TAXATION CELL
CIRCULAR NO. 03/2023

Reference is drawn towards Circular no. 2/2011 dated 25.04.2011 vide which instructions were reiterated regarding limits specified for Leave Encashment receivable by employees at the time of Retirement/Superannuation.

Now, Ministry of Finance, Govt. of India has issued Notification No. 31/2023/F. No. 200/3/2023-ITA-I dated 24.05.2023 (copy enclosed) vide which amendment has been made regarding 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.

As per the said Notification, The Income Tax exemption limit for Earned Leave encashment at the time of retirement as provided under Section 10(10AA)(ii) of Income Tax Act has been increased from Rs.3,00,000 to Rs.25,00,000/- (Rupees Twenty five lacs only). The amount paid or payable to the employee over and above specified limit will be included in the income of the employees subject to TDS. The abovementioned notification is applicable w.e.f. 01.04.2023.

This is for information and necessary compliance.

Hindi version of this circular will follow.

Encl: As above

Signed by Amit Kumar Pathak
Date: 11-07-2023 12:09:03
Reason: Approved

(Amit Kumar Pathak)
General Manager (Finance)

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