



F.No. TDS / Clarfication/1011

Office of The Addl. Commissioner of Income
Tax, Range-14, 4th floor, Income Tax Towers,
A.C.Guards, Masab Tank, Hyderabad.

Dt. 15-02-2011

Sri. N.C. Nagarjuna Reddy
Director Treasury & Accounts,
Hyderabad.

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 notice that the TDS Provisions of the Income Tax Act-1961 or not properly adhered to by various Govt. Departments. A few instances of defaults identified are brought to you notice for considerations and immediate remedial actions 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 80 DDB in respect of medical treatment etc. can be claimed by any person only in the return of Income told 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 remittance.

2. Wrong claim of HRA Exemption

As for the provision of section -10 (13A) of the Income Tax Act-1961 Ready Rull to a of the Income Tax Act-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 % basic salary incase of places for Bombay, Calcutta, Delhi or Chennai) Also not 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 by insisting on production of evidence of actual payment of rent before excluding HRA from the total Income.
- Salaried employees drawing HRA up Rs.3000 per month will be exempted from production of rent receipt.

3. Improper Claims U/S 80C

Many DDOs are allowing the claims of the employees U/S 80 C towards savings in PF, Life Insurance Premium, NSCs, PPF, Specified bonds etc. without obtaining any documentary evidence of having made any investment 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's as they deem necessary before allowing the deductions claimed.

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

Even if the arrears of salary is credited to the Provident Fund Accounts 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 80 C, Subject to the regulations mentioned in the Act, since the same is credited to the Provident Fund.

5. Deduction U/S 80 G towards donations: -

It is noticed that some of the DDOs are allowing this deduction U/S 80 G towards any donation made by the employees for charitable purpose. 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 will have to be claimed by the Tax payer in the return of Income. However in cases where employees made 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 will be admissible under sections 80 G 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 TDS provisions. For any further clarification, one can contact over the following phone numbers. 040-23425360/ 8008484816/8985970757

With regards

Yours faithfully,

Sd/-

**(B. VENKATESWARA RAO)
Addl. Commissioner of Income Tax,
Range – 14, Hyderabad.**

True Copy Attested


**(Punna Kumar)
General Secretary**