

# What is Leave Travel Allowance / Leave Travel Concession (LTA / LTC)?

This is a special allowance that most salaried people get. This allowance is meant for traveling – you are expected to utilize it to spend it for tourism-related travel expenses.

It can be given out every year, or once every 2 or 4 years. Many organizations also allow you to accumulate this allowance for 2 years.

## LTA / LTC and Block of 4 years

LTA/LTC is allowed once in block of 2/4 years.

These blocks of 4 years are predefined by the government. These are:

2002 – 2005

2006 – 2009

2010 – 2013

Please note that these years are *calendar years*, and not financial years.

## Income tax treatment of leave travel allowance / concession (LTA / LTC)

The LTA / LTC that you get is fully exempt from income tax, provided it satisfies certain conditions. Here are the conditions:

### **The amount is actually spent on travel**

You have to actually spend this amount on transportation. The spending can be for you and your family members, but you have to be one of the travelers.

Here, family means spouse and children (including adopted children and stepchildren).

Parents, brothers and sisters are also included if they are dependent on you.

### **It has to be for transportation**

The amount has to be spent on transportation – either air, rail or road.

Any amount spent for lodging and boarding is not considered. Thus, food related expenses and hotel expenses are not exempt from income tax.

Also, this exemption is for primary travel between your city of stay and your destination.

Other travel expenses like taxi / cab fare, auto fare, etc. can not be claimed as exempt.

## **Travel within India**

The travel has to be within India – foreign travel is not considered. The government wants to boost tourism within India, not international travel!

### **Shortest Distance and Cap on claim amount**

The amount exempt would be the amount required for travel to your destination by the shortest route, depending on the mode of your travel.

If you travel by air, the maximum amount that can be claimed as exempt is the economy class air fare to your destination by the shortest route.

If you travel by rail (or road), the maximum amount that can be claimed as exempt is the air conditioned first class (AC I Class) rail fare to your destination by the shortest route.

(Please see the example at the end of the article to understand this better)

### **Proof of travel**

Proof of travel needs to be preserved and presented to claim this exemption. The tickets are considered valid proof.

If you arrange travel through a hired or rental car, the receipt from the travel agency or car rental agency is considered valid proof. Please note that any non-transport component (like driver allowance) is not considered for income tax exemption.

### **LTA / LTC and Block of 4 years**

Apart from the above conditions, there is one more condition that causes confusion: The LTA / LTC tax exemption can be claimed only twice in a block of 4 years.

These blocks of 4 years are predefined by the government. These are:

2002 – 2005

2006 – 2009

2010 – 2013

Please note that these years are *calendar years*, and not financial years.