

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4753
ANSWERED ON:18.12.2009
TAXING OF NATIONAL INCOME
Ray Shri Rudramadhab

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has provided for taxing notional income e.g. Unrealised income on Employees Stock Option or Contribution by companies to Superannuation Funds beyond certain limits, which may or may not arise in the hands of intended beneficiaries in the last budget; and

(b) if so, whether the Government propose to review these provisions and rationalise them to ensure notional income is not taxed?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) Any specified security or sweat equity shares (more popularly known as ESOPs) allotted or transferred, directly or indirectly, by the employer free of cost or at concessional rate to his employees (including former employee or employees) is taxable in the hands of the employees. For this purpose, the perquisite value of the ESOPs is the fair market value of the specified security or sweat equity share on the date on which the option is exercised by the employee as reduced by the amount actually paid by, or recovered from, the employee in respect of such security or shares. Further, any contribution by the employer to an approved superannuation fund for employees to the extent it exceeds Rs. 1 lakh in respect of each employee is taxed in the hands of the employee. Essentially, employees drawing salaries below Rs. 6.67 lakhs per annum will not be liable to pay any tax on this account if the employer's contribution is 15 percent of the salary.

(b) No, Sir, there is no plan to review these provisions.