

ALL INDIA BANK OFFICERS' CONFEDERATION

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

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Circular No. 2020/03

Date: 10.01.2020

To All Affiliates (Please Circulate)

Dear Comrade,

Memorandum to Hon'ble Finance Minister seeking exemption of entire Leave Encashment amount from deduction of Income Tax

We have sent a communiqué to the Hon'ble Finance Minister, Govt of India seeking exemption of entire Leave Encashment amount from deduction of Income Tax at the time of retirement of bank officers and employees. Text of the letter is appended.

With greetings,

(Soumya Datta)
General Secretary

Text of Letter No. AIBOC/2020/02 dated 10.01.2020

Ref No. AIBOC/2020/02

Date: 10.01.2020

Smt Nirmla Sitharaman
Hon'ble Union Minister of Finance
Government of India

Respected Madam,

Memorandum seeking exemption of entire Leave Encashment amount from deduction of Income Tax

Greetings from All India Bank Officers' Confederation (AIBOC) representing over 3,20,000 officers of the banking industry in India.

02. Madam, we invite your kind attention to the Leave Encashment Rules applicable to the Central and the State Government employees. The rules enable all the employees of Central and State Governments to encash their accumulated Earned Leave subject to a cap of 300 days on superannuation. We also draw your kind attention to the provisions of Section 10 [10AA(i)] of Income Tax Act, 1961 (as amended upto date) providing for complete exemption of income tax on any amount received as cash equivalent of leave salary at the time of retirement.

03. However, the above facility of allowing exemption of tax is not extended to the retiring bank employees who are covered under Section 10 [10AA(ii)] of the Income Tax Act, 1961 (as amended upto date) restricting it upto a maximum of ₹ 3,00,000/- only. Further, the bank employees are eligible to encash their accrued Privilege Leave up to a maximum of 240 days only at the time of superannuation. Incidentally, the limit was fixed way back in 1998.

04. We have, for quite a long time, been representing to the Indian Banks' Association and also the Department of Financial Services, Ministry of Finance to remove the above mentioned anomaly prevalent in case of bank employees and officers. We, therefore, request you to kindly bring an amendment to the aforesaid Section 10 [10AA(ii)] of the Income Tax Act, 1961 and extend complete exemption on the amount receivable by such bank

men as cash equivalent of leave salary at the time of retirement, without any upper ceiling, so as to have uniformity in approach and equity among the retiring employees of various government / public sectors including the banks.

At the end, we request your good office to give sympathetic consideration to this justified and legitimate demand and extend the income tax exemption on retirement benefit of encashment of leave without any cap, which will be of great financial help to the retiring bank employees and officers.

With best regards,

Yours sincerely,

Sd/-
(Soumya Datta)
General Secretary