

SECTION 194-I1 RENT

1149. Whether requirement of deduction of income-tax at source under section 194-I applies in case of payment by way of rent to Government, statutory authorities referred to in section 10(20A) and local authorities whose income under the head "Income from house property" or "Income from other sources" is exempt from income-tax

1. Queries have been raised as to whether the requirement of deduction of income-tax at source under section 194-I of the Income-tax Act applies in case of payments by way of rent to the Government, statutory authorities referred to in section 10(20A) and local authorities whose income under the head 'Income from house property' or 'Income from other sources', is exempt from income-tax.

2. Under the provisions of section 196 of the Income-tax Act, no tax is required to be deducted at source from any sums payable to the Government.

3. The matter with regard to the statutory authorities and the local authorities referred to above, has been examined in the Board. Section 190 of the Income-tax Act provides for deduction of income-tax at source as one of the modes of collection of income-tax in respect of an income, notwithstanding that the regular assessment in respect of such income is to be made in a later assessment year. The income of an authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, is exempt from income-tax under section 10(20A). Similarly, the income of a local authority which is chargeable under the head 'Income from house property' or 'Income from other sources', is exempt from income-tax under section 10(20). There is no other condition specified in these two clauses of section 10 which is necessary to be satisfied in order to avail of the income-tax exemption.

4. In view of the aforesaid, *there is no requirement to deduct income-tax at source on income by way of 'rent' if the payee is the Government. In the case of the local authorities and the statutory authorities referred to in para 3 of this circular, there will be no requirement to deduct income-tax at source from income by way of rent if the person responsible for paying it is satisfied about their tax-exempt status under clause (20) or (20A) of section 10 on the basis of a certificate to this effect given by the said authorities.*

Circular : No. 699, dated 30-1-1995.