

## FINANCE (TFR.II) DEPARTMENT

Cir.Memo.No.3371/84/A1/TFR.II/05

Dated 25.07.2005

Sub : Payments through DDO Account – Banking Cash Transaction Tax -  
Tax on cash transactions – Instructions – Issued.

Ref : 1. G.O.Ms.No.90, Fin. (TFR) Dept., dt.31.01.2002  
2. G.O.Ms.No.508, Fin. (TFR) Dept., dt.10.04.2002  
3. D.O.F.No.142/14/2005-TPL(P.T.) of Revenue Secretary,  
GOI, Min. of Fin., New Delhi, dated 2.6.2005.

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In the G.O. 1<sup>st</sup> read above, orders have been issued for payment of salaries and all other employee payments through banks. The scheme is introduced to offer more transparency, flexibility and latest modern banking facilities to the employees. The scheme is made optional to employees. But the Drawing and Disbursing Officers shall open a Zero-balance Account in the Government Bank to facilitate crediting of salaries (those who have yet to exercise their option for the Scheme) and non Government deductions etc. The DDO shall make the payments in cash after encashing DDO cheques at Government Bank.

In the letter 3<sup>rd</sup> read above, it is informed that the Finance Act, 2005 has introduced a new levy, namely, the Banking Cash Transaction Tax (BCCT), which has already come into effect from 1<sup>st</sup> June, 2005. The BCCT is levied at the rate of 0.1 per cent of the value of taxable banking transactions i.e. withdrawal of cash (by whatever mode) exceeding Rs.1,00,000/- on any single day from an account (other than a savings bank account) with any scheduled bank. The BCCT is also payable, amongst others, by an office or establishment of the Central or the State Government of a State.

Accordingly, Central and State Government offices or establishments will be liable to pay the BCCT on the amount of cash withdrawn by them for their use in excess of Rs.1,00,000/- in a single day from a single account. The Union Finance Minister has been informed that Government officers or establishments are required, in particular, to withdraw large sums for disbursement of salaries to Group 'C' and 'D' employees and therefore they will also have to bear this liability. He has desired that employees (including daily wagers) should be encouraged to open bank accounts and accept salary payments by cheques. This will help the Central and State Governments to minimize the banking cash transaction tax liability.

In view of above, all the Drawing and Disbursing Officers (DDOs) in the State are requested to take appropriate steps to minimize their cash transactions and reduce their banking cash transaction tax liability. They are also requested to encourage the employees to open bank account, those who have yet to exercise their option under the scheme, to avoid cash transactions and tax liability on them.

The Director of Treasuries and Accounts, Pay and Accounts Officer and Director of Works and Projects shall also take necessary steps for minimizing cash transactions. That means curtail the crediting of amounts into the DDO Accounts to the extent possible and credit all the payments of employees other than salaries into their individual accounts.

All the Secretariat Departments are requested to ensure that all the Heads of Departments shall follow the instructions issued in the matter.

**A. GIRIDHAR**  
SECRETARY TO GOVERNMENT (IF)