Perquisites

Perquisite means emoluments made available to an employee for his personal benefits or use which is in addition to regular salary or wages. The perquisite may be in cash or in-kind or in money or money's worth, and also amenities that are not convertible into money.

A perquisite is taxable as salary only when the employer provides it during the continuance of employment. Any perquisite allowed by a person other than the employer is taxable as income from 'other sources'.

What is included in Perquisites?

(*a*) Rent-free accommodation or accommodation at concessional rent

(*b*) Use of motor car

(*c*) Facility of Gardener, Watchmen, Sweeper, or any other servant

(*d*) Facility of Gas, Electricity, or Water

(*e*) Free or concessional education facility

(*f*) Transport Facility

(*g*) Monetary Perquisites, i.e., an obligation of employee met by the employer

(*h*) Insurance Facilities

(*i*) Sweat Equity Shares or ESOPs

(*j*) Contribution to retirement funds in excess of Rs. 7,50,000

(*k*) Annual accretion on excess contribution to retirement funds

(*l*) Loan at nil or concessional rate of interest

(*m*) Holiday Facility

(*n*) Free Food and Refreshments

(*o*) Gift

(*p*) Credit Card Facilities

(*q*) Club Facilities

(*r*) Use or transfer of employer's moveable assets

(s) Medical Facilities

(*t*) Leave Travel Concession

(*u*) Mobile or Telephone facility

(*v*) Any other benefit or amenity

Taxability of Perquisites

For the purpose of taxability, the perquisites can be classified into the following categories:

(*a*) Perquisites taxable in the hands of all employees

(*b*) Perquisites taxable in the hands of specified employees

(*c*) Tax-free Perquisites

(a) Perquisites taxable in the hands of all employees

When an employer makes available the following benefits or amenities to its employees, the value of such benefits shall be taxable in the hands of all employees:

Perquisites taxable in the hands of all employees

Perquisite	Description
Rent Free Accommodation	Value of rent-free accommodation provided to the assessee by his employer computed in prescribed manner
Accommodation at a concessional rate	Value of any accommodation provided to the assessee by his employer at a concessional rate
Obligation of Employee met by Employer	Amount paid by the employer which would have been payable by the employee. *For example,* Salary paid to the servant of an employee by the employer
Insurance or Annuity on the life of Employees	Amount payable by the employer directly or indirectly to effect an assurance on the life of the assessee or to effect a contract for an annuity, other than the payment made to RPF, approved superannuation fund, or deposit-linked insurance fund. However, insurance premium paid by the employer on behalf of the employee in group insurance scheme, employee state insurance scheme, and fidelity insurance scheme is not regarded as perquisite.
Loan to employees at zero or concessional rate of interest	Loan given by the employer to an employee at a rate less than the market rate of interest or zero rate is taxable as perquisite
Use of Employer's Asset	If an employer allows the employees or their family members to use the movable assets owned or hired by the employer, the value of such facility shall be taxable as perquisite in the hands of all employees. Further, if

Perquisites taxable in the hands of all employees

Perquisite	Description
	employers transfer the used assets to employees at concessional rates or for free, the value of savings enjoyed by employee is charged to tax as perquisite. In both the cases above, the taxable value is reduced by the amount, if any, paid by the employee *For example,* Car, Mobile phone, laptop, etc.
Holiday Facility	Provision of guest house, holiday sponsorship, air travel are all taxable as perquisite
Club Facilities	An employer paying for the club facilities of an employee or his family member is deemed as taxable perquisite. However, facilities in health clubs and sports clubs are not treated as taxable perquisite if it is provided uniformly to all employees. Similarly, payment of initial fees to obtain the corporate membership is exempt from tax
Gifts	The value of any gift (voucher or token in lieu of which such gift may be received) given by the employer to the employees or any of his family members on ceremonial occasions or otherwise is taxable if the value of gift received during the previous year is Rs. 5,000 or more. Gifts below Rs. 5000 in aggregate during the previous year are exempt
Credit Card Facilities	The credit card facility provided by the employer to the employee or his family member for personal purposes is a taxable perquisite. The value of such perquisite shall be the amount incurred by the employer regarding such facility. If the card is used for official purposes only, no taxable perquisite shall arise in the hands of the employee. However, for this purpose, the employer shall maintain proper documents to prove the nature and purpose of the expense
ESOPs	When an employer allots shares to an employee under the ESOP scheme, free of cost or at a concessional rate, it is taxable as perquisite. The value of such perquisite shall be its market value as on the specified date as reduced by the amount recovered from the employee. When shares are transferred, the gains arising therefrom shall be taxable under the head 'Capital Gains'. The taxability of ESOP is deferred in the hands of employee of the eligible start-up. Eligible start-up shall deduct tax from income arising in the nature of perquisites from ESOPs within 14 days from the happening of any of the following events (whichever is earlier): a. On the expiry of 48 months from the end of the Assessment year in which securities are allotted under ESOPs; b. From the date the assessee ceases to be an employee of the organization; or

Perquisites taxable in the hands of all employees

Perquisite	Description
	c. From the date of sale of securities allotted under ESOP.
Employer's contribution to retirement funds	Where the aggregate amount of contribution made by an employer during the previous year under retirement funds, namely, Superannuation fund, National Pension Scheme (NPS), and Recognized Provident Fund exceeds Rs. 7,50,000 then the excess amount so contributed is chargeable to tax as perquisite in the hands of the employee. Further, the annual accretion to such funds which is attributable to such excess contribution shall also be chargeable to tax as perquisite
Free Meal	The amount incurred by the employer to provide free snacks or tea or beverage to the employees during office hours isn't charged to tax. The free meals provided by the employer are not taxable only if the value thereof doesn't exceed Rs. 50 per meal. Such exemption of up to Rs. 50 is available if free food is provided during working hours at the office or business premises or through non-transferable food vouchers usable at eating joints or restaurants or café
Medical Facilities	If the employer provides reimbursement to the employees to meet the cost of medical expenditure incurred by them, it shall be charged to tax as perquisite. However, if the employer pays for the medical treatment of the employee or his family members in any approved hospital in India, it shall be treated as a tax-free perquisite. If the medical facilities are provided outside India, it shall be chargeable to tax only if the amount of expenditure exceeds the limit prescribed by the RBI

***(b)* Perquisites taxable in the hands of specified employees**

Certain benefits or amenities provided to the employees are taxable only in the hands of specified employees. For the purpose of this provision, the following employees shall be treated as specified employees:

(*a*) Director of a Company

(*b*) Employees with a substantial interest in the Company

(*c*) Employees with a salary exceeding such amount as may be prescribed.

Benefits taxable in the hands of Specified Employees

- Supply of Gas, Electricity, or Water
- Free Education
- Free Domestic Servants
- Transportation Facility
- Car or any other automotive conveyance

(c) Tax-free Perquisites (fully or partially)

When an employer makes available the following benefits or amenities to its employees, the value of such benefits shall not be chargeable to tax in the hands of an employee:

Tax-free Perquisites (fully or partially)

Supply of Gas, Electricity, or Water to Non- specified employees	The perquisite value of the supply of free or concessional gas, electricity, or water shall be taxable only in the hands of specified employees. Non-specified employees shall not be taxable in respect of such perquisite
Free Education	If the employer provides free education facility to the children of employees in an institute owned and maintained by the employer or in any other institute by reason of such employment, it shall be exempt from tax up to Rs. 1,000 per month per child and taxability shall arise in case of specified employees only
Free domestic servants	If the employer provides services of a sweeper, gardener, watchman, or a personal attendant to the employees or any member of his family, the value of such perquisite shall be taxable in the hands of specified employees
Transportation Facility to employees of airline company or railways	Where a transport undertaking, being an airline company or railways, provides a free or concessional journey to the employee or any of his family members for personal purposes in any conveyance owned or leased by it, the value of such facility shall not be charged to tax in the hands of the employee
Car or any other automotive conveyance	***If Car is used for official purpose*** If the car or any other automotive conveyance is used by the employee for official purposes only, the taxable value of perquisite shall be nil provided that the employer maintains the complete log of the journey undertaken by the employee and gives a certificate to the effect that the expenditure was incurred for official purposes. ***Car facility between office and residence*** An employer may provide his car or provide reimbursement to an employee for using his own car for commuting between the office and residence. Such facility is not taxable in the hands of employees and is treated as a tax-free perquisite. ***Conveyance facility to judge*** Conveyance facility provided to High Court Judges, Supreme Court Judges, and to serving Chairman/members of UPSC is not chargeable to tax.
Leave travel allowance	If an employer provides leave travel allowance for journeys taken by his employee. Tax exemption is allowed only for two journeys undertaken by the employee in a block of 4 calendar years. However, the exemption is allowed only to the extent of actual

	expenditure incurred by an employee for journeys performed in India. If there is an unutilized amount, it shall be taxable as perquisite in the hands of specified employees.
Tax paid by employer in connection with non-monetary perquisites	Tax paid by the employer on behalf of an employee in connection with non-monetary perquisites shall be exempt from tax
Employer contribution to group insurance scheme	If the employer makes contribution towards group insurance schemes, employee's state insurance schemes, and fidelity guarantee schemes for the benefit of the employees, the taxable value of perquisites in the hands of the employee shall be "nil"
Interest-free or concessional loan	Petty loans Nothing is taxable in the hands of employees if the amount of loan is up to Rs. 20,000 in aggregate. If the original loan was above the threshold limit but subsequently it is reduced below Rs. 20,000, it shall not be considered as a petty loan. The interest on such loan, even if it falls below Rs. 20,000, shall be calculated in accordance with the method prescribed above. If an employee receives more than one loan (with each loan amount of less than Rs 20,000), the aggregate of all loans he receives should be considered to decide if it's a petty loan or a taxable one. If the employee takes loan in multiple trenches which in the aggregate exceeds Rs 20,000, the entire amount shall be considered for computation of tax. Loan for medical treatment Any borrowings from the employer for the medical treatment of specified diseases (i.e., cancer, tuberculosis, AIDS, etc.) in approved hospitals is not taxable. However, this exemption will not be available in respect of a loan that has been reimbursed to the employee by an insurance company under any medical insurance scheme. Where medical insurance reimbursement is received, the taxable value shall be calculated on the amount reimbursed by the Insurance co. but not repaid against the outstanding loan. The value of perquisite shall be calculated from the date of reimbursement. Illustration: An employee takes a loan of Rs. 2 lakhs for medical treatment, but later gets insurance money of Rs. 50,000 in respect of such treatment, the exemption will be available only in respect of Rs. 1.5 lacs. The taxable value will be computed at the prescribed rates for the balance amount of Rs. 50,000.
Use of employer's computer or laptop	Nothing is chargeable to tax if an employee uses computer or laptop (or peripheral devices) owned by the employer
Medical Facility	***Medical facilities in India*** Medical facilities provided in India to an employee or his spouse, children, dependent parents, dependent brothers, or dependent sisters shall not be deemed as perquisite in the following cases:

	1. If medical treatment is provided in a hospital maintained by the employer. 2. If medical treatment is provided in a Government hospital or in the prescribed hospitals. 3. If medical treatment is provided in an approved hospital for the treatment of prescribed disease. 4. If group medical insurance is provided by the employer. ***Medical facilities outside India*** Any sum incurred by the employer for the medical treatment of an employee or his spouse, children, dependent parents, dependent brothers, or dependent sisters outside India shall not be taxable as perquisite if it doesn't exceed the limit prescribed by the Reserve Bank of India. Similarly, the sum incurred on the stay of an employee or any family member or any attendant, who accompanies the patient for treatment outside India, shall not be taxable as perquisite if it doesn't exceed the limit permitted by the RBI. The cost of travelling of an employee or any of his family members or any attendant, who accompanies the patient, for treatment outside India shall not be taxable as perquisite if the gross total income of the employee without including therein the expenditure on travelling doesn't exceed such amount as may be prescribed. ***Health Insurance*** Any insurance premium paid by the employer to effect or to keep in force an insurance on the health of his employee under a scheme approved by the Central Government or IRDAI is fully exempt from tax. Any reimbursement provided by the employer in respect of any insurance premium paid by the employee to effect or to keep in force an insurance on his health or on the health of spouse, dependent parents, and dependent children under a scheme approved by the Central Government or IRDAI is also exempt from tax. ***Personal Accident Policy*** Where an employer takes out an accident policy, the premium paid in respect of such policy shall be exempt from tax. However, if the premium for the accident policy is paid by the employee and reimbursed by the employer, it would be taxable as perquisite
Free food or beverages	***Tea, snacks, or non-alcoholic beverages*** Tea, snacks, or non-alcoholic beverages provided by employers during office working hours is not taxable in the hands of employees. ***Food*** Free meal provided by the employer to its employees during working hours at the office or business premises is not chargeable to tax as perquisite in the hands of the employee if the cost per meal doesn't exceed Rs. 50.

	Free food in remote areas or in an offshore installation Free food provided in remote areas or in an offshore installation is not chargeable to tax. Remote areas shall mean an office or place located at least 40 kms away from a town having a population not exceeding 20,000 based on the latest published census. ***Meal Vouchers*** Some employers offer meal coupons in lieu of certain portion of the salary to save taxes for their employees, i.e., Sodexo meal coupons. These food coupons should ideally be used for meals during office hours only to get income tax benefits. However, since there is no strict check on the actual usability of meal coupons so these meal coupons end up being tax-free even if these are utilized at hypermarkets/local grocery stores
Holiday Facility	***Official tour*** Nothing is charged to tax if an employee goes on an official tour and the expenses thereof are met by the employer. ***Holiday facility maintained by the employer*** If the holiday facility is maintained by the employer and is uniformly available to all employees, the value of the facility is deemed as nil
Club Facility	***Health or sports club*** If the employer uniformly provides health club or sports facilities to all employees, the value of such benefit shall not be chargeable to tax as perquisite in the hands of employees. ***Initial club membership fee*** Initial membership fee paid by the employer for acquiring corporate or institutional membership shall not be charged to tax provided such benefit does not remain with a particular employee after cessation of employment. ***Club expenses for official purposes*** When an employer pays for or reimburses any club expenses incurred wholly and exclusively for business purposes, the value of perquisites shall be nil
Credit card for official purpose	If the credit card given by an employer to his employee is used for official purposes only, no taxable perquisite shall arise in the hands of the employee
Gifts, if the aggregate value is up to Rs. 5,000	The value of any gift (voucher or token in lieu of which such gift may be received) given by the employer to the employees or any of his family members on ceremonial occasions or otherwise

	shall not be taxable if the aggregate value of gift received during the previous year is up to Rs. 5,000.
Contribution to Superannuation Fund	Contribution to the Superannuation fund is made by the employer so as to make a provision for payment of monthly pension to the employees. Any contribution to the Superannuation fund by the employer shall not be taxable in the hands of an employee if the amount of contribution made by the employer doesn't exceed Rs. 7.5 lakhs per year. But here it is to be noted that the limit of Rs. 7.5 lakhs is to be seen inclusive of contributions made to National Pension Scheme and Recognized Provident Fund.
Telephone or Mobile Facility	Telephone or mobile facility provided by an employer to his employee shall not be chargeable to tax as perquisite in the hands of employee.