



Office of the Additional Commissioner of Income-tax
Range-14, 4-B, Income tax Towers, A.C.Guards, Hyderabad – 500004

No.Addl.CIT-14/TDS-State Govt/2012-13

Date : 30-01-2013

To

Smt.K.Kanaka Valli,
Director of Treasury & Accounts,
HYDERABAD.

Madam,

Sub.: Request for co-operation in the matter of enforcing of TDS provisions of the
Income-tax Act, 1961 in the State Government Departments – Reg.

ooOoo

During the course of examination of deduction and remittance of tax deducted at source (TDS) by various State Government Departments, it is noticed that the TDS provisions of the Income-tax Act, 1961 are not being adhered to by various Government Departments. A few instances of defaults identified are brought to your notice for consideration and immediate remedial action for the current Financial Year:

1. TDS on salary not being deducted every month:

While tax has to be deducted at source every month on an average basis, it is noticed that TDS on salary is being deducted only in last few months of the financial year. This practice is incorrect and is in violation of the TDS provisions of the Income tax Act, 1961. Due to claims being made in the last months, certain claims which are not allowable, are also getting allowed by the respective DDOs.

It is therefore requested to ensure that the entire balance tax liability for the current financial year 2012-13 should be deducted out of the respective salaries to be paid for the month of February'2013. This is mandatory as per the provisions of the Income tax Act, 1961, and should be complied with without fail.

2. Deduction u/s 80DD in respect of medical treatment etc., cannot be taken into account by the DDO:

The deduction u/s 80DD in respect of medical treatment etc., can be claimed by any person only in the Return of Income filed by him/her before the Assessing Officer by fulfilling all the conditions laid down in that Section. Therefore, the DDO cannot consider the claim of the employee for the deduction under this section while calculating the Income-tax for the purpose of TDS remittances.

3. Wrong claim of HRA exemption:

As per the provisions of Section 10(13A) of the Income-tax Act, 1961, read with Rule 2A of the Income-tax Rules, 1962, HRA exemption is to be restricted to the **least** of the following:

- Actual amount of HRA received.
- Actual Rent paid *minus* 10% of Basic salary.
- 40% of Basic salary (50% of Basic salary in case of places for Bombay, Calcutta, Delhi or Chennai).

Also note that –

- HRA granted to an employee who is residing in a house/flat owned by self is not exempt from Income-tax.
- The DDO should satisfy himself regarding the fulfillment of conditions by insisting on production of evidence of actual payment of rent (Rent receipt) before excluding HRA from the Total Income.
- Salaried employees drawing HRA up to Rs. 3,000/- per month will be exempted from production of rent receipt.

4. Improper claims u/s 80C:

Many DDOs are allowing the claims of the employees' u/s 80C towards savings in PF, Life Insurance Premium, NSCs, PPF, Specified Bonds etc., without obtaining any **documentary evidence of such investments being actually made**. In this connection, the DDOs may be advised to satisfy themselves about the actual deposits / subscriptions / payments made by the employees, by calling for such particulars / information as they deem necessary before allowing the deductions claimed.

5. Treatment of arrears directly credited to the Provident Fund account:

Even if the arrears of salary is credited to the **Provident Fund Account** of the employee, this arrear amount has to be taken into account as **part of salary** received during the year and Income-tax has to be calculated on it also for the purpose of TDS remittances.

6. Deduction u/s 80G towards donations:

It is noticed that some of the DDOs are allowing this deduction u/s 80G towards any donation made by the employees for charitable purposes. But, as per the Circular issued by the Central Board of Direct Taxes, generally no deduction should be allowed by the DDO from the salary income in respect of any donations made for charitable purpose. The tax relief on such donations as admissible under section 80G should be claimed by the tax payer in the return of income. However, in cases where employees make donations to the Prime Minister's National Relief Fund, the Chief Minister's Relief Fund or Lieutenant Governor's Relief Fund through their respective employers, such donations will be admissible under section 80G on the basis of certificate issued by the DDO in this behalf.

You are requested to issue necessary instructions to all the DDOs in Andhra Pradesh for strict compliance of the TDS provisions.

For any further queries in this regard, you may email us at tds14hyd@gmail.com or contact the **Nodal Officer(s)** on 040-2342 5361 / 89859 70735.

With regards,

Yours sincerely,


(ANJALA SAHU)

Addl. Commissioner of Income-tax,
Range-14, Hyderabad.