

F. No. 225/30/2003/ITA.II
Government of India
Ministry of Finance & Company Affairs
Department of Revenue
Central Board of Direct Taxes

New Delhi, the 29th May, 2003.

To

All Chief Commissioners of Income tax,
All Directors General of Income tax.

Sub. – Provisions of Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993 – Interest not to be allowed as deduction from income-

Sir,

The provision of Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings under the Small Scale and Ancillary Industrial Undertakings Act, 1993 (No. 32 of 1993) came into force on 23rd day of September, 1992 with an objective to provide for and regulate the payment of Interest on delayed payments to Small Scale and Ancillary Industrial Undertakings. It has come to the notice of the Board that many Assessing Officers are perhaps not fully aware of the provisions of section 9 of the said Act.

2. Section 9 of the aforementioned Act prohibits allowance of Interest payable or paid by the buyer to the supplier in the computation of total income of the buyer under the Income Tax Act. The said section 9 is reproduced below for convenience of reference.

"9. Interest not to be allowed as Deduction from Income

Notwithstanding anything contained in the Income Tax Act, 1961, the amount of interest payable or paid by any buyer, under or in accordance with the provisions of this Act, shall not, for the purposes of computation of income under the Income-tax Act, be allowed as deduction."

3. The above may be brought in the notice of all the Assessing Officers in your charge for effective implementation.


(Sangeeta Gupta)
Director (ITA-II)

Copy forwarded to :

1. Chairman and All Members of CBDT.
2. All Officers and Technical Sections of CBDT.
3. Director of Inspection (Inv.) / IT & Audit / Vigilance / Inv. / RSP & PR / Recovery / Spl.Inv.
4. Dy. Director of Inspection (P&PI), New Delhi.
5. C&AG of India (40 copies)
6. Asstt. Director of Inspection (Bulletin), New Delhi.
7. Competent Authority, Chennai / Delhi / Mumbai / Calcutta.
8. JS & Legal Adviser, Ministry of Law & Justice, New Delhi.
9. Director (O&MS) (IT), New Delhi.
10. Director (NADT)
11. Commissioner (AAR)


(Sangeeta Gupta)
Director (ITA.II)