



Ministry of Finance



CBDT notifies Rule for determination of value of perquisite in respect of residential accommodation provided by employer

Posted On: 19 AUG 2023 8:44PM by PIB Delhi

The Finance Act, 2023 brought in an amendment for the purposes of calculation of “perquisite” with regard to the value of rent-free or concessional accommodation provided to an employee, by his employer. Accordingly, CBDT has modified Rule 3 of the Income-tax Rules, 1961 to provide for the same.

The categorisation and the limits of cities and population have now been based on the 2011 census as against the 2001 census earlier. The revised limits of population are 40 lakh in place of 25 lakh and 15 lakh in place of 10 lakh. The earlier perquisite rates of 15%, 10% and 7.5% of the salary have now been reduced to 10%, 7.5% and 5% of the salary respectively in the amended Rule. This is summarised as under:

Previous Categorisation and Rates		New Categorisation and Rates	
Population	Perquisite Rate	Population	Perquisite Rate
More than 25 lakh	15%	More than 40 lakh	10%
Between 10 lakh and 25 lakh	10%	Between 15 lakh and 40 lakh	7.5%
Less than 10 lakh	7.5%	Less than 15 lakh	5%

The Rule has also been further rationalised so as to compute a fair tax implication of the same accommodation being occupied by an employee for more than one previous year.

Notification No. 65/2023 dated 18th August, 2023 has been published and is available at <https://egazette.nic.in>.

PPG/KMN



(Release ID: 1950509) Visitor Counter : 2414



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