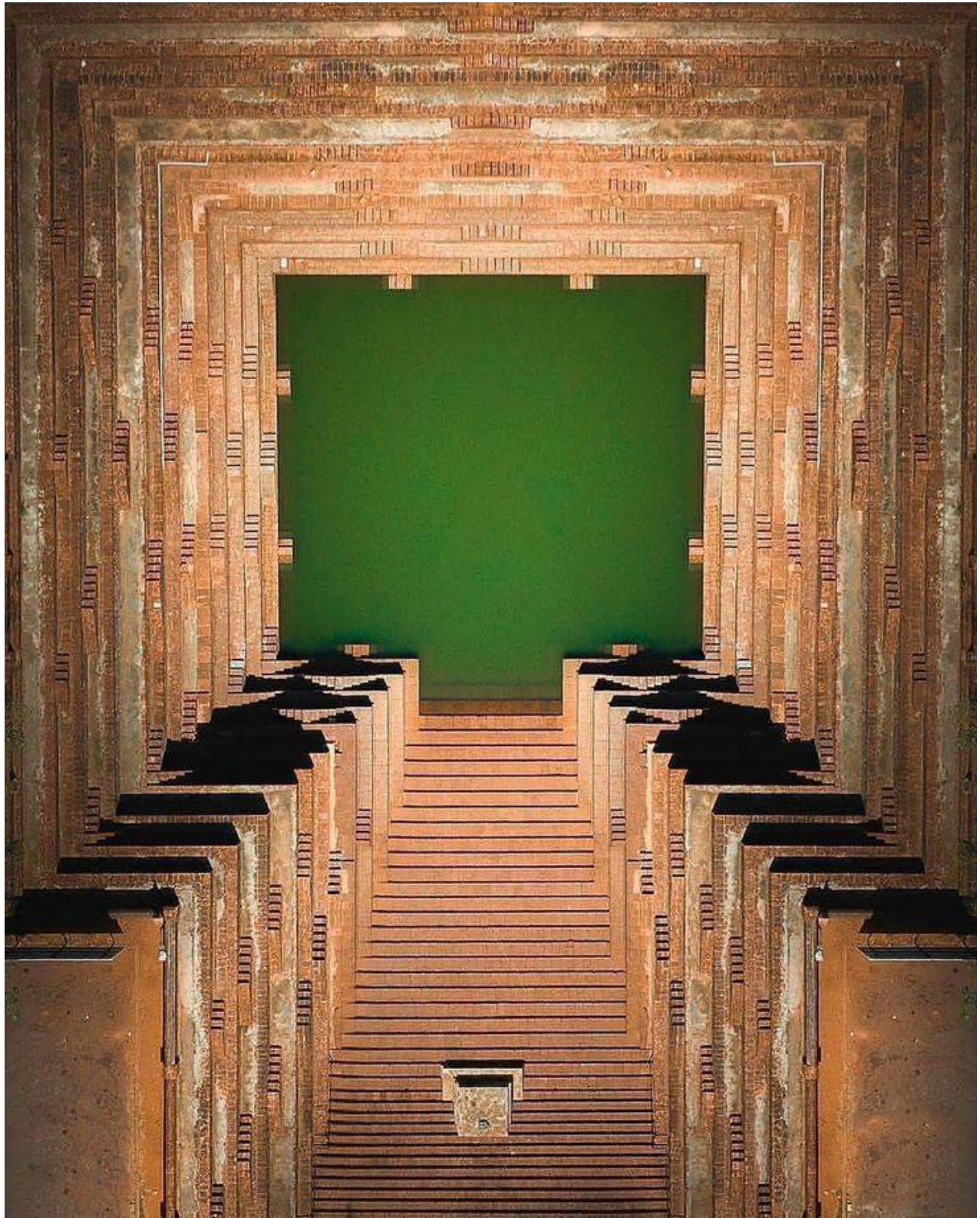


Note on Perquisites



Preface

This note highlights selected perquisites related to benefits received by employees from their employer.

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 public domain such as 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 which may be sustained by anyone by relying upon the same.

Mumbai
24th August, 2021

Note on 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 concessional rate in any of the following cases:
 1. By a company to an employee who is a director
 2. By a company to an employee is a person having a substantial interest in the company
 3. By any employer, including a company, to any employee 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. Usage of a vehicle provided for the journey by the assessee from his residence to his office or other places of work and back to his residence shall not be regarded as a benefit or amenity granted or provided to him free of cost or at a concessional rate.
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 to effect 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 concessional rate to the employee.
7. Employer's contribution to the superannuation fund, not exceeding rupees one lakh fifty thousand.

Types of Perquisites:

There are three types of perquisite:

1. Perquisites taxable in hands of all employees:
 - i. value of rent-free accommodation.
 - ii. value of concession in rent.
 - iii. amount paid by employer in respect of any obligation which otherwise would have been payable by employee.
 - iv. value of any security or sweat equity shares allotted or transferred by employer/former employer as free or concessional cost.
 - v. an amount of contribution to an approved superannuation fund by the employer, to an extent it excess Rs. 1,00,000/-.
 - vi. any sum payable either directly or through a fund by employer (other than recognised PF, approved superannuation fund etc.) to effect an assurance on the life of the employee or to effect a contract for an annuity.

2. Perquisites exempt in the hands of all employees:
 - i. The provision of medical facilities
 - ii. Free meals provided to all employees in office 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.
 - 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 travelling expenses paid/reimbursed for journeys undertaken for business purposes.
 - viii. Payment of annual premium on personal accident policy, if such policy is taken to safeguard the employer's interest. See CIT vs. Lala Shri Dhar (1922) 84 ITR 192 (Delhi).
 - 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/Supreme Court Judges.

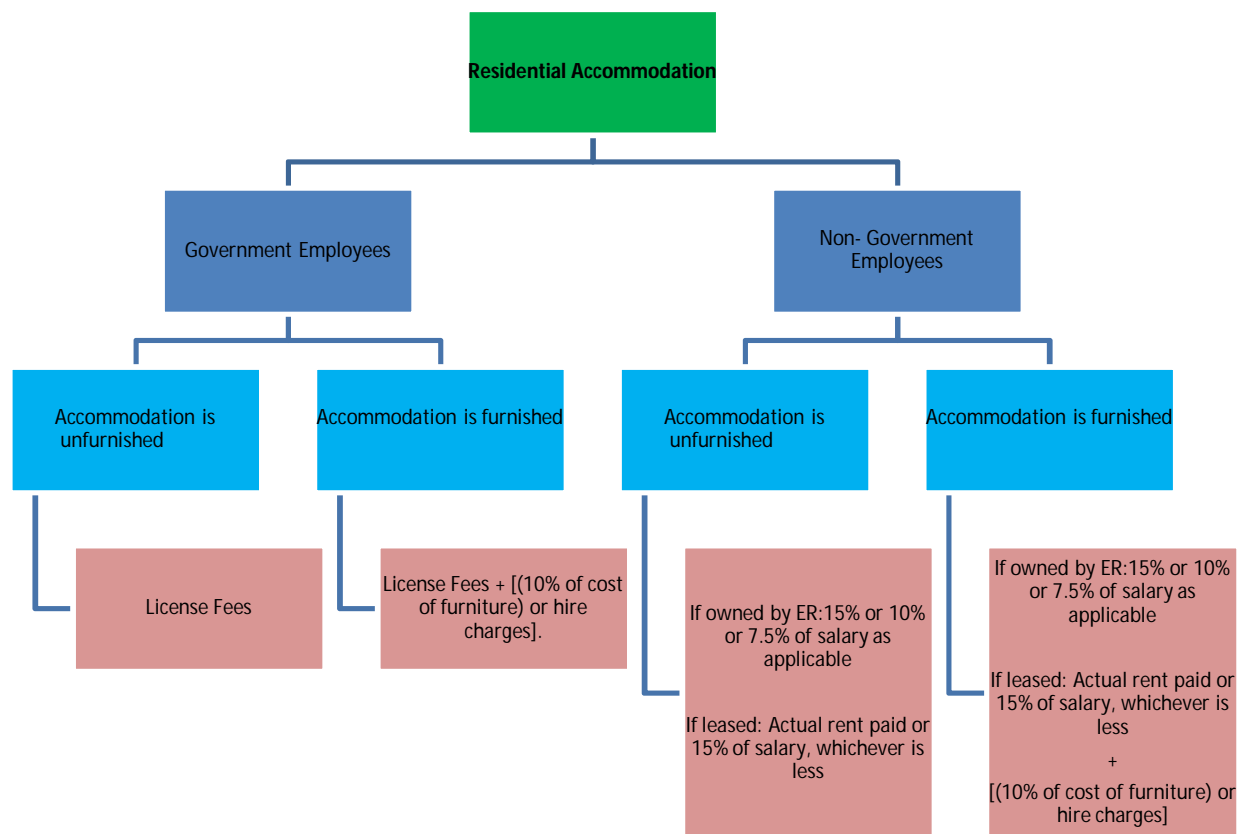
3. Perquisites taxable only in case of specified employees:

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

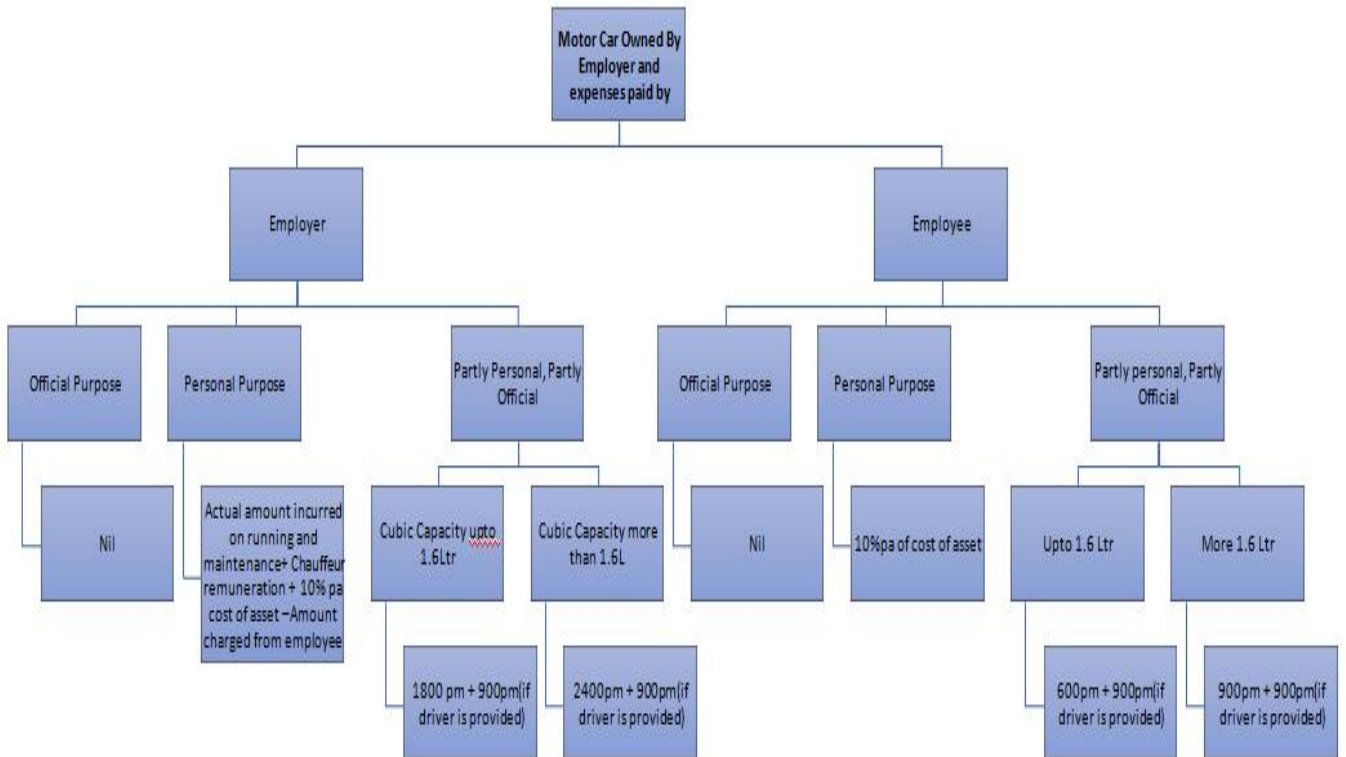
- i. Director-employee
- ii. Employee having substantial interest in employer-company
- iii. Employee drawing salary in excess of Rs. 50,000

Valuation of Perquisites:

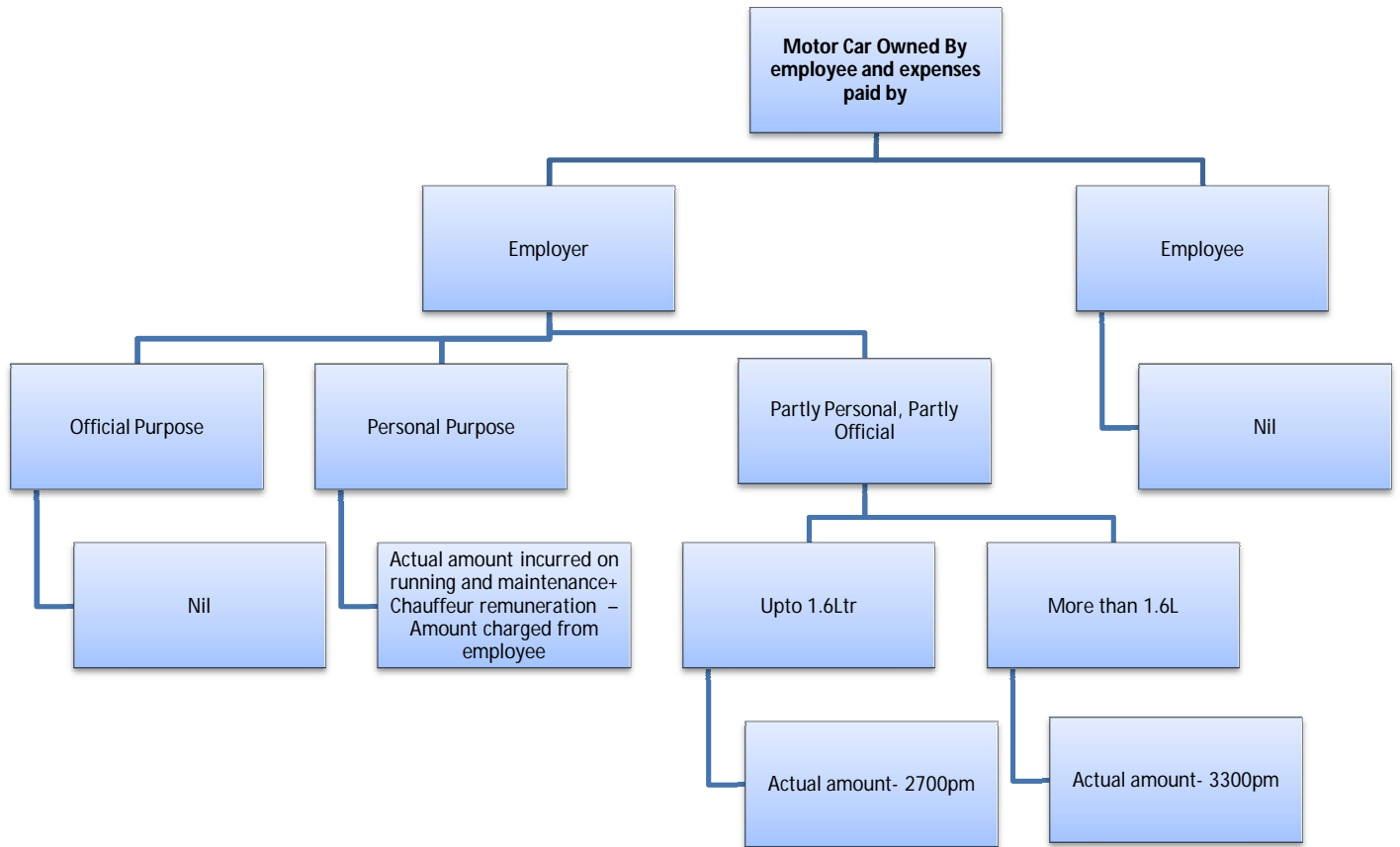
(i) Valuation of Residential Accommodation provided by Employer



ii. Valuation of use of Motor car owner by Employer



iii. Valuation of use of Motor car owner by Employee



iv. Valuation of selected perquisites other than above:

Perquisites	Valuation
<p>Hotel Accommodation</p> <ul style="list-style-type: none"> -If Hotel Accommodation is unfurnished -If Hotel Accommodation is furnished 	<ul style="list-style-type: none"> -Not taxable - Actual charges paid or payable for such hotel or 24% of the salary, whichever is less <p>Note: If the hotel accommodation is provided for not more than 15 days on transfer of employee from one place to another then it will not be taxable.</p>
<p>Use of Movable Assets</p> <ul style="list-style-type: none"> - For use of Laptops and Computers -For movable asset other than Laptops, computers and Motor Car 	<ul style="list-style-type: none"> -Nil - 10% of original cost of the asset (if asset is owned by the employer) or actual hire charges incurred by the employer (if asset is taken on rent) less amount recovered from employee.
<p>Transfer of Movable Assets</p> <ul style="list-style-type: none"> - Computers, Laptop and Electronics items - Motor Car 	<ul style="list-style-type: none"> - Actual cost of asset less depreciation at 50% (using reducing balance method) for each completed year of usage by employer less amount recovered from the employee. - Actual cost of asset less depreciation at 20% (using reducing balance method) for each completed year of usage by

<p>- Other movable assets</p>	<p>employer less amount recovered from the employee.</p> <p>- Actual cost of asset less depreciation at 10% (on SLM basis) for each completed year of usage by employer less amount recovered from the employee.</p>
<p>Interest free or concessional loan</p>	<p>The loan given to the employee or any member of his household shall be at the rates charged by State Bank of India in respect of the loans for the same purpose advanced by the employer, on the maximum outstanding monthly balance as reduced by interest actually paid by employee.</p> <p>Note: However, perquisite value for loans (net of amount reimbursed under medical insurance scheme) given for medical treatment of specified disease or petty loans up to Rs. 20,000 is not taxable.</p>
<p>Sweat Equity Shares</p>	<p>FMV of equity shares as on the date of option exercised by employee</p>

v. 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 agency)
- Free food and non-alcoholic beverages provided by the employer other than free food and non-alcoholic beverages provided by such employer during working hours at office or business premises
- Gift Voucher (not taxable if value of such gift/voucher is less than Rs.5,000)
- 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