❖ **Note 6 : Gratuity** (3 तरह काम के लिए)

Gratuity Exempt u/s 10(10)

During employment
↓
Fully Taxable

At the time of retirement
Sec. 10(10)

<div>

Govt. employee	Other employee
↓	
Fully exempt	

</div>

Govt. employee → Fully exempt

Other employee:
- **POGA employee** ↓ exempt Amt
- **Non-POGA employee** ↓ exempt Amt

POGA employee → exempt Amt ↓
1) $15/26 \times$ *latest salary p.m × No. of years of completition of service (rounding off allowed) #
2) Actual amt. received
3) Max 20L (LT)

Non-POGA employee → exempt Amt ↓
1) ⊛10 $1/2 \times$ average × No. of yrs salary p.m of completin of service (NO round off) #
2) Actual amt. received
3) Max 20L (lifetime) — Pehli mila hoga to less karke exempt
Allow + perq. vis.

⟵ Rounded off highlighted box ⟶

Rounded off = 20y 4m = 20y
20y 6m = 20y
20y 9m = 21y

Not Rounded off = 30y 3m = 30y
30y 11m = 30y

* Salary pm = Latest B.S + DA (Total) → exclude Bonus, Com, HRA, Allow + perq. vis.
⊛ Avg. salary pm → Avg B.S for last 10m } last 10m shall be calculated
+ Avg DA(T) for 10 m } by excluding month of
+ Avg T/O comm. —11— } retirement.

\# No. of years of completn → Round off (6m to be lower round off)

⊞ No. of Years of completn → Not to round off

Leave salary/Leave encashment 10(10AA)

During employment
↓
Fully Taxable

At the time of retirement

Gout. employee
↓
Fully exempt

Non-Government employee

EXEMPT AMT.
1) leave credit × Average salary p.m # *
2) 10 × Average salary p.m *
3) Actual amount Received
4) Ceiling limit → ₹ 25L (lifetime) (Amendment as per FA 2023)

* Average salary p.m → Avg. BS of last 10 months
+ Avg DA (T) of last 10m
+ Avg T/o comm. of last 10m
} Date to Date

If question gives only 'commission' → It shall not be treated as T/o commission

Leave credit → leave allowed (entitled) - leave taken
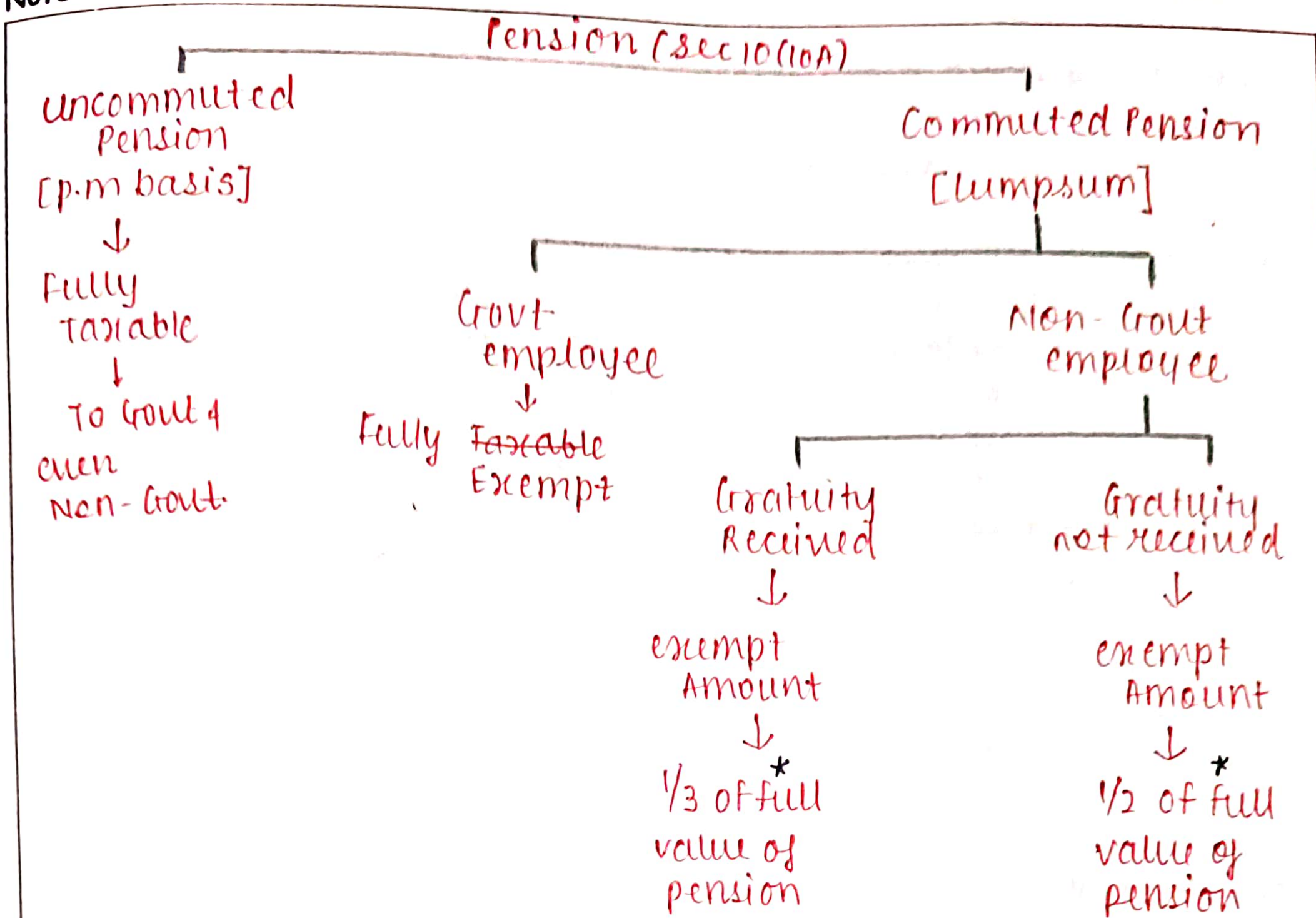└ max 30 days for every [completed years]
Jyada = 0

To be computed first in total days for entire service. Then convert it into months by dividing into 30

leave jitna he rakhe - salary mil gaye
Cash equivalent of Earned leave

U eq. Retirement → 16/3 → 15/3 se piche 10 m.

Commute - saath mein milna

❖ **Note 7 : Pension**

Pension (sec 10(10A))

Uncommuted Pension [p.m basis]
↓
Fully Taxable
↓
To Govt 4 even Non-Govt.

Commuted Pension [lumpsum]

Govt employee
↓
Fully ~~Taxable~~ Exempt

Non-Govt employee

Gratuity Received
↓
exempt Amount
↓
⅓ of full* value of pension

Gratuity not received
↓
exempt Amount
↓
½ of full* value of pension

$$* \text{ FULL value} = \frac{\text{Amount of commuted Pension}}{\text{\% of commutation}}$$

Total pension = Commuted + uncommuted.

❖ Note 9 : House Rent Allowance

Sec 10(13A)

LOWER
1) #40%/50% of salary
2) Actual amount received
3) Rent paid/payables – 10% of salary
   (paid)

* Salary → BS + DA(T) + T/O commission (during the period.
(on actual basis)   when HRA is Received & Rented accommodation
Do not include   is occupied.)
advance salary/even
if received.

\# 40%/50% selection → on the basis of place of rented
                          accommodation & not service.

40% → Non metro cities
50% → Metro cities (Mumbai, Delhi, Chennai, Kolkata).
                                        (Madras)

salary → only of period where
          HRA is Received. ↓RA.
          └ Refer Q 16).

1. Exemption is not available to an assessee who lives in his own house, or in a house for which he has not incurred the expenditure of rent.
2. Relevant period means the period during which the said accommodation was occupied by the assessee during the previous year.

❖ Note 10 : Voluntary Retirement Compensation

Exempt U/S 10(10C)
1) Actual Amt Recieved
2) Ceiling limit → 5L
3) Salary p.m × 3m × No. of years of completn of service
4) Salary p.m × No. of remaining month of service

* salary → BS + DA(T) + T/O commission

\# Dont round off → consider completed years

Exemption U/s 10(10C) can be availed ONCE
                                      in lifetime

hakalna

❖ **Note 11 : Retrenchment Compensation**

Exemption u/s 10(10B)

1) Actual Amt. Received
2) ceiling limit → 5L
3) 15/26 × $\overset{*}{Avg}$. salary × $\overset{\#}{length}$ of service

* salary = BS + DA (T) + T/O commission -
Avg salary → Based on payment proceeding
(Date to Date)   to date of retirement
                              ↓
                    If monthly → 3 month's
                                    salary

\# Round off (If more than 6 months
                        └ upper round off)

8E538

❖ **Note 12: Provident Fund**

a. **Statutory Provident Fund (SPF)** - CG/SG

Interest - Exempt
(Govt.)
↓

(kharcha)
Employee's Contribution   SPF   **Employer's Contribution** (khudke jab se)
Salary statement
└ ignore

(IGNORE)   Exempt
Deduction u/s 80C   (SPF - Govt.)

Lumpsum amount received by Employee on retirement
Exempt u/s 10(11)
not taxable
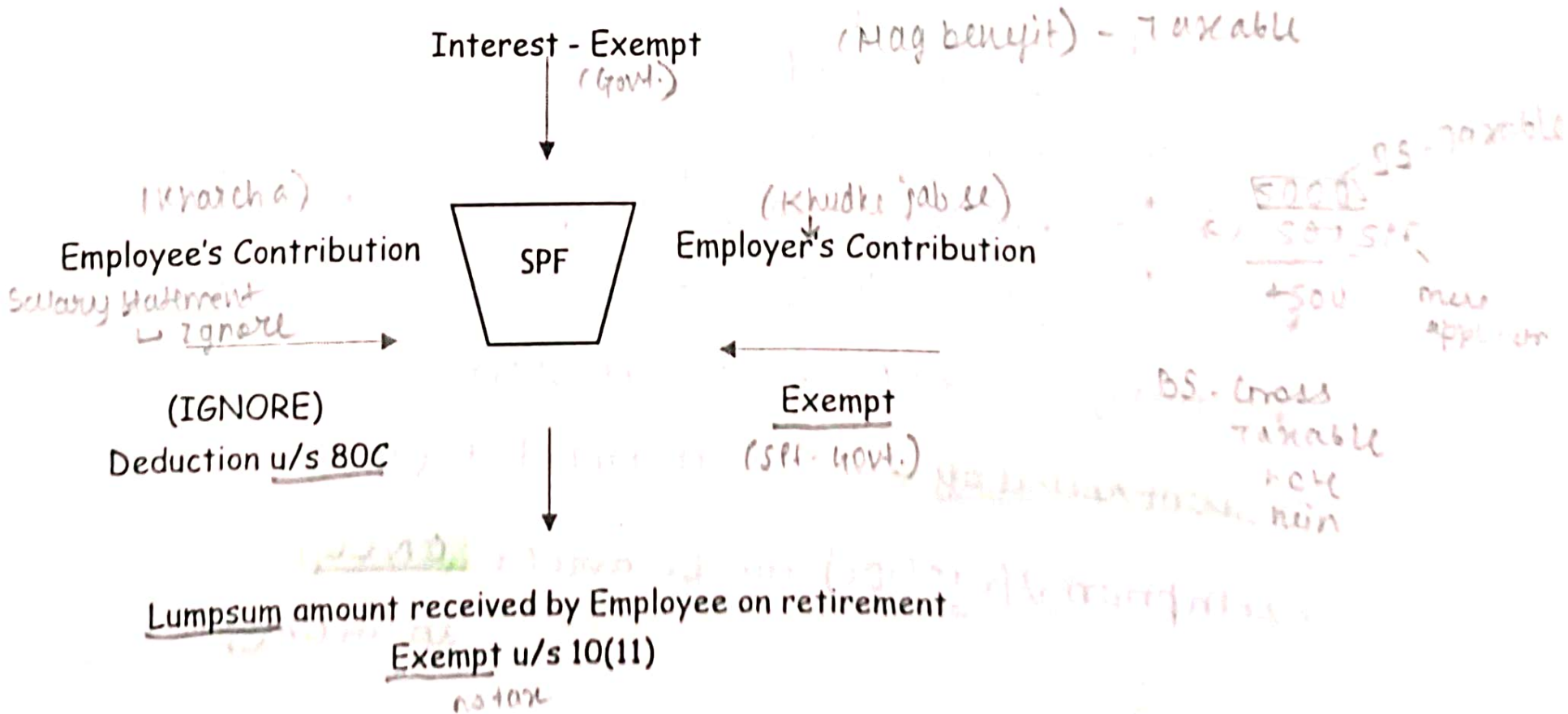
Difference between allowance & perquisites -

Allowance - It means monthly fixed amount received by employee from employer whether actual expenditure is incurred or not. It is part of salary, e.g. HRA, Medical Allowance etc.

Perquisites - It means benefits or facility provided by employer. It is received when actual expenditure is incurred e.g. Medical facility, car facility etc.

- **Leave Travel Concession (LTC)**

Leave Travel Concession in India
(Sec 10(5))

Travel by any other mode

Travel by Air
i) Actual amt spent
ii) Economy class fare
E
X
E
M
P
T

Railway facility Available
i) Actual Amt spent
ii) First class railway AC fare
E
X
E
M
P
T

Exemption Available for
└ Employer (self), Spouse, Children, Dependent Relative
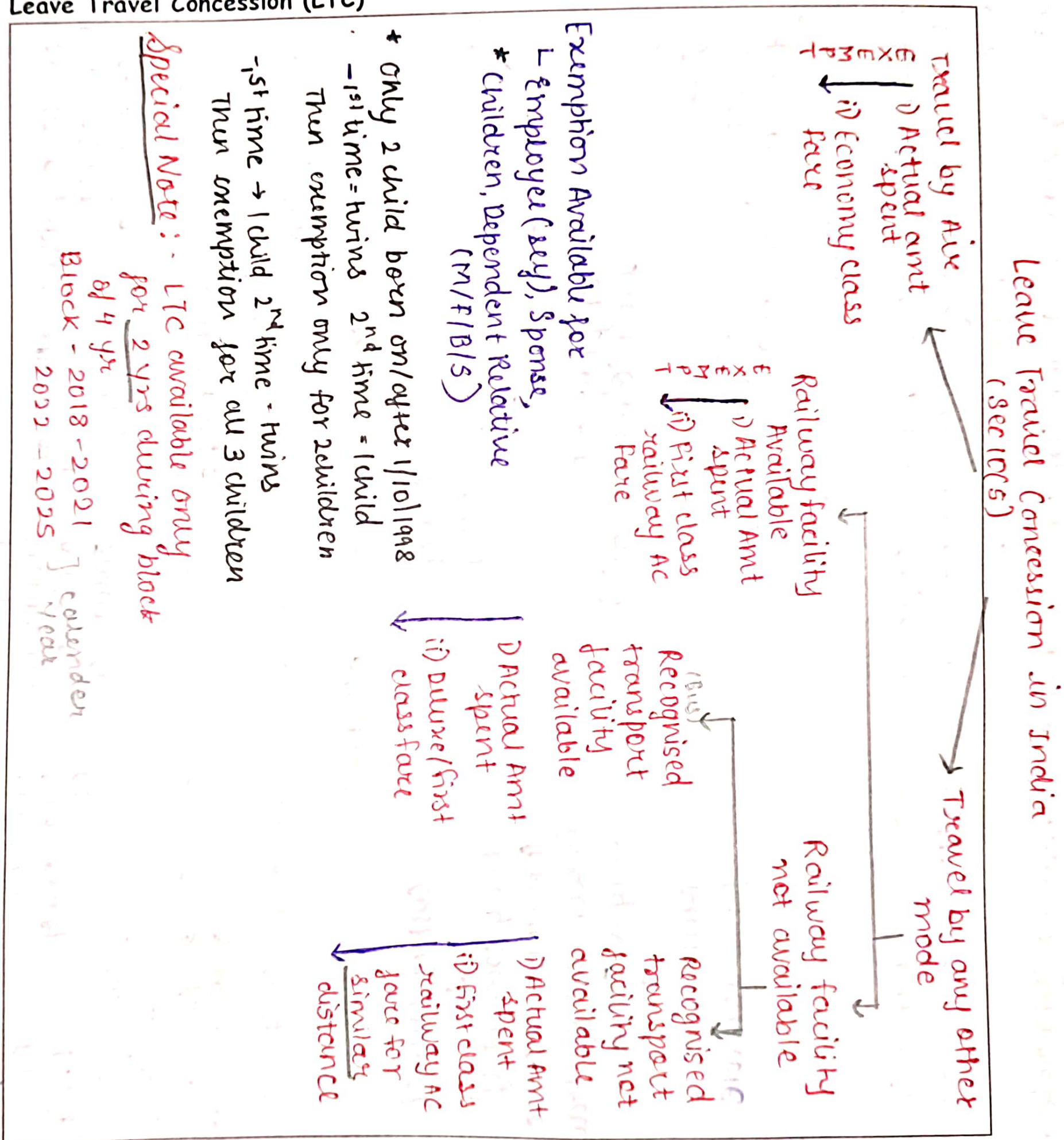(M/F/B/S)

Railway facility available
(Bus) Recognised transport facility available
i) Actual Amt spent
ii) Deluxe/first class fare

Railway facility not available
Recognised transport facility not available
i) Actual Amt spent
ii) First class railway AC fare for similar distance

* Only 2 child born on/after 1/10/1998
  - 1st time = twins 2nd time = 1child
    Then exemption only for 2children
  - 1st time → 1child 2nd time = twins
    Then exemption for all 3 children

*Special Note :- LTC available only for 2 yrs during block of 4 yr
Block - 2018-2021
        2022-2025 } calender year

- **Medical Facility**

Value of facility → Reimbursement of expense in
in employers

★ hospital

★ Hospital approved   ★ Hospital
by CG/SG/LA   approved
(Govt. Hospital)   by CIT/
                       CCIT

Fully Exempt

Informed of   Any illness   other facilities
medicalim/   relating to
group health/   covid-19
Insurance/   subject to   fully
accident   conditions of   Taxable
Insurance   C4
                               ↓
                               fully
                               Taxable
                           D Family DOC
                      2) Grandfather in 2d
                      3) G's mother - fam DOC
                      4) sis in nursing DR

★ Hospital → Dispensary/clinic/nursing home
- These Benefit of exception → self, spouse, children, dependent relative (m/f/B/S)

Cost of medical
Treatment

| Medical Treatment o/s India |

exempt upto RBI   Cost of   Cost of Travel
limit (O will give His)   stay   #
                                           ↓
                                       Fully exempt if   upto 2L exempt
                                       Grosstotal income   >2L -
                                       (exclu. cost of travel)   fully
                                       is upto 2lakhs   Tax.
                                             ↓
                                          otherwise
                                           fully Taxable

Exemption available
for - employer (sey), spouse,
children, dependent relative (m/f/B/S)

Patient + 1 Attendant → exemption available.

GTI → 50% salary ✓
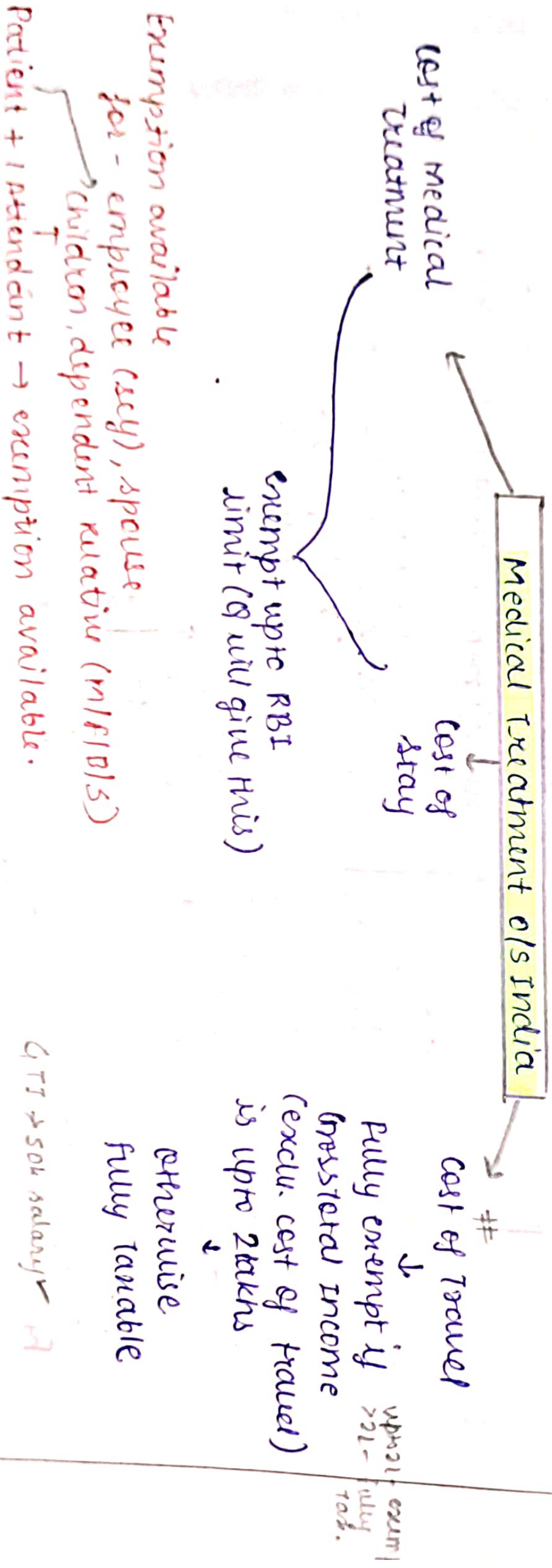
If question has not mention anything about hospital ie
whether approved by CG/SG/LA/CIT/CCIT assume it to be
other (or) → fully Taxable.

If question given life form. Insurance by esi? than → **Taxable**;
No deduct allowed, If Health Insurance → fully **exempt**. (or).

- **Gift**

If gift is received from collegue then it is taxable u/s IFOS ie limit of 56(2)(10) is applicable

```
                              Gifts
        ┌──────────────────────────────┬──────────────────────┐
   Received in (monetary).                          In kind
   cash/cheque/DD                              (like gift, vouchers
                                                      etc)
        ↓                                            ↓
   Fully Taxable                          Not taxable upto 5000
        ↓                                  Taxable above
   56(2)(x) limit                          500U
        NA.                                L eg. 8000
                                           ↳ only 3000
                                              taxable
```

* **loan given by er → ee at concessional or without rate of Interest.**

Tax Amt = Loan Amt × (SBI Interest - Actual Int.)

Note :-
  i) loan amt is upto 20k then interest benefit → Not Taxable
  2) If loan taken for specified disease then int. is not Tax even amt is more than 20,000.

- **ESOPs / Sweat equity shares**

where CG arises from Transfer of sweat equity shares, the COA = FMV

```
      Quoted shares                                    ungoted shares/
  ┌─────────────────┬──────────────────┐              listed but not
  Single RSE          Multiple RSE                     active shares (Trading x)  [FMV value lega]
      ↓                   ↓                                    ↓
  FMV as on date of   * FMV of that RSE               * FMV as on date of
  exercise of option    where the shares               exercise of option as
  (-) Recovery if any   are traded in                  computed by
                        highest volume as              merchant Banker
  Bal. Taxable          on date of exercise            (-) Recovery, If
                        of option                         any
                        (-) Recovery If any            ──────────────
                        ──────────────                  Bal Tax
                        Bal. Taxable
```
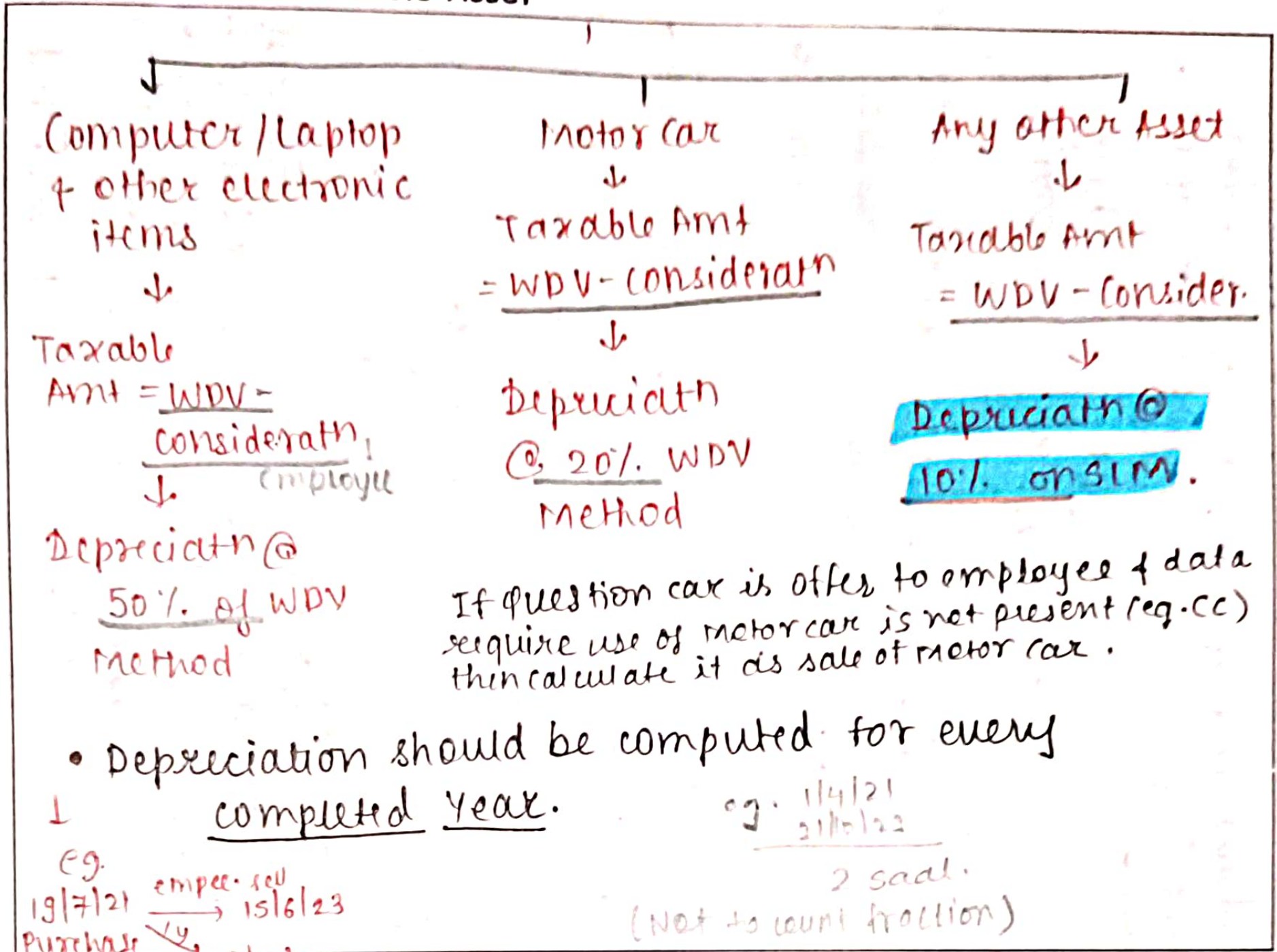
FMV = $\dfrac{Opg + Clg\ price}{2}$

Opg & Clg price = Avg of buying & selling Rate
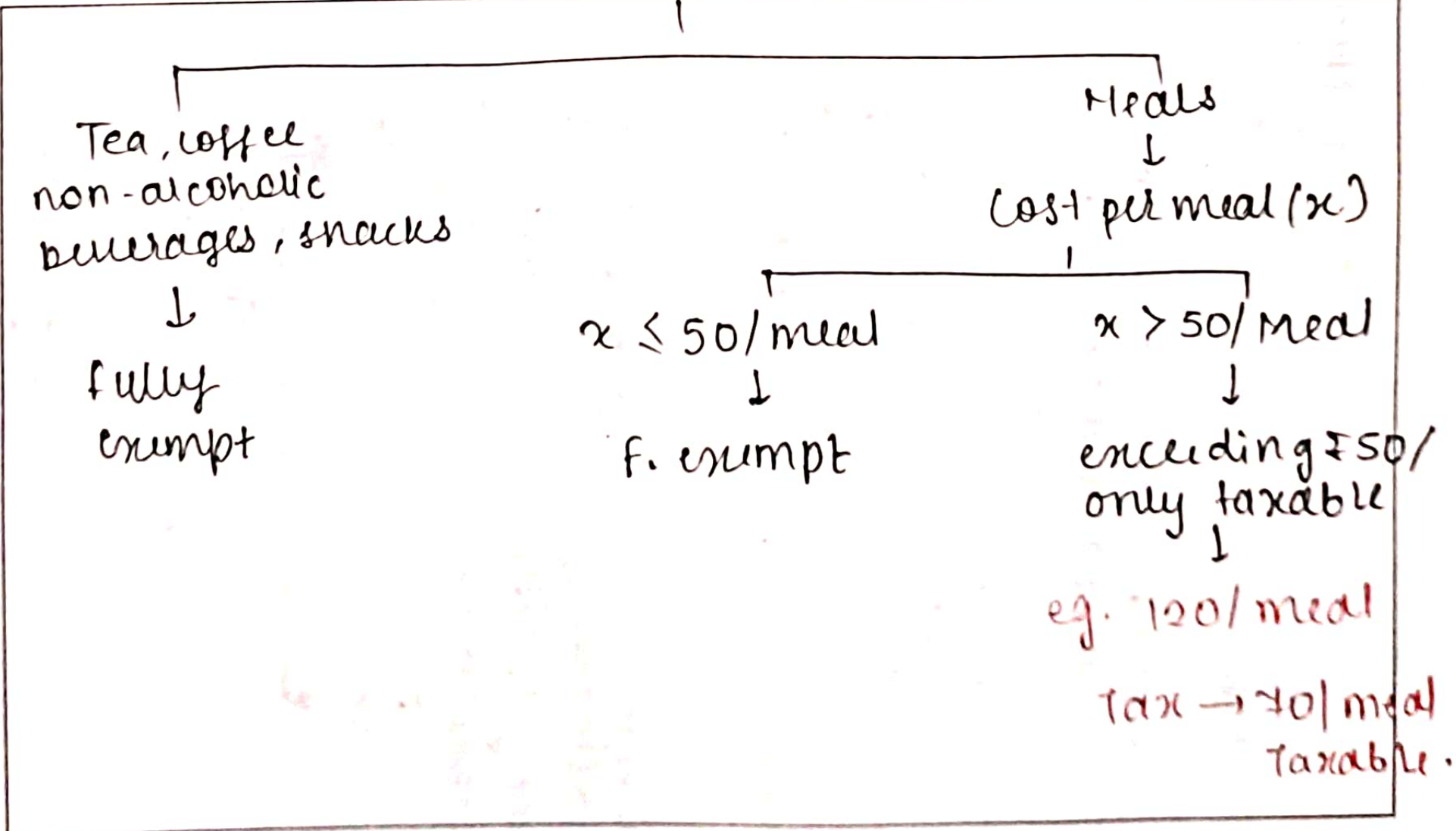
- **Use of Movable Asset**

Use of Movable Assets

Computer/Laptop
↓
Fully exempt

Motor Car
↓
Refer next chart.
Pg. 50

Any other Asset

Owned by employer
↓
Taxable
Amt = 10%.
p.a
of
Profit
↓
During the year use
ke liye diya
their months mein
nikalna.

Hired by employer
↓
Taxable = Hire
Amt   charge
paid
by
employer

Music system = Other Asset
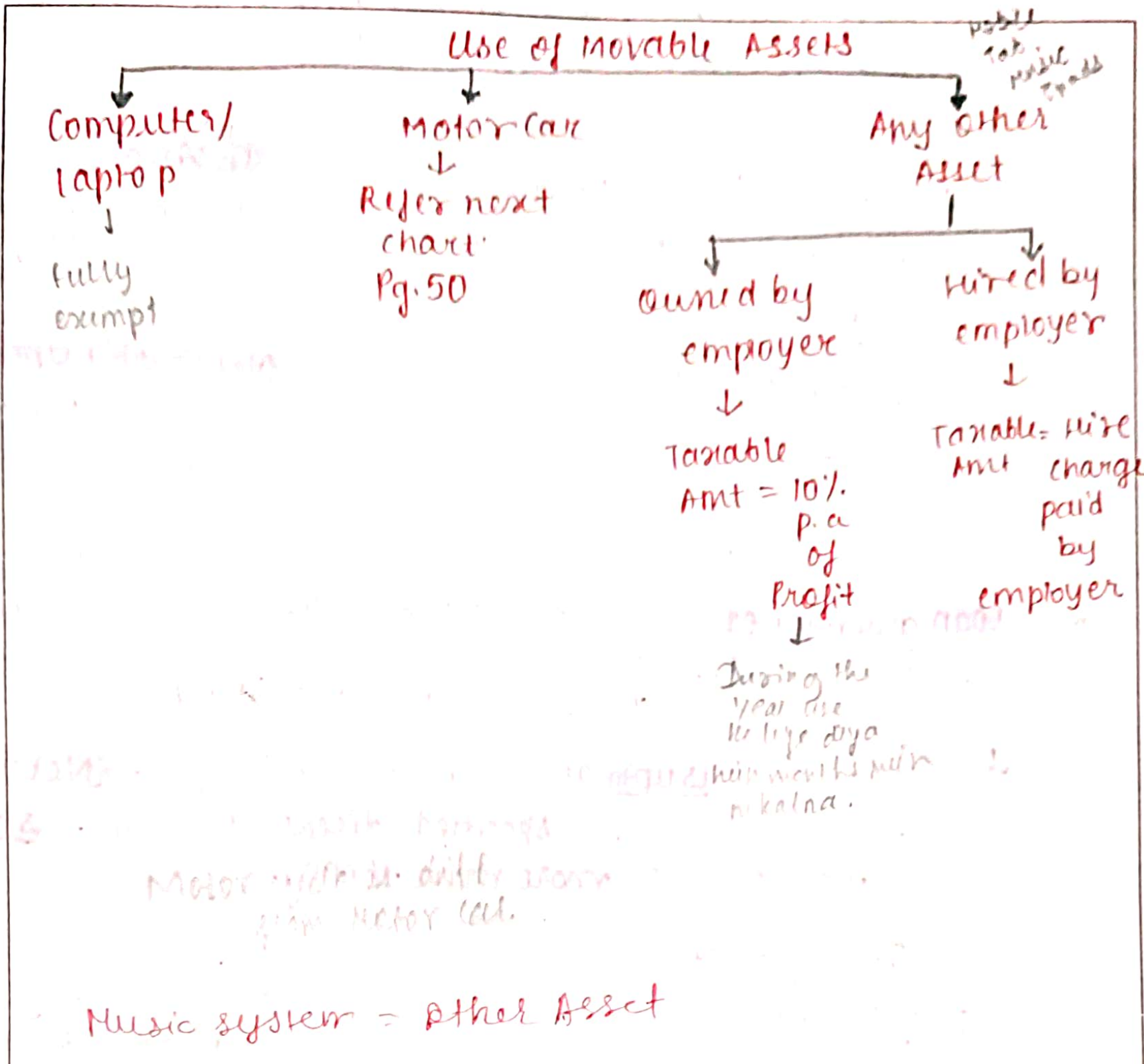
- **Transfer/ Sale of Movable Asset**

Computer / Laptop & other electronic items	Motor Car	Any other Asset
↓	↓	↓
Taxable Amt = WDV - Consideration, → employee	Taxable Amt = WDV - consideratn	Taxable Amt = WDV - Consider.
↓	↓	↓
Depreciatn @ 50% of WDV Method	Depreciatn @ 20% WDV method	Depreciatn @ 10% on SLM.

If question car is offer to employee & data require use of motor car is not present (eg. CC) then calculate it as sale of motor car.

- Depreciation should be computed for every completed year.

eg. 1/4/21
21/10/22

2 saal.
(Not to count fraction)

eg.
19/7/21 empee. sell → 15/6/23
Purchase ↓y, 18/7/22
19/7/22 —— 18/7/23 ∴ completed only 1 year not 2.

- **Food Facility**

Tea, coffee non-alcoholic beverages, snacks	Meals
↓	↓
fully exempt	Cost per meal (x)

	x ≤ 50/meal	x > 50/meal
	↓	↓
	F. exempt	exceeding ₹50/ only taxable

eg. 120/meal

Tax → 70/meal
Taxable.

MOTOR CAR

Motor Car

Fully used for official purpose
↓
Fully exempt
↓
If employer maintained log Book & issues certificate for each journey

Used for partly official partly personal purpose (POPP)

Car owned by 'ee'
Running & maintenance (R&M) charges paid/ payable by
- **'ee'**
  ↓
  Running & maintenance charges paid/payable by er:
  (-) specified sum ★
  (-) Recovery
  _____
  Bal Tax.

- **'er'**
  ↓
  Taxable #
  amt = specified sum
  (Recovery not to be deducted)

Car owned by 'er'
R & M charges paid/ payable by
- **'ee'**
  ↓
  Taxable Amt =
  Specified sum ★
  (Recovery not to be deducted)

- **'er'**

★ Specified sum = Based on 'cc' of (x) Car

x < 1600 → **1800 pm**	x > 1600 → **2400 pm**

+ 900 pm if driver provided

Used fully for personal purpose

Car is owned by 'ee'
↓
No benefit
↓
Fully exempt

Car is owned by 'er'
↓
10% p.a of Cost (recoverable)
+
Driver's salary & R&M charges if actually paid by er'

★ specified sum = Based on 'cc' of car (x)
- x ≤ 1600 → 600 pm
- x > 1600 → 900 pm

Car is hired by 'er'
↓
Hire charges paid or payable by er'
+
Driver's salary & R&M charges if actually paid by er'

Specified sum = Based on 'cc' of car (x)

• # even if 1 month din bhi (ott d hui gaadi months mein than even if we have to take computed months
eg. quyfh ~ 65 Nov.5 →
— consider completed month (not fractions)

Education facility

For employee himself

fully exempt
↓

In employer's own
Institute / Tie up with other
Institute / Mov
|

Children
↓
cost of education (x)

x upto 1000 pm. p.c
↓
fully
exempt

x > 1000 pmpc
↓
Cost of education
in nearby vocality
in similar locality
(-) Recovery
―――――――――
Bal Tax

Any other
member of
family
↓
cost of education
in nearby vocality
in similar Institute
(-) Recovery
―――――――――
Bal. Taxable

For other member of family
↓

Any other Institute
↓
Actual exp. borne /
reimbursed by employer
(→) Recovery if any
―――――――――
Bal Taxable

Excess contribution taxable as perk

If ER contribute → RPF/NPS/SAf → in excess of 7,50,000 inc. Interest
such excess is Tax as perquisite.

ER → RPF 3L
      NPS 3L   9L - 7.50
      SAf 3L   = 1.5L Perk

	SPF	RPF	VPF	App SAf	Un. SAf
Employee contribution	Ignore (Deduction) ✓	Ignore (Deduction) ✓	Ignore (No Ded.) ✗	Ignore (Deductn) ✓	Ignore (No. Ded.) ✗
Employer contribution	Exempt	Exempt upto 12% of Salary (BS + DA(t)) + T/o com.	Exempt	Exempt upto 7,50,000	exempt
Interest	Exempt	Exempt upto 9.5% of salary	Exempt	exempt	exempt
Lumpsum	Exempt u/s 10(11)	Exempt u/s 10(12)	Taxable 'ee' - Ignore Int. - IFOS 'ee' 'er' - Salary Int 'er' - Salary	exempt u/s 10(13)	Taxable ee - Ignore Int 'ee' - IFOS er = Salary er Int. = Sal.

RPF ☆ Condition for exemption.
① Has completed 5 years of service
② If not completed 5 years foll. has happ.
   ① ill health of employee
   ② Closure of employer Bus.
   ③ Shifted A/c with new er
   ④ Deposit in NPS A/c.

Rent free Accommodation

```
                          Rent free Accommodation
                         /                          \
                  Other than Hotel                  Hotel
                 /              \                      ↓
          furnished          unfurnished          1) Actual charg
                            /           \          2) 24% of salary
                        Govt.         Non Govt.
```

furnished

Step1: Value of
unfurnished
(+) value of
furniture

→ If owned
   by 'er'
   10% of cost
   (-) Reco.

→ If owned
   by 'ee'
   Actual
   (-) Rec

unfurnished

Govt.
↓ [JULY.18]

licence fixed
(+) value of furnished
by Govt (-) Rent

(-) Recovery
Bal. Taxable

Non Govt.
```
              /            \
          owned          owned by
          by 'er'          'ee'
            |                ↓
            |             [10% Salary
            |              Actual]
```

	upto 15 Lakh	x >15 < 40L	x > 40 lakh
	5% of salary	7.5 of Sal.	10% of Sal.
	(-) Recovery	(-) Recov	(-) Rec
	Bal.	Bal.	Bal.

Salary = BS + DA(T) + Bonus + Tax Allow. + All comm
         M. Benefit (exclude perq.)

* **specified employees**

Servants engage
  by 'ee'
    ↓
ER → paid Reimbusse
    ↓
Perquisite in hands
of all employees.

Domestic servants
are engaged by
'er'
  ↓
facility - 'ee'
  ↓
Perq. in hands of
specified employees

*   Interest free / concessional loan to ee

    ↓   ↓   ↓

for specified   Value of   Other
  disease   loan
    ↓   upto ₹   Lower than
  Nil   20,000   Rate of   SBI Rate
               ↓   Interest.   Perq=
              Nil   is equal   Maximum
                       too or   monthly
                       Higher then   o/s x
                       SBI Rate as   Differential

*   Credit card   on 1st Day   Rate
                             of PY   SBI-ER=Diff
official   Personal use   ↓ (1/4/23)   10 - 6% = 4%
use   ↓ | Nil |
  ↓   Actual cost   xx
Nil   (-) Recovered (xx)
                   xx

Calculation of Interest on Annual Accretion

$$TP = \left(\frac{PC}{2}\right) \times R + (PC_1 + TP_1) \times R$$

TP = Taxable Perq

PC = current year excess contrib. over 7.50

$R = \dfrac{J}{favg}$

J = Interest of CY

favg = $\dfrac{op. \; of \; fund \; + \; cls \; of \; fund}{2}$

PC_1 = earlier year excess contribum

TP_1 = earlier year Taxable perq.

* limit on employee contribution w.e.f 1/4/61

If ee contribum to Pf exceeds 2,50,000 p.a
    Interest on such excess contribum shall
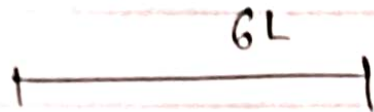   be Taxable.

* If employee contribum in a fund where there
    is no ER contribuction + own contribum
        on of ee exceeds 5L → Int. on such
            excess contribution is Taxable.

Rebate u/s 89(1)

eg.

1/4/16 ⌢ 1/1 ⌢ 1.
16 40000(m) 17 ↓ 18
          50000 pm 10,000(pm)

40000 × 12

50,000 × 12 = 6L   = Total
10,000 × 12 = 120,000   720,000

17 – 18

```
|————————————| 6L
|——————————————————| 7.20
```
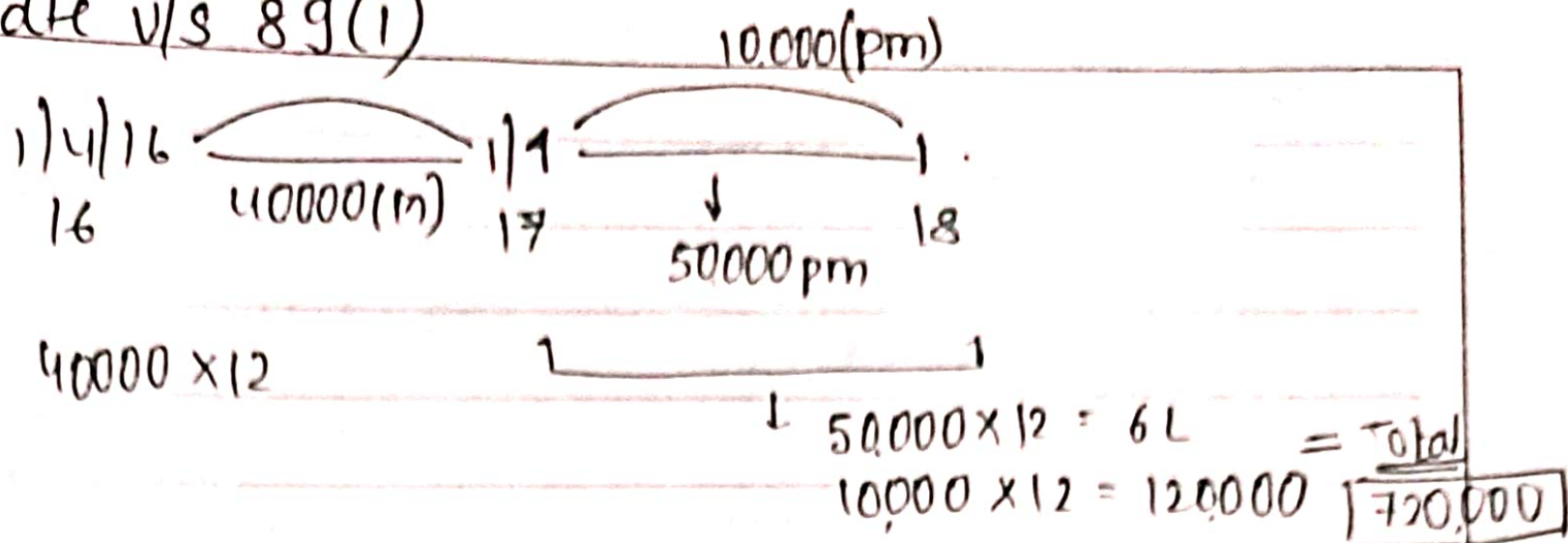
→ Tax element ↑
4 ese ko compensate
karn k. liye
relief.

* 1) Tax payable of (Tax rate = year when salary rec. 17-18)

(A) i) Total income + additional salary (50k×12) + (10k×12)
(B) 2) Total income exclusive of additional salary (50k×12) [A]

Difference (A) – (B) = Tax on additional salary
                        included in Total Income

* 2) Tax Rate arrear (6 – 17

a) Total income + Add. salary (40k×12) + (10k×12) [R]
b) Total income exclu. salary (40k×12)

Difference (a) – (b)   A – R = +ve Relief Amt
                              – neg. No relief