

Course: B.Com Part III

Paper: VII

Topic: Rent Free House

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Valuation of Rent Free House

In some cases, the Accommodation is Rent Free to the Employee i.e. No Rent is liable to be paid by the Employee. It is a benefit given to the employee in kind and therefore form a part of perquisites and income tax is liable to be paid on such perquisite.

Accommodation given to an employee is divided in the following categories and tax treatment of each category is separate:

- 1. Accommodation given by the Govt. employer**

If any accommodation is given by the Central or the State Govt to its employees, perquisite value of house shall be License Fee determined by Central or State Govt as reduced by rent recovered from the employee.

2. Accommodation given by Non Govt. employer

In case the employer is not Central or State Govt., it should first be ascertained whether the accommodation is owned by the employer or the employer has taken the accommodation on lease.

In case Unfurnished **Owned** Accommodation is provided by the Employer

Particulars	Perquisite Value
Population exceeds 25 Lac	15% of Salary
Population exceeds 10 Lac but less than 25 Lac	10% of Salary
Population is less than 10 Lac	7.5% of Salary

In case Unfurnished **Leased** Accommodation is provided by the Employer, Perquisite value shall be lower of the following:

1. Actual Rent paid by Employer
2. 15% of Salary

For this purpose Salary includes:

1. Basic Salary
2. Dearness allowance provided for retirement benefits i.e. forming part
3. Taxable part of allowances
4. Bonus
5. Commission (whether as a fixed percentage or not i.e. of all types)
6. Any other monetary payment by whatever name called

but does not include:

1. Employers Contribution to the Provident Fund Account of the Employee
2. Value of Perquisites