

GOVERNMENT OF INDIA (भारत सरकार)
MINISTRY OF RAILWAYS (रेल मंत्रालय)
(RAILWAY BOARD) (रेलवे बोर्ड)

No. E(W) 2010/CP-1/3

New Delhi, dated 13 -10-2010

The General Managers (Personnel)
All Indian Railways, Pus, etc.

Sub: Payment of Ex.-Gratia lumpsum compensation to the families of Railway employees who die in harness in performance of bona fide official duties – Taxability as Reg.

Ref: Board's letter No. E(W) 2008/CP-1/7 dated 30.08.2008.

A clarification has been sought whether lumpsum payment made on account of ex-gratia compensation to widow/legal heir of Railway employee who dies in harness in performance of bona fide official duties is taxable or not. The matter has been examined in consultation with Finance Directorate and it is advised that all matters regarding recovery of Income Tax are governed by the provisions of Income Tax Act, 1961 and various instructions issued by Ministry of Finance

2. Accordingly, in this regard, a copy of circular No. 573 dated 21.08.1990 issued by Ministry of Finance (Central Board of Direct Taxes) is enclosed for information. The relevant extract of the circular reads as under :-

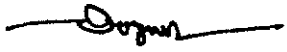
“[3] Taxability of lump-sum payment made gratuitously or by way of compensation or otherwise to widow/other legal heir of an employee – Regarding:

Clarifications have been sought from the Central Board of Direct Taxes whether a lump-sum payment made gratuitously or by way of compensation or otherwise to the widow or other legal heir of an employees who dies while still in active service, is taxable as income under the Income-Tax Act, 1961.

2. This issue has been examined by the Board and it is clarified that any such lump-sum payment will not be taxable as income under the aforesaid Act.”

3. Please acknowledge receipt.

(This disposes of N.F. Railway's letter No. E/322/41(W)Ex.gratia-163 dated 17.02.2010).


(Debasis Mazumdar)
Joint Director Estt. (Welfare)
Railway Board.