

ADVANCE LEARNING ON PERQUISITES (PRACTICAL)

Illustration (Valuation of perquisite in respect of rent free unfurnished accommodation in the hands of a Government employee)

Mr. Kumar is a Central Government employee. His monthly salary is Rs. 84,000. The employer has provided him with a rent free unfurnished accommodation. The fair rent of the accommodation is Rs. 5,000 per month. The licence fee of the bungalow is Rs. 1,000 per month. What will be the taxable value of perquisite arising in the hands of Mr. Kumar in respect of rent free unfurnished accommodation provided by the employer?

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The value of perquisite in the hands of Government employee in respect of rent free unfurnished accommodation provided by the employer will be the licence fee of such accommodation. Thus, value of perquisite in the hands of Mr. Kumar will come to Rs. 1,000 per month.

Illustration (Valuation of perquisite in respect of unfurnished accommodation in the hands of a Government employee, provided at concessional rent)

Mr. Sunil is a Central Government employee. His monthly salary is Rs. 84,000. The employer has provided him with an accommodation at concessional rent. The fair rent of the accommodation is Rs. 5,000 per month. The licence fee of the bungalow is Rs. 1,000 per month. The employer recovers Rs. 100 per month from Mr. Sunil in respect of aforesaid accommodation. What will be the taxable value of perquisite arising in the hands of Mr. Sunil in respect of accommodation provided by the employer?

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The value of perquisite in the hands of Government employee in respect of rent free unfurnished accommodation provided by the employer will be the licence fee of such accommodation. Amount recovered from employee is to be deducted. Thus, value of perquisite in the hands of Mr. Sunil will come to Rs. 900 per month (Rs. 1,000 – Rs. 100).

Illustration (Valuation of perquisite in respect of rent free unfurnished accommodation in the hands of a non-Government employee)

Mr. Kapoor is working in Essem Ltd. The company has provided him with a rent free unfurnished accommodation in Mumbai. The accommodation is owned by the company. The salary of Mr. Kapoor is Rs. 84,000 per month. The fair rent of the accommodation is Rs. 10,000 per month. What will be the taxable value of perquisite in respect of rent free unfurnished accommodation provided by the employer?

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In case of non-Government employee, the value of perquisite will be computed as follows (accommodation owned by the employer):

The value of perquisite will be computed on the basis of population of the city in which the accommodation is provided and the nature of the accommodation, *i.e.*, whether the accommodation is owned by the employer or is taken on rent by the employer? Valuation of perquisite in the hands of Mr. Kapoor will be as follows:

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

In this case the accommodation is located in Mumbai, *i.e.*, population of more than 25 lakhs, hence, value of perquisite will come to Rs. 12,600 (Rs. 84,000 × 15%) per month.

Illustration (Valuation of perquisite in respect of rent free unfurnished accommodation in the hands of a non-Government employee)

Mr. Kapoor is working in Essem Ltd. The company has provided him with a rent free unfurnished accommodation in a city having population of 18 lakhs. The accommodation is owned by the company. The salary of Mr. Kapoor is Rs. 84,000 per month. The fair rent of the accommodation is Rs. 10,000 per month. What will be the taxable value of perquisite in respect of rent free unfurnished accommodation provided by the employer?

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In case of non-Government employee, the value of perquisite will be computed as follows (accommodation owned by the employer):

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

In this case, the accommodation is located in a city having population of 18 lakhs, hence, value of perquisite in the hands of Mr. Kapoor will come to Rs. 8,400 (Rs. 84,000 × 10%) per month.

Illustration (Valuation of perquisite in respect of rent free unfurnished accommodation in the hands of a non-Government employee)

Mr. Kapoor is working in Essem Ltd. The company has provided him with a rent free unfurnished accommodation in a city having population of 8 lakhs. The accommodation is owned by the company. The salary of Mr. Kapoor is Rs. 84,000 per month. The fair rent of the accommodation is Rs. 10,000 per month. What will be the taxable value of perquisite in respect of rent free unfurnished accommodation provided by the employer?

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In case of non-Government employee, the value of perquisite will be computed as follows (accommodation owned by the employer):

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

In this case, the accommodation is located in a city having population of 8 lakhs, hence, value of perquisite will come to Rs. 6,300 (Rs. 84,000 × 7.5%) per month.

Illustration (Valuation of perquisite in respect of rent free unfurnished accommodation in the hands of a non-Government employee)

Mr. Kapoor is working in Essem Ltd. The company has provided him with a rent free unfurnished accommodation in a city having population of 8 lakhs. The accommodation is leased by the company at a monthly rent of Rs. 5,000. The salary of Mr. Kapoor is Rs. 84,000 per month. The fair rent of the accommodation is Rs. 4,000 per month. What will be the taxable value of perquisite in respect of rent free unfurnished accommodation provided by the employer?

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In case of non-Government employee, the value of perquisite will be lower of the following :

- Rent of the accommodation paid or payable by the employer; or
- 15% of the salary.

Any amount recovered by the employer from the employee for providing the accommodation will be reduced from the value computed as above.

Thus, the value of perquisite in the hands of Mr. Kapoor will come to Rs. 5,000 per month being lower of the following :

- Rs. 5,000 per month (rent of the accommodation)
- Rs. 12,600 (Rs. 84,000 × 15%)

Illustration (Valuation of perquisite in respect of rent free unfurnished accommodation in the hands of a non-Government employee)

Mr. Kapoor is working in Essem Ltd. The company has provided him with a rent free unfurnished accommodation in a city having population of 8 lakhs. The accommodation is leased by the company at a monthly rent of Rs. 15,000. The salary of Mr. Kapoor is Rs. 84,000 per month. The fair rent of the accommodation is Rs. 4,000 per month. What will be the taxable value of perquisite in respect of rent free unfurnished accommodation provided by the employer?

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In case of non-Government employee, the value of perquisite will be lower of the following :

- (a) Rent of the accommodation paid or payable by the employer; or
- (b) 15% of the salary.

Thus, the value of perquisite in the hands of Mr. Kapoor will come to Rs. 12,600 per month being lower of the following :

- (a) Rs. 15,000 per month (rent of the accommodation)
- (b) Rs. 12,600 (Rs. 84,000 × 15%)

Illustration (Valuation of perquisite in respect of unfurnished accommodation in the hands of a non-Government employee provided at concessional rent)

Mr. Sunil is working in Essem Ltd. The company has provided him with an unfurnished accommodation at concessional rent in a city having population of 8 lakhs. The accommodation is owned by the company. The salary of Mr. Sunil is Rs. 84,000 per month. The fair rent of the accommodation is Rs. 10,000 per month. The company recovers Rs. 2,000 per month on account of rent of the accommodation. What will be the taxable value of perquisite in respect of accommodation provided by the employer?

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In case of non-Government employee, the value of perquisite will be computed as follows (accommodation owned by the employer):

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

Amount recovered from the employee will be deducted from the value computed above.

In this case the accommodation is located in a city having population of 8 lakhs. Hence, value of perquisite will come to Rs. 6,300 (Rs. 84,000 × 7.5%) per month. Net taxable value of perquisite in the hands of Mr. Sunil will be Rs. 4,300 (Rs. 6,300 – Rs. 2,000 amount recovered from the employee).

Illustration (Valuation of perquisite in respect of rent free unfurnished accommodation in the hands of a non-Government employee)

Mr. Sunil is working in Essem Ltd. The company has provided him with a rent free unfurnished accommodation in Mumbai. The accommodation is owned by the company. The salary of Mr. Sunil is as follows :

- Basic salary : Rs. 84,000 per month.

- Dearness allowance : Rs. 1,16,000 per month (forming part of salary while computing retirement benefits).
- Dearness allowance : Rs. 20,000 per month (not forming part of salary while computing retirement benefits).
- Monthly fixed commission : Rs. 10,000 per month
- Employer's contribution to provident fund : 10% of salary

What will be the taxable value of perquisite in respect of accommodation provided by the employer?

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In case of non-Government employee, the value of perquisite will be computed as follows (accommodation owned by the employer):

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

- Salary for this purpose shall include all payments, except the following:
 - (a) Dearness allowance, if it is not taken into account, while computing retirement benefits (*i.e.*, DA not in terms).
 - (b) Employer's contribution to provident fund account of the employee.
 - (c) All allowances which are exempt from tax.
 - (d) Value of perquisites (whether monetary or non-monetary).
 - (e) Lump sum payments received at the time of termination of service or superannuation or voluntary retirement, like gratuity, severance pay, leave encashment, voluntary retirement benefits, commutation of pension and similar payments.

Considering above, monthly salary in this case will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Basic salary	84,000
Dearness allowance (forming part of salary while computing retirement benefits)	1,16,000
Dearness allowance (not forming part of salary while computing retirement benefits)	Not to be considered
Monthly fixed commission	10,000
Employer's contribution to provident fund	<u>Not to be considered</u>
Total salary to be used to compute value of perquisite	2,10,000

In this case the accommodation is located in Mumbai. Hence, value of perquisite in the hands of Mr. Sunil will come to Rs. 31,500 ($\text{Rs. } 2,10,000 \times 15\%$) per month.

Illustration (Valuation of perquisite in respect of furnished accommodation)

Mr. Madhu is working in Essem Ltd. The company has provided him with a furnished accommodation. The accommodation is leased by the company at a monthly rent of Rs. 8,400. Salary of Mr. Madhu is Rs. 50,000 per month. The furniture provided along with the accommodation is owned by the employer and was purchased by the employer before 2 years for Rs. 1,00,000. What will be the value of perquisite in this case?

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Value of furnished accommodation will be computed as follows ;

<i>Particulars</i>	<i>Amount (Rs.)</i>
Value of accommodation considering accommodation as unfurnished accommodation (*)	7,500
<i>Add</i> : Add value of furniture <i>i.e.</i> 10% per annum of the original cost of furniture to the employer or actual hire charges (paid or payable) by the employer (10% of Rs. 1,00,000)	<u>10,000</u>
Value of furnished accommodation	17,500

(*) In this case, the accommodation is leased by the employer and, hence, the value of unfurnished accommodation will be lower of the following :

- (a) Rs. 8,400 (rent of the accommodation)
- (b) Rs. 7,500 (being 15% of the salary)

Illustration (Valuation of perquisite in respect of furnished accommodation)

Mr. Madhu is working in Essem Ltd. The company has provided him with a furnished accommodation. The accommodation is leased by the company at a monthly rent of Rs. 8,400. Salary of Mr. Madhu is Rs. 50,000 per month. The furniture provided along with the accommodation is rented by the employer at a monthly rent of Rs. 2,000. What will be the value of perquisite in this case?

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Value of furnished accommodation will be computed as follows ;

<i>Particulars</i>	<i>Amount (Rs.)</i>
Value of accommodation considering accommodation as unfurnished accommodation (*)	7,500
<i>Add</i> : Value of furniture <i>i.e.</i> actual hire charges (paid or payable) by the employer	<u>2,000</u>
Value of furnished accommodation	9,500

(*) In this case the accommodation is leased by the employer and, hence, the value of unfurnished accommodation will be lower of the following :

- (a) Rs. 8,400 (rent of the accommodation)
- (b) Rs. 7,500 (being 15% of the salary)

Illustration (Valuation of perquisite in respect of accommodation provided in a hotel)

Mr. Raj is working in Essem Ltd. The employer has provided him an accommodation in a hotel. The monthly charges paid to the hotel for the accommodation amounted to Rs. 8,400. Monthly salary of Mr. Raj is Rs. 1,00,000. What will be the taxable value of perquisite in this case?

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Value of perquisite in respect of provision of accommodation in a hotel will be lower of the following :

- (a) 24% of salary paid or payable; or,
- (b) Actual charges paid or payable by the employer to such hotel, for the period during which such accommodation is provided in the previous year.

Thus, in this case, the value of perquisite in the hands of Mr. Raj will be Rs. 8,400 per month being lower of the following :

- (a) Rs. 8,400 (actual charges paid to the hotel for the accommodation)
- (b) Rs. 24,000 (24% of the salary)

Illustration (Valuation of perquisite in respect of accommodation provided in a hotel)

Mr. Raj is working in Essem Ltd. The employer has provided him with an accommodation in a hotel. The monthly charges paid to the hotel for the accommodation amounted to Rs. 8,400. Monthly salary of Mr. Raj is Rs. 10,000. What will be the taxable value of perquisite in this case?

**

Value of perquisite in respect of provision of accommodation in a hotel will be lower of the following :

- (a) 24% of salary paid or payable; or,
- (b) Actual charges paid or payable by the employer to such hotel, for the period during which such accommodation is provided in the previous year.

Thus, in this case, the value of perquisite in the hands of Mr. Raj will be Rs. 2,400 per month being lower of the following :

- (a) Rs. 8,400 (actual charges paid to the hotel for the accommodation)
- (b) Rs. 2,400 (24% of the salary)

Illustration (Valuation of perquisite in respect of provision of domestic servant)

Mr. Kaushal is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a sweeper at his residence. The monthly salary of the sweeper amounting to Rs. 2,000 per month is met by the company. For the said facility the company recovers Rs. 500 per month from Mr. Kaushal. What will be the taxable value of perquisite in the hands of Mr. Kaushal in respect of sweeper provided by the company?

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The value of benefit to the employee (or any member of his household) resulting from the provision of services of a sweeper, a gardener, a watchman or a personal attendant, by the employer shall be the actual cost to the employer. Amount recovered from the employee will be deducted. Thus, in this case, the value of perquisite in the hands of Mr. Kaushal will come to Rs. 1,500 per month (Rs. 2,000 – Rs. 500 recovered from the employee).

Illustration (Valuation of perquisite in respect of provision of gas, water or electricity)

Mr. Sunil is working in Shyamal Ltd. The company provided him with free gas to be used at his residence. The gas is purchased by the company from a gas supplying agency. The cost of purchase of gas to the company is Rs. 2,520 per month. What will be the taxable value of perquisite in the hands of Mr. Sunil in respect of gas supplied by the company?

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The value of the perquisite arising on account of supply of gas, electricity or water to the employee will be the amount paid by the employer to the supplying agency in cases where the supply is made from resources not owned by the employer. Thus, in this case, the value of perquisite in the hands of Mr. Sunil will come to Rs. 2,520 being the amount paid by the company to purchase the gas from the outside agency.

Illustration (Valuation of perquisite in respect of provision of gas, water or electricity)

Mr. Sunny is working in Shyamal Ltd. The company provided him with free gas to be used at his residence. The gas is supplied from the gas manufactured by the company. The manufacturing cost of the gas supplied to Mr. Sunny is Rs. 1,000, however, the market value of such gas is Rs. 2,520 per month. What will be the taxable value of perquisite in the hands of Mr. Sunny in respect of gas supplied by the company?

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The value of the perquisite arising on account of supply of gas, electricity or water to the employee will be the amount paid by the employer to the supplying agency in cases where the supply is made from resources not owned by the employer. If supplies are made by the employer from his own resources without purchasing from the outside agencies, then the value of the perquisite will be 'the manufacturing cost per unit' incurred by the employer. Thus, in this case, the value of perquisite in the hands of Mr. Sunny will come to Rs. 1,000 being manufacturing cost to the company.

Illustration (Valuation of perquisite in respect of provision of educational facility to the children of the employee)

Mr. Lal is working in Essem Ltd. The children (one son and one daughter) of Mr. Lal are studying in the school which is run by Essem Ltd. Nothing is charged from Mr. Lal towards school fees of his children. The cost of such facility to the company comes to Rs. 500 per month per child, however, cost of such facility in similar schools comes to Rs. 840 per month per child. What will be the taxable value of perquisite in respect of education facility provided by the employer?

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Where the education facility is provided to the children of the employee in an educational institution which is maintained and owned by the employer or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, then the value of perquisite shall be the cost of such education in a similar institution in or nearby the locality. However, nothing shall be chargeable to tax if the cost of such education (or the value of such benefit) per child does not exceed Rs. 1,000 per month. If the cost of such education facility exceeds Rs. 1,000 per month per child, then amount in excess of Rs. 1,000 per month per child shall be charged to tax. In this case, the cost in similar school comes to Rs. 840 which is less than Rs. 1,000 and, hence, nothing will be charged to tax in the hands of Mr. Lal.

Illustration (Valuation of perquisite in respect of provision of educational facility to the children/members of household of the employee)

Mr. Lal is working in Essem Ltd. The children (one son and one daughter) of Mr. Lal are studying in the school which is run by Essem Ltd. Apart from his children his younger brother is also studying in the same school. Nothing is charged from Mr. Lal towards school fees of his children or his brother. The cost of such facility to the company comes to Rs. 500 per month per child. However, cost of such facility in similar schools comes to Rs. 840 per month per child. What will be the taxable value of perquisite in respect of education facility provided by the employer?

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Where the education facility is provided to the children of the employee in an educational institution which is maintained and owned by the employer or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, then the value of perquisite shall be the cost of such education in a similar institution in or nearby the locality. However, nothing shall be chargeable to tax if the cost of such education (or the value of such benefit) per child does not exceed Rs. 1,000 per month. If the cost of such education facility exceeds Rs. 1,000 per month per child, then amount in excess of Rs. 1,000 per month per child shall be charged to tax. In this case, the cost in similar school comes to Rs. 840 which is less than Rs. 1,000 and, hence, nothing will be charged to tax in the hands of Mr. Lal in respect of education facility provided to his children.

Where the education facility is provided to the members of household of the employee in an educational institution which is maintained and owned by the employer or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, then the value of perquisite shall be the cost of such education in a similar institution in or nearby the locality. The benefit of exemption upto Rs. 1,000 per child per month is available only in respect of the children of the employee and not in respect of any other member of the household.

Thus, in respect of facility provided to his brother, taxable value of perquisite will come to Rs. 840 per month.

Illustration (Valuation of perquisite in respect of provision of educational facility to the children of the employee)

Mr. Lal is working in Essem Ltd. at a monthly salary of Rs. 50,000. The children (one son and one daughter) of Mr. Lal are studying in Brilliant Kid Primary School. Annual fees of the school amounts to Rs. 8,400 per child. Entire fees are reimbursed by the employer. What will be the taxable value of perquisite in respect of education facility provided by the employer?

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Reimbursement of expenditure incurred for the education of the children/members of the household of the employee is taxable as a perquisite in the hands of employee. In this case, Rs. 8,400 per child is reimbursed by the employer and, hence, taxable value of perquisite in the hands of Mr. Lal will come to Rs. 16,800 (Rs. 8,400 per child for two children).

Illustration (Valuation of perquisite in respect of granting of interest free loan by the employer)

On 1-5-2012, Mr. Kapoor took an interest free loan of Rs. 84,000 from his employer for his personal purpose. The loan is to be repaid after 3 years. The rate of interest charged by State Bank of India on similar loan is 15% on 1-5-2012 and 14% on 1-4-2012. What will be the taxable value of perquisite in respect of interest free loan granted by the employer?

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The value of perquisite arising on account of interest free loan or concessional loan granted by the employer will be computed on the basis of the rate of interest on such loans charged by the State Bank of India as on the 1st day of the relevant previous year, in respect of loans for the same purpose advanced by SBI.

In this case, the rate of interest charged by SBI on similar loan as on 1-4-2012 is 14% and, hence, value of perquisite will be computed by considering interest @ 14%. Annual interest on Rs. 84,000 @ 14% will come to Rs. 11,760. Loan is taken on 1-5-2012 and, hence, interest will be counted only for 11 months, thus, taxable value of perquisite in the hands of Mr. Kapoor will come to Rs. 10,780.

Illustration (Valuation of perquisite in respect of granting of loan at concessional rate of interest by the employer)

On 1-5-2012, Mr. Kapoor took a loan of Rs. 84,000 from his employer for his personal purpose. The loan is to be repaid after 3 years. The employer is charging interest @ 10%. The rate of interest charged by State Bank of India on similar loan is 15% on 1-5-2012 and 14% on 1-4-2012. What will be the taxable value of perquisite in respect of interest free loan granted by the employer?

**

The value of perquisite arising on account of interest free loan or concessional loan granted by the employer will be computed on the basis of the rate of interest on such loans charged by the State Bank of India as on the 1st day of the relevant previous year, in respect of loans for the same purpose advanced by SBI.

In this case, the rate of interest charged by SBI on similar loan as on 1-4-2012 is 14%. However, the employer charges 10% interest and, hence, taxable value of perquisite will be computed by considering interest @ 4% (14% – 10%). Annual interest on Rs. 84,000 @ 4% will come to Rs. 3,360. Loan is taken on 1-5-2012 and, hence, interest will be counted only for 11 months. Thus, taxable value of perquisite in the hands of Mr. Kapoor will come to Rs. 3,080.

Illustration (Valuation of perquisite in respect of granting of interest free loan by the employer – loan taken for the 1st time where amount of loan is petty)

On 1-5-2012, Mr. Suraj took an interest free loan of Rs. 8,400 from his employer for his personal purpose. This is his first ever loan taken from employer. The loan is to be repaid after 3 years. The rate of interest charged by State Bank of India on similar loan is 15% on 1-5-2012 and 14% on 1-4-2012. What will be the taxable value of perquisite in respect of interest free loan granted by the employer?

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Nothing is charged to tax in respect of perquisite arising on account of interest free or concessional loan granted by the employer where the amount of loan is petty, not exceeding in the aggregate Rs. 20,000. In this case, the amount of loan is Rs. 8,400 and, hence, nothing will be charged to tax in respect of interest free loan of Rs. 8,400 in the hands of Mr. Suraj.

Illustration (Valuation of perquisite in respect of interest free loan for the purpose of medical treatment of specified diseases granted by the employer)

Mr. Kiran is working in Essem Ltd. On 1-4-2013, the employer has provided him with interest free loan for medical treatment of specified diseases of his spouse. The amount of loan is Rs. 2,52,000. The SBI lending rate on personal loan (as on 1-4-2012) is 13%. What will be the value of perquisite in respect of interest free loan granted by the employer?

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Nothing is charged to tax in respect of perquisite arising on account of interest free or concessional loan granted by the employer for medical treatment of specified diseases. Hence, in the above case, there will be no perquisite in respect of interest free loan taken by the employer for medical treatment of specified diseases.

Illustration (Valuation of perquisite in respect of granting of use of any movable assets belonging to the employer)

Mr. Sunil is working in Shyamal Ltd. at a monthly salary of Rs. 84,000. The employer has provided him with furniture at his residence. Nothing is charged by the employer in respect of use of such furniture by Mr. Sunil. The furniture was bought by the employer in December, 2010 for Rs. 1,00,000. The current depreciated value of the furniture in the books of the employer is Rs. 60,000. What will be the taxable value of perquisite in the hands of Mr. Sunil in respect of furniture provided by the employer?

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The value of perquisite to the employee resulting from the use by the employee (or any member of his household) of any movable asset (other than assets already specified in Rule 3 and other than laptops and computers) belonging to the employer shall be determined at rate of 10% per annum of the actual cost of such asset to the employer.

In this case, the cost of furniture to the employer is Rs. 1,00,000. Hence, value of perquisite in the hands of Mr. Sunil will come to Rs. 10,000 (10% of Rs. 1,00,000).

Illustration (Valuation of perquisite in respect of granting of use of any movable assets belonging to the employer)

Mr. Sunil is working in Shyamal Ltd. at a monthly salary of Rs. 84,000. The employer has provided him with furniture at his residence. Nothing is charged by the employer in respect of use of such furniture by Mr. Sunil. The furniture is hired by the employer at a monthly rent of Rs. 1,000. What will be the taxable value of perquisite in the hands of Mr. Sunil in respect of furniture provided by the employer?

**

The value of perquisite to the employee resulting from the use by the employee (or any member of his household) of any movable asset (other than assets already specified in Rule 3 and other than laptops and computers) belonging to the employer shall be determined at rate of 10% per annum of the actual cost of such asset to the employer. If the assets are hired by the employer, the value of perquisite will be the actual amount of rent or charges paid or payable by the employer for the said asset.

In this case, the furniture is hired by the employer. Hence the value of perquisite in the hands of Mr. Sunil will come to Rs. 1,000 per month (being rent of the furniture).

Illustration (Valuation of perquisite in respect of granting of use of laptop belonging to the employer)

Mr. Sunil is working in Shyamal Ltd. at a monthly salary of Rs. 84,000. The employer has provided him with a laptop. The laptop can be used for official as well as private purpose. The laptop was purchased by the company in December, 2011 for Rs. 1,00,000. What will be the taxable value of perquisite in the hands of Mr. Sunil in respect of laptop provided by the employer?

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Nothing is charged to tax in respect of computer or laptops provided by the employer to the employee.

Thus, nothing will be charged to tax in the hands of Mr. Sunil in respect of laptop provided by the employer.

Illustration (Valuation of perquisite in respect of transfer of assets belonging to the employer)

Mr. Sachin is working in Essem Ltd. at a monthly salary of Rs. 84,000. He purchased a laptop (on 1-5-2013) from the employer for Rs. 10,000. The laptop was purchased by the employer in December, 2010 for Rs. 1,00,000. What will be the taxable value of perquisite in respect of laptop purchased from the employer?

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Value of perquisite in this case will be excess of WDV (*i.e.*, cost *less* normal wear and tear) of the asset over the amount recovered from the employee in respect of such transfer. In case of electronic items (*i.e.*, computer and related items only), WDV shall be computed on reducing balance method by deducting 50% depreciation for each completed year.

The laptop was purchased by the employer in December, 2010 and is transferred to the employee in May, 2013. Hence, the employer owned the laptop for 2 completed years. The WDV of the laptop will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Purchase price of the laptop	1,00,000
(-) Depreciation @ 50% for first year	<u>50,000</u>
WDV	50,000
(-) Depreciation @ 50% for second year	<u>25,000</u>
WDV	25,000

The WDV of the laptop comes to Rs. 25,000 and it is purchased for Rs. 10,000. Hence, value of perquisite in the hands of Mr. Sachin will come to Rs. 15,000 (Rs. 25,000 – Rs. 10,000).

Illustration (Valuation of perquisite in respect of transfer of assets belonging to the employer)

Mr. Sudhir is working in Essem Ltd. at a monthly salary of Rs. 84,000. He purchased a car (on 1-5-2013) from the employer for Rs. 1,00,000. The car was purchased by the employer in December, 2010 for Rs. 5,00,000. What will be the taxable value of perquisite in respect of car purchased from the employer?

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Value of perquisite in this case will be excess of WDV (*i.e.*, cost *less* normal wear and tear) of the asset over the amount recovered from the employee in respect of such transfer. In case of car, WDV shall be computed on reducing balance method by deducting 20% depreciation for each completed year.

The car was purchased by the employer in December, 2010 and is transferred to the employee in May, 2013. Hence, the employer owned the car for 2 completed years. The WDV of the car will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Purchase price of the car	5,00,000
(-) Depreciation @ 20% for first year	<u>1,00,000</u>
WDV	4,00,000
(-) Depreciation @ 20% for second year	<u>80,000</u>
WDV	3,20,000

The WDV of the car comes to Rs. 3,20,000 and it was purchased for Rs. 1,00,000. Hence, value of perquisite in the hands of Mr. Sudhir will come to Rs. 2,20,000 (Rs. 3,20,000 – Rs. 1,00,000).

Illustration (Valuation of perquisite in respect of transfer of assets belonging to the employer)

Mr. Rohan is working in Essem Ltd. at a monthly salary of Rs. 84,000. He purchased a music system (on 1-5-2013) from the employer for Rs. 5,000. The music system was purchased by the employer in December, 2010 for Rs. 50,000. What will be the taxable value of perquisite in respect of music system purchased from the employer?

**

Value of perquisite in this case will be excess of WDV (*i.e.*, cost less normal wear and tear) of the asset over the amount recovered from the employee in respect of such transfer. In case of any other asset (*i.e.*, other than electronic items and motor car), WDV is to be computed by deducting 10% of actual cost (*i.e.*, as per straight line method) for each completed year.

The music system was purchased by the employer in December, 2010 and is transferred to the employee in May, 2013. Hence, the employer owned the music system for 2 completed years. The WDV of the music system will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Purchase price of the music system	50,000
(–) Depreciation @ 10% for first year (on SLM)	<u>5,000</u>
WDV	45,000
(–) Depreciation @ 10% for second year (on SLM)	<u>5,000</u>
WDV	40,000

The WDV of the music system comes to Rs. 40,000 and it is purchased for Rs. 5,000. Hence, value of perquisite in the hands of Mr. Rohan will come to Rs. 35,000 (Rs. 40,000 – Rs. 5,000).

Illustration (Valuation of perquisite in respect of transfer of assets belonging to the employer)

Mr. Soham is working in Essem Ltd. at a monthly salary of Rs. 84,000. He purchased a music system (on 1-5-2013) from the employer for Rs. 45,000. The music system was purchased by the employer in December, 2010 for Rs. 50,000. What will be the taxable value of perquisite in respect of music system purchased from the employer?

**

Value of perquisite in this case will be excess of WDV (*i.e.*, cost less normal wear and tear) of the asset over the amount recovered from the employee in respect of such transfer. In case of any other asset (*i.e.*, other than electronic items and motor car), WDV is to be computed by deducting 10% of actual cost (*i.e.*, as per straight line method) for each completed year.

The music system was purchased by the employer in December, 2010 and is transferred to the employee in May, 2013. Hence, the employer owned the music system for 2 completed years. The WDV of the music system will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Purchase price of the music system	50,000
(-) Depreciation @ 10% for first year (on SLM)	<u>5,000</u>
WDV	45,000
(-) Depreciation @ 10% for second year (on SLM)	<u>5,000</u>
WDV	40,000

The WDV of the music system comes to Rs. 40,000 and it is purchased for Rs. 45,000 which is more than its WDV and, hence, value of perquisite in the hands of Mr. Soham will be *Nil*.

Illustration (Valuation of perquisite in respect of motor car owned by the employee and running and maintenance expenses met by the employer)

Mr. Sunil is working in Essem Ltd. at a monthly salary of Rs. 84,000. He owns a car (Maruti 800). The car is used by him for his private purpose as well as the official purpose. The employer reimburses him every month Rs. 2,000 on account of expenditure of the car. No driver is deputed. What will be the taxable value of perquisite in respect of reimbursement of expenditure by the employer?

**

In this case, the value of perquisite in the hands of Mr. Sunil will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	2,000
<i>Less:</i> Prescribed amount, <i>i.e.</i> , Rs. 1,800 per month since the cubic capacity of the engine does not exceed 1.6 litres (<i>i.e.</i> , 1,600 cc)	<u>1,800</u>
Value of perquisite	200

Illustration (Valuation of perquisite in respect of motor car owned by the employee and running and maintenance expenses met by the employer)

Mr. Sunil is working in Essem Ltd. at a monthly salary of Rs. 84,000. He owns a car (Maruti 800). The car is used only for private purpose. The employer reimburses him monthly Rs. 2,000 on account of expenditure of the car. No driver is deputed. What will be the taxable value of perquisite in respect of reimbursement of expenditure by the employer?

**

In this case, the value of perquisite will be the amount incurred/reimbursed by the employer. Thus, value of perquisite in the hands of Mr. Sunil will come to Rs. 2,000 per month.

Illustration (Valuation of perquisite in respect of motor car provided by the employer and running and maintenance expenses met by the employer)

Mr. Sunil is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a car (Maruti 800). The cost of the car is Rs. 2,00,000. The car is used only for private purpose. The employer also pays the entire expenditure of the car which amounts to Rs. 5,000 per month (including driver's salary). What will be the taxable value of perquisite in respect of reimbursement of expenditure by the employer?

**

In this case, the value of perquisite in the hands of Mr. Sunil will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	5,000
Add: 10% per annum of actual cost of car, since car is owned by the employer	<u>20,000</u>
Value of perquisite	25,000

Illustration (Valuation of perquisite in respect of motor car provided by the employer and running and maintenance expenses met by the employer)

Mr. Subodh is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a car (Maruti 800). The cost of the car is Rs. 2,00,000. The car is used partly for private purpose and partly for official purpose. The employer also pays the entire expenditure of the car which amounts to Rs. 5,000 per month (including driver's salary). What will be the taxable value of perquisite in respect of reimbursement of expenditure by the employer?

**

In this case, the value of perquisite will be calculated at the rate of Rs. 1,800 per month since the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1,600 cc) and Rs. 900 per month for chauffeur. Thus, taxable value of perquisite in the hands of Mr. Subodh will come to Rs. 2,700 per month (Rs. 1,800 + Rs. 900).

Illustration (Valuation of perquisite in respect of motor car provided by the employer and running and maintenance expenses met by the employee)

Mr. Raj is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a car (Maruti 800). The cost of the car is Rs. 2,00,000. The car is used partly for private purpose and partly for official purpose. The running and maintenance expenditures (including driver's salary) are met by Mr. Raj. What will be the taxable value of perquisite in respect of motor car provided by the employer?

**

In this case, the value of perquisite will be calculated at the rate of Rs. 600 per month since the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1,600 cc) and Rs. 900 per month for chauffeur. Thus, taxable value of perquisite in the hands of Mr. Raj will come to Rs. 1,500 per month (Rs. 600 + Rs. 900).

Illustration (Valuation of perquisite in respect of motor car provided by the employer and running and maintenance expenses met by the employee)

Mr. Raj is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a car (Maruti 800). The cost of the car is Rs. 2,00,000. The car is used for private purpose. The running and maintenance expenditures (including driver's salary) are met by Mr. Raj. What will be the taxable value of perquisite in respect of motor car provided by the employer?

**

In this case, the value of perquisite in the hands of Mr. Raj will be calculated as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
10% per annum of actual cost of car, since the car is owned by the employer	20,000
Value of perquisite	20,000

Illustration (Valuation of perquisite in respect of provision of free or concessional meal by the employer)

Mr. Kumar is working in Essem Ltd. The company has provided him with free tea in morning and evening during office hours. The cost of such service to the company is Rs. 840 per month per employee. The company charges Rs. 200 from each employee. What will be the taxable value of perquisite in this case?

**

Nothing shall be charged to tax in respect of light refreshments (*i.e.*, tea or non-alcoholic beverages and snacks) provided during working hours including working on holidays, overtime, etc. Thus, in this case taxable value of perquisite in the hands of Mr. Kumar will be *Nil*.

Illustration (Valuation of perquisite in respect of provision of free or concessional meal by the employer)

Mr. Kumar is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company provides him with free meal (lunch) during office hours. Meal is provided in office premises. The cost per meal to the company is Rs. 40. What will be the taxable value of perquisite in this case?

**

In respect of meal provided by the employer, nothing is charged to tax if the cost per meal does not exceed Rs. 50. In this case, the cost per meal is Rs. 40 and, hence, nothing will be charged to tax in the hands of Mr. Kumar in respect of meal provided by the company.

Illustration (Valuation of perquisite in respect of provision of free or concessional meal by the employer)

Mr. Kaushal is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company provides him with free meal (lunch) during office hours. Meal is provided in office premises. The cost per meal to the company is Rs. 140. What will be the taxable value of perquisite in this case?

**

In respect of meal provided by the employer, nothing is charged to tax if the cost per meal does not exceed Rs. 50. If the cost per meal exceeds Rs. 50, then expenditure on provision of free meals in excess of Rs. 50 per meal is treated as perquisite. In this case, the cost per meal is Rs. 140 and, hence, taxable value of perquisite in the hands of Mr. Kaushal will come to Rs. 90 per meal (Rs. 140 – Rs. 50).

Illustration (Valuation of perquisite in respect of provision of credit card by the employer)

Mr. Suraj is working in Esssem Ltd. at a monthly salary of Rs. 25,200. The company has provided him with a credit card. The card can only be used for expenditure incurred in performance of his official duty. If he uses the card for his personal purpose then the company recovers entire amount attributed to personal purpose. For the month of March, 2013, the total expenditure incurred by the company on credit card provided to Mr. Suraj was as follows :

- Expenditure attributed for official purpose : Rs. 10,000.
- Personal expenditure of Mr. Suraj : Rs. 2,000. This amount was recovered from Mr. Suraj.

In respect of expenditure attributed to official purpose complete details of such an expenditure (including the date and nature of expenditure) are maintained by the employer and the employer has given a certificate to the effect that such expenditure was incurred exclusively for performing official duty.

What will be the taxable value of perquisite in the hands of Mr. Suraj?

**

Value of perquisite arising on account of provision of credit card by the employer will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Expenditure incurred by the employer	12,000
<i>Less:</i> Amount recovered from the employee	2,000
<i>Less:</i> Expenditure on use for official purposes	<u>10,000</u>
Value of perquisite	<i>Nil</i>

Illustration (Valuation of perquisite in respect of provision of club facility by the employer)

Mr. Sumit is working in Esssem Ltd. at a monthly salary of Rs. 84,000. The company has made an agreement with a sports club. According to the agreement the employees of the company are entitled to enjoy the club facility. For the said purpose the company has to pay Rs. 2,000 per month per employee. What will be the taxable value of perquisite in the hands of Mr. Sumit?

**

Value of perquisite arising on account of provision of club facility by the employer will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Expenditure incurred or reimbursed by the employer in respect of club facility used by the employee or any member of his household	2,000
<i>Less:</i> Amount recovered from the employee	<u>Nil</u>
Value of perquisite	2,000

Illustration (Valuation of perquisite arising on account of gift given by the employer)

Mr. Rahul is working in Essem Ltd. at a monthly salary of Rs. 25,200. During the year 2012-13, the company gave him cash gift amounting to Rs. 54,001. What will be the tax treatment of gift given by the company?

**

Cash gifts are fully charged to tax and, hence, in this case entire amount of gift of Rs. 54,001 will be charged to tax in the hands of Mr. Rahul.

Illustration (Valuation of perquisite arising on account of provision of free use of telephone by the employer)

Mr. Kaushal is working in SM Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a mobile phone and entire monthly bill of the phone is paid by the company. Nothing is recovered from Mr. Kaushal in respect of use of mobile phone. What will be the taxable value of perquisite in respect of mobile phone provided by the company?

**

Nothing is taxed in respect of expenses on telephone including a mobile phone actually incurred by the employer on behalf of an employee. Hence, no perquisite will arise in the hands of Mr. Kaushal in respect of provision of mobile phone by the employer.

Illustration (Valuation of perquisite arising on account of provision of medical facility by the employer)

Mr. Amit is working in SM Ltd. The company provides free medical facility to all its employees in the hospital maintained by the company. Mr. Amit has availed of medical treatment in the hospital of the company and the cost of such facility to the company came to Rs. 10,000. Nothing is charged by the company for such facility. What will be the taxable value of perquisite in the hands of Mr. Amit in respect of medical facility provided by the company?

**

Nothing will be charged to tax in respect of medical facility provided in a hospital maintained by the employer. Thus, in the above case, nothing will be charged to tax in the hands of Mr. Amit in respect of medical facility provided by the company.

Illustration (Valuation of perquisite arising on account of provision of medical facility by the employer)

Mr. Amit is working in SM Ltd. The company provides free medical facility to all its employees. The treatment can be taken in any hospital as per the choice of the employee. The employee has to pay the hospital for the medical treatment and thereafter he has to present the medical bill to the company and the company reimburses the entire bill to the employee. During the year 2012-13, Mr. Amit has taken medical treatment in Get Well Soon Clinic. Total cost of such treatment came to Rs. 10,000 which was reimbursed by the company to him. What will be the taxable value of perquisite in the hands of Mr. Amit in respect of medical facility provided by the company?

**

Nothing will be charged to tax in respect of medical facility provided in a hospital:

- (a) Maintained by the employer,
- (b) Maintained by the Government or local authority or other person but approved by Government for treatment of its employees,
- (c) Approved by the Chief Commissioner having regard to the prescribed guidelines. In this case, exemption is available only for treatment of prescribed diseases given in Rule 3A. A certificate from the hospital specifying nature of disease as well as amount of expenditure should be obtained.
- (d) In respect of medical facility/expenses in any hospital other than discussed in (a) to (c) above, amount of expenditure incurred or reimbursed by the employer in excess of Rs. 15,000 (in aggregate per year) will be the value of the perquisite charged to tax in the hands of employee.

In the present case, the cost of medical treatment came to Rs. 10,000 (which is less than Rs. 15,000) and, hence, nothing will be charged to tax in the hands of Mr. Amit in respect of reimbursement of Rs. 10,000.

Illustration (Valuation of perquisite arising on account of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer or former employer, free of cost or at concessional rate to the employee)

Mr. Sunit is working in SM Ltd. The company offered him an Employees' Stock Option Plan. As per the plan the employees of the company can acquire the shares of the company at Rs. 10 per share. The current market price of the shares of the company is Rs. 840 per share. In pursuance of the scheme, Mr. Sunit exercised the option and was allotted 100 shares. The market price of the shares on different dates is as follows :

- Market price on the date of declaring the option : Rs. 840 per share.
- Market price on the date of exercise of the option by Mr. Sunit : Rs. 900 per share.
- Market price on the date of allotment of the share by the company : Rs. 1,000 per share.

What will be the taxable value of perquisite in respect of above shares issued by the company to Mr. Sunit?

**

In respect of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer or former employer, free of cost or at concessional rate to the employee, the fair market value of such shares/securities on the date of exercise of the option, *less* amount recovered from the employee, will be the taxable value of perquisite in the hands of the employee.

In this case, the value of perquisite in the hands of Mr. Sunit will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Fair market value of the share on the date of exercise of the option	900
<i>Less:</i> Amount recovered from the employee	<u>10</u>
Taxable value of perquisite (per share)	890
(×) No. of shares issued to Mr. Sunit	<u>100</u>
Taxable value of perquisite	89,000



FAQ

1. How to value perquisite in respect of rent free unfurnished accommodation in the hands of a Government employee? Explain with the help of illustration.

Following illustration will help in understanding the manner of computing the value of perquisite in respect of rent free unfurnished accommodation in the hands of a Government employee :

Illustration

Mr. Kumar is a Central Government employee. His monthly salary is Rs. 84,000. The employer has provided him with a rent free unfurnished accommodation. The fair rent of the accommodation is Rs. 5,000 per month. The licence fee of the bungalow is Rs. 1,000 per month. What will be the taxable value of perquisite arising in the hands of Mr. Kumar in respect of rent free unfurnished accommodation provided by the employer?

**

The value of perquisite in the hands of Government employee in respect of rent free unfurnished accommodation provided by the employer will be the licence fee of such accommodation. Thus, value of perquisite in the hands of Mr. Kumar will come to Rs. 1,000 per month.

2. How to value perquisite in respect of unfurnished accommodation in the hands of a Government employee provided at concessional rent? Explain with the help of illustration.

Following illustration will help in understanding the manner of computing the value of perquisite in respect of unfurnished accommodation in the hands of a Government employee provided at concessional rent :

Illustration

Mr. Sunil is a Central Government employee. His monthly salary is Rs. 84,000. The employer has provided him with an accommodation at concessional rent. The fair rent of the accommodation is Rs. 5,000 per month. The licence fee of the bungalow is Rs. 1,000 per month. The employer recovers Rs. 100 per month from Mr. Sunil in respect of aforesaid accommodation. What will be the taxable value of perquisite arising in the hands of Mr. Sunil in respect of accommodation provided by the employer?

**

The value of perquisite in the hands of Government employee in respect of rent free unfurnished accommodation provided by the employer will be the licence fee of such accommodation. Amount recovered from employee is to be deducted. Thus, value of perquisite in the hands of Mr. Sunil will come to Rs. 900 per month (Rs. 1,000 – Rs. 100).

3. How to value perquisite in respect of rent free unfurnished accommodation in the hands of a non-Government employee? Explain with the help of illustration.

Following illustrations will help in understanding the manner of computing the value of perquisite in respect of rent free unfurnished accommodation in the hands of a non-Government employee :

Illustration

Mr. Kapoor is working in Essem Ltd. The company has provided him with a rent free unfurnished accommodation in Mumbai. The accommodation is owned by the company. The salary of Mr. Kapoor is Rs. 84,000 per month. The fair rent of the accommodation is Rs. 10,000 per month. What will be the taxable value of perquisite in respect of rent free unfurnished accommodation provided by the employer?

**

In case of non-Government employee, the value of perquisite will be computed as follows (accommodation owned by the employer):

The value of perquisite will be computed on the basis of population of the city in which the accommodation is provided and the nature of the accommodation, *i.e.*, whether the accommodation is owned by the employer or is taken on rent by the employer? Valuation of perquisite in the hands of Mr. Kapoor will be as follows:

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

In this case the accommodation is located in Mumbai, *i.e.*, population of more than 25 lakhs, hence, value of perquisite will come to Rs. 12,600 (Rs. 84,000 × 15%) per month.

Illustration

Mr. Kapoor is working in Essem Ltd. The company has provided him with a rent free unfurnished accommodation in a city having population of 18 lakhs. The accommodation is owned by the company. The salary of Mr. Kapoor is Rs. 84,000 per month. The fair rent of the accommodation is Rs. 10,000 per month. What will be the taxable value of perquisite in respect of rent free unfurnished accommodation provided by the employer?

**

In case of non-Government employee, the value of perquisite will be computed as follows (accommodation owned by the employer):

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

In this case, the accommodation is located in a city having population of 18 lakhs, hence, value of perquisite in the hands of Mr. Kapoor will come to Rs. 8,400 (Rs. 84,000 × 10%) per month.

Illustration

Mr. Kapoor is working in Essem Ltd. The company has provided him with a rent free unfurnished accommodation in a city having population of 8 lakhs. The accommodation is owned by the company. The salary of Mr. Kapoor is Rs. 84,000 per month. The fair rent of the accommodation is Rs. 10,000 per month. What will be the taxable value of perquisite in respect of rent free unfurnished accommodation provided by the employer?

**

In case of non-Government employee, the value of perquisite will be computed as follows (accommodation owned by the employer):

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

In this case, the accommodation is located in a city having population of 8 lakhs, hence, value of perquisite will come to Rs. 6,300 (Rs. 84,000 × 7.5%) per month.

Illustration

Mr. Kapoor is working in Essem Ltd. The company has provided him with a rent free unfurnished accommodation in a city having population of 8 lakhs. The accommodation is leased by the company at a monthly rent of Rs. 5,000. The salary of Mr. Kapoor is Rs. 84,000 per month. The fair rent of the accommodation is Rs. 4,000 per month. What will be the taxable value of perquisite in respect of rent free unfurnished accommodation provided by the employer?

**

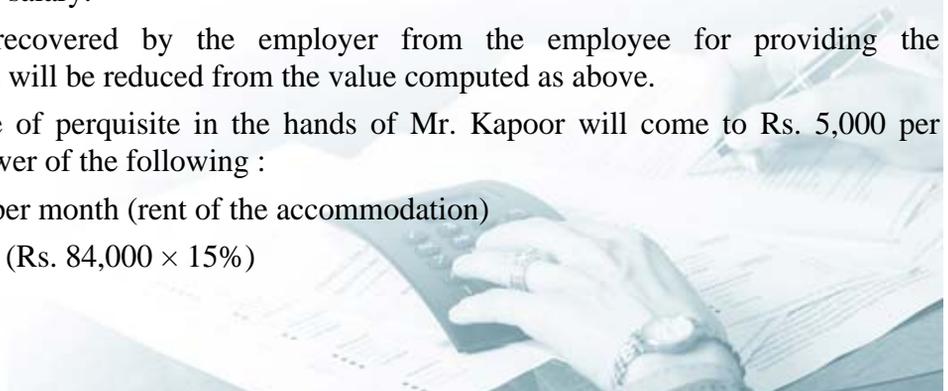
In case of non-Government employee, the value of perquisite will be lower of the following :

- Rent of the accommodation paid or payable by the employer; or
- 15% of the salary.

Any amount recovered by the employer from the employee for providing the accommodation will be reduced from the value computed as above.

Thus, the value of perquisite in the hands of Mr. Kapoor will come to Rs. 5,000 per month being lower of the following :

- Rs. 5,000 per month (rent of the accommodation)
- Rs. 12,600 (Rs. 84,000 × 15%)



Illustration

Mr. Kapoor is working in Essem Ltd. The company has provided him with a rent free unfurnished accommodation in a city having population of 8 lakhs. The accommodation is leased by the company at a monthly rent of Rs. 15,000. The salary of Mr. Kapoor is Rs. 84,000 per month. The fair rent of the accommodation is Rs. 4,000 per month. What will be the taxable value of perquisite in respect of rent free unfurnished accommodation provided by the employer?

**

In case of non-Government employee, the value of perquisite will be lower of the following :

- Rent of the accommodation paid or payable by the employer; or
- 15% of the salary.

Thus, the value of perquisite in the hands of Mr. Kapoor will come to Rs. 12,600 per month being lower of the following :

- Rs. 15,000 per month (rent of the accommodation)
- Rs. 12,600 (Rs. 84,000 × 15%)

Illustration

Mr. Sunil is working in Essem Ltd. The company has provided him with a rent free unfurnished accommodation in Mumbai. The accommodation is owned by the company. The salary of Mr. Sunil is as follows :

- Basic salary : Rs. 84,000 per month.
- Dearness allowance : Rs. 1,16,000 per month (forming part of salary while computing retirement benefits).
- Dearness allowance : Rs. 20,000 per month (not forming part of salary while computing retirement benefits).
- Monthly fixed commission : Rs. 10,000 per month
- Employer's contribution to provident fund : 10% of salary

What will be the taxable value of perquisite in respect of accommodation provided by the employer?

**

In case of non-Government employee, the value of perquisite will be computed as follows (accommodation owned by the employer):

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

- Salary for this purpose shall include all payments, except the following:
 - (a) Dearness allowance, if it is not taken into account, while computing retirement benefits (*i.e.*, DA not in terms).
 - (b) Employer's contribution to provident fund account of the employee.
 - (c) All allowances which are exempt from tax.
 - (d) Value of perquisites (whether monetary or non-monetary).
 - (e) Lump sum payments received at the time of termination of service or superannuation or voluntary retirement, like gratuity, severance pay, leave encashment, voluntary retirement benefits, commutation of pension and similar payments.

Considering above, monthly salary in this case will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Basic salary	84,000
Dearness allowance (forming part of salary while computing retirement benefits)	1,16,000
Dearness allowance (not forming part of salary while computing retirement benefits)	Not to be considered
Monthly fixed commission	10,000
Employer's contribution to provident fund	<u>Not to be considered</u>
Total salary to be used to compute value of perquisite	2,10,000

In this case the accommodation is located in Mumbai. Hence, value of perquisite in the hands of Mr. Sunil will come to Rs. 31,500 (Rs. 2,10,000 × 15%) per month.

4. How to value perquisite in respect of unfurnished accommodation in the hands of a non-Government employee provided at concessional rent? Explain with the help of illustration.

Following illustration will help in understanding the manner of computing the value of perquisite in respect of unfurnished accommodation in the hands of a non-Government employee provided at concessional rent :

Illustration

Mr. Sunil is working in Essem Ltd. The company has provided him with an unfurnished accommodation at concessional rent in a city having population of 8 lakhs. The accommodation is owned by the company. The salary of Mr. Sunil is Rs. 84,000 per month. The fair rent of the accommodation is Rs. 10,000 per month. The company recovers Rs. 2,000 per month on account of rent of the accommodation. What will be the taxable value of perquisite in respect of accommodation provided by the employer?

**

In case of non-Government employee, the value of perquisite will be computed as follows (accommodation owned by the employer):

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

Amount recovered from the employee will be deducted from the value computed above.

In this case the accommodation is located in a city having population of 8 lakhs. Hence, value of perquisite will come to Rs. 6,300 (Rs. 84,000 × 7.5%) per month. Net taxable value of perquisite in the hands of Mr. Sunil will be Rs. 4,300 (Rs. 6,300 – Rs. 2,000 amount recovered from the employee).

5. How to value perquisite in respect of furnished accommodation? Explain with the help of illustration.

Following illustrations will help in understanding the manner of computing the value of perquisite in respect of furnished accommodation :

Illustration

Mr. Madhu is working in Essem Ltd. The company has provided him with a furnished accommodation. The accommodation is leased by the company at a monthly rent of Rs. 8,400. Salary of Mr. Madhu is Rs. 50,000 per month. The furniture provided along with the accommodation is owned by the employer and was purchased by the employer before 2 years for Rs. 1,00,000. What will be the value of perquisite in this case?

**

Value of furnished accommodation will be computed as follows ;

<i>Particulars</i>	<i>Amount (Rs.)</i>
Value of accommodation considering accommodation as unfurnished accommodation (*)	7,500
<i>Add : Add value of furniture i.e. 10% per annum of the original cost of furniture to the employer or actual hire charges (paid or payable) by the employer (10% of Rs. 1,00,000)</i>	<u>10,000</u>
Value of furnished accommodation	17,500

(*) In this case, the accommodation is leased by the employer and, hence, the value of unfurnished accommodation will be lower of the following :

- Rs. 8,400 (rent of the accommodation)
- Rs. 7,500 (being 15% of the salary)

Illustration

Mr. Madhu is working in Essem Ltd. The company has provided him with a furnished accommodation. The accommodation is leased by the company at a monthly rent of Rs. 8,400. Salary of Mr. Madhu is Rs. 50,000 per month. The furniture provided along with the accommodation is rented by the employer at a monthly rent of Rs. 2,000. What will be the value of perquisite in this case?

**

Value of furnished accommodation will be computed as follows ;

<i>Particulars</i>	<i>Amount (Rs.)</i>
Value of accommodation considering accommodation as unfurnished accommodation (*)	7,500
Add : Value of furniture <i>i.e.</i> actual hire charges (paid or payable) by the employer	<u>2,000</u>
Value of furnished accommodation	9,500

(*) In this case the accommodation is leased by the employer and, hence, the value of unfurnished accommodation will be lower of the following :

- (a) Rs. 8,400 (rent of the accommodation)
- (b) Rs. 7,500 (being 15% of the salary)

6. How to value perquisite in respect of accommodation provided in a hotel? Explain with the help of illustration.

Following illustrations will help in understanding the manner of computing the value of perquisite in respect of accommodation provided in a hotel :

Illustration

Mr. Raj is working in Essem Ltd. The employer has provided him an accommodation in a hotel. The monthly charges paid to the hotel for the accommodation amounted to Rs. 8,400. Monthly salary of Mr. Raj is Rs. 1,00,000. What will be the taxable value of perquisite in this case?

**

Value of perquisite in respect of provision of accommodation in a hotel will be lower of the following :

- (a) 24% of salary paid or payable; or,
- (b) Actual charges paid or payable by the employer to such hotel, for the period during which such accommodation is provided in the previous year.

Thus, in this case, the value of perquisite in the hands of Mr. Raj will be Rs. 8,400 per month being lower of the following :

- (a) Rs. 8,400 (actual charges paid to the hotel for the accommodation)
- (b) Rs. 24,000 (24% of the salary)

Illustration

Mr. Raj is working in Essem Ltd. The employer has provided him with an accommodation in a hotel. The monthly charges paid to the hotel for the accommodation amounted to Rs. 8,400. Monthly salary of Mr. Raj is Rs. 10,000. What will be the taxable value of perquisite in this case?

**

Value of perquisite in respect of provision of accommodation in a hotel will be lower of the following :

- (a) 24% of salary paid or payable; or,
- (b) Actual charges paid or payable by the employer to such hotel, for the period during which such accommodation is provided in the previous year.

Thus, in this case, the value of perquisite in the hands of Mr. Raj will be Rs. 2,400 per month being lower of the following :

- (a) Rs. 8,400 (actual charges paid to the hotel for the accommodation)
- (b) Rs. 2,400 (24% of the salary)

7. How to value perquisite in respect of provision of domestic servant by the employer? Explain with the help of illustration.

Following illustration will help in understanding the manner of computing the value of perquisite in respect of provision of domestic servant by the employer :

Illustration

Mr. Kaushal is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a sweeper at his residence. The monthly salary of the sweeper amounting to Rs. 2,000 per month is met by the company. For the said facility the company recovers Rs. 500 per month from Mr. Kaushal. What will be the taxable value of perquisite in the hands of Mr. Kaushal in respect of sweeper provided by the company?

**

The value of benefit to the employee (or any member of his household) resulting from the provision of services of a sweeper, a gardener, a watchman or a personal attendant, by the employer shall be the actual cost to the employer. Amount recovered from the employee will be deducted. Thus, in this case, the value of perquisite in the hands of Mr. Kaushal will come to Rs. 1,500 per month (Rs. 2,000 – Rs. 500 recovered from the employee).

8. How to value perquisite in respect of provision of gas, water or electricity by the employer? Explain with the help of illustration.

Following illustrations will help in understanding the manner of computing the value of perquisite in respect of provision of gas, water or electricity by the employer :

Illustration

Mr. Sunil is working in Shyamal Ltd. The company provided him with free gas to be used at his residence. The gas is purchased by the company from a gas supplying agency. The cost of purchase of gas to the company is Rs. 2,520 per month. What will be the taxable value of perquisite in the hands of Mr. Sunil in respect of gas supplied by the company?

**

The value of the perquisite arising on account of supply of gas, electricity or water to the employee will be the amount paid by the employer to the supplying agency in cases where the supply is made from resources not owned by the employer. Thus, in this case, the value of perquisite in the hands of Mr. Sunil will come to Rs. 2,520 being the amount paid by the company to purchase the gas from the outside agency.

Illustration

Mr. Sunny is working in Shyamal Ltd. The company provided him with free gas to be used at his residence. The gas is supplied from the gas manufactured by the company. The manufacturing cost of the gas supplied to Mr. Sunny is Rs. 1,000, however, the market value of such gas is Rs. 2,520 per month. What will be the taxable value of perquisite in the hands of Mr. Sunny in respect of gas supplied by the company?

**

The value of the perquisite arising on account of supply of gas, electricity or water to the employee will be the amount paid by the employer to the supplying agency in cases where the supply is made from resources not owned by the employer. If supplies are made by the employer from his own resources without purchasing from the outside agencies, then the value of the perquisite will be 'the manufacturing cost per unit' incurred by the employer. Thus, in this case, the value of perquisite in the hands of Mr. Sunny will come to Rs. 1,000 being manufacturing cost to the company.

9. How to value perquisite in respect of provision of education facility by the employer? Explain with the help of illustration.

Following illustrations will help in understanding the manner of computing the value of perquisite in respect of provision of educational facility by the employer:

Illustration

Mr. Lal is working in Essem Ltd. The children (one son and one daughter) of Mr. Lal are studying in the school which is run by Essem Ltd. Nothing is charged from Mr. Lal towards school fees of his children. The cost of such facility to the company comes to Rs. 500 per month per child, however, cost of such facility in similar schools comes to Rs. 840 per month per child. What will be the taxable value of perquisite in respect of education facility provided by the employer?

**

Where the education facility is provided to the children of the employee in an educational institution which is maintained and owned by the employer or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, then the value of perquisite shall be the cost of such education in a similar institution in or nearby the locality. However, nothing shall be chargeable to tax if the cost of such education (or the value of such benefit) per child does not exceed Rs. 1,000 per month. If the cost of such education facility exceeds Rs. 1,000 per month per child, then amount in excess of Rs. 1,000 per month per child shall be charged to tax. In this case, the cost in similar school comes to Rs. 840 which is less than Rs. 1,000 and, hence, nothing will be charged to tax in the hands of Mr. Lal.

Illustration

Mr. Lal is working in Essem Ltd. The children (one son and one daughter) of Mr. Lal are studying in the school which is run by Essem Ltd. Apart from his children his younger brother is also studying in the same school. Nothing is charged from Mr. Lal towards school fees of his children or his brother. The cost of such facility to the company comes to Rs. 500 per month per child. However, cost of such facility in similar schools comes to Rs. 840 per month per child. What will be the taxable value of perquisite in respect of education facility provided by the employer?

**

Where the education facility is provided to the children of the employee in an educational institution which is maintained and owned by the employer or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, then the value of perquisite shall be the cost of such education in a similar institution in or nearby the locality. However, nothing shall be chargeable to tax if the cost of such education (or the value of such benefit) per child does not exceed Rs. 1,000 per month. If the cost of such education facility exceeds Rs. 1,000 per month per child, then amount in excess of Rs. 1,000 per month per child shall be charged to tax. In this case, the cost in similar school comes to Rs. 840 which is less than Rs. 1,000 and, hence, nothing will be charged to tax in the hands of Mr. Lal in respect of education facility provided to his children.

Where the education facility is provided to the members of household of the employee in an educational institution which is maintained and owned by the employer or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, then the value of perquisite shall be the cost of such education in a similar institution in or nearby the locality. The benefit of exemption upto Rs. 1,000 per child per month is available only in respect of the children of the employee and not in respect of any other member of the household.

Thus, in respect of facility provided to his brother, taxable value of perquisite will come to Rs. 840 per month.

Illustration

Mr. Lal is working in Essem Ltd. at a monthly salary of Rs. 50,000. The children (one son and one daughter) of Mr. Lal are studying in Brilliant Kid Primary School. Annual fees of the school amounts to Rs. 8,400 per child. Entire fees are reimbursed by the employer. What will be the taxable value of perquisite in respect of education facility provided by the employer?

**

Reimbursement of expenditure incurred for the education of the children/members of the household of the employee is taxable as a perquisite in the hands of employee. In this case, Rs. 8,400 per child is reimbursed by the employer and, hence, taxable value of perquisite in the hands of Mr. Lal will come to Rs. 16,800 (Rs. 8,400 per child for two children).

10. How to value perquisite in respect of provision of interest free or concessional loan by the employer? Explain with the help of illustration.

Following illustrations will help in understanding the manner of computing the value of perquisite in respect of provision of interest free or concessional loan by the employer:

Illustration

On 1-5-2012, Mr. Kapoor took an interest free loan of Rs. 84,000 from his employer for his personal purpose. The loan is to be repaid after 3 years. The rate of interest charged by State Bank of India on similar loan is 15% on 1-5-2012 and 14% on 1-4-2012. What will be the taxable value of perquisite in respect of interest free loan granted by the employer?

**

The value of perquisite arising on account of interest free loan or concessional loan granted by the employer will be computed on the basis of the rate of interest on such loans charged by the State Bank of India as on the 1st day of the relevant previous year, in respect of loans for the same purpose advanced by SBI.

In this case, the rate of interest charged by SBI on similar loan as on 1-4-2012 is 14% and, hence, value of perquisite will be computed by considering interest @ 14%. Annual interest on Rs. 84,000 @ 14% will come to Rs. 11,760. Loan is taken on 1-5-2012 and, hence, interest will be counted only for 11 months, thus, taxable value of perquisite in the hands of Mr. Kapoor will come to Rs. 10,780.

Illustration

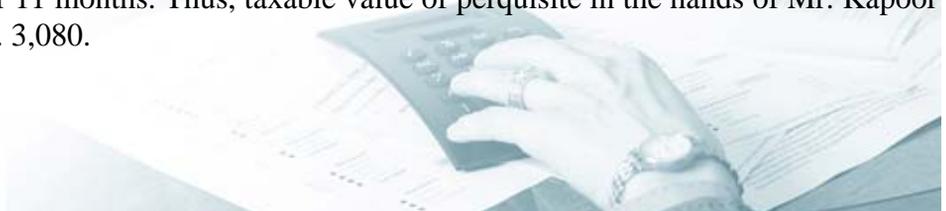
On 1-5-2012, Mr. Kapoor took a loan of Rs. 84,000 from his employer for his personal purpose. The loan is to be repaid after 3 years. The employer is charging interest @ 10%. The rate of interest charged by State Bank of India on similar loan is 15% on 1-5-2012 and 14% on 1-4-2012. What will be the taxable value of perquisite in respect of interest free loan granted by the employer?

**

The value of perquisite arising on account of interest free loan or concessional loan granted by the employer will be computed on the basis of the rate of interest on such loans charged by the State Bank of India as on the 1st day of the relevant previous year, in respect of loans for the same purpose advanced by SBI.

In this case, the rate of interest charged by SBI on similar loan as on 1-4-2012 is 14%. However, the employer charges 10% interest and, hence, taxable value of perquisite will be computed by considering interest @ 4% (14% – 10%). Annual interest on Rs. 84,000 @ 4% will come to Rs. 3,360. Loan is taken on 1-5-2012 and, hence, interest will be counted only for 11 months. Thus, taxable value of perquisite in the hands of Mr. Kapoor will come to Rs. 3,080.

Illustration



On 1-5-2012, Mr. Suraj took an interest free loan of Rs. 8,400 from his employer for his personal purpose. This is his first ever loan taken from employer. The loan is to be repaid after 3 years. The rate of interest charged by State Bank of India on similar loan is 15% on 1-5-2012 and 14% on 1-4-2012. What will be the taxable value of perquisite in respect of interest free loan granted by the employer?

**

Nothing is charged to tax in respect of perquisite arising on account of interest free or concessional loan granted by the employer where the amount of loan is petty, not exceeding in the aggregate Rs. 20,000. In this case, the amount of loan is Rs. 8,400 and, hence, nothing will be charged to tax in respect of interest free loan of Rs. 8,400 in the hands of Mr. Suraj.

Illustration

Mr. Kiran is working in Essem Ltd. On 1-4-2013, the employer has provided him with interest free loan for medical treatment of specified diseases of his spouse. The amount of loan is Rs. 2,52,000. The SBI lending rate on personal loan (as on 1-4-2012) is 13%. What will be the value of perquisite in respect of interest free loan granted by the employer?

**

Nothing is charged to tax in respect of perquisite arising on account of interest free or concessional loan granted by the employer for medical treatment of specified diseases. Hence, in the above case, there will be no perquisite in respect of interest free loan taken by the employer for medical treatment of specified diseases.

11. How to value perquisite in respect of granting of use of any movable assets belonging to the employer? Explain with the help of illustration.

Following illustrations will help in understanding the manner of computing the value of perquisite in respect of granting of use of any movable assets belonging to the employer :

Illustration

Mr. Sunil is working in Shyamal Ltd. at a monthly salary of Rs. 84,000. The employer has provided him with furniture at his residence. Nothing is charged by the employer in respect of use of such furniture by Mr. Sunil. The furniture was bought by the employer in December, 2010 for Rs. 1,00,000. The current depreciated value of the furniture in the books of the employer is Rs. 60,000. What will be the taxable value of perquisite in the hands of Mr. Sunil in respect of furniture provided by the employer?

**

The value of perquisite to the employee resulting from the use by the employee (or any member of his household) of any movable asset (other than assets already specified in Rule 3 and other than laptops and computers) belonging to the employer shall be determined at rate of 10% per annum of the actual cost of such asset to the employer.

In this case, the cost of furniture to the employer is Rs. 1,00,000. Hence, value of perquisite in the hands of Mr. Sunil will come to Rs. 10,000 (10% of Rs. 1,00,000).

Illustration

Mr. Sunil is working in Shyamal Ltd. at a monthly salary of Rs. 84,000. The employer has provided him with furniture at his residence. Nothing is charged by the employer in respect of use of such furniture by Mr. Sunil. The furniture is hired by the employer at a monthly rent of Rs. 1,000. What will be the taxable value of perquisite in the hands of Mr. Sunil in respect of furniture provided by the employer?

**

The value of perquisite to the employee resulting from the use by the employee (or any member of his household) of any movable asset (other than assets already specified in Rule 3 and other than laptops and computers) belonging to the employer shall be determined at rate of 10% per annum of the actual cost of such asset to the employer. If the assets are hired by the employer, the value of perquisite will be the actual amount of rent or charges paid or payable by the employer for the said asset.

In this case, the furniture is hired by the employer. Hence the value of perquisite in the hands of Mr. Sunil will come to Rs. 1,000 per month (being rent of the furniture).

Illustration

Mr. Sunil is working in Shyamal Ltd. at a monthly salary of Rs. 84,000. The employer has provided him with a laptop. The laptop can be used for official as well as private purpose. The laptop was purchased by the company in December, 2011 for Rs. 1,00,000. What will be the taxable value of perquisite in the hands of Mr. Sunil in respect of laptop provided by the employer?

**

Nothing is charged to tax in respect of computer or laptops provided by the employer to the employee.

Thus, nothing will be charged to tax in the hands of Mr. Sunil in respect of laptop provided by the employer.

12. How to value perquisite in respect of transfer of assets belonging to the employer? Explain with the help of illustration.

Following illustrations will help in understanding the manner of computing the value of perquisite in respect of transfer of assets belonging to the employer :

Illustration

Mr. Sachin is working in Essem Ltd. at a monthly salary of Rs. 84,000. He purchased a laptop (on 1-5-2013) from the employer for Rs. 10,000. The laptop was purchased by the employer in December, 2010 for Rs. 1,00,000. What will be the taxable value of perquisite in respect of laptop purchased from the employer?

**

Value of perquisite in this case will be excess of WDV (*i.e.*, cost less normal wear and tear) of the asset over the amount recovered from the employee in respect of such transfer. In case of electronic items (*i.e.*, computer and related items only), WDV shall be computed on reducing balance method by deducting 50% depreciation for each completed year.

The laptop was purchased by the employer in December, 2010 and is transferred to the employee in May, 2013. Hence, the employer owned the laptop for 2 completed years. The WDV of the laptop will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Purchase price of the laptop	1,00,000
(-) Depreciation @ 50% for first year	<u>50,000</u>
WDV	50,000
(-) Depreciation @ 50% for second year	<u>25,000</u>
WDV	25,000

The WDV of the laptop comes to Rs. 25,000 and it is purchased for Rs. 10,000. Hence, value of perquisite in the hands of Mr. Sachin will come to Rs. 15,000 (Rs. 25,000 – Rs. 10,000).

Illustration

Mr. Sudhir is working in Essem Ltd. at a monthly salary of Rs. 84,000. He purchased a car (on 1-5-2013) from the employer for Rs. 1,00,000. The car was purchased by the employer in December, 2010 for Rs. 5,00,000. What will be the taxable value of perquisite in respect of car purchased from the employer?

**

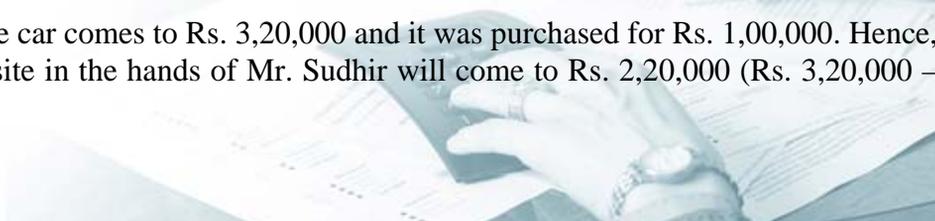
Value of perquisite in this case will be excess of WDV (*i.e.*, cost less normal wear and tear) of the asset over the amount recovered from the employee in respect of such transfer. In case of car, WDV shall be computed on reducing balance method by deducting 20% depreciation for each completed year.

The car was purchased by the employer in December, 2010 and is transferred to the employee in May, 2013. Hence, the employer owned the car for 2 completed years. The WDV of the car will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Purchase price of the car	5,00,000
(-) Depreciation @ 20% for first year	<u>1,00,000</u>
WDV	4,00,000
(-) Depreciation @ 20% for second year	<u>80,000</u>
WDV	3,20,000

The WDV of the car comes to Rs. 3,20,000 and it was purchased for Rs. 1,00,000. Hence, value of perquisite in the hands of Mr. Sudhir will come to Rs. 2,20,000 (Rs. 3,20,000 – Rs. 1,00,000).

Illustration



Mr. Rohan is working in Essem Ltd. at a monthly salary of Rs. 84,000. He purchased a music system (on 1-5-2013) from the employer for Rs. 5,000. The music system was purchased by the employer in December, 2010 for Rs. 50,000. What will be the taxable value of perquisite in respect of music system purchased from the employer?

**

Value of perquisite in this case will be excess of WDV (*i.e.*, cost *less* normal wear and tear) of the asset over the amount recovered from the employee in respect of such transfer. In case of any other asset (*i.e.*, other than electronic items and motor car), WDV is to be computed by deducting 10% of actual cost (*i.e.*, as per straight line method) for each completed year.

The music system was purchased by the employer in December, 2010 and is transferred to the employee in May, 2013. Hence, the employer owned the music system for 2 completed years. The WDV of the music system will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Purchase price of the music system	50,000
(-) Depreciation @ 10% for first year (on SLM)	<u>5,000</u>
WDV	45,000
(-) Depreciation @ 10% for second year (on SLM)	<u>5,000</u>
WDV	40,000

The WDV of the music system comes to Rs. 40,000 and it is purchased for Rs. 5,000. Hence, value of perquisite in the hands of Mr. Rohan will come to Rs. 35,000 (Rs. 40,000 – Rs. 5,000).

Illustration

Mr. Soham is working in Essem Ltd. at a monthly salary of Rs. 84,000. He purchased a music system (on 1-5-2013) from the employer for Rs. 45,000. The music system was purchased by the employer in December, 2010 for Rs. 50,000. What will be the taxable value of perquisite in respect of music system purchased from the employer?

**

Value of perquisite in this case will be excess of WDV (*i.e.*, cost *less* normal wear and tear) of the asset over the amount recovered from the employee in respect of such transfer. In case of any other asset (*i.e.*, other than electronic items and motor car), WDV is to be computed by deducting 10% of actual cost (*i.e.*, as per straight line method) for each completed year.

The music system was purchased by the employer in December, 2010 and is transferred to the employee in May, 2013. Hence, the employer owned the music system for 2 completed years. The WDV of the music system will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Purchase price of the music system	50,000
(-) Depreciation @ 10% for first year (on SLM)	<u>5,000</u>
WDV	45,000
(-) Depreciation @ 10% for second year (on SLM)	<u>5,000</u>
WDV	40,000

The WDV of the music system comes to Rs. 40,000 and it is purchased for Rs. 45,000 which is more than its WDV and, hence, value of perquisite in the hands of Mr. Soham will be *Nil*.

13. How to value perquisite in respect of motor car provided by the employer or running and maintenance expenses of motor car met by the employer? Explain with the help of illustration.

Following illustrations will help in understanding the manner of computing the value of perquisite in respect of motor car provided by the employer or running and maintenance expenses of motor car met by the employer :

Illustration

Mr. Sunil is working in Essem Ltd. at a monthly salary of Rs. 84,000. He owns a car (Maruti 800). The car is used by him for his private purpose as well as the official purpose. The employer reimburses him every month Rs. 2,000 on account of expenditure of the car. No driver is deputed. What will be the taxable value of perquisite in respect of reimbursement of expenditure by the employer?

**

In this case, the value of perquisite in the hands of Mr. Sunil will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	2,000
<i>Less:</i> Prescribed amount, <i>i.e.</i> , Rs. 1,800 per month since the cubic capacity of the engine does not exceed 1.6 litres (<i>i.e.</i> , 1,600 cc)	<u>1,800</u>
Value of perquisite	200

Illustration

Mr. Sunil is working in Essem Ltd. at a monthly salary of Rs. 84,000. He owns a car (Maruti 800). The car is used only for private purpose. The employer reimburses him monthly Rs. 2,000 on account of expenditure of the car. No driver is deputed. What will be the taxable value of perquisite in respect of reimbursement of expenditure by the employer?

**

In this case, the value of perquisite will be the amount incurred/reimbursed by the employer. Thus, value of perquisite in the hands of Mr. Sunil will come to Rs. 2,000 per month.

Illustration

Mr. Sunil is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a car (Maruti 800). The cost of the car is Rs. 2,00,000. The car is used only for private purpose. The employer also pays the entire expenditure of the car which amounts to Rs. 5,000 per month (including driver's salary). What will be the taxable value of perquisite in respect of reimbursement of expenditure by the employer?

**

In this case, the value of perquisite in the hands of Mr. Sunil will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	5,000
<i>Add:</i> 10% per annum of actual cost of car, since car is owned by the employer	<u>20,000</u>
Value of perquisite	25,000

Illustration

Mr. Subodh is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a car (Maruti 800). The cost of the car is Rs. 2,00,000. The car is used partly for private purpose and partly for official purpose. The employer also pays the entire expenditure of the car which amounts to Rs. 5,000 per month (including driver's salary). What will be the taxable value of perquisite in respect of reimbursement of expenditure by the employer?

**

In this case, the value of perquisite will be calculated at the rate of Rs. 1,800 per month since the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1,600 cc) and Rs. 900 per month for chauffeur. Thus, taxable value of perquisite in the hands of Mr. Subodh will come to Rs. 2,700 per month (Rs. 1,800 + Rs. 900).

Illustration

Mr. Raj is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a car (Maruti 800). The cost of the car is Rs. 2,00,000. The car is used partly for private purpose and partly for official purpose. The running and maintenance expenditures (including driver's salary) are met by Mr. Raj. What will be the taxable value of perquisite in respect of motor car provided by the employer?

**

In this case, the value of perquisite will be calculated at the rate of Rs. 600 per month since the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1,600 cc) and Rs. 900 per month for chauffeur. Thus, taxable value of perquisite in the hands of Mr. Raj will come to Rs. 1,500 per month (Rs. 600 + Rs. 900).

Illustration

Mr. Raj is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a car (Maruti 800). The cost of the car is Rs. 2,00,000. The car is used for private purpose. The running and maintenance expenditures (including driver's salary) are met by Mr. Raj. What will be the taxable value of perquisite in respect of motor car provided by the employer?

**

In this case, the value of perquisite in the hands of Mr. Raj will be calculated as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
10% per annum of actual cost of car, since the car is owned by the employer	20,000
Value of perquisite	20,000

14. How to value perquisite in respect of provision of free or concessional meal by the employer? Explain with the help of illustration.

Following illustrations will help in understanding the manner of computing the value of perquisite in respect of provision of free or concessional meal by the employer:

Illustration

Mr. Kumar is working in Essem Ltd. The company has provided him with free tea in morning and evening during office hours. The cost of such service to the company is Rs. 840 per month per employee. The company charges Rs. 200 from each employee. What will be the taxable value of perquisite in this case?

**

Nothing shall be charged to tax in respect of light refreshments (*i.e.*, tea or non-alcoholic beverages and snacks) provided during working hours including working on holidays, overtime, etc. Thus, in this case taxable value of perquisite in the hands of Mr. Kumar will be *Nil*.

Illustration

Mr. Kumar is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company provides him with free meal (lunch) during office hours. Meal is provided in office premises. The cost per meal to the company is Rs. 40. What will be the taxable value of perquisite in this case?

**

In respect of meal provided by the employer, nothing is charged to tax if the cost per meal does not exceed Rs. 50. In this case, the cost per meal is Rs. 40 and, hence, nothing will be charged to tax in the hands of Mr. Kumar in respect of meal provided by the company.

Illustration

Mr. Kaushal is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company provides him with free meal (lunch) during office hours. Meal is provided in office premises. The cost per meal to the company is Rs. 140. What will be the taxable value of perquisite in this case?

**

In respect of meal provided by the employer, nothing is charged to tax if the cost per meal does not exceed Rs. 50. If the cost per meal exceeds Rs. 50, then expenditure on provision of free meals in excess of Rs. 50 per meal is treated as perquisite. In this case, the cost per meal is Rs. 140 and, hence, taxable value of perquisite in the hands of Mr. Kaushal will come to Rs. 90 per meal (Rs. 140 – Rs. 50).

15. How to value perquisite in respect of provision of credit card by the employer? Explain with the help of illustration.

Following illustration will help in understanding the manner of computing the value of perquisite in respect of provision of credit card by the employer :

Illustration

Mr. Suraj is working in Esssem Ltd. at a monthly salary of Rs. 25,200. The company has provided him with a credit card. The card can only be used for expenditure incurred in performance of his official duty. If he uses the card for his personal purpose then the company recovers entire amount attributed to personal purpose. For the month of March, 2013, the total expenditure incurred by the company on credit card provided to Mr. Suraj was as follows :

- Expenditure attributed for official purpose : Rs. 10,000.
- Personal expenditure of Mr. Suraj : Rs. 2,000. This amount was recovered from Mr. Suraj.

In respect of expenditure attributed to official purpose complete details of such an expenditure (including the date and nature of expenditure) are maintained by the employer and the employer has given a certificate to the effect that such expenditure was incurred exclusively for performing official duty.

What will be the taxable value of perquisite in the hands of Mr. Suraj?

**

Value of perquisite arising on account of provision of credit card by the employer will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Expenditure incurred by the employer	12,000
<i>Less:</i> Amount recovered from the employee	2,000
<i>Less:</i> Expenditure on use for official purposes	<u>10,000</u>
Value of perquisite	<i>Nil</i>

16. How to value perquisite in respect of provision of club facility by the employer? Explain with the help of illustration.

Following illustration will help in understanding the manner of computing the value of perquisite in respect of provision of club facility by the employer :

Illustration

Mr. Sumit is working in Esssem Ltd. at a monthly salary of Rs. 84,000. The company has made an agreement with a sports club. According to the agreement the employees of the company are entitled to enjoy the club facility. For the said purpose the company has to pay Rs. 2,000 per month per employee. What will be the taxable value of perquisite in the hands of Mr. Sumit?

**

Value of perquisite arising on account of provision of club facility by the employer will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Expenditure incurred or reimbursed by the employer in respect of club facility used by the employee or any member of his household	2,000
<i>Less:</i> Amount recovered from the employee	<u>Nil</u>
Value of perquisite	2,000

17. How to value perquisite in respect of provision of gift by the employer? Explain with the help of illustration.

Following illustration will help in understanding the manner of computing the value of perquisite in respect of provision of gift by the employer :

Illustration

Mr. Rahul is working in Esssem Ltd. at a monthly salary of Rs. 25,200. During the year 2012-13, the company gave him cash gift amounting to Rs. 54,001. What will be the tax treatment of gift given by the company?

**

Cash gifts are fully charged to tax and, hence, in this case entire amount of gift of Rs. 54,001 will be charged to tax in the hands of Mr. Rahul.

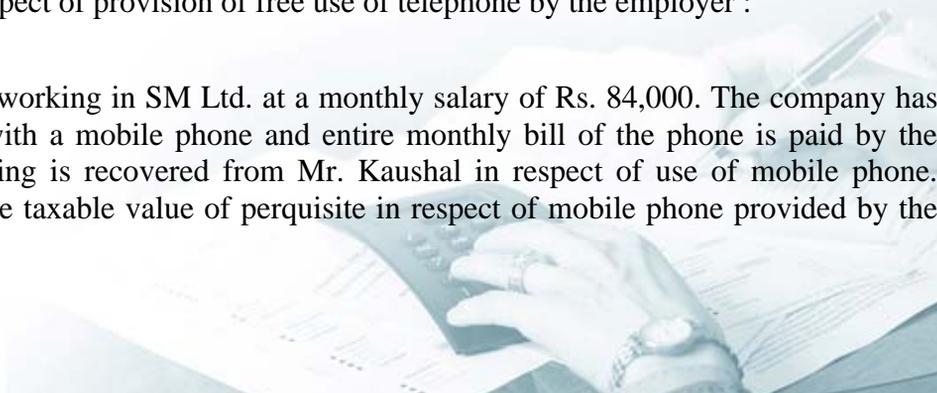
18. How to value perquisite in respect of provision of free use of telephone? Explain with the help of illustration.

Following illustration will help in understanding the manner of computing the value of perquisite in respect of provision of free use of telephone by the employer :

Illustration

Mr. Kaushal is working in SM Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a mobile phone and entire monthly bill of the phone is paid by the company. Nothing is recovered from Mr. Kaushal in respect of use of mobile phone. What will be the taxable value of perquisite in respect of mobile phone provided by the company?

**



Nothing is taxed in respect of expenses on telephone including a mobile phone actually incurred by the employer on behalf of an employee. Hence, no perquisite will arise in the hands of Mr. Kaushal in respect of provision of mobile phone by the employer.

19. How to value perquisite in respect of provision of medical facility by the employer? Explain with the help of illustration.

Following illustrations will help in understanding the manner of computing the value of perquisite in respect of provision of medical facility by the employer :

Illustration

Mr. Amit is working in SM Ltd. The company provides free medical facility to all its employees in the hospital maintained by the company. Mr. Amit has availed of medical treatment in the hospital of the company and the cost of such facility to the company came to Rs. 10,000. Nothing is charged by the company for such facility. What will be the taxable value of perquisite in the hands of Mr. Amit in respect of medical facility provided by the company?

**

Nothing will be charged to tax in respect of medical facility provided in a hospital maintained by the employer. Thus, in the above case, nothing will be charged to tax in the hands of Mr. Amit in respect of medical facility provided by the company.

Illustration

Mr. Amit is working in SM Ltd. The company provides free medical facility to all its employees. The treatment can be taken in any hospital as per the choice of the employee. The employee has to pay the hospital for the medical treatment and thereafter he has to present the medical bill to the company and the company reimburses the entire bill to the employee. During the year 2012-13, Mr. Amit has taken medical treatment in Get Well Soon Clinic. Total cost of such treatment came to Rs. 10,000 which was reimbursed by the company to him. What will be the taxable value of perquisite in the hands of Mr. Amit in respect of medical facility provided by the company?

**

Nothing will be charged to tax in respect of medical facility provided in a hospital:

- (a) Maintained by the employer,
- (b) Maintained by the Government or local authority or other person but approved by Government for treatment of its employees,
- (c) Approved by the Chief Commissioner having regard to the prescribed guidelines. In this case, exemption is available only for treatment of prescribed diseases given in Rule 3A. A certificate from the hospital specifying nature of disease as well as amount of expenditure should be obtained.
- (d) In respect of medical facility/expenses in any hospital other than discussed in (a) to (c) above, amount of expenditure incurred or reimbursed by the employer in excess of Rs. 15,000 (in aggregate per year) will be the value of the perquisite charged to tax in the hands of employee.

In the present case, the cost of medical treatment came to Rs. 10,000 (which is less than Rs. 15,000) and, hence, nothing will be charged to tax in the hands of Mr. Amit in respect of reimbursement of Rs. 10,000.

20. How to value perquisite arising on account of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer or former employer, free of cost or at concessional rate to the employee? Explain with the help of illustration.

Following illustration will help in understanding the manner of computing the value of perquisite arising on account of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer or former employer, free of cost or at concessional rate to the employee:

Illustration

Mr. Sunit is working in SM Ltd. The company offered him an Employees' Stock Option Plan. As per the plan the employees of the company can acquire the shares of the company at Rs. 10 per share. The current market price of the shares of the company is Rs. 840 per share. In pursuance of the scheme, Mr. Sunit exercised the option and was allotted 100 shares. The market price of the shares on different dates is as follows :

- Market price on the date of declaring the option : Rs. 840 per share.
- Market price on the date of exercise of the option by Mr. Sunit : Rs. 900 per share.
- Market price on the date of allotment of the share by the company : Rs. 1,000 per share.

What will be the taxable value of perquisite in respect of above shares issued by the company to Mr. Sunit?

**

In respect of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer or former employer, free of cost or at concessional rate to the employee, the fair market value of such shares/securities on the date of exercise of the option, *less* amount recovered from the employee, will be the taxable value of perquisite in the hands of the employee.

In this case, the value of perquisite in the hands of Mr. Sunit will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Fair market value of the share on the date of exercise of the option	900
<i>Less:</i> Amount recovered from the employee	<u>10</u>
Taxable value of perquisite (per share)	890
(×) No. of shares issued to Mr. Sunit	<u>100</u>
Taxable value of perquisite	89,000

MCQ

1. Mr. Kumar is a Central Government employee. The employer has provided him with a rent free unfurnished accommodation. The accommodation is located in Mumbai and the fair rent of the accommodation is Rs. 8,400 per month. In this case the value of perquisite in respect of rent free unfurnished accommodation in the hands of Mr. Kumar will be Rs. 8,400 per month.

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

The value of perquisite in the hands of Government employee in respect of rent free unfurnished accommodation provided by the employer will be the licence fee of such accommodation.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

2. Mr. Kapoor is a Central Government employee (monthly salary is Rs. 84,000). The employer has provided him with a rent free unfurnished accommodation. The accommodation is located in Delhi and the fair rent of the accommodation is Rs. 5,000 per month. In this case the value of perquisite in respect of rent free unfurnished accommodation in the hands of Mr. Kapoor will be 15% of the salary.

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

The value of perquisite in the hands of Government employee in respect of rent free unfurnished accommodation provided by the employer will be the licence fee of such accommodation.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

3. Mr. Sunil is a Central Government employee (monthly salary is Rs. 25,200). The employer has provided him with a rent free unfurnished accommodation. The accommodation is located in Chennai and the fair rent of the accommodation is Rs. 5,000 per month. In this case the value of perquisite in respect of rent free unfurnished accommodation in the hands of Mr. Sunil will be 15% of the salary or fair rent, whichever is lower.

(a) True

(b) False

Correct answer : (b)

Justification of correct answer :

The value of perquisite in the hands of Government employee in respect of rent free unfurnished accommodation provided by the employer will be the licence fee of such accommodation.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

4. Mr. Sunny is a Central Government employee (monthly salary is Rs. 25,200). The employer has provided him with a rent free unfurnished accommodation. The accommodation is located in Mumbai and the fair rent of the accommodation is Rs. 5,000 per month. The licence fee of the accommodation is Rs. 2,000 per month. In this case the value of perquisite in respect of rent free unfurnished accommodation in the hands of Mr. Sunny will be _____.

(a) 7.5% of salary

(b) 15% of salary

(c) Rs. 2,000 per month

(d) Rs. 5,000 per month

Correct answer : (c)

Justification of correct answer :

The value of perquisite in the hands of Government employee in respect of rent free unfurnished accommodation provided by the employer will be the licence fee of such accommodation. In this case licence fee is Rs. 2,000 per month and, hence, value of perquisite will come to Rs. 2,000 per month. Thus, option (c) is the correct option.

Comment on incorrect answer : The value of perquisite in the hands of Government employee in respect of rent free unfurnished accommodation provided by the employer will be the licence fee of such accommodation. Thus, option (c) is the correct option and options (a), (b) and (d) giving incorrect values of perquisite are not correct.

5. Mr. Rohit is a Central Government employee (monthly salary is Rs. 84,000). The employer has provided him with a rent free unfurnished accommodation. The accommodation is located in Bhatinda and the fair rent of the accommodation is Rs. 8,000 per month. The licence fee of the accommodation is Rs. 4,000 per month. In this case, the value of perquisite in respect of rent free unfurnished accommodation in the hands of Mr. Rohit will be _____.

(a) 7.5% of salary

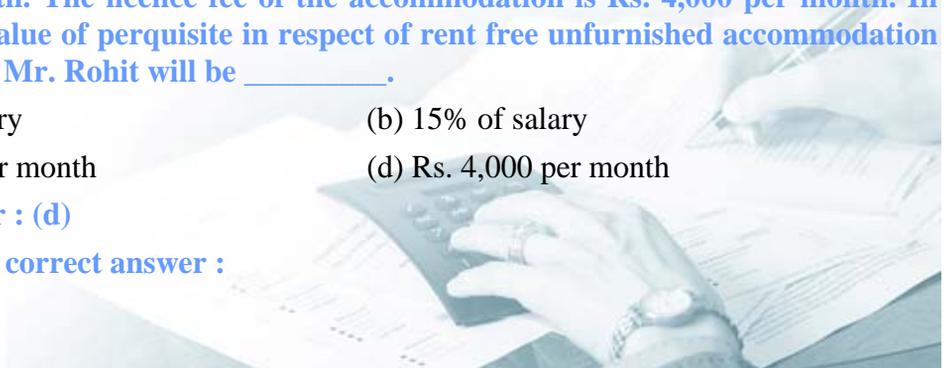
(b) 15% of salary

(c) Rs. 8,000 per month

(d) Rs. 4,000 per month

Correct answer : (d)

Justification of correct answer :



The value of perquisite in the hands of Government employee in respect of rent free unfurnished accommodation provided by the employer will be the licence fee of such accommodation. The above rule will apply irrespective of the city in which the accommodation is provided. In this case, licence fee is Rs. 4,000 per month and, hence, value of perquisite will come to Rs. 4,000 per month. Thus, option (d) is the correct option.

Comment on incorrect answer : The value of perquisite in the hands of Government employee in respect of rent free unfurnished accommodation provided by the employer will be the licence fee of such accommodation. Thus, option (d) is the correct option and options (a), (b) and (c) giving incorrect values of perquisite are not correct.

6. Mr. Kumar is working in Essem Ltd. at a monthly salary of Rs. 84,000. The employer has provided him with a rent free unfurnished accommodation. The accommodation is located in Mumbai and the fair rent of the accommodation is Rs. 8,400 per month. The accommodation is leased by the employer at a monthly rent of Rs. 10,000. In this case the value of perquisite in respect of rent free unfurnished accommodation in the hands of Mr. Kumar will be Rs. 8,400 per month being the fair rent of the accommodation.

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

The value of perquisite in the hands of non-Government employee in respect of rent free unfurnished accommodation provided by the employer (which is leased by the employer) will be lower of the following :

- (a) Rent of the accommodation paid or payable by the employer; or
(b) 15% of the salary.

Any amount recovered by the employer from the employee for providing the accommodation will be reduced from the value computed as above.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

7. Mr. Kumar is working in Essem Ltd. at a monthly salary of Rs. 25,200. The employer has provided him with a rent free unfurnished accommodation. The accommodation is located in Jaipur and the fair rent of the accommodation is Rs. 18,400 per month. The accommodation is owned by the employer and the cost of the accommodation to the employer is Rs. 10,00,000. In this case the value of perquisite in respect of rent free unfurnished accommodation in the hands of Mr. Kumar will be 10% of the cost of the accommodation to the employer.

- (a) True (b) False

Correct answer : (b)

Any amount recovered by the employer from the employee for providing the accommodation will be reduced from the value computed as above.

Thus, in this case the value of perquisite will come to Rs. 10,000 per month. Thus, option (d) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will come to Rs. 10,000 per month. Thus, option (d) is the correct option and options (a), (b) and (c) giving incorrect values of perquisite are not correct.

11. Mr. Suman is working in SM Ltd. at a monthly salary of Rs. 1,84,000. The employer has provided him with a rent free unfurnished accommodation. The accommodation is located in a city having population of 8 lakhs. The fair rent of the accommodation is Rs. 5,000 per month. The accommodation is owned by the employer and was purchased in January, 2000 for Rs. 10,00,000. In this case, the value of perquisite in respect of rent free unfurnished accommodation in the hands of Mr. Suman will be _____.

(a) Rs. 27,600 per month

(b) Rs. 18,400 per month

(c) Rs. 13,800 per month

(d) Rs. 10,000 per month

Correct answer : (c)

Justification of correct answer :

The value of perquisite in the hands of non-Government employee in respect of rent free unfurnished accommodation provided by the employer (which is owned by the employer) will be computed as following :

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

Any amount recovered by the employer from the employee for providing the accommodation will be reduced from the value computed as above.

Thus, in this case the value of perquisite will come to Rs. 13,800 per month. Thus, option (c) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will come to Rs. 13,800 per month. Thus, option (c) is the correct option and options (a), (b) and (d) giving incorrect values of perquisite are not correct.

12. Mr. Saurabh is working in Shyamal Ltd. at a monthly salary of Rs. 8,400. The employer has provided him with a rent free unfurnished accommodation. The accommodation is located in a city having population of 19 lakhs. The fair rent of the accommodation is Rs. 15,000 per month. The accommodation is owned by the employer and was purchased in March, 2013 for Rs. 9,00,000. In this case, the value of perquisite in respect of rent free unfurnished accommodation in the hands of Mr. Saurabh will be _____.

- (a) Rs. 1,260 per month (b) Rs. 840 per month
 (c) Rs. 630 per month (d) Rs. 9,000 per month

Correct answer : (b)

Justification of correct answer :

The value of perquisite in the hands of non-Government employee in respect of rent free unfurnished accommodation provided by the employer (which is owned by the employer) will be computed as following :

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

Any amount recovered by the employer from the employee for providing the accommodation will be reduced from the value computed as above.

Thus, in this case the value of perquisite will come to Rs. 840 per month. Thus, option (b) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will come to Rs. 840 per month. Thus, option (b) is the correct option and options (a), (c) and (d) giving incorrect values of perquisite are not correct.

13. Mr. Kanak is working in Shyamal Ltd. at a monthly salary of Rs. 18,400. The employer has provided him with a rent free unfurnished accommodation. The accommodation is located in a city having population of 26 lakhs. The fair rent of the accommodation is Rs. 20,000 per month. The accommodation is owned by the employer and was purchased in March, 2013 for Rs. 20,00,000. In this case, the value of perquisite in respect of rent free unfurnished accommodation in the hands of Mr. Kanak will be _____.

- (a) Rs. 2,760 per month (b) Rs. 1,840 per month
 (c) Rs. 1,380 per month (d) Rs. 20,000 per month

Correct answer : (a)

Justification of correct answer :

The value of perquisite in the hands of non-Government employee in respect of rent free unfurnished accommodation provided by the employer (which is owned by the employer) will be computed as following :

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

Thus, option (b) is the correct option.

Comment on incorrect answer : Salary to be used for computing value of perquisite will come to Rs. 20,000 per month. Thus, option (b) is the correct option and options (a), (c) and (d) giving incorrect amounts of salary are not correct.

15. What will be the amount of monthly salary to be used to computed value of perquisite in respect of rent free unfurnished accommodation provided to the employee if the details of monthly salary are as follows :

- Basic salary : Rs. 18,400
- Dearness allowance (in terms) : Rs. 6,600
- Dearness allowance (not in terms) : Rs. 5,000
- Employer's contribution to provident fund : Rs. 1,000
- Children education allowance : Rs. 50 per month per child (for two children).
- Transport allowance : Rs. 700 per month.

(a) Rs. 25,000 per month

(b) Rs. 20,000 per month

(c) Rs. 25,700 per month

(d) Rs. 26,000 per month

Correct answer : (a)

Justification of correct answer :

While computing the value of perquisite in respect of rent free unfurnished accommodation provided by the employer salary shall include all payments, except the following:

- (a) Dearness allowance, if it is not taken into account while computing retirement benefits (*i.e.*, DA not in terms).
- (b) Employer's contribution to provident fund account of the employee.
- (c) All allowances which are exempt from tax.
- (d) Value of perquisites (whether monetary or non-monetary).
- (e) Lump sum payments received at the time of termination of service or superannuation or voluntary retirement, like gratuity, severance pay, leave encashment, voluntary retirement benefits, commutation of pension and similar payments.

Based on above, salary to be used for computing value of perquisite will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Basic salary	18,400
Dearness allowance (in terms)	6,600
Dearness allowance not in terms (not to be considered)	-----
Employer's contribution to provident fund (not to be considered)	-----
Children education allowance (*)	-----
Transport allowance (*)	-----
Salary to used for computing value of perquisite	25,000

(*) Only taxable quantum of allowances is to be considered. In this case, children's education allowance received is Rs. 50 per child per month and exemption will be upto Rs. 100 per month per child and transport allowance received is Rs. 700 per month and exemption will be upto Rs. 700 per month, hence, entire amount of allowance will be exempt.

Thus, option (a) is the correct option.

Comment on incorrect answer : Salary to be used for computing value of perquisite will come to Rs. 25,000 per month. Thus, option (a) is the correct option and options (b), (c) and (d) giving incorrect amounts of salary are not correct.

16. Mr. Kuaushal is working in Essem Ltd. at a monthly salary of Rs. 25,200. The employer has provided him with a rent free accommodation in a hotel at Jaipur. In this case, there will be no taxable value of perquisite since the accommodation is provided in a hotel.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

Value of perquisite in respect of provision of accommodation in a hotel will be lower of the following :

- (a) 24% of salary paid or payable; or,
- (b) Actual charges paid or payable by the employer to such hotel, for the period during which such accommodation is provided in the previous year.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

17. Mr. Kripal is working in Essem Ltd. at a monthly salary of Rs. 84,000. He is transferred from Mumbai to Jaipur. On temporary basis, the employer has provided him with a rent free accommodation in a hotel at Jaipur for 10 days. This was the only one incidence in the year when the employee was provided with accommodation in the hotel. In this case there will be no taxable value of perquisite since the accommodation is provided in a hotel.

(a) True (b) False

Correct answer : (a)

Justification of correct answer :

Value of perquisite in respect of provision of accommodation in a hotel will be lower of the following :

- (a) 24% of salary paid or payable; or,
- (b) Actual charges paid or payable by the employer to such hotel for the period during which such accommodation is provided in the previous year.

Note : Nothing shall be charged to tax in respect of an accommodation provided in a hotel (on transfer of the employee) for a period not exceeding 15 days (in aggregate) during the previous year.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.

Repeated:

18. Mr. Krunal is working in Essem Ltd. at a monthly salary of Rs. 84,000. He is transferred from Mumbai to Jaipur. On temporary basis, the employer has provided him with a rent free accommodation in a hotel at Jaipur for 10 days. This was the only one incidence in the year when the employee was provided with accommodation in the hotel. In this case there will be no taxable value of perquisite since the accommodation is provided in a hotel.

(a) True (b) False

Correct answer : (a)

Justification of correct answer :

Value of perquisite in respect of provision of accommodation in a hotel will be lower of the following :

- (a) 24% of salary paid or payable; or,
- (b) Actual charges paid or payable by the employer to such hotel for the period during which such accommodation is provided in the previous year.

Note : Nothing shall be charged to tax in respect of an accommodation provided in a hotel (on transfer of the employee) for a period not exceeding 15 days (in aggregate) during the previous year.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

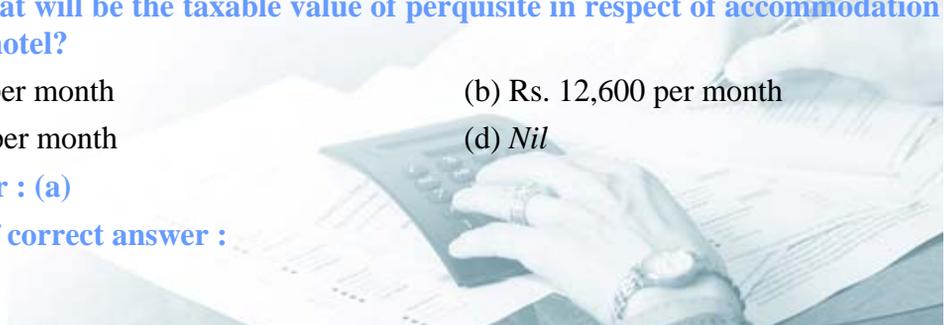
Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.

19. Mr. Krunal is working in Essem Ltd. at a monthly salary of Rs. 84,000. The employer has provided him with a rent free accommodation in a hotel. The monthly charges paid by the employer to hotel for accommodation amounted to Rs. 10,000. In this case what will be the taxable value of perquisite in respect of accommodation provided in a hotel?

- (a) Rs. 10,000 per month
- (b) Rs. 12,600 per month
- (c) Rs. 20,160 per month
- (d) Nil

Correct answer : (a)

Justification of correct answer :



Value of perquisite in respect of provision of accommodation in a hotel will be lower of the following :

- (a) 24% of salary paid or payable; or,
- (b) Actual charges paid or payable by the employer to such hotel for the period during which such accommodation is provided in the previous year.

Thus, the value of perquisite will be lower of the following :

- Rs. 20,160 (24% of the salary)
- Rs. 10,000 (charges paid to hotel for accommodation)

In this case the value of perquisite will come to Rs. 10,000 per month. Thus, option (a) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will come to Rs. 10,000 per month. Thus, option (a) is the correct option and options (b), (c) and (d) giving incorrect values of perquisite are not correct.

20. Mr. Kanak is working in Shyamal Ltd. at a monthly salary of Rs. 18,400. The employer has provided him with a concessional unfurnished accommodation. The accommodation is located in a city having population of 26 lakhs. The fair rent of the accommodation is Rs. 10,000 per month. The accommodation is owned by the employer and was purchased in March, 2013 for Rs. 30,00,000. The employer recovers Rs. 1,000 per month from Mr. Kanak toward rent of the accommodation. In this case the value of perquisite in respect of concessional unfurnished accommodation in the hands of Mr. Kanak will be _____.

- (a) Rs. 2,760 per month
- (b) Rs. 1,840 per month
- (c) Rs. 1,380 per month
- (d) Rs. 1,760 per month

Correct answer : (d)

Justification of correct answer :

The value of perquisite in the hands of non-Government employee in respect of concessional unfurnished accommodation provided by the employer (which is owned by the employer) will be computed as following :

<i>Population of the city (based on 2001 Census) where the property is located</i>	<i>Value of perquisite</i>
Not exceeding 10 lakhs	7.5% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	15% of the salary

Any amount recovered by the employer from the employee for providing the accommodation will be reduced from the value computed as above.

Thus, in this case the value of perquisite will come to Rs. 1,760 per month (Rs. 2,760 – Rs. 1,000). Thus, option (d) is the correct option.

24. Mr. Kripal is working in Essem Ltd. at a monthly salary of Rs. 84,000. He has deputed a domestic servant at a monthly salary of Rs. 2,000. Entire salary of the servant is reimbursed by the employer. In this case there will be no taxable value of perquisite since nothing is charged to tax in respect of provision of domestic servant.

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

The value of benefit to the employee (or any member of his household) resulting from the provision of services of a sweeper, a gardener, a watchman or a personal attendant by the employer shall be the actual cost to the employer. The actual cost in such a case shall be the total amount of salary paid or payable by the employer or any other person on his behalf for such services reduced by any amount paid by the employee for such services.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

25. Mr. Raman is working in Shyamal Ltd. at a monthly salary of Rs. 18,400. The employer has provided a sweeper at his residence. The entire monthly salary of the sweeper of Rs. 2,000 is paid by the employer. In this case, the value of perquisite in respect of provision of sweeper will be _____.

- (a) Nil (b) Rs. 2,000 per month

Correct answer : (b)

Justification of correct answer :

The value of benefit to the employee (or any member of his household) resulting from the provision of services of a sweeper, a gardener, a watchman or a personal attendant, by the employer shall be the actual cost to the employer. The actual cost in such a case shall be the total amount of salary paid or payable by the employer or any other person on his behalf for such services reduced by any amount paid by the employee for such services.

Thus, in this case the value of perquisite will come to Rs. 2,000 per month. Thus, option (b) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will come to Rs. 2,000 per month. Thus, option (b) is the correct option and option (a) giving incorrect value of perquisite is not correct.

26. Mr. Rajat is working in Essem Ltd. at a monthly salary of Rs. 48,400. He is residing in his own bungalow. The employer has provided him with a gardener to maintain the garden. The entire monthly salary of the gardener of Rs. 1,500 is paid by the employer. In this case the value of perquisite in respect of provision of gardener will be _____.

- (a) Nil (b) Rs. 1,500 per month

Correct answer : (b)

Justification of correct answer :

The value of benefit to the employee (or any member of his household) resulting from the provision of services of a sweeper, a gardener, a watchman or a personal attendant by the employer shall be the actual cost to the employer. The actual cost in such a case shall be the total amount of salary paid or payable by the employer or any other person on his behalf for such services reduced by any amount paid by the employee for such services.

Thus, in this case the value of perquisite will come to Rs. 1,500 per month. Thus, option (b) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will come to Rs. 1,500 per month. Thus, option (b) is the correct option and option (a) giving incorrect value of perquisite is not correct.

27. Mr. Sunil is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided him with free gas. The total cost of gas supplied during the year 2012-13 amounted to Rs. 8,400. The gas is purchased by the employer from outside agency. The value of perquisite in respect of supply of free gas by the employer will be ____.

(a) Rs. 8,400

(b) Nil

Correct answer : (a)

Justification of correct answer :

The value of the perquisite arising on account of supply of gas, electricity or water to the employee will be the amount paid by the employer to the supplying agency in cases where the supply is made from resources not owned by the employer. If supplies are made by the employer from his own resources without purchasing from the outside agencies, then the value of the perquisite will be 'the manufacturing cost per unit' incurred by the employer. Where the employee is paying any amount in respect of such services, the amount so paid by the employee shall be deducted from the value so arrived at.

Thus, in this case the value of perquisite will come to Rs. 8,400. Thus, option (a) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will come to Rs. 8,400. Thus, option (a) is the correct option and option (b) giving incorrect value of perquisite is not correct.

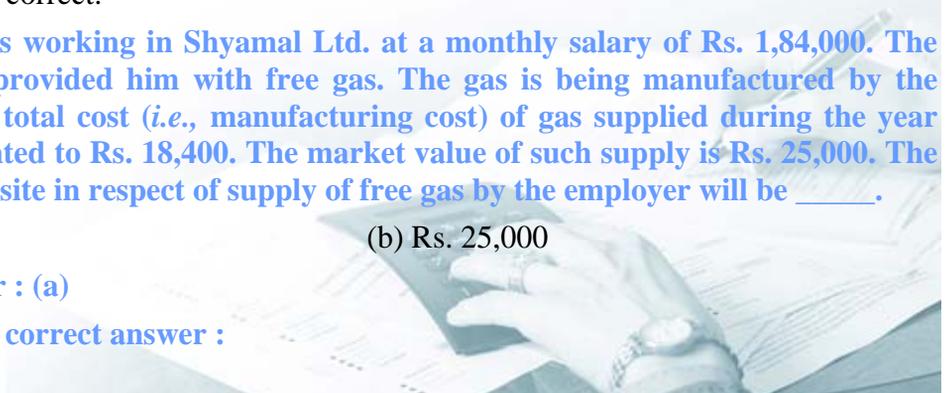
28. Mr. Sujal is working in Shyamal Ltd. at a monthly salary of Rs. 1,84,000. The company has provided him with free gas. The gas is being manufactured by the company. The total cost (i.e., manufacturing cost) of gas supplied during the year 2012-13 amounted to Rs. 18,400. The market value of such supply is Rs. 25,000. The value of perquisite in respect of supply of free gas by the employer will be ____.

(a) Rs. 18,400

(b) Rs. 25,000

Correct answer : (a)

Justification of correct answer :



The value of the perquisite arising on account of supply of gas, electricity or water to the employee will be the amount paid by the employer to the supplying agency in cases where the supply is made from resources not owned by the employer. If supplies are made by the employer from his own resources without purchasing from the outside agencies, then the value of the perquisite will be 'the manufacturing cost per unit incurred by the employer. Where the employee is paying any amount in respect of such services, the amount so paid by the employee shall be deducted from the value so arrived at.

Thus, in this case the value of perquisite will come to Rs. 18,400. Thus, option (a) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will come to Rs. 18,400. Thus, option (a) is the correct option and option (b) giving incorrect value of perquisite is not correct.

29. Mr. Jay is working in Essem Ltd. at a monthly salary of Rs. 58,400. He is receiving Rs. 500 per month per child on account of children's education allowance (for 3 children). In this case, amount received in respect of two children will be exempt from tax and amount received for one child will be the taxable value of perquisite.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

In this case the amount received by employee is in the nature of allowance and not perquisite. Hence, nothing will be charged to tax as value of perquisite. Whatever amount is to be taxed will be taxed as allowance and not as perquisite.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

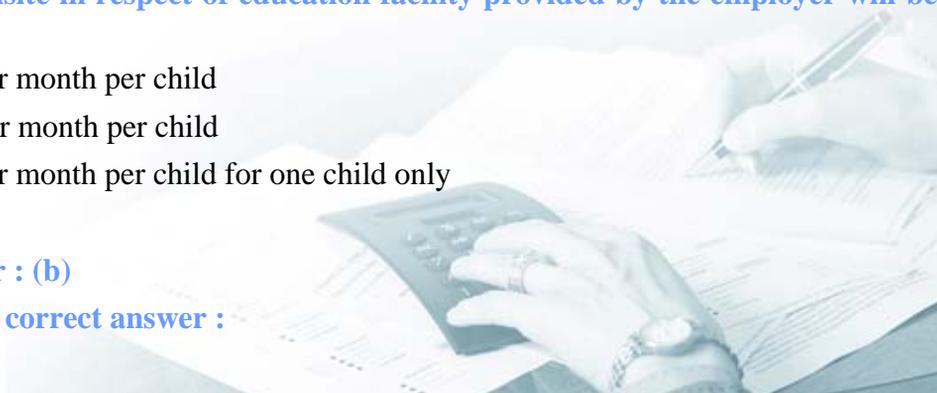
Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

30. Mr. Sujal is working in Shyamal Ltd. at a monthly salary of Rs. 18,400. The company provided free education facility to his three children in the school maintained by the company. The cost of such education facility in a similar institution in or nearby the locality comes to Rs. 5,000 per month per child. The value of perquisite in respect of education facility provided by the employer will be _____.

- (a) Rs. 5,000 per month per child
(b) Rs. 4,000 per month per child
(c) Rs. 4,000 per month per child for one child only
(d) Nil

Correct answer : (b)

Justification of correct answer :



Where the education facility is provided to the children of the employee in an educational institution which is maintained and owned by the employer or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, then the value of perquisite shall be the cost of such education in a similar institution in or nearby the locality. However, nothing shall be chargeable to tax if the cost of such education (or the value of such benefit) per child does not exceed Rs. 1,000 per month. If the cost of such education facility exceeds Rs. 1,000 per child, then the amount in excess of Rs. 1000 per month per child shall be charged to tax.

Thus, in this case the value of perquisite will come to Rs. 4,000 per month per child (Rs. 5,000 – Rs. 1,000). Thus, option (b) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will come to Rs. 4,000 per month per child. Thus, option (b) is the correct option and options (a), (c) and (d) giving incorrect values of perquisite are not correct.

31. Mr. Suraj is working in SM Ltd. at a monthly salary of Rs. 28,400. The company reimburses entire school fees of three children of Mr. Suraj. The reimbursement is Rs. 2,000 per month per child. The value of perquisite in respect of reimbursement of school fees by the employer will be _____.

- (a) Rs. 2,000 per month per child
- (b) Rs. 1,000 per month per child
- (c) Rs. 2,000 per month per child for one child only
- (d) Nil

Correct answer : (a)

Justification of correct answer :

Reimbursement of expenditure incurred for the education of the children/members of the household of the employee is taxable as a perquisite in the hands of employee.

Thus, in this case the value of perquisite will come to Rs. 2,000 per month per child. Thus, option (a) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will come to Rs. 2,000 per month per child. Thus, option (a) is the correct option and options (b), (c) and (d) giving incorrect values of perquisite are not correct.

32. Mr. Sujal is working in Shyamal Ltd. at a monthly salary of Rs. 18,400. The company provided free education facility to his younger brother in the school maintained by the company. The cost of such education facility in a similar institution in or nearby the locality comes to Rs. 5,000 per month per child. The value of perquisite in respect of education facility provided by the employer will be _____.

- (a) Rs. 5,000 per month
- (b) Rs. 4,000 per month
- (c) Rs. 1,000 per month
- (d) Nil

Correct answer : (a)

Justification of correct answer :



Where the education facility is provided to the children of the employee in an educational institution which is maintained and owned by the employer or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, then the value of perquisite shall be the cost of such education in a similar institution in or nearby the locality. However, nothing shall be chargeable to tax if the cost of such education (or the value of such benefit) per child does not exceed Rs. 1,000 per month. If the cost of such education facility exceeds Rs. 1,000 per child, then the amount in excess of Rs. 1000 per month per child shall be charged to tax. The benefit of deduction of Rs. 1,000 per month is available only in respect of children of the employee and not in respect of other family members of the employee.

Thus, in this case the value of perquisite will come to Rs. 5,000 per month. Thus, option (a) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will come to Rs. 5,000 per month. Thus, option (a) is the correct option and options (b), (c) and (d) giving incorrect values of perquisite are not correct.

33. Mr. Raja is working in Shyamal Ltd. as marketing manager at a monthly salary of Rs. 68,400. The company provided free training to its entire marketing staff for developing communication skills. The cost of such training to the company comes to Rs. 5,000 per month per employee. The value of perquisite in respect of free training provided by the employer will be ____.

- (a) Rs. 5,000 per month (b) Rs. 4,000 per month
(c) Rs. 1,000 per month (d) Nil

Correct answer : (d)

Justification of correct answer :

Amount spent by the employer for the purpose of providing free training to the employee is not taxable in the hands of the employee.

Thus, in this case the value of perquisite will come to Nil. Thus, option (d) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will come to Nil. Thus, option (d) is the correct option and options (a), (b) and (c) giving incorrect values of perquisite are not correct.

34. Mr. Kaushal is working in SM Ltd. at a monthly salary of Rs. 28,400. Son and daughter of Mr. Kaushal are studying in Shining Star Public School. The monthly fees amount to Rs. 10,000 per child. Entire fees are paid by the employer. The value of perquisite in respect of school fees paid by the employer will be ____.

Note : The employer has no tie-up with the school, the employee's are free to select the school of their choice and, accordingly, Mr. Kaushal has selected Shining Star Public School

- (a) Rs. 10,000 per month per child
(b) Rs. 9,000 per month per child

- (c) Rs. 10,000 per month per child for one child only
 (d) Nil

Correct answer : (a)

Justification of correct answer :

Where the educational facility is not provided in the school of the employer or not provided in a school by the reason of the employment, the value of the perquisite is required to be determined at the amount of expenditure incurred by the employer in that behalf. In this case the school is not covered in any of the above two categories and, hence, the value of perquisite will come to Rs. 10,000 per month per child. Thus, option (a) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will come to Rs. 10,000 per month per child. Thus, option (a) is the correct option and options (b), (c) and (d) giving incorrect values of perquisite are not correct.

35. Mr. Jayesh is working in State Bank of India. at a monthly salary of Rs. 58,400. His employer has granted him an interest free loan of Rs. 5,00,000 to purchase a flat. In this case the value of perquisite in respect of interest free loan will be Nil.

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

The value of perquisite arising on account of interest free loan or concessional loan granted by the employer will be computed on the basis of the rate of interest on such loans charged by the State Bank of India as on the 1st day of the relevant previous year in respect of loans for the same purpose advanced by it (*i.e.*, State Bank of India). The value of perquisite will be determined as follows :

<i>Particulars</i>	<i>Interest free loan</i>	<i>Concessional loan</i>
Interest on the respective loan computed on the basis of rate of interest on such loan charged by State Bank of India prevailing on the first day of the previous year	XXXXXXX	XXXXXXX
<i>Less:</i> Amount recovered from the employee for the respective loan	-----	<u>XXXXXXX</u>
Perquisite in respect of interest free or concessional loans	XXXXXXX	XXXXXXX

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

36. Mr. Ravi is working in Essem Ltd. at a monthly salary of Rs. 88,400. His employer has granted him an interest free loan of Rs. 15,00,000 to purchase a bungalow. In this case the value of perquisite in respect of interest free loan will be Rs. 15,00,000.

(a) True

(b) False

Correct answer : (b)

Justification of correct answer :

The value of perquisite arising on account of interest free loan or concessional loan granted by the employer will be computed on the basis of the rate of interest on such loans charged by the State Bank of India as on the 1st day of the relevant previous year, in respect of loans for the same purpose advanced by it (*i.e.*, State Bank of India).

It should be noted that value of perquisite will not be the amount of loan but will be the interest on such loan as computed above. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

37. Mr. Alpesh is working in a private company at a monthly salary of Rs. 48,400. His employer has granted him a loan of Rs. 10,00,000 to purchase a flat. The employer is recovering interest @ 15% per annum. The rate of interest charged by State Bank of India as on first day of the previous year on such loan is 10% per annum. In this case the value of perquisite in respect of loan provided by the employer will come be _____.

(a) Rs. 1,50,000

(b) Rs. 1,00,000

(c) Rs. 10,00,000

(d) Nil

Correct answer : (d)

Justification of correct answer :

The value of perquisite arising on account of interest free loan or concessional loan granted by the employer will be computed on the basis of the rate of interest on such loans charged by the State Bank of India as on the 1st day of the relevant previous year, in respect of loans for the same purpose advanced by it (*i.e.*, State Bank of India). Amount recovered from the employee is to be deducted. In this case the interest charged by SBI is 10% and interest charged by the employer is 15% which is more than that charged SBI. Hence, in this case the value of perquisite will be Nil. Thus, option (d) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will be Nil. Thus, option (d) is the correct option and options (a), (b) and (c) giving incorrect values of perquisite are not correct.

38. Mr. Gully is working in a private company at a monthly salary of Rs. 38,400. He has taken a loan of Rs. 8,00,000 from his employer for the medical treatment of his wife (for treatment of specified diseases). The rate of interest charged by State Bank of India as on first day of the previous year on such loan is 10% per annum. The rate of interest charged by SBI on such loan on the date of loan is 15%. In this case the value of perquisite in respect of loan provided by the employer will come be _____.

- (a) Rs. 1,00,000 (b) Rs. 80,000
(c) Rs. 1,20,000 (d) Nil

Correct answer : (d)

Justification of correct answer :

Nothing is charged to tax in respect of perquisite arising on account of interest free or concessional loan granted by the employer for medical treatment of specified diseases.

Hence, in this case the value of perquisite will be *Nil*. Thus, option (d) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will be *Nil*. Thus, option (d) is the correct option and options (a), (b) and (c) giving incorrect values of perquisite are not correct.

39. Mr. Jimit is working in a private company at a monthly salary of Rs. 18,400. His employer has provided him with free use of a computer (desktop). The computer was purchased by the employer in December, 2011 for Rs. 1,00,000. In this case the value of perquisite in respect of provision of computer will be _____.

- (a) Rs. 10,000 (b) Rs. 20,000
(c) Rs. 50,000 (d) Nil

Correct answer : (d)

Justification of correct answer :

Nothing is charged to tax in respect of provision of computer by the employer. Hence, in this case the value of perquisite will be *Nil*. Thus, option (d) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will be *Nil*. Thus, option (d) is the correct option and options (a), (b) and (c) giving incorrect values of perquisite are not correct.

40. Mr. Jugal is working in a private company at a monthly salary of Rs. 18,400. His employer has provided him with free use of a computer (laptop). The laptop was purchased by the employer in June, 2012 for Rs. 2,00,000. In this case the value of perquisite in respect of provision of computer will be _____.

- (a) Rs. 20,000 (b) Rs. 40,000
(c) Rs. 1,00,000 (d) Nil

Correct answer : (d)

Justification of correct answer :

Nothing is charged to tax in respect of provision of computer (including laptop) by the employer. Hence, in this case the value of perquisite will be *Nil*. Thus, option (d) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will be *Nil*. Thus, option (d) is the correct option and options (a), (b) and (c) giving incorrect values of perquisite are not correct.

43. Mr. Rakesh is working in a private company at a monthly salary of Rs. 78,400. His employer has provided him free use of television. The television is provided on 1-12-2013. The television is rented by the employer at a monthly rent of Rs. 2,000. In this case the value of perquisite in respect of provision of use of television will be _____.

- (a) Rs. 7,840 (b) Rs. 2,613
(c) Rs. 8,000 (d) Nil

Correct answer : (c)

Justification of correct answer :

The value of perquisite to the employee resulting from the use by the employee (or any member of his household) of any movable asset (other than assets already specified in Rule 3 and other than laptops and computers) belonging to the employer shall be determined at rate of 10% per annum of the actual cost of such asset to the employer. If the assets are hired by the employer, the value of perquisite will be the actual amount of rent or charges paid or payable by the employer for the said asset.

Hence, in this case the value of perquisite will be Rs. 8,000 (being rent of the television for four months). Thus, option (c) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will be Rs. 8,000. Thus, option (c) is the correct option and options (a), (b) and (d) giving incorrect values of perquisite are not correct.

44. Mr. Raj is working in a private company at a monthly salary of Rs. 8,400. His employer has provided him with free use of refrigerator. The refrigerator is rented by the employer at a monthly rent of Rs. 5,000. The employer recovers Rs. 2,000 per month from the employee. In this case the value of perquisite in respect of provision of use of refrigerator will be _____.

- (a) Rs. 7,840 per month (b) Rs. 2,000 per month
(c) Rs. 3,000 per month (d) Nil

Correct answer : (c)

Justification of correct answer :

The value of perquisite to the employee resulting from the use by the employee (or any member of his household) of any movable asset (other than assets already specified in Rule 3 and other than laptops and computers) belonging to the employer shall be determined at rate of 10% per annum of the actual cost of such asset to the employer. If the assets are hired by the employer, the value of perquisite will be the actual amount of rent or charges paid or payable by the employer for the said asset.

The amount calculated as above shall be reduced by the amount, if any, paid by or recovered from the employee for such use.

Hence, in this case the value of perquisite will be Rs. 3,000 per month (Rs. 5,000 – Rs. 2,000). Thus, option (c) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will be Rs. 3,000 per month. Thus, option (c) is the correct option and options (a), (b) and (d) giving incorrect values of perquisite are not correct.

45. Mr. Kaushal is working in Essem Ltd. at a monthly salary of Rs. 25,200. On 1-4-2013, the employer has transferred a laptop to him without any cost. The laptop was purchased by the employer on 1-3-2013. In this case there will be no taxable value of perquisite since the asset transferred is computer.

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

When a movable asset owned by the employer is transferred to the employee, either free of cost or at a concessional rate, the benefit accruing to the employee from such transfer will result in perquisite in the hands of the employee. Value of perquisite in this case will be excess of WDV (*i.e.*, cost *less* normal wear and tear) of the asset over the amount recovered from the employee in respect of such transfer.

The above discussed rule is applicable for all assets including computer. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

46. Mr. Krunal is working in Essem Ltd. at a monthly salary of Rs. 84,000. On 1-4-2012, he purchased a computer from the employer for Rs. 10,000. The computer was purchased by the employer on 15-5-2010 for Rs. 1,00,000. The value of perquisite in respect of transfer of computer will be _____.

- (a) Rs. 90,000 (b) Rs. 10,000
(c) Rs. 40,000 (d) Nil

Correct answer : (c)

Justification of correct answer :

When a movable asset owned by the employer is transferred to the employee, either free of cost or at a concessional rate, the benefit accruing to the employee from such transfer will result in perquisite in the hands of the employee. Value of perquisite in this case will be excess of WDV (*i.e.*, cost *less* normal wear and tear) of the asset over the amount recovered from the employee in respect of such transfer. In above case, WDV is determined as follows:

- (a) In case of electronic items (*i.e.*, computer and related items only), WDV shall be computed on reducing balance method by deducting 50% depreciation for each completed year. In case of motor car rate of depreciation will be at 20% for each completed year.
- (b) In case of any other asset, WDV is to be computed by deducting 10% of actual cost (*i.e.*, as per straight line method) for each completed year.

The computation in this case will be as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Original cost of music system to the employer	1,00,000
(-) Depreciation @ 10% for 1 st year (See note 1)	<u>10,000</u>
WDV	90,000
(-) Depreciation @ 10% (on cost) for 2 nd year (See note 1)	<u>10,000</u>
Gross value of music system	80,000
(-) Amount paid to employer to acquire the music system	<u>1,10,000</u>
Taxable value of perquisite (<i>Nil</i> since excess amount is recovered)	<i>Nil</i>

Note 1: Here year will mean completed year during which the asset was owned by the employer. Thus, in this case two full years will be from 15-5-2010 to 14-5-2012, third year will be fully completed on 14-5-2013 but before that the asset is transferred by the employer. Hence, full years will be only 2

Hence, in this case the value of perquisite will be *Nil*. Thus, option (d) is the correct option.

Comment on incorrect answer : The value of perquisite in this case will be *Nil*. Thus, option (d) is the correct option and options (a), (b) and (c) giving incorrect values of perquisite are not correct.

52. What will be the value of perquisite in respect of a car owned by the employee and maintenance and running expenses met by the employer (Car is used for official purpose as well as private purpose by the employee)?

- (a) Rs. 1,800 per month where the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1600 cc).
- (b) Rs. 2,400 per month where the cubic capacity of the engine exceeds 1.6 litres (*i.e.*, 1600 cc).
- (c) Actual expenditure incurred or reimbursed by the employer *less* Rs. 1,800 per month or Rs. 2,400 per month as the case may be.
- (d) *Nil*

Correct Answer : (c)

Justification of correct answer

Value of perquisite in respect of a car owned by the employee and maintenance and running expenses met by the employer (Car is used for official purpose as well as private purpose by the employee) will be actual expenditure incurred or reimbursed by the employer *less* Rs. 1,800 per month or Rs. 2,400 per month as the case may be.

Thus, option (c) is the correct option.

Comment on incorrect answer : Option (c) is the correct option since it gives the correct mode of valuation, hence, all the other options, *viz.*, options (a), (b) and (d) giving incorrect mode of valuation are not correct.

Comment on incorrect answer : Option (a) is the correct option since it gives the correct value of perquisite, *i.e.*, Rs. 1,500, hence, all the other options, *viz.*, options (b), (c) and (d) giving incorrect values of perquisite are not correct.

58. The value of perquisite in respect of running and maintenance expenditure met by the employer in respect of an automotive conveyance other than a car (used for official as well as private purpose by the employee) will be actual expenditure met by the employer less Rs. 600 per month.

(a) True

(b) False

Correct answer : (b)

Justification of correct answer :

In the above case, the value of perquisite will be actual expenditure met by the employer less Rs. 900 per month.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

59. The value of perquisite in respect of food and other non-alcoholic beverages provided in office premises or through non-transferable paid vouchers usable only at eating joints will be computed @ Rs. 50 per meal.

(a) True

(b) False

Correct Answer : (b)

Justification of correct answer

Value of perquisite in respect of food and other non-alcoholic beverages provided in office premises or through non-transferable paid vouchers usable only at eating joints will be as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Cost to the employer in respect of aforesaid items in excess of Rs. 50 per meal	XXXXX
<i>Less</i> : Amount recovered from the employee	<u>XXXXX</u>
Value of perquisite (if positive)	XXXXX

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

60. Mr. Kapoor is working in Essem Ltd at a monthly salary of Rs. 84,000. The company provides tea to all its employees in morning and evening (during office hours). The cost of such facility to company comes to Rs. 1,000 per month per employee. The value of perquisite in respect of provision of above facility by the employer will be _____.

(a) Rs. 1,000 per month

(b) Nil

Correct Answer : (b)

Justification of correct answer

Nothing is charged to tax in respect of light refreshment (*i.e.*, tea or non-alcoholic beverages and snacks) provided during working hours including working on holidays, overtime, etc. Thus, option (b) is the correct option.

Comment on incorrect answer : Nothing is charged to tax in respect of light refreshment (*i.e.*, tea or non-alcoholic beverages and snacks) provided during working hours including working on holidays, overtime, etc., hence, option (b) is the correct option and option (a) giving incorrect value of perquisite is not correct.

61. Mr. Kapoor is working in Essem Ltd at a monthly salary of Rs. 84,000. The company provides him free meal in afternoon in the office premises. The cost of such meal to the company is Rs. 84 per meal. The value of perquisite in respect of provision of free meal will be _____.

(a) Rs. 50 per meal

(b) Rs. 34 per meal

(c) Rs. 100 per meal

(d) Nil

Correct Answer : (b)

Justification of correct answer

Value of perquisite in respect of food and other non-alcoholic beverages provided in office premises or through non-transferable paid vouchers usable only at eating joints will be the cost to the employer in respect of aforesaid items in excess of Rs. 50 per meal. Hence, in this case the value of perquisite will come to Rs. 34 per meal (Rs. 84 – Rs. 50). Thus, option (b) is the correct option.

Comment on incorrect answer : Option (b) is the correct option since it gives the correct value of perquisite, *i.e.*, Rs. 34 per meal, hence, all the other options, *viz.*, options (a), (c) and (d) giving incorrect values of perquisite are not correct.

62. Nothing shall be charged to tax in respect of food and other non-alcoholic beverages provided in working hours in _____ area or in an offshore installation.

(a) Remote

(b) Any

(c) City

(d) Village

Correct Answer : (a)

Justification of correct answer

Nothing shall be charged to tax in respect of food and other non-alcoholic beverages provided in working hours in remote area or in an offshore installation.

Thus, option (a) is the correct option.

Comment on incorrect answer : Option (a) is the correct option since it gives the correct area, hence, all the other options, *viz.*, options (b), (c) and (d) giving incorrect areas are not correct.

63. Mr. Saurabh is working in Essem Ltd as a public relation officer at a monthly salary of Rs. 1,84,000. The company provides him free use of credit card. The card is to be used only for his official purpose. During the year 2012-13, the company paid total credit bills of Rs. 84,000. The value of perquisite in respect of provision of credit card for official purpose will be _____.

(a) Rs. 84,000

(b) Nil

Correct Answer : (b)

Justification of correct answer

Nothing shall be charged to tax in respect of free use of credit card provided by the employer, if the credit card is used only for official purpose, hence, in this case the value of perquisite will come Nil. Thus, option (b) is the correct option.

Comment on incorrect answer : Option (b) is the correct option since the value of perquisite will be Nil, hence, the other option, viz., option (a) giving incorrect value of perquisite is not correct.

64. The employer of Mr. Kapoor has provided him a credit card. Annual expenditure on the card amounting to Rs. 25,200 is met by the employer. Entire expenditure is for private purpose of the employee. The value of perquisite in the case will be _____.

(a) Rs. 25,200

(b) Nil

Correct Answer : (a)

Justification of correct answer

Value of perquisite arising on account of provision of credit card by the employer will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Expenditure incurred by the employer in respect of credit card used by the employee or any member of his household	25,200
Less: Amount recovered from the employee	Nil
Less: Expenditure on use for official purposes	Nil
Value of perquisite	25,200

Thus, option (a) is the correct option.

Comment on incorrect answer : Option (a) is the correct option since the value of perquisite will be Rs. 25,200, hence, the other option, viz., option (b) giving incorrect value of perquisite is not correct.

65. The employer of Mr. Kapoor has provided him with a credit card. Entire annual expenditure of the card amounting to Rs. 25,200 is met by the employee. Entire expenditure is for private purpose of the employee. It is the practice of the company to provide uniformly credit card to all its employees. The value of perquisite in the case will be _____.

(a) Rs. 25,200

(b) Nil

Correct Answer : (b)

Justification of correct answer

The value of perquisite in above case will be *Nil*, since the expenditure is met by the employee. Thus, option (b) is the correct option.

Comment on incorrect answer : Option (b) is the correct option since the value of perquisite will be *Nil*, hence, the other option, *viz.*, option (a) giving incorrect value of perquisite is not correct.

66. The employer of Mr. Kapoor has provided him with club facility in a private sports club. The annual expenditure of the club facility enjoyed by the employee and his family members amounted to Rs. 8,400. Entire annual expenditure of Rs. 8,400 is met by the employer. The facility is not provided to all the employees but is provided to a few selected employees only. The value of perquisite in the case will be _____.

(a) Rs. 8,400

(b) *Nil*

Correct Answer : (a)

Justification of correct answer

Value of perquisite arising on account of provision of club facility by the employer will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Expenditure incurred or reimbursed by the employer in respect of club facility used by the employee or any member of his household	8,400
<i>Less:</i> Amount recovered from the employee	<i>Nil</i>
<i>Less:</i> Expenditure on use for official purposes	<i>Nil</i>
Value of perquisite (if positive)	8,400

Thus, option (a) is the correct option.

Comment on incorrect answer : Option (a) is the correct option since the value of perquisite will be Rs. 8,400, hence, the other option, *viz.*, option (b) giving incorrect value of perquisite is not correct.

67. Nothing is charged to tax in the hands of the employee in respect of initial one-time deposit or fees for corporate or institutional membership fees paid by the employer, where benefit does not remain with particular employee after cessation of employment.

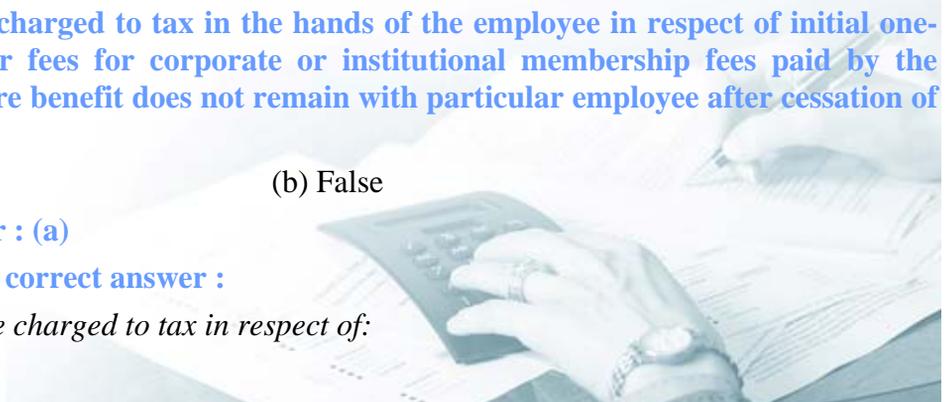
(a) True

(b) False

Correct answer : (a)

Justification of correct answer :

Nothing shall be charged to tax in respect of:



- (a) Health club, sports and other facilities provided uniformly to all classes of employees by the employer.
- (b) Initial one-time deposit or fees for corporate or institutional membership fees paid by the employer, where benefit does not remain with particular employee after cessation of employment - Circular No. 15/2001, dated December 12, 2001.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.

68. Mr. Kapoor is working in Essem Ltd at a monthly salary of Rs. 84,000. During the year 2012-13, the company has given his cash gift amounting to Rs. 8,400. The value of perquisite in respect of gift granted by the employer will be _____.

- (a) Rs. 8,400
- (b) Rs. 3,400
- (c) Rs. 5,000
- (d) Nil

Correct Answer : (a)

Justification of correct answer

Value of any gift, gift vouchers, etc., received from the employer by the employee or member of his household, shall be equal to the value of such gift. Nothing shall be charged to tax, if aggregate value of such gift, vouchers, etc., during the previous year does not exceed Rs. 5,000. The exemption is not available to monetary gift (*i.e.*, cash, cheque, etc.). Hence, in this case entire amount of Rs. 8,400 will be charged to tax. Thus, option (a) is the correct option.

Comment on incorrect answer : Option (a) is the correct option since it gives the correct value of perquisite, *i.e.*, Rs. 8,400, hence, all the other options, *viz.*, option (b), (c) and (d) giving incorrect values of perquisite are not correct.

69. Mr. Kapoor is working in Essem Ltd at a monthly salary of Rs. 84,000. The employer has provided him with free use of landline telephone. The cost of such facility to the employer amounts to Rs. 1,000 per month. The value of perquisite in respect of provision of telephone facility by the employer will be _____.

- (a) Rs. 1,000 per month
- (b) Nil

Correct Answer : (b)

Justification of correct answer

Nothing is taxed in respect of expenses on telephone including a mobile phone actually incurred by the employer on behalf of an employee. Hence, no perquisite will arise in respect of provision of telephone by the employer.

Thus, option (b) is the correct option.

Comment on incorrect answer : No perquisite will arise in respect of provision of telephone by the employer. Thus, option (b) is the correct option and options (a) giving incorrect value of perquisite is not correct.

70. Mr. Sudhir is working in Essem Ltd at a monthly salary of Rs. 25,200. The employer has provided him with free use of mobile phone. The cost of such facility to the employer amounts to Rs. 1,500 per month. The value of perquisite in respect of provision of mobile phone facility by the employer will be _____.

- (a) Rs. 1,500 per month (b) Nil

Correct Answer : (b)

Justification of correct answer

Nothing is taxed in respect of expenses on telephone including a mobile phone actually incurred by the employer on behalf of an employee. Hence, no perquisite will arise in respect of provision of mobile phone by the employer.

Thus, option (b) is the correct option.

Comment on incorrect answer : No perquisite will arise in respect of provision of mobile phone by the employer. Thus, option (b) is the correct option and option (a) giving incorrect value of perquisite is not correct.

71. Mr. Raghu is working in Essem Ltd at a monthly salary of Rs. 1,25,200. The employer has provided him with free medical treatment in the company's hospital. The cost of such facility to the company is Rs. 10,000. The value of perquisite in respect of provision of free medical facility will be _____.

- (a) Rs. 10,000 per month (b) Nil

Correct Answer : (b)

Justification of correct answer

Nothing will be charged to tax in respect of medical facility provided in a hospital:

- (a) Maintained by the employer,
- (b) Maintained by the Government or local authority or other person but approved by Government for treatment of its employees,
- (c) Approved by the Chief Commissioner having regard to the prescribed guidelines. In this case, exemption is available only for treatment of prescribed diseases given in Rule 3A. A certificate from the hospital specifying nature of disease as well as amount of expenditure should be obtained.
- (d) In respect of medical facility/expenses in any hospital other than discussed in (a) to (c) above, amount of expenditure incurred or reimbursed by the employer in excess of Rs. 15,000 (in aggregate per year) will be the value of the perquisite charged to tax, in the hands of employee.

Thus, option (b) is the correct option.

Comment on incorrect answer : No perquisite will arise in respect of provision of medical treatment in the employer's hospital. Thus, option (b) is the correct option and option (a) giving incorrect value of perquisite is not correct.

72. Mr. Lalit is working in SM Ltd at a monthly salary of Rs. 28,400. The employer has provided him with free medical treatment in Government hospital. The cost of such facility to the company is Rs. 12,000. The value of perquisite in respect of provision of medical facility in Government hospital will be Nil if the treatment is of specified diseases.

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

Nothing will be charged to tax in respect of medical facility provided in a hospital:

- (a) Maintained by the employer,
- (b) Maintained by the Government or local authority or other person but approved by Government for treatment of its employees,
- (c) Approved by the Chief Commissioner having regard to the prescribed guidelines. In this case, exemption is available only for treatment of prescribed diseases given in Rule 3A. A certificate from the hospital specifying nature of disease as well as amount of expenditure should be obtained.
- (d) In respect of medical facility/expenses in any hospital other than discussed in (a) to (c) above, amount of expenditure incurred or reimbursed by the employer in excess of Rs. 15,000 (in aggregate per year) will be the value of the perquisite charged to tax in the hands of employee.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

73. Nothing shall be charged to tax in respect of reimbursement of private medical expenditure upto _____ per annum.

- (a) Rs. 15,000 (b) Rs. 25,000
(d) Rs. 30,000 (d) Rs. 50,000

Correct answer (a)

Justification of correct answer

Nothing shall be charged to tax in respect of reimbursement of private medical expenditure upto to Rs. 15,000 per annum. Thus, option (a) is the correct option.

Comment on incorrect answer : Option (a) is the correct option since it gives the correct quantum of exemption, hence, all the other options, viz., options (b), (c) and (d) giving incorrect quantum of exemption are not correct.

74. If the employer has issued any specified security or sweat equity shares to the employee, the fair market value of such shares on the date of exercise of the option shall be the value of perquisite in the hands of the employee. Amount recovered from the employee will be deducted from the aforesaid value.

(a) True

(b) False

Correct answer (a)

Justification of correct answer

In respect of issue of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer or former employer, free of cost or at concessional rate to the employee, the fair market value of such shares/securities on the date of exercise of the option, *less* amount recovered from the employee, will be the taxable value of perquisite in the hands of the employee.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.

75. Mr. Sugam is working in Essem Ltd. The company offered an option to the employees to buy the shares of the company @ Rs. 500 per share. The current market price of the shares is Rs. 840 per share. In pursuance of the above offer, Mr. Sugam subscribed to 100 shares. Other details in this regard are as follows :

- The market value of the share on the date of exercise of the option was Rs. 900 per share.
- The market value of the share on the date of allotment of the shares was Rs. 1,000 per share.

The taxable value of perquisite in respect of above shares issued by the company will be _____.

(a) Rs. 500 per share

(b) Rs. 400 per share

(c) Rs. 900 per share

(d) Rs. 1,000 per share

Correct Answer : (b)

Justification of correct answer

In respect of issue of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer or former employer, free of cost or at concessional rate to the employee, the fair market value of such shares/securities on the date of exercise of the option, *less* amount recovered from the employee, will be the taxable value of perquisite in the hands of the employee. In this case the fair market value of such shares/securities on the date of exercise of the option is Rs. 900 and the shares are allotted at Rs. 500 per share. Hence, taxable value of perquisite will come to Rs. 400 per share (Rs. 900 – Rs. 500).

Thus, option (b) is the correct option.

Comment on incorrect answer : Option (b) is the correct option since it gives the correct value of perquisite, *i.e.*, Rs. 400 per share, hence, all the other options, *viz.*, options (a), (c) and (d) giving incorrect values of perquisite are not correct.