

Cash Voucher Scheme



1. Cash Voucher Scheme – Introduction:

- As part of a stimulus package to boost consumption in an economy hit hard by the Covid-19 pandemic, the government announced a Cash Voucher scheme for its employees during mid Oct'20 and later extended to others (including Private Employers) as well.
- India based employees at QuEST, can opt for this 'Cash Voucher scheme' for unutilized LTA trips / journeys of the current block 2018-2021, buy goods/services subject to conditions and **avail tax exemption** on the 'entitlement amount' as explained in this PPT.
- Since the Government is yet to make its 'Cash Voucher scheme' into a STATUTE / ACT, one can expect some modification/s in terms of guidelines and the same will have to followed if any. Appropriate communication will be shared with employees accordingly.

2. Cash Voucher Scheme - Bills, Mode & GST:

- Under the Cash Voucher Scheme, employees have to spend 3 times the 'Entitlement amount' (explained in the next slides), on Goods or Services between 12th October 2020 and 31st March 2021 where **GST is 12% or more** to get tax exemption on the entitlement amount. Bills should carry GST number and GST taxes.
- **The last date for submission of bills at QuEST on Excelity portal will be 15th March 2021.**
- Payments have to be in **digital mode** (online/Debit Card/Credit Card/UPI etc). Cash Transactions strictly not allowed as per the scheme.
- Bills can be in the name of not only 'Self' but also can be in the name of 'Family member/s'.
- If amount spend less than 3 times of 'Entitlement amount, then income tax exemption will be **proportionately** reduced.
- Multiple bills submissions on Excelity portal are not allowed. An employee needs to collate the bills and **submit it in a consolidated form** on Excelity portal by maximum 15th March 2021.
 - LIC premium paid receipt can be utilized for tax exemption purpose under Cash Voucher Scheme **provided the policy is bought** between 12th October 2020 and 31st March 2021.
 - One cannot use the same bills for two tax exemption purposes. Example: LIC premium paid receipt cannot be used under 80C and again under Cash Voucher Scheme.

3. Cash Voucher Scheme - Others important aspects:

- No compulsion of travel or to be on leave to avail 'Cash Voucher Scheme'.
- As per LTA regulations, tax exemption is available only for unutilized journeys (i. e. max 2) in the current block 2018-21. Though two journey's can be availed in a block of 4 years, **however, per financial year, it is restricted to one**. This condition is applicable for 'Cash Voucher' as well.
- Similar to LTA, Cash Voucher cannot be availed under the 'New Tax Regime'.
- Using 'Cash Voucher Scheme' is optional. Not mandatory.
- For declaring LTA or Cash Voucher, it is the same tab on Excelity portal (i. e. LTA reimbursement Check box under My Transactions & Planner) to be used. This window is open from 1st to 15th day of every month.
- While one can declare "Cash Voucher" beginning Dec20 (i. e. between 1st and 15th of every month), please note that Excelity system will be up for collecting Cash Voucher bills beginning Jan21 and the last date for submitting LTA or Cash Voucher will be 15th March 2021 (bills to be submitted in a consolidated format between 1st and 15th of every month).
- Difference between LTA Vs Cash Voucher: **Under LTA**, an employee declares it first, gets the amount withheld, travel & then submit bills to get tax exemption on the LTA band wise limit or actual bills amount whichever is lower. **Under Cash Voucher**, an employee declares it first, gets the amount withheld, No need to travel, instead submit goods / Services bills of 3 times the "Entitlement Amount" and get the tax exemption on the entitlement amount.

4. Cash Voucher Scheme – Entitlement:

‘Cash Voucher amount’ OR ‘LTA amount’ **which is lower** is considered as the entitlement amount. Deemed Cash Voucher is max Rs. 36,000 per person for max 4 family members and QuEST LTA eligibility can be seen in the below table:

QuEST LTA eligibility per annum as per Band	Amount per annum (INR)
Band 1E, E1,1D,E2,1C & E3	30,000
Band 1B,E4 ,1A,E5 & 2	50,000
Band 3	75,000
Band 4	100,000

Illustration of Cash Voucher Tax Exemption :	Amount per annum (INR)
Max LTA as per Cash Voucher (36,000*4)	144,000
LTA as per band 2 at QuEST	50,000
Entitlement - Lower of above	50,000
Amount to be spent to avail full exemption (Entitlement *3 times)	150,000
Tax exemption assuming 30% bracket (on 50,000) pa	15,000

5. Cash Voucher Scheme - Important Points for consideration:

- The current block is 2018-21. Still there is one year to go and one can also carry forward unutilized max 1 journey to the first year of next block.
- In order to get the tax exemption (in line with the tax bracket) on the entitlement amount, one has to spend 3 times of the entitlement amount and that too on Goods / Services which attracts minimum 12% GST. Please note this important aspect.
- You can review your current tax bracket to help you decide if you need to opt for 'Cash Voucher' scheme.

6. Cash Voucher Scheme – FAQ:

- **Most expected question:** Cash Voucher Scheme or LTA – Declaring it now !

“I did not declare LTA during April20. If I declare LTA / Cash Voucher now within 15th December 2020, the prorated entitlement amount for 4 months becomes too less (Example: Rs. 50,000/- per annum LTA limit for band 2 for four months (Dec20-Mar21) turns out hardly Rs. 16,667/-) . In this regard, can I utilize the balancing component “Other allowance” for LTA or Cash Voucher scheme **to the extent of my annual LTA band wise limit?**

The answer is “Yes” provided while declaring the LTA / Cash Voucher, **you declare it specifically on Excelity portal** and also as long as your ‘Other allowance’ component is enough to cover the shortfall. You can follow these steps to update your LTA or Cash Voucher declaration to the extent of your annual LTA on Excelity portal:

- >Excelity Portal->MyTransactions->Planner (window is open 1st and 15th day of every month).
- >Click LTA Reimbursement checkbox->Against this line item & under FBP Plan Per Month ->
- > Indicate Rs. 12,500/- pm (i. e. Rs. 50,000 limit for 4 months (Dec20, Jan21, Feb21 & Mar21). **Four months considered in this example assuming that you are declaring it within 15th Dec 2020.**
- >Confirm & View Report

7. Cash Voucher Scheme - FAQ contd....:

- **What happens if I declare Cash Voucher scheme now and do not submit the bills by 15th March 2021?** The withheld amount will be paid to you during March21 through India Payroll by offering it for taxes in line with your taxable bracket.
- **My bills though contains 12% GST or more, however, it doesn't show the mode of payment on the face of invoice. What should I do?** Since digital payment is mandatory for availing cash voucher Scheme for tax exemption, you will have to submit additional supporting documents to substantiate the digital payment (such as bank statement, credit card statement etc).
- **What about Investment Proofs submission such as Housing loan Interest, HRA etc for FY 2020-21?** It is a different exercise and employees receive a separate communication on the same.
- **Whether Cheque is considered as a 'Digital Payment'?** Yes. Provided bank statement is also submitted along with cheque copy to substantiate that digital payment was indeed took place.



Thank You

