

Key Changes in exemption threshold for Allowance & Perquisites under Income Tax Rules, 2026

- » With the introduction of the Income-tax Act 2025 (ITA 2025), India's direct tax framework is set to undergo a structural transition beginning Tax Year 2026-27 (April 1, 2026 onwards). Further, the Income Tax Rules 2026 (ITR 2026) have been notified on March 20, 2026 replaces the existing Income Tax Rules, 1962.
- » Though there is no policy related changes in the employee's allowance & perquisites. However, there is revision in the value of employee allowance and perquisites affecting personal taxation considering the current economic conditions.
- » While such revision in value of allowance and perquisites may increase/reduce taxable income for employees, the existing salary structure of employee may be revisited from the perspective of revision in value in ITR 2026.
- » This presentation provides overview of revision in exemption value of important allowances & perquisites under ITR 2026 which is effective from April 1, 2026.

Revision in allowance as per Rule 280 vis-à-vis Rule 2BB

Sr. No.	Particulars	Amount exempt under ITA 1961	Amount exempt under ITA 2025	Whether available under default regime
1	Children Education Allowance	Rs.100 per month per child	Rs. 3000 per month per child	No
2	Hostel Allowance	Rs. 300 per month per child	Rs. 9000 per month per child	No

Note:

1. Default tax Regime means tax liability to be computed as per section 202(1) of ITA, 2025.
2. The above allowance should be allowed to claim for maximum upto two children.
3. House Rent Allowance (not available under default tax regime) - For computation of exempt HRA, in third condition for 50% of salary - Ahmedabad, Bengaluru, Hyderabad and Pune has been added.

Revision in Perquisites as per Rule 15 vis-à-vis Rule 3

» Motor Car and other Automotive Conveyance

Particulars	Amount Exempt under ITA 1961	Amount Exempt under ITA 2025	Cubic Capacity
Motor Car is owned or hired by Employer - Car is used partly for official and partly for personal purpose			
Running and Maintenance expenses are met and reimbursed by employer	Actual expenditure per month. However, Rs. 1800 (plus Rs. 900 in case of driver) is taxable perquisites.	Actual expenditure per month. However, Rs. 5000 (plus Rs. 3000 in case of driver) is taxable perquisites.	Does not exceed 1.6 liters
	Actual expenditure per month. However, Rs. 2400 (plus Rs. 900 in case of driver) is taxable perquisites.	Actual expenditure per month. However, Rs. 7000 (plus Rs. 3000 in case of driver) is taxable perquisites.	Exceeding 1.6 liters
Running and Maintenance expenses are fully met by employee	Actual expenditure per month. However, Rs. 600 (plus Rs. 900 in case of driver) is taxable perquisites.	Actual expenditure per month. However, Rs. 2000 (plus Rs. 3000 in case of driver) is taxable perquisites.	Does not exceed 1.6 liters
	Actual expenditure per month. However, Rs. 900 (plus Rs. 900 in case of driver) is taxable perquisites.	Actual expenditure per month. However, Rs. 3000 (plus Rs. 3000 in case of driver) is taxable perquisites.	Exceeding 1.6 liters

Note: The above perquisites benefit is also available under default tax regime.

Revision in Perquisites as per Rule 15 vis-à-vis Rule 3

» Motor Car and other Automotive Conveyance

Particulars	Amount Exempt under ITA 1961	Amount Exempt under ITA 2025	Cubic Capacity
Motor Car is owned or hired by Employee - Car is used partly for official and partly for personal purpose			
Running and Maintenance expenses are met and reimbursed by employer	Lower of (a) or (b) (a) monthly expenditure incurred or (b) Rs.1800 (plus Rs.900 if driver salary is paid) p.m.	Lower of (a) or (b) (a) monthly expenditure incurred or (b) Rs.5000 (plus Rs. 3000 if driver salary is paid) p.m.	Does not exceed 1.6 liters
	Lower of (a) or (b) (a) monthly expenditure incurred or (b) Rs.2400 (plus Rs.900 if driver salary is paid) p.m.	Lower of (a) or (b) (a) monthly expenditure incurred or (b) Rs. 7000 (plus Rs.3000 if driver salary is paid) p.m.	Exceeding 1.6 liters
Employee owns other Automotive Conveyance - Car is used partly for official and partly for personal purpose			
Running and Maintenance expenses are met and reimbursed by employer	Lower of (a) or (b) (a) monthly expenditure incurred or (b) Rs. 900 p.m.	Lower of (a) or (b) (a) monthly expenditure incurred or (b) Rs. 3000 p.m.	Does not exceed 1.6 liters

Note: The above perquisites is also available under default tax regime.

Revision in Perquisites as per Rule 15 vis-à-vis Rule 3

» Other Perquisites

Particulars	Amount Exempt under ITA 1961	Amount Exempt under ITA 2025	Remarks
Free or concessional education facilities from Institution maintained by Employer or in any other Institution	Nil except the cost per child is more than Rs. 1000 per month	Nil except the cost per child is more than Rs. 3000 per month	Taxable value, if any is to be determined as per Rule 15(4) Sr. No. 3 of Table III
Value of free food and non-alcoholic beverages provided by Employer to employee	Up to Rs. 50 per meal	Up to Rs. 200 per meal	Provided during working hours at office or business premises or through paid vouchers
Value of any gift or voucher received by employee or his household from the Employer	Up to Rs. 5000	Up to Rs. 15000	Aggregate during tax year
Value of benefit from provision of interest free or concessional loan	Nil except when Loan amount is more than Rs. 20,000	Nil except when Loan amount is more than Rs. 2,00,000	Taxable value, if any is to be determined as per Rule 15(5)(a) Sl. No. 1 of Table IV.

Note: The above perquisites is also available under default tax regime.

Thank You!

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