



ALL INDIA BHARAT SANCHAR NIGAM LIMITED RETIRED EXECUTIVES' ASSOCIATION

Central Headquarters

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No.AIBSNLREA/CHQ/2023/35

Dated: 28th March 2023

To

Shri Y.N.Singh,
Sr.General Manager (Taxation)
BSNL Corporate Office,
New Delhi 110001.

Sub: Incorrectness of the clarification issued by BSNL on taxability of reimbursement of CGHS contribution to BSNL absorbed pensioners – Request for withdrawal of the clarification.

Ref: BSNL letter No. BSNLCO-TAXN/13(18)/3/2020-TAXATION/4362 dated 22.09.2021

Sir,

We are again forced into conveying our deep concern over BSNL continuing with the wrong practice of showing the CGHS one-time contribution reimbursed by it to the BSNL absorbed pensioners as 'Income', despite our earlier representations explaining the rationale and justifications for withdrawing BSNL letter cited under Reference 1, issuing clarification to the Circles that on a conservative basis tax may be deducted at source under the head salary for the amount reimbursed to BSNL absorbed retired employees on account of subscription.

2. We had pointed out that the said clarification is quite unwarranted and impulsive as the said BSNL letter itself agrees that *"as per the proviso to section 17(2) of the Income Tax Act, 1962, any reimbursement by the employer in respect of any insurance premium paid by the employee to effect an insurance on his health or the health of his family under any approved scheme by Centra Govt. or IRDA is a tax free perquisite"* and because BSNL cannot on its own assign a hitherto unheard of meaning to the term "income".

3. We had then enclosed a copy of the booklet issued in the name "Tax payers information – Series 36 – VALUATION OF PERQUISITES" by the Income Tax Department and

available in their website at <https://www.incometaxindia.gov.in/Booklets%20%20Pamphlets/1-Valuation-of-perquisites-05-CRC.pdf> . In page 23, under Para 4.5 b) it has been clearly stated that “**Medical insurance premium paid or reimbursed by the employer is not chargeable to tax.**” BSNL had then replied to us that “matter can be revisited once decision is taken.”

4. But to our disappointment, BSNL continues to treat this reimbursement of CGHS contribution as taxable and has been showing it as ‘Income’, which reflects in Form 26AS, although no TDS is recovered. This unnecessarily creates difficulties for the concerned pensioners at the time of filing IT return.

5. The BSNL letter under reference states that “However, in the **absence of clarity on whether reimbursement to BSNL absorbed retired employees on account of CGHS subscription is an insurance premium or not**, on a conservative basis, tax may be deducted at source under the head of salary.” BSNL should get the required clarity by visiting Income Tax India website Page <https://incometaxindia.gov.in/Pages/tools/deduction-under-section-80d.aspx> which has equated ‘Payment for medical insurance premium (mode other than cash)’ to ‘contribution to CGHS’ in the form meant for calculating deduction under section 80D. In the linked page it is clearly mentioned that “*the whole of the amount paid to effect or to keep in force an insurance on the health of the assessee or his family or any contribution made to the Central Government Health Scheme or such other scheme as may be notified by the Central Government in this behalf*” is eligible for deduction under 80D. [copy enclosed]

6. In any case, there is no rationale and justification in BSNL deducting tax at source for the reimbursement of onetime payment of subscription to CGHS in respect of BSNL absorbed IDA pensioner and therefore it is again requested that the said clarification be withdrawn immediately and the practice of showing the amount as ‘income’ may be stopped forthwith.

With regards,

Yours sincerely,



(R.R. Balasubramanian)
General Secretary

Encl: As stated

Copy to: 1. Shri V Srinivas,
Secretary (Pension), DoP&PW
2. Shri Rajiv Kumar,
Director (F), BSNL



Income Tax Department

Government of India

As amended upto Finance Act, 2022

TAX INFORMATION AND SERVICES

DEDUCTION UNDER SECTION 80D

Assessment Year

Select ▼

Status

TAX LAWS & RULES

Individual ▼

Assessee, Spouse, & dependent Children Assessee's parents

Payment for medical insurance premium (mode other than cash) /contribution to CGHS

Payment of medical insurance premium for resident Sr. Citizen – (mode other than cash)

Payment made for preventive health check up

Medical expenditure on the health of Resident very senior citizen for whom no amount is paid to effect/keep in force health) (mode of payment other than cash)

DEDUCTION UNDER SECTION 80D

Reset

INTERNATIONAL TAXATION

Advisory: Information relates to the law prevailing in the year of publication/ as indicated . Viewers are advised to ascertain the correct position/prevaling law before relying upon any document.

Disclaimer:The above calculator is only to enable public to have a quick and an easy access to basic tax calculation and does not purport to give correct tax calculation in all circumstances. It is advised that for filing of returns the exact calculation may be made as per the provisions contained in the relevant Acts, Rules etc.



Income Tax Department

Government of India

Deduction in respect of health insurance premia.

80D. (1) In computing the total income of an assessee, being an individual or a Hindu undivided family, there shall be deducted such sum, as specified in sub-section (2) or sub-section (3), payment of which is made by any mode as specified in sub-section (2B), in the previous year out of his income chargeable to tax.

(2) Where the assessee is an individual, the sum referred to in sub-section (1) shall be the aggregate of the following, namely:—

- (a) the whole of the amount paid to effect or to keep in force an insurance on the health of the assessee or his family or any contribution made to the Central Government Health Scheme or such other scheme as may be notified by the Central Government in this behalf or any payment made on account of preventive health check-up of the assessee or his family as does not exceed in the aggregate twenty-five thousand rupees; and*
- (b) the whole of the amount paid to effect or to keep in force an insurance on the health of the parent or parents of the assessee or any payment made on account of preventive health check-up of the parent or parents of the assessee as does not exceed in the aggregate twenty-five thousand rupees;
- (c) the whole of the amount paid on account of medical expenditure incurred on the health of the assessee or any member of his family as does not exceed in the aggregate fifty thousand rupees; and
- (d) the whole of the amount paid on account of medical expenditure incurred on the health of any parent of the assessee, as does not exceed in the aggregate fifty thousand rupees:

Provided that the amount referred to in clause (c) or clause (d) is paid in respect of a senior citizen and no amount has been paid to effect or to keep in force an insurance on the health of such person:

Provided further that the aggregate of the sum specified under clause (a) and clause (c) or the aggregate of the sum specified under clause (b) and clause (d) shall not exceed fifty thousand rupees.

Explanation.—For the purposes of clause (a), "family" means the spouse and dependant children of the assessee.

(2A) Where the amounts referred to in clauses (a) and (b) of sub-section (2) are paid on account of preventive health check-up, the deduction for such amounts shall be allowed to the extent it does not exceed in the aggregate five thousand rupees.

(2B) For the purposes of deduction under sub-section (1), the payment shall be made by—

- (i) any mode, including cash, in respect of any sum paid on account of preventive health check-up;
- (ii) any mode other than cash in all other cases not falling under clause (i).

(3) Where the assessee is a Hindu undivided family, the sum referred to in sub-section (1), shall be the aggregate of the following, namely:—

- (a) whole of the amount paid to effect or to keep in force an insurance on the health of any member of that Hindu undivided family as does not exceed in the aggregate twenty-five thousand rupees; and

(b) the whole of the amount paid on account of medical expenditure incurred on the health of any member of the Hindu undivided family as does not exceed in the aggregate fifty thousand rupees:

Provided that the amount referred to in clause (b) is paid in respect of a senior citizen and no amount has been paid to effect or to keep in force an insurance on the health of such person:

Provided further that the aggregate of the sum specified under clause (a) and clause (b) shall not exceed fifty thousand rupees.

(4) Where the sum specified in clause (a) or clause (b) of sub-section (2) or clause (a) of sub-section (3) is paid to effect or keep in force an insurance on the health of any person specified therein, and who is a senior citizen, the provisions of this section shall have effect as if for the words "twenty-five thousand rupees", the words "fifty thousand rupees" had been substituted.

Explanation.—[***]

(4A) Where the amount specified in clause (a) or clause (b) of sub-section (2) or clause (a) of sub-section (3) is paid in lump sum in the previous year to effect or to keep in force an insurance on the health of any person specified therein for more than a year, then, subject to the provisions of this section, there shall be allowed for each of the relevant previous year, a deduction equal to the appropriate fraction of the amount.

Explanation.—For the purposes of this sub-section,—

- (i) "appropriate fraction" means the fraction, the numerator of which is one and the denominator of which is the total number of relevant previous years;
- (ii) "relevant previous year" means the previous year beginning with the previous year in which such amount is paid and the subsequent previous year or years during which the insurance shall have effect or be in force.

(5) The insurance referred to in this section shall be in accordance with a scheme made in this behalf by—

- (a) the General Insurance Corporation of India formed under section 9 of the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972) and approved by the Central Government in this behalf; or
- (b) any other insurer and approved by the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).

Explanation.—For the purposes of this section,—

- (i) "senior citizen" means an individual resident in India who is of the age of sixty years or more at any time during the relevant previous year;
- (ii) [***]