

**GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
RAILWAY BOARD**

No. F(X) I- 2012/23/9

New Delhi, Dated 10.10.2012

OFFICE MEMORANDUM

**Sub.: -Exemption of Transport Allowance from the purview of
Income Tax –Enhancement of exemption limit from Rs.
800 to Rs. 3200 plus D.A. thereon.**

The undersigned is directed to draw the attention of the Ministry of Finance (Department of Revenue) Central Board of Direct Taxes towards para 5.2(10) (i) at page 14 of their Circular No. 05/2011 dated 16.08.2011 wherein it has been specified that the transport allowance granted to an employee to meet his expenditure for the purpose of commuting between the place of his residence and the place of duty is exempt to the extent of Rs. 800/- per month.

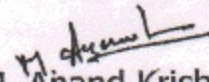
Representations are being received in the Ministry of Railways from various federations of Railways. The Federations have represented that Transport Allowance was introduced with the concept of providing financial support to the Central Government Employees who incur considerable amounts for their day-to-day travel from their residence to the work place. This had materialized based on the recommendations of the V CPC which introduced Transport Allowance in 3 slabs at the rate of Rs. 100, Rs. 400 and Rs. 800, based on the classification of the cities/towns under Urban Agglomeration Act. Further, a prerequisite was introduced to allow this facility for those who stay beyond 1 km radius from the place of work.

A decision was taken to equate such allowance on par with normal Travelling/Daily Allowance and these amounts have also been exempted from computation of annual income and exempted from the purview of Income Tax vide Income Tax(Eighth Amendment) Rules, 1995 notified vide F.No. 142/9/95-TPL dt. 7-7-1995.

The VI CPC, while reviewing the system of grant of Transport Allowance has recommended to enhance the same from Rs. 100 to Rs. 800, Rs. 400 to Rs. 1600 and Rs. 800 to Rs. 3200, for Pay Bands 1 to 4 respectively. The City Compensatory Allowance was Withdrawn. It was also

recommended to provide the coverage of D.A. to Transport Allowance as per increase in the Consumer Price Index.

Ministry of Finance are therefore requested to include the request of the Railways for taking due action for enhancing exemption of Transport Allowance from the purview of Income Tax from Rs. 800/- to Rs. 3200/- plus DA Thereon.


(M. Anand Krishna)

Deputy Director, Finance (Exp.)
Railway Board.

**The Director (Budget),
Ministry of Finance,
Central Board of Direct Taxes,
North Block, New Delhi.**

<http://www.airfindia.com>