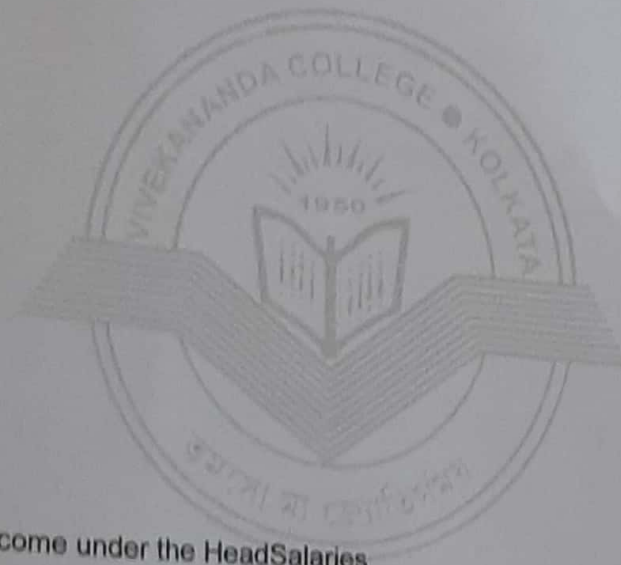


VIVEKANANDA COLLEGE

THAKURPUKUR

KOLKATA-700063

NAAC ACCREDITED 'A' GRADE



Topic: Income under the HeadSalaries

Course Title:CC4.1

Paper: Taxation-1

Unit: 2

Semester: 4th

Name of the Teacher: Manindranath Pandit

Name of the Department: commerce

P. Sethi submits the following particulars of his salary income for the previous year 2018-19 :

- (a) Net salary received ₹ 1,35,000.
 - (b) His salary includes house rent allowance of ₹ 700 per month. He stays in a rented house at Asansol paying monthly rent of ₹ 1,000.
 - (c) In addition to net salary he draws an annual bonus of ₹ 5,000.
 - (d) A car (cubic capacity of the engine : 1.9 litres) is provided by the employer both for private and official purposes. Expenses of the car excluding the remuneration of the chauffeur relating to private use are borne by Sethi.
 - (e) He is granted a leave travel concession of ₹ 2,500 for a holiday trip to Kashmir.
 - (f) The following deductions are made by the employer from his salary : (i) Income-tax ₹ 200 per month; (ii) Professional tax ₹ 40 per month ; (iii) Contribution to unrecognised provident fund ₹ 3,000.
 - (g) The employer contributes ₹ 4,000 to his unrecognised provident fund account. Interest of ₹ 2,500 is credited to this fund during this year.
 - (h) The employer makes the following payments on his behalf :
 - (i) Telephone bill ₹ 3,500 ; (ii) Life insurance premium on the life of his wife ₹ 1,500 (policy value ₹ 20,000) ; (iii) Electricity bill ₹ 1,200.
 - (i) Free refreshment and free lunch worth ₹ 360 and ₹ 1,500 respectively are provided by the employer during office hours.
- Compute his income from salary for the relevant assessment year.

Sethi, a residential individual for the assessment year 2020-2021 relating to previous year 2019-2020.

Net Salary	135000	
Add: Income tax deducted at source	2400	
Add - professional tax deducted at source	480	
Add - own contribution to P.F.	3000	
Basic + S.A + H.R.A.		140880
Less: House rent allowance (H.R.A.)		8400
Basic + S.A.		132480
House rent allowance	8400	
Less: Deduction u/s 13A (13A) which is restricted to the least of the following three alternatives.		
1) Actual	8400	
2) Rent paid - 10% of salary.		
12000 - $132480 \times \frac{10}{100} = \text{nil}$		
3) 40% of salary $132480 \times \frac{40}{100} = 52992$		
	nil	8400
Bonus		5000
Add: - perquisites		
1) Value of free use of car u/s 17(2)(iii)	$900 + 900 \times 12$	21600
2) L.I.P. paid by the employer u/s 17(2)(iv)	$1200 + 1500$	2700 2700
Gross Income from salary		24300
Less: Standard Deduction u/s 16(i)		50000
Less: Deduction u/s 16(iii) for professional tax	480	50480
Income from salary		119700

Question 2

Ms. Dandi has a senior executive office at a private limited company. Summarise the following particulars of her income and expenses for the year 2019-20 (Company has income from salary).

- (i) Basic pay on April 1, 2018 ₹ 4,200 (increment of ₹ 70 per month takes effect on 1st January each year)
- (ii) Dearness allowance @ 100% of fixed of ₹ 1,200 of basic pay plus 10% of the balance subject to a maximum of ₹ 2,700 per month.
- (iii) Project allowance ₹ 250 per month.
- (iv) A rent free accommodation provided by employer at Kangori is provided the full cost of which is ₹ 750 per month. It is provided on the agreement of service that if she is posted outside on the date of such posting and in such a case, the company will not provide any accommodation but will grant house rent allowance of ₹ 750 per month.
- (v) A car (120 cc) is provided by the company both for official and private purposes under the similar terms as mentioned above. The company will, however, grant a car allowance of ₹ 250 per month during her period of stay outside Kangori.
- (vi) She contributes 10% of basic pay to the recognised provident fund where the employer also makes a matching contribution. Interest @ 9.5% per annum is credited to this fund on March 31, 2019 on accumulated balance of ₹ 30,000.

- (g) The concern deposits her professional tax of ₹ 480 after deducting the same from her salary.
- (h) She is transferred to Darjeeling Branch of the company on January 1, 2018 on the similar scale of pay. In addition, she is allowed a hill compensatory allowance @ ₹ 400 per month and a lumpsum amount of ₹ 5,000 as compensation for premature transfer. She arranges an accommodation at Darjeeling at a monthly rent of ₹ 1,000.

Solution :

4th Sem

Taxation - I
Income from ~~Salary~~ Salaries. CC 4-1 ch.

unit - 2

Computation of Income from Salary of MVA Purabi Sen, a resident individual for the assessment year ~~2019-20~~ ²⁰²⁰⁻²¹ relating to previous year ~~2018-19~~ 2019-2020.

Basic pay $4500 \times 9 + (4575 \times 3)$		54225
Searchers allowance		33030
Project allowance 250×12		3000
Car allowance	750	
Less: - Deduction u/s 10(14)	<u>750</u>	nil
House rent allowance 700×3	2100	
Less: - Deduction u/s 10(13A) which is restricted to the least of the following three alternatives:-		
1) Actual 2100		
2) Rent paid - 10% of salary. $3000 - 1373 = 1627$	1627	
3) 40% of salary $13725 \times \frac{40}{100} = 5490$		
Composit Hill allowance 400×3	1200	
Less: - Deduction u/s 10(14) 300×3	<u>900</u>	300
Add: - perquisites:-		
1) Value of accommodation provided by the employer u/s 17(2)(i) $(40500 + 2250) \times \frac{7.5}{100}$	3206	
2) Value of free use of car u/s 17(2)(iii) $(1800 + 900) \times 12$	<u>24300</u>	27506
profits in lieu of salary u/s 17(3) for compensation received in respect of modification of terms and conditions of service.		5000
Gross Income from Salary \rightarrow		<u>123534</u>

Less:- Standard deduction u/s 16(i)	50000	
Less:- Deduction for professional tax u/s 16(iii)	480	50480
Income from salary		<u>82754</u>

Working notes:-

1) Calculation of Dearness allowance.

• D.A. from April - see
 100% of Rs 1000 + 50% of 3500 or
 2760 P.M. which ever is lower.

$$2750 \times 9 = 24750$$

D.A. from ~~April~~ Jan - March.

100% of Rs 1000 + 50% of 3575 or
 2760 P.M. which ever is lower.

$$2760 \times 3 = 8280$$

$$\text{Total D.A.} \longrightarrow \underline{\underline{33030}}$$

2) Salary for the purpose of 17(2)(i)

Basic salary (April-see) $4500 \times 9 = 40500$
 project allowance

$$= 2250$$

$$\underline{\underline{42750}}$$