

No. F. 5 (5)-CD/82
GOVERNMENT OF INDIA

Ministry of Finance
DEPARTMENT OF ECONOMIC AFFAIRS
CD- Special Cell

New Delhi, the 11th May, 1982

To

All Nominated Authorities under the Additional Emoluments Compulsory Deposit (Local Authority Employees) Scheme.

Subject:-Additional Emoluments (Compulsory Deposit) Act, 1974-Repayments of Annual instalments.

Sir,

As you are aware, the whole of the Additional Wages Deposits and Additional Dearness Allowances Deposits (old) and 80% of Additional Dearness Allowances Deposits (new) made under the Additional Emoluments (Compulsory Deposit) Act, 1974 have already fallen due for repayment. Even though the fifth and final instalments of the former two deposits fell due in July, 1979 and July, 1980 respectively, the Reserve Bank of India, with whom deductions under the Act lie impounded, continue to hold substantial balance in respect of the Local authority employees. This is despite repeated exhortations by the Ministry of Finance for expediting repayment of the overdue instalments. The progress of repayment of instalments of new deposits also continues to be slow. Since repayment of the fifth and final instalment of these deposits will also become due in July 1982, it is imperative that repayment of the overdue instalments is made immediately so that the Deposit accounts could be closed both by the specified authorities and the Nominated authorities soon after repayment of the said instalment.

2. With repayment of the overdue instalments, only the fifth and final instalment of Additional Dearness Allowances Deposits (new) would remain to be repaid. This instalment also falls due on 6th July, 1982 and would be repayable by credit to provident fund accounts of the employees who are subscribers to a provident fund, and in cash in other cases. The repayment of the said instalment may be made soon after it falls due and, in any case, before the end of August, 1982. Even if there is in pressure from the employees for repayment of instalments of ADADA (new) which are creditable to their provident fund accounts, the specified authorities and the Nominated authorities cannot be absolved of their responsibility in the matter. It may be impressed on the specified authorities that timely submission of claims for repayments due under the Act is a statutory responsibility assigned to them under the AECD scheme. Those authorities may also be forewarned that with the withdrawal from October, 1982 of additional staff provided to the Nominated authorities for ACED work, following repayment of the last instalment due in July, 1982, difficulties may arise in obtaining payments against

claims not submitted immediately after the due date. Since the present instalment would be the final, it is essential that the CD accounts of the specified authorities are fully reconciled with those of the Nominated authorities on a priority basis in order to ensure timely repayment. In case of establishments against whom any dues are outstanding on account of defaulted amounts of deposits or penal interest, any further release of funds should be made only after clearance of the defaulted dues.

3. While the procedure to be followed by the Specified Authorities, Nominated Authorities and the Provident Fund Authorities has been indicated in paragraphs 10 and 10 A of the Additional Emoluments Compulsory Deposit (Local Authority employees) Scheme, some of the important points that need to be borne in mind by the specified authorities while making applications for release of funds by the nominated authorities in making the funds available to the specified authorities or the provident fund authorities, as the case may be, and by the provident fund authorities, in transferring the amounts to the employees provident fund accounts are indicated below:-

(1) Employees are entitled to receive interest on the entire amount deposits is made in them. The balance of deposits i.e. after repayments of the instalment, thereafter qualifies for interest from the first of the month in which repayment is made. Instance had come to notice where employees were allowed interest only up to the end of June, even though the applications for repayment of the instalment had been submitted after 31st July. In such cases and also in case where the funds for repayment of instalments against applications submitted in July were released by the nominated authority in a subsequent month, the employees would be entitled to (a) interest on the unreduced balance (i.e.. before repayment of the fourth instalment) up to the end of the month proceeding the month of repayment of that instalment plus (b) interest at the reduced balance. (i.e. after repayment of the fourth instalment from the month of repayment). Thus, for instance, if an employee had to his credit on 30-6-1981 in ADADA (New) a sum of Rs. 300 as deposits (i.e. principal) and if he was repaid principal portion of the fourth instalment amounting to Rs. 150 in November 1981 (instead of in July, 1981) either by credit to his provident fund account or in cash and if he is being repaid the fourth instalment in July, 1982, he would be entitled to receive as interest along with the fifth and final instalment of deposits of Rs. 150 the following amounts by way of interest.

- (a) Rs. 12.50 being the interest on Rs. 300 for 4 months (i.e. July to October, 1981):
- (b) Rs. 12.50 as interest on the balance deposits of Rs. 150 for months (i.e. November 1981 to June 1982)

(2) In case of repayment by credit to provident fund accounts of the employees, both the amount of deposits repayable and that of interest payable, is to be rounded off in the manner indicated in para 3 and 4 of this Ministry's letter No. F6 (27)- CD/76 dated the 27th July, 1976. Since the total amount of deposits repayable cannot exceed the balance standing to the credit of the specified authority in its account with the Nominated authority, in the un-likely event of the total of the amounts payable to various employees ledger accounts because of the rounding off, the amounts of deposits payable to the

employees may be rounded off to the nearest lower rupee, to the extent necessary , the balances of total amounts payable to such employees being taken as amounts due by way repayment of deposits or payment of interest, is to be done.

(3) Separate applications will need to be made in respect of employees subscribing to a provident fund (In Form XA) and those not so subscribing (in Form X). The nominated authority will not entertain an application for repayment from a specified authority unless it also shows the amount required for repayment of interest. The nominated authority will also ensure that funds required for making repayment of deposits and payment of interest to the employees of an establishment are made available to the specified authority or the provident fund authority, as the case may be, simultaneously .

(4) As interest payments are to be made from Government account (as distinct from Deposit accounts) separate bills will need to be prepared by the nominated authority for obtaining the required funds from the Deposit Office.

(5) Interest payments are adjustable under the head “247-Other Fiscal Services-Additional Emoluments (compulsory Deposits)Act, 1974. “ Necessary provision therefore has been made in Demand “No. 42- Other Expenditure of the Ministry of Finance” for 1982-83 under the following detailed head below the sub-head “A-Other Fiscal Services –A. 1(3) Additional Emoluments (Compulsory Deposits) Act, 1974.”

“A.1. (3) (5) – Interest on deposits in the Additional
Dearness Allowance Deposits account (New): A.1 (3) (5)
(4) Local Authority employees.”

The current year’s provision for interest payments on ADADA (old) appears under sub-head “A.1 (3) (4)- Interest on deposits in the Additional Dearness Allowance Deposit Account. A.1 (3) (4) (4) Local Authority employees”. The sub head and the appropriate detailed head should be clearly indicated on the bill for interest payments before the same is presented by the Nominated authority to the Deposit Office.

(6) The Specified authorities should as far as possible submit applications for repayment of deposits and payment of interest to the Nominated authority in the first half of the month to enable the latter to pass the claims during the same month. This will save the employees from avoidable loss of interest and obviate the need for preparing and passing supplementary claims on account of additional interest payments necessitated by the delay in making repayment to the employees or crediting the amounts to their provident fund accounts, as the case may be.

(7) Before submitting the application for repayment to the Nominated authorities, the specified authorities should ensure that the aggregate of the balances standing to the

credit of the various employees tallies with the Annual abstracts of employees' ledger accounts (Form XIV) sent or to be sent to the nominated authority

(8) The amount of deposits repaid during the year has to be treated as salary paid in arrears and income-tax deducted at source. However no deduction of income-tax at source need be made in the case of employees, whose income-tax at source need be made in the case of employees, whose income but for the repayment of deposits would be within tax-free limit and who satisfy the conditions laid down in the Central Board of Direct Taxes Circular No. F. 1 (14) CD/77 dated the 25 the May, 1978.

(9) The amount of interest paid to the employees need not be taken into account in computing the total income of employees for the limited purpose of deduction of income-tax at source

(10) As the amounts creditable to an employees provident fund account by way of repayment of the annual instalment of additional dearness allowance deposits (new) and payment of interest due in respect thereof, will be in the nature of constructive payment, no distinction is to be made between such credits to the provident fund account and payments, in cash. The amount so credited will be treated as employees subscription to the provident fund during the year and will qualify for deduction as permissible under section 80 C of the Income-tax Act, 1961.

(11) If as a result of the employees receiving repayment of the deposits his salary is assessed at a rate higher than it would otherwise have been it will be open to him to claim the necessary rebate from the concerned Income tax-Officer under section 89 (1) of the Income tax Act, 1961, read with Rule 21 A (2) (a) of the Income-tax Rules, 1962. The amount received by an employee by way of payment of interest, however, will be treated as income during the year but will qualify for deduction under section 80 L of the Income-tax Act.

(12) Before authorizing repayment, the Nominated authorities would endeavour to reconcile (a) the specified authority-wise accounts, maintained by them, with the annual abstracts of the employees ledger accounts received from the specified authorities; and (b) the aggregate of the balances standing to the credit of all the specified authorities as per nominated authorities books with the corresponding balances standing to the credit of the Nominated authorities as per the books of the Deposits Offices.

(13) The nominated authority will scrutinise the applications to ensure that the amounts sought to be drawn or transferred to the provident fund account, do not exceed:-

- (a) in the case of deposits (i.e. principal) amount standing to the credit of the specified authority and

(b) in the case of interest, save marginally, the amount credited to his Deposit account.

(14) The receipts given by the employees for the amounts of repayment and interest payments will be exempt from stamp duty.

(15) Where repayments are to be made by credit to the employees provident fund accounts, it is essential that the provident fund authority credits the amounts in question to the employees provident fund accounts within fifteen days of the receipt of the payment order, cheque or demand draft, as the case may be. The fact of such credit having been made should be intimated by the specified authority to the concerned employee as soon as possible. This is in addition to the obligation cast by para 10 A (4) (e) of the Scheme.

(4). These instructions, may suitably be brought to the immediate notice of the specified authorities in your jurisdiction and the concerned provident fund authorities for their guidance and necessary action. In particular, all specified authorities may be instructed to a) immediately submit applications for release of the over-due instalments i.e. those which have already fallen due for repayment and thereafter update and reconcile the compulsory deposit accounts before repayment of the last instalment (referred to in paras 2 and 3) falls due in July, 1982: and (b) to bring the position regarding income-tax liability and computation of total income for deduction of tax at sources, as set out in sub-paras (8) to (11) of para 3 above to the notice of their employees.

(5) Since the whole of the deposits under the AE (CD) Act 1974 would have fallen due by July 1982 monthly progress reports showing consolidated position of repayment of the balances of these deposits, may also please be furnished in the annexed form so as to reach this Ministry by the 16th of the month following, the month to which the reports relates. The first such report showing the position as on 31st July, 1982 should, thus, reach this Ministry by 16th August, 1982 positively. Some of the Nominated authorities continued to be irregular in submitting the progress reports. Prompt action need to be taken by them to remedy the situation. As the format of the report has been enlarged to show the position of repayment of balances as on 30th June 1982, it would no longer be necessary to submit reports in respect of instalments which fell due in the earlier years after submission of the reports for and upto June 1982.

Yours faithfully,

(Sd)

T.N. KRISHNAMURTHY
Deputy Secretary to the Government
Of India.

ANNEXURE

**Report showing progress of repayment of deposits under
The Additional Emoluments (Comulsory Deposit)
Act, 1974 to Local Authority Employees**

State/ Union Territorymonth ending.....

Additional Wages Deposits	Additional D.A Deposits (old)	Additional D.A Deposits (New)
(In thousands of rupees)		
1. Balances of deposits on 30 th June, 1982		
2. Amounts of deposits repaid After 30 th June, 1982		
3. Amounts of balances due for Repayments (SI No.1 minus SI No.2)		

Place
Date

Signature
Name
Designation

1. The amounts against SI No. 1 should indicate the balances of deposits as per the specified authority-wise accounts.
 2. The amounts against SI No. 2 should indicate the progressive figures of repayment from 1st July, 1982 onwards.
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