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SEC/2022/E/05 (Revised)

07.02.2023

QUANTIFICATION OF CERTAIN AMOUNTS FOR BENEFITS IN CALCULATING EMPLOYMENT INCOME

This circular is issued on the instruction of the Secretary to the Treasury by the letter dated 07.02.2023 under the reference No. FP/R/01/05/07/05-2023, as approved by the Minister of Finance, Economic Stabilization and National Policies, with respect to quantifying gains and profits from an employment of an employee.

The circular No. SEC/2022/E/05 dated 22.12.2022 issued in this regard is annulled and this circular is effective for the referred purpose.

In calculating an employee's gains and profits from an employment for any month commencing from January 01, 2023, the amounts to be included as benefits to be received or derived by such employee from the employment are specified as below by the Commissioner General of Inland Revenue (CGIR) in terms of the provisions of the Inland Revenue Act, No. 24 of 2017.

1. Value of Company shares awarded by Employer

“Value” of any benefit accruing to any employee of an employer, from the allotment of any share or awarding an option to acquire any share, to such employee means: the excess, if any, of the market value of such share at the time allotted under an employee share scheme, reduced by the employee's contribution for the shares as the case may be.

2. Value of benefits from any residence provided by the Employer

(a) Value of benefit for any place of residence provided by the employer, in respective situations, should be the amount specified as follows;

Description	Amount of Non-Cash Benefit for the Relevant Month		
	In Rated area	In Unrated area	Estate Bungalows
The Residence is provided by the employer	12.5% of Salary of the relevant month	10 % of Salary of the relevant month	7.5% of Salary of the relevant month

For the purpose of this Circular, **Salary** means the amount required to be considered for the deduction of Widows' and Orphans' Pension Scheme (W&OP) or Provident Fund. For other cases, Salary means gains and profits from employment received in Cash to such employee from relevant employment.

- (b) Where the employer reimburses any expense incurred by the employee or pays any amount to the employee, as a monthly allowance, connected with a house or apartment occupied by the employee, the value of benefit shall be the actual expense reimbursed or allowance paid by the employer.
- (c) If any amount is deducted from the employee's salary for providing a place of residence or by way of rent, the employment benefit should be the benefit specified under 2 (a) or (b) above less the amount deducted from the employee's salary.

3. Quantification of the Value of the benefit included in the Transport Facilities provided by the Employer

The value of the benefit, from the provision of motor vehicle partly used for private use or the aggregate of any allowance [for paragraph (b) and (c) below] paid in lieu of the provision of such vehicle, is quantified as follows.

- (a) The value of benefit from the private use (partly) of any motor vehicle provided by the employer

Type of the Vehicle	Amount of Non-Cash Benefit for the Relevant Month (Rs.)		
	Vehicle	Driver	Fuel
Any Vehicle	20,000	10,000	20,000

- (b) The value of the benefit shall be 25% of the cost incurred by the employer, for the payment of any amount to the employee for using a vehicle owned or rented by that employee, where such employer should provide a vehicle or pay an amount in lieu of providing a vehicle (fully or partly) for official use to that employee, under any Circular, Directive or Regulation issued in that behalf by the Government.
- (c) where any employee is required to be provided with a vehicle (fully or partly) for official use and entitled to a payment for fuel under any Circular, Directive or Regulation issued in that behalf by the Government, such part of the cost incurred by the employer as attributable to 25% of the fuel quantity for which the employee is entitled under such Circular, Directive or Regulation, shall be the value of the benefit to be included.
- (d) The value of benefit shall be quantified as provided under paragraphs 3 (a) above in respect of only one vehicle from the primary employment and/or secondary employment as the case may be.

- (e) Where an employee is provided fuel for more than one vehicle, the paragraph 3 (c) is applied only for one vehicle from the primary employment and/or secondary employment as the case may be.
- (f) The aggregate of the cost incurred by the employer/employers for vehicle and fuel of all additional vehicles shall be the value of benefit to be included.
- (g) The value of benefit to an employee from private use of any motor bicycle (fully or partly) –
 - i. provided by the employer with fuel on such employer's account, amount of such non cash benefit shall be Rs. 5,000 per month, (irrespective of the engine capacity);
 - ii. provided by the employer without fuel, amount of such non cash benefit shall be Rs. 3,000 per month, (irrespective of the engine capacity)
- (h) The value of the benefit from private use of –
 - i. any motor vehicle used for field work, provided by the employer where accurate record of such usage is maintained by such employer, amount of such non cash benefit shall be Rs. 25 per kilometer (irrespective of the engine capacity of the vehicle) but shall not exceed Rs.20,000/- per month;
 - ii. any motor bicycle provided by the employer where accurate record of such usage is maintained by such employer, amount of such non cash benefit shall be Rs. 05 per kilometer (irrespective of the engine capacity of the vehicle)
- (i) Where the employer incurs or reimburses any expense in respect of fuel or maintenance of any motor vehicle or motor bicycle owned by the employee, the value of the benefit to the employee is the actual expenditure.
- (j) If any amount is deducted from the employee's salary for providing a vehicle the employment benefit should be the benefit specified under 3 (a) or (b) above less the amount deducted from the employee's salary.

4. Quantification of the Value of Communication Facilities provided by the Employer

Where any employee is entitled to receive a payment for communication facilities under any Circular, Directive or Regulation issued on that behalf by the Government, the 25% of the cost incurred by the employer for such payment should be the value of the benefit to the employee of such payment.

5. Other Non-Cash Benefits provided by the Employer

	Nature of Non-Cash Benefit for Employee	Amount of Non-Cash Benefit
(a)	Provision of Hotel Facilities for expatriates	100% of the cost
(b)	Loans on Concessionary Interest Rates	0% of the Cost
(c)	Provision of Electricity and Gas etc.	100% of the cost
(d)	Provision of Medical Benefits	100% of such medical bills
(e)	Provision of free meals	100% of the cost
(f)	A discharge or reimbursement of the person's dental, medical or health insurance expenses where the benefit is not available to all full-time employees on in the same grade of the service, on equal terms	100% of the cost
(g)	Payment of telephone bills	50% of the cost
(h)	Air tickets (other than official purposes)	100% of the cost
(i)	Payment of Tax	Amount of Tax paid

If the non-cash benefit of any employee has been calculated for the month commencing on January 01, 2023, in any manner other than provided under this circular, the difference between amount of tax deducted and the amount of tax that should be deducted in accordance with this circular, should be adjusted accordingly in the immediately succeeding months.

Commissioner General of Inland Revenue