

- (iii) 3 months' salary × completed years of service
 $= (\text{₹ } 20,000 + \text{₹ } 5,000) \times 3 \times 30 \text{ years} = \text{₹ } 7,00,000$
 $= \text{₹ } 5,00,000$
- (iv) Last drawn salary × remaining months of service left
 $= (\text{₹ } 20,000 + \text{₹ } 5,000) \times 6 \times 12 \text{ months} = \text{₹ } 22,50,000$
- (Salary = Basic Salary + Dearness allowance in terms + Turnover Commission)
 $= \text{₹ } 18,00,000$

Question 9

[Taxability of ER contribution to RPF > 7.5 Lakhs]

Mr. X is appointed as a CFO of ABC Ltd. in Mumbai from 1.9.2023. His basic salary is ₹ 6,00,000 p.m. He is paid 8% as D.A. He contributes 10% of his pay and D.A. towards his recognized provident fund and the company contributes the same amount. The accumulated balance in recognized provident fund as on 1.4.2024, 31.3.2025 and 31.3.2026 is ₹ 9,81,137, ₹ 27,43,048 and ₹ 46,48,555, respectively. Compute the perquisite value chargeable to tax in the hands of Mr. X u/s 17(2)(vii) and 17(2)(viii) for the A.Y. 2025-26 and A.Y. 2026-27. Prior to 1.9.2023, he was a consultant, whose professional fees was taxable under the head "Profits and gains of business or profession".

Answer 9

Computation of perquisite value taxable u/s 17(2)(vii) and 17(2)(viii) for A.Y. 2025-26

- Perquisite value taxable u/s 17(2)(vii) = ₹ 7,77,600, being employer's contribution to recognized provident fund during the P.Y. 2024-25 – ₹ 7,50,000 = ₹ 27,600
- Perquisite value taxable u/s 17(2)(viii) = Annual accretion on perquisite taxable u/s 17(2)(vii) =
 $(PC/2) \times R + (PC1 + TP1) \times R$
 $= (27,600/2) \times 0.111 + 0$
 $= \text{₹ } 1,532$

PC ABC Ltd.'s contribution in excess of ₹ 7.5 lakh to recognized provident fund during P.Y. 2024-25 = ₹ 27,600

PC1 Nil since employer's contribution is less than ₹ 7.5 lakh to recognized provident fund in P.Y. 2023-24 and there is no employer's contribution prior to this.

TP1 Nil

R $I/F_{avg} = 2,06,711/18,62,093 = 0.111$

I RPF balance as on 31.3.2025 – employee's and employer's contribution during the year –
 RPF balance as on 1.4.2024 = ₹ 2,06,711 (₹ 27,43,048 – ₹ 7,77,600 – ₹ 7,77,600 – ₹ 9,81,137)

Favg Balance to the credit of recognized provident fund as on 1st April, 2024 + Balance to the credit of recognized provident fund as on 31st March, 2025)/2 = (₹ 9,81,137 + ₹ 27,43,048)/2 = ₹ 18,62,093

Note – Interest on the aggregate of following will also be chargeable to tax during A.Y. 2025-26 –

- ₹ 2,03,600 [Employee's contribution exceeding ₹ 2,50,000 during P.Y. 2023-24]
- ₹ 5,27,600 [Employee's contribution exceeding ₹ 2,50,000 during P.Y. 2024-25]
- interest accrued on ₹ 2,03,600 being excess employee's contribution of P.Y. 2023-24

Computation of perquisite value taxable u/s 17(2)(vii) and 17(2)(viii) for A.Y. 2026-27

- Perquisite value taxable u/s 17(2)(vii) = ₹ 7,77,600, being employer's contribution to recognized provident fund during the P.Y. 2025-26 – ₹ 7,50,000 = ₹ 27,600
- Perquisite value taxable u/s 17(2)(viii) = Annual accretion on perquisite taxable u/s 17(2)(vii) =
 $(PC/2) \times R + (PC1 + TP1) \times R$

Chapter 3: Income from Salary

$$= (27,600/2) \times 0.09479 + (27,600 + 1,532) \times 0.09479$$

$$= ₹ 1,308 + ₹ 2,761 = ₹ 4,069$$

PC ABC Ltd.'s contribution in excess of ₹ 7.5 lakh to recognized provident fund during P.Y. 2025-26 = ₹ 27,600

PC1 Amount of employer's contribution in excess of ₹ 7,50,000 to RPF in P.Y. 2021-22, 22-23 and P.Y. 2023-24 = ₹ 27,600

TP1 Taxable perquisite u/s 17(2)(viiia) for the P.Y. 2024-25 = ₹ 1,532

R $I/F_{avg} = 3,50,307/36,95,802 = 0.09479$

I RPF balance as on 31.3.2026 – employee's and employer's contribution during the year – RPF balance as on 1.4.2025 = ₹ 3,50,307 (₹ 46,48,555 – ₹ 7,77,600 – ₹ 7,77,600 – ₹ 27,43,048)

Favg Balance to the credit of recognized provident fund as on 1st April, 2025 + Balance to the credit of recognized provident fund as on 31st March, 2026)/2 = (₹ 27,43,048 + ₹ 46,48,555)/2 = ₹ 36,95,802

Note – Interest on the aggregate of following will also be chargeable to tax during A.Y. 2026-27 –

- (i) ₹ 2,03,600 [Employee's contribution exceeding ₹ 2,50,000 during P.Y. 2023-24]
- (ii) ₹ 5,27,600 [Employee's contribution exceeding ₹ 2,50,000 during P.Y. 2024-25]
- (iii) ₹ 5,27,600 [Employee's contribution exceeding ₹ 2,50,000 during P.Y. 2025-26]
- (iv) interest accrued on ₹ 2,03,600 being excess employee's contribution of P.Y. 2023-24
- (v) interest accrued on ₹ 5,27,600 being excess employee's contribution of P.Y. 2024-25

Question 10

[Taxability of LTC Perks]

- A. Mr. D went on a holiday on 25.12.2025 to Delhi with his wife and three children (one son – age 5 years; twin daughters – age 3 years). They went by flight (economy class) and the total cost of tickets reimbursed by his employer was ₹ 60,000 (₹ 45,000 for adults and ₹ 15,000 for the three minor children). Compute the amount of LTC exempt if Mr. D exercises the option of shifting out of the default tax regime provided u/s 115BAC(1A).
- B. In the above point A, will there be any difference if among his three children, the son is 5 years old and the son 3 years old? Discuss.

Answer 10

- A. Since the son's age is more than the twin daughters, Mr. D can avail LTC exemption for three children. The restriction of two children is not applicable as Mr. D is availing LTC exemption for a holiday being in India and the journey being performed by air. Since the total cost of tickets reimbursement met by the employer is fully exempt under section 115BAC(1A), Mr. D can avail LTC exemption for three children.
- B. Since the twins' age is more than the son, Mr. D can avail LTC exemption for three children. Since the son is 3 years old, Mr. D can avail LTC exemption for three children.