Children Education Allowance, Hostel Allowance and Tuition Fee Tax Benefits

Description

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Quick summary

- From 01/04/2026 children education allowance is exempt up to ?3,000 a month per child and hostel allowance up to ?9,000 a month per child, for up to two children, in the old tax regime only.
- Up to FY 2025-26 the limits were only ?100 and ?300 a month per child.
- Separately, tuition fees for up to two children can be claimed under section 80C (section 123 of the Income-tax Act, 2025), within the ?1.5 lakh limit, in the old regime.
- Neither benefit is available in the new tax regime.

Salaried parents can get two separate tax benefits for their children's education: an exemption on the children education allowance and hostel allowance their employer pays, and a deduction for tuition fees under section 80C. Both need the old tax regime.

Children education and hostel allowance

Up to FY 2025-26 these were exempt under section 10(14)(ii) of the Income-tax Act, 1961 and Rule 2BB. From Tax Year 2026-27 they are in Schedule III (Table Sl. No. 13) of the Income-tax Act, 2025, with the amounts in Rule 280(2) of the Income-tax Rules, 2026.

Allowance	Up to FY 2025-26	From 01/04/2026
Children education allowance, per child per month	?100	?3,000
Hostel expenditure allowance, per child per month	?300	?9,000
Number of children	Two	Two

So for two children, the annual exemption from 01/04/2026 is up to ?72,000 for education allowance and up to ?2,16,000 for hostel allowance. Both apply across India and need the allowance to be actually paid by the

employer. The exemption is not more than the allowance received.

The new limits apply only to the old tax regime. Under section 202 of the Income-tax Act, 2025 and Rule 280(3), the new regime does not allow these exemptions.

Tuition fees under section 80C

- Tuition fees paid to a university, college, school or other educational institution in India for the full-time education of up to two children qualify under section 80C, within the overall ?1.5 lakh limit. From Tax Year 2026-27 this is section 123 of the Income-tax Act, 2025.
- Development fees, donations, transport, uniform, stationery and similar charges do not qualify.
- Part-time courses and fees paid for yourself, your spouse or other relatives do not qualify. Fees paid to an institution outside India do not qualify.
- The fee must have been paid in the year.

Example

Ms R has two children, one in a day school and one in a hostel. Her employer pays children education allowance of ?3,000 a month for each child, and a hostel allowance of ?9,000 a month for one child. In FY 2026-27 she can exempt ?72,000 education allowance and ?1,08,000 hostel allowance in the old regime. If she also pays ?40,000 as tuition fees, she can claim that under section 123 along with her other 80C investments.

How to claim

- Give your employer the fee receipts and the declaration in Form 124 (earlier Form 12BB) so the exemption and deduction are allowed while calculating TDS.
- If you could not, claim them when you file your return. Salaried parents claim the allowance in the salary schedule and the tuition fees in the deductions schedule.
- Non-salaried parents can claim only the tuition fee deduction.

Frequently asked questions

What is the children education allowance exemption now?

From 01/04/2026, ?3,000 a month per child, up to two children, in the old tax regime. Up to FY 2025-26 it was ?100 a month per child.

What is the hostel allowance exemption?

From 01/04/2026, ?9,000 a month per child, up to two children. Up to FY 2025-26 it was ?300 a month per child.

Can I claim both the allowance and tuition fees under 80C?

Yes. They are separate benefits: the allowance is an exemption on salary, and the tuition fees are a section 80C deduction.

Does 80C cover school development fees or donations?

No. Only tuition fees for full time education in India, for up to two children.

Are these available in the new tax regime?

No. Both the allowances and the 80C deduction need the old regime.

Official sources

- Income-tax Rules, 2026 (Rule 280)
- Income Tax Department: Income-tax Act, 2025 (as amended by Finance Act 2026), Schedule III and sections 123, 202
- Income Tax Department: e-Filing portal

Related reading

- Uniform Allowance: Tax Exemption, Limit and Rules
- Special Allowance in Salary: How It Is Taxed and Which Allowances Are Exempt
- Transport Allowance: Tax Exemption, Limits for Tax Year 2026-27 and Rules

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