

Topic: Income from Salary

Total Marks: 45 Marks

Time Allowed: 70 minute

Questions:

Part-A Multiple Choice Questions

[Total 20 Marks – 2 Marks for each MCQ]

1. Anirudh stays in New Delhi. His basic salary is ₹ 10,000 p.m., D.A. (60% of which forms part of pay) is ₹ 6,000 p.m., HRA is ₹ 5,000 p.m. and he is entitled to a commission of 1% on the turnover achieved by him. Anirudh pays a rent of ₹ 5,500 p.m. The turnover achieved by him during the current year is ₹ 12 lakhs. The amount of HRA exempt under section 10(13A) is –
 - (a) ₹ 48,480
 - (b) ₹ 45,600
 - (c) ₹ 49,680
 - (d) ₹ 46,800
2. Mr. Karan completed his MBA in April 2025 and joined XYZ Ltd from 01.05.2025. His basic salary is ₹ 2,25,000 p.m. He is paid 12% of basic salary as D.A forming part of retirement benefits. He contributed 11% of his pay and D.A. towards recognized provident fund and the company contributes the same amount. Accumulated interest on provident fund as on 31.3.2026 is ₹ 49,325. What would be the income chargeable to tax under the head “Salaries” of Mr. Karan for the A.Y. 2026-27, if he opt out from section 115BAC?
 - (a) ₹ 27,26,442
 - (b) ₹ 27,30,884
 - (c) ₹ 27,22,000
 - (d) ₹ 27,71,325
3. Mr. Jagat is an employee in accounts department of Bharat Ltd., a cellular company operating in the regions of eastern India. It is engaged in manufacturing of cellular devices. During F.Y. 2025-26, following transactions were undertaken by Mr. Jagat:
 - (i) He attended a seminar on “Perquisite Valuation”. Seminar fees of ₹ 12,500 was paid by Bharat Ltd.
 - (ii) Tuition fees of Mr. Himanshu (son of Mr. Jagat) paid to private coaching classes (not having any tie-up with Bharat Ltd.) was reimbursed by Bharat Ltd. Amount of fees was ₹ 25,000.
 - (iii) Ms. Sapna (daughter of Mr. Jagat) studies in DPS Public School (owned and maintained by Bharat Ltd.). Tuition fees paid for Ms. Sapna was ₹ 750 per month by Mr. Jagat. Cost of education in similar institution is ₹ 5,250 per month.

What shall be the amount which is chargeable to tax under the head “Salaries” in hands of Mr. Jagat for A.Y. 2026-27?

- (a) ₹ 25,000
 - (b) ₹ 37,500
 - (c) ₹ 66,500
 - (d) ₹ 79,000
4. XYZ Pvt. Ltd. provides a car (below 1.6 ltr cc) along with a driver to Mr. Sanjay, employee of XYZ Pvt. Ltd., partly for official and partly for personal purpose. The expenses incurred by the company are: Running and maintenance expenses – ₹ 32,000 and driver’s salary – ₹ 36,000. The taxable value of car facility for A.Y. 2026-27 will be -
- (a) ₹ 21,600
 - (b) ₹ 10,800
 - (c) ₹ 32,400
 - (d) ₹ 39,600
5. Mr. Dutta 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, assuming that he does not claim any relief under section 89 -
- (a) ₹ 7,00,000
 - (b) ₹ 5,00,000
 - (c) ₹ 2,00,000
 - (d) Nil

Case Scenario

Mr. Rajesh Sharma, aged 54 years, an Indian citizen, is working as Assistant Manager in ABC India Ltd. He is getting basic salary of Rs. 58,000 per month. He used to travel frequently out of India for his office work. He left India from Delhi Airport on 5th October, 2025 and returned to India on 2nd April, 2026.

For previous year 2025-26, following information are relevant;

- Dearness Allowance - 10% of Basic Pay (considered for retirement purposes)
- Bonus Rs. 98,000
- Medical allowance paid during P.Y. 2025-26 amounting to Rs. 60,000
- He was also reimbursed medical bill of his mother amounting to Rs. 15,000
- He was also transferred a laptop by company for Rs. 15,000 on 31st December, 2025. The laptop was acquired by company on 1st October, 2022 for Rs. 1,00,000. Company was charging depreciation at 31.666% assuming useful life of laptop as 3 years
- He was also reimbursed salary of house servant of Rs. 4,000 per month
- Professional Tax paid by employer amounting to Rs. 2,400
- 400 equity shares allotted by ABC India Ltd. at the rate of Rs. 250 per share against fair market value of share of Rs. 350 on the date of exercise of option
- Short-term capital gain on sale of shares of listed company on which STT is paid amounting to Rs. 94,000

Mr. Rajesh has exercised the option of shifting out of the default tax regime u/s 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

Question: 6

What is Mr. Rajesh Sharma's residential status for the A.Y. 2026-27?

- (i) Resident but can't determine resident and ordinarily resident or resident but not ordinarily resident from the given information
- (ii) Non-Resident
- (iii) Resident but not ordinarily resident
- (iv) Resident and ordinarily resident

Question: 7

What are his taxable perquisites for A.Y. 2026-27?

- (i) Rs. 55,000
- (ii) Rs. 90,400
- (iii) Rs. 1,05,400
- (iv) Rs. 1,03,000

Question: 8

What is the income chargeable under the head "Salaries" in the hands of Mr. Rajesh Sharma for A.Y. 2026-27?

- (i) Rs. 9,76,600
- (ii) Rs. 9,79,000
- (iii) Rs. 9,74,200
- (iv) Rs. 10,26,600

Question: 9

The total tax liability of Mr. Rajesh Sharma for A.Y. 2026-27 is:

- (i) Rs. 1,26,800
- (ii) Rs. 1,54,630
- (iii) Rs. 1,12,130
- (iv) Rs. 1,31,690

Question: 10

What would be the total tax liability of Mr. Rajesh Sharma for A.Y. 2026-27 if he does not exercise the option of shifting out of the default tax regime u/s 115BAC and pays tax under default tax regime u/s 115BAC.

- (i) Rs. 81,590
- (ii) Rs. 19,550
- (iii) Rs. 89,390
- (iv) Rs. 64,230

Part-B Descriptive Questions**[Total 25 Marks]**

1. Compute salary income of Mr. Raghav for the A.Y. 2026-27 from the following details:

Mr. Raghav (aged, 61 years) working in a private company from last 10 years. His salary details for the financial year 2025-26 are:

Basic Salary	1,70,000 p.m.
Dearness Allowance (forms part of retirement benefits)	80,000 p.m.
Commission	32,000 p.m.
Transport Allowance	5,000 p.m.
Medical Reimbursement	40,000

Mr. Raghav resigned from the services on 30th November, 2025 after completing 10 years and 5 months of service. He was paid gratuity of ₹ 25 lakhs on his retirement. He is not covered under the Payment of Gratuity Act, 1972.

There was no change in salary of Mr. Raghav from last two years. He opted to pay tax as per default taxation regime u/s 115BAC. **[5 Marks]**

2. Mr. Kunal (age 27 years) is an employee in a private company posted in Delhi. He was appointed on 01.02.2024 in the scale of ₹60,000 - ₹1,00,000 - ₹70,000. He furnishes you the following information for the previous year 2025-26:

- (i) Dearness allowance @25% of basic salary (60% of DA forms part of retirement benefits)
- (ii) Bonus equal to one month salary. Paid in November 2025 on basic salary applicable for that month.
- (iii) Leave encashment for P.Y. 2025-26 of ₹10,000.
- (iv) He also received a motor car on 01.12.2025 (cubic capacity of engine exceeds 1.60 litres) along with chauffeur for both official and personal purpose. The motor car is owned by his employer and all expenses are met by the employer.
- (v) His employer granted him a loan of ₹2,00,000 on 1st June, 2025 which is repayable in equal quarterly installments over 2 years starting from 1st October, 2025. The State Bank of India (SBI) lending rate for such loans is 9.5% per annum as on 01.04.2025, while the employer recovers interest @5.5% per annum from the employee.
- (vi) His employer gave him a rent-free accommodation (fully furnished) in Delhi from 01.04.2024. This house is owned by the employer. The perquisite value of such furnished rent-free accommodation during the previous year 2024-25 was valued at ₹92,000. Further, the accommodation is continued to be provided by the employer to the employee in P.Y. 2025-26 also.
- (vii) The furniture and appliances provided with the house were bought by the employer at an aggregate cost of ₹1,50,000 on 01.01.2024. Electricity and water bills of ₹5,000 p.m. for the said house were paid by the employer.
Cost Inflation Index
F.Y. 2024-25-363, F.Y. 2025-26-376.
- (viii) His colleagues gifted him a mobile phone worth ₹45,000 from their own contribution on account of his marriage.

You are required to compute the income chargeable under the head Salaries in the hands of Mr. Kunal for the Assessment Year 2026-27 assuming that he wants to pay tax under default tax regime under section 115BAC.

[10 Marks]

3. Ms. Ashima, aged 45 years, has been the HR manager for the past 15 years in Shipra Ltd. She gives you the following particulars for F.Y. 2025-26:

Basic Salary	₹70,000 p.m.
Dearness Allowance	₹24,000 p.m. (30% of which forms part of retirement benefits)
Bonus	₹21,000 p.m.

Ms. Ashima contributes 18% of basic salary as contribution to RPF. Her employer contributes the same amount to her RPF account.

The company pays medical insurance premium of ₹20,000 to effect insurance on the health of Ms. Ashima.

She received arrears of salary of ₹3,35,000. The details of arrears of salary are as follows:

Previous year	Total Income (₹)	Arrears now received (₹)
2021 – 2022	9,50,000	1,20,000
2022 – 2023	10,90,000	1,10,000
2023 – 2024	12,10,000	1,05,000

Compute the relief available under section 89 and the tax payable for the A.Y. 2026-27. Assume that Ms. Ashima exercises the option of shifting out of the default tax regime provided under section 115BAC(1A) for A.Y. 2026-27.

For A.Y. 2022-23 and A.Y. 2024-25, Ms. Ashima has paid tax as per section 115BAC. However, for A.Y. 2023-24, she has paid tax under normal provisions of the Act.

Note: Rates of Tax

The rates of tax under normal provisions of the Act for A.Y. 2022-23, A.Y. 2023-24 and A.Y. 2024-25 are same as for A.Y. 2026-27. The rates of tax as per section 115BAC for different years are as follows:

Assessment Year	Slab rates of income-tax	
	Slabs	Rate
2022-23	Upto ₹2,50,000	Nil
	₹2,50,001 - ₹5,00,000	5%
	₹5,00,001 - ₹7,50,000	10%
	₹7,50,001 - ₹10,00,000	15%
	₹10,00,001 - ₹12,50,000	20%
	₹12,50,001 - ₹15,00,000	25%
	Above ₹15,00,000	30%
2023-24	Upto ₹2,50,000	Nil
	₹2,50,001 - ₹5,00,000	5%
	₹5,00,001 - ₹7,50,000	10%
	₹7,50,001 - ₹10,00,000	15%
	₹10,00,001 - ₹12,50,000	20%
	₹12,50,001 - ₹15,00,000	25%
	Above ₹15,00,000	30%
2024-25	Upto ₹3,00,000	Nil
	₹3,00,001 - ₹6,00,000	5%

Assessment Year	Slab rates of income-tax	
	Slabs	Rate
	₹6,00,001 - ₹9,00,000	10%
	₹9,00,001 - ₹12,00,000	15%
	₹12,00,001 - ₹15,00,000	20%
	Above ₹15,00,000	30%

[10 Marks]