

10 Valuation of Perquisites

From year 2003, the net expenditure (after deducting the amount recovered from employee in lieu of the facility, if any) incurred by the employer for providing the facilities (perquisite) to the employee, will be considered as *Valuation of Perquisites*.

Valuation of Housing facility as per rule 3(1)

Facility	Valuation	Remarks
1) Free housing facility		
<i>A) Unfurnished</i>		
i) Central or State Govt. employee	Rent (licence fee) as prescribed by Govt. rule	1) House includes: flat, house, farm - house, ship, floating motel, caravan, hotel, guest house etc.
ii) Other employees- if	15% of salary (for big cities)	2) Big cities: as per 2001 census, cities having population more than 25 Lakh
a) House - owned by employer	10% of salary (Medium city)	
b) House - Taken on lease rent by employer	7.5 % of salary for other cities	3) Medium city: if population is more than 10 Lakh but not more than 25 Lakh
Actual lease rent or <u>15%</u> of salary, whichever is <i>less</i>		
<i>B) Furnished – if</i>		
i) Furniture- owned by employer	10% of cost of furniture + (A) as the case may be	4) Furniture: includes TV, Fridge, AC & other home appliances.
ii) Furniture- hired by employer	Actual furniture hire charges + (A) as applicable	5) Salary = Basic + Bonus + taxable Allowance + Commission + DA & DP (If considered for calculation of retirement benefits) but excluding following: (i) Contribution of employer in provident fund (ii) Tax-free allowances & valuation of Perquisites
<i>C) Accommodation provided in a Hotel.</i>	24% of salary or hotel rent, whichever is less	
2) Housing facility at concession rate	Valuation as per Sr. No. 1 {i.e. A/B/C } – Amount recovered from employee	
3) If mining area or Offshore: If housing provided to employees (working in Oil mines or project work area) at remote area or offshore sites then.	Valuation will be tax -free	(6) Remote area means: Such place which is at a distance of 40 km or more from the city having population up to 20,000 (as per new census)

Note: If an employee gets free/concession housing facility at place of transfer, in addition to old place of posting, then least valuation of any of the houses, shall be taken as perquisites for a period of 90 days; but after 90 days, valuation of both the houses will be added & shall be treated as perquisite.



Valuation of Facility of Motor vehicle (Car) / Driver [Sec 17 (2) (viii)]

These Perquisites became taxable after abolition of FBT w.e.f. 01/04/2009 - as per Rule 3(2)

I. If Motor Car is Owned by employer & running and maintenance expenses are incurred or reimbursed by the employer	
Usage Purpose	Perk Value
Official purposes only	No perquisite, if specified conditions are satisfied
Private purposes only	Actual expense incurred by the employer Add: 10% p.a of Actual Cost of Car or Hire charges of Car Add: Salary to Driver Less: Amount recovered from the employee
Partly Official & partly Private purposes	Up to 1600CC: Rs 1,800 p.m. Above 1600CC: Rs. 2,400 p.m. Add: If driver is provided : Rs.900 p.m. Less: amount recovered from employee
II. If Motor Car is Owned by employee & running and maintenance expenses are incurred or reimbursed by the employer	
Official purposes only	No perquisite, if specified conditions are satisfied
Private purposes only	Actual expense incurred by employer as Less : Amount recovered from the employee
Partly Official & partly Private purposes	Actual expense incurred by employer Less: Amount recovered from employee Less: Up to 1600CC : Rs. 1,800 p.m. Above 1600CC: Rs. 2,400 p.m. Less: If driver provided : Rs. 900 p.m.
III. If Motor Car is Owned by employer & running and maintenance expenses are incurred by Employee	
Official purposes only	No perquisite, if specified conditions satisfied.
Private purposes only	10% p.a. of Actual Cost of Car or Hire charges of Car Add: Salary to Driver (if paid by employer) Less: Amount recovered from employee
Partly official & partly private purposes	Up to 1600CC: Rs 600 p.m. Above 1600CC: Rs 900 p.m. Add: If driver is provided : Rs.900 p.m. Less: Amount recovered from employee

Perks for ESOP Schemes (at the time of exercising the option) [Sec 17 (2) (viii)]

- a) *For Listed Equities:* Perk Value of listed sweat equity shares allotted or transferred free of cost or at concessional rate shall be average of opening and closing price of shares listed on stock exchange on date of exercise of option less any amount recovered from the employee.
- b) *For Unlisted Equities:* Perk Value of unlisted sweat equity shares and other security allotted or transferred free of cost or at concessional rates shall be the fair market value as determined by Category-I Merchant Banker on the date of exercise of the option or any earlier date, not being earlier than 180 days than the date of exercising, less amount recovered from the employee.



Facility of Gardener, guard, sweeper or private assistant:

As per rule 3(3): In reference to this facility, net cost incurred by the employer will be taken as valuation of perquisites.

Interest-free loan or loan on concessional interest rates:

As per rule 3(7) (i): If the employer provides loan (interest free/ concession interest rate) of Rs. 20,000 or more to the employee or his family members, then valuation of perquisites is as follows:

The sum equal to the interest computed at the rate charged per annum by the SBI, as on the 1st day of the relevant previous year with respect to loans for the same purpose advanced by it. The interest shall be computed on the max. outstanding monthly balance.

Note: Valuation of loan taken for the treatment of serious illness (notified in rule 3(A)), will be zero.

Facility of computer or other movable assets provided by employer :

As per rule 3(7) (vii):

- (i) Laptop or computer provided by the employer is not taken as perquisites.
- (ii) If the employer gives the facility to an employee for using other movable assets, then valuation of perquisites will be equivalent to 10% of cost of the movable asset or actual amount of rent, whichever is higher.

Facility of transfer / sale of movable assets on concessional rates - As per rule 3 (7) (viii): If the employer transfers/sells movable assets to his employee on free/ concessional rate, then its valuation = cost – depreciation – amount paid by the employee (if any). Here depreciation is taken for every complete year, 20% for motorcar, 50% for electronic goods and 10% for other goods.

Employer Contribution in excess of Rs.1.5 Lakh to approved superannuation fund. [Sec 17(2) (vi)]

Free food and beverage to the employee other than provided during working hour at office on business premises or through paid vouchers. [rule 3(7) (iii)]

Gifts or voucher except when it is below Rs. 5000 in aggregate during the previous year

Membership fee, annual fees and expenditure incurred in a club, which is charged to a credit card except when it is incurred wholly and exclusively for business purposes

Note:

- (1) As per rule 26A (2), DDO has to provide information relating to the valuation of perquisites, truly & completely in *Form No. 12BA*, if salary of employee is more than Rs.1, 50,000, or in *Form No. 16*, if salary of employee is less than Rs. 1,50,000.



Following perquisites are taxable only in the case of specified employee

Specified employees mean employees who are either directors, or persons having substantial interest in the company or whose taxable income under the head salary is more than Rs. 50,000.

Water, electricity & gas facility:

As per rule 3 (4): If water, electricity or gas facility is provided to employee or their family members for domestic use, and

- (a) If facilities provided by employer of their own resources, then net manufacturing cost to employer will be taken for valuation of perquisites.
- (b) If employer provides these facilities with the help of out-side agencies, then net expenditure incurred by employer will be taken for valuation of perquisites.

***Free or concessional educational facilities:**

As per rule 3 (5): Actual expenses incurred by the employer for providing free or concession educational facilities will be taken as valuation of perquisites, or if the employer provides these facilities by own educational institution or other educational institutions then valuation of perquisites will be decided with reference to cost on such education in nearby institution. If above expenses are limited up to Rs. 1000 per child per month then valuation of perquisite is zero.

Medical Expenses: [Sec 17 (2) proviso (v)]

Medical allowance paid to an employee in cash is taxable. Reimbursement of expenditure incurred on medical treatment of an employee or his family member in a hospital (other than a hospital maintained by the employer or Govt. approved hospital) exceeding Rs. 15,000 in a previous year shall be a taxable perquisite.

Family for this purpose means : (i) spouse and children
(ii) Parents / brother / sisters, if wholly or mainly dependent on the individual employee.

Tax-free Perquisites

- Medical expenses or Reimbursement to expenses for the treatment of employee & his family members in the Employer's own hospital or government approved hospitals.
- Premium paid in medical insurance scheme (as per section 80D) for health risk of employee & his family members.
- Telephone facility at the residence of employee, transportation facility to the employee from house to office/ factory.
- Providing tickets/ passes to the employees on free/ concessional rates of Railway/ Airlines.
- *As per section 10(CC):* If the employer wishes he can pay the income tax payable on non-monitory perquisites (either partially or fully) on behalf of employee to the income tax department. In this situation, the amount paid as income tax by the employer shall not be added to the employee's salary.

