

ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION

O/o the VC&MD AUDIT WING
Mushirabad Hyderabad 20

No IT/201(1)/2002 2003/AD

Dt 14 5 2002

ACCOUNTS CIRCULAR NO 9/2002

Sub INCOME TAX - Deduction of Income Tax at source on payments made by Corporation U/s 194 (other than Salaries) - Regarding

Ref 1 This Office Circular Lr No IT/201(1)/99 2000/AD Dt 31 3 2000
2 This Office Lr No IT/201(1) 2001 02/AD Dt 9 10 2001
3 Accounts Circular No 4 of 2001 02 Dt 22 10 01

The Income Tax Act has made it obligatory for any person paying any sum in respect of contract between the Contractor and the Govt Local Authority Statutory Corporation etc to deduct certain amount of Tax from such payments during the financial year called Tax Deduction at Source (TDS) at the prescribed rate This TDS is to be made irrespective of the fact whether the payee is liable to pay tax or not except when the payee furnishes an Exemption Certificate from the Income Tax Department

Under the existing provisions Individuals and Hindu Undivided Families (HUF) are not liable to deduct tax at source on payment of interest contracts professional and technical services rent and commission and brokerage Now the Finance Act 2002 has amended the TDS provisions As per amended provisions those individuals and HUF whose sales turnover or gross receipt in business or profession exceeds the amount prescribed under Section 44AB (Tax Audit) during the financial year immediately preceding the financial year in which the amount is paid or credited shall also be liable to deduct income tax at source on making payment of the nature specified above Accordingly provisions of sections 194A 194C 194H 194I and 194J shall be applicable to such Individual and HUFs also This provision shall be effective from 1st June 2002 Hence Individuals and HUFs whose turnover in the financial year ended on 31st March 2002 in business exceeds Rs 40 lacs or exceeds Rs 10 lacs in profession shall be required to deduct tax at source from 1st June 2002 The applicability of these provisions will be on year to year basis It may be noted that the provision of deduction of tax at source on salary under Section 192 is already applicable on all persons including Individual and HUFs irrespective of the source and quantum of income

Based on the amended provisions TDS would also be made by the Contractors from the amounts paid to or by the Corporation towards the following

TDS ON PAYMENTS TO CONTRACTORS U/S 194 C Under this Section any person responsible for paying any sum exceeding Rs 20000/ shall deduct TDS @ 2 10% to any resident contractors for carrying out any work including supply of labour in pursuance of contract between the Corporation and Contractors for Civil Works Repairs & Maintenance Retreading & Reclamation Sweeping Cleaning Washing of Buses Premises Head Rest Covers Linen at Hospitals etc AMC of Computers UPS Plant & Machinery Medical Equipment Air Conditioners Water Coolers Photo Copiers Electrical installation Hospital Contracts Hiring of Buses and other Vehicles Printing of calendars etc

TDS ON COMMISSION TO AGENTS U/S 194 H Under this Section any person responsible for paying any amount exceeding Rs 2500/ by way of commission or brokerage to the Agents for services rendered shall deduct TDS @ 5 25% while paying commission w e f 1 6 2002 (upto 1 6 02 this rate of tax is 10 20%) Detailed instructions were given vide Accounts Circular No 4 of 2001 02 The Computers Department has developed necessary software and is put to use at MGBS since there are more than 50 Ticket Booking Agents connected to the Main Server The necessary change in the rate of TDS effective from 1 6 2002 in the software at MGBS will be taken up by the Computers Department

TDS ON RENT UNDER SECTION 194 I Under this Section any person responsible for paying any income by way of rent shall deduct I T @ 21 00% provided such rent payable is Rs 1 20 000/ or more in an year

TDS ON PROFESSIONAL SERVICES U/S 194 J Under this Section any person responsible for paying any sum by way of remuneration for Legal Income Tax Sales Tax Recruitment Medical Audit and other Professional Services any amount exceeding Rs 20 000/ or more in a year TDS @ 5 25% is to be deducted from the payments so made

In our case we normally receive hire charges for supply of buses to Public Sector Undertakings etc above Rs 20 000/ and they do deduct IT U/s 194 C before making payment of Hire Charges In case of stall rents etc we may receive amounts over and above Rs 1 20 000 per annum from certain persons The stall Contractor has to deduct IT U/s 194 I The Corporation receives interest on deposits from organisations like AP Transco etc who are responsible for deducting IT U/s 194 A for interest amounts exceeding Rs 5 000/

But the Corporation's Income is exempt from Income Tax U/s 11(4A) of IT Act since APSRTC's activities are treated as charitable in nature and this was also upheld by Hon ble Supreme Court

In order to ensure that tax deduction is not made TDS Exemption Certificate has to be obtained every year from the IncomeTax Department

Every year the details of contracts in respect of Hire Charges (including Buses given on Hire for elections etc) Licence Fee and Interest may be furnished in the proforma given below on or before 20th February to Dy CAO(SP&A) Head Office

Name of the Institution	Date of Contact	Nature of Contract	Date by which the contract would be Completed	Sum expected to be credited/paid in pursuance of Contract Hire Charges/Rent/ Interest per annum
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The above details are required to obtain TDS Exemption Certificate in the month of March for the ensuing year and transmitting the same to you

On receipt of TDS Exemption Certificate at your end the original copy may be handed over to the Contractors for their record purposes and to avoid TDS Retain photo copy in your Office for record

Even if there is a delay in receipt of Exemption Certificate since Corporation is exempted from Income Tax and obtaining of Exemption Certificate is only a formality you may ensure that no TDS is made from the payments at any cost For instance in case of buses supplied for Election Purpose etc or in case of new Contracts for providing our buses on hire or for leasing out accommodation finalised during the course of the year it is not possible to foresee the amount of hire charges or rent amount at the beginning of the year So in such cases speedy action should be ensured by all the concerned to furnish the relevant information so that we could approach the Income Tax Department for issuing Tax Exemption Certificates In the mean time do all that is at your command to prevent tax deduction Note that once tax is deducted it takes several years to get back the amount from the Income tax Department

In respect of New Contracts the following may be included in the Agreement to avoid TDS

APSRTC is exempted from Income Tax U/s 11 (4A) of I T Act 1961 No TDS should be made from the payments made to Corporation

Sd/ (K V Subba Rao)
CHIEF ACCOUNTS OFFICER

To
All the EDs/RMs/ Dy CAOs/DVMs/ AOs
A P S R T Corporation