



KERALA STATE ELECTRICITY BOARD Ltd

(Incorporated under the Companies Act, 1956)

Office of the Financial Advisor

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No. FA-ATC-DA2/2023/61

Dated: 31.05.2023

From

The Financial Advisor

To

All ARU's

Sir,

Sub:- Recent amendments in Income Tax introduced in union Budget 2023 applicable to KSEBL - reg

Ref:- 1. Finance Act 2023

2. Notification No.31/2023/F.No.200/3/2023-ITA-1 dated 24.05.2023

3. Circular No. 04 of 2023 dated 05.04.2023

The important amendments in the Income Tax Act introduced through Finance Act 2023, applicable to KSEBL are summarised below.

I. Change in the Tax slab u/s 115BAC (New Regime) of the Income Tax Act.

The Tax rate applicable to the individuals, u/s 115BAC, has been changed as under.

| Existing Tax Slab (for FY 2022-23) | | Applicable for FY 2023-24 | |
|------------------------------------|----------|-----------------------------|----------|
| Slab | Tax Rate | Slab | Tax Rate |
| Up to Rs.2,50,000 | Nil | Up to Rs.3,00,000 | Nil |
| Rs.2,50,001 - Rs.5,00,000 | 5% | Rs. 3,00,001 - Rs. 6,00,000 | 5% |
| Rs. 5,00,001 - Rs. 7,50,000 | 10% | Rs.6,00,001 -Rs.9,00,000 | 10% |
| Rs.7,50,001 - Rs.10,00,000 | 15% | Rs.9,00,001 -Rs.12,00,000 | 15% |
| Rs.10,00,001 - Rs.12,50,000 | 20% | Rs.12,00,001 -Rs.15,00,000 | 20% |
| Rs.12,50,001 - Rs.15,00,000 | 25% | | |
| Above Rs.15,00,000 | 30% | Above Rs.15,00,000 | 30% |

II. Change in Benefits for those employees opting to get taxed u/s 115BAC

Standard Deduction of Rs.50,000/- for employees and Rs.15,000/- for Family Pensioners

Employees opting for taxation u/s 115BAC (New Regime) of the Income Tax Act, shall be eligible for a Standard Deduction of Rs.50,000/- as per section 16(ia) of the Income Tax Act.

Family Pensioners opting for taxation u/s 115BAC (New Regime) of the Income Tax Act, shall be eligible for a Standard Deduction of a sum equal to 33¹/₃% of such income or Rs.15,000/-, whichever is less, as per section 57 (ia) of the Income Tax Act.

III. Rebate u/s 87A

Individuals opting for taxation u/s 115BAC (New Regime) of the Income Tax Act, shall be eligible for a rebate of 100% of tax payable or Rs.25,000/- whichever is less, where the gross total income does not exceed Rs.7 Lakhs. For individuals opting old regime, the existing rebate of Rs.12,500/- will continue, where the gross total income does not exceed Rs.5,00,000/-.

If the tax of the individuals, on crossing the limit of Rs.7 lakhs is more than the income exceeding Rs.7 lakhs, then the excess amount will also be given as deduction. For easy understanding, the following example may be considered in case of individuals opting to get taxed under new regime.

| Particulars | Situation1 | Situation 2 |
|--|-------------------|--------------------|
| Gross Total Income | 7,54,000 | 8,04,000 |
| Less: Standard Deduction | 50,000 | 50,000 |
| Total Income for taxation u/s 115BAC | 7,04,000 | 7,54,000 |
| Tax as per slab | 25,400 | 30,400 |
| Excess of Total Income over Rs.7 Lakhs | 4,000 | 54,000 |
| Rebate u/s 87A | 21,400 | Nil |

In situation 1, the tax payable by the individuals on crossing of Rs.7 Lakhs by Rs.4,000/- is Rs.25,400/-. Hence, the excess amount of Rs.21,400/- can be claimed as rebate u/s 87A.

However, in Situation 2, the tax payable by the individual on crossing of Rs.7 Lakhs by Rs.50,000/- is less than Rs.50,000/- (i.e., Rs.30,400/-). Hence, there is no rebate in this case.

IV: Responsibility of the DDO's as per circular referred (3) above.

The CBDT, vide circular referred (3) above, have given the following directions which is to be adhered by all DDO's -

"A Deductor, being an employer, shall seek information from each of its employees having income under section 192 of the Act regarding their intended tax regime and each such employee shall intimate the same to the deductor, being his employer, regarding his intended tax regime for each year and upon intimation, the deductor shall compute his total

income, and deduct tax at source thereon according to the option exercised.

If intimation is not made by the employee, it shall be presumed that the employee continues to be in the default tax regime and has not exercised the option to opt out of the new tax regime. Accordingly, in such a case, the employer shall deduct tax at source, on income under section 192 of the Act, in accordance with the rates provided under sub-section (IA) of section 115BAC of the Act”.

V. Calculation of Exemption for Terminal Earned Leave Surrender (TELS):

As per notification referred (2) above, the Central Government has fixed the maximum amount that can be claimed as exemption u/s 10(10AA) of the Income Tax Act as Rs.25 Lakh w.e.f. 01/04/2023.

As per section 192 of the Income Tax Act, the TDS deduction on any payment under the head “Salaries” arises only at the time of payment to the employee. Thus, even if the employee is retired prior to 01/04/23, if the Terminal Leave Surrender bill is passed on or after 01/04/2023, the revised limit of Rs.25 lakhs would apply.

However, the revision in exemption limit, vide notification cited (2) above, does not mean that Terminal leave encashment up to Rs.25 Lakh is fully exempt from taxation.

As per section 10(10AA)(ii) of the Income Tax Act, the Terminal Earned Leave Encashment is exempt from tax to the extent of “least” of the following -

- a. Amount actually received at the time of retirement;
- b. Rs.25 Lakhs (w.e.f. 01/04/23 as per notification referred (2) above);
- c. 10 months’ average salary;
- d. Cash equivalent of the leave salary in respect of the period of earned leave at the credit of the employee at the time of retirement (earned leave entitlement cannot exceed 30 days for every year of actual service rendered for the employer from whose service he has retired).

“Salary” for the purpose of computation of exemption will include basic salary, and dearness allowance forming part of salary while computing retirement benefits. It excludes all other benefits or allowances.

The following situation may be looked into for easy understanding of the calculation.

Earned Leave details of the employee is as below.

| Sl. No. | Description | Situation I | Situation II |
|---------|---|-------------|--------------|
| i | Completed years of service | 30 | 20 |
| ii | Total Earned Leave Credited during service time | 800 | 550 |
| iii | Total Leave availed/encashed during service | 500 | 400 |
| iv | Balance Leave at Credit, at the time of retirement [(ii) – (iii)] | 300 | 150 |

| Eligible Earned Leave for IT Exemption calculation | | | |
|--|--|-----|-----|
| v | No of years of service x 30 [(i) x 30] | 900 | 600 |
| vi | Leave availed /encashed during service | 500 | 400 |
| vii | Balance at Credit [(v) – (vi)] | 400 | 200 |
| viii | Earned Leaves at credit for exemption calculation Least of – (iv) and (vii) | 300 | 150 |

Salary of the employee is as below.

| Sl. No. | Description | Situation I | Situation II |
|------------------------------------|--|-------------|--------------|
| a | Basic Salary | 2,00,000 | 1,10,000 |
| b | Cadre Pay | 1,000 | 1,000 |
| c | DA @ 19% | 38,190 | 21,090 |
| d | HRA | 10,000 | 10,000 |
| e | Medical Allowances | 100 | 100 |
| f | Other Allowances | 1,000 | 1,000 |
| g | Total Salary | 2,50,290 | 1,43,190 |
| h | Average monthly salary of 10 months (only Basic + DA on Basic Pay) (Assumed) | 2,35,000 | 1,25,000 |
| i | Salary for calculation of TELS in KSEBL (Gross Salary Less Medical Allowance) | 2,50,190 | 1,43,090 |
| Earned Leave Exemption: Least of - | | | |
| 1 | Actual TELS received | 25,01,900 | 7,15,450 |
| 2 | Amount notified by Government | 25,00,000 | 25,00,000 |
| 3 | 10 months' salary (based on average salary of 10 months) (only Basic + DA on Basic pay) [(h) x 10] | 23,50,000 | 12,50,000 |
| 4 | Cash equivalent of eligible leave [(h)/30 x (ix)] | 23,50,000 | 6,25,000 |
| 5 | Eligible exemption as per Income Tax Act Least of (1), (2), (3) and (4) | 23,50,000 | 6,25,000 |
| | Taxable value of TELS [(1) – (5)] | 1,51,900 | 90,450 |

The ARU heads shall take necessary action to comply with the above, upholding the

true spirit of the law.

The ARU Officers may go through the Income Tax Act, Rules and notifications issued by the IT Department for further details.

Yours faithfully

Sd/-

Financial Advisor

Approved For Issue



Assistant Finance Officer