

Circular No. 07/2015

F. No. 275/50/2006 IT (B)

Government of India

Ministry of Finance

Department of Revenue

Central Board of Direct Taxes

North Block, New Delhi

April 23, 2015

Subject: Requirement of tax deduction at source in case of corporations whose income is exempt under section 10 (26BBB) of the Income-tax Act, 1961- Exemption thereof.

The Central Board of Direct Taxes (the Board) had earlier issued Circular No. 4/2002 dated 16.07.2002 which laid down that in case of such entities, whose income is unconditionally exempt under section 10 of the Income-tax Act (the Act) and who are statutorily not required to file return of income as per section 139 of the Act, there would be no requirement for tax deduction at source (TDS) from the payments made to them since their income is anyway exempt under the Act.

2. Section 10(26BBB) came into existence after the issue of the said Circular dated 16.07.2002. The said section was inserted in the Income-tax Act vide Finance Act, 2003 (w.e.f. 01.04.2004) unconditionally exempting any income of a corporation established by a Central, State or Provincial Act for the welfare and economic upliftment of ex-servicemen being the citizens of India. The corporations covered under section 10(26BBB) are also statutorily not required to file return of income as per section 139 of the Act. References have been received in the Board requesting for extension of the aforesaid exemption from TDS granted vide Circular No.4/2002 to the corporations covered under section 10(26BBB) as well.

3. The matter has been examined by the Board. It has now been decided that since the corporations covered under section 10(26BBB) satisfy the two conditions of Circular No.4/2002 i.e. unconditional exemption of income under section 10 and no statutory liability to file return of income under section 139, any corporation whose income is exempt under section 10 (26BBB) of the Act will also be entitled to the benefit of the said Circular. Hence there would be no requirement for tax deduction at source from the payments made to such corporations since their income is anyway exempt under the Act.

4. Hindi version shall follow.

(Sandeep Singh)

Under Secretary to the Government of India

