**Leave Travel Allowance (LTA) – FAQs and Process note**

**LTA** is the most common element of compensation adopted by employers to remunerate employees due to the tax benefits attached to it. LTA is the remuneration paid by an employer for Employee’s travel in the country with the family or alone, when he is on leave.

LTA amount is exempt, subject to Section 10(5) of the Income-Tax Act, 1961, read with Rule 2B (Commonly known as LTA Rules), which provides for the exemption and outlines the conditions to claim exemption.

***Extract of Section 10(5)***

***“Section 10(5)*** *in the case of an individual, the value of any travel concession or assistance received by, or due to, him,—*

*(a) from his employer for himself and his family, in connection with his proceeding on leave to any place in India;*

*(b) from his employer or former employer for himself and his family, in connection with his proceeding to any place in India after retirement from service or after the termination of his service,*

*subject to such conditions as may be prescribed (including conditions as to number of journeys and the amount which shall be exempt per head) having regard to the travel concession or assistance granted to the employees of the Central Government:*

***Provided*** *that the amount exempt under this clause shall in no case exceed the amount of expenses actually incurred for the purpose of such travel.*

*Explanation.—For the purposes of this clause, “family”, in relation to an individual, means—*

*(i) the spouse and children of the individual; and*

*(ii) the parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual;*

***Conditions for the purpose of section 10(5) as Prescribed in Rule 2B of Income Tax Rules- Extract of Rule 2B***

***2B.*** *(1) The amount exempted under clause (5) of section 10 in respect of the value of travel concession or assistance received by or due to the individual from his employer or former employer for himself and his family, in connection with his proceeding,—*

*(a) on leave to any place in India;*

*(b) to any place in India after retirement from service or after the termination of his service, shall be the amount actually incurred on the performance of such travel subject to the following conditions, namely :—*

*(i) where the journey is performed on or after the 1st day of October, 1997, by air, an amount not exceeding the air economy fare of the national carrier by the shortest route to the place of destination;*

*(ii) where places of origin of journey and destination are connected by rail and the journey is performed on or after the 1st day of October, 1997, by any mode of transport other than by air, an amount not exceeding the air-conditioned first class rail fare by the shortest route to the place of destination; and*

*(iii) where the places of origin of journey and destination or part thereof are not connected by rail and the journey is performed on or after the 1st day of October, 1997, between such places, the amount eligible for exemption shall be :—*

*(A) where a recognised public transport system exists, an amount not exceeding the 1st class or deluxe class fare, as the case may be, on such transport by the shortest route to the place of destination; and*

*(B) where no recognised public transport system exists, an amount equivalent to the air-conditioned first class rail fare, for the distance of the journey by the shortest route, as if the journey had been performed by rail.]*

*(2) The exemption referred to in sub-rule (1) shall be available to an individual in respect of two journeys performed in a block of four calendar years commencing from the calendar year 1986:*

*[****Provided*** *that nothing contained in this sub-rule shall apply to the benefit already availed of by the assessee in respect of any number of journeys performed before the 1st day of April, 1989 except to the extent that the journey or journeys so performed shall be taken into account for computing the limit of two journeys specified in this sub-rule.]*

*(3) Where such travel concession or assistance is not availed of by the individual during any such block of four calendar years, an amount in respect of the value of the travel concession or assistance, if any, first availed of by the individual during first calendar year of the immediately succeeding block of four calendar years shall be eligible for exemption.*

*Explanation: The amount in respect of the value of the travel concession or assistance referred to in this sub-rule shall not be taken into account in deter-mining the eligibility of the amount in respect of the value of the travel con-cession or assistance in relation to the number of journeys under sub-rule (2).]*

*[(4) The exemption referred to in sub-rule (1) shall not be available to more than two surviving children of an individual after 1st October, 1998:*

***Provided*** *that this sub-rule shall not apply in respect of children born before 1st October, 1998, and also in case of multiple births after one child.*

**Rules for Claiming LTA:**

**1. Exemption of Fare Only:** As per LTA Rules, LTA exemption can be claimed where the employer provides LTA to employee for leave to any place in India taken by the employee and their family. Such exemption is limited to the extent of **actual travel costs** incurred or the amount received as LTA by the employee, whichever is lower. The total cost of the holidays is not covered, only the travelling cost is covered.

**2. Travel within India** only allowed- As per LTA Rules, travel has to be undertaken within India and **overseas destinations are not covered for exemption**.

**3. Exemption on Actual Travel Expense –**For example, where an employer provides LTA of Rs. 25,000, but an employee spends only Rs. 20,000 on the travel cost, then the exemption is limited to only Rs. 20,000. Travel cost means the cost of travel and does not include any other expenses such as food, hotel stay etc.

**4. Meaning of Family for LTA :**– As per LTA Rules, the meaning of ‘family’ for the purposes of exemption includes spouse and children and parents, brothers and sisters who are wholly or mainly dependent on you. An individual would not be able to claim the exemption in relation to his parents, brother or sisters unless they are wholly or mainly dependent on the individual.

**5. Restriction on Number of Children for Claiming LTA: -** As per LTA Rules, **exemption is not available for more than two children of an individual born after October 01, 1998.** This restriction does not apply in respect of children born before this date, and also in cases where an individual, after having one child, begets multiple children (twins or triplets or quadruplets, etc.) on the second occasion. The term “Child” includes a step-child and an adopted child of the individual.

**FAQs:**

**1. Is LTA exemption available every year?**

No. The LTA rules provide for an exemption only in respect of two journeys performed in a block of four calendar years. The current block runs from **2018-2021 (January 2018 to December 2021)**. If an individual does not use his exemption during the block on any one or on both occasions, one of such travel exemptions can be carried over to the next block and used in the calendar year immediately following that block.

In such cases, the journey performed to claim such exemption will not be counted for the purposes of regulating future exemptions allowable for the succeeding block. For example, Mr. X is entitled to a LTA of Rs 30,000 per annum (say in the financial year 2016-17). The relevant block of 4 years for LTA is 2014-17 in which he can claim up to two journeys as exemptions. Consider Mr. X has not travelled during the calendar years 2014-17 and has not claimed LTA exemption.

He is eligible to carry forward only one unutilised exemption and avail it for the journey made in the calendar year 2018. It is to be noted that he can undertake the journey only in the year 2018 to claim the exemption in relation to the block 2014-17. The other unutilised exemption for the block of 2014-17 would lapse.

Further, he would be able to use the LTA benefit for two other journeys which he can undertake in the current block 2018-21 in relation to his LTA entitlement.

**2. Proof of travel to claim LTA**

Pursuant to section 192 of the Income Tax Act read with Rule 26C and Form 12BB, the employee is liable to furnish the details of exemption claimed along with the evidence for such expenditure. The employee is liable to submit proofs to the employer for claiming exemption. Failure to submit evidences and fulfilling conditions specified in section 10(5) would lead to taxability of LTA received by the employees. Further, the employee shall self declare that the details are true and correct. It is to be noted that the employer is not required to validate the correctness of the bills submitted by the employee.

**3. Does claiming LTA in alternate years mean that the two year entitlement gets added together?**

It does. If you are entitled to an LTA of Rs.10,000 per year and do not utilize it for the first year it is carried forward to the next year. In the second year you can claim the entire amount (Rs.20,000) as tax exempt provided you spend it according to the conditions mentioned above.

**4. Carry over concession for Leave Travel Allowance**

Leave Travel Allowance (LTA) comes with a carry forward feature. You can carry forward your Leave Travel Allowance in the situation that it has not been used. It can be brought forward and claimed in the first year of the next block. Here we would like to mention that only one such journey can be brought forward and claimed in the first year of the next block. For instance, “the 4-year block for your LTA is 2014-2017. During that period, if you did not claim LTA or claimed it only once, then you will be allowed to carry forward one LTA to 2018 (first year of next block, i.e. 2018-21). Thus, from 1st Jan 2018 to 31st Dec 2021, you will be able to claim LTA three times. However, if you do not claim the LTA (brought forward from the previous block of 2014-17) in the first year of the current block (1st Jan 2018 to 31st Dec 2018), it shall lapse.

**5. Can I Claim LTA Twice in a Year**

Though you can claim two journeys in a block of four years, you can claim the benefit of LTA just once in a year. You cannot claim both the journeys in one year. So, while a person can get an income tax exemption for two journeys in a block of four calendar years, he can make a trip only once a year. If you make two trips in a year, you lose one.

**6. LTA in case of Switch of JOB**

If you switch jobs, you can avail LTA exemption not only from your present organisation but also from your former employer, if the concession is lying unutilised. Let’s say that, in the 2018-21 block, you claimed LTA in 2018. In 2019, you switched jobs. You can still claim your second journey with your new employer. Of course, your new employer will ask to look at your earlier tax returns to see whether it has been claimed or not.

**7. Amount Exempted under LTA Rules**

• **Journey performed by Air –** Economy Air fare of National carrier by the shortest route or the amount spent whichever is less will be exempt

• **Journey performed by Rail** – A.C. first class rail fare by shortest route or amount spent whichever is less will be exempt.

• **Place of origin and destination place of journey connected by rail but journey performed by other mode of transport other than air-** A.C. first class rail fare by shortest route or amount spent whichever is less.

• **Place of origin & destination not connected by rail (partly/fully) but connected by other recognised Public transport system –** First class or deluxe class fare by shortest route or amount spent whichever is less.

• **Place of origin & destination not connected by rail (partly/fully) and not connected by other recognized Public transport system also** – AC first class rail fare by shortest route (as the journey had been performed by rail) or the amount actually spent, whichever is less.

**8. Fares on the date of travel:**

 The amount of LTA for which an employee shall be eligible tax exemption shall be the Economy Air Fare/First A.C fare/Deluxe fare as the case may be. The employee will be eligible for the fares prevailing on the date of travel and by the shortest route. For example, if an employee is travelling by train from Chennai to Bangalore and then to Mumbai. Then he shall be eligible for the First A.C Fare from Chennai to Mumbai (direct train – shortest route).

**9. Date of journey decides the block in which exemption is to be claimed:**

 The claim of exemption for LTA and the block in which the claim is to be made shall be based on the date on which the journey is made. For example, an employee has travelled from 15th January 2018 to 20th January 2018, then the travel shall be considered for LTA exemption in 2018-21 block. Whereas if the travel was made on 15th December to 20th December 2017, it shall be considered in 2014-17 block.

**10. Eligibility to receive LTA:**

 The above mentioned conditions only decide the tax deductibility of the LTA received by the employee. This does not absolve the employee from receiving LTA from the employer which forms part of CTC.

**11. Encashment of LTA:**

 The employee will also be eligible to encash the LTA component of the salary without travelling. Where the LTA is not encashed during the course of employment, the employee will be repaid for the same at the time of resignation. However, in both cases, the amount received by the employee will be considered in the total income of the employee and no exemption shall be allowed.