



Relativity
The Compliance Experts

Leave Travel Allowance

- 1. Is it applicable only for employees to whom LTA is part of their allowances/CTC?**

Yes, It is applicable only for Employees to whom LTA is a part of their allowances / CTC.

- 2. Whether I have to purchase goods or avail services to claim this exemption?**

Both purchase of goods and services can be claimed as an exemption under section 10.

3. Whether GST is mandatory to claim exemption?

Yes, bills/invoices carrying 12% of GST or more than that can be claimed for exemption. Less than 12% of GST bills are not allowed to claim exemption.

4. What do I have to do to claim this exemption?

Please find the below points to be considered at the time of purchasing goods or availing services:

- Bill should be in the name of that particular individual
- GST number of the supplier should be there in the bill
- GST rate should be 12% or more

5. I had made a trip in the FY 2020-2021, shall I claim exemption for this? Or Exemption will be provided only for purchase or availing services under GST?

Individuals can submit either travel bill or bill for purchasing goods or availing services under GST.

6. Can I claim both Travel expenses and Purchase of Goods or Services for the current year?

No, you can claim either Travel or Purchase Expenses.

7. Can I submit Purchase bills from April 2020?

No, you can submit bills only from 12th Oct 2020.

8. If I have chosen new tax regime for the current Financial Year, can I claim exemption under LTA?

No, you cannot claim exemption under LTA in the New Tax Regime.

9. Can an employee claim this even if they were not paid LTA between April to October?

Yes, employees can claim this exemption even if they were not paid between April to October. But it has to be a part of the CTC / LTA and can be paid between November to March.

10. How will it work, if an Employee provides a bill less than the LTA applicability?

Exemption will be considered on a prorated basis. For Eg LTA applicability is Rs. 35000 and employee submits the bill for 60000. Then one third of the bill submitted will be considered for exemption (i.e $60000/3 = 20000$) and the remaining 15000 will be considered as taxable.

11. I had already claimed LTA exemption 2 times in the current block. Am I eligible to claim this exemption?

As per the Income Tax Act, individuals can claim exemption only 2 times in a block. So you are not eligible to claim the exemption.

12. Can an employer pay LTC to an employee now?

Yes, Employer can pay LTC to an employee now.

13. What should I do as an Employer at this moment?

Please form a guideline to collect the bills from employees and communicate the same to employees. You need to arrive at terms and conditions to validate the bills submitted by employees.

14. What is the maximum amount that an Individual can claim under this new change?

Maximum of Rs.36000 can be claimed per person in a family as deemed LTC fare for round trip to non-government employees.

For Example:

Deemed LTC Fare : $36000 * 4 = 1,44,000$

Actual amount to be spent = $144000 * 3 = 4,32,000$

If an employee spends Rs. 4, 32,000 or above on specified expenditure, he shall be entitled for full deemed LTC amount and related income tax exemption.

However if an employee spends Rs. 3, 24,000 only, then he shall be entitled for 75% (108000) of deemed LTC fare and related tax exemption. In case an employee already received Rs. 1, 44,000 from the employer in advance, he has to refund the Rs. 36,000 to the employer as he could spend only 75% of the required amount.

15. Who are considered as family members for LTC/LTA exemption?

For LTC/LTA exemption Self, Spouse, Childrens, Dependent parents, Dependent brother and Dependent sister are considered as family members.

