

1. Agriculture Income [Section 10(1)]

As per section 10(1), agricultural income earned by the taxpayer in India is exempt from tax. Agricultural income is defined under section 2(1A) of the Income-tax Act. As per section 2(1A), agricultural income generally means:

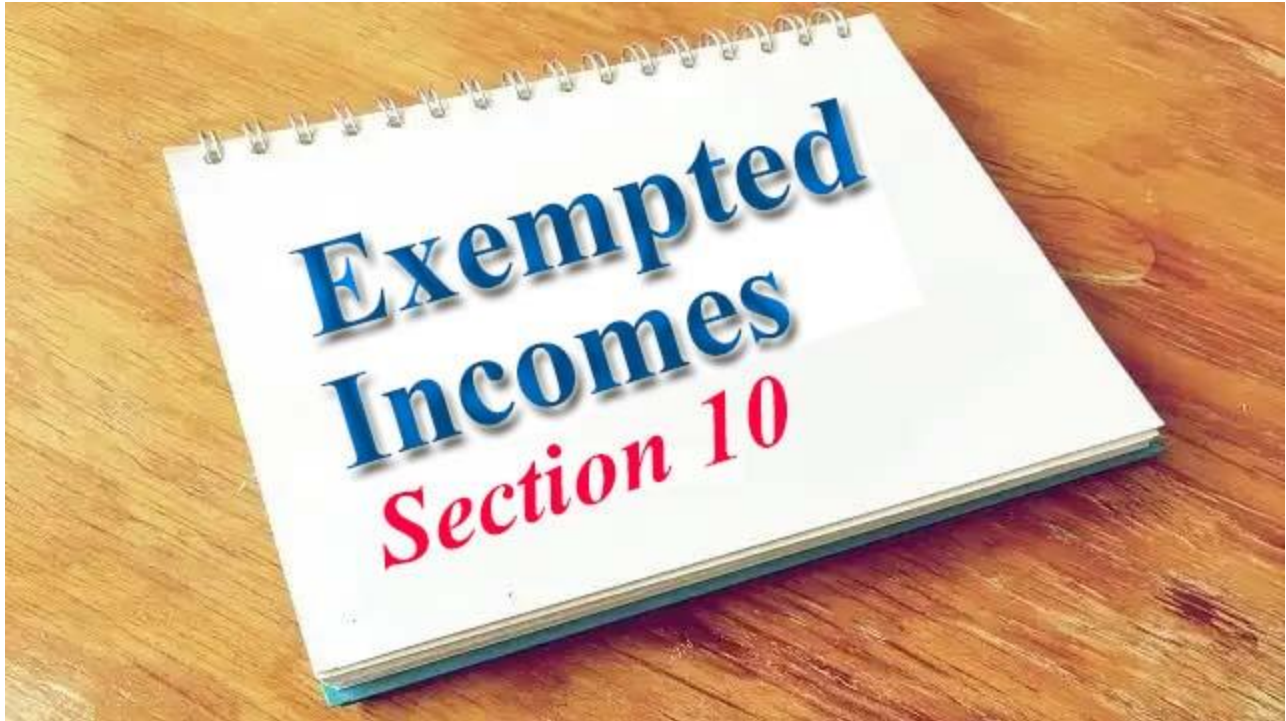
- a. Any rent or revenue derived from land which is situated in India and is used for agricultural purposes.
- b. Any income derived from such land by agriculture operations including processing of agricultural produce so as to render it fit for the market or sale of such produce.
- c. Any income attributable to a farm house subject to satisfaction of certain conditions specified in this regard in section 2(1A). Any income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income.

2. Any sum received by a Co-parcener from Hindu Undivided Family (H.U.F.) [Section 10(2)]

As per section 10(2), amount received out of family income, or in case of impartible estate, amount received out of income of family estate by any member of such HUF is exempt from tax. Example-1. HUF earned ` 5,00,000 during the previous year and paid tax on its income. Mr. A, a co-parcener is an employee and earns a salary of ` 20,000 p.m. During the previous year Mr. A also received ` 1,00,000 from HUF. Mr. A will pay tax on his salary income but any sum of money received from his HUF is not chargeable to tax in Mr. A's hands.

Example-2. HUF earned ` 90,000 during the previous year 2016-17 and it is not chargeable to tax. Mr. A, a co-parcener is earning individual income of ` 20,000 p.m. Besides his individual income, Mr. A receives ` 30,000 from his HUF.

Mr. A will pay tax on his individual income but any sum of money received by him from his HUF is not chargeable to tax in the hands of co-parcener whether the HUF has paid tax or not on that income.



3. Share of Income from the Firm [Section 10(2A)]

As per section 10(2A), share of profit received by a partner from a firm is exempt from tax in the hands of the partner. Further, share of profit received by a partner of LLP from the LLP will be exempt from tax in the hands of such partner. This exemption is limited only to share of profit and does not apply to interest on capital and remuneration received by the partner from the firm/LLP.

4. Interest paid to Non-Resident [Section 10(4)(i)]

As per section 10(4)(i), in the case of a non-resident any income by way of interest on certain notified securities or bonds (including income by way of premium on the redemption of such bonds) is exempt from tax.

As per section 10(4)(ii), in the case of an individual, any income by way of interest on money standing to his credit in a Non-Resident (External) Account in any bank in India in accordance with the Foreign Exchange Management Act, 1999, and the rules made there under is exempt from tax.

Exemption under section 10(4)(ii) is available only if such individual is a person resident outside India as defined in clause (q) of section 2 of the said Act or is a person who has been permitted by the Reserve Bank of India to maintain the aforesaid Account.

5. Interest to Non-Resident on Non-Resident (External) Account [Section 10(4)(ii)]

Any income by way of interest on moneys standing to his credit in a Non-Resident (External) Account in any bank in India shall be exempt from tax in case of an individual who is a person resident outside India or is a person who has been permitted by the RBI to maintain the aforesaid account. The person residing outside India shall have the same meaning as defined under Foreign Exchange Regulation Act, 1973, FEMA, 1999. This exemption shall not be available on any income by way of interest paid or credited on or after 1-4-2005.

6. Interest paid to a person of Indian Origin and who is Non-Resident [Section 10(4 B)]

In case of an individual, being a citizen of India or a person of Indian origin, who is nonresident, any income from interest on such savings certificates issued by the Central Government, as Government may specify in this behalf by notification in the Official Gazette, shall be fully exempt. The exemption under this section shall not be allowed on bonds or securities issued on or after 1-6-2002.

This exemption shall be allowed only if the individual has subscribed to such certificates in Foreign Currency or other foreign exchange remitted from a country outside India in accordance with the provisions of the Foreign Exchange Act, 1973, FEMA, 1999 and any rules made there under.

For this purpose, a person shall be deemed to be of Indian origin if he or either of parents or any of his grandparents, was born in India or in undivided India.

7. Leave Travel Concession or Assistance (LTC/LTA) to an Indian Citizen Employee [Section 10(5)]

The employee is entitled to exemption under section 10(5) in respect of the value of travel concession or assistance received by or due to him from his employer or former employer for himself and his family, in connection with his proceeding—

- a. on leave to any place in India.
- b. to any place in India after retirement from service or after the termination of his service.

The exemption shall be allowed subject to the following:

- i. where journey is performed by air — Maximum exemption shall be an amount not exceeding the air economy fare of the National Carrier by the shortest route to the place of destination;
- ii. where places of origin of journey and destination are connected by rail and the journey is performed by any mode of transport other than by air — Maximum exemption shall be an amount not exceeding the air-conditioned first class rail fare by the shortest route to the place of destination; and
- iii. where the places of origin of journey and destination or part thereof are not connected by rail and the journey is performed between such places — The amount eligible for exemption shall be:
 - A. where a recognised public transport system exists, an amount not exceeding the 1st class or deluxe class fare, as the case may be, on such transport by the shortest route to the place of destination; and
 - B. where no recognised public transport system exists, an amount equivalent to the airconditioned first class rail fare, for the distance of the journey by the shortest route, as if the journey had been performed by rail.

Exemption will, however, in no case exceed, actual expenditure incurred on the performance of journey.

HOW MANY TIMES CAN EXEMPTION BE CLAIMED?

- The assessee can claim exemption in respect of any two journeys in a block of 4 years. For this purpose, the first block of 4 years was calendar years 1986-89, second block was 1990-93, third block was 1994-97, fourth block was 1998-2001, fifth block was 2002-05 sixth block was 2006-09, seventh block is 2010 to 2013, eight block is 2014-2017 and ninth block will be 2018-2021.
- If the assessee has not availed of the exemption of LTC in a particular block, whether for both the journeys or for one journey, he can claim the exemption of first journey in the calendar year immediately succeeding the end of the block of four calendar years. In other words, maximum one journey can be carried forward and that too only for the first journey in the following calendar year unless the period is otherwise extended. Such journey undertaken during the extended period will not be taken into account for determining the tax exemption of two journeys for the succeeding block.

Exemption available only in respect of two children

The exemption relating to LTC shall not be available to more than two surviving children of an individual after 1.10.1998.

Exception: The above rule will not apply in respect of children born before 1.10.1998 and also in case of multiple birth after one child.

IMPORTANT NOTES :

1. In case the LTC is encashed without performing the journey, the entire amount received by the employee would be taxable.
2. Family for this purpose includes:
 - a. the spouse and children of the employee;
 - b. parents, brothers & sisters of the employee, who are wholly or mainly dependent upon him.
3. The exemption can be availed for the journey undertaken while on leave during the tenure of service or even after retirement/termination from service.
4. The exemption is allowed only in respect of fare. Expenses incurred on portage, conveyance from residence to the railway station/airport/bus stand and back, boarding and lodging or expenses during the journey will not qualify for exemption.
5. Exemption is available in respect of shortest route. Where the journey is performed from the place of origin to different places in a circular form or in any other manner, the exemption for that journey will be limited to what is admissible for the journey from the place of origin to the farthest point reached, by the shortest route.