



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)	₹4,00,000	₹50,000
Taxability of perquisites for high-salaried employees	(salary income threshold)	(salary income threshold)
Proviso (vi) to Section 17(2)	₹8,00,000	₹2,00,000
Exemption for medical treatment abroad (travel condition)	(gross total income limit)	(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.
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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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