

LEAVE TRAVEL ALLOWANCE

- i. Leave Travel Allowance (LTA) is granted by the employer to the eligible employees as part of the remuneration to provide for travel expenses incurred during the year. Leave Travel Allowance also covers such expenses of the spouse, children as well as dependent parents and siblings.
- ii. Any amount not claimed by an employee during a financial year (April to March), by default, would be taxable in the same financial year.
- iii. Under LTA, an employee will be entitled to claim reimbursement of travel expenses for self, spouse, two children below 21 years, dependent parents, brothers and sisters, as defined in the Income Tax act.
- iv. Specific conditions pertaining to LTA:
 - Employees shall be entitled to Leave Travel Allowance as indicated in their appointment letter.
 - An employee will be responsible for the income-tax liability that the benefit may entail. As a ground rule, any LTA paid to an employee will be treated as taxable in his hands, and it is thus the responsibility of the employee to claim Income Tax exemption on the amount paid, if he so chooses. This may be done by providing a declaration indicating the destination, mode of travel, members of family traveled and total amount claimed as well as documentary evidence for the expenses incurred. Family' in relation to an individual for purposes of LTA means the employee's spouse and children, whether dependent on him or not; and the employee's parents, brothers and sisters, if wholly or mainly dependent

on the employee. Income tax treatment of LTA operates on a calendar year basis.

- The taxability on LTA is governed under Rule 2B of the Income tax Rules. The exemption under the Income tax Act is available only in respect of two journeys performed in a block of four years and is available only if the employee travels to any place in India. The current block of four years would be from 1.1.2010 to 31.12.2013, the second block from 1.1.2014 to 31.12.2017, and so on.
- LTA will be exempt up to the amount actually incurred on such travel subject to the following conditions:
 - If the journey is performed by rail, an amount not exceeding A/C second class fare by the shortest route to the place of destination.
 - If the journey is performed by air, an amount not exceeding economy class air fare by a National carrier by the shortest route to the destination.
 - Where the destination is not connected by rail, but a recognized public transport system exists, an amount equivalent to the first class rail fare for the distance of the journey by the shortest route, as if the journey had been performed by rail.
- The above maximum limits are calculated on a financial year basis. In case of employees joining the Company during the course of the year, the entitlement shall be calculated on a pro-rata basis.

FAQ - LEAVE TRAVEL ALLOWANCE

1. What is LTA or Leave Travel Allowance?

Leave Travel Allowance (LTA) is basically defined as the cost of travel granted to employees to travel anywhere in India, while on leave from work. The amount of exemption depends upon the mode of travel, and it is allowed only towards the travel fare, and not for boarding and lodging. It is allowed twice in a block of four calendar years. The current block is from 2010-13.

2. What is the income tax treatment for LTA?

Income Tax exemption for LTA can be claimed twice in a block of four calendar years (the current block of four years is January 1st 2010 to 31st December 2013) for travel anywhere in India; provided proofs of travel (e.g. tickets, boarding cards and other documentation) are submitted.

Let's understand the concept of "twice in a block of four years" through an example.

If you claim LTA exemption in 2010, then, you can claim it only once more till 2013. Thus, if you claim it again in 2011, you cannot claim it before 2014, as you would have already claimed it twice in the block 2010 – 2013.

However, if you do not claim LTA exemption in 2010 and 2011, you can claim it for both 2012 and 2013, and also for 2014 and 2015, as 2014 and 2015 fall under the next block of 4 years: 2014 – 2017. Thus, it is possible to claim LTA / LTC exemption for 4 years in a row!

3. What if you are not able to claim LTA during this period?

Say you could not claim any or only once, tax exemption on LTA in the previous block (2006-09). Then you can carry forward one journey to the next block (2010-13) and claim it in the first calendar year (2010). So this way you are eligible for three tax exemptions on LTA in the block 2010-13.

4. What if both Husband & Wife are eligible for LTA in their salary, can both claim?

Yes, they can very much claim LTA individually. The rules of LTA apply individually to each, which means that each spouse can claim LTA twice in a block of four years. Thus, a family can claim LTA exemption four times in a block of four years if both spouses are eligible for LTA. The only restriction is that both spouses cannot claim LTA exemption for the same journey. There is no other restriction: The LTA exemption can be claimed for the same family members or different family members as allowed by the rules. The family can in fact also travel twice in the same year, and each spouse can claim exemption for one journey.

5. Recently there was a news item that the Supreme Court has made it unnecessary for companies to ask for proof of travel for giving LTA benefits. What is the company's stance on this?

The Supreme Court has ruled that it is not a statutory obligation for the company to ask for documents / proof; however, the ruling does not prohibit the company from asking for proofs. In the absence of any specific clarifications from the Income Tax department, it is the Company's stance that it will continue to ask for proofs before giving income tax benefits to the employees on LTA.

6. Can I claim LTA benefit for travel for my parents?

Yes, provided it is within the same leave period as your travel, and they travel with you at least one way. **For female employees, they cannot claim this for their in-laws.**

7. Can I claim LTA benefit for travel for my brothers / sisters?

Only for dependent brothers / sisters, provided it is within the same leave period as your travel, and they travel with you at least one way.

- 8. On my vacation, I travelled from Bombay to Bangalore by air, then toured South India for 8 days up to Kanyakumari in a hired van, returned to Bangalore, and then flew back to Bombay. Can I claim the Van hire charges under LTA?**

You will be allowed actual return economy class airfare Bombay to Bangalore, plus return 1st A/C rail fare up to the farthest point by the shortest route. You will have to produce the van hire bill indicating the destinations visited.

- 9. On my vacation, I travelled from Bombay to Bangalore by air, and then toured South India for 8 days up to Kanyakumari in a hired van, the tour ended at Cochin, and then I flew back to Bombay from Cochin. Can I claim the Van hire charges under LTA?**

You will be allowed actual economy class airfare Bombay to Bangalore, plus return 1st A/C rail fare up to the farthest point by the shortest route, plus actual economy class airfare Cochin to Bombay. You will have to produce the van hire bill indicating the destinations visited.

- 10. On my vacation, I travelled from Bombay to Bangalore by my personal car, and toured around South India. Can I claim LTA?**

No, because tickets / bills from travel agency is necessary with supporting's.

- 11. Can I claim hotel bills under LTA?**

No.

- 12. Will the company accept Xerox copies of air tickets?**

No.

- 13. Will the Company accept a bill from a travel agency in lieu of actual tickets?**

Yes, but only for air travel, and boarding cards will have to be attached.

14. Do I need to provide boarding cards in case of air travel?

Yes.

15. Can we claim LTA from International Travel?

No.

16. Do we have any limits on claiming LTA for children?

For children born after October 1, 1998, the exemption is restricted to only two surviving children (unless, of course, one birth has resulted in multiple children like twins and triplets). There is no restriction on the number of children born before this date.

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