

Analysis & Example: [We will Discuss in Amendment Class]

Example

SALARY of Employee = 85,00,000

Employer Contribution as under:-

- 12% of Salary towards R.P.F = 10,20,000
- ₹ 2,50,000 Towards NPS
- ₹ 3,00,000 Towards Approved Super Annuation fund

Solution = Total Contribution in Various fund = 15,70,000

Now Exempt amount as per FA, 2020 = 7,50,000

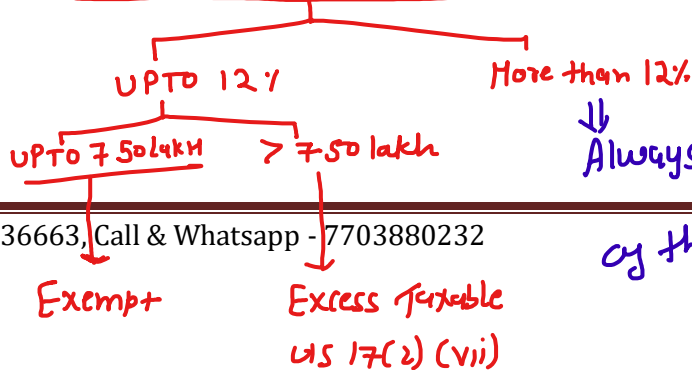
Taxable Amount
In hands of
Employee vis 17(2)(vii)
8,20,000

Any Interest @ dividend received on ₹ 8,20,000 shall also be taxable as perquisite as per section 17(2)(viiia)

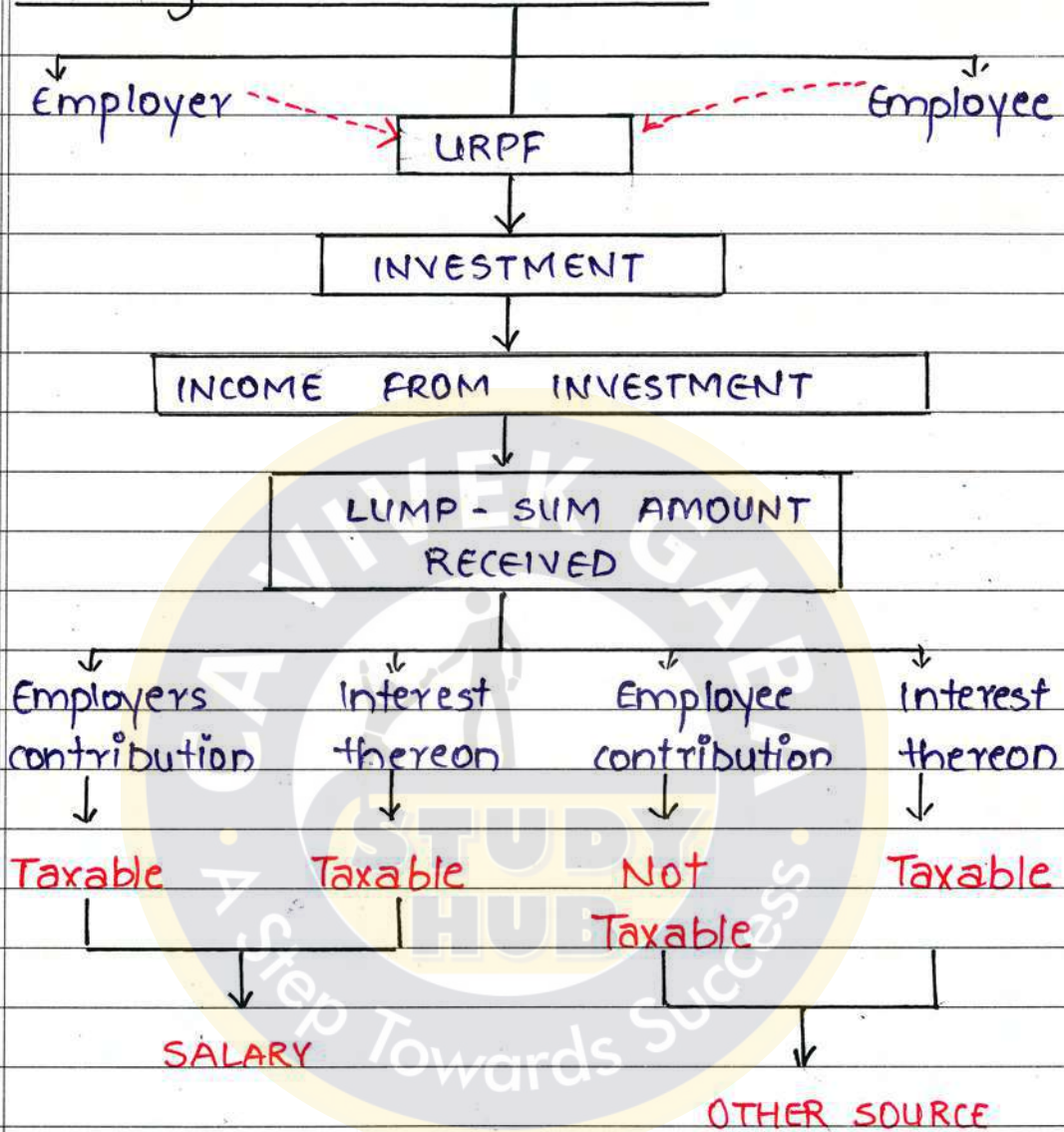
CRUX in Case of RPF

Ex = Salary = 20,00,000
 ex cont = 2,80,000
 12% of S = 2,40,000 Exempt
 Excess of 12% = 40,000 taxable

Employer Contribution in RPF



Unrecognized Provident Fund



NOTE perquisites Sec.17(2)
 Refer next page

Rent Free Accommodation

EMPLOYER — HOUSE — EMPLOYEE



Govt. Employee

License fees prescribed by govt. is taxable in the hands of employee.

Non-govt. Employee

Owned by Employer

Not owned by employer

- 15% of salary
 - Actual Charges
- Less will be taxable

city having population upto 10 Lakh

city having population > 10 Lac upto 25 Lac.

city having population > 25 Lac

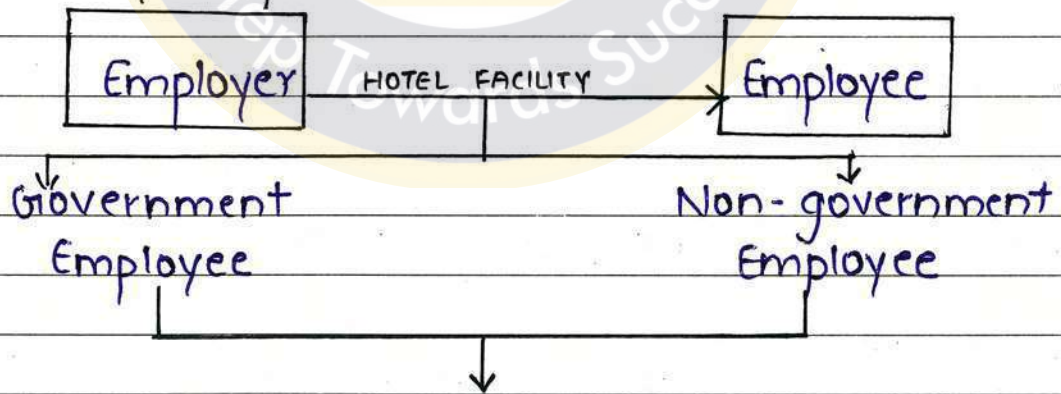
Value of URFA	=	XXX
+ Value of Furnished Items	=	XXX
- Value of FRFA		XXXX
- Amount paid by employer		XXX
Value of CRFA		XXXX

Remarks

Focus Area

- Meaning of Salary
Basic + D.A (UTOE) + Commission (every type) + Bonus + Taxable portion of all allowances.
- **Salary** should be calculated on due basis, means salary of **current** period should be **considered**.
Advance salary, arrears salary should be ignored.
- For computing **salary** retirement benefit **should not be considered** i.e. gratuity, pension, leave salary, VRS, retrenchment compensation, lump sum amount from P.F etc.
- **Salary** should be considered for the time for which assessee had **occupied such house**.
- Employer contribution towards PF and interest on PF **also should not be considered**.

➤ Hotel facility



- 24% of salary
 - Actual Charges
- Which ever is less.

FOCUS AREA

1. However nothing shall be chargeable if accomodation is provided for **not more than 15 days** and transfer

Remarks

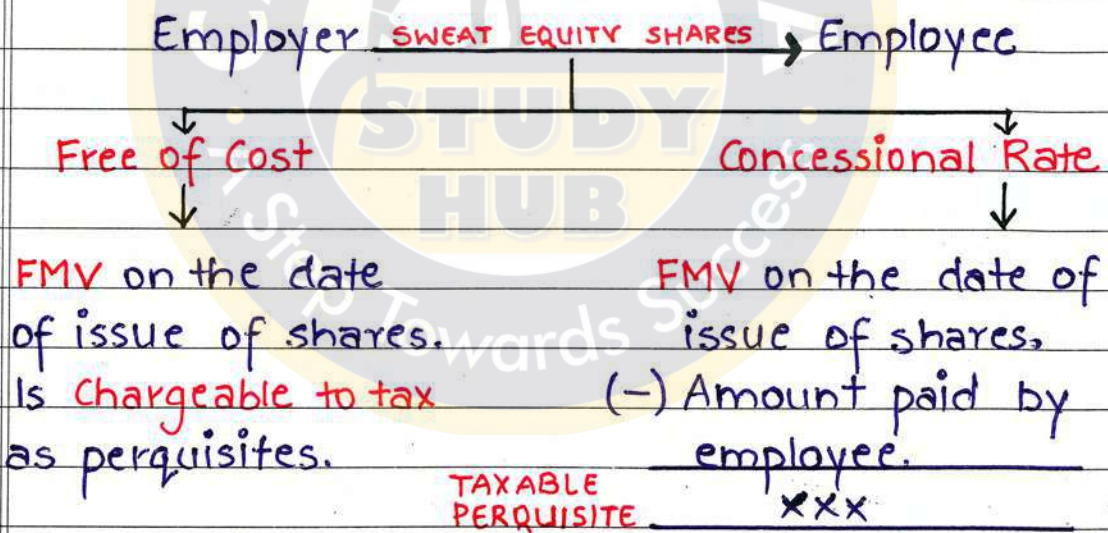
of employee from one place to another place.

2. Two Houses on transfer

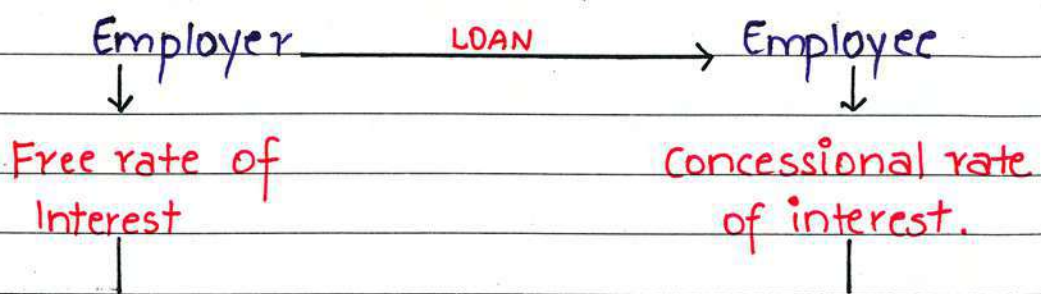
In case of transfer from one place to another place if employee is provided with house at new place and retain the house of old place as well.

- For first 90 days, from transfer, the value of house with lower value shall be taxable.
- After 90 days, value of both the houses will be taxable for the period exceeding 90 days.

• Sweat Equity Shares



• Interest on Loan



Remarks

↓
 Rate charged by SBI on I day of the relevant P.Y is chargeable to tax as perquisites

↓
 Rate charged by SBI on I day of the relevant P.Y
 (-) Amount paid by employee.

 xxx

↓
 However, nothing shall be taxable in the following 2 cases :-

- Loan is provided by employer to employee upto ₹ 20,000 or loan outstanding balance at the end of month is upto ₹ 20,000
- Loan is provided for the treatment of specified disease.

•> Use of Movable Property

↓
 Mobile, Laptop
 Computer etc.
 ↓
 VOTP = Nil

↓
 Other movable
 Property
 (TV, AC etc).

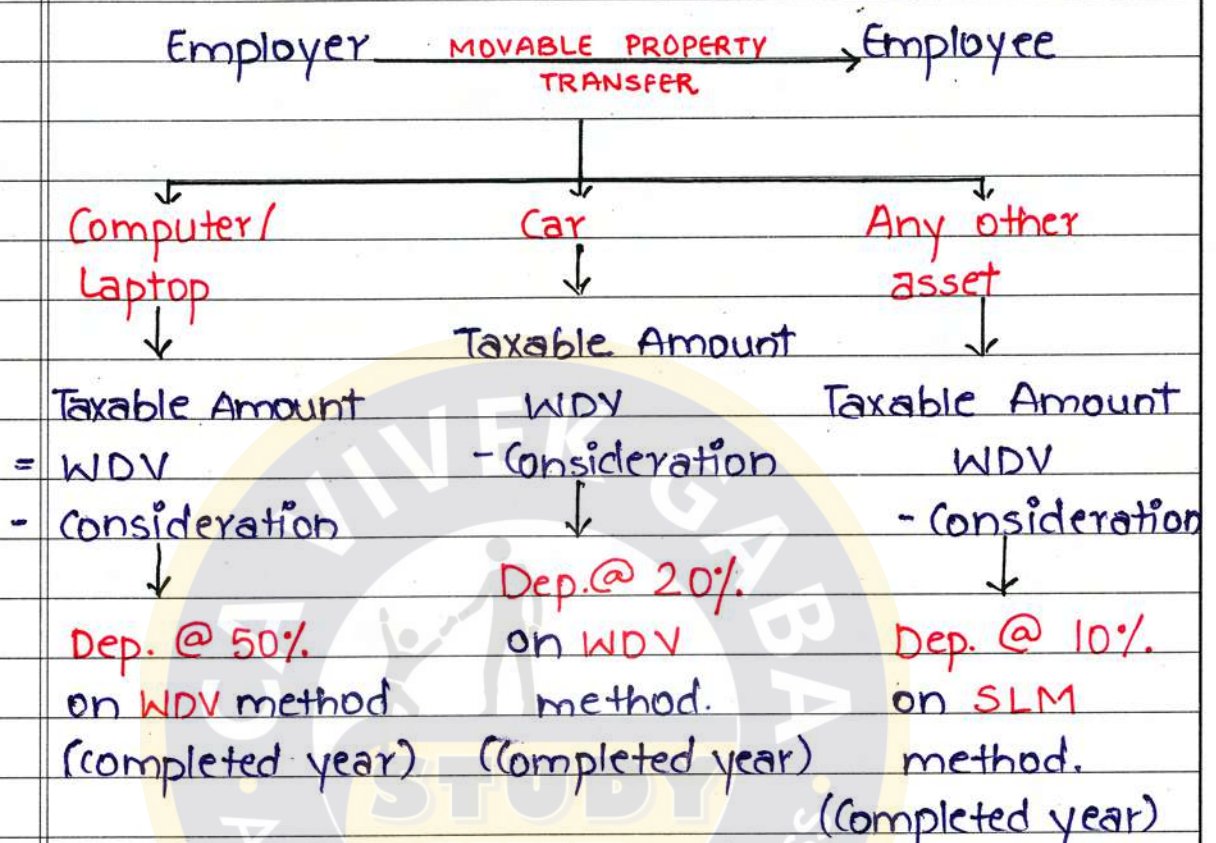
↓
 Owned by
 Employer
 ↓

VOTP = 10% of actual cost

↓
 Not owned
 by employer
 ↓

Actual
 Charges

•> Transfer of Movable Assets



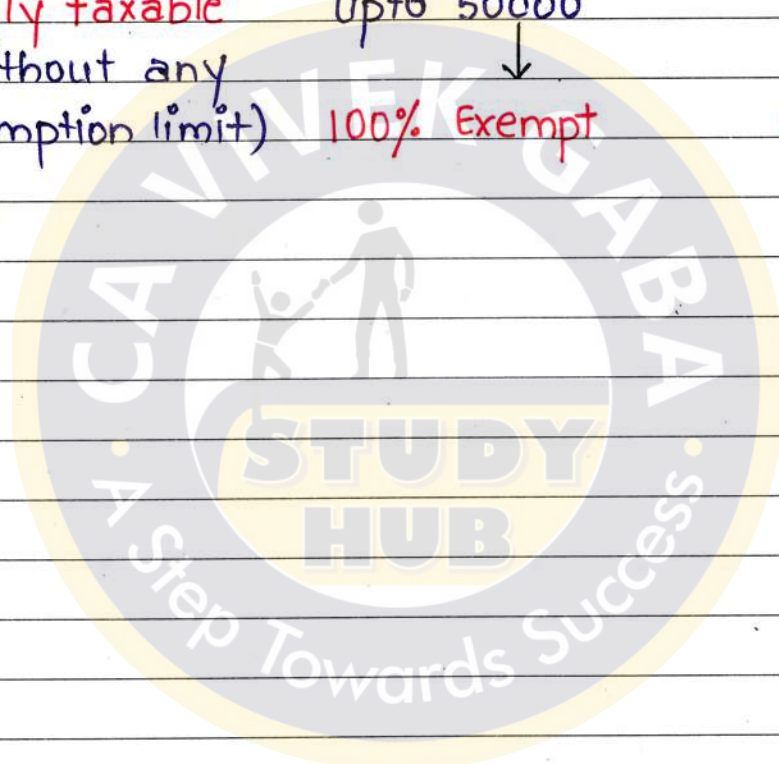
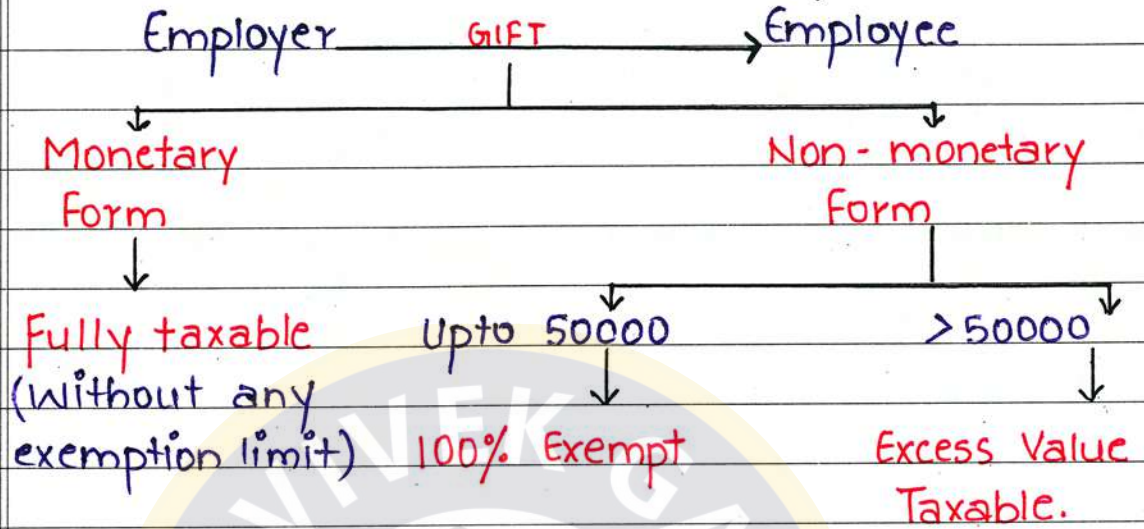
•> Lunch facility

It is exempt upto ₹ 50 per meal. If lunch is provided in office premises or through paid voucher.

NOTE:

- Tea, coffee or breakfast provided in office (Not taxable).
- Lunch is provided in remote area is (Not taxable).

→ Gift



Remarks

➤ Motor Car Facility

Car Owned By	Expenditure met by	Car used for 100% personal purpose	Car used for both official and personal purpose.
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- Employee Employee NIL NIL
- Employee Employer Actual expenditure incurred by employer. (-) upto 1.6 Ltr Cc. = 1800pm (-) more than 1.6 Ltr Cc. = 2400pm (-) Driver = 900pm VOTP xxx
If actual expenditure is more than specified limit then actual exp. may be reduced (after satisfaction of A.O)
- Employer Employee 10% of actual cost or actual running and maintenance exp. (if given) Upto 1.6 Ltr Cc. = 600pm More than 1.6 Ltr Cc. = 900pm Driver = 900pm VOTP xxx
- Employer Employer 10% of actual cost + actual expenditure Upto 1.6 Ltr Cc. = 1800pm More than 1.6 Ltr Cc. = 2400pm Driver = 900pm VOTP xxx

NOTE: Part of month is to be ignored.

Remarks

•> Education Facility

(i) For Employee - Fully Exempt

(ii) For Children - It is exempt if value of education is upto ₹ 1000 p.m per child and education is provided in employer's own institutions or institution where employer have tie-ups, otherwise fully taxable.

(iii) For Other Relatives - Fully taxable

•> Gas, Electricity and Water Supply

Fully taxable (cost of production per unit)

•> Free Servant

Fully taxable (actual expenditure)

•> Any other Perquisite

Fully taxable

•> Leave Travel Concession

• The benefit is available to individual citizen as well as in respect of travel concession or assistance for him and his family i.e, spouse, children of the individual and parents, brother, sister of the individual (wholly and mainly dependant on the employee).