



OIL AND NATURAL GAS CORPORATION LTD.
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CIRCULAR

Sub: Exemption in respect of expenditure incurred on COVID-19 treatment of employees

1. As per the existing provisions of section 17(2) of the Income-tax Act, 1961 (Act), medical treatment provided by an employer to its employees is not treated as perquisite in the hands of the employees if treatment is availed-

- (i) in any hospital maintained by the employer;
- (ii) in any hospital maintained by the Government or any local authority or any other hospital approved by the Government for medical treatment of its employees; or
- (iii) in any hospital approved by Chief Commissioner or Principal Chief Commissioner of Income-tax (in respect of prescribed diseases or ailments).

In all other cases, medical treatment provided by an employer to the employees results in perquisite in the hands of the employees except when medical treatment is availed outside India.

2. The Central Board of Direct Taxes (CBDT) has, vide Press Release dated 25-06-2021, provided exemption in respect of any amount received by an employee from the employer for medical treatment of COVID-19. The Press Release also mentions that, aforesaid exemptions would be available for the financial year (FY) 2019-20 and subsequent years and legislative amendments would be made in this regard (with retrospective effect).

3. Thus, any sum paid/payable by ONGC towards medical treatment of COVID-19 of an employee or any member of his/her family would not result in perquisite in the hands of the employee and, accordingly, would not be included in salary income of the employee.

The aforesaid would be irrespective of the status of the hospital/dispensary/clinic/nursing home wherein the treatment of COVID-19 is/has been availed by the employee or any family member. The fact whether the payment is made directly or by way of reimbursement and whether or not the hospital is on ONGC's panel also do not have any bearing on availability of exemption in respect of medical facility provided to the employees.

For this purpose, "family" in relation to an employee means-

- (i) the spouse and the children of the employee;
- (ii) the parents, brothers and sisters of the employee or any of them, wholly or mainly dependent on the employee.

4. In view of the above, payments/reimbursements made by ONGC for COVID-19 treatment of the employees or any of their family members under any circumstance would not be included in salary income of the employees for the purpose of deduction of TDS. The aforesaid dispensation would be available for TDS to be deducted for FY 2021-22 and for subsequent financial years (unless the proposed legislative amendments restrict the exemption upto FY 2021-22 only).

P.P. Rustagi
21/7/21

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