

F.No.275/192/2008-IT(B)  
Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes

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New Delhi, dated the 31<sup>st</sup> August, 2009.

**Subject :- Clarification regarding deduction of tax at source from payments of second installment of arrears to Government employees on account of implementation of Sixth Central Pay Commission's recommendations matter regarding.**

Under the provisions of Section 192 of the Income-tax Act, an employer is required to deduct tax at source from any payments in the nature of salary, which inter alia also includes any arrear payments. The Implementation Cell of the Department of Expenditure, Govt of India, vide its Office Order dated 30<sup>th</sup> Aug'08 had stated that 40% of the aggregate arrear (first installment of arrears) would be payable during FY 2008-09. In Circular No. 09/2008 dated 29<sup>th</sup> Sept.2008 issued from this office it was stated that during 2008-09 the tax has to be deducted at source on this 40% of aggregate arrear during FY 2008-09. The OM, F.No-1//1/2008-IC, of the Implementation Cell of the Department of Expenditure, Govt of India, vide its order dated 25<sup>th</sup> August, 2009 has stated that the remaining 60% of the aggregate arrear (second installment of arrears) would be paid to the concerned Government servants during FY 2009-10. Such arrangements could be followed by State Governments also.

In this regard, all the DDOs and PAOs as the case may be, in the Central/State Government and various organizations under them are advised to compute the correct tax liability of every employee on second installment of arrears drawn by him and immediately recover the full tax liability along with education cess thereon at the rates in force. The deduction of tax at source on such arrear payment should not be deferred in any circumstance. They should further ensure that the tax so recovered is paid to the account of Central Government account immediately as per the Income Tax Rules, 1962. The DDOs/PAOs are further advised that they should ensure that the PAN details of the deductees (recipient of arrears) are correctly quoted in the relevant quarterly e-TDS returns filed by them so that the Government Servants get proper credit of their tax deducted in their respective income tax returns.

DDOs/PAOs who fail to comply with the provisions of Section 192 of the Income-tax Act, 1961 would be liable to pay interest under section 201(1)/(1A) of Income Tax Act along with other penal consequences.

Hindi version will follow.

Sd/  
**Ansuman Pattnaik )**  
**Director ( Budget )**

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Director General, National Academy of Direct Taxes, Nagpur .

Comptroller & Auditor General of India (40 Copies).

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All Officers up to level of Under Secretary in CBDT.

DIT (RSP & PR) for according wide publication of this Circular.

Competent authority Delhi/Chennai/Kolkata/Mumbai,

All the Directorates attached to CBDT

**(Ansuman Pattnaik)**  
**Director (Budget)**