

DIRECT TAX

Circular No. 13 /2019

Date – 24.06.2019

Exemption of service clement and disability element of disability pension granted to disabled personnel of armed forces who have been invalided on account of disability attributable to or aggravated by such service-reg

Under the existing provisions of clause (~ of sub-section 2 of section 297 of the Income tax Act, 1961 ('Act any notification issued under sub-section (I) of section 60 or section 60A of the Indian Income-Tax Act, 1922 (now repealed) and in force immediately before the commencement of the Act shall continue to be in force to the extent to which no provision has been made under the Act. Previously, in exercise of powers conferred under section 60 of the Indian Income-Tax Act, 1922, vide Notification no. 878 -F dated 21.03.1922, it was ordered at para 19 that 'pensions granted to members of His Majesty 's naval, military or air forces who have been invalided for naval, military or air force service on account of bodily disability attributable to or aggravated by such service would be exempt from tax under the Indian Income Tax Act, 1922".

In furtherance to the above, instruction no. 136 / 1970 dated 14.01.1970 in F. No. 3 4/ 3 / 68 IT(AI) and instruction no. 2/2001 dated 02.07.200 1 in F. No. 200/51/99-ITA-I have been issued to clarify that the entire disability pension, i.e. "disability clement" and "service element" of a disabled officer of the Indian Armed Forces continues to be exempt from income tax under the Income-tax Act, 1.961.

The notification no. 878-F dated 21.03 .1922, provides income tax exemption to all members of armed Forces who have been invalided for naval, military or air force service on account of bodily disability attributable to or aggravated by such service. Thus, income-tax exemption under above clause would be available to all armed forces personnel (irrespective of rank) who have been invalided for such service on account of bodily disability attributable to or aggravated by such service.

Further, such tax exemption will be available only to armed forces personnel who have been invalided from service on account of bodily disability attributable to or aggravated by such service and not to personnel who have been retired on superannuation or otherwise.