



कर्मचारी भविष्य निधि संगठन
Employees' Provident Fund Organisation

(श्रम एवं रोजगार मंत्रालय, भारत सरकार)
(Ministry of Labour & Employment, Govt. Of India)

मुख्य कार्यालय/Head Office

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No. WSU/6(1)2019/TDS

To

Date:

20 MAY 2019

All Addl. CPFC of Zones
All Regional P.F. Commissioners/OIC of
Regional Offices.

Sub: TDS on payment of Provident Fund.

Ref: 1) HO circular of even number dated 21.05.2015 & 30.05.2016
2) CBDT circular No. 01/2019

Sir/Madam,

Please refer to the above said subject.

2. Kind attention is drawn to Rule-8 of Part-A of Fourth Schedule which excludes the following accumulated balance due and becoming payable to the employee from the total income:-

- (i) If, he has rendered continuous service with his employer for a period of five years or more, or
- (ii) If, though he has not rendered such continuous service, the service has been terminated by reason of:-
 - the employees ill health or
 - by the contraction or discontinuance of the employer's business or
 - other cause beyond the control of employee, or
- (iii) If, on cessation of his employment, the employee obtains employment with any other employer, to the extent amount of such accumulated balance is transferred to his individual account in any recognized provident fund maintained by such other employer.

3. While computing the period of continuous service, the period or periods of continuous services rendered under former employer(s) shall be counted for the purpose of (i) & (ii) above.

4. Under the above situations, the accumulated balance due and payable to the employee is not liable for TDS under section 192 A of Income Tax Act, 1961.

Yours faithfully,

Encl: As above

Sanjay
(Sanjay Kumar)

Regional P.F. Commissioner – I (WSU)

Copy to:

ACC (IS)/RPFC-I(IS/NDC) with a request to make requisite modifications in the application software.



**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
CENTRAL BOARD OF DIRECT TAXES**

**DEDUCTION OF TAX AT SOURCE-
INCOME-TAX DEDUCTION FROM SALARIES
UNDER SECTION 192 OF THE INCOME-TAX ACT, 1961
DURING THE FINANCIAL YEAR 2018-19**

CIRCULAR NO 01 /2019

NEW DELHI, the 1st January, 2019

(ii) in any other case, ten thousand rupees.

The deduction is available if such savings account is maintained in a

- (a) banking company to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act);
- (b) co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank); or
- (c) Post Office as defined in clause (k) of section 2 of the Indian Post Office Act, 1898.

For this section, "time deposits" means the deposits repayable on expiry of fixed periods.

Section 80TTB introduced from Financial Year 2018-19 allows a deduction up to Rs. 50,000 in respect of interest income from deposits held by senior citizens from his gross total income if it includes any income by way of interest on deposits (not being time deposits) in a savings account, a deduction amounting to:

- (i) in a case where the amount of such income does not exceed in the aggregate fifty thousand rupees, the whole of such amount; and
- (ii) in any other case, fifty thousand rupees.

The deduction is available if such savings account is maintained in a

- (a) banking company to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act);
- (b) co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank); or
- (c) a Post Office as defined in clause (k) of section 2 of the Indian Post Office Act, 1898.

For this section, "senior citizen" means an individual resident in India who is of the age of sixty years or more at any time during the relevant previous year".

6. REBATE OF Rs. 2500 FOR INDIVIDUALS HAVING TOTAL INCOME UPTO Rs 3.5 LAKH [SECTION 87A]

Finance Act 2017 provided relief in the form of rebate to individual taxpayers, resident in India, who are in lower income bracket, i. e. having total income not exceeding Rs 3,50,000/-. The amount of rebate available under section 87A is Rs 2,500/- or the amount of tax payable, whichever is less from AY 2018-19.

7 TDS ON PAYMENT OF ACCUMULATED BALANCE UNDER RECOGNISED PROVIDENT FUND AND CONTRIBUTION FROM APPROVED SUPERANNUATION FUND:

7.1 The trustees of a Recognized Provident Fund, or any person authorized by the regulations of the Fund to make payment of accumulated balances due to employees, shall in cases where sub-rule(1) of Rule 9 of Part A of the Fourth Schedule to the Act

applies, at the time when the accumulated balance due to an employee is paid, make therefrom the deduction specified in Rule 10 of Part A of the Fourth Schedule to the Act.

The accumulated balance is treated as income chargeable under the head "Salaries".

7.2 Where any contribution made by an employer, including interest on such contributions, if any, in an approved Superannuation Fund is paid to the employee, tax on the amount so paid shall be deducted by the trustees of the Fund to the extent provided in Rule 6 of Part B of the Fourth Schedule to the Act. TDS should be at the average rate of tax at which, the employee was liable to be taxed during the preceding three years or during the period, if that period is less than three years, when he was member of the fund.

The deductor shall remain liable to deduct tax on any sum paid on account of returned contributions (including interest, if any) even if a fund or part of a fund ceases to be an approved Superannuation fund.

7.3 As per section 192A of the Act, w. e. f. 01.06.2015 the trustees of the EPF Scheme 1952 framed under section 5 of the EPF & Misc. Provisions Act, 1952 or any person authorized under the scheme to make payment of accumulated balance due to employees, shall, in a case where the accumulated balance due to an employee participating in a recognized provident fund is includible in his total income owing to the provisions of Rule 8 of Part A of Fourth Schedule not being applicable at the time of payment of accumulated balance due to the employee, deduct income tax thereon @ 10% if the amount of such payment or aggregate of such payment exceeds Rs 50,000/-. In case the employee does not provide his/her PAN or provides an invalid PAN then the deduction will have to be made at maximum marginal rate.

The Rule-8 of Part-A of fourth schedule excludes the following accumulated balance due and becoming payable to the employee from the total income;

- (i) If, he has rendered continuous service with his employer for a period of five years or more, or
- (ii) If, though he has not rendered such continuous service, the service has been terminated by reason of -
 - the employees ill health, or
 - by the contraction or discontinuance of the employer's business or
 - other cause beyond the control of employee, or
- (iii) if, on cessation of his employment, the employee obtains employment with any other employer, to the extent amount of such accumulated balance is transferred to his individual account in any recognized provident fund maintained by such other employer, or
- (iv) if the entire balance standing to the credit of employee is transferred to his account under a pension scheme referred to in section 80 CCD and notified by the central Government.

When the accumulated balance due and becoming payable to an employee includes any amount transferred from his individual account in any other recognized provident fund(s) maintained by his former employer(s), then in computing the period of continuous service the period or periods of continuous services rendered under former employer(s) shall be counted for the purposes of (i) and (ii) above.

Under the above four situations at (i) to (iv), the accumulated balance due and payable to the employee is not liable for TDS under section 192 A.

8. DDOS TO OBTAIN EVIDENCE/PROOF OF CLAIMS:

For the purpose of estimating income of the assessee or computing tax deductions, section 192(2D) provides that person responsible for paying (DDOs) shall obtain from the assessee evidence or proof or particulars of claims such as House rent Allowance (where aggregate annual rent exceeds one lakh rupees); Deduction of interest under the head "Income from house property" and deduction under Chapter VI-A as per the prescribed form 12BB laid down by Rule 26C of the Rules.

Further, as per section 192 (2D) read with the rule 26C, it is mandatory for the DDOs to obtain details/evidence in respect of claim of exemption for leave travel concession or assistance before allowing the said exemption. The relevant form for furnishing details by employee is Form 12BB.

9. CALCULATION OF INCOME-TAX TO BE DEDUCTED:

9.1 Salary income for the purpose of section 192 shall be computed as follow:-

- (a) First compute the gross salary as mentioned in para 5.1 including all the incomes mentioned in para 5.2 and excluding the income mentioned in para 5.3.
- (b) Allow deductions mentioned in para 5.4 from the figure arrived at (a) above and compute the amount to arrive at Net salary of the employee
- (c) Add income from all other heads- 'House property', 'Profits & gains of Business or Profession', Capital gains and Income from other Sources to arrive at the Gross Total Income as shown in the form of simple statement mentioned para 3.5. However it may be remembered that no loss under any such head is allowable by DDO other than loss under the Head "Income from House property" to the extent of Rs. 2.00 lakh.
- (d) Allow deductions mentioned in para 5.5 from the figure arrived at (c) above ensuring that the relevant conditions are satisfied. The aggregate of the deductions subject to the threshold limits mentioned in para 5.5 shall not exceed the amount at (b) above and if it exceeds, it should be restricted to that amount.

This will be the amount of total income of the employee on which income tax would be required to be deducted. This income should be rounded off to the nearest multiple of ten rupees.

9.2 Income-tax on such income shall be calculated at the rates given in para 2.1 of this Circular keeping in view the age of the employee and subject to the provisions of sec. 206AA, as discussed in para 4.8. Rebate as per Section 87A up to Rs 2500/- to eligible persons (see para 6) may be given. Surcharge shall be calculated in cases where applicable (see para 2.2).

9.3 The amount of tax as increased by the surcharge if applicable so arrived at shall be increased by Health and education Cess at the rate of 4% to arrive at the total tax payable.