



ALL INDIA BSNL PENSIONERS' WELFARE ASSOCIATION

CHQ [Regd. No. T 1833/09]

Identified & Registered under 'Pensioners Portal'

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Date : 21-04-2026

To
The Chairman
Central Board of Direct Taxes (CBDT)
New Delhi – 110001

Respected Sir,

Sub: Request for issuance of uniform clarification / general order regarding exemption under Section 10(10B) on ex-gratia paid under BSNL VRS-2019 – reg.

Kindly refer to this Association's earlier representations dated 18.09.2025, 20.11.2025 and 11.03.2026 on the above subject.

1. The issue pertains to a large number of retirees of Bharat Sanchar Nigam Limited (BSNL), including those who opted for retirement under the BSNL Voluntary Retirement Scheme-2019 (VRS-2019). The question relating to the taxability of ex-gratia paid under the said scheme is affecting more than 79,000 retirees across the country.
2. The BSNL VRS-2019 was introduced as part of the revival package for BSNL approved by the Union Cabinet in October 2019, with the primary objective of reducing the high employee cost and resulted in large-scale downsizing of the workforce.
3. Although termed as a Voluntary Retirement Scheme, the circumstances show that it was mainly introduced to reduce surplus staff due to financial difficulties. The ex-gratia was calculated based on length of service, last drawn salary and remaining service, which are the usual factors for determining retrenchment compensation.
4. The issue has been examined in several judicial proceedings. The Hon'ble ITAT, Chandigarh Bench, in *Harish Kumar vs ITO* (ITA No.42/CHD/2025 dated 30.05.2025), held that the BSNL VRS-2019 scheme, though called voluntary, is in effect a retrenchment scheme under the Government's revival package. Accordingly, the ex-gratia received is retrenchment compensation eligible for exemption under Section 10(10B) of the Income Tax Act. The Tribunal also observed that such matters need not be litigated further.
5. This view has been followed in subsequent appellate proceedings, including by Commissioners of Income Tax (Appeals), where the ex-gratia under BSNL VRS-

2019 has been treated as exempt under Section 10(10B), with refund of tax along with applicable interest

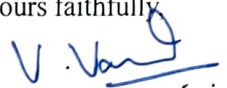
6. Further, in ITA No.233/IND/2025, the Hon'ble ITAT, Indore Bench, has also taken note of the financial condition of BSNL and the objective of workforce rationalisation, thereby reinforcing that the compensation partakes the character of retrenchment compensation
7. Most importantly, the Hon'ble ITAT, Pune Bench, in its consolidated order dated 24.03.2026 in multiple appeals (ITA Nos. 290 to 308/PUN/2026 and connected cases), has categorically held that the compensation received under BSNL VRS-2019 is in the nature of retrenchment compensation, a capital receipt, and fully exempt under Section 10(10B) of the Income Tax Act.
8. Notwithstanding the above consistent judicial position, it is observed that the matter is being dealt with in an inconsistent manner across different jurisdictions, particularly under the National Faceless Appellate Centre (NFAC). While certain appellate authorities have allowed the exemption, others have rejected the claims on technical grounds.
9. Most retirees are senior citizens, and the refunds (₹3 lakh to ₹12 lakh) are substantial. Litigation causes hardship.
10. In view of the above, this Association respectfully requests that the CBDT may kindly consider:

(i) issuing a clarificatory circular that ex-gratia paid under BSNL VRS-2019 is eligible for exemption under Section 10(10B) of the Income Tax Act;

(ii) directing all field formations, CPC Bengaluru and NFAC to allow the exemption uniformly and process refunds with applicable interest; and

(iii) issuing instructions to avoid unnecessary litigation in such cases, in view of the settled judicial position

Yours faithfully



(V. Vara Prasad)
General Secretary