

CHAPTER 2

INCOME FROM SALARIES

(In case All the four options given are incorrect then mark 'E' as your answer)

1. Which of the following income shall be chargeable to income – tax under the head “Salaries” –

- (a) any salary due from an employer or a former employer to an assessee in the previous year, whether paid or not
- (b) any salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer though not due or before it became due to him
- (c) any arrears of salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer, if not charged to income – tax for any earlier previous year
- (d) all of these

2. Which of the following is exempted:

- (a) Income tax paid by employer on monetary perquisite of employee
- (b) Income tax paid by employer on non-monetary perquisite of employee
- (c) Income tax paid by employer on both monetary and non-monetary perquisite
- (d) None of the above

3. Ramesh, an employee of Star Ltd. draws a basic salary of ₹ 40,000 p.m. He also owns a car of 1.6tr capacity which is used for partly personal and partly official purpose. The total expenses incurred by the employer during the year 2019-20 (including that of driver) amounted to ₹ 75,000. His taxable income from Salaries shall be:

- (a) ₹ 4,42,600
- (b) ₹ 5,44,200
- (c) ₹ 4,72,600
- (d) ₹ 5,17,500

4. Bharat, an employee of Sri Krishna Ltd. has been provided two motor cars for partly personal partly official purpose of 1.6 ltr capacity with driver. The total expenses incurred by the employer amounted to ₹ 60,000 and ₹ 80,000 respectively. The Cost of the car amounted to ₹ 5,00,000 and ₹ 8,00,000 respectively. The taxable value of perquisites shall be :

- (a) ₹ 1,42,400
- (b) ₹ 64,800
- (c) ₹ 1,92,400
- (d) ₹ 2,70,000

5. Salary paid to an employee in lieu of leave during employment is:

- (a) Fully taxable
- (b) Fully exempted
- (c) Partly taxable
- (d) None of these

6. Reimbursement of medical expenses by employer to employee is:

- (a) Fully taxable
- (b) Fully exempted
- (c) Exempted up to ₹15000 p.a.
- (d) None of these

7. U/S 17(1), Salary includes:

- (a) Wages
- (b) Pension
- (c) Advance of Salary
- (d) All of these

8. For VRS compensation, an employee can claim:

- (a) Relief u/s 89(1) only
- (b) Only exemption u/s 10(10C)
- (c) Both (a) & (b)
- (d) Either (a) or (b)

9. An employee has been provided hotel accommodation for 20 days during official tour. In this case,

- (a) Perquisite shall be fully taxable (b) Perquisite shall be fully exempted
(c) Perquisite shall be exempted up to 15 days (d) None of these

10. The salary of an employee is ₹ 10 lacs. He has been provided an accommodation where the rent paid by employer is ₹ 10000 p.m. The population is less than ₹ 10 lacs. Employee reimburses rent of ₹ 4000 p.m. to employer. Taxable perquisite value is:

- (a) ₹ 72000; (b) ₹ 75000 (c) ₹ 120000 (d) ₹ 150000

11. Telephone allowance paid by employer is:

- (a) Fully Taxable (b) Fully exempted
(c) Exempted up to expenditure incurred by employee for office use (d) None of the above

12. An employee residing in his own house receives House Rent allowance in Kolkata. The maximum exemption for HRA shall be:

- (a) 40% of Salary (b) 50% of Salary (c) NIL (d) Fully exempted

13. Mr. Bahadur retires from Weak Ltd. on 18/2/2020 after rendering a service of 24 years and 10 months. At the time of retirement his basic salary was ₹12,000 p.m. and dearness allowance was ₹6,000 p.m. He received ₹2,50,000 as gratuity on retirement. Compute the taxable amount of gratuity if he is covered under The Payment of Gratuity Act, 1972.

- (a) Nil (b) ₹250000 (c) ₹259615 (d) ₹1000000

14. Mr. A retired on 31/7/2019 after completing 30 years and 10 months. At the time of retirement he was drawing a basic salary of ₹8000 p.m. (annual increment of ₹150 due on 1/1 every year) and D.A. ₹1,500 p.m. He received ₹1,50,000 as gratuity on retirement. Compute the **average salary**.

- (a) ₹9440 (b) ₹94400 (c) ₹141600 (d) ₹1000000

15. Sri Swapn, an employee of XYZ Ltd. retired from the company on 30.11.2020 At the time of his retirement he received ₹150000 as leave salary from his employer. From the following particulars Calculate the **leave salary entitlement**.

- (i) Period of service 20 Years and 10 months
(ii) Leave availed while in service 14 months
(iii) Average salary for the last 10 months till November ₹8800
(iv) Leave entitlement as per service rule 1½ months for every completed year of service.

- (a) ₹97200 (b) ₹150000 (c) ₹52800 (d) ₹300000

16. K retired from H.L. Ltd. on 31.5.2019 and was granted a pension of ₹3000 p.m. w.e.f. 1.6.2018. Out of his monthly pension he commuted ₹1800 w.e.f. 1.8.2017 and received ₹360000 being commuted value. He also received gratuity of ₹150000 from the company. Compute the **taxable amount of pension**.

- (a) ₹9600 (b) ₹160000 (c) ₹15600 (d) ₹175600

17. Mr. H is working in ABC Ltd. on a Basic Salary of ₹5,000 p.m. He is also entitled to a Dearness Allowance (forming part of Salary) of ₹3,000 p.m. Besides this, he also receives a fixed commission of

₹1,000 p.m. for Sales irrespective of the amount of sales effected by him. He is also entitled to a House Rent Allowance of ₹5,000 p.m. The rent of the House is ₹4,000 p.m. Compute his **taxable HRA**.

- (a) ₹60000 (b) ₹38400 (c) ₹21600 (d) None of the above

18. Mr. X is drawing a basic salary of ₹ 25,000 p.m. and Dearness Allowance of ₹ 10,000 which does not form part of Salary. He has been provided an accommodation at a place where population is less than 10 lacs. The accommodation is taken on rent and the rent paid by employer is ₹ 8,000 p.m. The taxable amount of Rent free accommodation is as under:

- (a) ₹22,500 (b) ₹30,000 (c) ₹96,000 (d) ₹45,000

19. Employee goes on a holiday leave with family within India. The total expenses comprising of travelling cost ₹60,000 and hotel expenses ₹50,000 was met by employer as leave travel concession. The taxable amount is :

- (a) NIL (b) ₹60,000 (c) ₹50,000 (d) ₹1,10,000

20. Children Education Allowance received for meeting Hostel expenditure ₹10,000. He has one child. The taxable amount is:

- (a) ₹10,000 (b) ₹5,200 (c) ₹6,400 (d) ₹8,800

21. Employer purchases a computer for ₹4,00,000 on 15/9/2016 and the same is sold to the employee for ₹22,000 on 12/9/2019. The taxable amount is:

- (a) ₹78,000 (b) ₹28,000 (c) ₹3,78,000 (d) ₹1,78,000

22. X is a Govt. employee. He receives Entertainment Allowance of ₹400 p.m. Amount spent for office purpose is ₹ 1,200. His Basic Salary is ₹1,000 p.m. and D.A. is ₹500 p.m. Compute Deduction U/s 16(ii)

- (a) ₹2,400 (b) ₹5,000 (c) ₹4,800 (d) ₹1,200

23. The maximum exemption under section 10 (10AA) in case of leave encashment is –

- (a) fully exempted (b) ₹5,00,000 (c) ₹3,00,000 (d) ₹10,00,000

24. Sudhir obtained interest free loan of ₹ 20,000 from his employer company for purchasing a two-wheeler. The market rate of interest on such loan is 20% per annum. The lending rate of state bank of India is 15.5% and that the private sector bank 16%. The taxable amount of the perquisite will be-

- (a) ₹ 20,000 (b) ₹ 3,200 (c) ₹ 3,100 (d) Nil

25. The maximum exemption under section 10 (10C) in case of Voluntary Retirement Scheme-

- (a) ₹3,00,000 (b) ₹5,00,000 (c) ₹10,00,000 (d) None of the above

26. Employer provides meal costing ₹70 per meal to the employee for 300 days. The meals are provided through non transferable vouchers. What is the taxable amount?

- a. ₹6,000 b. ₹2,100 c. ₹15,000 d. none of the above

27. Compute the value of perquisite in the following case:

The employer provided car to X for his personal use. The cost of car is ₹400000 and running and maintenance expenses borne by X ₹20000.

- (a) ₹ 40,000 (b) ₹20,000 (c) ₹ 3,80,000 (d) ₹ 60,000

28. Compute the value of perquisite in the following case: The employer provides a 1400 CC car to X for his private and official use. Cost of the car is ₹300000. Normal tear and wear could not be worked out. X incurred ₹5000 on running and maintenance of car.

- (a) ₹7,200 (b) ₹10,800 (c) ₹21,600 (d) None of the above

29. Mr. X received retrenchment compensation of ₹8,00,000 after 29 years 10 months of service. At the time of retrenchment, he was drawing basic salary ₹20,000 p.m.; dearness allowance ₹5,000 p.m. Compute his taxable retrenchment compensation.

- (a) ₹500000 (b) ₹367308 (c) ₹432692 (d) None of the above.

30. Employer contribution to Recognized provident fund shall be:

- a. Fully taxable b. Fully exempt c. Exempt up to 12% of salary d. None of the above

31. Employer is provided with furniture costing ₹150000 along with house w.e.f 1-4-2018. The value of furniture to be included in the valuation of unfurnished house shall be

- (a) ₹15000 (b) ₹12500 (c) ₹18750 (d) ₹22500

32. Employee was appointed on 01-07-2016 at a salary structure of 10,000-2,000-14,000-3,000-23,000. Salary for previous year 2019-20 would be:

- (a) ₹1,68,000 (b) ₹2,00,000 (c) ₹1,95,000 (d) ₹1,20,000

33. VRS compensation received by an employee of partnership firm is taxable under the head:

- (a) salaries (b) other sources (c) capital gains (d) business income

34. Mr. X received VRS compensation of ₹ 5,00,000 in the year 2005-06 and get exemption of ₹ 2,00,000. He again get VRS compensation of ₹5,00,000 in the year 2019-20. The maximum exemption he could get this time u/s 10(10C):

- (a) ₹3,00,000 (b) ₹5,00,000 (c) Nil (d) 1,00,000

35. Mr. Vinod get ₹ 20,000 as medical allowances. Amount taxable would be:

- (a) ₹15,000 (b) ₹5,000 (c) Nil (d) ₹ 20,000

36. Mr. X has given a computer for use from his employer. Original cost of the computer is ₹40,000. Amount of taxable perk would be:

- (a) ₹40,000 (b) ₹4,000 (c) 20,000 (d) Nil

37. An employee is provided with a watchman at his house. The salary paid to watch man is 4,000 p.m. The amount of taxable perquisite for the previous year would be:

- (a) Nil (b) ₹4,000 (c) ₹48,000 (d) ₹20,000

38. An employer provides education facility to the children of its employees. The cost in similar institution is ₹2,000p.m. per child. An employee has two children. The taxable amount of perk would be:

- (a) ₹24,000 (b) ₹12,000 (c) ₹48,000 (d) Nil

39. Employee owns a motorcycle used for both personal and official purpose. Expenses are incurred by employer ₹3,000p.m. what is the taxable amount if no documents maintained:

- (a) ₹36,000 (b) ₹25,200 (c) ₹14,400 (d) ₹24,000

40. In case of medical treatment in foreign countries when GTI of employee is ₹1,50,000 then Travelling expenses incurred by employer is:

- (a) Fully Taxable (b) Fully Exempted (c) exempted up to ₹1,50,000 (d) None of the above

41. Interest on statutory provident fund is :

- (a) Fully exempted (b) Fully taxable (c) Exempted up to 9.5% (d) Taxable up to 9.5%

42. Amount received on termination of approved superannuation fund:

- (a) fully taxable (b) Exempted up to ₹1,50,000 (c) fully exempted (d) None of the above

43. Employer gives loan to employee on 1- 4-2019 ₹ 18,000 and on 1-7-2019 ₹ 18000. If SBI rate is 11% Taxable perquisite will be:

- (a) ₹ 1970 (b) ₹ 2970 (c) ₹ 3970 (d) ₹ 4970

44. Project allowances are:

- (a) fully taxable (b) Fully exempted
(c) Exempted up to incurred for office purpose (d) None of the above

45. In case of gift in kind perquisites up to ₹_____in one year shall be exempted.

- (a) ₹6,000 (b) ₹10,000 (c) ₹1,000 (d) ₹5,000

46. Gift in cash shall be:

- (a) Fully Exempted (b) Fully taxable (c) Exempted up to ₹ 5,000 (d) None of the above

47. If an employee wants to surrender his salary to central Govt. then salary is:

- (a) Fully Exempted (b) Fully taxable
(c) Merely an application of income and hence taxable (d) None of the above

48. Jaggu, a handicapped employee receives ₹ 1,500 per month as transport allowance from his employer. His actual expenditure on transport is ₹ 1,000 per month. The amount of transport allowance taxable under the head income from salary will be-

- a) ₹ 18,000 b) Nil c) ₹ 6,000 d) ₹ 8,000

49. Mr. Arjun employed in KL (P) Ltd. at Mumbai was provided rent-free accommodation by the employer who owned such accommodation. The salary income of Mr. Arjun for the purpose of computing the perquisite value is ₹ 8 lakhs. The perquisite value of rent-free accommodation in the hands of Mr. Arjun is:

- (A) 10% of salary i.e. Rs, 80,000 (B) 7.5% of salary i.e. Rs, 60,000
(C) Nil (D) 15% of salary i.e. Rs, 1,20,000

50. Mr. Gupta is given a motor car with chauffeur by the employer which is used for both official and personal purpose. The entire running expenses of the car amounting to ₹ 64,800 was met by the employer in the previous year 2019-20. The cubic capacity of the engine of the motor car exceeds 1.6 litres. The perquisite value of motor car taxable in the hands of Mr. Gupta is:

- (A) ₹ 19,200 (B) ₹ 39,600 (C) ₹ 28,800 (D) ₹ 64,800

51. Ashwin Co. Ltd contributed 15% of the salary of the employee Virat towards recognised provident fund. The amount liable to tax as perquisite in the hands of Virat would be of contribution.

- (A) 5% (B) 3% (C) Nil (D) any sum exceeding ₹ 1,50,000

52. During the previous year, the employee was reimbursed ₹ 24,000 as medical expenses incurred by him which includes ₹ 7,000 spent in Government hospital. The taxable perquisite in this case shall be:

- (A) ₹ 9,000 (B) Nil (C) ₹ 17,000 (D) ₹ 24,000

53. The employee is provided with furniture costing ₹ 1,50,000 along with house w.e.f. 1-7-2019. The value of the furniture to be included in the valuation of unfurnished house shall be:

- (A) ₹ 11,250 (B) ₹ 15,000 (C) ₹ 22,500 (D) ₹ 16,875

54. Interest credited to statutory provident fund shall be:

- (A) Fully exempt (B) Exempt upto 8.5% p.a. (C) Fully taxable (D) Exempt upto 9.5%

55. An employee of a public limited company received ₹ 3,00,000 as encashment of leave salary at the time of retirement. He has 18 months' leave to his credit at the time of retirement and his average salary for last 10 months is ₹ 24,000. The taxable amount of leave encashment would be —

- (A) ₹ 2,40,000 (B) ₹ 3,00,000 (C) ₹ 60,000 (D) Nil.

56. Allowances and perquisites allowed to an employee for services outside India are tax free in case of

- (A) All types of employees (B) Government employees only
(C) Non-government employees only (D) None of the above.

57. A company has provided laptop worth 50,000 to its employee for official as well as personal purposes. The taxable amount of perquisite will be —

- (A) ₹ 5,000 (B) ₹ 25,000 (C) ₹ 10,000 (D) Nil.

58. A company acquired a motor car for 8 lakh on 30th June, 2018. It sold the said motor car to its employee, Jayant, for 6 lakh on 10th June, 2019. The company claimed depreciation @ 15% for the year ended 31st March, 2019. The perquisite value in the hands of Jayant on sale of motor car would be —

- (A) ₹ 80,000 (B) Nil (C) ₹ 2,00,000 (D) ₹ 1,40,000

59. Satish is employed as chief engineer in Gama Ltd., Chennai w.e.f. 1st April, 2018 for a consolidated salary of ₹60,000 per month. He is provided with rent-free unfurnished accommodation owned by the employer from 1st July, 2019 onwards. The value of taxable perquisite is-

- (a) ₹1,08,000 (b) ₹81,000 (c) ₹72,000 (d) ₹54,000

60. Mrs. Meena retired from service with Sky Ltd. on 31st January, 2020. She received the following amounts from unrecognized provident fund: (i) Own contribution ₹1,50,000; (ii) Interest on own contribution ₹21,000; (iii) Employer's contribution ₹1,10,000; and (iv) interest on employer's contribution ₹15,000. How much of the receipt is chargeable to tax as income from salary-

- (a) ₹21,000 (b) ₹15,000 (c) ₹1,25,000 (d) ₹1,71,000

61. An employee of a company, who was entitled for a gratuity of ₹8,00,000, also received ₹12,00,000 by commuting 40% of his pension. The taxable amount of commuted pension is-

- (a) ₹2,00,000 (b) ₹4,00,000 (c) ₹12,00,000 (d) ₹22,00,000

62. Ravi is receiving ₹10,000 as medical allowance from his employer. Out of this, he spends ₹5,000 on his own medical treatment, ₹2,000 on the medical treatment of his dependent wife and another ₹3,000 for the medical treatment of his major son who is not dependent on him. The amount of medical allowance taxable in his hand is-

- (a) ₹10,000 (b) ₹5,000 (c) ₹3,000 (d) NIL

63. Ms. Janhvi is provided with an interest free loan by her employer for the purchase of a house. The value of the perquisite shall be-

- (A) Simple interest computed at the rate charged by the Central Government to its employees on 1st April of the previous year
(B) Simple interest computed at the rate charged by State Bank of India on 1st April of the previous year
(C) Simple interest computed at the rate charged by National Housing Bank on 1st April of the previous year
(d) Simple interest computed at the rate determined by the employer on 1st April of the previous year.

64. Pankaj joins service on 1st April, 2015 in the grade of 15,000 – (1,000) – 18,000 – (2,000) – 26,000. He shall be paying tax for the year ended on 31st March, 2020 on the total salary of –

- (A) ₹ 2,16,000 (B) ₹ 2,40,000 (C) ₹ 2,28,000 (D) ₹ 1,80,000

65. Kapil gets salary of ₹ 12,000 p.m. and is provided with rent-free unfurnished accommodation at Pune (population 20 lakh). House is owned by employer, fair rental value of which is ₹ 1,400 p.m. House was provided with effect from 1st July, 2019. Value of the perquisite of rent-free accommodation will be –

- (A) ₹ 21, 600 (B) ₹ 10,800 (C) ₹ 16,200 (D) ₹ 12,600

66. Anil is employed in a company with annual salary of ₹ 8,60,000 (computed). The company paid income-tax of ₹ 37,000 on his non-monetary perquisites. He paid ₹ 1,20,000 to recognized provident fund during the year 2019 -20. His total income would be –

- (A) ₹ 7,77,000 (B) ₹ 7,40,000 (C) ₹ 7,97,000 (D) ₹ 7,60,000

67. Govt. of India paid salary of ₹ 5 lakh and allowances/perquisites valued at ₹ 2.20 lakh to a person who is citizen of India for the service rendered by him outside India for 5 months during the previous year. His total income chargeable to tax would be –

- (A) ₹ 7,20,000 (B) ₹ 5,00,000 (C) ₹ 6,10,000 (D) ₹ Nil

68. Which of the following is not correct about the approved superannuation fund-

- (a) Employees' contribution qualifies for deduction under section 80C
(b) Any amount contributed by the employer is exempt from tax
(c) Interest on accumulated balance is exempt from income tax
(d) Under some circumstances, payment from the fund are chargeable to income tax

69. Ashraf is an employee of Moon Public School. His daughter, Zara, is studying in the said school at a concessional fees of ₹ 600 per month (actual Fee: ₹4,000 per month). The amount taxable in the hands of Ashraf will be-

- (a) ₹ 48,000 (b) ₹ 7,200 (c) Nil (d) 40,800

70. Bimal is employed in a factory at a salary of ₹2,400 per month. He also get dearness allowance @ ₹600 per month and bonus @ ₹200 per month. he Retire on 31st December, 2019 and receives ₹75,000 as gratuity under the payment of gratuity act, 1972 after serving 31 years and 4 months in that factory. the amount of gratuity exempt under gratuity act, 1961 will be-

- a) ₹75,000 b) ₹53,654 c) ₹21,346 d) ₹10,00,000

71. Akash is entitled to get a pension of ₹6,000 per month from a private company. He gets 60% of his pension commuted and receives ₹3,60,000. He also receives ₹2,00,000 as gratuity from the same employer. The taxable portion of commuted value of pension will be-

- a) ₹1,60,000 b) NIL c) ₹3,60,000 d) ₹60,000

72. Chandan, a handicapped employee receives ₹1,500 per month as transport allowance from his employer. His actual expenditure on transport is ₹ 1,000 per month. The amount of transport allowance taxable under the head income from salary will be-

- a) ₹18,000 b) Nil c) ₹6,000 d) ₹8,000

73. Joy limited transfers a Honda City car to its employee Happy after using it for 4 years and 10 months, for ₹2,10,000. The cost of the car is ₹10,00,000. The value of taxable prerequisite in the hands of Happy is ₹-

- a) 1,17,680 b) 1,99,600 c) Nil d) 7,90,000
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74. For the year ending 31st March, 2020 Paresh received a salary of ₹2,80,000. Paresh's contribution to employees recognized provident fund account is ₹40,000 and matching contribution has been made by employer. Meals are provided to all employees, which costs ₹ 40 per meal to employer for 300 days. His Income from Salaries will be-

- a) **2,30,000** b) 3,05,400 c) 3,39,000 d) 2,80,000
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75. Ramesh an employee of Gauri & Co. of Delhi, receives the following payments during the previous year ended 31st March, 2020: Basic salary: ₹2,40,000 and dearness allowance : 40% of salary (40% forming part of salary). Rent free unfurnished accommodation provided by employer for which rent paid by employer being ₹50,000. The value of taxable prerequisite in the hand of Ramesh will be ₹-

- a) 41,760 b) 50,000 c) 36,000 d) 52,500
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