Income under head Salary

Solution 1-25

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

   Solution: Fully Taxable Under Both Regimes.

2. Entertainment Allowance 300 p.m. (30% is used for official purpose)

   Solution: Fully Taxable Under Both Regimes.

3. Transport Allowance 3,400 p.m. Expenditure incurred in commuting 1,200 p.m. He is blind.

   Solution:

Transport Allowance Received (3,400 p.m. x 12m)		40,800
Less: Exempt (3,200 p.m. x 12m)		38,400
	Taxable	2,400

4. Transport Allowance 3,600 p.m. Expenditure incurred in travelling from residence to office & back ₹ 300 p.m. He is dumb and deaf.

   Solution:

Transport Allowance Received (3,600 p.m. x 12m)		43,200
Less: Exempt (3,200 p.m. x 12m)		38,400
	Taxable	4,800

5. Transport Allowance 3,000 p.m. No expenditure is incurred. He is orthopaedic handicapped with lower extremities

   Solution:

Transport Allowance Received (3,000 p.m. x 12m)		36,000
Less: Exempt (3,000 p.m. x 12m)		36,000
	Taxable	NIL

6. Children Education Allowance for 3 children 120 p.m./each.

   Solution:

   Allowance Received (3 child x 120 p.m. x 12m) 4,320

Less: Exempt (2 child x 100 p.m. x 12m)		2,400
	Taxable	1,920

7. Children Education Allowance for 3 children 90 p.m./child

Solution:

Allowance Received (3 child x 90 p.m. x 12m)		3,240
Less: Exempt (2 child x 90 p.m. x 12m)		2,160
	Taxable	1,080

8. Special allowance to meet the cost of education and staying 500 p.m. for a child.

Solution:

Allowance Received (500 p.m. x 12m)		6,000
Less: Exempt ((300 +100) x 12m)		4,800
	Taxable	1,200

9. Hostel allowance for 3 child 400 p.m. per child for 4 months.

Solution:

Allowance Received (3 child x 400 p.m. x 4m)		4,800
Less: Exempt (2 child x 300 p.m. x 4m)		2,400
	Taxable	2,400

10. Children Education Allowance for 3 children 6,000. Actual school fees 3,000.

Solution:

Allowance Received		6,000
Less: Exempt (2 child x 100 p.m. x 12m)		2,400
	Taxable	3,600

11. Hostel Allowance for a child 8,000. Actual hostel fees 9,000.

Solution:

Allowance Received		8,000
Less: Exempt (1 child x 300 p.m. x 12m)		3,600
	Taxable	4,440

12. Children education allowance for his grandchild 4,000. Actual school fees 300.

Solution:

Allowance Received		4,000
Less: Exempt		NIL
	Taxable	4,000

13. Research and development allowance 4,000. 1,000 is spend wholly towards official purpose.

Solution:

Allowance Received		4,000
Less: Exempt		1,000
	Taxable	3,000

14. Meal Allowance 700. Expenditure on meal is 1,000.

Solution: Fully taxable i.e. 700 x 12 = 8,400

15. Helper Allowance 1,500. 900 is spent wholly towards official purpose.

Solution:

Allowance Received		1,500
Less: Exempt		900
	Taxable	600

16. Conveyance Allowance 500 p.m. Whole of allowance is saved.

Solution: Fully taxable i.e. 500 x 12 = 6,000

17. Mr. Abhay Jain, is a pilot in Jet Airways, He get a Flight Allowance of 10,000 p.m.

Solution:

Allowance Received (10,000 x 12)		1,20,000
Less: Exempt Least Of Following		
a) 70% Of Allowance i.e 84,000		
b) 10,000 pm		84,000
	Taxable	36,000

18. Mr. J is working in Delhi Transport Corporation. He gets a driver allowance of 6,000 p.m.

Solution:

Allowance Received (6,000 x 12)		72,000
Less: Exempt Least Of Following		
c) 70% Of Allowance i.e 50,400		
d) 10,000 pm		50,400
	Taxable	21,600

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.

Solution:

Allowance Received		24,000
Less: Exempt Least Of Following		
e) 70% Of Allowance i.e 16,800		
f) 10,000 pm		16,800
	Taxable	7,200

20. Hostel Allowance for 2 children 250 p.m./child. (actual expenditure incurred is 150 p.m./child).

Solution:

Allowance Received (2 child x 250 p.m. x 12m)		6,000
Less: Exempt (2 child x 250 p.m. x 12m)		6,000
	Taxable	NIL

21. Hostel Allowance for 4 children 320p.m./each.

Solution:

Allowance Received (4 child x 320 p.m. x 12m)		15,360
Less: Exempt (2 child x 300 p.m. x 12m)		7,200
	Taxable	8,160

22. High cost of living allowance @ 50,000.

Solution: Fully taxable

23. Tribal area allowance in Madhya Pradesh 300 p.m.

Solution:

Allowance Received (300 p.m. x 12m)		3,600
Less: Exempt (200 p.m. x 12m)		2,400
	Taxable	1,200

24. Daily allowance 6,000.

Solution: Nothing is mentioned regarding amount spent, therefore if we assume 100% amount is spent for official purpose then nothing shall be taxable i.e. entire amount shall be exempt.

25. Medical allowance 800 p.m.

Solution: Fully taxable i.e. 800 x 12 = 9,600.

26. X is employed as a caretaker in a transport company at Chennai. he gets transport duty allowance 3,600 p.m.

Solution:

Allowance Received (3,600 x 12)		43,200
Less: Exempt Least Of Following		
g) 70% Of Allowance i.e 30,240		
h) 10,000 pm		30,240
	Taxable	12,960

27. Bonus disputed in court.

Solution: Not taxable as it is not certain whether bonus is receivable or not.

28. Clothing Allowance.

Solution: It is a uniform allowance, exempt to the extent of the amount is spent on uniform or the allowance received, whichever is lower.

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.

Solution: Fully taxable i.e. 2,500 x 12 = 30,000.

30. Children education allowance • First child 70 p.m. • Second child 90 p.m. • Third child 4,800.

Solution:

Allowance Received (70 pm x 12) + (90 pm x 12) + 4,800		6,720
Less: Exempt (100 pm + 90 pm) x 12		2,280
	Taxable	4,400

31. Overseas allowance, physically fit allowance.

Solution: Fully taxable

32. Medical allowance 2,000 p.m. received by an employee, the entire Amount of which has been spent by him for medical treatment.

Solution: Solution: Fully taxable i.e. 2,000 x 12 = 24,000.

33. **Hostel allowance for 3 children 3,500 each.**

Solution:

Allowance Received (3,500 x 3 child)		10,500
Less: Exempt (3,500 x 2 Child)		7,000
	Taxable	3,500

Solution 2

Computation of Gross Salary of J under old regime

Particulars	Amount
Basic Salary (6,000 pm x 12)	72,000
Bonus (2,000 pm x 12)	24,000
Commission	8,000
City Compensatory Allowance (1,000 pm x 12) Fully Taxable	12,000
Telephone (Rs. 200 pm x 12) Fully Taxable	2,400
Medical Allowance (Rs 300 pm x 12) Fully Taxable	3,600
Entertainment Allowance (Fully Taxable)	4,800
Academic Allowance (Rs 16,000- Rs. 9,000)	7,000
Conveyance Allowance Rs 6,000 -6,000	0
Travelling Allowance Rs 18,000 -17,000	1,000
Transport Allowance Rs 1700 pm X 12 Fully Taxable	20,400
Children Allowance 4child Rs 160pm =7,680 Less Exempt up to 2 child Rs 100 pm = 2400	5,280
Hostel Allowance 3 child Rs 280 pm Less Exempt up to 2 child Rs 280 pm	3,360
Gross Salary	1,63440

Computation of Gross Salary of J under New Regime

Particulars	Amount
Basic Salary Rs 6,000 pm x 12	72,000
Bonus Rs 2,000 pm x 12	24,000
Commission	8,000
City Compensatory Allowance Rs 1,000 pm x 12 (Fully Taxable)	12,000
Telephone Rs 200 pm x 12 Fully Taxable	2,400
Medical Allowance Rs 300 pm x 12 - Fully Taxable	3,600
Entertainment Allowance – Fully Taxable	4,800
Academic Allowance	16,000
Conveyance Allowance Rs 6,000 Less Exempt Rs 6,000	0
Travelling Allowance Rs 18,000	1,000

Less Exempt up to Taxable	Rs 17,000 Rs 1,000	
Transport Allowance	Rs 1700 pm x 12	20,400
Children Allowance	4child Rs 160pm x 12	7,680
Hostel Allowance	3 child Rs 280 pm x 12	10,080
	Gross Salary	1,81,960

Solution 3

Computation of Taxable HRA of J under Old Regime

Particulars	Amount	Amount
HRA received Rs 6000 per month		72,000
Less: Exempt (W.N.1)		53,800
Taxable HRA		18,200

Working Note :1

Particulars	Amount	Amount
Basic Salary Rs 2,00,00 pm	2,40,000	
DA Rs 3,500 pm	42,000	
Commission 1% of sales (1% of Rs 20 lakh)	20,000	
Salary for the Purpose of HRA	3,02,000	
10% of Salary	30,200	
HRA received		72,000
Least of the following :		
i) Actual HRA received	72,000	
ii) Rent paid over 10% of Salary Rs 84000 - 30200	53,800	
iii) 40% of salary	120800	
Hence Least Amount		53,800
Taxable HRA		18,200

Computation of Taxable HRA of J under New Regime

Particulars	Amount	Amount
HRA received Rs 6000pm		72,000
Less Exemption not available under Default tax regime since HRA fully taxable		0
Taxable HRA		72,000

Solution 4

Computation of Gross Salary of J under Normal Tax Provisions

Particulars	Amount	Amount
Basic Salary Rs 5,000 pm		60,000
DA Rs 500 pm		6,000

Commission 1% of sales (1% of Rs 24 lakh)		24,000
HRA received Rs 4,000pm	48,000	
Less Exempt (Working Note 1)	35,880	
Taxable HRA	12,720	12,720
Gross Salary		1,02,720

Working Note 1

Particulars	Amount	Amount
Salary for the Purpose of HRA		
Basic Salary Rs 5,000 p.m.	60,000	
DA Rs 350 p.m. (70% forms part of Salary)	4,200	
Commission 1% of sales (1% of Rs 24 lakh)	24,000	
	88,200	
Least of the following :		
i) Actual HRA received	48,000	
ii) Rent paid over 10% of Salary 60,000 - 8,820	51,180	
iii) 40% of salary	35,280	
Hence Least Amount		35,280
Taxable HRA		12,720

Computation of Gross Salary of J under Default Tax Provisions

Particulars	Amount	Amount
Basic Salary Rs 5,000 pm		60,000
DA Rs 500 pm		6,000
Commission 1% of sales ie 1% of Rs 24 lakh		24,000
HRA received Rs 4,000pm	48,000	
Less Exemption not available under Default tax regime	0	
Taxable HRA	48,000	48,000
Gross Salary		1,38,000

Solution 5

Computation of Gross Salary of J under Normal Tax Provisions

Particulars	Amount	Amount
Basic Salary : Rs 10,000 per month for the period 1April 24 to 31 Jan 25 = 10,000x 10	1,00,000	
Basic Salary for the period Feb to March = Rs 11,000 x 2	22,000	1,22,000
Dearness Allowance (100% of Basic Salary)		1,22,000
HRA for year =12,000+7,500+0+500+1,300=21,300		21,300
Gross Salary		2,65,300

Working Note 1 Taxable HRA for the month of April & May 24

Particulars	Amount	Amount
Basic Salary Rs 10000 pm x 2	20,000	
Dearness Allowances 50% of Basic Salary Rs 5000 x 2	10,000	
Salary for the Purpose of HRA	30,000	
10% of Salary	3,000	
HRA received		12,000
Least of the following :		
i) Actual HRA received	12,000	
ii) Rent paid over 10% of Salary since he stayed with his parents hence rent paid by the employee is NIL	Nil	
iii) 40% of salary i.e. Rs 30000 x 40%	12,000	
Hence Least Amount to be exempt		NIL
Taxable HRA for April & May		12,000

Working Note 2 Taxable HRA for June to Oct 24

Particulars	Amount	Amount
Basic Salary Rs 10,000 pm x 5	50,000	
Dearness Allowances 50% of Basic Salary Rs 5000 x 5	25,000	
Salary for the Purpose of HRA	75,000	
10% of Salary	7,500	
HRA received		30,000
Least of the following :		
i) Actual HRA received	30,000	
ii) Rent paid over 10% of Salary Rs 6,000 x 5 – 7,500	22,500	
iii) 40% of salary i.e. Rs 75,000 x 40%	30,000	
Hence Least Amount to be exempt		22,500
Taxable HRA for June to Oct		7,500

Working Note 3 Taxable HRA for Nov & Dec 24

Particulars	Amount	Amount
Basic Salary Rs 10,000 pm x 2	20,000	
Dearness Allowances 50% of Basic Salary Rs 5000 x 2	10,000	
Salary for the Purpose of HRA	30,000	
10% of Salary	3,000	
HRA received		12,000
Least of the following :		
i) Actual HRA received	12,000	
ii) Rent paid over 10% of Salary Rs 8,000 x 2 – 3,000	13,000	
iii) 40% of salary i.e. Rs 30,000 x 50%	15,000	

Hence Least Amount to be exempt		12,000
Taxable HRA for Nov & Dec		0

Working Note 4 Taxable HRA for Jan 25

Particulars	Amount	Amount
Basic Salary Rs 10,000 pm x 1	10,000	
Dearness Allowances 50% of Basic Salary Rs 5000 x 1	5,000	
Salary for the Purpose of HRA	15,000	
10% of Salary	1,500	
HRA received		7,000
Least of the following :		
i) Actual HRA received	7,000	
ii) Rent paid over 10% of Salary Rs 8,000 x 1 – 1,500	6,500	
iii) 50% of salary i.e. Rs 15,000 x 50%	7,500	
Hence Least Amount to be exempt		6,500
Taxable HRA for Jan 25		500

Working Note 5 Taxable HRA for Feb & March 25

Particulars	Amount	Amount
Basic Salary Rs 11,000 pm x 2	22,000	
Dearness Allowances 50% of Basic Salary Rs 5,500 x 2	11,000	
Salary for the Purpose of HRA	33,000	
10% of Salary	3,300	
HRA received		14,000
Least of the following :		
i) Actual HRA received	14,000	
ii) Rent paid over 10% of Salary Rs 8,000 x 2 – 3,300	12,700	
iii) 50% of salary i.e. Rs 33,000 x 50%	16,500	
Hence Least Amount to be exempt		12,700
Taxable HRA for Feb & March 25		1,300

Computation of Gross Salary of J under Default Tax Regime

Particulars	Amount	Amount
Basic Salary : Rs 10,000 per month for the period 1April 24 to 31 Jan 25 = 10,000x 10	1,00,000	
Basic Salary for the period Feb to March = Rs 11,000 x 2	22,000	1,22,000
Dearness Allowance (100% of Basic Salary)		1,22,000
HRA		75,000
Gross Salary		3,19,000

Solution 6

Computation of Gross Salary of J under Normal Tax Provisions

Particulars	Amount	Amount
Basic Salary : Rs 18,000 per month for the period 1April 24 to 31 Jan 25 = 18,000x 10	1,80,000	
Basic Salary for the month of March = Rs 27000	27,000	2,07,000
Dearness Allowance Rs 6000 pm for the period 1April 24 to 31 Jan 25 = Rs 6000x10		60,000
HRA (4,000 + 5,000)		9,000
Children Education Allowance for the period of 5 months i.e. 1 Sept 24 to 31 Jan 25 Rs 700 pm = Rs 700x5x1child	3,500	
Less Exempt up to Rs 100 pm per child = 100x5	5,00	
Taxable Children Education Allowance		3,000
Children Hostel Allowance for the period of 4 months i.e. 1 Oct 24 to 31 Jan 25 Rs 1,000 pm = Rs 1,000x4x1child	4,000	
Less Exempt up to Rs 300 pm per child = 300x4	1,200	
Taxable Children Hostel Allowance		2,800
Transport Allowance for the period of 3 months i.e. 1 nov 24 to 31 Jan 25 Rs 1700x3- fully taxable		5,100
Gross Salary		2,86900

Computation of Gross Salary of J under Default Tax Provisions

Particulars	Amount	Amount
Basic Salary : Rs 18,000 per month for the period 1April 24 to 31 Jan 25 = 18,000x 10	1,80,000	
Basic Salary for the month of March = Rs 27000	27,000	2,07,000
Dearness Allowance Rs 6000 pm for the period 1April 24 to 31 Jan 25 = Rs 6000x10		60,000
HRA		9,000
Children Education Allowance for the period of 5 months i.e. 1 Sept 24 to 31 Jan 25 Rs 700 pm = Rs 700x5x1child Fully Taxable		3,500
Children Hostel Allowance for the period of 4 months i.e. 1 Oct 24 to 31 Jan 25 Rs 1,000 pm = Rs 1,000x4x1child		4,000
Transport Allowance for the period of 3 months i.e. 1 nov 24 to 31 Jan 25 Rs 1700x3- fully taxable		5,100
Gross Salary		2,88,600

Solution 7

Computation of Taxable Salary of J under Normal Tax Provisions

Particulars	Amount	Amount
Basic Salary Rs 30,000 pm		3,60,000

DA Rs 7,000 pm		84,000
Servant Allowance Rs 2000 pm		24,000
Entertainment Allowance Rs 1000 pm		12,000
City Compensatory Allowance Rs 600 pm		7,200
Gross Salary		487200
Less : Deduction u/s 16		
i) Standard deduction	50,000	
ii) Entertainment Allowance	5,000	
Total Deduction		55,000
Taxable Salary		4,32,200

Working Note :

Particulars	Amount	Amount
Entertainment Allowance		
Less Deduction u/s 16 (ii) Least of the following :		
i) 20% of Basic Salary	72,000	
ii) 5000	5,000	
iii) Actual Entertainment Allowance received	12,000	
Amount deductible		5,000

Computation of Taxable Salary of J under Default Tax Provisions

Particulars	Amount	Amount
Basic Salary Rs 30,000 pm		3,60,000
DA Rs 7,000 pm		84,000
Servant Allowance Rs 2000 pm		24,000
Entertainment Allowance Rs 1000 pm		12,000
City Compensatory Allowance Rs 600 pm		7,200
Gross Salary		4,87,200
Less : Deduction u/s 16		
iii) Standard deduction	75,000	
iv) Entertainment Allowance not allowed	0	
Total Deduction		75,000
Taxable Salary		4,12,200

Solution 8

Computation of Taxable Salary of J under Normal Tax Provisions (Old Regime)

Particulars	Amount	Amount
Basic Salary Rs 14,000 pm		1,68,000
DA Rs 5,000 pm		60,000
HRA received Rs 4,000 pm for 9 months from 1 July 24 to 31 march 25 = Rs 4,000 pm x 9	36,000	
Less : Exempt	NIL	

Taxable HRA		36,000
Cash Allowance Rs 300 pm x12		3,600
Medical Allowance Rs 250 pm x12		3,000
Entertainment Allowance Rs 400 pmx12		4,800
Professional Tax paid by ER Rs 75 pm x12		900
Gross Salary		2,76,300
Less : Deduction u/s 16		
i) Standard deduction	50,000	
ii) Entertainment Allowance (W.No. 1)	4,800	
iii) Professional Tax Rs 75 pm x12	9,00	
Total Deduction		55,700
Taxable Income under the head Salary		2,20,600

W.no.1 Deduction regarding Entertainment Allowance		
Particulars	Amount	Amount
Entertainment Allowance		
Less Deduction u/s 16 - Least of the following :		
i) 20% of Basic Salary = 20% of 1,68,000	33,600	
ii) 5000	5,000	
iii) Actual Entertainment Allowance received	4,800	
Amount deductible		4,800

Note: If Professional tax was paid by EE then it will not be added to Gross salary and hence gross salary shall be 2,75,400 and Income under the head salary after deduction u/s 16 shall be 2,19,700.

Computation of Taxable Salary of J under Default Tax Provisions (New Regime

Particulars	Amount	Amount
Basic Salary Rs 14,000 pm		1,68,000
DA Rs 5,000 pm		60,000
HRA Rs 4,000 pm w.e.f. 1 July 24 – Fully Taxable		36,000
Cash Allowance Rs 300 pm x12		3,600
Medical Allowance Rs 250 pm x12		3,000
Entertainment Allowance Rs 400 pmx12		4,800
Professional Tax Rs 75 pm x12		900
Gross Salary		2,76,300
Less : Deduction u/s 16		
i) Standard deduction	75,000	
ii) Entertainment Allowance not allowed	0	
iii) Professional tax not allowed	0	
Total Deduction		75,000
Taxable Income under the head Salary		2,01,300

Note: If Professional tax was paid by EE then it will not be added to Gross salary and hence

gross salary shall be 2,75,400 and Income u/h salary after deduction u/s 16 shall be 2,00,400.

Solution 9

Computation of Taxable Gratuity of Mr. J

Particulars	Amount	Amount
a) Mr. J – Pvt Sector Employee & covered under POGA		
Gratuity received		6,00,000
Less Exempt Working Note 1		1,24,615
Taxable Gratuity		4,75,385
Working Note 1: Least of the amount to be exempted		
a) Actual Gratuity Received	6,00,000	
b) Statutory Limit	20,00,000	
c) 15 days salary based on last drawn salary for each completed year of service or part there of in excess of 6 months = 15/26 x last drawn salary x years of service = 15/26x8,000 x 27	1,24,615	
Exempted amount	1,24,615	
Years if Service Completed 26 yrs 8 months = 27 years		
Last Salary Drawn : Basic Pay + D.A (5,000+3,000= Rs 8,000)		
Particulars	Amount	Amount
b) Mr. J – Pvt Sector Employee & is not covered under POGA		
Gratuity received		6,00,000
Less : Exempt Working Note 1		1,01,400
Taxable Gratuity		4,98,600
Working Note 1: Least of the amount to be exempted		
a) Actual Gratuity Received	6,00,000	
b) Statutory Limit	20,00,000	
c) Half month salary for each completed year of service = 1/2x last drawn salary x years of service = 1/2x (78000/10) x 26	1,01,400	
Exempted amount	1,01,400	
Years of Service Completed 26 yrs 8 months = 26 years		
Salary here means Average Salary for 10 months immediately preceding the month of retirement		
Basic Pay 5,000 x 10	50,000	
Dearness Allowance 60% of Rs 3,000 = Rs 1,800 x 10	18,000	
Commission on sales turnover 1% x 12 lakh x10/12	10,000	
	78,000	
Particulars	Amount	Amount
c) Mr. J – Government Employee		

Gratuity received		6,00,000
Less Fully Exempted		6,00,000
Taxable Gratuity		NIL

Solution 10

Computation of Gross Total Income Mr. J

Particulars	Amount	Amount
If Mr. J – Pvt Sector Employee & covered under POGA		
Basic Pay – April to June 18,000 pm x 3	54,000	
July to Dec 24,000 pm x 6	144,000	1,98,000
Dearness Allowance April to June 6,000 pm x 3	18,000	
July to Dec 9,000 pm x 6	54,000	72,000
Taxable Gratuity 9,10,000 - 3,99,808=5,10,192		5,10,192
Gross Salary		7,80,192
Less : Standard Deduction		50,000
Income under the head Salary		7,30,192
Gross Total Income		7,30,192

Working Note 1: Least of the amount to be exempted		
a) Actual Gratuity Received	9,10,000	
b) Statutory Limit	20,00,000	
c) 15 days salary based on last drawn salary for each completed year of service or part there of in excess of 6 months = 15/26 x last drawn salary x years of service = 15/26x33,000 x 21	3,99,808	
Exempted amount	3,99,808	
Years of Service Completed 20 yrs 10 months = 21 years		
Last Salary Drawn : Basic Pay + D.A (24,000+9,000= 33,000)		

Particulars	Amount	Amount
If Mr. J – Pvt Sector Employee & is not covered under POGA		
Basic Pay – April to June 18,000 pm x 3	54,000	
July to Dec 24,000 pm x 6	144,000	1,98,000
Dearness Allowance April to June 6,000 pm x 3	18,000	
July to Dec 9,000 pm x 6	54,000	72,000
Taxable Gratuity 9,10,000 – 2,55,000=6,55,000		6,55,000
Gross Salary		9,25,000
Less : Standard Deduction		50,000
Income under the head Salary		8,75,000
Gross Total Income		8,75,000

Working Note 1: Least of the amount to be exempted		
a) Actual Gratuity Received	9,10,000	
b) Statutory Limit	20,00,000	
c) Half month salary for each completed year of service = 1/2x last drawn salary x years of service = 1/2x (2,16,000+ 39,000)/10 x 20	2,55,000	
Exempted amount	2,55,000	
Years of Service Completed 20 yrs 8 months = 20 years		
Salary here means Average Salary for 10 months immediately preceding the month of retirement		
Basic Pay – March to June 18,000 pm x 4	72,000	
July to Dec 24,000 pm x 6	144,000	2,16,000
Dearness Allowance March to June 3,000 pm x 4	12,000	
July to Dec 4,500 pm x 6	27,000	39,000

Solution 11

Computation of Gross Total Income Mr. J

Particulars	Amount	Amount
Basic Pay – April to Nov 22,000 pm x 8		1,76,000
Dearness Allowance April to Nov 5,000 pm x 8		40,000
Taxable Gratuity W.no.1 Rs 6,95,000 - 2,20,000=4,75,000		4,75,000
Uncommuted Pension W.no.2		26,640
Commuted Pension W.no.3		$\boxed{2,01,640}$ → 201600
Gross Salary		~~9,19,280~~ 919240
Less : Standard Deduction		50,000
Income under the head Salary		~~8,69,280~~ 869240
Gross Total Income		8,69,280

Working Note 1 Least of the amount to be exempted		
a) Actual Gratuity Received	6,95,000	
b) Statutory Limit	20,00,000	
c) Half month salary for each completed year of service = 1/2x Average Salary x years of service = 1/2x 22,000 x 20	2,20,000	
Exempted amount	2,20,000	
Years of Service Completed 20 yrs 11 months = 20 years		
Salary here means Average Salary for 10 months immediately preceding the month of retirement		
Basic Pay – Feb to Nov 22,000 pm x 10		2,20,000
Average Salary		22,000
Working Note 2 Uncommuted Pension		

For Dec 24 & Jan 25 : Rs 9,000 x 2	18,000	
For Feb & March 25 : Rs 9000 x 48% x 2	8,640	
Total Un commuted Pension		26,640
Working Note 3 Commuted Pension		
Received	5,61,600	
Less Exempt (5,61,600/52%) x 1/3	3,60,000	
Taxable Commuted Pension		2,01,600

Solution 12

Computation of Taxable Pension Mr. X

Particulars	Amount	Amount
a) Mr. X is a Government Employee :		
Un commuted Pension W.no.1		24,000
Commuted Pension W.no.2		NIL
Taxable Pension		24,000
Working Note 1 Un commuted Pension		
For Oct 24 to Jan 25 Rs 5,000 x 4	20,000	
For Feb & March 25 :		
Rs 5000 x 40% x 2	4,000	
Total Uncommuted Pension		24,000
Working Note 2 Commuted Pension		
Commuted Pension received	3,00,000	
Less : Fully Exempt u/s 10 (10 A)	3,00,000	
Taxable Commuted Pension		NIL
Particulars	Amount	Amount
b) Mr. X is a Non - Government Employee , receiving Gratuity		
Un commuted Pension W.no.1		24,000
Commuted Pension W.no.2		1,33,333.33
Taxable Pension		1,57,333.33
Working Note 1 Un commuted Pension		
For Oct 24 to Jan 25 Rs 5,000 x 4	20,000	
For Feb & March 25 :		
Rs 5000 x 40% x 2	4,000	
Total Un commuted Pension		24,000
Working Note 2 Commuted Pension		
Commuted Pension received	3,00,000	
Less Exempt (3,00,000/60%) x 1/3	1,66,666.67	
Taxable Commuted Pension		1,33,333.33

Note: Commuted Pension received by Pvt. Sector Employee who also receives Gratuity :-		
Commuted Value of 1/3rd of the pension is Exempt from tax		
Particulars	Amount	Amount
c) Mr. X is a Non - Government Employee , is not receiving Gratuity		
Uncommuted Pension W.no.1		24,000
Commuted Pension W.no.2		50,000
Taxable Pension		74,000
Working Note 1 Uncommuted Pension		
For Oct 24 to Jan 25 Rs 5,000 x 4	20,000	
For Feb & March 25 :		
Rs 5000 x 40% x 2	4,000	
Total Un commuted Pension		24,000
Working Note 2 Commuted Pension		
Commuted Pension received	3,00,000	
Less Exempt (3,00,000/60%) x ½	2,50,000	
Taxable Commuted Pension		50,000
Note: Commuted Pension received by Pvt. Sector Employee who does not receive Gratuity :-		
Commuted Value of 1/2 of the pension is Exempt from tax		

Solution 13

Computation of Gross Total Income Mr. J (Old Regime)

Particulars	Amount	Amount
Basic Pay – April to June 27,000 pm x 3	81,000	
July to Oct 33,000 pm x 4	1,32,000	2,13,000
Dearness Allowance April to June 9,000 pm x 3	27,000	
July to Oct 12,000 pm x 4	48,000	75,000
Leave Salary [Sec 10 (10AA)] 5,00,000-2,41,500 = 2,58,500		2,58,500
Gross Salary		5,46,500
Less : Standard Deduction		50,000
Income under the head Salary		4,96,500
Gross Total Income		4,96,500

Particulars	Days	Amount
Working Note : Computation of Leave at Credit :-		
Maximum Leave Entitlement = 30 days x 20 years	600	
Less: Leave Availed in months =	180	

Less : Leave Encashed in months	210	
Leave at Credit	210	
Leave at Credit Month	7 months	
Calculation of Average Salary for last 10 months Jan 24 to Oct 24	Amount	Amount
Basic pay From Jan 24 to June 24 Rs 27,000 x 6		1,62,000
From July to Oct 24 Rs 33,000 x 4		1,32,000
D.A From Jan 24 to June 24 Rs 4,500 x 6		27,000
From July to Oct 24 Rs 6,000 x 4		24,000
Total Salary for last 10 months Jan 24 to Oct 24		3,45,000
Average Salary for last 10 months = Rs 3,45,000/10		34,500
Particulars	Amount	Amount
Leave Salary is Exempt from Tax Least of the following :		
• Amount of Leave Salary Received	5,00,000	
• Rs 25 lakh	25,00,000	
• 10 month X Average Salary = 10 x 34,500	3,45,000	
• Average Salary X Leave Credit Period = 34,500x7months	2,41,500	
Exempt amount		2,41,500
Maximum Leave Allowed shall be 30 days i.e. 1 month for each year of service completion		

Solution 14

Computation of Gross Total Income of Mr. J (Old Regime)

Particulars	Amount	Amount
Basic Pay :		
From April to June Rs 27,000 x 3	81,000	
From July to Nov Rs 30,000 x 5	1,50,000	2,31,000
Un Commuted Pension Working Note 1		22,000
Commuted Pension Working Note 1		NIL
Leave Salary Working Note 2 Rs 3,75,000-2,85,000		90,000
Gross Salary		3,43,000
Less : Standard Deduction		50,000
Income under the head Salary		2,93,000
Gross Total Income		2,93,000

Working Note 1 : Pension

Particulars	Amount	Amount
UnCommuted Pension		
From Dec to Feb Rs 6,000 x 3	18,000	
For March Rs 6,000 x2/3	4,000	22,000
Uncommuted Pension		22,000

Commuted Pension		
Amount Received	2,40,000	
Less: Exempt: 2,40,000 x 3/1 x ½ = 3,60,000 (Restricted to 2,40,000)	2,40,000	NIL

Working Note 2 : Leave Salary

Particulars	Days
Computation of Leave at Credit Days :-	
Leave Entitlement Days 20 days x 20 years =	400
Less: Leave Availed	35
Less : Leave Encashed	10
Leave at Credit Days	355
Leave at Credit months	11.833

Calculation of Average Salary for last 10 months Feb 24 to Nov 24	Amount
From Feb to June Rs 27,000 x 5	1,35,000
From July to Nov Rs 30,000 x 5	1,50,000
Total Salary for last 10 months Feb 24 to Nov 24	2,85,000
Average Salary for last 10 months = Rs 285000/10	28,500
Particulars	**Amount**
Leave Salary is Exempt from Tax Least of the following :	
i)Amount of Leave Salary Received	3,75,000
ii) Statutory Limit	25,00,000
Iii) 10 month X Average Salary = 10 x 28500	2,85,000
Iv) Average Salary X Leave Credit Period = 28500x11.833	3,37,250

Solution 15

Computation of Taxable Leave Salary of Mr. J – Govt Employee

Particulars	Amount
Leave Salary received at the time of Retirement	5,00,000
Less : Exemption u/s 10(10 AA)	5,00,000
Taxable Leave Salary	NIL

Computation of Taxable Leave Salary of Mr. J – Non- Govt Employee

Particulars	Amount
Leave Salary received at the time of Retirement	5,00,000
Less : Exemption u/s 10(10 AA) Working Note 1	26,400
Taxable Leave Salary	4,73,600

Working Note 1: Exemption u/s 10(10 AA)	

Leave Salary is Exempt from Tax Least of the following :	
i)Amount of Leave Salary Received	5,00,000
ii) Statutory Limit	25,00,000
Iii) 10 month X Average Salary = 10 x 6,600	66,000
Iv) Average Salary X Leave Credit Period = 6,600x120/30	26,400

Working Note 2 : Leave Salary

Particulars	Days	Amount
Computation of Leave at Credit Days :-		
Leave Entitlement Days 30 days x 20 years =	600	
Less: Leave Taken	480	
Leave at Credit Days	120	

Calculation of Average Salary for last 10 months Feb 24 to Nov 24	Amount	Amount
Basic Pay :		
From Feb to March Rs 4,000 x 2	8,000	
From April to Nov Rs 5,000 x 8	40,000	
Basic pay for last 10 months Feb 24 to Nov 24		48,000
Dearness Allowances : Rs 3,000 x 10 x 60%		18,000
Salary for last 10 months		66,000
Average Salary for last 10 months = Rs 66,000/10		6,600

Solution 16

Computation of Taxable Retrenchment Compensation of Mr. J

Particulars	Amount	Amount
Retrenchment Compensation received		10,00,000
Less : Exempt u/s 10(10 B) W.no.1		3,75,000
Taxable Leave Salary		6,25,000
W.no.1 Retrenchment Compensation to be Exempt :		
a)Retrenchment Compensation received	10,00,000	
b)15 days Average pay x completed year of service = 15/30 x 25,000 x 30 years	3,75,000	
c) Ceiling Limit	5,00,000	
Exempted Amount		3,75,000
Sec 25 (F) b of the Industrial Disputes Act provides for payment of retrenchment compensation equivalent to		
15 days average pay for every year of continuous service or part thereof in excess of 6 months		
Salary includes		
Basic pay 20,000pm x 3	60,000	
D.A 5,000 pm x 3	15,000	

		75,000
Average pay taken for 3 months 75,000/3		25,000

Solution 17

Computation of Taxable Voluntary Retirement Compensation of Mr. J

Particulars	Amount	Amount
Actual amount received at the time of Voluntary Retirement		6,00,000
Less : Exemption u/s 10(10 C) Working Note : 1		2,70,000
Taxable Voluntary Retirement Compensation		3,30,000

Working Note 1

Particulars	Amount	Amount
Voluntary Retirement Scheme -		
Least of the following will be exempt from Tax		
i) Actual amount received at the time of Voluntary Retirement	6,00,000	
ii) Rs 5,00,000	5,00,000	
iii) 3 months Retirement Benefit Salary for each completed year of service =3x5,000x18	2,70,000	
iv) Retirement Benefit Salary at the time of Retirement x Balance month of Service Left before the date of retirement = 5000x12x7	4,20,000	
Exemption u/s 10(10 C)		2,70,000

Solution 18

Computation of Taxable Voluntary Retirement Compensation of Mr. J

Particulars	Amount	Amount
Actual amount received at the time of Voluntary Retirement		7,00,000
Less : Exemption u/s 10(10 C) (WN-1)		5,00,000
Taxable Voluntary Retirement Compensation		2,00,000

Working Note 1

Particulars	Amount	Amount
Voluntary Retirement Scheme -		
Least of the following will be exempt from Tax		
i) Actual amount received at the time of Voluntary Retirement	7,00,000	
ii) Rs 5,00,000	5,00,000	
iii) 3 months Retirement Benefit Salary for each completed year of service =3x25,000x30	22,50,000	

iv) Retirement Benefit Salary at the time of Retirement x Balance month of Service Left before the date of retirement = 25,000x12x6	18,00,000	
Exemption u/s 10(10 C)		5,00,000
Calculation of Retirement Benefit Salary :		
Basic Salary		20,000
Dearness Allowance (which forms part of Pay)		5,000
Retirement Benefit Salary		25,000

Solution 19

Computation of Taxable Salary of J under Normal Tax Provisions

Particulars	Amount	Amount
Basic Salary Rs 20,000 pm		2,40,000
DA Rs 10,000 pm		1,20,000
Bonus Rs 1,000 pm		12,000
Commission Rs 2,000 pm		24,000
Children Education Allowance 3 Children Rs 150 pm Less Exempt up to 2 children Rs 100 pm	5,400 2,400	3,000
Hostel Allowance 1 child Rs 500 pm Less : Exempt 1 child Rs 300 pm	6,000 3,600	2,400
Entertainment Allowance Rs 500 pm		6,000
Transport Allowance Rs 1800 pm		21,600
Professional Tax paid by ER Rs 200 pm		2,400
Club facility – Membership fees paid by employer		12,000
Rent free Accommodation rent paid by employer Rs 11,000 pm Working Note 1		36,900
Gross Salary		4,80,300
Less : Deduction u/s 16		
Standard Deduction		50,000
Professional Tax		2,400
Taxable Salary		4,27,900

Working Note 1 Value of Rent free Accommodation Perquisites

Particulars	Amount	Amount
Basic Salary Rs 20,000 pm x 12		2,40,000
DA Rs 5,000 pm x 12		60,000
Bonus Rs 1,000 pm x 12		12,000
Commission Rs 2,000 pm x 12		24,000
Children Education Allowance 3 Children Rs 150 pm Less Exempt up to 2 children Rs 100 pm	5,400 2,400	3,000
Hostel Allowance 1 child Rs 500 pm	6,000	2,400

Less : Exempt	1 child Rs 300 pm	3,600	
Entertainment Allowance	Rs 500 pm x 12		6,000
Transport Allowance	Rs 1800 pm x 12		21,600
Rent Free Accommodation Salary			3,69,000
Perquisites Value of Rent Free Accommodation			
Least of the following :			
i) Rent paid = Rs 11000 x 12		1,32000	
ii) 10% of Rent free Accommodation Salary		36,900	
Value of Rent free Accommodation Perquisites			36,900

Computation of Taxable Salary of J under Default Tax Provisions

Particulars		Amount	Amount
Basic Salary	Rs 20,000 pm x 12		2,40,000
DA	Rs 10,000 pm x 12		1,20,000
Bonus	Rs 1,000 pm x 12		12,000
Commission	Rs 2,000 pm x 12		24,000
Children Education Allowance	3 Children x Rs 150 pm x 12		5,400
Hostel Allowance	1 child x Rs 500 pm x 12		6,000
Entertainment Allowance	Rs 500 pm x 12		6,000
Transport Allowance	Rs 1800 pm x 12		21,600
Professional Tax	Rs 200 pm x 12		2,400
Club facility – Membership fees paid by employer			12,000
Rent free Accommodation rent paid by employer Rs 11,000 pm (Working Note 2)			37,500
	Gross Salary		4,86,900
Less : Deduction u/s 16			75,000
Taxable Salary			4,11,900
	Gross Total Income		4,11,900
Less : Deduction u/s 80C to 80 U			0
	Total Income		4,11,900

Working Note 2 Value of Rent free Accommodation Perquisites

Particulars		Amount	Amount
Basic Salary	Rs 20,000 pm x 12		2,40,000
DA	Rs 5,000 pm x 12		60,000
Bonus	Rs 1,000 pm x 12		12,000
Commission	Rs 2,000 pm x 12		24,000
Children Education Allowance	3 Children x Rs 150 pm x 12		5,400
Hostel Allowance	1 child x Rs 500 pm x 12		6,000
Entertainment Allowance	Rs 500 pm x 12		6,000
Transport Allowance	Rs 1800 pm x 12		21,600

Rent Free Accommodation Salary		3,75,000
Perquisites Value of Rent Free Accommodation		
Least of the following :		
i) Rent paid = Rs 11000 x 12	1,32000	
ii) 10% of Rent free Accommodation Salary	37,500	
Value of Rent free Accommodation Perquisites		37,500

Solution 20

Computation of Gross Total Income of J

Particulars	New Regime	Old Regime
Basic Salary Rs 73,000 pm x 12	8,76,000	8,76,000
Rent free accommodation Working Note : 1	84,000	84,000
Gross Salary	9,60,000	9,60,000
Less : Deduction u/s 16		
Standard deduction	75,000	50,000
Taxable Income under the head Salary	8,85,000	9,10,000

Working Note 1 : Perquisite Value of furnished house		
Perquisite Value of unfurnished house Rs 6000 x 12 =		72,000
Add: 10% of cost of furniture 1,00,000 x 10%		10,000
Add: Rent of air – conditioner Rs 1,000 x 2		2,000
Perquisite Value of furnished house		84,000

Solution 21

A. House Is taken on Rent By ER

Computation of Gross Total Income of J

Particulars	New Regime	Old Regime
Basic Salary Rs 37,000 pm x 12	4,44,000	4,44,000
Dearness Allowance Rs 32,000 pm x 12	3,84,000	3,84,000
Rent free accommodation (Working Note 1)	54,450	54,450
House Rent Allowance	7,000	7,000
Gross Salary	8,89,450	8,89,450
Less : Deduction u/s 16		
Standard deduction	75,000	50,000
Taxable Income under the head Salary	8,14,450	8,39,450

Working Note 1: Perquisite Value of furnished house		
Rent free accommodation Salary 37,000 x 11 =	4,07,000	
10% of Rent free accommodation Salary	40,700	
Rent paid 10,000 x 11= 1,10,000	1,10,000	

Perquisite Value of unfurnished house 10% of RFA or Rent paid which ever is lower		40,700
Add: 10% of cost of furniture (1,50,000 x 10% x 11/12)		13,750
Perquisite Value of furnished house		54,450

B. House is owned by the ER

Computation of Gross Total Income of J

Particulars	New Regime	Old Regime
Basic Salary Rs 37,000 pm x 12	4,44,000	4,44,000
Dearness Allowance Rs 32,000 pm x 12	3,84,000	3,84,000
Rent free accommodation (Working Note 2)	34,100	34,100
House Rent Allowance	7,000	7,000
Gross Salary	8,69,100	8,69,100
Less : Deduction u/s 16		
Standard deduction	75,000	50,000
Taxable Income under the head Salary	7,94,100	8,19,100

Working Note 2 : Perquisite Value of furnished house		
Rent free accommodation Salary 37,000 x 11 =	4,07,000	
5% of Rent free accommodation	20,350	
Perquisite Value of unfurnished house		20,350
Add: 10% of cost of furniture (1,50,000 x 10% x 11/12)		13,750
Perquisite Value of furnished house		34,100

Solution 22

Computation of Perquisites Value of Interest Free Loan Mr. Y for AY 24-25

Months	Outstanding Balance at end	Amount of Interest
April	10,00,000	10,00,000 x 6% x 1/12 =5,000
May	10,00,000	10,00,000 x 6% x 1/12 =5,000
June	10,00,000	10,00,000 x 6% x 1/12 =5,000
July	8,00,000	8,00,000 x 6% x 1/12 =4,000
August	6,00,000	6,00,000 x 6% x 1/12 =3,000
September	4,00,000	4,00,000 x 6% x 1/12 =2,000
October	2,00,000	2,00,000 x 6% x 1/12 =1,000
Total		25,000

Alternatively

Perquisite = Sum of o/s balance at the end of month x Concessional Int x 1/12
= Rs. 50,00,000 x 6% x 1/12
= Rs. 25,000

Solution 23

Computation of Perquisites Value of Interest Free Loan Mr. Y for AY 24-25

Months	Outstanding Balance at end	Amount of Interest
July	3,00,000	3,00,000 x 10% x 1/12 =2,500
August	3,00,000	3,00,000 x 10% x 1/12 =2,500
September	2,90,000	2,90,000 x 10% x 1/12 =2416.67
October	2,80,000	2,80,000 x 10% x 1/12 =2333.33
November	2,70,000	2,70,000 x 10% x 1/12 =2250.00
December	2,60,000	2,60,000 x 10% x 1/12 =2166.67
January	2,50,000	2,50,000 x 10% x 1/12 =2083.33
February	2,40,000	2,40,000 x 10% x 1/12 =2000.00
March	2,30,000	2,30,000 x 10% x 1/12 =1916.67
Total		20,166.67

Perquisite = Sum of o/s balance at the end of month x Concessional Int x 1/12
= Rs. 24,20,000 x 10% x 1/12
= Rs. 20,166.67

Solution 24

Computation of Perquisites Value of Interest Free Loan Mr. Y for AY 25-26

Perquisite value of Interest Free loan is Nil in this case because it is a Petty loan .If the employer has given Petty Loan , there is no perquisite value .Petty Loans means loan given by the employer where value of loan is up to Rs 20,000

Solution 25

Computation of Tax Liability of Mr. J

Particulars	New Regime	Old Regime
Salary Rs 46,000 x 12	5,52,000	5,52,000
Rent Free Accommodation (Working Note 1)	55,200	55,200
Interest on Loans Rs 6,00,000 x (10.5% - 5.00%)	33,000	33,000
Gift on the occasion of wedding Anniversary	NIL	NIL
Use Of table & Chair 10% of cost of furniture (60,000 x 10% x 4/12)	2,000	2,000
Perquisites Value of Table & Chair Sold to EE (WN 2)	12,000	12,000
Credit Card Facility	10,000	10,000
Perquisites Value of Ambassador Car (Working Note 3)	80,000	80,000
Gross Salary	7,44,200	7,44,200
Less: Standard Deduction	75,000	50,000
Gross Total Income	6,69,200	6,94,200
Less : Deductions under section 80C-80U	NIL	NIL
Total Income	6,69,200	6,94,200

Working Note 1 Perquisite Value Rent Free Accommodation	Amount	Amount
Rent Free Accommodation Salary= 5,52,000		

10% of Rent-Free Accommodation Salary =10% of Rs 5,52,000	55,200	
Value of Unfurnished house	55,200	
Perquisite Value Rent Free Accommodation		55,200
Working Note 2 Perquisites Value of Table & Chair		
Cost	60,000	
Less: Depreciation on SLM @10% for 3 years	18,000	
Less : Amount paid by Assessee	30,000	12,000
Working Note 3 Perquisite Value of Ambassador CAR		
Original Cost of Car	2,50,000	
Less : Depreciation from 16 july 2021 to 15 july 2022	50,000	
Less : Depreciation from 16 july 2022 to 15 july 2023	40,000	
Less : Amount received from the assesse	80,000	
Perquisite Value of Ambassador CAR	80,000	