



ALL INDIA BSNL PENSIONERS' WELFARE ASSOCIATION

CHQ [Regd. No. T 1833/09]

Identified & Registered under 'Pensioners Portal'

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To
The Chairman
Central Board of Direct Taxes
Ministry of Finance
Government of India
New Delhi

Respected Sir,

Sub: Exemption of Income Tax on ex-gratia paid to BSNL employees under BSNL VRS-2019 – Request for clarification regarding eligibility under Section 10(10B) of the Income Tax Act – reg.

Kindly refer to our letter dated 20-11-2025 on the above subject.

The **BSNL Voluntary Retirement Scheme–2019 (VRS-2019)** was introduced as part of the revival package for BSNL and MTNL approved by the Union Cabinet in October 2019. Under the scheme, more than **79,000 employees** of Bharat Sanchar Nigam Limited retired across the country. Income Tax was deducted at source from the **ex-gratia payments** made under the scheme.

The issue regarding the taxability of the ex-gratia received under BSNL VRS-2019 has been examined by the **Income Tax Appellate Tribunal (ITAT)** in certain cases involving BSNL employees.

In **ITA No. 233/IND/2025**, the Tribunal observed that BSNL had been incurring substantial losses for several years and that the scheme was introduced as part of organisational restructuring involving reduction of surplus manpower. The Tribunal held that the compensation paid under the scheme was in the nature of retrenchment compensation and was therefore eligible for exemption under **Section 10(10B) of the Income Tax Act**.

Similarly, in **Shri Harish Kumar vs ITO (ITAT Chandigarh)** relating to BSNL VRS-2019, the Tribunal held that the scheme resulted in reduction of workforce and that the compensation received by the employee was eligible for exemption under **Section 10(10B)** of the Act.

Following these decisions, a number of retirees have filed refund claims for the tax deducted from their ex-gratia payments through petitions under **Section 119(2)(b)** and through appeals before the **Commissioner of Income Tax (Appeals)**.

However, as these appeals are being processed through the **National Faceless Appellate Centre**, different Commissioners of Income Tax (Appeals) are passing **divergent orders**. While some appellate authorities have allowed exemption based on the above ITAT decisions, others have rejected the claims citing delay in filing the claim, non-claim of exemption in the original return of income, or that the decision of another ITAT bench is not binding on them.

As a result, similarly placed retirees are receiving **inconsistent decisions** across the country.

In view of the above, it is requested that the **Central Board of Direct Taxes** may kindly consider issuing a general order allowing **the eligibility of exemption under Section 10(10B)** of the Income Tax Act in respect of the ex-gratia received under **BSNL VRS-2019**.

Considering that the issue affects a large number of retirees across the country, the Board may also consider issuing an appropriate **order under Section 119 of the Income Tax Act** so as to ensure uniform treatment of such cases and to avoid avoidable litigation.

Thanking you.

Yours faithfully,



V. Vara Prasad

General Secretary

All India BSNL Pensioners Welfare Association