

Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes  
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New Delhi, 25<sup>th</sup> May, 2023

PRESS RELEASE

**Increased limit for tax exemption on leave encashment for non-government salaried employees notified**

The tax exemption on leave encashment of non-government salaried employees (in respect of the period of earned leave at his credit at the time of his retirement, whether on superannuation or otherwise) was earlier upto a limit of Rs.3 lakh only under section 10(10AA)(ii) of the Income-tax Act,1961(the Act).

In pursuance to the proposal in the Budget Speech, 2023, by the hon'ble FM, the Central Government has notified the increased limit for tax exemption on leave encashment on retirement or otherwise of non-government salaried employees to Rs. 25 lakh w.e.f. 01.04.2023.

The aggregate amount exempt from income-tax under section 10(10AA)(ii) of the Act shall not exceed the limit of Rs. 25 lakh where any such payments are received by a non-government employee from more than one employer in the same previous year.

Further, the amount exempt from income-tax under section 10(10AA)(ii) of the Act shall not exceed the limit of Rs. 25 lakh 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.

Notification No.31/2023 dated 24.05.2023 has been published and is available at <https://egazette.nic.in>.

(Surabhi Ahluwalia)  
Pr. Commissioner of Income Tax  
(Media & Technical Policy) &  
Official Spokesperson, CBDT

**MINISTRY OF FINANCE****(Department of Revenue)****(CENTRAL BOARD OF DIRECT TAXES)****NOTIFICATION**

New Delhi, the 24th May, 2023

**(INCOME-TAX)**

**S.O. 2276(E).**—In exercise of the powers conferred by sub-clause (ii) of clause (10AA) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government, having regard to the maximum amount receivable by its employees as cash equivalent of leave salary in respect of the period of earned leave at their credit at the time of their retirement, whether superannuation or otherwise, hereby specifies the amount of Rs. 25,00,000 (twenty-five lakhs rupees only) as the limit in relation to employees mentioned in that sub-clause who retire, whether on superannuation or otherwise.

2. This notification shall be deemed to have come into force with effect from the 1st day of April, 2023.

[Notification No. 31/2023/F. No. 200/3/2023-ITA-I]

SOURABH JAIN, Under Secy.

**Explanatory Memorandum :** It is hereby certified that no person is being adversely affected by giving retrospective effect to this notification.