

## Guidance Note

### **Form 39 - Form for claiming relief under section 157(1) of the Act in case of receipt of additional salary, or gratuity or Retrenchment Compensation or commutation of pension**

#### **BACKGROUND:**

This note focuses on Form 39, prescribed under Rule 73 and is required to be filed for claiming relief under Section 157(1) of the ITA 2025, when salary is paid in arrears or in advance or on receipts such as gratuity, retrenchment compensation, commutation of pension, etc. The manner of computation of admissible relief is provided in the Rule 73.

On an average, about 6 lakh Form 39 are filed annually over the last five years. Simplifying this form aims at enabling taxpayers to self-compute the relief easily, by providing the necessary information in prescribed format.

#### **Purpose of Form 39:**

Form 39 is used by a taxpayer to claim relief under Section 157(1) of the ITA 2025, in cases of receipt of additional salary (arrears or advance), family pension, gratuity, Retrenchment compensation, commutation of pension, etc. The form enables the taxpayer to compute and claim relief to neutralize the higher tax burden that may arise on inclusion of such receipts in the total income of the current year.

In order to claim such relief on TDS by the employer, a Government Servant, or an employee in a company, co-operative society, local authority, university, institution, association or body, may furnish the particulars specified in Form No. 39 to the person responsible for making payments after deducting tax, as referred to in section 392 of the ITA 2025.

#### **2. Who Should File :**

- Any taxpayer, being an employee, who has received: -
  - **Additional salary or additional family pension (arrears or advance)**
  - **Gratuity for past services** (period of service <15 years or ≥15 years)
  - **Retrenchment compensation**
  - **Commutation of pension,**

and wishes to claim relief under section 157(1) of ITA 2025, is required to file **Form 39**.

### **When and How to File:**

- The form shall be filed the on e-filing portal.
- The form shall be furnished electronically either under digital signature or through electronic verification code verified by the individual employee.

### **3. Structure of New form**

The form consists of the following parts:

#### ➤ **Part A – Basic Details**

- Name, Address, PAN, Residential status, Email & Mobile Number
- **Tax Year** in which relief is being claimed

#### ➤ **Part B – Relief Computations under Section 157(1) of Income tax Act, 2025**

Based on the nature of receipt, the taxpayer needs to fill the details in relevant Columns (3 to 7) of Part B. The relevant Columns as per the nature of receipts are as under:

- Column 3 - Relief admissible in case of receipt of additional salary (arrear or advance) or additional family pension
  - Column 4 -Relief admissible in case of receipt of Gratuity (past services <15 Years)
  - Column 5 - Relief admissible in cases of receipt of Gratuity (past services >= 15 Years)
  - Column 6 - Relief admissible in cases of receipt of Retrenchment Compensation
  - Column 7 - Relief admissible in cases of receipt of commutation of pension
  - Column 8 - Auto populated from entries and computation in Column 3 to 7, and gives the final amount of Receipt for which relief is claimed and the admissible relief.
  - Column 9 - Total amount of Tax relief u/s 157(1) will be auto reflected. Accordingly, these details will be auto-filled in his ITR.
- **Verification** - Declaration by the taxpayer affirming correctness and completeness of information

### **4. Documents Required to file the form**

- a. PAN of the taxpayer
- b. Break-up of receipts for which relief is being claimed (additional salary, gratuity, etc.)
- c. TDS Certificate in Form 130, Annual Information Statement in Form 168, computation of income and tax liability for the relevant Tax year (*the year of receipt*)

- d. TDS Certificate in Form 130 or Form 16, Annual Information Statement in Form 168 or Form 26AS, ITRs and computation of income and tax liability for the earlier Tax years to which the amount relates
- e. Proof of lump-sum receipts, such as employer’s letters, pension orders, retrenchment orders, etc.

**5. Process flow of filing Form 10E**

- a. **Login** to the Income Tax e-Filing portal.
- b. Go to **e-File** → **Income Tax Forms** → **File Form 39**.
- c. Select the **relevant Assessment Year**.
- d. Fill **Part A – Basic Details**.
- e. Based on the nature of receipt, fill applicable **columns in Part B**.
- f. Enter all tax figures (income, enhanced income, tax payable, etc.).
- g. Review the **summary section in Column 8**.
- h. **Submit the form electronically**.
- i. File your **ITR**, ensuring relief is correctly claimed.

**6. Outcome of Processed Forms:**

- Relief under section 157(1) is enabled for the relevant year.
- Benefits from excess tax liability due to bunching of income.
- Ensures correct tax computation in the ITR.
- Helps avoid delays due to ITR being marked “defective” (if Form 39 is missing).

**7. Challenges in the erstwhile form and Solutions adopted in the New Form:**

Sl. No.	Challenges	Solutions
i.	Earlier, Form 10E required the taxpayer to repeatedly enter the same information, leading to unnecessary duplication and increased compliance burden.	The revised Form is a smart one to enhance user experience and provides ease of filing through: <ul style="list-style-type: none"> <li>a. auto-population/pre-filling of relevant details using information available from the Taxpayer’s profile.</li> <li>b. Real time validations &amp; error handling.</li> </ul>

		c. Drop downs & date pickers d. Integration with APIs & Databases e. Standardization of name & address fields etc.
<b>ii.</b>	Earlier there were no computation tables in the Form 10E to calculate total income and relief for the taxpayer which created confusion and difficulty while filling up of Form.	Now each category of receipt (additional salary, gratuity, pension etc.) contains step-by-step computation with clear formulae; thereby, simplifying taxpayer input and system validation which brings in clarity and ease in filing.

**8. Key benefits of new simplified Form:-**

- The form has been redesigned to be simpler, with fewer data inputs avoiding repetitive information.
- Each category of receipt (additional salary, gratuity, pension etc.) contains formula based structured computation tables, simplifying taxpayer input and system validation which brings in clarity and ease in filing.
- Smart, Technology-Enabled Filing- Auto-population of taxpayer details reduces manual effort and errors.