

No. 1/7/2005NS-II  
Ministry of Finance  
Department of Economic Affairs  
(Budget Division)

North Block, New Delhi Dated the September/4, 2006.

To

✓ Ms. R. Handa,  
Dy. Director General (FS),  
Department of Posts,  
Dak Bhavan, Sansad Marg,  
New Delhi-110 001.

Subject: Accounting of Tax Deducted at Source on Commission paid by Post  
offices to Small Savings Agents- regarding.


Madam,

I am directed to refer to D.O letter No. 107-1/2002-SB Dated June 8, 2006 from Ms. P Gopinath, the then DDG (FS) on the above subject. The subject relating to accounting of tax deducted at source on commission paid by post offices to small savings agents was taken up with Central Board of Direct Taxes for clarification. C.B.D.T. has now issued necessary clarification vide O.M.No. 275/37/2006IT (B) dated 29<sup>th</sup> August, 2006 (copy enclosed)

2. According to the clarification received, it is sufficient compliance of rule 30 of Income Tax Rules, if the tax withheld from payment to the Small Savings Agents is credited or reflected in a separate account on a daily basis at the level of each post office and the aggregate of all such credits of all post offices under a postal zone or region during a month is transferred to the Income Tax Account of the Central Government through inter-departmental booking at the end of the month. However, it has to be ensured that the TDS credited in a separate account at the level of post office is not utilised for departmental expenditure even for a day or part of a day.

3. In view of the clarification obtained from Central Board of Direct Taxes, fresh instructions may please be issued to Punjab circle of Department of Posts as well as other Postal Circles for immediate implementation of this Ministry's instructions for payment of 'at source payment' of commission to small saving agents.

Yours faithfully,

  
(P.C. Singh)

Under Secretary to the Govt. of India.

Copy to:

✓ The Additional Director, National Small Savings Institute, Seminary Hills,  
Nagpur.