



Sreenath Induchoodan BSc LLB
Senior Vice President, All India Bank Officers Confederation
State Secretary, All India Bank Officers Confederation
General Secretary, Union Bank Officers' Association (Kerala State)

Letter No: OFF/0105/2025

Thrissur
14th February 2025

To,

The Hon'ble MD & CEO
Union Bank of India
239, Central Office, Vidhan Bhavan Marg
Nariman Point, Mumbai - 400021

Respected Sir / Madam,

Sub: Follow-Up Representation on Absorption of Perquisite Tax on Concessional Loans for Officers

We write to you in continuation of our previous representations vide **Letter No: UBOAKS/102/2025 dated 27th January 2025**, submitted in the capacity as General Secretary of the Union Bank Officers Association, Kerala State, and **Letter No: OFF/0102/2025 dated 29th January 2025**. Both these representations are currently pending consideration before your esteemed office and the Chief General Manager (HR), and we have yet to receive any formal communication regarding their disposal.

Whereas, given the urgency and gravity of the matters raised in these letters—matters that significantly impact the financial well-being and sustenance of officers and their families, including their children's education and overall financial stability—we find it imperative to reiterate our concerns. For the sake of brevity, we refrain from restating the contents of our previous communications, which remain on record with your esteemed office for perusal and necessary action.

Whereas, the issue at hand pertains to the retrospective debiting of perquisite tax from officers' salaries, commencing from the beginning of the financial year, with the first deductions occurring in January 2025. This action has caused severe financial distress among officers, leaving many unable to meet essential obligations,

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including the payment of their children's school fees. Given the extreme urgency of the matter and the apprehension that further deductions would be made from officers' salaries in February and March, we, representing the aggrieved officers, were compelled to approach the Hon'ble High Court of Kerala. The Hon'ble Court, having considered the merits of our contention, has admitted a writ petition, W.P. (C) No. 0005432/2025, dated 13th February 2025. The matter is scheduled for hearing on 18th February 2025, as the learned counsels representing respondents R2 to R8 have sought time for instructions from the concerned parties.

Subsequently, it has come to our attention through industry sources that Canara Bank has taken a decision to absorb the perquisite tax liability. We are further informed that the Board of Canara Bank has duly approved this proposal for absorption of the perquisite tax liability arising from concessional or interest-free loans extended to employees, effective from the financial year 2024-25. However, at the time of our initial representations, we had no official documentation to substantiate this claim and, therefore, refrained from bringing it to your attention.

Whereas, we now have confirmation that the Human Resource Wing, Industrial Relations Section at the Head Office of Canara Bank, Bengaluru, has issued Circular No. IC/98/2025 dated 13th February 2025, formally approving the absorption of perquisite tax liability. While we are unable to provide the actual circular due to its confidentiality, we have enclosed an extracted portion of its contents for your reference. Should your esteemed office require further verification, the said circular may be obtained directly from Canara Bank upon specific request.

Now, in light of the fact that Canara Bank has taken this progressive step and that Bank of Baroda has already adopted a similar approach, we earnestly urge Union Bank of India, as a peer public sector bank, to take an analogous decision to absorb the tax liability arising from perquisite tax on concessional interest rates and interest-free advances extended to officers.

Given the critical nature of this issue and its profound impact on the officers' financial well-being, we request your urgent and favourable consideration of our representation. We remain hopeful that the bank will align itself with the policies of its peer institutions in addressing this pressing matter in the best interests of its officers and their families. We hereby quote the contents of the circular issued by Canara Bank for your ready perusal

Quote

HUMAN RESOURCES WING
INDUSTRIAL RELATIONS SECTION
HEAD OFFICE, BENGALURU

IG No: IC/98/2025

Date: 13/02/2025

Subject: Absorption of tax liability on perquisites arising on account of loans extended to the employees on concessional rate of interest or free of interest commencing from the Financial Year 2024-25

Bank is providing financial assistance or loans under various schemes to its employees at concessional rate or free of interest. By amendment in Section 17 (2) of the Income Tax Act, 1961, vide Finance Act, 2007, "value of any benefit / amenity granted free or at concessional rate to specified employees" shall come under the definition of perquisite and the perquisite value shall be added to the income for assessing the income tax liability. In case of loans, the value of the perquisite shall be the 'excess of interest payable' at the prescribed interest rate over the interest, if any, actually paid by the employees. The prescribed interest rate i.e., PLR, is the rate charged by State Bank of India as on 1st day of the relevant previous year (i.e., 1st April) in respect of loans of the same purpose advanced by it.

The above amendment was challenged before the Court being ultra-vires and there was stay on the same by the Hon'ble High Court/ Supreme Court. Lastly, the Hon'ble Supreme Court vide its orders dated 07.05.2024 has dismissed the plea of ultra vires and upheld the amendment thereby the difference between prescribed rate of interest i.e., PLR of SBI and staff rate of interest to be treated as fringe benefit which comes under purview of perquisites and hence income tax to be levied on the same. Thus, the Bank is liable to deduct tax from the employees on these fringe benefits.

Keeping in view the significant role played by Human Resources in the Bank, the matter was placed to the Top management of Bank. We are happy to announce that as a HR initiative and welfare measure, the Competent Authority has permitted to absorb Tax liability arising out of perquisite value on account of difference between prescribed rate of interest i.e., PLR of SBI and staff rate of interest applied on the outstanding principal portion of the liability commencing from the FY 2024- 25 on the following terms:

- 1. Bank will absorb the Tax liability on perquisites arising on account of concessional rate of interest/free of interest on loans extended to all employees who are in service as on and after 01.04.2024.*
- 2. In case of Ex-employees superannuated/ voluntarily retired from the services of the Bank during this financial year/ relevant financial year, the tax liability on account of concessional rate of interest/free of interest on loans extended to them will be absorbed by the Bank on the outstanding liability as on date of their superannuation/ voluntarily*

retirement only. In other words, the tax liability as above, will not be absorbed by the Bank post superannuation/ voluntary retirement.

- 3. The perquisites tax will be remitted on individual PAN wise. All Employees/ Ex-employees, shall give undertaking that any change in Tax Regime/slabs or for any reason whatsoever, any refund received by the Employees/ Ex-employees, shall be paid to the Bank.*
- 4. Tax liability, if any, arise on account of perquisites for earlier period i.e., prior to FY 2024-25, will not be paid or payable by the Bank.*
- 5. Any increase in tax liability due to increase in perquisite value on account of increase in existing loan quantum under Staff loans/ reduction of existing rate of interest of staff loans/ increase in SBI PLR in future, absorption of such tax liability shall not fall under this purview and to be borne by the employees.*
- 6. Any additional tax demand raised by Tax Authorities in future on account of existing concessional rate of interest / free of interest on loans, the same shall be borne by the Employees/ Ex-employees and Bank has no bearing on it.*
- 7. Any Tax liability arising on account of perquisite value other than concessional rate of interest or free of interest on loans, the same shall be borne by the Employees/Ex-employees and Bank will not be liable for the same.*

A mandate in this regard to submit willingness by the serving employees to avail this provision will be enabled in HRMS package. Further, employees who are unable to access package due to various reasons are required to submit the willingness as per Annexure enclosed to this Circular to their respective HRM Section, Circle Office/ HOSA Section, HR Wing, Head Office/ S A Section, Inspection Wing, Head Office. The employees who do not submit willingness timely will be construed as not willing to avail this option provided by the Bank and they are liable to bear the tax liability.

The Ex-employees, who superannuated/ voluntarily retired from the services of the Bank during this financial year/relevant financial year, shall furnish their declaration as per Annexure enclosed to this Circular to the concerned HRM Section, Circle Office to which pension paying branch is assigned, failing which it will be construed as not willing to avail this option provided by the Bank and they are liable to bear the tax liability. The last date for submitting willingness by the Employees/ Ex-employees as above is 20.02.2025. The contents of the Circular may be brought to the notice of all the Employees/ Ex-employees of the Bank.

*T K VENUGOPAL
GENERAL MANAGER*

Unquote

We have full faith that your esteemed office, with due empathy and careful consideration, will duly address this pressing issue and render a favorable decision on our previous representation, taking into account the recent development wherein Canara Bank has issued a detailed circular approving the absorption of perquisite tax. This letter is to be kindly treated as a continuation of our earlier representations and serves to formally apprise your esteemed office of the latest development from Canara Bank.

With respects and regards



Sreenath Induchoodan

Copy to

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2. *The Chief General Manager (HR)
Human Resources Department
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3. *Deputy General manager
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4. *Hon'ble Chairman
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5. *Hon'ble Executive Directors, Union Bank of India*
6. *Hon'ble Board of Directors, Union Bank of India*