



Income Tax Department

Government of India

1184. Clarifications regarding use of Form No. 16 for pensioners where pensioners are drawing their pensions through banks

1. The attention of the Board has been drawn to certain difficulties being faced by pensioners drawing their pensions through banks where the tax deduction at source certificate in the prescribed Form No. 16 is some-time denied to them on the ground that no employee-employer relationship exists between the banks and the pensioner. At times, objections have also been raised by the banks on the premise that Form No. 16 relates to deductions from salaries and not from pensions. In other cases, the certificates have been denied on the ground that the bank was not aware of any other income which the pensioner may have had.
2. The matter has been considered by the Board. It is hereby clarified that :—
 - (a) as per section 17(1)(ii) of the Income-tax Act, 1961, the term 'salary' includes pension;
 - (b) once tax has been deducted under section 192 of the Income-tax Act, 1961, the tax-deductor is bound by section 203 to issue the certificate of tax deducted in Form 16. No employee-employer relationship is necessary for this purpose;
 - (c) the certificate in Form No. 16 cannot be denied on the ground that the tax deductor is unaware of the payees' other income.
3. These clarifications may be brought to the notice of all concerned, especially the banks in your region.

Circular : No. 761, dated 13-1-1998.