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RESERVE BANK OF INDIA

Department of Government &
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Central Office

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RBI/2004/168

DGBA.GAD(MC)No.H-1077/42.01.001/2003-04

April 16, 2004

The Regional Directors / General Manager-in-Charge
Reserve Bank of India
Public Accounts Department
Ahmedabad / Bangalore/ Bhubaneswar / Bhopal /Chennai / Chandigarh / Guwahati / Hyderabad /
Jaipur / Kanpur /Kolkata / Nagpur / New Delhi / Belapur Navi Mumbai / Fort Mumbai / Patna /
Thiruvananthapuram

The Chairman / Managing Director
All Agency Banks
(As per the list)

Dear Sir,

Master Circular

The Reserve Bank of India has been issuing various instructions relating to Reserve Bank's role as Banker to Central Government from time to time. In order to enable the banks to have all the currently operative instructions on the subject at one place, a Master Circular has been prepared which is enclosed.

2. Please acknowledge receipt of this Master Circular.

Yours faithfully,

Sd/-
(R.C. Das)
General Manager

Encl : As above

Master Circular
Collection of Direct Taxes
and
Banker to Central Government Departments/Ministries



RESERVE BANK OF INDIA
DEPARTMENT OF GOVERNMENT AND BANK ACCOUNTS
Government Accounts Division
Central Office, Mumbai

MASTER CIRCULARS

I. Collection of Direct Taxes by Agency Banks

Introductory

The Central Board of Direct Taxes (CBDT) are responsible for administering various direct taxes through the Commissioners of Income-tax located in different parts of the country. The Commissioners of Income-tax are entrusted with the task of collection as well as refund of Income-tax and Corporation Tax, etc. under the Income-tax Act, 1961.

2. The Principal Chief Controller Accounts (Pr.CCA) is the apex authority of the accounting organisation of the Central Board of Direct Taxes. Under the Departmentalised set up, the Pr.CCA, CBDT has been assigned the functions relating to accounting of all receipts and refunds pertaining to the Direct Taxes.

3. Major Heads of Account

The various types of direct taxes collected by the Income Tax Department are classified under the following Major Heads:

i) Corporation Tax (C.T.)	0020 Corporation Tax
ii) Income Tax (I.T.)	0021 Taxes on Income other than Corporation Tax
iii) Hotel Receipts Tax (H.T.)	0023 Hotel Receipts Tax
iv) Interest Tax (INT.T.)	0024 Interest Tax
v) Expenditure Tax (EX.T)	0028 Other Taxes on Income & Expenditure
vi) Estate Duty (E.D.)	0031 Estate Duty
vii) Wealth Tax (W.T.)	0032 Taxes on Wealth
viii) Gift Tax (G.T.)	0033 Gift Tax

4. Prior to 1st April 1976, Income and other Direct taxes were accepted by the Offices of Reserve Bank of India (RBI), the branches of State Bank of India (SBI), its associates conducting Government business, treasuries and sub-treasuries. With a view to increase the number of points at which these taxes could be deposited conveniently by the members of the public, a scheme for

collection of income and other direct taxes through the branches of public sector banks was introduced with effect from 1st April 1976.

5. REVISED PROCEDURE

After studying the issue relating to Accounting and Reconciliation, delays in remittance and in despatch of documents etc., the 'Working Group on Government Accounts' suggested the revised procedure which came into effect from 1st October 1988. Reserve Bank has issued comprehensive instructions on acceptance of CBDT dues and its accounting and reconciliation vide its publication 'Accounting System for Direct Taxes' (Pink Booklet). The instructions were further updated upto 30th June 1999.

6. All banks authorised to undertake Income Tax refund work were advised about the change in the procedure of despatching Refund Advices. With a view to pre-empt public inconvenience they were advised to issue suitable public notice/press release in local newspapers in the interest of good customer service. It has since been decided to implement the recommendation of the "Working Group on use of magnetic media for Expeditious Transmission of Tax Payment Information by Bank to the Government" relating to submission of tax payment information by authorised banks to Income Tax Department on magnetic media in three phases **(RBI Circular DGBA.GAD.No.827/42.01.001/2001-02 dated February 24, 2001).**

7. The CBDT have advised that as per the provisions of Section 139A(5)(b) of the Income Tax Act, 1961, it is mandatory for every tax payer to quote Permanent Account Number (PAN) allotted by the Income Tax Department in all challans for payment of any sum due under the Act. The Agency banks were accordingly advised to instruct all their designated branches not to accept any challans (except TDS challans), without the PAN. In the case of tax payers who have applied for PAN/TAN and the same has not been allotted may be accepted by the banks provided the tax payer produces a copy of the PAN/TAN application made by him or else states in writing that he has applied for PAN/TAN. In order to prevent difficulties to taxpayers the banks have been advised to give wide publicity by way of posters by displaying the same prominently in authorised branch premises. **(RBI Circular DGBA.GAD.No.7 & H-62/42.01.001/01-02 dated July 1 and 30, 2002 respectively, Circular letter DGBA.GAD.No.H-608/42.01.018/2002-03 dated May 21, 2003).**

8. Tax Deducted at Source (TDS) is required to be effected under Section 194H of Income Tax Act, 1961 while making payments to the Agency Banks, Advocates, Auditors, Contractors, Couriers etc. Guidelines in this regard issued to all Offices/Central Office Departments in the matter in consultation with the Legal Department. **(RBI Circular DGBA.GAD.No.H.40/42.01.018/2003-04 dated July 12, 2003)**

9. With a view to give effect to CBDT's decision to authorise one branch each of State Bank of India in the four Metros viz. Chennai, Delhi, Kolkata and Mumbai for **direct tax refund work**, in addition to the Reserve Bank and to reduce the workload at our Offices, Para 12-A-II(i) of Pink Booklet entitled "Accounting System for Direct Taxes" has been amended suitably. **(RBI Circular DGBA.GAD.No.H-684/42.01.001/2003-04 dated January 9, 2004)**

10. With a view to introduce ECS for Income Tax refunds upto Rs.25,000/- all banks were advised that in the present system of paper-based ITROs, banks collect and credit the proceeds of ITROs free of charge in the normal course of business, besides the destination banks do not charge commission/service charges towards proceeds of ITROs while crediting to the customer accounts all banks were advised that ECS charges will not be paid to them as and when the ECS system is introduced. **(RBI Circular DGBA.GAD.No.H-767/42.01.034/03-04 dated March 9, 2004)**

11. CBDT have revised the procedure of issue of ITROs and discontinued the practice of forwarding Advice Notes (Advices) to the paying banks separately in respect of refunds upto Rs.9999/- vide their Circular Instruction F.No.385/25/97(IT)(B) dated November 6, 2003. Under the revised procedure, Advice Notes for refund of upto Rs.9999/- are forwarded by Income Tax Department to the assesseees directly along with the relative ITROs. The assessee in turn is required to deposit both the instruments i.e. ITROs as well as Advice Notes with his bank for collection. Foreseeing the possibility of customer not depositing the ITROs along with Advices and resultant inconvenience to the customer on account of return of the ITROs unpaid, all Agency banks were advised to instruct all their branches accepting ITROs from customers to insist on presentation of 'Advices also along with the ITROs. Banks were also requested to put suitable banners/notices on this matter to improve awareness among their customers. **(RBI Circulars DGBA.GAD.No.1009/42.01.018/2003-04 dated February 28, 2004 and DGBA.GAD.No.H.979/42.01.018/2003-04 dated March 27, 2004)**

12. A High Powered Committee (HPC) on Setting up Facilities for On-line Transmission of Tax Payment Data from Banks to Income Tax Department was set up in RBI in February 2003 with Member, CBDT as Chairman to consider and suggest steps in the area of collection, remittance, refund and accounting of taxes in a fully computerised environment. The HPC in its interim recommendations suggested an Accounting Procedure for On-line Tax Accounting System (OLTAS) for collection and accounting with effect from 1st June, 2004. The new Accounting Procedure was duly approved and circulated among the agency banks. **(RBI Circular No. DGBA.GAD.No.H-1068/42.01.034/2003-04 dated April 16, 2004).**

II. Indirect Taxes

1. As desired by Central Board of Excise and Customs, an instruction to release the receipted challans against value paid instruments subject to satisfaction of the receiving banks was issued to all agency banks. **(RBI Circular DGBA.GAD.No.1217/41.01.001/ 2000-01 dated June 27, 2001).**

III. Safeguard against fraudulent payments of Cheques

1. As desired by Ministry of Railways, Ministry of Communication & Information Technology, Ministry of Defence and regarding prevention of frauds in high-value cheques of Rs.10 lakhs and above should bear two signatures, Circulars have been issued to all agency banks dealing with the Ministries suitably, among others. **(RBI Circulars DGBA.GAD.No.841/31.03.002/98-99 dated February 17, 1999, DGBA.GAD.No.1472/31.03.004/2002-03 dated March 13, 2003 and DGBA.GAD.No. 615/31.03.006/2002-03 dated May 21, 2003).**

2. Detailed guidelines on passing of high-value cheques were also issued to all agency banks **(RBI Circular DGBA.GAD.No.95/43.50.002/98-99 dated March 21, 2003).**

Note: In case any clarification is required, a reference may please be made to original circular.

Master Circulars — Index

Sr.No.	Reference No	Subject
1.	DGBA.GAD.No.827/42.01.001/00-01 dated 24-02-2001	Use of magnetic media for expeditious transmission of tax payment information by banks to Government.
2.	DGBA.GAD.No.7/42.01.001/01-02 dated 1-07-2002.	Collection of Taxes-Mandatory Quoting of Permanent Account Number (PAN) on Challans.
3.	DGBA.GAD.No.H-62/42.01.001/01-02 dated 30-07-2002.	Collection of Taxes-Mandatory Quoting of Permanent Account Number (PAN) on Challans.
4.	DGBA.GAD.No.H-608/42.01.018/02-03 dated 21-05-2003.	Collection of Taxes-Mandatory Quoting of Permanent Account Number (PAN) on Challans.
5.	DGBA.GAD.No.H-40/ 42.01.001 /02-03 dated 12-07-2003.	Filing of Annual Returns in respect of Tax Deducted at Source (TDS) under Section 206 of Income Tax Act 1961.
6.	DGBA.GAD.No.H-684/42.01.001/ 03-04 dated 9-01-2004.	Amendments to Pink Book 'Accounting System for Direct Taxes'.
7.	DGBA.GAD.No.H-979/42.01.018/ 00-01 dated 27-03-2004.	Streamlining the Procedure for Issue of Income Tax Refund Orders (ITROs)-Change in Procedures.
8.	DGBA.GAD.No.H-767/42.01.034/ 03-04 dated 9-03-2004.	Introduction of Electronic Clearing Service (ECS) Credit for Income Tax Refunds.
9.	DGBA.GAD.No.H-1068/42.01.034/03-04 dated 16-04-2004.	Implementation of New Accounting System for direct tax collection under On-line Tax Accounting System (OLTAS).
10.	DGBA.GAD.No.1217/41.01.001/00-01 dated 27-06-2001.	Scheme for collection of CBEC Dues-Releasing of the receipted challans against the value paid instruments.
11.	DGBA.GAD.No.95/43.50.002/98-99 dated 21-03-2003.	Detailed guidelines on passing of high-value cheques.
12.	DGBA.GAD.No.1472/31.03.004/02-03 dated 13-03-2003.	Safeguard against fraudulent payments of cheques-Ministry of Communication and Information Technology.
13.	DGBA.GAD.No.615/31.03.006/02-03 dated 21-05-2003.	Safeguard against fraudulent payments of cheques-Ministry of Defence.