

INCOME TAX UPDATE

**CBDT increased limit of
Leave Encashment
exemption to Rs. 25
Lakhs for Non-Govt.
Employees**



CBDT increased limit of Leave Encashment exemption u/s 10(10AA) to Rs. 25 Lakhs for Non- Government Employees

CBDT vide Notification No. 31/2023 dated 24.05.2023 has notified Rs. 25 Lakhs as exemption limit under Section 10(10AA) with regard to Leave Encashment received by non-government employees on retirement. Prior to this Notification, the exemption limit was Rs. 3 Lakhs. The notification comes into effect from 01.04.2023.

Further, CBDT vide its Press Release dated 25.05.2023 has provided the following clarifications w.r.t. the Notification No. 31/2023:

- That the aggregate amount exempt from income-tax u/s 10(10AA)(ii) shall not exceed the limit of Rs. 25 Lakhs where such payments are received

by a non-government employee from more than one employer in the same previous year.

- That the amount exempt from income-tax u/s 10(10AA)(ii) shall not exceed the limit of Rs. 25 Lakhs as reduced by the tax exemption already allowed in the total income of the employee under section 10(10AA)(ii) of any previous year or years.

For details, please refer the following:

- CBDT Notification No. 31/2023 dated 24.05.2023
<https://egazette.nic.in/WriteReadData/2023/246047.pdf>
- CBDT Press Release dated 25.05.2023
[PressRelease-Increased-limit-for-tax-exemption-on-leave-encashment-for-non-government-salaried-employees-notified-25-5-23.pdf \(incometaxindia.gov.in\)](#)

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