



throwing light

Fringe Benefit Tax

FRINGE BENEFIT TAX (FBT)

Payable by whom?

every

- Partnership Firm,
- Company,
- Association of Persons

FBT will **not** apply when the employer is an individual or an HUF.

FBT will **not** apply to a Trust whose income is exempt u/s 10(23C) or to a Trust registered under the Income Tax Act as a Charitable or a Religious Trust.

Payable on what?

FBT is payable on the following expenditure accounted for in the employer's books of accounts:-

Any privilege, service, facility or amenity provided to employees (including reimbursements)

Contribution to a Superannuation Fund
20% of the expenditure incurred on following items:-

- Entertainment
- Providing hospitality except food and beverages provided to employees at office or factory and food coupons given to employees useable at food outlets.
- Conference participation expenses (except participation fees) including travel, conveyance, lodging and boarding
- Sales promotion and publicity except - if it is in the nature of advertisement in any print or electronic media or in a transport system; holding of press conferences or business conventions, fairs, exhibitions; Sponsorship of a sports event or any other event organized by a Government body or a trade association; publication of official notices; advertisement expenditure in the form of signboard, kiosks, hoardings, etc;
- Employees welfare except if it is in the nature of first aid in a hospital run by the employer or expenditure on mitigating occupational hazards

- Conveyance, Tour and travel (including foreign travel) and use of hotel, lodging and boarding

- Repair, running (including fuel), maintenance and depreciation of motor cars

- Use of telephones and mobile phones except expenditure on leased lines

- Guest House expenses

50% of expenditure incurred on -

- festival celebrations
- use of health club
- use of other club facilities
- gifts and scholarships.

Payable at what rate?

FBT is payable at 30% of the amount of Fringe Benefits computed as mentioned above.

This tax is in addition to regular income tax and is even payable by assesseees who do not pay income tax due to losses or exempt income.

Payable when?

FBT is payable for each quarter by the following dates:-

15th July

15th October

15th January

15th March (based on estimated FBT for the quarter ending on 31st March).

The entire tax on the Fringe Benefits provided during the quarter is to be paid by the above dates.

The first tax is due by 15th July 2005

The WAY Ahead

Compliance with FBT substantially depends on a streamlining of accounting in your organization and in capturing the correct expenses under the correct heads.

We request you to kindly contact us to enable us to customize your timely compliance with the FBT provisions.