

GOVERNMENT OF KERALA

No. 40/63/Fin.

FINANCE DEPARTMENT,
Trivandrum, Dated, 8th June 1963.

CIRCULAR

Sub:- Compulsory Deposit Scheme-Employees and Income Tax Payers-
Applicability of –Instructions regarding.

The Government of India have published the following schemes under the Compulsory Deposit Scheme Act 1963 and it has been decided to introduce them with effect from 1st July 1963:-

- (a) Compulsory Deposit (Income Tax Payers) Scheme, 1963. (This scheme deals with persons liable for the payment of income-tax)
- (b) Compulsory Deposit (Employees) Scheme, 1963. (This scheme deals with persons in receipt of salaries of Rs. 1,500 or above per annum but not subject to income tax)

Copies of the above two schemes are forwarded separately.

2. These schemes provide for the opening of compulsory deposit accounts with all Heads Post Offices, Departmental Sub Post Offices, all offices of the Reserve Bank of India and branches of the State Bank of India and its subsidiary banks other than those which are specifically excluded for this purpose. The depositors will be issued a separate pass book in each case and the amount in deposit, together with simple interest at 4 per cent per annum, will be repaid five years after the end of the year in which the moneys were deposited. The interest will be free of income-tax. The schemes provide for the declaration of nominees to whom payments will be made in the event of the death of the depositors without the production of succession certificates or other legal proof of title. The deposits are exempt from attachment under any decree or order of any Court in respect of any debt or liability incurred by the depositors.

3. The salient features of the two Schemes are given below:-

A. *Scheme for Income Tax Payers.*

Under this scheme, the assessee himself will have to make the deposit direct at the deposit office of his choice any time during the course of the financial year but not more than once a month. If he does not do so he will become liable for the payment of additional surcharge under the Finance Act, 1963 without any reduction. The deposit office will issue separate receipt for each deposit and also show the deposit in the pas book. The depositor will be expected to make over these receipts to the Income-tax Department as proof of having made the compulsory deposit for claiming deduction from additional surcharge payable by

him. It follows that, in the case of salary earners who are subject to income-tax, no deduction of compulsory deposits will be made at source.

B. *Scheme for Employees.*

C.

This scheme applies to employees of:

- (a) Central and State Governments;
- (b) Local Authorities;
- (c) Companies, including foreign companies and Government companies;
- (d) Corporations, including Co-operative Societies; and
- (e) Individuals, associations of persons or bodies of individuals liable to payment of income-tax and entitled to deduct the salary paid to their employees for purposes of computing their income;

Whose annual income from salaries is Rs. 1,500 or above but who are not subject to income-tax. The scheme imposes an obligation on the employer to deduct the compulsory deposit at source at the time of payment of salary to the employees. The amount of deposit will be three per cent of the annual income from salary. For the year 1963-64 the deposit will be 2 1/4 per cent of the annual income since the scheme is effective only from 1-7-1963. No deposit under this scheme need be deducted in cases where a sum not less than 11 per cent of the annual salary is being paid by the employee in the form of Life Insurance Premia (on the life of either husband or wife), subscription to the General Provident fund or Contributory Provident Fund (including Contingent and Work Charged Employees' Provident Funds) and deposits in Ten and Fifteen Year Accounts under the Cumulative Time Deposits Scheme.

4. In order to enable the deduction of deposits from salaries in the case of Government employees who come within the scope of the Compulsory Deposit (Employees) Scheme, the following instructions are issued:-

(i) All Heads of Departments and offices disbursing salaries to the employees under them will obtain a declaration in writing from each of the employees in the month of March every year showing the amounts proposed to be paid by him during the ensuing financial year towards contribution to the Provident Fund, Life Insurance Premia and deposits in Ten or Fifteen Year Accounts under the Cumulative Time Deposits Scheme. So far as the current financial year is concerned each declaration should be obtained in the month of June 1963. If the total amount proposed to be paid by an employee under one or all of these items is not less than eleven per cent of his annual income from salary for that year no deduction need be made from his salary towards deposits under the Compulsory Deposit Scheme. Where the total amount falls short of eleven per cent of annual income, the full amount of the deposit due from him under the scheme will be deducted. It may be noted in this connection that, under the existing rules relating to the State General Provident Fund, a subscriber is permitted to enhance the rate of contribution once at any time during the course of a financial year in addition to any change that he may make in his pay bill for March.

(ii) The amount to be deposited under the Scheme should be worked out at 2 ¼ per cent of the total annual income from salary for 1963-64 and at 3 per cent from 1964-65 onwards. Where the amount worked out at this rate contains a part of a rupee, it should be rounded to the nearest rupee, by taking fifty naye paise and above as one rupee and ignoring amounts below fifty naye paise. The monthly rate of deduction should then be fixed in such a manner that fractions of a rupee are avoided. For example, if the annual amount of deduction from one employee is Rs. 63, the monthly instalments may be fixed at Rs. 5 for the first 11 months and Rs. 8 for the last month. So far as the current financial year is concerned, the rate of instalment is to be arrived at by dividing the amount of compulsory deposit due by 9, subject to the adjustment referred to in the above sentence. The first recovery and remittance will be made in the month of July 1963, i.e., from the pay and allowances for June 1963.

Note:- The expression “salary” has the same meaning as in Section 17 of the Income Tax Act but does not include any gratuity or annuity or pension.

(iii) The amount of deposit should not be short drawn in the pay bills, since the accounts are not maintained in the Accountant General’s Office. Deduction will be made only at the time of the actual disbursement of the salary by the Head of the Office to the employee and will be duly noted in a separate column in the acquittance roll as in the case of deductions under the Pay Roll Savings Scheme.

Note:- In cases where the disbursing officers draw their requirements by cheques they may obtain a separate cheque in favour of the deposit office for the recoveries relating to Compulsory Deposits, so as to avoid handling of cash unnecessarily. In such cases also the deductions will not be reflected in pay bills except that the total amount of the pay bill will be drawn against two cheques.

(iv) When the deduction is made from an employee for the first time the drawing officer shall obtain an application for opening Compulsory Deposit Account in the prescribed form from the employee and forward the application together with the amount to the nearest deposit office which, on accepting the application and the amount, will issue a pass book in the name of the depositor. All subsequent deposits should be accompanied by the pass book.

(v) The deductions made by the Head of Office will be listed out in a statement in the form prescribed in the Scheme in duplicate or triplicate as may be required by the deposit office. This Schedule of deductions should also be sent along with the amounts deducted to the deposit office which will return one copy of the schedule duly received.

(vi) The amounts deducted each month should be remitted to the deposit office within fourteen days from the date the deductions have been made. To avoid loss of interest to the depositor, all deductions made within a month should as far as possible be deposited with the deposit office within the same month. In the month of March, however, the Scheme requires the deposits to be made in that very month and not in the

subsequent month, as otherwise repayment of deduction in the month of March would be postponed by another year.

(vii) The pass books will be kept in the custody of the Heads of the Office who will verify that the recoveries made every month have been duly entered in the pass books. The pass books will also be open for inspection by the employees for which suitable facilities may be provided.

(viii) The drawing officer shall verify during the course of the year but not later than the day on which salary is paid in March (salary for February) whether the employee has paid the amounts according to the declaration mentioned in (i) above. If, on verification, it is found that the amount paid by the employee falls short of 11 per cent of his annual income from salary, the full amount of deposit payable by him for that year should be deducted from the salary payable in March, i.e., the salary for February.

(ix) On the termination of employment, the pass book shall be handed over to the employee against receipt. Thereafter the Head of Office will in no way be concerned with all subsequent transactions including the repayment of the deposits, which will have to be claimed directly from the deposit office by the depositor himself.

In the case of transfer of an employee to another office, the Head of Office shall arrange for the transfer of the pass book along with the transfer documents of the employee to the Office to which he is transferred. An acknowledgement may be obtained from the new Office and placed on record.

(x) The Head of Office shall also arrange to make available the pass book to the depositor to enable him to claim any repayment of the deposit from the deposit office, to which he may be entitled under the Scheme.

(xi) The Head of Office shall be personally responsible for the deductions on account of compulsory deposits and for their prompt remittance to the deposit office and for the correctness of the amounts deposited. The records relating to these transactions will have to be made available to audit as and when required.

(xii) In the case of persons drawing salaries directly from the treasuries the deposit will have to be made by the employees themselves every month in the deposit offices. The pass books issued by the deposit office will be retained by such employees but will be required to be produced for inspection of the Head of Office, who shall be responsible to verify that the deposits are being made regularly and correctly. For this purpose the Head of Office shall maintain a register in the form as in the annexure to this Circular.

5. Officers whose salary is drawn and disbursed by their Heads of Offices and other drawing officers and who come within the scope of the Compulsory Deposit (Income Tax Payers) Scheme will make deposits under that scheme direct and not through the intermediary of the Heads of Offices or other drawing officers even through

deduction of income tax, surcharge and additional surcharge is made in the pay bills. The drawing officer should make sure by verification of the pass books that the deposits are made as required under the scheme, so as to fix correctly the amount of additional surcharge recoverable.

6. Heads of Departments and Offices will circulate the Schemes and this Circular among the officers and staff under them so that every one becomes familiar with the provisions of the Schemes and the manner of their implementation.

7. The above instructions will apply mutatis mutandis to the local bodies, Government commercial concerns, statutory corporations and co-operative societies.

C.THOMAS,
Special Secretary (Finance).

To

The Accountant General, Kerala.
All Heads of Departments and Offices.
The Director of Panchayats
The Director of Municipalities for circulation among local bodies.
The Registrar, University of Kerala (with C.L.)
The Registrar of High Court (with C.L.)
The Secretary, Kerala Public Service Commission (with C.L.)
The General Managers of Government Commercial Concerns.
The Commissioner of Corporation, Trivandrum and Kozhikode.
The Secretary, Travancore Devaswom Board (with C.L.)
The Secretary, Cochin Devaswom Board, Trichur (with C.L.)
All secretaries, Additional Secretaries, Joint Secretaries, Deputy Secretaries,
Under Secretaries and Assistant Secretaries to Government.
All Departments and Sections of the Secretariat.
All Secretary to the Governor.
The Personal Assistant to the Chief Secretary.
The Managing Director, Kerala Finance Corporation.
The Managing Director, Kerala State Industrial Development Corporation.
The Managing Director, Kerala State Small Industries Corporation.
The Secretary, Kerala State Electricity Board (with C.L.).

ANNEXURE

Compulsory Deposit (Employees) Scheme, 1963.

Name of the Employee.	Year and month of deposit.	Amount of deposit.	Date on which pass book is produced for inspection.	Remarks of the Head of Office.
(1)	(2)	(3)	(4)	(5)

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- Wherever the employee is contributing a sum not less than eleven per cent of his income from his salary in the form of Life Insurance Premia, contribution to Provident Fund and deposits in the 10 and 15 year Cumulative Time Deposits with the Post Office, this fact should be indicated in this column.
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