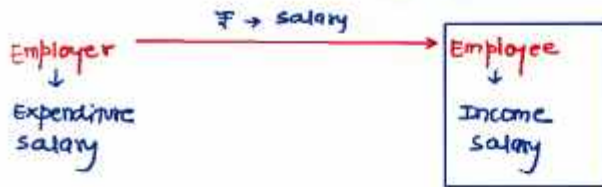


Income from Salary



2. Under salary head we cover u/s 15, 16, 17 only.

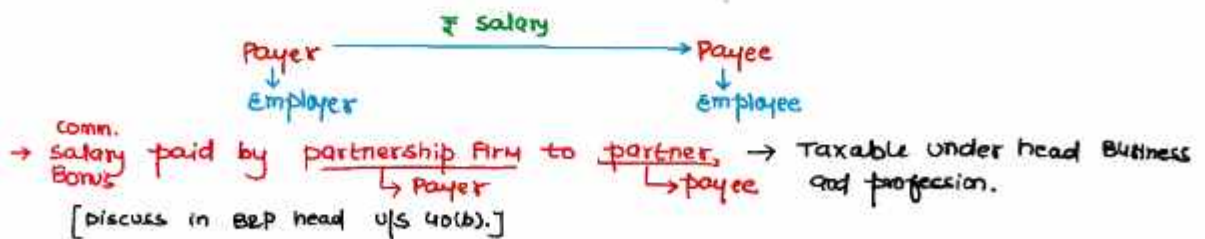
- u/s 15: Charging section
- u/s 16: Deduction from salary
- u/s 17: Meaning of salary

3. Computation of Income from Salary

Salary	u/s 17(1) - Salary	xx	
Salary	u/s 17(2) - Perquisite	xx	
Salary	u/s 17(3) - Profit in lieu of salary	xx	
	Gross salary	xx	
(-) u/s 16	Deduction from salary	xx	<ul style="list-style-type: none"> → u/s 16(i.e) Standard Deduction → u/s 16(ii) Entertainment Allowance → u/s 16(iii) Professional tax
	Taxable salary	xx	

4. Important Point in salary

1. Employer and Employee Relationship: Every payment made by an employer to Employee for services rendered would be chargeable under head salary if Payer and payee relationship is employer and employee.



→ Commission Received by Director [employee of co] → Taxable under head salary

2. Forgoing / surrender of salary
 Fully taxable | Exempt: if such amt. surrender to Cn.

\approx Salary paid tax free : Total taxable salary under salary head = $\left[\begin{array}{l} \text{Salary Received} \\ \text{By Employee} \end{array} + \text{Tax Amount} \right]$
 i.e Burden of tax Bear By Employer

4. Full-time or part time of employment. It does ^{not} matter whether employee is Full time or part time, salary received from all employer should be clubbed.
 ↳ added.

ER-1 → Fulltime = 5 Lakh
 ER-2 → Part time = 1 Lakh
 ER-3 → Part time = 75K
 ER-4 → Part time = 25K
 ↳ clubbed
 ↳ 7 Lakh salary taxable

U/s 15: charging section under salary

Salary taxable earlier of

(i) salary due

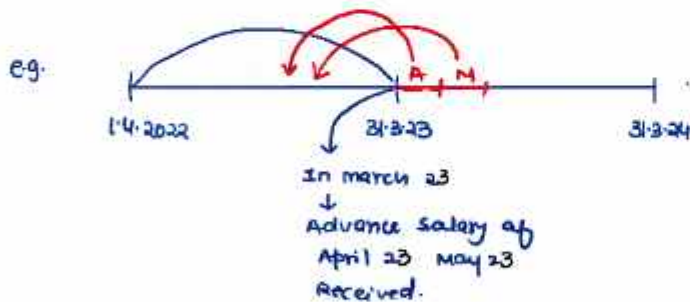
OR

(ii) salary paid / received

whichever is earlier

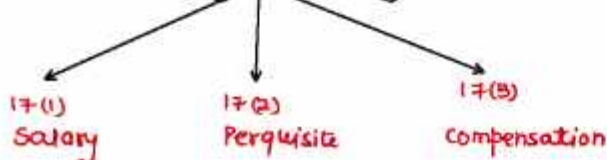
e.g. salary due last day of every month
 salary paid on 5th of next month

sol. In such case salary taxable on due basis.



Solution

U/s 17: meaning of salary



U/S 17(1): Salary

1. Basic salary | wages | Allowance

• Basic Salary: Basic salary come from grade-pay

Ex grade-pay = $15000 - 500 - 25000 - 1000 - 35000$

↓ Date of Joining B. Salary P.H. ↑ upto Increment ↓ After 12 Month Increment in Salary ↓ Next Increment

Q- MR Pavan Date of Joining = 1.4.2018
Grade pay = $10000 - 500 - 15000 - 750 - 25000$
cal. Basic salary for PY 22-23

Sol.

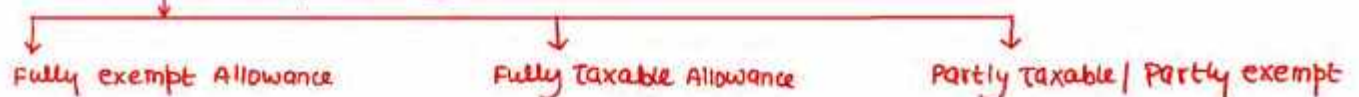
Q-2 MR Pavan Date of Joining = 1.8.2017
Grade-pay = $15000 - 500 - 18000 - 1000 - 25000$
cal. Basic salary for PY 22-23

Sol.

Q-3 MR Pavan Date of Joining = 1.1.2016
Grade-pay = $15000 - 500 - 18000 - 1000 - 25000$
cal. Basic salary for PY 22-23

Sol.

↳ Allowance [Only in cash]

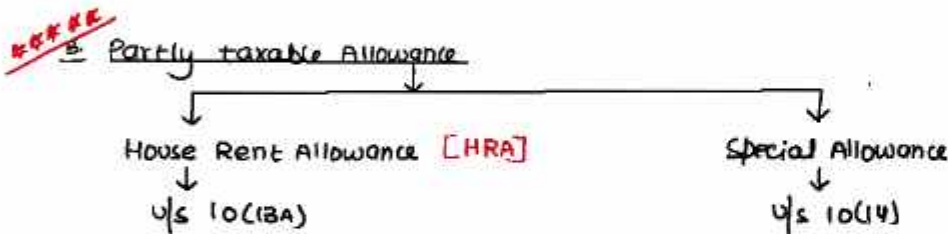


1. Fully exempt Allowance :

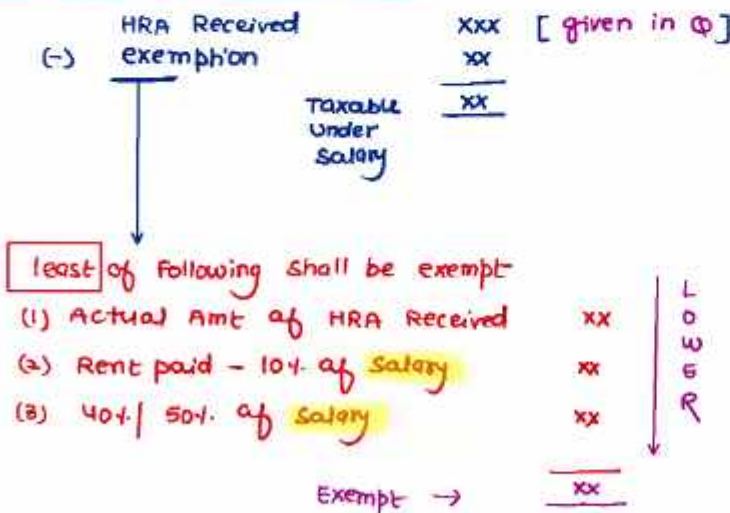
- Allowance to high court Judges.
- Allowance to Supreme court Judges.
- Allowance to UNO employee
- Foreign Allowance to govt employee outside India

2. Fully taxable Allowance :

- Entertainment Allowance
- Dearness Allowance [D.A.]
- Overtime Allowance
- Fixed medical Allowance
- Telephone Allowance
- Project Allowance
- servant Allowance
- Interim Allowance
- Cash Allowance
- Transport Allowance other than handicapped employee
- Non-practicing Allowance
- Tiffin | Lunch | dinner Allowance
- Any Other Allowance

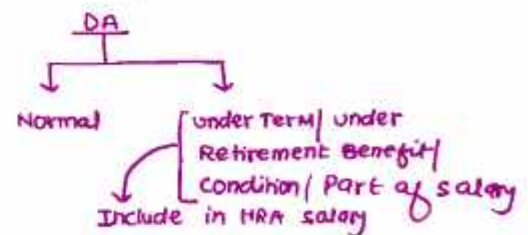


→ HRA = House Rent Allowance :



NOTE:-1 salary means

- ↳ Basic Salary xx
- ↳ D.A. [under Term] xx
- ↳ Commission [T/o Basic] xx
- Salary xx



Note :-2 50% of salary only if Rent paid in metro cities
 ↳ Delhi, Mumbai, Chennai, Kolkata
 40% of salary if Rent paid other than metro cities.

EX-1 [HRA]

MR-P is employee of XYZ Ltd

BASIC salary = 20000 P.M.
 D.A = 10000 P.M. [50% DA under Retirement Benefit]

Commission = 6% on Turnover
 [Turnover of P.Y. = 1500000]

HRA Received = 12000 P.M.

Rent paid = 15000 P.M. Paid in Jaipur

Cal. Taxable Gross salary ?

Salary HRA

BASIC salary =
 (+) DA (50%) =
 (+) COMMISSION =

EX-2 MR-P Employee of XYZ Ltd

BASIC salary = 20000 P.M.
 DA = 10000 P.M. [Part of salary]
 Commission = 1% on T/O [T/O = 9L]

HRA Received

upto 31/8/2022 = 15000 P.M.
 After 31/8/2022 = 18000 P.M.

Rent paid Per month

upto 30/6/20 = NO Rent paid
 1/07/2021 to 31/12/22 = 15000 Rent paid = Jaipur
 1/1/2023 to 31/8/23 = 20000 Rent paid = Delhi

Cal. Taxable Gross salary ?

SO. Computation of Gross salary

BASIC salary	
D	
COMMISSIO	
HRA	
(-) exemption	
Gross salary	

W.N: exemption of HRA:

- (1) Actual Amt of HRA =
- (2) Rent paid - 10% of salary =

(3) 40% of salary =

exempt =

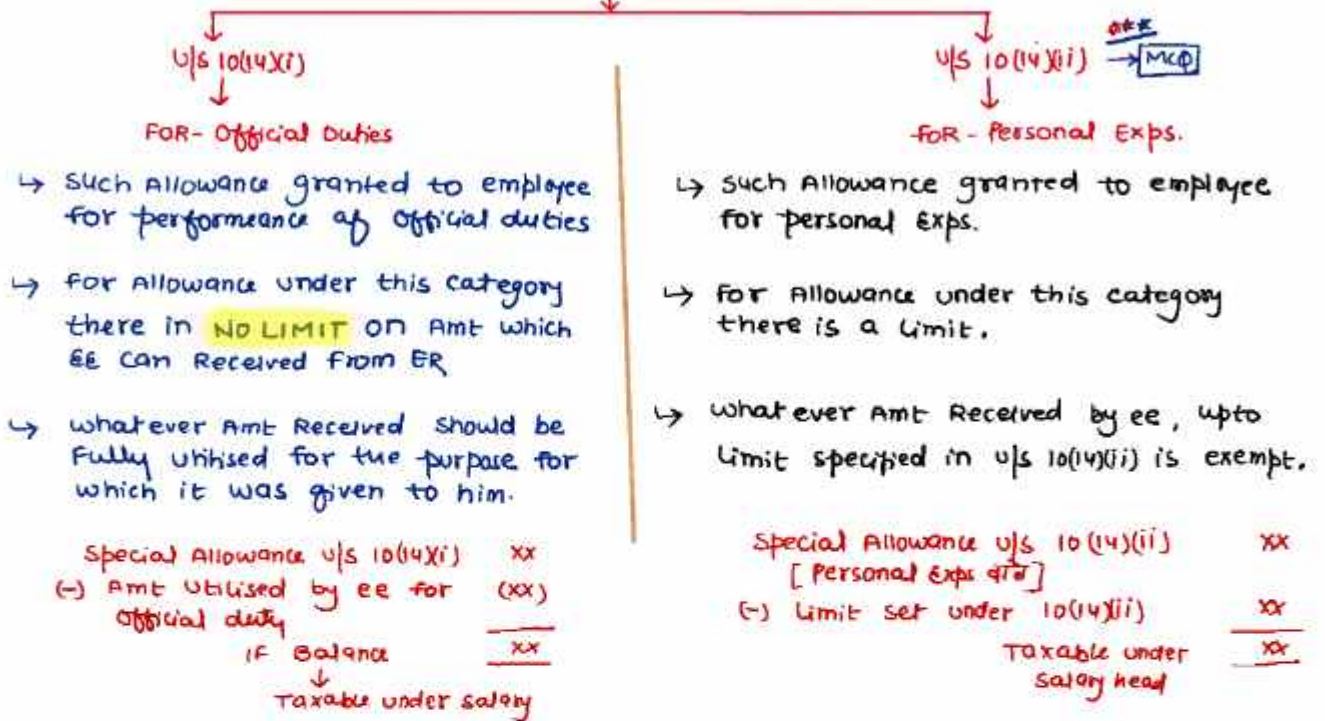
SO. Computation of Gross salary

BASIC salary	
DA	
COMMISSION	
HRA	
(-) exemption	
Gross salary	452320

	20/6	21/8	21/12	21/3
	3M	2M	4M	3M
(1) Actual Amt of HRA				
(2) Rent paid - 10% of salary				
(3) 40% [50% of salary]				
Rent paid				
(-) 10% of salary				
Salary (per month 30750)				
Salary				

(B) Special Allowance to meet expense relating to duties or Personal Exps. u/s 10(14)

Special Allowance u/s 10(14)



Special Allowance u/s 10(14)(i)

- (1) Travelling Allowance / Transfer Allowance
- (2) Daily Allowance
- (3) Conveyance Allowance
- (4) Helper Allowance
- (5) Research Allowance (Official Research)
- (6) Uniform Allowance

*** Special Allowance u/s 10(14)(ii): Personal

1 Children education Allowance : ₹100 per month per child will be exempted
↳ maximum child two.

Ex Children education Allowance received from employer 250 each child for 2 child per month
Cal. Taxable Amt of Children education Allowance.

sol. Children education Allowance =

(-) exemption =

Taxable →

Ex Children education Allowance received from employer 250 for 3 child per month
Cal. Taxable Amt of Children education Allowance

Cal. Taxable Amt of children education Allowance

Sol. Children education Allowance =

(-) exemption =

Taxable \rightarrow 1000

EX. Children education Allowance for

child - 1 90 P.M.

child - 2 125 P.M.

child - 3 85 P.M.

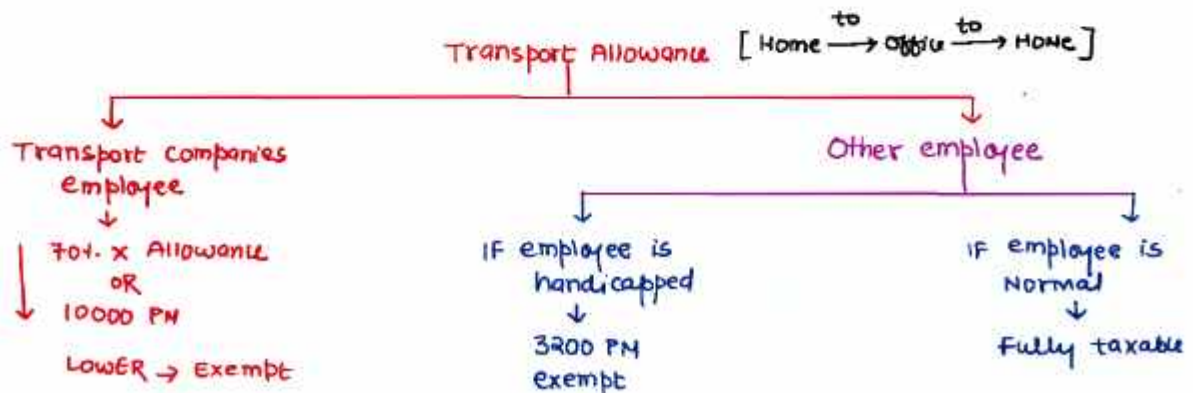
Cal. Taxable children education Allowance ?

Sol. Children education Allowance =

(-) exemption =

Taxable

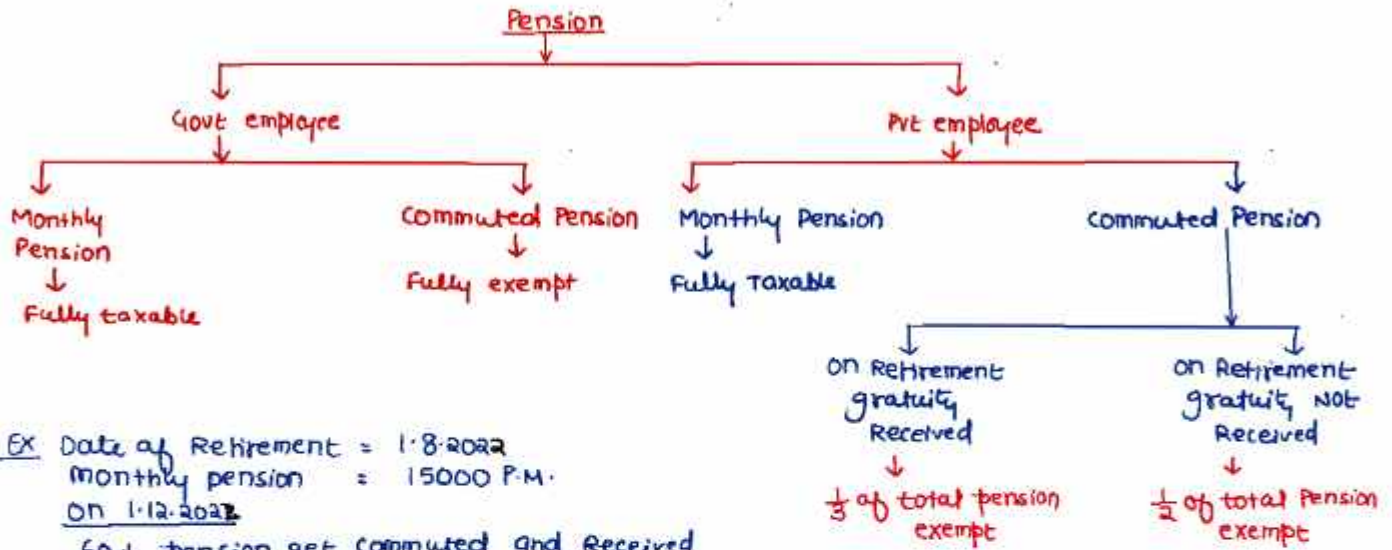
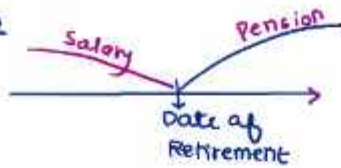
2. Children Hostel Allowance : ₹ 300 per month per child maximum of two child. exempt
3. Field Area Allowance : ₹ 2600 per month exempt
4. Modified Area Allowance : ₹ 1000 per month exempt
5. Counter insurgency Allowance : ₹ 3900 per month exempt
6. Transport Allowance for handicapped employee = 3200 Per month exempt
7. Transport Allowance for Transport companies employee (ie. Driver)
 - ↳ lower of
 - (i) Allowance x 70% xx
 - OR
 - (ii) 10000 P.M. xy
 - which ever is lower \rightarrow xx
 - exempt



8. Underground Allowance : ₹ 800 Per month exempt
9. Tribal Area / schedule Area Allowance : ₹ 200 per month.

10. Hill Area Allowance : ₹ 800^{P.M.} or ₹ 300^{P.M.} exempt depending upon specified Area
 ₹ 7000 P.M. Siachen area of J&K

2. Pension

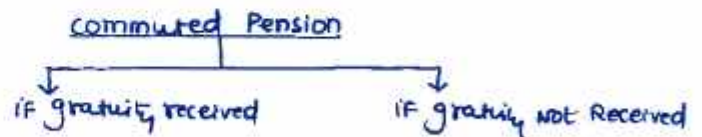


Ex Date of Retirement = 1.8.2022
 Monthly pension = 15000 P.M.
 On 1.12.2022
 60+. pension get commuted and Received
 270000.

Cal. Taxable pension if

- (1) Employee is govt ee
- (2) Employee is Pvt ee and on Retirement gratuity Received
- (3) Employee is Pvt ee and on Retirement gratuity is not Received.

Sol:

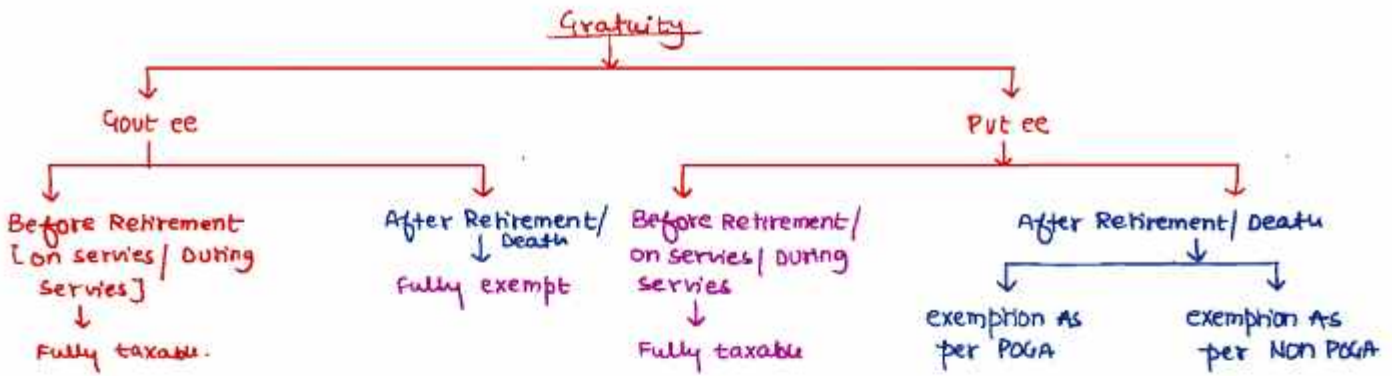


1. IF Employee = govt
 Monthly Pension = _____
 + Commuted Pension = _____

Taxable _____
 2. IF ee = Pvt + gratuity
 Monthly Pension = _____
 + Commuted Pension = _____

taxable _____
 (3) IF ee = Pvt + no gratuity
 Monthly Pension = _____
 + Commuted Pension = _____

3. Gratuity



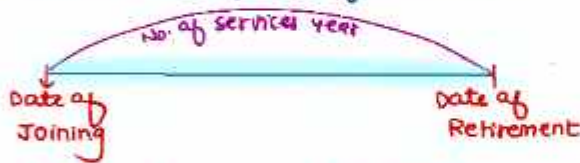
POGA = Payment of gratuity Act 1972

Exemption under gratuity for Pvt employee

POGA employee	Non POGA employee
Least of following shall be exempt	Least of following shall be exempt
(1) Actual amt of gratuity	(1) Actual amt of gratuity
(2) Adhoc Limit	(2) Adhoc Limit
(3) $\frac{15}{26} \times$ last withdrawal of salary	(3) $\frac{15}{30} \times$ Avg salary
\times No. of services year (Rounded off)	\times No. of services year (Complete year only)
XX	XX
20 Lakh	20 Lakh
XX	XX
XX	XX

Fixed ← (pointing to the first three items in the POGA column)

working note : Calculation of NO. of services year



Ex-1. Date of Joining = 1.8.1992
Date of Retirement = 1.12.2022
Cal. no. of services year ?

SD. Date of Retirement DD MM YY
Date of Joining _____

Ex-2. Date of Joining = 1.12.1996
Date of Retirement = 1.08.2022
Cal. No. of services year ?

SD. Date of Retirement _____
Date of Joining _____

Ex-3. Date of Joining = 12.11.1991
Date of Retirement = 04.02.2023
Cal. No. of services year ?

SD. Date of Retirement _____
Date of Joining _____

NO of services year	COVER UNDER POGA	NON COVER POGA
20yr 8 month		
20yr 4 month		
20yr 6 month		
20yr 6 month 1 day		

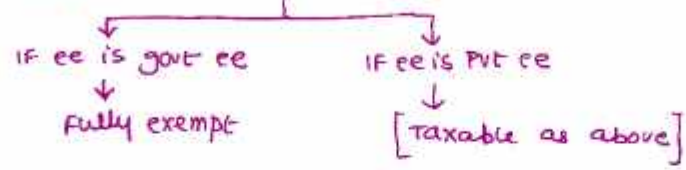
Note:- where gratuity is received in any earlier PY from former employer and again received from another employer in later PY, the limit of 20 lakh will be reduced by the amount of gratuity exempt earlier.

Also Apply in case of encashment

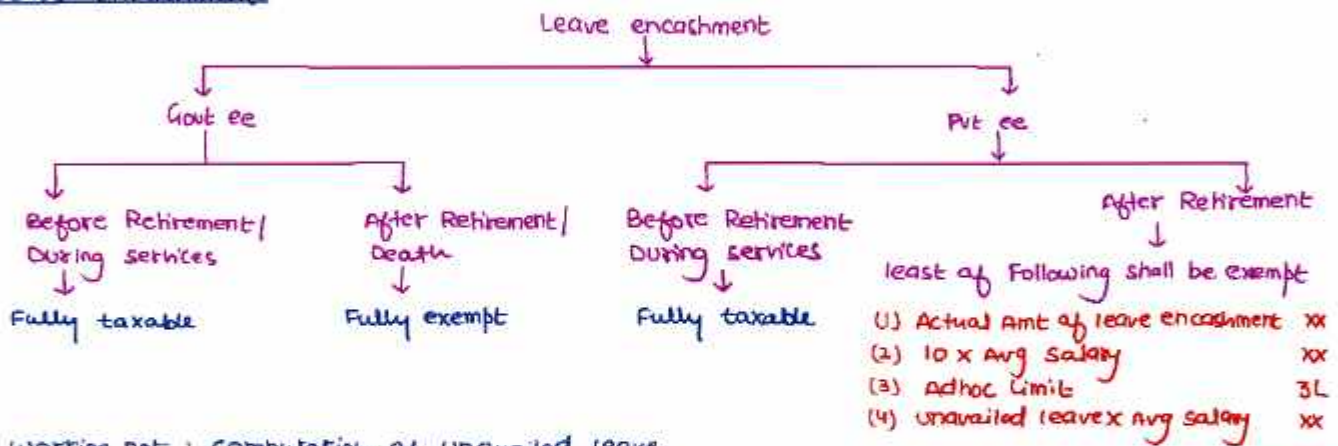
Eq
 In PY 2015-16
 MR-P Retire from ABC Ltd
 Amt of gratuity exempt under by 2015-16 = 6Lakh

In PY 2022-23
 MR-P Retire from XYZ Co.
 Adhoc limit of gratuity = 20L
 (-) exempt earlier = 6L
 New adhoc limit = 14L

Note:- Gratuity Received on Death to legal hire



4. Leave encashment



working note : computation of unavailed leave

Step-1 : for calculation of Availed leave [if availed leave not given in Q]

Gross leave per year x NO. of service yr xx
 [complete yr only]
 (-) unavailed leave [given in Q] xx
 Availed leave → xx

Exempt → xx

Step-2 : for calculation of unavailed leave

Gross leave per year x NO. of service yr xx
 OR
 30 days / 1 month x NO. of service yr xx
 which ever is lower xx
 (-) Availed leave → (step-1 / given in Q) (xx)
 Unavailed leave → xx

Ex MR. P Retire from XY2 Ltd
 Avg Salary = 18000 P.M.
 leave encashment Received = 400000
 unavailed leave = 250 days
 leave granted per year = 40 days
 No of service year = 12 yr 11 month
 Cal. Taxable Amt of leave encashment

Sol: leave encashment = 400000
 (-) exemption = _____
 Taxable = _____

1. Actual Amt of encashment = _____
2. 10x Avg salary (10x18000) = _____
3. Adhoc Limit = _____
4. Unavailed leave x Avg salary = _____

Step-1: Cal. of Availed leave

Gross leave x No. of s. yr = _____

(-) Unavailed leave = _____

Short-cut
 Φ unavailed = _____
 (-) Excess day x No. of s.y = _____

Step 2: Cal. of unavailed leave

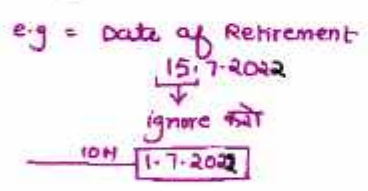
Gross leave x No. of s. yr = _____

OR
 (30 day x 12) = _____

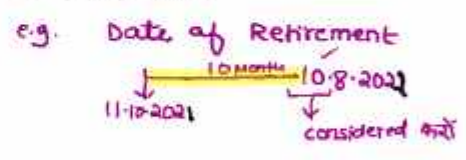
Lower _____
 (-) Availed leave _____
 unavailed _____

Note for Avg salary

In gratuity [NON-POGA]
 [NO. of days in Retirement ignore]



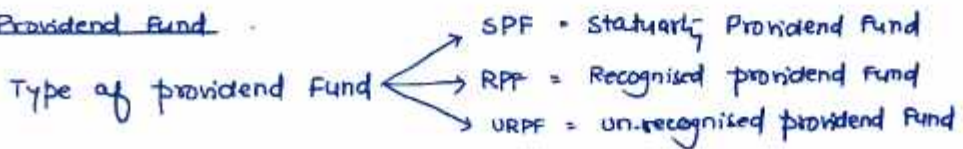
In leave encashment
 No. of days in Retirement is considered



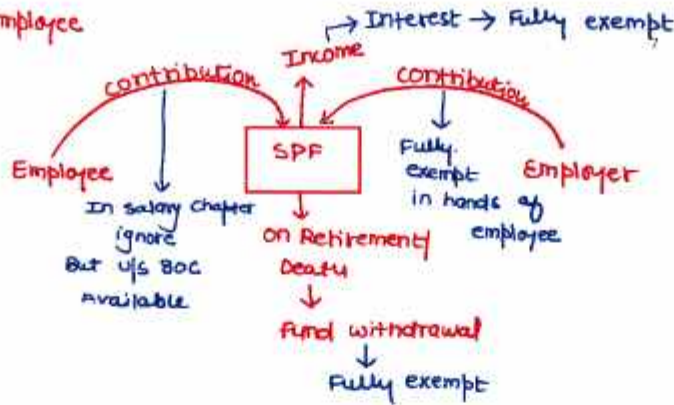
Note:- where encashment is received from 2 or more employer during the PY then Adhoc limit of encashment i.e. 3 lakh can not be exceed in aggregate total amt of encashment

Note:- where encashment is received in any earlier PY from former employer and again received from another employer in later PY, the limit of 3 lakh will be reduced by the amount of encashment exempt earlier.

5. Provident Fund

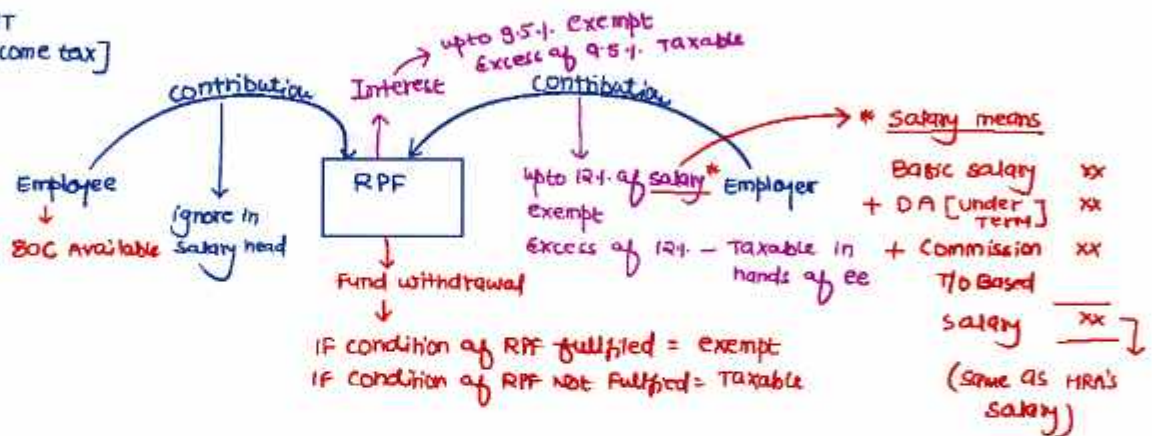


1. SPF: For govt employee



2. Recognised Provident Fund: for Pvt employee

↓ [RPF]
Recognised by CIT
[Commissioner of Income tax]



Ex- MR. Pavan employee of XYZ Ltd
 Basic salary = 20000 P.M.
 DA = 10000 P.M. [50% under term]
 Commission = 12000 [Turnover based]
Contribution in RPF
 Employer contribution = 65000
 Employee contribution = 65000
 Intt on RPF contribution = 26000
 (Rate of Intt = 13%)
 Cal. Gross salary of MR-Pavan.

Computation of Gross salary

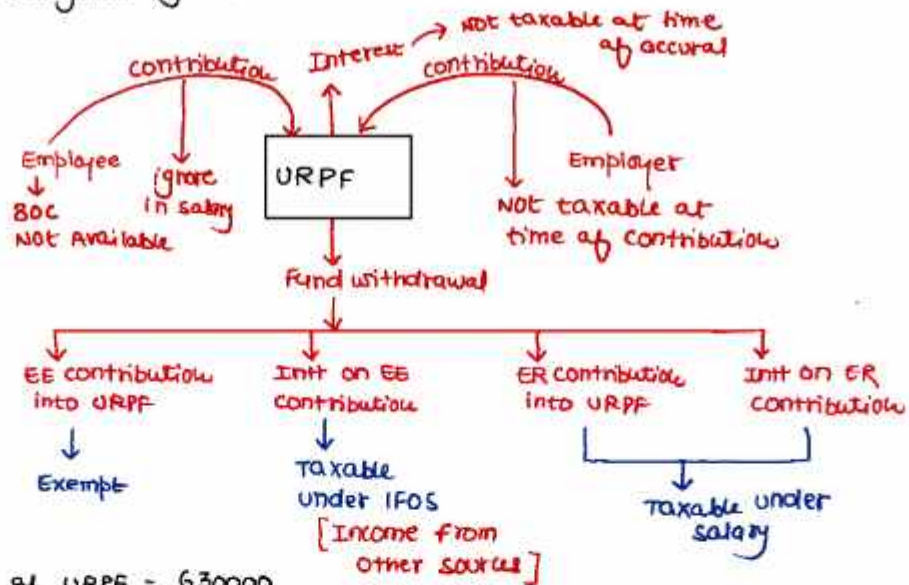
Basic salary	
DA	
Commission	
Contribution in RPF	
Employee	
Employer	
(-) 12% of salary	
Interest RPF	
(-) exempt	
[]	Gross salary

e.g. MR Pavan employee of XYZ Ltd
 Basic salary = 20000 P.M.
 DA = 10000 P.M. [50% under term]
 Commission = 12000 [Turnover base]
Contribution in RPF
 Employer = 20% of Basic salary
 Employee = 20% of Basic salary
 Intt on RPF = 26000
 Rate = 13%
 Cal. Gross salary of MR-Pavan

EE contribution	-
ER contribution	
(-) 12% of salary	

(3) URPF : Unrecognised Provident Fund : for Pvt ee

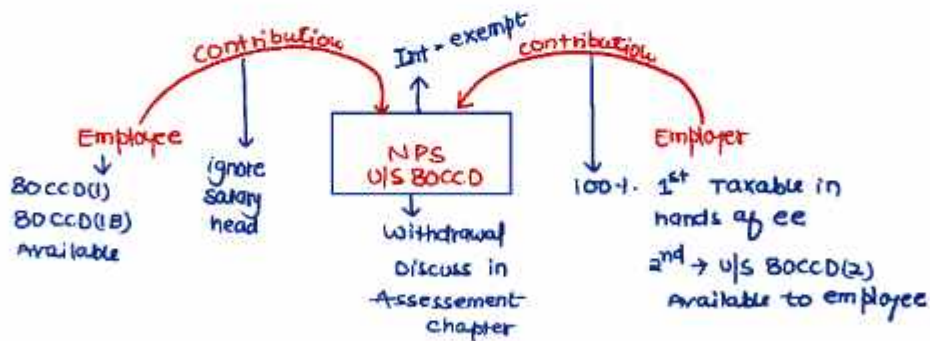
Not recognised by CIT



Ex Total Balance of URPF = 630000
 ER contribution = 3Lakh
 EE contribution = 3Lakh
 Intt = 30k
 Discuss tax implication ?

Sol) EE contribution = 300000 exempt in hands of ee
 ER contribution = 300000 Taxable under salary
 Interest - ER = 15000 Taxable under salary
 EE = 15000 IFOs.

6. National pension scheme | New Pension Scheme → NPS U/S BOCCD



Ex: MR-P employee of xyz Ltd

- BASIC salary = 20000 P.M.
- DA [50% Under TERM] = 10000 P.M.
- NPS contribution =
 - ER = 10000 P.M.
 - EE = 10000 P.M.

Cal. Gross salary

SO: Computation of Gross salary

BASIC salary	
DA	
NPS contribution	
EE	
ER	
Gross salary	

(-) Deduction u/c IIIA

- 80CCD (1)
- 80CCD (1B)
- 80CCD (2)

Amendment FA 2020

Total Employer contribution into RPF/SPF/NPS/ ~~UPPF~~ Excess of 750000
Excess is taxable under salary head.

Amendment FA 2021 → Perquisite u/s 17(2)(viiia)
↳ Facility

$\frac{\text{Excess of contributions (750000)}}{2} \times \text{Rate of perquisite}$

Investment during PY

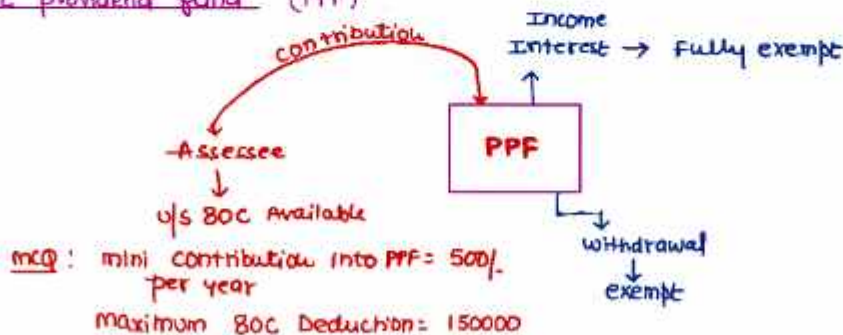
Closing Balance of fund	xx
(-) ER contribution	xx
(-) EE contribution	xx
(-) Op. Bal of fund	xx
Investment during PY	xx

$\frac{\text{Investment during PY} \times 100}{\text{Avg of fund}}$

$\frac{\text{Op. fund} + \text{Cl. fund}}{2}$

Extra Note

Public provident fund (PPF)



7. Commission is fully taxable in hands of ee

↓
All type of commission

8. Advance salary: Taxable on basis of Receipts.

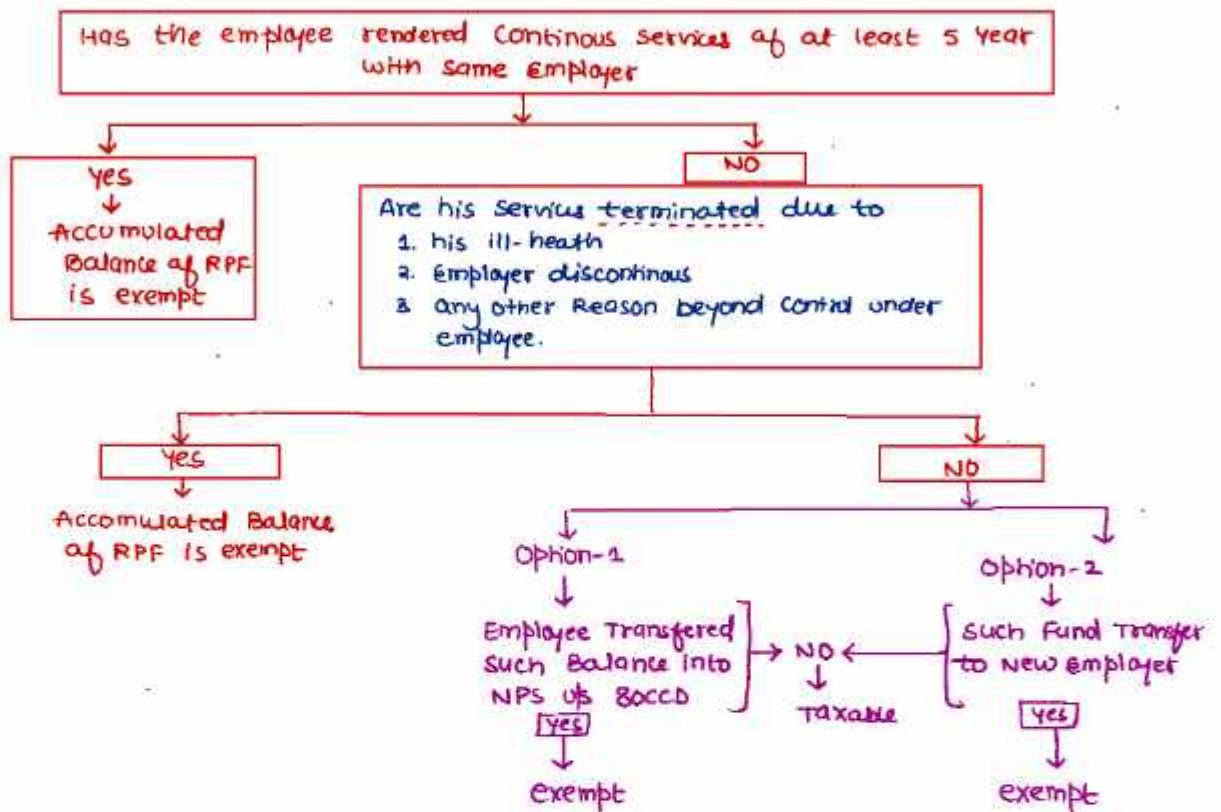
Extra

Advance salary → Taxable on Receipts basis.

Advance against salary → i.e. loan
↳ NOT TAXABLE.

RPF condition

Exemption of Accumulated fund of RPF → payable to employee



PERQUISITES :

u/s 17(2)

1. Type of perquisite :

Fully taxable perquisite
for All employeeFully exempted perquisite
for All employeeFully taxable perquisite
for specified employee

2. Type of employee

specified employee

non-specified employee

Following employee is specified employee.

Other than specified employee

(1) A Director of company work as employee.

(2) A employee hold 20% or more equity share of such company.

MCQ
(3) Employee drawing excess of 50000 as salary

For computing of limit 50000 following items not include

1. All-non monetary perquisite [car | RFA | sweeper etc]

2. Monetary benefit which are exempt u/s 10 - [HRA, Gratuity, Allowance u/s 10(14).

3. Standard Deduction u/s 16(ie) = 50000. u/s 16(ii), u/s 16(iii)

(1) (1)

In other word : for computing 50,000 following item are Included → [for All employer]

(1) Basic salary + DA [All type] + Commission (All type) + Bonus + Fee +

any other taxable payment + Fully taxable Allowance - Standard

Deduction u/s 16(ie) 50000 - Deduction u/s 16(ii) - Deduction u/s 16(iii)

↳ Entertainment Allowance

↳ professional tax.

EX : MR-P Employee of ABC Ltd

following payment / Benefit Received from ABC Ltd

1. Basic salary = 3000 PM.

2. DA = 1000 PM.

3. Commission = 5000 PA.

4. Bonus = 5000 PA.

5. Transport Allowance = 1000 PM.

6. Children edu. Allowance = 500 PM.

(for one child)

7. value of CAR [Perquisite = 16500

8. value of RFA = 15000

Q. Is MR-P is specified employee or not.

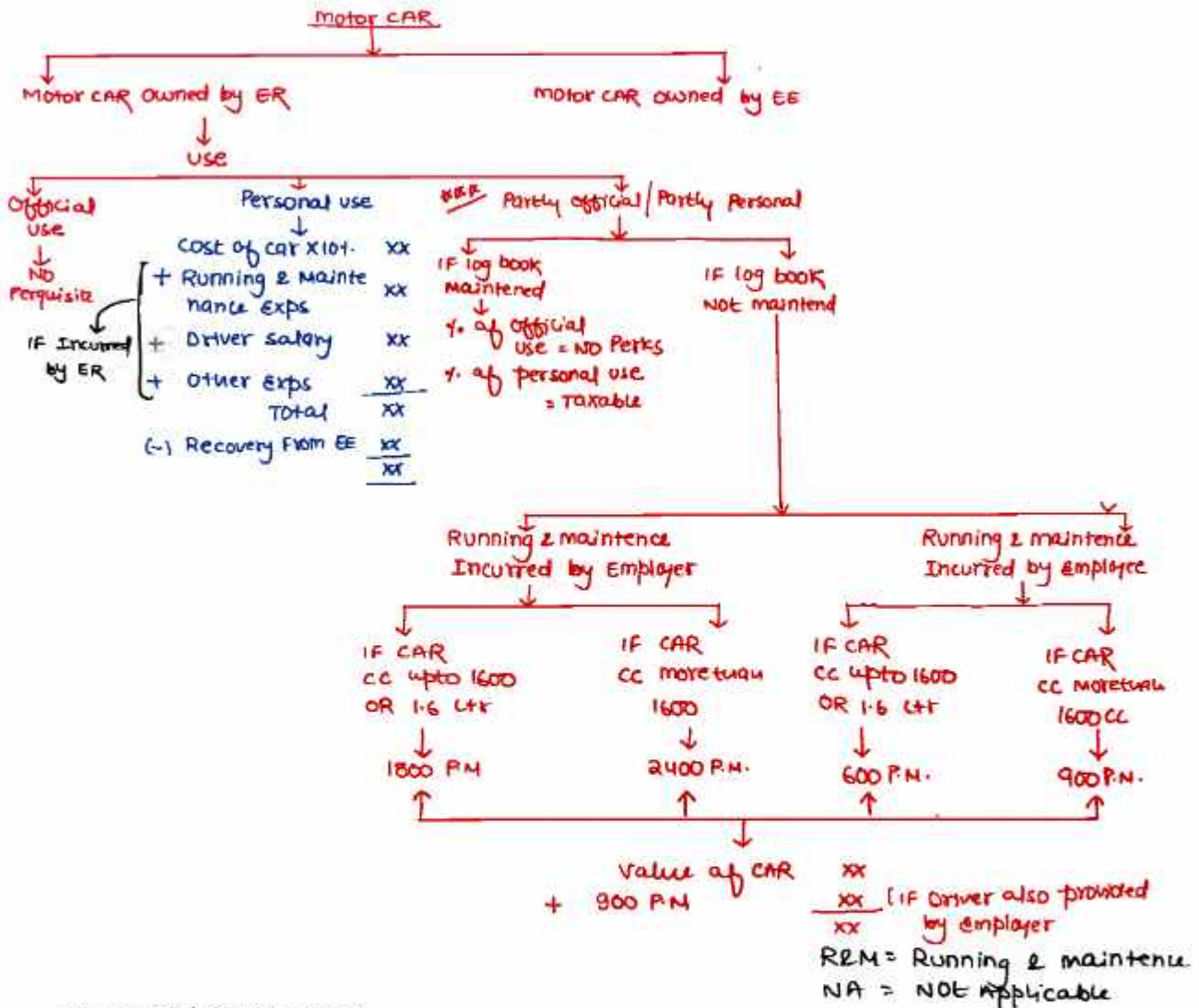
S

∴ MR-P is non specified employee.

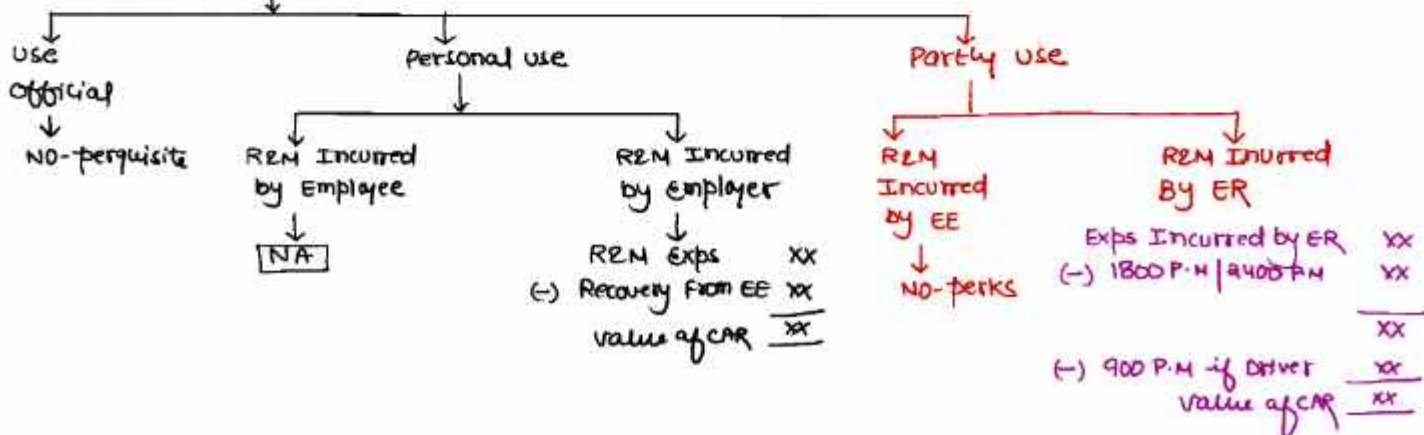
Taxable Perquisite : For specified employee / non specified employee

1. Motor car

ER  EE



CAR owned by Employee



valuation of CAR

CAR owned By	CAR used in	CC	Exp. Incurred by	REM Exps	Value of CAR
Employer	Partly	1700CC	ER	80000	
Employer	Partly	1700CC	EE	80000	
Employer	Partly	1200CC	ER	80000	
Employee	Partly	1200CC	EE	80000	
Employee	Partly	1800CC	ER	80000	
Employee	Official	1800CC	ER	80000	
Employee	Personal	1800CC	ER	80000	
Employer	Personal	1800CC	EE	80000	
Employee	Partly	1700CC	EE	80000	
ER	Partly	1200CC	EE	80K	
ER	Personal	1200CC	ER	80K	
ER	Personal	1200CC	ER	80K	
EE	Partly	1200CC	ER	80K	
EE	Partly	1800CC	ER	80K	

Note: If Employer provide more than one car and all car's are used in Partly official Partly personal.

Any one car to be treat as Partly official / Partly personal

Remaining car/cars Deemed to be personal use.

Ex. Following car Provided by ER to EE for Partly use.

	CAR-1	CAR-2	CAR-3
COST of CAR	10L	10L	9.5L
CC	1800CC	1600CC	1700CC
REM Exps	25000	24500	24000
Driver salary	25000	-	-
Other Exps	1000	25500	26000

Find out value of CAR ?

Note: vehicle other than motor car

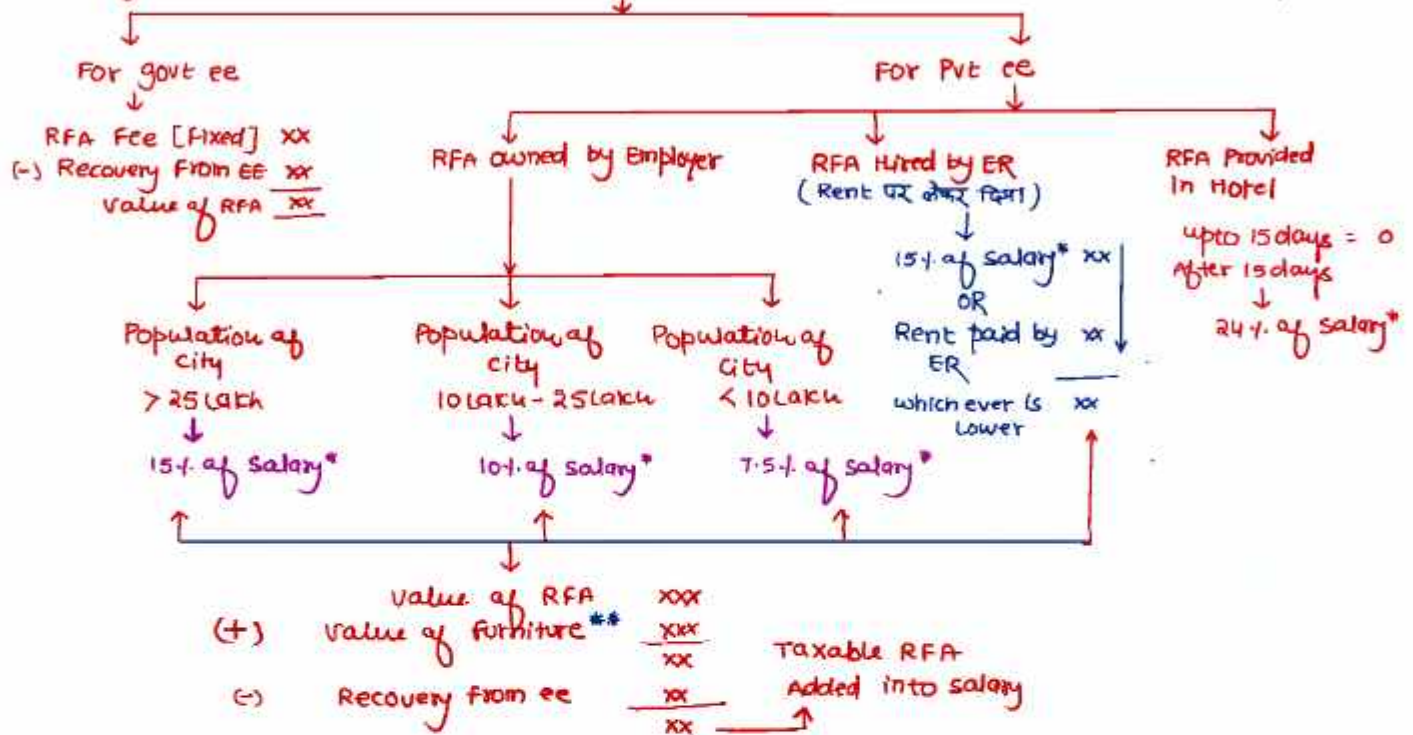
Use:- personal

$$10:1 \cdot \text{cost of vehicle } \times \times \\ + \text{REM Exps } \times \\ \hline \text{value of vehicle } \times \times$$

Use:- Partly use

$$\text{REM Exps } \times \times \\ (-) 900 \text{ PM (Fixed)} \times \times \\ \hline \text{value of Vehicle } \times \times$$

3. Value of Rent Free Accommodation [RFA]



Note: value of furniture: [e.g. Tv/Ac/furniture-house hold item]



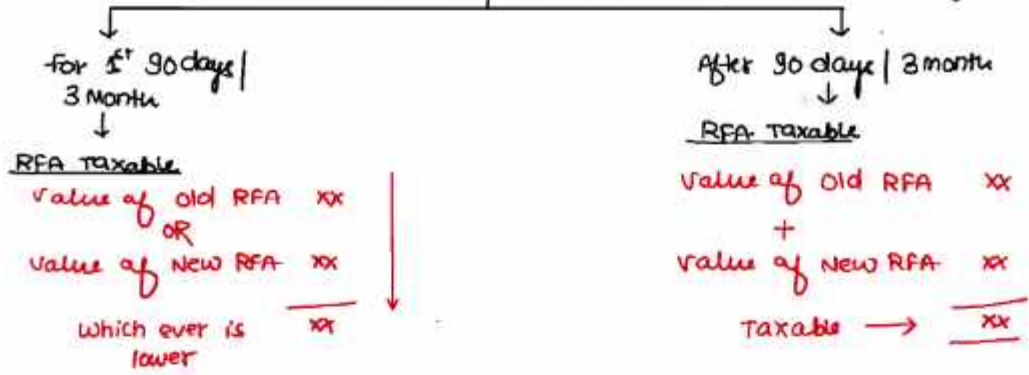
Note: salary means under RFA

[Basic salary + DA (under term) + Commission (A1)] + Bonus + Taxable Allowance + Other monetary payment.

Under salary of RFA following Payment/Perquisite not Include

(1) DA [Other than under term] + All perquisite up to 17(2) + Advance salary + contribution into PF/NPS.

Note:- In case Job Transfer → one more RFA provided in new place of Job

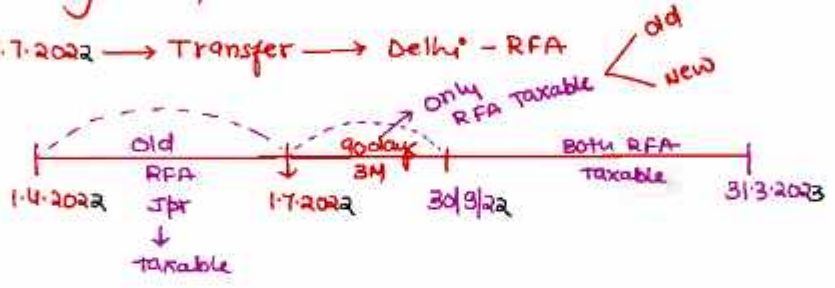


Ex- MR-P

working with PQR Ltd

Posting → Jaipur → RFA

on 1.7.2022 → Transfer → Delhi - RFA



Ex. MR-P

Basic salary = 10000 P.M.
 DA [70% under term] = 10000 P.M.
 Bonus = 60000 P.A.
 Commission = 60000 P.A.
 RFA in city Ganganagar → (Population 15Lakh)
 MR-P Trf Ganganagar to Delhi
 New RFA also provided at Delhi on 1.8.2022
 Rent paid by co. on Delhi RFA = 5000 P.M
 Cal. Gross salary of MR-P.

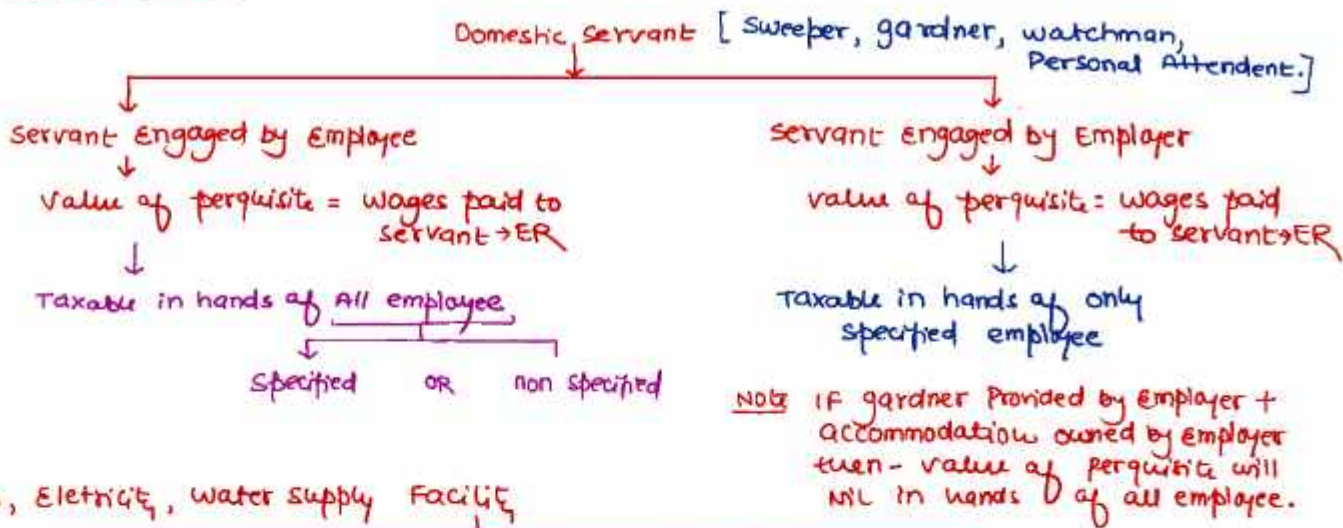
Computation of Gross salary

Basic salary	
DA	
Bonus	
Commission	
value of RFA	
Gross salary	412650

Working note: Salary under RFA
 $12000 + 84000 + 60000 + 60000$
 $\Rightarrow \frac{324000}{12} = 27000$



MEQ 3. Domestic servant :



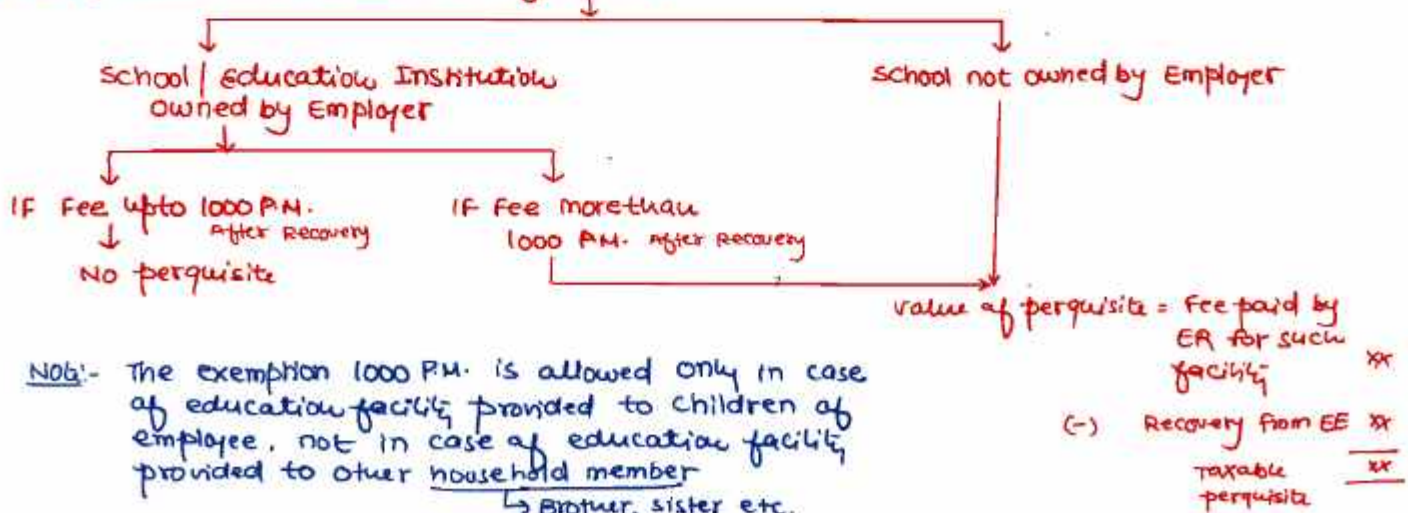
4. Gas, Electricity, water supply Facility



Note:- IF payment is made to agency supplying of gas / electricity / water → Amt paid to Agency is value of perquisite

IF supply is made from Resources owned by employer : Cost per unit is value of perquisite.

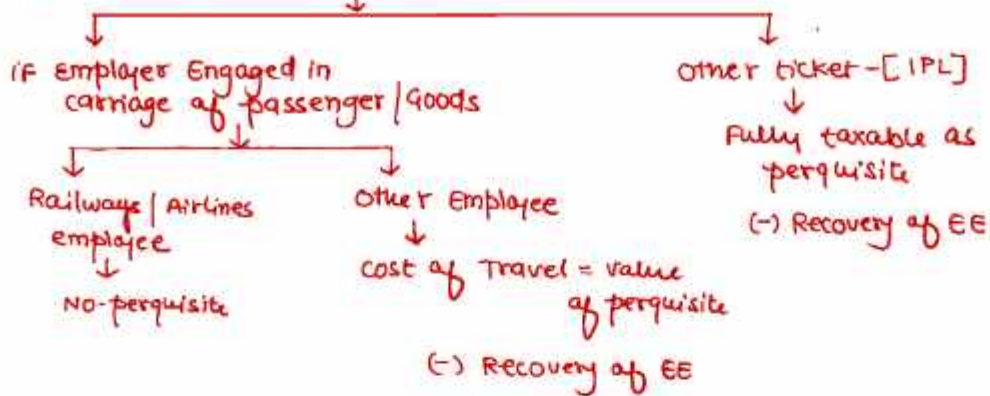
QRR 5. Free / concessional education facilities



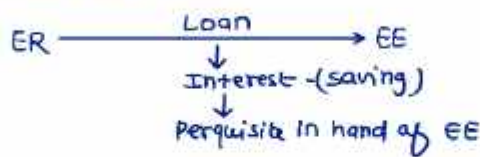
Note:- The exemption 1000 PM. is allowed only in case of education facility provided to children of employee, not in case of education facility provided to other household member
↳ Brother, sister etc.

QRR → Any no. of child can be taken for such facility.

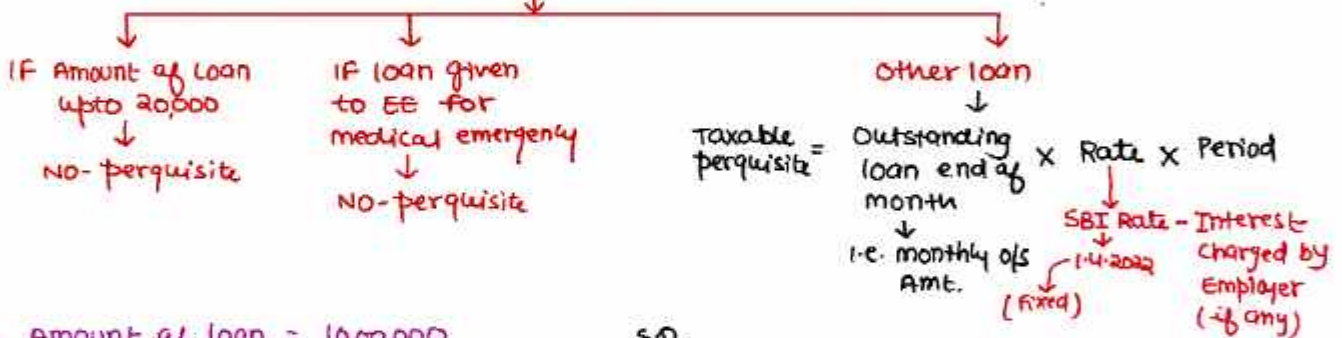
6. Free / concessional ticket :



7. Interest Free / concessional loan



Interest Free / concessional loan



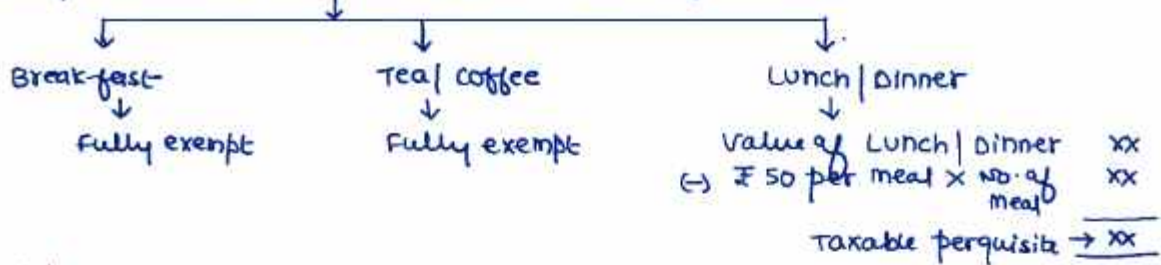
Ex- Amount of loan = 10,00,000
 Interest charged by ER = 3%
 Date of loan taken = 1-7-2022
 Re-payment of loan
 21-12-2022 = -200000
 11-3-2023 = -200000

SBI Rate

on 1-7-2022 [10%]
 on 1-4-2022 [8%]
 cal. Amt of perquisite.

sol.

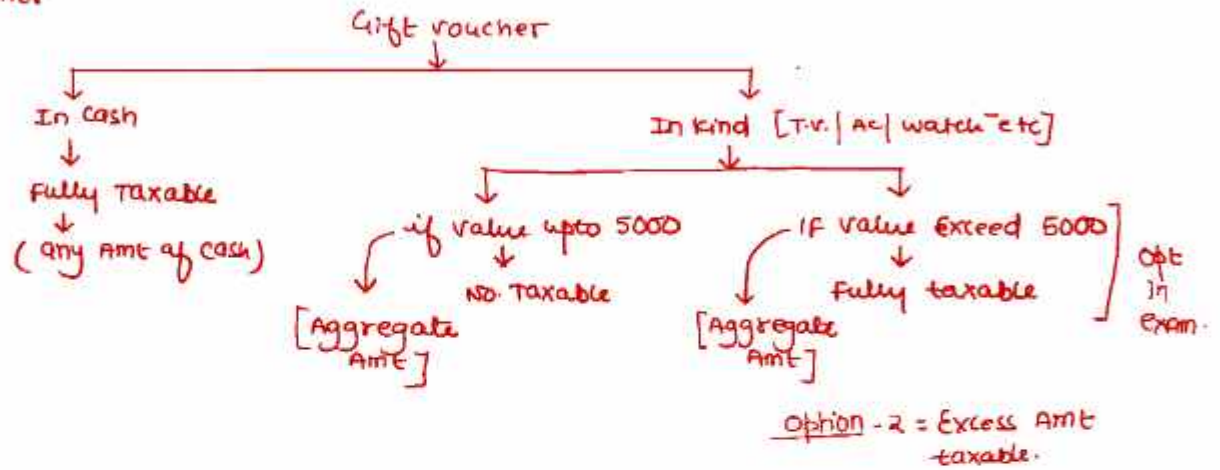
8 Free / Concessional Food [In office] → Not for guesthouse



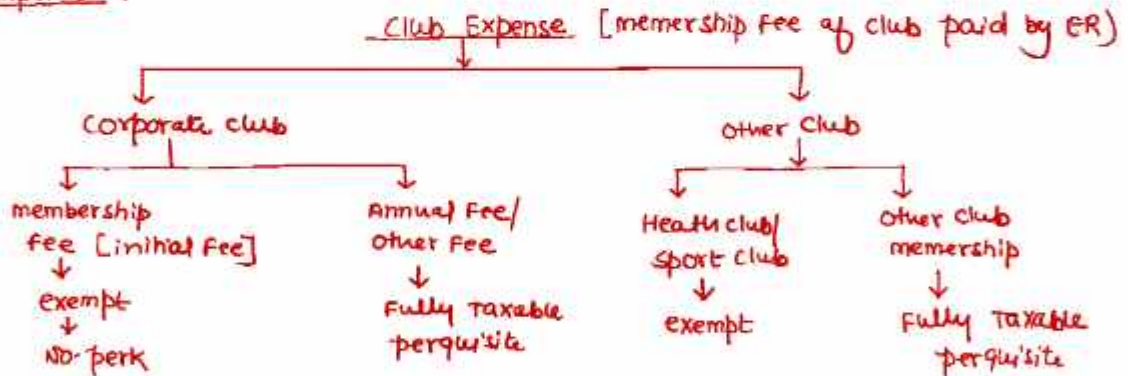
Note

(1) Free food provided in Remote locations - exempt
(BKM NO person resides)

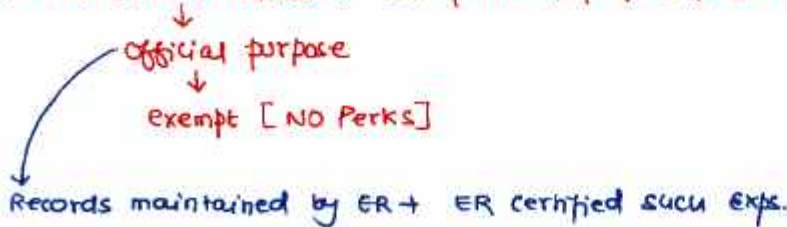
9. Gift voucher



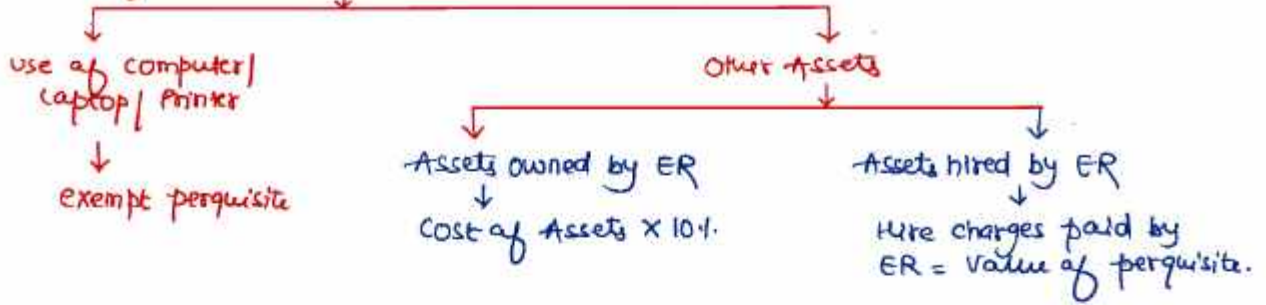
10. Club Expenses :



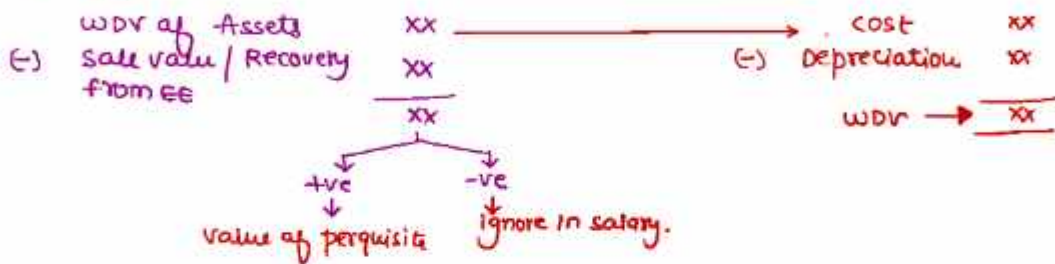
11. Credit card Facilities → use personal purpose ⇒ Taxable perquisite.



12.A Use of movable Assets [Other than CAR / RFA Furniture]



12.B Transfer of movable Assets



Computer / Laptop / Computer Related electronic items.	CAR	Other Assets + Including electronic item Household
Rate of Depreciation = 50% method = WDR method	Rate of Depreciation = 20% method = WDR method	Rate of Depreciation = 10% method = SLM

NOTE:- Depreciated value of Assets \rightarrow Depreciation computed for each complete year of use.

Ex: ABC Ltd transferred a CAR to MR-P (employee of ABC Ltd)
 Cost of CAR = 6,00,000 Date of purchase = 15.8.2019
 Date of Transfer = 07-03-2023
 Car. value of perquisite if ABC Ltd Recovery from P = 100000.

SO:

Ex-2

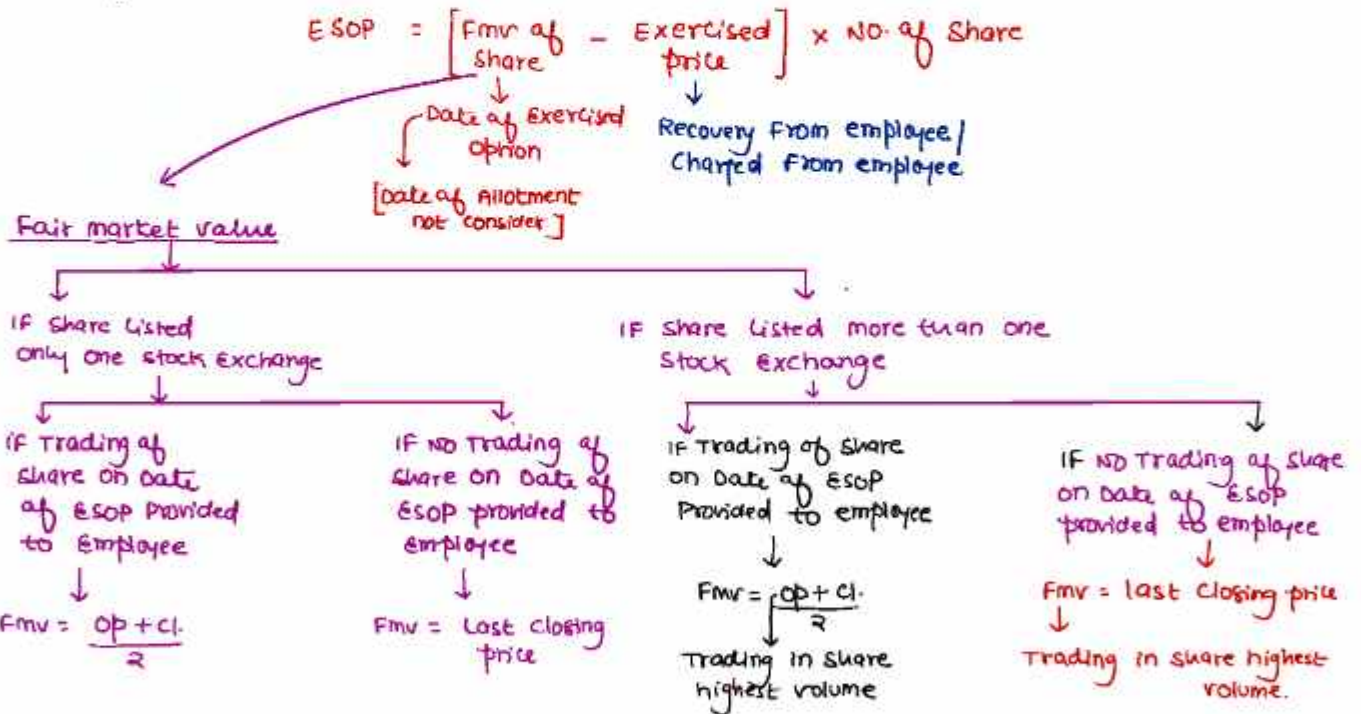
	TV	Computer
Cost of Assets	40000	60000
Date of purchase	12-2-2021	3-3-2020
Date of Transfer	07-03-2023	07-03-2023
Recovery from EE	-	15000

cat. value of perquisite ?

50.

13. value of specified security or sweat equity share [ESOP]

$$ESOP = [Fmv \text{ of Share} - \text{Exercised price}] \times \text{NO. of Share}$$



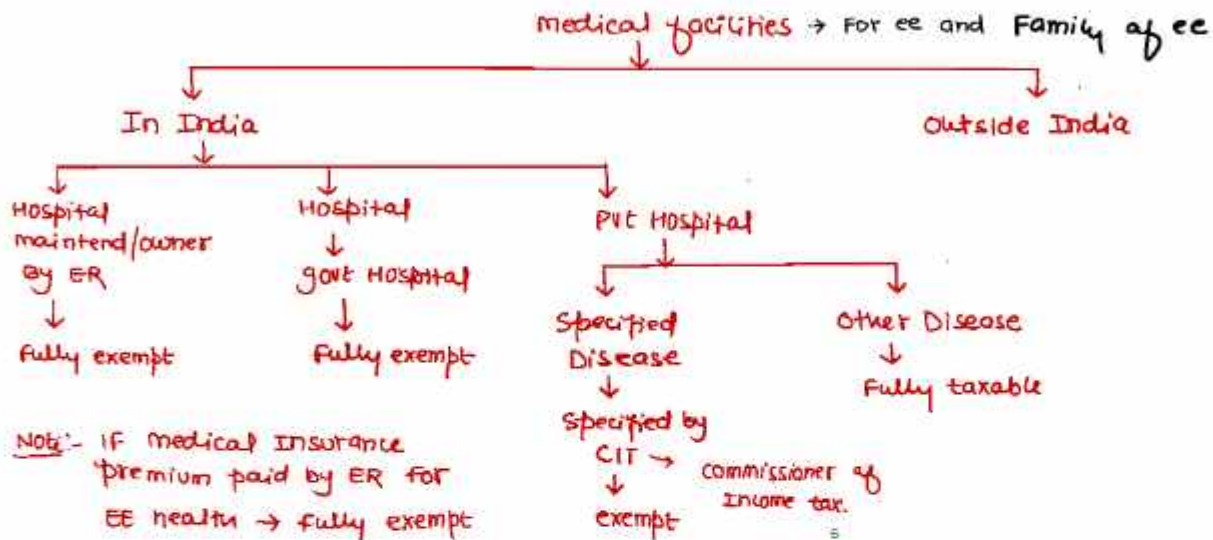
Note: IF Share are NOT Listed on Recognised stock exchange → In this case Fmv shall be such value determined by merchant banker on specified date.
only for 180 days.



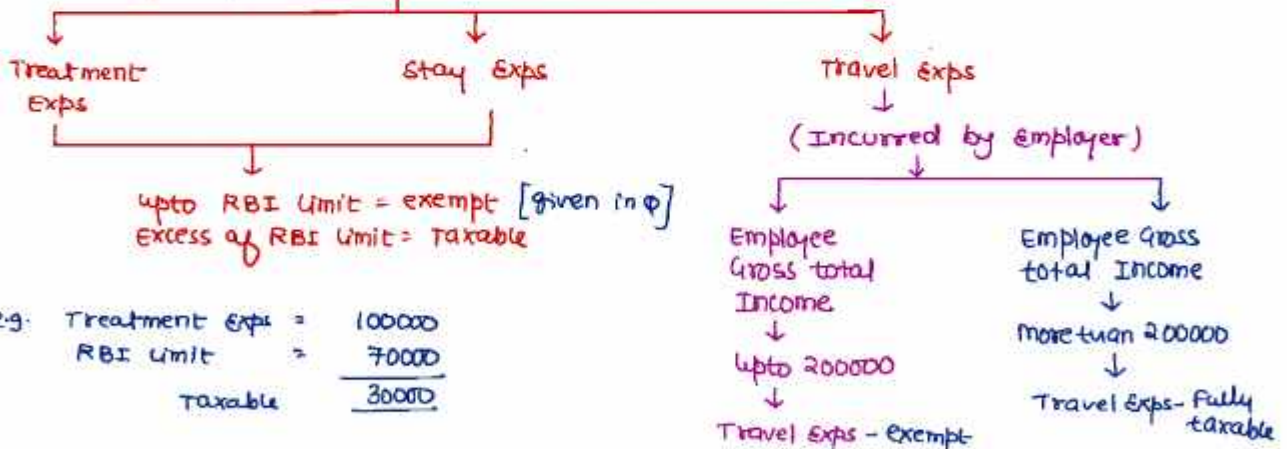
Ex: ABC (P) Ltd 10000 ESOP provided to MR-P @ 20 each
 Value determine by merchant banker ₹ 60 each
 cal. value of perquisite?

$$\begin{aligned}
 &= (\text{FMP} - \text{option}) \times \text{NO of ESOP} \\
 &= (60 - 20) \times 10000 \\
 &= 400000 \\
 &\quad \downarrow \\
 &\quad \text{value of perquisite}
 \end{aligned}$$

14: medical facilities: [If medical Allowance provided to ee → Fully taxable.]



medical facilities outside India



e.g. Treatment Exps = 10000
 RBI limit = 7000
 Taxable = 3000

Note: G.T.I = Include five head of Income But Before such Travel Exps

e.g.: Treatment + Stay abroad Exps = 25000
 RBI specified limit = 17500
 Travel Exps = 10000
 Other Income of employee = Case-1 17000
 salary of ee = 5000. Case-2 10000
 cal. Taxable medical Exps.

50:

Case-1	Case-2
↓ Travel Exps = 100000 Taxable	Travel Exp : exempt

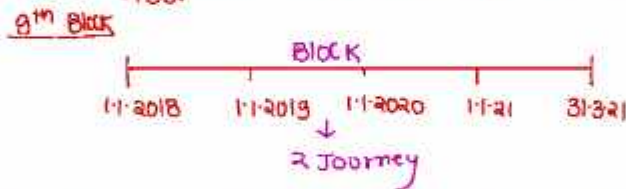
Family means : Employee / spouse / Any children / Depended Parents / Depended Brother / sister
Depended or not (Depended or not)

15. Leave Travel Concession [LTC] - In India.

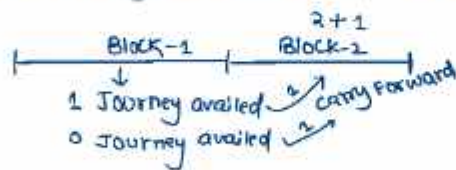
Benefit Available to Individual and Family of employee
↳ employee

MCA
 4K

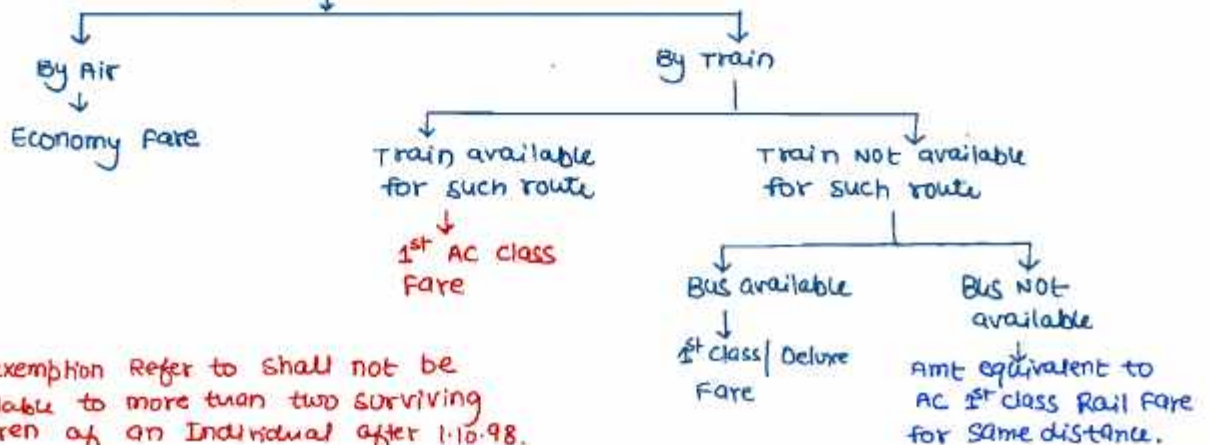
Limit of exemption: exemption will be available in respect of two Journey performed in a block of 4 calendar year commence since 1986.



Note: where such LTC is not availed by ee during any Block, one such unavailed LTC will be carry forward immediately succeeding Block



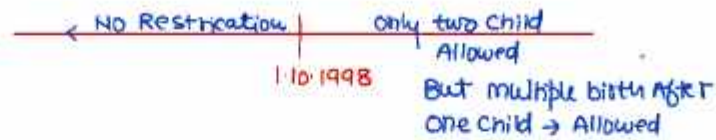
Amount of exemption → only Travel Exps will exempt



Note: The exemption refer to shall not be available to more than two surviving children of an Individual after 1.10.98.

Note: This restriction not apply in respect of children born before 1.10.1998

Note: This restriction not apply in case of multiple birth after one child.



S.No.	Children Born Before 1.10.98	Children born on/ After 1.10.98	Allowed Children under LTC.
1.	5	0	
2.	0	5	
3.	1	3	
4.	3	2	
5.	2	0	
6.	1	1	
7.	0	1, (1+1)	
8.	0	(1+1), 1	

EX- Total Exps of Travel = 60000 [Flight]

MR. X [ee] went on a holiday with wife, 3 children

1 children Age = 3 yr

2/3 twin Age = 8 yr

cal. Taxable LTC if Economic fare of flight = 45000

SO

LTC Received = 60000

(-) Allow Exps = 36000

↓ Taxable 24000

$\left[\frac{45000}{5} \times 4 \right]$

Fully Exempt Perquisite / Tax Free Perquisite in hands of All employee

1. Telephone Facility → Employee Residence [But Telephone Allowance fully taxable]
(Including mobile)
2. Transport Facility → for Railways / Airline employee
→ Employer engaged in transport business → exempt for any ee.
3. Privilege Pass / Privilege ticket → for Railways / Airline employee
4. Perquisite allowed outside India to govt ee → if employee is Indian Citizen

IF employee is foreign citizen

IF ee [foreign citizen]

Status → NR / NOR

↓
Exempt

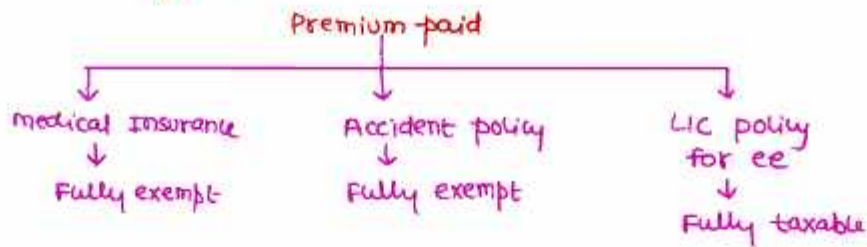
IF ee [foreign citizen]

Status → ROR

↓
Taxable

5. Employer contribution into staff group insurance
6. medical insurance policy for employee health is fully exempt
7. Annual premium paid by Employer for employee personal accident policy

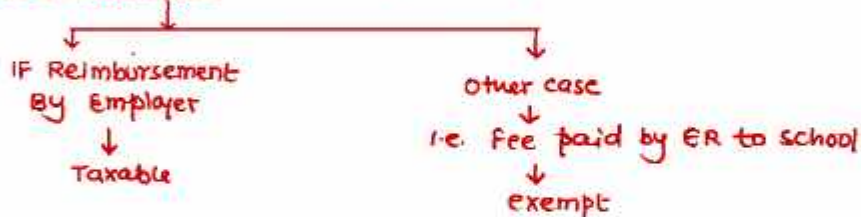
Note:- LIC premium paid by Employer for employee life is fully taxable in hands of employee



8. Amount spend on training of employee is fully exempt.
9. sum payable by employer to Approved superannuation fund i.e. ER contribution into superannuation fund is fully exempt.
10. All type of perquisite exempt in hands of High court / supreme Judges is fully exempt.

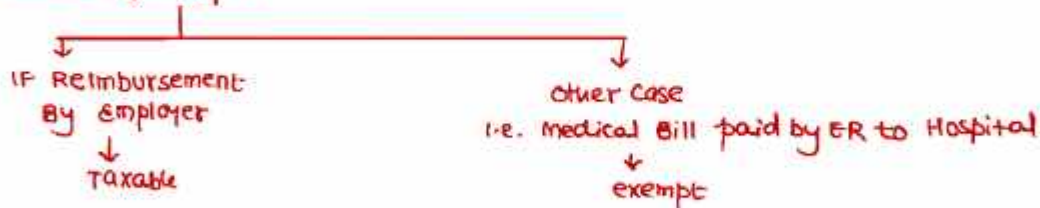
Note Following Perquisite not taxable in hands of non-specified employee

1. Motor car owned by Employer
2. Domestic servant appointed by Employer
3. Gas, electricity, water supply - if facility is in the name Employer
4. Free education



5. Free transport - IF Employer is engaged in transport Business

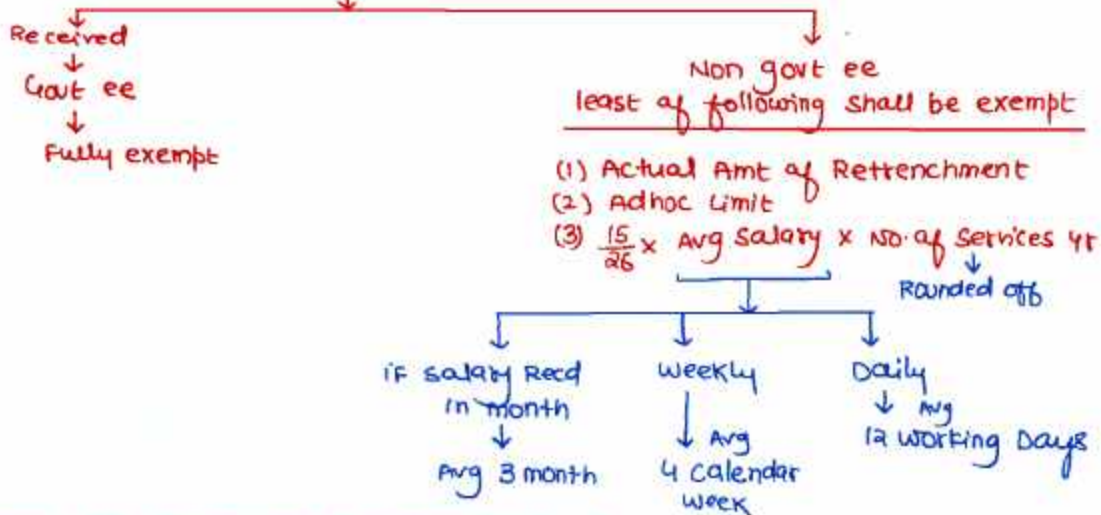
6. medical facility →



U/S 17(3) : Profit in lieu of salary : [Compensation paid by ER to EE]



(A) Retrenchment Compensation



100
5L

meaning of salary under Retrenchment Compensation

Salary Include	Salary Exclude
<ul style="list-style-type: none"> Basic salary + DA [All Type] + value of RFA + value light. water + value person attendant + All Other perquisite u/s 17(2). + LTC + commission [All Type] 	<ul style="list-style-type: none"> Any Bonus Contribution to PF/Gratuity fund Any gratuity payable on termination of his services

Ex MR- Pavan Received Retrenchment compensation ₹ 350000 on 15.8.2021 for termination of his services
 No. of services = 15 yr 8 months
 Basic salary on Termination = 18000 P.M.
 DA = 5000 [Not Part of salary] P.M.
 Bonus = 1000 P.M.
 cal. Taxable Retrenchment Compensation ?

sol.

B. Compensation Received at time of voluntary Retirement scheme. [10(10c)]

Exemption under section 10(10c) available only if following conditions are satisfied.

- (1) Compensation Received from specified Employer
 (C/S/ Govt/ IIT/ IIM/ specified university, cooperative society, PSU etc)
- (2) VRS must be applicable for all employee But other than Director
- (3) VRS Received only if Age of employee 40 & more OR no. of service yr 10 or more
 [Except PSU]
- (4) such scheme must be framed to Reduce the no. of employee and vacancy caused by VRS is not to be filled up.

VRS exemption u/s 10(10c)

↳ least of following shall be exempt

- | | |
|---|--------|
| (1) Actual Amt of VRS Compensation | xx |
| (2) Adhoc Limit | 5 Lakh |
| (3) 3 X Monthly salary x no. of service yr
↓
Only complete yr | xx |
| (4) Monthly salary x No. of Balance month of service left. | xx |

LOWER

meaning of salary under VRS
 ↓
 Same as HRA's salary
 i.e. Basic + DA [Under term]
 + Commission [T/o Based]

Exempt u/s 10(10c) → xx

Note:- where exemption is allowed to an assessee under section 10(10c) in any assessment year then no deduction is allowed in any subsequent A.Y.
 i.e. VRS exemption is allowed once in life.

EX- MR- Pavan Received VRS compensation ₹ 10,00,000 after 25 yr and 8 months services. He still left 3 yr of services.

On Date of VRS

Basic salary = 12000 P.M.

DA = 5000 P.M. [50% under term]

↳ Compute taxable VRS Amt.

↳ if under this compensation Amt = 11 Lakh

SOL. computation of taxable VRS

Rule 2BA Apply
 ↓
 entire 11 Lakh will taxable

Note: As per Rule 2BA: No exemption u/s 10(10c) (i.e. VRS) if compensation Received Exceed maximum exemption u/s 10(10c).

i.e. in above Q if compensation Received ₹ Exceed 10,87,500 then

Exceed maximum exemption u/s 10(10c).

i.e. in above of if Compensation Received \neq Exceed 1087500 then entire Compensation shall be taxable under VRS.

U/S-16 Deduction From salary

(i) Standard Deduction u/s 16(ia): Lower of
↓
Standard Deduction available to all ee
(i) Gross salary
OR
(ii) 50000
↓
LOWER

(ii) Entertainment Allowance u/s 16(ii)

Entertainment Allowance is initially taxable in hands of All employee, thereafter a deduction is allowed only for govt employee.

Entertainment Allowance Deduction Lower of -

(1) Actual Amt of Entertainment Allowance xx
(2) Adhoc Limit 5000
(3) 20% of Basic salary xx
↓
xx

(iii) Professional tax : Tax on Employment

↓
Professional tax will deducted from Gross salary [full Amt whether paid by Employee or Employer]

NOTE: IF professional tax paid by Employer
I^{sc} → Added into Employee salary
then deducted from Gross salary.

Ex: Gross salary of MR-Pavan Before Professional tax = 850000
Professional tax = 2000 [80% professional tax paid by ER]
Cal. Net taxable salary ?

Sol.

Extra note

meaning of salary for different purpose.

1. HRA = BASIC + DA(T) + Commission (T₀)

2. Gratuity → POGA EE → Basic + DA [Full]
 → NON POGA EE = Avg salary → Basic + DA(T) + Commission (T10) → days ignore
 ↳ Being Avg of Last 10 months preceding month of Retirement

4. leave encashment → Avg salary → Basic + DA(T) + Commission (T10)
 ↳ Being Avg of Last 10 months preceding day of Retirement

5. RFA → Basic + DA(T) + Commission [all] + Bonus + All taxable Allowance + All monetary payment

6. Entertainment Allowance = only Basic salary

7. Retrenchment compensation = Basic + DA + value of Perquisite + LTC + Commission

8. VRS = Basic + DA [Under Term] + Commission (T10 Based)

9. specified employee = Basic + DA (All) + Commission (T10 Based) + Bonus + Fee + Any other taxable Allowance + any other monetary Benefit
 - Deduction u/s 16

