

13.7.20

Law and taxation

B. Com Part III

Question.

Shree Amar Nath was employed in a Company. He took voluntary retirement on 31 Dec 2018 after completing 25 years of service. On 1st Jan 2018 his salary was Rs 20,000 p.m. After adding the annual increment in this company two month leave accrue every year. Compute the exempted amount regarding encashment of earned leave in the following cases, if his other particulars were as under.

	A	B	C
Total leave during the year	10 month	NIL	30 month
Actual received amounts (Rs)	8,00,000	10,00,000	4,00,000

Answers.

- (A) Least of the following shall be exempted.
- 1) Actually received amount 8,00,000
 - 2) 10 month average salary $20,000 \times 10 = 2,00,000$
 - 3) Salary for the balance leave. $15 \times 20,000 = 3,00,000$
 - 4) Maximum amount - 3,00,000
- 2,00,000, Hence least of the above will be 2,00,000. Hence 2,00,000 will be exempted.

- (B) Least of the following will be exempted.
- i) Actually received amount 10,00,000
 - ii) Average salary for 10 months $20,000 \times 10 = 2,00,000$
 - iii) Salary for balance leave. $5,00,000$
 - iv) Maximum amount $25 \times 20,000 = 5,00,000$
- Least of following 2,00,000 exempted.

(c) least of the following will be taxable

(1) Actually Amount received 4,00,000

(2) Average salary for 10 months

20000 x 10 2,00,000

(3) Salary for the balance leave Nil.

(4) Maximum Amount 3,00,000

least of the following Nil
should be considered. Hence taxable income
will be Nil.