

Conveyance allowance received by LIC employee to develop insurance business is exempt from tax

Summary – The High Court of Rajasthan in a recent case of Madan Gopal Bansal, (the Assessee) held that conveyance allowed paid by LIC to its Development Officer for performance of his duties and development of insurance business is to be allowed as exempt under section 10(14).

Facts

- The assessee, was a Development Officer of Life Insurance Corporation of India (for short, 'LIC'). He received certain amount towards conveyance allowance from the LIC.
- Though the same was part of the salary certificate but the contention of the assessee was that the said amount had been incurred in development of LIC business to receive the premium on account of various policies and the said amount was entirely exempt under section 10(14).
- The Assessing Officer having rejected assessee's contention, added said amount as income of the assessee.
- The Commissioner (Appeals) held that the assessee had incurred the said amount wholly, necessarily and exclusively for the performance of the duties, therefore, in the light of section 10(14) read with Rule 2BB of the Income-tax Rules, 1962, it could not be included in assessee's taxable income.
- The Tribunal did not interfere with the findings of the Commissioner (Appeals).
- On revenue's appeal:

Held

- The conveyance allowance and additional conveyance allowance are paid to the Development Officers for meeting actual expenditure incurred by them in discharge of their field duties and thus necessarily and exclusively for meeting of such expenditure, the allowance is thus being exempt as per the norms set out by the LIC.
- It appears that the LIC has worked out conveyance and additional conveyance allowance to the Development Officers considering the expenditure incurred for procuring the business and it is fixed by a general formula having reference to the parameters of the business and thus the payment of conveyance and additional conveyance allowance is nothing but a reimbursement of the actual expenditure incurred by the Development Officers on account of conveyance in relation to the performance of their duties and the said expenditure has a close nexus to the performance of the duties and development of the insurance business, *inter alia*, by way of meeting several persons, to enroll new life insurance agents, to meet the customers for encouraging them to take insurance policies etc.. Therefore, in such circumstances, expenditures have to be incurred towards conveyance.

- In the result, the Tribunal was justified in upholding the exemption granted by the Commissioner (Appeals).