

APS RTC

No PA6/201(1)/94/AD

O/o the VC & MD Finance Wing

Mushirabad Hyderabad

Dated 21 Jul 94

AUDIT CIRCULAR No 8 / 1994

Sub INCOME TAX Certain important aspects in the matter of Income Tax deduction from Salaries U/s 192 of the IT Act 1961 - Reg

Ref Chief Commissioner of Income-tax Andhra Pradesh Lr No CCIT/TDS/94 dtd 05 05 94

The Chief Commissioner of Income Tax, Andhra Pradesh- has highlighted inter alia, the following aspects in the matter of Income Tax deduction U/s 192 of the Income Tax Act 1961

- 1 Any person responsible for payment of 'Salary' is also responsible for deducting Income Tax in terms of Sec 192 of the IT Act 1961 Under Rule 30 of the IT Rules, 1962, the tax deducted should be credited within one week from the last day of the month, in which the deduction is made
- 2 The person responsible for paying the salary shall send a statement in Form No 23 every month and file an Annual Return in Form No 24 by the end of MAY giving the relevant particulars
- 3 The Drawing and Disbursing Officers should verify the rent receipts for the full year in cases of the employees who are in receipt of house rent allowance (HRA) in excess of Rs 600/- per month and paying rent
- 4 Rebate u/s 88 in respect of Life Insurance premia contributing to P F etc is allowable only if the employee actually makes the eligible investment While deducting the tax from the salary it should be ensured that no rebate is allowed in terms of Sec 88 unless the employee actually makes investment from the income chargeable to tax for the relevant assessment year This cannot be done on the basis of a mere letter from the employee that he proposes to invest in eligible investments
- 5 Tax should be deducted from the monthly salary of the employees regularly instead of making deductions towards the end of the year This is contrary to the provisions of the law U/s 192 of the Act the tax is deductible at the time of payment of the salary from month to month

Hence all the Drawing and Disbursing Officers are advised to comply with the statutory provisions relating to deduction of tax and its remittance as well as filing of monthly and Annual returns They should not give any scope for any penal action

The employees who are in receipt of HRA and paying rent to the land lord are advised to declare at the beginning of every year monthly rent being paid by them and furnish monthly rental receipts to the Drawing and Disbursing Officers once in every half year

The employees liable for payment of Income Tax be also advised to declare the proposed savings to be made at the beginning of every financial year for assessing the amount of tax and effecting recovery on a month to month basis

However the proposed saving so declared by the employees should actually be made and proof thereof submitted to the Drawing and Disbursmg Officers on or before 20 December In case of non submission of proof of investment on or before 20 December it should be presumed that the employees have no direct savings and the tax should be calculated and deducted accordingly

Sd/ (C Anjaneya Reddy)
Vice Chairman & Managing Director