The expenditure incurred by the employer on the training or educational course undertaken by an employee in his own field of expertise, will not be liable to tax in the hands of the employee.

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Recently, an Opinion was sought by a client, in respect of a query, regarding tax-treatment of reimbursement of expenses incurred by an employee, for undertaking an educational course in his own field of expertise.

In this case, the following facts were provided by the client (employer) :

(a) Sometime ago, an employee of the organization had resigned.

(b) Thereafter, the employee undertook an educational course in his own field of expertise. The cost of this course was approximately Rs.6 lakhs.

(c) In view of the good calibre and performance of the employee, the Management of the organization decided to retain this employee.

(d) As part of his retention, the Management decided to reimburse the cost of educational course undertaken by the employee.

(e) Accordingly, under the arrangement, the employee would initially bear the cost of educational course and subsequently, the aforesaid cost will be reimbursed to the employee by the employer.

(f) There are no restraints under the retention agreement, e.g. number of years to be served in the organization, after the reimbursement of the cost of the educational course, etc.

On the basis of the aforesaid facts, an Opinion was given that the reimbursement of expenses by the employer to the extent f Rs.6 lakhs, incurred by the employee, in question, for undertaking an educational course in his own field of expertise, will be exempt from tax and accordingly, the same will not form part of his income from salary.

For providing the aforesaid Opinion, I had to examine the relevant provisions of the Income-Tax Act, 1961, (the Act), relevant provisions of the Income-Tax Rules, 1962 (the Rules), as also the relevant legal precedents. Therefore, I decided to collect some more material on the issue and thereafter, prepare an Article, relating to the aforesaid query.

In this connection, it will be necessary to examine the following aspects :

(i) Definition of the term '*perquisite*' under section 17(2) of the Act.

(ii) As regards a perquisite, the employee must have a vested right therein.

(iii) The expenditure incurred by the employer on training or educational course, undertaken by an employee in his own field of expertise, will also be exempt from tax under section 10(16) of the Act

(iv) Besides, the provisions of section 10(14)(i) of the Act, r.w.r.2BB(1)(e) of the Rules, also support the aforesaid view.

The aforesaid aspects are discussed, in detail, as follows :

I. Definition of '*perquisite*' under section 17(2) of the Act.

In this context, it will be necessary to refer to the provisions of sections 15, 16 and 17 of the Act, which fall under Chapter IV-A of the Act.

Section 15 deals with the amounts which are treated as part of salary of an employee. Section 17(1) provides an inclusive definition of '*salary*'. Further section 17(2) provides an inclusive definition of '*perquisite*', whereas section 17(3) deals with the term "*Profits in lieu of salary*".

The scope of the present Article is to deal with the term '*perquisite*', in order to answer the aforesaid query.

As regards the meaning of the term '*Perquisite'*, formerly the word '*perquisite'* was used to denote emoluments, not fixed generally and granted mostly *ex-gratia*, whether in cash or in kind. It denoted a benefit, amounts or advantage mostly in kind, enjoyed by the employee at the cost of the employer, generally in addition to the salary or wages to which he is entitled. Perquisites, are in many cases in the nature of voluntary payments, attached to an office or employment, such as fee of any clerk serving under a barrister or in some cases there may also be legal obligation to pay, though, in common parlance, one rarely uses the terms "*Perquisites*", where the payment is claimable as of right. Therefore, whether voluntary or not, when actually paid, they are liable to be taxed in the hands of the employee. Their characteristic is that they are payable only during the continuance of employment and are directly dependent on service and they cease when the employment ceases.

The term "*Perquisite*" has not been given a comprehensive and specific definition in the Act or the Rules. Section 17(2) of the Act, merely states that perquisite will include certain specified items. In general term, *'perquisite'* indicates a personal advantage to the employee – *Owen Vs.Pook [1969] 74 ITR 147 (HL).*

It may be stated here that all payments by an employer to his employee, though having some connection with service, do not necessarily amount to perquisites. It may be further stated that the grant or allowance of perquisites has become a regular feature of almost all employment, particularly on account of the tax advantages it offers to the employee, without prejudice to the employer as well. The statutory definition of salary and wages have, therefore, to be enlarged, so as to comprehend the most common form of advantages and benefits enjoyed by an employee and these are enumerated under eight headings of this definition. The definition is, however, an inclusive one and clauses (i) to (viii) of section 17(2), are not exhaustive of the kinds of perquisites that may be allowed by an employer to an employee.

From the aforesaid definition of the term '*Perquisite'* under the various clauses of section 17(2) of the Act, it may be seen that it does not include reimbursement of the expenditure incurred by an employee on an educational course undertaken by him. Thus, the expenditure incurred by an employer on the training of an employee for gaining experience and additional qualifications in his field of expertise, is apparently not includible in the definition of the term "*Perquisite*", as provided under section 17(2) of the Act.

II. As regards a perquisite, the employee must have a vested right therein.

In the present context, as already pointed out, the definition of "*Perquisite"* under section 17(2) speaks about providing certain benefits or amenities by the employer. Earlier, under the Indian Income-Tax Act, 1922, the expression used was '*allowed*'. In that context, the judgement of the Supreme Court, in the case of *CIT Vs L.W.Russel [1964] 53 ITR 91 (SC)* is relevant. It was held in this case that contributions made by employer to provide pensionary or deferred annuity benefits to employees, cannot be taxed in the hands of the employees under section 7(1) of the Indian Income-Tax Act, 1922, unless a vested interest therein, accrues to the employee. In this regard, the observations of the Supreme Court, on pages 96 and 97 of the Report are particularly relevant. The same are reproduced as follows :

"*This section imposes a tax on the remuneration of an employee. It presupposes the existence of the relationship of employer and employee. The present case is sought to be brought under the head "perquisites in lieu of, or in addition to, any salary or wages, which are allowed to him by or are due to him, whether paid or not, from, or are paid by or on behalf of a company." The expression "perquisites" is defined in the Oxford Dictionary as "casual emolument, fee or profit attached to an office or position in addition to salary or wages". Explanation 1 to section 7(1) of the Act gives an inclusive definition. Clause (v) thereof includes within the meaning of "perquisites" any sum payable by the employer, whether directly or through a fund to which the provisions of Chapters IXA and IXB do not apply, to effect an assurance on the life of the assessee or in respect of a contract for an annuity on the*

life of the assessee. A combined reading of the substantive part of section 7(1) and clause (v) of Explanation 1 thereto makes it clear that if a sum of money is allowed by the employee by or is due to him or is paid to enable the latter to effect an insurance on his life, the said sum would be a perquisite within the meaning of section 7(1) of the Act and, therefore, would be exigible to tax. But before such sum becomes so exigible, it shall either be paid to the employee or allowed to him by or due to him from the employer. So far as the expression "paid" is concerned, there is no difficulty, for it takes in every receipt by the employee from the employer whether it was due to him or not. The expression "due" followed by the qualifying clause "whether paid or not" shows that there shall be an obligation on the part of the employer to pay that amount and a right on the employee to claim the same. The expression "allowed", it is said, is of a wider connotation and any credit made in the employer's account is covered thereby. The word "allowed" was introduced in the section by the Finance Act of 1955. The said expression in the legal terminology is equivalent to "fixed, taken into account set apart, granted". It takes in perquisites given in cash or in kind or in money or money's worth and also amenities which are not convertible into money. It implies that a right is conferred on the employee in respect of those perquisites. ***One cannot be said to allow a perquisite to an employee if the employee has no right to the same.*** *It cannot apply to contingent payments to which the employee has no right till the contingency occurs.* ***In short, the employee must have a vested right therein****."* [Emphasis added]

If we use the aforesaid criterion in the present case, obviously the expenditure incurred on the training of an employee by the employer, is totally discretionary and the employee has no vested right therein. Therefore, the expenditure incurred by an employer on the training of the employee or reimbursement of such expenditure incurred by the employee on his own, will not fall within the definition of "*Perquisite*", as contemplated under section 17(2) of the Act and accordingly, the same will not be liable to tax in the hands of the employee.

III. The expenditure incurred by the employer on training or educational course, undertaken by an employee in his own field of expertise, will also be exempt from tax under section 10(16) of the Act

In the present context, section 10(16) of the Act is also relevant. For the sake of ready reference, section 10(16) is reproduced as follows :

"10. Incomes not included in total income.

In computing the total income of a previous year of any person, any income falling within any of the following clauses shall not be included—

(16) scholarships granted to meet the cost of education;"

Thus, it may be seen that as per section 10(16), scholarships granted to meet the cost of education is not included in the total income of the assessee, receiving the scholarship.

In the present context, the following case-law are relevant :

1. *Dr.Rahul Tugnait Vs ITO [2009] 23 DTR (Trib) 301 (Chd)*

   In this case, the assessee was selected for a Government scholarship for pursuing post-graduation course in a Government medical college. The issue before the Chandigarh Bench of the Income-Tax Appellate Tribunal was whether the scholarship granted to the assessee, was exempt from tax under section 10(16) of the Act.

   It was, *inter alia*, held in this case that a conjoint reading of sections 15, 16 and 17, nowhere includes scholarship/stipend which have been mentioned in section 10(16). Therefore, it can be said that the stipend/scholarship has been specifically precluded from the mischief of sub-clauses (1) and (2) of section 17. If the aforesaid sections are analyzed by keeping them in juxtaposition, with the terms and conditions used in the bond, it can be said that it is neither a salary/wage nor perquisite. Viewed from aforesaid different angles and facts of the present appeal, it can be said that the scholarship/stipend received by a student from college/Government for pursuing higher studies, cannot be termed as salary. Therefore, the scholarship / stipend received by the assessee was exempt under section 10(16) of the Act.

2. *CIT Vs B.L.Garg [2007] 289 ITR 218 (All)*

   In this case, the issue before the Allahabad High Court was whether scholarship received by the son of an employee, was exempt under section 10(16) and accordingly, not includible in the income of the employee as a perquisite.

   In the present context, the observations of the High Court on pages 220 and 221 are relevant. The same are reproduced as follows :

   "*We have given careful consideration to the respective submissions of the learned counsel for the parties. The meaning of word 'scholarship' as per Webster's Third New International Dictionary, 1966 Edition, is as follows:*

"Scholarship—a sum of money or its equivalent offered (as by an educational institution, a public agency or a private organization or foundation) to enable a student to pursue his studies at a school, college or university."

It has been defined as maintenance or stipend for student awarded by an educational institution in Funk & Wagnalls Standard Dictionary International Edition, which is reproduced as under :

"Scholarship—Maintenance or a stipend for a student awarded by an educational institution."

The Encarta World English Dictionary gives the following meaning to word scholarship :

"Scholarship—Financial help for a student,

1. *a sum of money awarded to a student on the basis of academic merit, to help with living expenses, study or travel,*

2. *formal study, academic learning or achievement,*

3. *academic works, a body of learning or an academic subject."*

Section 10 sets down various items of income which are outside the purview of total taxable income. Section 10 of the Act is in Chapter III of the Act, the heading whereof is 'Incomes which do not form part of total income'. The heading of section 10 is quite clear and does not admit any ambiguity. ***The heading of section 10 itself is suggestive of fact that certain receipts which are income are not included in total income.*** *The relevant portion of section 10 reads as follows :*

"Incomes not included in total income—In computing the total income of previous year of any person, any income falling within any of the following clauses shall not be included—
.....

(16) scholarships granted to meet the cost of education;"

A bare perusal of section 10 would show that while computing the total income of previous year of any person certain incomes including scholarship granted to meet the cost of education shall not be included in the total income of previous year of any person." [Emphasis added]

Accordingly, it was held that the scholarship received by the son of the employee, was exempt under section 10(16) of the Act and therefore, not includible as part of salary of the employee.

3. *CIT Vs M.N.Nadkarni [1986] 161 ITR 544 (Bom)*

In this case, scholarship was given by a company to the children of the members of the managing staff. Scholarships were paid directly to the children. There was no reference in the terms of the employment to the scholarship scheme. The grant of scholarship was in sole discretion of the company.

It was held that the amounts paid as scholarship were not assessable as perquisites in the hands of the members of the managing staff, by way of profits in lieu of salary under section 17(2)(iii) of the Act.

It was also held that scholarship was given to meet the cost of education and the scholarship given to the children of the members of the managing staff by the company were, therefore, exempt under section 10(16) of the Act and accordingly, the same were not assessable in the hands of the members of the managing staff.

In this context, the following summary of the judgement of the High Court is also relevant.

(i) An analysis of the scholarship scheme clearly showed that there was no right created in favour of any employee against the company for any scholarship being paid to his children. The scholarship was paid entirely gratuitously by the company and in its sole discretion. Payment of the scholarship amount was never received by the employee but by the children concerned or deposited in the special account referred to in the scheme. The scholarships did not, therefore, amount to perquisites received by the assessee within the meaning of section 17(2)(iii).

(ii) **Even if the amounts were taken as having been paid to the assessee, they were amounts of scholarship and hence not liable to be included in the computation of the total income of the assessee under the provisions of section 10(16)**

4. *A.Ratnakar Rao Vs Addl.CIT [1981] 128 ITR 527 (Karn)*

In this case, the assessee received US$ 7725, from the Jewish Hospital, Brooklyn, USA, during the period from 1.7.1970 to 31.3.1971, by way of scholarship. The assessee contended before the ITO that the said amount was not taxable, in view of section 10(16) of the Act. The ITO accepted the plea of the assessee and exempted the said income from tax. Subsequently, the Commissioner of Income-Tax (CIT) initiated action against section 263 of the Act. He proposed to bring the aforesaid income to tax on the ground that the amount received by the assessee was not in the nature of scholarship, but it was salary for the services that he had

rendered. The assessee contended before the CIT that the entire amount received from the Jewish Hospital by him was scholarship given to him for undergoing training in pediatrics. The CIT rejected the objection of the assessee and held that the assessee had not produced any evidence to show that the scholarship was wholly exempted or partly exempted under the US law and the employer's certificate indicated that there was relationship of the employer and employee between the hospital and the assessee and therefore, amount received by the assessee was salary and accordingly, liable to tax under the Act.

Against the aforesaid order of the CIT, the assessee filed an appeal before the Tribunal.

The Tribunal held that the amount received by the assessee was in the nature of salary income and not scholarship and dismissed the appeal of the assessee.

Thereafter, a reference was made before the Karnataka High Court. It was held by the High Court that the assessee underwent physician graduate training in the hospital in USA. The assessee received stipend, the object of which was to meet the cost of education. Therefore, the stipend was not in the nature of compensation for services rendered to the patients, but it was scholarship and therefore, the entire amount of stipend was exempt from tax. The brief comments of the High Court in this regard may be summarized as follows :

The amount paid to the assessee by the hospital was for the benefit of securing training and to pursue study and research in pediatrics. Therefore, there cannot be any doubt that the entire amount paid by the hospital and received by the assessee was in the nature of scholarship to pursue study and research in pediatrics and also for the purpose of securing training in that field *and it was not for the services rendered as such and the services, if any, rendered by the assessee was only incidental to the course of practical training. The very fact that the assessee had secured a deduction of certain sum per month out of the amount received from the hospital conclusively establishes that the amount received was in the nature of a scholarship. Once it is established that the amount received was in the nature of a scholarship though the exemption given under the United States' law was limited to a particular sum on the ground that the course of education was not one leading to a degree, there being no such restriction under s. 10(16) of the IT Act, 1961, the whole of the amount received by the asssessee stands exempted. The Tribunal after having noticed the position in law in the United States was in error in stating that it was immaterial that such deduction had been given to the assessee in the United States and that the amount received by the assessee was an income and was not scholarship and was not exempted under s. 10(16) of the IT Act, on the view that the amount was not meant to cover only expenses for education, but obviously represented the*

salary for the services rendered. There was no basis for this assumption, particularly in view of the second paragraph of the certificate issued by the hospital.

5. *CIT Vs V.K.Balachandran [1984] 147 ITR 4 (Mad)*

In this case scholarship was granted to the assessee for doing research work in foreign university. The issue before the Madras High Court was whether the grant-in-aid given to the assessee was scholarship, exempt under section 10(16) of the Act.

It was held that scholarship means anything which makes education free of charge, or at a concessional rate of fees. Scholarship, if made free, will not fall within the ambit of section 10(16). **The true view of section 10(16) is that scholarship, even though income in the hands of the scholar concerned, would yet be excluded from the ambit of total taxable income. It was further held that "*scholarship for meeting the cost of education*", within the meaning of section 10(16) means scholarship is a payment intended to be an income receipt in the hands of the scholar and whatever is paid is intended to meet the cost of education of the recipient. Therefore, the whole object of payment is to meet the cost of education of a person and it, thus, remains a scholarship within the meaning of section 10(16) of the Act and accordingly, excluded from total taxable income.**

The brief comments of the High Court in this regard may be summarized as follows :

The opening words of the section show very clearly that the items listed thereunder are undoubtedly receipts of an income- character, but the are nevertheless to be excluded from the computation of taxable income. ***Scholarship to meet the cost of education falling under cl. (16) has been included in s. 10, not because scholarship bears a non-income-character, but precisely because it bears an income-character.*** *If scholarship does not partake of the character of income, then there is no need at all for a specific exclusion provision in s. 10(16).* ***The true view of s. 10(16), as the Tribunal has correctly understood it, is that scholarship, even though income in the hands of the scholar concerned, would yet be excluded from the ambit of taxable total income.*** *Scholarship, as ordinarily understood, means anything which makes education free of charge, or at a concessional rate of fees. In s. 10(16), scholarship is not used in that sense of something in educational opportunity which is given free. The basic postulate of a scholarship in cl. (16) is that it is an income receipt. Nevertheless it is excluded from the total income by being brought under s. 10. The view of the income-tax statute of a "scholarship", therefore, differs from the popular, or dictionary, view of a "scholarship". Whereas under the popular view, scholarship is education made available gratis, the sense in*

which the same expression is used in the IT Act is positive payment made to a scholar for pursuit of his education. If scholarship is made free, it would not naturally come within the ambit of s. 10(16). In the sense of payment made for studies, scholarship necessarily means some payment to meet the cost of education, the payment being made to the person pursuing the education and incurring the cost thereof. ***There are, therefore, two considerations which, together, make up the concept of a "scholarship for meeting the cost of education" within the meaning of s. 10(16). One is that the scholarship is a payment intended to be an income receipt in the hands of the scholar. The other one is that whatever is paid is intended to meet the cost of education of the recipient.*** *Since the purpose is to meet the cost of education, the question whether the quantum of payment is adequate or inadequate, or is or is not in excess of requirements are all beside the point. A scholarship may only meet the partial cost of education. Still it would be a scholarship within the meaning of s. 10(16). Again, a scholarship might, in a given case, prove to be more than enough for meeting the cost of education, and the scholar may make a saving out of it, or even spend the surplus otherwise. It is not the appropriation of the scholarship that matters. If the whole object of the payment is to meet the cost of education of a person, then that is enough. No further inquiry is called for in order to exclude the amount from the taxable total income under s. 10(16).*

6. *Dr.J.C.N.Joshipura Vs ACIT [1996] 55 TTJ 639 : 56 ITD 424 (Mum Trib)*

In this case, the assessee was an eminent Orthopaedic Surgeon attached to a hospital. During the relevant assessment year, he received a grant of Rs.15,000 from the hospital. Such grant was paid by the hospital to deserving doctors attached to it, once in every 3 years for attending a conference or for a study tour for advancement of knowledge and experience. The assessee claimed exemption for the grant from income-tax under section 10(16) of the Act, which was rejected by the AO. On the other hand, the AO treated the grant as the professional income of the assessee.

It was held by the Tribunal that requirement of section 10(16) is that the scholarship must be granted to meet the cost of education. The cost of education comprises not only tuition fee but all other incidental expenses. Therefore, the grant would be scholarship, within the meaning of section 10(16) of the Act and accordingly, exempt from tax.

The brief comments of the High Court in this regard may be summarized as follows :

Each law consists of two parts, viz. body and soul; the letter of the law is the body of law and the sense and reason of the law is the soul of the law. *The words in a section are not to be interpreted by having those words in one hand and the dictionary in the other hand. In spelling*

out the meaning of the word in a section, it is sine qua non to see the purpose for which the provision is enacted. ***Sec. 10(16) is enacted to further the cause of education. The term cannot be confined within the limits of knowledge imparted at schools and colleges only. The requirement of s. 10(16) is that the scholarship must be granted to meet the cost of education.*** *Cost of education comprise within its ambit, not only tuition fee, which the student is required to pay to the institution. It includes all other incidental expenses which are incurred for acquiring the education.* ***The word `education' includes within its ken, knowledge, understanding and reflection.*** *One cannot get education just by paying tuition fee. One acquires knowledge by going to the school. But knowledge gathered at the school is not the complete education. The scope of education is vast. If one is required to travel to a place for the sake of education, the expenditure on travelling will also come within the ambit of the expression `cost of education'. Therefore, travel grant given for the purpose of education shall form integral part of the cost of education. Since the purpose is to meet the cost of education, the question whether the quantum of the payment is adequate or inadequate or is or is not, in excess of requirements are beside the point. The scholarship may only meet the partial cost of education. Still it would be a scholarship within the meaning of s. 10(16)****.* ***Considering the profession of the appellant, his specialised knowledge in the filed of orthopaedics and his educational qualifications, the appellant can very well be placed in the category of scholars.*** *The travel grant was provided to the appellant so that he could sharpen his erudite in the field of orthopaedics. Therefore, the amount given to the assessee clearly comes within the ken of s. 10(16).—CIT vs. V.K. Balachandran (1984) 147 ITR 4 (Mad)* ***relied on.***

In the light of the aforesaid legal precedents, the expenditure incurred by the employer on training or educational course undertaken by an employee in his own field of expertise, will be exempt from tax under section 10(16) of the Act and accordingly, the same will not be includable in the total income of the employee.

IV. Besides, the provisions of section 10(14)(i) of the Act, r.w.r.2BB of the Rules, also support the aforesaid view.

In this connection, a reference may also be made to the provisions of section 10(14) of the Act. For the sake of ready reference, section 10(14) of the Act, is reproduced as follows :

"*10. Incomes not included in total income.*

In computing the total income of a previous year of any person, any income falling within any of the following clauses shall not be included—

(14) (i) any such special allowance or benefit, not being in the nature of a perquisite within the meaning of clause (2) of section 17, specifically granted to meet expenses wholly, necessarily and exclusively incurred in the performance of the duties of an office or employment of profit, as may be prescribed, to the extent to which such expenses are actually incurred for that purpose ;

(ii) any such allowance granted to the assessee either to meet his personal expenses at the place where the duties of his office or employment of profit are ordinarily performed by him or at the place where he ordinarily resides, or to compensate him for the increased cost of living, as may be prescribed and to the extent as may be prescribed :

***Provided** that nothing in sub-clause (ii) shall apply to any allowance in the nature of personal allowance granted to the assessee to remunerate or compensate him for performing duties of a special nature relating to his office or employment unless such allowance is related to the place of his posting or residence ;"*

In the present context, section 10(14)(i) of the Act is relevant. Under the existing provisions of section 10(14)(i), income-tax exemption is provided to the extent mentioned therein, on any such allowance or benefit, specifically granted to meet expenses wholly, necessarily and exclusively incurred in the performance of the duties of an office or employment of profit, as may be prescribed to the extent to which such expenses are actually incurred for that purpose.

The special allowances referred to in section 10(14)(i) have been prescribed under rule 2BB of the Income-Tax Rules, 1962 (the Rules). In the present context, rule 2BB(1) is relevant, which is reproduced as follows :

"2BB. Prescribed allowances for the purposes of clause (14) of section 10.

(1) For the purposes of sub-clause (i) of clause (14) of section 10, prescribed allowances, by whatever name called, shall be the following, namely :—

(a) any allowance granted to meet the cost of travel on tour or on transfer;

(b) any allowance, whether, granted on tour or for the period of journey in connection with transfer, to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty;

(c) any allowance granted to meet the expenditure incurred on con-veyance in performance of duties of an office or employment of profit :

***Provided** that free conveyance is not provided by the employer;*

(d) any allowance granted to meet the expenditure incurred on a helper where such helper is engaged for the performance of the duties of an office or employment of profit;

(e) any allowance granted for encouraging the academic, research and training pursuits in educational and research institutions;

(f) any allowance granted to meet the expenditure incurred on the purchase or maintenance of uniform for wear during the performance of the duties of an office or employment of profit.

Explanation : For the purpose of clause (a), "allowance granted to meet the cost of travel on transfer" includes any sum paid in connection with transfer, packing and transportation of personal effects on such transfer."

In this connection, clause (e) of rule 2BB(1) is also relevant. As per the aforesaid clause (e), any allowance granted for encouraging academic, research and training pursuits in the educational and research institutions will be exempt under section 10(14)(i) of the Act.

It may, thus, be seen that though no specific allowance may be granted to the employee, in question, for undertaking an educational course in his own field of expertise, yet the provisions of section 10(14)(i), r.w.r.2BB(1)(e), clearly imply that reimbursement of any expenses by the employer incurred by the employee for research and training pursuits, will be exempt from tax and accordingly, the same will not form part of his income from salary.

V. Conclusion :

In the light of the discussion in the preceding paragraphs, it is clearly established that –

1. As per preceding paragraph (I), definition of the term '*perquisite*', under the various clauses of section 17(2) of the Act, does not include the expenditure incurred by an employer on the training of an employee, for gaining experience and additional qualifications in his own field of expertise.
2. As per preceding paragraph (II), the expenditure incurred on the training of an employee by the employer, is totally discretionary and the employee has no vested right therein. Therefore, the expenditure incurred by an employer on the training of an employee or reimbursement of such expenditure incurred by the employee on his own, will not fall within the definition of *'perquisite'*, as contemplated under section 17(2) of the Act and accordingly, the same will not be liable to tax in the hands of the employee.

3. As per preceding paragraph (III), the expenditure incurred by the employer on training or educational course, undertaken by an employee in his own field of expertise, will also be exempt from tax under section 10(16) of the Act.

4. As per preceding paragraph (IV), even the provisions of section 10(14)(i) of the Act, r.w.r.2BB(1)(e) of the Rules, support the aforesaid view.

In view of the aforesaid reasons, the expenditure incurred by the employer on the training or educational course undertaken by an employee in his own field of expertise, will not be includible as a perquisite in his hands. Besides, the aforesaid expenditure will also be exempt from tax in the hands of the employee, under section 10(16) of the Act.

Accordingly, the expenditure incurred by the employer on the training or educational course undertaken by an employee in his own field of expertise or reimbursement of such expenditure incurred by the employee on his own, will not be liable to tax in his hands.

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