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EPFO, HEAD OFFICE  
MINISTRY OF LABOUR & EMPLOYMENT, GOVERNMENT OF INDIA  
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[www.epfindia.gov.in](http://www.epfindia.gov.in)

**No. WSU/6(1)2019/IncomeTax/Part-I (E-33306)**

Date: 05.04.2022

To

All Addl. CPFC (Zones),  
All Regional P.F. Commissioners  
Incharge of Regional Offices.

**Sub: Calculation and deduction of taxable interest relating to contribution in a provident fund exceeding specified limit -regarding**

**Ref: Ministry of Finance Notification G.S.R. 604(E) dated 31.08.2021. (Copy enclosed)**

Madam/Sir,

In pursuance of the notification issued by Department of Revenue (CBDT) dated 31<sup>st</sup> August 2021, the interest relating to contribution in a Provident Fund, exceeding specified limit of Rs. 2.5 Lakh shall be part of taxable income of the subscriber.

**(2) Relevant provisions of Law:**

The relevant para of the notification under reference is reproduced as under:-

"Explanation: For the purposes of this rule—

- (a) Non-taxable contribution account shall be the aggregate of the following, namely:
- (i) Closing balance in the account as on 31st day of March 2021;
  - (ii) Any contribution made by the person in the account during the previous year 2021—2022 and subsequent previous years, which is not included in the taxable contribution account; and
  - (iii) Interest accrued on sub— clause (i) and sub— clause (ii), as reduced by the withdrawal, if any, from such account;
- (b) Taxable contribution account shall be the aggregate of the following, namely:

- (i) Contribution made by the person in a previous year in the account during the previous year 2021—2022 and subsequent previous years, which is in excess of the threshold limit; and
- (ii) Interest accrued on sub— clause (i), as reduced by the withdrawal, if any, from such account and;
- (c)** The threshold limit shall mean:
  - (i) \*
  - (ii) Two lakh and fifty thousand rupees in other cases”.

3. The matter has been examined at Head office and following instructions are being issued in context of calculation and deduction of taxable interest relating to contribution in a provident fund exceeding specified limit:

**(a) Effective Date:-**

- (i) It shall be applicable to all EPF subscribers and shall come into force on 1st day of April, 2022 for the financial year 2021-22.
- (ii) The effective date of TDS shall be 1st day of April, 2022 or final settlement or transfers, whichever is later in case of final claim settlement.
- (iii) In all other cases not including final settlement or transfers, the TDS will be deducted on the date of credit of interest.

**(b) Applicability:-**

- (i) TDS will be applicable in case of PF final settlement, transfer claims, on transfer from Exempted establishments to EPFO and vice versa, on transfer from one Trust on another, past accumulations transfer, at the time of annual accounts processing, on back period accounting after accounts for year 2021-22 are processed.
- (ii) The TDS will also be applicable in death cases as in the case of a live member.
- (iii) It will be applicable to all EPF members including members of Exempted Establishments/Exempted Trusts.
- (iv) It will also be applicable in case of International Workers.

**(c) Methodology of Computing TDS (Illustrated in Annexure-A):**

- (i) Taxable contribution part will be subject to a separate accounting of interest and maintenance as the closing balance of the part (i.e. taxable portion) will



earn interest next year and will be subject to TDS. As per the current Accounting System in EPFO,

- (a) Interest is credited on annual basis. However, Member accounts are maintained on monthly basis as per Para 60(2) (a) of EPF Scheme, 1952. For the purpose of TDS the same is further divided in to two components:
  - (aa) Taxable
  - (ab) Non taxable
- (b) In case of a claim for the refund under para 69 or 70, interest shall be payable upto the end of the preceding date on which the final payment is authorised as per Para 60(2) (b) of EPF Scheme, 1952. For the purpose of TDS the same is further divided in to two components:
  - (ba) Taxable
  - (bb) Non taxable
- (ii) If PF account is linked with a valid PAN, rate of TDS shall be 10 percent and if the same is not linked with a valid PAN, rate of TDS will be double the rate of normal TDS. (Ref. section 194A of Income Tax, Act) (Annexure-B).
- (iii) The rates of TDS shall be same in death case also i.e. if the member account of resident is linked with a valid PAN, the rate of TDS will be 10 percent and if the account is not linked with a valid PAN, the rate of TDS will be double the normal rate. However interest u/s 60 will not be payable if the account becomes inoperative u/s 72(6), as per same interest is payable for 36 months from date of death or upto previous month when claim is settled u/p 70, whichever is earlier.
- (iv) In case of non-resident as defined u/s 6 of the IT Act PF member rate of TDS will be 30 percent u/s 195 subject to provision of Double Taxation Avoidance Agreement (DTAA). The TDS rate will increase by cess and surcharge as per rates in force, however cess and surcharge will not be applicable if TDS is deductible as per provision of the DTAA u/s 90 of IT ACT 1961. For Financial year 2021-22 rate of cess is 4 % of TDS rate and Surcharge is applicable if interest exceeds Rs. 50 lacs.
- (v) If the member has not linked the account with PAN, rate of TDS u/s 194 A will be double than the normal rate of TDS i.e. 20 % at the time of annual interest accounting as well in case of PF account settlement/ transfer as per provision of section 206AA of the IT Act



*"any person entitled to receive any sum or income or amount, on which tax is deductible under Chapter XVIIIB (hereafter referred to as deductee) shall furnish his Permanent Account Number to the person responsible for deducting such tax (hereafter referred to as deductor), failing which tax shall be deducted at the higher of the following rates, namely:—*

*(a) at the rate specified in the relevant provision of this Act; or*

*(b) at the rate or rates in force; or*

*(c) at the rate of twenty per cent"*

(vi) **In case of Inter Office Transfer from One Regional Office to another:** Details of month wise contributions during the financial year 2021-22 have to be shared through revised Annexure-K. The detail of total Taxable contribution along with its interest and TDS deducted (if any) is also to be shared through Annexure -K. Further, Opening Balance and Closing Balance along with withdrawals (separately for Taxable and Non-Taxable part will also have to be shared).

(vii) **In case of Exempted Trust to EPFO:** Exempted Trusts have to intimate to EPFO the month wise amount of Employee share of contribution of the member and TDS (if any) deducted and details of month wise contribution for the previous year 2021-22 and all subsequent previous years have to be shared through Annexure-K or other mode. The detail of total taxable contribution along with its interest and TDS deducted (if any) is also to be shared through Annexure -K. Further, Opening Balance and Closing Balance along with withdrawals (separately for Taxable and Non-Taxable part will also have to be shared).

On the basis of information provided by the Exempted Trust, EPFO will arrive at the total employee share during the previous year 2021-22 and subsequent previous year and interest thereof against the member/UAN and TDS amount after subtracting of TDS already deducted/ deposited (if any) against such member, EPFO while processing annual accounts/ claim settlement/ transfer of PF account of such members shall deposit the balance amount of TDS at the applicable rate.

(viii) **In case of Transfer from EPFO to Exempted Trust:-** EPFO has to intimate to an Exempted Trust about the month wise amount of Employee share of contribution of the member and TDS (if any) deducted. Details of month wise contribution for the previous year 2021-22 and all subsequent previous years have to be shared through Annexure-K or other mode. The



detail of total Taxable contribution along with its interest and TDS deducted (if any) is also to be shared through Annexure –K. Further, Opening Balance and Closing Balance along with withdrawals (separately from Taxable and Non-Taxable part) will also be shared. On the basis of information provided by the EPFO, the Trust will arrive at the total employee share and interest thereof against the member/UAN and TDS amount after subtracting TDS already deducted/ deposited against such member. Exempted Trusts while processing the annual accounts/ settlement/ transfer of PF account of such members will have to deposit the balance TDS on interest in taxable account.

- (ix) Contribution which is added through Appendix-E during financial year 2021-22 and subsequent years, TDS on addition of such contributions through Appendix-E will be deducted when annual accounts are processed or PF claims are settled/ transferred and the interest is credited.
- (x) **In case of transfer of accumulations from one Exempted Trust to another:** At the time of transfer, previous Trusts have to intimate to current Exempted Trust about the month wise amount of Employee share of contribution of the member and TDS (if any) deducted. Details of month wise contribution for the previous year 2021-22 and all subsequent previous years have to be shared through Annexure-K or other mode. The detail of total taxable contribution along with its interest and TDS deducted (if any) is also to be shared through Annexure –K. Further, Opening Balance and Closing Balance along with withdrawals (separately from Taxable and Non-Taxable part) will also be shared. On the basis of information provided by the previous exempted Trust, the current Trust will arrive at the total employee share and interest thereof against the member/UAN and TDS amount after subtracting TDS already deducted/ deposited against such member. Exempted Trusts while processing the annual accounts/ settlement/ transfer of PF account of such members will have to deposit the balance TDS on interest in taxable account.
- (xi) **In case of past accumulations transfer:** In case of transfer from previous year 2021-22 or subsequent previous year, only the portion above the threshold limit will be taken into the consideration while calculating the interest and the TDS, thereof including the contribution of previous year 2021-22 or subsequent to previous year is credited in the members PF account.



- (xii) TDS deducted will be booked in the books of Account and Balance Sheet under the Account Head - TDS payable -deducted on claim settlement/ member's Account)- under Head- Current liabilities- Current Liabilities and Provision in Schedule - 05 of Balance Sheet as mentioned in Annexure-C.
- (xiii) TDS deductor u/s 195 will have to file Annual Return as prescribed under section 285 BA of IT Act.
- (xiv) Nonresident Member for claiming benefit u/s 90 of I-Tax for TDS deduction under DTAA have to file declaration in Form 10F of the IT Tax.
- (xv) Frequently asked questions (FAQs) on the said notification are available at Annexure-.D.
- (xvi) A flowchart for TDS deduction is available at Annexure-E.

**(d) Implementation in the Application Software:** - Information Services Division may make necessary changes in the Application software to implement the above mentioned procedure for deduction of TDS as well as reports for the field offices and the following may be kept in view:

- (i) The amended provisions apply to EPFO in twin capacities as a statutory provident fund, in terms of section 10(11) of the Income Tax Act and as recognised provident fund, in terms of section 10(12), **ibid. (Annexure-B)**
- (ii) Necessary modifications are required to be made in application software for compliance in respect of both our subscribers and staff.
- (iii) The annual provident fund statement is now required to be maintained in two separate parts- taxable and non-taxable contribution accounts- for both our subscribers and staff with effect from financial year 2021-2022 onwards.
- (iv) The non-taxable contribution account, starting from financial year 2021-22, shall have details of opening balance, contribution below the threshold, interest earned on such contribution and withdrawals made in the relevant year.
- (v) The taxable contribution account, starting from financial year 2021-2022, shall have details of contribution made above the threshold, the interest earned thereon and the withdrawals made in the relevant year.
- (vi) Interest earned in the taxable contribution account, being excluded from exempted income in terms of sections 10(11) and 10(12) **(Annexure-B)**, will form a part of the taxable income and will attract taxation at the applicable rates.



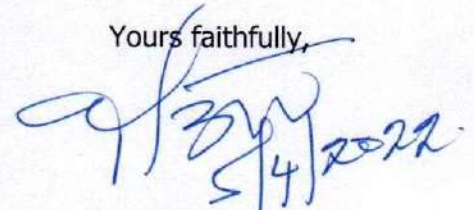
- (vii) TDS provisions shall apply to the interest credited in taxable contribution account as per requirement of section 194A (**Annexure-B**) of the Income Tax Act.
- (viii) In case of final settlement u/p 69 or 70 and TDS is deducted and remitted/deposited but the amount is received back then only undelivered amount is re-credited in the member's ledger account.
- (ix) It is also requested to modify the report/ returns for field offices, Head office as well as the members /establishments wherever necessary for TDS deducted under section 194 A and 195 respectively of IT Act for claim settlement u/p 69/70 and for TDS deducted while processing annual accounts and Member's account as prescribed u/p 59 while crediting interest as payable/ credited u/p 60 read with provision of para 72(6) of the EPF Scheme 1952.

**(e) Payment of TDS:** - The TDS at the time of Annual Accounts will be processed by the system and the field offices will get a daily report on the deducted TDS enabling them to deposit the same within the prescribed time period to the Income Tax department.

(This issues with the approval of Competent Authority)

**Encl: As Above**

Yours faithfully,



**(V. Ranganath)**  
**Additional Central P.F. Commissioner**  
**(WSU-Finance Division)**

Copy for kind information to:-

1. PS to CPFC.
2. FA & CAO/CVO/ All ACC-HQs (Head office)/ All ACCs (Head Office) / Director (PDNASS) for information please.
3. ACC-IS for necessary modification in the application software.

**ILLUSTRATIONS****Illustration-I: Normal Scenario**

- Mr. A is a salaried employee who makes monthly contribution (**employee share**) of Rs 30,000 to EPF. The closing balance at his account (employee share) as on 31.03.2021 is Rs.50,00,000/-. The calculation of taxable & non-taxable portion of contributions and interest earned on his EPF contribution (employee share) under both the accounts would be as under:
- Opening Balance as on 01.04.2021 : Rs.50,00,000/-

(Amount in Rupees)

Period	Monthly Contribution	Cumulative balance at the end of the month in		Interest accrued @8.1% in	
		Non -Taxable Account	Taxable Account	Non – taxable account	Taxable Account
Apr 21	30,000	30,000	-	203	-
May 21	30,000	60,000	-	405	-
Jun 21	30,000	90,000	-	608	-
Jul 21	30,000	1,20,000	-	810	-
Aug 21	30,000	1,50,000	-	1013	-
Sep 21	30,000	1,80,000	-	1215	-
Oct 21	30,000	2,10,000	-	1418	-
Nov 21	30,000	2,40,000	-	1620	-
Dec 21	30,000	2,50,000	20,000	1688	135
Jan 22	30,000	2,50,000	50,000	1688	540
Feb 22	30,000	2,50,000	80,000	1688	742
Mar 22	30,000	2,50,000	1,10,000	1688	945
<b>Total</b>	<b>3,60,000</b>	<b>2,50,000</b>	<b>1,10,000</b>	<b>14,044</b>	<b>2362</b>





- Thus, amount available under Taxable & Non-Taxable account at the end of the year would be as under:

(Amount in Rupees)

<b>Particulars</b>	<b>Non - Taxable Account</b>	<b>Taxable Account</b>
C/B as on 31.03.2021	50,00,000	-
Contribution during the year	2,50,000	1,10,000
Interest accrued during the year	14,044	2,362
<b>Total amount available in each account at the end of the year (C/B for 2021-22)</b>	<b>52,64,044</b>	<b>1,12,362</b>
<b>TDS on Interest to be deducted by EPFO - @10% (where PAN available)*</b>	<b>0</b>	<b>236 (10% of 2362)</b>
<b>Opening Balance as on 01.04.2022</b>	<b>52,64,044</b>	<b>1,12,126 (CB-TDS)</b>
*TDS on Interest to be deducted by EPFO - @20% (where PAN not available)	0	472 (20% of 2362)

- Tax is to be deducted at the time of credit of such amount to the account of the payee or at the time of payment, whichever is earlier.
- Tax is to be deducted at the rate of 10%. If the recipient of income doesn't furnish his PAN to deductor, then TDS is to be deducted @ 20%.

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**Illustration 2: With Withdrawal From Accounts**

- Mr. A is a salaried employee who makes monthly contribution (employee share) of Rs 30,000 to EPF. The closing balance at his account (employee share) as on 31.03.2021 is Rs.50,00,000/-. He makes a withdrawal of Rs.2,75,000/- from his account (employee share) as advance during Jan 2022. The calculation of taxable & non-taxable portion of contributions and interest earned on his EPF contribution (employee share) under both the accounts would be as under:
- Opening Balance as on 01.04.2021 : Rs.50,00,000/-

(Amount in Rupees)

Period	Monthly Contribution	Cumulative balance at the end of the month in		Interest accrued @8.1% in	
		Non -Taxable Account	Taxable Account	Non – taxable account	Taxable Account
Apr 21	30,000	30,000	-	203	-
May 21	30,000	60,000	-	405	-
Jun 21	30,000	90,000	-	608	-
Jul 21	30,000	1,20,000	-	810	-
Aug 21	30,000	1,50,000	-	1013	-
Sep 21	30,000	1,80,000	-	1215	-
Oct 21	30,000	2,10,000	-	1418	-
Nov 21	30,000	2,40,000	-	1620	-
Dec 21	30,000	2,50,000	20,000	1688	135
Jan 22	30,000	2,50,000	50,000	1688	540
<b>Withdrawal</b>	<b>2,75,000</b>	<b>-2,25,000</b>	<b>-50,000</b>	-	-
Feb 22	30,000	55,000	0	371	0
Mar 22	30,000	85,000	0	574	0
<b>Total</b>	<b>3,60,000</b>	<b>85,000</b>	<b>0</b>	<b>11,613</b>	<b>675</b>

- Thus, amount available under Taxable & Non-Taxable account at the end of the year would be as under:

(Amount in Rupees)

<b>Particulars</b>	<b>Non - Taxable Account</b>	<b>Taxable Account</b>
C/B as on 31.03.2021	50,00,000	-
Contribution during the year	3,10,000	50,000
Withdrawals during the year	2,25,000	50,000
Interest accrued during the year	11,613	675
<b>Total amount available in each account at the end of the year (C/B for 2021-22)</b>	<b>50,96,613</b>	<b>675</b>
<b>TDS on Interest to be deducted by EPFO @10% (where PAN available)*</b>	0	<b>68(10% of 675)</b>
<b>Opening Balance as on 01.04.2022</b>	<b>50,96,613</b>	<b>607 (CB-TDS)</b>
*TDS on Interest to be deducted by EPFO - @20% (where PAN not available)	0	472 (20% of 2362)

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### **Illustration 3: CASE OF TRANSFER FROM EXEMPTED EST./TRUST**

- Mr. A is a salaried employee working in an EPF exempted establishment who makes monthly contribution of Rs.50,000 to the Exempted Trust. His closing balance as on 31.03.2021 is Rs.10,00,000/-. In November 2022, he joins an un-exempted establishment covered under the EPF Act and increases his monthly contribution of Rs 60,000/-. He also transfers his full PF amount held by the exempted Trust to his current PF account number under EPFO on 30.11.2021. The Opening Balance as on 01.04.2021, Interest accrued till date of transfer, TDS deducted by the Trust during transfer are to be informed through Annexure-K. The calculation of taxable & non-taxable portion of the interest earned on his EPF Contribution in such a scenario would be as under:

#### **Exempted Trust:**

- Opening Balance as on 01.04.2021 : Rs.10,00,000/-

(Amount in Rupees)

Period	Monthly Contribution	Cumulative balance at the end of the month in		Interest accrued @8.1% in	
		Non -Taxable Account	Taxable Account	Non – taxable account	Taxable Account
Apr 21	50,000	50,000	-	338	-
May 21	50,000	1,00,000	-	675	-
Jun 21	50,000	1,50,000	-	1013	-
Jul 21	50,000	2,00,000	-	1350	-
Aug 21	50,000	2,50,000	-	1688	-
Sep 21	50,000	2,50,000	50,000	1688	337
Oct 21	50,000	2,50,000	1,00,000	1688	675
Nov 21	50,000	2,50,000	1,50,000	1688	1012
<b>Total</b>	<b>4,00,000</b>	<b>2,50,000</b>	<b>1,50,000</b>	<b>10,128</b>	<b>2024</b>

- Thus, the amount to be transferred to EPFO under Taxable & Non-Taxable account would be as under:

(Amount in Rupees)

<b>Particulars (in Rs.)</b>	<b>Non - Taxable Account</b>	<b>Taxable Account</b>
C/B as on 31.03.2021	10,00,000	-
Contribution upto 11/2021	2,50,000	1,50,000
Interest accrued upto 11/2021	10,128	2024
<b>Closing Balance as on 30.11.2021</b>	<b>12,60,128</b>	<b>1,52,024</b>
<b><i>TDS on Interest to be deducted by Trust- @10%</i></b> (where PAN available)*	0	<b>202(10% of 2024)</b>
<b>Total amount transferred to EPFO under each account</b>	<b>12,60,128</b>	<b>1,51,822(CB-TDS)</b>
*TDS on Interest to be deducted by EPFO - @20% (where PAN not available)	0	405 (20% of 2024)

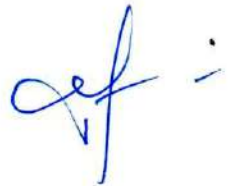
- The Opening Balance as on 01.04.2021, contributions during the year under Taxable and Non-taxable Accounts as on date of transfer (i.e. 30.11.2021 in this case), Interest accrued in both the accounts, Closing Balance as on date of transfer under both the accounts, TDS deducted by the Trust, Amount transferred to EPFO under both accounts, etc. shall be mentioned in the **Annexure-K** issued by the Trust at the time of transfer.



**At EPFO Field Office:**

(Amount in Rupees)

Period	Monthly Contribution	Cumulative balance at the end of the month in		Interest accrued @8.1% in	
		Non - Taxable Account	Taxable Account	Non – taxable account	Taxable Account
Amount transferred from Trust as on 30.11.2021	Total	12,50,000	1,50,000	10,128	1822 (2024-202)
	For the year 2021-22	2,50,000	1,50,000	10,128	1822
Dec 21	60,000	2,50,000	2,10,000	1688	1418
Jan 22	60,000	2,50,000	2,70,000	1688	1833
Feb 22	60,000	2,50,000	3,30,000	1688	2228
Mar 22	60,000	2,50,000	3,90,000	1688	2633
<b>Total for 12/21 – 3/22</b>	<b>2,40,000</b>	<b>2,50,000</b>	<b>2,40,000</b>	<b>6752</b>	<b>8112</b>
<b>Grand Total for the year 2021-22</b>	<b>6,40,000</b>	<b>2,50,000</b>	<b>3,90,000</b>	<b>16,880</b>	<b>9,934</b>



- Thus, amount available under Taxable & Non-Taxable account at the end of the year would be as under:

(Amount in Rupees)

<b>Particulars (in Rs.)</b>	<b>Non - Taxable Account</b>	<b>Taxable Account</b>
C/B as on 30.11.2021 (Amount as transferred by the Trust) (1)	12,60,128	1,51,822
Contribution from 12/2021 – 3/2022 (in EPFO)(2)	0	2,40,000
Interest accrued for the period 12/2021 – 3/2022 (in EPFO)(3)	6752	8112
<b>Closing Balance as on 31.03.2022(4) = (1)+(2)+(3)</b>	<b>12,66,880</b>	<b>3,99,934</b>
<b>TDS on Interest to be deducted by EPFO - @10% (where PAN available)*</b>	0	<b>811(10% of 8112)</b>
<b>Opening Balance as on 01.04.2022</b>	<b>12,66,880</b>	<b>4,09,123(CB-TDS)</b>
*TDS on Interest to be deducted by EPFO - @20% (where PAN not available)	0	1622(20% of 8112)

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**MINISTRY OF FINANCE**  
**(Department of Revenue)**  
(CENTRAL BOARD OF DIRECT TAXES)

# Annexure-B

**NOTIFICATION**

New Delhi, the 31st August, 2021

**INCOME-TAX**

**G.S.R. 604(E).**—In exercise of the powers conferred by the first proviso to clause (11) of section 10 and the first proviso to clause (12) of section 10 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

- 1. Short title and commencement.**—(1) These rules may be called the Income-tax (25<sup>th</sup> Amendment) Rules, 2021.  
(2) They shall come into force on 1<sup>st</sup> day of April, 2022.



2. In the Income-tax Rules, 1962, after the rule 9C, the following rule shall be inserted, namely: –

**“9D. Calculation of taxable interest relating to contribution in a provident fund or recognised provided fund, exceeding specified limit.-** (1) For the purposes of the first and second provisos to clauses (11) and (12) of section 10, income by way of interest accrued during the previous year which is not exempt from inclusion in the total income of a person under the said clauses (hereinafter in this rule referred to as the taxable interest), shall be computed as the interest accrued during the previous year in the taxable contribution account.

(2) For the purpose of calculation of taxable interest under sub-rule (1), separate accounts within the provident fund account shall be maintained during the previous year 2021-2022 and all subsequent previous years for taxable contribution and non-taxable contribution made by a person.

**Explanation:** For the purposes of this rule,-

(a) Non-taxable contribution account shall be the aggregate of the following, namely:-

- (i) closing balance in the account as on 31<sup>st</sup> day of March 2021;
- (ii) any contribution made by the person in the account during the previous year 2021-2022 and subsequent previous years, which is not included in the taxable contribution account; and
- (iii) interest accrued on sub- clause (i) and sub- clause (ii),

as reduced by the withdrawal, if any, from such account;

(b) Taxable contribution account shall be the aggregate of the following, namely:-

- (i) contribution made by the person in a previous year in the account during the previous year 2021-2022 and subsequent previous years, which is in excess of the threshold limit; and
- (ii) interest accrued on sub- clause (i),

as reduced by the withdrawal, if any, from such account; and

(c) The threshold limit shall mean:

- (i) five lakh rupees, if the second proviso to clause (11) or clause (12) of section 10 is applicable; and
- (ii) two lakh and fifty thousand rupees in other cases.”

[Notification No. 95/2021/ F. No. 370142/36/2021-TPL]

NEHA SAHAY, Under Secy. (Tax Policy and Legislation Division)

**Note :** The principal rules were published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii) *vide* number S.O. 969(E) dated 26<sup>th</sup> March, 1962 and were last amended *vide* notification number G.S.R. 578(E) dated 18<sup>th</sup> August, 2021.



**Interest other than "Interest on securities".**

**194A.**<sup>48</sup>(1) Any person, not being an individual or a Hindu undivided family, who is responsible for paying to a resident any income by way of interest other than income by way of interest on securities, shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rates in force :

**Provided** that an individual or a Hindu undivided family, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed <sup>49</sup>[one crore rupees in case of business or fifty lakh rupees in case of profession] during the financial year immediately preceding the financial year in which such interest is credited or paid, shall be liable to deduct income-tax under this section.]

*Explanation.*—For the purposes of this section, where any income by way of interest as aforesaid is credited to any account, whether called "Interest payable account" or "Suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee and the provisions of this section shall apply accordingly.

(2) [Omitted by the Finance Act, 1992, w.e.f. 1-6-1992.]

(3) The provisions of sub-section (1) shall not apply—

(i) where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year by the person referred to in sub-section (1) to the account of, or to, the payee, does not exceed—

- (a) <sup>50</sup>[forty] thousand rupees, where the payer is a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution, referred to in section 51 of that Act);
- (b) <sup>50</sup>[forty] thousand rupees, where the payer is a co-operative society engaged in carrying on the business of banking;
- (c) <sup>50</sup>[forty] thousand rupees, on any deposit with post office under any scheme framed by the Central Government and notified by it in this behalf; and
- (d) five thousand rupees in any other case:

**Provided** that in respect of the income credited or paid in respect of—

- (a) time deposits with a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in section 51 of that Act); or
- (b) time deposits with a co-operative society engaged in carrying on the business of banking;
- (c) deposits with a public company which is formed and registered in India with the main object of carrying on the business of providing long-term finance for

construction or purchase of houses in India for residential purposes and which is eligible for deduction under clause (viii) of sub-section (1) of [section 36](#); the aforesaid amount shall be computed with reference to the income credited or paid by a branch of the banking company or the co-operative society or the public company, as the case may be :

**Provided further** that the amount referred to in the first proviso shall be computed with reference to the income credited or paid by the banking company or the co-operative society or the public company, as the case may be, where such banking company or the co-operative society or the public company has adopted core banking solutions:

**Provided also** that in case of payee being a senior citizen, the provisions of sub-clause (a), sub-clause (b), and sub-clause (c) shall have effect as if for the words "[51-52](#)[forty] thousand rupees", the words "fifty thousand rupees" had been substituted.

*Explanation.*—[53](#)[\*\*\*]

(ii) [\*\*\*]

(iii) to such income credited or paid to—

- (a) any banking company to which the Banking Regulation Act, 1949 (10 of 1949), applies, or any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank), or
- (b) any financial corporation established by or under a Central, State or Provincial Act, or
- (c) the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956), or
- (d) the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963), or
- (e) any company or co-operative society carrying on the business of insurance, or
- (f) such other institution, association or body or class of institutions, associations or bodies which the Central Government may, for reasons to be recorded in writing, notify in this behalf in the Official Gazette:

[54-55](#)[**Provided** that no notification under this sub-clause shall be issued on or after the 1st day of April, 2020;]

(iv) to such income credited or paid by a firm to a partner of the firm;

(v) to such income credited or paid by a co-operative society (other than a co-operative bank) to a member thereof or to such income credited or paid by a co-operative society to any other co-operative society;

*Explanation.*—For the purposes of this clause, "co-operative bank" shall have the same meaning as assigned to it in Part V of the Banking Regulation Act, 1949 (10 of 1949);

(vi) to such income credited or paid in respect of deposits under any scheme framed by the Central Government and notified by it in this behalf in the Official Gazette;

(vii) to such income credited or paid in respect of deposits (other than time deposits made on or after the 1st day of July, 1995) with a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in section 51 of that Act);

(viii) to such income credited or paid in respect of,—

- (a) deposits with a primary agricultural credit society or a primary credit society or a co-operative land mortgage bank or a co-operative land development bank;
- (b) deposits (other than time deposits made on or after the 1st day of July, 1995) with a co-operative society, other than a co-operative society or bank referred to in sub-clause (a), engaged in carrying on the business of banking;
- (viii) to such income credited or paid by the Central Government under any provision of this Act or the Indian Income-tax Act, 1922 (11 of 1922), or the Estate Duty Act, 1953 (34 of 1953), or the Wealth-tax Act, 1957 (27 of 1957), or the Gift-tax Act, 1958 (18 of 1958), or the Super Profits Tax Act, 1963 (14 of 1963), or the Companies (Profits) Surtax Act, 1964 (7 of 1964), or the Interest-tax Act, 1974 (45 of 1974);
- (ix) to such income credited by way of interest on the compensation amount awarded by the Motor Accidents Claims Tribunal;
- (ixa) to such income paid by way of interest on the compensation amount awarded by the Motor Accidents Claims Tribunal where the amount of such income or, as the case may be, the aggregate of the amounts of such income paid during the financial year does not exceed fifty thousand rupees;
- (x) to such income which is paid or payable by an infrastructure capital company or infrastructure capital fund or <sup>56</sup>[*infrastructure debt fund or*] a public sector company or scheduled bank in relation to a zero coupon bond issued on or after the 1st day of June, 2005 by such company or fund or public sector company or scheduled bank;
- (xi) to any income by way of interest referred to in clause (23FC) of [section 10](#):

<sup>57</sup>[**Provided** that a co-operative society referred to in clause (v) or clause (vii) shall be liable to deduct income-tax in accordance with the provisions of sub-section (1), if—

- (a) the total sales, gross receipts or turnover of the co-operative society exceeds fifty crore rupees during the financial year immediately preceding the financial year in which the interest referred to in sub-section (1) is credited or paid; and
- (b) the amount of interest, or the aggregate of the amounts of such interest, credited or paid, or is likely to be credited or paid, during the financial year is more than fifty thousand rupees in case of payee being a senior citizen and forty thousand rupees in any other case.]

*Explanation 1.*—For the purposes of clauses (i), (vii) and (vii), "time deposits" means deposits (including recurring deposits) repayable on the expiry of fixed periods.

<sup>58</sup>[*Explanation 2.*—For the purposes of this sub-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.]

(4) The person responsible for making the payment referred to in sub-section (1) may, at the time of making any deduction, increase or reduce the amount to be deducted under this section for the purpose of adjusting any excess or deficiency arising out of any previous deduction or failure to deduct during the financial year.

(5) The Central Government may, by notification in the Official Gazette, provide that the deduction of tax shall not be made or shall be made at such lower rate, from such payment to such person or class of persons, as may be specified in the said notification.

*Explanation.*—[Omitted by the Finance Act, 1992, w.e.f. 1-6-1992.]



## Residence in India.

6. For the purposes of this Act,—

(1) An individual is said to be resident in India in any previous year, if he—

- (a) is in India in that year for a period or periods amounting in all to one hundred and eighty-two days or more ; or
- (b) [\*\*\*]
- (c) having within the four years preceding that year been in India for a period or periods amounting in all to three hundred and sixty-five days or more, is in India for a period or periods amounting in all to sixty days or more in that year.

*Explanation 1.*—In the case of an individual,—

- (a) being a citizen of India, who leaves India in any previous year as a member of the crew of an Indian ship as defined in clause (18) of section 3 of the Merchant Shipping Act, 1958 (44 of 1958), or for the purposes of employment outside India, the provisions of sub-clause (c) shall apply in relation to that year as if for the words "sixty days", occurring therein, the words "one hundred and eighty-two days" had been substituted ;
- (b) being a citizen of India, or a person of Indian origin within the meaning of *Explanation* to clause (e) of [section 115C](#), who, being outside India, comes on a visit to India in any previous year, the provisions of sub-clause (c) shall apply in relation to that year as if for the words "sixty days", occurring therein, the words "one hundred and eighty-two days" had been substituted <sup>20</sup>[and in case of <sup>21</sup>[such person] having total income, other than the income from foreign sources, exceeding fifteen lakh rupees during the previous year, for the words "sixty days" occurring therein, the words "one hundred and twenty days" had been substituted].]

*Explanation 2.*—For the purposes of this clause, in the case of an individual, being a citizen of India and a member of the crew of a foreign bound ship leaving India, the period or periods of stay in India shall, in respect of such voyage, be determined in the manner and subject to such conditions as may be prescribed.<sup>22</sup>

<sup>23</sup>[(1A) Notwithstanding anything contained in clause (1), an individual, being a citizen of India, having total income, other than the income from foreign sources, exceeding fifteen lakh rupees during the previous year shall be deemed to be resident in India in that previous year, if he is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature.]

<sup>24</sup>[Explanation.—For the removal of doubts, it is hereby declared that this clause shall not apply in case of an individual who is said to be resident in India in the

*previous year under clause (1).]*

(2) A Hindu undivided family, firm or other association of persons is said to be resident in India in any previous year in every case except where during that year the control and management of its affairs is situated wholly outside India.

(3) A company is said to be a resident in India in any previous year, if—

(i) it is an Indian company; or

(ii) its place of effective management, in that year, is in India.

*Explanation.*—For the purposes of this clause "place of effective management" means a place where key management and commercial decisions that are necessary for the conduct of business of an entity as a whole are, in substance made.

(4) Every other person is said to be resident in India in any previous year in every case, except where during that year the control and management of his affairs is situated wholly outside India.

(5) If a person is resident in India in a previous year relevant to an assessment year in respect of any source of income, he shall be deemed to be resident in India in the previous year relevant to the assessment year in respect of each of his other sources of income.

(6) A person is said to be "not ordinarily resident" in India in any previous year if such person is—

(a) an individual who has been a non-resident in India in nine out of the ten previous years preceding that year, or has during the seven previous years preceding that year been in India for a period of, or periods amounting in all to, seven hundred and twenty-nine days or less; or

(b) a Hindu undivided family whose manager has been a non-resident in India in nine out of the ten previous years preceding that year, or has during the seven previous years preceding that year been in India for a period of, or periods amounting in all to, seven hundred and twenty-nine days or less <sup>25</sup>[; or

(c) a citizen of India, or a person of Indian origin, having total income, other than the income from foreign sources, exceeding fifteen lakh rupees during the previous year, as referred to in clause (b) of Explanation 1 to clause (1), who has been in India for a period or periods amounting in all to one hundred and twenty days or more but less than one hundred and eighty-two days; or

(d) a citizen of India who is deemed to be resident in India under clause (1A).

*Explanation.*—For the purposes of this section, the expression "income from foreign sources" means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India) <sup>26</sup>[and which is not deemed to accrue or arise in India].]



**CHAPTER IX**

**DOUBLE TAXATION RELIEF**

**Agreement with foreign countries or specified territories.**

<sup>94</sup>90. (1) The Central Government may enter into an agreement with the Government of any country outside India or specified territory outside India,—

(a) for the granting of relief in respect of—

(i) income on which have been paid both income-tax under this Act and income-tax in that country or specified territory, as the case may be, or

(ii) income-tax chargeable under this Act and under the corresponding law in force in that country or specified territory, as the case may be, to promote mutual economic relations, trade and investment, or

(b) for the avoidance of double taxation of income under this Act and under the corresponding law in force in that country or specified territory, as the case may be,

<sup>95</sup>[without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in the said agreement for the indirect benefit to residents of any other country or territory),] or

(c) for exchange of information for the prevention of evasion or avoidance of income-tax chargeable under this Act or under the corresponding law in force in that country or specified territory, as the case may be, or investigation of cases of such evasion or avoidance, or

(d) for recovery of income-tax under this Act and under the corresponding law in force in that country or specified territory, as the case may be,

and may, by notification in the Official Gazette, make such provisions as may be necessary for implementing the agreement.

(2) Where the Central Government has entered into an agreement with the Government of any country outside India or specified territory outside India, as the case may be, under sub-section (1) for granting relief of tax, or as the case may be, avoidance of double taxation, then, in relation to the assessee to whom such agreement applies, the provisions of this Act shall apply to the extent they are more beneficial to that assessee.

(2A) Notwithstanding anything contained in sub-section (2), the provisions of Chapter X-A of the Act shall apply to the assessee even if such provisions are not beneficial to him.

(3) Any term used but not defined in this Act or in the agreement referred to in sub-section (1) shall, unless the context otherwise requires, and is not inconsistent with the provisions of this Act or the agreement, have the same meaning as assigned to it in the notification issued by the Central Government in the Official Gazette in this behalf.

(4) An assessee, not being a resident, to whom an agreement referred to in sub-section (1) applies, shall not be entitled to claim any relief under such agreement unless a certificate<sup>96</sup>

of his being a resident in any country outside India or specified territory outside India, as the case may be, is obtained by him from the Government of that country or specified territory.

(5) The assessee referred to in sub-section (4) shall also provide such other documents and information, as may be prescribed<sup>97</sup>.

*Explanation 1.*—For the removal of doubts, it is hereby declared that the charge of tax in respect of a foreign company at a rate higher than the rate at which a domestic company is chargeable, shall not be regarded as less favourable charge or levy of tax in respect of such foreign company.

*Explanation 2.*—For the purposes of this section, "specified territory" means any area outside India which may be notified as such by the Central Government.

*Explanation 3.*—For the removal of doubts, it is hereby declared that where any term is used in any agreement entered into under sub-section (1) and not defined under the said agreement or the Act, but is assigned a meaning to it in the notification issued under sub-section (3) and the notification issued thereunder being in force, then, the meaning assigned to such term shall be deemed to have effect from the date on which the said agreement came into force.

*Explanation 4.*—For the removal of doubts, it is hereby declared that where any term used in an agreement entered into under sub-section (1) is defined under the said agreement, the said term shall have the same meaning as assigned to it in the agreement; and where the term is not defined in the said agreement, but defined in the Act, it shall have the same meaning as assigned to it in the Act and explanation, if any, given to it by the Central Government.





**Requirement to furnish Permanent Account Number.**

**206AA.** (1) Notwithstanding anything contained in any other provisions of this Act, any person entitled to receive any sum or income or amount, on which tax is deductible under Chapter XVIIIB (hereafter referred to as deductee) shall furnish his Permanent Account Number to the person responsible for deducting such tax (hereafter referred to as deductor), failing which tax shall be deducted at the higher of the following rates, namely:—

- (i) at the rate specified in the relevant provision of this Act; or
- (ii) at the rate or rates in force; or
- (iii) at the rate of twenty per cent:

**54**[**Provided** that where the tax is required to be deducted under [section 194-O](#), the provisions of clause (iii) shall apply as if for the words "twenty per cent", the words "five per cent" had been substituted:]

**55**[**Provided further** that where the tax is required to be deducted under [section 194Q](#), the provisions of clause (iii) shall apply as if for the words "twenty per cent", the words "five per cent" had been substituted.]

(2) No declaration under sub-section (1) or sub-section (1A) or sub-section (1C) of [section 197A](#) shall be valid unless the person furnishes his Permanent Account Number in such declaration.

(3) In case any declaration becomes invalid under sub-section (2), the deductor shall deduct the tax at source in accordance with the provisions of sub-section (1).

(4) No certificate under [section 197](#) shall be granted unless the application made under that section contains the Permanent Account Number of the applicant.

**5** The deductee shall furnish his Permanent Account Number to the deductor and both shall indicate the same in all the correspondence, bills, vouchers and other documents which are sent to each other.

(6) Where the Permanent Account Number provided to the deductor is invalid or does not belong to the deductee, it shall be deemed that the deductee has not furnished his Permanent Account Number to the deductor and the provisions of sub-section (1) shall apply accordingly.

(7) The provisions of this section shall not apply to a non-resident, not being a company, or to a foreign company, in respect of—

- (i) payment of interest on long-term bonds as referred to in [section 194LC](#); and
- (ii) any other payment subject to such conditions as may be prescribed.



**Obligation to furnish statement of financial transaction or reportable account.**

**285BA.** (1) Any person, being—

- (a) an assessee; or
- (b) the prescribed person in the case of an office of Government; or
- (c) a local authority or other public body or association; or
- (d) the Registrar or Sub-Registrar appointed under section 6 of the Registration Act, 1908 (16 of 1908); or
- (e) the registering authority empowered to register motor vehicles under Chapter IV of the Motor Vehicles Act, 1988 (59 of 1988) ; or
- (f) the Post Master General as referred to in clause (j) of section 2 of the Indian Post Office Act, 1898 (6 of 1898) ; or
- (g) the Collector referred to in clause (g) of section 3 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (30 of 2013) ; or
- (h) the recognised stock exchange referred to in clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) ; or
- (i) an officer of the Reserve Bank of India, constituted under section 3 of the Reserve Bank of India Act, 1934 (2 of 1934) ; or
- (j) a depository referred to in clause (e) of sub-section (1) of section 2 of the Depositories Act, 1996 (22 of 1996) ; or
- [20](#)[(k) a prescribed reporting financial institution<sup>[21](#)</sup>; or
- (l) a person, other than those referred to in clauses (a) to (k), as may be prescribed,]

who is responsible for registering, or, maintaining books of account or other document containing a record of any specified financial transaction or any reportable account as may be prescribed, under any law for the time being in force, shall furnish a statement in respect of such specified financial transaction or such reportable account which is registered or recorded or maintained by him and information relating to which is relevant and required for the purposes of this Act, to the income-tax authority or such other authority or agency as may be prescribed.

(2) The statement referred to in sub-section (1) shall be furnished for such period, within such time and in the form and manner, as may be prescribed<sup>[21](#)</sup>.

(3) For the purposes of sub-section (1), "specified financial transaction" means any—

- (a) transaction of purchase, sale or exchange of goods or property or right or interest in a property; or
- (b) transaction for rendering any service; or
- (c) transaction under a works contract; or
- (d) transaction by way of an investment made or an expenditure incurred; or

(e) transaction for taking or accepting any loan or deposit, which may be prescribed :

**Provided** that the Board may prescribe different values for different transactions in respect of different persons having regard to the nature of such transaction.

[22](#)[\*\*\*]

(4) Where the prescribed income-tax authority considers that the statement furnished under sub-section (1) is defective, he may intimate the defect to the person who has furnished such statement and give him an opportunity of rectifying the defect within a period of thirty days from the date of such intimation or within such further period which, on an application made in this behalf, the said income-tax authority may, in his discretion, allow; and if the defect is not rectified within the said period of thirty days or, as the case may be, the further period so allowed, then, notwithstanding anything contained in any other provision of this Act, [23](#)[the provisions of this Act shall apply as if such person had furnished inaccurate information in the statement].

(5) Where a person who is required to furnish a statement under sub-section (1) has not furnished the same within the specified time, the prescribed income-tax authority may serve upon such person a notice requiring him to furnish such statement within a period not exceeding thirty days from the date of service of such notice and he shall furnish the statement within the time specified in the notice.

(6) If any person, having furnished a statement under sub-section (1), or in pursuance of a notice issued under sub-section (5), comes to know or discovers any inaccuracy in the information provided in the statement, he shall within a period of ten days inform the income-tax authority or other authority or agency referred to in sub-section (1), the inaccuracy in such statement and furnish the correct information in such manner as may be prescribed.

(7) The Central Government may, by rules made under this section, specify—

- (a) the persons referred to in sub-section (1) to be registered with the prescribed income-tax authority;
- (b) the nature of information and the manner in which such information shall be maintained by the persons referred to in clause (a); and
- (c) the due diligence to be carried out by the persons for the purpose of identification of any reportable account referred to in sub-section (1).



### Other sums.

**195.** (1) <sup>11</sup>Any person responsible for paying to a non-resident, not being a company, or to a foreign company, any interest (not being interest referred to in [section 194LB](#) or [section 194LC](#)) or [section 194LD](#) or any other sum chargeable under the provisions of this Act (not being income chargeable under the head "Salaries") shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rates in force :

**Provided** that in the case of interest payable by the Government or a public sector bank within the meaning of clause (23D) of [section 10](#) or a public financial institution within the meaning of that clause, deduction of tax shall be made only at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode.

<sup>12</sup>[\*\*\*]

*Explanation 1.*—For the purposes of this section, where any interest or other sum as aforesaid is credited to any account, whether called "Interest payable account" or "Suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee and the provisions of this section shall apply accordingly.

*Explanation 2.*—For the removal of doubts, it is hereby clarified that the obligation to comply with sub-section (1) and to make deduction thereunder applies and shall be deemed to have always applied and extends and shall be deemed to have always extended to all persons, resident or non-resident, whether or not the non-resident person has—

- (i) a residence or place of business or business connection in India; or
- (ii) any other presence in any manner whatsoever in India.

(2) Where the person responsible for paying any such sum chargeable under this Act (other than salary) to a non-resident considers that the whole of such sum would not be income chargeable in the case of the recipient, he may make an application <sup>13</sup>[in such form and manner to the Assessing Officer, to determine in such manner, as may be prescribed, the appropriate proportion of such sum so chargeable, and upon such determination, tax shall be deducted under sub-section (1) only on that proportion of the sum which is so chargeable.

(3) Subject to rules<sup>14</sup> made under sub-section (5), any person entitled to receive any interest or other sum on which income-tax has to be deducted under sub-section (1) may make an application in the prescribed form to the Assessing Officer for the grant of a certificate authorising him to receive such interest or other sum without deduction of tax under that sub-section, and where any such certificate is granted, every person responsible for paying such interest or other sum to the person to whom such certificate is granted shall, so long as the certificate is in force, make payment of such interest or other sum without deducting tax thereon under sub-section (1).

(4) A certificate granted under sub-section (3) shall remain in force till the expiry of the period specified therein or, if it is cancelled by the Assessing Officer before the expiry of such period, till such cancellation.

(5) The Board may, having regard to the convenience of assesseees and the interests of revenue, by notification in the Official Gazette, make rules specifying the cases in which, and the circumstances under which, an application may be made for the grant of a certificate under sub-section (3) and the conditions subject to which such certificate may be granted and providing for all other matters connected therewith.

(6) The person responsible for paying to a non-resident, not being a company, or to a foreign company, any sum, whether or not chargeable under the provisions of this Act, shall furnish the information relating to payment of such sum, in such form and manner, as may be prescribed.<sup>15</sup>

(7) Notwithstanding anything contained in sub-section (1) and sub-section (2), the Board may, by notification in the Official Gazette, specify a class of persons or cases, where the person responsible for paying to a non-resident, not being a company, or to a foreign company, any sum, whether or not chargeable under the provisions of this Act, shall make an application <sup>16</sup>[in such form and manner to the Assessing Officer, to determine in such manner, as may be prescribed], the appropriate proportion of sum chargeable, and upon such determination, tax shall be deducted under sub-section (1) on that proportion of the sum which is so chargeable.

## Annexure-C

Employees Provident Fund Scheme, 1952							
<b>EPF Contribution Fund – Members A/c</b>							
Capital Funds and liabilities	Schedule	Current Year			Previous Year		
		Non Taxable	Taxable	Total	Non Taxable	Taxable	Total
Member's Operative Account	1						
Member's In Operative Account	2						

Employees' Provident Fund Scheme, 1952							
<b>Schedule No-1</b>							
EPF Contribution Fund-Members operative A/C		Current Year			Previous Year		
		Non Taxable	Taxable	Total	Non Taxable	Taxable	Total
Add:	Opening Balance						

1	Contribution (including refund of withdrawal/loans and transferred securities received)						
2	Contribution received by way of transferred securities (H.Q office contra.)						
3	Interest credited to members account						
4	Transferred from inoperative A/c during the year						
5	Other receipts						
6	Past Accumulations (A/C No.1)						
	Total						
Less:		Current Year			Previous Year		
1	Payment during the year to outgoing members on final settlement	Non Taxable	Taxable	Total	Non Taxable	Taxable	Total
2	Premia made on members life insurance life						
3	Withdrawals loans paid during the year to the members						

4	Transferred to Inoperative Account during the year.						
	Total						
	Balance as on 31st march						
<b>Schedule No-2</b>							
<b>EPF Contribution Fund-Members In-operative A/C</b>							
	Opening Balance	Current Year			Previous Year		
Add:		Non Taxable	Taxable	Total	Non Taxable	Taxable	Total
1	Transferred from operative A/c during the year						
2	Interest credited to members account						
	Total						
Less:							
1	Amount Transferred to operative Members A/c during the year						
2	Payment made during the year to members on settlement						
	Total						
	Balance as on 31 <sup>st</sup> march						



<b>Schedule-5</b>							
<b>Current Liabilities and Provisions</b>		Current Year			Previous Year		
<b>I-Current Liabilities</b>		Non Taxable	Taxable	Total	Non Taxable	Taxable	Total
	Opening Balance						
Add:							
1	TDS Payable deducted on Claim settlements						
	TDS payable/ deducted on Annual Accounts processing						
2	Sundry Credits:						
	A. Regional:						
a.	Suspense Account(unclassified)(EPF)						
b.	Irregular payments						
c.	Over Payments						
<b>Schedule-42</b>							
<b>EPF Contributions Fund</b>		Current Year			Previous Year		

<b>Interest Payment to members</b>		Non Taxable	Taxable	Total	Non Taxable	Taxable	Total
1	Interest credited to Members PF Account during the year (including in operative Account )						
2	provision for interest payable on Members PF Account for the FY						
3	Provision for interest payable on Memembers PF Account for the earlier years.						

## **ANNEXURE - D**

### **FREQUENTLY ASKED QUESTIONS (FAQs)**

**Q 1. Under which circumstances TDS will be applicable in accordance with the Ministry of Finance Notification G.S.R. 604(E) dated 31.08.2021?**

Ans. TDS will be applicable in case of PF Final Settlement, transfer claims, on transfer from Exempted establishments to EPFO and vice versa, on transfer from one Trust on another, past accumulations transfer, at the time of annual accounts processing, on back period accounting after accounts for year 2021-22 are processed in accordance with the Ministry of Finance Notification G.S.R. 604(E) dated 31.08.2021

**Q 2. What is the effective date of deduction of TDS in accordance with the Ministry of Finance Notification G.S.R. 604(E) dated 31.08.2021?**

Ans. it will be effective from 1<sup>st</sup> day of April, 2022.

**Q 3. Is there any minimum amount upto which tax is not deducted?**

Ans. The threshold limit for contributions for previous year 2021-22 and subsequent previous year is 2,50,000/- for EPF members.

**Q 4. Whether the TDS will be applicable in death cases.**

Ans. Yes, TDS will be applicable in death cases as in the case of a live member.

**Q 5. Whether TDS will be applicable to Exempted Establishments and Exempted Trusts.**

Ans. Yes, TDS will be applicable to Exempted Establishments and Exempted Trusts.

**Q 6. Whether TDS will be applicable in case of International Workers.**

Ans. Yes, TDS will be applicable in case of International Workers as in the case of Indian workers.

**Q 7. At what rate TDS will be deducted if PF account is linked with a valid PAN for resident member?**

Ans. If PF account is linked with a valid PAN, rate of TDS shall be 10 percent.  
(Ref. section 194 A)

**Q 8. Whether TDS will be deducted if TDS amount is up to Rs 5000/- if member being resident.**

Ans. No, TDS will not be deducted if TDS amount is up to Rs 5000/- if member is a resident. However, the member's individual tax Liability towards his total tax shall remain.

**Q 9. Whether TDS will be deducted if TDS amount is upto Rs 5000/- if member being nonresident.**

Ans. TDS will be deducted at the applicable rates.

**Q 10. Is it mandatory for EPF member to disclose his PAN details with EPFO / link PAN with UAN ?**

Ans. As per section 206AA of IT Act, every taxpayer who receives taxable income needs to furnish their PAN to the payer (EPFO) of such income.

**Q 11. At what rate TDS will be deducted in case of resident member if PAN is not linked/ invalid PAN?**

Ans. If the PF Account is not linked with a valid PAN, tax shall be deducted at the higher of the following rates

- (i) at the rate specified in the relevant provision of 206AA of the IT Act; or
- (ii) at the rate or rates in force; or
- (iii) at the rate of twenty per cent:

(Ref. section 194 A read with section 206 AA of Income Tax Act)

**Q 12. At what rate TDS will be deducted if PF account is linked with a valid PAN for nonresident member ?**

Ans. If PF account is linked with a valid PAN, rate of TDS shall be 30 percent or tax rate as specified in the DTAA (Double Taxation Avoidance Agreement) whichever is beneficial to PF member.

(Ref. section 195 of IT Act read with section 90 of IT Act)

**Q 13. At what rate TDS will be deducted in case of nonresident member if PAN is not linked/ invalid PAN?**

Ans. If PF account is not linked with a valid PAN, rate of TDS shall be 30 percent or tax rate as specified in the DTAA (Double Taxation Avoidance Agreement) whichever is beneficial to PF member.

(Ref. section 195 of IT Act read with section 90 of IT Act)

**Q 14. Whether surcharge and cess will also be applicable in case of TDS deduction in case of member being non-resident?**

Ans. Yes, cess @ 4 % of TDS.

Rate of Surcharge is as under:

For interest upto Rs. 50 lacs- Nil

For interest above Rs. 50 lacs and upto 1 crore – 10 %

For interest above Rs. 1 crore and upto 2 crore – 15%

For interest above Rs. 2 crore and upto 5 crore – 25%

For interest above Rs. 5 crore and upto 10 crore – 37%

For interest exceeding Rs. 10 crore – 37%

(For FY 2021-22 / AY 2022-23)

**Q 15. Whether surcharge and cess will also be applicable in case of TDS under section 194 A ?**

Ans. No. (For FY 2021-22 / AY 2022-23)

**Q 16. In case of death of a member, whose (EPF member or nominee) PAN will be considered for deduction of TDS?**

Ans. Deduction of tax will be same as in case of a live EPF Member.

**Q 17. Is there any declaration / form to be submitted by EPF member for claiming benefits of tax rates as per DTAA**

Ans. Yes, as per section 90 of IT Act member has to submit form 10 F and form 10 FB of Income Tax.

[Ref. Sub-rule (1) of rule 21 AB and rule 21 AB (4)]

**Q 18. By which date TDS deducted is to be deposited?**

Ans. For the month of March ----- by 30<sup>th</sup> April of next financial year.  
For other months ----- by 7<sup>th</sup> of next month.

**Q 19. How to deposit TDS?**

Ans. Tax Deducted at Source has to be deposited using Challan ITNS-281.

**Q 20. What is the rate of interest for not deduction of TDS?**

Ans. As per Section 201 of IT Act, Interest will be levied @ 1 % for every month or part of a month on the amount of such tax from the date such tax was deductible.

**Q 21. What is the rate of interest for not depositing of TDS deducted?**

Ans. Interest @ 1.5 % for every month or a part of a month on the amount of such tax from the date on which such tax was deducted to the date on which such tax is actually paid to the credit of the Government.

**Q 22. What is date for filing fee of TDS statement / return?**

Ans. Due date for furnishing the TDS return in form 26Q for TDS u/s 194A and in 27Q if TDS is deducted u/s 195.

Quarter	Due Date of filing TDS return
April to June	31st July
July to September	31 <sup>st</sup> October
Oct to December	31st January

January to March	31 <sup>st</sup> May
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**Q.23. what is penalty for not filing of TDS return?**

Rs.200 for every day during which the failure continues. The amount of late fees however shall not exceed the amount of TDS.

(ref section 200(3) read with section 234 E)

**Q 24. Is there any return to be filed by tax deductor with Income Tax department?**

Ans. Yes, (i) Form 26Q - Statement of deduction of tax under section 194.

(ii) Form 27Q - Statement of deduction of tax under section 195 in respect of the deductee (PF member) who is a non-resident (not being a company) or a foreign company or resident but not ordinarily resident.

**Q 25. What are due dates for filing form 26 Q, 27 Q of Income Tax.**

Ans. Due date for filing of TDS return (Both for Government and other Deductor) is as under:

- (i) For 1<sup>st</sup> quarter i.e from April to June ----- 31st July of the financial year
- (ii) For 2<sup>nd</sup> quarter i.e from July to September ----- 31st October of the financial year
- (iii) For 3<sup>rd</sup> quarter i.e from October to December ----- 31st January of the financial year
- (iv) For 4<sup>th</sup> quarter i.e from January to March----- 31st May of the financial year immediately following the financial year in which deduction is made

**Q 26..In case of Inter Office Transfer from One Regional Office to another, how TDS will be calculated?**

Ans. In case of Inter Office Transfer from One Regional Office to another, details of month wise contributions during the financial year 2021-22 have to be shared through revised Annexure-K. The detail of total Taxable contribution along with its interest and

TDS deducted (if any) is also to be shared through Annexure –K. Further, Opening Balance and Closing Balance along with withdrawals (separately for Taxable and Non-Taxable part will also have to be shared).

**Q 27. In case of Exempted Trust to EPFO, how TDS will be calculated?**

Ans. In case of Exempted Trust to EPFO, Exempted Trusts have to intimate to EPFO the month wise amount of Employee share of contribution of the member and TDS (if any) deducted and details of month wise contribution for the previous year 2021-22 and all subsequent previous years have to be shared through Annexure-K or other mode. The detail of total taxable contribution along with its interest and TDS deducted (if any) is also to be shared through Annexure –K. Further, Opening Balance and Closing Balance along with withdrawals (separately for Taxable and Non-Taxable part will also have to be shared).

On the basis of information provided by the Exempted Trust, EPFO will arrive at the total employee share during the previous year 2021-22 and subsequent previous year and interest thereof against the member/UAN and TDS amount after subtracting of TDS already deducted/ deposited (if any) against such member, EPFO while processing annual accounts/ claim settlement/ transfer of PF account of such members shall deposit the balance amount of TDS at the applicable rate.

**Q 28. In case of Transfer from EPFO to Exempted Trust, how TDS will be calculated?**

Ans. In case of Transfer from EPFO to Exempted Trust, EPFO has to intimate to an Exempted Trust about the month wise amount of Employee share of contribution of the member and TDS (if any) deducted. Details of month wise contribution for the previous year 2021-22 and all subsequent previous years have to be shared through Annexure-K or other mode. The detail of total Taxable contribution along with its interest and TDS deducted (if any) is also to be shared through Annexure –K. Further, Opening Balance and Closing Balance along with withdrawals (separately from Taxable and Non-Taxable part) will also be shared. On the basis of information provided



by the EPFO, the Trust will arrive at the total employee share and interest thereof against the member/UAN and TDS amount after subtracting TDS already deducted/ deposited against such member. Exempted Trusts while processing the annual accounts/ settlement/ transfer of PF account of such members will have to deposit the balance TDS on interest in taxable account.

**Q 29. What are the details to be shared in Annexure-K while transferring the fund from previous account to current account?**

Ans. The month wise amount of Employee share of contribution of the member and TDS (if any) deducted and details of month wise contribution for the previous year 2021-22 and all subsequent previous years have to be shared through Annexure-K or other mode. The detail of total taxable contribution along with its interest and TDS deducted (if any) is also to be shared through Annexure –K. Further, Opening Balance and Closing Balance along with withdrawals (separately for Taxable and Non-Taxable part will also have to be shared).

**Q 30. Whether taxable contribution part will be subject to a separate accounting of interest?**

Ans. Yes, taxable contribution part will be subject to a separate accounting of interest and maintenance as the closing balance of this part will earn interest next year and will be subject to TDS.

**Q 31. Whether taxable and non-taxable both parts will be used for withdrawal?**

Ans. Yes, Withdrawal will be from taxable account thereafter from nontaxable account.

**Q.32. what is the timeline for submission of form -16 A.**

**Ans.** Due Dates to issue TDS certificates (Form 16)

Form No.	Due date	Periodicity
Form 16 (TDS on salary)	31st May 2022	Annual
Form 16A (TDS on income other than salary)	Within 15 days from due date of furnishing TDS return	Quarterly

**Note:**

- Form 16A is issued within 15 days from the due date of furnishing the TDS / TCS return.
- Form 16A is for TDS deducted on income other than salary

## Rate of TDS for FY 2021-22/AY 22-23 effective from 01.04.2022

# Annexure-E

EPF Employees contribution upto Rs. 2,50,000 for the previous 2021-22 & subsequent previous year

EPF Employees contribution above Rs. 2,50,000 for the previous 2021-22 & subsequent previous year

PF account to be maintained as non taxable account as well as taxable account

Taxable PF contribution account shall be the aggregate of following;  
(a) Contribution made by the person in a previous year in the account during the previous year 2021-2022 and subsequent previous years, which is in excess of the threshold limit  
(b) Interest accrued on (a) above.

For member being non resident, TDS will be applicable as per Section 195 of IT Act 1961

Rate of TDS will be @ 30 % for non resident as per section 195 of IT Act 1961. For FY 2021-22 rate of cess is 4% of TDS and surcharge is applicable if interest exceeds Rs. 50 Lacs.

Rate of TDS will be as prescribed under DTAA as per provision of section 90 or @ 30 %, whichever is beneficial to member.

For member being resident, TDS will be applicable as per Section 194 A of IT Act 1961

If PF Account is linked with valid PAN, rate of TDS will be @ 10 %.

If PF Account is not linked with PAN / valid PAN, rate of TDS will be @ 20 %.

If TDS amount is upto Rs. 5000/- No TDS will be deducted on interest credited/ paid.

**NOTE:** (i) For availing benefit as per DTAA, member has to file declaration as in form 10F as per provision of section 90 of IT Act 1961  
(ii) Rate of TDS for FY 2021-22/AY 22-23 effective from 01.04.2022