

**RBI/2005-06/339**

DGBA.CDD.No.H.14965/15.15.001/2005-06

March 29, 2006

The Chairman and Managing Director  
Government Accounts Department, Head Office,  
State Bank of India/State Bank of Indore/State Bank of Patiala/  
State Bank of Bikaner & Jaipur/State Bank of Saurashtra/  
State Bank of Travancore/State Bank of Hyderabad/State Bank of Mysore/  
Allahabad Bank/Bank of Baroda/Bank of India/Bank of Maharashtra/  
Canara Bank/Central Bank of India/Dena Bank/Indian Bank/  
Indian Overseas Bank/Punjab National Bank/Syndicate Bank/  
UCO Bank/Union Bank of India/United Bank of India/  
Corporation Bank/ICICI Bank Ltd.

Dear Sir,

**Senior Citizens Saving Scheme, 2004 – Issues relating to TDS - Clarifications**

Please refer to para 1(ii) of our circular No.RBI/2004-05/352 - CO.DT. No.15.02.001/H-6612 – 6634/2004-05 dated July 27, 2005 on the above subject.

2. Government of India, Ministry of Finance, Department of Economic Affairs, New Delhi vide letter F.No.2-8/2004-NS-II dated March 28, 2006 (copy enclosed) have since clarified that the interest payment under Senior Citizens Savings Scheme (SCSS)-2004 is not exempt from deduction of Tax at Source. Banks are, therefore, required to deduct income tax at source while disbursing interest payment under the Scheme.

3. You are requested to convey the above clarification to designated branches of your bank for immediate implementation / guidance. You may also ensure that a copy of clarification is displayed on the notice board by designated branches for guidance of agents / investors.

Yours faithfully,

Sd/-

(D. Rajagopala Rao)  
Deputy General Manager