Source : Simplified Approach to Income Tax by Dr. Girish Ahuja & Dr. Ravi Gupta.

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Pg No. 116

Computation of Income under the head Salary of Mr. A
(for the assessment year 2020-21)

PARTICULARS	AMOUNT	AMOUNT (₹)
First Employer :- PQR Ltd.		
Basic salary (6000 × 8) i.e. [1.4.2019 to 30.11.2019]		48,000
D.A. (1000 × 8)		8,000
Commission (2000 × 8)		16000
Rent free accomodation		
(i) 15% of salary [48000 + (8000 × 60%) + 16000] Basic D.A.(forming) Commission	10320	
OR (ii) Actual amount of rent paid [6000 × 8]	48000	
whichever is lower of above		10,320
Contribution to RPF by employer @15%		
15% [48000 + 4800] Basic D.A.(forming part)	7920	
less: Exempt upto 12% [48000 + 4800]	(6336)	1584
Gratuity received	70,000	
less: Exempt (working Note 1)	(64,615)	5,385
Leave encashment received	24000	
less: Exempt (working note 2)	(9,900)	14,100
Pension		
Uncommuted Pension (3000 × 2) i.e. [1.12.2019 to 31.1.20]	6000	
~~Commuted Pension~~ [3000 × 40% × 2] (100-60)% i.e. [1.2.20 to 31.3.20]	2400	8,400
Commuted Pension received	1,20,000	
less; Exempt $\frac{120000}{60} \times 100 \times \frac{1}{3}$	(66,667)	53,333
Second Employer - Y Ltd.		
Salary (10,000 × 2)		20,000
D.A. (1000 × 2)		2000
H.R.A. received (4000 × 2)	8000	

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Less: Exempt (working Note 3)	8000	Nil
GROSS SALARY		1,87,122
Less: Standard deduction u/s 16		(50,000)
INCOME UNDER THE HEAD SALARY		1,37,122

Working Notes:

1. Gratuity

Minimum of the following is exempt:

(i) Actual Gratuity received = ₹ 70,000

(ii) 15 day's salary for every completed year of service or part thereof in excess of 6 months. i.e. — Salary = Basic salary + D.A.

$= \frac{[6000+1000]}{26} \times 15 \times 16 = ₹\ 64,615$

(iii) ₹ 20,00,000

Therefore, exempt is $\boxed{₹\ 64,615}$

2. Leave encashment.

Minimum of following is exempt:

(i) Actual received = ₹ 24000

(ii) Specified limit = ₹ 300000

(iii) 10 month's average salary (on the basis of avg. salary of last 10 month's preceeding retirement) — Salary = Basic Salary + D.A (forming part) + Commission (% of turnover)

$\boxed{Salary = 6000 + (1000 \times 60\%)}$

i.e. Avg salary × 10 = 6600 × 10 = ₹ 66000

(v) Cash equivalent of unavailed leave.

i.e. Avg. salary × leaves unavailed* = $6600 \times \frac{45}{30}$ = ₹ 9900

Therefore, leave encashment exempt is $\boxed{₹\ 9900}$

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Calculation of leaves unavailed:

	As per employer	As per IT Act.
Leaves allowed.	35 days for each year	30 days for each year
i.e.	35 X 15 = 525 days	30 X 15 = 450 days
less: leaves availed	525 - 120 days = 405 days	405 days
Leaves unavailed.	120 days (given in ques)	45 days

so we can find out

3. HRA

Minimum of the following is exempt:

(i) Actual received. 4000 X 2 = ₹ 8000

(ii) Rent - 10% of salary

= (6500 X 2) - 10% (20000)

= 13000 - 2000 = ₹ 11000

(iii) 50% of salary = 50% of 20000 = ₹ 10000

∴, ₹ 8000 is exempt.

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Computation of Total Income of Mr. R
(for the assessment year 2020-21)

	PARTICULARS	AMOUNT	AMOUNT (₹)
I	Salary (12000×9)		1,08,000
	House Rent Allowance (3000×9)		27,000
	Reimbursement of medical expenses		17,000
	leave travel assistance. (Exempt)		Nil
	Value of car facility (600+900)×9		13,500
	Employer contribution to RPF @14% (108000)	15,120	
	less: Exempt upto 12% (108000)	(12,960)	2,160
	Gratuity received	1,80,000	
	less: Exempt (working note 1)	180000	Nil
	leave encashment received	120000	
	less: Exempt (working note 2)	120000	Nil
	Gross Salary		1,67,660
	less: Standard deduction u/s 16		(50000)
	Income under the head Salary		1,17,660
II	Income from other sources		
	Interest on debentures		80,000
	Gross total income		1,97,660
	less: Deductions under Chapter VIA		
	(i) U/S 80C		
	a) Employee contribution to RPF @20% [108000]	21,600	
	b) NSC VIII Issue	24,000	
	c) PPF	15000	
	d) LIC insurance premium [max. 10% of capital sum assured]	(10%×30000) 3,000	(63,600)
	(ii) U/S 80G - Donation to PMNRF (100% allowed)		(10,000)
	TOTAL INCOME		124,060

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Working Notes :

1. Gratuity

Minimum of the following is exempt.

(i) Actual received = ₹ 180,000
(ii) ₹ 20,00,000 (specified limit)
(iii) $\frac{12000}{2} \times 32$ = ₹ 192000

lower of three.

Therefore, ₹180000 is exempt.

2. Leave encashment

Minimum of the following is exempt :

(i) Actual received ₹ 120000
(ii) Specified limit ₹ 300000
(iii) Avg. salary X10 i.e. ₹ 12000 X10 = ₹120000
(iv) Avg. salary X leaves unavailed.
12000 X 10 months = ₹ 120000

Therefore, ₹ 120000 is exempt.

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Computation of Total Income of Mr R
(for the assessment year 2020-21)

Particulars	Amount	Amount (₹)
Salary (30000 X 12)		3,60,000
D.A. (6000 X 12)		72,000
Value of concessional flat (working note 1)		54,150
Bonus arrears		4000
Salary in lieu of leave		5000
Value of car (2400+900) X 12		39600
Gross salary		5,34,750
less: standard deduction		(50000)
Income under the head salary		4,84,750
Income from other sources: Interest on deposits		20,000
Gross Total Income		5,04,750
less: Deductions under chapter VIA		
80C - ~~20000~~ NSC	20000	
80C - PPF	30000	(50000)
Total Income		4,54,750
Add: Agricultural Income		60,000
Integrated Income.		5,14,750

Working Note 1:
Calculation of value of accomodation

(a) Value of unfurnished accomodation
(i) Actual rent paid by employer
i.e. 6000 X 12 = ₹ 72,000
or (ii) 15% of salary (360000+(3000X12)+5000)
= ₹ 60,150

whichever is lower

Value of unfurnished accomodation = ₹ 60150

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Less : Rent recovered from employee (1000 X12) ₹12000

Value of perquisite (concessional rate)	48,150

Value of furnished accomodation

Value calculated in (a) above	48,150
Add :- 10% of cost of furnishing (60,000)	6 000
Value of furnished accomodation	54,150

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