



How to calculate in hand salary from CTC in India?

Description

You know a different happiness thrills us when we listen to incoming month's end salary and "salary has been credited" message to our phone. Don't worry we will not talk about what happens after your whole salary goes into payment of your outstanding bills. Also, whenever, we get a job offer from the company we are offered a particular salary package i.e. CTC. However, most of us don't bother much to calculate the in hand salary from CTC because of the offered CTC' happiness, which appears big enough to satisfy our needs.

But, knowing the math to calculate the in hand salary from CTC can help you understand the whole salary structure and help you in your financial & tax planning, which can ultimately increase your in hand salary.



Typical salary structure components

1. **Basic Salary** – It is the base salary that an employee receives from their employer before any extras added to or payments deducted from the total salary. It is a fixed salary that is paid out regardless of employees meeting their goals.
2. **House Rent Allowance (HRA)** – It is simply the amount received in salary towards the rent payment.
3. **Ex gratia** – Ex gratia is payment made by the employer at its own discretion under no obligation of any law.
4. **Special allowance** – Special allowance is nothing but the remaining part of the total salary which does not fit under any head of the salary.
5. **Cost to Company (CTC)** – It is the total salary package i.e. gross income paid to the employee by the employer. It is basically the total expenditure incurred to the company yearly on an employee.
6. **Variable Performance Pay** – It is often given to employees as a reward or bonus to recognize his/her contribution above and beyond their normal job requirements towards company profitability and productivity.

Usual salary structure components (fixed) of salary of an Employee

1. **Basic Salary** – It is usually 45% to 50% of your CTC.
2. **House Rent Allowance (HRA)** – Usually 30% of your basic salary

3. **Employer's contribution to your PF** – 12% of your basic salary
4. **Food Coupons (Like [Sodexo Card](#), etc.)** – Usually INR 1,250/- per month
5. **Ex gratia or Special Allowance** – Remaining part of total salary

Note – We have not considered variable performance pay (bonus) as part of salary in the example because this amount is not fixed and varies as per the discretion of the employer.



Let's take an example for a better understanding of salary structure to calculate the in hand salary from CTC

Say for e.g., you have been recently offered with CTC of INR 9 Lakh per annum (fixed), then let's see the break-up of salary –

CTC offered by the employer = INR 9 Lakh per year;

CTC is summation of below components –

- a. **Basic Salary** = $50\% \times 9 \text{ lakh} = \text{INR } 4.5 \text{ Lakh}$
- b. **HRA** = $30\% \times 4.5 \text{ lakh} = \text{INR } 1.35 \text{ Lakh}$
- c. **Employer's contribution to your PF(#)** = $12\% \times 4.5 \text{ lakh} = \text{INR } 0.54 \text{ Lakh}$
- d. **Food Coupons (Like Sodexo, etc.)** = $\text{INR } 1,250 \text{ per month} \times 12 = \text{INR } 0.15 \text{ Lakh per year}$
- e. **Ex gratia or Special Allowance** = $9 \text{ lakh} - 4.5 \text{ lakh} - 1.35 \text{ lakh} - 0.54 \text{ lakh} - 0.15 \text{ lakh} = \text{INR } 2.46 \text{ Lakh}$

(#)Provident Fund (PF) – It is the government-managed retirement savings scheme for employees wherein an employee and also his/her employer have to deposit 12% of employee basic salary mandatorily in employee PF account.

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

- a. PF contributions (Both employee & employer contribution)
- b. Food coupons
- c. Total tax liability including cess

In hand Salary = CTC – Sum of above components

Let's see the calculation of above components as below –

- a. **PF Contributions** = $12\% \text{ of Basic salary (Employer's Contribution)} + 12\% \text{ of basic salary (Employee's Contribution)} = 12\% \times 4.5 \text{ lakh} + 12\% \times 4.5 \text{ lakh} = \text{INR } 1.08 \text{ Lakh}$
- b. **Food Coupons** = $\text{INR } 0.15 \text{ Lakh}$ (Already calculated above)
- c. **Total tax liability including cess**

Total tax liability including cess

But, before we calculate the income tax applicable on salary, let us calculate the net taxable income first –

Net taxable income (Old Tax Regime)** = CTC – PF contributions (Both employee & employer contribution) – Food Coupons – HRA tax exemption

***Please note that we have not considered any of your other investments while calculating the income tax. You may refer to this article on [“How to save Income Tax on salary | 80c & other than 80c”](#) to know what investments can bring you tax savings.*

We already know the PF Contributions & Food coupons amount, for HRA tax exemption let's see below calculation –

HRA tax exemption which will be least of the following 3 amounts –

- Actual received HRA = INR 1.35 Lakh
- 50% of (Basic Salary) if living in metro cities or 40% for non-metro cities (Considering you live in a metro city like Mumbai, Delhi, Chennai, or Kolkata, etc.) then $50\% \times \text{Basic salary} = 50\% \times 4.5 \text{ lakh} = \text{INR } 2.25 \text{ Lakh}$
- Actual paid rent minus 10% of (Basic Salary) – For e.g. Say your monthly rent is INR 8,000/- then Actual paid rent for a year would be $\text{INR } 8000 \times 12 = \text{INR } 96,000/-$. This component would be equal to $\text{INR } 0.96 \text{ lakh} - 10\% \times 4.5 \text{ lakh} = \text{INR } 0.51 \text{ Lakh}$

So, HRA tax exemption = INR 0.51 Lakh

Net Taxable Income (Old Tax Regime) = 9 lakh – 1.08 lakh – 0.15 lakh – 0.51 lakh = INR 7.26 Lakh

Net taxable income (New Tax Regime) = CTC – Employer's contribution to PF = 9 lakh – 0.54 lakh = INR 8.46 lakh



Let's calculate your tax on taxable income of INR 7.26 Lakh (Old Tax Regime)

Income Slab (INR)	Existing (Old) Tax Regime (Rate) (22-23)	New Tax Regime (Rate) (22-23)
Up to 2.5 lakh	Nil	Nil
2.5 to 5 lakh	5%	5%
5 to 7.5 lakh	20%	10%
7.5 to 10 lakh	20%	15%
10 to 12.5 lakh	30%	20%
12.5 to 15 lakh	30%	25%
Above 15 lakh	30%	30%

For new tax rates (2023 – 24) and in hand salary calculation, please refer our new article [CTC full form, meaning and In hand salary calculation \(2023-24\)](#)

- Health and education cess @ 4% of the total tax payable is also levied additionally.
- An extra surcharge is also applied if taxable income exceeds INR 50 Lakh

Let's see the tax calculation as below –

- Tax on first 2.5 lakh = Nil tax
- On next 2.5 lakh = $5\% \times 2.5 \text{ lakh} = \text{INR } 12,500/-$
- On rest amount ($7.26 \text{ lakh} - 5 \text{ lakh} = 2.26 \text{ lakh}$) = $20\% \times 2.26 \text{ Lakh} = \text{INR } 45,200/-$

Total Income tax under old tax regime = $\text{INR } 12,500 + \text{INR } 45,200 = \text{INR } 57,700/-$

Additional Health & Education cess (4% of Income Tax) = $4\% \times 57,700 = \text{INR } 2,308/-$

Total Tax Liability including cess = $57,700 + 2,308 = \text{INR } 60,008/-$

Let's calculate your tax on taxable income of INR 8.46 Lakh (New Tax Regime)

- Tax on first 2.5 lakh = Nil tax
- Tax on next 2.5 lakh = $5\% \times 2.5 \text{ lakh} = \text{INR } 12,500/-$
- Tax on next 2.5 lakh = $10\% \times 2.5 \text{ lakh} = \text{INR } 25,000/-$
- Tax on rest amount ($8.46 \text{ lakh} - 7.5 \text{ lakh} = 0.96 \text{ lakh}$) = $15\% \times 0.96 \text{ lakh} = \text{INR } 14,400/-$

Total Income tax under old tax regime = $12,500 + 25,000 + 14,400 = \text{INR } 51,900/-$

Additional Health & Education Cess (4% of Income Tax) = $4\% \times 51,900 = \text{INR } 2,076/-$

Total Tax Liability including Cess = $51,900 + 2,076 = \text{INR } 53,976/-$



In hand Salary (When Old Tax Regime selected) = CTC – PF (Both employer's & employee's contributions) – Food Coupons – Tax liability including cess

= 9 lakh – 1.08 lakh – 0.15 lakh – 60,008 = INR 7,16,992/- per year (INR 59,749/- per month)

In hand Salary (When New Tax Regime selected) = CTC – PF (Both employer's & employee's contributions) – Food Coupons – Tax liability including cess

= 9 lakh – 1.08 lakh – 0.15 lakh – 53,976 = INR 7,23,024/- per year (INR 60,252/- per month)

Summary of Salary Package in below table

Particulars	Amount (INR)
Basic Salary	INR 4,50,000/-
PF (Employee's Contribution)	INR 54,000/-
PF (Employer's Contributions)	INR 54,000/-
Food Coupons	INR 15,000/-
HRA	INR 1,35,000/-
Ex-Gratia or Special Allowance	INR 2,46,000/-
Total Amount (CTC)	INR 9,00,000/-

Tax liability including cess (Old tax regime)	INR 60,008/-
Tax liability including cess (New tax regime)	INR 53,976/-
HRA Tax Exemption	INR 51,000/-
In hand salary (Old tax regime)	INR 7,16,992/- per year (INR 59,749/- per month)
In hand salary (New tax regime)	INR 7,23,024/- per year (INR 60,252/- per month)

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1. General

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