

F. No. 279/Misc/140/2015-ITJ  
Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes

New Delhi 28<sup>th</sup> December, 2015

**Subject: TDS under section 194A of the Act on interest on fixed deposit made on direction of Courts-regd**

Section 194A of Income Tax Act, 1961 (“the Act”) stipulates deductions of tax at source (TDS) on interest other than interest on securities if the aggregate of amount of such interest credited or paid to the account of the payee during the financial year exceeds the specified amount .

2. In the case of UCO Bank in Writ Petition No. 3563 of 2012 (available on NJRS at 2014) and CM No. 7517/2012 vide judgment dated 11/11/2014, the Hon'ble Delhi High Court has held that the provisions of section 194A do not apply to fixed deposits made in the name of Registrar General of the Court on the directions of the Court during the pendency of proceedings before the Court. In such cases, till the Court passes the appropriate orders in the matter, it is not known who the beneficiary of the fixed deposits will be. Amount and year of receipt is also unascertainable. The Hon'ble High Court thus held that the person who is ultimately granted the funds would be determined by orders that are passed subsequently. At that stage, undisputedly, tax would be required to be deducted at source to the credit of the recipient. The High Court has also quashed Circular No. 8 of 2011.

3. The Board has accepted the aforesaid judgment. Accordingly, it is clarified that interest on FDRs made in the name of Registrar General of the Court or the depositor of the fund on the directions of the Court, will not be subject to TDS till the matter is decided by the Court. However, once the Court decides the ownership of the money lying in the fixed deposit, the provisions of section 194A will apply to the recipient of the income.

4. Accordingly, such issues may not be contested in appeal and pending litigation, if any on the issue before various Courts/Tribunals may be withdrawn/not pressed upon.

5. This may be brought to the notice of all concerned.

(Ramanjit Kaur Sethi)  
DCIT (OSD) (IJT)  
CBDT New Delhi