IN THE INCOME TAX APPELLATE TRIBUNAL,
JAIPUR BENCHES, "SMC" BENCH, JAIPUR

BEFORE SHRI OM PRAKASH KANT, ACCOUNTANT MEMBER
&
SHRI T. R. SENTHIL KUMAR, JUDICIAL MEMBER

ITA No. 228/JPR/2026
(Assessment Year: 2020-21)

Mohan Singh Rajawat, 53 Karni Palace Road, Chandra Vihar Colony, Jaipur-302034	Vs.	ITO, Ward-7(1), Jaipur
स्थायीलेखासं./जीआइआरसं./PAN/GIR No: ABRPR 3728 C		
Appellant	..	Respondent

Appellant by :	Sh. Mohan Singh, Self
Respondent by :	Mrs. Aarti Rawat, Addl. CIT

Date of Hearing	14.10.2026
Date of Pronouncement	21.10.2026

O R D E R

Per Shri Om Prakash Kant, AM :-

This appeal by the assessee is directed against the order dated 19.09.2022 passed by the learned National Faceless Appeal Centre, Delhi [hereinafter referred to as "the learned CIT(A)"] for Assessment Year 2020-21. The dispute in the present appeal concerns the restriction of exemption under section 10(10AA) of the Income-tax Act, 1961 (hereinafter referred to as "the Act") in respect of leave

encashment received on retirement to Rs.3,00,000/-, as against the assessee's claim of Rs.9,92,880/-.

Condonation of Delay

2. At the outset, the Registry has pointed out that the appeal is barred by limitation by 1,160 days. The assessee, appearing in person, sought condonation of the delay and submitted that, being a retired employee of the Rajasthan Cooperative Dairy Federation Ltd. and not conversant with the provisions of the Act, he had entrusted the filing of the appeal against the order dated 19.09.2022 to Shri Rajesh Gupta, a tax practitioner. Under the bona fide belief that the appeal had been filed, the assessee did not pursue the matter further. It was only upon receiving communication regarding the outstanding tax demand and consulting another Chartered Accountant that he came to know that no appeal had been filed. The assessee also relied upon an affidavit furnished by the said tax practitioner acknowledging that the appeal had not been filed within the prescribed time. In support of the further explanation that his health issues had contributed to the delay, the assessee placed on record a medical discharge card.

3. We have considered the explanation furnished by the assessee and the material placed on record. Having regard to the assessee's bona fide belief that the appeal had been filed by the tax practitioner entrusted with the task, the affidavit acknowledging the omission, and the medical circumstances pleaded, we are satisfied

that sufficient cause has been shown for the delay. The Hon'ble Supreme Court in *Collector, Land Acquisition, Anantnag v. Mst. Katiji* (1987) 2 SCC 107 has emphasised that the expression "sufficient cause" should receive a justice-oriented interpretation. In the facts of the present case, we accordingly condone the delay of 1,160 days and admit the appeal for adjudication on merits.

Merits of the appeal

4. We now turn to the merits of the dispute. The assessee, an individual, filed his return of income on 08.12.2020 declaring total income of Rs.8,55,570/-, wherein claimed entire leave encashment amount of Rs.9,92,880/- received at the time of retirement as exempt from tax u/s 10(AA) of the Act. The Central Processing Centre (CPC), while processing the return under section 143(1) of the Act, restricted the exemption claimed under section 10(10AA) in respect of leave encashment received on retirement to Rs.3,00,000/-, thereby making an adjustment of Rs.6,92,880/- and determining the total income at Rs.15,48,450/-. The assessee challenged the adjustment before the learned CIT(A), claiming exemption in respect of the entire amount of Rs.9,92,880/-.

5. The learned CIT(A) observed that section 10(10AA)(i) of the Act provides for exemption in respect of leave encashment received by employees of the Central or State Government, whereas section 10(10AA)(ii) governs such receipts in the case of other employees, subject to the monetary limit notified by the Central Government.

Since the limit prescribed by the notification then relied upon was Rs.3,00,000/-, the learned CIT(A) upheld the adjustment made by the CPC and dismissed the assessee's appeal.

6. Before us, the assessee submitted that the monetary limit for exemption under section 10(10AA)(ii) had subsequently been enhanced to Rs.25,00,000/- by CBDT Notification No.31/2023 dated 24.05.2023. It was contended that the enhanced limit should also apply to the assessee's claim for Assessment Year 2020-21. In support, the assessee relied upon decisions of the coordinate Benches of the Tribunal, including **Ram Charan Gupta Vs. ITO, Ward-4(2) Jaipur in ITA No. 408/JPR/2022, Govardhan Deepchand Bhambhani Vs. ITO, Ward -7 in ITA No. 289/JPR/2025 and Renu Moongia Vs. The ITO Ward-4(2), Jaipur in ITA No. 1196/JPR/2026**.

7. We have heard the assessee as well as the ld DR and perused the material available on record. The issue for consideration is whether the enhanced exemption limit of Rs.25,00,000/- prescribed by CBDT Notification No.31/2023 dated 24.05.2023 is applicable to the leave encashment received by the assessee on retirement during the year relevant to Assessment Year 2020-21.

8. We find that the coordinate Benches of the Tribunal have considered an identical issue and have allowed the benefit of the enhanced limit in respect of leave encashment received in earlier

years as well. In particular, in *Renu Moongia* (supra), the Tribunal, after considering the earlier decisions in *Ram Charan Gupta* (supra), *Govind Chhatwani v. CIT(A)*, ITA No.385/JP/2023, and *Vijay Kumar Jain v. ITO*, ITA No.175/Agra/2022, held that the enhanced limit of Rs.25,00,000/- was available for the purpose of exemption under section 10(10AA) of the Act. The Tribunal accordingly directed that the assessee be allowed exemption within the enhanced limit. The relevant findings of the coordinate bench in the case of Renu Moongia (supra) is reproduced hereunder:-

> *12. In the backdrop of the aforesaid facts and circumstances of this case the sole question arises for determination is "as to whether the assessee, who has retired after putting in more than 30 years of service is entitled for exemption of the entire amount of Rs. 9,04,669/- received by him on account of leave encashment?"*
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> *13. Ld. AR for the assessee contended that Hon'ble Delhi High Court in case of Kamal Kumar Kalia & Ors. Vs. Undion of India & Ors. in WP(C) 11846/2019 dated 08.11.2019, wherein claim of the assessee for exemption/deduction of Rs. 6,97,100/- on account of leave encashment on superannuation was allowed. The assessee also relied upon CBDT notification No. 31/2023 dated 24.05.2023.*
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> *14. Now this issue is no more res-Integra as the Coordinate Bench of the Tribunal has also decided an identical issue in case of Vijay Kumr Jain vs. ITO in ITA No. 175/Agr/2022 dated 18.06.2025. For ready perusal, operative part thereof is extracted as under:-*
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> > *"8. We have heard the rival contentions and perused the material placed on record. The bench noted that the assessee relying the decision of Hon'ble Delhi High Court has issued a notice to the Union of India in the case of Kamal Kumar Kalia & Ors. Vs. Union of India & Ors in*

WP(C) 11846/2019 dated 08.11.2019 wherein the court has given following directions :-

"8. We are however of the, prima facie, view that the grievances of the petitioner with regard to exemption limit under Clause (ii) of Section 10 (10AA) not being raised since 1998, appears to be justified. This is so because over the decades, the pay-scales admissible to government servants, and even employees of the Public Sector Undertaking and Nationalised Banks and all others have been upwardly revised, keeping in view, the financial growth in the country as well as on account of rising inflation. The last drawn salaries have increased manifold since time and notification issued under Clause (ii) of Section 10(10AA) was lastly issued, as taken note of hereinabove, on 31.05.2002. We therefore, issue notice to the respondents limited to this aspect. 9. Issue notice, learned counsel for the respondents accepts notice. Respondents should file counter affidavits be filed within six weeks. Rejoinder thereto, if any, be filed before the next date."

8.1 Recently the Central Board of Direct Taxes Suo-motu revised the limit for deduction u/s 10(10AA) of the Act and the revised limit now stood at Rs. 25,00,000 as specified vide notification no. 31/2023 issued by the ministry of finance. Since the leave encashment amount as claimed by the assessee is amount to Rs. 6,97,100/- which is below the revised limit of leave encashment exempt prescribed by the Board, the assessee is eligible to claim of deduction of said Rs. 6,97,100/-. Based on these observations the ld. AO is directed to allow the claim of the assessee u/s. 10(10AA) of the Act within the revised limit as prescribed. In terms of these observations the appeal of the assessee is allowed."

11. Another coordinate Bench of Jaipur Tribunal vide order dated 31.10.2023 passed in ITA No. 385/JP/2023 for A.Y. 2020-21 in the case of Govind Chhatwani vs. CIT(Appeals), has followed Ram Charan Gupta (supra) and held that the assessee was eligible for the claim of deduction in respect of the exemption of his leave

encashment exceeding Rs. 3,00,000/-, as the CBDT Notification No. 31/2023 dated 24.05.2023 has raised the limits to Rs.25,00,000/-.

12. It is established principle of law that a circular of CBDT, no doubt, has the force of law, can even supplant the law in case where it is beneficial to the assessee and can mitigate or relax the rigors of law. The powers of CBDT in issuing circular for general guidance are subject to two important conditions. One is that it does not entitle the Income-tax authority including the Board to issue instructions or circulars contrary to the substantive provisions of law or curtailing the relief, to which the assessee is otherwise entitled under law. The circular cannot, therefore, curtail the benefit conferred on the assessee or be contradictory to the Act. Hon'ble Apex Court in Union of India vs. Wood Paper Limited AIR 1991 SC 2049 has held that the condition regulating the computation of benefit should be interpreted liberally.

13. In view of this legal position, we are in respectful agreement of what has been held by the afore cited coordinate Jaipur Benches of this Tribunal as noted hereinabove. We accordingly answer the aforesaid question in favour of the assessee and against the Revenue and hold that the appellant/assessee is eligible to claim deduction of Rs.7,51,755/- in view of limits raised to Rs.25,00,000/- vide Notification No. 31/2023 dated 24.05.2023. The appeals is thus liable to be allowed."

15. So in view of what has been discussed above, we are of the considered view that the assessee, who has received an amount of Rs. 9,04,669/- on account of leave encashment as retiral benefits after putting in more than 30 years in Life Insurance Corporation of India is exempted u/s 10(10AA) of the Act. Ld. CIT(A) has erred in confirming the disallowance made by the AO/CPC, hence the AO is directed to allow the claim of the assessee.

9. In the present case, the amount of leave encashment received by the assessee, namely Rs.9,92,880/-, is below the enhanced limit of Rs.25,00,000/-. The Revenue has not brought to our notice any decision reversing the aforesaid view of the coordinate Benches. Respectfully following the decisions cited above, we hold that the assessee is entitled to exemption in respect of the entire amount of Rs.9,92,880/- received as leave encashment, subject to the provisions of section 10(10AA) of the Act.

10. We accordingly set aside the order of the learned CIT(A) on this issue and direct the Assessing Officer to allow the assessee's claim for exemption of Rs.9,92,880/- under section 10(10AA) of the Act. The grounds of the appeal of the assessee are accordingly allowed.

11. In the result, appeal of the assessee is allowed.

Order pronounced in the Open Court on 21.10.2026

Sd/-	Sd/-
(T.R. Senthil Kumar)	(Om Prakash Kant)
JUDICIAL MEMBER	ACCOUNTANT MEMBER

Dated 21.10.2026
Pritesh Vaishnav, PS

True Copy

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

By Order,

Asst. Registrar
ITAT, Jaipur