

Fringe Benefit Tax

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THROUGH REFORMS, as an integral part of liberalization process since 1991, our government has been steadily attempting to move towards a tax structure that is simple, moderate, rational and easy to administer and comply with. The move has been to bring down the rate of tax, reduce the number of slabs, correct anomalies, get rid of the complexities in the system and on the whole reduce the interface with the government.

But imposition of Fringe Benefit Tax is an anti-climax of the process started in 1991 as it would only lead to increase in organizational procedures, compliance, assessment procedures, govt. interface & litigation.

Perquisites which can be directly attributed to the employees will be continued to be taxed in their hands in accordance with existing provision. In case, where some perquisites are enjoyed collectively by employees and cannot be attributed to individual employee, it is proposed to levy a separate Tax known as the Fringe Benefit Tax.

Applicability: Proposed amendments will apply in relation to the assessment years 2006-07 and subsequent years.

Who is liable to pay : Fringe benefit Tax is payable by an employer who is either an individual or an HUF engaged in business or profession, a company, a firm, association of person, body or individuals, a local authority or an artificial juridical person.

Rates of FBT : Fringe Benefit Tax is payable in respect of value of Fringe benefit provided or deemed to have been provided by an employer to his employee during the previous year @30% (+surcharge + education cess). **The Fringe benefit tax is payable by the employer even where he is not liable to pay income tax on his total income computed in accordance with the other provisions of IT Act.**

Value of Fringe Benefits :

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| (a) Privilege, service, facility or amenity provided to employees directly or indirectly | No value given |
| (b) Reimbursement to employees directly or indirectly | No value given |
| (c) Free/concessional tickets provided for private journey of employees and family members | 100% |

(d)	Contribution to approved superannuation fund	100%
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Deemed fringe benefit

(a)	Entertainment; festival celebrations; gift; and use of club facilities	50%
(b)	Hospitality of any kind by employer not being food or beverage provided to employee in office or factory)	50% (hotels 25%)
(c)	Maintenance of guest house; conference, employer welfare; use of health club/sports club; sales promotion including publicity	50%
(d)	Conveyance, tour and travel (including foreign travel); hotel, boarding and lodging)	20%
(e)	Repair, running and maintenance of cars/ aircrafts (including depreciation)	20% (transporters/ airlines 5%)
(f)	Consumption of fuel other than industrial fuel (if employer is engaged in business of carriage of passenger or goods)	20% 5%
(g)	Use of telephone	10%
(h)	Scholarship to employees' children	100%

Returns and assessment of Fringe Benefit Tax

Every employer who has paid or made provision for payment of fringe benefits to his employees during the previous year shall submit the **return of fringe benefits** to the assessing officer **on or before the due dates**.

Assessment:

The provisions for assessment has been incorporated on similar lines as in case of assessment of income .

Advance payment of Fringe Benefit Tax shall be payable as follows:

- ❖ by 15th day of month following each quarter
- ❖ Advance tax payable for the quarter ending 31st March of the financial year shall be paid by the 15th March of the said financial year.

Interest for non-compliance

In case of short fall in payment of advance tax simple interest @1% will be charged. Simple interest @1% for every month or part of month is also leviable for default in furnishing in return of fringe benefits.

As per proposed section 271FB Penalty will be levied for failure to furnish a return of fringe benefits.

Others

Fringe benefit tax is not a deductible business expenditure while calculating income from business or profession.

The proposed levy results in taxation on the basis of expenditure incurred by an employer notwithstanding that the employees are not liable to tax in India or otherwise.