To

**Ms. Anita Soni,**

Director (F), MTNL

Corporate Office, New Delhi

**Subject: TDS on Leave encashment amount at the time of retirement-Reg**

Madam,

It is in continuation of our earlier letter no MEA/CHQ/DF dated 14-03-2011 on above mentioned subject. After our representation, your good office has written to the Chairman CBDT to consider the leave of MTNL employees at the credit at the time of retirement, limited to the balance that was brought forward from the Central Government, to be kept outside the ambit of section 10(10AA) of Income Tax, 1961. But, I have to bring to your kind notice that BSNL, after taking the opinion of tax consultant, has issued the clarification that

1. The earned leave account of Government Service at their credit as on date of permanent absorption into BSNL is to be calculated proportionately as per service records and to allow the full exemption upto 300 days on the date of superannuation/retirement etc. as an employee of the Central government under sub clause (i) of section 10(10AA) of Income Tax Act, 1961.
2. If leave encashment at credit is less than 300 days at the time of absorption, the balance leave earned during BSNL (PSU) service will be taxable subject to exemption limit of Rs. 3,00,000/- under section 10(10AA) sub clause (ii) of income tax Act, 1961, at the time of superannuation/retirement etc.

**Therefore, in view of above decision of BSNL, I request your goodself to take the similar decision to exempt TDS on the earned leaves of MTNL employees at their credit as on date of permanent absorption into MTNL. BSNL letter is enclosed herewith for your ready reference.**

With kind regards.

 Yours sincerely,

 **(V.K.Tomar)**

**Enclosure-** BSNL letter no 1001-04/2011-12/taxation/BSNL/LE/196 dated 04/05/2012

**Copy to:**

1. CMD, MTNL for information & n/a pl
2. Dir (HR) for information & n/a pl
3. DGM (Accounts) for n/a pl