

AO not to raise direct demand against an assessee wherein TDS credit mismatch arises due to default of deductor: CBDT

SECTION 199 OF THE INCOME-TAX ACT, 1961 - DEDUCTION OF TAX AT SOURCE - CREDIT FOR TAX DEDUCTED - NON-DEPOSIT OF TAX DEDUCTED AT SOURCE

INSTRUCTION NO.275/29/2014-IT-(B), DATED 1-6-2015

Grievances have been received by the Board from many taxpayers that in their cases the deductor has deducted tax at source from payments made to them in accordance with the provisions of Chapter-XVII of the Income-tax Act, 1961 (hereafter 'the Act') but has failed to deposit the same into the Government account leading to denial of credit of such deduction of tax to these taxpayers and consequent raising of demand.

2. As per Section 199 of the Act credit of Tax Deducted at Source is given to the person only if it is paid to the Central Government Account. However, as per section 205 of the Act the assessee shall not be called upon to pay the tax to the extent tax has been deducted from his income where the tax is deductible at source under the provisions of Chapter- XVII. Thus the Act puts a bar on direct demand against the assessee in such cases and the demand on account of tax credit mismatch cannot be enforced coercively.

3. This may be brought to the notice of all the Assessing Officers in your region so that if the facts of the case so justify, the assessee are not put at any inconvenience on account of default of deposit of tax into the Government account by the deductor.

4. This issues with the approval of Chairperson, CBDT.