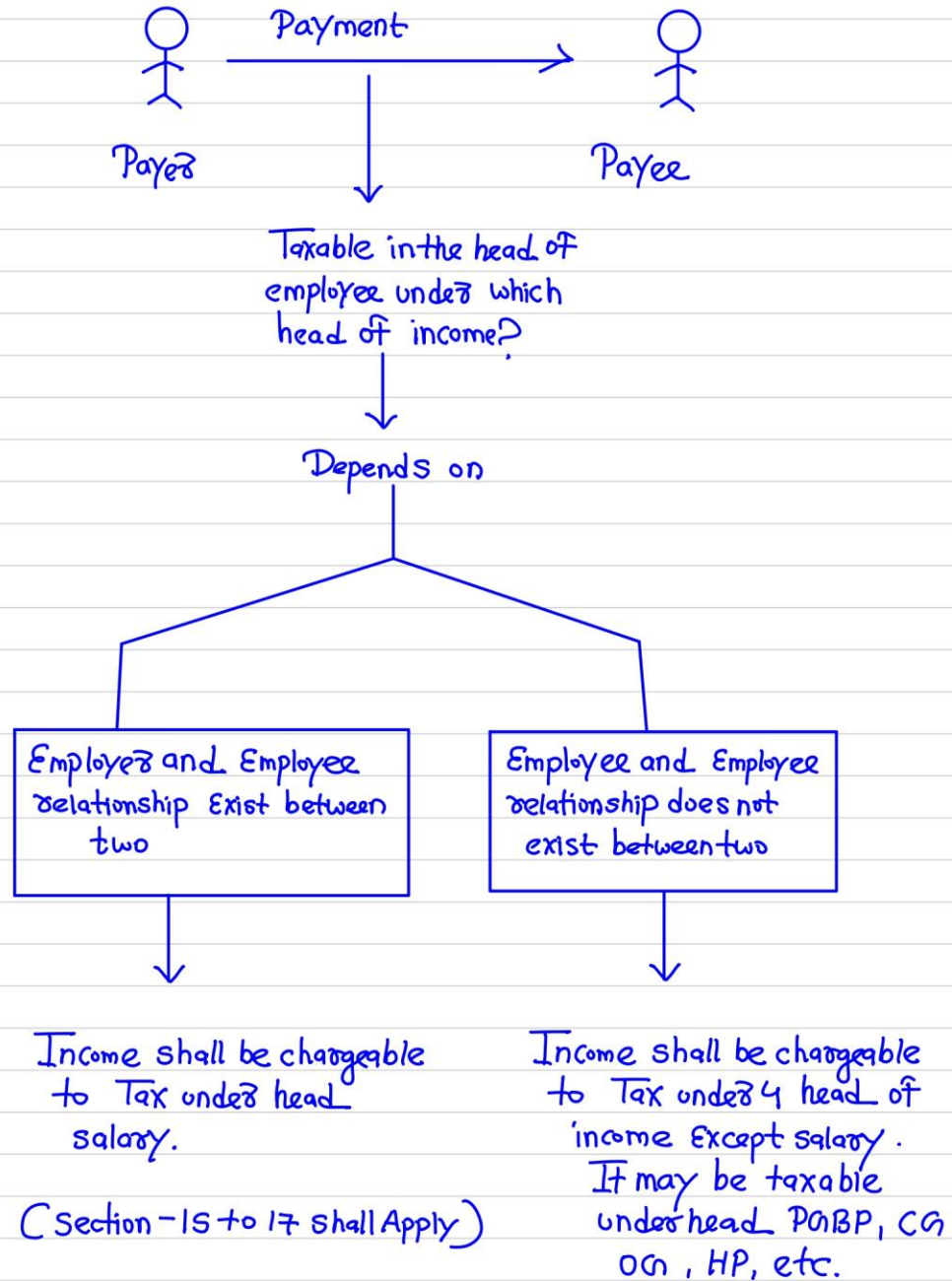
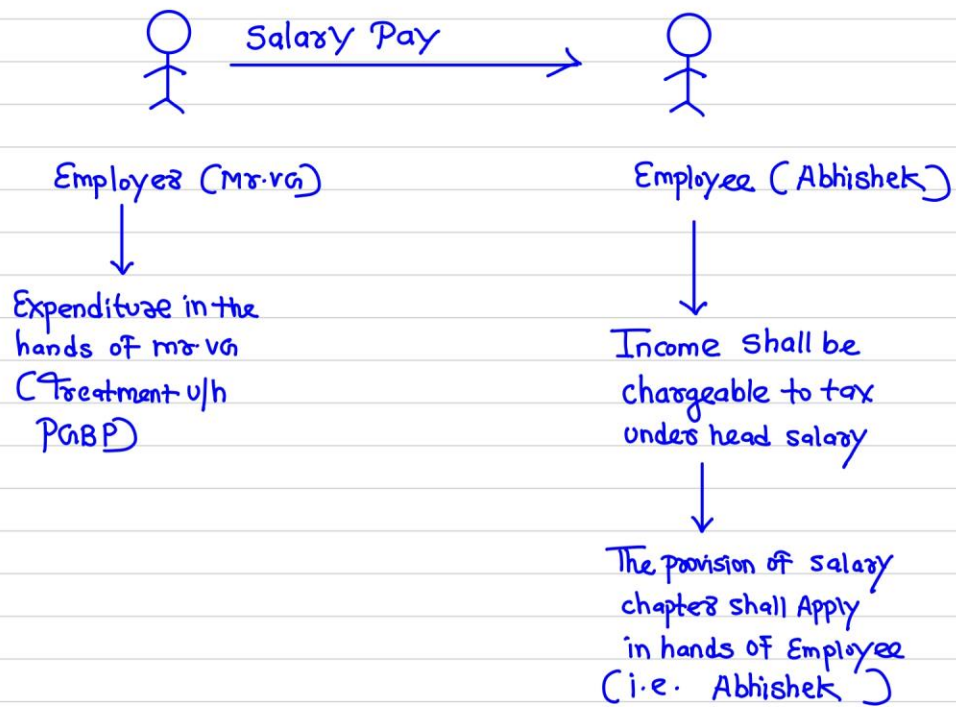




D 3 Basic Points before start the chapter - Income under head salary



2)



3)



Every Payment made by Employer to Employee is Deemed as salary in the hands of Employee

\* Payment   
 → Cash → Normally called Allowance   
 → Non-cash → Normally called Perquisites



### Section 15 Charging section

D Salary shall be chargeable to Tax

a) on Due Basis

or

b) on Receipt Basis

Whichever is Earlier

Gross

Taxable on

D First due, receive later = Due Basis

2) First Received, Due later = Receive Basis

# अगर salary Due basis पर Taxable हो चुकी है तो Receive Basis पर नहीं होगी, अगर salary Receive Basis पर Taxable हो चुकी है तो Due Basis पर नहीं होगी

### Example

Mr. V is an Employee of V Ltd. and his Salary ₹ 25,000 pm. Compute his Gross Salary in the Following Cases :-

D Salary Due and Receive on the last day of same month.

$$\rightarrow = 25000 \times 12 = 3,00,000$$



2) Salary Due on last day of each month and Received 7<sup>th</sup> Day of Next month. =

$$\rightarrow = 25000 \times 12 = 3,00,000$$

3) Salary due and Received on the last day of same month but Jan 25 to March 25 Salary not received due to financial crises and Received in next year but employee is working in that period

$$\rightarrow = 25000 \times 12 = 3,00,000$$

d) Salary due and Received on same month but he received Advance salary also for April 25 to July 25 in March 2025

$$\rightarrow 25000 \times 16 = 4,00,000$$

(12+4)

e) Salary Due on 1<sup>st</sup> day of Next month and Received 7<sup>th</sup> day of Next month.

(Employee is working since 2010)

$$\rightarrow 25000 \times 12 = 3,00,000$$

(Mar 24 to Feb 25)

Compute Gross salary for Ay 25-26 (ie. PY 24-25)



## Arrears of salary

Normally speaking, salary Arrears are charged on Due basis. However, there are certain circumstances when it may not be possible to bring tax on due basis then such Arrears is chargeable to tax on Receipt basis but subject to section 89(1) (i.e. Relief in the case of Arrears)

### Example

If the pay Commission is appointed by CG and it recommends revision of salary of employee with retro spective effect, that arrears received in that connection shall be charged on Receive basis but Subject to Section 89(1)

## # Grade Based salary / Pay scale salary

How to Compute salary in Grade pay system ?

→ Certain employees are entitled to a graded system of salary. Under this system the Normal annual increments to be given to the employee are already fixed in the grade.



For Example :- If the employee joins on 1/5/2005 and is placed in the grade of 12,300 - 300 - 17,400 - 500 - 19,400. This means that, he will get a basic salary of 12,200 with effect from and onwards till his salary reaches to ₹ 17,400. There after he will get annual increment of ₹ 500 till his salary reaches ₹ 19,400. No further increment till he placed another New grade System.



Lecture 2

Question.

Mr. Abhishek is working in Vn Ltd as per the following salary grade :-

40,000 - 500 - 42,000 - 1,000 - 45,000 - 800 - 49,000 - 2,000 - 53,000

	I	II	III	IV	V	VI
Joining date	1/4/18	1/7/18	1/1/2019	1/4/2019	1/12/20	1/11/2021
Joining salary	40,000	40,000	49,000	55,000	45,000	41,000
Gross salary PY 24-25	$1/4/18-31/3/19 = 40,000$ $19-20 = 40,500$ $20-21 = 41,000$ $21-22 = 41,500$ $22-23 = 42,000$ $23-24 = 42,000$ $24-25 = 44,000$ $40,000 \times 12 = 5,28,000$	$1/7/18-30/6/19 = 40,000$ $1/7/19-30/6/20 = 40,500$ $1/7/20-30/6/21 = 41,000$ $1/7/21-30/6/22 = 41,500$ $1/7/22-30/6/23 = 42,000$ $1/7/23-30/6/24 = 43,000$ $1/7/24-30/6/25 = 44,000$ $40,000 \times 3 = 1,29,000$ $44,000 \times 3 = 3,96,000$ <u>5,25,000</u>	$1/1/19-31/12/19 = 49,000$ $1/1/20-31/12/20 = 51,000$ $1/1/21-31/12/21 = 53,000$ $1/1/22-31/12/22 = 55,000$ $1/1/23-31/12/23 = 57,000$ $1/1/24-31/12/24 = 59,000$ $1/1/25-31/12/25 = 59,000$ $59,000 \times 12 = 7,08,000$	$1/4/2019 = 55,000$ $20-21 = 55,000$ $21-22 = 57,000$ $22-23 = 59,000$ $23-24 = 59,000$ $24-25 = 59,000$ $59,000 \times 12 = 7,08,000$	$1/12/20-30/11/21 = 45,000$ $1/12/21-30/11/22 = 45,800$ $1/12/22-30/11/23 = 46,600$ $1/12/23-30/11/24 = 47,400$ $1/12/24-30/11/25 = 48,200$ $47,400 \times 8 = 3,79,200$ $48,200 \times 4 = 1,92,800$ <u>5,72,000</u>	$1/11/2021-31/10/22 = 41,000$ $1/11/22-31/10/23 = 41,500$ $1/11/23-31/10/24 = 42,000$ $1/11/24-31/10/25 = 42,000$ $42,000 \times 7 = 2,94,000$ $43,000 \times 5 = 2,15,000$ <u>5,09,000</u>



VV SIR

Section - 16 Deduction from salary

Section 16(i) standard deduction

Section 16(ii) Entertainment Allowance (Only for Normal scheme)

Section 16(iii) Professional TAX / Employment TAX

Section 16(i) standard deduction

→ Eligible Employees → All types of employee  
(Whether Govt, Non Govt, Pvt, Public etc)

→ Amount of deduction

Old regime / Normal Regime = Annual  $\text{₹ } 50,000$   
 Maximum 50,000       $\underbrace{\text{Salary}}_{\text{less}}$

New regime / Default Regime = Annual  $\text{₹ } 75,000$   
 Maximum 75,000       $\underbrace{\text{Salary}}_{\text{less}}$

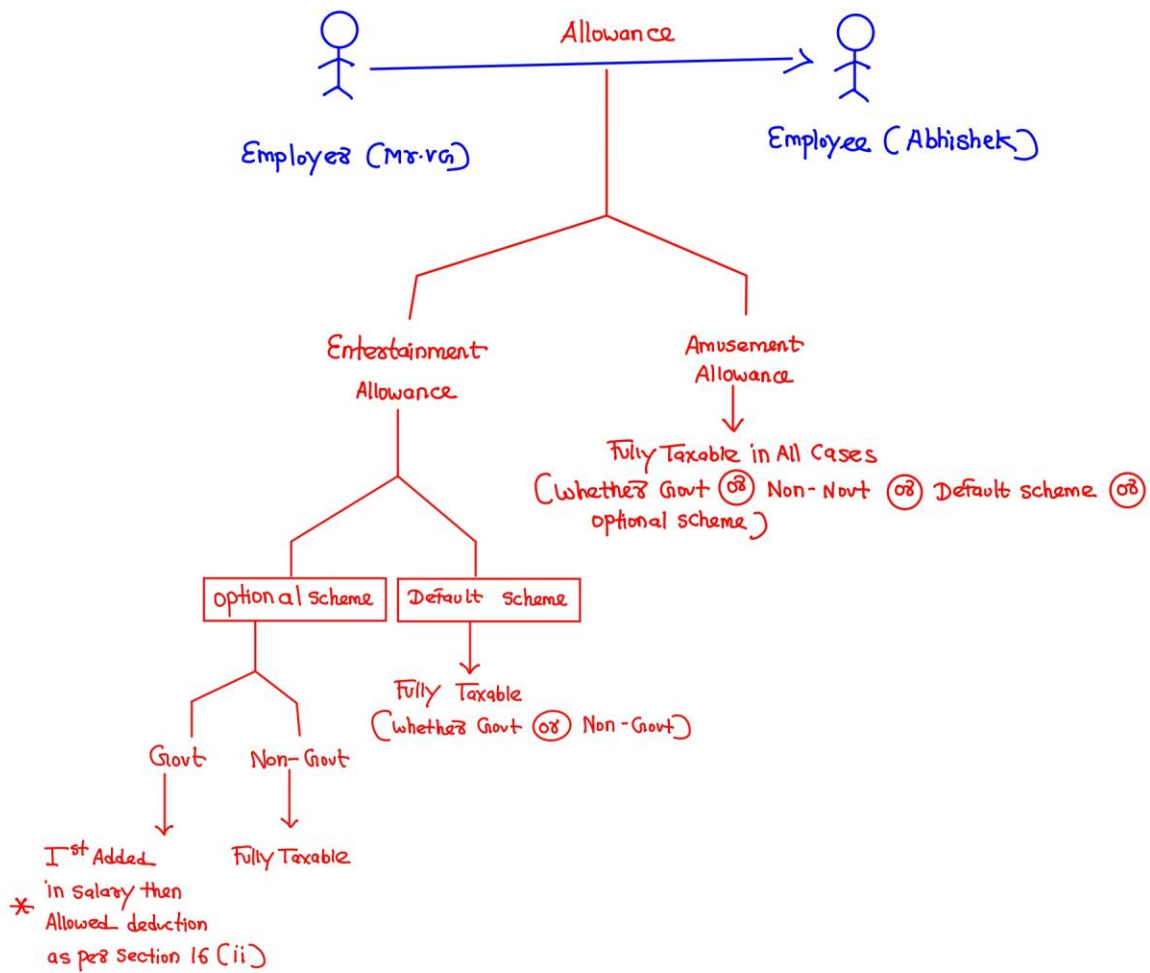


Example

	Mr. Abhishek opt Normal Scheme			Mr. Abhishek opt default scheme		
Gross Salary	6,00,000	80,000	40,000	7,00,000	80,000	50,000
Deduction	(50,000)	(50,000)	(40,000)	(75,000)	(75,000)	(50,000)
Taxable Salary	5,50,000	30,000	Nil	6,25,000	5,000	Nil



Section 16(ii) Entertainment Allowance (Only for Normal scheme)



Deduction u/s 16(ii)

least of the following shall be Allowed as deduction

- 1) Actual Amount Received (or)
  - 2) ₹ 5,000 P.a (or)
  - 3) 20% of Basic Salary
- Which ever is less



## Example

Mr. Abhishhek is an Employee of Vn Ltd. his basic salary is ₹ 40,000 pm.  
 he receive Entertainment Allowance ₹ 4000 pm and amusement Allowance ₹ 2,000 pm  
 Determine his taxable salary as per the following Cases .

- 1) He is Govt Emp and avail NS
- 2) He is Non Govt emp and avail NS
- 3) He is Govt emp and avail DS
- 4) He is NG Emp and avail DS

	Normal Scheme		Default Scheme	
	Govt	Non-Govt	Govt	Non-Govt
Basic salary	4,80,000	4,80,000	4,80,000	4,80,000
Entertainment Allowance	48,000	48,000	48,000	48,000
Amusement Allowance	24,000	24,000	24,000	24,000
Gross salary	5,52,000	5,52,000	5,52,000	5,52,000
(-) Deduction v/s 16				
16 (ia)	50,000	50,000	75,000	75,000
16 (ii)	5000			
Taxable salary	4,97,000	5,02,000	4,77,000	4,77,000



Lecture 3

**Section 16(iii) Professional TAX / Employment TAX**  
(Deduction only for Normal Tax Regime)

→ Amount Received from Employee = Added in Salary

→ Amount paid by employee = Deductible from Salary

Practicaly limit of professional Tax / Employment Tax = 2500/- P.a

Example

Amount Received From Employee	Amount paid by employee	Assessee opt Normal Regime		Assessee Avail Default Scheme	
		Add	Deduction	Add	Deduction
500	500	500	500	500	—
800	500	800	500	800	—
500	800	500	800	500	—
Nil	800	Nil	800	Nil	—
800	Nil	800	Nil	800	—



VV SIR

1) IF question is silent above employee & employee = Same amount Add  
Same amount minus

2) IF question says P. Tax / E. Tax paid by employee & silent about  
received from employees = Alternative - 1

Assume Amount Received  
from employees = Nil & TAX  
only paid by employee his own pocket

Add = Nil Deduct = Amount paid by  
employee

Alternative - 2

Assume same amount paid by / received from employees  
and then paid by employee.

Add - Same Amount  
Deduct - Same Amount



Question

Mr. Abhishek is working in VGI Study Hub Pvt Ltd.  
 his Salary Grade - 40,000 - 500 - 42,000 - 2,000 - 52,000 - 1,000 - 60,000  
 Joining Date = 1/1/2020 Joining salary = 41500 pm

He receive following Amount From his employer

- Entertainment Allowance = 400 pm (Amount spent - 200 p.m)
- Amusement Allowance = 600 pm (Amount spent - 300 pm)
- Prof Tax paid by employee = 2000 pa (₹ 15,00 P.a. Received from employer)

Compute his Taxable salary in the following cases

- 1) Govt NS      3) Govt - DS
- 2) Non Govt NS      4) Non-Govt DS

PY - 24-25



Solution :-

	Normal scheme		Default scheme	
	Govt Employee	Non Govt Employee	Govt Employee	Non Govt Employee
Basic salary	5,82,000	5,82,000	5,82,000	5,82,000
+ EA	4,800	4,800	4,800	4,800
+ AA	7,200	7,200	7,200	7,200
+ PTax	1,500	1,500	1,500	1,500
Gross salary	5,95,500	5,95,500	5,95,500	5,95,500
↳ Deduction	50,000	50,000	75,000	75,000
16(i a)				
16(i i)	4,800	—	—	—
16(i i i)	2,000	2,000	—	—
	5,38,700	5,43,500	5,20,500	5,20,500



Pay scale

$$1|1| 20 - 31 | 12| 20 = 41,500$$

$$1|1| 21 - 31 | 12| 21 = 42,000$$

$$1|1| 22 - 31 | 12| 22 = 44,000$$

$$1|1| 23 - 31 | 12| 23 = 46,000$$

$$1|1| 24 - 31 | 12| 24 = 48,000$$

$$1|1| 25 - 31 | 12| 25 = 50,000$$

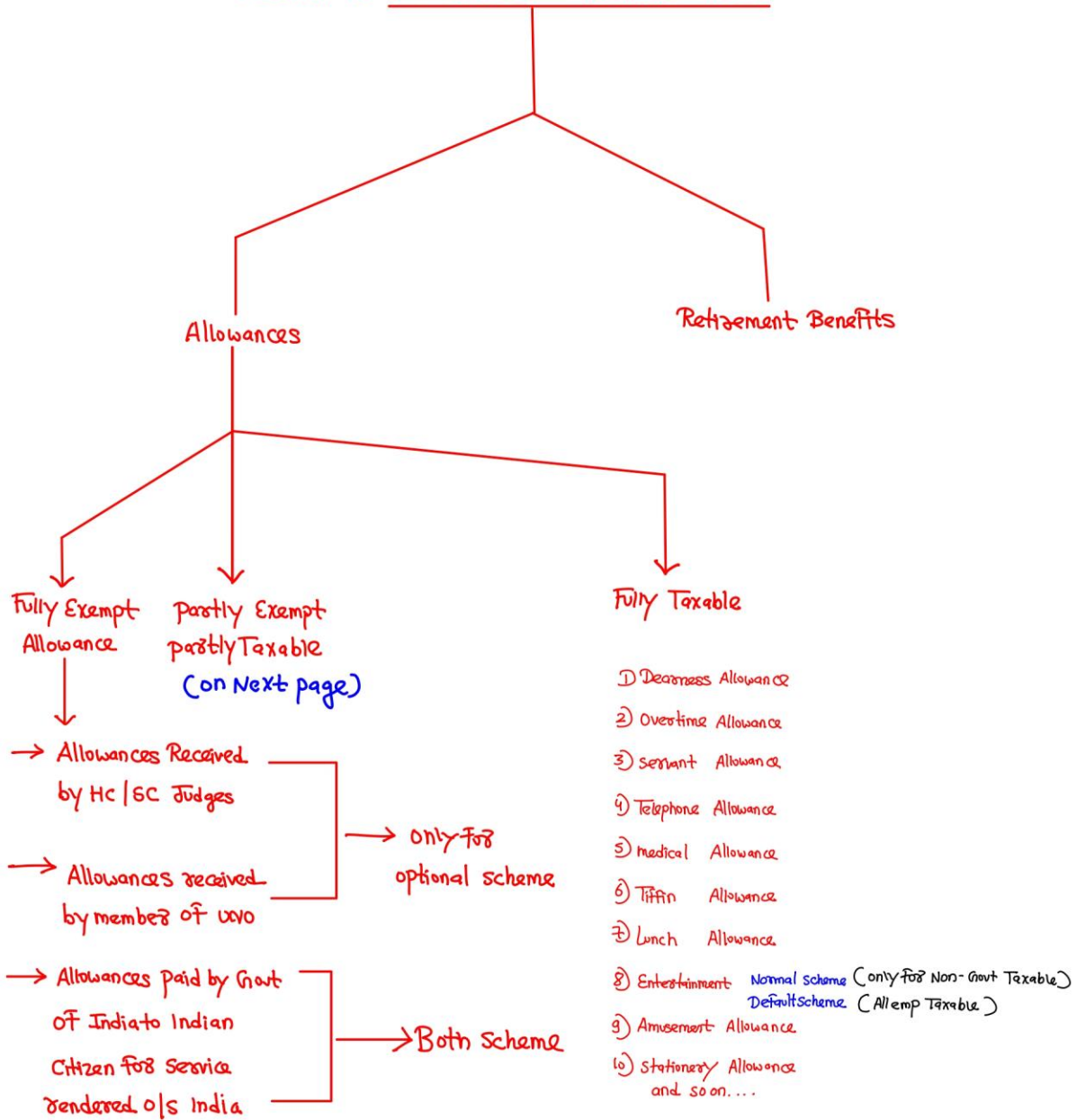
$$48,000 \times 9 = 432,000$$

$$50,000 \times 3 = 1,50,000$$

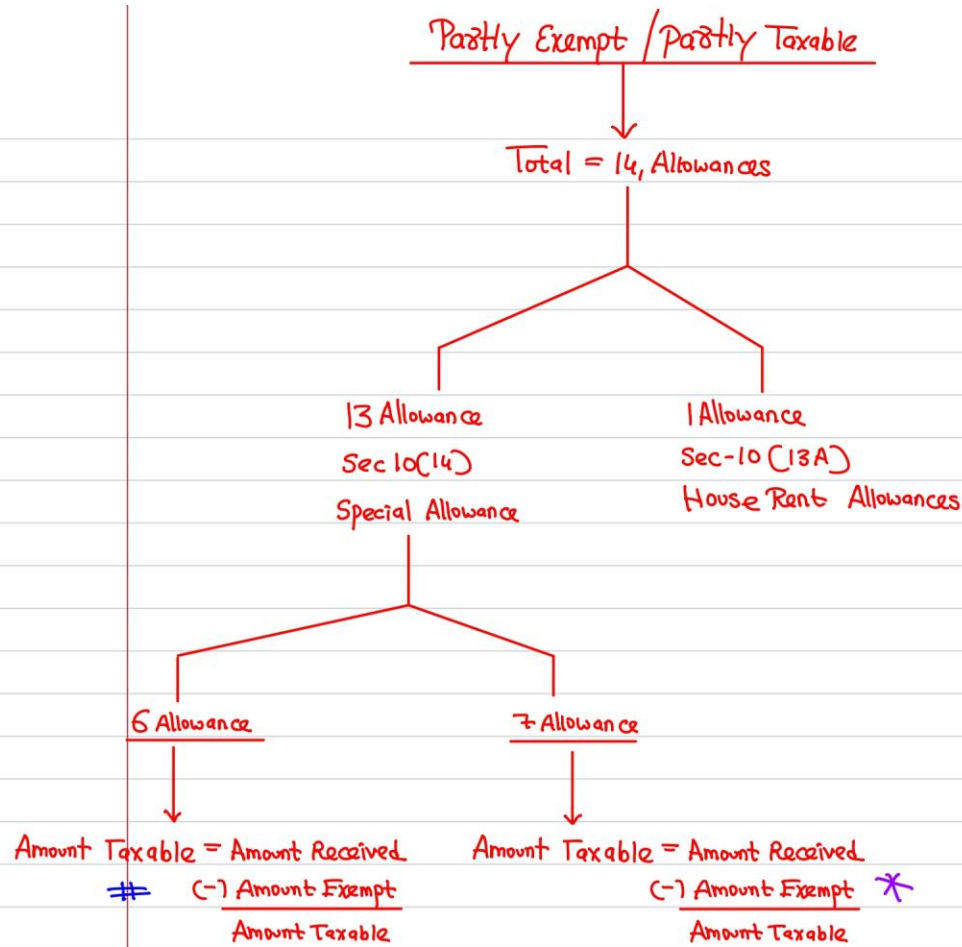
$$\text{Salary for py 24-25} \quad \underline{5,82,000}$$



Section-10 Allowances & Retirement Benefits



VV SIR



# Amount Received or Amount Spent

└──┬──┘

less

└──┬──┘

Amount Exempt

# अगर Amount spent, Amount Receive से कम है तो Taxable portion आराम

# अगर Amount spent, Amount Receive के बराबर है या उसे ज्यादा है तो Taxable portion Null आरामा



V.G. SIR

- 1) Daily Allowance
- 2) Travelling Allowance
- 3) Conveyance Allowance
- 4) Helled Allowance
- 5) Academic Allowance
- 6) Uniform Allowance

Example :- (Normal scheme)

Name of Allowance	Amount Receive	Amount spent	Amount Exempt	Amount Taxable
Daily Allowance	280 pm	160 pm	160 pm	120 pm
Travelling Allowance	320 pm	290 pm	290 pm	30 pm
Conveyance Allowance	380 pm	420 pm	40 pm	Nil
Academic Allowance	420 pm	400 pm	400 pm	20 pm



Note :- Allowances which are partly exempt under Default scheme also :-

1) Daily Allowance

2) Traveling Allowance

3) Conveyance Allowance

Other 3 Allowance will be fully taxable in the hands of employee if avail Default scheme.

1) Children Education Allowance

2) Hostel Expenditure Allowance

3) Transport Allowance

4) Outstation Allowance / Transport Co. Employee Allowance

5) Tribal Area Allowance

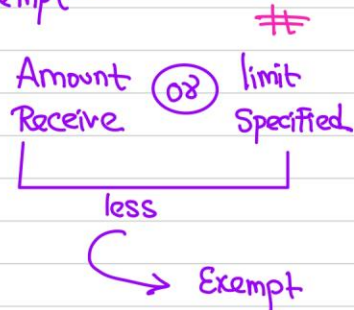
6) Under ground Allowance

7) Hill, border, Remote Area Allowance



## Lecture 4

\* Amount Exempt =



# Amount Spent is irrelevant

\* more beneficial to Employee.

# Children Education Allowance = 100 per month / per child (max 2 child)

Hostel Expenditure Allowance = 300 per month / per child (max 2 child)

Transport Allowance = Normal Employee = Fully Taxable

= Handicapped Employee = 3200 pm

Outstation Allowance = 70% of Amount Received

(or)

10,000 per month

Whichever is less

Tribal Area Allowance = 200 pm

Underground Allowance = 800 pm

Hill, border, Remote Area Allowance = 200 pm to 7000 pm



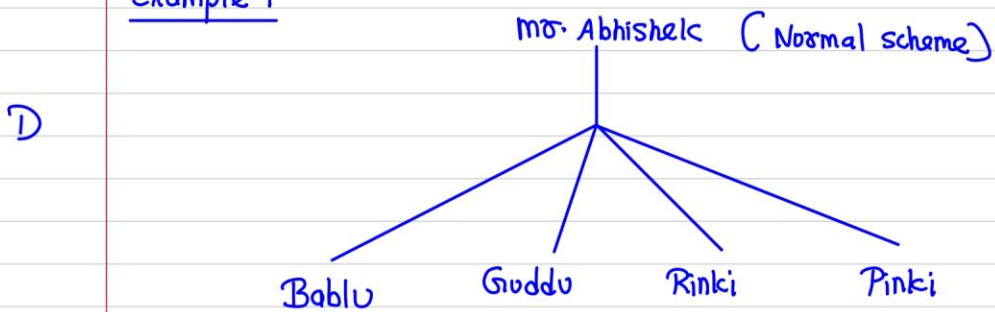


Note :- IF Assessee opt Normal Tax Regime . IF Assessee avail Default Scheme then all Allowances will be Fully Taxable Except Transport Allowance.

Treatment of TP Allowance ( In Default scheme )

- Normal Employee = Fully Taxable
- Handicapped = 3200 pm Exemption limit

Example 1



CEA	180 pm	90 pm	120 pm	140 pm	
<del>Amount spent</del>	<del>120 pm</del>	<del>80 pm</del>	<del>140 pm</del>	<del>100 pm</del>	
Amount Exempt	100	—	—	100	
Amount Taxable	80	90	120	40	= 330
	$330 \text{ pm} \times 12 = 3960$				



Example 2

Mr. Abhishek (Normal scheme)

Dhokla      Bosti      Jalebi      Rasmania

HEA	280 pm	290 pm	240 pm	320 pm
<del>AS</del>	<del>250 pm</del>	<del>240 pm</del>	<del>200 pm</del>	<del>340 pm</del>
AE	—	290 pm	—	300 pm
AT	280 pm	—	240 pm	20 pm = 540

$540 \times 12 = 6480/-$



Example 3

Mr. Abhishek Receiving following Amount From Mr. VG  
(Normal Scheme)

Basic salary = 40000 pm

Helper Allowance = 240 pm (AS - 180 pm)

Transport Allowance = 1200 pm (~~AS - 800 pm~~)

C.E.A = 90 pm/pc (3 child)

Tribal Area = 180 pm

Particulars		₹
Solution :-		
Basic salary	40000 X 12	4,80,000
Helper Allowance	(240 - 180) X 12	720
Transport Allowance	1200 X 12	14,400
Children Education Allowance	90 X 12	1,080
Tribal Allowance		Nil
	Gross salary	4,96,200
	Section 16(1a) standard deduction	50,000
	Taxable salary	4,46,200



Example 4

Basic Salary = 25,000 pm

Academic Allowance = 240 pm (AS-260 pm)

Uniform Allowance = 260 pm (AS-180 pm)

H.E.A = 280 pm / pc (2 child)

C.S.A = 120 pm / pc (2 child)

Outstation Allowance = 8000 pm (~~AS-5000 pm~~)

Computation of Taxable salary (Normal scheme)

Particulars	₹
Basic salary $25000 \times 12$	3,00,000
Academic Allowance $(240-240) \times 12$	Nil
Uniform Allowance $(260-180) \times 12$	960
Hostel Expenditure Allowance $(280-280) \times 2 \times 12$	Nil
Children Education Allowance $(120-100) \times 2 \times 12$	480
Outstation Allowance $(8000-5600) \times 12$	28,800
Gross salary	3,30,240
Section 16(1a) Standard deduction	50,000
Taxable salary	2,80,240



## Section - 10(13A) House Rent Allowance (HRA)

(Only for Normal scheme)

$$\begin{array}{r} \text{Amount Taxable} = \text{HRA Received} = \text{xxxx} \\ \quad \quad \quad (-) \text{HRA Exempt} = \underline{\text{xxxx}} \\ \hline \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \rightarrow \text{xxxx} \end{array}$$

Least of the following shall be exempt

- 1) Actual Amount Received
- 2) Rent paid - 10% of salary\*
- 3) 50% of salary (if Metro city)  $\rightarrow$  Mumbai, Delhi, Chennai, Kolkata  
40% of salary (other city)

Salary = BASIC salary

+ Dearness Allowance (under the terms of employment)\*

+ Commission % on the basis of Turnover

\* (under the terms of employment) or  
Forms the part of Basic pay / salary or  
DA for Retirement Benefit

अगर इनमें से कोई भी line Question में Given है तो DA (UTOE) वाला है।



Hw

Example

Basic salary = 40,000pm

C.E.A = 120 pm/pc (~~AS-90 pm/pc~~) 4 childH.E.A = 320 pm/pc (~~AS-300 pm/pc~~) 4 childTransport Allowance = 1500pm (~~AS-1000 pm~~)

outstation Allowance = 12000pm (AS-8000 pm)

Traveling Allowance = 700 pm (AS-740 pm)

Conveyance Allowance = 800 pm (AS-500)pm



Solution :-	Particulars	₹
	Basic salary	4,80,000
	Children Education Allowance	3,360
	Hostel Expenditure Allowance	8,160
	Transport Allowance	18,000
	outstation Allowance	43,200
	Traveling Allowance	Nil
	Conveyance Allowance	3,600
	Gross salary	5,56,320
		50,000
	Section 16(ia) Standard deduction	
	Taxable salary	5,06,320



## Lectures

- 1) Exemption u/s 10(13A) would be available to an assessee only if he exercise the option of shifting out of the Default tax Regime u/s 115BAC (i.e. opt Normal scheme). If he avail Default scheme then 10(13A) Exemption Not Allowed.
- 2) Exemption is not available to an assessee who lives in his own house (or) in a house for which he has not incurred the Expenditure of rent.
- 3) Relevant period means the period during the said accommodation was occupied by the assessee during the p.y.

Example

Basic Salary	=	40,000 pm
DA	=	10% of BS (50% for UOE)
Commission	=	1% of To (To - 12,00,000 P.a)
HRA	=	12,000 pm
Rent paid	=	10,000 pm
Bonus	=	1,000 pm

Taxable salary ? HRA Taxable ?



Solution:- Computation of Taxable salary

Basic salary	=	4,80,000
DA	=	48,000
Commission	=	12,000
HRA	=	75,600
Bonus	=	12,000
Gross salary	=	<u>6,27,600</u>
(-) Section 16(1a) standard deduction		<u>50,000</u>
Taxable salary	=	5,77,600

Working Note 1

Computation of Taxable HRA

Amount Received = 1,44,000

(-) Amount Exempt = 68,400

Taxable HRA 75,600



Computation of HRA ExemptLeast of the following shall be Exempt

- |                              |                           |              |
|------------------------------|---------------------------|--------------|
| 1) Actual HRA Received       | 1,44,000                  | (12000 x 12) |
| 2) Rent paid - 10% of salary | 1,20,000 - 10% X 5,16,000 | = 68,400     |
| 3) 40% of salary             | 40% X 5,16,000            | = 2,06,4000  |

Salary For HRA

$$\begin{aligned} \text{Basic} &= 4,80,000 \\ \text{DA (DTOE)} &= 24,000 \quad (4,80,000 \times 10\%) \times 50\% \\ \text{Commission} &= \frac{12,000}{5,16,000} \quad (12L \times 1\%) \end{aligned}$$



Question

Basic Salary = 25,000 p.m  
DA = 8,000 p.m (20% for retirement benefit)  
Commission = 800 p.m  
Bonus = 1000 p.m  
Traveling Allowance = 420 p.m (AS - 380 p.m)  
Transport Allowance = 1200 p.m (AS - 700 p.m)  
HRA Received = 7000 p.m  
Rent Paid = 11,000 p.m  
Professional Tax = 2000 p.m  
Paid

Taxable Salary Both Regime ?



Computation of Taxable salary

	NS	DS
Basic salary	= 3,00,000	= 3,00,000
DA	= 96,000	= 96,000
Commission	= 9,600	= 9,600
Bonus	= 12,000	= 12,000
Traveling Allowance	= 480	= 480
Transport Allowance	= 14,400	= 14,400
HRA	= —	= 84,000
Professional tax paid	= 2,000	= 2,000
Gross salary	= 4,34,480	= 5,18,480
(-) Section 16(i) standard deduction	50,000	75,000
(-) 16(ii)	2,000	
Taxable salary	= 3,82,480	= 4,43,480

Working Note 1Computation of Taxable HRA

Amount Received = 84,000

(-) Amount Exempt = 84,000

Taxable HRA = Nil



Computation of HRA Exemptleast of the following shall be Exempt

- 1) Actual HRA Received  $84,000$  ( $7000 \times 12$ )
- 2) Rent paid - 10% of salary  $1,32,000 - 10\% \times 3,19,200$   
 $= 1,00,080$
- 3) 40% of salary  $40\% \times 3,19,200 = 1,27,680$

Salary for HRA

$$\begin{array}{r} \text{Basic} = 3,00,000 \\ \text{DA (10\%)} = 19,200 \quad 96,000 \times 20\% \\ \text{Commission} = - \\ \hline 3,19,200 \end{array}$$

**Section - 17 Perquisites** (All perquisites are same applicability in both the Tax regime.)

- 1) The term perquisites indicate some extra benefit in addition to the amount that may be legally due by way of contract for service rendered. In modern terms, you can say non-cash benefits given to employee at present, the salary package of an employee normally includes monetary salary and perquisite like, RFA, CAR, Medical, Education, etc.



Key points related to Perquisites

- 1) Perquisites may be provided in cash (or) in kind.
- 2) Reimbursement of Expenditure incurred in the official discharge of duties is not a perquisites
- 3) Perquisite may be arise in the Case of employment (or) in the Course of Business (or) Profession. IF it is in the Course of employment then Taxable under head income from Salary. however, if it is arise during the Course of Business (or) Profession, then value of such Perquisite is Taxable under head PGBP.
- 4) Perquisite will become Taxable only if it has a legal origin

Types of Perquisites

- 1) Perquisites taxable in the hands of All employees
- 2) Perquisites taxable only in the hands of 'specified Employee'
- 3) Perquisites 'Tax Free' in the hand of All employees.



### List of Perquisites

1) Rent free Accommodation (RFA)

2) Concessional RFA

3) Interest on loan

4) Sweat Equity share

5) GIFT

6) Lunch facility

7) children Education facility

8) Medical facility

9) Sweepers, Gardners, Watchman

10) Electricity, water, Gas facility

11) Use of movable property

12) Transfer of movable property

13) LIC premium paid by employer

14) Credit card, club membership fees

15) motor car facility

16) Contribution to New pension scheme, Recognised provident



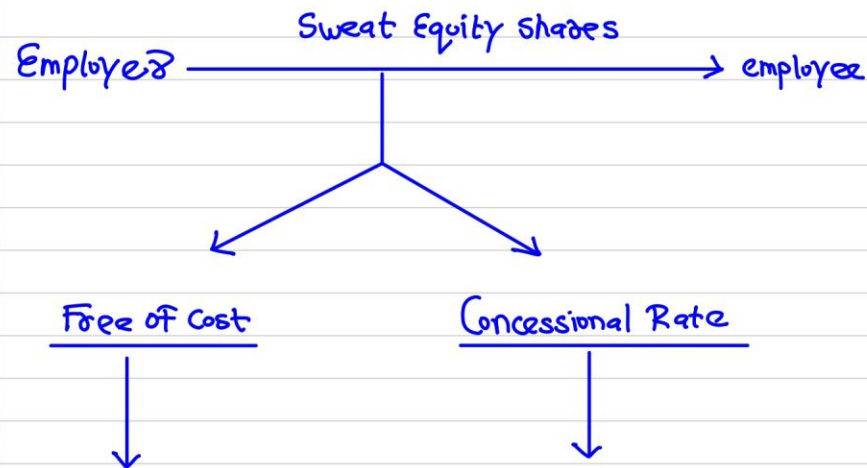
fund, and Super Annuation fund

17) leave Travel Concession (Sec -10 (5))

18) other benefit provided by employer to employee



## Lecture 6

D Sweat Equity Shares

Free of Cost  
 ↓  
 FMV on the date of issue of such share is chargeable to tax.

Concessional Rate  
 ↓  
 FMV of share = XXXX  
 (-) Amt paid by employee = XXXX  
 Taxable Perquisites XXXX

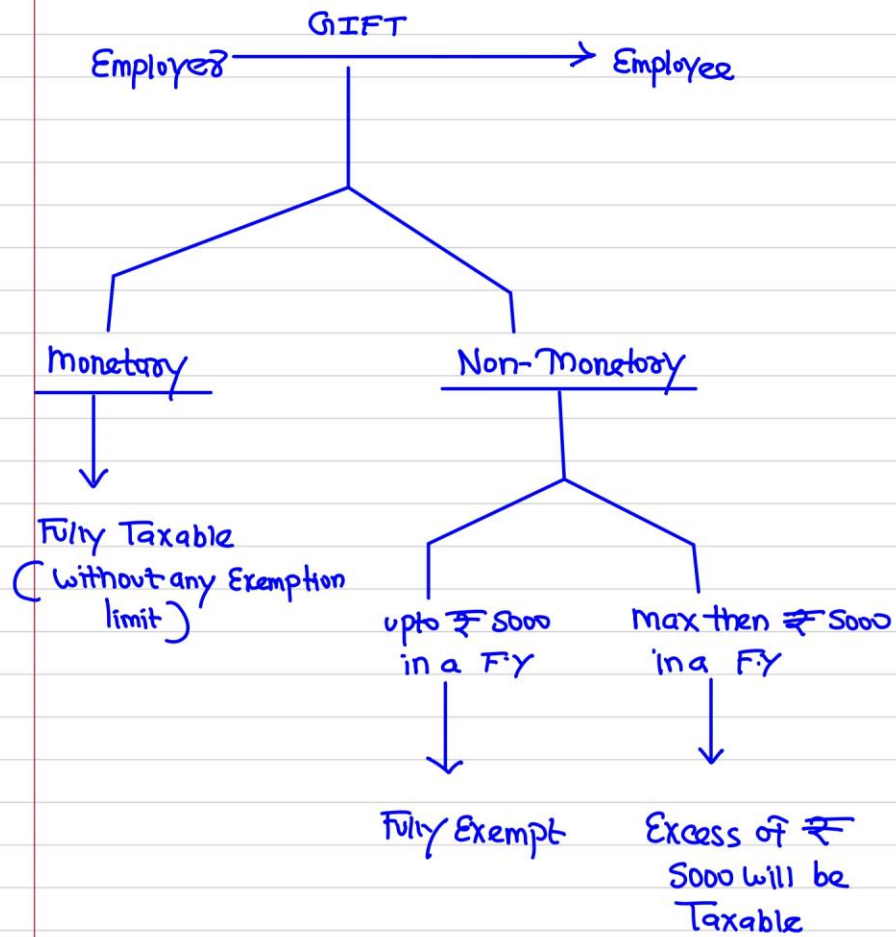
(FMV Deducted as Taxable perquisite)

Example :- VGI Ltd issue SES to Mr. Abhishek @ 210 per share and FMV of the share on issue date = 540/- per share Compute value of Taxable Perquisite.

$$\text{VOTP} = 330/- \text{ Per share}$$



## 2) GIFT



Special point

In case of vouchers / Coupon

Alternative → Any ①

→ Assume Convertible in money = Fully Taxable

→ Assume non-Convertible in money = upto 5,000 = Exempt  
more than 5000 = Excess value  
Taxable

## ③ Lunch facility

→ Any other non Alcoholic beverage

1) Tea (or) Snack is fully Exempt in Both Tax Regime  
(old / New)

2) lunch facility in "Remote Area" is fully Exempt in both Tax Regime.

③ lunch facility in other Area1) Normal = upto 50 per meal is fully Exempt and  
Regime Excess value shall be Chargeable to Tax.

max Exemption = 50/- X 25 days = 1250 /- pm

2) Default = lunch facility fully Taxable ( No Exemption  
Regime of ₹ 50 /- per meal)

4) LIC premium

→ VOTP = premium borne (paid by employer on the behalf of employee)

5)

Credit Card / Clubmembership Fees

Official purchase

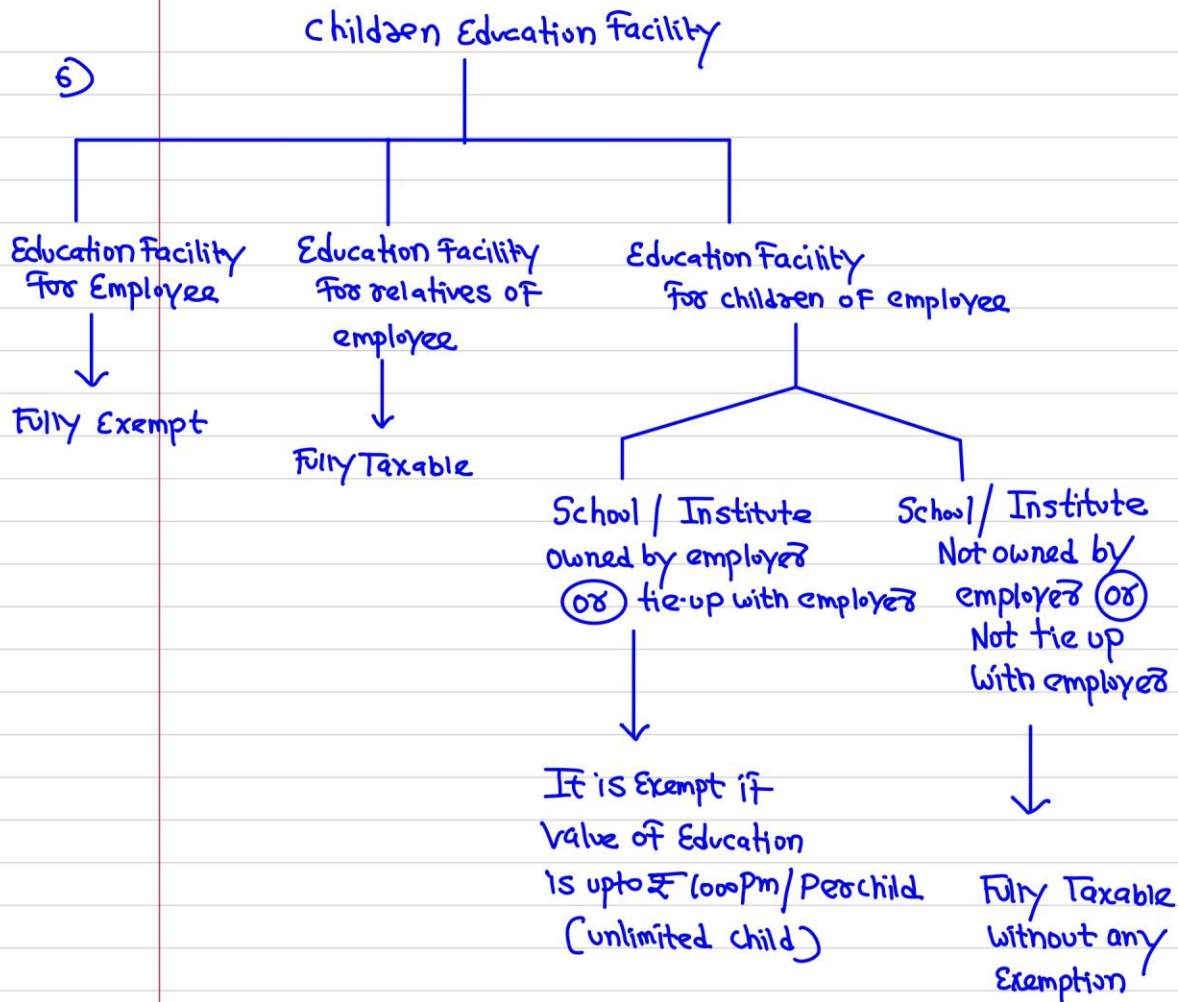


VOTP = Nil

Other Purpose

VOTP = Actual Expenditure  
Incurred by employee





If fee more than ₹ 1,00,000 Pm ?

Alternative - 1 Whole value will be chargeable to Tax

Alternative - 2 Excess value will be chargeable to Tax

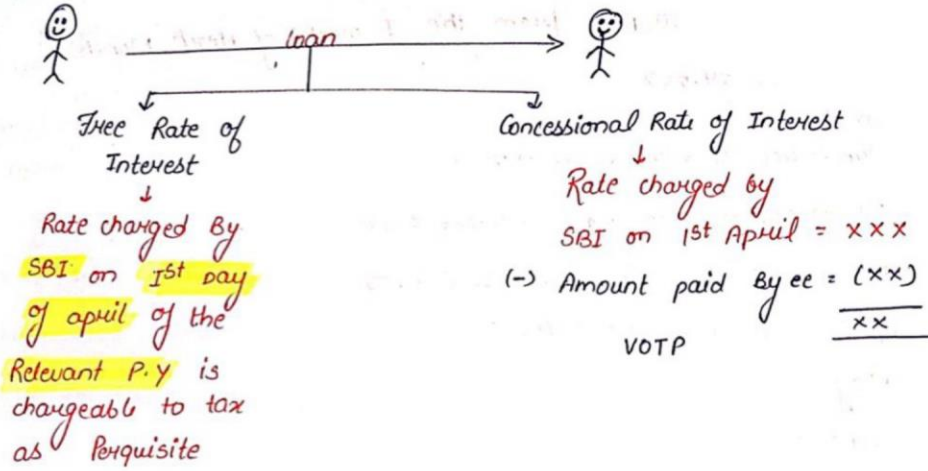
You can Choose Any



VV SIR

Lecture 7

o Interest On Loan



However, nothing shall be taxable in the following 2 cases :-

- 1) loan is provided by employer to employee upto Rs. 20,000 (00)
- 2) loan is provided for the treatment of specified diseases (AIDS, TB, Cancer, Mental disorder)

Example:- Mr. VG is an Employer and Mr. TG is a Employee. Mr. VG provides loan on 1/6/2024, 10 Lakh @ 18% p.a, SBI Rate of Interest on 1/4/24 = 12%. Compute taxable perquisite?

Solution:-  $10,00,000 \times 6\% \times \frac{10}{12} = 75,000$  Rs.  
↓  
Taxable Perquisite.



Example :-

VG  $\xrightarrow[\text{20,00,000}]{\text{loan 1/7/2024}}$  Abhishek

ROI	SBI	PNB	HDFC Bank
1/4/24	12%	15%	10%
1/7/24	15%	12%	12%
3/3/25	14%	16%	16%

What will be Taxable perquisite if loan is provided :-

1) Free Rate of Interest

2) Employed charge 8% p.a from employee

Solution :-

Case 1

$$20,00,000 \times 12\% \times \frac{9}{12} = 1,80,000 \text{ Taxable Perquisite}$$



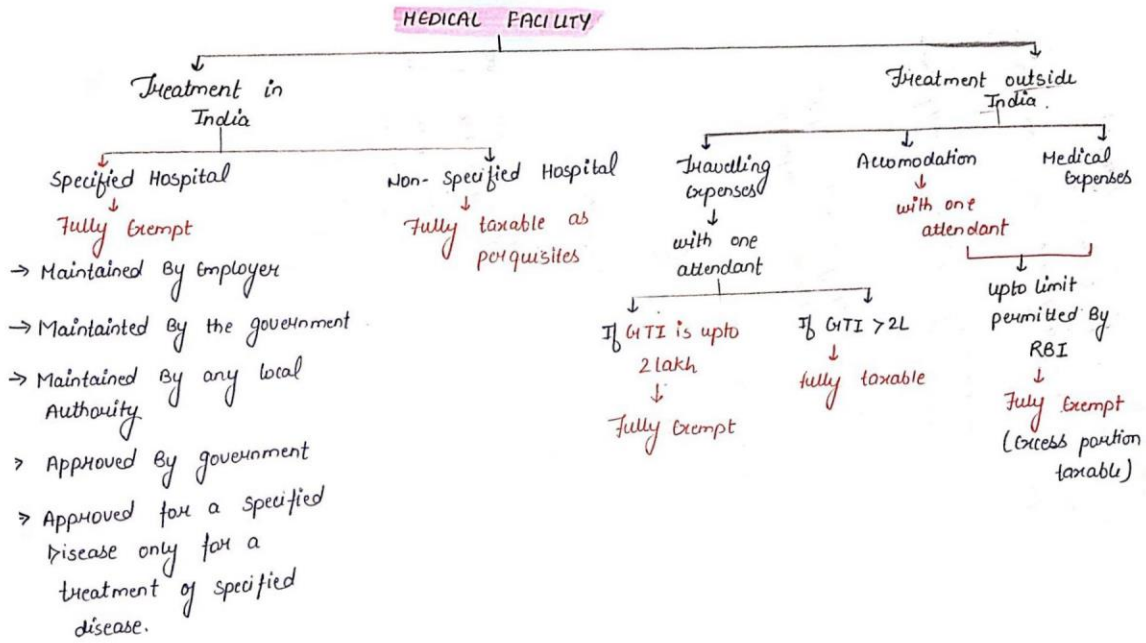
Case-2

$$20,00,000 \times (12\% - 8\%) \times \frac{9}{12} = 60,000 \text{ Taxable Perquisite}$$

What will be your Ans if loan of ₹ 20 L provided for treatment of Cancer of employee.

Ans = VOTP = Null ( Since loan for specified diseases)



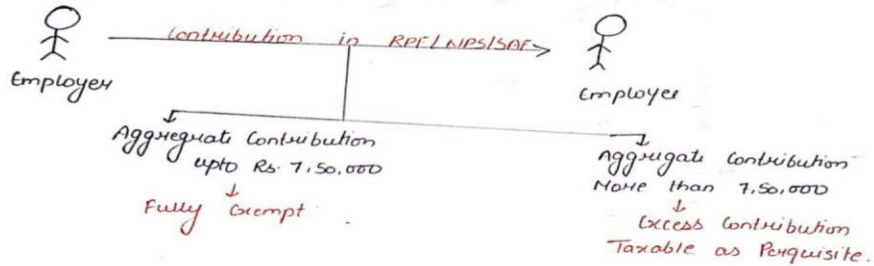


# Family means spouse, and children of the employee, whether dependent or not, Married or Unmarried, Parents, brother, sister only when they are wholly and Mainly dependent on Employee.

# Medical Insurance premium paid By employer is fully exempt in the hands of Employee.

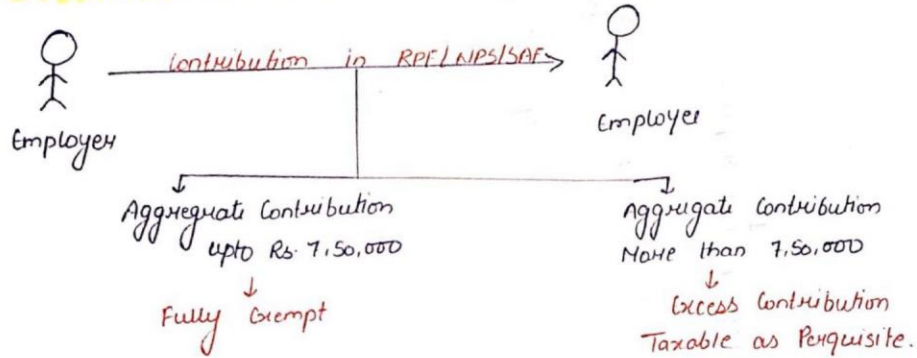
# Any expenditure incurred by an employer with respect to COVID-19 is fully exempt in the hands of employee.

→ **Contribution in RPF/NPS/SAF**

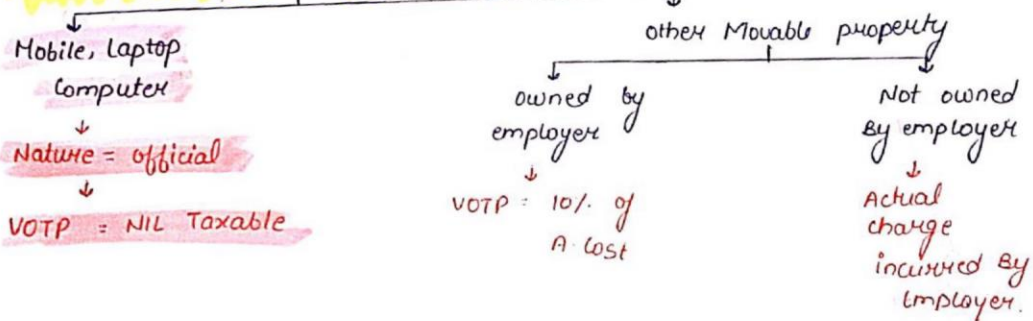


VV SIR

→ Contribution in RPF/NPS/SAF



Use OF Movable Property # Important!



VV SIR

Example

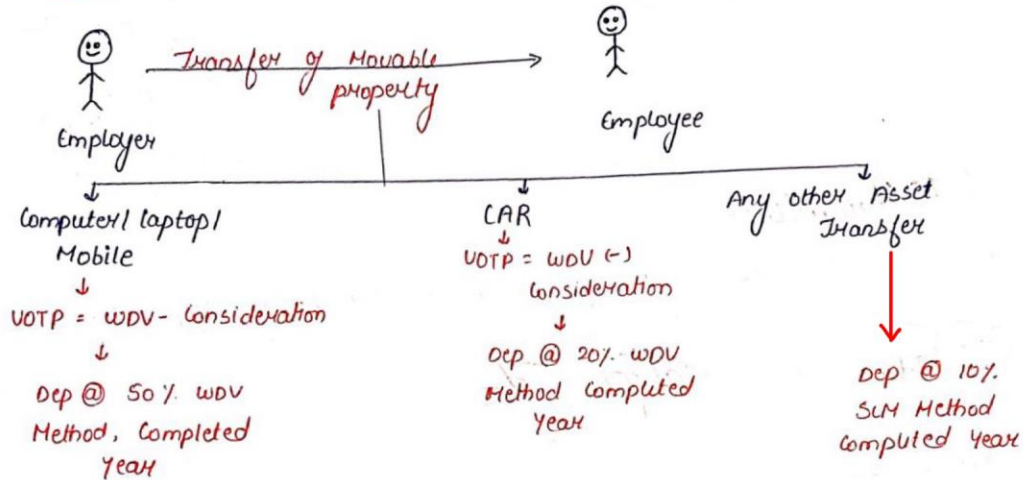
movable property for use		Abhishalec	Date
(VGR)	→ 1 mobile → official use	owned	1/4/24
	→ 1 Bed → personal use AC = 40000	owned	1/9/24
	→ 2 AC → personal use	Not owned	1/11/24
	( Rent pay 500 Pm each by employee )		

Solution :-

$$\begin{aligned}
 1) \text{ mobile} &= \text{Nil} \\
 2) \text{ Bed} &= 40,000 \times 10\% \times \frac{7}{12} = 2,333.33/- \\
 3) \text{ 2AC} &= 2 \times 500 \times 5 = 5,000/- \\
 &\hline
 &= 7,333.33
 \end{aligned}$$



**Transfer of Movable Property** # Most Important



**Example:-** VG purchase a car on 25/10/2018 = 10,00,000  
 TIF to ee on 02/2025 = 4,50,000  
 Compute VOTP = ?

**Solution:-** Completed Year

25/10/18 - 24/10/19	= 3,60,000
25/10/19 - 24/10/20	= 2,88,000
25/10/20 - 24/10/21	= 2,30,400
25/10/21 - 24/10/22	= 1,84,320
25/10/22 - 24/10/23	= 1,47,456
25/10/23 - 24/10/24	= 1,17,965
	<u>13,28,141</u>

$$= 10,00,000 - 13,28,141$$

$$= 4,71,859$$

$$(4,50,000)$$


---


$$21,859 \rightarrow \text{value of Taxable Perquisite.}$$



### ◦ Leave Travel Concession - [ONLY FOR OPTIONAL Regime] 10(5)

The benefit is available to individual citizen, as well as in respect of travel concession or assistance for him and his family i.e. spouse children of the individual and parents, brother, sister of the individual (wholly and mainly dependent on the employee).

#### → Limit of Exemption

Exemption in respect of 2 journey performed in a block of 4 calendar years. where such LTC is not availed by individual during any block of 4 calendar year. Then, One such unavailed LTC will be carry forward for next block of 4 calendar year.

#### → Monetary limit

- By Air = Economy class fare exempt. ◦ other Mode = Actual expenditure
- By Rail = First class fare exempt
- By Bus = Deluxe class fare exempt  
(subject to shortest Route)

#### NOTE :-

- In case LTC is encashed without performing the journey then 100% amount received by employee would be taxable.
- The exemption shall not be available to more than 2 children of an individual after 1st October 1998. This restriction shall not apply in respect of children born before 1st Oct 1998 and also in case of Multiple birth after child.



## Lecture 8

Sweepers, Gardeners, watchman / Electricity, water, Gas etc

Own Resources



VOTP = Actual cost  
per unit

Outside Resources



VOTP = Actual expenditure  
incurred by employee



## Motor Car Facility Imp

Car owned by	Expenditure met by	100% office use	100% personal use	Partly personal partly Business
Employee	Employee	Nil	Nil	Nil
Employee	Employee	Nil	Actual Exp incurred by employee	Actual Expenditure incurred = xxxx ↳ upto 1600 cc = (1800pm) ↳ more than 1600cc = (2400pm) ↳ Driver (if any) = (900pm) VOTP <u>xxxx</u>
Employee	Employee	Nil	10% p.a of Actual Cost	upto 1600 cc = 600pm more than 1600 cc = 900pm Driver (if any) = 900pm VOTP <u>xxx</u>
Employee	Employee	Nil	10% p.a of Actual Cost + Actual Exp incurred by employee	upto 1600 cc = (1800pm) more than 1600cc = (2400pm) Driver (if any) = (900pm) VOTP <u>xxxx</u>

# Part of the month is to be Ignored



Example

Cost of CAR = 8,00,000

usage of CAR = Both purpose

Expenditure met by = Mr. Abhishek

CAR = 2000 cc

use of CAR = 7m 20 days

VDTP = ?

Solution :-  $VDTP = 900 \times 7 = 6300/-$

What will be your Ans if usage of CAR — 100% Personal purpose

$$VDTP = 8,00,000 \times 10\% \times \frac{7}{12} = 46,667$$

What will be your Ans if Expenditure are also met by employee in both the above Case

Expenditure Incurred by employee = 1500pm

Case 1 :-  $2400 \times 7 = 16,800/-$

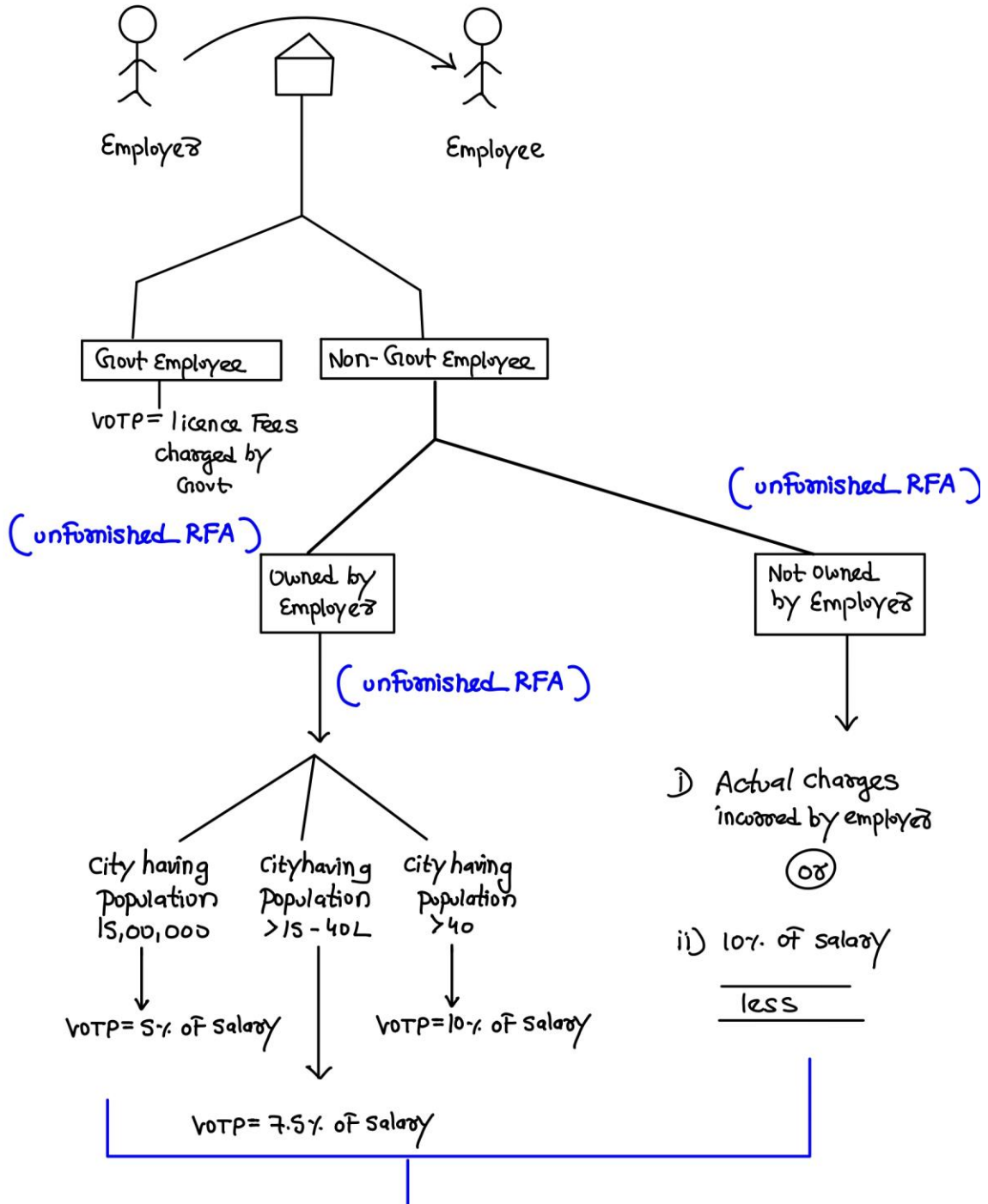


$$\begin{array}{r} \text{Case 2 :- } 8,00,000 \times 10\% = \frac{7}{12} = 46,667 \\ + \\ 1500 \times 7 \\ + \\ = 10500 \\ \hline 57,167 \end{array}$$



Rent Free Accommodation / RFA / CRFA

≠ M.Imp



VV SIR



Value of unfurnished RFA = XXX (computed above)

+ Value of furnished items

Owned by employee = Actual cost x 10% P.a.  
 (or) and

Not owned by employee = Actual charges

Value of furnished RFA XXXX

↳ Amount paid by employee XXXX

Concessional RFA XXXX

Salary = Basic + DA (UTOE) + Commission (every type)

+ Bonus + Taxable portion of All Allowances



## Lecture 9

Example :- Mr. X, employee of Vn Ltd

Basic salary = 25,000 pm

Entertainment Allowance & Commission = 1,000 pm each

Vn Ltd provide the following benefits to Mr. X

- 1) A personal loan of 5,00,000 on 1/7/24 @ 6.75% and SBI ROI on 1/4/24 was = 12.75%
- 2) A car provide 1800 cc, Cost 8,00,000 for official & personal purpose and all the running & maintenance exp. met Vn. Ltd Actual Exp incurred 60,000 pm by Vn Ltd (Use of CAR-8m)
- 3) Provide 1 laptop for official use & 2 AC for personal use on 1/10/2024, Cost of laptop 40,000 and AC 30,000 each
- 4) He sold his car to Mr. X for ₹ 2,50,000 which may purchased by Vn Ltd on 1/11/2021 @ 12,00,000, Sale of car on 15/6/2024

Compute his Taxable salary for AY 25-26

Normal scheme



Solution:- Computation of Taxable salary for AY 25-26

Particulars	₹	₹
Basic salary $(25,000 \times 12)$		3,00,000
Add: Entertainment Allowance $(1000 \times 12)$		12,000
Commission $(1000 \times 12)$		12,000
Interest on loan $(5,00,000 \times 6\% \times \frac{9}{12})$		22,500
CAR $(2400 \times 8)$		19,200
laptop		Nil
AC $(30,000 \times 2 \times 10\% \times \frac{6}{12})$		3,000
CAR $(12,00,000 - 4,32,000) - 2,50,000$		5,18,000
15/11/21 - 14/11/22 = 2,40,000		
15/11/22 - 14/11/23 = 1,92,000		
<del>15/11/23 - 15/6/24</del> = 4,32,000		
less: Deduction u/s 16(Cia)		8,86,700 50,000
		8,36,700



2. Mr. Bablu, employed as production manager in an HD.  
Furnish you the following details for year end 31/3/25

1) Basic Salary upto 31/10/24 = 50,000 pm

Basic salary from 1/11/24 = 60,000 pm

2) DA 40% of Basic Salary

3) Bonus equal to one month salary paid in Oct 24 on basic  
Salary + DA applicable for that month

4) A Company provide accommodation in delhi on 1/4/2024

5) A Co provide gift vouchers of ₹ 10,000 to Mr Bablu

Compute his TS for AY 25-26 - Normal of Scheme

# DA Part of Basic Pay (UTOE)



Solution:- Computation of Taxable salary for AY 25-26

Particulars	₹	₹
Basic salary $(50,000 \times 7)$ $(60,000 \times 5)$		6,50,000
Add: Dearness Allowance $(6,50,000 \times 40\%)$		2,60,000
Bonus Oct salary = 50,000 DA $(50,000 \times 40\%) = 20,000$		70,000
Rent free Accommodation		98,000
$(6,50,000 + 2,60,000 + 70,000) \times 10\%$		
Gift vouchers		10,000
		<u>10,88,000</u>
less: Deduction u/s 16(C)(a)		50,000
		<u>10,38,000</u>



Example :- V/G Ltd Provide the following perquisites to its employee Mr. X for PY 24-25

- 1) Accommodation taken on lease by V/G Ltd for 20,000 pm and ₹ 5,000 pm is recovered from employee. Salary for RFA 15,00,000
- 2) Provide Furniture to Mr. X, Cost of Furniture - 30,000
- 3) CAR of 1200 cc, Exp met by employee (Mr. X), 100% Personal use, Cost of CAR 7,00,000, use of CAR = 6m Expenditure = 1000 pm
- 4) Gift vouchers of ₹ 4,000 (non money form)
- 5) medical exp incurred for his father (not dependant) in Govt hospital = 10,000

Normal scheme

Taxable perquisites ?



Solution:- Computation of Taxable perquisites

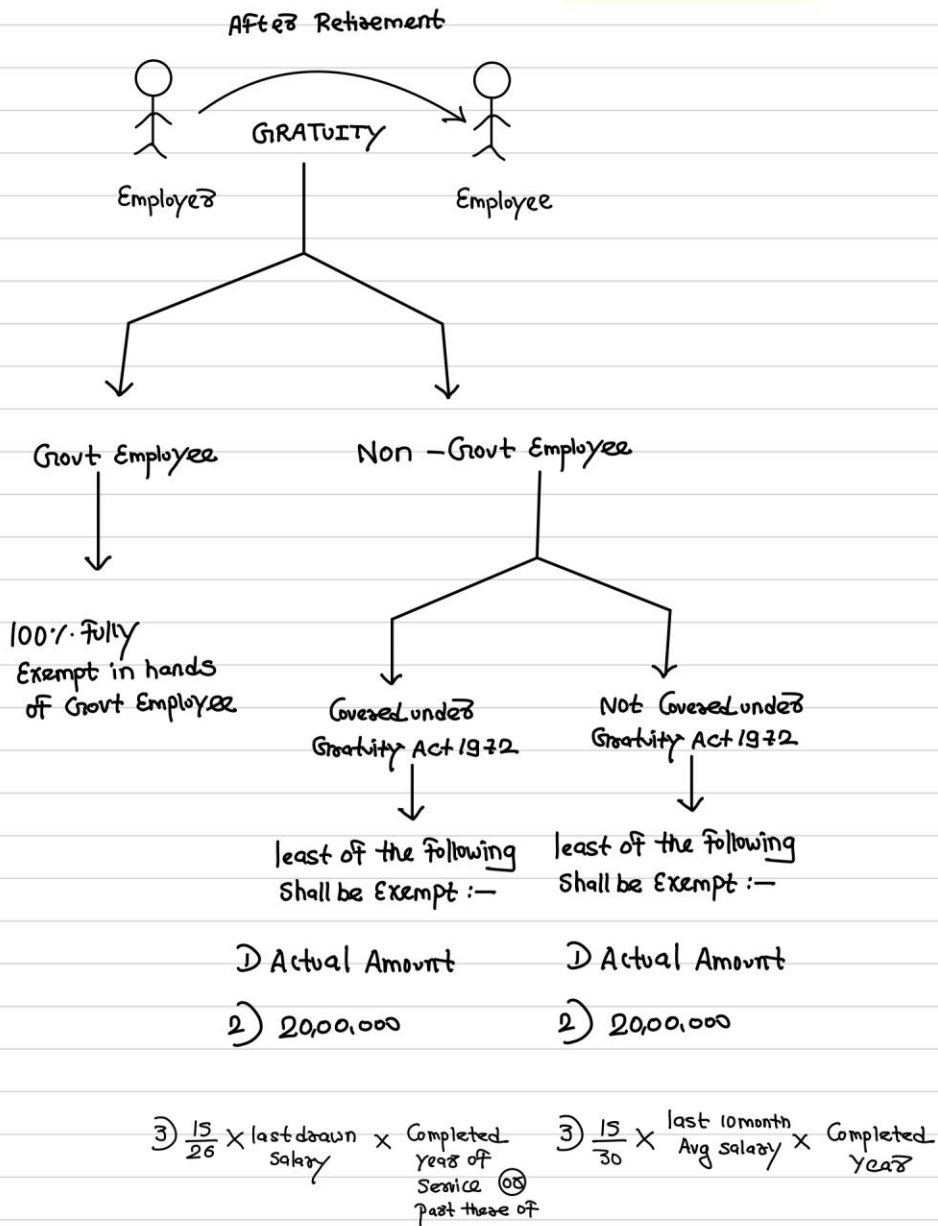
	Particulars	₹
1)	Rent free Accommodation (House Not owned by Employer)	
	a) Actual charges = $(12,000 \times 12) = 24,000$	
	b) 10% of salary = $(1,50,000 \times 10\%) = 1,50,000$	
	less	1,50,000
	(-) amount paid by employee $(5,000 \times 12)$	60,000
		<u>90,000</u>
2)	Furniture	
	$30,000 \times 10\%$	3,000
3)	Car	
	$7,00,000 \times 10\% \times \frac{6}{12} =$	35,000
4)	Gift vouchers	Nil
5)	Medical Expenditure	10,000
	<b>Taxable perquisite</b>	<b>1,38,000</b>



Lecture 10

1) Gratuity

Retirement Benefits



\* Basic + DA (Total)

\* Basic + DA (G to E)  
+ Commission % based on Taxes.



VV SIR

### Key points Related to Gratuity

1) Gratuity received during job is Fully Taxable

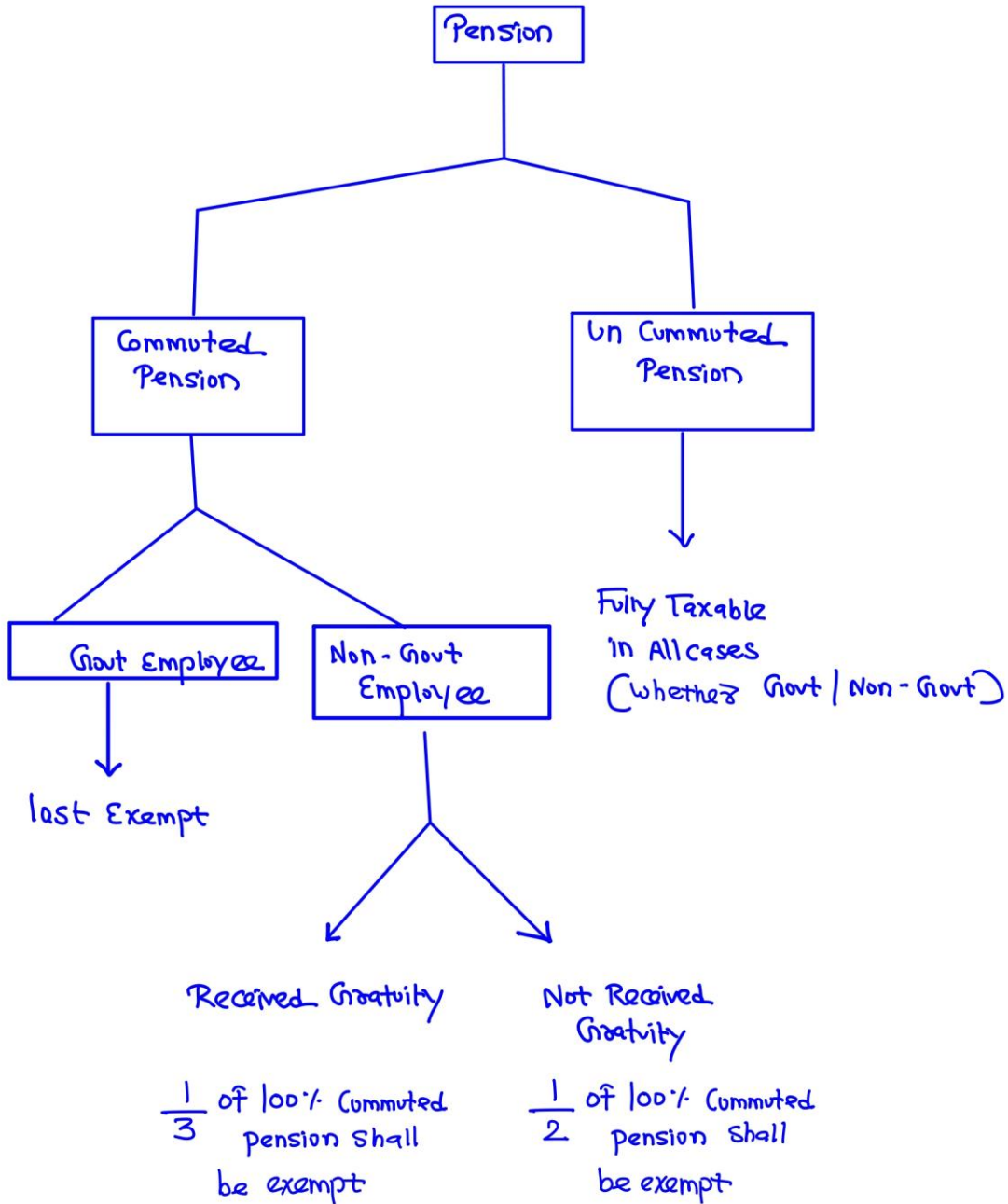
2) Where gratuity is Received from 2<sup>or</sup> more Employee in the Same py. aggregate Amount of Gratuity Exempt From Tax upto 20L.

3) Where gratuity is Received in earlier years From his former employe and Received from another employe in the later years, the limit of 20L will be reduced by the amount of gratuity Exempt Earlier.

4) The exemption in respect of gratuity would be available even if Gratuity is received by widow, children <sup>or</sup> dependent of the deceased Employee.

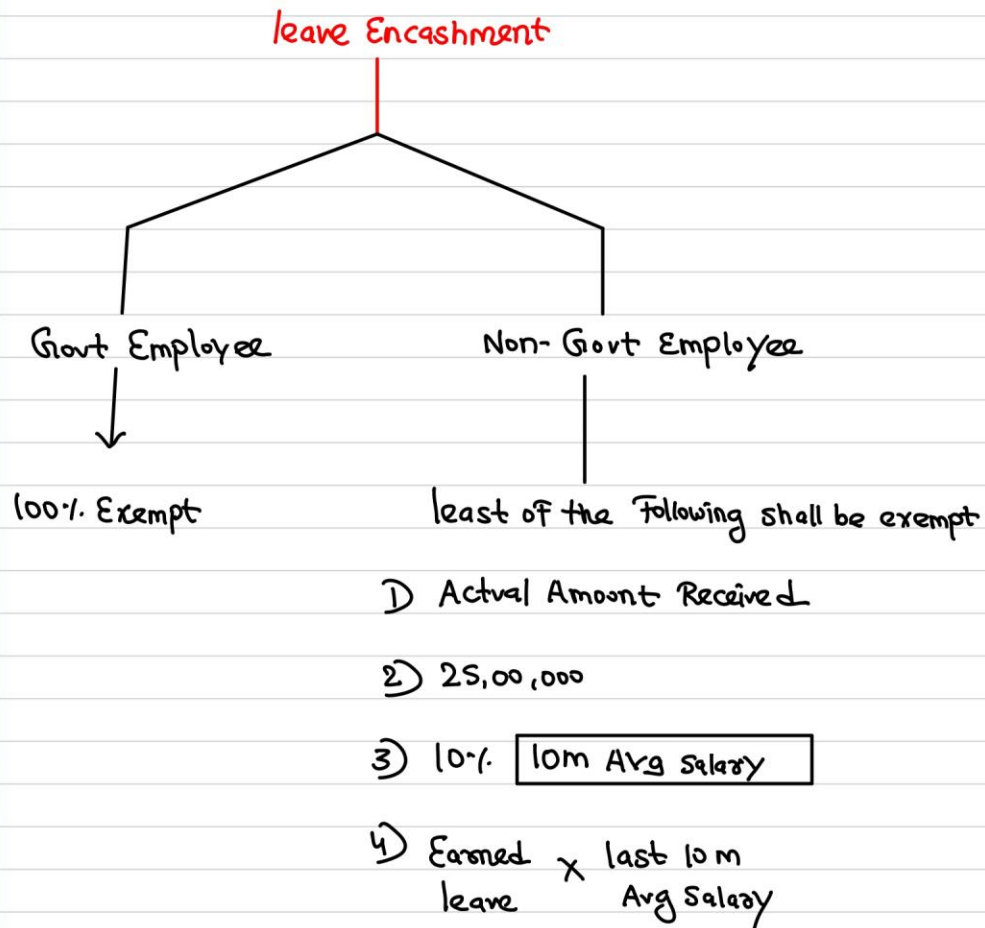


2) Pension sec - 10(10A)



VV SIR

## 3) leave Encashment



Salary = Basic + DA (Govt) + Commission %  
based on Turnover



Not Important

Retrenchment Compensation & VRS

Retrenchment Compensation	Voluntary Retirement scheme
least of the following shall be Exempt	least of the following shall be Exempt
1) Actual Amount	1) Actual Amount
2) 5,00,000	2) 5,00,000
3) As per Industrial dispute Act, 1947	3) Remaining period of service x last drawn salary
	4) Completed year of service x 3m x last drawn salary
	5) Salary = Basic + DA (10%) + Commission % based on turnover



Example :-

Mr. Abhishek Retire on 11/11/2024 After 30 Years  
7 month of service. He Receive ₹ 15,00,000 as  
Gratuity and ₹ 10,00,000 as leave salary. Other  
details as following

1) Basic salary = 20,000 pm

DA = 4,000 pm (50% of B.S.)

Commission = 50 pm

leave taken = 720 days

1) Taxable Gratuity if Non-Govt & Covered under  
Gratuity Act

2) Taxable leave encashment



Solution: - least of the following shall be Exempt

1)

1) 15,00,000

2) 20,00,000

3)  $\frac{15}{26} \times 24000 \times 31 \text{ years} = 4,29,231$

C-1

$$\begin{array}{r} 15,00,000 \\ 4,29,231 \\ \hline 10,70,769 \longrightarrow \text{Taxable} \end{array}$$

2)

1) 10,00,000

2) 25,00,000

3) 10% 22,000 = 2,20,000

4) 6  $\times$  22,000 = 1,32,000

C-1

$$\begin{array}{r} 10,00,000 \\ 1,32,000 \\ \hline 8,68,000 \longrightarrow \text{Taxable} \end{array}$$



## Lecture 11

Which Perquisites are taxable in the hands of specified employee (or) All employee and meaning of specified employee?

① obligation of employer discharge by employer = Taxable in Hands of All Employee.

② obligation of employer discharge by employer Benefits Use By employer = Taxable only in case of specified employees.



Meaning of Specified Employee

1) Director of Company

OR

2) Employee has 20% OR more Voting power in such Company

OR

3) Annual salary more than ₹ 50,000

# Hotel Facility

Least of the following shall be chargeable to TAX

1) Actual charges

OR

2) 24% of salary

less → Taxable perquisites

Salary = Same as RFA

# Hotel Facility Not Taxable → If stay upto 15 days

+

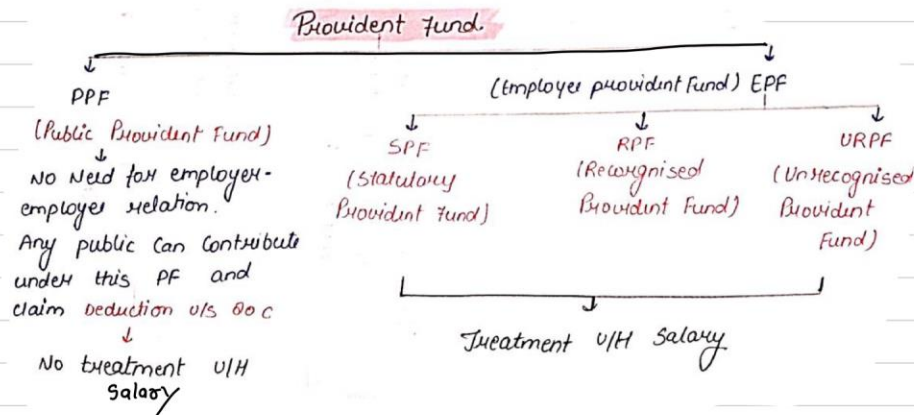
In case of Transfer  
of one place to another  
Place



# Provident Fund

5 Questions

- 1) Employee ke Contribution ka Employee ke hath me treatment kya hoga.
- 2) Employee ke Contribution ka Employee ke hath me treatment kya hoga.
- 3) Employee ke Contribution pe jo interest ayega us interest ka employee ke hath me treatment kya hoga.
- 4) Employee ke Contribution pe jo interest ayega us interest ka employee ke hath me treatment kya hoga.
- 5) Jo Lumpsum paisa setiement ke baad milega us setiement pe milne wale paise ka employee ke hath me treatment kya hoga.



Treatments in Hands of "Employees"

During Job	SPF	RPF	URPF
Employee ke Contribution ka Employee ke Hath me kya treatment Hoga?	Taxable and eligible for Deduction U/s 80C (subject to limit) NOTE:- Agar Basic salary ka full amount le liya hai to dubara Add Nahi Hoga.	Taxable and eligible for Deduction U/s 80C (subject to limit) NOTE:- Agar Basic salary ka full amount le liya hai to dubara Add Nahi Hoga.	Taxable and <u>not</u> eligible for Deduction U/s 80C.
Employee ke Contribution ka Employee ke hath me kya treatment Hoga?	Fully Exempt	Agar employee Contribution upto 12% of Salary of Employee Agar 12% Contribution 7,50,000 tak hai ↓ NOT TAXABLE * Salary = BASIC SALARY + D.A (10%) + Comm % of T.O.	NOT TAXABLE (Because taxable after Retirement).
Employee ke loan par Jo Interest ayega uska Employee ke hath me kya treatment Hoga?	Contribution upto 2,50,000 ↓ Interest accrued on such loan ↓ Exempt More than 2,50,000 ↓ Interest accrued on excess ↓ Contri is taxable	* Contribution and interest upto 9.5% upto 2,50,000 ↓ exempt More than 2,50,000 ↓ Int on excess loan is taxable * If Interest accrued on Contribution is More than 9.5% ↓ Excess Interest Taxable	NOT TAXABLE (Taxable after Retirement).



V.G. SIR

During Job	SPF	RPF	URPF
<p>Employer ke contri par Jo interest ayega uska Employer ke Hath Me kya treatment Hoga?</p>	<p>Fully Exempt</p>	<p>Interest</p> <pre> graph TD     Interest --&gt; Upto[upto 9.5%]     Interest --&gt; Excess[&gt;9.5%]     Upto --&gt; Exempt[Exempt]     Excess --&gt; Taxable[Excess interest taxable]                     </pre>	<p>NOT TAXABLE [Taxable after Retirement].</p>
<p>AFTER Retirement Amount Received after Retirement</p>	<p>Fully Exempt</p>	<p>FULLY EXEMPT Subject to conditions) 3 conditions</p> <ol style="list-style-type: none"> <li>a) Job continues 5 year or more</li> <li>b) If Not rendered 5 years of services due to :-                         <ul style="list-style-type: none"> <li>• Ill health of employee</li> <li>• Employer Bus. discontinuation.</li> <li>• Reason Beyond Control.</li> </ul> </li> <li>c) old employer → Transfer → New employer Total 5 years or more.</li> </ol>	<p>Employer contribution + Interest on Employer contri ↓ Taxable under Head salary</p> <ul style="list-style-type: none"> <li>• Employer contribution NOT TAXABLE</li> <li>• Interest on Employer contribution &amp; Taxable under Head other source.</li> </ul>



VV SIR

**Example:-** Basic Salary = 40,00,000 p.a. , ee contribution in SPF =  
 DA = 40% of BS Match with ee  
 ee contribution in SPF = 4,00,000 p.a Interest on contribution =  
 9% p.a  
 Compute taxable income for AY 25-26? Optional →

Solution :-  $40,00,000 + 16,00,000 + \text{NIL} + 13,500 = 56,13,500$

Standard reduction = (50,000)

Taxable salary = 55,63,500

Deduction u/s  
80C (1,50,000)

54,13,500



