

TAXBOOK⁺

Working steps of solutions

B1 to B10

Salaries

Build Your Confidence (BYC)

BASIC CONCEPTS

B1. BASIC CONCEPTS – Examine if the income would be chargeable under the head ‘Salaries’ in the following cases:

#	Situation	Taxable as ‘Salaries’?	Comment
1	Shahrukh Khan contracts with Balaji Productions Ltd. to act for a film for a fee of Rs. 5 crore.	No	No EE relationship. Taxable as PGBP.
2	CA Ramji Kumar receives Rs. 1.5 lakh as fee for tax advise given to his clients	No	No EE relationship. Taxable as PGBP.
3	CA Ramji Kumar is employed with KPMG in its tax advisory division and receives Rs. 1.5 lakh as salary per month.	Yes	EE relationship. Taxable as salary.
4	Dhruv receives Rs. 50,000 as remuneration for setting question paper for CA examination.	No	No EE relationship. Taxable as IFOS.
5	Jacob instructs his employer to donate his salary to a charitable trust. Consequently, he does not receive salary.	Yes	Application of income post accrual.
6	Shubh receives salary from V&M, a partnership firm, in which he is a partner	No	No EE relationship. Covered under PGBP.
7	Shankar’s employer grants him advance against salary of Rs. 1 lakh to meet emergency expenses. This is repaid by deducting Rs. 10,000 every month from his salary.	No	In nature of loan. Not income. Taxable salary does not reduce by the amount of adjustment.

B2. PAY SCALE – Meena was appointed with a Government undertaking on 1 June 2016 on a pay scale

Period	Salary p.m.
1 June 2016 to 31 May 2017	50,000
1 June 2017 to 31 May 2018	65,000
1 June 2018 to 31 May 2019	80,000
1 June 2019 to 31 May 2020	1,05,000
1 June 2020 to 31 May 2021	1,30,000
1 June 2021 to 31 May 2022	1,55,000

Salary from 1 April 2021 to 31 March 2022 = 1,30,000 p.m. for 2 months + 1,55,000 p.m. for 10 months = 18,10,000.

B3. BASIS OF CHARGE - Raju is employed with BCD Pvt. Ltd. He furnishes the following particulars

Computation of salary chargeable to tax for AY 2022-23

Particulars	Rs.
Salary for April 2021 to February 2022 = 50,000 pm for 11 months (earlier of due or receipt)	5,50,000
Salary for March 2022 (earlier of due or receipt)	70,000

50% salary of May 2022 received on 10.3.2022 (earlier of due or receipt)	35,000
Salary of January 2021 received on 15.12.2021 (was taxed for PY 2020-21) (not again taxed)	-
Loan taken from employer on 15.2.2022 at market rate of interest (not taxable)	-
	6,55,000

DEARNESS & COMPENSATORY

B4. DEARNESS & COMPENSATORY - Determine taxability of the following allowances provided to Josh, employed with Zap India Ltd. in Bangalore, during the PY 2021-22.

Allowance	Amount	Spend details	Taxable	Comment
Basic salary	60,000 p.m.		7,20,000	Fully taxable
Dearness allowance	10,000 p.m.		1,20,000	Fully taxable
Overtime allowance	1,000 p.m.		12,000	Fully taxable
Tribal area allowance for working for 2 months in a remote tribal area (specified under Income Tax Rules)	6,000	5,000 spent	5,600	400 exempt @ 200 p.m.
Underground mine allowance for supervising a project in a mine in Rajasthan for 3 months	500 p.m.	1,000 spent	-	Entire amount exempt @ 800 p.m.
			8,57,600	

RETIREMENT BENEFITS

B5. GRATUITY – CA2010(N) – Mr. Shah, an Accounts Manager, has retired from JK Ltd. on 15.1.2022

Particulars	Computation	Rs.	Rs.
Gratuity received at the time of retirement			8,00,000
Less: Exemption u/s 10(10) = Lower of the following:			
(a) Amount actually received as gratuity		8,00,000	
(b) Rs. 20 lakh		20,00,000	
(c) Half month salary for each year of service			
<ul style="list-style-type: none"> Avg. salary of preceding 10 months (Mar to Dec 21) 	Basic + DA(T) = 2,56,000 (25,000 for 7 mth and 27,000 for 3 mth) + 11,000 (55% of 20,000) = 2,67,000 Avg salary of preceding 10 months = 2,67,000 ÷ 10 = 26,700		
<ul style="list-style-type: none"> Half month salary 	Average salary of preceding 10 months ÷ 2 = 26,700 ÷ 2 = 13,350		
<ul style="list-style-type: none"> Years of service 	Retirement date – Joining date = 30 years (Only completed years taken)		
<ul style="list-style-type: none"> Half month salary for each year of service 	13,350 × 30	4,00,500	(4,00,500)
Taxable gratuity			3,99,500

B6. GRATUITY - Sheena resigned from employment on 15 September 2021 after completing 6 years, 6 months

Situation A: Private sector + POGA

Particulars	Computation	Rs.	Rs.
Basic salary	1,00,000 × 5.5 months		5,50,000
Dearness allowance	60% of basic salary		3,30,000
Commission	2% of 5 lakh		10,000
Bonus			3,00,000

Gratuity received			10,00,000
Less: Exemption u/s 10(10) = Lower of the following:			
(a) Amount actually received as gratuity		10,00,000	
(b) Rs. 20 lakh – Rs. 8 lakh exempted earlier		12,00,000	
(c) 15 days salary for each year of service			
• Salary	Basic salary + DA (last drawn) = 1,60,000		
• 15 days salary	$1,60,000 \times (15 \div 26) = 92,307.69$		
• Years of service	6 years (period up to 6 months ignored)		
• 15 days salary for each year of service	$92,307.69 \times 6$	5,53,846	(5,53,846)
Gross salary income			16,36,154

Situation B: Government employee

Particulars	Computation	Rs.
Basic salary	$1,00,000 \times 5.5$ months	5,50,000
Dearness allowance	60% of basic salary	3,30,000
Commission	2% of 5 lakh	10,000
Bonus		3,00,000
Gratuity received		21,00,000
Less: Exemption u/s 10(10)		(21,00,000)
Gross salary income		11,90,000

Situation C: Private sector + Non POGA

Particulars	Computation	Rs.
Basic salary	$1,00,000 \times 5.5$ months	5,50,000
Dearness allowance	60% of basic salary	3,30,000
Commission	2% of 5 lakh	10,000
Bonus		3,00,000
Gratuity received	<i>Working below</i>	3,92,400
Less: Gratuity exempt u/s 10(10)	<i>Working below</i>	(3,92,400)
Gross salary income		11,90,000

Working:

Particulars	Computation	Rs.
Exemption u/s 10(10) = Lower of the following:		
(a) Amount actually received as gratuity		XX
(b) Rs. 20 lakh – Rs. 8 lakh exempted earlier		12,00,000
(c) Half month salary for each year of service		
• Avg. salary of 10 months preceding Sep 2021 (Nov 20 to Aug 21)	<ul style="list-style-type: none"> • Apr 21 to Aug 21: Basic + DA(T) + C(TO) = 5,00,000 (1,00,000 × 5) + 2,10,000 (70% of 60% of Basic) + 10,000 (2% of 5,00,000) = 7,20,000 • Nov 20 to Mar 21: Basic + DA(T) + C(TO)) = 4,00,000 (80,000 × 5) + 1,68,000 (70% of 60% of Basic) + 20,000 (2% of 10,00,000) = 5,88,000 • Avg salary of 10 months = 13,08,000 (7,20,000 + 5,88,000) ÷ 10 = 1,30,800 	
• Half month salary	Average salary of preceding 10 months ÷ 2 = 1,30,800 ÷ 2 = 65,400	
• Years of service	6 years (Only completed years taken)	
• Half month salary for each year of	$65,400 \times 6$	3,92,400

service		
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B7. PENSION – Rishi retired on 1.6.2021 with entitlement to receive Rs. 25,000 p.m. as pension.

Computation of taxable pension for AY 2022-23

Particulars	A	B	C
Uncommuted pension received (June 21 to Mar 22) = 25,000 p.m. for 3 months (June to Aug) + 12,500 p.m. for 7 months (50% for Sep to Mar)	1,62,500	1,62,500	1,62,500
Committed pension received	8,00,000	8,00,000	8,00,000
Less: Exemption u/s 10(10A):			
• $1/3 \times (\text{Committed pension received} \div \text{Commutation \%}) \times 100\% = 1/3 \times (8,00,000 \div 50) \times 100$	(5,33,333)		
• $1/2 \times (\text{Committed pension received} \div \text{Commutation \%}) \times 100\% = 1/2 \times (8,00,000 \div 50) \times 100$		(8,00,000)	
• Fully exempt			(8,00,000)
Taxable pension	4,29,167	1,62,500	1,62,500

B8. LEAVE SALARY - Mr. King retired from employment on 15 September 2021 after completing

Computation of gross salary income of Mr. King for PY 2021-22

Particulars	Computation	Rs.	A	B
Basic salary	1,00,000 p.m. for 5.5 months		5,50,000	5,50,000
Dearness allowance	50% of basic salary		2,75,000	2,75,000
Sales commission	1% of 10 lakh		10,000	10,000
Fixed commission	5,000 p.m. for 5.5 months		27,500	27,500
Gratuity	Fully exempt in Case A and 1.5 lakh exempt in Case B		-	1,00,000
Pension	Uncommuted pension is taxable. For 6.5 months.		65,000	65,000
Leave encashment	Received		3,00,000	3,00,000
	Less : Exempt u/s 10(10AA):			
	Fully exempt for State Government employee		(3,00,000)	
	Lower of the following for private sector employee:			
	(A) Leave salary received	3,00,000		
	(B) Statutory limit = 3,00,000 - 50,000 exempted earlier	2,50,000		
	(C) 10 months \times Average salary Average salary = [Basic + DA(T) + C(TO) of 10 months immediately preceding date of retirement (16 Nov 2020 to 15 Sep 2021)] \div 10 = $\{[(1,00,000 + 37,500) \times 10] + 10,000\} \div 10 = 1,38,500$. 10 months \times Average salary = 10 \times 1,38,500	13,85,000		
	(D) Leave credit (months) \times Average salary Leave credit = (Leave entitlement* - Leave availed/lapsed/encashed) \div 30 days = [(6 years \times 30 days) - 20 availed - 10 lapsed - 15 encashed] = 135 \div 30 = 4.5 months *Max 30 days for each completed year. Leave credit (months) \times Average salary = 4.5 \times 1,38,500	6,23,250		
				(2,50,000)
Gross salary income			9,27,500	10,77,500

B9. PF - Compute the gross salary income of Shalini after taking into account the following particulars

Computation of gross salary income of Shalini for AY 2022-23

Particulars	RPF	UPF	SPF	PPF
Basic salary @ 30,000 p.m.	3,60,000	3,60,000	3,60,000	3,60,000

Dearness allowance @ 1/3 of basic salary	1,20,000	1,20,000	1,20,000	1,20,000
Commission	60,000	60,000	60,000	60,000
Overtime allowance	12,000	12,000	12,000	12,000
Employer's contribution to PF account:	2,160	-	-	-
<ul style="list-style-type: none"> Exempt for SPF/UPF. Employer does not contribute for PPF. Exempt up to 12% of salary (Basic + DA(T) + C(TO)) for RPF = 12% of (3,60,000 + 72,000 (60% of DA) + Nil) = 51,840. Taxable = 54,000 (15% of basic) – 51,840 = 2,160 				
Shalini's contribution to PF account: Deduction u/s 80C available for RPF, SPF, PPF.	-	-	-	-
Interest credited to PF account:	6,000	-	-	-
<ul style="list-style-type: none"> Exempt for UPF/SPF/PPF Taxable for RPF in excess of 9.5% = 25,000 × (3 / 12.5) 				
Gross salary income	5,60,160	5,52,000	5,52,000	5,52,000

B10. PF – Suhail is employed with JK Ltd. He is entitled to basic salary of Rs. 6 lakh per month. During the PY 2021-22.....

Computation of gross salary of Suhail for AY 2022-23

Particulars	Rs.
Basic salary	72,00,000
Taxable allowances	10,00,000
Employer's contribution to RPF: Exempt up to 12% of salary	-
Interest on RPF: Exempt up to 9.5%	-
Employer's contribution to RPF in excess of 7.5 lakh = 8,64,000 – 7,50,000	1,14,000
Taxable annual accretion on employer's contribution to RPF computed as per Rule 3B (see Note)	8,655
Gross salary	83,22,655

In addition, interest accrued relating to contribution of Suhail exceeding Rs. 2,50,000, i.e., 6,14,000, will not be exempt and will be computed in the manner to be prescribed and taxed under the head IFOS.

Note:

Particulars	Amount	
PY 2020-21		
Aggregate of taxable employer's contribution (i.e., > 7.5 lakh) for each PY	PC1	50,000
Aggregate of Taxable Accretion u/s 17(2)(viiia) for each PY	TP1	3,500
PY 2021-22		
Taxable employer's contribution > 7.5 lakh	PC	1,14,000
Income accrued	I	3,15,000
Balance on 1 April of PY		30,00,000
Balance on 31 march of PY = 30,00,000 + 8,64,000 + 8,64,000 + 3,15,000		50,43,000
Average balance = (Balance on 1 April of PY + Balance on 31 march of PY) / 2	Favg	40,21,500
Return = I / Favg	R	
Taxable accretion = [(PC/2) + [PC1+ TP1]] × R = [57,000 + 53,500] × (3,15,000/40,21,500)		8,655

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B11 to B20

Salaries

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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
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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.

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Salaries

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B21. MOTOR CAR – Jay is in possession of a motor car, provided by Z Ltd., his employer. Maintenance and running....

Case I: Exempt as car used wholly for official purpose. Assuming Z Ltd. maintains log book and issues certificate to Jay.

Case II: Taxable value = 15,000 + 24,000 (maintenance and chauffeur expenses borne by Z Ltd.) – 10,000 (recovered from Jay) = 29,000.

Case III: Taxable value = 39,000 (maintenance and chauffeur expenses borne by Z Ltd.) – 16,200 (2,700 p.m. (1,800 + 900) for 6 months) = 22,800. Higher amount, corresponding to 75% official use, can be deducted if Z Ltd. maintains log book and issues certificate to Jay.

Case IV: Exempt as car used wholly for official purpose. Assuming Z Ltd. maintains log book and issues certificate to Jay.

Case V: Taxable value = 30,000 (10% p.a. of cost of 4 lakh for 9 months) + 15,000 + 24,000 – 10,000 = 59,000.

Case VI: Taxable value = 3,300 p.m. (2,400 + 900) for 10 months – 20,000 = 13,000.

Case VII: No perquisite since no benefit arises to Jay as he owns the cars and bears expenses.

Case VIII: Taxable value = 600 p.m. for 6 months = 3,600.

EDUCATION

B22. SPECIAL ALLOWANCES – Determine taxability of the following allowances provided to Josh, employed with Zap India Ltd. in Bangalore, during the PY 2021-22.

#	Allowance	Amount	Spend details	Taxable	Comment
1	Research allowance granted to complete a technical education course for official purpose	25,000	30,000 spent	-	Entire amount spent
2	Children education allowance	1,000 p.m.	1,000 p.m. on each of his 3 children	9,600	2,400 exempt @ 100 p.m. per child up to 2 children
3	Children hostel allowance	1,500 p.m.	No spend. All children stay with Josh at home	10,800	7,200 exempt @ 300 p.m. per child up to 2 children

B23. EDUCATION FACILITY – Determine the value of taxable perquisite in the case of Seema, who is employed with Gyan Pvt. Ltd. as a manager.

#	Case	Taxable	Comment
1	Seema attends a conference on recent management trends. Fee of Rs. 5,000 is paid by her employer.	-	Exempt
2	Daughter of Seema studies in a school owned by Gyan Pvt. Ltd. Cost of similar education in a nearby school is Rs. 1,000 p.m. Seema is charged Rs. 500 p.m.	-	Exempt up to 1,000 p.m.
3	Son of Seema studies in Ram Krishna school with which Gyan	12,000	18,000 (@ 1,500 p.m.) – 6,000 (@ 500

	Pvt. Ltd. has a tie up. Cost of similar education in a nearby school is Rs. 1,500 p.m. Seema is charged Rs. 500 p.m.		p.m.) is taxable As per alternate view, 6,000 (@ 1,500 p.m. – 1,000 p.m. exemption) – 6,000 (@ 500 p.m.), i.e., Nil is taxable
4	Gyan Pvt. Ltd. reimburses tuition fee of Rs. 10,000 p.m. for education of Seema's son in JK School. There is no tie up between Gyan Pvt. Ltd. and JK School.	1,20,000	Taxable

ASSETS

B24. USE OF MOVABLE ASSET – Compute the taxable value of perquisite in the following cases for PY 2021-22.

#	Case	Taxable	Comment
1	Raghav is given a laptop by his employer on 1 May 2021. Employer purchased laptop in 2019 for Rs. 50,000. Raghav uses laptop for official and personal purposes.	-	Exempt
2	Raghav is given a mobile phone by his employer on 1 October 2021. He uses it for making official and personal calls. Employer purchased the mobile in 2020 for Rs. 30,000.	1,500	10% p.a. of Rs. 30,000 for 6 months
3	The employer hired a TV for Rs. 2,000 p.m. and gave it to Raghav on 1 January 2022 for use at home. Raghav pays Rs. 500 p.m. on this account.	4,500	1,500 p.m. (2,000 – 500) for 3 months

B25. TRANSFER OF MOVABLE ASSET – Jaggi is employed with Jag Ltd. During the PY 2021-22, Jag Ltd. sold a laptop.....

Particulars	Laptop	Car	WM
Actual cost	50,000	5,00,000	30,000
Less: Depreciation for every completed year of use (see Note)	(25,000)	(1,80,000)	(9,000)
Less: Amount paid by Jaggi	-	(50,000)	(22,000)
Taxable value of perquisite	25,000	2,70,000	Nil

Note:

Depreciated value	Laptop	Car	WM
Completed years of use	1 year (15.6.20 to 1.11.21)	2 years (15.6.19 to 1.11.21)	3 years (15.6.18 to 1.11.21)
Rate of depreciation	50% on reducing balance	20% on reducing balance	10% on SLM
Depreciation	25,000 (50% of 50,000)	1,00,000 for 1 st year (20% of 5 lakh) + 80,000 (20% of 4 lakh) = 1,80,000	10% of 30,000 for 3 years = 9,000

OFFICE SUPPORT

B26. SPECIAL ALLOWANCES – Determine taxability of the following allowances provided to Mr. X, employed with Z India Ltd. in Bangalore, during the PY 2021-22.

Allowance	Amount	Spend details	Taxable	Comment
Lunch allowance	500 p.m.	10,000 spent on lunch	6,000	Fully taxable
Helper allowance	3,000 p.m.	Helper employed for 2,500 p.m. to assist family at home	36,000	Expense not for official duty
Uniform allowance	20,000	25,000 (out of which 10,000 spent in purchasing school uniform of children)	5,000	Official spend exempt

B27. F&B – Shaily was employed with JK Ltd. during the PY 2021-22. During the year, JK Ltd. spent Rs. 10,000

Case	Taxable	Comment
Free, tea, coffee, snacks in office	-	Exempt

Subsidized lunch in office	6,000	$200 \times (100 - 50 - 20)$
Meals in remote area	-	Exempt
	6,000	

FINANCIAL INCENTIVES

B28. LOAN – Compute the taxable perquisite in the following cases where Raman has received loan facility from Growth Ltd., his employer, during the PY 2021-22.

#	Case	Taxable	Comment
1	Growth Ltd. provides interest-free loans of Rs. 3,000, Rs. 10,000 and Rs. 7,000 during the PY, for personal purposes.	-	Aggregate does not exceed 20,000
2	Growth Ltd. provides a loan of Rs. 50,000 at interest rate of only 1% p.a. for treatment of Mrs. Raman for a disease prescribed under Rule 3A.	-	Exempt even if amount exceeds 20,000. Spouse is MOH.
3	Growth Ltd. provides interest-free loan of Rs. 1 lakh on 1 April 2021 for purchase of consumer durables. SBI lending rate on 1 April 2021 is 15% for personal loans. Loan is outstanding as on 31 March 2022.	15,000	15% of 1 lakh
4	Growth Ltd. provides housing loan on 1 October 2021 of Rs. 10 lakh at 3% interest rate. SBI lending rate on 1 April 2021 is 10% for housing loans. Loan remains unpaid for PY 2021-22.	35,000	7% of 10 lakh for 6 months

B29. LOAN – Raman avails a car loan of Rs. 5 lakh from his employer during the PY 2021-22. Loan is given

Month	Aggregate O/S balance on last day of each month
October 2021	5,00,000
November 2021	5,00,000
December 2021	5,00,000
January 2022	4,75,000
February 2022	4,50,000
March 2022	4,25,000
Total	28,50,000

Taxable value of perquisite = $4\% (10\% - 6\%) \times 28,50,000 \times (1/12) = \text{Rs. } 9,500$

B30. LOAN - Raman avails a loan of Rs. 5 lakh from his employer on 1 June 2021 for medical treatment

Taxable value of perquisite for the period June to December 2021 = Nil

Taxable value of perquisite for the period January to March 2022 is computed below.

Month	Aggregate O/S balance on last day of each month
January 2022	$3,00,000 - 20,000 = 2,80,000$
February 2022	$2,80,000 - 20,000 = 2,60,000$
March 2022	$2,60,000 - 20,000 = 2,40,000$
Total	7,80,000

Taxable value of perquisite = $10\% \times 7,80,000 \times (1/12) = \text{Rs. } 6,500$

TAXBOOK⁺

Working steps of solutions

B31 to B40

Salaries

Build Your Confidence (BYC)

B31. ESOP – SAP India Ltd. allotted 2,000 sweat equity shares to Madhav in June 2021. Allotment

Particulars	Amount
FMV of 2,000 sweat equity shares @ 1,000 each	20,00,000
Less: Amount recovered from Madhav @ 500 per share	(10,00,000)
Value of perquisite	10,00,000

B32. GIFT – Discuss the taxability of perquisite in the following cases for the PY 2021-22.

#	Case	Taxable	Comment
1	Ganga received gift voucher worth Rs. 3,000 from her employer on completing 10 years of service and a gift token worth Rs. 1,500 on her birthday	-	Aggregate less than 5,000
2	During the PY, Ganga received gift voucher worth Rs. 3,000 from her employer on completing 10 years of service and a gift token worth Rs. 2,500 on her birthday	5,500	Alternatively, Rs. 500 (5,500 – 5,000 exempt) can be stated as taxable with a note in the answer.
3	During the PY, Ganga received gift cheque of Rs. 4,000 from her employer on her anniversary as well as various gifts worth Rs. 10,000 from her office colleagues on this occasion.	4,000	Cash gift fully taxable. Gift from colleagues not perquisite but covered in terms of section 56(2)(x) under IFOS (para 172)
4	During the PY, Ganga received a wrist watch worth Rs. 4,000 from her employer on her birthday along with cash gift of Rs. 2,000.	2,000	Cash gift fully taxable. Value of watch is < 5,000.

DEDUCTIONS U/S 16

B33. DEDUCTIONS U/S 16 – Compute the income taxable under the head ‘Salaries’ for the AY 2022-23 in case of Rahul.....

Particulars	CD Pvt. Ltd.	State Govt
Basic salary	2,00,000	48,000
Dearness allowance	50,000	-
Commission	60,000	-
Entertainment allowance	12,000	4,000
Taxable value of residential accommodation provided	35,000	-
Professional tax paid by employer	1,500	1,500
Gross salary	3,58,500	53,500
Less: Deductions u/s 16:		
• Standard deduction u/s 16(ia)	(50,000)	(50,000)
• Entertainment allowance u/s 16(ii) = Lower of (a) allowance received (4,000), (b) statutory amount (5,000), (c) 20% of basic salary (9,600). Only for Government employee.	-	(4,000)
• Professional tax paid: u/s 16(iii)	(2,500)	(2,500)
Income from salary	3,06,000	Nil

COMPREHENSIVE QUESTIONS

B34. – CA 2020(N) - Rohan is a Finance Manager in Surya Ltd. He gives you the following information.

Particulars	Amount
Basic salary	9,00,000
Entertainment allowance	15,000
Housing loan (Note 1)	40,125
Health insurance premium : Not taxable as perquisite	-
Gift voucher: Taxable since value \geq Rs. 5,000. As per alternate view, excess of Rs. 5,000 can be taken as taxable value.	15,000
Sweat equity shares: FMV on date of exercise of option – Amount actually paid = $1,000 \times (700 - 415)$	2,85,000
Use of furniture: 10% p.a. of actual cost of Rs. 2,10,000 during PY 2021-22	21,000
Transfer of furniture: Actual cost Rs. 2,10,000 – Rs. 84,000 being depreciation @ 10% on SLM for 4 years (completed years of use)	1,26,000
Gross salary	14,02,125
Less: Deductions u/s 16	
• Standard deduction u/s 16(ia)	(50,000)
• Entertainment allowance: Deduction allowed only to Government employee	-
Income under the head 'Salary'	13,52,125

Note 1: Housing loan

Perquisite taxable since amount of loan $>$ Rs. 20,000. Value = $3\% (8\% - 5\%) \times$ aggregate outstanding balance on last day of each month = $3\% \times 1,60,50,000 / 12 = 40,125$. Date of payment every month is not given. It is assumed that outstanding balance on last day of each month is after payment of instalment for that month.

Month	Outstanding balance on last day
April 20	14,75,000
May 20	14,50,000
June 20	14,25,000
July 20	14,00,000
Aug 20	13,75,000
Sep 20	13,50,000
Oct 20	13,25,000
Nov 20	13,00,000
Dec 20	12,75,000
Jan 21	12,50,000
Feb 21	12,25,000
Mar 21	12,00,000
Total	1,60,50,000

B35. CA2019(N) – Swaraj has provided the following particulars for the year ended 31.3.2022.....

Computation of income under the head 'Salaries' of Swaraj for AY 2022-23

Particulars	Rs.	Rs.
Basic salary @ 25,000 p.m. for 9 months		2,25,000
HRA @ 6,000 p.m. for 9 months	54,000	
Less: Exempt u/s 10(13A) = Lower of:		
(a) HRA received = 54,000		
(b) Rent paid – 10% of salary = 58,500 (@ 6,500 p.m. for 9 months) – 22,500 (10% of 2,25,000) = 36,000		
(c) 50% of salary = 50% of 2,25,000 = 1,12,500	(36,000)	
		18,000
Gratuity	3,50,000	
Less: Exempt u/s 10(10) = Lower of:		
(a) Gratuity received = 3,50,000		
(b) Statutory limit = 20,00,000		
(c) 15 days salary for each year of service (period in excess of 6 months taken as one year) = $(15/26)$	(3,50,000)	

$\times 25,000 \times 26 = 3,75,000$		
Leave encashment	3,15,000	
Less: Exempt u/s 10(10AA) = Lower of:		
(a) Leave encashment received = 3,15,000		
(b) Statutory limit = 3,00,000		
(c) 10 months average salary = $10 \times 25,000 = 2,50,000$		
(d) Leave credit (months) \times Average salary = $(375 \text{ days} / 30) \times 25,000 = 3,12,500$	(2,50,000)	
		65,000
Gift voucher: Exempt as value $< 5,000$		-
Gift of mobile phone: Not covered under salary as not received from employer		-
Gross salary		3,08,000
Less: Standard deduction u/s 16(ia)		(50,000)
Income under the head 'Salaries'		2,58,000

B36. CA2018(N) – Nandini, a resident individual, aged 48 years, is an assistant manager of Dye Hard Ltd.

Computation of total income of Nandini for AY 2022-23

Particulars	Rs.
Basic salary @ 32,000 p.m.	3,84,000
Dearness allowance @ 10% of basic pay	38,400
Bonus: Taxable assuming it was not subject to tax in PY 2020-21	32,000
Fixed medical allowance: Taxable	20,000
Medical bill of father in law: Taxable; father in law is not included in meaning of family	3,000
Use of laptop: Exempt	-
Domestic servant @ 1,000 p.m.	12,000
Value of equity shares = 500 shares @ Rs. 100 per share (FMV on date of exercise of option Rs. 250 – Amount paid Rs. 150)	50,000
Professional tax paid by employer	1,800
Gross salary	5,41,200
Less: Deductions u/s 16	
• Standard deduction	(50,000)
• Professional tax paid	(2,500)
Total income	4,88,700

B37. CA2018(N), 2011(N) – Janakaraj, employed as General Manager in Rajus Refractories Pvt. Ltd.,

Computation of taxable salary of Janakaraj for AY 2022-23

Particulars	Rs.	Rs.
Basic salary = 70,000 p.m. for 8 months and 80,000 p.m. for 4 months		8,80,000
Dearness allowance @ 50% of basic salary		4,40,000
Bonus = 70,000 + 50% of 70,000		1,05,000
Employer's contribution to RPF @ 18% of 8,80,000	1,58,400	
Less: Exempt up to 12% of Basic + DA if terms of employment provide + Commission based on fixed percentage of turnover = 12% of 8,80,000	(1,05,600)	
		52,800
Profession tax paid by employer		3,000
Use of laptop: Exempt		-
LTC	45,000	
Less: Exempt = Economy class air fare (assumed it is for Air India for shortest route) for the entire family. Twins born after first child are considered as one child.	(45,000)	
		-
Gross salary		14,80,800
Less: Deductions u/s 16		
• Standard deduction		(50,000)
• Professional tax paid		(6,000)

Taxable salary	14,24,800
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B38. CA2018(M) - Mr. Honey is working with a domestic company having a production unit in USA for last

Residential status of Mr. Honey = Resident and ordinarily resident, since stay in India \geq 182 days during the PY. Thus, global income is taxable in India.

Computation of taxable income from salary of Mr. Honey for AY 2022-23

Particulars	Rs.	Rs.
Salary @ 50,000 p.m.		6,00,000
Children education and hostel allowance		
• Amount received	36,000	
• Less: Exemption = Nil since education and hostel outside India	Nil	36,000
Perquisites		
Rent free accommodation in USA = Lower of:		
• Lease rental = 15,000 \times 12	1,80,000	
• 15% of salary (Basic + Taxable allowance) = 15% of 6,36,000	95,400	95,400
Guest house in India – Not taxable since provided for stay when he visits India wholly for official purpose		-
Lunch facility – Taxable on assumption that value exceeds Rs. 50 per meal. Assuming 6 month stay in India during PY and 26 working days per month, Rs. 7,800 (50 \times 26 \times 6) is considered exempt. Taxable = 48,000 – 7,800.		40,200
Motor car in USA = 2,400 \times 6, assuming expenses met by employer, car is self driven and it is used by Honey for 6 months while he is in USA.		14,400
Motor car in India		
• 10% p.a. of 8 lakh for 6 months in India	40,000	
• Running and maintenance expenses for 6 months (assuming these are met by employer)	30,000	70,000
Education for elder son in India		12,000
Life insurance premium paid by employer		10,000
Personal accident policy premium paid by employer		-
Gross salary		8,78,000
Less: Standard deduction		(50,000)
Taxable salary		8,28,000

Mistake by students – Wrongly allowed exemption u/s 10(14) for allowance of education and hostel.

B39. CA2017(N) – Jaya is the marketing manager in XYZ Ltd. She gives you the following particulars.....

Computation of taxable income from salary of Jaya for AY 2022-23

Particulars	Rs.	Rs.
Basic salary @ 65,000 p.m.		7,80,000
Dearness allowance @ 22,000 p.m.		2,64,000
Bonus @ 17,000 p.m.		2,04,000
Residential accommodation:		
• Value of rent free accommodation (for 5 months) = Lower of (a) lease rental Rs. 60,000 or (b) 15% of salary (basic 65,000 + 30% of DA being 6,600 + bonus 17,000 = 88,600 p.m. for 5 months = 4,43,000) being Rs. 66,450	60,000	
• Less: Rent paid by Jaya	(24,000)	
		36,000
Gift voucher: Taxable as \geq 5,000. ¹		8,000
Employee's contribution to RPF: Not taxable		-
Employer's contribution to RPF = 18% of (basic + DA)	1,87,920	
• Less: Exempt up to 12% of Basic + DA if terms of employment provide + Commission based on fixed percentage of turnover = 12% of 8,59,200 (7,80,000 + 79,200 being 30% of DA)	(1,03,104)	
		84,816

¹ Alternative, only value in excess of 5,000 can be said to be taxable.

Medical insurance premium: Exempt	-
Motor car = 2,400 p.m. for 5 months	12,000
Gross salary	13,88,816
Less: Standard deduction u/s 16(ia)	(50,000)
Taxable salary	13,38,816

B40. CA2017(M) – Nambi, a salaried employee, furnishes the following details for FY 2021-22.....

Computation of taxable income from salary of Nambi for AY 2022-23

Particulars	Rs.
Basic salary	6,00,000
Dearness allowance	3,20,000
Commission	50,000
Entertainment allowance	7,500
Medical expenses reimbursed by employer: Assumed not in a specified hospital	21,000
Profession tax paid by employer	3,500
Health insurance premium paid by employer: Exempt	-
Gift voucher given by employer on his birthday: Taxable as $\geq 5,000$. ²	12,000
Life insurance premium of Nambi paid by employer: Taxable	34,000
Laptop provided for use at home: Exempt	-
Motor car: Assuming running and maintenance born by employer: 1,800 p.m.	21,600
Annual credit card fees paid by employer: Fully taxable as details of official usage not available	2,000
Gross salary	10,71,600
Less: Deduction u/s 16	
• Standard deduction	(50,000)
• Profession tax paid	(7,000)
Taxable salary	10,14,600

² Alternatively, only value in excess of 5,000 can be taken to be taxable.

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B41 to End

Salaries

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B41. CA2014(N) - Anand, an employee of XYZ Co. Ltd. at Mumbai and not covered by Payment of Gratuity Act.....

Computation of taxable income from salary of Anand for AY 2022-23

Particulars	Amount
Basic salary	7,20,000
Bonus	36,000
HRA (Note 1)	1,17,000
Employer's contribution to RPF in excess of 12% of salary (12% of 7,20,000) = 1,10,000 – 86,400	23,600
Gratuity (Note 2)	7,31,640
Accumulated balance of RPF: Exempt since more than 5 years service rendered	-
Uncommuted pension = (8,000 × 1) + (2,000 × 2)	12,000
Commuted pension (Note 3)	2,50,000
Gross salary	18,90,240
Less: Standard deduction	(50,000)
Less: Professional tax paid	(2,000)
Taxable salary	18,38,240

Note 1 - HRA

Computation	Amount	Amount
HRA received		1,35,000
Less: Exempt u/s 10(13A) = Lower of:		
(a) HRA received	1,35,000	
(b) Rent paid – 10% of salary = 90,000 – 10% of 7,20,000	18,000	
(c) 50% of salary	3,60,000	(18,000)
Taxable HRA		1,17,000

Note 2 - Gratuity

Computation	Amount	Amount
Gratuity received		20,51,640
Less: Exempt u/s 10(10) = Lower of:		
(a) Gratuity received	20,51,640	
(b) Statutory limit	20,00,000	
(c) Half month salary for each completed year of service = (Average salary of 10 month preceding retirement ÷ 2) × 33 = (80,000 ÷ 2) × 33	13,20,000	(13,20,000)
Taxable gratuity		7,31,640

Note 3 - Pension

Computation	Amount	Amount
Commuted pension received		4,50,000
Less: Exempt u/s 10(10A) = $\frac{1}{3} \times (4,50,000 \div 75\%) \times 100\%$		(2,00,000)
Taxable amount		2,50,000

B42. CA2013(N), 2010(N) – From the following details, find out the salary chargeable to tax of Anand for AY 2022-23.....

Computation of taxable income from salary of Anand for AY 2022-23

Particulars	Rs.	Rs.
Basic salary = 25,000 p.m. for 11 months + 27,500 p.m. for 1 month		3,02,500
Dearness allowance = 15% of basic pay		45,375
Bonus = 1.5 × 27,500		41,250
Own contribution to RPF		-
Employer's contribution to RPF = 18% of 3,47,875 (basic + DA)	62,618	
Less: Exempt = 12% of salary (12% of 3,47,875 being basic + DA forming part of salary for retirement benefits)	(41,745)	
		20,873
Rent free residential accommodation = Lower of:		
• Lease rent @ 15,000 p.m.	1,80,000	
• 15% of salary: Salary = Basic 3,02,500 + DA forming part of salary 45,375 + Bonus 41,250 + Telephone allowance 12,000 = 4,01,125.	60,169	60,169
Laptop: Exempt		-
Medical treatment bill of dependent daughter: Taxable assuming treatment not in specified hospital		25,000
House keeper: 2,000 p.m.		24,000
Telephone allowance		12,000
Conveyance allowance: Exempt as it is based on reimbursement of official expenses		-
Gift voucher: Exempt as < 5,000		-
Medical insurance premium: Exempt		-
Personal accident policy premium: Exempt		-
Motor car = R&M expenses born by employer of 36,600 – 21,600 (@ 1,800 p.m.)		15,000
Free lunch: Exempt assuming it is not exceeding Rs. 50 per meal		-
Gross salary		5,46,167
Less: Standard deduction		(50,000)
Taxable salary		4,96,167

B43. CA2008(N) - Mr. M is an area manager of M/s N Steels Co. Ltd. During the FY 2021-22, he gets the following.....

Computation of taxable salary of Mr. M for AY 2022-23

Particulars	Rs.	Rs.
Basic salary = 20,000 p.m. for 5 months + 25,000 p.m. for 7 months		2,75,000
Transport allowance		24,000
Contribution of employer to RPF: Taxable = 3% (15% - 12%) of 2,75,000		8,250
Children education allowance	6,000	
Less: Exempt 100 p.m. per child up to 2 children	(2,400)	
		3,600
City compensatory allowance		3,600
Hostel expenses allowance	3,600	
Less: Exempt 300 p.m. per child up to 2 children	(7,200)	
		-
Tiffin allowance: Fully taxable		5,000
Tax on employment paid by employer		2,500
Gross salary		3,21,950
Less: Deductions u/s 16		
• Standard deduction		(50,000)
• Tax on employment paid		(2,500)
Taxable salary		2,69,450

B44. MASTER QUESTION - Suraj retired from the service of Saya Ltd., Delhi, on 31.1.2022 after completing

Computation of income chargeable under the head 'Salaries' for Suraj for AY 2022-23

Amounts are computed based on 10 months of employment during PY 2021-22

Particulars	Rs.	Rs.	Rs.
Basic salary @ 50,000 p.m.			5,00,000
Dearness allowance @ 50% of basic salary			2,50,000
Commission @ 2.000 p.m.			20,000
Bonus @ 10,000 p.m.			1,00,000
Suraj's contribution to recognized provident fund: Not taxable			-
Employer's contribution to recognized provident fund = 15% of 7,50,000 (basic + DA)		1,12,500	
Less: 12% of salary (basic + DA as per terms + Commission based on fixed % of turnover) = 12% of 6,50,000 (5,00,000 + 60% of 2,50,000 + Nil)		(78,000)	
			34,500
Interest on recognized provident fund: Exempt up to 9.5%			-
Salary from partnership firm: Not taxable under the head Salaries but under PGBP			-
Accumulated balance of recognized provident fund: Exempt as ≥ 5 years of continuous service rendered			-
Gratuity		7,00,000	
Less: Exemption u/s 10(10) = Lower of the following:			
(a) Amount actually received as gratuity	7,00,000		
(b) Rs. 20 lakh – Rs. 2 lakh exempted earlier	18,00,000		
(c) 15 days salary for each year of service			
• Salary = Basic salary + DA (last drawn) = 75,000			
• 15 days salary = $75,000 \times (15 \div 26) = 43,269$			
• Years of service = 15 years (period up to 6 months ignored)			
• 15 days salary for each year of service = $43,269 \times 15$	6,49,035	(6,49,035)	
			50,965
Leave encashment		2,50,000	
Less : Exempt u/s 10(10AA): Lower of the following:			
(A) Leave salary received	2,50,000		
(B) Statutory limit	3,00,000		
(C) 10 months \times Average salary	6,50,000		
Average salary = [Basic + DA (as per terms) + Commission (based on % of turnover) of 10 months immediately preceding date of retirement] $\div 10 = 6,50,000$ (5,00,000 + 1,50,000 + Nil) $\div 10 = 65,000$.			
10 months \times Average salary = $10 \times 65,000$			
(D) Leave credit (months) \times Average salary	2,60,000	(2,50,000)	
Leave credit = (Leave entitlement* - Leave availed/lapsed/encashed) $\div 30$ days = [(15 years $\times 30$ days) – 280 availed – 50 lapsed] = $120 \div 30 = 4$ months			
*Max 30 days for each completed year.			
Leave credit (months) \times Average salary = $4 \times 65,000$			
			-
Uncommuted pension of 10,000 for 1 month and 4,000 for 1 month			14,000
Commuted pension		5,00,000	
Less: Exempt = $1/3 \times (\text{Commuted pension received} \div \text{Commutation \%}) \times 100\% = 1/3 \times (5,00,000 \div 60) \times 100$		(2,77,778)	
			2,22,222
Allowances			
Overtime allowance @ 2,000 p.m.			20,000
City compensatory allowance @ 3,000 p.m.			30,000
Project allowance @ 1,000 p.m.			10,000
Fixed medical allowance @ 900 p.m.			9,000
Conveyance allowance for commuting between residence and office @ 1,500 p.m.			15,000
Uniform allowance @ 1,000 p.m.		10,000	
Less: Official expense		(5,000)	
			5,000
House rent allowance received @ 6,000 p.m. for 5 months		30,000	
Less: Exempt u/s 10(13A) based on 4 months for which accommodation occupied = Lower of:			
(A) Actual HRA received	24,000		

(B) Rent paid – 10% of salary = 30,000 – 26,000. Salary p.m. = Basic 50,000 + 60% of DA 15,000 + Commission based on % of turnover Nil = 65,000. Salary for 4 months = 2,60,000.	4,000		
(C) 40% of salary = 40% of 2,60,000	1,04,000	(4,000)	26,000
Travelling allowance for tour		20,000	
Less: Exempt: Cost of travel		(15,000)	
			5,000
Daily allowance for tour		5,000	
Less: Exempt: Ordinary daily charges		(6,000)	
			-
Education allowance @ 500 p.m.		5,000	
Less: Exempt @ 100 p.m.		(1,000)	
			4,000
Hostel allowance @ 1,000 p.m.		10,000	
Less: Exempt @ 300 p.m.		(3,000)	
			7,000
Perquisites			-
Health insurance premium for Suraj and members of family: Exempt			-
Medical treatment of dependent father: Exempt as expenditure on member of family in approved hospital for prescribed disease			-
Medical treatment of son in a private clinic: Not exempt			10,000
Personal accident premium on life of Suraj: Exempt			-
Life insurance premium: Taxable			5,000
Leave travel concession received @ 10,000 for 5 persons		50,000	
Less: Exempt: Air India economy class air fare for 4 persons @ 7,000. Max 2 children born after 1.10.1998 are eligible.		(28,000)	
			22,000
Sweeper and personal attendant @ 4,000 p.m.			40,000
Free education for son in school maintained and owned by employer: Cost of such education in nearby school of 1,200 p.m. is taxable as it is > 1,000 p.m. ¹			12,000
Equity shares allotted at concessional rate: Value = 500 shares × 150 (FMV on date of exercise of option 250 – Amount paid 100)			75,000
Transport facility by employer for personal journey of self and member of household: Value = 15,000 – 2,000 paid by Suraj			13,000
Credit card expenses: Entire amount taxable in absence of details of official spend			12,000
Profession tax paid by employer			1,250
Motor car: Owned by employer and running and maintenance expenses born by employer. Value = 3,300 p.m. (2,400 + 900) for 9 months of use			29,700
Transfer of motor car: Value = Actual cost		7,00,000	
Less: Depreciation for every completed year of use, i.e., 1 year, @ 20% on reducing balance method = 20% of 7,00,000		(1,40,000)	
Less: Amount paid by Suraj		(2,50,000)	
			3,10,000
Use of laptop: Exempt			-
Transfer of laptop: Value = Actual cost		40,000	
Less: Depreciation for every completed year of use, i.e., 0 year, @ 50% on reducing balance method		-	
Less: Amount paid by Suraj		-	
			40,000
Use of motor cycle by member of household = 10% p.a. of actual cost of 60,000 for 9 months		4,500	
Less: Amount paid by Suraj		-	
			4,500
Transfer of motor cycle: Value = Actual cost		60,000	
Less: Depreciation for every completed year of use, i.e., 2 years, @ 10% on SLM method		(12,000)	

¹ Alternatively, amount in excess of 1,000 p.m. can be taken to be the taxable value, i.e., @ 200 p.m.

Less: Amount paid by Suraj		(20,000)	
			28,000
Gifts:			
• Gift cheque		2,500	
• Gift voucher: Taxable as value $\geq 5,000^2$		6,000	
• Gift from friends: Not covered under the head 'Salaries' but under IFOS		-	
			8,500
Residential accommodation for 5 months:			
• Salary = Basic 2,50,000 + DA as per terms 75,000 + Bonus 50,000 + Commission 10,000 + taxable allowances 1,31,000 = 5,16,000			
• Value of rent free accommodation = 15% of salary as Bangalore has population > 25 lakh		77,400	
• Add: Value of furniture = 10% p.a. of 1,20,000 for 5 months		5,000	
• Less: Rent paid by Suraj @ 2,000 p.m.		(10,000)	
			72,400
Gross salary			20,06,037
Less: Deductions u/s 16			
• Standard deduction			(50,000)
• Profession tax paid			(2,500)
Income chargeable under the head 'Salaries'			19,53,537

B45. MASTER QUESTION - Mr. Jaggi, an employee of Central Government, retired from services on

Computation of taxable salary income of Mr. Jaggi for AY 2022-23

Particulars	Computation/Remarks	Rs.
Basic salary		4,50,000
Dearness allowance		2,70,000
Commission		50,000
Arrears of salary not taxed earlier		3,00,000
Gratuity	Exempt	-
Uncommuted pension	10,000 for 2 months and 4,000 for 1 month	24,000
Commuted pension	Exempt	-
Leave encashment	Exempt	-
Payment from statutory provident fund	Exempt	-
Voluntary retirement compensation	Exempt = Lower of: (a) Amount received Rs. 15 lakh (b) Statutory limit Rs. 5 lakh (c) 3 month salary \times 20 years = 2,17,500 \times 20 = 43,50,000 (d) Salary \times 60 months = 72,500 \times 60 = 43,50,000. Salary = Basic 50,000 + DA(T) 22,500 = 72,500 Taxable = 15,00,000 – 5,00,000	10,00,000
General conveyance allowance		27,000
Helper allowance	Taxable p.m. = 5,000 p.m. – 3,000 p.m. spend for official purpose	18,000
Entertainment allowance	Taxable	18,000
Free electricity	Taxable	50,000
Free holiday home facility	Taxable	10,000
Tea and snacks in office	Exempt	-
Lunch facility in office	Rs. 50 (100 expenditure – 50 exempt) \times 175 meals	8,750
Telephone bills paid by employer	Exempt	-
Club fee		7,500
Fees for training program	Exempt	-
Personal loan	Value = 8% (10% - 2%) \times aggregate outstanding balance on last day of each month = 8% \times 2,00,000 / 12	1,333
	Month Outstanding balance on last day	

² Alternatively, amount in excess of 5,000 can be taken to be the taxable value, i.e., 1,000

	April 21	80,000	
	May 21	60,000	
	June 21	40,000	
	July 21	20,000	
	Total	2,00,000	
Gross salary			22,34,583
Less: Deductions u/s 16:			
Standard deduction			(50,000)
Entertainment allowance	Lower of (a) 20% of basic salary, i.e, 90,000, (b) Rs. 5,000, (c) Rs. 18,000		(5,000)
Taxable salary			21,79,583

BASIC CONCEPTS

M4. During the PY 2021-22, Harsh, employed w.e.f. 1.3.2020 in the scale of 50,000 – 10,000 – 80,000,

Apr 21 to Mar 22: 7,30,000 (60,000 for 11 month + 70,000 for 1 month) + Arrears 30,000 + Advance of Apr 22: 70,000 – Apr 21 paid in earlier PY 60,000 + Jan 21 NIL since already taxed = 7,70,000

M5. Rohit, a non resident, has the following particulars of income for the PY 2021-22: Salary from

German company NIL as receipt/accrual outside India + PQR 15 lakh as accrual in India + partner NIL as falls under PGBP + donation not to be reduced + advance adjusted against salary NIL

M6. Rajesh received the following emoluments during the PY 2021-22: Dearness allowance of Rs. 5,000 p.m.....

DA 60,000 + Overtime 36,000 + Mine 2,400 (1,000 pm - 800 pm exempt); Tribal area allowance 9,600 (1,000 pm - 200 pm exempt) = 1,08,000

RETIREMENT BENEFITS

M10. Raghav retired on 31.12.2021 after being employed for 10 years, 7 months and 10 days

Gratuity exempt = Lower of (a) 5 lakh, (b) 15 lakh (20 – 5), (c) $(15/26) \times 90,000$ (basic + DA) \times 11 years, i.e., 5,71,154.

Gross salary = NIL gratuity + 4,50,000 basic + 3,60,000 DA + commission 45,000 + HRA 20,000 = 8,75,000

M11. Raghav retired on 31.1.2022 after being employed for 10 years, 7 months and 10 days and

Gratuity exempt = Lower of (a) 5 lakh, (b) 10 lakh (20 – 10), (c) 35,000 (half of avg of basic 50,000 + DA(T) 20,000 + C(TO) NIL of last 10 months) \times 10 years, i.e., 3,50,000.

Gross salary = 1,50,000 gratuity + 5,00,000 basic + 4,00,000 DA + commission 50,000 + HRA 20,000 = 11,20,000

M13. Rishabh, working with BCG Pvt. Ltd., retired from employment on 31.12.2021 and started receiving

Gross salary = Regular salary 6,00,000 + Nil gratuity + Uncommuted pension 20,000 for Jan + 20,000 for Feb/Mar + commuted pension 5,00,000 – exempt u/s 10(10A) $3,33,333 [1/3 \times 5,00,000/50 \times 100] = 8,06,667$

M16. Juhi retired from URL Ltd. on 31.1.2022 after serving for 7 years, 5 months and 5 days.

Leave salary exempt = (a) 3,00,000, (b) 3,00,000, (c) 10 month's avg salary 13,00,000 (basic 10,00,000 + DA(T) 2,80,000 + C(TO) 20,000), (d) 2 months (210 days – 120 days – 20 days – 10 days) \times 1,30,000, i.e., 2,60,000 = 2,60,000.

Gross salary = basic 10,00,000 + DA 4,00,000 + fixed commission 40,000 + medical 30,000 + TO commission 20,000 + leave salary 40,000 + leave encashed while in service 50,000 = 15,80,000

M18. On retirement, Zahir received his own contribution of Rs. 10 lakh and interest thereon of Rs. 1 lakh

Employer contribution and interest

M19. On termination of service after serving for 3 years, due to closure of employer's business, Zeeshan

Accumulated balance exempt since service terminated before 5 years due to closure of employer's business. Interest on employee's contribution not taxable under the IFOS head as there is no contribution > 2.5 lakh on and from PY 2021-22.

M20. Rajesh draws the following emoluments during the PY 2021-22: Basic salary of Rs. 60,000 p.m.,

Gross salary = Basic 7,20,000 + DA 4,80,000 + Commission 60,000 + perquisites 50,000 + overtime 24,000 + employer contribution to RPF 41,760 (1,80,000 – 12% of 11,52,000) + Interest in excess of 9.5% 9,000 = 13,84,760

M21. During the PY 2021-22, employer of Raj contributed 10% of basic salary and DA to the

Employer contribution = 10% of 36L = 3.6L Exempt as ≤ 7.5 lakh. Interest exempt.

M22. Which of the following amounts will be included in salary income of Krishna for the PY 2021-22,

Employer's contribution will be first included in salary and then deduction will be provided u/s 80CCD.

M23. Employer of Gunjan contributes Rs. 2 lakh towards approved superannuation fund (@ 10% of salary),

2L NPS is included in salary first and then deduction u/s 80CCD is given from GTI. RPF contribution exempt till 12%. Combined amount does not hit upper cap of 7.5L, hence, no addition on that account.

M24. Rohan opted for retirement under the voluntary retirement scheme of PQR Ltd. which was framed

VRS exempt = lower of (a) 25,00,000, (b) 5,00,000, (c) $3 \times 90,000$ (basic 70,000 + DA(T) 20,000 + C(TO) nil) $\times 10$, i.e., 27,00,000, (d) $30 \times 90,000$, i.e., 27,00,000 = 5,00,000.

Gross salary = 4,20,000 basic + 3,00,000 DA + 1,00,000 bonus + 24,000 commission + 20,00,000 VRS = 28,44,000

HEALTH & LIFE

M29. Rakul received the following benefits from her employer during the PY 2021-22: Fixed medical

Allowance 30,000 + insurance premium for independent brother 5,000 + son's treatment NIL + father's (not dependent) treatment 30,000 + private clinic 10,000 + approved nursing home NIL = 75,000

M30. Suresh is employed with JK Pvt. Ltd. During the PY 2021-22, he had to get his daughter treated

Taxable = treatment and stay 2 lakh (6 lakh – 4 lakh) + travel not exempt 3 lakh = 5 lakh

HOUSING

M33. Shyamal stays in New Delhi. His basic salary is Rs. 10,000 p.m., DA (60% forms part of pay).....

Lower of (a) 60,000, (b) $66,000 - 10\%$ of 1,75,200 (1,20,000 + 43,200 + 12,000), i.e., 48,480, (c) 50% of 1,75,200, i.e., 87,600 = 48,480.

M34. Vasu is employed with BDM Pvt. Ltd. During the PY 2021-22, he was in receipt of basic salary of

HRA exempt for Oct 21 to Mar 22 for 6 months = Lower of (a) 1,20,000 HRA, (b) 90,000 rent paid – 36,000 (10% of salary >> 2,40,000 basic + 1,20,000 DA(T) + Nil C(TO)), i.e., 54,000, (c) 40% of 3,60,000 i.e., 1,44,000 = 54,000.

Gross salary = Basic 4,80,000 + DA 2,40,000 + conveyance 60,000 + HRA 2,40,000 – Exempt 54,000 = 9,66,000

M38. Ramesh is provided with furniture of value Rs. 70,000 along with house from February 2021.

Hire charges

M39. Ruhi, a State Government employee, stayed in a house provided by the employer in Chennai

Gross salary = 10,80,000 basic + 6,00,000 DA + 3,60,000 HRA + perquisite 50,000 + RFA value 2,40,000 license fee + furniture 50,000 (10% of cost) = 23,80,000

M40. Juhi, employed with Zen Ltd., is provided with a house owned by the employer in Faridabad

Accommodation value = 10% of salary (basic 10,80,000 + DA(T) 3,00,000 + HRA 3,60,000 + commission 1,20,000, i.e., 18,60,000), i.e. 1,86,000 + furniture hire 60,000 – rent paid 1,20,000 = 1,26,000.

Gross salary = Basic 10,80,000 + DA 6,00,000 + HRA 3,60,000 + commission 1,20,000 + perquisites 50,000 + house 1,26,000 = 23,36,000

TRAVEL & CONVEYANCE

M45. Ram, working in a transport system, receives allowance of Rs. 12,000 p.m. granted to meet

70% exempt up to max of 10,000 pm. 30% of 1.44L taxable

M46. Rahul works with Shubh Pvt. Ltd. He draws the following emoluments during the PY 2021-22.....

Gross salary = Basic 4,80,000 + conveyance allowance 40,000 (1,20,000 – 80,000) + transport allowance 60,000 + project allowance 20,000 + travelling allowance 10,000 (30,000 – 20,000) + daily allowance 5,000 (20,000 – 15,000) = 6,15,000

M47. Yash, working in a transport system, received an allowance of Rs. 18,000 p.m. to meet his

Exempt = 70% (12,600) up to max of 10,000 p.m., i.e., 10,000. Taxable = 8,000 p.m.

M50. Ganesh is employed with BK Ltd. in Delhi. His emoluments for the PY 2021-22 comprised of

LTC exempt = 10,000 for 4 persons (self, spouse, two children) = 40,000.

Gross salary = Basic 6,00,000 + LTC 60,000 = 6,60,000

M52. What will be the value of perquisite per month, where Resham is provided a car throughout

Annual = 60,000 (10% of 6L) + 30,000 R&M + 1,20,000 driver – 60,000 recovery. Per month value = 1,50,000 / 12 = 12,500

M53. Rs. 2,700 p.m. will be the value of perquisite of motor car provided to Harsh by his employer where.....

1,800 p.m. for car + 900 p.m. for driver

M54. Jagat owns a car of 1500 cc which he uses for personal as well as official purposes. His

10,000 – 80% = 2,000 p.m.

M55. Bhanu owns a motor cycle which he uses for personal as well as official purposes. His employer incurs

3,000 pm – 900 pm = 2,100 pm

M56. Bhaskar has been provided with a motor car by his employer of engine cubic capacity 2,000, on 1.10.2021.....

900 + 900 p.m. = 1,800 p.m. for 6 months

M57. Chaman works in Air India. His children are offered free air tickets worth Rs. 10,000. Value of taxable

Exempt in case of airline

EDUCATION

M59. Manav receives Rs. 1,000 p.m. per child for meeting education of his 3 children and

Education: 36,000 – 2,400 exempt = 33,600. Hostel: 72,000 – 7,200 = 64,800.

M61. Shyam has three children. During the PY 2021-22, he received the following benefits from

Elder son = 6,000 + 7,200 = 13,200 (taxable as outside India). Younger son = 36,000 – 6,000 = 30,000*. Daughter = 48,000. Training = Exempt. Total = 91,200

*Alternatively, 24,000 – 6,000 can also be taken.

M62. Suyash is employed as an engineer with BCD Pvt. Ltd. Following particulars are available for

Seminar NIL + Son 25,000 + Daughter 54,000 (63,000 – 9,000) = 79,000

ASSETS

M63. Bhanu is given a motor cycle owned by his employer which he uses for personal as well as

10% p.a. of actual cost

M65. Bhanu is sold a laptop for Rs. 10,000 which was purchased during the current PY itself by his employer

Cost 50,000 – Nil Dep – 10,000 = 40,000

M66. Bhanu is sold a motor cycle on 1.1.2022 for Rs. 10,000 which was purchased on 1.6.2020 by his

Cost 50,000 – 10% dep on SLM for 1Y of 5,000 – 10,000 = 35,000

M67. Raju was provided with a television set at his residence by his employer on 1.9.2021. It was

Use = 10% p.a. of 40,000 for 6 months = 2,000 – 600 = 1,400.

Transfer = 40,000 – 10% dep for 3Y being 12,000 – 1,000 = 27,000

OFFICE SUPPORT

M68. Bhanu is provided a helper allowance of Rs. 2,000 p.m. which he uses to pay salary to a helper

Taxable as expenses are personal

M69. Bhanu is provided uniform allowance of Rs. 10,000 out of which he spends Rs. 4,000 for purchasing

Official expense is exempt

FINANCIAL INCENTIVES

M73. Rakesh is given a personal loan of Rs. 1 lakh by his employer during the PY 2021-22 at 4% p.a. interest.

6% of 1 lakh

M74. Suman obtains a housing loan of Rs. 20 lakh from her employer @ 5% p.a. interest on 1.12.2021

O/s Dec 20L + Jan 19L + Feb 18L + Mar 17L = 74L. Taxable = 5% × 74L × 1/12 = 30,833

M75. Rakesh is allotted 100 shares pursuant to a ESOP scheme of the employer for Rs. 10 per share.

100 shares @ (50 - 10) per share

DEDUCTIONS U/S 16

M83. Shambhu, employed with Central Government, on basic salary of Rs. 4,000 per month, is provided

Lower of 20% of 48,000, i.e., 9,600 or 5,000 or 12,000 = 5,000

M86. Roshni, employed with JK Pvt. Ltd., has the following particulars of salary income for PY 2021-22.....

Gross salary = 3,00,000 + 1,00,000 + 12,000 + 2,500 = 4,14,500.

Taxable salary = 4,14,500 – SD 50,000 – Prof tax 2,500 = 3,62,000