



ALL INDIA BANK PENSIONERS' & RETIREES' CONFEDERATION

(A.I.B.P.A.R.C.)



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Circular no: 115-25

Date: December 10, 2025

For circulation among members of the Governing Council, State Secretaries, Special Invitees, Advisors, Affiliates, Constituents of CBPRO and Members.

Dear Comrade,

Sub: Income Tax on Leave encashment – exemption limit of Rs.25 Lakhs from Rs.3 Lakhs – applicable for those who retired after 01.01.2016.

We have been receiving queries from members about the retrospective effect to the enhancement in IT exemption to Leave encashment to Rs 25 lakhs vide CBDT Notification No.31/2023/P.No. 200/3/ 2023-ITA-1 dated 24/5/2023.

In this regard please find enclosed the order of appellate tribunal (ITAT) of Bench Jaipur. Similar orders have been passed by more ITATs interpreting the retrospective effect from 1.1.2016 to the tax exemption ceiling of Rs 25 lakhs under section 10(10AA) of Income tax Act. In the light of the above, members are raising queries about submission of the revised return to claim refund along with application to condone delay in submission of such return. We have been advising that the retirees eligible for this exemption effective from 1/1/2016 may do so by taking the assistance of a tax professional.

As far as our information goes, there have been at least 22 such cases where the Income Tax Appellate (ITAT) have decided in favour of the employees regarding Exemption on Leave Encashment Payment at the time of Retirement whether on Superannuation or Otherwise purely based on the merits as per the Income Tax act, 1961 Section 10(10AA). It is decided that the Notification that of Rs. 25 lakhs dated 24.05.2023 is applicable with retrospective effect i.e. 01.01.2016.

We are quoting only one such case for ready reference.

Name of the Appellant and ITA no	Name of the Employer	Assessment year	ITAT Bench	Date of order
Mr.Devi Dutt Agrawal ITA No. 1375/JPR/2024	State Bank of India	2020-21	Jaipur	13/03/2025

Best wishes and regards,

Comradely yours,

K.V.Acharya.

President.

& Joint Convenor, CBPRO

Encl: As Stated (PDF file)

Suprita Sarkar

General Secretary

IN THE INCOME TAX APPELLATE TRIBUNAL
JAIPUR BENCH "SMC", JAIPUR
**BEFORE SHRI GAGAN GOYAL, ACCOUNTANT MEMBER AND
SHRI NARINDER KUMAR, JUDICIAL MEMBER**
ITA No. 1375(A.Y. 2020-21)/JPR/2024

Devi Dutt Agarwal,
E-232, 1st Floor East of Kailash,
New Delhi,
Delhi 110065
PAN No. AGWPA6965A

..... Appellant

VS.

Assessment Unit,
Jaipur

.....Respondent

Appellant by : Mr. Vikash Rajvanshi, CA
Respondent by : Mr. Gautam Singh Choudhary, JCIT,
Ld. DR
Date of hearing : 24/02/2025
Date of pronouncement : 13/03/2025

ORDER

PER GAGAN GOYAL, A.M:

This appeal by assessee is directed against the order of NFAC, Delhi dated 01.11.2023 passed u/s. 250 of the Income Tax Act, 1961 (in short 'the Act'). The assessee has raised the following grounds of appeal: -

1. Ld. CIT appeal did not consider notification no. 31/2023 for enhancement of leave encashment limit from 3 Lakhs to 25 Lakhs u/s. 10(10AA) of the Act and

relevant decision of Honourable Delhi High Court and wrongly sustain Ld. AO order of allowing deduction u/s 10(10AA) for leave encashment of Rs. 3,00,000/- instead of Rs. 12,13,200/-. Hence, full claim of Rs. 12,13,200/- must be allowed as within the limits prescribed.

2. *The Assessee craves the right to add, delete, amend or abandon any of the grounds of this appeal at the time or before the actual hearing of the case.*

2 The brief facts of the case are that the assessee individual filed his return of income at Rs. 20,94,750/- on 17.12.2020 and thereafter a revised return also on 05.05.2021 declaring total income at Rs. 11,81,550/-. The case of the assessee was selected for complete scrutiny under CASS for the following reasons:

1. Salary income shown under TDS schedule of ITR is higher than the salary income shown under Part-B;
2. Reduction of income in revised return and claim of refund and
3. Salary income shown as per the ITR is less than the salary income as per Form No. 26AS.

In the original return, the assessee claimed Leave Encashment of Rs. 3 Lacs u/s. 10(10AA) of the Act. But in the revised return of income, he claimed the full amount received as leave encashment amounting to Rs. 12,13,200/- u/s. 10(10AA) of the Act. The AO disallowed the claim of the assessee and Rs. 9,13,200/- (Rs. 12,13,200/- minus 3,00,000/-) being difference in the original claim and revised claim added back to the income of the assessee. The assessee being aggrieved with this order preferred an appeal before the Ld. CIT (A), who in turn confirmed the order of the AO and dismissed the appeal of the assessee.

3 The assessee being further aggrieved with the same preferred the present appeal before us. It is observed that the appeal filed before us is time barred by 326 Days. In response to the same the assessee filed an application for

condonation of delay along with an affidavit. The assessee is a 66 years old person and has severe eye vision trauma since last year. Due to this eye problem, the assessee was not able to view TV, computer and even mobile. Hence, can't check his e-mails. The assessee has under gone two eye operation in March 2024 and May 2024. The assessee came to know about the Ld. CIT(A)'s order only on 7th November 2024, when he received a notice from the department under the DTVSV. Thereafter, the assessee checked his portal and downloaded the Ld. CIT(A)'s order and filed the present appeal before us. We found the explanation filed by the assessee as reasonable, **hence delay in filing of this return is condoned.**

4 The only issue for our consideration is whether the assessee is entitled to claim the deduction at Rs. 12,13,200/- or at a figure of Rs. 3 Lacs as allowed by the AO, for better understanding, we are reproducing herein below the relevant provisions of the section 10(10AA) of the Act as under:

10AA)	<i>(i) any payment received by an employee of the Central Government or a State Government as the cash equivalent of the leave salary in respect of the period of earned leave at his credit at the time of his retirement whether on superannuation or otherwise;</i>
	<i>(ii) any payment of the nature referred to in sub-clause (i) received by an employee, other than an employee of the Central Government or a State Government, in respect of so much of the period of earned leave at his credit at the time of his retirement whether on superannuation or otherwise as does not exceed ten months, calculated on the basis of the average salary drawn by the employee during the period of ten months immediately preceding his retirement whether on superannuation or otherwise, subject to such limit as the Central Government may, by notification in the Official Gazette, specify in this behalf having regard to the limit applicable in this behalf to the employees of that Government:</i>
	<i>Provided that where any such payments are received by an employee from more than one employer in the same previous year, the aggregate amount exempt from income-</i>

	<i>tax under this sub-clause shall not exceed the limit so specified:</i>
	<i>Provided further that where any such payment or payments was or were received in any one or more earlier previous years also and the whole or any part of the amount of such payment or payments was or were not included in the total income of the assessee of such previous year or years, the amount exempt from income-tax under this sub-clause shall not exceed the limit so specified], as reduced by the amount or, as the case may be, the aggregate amount not included in the total income of any such previous year or years.</i>
	<i>Explanation. —For the purposes of sub-clause (ii), —</i>
	<i>the entitlement to earned leave of an employee shall not exceed thirty days for every year of actual service rendered by him as an employee of the employer from whose service he has retired;</i>

5 In the light of the provisions of sub-clause (ii) and the latest notification on this subject as reproduced herein below as under:

NOTIFICATION S.O. 2276(E) [NO. 31/2023/F. NO. 200/3/2023-ITA...

**SECTION 10(10AA) OF THE INCOME-TAX ACT, 1961 - EXEMPTIONS -
ENHANCEMENT OF EXEMPTION LIMIT OF LEAVE ENCASHMENT**

In exercise of the powers conferred by sub-clause (ii) of clause (10AA) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government, having regard to the maximum amount receivable by its employees as cash equivalent of leave salary in respect of the period of earned leave at their credit at the time of their retirement, whether superannuation or otherwise, hereby specifies the amount of Rs. 25,00,000 (twenty-five lakhs' rupees only) as the limit in relation to employees mentioned in that sub-clause who retire, whether on superannuation or otherwise.

2. This notification shall be deemed to have come into force with effect from the 1st day of April, 2023.

In addition to the above we have considered the judicial pronouncement by the Hon'ble Delhi High Court in the case of Kamal Kumar Kalia & Ors. Vs. Union of India and coordinate bench in the case of Ram Charan Gupta vs. ITO, Ward 4(2), Jaipur, ITA No. 408/JPR/2022, Dated: 27.06.2023 and Govind Chhatwani, Jaipur vs. CIT, ITA No. 385/JPR/2023 on 31.10.2023.

6. In view of the above, there is a firm view has already been taken by the coordinate bench respectfully considering the decision of Kamal Kumar Kalia & Ors. Vs. Union of India, for sake of consistency and view of the Hon'ble Delhi High Court (supra), The grounds raised by the assessee are allowed and the AO is directed to accept the claim of the assessee as claimed in his revised return amounting to Rs. 12,13,200/- u/s. 10(10AA) of the Act.

7. In the result the appeal of the assessee is allowed.

Order is pronounced in the open court on the 13th Day of March 2025.

Sd/-

Sd/-

(NARINDER KUMAR)
JUDICIAL MEMBER

(GAGAN GOYAL)
ACCOUNTANT MEMBER

Jaipur, दिनांक/Dated: /03/2025

Copy of the Order forwarded to:

1. अपीलार्थी/The Appellant ,
2. प्रतिवादी/ The Respondent.
3. आयकर आयुक्त CIT

4. विभागीय प्रतिनिधि, आय.अपी.अधि., Sr.DR., ITAT,
5. गार्ड फाइल/Guard file.

//True Copy//

BY ORDER,

(Asstt.Registrar)
ITAT, Jaipur

	Details	Date	Initials	Designation
1	Draft dictated on PC on	13.03.2025		Sr.PS/PS
2	Draft Placed before author	13.03.2025		Sr.PS/PS
3	Draft proposed & placed before the Second Member			JM/AM
4	Draft discussed/approved by Second Member			JM/AM
5.	Approved Draft comes to the Sr.PS/PS			Sr.PS/PS
6.	Kept for pronouncement on			Sr.PS/PS
7.	File sent to the Bench Clerk			Sr.PS/PS
8	Date on which the file goes to the Head clerk			
9	Date of Dispatch of order			