

**GOVERNMENT OF INDIA**  
**Ministry of Finance**

(DEPARTMENT OF ECONOMIC AFFAIRS)

No.F.1 (13)-PD/80.

New Delhi, 28<sup>th</sup> January 1981.

To

Finance Secretaries of all State Governments etc.

Sub:- The Compulsory Deposit (Income-tax Payers) Scheme, 1974.

Sir,

The rates of compulsory deposit to be made by the income-tax payers under the Compulsory Deposit (Income-tax Payers) Scheme, 1974 for the assessment year 1981-82 (financial year 1980-81) are annexed. These rates are the same as specified in Section 40 of the Finance Act, 1978. The Annexure also contains other important provisions of the scheme.

2. Consequent on enactment of the Finance No.2) Act, 1980, the provisions of the Compulsory Deposit (ITP) Scheme, 1974 stand modified in the matter of repayment of deposits. Under the original provisions, compulsory deposits are repayable in five equal annual instalments commencing from the expiry of two years from the end of the financial year in which the deposit was made together with simple interest thereon at the maximum bank deposit rate (currently ten per cent per annum). From 1<sup>st</sup> April, 1981, the depositors will have the option not to withdraw the instalment amounts and interest thereon on their becoming due. In that event, the amount not withdrawn shall earn interest, so long as it remains in deposit, as if it were a compulsory deposit and the provisions of the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974 will continue to apply in relation to such amount or interest thereon. The depositor is not required to file any option for this purpose.

3. Two other modifications in the scheme as a result of enactment of Finance (No. 2) Act, 1980 are-

(a) In cases where the deposit is not made in accordance with the ITP Scheme, the depositor becomes liable to pay a penalty in addition to the deposit to be made. The penalty would now be exigible by the Income Tax Officer only in cases where the delay or default is without any reasonable cause; and

(b) The compulsory deposits will also qualify for exemption from wealth tax in the same manner as deposits with banks.

4. It is requested that the contents of this letter may be brought to the notice of the all officers who are to make deposits under the ITP Scheme. The Reserve Bank may also arrange to circulate these instructions to all deposit offices to avoid any inconvenience to the depositors.

Yours faithfully,

(Sd.)

M.D.PAL,

*Director (Budget).*

ANNEXURE  
**Compulsory Deposit (Income Tax Payers) Scheme, 1974**

Rates of deposit in relation to assessment year 1981-82  
(Financial year 1980-81)

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| 1. Where the current income exceeds Rs. 15,000 but does not exceed Rs. 25,000. | 4.5 per cent of the current income.  |
| 2. Where the current income exceeds Rs. 25,000 but does not exceed Rs. 35,000  | Rs. 1,125 plus 11 per cent of the amount by which the current income exceeds Rs.25,000   |
| 3. Where the current income exceeds Rs. 35,000 but does not exceed Rs. 70,000  | Rs.2,225 plus 12.5 per cent of the amount by which the current income exceeds Rs. 35,000 |
| 4. Where the current income exceeds Rs. 70,000                                 | Rs. 6,600 plus 15 per cent of the amount by which the current income exceeds Rs. 70,000  |

The above rates are subject to the following:-

(a) A person who is more than 70 years of age as on 1<sup>st</sup> April, 1980 is not required to make any compulsory deposit during the financial year 1980-81 in relation to assessment year 1981-82.

(b) in other cases-

(i) where the current income exceeds Rs. 15,000 but does not exceed Rs. 15,710 in respect of assessment year 1981-82 the compulsory deposit shall not exceed the amount by which the current income exceeds Rs. 15,000.

(ii) where the amount of compulsory deposit calculated in accordance with the foregoing provisions is less than Rs. 100, it shall not be necessary for the tax payer concerned to make such deposit.

2. The expression "current income" in relation to an assessment year means the estimated amount of total income of the relevant previous year computed in accordance with the provisions of the Income Tax Act, 1961 [excluding capital gains and income referred to in Section 2 (24) (ix) of that Act, viz., winnings from lotteries, cross-ward puzzles, races and other games of any sort] as increased by the estimated amount of net agricultural income computed in accordance with the Finance Act of the relevant year. That is to say, current income refers to the net taxable income.

3. Repayments under the Additional Emoluments (Compulsory Deposit) Act, 1974 form part of the "current" income but not those under the ----- Scheme. Interest on deposits both under the Additional Emolument (Compulsory Deposit) Act, 1974 as well as the ITP Scheme form part of the current "income" but these qualify for exemption

along with income on other approved investments in terms of Section 80 L of the Income Tax Act, 1961.

4. Deposits may be made in one or more instalments at any office of the Reserve Bank, or branch of the State Bank of India and its subsidiaries or nationalized banks by 31<sup>st</sup> March, 1981. Where the ITP account was opened in a previous year, further deposits will be made into that account.

5. Transfer of an account is permissible from one deposit office to another deposit office of the same bank. Transfer is also permissible in the case of an account opened in an office of the Reserve Bank of India to any office or branch of State Bank or its subsidiaries or of any nationalized bank.

Where a depositor is transferred from one place to another and his CD (ITP) account maintained at the earlier place of posting is not transferred to the new place to enable him to make deposit within the prescribed period, he may open a new account with the same bank at the new place to make requisite deposit and have this new account merged with the old account on its transfer to new place of posting.

6. Nomination facility is provided under the scheme; a depositor may nominate one or more persons who will be entitled to the repayment of compulsory deposit in the event of the death of the depositor.

7. The amount of compulsory deposit and interest thereon is not liable to attachment under any decree or any order of any court in respect of any debt or liability incurred by the depositor.

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