

CHAPTER XIII INCOME TAX MATTERS

A. TAX DEDUCTION AT SOURCES (TDS)

13.A.1 GENERAL

13.A.1.1 Under section 192 to 195 of the Income tax Act, 1961, it is the responsibility of the Drawing and Disbursing Officer (DDO) to deduct Income tax at source from the payment of salaries and others and deposit it into Government treasury of and file quarterly return with the concerned. Income tax authority within prescribed time period. In case of RSRDCC, this function is to be discharged by REs, of the Unit officers and Head of Office/Drawing & Disbursing Officer (DDO) at the Head Office.

13.A.1.2 The Unit RE/DDO will apply to the concerned Assessing Authority for allotment of a TAN number (Tax Deduction Account Number) if not already obtained under section 203 A of the Income tax Act for deduction of tax at source. The DDO will issue a certificate of TDS to the payee of salaries/other payments in form No. 16 or 16A under section 203 of the Act. The Quarterly statement of the Income tax deducted at source and deposited in Government. Treasury will be furnished by the DDO to the concerned Income tax Authority under section 200 of the Act. The Quarterly Return will be filed in prescribed time, form and particulars on computer media under section 206 of the Act. Defects, if any, can be rectified within 15 days.

13.A.1.3 Excess/shortage of tax deducted can be adjusted within the same financial year but no refund will be made unless return is filed by the assessee. Deduction of TDS at a lower rate or no deduction may be permitted by the Assessing Authority on reasonable grounds under section 197 of the Act.

13.B Deduction of TDS from "Salaries"

13.B.1 Section 192 of the Income tax lays down the broad scheme of TDS deduction from salaries under which DDO has been made responsible for deduction of tax from payment of salaries on average basis at the time of each payment. However, tax may not be deducted at source if the total estimated salary income of an employee during the financial year does not exceed the exemption limit, which is presently Rs. 100,000 in normal case, Rs. 135,000 in case of a woman employee and Rs. 165,000 in case of a person of 65 year of age or above. The tax on non-monetary perquisites may be paid by the employer himself or else TDS may be deducted on it.

13.B.2 In case an employee has remained under more than one employer during a financial year, he/she may choose one or the present employer to deduct entire tax payable on total salaries but he/she will have to produce certificate of salaries paid and tax deducted from other employers.

13.B.3 For the salary paid is arrear or in advance, relief from TDS may be obtained by an employee of the Corporation under section 89 (1) of the Act on furnishing particulars in form no. 10E.

13.B.4 Particulars of income under any head other than “salaries” and of any tax deducted at source thereon may be furnished by the employee in a simple statement similar to Form No 12C. Such income should not be a loss, other than loss on “Income from House Property” for the same financial year. The DDO may take such other income and tax deducted thereon for the purpose of computing tax deductible under section 192 of the Act. It should not reduce the amount of tax which would have been otherwise deducted from the income from “salaries” except in case of loss from income under the head “Income from House Property”. The employee shall have to file a declaration and computation of loss in such a case.

13.B.5 For the purpose of computing income/loss under the head “Income from House Property” in respect of self occupied residential house, a normal deduction of Rs. 30,000/- is allowable in respect of interest on borrowed capital. However, a deduction on account of interest upto a maximum limit of Rs. 150,000 is allowable if such loan has been taken on or after 1.4.1999 for constructing or acquiring the residential house and the construction or acquisition of such house has been completed within three years from the end of financial year in which capital was borrowed. Higher deduction is not allowable in case of capital borrowed for repairs or renovation of an existing house.

13.B.6 The amount of tax deducted at source or tax payable on non-monetary perquisites under section 192 and 192 (1A) respectively shall be paid to the credit of Income tax department by the DDO in challan Form No ITNS-281 in accordance with Rule 30 of Income tax Rules on the day of tax deduction itself or within one week from the last day of the month in which deduction was made. If a person fails to deduct whole or any part of the tax at source, or after deducting, fails to pay it to the credit of Central Govt. within the time prescribed, he shall be liable to action under section 201 of the Act. The penalty may range from charging of simple interest @ Rs. 12 per cent per annum to amount of the tax not deducted, and or punishable with rigorous imprisonment for a term of 3 months to 7 year.

13.B.7 Quoting TAN in the challans, TDS certificates, returns, etc is mandatory as required under section 203 A of the Act, Similarly quoting of PAN (Permanent Account Number) of the employees in the statements and certificates is a must, otherwise a penalty of Rs. 10,000 may be imposed.

13.B.8 The DDO shall after the end of each financial year, prepare and deliver by 30th June following the financial year, an annual return of deduction of tax to the concerned Income tax Assessing Officer on computer medial only in accordance with the “Electronic Filing of Returns of Tax Deducted at Source Scheme, 2003.

13.B.9 The DDO is also required to file Quarterly statements of TDS for periods ending 30th June, 30th September, 31st December and 31st March of each financial year, duly verified to the Director General of Income Tax (systems) or M/s National Securities Depository Ltd. (NSDL). These statements are required to be filed on or before in 15th July, 15th October, 15 January in respect of the first three quarters of the financial year and 15th June following the last quarters:

13.B.10 Income Chargeable Under Head "Salaries"

13.B.10.1 Salaries include wages, fees, commissions, perquisites, profits in lieu of or in addition to salary, advance, salary, annuity or pension, gratuity, encashment of leave, etc. annual accretion to the employee's account in provident fund (to the extent it is chargeable to tax), employees' contribution to provident fund in excess of 12 per cent of the salary.

13.B.10.2 Salary includes salary due from the Corporation or a former employer to an employee of the Corporation in previous year, whether paid or not. It also includes any salary paid or allowed to an employee in the previous year, though not due and also includes arrears of salary paid or allowed in the previous year, if not charged to income tax earlier.

13.B.10.3 If advance salary paid in a year is included in the total income, it shall not be included again when it becomes due.

13.B.11 Income not included in the Head "Salaries" (Exemptions)

13.B.11.1 Following incomes shall not be included in computing the income from salaries:

- (a) Leave travel concession received by the employee for self and family on proceeding on leave or retirement to any place in India is exempted under section 10 (5) of the Act with certain conditions.
- (b) Death-cum-retirement gratuity is exempted section 10 (10) of the Act.
- (c) Any payment in commutation of pension is exempted under section 10 (10A)(i) of the Act.
- (d) Cash equivalent of leave salary at the time of retirement subject to a maximum of 10 months leave limited to Rs. 3,00,000 is exempted under section 10 (10AA) (i) of the Act
- (e) Retirement compensation received by a workman is exempted under section 10 (10B) of the Act with certain conditions.
- (f) A sum upto Rs. 5.00 lakh received at the time of Voluntary Retirement under a VRS scheme is exempted under 10 (10C) of the Act.
- (g) Any sum received under a life Insurance Policy including the amount of bonus on such policy.
- (h) Any payment received from a provident fund.
- (i) House Rent Allowance paid or payable during a financial year is exempted under section 10 (13A) of the Act to the following extent;
 - (i) The actual amount of house rent allowance received; or
 - (ii) The actual expenditure incurred in payment of rent in excess of 1/10 of the salary; or
 - (iii) 50 per cent of the salary in case such accommodation is situated in Delhi, Bombay, Calcutta, or Madras, whichever is the least.

Proof of actual expenditure on payment of rent be obtained. House Rent allowance received in respect of residing in self owned house is not exempted from income-tax.

- (j) City Compensatory allowance is exempted under section 10 (14) of the Act.
- (k) Any Special Allowance granted to an employee to meet the expenses incurred in the performance of his duties under Rule 2 BB of the Income tax Rules. Transport allowance upto Rs 800 per month is exempted.
- (l) Interest payable by the Government on deposits in specified schemes made by an employee from out of his retirement benefits, as per section 10 (15) (iv) (i) of the Act.
- (m) Any sum by paid by the Corporation in respect of any expenditure incurred by the employee on his medial treatment or of any member of his family in any hospital maintained by the Government or any local authority or any other hospital approved by the Government; upto Rs. 15000 in a year, in case the medical treatment is taken from any doctor. This exemption is under section 17 of the Act.
- (n) Under section 16 of the Act, entertainment allowance upto Rs. 5000 in a year granted to a Govt. servant is exempted. Also tax on employment (professional tax) is allowable deduction.

13B.12 Deductions under Chapter VIA of the Act

13B.12.1 In computing the taxable income, the following deductions under chapter VIA of the Act are to be allowed from gross total income:

13.B.12.2 As per section 80C an employee will be entitled to deductions for the whole of the amounts paid or deposited in following schemes subject to a limit of Rs. 1,00,000 (At present)

- (a) Payment of insurance premium on insurance of life of self, spouse or any child.
- (b) Any payment made to effect or to keep in force a contract for a deferred annuity plan on the life of self, spouse or any child.
- (c) Any sum deducted from the salary on behalf of the Government in accordance with the conditions of service upto one-fifth of the salary for the purpose of securing a deferred annuity to self or making provision for spouse or children.
- (d) Any contribution made to a provident fund in the name of self, spouse or children.
- (e) Any contribution made to an approved superannuation fund, pension fund, National Savings Certificate, Unit Linked Insurance Plan of UTI, LIC Mutual Fund, Equity Linked Saving Scheme,
- (f) Any sum paid for purpose of purchase or construction of a residential house property, the income form which is chargeable to tax under the head "Income from house property" where such payments are made towards or by way of any installment or part-payment of the amount due under any self-financing or other scheme of any Development Authority, Housing Board, etc.. The deduction will also be allowable in respect of repayment of loans borrowed from notified institutions/banks or Government or RSRDCC. The stamp duty, registration fee and other expenses incurred for the purpose of transfer are also covered.

(g) Tuition fees paid to any university, college, school or other educational institution for full time education of any two children.

13.B.12.3 Under section 80CCC amount upto Rs. 10,000 paid or deposited for any annuity plan of LIC or other insurer for receiving pension from the Fund.

13.B.12.4 The aggregate amount of deduction under section 80 C, 80CCC, and 80CCD shall not exceed RS 10,0000 (present limit).

13.B.12.5 A deduction upto Rs 10,000 (present limit) can be allowed under section 80 D of the Act for the payment made by cheque to keep in force an insurance on health.

13.B.12.6 A deduction upto Rs. 50,000 for the expenditure incurred for the medical treatment including nursing, training and rehabilitation of a dependent with disability, or amount deposited with LIC or other specified insurer for the maintenance of the dependent with disability under section 80 DD of the Act. In case of severe disability of the dependent the amount of upto Rs 75,000 may be allowed as deduction subject to certain specified conditions.

13.B.12.7 Under section 80E of the Act deduction may be allowed in respect of repayment of interest on loan taken for higher studies subject to the conditions that the loan was taken from a financial institution or an approved charitable institution; and the deduction will be allowed in the initial assessment year and seven subsequent assessment years or until the interest on such loan is fully paid up, whichever is earlier.

13.B.12.8 No deduction shall be allowed at the level of D.D.O. under section 80G of the Act on account of donations made for charitable purposes.

13.B.12.9 Under Section 80GG of the Act deduction in respect of house rent paid for own residence is allowable if a house rent allowance is not paid by the employer. However, there are certain limits on deduction.

13.B.12.10 Under section 80U of the Act an expenditure upto Rs. 50,000 for disability of the self and upto Rs 75,000 in case of severe disability of the self is allowed to be deducted on production of the prescribed certificate of medical authority.

13.B.12.11 The DDO should satisfy himself about the actual deposits/subscription/payment made by the employee calling for such particulars/information as he deems necessary before allowing aforesaid

deductions. If he is not satisfied with the genuineness of the claim or a proof is not presented to him, he may refuse to accept it.

13.B.12.12 The TDS certificate in form No. 16 be issued within one month from the end of financial year.

13.B.12.13 Annual return in Form No. 24 be filed on computer media by 30th June. Quarterly statement of deduction of tax under section 200 (3) of the Act in Form No. 24 Q is required to be filed in respect of salaries for the quarters ending June/September/December/March within 15days of the end of quarter on computer media. In case of quarter ending March, it may be filled upto 30th April. Non-filing of quarterly statements would attract penalty of Rs. 100/- per day under section 272A of the Act.

13.B.12.14 Presently education cess @ 2% is leviable on the amount of income tax (including surcharge, if applicable)

13.C Deduction of tax at source on other payments

13.C.1 On payment or credit of interest on securities, TDS @10% plus surcharge will be deducted under section 193 of the Act. An exemption of upto Rs. 25,000 in a financial year from the interest income is allowable from deduction of TDS. When payment is made to LIC or GIC, no TDS will be deducted.

13.C.2 On payment or credit of interest on other than securities, TDS @10% plus surcharge will be deducted on income above Rs 5000 during financial year under section 194A of the Act. No TDS is to be deducted when payment of interest is made to notified institutions and cooperative societies.

13.C.3 On payment to contractors, TDS @ 2% plus surcharge and on payment to sub-contractors, TDS @1% plus surcharge will be deducted except in case of the contract amount does not exceed Rs 20000 or aggregate amount does not exceed Rs 50000 in the financial year. No TDS is to be deducted on payment to suppliers of stores and material. This is under section 194C of the Act.

13.C.4 TDS on payment of rent is to be deducted @15% plus surcharge if payee is an individual or HUF, otherwise@20% plus surcharge, if the annual amount of rent is more than Rs 120000. This is under section 194I or the Act.

13.C.5 In case of payment of fee for professional and technical services, TDS @5% plus surcharge is to be deducted under section 194J of the Act if the amount of payment exceeds Rs. 20,000 in a financial year. It includes payment to recruitment agency.

13.C.6 In all the above cases of deduction of TDS, The amount of tax deducted will have to be deposited in Govt. treasury within 7 days from the end of the month in which tax was deducted and an annual return in form No. 26 will have to be filed by 30th June on computer media only. In case the TDS is deducted on 31st March, then the amount may be deposited upto 31st May.

13.C.7 In all above cases TDS certificate be issued in form No. 16A within one month from the end of the month in which TDS was deducted. If the amount is credited on last day of the financial year, then TDS certificate may be issued within one week form the end of two months from the last date.

13.C.8 In case of TDS deducted under sections 193, 194A, 194C, 194I, 194J, a consolidated certificate of TDS in Form No. 16A may be issued instead of issuing certificate at each occasion.

13.C.9 The present rate of surcharge on income tax is 10% in case of Individual/HUF/AOP/BOI/ when the aggregate amount in a financial year exceeds Rs. 10 lacs. In case of firm and companies the surcharge @10% is applicable.

13.C.10 Quarterly statement of the tax deducted at sources in above cases are required to be filed in form No. 26Q under section 200 (E) of the Act for the quarters ended June/September/December/March within 15 days from the end of quarter on computer media. The quarterly return for March may be filed upto 30th April.

13.C.11 Non filing of quarterly statements would attract penalty of Rs. 100/- per day under section 272A of the Act.

13.D FRINGE BENEFIT TAX (FBT)

13.D.1 In addition to the Income tax, Fringe Benefit tax (FBT) has been made applicable with effect from financial year 2005-06. FBT is a presumptive tax and is meant to tax certain expenditure which are not individually identifiable but collectively spent for the employees' welfare. It is applicable on RSRDC. FBT payable even if there is no liability to pay income tax.

13.D.2 The provisions regarding Fringe Benefit Tax are contained in sections 115W to 115WL of a new Chapter XIII-H of Income Tax act.

13.D.3 Fringe Benefit means any consideration of employment provided by way of:

- i) Any privilege, service, facility, amenity directly or indirectly to employees (including former employees);
- ii) Any free or concessional ticket provided by employer for private journey of employee or his/her family member;
- iii) Any contribution by employer to an approved superannuation fund for his employees.

13.D.4 16 items are identified and presumptive amount is determined as Fringe Benefit by specified percentage owing to the difficulty in isolating personal elements where the benefit is provided and collectively employed.

13.D.5 The rate of FBT is 30% plus applicable surcharge and education cess @ 2%. FBT is not allowed as expenditure. FBT is payable for each quarter on or before 15th day of the month following the quarter , i.e. 15th July, 15th October, 15th January,

but for the quarter ending March, it will be payable by 15th March. Failure to pay advance tax by above dates will attract interest @ 1% per month or its part.

13.D.6 Advance FBT will be paid by the Accounts Organisation at the Head Office for the entire Corporation and Return will also be filed by them. For this purpose, fringe benefit items will be identified. Monthly information of expenditure incurred on these items will be obtained from the Unit Offices and to this amount monthly expenditure incurred at the Head Office on these items will be added. Then specified percentage will be applied to that expenditure. To this amount of FB, tax will be calculated @30% plus surcharge and education cess.

13.D.7 The provisions for filing of returns, assessment and penalties etc. are similar to those for income tax.

13.D.8 The specified percentage for treating the expenditure to be Fringe Benefit for the purpose of FBT on some items is given below:

(i)	Entertainment	20%
(ii)	Conference (any expenditure on conveyance, tour travel, boarding and lodging in connection with any conference)	20%
(iii)	Sales promotion (It does not include expenditure on advertisement, holding of press conference, sponsorship of sports events, holding of a fair, exhibition. It includes expenditure on diaries, calendars, gifts, dry fruits gifts, etc.	20%
(iv)	Employees Welfare (it does not include any expenditure incurred to fulfill any statutory obligation or to mitigate occupational hazards or to provide first aid facilities like contribution to Gratuity Fund, State Insurance etc.	20%
(v)	Conveyance, tours and travel, helper allowance for official duties	20% (construction company 5%)
(vi)	Hotel, Boarding and Lodging facility	20%
(vii)	Repair, Running and Maintenance of motor cars and depreciation thereon	20%
(viii)	Use of Telephone (except expenditure on leased lines)	20%
(ix)	Maintenance of Guest Houses	20%
(x)	Celebration of Festivals	50%
(xi)	Club facilities	50%
(xii)	Gifts/Scholarship	50%

13.D.9 Following expenses are not considered as Fringe Benefits:

- (i) Food and beverages provided through canteen in office.
- (ii) Fees paid for participating in conferences including international conferences.
- (iii) Medical allowance/reimbursement of medical expenses/expenses on traveling connected to medical treatment.

- (iv) Interest free or concessional loans given to employees.
- (v) Education allowance/Uniform allowance.
- (vi) Rent free accommodation.
- (vii) Premium paid on group accident policy for the employees.
- (viii) Leave Travel Concession or allowance.
- (ix) Interest on money borrowed for purchase of a motor Car.
- (x) Repair, maintenance and running of vehicles other than motor cars.
- (xi) Gifts given in cash to employee.
- (xii) Any taxable allowance or perquisites taxable in the hands of employees.

13.D.10 Presently the Head Office in collecting monthly information on expenses on following items form the Unit Offices and also Head Office for the Purpose of FBT:

- (i) Telephone Expenses
- (ii) Traveling and Conveyance Expenses
- (iii) Running, Repair and Maintenance of Motor Car
- (iv) Entertainment Expenses
- (v) Traveling Expenses
- (vi) Medical expenses paid to private hospitals except Santokbha Durlabhiji Hospital.

13. E Banking Cash Transaction Tax

13.E.1 Following Cash transaction with banks are liable to tax @ 0.1%. The tax will be directly collected by the bank and no credit will be available for it:

- (i) Amount of cash withdrawn exceeding Rs 100,000
 - (ii) Amount of Cash received exceeding Rs 100,000
- In a single day on encashment of one or more term deposit.

13.F. For the corporate Income Tax applicable on the profits of the Corporation, tax audit will be got conducted by the Corporation and tax return will be filed by the due date with the help of tax consultant/advisor.