

INCOME FROM SALARY [SECTION 15,16,17]



Mr. Mukesh Ambani pay a monthly amount to Mr Xavier for contract of service, is this taxable under head salary?



Reliance limited pay to Nita Ambani (Director of company) is this taxable under head salary?



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CONDITION FOR CHARGING INCOME UNDER THE HEAD OF "SALARIES"

Income is taxable under the head 'salaries' only if there exists employer-employee relationship between the payer and the payee

MEANING OF ER-EE RELATIONSHIP

1. Contract of Services (Salary) Vs Contract for services (PGBP)
2. Master-Servant Relationship.
3. Direct supervision and control of the employer.
4. It is distinct from principle-agent relationship

SECTION 15 - BASIS OF CHARGE

Salary chargeable to tax on 'due' or 'receipt' basis whichever is earlier.

- ✓ **Salary Due**: Any Salary due from an employer or a former employer to an assessee in the previous year, whether paid or not
- ✓ **Advance Salary**: Any salary paid or allowed to the assessee in the previous year by or on behalf of an employer or a former employer though not due or before it became due to him
- ✓ **Arrears of Salary**: Any arrears of salary paid or allowed to assessee in the previous year by or on behalf of an employer or a former employer, if not charged to income-tax for any earlier previous year

SECTION 17(1) - 'SALARY' MEANS-

- ✓ Wages
- ✓ Pension
- ✓ Gratuity
- ✓ Any Fees
- ✓ Commission
- ✓ Perquisite or Prof ts in lieu of or in addition to any Salary or Wages
- ✓ Any Advance of salary
- ✓ Leave Salary or leave encashment
- ✓ Recognised provident fund to the extent it is taxable

INSTANCES WHERE EMPLOYER-EMPLOYEE RELATIONSHIP DOES NOT EXIST

1. Director of a company
2. MPs/MLAs
3. Paper-setters/Examiners
4. Salary/bonus/remuneration etc to partners is not taxed u/s 15

HOW TO COMPUTE INCOME UNDER HEAD SALARY?

Income from Salary		XXX
Add: Income by way of Allowances		XXX
Add: Taxable Value of Perquisites		XXX
Gross Salary		XXX
Less: Deduct on under sect on 16		
(ia) Statutory Deduct on	50,000	
(ii) Entertainment Allowances	XXX	
(iii) Professional Tax	XXX	
INCOME UNDER THE HEAD "SALARIES"		XXX

DEDUCTIONS FROM SALARY [SECTION 16]

Standard
Deduct on

50,000

ENTERTAINMENT
ALLOWANCE

PROFESSIONAL
TAX

ENTERTAINMENT ALLOWANCE [SECTION 16(ii)]

- First the entire entertainment allowance received by an employee is added to the gross salary
- Then deduct on u/s 16(ii) shall be allowed as under as follows-

Government (CG/SG) employees

Least of the following is deductible-

- Amount actual received
 - ₹ 5,000
 - 20% of salary
- (Salary=Basic Salary)

Non-Government employees
(No deduct on)

Note – Actual expenditure towards entertainment is not deductible. It is irrelevant.

PROFESSIONAL TAX [SECTION 16(iii)]

- Professional tax is allowed as deduct on only when it is actually paid by the employee during the previous year **(deduct on on paid basis)**
- The total amount by way of professional tax payable in respect of any one person shall not exceed **2,500 per annum**
- If professional tax is reimbursed or directly paid by the employer on behalf of the employee, the amount so paid is f rst included as salary income and then allowed as a deduct on under sect on 16

Example- X is employed by A Ltd. (basic salary being ₹ 38,750 per month). Besides, he gets ₹ 3,000 per month as entertainment allowance. He pays professional tax of ₹ 1,000. Find out the salary chargeable to tax. Does it make any dif erence if the professional tax is paid by A Ltd.

Solut on-

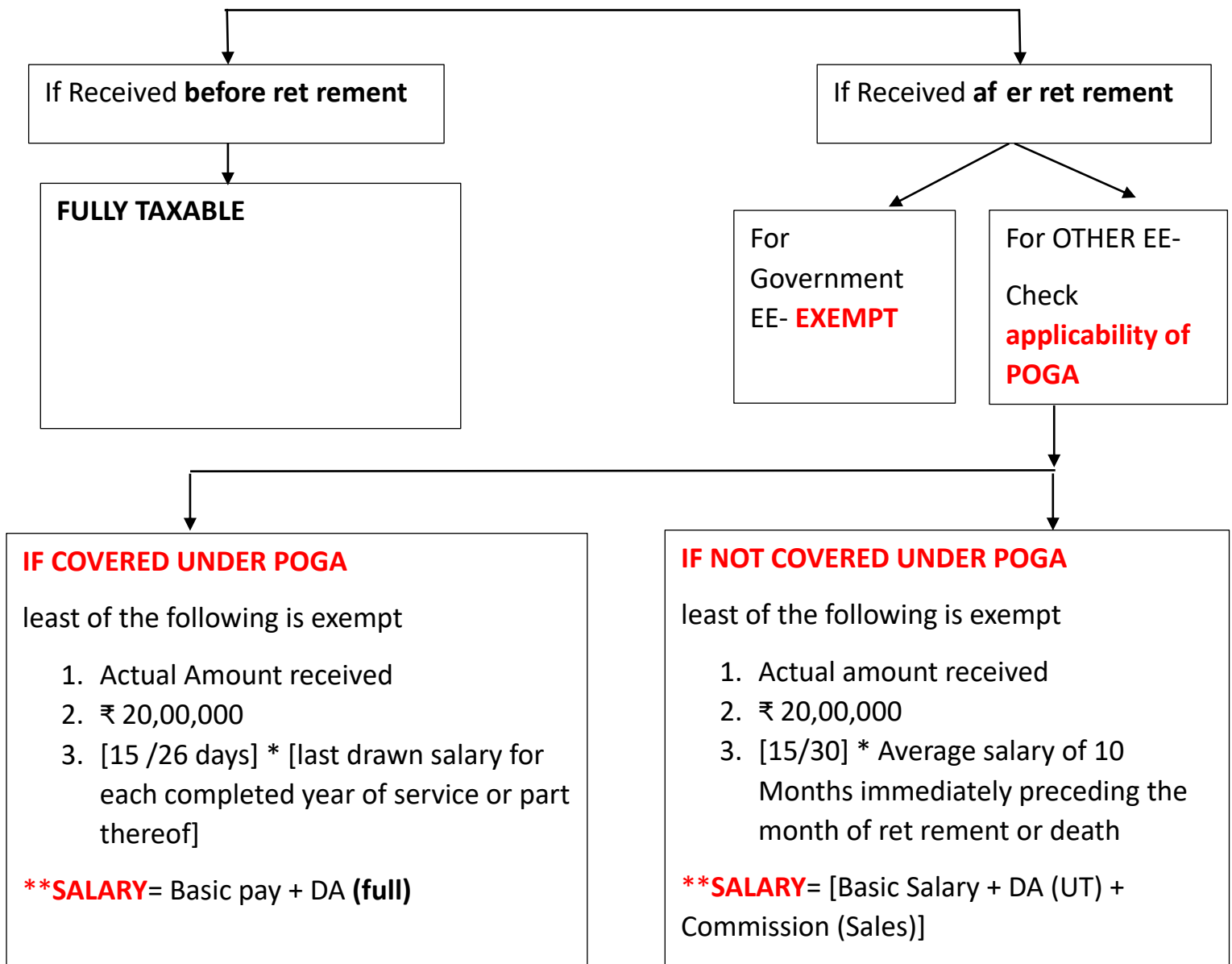
	If professional tax is paid by X	If professional tax is paid by the employer
Basic Salary (₹ 38,750 x 12)		
Entertainment allowance		
Professional tax paid by the employer	---	
Gross Salary		
Less: Deduct on under sect on 16		
Standard deduct on		
Entertainment allowance [not allowed]	---	
Professional tax		
Income under the head "Salaries"		

RETIREMENT BENEFITS

GRATUITY

Gratuity is a voluntary payment made by an employer in appreciation of services rendered by the employee.

TAXABILITY OF GRATUITY



NOTES-

1. Any gratuity received by an Individual on his death is eligible for exemption u/s 10(10)
2. Where the employee has received gratuity in any earlier year & also receives gratuity from another employer in a later year, the limit of ₹ 20,00,000 will be reduced by the amount of gratuity exempt from tax in any earlier year.

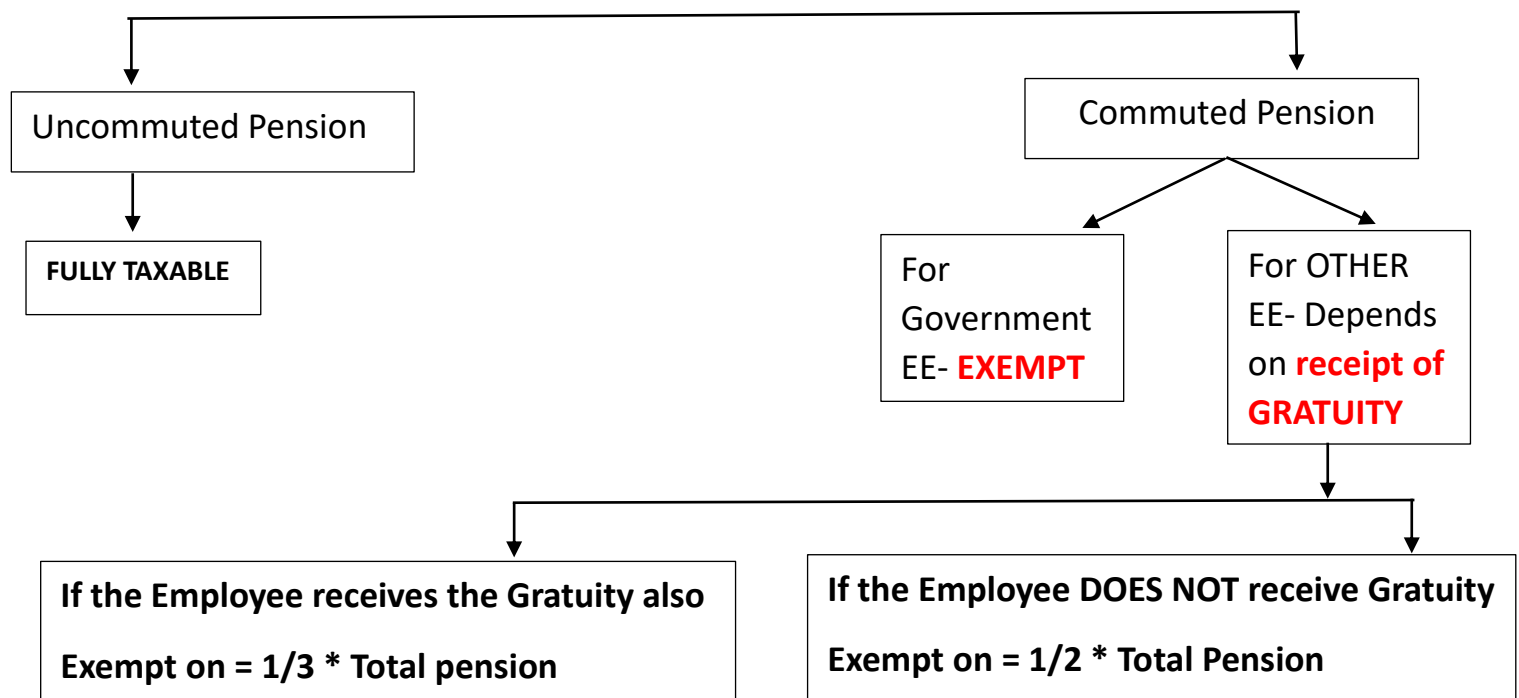
PENSION

“Pension” is a periodic payment made especially by Government or a company or other employers to the employee in consideration of past service payable after his retirement

Types of Pension

- A. Uncommuted Pension - pension received periodically
- B. Commuted Pension - lump sum pension

TAXABILITY OF PENSION



PROVIDENT FUNDS

WHAT IS PROVIDENT FUND SCHEME?

Under this scheme, fixed amount is deducted from the salary of the employee as his contribution towards the fund. The employer also generally contributes the same amount out of his pocket, to the fund. The contribution of both of them are invested in approved securities. Interest earned on such contribution is also credited to the account of the employee

EE receives following payment-

1. Employee's Contribution
2. Interest on Employee's Contribution
3. Employer's Contribution
4. Interest on Employer's Contribution

The accumulated balance is paid to the employee at the time of his retirement or resignation. In the case of death of the employee, the same is paid to his legal heirs

TYPES OF PF AND THEIR TAXABILITY

Part culars	SPF	PPF	RPF	URPF
Employer's Contribut on	Fully Exempt	Not Applicable	in excess of 12% of salary* is taxable	Not taxable at the t me of contribut on
Employee's Contribut on (Deduct on under sect on 80C)	Available	Available [500 – 150,000]	Available	Not eligible for deduct on
Interest Credited on Employer's Contribut on	Fully exempt	Not Applicable	Amount in excess of 9.5% p.a. is taxable as "salary" u/s 17(1)	Not taxable at the t me of credit of interest
Interest Credited on Employee's Contribut on	Exempt upto certain limit [WN1]	Fully Exempt (IFOS Head)	Amount in excess of 9.5% p.a. taxable[WN1]	Not taxable at the t me of credit of interest
Amount received on ret rement, death etc	Fully Exempt u/s. 10(11)	Fully Exempt u/s. 10(11)	Exempt subject to the condit ons specif ed u/s 10(12)	<ul style="list-style-type: none"> • Interest on Employee's Contribut on is taxable u/h. "IFOS" • Employer's Contribut on and interest on such Contribut on is fully taxable as salary

* Salary = Basic Pay + DA (UT) + Commission (if based on turnover)

NOTES

1. Exempt on under sect on 10(11) or 10(12) would **not be available** for interest to the extent it relates to the amount of contribution made by that person/employee **exceeding 2,50,000** in any previous year in that fund, on or after 1st April, 2021.

If the contribution by such person/employee is in a fund in which there is **no employer's contribution, then, a higher limit of 5,00,000** would be applicable for such contribution, and interest accrued in any previous year in that fund, on or after 1st April, 2021 would be exempt up to that limit.

2. **Payment from R.P.F. is fully exempt** in following cases-

A. Employee has rendered continuous service for a period of at-least 5 years

B. Where employee could not complete 5 years of service by reason of

- ill-health
- discontinuance of the employer's business or
- other cause beyond the control of the employee

3. If employee gets transfer of balance of RPF with another employer who also maintains RPF, then period of service under former employer shall also be included in calculating the period of continuous service

4. When a URPF gets converted into RPF, income will be taxed as if fund was RPF from starting

LEAVE SALARY/LEAVE ENCASHMENT

• The payment received on account of encashment of un-availed leave would form part of salary

• In case of Central or State Government Employees- Fully Exempt

• In case of other Employees **least of Following is Exempt-**

1. ₹ 25,00,000

2. Leave salary actually received

3. 10 months X Average Salary

4. ****Unavailed leaves x Average Salary**

Where;

✓ Leave salary received during the period of service is fully taxable.

✓ 'Average salary' is salary drawn 10 months immediately preceding the date of retirement

✓ **Salary means** - Basic Salary + DA (UT) + Commission (Sales)

✓ ****Unavailed leaves =**

{Annual Leave Entitlement (Not exceeding 30 days) X Completed years of actual service rendered (Fractions will be ignored)} – Leave availed during the service

RETRENCHMENT COMPENSATION

- ✓ It is compensation received by EE at the time of his Retrenchment
- ✓ Least of the following is exempt-
 1. Actual amount received
 2. $(15/26) * \text{average salary 3M} * \text{service years (rounded of)}$
 - 3. ₹ 5,00,000**

VRS COMPENSATION

- ✓ Compensation received at the time of Voluntarily Retirement
- ✓ Least of the following is exempt-
 1. Actual Compensation Received
 - 2. ₹ 5,00,000**
 3. 3 months' salary for each completed year of service
 4. Salary at the time of retirement x balance months of service left

****Salary** = Last drawn Basic Pay + DA (UT) + Comm. (Sales)

NOTE-

- 1. Exemption can be claimed once in a lifetime**

NOTE (ONLY FOR VRS) –

Following guidelines should be noted for the purpose of claiming exemption

- [A] The employee must have completed 10 year of service or attained 40 years of age except in the case of an employee of a PSU
- [B] The employee must not be a director in a company or co-operative society
- [C] The scheme results in overall reduction in the existing strength of the employees;
- [D] The vacancy caused on such VRS / VSS shall not be filled up
- [E] The retiring employee shall not be employed in another company or concern belonging to the same management group

ALLOWANCES

Allowances u/s 10(14)

OFFICIAL
PURPOSES
10(14)(i)

PERSONAL
EXPENSES
10(14)(ii)

House rent allowance u/s 10(13A)

House rent allowance u/s 10(13A)

HRA is a special allowance specifically granted to an employee by his employer towards payment of rent for residence of the employee.

HRA granted to an employee is **exempt to the extent of least of the following-**

1. Actual Amount received [HRA]
2. Rent Paid Less 10% of Salary
3. 50% of Salary (in Metro cities) OR 40% of Salary (in other cities)

Here, **Salary = Basic Pay + DA (UT) + Commission (% on Sales)**

NOTES-

1. Exemption is not available to an assessee who lives in his own house.
2. If there is a change in place, change in rent paid, Change in HRA or change in Basic Salary structure during the previous year, then it shall be calculated on monthly/periodic basis.

Example-Mr. A working in Delhi, receives the following amounts:

- (a) Basic salary ₹ 6,000 PM
- (b) DA Rs. 2,000 pm (50% is forming part of salary)
- (c) Commission based on product on ₹ 30,000 p.a.
- (d) Commission based on Sales @ 2% on sales of ₹ 6,00,000
- (e) HRA ₹ 5,000 pm (Rent of ₹ 4,500 p.m. paid in Delhi).

ALLOWANCES U/S 10(14)

ALLOWANCES EXEMPT TO THE EXTENT ACTUALLY SPEND FOR OFFICIAL PURPOSES [10(14)(i)]



Lower of the below is the Exempt-

- Amount Received from the ER OR
- Spent for of cial purpose

Such allowances are-

1. Traveling Allowance
2. Daily Allowance
3. Conveyance Allowance
4. Helper /Assistance Allowance
5. Academic / Research allowance
6. Uniform Allowance

ALLOWANCES FOR PERSONAL EXPENSES EXEMPT TO THE EXTENT NOTIFIED BY RULES [10(14)(ii)]



Lower of the below is the Exempt-

- Amount Received from the ER OR
- Limit specif ed in the Act

Allowances	Exempt on limit
Children Educat on Allowance	₹ 100 p.m. per child upto max. 2 children
Hostel Expenditure Allowance	₹ 300 p.m. per child upto max. 2 children.
Tribal or Scheduled Area Allowance	₹ 200 P.M.
Transport Allowance	₹ 3,200 PM in case of Blind/Handicapped Employee
Underground Allowance (In coal Mines)	₹ 800 P.M.
Allowances granted to employees of transport system to meet personal expenditure during duty, provided he is not in receipt of daily allowances	Lower of below two is exempt: - 70% of allowance received from the Employer OR ₹ 10,000 P.M.

Allowances which are fully taxable and fully exempt

ALLOWANCES WHICH ARE FULLY TAXABLE

1. City Compensatory Allowance
2. Entertainment Allowance
3. **Dearness Allowance** - It is fully taxable allowance

It is of following 2 types:

DA which is forming part of salary for computat on of ret rement benef ts as per the terms of employment

DA which is NOT forming part of salary for computat on of ret rement benef ts as per the terms of employment.

Note: If the Quest on is silent, it is to be assumed that DA is forming part of salary.

4. Medical Allowance: It is a fully taxable allowance
5. Lunch Allowances / Tif n Allowances / Cash Allowance / Deputat on Allowance
6. Overt me Allowances / Servant Allowances / Warden Allowance / Family Allowance etc
7. Project Allowances, Electricity Allowances etc

ALLOWANCES WHICH ARE FULLY EXEMPT

1. Government employee, rendering services outside India
2. Travelling Allowances to High Court judges/ Sumptuary allowance to HC/SC judges
3. Allowance received by an employee of UNO from his employer

PERQUISITES

- ✓ Perquisite means some extra benefit in addition to the amount that may be legally due by way of contract for services rendered
- ✓ Reimbursement of expenses incurred in the official discharge of duties is not a perquisite
- ✓ **Types of perquisites:** Perquisites may be divided into **three broad categories:**
 1. Perquisites taxable in the case of all employees
 2. Perquisites exempt from tax in the case of all employees
 3. Perquisites taxable only in the hands of specified employees.

(A) Exempted Perquisites-

1. Tea or snacks: Tea, or similar non-alcoholic beverages and snacks provided during working hours.
2. Training or Refresher course for employees
3. Goods sold to employee at concessional rate: Goods manufactured by employer and sold by him to his employees at concessional (not free) rates.
4. Conveyance facility: Conveyance facility provided –
 - to employees for journey between office and residence and vice versa.
 - to the judges of High Court and Supreme Court
6. Use of Health club, Sports, and similar facilities owned by ER and provided to all EE
7. Services rendered outside India: Any perquisite/allowances allowed outside India by the Government to a citizen of India for rendering services outside India.
8. Contribution in some specified schemes
 - Employer's contribution to staff group insurance scheme.
 - Payment of annual premium by employer on personal accident policy effected by him in respect of his employee.
9. Medical facility- Medical facility at office is exempt.
10. Periodicals and journals: Periodicals and journals required for discharge of work.
11. Telephone, mobile phones: Expenses for telephone, mobile phones actually incurred on behalf of employee by the employer whether by way of direct payment or reimbursement.
12. Rent-free accommodation:
 - Rent-free of office residence provided to a Judge of a High Court or the Supreme Court.
 - Rent-free furnished residence (including maintenance thereof) to Official of Parliament, a Union Minister or a Leader of opposition in Parliament.

(B) Perquisites Taxable only for specified employees-

1. Medical facility
2. Leave travel concession
3. Motor car facility
4. Vehicle other than motor car
5. Education facility
6. Supply of Gas, Electricity, or Water for household purpose
7. Sweeper, Gardener, Watchman or Personal attendant provided by ER

(C) Perquisites Taxable for all employees-

All perquisites except (A) & (B) category are taxable for all employees

ORDER OF STUDY OF PERQUISITES

1. LEAVE TRAVEL CONCESSION	9. LOAN FACILITY
2. RFA	10. ESOP
3. MOTOR CAR	11. TRAVELLING/TOURING
4. EDUCATION FACILITY	12. FREE TRANSPORT
5. MEDICAL FACILITY	13. FRINGE BENEFITS
6. USE/TRANSFER OF MOVEABLE ASSETS	
7. SWEEPER/GARDNER/WATCHMAN	
8. GAS/ELECTRICITY/WATER	



1. VALUATION OF LEAVE TRAVEL CONCESSION

FAMILY MEANS:
(Spouse + Children) & (Dependent Parents / Brothers / Sisters of the individual)

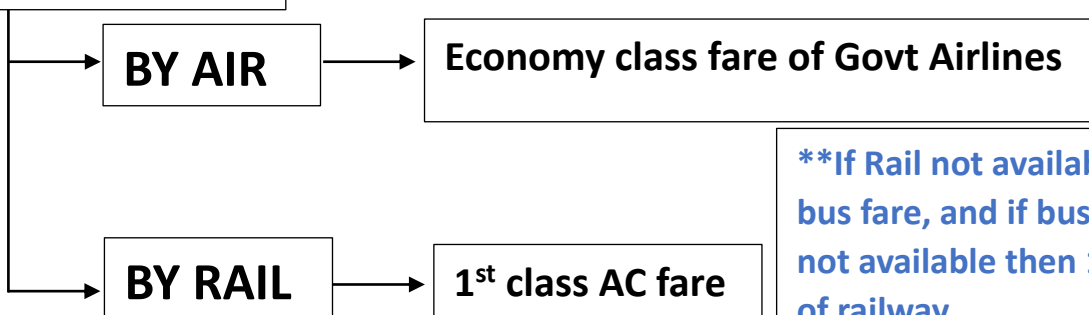
1) An employee is entitled to exemption in respect of value of travel concession or assistance received by him from his employer or former employer for himself and his family-

- a. on leave to any place **IN INDIA**, or
- b. to any place in India after retirement from service or after the termination of his service.

2) Availability of Exemptions:

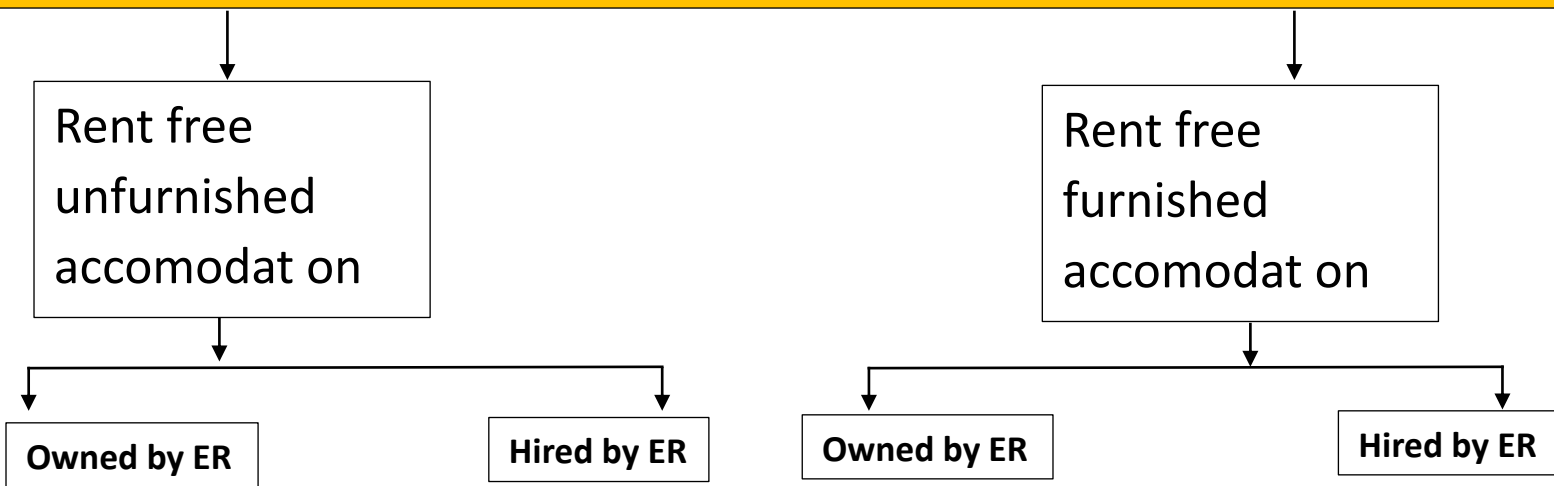
- a.** Exemption is available in respect of **2 journeys performed in a block of 4 calendar years**. The current block is 2022-2025 (10th).
- b.** If individual can't avail LTC during any block then he can claim the exemption of one journey in the calendar year immediately after the end of the said block.
- c.** Exemption is restricted to max. 2 children born after 1.10.1998. This restriction does not apply to children born before 1.10.1998
- d.** Exemption is allowable only in respect of FARE

Exemption u/s 10(5)



**If Rail not available then deluxe bus fare, and if bus route is also not available then 1st class AC fare of railway

2. VALUATION OF RENT FREE ACCOMODATION



VALUATION OF RENT FREE UNFURNISHED ACCOMMODATION

OWNED BY ER-

Up-to 31/08/2023

Upto 10 lakhs - 7.5%

Above 10L upto 25 L - 10%

Above 25 L - 15%

W.e.f. 01/09/2023

Upto 15 lakhs - 5%

Above 15L upto 40L - 7.5%

Above 40 L - 10%

NOT OWNED BY ER-

Value shall be the lower of

1. Rent paid by the Employer

OR

2. 15% of salary

[10% of Salary from 01/09/2023]

VALUATION OF RENT FREE FURNISHED ACCOMMODATION

FIRSTLY, value of RFA is computed as above and then we add value of furniture

10% p.a. of the original COST OF FURNITURE [if owned by employer]

OR

The actual hire charges paid/payable, [if hired]

VALUATION OF ACCOMMODATION PROVIDED IN A HOTEL

value of the perquisite will be lower of:

24% OF SALARY paid or payable for the previous year

OR

The actual charges paid or payable to such hotel

NOTE:-

1. IN CASE OF GOVT. EMPLOYEES [CG/SG]- As per License Fee determined by Govt.
2. Meaning of Salary-
Basic Salary + DA (UT) + Bonus + Fees + Commission + All other Taxable Allowance + Any monetary payment by employer to employee, by whatever name called
[Above does not include Perquisites, Employer's contribution to PF + Arrear Salary + Advance Salary]
3. In case of TWO accommodations-
 - FOR FIRST 90 DAYS - ANY ONE [which has the lower value determined according to the above provisions]
 - After 90 days and thereafter - the value of perquisite will be taxable for both houses

VALUATION OF MOTOR CAR

Car owned by	Car maintained by	Purpose	Taxable value	EE type
ER	ER	Of cial	Not a perquisite	----
		Personal	M+D (Note 1)	Specif ed EE
		Both [Of cial & Personal]	1800/2400p.m. (Note 2)	Specif ed EE
ER	EE	Of cial	Not a perquisite	----
		Personal	D	Specif ed EE
		Both [Of cial & Personal]	600/900 p.m. (Note 3)	Specif ed EE
EE	ER	Of cial	Not a perquisite	----
		Personal	M	All EE
		Both [Of cial & Personal]	Actual expense Less:1800/2400 p.m.	All EE

NOTES-

1. If the EE incurs the expenditure of school fees and the same is reimbursed by the ER, then the entire amount shall be fully taxable in the hands of **all employees**
2. Child includes step child as well as the adopted child of the employee but does not include grandchild or illegitimate child

MEDICAL FACILITY

TREATMENT IN INDIA

In the following cases it is tax **FREE** **perquisites-**

1. HOSPITAL MAINTAINED BY THE EMPLOYER.
2. Sum paid by the employer for medical treatment –
 - In any hospital maintained by The Govt. or local authority or approved under CGHS
 - Of prescribed diseases in a hospital approved by CCIT
 - In respect of any illness relating to COVID-19
3. Group Medical Insurance
4. Medical Insurance paid
5. Premium of Accidental Insurance Policy

TREATMENT OUTSIDE INDIA

1. EXPENSES ON MEDICAL TREATMENT OF THE EMPLOYEE OR ANY FAMILY MEMBER:
 - Exempt to the extent permitted by RBI.
2. EXPENSES ON STAY ABROAD OF THE PATIENT AND ONE ATTENDANT:
 - Exempt to the extent permitted by RBI
3. TRAVEL EXPENSES FOR ABROAD OF THE PATIENT AND ONE ATTENDANT:
 - wholly exempt if the GTI before including the said travel expenditure ≤ ₹ 2,00,000.

Notes

1. Family = Spouse + Children + Dependent [Parents + Brothers + Sister]
2. Hospital includes a dispensary or a clinic or a nursing home.
3. Fixed medical allowance is always taxable.

USE/TRANSFER OF MOVEABLE ASSETS

USE OF EMPLOYER'S MOVEABLE ASSETS provided by employer to EMPLOYEE OR ANY MEMBER OF HIS HOUSEHOLD-

Value of perquisite

If owned by ER-

10% P.A. OF THE ACTUAL COST of asset

If hired by ER-

Actual amount of hire charges

Note

1. Use of laptop & Computer is exempt
2. Member of household shall include- (a) Spouse; (b) Children and their spouses; (c) parents; and (d) Servants and dependents.

TRANSFER (sale) of any Movable Asset-

Value of perquisite will be-

Actual cost of the asset to the employer

Less: Dep. for every completed year of usage by employer

Less: The amount charged from the employee

The following will be the rate and method of depreciat on:

S.N.	Asset Rate	Method
1. Computer & electronic items [Not covering Household appliances]	50%	W.D.V.
2. Motor Car	20%	W.D.V.
3. Any other asset	10%	Straight Line

Sweeper, Gardener, watchman or a personal attendant

Servant appointed by	Servant's salary paid by	Value of perquisite	Taxable in the hands of
Employee	Employee	Nil	Not applicable
Employee	Employer	Actual cost incurred by the Employer on the servant	All employees
Employer	Employer	Actual cost incurred by the Employer on the servant	Specified employee
Employer	Employee	Nil	Not applicable

NOTE

1. Where the employee is paying any amount in respect of such servant facility, the amount so paid shall be deducted from the value of perquisite determined above
2. Domestic Servant Allowance given to an employee is always chargeable to tax.
3. If gardener is provided along with RFA then it is not a perquisite

SUPPLY OF GAS, ELECTRICITY OR WATER FACILITY

Facility in the name of	VALUE OF PERQUISITE		Taxable in the hands of
	Provided from own source	Provided from outside	
Employer	Mfg. cost to the employer	Amount paid to the supplier	Specified employees
Employee	Mfg. cost to the employer	Amount paid to the supplier	All employees

Note

1. Where the employee is paying any amount in respect of such above facility, the amount so paid shall be deducted from the value of perquisite determined above.
2. Gas/Electricity/Water Allowance given to an employee is always fully chargeable to tax.

INTEREST FREE OR CONCESSIONAL LOAN

Value of perquisite-

Interest as per SBI rates on Maximum Outstanding Monthly Balance xxx

Less: Interest recovered by the employer from the employee xxx

- Maximum outstanding monthly balance means the “aggregate outstanding balance for each loan as on the last day of each month”
- Nothing is taxable if Amount of Such Loans are not exceeding in the aggregate ₹ 20,000
- SBI rates is to be taken as on as on 01.04.2023

ESOPs

Value of perquisite-

FMV as on the date the employee exercises the opt on xxx

Less: cost to the employee xxx

- FMV on the date of allotment is irrelevant

Travelling/Touring

Valuat on of perquisite in respect of traveling, touring, accommodat on and any other expenses paid / reimbursed by employer for any holiday availed by EMPLOYEE OR ANY MEMBER OF HOUSEHOLD **other than LTC-**

Facility is provided by the employer to all employees, then value shall be



Expenditure incurred by ER
Less: Amount recovered from the EE

Facility is not provided by the employer to all employees, then value shall



Fair values
Less: Amount recovered from the EE

NOTE

1. Where employee is on of cial tour & the expenses are incurred for any **member of household accompanying him**, the amount of expenditure shall be liable to be tax as perquisite
2. Where any **of cial tour is extended as vacat on**, then expenses incurred in relat on to such extended period of stay or vacat on, shall be treated as perquisite

FREE TRANSPORT

In case of employees of	Taxable value	
Railways / Airlines	Nil	
Any other transport undertaking	Value at which such benefit is offered by the employer to the public	xxx
	Less: Recovery from the employee	xxx

FRINGE BENEFITS

Lunch facility

Credit card

Voucher

Club facility

TAXABLE VALUE

Cost incurred

Less: Amount recovered EE

In the below cases it is exempt:

- FOOD AND NON-ALCOHOLIC BEVERAGES **UPTO 50 PER MEAL** provided during working hours at office or business premises
- Through paid voucher which are not transferable
- Tea or snacks provided during working hours

TAXABLE VALUE

- The amount of expenses including Membership fees and annual fees
- Amount recovered from employee will be reduced
- If such expenses are wholly and exclusively for official purposes then it is not a perquisite

TAXABLE VALUE

The Value of facility provided by ER to

- THE EMPLOYEE OR HIS HOUSEHOLD MEMBER, **in excess of ₹ 5,000, is fully taxable**
- The above exemption of 5,000 shall be denied in case of cash gift

- If employer incurred any expense in a club including amount of annual/periodical fee for the EMPLOYEE OR ANY MEMBER OF HOUSEHOLD, the actual amount of such expenditure shall be the value of perquisite.
- Amount recovered from such employee will be reduced from the value determined. Initial fee paid for acquiring corporate membership is not a taxable perquisite
- No taxable perquisites in case health club, sports club and similar facilities provided uniformly to all employees
- No taxable perquisite if the club expenditure is incurred wholly and exclusively for business purposes.