

“CTC is subject to deduction risks. Please read the offer letter carefully before signing.”

Yeah, CTC is more risky than mutual funds. Because, what company promised in offer letter might not be the salary you take home.

Kabir was really happy as he got placed in a Multi-National Company. He was offered a CTC of Rs. 8.4 lakhs per annum, which was the highest CTC among his classmates.



I would be getting Rs. 70,000 per month in my bank account, he thought.

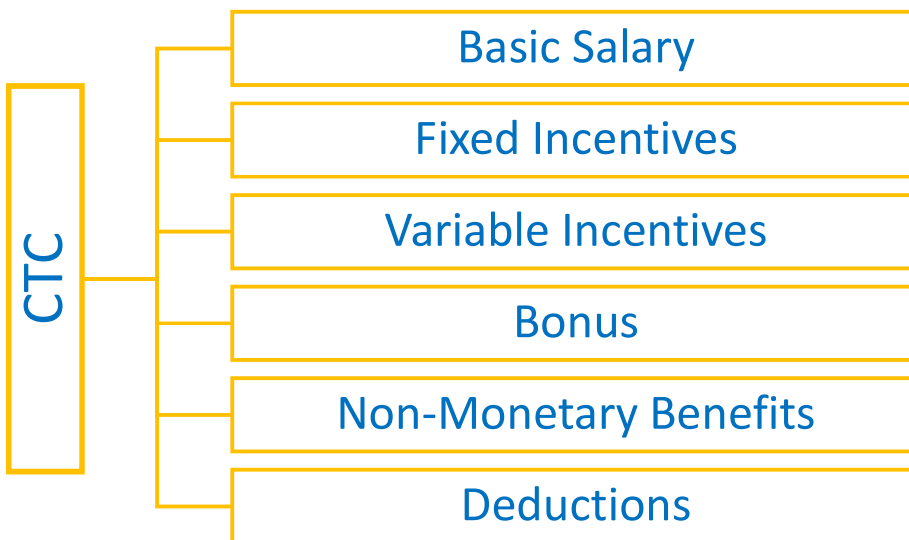
But Alas! He received only Rs. 42,000 on the month end. He couldn't understand what happened, and how did he get such low salary.

“Why did this happen? Because all this while, he focused on CTC, and neglected Take Home Salary.”



CTC is the total cost that company will suffer for hiring you.

What does CTC include?



But does company actually pay all these components to the employees? Or, does it deduct certain components before paying the actual salary on each month end?



Take Home Salary
is the
actual salary
that will be credited
to your bank account.

Components that inflate CTC without increasing Take Home Salary



Bonus

Bonus is paid by the company only once during the year, but is added to CTC, and the big bonus amount makes CTC attractive.

Employer's Provident Fund

Employer's contribution in Provident Fund is also added in CTC, although it is not paid to the employee in cash.



Employees Stock Option Plan



Employees Stock Option Plans

ESOP can be matured only after working for a definite time period, and isn't an usual payment source. But ESOP can help CTC look very attractive.



Non-Monetary Benefits

Company also provides non-monetary benefits such as cab facility, meal coupons, and work insurance benefits. Nothing of these is paid to employee, but still included in CTC.



Variable Salary

Variable incentives are paid on the basis of performance by the employee. If the large amount of CTC consists of variable incentive, your take home salary would always fluctuate on the basis of how you perform and company policies.

Why not understand this with help of some figures?

Cost To Company (CTC) of an employee –

Basic Salary	4,00,000
Performance Incentive	2,00,000
Medical Insurance	5,000
Cab Facility provided free of cost	60,000
Food Coupons	18,000
PF (12% of basic)	48,000
Performance Bonus (Maximum)	1,25,000
Total CTC	8,56,000

Take Home Salary would figure out to be –

Basic Salary Per Month	33,333
Performance Incentive Per Month	10,000
Total Salary per Month	43,333
Less: 12% PF	4,000
Less: TDS	2,395
Take Home Salary per Month	36,938
Take Home Salary (per annum)	4,43,256
Add: Performance Bonus	1,05,000
Total Take Home Salary (per annum)	5,48,263

**A
whopping
difference
of Rs.
3,07,737**

“ Always negotiate with HR for Take Home Salary, instead of CTC ”

My Introduction

I am **Hardik Lashkari**,



I am A CA aspirant by profession and A Content Writer by passion.

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