

CBDT yanks up exemption limit on leave encashment

By TIOL News Service

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tax exemption on leave encashment of non-government salaried employees (in respect of the period of earned leave at his credit at the time of his retirement, whether on superannuation or otherwise) was earlier upto a limit of Rs.3 lakh only under section 10(10AA)(ii) of the Income-tax Act, 1961 (the Act).

In pursuance to the proposal in the Budget Speech, 2023, by the hon'ble FM, the Central Government has notified the increased limit for tax exemption on leave encashment on retirement or otherwise of non-government salaried employees to Rs. 25 lakh w.e.f. 01.04.2023.

The aggregate amount exempt from income-tax under section 10(10AA)(ii) of the Act shall not exceed the limit of Rs. 25 lakh where any such payments are received by a non-government employee from more than one employer in the same previous year.

Further, the amount exempt from income-tax under section 10(10AA)(ii) of the Act shall not exceed the limit of Rs. 25 lakh as reduced by the tax exemption already allowed in the total income of the employee under section 10(10AA)(ii) of any previous year or years.