

INCOME TAX SPECIAL

**TAMIL NADU GENERATION AND DISTRIBUTION CORPORATION LIMITED
(ACCOUNTS BRANCH)**

From
V.Uma Mageswari, B.Com., ACMA.,
ACS(EXE).,
Chief Financial Controller/General (a/c),
144, Anna Salai, Chennai-600 002.

To
All Superintending Engineers,
All Financial Controllers
All Drawing & Disbursing Officers/HQs.

Circular No.CFC/GL/FC/ACCTS/DFC/AO/TAXATION/D.115/2020, dt.31.01.2020.

Sir,

Sub: Income-Tax –TDS on reimbursement of Medical bill of employees –
Clarification issued – Reg.

- Ref: 1) Circular Letter No.CFC/GL/FC/ACCTS/DFC/AO/TAXATION/D.32/2018,
dt.22.06.2018.
2) Circular Letter No.CFC/GL/FC/ACCTS/DFC/AO/TAXATION/D.53/2019,
dt.19.09.2019.
3) Finance Department/Sectt./Chennai's Lr.No.3816/FS/2019, dt.20.01.2020.

Kindly refer Circular (1)&(2) cited, wherein rates of Income Tax to be deducted at source from Salaries, TDS amendments and charts for TDS and TDS for Financial Year 2018-19 & 2019-20 were communicated.

Now, many of the Circle/Head Quarters Offices have requested for clarification whether the medical reimbursement claim can be taken as taxable income for calculating the income tax or not. In this regard, the provision of standard deduction which was reintroduced in Budget 2018 and amended in Budget 2019 is reproduced below:-

"Standard deduction u/s 16(ia) increased from Rs.40,000/- to Rs.50,000/- which has been re-introduced last year for all salaried individuals for transportation or medical reimbursement purposes. However, exemption will not be available for medical reimbursement of Rs.15,000/- and transport allowance of Rs.1,600/- per month. The transport allowance exemption at enhanced rate of Rs.3,200/- per month shall continue to be allowed to differently abled persons. The standard deduction will be reduced directly from the Gross salary, and there is no need to submit investment proof or bills to avail of the benefit of standard deduction."

From the above provisions, it can be seen that the medical reimbursement claim and medical allowance shall be taxable in the hands of employees, hence the same has to be taken as taxable income for calculation of income tax. Copy of letter 3rd cited is also enclosed.

While many Circles are adhering to the TDS guidelines intact, few Circles are not implementing the TDS provisions in true understanding. Since the finalization of calculation of Income Tax based on several proof submitted during the Financial Year 2019-20 (Assessment Year 2020-21) is under full swing, appropriate action shall be taken to promptly comply with the TDS provisions viz. calculation of Income Tax liability on salary, supporting documents for deduction as called for in reference (2) cited, recovery, remittance to Government, return submission, issue of TDS certificate etc.

The Superintending Engineers and Drawing and Disbursing Officers shall be responsible for any of the non-compliances noticed later.

Yours faithfully,



CHIEF FINANCIAL CONTROLLER/GL. (a/c)

Copy to All the Chief Engineers.

Copy to the Chief Financial Controller/TANTRANSCO.



Finance (BG-II) Department
Secretariat, Chennai-9

Letter No.3816 / FS / 2019, Dated 20.01.2020

From
Thiru H.Krishnanunni, I.A.S.,
Deputy Secretary to Government (Budget).

To
All Department of Secretariat /
Head of Departments / Boards and Corporations

Sir / Madam,

Sub : Income Tax – Amendment to Section 17(2) of the Income Tax Act under the heading Perquisite – Government of India Gazette Notification – Communication – Reg.

Ref : The Finance Act, 2018 (Central Act No.13 of 2018) published in the Gazette of India, Extraordinary No.17/Dt.29.03.2018

As per the Finance Act, 2018, among others, an amendment has been made to Section 17 of the Income Tax Act, wherein, in clause (2), in the proviso occurring after sub clause (viii), clause (v) has been deleted with effect from the 1st day of April, 2019.

2. In view of the above said amendment made in Section 17 of the Income Tax Act, any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family (other than the treatment referred to in clauses (i) and (ii) in the proviso occurring after sub-clause (viii) will be taxable with effect from 01.04.2019.

3. The above position is communicated to the officers serving in the State Government.

Yours faithfully,

for Deputy Secretary to Government (Budget)