

August 30, 2011

Shri Pranab Mukherjee
Union Finance Minister
Government of India

Income Tax Deductions at Source (TDS) on Interest earned on deposits with Bank causes tremendous hardship

Dear Shri Mukherjee,

This letter is on behalf of MoneyLife Foundation, a not-for-profit organization based in Mumbai, which is involved in financial literacy and advocacy on behalf of savers and investors. We have over 6000 members nationwide (www.mlfoundation.in). Over the past 18 months of our existence, we have received innumerable complaints about the hardship caused to investors, especially senior citizens, pensioners, widows and public charitable trusts on account of the rules pertaining to Tax Deduction at Source on interest earned on bank deposits and small savings.

Over the past two decades, Indians have preferred to keep the bulk of their savings in safe bank deposits which are generally perceived to constitute the safest and most liquid investment. Bank deposits are also convenient, involve lesser documentation and little paper work, secure as they are protected by an insurance cover, easily available next door, highly liquid for their availability on instant credit in times of emergencies and relative ease of transmission in the event of the demise of the depositor.

On the other hand, statistics shows that Indians also prefer to avoid the volatility of stock markets and are tired of the rampant mis-selling of financial products. The interest rates on these deposits are always lower than the prevailing interest rates, leading to steady erosion in the value of savings. In addition, most of these savings are fully taxed. This means that the only safe investment avenue, leads to erosion of wealth. You will appreciate that this causes great misery to senior citizens and savers who are expected to adjust their lifestyles to income from savings that varies according to interest rate fluctuations and the impact of inflation.

MoneyLife Foundation is writing to request you to mitigate the hardship and disservice caused to the people by taxing the entire interest earned on Savings, Recurring and Term Deposits across the board. Earlier Interest on Bank deposits was exempt. This was subsequently done away with and now TDS is made mandatory when the interest exceeds Rs.10,000 pa unless the prescribed form is submitted within the time. Even an inadvertent delay is not condoned.

The CBDT requires banks, companies and others to act as Unpaid Tax Collectors and also imposes stringent penalties for delays in transferring the collections of Tax or filing returns with the IT Department. Consequently, banks tend to take an extra cautious stance and it has the following consequences.

1. Banks insist that the forms 15G & H be filed in the first week of the fiscal year. Any delay or failure results in automatic deduction of the tax. The completed form should be submitted by the depositor on or before the end of the first quarter of the fiscal year.
2. Even after deducting the tax, rightly or wrongly, banks simply do not indicate the amount of tax in the accounts and statements/pass books by way of an identifiable debit but just credit the interest net of tax, this puts the assessee at a loss to ascertain the exact interest and the tax deducted.

3. Banks often feed wrong PAN, names and amounts while uploading data on the tax information network. This makes it impossible for the taxpayer to match the tax paid with what is reported to the TIN. Consequently, they are wrongly denied credit and end up being taxed twice over.

4. The ordinary individual have no remedy against delayed or defective TDS deductions, certificates and tax uploading as they are at the mercy of bank officials, who often, simply do not bother to correct errors forcing taxpayers to bear the burden for no fault of theirs.

5. Although it is mandatory to issue Tax Deduction Certificates, this is not done and a written request is demanded.

To mitigate the hardship to the already harassed elder/pensioner/widow by lessening the income stream and having to undergo the torture of filing a Tax Return without which s/he cannot collect the Tax deducted the simplest of option would be to make the entire interest on Bank Deposits TAX EXEMPT on the same lines as the Dividends. The Tax revenues on the Interest element in the Income are so miniscule when compared with the crores that are involved in the dividend payouts to High Net worth Individuals.

Besides the Bank statistics go to indicate most of these small savings deposit are in the range of Rs.1-5 lakh. The larger deposits are from Charitable Public Trusts which have perforce to park their funds in bank term deposits as Approved Investments under law.

Doing away with the taxation and thereby the tax deductions at source will be welcomed not only by the harassed small depositors but also by the bank staff at the branch levels and perhaps by the Tax department as the efforts that go are not commensurate with the revenues collected. The reasons for abolishing the Estate Duty Act are exactly the same. Though Inheritance Taxes still find place in the taxation statutes in UK and the USA.

The Damodaran Committee Report on Customer Service in Banks states

The customer complaints also revealed that the certificates issued towards tax deducted at source were not complete in all respects. TDS remittance details such as BSR Code, Acknowledgement Number, Challan Number and date were not available in the certificate. Similarly, aspects such as interest details in respect of Sweep In / Sweep Out Accounts, Term Deposit Account number for which interest was paid were also not available. Committee was of the opinion that all the above information should be provided by banks and in case of denial of credit of TDS by Income Tax Authorities to customer due to deficiency on the part of the bank to provide information, the customer should be adequately compensated by bank.

The customers resented the practice of banks asking for fresh Form 15 H for each fresh fixed deposit. The Committee is of the view that subject to systemic consent by Income Tax Authorities, a single Form 15 H linked to a customer ID should serve the requirement of Income Tax Authorities for all the deposits maintained by a customer in a bank during a particular financial year instead of taking a separate form for each deposit.

Committee Recommendations

TDS remittance details such as BSR Code, Acknowledgement Number, Challan Number and date should be made available in the TDS certificate. Similarly, aspects such as interest details in respect of Sweep In / Sweep Out Accounts, Term Deposit Account number for which interest was paid also should be available.

A Single Form 15G/H linked to a customer ID should serve the requirement of Income Tax Authorities for all the deposits maintained by a customer in a bank during a particular financial year instead of taking a separate form for each deposit.

Moneylife has attached herewith, comments from a wide cross section of Indians on an article by a veteran senior bank executive that was published at www.moneylife.in.

Their comments only serve to underline the severity of the problem and the urgent need for relief and redress. We urge you to take note of the needless anguish caused to taxpayers.

Our earnest submissions are:

1. The income from fixed deposit earned by individuals to be exempted from tax. Taxes should not be deducted when the banks have the depositor's PAN - already available in the KYC which the Banks are mandated to store in their Core Banking System - that should be captured on all deposit accounts.
The Tax authorities can demand from the banks the interest details based on the PAN to ascertain the accuracy of the interest amount disclosed in the tax returns.
2. Banks should obtain only one form 15 G/H on a single customer Id/PAN for the entire year.
3. Banks found to be deficient in services like wrong deduction of tax, not providing accurate tax deduction certificates or uploading inadequate or wrong information ought to be awarded exemplary punishment either by the Banking Ombudsman or the regulator i.e. RBI.
4. This can possibly be brought about in the ensuing Finance Bill 2012-13 and/or the Direct Taxes Code.

We look forward to your response.

Thank you.

For MoneyLife Foundation

Sucheta Dalal
Trustee

Debashis Basu
Trustee

Nagesh Kini
Advisor

Annexure
Article published on Moneylife website
August 08, 2011

TDS is not only tedious, it is sheer harassment. Government must make interest from banks free from income-tax -Gurpur

As it is the returns earned on bank deposits is not keeping pace with inflation. Besides, people face innumerable difficulties in getting the correct tax certificates to file tax returns

As you walk to the income-tax office in Bengaluru, you will pass by a big hoarding outside that reads, "TDS is not tedious, it is the easiest". And the message at the bottom reads: "Bharo tax mauj hai max". But the reality is totally different. Tax deducted at source (TDS) is one of the most obnoxious provisions in the Indian income-tax system, which causes unbearable harassment to the common man, who even after paying the tax cannot sleep in peace. As it is, the high rate of inflation, rising oil and gas prices, and the growing cost of living, have created a deep dent in savings. This is made worse by the tax laws, which have become regressive, on account of the failure of the government to bring inflation under control.

There are about 500 million people in the country with bank accounts, and at least half of these account holders may have term deposits in some form or other. All these depositors have been getting a negative real rate of return on their savings, due to the growing rate of inflation year after year. Though deposit rates have moved up, inflation has been rising much faster, eclipsing the slower growth in deposit rates. And as if to add insult to injury, the interest received on these bank deposits is subject to income-tax, which is deducted at source by the banks. This is putting an additional burden on the middle class in our country, making it totally unviable to invest in bank deposits. As a

result it is driving the common man to invest in unreliable ponzi and money-multiplier schemes, which are thriving at the cost of the not-so-financially-literate middle class and lower middle class, who together constituted about half the country's population.

As if this agony is not enough, all these bank depositors who honestly pay taxes on the interest received from banks on their deposits, have been suffering in silence for the past several years, because, day by day, they find it difficult to get TDS certificates from these banks, who simply do not bother to give the certificates on time. In the month of July that just gone by, people have been running from pillar to post to get TDS certificates from their banks, to enable them to file their returns on time.

Though it is mandatory for banks to send the TDS certificates to depositors every quarter, without their asking, barring a few banks, none of the major banks bother to send these certificates on their own. And very few bank customers are lucky enough to get the TDS certificates on their first visit to the branch. Because, more often than not, the counter clerks plead helplessness, either because computers are hanging, or they are not printing out certificates due to a software problem. And when you visit for the second time, it is more likely that the person who asked you to come the next day would be on leave and you will be forced to make a third visit to the branch to get what is rightly due to you.

Another problem depositors' face is that different banks follow different systems of payment of interest and deduction of tax at source. Many banks just credit the net amount of interest after deducting tax, due to which the depositor will not know the amount of tax deducted till the TDS certificate is issued by the bank. In the case of cumulative deposits, where interest gets compounded with the principal, the depositor has no way of knowing the amount of tax deducted till he obtains a TDS certificate from the bank at the end of the year. And if you happen to withdraw the deposit before maturity to meet any emergency, the bank will recover from you some part of the interest already paid to you as penalty for premature withdrawal, but will not refund any part of tax already deducted from you account.

Ironically, the agony has increased considerably since the introduction of computerisation in banks and income-tax offices. When the banks were operating in a manual environment, handwritten certificates issued by banks were accepted by income-tax offices at their face value and it was possible, though with considerable delay, to get a refund of excess tax paid, based on these certificates. But today, the income-tax department does not rely upon the TDS certificates issued by banks, unless they match with the information contained in the

form number 26AS on the income-tax website. And it has been the general experience of bank customers that the TDS certificates issued by banks invariably do not match the 26AS statement of the income-tax department, as it is said that most of the banks outsource this work to private agencies that are not under their control, causing further problems for depositors. This has resulted in income-tax officers issuing demand notices even when appropriate tax has been deducted by the banks.

It is a no-win situation for the common man, as banks put the blame for the mismatch squarely on computers or external agencies, and thus a large number of depositors are left high and dry with no where to go to find a solution to this nagging problem of TDS.

The anguish and anxiety of senior citizens, who almost wholly depend on the interest received from banks for their livelihood, is only to be experienced to be believed. To save themselves from the burden of TDS, they are required to submit form 15H to the banks concerned, at the beginning of every year, if their total income for the year is within the exempted limit prescribed under the Income-Tax Act. And this form is required to be submitted every time they make a fresh deposit with the bank, which is has been wrongly deducted by the banks.

The common experience of the majority of senior citizens has been that such forms submitted by them many times, either gets misplaced at the bank's branches or are not properly noted in bank's records, due to which tax gets deducted at source, forcing them to undergo the rigmarole of filing income-tax returns to claim refund of tax that has been wrongly deducted by the banks.

These are the real problems faced by a majority of bank depositors in our country. They have nobody to champion their cause as they are the silent intelligentsia, who are helpless pawns caught in this whirlpool of bureaucracy and the cesspool of corruption so rampant in

our country. Is TDS, therefore, harassment or a punishment? You be the judge.

Whatever it is, there is an urgent need to find a lasting solution to this double whammy faced by the hapless depositors, who form the backbone of the country's banking system. The only plausible solution to free millions of our country men and women from this agony and suffering caused by the irritating provisions of the law and the complex

systems of compliance is to make interest paid by the commercial banks on all their deposit accounts totally tax-free at the hands of the recipients. And this can be achieved without hurting government coffers, if the following suggestion is implemented by the finance minister in right earnest.

In the Finance Act 2003, the then finance minister announced a bonanza for corporate investors. By a stroke of the pen, he abolished income-tax on dividends declared by domestic companies and approved mutual funds, and made it totally tax-free in the hands of shareholders and mutual fund investors from 1 April 2003. This was a great boon to the investors in the stock market, who unfortunately form a microscopic minority in our country. This step mainly helped corporate bigwigs, the high and the mighty, the rich and the wealthy and high net-worth individuals, who invested in the stock market and reaped the rewards of tax-free income. Now there is no TDS, no income-tax and no harassment of investors in the stock market.

In order to compensate the government for the loss of revenue caused by this tax-free dividend, the finance minister introduced simultaneously the dividend distribution tax, to be paid by companies awarding dividends to their shareholders. This worked to the advantage of the government, who got taxes paid in the beginning of the year directly from the companies, when the dividends are declared, instead of collecting in piecemeal from the shareholders throughout the year.

While the this step touched only a fringe of the population, my current request is to extend the same principle to millions of people covering the middle and the lower middle class by declaring the interest received from the scheduled commercial banks free of income-tax at the hands of the recipients, thereby providing much-needed relief to

the large body of bank customers and depositors, who have been at the receiving end of the blow caused by rising inflation and poor customer service provided by the banks. This is nothing new considering that all non-resident and foreign currency deposits held by NRIs are already tax-free at present and it is only the extension of such a provision to domestic deposits as well, which will put resident Indians at par with non-residents.

In order to bridge the budgetary deficit that might be caused by this step of freeing bank deposits from income-tax, the finance minister can consider levying interest payment tax on commercial banks at a nominal rate, to be paid by banks along with the advance income-tax remitted by them every quarter. This interest payment tax, based on the total interest outgo of each bank, on the lines of the dividend distribution tax, will be the best substitute for the tax presently levied on each deposit kept with the banks. This extra burden on banks can be easily absorbed by them as this will help the banks to considerably improve their deposit base due to tax-free benefits available on bank deposits and this will help them to increase profitability too, by substantially increasing their lending operations.

The benefits of this exercise for the people, the government and the banks, when implemented, can be summarised as under:

- 1.** The biggest relief will be for the common man who has been suffering from the burden of high inflation and poor customer service from banking institutions.
- 2.** The economy will get a boost as the savings rate will shoot up considerably due to bank deposits becoming an attractive investment destination for the common man.
- 3.** The financial inclusion programme of the Reserve Bank of India will get a shot in the arm as banking will be hassle-free, tax-free and free from the complexities of taxation laws for all those who are brought into the banking system.
- 4.** The banks in the country will be the biggest beneficiaries with bank deposits becoming the most attractive investment avenue for the public, and banks would be flooded with deposits, which through judicious lending, will improve their profitability considerably.
- 5.** Due to the tax-free status of bank deposits, people in rural areas

will be attracted to banks to invest their surplus funds, thereby serving the cause of rural population admirably and banks will be keen to open more branches in rural areas, which will benefit both the banks and the rural people.

6. There are about 90,000 branches of banks in India today and they will be saved from the burden of deducting taxes every now and then and filing innumerable returns to several authorities, thereby saving time, energy and money for the banks in the country.

7. The government in turn will benefit from getting taxes directly from banks in one go, helping the government treasury with better cash flow and improved management of funds.

If implemented, this will be one of the most people-friendly measures from any government in power and will go a long way to earn the trust and confidence of millions of people without any loss of revenue to the government. Can we expect the finance minister to act swiftly to change the laws, rules and regulations of income-tax and win the hearts of the people during this tumultuous year?

(The author is a banking and financial consultant. He writes for MoneyLife under the pen name 'Gurpur'.)

Comments of readers

LC Monga:

Many people are suffering the draw backs of the TDS system. Personally my assessment for last two Tax returns is pending and Refunds due remain unpaid because the Tax Deductors have not uploaded the TDS on the tax information network. It is inconvenience to the tax payer as well financial losses by way of loss of interest on the held up refunds.

RM Raina:

TDS should not be applied to interest paid by banks on fixed deposits. It generally results in deduction of excess tax from honest taxpayers, and the refund of excess tax never comes

R Nandy:

It is a very unfortunate situation that 15G and 15H forms need to be submitted very year and for every deposit. The IT dept should simplify it by having a single 15G or 15H form for a PAN number with a Bank so that there is no TDS associated with the PAN number. This will simplify life for the senior citizens and prevent errors at the bank level.

Govind Shanbhag:

Mm Dalal Jee - TDS deduction and the resultant after effects with Income Tax has been a hot subject, and many citizens have suffered one time or other. It will be a good idea if you arrange a workshop, invite some senior chartered accountants, bank officials and with your repute some income tax commissioners for a lively discussion. You can even keep this session a paid session with entry fee and I am sure many will be benefited.

RS Varshneya:

Your suggestion is really great. I sent unhappy message, and some one from SBI/Mumbai responded. Since this issue is from Delhi the message has been transferred to Delhi. I am thankful for such a simple and great suggestion. Can I share this with my other friends?

Govind Shanbhag:

Dear Sir Varshneya jee - why not? This is being monitored by some senior Dy.Managing Director. If you have any problem with State Bank - please send me a mail on -shanbhaggg@gmail.com - I should be able to help you. In return "Delhi chaat" in south Delhi road side joints. All the best.

RS Varshneya:

I fully agree with the article. SBI/Rail Bhavan New Delhi where I hold my FDs have never issued correct F16. The entries in 26AS are much lower than what is deducted in the name of TDS. I use internet to know status of interest credited and TDS deducted. I have always found that 26AS do not show all the TDS and therefore I am forced to declare wrong income in my income tax returns. I write every week to Bank Manager to correct the 26AS by crediting all the TDS deducted but he never ever has replied my any letter. I do not know to whom to approach and get the nagging problem set right.

Deepak Gupta:

Certificates issued by PSU banks like SBI does not matched at all. Why the hell income tax office issues notice to them and penalise the concerned officer along with the bank for their failure to file the correct returns. They should be heavily fined for their gross negligence.

Prabal Biswas:

I am with you Mr Deepak Gupta. The staffs of most PSU banks along SBI think they are God's gift to man kind. They do us a favour by working. The ugly side nationalisation.

Nagesh Kini:

I've just been informed by the Manager of a PSU Bank that the Income Tax Dept. has served a notice asking him to show cause why penalty should not be levied. So much for doing the job of an unpaid tax collector!

Rajendra:

TDS is really hazardous to citizens

Bhalachandra Singde:

It is true that it is harassment. Why to give the forms for not deducting income tax at source every year? Once I failed to give those forms, the Bank coolly deducted tax and when I claimed the same, it was allowed but the refunds I never got.

GP Singh:

All that and the worse is that TDS is applied to NRO Accounts even if you earn interest of Rs 50 per year! TO GET BACK A REFUND OF Rs 5 HOW MUCH WILL IT COST THE GOVT AND THE TAX PAYER!

Goving Shanbhag:

As per existing income tax rules entire interest earned on NRO savings and fixed deposit is taxable @ 33.30% irrespective of amount. However, if the country where the NRI is working has entered into double taxation treaty, then Bank is bound to deduct TDS at 10/12.5/15% - depending on the terms of treaty. However such NRIs have to submit DTAA every year (DOUBLE TAXATION AVOIDANCE AGREEMENT) which is almost like resident Indians 15G/H form. However, if NRIs do not submit DTAA form, including after expiry of financial year it is mandatory to deduct tax at 33.3% (even when double taxation treaty is in vogue) and the concerned NRIs has to claim refund only filing tax return.

Sam Pochkhanawala:

I agree full heartedly with the author. I'm unable to claim the refund due to me due the mismatches made in my 26AS report. Whenever I approached my bank(s) all they tell me is that it's not their fault and they have submitted their deductions correctly. In one case the bank has deducted more TDS than the report submitted by them to TIN. All queries fall on deaf ears of indifferent executives at the bank(s).

Rinki Sen:

It is true TDS IS TEDIOUS, As am suffering for the same, I am getting TDS certificate from my Principle SBI LIFE INSURANCE CO LTD, Continuous last 3 years, they are issuing TDS WITH Wrong PAN no, resulting not refunding my refund amount from income tax dept. Kindly suggest what action I can adopt, KINDLY SUGGEST OR COMMENT.

KB Patil:

If punitive fines are levied on the offending banks, they will start working perfectly. If TDS is Rs.1000 and for failure to issue TDS within ten days after deduction, the fine should be at least 5 to 10 times the amount of TDS. This is the best medicine. The bank may even do door delivery of the certificate to avoid penalty.

PVMaiya:

Bank customers avoid TDs on interest on their fixed deposits with banks by filing in form 15H with the bank, a copy of which is sent to IT dept which hardly follows them up effectively or by splitting the deposit below the amount which does not attract TDS. The simplest way to collect TDs on fixed deposit interest would be to levy it on banks as a percentage of total interest payment made by them in a year to its customers of personal segment. Banks would either absorb this or more likely will need to make a very fractional] adjustment of their deposit interest rates. This alternative avoids unnecessary work all around and discourages filing of false form 15H by the citizens. It is demeaning for self-respecting citizens to be forced into giving false declarations.

Pankaj

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demeaning for self-respecting citizens to be forced into giving false declarations.

Limeh:

If the guy who has deducted tax from payment due to me, fails to upload the TDS data correctly (PAN no. etc.), I am the loser and not he. I have not got the money (TDS amount) and I do not get the credit in the IT this is bizarre.

Nagesh Kini:

The IT banner ought to read "Suffer karo max" instead! TDS on interest is not only grossly discriminatory against the already groaning middle classes and elderly who have been paying high taxes during their earning lives, it is atrocious and obnoxious to more particularly when the fat cat crorepatis are getting away with no TDS and tax free dividend income! The sooner this is rescinded the better. The revenue foregone is too miniscule to make any dent. Let the RBI take this when implementing the Damodaran Committee Recommendations.

A Thiagarajan:

This is needed more in the Post Office Senior Citizens Scheme deposit a/cs. My experience is awful; the TDS deducted is not uploaded by the Post Office on to the NSDL & more than 50 emails to various levels of the Post Office officials doesn't get proper reply. The Post Master General Mumbai doesn't even bother to acknowledge. Will someone give me the name of somebody who would be responsible enough at the PO who would reply to me?

BV Krishnan:

With due respect, I beg to differ from the author in this regard. I would like to point out following: 1. there is a provision for submitting form 15H to the Bank by which you can totally avoid TDS being deducted by the bank. 2. After initial hiccups the website tin-nsdl.com is working properly now and the TDS amounts deducted by the banks are updated there very regularly. At least this is the case with most well-known banks like ICICI, HDFC etc. If any customer is not getting form 26AS updated in his account, he must take it up with the bank. It is not the fault of the Income tax Dept!! 3. After computerisation, I

find it easier to file my returns than before. You can't blame the dept for your inaction.

Prakash:

I too agree with BVK. In case of Senior Citizens, the govt. has given an option to submit Form 15H and avoid TDS, if a person is below the taxable limit. No doubt, it is incorrect to tax interest on FDs, etc. which give lower return than inflation. But are we not mum on PPF interest of just 8% (though tax-free) which too is below the rate of current inflation rate?

Subramaniam:

TDS on Bank Fixed Deposits is a harassment on Indian Citizen in the current inflationary environment

The bar for TDS should be pretty high ...say only in case the total interest is in excess of Rs 1 Lakh per annum or something like that (repeat INTEREST / annum)

I am ready support your initiatives to remove TDS on bank deposits I am also ready to contribute what I can towards costs of filing the PIL Please let me know what else I could do to support it further

Vinay Islookar:

8.8.11

The TDS/26AS mismatch is an issue serious enough to warrant a PIL. Despite legitimate, elaborate and compliant certificates being issued after due payments made, the banks who are empowered to collect taxes do not bother to upload on the NSDL site. It is high time they are made accountable. The only deterrent that will work is penal provisions for failing to close the loop.

Chander Parkash Grover:

It is great difficult to take credit of tds, banks are not properly crediting tax deducted in govt a/c . Due to mismatch of tds IT dept. issuing short amount of refund.

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Prabal:

It is the duty of the bank to update the details in the Income Tax website. what are they paid for? This mostly happens in PSU banks. If the interest is made tax free we rather shut down the stock markets or make all profits from stocks tax free too. By itself Indians evade tax in every way possible does not make sense to pamper them further.

BV Ramarao:

There are two important reasons for exempting all Bank Interests from Income Tax. Firstly, the real rate of interest is negative, as Bank Interest is less than the Rate of Inflation which has been around 12 % per annum. So, taxing it means a double penalty on the Customer. Secondly, Dividends of MFs are already exempt from Tax, and the same should apply logically to Bank Interests. Thirdly, the Bank lends at higher rates and makes money. So, the customer's deposits are indirectly being used for productive purposes

Sandeep:

Can't agree with the statement about the regressive nature of tax laws. They have been extremely simplified by the I-T dept. in case of salaried employees. Also, TDS is applicable if the interest earned in an year is more than INR 10K. Assuming 9.5% interest rate, this should happen if the FD amount is more than INR 1,00,000. I'd humbly say it's worth the hassle.

Umang Desai:

I have a very simple point to add. Look at the limit prescribed for TDS in Bank FD/Company FD, viz 10000/5000 Rs. per annum. In the scenario when a number of people including Senior Citizens would have a Bank FD/Co.FD of minimum 1--2 lakh Total Bank FD. if we consider rate of Int @9%pa final figure would come to 9000/- to 18000/- p.a. in this case imagine a situation of Senior Citizen. under any circumstances the TDS will be applicable and the Banks would deduct the tax as TDS in absence of Form 15G/15H. In today's era the limit of 10000/5000 is funny. All the people after 20-30 yrs of jobs would be earning int. not less than 25000 pa. if u compare it with present limit, it is very annoying. MR FM pl look in to this, help Senior Citizen from this hassels

Govind Shanbhag:

15 G/H even if submitted and if the interest income in total is more than Rs.75,000/- including accrued one, then it is mandatory for the bank to deduct tds. One problem we are facing especially senior citizen is, suppose he has a Term deposit for say 3-5 years, and tds is deducted on accrued interest on first year and in the second year if the depositor takes premature encashment, then TDS deducted can not be adjusted by the bank and poor depositor either has to claim by filing return and/or forget about, the second option is generally taking place.

AVM:

When PAN details of a customer are not available in Bank, in such instances TDS on term deposits is recovered @ 20% , even though on occasions the customer might have provided PAN details to the Bank. To overcome such issues it should be made mandatory that PAN details are printed on the Term Deposit receipt, so that discrepancy if any can be brought to the notice Bank for necessary correction regarding PAN details. This is urgently needed as PAN @20% is not reflected in the AS26 of the account holder resulting in not getting credit for the TDS recovered.

Govind Shanbhag:

at least in SBI and group, when pan details are not available with them (1) they send call on us letter to depositor (2) they call on your landline/cell (3) try all tricks of the trade to get pan details. Now a days no account gets opened without pan details.

Sundaram:

A very sensible and practical suggestion. I don't think even the banks should have any difficulty about this.

Shri. Pranab Mukerjee,
Union Finance Minister

Shri R.S. Gujral
Finance Secretary,

Shri DK Mittal
Banking Secretary,

Mrs. Kishori Udeshi
Chairperson,
Banking Codes & Standard
Mumbai

Shri Ashok Ravat,
Hon. Secretary
All India Bank Depositors Association,
Mumbai

M.D. Mallya,
Chairman,
India Banks Association,
Mumbai

D. Subbarao
Governor,

Dr K. C. Chakrabarty
Deputy Governor,
Reserve Bank of India,
Central Office,
Mumbai 400001.