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महानिदेशक

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राष्ट्रीय ग्रामीण विकास एवं पंचायती राज संस्थान

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NIRD/RSETI/MoRD2016-17

Date: 21.03.2017

Dear Sir,

RSETIs are established & run by trust/societies registered by various banks under the trust/society acts. As per Ministry of Rural Development guidelines we are releasing infrastructure grant of Rs.1.00 crore to each RSETI for creation of infrastructure on the land allotted by State government on lease basis.

Recently, some of the Banks reported that they have been served with notices by Income Tax Department "Why the amount released by MoRD/NIRD should not be taken into account for computation of total income". The bank urged before the Tax Authorities that RSETIs are charitable institutions registered under trust/societies and are engaged in imparting skill development training to unemployed youth to enable them to earn sustainable livelihood. RSETIs are neither business organizations, nor they are categorized as contractors. The infrastructure grant released by MoRD as infrastructure fund and not as contract payment for construction of RSETI buildings.

Ignoring Banks contention, Income Tax Department issued demand notice under section 156 treating infrastructure grants received from MoRD as income and levied the tax at 30%. Further, income tax department made allegation on banks for concealment of the fact and started penalty proceedings under section 271(1)(c). Thus tax liability and penalty may exceed the total grant released by MoRD. In such a situation RSETI movement will get a big setback.

Considering the gravity of the matter, it is requested that matter may be taken up with Ministry of Finance to resolve the issue. The entire set of correspondence between bank & income tax department is attached for your ready reference & further urgent action.

With Regards

Yours faithfully,

W. R. Reddy

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