

Voluntary retirement or separation – Section 10(10C)

If an employee receives compensation (whether in one go or in instalments) on voluntary retirement or separation, Section 10(10C) provides for exemption for such amount, subject to a maximum of Rs. 5,00,000.

This exemption is available to employee of any of the following:-

- (i) a public sector company
- (ii) any other company
- (iii) an authority established under a Central, State or Provincial Act
- (iv) a local authority
- (v) a co-operative society
- (vi) a University established or incorporated by or under a Central, State or Provincial Act and an institution declared to be a University under section 3 of the University Grants Commission Act, 1956
- (vii) an Indian Institute of Technology within the meaning of clause (g) of section 378 of the Institutes of Technology Act, 1961 (59 of 1961)
- (viii) any State Government
- (ix) the Central Government
- (x) an institution, having importance throughout India or in any State or States, as the Central Government may, by notification in the Official Gazette⁸², specify in this behalf
- (xi) such institute of management as the Central Government may, by notification⁸³ in the Official Gazette, specify in this behalf

Conditions for claiming exemption [Rule 2BA]

- It applies to an employee who has completed 10 years of service or completed 40 years of age. (This condition doesn't apply to employees of public sector company)
- It applies to all employees including workers and executives except directors of a company or co-operative society.
- Such scheme has been drawn to result in overall reduction in no. of employees
- The vacancy caused by voluntary retirement is not to be filled up.
- The retiring employees of a company shall not be employed in another company or concern belonging to the same management.
- Amount receivable on account of voluntary retirement does not exceed either of the following amount
- 3 months x salary last drawn x completed year of service

- Salary last drawn x balance of months left before the date of retirement or superannuation

Salary includes basic pay, dearness allowance (if it forms part of the retirement benefits) and percentage wise fixed commission on turnover

Notes:- If the assessee has already taken relief under section 89, then exemption under this section is not available.

Deduction under section 10(10C) can be taken once only, therefore if deduction under this section is taken once then deduction is not available in any subsequent years.