

(b) if so, the names of tax defaulting companies who have not paid the tax during the last three years, till date; and

(c) what action Government proposes to take or has taken till date for speedy recovery of above mentioned dues from corporate sector, the details thereof, year-wise?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):  
(a) to (c) The information is being collected and will be laid down on the Table of the House.

#### **Exchange of fake currency issued by ATM**

†2012. SHRI OM PRAKASH MATHUR : Will the Minister of FINANCE be pleased to state:

(a) whether the incidents of fake currency from ATM machines as well as from note bundles issued by banks have increased in recent days and hence common man are being adversely affected;

(b) whether banks do not exchange such fake currencies submitted by the common man, thus ensuring these currencies remain in circulation; and

(c) whether Government is about to take a decision in this regard that a customer will be fully paid in case he returns a fake currency note?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):  
(a) Reserve Bank of India (RBI) have reported that a few complaints have been received by them regarding counterfeit currency being dispensed through ATMs. The details are given below:-

Year (Jan-Dec)	No. of Pieces
2007	07
2008	04
2009	08

(b) and (c) Each banknote, on examination, if found counterfeit, has to be impounded in terms of extant instruction issued by RBI to all the banks vide Master Circular dated July 1, 2009 and a receipt is to be issued to the tenderer. The note is branded with a stamp "COUNTERFEIT BANKNOTE". As such the note is impounded by the Bank and forwarded to the police authorities for further investigation by filing FIR. Since the counterfeit note has no value, no exchange will be paid by the Bank.

#### **Payment by TPAs in Insurance Sector**

2013. SHRI JAI PRAKASH NARAYAN SINGH: Will the Minister of FINANCE be pleased to state:

† Original notice of the question was received in Hindi.

(a) whether it is a fact that the Central Board of Direct Taxes (CBDT) had issued a circular dated 24th November, 2009 in connection with application of provisions of section 194J of Income Tax Act in the case of payments by the Third Party Administrators (TPAs) in the insurance sector to Hospitals;

(b) if so, the details thereof and whether any model format has been issued to the TPAs in which the auditor's certificates are to be issued;

(c) the time limit by which the certificates are to be issued; and

(d) the basis on which the 203 certificates are to be issued to hospitals in case a TPA makes an interim payment to Government?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):

(a) Yes Sir. The Central Board of Directtaxes has issued a Circular No. 8/2009 dated 24th November, 2009 to clarify the rule position of deductibility of tax at source on payment by TPAs to hospitals etc u/s 194J of the Income Tax Act (the copy of the circular is given in the Statement (see below).

(b) to (d) The circular clearly provides that a certificate from the Auditor of the deductee assessee stating that all the taxes and interest on the above receipts have been paid by the deductee assessee (hospitals etc.) would be treated as sufficient compliance for the purpose of section 201 (1) of Income Tax Act. No time limit has been specifically given in the circular as the effect to compliance to section 201 (1) shall be considered by the AO only on the presentation of Auditor's certificate by the deductor. The certificate u/s 203 has to be issued by the deductor, as usual, in accordance with the provisions of law.

***Statement***

*Circular issued by CBDT regarding application of provision of  
Section 194J of Income Tax Act*

*Circular No.-8/2009  
F.No.385/08/2009-IT(B)*

**GOVERNMENT OF INDIA**

**Ministry of Finance**

**Department of Revenue**

**Central Board of Direct Taxes**

New Delhi, dated the 24th November, 2009

**Sub: Applicability of provisions under Section 194J of Income Tax Act'61 in the case of transactions  
by the Third Party Administrators (TPAs) with Hospitals etc.**

A number of representations have been received from various stakeholders regarding applicability of provisions under Section 194J of Income Tax Act'61 on payments made by Third Party Administrators (TPAs) to hospitals on behalf of insurance companies for settling medical/insurance claims etc. with the hospitals.

2. The matter was examined by the Board. As per provisions of section 194J (1) 'Any person, not being an individual or a Hindu undivided family, who is responsible for paying to a resident any sum by way of—

- (a) fees for professional services, or
- (b) fees for technical services, [or]
- (c) royalty, or
- (d) any sum referred to in clause (va) of section 28J

shall, at the time of credit of such sum to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to ten per cent of such sum as income-tax on income comprised therein...". Further as per Explanation (a) to 194J "professional services" means services rendered by a person in the course of carrying on legal, medical, engineering or architectural profession etc..'.

3. The services rendered by hospitals to various patients are primarily medical services and, therefore, provisions of 194J are applicable on payments made by TPAs to hospitals etc. Further for invoking provisions of 194J, there is no stipulation that the professional services have to be necessarily rendered to the person who makes payment to hospital. Therefore TPAs who are making payment on behalf of insurance companies to hospitals for settlement of medical/insurance claims etc. under various schemes including Cashless schemes are liable to deduct tax at source under section 194J on all such payments to hospitals etc.

- 3.1. In view of above, all such past transactions between TPAs and hospitals fall within provisions of Section 194J and consequence of failure to deduct tax or after deducting tax failure to pay on all such transactions would make the deductor (TPAs) deemed to be an assessee in default in respect of such tax and also liable for charging of interest under Section 201 (1A) and penalty under Section 271C.

4. Considering the facts and circumstances of the class of cases of TPAs and insurance companies, the Board has decided that no proceedings u/s 201 may be initiated after the expiry of six years from the end of financial year in which such payment have been made without deducting tax at source etc. by the TPAs. The Board is also of the view that tax demand arising out of Section '201 (1) in situations arising above, may not be enforced if the deductor (TPA) satisfies the officer in charge of TDS that the relevant taxes have been paid by the deductee assessee (hospitals etc.). A certificate from the auditor of the deductee assessee stating that the tax and interest due from deductee assessee has been paid for the assessment year concerned would be sufficient compliance for the above purpose. However, this will not alter the liability to charge interest under Section 201(1A) of the Income Tax Act till payment of taxes by the deductee assessee or liability for penalty under Section 271C of the Income Tax Act as the case may be.

5. The contents of the circular may be brought to the notice of officers and officials working under you for strict compliance.

Hindi version will follow

Sd/-  
(Ansuman Pattnaik)  
Director (Budget)

Copy to:-

1. The Chairman, Members and other offices in CBDT of the rank "of Under Secretary and above.
2. All Chief Commissioners and Director Generals of Income Tax.
3. 100 copies to DIT (PR, PP & OL) for printing in the quarterly tax bulletin and for circulation as per their usual mailing list.
4. DIT (TDS), DIT (Recovery), DIT (System), DIT (DOMS), DIT (Vigilance) and DIT (IT).
5. All CIT (TDS).
6. The Comptroller and Auditor General of India (40 copies).
7. Guard File.

Sd/-  
(Ansuman Pattnaik)  
Director (Budget)

#### Appeals pending with CIT and CESTAT

2014. SHRI MANOHAR JOSHI: Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that a large number of appeals are pending for disposal with the CIT (Appeals) and also with the Customs, Excise and Service Tax Appellate Tribunal (CESTAT);
- (b) if so, the details thereof;
- (c) the reasons for such pendency;
- (d) the total revenue involved therein; and
- (e) the steps being taken by Government to expedite disposal of these cases?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM) :  
(a), (b) and (d) Yes, Sir. The number of cases pending with CIT (Appeals) and CESTAT is as under:

	No. of cases	Amount involved (Rs. in crores)
CIT (Appeals) as on 30.11.2009	1,53,071	2,05,963.81
CESTAT as on 1.1.2010	46,930	31,136.91