

Topic wise Test Papers of CA Inter - Direct Tax – MAY/SEP-26 & JAN 27 Exams

Topic: Income from Salary

Total Marks: 45 Marks

Time Allowed: 70 minute

Answers:

Part-A Multiple Choice Questions

[Total 20 Marks]

1. Answer : A
2. Answer : A
3. Answer : D
4. Answer : C
5. Answer : C

Answers :

Question	Answer	Remarks
6	(i)	Resident, check limits for Indian Citizen and period of stay
7	(iii)	Medical bills + House servant salary + professional tax + equity shares
8	(i)	Basic salary + D.A. + Bonus + Medical allowances + taxable Perquisite value computed in MCQ 2 - Standard deduction - Professional tax
9	(iv)	Tax liability on total income of Rs. 10,70,600 (Salary of Rs. 9,76,600 and STCG u/s 111A of Rs. 94,000)
10	(ii)	Tax liability as per 115BAC after rebate u/s 87A Rebate not available on special rate income

Part- B Descriptive Questions

[Total 25 Marks]

Solution 1:

Computation of Total Income of Mr. Raghav for the A.Y.2026-27 as per 115BAC

Particulars	₹	₹
Salaries		
Basic Salary = 1,70,000 x 8	13,60,000	
Dearness Allowance = 80,000 x 8	6,40,000	
Commission = 32,000 x 8	2,56,000	

Particulars		₹	₹
Transport Allowance = 5,000 x 8		40,000	
Medical reimbursement [Fully taxable]		40,000	
Gratuity – Amount received	25,00,000		
Less: Least of the following exempt u/s 10(10)			
(i) Actual Gratuity received ₹ 25,00,000			
(ii) $\frac{1}{2}$ month's salary for every year of completed service $[\frac{1}{2} \times 2,50,000 \text{ (Basic salary plus DA)} + \times 10] = ₹ 12,50,000$			
(iii) Notified limit of ₹ 20,00,000			
Least of the above is exempt	12,50,000	12,50,000	
Gross Salary		35,86,000	
Less: Standard deduction u/s 16(ia) [Actual salary or ₹ 75,000, whichever is less]		75,000	
Net Salary			35,11,000

Solution 2:

Computation of income chargeable under the head “Salaries” of Mr. Kunal for A.Y.2026-27 under default tax regime

	₹	₹
Basic Pay [₹61,000 x 10 + ₹62,000 x 2]		7,34,000
Dearness Allowance [₹7,34,000 x 25%]		1,83,500
Bonus		61,000
Leave encashment for P.Y. 2025-26		10,000
Value of perquisite		
Perquisite of Motor Car [₹3,300 x 4]		13,200
As per the provisions of Rule 3(2), in case a motor car (engine cubic capacity exceeding 1.60 litres) owned by the employer is provided to employee with chauffeur for both official and personal use, the value of perquisite shall be ₹3,300 (₹2,400 + ₹900). The car was provided to employee from 01.12.2025, therefore the perquisite value has been calculated for 4 months.		
Perquisite of interest on loan (Working Note Below)		5,917
Value of Rent-free accommodation		
Value of Rent-free accommodation {10% of ₹9,15,100 i.e., [₹7,34,000, basic salary + ₹1,10,100 (₹1,83,500 x 60%, DA forming part of retirement benefit) + ₹10,000, leave encashment + ₹61,000, bonus]}	91,510	

	₹	₹
Add: Value of furniture [$₹1,50,000 \times 10\%$ p.a.]	15,000	
	1,06,510	
As per Rule 3, value of perquisite in case of accommodation continued to be provided to an employee for more than one previous year, shall not exceed the amount calculated for first previous year, as multiplied by the amount which is a ratio of CII for the previous year for which the value is calculated and CII for the previous year in which accommodation was initially provided to the employee.		
Accordingly, value of perquisite for P.Y. 2025-26 to be restricted to = $₹92,000 \times 376/363$	95,295	95,295
Facility of use of electricity and water [Electricity and water bills paid by the employer would be taxable as perquisite] [$₹5,000 \times 12$]		60,000
Mobile phone received as gift from colleagues		Nil
(Not taxable under the head "Salaries")		
Gross Salary		11,62,912
Less: Standard deduction u/s 16 [Actual salary or $₹75,000$, whichever is less]		75,000
Net Salary		10,87,912

Working Note:**Perquisite of Interest on Loan**

The value of the benefit to the assessee resulting from the concessional loan made to the employee during the relevant previous year by the employer shall be determined as the sum equal to the interest computed at the rate charged per annum by the State Bank of India (SBI) as on the 1st day of the relevant previous year in respect of loans for the same purpose advanced by it. This rate should be applied on the maximum outstanding monthly balance and the resulting amount should be reduced by the interest, if any, actually paid by him.

"Maximum outstanding monthly balance" means the aggregate outstanding balance for loan as on the last day of each month.

The perquisite value for computation is $9.5\% - 5.5\% = 4\%$ p.a.

Month	Maximum outstanding balance as on last date of month (₹)	Perquisite value at 4% for the month (₹)
June, 2025	2,00,000	667
July, 2025	2,00,000	667
August, 2025	2,00,000	667
September, 2025	2,00,000	667
October, 2025	1,75,000	583
November, 2025	1,75,000	583

Month	Maximum outstanding balance as on last date of month (₹)	Perquisite value at 4% for the month (₹)
December, 2025	1,75,000	583
January, 2026	1,50,000	500
February, 2026	1,50,000	500
March, 2026	1,50,000	500
Taxable Value of perquisite		5,917

Solution 3:**Computation of total income of Ms. Ashima for A.Y.2026-27 under normal provisions of the Act**

Particulars	₹
Basic Salary [₹70,000 x 12]	8,40,000
Arrears of salary	3,35,000
Dearness allowance [₹24,000 x 12]	2,88,000
Bonus [₹21,000 x 12]	2,52,000
Employer's contribution to recognized provident fund in excess of 12% of salary = 18% x [₹70,000 x 12] – 12% x {[₹70,000 + ₹7,200 (being 30% of ₹24,000)] x 12} = ₹1,51,200 – ₹1,11,168	40,032
[Salary = Basic Salary + Dearness allowance, to the extent it forms part of pay for retirement benefits]	
Medical insurance premium of ₹20,000 paid by the employer to effect insurance on the health of an employee is an exempt perquisite	-
Gross salary	17,55,032
Less: Standard deduction u/s 16(ia)	50,000
Salary chargeable to tax/Gross Total Income	17,05,032
Less: Deduction u/s 80C	
Own contribution of ₹151,200 to RPF but restricted to ₹1,50,000	1,50,000
Total Income	15,55,032
Total Income (Rounded off)	15,55,030

Computation of tax payable by Ms. Ashima for the A.Y.2026-27 under normal provisions of the Act

Particulars	Incl. arrears of salary (₹)	Excl. arrears of salary (₹)
Total Income	15,55,030	15,55,030

Particulars	Incl. arrears of salary (₹)	Excl. arrears of salary (₹)
Less: Arrears of salary	-	3,35,000
Total Income	15,55,030	12,20,030
Income-tax thereon	2,79,009	1,78,509
Add: Health and education cess @4%	11,160	7,140
Tax payable	2,90,169	1,85,649

Computation of tax payable on arrears of salary if charged to tax in the respective A.Ys

Particulars	A.Y. 2022-23		A.Y. 2023-24		A.Y. 2024-25	
	Incl. arrears (₹)	Excl. arrears (₹)	Incl. arrears (₹)	Excl. arrears (₹)	Incl. arrears (₹)	Excl. arrears (₹)
Taxable salary	9,50,000	9,50,000	10,90,000	10,90,000	12,10,000	12,10,000
Add: Arrears of salary	1,20,000	-	1,10,000	-	1,05,000	-
Taxable salary	10,70,000	9,50,000	12,00,000	10,90,000	13,15,000	12,10,000
Tax on the above	89,000	67,500	1,72,500	1,39,500	1,13,000	92,000
Add: HEC@ 4%	3,560	2,700	6,900	5,580	4,520	3,680
Tax payable	92,560	70,200	1,79,400	1,45,080	1,17,520	95,680

Computation of relief u/s 89

	Particulars	₹	₹
i	Tax payable in A.Y.2026-27 on arrears: Tax on income including arrears	2,90,169	1,04,520
	Less: Tax on income excluding arrears	1,85,649	
ii	Tax payable in respective years on arrears:		
	Tax on income including arrears (₹92,560 + ₹1,79,400 + ₹1,17,520)	3,89,480	
	Less: Tax on income excluding arrears (₹70,200 + ₹1,45,080 + ₹95,680)	3,10,960	
			78,520
	Relief u/s 89 - difference between tax on arrears in A.Y. 2026-27 and tax on arrears in the respective years		26,000

Tax payable for A.Y.2026-27 after relief u/s 89

Particulars	₹
Income-tax payable on total income including arrears of salary	2,90,169
Less: Relief u/s 89 as computed above	26,000
Tax payable after claiming relief	2,64,169
Tax payable (Rounded off)	2,64,170

