

**ALL INDIA
BHARAT SANCHAR NIGAM LIMITED
EXECUTIVES' ASSOCIATION**



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No. AIBSNLEA/CHQ/MOSF/2019

Dated: 02.12.2019

To,

Sh. Anurag Thakur Ji,
Honorable Minister of State for Finance
Govt. of India
14, Janpath, New Delhi

Subject: Request for increase the Monetary Limit under Section 10(10C) and 10 (AA) of Income Tax Act –reg.

Hon'ble Sir,

All India Bharat Sanchar Nigam Limited Executives' Association (AIBSNLEA) representing over 20,000 Executives in BSNL express its heartfelt thanks to the Hon'ble Prime Minister, Group of Ministers and the Union Cabinet for approving the Revival Package for BSNL and MTNL wherein you have provided your fullest support for the same. We would like to submit the following points for your kind and sympathetic consideration.

1. As per the Revival Plan approved by the Union Cabinet, the VRS for BSNL/MTNL employees for the age group of 50 years and above has also been approved and announced by the Government. Nearly 80000 BSNL employees have opted for VRS. The BSNL employees, who opted for the VR scheme will be paid an ex-gratia amount as compensation towards Voluntary Retirement as per the approved plan.
2. Under Section 10(10C), the limit of exemption from Income Tax of any amount received by an employee of a PSU at the time of his Voluntary Retirement under any scheme of Voluntary Retirement was fixed as ₹.5,00,000/- by the Finance Act 1993. Before 01-04-1993, the entire ex-gratia amount received by a PSU employee at the time of VR under the Scheme was exempted from the Income Tax.
3. Many of the employees who are above the age of 50 years have to be discharged their Social Commitments viz; Education of Sons and Daughters, their Marriage, repayment of Housing Loans etc. Earlier all such repayments would have been decided keeping in mind the date of Superannuation i.e. at the age of 60 years. Now when suddenly VRS is offered and accepted by the individual will have a great impact on the decisions taken earlier and the amount received as ex-gratia will have to be used for repayments etc. **This will cause immense hardship both mentally and financially for those employees who are going to opt for VRS.**

It is our kind submission that this Monetary Ceiling of ₹ 5 Lakh was introduced in 1993 and has not been revisited/ reviewed till date. As such, the revision of the present ceiling of ₹.5 Lakh, fixed under section 10(10C) of the Income Tax Act in respect of the Ex-Gratia amount is overdue from a long period. The rising cost of living and depreciation in Rupee value has been recognized by the Government of India as highlighted in the following instances:

- ❖ **For the Assessment Year 1993-94, the Maximum ceiling for Income, which is not subject to Tax for individuals, was fixed at ₹ 28000 and this was revised to ₹ 2,50,000 in Assessment Year 2015-16.**
- ❖ **The Salary of the top most Civil Servants (Cabinet Secretary) was fixed at ₹.9000 by the Fourth Pay Commission in 1986 and the same has been revised to ₹ 2,50,000 by the Seventh Pay Commission in the year 2016 (Approximately 28 Times).**
- ❖ **The Consumer Price Index (CPI) which was at 30.97 in 1993 has risen to 154.95 in 2016.**
- ❖ **The Cost Inflation Index (CII) notified for the purpose of computing Long Term Capital Gains having base year 2001-02 at 100 has been revised to 289 for the year 2019-20**

It may please be appreciated that this ratio is justifiable in the light of the comparable revision in the maximum ceiling of income which is not subject to Income tax for an individual who is not a Senior Citizen

It is further submitted that the basic idea of bringing this Scheme of VR in BSNL (the 100% Govt. PSU) by the Govt. of India is to reduce the numbers of employees in BSNL as well as reduce the Establishment cost to make the BSNL Economically Viable and also the EBITDA positive within a stipulated period and obviously after that Profitable.

If the revision of the ceiling is not structured better, it will render the VRS Package offered to BSNL employees extremely un-attractive and employees opting for the scheme will be put to great Financial loss and mental strain due to the heavy tax incidence.

- (i) **Hon'ble Sir, in view of the forgoing, we would request your goodself to kindly intervene in this matter and take necessary steps to raise the existing ceiling fixed for tax exemption from ₹ 5 Lakh to ₹ 50 Lakhs under Section 10(10C) of the Income Tax Act in respect of the Compensation/ Ex-gratia amount paid to the employee through the Scheme of Voluntary Retirement.**
- (ii) **Hon'ble Sir, we would also like to bring to your kind notice that the amount of Leave Encashment payment at the time of retirement is also taxable over and above a limit of ₹ 3 Lakh applicable to CPSE employees, under the Section 10AA (as per**

notification dated 31-05-2002), which has also not been reviewed since last 17 years. Hence, taking into consideration of the duration, it is requested that it has also to be revisited and **may kindly be considered for enhance the exemption limit to ₹ 10 Lakh please.**

- (iii) Hon'ble Sir, in addition to above, any sum received in compensation for the termination of source of income is Capital Receipt and it is the amount received from the employer for loss of employment due to premature termination of service and fully exempted from Income Tax decided by various courts. It is therefore requested that the ex-gratia amount payable to VRS Optees in BSNL may also be exempted from Income Tax.

With kind regards,

Yours Sincerely,
-sd-
(S.SIVAKUMAR)
General Secretary

Copy To:-

1. Smt. Nirmala Sitharaman Ji, Hon'ble Minister of Finance, Govt. of India, New Delhi
2. Shri Anshu Prakash Ji Secretary(T) & Chairman(DCC) DoT, Sanchar Bhawan, New Delhi.
3. Shri Pramod Chandra Mody, Chairman, CBDT, Govt. of India, North Block New Delhi
4. Shri P.K. Purwar ji CMD BSNL, Bharat Sanchar Bhawan, New Delhi.
5. Shri A M Gupta Ji, GM(SR), BSNL Corporate Office, New Delhi