

CIRCULAR NO.4/2002

F.No.153/127/2002-TPL
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes
(TPL Division)

New Delhi, the 16th July, 2002

To,

All the Chief Commissioners/Directors General of Income-tax.

Subject: Requirement of tax deduction at source in case of entities whose income is exempt under section 10 of the Income-tax Act.

Subsequent to the amendment to section 197A made by the Finance Act, 2002 whereby a new sub-section (1B) has been inserted with effect from 1st June, 2002, representations have been received seeking clarification whether the prescribed self-declaration under the said section can be submitted by entities exempt from tax under section 10 even if the payments referred to in sub-section (1A) to be made to them exceed the threshold limit not subject to tax.

2. This matter has been examined by the Board. It has been decided that in case of those funds or authorities or boards or bodies, by whatever name called, whose income is unconditionally exempt under section 10 of the Income-tax Act and who are statutorily not required to file return of income as per section 139 of the Income-tax Act, there would be no requirement for tax deduction at source since their income is anyway exempt under the Income-tax Act. The institutions whose income is unconditionally exempt under section 10 and who are statutorily not required to file return of income as per the provisions of section 139 are:

- (i) "local authority", as referred in the *Explanation* to clause (20);
- (ii) Regimental Fund or Non-public Fund established by the armed forces of the Union referred to in clause (23AA);
- (iii) Fund, by whatever name called, set up by the Life Insurance Corporation of India on or after the 1st August, 1996 or by any other insurer referred to in clause (23AAB);

- (iv) authority (whether known as the Khadi and Village Industries Board or by any other name) referred to in clause (23BB);
- (v) body or authority referred to in clause (23BBA);
- (vi) SAARC Fund for Regional Projects set up by Colombo Declaration referred to in clause (23BBC);
- (vii) Secretariat of the Asian Organisation of the Supreme Audit Institutions referred to in clause (23BBD) till assessment year 2003-2004;

-2-

- (viii) Insurance Regulatory and Development Authority referred to in clause (23BBE);
- (ix) Prime Minister's National Relief Fund referred to in sub-clause (i), Prime Minister's Fund (Promotion of Folk Art) referred to in sub-clause (ii), Prime Minister's Aid to Students Fund referred to in sub-clause (iii), National Foundation for Communal Harmony referred to in sub-clause (iiia), any university or other educational institution referred to in sub-clause (iiiab) and any hospital or other institution for the reception and treatment of persons as referred to in sub-clause (iiiac) of clause (23C);
- (x) Credit Guarantee Fund Trust for Small Scale Industries referred to in clause (23EB) till assessment year 2006-2007;
- (xi) Provident fund to which the Provident Funds Act, 1925 (19 of 1925) referred to in sub-clause (i), recognised provident fund referred to in sub-clause (ii), approved superannuation funds referred to in sub-clause (iii), approved gratuity fund referred to in sub-clause (iv) and funds referred to in sub-clause (v) of clause (25);
- (xii) Employees' State Insurance Fund referred to in clause (25A);
- (xiii) Corporations referred to in clause (26BB);
- (xiv) Boards referred to in clause (29A).

3. The contents of this Circular may be brought to the notice of all the officers working in your region.

(DEEPIKA MITTAL)
Under Secretary (TPL-III)
Tel: 3092742

Copy to:-

1. The Chairman, Members and all other officers in CBDT of the rank of Under Secretary and above.
2. The Comptroller & Auditor General of India (40 copies).
3. The IT(RS&PR) for printing in the quarterly tax bulletin and for circulation as per his usual mailing list.
4. All Directorates of Income-tax.
5. JS & Legal Advisor, Ministry of Law.
6. The DCIT (Inspection Div.), Mayur Bhawan, New Delhi.
7. All Chambers of Commerce.
8. Secretary, Settlement Commission, CIT (WT), 3rd Floor, Lok Nayak Bhawan, Khan Market, New Delhi.
9. ITCC Section, CBDT.