



ALL INDIA BANK OFFICERS' CONFEDERATION

(Registered under the Trade Unions Act 1926, Registration No: 3427/Delhi)

State Bank Buildings, St. Mark's Road, Bangalore – 560 001

**CIRCULAR NO.29
05.03.2012**

Date:

TO ALL AFFILIATES/MEMBERS:

TAX EXEMPTION LIMIT FOR LEAVE ENCASHMENT AT THE TIME OF RETIREMENT UNDER INCOME TAX ACT: NEED TO ENHANCE THE LIMIT.

The Officers working in Public Sector Banks are entitled to encash accumulated earned leave (privilege leave) upto 240 days at the time of superannuation and the amount of leave encashment upto a limit of Rs.3.00 lacs is exempt from payment of tax. This limit was fixed way back in 1998.

2. There have been Salary Revision on three occasions after 02.04.1998 and the limit of Rs.3.00 lacs has remained unchanged. There is an urgent need to enhance the limit substantially in tune with the ground realities or the entire amount of leave encashment should be exempt from payment of tax.

3. We have addressed a letter to the Finance Minister in this regard and a copy of the letter annexed is self –explicit.

4. Further developments in this regard will be informed to you.

With greetings



(G.D.NADAF)
GENERAL SECRETARY



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No.1454/74/12

Date:05.03.2012

Sri. Pranab Kumar Mukherjee,
Hon'ble Finance Minister,
Government of India,
South Block, Parliament House,
NEW DELHI.

Respected Sir,

TAX EXEMPTION LIMIT FOR LEAVE ENCASHMENT AT THE TIME OF RETIREMENT UNDER INCOME TAX ACT: NEED TO ENHANCE THE LIMIT.

The employees working in the Public Sector Banks are entitled to encash accumulated earned leave (Privilege Leave) up to 240 days, at the time of superannuation and the amount of leave encashment up to a limit of Rs.300,000/- is exempt from payment of tax. This is in vogue w.e.f. 02.04.1998.

2. It may please be noted that in the Banking Industry there was Salary Revision on three occasions after 02.04.1998 i.e. on 01.11.1997, 01.11.2002 and 01.11.2007. With the Salary Revision and also increasing inflation the exemption limit prescribed by the Income Tax Department is too meager and most of the officers are compelled to pay heavy tax on the encashment of leave salary.

3. It is pertinent to note here that, the employees of the Central Government as well as the State Governments are allowed accumulation of earned leave upto 300 days and are fully exempt from payment of tax on encashment of leave to his/her credit at the time of superannuation.

4. We request you to bestow your personal attention to this issue and provide relief to the Bank Officers /Employees by exempting entire amount of leave encashment from payment of tax at the time of superannuation, as in the case of State / Central Government employees.

Thanking you

Yours faithfully

A handwritten signature in black ink, appearing to read 'G.D. NADAF', written in a cursive style.

(G.D.NADAF)
GENERAL SECRETARY