

C O M P A N Y P O L I C Y

Travel Claims, Company Car Usage & Reimbursements

Documentation Requirements & Compliance Guidelines

Under the Income-tax Act, 2025 & Draft Income-tax Rules, 2026

Effective Date: April 1, 2026

1. Purpose & Scope

This policy establishes documentation standards, compliance requirements, and procedural guidelines for travel expense claims, company car usage, and employee reimbursements. It incorporates the provisions of the Income-tax Act, 2025 and the Draft Income-tax Rules, 2026 (Rule 15 and allied provisions), effective from April 1, 2026.

This policy applies to all full-time and contractual employees across all departments and locations in India. Employees opting for either the old or new tax regime must comply with this policy, though tax exemptions vary by regime.

NOTE: The Draft Income-tax Rules, 2026 were released by the CBDT on February 7, 2026, replacing the Income-tax Rules, 1962. The rules are expected to be notified by March 2026 and will apply from FY 2026–27 (AY 2027–28). This policy will be updated upon final notification.

2. Regulatory Framework

This policy is governed by and aligned with the following:

- Income-tax Act, 2025 (replacing the Income-tax Act, 1961)
- Draft Income-tax Rules, 2026 — Rule 15 (Valuation of Perquisites), replacing Rule 3 of the 1962 Rules
- Section 10(5) of the Income-tax Act — Leave Travel Allowance / Leave Travel Concession (LTA/LTC)
- Rule 2B of the Income-tax Rules — Conditions for LTA exemption
- Section 17(2) of the Income-tax Act — Perquisites including company car
- Companies Act, 2013 — Managerial remuneration and perquisite disclosures
- GST Act, 2017 — Input Tax Credit on motor vehicles and travel

3. Travel Claims — Leave Travel Allowance (LTA/LTC)

3.1 Eligibility & Regime Applicability

LTA exemption under Section 10(5) is available only under the old tax regime. Employees opting for the new tax regime under Section 115BAC cannot claim LTA exemption, and the entire LTA component in their salary will be fully taxable.

3.2 Block Period & Claim Limits

LTA exemption is permitted for a maximum of two journeys within a four-year block period. The applicable block periods are:

Block Period	Status
2022–2025	Concluded (carry-forward available for 2026)
2026–2029	Current block (effective January 1, 2026)

IMPORTANT: If an employee has unused LTA from the 2022–2025 block, one journey may be carried forward and must be claimed by December 31, 2026. Any unclaimed carry-forward will expire permanently.

3.3 Eligible Expenses

Only the following travel expenses qualify for LTA exemption:

- Airfare: Limited to economy class fare of the national carrier (Air India) for the shortest route, or actual fare — whichever is lower
- Rail fare: Limited to AC First Class fare for the shortest route, or actual fare — whichever is lower
- Road travel (where no rail/air connectivity): Limited to AC First Class rail fare for equivalent distance

The following expenses are explicitly excluded:

- Accommodation, hotel stays, and lodging
- Meals, food, and beverages
- Local conveyance at the destination
- Sightseeing, excursions, and entertainment
- International travel of any kind
- Travel not undertaken during an approved leave period

3.4 Mandatory Documentation

Employees must submit the following documents to the HR/Finance department within the employer-specified deadline:

Document	Requirement	Consequence if Missing
Original travel tickets	Air tickets / rail tickets / bus tickets with PNR and booking details	Claim rejected; amount becomes fully taxable
Boarding passes	Original boarding passes for air travel (both legs)	Claim rejected for the relevant journey leg
Form 12BB	Duly filled and signed investment declaration form	Exemption not processed in Form 16
Leave approval records	Approved leave application covering the travel dates	LTA claim treated as invalid
Family travel proof	Tickets in names of eligible family members (spouse, children, dependent parents/siblings)	Family member travel not exempted

Employees are advised that if their ITR is selected for scrutiny, original documentation will be required as evidence. Digital copies should be retained as backup.

3.5 Submission Deadlines

1. All LTA claims for a financial year must be submitted within 30 days of completing the journey, or by the employer-specified annual cut-off date — whichever is earlier.
2. Late submissions will not be processed for the current payroll cycle and may result in the LTA amount being treated as taxable income.
3. Claims submitted after the ITR filing deadline cannot be rectified.

4. Company Car Usage — Perquisite Valuation

4.1 Overview of Changes Under Draft Rules 2026

The Draft Income-tax Rules, 2026 have substantially revised the perquisite valuation for company-provided motor cars under Rule 15(3), replacing the earlier Rule 3(2) of the 1962 Rules. These revised values apply under both the old and new tax regimes and will affect all existing and new car arrangements from April 1, 2026.

4.2 Revised Perquisite Valuation Table

The following table summarises the revised monthly perquisite values effective April 1, 2026:

A. Where the Motor Car is Owned/Leased by the Employer:

Scenario	Engine ≤ 1.6 litres	Engine > 1.6 litres
Used partly for official and partly for personal purposes (expenses borne by employer)	₹8,000/month (incl. driver)	₹10,000/month (incl. driver)
Used partly for official and partly for personal purposes (expenses borne by employee)	₹2,000/month	₹2,500/month
Used exclusively for personal purposes	Actual cost incurred by employer + driver salary + 10% wear and tear	Actual cost incurred by employer + driver salary + 10% wear and tear
Used exclusively for official purposes	Not taxable (Nil)	Not taxable (Nil)

IMPORTANT: The annual increase in tax liability per employee ranges from ₹5,040 to ₹16,560 depending on engine capacity and who bears running costs. Employers must review CTC structures and car lease arrangements accordingly.

4.3 Documentation for Official Use Claims

To claim that a company car is used wholly and exclusively for official purposes (and thus exempt from perquisite taxation), the following mandatory documentation must be maintained:

1. **Journey Log Register:** The employer must maintain a complete log of every official journey, recording the date, origin, destination, distance (in km), purpose, and amount of expenditure.
2. **Employer Certificate:** The employer must issue a certificate confirming that the expenditure was incurred wholly and exclusively for official purposes.
3. **Monthly Reconciliation:** A monthly reconciliation of odometer readings against logged journeys must be performed and signed off by the reporting manager.
4. **Fuel & Maintenance Records:** All fuel bills, toll receipts, parking charges, repair invoices, and insurance documents must be retained for a minimum of 8 assessment years from the end of the relevant assessment year.

IMPORTANT: Without these documents, the Income Tax Department may reclassify the car as being used for personal purposes and assess the full perquisite value, potentially with interest and penalties.

4.4 CTC-Based Car Leasing — Impact Assessment

Employees currently enrolled in CTC-based car lease arrangements should note:

- The revised perquisite values under Rule 15(3) will apply to all existing leases from April 1, 2026 — not just new leases
- The tax arbitrage (difference between lease rental and notional perquisite value) will narrow significantly
- Employees are advised to consult with the Finance department to evaluate whether continuing a CTC car lease remains tax-efficient under the new rules
- The Company will conduct a review of all existing car lease arrangements before March 31, 2026

4.5 Personal Use Policy

Where a company car is used for personal purposes, employees must:

1. Maintain a clear demarcation between official and personal journeys in the journey log
2. Report personal usage honestly — underreporting may constitute tax evasion
3. Bear the cost of fuel and tolls for personal trips, or have these amounts deducted from salary
4. Not permit unauthorised persons (non-family members) to operate the company vehicle

5. Reimbursements — General Framework

5.1 Perquisite Valuation Under Rule 15 (Draft Rules 2026)

The Draft Income-tax Rules, 2026 consolidate all perquisite valuation under Rule 15, replacing the fragmented provisions in the 1962 Rules. Key revised thresholds relevant to employee reimbursements:

Perquisite Category	Old Limit (Rule 3, 1962)	Proposed Limit (Rule 15, 2026)
Free meals / meal vouchers	₹50 per meal	₹200 per meal
Employer-provided gifts	₹5,000 per annum	₹15,000 per annum
Children education allowance	₹1,000/month/child	₹3,000/month/child
Medical treatment loans (tax-free threshold)	₹20,000	₹2,00,000
Motor car (employer-owned, mixed use, ≤1.6L, expenses by employer)	₹1,800 + ₹900 (driver)/month	₹8,000/month (incl. driver)
Motor car (employer-owned, mixed use, >1.6L, expenses by employer)	₹2,400 + ₹900 (driver)/month	₹10,000/month (incl. driver)

5.2 General Documentation Requirements

All reimbursement claims must comply with the following documentation standards:

1. Original receipts/invoices for every expense above ₹200. Photocopies or screenshots of digital receipts are acceptable only if originals are unavailable and accompanied by a self-declaration.
2. GST-compliant invoices (with GSTIN, HSN/SAC code, and tax breakup) for all expenses above ₹5,000, to enable Input Tax Credit claims by the Company.
3. Purpose statement: A brief written justification of the business purpose for every reimbursement claim.
4. Manager approval: Pre-approval from the reporting manager for expenses exceeding ₹10,000 or for categories not covered under standard entitlements.
5. Timely submission: All reimbursement claims must be submitted within 15 days of incurring the expense. Claims older than 60 days will be rejected.

5.3 PAN & High-Value Transaction Reporting

Under the Draft Rules 2026, the following PAN/reporting thresholds have been revised:

- Hotel and restaurant payments: PAN required for transactions above ₹1,00,000 (doubled from ₹50,000)
- Convention centres, banquet halls, and event management: PAN now required
- Cash deposits/withdrawals: PAN required for aggregate above ₹10,00,000 in a financial year
- Motor vehicle purchase: PAN required only if price exceeds ₹5,00,000

Employees arranging events, conferences, or large-value vendor payments must ensure PAN details are collected from service providers and reported to the Finance department.

5.4 Electronic Record-Keeping

The Draft Rules 2026 mandate India-based electronic record-keeping. Accordingly:

- All expense claims must be submitted through the Company's designated expense management system
- Physical receipts must be digitised and uploaded within 7 days of the transaction
- The Company will maintain a digital audit trail for every reimbursement, including approval workflows, payment records, and supporting documentation
- Records must be retained for a minimum of 8 assessment years from the end of the relevant assessment year

6. Compliance & Enforcement

6.1 Audit & Verification

The Company reserves the right to:

- Conduct random audits of reimbursement claims at any time
- Verify travel claims against ticket booking records, leave records, and credit card/bank statements
- Cross-check company car journey logs against GPS data, toll records, and fuel consumption patterns
- Request additional documentation or clarification from employees within 7 working days of notification

6.2 Consequences of Non-Compliance

Violation	Consequence
Incomplete documentation	Claim rejected; amount taxed as income in current FY
Late submission (beyond 60 days)	Claim permanently rejected; no carry-forward
False or inflated claims	Disciplinary action; recovery of amount; potential termination
Fraudulent tax claims (e.g., fictitious LTA journeys)	Reported to IT Department; employee liable for penalties under Sections 270A/271 of the IT Act
Failure to maintain car journey log	Full perquisite value assessed; employer certificate invalidated
Underreporting personal use of company car	Reassessment of perquisite value; potential tax evasion proceedings

6.3 Employer Obligations

The Company will:

1. Deduct TDS accurately on all perquisite values as per the revised Rule 15 valuation tables.
2. Report perquisite values correctly in Form 16 issued to employees.
3. Maintain all employer certificates, journey logs, and reconciliation records for audit purposes.
4. Communicate changes to car lease CTC structures to affected employees by March 15, 2026.
5. Conduct an annual policy review to incorporate any amendments to the Income-tax Rules.

7. Transitional Provisions (FY 2025–26 to FY 2026–27)

- LTA claims for the block 2022–2025: Employees with unused carry-forward entitlements must complete eligible travel and submit claims by December 31, 2026.
- Company car leases: All existing CTC car lease arrangements will be reviewed and restated under the new perquisite valuation from April 1, 2026. HR will issue revised CTC breakdowns by March 2026.
- Old tax regime vs. new tax regime: Employees who wish to switch regimes for FY 2026–27 should evaluate the impact of revised perquisite values. The regime choice can be made at the time of filing the ITR.
- Record retention: All records from FY 2018–19 onwards must be retained under the existing 8-year rule until at least AY 2027–28.