

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 337/2010**

Subject : Petition for removal of the difficulties arising on account of billing, collection and disbursement of transmission charges activity entrusted to the petitioner.

Date of hearing : 13.8.2013

Coram : Shri V.S.Verma, Member  
Shri M. Deena Dayalan, Member

Petitioner : Power Grid Corporation of India Limited

Respondents : Himachal Pradesh State Electricity Board & others

Parties present : Shri Ved Jain, Advocate for the petitioner  
Shri M.M. Mondal, PGCIL  
Shri N.K.Jain, PGCIL  
Shri D.K Pandey, NEEPCO  
Shri Elizabeth Pyrbot, NEEPCO  
Shri M.C. Walke, MSETCL  
Shri R.B. Sharma, Advocate, GRIDCO and JSEB

**Record of Proceedings**

Learned counsel for the petitioner submitted as under:

(a) The difficulties pertaining to tax deducted at source, service tax and payment security mechanism arising out of implementation of billing, collection and distribution of transmission charges were taken up with the Income Tax Department. However, same were rejected.

(b) There is confusion under the Income Tax Act as to whether the transmission charges are liable for tax deducted at source or not. If the transmission charges are liable to deducted at source as to whether they are to be deducted at the rate of 2% under Section 194 (c) of the Income Tax Act.

(c) As per Authority of Advance Ruling, tax is leviable at the rate of 10% applicable for fee for technical services. In case of default, tax would be liable to be recovered with interest and the entire amount of payment would be disallowed while computing the income tax.

(d) The petitioner being notified as Central Transmission Utility is responsible for raising the bills to the beneficiaries. The beneficiaries have resorted to deduction of TDS at 10% for the past period based on the directive from the tax authority.

(e) Transmission is not covered under Chapter XVII of the Income Tax Act, 1961 as such no TDS is required to be deducted on any payment of transmission charges.

(f) Learned counsel requested the Commission to take up the issue with Ministry of Finance.

2. Learned counsel for GRIDCO and JSEB submitted that reply to the petition has already been filed. Learned counsel further submitted that the billing, collection and disbursement of transmission charges activity should not be entrusted to the petitioner. However, it should be handed over to a government agency like RPCs.

3. The representative of Maharashtra State Electricity Transmission Co. Ltd. submitted that reply has been filed.

4. Learned counsel for the petitioner submitted that alternatively, CTU should prepare the account of PoC charges and the DICs should be directed to pay the charges directly to the licensees. Learned counsel submitted that this would require amendment of Sharing Regulations and Procedure.

5. The Commission directed the staff to examine the above proposal.

6. The Commission directed the petitioner to file within two weeks the current position of tax deducted at source and its financial implications.

7. The Commission directed the staff to take up the matter with Ministry of Finance.

8. Subject to the above, the Commission reserved order in the petition.

**By order of the Commission**

**Sd/-  
(T. Rout)  
Chief (Legal)**