

ಚಾಮುಂಡೇಶ್ವರಿ ವಿದ್ಯುತ್ ಸರಬರಾಜು  
ನಿಗಮ ನಿಯಮಿತ  
(ಕರ್ನಾಟಕ ಸರ್ಕಾರದ ಸ್ವಾಮ್ಯಕ್ಕೆ ಒಳಪಟ್ಟಿದೆ)  
ನಿಗಮ ಕಾರ್ಯಾಲಯ,  
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Company Identity Number[CIN]:- U40109KA2004SGCO35177

No: CESC/TAX/GST/88721/2023-TAX/ *ಯ-1169*  
Encl:

Date: 02 DEC 2023

### Circular

**Sub:-** TDS and TCS at higher rate consequent of PAN becoming inoperative who has failed to link with Aadhar as per Rule 114AAA of Income-tax Rules, 1962-Reg.

**Ref:-**1) CBDT circular No.3 of 2023, dated 28.3.2023

2) CBDT Notification no. 15 of 2023, dated 28.3.2023

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CBDT vide circular cited under reference (1) clarified that substitution of Rule 114AAA of Income-tax Rules, 1962 (vide notification No. 15 of 2023 dated 28.03.2023) which specifies about PAN becoming **INOPERATIVE due** to non-linking PAN & Aadhar with following consequences:

- Where TDS is deductible in case of such person, TDS shall be deducted at higher rate in accordance with the provisions of section 206AA (Non furnishing of PAN)
- Where TCS is collectible in case of such person, TCS shall be collected at higher rate in accordance with the provisions of section 206CC (Non furnishing of PAN by buyer)
- Pending refund will not be issued
- Interest on refund shall not be payable

The Income tax Rule 114AAA is applicable to PAN numbers which has 'P' or 'H' in the 4th alphabet place (i.e., Individual person/HUF) applicable mainly to employees, consumers who receive interest credit from CESC (which is more than Rs.5000) and electrical contractors.

As per **Section 206AA** in the act mandates furnishing of PAN or Aadhaar number in case of receipt of any amount on which tax is deductible. If the employee / consumer/ electrical contractor (deductee) fails to comply, the deductor (CESC) has been made responsible to make TDS at higher of the following rates:

- at the rate specified in the relevant provision of this Act; or
- at the rate or rates in force; or
- at the rate of twenty per cent

As per **Section 206CC** mandates furnishing of PAN or Aadhaar number with PAN for every taxpayer who is a buyer (ex: Scrap buyer) to CESC who is responsible for collecting the TCS. If the buyer fails, then higher of the following rate will be applicable:

- i) at twice the rate specified in section 206C or
- ii) at the rate of 5%

**In case of Salary (TDS)** - where the income of the employee computed for TDS u/s 192 is below taxable limit, no tax will be deducted. But where the income of the employee computed for TDS u/s 192 is above taxable limit, the deductor (CESC) will calculate the **average rate** of income- tax based on rates in force for the financial year in which the payment is made, on the **estimated income** of the assessee under the head of Salary **for that financial year.** (i.e., Estimated Tax / Estimated taxable income after considering deductions). If the tax so calculated is below 20%, deduction of tax for inoperative PAN will be made at the rate of 20% (ie., higher rate) and in case the average rate exceeds 20%, tax is to be deducted at the average rate.

**In case of other payments ( TDS and/or TCS ) :** The accounting units have to determine the tax rate for inoperative PAN as per section 206AA and / or 206CC.

Status of the PAN (operative / non operative) can be verified by going through the list of PAN uploaded in google spread sheet shared by Tax section of corporate office as verified through Income Tax portal. In case the PAN holder is new, or the PAN is not present in the list shared in google spread sheet, the same can be verified by contacting Tax section.

Non-compliance of the above provision i.e., TDS/TCS at higher rates whose PAN is inoperative, the accounting units will end up with the TDS default i.e, TDS/TCS is deducted at normal rate and TDS returns filed, then TRACES will generate the TDS default as "SHORT DEDUCTION" towards inoperative PAN holders TDS/TCS.

Hence, all the accounting units shall comply with the above provisions to avoid piling up of TDS defaults. Failure of which will be dealt seriously as it leads to financial implications to the company.

  
Director(Finance)

**Copy to:-**

- The Chief General Manager (I/A), CESC, Corporate Officer, Mysuru, for information.
- The chief Engineer (Ele), Mysuru Zone/ Hassan Zone, CESC.
- All General Manager, CESC, Corporate Office, Mysuru.
- All SEEs O&M Circles, CESC.
- All Deputy General Manager, CESC, Corporate Office, Mysuru.
- Deputy General Manager (MIS) Corporate- for publication official website of CESC.
- All Executive Engineer (Ele) O&M Division, CESC- Hereby directed to intimate this provision to concerned all subordinate offices under your jurisdiction.
- The Asst. General Manager, (EBC)/(Finance)/(Revenue)/(IM), CESC, Corporate Office, Mysuru.
- All Account Officers-I/A, CESC.
- MF.