



DEEPAK GUPTA CLASSES

98104 88450, 9899221902

Employee Remuneration(DTP)

Q1. A is entitled to a salary of Rs. 10,000 p.m. He is given an option by the employer either to take H.R.A @ Rs. 3,000 p.m. or a rent free accommodation which is owned by the company. If A opts for H.R.A. he will have to pay Rs. 3,000 p.m. as rent for his residential accommodation in Delhi. Advise A in this regard.

Q2. R is offered an employment by M Ltd., at a basic salary of Rs. 3,000 per month. Other allowance payable as per rules of the company are as under:

- (a) Dearness allowance @ 60% of the basic salary (not forming part of salary for calculating retirement benefits).
- (b) Bonus equal to one month's basic salary.
- (c) Medical allowance @ Rs. 500 p.m.

The company gives R an option either to take rent free unfurnished accommodation at Jaipur for which the company would directly pay the rent of Rs. 1,500 per month, or to accept a house rent allowance of Rs. 1,500 per month and find out accommodation of his own choice. If Mr. Prakash opts for house rent allowance he will have to pay Rs. 1,500 per month for an unfurnished house. Which one of the two options should be opted by R in order to minimize his tax ability?

Q3. X, a Director of ABC Ltd. Pune is offered an employment with the following two alternative packages:

	I (Rs.)	II (Rs.)
Basic pay per annum	1,38,000	1,38,000
Conveyance allowance for private use	9,000	-
Conveyance facility for private use of X and his family Members (valued)	-	9,000
Entertainment allowance	18,000	-

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Club facility (valued)	-	18,000
Children Education Allowance (for 2 children)	9,700	-
Free Education facility for children (valued)	-	9,700
Rent Free unfurnished house with fair rental value	30,000	30,000

Which of the two packages should X opt for on the assumption that both employer and employee will contribute 20% of the basic pay towards an unrecognized provident fund?

Q4. Mr. Ram has received the following two offers from X Ltd. of Delhi for service:

Particulars	Offer (A)	Offer (B)
Salary	1,44,000	1,80,000
Bonus	12,000	30,000
Rent Free House (FR)	1,08,000	-
House Rent Allowance	-	54,000
	2,64,000	2,64,000

He will have to pay a rent of Rs. 9,000 p.m. Which offer should he accept and why?

Q5. Mr. R is offered a job in a company in Delhi on a Basic salary of Rs.6,000 p.m., D.A. Rs.1,500 p.m. (60% of D.A. forming part of salary for superannuation benefits), and House Rent Allowance Rs.3,000 p.m. (Actual rent paid will be Rs. 3,000 p.m.). He will contribute 15% of his salary to Recognised provident Fund. The employer's contribution will be at 12% p.a. He is offered a package of the following allowances/facilities at his option:

	Rs.
Education Allowance/Scholarship for 1 child	900 p.m.
Servant Allowance/Free Domestic Servant	100 p.m.
Medical Allowance/Reimbursement of medical bills Of private clinic	3,000 p.m.
Entertainment Allowance/Club Facility	250 p.m.

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Conveyance Allowance/Free use of Company's Motor Car

Of 16 H.P.

800 p.m.

Telephone Allowance/Free Telephone Facility

400 p.m.

Which alternative allowances or facilities Mr. R should opt keeping in view his tax ability?

Q6. Mr. X is offered employment in P. Ltd., Patna at a basic salary of Rs.9,000 per month.

Other allowances payable as per rules of the company are as under:

- (a) Dearness Allowance @ 60% of basic salary (forming part of salary for calculating retirement benefits).
- (b) Bonus equal to one month's salary.
- (c) Entertainment Allowance @ Rs. 1,500 per month.

The company gives Mr. X an option to take a rent-free unfurnished accommodation at Patna for which the company would directly pay the rent of Rs.4,500 p.m. or to accept House Rent Allowance of Rs.4,500 p.m. and find out accommodation of his own choice. Mr. X opts for house rent allowance. He will have to pay Rs. 4,500 per month for an unfurnished house. Has X taken the right decision in this case?

Q7. Mr. R is employed at a salary of Rs.10,000 per month at Bangalore. He is also paid annual bonus Rs.4,000 and commission of Rs.5,000. He is offered either house rent allowance @ Rs.4,000 p.m. or rent free unfurnished accommodation whose fair rent is also Rs.4,000 p.m. He seeks your advice as to which option he should opt to minimize his tax incidence.

Q8. X is appointed Sales Manager of a company in Delhi. The company offers him two alternative annual remuneration packages as follows:

Conditions:

- (a) the assessee is resident in India during the previous year,
- (b) the income has accrued outside India and it has not been deemed to accrue or arise in India,



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(c) the income is liable to be taxed in India and a foreign country with which India has no agreement for relief country by deduction of tax at source or otherwise.

	Alternative I (Amount in Rs.)	Alternative II (Amount in Rs.)
Basic salary	72,000	72,000
Dearness allowance (not forming part of salary)	18,000	18,000
Conveyance allowance for Private purposes	-	12,000
Free car facility for private and Official purposes (estimated expenditure)	12,000	-
House rent allowance (actual rent payable By X Rs. 2,500 per month)	-	30,000
Rent free unfurnished house (fair rent)	30,000	-
Education allowance for 2 children	-	7,200
Free education of children at school Run by employer (estimated cost)	7,200	-
Free medical treatment at approved Hospital (estimated expenditure by company)	12,000	-
Medical allowance	-	12,000
Subsidised lunch (estimated expenditure By company)	6,000	-
Lunch allowance	-	6,000

Advise X about the suitability of each alternative, keeping in view the tax consequences.



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Q9 Mr. Ratan has been offered an employment by a public company with the following two options:

	I	II
(a) Basic Pay	48,000	48,000
(b) D.A	12,000	12,000
(c) Bonus	8,000	8,000
(d) children's hostel expenditure allowance for one child	-	6,000
scholarship to one child.	6,000	-
(e) H.R.A (Rent payable Rs. 15,000)	9,000	9,000
(f) Uniform Allowance (Expenditure on uniform Rs. 6,000)	5,000	5,000
(g) Medical Allowance	12,000	-
Re-imburement of Medical bills of a private clinic	-	12,000
(h) Refrigerator, T.V. and Fans Cost of Rs. 50,000 W.D.V Rs. 30,000 for use.		

Q10. Compute the Advance Tax payable by R from the following estimated income submitted for the Financial year:

	(Rs.)
(a) Income from salary before standard Deduction	1,70,000
(b) Rent from House property (per month)	4,000
(c) Interest on Government Securities (gross)	11,000
(d) Interest on bank deposits	9,000
(e) Income from horse race won on (Net)	13,820
(f) Agricultural Income	40,000
(g) Estimated amount of tax Deduction at Source from Salary	19,000