

Claim LTA on your vacation costs

Leave travel allowance has to be part of your compensation package



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ARE YOU EYEING that dream vacation within India but worried about the dent it might put on your wallet? Fear not, because the Income Tax Act, 1961, offers a silver lining in the form of Leave Travel Allowance (LTA), allowing individuals to claim exemptions on their travel costs, thereby reducing their taxable income.

Employer rules

First, check whether your employer offers Leave Travel Allowance (LTA) as part of your compensation package. Once you have confirmed LTA availability, check if your employer has any specific policies regarding LTA claims for vacations during holidays or weekends, such as minimum number of days of leave for eligibility. Some employers may require you to take official leave to claim LTA exemptions, potentially rejecting claims for travel on holidays or weekends. They may require submission of relevant documentation such as tickets, boarding passes, or invoices. Check with the HR and ensure compliance with your employer's policies.

Plan your trip

Individuals are entitled to claim LTA exemptions for a maximum of two journeys within a block of four calendar years. The current block period spans from January 1, 2022 until December

31, 2025. Planning your vacations strategically within the block period can help maximise your LTA benefits. LTA exemptions are applicable only to actual travel expenses, excluding costs associated with accommodation, meals, or sightseeing, and covers specified family members, including your spouse, children, dependent siblings, and parents.

Book your tickets

When booking your travel tickets, be mindful of the exemption limits based on the mode of transport. For air travel, the exemption is limited to the economy class fare of the national carrier by the shortest route. For travel by rail, the exemption is limited to air-conditioned first-class rail fare by the shortest route to the place of destination. Similar limits apply for other modes. For trips with multiple destinations,

LTA exemptions apply only to travel costs incurred from the origin to the farthest destination by the shortest route.

Claiming LTA

You do not have to wait until the end of the year to claim LTA deductions. As soon as you return from your trip, gather all necessary documents, and

submit them to your employer. This will facilitate lower tax deducted at source on your salary income.

If you have not fully utilised your LTA exemptions in a particular block period, you have the option to carry forward the unclaimed amount to the next block. However, unclaimed exemptions must be utilised in the first calendar year of the succeeding block to carry them forward. So, if LTA exemption remains unclaimed till December 31, 2025, then the same needs to be utilised by December 31, 2026.

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