

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 exempted 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 exempted 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 exempted 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 exempted 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 exempted under the Act.

4. Hindi version shall follow.

  
(Sandeep Singh)

Under Secretary to the Government of India

To

1. The Chairperson, Members and all other officers of the CBDT of the rank of Under Secretary and above.
2. All Pr. CCsIT/CCsIT/Pr.DsGIT/DsGIT with a request to circulate among all officers in their region/charge.
3. The Director (PR, PP & OL), Mayur Bhawan, New Delhi for printing in the quarterly tax bulletin and for circulation as per usual mailing list (100 copies)
4. The Comptroller and Auditor General of India (40 copies)
5. All Directors of Income Tax, New Delhi
6. All Commissioners of Income-Tax (TDS)
7. The Director General of Income Tax, NADT, Nagpur
8. Media Coordinator and Official spokesperson of CBDT
9. Web Manager for posting on the Departmental website
10. Guard File.

Under Secretary to the Government of India