

LEAVE TRAVEL ALLOWANCE



INTRODUCTION

- It is an exemption for allowance/assistance received by the employee from his employer for travelling on leave.
- Conditions for claiming LTA
 - Actual journey
 - Domestic travel
 - Travel by self or family (Spouse + up to 2 children + dependent parents, brother or sister)
- The exemption is available only on the actual travel costs i.e. the air, rail or bus fare incurred by the employee, limited to LTA provided by the employer.

INTRODUCTION

- An employee can avail tax benefit of LTA for two journeys during a predefined block period of 4 calendar years. The current block is of 2018-2021.
- Employee is allowed to carryover such exemption to the next block provided he avails this benefit in the first calendar year of immediately succeeding block.
- If an employee is travelling to different places in a single vacation, the exemption can only be availed for the travel cost eligible from the place of origin to the farthest place in the vacation by the shortest possible route.

UPDATE

- Due to the Covid-19 pandemic, many people are not in a position to travel with family and, therefore, are unable to claim LTA.
- Under the scheme announced, to claim LTA exemption without travel, the employee has to buy goods and services with GST @ 12% or more from a registered seller.
- Amount has to be paid through digital mode i.e. payment of cash or through cheque not allowed.
- Original copy of the tax paid invoice to be submitted to the employer.

UPDATE

- In case full amount is not spent, employee will get the benefit proportionately.
- The maximum fare eligible for the purpose is Rs 36,000 per family member.
- If you opt for the new concessional tax regime, then you will not be able to take the benefit of the LTA exemption.
- Example :

If you are entitled to LTA of Rs 80,000, you will have to spend Rs 2.4 lakh ($\text{Rs } 80,000 \times 3$) to get the full exemption.

WHAT TO DO ?

- This option works well for those who have anyway been planning to buy such eligible goods or services as for them the amount of income tax saving will work as discount.
- Since current block will expire next year (31 Dec 2021) and it is allowed to carry forward the unclaimed LTA to one journey in the first calendar year of next block (31 Dec 2022) - you need not rush up to avail this benefit unless you really need to buy those goods or services, which are eligible for substitution.
- Just compare the income tax saving which will accrue against the GST outgo.