

LTC Cash Voucher Scheme

Recently Government has introduced an LTC Cash scheme pertaining to tax benefit for LTC during this pandemic. Here is a summary of the scheme. - **LTC Cash Voucher Scheme**

In many organization, salary structure contains a component to reimburse the leave travel i.e. travel expenses for vacations. The expenses reimbursed, is also eligible for tax exemption to the extent the reimbursement pertains to fare – to & fro within India. The exemption is popularly known as “leave travel concession” (“LTC”) exemption. The LTC exemption can be claimed two times in the block of four years and the current block is 2018-2021. Considering the current pandemic situation, employees are not able to go on vacations and not able to claim LTC exemption.

In order to support the employees and to give boost to economy, the Government has come out with the special exemption, popularly known as “LTC Cash Voucher Scheme”. Although actual details and fine prints will be coming only after legislative amendment (notification/circular/rules) by Government, here are the relevant points based on press release –

1. Employees may claim deemed fare upto Rs. 36,000 per person for the eligible family without undertaking any travel. Employee need not take leave for this purpose nor undertake any travel. This is a scheme in lieu of LTC travel.
2. As an employee can claim LTC benefit for any two years in the block of four years, employees who has already claimed that benefit in the current block are not eligible for this scheme.
3. The employee needs to spend three times of the deemed fare received by it between 12th Oct 2020 to 31st March 2021. In case of shortage of spending, only proportionate tax exemption will be given.
4. The spending should be
 - a. On the items/services carrying GST @12% or more.
 - b. Purchases to be made from GST registered vendor/ service providers.
 - c. Payment by employees should be in digital mode (e.g. net banking, credit/debit cards etc.)
 - d. Employees need to have invoice in his name.
5. Employees who are opting for taxation under new regime provided under section 115BAC are not eligible for benefit under this scheme.

Example-

Deemed LTC Fare : Rs.20,000 x 4 = Rs. 80,000 (assuming employee has claim @20,000 for a family of four)

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.

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