



KERALA STATE ELECTRICITY BOARD LIMITED

(Incorporated under the Companies Act, 1956)

Registered Office : Vydyuthi Bhavanam, Pattom,

Thiruvananthapuram – 695 004, Kerala

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Abstract

Income Tax TDS under Section 194N by Banks – Opening of specific bank accounts for imprest purposes – Sanctioned – Orders issued.

CORPORATE OFFICE (FINANCE WING)

B.O.(FTD) No. 467/2020(FA/Tax Cell/IT/TDS/2020-21/50) Thiruvananthapuram Dated:09.07.2020

- Read: 1. Note No. FA/Tax Cell/IT/TDS/2020-21/50 dated 19.06.2020 submitted to the Chairman and Managing Director, KSEB Ltd
2. Note No. FA/Tax Cell/IT/TDS/2020-21/55 dated 25.06.2020 submitted to Full Time Directors (Agenda 2/7/20)

ORDER

As per Income Tax Act 1961, cash payments above Rs.10,000/- shall not be allowed as expense in the Income Tax Return. Also, w.e.f. 01/04/2017, any person who receives above Rs. 2 Lakhs in cash will be liable to penalty equivalent to the amount received. In order to discourage cash transactions in the country and promote the digital economy, various measures have been taken by Governments over time. In continuation to this, 'Section 194N – TDS on cash withdrawals over and above Rs.1 crore' has been introduced by Government of India through the Finance Bill, 2019. The provisions of Section 194N will be applied to the payments made on or after 1 September 2019. As per this Section, any bank (private or public sector). Co-operative Society and Post Office will have to deduct TDS @ 2% under Section 194N, while making the cash payment over and above Rs 1 crore in a financial year to the payee. The limit of Rs 1 crore in a financial year is with respect to per bank or post office and not a taxpayer's individual account.

KSEBL is having many bank accounts with State Bank of India throughout the State of Kerala. In such a case the limit of Rs. 1 Crore is determined on the basis of total withdrawals from all branches of SBI put together. At present, imprest payments (Temporary/Permanent) are made to imprest holders through cash cheque. Banks are treating payments against cash cheques as cash withdrawals. As payments through Imprest are more than Rs.1 crore in a year, SBI is liable to deduct TDS @ 2%.

Accounts Rendering Units (ARU) have reported that the banks have deducted Tax under Section 194N, from the bank accounts opened by the ARU, and requested for direction in respect of

accounting the same. As the tax is deducted from the disbursement account of ARU, there is possibility for dishonoring of cheques issued by the ARU. Also it will affect the cash flow of KSEBL. There are several procedural difficulties in managing the above in our system.

The Financial Adviser, vide Note read (2) above, had appraised the matter to the Full Time Directors and furnished proposal to overcome the issue. Having considered the matter in detail, the Full Time Directors in the meeting held on 02.07.2020, resolved to accord sanction for the following:

1. Every Imprest holder is directed to open a specific Bank account in his/her personal name, with any nationalized bank for the sole purpose of imprest transactions and shall intimate the bank details to the ARU. The ARU shall add the details against the employee in SARAS software.
2. Every payment to the person by way of payment / recoupment of permanent or temporary imprest or for any other official purposes shall be transferred to the above said bank account of the employee.
3. When the person gets transferred to any other office, the balance in the bank account shall be remitted back to bank account of the ARU and imprest shall be closed as per the procedure in vogue. NLC shall be issued only after remittance of the balance and closing of the imprest.
4. The same bank account can be used even if the person is in charge of more than one office with imprest.
5. The account shall be operated so long as the person is an imprest holder, irrespective of the place or designation of the employee.
6. The charges debited by the bank to the account so opened, on account of transactions relating to imprest shall be reimbursed to the imprest holder through Imprest, supported by documentary proof. Also any interest credited to the specific bank account so opened shall be remitted to the KSEBL Account.
7. Whenever the person ceases to become an imprest holder for a period of more than one year, if the account so opened is not closed, bank charges debited by banks will not be recouped by KSEBL.
8. The imprest from 01/08/2020 shall be released only to the bank account opened by the imprest holder.

9. The TDS under Section 194N deducted by bank is to be accounted under **Account Code: 27425: Other Loans & Advances >Adv IT & TDS>TDS-Other Receipts** and TDS Certificate shall be obtained from the Bank and forwarded to the O/o Financial Adviser.

Orders are issued accordingly.

By Order of the Full time Directors

Sd/-

Lekha. G

Company Secretary (in-charge)

To

The Financial Adviser, K.S.E. Board Ltd.

Copy to:

The Chief Internal Auditor.

The TA to Chairman & Managing Director / Director (Distribution, IT & HRM) /

Director (Transmission, System Operation, Safety, Corporate Planning & REES) /

Director (Generation (Electrical) and SCM) / Director (Generation-Civil),

Full Additional Charge of Sports Wing, KSEB Ltd.

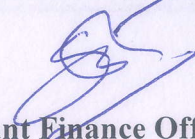
The PA to Director (Finance) /Secretary (Administration).

The Chief Vigilance Officer / The Legal Adviser & Disciplinary Enquiry Officer.

The Deputy Chief Engineer (IT) / The Company Secretary-in-charge.

The Faircopy Superintendent, O/o the Secretary (Administration) by E-mail through EDP Section / Stock File.

Forwarded / By Order



Assistant Finance Officer