Note -

1) If gratuity rec'd from more than employer in the same PY then max exemption can be claim is ₹20L

2) If gratuity already rec'd by employee from earlier employer in earlier PY and in the current PY he rec'd gratuity from other employer then limit of ₹20L is reduced by exemption claimed earlier.

— Note 7 -

Pension :-

- Uncommuted pension (monthly pension)
  - Taxable for All employees
- Commuted pension (lumpsum pension)
  - Govt EE
    - fully exempt u/s 10(10)
  - Other EE
    - Gratuity also Rec'd
      - Exempt Amt = Total pension × 1/3 u/s 10 (10A)
    - Gratuity Not Rec'd
      - Exempt Amt = Total Pension × 1/2 u/s 10(10A)

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Mr. sagar PY 25-26, AY 26-27

Part A:- He is a Govt Employee

Uncommuted Pension

1/10/25 to 31/1/26 (5000 pm x 4m)	20000	
1/2/26 to 31/3/26 (2000 pm x 2m) (5000 x 40%)	4000	24000

Commuted Pension

Rec'd	300000	
(-) Exempt u/s 10(10A)	300000	-
	Taxable	24000

Part B:- He is a Pvt EE and Gratuity Rec'd

Uncommuted pension		24000
Commuted Pension Rec'd	300000	
(-) Exempt u/s 10(10)	(166667)	133333
	Taxable Pension =	157333

Total Pension x 1/3
500000 x 1/3

Pension rec'd Total pension
60% 100%
300000 $\boxed{500000}$

Part C:- He is a Pvt EE and gratuity Not Rec'd.

Uncommuted Pension		24000
Commuted pension rec'd	300000	
(-) Exempt u/s 10(10)	(250000)	50000
	Taxable pension	74000

Note 8 -

Leave salary :- (Encashment of unutilised leave)

- Rec'd during employment
  - Fully taxable for All employees
- Rec'd on Retirement
  - Exempt u/s 10(10AA)
    - Govt. Employee
      - Fully exempt
    - Other Employee
      - Exempt Amt

(i)	leave credit (months) × Avg salary pm*	
(ii)	10 months × Avg salary pm	
(iii)	Actual Amt Rec'd	xx
(iv)	Max ₹ 2500000	xx

Leave credit = Leave Allowed − leave taken

(max 30 days for every completed year)

*Avg salary pm

Avg Basic salary of last 10 m	xxx
Avg DA(T) of last 10m	xxx
Avg T/O Comm of last 10m	xxx
	xxx

Just before retirement

Teacher's Signature:.................

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Mr Gupta PY 25-26 AY 26-27

Part A :- He is Govt Employee

	₹
Leave salary Recd	500000
(-) Exempt u/s 10(10AA)	500000
	-

Part B :- He is a Non Gov employee

Leave salary Recd		500000
(-) Exempt u/s 10(10AA)		
(i) Leave credit × Avg salary pm		
4 months × 6600	= 26400	
(ii) 10 months × Avg salary pm		
10m × 6600	= 66000	
(iii) Actual Amt Recd	500000	
(iv) Max	2500000	(26400)
Taxable leave salary		473600

Leave credit = Leave Allowed - Leave taken
(20 years × 30 days)
600 days - 480 days
= 120 days i.e 4 months

Avg salary pm	₹
Avg Basic salary of last 10m	4800
Avg DA(T) of last 10m	1800
Avg T/O comm of last 10m	-
	6600

F M A M J J A S O N

4000 pm   5000 pm   30/11/25

$(4000 \times 2m) + (5000 \times 8m)$

$8000 + 40000$

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

Eg:- Mr Babu, retired from Reliance industries Ltd on 1/2/26 after rendering services of 20 years. His Avg salary of last 10 months is ₹ 17000 per month, company paid leave salary of ₹ 800000 for the leave credit of 12 months.
As per company policy, employee is allowed 1.5 month leave for every completed year. Compute taxable leave salary.

Solution

Leave salary Rec'd		800000
(-) Exempt u/s 10(10AA)		
(i) Leave credit x Avg salary pm (2 months x 17000)	: 34000	
(ii) 10 months x Avg salary pm (10 months x 17000)	: 170000	
(iii) Actual Amt Rec'd	: 800000	
(iv) Max 2500000	: 2500000	(34000)
Taxable leave salary :-		766000

Teacher's Signature:..................

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

$$\text{Leave credit} = \text{Leave Allowed} - \text{Leave taken}$$

$$12 \text{ months} = \underset{(1.5 \times 20)}{30 \text{ months}} - \text{Leave taken}$$

$$\text{Leave taken} = 18 \text{ months}$$

IT Act :- $\text{Leave credit} = \text{Leave Allowed} - \text{Leave taken}$

$$2 \text{ months} = (20 \text{ months} - 18 \text{ months})$$

30 days
for completed
year

13 HRA (House Rent Allowances)

Exempt u/s 10(13A)

(i) *40% / 50% of salary (Basic + DA (T) + T/O comm)

(ii) Actual Amt Rec'd

(iii) Rent paid − 10% of salary (Basic + DA (T) + T/O comm)

* 50% in Metro (Mumbai / Delhi / Chennai / Kolkata)
40% in other cities

Q1 / pg 28

Mr Rajkumar

Computation of Taxable HRA

		₹
HRA Rec'd (15000 x 12m)		180000
Less:- Exempt Amt		
(i) 40% of salary (Basic + DA (T) + T/O com) (480000 + 72000 + −)	220800	
(ii) Actual Amt Rec'd (15000 x 12m)	180000	
(iii) Rent paid − 10% of salary (160000 x 12m) 192000 − 55200 (552000 x 10%)	136800	(136800)
Taxable HRA		43200

Eg From following particulars compute gross salary of Vaishnavi.

Basic salary :- 20000 pm
DA :- 40% of Basic salary (60% in terms)
T/O commission :- 700 p.m
Children Hostel Allowance :- 600 p.m (for 3 children)
Children education Allowance :- 400 p.m (for 3 children)
Tiffin Allowance :- 1200 p.m (Actual amt spent 9600 p.a)
Helper Allowance :- 1000 p.m (Actual Amt spent - NIL)
HRA :- 15000 p.m (Actual Rent paid in Amravati is ₹ 12000 p.m)
Commutation Allowance :- 1700 p.m (Actual Amt spent 1000 p.m)
Daily Allowance :- 600 p.m (Actual Amount spent 6000 p.a)
Assume Assessee not opted 115BAC

Computation of Gross salary

	₹	₹
Basic salary (20000 x 12m)		240000
DA (40% of Basic)		96000
T/O commission (700 pm x 12m)		8400
Children Hostel Allowance (600 pm x 12)	7200	
(-) Exempt u/s 10(14) (200 pm x 2 x 12)	(4800)	2400
Children Education All. (400 x 12)	4800	
(-) Exempt u/s 10(14) (100 x 2 x 12m)	(2400)	2400
Tiffin Allowance (1200 x 12)		14400
Helper Allowance (1000 x 12)	12000	
(-) Exempt u/s 10(14)	Nil	12000
Commutation Allowance (1700 x 12m)		20400
Daily Allowance (600 x 12m)	7200	
(-) Exempt u/s 10(14)	(6000)	1200
HRA (15000 x 12m)	180000	
(-) Exempt u/s 10(13A) (Note 1)	(113400)	66600
Gross salary		463800

Note 1 -

Exempt u/s 10(13A) 306000

(i) 40% of salary [Basic + DA(T) + T/O comm] [240000 + 57600 + 8400] 122400

(ii) Actual Amt Recd 180000

(iii) Rent paid - 10% of salary 113400

(12000 pm x 12m)

144000 - 30600

(306000 x 10%)

Teacher's Signature:..................

— Note 10 —

Provident fund :-

(i) Statutory Provident fund (SPF)

Interest on EE cont. → Exempt ← Interest on ER cont.

Employees contribution
IGNORE

Employers contribution
EXEMPT

Dedn u/s 80 C available

SPF

Lumpsum Amt Recd on Retirement by EE → Exempt u/s 10(11)