

new text

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**Subject:-Income Tax**

**Topic:-**

**Income from Salary**



### Question 16

Mr. Ved is employed in a factory as clerk in a small town of 5 lakh population since 1.2.2010 in the salary grade of ₹ 3,000-200-4,800. He gets dearness pay equivalent to 40% of salary and also dearness allowance equivalent to 20% of salary. Mr. Ved is also entitled to get commission equivalent to first month's salary and bonus equivalent to last three months' salary. He is also paid entertainment allowance of ₹ 500 per month and house rent allowance of ₹ 6,000 per month. The head office of the company is in Kanpur where he goes once in a month. He is paid lump sum ₹ 2,000 by the company for this purpose but his actual expenses relating to this are only ₹ 1,400. During the year, his employer has also done the following two payments on behalf of Mr. Ved :

- (i) Payment of employment tax on the basis of ₹ 100 per month.
- (ii) Payment of premium ₹ 300 half-yearly on the life insurance policy taken on the life of Mr. Ved's son.

On the basis of above particulars, compute the taxable salary of Mr. Ved under head 'Salaries' for the assessment year 2018-19. Mr. Ved lives in his parental house.

### Solution

#### COMPUTATION OF TAXABLE SALARY OF MR. VED

(for the Assessment Year 2018-19)

	₹	₹
Salary		
(₹ 4,400 × 10)	44,000	
(₹ 4,600 × 2)	<u>9,200</u>	53,200
Dearness Pay (40% of ₹ 53,200)		21,280
Dearness Allowance (20% of ₹ 53,200)		10,640
Commission (See Note below)		4,400
Bonus (See Note below)		13,600
Entertainment Allowance (₹ 500 × 12)		6,000
House Rent Allowance (₹ 6,000 × 12)		72,000
Employment Tax paid by employer (₹ 100 × 12)		1,200
Life Insurance Premium (₹ 300 × 2)		600
Expenses saved for tour to Kanpur (₹ 2,000 - 1,400)		<u>600</u>
	Gross Salary	<u>1,83,520</u>
Less : Employment Tax		<u>1,200</u>
	Taxable Salary	<u>₹ 1,82,320</u>

Notes : (1) Salary of first month, i.e., April, 2017 shall be ₹ 4,400 per month for the purpose of commission.

(2) Salary of last three months i.e., Jan., Feb., March, 2018 ₹ 4,400 + 4,600 + 4,600 = ₹ 13,600 for the purpose of bonus.

(3) Mr. Ved is not paying any amount of rent, so whole amount of HRA shall be included in the income from salaries.

### Question 17

Mr. Kumar an employee of a company, furnishes the particulars of his salary for previous year 2017-18 as under :

	₹
(1) Basic Salary	12,000 p.m.
(2) Dearness Allowance (Not for retirement benefits)	1,200 p.m.
(3) Employee's contribution to RPF—10% of basic salary	
(4) Employer's contribution to RPF—15% of basic salary	
(5) Interest credited to P.F. on 31-10-2017 @ 11% p.a	5,500
(6) Profession tax deducted from his salary	110 p.m.