

CHAPTER 3A: INCOME UNDER HEAD SALARIES

Important Concepts Relating To Salaries

- (1) **Employer-employee relationship:** Every payment made by an employer to his employee for service rendered would be chargeable to tax as salaries.
- (2) **Full-time or part-time employment:** It does not matter whether the employee is a full-time employee or a part time one.
- (3) **Foregoing of salary:** Once salary accrues, the subsequent waiver by the employee does not absolve him from liability to income-tax. Such waiver is only an application and hence, chargeable to tax.
- (4) **Surrender of salary:** Exempt while computing his taxable income. *if Salary Surrender to CG*
- (5) **Salary paid tax-free:** This, in other words, means that the employer bears the burden of the tax on the salary of the employee. In such a case, the income from salaries in the hands of the employee will consist of his salary income and also the tax on this salary paid by the employer.
- (6) **Place of accrual of salary:** salary earned in India is deemed to accrue or arise in India even if it is paid outside India or it is paid or payable after the contract of employment in India comes to an end.

Waive off

BASIS OF CHARGE (SECTION 15)

- (i) Section 15 deals with the basis of charge. Salary is chargeable to tax either on 'due' basis or on 'receipt' basis, whichever is earlier.
- (ii) However, where any salary, paid in advance, is assessed in the year of payment, it cannot be subsequently brought to tax in the year in which it due.
- (iii) If the salary paid in arrears has already been assessed on due basis, the same cannot be taxed again when it is paid.

Example 1: Pay Scale : 20,000 – 500 – 22,000 – 1000 – 26,000 – 1500 – 32,000

Hw Raghav Join A Ltd. on above pay scale @ ₹ 21000 on 1/9/2019

Calculate salary of Raghav for year 2024 – 25

Note :- Salary due on last day of same month.

WN	Period	Salary
	1/9/19 - 31/8/20	21000
	1/9/20 - 31/8/21	21500
	1/9/21 - 31/8/22	22000
	1/9/22 - 31/8/23	23000
	1/9/23 - 31/8/24	24000
	1/9/24 - 31/8/25	25000
	<u>Ap'24 - Aug'24</u>	<u>24000 x 5 = 120000</u>
	<u>Sep'24 - Mar'25</u>	<u>25000 x 7 = 175000</u>
		<u>295000</u>

Example 2: Pay Scale : 22,500 – 750 – 25,500 – 1500 – 30,000 – 2000 – 36,000

Mr. Satyam Join A Ltd. on above pay scale @ ₹ 24000 on 1/12/2018

Calculate salary of Raghav for year 2024 – 25

Hw:

- (A) Salary due on last day of same month.
- (B) Salary due on 1st day of next month.

Tax. Sal.
April - Month

<u>Ap'24 - Nov'24</u>	<u>= 30000 x 8m = 2,40,000</u>
<u>Dec'24 - Mar'25</u>	<u>= 32000 x 4m = 1,28,000</u>
	<u>3,68,000</u>

1/12/18 - 30/11/19	24000
1/12/19 - 30/11/20	24750
1/12/20 - 30/11/21	25500
1/12/21 - 30/11/22	27000
1/12/22 - 30/11/23	28500
1/12/23 - 30/11/24	30000
1/12/24 - 30/11/25	32000

PY 24-25 → March'24 - Feb'25

April'24 - Dec'24 = 30,000 x 9 = 2,70,000

Jan'25 - March'25 = 32,000 x 3 = 96,000

3,66,000

CA Jasmeet Singh Arora 3A.2

1/1/18 - 31/12/18	35000
1/1/19 - 31/12/19	36000
1/1/20 - 31/12/20	37000
1/1/21 - 31/12/21	38000
1/1/22 - 31/12/22	39500
1/1/23 - 31/12/23	41000
1/1/24 - 31/12/24	42500
1/1/25 - 31/12/25	44500

Example 3: Pay Scale : 35,000 - 1000 - 38000 - 1500 - 42500 - 2000 - 48500.

Mr. X join @ ₹35000 on 1/1/2018

Calculate salary for PY 2024 - 25

- Assume salary due on 1st day of next month.
- Assume salary due on last day of some month.

ALLOWANCES

1. Fully Taxable Allowances

House help

Servant Allowance	Fixed Medical Allowance	Meal Allowance
Dearness allowance.	City Compensatory Allowance	Overseas allowance
Entertainment allowance	Telephone Allowance	Overtime allowance
Rural allowance	Project allowance (personal research)	High Cost of living Allowance → Some As City Comp. Allow.
Holiday Home Allowance	Non-Practising Allowance	Marriage / Family Allowance

Mr. X: 1 Dec → xy 2.60. Interior decoration

2. Fully exempted allowances → Not Imp. for Exam point of View - Knowledge purpose

Following allowances are fully exempted from tax:

- Allowances paid to Supreme Court and High Court Judges.
- Any salary or allowance or perquisites paid to the employees of United Nation Organisation.
- Section 10(7). Any allowances or perquisites paid or allowed by Government of India to Indian citizen for rendering services outside India.



3. Official Allowances → Partly Exempt

- RA - HUT → Ex = Old Reg.
- DTC → Ex = Old / New.

For The Following Allowances, amount received or actually spent by Employee, whichever is lower shall be exempt from tax under Old Regime **For actual use**

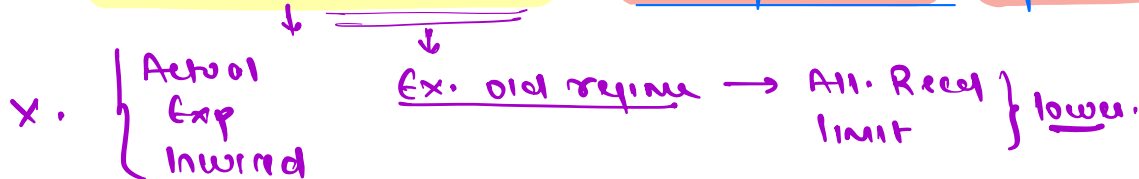
Transfer Allowance	Helper Allowance
Daily Allowance	Conveyance Allowance
Academic Allowance	Research & Development Allowance (R & D)
Uniform Allowance	Travelling Allowance

further studies

real research

Note: Under Default Regime exemption is allowed only for Travelling Allowance/Daily Allowance/ Conveyance Allowance. Other official allowances are fully taxable.

4. Allowances For Personal Nature → PARTLY EXEMPT (Special Allowance)



Following Exemption is allowed only under old regime (under default regime no exemption is allowed for personal nature allowances)

- A. Children Education Allowance: exempt upto ₹100 p.m. per child upto two child.
- B. Hostel Allowance: exempt upto ₹300 p.m. per child upto two children.
- C. Transport Allowance: Fully Taxable. However, if granted to an employee, who is blind / Deaf / Dumb or orthopaedically handicapped with disability of lower extremities is exempt upto ₹3,200 p.m.
 ↳ T.C - Train / Pilot - Aeroplane
 ↓
 Air Hostess
 Truck Driver
 Bus Driver
- D. Outstation Allowance: Granted to an employee working in any transport system to meet his personal expenditure. It is exempt to the extent of least of the following:
 - (i) 70% of the allowance received
 - (ii) ₹10,000 p.m.
- E. Underground Allowance: Allowance to the employees who are working in the mines. It is exempt upto ₹800 p.m.
- F. Tribal Area Allowance: exempt upto ₹200 p.m.
- G. Other notified allowances: → Self Read (NOT Imp. for Exoms)
 - (i) Compensatory modified field area allowance. upto ₹ 1,000 p.m. is exempt.
 - (ii) Composite field area allowance. upto ₹ 2,600 p.m. is exempt.
 - (iii) Compensatory field area allowance. upto ₹ 2,600 p.m. is exempt.
 - (iv) Island Duty allowance. upto ₹ 3,250 p.m. is exempt.
 - (v) Counter insurgency allowance. upto ₹ 3,900 p.m. is exempt.
 - (vi) Special Compensatory highly active field area allowance. upto ₹4,200 p.m. is exempt.

Example 4. Helper allowance (official Allowance) = ₹ 10,000 pm.

Helper appointed @ ₹ 8000 pm from July 2024 to Month 25

Helper did work as follows :- 70% official help; 30% personal help

Compute Taxable Allowance

Illustration 1: Explain tax treatment following allowances

1. Mr. J is a Govt. employee and he receives entertainment allowance of 5,000 for the entertainment of clients of the Govt. He spend 3,000 p.m. for the entertainment of the clients of the Govt
2. Entertainment Allowance 300 p.m. (30% is used for official purpose)
3. Transport Allowance 3,400 p.m. Expenditure incurred in commuting 1,200 p.m. He is blind
4. Transport Allowance 3,600 p.m. Expenditure incurred in travelling from residence to office & back ₹ 300 p.m. He is dumb and deaf.
5. Transport Allowance 3,000 p.m. No expenditure is incurred. He is orthopaedic handicapped with lower extremities
6. Children Education Allowance for 3 children 120 p.m./each.

7. Children Education Allowance for 3 children 90 p.m./child
8. Special allowance to meet the cost of education and staying 500 p.m. for a child.
9. Hostel allowance for 3 child 400 p.m. per child for 4 months.
10. Children Education Allowance for 3 children 6,000. Actual school fees 3,000.
11. Hostel Allowance for a child 8,000. Actual hostel fees 9,000.
12. Children education allowance for his grandchild 4,000. Actual school fees 300.
13. Research and development allowance 4,000. 1,000 is spend wholly towards official purpose.
14. Meal Allowance 700. Expenditure on meal is 1,000.
15. Helper Allowance 1,500. 900 is spent wholly towards official purpose.
16. Conveyance Allowance 500 p.m. Whole of allowance is saved.
17. Mr. Abhay Jain, is a pilot in Jet Airways, He get a Flight Allowance of 10,000 p.m.
18. Mr. J is working in Delhi Transport Corporation. He gets a driver allowance of 6,000 p.m.
19. X is employed as a guard in railways. He is getting guard allowance of 24,000 p.a. He is not in receipt of daily allowance.
20. Hostel Allowance for 2 children 250 p.m./child. (actual expenditure incurred is 150 p.m./child).
21. Hostel Allowance for 4 children 320p.m./each.
22. High cost of living allowance @ 50,000.
23. Tribal area allowance in Madhya Pradesh 300 p.m.
24. Daily allowance 6,000.
25. Medical allowance 800 p.m.
26. X is employed as a caretaker in a transport company at Chennai. he gets transport duty allowance 3,600 p.m.
27. Bonus disputed in court.
28. Clothing Allowance.
29. He has received fixed allowance of 2,500 p.m. for medical treatment for the entire family had incurred an expenditure of 12,500 actually.
30. Children education allowance • First child 70 p.m. • Second child 90 p.m. • Third child 4,800
31. Overseas allowance, Physically fit allowance.
32. Medical allowance 2,000 p.m. received by an employee, the entire Amount of which has been spent by him for medical treatment.
33. Hostel allowance for 3 children 3,500 each.

Illustration 2: Mr. J posted at Hyderabad draws the following emoluments from F Ltd. Basic Salary 6,000 p.m. Bonus 2,000 p.m. Commission 8,000 p.a. CCA 1,000 p.m. Telephone allowance 200 p.m. Medical Allowance 300 p.m. Entertainment allowance 4,800 (6,000 spend on entertainment of clients of companies). Academic allowance 16,000 (9,000 spend on his education). Conveyance allowance 6,000 (7,000 is spend on conveyance for official purpose). Travelling allowance 18,000 (17,000 is spend on conveyance for official purpose). Transport allowance 1,700 p.m. (Expenses incurred on commuting between residence to

City Comp. Allow.

70% of
All.

10,000 p.m.
lower.

→ O/S Allowance

→ NR → 3600T OR $\frac{300}{200} \times 12 = 1200$

→ H.O.I.

upto 3200 p.m

office and back 2,500 p.m.) Children education allowance for 4 child 160 p.m. per child. Hostel allowance for 3 child 280 per month per child (expenditure incurred on child education and their hostel 1,100 per month per child). Compute **Gross Salaries - Old / New**

5. Section 10(13A) & Rule 2a. House Rent Allowance → To meet Exp. of House rent

New Regime = HRA fully tax.

➤ Exemption is allowed only under old regime (under default regime no exemption is allowed for HRA)

➤ House rent allowance is exempt to the extent of the least of the following:

- * (i) (Rent Paid - 10% of salary) → Rent paid in excess of 10% of salary
- * (ii) 50% of retirement benefit salary in case of Mumbai, Kolkata, Chennai or Delhi.
Or
40% of retirement benefit salary in case of any other place.
- * (iii) House rent allowance received

Meaning of Salary for HRA (also known as Retirement Benefit salary)
Basic Salary + DA (RB) + Commission (% of TO)

Note: If There Is Change In HRA, Salary, Rent Paid and Location of Accommodation, then Exemption shall be computed separately for each such Change.

Example 5. HRA Received = 10,000 pm
Rent paid = ₹ 15000 pm in Kanpur
Retirement Benefit Salary = ₹ 7,50,000 pa
Calculate HRA taxable under old regime.

Least of foll. Is Exempt

1. Rent paid - 10% of R.B.S
(15000 x 12) - 10% of 7.5L
180000 - 75000 → 105000
2. 40% of R.B.S i.e 40% of 7.5L = 3L
3. HRA recd = 10000 x 12 = 1,20,000

Taxable HRA
Recd 1,20,000
(-) Ex. 1,05,000
Taxable → 15,000

least = 105000
HRA EXEMPT

Example 6. Suppose in above Ques, Assesses opted default regime
Calculate HRA Taxable → fully Taxable → i.e No Exemption
→ 10000 x 12 = 1,20,000

Illustration 3: Mr. J is employed in F Ltd. getting basic pay 20,000 p.m., dearness allowance 7,000 p.m. and half of the dearness allowance forms the part of salary for the purpose of retirement benefits. The employer has paid bonus @ 500 p.m., commission @ 1% on the sales turnover of 20 lakhs. The employer paid him house rent allowance 6,000 p.m. Employee has paid rent 7,000 p.m. and was posted at Agra. Compute Taxable HRA. & Gross Salary under both regime

Illustration 4: Compute Gross Salary : Basic Salary 5,000 p.m. Dearness allowance (70% forms part of salary) 500 p.m. Commission 1% p.a. based on sales. Sales achieved by the employee 24 lakhs p.a. House rent allowance 4,000 p.m. Rent paid at Gurgaon 5,000 p.m.

Illustration 5: Mr. J is employed with XY Ltd. on a basic salary of 10,000 p.m. He is also entitled to Dearness allowance @ 100% of basic salary, 50% of which is included in salary as per terms of employment. The company gives him house rent allowance of 6,000 p.m. which was increased to 7,000 p.m. with effect from 01.01.2025. He also got an increment of 1,000 p.m. in his basic salary with effect from 01.02.2025. Rent paid by him during the previous year 2024-25 is as under: April and May, 2024 - Nil, as he stayed with his parents.

Old / New

June to October, 2024 - 6,000 p.m. for an accommodation in Ghaziabad. November, 2024 to March, 2025 - 8,000 p.m. for an accommodation in Delhi. Compute the gross salary for Assessment Year 2025-26. - OR | NR.

PY 24-25.

Illustration 6: Mr. J is employed in Central Government getting basic pay 18,000 p.m., dearness allowance 6,000 p.m. Employer has paid children education allowance 700 p.m. per child w.e.f. 01.09.2024 and hostel allowance of 1,000 p.m. for one child w.e.f. 01.10.2024. Employer has paid transport allowance 1,700 p.m. w.e.f. 01.11.2024. Employer has paid house rent allowance 5,000 p.m. w.e.f. 01.01.2025. The employee has resigned from 01.02.2025 and has taken up a new job w.e.f. 01.03.2025. He is getting basic pay 27,000 p.m. and house rent allowance 4,000 p.m. Compute his Gross Salary

DEDUCTION U/S 16 ⇒ Allowed from Gross Salary

→ To All EEs

A. Standard Deduction [Section 16(ia)] - Allowed under Both Regimes

A deduction of 50,000 or the amount of the gross salary, whichever is less is allowed in case of old regime.

However, Deduction of 75,000 or the amount of gross salary, whichever is less is allowed in case of default regime

B. Entertainment Allowance [Section 16(ii)] - Allowed only under Old Regime

Deduction shall be allowed only in case of government employees to the extent of the least of the following:

- (i) 20% of basic salary *
 - (ii) ₹ 5,000 for the year
 - (iii) The actual allowance received by the employee *
- Non-Govt EE → E-All. No ded.
Govt EE → E-All. ded. allow.

C. Professional Tax [Section 16(iii)] - Allowed only under Old Regime

- Employee will be allowed to claim deduction Of professional tax paid by him
- If the amount has been paid by the employer on behalf of the employee, it will be first included in gross salary and subsequently deduction is allowed
- If the amount is due but not paid, deduction is not allowed.

Illustration 7: Mr. J is employed in central Government getting basic pay 30,000 p.m., dearness allowance 7,000 p.m., servant allowance 2,000 p.m., entertainment allowance 1,000 p.m., city compensatory allowance 600 p.m. In this case taxable salary of Mr. J shall be? → Old Regime / New Regime

Income U/S Salary

Illustration 8: Mr. J is employed in Central Government getting basic pay 14,000 p.m., dearness allowance 5,000 p.m., House rent allowance 4,000 p.m. w.e.f. 01.07.2024. However, employee is residing in the house of his parents. Employer has paid cash allowance 300 p.m., medical allowance 250 p.m. and entertainment allowance 400 p.m. Employer has paid professional tax 75 p.m. on behalf of the employee. Employee has saved 35 p.m. out of entertainment allowance. Compute employee's income under the head

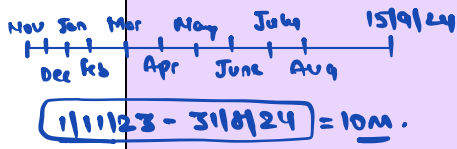
Salary. What will be your answer if professional tax is paid by Employee. → old regime

RETIREMENT BENEFITS

1. Gratuity

- Gratuity Received During Employment Is Fully Taxable
- Gratuity Received at the time of retirement is to be treated as follows:

Employee	Exemption u/s 10(10) [Allowed under Both Regime]
Government	Fully Exempt
Other EE covered under POGA	<p>Least Of Following is Exempt:</p> <p>a) ₹ 20 Lakh *</p> <p>b) Gratuity Received *</p> <p>c) $15/26 \times \text{Last Drawn Salary} \times \text{CY}$ *</p> <p>Note:</p> <ol style="list-style-type: none"> 1. CY = Completed year or part thereof in excess of 6m 2. Last Drawn Salary = Basic + DA → Always
Other EE Not covered under POGA	<p>Least Of Following is Exempt:</p> <p>a) ₹ 20 Lakh</p> <p>b) Gratuity Received</p> <p>c) $1/2 \times \text{Avg Salary} \times \text{CY}$</p> <p>Note:</p> <ol style="list-style-type: none"> 1. CY = Completed year 2. Salary = Basic + DA(RS) + Comm(%) → R.O.S 3. Avg Salary = 10m Avg Salary Immediately Preceding "month" of Retirement



26y + 4m
CY = 26
26y + 6m
CY = 26
26y + 7m
CY = 27

26yr.

Illustration 9: Mr. J retired on 1.06.2024 after completion of 26 years 8 months of service and received gratuity of 6,00,000. At the time of retirement his salary was:

- Basic Salary : 5,000 p.m.
- Dearness Allowance : 3,000 p.m. (60% of which is for retirement benefits)
- Commission : 1% of turnover (turnover in the last 12 months was 12,00,000)
- Bonus : 12,000 p.a.

Compute his taxable gratuity assuming:

- He is non-government employee and covered by the Payment of Gratuity Act 1972.
- He is non-government employee and not covered by Payment of Gratuity Act 1972.
- He is a Government employee. → 6,00,000 fully Exempt

Illustration 10: Mr. J was employed in F Ltd. getting basic pay 18,000 p.m. but it was increased to 24,000 p.m. w.e.f. 01-07-2024, dearness allowance 6,000 p.m. but it was increased to 9,000 p.m. w.e.f. 01-07-2024 (50% of DA forms part of salary). The employee was retired on 1.01.2025 after serving the employer for 20 years and 10 months. The employer has paid him gratuity of 9,10,000 and the employee was covered

Solution Avail!

HW 2/19 old regime.

Covered under POGA

Last drawn Salary ⇒ BS + DA i.e. 24000 + 9000 = 33000

CY = 21

$15/26 \times 33000 \times 21$

Not Covered under POTA BS ← March-June = 18000 × 4m = 72000
 July-Dec = 24000 × 6m = 144000
 Avg Salary last 10m DA (RB) ← CA Jasmeet Singh Arora
 March-June 6000 × 4m × 50% = 12000
 July-Dec 9000 × 6m × 50% = 27000
 255000 ÷ 10m = 25500

under Payment of Gratuity Act, 1972. **Compute GTI**
 (b) Presume Mr. J is not covered in Payment of Gratuity Act 1972

1/2 × Avg S. × CY.
 1/2 × 25500 × 20

2. Pension

- a) Uncommuted Pension – Fully Taxable
- b) Commuted Pension

Received By	Exemption u/s 10(10A) [Allowed under Both Regime]
Govt. EE	Fully Exempt
Non Govt. EE	Gratuity Received : 1/3 of Total Pension Is Exempt Gratuity Not Received : 1/2 of Total Pension Is Exempt

Total Pension = [Commuted Pension ÷ Commutation %]

Example 7. Mr. X retired & Received ₹ 3,60,000 as commuted pension for 60% of pension

TP = $\frac{\text{Commuted}}{60\%} = \frac{360000}{60\%} = 6,00,000$ ER = 40% Bal.

Calculate Taxable pension

- (a) Mr. X is Govt Employee → Ex = 3.6L Tax = NIL
- (b) Mr. X is Non-Govt Employee & also Received Gratuity → Ex = 1/3 × Total Pension = 6,00,000 × 1/3 = 2L
 Taxable = Recd - Ex = 3.6L - 2L = 1.6L
- (c) Mr. X is Non - Govt Employee but no Gratuity has been received → Ex = 1/2 × Total Pension = 1/2 × 6L = 3L
 Tax = 3.6L - 3L = 60K

Example 8. Mr. X Retired on 1/10/24 after serving employer for 26 years & 10 month.

He receives pension of ₹ 15000 p.m. w.e.f October 2024

On 1/2/25, He commuted 20% of his pension & Received 2,00,000

Calculate Taxable pension for PY 24-25

- (a) Mr. X is Govt Employee
 - (b) Mr. X is Non-Govt Employee & also Received Gratuity
 - (c) Mr. X is Non - Govt Employee but no Gratuity has been received
- Retire 1/12 Salary Ap-Nov
 Dec/Jan = 9000pm
 Feb/Mar = 9000 × 48% = 4320

HW
23/19

Illustration 11: Mr. J is employed in F Ltd. getting basic pay 22,000 p.m., dearness allowance 5,000 p.m. He was retired on 1.12.2024. The employer has allowed him pension of 9,000 p.m. and the employee has requested for commutation of 52% of his pension. The employer has allowed him such commutation on 01.02.2025 and has paid 5,61,600. The employer has paid him gratuity of 6,95,000 and employee has completed service of 20 years and 11 months. Compute GTI. Comm. Pension Ex → 1/3 of TP

→ Old Regime / New Regime

HW
23/19

Illustration 12: Mr. J retired w.e.f 01.10.2024 receiving 5,000 p.m. as pension. On 01.02.2025, he commuted 60% of his pension and received 3,00,000 as commuted pension. You are required to compute his taxable pension assuming:

1. He is a government employee.
2. He is a non-government employee, receiving gratuity of 5,00,000 at the time of retirement.
3. He is a non-government employee and is in receipt of no gratuity at the time of retirement

RB → Gratuity & Pension

3. Leave Encashment (Exemption u/s 10(10AA)) - [Allowed under Both Regime]

Least Of Following Is Exempt: (For Non-Gout EE)

- a) Leave Encashment Received
- b) ₹ 25,00,000 - Ceiling limit
- c) 10m x Average Salary
- d) Leave @ credit (in months) x Average Salary

Service = 25Yr + 11M.
 leave allow = 26d/year.
 Avail. leave 26x25 = 650d.
 (-) Availed leaves = 300d
 (-) Encashed leave = 110d
 unavailed leave → 240d
 unavailed leave (months) = 240 ÷ 30d = 8m.

Note:

(i) Leave @ Credit (In Months)

Leaves Available For Completed Year (Max= 30 leaves per Year)	xx
(-) Leaves Availed During Employment	xx
(-) Leaves Encashed During Employment	xx
Leaves @ credit (in days)	Xx
	÷ 30 days
Leaves @ credit (in months)	xx

(ii) Salary = Basic + DA(RB) + Commission (% of TO) → R.B.B.

(iii) Avg Salary = 10m Avg Salary Immediately Preceding "Day" of Retirement.

(iv) Leave Encashed During Employment Is Fully Taxable

(V) Gout EE → leave encashment @ time of Retirement → fully exempt

Example 9. Mr. X has provided service for 27 years & 11 month.

Employer Granted 35 days leave for every year. Available leaves 27Yr x 30d = 810d
 Employee availed 150 days leave during Employment (-) Availed leave = 150d
 Employee encashed 50 days leave during Employment (-) Encashed leave = 50d
 leave avail. 610d
 ÷ 30d
 leave @ credit 20.33

Example 10. Suppose Employer Grant 25 days leave every year in above eg.

→ Available ⇒ 27Yr x 25d = 675d - 200d = 475d
 ÷ 30
 15.83

Example 11. Un-availed leaves as per Employer records = 475 days

Employer grant 32 days leave every year
 Service period of Employee = 30 years & 10 Months
 Calculate leave at credit

Example 12. Un-availed leaves as per Employer records = 475 days

Employer grant 28 days leave every year
 Service period of Employee = 30 years & 10 Months
 Calculate leave at credit

No Extra Leave As per I.Tax.
 ∴ Unavailed As per ER → Accept As unavailed as per I.Tax.
 Leave @ Credit = 475 ÷ 30 = 15.83

Example 13. Leave Encashment Received = 6,00,000

Available Leaves = 32 days/year
 Un-availed leave as per Employer = 420 d.
 Service period = 26 years & 11 Month.
 Basic Salary = 50,000 w.e.f 1/7/24 before that it was ₹ 40,000
 Dearness Allowance = 100% of Basic Salary (60% forms part of Retirement Benefit)

Q11/12/13/15 HW.

leave = 2m → 60d/Year.

Retirement Date = 1/12/24
Calculate Taxable leave Encashment

→ Salary = Apr-out

HW
23/9

Illustration 13: Mr. J is retired from F Ltd. on 1.11.2024 after serving the employer for 20 years and 10 months. The employer has paid him leave salary of 5,00,000. The employee was entitled for 2 month leave per year of service. During entire service, he has availed 6 month leave and has encashed 7 month leave. The employee was getting basic pay 27,000 p.m. but it was increased to 33,000 p.m. w.e.f. 01-07-2024. He was getting DA 9,000 per month but it was increased to 12,000 per month w.e.f. 01-07-2024. 50% of DA forms part of salary. Compute his GTI

$$13m \times 30d = 390d.$$

Illustration 14: Mr. J is retired from F Ltd. w.e.f. 01.12.2024 after serving the employer for 20 years and 10 months. The employer has paid him leave salary of 3,75,000. The employee was entitled for 20 days leave per year of service. During entire service, he has availed 35 days of leave and has encashed 10 days of leave. The employee was getting basic pay 27,000 p.m. but it was increased to 30,000 p.m. w.e.f. 01-07-2024. The employer has allowed him pension of 6,000 p.m. and employee was allowed commutation of 1/3rd of his pension on 01.03.2025 Amounting to 2,40,000. Compute his GTI.

Illustration 15: Mr. J retired w.e.f 01.12.2024 after 20 years 10 months of service, receiving leave salary of 5,00,000. Other details of his salary income are:

Before April '24 = 4000.

- Basic Salary : 5,000 p.m. (1,000 was increased w.e.f. 01.04.2024)
- Dearness Allowance : 3,000 p.m. (60% of which is for retirement benefits)
- Commission : 500 p.m.
Bonus : 1,000 p.m.
- Leave availed during service : 480 days.

He was entitled to 30 days leave every year. You are required to compute his taxable leave salary assuming: (a) He is a government employee. (b) He is a non government employee

4. Retrenchment Compensation S. 10(10B) - [Allowed under Both Regime]

Least of the following is exempt :

- Compensation actually received
- ₹ 5,00,000
- $15/26 \times$ Completed years of service and part thereof in excess of 6 months. \times Avg Salary

Illustration 16: Mr. J received retrenchment compensation of 10,00,000 after 30 years 4 months of service. At the time of retrenchment, he was receiving basic salary of 20,000 p.m.; dearness allowance of 5,000 p.m. Compute his taxable retrenchment compensation

5. Voluntary Retirement Compensation S. 10(10C) - [Allowed under Both Regime]

Least of the following is exempt :

- Compensation received

- (ii) ₹ 5,00,000
- (iii) 3 months' salary x completed years of service
- (iv) Last drawn salary x remaining months of services left

Illustration 17: Mr. J has taken voluntary retirement after completion of 18 years of service and at that time remaining service was 7 years and employer paid 6,00,000 on voluntary retirement and his retirement benefit salary at the time of voluntary retirement was 5,000 p.m., in this case taxable Amount shall be?

Illustration 18: Mr. J 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.

6. Provident Fund - [Allowed under Both Regime] → Imp

Particulars	SPF	RPF * OR NR	URPF	PPF
ER Contribution	EXEMPT OR NR	Exempt Upto 12% of RBS EXCESS CONT → Taxable	Taxable at the time of withdrawal	Not Applicable
EE Contribution	Deduction u/s 80C → old	Deduction u/s 80C → OR	No Deduction allowed u/s 80C	Deduction u/s 80C
Interest Credited	EXEMPT (See Note 3)	Exempt Upto 9.5% p.a. (See Note 3)	Taxable at the time of withdrawal	EXEMPT (See Note 3)
Withdrawal	EXEMPT	EXEMPT (See Note 1)	See Note 2	EXEMPT

Note

1. Exempt, If any of the following condition satisfied:
 - a) 5 years of continuous service with same employer
 - b) retires before rendering 5 years of service because of ill health, contraction or discontinuance of employer's business or reason beyond the control of the employee
 - c) on cessation of employment with existing ER, accumulated balance in RPF is transferred to new employer or transferred to his NPS account referred to in section 80CCD
 All → 3 year → left → Right Join
 RPF bal → 3.50L → Trst → RPF maintain by Bited.

2. Withdrawal from URPF shall be treated as follows:

ER Contribution	EE Contribution	Int On EE Cont.	Int On ER Cont.
Taxable u/h salary	Exempt	Taxable u/h Other Source	Taxable u/h Salary

3. Int on EE's Contribution towards SPF/RPF

SPF → Int on SPF - Ex. } Restriction
 RPF → 9.5% pa Int - Ex. }

Cont upto 2.5L → Int - Ex.

exceed 2.5L → Exe. Cont Int = Taxable

- a) Exemption u/s ^{SFF Int} 10(11) and ^{RIF Int} 10(12) not available for interest accrued during the PY to the extent it relates to the contribution made by EE exceeding ₹ 2,50,000 in any PY on or after 1/4/2021.
- b) However if ER do not contribute in that fund then exemption in respect of interest is allowed upto ₹ 5,00,000 instead of ₹ 2,50,000.

Example 14.

Basic Salary = 1,00,000

Dearness Allowance = 100% Basic Salary (70% forms Part of Retirement Benefit)

Both employer and employee contributes 20% each of Basic Salary to RPF

Interest credited to RPF (15%) is ₹ 18500

Show Tax implication

TAXABILITY OF PERQUISITES

1. Rent Free or Concessional accommodation Section 17(2)(i) Rule 3(1)

	Particulars	Amount
Step 1	Value Of Accommodation	
	Case 1: Accommodation Is owned by Employer	
	Specified % of Salary (See Note 1)	XX
	Case 2: Accommodation Is Taken on Rent by Employer	
	Rent Paid by the ER or 10% of Salary – whichever is lower.	XX
	Case 3: Government Employees (Central or State Government)	
	Licence Fee determined by the Government	XX
Step 2	Add: 10% p.a of Cost Of Asset (If Asset is owned by ER)	XX
Step 3	Add: Hire Charges paid by the ER (Asset taken on rent by ER)	XX
Step 4	Less: Amount Recovered From EE	XX

Note 1

Population	% Of Salary
Exceeds 40 Lakhs	10%
Exceeds 15 Lakhs but upto 40 Lakhs	7.5%
Upto 15 Lakhs	5%

a) Meaning of Salary Rent free accommodation salary shall include:

- (i) Basic pay
- (ii) Dearness Allowance/Dearness Pay. If it forms part of salary for retirement benefits as per service agreement.
- (iii) Taxable portion of all allowances.
- (iv) Bonus /Commission /Fees etc. → Comn (% ✓ + ₹ ✓)
- (v) Leave salary (when the employee is in employment)

↳ During Employment → Leave Encashment.

Ch. Ed. All $3 \times 500 \times 12m = 18,000$

(-) Ex. $2 \times 100 \times 12m = 2,400$

Taxable $15,600$

→ Include In Salary for Calcul. Acc. benefit

It will not include

- (i) Taxable portion of perquisites whether monetary or non-monetary
- (ii) Taxable portion of provident fund
- (iii) Any payment after retirement like gratuity/ commuted pension or provident fund etc.
- (iv) Arrear of salary or advance salary

Note: Salary only for the period for which rent free accommodation is provided shall be taken into consideration

Accommodation provided at two places → Knowledge Purpose → MIA

If any employee has been transferred and employer has provided him accommodation at the new place also, in such cases only one of the accommodation shall be taxable having lower perquisite value but only for a period of 90 days (three months) and thereafter both of the accommodations shall be taxable

Accommodation provided in a hotel → Knowledge Purpose → MIA.

Perquisite value shall be 24% of salary or actual expenditure incurred whichever is less.

However, Perquisite shall not be taxable if both of the following conditions are satisfied:

1. Hotel accommodation is for a period not exceeding in aggregate 15 days ①
2. Employee has been transferred from one place to another ②

→ Old Regime / New Regime (HW)

Illustration 19: Mr. J employed in F Ltd. and getting basic pay 20,000 p.m., dearness allowance 10,000 p.m. and 50% of DA forms part of salary. Employer has paid bonus 1,000 p.m. commission 2,000 p.m. children education allowance 150 p.m. per child for 3 children and hostel allowance 500 p.m. for one child and entertainment allowance 500 p.m., transport allowance 1,800 p.m. Employer has paid professional tax 200 p.m. on behalf of the employee. Employer has provided him club facility and has paid membership fee 1,000 p.m. Employer has provided him rent free accommodation for which rent paid by employer is 11,000 p.m. Compute his income and tax liability

Illustration 20: Mr. J is employed in Central Government getting basic pay 73,000 p.m. Employer has provided him rent free accommodation and the rent determined as per Government rules is 6,000 p.m. The employer has provided him furniture with actual cost 1,00,000 and written down value 65,000. The employer has provided one air-conditioner also during April and May' 2024. Rent paid by the employer for the air-conditioner is 1,000 p.m. Compute GTI

license fee
6000 p.m.
Asset
1L x 10%
AC
1000 x 2
= 2000

Illustration 21: Mr. J is employed in F Ltd. getting basic pay 37,000 p.m., dearness allowance 32,000 p.m. The employer has provided him rent free accommodation at a place with population of 13 lakhs and the rent paid by the employer is 10,000 p.m. The employer has provided him furniture with original cost 1,50,000. However, the employer has

HW
25/9

Imp
old - cw
New - HW

Acc. facility → April - Feb (11m)

HRA = March 7000 → FT

↳ own house → RP = 0 → HRA FT

discontinued the facility of rent free accommodation and furniture both w.e.f. 1st March, 2025. He has paid him house rent allowance 7,000 p.m. The employee has shifted in his own house w.e.f. 01.03.2025. Compute GTI (b) Presume in the above illustration the accommodation is owned by the employer

Loan 1
5000
Loan 2
10000
Loan 3
3000
Aqq. loan
18000 → No Int Perq. X

FRINGE BENEFITS UNDER SECTION 17(2)(viii)

1. Interest free or concessional loans Rule 3(7)(i)

→ As on 1/4/24

Perquisite = Sum of Monthly Outstanding balance x (SBI Rate - ER Rate) x 1/12

Exception: No perquisite shall be computed in following cases:

- a) where aggregate amount of all such loan during a particular year is upto ₹20,000
- b) If employer has given loan for treatment of specified disease given under rule 3A, there is no perquisite value

Petty loan

0. Given.

Example 15.

Housing loan from employer
interest rate of SBI as on 1st day of PY
Calculate the value of Perquisite

= 50,00,000 @ 4% interest p.a.
= 10%

50L x 6% = 3L.

Example 16. Suppose in above question, Employer provided interest free loan. 50L x 10% = 5L

Example 17.

Employee has taken car loan of ₹ 7,50,000 from Employer on 15/08/2024.
Employee Repays 25,000 every month on last day of each month.
Employer charged 2% Interest p.a. & SBI interest rate on 1/4/24 is 8%.
Calculate Perq. Value for AY 2025-26

SBI = 7% p.a.
ER = 10% p.a.
Perq ?
↓
facility benefit

6%

Illustration 22: Mr. J is employed in F Ltd. and he has taken a loan of 10 lakh from employer on 20.04.2024 at a rate of 4% p.a. but SBI rate is 10% p.a. and loan was repaid in monthly installment of 2 lakh each starting from 10.07.2024, in this case, taxable Amount shall be?

Illustration 23: Mr. J is employed in F Ltd. and he has taken interest free loan of 3,00,000 on 10.07.2024 for purchasing a new motor car in Delhi and the loan is to be repaid in monthly instalments of 10,000 and repayment shall start with effect from 21.09.2024, in this case perquisite value for the loan shall be computed in the manner given below (Presume SBI Rate 10%)

HW
26/9

Illustration 24: Mr. J is employed in F Ltd. and he has taken interest free loan of 13,000 on 10.07.2024 for personal purpose and the loan is to be repaid in monthly instalments of 1,300 and repayment shall start with effect from 21.09.2024, in this case, taxable Amount shall be?

HW
26/9

→ In Jungle / o/s City

NOTE: Food facility Provide → @ remote location → NOT Taxable → both regimes.

2. Free food or refreshment Rule 3(7)(iii)

a) Free refreshments Tea or Non-Alcoholic Beverages / Snacks during working hours are Exempt. → Food / Food Vouchers

b) Free meals taxable as follows:

Perquisite = (Cost of Meal - Amount Recovered).

However, perquisite upto ₹ 50 per meal is exempt [If Assessee Opts Out From Default Regime]. i.e. old regime opt

Example 18.

Employer Provides 200 meals to Employee Raj

Cost of each meal = ₹ 210

Amount Recovered from Raj = ₹ 75/Meal

Calculate Perquisite value under both regimes

	Old	New
Cost of meal (200 x 210)	42000	42000
(-) Recovered from EE (200 x 75)	15000	15000
Benefit	27000	27000
(-) Ex. 200 x 50/meal	10,000	-
Taxable Perq	17000	27000

Holiday Facility

3. Facility of travelling, touring, accommodation (holiday home) etc. Rule 3(7)(ii)

a) Perquisite value shall be actual expenditure incurred by the employer, reduced by the amount recovered from the employee

b) If the employee is on official tour and any member of his household has accompanied him, perquisite value is amount spent on Family Member

c) If official tour was extended for personal purpose, expenditure for the extended part of the tour shall be taxable.

Example 19.

X Ltd. (Employee) has got holiday facility to Singapore (4 days and 3 nights)

Facility is not maintained by Employer

X Ltd. spent ₹ 4,50,000 on such Tour of Employee & Recover ₹ 1,80,000 from Employee. Tax. perq ⇒ 4,50,000 - 1,80,000 = 2,70,000.

4. Gifts to the employees Rule 3(7)(iv)

a) Cash Gift = Fully Taxable ✓

b) Kind Gift = Exempt Upto Rs 5000 p.a.
↳ TV / Watch / Painting etc

ER $\xrightarrow{\text{Gift}}$ EE
[Cash] → Hard Cash / Cheque / UPI / Net bank

[Gift = 50,000] → Other Sowers.

5. Credit card facility Rule 3(7)(v) Card use - EE Card bill Amt ⇒ Paid by ER

Perquisite Value = Amount spent for personal use of employee.

6. Club facilities Rule 3(7)(vi)

Perquisite Value = Amount spent for personal use of employee.

7. Use of employer's assets by the employees Rule 3(7)(vii)

Asset	Perquisite
Laptop / Computer	NIL (Always Assumed to be official Purpose)
Other TV / AC / Bed / Sofa set / Car / Bike etc	10% p.a. of actual cost of such asset (or hire charges paid by ER) Less: amount recovered from EE

Other Asset → use for official purpose → Not taxable

Office
↓
Table / Chair
↓
Official.

→ HW → Old / New Regime

→ POP > 40L

Illustration 25: Mr. J, finance manager of KLM Ltd. Mumbai, furnishes the following particulars for the financial year ~~2023-24~~: 2024-25

- (1) Salary 46,000 per month $\times 12 =$
- (2) Rent free accommodation owned by the company
- (3) Housing loan of 6,00,000 at the interest rate of 5% p.a. (No repayment made during the year, but the loan is repayable in tenth year) (Presume SBI Rate 10.5% p.a.)
- (4) Gifts made by the company in kind on the occasion of wedding anniversary of Mr. J 4,750 → Ex.
- (5) A wooden table and 4 chairs were provided to Mr. J at his residence. These were purchased on 01.05.2021 for 60,000 and put to use on 01.06.2021 and sold to Mr. J on 01.08.2024 for 30,000 (Ap-July) = Furniture OR → Perq / Sale of Furn. - Perq.
- (6) Personal purchases through credit card provided by the company amounting to 10,000 was paid by the company. No part of the Amount was recovered from Mr. J. ⇒ FT
- (8) An ambassador car which was purchased by the company on 16.07.2021 for 2,50,000 and put to use on the same date. It was sold to the assessee on 14.07.2024 for 80,000. } Sale of Car.

8. Amount or the aggregate of amounts of any contribution made to the account of the assessee by employer in a recognised provident fund/NPS/approved superannuation fund [Section 17(2)(vii)]

The amount or aggregate of amounts of any contribution made

- a) in a recognised provident fund
- b) in NPS referred to in section 80CCD(1)
- c) in an approved superannuation fund

by the employer to the account of the assessee, to the extent it exceeds ₹ 7,50,000 shall be considered as perquisites

Interest

9. Annual accretion to the balance at the credit of the recognised provident fund/NPS/approved superannuation fund which relates to the employer's contribution and included in total income ----> Int relate to ER cont In Excess of 7.50L

$$TP = (PC/2)*R + (PC_1 + TP_1)*R$$

Where,

TP = Taxable Perquisite

PC = Amt or agg. of amt of ER's contribution in excess of ₹ 7.5 lakh

PC₁ = Amt or agg. of amt of ER's contribution in excess of ₹ 7.5 lakh for earlier years

TP₁ = Agg. of taxable perquisite under section 17(2)(vii) for earlier year

R = I / Fav.

HW

Illustration 26: Mr. X is appointed as a CFO of ABC Ltd. in Mumbai from 1.9.2022. His basic salary is 6,00,000 p.m. He is paid 8% as D.A. He contributes 10% of his pay and D.A. towards his recognized provident fund and the company contributes the same amount. The

accumulated balance in recognized provident fund as on 1.4.2023, 31.3.2024 and 31.3.2025 is 9,81,137, 27,43,048 and 46,48,555, respectively. Compute the perquisite value chargeable to tax in the hands of Mr. X u/s 17(2)(vii) and 17(2)(viii) for the A.Y. 2024-25 and A.Y. 2025-26. Prior to 1.9.2022, he was a consultant, whose professional fees was taxable under the head "Profits and gains of business or profession".

10. Any other benefit Rule 3(7)(ix)

Perquisite = Cost to the employer - Amount Recovered

Note: If the employer has provided telephone facility including the mobile phone, it will be exempt. However if any telephone allowance has been received, then it shall be fully taxable.

if FR $\frac{LIB\ sold}{EE} > EE$
 \rightarrow retains.

11. Sale Of Movable Asset ie other than LIB

Particulars	Amount	Asset	Depreciation
Cost of Asset	-	Computer & Peripherals	50% WDV •
(-) Depreciation	-	Motor Vehicle - Car *	20% WDV •
(-) Amount Recovered From EE	-	Other Asset	10% SLM •
Taxable Value	-		

Note: Depreciation in all cases is charged For Complete Year.

Comp. Used Period.

Example 20. Employer sold "Computer" to Employee on 16/7/24 for ₹ 15000
 Employer purchased Computer for ₹ 1,20,000 on 18/7/21
 Calculate Perquisite value

18/7/21 - 15/7/24
 1yr 18/7/21 - 17/7/22
 2yr 18/7/22 - 17/7/23
 3yr 18/7/23 - 17/7/24

$$\frac{24r + 11u + 28d}{cy}$$

Example 21. Employer sold car to Employee for ₹ 75000 on 1/12/24
 Car purchased by Employer for ₹ 4,00,000 15/5/2020
 Employer changed Depreciation on car @15% WDV - Not Relevant
 Calculate Perquisite value

used period: 15/5/20 - 30/11/24
 4yr 6m.

Example 22. Employer Purchased Music system for ₹ 55000 on 15/8/2020
 Since then, Employee uses Music system for personal use.
 On 1/8/2024 Employer sold Music system to Employee for ₹ 15000.
 Calculate Taxable Perquisite value 94 24-25

12. Medical Facility

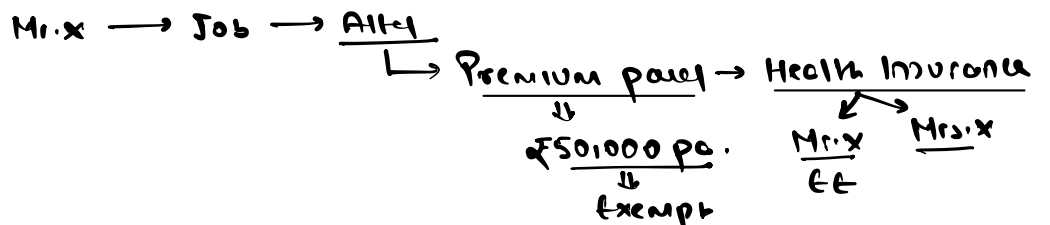
* Medical Allowance \rightarrow fixed Amount \rightarrow Fully Taxable
 \rightarrow Actually Amount Spent \downarrow

A. In India

Expenses Incurred/ Facility Provided By ER	Treatment
In ER Hospital	Exempt
In Govt. Hospital \rightarrow CBDT *	Exempt
In Approved hospital For Specified Disease \rightarrow R=3A	Exempt
Health Insurance Premium of EE & Family Member	Exempt
Any other	Taxable

Not
 relev.

Medical
 Insurance



Exist	basis of KM Travelled
-------	-----------------------

Notes:

- Ceiling on number of journeys:** The exemption shall be available to an individual two times in each block of four calendar year (current block is 2022-25)
- Family", shall include— *↳ Govt declared.*
 - the spouse and children however exemption shall be allowed maximum 2 children but in case of multiple birth after the birth of one child, exemption is allowed for all the children
 - wholly or mainly dependent parents, brothers and sisters

Illustration 28: Mr. J went on a holiday on 15.11.2024 to Delhi with his wife and three children (one son – age 5 years; twin daughters – age 2 years). They went by flight (economy class) and the total cost of tickets reimbursed by his employer was 60,000 (45,000 for adults and 15,000 for the three minor children). Compute the Amount of LTC exemption.

Illustration 29: In the above illustration, will there be any difference if among his three children the twins were 5 years old and the son 3 years old? Discuss.

Illustration 30: Mr. X, an employee of XYZ Ltd., submits the following information
 Salary: 2,56,000, City compensatory allowance 8,000, Bonus 10,200, Education allowance 4,000 (for her grand children), Income tax penalty paid by the employer 2,000, Leave travel concession 1,000 (expenditure incurred by the employee nil), Free residential telephone 4,000, Free refreshment during office hours 4,000, reimbursement of electricity bill by the employer 1,060, reimbursement of gas bills 1,000, Professional tax paid by the employer 300 on behalf of MR.X, Professional tax paid by MR.X 150. Determine the Total Income

Hw 1/10
Ex.

old/new. Perq. Tax. Exempt Tax.

EE oblig. met by ER = Perq.

PERQUISITES ARE TAXABLE ONLY IN THE HANDS OF SPECIFIED EMPLOYEES

- Gardener/watchman/ sweeper or any other servant → *Some As 4.*
 Perquisite = Amount Spent By ER less Amount Recovered from EE

- Transport Facilities
 - ER business is carriage of goods or passengers
 - Perq. Shall be Fair Market Value as reduced by Amount Recovered From EE

Railway EE
Airline EE
fully Exempt

ER → Buses Delhi ↔ Jaipur Py 24-25
6 D → J
ER = free.

Example 25.

XYZ passenger transports (Employer) Run Buses on different Routes in India
 Employee has availed Transport facility

Journey	Ticket	Employee
Kanpur – Delhi = 15 Journey *	800 ✓	500 ✓
Delhi – Kanpur = 15 Journey *	750 ✓	500 ✓

Benefit
300 x 15 Journey = 4500
250 x 15 Journey = 3750 **8250**

Specified EEs :- Following 3 EEs are considered As Specified EEs:-

- Director (full time director) of company
- EE → Hold 20% or more equity shares (Substantial Shareholder)
- EE → Monetary salary during year exceed 50,000. (In hand salary)

3. Education facility (Imp)

Nature Of Expenditure	Perquisite (Old/New)
Training of Employees	Not Taxable
Education to Family Member	Fully Taxable
Education to Children of Employees	
a) school maintained by the ER or the school sponsored by the ER <i>↳ Tie-up</i>	Cost of education IN similar locality / institution as reduced by amount recovered from EE
b) Other Schools	Cost to the Employer as reduced by amount recovered from EE

Note: If the Cost of Education per Child does not exceed ₹ 1,000 p.m. then such benefit is Not Taxable, otherwise fully taxable.

Example 26. Mr. X Employed with A Ltd. And Employer provided following education facilities to Employee & his family member.

- 5 days training of Mr. X on Income Tax Amendments come into force w.e.f ₹ 1/11/24 - 15000/- → Exempt - Old/New.
 - Re-imbursed ₹ 7000/- coaching fees of his younger son. → 7000 FT
 - Daughter of Mr. X studied in Institute owned by A Ltd.
 - Cost of education in similar institute = ₹ 50,000
 - Amount recovered from Employee = 35000. } → 15000 Benefit - FT
- Calculate taxable Perquisite Total = 22000.

Illustration 31:

Mr. J is employed in F Ltd. and is a specified employee. Compute perquisite value of educational facilities in the following situations:

- The employer has deputed him on one day seminar on Industrial Finance and Corporate Taxation and has paid participation fees of 3,000. → Exempt
- The employer has made arrangements for the education of his three children's in his own school and has incurred 1,500 per month per child and has recovered 300 per month per child from the employee.
- If the employee himself has made arrangements of the education of his three children in a public school and the employer has reimbursed 1,500 per month per child.

$$1500 \times 12m \times 3 = 54000.$$

4. Service of Sweeper, Gardener or Watchman or Personal Attendant

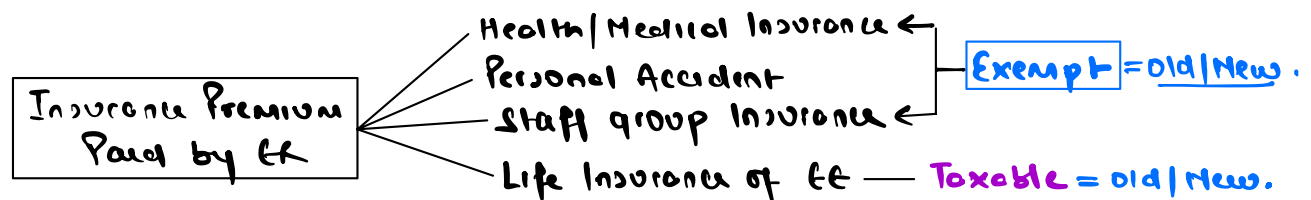
Perquisite = Amount Spent By ER less Amount Recovered from EE

Indone Gas ← EE to CA

5. Gas/Electricity or Water Facility

Particulars	Perquisite
ER has his own business	Manufacturing cost to the employer
Sourced From Third Party	Amount Paid To Third Party

Amount recovered from EE Shall be Deducted



School include
Other est.
Institute
as well.

6. **Sweat Equity Share/ESOP** → ER discounted Price paid → shares allotted to EE
 a) **Perquisite = FMV on Exercise Date - Amount Paid by Employee**
 b) **FMV should be taken on the date on which option is exercised by the EE.**

Example 27.

Employee received 1,000 shares from Employer

Fair Market Value on exercise date = ₹ 500/- } **Perq. Value** ⇒ (500 - 270) × 1000 sh.
 Amount recovered from Employee = ₹ 270/- } ⇒ 2,30,000.

7. **Payments Of Life Insurance Premium By The Employer**
Premium so paid shall be taxable. However premium paid for personal accident policy or for staff group insurance scheme shall be exempt.

8. **Motor car facility = Imp**

Valuation of Motor Car facility			
Car Owned By ER And Used By EE			
Purpose	Expenses Met By	Perquisite Value	
Partly Official And Partly Personal (Amount Recovered From Ee Is Ignored)	Employer	Small Car- 1800 Pm Big Car- 2400 Pm	For Driver - 900 Pm
	Employee	Small Car- 600 Pm Big Car- 900 Pm	For Driver - 900 Pm
Personal ✓ Chauffeur → Driver ER → EE → use of movable Asset	Employer	Expenses Incurred By ER	-
		+ Driver Salary	-
		+ 10% P.A Of Cost Of Car	-
		+ Hire Charges Of Car	-
		(-) Amount Recovered From EE	-
		Perquisite Value	-
Car Owned By EE & Used By EE			
Purpose	Expenses Met By	Perquisite Value	
Partly Official And Partly Personal	Employer	Expenses Incurred By ER	-
		+ Driver Salary	-
		(-) Fixed Personal Expense (Official)	
		Small Car pm	(1,800)
		Big Car pm	(2,400)
		Driver pm	(900)
Perquisite Value	-		

↓
Note:- Amt recovered from EE shall be deducted from Above perq. Value

Personal ✓	Employer	Expenses Incurred By ER	-
		+ Driver Salary	-
		(-) Amount Recovered From EE	(-)
		Perquisite Value	-
Other Vehicle - Not relevant for Exon			
Purpose	Expenses Met By	Perquisite Value	
Partly Official And Partly Personal	Employer	Expenditure By Employer - ₹ 900 P.M	

Note 1: More than one motor car is provided to the employee for official/personal use – Any 1 car shall be treated as used for partly official and partly personal purpose and other car(s) shall be treated as used for personal.

Note 2: If car is used for 100% official use then it shall not be considered as perquisite.

Example 28. Employee uses car for official As well as personal Purpose

	₹
• Expenses Incurred by Employer on Running & Maintenance	25,000 ✓
• Driver salary	15,000 ✓
• Amt Recovered from Employee	12,000 ✓
• Cost of Car	5,00,000
• CC	1400 CC Small.

Calculate Perquisite value

Car owned by ER ----- O+P → (1800pm + 900pm) × 12 = 32400

Car owned by EE (Exp-ER) + (Driv. Sal) - Deem. official Exp - Amt rec. EE
 (25000 + 15000) - (1800 + 900) × 12 - 12000 = -4400 → NIL.

Illustration 32: Determine the value of perquisite in the following cases.

- Motor car (cubic capacity of engine below 1.60 litres) owned by employer and provided to employee. It is partly used for official and personal purposes by the employee. Expenditure fully met by the employer 25,600 (car is self-driven by the employee).
- The company has given a motor car of 1.8 litre both for personal and official use. The actual expenditure for running and maintenance of car is 25,000 plus 3,000 for salary of the driver.
- Mr. A was provided with company's car (self-driven) also for personal use and it is not possible to determine expenditure on personal use and all expenses were borne by the employer. (Car → Assume Small = 1800 × 12)
- Motor car running and maintenance charges fully paid by employer (motor car is owned and driven by employee). The engine cubic capacity is below 1.60 litres. The motor car is used for both official and personal purpose by the employee. Expenditure incurred by the Company 36,000. How much value of car is taxable.

Illustration 33: Mr. J is employed in F Ltd. getting basic pay 22,000 p.m. Employer has paid professional tax of 75 p.m. on behalf of the employee and employee himself has paid professional tax of 25 p.m. The employer has provided him rent free accommodation

Exp Incurr.
+ Amt Rec from EE
↓
IGNORE

Hw
2819

RFAE + own. by ER — 5%
 Puw = % Sp. x Sal.

which is owned by the employer himself and it is provided at a place with population of 5,00,000. The employer has provided him three motor cars for official as well as personal use with particulars as given below:

Particulars	I	II	III
Actual cost	4,00,000	3,00,000	2,50,000
Engine capacity	1.8 litres	1.6 litres	1.4 litres
Petrol expenses	3,000	10,000	15,000
Repairs	5,000	4,000	3,000
Driver	4,000 p.m	3,000 p.m.	No Driver

All the expenses met by the employer. Compute his Income under the head Salary — Old New

HW.
30/9.

Illustration 34: F Ltd. provided the following perquisites to its employee Mr. Y for the Relevant Previous Year

- Accommodation taken on lease by F Ltd. for 15,000 p.m. 5,000 p.m. is recovered from the salary of Mr. Y
- Furniture, for which the hire charges paid by F Ltd. is 3,000 p.m. No Amount is recovered from the employee in respect of the same.
- A Santro Car which is owned by F Ltd. and given to Mr. Y to be used both for official and personal purposes. All running and maintenance expenses are fully met by the employer. He is also provided with a chauffeur.
- A gift voucher of 10,000 on his birthday.

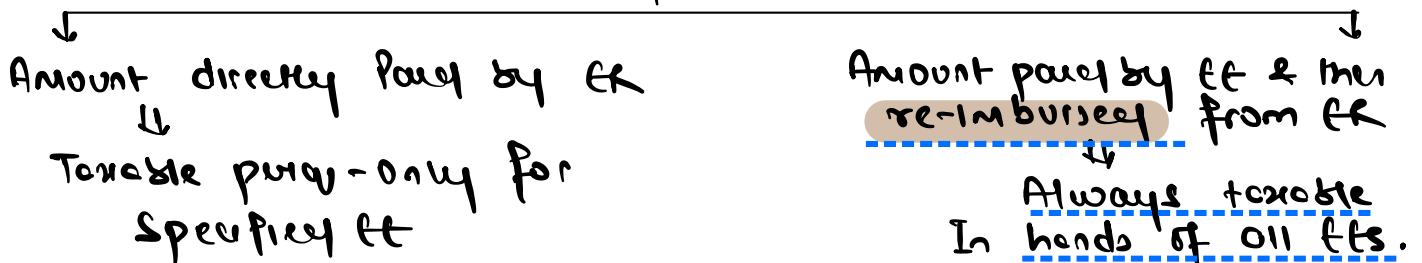
Compute the value of perquisites chargeable to tax, assuming his salary for perquisite valuation to be 10 lakh.

HW
30/9

Illustration 35: Mr. J is employed with F Ltd. on a monthly salary of 25,000 per month and an entertainment allowance and commission of 1,000 p.m. each. The company provides him with the following benefits:

- A company owned accommodation is provided to him in Delhi. Furniture costing 2,40,000 was provided on 01.08.2024.
- A personal loan of 5,00,000 on 01.07.2024 on which it charges interest @ 6.75% p.a. The entire loan is still outstanding. (Assume SBI rate of interest to be 12.75% p.a.)
- His son is allowed to use a motor cycle belonging to the company. The company had purchased this motor cycle for 60,000 on 01.05.2021. The motor cycle was finally sold to him on 01.08.2024 for 30,000.
- Professional tax paid by Mr. J is 2,000

Note:- Servant facility / Gas, water & Electricity facility / Education facility



ER Fees paid for EEs child/family member; Ed. Institute
↓
Taxable In Sp. EEs hands.

EE fees → Ed. Inst
↑ Re-inds. → all EEs Taxable
ER
Re-imbursements are also pay.

ER Salary → Servant
↓
Sp. EE

EE → Servant
↑ Reimburs. - all.
ER

ER Bill → Fleet
↓
Sp. ee.

EE Bill → Electricity
↑
Reims = all.
↑
ER