

Valuation of the perquisite of Rent free accommodation

Accommodation: - For purpose of valuation of the perquisite of **unfurnished accommodation**, all employees are divided into two categories: (I) Central Govt. & State Govt, employees; and (ii) others.

- For employees of the Central and State governments the value of perquisite shall be equal to the licence fee charged for such accommodation as reduced by the rent actually paid by the employee.
- For all others, i.e., those salaried taxpayers not in employment of the Central government and the State government, the valuation of perquisite in respect of accommodation would be at prescribed rates, as discussed below:
 1. Where the accommodation provided to the employee is owned by the employer, the rate is
 - 15% of 'salary' in cities having population exceeding 25 lakh as per the 2001 census.
 - The rate is 10% of salary in cities having population exceeding 10 lakhs but not exceeding 25 lakhs as per 2001 Census.
 - For other places, the perquisite value would be 7 1/2% of the salary.
 2. Where the accommodation so provided is taken on lease/ rent by the employer, the prescribed rate is 15% of the salary or the actual amount of lease rental payable by the employer, whichever is lower, as reduced by any amount of rent paid by the employee.

For **furnished accommodation**, the value of perquisite as determined by the above method shall be increased by-

- i) 10% of the cost of furniture, appliances and equipments, or
- ii) where the furniture, appliances and equipments have been taken on hire, by the amount of actual hire charges payable.

- as reduced by any charges paid by the employee himself.

"Accommodation" includes a house, flat, farm house, hotel accommodation, motel, service apartment, guest house, a caravan, mobile home, ship etc. However, the value of any accommodation provided to an employee working at a mining site or an on-shore oil exploration site or a project execution site or a dam site or a power generation site or an off-shore site will not be treated as a perquisite.

However, such accommodation should either be located in a "remote area" or where it is not located in a "remote area", the accommodation should be of a temporary nature having plinth area of not more than 800 square feet and should not be located within 8 kilometers of the local

limits of any municipality or cantonment board. A project execution site for the purposes of this sub-rule means a site of project up to the stage of its commissioning.

A "remote area" means an area located at least 40 kilometers away from a town having a population not exceeding 20,000 as per the latest published all-India census.

If an accommodation is provided by an employer in a hotel the value of the benefit in such a case shall be 24% of the annual salary or the actual charges paid or payable to such hotel, whichever is lower, for the period during which such accommodation is provided as reduced by any rent actually paid or payable by the employee. However, where in cases the employee is provided such accommodation for a period not exceeding in aggregate fifteen days on transfer from one place to another, no perquisite value for such accommodation provided in a hotel shall be charged.

It may be clarified that while services provided as an integral part of the accommodation, need not be valued separately as perquisite, any other services over and above that for which the employer makes payment or reimburses the employee shall be valued as a perquisite as per the residual clause. In other words, composite tariff for accommodation will be valued as per these Rules and any other charges for other facilities provided by the hotel will be separately valued under the residual clause.

Also, if on account of an employee's transfer from one place to another, the employee is provided with accommodation at the new place of posting while retaining the accommodation at the other place, the value of perquisite shall be determined with reference to only one such accommodation which has the lower value as per the table prescribed in Rule 3 of the Income Tax Rules, for a period up to 90 days. However, after that the value of perquisite shall be charged for both accommodations as prescribed.