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MAHANAGAR TELEPHONE NIGAM LIMITED
OFFICE OF GENERAL MANAGER(FINANCE), CORPORATE OFFICE, NEW DELHI

No.7-2/Tax/Misc./CO/VRS/2019-20/3
Dated : 25.03.2020

To

The Executive Directors
Delhi/Mumbai.

Sub: Deduction of Tax at source for the payment of Ex-gratia In r/o VRS 2019 Optees.

Sir,

This is regarding the deduction of tax at source in respect of ex-gratia payment to MTNL VRS Optees. In this regard, the following guidelines with respect to TDS shall be ensured while making payments to VRS Optees:

1. Ex-gratia may be considered as a part of salary within the broad and inclusive definition of salary under section 17 of the Income Tax Act. Therefore provisions under section 192 of the Income Tax Act will govern the TDS obligations of MTNL on these payments. Thus, TDS shall be deducted on the payment basis.

So, if the first instalment of ex-gratia is paid on 31.03.2020 and second instalment to be paid in the subsequent months in the next financial year, TDS may be deducted on the first instalment in the current financial year. TDS on the second instalment shall be deducted and deposited in the subsequent financial year as and when it is paid.
2. The amount of the ex-gratia on which TDS has been deducted will be included in the Form 16 to be issued to VRS Optees.
3. TDS is required to be deducted as per the provisions of Section 192 of the Act on the annual income of the employee under the head "Salaries" at the time of making the payment. Further, salary is taxable as per the provisions of Section 15 read with Section 17 of the Income Tax Act upon due or receipt whichever is earlier. On a conjoint reading it can be inferred that no TDS is required up to Rs. 5 Lacs of ex-gratia paid to each employee.

Therefore, the exemption under section 10(10C) of the Income Tax Act of Rs.5 lacs shall be considered against the first instalment of ex-gratia paid to VRS Optees and TDS to be deducted may be computed accordingly.

4. The VRS Optees may be intimated that the total amount of ex-gratia to be paid in two instalments for necessary tax compliances by the MTNL VRS, 2019 Optees while filing their Income Tax Return as per Income Tax Act.

This has the approval of the Competent Authority.



(DEEPAK SATTI)

Dy. General Manager(Tax)

Copy to :-

1. PS to CMD, MTNL.
2. Director(Finance)/Director(Tech.), MTNL.
3. GM(Finance) MTNL Delhi/Mumbai.
4. DGMs concerned.
5. Office copy.