Circular : No. 430 [F. No. 225/101/85-IT(A-II)], dated 6-9-1985

1. The Act and the Scheme framed thereunder have been amended from time to time to provide for liability for making compulsory deposits up to and including the financial year 1984-85. Under the Act, the compulsory deposit made or recovered in a financial year is repayable in five equal annual instalments commencing from the expiry of two years from the end of that financial year, together with interest.

2. It has now been decided to abolish the scheme of making compulsory deposits under the Act with effect from 1-4-1985. There would, therefore, be no liability to make compulsory deposit from the financial year 1985-86 onwards. However, under an amendment made by the Compulsory Deposit Scheme (Income-tax Payers) Amendment Act, 1985, no depositor will be entitled to withdraw before the expiry of the financial year 1985-86, any amount relating to it otherwise becoming due for repayment or payment during that financial year. Such amount shall carry interest for the period as if it were a compulsory deposit and the provisions of the Act will continue to apply in relation to such amount.

3. *Some queries* raised in this connection *are clarified* below :

Question	Answer
(*1*) Can a bank accept payment of compulsory deposit after 31-3-1985?	Yes. A bank can accept payment of compulsory deposit even after 31-3-1985. However, the question whether the depositor is liable to a penalty under section 10 will be decided by the Income-tax Officer.
(*2*) Can a person attaining the age of 65 years before 1-4-1985 be paid the amount standing to his credit in the compulsory deposit account?	Yes. The postponement of payment by one year provided for by the Amendment Act does not apply to such persons.
(*3*) Can a person who was eligible to receive payment of instalments under the Scheme prior to 1-4-1985, but who had not made the withdrawal, be allowed payment of such amount during the financial year 1985-86?	Yes. The postponement of payment of instalments and interest applies only in respect of amounts falling due for repayment during the financial year 1985-86 and not to amounts which became repayble during an earlier financial year.
(*4*) In cases of extreme hardship, will earlier repayment of any deposit or any instalment thereof be permissible under the second proviso to section 8(1) during the financial year 1985-86?	Yes. Such earlier repayments will, however, be subject to satisfaction of the conditions laid down in the second proviso to section 8(1).

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