

APS RTC
No IT/201(l)/96-AD

O/o the VC & MD Accounts
Wing Mushirabad Hyderabad
Dated 24 Jul 96

All the Regional Managers
A P S R T Corporation

Sub INCOME TAX Deduction of Income tax at source on payment of rent or
license fee to APSRTC - Reg

As per Section 194(1) inserted by the Finance Act, 1994, w e f 01 06 94 any
person not being an Individual or HUF who is responsible for paying any income
by way of rent shall deduct income tax at 20% provided such rent payable is Rs
120000 or more in an year For this purpose rent includes payment for use of any
land or any building together with furniture etc

In this connection we request you to note the following

01 The liability for deduction of tax is only on the payer Further if the payer
happens to be an Individual or HUF the liability for tax deduction does not arise
So if we let out our premises for canteen or other purposes to "individuals" as we
normally do or "HUFs" no tax should be deducted by the payer before making
payment of rent or license fee to the Corporation In case of premises let out by
the Corporation to Institutions such as FCI or Allwyn or Bank etc there is statutory
obligation on the part of the Institution to deduct tax

02 Even in case of premises let out by the Corporation to Institutions we should
not allow income tax deduction if the rental amount is below Rs 120000 per
annum

03 We have explained our income tax exemption status to the Income Tax
Department and sought Exemption Certificates addressed to the individual
Institutions authorising them not to deduct income tax while making payment of
rent to the Corporation The Dy Commissioner of Income Tax gave us separate
Exemption Certificates as follows

- a) The Exemption Certificates issued on 29 03 96 showed Date of Contract as
APR 93 and validity period as upto 31 03 96
- b) The Exemption Certificates issued on 11 06 96 showed Date of Contract as
APR 96 and Validity Period as upto 31 03 97

So, if any Institution has already deducted income tax while making payment
of rent to the Corporation before we obtained and forwarded the Exemption
Certificates please ensure action as advised below

- (1) The net amount of rent received after deduction of income tax only

might have been credited to AH 2317 (Stall Rents Recoverables) The amount of income tax deducted should be debited to AH 2461 (Provisional I T) and credited to AH 2317

- (11) The balance in AH 2461 should be cleared by transferring the debit to AO(MA&IT)/HO by way of Debit Advice along with photo copies of Form-16/B (issued by the Institutions which deducted tax) and Challan (evidencing remittance of income tax by the Institution to the Income Tax Department) if not already done

4 Our Income Tax Consultants have advised, "It may not be possible to grant a blanket exemption letter to cover all cases It may be necessary to give a list of licensees hit by the tax deduction provision and the certificate will be restricted only to such licensees" We have already collected the information from the Regions and obtained Exemption Certificates from the Income Tax Department If any new contract is given or any of the existing contracts are not covered by the Exemption Certificates already obtained by us please get in touch with us immediately for necessary action Please remember that the exercise is necessary only if we let out our premises to Institutions

5 In some cases it may so happen that arrears of rent for the period prior to obtaining Exemption Certificates are paid now and the Institution takes a view that the Exemption Certificates obtained by us on 29 03 96 showed Date of Contract as APR 93 and hence Income Tax has to be deducted while making payment of arrears of rentals relating to period prior to APR 93 In such cases we should take a stand that the Section 194(I) had coming into force with effect from 01 06 94 only and hence Income Tax should not be deducted while paying arrears of rent now After all the rental income "accrued" or became due in earlier period and now what they are doing is only making physical payment of rent

6 Also in the first week of February every year, please furnish a statement showing details of (a) Name of the Institution to which our premises are let out, (b) annual rental amount and (c) agreement copy since we have to get fresh Exemption Certificates for the ensuing financial year

7 Please also beware that if we have taken premises of outsiders on rent for our Corporation use, we have a statutory responsibility to deduct Income tax if the rental amount exceeds Rs 120000 per annum or Rs 10000 per month

Sd/- (K V Subba Rao)
CHIEF ACCOUNTS OFFICER