

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1815
ANSWERED ON:17.07.2009
EXEMPTION OF TA FROM IT
Nishad Capt.(Retd.) Jainarayan Prasad

Will the Minister of FINANCE be pleased to state:

- (a) Whether the Sixth Central Pay Commission has increased the rate of Transport Allowance (TA) by 4 times; and
- (b) if so, whether Government proposes to bring an amendment in the Income Tax Act to exempt the entire amount of TA, admissible to Central Government Employees after implementation of Sixth Central Pay Commission recommendations;
- (c) if so, the time by when such amendment would be brought about; and
- (d) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE:(SHRI S.S. PALANIMANICKAM)

- (a) Yes Sir.
- (b) No Sir.
- (c) Does not arise.
- (d) There is no proposal to amend the Income Tax Act to exempt the entire amount of TA, admissible to Central Government Employees after implementation of Sixth Central Pay Commission recommendations in view of the following reasons:-
 - (i) Transport allowance is a personal allowance and all personal allowances (including salary) are in the nature of remuneration for services rendered as an employee and should, therefore, be liable to tax. As a matter of principle the tax treatment should be neutral across all such allowances and basic wages.
 - (ii) Since the financial year 2005-06, there has been a sharp increase in the total personal allowances granted to the assessee which are exempt from income-tax. The increase has been substantially higher than the required adjustment for inflation.
 - (iii) The transport allowance upto a maximum of Rs.800 per month (Rs.9600 per year) will continue to be exempt. As a result the junior level employees will not be significantly affected on account of the taxability of the transport allowance amount in excess of Rs.800 per month.
 - (iv) Substantial relief over the last four years has been granted to taxpayers across income range by expanding the slabs for personal income-tax rates. Such restructuring has provided significant tax relief to taxpayers. The Finance (No.2) Bill 2009 proposes to further enhance the basic threshold exemption limits for taxpayers.
 - (v) The increase in exemption limit of transport allowance would result in substantial revenue loss to the Government.