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Taxation Section  
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Bharat Sanchar Bhawan  
Janpath, NewDelhi-110 001

**BHARAT SANCHAR NIGAM LIMITED**  
[A Government of India Enterprise]

No: 1001-09/2019-20/Taxation/BSNL VRS 2019/3762

Dated: 20.03.2020

To  
PGM (ERP)/Sr. GM (CA-ERP),  
ALTTC Ghaziabad/BSNL CO



Ref: This Branch's letter(s) of even no/- 3719 dated 29.01.2020 and no/3723 dated 11.02.2020 and Section 10(10C) of the Income Tax Act, 1961 ("the Act") read with Rule 2BA of the Income Tax Rules, 1962 ("the Rule")

## **Sub: Tax Deduction at Source (TDS) guidelines on payments made to VRS, 2019 Optees**

In continuation to this Branch's letters as mentioned above and as per Section 10(10C) of the Income Tax Act, 1961 read with Rule 2BA of the Income Tax Rules, 1962, the following guidelines with respect to TDS shall be ensured while making payment to VRS Optees:

### **1) TDS on ex-gratia**

Ex-gratia may be considered as a part of salary within the broad and inclusive definition of salary under section 17 of the Act. Therefore, provisions under section 192 of the Act will govern the TDS obligations of BSNL on these payments. Thus, TDS shall be deducted on payment basis.

So, if the first installment of ex-gratia is paid on 31.03.2020 and second instalment is to be paid in the subsequent months in the next financial year, TOS may be deducted on the first — instalment in the current financial year. TDS on the second installment shall be deducted and deposited in the subsequent financial year as and when it is paid.

### **2) Form 16**

The amount of ex-gratia on which TDS has been deducted will be included in the Form 16 to be issued to VRS Optees.

### **3) Quantum of tax exemption allowable to an eligible BSNL VRS-2019 Optee**

TDS is required to be deducted as per provisions of Section 192 of the Act on the annual income of the employee under the head "Salaries" at the time of making the payment. Further, salary is taxable as per the provisions of Section 15 read with Section 17 upon due or receipt whichever is earlier. On a conjoint reading it can be inferred that no TDS is required up to INR 5 lakhs paid to each employee.

Accordingly, exemption of INR 5 lakh shall be considered only against the first instalment paid to VRS Optees and TDS to be deducted may be computed accordingly.

4) The VRS Optees may be intimated the total amount of ex-gratia to be paid in two instalments for necessary tax compliances by the BSNL VRS, 2019 Optees while filing their Income Tax return as per IT Act.

### **5) TDS on Leave Encashment**

TDS is required to be deducted at the time of payment of leave encashment.

This has the approval of Director (Finance), BSNL Board.

Sr. GM (Taxation)  
BSNL CO, New Delhi

Copy to:

All concerned  
BSNL CO/Circle Office/BAs/SSAs/PAUs

CGMs/IFAs/DDOs,