

Topic: 3

Income from Salary

Question: 1

The HRA paid to an employee residing in Patna is exempt up to the lower of actual HRA, excess of rent paid over 10% of salary and -

- (a) 30% of salary
- (b) 40% of salary
- (c) 50% of salary
- (d) 60% of salary

Question: 2

Mr. X, a foreign national and citizen of USA, working with M Inc., a US based company, came to India during the P.Y. 2024-25 for rendering services on behalf of the employer. He wishes to claim his salary income earned during his stay in India as exempt. Which of the following is not a condition to be fulfilled to claim such remuneration as exempt income under the Income-tax Act, 1961?

- (a) M Inc. should not be engaged in any trade or business in India
- (b) Mr. X should not be engaged in any trade or business in India
- (c) Mr. X's stay in India should not exceed 90 days in aggregate during the P.Y. 2024-25
- (d) Remuneration received by Mr. X should not liable to be deducted from M Inc.'s income chargeable to tax under the Income tax, 1961

Question: 3

For the purpose of determining the perquisite value of loan at concessional rate given to the employee, the lending rate of State Bank of India as on is required;

- (a) 1st day of the relevant previous year
- (b) Last day of the relevant previous year
- (c) the day the loan is given
- (d) 1st day of the relevant assessment year

Question: 4

Anirudh stays in New Delhi. His basic salary is Rs. 10,000 p.m., D.A. (60% of which forms part of pay) is Rs. 6,000 p.m., HRA is Rs. 5,000 p.m. and he is entitled to a commission of 1% on the turnover achieved by him. Anirudh pays a rent of Rs. 5,500 p.m. The turnover achieved by him during the current year is Rs. 12 lakhs. The amount of HRA exempt u/s 10(13A), if he exercises the option of shifting out of the default regime provided u/s 115BAC(1A), is

- (a) Rs. 48,480
- (b) Rs. 45,600
- (c) Rs. 49,680

(d) Rs. 46,800

Question: 5

Anand is provided with furniture to the value of Rs. 70,000 along with house from 1st April, 2024. The actual hire charges paid by his employer for hire of furniture is Rs. 5,000 p.a. The value of furniture to be included along with value of unfurnished house for A.Y.2025-26 is

- (a) Rs. 5,000
- (b) Rs. 7,000
- (c) Rs. 10,000
- (d) Rs. 14,000

Answer Keys

Question No.	Answer
1	(b) 40% of salary
2	(b) Mr. X should not be engaged in any trade or business in India
3	(a) 1st day of the relevant previous year
4	(a) Rs. 48,480
5	(a) Rs. 5,000

Case Scenario**Case scenario 1. [Salary]**

Mr. Rajesh Sharma, aged 54 years, an Indian citizen, is working as Assistant Manager in ABC India Ltd. He is getting basic salary of Rs. 58,000 per month. He used to travel frequently out of India for his office work. He left India from Delhi Airport on 5th October, 2024 and returned to India on 2nd April, 2025.

For previous year 2024-25, following information are relevant;

- Dearness Allowance - 10% of Basic Pay (considered for retirement purposes)
- Bonus Rs. 98,000
- Medical allowance paid during P.Y. 2024-25 amounting to Rs. 60,000
- He was also reimbursed medical bill of his mother amounting to Rs. 15,000
- He was also transferred a laptop by company for Rs. 15,000 on 31st December, 2024. The laptop was acquired by company on 1st October, 2021 for Rs. 1,00,000. Company was charging depreciation at 31.666% assuming useful life of laptop as 3 years
- He was also reimbursed salary of house servant of Rs. 4,000 per month
- Professional Tax paid by employer amounting to Rs. 2,400
- 400 equity shares allotted by ABC India Ltd. at the rate of Rs. 250 per share against fair market value of share of Rs. 350 on the date of exercise of option
- Short-term capital gain on sale of shares of listed company on which STT is paid amounting to Rs. 94,000 (transferred on 30th June 2024)

Mr. Rajesh has exercised the option of shifting out of the default tax regime u/s 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

Question: 1

What is Mr. Rajesh Sharma's residential status for the A.Y. 2025-26?

- (i) Resident but can't determine resident and ordinarily resident or resident but not ordinarily resident from the given information
- (ii) Non-Resident
- (iii) Resident but not ordinarily resident
- (iv) Resident and ordinarily resident

Question: 2

What are his taxable perquisites for A.Y. 2025-26?

- (i) Rs. 55,000
- (ii) Rs. 90,400
- (iii) Rs. 1,05,400
- (iv) Rs. 1,03,000

Question: 3

What is the income chargeable under the head "Salaries" in the hands of Mr. Rajesh Sharma for A.Y. 2025-26?

- (i) Rs. 9,76,600
- (ii) Rs. 9,79,000
- (iii) Rs. 9,74,200
- (iv) Rs. 10,26,600

Question: 4

The total tax liability of Mr. Rajesh Sharma for A.Y. 2025-26 is:

- (i) Rs. 1,26,800
- (ii) Rs. 1,54,630
- (iii) Rs. 1,12,130
- (iv) Rs. 1,39,960

Question: 5

What would be the total tax liability of Mr. Rajesh Sharma for A.Y. 2025-26 if he does not exercise the option of shifting out of the default tax regime u/s 115BAC and pays tax under default tax regime u/s 115BAC.

- (i) Rs. 81,590
- (ii) Rs. 73,790
- (iii) Rs. 89,390
- (iv) Rs. 64,230

Answer Keys

Question	Answer	Remarks
1	(i)	Resident, check limits for Indian Citizen and period of stay
2	(iii)	Medical bills + House servant salary + professional tax + equity shares

Question	Answer	Remarks
3	(i)	Basic salary + D.A. + Bonus + Medical allowances + taxable Perquisite value computed in MCQ 2 - Standard deduction - Professional tax
4	(i)	Tax liability on total income of Rs. 10,70,600 (Salary of Rs. 9,76,600 and STCG u/s 111A of Rs. 94,000)
5	(iv)	Tax liability as per 115BAC

Case scenario 2 [Salary + Deduction u/c VI-A]

Mr. Hardik (age 45 years) is appointed as senior executive officer in Sky India Limited, Mumbai on 01.02.2024 in the scale of Rs. 35,000-3500-65,000. He is paid dearness allowance @ 40% of basic pay forming part of retirement benefits.

He is given rent free unfurnished accommodation from 01.10.2024. The company pays lease rent of Rs. 5,000 p.m.

He has been provided a car of above 1.6 litres capacity which is used by him for private purposes only. The actual cost of the car is Rs. 8,00,000. The monthly expenditure of car is Rs.5,000, which is fully met by the employer. Car is owned by his employer.

He pays lumpsum premium of Rs. 1,20,000 towards health insurance for self and his wife (age 43 years) for 48 months on 01.10.2024 by account payee cheque. He also contributes Rs.1,50,000 towards PPF.

Mr. Hardik wants to pay tax under default tax regime u/s 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

Question: 1

What would be the value of rent-free accommodation chargeable to tax in the hands of Mr. Hardik?

- (i) Rs. 30,380
- (ii) Rs. 44,100
- (iii) Rs. 45,570
- (iv) Rs. 30,000

Question: 2

What amount of health insurance premium paid during the previous year 2024-25 by Mr. Hardik can be claimed as deduction while computing total income, if he exercises the option to shift out of the default tax regime u/s 115BAC?

- (i) Rs. 30,000
- (ii) Rs. 15,000
- (iii) Rs. 24,000
- (iv) Rs. 25,000

Question: 3

What would be perquisite value of car chargeable to tax in the hands of Mr. Hardik?

- (i) Rs. 28,800
- (ii) Rs. 21,600
- (iii) Rs. 60,000

(iv) Rs. 1,40,000

Question: 4

Would you advise Mr. Hardik to exercise the option of shifting out of the default tax regime u/s 115BAC?

- (i) Yes, Mr. Hardik should exercise the option of shifting out of the default tax regime and pays tax under normal provisions of the Act, since in such case his tax liability would be Rs. 53,310, being lower than the tax liability under default tax regime u/s 115BAC
- (ii) Yes, Mr. Hardik should exercise the option of shifting out of the default tax regime and pays tax under normal provisions of the Act, since in such case his tax liability would be Rs. 53,100, being lower than the tax liability default tax regime u/s 115BAC
- (iii) No, Mr. Hardik should not exercise the option of shifting out of the default tax regime, since as per default tax regime, his tax liability would be lower than the tax liability under normal provisions of the Act
- (iv) No, Mr. Hardik should not exercise the option of shifting out of the default tax regime, since as per default tax regime, his tax liability would be Rs. 27,850, being lower than the tax liability under normal provisions of the Act

Answer Keys

Question	Answer	Remarks
1	(iv)	Rent free accommodation perquisite value rules [10% of BDBACM or rent paid by ER, whichever is lower]
2	(iii)	Section 80D [1,20,000/5 years]
3	(iv)	Motor car perquisite value rules [10% of cost + Maint. by ER]
4	(iii)	Compare tax liabilities under both regimes