

20.5.20

Taxation.
B. Com part III

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Question: —

Shree Jugal Kishore Bansal was employed in a factory in Ferozabad. He retires on 1 Jan 2019 after completing a service of 26 years and 5 months. He had been getting Salary Rs 11,500 P.M and Dearness Allowances at 1000 P.M for last 4 years. His pension was determined @ 4500 P.M and $\frac{3}{4}$ portion of it was commuted for Rs 1,35,000. In addition to this he received a gratuity of Rs 2,00,000. Shree Bansal is covered under Payment of Gratuity Act. At the retirement, he received as per entitlement to 30 days earned leave for each year of service Rs 1,50,000 for encashment of earned leave of 12 months during the previous year. Compute gross income from salary of Shree Bansal for Assessment year 2019-20.

Ans.

Computation of Taxable Income of Shree Bansal from Salary.

Assessment year 2019-20

Salary April 2018 to December 2018 - 1,03,500

Dearness Allowances April to Dec - 9,000

Non cumulative Pension - 3,375

Cumulative Pension - 1,35,000

(-) Exempt ($\frac{1}{3}$ of 1,80,000) 60,000 75,000

Gratuity 2,00,000

(-) Exemption

Encashment of 1,87,500 12,500

(-) Exemption

1,50,000

1,15,000

35,000

Gross Income from Salary - 2,38,375

Rough.

Calculation of Leave encashment.
Average Salary = $\frac{11,500 \times 10}{10} = 11,500$

Limit of following shall be exempted

(i) Actual received 1,50,000

(ii) 10 Month salary 1,15,000
 $10 \times 11,500$

(iii) 12 Month salary 1,38,000
 $11,500 \times 12$

(iv) Maximum exempted Amt 3,00,000

Taxable: $1,50,000 - 1,15,000 = 35,000$