ii) Recognised Provident Fund (RPF)

Int on EE cont → Exempt upto 9.5% p.a ← Int on ER cont

Employees contribution Ignore → Dedn u/s 80 C Available

Employers contribution upto 12% of salary exempt (Basic + DA(T) + T/o com)

RPF

↓

Lumpsum Amt Rec'd on Retirement by EE ⟶ Exempt u/s 10(12)

— Notes —

1) Lumpsum amt rec'd from RPF is exempt u/s 10(12) if employee has rendered service of 5 years or more. If employee rendered service less than 5 years then exemption allowed in respect of employer contribution and Interest shall be taxable (withdrawn). However in the following cases exemption shall not be withdraw even though service is less than 5 years.

i) Employee retired due to ill health.
ii) Employee retired due to shutdown of employers business.

iii) Employee has retired with the instruction that his balance in RPF should be transferred to New employer or to NPS Account reffered u/s 80CCD

* Interest on EE's contribution towards SPF / RPF
Exemption u/s 10(11) & 10(12) not available on Interest on EE's cont. made on or after 1/4/21. If EE's cont. is > 250000, in a year. If employer not made any cont. then limit of ₹500000 would be applicable.

* Unrecognized PF (URPF)

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

Employees contribution Ignore
Employers contribution Exempt

URPF

↓

Lumpsum Amt Rec'd on Retirement by EE

- EE's cont. → Ignore
- Interest on EE's cont → Taxable under IFOS
- ER cont. and Interest on ER's cont. → Taxable under salary

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Mr.B

Computation of Gross salary PY 25-26 AY 26-27

		₹
Basic salary (10000 × 12m)		120000
D.A. (8000 × 12m)		96000
T/O commission (5000000 × 0.1%)		5000
Bonus		40000
Gratuity (Recd during employment)		25000
ER cont. to RPF (120000 × 20%) :	24000	
(-) Exempt upto 12% of salary : (173000 × 12%) (Basic + DA(T) + T/O comm) (120000 + 48000 + 5000)	20760	3240
Interest on RPF 13%	13000	
(-) Exempt upto 9.5% = 9.5%	9500	3500
Gross salary		292740

— Note 12 —

Super Annuation fund :-

(i) Approved super Annuation fund.

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

Employees contribution
~~Ignore~~
Dedn u/s 80C Available

$\boxed{\text{ASF}}$

Employers contribution
Exempt upto ₹ 750000 p.a u/s 17(2)(vii)

Lumpsum Amt Recd on Retirement by EE → Exempt u/s 10(13)

(ii) Unapproved super Annuation fund

→ same as URPF

— Note 14 —

Perquisite :- [sec 17(2)]

It means extra benefit offered by employer to employee. It may be monetary or Non monetary.

* Difference between Allowance and Perquisite *

a) Allowance :- It means monthly fix amount recd by employee from employer whether actual expenditure is incurred or not. It is part of salary.
Eg:- HRA, Medical Allowance etc.

b) Perquisite :- It means Benefits or facilities provided by employer. It is recd when Actual expenditure is incurred.
Eg:- Medical facility, Travel facility, House facility etc.

1. Leave Travel concession (LTC)

Exempt u/s 10(5)

Travel by Air

Exempt
(i) Actual exps xx
(ii) Economy class fare xx

Travel by any other mode

Railway facility available

Exempt
(i) Actual Exps xx
(ii) 1st class Railway AC fare xx

Railway facility Not available

Recognised Transport facility available	Recognised Transport facility Not available
Exempt	Exempt
(i) Actual Exps xx	(i) Actual Exps xx
(ii) Deluxe class fare xx	(ii) 1st class Railway AC fare of similar distance xx

Notes -

1) LTC exemption is available for the travel in India for employee, his/her spouse, *children and dependent relative (mother, father, brother, sister).

* Children :- Exemption of LTC is available only for 2 children born on or after 1st October 1998

→ 1st time = 1 child 2nd Time = Twin
Total 3 children := Exemption allowed to all three children

→ 1st time = Twins 2nd Time :- 1 child
Total 3 children :- Exemption allowed to only 2 children

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

2) LTC exemption is available for 2 years during the block of 4 years (current block is 2022 to 2025)

2. Medical facility

Treatment in India

- Treatment in Govt Hospital
  Treatment in Employers own Hospital
  Treatment in Govt. Recog. Hospital
  → Fully Exempt
- Otherwise
  → fully Taxable

Treatment outside India

- Benefit of Treatment
- Benefit of stay
  → Exempt upto limit prescribed by RBI
- Benefit of Travel
  → It is fully exempt if Gross Total Income upto 800000 otherwise it is fully taxable

-Notes-

1) Medical Insurance premium paid by employer for employee is fully exempt.

2) Exemption for treatment is allowed for employee, spouse, children and dependant relative (mother, father, brother, sister)

3) Exemption of stay and Travel is allowed only for one patient and one attendent.

4) Exemption allowed in respect of treatment of covid 19 related illness. In this case employee has to be submit following document to employer

a) covid 19 positive report
b) Documents of medical treatment of covid 19 related illness, suffered within 6 months from the date of being determined covid 19 positive.
c) A certificate of all the expenditure incurred on treatment.

3. Gift to Employee

- Gift in money → Fully Taxable
- Gift in kind → FMV of Gift is less than 5000 then it is exempt, Otherwise it is fully taxable.

4. ESOPS :- Employee Stock Option Plan

It means company offer shares to employee at concessional Rates

$$\text{Taxable Amount} = \text{FMV of share}^{*} - \text{Issue price of share}$$

* FMV should be taken on the date on which employee exercise the option.

5. Loan given to employee without Interest or concessional Rate of Interest

$$\text{Taxable Amt} = \underline{\text{loan Amt O/S (at the end of month)}} \times \left[\text{SBI Int rate on 1st April of PY} - \text{Actual Interest Rate}\right]$$

— Notes -

1) If loan Amt is upto ₹20,000 then Interest Benefit is not taxable.

2) If loan is taken for treatment of specified disease then interest benefit is not taxable even if loan Amt is more than ₹ 20,000

6. Use of Movable Asset

- Computer / Laptop
  - Fully Exempt
- Car
  - Discuss later
- Any other Asset (Bike, TV, furniture)
  - Owned by Employer
    - Taxable Amt = 10% of cost
  - Hired by employer
    - Taxable Amt = Hire charge paid by ER

7. Transfer of Movable Asset

- Computer/Laptop
  - Taxable Amt = WDV - consideration
    - Dep@ 50% on WDV method
- Car
  - Taxable Amt = WDV - consdn
    - Dep @ 20% on WDV method
- Any other Asset
  - Taxable Amt = WDV - consd
    - Dep @ 10% on SLM method

Note -

Depⁿ should be computed for every completed year from the date of Acquisition of Asset by Employer till the date of transfer of Asset to Employee

Eg: Payal ltd acquired a car for ₹600000 on 10/12/2021. car is transferred to EE Mr Jeet on 7/7/25 for ₹30,000. Calculate value of perquisite taxable in hands of Mr. Jeet.

→ Taxable Amount = WDV - consideration

= 307200 - 3000

= 277200

Cost of CAR	₹600000
(-) Dep for 1st year @ 20%.	(120000)
	480000
(-) Dep for 2nd year @ 20%.	(96000)
	384000
(-) Dep for 3rd year @ 20%.	(76800)
WDV	307200

10/12/21 ✓ → 9/12/22

10/12/22 ✓ → 9/12/23

10/12/23 ✓ → 9/12/24

10/12/24 ✗ → 9/12/25