Calculated gratuity $= \left(\begin{array}{c} \text{Avg of 10} \\ \text{month salary} \end{array} \right) \times \dfrac{15}{26} \times \begin{array}{c} \text{No. of yrs} \\ \text{service} \end{array}$

$$= \left(42000 + 23000 \right) \times \dfrac{15}{26} \times 32 \text{ years}$$

$$= 65000 \times \dfrac{15}{26} \times 32 \quad \Rightarrow \quad 65{,}000 \times 0.58 \times 32$$

$$= 65000 \times 18.56$$

Calculated gratuity $= 12{,}06{,}400$

Actual gratuity $= 17{,}00{,}000$

Exempt gratuity (Least of)

a) Actual gratuity $-$ $17{,}00{,}000$

b) Calculated gratuity $-$ $12{,}06{,}400$

c) $20{,}00{,}000$

no round off till the last step

∴ Exempt gratuity $= 12{,}06{,}400$

Taxable gratuity $=$ Actual gratuity $-$ Exempt gratuity

$$= 17{,}00{,}000 - 12{,}06{,}400$$

Taxable gratuity $= 4{,}93{,}600$