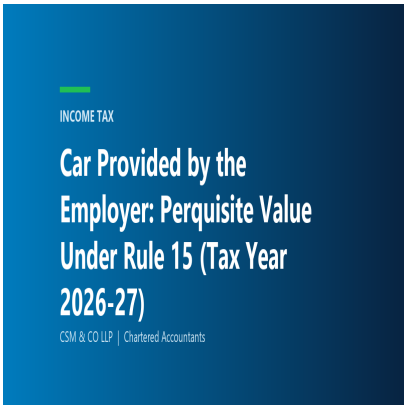

Car Provided by the Employer: Perquisite Value Under Rule 15 (Tax Year 2026-27)

Description

Last updated: 06 September 2026 · Written and reviewed by CA Meet Dhrangadhariya, CSM & Co LLP

Quick summary

- A car used wholly for official duties has no taxable value if the employer keeps journey records and a certificate.
- A car also used privately is valued per month at ?5,000 (plus ?3,000 for a chauffeur) up to 1.6 litres or for an electric vehicle, and ?7,000 (plus ?3,000) above 1.6 litres, where the employer pays the running costs.
- If you meet the running costs, the figures are ?2,000 and ?3,000, each plus ?3,000 for a chauffeur.
- These are the Rule 15(3) figures of the Income-tax Rules, 2026, up from ?1,800, ?2,400, ?600 and ?900 under the old Rule 3.

A car given to you by your employer can be a tax-free business tool or a taxable perquisite, depending on how you use it. From Tax Year 2026-27 the values are in Rule 15(3), Table II of the Income-tax Rules, 2026. For FY 2025-26 the old Rule 3 figures apply (?1,800 and ?2,400 where the employer meets the costs, ?600 and ?900 where you do, and ?900 for a driver).

Value per calendar month (Table II)

Situation	Car up to 1.6 litres, or electric vehicle	Car above 1.6 litres
Car owned or hired by the employer, used wholly and exclusively for official duties	No value, if the records below are kept	No value, if the records below are kept

Situation	Car up to 1.6 litres, or electric vehicle	Car above 1.6 litres
Car owned or hired by the employer, used only for private use, running costs met by the employer	Actual expenditure on running and maintenance in the tax year, including the chauffeur's pay, plus wear and tear, less what you pay	Same
Used partly for duty and partly for private use, running costs met or reimbursed by the employer	?5,000 (plus ?3,000 if a chauffeur is provided)	?7,000 (plus ?3,000 if a chauffeur is provided)
Used partly for duty and partly for private use, private running costs met by you	?2,000 (plus ?3,000 if a chauffeur is provided)	?3,000 (plus ?3,000 if a chauffeur is provided)

Normal wear and tear is 10% a year of the cost of the car.

Employee owned car

If you own the car and the employer meets or reimburses the running and maintenance costs (including a chauffeur):

- **Wholly official use:** no value, with the same records.
- **Partly official, partly private use:** the actual expenditure of the employer, less the amount in the mixed-use row above (?5,000 or ?7,000 including the chauffeur add-on where applicable), if the conditions are met.
- **Another automotive conveyance** (such as a motorcycle) that you own: for partly official use, the actual expenditure less ?3,000 a month.

Records that remove the value

For wholly official use, or to claim a higher official amount, two conditions apply:

1. The employer keeps full details of journeys for official purposes: date, destination, mileage and the expenditure.
2. The employer gives a certificate that the expenditure was incurred wholly and exclusively for official duties.

If you can show that the official use costs more than the standard deduction in the table, the value is the actual amount the employer pays, less the higher official amount, on the same two conditions.

More than one car

If the employer provides more than one car for your use or your household's use, one car is valued at the mixed use rate and every other car at the private use rule, which is the actual expenditure plus wear and tear.

Home to office

The cost of a vehicle used for your journey between home and the office is not a perquisite at all (section 17(2)(e) of the Act).

Example

An employee gets a petrol car of 1.4 litres from the employer for office and personal use. The employer pays the fuel and a chauffeur's pay.

Item	Amount in ?
Value per month (?5,000 plus ?3,000 for the chauffeur)	8,000
Value for 12 months	96,000

The ?96,000 is added to salary. The employee's tax on it is at the slab rate. If the same car were 1.8 litres, the monthly value would be ?10,000. For an electric car the 1.6 litre column applies whatever the size.

A caution on lease and salary restructuring schemes

Some employers offer a car lease deducted from your pay. The lease payment is not exempt just because it sits on the payslip. The car's perquisite value is added to your salary under the table above, and what the employee gains depends on the tax slab, not on the label. Work out both sides before agreeing.

Frequently asked questions

Is a company car taxable?

Only if it is used for private purposes. Used wholly and exclusively for official duties it has no value, if the employer keeps details of journeys and gives a certificate.

How is a car for mixed use valued?

Per month, ?5,000 (plus ?3,000 if a chauffeur is provided) for a car up to 1.6 litres or an electric vehicle, and ?7,000 (plus ?3,000) for a bigger car, where the employer pays the running costs. If you pay them yourself, ?2,000 or ?3,000 (plus ?3,000 for a chauffeur).

How is a car used only for private purposes valued?

At the actual expenditure on running and maintenance in the year, including the chauffeur's pay, plus 10% a year of the cost of the car for wear and tear, less any amount you pay.

What if the employer provides two cars?

One car is valued at the mixed use rate and each other car at the private use rule.

Are electric vehicles treated differently?

Yes. An electric vehicle is valued at the lower figure (the up to 1.6 litre column) whatever its power.

Official sources

- Income Tax Department: Income-tax Rules, 2026 (Rule 15(3), Table II)
- Income Tax Department: Income-tax Act 2025 as amended by Finance Act 2026 (section 17)

Related reading

- How the New Perquisite Rules Affect Your Salary Package (Notification 133/2025)
- Perquisites in Income Tax: Types, Valuation and Taxability for Tax Year 2026-27
- Form 12BA and Form 12BAA: Replaced by Form 123 and Form 122 from 01/04/2026

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