Carry-over concession of LTC

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Q : 1 I am the widow of Mr. Malhotra who during his life was a servant of the Government of India. I receive a monthly family pension of Rs. 4,000 on which a dearness allowance of Rs. 2,600 p.m. is also paid. In computing my total income can I claim standard deduction?

Mrs. Malhotra, Chandigarh

Ans. 1 : Pension received by an employee is taxable under the head salary but family pension received by legal heir of the deceased employee is taxable in the hands of legal heirs under the head income from other sources as there is no employer or employee relationship.In case of family Pension a standard deduction @ 33.33% of such income or Rs. 15000/- whichever is less is allowed.

Q :2 I received a sum of Rs. 2 lakh under a scheme of voluntary retirement from a public sector company in June,2000 . I joined another company , and was paid a further sum of Rs. 50,000 under the voluntary retirement scheme on my retirement in March 2004. Can I claim exemption of both the amounts under section 10(10C) as the aggregate of the two sums is less than Rs. 5 lakhs. Please Clarify?

Mr. Kaushal, Chandigarh

Ans 2 : You can claim deduction under this section only once i.e. either for the financial year 2000-01 (Rs.2 lakhs)or for the financial year 2003-04(Rs.50,000/-) .It does not matter even if the amount of compensation claimed exempt for the particular financial year is less than Rs. 5 lakh.

Q 3 : I am an employee of a public sector bank and am eligible for LTC once in two years, reckoned from the date of joining. Please clarify if two LTCs availed in a single financial year are exempt from Tax? Further, unavailed LTC of previous IT Block can be availed or not?

Mr. Kushwant, Mohali

Ans 3 : Exemption u/s 10(5) for leave travel concession is available as follows : –

(i) Only two journey in a block of four years is exempt. Here reference is for block of calendar years and not financial years.

(ii) If the assessee has not availed the travel concession during any of the four year in block period on one of the two permitted occasions (or on both occasions), exemption can be claimed on the first calendar year of next block (but in respect of only one journey). In such case the exemption so availed will not be counted for the purpose of claiming the future exemptions allowable in respect of two journeys in the subsequent block

(iii) Quantum of exemption is limited to actual expenses incurred on the journey and is limited to expenses on fare only and that too by the shortest route.

Q4 : My son completed his studies at US and got a job there . On his behalf, I am investing in securities & Properties. Now for income-tax purposes, do I need to add the income from the US and income from short-term gains Or, should I continue filing returns in India for income from securities & properties and let him file his returns in the US, separately?

Mr. Mukesh, Chandigarh

Ans4 : The liability to Indian income tax of an individual is directly related to the residential status enjoyed by the individual as per Indian Income tax Act. In case your son is a non-resident, he is liable to Indian income tax only in respect of the income earned, accrued or arisen or deemed to have accrued or arisen to him in India. However, in case the residential status of your son according to Indian tax laws is that of a resident, he is liable to pay tax on his total worldwide income subject, however to relief admissible as per the Double Taxation Avoidance Agreement between India and the US.