

TAXBOOK⁺

Working steps of solutions

B11 to B20

Salaries

Build Your Confidence (BYC)

B11. VRS – Dev opted for voluntary retirement offered by his employer under a scheme framed

| Particulars | Rs. | Rs. |
|---|-----------|-----------------|
| Voluntary retirement compensation received | | 10,00,000 |
| Less : Exempt u/s 10(10C) = Lower of: | | |
| (A) Amount received | 10,00,000 | |
| (B) Statutory limit | 5,00,000 | |
| (C) 3 month salary × Completed years of service = (50,000 × 3) × 20 | 30,00,000 | |
| (D) Salary at the time of retirement × Months of service left = 50,000 × 48 | 24,00,000 | (5,00,000) |
| Taxable voluntary retirement compensation | | 5,00,000 |

B12. RETRENCHMENT – CA2013(M) - Mr. Gobind received retrenchment compensation of Rs. 10 lakh

| Particulars | Rs. | Rs. |
|--|-----------|-----------------|
| Retrenchment compensation received | | 10,00,000 |
| Less : Exempt u/s 10(10B) = Lower of: | | |
| (E) Amount received | 10,00,000 | |
| (F) Statutory limit | 5,00,000 | |
| (G) Amount calculated under IDA = (15 ÷ 26) × Average pay of last 3 months × Completed years of service (period in excess of 6 months taken as a year) = (15 ÷ 26) × 25,000 × 30 | 4,32,692 | (4,32,692) |
| Taxable retrenchment compensation | | 5,67,308 |

HEALTH & LIFE

B13. MEDICAL FACILITY – Determine the taxable amount of the following perquisites in respect of medical facilities received by Mr. Ganesh from his employer for the PY 2021-22.

| # | Particulars | Amount | Taxable | Comment |
|---|---|--------|---------------|---|
| 1 | Medical premium paid for insuring health of Ganesh | 7,000 | - | Exempt |
| 2 | Treatment of Ganesh by his family doctor | 5,000 | 5,000 | Treatment not in specified hospital |
| 3 | Treatment of Ganesh's mother (68 years and dependant) by family doctor | 8,000 | 8,000 | Treatment not in specified hospital |
| 4 | Treatment of Ganesh's sister (dependant) in a private nursing home | 3,000 | 3,000 | Treatment not in specified hospital |
| 5 | Treatment of Ganesh for a prescribed disease in a private hospital (approved) | 4,000 | - | Treatment in approved hospital for prescribed disease |
| 6 | Treatment of Ganesh's brother (independent) | 6,000 | 6,000 | Independent brother not member of family |
| | | | 22,000 | |

B14. MEDICAL FACILITY – CA2014(M) – Rakhi is an employee in a private company. She receives the following medical benefits from the company during PY 2021-22. Determine the taxable amount of these benefits and allowances.

| Particulars | Amount | Taxable |
|-------------|--------|---------|
|-------------|--------|---------|

| | | |
|--|------------|---------------|
| Reimbursement of following medical expenses incurred by Rakhi | | |
| • On treatment of her self-employed daughter in private clinic | 4,000 | 4,000 |
| • On treatment of herself by family doctor | 8,000 | 8,000 |
| • On treatment of her mother-in-law dependant on her, in a nursing home | 5,000 | 5,000 |
| Payment of premium on mediclaim policy taken on her health | 7,500 | - |
| Medical allowance | 2,000 p.m. | 24,000 |
| Medical expenses reimbursed on her son's treatment in Government hospital | 5,000 | - |
| Expenses incurred by company on treatment of her minor son abroad | 1,05,000 | - |
| Expenses in relation to foreign travel (60,000) and stay of Rakhi and her son abroad (60,000) for medical treatment (limit prescribed by RBI for this is Rs. 2 lakh) | 1,20,000 | - |
| | | 41,000 |

Note – Treatment and stay of 1.65 lakh exempt since within RBI limit of 2 lakh. Travel exempt assuming GTI (before including travel expenses) is up to 2 lakh.

HOUSING

B15. HRA – Raj has received the following from his employer.....

| Particulars | Computation | Rs. | Rs. |
|--------------------------------------|--|----------|---------------|
| HRA received | | | 1,08,000 |
| Less: Exempt u/s 10(13A) = Lower of: | | | |
| (A) Actual HRA received | | 1,08,000 | |
| (B) Rent paid – 10% of salary | 1,20,000 – 10% of 4,32,000 (3,60,000 + 72,000) = 1,20,000 – 43,200 | 76,800 | |
| (C) 40% of salary | 40% of 4,32,000 | 1,72,800 | (76,800) |
| Taxable HRA | | | 31,200 |

B16. HRA – CA2012(M) - Mohit is employed with XY Ltd. on a basic salary of Rs. 10,000 p.m. He is also

Computation of gross salary for AY 2022-23

| Particulars | Rs. | Rs. |
|---|----------|-----------------|
| Basic salary (10,000 × 10) + (11,000 × 2) | | 1,22,000 |
| Dearness allowance | | 1,22,000 |
| HRA received = (6,000 × 9) + (7,000 × 3) | 75,000 | |
| Less : Exempt u/s 10(13A) (see Note) | (53,700) | 21,300 |
| Gross salary | | 2,65,300 |

Note:

| Particulars | Apr-May | Jun-Oct | Nov-Dec | Jan | Feb-Mar |
|---|---------|---------------|---------------|--------------|---------------|
| Basic salary | 10,000 | 10,000 | 10,000 | 10,000 | 11,000 |
| DA (50% of basic) | 5,000 | 5,000 | 5,000 | 5,000 | 5,500 |
| Salary for purpose of HRA exemption | 15,000 | 15,000 | 15,000 | 15,000 | 16,500 |
| Relevant period in months | 2 | 5 | 2 | 1 | 2 |
| Salary for relevant period | 30,000 | 75,000 | 30,000 | 15,000 | 33,000 |
| Rent paid for relevant period | Nil | 30,000 | 16,000 | 8,000 | 16,000 |
| HRA exempt is lower of: | | | | | |
| (a) HRA received | - | 30,000 | 12,000 | 7,000 | 14,000 |
| (b) Rent paid – 10% of salary | - | 22,500 | 13,000 | 6,500 | 12,700 |
| (c) 40% of salary (Gzb) for Jun to Oct and 50% of salary (Del) for Nov to Mar | - | 30,000 | 15,000 | 7,500 | 16,500 |
| HRA exempt | - | 22,500 | 12,000 | 6,500 | 12,700 |
| Total HRA exempt = 53,700 | | | | | |

B17. ACCOMMODATION – Surabhi has been provided with residential accommodation by her employer.

Since house is occupied for 6 months, value of perquisite will be computed based on salary of 6 months.

Case A:

| Particulars | Rs. | Comment |
|---|---------------|------------------------|
| Salary for period house occupied (6 months) | | |
| • Basic salary | 3,00,000 | Included |
| • DA (50% of 1,50,000) | 75,000 | DA(T) included |
| • Commission @ 5% of Rs. 15 lakh | 75,000 | Included |
| • Tiffin allowance | 30,000 | Included |
| • Taxable perquisite for medical facilities | - | Perquisite excluded |
| • Arrears of salary | - | Not for current period |
| | 4,80,000 | |
| Value of rent free unfurnished accommodation = 15% of salary as population of Delhi > 25 lakh | 72,000 | |

Case B:

| Particulars | Rs. |
|--|---------------|
| Value as if it is rent free unfurnished accommodation = 10% of salary of 4,80,000 (computed in Case A), since population of Jodhpur is > 10 lakh and up to 25 lakh | 48,000 |
| Less: Rent paid by Surabhi | (30,000) |
| Value of unfurnished accommodation given at concessional rent | 18,000 |

Case C:

| Particulars | Rs. |
|--|------------|
| Value as if it is rent free unfurnished accommodation = Lower of: | |
| • Lease rental of 90,000, or | |
| • 15% of salary of 4,80,000 = 72,000 | 72,000 |
| Less: Rent paid by Surabhi | (72,000) |
| Value of unfurnished accommodation given at concessional rent | Nil |

Case D:

| Particulars | Rs. |
|---|---------------|
| Value as if it is rent free furnished accommodation | |
| • Value of rent free unfurnished accommodation as computed in Case A (since facts are same) | 72,000 |
| • Wooden furniture = 10% p.a. of Rs. 60,000 for 1 month | 500 |
| • AC = Hire charges for 6 months = 6,000 × 6 | 36,000 |
| | 1,08,500 |
| Less: Rent paid by Surabhi | (90,000) |
| Value of furnished accommodation given at concessional rent | 18,500 |

Case E:

| Particulars | Rs. |
|--|--------------|
| Value as if it is rent free furnished accommodation | |
| • Value of rent free unfurnished accommodation = 10,000 × 6 | 60,000 |
| • Wooden furniture = 10% p.a. of Rs. 60,000 for 1 month | 500 |
| • AC = Hire charges for 6 months = 6,000 × 6 | 36,000 |
| | 96,500 |
| Less: Rent paid by Surabhi | (90,000) |
| Value of furnished accommodation given at concessional rent | 6,500 |

B18. SPECIAL ALLOWANCES – Determine taxability of the following allowances received by Ram Kumar during the PY 2021-22 from his employer.

| # | Allowance | Amount | Spend details | Taxable | Comment |
|---|---|-------------|---|---------|-------------------------------------|
| 1 | Travelling allowance for 5 day official tour to Rajkot | 50,000 | 20,000 on travel expenses for tour and 10,000 on personal expenses on sightseeing. | 30,000 | Official expense exempt |
| 2 | Conveyance allowance | 7,000 p.m. | 50,000 spent on official duty and balance spent on commuting between residence and office | 34,000 | Spend on official duty exempt |
| 3 | CA2018(N) - Allowance received which has been granted to meet his personal expenditure while on duty (he is working in a transport system). He is not in receipt of any daily allowance from his employer. | 12,000 p.m. | Not available | 43,200 | 70% exempt up to max of 10,000 p.m. |

B19. LTC – Mr. Ghumo, employed with Fun India Ltd. in Delhi, received Rs. 1 lakh as leave travel

| Particulars | Case A | Case B |
|-------------------------|---|---|
| Is exemption available? | No, since destination is not in India, 2 journeys are already claimed in the block 2018-2021 and Ghumo did not travel | Yes |
| Who is entitled? | - | Ghumo, wife, twins and mother. Third child and father (not dependent) are not entitled. |
| Exemption | - | Lower of: (a) Amount spent = 30,000 (@ 6,000 per person) (b) Deluxe class but fare for shortest route = 30,000 (@ 6,000 per person) |
| LTC taxable | 1,00,000 | 1,00,000 – 30,000 = 70,000 |

B20. LTC - CA2016(N), 2013(M) – Compute the amount of LTC exemption in the following cases.....

Restriction of 2 children is not applicable to multiple births after one child. Hence, LTC can be claimed for Suresh, his wife and 3 children. Since holiday is in India and journey is performed by Air India air economy class (assumed), the entire reimbursement met by employer is fully exempt.

In the second case, since twins are born first, exemption cannot be claimed for daughter. Hence, Rs. 10,000 towards daughter is not exempt. LTC exempt is only Rs. 70,000.