

Question 4

MTP March'21

Mr. Harry, an Indian citizen, is a marketing consultant who provides consultancy to various countries around the globe. Due to his profession, he is required to travel across various countries throughout the year. His marketing project does not last for more than 40 days and therefore his stay in any country including India usually never exceeds 40 days during a year. His income is Rs. 80 lakhs across the globe which is not liable to tax in any country. During the P.Y. 2023-24, an Indian company provides him a marketing project in India. His stay in India for the project is expected to be only 25 days and his income from that project would be Rs. 30 lakhs. Being a highly qualified professional, he consults you about the tax regime on his income and his residential status in India. Correct, interest expenses incurred for business are allowed as deduction u/s 36(1)(iii).

- He shall be treated as resident but not ordinarily resident and shall be liable to pay tax on Rs. 30 lakhs.
- He shall be treated as resident and ordinarily resident and shall be liable to pay tax on Rs. 80 lakhs.
- He shall be treated as non-resident and shall not be liable to any tax.
- He shall be treated as resident but not ordinarily resident and shall be liable to pay tax on his entire income of Rs. 80 lakhs earned across the globe

Question 5

MTP Oct '20

Mr. Square, an Indian citizen, currently resides in Dubai. He came to India on a visit and his total stay in India during the F.Y. 2023-24 was 135 days. He has no source of Income in India. Following is his details of stay in India in the preceding previous years:

Financial Year	Days of Stay in India
2022-23	125
2021-22	106
2020-21	83
2019-20	78
2018-19	37
2017-18	40
2016-17	35

You are his tax consultant. Advise him on his residential status for the P.Y. 2023-24.

- Resident but Not Ordinary Resident (RNOR)
- Resident and Ordinary Resident
- Non-Resident
- Resident but information incomplete to know whether resident but not ordinarily resident or resident and ordinarily resident



Question 6

MTP May'20, April'19

Mr. Raj, an Indian citizen and a government employee, left India for the first time on 25.03.2023 on account of his transfer to High Commission in Singapore. During P.Y. 2023-24, he visited India only for ten days on occasion of his sister's marriage. During F.Y. 2023-24, his income composition includes salary, foreign allowances, rent from property in Singapore and interest earned from fixed deposits maintained with SBI. His taxable income for P.Y. 2023-24 will include:

- All of them, since Mr. Raj is a resident in India, hence his global income will be taxable
- Only interest earned from fixed deposits maintained in India
- No income shall be taxable since Mr. Raj is a non-resident in India for P.Y. 2019-20
- Salary and interest income of fixed deposits with SBI

Question 7

MTP Oct'19, Mar 19

Mr. Vikesh, a US citizen, came to India for an assignment from 11.01.2020 to 09.10.2020 and went back to his home country on completion of the same. He thereafter, visited India on 05.07.2022 again for an assignment, which ended on 26.05.2023. What is the latest date by which Mr. Vikesh should depart from India after completing the assignment so as to qualify as non-resident for P.Y. 2023-24? (Assume that he shall not be visiting India again during the year)

- 29-05-2023
- 30-05-2023
- 29-09-2023
- 28-09-2023

Question 8

MTP April'19

On 31.08.2023, Mr. Kashyap moved to Japan for employment. His family accompanied him, owing to long term nature of employment. Mrs. Kashyap is also planning to start a fashion boutique in Japan soon, once she gets settled. Both Mr. & Mrs. Kashyap are Indian citizens and have been working in India for more than a decade now. Comment on their residential status for A.Y. 2024-25, assuming they did not visit India after August 2023

- Mr. & Mrs. Kashyap will qualify to be non-resident
- Mr. Kashyap will qualify to be non-resident and Mrs. Kashyap will be resident but not ordinarily resident
- Mr. Kashyap will qualify to be non-resident and Mrs. Kashyap will be resident and ordinarily resident
- None

Question 9

MTP April'22

Mr. Sushant is a person of Indian origin, residing in Canada. During P.Y. 2023-24, he visited India on several occasions and his period of stay, in total, amounted to 129 days during P.Y. 2023-24 and his period of stay in India during P.Y.2019-20, P.Y. 2020-21, P.Y. 2021-22 and P.Y. 2022-23 was 135 days, 115 days, 95 days and 125 days, respectively. He earned the following incomes during the P.Y. 2023-24:

Source of Income	Amount (₹)
Income received or deemed to be received in India	2,50,000
Income accruing or arising or which is deemed to accrue or arise in India	3,75,000
Income accruing or arising and received outside India from business controlled from India	5,50,000



Income accruing or arising and received outside India from business controlled outside India	6,50,000	
<p>What is the residential status of Mr. Sushant for A.Y. 2024-25 and his income liable to tax in India during A.Y. 2024-25</p> <p>a) Non-Resident; ₹6,25,000 is liable to tax in India</p> <p>b) Resident and ordinary resident; ₹18,25,000 is liable to tax in India</p> <p>c) Resident but not ordinarily resident; ₹ 11,75,000 is liable to tax in India</p> <p>d) Non-Resident; ₹11,75,000 is liable to tax in India</p>		
Question 10		MTP April'19
<p>Which of the following incomes is not deemed to accrue or arise in India under section 9(1)(i) of the Income- tax Act, 1961?</p> <p>a) Income from any business connection in India</p> <p>b) Income through or from any property in India</p> <p>c) Income arising from transfer of a capital asset situated in India</p> <p>d) Income relating to operations which are confined to purchase of goods in India for the purpose of export</p>		
Question 11		MTP March'19
<p>Which of the following statements is true for companies in the context of the Income-tax Act, 1961?</p> <p>a) Residential status of a company has an impact on the tax rate of company</p> <p>b) Tax Rate of a company depends upon the place of incorporation</p> <p>c) Residential status of a company helps to classify the company as domestic company and foreign company</p> <p>d) Residential status of company helps classification of closely held company and widely held company</p>		
Question 12		MTP May'20
<p>Mr. Ramesh, a citizen of India, is employed in the Indian embassy in the Australia. He is a non-resident for A.Y. 2024-25. He received salary and allowances in the Australia from the Government of India for the year ended 31.03.2024 for services rendered by him in the Australia. In addition, he was allowed perquisites by the Government. Which of the following statements are correct?</p> <p>a) Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Ramesh, since he is non-resident.</p> <p>b) Salary, allowances and perquisites received outside India by Mr. Ramesh are taxable in India since they are deemed to accrue or arise in India.</p> <p>c) Salary received by Mr. Ramesh is taxable in India but allowances and perquisites are exempt.</p> <p>d) Salary received by Mr. Ramesh is exempt in India but allowances and perquisites are taxable.</p>		



Question 13

MTP Oct'22

Who among the following will qualify as non-resident for the previous year 2023-24?

-Mr. Bob, an Italian dancer, came on visit to India to explore Indian dance on 15.09.2023 and left on 25.12.2023. For past four years, he visited India for dance competition and stayed in India for 120 days each year.

-Mr. Samrat born and settled in USA, visits India each year for 100 days to meet his parents and grandparents, born in India in 1946, living in Delhi. His Indian income is ₹ 15,20,000.

-Mr. Joseph, an American scientist, left India to his home country for fixed employment there. He stayed in India for study and research in medicines from 01.01.2019 till 01.07.2023.

Choose the correct answer

- Mr. Bob and Mr. Joseph
- Mr. Samrat
- Mr. Bob, Mr. Samrat and Mr. Joseph
- None of the three

Question 14

RTP May'19. MTP 2 Marks Sep '23

Mr. Sumit is an Indian citizen and a member of the crew of an America bound Indian ship engaged in carriage of freight in international traffic departing from Kochi on 25th April, 2023. From the following details for the P.Y. 2023-24, determine the residential status of Mr. Sumit for A.Y. 2024-25, assuming that his stay in India in the last 4 previous years preceding P.Y. 2023-24 is 365 days and last seven previous years preceding P.Y. 2023-24 is 730 days:

Date entered in the Continuous Discharge Certificate in respect of joining the ship by Mr. Sumit: 25th April, 2023 Date entered in the Continuous Discharge Certificate in respect of signing off the ship by Mr. Sumit: 24th October, 2023

Mr. Sumit has been filing his income tax return in India as a Resident for previous 2 years. What is his residential status for A.Y. 2024-25:

- Resident and ordinarily resident
- Resident but not-ordinarily resident
- Non-resident
- Non-resident till 24.10.2023 and resident till 31.03.2023

Question 15

RTP May'19

Aashish earns the following income during the P.Y. 2023-24:

- Interest on U.K. Development Bonds (1/4th being received in India): ₹4,00,000
- Capital gain on sale of a building in India but received in Holland: ₹ 6,00,000

If Aashish is a resident but not ordinarily resident in India, then what will be amount of income chargeable to tax in India for A.Y. 2024-25?

- ₹ 7,00,000
- ₹ 10,00,000
- ₹ 6,00,000
- ₹ 1,00,000



Question 16

RTP May'20

Mr. Suhaan (aged 35 years), a non-resident earned dividend income of ₹ 12,50,000 from an Indian Company which is credited directly to its bank account in France and ₹ 15,000 as interest in Saving A/c from State Bank of India during the previous year 2023-24. Assuming that he has no other income, what will be amount of income chargeable to tax in his hands in India for A.Y. 2024-25?

- a) ₹ 2,55,000
- b) ₹ 2,65,000
- c) ₹ 15,000
- d) ₹ 5,000

Question 17

RTP Nov'20

Mr. Nishant, a resident but not ordinarily resident for the previous year 2022-23 and resident and ordinarily resident for the previous year 2023-24 has received rent from property in Canada amounting to ₹ 1,00,000 during the P.Y.2022-23. He has deposited the same in a bank in Canada. During the financial year 2023-24, he remitted this amount to India through approved banking channels. Is such rent taxable in India, and if so, how much and in which year?

- a) Yes; ₹ 70,000 was taxable in India during the previous year 2022-23.
- b) Yes; ₹ 1,00,000 was taxable in India during the previous year 2022-23.
- c) Yes; ₹ 70,000 was taxable in India during the previous year 2023-24.
- d) No; such rent is not taxable in India either during the previous year 2022-23 or during the previous year 2023-24

Question 18

RTP May '21, MTP 2 Marks Oct '23

Mr. Tejas, an Indian Citizen, left India permanently with his wife and two children, for extending his retail trade business of toys in Canada in the year 2018. From Canada, he is managing his retail business of toys in India. For the purpose his Indian business, he visits India every year from 1st September to 31st January. His business income is ₹ 23.50 lakhs and ₹ 18 lakhs from retail trade business in Canada and in India, respectively for the F.Y. 2023-24. He has no other income during the P.Y. 2023-24. Determine his residential status and income taxable in his hands for the A.Y. 2024-25.

- a) Resident and ordinarily resident in India and income of ₹ 18 lakhs and ₹ 23.50 lakhs would be taxable.
- b) Non-Resident and ₹ 18 lakhs from Indian retail trade business would only be taxable.
- c) Resident but not ordinarily Resident and ₹ 18 lakhs from Indian retail trade business would only be taxable.
- d) Deemed resident and ₹ 18 lakhs from Indian retail trade business would only be taxable



Question 19

RTP May '22

Mr. Rajesh, aged 53 years, and his wife, Mrs. Sowmya, aged 50 years, are citizens of Country X. They are living in Country X since birth. They are not liable to tax in Country X. Both of them have keen interest in Indian Culture. Mr. Rajesh's parents and grandparents were born in Country X. Mrs. Sowmya visits India along with Mr. Rajesh for four months every year to be with her parents, who were born in Delhi and have always lived in Delhi. During their stay in India, they organize Cultural Programme in Delhi-NCR. Income of Mr. Rajesh and Mrs. Sowmya from the Indian sources for the P.Y. 2023-24 is ₹ 18 lakhs and ₹ 16 lakhs, respectively. What is the residential status of Mr. Rajesh and Mrs. Sowmya for A.Y.2024-25?

- a) Both are resident and ordinarily resident in India
- b) Both are non-resident in India
- c) Mr. Rajesh is resident but not ordinarily resident in India and Mrs. Sowmya is non-resident
- d) Mrs. Sowmya is resident but not ordinarily resident in India and Mr. Rajesh is non-resident

Question 20

CS Execu.

HUF of Ashwin consisting of himself, his wife and 2 sons is assessed to income-tax. The residential status of HUF would be non-resident, when -

- (A) The management and control of its affairs is wholly in India
- (B) The management and control of its affairs is wholly outside India
- (C) The status of karta is non-resident for that year
- (D) When majority of the members are non-residents.

Question 21

CS Execu.

Mr. Ajay (age 40) resident of India earned agricultural income of ₹ 1 lakh from land situated in Sri Lanka. His total income in India amounts to ₹ 7lakhs. The tax liability would be:

- (A) ₹ 77,250
- (B) ₹ 75,400
- (C) ₹ 74,675
- (D) ₹ 56,650

Question 22

CS Execu.

Rajendra a non-resident Indian in the previous year 2022-23 was in receipt of rent of house property located in Dubai of ₹ 27,50,000. The amount of rent was transferred and credited in the bank account of Rajendra maintained with SBI, Vadodara by the tenant quarterly. The Annual Letting Value (ALV) of the house located in Dubai subject to tax under the head Income from house property in A.Y. 2023-24 shall be

- (A) ₹ 16,50,000
- (B) ₹ 19,25,000
- (C) ₹ 27,50,000
- (D) Not taxable as property is in Dubai and he is non-resident



Question 23

CS Execu.

Xavier, a resident and ordinary resident had the income computed under the salary of ₹ 1,20,000; agriculture income of ₹ 25,000 in Indonesia being invested there and income of a business in Burma controlled from India of ₹ 20,000 during the previous year ended on 31-3-2023. He has brought into India ₹ 45,000 in January, 2023 out of the past untaxed profits earned in UK. His total income for tax purpose for Asst. Year 2023-24 shall be:

- (A) ₹ 1,65,000
- (B) ₹ 2,10,000
- (C) ₹ 1,40,000
- (D) ₹ 1,85,000

Question 24

CS Execu.

The residential status of Raghav, born in Delhi and a citizen of India, who was staying in India during the period September, 2022 to March, 2023 for 125 days, for the A.Y. 2023-24 would be, if Raghav during the previous year 2022-23 was having income in India of ₹ 17,25,000 besides the income of ₹30 lacs from foreign sources which is not liable to tax in any other country by reason of his domicile.

- (A) Resident and ordinarily resident
- (B) Resident but not ordinarily resident
- (C) Non-resident
- (D) Deemed resident

Question 25

CS Execu.

Hitarth who is resident and not ordinarily resident in India, earns the following income during the previous year ended 31st March, 2023 : Interest on U.K. development Bonds (14th being received in India) : ₹ 4,00,000, profits on sale of a building in India but received in Holland : ₹ 4,00,000. What is the income liable to tax for the assessment year 2023-24 ?

- (A) ₹ 5,00,000
- (B) ₹ 8,00,000
- (C) ₹ 4,00,000
- (D) ₹ 1,00,000

Question 26

CS Execu.

Pankaj Kumar, a citizen of India having salaried employment received amount of dividend of ₹ 42,725 from a Canadian Company credited in his bank account in Canada in March 2022. The amount of dividend of ₹ 42,725 was remitted to India during the month of February, 2023. The amount of dividend so received shall be taxable in A.Y. 2022-23 when the residential status of Pankaj Kumar is :

- (A) Resident and Ordinarily Resident
- (B) Resident but Not-Ordinarily Resident
- (C) Non-Resident
- (D) Not included in any case



Answers

1	2	3	4	5	6	7	8	9	10
b	b	d	a	c	d	a	c	a	d
11	12	13	14	15	16	17	18	19	20
b	c	b	a	a	d	d	c	d	b
21	22	23	24	25	26				
b	b	a	b	b	a				

CA VIVEK GABA



Chapter 3: Salaries

Unit 1

Descriptive Questions

Easy

Question 1

RTP May'20

Ms. Suhaani, a resident individual, aged 33 years, is an assistant manager of Daily Needs Ltd.

- (i) She is getting a salary of ₹ 48,000 per month. During the previous year 2023-24, she received the following amounts from her employer.
- (ii) Dearness allowance (10% of basic pay which forms part of salary for retirement benefits).
- (iii) Bonus for the previous year 2022-23 amounting to ₹ 52,000 was received on 30th November, 2023.
- (iv) Fixed Medical allowance of ₹ 48,000 for meeting medical expenditure.
- (v) She was also reimbursed the medical bill of her father dependent on her amounting to ₹4,900.
- (vi) Ms. Suhaani was provided; a laptop both for official and personal use. Laptop was acquired by the company on 1st June,

4 Marks

Answer:

Computation of Income under the head "Salaries" in the hands of Ms. Suhaani for the A.Y. 2024-25

Particulars	₹
Basic Salary [₹ 48,000 × 12]	5,76,000
Dearness allowance [10% of basic salary]	57,600
Bonus [Taxable in the P.Y. 2023-24, since it is taxable on receipt basis]	52,000
Fixed Medical Allowance [Taxable]	48,000
Reimbursement of Medical expenditure incurred for her father [Fully taxable from A.Y.2024-25, even though father is included in the meaning of "family" on account of standard deduction being introduced in lieu of reimbursement of medical expenditure].	4,900
Facility of laptop [Facility of laptop is an exempt perquisite, whether used for official or personal purpose or both]	Nil
Reimbursement of salary of domestic servant [₹ 5,000 × 12] [Fully taxable, since perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]	60,000
Value of equity shares allotted [700 equity shares × ₹ 110 (₹ 280, being the fair market value - ₹ 170, being the amount recovered)]	77,000
Professional tax paid by the employer [Perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]	1,400
Gross Salary	8,76,900



Less: Deduction under section 16	
Professional tax paid	2,200
Standard Deduction (Lower of ₹ 40,000 or amount of salary)	40,000
(As per amendment Rs. 50,000)	50,000
Taxable Salary	8,34,700
	8,24,700

Moderate

Question 1

MTP sep'22, Nov, 22

Ms. Akansha, a salaried employee, furnishes the following details for the financial year 2023-24:

Particulars	₹
Basic salary	6,20,000
Dearness allowance	4,20,000
Commission	75,000
Entertainment allowance	9,000
Medical expenses reimbursed by the employer	18,000
Profession tax (of this, 50% paid by employer)	4,000
Health insurance premium paid by employer	8,000
Gift voucher given by employer on her birthday	10,000
Life insurance premium of Akansha paid by employer	26,000
Laptop provided for use at home. Actual cost of Laptop to employer Children of the assessee are also using the laptop at home]	45,000
Employer company owns a Maruti Suzuki Swift car, which was provided too the assessee, both for official and personal use. Driver was also provided. (Engine cubic capacity more than 1.6 litres). All expenses are met by the employer	
Annual credit card fees paid by employer [Credit card is not exclusively used for official purposes; details of usage are not available]	7,000

You are required to compute the income chargeable under the head salaries for the assessment year 2024-25 if she pays tax under default tax regime. **6 Marks**

Answer:

Computation of income chargeable under the head "Salaries" of Ms. Akansha for A.Y.2024-25 under default tax regime

Particulars	₹
Basic Salary	6,20,000
Dearness allowance	4,20,000
Commission	75,000
Entertainment allowance	9,000
Medical expenses reimbursed by the employer is fully taxable	18,000



Professional tax paid by the employer is a taxable perquisite as per section 17(2)(iv), since it is an obligation of the employee which is paid by the employer	2,000
Health insurance premium of ₹ 8,000 paid by the employer is an exempt perquisite [Clause (iii) of proviso to section 17(2)]	Nil
Gift voucher given by employer on Ms. Akansha birthday (entire amount is taxable since the perquisite value exceeds ₹ 5,000) as per Rule 3(7)(iv)	10,000
Life insurance premium of Ms. Akansha paid by employer is a taxable perquisite as per section 17(2)(v)	26,000
Laptop provided for use at home is an exempt perquisite as per Rule 3(7)(vii)	Nil
Provision of motor car with driver (engine cubic capacity more than 1.6 litres) owned by employer to employee, the perquisite value would be ₹ 39,600 [$₹ (2,400 + 900) \times 12$] as per Rule 3(2)	39,600
Annual credit card fees paid by employer is a taxable perquisite as per Rule 3(7)(v) since the credit card is not exclusively used for official purposes and details of usage are not available	7,000
Gross Salary	12,26,600
Less: Deductions under section 16	
- Standard Deduction as per section 16(ia)	50,000
- Entertainment allowance (deduction not allowable since Ms. Akansha is not a government employee)	Nil
- Professional tax paid allowable as deduction as per section 16(iii)	4000
Income chargeable under the head "Salaries"	11,72,600

Note:

As per Rule 3(7)(iv), the value of any gift or voucher received by the employee or by member of his household on ceremonial occasions or otherwise from the employer shall be determined as the sum equal to the amount of such gift. However, the value of any gift or voucher received by the employee or by member of his household below ₹ 5,000 in aggregate during the previous year would be exempt as per the proviso to Rule 3(7)(iv). In this case, the gift voucher of ₹ 10,000 was received by Ms. Akansha from her employer on the occasion of her birthday.

Since the value of the gift voucher exceeds the limit of ₹ 5,000, the entire amount of ₹ 10,000 is liable to tax as perquisite. The above solution has been worked out accordingly.

An alternate view possible is that only the sum in excess of ₹ 5,000 is taxable in view of the language of Circular No.15/2001 dated 12.12.2001, which states that such gifts up to ₹ 5,000 in the aggregate per annum would be exempt, beyond which it would be taxed as a perquisite. As per this view, the value of perquisite would be ₹ 5,000. Accordingly, the gross salary and net salary would be ₹ 12,21,600 and ₹ 11,71,600, respectively.

Question 2**MTP, Sept'22**

Mr. Raj Kumar (aged 65 years) is retired from a Public Sector Undertaking. He resides in Delhi. He provides you the following particulars of his income and certain payments/investments for the previous year 2023- 24:

- ☞ Pension income of ₹ 8,50,000
- ☞ Interest from fixed deposits with SBI of ₹ 3,35,000 (Gross)
- ☞ Life insurance premium paid by cheque ₹ 27,500 for insurance of his life. The insurance policy was taken on 10-07-2017 and the sum assured is ₹ 2,40,000.



- ⊗ Premium of ₹ 37,500 paid by cheque for health insurance of self and his wife, who is also a senior citizen.
- ⊗ ₹ 3,000 paid in cash for his health check-up and ₹ 4,500 paid through cheque for preventive health check-up of his father aged 90 years.
- ⊗ Paid interest of ₹ 8,500 on loan taken from bank for MBA course pursued by his son.
- ⊗ A sum of ₹ 1,20,000 donated by cheque to an institution approved for the purpose of section 80G for promoting family planning.
- ⊗ ₹ 10,000 contributed towards PM CARES Fund by cheque.

Compute the total income of Mr. Raj Kumar for the assessment year 2024-25, assuming he does not opt for section 115BAC.

6 Marks

Answer:

Computation of total income of Mr. Raj Kumar for A.Y.2024-25

Particulars	₹	₹	₹
Income under the head "Salaries"			
Pension	8,50,000		
Less: Standard deduction u/s 16(ia) Lower of ₹ 50,000 or actual salary/pension	50,000		8,00,000
Income from Other Sources			
Interest from bank on fixed deposit (Gross)			3,35,000
Gross Total Income			11,35,000
Less: Deduction under Chapter VI-A			
Deduction under section 80C			
LIC premium of ₹ 27,500 (restricted to 10% of ₹ 2,40,000, being the sum assured, as the policy is taken after 31.3.2012)		24,000	
Deduction under section 80D			
Premium for health insurance for self and his wife paid by cheque, allowed up to ₹ 50,000 since Mr. Raj Kumar is a senior citizen	37,500		
Preventive health check-up for self, ₹ 3,000, and for his father, ₹ 4,500, restricted to ₹ 5,000 (deduction allowed even if the same is paid in cash)	5,000		
		42,500	
Deduction under section 80E			
Interest on loan taken from bank for MBA course pursued by his son Deduction under section 80G		8,500	
Donation to PM CARES Fund - 100% allowable		10,000	
Donation to an approved institution for promoting family planning - 100% allowable subject to qualifying limit of ₹ 1,01,000 i.e., 10% of ₹ 10,10,000 being the adjusted total income		1,01,000	
Deduction under section 80TTB			



Interest on fixed deposit with bank allowable as deduction up to ₹ 50,000, since Mr. Raj Kumar is a senior citizen		50,000	
			2,36,000
Total Income			8,99,000

Question 2

RTP Sept'24

Mr. Anshul, a salaried employee in a private company, furnishes you the following information for the year ended on 31-03-2024:

- (i) Basic salary 75,000 p.m. From 1st December 2023, basic salary increased to 85,000 p.m.
- (ii) Dearness allowance @50% of basic salary (40% of D.A. forms part of salary for retirement benefits).
- (iii) Entertainment allowance 10,000
- (iv) Contribution of employer to recognized provident fund account of the employee @18% of basic salary. Employees also contribute an equivalent amount.
- (v) Professional tax paid 2,200 of which 1,800 was paid by the employer.
- (vi) House rent allowance of 16,000 p.m. He paid rent of 17,000 p.m. for accommodation in Meerut
- (vii) Conveyance allowance of 1,500 p.m. by the company towards actual reimbursement of conveyance spent on official duty.
- (viii) Loan of 2,00,000 was taken from the employer on 1.7.2023 for medical treatment of his brother for tuberculosis treatment. Interest charged on such loan is 5%. The entire loan is outstanding as on 31.3.2024. No medical insurance has been taken for his brother. SBI rate of interest on 1.4.2023 was 11%.
- (ix) Free education was provided to the sister of Mr. Anshul in a school maintained and owned by the company. The cost of such education facility is computed at 900 p.m. No amount was recovered by the company for such education facility from Anshul. (viii) Leave travel concession given to Anshul, his wife and three children (one daughter aged 6 and twin sons aged 4). Cost of air tickets (economy class) reimbursed by the employer 20,000 for adults and lumpsum of 25,000 for three children. Anshul is eligible for availing exemption this year to the extent it is permissible under the Income tax Act, 1961.

Compute the taxable salary of Mr. Anshul if he has shifted out of the default tax regime under section 115BAC.

Answer:

Computation of taxable salary of Mr. Anshul for the A.Y. 2024-25

Particulars	₹	₹
Basic Salary [(75,000 × 8) + (85,000 × 4)]		9,40,000
Dearness allowance [50% of basic salary]		4,70,000
Employer's contribution to recognized provident fund [18% × 9,40,000]	1,69,200	
Less: Exempt up to 12% of basic salary and D.A. forms part of retirement benefit [12% × 11,28,000]	1,35,360	33,840
Taxable allowances		
Entertainment allowance		10,000



Conveyance allowance [Exempt, since it is based on actual reimbursement for official purpose]		-
House rent allowance	1,92,000	
Less: Least of the following exempt under section 10(13A)	91,200	1,00,800
(i) HRA received	1,92,000	
(ii) Rent paid (-) 10% of salary [2,04,000 - 10% x 11,28,000]	91,200	
(iii) 40% of salary [40% x 11,28,000]	4,51,200	
Taxable Perquisite		
Professional tax paid by the employer [Perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]		1,800
Interest on loan [Not a perquisite, since loan is for medical treatment of his brother for tuberculosis treatment]		-
Provision of education facility [900 x 12]		10,800
Leave travel concession	45,000	
Less: Exempt	45,000	-
[Mr. Anshul can avail exemption on the entire amount of 45,000 reimbursed by the employer towards leave travel concession since the leave travel concession was availed for himself, wife and three children and the journey was undertaken by economy class airfare. The restriction imposed for two children is not applicable in case of multiple birth which take place after the first child.]		
Gross Salary		15,67,240
Less: Deduction under section 16		
Professional tax paid	2,200	
Standard Deduction, lower of salary or 50,000	50,000	52,200
Taxable Salary		15,15,040

Difficult**Question 1**

MTP Oct'19, PYQ Nov '18

Mr. Balaji, employed as Production Manager in Beta Ltd., furnishes you the following information for the year ended 31.03.2024:

- (i) Basic salary up to 31.10.2023 Rs. 50,000 p.m.
Basic salary from 01.11.2023 Rs. 60,000 p.m.

Note: Salary is due and paid on the last day of every month.

- (ii) Dearness allowance @ 40% of basic salary.
(iii) Bonus equal to one month salary. Paid in October 2023 on basic salary plus dearness allowance applicable for that month.
(iv) Contribution of employer to recognized provident fund account of the employee @16% of basic salary.
(v) Professional tax paid Rs. 2,500 of which Rs. 2,000 was paid by the employer.



- (vi) Facility of laptop and computer was provided to Balaji for both official and personal use. Cost of laptop Rs. 45,000 and computer Rs. 35,000 were acquired by the company on 01.12.2023.
- (vii) Motor car owned by the employer (cubic capacity of engine exceeds 1.60 litres) provided to the employee from 01.11.2023 meant for both official and personal use. Repair and running expenses of Rs. 45,000 from 01.11.2023 to 31.03.2024, were fully met by the employer. The motor car was self-driven by the employee.
- (viii) Leave travel concession given to employee, his wife and three children (one daughter aged 7 and twin sons aged 3). Cost of air tickets (economy class) reimbursed by the employer Rs. 30,000 for adults and Rs. 45,000 for three children. Balaji is eligible for availing exemption this year to the extent it is permissible in law. Compute the salary income chargeable to tax in the hands of Mr. Balaji for the assessment year 2024-25 assuming he has not opted for the provisions of section 115BAC.

7 Marks

Answer:

Computation of Taxable Salary of Mr. Balaji for A.Y. 2024-25

Particulars	Rs.
Basic salary [(₹50,000 × 7) + (₹60,000 × 5)]	6,50,000
Dearness Allowance (40% of basic salary)	2,60,000
Bonus (₹ 50,000 + 40% of Rs. 50,000) (See Note 1)	70,000
Employers contribution to recognized provident fund in excess of 12% of salary = 4% of Rs.6,50,000 (See Note 2)	26,000
Professional tax paid by employer	2,000
Perquisite of Motor Car (₹ 2,400 for 5 months) (See Note 4)	12,000
Gross Salary	10,20,000
Less: Deduction under section 16	
Standard deduction u/s 16(ia) Rs. 50,000	
Professional tax u/s 16(iii) (See Note 6) Rs.2,500	52,500
Taxable Salary	9,67,500

Notes:

- Since bonus was paid in the month of October, the basic salary of Rs. 50,000 for the month of October is considered for its calculation.
- It is assumed that dearness allowance does not form part of salary for computing retirement benefits.
- As per Rule 3(7)(vii), facility of use of laptop and computer is a tax-free perquisite, whether used for official or personal purpose or both.
- As per the provisions of Rule 3(2), in case a motor car (engine cubic capacity exceeding 1.60 liters) owned by the employer is provided to the employee without chauffeur for personal as well as office use, the value of perquisite shall be Rs. 2,400 per month. The car was provided to the employee from 01.11.2023, therefore the perquisite value has been calculated for 5 months.
- Mr. Balaji can avail exemption under section 10(5) on the entire amount of Rs. 75,000 reimbursed by the employer towards Leave Travel Concession since the same was availed for himself, his wife and three children and the journey was undertaken by economy class airfare. The restriction imposed for two children is not applicable in case of multiple births which take place after the first child. It is assumed that the Leave Travel Concession was availed for journey within India.



6. He is eligible to claim benefit of exemption u/s 10(5) since he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).
7. As per section 17(2)(iv), a "perquisite" includes any sum paid by the employer in respect of any obligation which, but for such payment, would have been payable by the assessee. Therefore, professional tax of Rs. 2,000 paid by the employer is taxable as a perquisite in the hands of Mr. Balaji. As per section 16(iii), a deduction from the salary is provided on account of tax on employment
8. i.e. professional tax paid during the year.
9. Therefore, in the present case, the professional tax paid by the employer on behalf of the employee Rs. 2,000 is first included in the salary and deduction of the entire professional tax of Rs.2,500 is provided from salary.

Question 2

MTP Oct'21

You are required to compute the income from salary of Mr. Raja under default tax regime from the following particulars for the year ended 31-03-2024:

- (i) He retired on 31-12-2023 at the age of 60, after putting in 25 years and 9 months of service, from a private company at Delhi.
- (ii) He was paid a salary of ₹ 25,000 p.m. and house rent allowance of ₹ 6,000 p.m. He paid rent of ₹ 6,500 p.m., during his tenure of service.
- (iii) On retirement, he was paid a gratuity of ₹ 3,50,000. He was covered by the payment of Gratuity Act, 1972. He had not received any other gratuity at any point of time earlier, other than this gratuity.
- (iv) He had accumulated leave of 15 days per annum during the period of his service; this was encashed by him at the time of his retirement. A sum of ₹ 3,15,000 was received by him in this regard. Employer allowed 30 days leave per annum.
- (v) He is receiving ₹ 5,000 as pension. On 1.2.2024, he commuted 60% of his pension and received ₹ 3,00,000 as commuted pension.
- (vi) The company presented him with a gift voucher of ₹ 5,000 on his retirement. His colleagues also gifted him a mobile phone worth ₹ 50,000 from their own contribution. **7 Marks**

Answer:

Computation of income under the head "Salaries" of Mr. Raja for the A.Y.2024-25 under default tax regime

Particulars	₹	₹
Basic Salary = ₹ 25,000 × 9 months		2,25,000
House Rent Allowance = ₹ 6,000 × 9 months [Fully taxable under default tax regime.]		54,000
Gratuity	3,50,000	
Less: Least of the following exempt under section 10(10)(ii)	3,50,000	Nil
(i) Actual Gratuity received ₹ 3,50,000		
(ii) 15 days salary for every year of completed service [15/26 × ₹ 25,000 × 26] = ₹ 3,75,000		
(iii) Notified limit = ₹ 20,00,000		
Leave encashment	3,15,000	



Less: Least of the following exempt under section 10(10AA)	2,50,000	65,000
(i) ₹ 25,00,000		
(ii) Leave salary actually received ₹ 3,15,000		
(iii) ₹ 2,50,000, being 10 months' salary × ₹ 25,000		
(iv) Cash equivalent of leave standing at the credit of the employee based on the average salary of last 10 months' (max. 30 days per year of service) for every year of actual service rendered for the employer from whose service he has retired $375/30 \times ₹ 25,000 = ₹ 3,12,500$ [Leave Due = Leave allowed - Leave taken] = 750 (30 days per year × 25 years) - 375 days (15 days × 25) = 375 days]		
Uncommuted Pension received [₹ 5,000 × 1] + (₹ 5,000 × 2 × 40%)		9,000
Commuted Pension received	3,00,000	
Less: Exempt under section 10(10A)		
$1/3 \times ₹ 3,00,000/60\% \times 100\%$	1,66,667	1,33,333
Gift Voucher [As per Rule 3(7)(iv), the value of any gift or voucher or token in lieu of gift received by the employee or by member of his household not exceeding ₹ 5,000 in aggregate during the previous year is exempt]		Nil
Mobile Phone received as gift from colleagues (Neither taxable under the head "Salaries" nor "Income from other sources", since taxability provisions under section 56(2)(x) are not attracted in respect of mobile phone received from colleagues, as mobile phone is not included in the definition of "property" thereunder)		Nil
Gross Salary		4,86,333
Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less] [Allowable under default tax regime]		50,000
Net Salary		4,36,333

Question 3

MTP Nov'21

Mr. Kashyap, aged 38 years, is entitled to a salary of ₹ 40,000 per month. He is given an option by his employer either to take house rent allowance or a rent-free accommodation which is owned by the company. The HRA amount payable was ₹ 8,000 per month. The rent for the hired accommodation was ₹ 6,500 per month at New Delhi. Advice Mr. Kashyap whether it would be beneficial for him to available HRA or Rent-Free Accommodation. Give your advice on the basis of "Net Take Home Cash benefits". Assume Mr. Kashyap does not opt for the provisions of section 115BAC.

7 Marks,

Answer:

Computation of tax liability of Kashyap under both the options

Particulars	Option I - HRA (₹)	Option II - RFA (₹)
Basic Salary (₹ 40,000 × 12 Months)	4,80,000	4,80,000

