

F. No.173/32/2026-ITA-I
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes
(ITA Division)

New Delhi, the dated 22nd October, 2026

To,

All Principal Chief Commissioners of Income-tax/
All Principal Directors General of Income-tax

Subject: Tax treatment of ex-gratia compensation received under BSNL and MTNL Voluntary Retirement Scheme (VRS), 2019—reg.

Sir/Ma'am

I am directed to state that representations have been received in the Central Board of Direct Taxes (hereinafter referred to as "the Board") from various associations and individuals who retired under the Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL) Voluntary Retirement Scheme, 2019 (VRS-2019), regarding the admissibility of exemption in respect of the ex-gratia compensation received under these Schemes, particularly whether such compensation is covered under section 10(10B) of the Income-tax Act, 1961 (hereinafter referred to as "the Act").

2. The matter has been examined by the Board in consultation with the Department of Telecommunications whereupon vide OM dated 08.04.2026 (**copy enclosed herewith**) it has been clarified that the ex-gratia compensation paid under BSNL and MTNL VRS-2019 is in the nature of compensation received on voluntary retirement, inter alia, for the following reasons:

- i. The Scheme was expressly a Voluntary Retirement Scheme, under which eligible employees were required to exercise an option for voluntary retirement within the prescribed period. The employees had filled the option form voluntarily to avail the benefits of VRS schemes.
- ii. The ex-gratia compensation was determined with reference to the completed length of qualifying service and the residual period of service remaining until the date of superannuation, broadly in accordance with the guidelines dated 20.07.2018 issued by the Department of Public Enterprises, Government of India governing Voluntary Retirement Schemes (**copy enclosed**).
- iii. As per BSNL's circular No.1-15/2019-PAT (BSNL) dated 04.11.2019 and MTNL's Office Order No.MTNL/CO/GM (HR)/VRS/NE/2016-17 dated 04.11.2019 (**copy enclosed**) wherein notification of the VRS Scheme and guidelines were circulated, the model adopted by the MTNL/BSNL VRS 2019 was as per Para 3 of DPE guidelines mentioned above.
- iv. Employees opting for voluntary retirement under the Scheme continue to be entitled to pensionary and other retirement benefits admissible under the applicable rules, including the Central Civil Services (Pension) Rules.
- v. The Scheme had been formulated with the objective of rationalizing and right-sizing the workforce and did not contemplate termination of service by the employer.