Leave Travel Concession/Assistance LTA/LTC u/s 10(5) exemption

Please provide me the provisions of LTA and documents required in respect of it. Is it possible to allow an employee to avail the benefit of it in the first year of their service?
Further I want to know as a employer what are my responsibilities as employer while allowing exemption u/s 10(5) and what type of documents I have to demand from employee claiming LTC.

Ans:

Leave Travel concession is exempted u/s 10(5) as per detail given below

1. Leave Travel Concession (LTC)/Leave Travel assistance (LTA) received from employer to proceed on leave to any place on India for himself and his family is exempted.
2. LTC/LTA received from employer or former employer received in connection with proceeding to any place in India after retirement/termination for himself and his family is also exempted
3. The exemption is allowed only if actual expenses have been incurred.

Family Meaning:

The Spouse and Children of Individual.
Parents, Brothers, Sister of individual who are wholly or mainly dependent on him.

Two Journeys in a Block of Four Years is exempted:

Exemption is allowed on two journeys in block of four years. Present block is running from 2006-09 .The block of four year is taken on the basis of Calendar year.

Carry forward of LTC In next block:

if assessee has not availed LTC exemption in Last block of four years than he can carry forward the exemption in first year of next four year block and can perform journey in first year of the next four year block.(single/both the journey of the old block period can be carry forward and exception can be availed in next block of four year .It is also clarified here that two journey actually belongs to next /new block of four years have no impact of carry forward of the old Journey performed in new block period of four years.

Amount Exempted.

A) Journey performed by Air

amount exempted: Economy Air fair of National carrier by the shortest route or the amount spent which ever is less.

B) Journey performed by Rail

Amount exempted: A.C. first class rail fare by shortest route. or amount spent which ever is less.

C) Place of origin and destination place of journey connected by rail but journey performed by other mode of transport.

Amount exempted: A.C. first class rail fare by shortest route. or amount spent which ever is less.

D) Place of origin& destination not connected by rail (partly/fully) but connected by other recognized Public transport system.

Amount exempted: First class or deluxe class fare by shortest route or amount spent which ever is less.

E) Place of origin& destination not connected by rail (partly/fully) and not connected by other recognized Public transport system also.

Amount exempted: AC first class rail fare by shortest route (as the journey had been performed by rail) or the amount actually spent, which ever is less.

Exemption On actual Expenses Only:

The amount of exemption is limited to actual expenses only .Means allowed only if actual journey is performed.

Exemption Of Fare Only:

Exemption is allowed only for fare only as explained above .Other expenses like Local conveyance charge, taxi charges, lodging, boarding charges is not exempted.

Exemption is allowed only for two children if born after October 1, 1998:
This restriction does not apply to multiple births after birth of first child and birth before October 1, 1998.

On the basic of above answer to your quires is that a employee can perform journey in first year of employment as far as Income Tax act is concerned, no bar on it .Moreover if he satisfy above condition of block period than he can claim exemption on amount actual spent and allowed as stated above which ever is less.

Secondly as DDO (drawing and disbursing Officer) /employer we should collect enough evidence /reasonable evidence to establish that the journey has actually been performed and amount offered for exemption has actually been spent by the employee. Mere certificate, received from the employee that he has spent so much amount on LTC is not enough to allow exemption u/s 10(5) while calculating salary income for TDS (tax deducted at source) u/s 192.So we should collect Ticket photocopy where ever practicable or Ticket Number or agent bill etc as a proof that journey has actually performed to avoid complication at later stage.