

PERQUISITES



B D Jokhakar & Co.
Chartered Accountants
www.bdjokhakar.com

PERQUISITES

Preface

This note highlights the tax treatment of the selected perquisites received by the employees from their employers.

This note summarizes only issues considered of importance to our clients and associates. This note is for private circulation amongst clients and associates of B. D. Jokhakar & Co. This should not be relied upon for taking or not taking any action. Advice should be taken specific to your situation.

This note is prepared on the basis of material available in the public domain such as the Income Tax Act, 1961, and Income Tax Rules, 1962. Even though every care is exercised to present this note in an error-free manner, we assume no responsibility for any errors/ omissions or otherwise for any loss that may be sustained by anyone by relying upon the same.

Mumbai

Perquisites

Meaning:-

A perquisite is a non-cash benefit granted by an employer to the employee. In India, this is taxable in the hands of employees as Salary Income. The following are perquisites included by section 17(2) Income Tax Act, 1961:

1. Value of rent-free accommodation provided to the assessee by his employer.
2. Value of any concession in the matter of rent in respect of any accommodation provided to the assessee by his employer.
3. Value of any benefit or amenity granted or provided free of cost or at a concessional rate in any of the following cases:
 - i. By a company to an employee who is a director,
 - ii. By a company to an employee who is a person having a substantial interest in the company,
 - iii. By any employer, including a company, to any employee not covered above and whose income under the head 'salaries', after excluding the value of all benefits or amenities not provided for by way of monetary payments, exceeds fifty thousand rupees.
4. Amount paid by the employer in respect of any obligation which, but for such payment, would have been payable by the assessee.
5. Amount paid by the employer, which affects an assurance on the life of the assessee or to effect a contract for an annuity otherwise through a specified or approved fund.
6. Value of employee stock options or sweat equity shares allotted or transferred free of cost or at a concessional rate to the employee.
7. Employer's contribution to a recognized provident fund, in the scheme referred to in sub-section (1) of section 80CCD, and in any approved superannuation fund, to the extent it exceeds Seven Lakh And Fifty Thousand Rupees in a previous year.
8. Value of any other fringe benefit or amenity as may be prescribed.

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Types of Perquisites:

There are three types of perquisite:

1. Perquisites taxable in the hands of all employees:

- i. Value of rent-free accommodation.
- ii. Value of concession in rent.
- iii. Amount paid by the employer in respect of any obligation which otherwise would have been payable by the employee.
- iv. Value of any specified security or sweat equity shares allotted or transferred by employer/former employer as free or concessional cost.
- v. An amount of contribution in a recognized provident fund or in the scheme referred to in sub-section (1) of section 80CCD or in an approved superannuation fund by the employer, to an extent it is in excess of Rs.7,50,000/-
- vi. Any sum payable either directly or indirectly to effect an assurance on the life of the employee or to effect a contract for an annuity.
- vii. Value of any other fringe benefit or amenity as may be prescribed.

2. Perquisites exempt in the hands of all employees:

- i. The provision of medical facilities to the employee as well as his family in any hospital maintained by him or by the Government or any local authority.
- ii. Free meals are provided to all employees in the office for up to Rs. 50 per employee provided by the employer through paid vouchers usable at eating joints.
- iii. Telephone including mobile phone provided to the employee at his residence.
- iv. Perquisites allowed outside India by the Government to a citizen of India for rendering services outside India.
- v. Sum payable by an employer to pension or deferred annuity scheme.
- vi. Employer's contribution to staff group insurance scheme.
- vii. Actual traveling expenses paid/reimbursed for journeys undertaken for business purposes.

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- viii. Payment of annual premium on personal accident policy, if such policy is taken to safeguard the employer's interest.
- ix. Rent-free official residence to a High Court or Supreme Court Judge.
- x. Rent-free furnished residence to Official of Parliament.
- xi. Conveyance facility to High Court under section 22B of the High Court Judges (Conditions of Service) Act, 1954, and Supreme Court Judges under section 23A of the Supreme Court Judges (Conditions of Service) Act, 1958.
- xii. Refreshments provided to all employees during working hours in office premises.
- xiii. Amount spent by the employer on the training of employees or the amount paid for refresher management course including expenses on boarding and lodging.
- xiv. Sum payable by an employer to a RPF or an approved superannuation fund or deposit-linked insurance fund established under the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948 or the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 up to the limit prescribed.
- xv. Recreational facilities, including club facilities, extended to employees in general i.e., not restricted to a few selected employees, Medical facilities are subject to certain prescribed limits.
- xvi. Transport facility provided by an employer engaged in the business of carrying passengers or goods to his employees either free of charge or at a concessional rate.
- xvii. Goods manufactured by the employer and sold to employees at a concessional price.
- xviii. Free/Concessional Transport facility in a vehicle owned by an employer being a Transport undertaking either by Railway or an Airline.

3. Perquisites taxable only in case of specified employees:

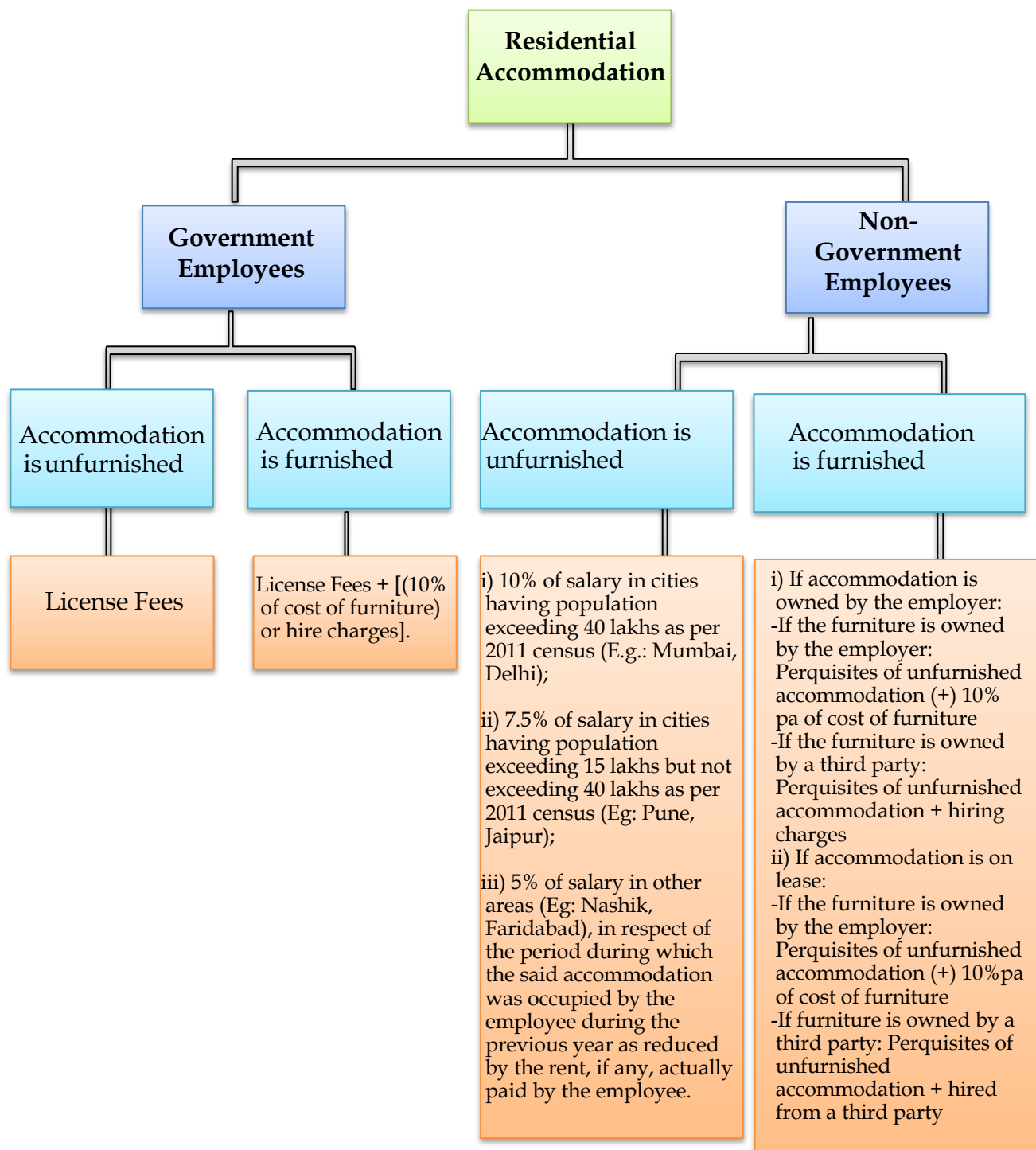
Perquisites other than above are taxable only in the hands of the following specified employees; i.e.,

- i. Director-employee,
- ii. Employee having substantial interest in employer-company,
- iii. Employee drawing salary in excess of Rs. 50,000 (Limit to be increased by the Government -Finance Bill 2025).

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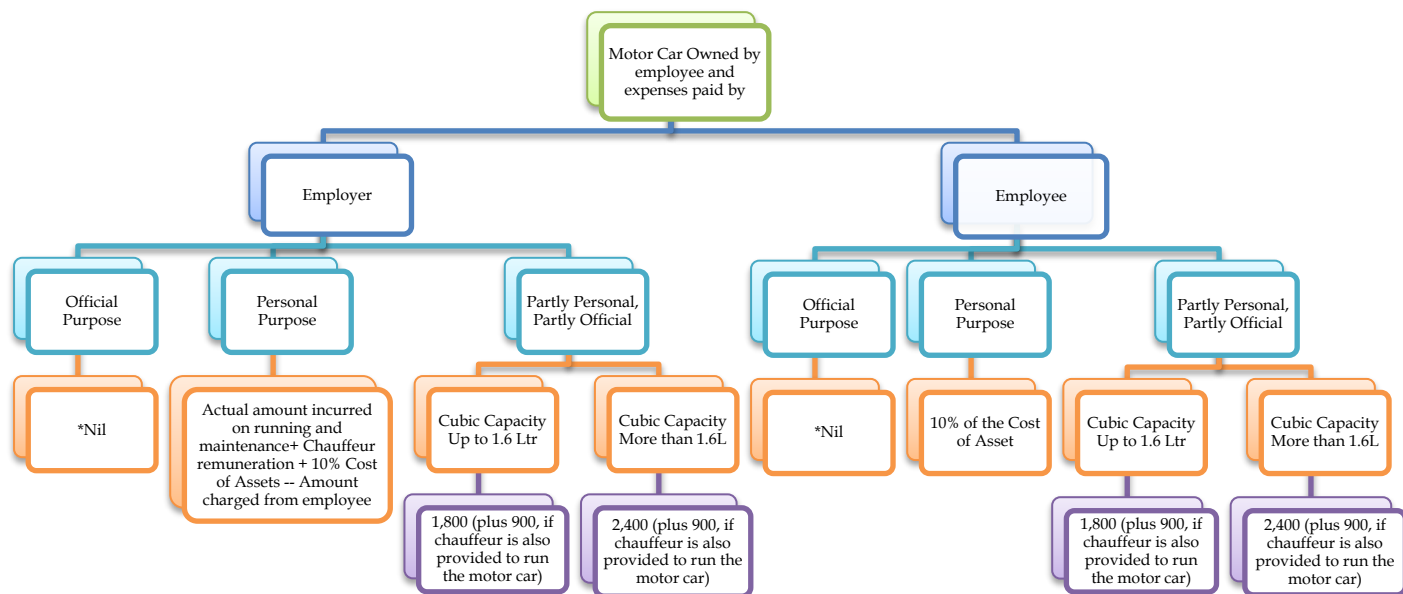
Valuation of Perquisites:

1. Valuation of Residential Accommodation provided by Employee



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2. Valuation of use of Motor car owned by Employer



*Note:

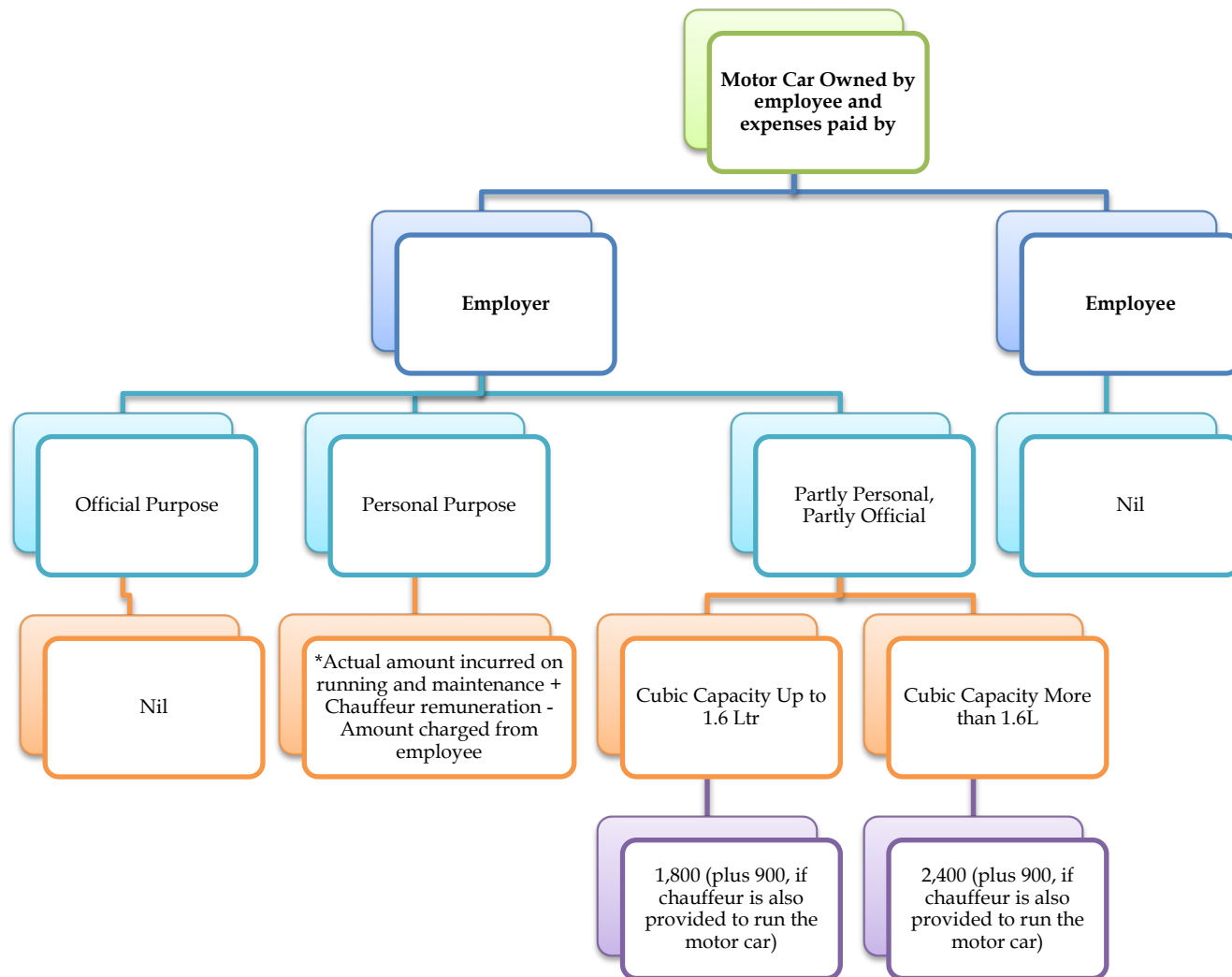
If the actual expenses on the running and maintenance of the motor car are more than the amounts deductible in Sl. No. 2(ii) or 3(ii) of Table II, he may claim a higher amount attributable to such official use and the value of perquisite in such a case shall be the actual amount of charges met or reimbursed by the employer as reduced by such higher amount attributable to official use of the vehicle provided that the following conditions are fulfilled:

(a) the employer has maintained complete details of the journey undertaken for the official purpose which may include the date of journey, destination, mileage, and the amount of expenditure incurred thereon; **(Log Book)**

(b) the employer gives a certificate to the effect that the expenditure was incurred wholly and exclusively for the performance of official duties.

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3. Valuation of use of Motor car owned by Employee



*Note:

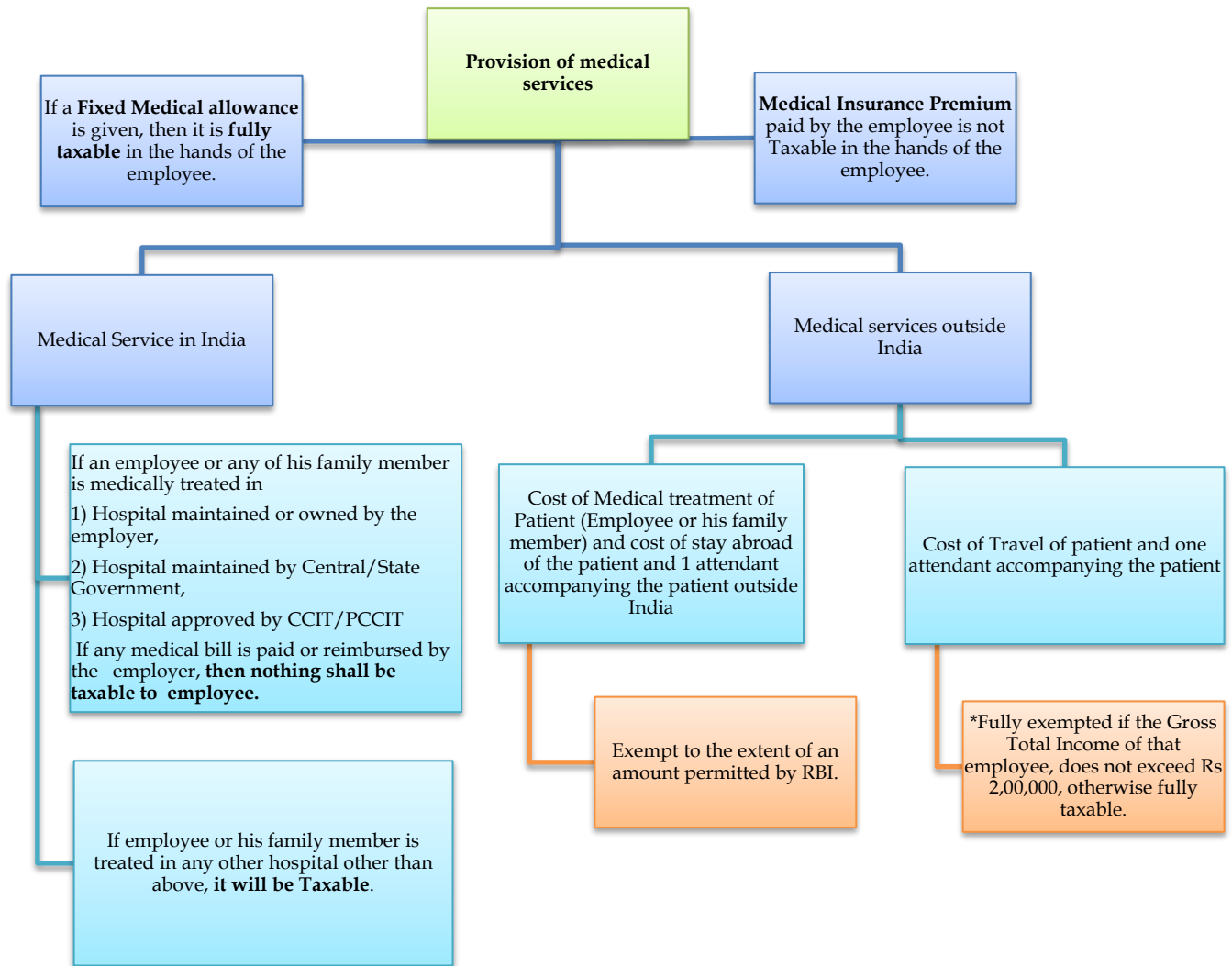
If the actual expenses on the running and maintenance of the motor car are more than the amounts deductible in Sl. No. 2(ii) or 3(ii) of Table II, he may claim a higher amount attributable to such official use and the value of perquisite in such a case shall be the actual amount of charges met or reimbursed by the employer as reduced by such higher amount attributable to official use of the vehicle provided that the following conditions are fulfilled:

(a) the employer has maintained complete details of the journey undertaken for the official purpose which may include the date of journey, destination, mileage, and the amount of expenditure incurred thereon; **(Log Book)**

(b) the employer gives a certificate to the effect that the expenditure was incurred wholly and exclusively for the performance of official duties.

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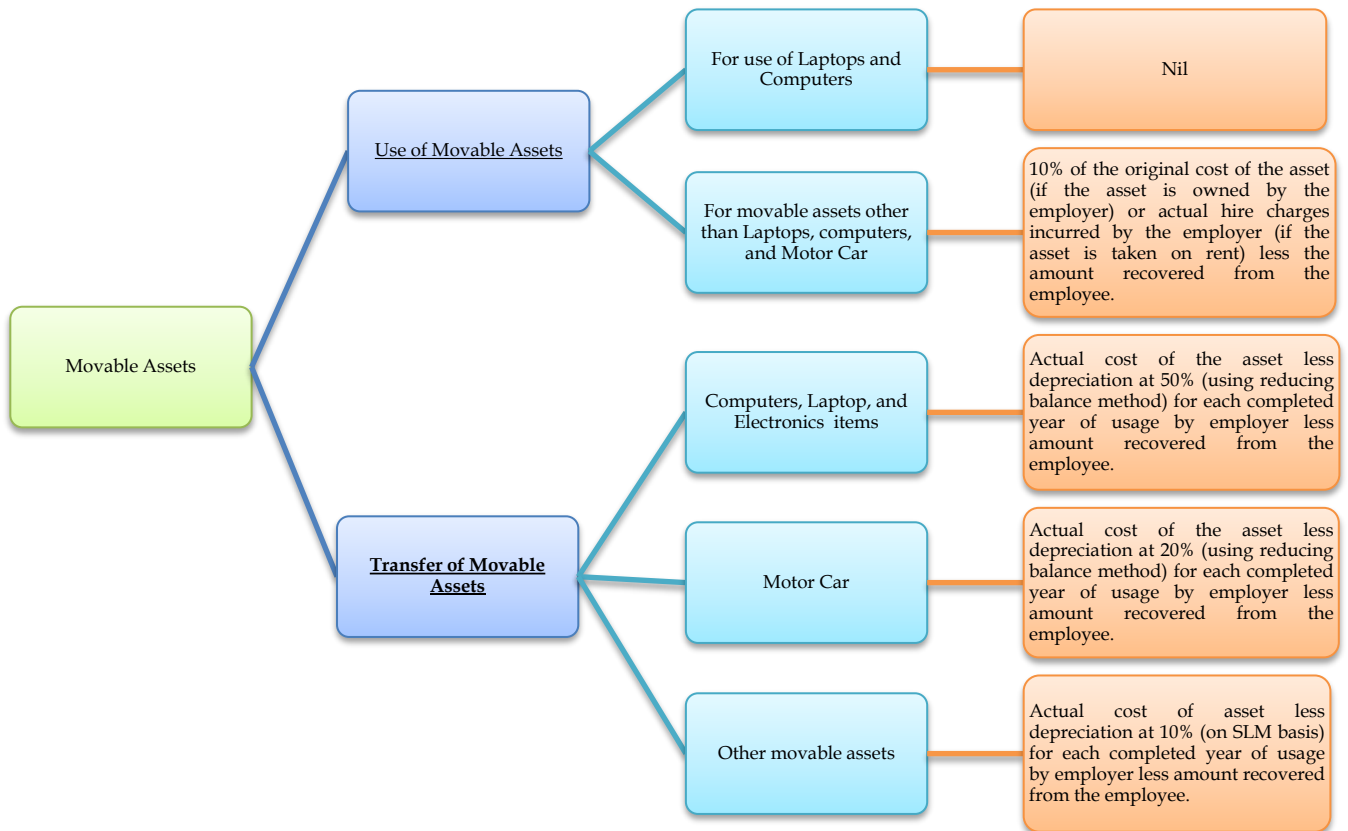
4. Valuation of Medical Services



*As per the Finance Bill 2025, any expenditure incurred by the employer for travel outside India on the medical treatment of an employee or any member of the employee's family. The current qualifying limit is Rs 2 lakh (Gross Total Income of the employee). This value will be increased by the government soon.

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5. Valuation of Movable Assets



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6. Valuation of selected perquisites other than above:

Perquisites	Valuation
<u>Hotel Accommodation</u> -If Hotel Accommodation is furnished	- Actual charges paid or payable for such hotel or 24% of the salary, whichever is less. Note: If the hotel accommodation is provided for not more than 15 days on the transfer of an employee from one place to another then it will not be taxable.
-Interest-free or concessional loan	In respect of any loan given by the employer to an employee or any member of his household (excluding medical treatment for specified ailments or where loan amount in aggregate does not exceed Rs 20,000), the interest at the rate charged by SBI as on the first day of the relevant previous year at maximum outstanding monthly balance (aggregate outstanding balance for each loan as on the last day of each month) as reduced by the interest, if any, actually paid by him or any member of his household.
-Free or concessional food and non-alcoholic beverage	(a) The value of free food and non-alcoholic beverages provided by the employer to an employee shall be the amount of expenditure incurred by such employer. The amount so determined shall be reduced by the amount, if any, paid or recovered from the employee for such benefit or amenity: (b) However, the following would not be treated as a perquisite - (1) free food and non-alcoholic beverages provided by such employer during • working hours at the office or business

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	<p>premises or • through paid vouchers which are not transferable and usable only at eating joints (exemption would not be available in case of an employee, being an assessee, who opts for the provisions of section 115BAC to the extent the value thereof either case does not exceed fifty rupees per meal or</p> <p>(2) tea or snacks provided during working hours or</p> <p>(3) free food and non-alcoholic beverages during working hours provided in a remote area or an off-shore installation.</p>
-Sweat Equity Shares	<p>FMV of equity shares as on the date of option exercised by the employee</p> <p>(i) If shares are listed on a recognized stock exchange:</p> <p>In a case where the share in the company is listed on a recognized stock exchange, the fair market value shall be the average of the opening price and closing price of the share on that date on the said stock exchange.</p> <p>(ii) If shares are listed on more than one recognized stock exchange:</p> <p>the share is listed on more than one recognized stock exchange, the fair market value shall be the average of the opening price and closing price of the share on the recognized stock exchange which records the highest volume of trading in the share</p> <p>iii) if a share in the company is not listed on a recognized stock exchange, the fair market value shall be such value determined by the merchant banker on the specified date.</p>

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-Valuation of free or concessional educational facilities	<p>If school fees of children of employee or any member of employee's household is paid or reimbursed by the employer on the employee's behalf, it will be perquisite in the hands of all employees</p> <p>If the education facility is provided in the school maintained by the employer or in any school by reason of his being employment at free of cost or at a concessional rate, the value of perquisite would be with reference to the cost of such education in a similar institution in or near the locality. However, there would be no perquisite if the cost of such education or the value of such benefit per child does not exceed Rs. 1,000 p.m.</p>
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7. Other perquisites which are valued as per actual cost to the employer:

- Gas, electricity, or water supply provided.
- Free Domestic Servants.
- Free or concessional educational facility (maintained by other educational agencies)
- Gift Voucher (not taxable if the value of such gift/voucher is less than Rs. 5,000 per annum).
- Membership fees and annual fees incurred by the employee.
- The value of any other benefit or amenity, service, right, or privilege provided by the employer.
- Free/concessional Ticket or Transport facility provided to employees, by Employer engaged in the carriage of goods or passengers (Other than Railway and Railway).