

**DEDUCTION OF TAX AT SOURCE —  
INCOME – TAX DEDUCTION FROM SALARIES  
UNDER SECTION 192 OF THE  
INCOEM – TAX ACT, 1961.**

**DURING THE FINANCIAL YEAR 2001-2001**

**CIRCULAR NO.789 [F.NO.275/192/2000-IT(B)]**

---

**INDEX**

<b>Para No.</b>		<b>Page Nos.</b>
1.	General	2
2.	Finance Act, 2000	2
3.	Section 192 of Income-tax Act 1961	3
4.	Persons responsible for deducting tax and their duties	5
5.	Estimation of income under the head “ Salaries”	8
5.1	Income chargeable under the head “ Salaries”	8
5.2	Income not included in the head “ Salaries” (Exemptions)	9
5.3	Deductions u/s 16 of the Act	14
5.4	Deductions under Chapter VI-A of the Act	15
6.	Tax Rebate	19
7.	Calculation of Income-tax to be deducted	23
8.	Miscellaneous	24

*F.No.275/192/2000-IT(B)*  
**Government of India**  
Ministry of Finance  
Department of Revenue  
*Central Board of Direct Taxes*

*New Delhi, the 30th October, 2000*

**Subject:** *Income-tax deduction from salaries during the financial year 2000-2001 under section 192 of the Income-tax Act, 1961.*

Reference is invited to Circular No.781 dated 5.11.1999 wherein the rates of deduction of income-tax from the payment of income under the head "Salaries" under Section 192 of the Income-tax Act, 1961, during the financial year 1992-2000, were intimated. The present Circular contains the rates of deduction of income-tax from the payment of income chargeable under the head "Salaries" during the financial year 2000-2001 and explains certain related provisions of the Income-tax Act.

**2. Finance Act 2000:**

According to the Finance Act, 2000, income-tax is required to be deducted under Section 192 of the Income-tax Act 1961 from income chargeable under the head "Salaries" for the financial year 2000-2001 (i.e. assessment year 2001-2002) at the following rates:

**Rates of Income-tax**

- |  |  |
|--|--|
| 1. Where the total income does not exceed Nil<br>Rs.50,000/-                   |  |
| 2. Where the total income exceeds Rs.50,000 but does not exceeds Rs.60,000/-   | 10 per cent, of the amount by which the total income exceeds Rs.50,000/-                   |
| 3. Where the total income exceeds Rs.60,000 but does not exceeds Rs.1,50,000/- | Rs.1,000/- plus 20 per cent of the amount by which the total income exceeds Rs.60,000/-    |
| 4. Where the total income exceeds Rs.1,50,000/-                                | Rs.19,000/- plus 30 per cent of the amount by which the total income exceeds Rs.1,50,000/- |

**Surcharge of income-tax**

The amount of income tax so computed shall be reduced by the amount of rebate of income tax calculated under chapter VIII A and the income tax so reduced shall be increased by a surcharge.

- (a) @ 10% of such income tax where the total income exceeds sixty thousand rupees but does not exceed one lakh fifty thousand rupees;
- (b) at the rate of fifteen percent of such income-tax where the total income exceeds one lakh fifty thousand rupees;

However, the total amount payable as income tax and surcharge shall not exceed the total amount payable as income tax on a total income of Rs.60,000 by more than the amount of income that exceeds Rs.60,000. Further having total income exceeding Rs.150,000 the amount payable as income tax and surcharge shall not exceed the total amount payable as income tax and surcharge on a total income of one lakh fifty thousand rupees by more than the amount of income that exceeds one lakh fifty thousand rupees.

Surcharge is payable by both resident and non-resident assesses.

### **3. Section 192 of the Income-tax Act, 1961: Broad Scheme of tax deduction at Source from "Salaries" etc.**

3.1 Every person who is responsible for paying any income chargeable under the head "Salaries" shall deduct income-tax on the estimated income of the assessee under the head "Salaries" for the financial year 2000-2001. The income-tax is required to be calculated on the basis of the rates given above and shall be deducted on average at the time of each payment. No tax will, however, be deducted at source in any case unless the estimated salary income including the value of perquisites, for the financial year exceeds Rs.50,000/-. (Some typical examples of computation of tax are given at Annexure-1).

3.2 Sub-Section (2) of Section 192 deals with situations where an individual is working under more than one employer or has changed from one employer to another. It provides for deduction of tax at source by such employer (as the tax payer may choose) from the aggregate salary of the employee who is or has been in receipt of salary from more than one employer. The employee is now required to furnish to the present/chosen employer details of the income under the head "Salary" due or received from the former/other employer and also tax deducted at source there from, in writing and duly verified by him and by the former/other employer. The present employer will be required to deduct tax at source on the aggregate amount of salary (including salary received from the former or other employer).

3.3 Under sub-Section (2A) of Section 192 where the assessee, being a Government servant or an employee in a Company, Cooperative Society, Local Authority, University, Institution, Association or Body is entitled to the relief under Sub-Section (1) of Section 89, he may furnish to the person responsible for making the payment referred to in Para (3.1), such particulars in Form No.10E duly verified by him, and thereupon the person responsible as aforesaid shall compute the relief on the basis of such particulars and take into account in making the deduction under Para (3.1) above.

**Explanation :-** For this purpose "University" means a University established or incorporated by or under a Central, State or Provincial Act, and includes an institution declared under Section 3 of the University Grants Commission Act, 1956 (3 of 1956), to be University for the purpose of the Act.

3.4 Sub-Section (2B) of Section 192 enables a tax payer to furnish particulars of income under any head other than "Salaries" and of any tax deducted at source thereon, in the prescribed form (No.1 2C) vide Annexure 11. Such income should not be a loss under any such head or other then the loss under the head "Income from House Property" for the same financial year-The person responsible for making payment (DDO) shall take such other income and tax, if any, deducted at source from such income, and the loss it any, under the head "Income from House property" into account for the purpose of computing tax deductible under Section 192 of the Income-tax Act. It is, however, provided that this sub-section shall not in any case have the effect of reducing the tax deductible except where the loss under the head "Income from House Property" has been taken into account, from income under the head "Salaries' below the amount that would be so deductible if the other income and the tax deducted thereon had not been taken into account.

In other words, the DDO can take into account the loss from House Property only for working out the amount of total tax to be deducted. While taking into the account the loss from House Property, the DDO shall ensure that the assessee files declaration in Form No. 12C and encloses therewith a computation of such loss from House Property.

3.4 (i) For the purpose of computing loss under the head 'Income from House Property' in respect of a self-occupied residential house, the ceiling of deduction of interest on borrowed capital invested in the acquisition or construction of a self-occupied residential house has been enhanced to Rs.1,00,000/- w.e.f. assessment year 2001-2002. However, the deduction on account of interest on loans can be availed up to a limit of Rs.1,00,000, only if such loan has been taken for constructing or acquiring the residential unit on or after 1.4.1999 and the construction or acquisition of the residential unit out of such loan has been completed before 1.4.2003.

3.4 (ii) The essential conditions necessary for availing higher deduction of interest are that the relevant loan must have been taken after 1.4.1999 and the acquisition or construction of residential unit must be completed before 1.4.2003. There is no stipulation regarding the date of commencement of construction. Consequently, the construction of the residential unit could have commenced before 1.4.1999 but, as long as its construction/acquisition is completed before 1.4.2003, the higher deduction would be available. Also, there is no stipulation regarding the construction/acquisition of the residential unit being entirely financed by loan taken after 1.4.1999. The loan taken prior to 1.4.1999 will carry deduction of interest upto Rs.30,000 or Rs.15000 or Rs.10,000 or Rs.5000, as the case may be, depending upon the year in which the loan was taken.

3.5 The provisions of sub-Section (3) of Section 92 allow the deductor to make adjustments for any excess or shortfall in the deduction of tax already made during the financial year, in the subsequent deductions during that financial year itself.

3.6 The trustees of a Recognised Provident Fund or any person authorised by the regulations of the fund to make payment of accumulated balances due to employees, shall, in cases where sub-rule(1) of rule 9 of Part A of the Fourth Schedule to the Act applies, at the time when accumulated balance due to an employee is paid, make therefrom the deduction specified in rule 10 of Part A of the Fourth Schedule.

3.7 Where any contribution made by an employer, including interest on such contributions, if any, in an approved Superannuation Fund is paid to the employee, tax on the amount so paid shall be deducted by the trustees of the Fund to the extent provided in rule 6 of Part B of the Fourth Schedule to the Act.

3.8 For the purposes of deduction of tax on salary payable in foreign currency, the value in rupees of such salary shall be calculated at the prescribed rate of exchange.

#### **4. Persons responsible for deducting tax and their duties:**

4.1 Under clause (i) of Section 204 of the Act the "persons responsible for paying" for the purpose of Section 192 means the employer himself or if the employer is a company, the company itself including the principal officer thereof.

4.2 The tax determined as per para 7 should be deducted from the salary u/s 192 of the Act.

4.3 Section 197 enables the tax-payer to make an application in form No. 13 to his Assessing Officer, and, if the Assessing Officer is satisfied that the total income of the tax-payer justifies the deduction of income-tax at any lower rate or no deduction of income-tax, he may issue an appropriate certificate to that effect which should be taken into account by the Drawing and Disbursing Officer while deducting tax at source. In the absence of such a certificate from the employee, the employer should deduct income-tax on the salary payable at the normal rates: Circular No. 147 dated 28.10.1974.

4.4 According to the provisions of Section 200, any person deducting any sum in accordance with the provisions of Section 192 shall pay, within the prescribed time, the sum so deducted to the credit of the Central Government in prescribed manner (vide Rule 30 of the Income-tax Rules, 1962). In the case of deductions made by, or, on behalf of the Government, the payment has to be made on the day of the tax-deduction itself. In other cases, the payment has to be normally made within one week of the deduction.

4.5 If a person fails to deduct tax at source, or, after deducting, fails to pay the tax to the credit of the Central Government within the prescribed time, he shall be liable to action in accordance with the provisions of Section 201. Sub-Section (1 A) of Section

201 lays down that such person shall be liable to pay simple interest at eighteen per cent per annum w.e.f. 1.6.1999 on the amount of such tax from the date on which such tax was deductible to the date on which tax is actually paid. Section 271 C lays down that if any person fails to deduct tax at source, he shall be liable to pay, by way of penalty, a sum equal to the amount of tax not deducted by him. Further, Section 276B lays down that if a person fails to pay to the credit of the Central Government within the prescribed time the tax deducted at source by him, he shall be punishable with rigorous imprisonment for a term which shall be between 3 months and 7 years and with fine.

4.6 According to the provisions of Section 203, every person responsible for deducting tax at source is required to furnish a certificate to the payee to the effect that tax has been deducted and to specify therein the amount deducted and certain other particulars. This certificate, usually called the TDS certificate, has to be furnished within a period of one month from the end of the relevant financial year. Even the banks deducting tax at the time of payment of pension are required to issue such certificates. In the case of employees receiving salary income including pension, the certificate has to be issued in Form No.16 which has been prescribed under Board's Notification No.S.O.148(E) dated 28.2.1991. A specimen of the certificate is enclosed as Annexure.111. This certificate is to be issued on the tax-deductor's own stationary within one month from the close of the financial year i.e. by April 30 of every year. If he fails to issue the TDS certificate to the person concerned as required by Section 203, he will be liable to pay, by Way of penalty, under Section 272A, a sum which shall be Rs.100/- for every day during which the failure continues.

4.7 According to the provisions of Section 203 A of the Income-tax Act, it is obligatory for all persons responsible for deducting tax at source to obtain and quote the Tax-deduction Account No. (TAN) in the challans, TDS-certificates, returns etc. Detailed instructions in this regard are available in this Department's Circular No.497 [F.No.275/118/87-IT(B) dated 9.10.1987]. If a person fails to comply with the provisions of Section 203A, he will be liable to pay, by way of penalty, under Section 272BB, a sum of upto Rs.5,000/.

4.8 According to the provisions of Section 206 of the Income-tax Act, read with rules 36A and 37 of the Income-tax Rules, the prescribed person in the case of every office of Government, the principal officer in the case of every company, the prescribed person in the case of every local authority or other public body or association, every private employer and every other person responsible for deducting tax under Section 192, from "Salaries" shall, after the end of each financial year, prepare and deliver, by 31st May following the financial year, an annual return of deduction of tax to the designated/concerned Assessing Officer. This return has to be furnished in Form No.24. It may be noted that a copy of each of the TDS certificates issued during the financial year should be enclosed with the annual return. If a person fails to furnish in due time the annual return, he shall be liable to pay by way of penalty under Section 272A, a sum which shall be Rs. 100/- for every day during which the failure continues, so, however, that this sum shall not exceed the amount of tax which was deductible at source.

4.9 A return filed on a floppy, diskette, magnetic cartridge tape, CD-ROM or any other computer readable media as may be specified by the Board shall be deemed to be a return for the purposes of Section 206 and the Rules made thereunder, and shall be admissible in any proceeding thereunder, without further proof of production of the original, as evidence of any contents of the original or of any fact stated therein. While receiving such returns on computer media, necessary checks by scanning the documents filed on computer media will be carried out and the media may be duly authenticated by the Assessing Officer.

4.10 While making the payment of tax deducted at source to the credit of the Central Government, it may be ensured that the correct amount of income-tax is recorded in the relevant challan. It may also be ensured that the right type of currency is used. The relevant challan for making payment of tax deducted at source from salaries is No.9 with "Blue colour Band". Where the amount of tax deducted at source is credited to the Central Government through book adjustment, care should be taken to ensure that the correct amount of income-tax is reflected therein.

4.11 In the case of pensioners who receive their pension from a nationalised bank, the instructions contained in this circular shall apply in the same manner as they apply to salary-income. The deductions from the amount of pension on account of standard deduction under Section 16 and the tax rebate under Section 88B (in the case of pensioners, resident in India, who are 65 years of age or more: refer Para 6) will be allowed by the concerned bank at the time of deduction of tax at source from the pension, before making payment to the concerned pensioner. As regards the tax rebate under Section 88 on account of contribution to Life Insurance, Provident Fund, NSC etc., if the pensioners furnish the relevant details to the banks, the tax rebate at the specified rate may also be allowed. Necessary instructions in this regard were issued by the Reserve Bank of India to the State Bank of India and other nationalised Banks vide RBI's Pension Circular (Central Series) No.7/G.D.R./1992 (Ref.CO: DGBA: GA(NBS) No.60/GA.64 (II CVL)-91/92) dated the 27th April, 1992, and, these instructions should be followed by all the branches of the Banks, which have been entrusted with the task of payment of pensions. Further all branches of the banks are bound u/s 203 to issue certificate of tax deducted in Form 16 to the pensioners also vide CBDT circular no. 761 dated 13.1.98.

4.12 Where non-residents are deputed to work in India and taxes are borne by the employer, if any refund becomes due to the employee after he has already left India and has no bank account in India by the time the assessment orders are passed, the refund can be issued to the employer as the tax has been borne by it: Circular No. 707 dated 11.7.1995.

4.13 TDS certificates issued by Central Government departments which are making payments by book adjustment, should be accepted by the assessing officers if they indicate that credit has been effected to the Income Tax Department by book adjustment and the date of such adjustment is given therein. In such cases, the

Assessing Officers may not insist on details like challan numbers, dates of payment into Government Account etc., but they should in any case satisfy themselves regarding the genuineness of the certificates produced before them : Circular No. 747 dated 27.12.1996.

4.14 There is a specific procedure laid down for refund of payments made by the deductor in excess of taxes deducted at source, vide Circular No. 285 dated 21.10.1980.

4.15 In respect of non-residents, the salary paid for services rendered in India shall be regarded as income earned in India, so as to specifically provide that any salary payable for rest period or leave period which is both preceded or succeeded by service in India and forms part of the service contract of employment will also be regarded as income earned in India.

## **5. Estimation of Income under the Head “Salaries”**

### **5.1 Income chargeable under the head “Salaries”.**

(1) The following income shall be chargeable to income-tax under the head "Salaries":

- (a) any salary due from an employer or a former employer to an assessee in the previous year, whether paid or not;
- (b) any salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer though not due or before it became due to him.
- (c) any arrears of salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer, if not charged to income-tax for any earlier previous year.

(2) For the removal of doubts, it is clarified that where any salary paid in advance is included in the total income of any person for any previous year it shall not be included again in the total income of the person when the salary becomes due. Any salary, bonus, commission or remuneration, by whatever name called, due to, or received by, a partner of a firm from the firm shall not be regarded as “Salary”.

(3) "Salary" includes wages, fees, commissions, perquisites, profits in lieu of, or, in addition to salary, advance of salary, annuity or pension, gratuity, payments in respect of encashment of leave etc. It also includes the annual accretion to the employee's account in a recognised provident fund to the extent it is chargeable to tax under rule 6 of Part A of the Fourth Schedule of the Income-tax Act. Contributions made by the employer in excess of 12% of the salary of the employee, along with interest applicable, shall be included in the income of the assessee for the previous year. Other items included in salary, profits in lieu of salary and perquisites are described in Section 17 of the Income-tax Act. The scope of term profit in lieu of salary has been amended so as not to include interest on contributions or any sum received under a Keywan insurance policy including the sum allocated by way of bonus on such policy. For the purposes of this

subclause, the expression Keyman insurance policy shall have the meaning assigned to it in clause (1 OD) of Section 10. It may be noted that, since salary includes pensions, tax at source would have to be deducted from pension also, if otherwise called for. However, no tax is required to be deducted from the commuted portion of pension as explained in clause (3) of para 5.2 of this Circular.

(4) The value of perquisites by way of free or concessional residential accommodation, or motorcar provided by employers to their employees shall be determined under Rule 3 of the Income-tax Rules, 1962. It is, however, clarified that the use of any vehicle provided by a company or an employer for journey by the assessee from his residence to his office or other place of work or from such office or place to his residence shall not be regarded as a benefit or amenity granted or provided to him free of cost or at concessional rate for the purpose of this Rule.

(5) Other benefits or amenities provided free of cost or at concessional rates to the employees like supply of gas, electric-energy, water for household consumption, educational facilities etc. should also be taken into account for the purpose of computing the estimated salary income of the employees during the current financial year (Example 6 at Annexure I illustrates computation of some such perquisites). The valuation has to be done in accordance with rule 3 of the Income-tax Rules.

(6) The value of any benefit or amenity granted or provided free of cost or at concessional rate by an employer to an employee (not being a Director of the Company or a person who has substantial interest in the company) is not regarded as perquisites received by the employee unless the employee's income under the head "Salary" exclusive of the value of any benefit or amenity not provided for by way of monetary payment exceeds Rs.24,000/-. However, no perquisite shall be charged to tax in the hands of the employees in respect of any benefit derived as a result of allotment of shares, debentures or warrants directly or indirectly under the Employees' stock Option Plan or Scheme.

### **5.2 Incomes not included in the head “Salaries”(Exemptions):**

Any income falling within any of the following clauses shall not be included in computing the income from salaries for the purpose of Section 10 of the Act:-

(1) The value of any travel concession or assistance received by or due to an employee from his employer or former employer for himself and his family, in connection with his proceeding (a) on leave to any place in India or (b) on retirement from service, or, after termination of service to any place in India is exempt under clause (5) of Section 10 subject, however, to the conditions prescribed in rule 2B of the Income-tax Rules, 1962. For the purpose of this clause, "family" in relation to an individual means: -

- (i) The spouse and children of the individual; and
- (ii) The parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual.

It may also be noted that the amount exempt under this clause shall in no case exceed the amount of expenses actually incurred for the purpose of such travel.

(2) Death-cum-retirement gratuity or any other gratuity which is exempt to the extent specified from inclusion in computing the total income under clause (10) of Section 10.

(3) Any payment in commutation of pension received under the Civil Pension (Commutation) Rules of the Central Government or under any similar scheme applicable to the members of the civil services of the Union, or holders of civil posts/posts connected with defence, under the Union, or civil posts under a State, or to the members of the all India services/Defence Services, or, to the employees of a local authority or a corporation established by a Central, State or Provincial Act, is exempt under sub-clause (i) of clause (10A) of Section 10. As regards payments in commutation of pension received under any scheme of any other employer, exemption will be governed by the provisions of sub-clause (ii) of clause (10A) of Section 10.

(4) Any payment received by an employee of the Central Government or a State Government, as cash-equivalent of the leave salary in respect of the period of earned leave at his credit at the time of his retirement on superannuation or otherwise, is exempt under sub-clause (i) of clause (10A) of Section 10. In the case of other employees, this exemption will be determined with reference to the leave to their credit at the time of retirement on superannuation, or otherwise, subject to a maximum of ten month's leave. This exemption will be further limited to the maximum amount specified by the Government of India Notification No.S.0.1015(E) dated 27.11.1997 at Rs.2,40,000/-.

(5) Under Section 10(10B), the retrenchment compensation received by a workman is exempt from income-tax subject to certain limits. The maximum amount of retrenchment compensation exempt is the sum calculated on the basis provided in Section 25F(b) of the Industrial Disputes Act, 1947 or any amount not less than Rs.50,000/- as the Central Government may by notification specify in the official gazette, whichever, is less. These limits shall not apply in the case where the compensation is paid under any scheme which is approved in this behalf by the Central Government, having regard to the need for extending special protection to the workmen in the undertaking to which the scheme applies and other relevant circumstances.

(6) Under Section 10(10C), as amended by the Finance Act, 2000, any payment received by an employee of the following bodies at the time of his voluntary retirement or termination of his service, in accordance with any scheme or schemes of voluntary retirement or in the case of public sector company, a scheme of voluntary separation, is exempted from income-tax to the extent that such amount does not exceed five lakh rupees:

(a) A public sector company;

(b) Any other company;

- (c) An authority established under a Central, State or Provincial Act;
- (d) A local authority;
- (e) A Cooperative Society;
- (f) A university established or incorporated or under a Central, State or Provincial Act, or, an institution declared to be a university under Section 3 of the University Grants Commission Act, 1956;
- (g) Any Indian Institute of Technology within the meaning of Clause (g) of Section 3 of the Institute of Technology Act, 1961;
- (h) Such Institute of management as the Central Governemnt may by Notification in the Official Gazette, specify in this behalf.

It may also be noted that where this exemption has been allowed to any employee for any assessment year, it shall not be allowed to him for any other Assessment Year.

(7) Any sum received under a life insurance policy, including the sum allotted by way of bonus on such policy other than any sum received under sub-Section (3) of Section 80DDA.

(8) Any payment from a provident fund to which the Provident Funds Act, 1925 (19 of 1925), applies (or from any other provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette).

(9) Under Section 10(l 3A) of the Income-tax Act, 1 961, any special allowance specifically granted to an assessee by his employer to meet expenditure incurred on payment of rent (by whatever name called) in respect of residential accommodation occupied by the assessee is exempt from Income-tax to the extent as may be prescribed, having regard to the area or place in which such accommodation is situated and other relevant considerations. According to rule 2A of the Income-tax Rules, 1962, the quantum of exemption allowable on account of grant of special allowance to meet expenditure on payment of rent shall be :-

- (a) The actual amount of such allowance received by an employer in respect of the relevant period; or
- (b) The actual expenditure incurred in payment of rent in excess of 1/10 of the salary due for the relevant period; or
- (c) Where such accommodation is situated in Bombay, Calcutta, Delhi or Madras, 50% of the salary due to the employee for the relevant period; or
- (d) Where such accommodation is situated in any other place, 40% of the salary due to the employee for the relevant period, whichever is the least.

For this purpose, "Salary" includes dearness allowance, i.e. if the terms of employment so provide, but excludes all other allowances and perquisites.

It has to be noted that only the expenditure actually incurred on payment of rent in respect of residential accommodation occupied by the assessee subject to the limits laid down in rule 2A, qualifies for exemption from Income-tax. Thus, house rent allowance granted to an employee who is residing in a house/flat owned by him is not exempt from income-tax. The disbursing authorities should satisfy themselves in this regard by insisting on production of evidence of actual payment of rent before excluding the house rent allowance or any portion thereof from the total income of the employee.

Though incurring actual expenditure on payment of rent is a pre-requisite for claiming deduction under Section 10(l 3A), it has been decided as an administrative measure that salaried employees drawing house rent allowance upto Rs.3,000/per month will be exempted from production of rent receipt. It may, however, be noted that this concession is only for the purpose of tax-deduction at source, and, in the regular assessment of the employee, the Assessing Officer will be free to make such enquiry as he deems fit for the purpose of satisfying himself that the employee has incurred actual expenditure on payment of rent.

(10) Clause (14) of Section 10 provides for exemption of the following allowances:-

- (i) Any special allowance or benefit granted to an employee to meet the expenses incurred in the performance of his duties as prescribed under Rule 2BB subject to the extent to which such expenses are actually incurred for that purpose.
- (ii) Any allowance granted to an assessee either to meet his personal expenses at the place of his posting or at the place he ordinarily resides or to compensate him for the increased cost of living, which may be prescribed and to the extent as may be prescribed.

However, the allowance referred to in (ii) above should not be in the nature of a personal allowance granted to the assessee to remunerate or compensate him for performing duties of a special nature relating to his office or employment unless such allowance is related to his place of posting or residence.

The CBDT has prescribed guidelines for the purpose of clauses (i) and (ii) of Section 10(14) vide Notification No.SO617(E) dated 7th July, 1995.(F.No.142/9/95TPL) which has been amended vide notification SO No. 403(E) dated 24.4.2000 (F.No. 142/34/99-TPL). These notifications may be referred to in Annexures IV and V. The transport allowance granted to an employee to meet his expenditure for the purpose of commuting between the place of his residence and the place of duty is exempt to the

extent of Rs.800 per month vide notification S.O. No. 395(E) dated 13.5.98 (Annexure VI).

(11) Under Section 10(15)(iv)(i) of the Income-tax Act, interest payable by the Government on deposits made by an employee of the Central Government or a State Government or a public sector company from out of his retirement benefits, in accordance with such scheme framed in this behalf by the Central Government and notified in the Official Gazette is exempt from income-tax. By notification No.F2/14/89-NS-II dated 7.6.89, as amended by notification No.F2/14/89-NS-II dated 12.10.89, the Central Government has notified a scheme called Deposit Scheme for Retiring Government Employees, 1989 for the purpose of the said clause.

(12) Clause (18) of Section 10 provides for exemption of any income by way of pension received by an individual or family pension received by any member of the family of an individual who has been in the service of the Central government or State Government and has been awarded "Param Vir Chakra" or "Maha Vir Chakra" or "Vir Chakra" or such other gallantry award as may be specifically notified by the Central Government.

(13) Under Section 17 of the Act, exemption from tax will also be available in respect of:-

- (a) the value of any medical treatment provided to an employee or any member of his family, in any hospital maintained by the employer;
- (b) any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or of any member of his family:
  - (i) in any hospital maintained by the Government or any local authority or any other hospital approved by the Government for the purposes of medical treatment of its employees;
  - (ii) in respect of the prescribed diseases or ailments, in any hospital approved by the Chief Commissioner having regard to the prescribed guidelines:

Provided that in a case falling in sub-clause (ii), the employee shall attach with his return of income a certificate from the hospital specifying the disease or ailment for which medical treatment was required and the receipt for the amount paid to the hospital.

- (c) premium paid by the employer in respect of medical insurance taken for his employees (under any scheme approved by the Central Government) or reimbursement of insurance premium to the employees who take medical insurance for themselves or for their family members (under any scheme approved by the Central Government);

- (d) reimbursement by the employer of the amount spent by an employee in obtaining medical treatment for himself or any member of his family from any doctor, not exceeding in the aggregate Rs.15,000/- in an year;
- (e) As regards medical treatment abroad, the actual expenditure on stay and treatment abroad of the employee or any member of his family, or, on stay abroad of one attendant who accompanies the patient, in connection with such treatment, will be excluded from perquisites to the extent permitted by the Reserve Bank of India. As regards the expenditure incurred on travel abroad by the patient/attendant, it shall be excluded from perquisites only if the employee's gross total income, as computed before including the said expenditure, does not exceed Rs.2 lakhs.

### **5.3 Deductions u/s16 of the Act:**

Under Section 16 of the Income-tax Act, the standard deduction available is as under: -

"in the case of an assessee whose income from salary before allowing a deduction under this clause: -

- (a) does not exceed one lakh rupees, a deduction of a sum equal to thirty-three and one-third per cent of the salary or twenty-five thousand rupees, whichever is less:
- (b) exceeds one lakh rupees but does not exceed five lakh rupees, a deduction of a sum of twenty thousand rupees.

No standard deduction is available to an assessee whose income from salary exceeds 5 lakh rupees.

**Explanation:** - For the purposes of this clause, where salary is due from, or paid or allowed by, more than one employer, the deduction under this clause shall be computed with reference to the aggregate salary due, paid or allowed to the assessee and shall in no case exceed the amount specified under this clause.”.

A deduction is also allowed under clause (ii) of Section 16 in respect of any allowance in the nature of an entertainment allowance specifically granted to the assessee by his employer subject to certain limits. In the case of a government employee, a sum, equal to one-fifth of his salary (exclusive of any allowance, benefit or other perquisite or five thousand rupees whichever is less is allowable as deduction. In the case of a non-government employee, deduction for entertainment allowance to the extent specified in sub-clause (b) of clause (ii) of Section 16 will be given only if the allowance is regularly received by him from his present employer from a date prior to 1st April 1955.

The tax on employment within the meaning of clause (2) of Article 276 of the Constitution of India leviable by, or, under any law, shall also be allowed as a deduction in computing the income under the head "Salaries".

#### **5.4 Deductions under Chapter VI-A of the Act:**

The following deductions under Chapter VI-A of the Act are available:

(1) As per Section SOCCC, where an assessee being an individual has in the previous year paid or deposited any amount out of his income chargeable to tax to effect or keep in force a contract for any annuity plan of Life Insurance Corporation of India for receiving pension from the Fund referred to in clause (23AAB) of Section 10, he shall, in accordance with, and subject, the provisions of this section, be allowed a deduction in the computation of his total income, of the whole of the amount paid or deposited (excluding interest or bonus accrued or credited to the assessee's account, if any) as does not exceed the amount of ten thousand rupees in the previous year.

Where any amount paid or deposited by the assessee has been taken into account for the purposes of this section, a rebate with reference to such amount shall not be allowed under Section 88.

(2) Under Section 80D, in the case of the following categories of persons, a deduction can be allowed for a sum not exceeding Rs.10,000/- per annum to the extent payment is made by cheque out of their income chargeable to tax to keep in force an insurance on the health of the categories of persons mentioned below provided that such insurance is in accordance with the scheme framed by the General Insurance Corporation of India as approved by the Central Government, popularly known as "Mediclinam".

The categories of persons are

- (a) where the assessee is an individual, any sum paid to effect or to keep in force an insurance on the health of the assessee or on the health of the wife or husband, dependent parents or dependent children of the assessee.
- (b) where the assessee is a Hindu Undivided Family, any sum paid to effect or to keep in force an insurance on the health of any member of the family.

However, the deduction can be allowed for a sum not exceeding Rs. 15,000/- per annum where the assessee or his wife or husband, or dependent parents or any member of the family in case the assessee is a Hindu Undivided Family is a senior citizen which means an individual resident in India who is of the age of sixty-five years or more at any time during the relevant previous year.

(3) Under Section 80DD an assessee, who is a resident in India being an individual or a Hindu Undivided Family has during the previous year -

- (a) incurred any expenditure for the medical treatment (Including Nursing), training and rehabilitation of a handicapped dependent; or
- (b) paid or deposited any amount under a Scheme framed in this behalf by the Life Insurance Corporation or Unit Trust of India subject to the conditions specified in sub-Section (2) and approved by the Board in this behalf for the maintenance of handicapped dependent -

shall in accordance with and subject to the provisions of this section be allowed a deduction of a sum of forty thousand rupees of the previous year.

The handicapped dependent means a person who is a relative of individual or a member of HUF and is not dependent on any person other than such individual of HUF for his support and maintenance and is suffering from permanent physical disability (including blindness or mental retardation, specified in rule 11 A of the Income-tax Rules, 1962). The deduction will be available to individuals without any restriction with regard to their total income. The permanent physical disability or mental retardation of the dependent relative has to be certified by a physician, surgeon, oculist or a psychiatrist as the case may be, working in a Government hospital, including a Departmental dispensary or a hospital maintained by a local authority as per Explanation given below Section 80Dalt would be sufficient if the employee furnishes a medical certificate from a Government Hospital and a declaration in writing duly signed by the claimant certifying the actual amount of expenditure on account of medical treatment (including nursing) training and rehabilitation of the handicapped dependent and receipt/acknowledgement for the amount paid of deposited in the specified schemes of LIC or UTI. Therefore, DDOs may not insist production of vouchers/bills by the employees for having incurred expenditure on medical treatment of their handicapped dependents for allowing the deduction u/s 80DD for the purpose of computing tax deductible at source. (Ref. CBDT Circular No.775 dated 26.3.99).

(4) UnderSection80DDB,where an assessee who is resident in India has, during the previous year, actually incurred any expenditure on the medical treatment of such disease or ailment as may be specified in the rules 1 1 DD made in this behalf by the Board-

- (a) for himself or a dependent relative, in case the assessee is an individual,
- (b) for any member of a Hindu Undivided Family in the case the assessee is a member of a Hindu Undivided Family ---

The assessee shall be allowed a deduction of a sum of forty thousand rupees in respect of that previous year in which such expenditure was actually incurred. However an assessee or his dependent relative or any member of a Hindu Undivided Family of the assessee and who is a senior citizen the deduction of a sum of Rs.60,000 shall be allowed in respect of that previous year in which such expenditure was actually incurred. Such deduction shall be reduced by the amount received, if any, under an insurance from an insurer on the medical treatment of the person referred to above. The listed diseases as per the relevant Rule 11 DD are specified neurological diseases, and 40% and above disability caused by cancer, full-blown AIDS, Chronic Renal Failure, Nemophiha and Thalassaemia.

Provided that no such deduction shall be allowed unless the assessee furnishes a certificate in such form and from such authority as may be prescribed. The form is Form 1 0-1, and the prescribed authority is any doctor registered with the Indian Medical Association and holding Post-graduate qualifications.

For the purposes of this section, "dependent" means a person who is not dependent for his support or maintenance on any person other than the assessee.

(5) Under Section 80E of the Act a deduction will be allowed in respect of repayment of loan taken for higher education, subject to the following conditions:

- (i) In computing the total income of an assessee, being an individual, there shall be deducted, in accordance with and subject to the provisions of this section, any amount paid by him in the previous year, out of his income chargeable to tax, by way of repayment of loan, taken by him from any financial institution or any approved charitable institution for the purpose of pursuing his higher education, or interest on such loan.

Provided that the amount which may be so deducted shall not exceed forty thousand rupees.

- (ii) The deduction specified above shall be allowed in computing the total income in respect of the initial assessment year and seven assessment years immediately succeeding the initial assessment year or until the loan referred to above together with interest thereon is paid by the assessee in full, whichever is earlier.

For this purpose -

- (a) "approved charitable institution" means an institution established for charitable purposes. and notified by the Central Government under clause (2C) of Section 10, or, an institution referred to in clause (a) of sub-Section (2) of Section 80G.
- (b) "financial institution" means a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in Section 51 of that Act); or any other financial institution which the Central Government may, by notification in the Official Gazette, specify in this behalf;
- (c) "higher education" means full-time studies for any graduate or post-graduate course in engineering, medicine, management, or, for post-graduate course in applied sciences or pure sciences, including mathematics and statistics;
- (d) "initial assessment year" means the assessment year relevant to the previous year, in which the assessee starts repaying the loan or interest thereon.

(6) No deduction should be allowed by the D.D.O. from the salary income in respect of any donations made for charitable purposes. The tax relief on such donations as admissible under Section 80G of the Act, will have to be claimed by the tax payer in

the return of income. However, DDOS., on due verification may allow donations to the following bodies to the extent of 50% of the contribution:

- i. Jawaharlal Nehru Memorial Fund,
  - ii. The Prime Ministers Drought Relief Fund,
  - iii. The National Children's Fund,
  - iv. The Indira Gandhi Memorial Trust,
  - v. The Rajiv Gandhi Foundation,
- and to the following bodies to the extent of 100% of the contribution:
- i. National Defence Fund other Prime Minister's National Relief Fund,
  - ii. The Prime Minister's Armenia Earthquake Relief Fund,
  - iii. The Africa (Public Contributions-India) Fund,
  - iv. The National Foundation for Communal Harmony,
  - v. Chief Minister's Earthquake Relief Fund, Maharashtra,
  - vi. National Blood Transfusion Council,
  - vii. State Blood Transfusion Council,
  - viii. Army Central Welfare Fund,
  - ix. Indian Naval Benevolent Fund,
  - x. Air Force Central Welfare Fund,
  - xi. The Andhra Pradesh Chief Minister's Cyclone Relief Fund -1996.
  - xii. The National Illness Assistance Fund,
  - xiii. The Chief Minister's Relief, Fund or Lieutenant Governor's Relief Fund, in respect of any State or Union Territory as the case may be, subject to certain conditions.
  - xiv. The university or educational institution of national eminence approved by the prescribed authority.
  - xv. The National Sports Fund to be set up by Central Government.
  - xvi. The National Cultural Fund Set up by the Central Government.
  - xvii. The Fund for Technology Development and Application set by the Central Govt.

(7) Under Section 80GG of the Act, an assessee is entitled to a deduction in respect of house rent paid by him for his own residence. Such deduction is permissible subject to the following conditions: -

- (a) the assessee has not been in receipt of any House Rent Allowance specifically to him which qualifies for exemption under Section 10 (13A) of the granted Act;
- (b) the assessee files the declaration in Form No. 10 BA. (Annexure-VII).
- (b) He will be entitled to a deduction in respect of house rent paid by him in excess of 10 per cent of his total income, subject to a ceiling of 25 per cent thereof or Rs.2,000/- per month, whichever is less, the total income for working out these percentages will be computed before making any deduction under Section 80GG.

- (d) The assessee does not own
  - (i) any residential accommodation himself or by his spouse or minor child or where such assessee is a member of a Hindu Undivided Family, by such family, at the place where he ordinarily resides or performs duties of his office or carries on his business or profession; or
  - (ii) at any other place, any residential accommodation being accommodation in the occupation of the assessee, the value of which is to be determined under sub-clause (i) of clause (a) or as the case may be, clause (b) of sub Section (2) of Section 23:

The Drawing and Disbursing Authorities should satisfy themselves that all the conditions mentioned above are satisfied before such deduction is allowed by them to the assessee. They should also satisfy themselves in this regard by insisting on production of evidence of actual payment of rent.

(8) Section 80U allows deduction of forty thousand rupees in computing the total income of a resident individual, who at the end of the previous year, is suffering from a permanent physical disability (including blindness) or is subject to mental retardation, being a permanent physical disability, or mental retardation, specified in rule 11D of the Income-tax Rules, 1962, which is certified by a physician, surgeon, oculist or psychiatrist as the case may be, working in a Government hospital and which has the effect of reducing considerably such individual's capacity for normal work or engaging in a gainful employment or occupation. The expression 'Government hospital' will include a departmental dispensary or a hospital maintained by a local authority as specified in the Explanation given below Section 80DD(4).

#### **6. Tax Rebate:**

An assessee, being an individual, will be entitled to tax rebates under Chapter VIII of the Act as given below:

(1) Payment of insurance premium to effect or to keep in force an insurance on the life of the individual, the wife or husband or any child of the individual.

(2) Any payment made to effect or to keep in force a contract for a deferred annuity, not being an annuity plan as is referred to in item (8) herein below on the life of the individual, the wife or husband or any child of the individual, provided that such contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity;

(3) Any sum deducted from the salary payable by, or, on behalf of the Government to any individual, being a sum deducted in accordance with the conditions of his service for the purpose of securing to him a deferred annuity or making provision for his wife or children, in so far as the sum deducted does not exceed 1/5th of the salary;

(4) Any contribution made:

- (a) by an individual to any Provident Fund to which the Provident Fund Act, 192 applies;
- (b) to any Provident fund set up by the Central Government, and notified by it in this behalf in the Official Gazette, where such contribution is to a account standing in the name of an individual, or a minor, of whom he is a guardian; or
- (c) by an employee to a recognised Provident fund;
- (d) by an employee to an approved superannuation fund;

It may be noted that "contribution" to any fund shall not include any sums in repayment of loan;

(5) Any deposit in a ten year account or a fifteen year account under the Post Office Savings Bank (Cumulative Time Deposit) Rules, 1959, as amended from time to time, where such sums are deposited in an account standing in the name of an individual, or a minor, or of whom he is the guardian.

(6) Any subscription: -

- (a) to any such security of the Central Government or any such deposit scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf;
- (b) to any such saving certificates as defined under Section 2(c) of the Government Saving Certificate Act, 1959 as the Government may, by notification in the Official Gazette, specify in this behalf. Interest on NSC(VI Issue) and NSC(VIII issue) which is deemed investment also qualifies for the rebate.

(7) Any sum paid as contribution in the case of an individual, for himself, spouse or any child,

- (a) for participation in the Unit Linked Insurance Plan, 1971 of the Unit Trust of India;
- (b) for participation in any,unit-linked insurance plan of the LIC Mutual Fund notified by the Central Government under clause (23D) of Section Io.

(8) Any subscription made to effect or keep in force a contract for such annuity plan of the Life Insurance Corporation as the Central Government may by notification in the Official Gazette, specify;

(9) Any subscription not exceeding rupees ten thousand, made to any units of any Mutual Fund, notified under clause (23D) of Section 1 0, by the Unit Trust of India established under the Unit Trust of India Act, 1963, under any plan formulated in

accordance with any scheme as the Central Government, may, by notification in the Official Gazette, specify in this behalf;

(10) Any contribution made by an individual to any pension fund set up by any Mutual Fund notified under clause (23D) of Section 10, or, by the Unit Trust of India established under the Unit Trust of India Act, 1963, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(11) Any subscription made to any such deposit scheme of, or, any contribution made to any such pension fund set up by, the National Housing Bank, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(12) Any subscription made to any such deposit scheme (not being a scheme the interest on deposits whereunder qualifies for deduction under Section 80L), as the central Government may, by notification in the Official Gazette, specify for the purpose of being floated by (a) public sector companies engaged in providing long-term finance for construction or purchase of houses in India for residential purposes, or, (b) any authority constituted in India by, or, under any law, enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both.

(13) Any sums paid by an assessee for the purpose of purchase or construction of a residential house property, the income from which is chargeable to tax under the head "Income from house property" (or which would, if it has not been used for assessee's own residence, have been chargeable to tax under that head) 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 re-payment of loans borrowed by an assessee from the Government, or any bank or Life Insurance Corporation, or National Housing Bank, or certain other categories of institutions engaged in the business of providing long term finance for construction or purchase of houses in India. Any repayment of loan borrowed from the employer will also be covered, if the employer happens to be a public company, public sector company or a university established by law or a college affiliated to such university, or a local authority or a cooperative society. The stamp duty, registration fee and other expenses incurred for the purpose of transfer shall also be covered. Payment towards the cost of house property, however, will not include, admission fee or cost of share or initial deposit or the cost of any addition or alteration to, or, renovation or repair of the house property which is carried out after the issue of the completion certificate by competent authority, or after the occupation of the house by the assessee or after it has been let out. Payments towards any expenditure in respect of which the deduction is allowable under the provision of Section 24 of the Income-tax Act will also not be included in payments towards the cost of purchase or construction of a house property. Where the house property in respect of which deduction has been allowed under these provisions is transferred by the tax-payer at any time before the expiry of five years from the end of the financial year in which possession of such property is obtained by him or he receives back, by way of refund or otherwise, any sum

specified in Section 88(2)(xv), no deduction under these provisions shall be allowed in respect of such sums paid in such previous year in which the transfer is made and the aggregate amount of deduction of income tax so allowed in the earlier years shall be added to the tax on the total income of the assessee with which he is chargeable for such assessment year. It may be noted that the amount which will qualify for tax rebate in respect of this item will not exceed Rs.20,000/-. In respect of repayment of loans taken for the purchase or construction of a new residential house property the construction of which does not get completed by the end of the financial year 2000-2001, no tax rebate in respect of these items shall be admissible to the employees.

(14) Subscription to equity shares or debentures forming part of any eligible issue of capital approved by the Board on an application made by a public company or as subscription to any eligible issue of capital by any public finance institution in the prescribed form:

Provided that where a deduction is claimed and allowed under this clause with reference to the cost of any equity shares or debentures, the cost of such shares or debentures shall not be taken into account for the purposes of Section 54EA and 54EB.

Explanation: For the purposes of this clause -

- (i) "eligible issue of capital" means an issue made by a public company formed and registered in India or a public financial institution and the entire proceeds of the purposes of developing, maintaining and operating an infrastructure facility or for generating, or for generating and distributing, power or for providing telecommunication services whether basic or cellular;
- (ii) "infrastructure facility" shall have the meaning assigned to it in clause (ca) of sub-Section (12) of Section 80IA;
- (iii) "public company" shall have the meaning assigned to it in Section 3 of the Companies Act, 1956 (1 of 1956),  
1
- (iv) "public financial institution" shall have the meaning assigned to it in Section 4A of the Companies Act, 1956.

(15) Subscription to any units of any mutual fund referred to in clause (23D) of Section IO and approved by the Board on an application made by such mutual fund in the prescribed form:

Provided that where a deduction is claimed and allowed under this clause with reference to the cost of units, the cost of such units shall not be taken into account for the purposes of Section 54EA and 54EB:

Provided further that this clause shall apply if the amount of subscription to such units is subscribed only in the eligible issue of capital of any company.

**Explanation:** For the purposes of this clause - "eligible issue of capital" means an issue referred to in clause (i) of Explanation to clause (xvi) in sub-Section (2) of Section 88:

(16) Subject to the limits mentioned for the various items, the entitlement to tax-rebate will be calculated at the rate of 20% of the total amount of the aforesaid savings etc., in the case of individuals, and at the rate of 25% in the case of an author or playwright or artist or musician or actor or sportsman (including an athlete) whose income derived from the exercise of his profession as such author/playwright/artist/musician/ actor/sportsman/athlete constitutes twenty five per cent or more of his total income.

The maximum tax-rebate allowable will be Rs.1 6,000/- generally, and Rs.17,500 in the case of authors, playwrights, artists, musicians, actors, sportsmen and athletes. There will, therefore, be an overall limit for savings which will qualify for tax-rebate. In the case of individuals, the limit on investments made as above, excluding that mentioned in paras 14 & 15, will be Rs.60,000/- and in the case of authors, sportsmen etc. Rs.70,000/-.

(17) Under Section 88B, an assessee, being an individual resident in India, who is of the age Of sixty five years or more at any time during the previous year shall be entitled to a deduction from the amount of income tax (as computed before allowing the deductions under this Chapter VIII) on his total income, with which he is chargeable for any assessment year, of an amount equal to One hundred per cent of such income tax or an amount of fifteen thousand rupees, whichever is less.

(18) Under Section 88C, as inserted by Finance Act, 2000, an assessee, being a women resident in India, and below the age of sixty-five years, at any time during the previous year, shall be entitled to a deduction from the amount of income-tax (as computed before allowing the deductions under Chapter VIII) her total income, with which she is chargeable for any assessment year, of an amount equal to hundred percent, of such income tax or an amount of five thousand rupees, whichever is less.

(19) The Drawing and Disbursing Officers should 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 aforesaid rebate. In case the DDO is not satisfied about the genuineness of the employee's claim regarding any deposit/subscription/payment made by the employee, he should not allow the same, and the employee would be free to claim the rebate on such amount by filing his return of income and furnishing the necessary proof etc., therewith, to the satisfaction of the Assessing Officer.

## **7. Calculation of income-tax to be deducted**

7.1 Salary income for the purpose of Section 192 shall be estimated as follow:

- (a) First compute the gross salary as mentioned in para 5.1 excluding all the incomes mentioned in para 5.2;
- (b) Allow deductions mentioned in para 5.3 from the figure arrived at (a):

- (c) Allow deductions mentioned in para 5.4 from the figure arrived at (b) ensuring that aggregate of the deductions mentioned in para 5.4 does not exceed the figure of (b) and if it exceeds, it should be restricted to that amount. This will be the amount of income under the head "Salaries" on which income tax would be required to be deducted. This income should be rounded off to the nearest multiple of ten rupees.

7.2 Income-tax on the estimated income from salary as shown in para 7.1 shall be calculated at the rates given in para 2.

7.3 The amount of tax rebates computed under para 6 shall be deducted from the income-tax calculated according to para 7.2. However, it is to be ensured that the tax rebates given as per para 6 is limited to the income-tax calculated as per para 7.2 Further, tax payable so arrived at shall be increased by surcharge at the rate of ten per cent or fifteen per cent, as the case may be, to arrive at the total tax payable.

7.4 It is also to be noted that deductions under Chapter VIA of the Act as mentioned in para 5.4 and the tax rebates as mentioned in para 6 are allowed only if the investments or the payments have been made out of the income chargeable to tax during the financial year 2000-2001.

7.5 The amount of tax as arrived at para 7.3 should be deducted every month in equal installments. The net amount of tax deductible should be rounded off to the nearest rupee.

#### **8. Miscellaneous:**

8.1 These instructions are not exhaustive and are issued only with a view to helping the employers to understand the various provisions relating to deduction of tax from salaries. Wherever there is any doubt, reference may be made to the provisions of the Income-tax Act, 1961, the Income-tax Rules, 1962 and the Finance Act, 2000.

8.2 In case any assistance is required, the Assessing Officer/the local Public Relation Officer of the Income-tax Department may be contacted.

8.3 These instructions may please be brought to the notice of all disbursing officers and undertakings including those under the control of the Central/State Government.

8.4 Copies of this Circular are available with the Director of Income-tax (Research, Statistics & Publications and Public Relations) 6th Floor, Mayur Bhavan, Indira Chowk, New Delhi, 110 001.

**(Jamna Dass)**  
Under Secretary (IT-B)  
Central Board of Direct Taxes

Copy forwarded to :--

1. All State Governments (including Administration of Union Territories).
2. All Ministries/Departments of Government of India etc.
3. President's Secretariat.
4. Vice-President's Secretariat.
5. Prime Minister's Office.
6. Lok Sabha Secretariat.
7. Rajya Sabha Secretariat.
8. Cabinet Secretariat.
9. Secretary, U.P.S.C., Dholpur House, New Delhi.
10. Secretary, Staff Selection Commission, Lodhi Complex, New Delhi.
11. Supreme Court of India, New Delhi.
12. Election Commission, New Delhi.
13. Planning Commission, New Delhi.
14. Secretariat of Governors/Lt. Governors of all States/Union Territories.
15. All Integrated Financial Advisors to Ministries/Departments of Government of India.
16. All Heads of Departments & Offices subordinate to the Department of Revenue CBDT, CBEC etc.
17. Army Headquarters, New Delhi.
18. Air Headquarters, New Delhi.
19. Naval Headquarters, New Delhi.
20. Director-General of Posts & Telegraphs, New Delhi (10 copies).
21. Comptroller & Auditor General of India (50 copies).
22. Accountant General - 1, Andhra Pradesh, Hyderabad.
23. Accountant General - 11, Andhra Pradesh, Hyderabad.
24. Accountant General, Assam, Shillong.
25. Accountant General - 1, Bihar, Ranchi.
26. Accountant General - 11, Bihar, Patna.
27. Accountant General -1, Gujarat, Ahmedabad.
28. Accountant General - 11, Gujarat,
33. Accountant General-II, Maharashtra, Nagpur.
34. Accountant General, Karnataka, Bangalore.
35. Accountant General, Orissa, Bhubaneshwar.
36. Accountant General, Punjab, Chandigarh.
37. Accountant General, Himachal Pradesh, Simla.
38. Accountant General, Rajasthan, Jaipur.
39. Accountant General - 1, 11 & 111, Uttar Pradesh, Allahabad.
40. Accountant General, West Bengal, Calcutta.
41. Accountant General, Haryana, Chandigarh.
42. Accountant General, Jammu & Kashmir, Srinagar.
43. Accountant General, Manipur, Imphal.
44. Accountant General, Tripura, Agartala.
45. Accountant General, Nagaland, Kohima.
46. Director of Audit (Central), Calcutta.
47. Dir of Audit (Central Revenue), New Delhi.
48. Director of Audit (Central), Bombay.
49. Director of Audit, Scientific & Commercial Department, Bombay.
50. All Banks (Public Sector, Nationalised including State Bank of India).
51. Secretary, Reserve Bank of India, Central Office, RB.No.406, Bombay-400001 (25 copies for distribution to its Branches).
52. Accounts Officer, Inspector General of Assam Rifles, (Hqrs.), Shillong.
53. All Chambers of Commerce & Industry.
54. Lok Sabha/Rajya Sabha Secretariat Libraries (15 copies each).
55. All Officers and Sections in Technical Wing of CBDT.
56. Controller of Accounts, Department of

- Raikot.
29. Accountant General, Kerala, Trivandrum.
  30. Accountant General, Madhya Pradesh, Gwalior.
  31. Accountant General, Tamil Nadu, Madras.
  32. Accountant General-1, Maharashtra, Bombay.
  58. Asst. Chief Inspector, R.B.I. Inspection Department Regional audit Cell/ Bombay/ Calcutta/ Madras/ New Delhi/ Kanpur.
  59. Accountant General, Post & Telegraph, Simla.
  60. Controller General of Defence Accounts, New Delhi.
  61. Dir. of Audit, Defence Services, New Delhi.
  62. World Health Organisation, New Delhi.
  63. International Labour Office, India Branch, New Delhi.
  64. Secretary, Indian Red Cross Society India, N.Delhi.
  65. Atomic Energy Department, Bombay.
  66. Secretary, Development Board, Ministry of Commerce & Industry, New Delhi.
  67. National Savings Organisation, Nagpur.
  68. Deputy Accountant General, Post & Telegraph, Calcutta.
  69. The Legal Adviser, Export - Import Bank of India. Post Box No. 19969, Nariman Point, Bombay - 400021.
  70. The Deputy Finance Manager (Headquarters), Indian Airlines (H), - Airlines House, 11, Gurudwara Rakabganj Road, New Delhi - 110001.
  71. Manager, State Bank of India, Local Head Office :-
    - i) Jeevan Deep Building, 1, Middleton Street, Calcutta.
    - ii) Circle Top House, Rajaji Salai, Economic Affairs, New Delhi.
  57. Manager, Reserve Bank of India, Public Debt Office, Ahmedabad/Bangalore / Bhubeshwar/Bombay (Fort)/ Bombay Central/Bombay-8/ Calcutta / Hyderabad/Kanpur/ Jaipur/Madras/ Nagpur/New Delhi/ Patna/Guwahati/ Trivandrum.
  72. Chief Controller of Accounts (VBBDT), Lok Nayak Bhawan, Khan Market, New Delhi.
  73. State Bank of Patiala (Head Office), The Mail, Patiala.
  74. State Bank of Bikaner and Jaipur, Head Office, Tilak Marg, 'C' Scheme, Jaipur.
  75. State Bank of Hyderabad, Head Office, Gun Factory, Hyderabad.
  76. State Bank of Indore, 5 Yashwant Nivas Road, Indore.
  77. State Bank of Mysore (Head Office)@ K.G. Road, Bangalore.
  78. State Bank of Saurashtra, Behind Satyanarayan Road, Bhavnagar, Gujarat.
  79. State Bank of Travancore, Post Box No. 34, Trivandrum.
  80. N.S. Branch, Department of Economic Affairs, New Delhi.
  81. The Editor, "The Income-tax Reporter", Company Law Institute of India (P) Ltd., 88, Thyagaraja Road, Thyagaraj Nagar, Madras-600017.
  82. The Editor, Chartered Secretary, The Institute of Company Secretaries of India, "ICSJ House, 22, Institutional Area, Lodhi Road, New Delhi - 110003.
  83. The Editor, "Taxation", 174, Jorbagh, New Delhi.
  84. The Editor, "The Tax Law Review", Post Box No. 152, Jalandhar - 144001.
  85. The Editor, "Taxmann", Allied Service

- Madras 600001.
- iii) Lucknow, Uttar Pradesh.
  - iv) Bank Street, Hyderabad - 500001.
  - v) Hamida Road, Bhopal - 462001.
  - vi) Shop Nos. 101 to 105, Sector 17-B, Chandigarh.
  - vii) New Admn. Building, Madam Cama Road, Bombay-400021.
  - viii) 9, Parliament Street, New Delhi-110001.
  - ix) Bhedru, Ahmedabad-380001.
  - x) Judges Court Road, Post Box No. 103, Patna 800001.
  - xi) 59, Forest Park, Bhubaneshwar and Gauhati, Assam.
92. National Housing Bank, 3rd Floor, Bombay Life Building, 45, Veer Nariman Road, Bombay
- (P) Ltd., 1871, Kucha Chelan, Khari Baoli, Delhi - 110006.
- 86. The Min. of Law (Deptt. fo Legal Affairs) Shastri Bhawan, New Delhi.
  - 87. Food Corporation of India, 16-17 Barakhamba Lane, New Delhi-110001.
  - 88. IFCI, Bank of Baroda Building, 16, Parliament Street, Now Delhi.
  - 89. IDBI, IDBI Tower, Cuff Parade, Bombay-400 005.
  - 90. ICICI, 163, Backbay Reclamation, Bombay - 20.
  - 91. NABARD, Poonam Chambers, Dr. Annie Besant Road, P.B. No. 552, Worli, Bombay
93. IRBI, 19, Netaji Subhash Road, Calcutta
94. All Foreign Banks, operating in India.

**(Jamna Dass)**

Under Secretary (IT-B)  
Central Board of Direct Taxes