

No of years of service \rightarrow 31 years 6 months
 \Rightarrow 32 years.

Actual gratuity \Rightarrow 17 lakhs

Basic \Rightarrow 42,000 pm, DA = 23,000 pm

\Rightarrow Taxable gratuity = Actual gratuity - Exempt gratuity.

Exempt gratuity (Least of)

1) Actual gratuity - 17,00,000 ₹

2) 20,00,000 ₹

3) Calculated gratuity.

= $\frac{\text{Avg 10 months of Basic + DA}}{26} \times 15 \times \text{No of years of service}$

= $(42,000 + 23,000) \times \frac{15}{26} \times 32$

$\Rightarrow \frac{65,000 \times 15 \times 32}{26}$

Exempt gratuity. \Rightarrow 12,00,000 ₹

Taxable gratuity = Actual - exempt gratuity

= 17,00,000 - 12,00,000

= 5,00,000 ₹