

आयकर अपीलीय अधिकरण न्याय पीठ मुंबई में।
IN THE INCOME TAX APPELLATE TRIBUNAL
“SMC” BENCH, MUMBAI

BEFORE SHRI PAWAN SINGH, JM &
SHRI ARUN KHODPIA, AM

I.T.A. No. 7006/Mum/2025
(Assessment Year: 2020-21)

Khadija Sainul Abeeab Nalakath, B-1/101, Nilgiri Garden, Sector 24, CBD Belapur, Navi Mumbai-400614. PAN: AABPN8770D	Vs.	Addl./JCIT (Appeals)-4, Kolkata
Assessee -अपीलार्थी / Appellant	:	Revenue - प्रत्यर्थी / Respondent

Assessee by : Shri Ravi Pratab Singh, AR
Revenue by : Shri Nagnath Pasale, Sr. DR
Date of Hearing : 05.01.2026
Date of Pronouncement : 12.01.2026

ORDER

Per Arun Khodpia, AM:

The present appeal is instituted at the instance of assessee, challenging the order of Addl./JCIT(A)-Kolkata (for short “Ld. CIT(A)”) dated 29.02.2024, for the Assessment Year (AY) 2020-21, which in turn arises from the intimation issued under section 143(1) of the Income Tax Act, 1961 (the Act) by Central Processing Centre (CPC) (for short “Ld. AO”), Bangalore on 20.09.2021. The grounds of appeal raised by the assessee are as under:

“1. The learned CIT(A) erred in law and on facts in upholding the restriction of exemption under section 10(10AA)(ii) to Rs. 3,00,000 instead of granting full exemption of Rs. 9,88,767 received by the appellant on retirement from the **Bank of Baroda**, a Public Sector Bank owned and controlled by the Government of India.

2. The learned CIT(A) failed to appreciate that the restriction of Rs. 3,00,000 was notified by CBDT vide Notification No. 5.0. 588(E) dated 31.05.2002, when the Cabinet Secretary's salary was 30,000 per month and his 10 months' entitlement was Rs. 3,00,000. The CBDT failed to issue further notifications corresponding to subsequent pay revisions, resulting in an outdated exemption limit.

3. The Hon'ble ITAT Ahmedabad "A" Bench in **Govardhan Deepchand Bhambhani v. ITO (ITA No. 289/Ahd/2025, order dated 28.07.2025)** has held that the enhanced limit of 25 lakh notified by CBDT vide Notification No. 31/2023 dated 24.05.2023 is applicable to earlier years as well, as it merely rectifies an administrative delay.

4. The Hon'ble ITAT Jaipur Bench in **Govind Chhatwani v. CIT(A), Delhi (ITA No. 385/JP/2023, order dated 31.10.2023)** has similarly held that the 25 lakh limit under the same notification should be applied to retirees of earlier periods, since no person is adversely affected by its retrospective application.

5. The Hon'ble ITAT Delhi Bench "SMC" New Delhi in **Neelam Gupta v. ITA No. 81/Del/dated 21.04.2025**, has held that the enhanced limit of 25 lakh notified by CBDT vide Notification No. 31/2023 dated 24.05.2023 is applicable to earlier years as well, as it merely rectifies an administrative delay.

6. The Hon'ble Delhi High Court in **Kamal Kumar Kalia & Ors. v. Union of India & Ors. (2020) 268 Taxman 398** acknowledged that the exemption limit under section 10(10AA)(ii) must reflect the current entitlements of government employees, and that the CBDT had not revised the same despite salary revisions.

7. The appellant, being a retired employee of a Nationalised Bank, stands on equal footing with Government employees for the purposes of retirement benefits governed by parity principles, and the arbitrary maintenance of Rs. 3 lakh ceiling for over two decades violates Article 14 of the Constitution.

8. The CBDT's omission to issue timely notifications cannot prejudice the assessee, and the revised limit of Rs. 25 lakh notified in 2023 should be deemed clarificatory and applicable to the appellant's assessment year as well.

9. *The learned CIT(A) erred in ignoring the clear legislative intent and the consistent judicial Interpretation allowing full exemption of leave encashment up to Rs. 25 lakh for earlier years.*

The appellant craves leave to add, alter, amend or withdraw any ground of appeal at the time of hearing.

Prayer for Relief

The appellant respectfully prays that the Hon'ble Tribunal may be pleased to:

1. *Set aside the order of the CIT(A)-4, Kolkata dated 29.02.2024;*
2. *Direct the Assessing Officer to allow full exemption of Rs. 9,88,767 u/s 10(10AA); and*
3. *Grant such further relief as deemed fit in the interests of justice.”*

2. The sole controversy in the present matter arises, while the claimed of assessee for exemption under section 10(10AA)(ii) for Rs. 9,88,767/- for amount of leave encasement received at the time of retirement from Bank of Baroda was denied by the revenue over and above Rs. 3,00,000/-.

3. Since the claim of assessee was restricted to Rs. 3,00,000/- by CPC, Bangalore vide the subjected intimation under section 143(1) of the Act, the assessee got aggrieved by such action to tax the remaining amount of Leave encashment Rs. 6,88,767/-.

4. An appeal is preferred before the ld. CIT(A) with a delay of 474 days which was condoned and appeal was admitted. Further the contentions of assessee are discussed by the ld. CIT(A) at length in his order and finally had decided that the Central Government has enhanced the amount of exemption

under Clause-(ii) in case of Non-Government employees from Rs. 3,00,000/- to 25,00,000/- vide CBDT's Notification No. 31/2023, which shall be deemed to have come into force w.e.f. 01.04.2023. The ld. CIT(A) after mentioning such information had rejected the claim of assessee stating that the amendment brought in for enhancing the limit of exemption, would have effect from 01.04.2023 and the same cannot be given effect retrospectively.

5. To challenge the aforesaid finding of ld. CIT(A), the assessee preferred an appeal before us, stating that the issue is squarely covered by various judgments / decisions by Hon'ble Delhi High Court as well as the Benches of ITAT at various locations. The case laws relied upon by the assessee are listed as under:

Annexure A – List of ITAT decisions allowing higher exemption u/s 10(10AA)(i) (Bench-wise)
(including Mumbai, Delhi, Jaipur, Pune, Bangalore, etc.)

Sr No	Name of Applicant	ITA No	Name of Employer	Assessment Year	ITAT Bench	Date of Order
1.	Balakram Hiranand Lohana	ITA No. 3791/Mum/2025	Bank of Baroda	2020-21	ITAT Mumbai	30/10/2025
2.	KAILASH CHAND JAIN	ITBA/APL/S/250/2024-25/1069858021(1)	Life Insurance Corporation Of India	2019-20	ITAT Mumbai	21/10/2024
3.	Sunil Kumar Bhilare	ITA/2014/PUN/2025	State Bank of Bikaner & Jaipur	2020-21	ITAT Pune	03/11/2025
4.	Uma Dutt Sharma	ITA/655/LKW/2025	State Bank of India	2019-20	ITAT Lucknow	14/11/2025
5.	Sudhankar Gundappa Paldewar	ITA No./1781/PUN/2025	State Bank of India	2020-21	ITAT Pune	31/10/2025
6.	Rajiv Kumar Wadhwa	ITA No./5897/Del/2025	State Bank of India	2020-21	ITAT New Delhi	29/10/2025
7.	Vijay Kumar Jain	ITA No. 175/Agr/2022 & 187/Agr/2022	State Bank of India	2019-20	ITAT Agara	18.06.2025
8.	1. Mohan Baliram Ji 2. Ashok Mahadeo Rao 3. Dilip Rajeshwar and 4. Afzal Ahmed	ITA No./375/NAG/2022 and ITA No. 10, 118 & 389/NAG/2023	Maharashtra State Electricity Board	2018-19 and 2019-20	ITAT Nagpur	19/04/2024
9.	D D Agarwal	ITA No. 1375/JPR/2024	State Bank of India	2020-21	ITAT Jaipur	13/03/2025
10.	Kailash Narayan Shridhar	ITA No.979/Ahd/2024	Life Insurance Corporation	2022-23	ITAT Ahmedabad	26/08/2025
11.	Ram Charan Gupta	ITA No. 408/JPR/2022	State Bank of India	2020-21	ITAT Jaipur	27/06/2023
12.	Sujata Gupta	ITA No. 915/JPR/2025	State Bank of Bikaner & Jaipur (SBBJ)	2022-23	ITAT Jaipur	31/07/2025

Sr No	Name of Applicant	ITA No	Name of Employer	Assessment Year	ITAT Bench	Date of Order
13.	Neelam Gupta	ITA No. 81/Del/2025	State Bank of Bikaner & Jaipur Bank of Baroda	2020-21	ITAT New Delhi	21/04/2025
14.	Govardhan Deepchand	ITA No. 289/Ahd/2025	Punjab National Bank	2020-21	ITAT Ahmedabad	28/07/2025
15.	Govind Chhatwani	ITA No. 385/JP/2023	Rajasthan Rajya Vidhyut Prasaran Nigam Ltd.	2020-21	ITAT Jaipur	31/10/2023

Annexure B – List of ITAT decisions allowing higher exemption u/s 10(10AA)(i) (Bench-wise)
(including Mumbai, Delhi, Jaipur, Pune, Bangalore, etc.)

Sr No	Name of Applicant	ITA No	Name of Employer	Assessment Year	ITAT Bench	Date of Order
1)	Ram Kanwar Rana	1307/DEL /2016	Chaudhari Charan Singh Haryana Agricultural University	2010-11	Delhi	16/06/2016
2)	Raghubir Singh Panghal	1308/DEL /2016	-----do-----	2010-11	Delhi	16/06/2016
3)	Joginder Paul Bhanot	1219/DEL /2016	-----do-----	2010-11	Delhi	19/07/2016
4)	Bhup Singh Dhankar	1221/DEL /2016	-----do-----	2010-11	Delhi	19/07/2016
5)	Bhupendra Kumar Nehra	1222/DEL /2016	-----do-----	2010-11	Delhi	20/07/2016
6)	Kushi Ram yadav	1520/DEL /2016	-----do-----	2011-12	Delhi	20/07/2016
7)	Ranjit Singh Grewal	1521/DEL /2016	-----do-----	2010-11	Delhi	21/07/2016
8)	Ram Dhari Rana	1360/DEL /2016	-----do-----	2010-11	Delhi	10/08/2016
9)	Anant Kumar Gupta	1361/DEL /2016	-----do-----	2010-11	Delhi	10/08/2016
10)	Dr S, B. Khalidhar	1087/DEL 2016	-----do-----	2009-10	Delhi	28/09/2016
11)	Anoop Singh	4094/DEL /2016	Chaudhari Charan Singh Haryana Agricultural University	2010-11	Delhi	18/10/2016
12)	Dharam Jeet Dahiya	3713/DEL /2016	-----do-----	2011-12	Delhi	26/10/2016
13)	Krishna Kumar Thakral	1220/DEL /2016	-----do-----	2008-09	Delhi	17/11/2016
14)	Roshan Lal Goyal	4075/DEL /2016	-----do-----	2010-11	Delhi	05/01/2017
15)	Ram Dhan Bhutani	5379/DEL /2016	-----do-----	2010-11	Delhi	23/02/2017

Sr No	Name of Applicant	ITA No	Name of Employer	Assessment Year	ITAT Bench	Date of Order
16)	Devraj Sood	905/DEL/2017	-----do-----	2011-12	Delhi	30/05/2017
17)	Suresh Sarma	1379/DEL/2017	-----do-----	2010-11	Delhi	16/06/2017
18)	Mohinder Singh Panwar	2608/DEL/2017	-----do-----	2010-11	Delhi	17/10/2017
19)	Ishwar Das Gupta	1068/DEL/2016	-----do-----	2010-11	Delhi	13/12/2017
20)	Sultan Singh Bisla	247/DEL/2018	-----do-----	2010-11	Delhi	30/10/2018
21)	Indra kumari Bajaj	2735/DEL/2017	-----do-----	2011-12	Delhi	04/12/2019
22)	Santlal Mehta	1537/DEL/2020	-----do-----	2010-11	Delhi	22/07/2022
23)	Anil Kumar Pruthi	691/DEL/2023	-----do-----	2013-14	Delhi	19/12/2024
24)	Narendra Singh Yadav	404/JP/2022	Malviya National Institute of Technology Jaipur	2019-20	Jaipur	22/02/2023
25)	Chhaya Shantilal Pandya	575/AHD/2022	MSME Developmental Institute	2019-20	Ahmedabad	03/03/2023
26)	Devendra Mehta	0080/JAB/2022	Madhya Pradesh Electricity Board	2016-17	Jabalpur	20/09/2023
27)	Chittar Mal Jain	113/JODH/2022	Mohanlal Sukhadiya University Udaipur	2019-20	Jodhpur	22/11/2023
28)	Rajni Hansija	1819/DEL/2023	Indian Railway Catering & Tourism Corporation Ltd	2019-20	Delhi	09/02/2024
29)	Mohan Baliramji Thakare	375/NAG/2022	Maharashtra State Electricity Board	2018-19	Nagpur	19/04/2024
30)	Ashok Mahadevrao Gawhande	10/NAG/2023	Maharashtra State Electricity Board	2018-19	Nagpur	19/04/2024
31)	Dilip Rajeshwar Rajkondwar	118/NAG/2023	-----do-----	2018-19	Nagpur	19/04/2024
32)	Afzal Ahmed Khan	389/NAG/2023	-----do-----	2018-19	Nagpur	19/04/2024

Sr No	Name of Applicant	ITA No	Name of Employer	Assessment Year	ITAT Bench	Date of Order
33)	Subhash Yadavrao Chimurkar	168/NAG/2023	-----do-----	2018-19	Nagpur	24/04/2024
34)	Dinesh Kumar	134/PUN/2024	Oil and Natural Gas Corporation Ltd	2022-23	Pune	19/06/2024
35)	Mohan Shrinivas Bhise	900/PUN/2024	Maharashtra State Electricity Board	2019-20	Pune	10/10/2024
36)	Sashi Joshi	1019/DEL/2023	Indian Institute of Technology	2020-21	Delhi	13/12/2024
37)	Ravindra Singh	648/DEL/2024	Delhi Development Authority	2020-21	Delhi	23/12/2024
38)	Ravi Dinkarrao Agrelwar	468/NAG/2024	Maharashtra State Electricity Board	2020-21	Nagpur	05/02/2025

6. Based on aforesaid submissions, it was the prayer that the deduction of higher claim of exemption under section 10(10A) for more than Rs. 3,00,000/- is to be allowed on retrospective basis, reliance placed on the judgment of Hon'ble Delhi High Court in the case of **Kamal Kumar Kalia & Ors V/s. Union of India in WP(C) 11846/2019** dated **08.11.2019**, wherein the Court has held as under:

"8. We are however of the, prima facie, view that the grievances of the petitioner with regard to exemption limit under Clause (ii) of Section 10 (10AA) not being raised since 1998, appears to be justified. This is so because over the decades, the pay-scales admissible to government servants, and even employees of the Public Sector Undertaking and Nationalised Banks and all others have been upwardly revised, keeping in view, the financial growth in the country as well as on account of rising inflation. The last drawn salaries have increased manifold since time and notification issued under Clause (ii) of Section 10(10AA) was lastly issued, as taken note of hereinabove, on 31.05.2002. We therefore, issue notice to the respondents limited to this aspect.

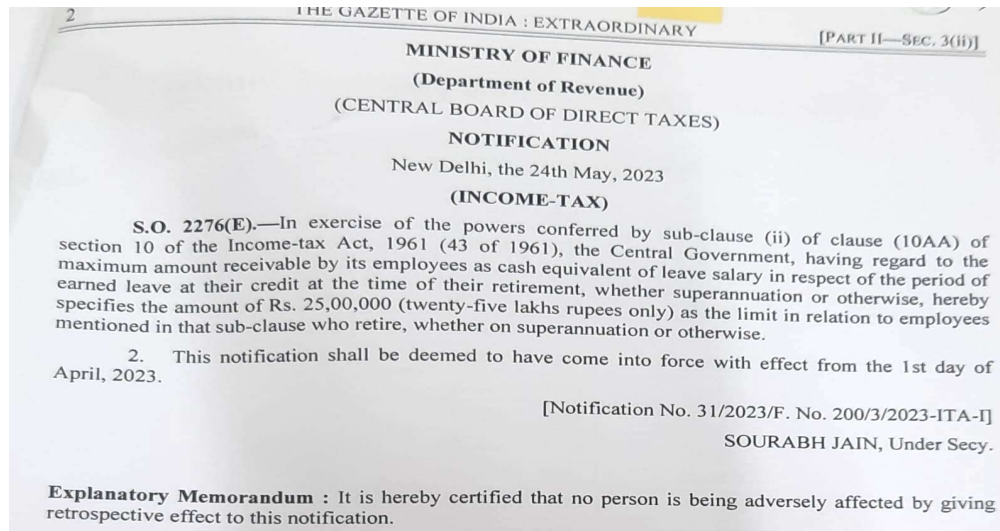
9. Issue notice, learned counsel for the respondents accepts notice. Respondents should file counter affidavits be filed within six weeks. Rejoinder thereto, if any, be filed before the next date. "

8.1 Recently the Central Board of Direct Taxes Suomotu revised the limit for deduction u/s 10(10AA) of the Act and the revised limit now stood at Rs. 25,00,000 as specified vide notification no.31/2023 issued by the ministry of finance. Since the leave encashment amount as claimed by the assessee is amount to Rs. 6,97,100/- which is below the revised limit of leave encashment exempt prescribed by the Board, the assessee is eligible to claim of deduction of said Rs. 6,97,100/-. Based on these observations the Ld. AO is directed to allow the claim

of the assessee u/s. 10(10AA) of the act within the revised limit as prescribed. In terms of these observations the appeal of the assessee is allowed."

On being consistent to the said finding, we held that the assessee is entitled to get the deduction as claimed in the return of income u/s 10(10AA) of the Act as the limit has been increased from 3 lac to 25 lacs.

7. Referring to aforesaid decision, which is addressing the identical issue as in the present matter and followed by the ITAT (in cases referred to supra), thus, in present matter, the assessee was a retired employee from a Nationalized Bank, who had received an amount more than Rs. 3,00,000/- towards leave encasement at the time of retirement would be entitled for the claim at revised limits of leave encashment, as prescribed by the CBDT vide its Circular No. 31/2023. Copy of CBDT Circular No. 31/2023 is also submitted before us, the same is extracted as under:



8. In terms of aforesaid submissions, it is appealed that the assessee's claim of leave encasement of Rs. 9,88,767/- may be allowed in full and the

disallowance made by the CPC, Bangalore, being in violation of settled position of law be struck down.

9. Per contra, ld. SR. DR vehemently supported the orders of revenue authorities.

10. We have considered the rival submissions and perused the material available on record and the Jurisprudence referred to and relied upon by the assessee. Admittedly the facts of present case are identical to various judgments/decisions placed on record by the assessee, whereas the revenue had not contradicted the same with any decisions to dislodge such findings favouring the assessee, thus, considering the facts and legal Jurisprudence applicable in the present matter, we find substance in the prayer of the assessee. The Ld. AO is, therefore, directed to allowed the claim of assessee for leave encasement under section 10(10A) of the Act for the AY 2020-21.

11. In result, the appeal of assessee is allowed, in terms of our aforesaid observations.

Order pronounced in the open court on 12-01-2026.

Sd/-
(PAWAN SINGH)
Judicial Member
Mumbai, Dated : 12-01-2026.
*SK, Sr. PS

Sd/-
(ARUN KHODPIA)
Accountant Member

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent
3. DR, ITAT, Mumbai
4. Guard File
5. CIT

BY ORDER,

(Dy./Asstt. Registrar)
ITAT, Mumbai