

Example:

Calculate the value of the perquisite of motor car provided by employer to his specified group of employees in each of the following cases for the assessment year 2019-2020.

(a) Free use of employers 1.4 litre car. Car is exclusively used for personal purposes. All the running and maintenance expenses amounting to Rs. 4000 p.m are borne by the employer. The car is driven by the assessee himself. The cost of motor car is Rs. 150000.

Solution: The car is exclusively used for personal purposes and expenses are borne by the employer.

Hence, the value of car will be:

Running and maintenance expenses borne by the employer (4000x12) = 48,000

Add: 10% of Rs. 150000 for Dep. = 15,000

Value of Perquisites = 63,000

(b) Use of employers 2 litre cubic capacity car exclusively for personal purposes. Expenses relating to personal use borne by the employee. The cost of car is Rs. 200,000. The employer has also provided a chauffeur to the employee at the payment of Rs. 800 per month.

Solution: The car is more than 1.6 litre capacity and being used for personal purpose and expenses relating to personal use is borne by the employee.

Therefore, value of car will be = 20,000 + (800x12) = 29600

(c) Car is 1.8 litre meant for both private and official use. All expenses borne by the employer. Maintenance expenses Rs. 8000, road tax Rs. 800, depreciation Rs. 3000 for the year. Salary of driver Rs. 250 per month. The Assessing officer has accepted the version of employee that car is used 70% for official purpose and 30% for private purpose.

Solution: Value of car perquisite shall be: (Rs. 2400x12)+ (Rs. 900x12) = 39600

(d) The employer provides a car (above 1.6 litre) to employee which is used for official work and it is also used by employee for commuting from his residence to office and back.

Solution: The value of car perquisite will be NIL., because the car is being used for official purpose. Conveyance from residence to office and return is not treated as perquisite.

(e) The employer owns two cars- one of 1.8 litre, the other of 1.6 litre. All running and maintenance expenses Rs. 25,000 for 1.8 litre car and Rs. 13000 for 1.6 litre car and salary Rs. 400 p.m payable to each driver are borne by the employer. The assessee uses both cars for official as well as his personal purposes. The employer deducts Rs. 600 per month from his pay on account of this facility. Cost of car is Rs. 4 lakh and 3 lakh respectively.

Solution: Step I:

Assume that the employee uses 1.8 litre car for private and official purposes and 1.6 litre car exclusively for private purposes. The value of perquisite will be:

1.8 litre car:

For the Car @ Rs. 2400 p.m (2400x12)	=	28,800
For the Driver @ Rs. 900 p.m (900x12)	=	<u>10,800</u>
		<u>Rs. 39,600</u>

1.6 litre car:

Running and maintenance expenses	=	13000
10% of cost of car 300,000	=	30,000
Driver Remuneration (Actual) (400x12)	=	<u>4,800</u>
		<u>Rs. 47,800</u>
Total value of car perquisite (39600+47800)	=	87,400
Less: Amount deducted from employee (600x12)	=	<u>7200</u>
Value of car perquisite	=	<u>Rs. 80,200</u>

Step II:

Assume that the employee use 1.6 litre car for private and official purposes and 1.8 litre car exclusively for private purposes. The value of car perquisite shall be:

1.6 litre car:

For the Car @ Rs. 1800 p.m (1800x12)	=	21,600
For the Driver @ Rs. 900 p.m (900x12)	=	<u>10,800</u>
		Rs. 32,400

1.8 litre car:

Running and maintenance expenses	=	25000
10% of cost car Rs. 400,000	=	40,000
Driver remuneration (actual) (400x12)	=	<u>4800</u>

Rs. 69,800

Total value of perquisite (32400+69800)	= 102,200
Less: Amount deducted from employee (600x12)	= <u>7,200</u>
	<u>Rs. 95,000</u>

From the above two steps, it would be advisable in the interest of the employee that he should use 1.8 litre car for private and official purposes as computed in Step I within option this value of the car is less than Step II.

Hence, the taxable value of car will be Rs. 80,200 and this much amount will be included as car perquisite in salary of the employee.

(f) The employee owns a big car which is used partly for the business and partly for personal use. The employee drives the car himself. The employer has spent Rs. 80,000 during the previous year on running and maintaining the car. The employer has satisfied all prescribed conditions.

Solution: Amount expended by the employer	= 80,000
Less: Expenses relating to business (2400x12)	= <u>28,800</u>
Taxable value of prerequisite	= Rs. 51,200

PROVIDENT FUND:

The word "Provident" means to provide for the future. To provide security to the employee and to encourage small savings. There are different types of provident funds. Under this scheme, a fixed amount is deducted from the employee's salary as his contribution towards the fund and an equal amount is contributed by the employer. At the time of retirement and resignation of the employee, the accumulated sum is paid to him along with the interest. In case of death, the lump-sum amount is paid to his family.