

TAMIL NADU GENERATION AND DISTRIBUTION CORPORATION LIMITED  
(ACCOUNTS BRANCH)

From

To

K.GOVINDAN,M.Com.,B.Ed.,AICWA.,  
Chief Financial Controller/General,  
144, Anna Salai,  
Chennai-600 002.

All Superintending Engineers/  
Tangedco/Tantransco Circles.

Lr.No.CFC/GL/FC/ACCTS/DFC/BS/AO/IT/F.MISC/D. 61 /14, DT.17.7.2014

Sir,

Sub: TANGEDCO/TANTRANSCO – Encashment of Earned Leave/  
Unearned Leave on private affairs – Certain clarifications issued –  
Reg.

Ref: 1) Section 10(10AA) of Income Tax Act 1961.

2) Circular Lr.No.CFC/TANGEDCO/FC/ACCTS/DFC/BS/I/F.20B/  
D.NO.119/2013, DT.17.10.2013.

3) Chief Internal Audit Officer's U.O.Note No.028815/ F.2/F.23/  
Dt.30.05.2014.

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As per section 10 (10AA) of Income Tax Act, only the Central Government/State Government employees are exempted from Income Tax on the encashment of leave salary of Earned Leave/Unearned leave on retirement at his/her credit. For others, this exemption is limited to not exceeding 10 months salary and subject to a maximum of Rs.3,00,000.

2)In the reference (3) cited, the Chief Internal Audit Officer has requested for certain clarifications regarding deduction of Tax at source on the encashment of Earned Leave and Unearned Leave on Private affairs and the responsibilities of Drawing and Disbursing Officers with regard to compliance of deduction of Tax on the encashment of Leave salary. In this regard, based on the provision of Income Tax Act 1961, the following clarifications relating to the taxability of Leave Salary are issued.

3) Since TANGEDCO/TANTRANSCO is registered under the Companies Act 1956, the exemption under section 10(10AA) cannot be availed as it applies to Central/State Government employees and not to Public Sector undertaking, even though owned by State Government.

4) It may be noted that encashment of Earned Leave/Unearned Leave on private affairs must be clubbed together to calculate the exemption under section 10(10AA). The excess Leave Salary over and above the exemption shall be subject to Tax Deduction at Source.

5) With reference to relief under section 89(1) which applies to any arrears received does not apply to encashment of leave at the time of retirement, since section 89(1) applies only to leave encashment arrears if any received while in service and not during retirement.

6) Regarding duties and responsibilities of Drawing and Disbursing Officers after retirement of any employee are concerned, in case pension is made through nationalised banks, the bankers are responsible for the compliance of TDS provision as per the Income Tax Act. However, with regard to TDS on payment of retirement benefits, such as Leave encashment, D.C.& R.G., etc. is concerned, it is the responsibility of the DDO/employer, even though the retirement benefits have been paid after the retirement of employee.

  
CHIEF FINANCIAL CONTROLLER /GENERAL

Copy to Chief Internal Audit Officer/B.O.A.B/Ist Floor, High Raise Building, Chennai-2.

Copy to Secretary/TANGEDCO/Chennai-2.

Copy to all Chief Engineers.

Copy to all Chief Financial Controllers/TANGEDCO & TANTRANSCO

Copy submitted to Director/Generation

Copy submitted to Director/Distribution

Copy to all D.D.O/ Hqs. Office