



# Payment of Perquisites and its Tax Impacts

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The Dictionary meaning of the term 'Perquisites' is a special right or privilege resulting from a person's position. As per tax law the receipts of perquisites and other benefits by an Employee from an Employer are treated as an income exempt from tax upto certain limit and the excess amount over the allowable limit is added as salaried income in the Total Income of the concerned employee. Similarly, the payments on account of these facilities in the form of perquisites and benefits to the employees are allowed as business expenses of the concerned employer upto certain limit for each of the employees and any payment over and above the limit so prescribed is not treated as business expenses and so it is added with the business income of the said employer for tax purpose.

As per section 2 sub-section (45) of Income tax ordinance 1984, perquisites have been defined as:

- i) Any payment by an employer to an employee in the form of cash or any other form excluding (1) Basic Pay, 1 (a) Festival Bonus (2) Incentive Bonus (Total allowable up to 10% of the disclosed profit) (3) Arrear salary/Advance Salary (4) leave

encashment or leave fare assistance, (5) Overtime; and

- ii) Perquisites also mean any benefit whether convertible into money or money's worth as provided by an employer to an employee excluding the employer's contribution to a recognized Provident Fund, approved Pension Fund, approved gratuity fund and approved superannuation fund.

The perquisites/ benefits may be in the form of accommodation, conveyance, employees passage for tour, medical facilities etc. The perquisites may be in the form of allowances for foreign tours of employees and his dependants for holidaying and recreation.

Against the facilities provided to the employees in the forms noted above the employer will get relief at the rate of Tk. 350,000/= for each of the employees as business expenses and any amount in excess of Tk. 350,000/- is disallowed under section 30(e) and not treated as business expenses of the employer although the excess payment also has been incurred in connection with the business of the employer. This limit has been raised to Tk. 450,000 as per Finance Act 2015.

## Perquisites Payment to an Employee

Perquisites, any special allowance, benefit specifically received by an employee from his employer to meet the expenditure wholly and necessarily incurred in the performance of the duties of an office or employment of profit are exempt from tax in accordance with para (5) of the sixth schedule Part 'A' of Income tax ordinance 1984 and accordingly excluded from total Income of an Assessee as per provision of section 44, sub-section (I) of Income tax ordinance 1984, subject to the limits laid down there under for the purpose of valuation of the perquisites as per Rule 33 of Income Tax Rule 1984.

The limits referred to above are applicable for different types of perquisites receivable both in cash and money's worth in respect of accommodation, conveyance employees passage for tour and medical facilities etc. provided by an employer and are dealt with under Rule 33A to 33I for arriving at the tax-free and taxable value of perquisites provided to an employee.

The value of any, perquisites over and above the exempt limit is liable to tax and is includible in the Total Income of the employee for tax purpose.

Now let us discuss the various types of perquisites and benefits receivable in cash and money's worth as under:

### Perquisites in Cash

#### 1) House Rent

House rent receivable in cash by an employee is exempt from tax to the extent of 50% of Basic Salary

or Tk. 20,000/- per month whichever is the less. Any amount in excess of the above limit is assessable to tax and is includible in the Total Income of the employee as per Rule 33A.

#### 2) Conveyance Allowance

Conveyance allowance receivable in cash with no conveyance facility is exempt from tax upto 30,000/- per year and any amount in excess of the above limit is includible in the Total Income of the employee for tax purpose as per Rule 33C.

### Perquisites Receivable in Money's Worth

- i) Perquisites may be in the form the rent-free accommodation provided to an employee with no deduction from salary for such accommodation.

In that case the notional value of the accommodation provided to the employee shall be determined @ 25% of the Basic Salary, or the Rental Value, whichever is the less for its inclusion in the Total Income of the concerned employee.

On the other hand when the accommodation is provided at a concessional rate with the deduction of certain amount from his monthly salary, the valuation of the perquisites shall be determined in the above said rate and there from the monthly deduction from salary be adjusted to arrive at the taxable portion of the perquisites receivable by the employee for such accommodation at concessional rate.

The amount arrived at in the above way be included in the Total Income of the employee for tax purpose as per Rule 33-B.

“ THE PERQUISITES/ BENEFITS MAY BE IN THE FORM OF ACCOMMODATION, CONVEYANCE, EMPLOYEES PASSAGE FOR TOUR, MEDICAL FACILITIES ETC. THE PERQUISITES MAY BE IN THE FORM OF ALLOWANCES FOR FOREIGN TOURS OF EMPLOYEES AND HIS DEPENDANTS FOR HOLIDAYING AND RECREATION. ”

- ii) As per Rule 33-D where a conveyance is provided to an employee for his personal or private use, the notional value for such conveyance used partly or exclusively for personal or private purpose of the employee, be determined at the rate of 5% of the Basic Pay for its inclusion in the total income of the concerned employee.

Additional conveyance allowance as per Rule 33E, where an employee receives an allowance in addition to the conveyance provided for his personal or private use such additional allowance be added to the value of perquisites determined as per Rule 33-D. The aggregate of the two be included in the Total Income of the employee for tax purpose.

### Free or Concessional Passage for Travel Abroad or within Bangladesh-Rule 33-G

- i) Where a free or concessional passage is provided for the employee including his household members and dependants in accordance with the terms of employment, any payment in cash which exceeds the actual expenditure incurred by the employee shall be treated as his income under the head salaries.
- ii) Where the employee is not entitled to the passage in accordance with the terms of employment, the whole of the cash paid by the employer shall be treated as income of the employee from salaries.

Or if no cash is paid by the employer the whole of the amount which would have been expended by the employee for such free or concessional passage, had it not



been so provided by the employer, would be treated as income from salaries of the employee for tax purpose.

Provided that where the employee avails free or concessional passage for travel abroad for more than once in every two years, the whole of the cash received, if any, for such additional passage be treated as income from salaries of the employee and even if no cash is paid by the employer for such additional passage, the amount which would have been expended by the employee for such additional passage, would be treated as income from salaries of the employee.

- iii) Where the employer being an undertaking of transport carrying passengers and goods provides free or concessional rated service for passage or carrying goods of an employee including members of his

households and dependants, by conveyance owned by the undertaking or chartered by it, no amount will be added to the income of the employee for such facilities provided.

### Entertainment Allowance Rule 33H

Where an entertainment allowance is paid to an employee it is to the full extent taxable as no exemption is allowed for such payment as per law.

However, if free tea, coffee, beverages or the like is provided in the office premises during the course of work, there will be no addition of income to salaries of the employee concerned.

### Medical Expenses Rule 33 I

Where any allowance is received or receivable by an employee as

cost of hospitalization or by way of medical expenses or medical allowances, the amount so received or receivable as exceeds 10% of the basic salary or Tk. 60,000/- whichever is less, shall be treated as income from salary.

### Other Benefits-Rule 33 J

There may be some other benefits provided by the employer in the form of annuity not covered under Rule 33A to 331, for the employee, the members of his households or his dependants.

In that case for such benefits, an amount equal to the amount which would have been expended by the employee in obtaining such benefit or annuity from an independent source in the same or near locality had it not been provided by the employer as reduced by an amount, if any, expended wholly, necessarily and exclusively in the performance of duties of office held by him or actually paid by him in cash, would be treated as income of the employee form salary.

### Perquisites in the Form of Allowance in Respect of Employees' Foreign Travel for Holidaying and Recreation

An employer may provide foreign tour facilities to an employee and his dependants for holidaying and recreation to the extent of 3 months' basic salary of the employee or three fourths of the

actual expenditures whichever is the less, not often once in every two years.

The amount in excess of the above limit will be disallowed as business expenses as per Rule 65A and section 30 (f) of I. T. Ordinance 1984. However, to get the exemption of the full allowable amount when such payment exceeds Tk. 10,000/- it is to be paid by the employer by crossed bank cheque or a crossed bank draft to the concerned employee.

### Perquisites to a Shareholder Director

A shareholder director may get some perquisites/ benefits from more than one company. In that case such Director shall be entitled to the benefit under Rule 33 from one company only. The value of the perquisites received/receivable from other companies shall be included in his salary income for tax purpose.

Whatever may be the total value of the perquisites and benefits provided to an employee and determined as per rules related to that, the maximum relief to an employer for such facilities is restricted to Tk. 350,000/- per employee as per clause (e) of section 30 of I. T. Ordinance 1984.

### Basic Salary

Valuation of perquisites is determined as per Rules 33A to rule 33J in terms of Basic Salary. Of the value so determined a

portion is exempt from tax and another portion is taxable.

Now let us see what is meant by Basic Salary. Basic Salary means the pay and allowances payable monthly or otherwise but it does not include the monthly payments of the following nature:

~~Dearness allowance or Dearness pay unless it enters into the computation of superannuation or retirement benefits of the employee concerned.~~

- ii) Employee's contribution to a recognized PF or to a Fund to which the Provident Fund Act 1925 applies and the interest credited on the accumulated balance of an employee as member of such fund.
- iii) Allowance which are exempt from payment of tax.
- iv) Allowances, perquisites, annuities and benefits as referred to in sub-Rule (1) of Rule 33. This is the excess amount of perquisites includible in the salary income of the employee under various rules dealt with as above.

The tax impacts of perquisites and benefits discussed in the Article represent the position upto the Finance Act 2014, relevant to the Assessment year 2014-2015.

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**The Author is a  
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