

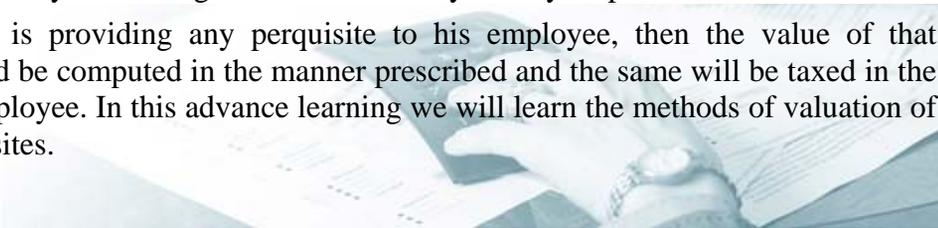
ADVANCE LEARNING ON PERQUISITES (THEORY)

Meaning of perquisite

In general perquisite means any benefit. In the context of salary income perquisite means any benefit provided by the employer to the employee. The term perquisite is defined in section 17(2). As per section 17(2) perquisite includes :

- (i) the value of rent-free accommodation provided to the assessee by his employer;
- (ii) the value of any concession in the matter of rent respecting any accommodation provided to the assessee by his employer;
- (iii) the value of any benefit or amenity granted or provided free of cost or at concessional rate in any of the following cases—
 - (a) by a company to an employee who is a director thereof;
 - (b) by a company to an employee being a person who has a substantial interest in the company;
 - (c) by any employer (including a company) to an employee to whom the provisions of paragraphs (a) and (b) of this sub-clause do not apply and whose income [under the head "Salaries" (whether due from, or paid or allowed by, one or more employers), exclusive of the value of all benefits or amenities not provided for by way of monetary payment, exceeds Rs. 50,000.]
- (iv) any sum paid by the employer in respect of any obligation which, but for such payment, would have been payable by the assessee;
- (v) any sum payable by the employer, whether directly or through a fund, other than a recognised provident fund or an approved superannuation fund [or a Deposit-linked Insurance Fund established under section 3G of the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948 (46 of 1948), or, as the case may be, section 6C of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952)], to effect an assurance on the life of the assessee or to effect a contract for an annuity;
- (vi) the value 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 assessee;
- (vii) the amount of any contribution to an approved superannuation fund by the employer in respect of the assessee, to the extent it exceeds one lakh rupees; and
- (viii) the value of any other fringe benefit or amenity as may be prescribed.

If an employer is providing any perquisite to his employee, then the value of that perquisite should be computed in the manner prescribed and the same will be taxed in the hands of the employee. In this advance learning we will learn the methods of valuation of different perquisites.



Value of perquisite in respect of unfurnished accommodation in the hands of a Government employee

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

Illustration

Mr. Kumar is a Central Government employee. The employer (*i.e.*, Government) has provided him with a bungalow for his residence. No rent is being charged by the employer. The fair rent of the bungalow is Rs. 8,400 per month and the licence fee of the bungalow is Rs. 1,000 per month.

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In this case, value of perquisite in the hands of Mr. Kumar in respect of rent free accommodation will be Rs. 1,000 per month (being licence fee of the accommodation). If in the above case, anything is recovered from the employee in respect of the bungalow, then the same should be deducted from the value of perquisite. The balance value (if positive) will be charged to tax in the hands of the employee.

Value of perquisite in respect of unfurnished accommodation in the hands of a non-Government employee

In this case, 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 will be as follows:

(1) In case of accommodation owned by 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

(2) In case of accommodation taken on lease or rent by the employer :

In this case 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.

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

Note 1: For the above purpose “Salary” means:

- Salary for the period during which the accommodation was occupied by the employee.
- Salary shall be computed on due basis.
- If the employee is employed with more than one employer, then salary from all such employers is to be considered.
- 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.

Illustration

Mr. Kalpesh is a non-Government employee. His employer has provided him with a bungalow for his residence (at Mumbai). No rent is being charged by the employer. The accommodation is owned by the employer. Salary of Mr. Kalpesh is as follows :

- Basic salary Rs. 18,400 per month.
- Dearness allowance (in terms) Rs. 11,600 per month.

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

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In this case, the accommodation is owned by the employer and the accommodation is located in Mumbai (population exceeds 25,00,000), hence, value of perquisite will be 15% of salary. Salary will come to Rs. 30,000 (Rs. 18,400 + Rs. 11,600). Thus, value of perquisite will come to Rs. 4,500 per month.

Illustration

In above case, what will be the value of perquisite if the accommodation is located in a city in which the population is : (i) 12,00,000, or (ii) 8,00,000, or (iii) is leased by the employer?

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(i) *Value of perquisite if the population of the city is 12,00,000 :*

In this case, the value of perquisite will be 10% of salary, thus, value of perquisite will be Rs. 3,000 per month (10% of Rs. 30,000).

(ii) *Value of perquisite if the population of the city is 8,00,000 :*

In this case, the value of perquisite will be 7.5% of salary, thus, value of perquisite will be Rs. 2,250 per month (7.5% of Rs. 30,000).

(iii) *Value of perquisite if the accommodation is leased by the employer :*

In this case, the value of perquisite will be 15% of salary, thus, value of perquisite will be Rs. 4,500 per month (15% of Rs. 30,000).

Value of perquisite in respect of furnished accommodation in the hands of a Government employee as well as a non-Government employee:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Compute value of accommodation considering accommodation as unfurnished accommodation (as per rules discussed earlier)	XXXXXX
Add : 10% per annum of the original cost of furniture to the employer or actual hire charges (paid or payable) by the employer (if the furniture is hired by the employer)	XXXXXX
Value of furnished accommodation	XXXXXX

Illustration

Mr. Anil is working in Essem Ltd. The company has provided him with a rent free furnished accommodation. The accommodation is leased by the employer at a monthly rent of Rs. 8,400. The employer has provided him furniture along with the accommodation. The cost of such furniture to the employer is Rs. 50,000. The salary structure of Mr. Anil is as follows :

- Basic salary Rs. 10,000 per month.
- Dearness allowance (in terms) : Rs. 15,000 per month.
- Fixed monthly commission : Rs. 5,000 per month.

Compute the value of perquisite arising from provision of rent free furnished accommodation.

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First we have to compute the value of accommodation (considering it as unfurnished), then we have to add the value of furniture. The computation in this regard will be as follows :

(i) *Computation of value of unfurnished accommodation :*

The accommodation is rented by the employer, hence, the value of accommodation will be lower of 15% of the salary or rent. 15% of salary will come to Rs. 4,500 per month (15% of Rs. 30,000) and rent of the accommodation is Rs. 8,400, hence, the value of unfurnished accommodation will come to Rs. 4,500.

(ii) *Computation of value of furniture :*

Value of furniture will be 10% per annum of the original cost of the furniture to the employer. Cost of furniture is Rs. 50,000, hence, value of furniture will come to Rs. 5,000.

Value of furnished accommodation will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Value of accommodation considering accommodation as unfurnished accommodation @ Rs. 4,500 per month (Rs. 4,500 × 12)	54,000
<i>Add</i> : Value of furniture	<u>5,000</u>
Value of furnished accommodation	59,000

Value of perquisite in respect of provision of accommodation in a hotel

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

- 24% of salary paid or payable; or,
- 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.

Value of perquisite in respect of provision of domestic servant

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.

The above rule will remain same in case of Government employee as well as non-Government employee.

Illustration

Mr. Kumar is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a domestic servant and the salary of the servant is paid by the company. The monthly salary of servant is Rs. 1,000. What will be the value of perquisite in respect of domestic servant provided by the company?

**

The value of perquisite in respect of domestic servant will be the salary of servant paid by the company. Thus, the value of perquisite will come to Rs. 1,000 per month.

Value of perquisite in respect of provision of gas, water or electricity

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 case 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 it 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.

Illustration

Mr. Sunil is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided with him free gas, water and electricity. The total cost of these supplies to the company amounted to Rs. 8,400 per month. What will be the value of perquisite in respect of supply of free gas, water and electricity 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 case where the supply is made from resources not owned by the employer. Thus, in this case the value of perquisite will come to Rs. 8,400 per month.

Value of perquisite in respect of provision of educational facility to the members of household of the employee

Perquisite resulting from the provision of educational facility to the members of household of the employee can be classified as follows :

- (1) Education facility provided to the children of the employee in an educational institute maintained and owned by the employer or where free educational facilities are allowed in any other educational institution by reason of his being in employment of that employer.
- (2) Education facility provided to the members of household (other than children) in an educational institution maintained and owned by the employer or where free educational facilities are allowed in any other educational institution by reason of his being in employment of that employer.
- (3) Education facility provided to the children or members of household of the employee in any other institution.

The detailed discussion in each of the above cases is as follows :

(1) Education facility provided to the children of the employee :

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 the amount in excess of Rs. 1,000 shall be charged to tax.

(2) Education facility provided to the members of household of the employee (other than children of the employee) :

Where the education facility is provided to 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.

(3) Education facility provided in any other institution :

Where the educational institution is not covered under above category, the value of the perquisite is required to be determined at the amount of expenditure incurred by the employer in that behalf. The words used in the statute are ‘amount of expenditure incurred by the employer in that behalf’, and not ‘amount paid by the employer to the educational institution’. It is immaterial whether the employer directly meets the expenses or whether the employee initially incurs the expenses and then gets the amount reimbursed from the employer. Even if the employer reimburses the amount to the employee, it will retain the character of ‘amount of expenditure incurred by the employer in that behalf’.

In all the cases discussed above, if any amount is paid by or recovered from the employee, the value of the perquisite should be reduced by the amount so paid or recovered.

Other points to be noted in this regard :

- Amount spent by the employer for the purpose of providing free training to the employee is not taxable in the hands of the employee.
- 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.
- School fees of the children/family members of the employees, paid by the employer directly to the school will also be charged to tax in the hands of the employee.

Illustration

Mr. Kumar is working in Essem Ltd. at a monthly salary of Rs. 84,000. The children (one boy and one girl) of Mr. Kumar are studying in Mahatma Gandhi Public School. The monthly fees of the school amount to Rs. 2,000 per month per child. Entire fees are reimbursed by the employer. What will be the value of perquisite arising from reimbursement of school fees by the employer?

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Value of perquisite arising from reimbursement of school fees by the employer will be the amount of expenditure incurred by the employer in that behalf. Thus, value of perquisite in this case will come to Rs. 4,000 per month (Rs. 2,000 per month per child for two children).

Value of perquisite in respect of granting of interest free loan by the employer or granting of loan at concessional rate of interest:

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

Interest shall be computed on monthly basis by considering maximum outstanding monthly balance.

Suppose the loan is granted on 1-12-2012 and the rate of interest of State Bank of India on such loan as on 1-4-2012 is at 8% per annum, perquisite will be computed by considering 8% as rate of interest. If the employer is recovering interest at 3% per annum, then perquisite will be computed by considering interest rate at 5% per annum (8% – 3%).

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.

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. It should be noted that the limit of Rs. 20,000 applies to the aggregate of all loans which are petty and which are taken during a particular previous year, either by the employee or by a member of his household. The loan may be taken for any purpose.

Illustration

Mr. Kiran is working in Essem Ltd. On 1-5-2013, the employer has provided him with interest free loan for medical treatment of specified diseases of his spouse. The amount of loan is Rs. 84,000. 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.

Value of perquisite in respect of granting of use of any movable assets belonging to 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 charge 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.

It should be noted that nothing is charged to tax in respect of computer or laptops provided by the employer to the employee.

Illustration

Mr. Kumar is working in Essem Ltd. On 1-10-2012, the employer has provided him with free use of television. The cost of television to the employer is Rs. 8,400. The WDV of the television in the books of employer as on 1-4-2012 is Rs. 1,000. What will be the value of perquisite arising in the hands of employee on account of provision of use of television?

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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 the above case, the use of asset is granted on 1-10-2012. Hence, the value of perquisite will be computed from 1-10-2012 to 31-3-2013, *i.e.*, for six months. Value of perquisite @ 10% per annum of Rs. 8,400 will come to Rs. 840 per annum and Rs. 420 for six months.

Value of perquisite in respect of transfer of assets belonging to the employer

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.

Illustration

On 25-2-2013, Mr. Kumar purchased a car from his employer for Rs. 84,000. The car was purchased by his employer on 25-5-2011 for Rs. 2,00,000. What will be the value of perquisite in this situation?

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In this situation, taxable value of perquisite will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Original cost of car to the employer	2,00,000
<i>Less:</i> Depreciation @ 20% of cost, for 1 year (See note 1)	40,000
Gross value of car	1,60,000
<i>Less:</i> Amount paid to employer to acquire the car	84,000
Taxable value of perquisite	76,000

Note 1: In the given question, year will mean completed year during which the asset was owned by the employer. Thus, in this case one full year will be from 25-5-2011 to 24-5-2012, next year will be fully completed on 24-5-2013 but before that the asset is transferred by the employer. Hence, full year will be only 1 year.

Value of perquisite in respect of running and maintenance expenses met by the employer in respect of a car owned by the employee

This situation can further be classified as follows :

- (1) Car is used for official purpose only.
- (2) Car is used for private purpose only.
- (3) Car is used for official as well as for private purposes.

The taxable value of perquisite in above cases will be computed as follows:

- (1) If car is used wholly for official purpose:

Nothing is charged to tax, if conditions specified in note* given below are satisfied.

- (2) If car is used wholly for private purpose of employee or any member of his household:

Value of perquisite will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	XXXXXX
<i>Less:</i> Amount recovered from the employee	XXXXXX
Value of perquisite (if positive)	XXXXXX

- (3) If car is used partly for private purpose of employee or any member of his household and partly for official purpose:

Value of perquisite will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	XXXXXX
<i>Less:</i> Prescribed amount, i.e., Rs. 1,800 per month where the cubic capacity of the engine does not exceed 1.6 litres (i.e., 1600 cc) and Rs. 2,400 per month, if the cubic capacity exceeds 1.6 litres and Rs. 900 per month, if chauffeur is provided. (Higher amount can be deducted, if conditions specified in the note* given below are satisfied)	XXXXXX
<i>Less:</i> Amount recovered from the employee	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

***Note:** The employer has maintained complete details of journey undertaken for official purpose which should include date of journey, destination, mileage, amount of expenditure incurred thereon and the employer gives a certificate to the effect that such an expenditure was incurred wholly for performing official duty.

Illustration

Mr. Kumar owns a car. The running and maintenance expenditures of the car amounting to Rs. 8,400 per month are met by the employer (including driver's salary). The car is exclusively used for private purpose. What will be the value of the perquisite in this case?

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Value of perquisite in this case will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	8,400
<i>Less:</i> Amount recovered from the employee	<u>Nil</u>
Value of perquisite (per month)	8,400

Value of perquisite in respect of motor car provided by the employer (expenditure on running and maintenance of motor car are met by the employer)

This situation can further be classified as follows :

- (1) Car is used for official purpose only.
- (2) Car is used for private purpose only.
- (3) Car is used for official as well as for private purposes.

The taxable value of perquisite in above cases will be computed as follows:

- (1) If car is used wholly for official purpose:

Nothing is charged to tax, if conditions specified in note given below are satisfied.

Note: The employer has maintained complete details of journey undertaken for official purpose which should include date of journey, destination, mileage, amount of expenditure incurred thereon and the employer gives a certificate to the effect that such an expenditure was incurred wholly for performing official duty.

(2) If car is used wholly for private purpose of employee or any member of his household:

Value of perquisite will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	XXXXXX
<i>Add:</i> 10% per annum of actual cost of car, if car is owned by the employer or actual hire charges, if car is hired by the employer	XXXXXX
<i>Less:</i> Amount recovered from the employee	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

(3) If car is used partly for private purpose of employee or any member of his household and partly for official purpose:

Value of perquisite will be computed as follows:

Value of perquisite will be calculated at the rate of Rs. 1,800 per month where the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1600 cc) or Rs. 2,400 per month, if the cubic capacity of the engine exceeds 1.6 litres and Rs. 900 per month, if chauffeur is provided (nothing is deductible for amount recovered from the employee).

Illustration

The employer of Mr. Karan has provided him with a motor car for his personal use. The car was bought by the employer in December, 2010 for Rs. 8,40,000. Expenditures on running/maintenance of car (including the salary of driver) amounting to Rs. 5,000 per month are met by the employer. What will be the value of perquisite in this case?

**

The value of perquisite will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer (@ Rs. 5,000 per month)	60,000
<i>Add:</i> 10% per annum of actual cost of car (10% of Rs. 8,40,000)	84,000
<i>Less:</i> Amount recovered from the employee	<u>Nil</u>
Value of perquisite	1,44,000

Value of perquisite in respect of motor car provided by the employer (expenditure on running and maintenance of motor car are met by the employee) :

This situation can further be classified as follows :

- (1) Car is used for official purpose only.
- (2) Car is used for private purpose only.
- (3) Car is used for official as well as for private purposes.

The taxable value of perquisite in above cases will be computed as follows:

- (1) If car is used wholly for official purpose:

Nothing is charged to tax, if conditions specified in note given below are satisfied.

Note: The employer has maintained complete details of journey undertaken for official purpose which should include date of journey, destination, mileage, amount of expenditure incurred thereon and the employer gives a certificate to the effect that such an expenditure was incurred wholly for performing official duty.

- (2) If car is used wholly for private purpose of employee or any member of his household:

Value of perquisite will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
10% per annum of actual cost of car, if car is owned by the employer or actual hire charges, if car is hired by the employer <i>plus</i> salary paid to chauffeur by the employer, if any	XXXXXX
<i>Less:</i> Amount recovered from the employee	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

- (3) If car is used partly for private purpose of employee or any member of his household and partly for official purpose:

Value of perquisite will be calculated at the rate of Rs. 600 per month, where the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1600 cc) or Rs. 900 per month, if the cubic capacity exceeds 1.6 litres and Rs. 900 per month, if chauffeur is provided (nothing is deductible for amount recovered from the employee).

Illustration

Mr. Amit is working in Essem Ltd. The employer has provided him with a car (999 cc) along with driver. The car can be used for official purpose as well as for private purpose. The expenditure on running/maintenance (Rs. 8,400 per month) of the car is met by the employee. The car was purchased by the employer in December, 1999 for Rs. 2,52,000. What will be the value of perquisite in this case?

**

In this case, the car can be used for official as well as for private purpose and, hence, the value of perquisite will be calculated at the rate of Rs. 600 per month, where the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1600 cc) or Rs. 900 per month, if the cubic capacity exceeds 1.6 litres and Rs. 900 per month, if chauffeur is provided (nothing is deductible for amount recovered from the employee).

The cubic capacity of the car is 999 cc and, hence, perquisite will be valued @ Rs. 600 per month. Driver is also provided by the employer and, hence, value of perquisite will come to Rs. 900 per month in respect of driver and, hence, the value of perquisite will come to Rs. 1,500 per month.

Value of perquisite in respect of perquisite arising on account of running and maintenance expenditure met or reimbursed by the employer in respect of any automotive conveyance (other than car) owned by the employee:

The value of perquisite in above case under different situations will be as follows :

(a) If the vehicle is used wholly for official purpose :

Nothing is charged to tax, if conditions specified in note given below are satisfied.

Note: The employer has maintained complete details of journey undertaken for official purpose which should include date of journey, destination, mileage, amount of expenditure incurred thereon and the employer gives a certificate to the effect that such an expenditure was incurred wholly for performing official duty.

(b) If the vehicle is used partly for private purpose of employee or any member of his household and partly for official purpose :

Value of perquisite will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	XXXX
Less: Rs. 900 per month [a higher amount can be deducted, if conditions specified in note given above are satisfied]	XXXX
Less: Amount recovered from employee	XXXX
Value of perquisite (if positive)	XXXX

Illustration

The employer of Mr. Kumar is reimbursing him the expenditure on two wheeler owned by the employee. The vehicle is used for official as well as for private purpose. The expenditure reimbursed by the employer amounts to Rs. 840 per month. What will be the value of perquisite in this case?

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In this case, the vehicle is used partly for private purpose and partly for official purpose, thus, the value of perquisite will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	840
Less: Rs. 900 per month	900
Less: Amount recovered from employee	<u>Nil</u>
Value of perquisite (since value is not positive)	<u>Nil</u>

Value of perquisite in respect of provision of free or concessional meal by the employer

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:

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

Nothing shall be charged in respect of:

- Food and other non-alcoholic beverages provided in working hours in remote area or in an offshore installation.
- Light refreshment (*i.e.*, tea or non-alcoholic beverages and snacks) provided during working hours including working on holidays, overtime, etc.

Expenditure on provision of free meals in excess of Rs. 50 per meal is treated as perquisite - Circular No. 15/2001, dated December 12, 2001.

Illustration

The employer of Mr. Kumar is providing him free light refreshment (*i.e.*, tea or non-alcoholic beverages and snacks) during the office hours. What will be the value of perquisite in this case?

**

Nothing shall be charged 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, in above case nothing shall be charged to tax in the hands of the employee in respect of light refreshment provided by the employer during the office hours.

Value of perquisite in respect of provision of credit card by the employer

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

Particulars	Amount (Rs.)
Expenditure incurred by the employer (See note) in respect of credit card used by the employee or any member of his household	XXXXXX
<i>Less</i> : Amount recovered from the employee	XXXXXX
<i>Less</i> : Expenditure incurred for official purposes (*)	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

Note : Expenditure will include membership fees, annual fees incurred by the employee/member of his household, which is charged to a credit card (including add-on-credit card), provided by the employer or otherwise paid/reimbursed by the employer.

(* Expenditure incurred on official purpose will be deducted only if:

- (a) A complete detail of such an expenditure (including the date and nature of expenditure) is maintained by the employer; and
- (b) Employer gives a certificate to the effect that such expenditure was incurred exclusively for performing official duty.

Illustration

The employer of Mr. Amit has provided him with a credit card. The card is used by Mr. Amit for his personal shopping. Total monthly bill of the card for the month of April, 2013 came to Rs. 8,400 which was paid by the employer. What will be the value of perquisite in this case?

**

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	8,400
<i>Less:</i> Amount recovered from the employee	<u>Nil</u>
Value of perquisite	8,400

Value of perquisite in respect of provision of club facility by the employer

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	XXXXX
<i>Less:</i> Amount recovered from the employee	XXXXX
<i>Less:</i> Expenditure incurred for official purposes	<u>XXXXX</u>
Value of perquisite (if positive)	XXXXX

Note :

- (1) Expenditure incurred by the employer will include expenditure incurred or reimbursed by the employer in respect of club facility used by the employee or any member of his household or annual or periodical fees paid or payable to a club.
- (2) Expenditure incurred on official purpose shall be deducted only if:

- (a) A complete detail of such an expenditure (including date and nature of expenditure and its business expediency) is maintained by the employer; and
- (b) Employer gives a certificate to the effect that such expenditure was incurred exclusively for performing official duty.

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.

Illustration

Essem Ltd. provides free health club, sports and other facilities uniformly to all classes of its employees. Annual expenditure to the company in respect of this facility amounts to Rs. 8,40,000. There are 1,000 employees in the company. What will be the taxable value of perquisite in the hands of the employees in respect of above facility?

**

Nothing shall be charged to tax in respect of health club, sports and other facilities provided uniformly to all classes of employees by the employer. Thus, in the above case, nothing will be charged to tax in the hands of the employees of Essem Ltd. in respect of health club facility provided by the company.

Value of perquisite arising on account of gift given by the employer

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.

Illustration

During the year 2012-13, the employer of Mr. Kapoor gave him gifts worth Rs. 1,840. In this case what will be the taxable value of perquisite in the hands of Mr. Kapoor in respect of above gifts?

**

Nothing shall be charged to tax, if the aggregate value of such gifts vouchers, etc., during the previous year does not exceed Rs. 5,000. In this case, the aggregate value of gift is Rs. 1,840, and, hence, nothing will be charged to tax in the hands of Mr. Kapoor.

Value of perquisite arising on account of provision of free use of telephone by the employer

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 to the employee.

Illustration

The employer of Mr. Krunal has provided him with free use of telephone (mobile). The entire monthly telephone bill will be paid by the employer. What will be the taxable value of perquisite in this case?

**

Nothing is taxed in respect of expenses on telephone including a mobile phone actually incurred by the employer on behalf of an employee. Hence, in above case nothing will be charged to tax in the hands of Mr. Krunal.

Value of perquisite arising on account of provision of medical facility by the employer

Following are the provisions relating to valuation of perquisite in respect of medical facility provided (in India) by the employer to the employee or any family member (*) of the employee :

(*) Family member for this purpose means spouse/children of the employee, parents, brothers and sisters of the employee or any of them wholly or mainly dependent on the employee.

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 value of the perquisite charged to tax in the hands of employee.
- Nothing is charged to tax in respect of group medical insurance premium for employees and their family members paid or reimbursed by the employer.

Illustration

During the year 2012-13, Mr. Kumar has incurred expenditure of Rs. 18,000 on account of purchase of medicines for the medical treatment of his family members (spouse and children). Entire amount of Rs. 18,000 was reimbursed by the employer. What will be the value of perquisite in this case?

**

In respect of reimbursement of expenses on account of medical treatment 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 value of the perquisite charged to tax in the hands of employee. Thus, in this case Rs. 3,000 (Rs. 18,000 – Rs. 15,000) will be the value of perquisite charged to tax in the hands of Mr. Kumar.

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

With effect from assessment year 2010-11, sub-clause (vi) of section 17(2) has been substituted with new sub-clause so as to include in the definition of perquisite the value 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. Thus, if any of the above mentioned shares/securities are transferred by the employer to the employee on or after 1-4-2009, 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. It will be taxed in the previous year in which the shares are allotted or transferred to the employee.

Illustration

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

- The fair market value of the share on the date of exercise of the option was Rs. 840 per share.
- The fair market value of the share on the date of allotment of the shares was Rs. 840 per share.

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

**

In the above case, fair market value of shares 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. The fair market value of the shares on the date of exercise of option is Rs. 840 and Rs. 100 is recovered from the employee, hence, value of perquisite will come to Rs. 740 per share. The employee has subscribed to 100 shares, and, hence, value of perquisite will come to Rs. 74,000 (Rs. 740 per share for 100 shares).



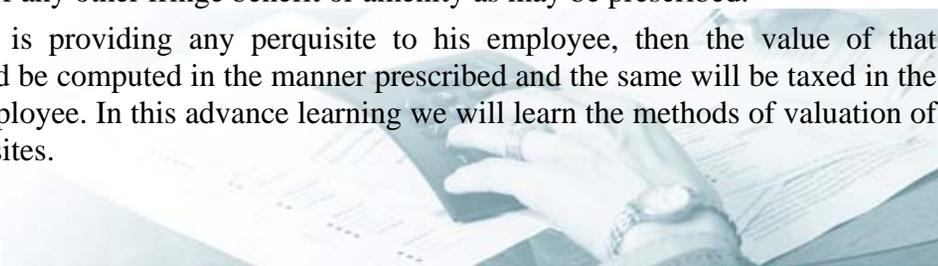
FAQs

1. What is the meaning of perquisite?

In general perquisite means any benefit. In the context of salary income perquisite means any benefit provided by the employer to the employee. The term perquisite is defined in section 17(2). As per section 17(2) perquisite includes :

- (i) the value of rent-free accommodation provided to the assessee by his employer;
- (ii) the value of any concession in the matter of rent respecting any accommodation provided to the assessee by his employer;
- (iii) the value of any benefit or amenity granted or provided free of cost or at concessional rate in any of the following cases—
 - (a) by a company to an employee who is a director thereof;
 - (b) by a company to an employee being a person who has a substantial interest in the company;
 - (c) by any employer (including a company) to an employee to whom the provisions of paragraphs (a) and (b) of this sub-clause do not apply and whose income [under the head "Salaries" (whether due from, or paid or allowed by, one or more employers), exclusive of the value of all benefits or amenities not provided for by way of monetary payment, exceeds Rs. 50,000.]
- (iv) any sum paid by the employer in respect of any obligation which, but for such payment, would have been payable by the assessee;
- (v) any sum payable by the employer, whether directly or through a fund, other than a recognised provident fund or an approved superannuation fund [or a Deposit-linked Insurance Fund established under section 3G of the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948 (46 of 1948), or, as the case may be, section 6C of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952)], to effect an assurance on the life of the assessee or to effect a contract for an annuity;
- (vi) the value 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 assessee;
- (vii) the amount of any contribution to an approved superannuation fund by the employer in respect of the assessee, to the extent it exceeds one lakh rupees; and
- (viii) the value of any other fringe benefit or amenity as may be prescribed.

If an employer is providing any perquisite to his employee, then the value of that perquisite should be computed in the manner prescribed and the same will be taxed in the hands of the employee. In this advance learning we will learn the methods of valuation of different perquisites.



2. How to ascertain value of perquisite in respect of unfurnished accommodation in the hands of a Government employee?

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

Illustration

Mr. Kumar is a Central Government employee. The employer (*i.e.*, Government) has provided him with a bungalow for his residence. No rent is being charged by the employer. The fair rent of the bungalow is Rs. 8,400 per month and the licence fee of the bungalow is Rs. 1,000 per month.

**

In this case, value of perquisite in the hands of Mr. Kumar in respect of rent free accommodation will be Rs. 1,000 per month (being licence fee of the accommodation). If in the above case, anything is recovered from the employee in respect of the bungalow, then the same should be deducted from the value of perquisite. The balance value (if positive) will be charged to tax in the hands of the employee.

3. How to ascertain value of perquisite in respect of unfurnished accommodation in the hands of a non-Government employee?

In this case, 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 will be as follows:

(1) In case of accommodation owned by 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

(2) In case of accommodation taken on lease or rent by the employer :

In this case 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.

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

Note 1: For the above purpose “Salary” means:

- Salary for the period during which the accommodation was occupied by the employee.
- Salary shall be computed on due basis.
- If the employee is employed with more than one employer, then salary from all such employers is to be considered.
- 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.

Illustration

Mr. Kalpesh is a non-Government employee. His employer has provided him with a bungalow for his residence (at Mumbai). No rent is being charged by the employer. The accommodation is owned by the employer. Salary of Mr. Kalpesh is as follows :

- Basic salary Rs. 18,400 per month.
- Dearness allowance (in terms) Rs. 11,600 per month.

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

**

In this case, the accommodation is owned by the employer and the accommodation is located in Mumbai (population exceeds 25,00,000), hence, value of perquisite will be 15% of salary. Salary will come to Rs. 30,000 (Rs. 18,400 + Rs. 11,600). Thus, value of perquisite will come to Rs. 4,500 per month.

Illustration

In above case, what will be the value of perquisite if the accommodation is located in a city in which the population is : (i) 12,00,000, or (ii) 8,00,000, or (iii) is leased by the employer?

**

(i) *Value of perquisite if the population of the city is 12,00,000 :*

In this case, the value of perquisite will be 10% of salary, thus, value of perquisite will be Rs. 3,000 per month (10% of Rs. 30,000).

(ii) *Value of perquisite if the population of the city is 8,00,000 :*

In this case, the value of perquisite will be 7.5% of salary, thus, value of perquisite will be Rs. 2,250 per month (7.5% of Rs. 30,000).

(iii) *Value of perquisite if the accommodation is leased by the employer :*

In this case, the value of perquisite will be 15% of salary, thus, value of perquisite will be Rs. 4,500 per month (15% of Rs. 30,000).

4. How to ascertain value of perquisite in respect of furnished accommodation in the hands of a Government employee as well as a non-Government employee?

<i>Particulars</i>	<i>Amount (Rs.)</i>
Compute value of accommodation considering accommodation as unfurnished accommodation (as per rules discussed earlier)	XXXXXX
Add : 10% per annum of the original cost of furniture to the employer or actual hire charges (paid or payable) by the employer (if the furniture is hired by the employer)	XXXXXX
Value of furnished accommodation	XXXXXX

Illustration

Mr. Anil is working in Essem Ltd. The company has provided him with a rent free furnished accommodation. The accommodation is leased by the employer at a monthly rent of Rs. 8,400. The employer has provided him furniture along with the accommodation. The cost of such furniture to the employer is Rs. 50,000. The salary structure of Mr. Anil is as follows :

- Basic salary Rs. 10,000 per month.
- Dearness allowance (in terms) : Rs. 15,000 per month.
- Fixed monthly commission : Rs. 5,000 per month.

Compute the value of perquisite arising from provision of rent free furnished accommodation.

**

First we have to compute the value of accommodation (considering it as unfurnished), then we have to add the value of furniture. The computation in this regard will be as follows :

(i) *Computation of value of unfurnished accommodation :*

The accommodation is rented by the employer, hence, the value of accommodation will be lower of 15% of the salary or rent. 15% of salary will come to Rs. 4,500 per month (15% of Rs. 30,000) and rent of the accommodation is Rs. 8,400, hence, the value of unfurnished accommodation will come to Rs. 4,500.

(ii) *Computation of value of furniture :*

Value of furniture will be 10% per annum of the original cost of the furniture to the employer. Cost of furniture is Rs. 50,000, hence, value of furniture will come to Rs. 5,000.

Value of furnished accommodation will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Value of accommodation considering accommodation as unfurnished accommodation @ Rs. 4,500 per month (Rs. 4,500 × 12)	54,000
<i>Add</i> : Value of furniture	<u>5,000</u>
Value of furnished accommodation	59,000

5. How to ascertain value of perquisite in respect of provision of accommodation in a hotel?

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

- 24% of salary paid or payable; or,
- 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.

6. How to ascertain value of perquisite in respect of provision of domestic servant?

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.

The above rule will remain same in case of Government employee as well as non-Government employee.

Illustration

Mr. Kumar is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided him with a domestic servant and the salary of the servant is paid by the company. The monthly salary of servant is Rs. 1,000. What will be the value of perquisite in respect of domestic servant provided by the company?

**

The value of perquisite in respect of domestic servant will be the salary of servant paid by the company. Thus, the value of perquisite will come to Rs. 1,000 per month.

7. How to ascertain value of perquisite in respect of provision of gas, water or electricity?

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 case 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 it 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.

Illustration

Mr. Sunil is working in Essem Ltd. at a monthly salary of Rs. 84,000. The company has provided with him free gas, water and electricity. The total cost of these supplies to the company amounted to Rs. 8,400 per month. What will be the value of perquisite in respect of supply of free gas, water and electricity 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 case where the supply is made from resources not owned by the employer. Thus, in this case the value of perquisite will come to Rs. 8,400 per month.

8. How to ascertain value of perquisite in respect of provision of educational facility to the members of household of the employee?

Perquisite resulting from the provision of educational facility to the members of household of the employee can be classified as follows :

- (1) Education facility provided to the children of the employee in an educational institute maintained and owned by the employer or where free educational facilities are allowed in any other educational institution by reason of his being in employment of that employer.
- (2) Education facility provided to the members of household (other than children) in an educational institution maintained and owned by the employer or where free educational facilities are allowed in any other educational institution by reason of his being in employment of that employer.
- (3) Education facility provided to the children or members of household of the employee in any other institution.

The detailed discussion in each of the above cases is as follows :

(1) Education facility provided to the children of the employee :

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 the amount in excess of Rs. 1,000 shall be charged to tax.

(2) Education facility provided to the members of household of the employee (other than children of the employee) :

Where the education facility is provided to 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.

(3) Education facility provided in any other institution :

Where the educational institution is not covered under above category, the value of the perquisite is required to be determined at the amount of expenditure incurred by the employer in that behalf. The words used in the statute are ‘amount of expenditure incurred by the employer in that behalf’, and not ‘amount paid by the employer to the educational institution’. It is immaterial whether the employer directly meets the expenses or whether the employee initially incurs the expenses and then gets the amount reimbursed from the employer. Even if the employer reimburses the amount to the employee, it will retain the character of ‘amount of expenditure incurred by the employer in that behalf’.

In all the cases discussed above, if any amount is paid by or recovered from the employee, the value of the perquisite should be reduced by the amount so paid or recovered.

Other points to be noted in this regard :

- Amount spent by the employer for the purpose of providing free training to the employee is not taxable in the hands of the employee.
- 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.
- School fees of the children/family members of the employees, paid by the employer directly to the school will also be charged to tax in the hands of the employee.

Illustration

Mr. Kumar is working in Essem Ltd. at a monthly salary of Rs. 84,000. The children (one boy and one girl) of Mr. Kumar are studying in Mahatma Gandhi Public School. The monthly fees of the school amount to Rs. 2,000 per month per child. Entire fees are reimbursed by the employer. What will be the value of perquisite arising from reimbursement of school fees by the employer?

**

Value of perquisite arising from reimbursement of school fees by the employer will be the amount of expenditure incurred by the employer in that behalf. Thus, value of perquisite in this case will come to Rs. 4,000 per month (Rs. 2,000 per month per child for two children).

9. How to ascertain value of perquisite in respect of granting of interest free loan by the employer or granting of loan at concessional rate of interest?

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

Interest shall be computed on monthly basis by considering maximum outstanding monthly balance.

Suppose the loan is granted on 1-12-2012 and the rate of interest of State Bank of India on such loan as on 1-4-2012 is at 8% per annum, perquisite will be computed by considering 8% as rate of interest. If the employer is recovering interest at 3% per annum, then perquisite will be computed by considering interest rate at 5% per annum (8% – 3%).

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.

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. It should be noted that the limit of Rs. 20,000 applies to the aggregate of all loans which are petty and which are taken during a particular previous year, either by the employee or by a member of his household. The loan may be taken for any purpose.

Illustration

Mr. Kiran is working in Essem Ltd. On 1-5-2013, the employer has provided him with interest free loan for medical treatment of specified diseases of his spouse. The amount of loan is Rs. 84,000. 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.

10. How to ascertain value of perquisite in respect of granting of use of any movable assets belonging to 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 charge 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.

It should be noted that nothing is charged to tax in respect of computer or laptops provided by the employer to the employee.

Illustration

Mr. Kumar is working in Essem Ltd. On 1-10-2012, the employer has provided him with free use of television. The cost of television to the employer is Rs. 8,400. The WDV of the television in the books of employer as on 1-4-2012 is Rs. 1,000. What will be the value of perquisite arising in the hands of employee on account of provision of use of television?

**

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 the above case, the use of asset is granted on 1-10-2012. Hence, the value of perquisite will be computed from 1-10-2012 to 31-3-2013, *i.e.*, for six months. Value of perquisite @ 10% per annum of Rs. 8,400 will come to Rs. 840 per annum and Rs. 420 for six months.

11. How to ascertain value of perquisite in respect of transfer of assets belonging to the employer?

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.

Illustration

On 25-2-2013, Mr. Kumar purchased a car from his employer for Rs. 84,000. The car was purchased by his employer on 25-5-2011 for Rs. 2,00,000. What will be the value of perquisite in this situation?

**

In this situation, taxable value of perquisite will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Original cost of car to the employer	2,00,000
<i>Less:</i> Depreciation @ 20% of cost, for 1 year (See note 1)	40,000
Gross value of car	1,60,000
<i>Less:</i> Amount paid to employer to acquire the car	84,000
Taxable value of perquisite	76,000

Note 1: In the given question, year will mean completed year during which the asset was owned by the employer. Thus, in this case one full year will be from 25-5-2011 to 24-5-2012, next year will be fully completed on 24-5-2013 but before that the asset is transferred by the employer. Hence, full year will be only 1 year.

12. How to ascertain value of perquisite in respect of running and maintenance expenses met by the employer in respect of a car owned by the employee?

This situation can further be classified as follows :

- (1) Car is used for official purpose only.
- (2) Car is used for private purpose only.
- (3) Car is used for official as well as for private purposes.

The taxable value of perquisite in above cases will be computed as follows:

- (1) If car is used wholly for official purpose:

Nothing is charged to tax, if conditions specified in note* given below are satisfied.

- (2) If car is used wholly for private purpose of employee or any member of his household:

Value of perquisite will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	XXXXXX
<i>Less:</i> Amount recovered from the employee	XXXXXX
Value of perquisite (if positive)	XXXXXX

- (3) If car is used partly for private purpose of employee or any member of his household and partly for official purpose:

Value of perquisite will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	XXXXX
<i>Less:</i> Prescribed amount, i.e., Rs. 1,800 per month where the cubic capacity of the engine does not exceed 1.6 litres (i.e., 1600 cc) and Rs. 2,400 per month, if the cubic capacity exceeds 1.6 litres and Rs. 900 per month, if chauffeur is provided. (Higher amount can be deducted, if conditions specified in the note* given below are satisfied)	XXXXX
<i>Less:</i> Amount recovered from the employee	<u>XXXXX</u>
Value of perquisite (if positive)	XXXXX

***Note:** The employer has maintained complete details of journey undertaken for official purpose which should include date of journey, destination, mileage, amount of expenditure incurred thereon and the employer gives a certificate to the effect that such an expenditure was incurred wholly for performing official duty.

Illustration

Mr. Kumar owns a car. The running and maintenance expenditures of the car amounting to Rs. 8,400 per month are met by the employer (including driver's salary). The car is exclusively used for private purpose. What will be the value of the perquisite in this case?

**

Value of perquisite in this case will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	8,400
<i>Less:</i> Amount recovered from the employee	<u>Nil</u>
Value of perquisite (per month)	8,400

13. How to ascertain value of perquisite in respect of motor car provided by the employer (expenditure on running and maintenance of motor car are met by the employer)?

This situation can further be classified as follows :

- (1) Car is used for official purpose only.
- (2) Car is used for private purpose only.
- (3) Car is used for official as well as for private purposes.

The taxable value of perquisite in above cases will be computed as follows:

- (1) If car is used wholly for official purpose:

Nothing is charged to tax, if conditions specified in note given below are satisfied.

Note: The employer has maintained complete details of journey undertaken for official purpose which should include date of journey, destination, mileage, amount of expenditure incurred thereon and the employer gives a certificate to the effect that such an expenditure was incurred wholly for performing official duty.

(2) If car is used wholly for private purpose of employee or any member of his household:

Value of perquisite will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	XXXXXX
<i>Add:</i> 10% per annum of actual cost of car, if car is owned by the employer or actual hire charges, if car is hired by the employer	XXXXXX
<i>Less:</i> Amount recovered from the employee	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

(3) If car is used partly for private purpose of employee or any member of his household and partly for official purpose:

Value of perquisite will be computed as follows:

Value of perquisite will be calculated at the rate of Rs. 1,800 per month where the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1600 cc) or Rs. 2,400 per month, if the cubic capacity of the engine exceeds 1.6 litres and Rs. 900 per month, if chauffeur is provided (nothing is deductible for amount recovered from the employee).

Illustration

The employer of Mr. Karan has provided him with a motor car for his personal use. The car was bought by the employer in December, 2010 for Rs. 8,40,000. Expenditures on running/maintenance of car (including the salary of driver) amounting to Rs. 5,000 per month are met by the employer. What will be the value of perquisite in this case?

**

The value of perquisite will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer (@ Rs. 5,000 per month)	60,000
<i>Add:</i> 10% per annum of actual cost of car (10% of Rs. 8,40,000)	84,000
<i>Less:</i> Amount recovered from the employee	<u>Nil</u>
Value of perquisite	1,44,000

14. How to ascertain value of perquisite in respect of motor car provided by the employer (expenditure on running and maintenance of motor car are met by the employee)?

This situation can further be classified as follows :

- (1) Car is used for official purpose only.
- (2) Car is used for private purpose only.
- (3) Car is used for official as well as for private purposes.

The taxable value of perquisite in above cases will be computed as follows:

- (1) If car is used wholly for official purpose:

Nothing is charged to tax, if conditions specified in note given below are satisfied.

Note: The employer has maintained complete details of journey undertaken for official purpose which should include date of journey, destination, mileage, amount of expenditure incurred thereon and the employer gives a certificate to the effect that such an expenditure was incurred wholly for performing official duty.

- (2) If car is used wholly for private purpose of employee or any member of his household:

Value of perquisite will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
10% per annum of actual cost of car, if car is owned by the employer or actual hire charges, if car is hired by the employer <i>plus</i> salary paid to chauffeur by the employer, if any	XXXXXX
<i>Less:</i> Amount recovered from the employee	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

- (3) If car is used partly for private purpose of employee or any member of his household and partly for official purpose:

Value of perquisite will be calculated at the rate of Rs. 600 per month, where the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1600 cc) or Rs. 900 per month, if the cubic capacity exceeds 1.6 litres and Rs. 900 per month, if chauffeur is provided (nothing is deductible for amount recovered from the employee).

Illustration

Mr. Amit is working in Essem Ltd. The employer has provided him with a car (999 cc) along with driver. The car can be used for official purpose as well as for private purpose. The expenditure on running/maintenance (Rs. 8,400 per month) of the car is met by the employee. The car was purchased by the employer in December, 1999 for Rs. 2,52,000. What will be the value of perquisite in this case?

**

In this case, the car can be used for official as well as for private purpose and, hence, the value of perquisite will be calculated at the rate of Rs. 600 per month, where the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1600 cc) or Rs. 900 per month, if the cubic capacity exceeds 1.6 litres and Rs. 900 per month, if chauffeur is provided (nothing is deductible for amount recovered from the employee).

The cubic capacity of the car is 999 cc and, hence, perquisite will be valued @ Rs. 600 per month. Driver is also provided by the employer and, hence, value of perquisite will come to Rs. 900 per month in respect of driver and, hence, the value of perquisite will come to Rs. 1,500 per month.

15. How to ascertain value of perquisite in respect of perquisite arising on account of running and maintenance expenditure met or reimbursed by the employer in respect of any automotive conveyance (other than car) owned by the employee?

The value of perquisite in above case under different situations will be as follows :

(a) If the vehicle is used wholly for official purpose :

Nothing is charged to tax, if conditions specified in note given below are satisfied.

Note: The employer has maintained complete details of journey undertaken for official purpose which should include date of journey, destination, mileage, amount of expenditure incurred thereon and the employer gives a certificate to the effect that such an expenditure was incurred wholly for performing official duty.

(b) If the vehicle is used partly for private purpose of employee or any member of his household and partly for official purpose :

Value of perquisite will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	XXXX
Less: Rs. 900 per month [a higher amount can be deducted, if conditions specified in note given above are satisfied]	XXXX
Less: Amount recovered from employee	XXXX
Value of perquisite (if positive)	XXXX

Illustration

The employer of Mr. Kumar is reimbursing him the expenditure on two wheeler owned by the employee. The vehicle is used for official as well as for private purpose. The expenditure reimbursed by the employer amounts to Rs. 840 per month. What will be the value of perquisite in this case?

**

In this case, the vehicle is used partly for private purpose and partly for official purpose, thus, the value of perquisite will be computed as follows:



<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	840
<i>Less:</i> Rs. 900 per month	900
<i>Less:</i> Amount recovered from employee	<u>Nil</u>
Value of perquisite (since value is not positive)	<u>Nil</u>

16. How to ascertain value of perquisite in respect of provision of free or concessional meal by the employer?

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	XXXXXX
<i>Less :</i> Amount recovered from the employee	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

Nothing shall be charged in respect of:

- Food and other non-alcoholic beverages provided in working hours in remote area or in an offshore installation.
- Light refreshment (*i.e.*, tea or non-alcoholic beverages and snacks) provided during working hours including working on holidays, overtime, etc.

Expenditure on provision of free meals in excess of Rs. 50 per meal is treated as perquisite - Circular No. 15/2001, dated December 12, 2001.

Illustration

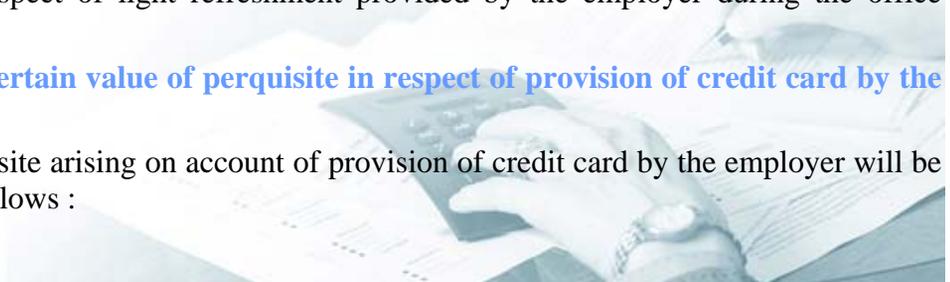
The employer of Mr. Kumar is providing him free light refreshment (*i.e.*, tea or non-alcoholic beverages and snacks) during the office hours. What will be the value of perquisite in this case?

**

Nothing shall be charged 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, in above case nothing shall be charged to tax in the hands of the employee in respect of light refreshment provided by the employer during the office hours.

17. How to ascertain value of perquisite in respect of provision of credit card by the employer?

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 (See note) in respect of credit card used by the employee or any member of his household	XXXXXX
<i>Less:</i> Amount recovered from the employee	XXXXXX
<i>Less:</i> Expenditure incurred for official purposes (*)	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

Note : Expenditure will include membership fees, annual fees incurred by the employee/member of his household, which is charged to a credit card (including add-on-credit card), provided by the employer or otherwise paid/reimbursed by the employer.

(*) Expenditure incurred on official purpose will be deducted only if:

- (a) A complete detail of such an expenditure (including the date and nature of expenditure) is maintained by the employer; and
- (b) Employer gives a certificate to the effect that such expenditure was incurred exclusively for performing official duty.

Illustration

The employer of Mr. Amit has provided him with a credit card. The card is used by Mr. Amit for his personal shopping. Total monthly bill of the card for the month of April, 2013 came to Rs. 8,400 which was paid by the employer. What will be the value of perquisite in this case?

**

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	8,400
<i>Less:</i> Amount recovered from the employee	<i>Nil</i>
Value of perquisite	8,400

18. How to ascertain value of perquisite in respect of provision of club facility by the employer?

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	XXXXXX
<i>Less:</i> Amount recovered from the employee	XXXXXX
<i>Less:</i> Expenditure incurred for official purposes	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

Note :

- (1) Expenditure incurred by the employer will include expenditure incurred or reimbursed by the employer in respect of club facility used by the employee or any member of his household or annual or periodical fees paid or payable to a club.
- (2) Expenditure incurred on official purpose shall be deducted only if:
 - (a) A complete detail of such an expenditure (including date and nature of expenditure and its business expediency) is maintained by the employer; and
 - (b) Employer gives a certificate to the effect that such expenditure was incurred exclusively for performing official duty.

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.

Illustration

Essem Ltd. provides free health club, sports and other facilities uniformly to all classes of its employees. Annual expenditure to the company in respect of this facility amounts to Rs. 8,40,000. There are 1,000 employees in the company. What will be the taxable value of perquisite in the hands of the employees in respect of above facility?

**

Nothing shall be charged to tax in respect of health club, sports and other facilities provided uniformly to all classes of employees by the employer. Thus, in the above case, nothing will be charged to tax in the hands of the employees of Essem Ltd. in respect of health club facility provided by the company.

19. How to ascertain value of perquisite arising on account of gift given by the employer?

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.

Illustration

During the year 2012-13, the employer of Mr. Kapoor gave him gifts worth Rs. 1,840. In

this case what will be the taxable value of perquisite in the hands of Mr. Kapoor in respect of above gifts?

**

Nothing shall be charged to tax, if the aggregate value of such gifts vouchers, etc., during the previous year does not exceed Rs. 5,000. In this case, the aggregate value of gift is Rs. 1,840, and, hence, nothing will be charged to tax in the hands of Mr. Kapoor.

20. How to ascertain value of perquisite arising on account of provision of free use of telephone by the employer?

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 to the employee.

Illustration

The employer of Mr. Krunal has provided him with free use of telephone (mobile). The entire monthly telephone bill will be paid by the employer. What will be the taxable value of perquisite in this case?

**

Nothing is taxed in respect of expenses on telephone including a mobile phone actually incurred by the employer on behalf of an employee. Hence, in above case nothing will be charged to tax in the hands of Mr. Krunal.

22. How to ascertain value of perquisite arising on account of provision of medical facility by the employer?

Following are the provisions relating to valuation of perquisite in respect of medical facility provided (in India) by the employer to the employee or any family member (*) of the employee :

(*) Family member for this purpose means spouse/children of the employee, parents, brothers and sisters of the employee or any of them wholly or mainly dependent on the employee.

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 value of the perquisite charged to tax in the hands of employee.
- Nothing is charged to tax in respect of group medical insurance premium for employees and their family members paid or reimbursed by the employer.

Illustration

During the year 2012-13, Mr. Kumar has incurred expenditure of Rs. 18,000 on account of purchase of medicines for the medical treatment of his family members (spouse and children). Entire amount of Rs. 18,000 was reimbursed by the employer. What will be the value of perquisite in this case?

**

In respect of reimbursement of expenses on account of medical treatment 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 value of the perquisite charged to tax in the hands of employee. Thus, in this case Rs. 3,000 (Rs. 18,000 – Rs. 15,000) will be the value of perquisite charged to tax in the hands of Mr. Kumar.

23. How to ascertain 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?

With effect from assessment year 2010-11, sub-clause (vi) of section 17(2) has been substituted with new sub-clause so as to include in the definition of perquisite the value 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. Thus, if any of the above mentioned shares/securities are transferred by the employer to the employee on or after 1-4-2009, 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. It will be taxed in the previous year in which the shares are allotted or transferred to the employee.

Illustration

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

- The fair market value of the share on the date of exercise of the option was Rs. 840 per share.
- The fair market value of the share on the date of allotment of the shares was Rs. 840 per share.

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

**

In the above case, fair market value of shares 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. The fair market value of the shares on the date of exercise of option is Rs. 840 and Rs. 100 is recovered from the employee, hence, value of perquisite will come to Rs. 740 per share. The employee has subscribed to 100 shares, and, hence, value of perquisite will come to Rs. 74,000 (Rs. 740 per share for 100 shares).

MCQ

1. No perquisite will arise in the hands of an employee on account of provision of rent-free accommodation to the employee by his employer.

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

Value of perquisite arising on account of provision of rent-free accommodation to the employee by his employer will be charged to tax in the hands of the employee. Value of perquisite will be computed in the manner prescribed in this regard. 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. The value of perquisite in the hands of Government employee in respect of rent free unfurnished accommodation provided by the employer will be the _____ of such accommodation.

- (a) Licence fee (b) Fair rent
(c) Municipal rent (d) Actual rent

Correct answer : (a)

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, option (a) 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, options (b), (c) and (d) giving incorrect items are not correct.

3. Value of perquisite in respect of unfurnished accommodation in the hands of a non-Government employee 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.

- (a) True (b) False

Correct answer : (a)

Justification of correct answer :

Value of perquisite in respect of unfurnished accommodation in the hands of a non-Government employee 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?

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.

4. Value of perquisite in respect of unfurnished accommodation in the hands of a non-Government employee 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	15% of the salary
Exceeding 10 lakhs but not exceeding 25 lakhs	10% of the salary
Exceeding 25 lakhs	7.5% of the salary

(a) True

(b) False

Correct answer : (b)

Justification of correct answer :

Value of perquisite in case of accommodation owned by employer will be computed 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

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.

5. Value of perquisite in respect of unfurnished accommodation in the hands of a non-Government employee will be lower of the following : (accommodation leased by the employer)

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

(a) True

(b) False

Correct answer : (a)

Justification of correct answer :

Value of perquisite in case of accommodation leased by employer will lower of the following:

- (i) Rent of the accommodation paid or payable by the employer; or

(ii) 15% of the salary.

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.

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

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

(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.

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.

7. Nothing shall be charged to tax in respect of accommodation provided by the employer in a hotel (on transfer of the employee) for a period not exceeding _____ days (in aggregate) during the previous year.

- (a) 15 (b) 20
- (c) 30 (d) 45

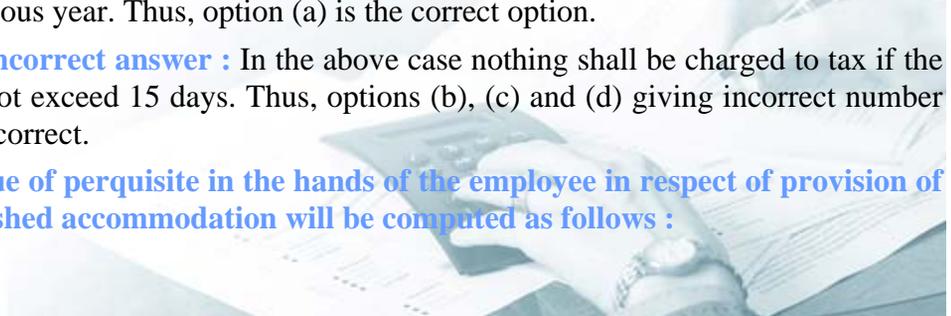
Correct answer : (a)

Justification of correct answer :

Nothing shall be charged to tax in respect of accommodation provided by the employer in a hotel (on transfer of the employee) for a period not exceeding 15 days (in aggregate) during the previous year. Thus, option (a) is the correct option.

Comment on incorrect answer : In the above case nothing shall be charged to tax if the duration does not exceed 15 days. Thus, options (b), (c) and (d) giving incorrect number of days are not correct.

8. Taxable value of perquisite in the hands of the employee in respect of provision of rent free furnished accommodation will be computed as follows :



<i>Particulars</i>	<i>Amount (Rs.)</i>
Value of accommodation considering accommodation as unfurnished accommodation	XXXX
Add : Value of furniture	<u>XXXX</u>
Value of furnished accommodation	XXXX

(a) True

(b) False

Correct answer : (a)

Justification of correct answer :

Taxable value of perquisite in the hands of the employee in respect of provision of rent free furnished accommodation will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Value of accommodation considering accommodation as unfurnished accommodation	XXXX
Add : Value of furniture	<u>XXXX</u>
Value of furnished accommodation	XXXX

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.

9. 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 employee.

(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 and not 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.

10. The value of benefit to the employee (or any member of his household) resulting from the provision of office assistant (to help the employee in his official work), by the employer shall be the actual cost to the employer.

(a) True

(b) False

Correct answer : (b)

Justification of correct answer :

Nothing shall be charged to tax in respect of helper granted to the employee to assist him in his official work. 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.

11. 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 case where the supply is made from resources not owned by the employer.

(a) True (b) False

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 case where the supply is made from resources not owned by the employer.

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.

12. 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 case where the supply is made from resources not owned by the employer. However, 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’.

(a) True (b) False

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 case 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, 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.

13. 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, the value of perquisite shall be the _____ of such education in a similar institution in or nearby the locality.

(a) Cost

(b) Market value

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, the value of perquisite shall be the cost of such education in a similar institution in or nearby the locality. Thus, option (a) is the correct option.

Comment on incorrect answer : The value of perquisite in the above case will be the cost of such facility in a similar institution in or nearby the locality. Thus, option (b) giving incorrect criteria of valuation is not correct.

14. 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, the value of perquisite shall be the _____ of such education in a similar institution in or nearby the locality (nothing shall be charged to tax if the value of benefit does not exceed Rs. 1,000 per month per child).

(a) Cost

(b) Market value

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, the value of perquisite shall be the cost of such education in a similar institution in or nearby the locality. Thus, option (a) is the correct option.

Comment on incorrect answer : The value of perquisite in the above case will be the cost of such facility in a similar institution in or nearby the locality. Thus, option (b) giving incorrect criteria of valuation is not correct.

15. Where the education facility is provided to members of a 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, the value of perquisite shall be the cost of such education in a similar institution in or nearby the locality (nothing shall be charged to tax if the value of benefit does not exceed Rs. 1,000 per month per child).

(a) True

(b) False

Correct answer : (b)

Justification of correct answer :

Where the education facility is provided to members of a 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, 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, 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.

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

(a) True (b) False

Correct answer : (a)

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, 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.

17. Reimbursement of expenditure incurred for the education of the children/members of the household of the employee is not taxable as a perquisite in the hands of any employee.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

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

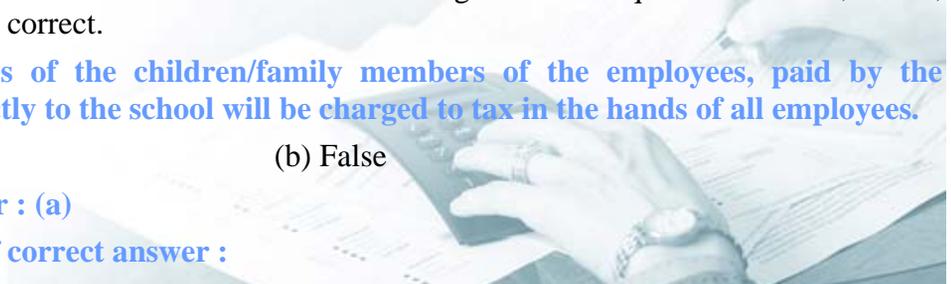
Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

18. School fees of the children/family members of the employees, paid by the employer directly to the school will be charged to tax in the hands of all employees.

(a) True (b) False

Correct answer : (a)

Justification of correct answer :



<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	XXXXXX	XXXXXX
<i>Less:</i> Amount recovered from the employee for the respective loan	-----	<u>XXXXXX</u>
Perquisite in respect of interest free or concessional loans	XXXXXX	XXXXXX

(a) True

(b) False

Correct answer : (a)

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 in the manner given in the question. 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.

22. 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. Interest shall be computed on monthly basis by considering maximum outstanding monthly balance.

(a) True

(b) False

Correct answer : (a)

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. Interest shall be computed on monthly basis by considering maximum outstanding monthly balance. 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.

23. 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 _____ per annum of the actual cost of such asset to the employer.

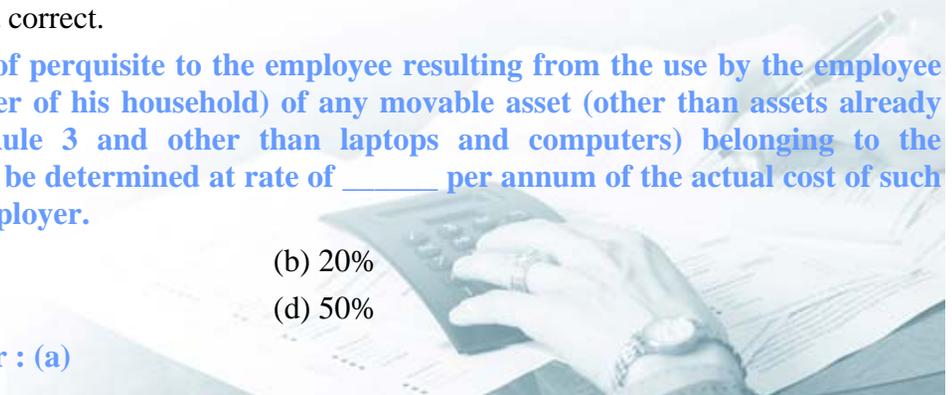
(a) 10%

(b) 20%

(c) 30%

(d) 50%

Correct answer : (a)



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. Thus, option (a) is the correct option.

Comment on incorrect 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. Thus, options (b), (c) and (d) giving incorrect rates are not correct.

24. 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 charge paid or payable by the employer for the said asset.

- (a) True (b) False

Correct answer : (a)

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 charge paid or payable by the employer for the said asset.

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.

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

- (a) True (b) False

Correct answer : (a)

Justification of correct answer :

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

26. Nothing is charged to tax in respect of laptop provided by the employer to the employee.

- (a) True (b) False

Correct answer : (a)

Justification of correct answer :

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

27. 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 not result in taxable perquisite in the hands of the employee.

- (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 taxable perquisite in the hands of the 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.

28. When a movable asset owned by the employer is transferred to the employee, either free of cost or at a concessional rate, value of perquisite 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 in respect of electronic items is determined on reducing balance method by deducting _____ depreciation for each completed year.

- (a) 5% (b) 10%
(c) 20% (d) 50%

Correct answer : (d)

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, value of perquisite 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 in respect of electronic items is determined on reducing balance method by deducting 50% depreciation for each completed year. Thus, option (d) is the correct option.

Comment on incorrect answer : The value of perquisite in above case will be computed by deducting depreciation @ 50%. Thus, options (a), (b) and (c) giving incorrect rates are not correct.

29. When a movable asset owned by the employer is transferred to the employee, either free of cost or at a concessional rate, value of perquisite 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 in respect of motor car is determined on reducing balance method by deducting _____ depreciation for each completed year.

- (a) 5% (b) 10%
(c) 20% (d) 50%

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, value of perquisite 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 in respect of motor car is determined on reducing balance method by deducting 20% depreciation for each completed year. Thus, option (c) is the correct option.

Comment on incorrect answer : The value of perquisite in above case will be computed by deducting depreciation @ 20%. Thus, options (a), (b) and (d) giving incorrect rates are not correct.

30. When a movable asset owned by the employer is transferred to the employee, either free of cost or at a concessional rate, value of perquisite 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 in respect of assets other than electronic items and motor car is computed by deducting _____ of actual cost (i.e., as per straight line method) for each completed year.

- (a) 5% (b) 10%
(c) 20% (d) 50%

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, value of perquisite 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 in respect of assets other than electronic items and motor car is computed by deducting 10% of actual cost (i.e., as per straight line method) for each completed year.

Thus, option (b) is the correct option.

Comment on incorrect answer : The value of perquisite in above case will be computed by deducting depreciation @ 10%. Thus, options (a), (c) and (d) giving incorrect rates are not correct.

31. When a movable asset owned by the employer is transferred to the employee, either free of cost or at a concessional rate, value of perquisite 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 in respect of electronic items is determined on straight line method by deducting 50% depreciation for each completed year.

(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, value of perquisite 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 in respect of electronic items is determined on written down value method (not straight line method) by deducting 50% depreciation for each completed 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.

32. When a movable asset owned by the employer is transferred to the employee, either free of cost or at a concessional rate, value of perquisite 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 in respect of motor car is determined on straight line method by deducting 20% depreciation for each completed year.

(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, value of perquisite 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 in respect of motor car is determined on written down value method (not straight line method) by deducting 20% depreciation for each completed 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.

33. When a movable asset owned by the employer is transferred to the employee, either free of cost or at a concessional rate, value of perquisite 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 in respect of assets other than electronic items and motor car is determined on written down value method by deducting 10% depreciation of actual cost for each completed year.

- (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, value of perquisite 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 in respect of assets other than electronic items and motor car is computed by deducting 10% depreciation of actual cost on straight line method (not written down value method) for each completed 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.

34. While computing value of perquisite arising on account of movable asset owned by the employer which is transferred to the employee, either free of cost or at a concessional rate, year of use by the employer will mean completed year during which the asset was owned by the employer.

- (a) True (b) False

Correct answer : (a)

Justification of correct answer :

While computing value of perquisite arising on account of movable asset owned by the employer which is transferred to the employee, either free of cost or at a concessional rate, year of use by the employer will mean completed year during which the asset was owned by the employer.

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.

35. Value of perquisite in respect of running and maintenance expenses met by the employer in respect of a car owned by the employee when the car is used for official purpose only will be Nil (no conditions specified in this regard are satisfied).

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

Value of perquisite in the case given in the question will be *Nil*. However, this exemption is subject to satisfaction of following conditions :

The employer has maintained complete details of journey undertaken for official purpose which should include date of journey, destination, mileage, amount of expenditure incurred thereon and the employer gives a certificate to the effect that such an expenditure was incurred wholly for performing official duty.

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. Value of perquisite in respect of running and maintenance expenses met by the employer in respect of a car owned by the employee when the car is used for official purpose only will be *Nil* (if conditions specified in this regard are satisfied).

(a) True

(b) False

Correct answer : (a)

Justification of correct answer :

Value of perquisite in respect of running and maintenance expenses met by the employer in respect of a car owned by the employee when the car is used for official purpose only will be *Nil* on satisfaction of conditions specified in this regard.

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.

37. Value of perquisite in respect of running and maintenance expenses met by the employer in respect of a car owned by the employee when car is used wholly for private purpose of employee or any member of his household will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	XXXXX
<i>Less:</i> Amount recovered from the employee	XXXXX
Value of perquisite (if positive)	XXXXX

(a) True

(b) False

Correct answer : (a)

Justification of correct answer :

Value of perquisite in respect of running and maintenance expenses met by the employer in respect of a car owned by the employee when car is used wholly for private purpose of employee or any member of his household will be computed in the manner given in the question.

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.

38. Value of perquisite in respect of running and maintenance expenses met by the employer in respect of a car owned by the employee when car is used partly for private purpose of employee or any member of his household and partly for official purpose will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	XXXXXX
<i>Less:</i> Amount recovered from the employee	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

(a) True

(b) False

Correct answer : (b)

Justification of correct answer :

Value of perquisite in respect of running and maintenance expenses met by the employer in respect of a car owned by the employee when car is used partly for private purpose of employee or any member of his household and partly for official purpose will be computed as follows :

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	XXXXXX
<i>Less:</i> Prescribed amount, <i>i.e.</i> , Rs. 1,800 per month where the cubic capacity of the engine does not exceed 1.6 litres (<i>i.e.</i> , 1600 cc) and Rs. 2,400 per month, if the cubic capacity exceeds 1.6 litres and Rs. 900 per month, if chauffeur is provided. (Higher amount can be deducted, if conditions specified in this regard are satisfied)	XXXXXX
<i>Less:</i> Amount recovered from the employee	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

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

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

39. Value of perquisite in respect of running and maintenance expenses met by the employer in respect of a car owned by the employee when car is used partly for private purpose of employee or any member of his household and partly for official purpose will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	XXXXXX
Less: Prescribed amount, <i>i.e.</i> , Rs. 1,800 per month where the cubic capacity of the engine does not exceed 1.6 litres (<i>i.e.</i> , 1600 cc) and Rs. 2,400 per month, if the cubic capacity exceeds 1.6 litres and Rs. 900 per month, if chauffeur is provided. (Higher amount can be deducted, if conditions specified in this regard are satisfied)	XXXXXX
Less: Amount recovered from the employee	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

(a) True

(b) False

Correct answer : (a)

Justification of correct answer :

Value of perquisite in respect of running and maintenance expenses met by the employer in respect of a car owned by the employee when car is used partly for private purpose of employee or any member of his household and partly for official purpose will be computed in the manner given in the question.

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.

40. There will be no taxable value of perquisite arising on account of motor car provided by the employer (maintenance and running expenses of the car are also met by the employer) for official use. This benefit is available without fulfillment of any condition.

(a) True

(b) False

Correct answer : (b)

Justification of correct answer :

In this case, nothing is charged to tax if following conditions are satisfied :

The employer has maintained complete details of journey undertaken for official purpose which should include date of journey, destination, mileage, amount of expenditure incurred thereon and the employer gives a certificate to the effect that such an expenditure was incurred wholly for performing official duty.

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.

41. Value of perquisite arising on account of motor car provided by the employer (maintenance and running expenses of the car are also met by the employer) for private use of the employee will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Actual expenditure incurred or reimbursed by the employer	XXXXXX
<i>Add:</i> 10% per annum of actual cost of car, if car is owned by the employer or actual hire charges, if car is hired by the employer	XXXXXX
<i>Less:</i> Amount recovered from the employee	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

(a) True

(b) False

Correct answer : (a)

Justification of correct answer :

The question gives the correct mode of valuation. 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.

42. Value of perquisite arising on account of motor car provided by the employer (maintenance and running expenses of the car are also met by the employer) which can be used partly for private purpose of employee or any member of his household and partly for official purpose will be computed as follows:

Value of perquisite will be calculated at the rate of Rs. 1,800 per month where the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1600 cc) or Rs. 2,400 per month, if the cubic capacity of the engine exceeds 1.6 litres and Rs. 900 per month, if chauffeur is provided (nothing is deductible for amount recovered from the employee).

(a) True

(b) False

Correct answer : (a)

Justification of correct answer :

The question gives the correct mode of valuation. 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.

43. Value of perquisite arising on account of motor car provided by the employer (maintenance and running expenses of the car are also met by the employer) which can be used partly for private purpose of employee or any member of his household and partly for official purpose will be computed as follows:

Value of perquisite will be calculated at the rate of Rs. 1,800 per month where the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1,600 cc) or Rs. 2,400 per month, if the cubic capacity of the engine exceeds 1.6 litres and Rs. 900 per month, if chauffeur is provided (actual amount recovered from the employee is also to be deducted).

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

The question gives the incorrect mode of valuation, because in the above case amount recovered from the employee is not to be deducted. 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.

44. Value of perquisite arising on account of motor car provided by the employer and maintenance and running expenses of the car are met by the employee will be Nil if the car is used for official purpose and the conditions specified in this regard are satisfied.

- (a) True (b) False

Correct answer : (a)

Justification of correct answer :

Value of perquisite arising on account of motor car provided by the employer and maintenance and running expenses of the car are met by the employee will be Nil if the car is used for official purpose and the conditions specified in this regard are satisfied.

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.

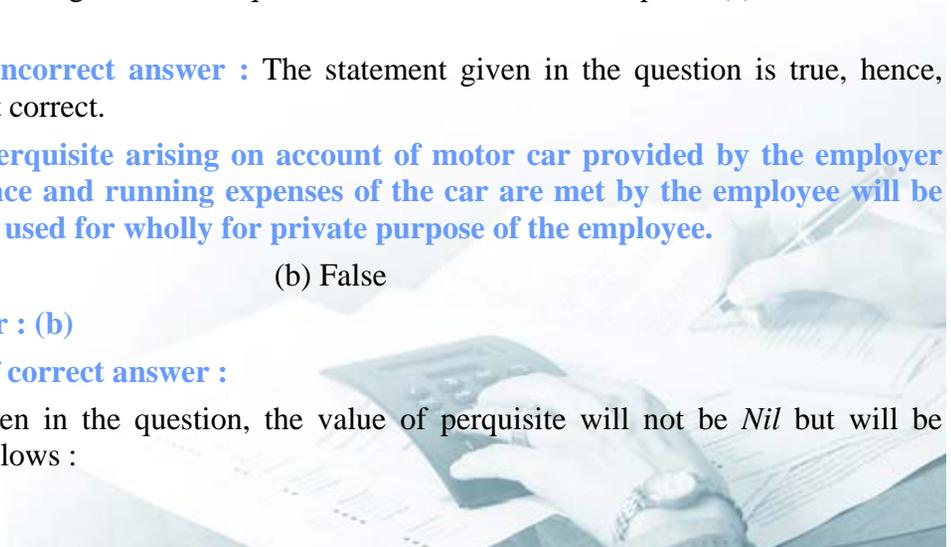
45. Value of perquisite arising on account of motor car provided by the employer and maintenance and running expenses of the car are met by the employee will be Nil if the car is used for wholly for private purpose of the employee.

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

In the case given in the question, the value of perquisite will not be Nil but will be computed as follows :



<i>Particulars</i>	<i>Amount (Rs.)</i>
10% per annum of actual cost of car, if car is owned by the employer or actual hire charges, if car is hired by the employer <i>plus</i> salary paid to chauffeur by the employer, if any	XXXXXX
<i>Less:</i> Amount recovered from the employee	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

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. Value of perquisite arising on account of motor car provided by the employer and maintenance and running expenses of the car are met by the employee will be Nil if the car is used partly for private purpose of employee or any member of his household and partly for official purpose.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

In the case given in the question, the value of perquisite will not be Nil but will be computed as follows :

Value of perquisite will be calculated at the rate of Rs. 600 per month, where the cubic capacity of the engine does not exceed 1.6 litres (*i.e.*, 1600 cc) or Rs. 900 per month, if the cubic capacity exceeds 1.6 litres and Rs. 900 per month, if chauffeur is provided (nothing is deductible for amount recovered from the 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.

47. Value of perquisite arising on account of running and maintenance expenditure met or reimbursed by the employer in respect of any automotive conveyance (other than car) owned by the employee will be Nil if the conveyance is used exclusively for official purpose and conditions specified in this regard are satisfied.

(a) True (b) False

Correct answer : (a)

Justification of correct answer :

Value of perquisite arising on account of running and maintenance expenditure met or reimbursed by the employer in respect of any automotive conveyance (other than car) owned by the employee will be Nil if the conveyance is used exclusively for official purpose and conditions specified in this regard are satisfied.

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.

48. Value of perquisite arising on account of provision 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 as follows:

Particulars	Amount (Rs.)
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

(a) True

(b) False

Correct answer : (a)

Justification of correct answer :

The correct manner of valuation is given in the question. 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.

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

(a) True

(b) False

Correct answer : (a)

Justification of correct answer :

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

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.

50. Nothing shall be charged to tax in the hands of the employee in respect of light refreshment (i.e., tea or non-alcoholic beverages and snacks) provided during working hours including working on holidays, overtime, etc.

(a) True

(b) False

Correct answer : (a)

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	XXXXXX
<i>Less:</i> Amount recovered from the employee	XXXXXX
<i>Less:</i> Expenditure incurred for official purposes	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

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.

54. Nothing shall be charged to tax in the hands of the employee in respect of provision of club facility by the employer.

- (a) True (b) False

Correct answer : (b)

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	XXXXXX
<i>Less:</i> Amount recovered from the employee	XXXXXX
<i>Less:</i> Expenditure incurred for official purposes	<u>XXXXXX</u>
Value of perquisite (if positive)	XXXXXX

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

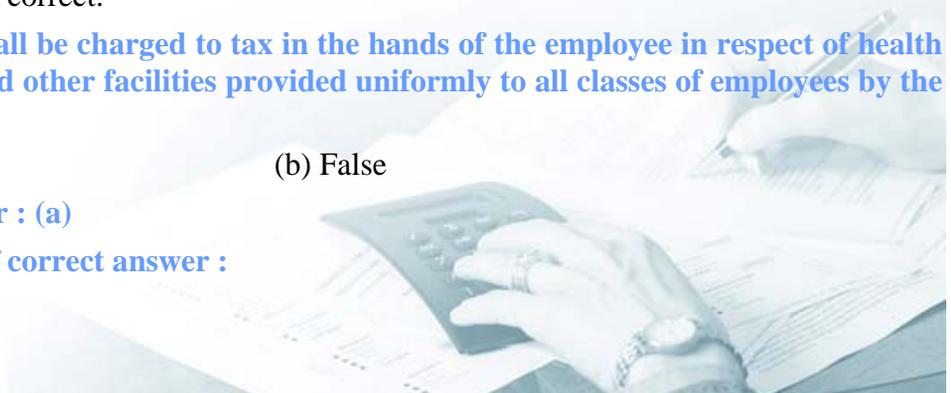
Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

55. Nothing shall be charged to tax in the hands of the employee in respect of health club, sports and other facilities provided uniformly to all classes of employees by the employer.

- (a) True (b) False

Correct answer : (a)

Justification of correct answer :



Nothing shall be charged to tax in the hands of the employee in respect of health club, sports and other facilities provided uniformly to all classes of employees by the employer.

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.

56. Nothing shall be 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 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.

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.

57. Value of any gift, gift vouchers, etc., received from the employer by the employee or member of his household, shall be equal to _____.

(a) The value determined by the employer (b) Rs. 5,000
(c) The value of such gift (d) The value determined by the employee

Correct answer : (c)

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. Thus, option (c) is the correct option.

Comment on incorrect 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. Thus, options (a), (b) and (d) giving incorrect value of gift are not correct.

58. Nothing shall be charged to tax in the hands of the employee in respect of gift given by the employer if the aggregate value of such gift, vouchers, etc., during the previous year do not exceed _____.

(a) Rs. 5,000 (b) Rs. 10,000
(c) Rs. 11,000 (d) Rs. 15,000

Correct answer : (a)

Justification of correct answer :

Nothing shall be charged to tax in the hands of the employee in respect of gift given by the employer if the aggregate value of such gift, vouchers, etc., during the previous year do not exceed Rs.5,000. Thus, option (a) is the correct option.

Comment on incorrect answer : Nothing shall be charged to tax in the hands of the employee in respect of gift given by the employer if the aggregate value of such gift, vouchers, etc., during the previous year do not exceed Rs.5,000.

Thus, options (b), (c) and (d) giving incorrect amounts are not correct.

59. Nothing is taxed in the hands of the employee in respect expenses on telephone actually incurred by the employer on behalf of an employee.

- (a) True (b) False

Correct answer : (a)

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. 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.

60. Nothing is taxed in the hands of the employee in respect of expenses on mobile phone actually incurred by the employer on behalf of an employee.

- (a) True (b) False

Correct answer : (a)

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. 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.

61. Nothing is taxed in the hands of the employee in respect of medical facility provided in a hospital maintained by the employer.

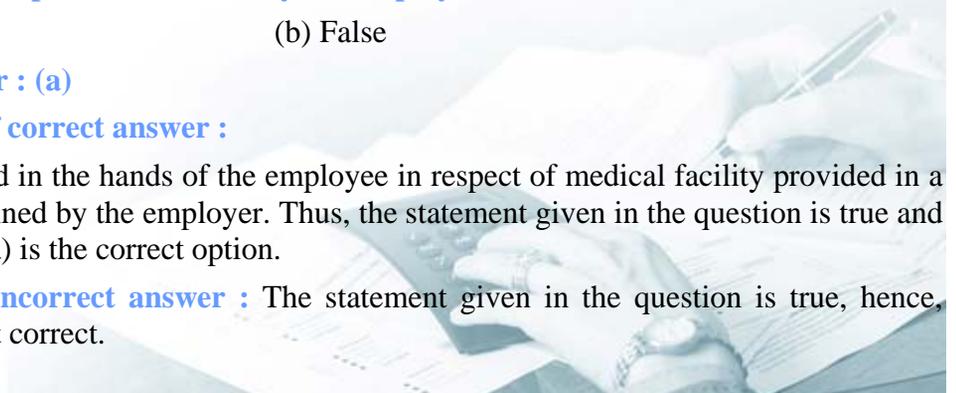
- (a) True (b) False

Correct answer : (a)

Justification of correct answer :

Nothing is taxed in the hands of the employee in respect of medical facility provided in a hospital maintained by the employer. 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.



62. Nothing is taxed in the hands of the employee in respect of medical facility provided by the employer in a hospital maintained by the Government or local authority or other person but approved by Government.

- (a) True (b) False

Correct answer : (a)

Justification of correct answer :

Nothing is taxed in the hands of the employee in respect of medical facility provided by the employer in a hospital maintained by the Government or local authority or other person but approved by Government.

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.

63. Nothing is taxed in the hands of the employee in respect of medical facility provided by the employer for treatment of specified diseases in a hospital approved by the Chief Commissioner.

- (a) True (b) False

Correct answer : (a)

Justification of correct answer :

Nothing is taxed in the hands of the employee in medical facility provided by the employer for treatment of specified diseases in a hospital approved by the Chief Commissioner.

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.

64. In respect of expenditure incurred by the employer on account of providing medical facility to the employee or his family member in a private hospital value of perquisite will be Nil if the amount of such expenditure does not exceed _____ per year.

- (a) Rs. 5,000 (b) Rs. 10,000
(c) Rs. 11,000 (d) Rs. 15,000

Correct answer : (d)

Justification of correct answer :

In respect of expenditure incurred by the employer on account of providing medical facility to the employee or his family member in a private hospital value of perquisite will be Nil if the amount of such expenditure does not exceed Rs. 15,000 per year. Thus, option (d) is the correct option.

Comment on incorrect answer : In respect of expenditure incurred by the employer on account of providing medical facility to the employee or his family member in a private hospital value of perquisite will be *Nil* if the amount of such expenditure does not exceed Rs. 15,000 per year. Thus, options (a), (b) and (c) giving incorrect amounts are not correct.

65. Nothing is taxed in the hands of the employee in respect of group medical insurance premium for employees and their family members, paid or reimbursed by the employer.

(a) True (b) False

Correct answer : (a)

Justification of correct answer :

Nothing is taxed in the hands of the employee in respect of group medical insurance premium for employees and their family members, paid or reimbursed by the employer. 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.

66. Nothing is taxed in the hands of the employee in respect of shares issued to the employee under an employees' stock option plan.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

Value of perquisite arising on account of issue of shares to the employee under an employees' stock option plan is taxed in the hands of the 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.

67. Nothing is taxed in the hands of the employee in respect of shares issued to the employee under an employees' stock option plan if the shares are issued at concessional value.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

Value of perquisite arising on account of issue of shares to the employee under an employees' stock option plan is taxed in the hands of the employee. The rule is same whether shares are issued free of cost or are issued at concessional rate.

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.

68. Nothing is taxed in the hands of the employee in respect of shares issued to the employee under an employees' stock option plan if the shares are issued at free of cost.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

Value of perquisite arising on account of issue of shares to the employee under an employees' stock option plan is taxed in the hands of the employee. The rule is same whether shares are issued at free of cost or are issued at concessional value.

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.

69. Nothing is taxed in the hands of the employee in respect of sweat equity shares allotted to the employee.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

With effect from assessment year 2010-11, sub-clause (vi) of section 17(2) has been substituted with new sub-clause so as to include in the definition of perquisite the value 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. Thus, if any of the above mentioned shares/securities are transferred by the employer to the employee on or after 1-4-2009, 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 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.

70. Nothing is taxed in the hands of the employee in respect of shares issued to the employee under an employees' stock option plan if the shares are issued by a former employer.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

With effect from assessment year 2010-11, sub-clause (vi) of section 17(2) has been substituted with new sub-clause so as to include in the definition of perquisite the value 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. Thus, if any of the above mentioned shares/securities are transferred by the employer to the employee on or after 1-4-2009, then 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 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.

71. Value of perquisite arising on account of issue of shares to the employee under an employees' stock option plan will be the fair market value of the share on the date of floating of the option.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

Value shall be 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 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.

72. Value of perquisite arising on account of issue of shares to the employee under an employees' stock option plan will be the fair market value of the share on the date of floating of the option *less* amount recovered from the employee.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

Value of the perquisite shall be 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 false and, hence, option (b) is the correct option.

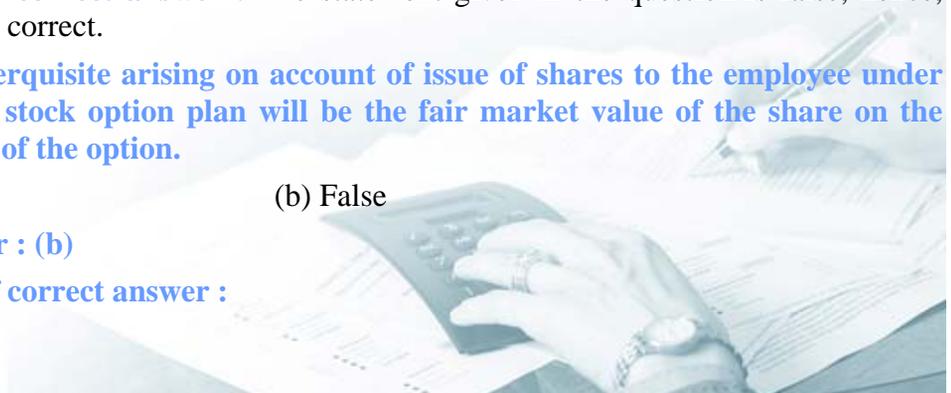
Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

73. Value of perquisite arising on account of issue of shares to the employee under an employees' stock option plan will be the fair market value of the share on the date of vesting of the option.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :



Value of the perquisite shall be 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 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.

74. Value of perquisite arising on account of issue of shares to the employee under an employees' stock option plan will be the fair market value of the share on the date of vesting of the option *less* amount recovered from the employee.

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

Value of the perquisite shall be 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 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.

75. Value of perquisite arising on account of issue of shares to the employee under an employees' stock option plan will be the fair market value of the share on the date of exercise of the option. Nothing will be deducted in respect of amount recovered from the employee.

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

Value of the perquisite shall be 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 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.

76. Value of perquisite arising on account of issue of shares to the employee under an employees' stock option plan will be the fair market value of the share on the date of exercise of the option *less* amount recovered from the employee.

- (a) True (b) False

Correct answer : (a)

Justification of correct answer :

With effect from assessment year 2010-11, FBT has been abolished and sub-clause (vi) of section 17(2) has been substituted with new sub-clause so as to include in the definition of perquisite the value 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. Thus, if any of the above mentioned shares/securities are transferred by the employer to the employee on or after 1-4-2009, 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.

77. Value of perquisite arising on account of issue of shares to the employee under an employees' stock option plan will be taxed in the previous year in which the shares are offered, allotted or transferred to the employee.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

This perquisite shall be taxed on the year of allotment or transfer of the shares and not in the year of offer.

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

78. Value of perquisite arising on account of issue of shares to the employee under an employees' stock option plan will be taxed in the previous year in which the shares are offered to the employee.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

This perquisite shall be taxed on the year of allotment or transfer of the shares and not in the year of offer.

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.

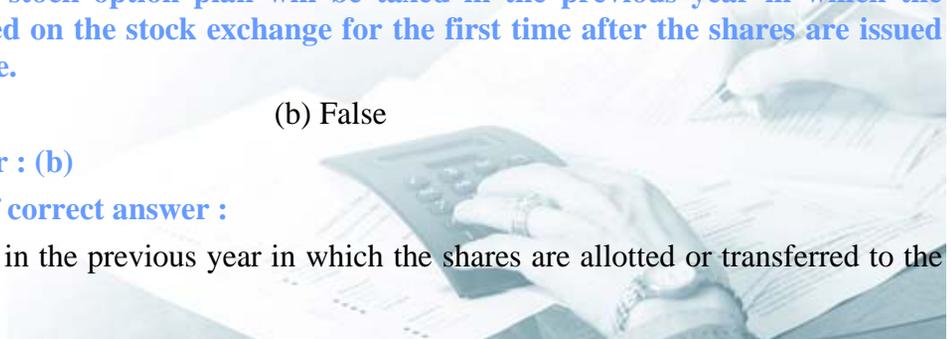
79. Value of perquisite arising on account of issue of shares to the employee under an employees' stock option plan will be taxed in the previous year in which the shares are listed on the stock exchange for the first time after the shares are issued to the employee.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

It will be taxed in the previous year in which the shares are allotted or transferred to the 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.

80. Value of perquisite arising on account of issue of shares to the employee under an employees' stock option plan will be taxed in the previous year in which the shares are allotted or transferred to the employee.

(a) True

(b) False

Correct answer : (a)

Justification of correct answer :

With effect from assessment year 2010-11, FBT has been abolished and sub-clause (vi) of section 17(2) has been substituted with new sub-clause so as to include in the definition of perquisite the value 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. Thus, if any of the above mentioned shares/securities are transferred by the employer to the employee on or after 1-4-2009, 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. It will be taxed in the previous year in which the shares are allotted or transferred to 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.

