

# TAX FLASH NEWS

9 August 2022

## Prescribed documentation and Forms for claiming Covid-19 related tax exemptions

### Background

During Budget 2022, Central Government had announced the following with respect to taxability of money received by individuals for Covid-19 treatment or ex-gratia received by family members of deceased person due to Covid-19:

- Any sum of money received by an individual, as a reimbursement of actual expenses, with effect from FY 2019-20, for medical treatment of self/ family members on account of COVID-19 related illness, is not taxable
- Any amount received by the family members of a deceased individual, with effect from financial year (FY) 2019-20, from the employer of the deceased individual is not taxable. Such amount (upto INR 10 lakhs) received from any other person is also not taxable.

Consequently, the Central Board of Direct Taxes (CBDT), vide Notifications<sup>1</sup>, has notified the documentation requirement for claiming tax free reimbursement<sup>2</sup> on amount received from the employer for medical treatment on account of covid illness and Forms to be furnished with the income-tax department to qualify as exempt<sup>3,4</sup>, income under the Income-tax Act, 1961 (the Act).

The above amendment is deemed to have come into force effective 01 April 2020 and shall apply to the FY 2019-20 and subsequent FYs.

### On account of covid treatment/ illness by the individual

- As per the notification<sup>1</sup>, the employee shall submit the following documents to the employer for claiming tax exemption<sup>2</sup>.
  - a) COVID-19 positive report/ medical report, as the case may be, of the employee or family member in a hospital or an in-patient facility by a treating physician;
  - b) all necessary documents of medical diagnosis or treatment of the employee or his family member for COVID-19 or illness related to COVID-19 suffered within six months from the date of being determined as COVID-19 positive; and
  - c) a certification in respect of all expenditure incurred on the treatment of COVID-19 or illness related to COVID-19 of the employee or of any member of his family.
- The individual is required to furnish the details of the amount received (from any person) for expenditure actually incurred by him on his/ family member's medical treatment in the financial year in Form No.1 to the income-tax department within nine months from the end of the financial year or 31.12.2022, whichever is later in order to claim exemption<sup>3</sup> of such income. The details required to be furnished in Form 1, along with declaration are inter-alia are as follows:

<sup>1</sup> Notification No. 90 /2022/F. No. 370142/31/2022-TPL (Part-2); Notification No. 91/2022/F. No. 370142/31/2022-TPL (Part-2); Notification No. 92/ 2022/ F. No. 370142/31/2022-TPL (Part-2)]

<sup>2</sup> First proviso to clause (2) of section 17 of the Act

<sup>3</sup> clause (XII) of first proviso to clause (x) of sub-section (2) of section 56 of the Act

<sup>4</sup> clause (XIII) of first proviso to clause (x) of sub-section (2) of section 56 of the Act

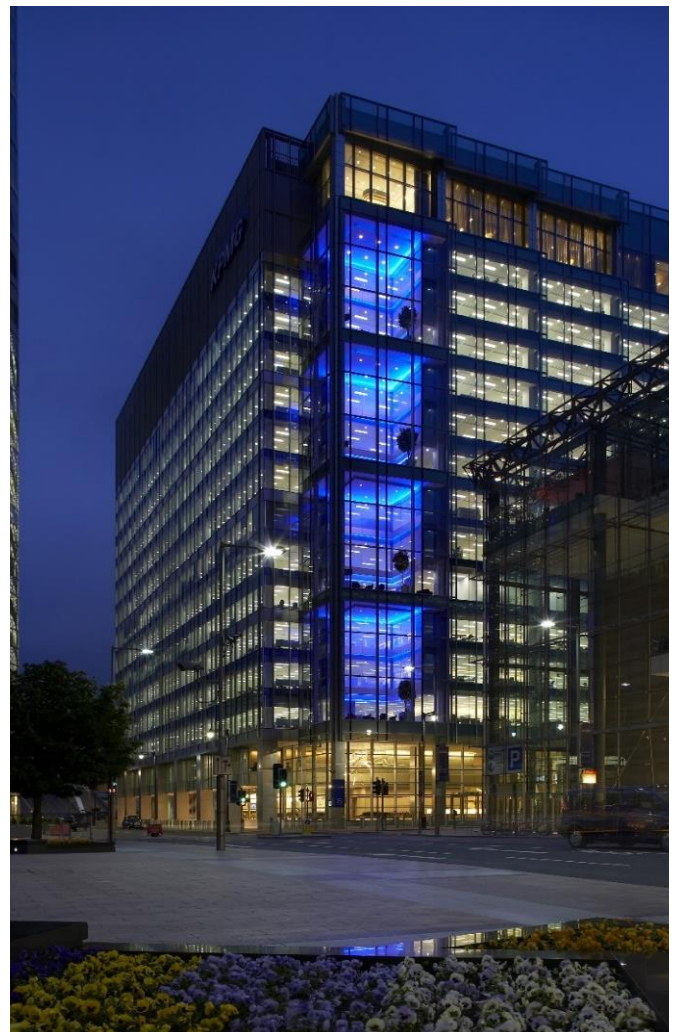
- Personal details of the infected person;
- Date of covid test report;
- Details of medical diagnosis or treatment of the individual or any member of his family for COVID-19 or illness related to COVID-19 suffered within six months from the date of being determined as COVID-19 positive;
- Details of total expenditure incurred on the treatment of COVID-19 or
- Personal Details of the person from which the amount has been received

### On account of death due to covid by a member of the family of a deceased person

- With respect to claiming exemption<sup>4</sup> on amount received by an individual on account death of his/ her family member, as per the notification<sup>2</sup>, the death of the individual should be within six months from the date of testing positive or from the date of being clinically determined as a COVID-19;
- The family member of the individual should have in record the COVID-19 positive report of the individual and a medical report or death certificate issued by a medical practitioner stating that death of the person is due to Covid-19/ related to Covid-19;
- The family member of the deceased person is also required to furnish the details of the amount received in the financial year in form No A to the income-tax department within nine months from the end of the financial year or 31.12.2022, whichever is later in order to claim exemption<sup>4</sup> of such income.
- The details required in Form 1 (as stated above) are required to be furnished in Form No A as well. Additionally following details are *inter-alia* required to be furnished:
  - Amount received from employer of the deceased person;
  - Amount received from any other person;
  - Personal Details of the employer and any other person from which the amount has been received

### Our comments

The clarifications issued by CBDT clearly explains about the process/ documentation requirement for claiming Covid-19 related tax exemptions. The notification casts responsibility on the employer and the individuals for claiming such tax exemptions. As far as benefits provided by employer, the onus is on the employer to collect documents from the relevant individual. Further, since it is a retrospective amendment, with respect to past FYs, the employer may need to collate, collect and thereafter carry out necessary revisions with respect to benefits provided by them (pertaining to Covid illness). Additionally, the individual would need to file relevant documentation/ forms with the Income tax authorities appropriately, within the specified time limits.



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