

Topic: Income from Salary

Total Marks: 50 Marks

Time Allowed: 70 minute

Questions:

Part-A Multiple Choice Questions

[Total 20 Marks – 2 Marks for each MCQ]

1. Anirudh stays in New Delhi. His basic salary is ₹ 10,000 p.m., D.A. (60% of which forms part of pay) is ₹ 6,000 p.m., HRA is ₹ 5,000 p.m. and he is entitled to a commission of 1% on the turnover achieved by him. Anirudh pays a rent of ₹ 5,500 p.m. The turnover achieved by him during the current year is ₹ 12 lakhs. The amount of HRA exempt under section 10(13A) is –
 - (a) ₹ 48,480
 - (b) ₹ 45,600
 - (c) ₹ 49,680
 - (d) ₹ 46,800

2. Mr. Karan completed his MBA in April 2023 and joined XYZ Ltd from 01.05.2023. His basic salary is ₹ 2,25,000 p.m. He is paid 12% of basic salary as D.A forming part of retirement benefits. He contributed 11% of his pay and D.A. towards recognized provident fund and the company contributes the same amount. Accumulated interest on provident fund as on 31.3.2024 is ₹ 49,325. What would be the income chargeable to tax under the head “Salaries” of Mr. Karan for the A.Y. 2024-25, if he does not opt for section 115BAC?
 - (a) ₹ 27,26,442
 - (b) ₹ 27,30,884
 - (c) ₹ 27,22,000
 - (d) ₹ 27,71,325

3. Mr. Jagat is an employee in accounts department of Bharat Ltd., a cellular company operating in the regions of eastern India. It is engaged in manufacturing of cellular devices. During F.Y. 2023-24, following transactions were undertaken by Mr. Jagat:
 - (i) He attended a seminar on “Perquisite Valuation”. Seminar fees of ₹ 12,500 was paid by Bharat Ltd.
 - (ii) Tuition fees of Mr. Himanshu (son of Mr. Jagat) paid to private coaching classes (not having any tie-up with Bharat Ltd.) was reimbursed by Bharat Ltd. Amount of fees was ₹ 25,000.
 - (iii) Ms. Sapna (daughter of Mr. Jagat) studies in DPS Public School (owned and maintained by Bharat Ltd.). Tuition fees paid for Ms. Sapna was ₹ 750 per month by Mr. Jagat. Cost of education in similar institution is ₹ 5,250 per month.

What shall be the amount which is chargeable to tax under the head “Salaries” in hands of Mr. Jagat for A.Y. 2024-25?

- (a) ₹ 25,000
 (b) ₹ 37,500
 (c) ₹ 66,500
 (d) ₹ 79,000
4. XYZ Pvt. Ltd. provides a car (below 1.6 ltr cc) along with a driver to Mr. Sanjay, employee of XYZ Pvt. Ltd., partly for official and partly for personal purpose. The expenses incurred by the company are: Running and maintenance expenses – ₹ 32,000 and driver’s salary – ₹ 36,000. The taxable value of car facility for A.Y. 2024-25 will be -
- (a) ₹ 21,600
 (b) ₹ 10,800
 (c) ₹ 32,400
 (d) ₹ 39,600
5. Mr. Dutta received voluntary retirement compensation of ₹ 7,00,000 after 30 years 4 months of service. He still has 6 years of service left. At the time of voluntary retirement, he was drawing basic salary ₹ 20,000 p.m.; Dearness allowance (which forms part of pay) ₹ 5,000 p.m. Compute his taxable voluntary retirement compensation, assuming that he does not claim any relief under section 89 -
- (a) ₹ 7,00,000
 (b) ₹ 5,00,000
 (c) ₹ 2,00,000
 (d) Nil
6. Mr. Rajesh Sharma, aged 54 years, an Indian citizen, is working as Assistant Manager in ABC India Ltd. He is getting basic salary of ₹ 58,000 per month. For previous year 2023-24, following information are relevant;
- (a) Dearness Allowance - 10% of Basic Pay (considered for retirement purposes)
 (b) Bonus - ₹ 98,000
 (c) Medical allowance paid during P.Y. 2023-24 amounting to ₹ 60,000
 (d) He was also reimbursed medical bill of his mother amounting to ₹ 15,000.
 (e) He was also transferred a laptop by company for ₹ 15,000 on 31st December, 2023. The laptop was acquired by company on 1st October, 2020 for ₹ 1,00,000. Company was charging depreciation at 31.666% assuming useful life of laptop as 3 years.
 (f) He was also reimbursed salary of house servant of ₹ 4,000 per month.
 (g) Professional Tax paid by employer amounting to ₹ 2,400.
 (h) 400 equity shares allotted by ABC India Ltd. at the rate of ₹ 250 per share against fair market value of share of ₹ 350 on the date of exercise of option.
- Mr. Rajesh does not opt for the provisions of section 115BAC.
- Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:
- (i) What is the taxable value of perquisite from laptop transfer to Mr. Rajesh ?

- (a) ₹ Nil
 - (b) ₹ 85,000
 - (c) ₹ 10,000
 - (d) ₹ 35,000
- (ii) What is the taxable value of perquisite from ESOP's to Mr. Rajesh ?
- (a) ₹ Nil
 - (b) ₹ 40,000
 - (c) ₹ 1,40,000
 - (d) ₹ 1,00,000
- (iii) What are his total taxable perquisites for A.Y. 2024-25?
- (a) ₹ 55,000
 - (b) ₹ 90,400
 - (c) ₹ 1,05,400
 - (d) ₹ 1,03,000
- (iv) What is the income chargeable under the head "Salaries" in the hands of Mr. Rajesh Sharma for A.Y. 2024-25?
- (a) ₹ 9,76,600
 - (b) ₹ 9,86,600
 - (c) ₹ 9,71,600
 - (d) ₹ 9,61,600
7. Mr. Kashyap received basic salary of ₹ 20,000 p.m. from his employer. He also received children education allowance of ₹ 3,000 for three children and transport allowance of ₹ 1,800 p.m. Assume he is not opting to pay tax under section 115BAC. The amount of salary chargeable to tax for P.Y. 2023-24 is -
- (a) ₹ 2,62,600
 - (b) ₹ 2,12,600
 - (c) ₹ 2,11,600
 - (d) ₹ 2,12,200

Part-B Descriptive Questions**[Total 30 Marks]**

1. Compute salary income of Mr. Raghav for the A.Y. 2024-25 from the following details:

Mr. Raghav (aged, 61 years) working in a private company from last 10 years. His salary details for the financial year 2023-24 are:

Basic Salary	1,70,000 p.m.
Dearness Allowance (forms part of retirement benefits)	80,000 p.m.
Commission	32,000 p.m.
Transport Allowance	5,000 p.m.
Medical Reimbursement	40,000

Mr. Raghav resigned from the services on 30th November, 2023 after completing 10 years and 5 months of service. He was paid gratuity of ₹ 25 lakhs on his retirement. He is not covered under the Payment of Gratuity Act, 1972.

There was no change in salary of Mr. Raghav from last two years. He opted to pay tax as per default taxation regime section 115BAC. **[5 Marks]**

2. From the following details, find out the salary chargeable to tax for the A.Y.2024-25 assuming he has not opted for the provisions of section 115BAC-

Mr. X is a regular employee of Rama & Co., in Gurgaon. He was appointed on 1.1.2023 in the scale of ₹ 20,000 - ₹ 1,000 - ₹ 30,000. He is paid 10% D.A. & Bonus equivalent to one month pay based on salary of March every year. He contributes 15% of his pay and D.A. towards his recognized provident fund and the company contributes the same amount. DA forms part of pay for retirement benefits.

He is provided free housing facility which has been taken on rent by the company at ₹ 10,000 per month. He is also provided with following facilities:

- Facility of laptop costing ₹ 50,000.
- Company reimbursed the medical treatment bill of his brother of ₹ 25,000, who is dependent on him.
- The monthly salary of ₹ 1,000 of a house keeper is reimbursed by the company.
- A gift voucher of ₹ 10,000 on the occasion of his marriage anniversary.
- Conveyance allowance of ₹ 1,000 per month is given by the company towards actual reimbursement of conveyance spent on official duty.
- He is provided personal accident policy for which premium of ₹ 5,000 is paid by the company.
- He is getting telephone allowance @₹ 500 per month. **[8 Marks]**

3. You are required to compute the income from salary of Mr. Raja from the following particulars for the year ended 31-03-2024, assessee opted 115BAC default taxation regime.

- He retired on 31-12-2023 at the age of 60, after putting in 25 years and 9 months of service, from a private company at Delhi.
- He was paid a salary of ₹ 25,000 p.m. and house rent allowance of ₹ 6,000 p.m. He paid rent of ₹ 6,500 p.m., during his tenure of service.
- On retirement, he was paid a gratuity of ₹ 3,50,000. He was covered by the payment of Gratuity Act, 1972. He had not received any other gratuity at any point of time earlier, other than this gratuity.

- (iv) He had accumulated leave of 15 days per annum during the period of his service; this was encashed by him at the time of his retirement. A sum of ₹ 3,15,000 was received by him in this regard. Employer allowed 30 days leave per annum.
 - (v) He is receiving ₹5,000 as pension. On 1.2.2024, he commuted 60% of his pension and received ₹ 3,00,000 as commuted pension.
 - (vi) The company presented him with a gift voucher of ₹ 5,000 on his retirement. His colleagues also gifted him a mobile phone worth ₹ 50,000 from their own contribution. **[10 Marks]**
4. Mr. Kashyap, aged 38 years, is entitled to a salary of ₹ 40,000 per month. He is given an option by his employer either to take house rent allowance or a rent-free accommodation which is owned by the company. The HRA amount payable was ₹ 8,000 per month. The rent for the hired accommodation was 6,500 per month at New Delhi. Advice Mr. Kashyap whether it would be beneficial for him to avail HRA or Rent-Free Accommodation. Give your advice on the basis of “Net Take Home Cash benefits”. Assume Mr. Kashyap does not opt for the provisions of section 115BAC. **[7 Marks]**