



“बेटी बचाओ, बेटी पढ़ाओ”

JAYOTI VIDYAPEETH WOMEN'S UNIVERSITY, JAIPUR

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Department-Faculty of law And Management

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Program- B. COM (Hons.)
Sem. – IV

Subject- Direct Tax (Income Tax)
(Assessment Year 2024-25)

Title- (Rules for P.F. & Perquisite under Income Tax Act)

Provident Fund

Provident fund is maintained to make a provision for the future. A lump sum amount is paid out of this fund to the employee after his retirement or to his legal heirs in case he dies earlier. This fund consists of employee's own regular contribution out of his salary, employer's contribution and the interest, which accrues on the balance of the fund invested in a good manner.

The provident funds maintained for the benefit of the different employees are of three types:

- 1. Statutory/ General Provident Fund:** - This is maintained under the Indian provident fund act. 1925 for the Govt. and semi-Govt. employees.
 - (a) Employee's Contribution:- Exempt from tax
 - (b) Employer's Contribution: - Exempt from tax.
 - (c) Interest on S.P.F.: - Exempt from tax.
 - (d) Lump Sum Receipt: - Exempt from tax.
- 2. Recognized Provident Fund:** - The provident fund maintained by commercial establishment and recognized by the Commissioner of income tax is called the recognized provident fund.
 - (a) Employee's Contribution:- Exempt from tax
 - (b) Employer's Contribution: - Up to 12% of salary is exempt from tax and the remaining amount will be taxable.
Salary = Basic salary + Dearness allowance (Under terms of services) + Commission on sales.
 - (c) Interest on R.P.F.: - Up to 9.5% P.A. is exempt from tax and remaining amount will be taxable.
 - (d) Lump Sum Receipt: - Exempt from tax if five years of services has been completed.
- 3. Unrecognized Provident Fund:** - A provident fund maintained by the commercial establishments, which is not recognized by the commissioner of income tax, known as the unrecognized provident fund.
 - (a) Employee's Contribution:- Exempt from tax
 - (b) Employer Contribution in U.R.P.F.: - Exempt from tax.

- (c) Interest on U.R.P.F.: - Exempt from tax.
- (d) Lump Sum Receipt: - Own contribution and Interest thereon is exempt from tax and remaining amount will be taxable under the head of income from salary.

Note:

1. Up to 31st March 1997, Employer contribution in R.P.F. up to 10% of salary is exempt from tax.
2. R.P.F. rules are applicable in transferred balance from U.R.P.F. to R.P.F.

II- Perquisites

The 'Perquisites' includes all facilities and benefits received by an employee from his employer. It may be given by way of goods, services, benefits or amenities. All the perquisites can be classified in the following three categories:

- I. Perquisites taxable for all employees
- II. Perquisites taxable for specified employees.
- III. Tax free perquisites for all employees.

I – Perquisites Taxable for All Employees

1. Facility for Rent Free Accommodation:

- (i) In Case of Govt. Employee: - As per govt. rules rent is applicable is taxable.
- (ii) In case of Other Employee:- Value of facility is to be calculated as follows:
 - (a) If the Accommodation is owned by the Employer-
 - ➔ If Population According to 2001 up to 10,00,000:- Value of facility is 7.5% of salary.
 - ➔ If Population According to 2001 more than 10,00,000 but less than 25,00,000 : - Value of facility is 10% of salary.
 - ➔ If Population According to 2001 more than 25,00,000:-Value of facility is 15% of salary.
 - (b) If the Accommodation is taken on Lease or Rent by the Employer- 15% of salary or Rent paid by the employer whichever ever is less taken for value of facility.
 - ➔ Valuation of Furnished Accommodation:- 10% per annum of the original cost of furniture or rent of furniture will be added in the value of rent free accommodation.
 - ➔ Valuation of Facility Provided in Hotel:- If the facility provided in hotel then it will be calculated as under:
 - (a) 24% of salary of that period, or
 - (b) Actual expenses paid to hotel.

Which ever is less from above will be taxable.

Note:-

- If hotel is not furnished, then value of facility is Nil

- In case of transfer, above facility will be exempted up to 15 days.

➔ Facility of Two Houses in Case of Transfer:- If an employee is transferred from one place to another place and the free residential accommodation at other place is also provided by the employer and the employee retain the accommodation, then the value of facility will be determined with reference to only one such accommodation which has the lower value for a period not exceeding 90 days. If the employee uses both houses even after 90 days, then the facility of both houses will be taxable.

Note:-

Salary = Basic Salary + Dearness Salary + Dearness allowance (Under terms of Services) + Commission + Bonus + Leave Travel Concession + Encashment of leave during services + All Taxable Allowances.

➔ Value of Facility is Nil in the Following Cases:-

- If the residential accommodation is provided in such area which is located at least 40 Kilometers away from a town having a population not exceeds 20,000.
- If the facility is provided in mining area or onshore oil exploration site.
- If the facility is provided at project execution site.

➔ Facility of Concessional Rent Accommodation: - Concessional value is called the value of facility; it will be calculated as under:

Value of Concessional Rent Accommodation =

Value of rent free accommodation – Rent paid by employee.

2. Any Sum Paid by the Employer in Respect of any Obligation to Employee:- Such payment would have been payable by the employee will be taxable, for example:

- Payment of employee's water electricity bill;
- Payment of school fee of children;
- Payment of income-tax on behalf of an employee;
- Payment of employee's personal loan.
- Life insurance premium paid by employer.
- Hotel and club bills of employee paid by the employer.
- Servant salary paid by the employer (If servant appointed by the employee)
- Employee's motor car expenses paid by the employer.

3. Interest Free Loan Facility:- As per Income Tax rules if Interest free/concessional loan is provided by the employer to employee, it will be treated as perquisite to the employee and it as per Income tax rules, its valuation should be done and added to the income of the employee. For interest free/concessional loan valuation interest rate of State Bank of India as applicable on first day of the financial year is to be considered.

Note:

- (a) If the amount of loan does not exceed Rs.20,000 :- Wholly tax free.
- (b) If the loan avails for medical treatment in respect of specified diseases according to 3(A) i.e. Cancer, Heart diseases, AIDS, T.B.,and Kidney etc.:- Wholly tax free.

4. Use of Movable Assets:-

- (a) If the owner of assets is employer: - 10% of cost of assets will be taken as value of facility.
- (b) If facilities provided by hire: - Rent of such assets will be taken as value of facility.

5. Transfer of Movable Assets: - If any assets transfer to an employee or member of employee's by the employer then value of facility will be taken as follows:

- (a) Computer and other Electronics Goods i.e. Printer, Digital diary, Software, Data storage etc.:-After providing 50% depreciation by the reducing balance method will be taken as value of facility.
- (b) Motor Car:-After providing 20% depreciation by the reducing balance method will be taken as value of facility.
- (c) Other Household Assets i.e. T.V., Frieze, Oven, Washing Machine, Mixer, Hot Plate etc.:- After providing 10% depreciation by the straight line method will be taken as value of facility.

Value of facility = W.D.V. of Assets – Amount paid by the employee.

Note:-

A. The value of assets used for income for more than 10 years would be taken as nil.

B. Depreciation will be charged only for completed years.

- Employees Stock Option Plan: -If a company allots shares to their employees under a scheme approved by the Central Government then the facility of such shares will be exempt from tax otherwise the difference between market price of such shares on the day of allotment and issued price will be the value of facility and taxable to employee.
- Payment of reimburse of expenses by employer on traveling, touring, accommodation and other expenses during holiday: -
- If facility provided by owned sources by the employer:- The value of facility will be the amount equal to the amount at which such facility is offered general public.
- If facility provided by other sources:

Value of facility = Actual expenses paid by the employer

6. Facility of Free food, Refreshment and Cold drinks:- Tea, Refreshment and Cold drink facility provided during office time is wholly exempt.

- (a) Free food during office time at office: - Up to Rs. 50 per day is tax-free and above the amount will be taxed.
- (b) During office at working site in a remote area: - Wholly tax free.

7. Valuation of Gift:- The value of any gift, or voucher, or token in lieu of which

such gift may be received by the employee or by the member of his family and if such gift not exceeds Rs. 5,000 during the year then value of facility will be taken as nil and above such amount will be taxed. If gift are made in cash or bearer cheques then it will be fully taxed.

8. Facility of Credit Card: - Actual expenses paid by the employer for this facility will be treated as value of perquisites.
9. Payment of Expenditure incurred in a Club:- Actual expenses paid by the employer for this facility treated as value of perquisites.

II - Perquisite Taxable to Specified Employees:

Such perquisites are taxable only for specified employees. A specified Employee means:

- (i) An employee of a company who is a director thereof; or
- (ii) An employee of a company who has a substantial interest in the company means he hold 20% or more than 20% share of company ;or
- (iii) An employee whose monetary taxable income from salary exceed Rs. 50,000 during previous year.(Such amount is taken after providing deduction)

1. Children's Educational Facility: -

- (a) If Educational facility given by the employer from own institution -Reasonable cost of such education in a similar institution in or near the locality treated as value of facility.

Note:- If facility value less than Rs. 1,000 per month per child, then value of facility taken as nil. Such facility will tax free only for children's of employee.

- (b) If Facility Provided by other Institution:-

Value of facility = Actual expenses paid by the employer.

2. Gas, Electricity and Water Facility: - Actual cost beared by the employer for this facility treated as value of perquisites

3. Gardener, Watchman, Sweeper, Private Assistant and other Servant Facility: - If these are appointed by the employer then

Value of facility = Actual wages paid by the employer.

Note: -If employee lives in employer's own house then value of gardener facility is Nil.