

Rule 2BB

Special allowances

The statutory background

2BB.1 With effect from the assessment year 1989-90, only allowances notified under section 10(14) of the Act will qualify for exemption.

Allowances fully exempt

2BB.2 Under sub-clause (i) of clause (14) of section 10, any prescribed special allowance or benefit, other than those in the nature of a perquisite, specifically granted to meet expenses wholly, necessarily and exclusively incurred in the performance of the duties of an office or employment of profit, is exempt to the extent to which such expenses are actually incurred for that purpose. The allowances prescribed for this purpose (which are fully exempt) are spelt out in rule 2BB(1). These allowances are as follows :

◆ Any allowance granted to meet the cost of travel on tour or on transfer, including any sum paid in connection with transfer, packing and transportation of personal effects on such transfer.

◆ Any allowance, whether granted on tour or for the period of journey in connection with transfer, to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty.

◆ Any allowance granted to meet the expenditure incurred on conveyance in performance of duties of an office or employment of profit, provided that free conveyance is not provided by the employer.

In *CIT v. E.A. Rejendran* [1997] 142 CTR (Mad.) 244 it was held that in the absence of any notification under section 10(14) granting exemption, additional conveyance allowance and 40 per cent of the incentive bonus received by Development Officer of LIC could not be held to be exempt under section 10(14). [See also *LIC Class I Officers (Bombay) Association v. LIC of India* [1998] 229 ITR 510 (Bom.), and *CIT v. M.D. Patil* [1998] 229 ITR 71 (Kar.) (FB)].

◆ Any allowance granted to meet the expenditure incurred on a helper, where such helper is engaged for the performance of duties of an office or employment of profit.

◆ Any allowance granted for encouraging the academic, research and training pursuits in educational and research institutions.

◆ Any allowance granted to meet the expenditure incurred on the purchase or maintenance of uniform for wear during the performance of the duties of an office or employment of profit.

Allowances exempt upto specified limits

2BB.3 Under sub-clause (ii) of section 10(14), any *prescribed* allowance granted to the assessee either to meet his personal expenses at the place where the duties of

his office or employment of profit are ordinarily performed by him or at the place where he ordinarily resides, or to compensate him for the increased cost of living, is exempt *upto the prescribed extent*. Rule 2BB(2) enumerates these allowances and the limits upto which they are exempt. These allowances are as follows :

	<i>Name of allowance/places where exempt</i>	<i>Extent of exemption</i>
(i)	Any special compensatory allowance in the nature of *Special Compensatory (Hilly Areas) Allowance or High Altitude Allowance or Uncongenial Climate Allowance or Snow Bound Area Allowance or Avalanche Allowance—	
	(i) At places mentioned under Item I in Col. 3 of Sl. No. 1 of the Table in rule 2BB(2)	Rs. 800* per month
	(ii) Siachen area of Jammu and Kashmir	Rs. 7,000* per month
	(iii) All other places situated at a height of 1,000 metres or more above sea level	Rs. 300* per month
(ii)	*Any special compensatory allowance in the nature of Border Area Allowance or Remote locality allowance or Difficult Area Allowance or Disturbed Area Allowance—	
	(a) At places mentioned under Item I in Col. 3 of Sl. No. 2 of the Table in rule 2BB(2)	Rs. 1,300* per month
	(b) Installations in the Continental Shelf of India and the Exclusive Economic Zone of India	Rs. 1,100 per month
	(c) At places mentioned in Item III in Col. 3 of Sl. No. 2 of the Table in rule 2BB(2)	Rs. 1,050* per month
	(d) At places mentioned in Item IV in Col. 3 of Sl. No. 2 of the Table in rule 2BB(2)	Rs. 750* per month
	(e) Jog Falls in Shimoga District in Karnataka	Rs. 300 per month
	(f) At places mentioned in Item VI in Col. 3 of Sl. No. 2 of the Table in rule 2BB(2)	Rs. 200* per month
(iii)	*Special Compensatory (Tribal Areas/Schedule Areas/Agency Areas) Allowance in States mentioned in Col. 3 of	Rs. 200* per month

Sl. No. 3 of Table in rule 2BB(2)

(iv)	Any allowance granted to an employee working in any transport system to meet his personal expenditure during his duty performed in the course of running of such transport from one place to another place, provided that such employee is not in receipt of daily allowance (whole of India)	70 per cent of such allowance upto a maximum of Rs. 6,000* per month
(v)	Children Educational Allowance (whole of India)	Rs. 100* per month per child upto a maximum of two children
(vi)	Any allowance granted to an employee to meet the hostel expenditure on his child (whole of India)	Rs. 300* per month per child, upto a maximum of two children
(vii)	Compensatory Field Area Allowance, at places mentioned in Col. 3 of Sl. No. 7 of Table in rule 2BB(2)	Rs. 2,600† per month
(viii)	Compensatory Modified Field Area Allowance at places mentioned in Col. 3 of Sl. No. 8 of Table in rule 2BB(2)	Rs. 1,000* per month
(ix)	Any special allowance in the nature of counter insurgency allowance granted to the members of the armed forces operating in areas away from their permanent locations for a period of more than 30 days (whole of India)	Rs. 3,900* per month
(x)	Transport allowance granted to an employee [other than an employee referred to in (xi)] to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty (whole of India)	Rs. 800† per month
(xi)	†Transport allowance granted to an employee, who is blind or orthopaedically handicapped with disability of lower extremities, to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty (whole of India)	Rs. 1,600† per month
(xii)	Underground allowance granted to an employee who is working in uncongenial, unnatural climate in under- ground coal	Rs. 800‡ per month

mines (whole of India).

\$(xiii)	Any special allowance in the nature of high altitude (uncongenial climate) allowance granted to the member of the armed forces operating in high altitude areas	
	(a) For altitude of 9,000 to 15,000 feet	Rs. 1,060 per month
	(b) For altitude above 15,000 feet	Rs. 1,600 per month
\$(xiv)	Any special allowance granted to the members of the armed forces in the nature of special compensatory highly active field area allowance (whole of India)	Rs. 4,200 per month
£(xv)	Any special allowance granted to the member of the armed forces in the nature of island (duty) allowance (Andaman & Nicobar and Lakshadweep Group of Islands)	Rs. 3,250 per month

Note : An assessee who claims exemption under (vii) and (viii) above, will not be entitled to the exemption in respect of the allowance referred to at (ii).

An assessee who claims exemption under (ix) will not be entitled to the exemption in respect of the allowance referred to at (ii) (disturbed area allowance).

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