



# ALL INDIA BHARAT SANCHAR NIGAM LIMITED RETIRED EXECUTIVES' ASSOCIATION

## Central Headquarters

Registered under Societies Registration Act XXI of 1860 vide Govt. of NCT Delhi No. S/RS/SW/1161/2014  
[Registered under Pensioners Portal vide DoP&PW letter No. 4(4)/2021-P&PW(H)7311 dated 04.01.2024]  
Flat No.6, Second Floor, 10/41, Sowrashtanagar 7<sup>th</sup> Cross Street, Choolaimedu, Chennai – 600094

Email: [gensecaibsnlrea@yahoo.com](mailto:gensecaibsnlrea@yahoo.com)

Website: <https://www.aibsnlrea.org>

### President

V. Chinnappiah  
(M) 9444003300

### General Secretary

R.R.Balasubramanian  
(M) 9486100613

### Financial Secretary

Awadesh Sharma  
(M) 9968630008

No. AIBSNLREA/CHQ/2025/53

Dated 11<sup>th</sup> August 2025

To

Shri Ravi Agrawal,  
Chairman,  
Central Board of Direct Taxes,  
New Delhi

**Sub: Request for closure of Notices issued under Section 154 demanding additional tax on leave encashment for leave earned during DoT period - case of BSNL absorbed pensioners**

Sir,

We seek your kind attention to a persistent issue since the year 2021 wherein CPC Bangalore had issued notice to some BSNL absorbed pensioners demanding paying of additional tax on the plea that that the "order u/s 154 was erroneously taken up for rectification again, whereby full exemption, as claimed in the return, was allowed. As the assessee's claim of exemption, in excess of Rs 3 lakhs, is erroneous and is a mistake apparent from records, the exemption u/s 10(10AA) is restricted to Rs 3 lakhs in this order". Even after due reply from the taxpayers, these notices have not yet been cancelled. Our earlier representation dated 14.06.2024, in this regard did not elicit any response. We therefore restate the background of the matter in detail:

2. BSNL IDA pensioners were serving in Government of India under Department of Telecommunications upto 30.09.2000 and were transferred to and permanently absorbed in Bharat Sanchar Nigam Limited (BSNL) which was formed on 01.10.2000 as per Government of India decision. Thus, they were Central Government Employees up to 30.09.2000. According to the Cabinet decision taken then, the earned leave at the credit of these employees were duly carried forward to BSNL.

3. According to Section 10 (10AA) (i) of IT Act, Leave encashment *at the time of retirement or separation (other than on account of termination)* of a Government Employee is fully exempt from income tax. However, for the Non-Govt employees, leave encashment in excess of Rs.3,00,000 (Three lakhs) is taxable as per Section 10 (10AA) (ii). Therefore, BSNL had issued guidelines vide No.1001-04/2011-12/Taxation/BSNL/LE/176 dated 04.05.2012 (copy enclosed) stating that:

"1. The full amount received by a retiring absorbed employee 'as the cash equivalent of the leave salary in respect of the period of earned leave at his credit at the time of his retirement' under sub-clause (i) of Section 10(10AA), Income Tax Act, 1961, calculated as per the accepted norm adopted for calculating the Amount due for the Government service period, will be eligible for full exemption, on the date of absorption in BSNL from DOT.

2. As per sub clause (ii) of the Section 10(10 AA) of Income Tax Act, 1961, subject to the exemption limit of Rs 300,000/- amount calculated to leave salary drawn by the employee on or after the date of absorption in BSNL (i.e., PSU service) is taxable".

4. Based on the above orders, BSNL has been calculating leave earned in Government service prior to absorption and leave earned after absorption separately and has been deducting TDS accordingly, which reflects in the Form 16 also. All retired BSNL absorbed employees have been filing ITRs based on these Form 16 only.

5. It is pertinent to point out here that in a similar case of CPC Bangalore claiming tax for the encashment of leave earned during Government service in respect of Mahanagar Telephone Nigam Limited, (MTNL) employees who were permanently absorbed in the PSU came before the INCOME TAX APPELLATE TRIBUNAL "SMC" BENCH, MUMBAI in ITA No. 3261/Mum/2018 and the Hon'ble Tribunal had allowed the appeal of the assessee and ordered that

*"I am of the view that as per the provisions of section 10(10AA)(i) of the Act, the assessee is entitled for exemption on the amount of leave encashment of leave earned during the period before absorption in MTNL as per section 10(10AA)(i) of the Act as applicable to Central Govt. because before that date he was employee of Govt. of India that the Central Government. The amount of leave encashment in respect of leave accrued after absorption in MTNL will be governed by the exemption as per section 10(10AA)(ii) of the Act. **I find that the facts are clearly in favour of assessee and for 263 days of leave as on the date of absorption was available to the assessee, which was earned and unutilized from Government service i.e. Central Government and will be governed by 10(10AA)(i) of the Act. The balance 37 days of leave earned is from MTNL and will be governed as per the provisions of section***

**10(10AA)(ii) of the Act.** Accordingly, I allow the appeal of the assessee and direct the AO to recompute the exemption proportionately as directed above."

6. It is thereby evident that the action by IT department under Section 154 is violative of Section 10 (10AA) (i) of IT Act. All the assesses who received notice on this count had duly submitted their reply mentioning about the BSNL letter cited above and the Income Tax Appellate Tribunal, Mumbai orders referred to in previous paragraph. Although no further notice has been issued by the Income Tax authorities, interest on the alleged additional tax goes on adding every year. There are also instances where the additional tax is recovered wherever the assessee is eligible for refund. Non-closure of the notices continues to be a sword of Damocles hanging over their head with the possibility of adverse action against them by the IT department at any point of time in the future. This has led to a situation where the concerned assesseees are in constant stress. Copy of the representation from one of the several affected assesseees is enclosed.

7. In view of the above facts, we request you to kindly direct the officials in CPC Bangalore to withdraw/close the notices issued in violation of the IT Act and also stop adjusting the alleged additional tax from refunds due.

With kind regards,

Yours sincerely,



(R.R. Balasubramanian)  
General Secretary

Encl: As stated

Copy to: 1. Shri V. Srinivas,  
Secretary (Pension), DoP&PW  
2. Smt. Mamta Bansal,  
Commissioner of Income Tax (CPC-TDS),  
Ghaziabad  
3. Ms. H.L.Sowmya Achar,  
Commissioner of Income Tax (CPC),  
Bengaluru