



# TAXABILITY OF PERQUISITES



# MEANING OF PERQUISITES

Perquisites are benefits or amenities provided in cash or in kind in addition to normal salary to which the employee has right by virtue of employment.

It also includes the value in terms of money to the extent it goes to reduce the expenditure of the employee normally which would have otherwise been incurred by him in obtaining these benefits and amenities.

Examples:

Provision of Rent free accommodation, interest free / concessional loans, holiday tours, domestic servants, motor car etc.

# ALLOWANCES VS PERQUISITES

Features	Allowances	Perquisites
Form	Fixed amount paid in cash	Mostly provided in kind in the form of facilities. May also be provided in cash.
Purpose	To meet specific work related or personal expenses	To enhance employee lifestyle or provide additional benefits
Frequency	Paid regularly as a part of monthly salary or specific activity expenses	Provided as ongoing facilities
Effect	Increases the in-hand salary	Usually does not affect the in-hand salary except monetary reimbursement/ pay out as a part of salary

# CLASSIFICATION OF PERQUISITES

## **1. Perquisites exempt from tax**

Examples: Training of employees, use of laptops/ computers, Interest free loans up to Rs. 20000 etc.

## **2. Perquisites taxable only for specified employees;**

Examples: Provision of sweeper, gardener, watchman  
Car and any other automotive conveyance  
Provision of free or concessional educational facilities

# MEANING OF SPECIFIED EMPLOYEE

It means:

- ❑ Director of the employer company
- ❑ Employee carrying at least 20% voting power in the employer company;
- ❑ Employee whose salary including all taxable monetary benefits after deductions u/s 16 is more than Rs. 50000 in a year from one or more employers

As exemption limit for filing income tax is Rs. 250000, and the present day annual salary of all classes of employees is more than Rs. 50000 , all employees qualify as specified employees.

# PERQUISITES TAXABLE FOR ALL EMPLOYEES

Examples:

Rent free accommodation ( except exempted cases)

Accommodation at concessional rent

Any monetary obligation met by employer etc.

Interest free/ concessional loan exceeding Rs. 20000