

CIRCULAR NO. 2/2007, DATED 21-5-2007

OPTION TO CERTIFY TDS CERTIFICATES BY WAY OF DIGITAL SIGNATURES – CIRCULAR UNDER SECTION 119 OF THE INCOME-TAX ACT, 1961.

The provisions of section 203 of the Income-tax Act, 1961 lay down that every person responsible for deduction of tax at source shall furnish a certificate of deduction of tax at source to the deductee specifying therein the amount of the tax deducted and the rate at which the tax has been deducted and other particulars prescribed under rule 31 of the Income-tax Rules, 1962. The relevant Form for such certificate in respect of tax deducted at source from income chargeable under the head “Salaries” is Form No.16.

2. Representations have been received in Board to the effect that some companies have a large number of employees and the issuance of certificates of deduction of tax at source with manual signatures is becoming very time consuming. The request, therefore, is that the Department should allow the employers to use their digital signatures to authenticate TDS certificates instead of signing the certificates manually. As the field formations are aware, the requirement of annexing TDS certificates with the return of income has been dispensed with. The TDS certificates are now issued only for the purpose of personal record of the deductees subject to the condition that they may be required to produce the same on demand before the Assessing Officer in terms of section 139C, inserted by the Finance Act, 2007. The TDS claim made in the return of income is also required to be matched with the e-TDS returns furnished by the deductors. Assessing Officers may, if considered necessary, also write to the deductors for verification of the correctness of the taxes deducted or other particulars mentioned in the certificate.

3. Digital signatures are being used to authenticate most of the e-commerce transactions on the internet. The transmission of information using digital signatures is failsafe. The Central Board of Direct Taxes have, therefore, in exercise of powers under section 119 of the Income-tax Act, 1961, decided for the proper administration of this Act to allow the deductors, at their option, in respect of the tax to be deducted at source from income chargeable under the head “Salaries” to use their digital signatures to authenticate the certificates of deduction of tax at source in Form No.16. The deductors will have to ensure that TDS certificates in Form No.16 bearing digital signatures have a control No. with log to be maintained by the employer (deductor). The deductor will ensure that its TAN and the PAN of the employee are correctly mentioned in such Form No.16 issued with digital signatures. The deductors will also ensure that once the certificates are digitally signed, the contents of the certificates are not amenable to change by anyone. The income-tax authorities shall treat such certificate with digital signatures as a certificate issued in accordance with rule 31 of the Income-tax Rules, 1962.