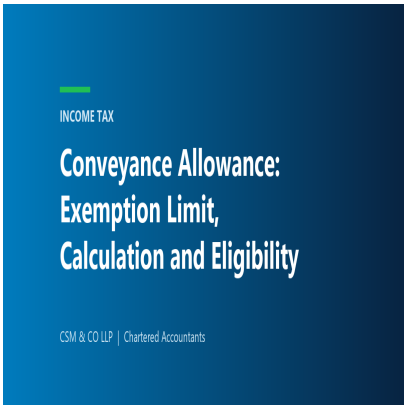

Conveyance Allowance: Exemption Limit, Calculation and Eligibility

Description

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Quick summary

- Conveyance allowance is exempt to the extent of the amount you actually spend on travel in the performance of your official duties, in both the old and the new tax regime.
- It applies only if your employer does not give you a free conveyance, and the part not spent is taxable.
- The old ?1,600 a month fixed exemption is not conveyance allowance: it was a transport allowance for commuting and ended in FY 2018-19.
- From Tax Year 2026-27 the rule is in Schedule III of the Income-tax Act, 2025 and Rule 280(1)(d) of the Income-tax Rules, 2026.

Conveyance allowance is paid to an employee to meet the cost of travel done in the course of official work, such as visiting clients or sites. It is exempt from tax up to what you actually spend on such travel. There is no fixed rupee limit.

Where is this in the law?

Up to FY 2025-26 it was section 10(14)(i) of the Income-tax Act, 1961 and Rule 2BB(1)(b). From Tax Year 2026-27 it is in Schedule III of the Income-tax Act, 2025 (Table Sl. No. 12), with Rule 280(1)(d) of the Income-tax Rules, 2026 describing it as an allowance granted to meet the expenditure on conveyance in performance of duties of an office or employment of profit, where no free conveyance is provided by the employer.

How much is exempt?

The lower of:

- the allowance you receive, and
- the amount you actually spend on conveyance for official duties.

The unspent part is taxable as salary. Keep records of your official journeys, such as a log, fuel bills, tickets or cab receipts, as your employer may ask for them.

The ?1,600 myth

Many articles say conveyance allowance is exempt up to ?1,600 a month (?19,200 a year). That figure belonged to the transport allowance for commuting between home and office, which was withdrawn from FY 2018-19 when the standard deduction was introduced. It is not a conveyance allowance limit. A fixed monthly “conveyance” amount that you use only to commute to work is therefore taxable.

Conveyance allowance vs transport allowance

Basis	Conveyance allowance	Transport allowance
Purpose	Travel while doing the job	Travel between home and office
Exemption	Actual expense, up to the allowance	Only for disabled employees and transport business employees
Regimes	Both old and new	Disability: both. Transport business: old only

Who is eligible?

Any employee who has to travel for official work, and whose employer does not provide a free conveyance. If the employer gives a company car or free transport, no exemption is allowed.

Reporting

Your employer applies the exemption in Form 16, based on the declaration and proof you give. In your return, show the exempt and taxable parts in the salary schedule.

Old regime or new regime?

Conveyance allowance (for travel in the performance of duties) is one of the few allowances that continue to be exempt in the new regime. Under section 202 of the Income-tax Act, 2025 and Rule 280(3), the new regime keeps the exemption for allowances for travel on tour or transfer, daily charges, conveyance in duties and, for a disabled employee, the transport allowance.

Frequently asked questions

What is the exemption limit for conveyance allowance?

There is no fixed limit. The exemption is the actual amount you spend on conveyance in performing your duties, up to the allowance you receive.

Is conveyance allowance taxable?

The part you do not spend on official travel is taxable as salary. A fixed allowance you use for commuting is taxable.

Is it available in the new tax regime?

Yes. It is one of the allowances that remain exempt in the new tax regime.

Is conveyance allowance the same as transport allowance?

No. Conveyance allowance is for travel in performing duties. Transport allowance is for travel between home and office.

Can I claim it if my employer gives a company car?

No. It applies only where no free conveyance is provided by the employer.

Official sources

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

Related reading

- Leave Travel Allowance (LTA): Exemption Limit, Rules, How to Claim and Eligibility
- Uniform Allowance: Tax Exemption, Limit and Rules
- Transport Allowance: Tax Exemption, Limits for Tax Year 2026-27 and Rules

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