

DEPARTMENT OF COMMERCE

(SERAMPORE COLLEGE)

B.COM (HONS) 4TH SEMESTER

COMPUTATION OF INCOME FROM SALARY:

In the last class we have discussed the format of computation, salary bill, pay scale and taxable allowances. Now let us discuss the valuation of some important taxable perquisite under section 17(2). **Perquisite is facility other than cash.**

1. FREE FURNISHED OR UNFURNISHED ACCOMODATION:

- **If accommodation is hired by employer:**

	Rs.
15% of Salary or Rent paid whichever is lower.	***
Add 10% of Cost of Furniture	***
Add Hire charges of Furniture	***
TAXABLE PERQUISITE	<u>***</u>

OR

- **If owned by employer:**

	RS.
According to population 15% or 10% or 7.5% of salary	***
Add 10% of Cost of Furniture	***
Add Hire charges of Furniture	***
TAXABLE PERQUISITE	<u>***</u>

2. SALE OF MOVEABLE ASSETS AT A CONCESSIONAL RATE BY THE EMPLOYER:

	Rs.
Cost	***
Less depreciation	***
Less sale price	***
TAXABLE PERQUISITE	<u>***</u>

Depreciation to be charged for completed year of use by employer before sale and at specific rate

3. CAR FACILITY:

- **If for office use only:** Nil
- **If for private use only:**

	Rs.
Expenses paid by company	***
Add driver's pay	***
Add 10% depreciation	<u>***</u>
TAXABLE PERQUISITES	<u>***</u>

- **If for both private and office use:**

	EXPENSES PAID BY EMPLOYER	EXPENSES PAID BY EMPLOYEE
Up to 16 H.P. car	RS. 1800 per month	RS. 600 per month
Above 16 H.P. car	Rs. 2400 per month	Rs. 900 per month

Add in all cases Rs. 900 per month for driver if paid by company

4. EDUCATION FACILITY:

Fees paid by employer = TAXABLE

Reimbursed by employer = TAXABLE

Institution run by company = PERQUISITE is in excess of 1000 per month per child.

5. FREE USE OF COMPANY'S MOVEABLE ASSETS (OTHER THAN LAPTOP):

10% per annum of cost of asset is the perquisite value.

6. INTEREST FREE LOAN OTHER THAN LOAN UP TO RS. 20000 AND LOAN FOR MEDICAL TREATMENT.

7. FREE LUNCH:

Perquisite is above Rs. 50 per meal.

8. FREE GIFTS:

- i. Cash, cheque, voucher = FULLY TAXABLE
- ii. If in kind = TAXABLE in excess of Rs 5000.

9. COMPANY'S SHARE ISSUED AT A CONCESSIONAL RATE OR FREE OF COST.

10. Credit card for personal use, hotel bills, club bills, LIP, P. Tax, I. Tax, paid by company and any other personal obligations paid by employer is taxable perquisite. Telephone and cell phone bill are non taxable.

11. TOUR AND TRAVEL FACILITY.

12. FREE USE OF GAS, ELECTRICITY, FREE SERVICE ODF SWEEPER, AND WATCH MAN.

PROBLEM SUM:

From the following details of Mr. X for the year 2019-2020 compute his income from salary

Net salary drawn Rs. 530000 after deduction at source:

Income tax = Rs. 12000

Profession tax = Rs. 2000

Loan = Rs. 10000

Own contribution to recognised provident fund = Rs 32000 (equal contribution by company)

He was provided dearness allowance Rs 5000 pm, children education allowance Rs 150 pm each (2 children studying), conveyance allowance Rs 2000 pm (50% for office use)

He was also provided by the company free furnished accommodation and company pays rent Rs 5000 per month, cost of furniture provided Rs 1,00,000. Company paid Rs. 2000 pm for sweeper and Rs. 500 pm for night guard.

Interest credited to RPF Rs 1,50,000 rate being 15% pa. He was also provided with a big motor car for both use and all expenses paid by the company. The company issued him 500 shares of the company @ Rs. 100 (market price Rs. 500 per share).

SOLUTIONS:**COMPUTATION OF INCOME FROM SALARY OF MR. X, ASSESSEE FOR THE ASSESSMENT YEAR 2020-2021:**

PARTICULARS	AMOUNT	AMOUNT	AMOUNT
Net Salary Drawn		5,30,000	
add: deducted at sources			
income tax	12000		
profession tax	2000		
loan	10000		
contibution to RPF	32000	56000	
GROSS SALARY		5,86,000	
LESS:			
dearness allowance	60000		
children education allowance	3600		
conveyance allowance	24000	87600	
BASIC PAY		4,98,400	
ADD:			
ALLOWANCES U/S 17(1)			
dearness allowance		60,000	
children education allowance	3600		
Less: deduction	2400	1200	
conveyance allowance	24000		
Less: exemption u/s 10(14)	12000	12000	
		5,71,600	
emp.cont to RPF in excess of 12% of salary(note 1)	nil		
interest credited in excess of 9.5%		55000	
(A)			6,26,600
PERQUISITE U/S 17(2)			
free accomodation :			
less of : 15% of salary	76740		
rent paid	60000	60000	
add: 10% cost of furniture		10000	70000
car facility (3300*12)			39600
sweeper (2000 * 12)			24000
night guard (500 * 12)			6000
share issued at concessional rate 500 * (500-100)			200000
TOTAL PERQUISITE (B)			3,39,600
GROSS INCOME FROM SALARY (A) + (B)			9,66,200
LESS:			
standard deduction u/s 16(ia)		50000	
deduction for P.tax u/s 16(III)		2000	52000
INCOME FROM SALARY			9,14,200

Note 1: 15% of (498400) = 74760 and employers contribution is Rs. 32000.

Note 2: Dearness allowance is not in terms of employment

FOR ANY QUERRY CALL N.B 9830953576