Payments of hiring charges for cranes not liable for sec. 194C TDS

Summary – The Amritsar ITAT in a recent case of Bhangal Construction Co., (the Assessee) held that payments of hiring charges for cranes is not liable for sec. 194C TDS

Facts

- The assessee firm was engaged in business of a civil contractor.
- The Assessing Officer observed that the assessee had made payments to various parties as hiring charges for the use of cranes. However, since the assessee had not deducted tax at source under section 194C on the said amounts paid the payments were disallowed.
- On appeal, the Commissioner (Appeals) upheld the order of the Assessing Officer.
- On the assessee's appeal before the Tribunal:

Held

- The Tribunal examined that in the present appeal the only issue is whether the payments towards hiring charges of cranes is liable for deduction of tax at source under section 194C, or not. As per the provisions of section 194C any person responsible for paying any sum to any resident 'contractor' for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between the contractor and a specified person shall, at the time of credit of such sum to the account of the contractor or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount as therein specified as income tax on income comprised therein.
- Thus, the obligation to deduct tax at source under section 194C arises only where there is a payment/credit of any sum to a contractor for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract. The ITAT upheld the contention of the assessee that payment towards hiring charges of cranes cannot be brought within the definition of the term 'work' as per section 194C. The assessee was correct in not deducting tax at source under section 194C in respect of the payments made towards hiring charges of cranes and thus the view taken by Commissioner (Appeals) and AO is incorrect.