

AD/ATO - I / II / III / IV / STD A

→ pl communicate to all ATO's / STD's in the district

→ for strict compliance

F. No. TDS/Range-14, Hyd./11-12.
To
Sri. N. C. Nagarjuna Reddy,
Director Treasury & Accounts,
HYDERABAD.

Sir,

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.

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During the course of inspections conducted by this office, it is noticed that the TDS provisions of the Income-tax Act, 1961 are not properly 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. Deduction u/s 80DDB in respect of medical treatment etc. cannot be taken into account by the DDO:

The deduction u/s 80DDB in respect of medical treatment etc., can be claimed by any person only in the Return of Income filed by him 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.

2. 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 him is not exempt from Income-tax.
- > The DDO should satisfy himself regarding the fulfillment of conditions for allowing HRA exemption by insisting on production of evidence of actual payment of rent (where HRA exceeds Rs. 3,000/- per month).

3. Improper claims u/s 80C:

Many DDOs are allowing the claims of the employees' u/s 80C without obtaining any documentary evidence of having made any investments specified in the Act. In this connection, the DDOs are 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.

4. 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 in to 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. However, after adding these arrears amount to the regular salary received during the year, one can claim the same as deduction u/s 80C, subject to the regulations mentioned in the Act.

5. Deduction u/s 80G towards donations:

No deduction should be allowed by the DDO from the salary income in respect of any donations made for charitable purpose. Only the donations made to the Prime Minister's National Relief Fund, the Chief Minister's Relief Fund or Lieutenant Governor's Relief Fund through their respective employers are admissible under section 80G on the basis of certificate issued by the DDO in this behalf.

6. Form No. 24G:

Filing of Form No. 24G online is mandatory for PAO/DTC/STO etc. In Form No. 24G the PAO/DTC/STO will give details of book adjustment of TDS. On filing Form No. 24G every month, BIN (Book Identification Number) will be generated and the same has to be communicated to the respective DDOs. The DDOs must mention the BIN in the quarterly return to be filed by them in Form No. 24Q/26Q.

You are requested to issue necessary instructions to all the DTOs/STOs/DDOs who are under your control in entire Andhra Pradesh for strict compliance of TDS provisions. The C.B.D.T. Circular No. 05/2011, dated 16-08-2011, may be referred for further clarification. You are requested to communicate the contents of this letter to all the DTOs/STOs/DDOs through your FTP (File Transfer Programme).

With regards,

D.T.A. A.P. HYD.

Endt. No. M/18660/12006 Dated 12/12/2011

Copy Communicated for Information and Necessary Action

Office of the

Addl. Commissioner of Income-tax

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Date: 09-12-2011

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Yours faithfully,

(B. VENKATESWAR RAO)

Addl. Commissioner of Income-tax,

Range-14, Hyderabad.