

**TAMIL NADU GENERATION AND DISTRIBUTION CORPORATION LIMITED
(ACCOUNTS BRANCH)**

From
K.Malarvizhi, B.A.(Corp), ACA., PGDHRM,
Chief Financial Controller/General,
144, Anna Salai,
Chennai-600 002.

To
All Chief Engineers,
All Superintending Engineers,
All Financial Controllers,
All Drawing&Disbursing Officers/HQs

Circular No.CFC/GL/FC/AAO/TAXATION/F.Circular/D No. 33/2020, dt.11.09.2020

Sub: TANGEDCO – Income Tax deduction at source – Encashment of Earned Leave/Unearned Leave on Private Affairs – Clarification issued – Reg.

- Ref: 1. Lr.No.CFC/GL/FC/ACCTS/DFC/BS/AO/IT/F.MISC/D.No.61/14 dt.17.07.2014.
2. Lr.No.CFC/GL/FC/ACCTS/DFC/AO/TAX/F.Misc/D.129/2019, dt.19.02.2019.
3. High Court of Madras's Order (W.P.No.12729/2015 and M.P.1&2/2015) dated 18.12.2019.
4. Circular Lr.No.CFC/GL/FC/ACCTS/DFC/TAX/F.20B/D.No.166/2020, dt.28.01.2020.

In the reference (1) cited above, a detailed clarification/guideline was issued regarding the taxation of Earned Leave encashment and Unearned Leave on Private affairs at the time of retirement or superannuation in excess of Rs.3,00,000/-.It was also informed that the exemption u/s.10(10AA)(i) cannot be availed as it applies to Central/State Government employees and not to Public sector undertaking even though the PSUs maybe owned by State Government.

Now, the Hon'ble High Court in case of M/s.Bhaarathiya Electricity Employees Federation has also clarified the same:

"Since the members of the federation are no longer Government employees but are employees of separate corporation pursuant to Electricity Act, 2003, they can no longer be treated on par with the Government employees. Therefore, the exemption under section 10(10AA)(i) of the Income Tax Act, 1961 cannot be applied to them".

Hence, it is once again reiterated that the Earned Leave encashment or Unearned Leave encashment at the time of retirement or superannuation or otherwise of the employees will be included in the taxable income and the exemption be restricted to Rs.3,00,000/- in relation to such employees who retire whether on superannuation or otherwise. Proper tax compliance need to be ensured with utmost priority.



CHIEF FINANCIAL CONTROLLER/GI.

Copy submitted to all the Directors/TANGEDCO.

Copy to the Chief Engineers & CIAO/Head Quarters