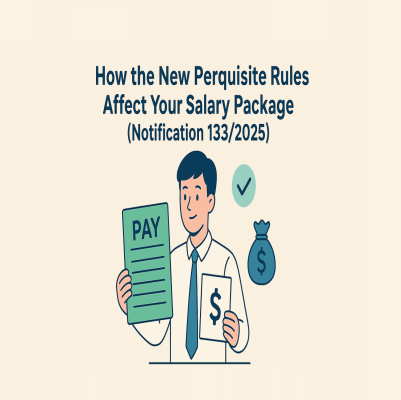

How the New Perquisite Rules Affect Your Salary Package (Notification 133/2025)

Description

CBDT Notification No. 133/2025: Key Amendments under Section 17(2) of the Income-tax Act:

Comparison: Old Rule vs Amended Rule (2025)

Provision	Amended Limit (w.e.f. 18 Aug 2025)	Earlier Limit
Section 17(2)(iii)(c) Taxability of perquisites for high-salaried employees	?4,00,000 (salary income threshold)	?50,000 (salary income threshold)
Proviso (vi) to Section 17(2) Exemption for medical treatment abroad (travel condition)	?8,00,000 (gross total income limit)	?2,00,000 (gross total income limit)

Understanding Section 17(2)(iii)(c) & Proviso (vi) of the Income-tax Act, 1961

The Income-tax Act, 1961 lays down clear definitions of “salary,” “perquisites,” and “profits in lieu of salary.” Among these, Section 17(2) specifically defines perquisites. Over the years, perquisites have become a focal point in taxation, as they include various benefits provided by employers to employees apart from regular salary.

In this blog, we’ll break down **Section 17(2)(iii)(c)** and the **Proviso (vi) to Section 17(2)**, examine their

implications, and **look at the latest amendments introduced in August 2025**.

Section 17(2)(iii)(c): Value of Benefits or Amenities

According to Section 17(2)(iii), the value of any benefit or amenity granted free of cost or at a concessional rate is considered a perquisite. It applies in three scenarios:

1. **To a director of a company** (clause a)
2. **To an employee holding substantial interest in the company** (clause b)
3. **To any other employee** whose income under the head “Salaries” (excluding non-monetary benefits) exceeds the prescribed threshold (clause c)

- Earlier, this threshold was **?50,000**. However, as per the Income-tax (Twenty Second Amendment) Rules, 2025 notified via Notification No. 133/2025 dated 18th August 2025, the new threshold has been revised to **?4,00,000** .
- This means that only employees whose salary income (excluding perquisites) exceeds **?4 lakh** will have the value of employer-provided amenities taxed as perquisites.

Key Points:

- Benefits like free housing, concessional loans, or luxury facilities will not be taxed as perquisites unless the employee’s salary income crosses **?4 lakh**.
- Commuting facilities (like a company car used for home-to-office travel) remain outside the perquisite scope under this clause.

Proviso (vi) to Section 17(2): Medical Treatment Abroad

The provisos to Section 17(2) carve out certain exemptions where benefits provided by employers are **not treated as taxable perquisites**.

Under **Proviso (vi)**, the following expenses are exempt from perquisite taxation if incurred by the employer:

1. **Medical treatment of the employee or family abroad**
2. **Travel and stay abroad** of the employee or family for such medical treatment
3. **Travel and stay abroad of one attendant** accompanying the patient

Conditions for exemption:

- The expenditure on **medical treatment and stay abroad** is exempt **only to the extent permitted by the RBI**.
- The expenditure on **travel abroad** is exempt **only if the employee's gross total income (before including this expenditure) does not exceed the prescribed limit**.

Previously, this limit was **?2,00,000**. But as per the as per the Income-tax (Twenty Second Amendment) Rules, 2025 notified via Notification No. 133/2025 dated 18th August 2025, for the purposes of Proviso (vi) to Section 17(2), **the prescribed gross total income shall now be ?8,00,000** .

This revision significantly broadens the scope of employees who can claim exemption for medical expenditure abroad.

Practical Implications of 2025 Amendment

For employees:

- The perquisite taxation threshold under Section 17(2)(iii)(c) has increased from ?50,000 to ?4 lakh, reducing the tax burden on middle-income employees receiving non-monetary benefits.
- For medical treatment abroad, the exemption limit has expanded fourfold from ?2 lakh to ?8 lakh, allowing more employees to claim relief.

For employers:

- Salary structuring becomes more flexible — many perquisites will now escape taxation for employees with salaries below ?4 lakh.
- Medical support abroad provided by employers can now benefit a larger pool of employees without additional tax liability.

Conclusion

Section 17(2)(iii)(c) ensures that high-income employees pay tax on perks and benefits beyond their core salary, but the 2025 amendment has made the threshold more realistic by raising it to **?4 lakh**. Similarly, **Proviso (vi)** reflects the humane side of tax law, and the recent upward revision of the exemption limit to **?8 lakh** provides welcome relief for employees facing genuine medical needs abroad.

These changes balance the government's aim of preventing tax-free luxury perks with providing much-needed support in health-related scenarios.

Read the source of this post by clicking here (Section 17 & Notification No. 133/2025)

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