33,000 x 21	3,99,808	
Exempted amount	3,99,808	
Years of Service Completed 20 yrs 10 months = 21 years		
Last Salary Drawn : Basic Pay + D.A (24,000+9,000= 33,000)		

Particulars	Amount	Amount
If Mr. J – Pvt Sector Employee & is not covered under POGA		
Basic Pay – April to June 18,000 pm x 3	54,000	
July to Dec 24,000 pm x 6	144,000	1,98,000
Dearness Allowance April to June 6,000 pm x 3	18,000	
July to Dec 9,000 pm x 6	54,000	72,000

Taxable Gratuity $9,10,000 - 2,55,000 = 6,55,000$		6,55,000
	Gross Salary	9,25,000
Less : Standard Deduction		50,000
Income under the head Salary		8,75,000
	Gross Total Income	8,75,000

Working Note 1: Least of the amount to be exempted		
a) Actual Gratuity Received	9,10,000	
b) Statutory Limit	20,00,000	
c) Half month salary for each completed year of service = $1/2 \times$ last drawn salary \times years of service = $1/2 \times (2,16,000 + 39,000) / 10 \times 20$	2,55,000	
Exempted amount	2,55,000	
Years of Service Completed 20 yrs 8 months = 20 years		
Salary here means Average Salary for 10 months immediately preceding the month of retirement		
Basic Pay –	March to June 18,000 pm \times 4	72,000
	July to Dec 24,000 pm \times 6	144,000
		2,16,000
Dearness Allowance	March to June 3,000 pm \times 4	12,000
	July to Dec 4,500 pm \times 6	27,000
		39,000

Solution 11**Computation of Gross Total Income Mr. J**

Particulars	Amount	Amount
Basic Pay –	April to Nov 22,000 pm \times 8	1,76,000
Dearness Allowance	April to Nov 5,000 pm \times 8	40,000
Taxable Gratuity W.no.1	Rs 6,95,000 - 2,20,000 = 4,75,000	4,75,000
Uncommuted Pension W.no.2		26,640
Commuted Pension W.no.3		2,01,640
	Gross Salary	9,19,280
Less : Standard Deduction		50,000
Income under the head Salary		8,69,280
	Gross Total Income	8,69,280

Working Note 1 Least of the amount to be exempted		
a) Actual Gratuity Received	6,95,000	
b) Statutory Limit	20,00,000	
c) Half month salary for each completed year of service = $1/2 \times$ Average Salary \times years of service	2,20,000	

$= 1/2 \times 22,000 \times 20$		
Exempted amount	2,20,000	
Years of Service Completed 20 yrs 11 months = 20 years		
Salary here means Average Salary for 10 months immediately preceding the month of retirement		
Basic Pay – Feb to Nov 22,000 pm x 10		2,20,000
Average Salary		22,000
Working Note 2 Uncommuted Pension		
For Dec 24 & Jan 25 : Rs 9,000 x 2	18,000	
For Feb & March 25 : Rs 9000 x 48% x 2	8,640	
Total Un commuted Pension		26,640
Working Note 3 Commuted Pension		
Received	5,61,600	
Less Exempt $(5,61,600/52\%) \times 1/3$	3,60,000	
Taxable Commuted Pension		2,01,600

Solution 12

Computation of Taxable Pension Mr. X

Particulars	Amount	Amount
a) Mr. X is a Government Employee :		
Un commuted Pension W.no.1		24,000
Commuted Pension W.no.2		NIL
Taxable Pension		24,000
Working Note 1 Un commuted Pension		
For Oct 24 to Jan 25 Rs 5,000 x 4	20,000	
For Feb & March 25 :		
Rs 5000 x 40% x 2	4,000	
Total Uncommuted Pension		24,000
Working Note 2 Commuted Pension		
Commuted Pension received	3,00,000	
Less : Fully Exempt u/s 10 (10 A)	3,00,000	
Taxable Commuted Pension		NIL
Particulars	Amount	Amount
b) Mr. X is a Non - Government Employee , receiving Gratuity		
Un commuted Pension W.no.1		24,000
Commuted Pension W.no.2		1,33,333.33
Taxable Pension		1,57,333.33
Working Note 1 Un commuted Pension		

For Oct 24 to Jan 25 Rs 5,000 x 4	20,000	
For Feb & March 25 :		
Rs 5000 x 40% x 2	4,000	
Total Un commuted Pension		24,000
Working Note 2 Commuted Pension		
Commuted Pension received	3,00,000	
Less Exempt $(3,00,000/60\%) \times 1/3$	1,66,666.67	
Taxable Commuted Pension		1,33,333.33
Note: Commuted Pension received by Pvt. Sector Employee who also receives Gratuity :-		
Commuted Value of $1/3^{\text{rd}}$ of the pension is Exempt from tax		
Particulars	Amount	Amount
c) Mr. X is a Non - Government Employee , is not receiving Gratuity		
Uncommuted Pension W.no.1		24,000
Commuted Pension W.no.2		50,000
Taxable Pension		74,000
Working Note 1 Uncommuted Pension		
For Oct 24 to Jan 25 Rs 5,000 x 4	20,000	
For Feb & March 25 :		
Rs 5000 x 40% x 2	4,000	
Total Un commuted Pension		24,000
Working Note 2 Commuted Pension		
Commuted Pension received	3,00,000	
Less Exempt $(3,00,000/60\%) \times 1/2$	2,50,000	
Taxable Commuted Pension		50,000
Note: Commuted Pension received by Pvt. Sector Employee who does not receive Gratuity :-		
Commuted Value of $1/2$ of the pension is Exempt from tax		

Solution 13**Computation of Gross Total Income Mr. J (Old Regime)**

Particulars	Amount	Amount
Basic Pay – April to June 27,000 pm x 3	81,000	
July to Oct 33,000 pm x 4	1,32,000	2,13,000
Dearness Allowance April to June 9,000 pm x 3	27,000	
July to Oct 12,000 pm x 4	48,000	75,000

Leave Salary [Sec 10 (10AA)] $5,00,000 - 2,41,500 = 2,58,500$		2,58,500
	Gross Salary	5,46,500
Less : Standard Deduction		50,000
Income under the head Salary		4,96,500
	Gross Total Income	4,96,500

Particulars	Days	Amount
Working Note : Computation of Leave at Credit :-		
Maximum Leave Entitlement = 30 days x 20 years	600	
Less: Leave Availed in months =	180	
Less : Leave Encashed in months	210	
	Leave at Credit	210
	Leave at Credit Month	7 months
Calculation of Average Salary for last 10 months Jan 24 to Oct 24	Amount	Amount
Basic pay From Jan 24 to June 24 Rs 27,000 x 6		1,62,000
From July to Oct 24 Rs 33,000 x 4		1,32,000
D.A From Jan 24 to June 24 Rs 4,500 x 6		27,000
From July to Oct 24 Rs 6,000 x 4		24,000
Total Salary for last 10 months Jan 24 to Oct 24		3,45,000
Average Salary for last 10 months = Rs 3,45,000/10		34,500
Particulars	Amount	Amount
Leave Salary is Exempt from Tax Least of the following :		
• Amount of Leave Salary Received	5,00,000	
• Rs 25 lakh	25,00,000	
• 10 month X Average Salary = $10 \times 34,500$	3,45,000	
• Average Salary X Leave Credit Period = $34,500 \times 7$ months	2,41,500	
	Exempt amount	2,41,500
Maximum Leave Allowed shall be 30 days i.e. 1 month for each year of service completion		

Solution 14**Computation of Gross Total Income of Mr. J (Old Regime)**

Particulars	Amount	Amount
Basic Pay :		
From April to June Rs 27,000 x 3	81,000	
From July to Nov Rs 30,000 x 5	1,50,000	2,31,000
Un Commuted Pension Working Note 1		22,000
Commuted Pension Working Note 1		NIL

Leave Salary Working Note 2 Rs 3,75,000-2,85,000		90,000
	Gross Salary	3,43,000
Less : Standard Deduction		50,000
	Income under the head Salary	2,93,000
	Gross Total Income	2,93,000

Working Note 1 : Pension

Particulars	Amount	Amount
UnCommuted Pension		
From Dec to Feb Rs 6,000 x 3	18,000	
For March Rs 6,000 x 2/3	4,000	22,000
	Uncommuted Pension	22,000
Commuted Pension		
Amount Received	2,40,000	
Less: Exempt: $2,40,000 \times \frac{3}{1} \times \frac{1}{2} = 3,60,000$ (Restricted to 2,40,000)	2,40,000	NIL

Working Note 2 : Leave Salary

Particulars	Days
Computation of Leave at Credit Days :-	
Leave Entitlement Days 20 days x 20 years =	400
Less: Leave Availed	35
Less : Leave Encashed	10
	Leave at Credit Days
	355
	Leave at Credit months
	11.833

Calculation of Average Salary for last 10 months Feb 24 to Nov 24	Amount
From Feb to June Rs 27,000 x 5	1,35,000
From July to Nov Rs 30,000 x 5	1,50,000
Total Salary for last 10 months Feb 24 to Nov 24	2,85,000
Average Salary for last 10 months = Rs 285000/10	28,500
Particulars	Amount
Leave Salary is Exempt from Tax Least of the following :	
i) Amount of Leave Salary Received	3,75,000
ii) Statutory Limit	25,00,000
iii) 10 month X Average Salary = 10 x 28500	2,85,000
Iv) Average Salary X Leave Credit Period = 28500x11.833	3,37,250

Solution 15**Computation of Taxable Leave Salary of Mr. J – Govt Employee**

Particulars	Amount
Leave Salary received at the time of Retirement	5,00,000
Less : Exemption u/s 10(10 AA)	5,00,000
Taxable Leave Salary	NIL

Computation of Taxable Leave Salary of Mr. J – Non- Govt Employee

Particulars	Amount
Leave Salary received at the time of Retirement	5,00,000
Less : Exemption u/s 10(10 AA) Working Note 1	26,400
Taxable Leave Salary	4,73,600

Working Note 1: Exemption u/s 10(10 AA)	
Leave Salary is Exempt from Tax Least of the following :	
i) Amount of Leave Salary Received	5,00,000
ii) Statutory Limit	25,00,000
iii) 10 month X Average Salary = 10 x 6,600	66,000
iv) Average Salary X Leave Credit Period = 6,600x120/30	26,400

Working Note 2 : Leave Salary

Particulars	Days	Amount
Computation of Leave at Credit Days :-		
Leave Entitlement Days 30 days x 20 years =	600	
Less: Leave Taken	480	
Leave at Credit Days	120	

Calculation of Average Salary for last 10 months Feb 24 to Nov 24	Amount	Amount
Basic Pay :		
From Feb to March Rs 4,000 x 2	8,000	
From April to Nov Rs 5,000 x 8	40,000	
Basic pay for last 10 months Feb 24 to Nov 24		48,000
Dearness Allowances : Rs 3,000 x 10 x 60%		18,000
Salary for last 10 months		66,000
Average Salary for last 10 months = Rs 66,000/10		6,600

Solution 16**Computation of Taxable Retrenchment Compensation of Mr. J**

Particulars	Amount	Amount
Retrenchment Compensation received		10,00,000
Less : Exempt u/s 10(10 B) W.no.1		3,75,000

Taxable Leave Salary		6,25,000
W.no.1 Retrenchment Compensation to be Exempt :		
a)Retrenchment Compensation received	10,00,000	
b)15 days Average pay x completed year of service = 15/30 x 25,000 x 30 years	3,75,000	
c) Ceiling Limit	5,00,000	
Exempted Amount		3,75,000
Sec 25 (F) b of the Industrial Disputes Act provides for payment of retrenchment compensation equivalent to 15 days average pay for every year of continuous service or part thereof in excess of 6 months		
Salary includes		
Basic pay 20,000pm x 3	60,000	
D.A 5,000 pm x 3	15,000	
		75,000
Average pay taken for 3 months 75,000/3		25,000

Solution 17

Computation of Taxable Voluntary Retirement Compensation of Mr. J

Particulars	Amount	Amount
Actual amount received at the time of Voluntary Retirement		6,00,000
Less : Exemption u/s 10(10 C) Working Note : 1		2,70,000
Taxable Voluntary Retirement Compensation		3,30,000

Working Note 1

Particulars	Amount	Amount
Voluntary Retirement Scheme -		
Least of the following will be exempt from Tax		
i) Actual amount received at the time of Voluntary Retirement	6,00,000	
ii) Rs 5,00,000	5,00,000	
iii) 3 months Retirement Benefit Salary for each completed year of service =3x5,000x18	2,70,000	
iv) Retirement Benefit Salary at the time of Retirement x Balance month of Service Left before the date of retirement = 5000x12x7	4,20,000	
Exemption u/s 10(10 C)		2,70,000

Solution 18

Computation of Taxable Voluntary Retirement Compensation of Mr. J

Particulars	Amount	Amount
Actual amount received at the time of Voluntary Retirement		7,00,000

Retirement		
Less : Exemption u/s 10(10 C) (WN-1)		5,00,000
Taxable Voluntary Retirement Compensation		2,00,000

Working Note 1

Particulars	Amount	Amount
Voluntary Retirement Scheme -		
Least of the following will be exempt from Tax		
i) Actual amount received at the time of Voluntary Retirement	7,00,000	
ii) Rs 5,00,000	5,00,000	
iii) 3 months Retirement Benefit Salary for each completed year of service = $3 \times 25,000 \times 30$	22,50,000	
iv) Retirement Benefit Salary at the time of Retirement x Balance month of Service Left before the date of retirement = $25,000 \times 12 \times 6$	18,00,000	
Exemption u/s 10(10 C)		5,00,000
Calculation of Retirement Benefit Salary :		
Basic Salary		20,000
Dearness Allowance (which forms part of Pay)		5,000
Retirement Benefit Salary		25,000

Solution 19**Computation of Taxable Salary of J under Normal Tax Provisions**

Particulars	Amount	Amount
Basic Salary Rs 20,000 pm		2,40,000
DA Rs 10,000 pm		1,20,000
Bonus Rs 1,000 pm		12,000
Commission Rs 2,000 pm		24,000
Children Education Allowance 3 Children Rs 150 pm	5,400	3,000
Less Exempt up to 2 children Rs 100 pm	2,400	
Hostel Allowance 1 child Rs 500 pm	6,000	2,400
Less : Exempt 1 child Rs 300 pm	3,600	
Entertainment Allowance Rs 500 pm		6,000
Transport Allowance Rs 1800 pm		21,600
Professional Tax paid by ER Rs 200 pm		2,400
Club facility – Membership fees paid by employer		12,000
Rent free Accommodation rent paid by employer Rs 11,000 pm Working Note 1		36,900
Gross Salary		4,80,300
Less : Deduction u/s 16		

Standard Deduction		50,000
Professional Tax		2,400
Taxable Salary		4,27,900

Working Note 1 Value of Rent free Accommodation Perquisites

Particulars	Amount	Amount
Basic Salary	Rs 20,000 pm x 12	2,40,000
DA	Rs 5,000 pm x 12	60,000
Bonus	Rs 1,000 pm x 12	12,000
Commission	Rs 2,000 pm x 12	24,000
Children Education Allowance	3 Children Rs 150 pm	5,400
Less Exempt up to	2 children Rs 100 pm	2,400
Hostel Allowance	1 child Rs 500 pm	6,000
Less : Exempt	1 child Rs 300 pm	3,600
Entertainment Allowance	Rs 500 pm x 12	6,000
Transport Allowance	Rs 1800 pm x 12	21,600
Rent Free Accommodation Salary		3,69,000
Perquisites Value of Rent Free Accommodation		
Least of the following :		
i) Rent paid = Rs 11000 x 12	1,32,000	
ii) 10% of Rent free Accommodation Salary	36,900	
Value of Rent free Accommodation Perquisites		36,900

Computation of Taxable Salary of J under Default Tax Provisions

Particulars	Amount	Amount
Basic Salary	Rs 20,000 pm x 12	2,40,000
DA	Rs 10,000 pm x 12	1,20,000
Bonus	Rs 1,000 pm x 12	12,000
Commission	Rs 2,000 pm x 12	24,000
Children Education Allowance	3 Children x Rs 150 pm x 12	5,400
Hostel Allowance	1 child x Rs 500 pm x 12	6,000
Entertainment Allowance	Rs 500 pm x 12	6,000
Transport Allowance	Rs 1800 pm x 12	21,600
Professional Tax	Rs 200 pm x 12	2,400
Club facility – Membership fees paid by employer		12,000
Rent free Accommodation rent paid by employer	Rs 11,000 pm (Working Note 2)	37,500
	Gross Salary	4,86,900
Less : Deduction u/s 16		75,000
Taxable Salary		4,11,900

Gross Total Income		4,11,900
Less : Deduction u/s 80C to 80 U		0
Total Income		4,11,900

Working Note 2 Value of Rent free Accommodation Perquisites

Particulars	Amount	Amount
Basic Salary	Rs 20,000 pm x 12	2,40,000
DA	Rs 5,000 pm x 12	60,000
Bonus	Rs 1,000 pm x 12	12,000
Commission	Rs 2,000 pm x 12	24,000
Children Education Allowance	3 Children x Rs 150 pm x 12	5,400
Hostel Allowance	1 child x Rs 500 pm x 12	6,000
Entertainment Allowance	Rs 500 pm x 12	6,000
Transport Allowance	Rs 1800 pm x 12	21,600
Rent Free Accommodation Salary		3,75,000
Perquisites Value of Rent Free Accommodation		
Least of the following :		
i) Rent paid = Rs 11000 x 12	1,32,000	
ii) 10% of Rent free Accommodation Salary	37,500	
Value of Rent free Accommodation Perquisites		37,500

Solution 20**Computation of Gross Total Income of J**

Particulars	New Regime	Old Regime
Basic Salary	Rs 73,000 pm x 12	8,76,000
Rent free accommodation Working Note : 1	84,000	84,000
Gross Salary	9,60,000	9,60,000
Less : Deduction u/s 16		
Standard deduction	75,000	50,000
Taxable Income under the head Salary	8,85,000	9,10,000

Working Note 1 : Perquisite Value of furnished house		
Perquisite Value of unfurnished house	Rs 6000 x 12 =	72,000
Add: 10% of cost of furniture	1,00,000 x 10%	10,000
Add: Rent of air – conditioner	Rs 1,000 x 2	2,000
Perquisite Value of furnished house		84,000

Solution 21**A. House Is taken on Rent By ER****Computation of Gross Total Income of J**

Particulars		New Regime	Old Regime
Basic Salary	Rs 37,000 pm x 12	4,44,000	4,44,000
Dearness Allowance	Rs 32,000 pm x 12	3,84,000	3,84,000
Rent free accommodation (Working Note 1)		54,450	54,450
House Rent Allowance		7,000	7,000
	Gross Salary	8,89,450	8,89,450
Less : Deduction u/s 16			
Standard deduction		75,000	50,000
	Taxable Income under the head Salary	8,14,450	8,39,450

Working Note 1: Perquisite Value of furnished house		
Rent free accommodation Salary 37,000 x 11 =	4,07,000	
10% of Rent free accommodation Salary	40,700	
Rent paid 10,000 x 11= 1,10,000	1,10,000	
Perquisite Value of unfurnished house 10% of RFA or Rent paid which ever is lower		40,700
Add: 10% of cost of furniture (1,50,000 x 10% x 11/12)		13,750
Perquisite Value of furnished house		54,450

B. House is owned by the ER

Computation of Gross Total Income of J

Particulars		New Regime	Old Regime
Basic Salary	Rs 37,000 pm x 12	4,44,000	4,44,000
Dearness Allowance	Rs 32,000 pm x 12	3,84,000	3,84,000
Rent free accommodation (Working Note 2)		34,100	34,100
House Rent Allowance		7,000	7,000
	Gross Salary	8,69,100	8,69,100
Less : Deduction u/s 16			
Standard deduction		75,000	50,000
	Taxable Income under the head Salary	7,94,100	8,19,100

Working Note 2 : Perquisite Value of furnished house		
Rent free accommodation Salary 37,000 x 11 =	4,07,000	
5% of Rent free accommodation	20,350	
Perquisite Value of unfurnished house		20,350
Add: 10% of cost of furniture (1,50,000 x 10% x 11/12)		13,750
Perquisite Value of furnished house		34,100

Solution 22

Computation of Perquisites Value of Interest Free Loan Mr. Y for AY 24-25

Months	Outstanding Balance at end	Amount of Interest
April	10,00,000	$10,00,000 \times 6\% \times 1/12 = 5,000$
May	10,00,000	$10,00,000 \times 6\% \times 1/12 = 5,000$
June	10,00,000	$10,00,000 \times 6\% \times 1/12 = 5,000$
July	8,00,000	$8,00,000 \times 6\% \times 1/12 = 4,000$
August	6,00,000	$6,00,000 \times 6\% \times 1/12 = 3,000$
September	4,00,000	$4,00,000 \times 6\% \times 1/12 = 2,000$
October	2,00,000	$2,00,000 \times 6\% \times 1/12 = 1,000$
Total		25,000

Alternatively

$$\begin{aligned}
 \text{Perquisite} &= \text{Sum of o/s balance at the end of month} \times \text{Concessional Int} \times 1/12 \\
 &= \text{Rs. } 50,00,000 \times 6\% \times 1/12 \\
 &= \text{Rs. } 25,000
 \end{aligned}$$

Solution 23**Computation of Perquisites Value of Interest Free Loan Mr. Y for AY 24-25**

Months	Outstanding Balance at end	Amount of Interest
July	3,00,000	$3,00,000 \times 10\% \times 1/12 = 2,500$
August	3,00,000	$3,00,000 \times 10\% \times 1/12 = 2,500$
September	2,90,000	$2,90,000 \times 10\% \times 1/12 = 2416.67$
October	2,80,000	$2,80,000 \times 10\% \times 1/12 = 2333.33$
November	2,70,000	$2,70,000 \times 10\% \times 1/12 = 2250.00$
December	2,60,000	$2,60,000 \times 10\% \times 1/12 = 2166.67$
January	2,50,000	$2,50,000 \times 10\% \times 1/12 = 2083.33$
February	2,40,000	$2,40,000 \times 10\% \times 1/12 = 2000.00$
March	2,30,000	$2,30,000 \times 10\% \times 1/12 = 1916.67$
Total		20,166.67

$$\begin{aligned}
 \text{Perquisite} &= \text{Sum of o/s balance at the end of month} \times \text{Concessional Int} \times 1/12 \\
 &= \text{Rs. } 24,20,000 \times 10\% \times 1/12 \\
 &= \text{Rs. } 20,166.67
 \end{aligned}$$

Solution 24**Computation of Perquisites Value of Interest Free Loan Mr. Y for AY 25-26**

Perquisite value of Interest Free loan is Nil in this case because it is a Petty loan .If the employer has given Petty Loan , there is no perquisite value .Petty Loans means loan given by the employer where value of loan is up to Rs 20,000

Solution 25**Computation of Tax Liability of Mr. J**

Particulars	New Regime	Old Regime
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Salary Rs 46,000 x 12	5,52,000	5,52,000
Rent Free Accommodation (Working Note 1)	55,200	55,200
Interest on Loans Rs 6,00,000 x (10.5% - 5.00%)	33,000	33,000
Gift on the occasion of wedding Anniversary	NIL	NIL
Use Of table & Chair 10% of cost of furniture (60,000 x 10% x 4/12)	2,000	2,000
Perquisites Value of Table & Chair Sold to EE (WN 2)	12,000	12,000
Credit Card Facility	10,000	10,000
Perquisites Value of Ambassador Car (Working Note 3)	80,000	80,000
Gross Salary	7,44,200	7,44,200
Less: Standard Deduction	75,000	50,000
Gross Total Income	6,69,200	6,94,200
Less : Deductions under section 80C-80U	NIL	NIL
Total Income	6,69,200	6,94,200

Working Note 1 Perquisite Value Rent Free Accommodation	Amount	Amount
Rent Free Accommodation Salary= 5,52,000		
10% of Rent-Free Accommodation Salary =10% of Rs 5,52,000	55,200	
Value of Unfurnished house	55,200	
Perquisite Value Rent Free Accommodation		55,200
Working Note 2 Perquisites Value of Table & Chair		
Cost	60,000	
Less: Depreciation on SLM @10% for 3 years	18,000	
Less : Amount paid by Assessee	30,000	12,000
Working Note 3 Perquisite Value of Ambassador CAR		
Original Cost of Car	2,50,000	
Less : Depreciation from 16 july 2021 to 15 july 2022	50,000	
Less : Depreciation from 16 july 2022 to 15 july 2023	40,000	
Less : Amount received from the assessee	80,000	
Perquisite Value of Ambassador CAR	80,000	

Solution 26

Computation of Perquisite Value taxable u/s 17 (2)(vii) & 17 (2) (vii a) for AY 24-25

Particulars		Amount
Perquisite value taxable u/s 17 (2) (vii) = Rs 7,77,600 being employer's contribution to RPF during the PY 23-24	7,50,000	27,600
Perquisite value taxable u/s 17 (2) (vii)a = Annual accretion on perquisite taxable u/s 17 (2) vii= (PC/2)xR+(PC1+TP1)-R		1,532

$(=27,600/2) \times 0.111+0$		
PC ABC Ltd contribution in excess of Rs 7.50 lakh to RPF during PY2023-24 = Rs 27,600	27,600	
PC1 : NIL Since Employer's Contribution is less than Rs 7.50 lakh to RPF in PY 22-23 & there is no Employer 's contribution in PY 2021-22		
TP1	NIL	
$R I / Favg = 2,06,711/18,62,093=0.111$		
I RPF Balance as on 31.03.2024 – Employee's & Employer's Contribution during the year-RPF balance as on 1.4.2023=		
2,06,711(Rs 27,43,048- 7,77,600-7,77,600-9,81,137)		
Favg (Balance to the credit of RPF as on 1/4/2023 +		
Balance to the credit of RPF as on 31/3/24) /2= = 9,81,137+27,43,048/2	18,62,093	
Note –Interest on the aggregate of following will also be chargeable to tax during AY24-25		
1. Rs 2,03,600 (Employee contribution exceeding Rs 2.50 lakh during PY 22-23)		
2. Rs 5,27,600 (Employee contribution exceeding Rs 2.50 lakh during PY 23-24)		
3. Interest accrued on Rs 2,03,600 being excess employee contribution of PY2022-23		

Computation of Perquisite Value taxable u/s 17 (2)(vii) & 17 (2) (viia) for AY 25-26 .

Particulars		Amount
Perquisite value taxable u/s 17 (2) (vii) = Rs 7,77,600 being employer's contribution to RPF during the PY 2024-25	7,50,000	27,600
Perquisite value taxable u/s 17 (2) (vii)a = Annual accretion on perquisite taxable u/s 17 (2) vii= $(PC/2) \times R + (PC1 + TP1) - R$ $(=27,600/2) \times 0.09479 + (27,600+1,532) \times 0.09479$ $= (1,308 + 2,761) =$		4,069
PC ABC Ltd ' contribution in excess of Rs 7.50 lakh to RPF during PY24-25 = Rs 27,600	27,600	
PC1 NIL Since Employer's Contribution is less than Rs 7.50 lakh to RPF in PY 21-22 & 22-23 =27,600		
TP1 Taxable Perquisites u/s 17(2)viia for PY 23-24 = Rs 1,532	1,532	
$R I / Favg = 3,50,307/36,95,802=0.09479$		
I : RPF Balance as on 31.03.2025 – Employee's & Employer's Contribution during the year-RPF balance as on 1.4.2024=		
3,05,307 (Rs 46,48,555 - 7,77,600-7,77,600)		
Favg (Balance to the credit of RPF as on 1/4/2024 +		

Balance to the credit of RPF as on 31/3/25) /2 = (27,43,048+46,48,555) /2	36,95,802	
Note –Interest on the aggregate of following will also be chargeable to tax during AY25-26		
1. Rs 2,03,600 (Employee ‘ contribution exceeding Rs 2.50 lakh during PY 22-23)		
2. Rs 5,27,600 (Employee ‘ contribution exceeding Rs 2.50 lakh during PY 23-24)		
3. Rs 5,27,600 (Employee ‘ contribution exceeding Rs 2.50 lakh during PY 24-25)		
Interest accrued on Rs 2,03,600 being excess employee ‘s contribution of PY2022-23		
Interest accrued on Rs 2,03,600 being excess employee ‘s contribution of PY2023-24		

Solution 27**Computation of Taxable Value of Perquisites in the hands of Mr. G**

Particulars	Amount	Amount
Treatment of Mrs. G in a Govt. Hospital		-
Treatment of Mr. G' Father (75 years & dependent) abroad	50,000	
Expenses of Staying Abroad of the patient & attendant	30,000	
	80,000	
Less: Exempt up to Limit specified by RBI	75,000	5,000
Medical Premium paid for insuring health of Mr. G		-
Treatment of Mr. G by his family doctor		5,000
Treatment of Mr. G's mother (dependent) by family doctor		8,000
Treatment of Mr. G's sister (dependent) in a nursing home		3,000
Treatment of Mr. G' Grandfather in a private clinic		12,000
Treatment of Mr. G's Brother (independent)		6,000
Taxable Value of Perquisite		39,000

Solution 28**Computation of LTC Amount to be exempt under normal provisions of Tax**

Since the age of his son is more than that of Twin Daughters , Mr. J can avail exemptions for all his 3 children . The restriction of 2 children is not applicable in this case of multiple births after one child .

The holiday being in India & the journey is being performed by air (Economy Class) , the entire reimbursement met by the employer is fully exempt in the hands of Mr. J

Solution 29**Computation of LTC Amount to be exempt under normal provisions of Tax**

Particulars	Amount	Amount
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Cost of Tickets reimbursed by the employer :		
For Adults		40,000
For 3 Children		15,000
Total Reimbursement by the employer		60,000
Less : LTC taxable in respect of one child =15,000/3		5,000
LTC Exempted Amount		55,000

Since the Twins Daughter age is more than the age of Son. Mr. J can avail LTC Exemption in respect of only 2 children Hence Taxable LTC is in respect of one child i.e. son

Solution 30

Computation of Total Income of Mr. X

Particulars	Old Regime	New Regime
Salary	2,56,000	2,56,000
City Compensatory Allowance	8,000	8,000
Bonus	10,200	10,200
Education Allowance	4,000	4,000
Income Tax penalty paid by employer	2,000	2,000
Leave Travel Concession	1,000	1,000
Free Refreshment	NIL	NIL
Free Residential Telephone	NIL	NIL
Payment of Electricity bills by employer	1,060	1,060
Reimbursement of Gas Bills	1,000	1,000
Professional Tax paid by the Employer	300	300
Gross Salary	2,83,560	2,83,560
Less : Standard Deduction	50,000	75,000
Less : Professional Tax	450	NA
Gross Total Income	2,33,110	2,08,560
Less : Deductions under section 80C – 80U	NIL	NIL
Total Income	2,33,110	2,08,560
Tax on Rs 2,33,560	NIL	NIL
Tax Liability	NIL	NIL

Solution 31

Computation of Perquisite Value of Education Facilities in the hands of Mr. X

Particulars	Amount	Amount
a) There is no perquisite value		-
b) Employer paid per child Rs 1,500 pm for 3 child own school	54,000	
Less : Exemption up to Rs 1,000 per child for 3 child	36,000	
Less : Amount paid by employee Rs 3,00 per child for 3 child	10,800	
Value of perquisites		7200

c) Employer reimbursed per child Rs 1,500 pm for 3 child – no exemption of Rs. 1000 pm per child shall be allowed in this case.		54,000
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Solution 32**Computation of value of Perquisites**

Particulars	Amount	Amount
a) Perquisite value (Rs 1800 p.m. x 12) Note : Expenditure incurred by employer is irrelevant		21,600
b) Perquisite value Car (Rs. 2400 p.m. x 12) Driver (Rs. 900 p.m. x 12)	28,800 10,800	39,600
c) If car's engine is up to 1600cc then perquisite value = 1800 p.m. x 12 If car's engine exceeds 1600cc then perquisite value = 2400 p.m. x 12		21,600 28,800
d) Expenses incurred by employer	36,000	
Less : Car official usage (1800 x 12)	21,600	
Taxable perquisite		14,400

Solution 33**Computation of Income from Salary of Mr. J for AY 25-26**

Particulars	Amount	Amount
Basic Salary Rs 22,000 x 12		2,64,000
Professional tax paid by the employer Rs 75 x 12		900
Rent Free Accommodation		13,200
5% of Rent Free Accommodation = Rs 2,64,000 x 5 %		
Motor car Working Note :1		1,62,600
Gross Salary		4,40,700
Less : Standard Deduction		NIL
Income from Salary		4,40,700
Working Note 1		
Option 1		
Presuming Car 1 is for official & personal purposes & Car 2 & Car 3 personal use perquisites value shall be :		
Car I- (Rs 2,400+900) x 12= 39,600		
Car ii- Rs 30,000+10,000+4000+36,000 = Rs 80,000		
Car iii- Rs 25,000+15,000+3,000 =Rs 43,000		
Perquisite Value = Rs 1,62,600	1,62,600	
Option 2		
Presuming Car 2 is for official & personal purposes & Car 1 & Car 3 for personal use perquisites value shall be :		

Car 1- (Rs 40,000+3,000+5,000+48,000)= 96,000		
Car 2- (Rs 1,800+900) X 12 = Rs 32,400		
Car 3- (Rs 25,000+15,000+3,000) =Rs 43,000		
Perquisite Value = Rs 1,71,400	1,71,400	
Option 3		
Presuming Car 3 is for official & personal purposes and Car 1 & Car 2 for personal use perquisites value shall be :		
Car 1- (Rs 40,000+3,000+5,000+48,000)= 96,000		
Car 2- Rs 30,000+10,000+4000+36,000 = Rs 80,000		
Car 3- Rs 1,800 X 12 = Rs 21,600		
Perquisite Value = Rs 1,97,600	1,97,600	

Solution 34**Computation of taxable value of perquisites in hands of Mr. Y**

Particulars	Amount	Amount
1. Value of concessional accommodation :		
Least of the following :		
Actual amount of lease rental paid by F Ltd or 10% of salary		
Actual amount of lease rental paid by F Ltd. = Rs. 1,80,000		
10% of salary = 10 lakh x 10%	= 1,00,000	
	Least amount	1,00,000
Less : Rent paid by Y = Rs. 5000 x 12	60,000	
	40,000	
Add : hire charges paid by F Ltd. for furniture provided for the use of Mr. Y	36,000	76,000
2. Perquisite value of Santro Car owned by F Ltd. & provided to Mr. Y for his personal use & official use (1800+900)x12		32,400
3. Value of gift voucher (As value of gift exceed 10,000, it is fully taxable)		10,000
	Value of perquisites	1,18,400

Solution 35**Computation of Income from Salary of Mr. J**

Particulars	Amount	Old Regime	New Regime
Basic Salary Rs 25,000 x 12		3,00,000	3,00,000
Commission Rs 1000 x 12		12,000	12,000
Entertainment Allowance Rs 1000 x 12		12,000	12,000
Rent free accommodation			
10% of salary for the relevant period = basic salary + commission + entertainment allowance	32,400		

= Rs 3 lakh + 12,000 + 12,000 = 3,24,000			
Add: Value of furniture (2,40,000 x 10% x 8/12 months)	16,000	48,400	48,400
Interest on personal loan (Rs 5 lakh x 12.75%-6.75% x 9/12)		22,500	22,500
Use of motor cycle Rs 60,000 x 10% x 4/12		2,000	2,000
Transfer of motor cycle [60,000 - (60,000 x 10% x 3 Year)]	42,000		
Less: Motor cycle sold at price	30,000		
Perquisite value		12,000	12,000
Gross Salary		4,08,900	4,08,900
Less: Standard deduction		50,000	75,000
Less Professional Tax		2,000	-
Income from salary		3,56,900	3,33,900