

No recovery from assessee where tax has been deducted but not deposited by deductor, CBDT reaffirms

SECTION 199 OF THE INCOME-TAX ACT, 1961 - DEDUCTION OF TAX AT SOURCE - CREDIT FOR TAX DEDUCTED - NON-DEPOSIT OF TAX DEDUCTED AT SOURCE BY THE DEDUCTOR - RECOVERY OF DEMAND AGAINST DEDUCTEE ASSESSEE

OFFICE MEMORANDUM F.NO.275/29/2014-IT(B), DATED 11-3-2016

Vide letter of even number dated 1-6-2015, the Board had issued directions to the field officers that in case of an assessee whose tax has been deducted at source but not deposited to the Government's account by the deductor, the deductee assessee shall not be called upon to pay the demand to the extent tax has been deducted from his income. It was further specified that section 205 of the Income-tax Act, 1961 puts a bar on direct demand against the assessee in such cases and the demand on account of tax credit mismatch in such situations cannot be enforced coercively.

- 2.** However, instances have come to the notice of the Board that these directions are not being strictly followed by the field officers.
- 3.** In view of the above, the Board hereby reiterates the instructions contained in its letter dated 1-6-2015 and directs the assessing officers not to enforce demands created on account of mismatch of credit due to non-payment of TDS amount to the credit of the Government by the deductor. These instructions may be brought to the notice of all assessing officers in your Region for compliance.