

F.No.2/8/2004/NS-II
 Government of India
 Ministry of Finance
 Department of Economic Affairs
 (Budget Division)

North Block, Central Secretariat,
 New Delhi-110 001 the 6th June 2006.


Subject: Senior Citizens Savings Scheme, 2004-Issues relating to TDS-clarification-reg

The issue relating to admissibility of TDS on interest payable under the Senior Citizens Savings Scheme was clarified vide this Department's letter of even number dated 28th March, 2006. Reserve Bank of India and Department of Posts had sought further clarifications on this issue. The clarifications sought for and obtained from Department of Revenue, Central Board of Direct Taxes on the subject, are as under.

Clarification Sought for	Clarification provided by C.B.D.T
1. Whether any minimum limit has been prescribed, after which TDS should be recovered?	TDS is to be made if the interest paid or payable exceeds Rs.5000/- during the financial year. TDS shall be made from the entire amount payable if it exceeds Rs.5000/- For example, if the interest paid / payable in a financial year is Rs.4000/-, no TDS shall be made. However, if the amount is Rs.25000/-, TDS shall be made at the prescribed rate on the entire amount of Rs.25000/- and not Rs.20000/-.
2. What will be the rate at which TDS should be recovered/deducted from the account holder?	<p>The rate for TDS for a financial year is specified in Part II of Schedule I of Finance Act for that year. The prescribed rates for the financial year 2006-07 are as under.</p> <p><u>In the case of a person other than a company</u></p> <p>a. Person is resident of India- 10%</p> <p>b. Others -20%</p> <p>The amount so deductible shall be enhanced by surcharge calculated as per the following rate</p> <p>In the case of Individual, HUF, Association of Person and body of individuals - 10% if the interest paid/payable exceeds Rs.1000000/-</p> <p>The amount of "TDS+ Surcharge" shall be further enhanced by 2% of "TDS+Surcharge" on account of education cess.</p>

3. Whether TDS should also be recovered from the undrawn interest payable to the legal heirs of the deceased depositors?	TDS shall be made even from any interest paid/payable to the legal heir of the account holder.
4. Whether TDS on interest payments will be applicable with retrospective or prospective basis?	The Question is not clear. However, it may be stated that TDS would be applicable from the very first day the SCS scheme was made operational, regardless of the fact the Central Government or RBI or any authority issued any circular/Notifications/Clarifications at a later stage. In case where the bank (or the Post office) does not deduct tax, which was deductible as per the provisions of the IT Act, the bank/Post office may be treated as an assessee in default for the amount not deducted and the same may be recovered from the bank/post office along with interest, apart from other consequences, as per the provisions of section 201 of IT Act.

The above clarifications issued by the Central Board of Direct Taxes may be taken in to account while making interest payments under the Senior Citizens Savings Scheme, 2004.


(P.C. Singh)

Under Secretary to the Govt. of India.

To

1. Sh. B.B.Sangma, General Manager, Reserve Bank of India, Department of Govt. & Bank Accounts, Central Office, Opp Mumbai Central Railway Station, Byculla, Bombay-400 008.
2. Ms. P. Gopinath, Deputy Director General (FS) Department of Posts, Dak Bhavan Sansad Marg, New Delhi- 110 001.
3. Sh. Anil Bhattacharya, Joint National Savings Commissioner, National Savings Institute, 4th Floor, Seminary Hills, Nagpur-440 006.-with the request to circulate to all RDs of NSI.