45

Note - 7 : pension →.

- Uncommuted pension (monthly pension)
- Commuted pension (lumpsum pension)
  - Govt. EE
    - Fully exempt U/s 10(10A)
  - Other EE.
    - Gratuity also Recd.
      - exempt Amt U/s 10(10A) = Total pension × $\frac{1}{3}$
    - Gratuity not Recd.
      - exempt Amt U/s 10(10A) = Total pension × $\frac{1}{2}$

pg = 21

Q-3 MR. sagar PY 24-25 AY 25-26

(A) He is Govt. employee

Uncommuted pension

1/10/24 to 31/01/2025	(5000 p.m × 4m)	20000		
1/2/25 to 31/3/25	(2000pm × 2m) (5000×40%)	4000	24000	
Commuted pension Received			300000	
(-) exempt U/s 10(10A)			(300000)	—
				24000

(B) He is a private employee and gratuity Received

Uncommuted pension 24000

commuted pension Recd. 300000

less : Exempt u/s 10(10A)

Total pension × 1/3

$500000 \times \frac{1}{3}$ (166667) 133333

Taxable pension 157333

pension Recd. Total pension

60% 100

300000 ?

(C) He is a private employee & Gratuity not received.

Uncommuted pension 24000

commuted pension Recd. 300000

less : Exempt u/s 10(10A)

Total pension 1/2

$500000 \times \frac{1}{2}$ (250000) 50000

Taxable pension 74000

* Note 8 : Leave Salary (Encashment of unutilised leave)

\# leave credit = leave Allowed − leave taken

↓

[max. 30 days for every completed year.]

Received during employment
↓
Fully taxable for All employees

Received on Retirement
↓
Exempt U/S 10 (10AA)

Govt EE
↓
Fully exempt

Other Employee.

i) leave credit (months) × Avg. salary p.m.
ii) 10 months × Avg. salary p.m.
iii) Actually amt. received
iv) max. ₹ 2500000

Average Salary per month

Avg. Basic salary of last 10 months		xx
—"— D.A. (In terms)	—"—	xx
—"— T/O commission	—"—	xx

Just before Retirement

pg - 21 Mr. gupta PY 24-25 AY 25-26

Q-5

(A) He is govt. employee

Leave salary received	500000
(-) Exempt U/S 10 (10AA)	(500000)
	—

(B) He is non - govt. employee.

leave salary Received		500000	
Less: Exempt U/S 10(10AA)			
i) leave credit × Avg. salary p.m			
4 months × 6600	26400 ~~26400~~		
ii) 10 months × Avg. salary p.m.			
10 × 6600	66000		
iii) Actual amt. Recd.	500000		
iv) max. 2500000	2500000		(26400)
Taxable leave salary			473600

leave credit = leave Allowed − leave taken

(20 yr × 30 days)

= 600 − 480 = 120 → 4 months.

② Avg. salary p.m.

Avg. Basic of last 10 months = 4800

—"— D.A. (In terms) [3000×60%] = 1800

—"— T/O commission —"— = 0

6600

| F | M | A | M | J | J | A | S | O | N |

30/11/24

4000 pm 5000 pm

(4000 × 2m) + (5000×18)

8000 + ~~50~~ 40000

48000

$\frac{48000}{10\ months} = 4800$

Q – Mr. Babu retired from reliance industries limited on 01/02/25 after rendering service of 20 years. His average salary of last 10 month is ₹ 17000 p.m. company paid leave salary of ₹ 800000 for the leave credit of 12 month.

Date : / /

As per company policy employee is allowed 1.5 month leave for every completed year. compute taxable leave salary.

→ computation of taxable leave salary.

leave salary Received		800000
Less : Exempt u/s 10 (10AA)		
i) leave credit × Avg. salary pm		
2 months × 17000	34000	
ii) 10 months × Avg salary pm		
10 × 17000	170000	
iii) Actual amt Recd.	800000	
iv) max. 2500000	2500000	(34000)
Taxable leave salary.		766000

leave credit = leave allowed − leave taken

As per company policy leave allowed is 1.5 months for completed year.

12 monthy = (1.5 × 20 year) − leave taken

12M = 30 M − leave taken

∴ leave taken = 30M − 12M = 18 M

As per Income tax Act.

leave credit = leave allowed − leave taken

20 ~~years~~ m − 18 m

leave credit = 2 months

→ 30 days for completed year

∴ 20 yr × 1 month = 20 months

limit
C_3UTA TC UDHAR Hai *

Note : 9 Allowances :-

Allowance	Exempt u/s 10(14)
C 1) Commutation Allowance (Transport Allowance) (Office ⟷ Ghar)	max. ₹ 3200 p.m. (In case of Handicapped / deaf / blind + Dumb)
C 2) Children education Allowance	max. 100 p.m. per child (max 2 child).
C 3) Children Hostel Allowance	max. 300 p.m. per child (max 2 child)
U 4) Underground Allowance (mines)	max. 800 p.m.
T 5) Tribal Area Allowance	max. 200 p.m.
A 6) Allowances for employee of transport undertaking	Amt. Recd × 70% xx OR 10000 p.m.
T 7) Travelling on Tour Allowance	exempt Amt = Amt spent
C 8) Conveyance Allowance	
U 9) Uniform Allowance	
D 10) Daily Allowance	

H 11)	Helper Allowance (office work)	Exempt Amt = Amt spent
R 12)	Research Allowance / Academy Allowance	
H 13]	HRA : House Rent Allowance	Discussed later
14)	All other Allowance	Fully Taxable.

13] HRA : House Rent Allowance
Exempt U/s 10(13A)
i) * 40% / 50% of salary (Basic + DA(T) + T/O commⁿ)
ii) Actual amount Received
iii) Rent paid − 10% of salary (Basic + DA(T) + T/O commⁿ)

* 50% in metro cities.
(mumbai / delhi / chennai / kolkata)
40% in other cities.

Pg = 20
Q-1

MR. Rajkumar PY 24-25 AY 25-26

Computation of Taxable HRA

House Rent Allowance Recd. (15000 × 12m) 180000
Less : Exempt Amt
i) 40% of salary (Basic + DA(T) + T/O commⁿ)
(480000 + 72000) = 552000
∴ 552000 × 40% = 220800

ii) Actual amt Recd. 180000
(15000 x 12m)

iii) Rent paid - 10% of salary
(16000 x 12M)
192000 - 552000 136800 (136800)
(552000 x 10%)

Taxable HRA. 43200

Q - From following particulars compute gross salary of vaishnavi

- Basic salary 20000 p.m.
- D.A. (40% of Basic salary)
  [60% in terms]
- T/o commission 700 pm
- children Hostel Allowance 600 pm
  (For 3 children)
- Children education Allowance 400 pm
  (For 3 children)
- Tiffin Allowance 1200 p.m.
  (actual amt spent = 9600 p.a.)
- Helper Allowance 1000 p.m.
  (actual amt spent = 0)
- HRA 1500 p.m.
  (Actual rent paid in Amravati = 1200 p.m)
- commutation Allowance 700 p.m
  (actual amount spent = 1000 p.m)
- Daily Allowance 600 p.m.
  (actual amt spent = 6000 p.a)

Assume assessee not opted 115BAC.

computation of Gross salary

particulars.		₹	₹
1.	Basic salary (20000 × 12 m)		240000
2.	D.A. (40% of Basic salary)		96000
3.	T/O commission (700 pm × 12)		8400
4.	children Hostel Allowance (600 p.m × 12)	7200	
	(-) Exempt u/s 10 (14) (300 pm × 2 × 12)	(4800)	2400
5.	children edu. Allowance (400 × 12)	4800	
	(-) exempt u/s 10(14) (100 × 2 × 12)	(2400)	2400
6.	Tiffin Allowances (1200 × 12)		14400
7.	Helper Allowances (1000 × 12)	12000	
	(-) exempt u/s 10 (14)	Nil	12000
8.	commutation Allowance (1700 × 12 m)		20400
9.	Daily Allowance (600 × 12 m)	7200	
	(-) exempt u/s 10 (14) 6000 p.a	(6000)	1200
10.	HRA (15000 × 12 m)	180000	
	(-) exempt u/s 10 (13 A) Note - 1	(113400)	66600
	Gross salary		463800

working Note - 1

Exempt u/s 10 (13A)

i) 40% of salary (Basic + DA (T) + T/O commⁿ)

240000 + 57600 + 8400 = 306000

(96000 × 60%) ∴ 306000 × 40% = 122400

ii) Actual amount received = 180000

iii) Rent paid - 10% of salary

(1200pm × 12) -

144000 - 30600 = 113400

(306000 × 10%)

whichever is lower 113400