

PAYROLL



The **COMMUNIQUE**



Our CFO Speaks

Platform businesses and the future business landscape

As the name itself hints, platform businesses provide their services on digital platforms such as the web and mobile-based applications. They usually connect service seekers with service providers through a common platform. Some of the existing players include Ola, Olx, Amazon, Zomato, Dunzo, Unacademy among many.

The 1990s wave of internet technology has disrupted the business landscape and opened up a multitude of opportunities. It has changed the way businesses are run in the 21st century. They can now reach global audiences via digital platforms. In fact, digital platforms have become a sine qua non to survive and thrive in the competitive business world.

Currently, AI is being integrated into these platforms to serve users better and enhance their market share. Lenskart introduced an AI-based 3D trial feature to attract customers. Microsoft is empowering its search engine, Bing, by integrating it with Chat-GPT and providing AI-powered search results to users. Chat-GPT in itself is a revolution that could create copious business possibilities. Virtual assistants like Siri, Google Assistant, and Alexa are providing a cut above experience for their users by using AI. AI is also gaining traction in the taxation field.

As the world is on course to become a consumption economy, a myriad of innovative platform business models will emerge leveraging technology, just as we witness every so often. Platform businesses were the recent past; they are the present and the future too.

Inside the Edition

01

Never miss a date

02

Happy to enhance our footprints

03

All you need to know - Taxation of Rent Free Accommodation

Never miss a date

September 7th	Due date for deposit of Tax deducted/collected for the month of August, 2023.
September 14th	Due date for issue of TDS Certificate for tax deducted under Sections 194-IA, 194-IB, 194M and 194S in the month of July, 2023
September 15th	Second instalment of advance tax for the assessment year 2024-25
September 30th	Due date for furnishing of challan-cum-statement in respect of tax deducted under Sections 194-IA, 194-IB, 194M and 194S in the month of August, 2023
September 30th	Quarterly statement of TDS/TCS deposited for the quarter ending June 30, 2023
September 30th	Due date for filing of audit report under section 44AB for the assessment year 2023-24 in the case of a corporate-assessee or non-corporate assessee (who is required to submit his/its return of income on October 31, 2023)

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ALL YOU NEED TO KNOW - TAXATION OF RENT FREE ACCOMMODATION

The CBDT has amended the Income Tax Regulations governing the valuation of perquisites related to rent free accommodation offered by employers to employees, and these changes took effect on September 1, 2023. As recently stated by the IT Department, as opposed to the prior 2001 census, the classification and the limitations of cities and population are now based on the 2011 census. As a result, the revised rates have been established for use in determining the value of perquisite of rent free accommodation. Let's take a close look at the modifications.

Rent Free Accommodation (RFA)

Employers may either provide a furnished or an unfurnished accommodation to their employees, free of charge or at concessional rates, as part of their compensation or salary. The value of such a benefit is considered a perquisite and will be taxable in the hands of employees. Accommodation includes a house, flat, farmhouse, hotel, motel, service apartment, guest house, caravan, mobile home, ship, or other floating structure.

Exception

It is to be noted that if the accommodation is provided to employees to discharge the duties assigned to them, then such accommodation is not taxable. In order to be treated as a perquisite, such accommodation should be provided for the benefit of the employees.

Charging Section

'Perquisite' is defined under Section 17(2) of the Income-tax Act, 1961 which will be the charging section for purpose of taxation of RFA.

Former Rules vs. Revised Rules

In the revised rules, the former perquisite rates of 15%, 10%, and 7% of the salary have been reduced to 10%, 7%, and 5% of the salary, respectively. For the sake of convenience, old rates versus amended rates of RFA taxation are presented below:

City Population*	Value of RFA Perquisite	
	Upto 31.08.2023	On or after 01.09.2023
Below 10,00,000	7.5% of Salary	5% of Salary
10,00,000 to 14,99,999	10% of Salary	5% of Salary
15,00,000 to 24,99,999	10% of Salary	7.5% of Salary
25,00,000 to 40,00,000	15% of Salary	7.5% of Salary
Above 40,00,000	15% of Salary	10% of Salary

*For the purpose of RFA taxation during the A.Y. 2024-25, for the period upto 31.08.2023, population is to be calculated as per the 2001 census and from 01.09.2023, the 2011 census is to be considered for calculating population.

Taxation of RFA for A.Y. 2024-25 (i.e., FY 2023-24) and going forward.

To simplify, for A.Y. 2024-25, the value perquisite for the period from April 1, 2023 to August 31, 2023, will be calculated as per the old rates, and for the period from September 1, 2023 to March 31, 2023, the new lower rates will be applicable. Accordingly, from AY 2025-26, the new lower rates will be applicable unless there are any other changes in the future.

Conclusion

This is indeed a welcome move by the department to provide this advantage to the employees, as the tax payable on the RFA will now be less than what they used to pay in prior years.



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