



## CTC Full Form in salary and its meaning with example

### Description

Many new job newcomers have doubts about what is CTC, its meaning and full form in salary and how in hand take home salary is calculated from CTC. Contrary to its simple meaning, CTC has great importance in our lives. It is what we demand from our employer against our service to the company.

**Without further ado, let us explain CTC meaning and its full form in salary.**

The full form of CTC is 'Cost to Company'. It is basically the total cost a company would incur annually while keeping you on the job or you can say it is the annual package or compensation offered by the employer to you on the job. For example, a person might get 9 lakh Indian rupees as CTC or job package annually in a job.



But getting 9 lakh CTC, does this mean you would be getting INR75,000/- monthly as In hand salary? No, it does not work this way. In hand, salary is always lesser than CTC in India.

**Let us make you understand the calculation of the monthly in-hand salary from CTC of 9 lakh Indian rupees.**

Recently, in the 2023-24 fiscal budget, there have been certain changes in tax rates. There are basically two tax regimes in India viz. Old Tax Regime and New Tax Regime. In hand salary would

vary with the tax regime opted.

## Usual Salary structure components (fixed) of the salary of an Employee

1. **Basic Salary** – It is usually 45% to 50% of your CTC (Taking 50% \* 9 lakh = INR 4.5 Lakh)
2. **House Rent Allowance (HRA)** – Usually 30% of your basic salary (30% \* 4.5 lakh = INR 1.35 Lakh)
3. **Employee and Employer's contribution to your PF** – 12% of your basic salary each (2 \* 12% \* 4.5 lakh = INR 1.08 Lakh)
4. **Food Coupons (Like Sodexo Card, etc.)** – Usually INR 1,250/- per month (INR 1,250 per month \* 12 = INR 0.15 Lakh per year)
5. **Ex gratia or Special Allowance** – Remaining part of total salary. (9 – 4.5 – 1.35 – 1.08 – 0.15 = 1.92 Lakh)

## Total tax liability including cess

Let's first know what are the new tax rates proposed in budget 2023-24

### Old Tax Regime (Income / Tax Rate) New Tax Regime (Income / Tax Rate)

0 – 2.5 Lakh / Nil	0 – 3 Lakh / Nil
2.5 – 5 Lakh / 5%	3 – 6 Lakh / 5%
5 – 10 Lakh / 20%	6 – 9 Lakh / 10%
Above 10 Lakh / 30%	9 – 12 Lakh / 15%
	12 – 15 Lakh / 20%
	Above 15 Lakh / 30%

### Important points:

- Standard Deduction of INR50,000/- will be provided in both tax regimes (New and Old)
- Tax Rebate under 87 section (Old Tax Regime) – INR12,500/- (If taxable income is up to 5 Lakh)
- Tax Rebate under 87 section (New Tax Regime) – INR25,000/- (If taxable income is up to 7.5 Lakh)
- Additional 4% as health and education cess will be applicable on the applicable tax.
- An extra surcharge (10% & 15% of income tax) is also applied if taxable income exceeds INR 50 Lakh & INR 1 Crore respectively.

## Tax calculation in both tax regimes (9 lakh CTC):

- **Taxable income (New Tax Regime)** – 9 lakh (CTC) – 0.50 Lakh (Standard deduction) – 0.54 Lakh (Employer PF Contribution) = 7.96 Lakh
- **Taxable income (Old Tax Regime)** – 9 lakh (CTC) – 0.50 Lakh (Standard deduction) – 1.08 Lakh (Employer & Employee PF contribution) – 1.35 Lakh (Usually 15% of CTC – Its an assumption) – Other deductions provided various sections (80c, 80d, 80e and so on) = 6.07 Lakh

**Note** – For ease of calculation, only HRA [Section 10 (13A)] deduction is assumed and taken in the above taxable income (Old Tax Regime) calculation.

- Tax applicable (New Tax Regime) including cess – INR35,984/-
- Tax applicable (Old Tax Regime) including cess– INR35,256/-





**Now, what would be your In hand take-home salary?** For that, we have to take out certain components from your total salary (CTC) which are as follows –

- a. PF contributions (Both employee & employer contribution) (INR1.08 Lakh already calculated above)
- b. Food coupons (INR0.15 Lakh)
- c. Total tax liability including cess

### **In hand Salary = CTC – Sum of above components**

- ***In hand Salary (New Tax Regime)*** =  $9,00,000 - (1,08,000 + 15,000 + 35,984) = 7,41,016$  annually (INR61,751 monthly)
- ***In hand Salary (Old Tax Regime)*** =  $9,00,000 - (1,08,000 + 15,000 + 35,256) = 7,41,744$  annually (INR61,812 monthly)

### **Conclusion**

We hope we are able to make you understand CTC full form in salary, its meaning & in-hand salary calculation from CTC by using the above example. Please remember In hand salary can be increased by reducing the tax liability component. So, plan your investments carefully and evaluate opting which tax regime is offering a more take-home salary in the financial year.

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