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Subject:-Income Tax

Topic:-

Income from Salary

Mr. Kumar an employee of a company, furnishes the particular 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.

He has been provided with a rent-free house for which the company collects ₹ 1,000 p.m. The fair rent of the house is ₹ 8,000 p.a. He received ₹ 20,000 on 1-10-2017 for encashment of leave. He was entitled as per rule to 30 days leave for every year of service. Compute his income from salary for assessment year 2018-19 assuming the population of the city is 15 lakh.

Solution

COMPUTATION OF INCOME FROM SALARY
(for the Assessment Year 2018-19)

	₹
Basic Salary (₹ 12,000 × 12)	1,44,000
Dearness Allowance (₹ 1,200 × 12)	14,400
Employer's Contribution (Excess of 12% of Salary)	4,320
Interest on R.P.F. (Excess of $9\frac{1}{2}\%$)	750
Leave Salary (Taxable as he is still in service)	20,000
Rent-free Concessional House	4,400
Gross Salary	**₹ 1,87,870**
Less : Deduction u/s 16 :	
Professional Tax (₹ 110 × 12)	1,320
Taxable Salary	**₹ 1,86,550**

Notes : (1) Rent-free Concessional House :

	₹
Salary : ₹ 1,44,000 + 20,000 = ₹ 1,64,000	
10% of ₹ 1,64,000	16,400
Less : Rent deducted	12,000
	₹ 4,400

(2) Leave salary is monetary payment. It will be included in salary for house valuation.