

RATIONALISING EXEMPTIONS

Allowance/reimbursement	Prescribed limit for exemption under the Income Tax Act	Applicable since FY	Recommendation	Inflation-adjusted amount#
Transport allowance	₹1,600 per month	2015-16**	₹5,000	₹2,636
Children's education allowance	₹100 per month per child	1997-98	₹1,200	₹330
Hostel allowance	₹300 per month per child	1997-98	₹3,600	₹989
Medical expense reimbursement	₹15,000 per annum	1998-99	₹50,000	₹43,705
Free meal/meal vouchers	₹50 per meal	2000-01	₹120	₹136
Deduction of interest on borrowed capital utilised for acquiring self-occupied property	₹2 lakh	2014-15	₹5 lakh	₹2,09,760
Leave encashment	₹3 lakh	1997-98	₹10 lakh	₹9,88,601
Payment under voluntary retirement Scheme	₹5 lakh	1993-94	₹15 lakh	₹23,35,754
Rent paid (if no house rent allowance given to employee)	₹2,000 per month (maximum)	1996-97	₹6,000	₹7,039

#Calculated on the basis of CPI-based inflation (annual average); CPI data prior to 2011-12 are based on figures for CPI industrial workers, while data after that is according to CPI new series; **before revision in 2015-16, the limit was ₹800 from 1997-98

Sources: Labour Bureau, Ministry of Labour and Employment, Government of India, Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India