

आयकर अपीलिय अधिकरण, 'ए' न्यायपीठ, चेन्नई
**IN THE INCOME TAX APPELLATE TRIBUNAL
'A' BENCH, CHENNAI**

श्री मनु कुमार गिरि, न्यायिक सदस्य एवं श्री एस. आर. रघुनाथा, लेखा सदस्य के समक्ष
**BEFORE SHRI MANU KUMAR GIRI, JUDICIAL MEMBER AND
SHRI S. R. RAGHUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.:2393/Chny/2025

निर्धारण वर्ष / Assessment Year: 2019-20

Albert Gnana Selvam Daniel, No.4, Hospital Road, T.Nagar, Chennai – 600 017.	vs.	ITO, Non -Corporate Ward -1(2), Chennai.
[PAN:AJCPD-5712-D] (अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/Appellant by : Shri. Y. Sridhar, F.C.A.
प्रत्यर्थी की ओर से/Respondent by : Shri. Guru Prasad, Addl. C.I.T.

सुनवाई की तारीख/Date of Hearing : 12.01.2026
घोषणा की तारीख/Date of Pronouncement : 04.02.2026

आदेश / O R D E R

PER S. R. RAGHUNATHA, AM:

The present appeal of the assessee is directed against the order dated 31.03.2025 passed by the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as "the Ld.CIT(A)"], arising out of the assessment order dated 23.09.2021 passed u/s.143(3) of the Income-tax Act, 1961 [hereinafter referred to as "the Act"] by the National Faceless Assessment Centre [hereinafter referred to as "the AO"], pertaining to Assessment Year 2019-20.

2. At the outset, we note that the present appeal has been filed by the assessee with a delay of 89 days. Having considered the reasons furnished by the assessee for

the said delay, we are satisfied that the assessee was prevented by sufficient cause from filing the appeal within the prescribed period. Accordingly, the delay of 89 days in filing the appeal is condoned and the appeal is admitted for adjudication on merits.

3. The brief facts, as emanating from the records, are that the assessee was employed with Pfizer Health Care India Private Limited. During the impugned assessment year, the assessee received severance pay / ex gratia payment from the said employer on account of closure of its factory situated at Irungattukottai (IKKT), Tamil Nadu, under a scheme framed by the company titled "Pfizer Health Care India Pvt. Ltd. – Financial Scheme for Employees at IKKT, 2019".

4. The assessee filed his return of income for the assessment year under consideration, wherein he claimed exemption of Rs.5,00,000/- treating the same as retrenchment compensation u/s.10(10B) of the Act and further claimed that the ex-gratia payment amounting to Rs.37,08,477/- was not exigible to tax.

The assessment was completed by the AO u/s.143(3) of the Act vide order dated 23.09.2021, wherein the AO denied the exemption of Rs.5,00,000/- claimed by the assessee u/s.10(10B) of the Act. The AO further held that the ex-gratia payment of Rs.37,08,477/- was taxable as "profits in lieu of salary" u/s.17(3) of the Act or, in the alternative, taxable u/s.56(2)(xi) of the Act.

5. Aggrieved by the additions made by the AO, the assessee carried the matter in appeal before the Ld.CIT(A). The Ld.CIT(A), vide the impugned appellate order, deleted the addition of Rs.37,08,477/- made by the AO towards ex-gratia payment. However, the assessee's claim of exemption of Rs.5,00,000/- u/s.10(10B) of the Act was dismissed by the Ld.CIT(A) as not pressed.

6. Aggrieved by the order passed by the Ld.CIT(A), the assessee is in further appeal before the Tribunal.

7. The Ld.AR for the assessee submitted that, apart from the ex-gratia amount of Rs.37,08,477/-, the assessee had also received an additional sum of Rs.12,00,000/- towards early bird incentive and group participation incentives from his employer as

part of the overall settlement under the financial scheme framed by the employer. The Ld.AR, placing reliance on various judicial precedents, contended that the said amount of Rs.12,00,000/- is also not exigible to tax in the hands of the assessee. Accordingly, it was prayed that suitable directions be issued to the Assessing Officer to delete the same.

8. Per contra, the Ld.DR appearing for the Revenue strongly opposed the submissions advanced on behalf of the assessee. The Ld.DR relied upon the orders of the lower authorities and prayed that the appeal filed by the assessee be dismissed.

9. We have heard the rival submissions and carefully perused the material placed on record. It is an admitted position that the assessee was employed with Pfizer Health Care India Private Limited and, upon closure of the factory, received ex-gratia/compensation payments from the said employer.

10. At the outset, we note that before this Tribunal, the assessee has raised an additional claim for the first time, contending that a sum of Rs.12,00,000/- was received towards "early bird incentive" and "group participation incentive", which, according to the assessee, formed an integral part of the overall settlement arrived at pursuant to the financial scheme formulated by the employer. The assessee's contention is that the aforesaid amount partakes the character of the compensation package and, therefore, deserves the same tax treatment as other ex-gratia receipts and is consequently not chargeable to tax.

11. We find that the Co-ordinate Pune Bench of the Tribunal, in the case of Shri Parvez Mukthar Khan v. ITO in ITA No.1111/PUN/2024, has considered an identical issue arising from compensation received from Pfizer upon factory closure, including early bird incentive and group participation incentive. The Co-ordinate Bench, after considering the nature of such receipts under the scheme, held that the entire compensation, including the aforesaid incentive components, was not taxable in the hands of the employee.

12. Respectfully following the decision of the Co-ordinate Bench (supra), and in the interest of justice, we deem it appropriate to remit this limited issue to the file of the Jurisdictional Assessing Officer/JAO. The JAO is directed to verify and ascertain the true nature and character of the amount of Rs.12,00,000/-, claimed by the assessee for the first time before this Tribunal, with reference to the financial scheme/settlement policy framed by the employer and the relevant supporting documentary evidence.

13. In case, upon such verification, it is found that the said sum of Rs.12,00,000/- was indeed received by the assessee, and the said receipt represents early bird incentive and/or group participation incentive forming part of the overall settlement/compensation package under the employer's scheme, then the JAO shall grant the corresponding relief by treating the said receipt as not taxable/exempt, in line with the ratio laid down in Shri Parvez Mukthar Khan v. ITO (supra), and accordingly delete the said amount from the total income of the assessee. Accordingly, the grounds raised by the assessee are allowed for statistical purposes.

14. In the result, the appeal of the assessee stands allowed for statistical purposes.

Order pronounced in the open court on 04th February, 2026 at Chennai.

Sd/-

(मनु कुमार गिरि)
(MANU KUMAR GIRI)

न्यायिक सदस्य/**Judicial Member**

Sd/-

(एस. आर. रघुनाथा)
(S. R. RAGHUNATHA)

लेखासदस्य/**Accountant Member**

चेन्नई/Chennai,

दिनांक/Dated, the 04th February, 2026

SP

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT– Chennai/Coimbatore/Madurai/Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF