OUTLINE: -

What Perquisites are?

Basis of Charge?

Who get Perquisites?

List of Perquisites to be studied under the act?

Valuation of Perquisites.

WHAT PERQUISITES ARE?

As per **Oxford Dictionary** "a benefit which one enjoys or is entitled to on account of one's job or position is called as Perquisite"

As per **Merriam-Webmaster Dictionary** "privilege, gain, or profit incidental to regular salary or wages; *especially***:** one expected or promised is called as perquisite"

As per Act Perquisites have been defined under section 17(2) but the given definition is an inclusive & non-exhaustive one.

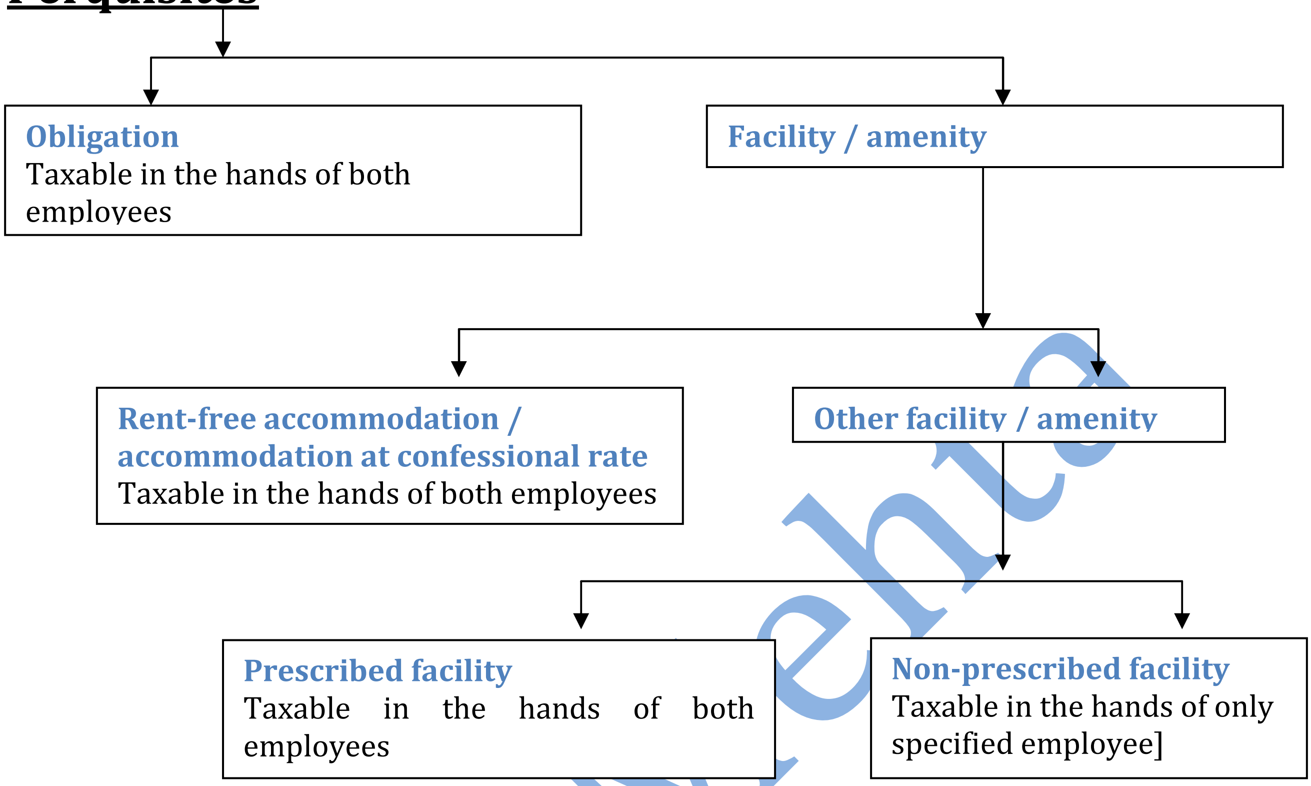
Hence it is clear and evident from the above fact that the things are no-where defined with precession under the act as to what is meant by perquisites.

Therefore in a layman language we can say that the perquisite means a facility or any benefit granted or vested upon by employer to be enjoyed by employee himself or his family members.

The facility so extended in general are non-monetary benefits extended to the employee over and above the pay which is given per month, it can also include all the other obligations met and or borne by the employer on behalf of the employee.

Thus perquisites for the purpose of taxation can be studied in the following manner: -

Perquisites

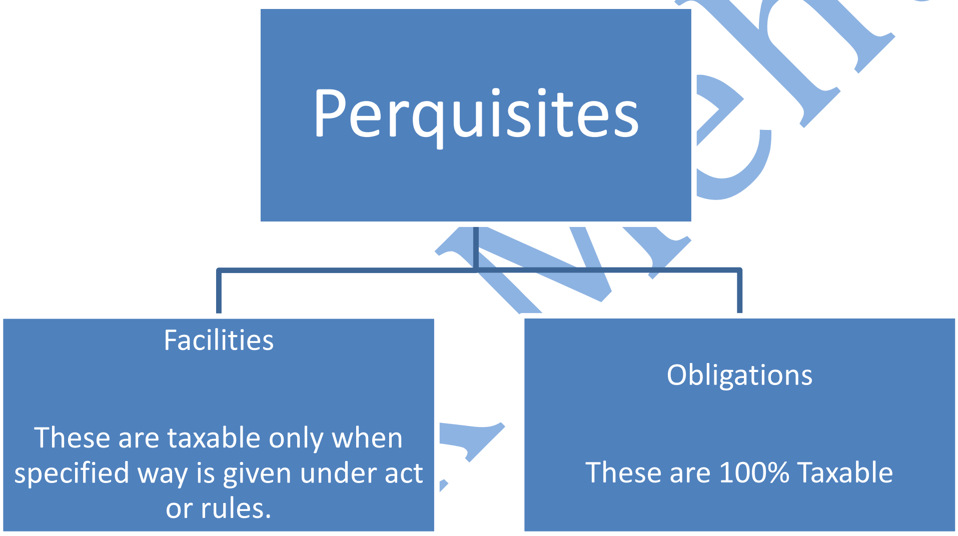


Specified employee

Employer	Specified employee	Remarks
1. Company	Employee who is <u>director</u> of the company	It is irrelevant that the director is • In full-time or part-time employment; • a nominee director; • a director throughout the year (i.e. even an additional director for some time will also be specified person for this section.
2. Company	Employee <u>having substantial interest</u> in the company	**Substantial interest** • He is *beneficial* owner of equity shares carrying 20% or more voting power in the company. • *Legal / registered ownership is irrelevant. It means mere holding and not the membership right too will be a qualified person for this section.*
3. Any Other (including company)	An employee, whose income changeable under the head	For computing the sum of Rs. 50,000, the followings are excluded / deducted. a. All non-monetary benefit (i.e. facilities or perquisites

	'salaries' *exceeds* Rs. 50,000.	*in kind*) b. Monetary benefit, which is exempted u/s 10. c. Deduction u/s 16 d. Employer's contribution to RPF and interest thereon - *CIT Vs. Amar Chand N. Shroff (SC).* **Salary received from more than one employer** Aggregate salary from all the employers will have to be taken into account for the purpose of determining the aforesaid limit.

In general currently salary of all the employees for the year is not less than Rs. 50,000/- and therefore each and every employee is a specified employee and hence in short if we try to explain the things then it is as follows: -



Note: - Section 10(45) should also be kept in Mind while studying Perquisites (Studied along with Allowances, it was for Chairman & Members of UPSC)

BASIS OF CHARGE?

Unlike monetary salary where salary is chargeable on receipt or due basis, whichever is earlier. The perquisites are chargeable only on due basis there is no such relevance of receipt basis as no sum in monetary form is to be received in the hands, hence perquisites for all the employees be it government or non-government for all it is chargeable for a period from April to March.

Further at all the point in salary head we talk of Exemption-Exemption as there we use to get some sum in our hands for a specific reason, but whereas in perquisites since there is only consumption and enjoyment of certain facility or benefit wherein there is no monetary benefit that accrues to employee, hence here we'll talk of chargeability for the various facility and benefits availed and used.

Valuation of all those shall be done in the manner as specified in the Income Tax Act and Rules.

WHO GET PERQUISITES?

Perquisites may be received by any person for any reason but here under the act we shall specifically talk off only Individuals and perquisites that flows from one person to another because of Employer and Employee relationship.

It is important to note that in general the movement may be from both the sides but here in this case the movement of flow shall be always from Employer and recipient or the beneficiary shall always be the Employee.

Therefore only Individual can receive the same.

LIST OF PERQUISITES TO BE STUDIED UNDER THE ACT?

We shall study and discuss the following under the head: -

1. Accommodation (Including Furnished & Un-Furnished)
2. Accommodation in Hotel
3. Movable assets other than car for use
4. Transfer of Movable Asset
5. Car Facility
6. Free or Concessional Tickets for Personal Travel
7. Travel Concession (For Leave/Holiday).
8. Servant Facility
9. Loan Facility
10. Education Facility
11. Medical Facility
12. Gift, Vouchers, Tokens etc.
13. Club Membership Fees
14. Credit Card Facility
15. Meal and Snacks Facility
16. Gas, Electricity & Water Facility
17. Life Insurance Premium or Annuity Plan Payment
18. Sweat Equity/ ESOP/ ESOS
19. Any Other Fringe Benefits or Facility.

Note: - All these above facilities may be extended to employees for free of cost or may be at concessional cost too.

In case of Concessional cost the valuation shall be arrived in the same manner as it is computed for Free of Cost and then the charges recovered or borne by the employees shall be subtracted.

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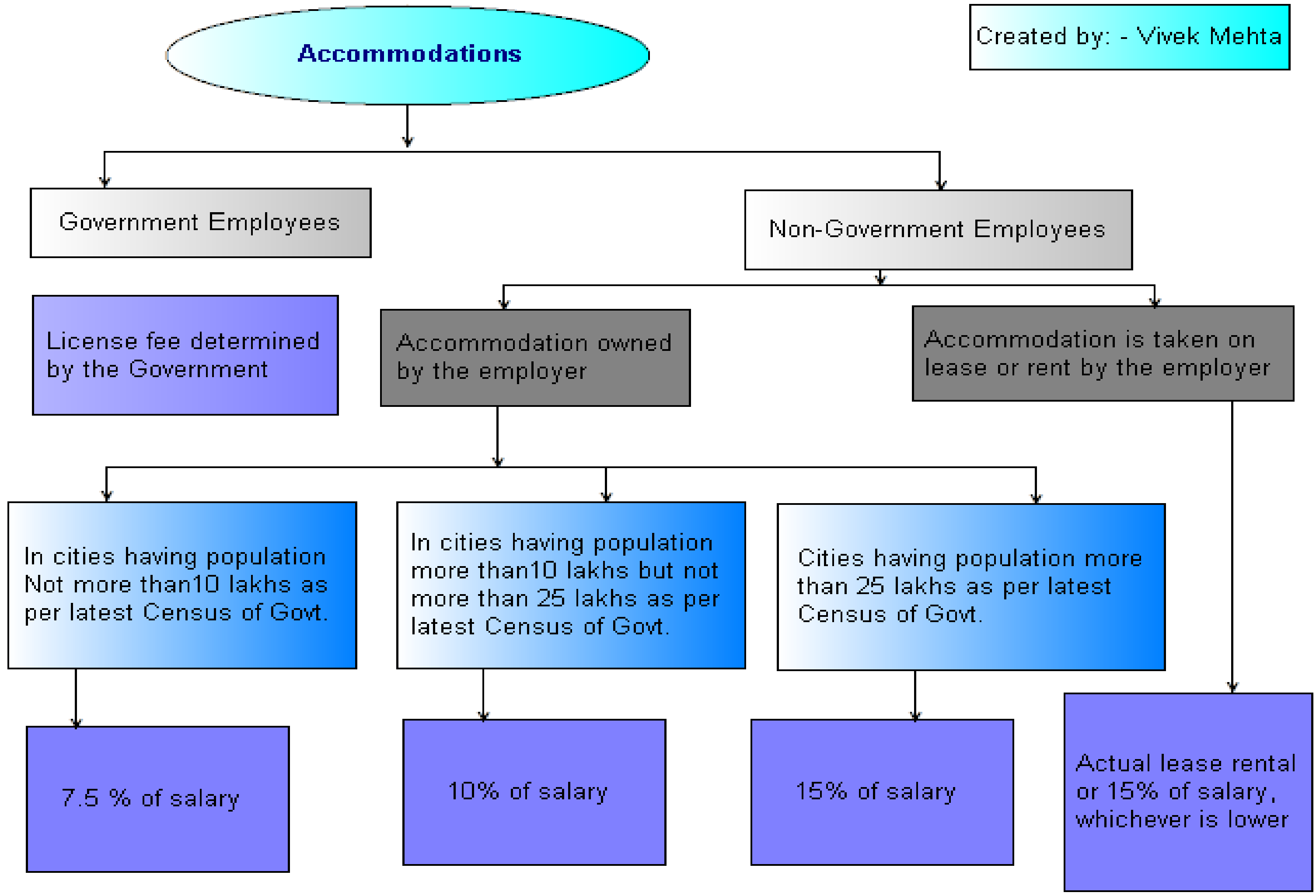
VALUATION OF PERQUISITES

1. Accommodation



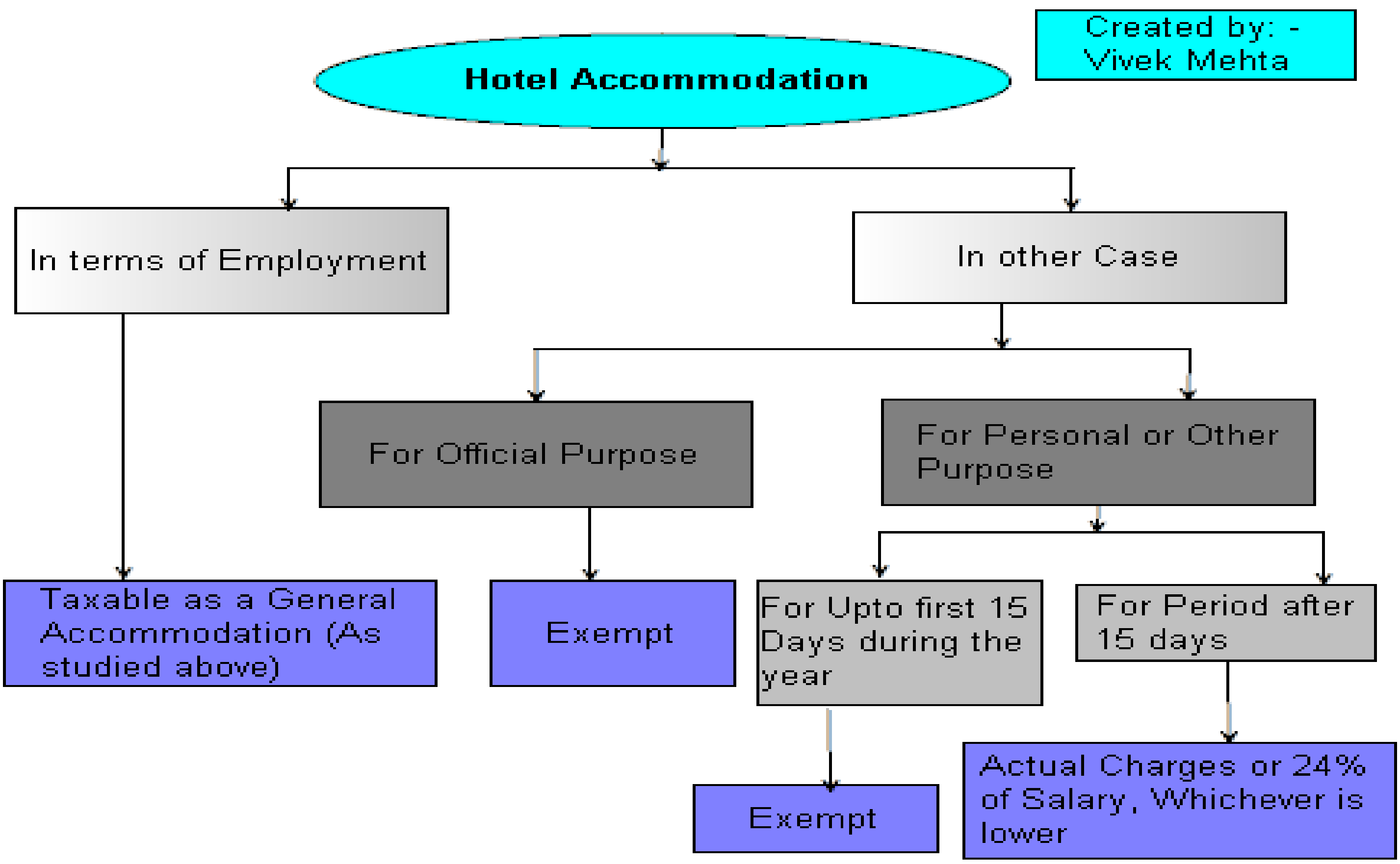
Notes: -

- "Salary" includes the pay, allowances, bonus or commission payable monthly or otherwise or any monetary payment, by whatever name called from one or more employers, as the case may be, but does not include the following, namely:-
  - dearness allowance or dearness pay unless it enters into the computation of superannuation or retirement benefits of the employee concerned;
  - employer's contribution to the provident fund account of the employee;
  - allowances which are exempted from payment of tax;
  - the value of perquisites;
  - any payment or expenditure of official nature;
  - lump-sum payments received at the time of termination of service or superannuation or voluntary retirement, like gratuity, severance pay,

leave encashment, voluntary retrenchment benefits, commutation of pension and similar payments;

- To sum-up →Salary = Basic + DA(if) + All Taxable Allowance + Other Monetary Benefits (But not the Retirement Lump-Sum Benefits)
- In case of temporary Accommodation is provided at a mining area, off-shore area, Site Construction Area, or at remote site than the same shall not be taxable.
- In case of Transfer or any other case where accommodation is provided at two different places than in such case for first 90 days only one such accommodation shall be taxable. (Therefore with respect of planning the accommodation which is having a less value shall be taken into consideration as compared to the accommodation which has higher valuation.) And thereafter value of both the accommodations shall be chargeable to tax.
- "Accommodation" includes a house, flat, farm house or part thereof, or accommodation in a hotel, motel, service apartment, guest house, caravan, mobile home, ship or other floating structure (Given in the terms of employment).

2. Accommodation in Hotel



Note: -

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- Salary = Basic + DA(if) + All Taxable Allowance + Other Monetary Benefits (But not the Retirement Lump-Sum Benefits)
- Actual Charges means charges of hotel including charges of all the other facilities, like food, laundry etc.

3. Movable assets other than car for use

S.N.	Circumstances	Value of benefit
(1)	Use of laptops and computer	Nil
(2)	Moveable assets other than Laptops and computer; (Eg. Furniture, TV, Fridge, etc.)	a. If owned by employer - **Taxable Value** = 10% p.a. of the *original cost*. b. If hired by employer - **Taxable Value** = Actual rental charges paid / payable by employer.

Note: -

- In case of accommodation facility is provided with all these furniture or other such facilities than the value of accommodation so arrived shall be increased by the value arrived in this part for the use of asset done by the employee.

4. Vehicle Facility

The value of perquisite by way of use of vehicle to an employee by an employer shall be determined in accordance with the following Table, namely:-

VALUE OF PERQUISITE PER CALENDAR MONTH

S. No.	Vehicle Owned or Hired by	Expenses are incurred by	Official Use	Only personal Use	For Both Official as well as Personal Use.	
		CAR			***Small (Engine Capacity upto 1.6 Ltrs)***	***Big (Engine Capacity More than 1.6 Ltrs)***
1.	Employer	Employer	Nil	Depreciation (@10%) / Hire Charges, if hired + Running & Maintenance Exp. + Drivers Salary	Rs. 1800/- per month + Rs. 900/- per month if driver is also provided	Rs. 2400/- per month + Rs. 900/- per month if driver is also provided
2.	Employer	Employee	Nil	Depreciation	Rs. 600/- per	Rs. 900/- per

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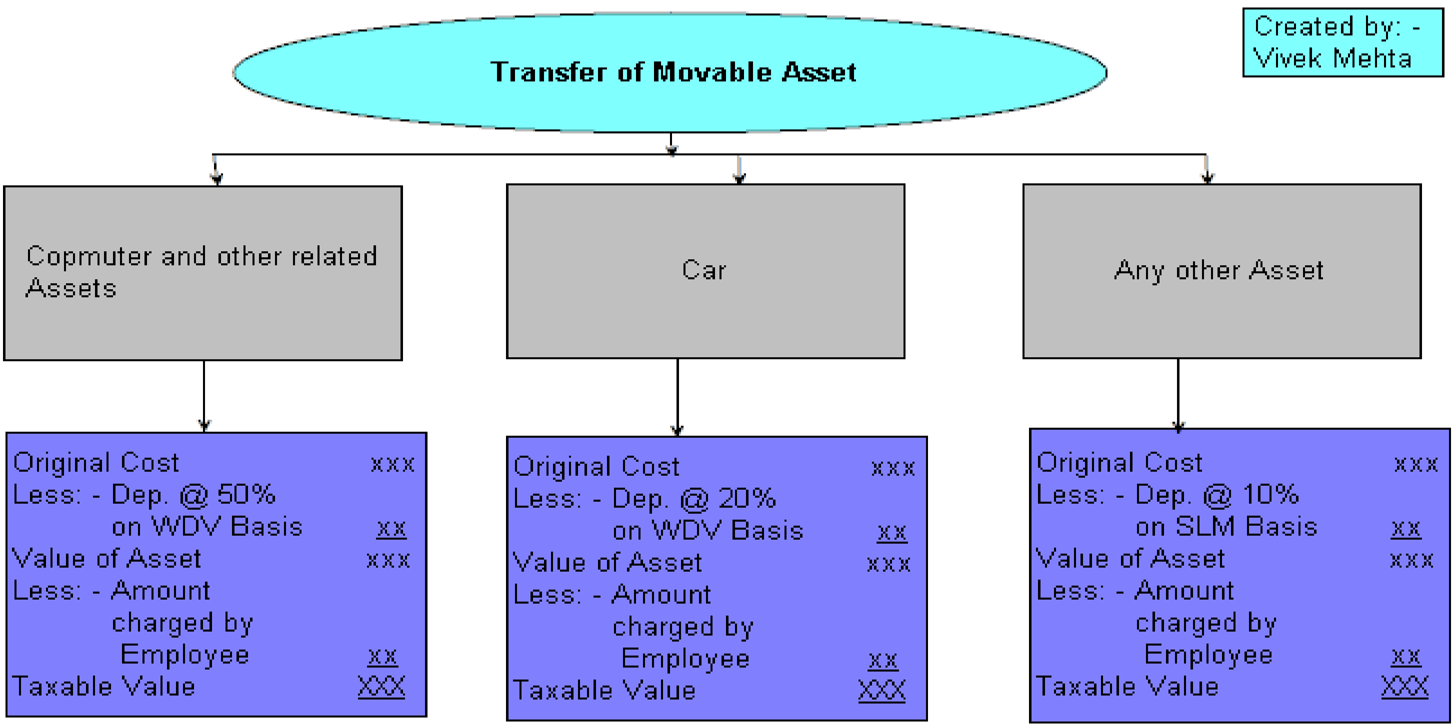
				(@10%) / Hire Charges, if hired + Drivers Salary	month + Rs. 900/- per month if driver is also provided	month + Rs. 900/- per month if driver is also provided
3.	Employee	Employer	Nil	Running & Maintenance Exp. + Drivers Salary	Running & Maintenance Exp. + Drivers Salary - Rs. 1800/- per month - Rs. 900/- per month if driver is also provided	Running & Maintenance Exp. + Drivers Salary - Rs. 2400/- per month - Rs. 900/- per month if driver is also provided
4.	Employee	Employee	Nil	Nil	Nil	Nil
Any Other Vehicle (Eg. Scooter, Activa, Motor-Cycle etc.)						
1.	Employer	Employee	Nil	Nil	Nil	
2.	Employee	Employer	Nil	Running & Maintenance	Running & Maintenance - 900/- Per month	

5. Transfer of Movable asset



6. Ticket for Personal Travel

Any amount borne by the employer whether by way of direct purchases or by way of reimbursement to employee shall be chargeable in totality.

7. Travel Concession [Section 10(5)]

The employee is entitled to exemption u/s 10(5) in respect of the value of travelling allowance or travelling concession received by or due to him from his present employer or former employer for himself and his family, in connection with his proceeding on leave to *any place in India*.

Exemption

Least of the following is exempted -

a. Amount actually received
b. Amount actually spent on fair
c. Amount given in table below:

a.	Where journey is performed by air.	Amount of air economy class fare of the National Carrier by the shortest route.
b.	Where journey is performed by rail.	Amount of air-conditioned 1st class rail fare by the shortest route.
c.	Where the place of origin of journey and destination are connected by rail and journey is performed by any other mode of transport.	Amount of air-conditioned 1st class rail fare by the shortest route.
d.	Where the place of journey and destination (or part thereof) are not connected by rail – (i) where a recognized public transport exists. (ii) where no recognized public transport exists.	 1st class or deluxe class fare by the shortest route. Amount given in (b) above.

Notes: -

1. **Family includes**
   a. Spouse;
   b. Children;
   c. Parent, brothers and sisters (*if wholly and mainly dependent upon Employee)*.
2. **Exemption restricted to 2 journeys: -** Only 2 journeys in block of 4 year are exempted. Current block in Form 1st January 2009 to 31st December 2012.

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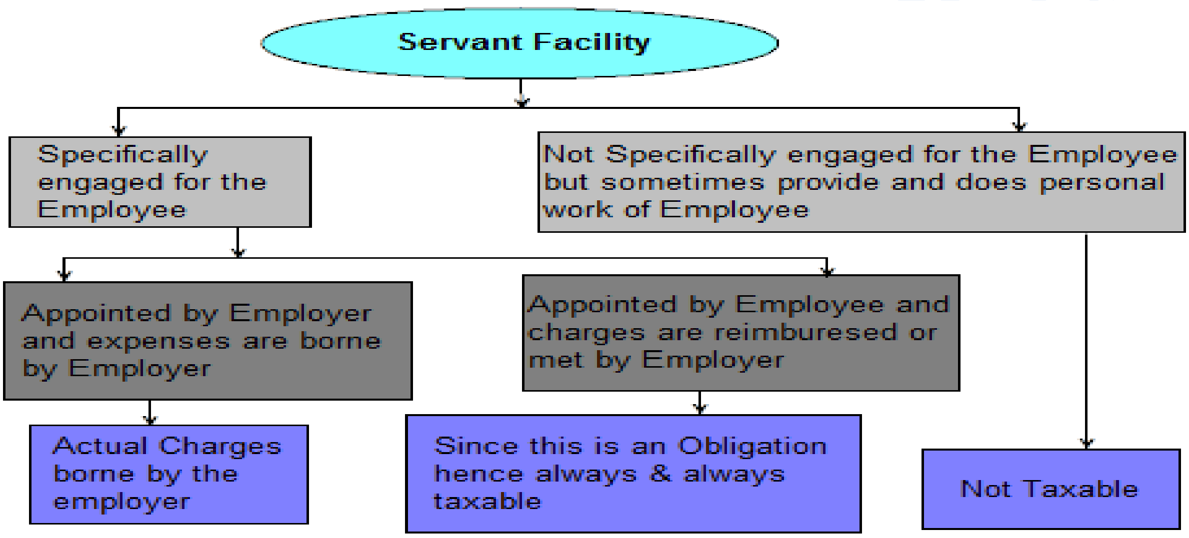
3. **Carry-over concession: -** If the assessee has not availed of the exemption of LTC in a particular block, (whether for both the journeys or for one journey), he can claim exemption in the 1st *Calendar year* of the next block (*but in respect of only one journey*).
4. **Exemption restricted to only fare: -** The exemption is allowed only in respect of fare. No other expenses like taxi charges, portages expenses, lodging / boarding will qualify for exemption.
5. **Exemption available only for two children**: - The exemption is available only for two surviving children. However such restriction does not apply in respect of children born before 1st October, 1998 and also in respect of multiple births after one child.

8. Servant Facility



9. Loan Facility

In case the Loan is provided to employee by the employer where the employer is not engaged in the Banking business or any such business of advancing loan then in such cases the concession or the benefit so accruing to the employee shall be taxable under the head of salaries.

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The facility and the benefit so accruing shall be calculated for the interest factor.

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The base rate for comparison shall be the rate of interest charged by the State Bank of India on such similar type of loan as on the first day of the previous year.

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Interest shall be calculated on the maximum outstanding monthly balance.

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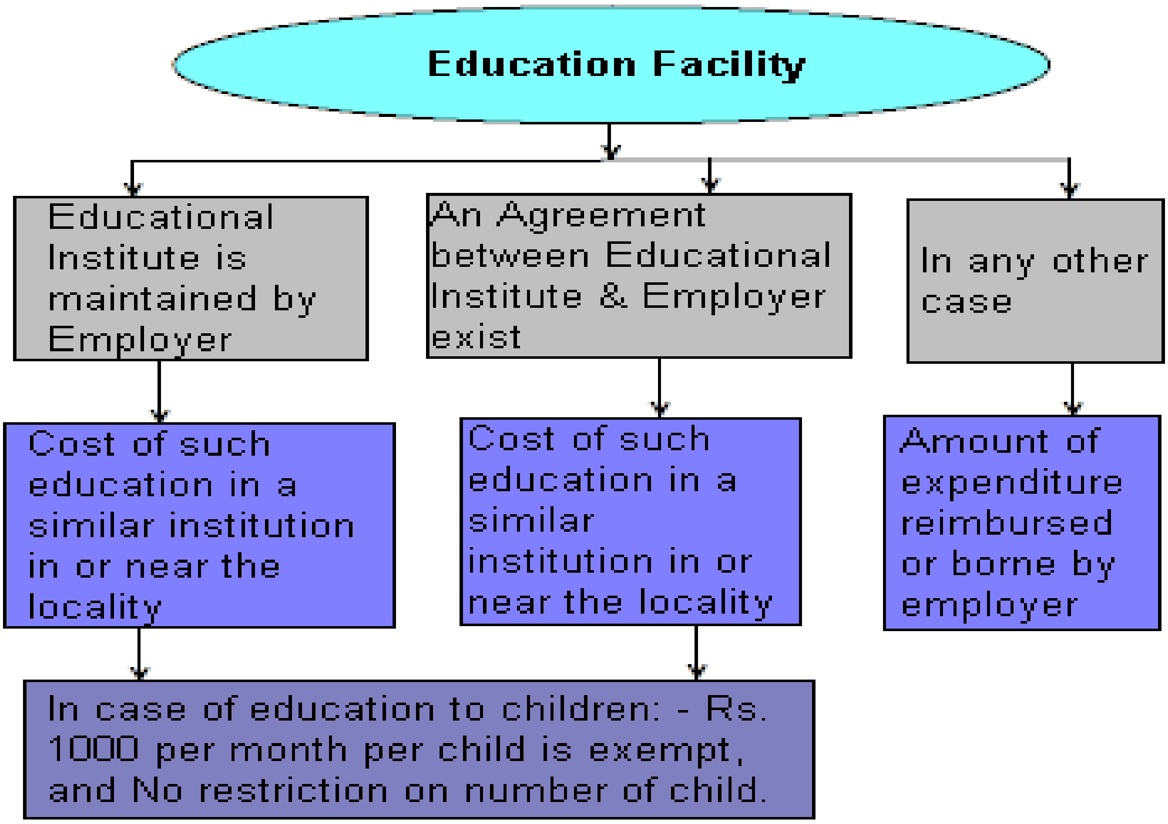
Note: -

1. "Maximum Outstanding Monthly Balance' means the aggregate outstanding balance for each loan as on the last day of each month.
2. No such Facility shall be chargeable where the amount of loan is not exceeding Rs. 20000/-
3. No such facility shall be taxable where the loan is availed for treatment of specified diseases for any of the family member of the employee. But if any sum is reimbursed under medical insurance policy scheme then the interest on that much amount of loan shall be chargeable to tax.

10. Education Facility



Note: -

1. No such education facility shall be chargeable if education, training etc. is provided to employee in the course of employment.

11. Medical Facility

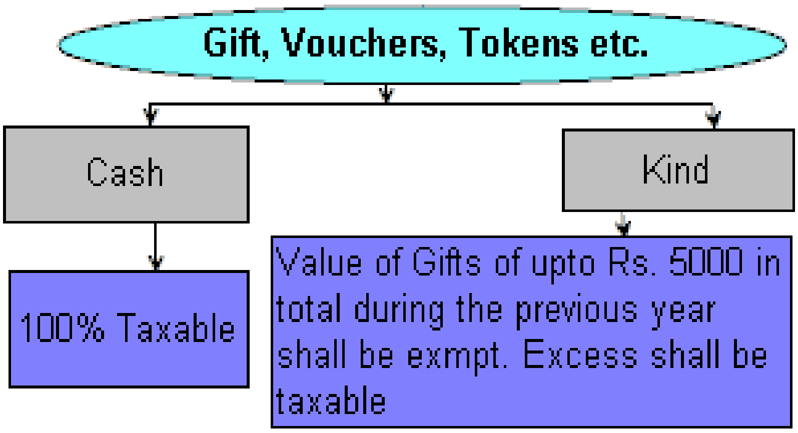
	Medical facility	Exemption
Medical treatment in India	1. Treatment in hospital maintained by the employer. *(For any diseases)*	Fully exempted
	2. Treatment in any hospital - • maintained by Government (Central or State) / local authority; or • in a hospital approved by Government for medical treatment of its employees. *(For any diseases)*	Fully exempted
	3. Treatment in any hospital approved by the Chief Commissioner of Income Tax *for prescribed diseases.*	*Fully exempted
	4. Treatment in any other hospital (i.e. private hospital)	Lower of the two shall be exempt: - a. Actual expenses incurred or reimbursed by employer; or b. Rs. 15,000 in aggregate per annum.
Medical treatment outside India	1. Expenses on medial treatment of the employee / and member of his family.	Expenses to the extent permitted by RBI.
	2. Expenses on stay abroad of the patient (i.e. employee or any member of his family) (+) one attendant.	Expenses to the extent permitted by RBI.
	3. Travelling expenses of the patient (i.e. employee or any member of his family) (+) one attendant.	Fully exempted Conditions GTI before including the taxable perquisite on account of travel expenses does not exceed Rs. 2,00,000 Note - Taxable value of medical treatment & stay abroad shall be included in computing the limit of Rs. 2,00,000. *Note – It should be noted that if GTI exceeds Rs. 2,00,000, entire amount of traveling expenses reimbursed by the employer is taxable.*
Medical Insurance Premium	Any sum paid as premium for medical insurance of the employee or his family members	Fully Exempted.

*In this case, the employee has to attach along with his return of income, a certificate from the hospital specifying the disease for which the medical treatment was required and the receipt for the amount paid to the hospital.

Note: -

1. **Meaning of family**
    a. Spouse
    b. Children (dependent / non dependent / married / unmarried)
    c. Parent, brothers and sisters (*if wholly / mainly dependent on such employee*)
2. **Hospital** - It includes dispensary, clinic, nursing home.
3. **Medical allowance** - Fully taxable irrespective of actual expenditure incurred by the employee

12. Gift, Vouchers, Tokens etc.



13. Club Facility

S. No.	Particulars	Treatment
1.	Corporate Club Membership: For all the employees of the organisation	Fully Exempt
2.	Any other case	Amount of Expenditure borne and met by employer shall be taxable.

14. Credit Card/ Debit Card Facility

S. No.	Particulars	Treatment
1.	Corporate Card facility: For all the employees of the organisation	Fully Exempt
2.	Any other case	Amount of Expenditure borne and met by employer shall be taxable.

15. Meal, Snacks, Refreshment Facility

S. No.	Particulars	Treatment

1.	Tea, Snacks, Non-Alcoholic Beverages provided during working hours	Fully Exempt
2.	Food Meal provided at remote area or on off-shore installation	Fully Exempt
3.	Food Meal etc. in any other case.	Exempt upto Rs. 50/- per meal.

16. Gas, Electricity, Water Facility

Since this is always an obligation of employee, hence any amount of cost borne by the employer shall always be taxable.

Note: - Such facility may be provided by an outside agency or by the employer through its own source, in all the cases the same shall be 100% taxable.

17. Life Insurance Policy Premium or Payment of Annuity Plans.

Always and always 100% taxable, although employee can claim the deduction u/s 80C of the same.

18. Sweat Equity/ ESOP/ ESOS

S. No.	Particulars	Taxable Amount
1.	Sweat Equity	Taxable Value = FMV on the date of allotment.
2.	Employee Stock Option Plan/ Employee Stock Option Scheme	Taxable Value = FMV on the date Excising of Option.

Note: -

1. FMV Calculation: -
   a) Listed Company
      i. Listed on One Stock Exchange – Average of Opening and Closing selling Price on the Relevant Date.
      ii. Listed on More than One Stock Exchange: - Average of Opening and Closing selling Price of the Relevant Date of that stock Exchange on which volume traded was highest on the relevant date.
   b) Unlisted Company: - FMV as determined by the merchant banker on the specified date.
2. In case where trading of shares was not there on the relevant date on any of the stock exchanges, in such case it shall be the taken of the immediately preceding date on which shares were lastly traded.

19. Any other perquisite provided to employee

In all the other cases Taxable value of the perquisites or facility shall be the actual charges as borne or met by the employer.

Note: -

1. Value of Telephone or Mobile facility shall not be chargeable in any case.

Perquisites Taxable only in respect of Specified Employees

Out of the above list of perquisites the following are taxable only for specified employees, i.e. not for the non-specified employees: -

1. Loan Facility
2. Travelling Facility
3. Food & Snacks Facility
4. Gift, Vouchers, Token etc.
5. Credit Card Facility
6. Club Membership Facility
7. Use of Movable Assets
8. Transfer of Moveable Assets
9. Any Other Perquisites.

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