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T.C.A.Nos.193 of 2012, 452 & 453 of 2011

IN THE HIGH COURT OF JUDICATURE AT MADRAS

Reserved On: 24.03.2026

Delivered On: 06.04.2026

CORAM

**THE HONOURABLE DR JUSTICE G. JAYACHANDRAN
AND
THE HONOURABLE MR.JUSTICE SHAMIM AHMED**

T.C.A.No.193 of 2012
T.C.A.Nos.452 & 453 of 2011

MRF Ltd.,
No.124, Greams Road,
Chennai – 600 006.

... Appellant in all cases

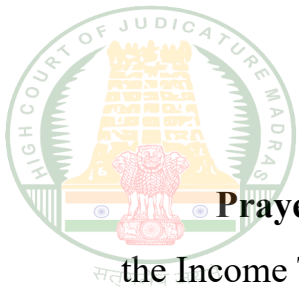
vs.

The Deputy Commissioner of Income Tax,
Large Tax Payer Unit,
Chennai – 600 101.

... Respondent in all cases

Prayer in T.C.A.No.193 of 2012: Tax Case Appeal filed under Section 260A of the Income Tax Act, 1961, against the order of the Income Tax Appellate Tribunal “A” Bench, Chennai in ITA No.2086/Mds/2011, dated 01.03.2012.

Prayer in T.C.A.No.452 of 2011: Tax Case Appeal filed under Section 260A of the Income Tax Act, 1961, against the order of the Income Tax Appellate Tribunal “B” Bench, Chennai dated 10th June, 2011 in ITA No.375/Mds/2010.



T.C.A.Nos.193 of 2012, 452 & 453 of 2011

Prayer in T.C.A.No.453 of 2011: Tax Case Appeal filed under Section 260A of the Income Tax Act, 1961, against the order of the Income Tax Appellate Tribunal “B” Bench, Chennai dated 10th June, 2011 in ITA No.376/Mds/2010.

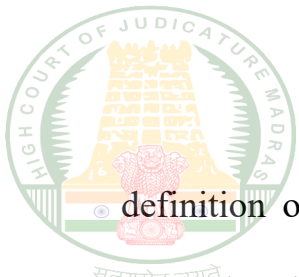
For Appellant : Mr.R.Vijayaraghavan,
in all cases for Mr.R.Venkataraman

For Respondent : Mr.Prabhu Mukunth Arun Kumar,
in all cases Standing Counsel

COMMON JUDGMENT

The appellant is a company engaged in the business of manufacturing and sale of automobile tyres, tubes, flaps and other rubber products. The Assessing Officer, who scrutinised the Fringe Benefit Tax returns filed by the assessee, disallowed certain claims which includes the medical reimbursement upto Rs.15,000/- to the employees of the assessee, which had not been included for the Fringe Benefit Tax. Relying on the clarification issued by the C.B.D.T in its Circular No:08/2005, the Assessing Officer added tax on the amount of medical reimbursement given to the employees, which was excluded from tax at the hands of the employees.

2. The claim of the assessee Company is that, as per Section 17 of the Income Tax Act, medical reimbursement by the company to its employees is a taxable perquisite only if the amount exceeds Rs.15,000/- per annum. The proviso (v) to Section 17(2) of the Act exempts medical reimbursement of the employee upto Rs.15,000/- from the



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definition of 'perquisite. The assessee contended that CBDT Circular No:8 of 2005, states that the said sum is not taxable at the hands of the employees, so same to be taxed on the employer under the head 'Fringe Benefit.' This clarification is contrary to the spirit and intention of introducing the Fringe Benefit Tax (FBT). However, the said contention of the assessee not found favour with the Assessing Officers. Hence, assessment orders were passed levying:

- i) 20% tax on Rs.4,13,77,208/-, being the total medical reimbursements below Rs.15,000/- made to the employees for the assessment year 2006-2007.
- ii) 20% tax on Rs.4,71,11,806/-, being the total medical reimbursements below Rs.15,000/- made to the employees for the assessment year 2007-2008; and
- iii) 20% tax on Rs.3,34,00,000/-, being the total medical reimbursements below Rs.15,000/- made to the employees for the assessment year 2008-2009.

3. For each of the assessment years, separate assessment orders were passed on different dates. All those assessment orders were challenged before the Appellate Authority separately pleading that the levy of FBT on the amount excluded from the definition of 'perquisite' is bad in law and contrary to the decisions of ITAT at Bangalore and Mumbai. The assessee contended that the benefit enjoyed by the employees not being taxed, the same cannot be taxed on the employer.



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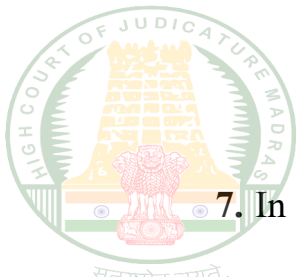
4. The appeals filed by the assessee were dismissed by the CIT (A). Further, appeals before the Tribunal by the assessee also got dismissed. Hence, being aggrieved by the orders of the ITAT, which has upheld the levy of Fringe Benefit Tax (FBT) upon the employer on the medical reimbursement to the employees upto Rs.15,000/-p.a., during the assessment years 2006-2007, 2007-2008 and 2008-2009, is under challenge.

5. The substantial question of law in all these three appeals are one and the same.

It reads as below:-

“Whether on the facts and in the circumstances of the case, the Tribunal was right in law in holding that the Medical reimbursement upto Rs 15,000/- per employee is chargeable to Fringe Benefit Tax under Section 115 WB (2) of the Act”?

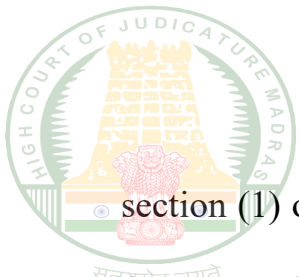
6. The Learned Counsel for the appellant Company/assessee contended that, the reading of Section 115 WB (1) (a) and (3) of the Act, along with proviso (V) to Section 17(2), makes it clear without any ambiguity, that any medical reimbursement to the employee below Rs.15,000/- per annum will not be taxable as a Fringe Benefit. The CBDT Circular No.8 of 2005 which was issued to clarify the provisions of the Act cannot override the object of the Act.



7. In support of his argument, the learned counsel for the appellant/assessee refer the Judgment of Karnataka High Court rendered in ***Commissioner of Income Tax-III, Bangalore vs. WIPRO Ltd.***, [(2021) 430 ITR 34 (Kar)] and the judgment in ***Commissioner of Income Tax, Bangalore vs. M/s. BOSCH Ltd*** (2025 KHC 40762-DB), which has followed the WIPRO judgment.

8. Per contra, the Learned Counsel for the Revenue/respondents submitted that the Medical Reimbursement to an employee upto Rs.15,000/- is not taxable at the hands of the employee. However, it is taxable at the hands of the employer, for it being a fringe benefit given by the employer to the employee. The exclusion upto Rs.15,000/- from the definition of 'perquisite' at the hands of the employee for the purpose of taxing the employee. Whereas, the benefit extended to the employee, by deeming fiction taxable at the end of the employer as a fringe benefit. The clarificatory circular issued by the CBDT is not contrary to the provisions of law but it is tune with the spirit and object of the law.

9. The Learned Standing Counsel for the Revenue, in support of the impugned order submitted that, Section 115 WB deals 'Fringe Benefit' and what are all the privileges, services, facilities or amenity fall within the scope of Fringe Benefit. Sub-



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section (1) of Section 115 WB(3) excludes 'perquisite' paid or payable by the employee for computing Fringe Benefit Tax in the hands of employer. The term 'perquisite' is explained as an inclusive definition in Section 17(2). The proviso (v) to sub-section (2) to Section 17 of the Act, excludes, the value of any medical treatment provided to an employee or any member of his family upto Rs.15,000/- per annum. Therefore, according to the learned Counsel for the Revenue, since tax on medical reimbursement upto Rs.15,000/- is not payable by the employee, the corollary should be same is payable by the employer.

10. We find the above submission is not legally tenable. The universally accepted trite principle under law of taxation in any democratic nation is that **“there shall be no taxation without valid legislation.”** Therefore, for taxing a person, the charging section in the statute must be clear and without any ambiguity. By corollary or by reading between the lines, the tax cannot be levied.

11. In this regard, we find that the question of levying Fringe Benefit Tax on the medical reimbursement given to the employees upto Rs.15,000/- per annum has already been settled by the Karnataka High Court in *Wipro Ltd.*, case cited supra, and quietus given by following words:-



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“5. We have considered the submissions made on both sides and have perused the record. Proviso (v) to section 17(2) of the Act defines the expression "perquisite" and provides that perquisite would not include any sum paid by an employer in respect of any expenditure actually incurred by an employee on his medical treatment or treatment of any member of his family if such sum was not in excess of Rs. 15,000. The effect of the proviso is that reimbursement of the amount in excess of Rs. 15,000 would be taxable as part of the salary in the hands of the employee, whereas, the amount less than Rs. 15,000 would not be taxable in the hands of the employee. However, such reimbursement nevertheless would be perquisite as defined under the Act but would remain untaxed in the hands of the employees and therefore, untaxed amount is taxed as fringe benefits in the hands of the employer. Thus, if the medical reimbursement exceeds Rs.15,000 relating to unapproved hospital, then under section 17(1) of the Act the employees are taxed beyond Rs. 15,000 and if Rs. 15,000 which is exempt in the hands of the employees is not liable for fringe benefit tax but over and above the aforesaid amount is liable for fringe benefit tax.”

12. We find no different reason except to concur with the above view expressed by the Learned Judges of the Karnataka High Court.



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13. As a consequence, the assessment orders in respect of levy of Fringe Benefit Tax on medical reimbursements to the employee upto Rs.15,000/-per annum are set aside. In the result, the Tax Case Appeals are allowed in favour of the assessee/appellant. There shall be no order as to costs.

(Dr. G.JAYACHANDRAN, J.) & (SHAMIM AHMED, J.)
06-04-2026

Index :Yes.
Neutral Citation :Yes/No.
bsm

To,

The Deputy Commissioner of Income Tax,
Large Tax Payer Unit,
Chennai – 600 101.



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Dr. G.JAYACHANDRAN, J.
&
SHAMIM AHMED, J.
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Pre-Delivery judgment made in
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