

**MAHANAGAR TELEPHONE NIGAM LIMITED  
(A GOVERNMENT OF INDIA ENTERPRISE)  
CORPORATE OFFICE**

No. 7-2/Tax/Misc./F.Y.2011-12/  
Dated: 29.08.2012

E.D. MTNL Delhi/ Mumbai	E.D.(Wireless Services) M.T.N.L. New Delhi
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**Sub: Tax Deducted at Source (TDS) on Leave encashment at the time of retirement.**

On receipt of representation from Associations, the implication of taxability in respect of Leave encashment at the time of retirement has been examined & following guidelines are issued subject to conditions mentioned therein, with immediate effect :-

1. The amount of leave encashment in respect of leave earned during the period before absorption is eligible for full exemption as per Section 10(10AA) (i) of the Income Tax Act, 1961.
2. The amount of leave encashment in respect of leave accrued after absorption will be taxable after giving exemption as per Section 10(10AA) (ii) of the Income Tax Act, 1961.
3. The total leave earned during the period before & after absorption shall not exceed more than 300 days for encashment at the time of retirement.

Taking into consideration the above guidelines:-

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

- c) However, by giving effect of the above an Undertaking shall be taken from each retiree that if any tax liability occurs or imposed by Tax Authorities including interest, penalties etc. will be borne by retiree. The Proforma of Undertaking is also enclosed herewith.
- d) The directly recruited employees of MTNL w.e.f. 01-04-1986 are covered under the provisions of Section 10(10AA) (ii) of the Income Tax Act, 1961 & the amount of leave encashment will be taxable after giving exemption of Rs.3,00,000/- (i.e. present limit of exemption).
- e) Those Group C & D employees who have therefore already encashed their leave at the time of absorption in MTNL are also covered under the provisions of Section 10(10AA) (ii) of the Income Tax Act, 1961 & the amount of leave encashment will be taxable after giving exemption of Rs.3,00,000/- (i.e. present limit of exemption).

This issues with the approval of competent authority.



(NARESH KUMAR)  
Dy.General Manager(Accts.)

Copy to:-

1. GM(Finance) Delhi/Mumbai/ Add.GM(Fin.)Wireless Services.
2. DGM(Fin.)Mobile Service Delhi/Mumbai.
3. DGM(F)HQs/DGM(A/cs) Delhi/ Mumbai.
4. PS to CMD/Dir.(F)/Dir(T)/Dir(HR).
5. CAO(Pension) Delhi/Mumbai.
6. CAO(Cash) Corp.Office.

Undertaking/ Declaration

I \_\_\_\_\_ S/O /D/O/ W/O  
\_\_\_\_\_ resident of \_\_\_\_\_  
\_\_\_\_\_

I hereby undertake that in case of any demand on account of leave encashment raised by the Income Tax Authorities, the same along with interest and penalty (if any) shall be borne by me and I will pay the dues accrued against me.

Signature of the officer

Name : \_\_\_\_\_

Designation : \_\_\_\_\_

Unit where working : \_\_\_\_\_

Staff No. : \_\_\_\_\_

Employee NO. : \_\_\_\_\_