

SECTION 193: INTEREST ON SECURITIES

- (1) This section casts responsibility on every person responsible for paying to a resident any income by way of interest on securities.
- (2) Such person is vested with the responsibility to deduct income-tax at the rates in force from the amount of interest payable.
- (3) Tax should be deducted at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier.
- (4) However, no tax deduction is to be made from any interest payable:
 - (i) On 4¼% National Defence Bonds 1972, where the bonds are held by an individual not being a non-resident;
 - (ii) On 4¼% National Defence Loan, 1968 or 4¾% National Defence Loan, 1972, where the interest is payable to an individual;
 - (iii) On National Development Bonds;
 - (iv) On 7-year National Savings Certificates (IV Issue);
 - (v) On debentures issued by any institution or authority or any public sector company or any co-operative society (including a co-operative land mortgage bank or a co-operative land development bank), as notified by the Central Government;
 - (vi) on 6½% Gold Bonds, 1977 or 7% Gold Bonds, 1980, where the bonds are held by an individual (other than a non-resident), provided that the holders of the bonds make a written declaration that the total nominal value of the bonds held by him or on his behalf did not in either case exceed Rs.10,000 at any time during the period to which the interest relates;
 - (vii) On any security of the Central Government or a State Government;

Note – It may be noted that tax has to be deducted at source in respect of interest payable on 8% Savings (Taxable) Bonds, 2003, if such interest payable exceeds Rs.10,000 during the financial year.

(viii) On debentures issued by the company in which the public are substantially interested to a resident individual. However:

(a) Such debentures must be listed in a recognized stock exchange;

(b) The interest should be paid by the company by an account payee cheque;

(c) The amount of such interest or the aggregate thereof paid or likely to be paid during the financial year to the resident individual should not exceed Rs.2,500.

(ix) On securities to LIC, GIC, subsidiaries of GIC or any other insurer, provided –

(a) The securities are owned by them or

(b) They have full beneficial interest in such securities.

(5) In all the above cases, the declaration shall be made by the recipient to the person responsible for paying such interest on securities.

(6) If the person entitled to receive interest produces a certificate under section 197 from the Assessing Officer to the effect that his total income is either below the taxable limit or is liable to income-tax at a lower rate, the interest on securities shall be paid without any deduction of tax or after deduction of tax at such lower rate, as the case may be.

(7) Where any income by way of interest on securities is credited to any account in the books of account of the person liable to pay such income, such crediting is deemed to be credit of such income to the account of the payee and tax has to be deducted at source.

(8) The account to which such interest is credited may be called “Interest Payable account” or “Suspense account” or by any other name.