TOPPERS INSTITUTE KANPUR
(INCOME UNDER THE HEAD SALARY)

<u>Illustration 1:</u> Mr. X is employed in ABC limited basic pay Rs. 70,000 per month, D.A. Rs. 30,000 per month , Bonus Rs. 50,000 and commission @ 1% on sales turnover of Rs. 100 Lakh. Employer has contributed Rs. 18,000 per month to Unrecognized provident fund and employee has also contributed an equal amount. During the year Interest of Rs. 2,00,000 was credited on employee plus employer contribution @ 10% per annum. Compute his Income and Tax Liability.

<u>Illustration</u> <u>2:</u> Mr. X is employed in ABC Ltd. getting basic pay Rs. 60,000 p.m. and dearness allowance Rs. 10,000 p.m. (forming part of salary). Employer has paid bonus Rs. 20,000 during the year. Commission was allowed @ 2% of sales turnover of Rs. 50,00,000. The employer and employee both are contributing Rs. 11,000 p.m. (each) to the recognised provident fund. During the year interest of Rs. 1,00,000 was credited to the RPF @ 10% p.a. Compute tax liability of Mr. X for A.Y. 2019-20.

<u>Illustration 3:</u> Mr. X retires from service on December 31, 2018, after 25 years of service. Following are the particulars of his income/investments for the previous year 2018-19:

Particulars	**Rs.**
Basic pay @ Rs. 16,000 per month for 9 months	1,44,000
Dearness pay (50% forms part of the retirement benefits) Rs. 8,000 per month for 9 months	72,000
Lumpsum payment received from the Unrecognised Provident Fund	6,00,000
Deposits in the PPF account	40,000

Out of the amount received from the provident fund, the employer's share was Rs. 2,20,000 and the interest thereon Rs. 50,000. The employee's share was Rs. 2,70,000 and the interest thereon Rs. 60,000. What is the taxable portion of the amount received from the unrecognized provident fund in the hands of Mr. A for the assessment year 2019-20?

<u>Illustration 4:</u> Mr. X was employed in ABC Ltd. getting basic pay Rs. 18,000 p.m. but it was increased to Rs.

24,000 p.m. w.e.f. 01-07-2018, dearness allowance Rs. 6,000 p.m. but it was increased to

Rs. 9,000 p.m. w.e.f. 01-07-2018 (50% of DA forms part of salary). The employee was retired on 10.01.2019 after serving the employer for 20 years and 10 months. The employer has paid him gratuity of Rs. 9,10,000 and the employee was covered under Payment of Gratuity Act, 1972.

Compute taxable portion of gratuity and also Tax Liability.

<u>Illustration 5:</u> Mr. X is retired from ABC Ltd. w.e.f. 11.11.2018 after serving the employer for 20 years and 11 months. The employer has paid him gratuity of Rs. 5,75,000. At the time of retirement, employee's basic pay was *X* 18,000 p.m. However upto 31.07.2018 it was *X*\ 1,000 p.m. and the employee was getting dearness allowance Rs. 5,000 p.m. but it was Rs. 3000 p.m. upto 31.07.2018. 30% of dearness allowance forms part of salary.

Compute taxable part of gratuity and employee's Tax Liability.

Illustration 6: Mr. X retired on 15.06.2018 after completion of 26 years 8 months of service and received gratuity of Rs. 6,00,000. At the time of retirement his salary was:

Basic Salary : Rs. 5,000 p.m.

Dearness Allowance : Rs. 3,000 p.m. (60% of which is for retirement benefits)

Commission : 1% of turnover (turnover in the last 12 months was Rs. 12,00,000)

Bonus : Rs. 12,000 p.a.

Compute his taxable gratuity assuming:

(a) He is non-government employee and covered by the Payment of Gratuity Act 1972.

(b) He is non-government employee and not covered by Payment of Gratuity Act 1972.

(c) He is a Government employee.

Illustration 7: Mr. X is employed in ABC Ltd. getting basic pay Rs. 22,000 p.m., dearness allowance Rs. 5,000

p. m. He was retired on 21.12.2018. The employer has allowed him pension of Rs. 9,000 p.m. and the employee has requested for commutation of 52% of his pension. The employer has allowed him such commutation on

01.02.2019 and has paid Rs. 5,61,600. The employer has paid him gratuity of Rs. 6,95,000 and employee has completed service of 20 years and 11 months.

Compute Tax Liability for the Assessment Year 2019-20.

Illustration 8: Mr. X retired w.e.f 01.10.2018 receiving Rs. 5,000 p.m. as pension. On 01.02.2019, he commuted 60% of his pension and received Rs. 3,00,000 as commuted pension. You are required to compute his taxable pension assuming:

a. He is a government employee.

b. He is a non-government employee, receiving gratuity of Rs. 5,00,000 at the time of retirement.

c. He is a non-government employee and is in receipt of no gratuity at the time of retirement.