ASSESSMENT OF FRINGE BENEFITS

1. Whether the following expenses, incurred by an employer, are chargeable to Fringe Benefit Tax? If yes, please specify the head of chargeability.

(i) Salaries paid to employees including drivers of motor car.

(ii) Food and beverages provided to employees (including employees of foreign collaborator/customers in office/ factory or reimbursement of food and beverages expenses to employees in off ice/factory.

(iii) Reimbursement of lunch expenses of field staff on outdoor duties.

(iv) Festival allowance/gift to employees/customers/distributors.

(v) Sports events organised for employees and their annual get-together.

(vi) Amusement facilities in off ice/factory like TV, music system/refrigerator, etc.

(vii) Local transportation for employees/customers/distributors.

(viii) Party arranged in Taj Hotel for distributors/customers.

(ix) Tours and travels including foreign travels for attending conference and partcipation fees for the conference.

(x) Workshop and seminar.

(xi) AGM and board meetings.

(xii) Brokerage/commission/discount/performance-based discount, etc. to selling agents/distributors/wholesalers.

(xiii) Distribution of diaries/calendars with logo.

(xiv) Use of brand names.

(xv) Ad-films, hoardings and advertisement in print media.

Solution: Determining the chargeability of FBT AY 2008-2009:

(i) Salaries paid to drivers of motor car are for the purposes of running and maintenance of motor car. Accordingly, it is liable to FBT under clause 'maintenance of motor car' [Sec. 115WB(2)(H)] and it is valued @ 20% of the cost of the employer [Sec. 115WC(1)(c)]. Salaries paid to employees are not chargeable to FBT.

(ii) Expenditure incurred on food or beverages procured by employers for providing to his employees in an office or factory is exempt [Sec. 115WB(2)(B)(i)]. Food and beverages to employees of foreign collaborator is liable to FBT. Exclusion applies where employer provides food and beverages to his employees in off ice/factory. Employees of the foreign collaborator are not covered.

(iii) It is liable to FBI under 'Hospitality' [Sec. 115WB(2)(B)] and it is valued @ 20% of the cost to the employer

(iv) Festival allowance to employees is not chargeable to FBT as it is taxable in their hands as "salary". However, gift made by an employer to any person is chargeable to FBT under sub-clause 'gift' [Sec. 115WB(2)(O)] and it is valued @ 50% of cost of gift to the employer [Sec. 115WC(1)(d)]

(v) Expenditure on employees get-together, sports events/ cultural programme for employees fall under "Employee's welfare" [Sec. 115WB(2)(E)] and liable to FBT. It is valued @ 20% of the cost to the employer.

(vi) Expenditure on capital assets in respect of which depreciation is allowable under Sec. 32 is not liable to FBT [Sec. 115WB(2)], except motor car and aircraft [FAQ-89]. Therefore, capital expenditure on TV, music system, refrigerator etc. to provide entertainment, falling under Sec. 115WB(2)(N) is not liable to FBT.

(vii) It is chargeable to FBT as "conveyance" under Sec.115WB(2)(F) and it is valued @ 20% of cost to the employer under Sec. 115WC(1)(c).

(viii) It is chargeable to FBT as "provision of hospitality of every kind" under Sec. 115WB(2)(B). It is valued @ 20% of the cost to the employer under Sec. 115WC(1)(c).

(ix) It is chargeable as 'conference' [under Sec. 115WB(2)(C)]. However, participation fee *is* not chargeable to FBT. Conference expenses including tours/travels, boarding, lodging in hotel are valued @ 20% of the cost to the employer [Sec. 115WC(2)(c)].

(x) It is chargeable to FBT as "conference" [under Sec. 115WB(2)(C)] and it is valued @ 20% cost to the employer, under Sec. 115WC(l)(c).

(xi) Annual general meeting and board meeting are statutory in nature. These cannot be considered as "conference" under Sec. 115WB(2)(C). Accordingly, the expenditure on holding these meetings is not liable to FBT.

(xii) Brokerage, commission, discount, rebates, incentives etc. are selling expenses and do not fall under "sales and publicity" [under Sec. 115WB(2)(D)]. Accordingly, these are not liable to FBT.

(xiii) It is liable to FBT under "sales promotion including publicity" [Sec. 115WB(2)(D)]. It is valued @ 20% of the cost to the employer [Sec. 115WC(1)(c)].

(xiv) It is liable to FBT as 'sales promotion and publicity' [Sec. 115WB(2)(D) and it is valued @ 20% of the cost' to the employer [Sec. 115WC(1)(c)].

(xv) Ad-films [FAQ-65], hoardings and advertisement in print media are excluded from the purview of "sales promotion including publicity" and thus not liable to FBT.

2. Whether the following expenses, incurred during the year 2006-2007, are liable to FBT? If so, determine the amount at which FBT would be charged.

(1) A five-star hotel in Bangalore, run by C Ltd., a foreign company, incurred the following expenses on the New Year Celebrations:

	Rs
(i) Purchased musical instruments	3,00,000
(ii) TV sets/coffee machines/fridges to entertain guests	3,00,000
(iii) Food, beverages and drinks	3,00,000
(iv) Cost of lighting/decoration	1,00,000
(v) Honorarium paid to cine stars/TV stars/singers to entertain customers/guests	8,00,000
(vi) Gifts/prizes to best dancing couples to attract more and more participation	1,00,000
(vii) Ad-firms	1,00,000

(2) A firm of Chartered Accountants deputed its senior-most partner to attend a conference, held at Ontario, on Transfer Pricing & Accounting Standards and incurred the following expenditure:

	Rs
(i) Participation fees	2,00,000
ii) Foreign travel	4,00,000
(iii) Boarding and loading in a hotel	1,00,000

(3) An association of persons, a construction enterprise, having total receipts of Rs 40,00,000 during the year, deputed its Engineer to supervise construction project of its client at Sydney for two weeks and incurred the following expenses:

(i) Air travel Rs.2,60,000

(ii) Boarding and lodging in hotel Rs.2,00,000

(iii) Participation fees in a seminar on latest construction techniques Rs.1,00,000

(4) Education scholarship given by a charitable trust, registered under Sec. 12AA of the Income-tax Act Rs.5,00,000.

Solution: Computation of the liability of FBT for the AY 2008 –2009

Category of Employer	Particulars of Expenditure	Valuation Rule	Taxable Value
1. Hotel run by Z Ltd., a foreign company	(A) Entertainment [Sec. 115WB(2)(A) r.w. Sec, 115WC(1)(c)] (i) Musical instrument, T.V., Coffee machines and fridges to entertain guests: Capital assets in respect of which depreciation is available under Sec. 32, only depreciation is liable to FBT. However, depreciation is liable for FBT only in respect of motor cars and aircrafts.	-	-
	(ii) Honorarium to cine stars/TV star singers to entertain customers/ guests	20% of 8,00,000	1,60,000
	(B) Hospitality [Sec. 115WB(2)(B) r.w. Sec. 115WC (1)(c)]: Food, beverages and drinks.	5% of 3,00,000	15,000
	(D) Sale promotion (including publicity) {Sec. 115WB(2)(D) r.w. Sec. 115WC(2)(c)]: Ad-films]	-	-
	(L) Festival celeberations [Sec. 115WB(2)(L) r.w. Sec. 115WC (2}(d)] Cost of lighting and decoration	50% of 1,00,000	50,000
	(O) Gifts and prizes to best dancing couples	50% of 1,00,000	50,000
	FBT: 31.6725% of 275,000 and rounded off [Sec. 288B]		275000
			87,099
2. Partnership firm of Chartered Accountants	(C) Conference [Sec. 115WB(2)(C) r.w. Sec. 115WC(1)(c)]		40,000
	(i) Participation fee— exclusion does not apply to partner as he is.not an employee	20% of 2,00,000	80,000
	(ii) Foreign travel	20% of 4,00,000	20,000
	(iii) Boarding/ lodging in hotel	20% of 1,00,000	
	FBT: 33.99% of 1,40,000 and rounded off (Sec. 288B)		1,40,000
			47856
3. Association of persons, engaged in construction activity	(C) Conference [Sec. 115WB(2)(C) r.w. Sec. 115WC(1)(c)]: Participation fee in seminar not liable to FBT as the participent is an employee	-	-
	(F) Tour and travel including foreign travel [Sec. 115WB(2)(F)]	5% of 1,60,000	13,000
	(G) Use of hotel, boarding and lodging facility [Sec. 115WB(2)(G) r.w. Sec. 115WC(1)(c)]	20% of 3,00,000	40,000
	FBT: 30.9% of Rs 53,000 and rounded off (Sec. 288B) Total income under Sec. 44AD is 8% of Rs 40,00,000, i.e. Rs 3,20,000. As it does not exceed Rs 10,00,000, no surcharge is payable by the AOP.		53000
			16,377
4. Charitable trust	(P) Scholarship [Sec. 115WB(2)(P) r.w. Sec. 115WC(1)(d)]	50% of 5,00,000	2,50,000
	FBT: As the charitable trust is registered under Sec. 12AA, it is not liable to FBT (Proviso to Sec. 115W]. Hence, tax liability is nil.	-	-

3. ABC Ltd., an Indian company, operating airline, has incurred the following expenditure for its employees in the course of its business during the PY 2007-2008:

Sr. No.	Particulars of expenditure	Amount (Rs in crore)
1.	Free/concessional tickets provided to employees (including employees of its subsidiary airlines) and their family members for private journeys—Value of concessions, net of recoveries	20
2.	Entertainment	10
3.	Hospitality	100
4.	Employees welfare	20
5.	Use of hotel for boarding and lodging	10
6.	Repairs, running, maintenance and depreciation of coaches used to take passengers to and from the airport	50
7.	Repairs, running, maintenance and depreciation of aircrafts	500
8.	Telephone expenses—for office use only	2
9.	Interest on loan taken for purchasing aircrafts	10
10.	Use of club facilities	30

Additional information:

1. Entertainment expenses include 'entertainment allowances' to employees: Rs 2 crore.
2. Hospitality includes an expenditure of Rs 10 crore on food, beverages provided to employees in office and expenditure on non-transferable lunch vouchers usable only on eating joints.
3. Employees welfare expenses include employer's contribution to recognised fund, Rs 4 crore and scholarship Rs 1 crore.
4. Club facilities include the cost of club building purchased for Rs 10 crore. Depreciation under Income-tax Rules amount to Rs 1 crore but depreciation for accounting purposes is Rs 1.5 crore.
5. Free/concessional ticket provided to the employees of subsidiary airline amount to Rs 4 crore.

Determine the liability of FBT for the assessment year 2008-2009.

Solution: Computation of the liability of FBT for the A.Y. 2008-2009

Sr. No.	Expenditure on Fringe Benefits	(Rs in crore)	Valuation amount of Fringe Benefits (Rs. in crore)
1.	Free and concessional tickets provided to employees [Sec. 115WB(1)(b)]: Less: Tickets provided to the employees of subsidiary	20.00 4.00 16.00	
	Valuation at 100% of the cost to the employer [Sec. 115WC(1)(a)]		16.00
2.	Entertainment [Sec. 115WB(2)(A)] Less: Entertainment allowance paid to employees is taxable as salary under Sec. 17(1) in their hands. Hence, it is excluded	10.00 2.00 8.00	
	20% of 8 crore [Sec. 115WC(1)(c)]		1.60
3.	Hospitality [Sec. 115WB(2)(B): Less: Payment for food or beverages provided by employer to his employees in office on non-transferable lunch vouchers to employees, usable on eating joints	100 10	
	20% of Rs. 90 crore [Sec. 115WC(1)(c)]	90	18.00
4.	Employee welfare [Sec. 115WB(2)(E): Less: (i) Contribution recognized fund, not liable to FBT (ii) Scholarship, not covered under this clause	20 (-) 4 (-) 1	
	20% of Rs. 15 crore [Sec. 115WC(1)(c)]	15	3.00
5.	Use of hotel, boarding and lodging [Sec. 115WB(2)(G)] 20% of 10 crore [Sec. 115WC(1)(c)]		2.00
6.	Repairs, running, maintenance and depreciation of coaches to take passengers to and from airport [Sec. 115WB (2)(H)]. Coaches are not motor cars. Therefore, no FBT can be charged.	500	
7.	Repairs, running, maintenance and depreciation of aircraft [Sec. 115WB(2)(1)] Add: Interest on loan taken to purchase aircraft: CBDT has clarified that interest on loan taken to purchase motor cars is liable to FBT. Comments, applicable to motor car, would equally apply to aircraft. Accordingly, interest on loan, taken to purchase aircraft, would also be liable to FBT.	10	
	The valuation of this facility is taken at nil [Sec. 115WC(2)(f)].	510	Nil
8.	Telephone facility [Sec. 115WB(2)(J)] 20% of 2 crore [Sec. 115WC(1)(c)]		0.40
9.	Scholarship [Sec. 115WB(2)(P)]: 50% of 1 crore [Sec. 115WC(1)(d)] Use of		0.50

10.	Club facility [Sec. 115WB(2)(N)]: Less: Cost of building Add: Depreciation on club building under Income-tax Rule: Where the legislature has intended to subject the amount of depreciation on any capital asset to FBT, it has specifically provided for it as in clause (H) and (1) of Sec. 115WB(2). In absence of any legislative intent to subject the amount of depreciation in respect of club building to FBT, such depreciation amount is not liable to FBT. Income-tax Rule 50% of 20 crore [Sec. 115WC(1)(d)] **Total value of Fringe Benefits** FBT © 33.99% of 51.50 crore	30 10 20 Nil 20	 10.00 **51.50** 17.5049

4. KP Ltd., provides the following fringe benefits to all its employees during the previous year 2007-2008:

(i) Gifts of Rs 10,00,000 distributed among employees on Deepawali.
(ii) Contribution to Approved Superannuation Fund for 25 employees, @ Rs.1,60,000 p.a., amount Rs 40,00,000.
(iii) Club facility to employees at the cost of Rs 10,00,000.
(iv) Merit scholarship provided to the children of employees, cost being Rs 5,00,000.
(v) Entertainment expenditure for employees Rs 6,00,000. This includes Rs 2,00,000 on free meals during office hours.
(vi) Hospitality: Rs 10,00,000.
(vii) Medical allowance to all employees, equal to one month's salary, cost being Rs 15,00,000.
(viii) Free telephone to employees at a cost of Rs 4,00,000.
(ix) Conveyance Rs 10,00,000.
(x) Tours and travels Rs 10,00,000.
(xi) Repairs, running and maintenance of motor cars, Rs 15,00,000.
(xii) Hotel, boarding and lodging facilities Rs 8,00,000.

Compute liability of FBT of KP Ltd. in the following cases:
(i) KP Ltd. is a Construction company
(ii) KP Ltd. is a Hotel company;
(iii) KP Ltd. is a Software company;

Solution: Computation of FBT liability for the AY 2008-2009

Particulars of expenditure	Hotel company		Software company		Construction company	
	Rate	Value Rs (lakh)	Rate	Value Rs (lakh)	Rate	Value Rs (lakh)
(i) Gift [Sec. 115WB(2)(O) r.w. Sec. 115WC(1)(d)]	50%	5.00	50%	5.00	50%	5.00
(ii) Contribution to Approved Superannuation Fund in excess of Rs 1,00,000 for each employee per annum [Sec. 115WB(1)(c) r.w. Sec. 115WC()(b)]	100%	15.00	100%	15.00	100%	15.00
(iv) Club facility [Sec. 115WB(2)(N) r.w. Sec. 115WC(1)(d)]	50%	5.00	50%	5.00	50%	5.00
(v) Merit scholarship [Sec. 115WB(2)(P) r.w. Sec. 115WC(1)(d)]	50%	2.50	50%	2.50	50%	2.50

(vi) Entertainment [Sec. 115WB(2)(A) r.w. Sec. 115WC(1)(c)]: (6,00,000 - 2,00,000)	20%	.80	20%	.80	20%	.80
(vii) Hospitality [Sec. 115WB(2)(B) r.w. Sec. 115WC(1)(c)]	5%	.50	20%	2.00	20%	2,00
(vii) Medical allowance: Not liable to FBT	-	-	-	-	-	-
(vui) Free telephone [Sec. 115WB(2)(J) r.w. Sec. 115WC(1)(c)]	20%	.80	20%	.80	20%	.80
(ix) Conveyance [Sec. 115WB(2)(F)]	20%	2.00	5%	.50	5%	.50
(x) Tours and travels [Sec. 115WB(2)(Q) r.w. Sec. 115WC(1)(e)]	5%	.50	5%	.50	5%	.50
(xi) Repairs, running and maintenance of motor car [Sec. 115WB(2)(H) r.w. Sec. 115WC(1)(c)]	20%	3.00	20%	3.00	20%	3.00
(xiii) Hotel, bording and lodging facilities [Sec. 115WB(2)(G) r.w. Sec. 115WC(1)(c)]	20%	1.6	5%	0.40	20%	1.60
Total value		36.7		35.50		36.70
FBT @ 33.99% of the total value of fringe benefits and rounded off to the nearest multiple of Rs 10 (Sec. 288B)	12,47,433 12,47,430		12,06,645 12,06,640		12,47,433 12,47,430	

5. JP Ltd., a pharma company, furnishes the following information about the expenditure incurred and projected to be incurred for the financial year 2007-2008 and seeks your assistance in determining its estimated liability in respect of FBT for the assessment year 2008-2009:

Particulars	Rs
1. Entertainment	15,00,000
2. Hospitality	10,00,000
3. Conference	4,00,000
4. Sales promotion including publicity	16,00,000
5. Employees welfare	12,00,000
6. Conveyance	6,00,000
7. Hotel boarding and lodging	2,00,000
8. Repair, running and maintenance of motor car	5,00,000
9. Guest house maintenance	4,00,000
10. Festival celeberations	2,00,000
11. Health dub	4,00,000
12. Gifts	5,00,000
13. Scholarship	6,00,000
14. Tours and travels including foreign travels	4,00,000
15. Employer's contribution to recognised fund	10,00,000
16. Employer's contribution to approved superannuation fund	15,00,000
17. Free tickets provided by the employer for private journeys of the employees and their members of family	5,00,000
Total expenditure	1,25,00,000

Addition information:

(i) Entertainment expenditure includes:

(a) cost of TV, music system, refrigerator Rs 2,00,000 (b) reimbursement of personal entertainment expenditure to employees Rs 1,00,000 (c) festival allowance to employees, Rs 3,00,000 and (d) cost of amusement provided to clients/distributors, Rs 1,50,000.

(ii) Hospitality expenditure includes:

(a) food and beverages to employees in off ice/factory and outside office to sales personnel, Rs 4,00,000 and Rs 1,50,000 (b) food and beverages brought from hotel for employees working in late hours, Rs 50,000 and (c) payment for food through vouchers at eating joints, Rs 1,00,000.

(iii) Conference expenses includes:

(a) participation fees in conference, Rs 40,000 (b) board meeting expense Rs 40,000 and (c) conference of the dealers Rs 60,000.

(iv) Sales promotion includes:

(a) distribution of free samples to public, Rs 1,00,000 (b) distribution of free medical equipment to medical practioners, Rs 2,00,000 (c) incentives given to distributors for meeting sales targets, Rs 2,00,000 (d) payment to brand ambassadors Rs 2,00,000 (e) Ad-films Rs 1,50,000 and (f) Press conference Rs 1,00,000.

(v) Conveyance includes local conveyance provided to employees/customers, Rs 3,00,000 and leave travel concession Rs 1,00,000.

(vi) Employer's contribution to approved superannuation fund for managing director is Rs 1,50,000.

Solution: Computation of taxable value of fringe benefits for the AY 2008-2009

Particulars of expenditure	Value of fringe benefit [Sec. 115WB] Rs	Rate of valuation [Sec. 115WC] Rs	Taxable value Rs
1. Entertainment [Sec. 115WB(2)(A): Excluding cost of TV/fridge etc., reimbursement of personal entertainment expenses of employees and festival allowance	9,00,000	20%	1,80,000
2. Hospitality [Sec. 115WB(2)(B)]: Excluding food and beverages in office and provided at eating joints through paid vouchers.	5,00,000	20%	. 1,00,000
3. Conference [Sec. 115WB(2)(e)]: Excluding participation fees and board meetings	3,20,000	20%	64,000
4. Sales promotion and publicity [Sec. 115WB(2)(D)]: Excluding distribution of medical equipment to doctors, incentive to distributors, payment to brand ambassadors, ad-films and press	7,50,000	20%	1,50,000
5. Employees welfare [Sec. 115WB(2)(E)]	12,00,000	20%	2,40,000
6. Conveyance [Sec. 115WB(2)(F)]: Excluding local conveyance and LTC exempt under Sec. 10(5):	2,00,000	20%	40,000
7. Hotel boarding and lodging [Sec. 115WB(2)(G)]	2,00,000	20%	40,000
8. Repair, running and maintenance of motor car	5,00,000	20%	1,00,000
9. Guest house maintenance [Sec. 115WB(2)(K)]	4,00,000	20%	80,000
10. Festival celeberations [Sec. 115WB(2)(L)]	2,00,000	50%	1,00,000
11. Health club [Sec. 115WB(2)(M)J	4,00,000	50%	2,00,000
12. Gifts [Sec. 115WB(2)(O)]	5,00,000	50%	2,50,000
13. Scholarship [Sec. 115WB(2)(P)]	6,00,000	50%	3,00,000
14. Tours and travel [Sec. 115WB(2)(Q)]	4,00,000	50%	20,000
15. Employer's contribution to recognised fund	10,00,000	Exempt	-
16. Employer's contribution to approved super-annuation fund [Sec. 115WB(l)(c) r.w. Sec. 115WC(l)(b)]	50,000	100%	50,000
17. Free tickets to employees for private journey [Sec. 115WB(l)(b) r.w. Sec. 115WC(l)(a)]	5,00,000	100%	5,00,000
Fringe benefit tax liability @ 33.99% and rounded off (Sec. 288B)	86,20,000		8,20,519
			8,20,520

6. Following information is extracted from the books of Parthiv Ltd. Determine the taxable value of Fringe Benefits and ascertain the FBT Liability.

Expenses			Rs.
Lease Rent Paid			12,50,000
Vehicle Maintenance			8,00,000
Depreciation on:	Motor Cars		3,00,000
	Office Furniture		1,50,000
	Guest House Building		2,00,000
Gifts			2,50,000
Tea, Coffee & Snacks			1,80,000
Communication Charges			4,00,000
Amenities to Employees			4,50,000
Education Assistance to Employees			50,000

Other Information -

(a) Lease Rent include Rs.2,50,000 paid towards accommodation furnished to Managing Director, value of which is included as perquisite in his hands. Balance is attributable to Guest House of the Company used for accommodating visiting clients and other officials of the Company.

(b) Expenses on Tea, Coffee and Snacks includes Rs.50,000 spent on Employees Training Programme conducted by the Company itself.

(c) Gifts includes Rs. 1,75,000 paid to the Sales Executives for achieving the target.

(d) Communication Charges comprises of Rs.2,50,000 towards Telephone Charges and balance towards leased internet connection.

Determine value of Fringe Benefits and tax payable thereon.

Solution: Assessee: Parthiv Ltd
Previous Year: 2007-08
Asst. Year: 2008-09

Computation of Taxable Fringe Benefits and Tax Payable thereon

Nature of Fringe Benefits	Expenditure Incurred	% considered for FBT	Value of FB
Lease Rent Paid :	2,50,000	--	--
For MD's Accommodation - Considered as Perquisite	10,00,000	20%	2,00,000
For Guest House (12,50,000 - 2,50,000)	8,00,000	20%	1,60,000
Vehicle Maintenance	3,00,000	20%	60,000
Depreciation on Motor Cars	1,50,000	--	--
Depreciation on Office Furniture	2,00,000	--	--
Depreciation on Guest House Building	2,50,000	50%	1,25,000
Gifts Tea, Coffee & Snacks: During Office Hours	1,30,000	--	--
Employees Training Programme	50,000	--	--
Communication Charges:			
Telephone Charges	2,50,000	20%	50,000
Internet Connectivity Charges	1,50,000	--	--
Amenities to Employees	4,50,000	100%	4,50,000
Education Assistance to Employees	50,000	50%	25,000
Total Value of Taxable Fringe Benefits			**10,70,000**
Tax on above at 30%			3,21,000
Add: Surcharge at 10%			32,100
(assuming Total Income exceeds Rs.1 Crore)			
Tax and Surcharge Payable			**3,53,100**
Add: Education Cess @ 2%			7,062
Add: Secondary and Higher Education Cess @1%			3,,531
Total Tax Payable (Rounded off)			**3,63,690**

7. Simran Pharma Ltd. manufacturer of drugs and pharma products provides the following information relating to payments made to its marketing manager in the year 2007-08:
(a) Salary at Rs.20,000 p.m.
(b) Motor Cycle purchased for Rs.45,000 in June, 2007 was given free of cost.
(c) Conveyance allowance of Rs.5,000 p.m. which was allowed to him as exempt u/s 10(14).
(d) Tickets worth Rs.4,000 for a cricket match between India and England.
(e) Reimbursement of medical expenses incurred actually by him of Rs.17,500. The Company asks you to compute the amount of -
Payments covered under Fringe Benefits, amount chargeable to FBT and the amount of such tax thereon.

Solution:
Assessee: Individual
Previous Year: 2007-08 Assessment Year: 2008-09

Assessee: Simran Pharma Ltd. Previous Year: 2007-08 Assessment Year: 2008-09

Computation of Fringe Benefits Tax

Nature of benefit	Taxable value u/s 115WC	Rs.
Tickets to Cricket Match - Being Gift [WN 2]	Rs.4,000 x 50%	2,000
Reimbursement of Medical Expenses - Being Staff Welfare Expenses [WN 3]	Rs. 15,000x20%	3,000
Total Value of benefits liable to FBT		**5,000**
Tax on Fringe Benefits @ 30%		1,500
Add: Surcharge @ 10%		150
Add: Education Cess @ 2%		33
Add: Secondary and Higher Education Cess @ 1%		16
Total FBT payable (Rounded Off)		1700

Note: It is assumed that the Total income of the Company exceeds Rs.1Crore.

Working **Notes:**

1. Valuation of perquisite arising from the transfer of Motor cycle under Rule 3(7)(viii)

Particulars	Rs.
Actual cost	45,000
Less: Depreciation @ 10% for every completed year under SLM	NIL
Value of the asset	45,000
Less: Amount recovered from the Employee	NIL
Value of Perquisite	45,000

2. Gifts in kind are not taxable perquisites but are liable to FBI in the hands of the Employer. Therefore, tickets worth Rs.4,000 are not a taxable perquisites in the hands of the employee but are subject to FBI u/s 115WB(2)(0).
3. Benefits which are taxable in the hands of the employees as perquisites are not liable for FBI. Since medical reimbursements exceeding Rs. 15,000 is a taxable perquisite in the Employee's hands, the same is not subject to FBI in the hands of the Employer. Hence only Rs. 15,000 is subject to FBI u/s 115WB(2)(E).
4. Allowances exempted u/s 10(14) are not subject to FBI **[Circular No.8/ 2005 dt 29.08.2005].** Hence the conveyance allowance exempt u/s 10(14) is not subject to FBI.