



**ALL INDIA  
BHARAT SANCHAR NIGAM LIMITED  
EXECUTIVES' ASSOCIATION  
CENTRAL HEADQUARTERS  
NEW DELHI**

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No.AIBSNLEA/CHQ/CMD/2007-08

Dated: 29<sup>th</sup> January, 2007

To

**Sh. Kuldeep Goyal  
Chairman-Cum-Managing Director,  
3<sup>rd</sup> Floor, Bharat Sanchar Bhawan, New Delhi - 110001.**

**Subject: - Valuation of Perquisites of Accommodation in respect of BSNL  
Employees- Deduction of Income Tax for the F.Y. 2001-02 to F.Y.2007-08**

Sir,

We would like to bring to kind notice that the AIBSNLEA office bearers had meeting with you a few days back regarding valuation of perquisites of accommodation in respect of BSNL employees in occupation of staff quarters for the purpose of Income Tax. The Association appreciates the good gesture of BSNL Management in stopping the recovery of Income Tax on the above account keeping in view the interest of employees. However, the Income tax for the current year is being deducted from the salary of the employees, which is causing a lot of resentment in their minds. In this connection, on the basis of information gathered by the Association, the following submissions are made for your kind consideration and necessary action at the earliest:

1) The issue of perquisite tax is applicable on all the PSUs including BSNL. As per the information gathered, majority of PSUs are in the process of finding solution so that unnecessary hardship to their employees could be avoided. A news clipping from the Economic Times dated 18.12.2007 is enclosed for your kind perusal. According to this, the Oil PSUs have taken a decision to bear the tax burden on this account.

2) The comments offered by Sh. Arnav Pandya, Tax Expert as published in Hindustan Times dated 2<sup>nd</sup> January, 2008 (copy enclosed for ready reference) are no doubt of relevance in this context. The Tax Expert has opined that **"There is a provision whereby the employer can pay the tax that is to be paid as per requirement and there is a separate rate benefit available for this route. The benefit is that such a tax paid will not be considered as a perquisite for the employee."** BSNL Management is requested to take a positive view in the light of above comments offered above to save the employees from this additional burden.

3) A question on the subject of perquisite tax specially for BSNL employees, was put and has been clarified by Shri Anish B. Mehta, Member, ICAI (copy of press cutting from Hindustan Times dated 11.1.2008 is enclosed). According to this, "The value of any unfurnished accommodation owned by the employer and provided to the employee at a concessional rate or free of cost is not a taxable perquisite if the same is provided by the Central/State Government. In the present case the accommodation is provided by a PSU. As such, the value of unfurnished accommodation will be a taxable perquisite. On the assumption that 30% of the basic salary recovered from the employee on account of provision would be greater than the amount worked out at 15% of the

salary, which could be taxed as value of unfurnished accommodation as provided in Section 17(2) of the IT Act, the taxable value of perquisite would be NIL."

**4)** The employees who are in occupation of BSNL quarters are already paying 30% of their basic pay plus the standard license fee. It would be totally unjustified to put this extra burden on the employees. Going by calculations, the BSNL employees will be drawing less pay than their counterparts in Government service if this tax is also recovered from them.

**5)** It is understood that all Service Rules and Regulations of Services of BSNL employees are at par with Central Govt. But so far the Income Tax Rules are concerned they are being treated at par with Private Sector. The element of HRA is part of the total salary package in private sector as well as in Govt. sector for employment under contract basis. Providing accommodation is an add-on facility for private sector employees in the interest of company.

In line with the initiatives being taken by other PSUs to save their employees from extra burden, it would be in the fitness of things that BSNL Management should also save its employees from this extra burden and the same should be borne by BSNL.

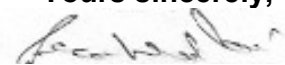
**Your goodself is once again requested to:**

- (i) Kindly get the matter examined de novo keeping in view the scenario emerging from the above information/clarifications and requested to bear the tax burden on this account by BSNL thereby providing relief to BSNL employees like Oil Sector and other PSUs.**
- (ii) Kindly issue necessary instructions to all BSNL Circles to stop the recovery even for the current financial year 2007-08. Tax , if any, recovered from the employees for the current financial year 2007-08 may be refunded in the current financial year but before 31-03-2008, treating the same as excess recovery of tax within the same financial year.**

This will go a long way for the prosperity of BSNL as well as give contentment to the employees.

**Ecnl: As above.**

**Yours sincerely,**



**(Prahlad Rai)  
General Secretary**

**Copy to:-**

1. Sh. S.D. Saxena, Director (Finance), BSNL for information and necessary action please.