

# Frequently Asked Questions

## Leave Travel Concession - cash voucher scheme

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### **Q. What is LTC Cash Voucher Scheme?**

**A.** In view of the Covid-19 pandemic and resultant nationwide lockdown, many employees are not able to avail Leave Travel Allowance exemption in the current Block of 2018-21. In this regards to give the incentive benefit to the employees, the Finance Minister announced Leave Travel Concession (LTC) Cash Voucher Scheme whereby employees can avail income-tax exemption on their spends on specified goods and services in the prescribed time period. Such amounts spent would be deemed to be spent on travel and tax exemption / deduction otherwise available for LTC would be available to the employees on such spends.

### **Q. Who can avail this benefit?**

**A.** This benefit can be availed only by salaried employees.

### **Q. How much amount is required to be spent to avail LTC cash voucher scheme exemption?**

**A.** An amount equal to three times of the value of the deemed LTC fare / eligible deduction or exemption is required to be spent on purchase of goods and / or services which attracts GST rate of 12% or more.

### **Q. Can benefit of this scheme be availed on purchase of good and / or service from unregistered vendor?**

**A.** No, you cannot avail this benefit on purchases made from an unregistered vendor. Benefit of this scheme can be availed only if the purchase is made through a GST registered vendor.

### **Q. What is the period during which this amount is required to be spent?**

**A.** To claim this exemption, the amount is required to be spent during October 12, 2020, to March 31, 2021.

### **Q. Can the exemption be claimed for the next financial year?**

**A.** No, the exemption needs to be claimed in the current financial year 2020-21.

### **Q. What is the process to claim this exemption?**

**A.** To avail this benefit, employee / salaried customer needs to submit the supporting invoice(s) to its employer. Employer in turn will consider this and deduct tax on reduced income. Employees can consider the reduced income as per Form 16 while filing their income tax return. As of now no changes have been prescribed in the Income Tax Return formats by the Central Board of Direct Tax.

**Q. What is the maximum limit for deemed LTC exemption?**

**A.** Government has fixed limit for deemed LTC fare. The maximum amount of deemed LTC fare allowed for exemption per family member is:

Employees eligible for Business class airfare	₹ 36,000/-
Employees eligible for Economy class airfare	₹ 20,000/-
Employees eligible for Rail fare	₹ 6,000/-

Refer below illustration for more clarity:

No. of family members	Economy class fare (in ₹)	Total amount to be spent (including GST) for availing maximum benefit under this scheme (in ₹)
1	20,000	60,000
2	40,000	1,20,000
3	60,000	1,80,000
4	80,000	2,40,000

*Note:*

- (i) The maximum benefit that can be claimed towards deemed LTC shall be restricted to the limits set by the respective employer entity.*
- (ii) Eligibility to travel via Business class or Economy class or by Rail shall be as per the employee rules of their respective employer entity.*

**Q. Who is covered under the definition of family?**

**A.** Family includes self, spouse and two children. However, one can also consider parents, brothers and sisters if they are wholly dependent on the individual employee.

**Q. Is there any restriction on number of family members for whom LTC benefit can be claimed?**

**A.** As such there is no restriction on the number of family members. This benefit can be availed for self, spouse and maximum of two children. This benefit can also be availed for parents, brothers and sisters provided they are wholly dependent on the individual.

**Q. What are the permissible modes of payment for purchase of goods/services?**

**A.** Payment for goods / services should be made through digital mode (debit card / credit card / internet banking /mobile payment application / UPI/ cheque/ draft etc.). This benefit cannot be availed if the payment towards the purchases is made in cash.

**Q. Who are not eligible to claim the exemption?**

**A.** You cannot claim exemption under this scheme, if:

- 1) You are not a salaried employee
- 2) You wish to claim or you have already claimed LTC based on actual travel fare during current year in the normal course
- 3) You have already exhausted LTC exemption limit for block of 2018-2021
- 4) You have opted for new tax rate regime u/s 115BAC announced in Union Budget 2020 cannot claim exemption of LTC

**Q. To avail this benefit, is it mandatory to take leaves or to undertake actual travel?**

**A.** An individual need not take leave for this purpose nor is required to undertake any travel. This is a scheme in lieu of actual LTC travel.

**Q. I have claimed LTC once in block of 2018-2021. Am I still eligible for ₹ 36,000/- or ₹ 20,000/- per family member?**

**A.** Yes, LTC exemption can be claimed twice in the block of 4 years. Hence, if you have claimed LTC only once, you are eligible to claim exemption upto the specified limits as mentioned above under the deemed LTC in current financial year.

**Q. I had not opted for LTC in the block of 2018-2021 earlier. Can I still opt for the same and avail benefit under this scheme?**

**A.** Yes, you can opt for this scheme now and avail the benefit.

**Q. Whether a single bill of purchase of goods or services is required to be submitted or multiple bills can be submitted?**

**A.** Multiple bills can be submitted. The purchase should have been done during October 12, 2020 to March 31, 2021 for goods/ services which carry a GST of 12% and above and payment should have been made in digital mode.

**Q. For digital payment can credit card of employee's spouse or any family members be used?**

**A.** Yes it can be used. However, one needs to ensure that the invoice which is submitted for reimbursement under the scheme is in the name of the employee who is availing the scheme.

**Q. If husband and wife both are working as salaried employees; can this benefit be availed by both of them?**

**A.** Yes, this benefit can be availed by both of them as far as tax invoice is in their respective names. e.g. For the premium receipt issued in the name of wife, wife can take LTC benefit and vice versa.

**Q. When will the invoice be treated as valid invoice?**

**A.** An invoice can be considered as valid invoice only if the below conditions are met:

- a) Invoice should be in the name of the employee
- b) Invoice should be from GST registered vendor
- c) GSTIN of the seller should be mentioned
- d) Base and GST amount should be mentioned

*As such there is no specific format of invoice prescribed under GST Act. Our premium receipt consists of all mandatory fields required as per law and is eligible to be considered as tax invoice.*

**Q. If an invoice has multiple line items, can the benefit be availed for only those goods or services on which the applicable GST rate is 12% or more?**

**A.** Yes, all line items having a GST rate of 12% or above within an invoice can be claimed.

**Q. Whether it is mandatory to submit original bills?**

**A.** No, self-attested photocopy / soft copy of the bills would suffice. However, original bills may be retained by you in safe custody so that the same can be produced on demand.

**Q. Whether expenses can be claimed under both deemed LTC and other sections like 80C, 80D etc.?**

**A.** The same invoice cannot be claimed for multiple tax benefit. Invoice once claimed under deemed LTC cannot be submitted under any other section and vice-versa.

**Q. Can I avail benefit under this scheme if I have exhausted my limit under Section 80C?**

**A.** Yes, you can avail this benefit for the balance amount if you have already exhausted your limit under Section 80C.

For eg: You have paid 2 lacs premium towards the purchase of life insurance policy. You can claim benefit of upto ₹ 1.50 lacs under section 80C and can claim benefit of the remaining amount under this scheme, subject to fulfilment of prescribed conditions.

**Q. Whether the total amount spent for goods and / or services as per the invoice that would qualify for the benefit would be inclusive or exclusive of GST.**

**A.** It would be inclusive of GST.

**Q. Can LTA benefit be claimed for the amount spent on payment of premiums for life insurance policy?**

**A.** Yes, this benefit can be claimed on the amount spent on purchase of new life insurance policy within the prescribed time period.

**Q. Is there any time period prescribed for purchase of life insurance policy?**

**A.** Yes, this benefit can be availed only for the premiums paid during October 12, 2020 till March 31, 2021.

**Q. Do I need to buy a new life insurance policy for availing this benefit?**

**A.** Yes, this benefit is available only on premiums paid for purchase of new life insurance policy(ies). Renewal premiums for the existing policies are not eligible for this benefit.

**Q. I had paid the premiums for taking a new life insurance policy on October 11, 2020 however my policy was issued on October 16, 2020. Can I claim this benefit?**

**A.** No, you cannot claim this benefit as you had already paid the premium on October 11, 2020. This benefit can be availed only for premiums paid during October 12, 2020 till March 31, 2021.

**Q. I have paid the premium on October 12, 2020 however my policy has been issued on October 25, 2020. Can I claim this benefit?**

**A.** Yes, since you have paid the premium on October 12, 2020 you can claim the benefit under this scheme.

**Q. I have paid the premium on March 31, 2021 however my policy has been issued on April 05, 2021. Can I claim this benefit?**

**A.** Yes, since premium has been paid on March 31, 2021 benefit under this scheme can be claimed irrespective of the fact that the policy is issued post March 31, 2021.

**Q. Will payment of renewal premium under existing insurance policies qualify for this benefit?**

**A.** No, payment of renewal premium under existing insurance policies will not qualify for this scheme. You need to purchase new insurance policy to avail benefit of this scheme.

**Q. Will payment of renewal premium under the policies taken from October 12, 2020 to March 31, 2021 qualify for this benefit?**

**A.** No, payment of renewal premium even under the new policies purchased during October 12, 2020 to March 31, 2021 will not qualify for this scheme, as the benefit is applicable only for this Financial Year.

**Q. My policy was issued on November 12, 2020 with monthly frequency for paying premiums. Can I claim this benefit for the monthly premiums paid till March 12, 2021?**

**A.** Yes, this benefit can be claimed towards the monthly premiums paid from November 12, 2020 till March 31, 2021.

**Q. My policy was issued on July 12, 2020 with monthly frequency for paying premiums. Can I claim benefit of the monthly premiums paid during October 12, 2020 till March 12, 2021?**

**A.** No you cannot avail this benefit as this policy was taken prior to October 12, 2020.

**Q. Which amount is taken into consideration for this scheme?**

**A.** Total premium including GST paid by the customer for the purchase of goods and / or services on which GST of 12% or higher is applicable shall be taken into consideration.

**Q. How will this work for insurance products?**

**A.** Entire premium paid by the customer inclusive of GST can be considered to avail benefit of this scheme. To summarise;

Category	GST %	Premium (in ₹)	GST Amount	GST levied on	Amount that will be considered for calculation of LTC (in ₹) (Premium + GST)
Term	18%	1,00,000	18,000	GST is levied on entire premium	1,18,000
ULIP	18%	1,00,000	*NA	GST is levied only on charges	1,00,000
Single premium annuity	18%	1,00,000	1,800	GST is levied on 10% of premium	1,01,800
Endowment	18%	1,00,000	4,500	GST is levied only on 25% of the premium in the first year	1,04,500

*\* GST is not collected separately, premium is inclusive of charges and GST*

**Q. Can this benefit be availed on any category of life insurance products?**

**A.** Yes, this benefit can be availed on premiums paid during the applicable period for purchase of all life insurance product like Term, Endowment, ULIP, Single premium annuity etc.

**Q. How does this scheme works if the amount spent is less than three times of value of deemed LTC fare?**

**A.** If the amount spent is less than three times of the deemed LTC fare, the exemption would be reduced proportionately.

**Q. If the amount spent is less than 3 times, then how is proportionate deemed LTC calculated?**

**A.** Proportionate deemed LTC is calculated as follows

Eg: For a family of four,

- Deemed LTC Fare: ₹ 20,000 x 4 = ₹ 80,000
- Amount to be spent for full cash benefit: ₹ 80,000 x 3 = ₹ 2,40,000
- Cash benefit =  $\frac{\text{Amount spend} \times \text{deemed LTC fare (₹ 80,000 in this case)}}{\text{Amount to be spend for full cash benefit}}$
- If employee spends say ₹ 1,80,000 only, then he is entitled for 75% of deemed LTC fare income tax exemption i.e ₹ 60,000 exemption

$$\frac{[1,80,000 \times 80,000]}{2,40,000} = ₹ 60,000$$

**Q. Assuming that I am travelling (deemed travel) with my spouse, 2 children and dependant parents. I am eligible for economy class travel as per my company policy. I am taking a term life insurance policy on my life with premium of ₹ 3.6 lacs per annum. How much LTC can I claim?**

**A.** The total number of family members are six. Hence, you are eligible to claim deemed LTC of ₹ 1.20 lacs (i.e. ₹20,000 \* 6 members).

However, to claim entire LTC of ₹ 1.20 lacs, you will have to spend ₹ 3.60 lacs.

Since in this case, you are paying premium of ₹ 3.60 lacs in a Term policy, you will be eligible to claim entire LTC exemption of ₹ 1.20 lacs.

**Q. Assuming that I am travelling (deemed travel) with my spouse and two children. I am eligible for economy class travel as per my company policy. I want to invest ₹ 4 lacs premium per annum in an endowment policy on my life. How much LTC can I claim?**

**A.** The total number of family members are four. Hence, you are eligible for deemed LTC of ₹ 80,000 (i.e. ₹20,000 \* 4 members).

To claim entire LTC of ₹ 80,000, you will have to pay premium of ₹ 2.40lacs.

However, since you are paying premium of ₹ 4 lacs (which is higher than the required amount of ₹ 2.40 lacs), your LTC benefit will be restricted to ₹ 80,000.

**Q. What are the goods/services that can be bought which will qualify for this scheme?**

**A.** An indicative list of eligible goods or services is given below.

Sr. no.	Description of goods and services
1	Refrigerators, Washing machines, Microwave Ovens
2	Air Conditioners, Dish Washing Machine, Vacuum cleaners, Geysers
3	Mobile phones and accessories
4	Television sets, CCTV, Digital cameras and video camera recorders
5	Motor vehicles, bicycles
6	Laptops, computer, printers
7	Travelling bags, hand bags, shopping bags,
8	Sport goods, fitness equipment

9	Telecommunication services and internet services
10	Life insurance and Health insurance services

**Note:**

*The period given for availing this benefit is on the amount spent during October 12, 2020 till March 31, 2021. However, this benefit is going to be largely availed by corporate employees and it is pertinent to note that most of corporates close the investment declaration by January or latest by mid-February. Hence, it should be our endeavour to pitch this benefit and get the policies issued at the earliest and not wait till March 2021. The rationale been if the investment declaration window is closed by the employer then the employee would not be keen in investing in insurance policy for the purpose of LTC as he would not have any scope to claim this benefit. However, in such scenarios we can continue to pitch for tax benefits under Section 80C.*

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