



### **Provision for calculation of taxable interest on PF contribution specified**

The Central Board of Direct Taxes (CBDT) has notified the Provision for calculation of taxable interest relating to contribution in a provident fund exceeding specified limit, which will be effective from April 1, 2022. The notification seeks to insert Rule 9D in this connection.

Pertinent to note Finance Act, 2021 made contributions to PF in excess of INR 2.50 lacs in a Financial Year taxable. This threshold was further enhanced to INR 5 lacs in cases where no contribution is made by an employer, which benefits government employees. With the provisions contained in the published notification, separate accounts within the PF account shall be maintained from the ongoing financial year onwards for taxable and non-taxable contributions.

Relevant text of the notification issued is reproduced hereunder for ready reference:

*For the purpose of the first and second provisos to clauses (11) and (12) of section 10, income by way of interest accrued during the previous year which is not*

*exempt from inclusion in the total income of a person under the said clauses (hereinafter in this rule referred to as taxable interest), shall be computed as the interest accrued during the previous year in the taxable contribution account.*

*For the purpose of calculation of taxable interest under sub-rule (1), separate accounts within the provident fund account shall be maintained during the previous year 2021-2022 and all subsequent previous years for taxable contribution and non-taxable contribution made by a person.*

*Explanation: For the purpose of this rule,-*

*(a) Non-taxable contribution account shall be the aggregate of the following, namely:-*

*(i) Closing balance in the account as on 31<sup>st</sup> day of March 2021,*

*(ii) Any contribution made by the person in the account during the previous year 2021-2022 and subsequent previous years, which is not included in the taxable contribution account; and*

*(iii) Interest accrued on sub-clause (i) and sub-clause (ii),*

*as reduced by the withdrawal, if any, from such account;*

- (b) Taxable contribution account shall be the aggregate of the following, namely:-
- (i) contribution made by the person in a previous year in the account during the previous year 2021-2022 and subsequent previous years, which is in excess of the threshold limit; and
  - (ii) interest accrued on sub- clause (i), as reduced by the withdrawal, if any, from such account; and
- (c) The threshold limit shall mean:
- (i) five lakh rupees, if the second proviso to clause (11) or clause (12) of section 10 is applicable; and
  - (ii) two lakh and fifty thousand rupees in other cases.”.

**Source: Notification No. 95/2021 dt. August 31, 21**

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