Law & Taxation
B. Com Part III
By
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Question: Mr John is employed in a public company and is paid a sum of Rs 600000 on voluntary retirement from service. The normal age of retirement in the company is 60 years and John, who was 45 years at the time of retirement had completed 20 years of service. His Company paid following amount at the time of retirement.

Basic Pay 16000

D.A (50% includable in Pension) 9600

H.R.A. 4800

C.A 1280

What is the amount of compensation taxable under the Act?

Ans. Compensation computed under Income Tax Act 1961 u/s. 10 (10 C)

Salary for this Purpose. 16000 + 50% of D.A 4800 = 20800

Completed year of service 20 years

Service left in the Month = 15 year or 180 Month

Exempted Amount least of the followings:

(i) Amount Received — 600,000

(ii) 3 Month salary for each year of service 20800 × 20 × 3 — 12,48,000

(iii) salary of balance of Month of service left before voluntary retirement (20800 × 180) — 3744000

(iv) Maximum exemption — 5,00000

Exempted Amount 500000

Hence Taxable Amount 600000 − 500000 = 100000

Ans.