



## FINANCE (PUC) DEPARTMENT

### G.O. (Ms) 529/94/Fin., dated, 20<sup>th</sup> September 1994

*Sub.-* Public Sector Undertakings-Income tax liability on interest earned on funds deposited in the TSB Account before commencement of business-Transfer of interest to Government account-Orders issued.

*Ref.-* 1. Circular No. 88/82/Fin., dated 18<sup>th</sup> December 1982.  
2. D.O. Letter No. Internal Audit Board/Tax 22/92/680 dated 26<sup>nd</sup> March 1992 from the Chairman I.A.B.

### ORDER

Government had ordered in the circular I<sup>st</sup> cited that all PSUs/Statutory Corporation and autonomous bodies should, keep their funds in the TSB account and withdraw according to actual requirements only. The Chairman, Internal Audit Board in this D.O. letter 2<sup>nd</sup> cited has pointed out that in the case of Companies which have not been commissioned/commenced business, the interest earned in their TSB account is not allowed to be set off against the preliminary/pre operational expenses of the Company and hence becomes liable for payment of income tax an income under the head "Income from other sources". In order to avoid the outflow of cash from the funds of the companies in the form of income tax the Chairman, Internal Audit Board has suggested that Government may stipulate that the interest so earned by the Companies will accrue to Government and should be remitted into Government account till the Companies Commence its business activities.

Government have considered the matter in detail and are pleased to order that whenever Financial Assistance to Public Sector Undertakings, Statutory Corporation and autonomous bodies is sanctioned in future, it may be stipulated in the relevant Government order that the amount should be deposited in the TSB/PD account for which no interest would accrue.

In the case of newly formed Public Sector Undertakings the interest earned by them on the funds deposited in the TSB/PD account would accrue to Government and should be remitted into Government account till the end of the year preceding the year in which the company commences its business activities.

(By order of the Governor)

**K.M. CHANDRASEKHARAN**  
*Finance Secretary*