

Frequently Asked Questions: LTC Scheme

1. I have already exhausted my LTA limit for the year FY20-21. Will I still be eligible for the LTC scheme?

The LTC scheme will be applicable on the FBP amount left unutilized under LTA entitlement for FY 2020-21. If you have already exhausted the annual entitlement limit of INR 1,50,000 then you are not eligible to avail income tax exemption under the LTC scheme.

2. With the introduction of the LTC scheme, has the overall annual entitlement limit under FBP increased?

The LTC scheme has been introduced in lieu of LTA. In this year, you have the flexibility to avail income tax exemption under LTA or LTC or both partially. However, the overall maximum annual exemption limit remains capped at INR 1,50,000 and does not increase.

3. If I have already made two claims in the current LTA block period of 2018-21 but in the second LTA claim made in the current year FY20-21, I had only partly utilized the prescribed LTA limit, will the LTC scheme still be applicable for me?

Yes, in case you have only partly utilized the LTA entitlement in this year and have a balance unutilized amount under the LTA entitlement limit, then you can still avail this scheme for income tax exemption as per the LTC scheme guidelines.

4. I am yet to make a LTA claim in the current FY 20-21, can I avail the tax exemption only under LTA or LTC or both?

In the current FY 20-21, you can avail the tax exemption under LTA or LTC or partially under both LTA and LTC schemes in this year subject to the amount allocated by you in the FBP portal. However, the maximum exemption under LTC shall be lower of the unutilized amount under your current annual LTA entitlement or INR 36,000 per person (which may include employee, spouse, dependent children, parents etc.) or 1/3rd of the actual approved bills submitted

5. Do I need to take leave and/or undertake any travel to avail this LTC Scheme?

An employee need not take any leave for availing the LTC Scheme, nor undertake any travel. This is a scheme in lieu of LTC travel.

6. Where should I make an FBP declaration to avail this LTC Scheme?

An employee will have to make an allocation / declaration under the LTA component in the Employee Self Service window. Declaration can start from now onwards and the detailed process on actual submission of bills for LTC claim shall be communicated subsequently. However, this is an optional scheme and not mandatory.

7. When can I make a declaration in the FBP portal in ESS?

If you wish to avail the benefit under the LTC scheme then it is recommended that you make the declaration under the LTA component, as per estimated amount, at the earliest starting this month itself and avoid any rejection of actual bills due to non-availability of allocated amount in LTA bucket.

8. When can I submit the Goods and services bills to claim benefit under the LTC scheme?

A separate communication on the process of submission will be shared with you.

9. I have submitted a Mobile Handset bill to avail tax exemption under Mobile Handset component, can I use the same bill for submission under LTC scheme?

No. If employee has already taken tax benefit for any bill(s) under any other section or FBP/MC2 claim, then same bill is not eligible for claim under LTC scheme.

10. Do I need to submit a single bill of purchase of goods & services or multiple bills can be submitted?

Multiple bills for different purchases shall be acceptable. The purchase should have been done starting October 12, 2020 till March 31, 2021 (inclusive of both October 12th and March 31st) and should carry a GST of 12% or more and payment should be made through any digital mode including debit/credit cards, net banking or UPI.

Pls Note: The cutoff date for submission of actual bills in March 2021 will be communicated separately by finance team before the end of financial year.

11. Will the credit card payments will be considered as digital payments?

Yes, payment via Credit cards, Cheque, NEFT transfer, App based payments are to be considered as Digital.

12. What kind of purchases which will qualify for reimbursement under this scheme?

Any goods or services which attracts a GST of 12% and above will qualify. The invoice with GST details should be submitted and payment should be made through a digital mode.

13. I have incurred the expenditure between Oct 12, 2020 and Mar 31, 2021 as mentioned in the invoice date, while the actual product or service shall be received in April 2021. Will I still be eligible for the scheme?

The exemption is based on production of actual invoice with details of GST. Hence, even if the expenditure is made and settled within the eligible date window as mentioned on the invoice, but actual product & service is received in April 2021, the exemption will not be denied. However, the claim must be submitted and settled before 31 March 2021.

14. For digital payment, can I use my spouse's or any other family member's credit card?

Yes, however the invoice needs to be submitted in the name of the employee or an eligible dependent family member as declared or available in ESS tool.

15. Can services like interior decoration and phone bills be included?

Any goods and service which is having a GST component of 12% and above is permissible and has been transacted via a digital mode.

16. Is there any limit on the number of invoices than can be submitted to claim the LTC exemption?

It is suggested that the number of invoice/transactions are limited to a minimum extent to avoid any difficulty/delay in processing.

17. What happens if the goods which are purchased by the employee are returned subsequently?

The employee is not eligible for the deemed LTC exemption where the goods purchased are returned subsequently.

18. Are purchases made from e-commerce platform included?

Procurements from e-commerce platform are also permissible provided relevant invoice/details are submitted.

19. My unutilized FPB amount for FY 2020-21 is INR 1,20,000. I have opted for the LTC scheme and have purchased goods worth INR 3,00,00 during the specified period [Oct 12, 2020 to Mar 31, 2021]. What will be the tax exemption amount in lieu of this LTC scheme?

As per the scheme, the tax exemption is lower of the unutilized amount under the annual LTA entitlement or INR 36,000 per person (which may include employee, spouse, dependent children, parents etc.) or 1/3rd of the actual approved bills submitted. *In case the employee spends less than three times of the eligible amount, the related income-tax exemption will get reduced proportionately.*

In this case, the exemption under LTC will be calculated as below:

Annual unutilized amount as per LTA Entitlement and allocation(A)	1,20,000
No of eligible dependents of the employee (incl employee) assumed (B)	4
Amount eligible as per IT Law^^ (36,000*B) (C)	1,44,000
Final LTC eligibility^^^ (Minimum of A,C) (D)	1,20,000
Amount to be spent for full exemption (3*D) (E)	3,60,000
Amount actually spent by Employee (F)	3,00,000
Amount Exempted under LTC (F/E*D) (G)	1,00,000

20. I have opted for deduction of tax under the new concessional income tax regime. Will I be eligible for the LTC exemption scheme as well?

No, Employees who have opted for deduction of tax under the new concessional tax regime will not be entitled for the LTC tax exemption for the purposes of salary withholding.
