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GOVERNMENT OF INDIA

Ministry of Finance

(Department of Economic Affairs)

New Delhi, the 22nd October, 1979

To

Finance Secretaries of all State
And Union Territory Governments
And Administrations

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

Sir,

The Compulsory Deposit Scheme framed under the Compulsory Deposit Scheme (Income-tax-payers) ACT, 1974 (hereinafter referred to as ITP Scheme) has been extended for a further period of two years i.e. for the assessment years 1980-81 and 1981-2 by an amendment of the aforesaid Act through Section 46 of the Finance Act, 1979(21 of 1979).

2. The rates of Compulsory Deposit under the Scheme for the assessment year 1980-81(financial year 1979-80) will be the same as specified in Section 40 of the Finance Act, 1978 (No.19 of 1978)viz:-

- | | |
|---|---|
| (1) Where the current income exceeds Rs.15000 but does not exceed Rs.25,000 | 4.5 percent 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 percent of the amount by which the Rs25,000 |
| (3) Where the current income exceeds Rs 35,000 but does not exceed Rs 70,000 | Rs 2,225 plus 12.5 percent of the amount by which the current income exceeds Rs35,000 |
| (4) Where the current income exceeds Rs70,000 | Rs6,600 plus 15 percent 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 1st April 1979 is not required to make any compulsory deposit during the financial year 1979-80 in relation to assessment year 1980-81.

(b) in other uses:-

(i) Where the current income exceeds Rs.15,000 but does not exceed Rs.15,710 in respect of assessment year 1980-81 the compulsory deposit shall in no case 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 taxpayer concerned to make such deposit.

3. 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 provision 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 relevant year. That is to say, current income refers to the net taxable income.

4. Repayments under the Additional Emoluments (Compulsory Deposit) Act 1974 from part of the ‘Current’ income but those under the ITP scheme. Interest on deposits both under the Additional Emoluments (Compulsory Deposit) Act,1974 as well as the ITP Scheme from part of the current ‘income’ but these qualify for exemption along with income on other approved investments in terms of Section 80L of the income Tax Act,1961.

5. Deposits are to be made at any office of the Reserve Bank, branch or office of the State Bank of India and its subsidiaries if nationalized banks by 31 st March 1980. Where the ITP account was opened in a previous year, further deposits will be made into that account.

6. 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.

7. Compulsory Deposit under the ITP Scheme are repayable in 5 equal annual installments commencing from the expiry of two years from the end of the financial Year in which the deposit was made, together with interest thereon. The depositor are entitled to simple interest on deposits at the maximum bank deposit rate(9 percent since 1st March 1978 and 10% with effect from 1-10-1979) but it should be noted that interest ceases to accrue on the installments after they become due for repayment.

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

The amount of compulsory deposits 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.

In cases where the deposit is not made in accordance with the ITP Scheme the Income Tax Officer may order recovery when the depositor also becomes liable to penalty equal to 25% of the amount of deposit in default.

8. It is requested that the contents of the letter may be brought to the notice of all officers who are to make deposits under the ITP Scheme.

Your's Faithfully,

(Sd)

M.D.PAL,

*Deputy Secretary to the Government of
India*