

CBDT orders scrutiny of new revenue sources

Companies deferring TDS transfers, trust incomes to be under lens

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Mumbai, 6 September

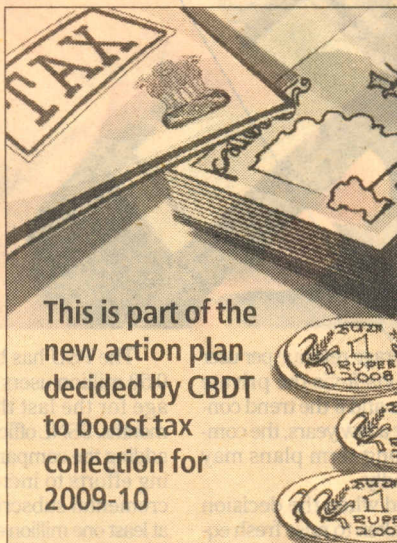
The interest paid on delayed compensation to land owners by companies or entities engaged in the creation of Special Economic Zones, industrial parks and infrastructure developments, and payments by electricity distribution companies to transmission line owners, will now attract tax.

The Central Board of Direct Taxes has also issued instructions to take all returns filed by companies paying royalty on mining contracts for scrutiny assessment.

This is part of the new action plan decided by CBDT for boosting tax collection for the year 2009-10 at the meeting with chief commissioners a fortnight before.

The CBDT has directed that the interest payments on delayed compensation and wheeling charges paid by electricity distribution companies to transmission line owners will be subject to tax deducted at source under section 194A. Under section 194A, which deals with tax deducted at source on "interest other than interest on securities", TDS will be deducted at 20.6 per cent.

For mining, the CBDT feels that even if the royalty on mining contracts attract tax collection at source (TCS), there have been large defaults in some cases



and thus potential revenue leakage. Thus, all income tax returns concerning payment of royalty on mining contracts will be opened for scrutiny assessment. If the tax has not been paid, companies or individuals will have to pay tax with penal rate of interest as decided by the assessing officer, officials said. TCS on royalty for industrial agreements is fixed in the range of 10-30 per cent depending on

the date of agreement.

Besides, the board has directed the department to make a scrutiny of all companies, especially the loss making ones, who have deferred TDS payments. Officials said that it has been seen that many companies are deferring transfer of TDS payments into government accounts despite having deducting these from their employees or other agencies or entities. By deferring the payment to government account, such companies are managing to generate funds much cheaper than by mobilising short-term funds/loans from the market or banks.

These are some measures taken by the government to boost TDS collections, since TDS/TCS together accounted for around 40 per cent of total tax collection in 2008-09, as against 34 per cent last year, sources explained. In absolute terms, TDS/TCS collections during 2008-09 are recorded at Rs 1,33,000 crore, 26 per cent more than last year.

Similarly, for ordinary income tax, the board has asked the departments to take returns of all sport bodies engaged in commercial activities and private educational institutions for scrutiny assessment. This is because the definition of charitable purpose has been amended, making some of the income of trusts taxable with effect from April 1, 2009.