

## Chapter VIII

### Treatment of Fringe Benefits of Employees

Country	(i) Kind of allowances and perquisites included in taxable income	(ii) Special rules regarding valuation of perquisites	(iii) Extent of tax preference built in special treatment of allowances and perquisites
Australia	<p>Fringe benefits tax at the full corporate tax rate (introduced in 1986) is imposed on non-cash benefits provided to an employee with respect to his employment. The tax will be imposed on the employer who provides the benefit, rather than on the employee who is the recipient.</p> <p>Perquisites granted in relation to employment (e.g. subsidized rent or living accommodations, home leave, cost-of-living allowances, overseas allowances for expatriates, education allowances, private use by an employee of an employer provided motor vehicle, free or low-interest loans, and so on) must be included in the taxable income of individuals.</p>	<p>Employers will have choice of two methods for calculating the taxable value of the benefit from an employee's private use of a vehicle. The first will value the benefit as the private usage proportion (based on the distances involved) of the costs incurred by the employer in operating the vehicle, while the second will value the benefit by reference to a statutory formula.</p> <p>For free or low-interest loans, the taxable value of the benefit will generally be the difference between interest accruing at the prescribed rate and interest accruing at the actual interest rate, if any, charged.</p> <p>For free or subsidized residential accommodation the taxable value of the benefit will be equal to</p>	<p>The tax is payable quarterly by the employer and the amount of tax is not deductible for the employer.</p> <p>The tax is not recoverable by the employer from the employee.</p> <p>The tax is final and no further tax is payable by the employee on the value of the fringe benefit.</p>

market rental value of the accommodation, less any rent or charge paid by the employee. Where the market value cannot be determined, the benefit will be valued at the amount the Commissioner considers fair and reasonable.

**Belgium** In principle, fringe benefits received by an employee from his employer are taxable in the beneficiary's hands. Taxable benefits include loans bearing no or less interest than the basic interest rate as determined by Royal Decree, the use of a company car or the occupation of a house, etc.

According to the actual value or on a notional basis determined by the Ministry of Finance.

Some benefits are not taxable, e.g., small gifts received on certain festive occasions; the first BF 5,000 of the commuting expenses of the employee.

**Denmark** Tax liability extends to any living or housing allowance and any reimbursement of tax or other personal liability whether paid direct to an employee or borne by the employer on his behalf.

Value of benefits in kind, such as free housing and free automobile, is also taxable.

In principle, all fringe benefits are included in taxable income.

Value of the private use of a company car is based on standard rates fixed annually by the tax authorities.

In some cases, the benefits are valued in

		accordance with certain government guidelines.
<b>Federal Rep. of Germany</b>	The general rule is that the value of fringe benefits received or enjoyed from an employment is included in the taxable base of the employee at their final price (market price) at the place of delivery. However, if the benefits are mere conveniences, e.g., working clothes, use of a kindergarten, cheaper food or small presents from the employer, they will not be taxed.	With respect to payments in kind received by an employee, German Ministry of Finance issues an annual ruling which fixes the values for certain goods.
<b>Indonesia</b>	As a matter of principle, all costs of the employer in the form of cash money to the employee shall constitute costs of the employer and taxable income of the employee.  Benefits in kind such as housing, home-leave and automobiles are not deductible expenses for the employer and are thus tax free to the recipient employee.	
<b>Japan</b>	A housing allowance paid in cash is fully taxable to both employees and directors.  Payments in kind are also included in employment income; for example, housing benefit granted by an employer to an employee, utility charges, e.g., air conditioning, electricity, gas, water,	Where a loan is free of interest or at a low rate of interest, the taxable benefit is an amount equal to 3% p.a. on the loan less interest charged on the employee.  Where an employer provides a staff member with accommodation (either owned or leased by the employer),

etc., school fees for children, tax equalisation reimbursements, low-interest rate or free of interest loan for housing, are taxable.

the relatively small taxable economic benefit is determined based on a formula provided under administrative tax instructions. However, the taxable value of housing for a director of a corporation is 50% of the rent. If the amount equivalent to 35% of the rent is collected from the director, the balance is not taxable.

**Korea**

Following fringe benefits are non-taxable to the employee:

1) Housing and related costs paid by an employer directly to a landlord on behalf of an expatriate employee if the underlying rental contract is in the employer's name.

2) Costs of an automobile and driver and related maintenance expenses, provided by an employer if the automobile is registered in the name of the employer and the driver is enrolled on the employer's payroll register.

3) Reimbursement of operating costs for a personal automobile used for business purposes, up to W 200,000 per month.

4) Reasonable amounts of employer-reimbursed home leave travel for expatriate employees.

Sri Lanka Following fringe benefits are taxable to the employee:-

(a) Rent value of residence

A method to arrive at the least of three values, viz. (i) Gross rent paid or rental value, whichever is higher; (ii) 25% of employee's gross remuneration and (iii) Rs. 48,000/- p.a.

(b) Value of free transport

Based on the c.c. power of car, with or without fuel and also for scooters and motor cycles with or without fuel.

(c) Personal expenses of the employee or any member of his family borne by the employer (e.g. doctor's bills, electricity, insurance, telephone bills, income tax, etc.) are treated as profits from employment.

(d) Value of holiday warrants and passages, value of free board and similar perquisites also constitute profits from employment.

(e) Any other benefit received by an employee.

If market value can be readily ascertained, assessment on that value. If market value is not ascertainable, the cost that would have to be incurred by an individual to obtain such benefit would be assessable.

- U.K.           The "cash equivalent" of certain benefits provided for employees earning Pounds 8,500 or more a year, or directors is charged to tax in the hands of the employees.
- Those benefits are accommodation (other than living accommodation), entertainment, domestic or other services, and other benefits and facilities of whatsoever nature. Certain benefits are specifically charged under other provisions, e.g. cars, beneficial loans and living accommodation. The provision of a living accommodation is a taxable benefit whatever the recipient's rate of pay.
- Where used or depreciated goods are given to the employee, the cash equivalent of the benefit is the market value of the asset at the time of transfer. Where goods are lent, the chargeable cash equivalent is the annual value. There is a special scale for use of cars.
- U.S.A.           Living and housing allowances, tax reimbursements and the fair market value of benefits in kind, such as houses and automobiles are taxable in the hands of employees.
- Value of the personal use of a car may be computed either under annual lease value tables or under standard cents-per-mile rates established by the IRS.