

## Tax Alert | Delivering clarity

30 June 2020

### CBDT notifies certain allowances / perquisites which will be exempt / taxable for an employee availing concessional tax rate regime

The Central Board of Direct Taxes (CBDT) vide notification dated 26 June 2020, has notified certain allowances / perquisites which will be exempt / taxable for an employee availing the concessional tax rate regime, subject to satisfaction of conditions.

#### Background:

- The Finance Act, 2020 introduced an alternative concessional tax rate regime for individuals and for Hindu Undivided Family (HUF), subject to certain conditions (such as non-availability of certain tax deductions / exemptions, etc.).
- The Central Board of Direct Taxes (CBDT) vide notification dated 26 June 2020<sup>1</sup> (Notification), has introduced certain allowances which can be claimed exempt by and perquisites which will be taxable for a taxpayer (being an employee) availing the concessional tax rate regime under section 115BAC of the Income-tax Act, 1961 (ITA).

#### Notified Allowances:

- The following allowances can be claimed exempt by a taxpayer (being an employee) availing the concessional tax rate regime under section 115BAC of the ITA:
  - Allowance granted to meet the cost of travel on tour or transfer;
  - Allowance granted on tour or for the period of journey in connection with the transfer, to meet the ordinary daily charges incurred by the taxpayer employee due to absence from his normal place of duty;
  - Allowance granted to meet conveyance expenditure incurred for performance of duties of an office or employment of profit (subject to free conveyance not provided by the employer);
  - Transport allowance not exceeding INR 3,200 per month, granted to an employee who is blind or deaf or dumb or orthopedically handicapped with disability of lower extremities, to meet the expenditure of commute between the place of residence and the place of duty.

The above is subject to satisfaction of conditions prescribed for availing the exemption.

- Further, a taxpayer availing the concessional tax rate regime under section 115BAC of ITA, shall not be eligible to claim exemption in respect of the free food / non-alcoholic beverages provided by an employer through paid vouchers.

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<sup>1</sup> <http://egazette.nic.in/WriteReadData/2020/220198.pdf>

The following perquisites in respect of food and beverages remain exempted for such a taxpayer:

- Free food and non-alcoholic beverages provided by an employer during working hours at office or business premises;
- Tea or snacks provided during working hours;
- Free food and non-alcoholic beverages during working hours provided in a remote area or an offshore installation.

**Comments:**

The notification shall provide relief to taxpayers receiving allowance, inter alia, while on tour / transfer or for conveyance in the performance of their official duties.



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