

# INDIAN INSTITUTE OF TECHNOLOGY DELHI

## IRD Accounts

No. IITD/IRD/Accounts/Salary/HIRN/16960

Dated 07.10.2014  
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**Subject:- Deduction of tax at source (TDS) from salary and submission of documentary proof of savings – clarification regarding.**

Under Income Tax Act, every salary disbursing authority has a statutory obligation to compute tax liability under the head salaries and deduct TDS strictly in the manner provided therein. TDS from the salary of Project/IRD staff (deductees) is deducted by IRD Accounts complying to the Tax provisions.

Notwithstanding the tax provisions being mandatory, requests from deductees for relaxation thereof are frequently received in IRD Accounts. The requests generally are for :-

- postponement of TDS deduction to the close of the financial year or
- computation of tax liability on actual paid salary instead of estimated salary or
- taking into account the savings/payments not actually made but proposed to be made by the deductee during the remaining part of the financial year also as admissible deductions in computing the TDS liability.

Non acceptance of such requests, for their being not covered by tax provisions, often also leads to representations from the deductee concerned. To obviate such requests/instances following clarification citing relevant tax provisions is provided for kind information of all deductees:-

- Section 192 of Income Tax Act mandates that any salary disbursing authority shall, at the time of payment, deduct income tax on the amount payable **at the average rate** of income tax computed on the basis of the rates in force for the financial year in which the payment is made, **on the estimated income** of the assessee under this head for the financial year. The aggregate tax calculated on the estimated income divided by 12 and rounded off to the nearest rupee is required to be deducted from the monthly salary.
- Deduction of rent under section 10(13A) of Income Tax Act and Rule 2A of Income Tax Rule is admissible on "actual rent paid".
- In chapter VIA of the Income Tax Act for admissibility/quantification of the rebates/deductions under Section 80, the expressions 'amount paid or deposited', 'premium paid', 'actual expenditure incurred', 'contribution or subscription made', 'loan repaid', 'donation made' etc. have been used.
- Employee is bound to give proper documentary proof of investment in savings to claim benefit of section 88 (now section 80) and the disbursing officer is entitled to deduct tax at source under section 192 till evidence of savings is filed with him by the employee (please refer to the attached clarification, Annexure-I).

In view of above, it is reiterated for information of all concerned that for the purpose of tax computation and TDS deduction, the actual investments/savings/expenditure supported with proper documentary proof would only be considered. The proposed savings/expenditures would not be considered. Further the benefit of house rent paid under Section 10 (13A) of the Income Tax Act would be allowed only if the receipt for the rent paid is furnished by the claimant in the proformas prescribed vide CDN Circular No. IITD/ICDN/2013 dated 3.9.2013 (copy attached for ready reference, Annexure-II).

The Project/IRD staff may, therefore, plan their savings keeping in view their monthly average tax liability and provide the details of the actual investments/savings/expenditure made (attaching the proper documentary proof) on the monthly pay bill itself under their signature **ensuring that it reaches the IRD Accounts latest by 20<sup>th</sup> of the month to which the Pay Bill relates.**

This has the approval of the competent authority.



13/11/14

(Mohd. Shamim)

Assistant Registrar (IRD A/Cs)



**Distribution :-**

All Heads of Department/Centre : It is requested that the content of the circular may kindly be brought to the notice of all faculty of your Deptt./Centre

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