



पूर्णतः सहकारी स्वामित्व  
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Paradeep Unit

11.03.2021

**Sub: One Time Relaxation in Leave Travel Concession (LTC) Exemption conditions  
by the Finance Bill 2021**

As part of COVID relief measures, some beneficial amendments have been incorporated in the Finance Bill 2021 in the LTC Exemption provision, which have been summarized in the enclosed Tax Alert.

These are one time relaxations and will apply to FY 2020-21 only.

Those employees who wants to avail the same are requested to submit their claim with required documents latest by 20<sup>th</sup> March 2021 to Sri P.K.Pradhan, Asst.Manager(AIcs) for further processing at our end.

Sub: One Time Relaxation  
by the Finance Bill 2021

  
Suresh Goyal  
Sr.General Manager (F&A)

Head Office, Paradeep

These are one time

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with required documents

Asst.Manager(AIcs)

Suresh Goyal

Sr.General Manager

Head Office, Paradeep



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## Finance Bill 2021 LTA Alert

22 February, 2021

Currently, the Income Tax Act<sup>1</sup> limits the exemption with respect to LTC paid by the Employer to the extent of Actual Expenditure incurred on travel only subject to fulfilment of prescribed conditions<sup>2</sup>.

Taking cognizance of the disruption in the travel plans due to the pandemic, the Exemptions Conditions are being modified on the following lines:

1. The Modified Conditions would apply to only those Employees who have **not** availed Income Tax Exemption so far on LTC received by them from IFFCO on **both** the 2 Eligible Journeys in the 4 Year Block Period of 2018-2021. Further, the employee should not have opted for Optional Lower Rate Taxation under S.115BAC introduced in Finance Act, 2020.
2. To avail LTC Exemption on X amount of LTC given by IFFCO, the employee will have to spend 3 times the amount of LTC i.e. 3X subject to following conditions:
  - a. Overall Cap of X shall be ₹ 36000 per family member. Family<sup>3</sup> is defined as Employee. Spouse and maximum of 2 Children only.
  - b. The amount has to be spent in the period between 12<sup>th</sup> October, 2020 and 31st March, 2021 only. However, no condition to spend in one shot as no bar on Multiple Bills.
  - c. Expenditure can be on any member of family also but the Invoice has to be in the name of the Employee.
  - d. Expenditure has to be on Goods/Services attracting GST (CGST plus SGST) **Rate of 12% or more**, with duly supported Tax Invoice documenting the same.
  - e. Goods/Services to be bought from GST Registered Vendor only including Online E Commerce sites which are registered under GST.
  - f. Payment for the Goods/Services to be made by **Non Cash modes** only like Cheque, NEFT, Net Banking, Cards, BHIM App<sup>4</sup>
  - g. The Purchase can be Debt financed also i.e. on Loan/EMI basis.

<sup>1</sup> S.10(5) of the IT Act, 1961

<sup>2</sup> R.2B of the IT Rules, 1962 prescribes inter alia Conditions of 2 Journeys in Block of 4 Years, Shortest Route etc.

<sup>3</sup> R.2B(4) of the IT Rules, 1962

<sup>4</sup> Electronic modes prescribed under R.6ABBA of IT Rules, 1962

3. In case the amount spent is less than 3X, the exemption will still be available on *pro rata* basis. In other words, amount of exemption shall not exceed ₹ 36000 per family member or One Third of Expenditure, whichever is less. The same is also illustrated below:

LTA Employee with Basic of ₹ 1,00,000 (Family of 4)	Scenario -1	Scenario -2
Example- LTA Within Overall Cap	Amount Spent 100%	Amount Spent 75%
LTA received (X)	1,00,000	1,00,000
Maximum Overall Cap (36000 *4)	1,44,000	1,44,000
Amount to be spent for Full Exemption (3X) within Overall Cap	3,00,000	3,00,000
Amount actually spent	3,00,000	2,25,000
<b>Amount of LTA which will be Exempt (Tax will not be deducted on it) -subject to Maximum Overall Cap</b>	<b>1,00,000</b> (1,00,000*3,00,000/3,00,000)	<b>75,000</b> (1,00,000*2,25,000/3,00,000)

LTA Employee with Basic of ₹ 1,60,000 (Family of 4)	Scenario -1	Scenario -2
Example- LTA Beyond Overall Cap	Amount Spent 100%	Amount Spent 75%
LTA received (X)	1,60,000	1,60,000
Maximum Overall Cap (36000 *4)	1,44,000	1,44,000
Amount to be spent for Full Exemption (3X) within Overall Cap	4,80,000	4,80,000
Amount actually spent	4,80,000	3,60,000
<b>Amount of LTA which will be Exempt (Tax will not be deducted on it) -subject to Maximum Overall Cap</b>	<b>1,44,000</b> (1,60,000*4,80,000/4,80,000) limited to 1,44,000	<b>1,20,000</b> (1,60,000*3,60,000/4,80,000)

4. Format on which the interested Employees may opt for this benefit are enclosed. Documentation like Tax Invoices duly showing GST Rate and Mode of Payment, Date of Purchase etc. shall be kept on record by Payroll Accounts for TDS Compliance.



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**Dated:**

**Declaration for Availing Exemption for LTA u/s 10(5) of the Income Tax Act as amended for FY 2020-21**

**Employee Name:**

**Personal number:**

**Unit:**

I ,....., (Name) am desirous of availing the exemption under Section 10(5) of the Act for the Financial Year 2020-21 as amended by Finance Act, 2021.

I hereby confirm that I have not claimed Tax Exemption towards LTC so far on the two Journeys available for the Block Period from 2018 to 2021 as per S.10(5) read with Rule 2B.

I also confirm that I have incurred an amount of Rs.----- on purchase of Goods/Services in accordance with the conditions of the LTC Scheme in the specified period (Tax Invoices from GST registered Vendors specifying Non Cash mode of Payment enclosed).

(To be signed by the Applicant)

**Government of India  
Department of Revenue  
Ministry of Finance  
Central Board of Direct Taxes**

New Delhi, 29th October, 2020

**PRESS RELEASE**

**Income-tax Exemption for payment of deemed LTC fare for non-Central Government employees**

In view of the Covid-19 pandemic and resultant nationwide lockdown as well as disruption of transport and hospitality sector, as also the need for observing social distancing, a number of employees are not able to avail of Leave Travel Concession (LTC) in the current Block of 2018-21.

2. With a view to compensate Central Government employees and incentivise consumption, thereby giving a boost to consumption expenditure, the Government of India allowed payment of cash allowance equivalent to LTC fare to Central Government employees subject to fulfilment of certain conditions vide OM No F. No 12(2)/2020-EII (A) dated 12th October 2020. It has also been provided that since the cash allowance of LTC fare is in lieu of deemed actual travel, the same shall be eligible for income-tax exemption on the lines of existing income-tax exemption available for LTC fare.

3. In order to provide the benefits to other employees (i.e. non-Central Government employees) who are not covered by the above mentioned OM, it has been decided to provide similar income-tax exemption for the payment of cash equivalent of LTC fare to the non-Central Government employees also. Accordingly, the payment of cash allowance, subject to maximum of Rs 36,000 per person as Deemed LTC fare per person (Round Trip) to non-Central Government employees, shall be allowed income-tax exemption subject to fulfilment of conditions specified in para 4.

4. The income-tax exemption to receipt of deemed LTC fare by a non-Central Government employee ('the employee') shall be allowed subject to fulfilment of the following conditions:-

- (a) The employee exercises an option for the deemed LTC fare in lieu of the applicable LTC in the Block year 2018-21.
- (b) The employee spends a sum equals to three times of the value of the deemed LTC fare on purchase of goods / services which carry a GST rate of not less than 12% from GST registered vendors / service providers ('the specified expenditure') through digital mode during the period from the

12th of October, 2020 to 31st of March, 2021 ('specified period') and obtains a voucher indicating the GST number and the amount of GST paid.

- (c) An employee who spends less than three times of the deemed LTC fare on specified expenditure during the specified period shall not be entitled to receive full amount of deemed LTC fare and the related income-tax exemption and the amount of both shall be reduced proportionately as explained in Example-A below.

5. The DDOs shall allow income-tax exemption subject to fulfilment of the above conditions after obtaining copies of invoices of specified expenditure incurred during the specified period. Further, as this exemption is in lieu of the exemption provided for LTC fare, an employee who has exercised an option to pay income tax under concessional tax regime under section 115BAC of the Income-tax Act, 1961 shall not be entitled for this exemption.

6. The clarifications issued by the Department of Expenditure, Ministry of Finance for the Central Government employees vide OM F. No 12(2)/2020-EII (A) Dated 20th October, 2020 and subsequent clarification, if any, issued in this regard shall apply mutatis mutandis to non-Central Government employees also subject to fulfilment of conditions specified in the preceding paras.

7. The legislative amendment to the provisions of the Income-tax Act, 1961 for this purpose shall be proposed in due course.

#### Example-A

Deemed LTC Fare : Rs.20,000 x 4 = Rs. 80,000

Amount to be spent : Rs. 80,000 x 3 = Rs. 2,40,000

Thus, if an employee spends Rs. 2,40,000 or above on specified expenditure, he shall be entitled for full deemed LTC fare and the related income-tax exemption. However, if the employee spends Rs. 1,80,000 only, then he shall be entitled for 75% (i.e. Rs. 60,000) of deemed LTC fare and the related income-tax exemption. In case the employee already received Rs. 80,000 from employer in advance, he has to refund Rs. 20,000 to the employer as he could spend only 75% of the required amount.

(Surabhi Ahluwalia)  
Commissioner of Income Tax  
(Media & Technical Policy)  
Official Spokesperson, CBDT

*Extracts from Memorandum explaining Provisions in the FINANCE BILL, 2021*

**Tax Incentives**

Exemption for LTC Cash Scheme

Under the existing provisions of the Act, clause (5) of section 10 of the Act provides for exemption in respect of the value of travel concession or assistance received by or due to an employee from his employer or former employer for himself and his family, in connection with his proceeding on leave to any place in India. In view of the situation arising out of outbreak of COVID pandemic, it is proposed to provide tax exemption to cash allowance in lieu of LTC.

Hence, it is proposed to insert second proviso in clause 5 of section 10, so as to provide that, for the assessment year beginning on the 1<sup>st</sup> day of April, 2021, the value in lieu of any travel concession or assistance received by, or due to, an individual shall also be exempt under this clause subject to fulfilment of conditions to be prescribed. It is also proposed to clarify by way of an Explanation that where an individual claims and is allowed exemption under the second proviso in connection with prescribed expenditure, no exemption shall be allowed under this clause in respect of same prescribed expenditure to any other individual.

The conditions for this purpose shall be prescribed in the Income-tax Rules in due course and shall, *inter alia*, be as under:

- (a) The employee exercises an option for the deemed LTC fare in lieu of the applicable LTC in the Block year 2018-21;
- (b) "specified expenditure" means expenditure incurred by an individual or a member of his family during the specified period on goods or services which are liable to tax at an aggregate rate of twelve per cent or above under various GST laws and goods are purchased or services procured from GST registered vendors/service providers;
- (c) "specified period" means the period commencing from 12th day of October, 2020 and ending on 31st day of March, 2021;
- (d) the amount of exemption shall not exceed thirty-six thousand rupees per person or one-third of specified expenditure, whichever is less;



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(e) the payment to GST registered vendor/service provider is made by an account payee cheque drawn on a bank or account payee bank draft, or use of electronic clearing system through a bank account or through such other electronic mode as prescribed under Rule 6ABBA and tax invoice is obtained from such vendor/service provider;

(f) If the amount received by, or due to an individual as per the terms of his employment, from his employer in relation to himself and his family, for the LTC is more than what is allowable to such person under the above discussed provisions, the exemption under the proposed amendment would be available only to the extent of exemption admissible under above listed provisions.

This amendment will take effect from 1<sup>st</sup> April, 2021 and will, apply in relation to the assessment year 2021-2022 only.

[Clause 5]