

Change in the manner of TDS recovery with effect from 24 September 2011

As per the current tax laws in India, interest earning on these deposits are liable for tax if the Anticipated Interest Earning for the financial year (April - March) exceeds ₹10,000 per bank branch. Bank has statutory obligation to deduct such tax from all Fixed Deposits which fall under this category.

Liability for Tax Deducted at Source (TDS), in applicable cases, arises at the following milestones/dates;

1. Respective interest payout dates (in the case of ordinary deposits).
2. Interest cumulation dates (in the case of cumulative deposits).
3. Interest payment date when the deposit is renewed or withdrawn (for cumulative and ordinary deposits).
4. Cumulated at the end of each financial year i.e. 31 March of each year.

This communication is to advise you the manner of recovering TDS for cumulative deposits held by you with the Bank with effect from 24 September 2011. In case if you have not specified a nominated account with the Bank or your nominated account does not have sufficient balances towards recovery of TDS, the entire TDS amount will be recovered from the interest accrued on Fixed Deposits.

The date of such TDS recoveries will be at quarterly rest, on encashment and on 31 March as applicable for the period.

Illustration:

Principal - ₹1,000,000

Rate of Interest - 10% p.a.

Applicable TDS - 10%

Tenure - 1 year

Existing Method: Gross of Interest -

Interest Application-Date	Principal	Interest (X1) @10%	TDS @10%	TDS Rounding
15 Sep 11	1,000,000.00	25,205.48	2,520.55	2,520.00
15 Dec 11	1,025,205.48	25,559.92	2,555.99	2,560.00
15 Mar 12	1,050,765.40	26,197.16	2,619.72	2,620.00
31 Mar 12	1,076,962.56	5,015.99	501.60	500.00
15 Jun 12	1,076,962.56	22,129.37	2,212.94	2,210.00
15 Sep 12	1,104,107.92	27,829.57	2,782.96	2,780.00
		131,937.49		

New Method (with effect from 24 September 2011): Net of Interest -

Interest Application-Date	Principal	Interest (X1) @10%	TDS @10%	TDS Rounding
15 Sep 11	1,000,000.00	25,205.48	2,520.55	2,520.00
15 Dec 11	1,022,685.48	25,497.09	2,549.71	2,550.00
15 Mar 12	1,045,632.57	26,069.20	2,606.92	2,610.00
31 Mar 12	1,069,091.77	4,979.33	497.93	500.00
15 Jun 12	1,068,591.77	21,957.37	2,195.74	2,200.00
15 Sep 12	1,093,328.46	27,557.87	2,755.79	2,760.00
		131,266.33		

We also wish to remind you that:

As per the provisions of section 197 (1A) and (1C) of the Indian Income-tax Act, 1961 and provisions made thereunder:

- Any 'resident' individual (other than a company or firm) whose tax liability on estimated total income (including interest on Fixed Deposits) for the year will be NIL may submit Form 15G
- Any individual whose age at anytime during the year is 65 years or more may submit Form 15H in duplicate, along with a copy of age proof to the Bank

Valid submission of either of these Forms will enable the Bank to pay the interest on your Fixed Deposit(s) without any deduction of tax at source (TDS).

Please also note that pursuant to the introduction of new section 206AA in the Income-tax Act, 1961, quoting of Permanent Account Number (PAN) is mandatory to avail of benefits from submission of Form 15G / Form 15H.

